

## KNOW / HOW

### BOUTIQUE OF THE WEEK

WE SHOWCASE A LESSER-KNOWN MANAGER FROM A SMALLER SHOP RUNNING A UNIQUE OR IMPRESSIVE STRATEGY

## AMERICAN KNOW-HOW MEETS CHINESE WISDOM

CHRISTOPHER TSAI HAS BUILT ON THE LEGACY OF HIS FOREBEARS TO CREATE AN ENVIABLE LONG-TERM TRACK RECORD. THE MANAGER TELLS VICKY GE HUANG HOW HE FIRST CAUGHT THE INVESTMENT BUG AGED 11

**P**ast performance isn't everything, but let's be honest, we all enjoy a good long track record. And track records don't come much longer than that of Christopher Tsai, the president and chief investment officer of New York-based Tsai Capital Corporation.

Tsai can trace his investment pedigree back to the Second World War, and he grew up surrounded by trading pioneers.

His grandmother Ruth was, he suggests, the only Chinese woman trading stocks, bonds, gold and silver on the bustling Shanghai Stock Exchange in the 1940s.

His father, Gerald Tsai, took things a step further, turning a canning company into the financial services giant Primerica, which would eventually become one of the building blocks behind Citi, having already helped build Fidelity Investments into the mutual fund powerhouse it is today.

#### PICK OF THE CROP

A renowned stock-picker, Gerald Tsai launched Fidelity's first aggressive growth fund in 1958, using a style that would become known as momentum investing. He would go on to launch his own mutual fund in 1965, which had the most popular initial

public offering of its time, raising \$247 million.

Tsai began his investment career at the tender age of 11, working for his father, analyzing investment opportunities for the family's own portfolio and foundation.

'I bought my first stock when I was about 11 years old,' he said. 'I remember it was five shares of a reinsurance company. I paid \$20 a share and it went to \$25 and I thought that was the greatest thing in the world, making \$25.'

'The only problem was the commission to trade stocks back then was really high, so the commission was more than my profit by far, so I had to convince my broker to waive the fee. He waived it.'

From there, Tsai continued his education by talking to his father's friends and business partners, many of whom were well-known chief executives and major names on Wall Street.

Tsai then followed the path of legendary investors such as George Soros and Peter Lynch by majoring in philosophy in college. He worked as an analyst for Bear Stearns after interning for Mario

Gabelli and John Levin. Eventually, driven by the calling to manage money professionally, he launched his own business at the age of 22 in 1997.

#### IN IT FOR THE LONG HAUL

His firm launched the Tsai Capital Growth Equity strategy on January 1 2000. It is the firm's longest-running strategy. Available only as a separately managed account, the strategy adheres to a long-only, global, large-cap approach.

Unlike his father, who gained fame for his ability to get in and out of positions quickly, Tsai's strategy takes a longer-term approach, holding stocks for decades.

'As Phil Fisher, who was one of Warren Buffett's mentors, said: "if the work has been done properly upfront, the time to sell a company's stock is almost never." So we really think long term, [and look at] the quality and the discount, that's our philosophy,' he said.

'If somebody comes to me and they ask me what we can make for them in the next six months,

I'm not going to take that client on. I don't care if it's a \$10 million account, because that client is not going to be the right client for us. We are very selective in choosing our clients so that we can implement the strategy and really benefit our investors.'

The strategy has outperformed the S&P 500 since inception in 2000, up 177% to the end of May, versus the market's 126%. However, like many equity funds it has trailed the post-crisis bull market.

Tsai points out that the fund, which is concentrated on around 30 names, may lag a bull run, but it has bettered the S&P 500 in 80% of down markets.

Another tenet of Tsai's background is his half-Chinese heritage, which he said helped give an insight into the market that others might lack.

'For example, when we think of China and what people drink, I think a lot of Westerners think of tea, which is true, but there are changes,' he said.

'The younger generation likes coffee – they don't want to drink what their parents or grandparents drink. They want coffee so we own Starbucks, and Starbucks is booming in China.'



CHRISTOPHER TSAI

#### TSAI CAPITAL GROWTH EQUITY STRATEGY DISCRETE ANNUAL PERFORMANCE

SOURCE: TSAI CAPITAL

