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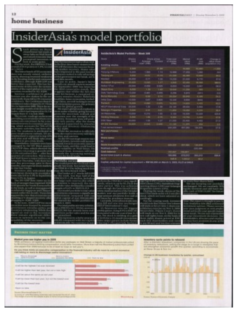

InsiderAsia's model portfolio

Stock prices on Bursa closed lower last week as steep falls on Wall Street and mixed economic data prompted investors to lock in some gains.

For the week, the FBM KLCI lost a total of 23.9 points or 1.9%, to end at 1,243.2.

The latest batch of US economic data was mostly mixed, unfortunately, showing renewed weakness in the housing market and consumer confidence, although 3Q09 GDP was better than expected. This has fostered some doubts over the sustainability of the rapid global economic recovery recorded in 2Q-3Q09.

Investor confidence in global bourses was also shaken by the unexpectedly sharp fall in US consumer confidence. The Conference Board's confidence index dropped to 47.7 from 53.4 in September 2009. This is the second straight month of decline for the index, which had improved to 54.5 in August from 47.4 in July 2009.

The erratic readings underscore prevailing uncertainties where consumers are concerned. So far, a sustained recovery in consumer spending, which accounts for 70% of US economic activities, has been elusive. The weakness is attributed to poor employment outlook. US unemployment is expected to top 10% next year and will likely take years to return to pre-crisis levels.

Nonetheless, investors were later assuaged by the US' third quarter (3Q) GDP data, which showed the economy returning to growth with a 3.5% annualised rate — after four quarters of contraction. This in turn led Wall Street's major indices rallying last Thursday, with their best one-day percentage gain in three months, and regional stock markets to rise last Friday.

Investors also welcomed data from Japan showing its unemployment rate fell to 5.3% in September from 5.5% in August.

The US GDP data came on the back of stronger than expected 3Q09 GDP growth for South Korea earlier in the week, as well as strong growth numbers for Singapore and China released earlier this month. These data support the view that economies are charting a V-shaped recovery after plunging in 4Q08-1Q09.

To be sure, 3Q09 GDP for most countries were buoyed by massive government stimulus policy and inventory rebalancing. While they signal an end to the recession, there remain significant differences in opinions as to the sustainability of the recovery.

For instance, there are concerns that the imminent expiry of tax credits for first-time home owners in the US will threaten the nascent housing market recovery. Home sales have improved in the past months as buyers rushed to take advantage of the government tax break, set to end this month.

Case in point, Japan's latest month-on-month exports number for September 2009 was lower for the third consecutive month. This suggests that whilst the fall may have hit bottom, a sustained recovery remains elusive. Relatively healthier Asian economies, including China, are still lacking in terms of consumption power, the primary driver for global growth.

We expect global stock markets to show some volatility going forward given the uncertain outlook and concerns over the strength of the recovery. Economic data will probably turn patchy, after the strong rebound supported by stimulus policy and inventory rebalancing in 2Q-3Q09.

While the recession is officially over, the road to recovery will likely be slow and uneven.

As the US earnings season start to wind down, investors will increasing look towards economic data for further leads, and this could lead to more volatility on Wall Street. On the local front, investors will look towards the upcoming earnings season for fresh leads.

Portfolio review

Our model portfolio declined marginally last week, but outperformed the FBM KLCI by falling much less than the benchmark index.

Our basket of 17 stocks fell 0.9% for the week, less than half of the FBM KLCI's 1.9% decline. Including our large cash reserves (for which no interest is imputed), the total portfolio value declined by a smaller margin of 0.6% to RM513,212.

Our model portfolio's total value and returns represent a significant achievement compared with our initial capital of just RM160,000. We started the model portfolio on March 3, 2003.

Our total profits are very substantial at RM353,212. Of this amount, RM222,366 has already been realised from earlier sales and the rest are unrealised.

