

Headline **InsiderAsia model portfolio**
Date **08 Feb 2010**
MediaTitle **The Edge Financial Daily**
Section **Home Business**
Journalist **none**
Frequency **Daily**
Circ / Read **25,000 / 40,000**

Language **English**
Page No **11**
Article Size **756 cm²**
Color **Full Color**
ADValue **8,723**
PRValue **26,169**



InsiderAsia model portfolio

This review covers the last two weeks, due to the public holiday last Monday.

The last two weeks were a very difficult period for global equity markets, and the local bourse was no exception. Wall Street's persistent sharp declines — with very regular triple-digit falls for the Dow Jones Industrials Average index — and a host of external concerns presented daunting challenges for investors.

During the last two weeks, the FBM KLCI fell below the 1,300-point level and even the 1,250-point mark, losing a total of 52.6 points or 4.04% to end at 1,247.9 last Friday. Trading volume shrank considerably as more investors sat on the sidelines.

The sharp falls on Wall Street culminated with a 2.6% decline last Thursday, sending the Dow Jones Industrials Average briefly to below the 10,000-point mark and global bourses reeling.

The slump reflected amid growing concerns over the pace of the US recovery as recent economic data turned in worse than expected. Among them were weaker-than-expected weekly jobless claims over the last two weeks, durable goods orders (up 0.3% in December vs expectations of 2%) and the services sector, where the Institute for Supply Management's services index rose to a smaller-than-expected 50.5% in January from a revised 49.8% in December.

On the other hand, investors were ambivalent about the US' strong fourth-quarter gross domestic product growth of 5.7%, noting that the growth was largely due to inventory rebalancing and foreshadows a slower pace of growth in the coming quarters.

Meanwhile, a rise in pending home sales for December boosted Wall Street earlier last week, but fizzled in the wake of more negative news.

Concerns over the recovery were also heightened after an unexpected 0.7% fall in Australia's December retail sales and a big jump in New Zealand's jobless rate from 6.5% in 3Q09 to 7.3% in 4Q09, the highest in over ten years. This was significant as Australia was one of the most resilient economies during the crisis — and among the first to recover.

The slump on Wall Street and growing economic concerns add to a myriad of issues that have negatively affected investor sentiment over the past three weeks.

These include China's credit-tightening measures, the proposed new regulations for the US banking sector, fears of interest rate increases, problems in several highly indebted European nations, among many others.

The US earnings season saw 4Q09 results that mostly exceeded expectations. But stock prices still fell, suggesting that much of the improvements have been factored into prevailing valuations, unlike previous quarters where expectations were low.

For stocks to add to the already substantial gains from 2009, earnings will have to do far better in the coming quarters.

Indeed, at the heart of all these issues are also investor expectations. These concerns come amid a backdrop of spectacular gains for global stock markets in 2009. Thus, many investors are inevitably locking in their sizeable gains and would prefer to wait out the prevailing uncertainties.

It takes much more to satisfy investors when expectations — and stock prices — are higher.

The January US unemployment report released last Friday will provide a better assessment of the labour market and set the tone for trading in the coming week.

On the domestic front, the upcoming earnings season will also, hopefully, provide fresh leads for

investors. More companies will announce their results in the coming three weeks. For the moment though, external economic issues and domestic political events appear to dominate sentiment.

Portfolio review

Although we could not escape the market rout, our basket of 18 stocks fared much better than the FBM KLCI over the last two weeks, falling by 1.9% compared with the index's 4% decline.

Including our large cash reserves (for which no interest is imputed), the total portfolio value fell by a smaller margin of 1.5% to RM538,120.

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 RM378,120. Of this amount, RM223,866 has already been realised from earlier sales and the rest are unrealised.

Since its inception, our model portfolio has registered a hefty return of 236.3% compared with our capital of RM160,000. By comparison, the FBM KLCI was up by 92.9% over the same period, even though it has been less representative of the broader market's performance. Plus, our portfolio holds a significant amount of non-interest yielding cash at all times for prudence sake.

Reflecting the market's malaise, we had only three gaining stocks, compared with 14 losing ones and one unchanged (Notion VTec) over the two-week period.

The gainers were 3A Resources (up 13.6%), CSC Steel (up 6.3%) and DiGi (up 2%). At RM2.09, 3A's shares are now yielding us hefty returns of 564% compared with our acquisition cost of just 31.5 sen. CSC's shares are yielding us a 46% gain while our cost for DiGi has been zero for a long while after taking into account all dividends received.

