

KLCI poised for upside

by BHUPINDER SINGH

CLOSED-END fund icapital.biz Bhd's managing director Tan Teng Boo believes that the benchmark composite index still has the legs to rise a further 5%-10% in the next two months driven by value investors.

"There are so many undervalued stocks and we are running down our cash position. If there are no major political issues, I believe the CI will test and get past the 1,500 level in the next two years," he told reporters at a media conference in Kuala Lumpur yesterday.

Tan said the global economy has begun a V-shape recovery and that the current rally in the financial markets is the beginning of a new bull

The index still has legs to rise a further 5%-10% in the next two months, says icapital.biz MD

phase powered partly by the emergence of China and other emerging economies in the world trading system.

Although Malaysia's economic fundamentals remain healthy, Tan expects the recovery to be linked to a recovery in the OECD (Organisation for Economic Co-operation and Development) economies due to the heavy dependence of the country on semiconductor exports.

Nevertheless the commodities and tourism sectors are

expected to continue doing well thanks to demand from the Asian markets.

The optimism over the financial markets was also shared by Dr Mark Mobius of Templeton Asset Management.

He told reporters last Monday that on average, bear markets have lasted about 12 months with a price decline of 56%, while bull markets run for an average of about 89 months with prices rising 423%.

However, Tan said that a recovery in the economy and the financial markets could be at risk from trade protectionism fuelled by unemployment.

Another risk factor is the withdrawal of the economic

stimulus packages too early in the recovery cycle, which could break the confidence building process in investors and the virtuous cycle of investment and consumption.

As at the of July 24, icapital.biz has invested in 17 listed companies with a heavy weighting in Parkson Holdings Bhd, KL-Kepong Bhd, Petronas Dagangan Bhd and F&N Holdings Bhd.

Its investments totalled RM156.99 million with unrealised gains of RM60.8 million. Cash holdings amounted to RM40 million.

Since its listing on Oct 19, 2005, the net asset value (NAV) of the fund has made a gain of 87.88%. Its NAV now stands at 1.91 above the market share price of RM1.84.