

The Winners' Stock Market Outlook

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TA Unit Trust Management Bhd
Chief executive officer Richard Chua
Fund size: RM610 million.

Outlook: Fundamentally, the economy is in great shape. Exports have recovered. Higher consumer spending and a revival in private investments are supporting domestic demand. Since a few heavyweights weigh heavily on the index, the stock market's performance may be understated index-wise. However, going forward, the broad market will see great improvements.

The strong showing of the ruling government in the polls gives the Prime Minister a stronger mandate to continue with his policies and proposed measures such as the restructuring of government-linked corporations, divestment of the government's stakes in listed companies, and improving ties with other countries.

Another catalyst for the market is the higher level of participation of foreign funds, which have put Malaysia back on their radar screens. Friendlier investment policies are also drawing foreign investors back. The recent emergence of Temasek Holdings (as an investor in local companies) is a good indication of things to come.

CI target: Fundamentally, the market has the potential to go as high as 980. Market sentiments may push it beyond the psychological 1,000 mark.

Sector picks: A stronger economy will benefit sectors like banking, property and technology. The wealth creation effect is also likely to spill over to telecommunications, consumer products and building materials.

Pheim Unit Trusts Bhd
Chief executive Phua Lee Kerk
Fund size: RM1.8 billion (Asean and Far East ex-Japan markets)

Outlook: We expect the equity market to perform reasonably well in 2004 after the CI registered a growth of 22.8 per cent last year. Barisan Nasional's landslide victory in the general elections is very positive for our market as political stability boosts business and investors confidence.



Pheim Asset Management Sdn Bhd chief executive Dr Tan Chong Koay accepting an award from Second Finance Minister Tan Sri Nor Mohamed Yakcop. Looking on is Standard & Poor's Investment Services managing director William J Reidy (far left) and Star Publications (M) Bhd group managing director and CEO Datuk Steven Tan (second from right).

Major foreign houses have also upgraded their outlook for Malaysia. But after years of underweighting Malaysia, foreign funds will tend to be more cautious when re-entering the market. I believe they will gradually increase their weightings rather than rush into the market.

The move by CalPERS (California Public Employees' Retirement System) to include Malaysia in its list of permissible investment markets early this year is an indication of our country's ability to support institutional investments. Still, there is the need to cautiously manage risks, particularly inflation risk, interest rate risk and valuation risk.

CI target: It is not our practice to forecast the index. We prefer to continue monitoring the growth of companies and their valuations.

Sector picks: We are looking at sectors such as commodities (oil and gas, palm oil and timber), oleochemicals, property, building materials, consumer and banking. However, we do

not believe in being fully invested at all times. Rather, we seek to trim our equity exposure when the market is near its peak to preserve capital. As long as stocks that meet our investment criteria are undervalued, we will buy them.

Public Mutual Bhd
Chief executive officer Edmond Cheah
Fund size: RM9.1 billion

Outlook: MSEB has outperformed regional markets with a year-to-date gain of about 12 per cent. After a good run in the first quarter, the exchange is expected to consolidate in the medium term. Its performance in the second half depends on how the global economy fares in the coming months.

Foreign funds were net sellers of Malaysian stocks from mid-2002 until the middle of last