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FEATURES, WORK & **MONEY**, DAVID LUI'S WILD RIDE

Global investor's motto: Always be ready to leap MUTUAL FUNDamentals

Hillary Chura, Special to The Christian Science Monitor

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David Lui likes to have an exit strategy.

"My personal life is an extension of my professional life," he says. "At the movie, the first thing I look for are the exits. When I fly ... I always take an aisle {seat}."

When the portfolio manager took over the Strong International Equity fund in May 1998, it trailed just about every fund in the diversified international arena and had lost ground during four of its seven years.

So Mr. Lui shed all but 20 of the 175 stocks and mutual funds in the portfolio, unloading Eastern European, Latin American, and Asian holdings through the rest of the year.

As of last week, only 23 percent of funds in that category outperformed him, according to Morningstar, a mutual-fund tracker.

His stay-ready tactic has served him well at previous positions as well as with Strong's Overseas Fund, which he started last year and continues to run. At the end of June, it had returned 22 percent for the year, was in the top 2 percent of similar funds, and ranked 13th out of 570 global funds, according to Lipper Inc., which tracks mutual-fund performance.

The Stanford MBA invests only overseas, so to keep abreast of political situations, economic growth, and inflation around the globe, he pores over eight newspapers from the United States, Europe, and Asia every day.

Of particular interest are indications a government will devalue its currency, which increases exports but wreaks havoc for investors.

"When there is devaluation, it will not matter which stocks you own. Even if you owned the best stocks in Brazil earlier this year ... you lost 20 to 30 percent" when Brazil devalued the real in January, he says.

Only after those tests have been passed does Lui look at a country's particular stocks. For him, picking a stock actually is the last step in his multifaceted stock-selection process.

Lui scrutinizes financial statements and travels abroad from his New York office several times a year to meet with company managers. He converses with them in English, French, or Cantonese, which he spoke growing up in Hong Kong.

Lui seeks insight other portfolio managers have missed. He takes the answers, plugs them into a computer model, and decides whether to buy. Nothing escapes analysis.

"If {a} CEO tells me he's going to expand floor space by 100,000 square feet, I don't jump on the company {and buy}," he says. "I go back to my computer, and I enter the 100,000 feet into my earnings model to assess what the earnings-per-share impact of these 100,000 square feet will be."

Lui' focus is overseas, but he doesn't ignore US markets.

He predicts that the S&P 500 will rise another 10 percent before the year 2000 but will be outpaced by international returns.

Lui says investors should worry if the US market keeps posting the gains it has seen in the recent past.

"It is mathematically impossible for the US to keep rising at 20 to 30 percent a year without turning itself into a bubble,"he says. "And we know what happened to Japan's bubble. It got popped." Japan has suffered a decade-long recession and a 60 percent stock market drop since its 1989 peak.

Despite reluctance about Japan from many other **money** managers, Lui in February returned to investing in Japanese companies, where 20 percent of his holdings are concentrated.

He is equally bold about technology holdings, which many investors and professionals consider too volatile. Currently, high-tech stocks constitute about 35 percent of Lui's portfolio.

"If someone wants to outperform the market, it is not essential to have high-tech stocks, but it certainly is easier," he says. "The Internet, software, and certain hardware stocks, and telecom - these are really the growth engines for all these countries."

His tech concentration hurt in June, when Lui's International fund fell from the top 5 percent to the top 30th percentile.

He has come back since then, but it can be a tumultuous ride for individual investors, says Morningstar analyst Hap Bryant.

"Because he has firm convictions he acts on, he shifts pretty aggressively into and out of regions and stocks," Bryant says.

"He has been pretty effective, but that also could be risky. That's the trade-off."
PHOTO: LUI: Manager of Strong Overseas Fund monitors subtle global shifts. BY THOMAS DALLAL/SPECIAL TO THE CHRISTIAN SCIENCE MONITOR

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