

ol: 175.8m shares.

17-03-2008: InsiderAsia's Model Portfolio - Week 264

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THE 12th general election was a historic event, with the results likened to a "political tsunami" that no one had ever expected.

Barisan Nasional (BN) was returned to power, but lost its two-thirds majority and a total of five states to the opposition, including the key states of Selangor and Penang.

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InsiderAsia's Model Portfolio - week 264							
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:							
Tong Herr	9,000	0.72	2.80	6,438	25,200	18,762	291.4
EON Capital*	1,500	0.467	4.34	700	6,510	5,810	829.8
DiGi	2,000	1.36	22.30	2,710	44,600	41,890	1545.8
Burniputra Commerce	3,000	4.09	9.30	12,270	27,900	15,630	127.4
Tanjung Offshore	8,000	1.67	1.80	13,325	14,400	1,075	8.1
Tanjong plc	3,000	12.24	15.20	36,720	45,600	8,880	24.2
Masteel	40,000	1.01	1.44	40,480	57,600	17,120	42.3
Muhibbah Engineering	20,000	0.312	2.14	6,240	42,800	36,560	585.9
Notion VTec	60,000	0.427	0.410	25,620	24,600	(1,020)	-4.0
Dijaya Corp	20,000	1.39	1.26	27,800	25,200	(2,600)	-9.4
Asiatic Devt	3,000	9.19	7.90	27,570	23,700	(3,870)	-14.0
Dufu Technology Corp	20,000	0.670	0.625	13,400	12,500	(900)	-6.7
Total carried forward				213,273	350,610	137,337	64.4
New purchases:							
Nil							
Share sales:							
Nil							
Stock investments + unrealised gains				213,453	350,610	137,337	64.3
Realised profits						197,835	
Cash balance				144,561	144,561		
Grand total (cash & shares)				160,000	495,171	335,171	209.5
KLCI				646.8	1,194.8		84.7
Capital, adjusted for capital repayment = RM160,000 on March 3, 2003, KLCI at 646.8							

Prices as of Friday, March 14, 2008
* Adjusted for dividends
* Our effective cost after EON restructuring exercise

This development is widely seen as a healthy one for the country over the longer term. The emergence of a stronger opposition will also increase accountability and transparency.

The nearer-term implication for the stock market, however, is probably one of increased investor caution. This is especially so given the triple whammy of increasing external uncertainties emanating from the US economy, and surging crude oil

prices.

There are likely to be concerns over policy decisions going forward. Investors may stay sidelined for a while until new political structures are in place, particularly at the various states, and assess the impact of policy changes, if any.

EdgeDaily Exclusives

- 03-04-2008: CMS Trust wins international Best Islamic Fund award
- 03-04-2008: Scanwolf appoints Neoh as chairman
- 03-04-2008: Mitrajaya subsidiary gets RM60 million construction job
- 03-04-2008: Mudajaya buys more shares in

The fate of many large infrastructure projects could be re-considered, especially those in the Northern Corridor, Penang and Selangor. Politically-affiliated companies could lose their shine and property companies dealing in opposition-led states would have to readjust to new regimes.

It came as no surprise, therefore, that construction, infrastructure, property and government-linked stocks bore the brunt of the sell-off.

The KLCI plunged by a hefty 123.1 points, or 9.5%, on Monday on heavy volume of 1.18 billion shares, one of its biggest daily losses on record. Bursa Malaysia's circuit breakers were triggered that day after the KLCI had fallen by a 10% limit.

Notwithstanding this, selling pressure has eased considerably after that one-day knee-jerk reaction. The KLCI subsequently stabilised and regained some ground to end the week down a total of 101.5 points or 7.8% to end at 1,194.8 points. Indeed, trading volume has also dwindled considerably to just 515 million shares on Friday, indicating less selling pressure.

On the external front, US economic data point to a continued slowdown with February retail sales falling by 0.6%. Gold and crude oil prices are reaching record highs, and the greenback slumped to record lows versus the euro. On Thursday, crude oil hit a record of US\$111 (RM355.20) per barrel and gold climbed to above US\$1,000 per ounce.

During the week, the Federal Reserve and other central banks pumped additional liquidity into global financial markets in a concerted effort to avert another credit crunch. While this briefly led to a global rally, it underscores, unfortunately, the seriousness of the US credit crunch which claimed another victim, a fund of the Carlyle Group.

After last Monday's one-off post-election adjustment, we expect the market's performance this week to hinge largely on Wall Street and US economic events.

The Federal Reserve Open Market Committee will meet tomorrow and is widely expected to cut US interest rates again. However, it will also need to balance against rising inflationary pressures and the fact that the looming slowdown is a cyclical problem that cannot be addressed by interest rate cuts alone.

Portfolio review

No one was spared from the stock market rout last week which saw stock prices plunge across the board. Fortunately, our portfolio fared much better than the broader market.

Our basket of 12 stocks fell by 6%, compared with the KLCI's 7.8% decline. Including our large cash reserves which helped cushion the fall, our total portfolio value fell by a much smaller margin of 4.3% to RM495,171.

The portfolio's total value and returns still 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 remain very substantial at RM335,171. This represents a hefty return of 209.5% compared with our capital of RM160,000. We continue to outperform the KLCI significantly, which is up by 84.7% in the same period.

Despite the market's malaise, we did have one stock that actually rose during

Indian JV firm

- 03-04-2008: Boon Koon sells land for RM11m
- 03-04-2008: AmInvestment declares distributions for two funds
- 03-04-2008: CMS Trust wins international Best Islamic Fund award
- 03-04-2008: Cycle & Carriage Bintang announces new board
- 03-04-2008: Fountain View Development to dispose Selangor land for RM36.03m
- 03-04-2008: Welli Multi enters RM30m conditional subscription agreement
- 03-04-2008: MAS served a complaint for price fixing
- 03-04-2008: Another Bursa reprimand for Ho Hup
- 03-04-2008: MARC downgrades Englotechs, on rating watch
- 03-04-2008: MPH B takes plunge into property
- 03-04-2008: Pak Lah: I will not resign
- 03-04-2008: Melewar faces RM38m potential loss
- 03-04-2008: Muhyiddin denies talk of teaming up with Ku Li
- 03-04-2008: Tenaga in dispute with Sabah govt over RM1.3b plant
- 03-04-2008: CPO regains footing after India cuts import duties
- 03-04-2008: Bursa hopes to maintain earnings despite lower trading volume
- 03-04-2008: Star Cruises to develop casinos in Philippines
- 03-04-2008: SDarby to invest RM169m in oil & fat business in Europe
- 03-04-2008: Genting to take over UK's Rank?
- 03-04-2008: MNC ties

the week — Dijaya Corp, up 0.8%. Notion VTec was unchanged while the rest all fell. The biggest losers were Muhibbah (down 19.2%, as the company has a high level of foreign shareholding), Tanjung Offshore (down 11.8%) and Bumiputra-Commerce (down 8.8%).

During the week, Asiatic's shares traded ex for a six sen special dividend, which we have adjusted accordingly. There is another final dividend of 4.75 sen for which the ex-date has not been fixed yet. We are leaving our portfolio unchanged. We are comfortable with our stock selection and equity weighting, which stands at 70.8%.

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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- 03-04-2008: BHIC builds its order book
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