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InsiderAsia model portfolio

Written by InsiderAsia
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TRADING on Bursa Malaysia was relatively quiet in the holiday-shortened week. Most investors were either on holiday for the extended Christmas-New Year break, or were content to sit on the sidelines and await new leads after making sizable gains for the year.

For the week, FBM KLCI gained 8.9 points or 0.7% to end at 1,272.8 points.

This capped a very good year for the local stock market — and indeed global equity bourses. The year had started off on a very bad note as the financial crisis was in full storm following the Lehman Brothers collapse in September 2009. The declines extended into March before global bourses rebounded strongly and in unison until the end of the year.

For the year, the FBM KLCI gained a total of 396 points or 45.2% after rising from 876.8 points at the start of the year and ending at 1,272.8 points. At its lowest point, the index fell to 838 points in March.

While the gains were slightly less than most regional bourses, it should be noted that the local stock market and domestic economy was relatively more resilient during the crisis.

Stock	Shares held	Average cost* (RM)	Share prices Current (RM)	Total cost of shares (RM)	Market value (RM)	Profit/loss (RM)	Change in value since acquisition (%)
Existing stocks:							
Digi	2,000	-	21.96	-	43,920	43,920	+1,000
Tanjung Onshore	15,000	1,055	1,010	15,968	15,150	(818)	-5.1
Tanjung pic	3,000	10.51	16.84	31,530	50,520	18,990	60.2
Mastel	20,000	0.71	0.99	14,230	19,600	5,370	39.1
Muhibbah Engineering	20,000	0.242	1,000	4,840	20,000	15,160	313.2
Notion Vtec	4,000	1.66	2.72	6,633	10,880	4,247	64.0
Dijaya Corp	8,000	1.08	0.985	8,830	7,880	(750)	-8.7
Dufu Technology Corp	13,000	0.481	0.430	6,256	5,590	(666)	-10.6
Bursa Malaysia	4,000	8.96	7.99	26,254	31,960	5,706	21.7
Ineka Corp	12,000	0.87	0.72	10,440	8,640	(1,800)	-17.2
Perleth	15,000	0.665	0.905	9,975	13,575	3,597	36.0
HELP International Corp	35,000	1.41	1.92	49,501	67,200	17,700	35.8
Selangor Properties	5,000	2.37	3.27	11,856	16,350	4,500	38.0
3A Resources	10,000	0.315	1.51	3,150	15,100	11,950	379.4
Genting Malaysia	5,000	1.86	3.81	9,300	14,050	4,750	51.1
CSC Steel	20,000	1.05	1.30	21,000	26,000	5,000	23.8
MY EG Services	28,000	0.440	0.445	11,011	11,125	114	1.0
Faber Group	12,000	1.29	1.61	15,480	19,320	3,840	24.8
Total carried forward				256,052	397,060	141,008	55.1
New purchases:							
Nil							
Share sales:							
Nil							
Stock investments + unrealised gains				256,052	397,060	141,008	55.1
Realised profits						223,866	
Cash balance				127,815	127,815		
Gross total (cash & shares)				166,000	524,875	364,875	228.9
FBM KLCI				648.8	1,272.8		96.8
Capital, adjusted for capital repayment = RM160,000 on March 3, 2003, FBM KLCI at 648.8							

As a comparison, key market indices in China, India, Taiwan and Indonesia surged 78%-87% for the year. Hong Kong was up 52%, South Korea rose 50% and Singapore was up 64%, but Japan lagged the region with a 19% gain.

After a strong performance in 2009, equity bourses are likely to face more challenging conditions in 2010, depending on the pace and sustainability of the recovery ahead. Much of the recovery in the last two quarters have been driven by stimulus measures and there is a risk of dipping in 2H10 as these measures are withdrawn or expire, especially in the US.

There were few fresh domestic leads for investors last week, apart from firming commodity prices. The rise in commodity prices came as the US dollar stopped its recent appreciation trend after a strong rally triggered by sovereign debt concerns in Dubai and Greece. Crude oil prices rose to near US\$80 (RM273.60) per barrel while crude palm oil prices increased to about RM2,650 per tonne.

Wall Street was also fairly subdued in light trading, despite several better than expected US economic data released last week.

The Conference Board's Consumer Confidence index rose from 50.6 in November to 52.9 in December. The rise is welcomed as consumer spending is key to a sustained recovery in the US economy, as it accounts for 70% of the economy. A sustained recovery in US consumer spending depends on consumer sentiment, personal incomes, employment and home prices, among others.

The Chicago purchasing manager's index rose to 60 in December from 56.1 in November, the highest since January 2006 and above expectations.

On the other hand, the recovery in US home prices stalled in October, but home prices continued to rise in the UK. The S&P/Case-Schiller composite index of home prices in 20 metropolitan areas was unchanged in October after a 0.4% rise in September. Economists had expected a 0.2% rise. Nonetheless, the annual rate of decline improved from 9.3% to 7.3% in October.

UK home prices rose for the eighth consecutive month in December to end the year 6% higher, according to mortgage lender Nationwide. However, the monthly rise of 0.4% in December was the smallest since April and the lender cautioned that the outlook for 2010 remained uncertain.

Portfolio review
Our basket of 18 stocks fared extremely well last week, surging 3.2% for the week compared with the FBM KLCI's 0.7% rise. Including our large cash reserves (for which no interest is imputed), the total portfolio value increased by 2.4% to RM524,875.

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 RM364,875. Of this amount, RM223,866 has already been realised from earlier sales.

Since its inception, our model portfolio has registered a hefty return of 228% compared with our capital of RM160,000. By comparison, the FBM KLCI was up by 96.8% 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.

We currently have surplus cash of RM127,815 for future investments, and the portfolio's equity weighting currently stands at 76%, which we are comfortable with.

Last week, we had 14 gaining stocks and four losing ones.

HELP International Corp was the week's biggest gainer, rising 11.6% to RM1.92 after reporting a sterling set of final results for FY Oct 2009 that saw net profit rise 31% to a record RM15.5 million despite the recession last year. This continues its double-digit growth trend underscores the education company's resilience and strong branding.

Other major gainers for the week include Muhibbah (up 7%), Faber Group (up 5.2%), Notion Vtec (up 5%), Dijaya and Selangor PROPERTIES [] (both up 4.8%). The week's losers were marginal, led by 3A Resources (down 2.6%) and MyEG (down 1.1%)

We are keeping our portfolio unchanged.

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