This represents a hefty return of 220.8% compared with our capital of RM160,000. We continue to outperform the FBM KLCI very significantly, which is up by 92.2% in the same period. This was achieved even though the benchmark index is less representative of the broader market, and our portfolio holds a large amount of interest-free cash at all times for prudence reasons.

Last week, seven of our stocks rose, nine fell and one was unchanged (HELP International Corp).

3A Resources was our biggest weekly gainer, rising 8.6% to RM1.65. Compared with our cost of just 31.5 sen, the stock is yielding us a gain of 424% for a 10-month investment. Other major gainers include Notion VTec (up 7.1%) and Dufu Technology (up 4.6%). Losers include CSC Steel (down 5.9%), Muhibbah Engineering (down 5.6%) and Selangor Properties (down 3.6%).

During the week, shares of Notion VTec trade ex for a 0.5 sen dividend, which we have adjusted accordingly.

For the coming week, investors should note that Notion Vtec's shares will trade ex for a 5-into-1 share consolidation exercise on Nov 3, 2009. Meanwhile, Dijaya Corp's shares will trade ex on Nov 6, 2009 for its two-call rights issue, on the basis of three rights shares priced at RM1 each (but shareholders only need to pay 80 sen) and two free warrants for every four shares held.

We are keeping our portfolio unchanged. We are currently 70% equity invested and still have sizable cash of RM155,847 for future investments.

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ees may have positions in any of the stocks mentioned.

InsiderAsia
Decision-critical analysis

InsiderAsia's Model Portfolio – Week 349

Stock	Shares held	Share prices: Average cost^ (RM)	Share prices: Current	Total cost of shares (RM)	Market value (RM)	Profit/ loss (RM)	Change in value since acquisition (%)
Existing stocks:							
DiGi*	2,000	-	21.84	-	43,680	43,680	>1,000
Tanjung Offshore	15,000	1.065	1.15	15,968	17,250	1,282	8.0
Tanjong plc	3,000	10.51	15.16	31,530	45,480	13,950	44.2
Masteel	20,000	0.71	1.05	14,230	21,000	6,770	47.6
Muhibbah Engineering	20,000	0.242	1.17	4,840	23,400	18,560	383.5
Notion VTec	20,000	0.332	0.525	6,633	10,500	3,867	58.3
Dijaya Corp	8,000	1.33	1.40	10,640	11,200	560	5.3
Dufu Technology Corp	13,000	0.481	0.455	6,256	5,915	(341)	-5.5
Bursa Malaysia	4,000	6.56	8.16	26,254	32,640	6,386	24.3
Ireka Corp	12,000	0.87	0.800	10,440	9,600	(840)	-8.0
Pantech	15,000	0.680	0.975	10,203	14,625	4,422	43.3
HELP International Corp	25,000	1.32	1.56	33,100	39,000	5,900	17.8
Selangor Properties	5,000	2.37	3.21	11,850	16,050	4,200	35.4
3A Resources	10,000	0.315	1.65	3,150	16,500	13,350	423.8
Genting Malaysia	5,000	1.86	2.75	9,300	13,750	4,450	47.8
CSC Steel	20,000	1.05	1.27	21,000	25,400	4,400	21.0
MY EG Services	25,000	0.445	0.455	11,125	11,375	250	2.2
Total carried forward				226,520	357,365	130,845	57.8
New purchases:							
Nil							
Share sales:							
Nil							
Stock investments + unrealised gains				226,520	357,365	130,845	57.8
Realised profits						*222,366*	
Cash balance				155,847	155,847		
Grand total (cash & shares)				**160,000**	**513,212**	**353,212**	**220.8**
KLCI				646.8	1,243.2	92.2	

Capital, adjusted for capital repayment = RM160,000 on March 3, 2003, KLCI at 646.8

Prices as of Friday, Oct 30, 2009
^ Adjusted for dividends
* Our effective cost for DiGi is zero after dividends received. All future dividends to be recognised as profits