

Business Times

V-shaped recovery has begun: Fund manager

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Global stocks are at the start of a bull market, says Malaysia's only listed closed-end fund icapital.biz ICAPITAL.BIZ Bhd (5108), Malaysia's only listed closed-end fund with RM267 million of assets, believes the global economy has begun a V-shaped recovery and global stocks are at the start of a bull market.

Its managing director and fund manager Tan Teng Boo, who has been bullish on the economic recovery since February, continues to advocate that the transformation of China from a developing to an industrial nation will keep the world in a long boom that lasts decades.

"China and India economies are no doubt smaller than the US, but what the established economists have missed is the rate of change," Tan told a media briefing in Kuala Lumpur yesterday.

"When China grows, it benefits Australia, India, Canada, Brazil and Southeast Asia - the huge growth that it is generating can more than offset the decline in the US economy," he pointed out.

Such bullishness is still a minority view among economists and the investment community, even as more signs are emerging that the global economy is bottoming out.

This week, Nobel prize-winning economist Dr Paul Krugman told a symposium in KL that the world will likely see slow expansion for a decade with the lack of clear growth driver, especially in the US.

Even Dr Raghuram Rajan, an economic adviser to the Indian prime minister and a believer in China and India's rising economic influence, said the two economies are still too small to pull the world out of this recession.

With Tan's confidence in the global recovery, he said the performance of Malaysian shares hinges solely on local politics and the political will of the current administration to carry through the reforms agenda.

"The country's economy is more resilient than many Malaysians would recognise. If the government can convince investors that they can unleash the potential of the economy, the benchmark FBM KLCI will do very well," Tan said.

It is "realistic" to expect a 5 to 10 per cent rise in the index from its current level, he said, possibly reaching 1,250 within this year, although there will be corrections along the way. The gauge is bound to test the previous high of 1,516.22 in the next one to two years, he added.

icapital.biz, which is conservative in its investment, is down to below RM40 million in cash - the lowest in its four-year history and reflects the many bargains available on Bursa Malaysia. The fund, which invests only in Malaysian shares, bought RM156 million stocks that are now worth RM206 million, giving it an unrealised gain of RM50 million.

Its top five holdings are Parkson Holdings, Astro, Kuala Lumpur Kepong, F&N Holdings and Petronas Dagangan. The fund has sold all its shares in Axiata Group Bhd, VADS Bhd and AirAsia Bhd in the last financial year.

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