

PRESS CLIPPING

The Business Times

17 April 2006

Portfolios mostly outpace Sesdaq rise

By TEH HOOI LING

SENIOR CORRESPONDENT

THE UOB Sesdaq Index chalked up its fifth consecutive week of gains last week. The last time it managed that was in the beginning of 2005. For the holiday-shortened week of April 10 to 13, the second board index put on 2.05 per cent while the Straits Times Index (STI) slid marginally by 0.3 per cent.

Despite the UOB Sesdaq's good showing, three out of our portfolios managed to outpace it. The one-year top losers portfolio was last week's top gaining portfolio. It climbed 3.2 per cent, with stocks like Hiap Hoe, NeteLusion, PSL and Technics Oil and Gas helping to lift its value. The performance of Technics Oil & Gas, which supplies process equipment and gas compressors to the offshore exploration and production (E&P) industry, has been nothing short of phenomenal. Its share price has nearly quintupled in the last six months.

The one-month top winners portfolio rose 2.9 per cent, thanks to gains in General Magnetics, Eucon, Ezra, Midas and PSL. The portfolio made up of stocks with the lowest price-to-book ratios edged up 2.3 per cent. LC Development, Lion Teck Chiang, San Teh and Hiap Moh lifted the portfolio with their double-digit gains.

To date, the lowest price-to-book portfolio has performed the best with cumulative gains of 171 per cent. It has outpaced the STI by 68 percentage points, proving yet again that price-to-book ratios are the best predictors of future share price performance.

The analysts' upgrades portfolio edged up 1.2 per cent with strong advances in Want Want, Asia Power, Singapore Technologies Engineering

and Eucon, although these were partly offset by losses in MMI, Keppel Land and Singapore Exchange. This portfolio is the second best performer, suggesting that analysts do add value after all.

The only portfolio which declined last week is the lowest forward price-earnings portfolio.

For this week, Singapore shares are expected to be range-bound in the absence of trading leads, with soaring oil prices seen dampening sentiment, AFP quoted dealers as saying. The market is waiting for the release of quarterly corporate earnings results over the next two weeks.

However, dealers said the release of strong earnings is unlikely to have a major impact on the market, because the strong earnings have already been factored in. Computer chip foundry Chartered Semiconductor is due to release its first-quarter earnings on Friday. Other analysts say surging oil prices may keep investors away from the market.

World oil prices surged last week to near US\$70 a barrel, following reports that the United States was considering a military strike against oil producer Iran's nuclear facilities. Iran is believed to be secretly trying to make a nuclear bomb, but Teheran insists its nuclear research is geared for peaceful energy purposes.

For the four-day trading week ended April 13, the average volume traded totalled 1.44 billion shares worth \$1.31 billion, compared with 1.56 billion shares valued at \$1.24 billion in the previous week.

As for our portfolios, the purpose is to provide real-time tracking of the various trading strategies - namely, buying the stocks recently upgraded by analysts, buying the one-year top losers, the one-month top winners, stocks with the lowest price-earnings ratio and those with the lowest price-to-book (PTB) ratio.

The process is mechanical - no qualitative judgment is exercised. So stocks that appear in the portfolios are not necessarily good buys. But, as the state of the portfolios shows, and as found in numerous other empirical studies, a low PTB ratio has again turned out to be the best predictor of future price performance. The portfolios are rebalanced every quarter.

