

## CARMEN LEE: OCBC Investment Research

# Curiosity can help sharpen analyst's edge

By **OH BOON PING**

IF there is a cardinal rule at OCBC Investment Research, it is to nurse a curiosity about things, besides just stocks and shares.

Says its research head, Carmen Lee: "We believe that the same level of curiosity or enthusiasm in stocks should be naturally extended to all aspects of our lives, from knowing the changing tastes of teenagers to baby boomers' latest gadgets and gizmos."

This is important, she says, as it helps ensure that the analyst's job remains exciting as he meets entrepreneurs and business leaders to discuss their business philosophies.

Ms Lee was also one of StarMine's top earnings estimators last year. Some of her best calls

include "buy" recommendations on Pacific Andes and Hotel Grand Central — calls which she has maintained since 2004.

She explains: "Due to growing affluence in China, fish consumption is expected to rise and Pacific Andes — a China fishery stock — should continue to do well."

OCBC has a fair value of 97 cents on the stock, while trading closed at 37 cents on Friday.

Hotel Grand Central is another stock that has done very well, says Ms Lee. "It is now trading at more than a dollar, compared with about 60 cents in early 2006," she says. OCBC has a fair value of \$1.25 on the stock.

During the interview, Ms Lee explained that the key ingredient in stock analysis is to know a

company really well. "For this reason, we usually make about three to four visits to the firm before initiating coverage."

Those visits, she says, give the analyst a thorough understanding of the firm's management and its core business, before a detailed analysis of the industry outlook is carried out. This includes identifying the growth and risk drivers as well as ascertaining the market expectations. "Crunching the numbers follows after that."

A veteran analyst of 18 years, Ms Lee has spent the last seven years with OCBC covering stocks from various sectors. Before that, she had also held positions at Bankers Trust, Standard Chartered Securities and UBS Warburg.

Her current portfolio includes financial and consumer stocks, and some of the consumer stocks are not widely followed here, but have been covered for three to four years now. This "niche" coverage, she says, helps to build familiarity with the management.

She feels that consumer stocks are relatively easier to understand as the products sold are often daily necessities. In contrast, she finds the coverage of financial stocks a lot more challenging, owing to the constant flow of new banking products in the sector.

"Some of these include structured products, and the analyst has to keep herself updated on these developments," she says.

"Also, it is important to have a keen interest in major news

around the world like rate cuts in the US, or economic growth numbers in other major economies."

As the research head, Ms Lee is also responsible for supervising analysts with different beats, and so it is important for her to understand other industries, besides the consumer and financial sectors. To do that, she regularly attends analysts' briefings outside her coverage. She also counts on colleagues to keep her posted on key industry trends and developments in their fields.

"Contrary to popular belief, equity research is a team effort as you need to count on every member of the team to support the projections of the other industries not under your coverage to widen the perspective of your reports."



YEN MENG JIIN

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