Headline **InsiderAsia model portfolio**
 Date **08 Feb 2010**
 MediaTitle **The Edge Financial Daily**
 Section **Home Business**
 Journalist **none**
 Frequency **Daily**
 Circ / Read **25,000 / 40,000**

Language **English**
 Page No **11**
 Article Size **756 cm²**
 Color **Full Color**
 ADValue **8,723**
 PRValue **26,169**

The losers over the last two weeks were led by Muhibbah (down 11.3%), Tanjung Offshore (down 8.4%) and Dufu Technology (down 7.5%).

Buying shares of Green Packet

We are buying 10,000 shares of Green Packet at Friday's closing price of RM1.19 per share. This will increase our portfolio's equity weightage to 79%, a level which we are still comfortable with. After this purchase, we still have substantial surplus cash of RM115,915 for future investments.

Although Green Packet is expected to remain in the red in the near term, we are sanguine that increasing coverage and subscribers will gradually pare losses for

the company's WiMAX broadband business, housed under P1.

The turnaround — likely in 2H10 — should be a catalyst for an upward rerating for the stock. Once the company achieves critical mass in terms of subscriber numbers, earnings are expected to grow rapidly and strongly on the back of increasing economies of scale.

Broadband penetration rate in the country, still low compared to neighbouring Singapore, is expected to keep rising. The government's decision to provide a tax relief on broadband subscription fee of up to RM500 for 2010-2012 should help drive takeup rate.

P1 has done admirably in winning market share in the fixed broadband segment, despite going up against Telekom Malaysia, which boasts a nationwide coverage. The company currently covers some 35% of our population and targets to hit 45% coverage by mid-2010. It also plans to roll out in East Malaysia later this year and has further acquired spectrum to deploy wireless broadband services in Singapore.

In January 2010, The Capital Group's Smallcap World Fund acquired 33.9 million shares in the company at RM1.15 per share. It subsequently acquired more shares from the open market, raising its stake to 41.3 million shares or a 6.3% stake as at Jan 21, 2010. The US-based fund management company is highly regarded for its astute long-term views.

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.



InsiderAsia's Model Portfolio – Week 363

Stock	Shares held	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	-	22.32	-	44,640	44,640	>1,000
Tanjung Offshore	15,000	1.065	1.09	15,968	16,350	382	2.4
Tanjong plc	3,000	10.51	17.10	31,530	51,300	19,770	62.7
Masteel	20,000	0.71	1.05	14,230	21,000	6,770	47.6
Muhibbah Engineering	20,000	0.242	0.985	4,840	19,700	14,860	307.0
Notion VTec	4,000	1.66	2.99	6,633	11,960	5,327	80.3
Dijaya Corp	8,000	1.08	0.895	8,630	7,160	(1,470)	-17.0
Dufu Technology Corp	13,000	0.481	0.490	6,256	6,370	114	1.8
Bursa Malaysia	4,000	6.56	7.60	26,254	30,400	4,146	15.8
Ireka Corp	12,000	0.87	0.72	10,440	8,640	(1,800)	-17.2
Pantech	15,000	0.665	0.945	9,978	14,175	4,197	42.1
HELP International Corp	35,000	1.41	1.87	49,501	65,450	15,950	32.2
Selangor Properties	5,000	2.37	3.52	11,850	17,600	5,750	48.5
3A Resources	10,000	0.315	2.09	3,150	20,900	17,750	563.5
Genting Malaysia	5,000	1.86	2.77	9,300	13,850	4,550	48.9
CSC Steel	20,000	1.05	1.53	21,000	30,600	9,600	45.7
MY EG Services	25,000	0.440	0.450	11,011	11,250	239	2.2
Faber Group	12,000	1.29	1.58	15,480	18,960	3,480	22.5
Total carried forward				256,052	410,305	154,253	60.2
New purchases:							
Green Packet	10,000	1.19	1.19	11,900	11,900	-	0.0
Share sales:							
Nil							
Stock investments + unrealised gains				267,952	422,205	154,253	57.6
Realised profits						223,866	
Cash balance				115,915	115,915		
Grand total (cash & shares)				160,000	538,120	378,120	236.3
FBM KLCI				646.8	1,247.9		92.9
Capital, adjusted for capital repayment = RM160,000 on March 3, 2003, FBM KLCI at 646.8							

Prices as of Friday, Feb 5, 2010

[^] Adjusted for dividends

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