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InsiderAsia's model portfolio

Trading on Bursa Malaysia was lethargic in the holiday-shortened week as Wall Street tumbled and a range of external concerns heightened.

Trading volume fell to around 500-600 million shares per day as investors stayed on the sidelines. Nonetheless, the FBM KLCI still managed to gain seven points or 0.6% for the week, ending at 1,267 points.

Global stock markets were broadly lower amid concerns ranging from interest rates to sovereign debt problems — this time in Greece after the Dubai debacle. This had consequences on the euro-US dollar exchange rate, which also affected commodity prices and quite likely speculative “carry trades” betting on a continued depreciation of the greenback.

Wall Street was spooked after a jump in wholesale prices sparked inflation fears and concerns the Federal Reserve would be forced to raise interest rates. At the conclusion of the two-day FOMC (Federal Open Market Committee) meeting, the Federal Reserve opted to keep US interest rates unchanged as expected.

Signs of rising inflation may also prompt central banks globally to act sooner than expected, although most economists expect loose monetary policy to stay throughout 2010. The economic picture remains mixed. While November's unemployment rate dipped unexpectedly, initial claims for jobless benefits rose 7,000 to a seasonally adjusted 480,000 in the latest week, compared with expectations for a fall of 9,000.

Other economic news from the

US were slightly better. The index of leading economic indicators rose for the eighth consecutive month in November, while mid-Atlantic area manufacturers saw rising activity. But they failed to boost sentiment as new concerns elsewhere emerged.

While concerns over Dubai's debts have largely subsided due to assurances by Abu Dhabi, attention has shifted to Greece after S&P cut its credit rating to triple-B-plus from single-A-minus. Concerns over Greece's large deficit and debts, and the prospect of potentially higher future US rates, saw a flight to safety and boosted the US dollar versus the euro.

The stronger US dollar caused a plunge in commodity prices, especially gold. As the greenback rises, this could also lead to the unwinding of some “carry trades” leveraging on the weak US dollar against riskier assets in stocks and commodities. Such carry trades are acknowledged to have lifted commodity and stock prices higher than they should in the last few months.

We expect global markets to continue trading cautiously in the near term. Investors may opt to take some money off the table pending greater clarity on the world's economic and financial health for next year — particularly after the very strong gains in equity markets for 2009.

Portfolio review

Our basket of 18 stocks traded flat last week, declining 0.1% compared to the FBM KLCI's 0.6% rise. This includes DiGi's special dividend of 75 sen, which we included last week. Including our large cash reserves (for which no interest is imputed), the total portfolio value fell by a smaller of 0.07% to RM510,160.

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 RM350,160. Of this amount, RM223,866 has already been

realised from earlier sales, including RM1,500 from DiGi's latest special dividend of 75 sen per share, recognised last week. As we earlier noted, our cost for DiGi has been effectively free for some time, thus all dividends are added to realised profits.

Our model portfolio continued to register a hefty return of 218.9% compared with our capital of RM160,000. By comparison, the FBM KLCI was up by 95.9% over the same period, even though it has been less representative of the broader market's performance.

Reflecting the weak broader market performance last week, we had only three gaining stocks as compared

to ten losing ones while five were unchanged. The gainers were 3A Resources, DiGi and Faber Group. At the other end, Dijaya, Ireka and Pantech were among the notable losers.

We are keeping our portfolio unchanged.

Note: This report is brought to you by Asia Analytica Sdn Bhd, a licensed investment adviser. Please exercise your own judgment or seek professional advice for your specific investment needs. We are not responsible for your investment decisions. Our shareholders, directors and employees may have positions in any of the stocks mentioned.



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InsiderAsia's Model Portfolio – Week 356

Stock	Shares held	Share prices Average cost^ (RM)	Current	Total cost of shares (RM)	Market value (RM)	Profit/ loss (RM)	Change in value since acquisition (%)
Existing stocks:							
DiGi*	2,000	-	21.42	-	42,840	42,840	>1,000
Tanjung Offshore	15,000	1.065	1.00	15,968	15,000	(968)	-6.1
Tanjong plc	3,000	10.51	16.40	31,530	49,200	17,670	56.0
Masteel	20,000	0.71	0.97	14,230	19,400	5,170	36.3
Muhibbah Engineering	20,000	0.242	0.965	4,840	19,300	14,460	298.8
Notion VTec	4,000	1.66	2.60	6,633	10,400	3,767	56.8
Dijaya Corp	8,000	1.08	0.91	8,630	7,280	(1,350)	-15.6
Dufu Technology Corp	13,000	0.481	0.405	6,256	5,265	(991)	-15.8
Bursa Malaysia	4,000	6.56	7.99	26,254	31,960	5,706	21.7
Ireka Corp	12,000	0.87	0.700	10,440	8,400	(2,040)	-19.5
Pantech	15,000	0.665	0.89	9,978	13,350	3,372	33.8
HELP International Corp	35,000	1.41	1.73	49,501	60,550	11,050	22.3
Selangor Properties	5,000	2.37	3.19	11,850	15,950	4,100	34.6
3A Resources	10,000	0.315	1.43	3,150	14,300	11,150	354.0
Genting Malaysia	5,000	1.86	2.79	9,300	13,950	4,650	50.0
CSC Steel	20,000	1.05	1.28	21,000	25,600	4,600	21.9
MY EG Services	25,000	0.440	0.440	11,011	11,000	(11)	-0.1
Faber Group	12,000	1.29	1.55	15,480	18,600	3,120	20.2
Total carried forward				256,052	382,345	126,293	49.3
New purchases:							
Nil							
Share sales:							
Nil							
Stock investments + unrealised gains				256,052	382,345	126,293	49.3
Realised profits						223,866	
Cash balance				127,815	127,815		
Grand total (cash & shares)				160,000	510,160	350,160	218.9
FBM KLCI				646.8	1,267.0		95.9
Capital, adjusted for capital repayment = RM160,000 on March 3, 2003, FBM KLCI at 646.8							

Prices as of Thursday, Dec 17, 2009

^ Adjusted for dividends

* Our effective cost for DiGi is zero after dividends received. All future dividends to be recognised as profits