

Fund Manager Friday: Michael Oh of Matthews Asian Technology

By Matthew Bandyk

The runaway success of Myspace and Facebook in the past few years piqued the interest of many investors looking for the next big thing in social networking. Michael Oh, lead manager of the \$209 million Matthews Asian Technology Fund in San Francisco, was one of those Web 2.0 searchers—except he looked overseas. He bought shares of Mixi, a Japanese social networking site that has grown to 10 million members since its founding in 2004. That move is an example of Oh's philosophy that when it comes to cornering domestic consumer markets in Asia, firms should be homegrown.

"The Asian market is very different," Oh says. "Often the global company's business model doesn't work there. Asian companies seem to understand the domestic market better, so they often create better business models and capture more market share."

To get a sense of those business models, Oh puts his trust into face-to-face communication, traveling to Asia four times a year, meeting with about 40 companies each time. "Meeting with the management and visiting the companies on the ground is what matters the most to me. Just by looking at the company on paper or talking to them on the phone or reading some reports doesn't really matter that much to me."

He's been at the fund only since January of 2006, but it looks as though he

arrived at a good time. The fund has posted an average annual return of 29 percent during the past three years, beating the S&P 500 by an average of 17 percent a year. This year has been even stronger. The fund is up 36 percent to date, beating 2007 by 25 points. How does Oh explain his success? "I try to look for companies that are dominant in very strong growth industries. That ranges from Internet companies to medical equipment companies to companies in healthcare."

The fund's portfolio reflects that wide range of potential holdings. Roughly 48 percent of its 51 stocks are in the information sector, with hardware and telecommunications being the largest subgroups. An additional 31 percent is in manufacturing and 20 percent in services. Oh also focuses on large-cap stocks, which make up over half the holdings. He says that weighting is a natural result of the fund's focus on Asian technology, a field that tends to contain the region's largest companies. There's certainly no lack of representation by some of Asia's most well-known tech firms in the fund's portfolio. At 6.6 percent, Samsung is the biggest holding, and NHN, the Internet content service operator that's the largest stock in the Korean stock market, is No. 2. Nintendo and Sony are also in the fund's top 10 holdings.

But there's another side to Matthews Asian Technology as seen in some of its mid- and small-cap picks, an area that



Michael Oh, portfolio manager of the Matthews Asian Technology Fund. (Matthews Asian Funds)

Oh says he is trying to expand. "When we find small companies, we expect them to grow," he says. Baidu, a Chinese search engine with a net income of \$38.6 million in 2006, is one of the fund's largest stakes at 3.8 percent. It has more than tripled in price this year already. Oh bought into it when the company first went public last year. He was attracted by the way Baidu caters to Chinese-language users in ways that Google and other search engines don't seem to match. "Even though China has the highest number of Internet users [in the world], the potential [for growth] is still pretty big," Oh says.