

Retailers, consumer goods businesses top icapital.biz list

Avoid stocks sensitive to current political uncertainties, says fund management firm

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KUALA LUMPUR: Choosing the right companies by avoiding stocks that are sensitive to political development is the key to investing in the stock market in view of the current political situation, as the domestic economy is expected to remain resilient, said Tan Teng Boo, the managing director and chief investment officer of Capital Dynamics Asset Management Sdn Bhd.

"While we do not recommend any particular sector, as of July 25, we had invested in 18 listed companies in Bursa Malaysia. Topping the list are retailers and consumer goods manufacturers, such as Parkson Holdings Bhd, Petronas Dagang Bhd and Fraser & Neave Bhd that

are not directly related to political development. We also have invested in AirAsia Bhd for its strong fundamentals despite it being highly correlated with regulatory changes and high oil prices.

"Domestic economy is expected to maintain its 5% to 6% growth this year, while oil prices has reached its temporary peak. The immediate concern in the near term is the trend of politicians taking advantage of the current political vacuum," said Tan whose fund management company manages icapital.biz Bhd, a closed-end fund listed on the exchange.

He was speaking to reporters in a media briefing on investment outlook conducted by the company in conjunction with its AGM that was held last Saturday.

Tan described the current economic situation as a "cyclical inflation, secular boom era", where high inflation due to increase in fuel prices has reached its temporary peak.

"In the next three to nine months,

we envisaged oil prices to be around US\$110 (RM363) per barrel. The pace of change in oil prices is more important than the rate of change, and if the increase is gradual, the impact will be manageable," said Tan.

According to Tan, the company is also avoiding plantation stocks as crude palm oil (CPO) prices are almost at the peak brought about by the global commodity boom.

"All commodities go through a cycle, and with the easing of oil prices in the next few months, we should see a gradual easing in the prices of CPO, but it should stay above the RM2,000 levels," he said.

Capital Dynamics handles funds of US\$250million (RM825 million) via icapital.biz. The closed-end fund, has managed a compounded gain of 22.89% since its listing on Bursa Malaysia in October 19, 2005 to June 25 this year, compared to a gain of 8.36% for Kuala Lumpur Composite Index (KLCI) during the same period.

Its net asset value (NAV) jumped by 18.8% for the financial year ended

May 31, 2008 (for the period between June 1, 2007 to May 31, 2008) in contrast to the 5.24% drop in the KLCI. Total investments as of July 25 stood at RM137.73 million while total unrealised gains stood at RM50.9 million.

On the global economic outlook, Tan explained that the world's economy had in fact decoupled from the US four to five years ago, and the current boom in commodity prices that led to high inflationary pressure around the world was due to demand led by China and the rest of the world.

Citing the example of Malaysia, Tan said the slowdown in the US due to the subprime issue is nearing the end rather than the beginning, and has not really affected the economy as vital sectors such as tourism, oil and gas, plantation, exports and growth in domestic consumptions remain strong.

Apart from managing icapital.biz, Capital Dynamics also has a fund in Singapore, Capital Dynamics (S) Pte Ltd that invest in 42 markets globally.