

11/01/2003

Blue-chips surge as Valuecap starts business (HL)

Ishun P. Ahmad

PRICES of blue-chips on the Kuala Lumpur Stock Exchange (KLSE) reacted immediately after a new government-backed institutional investor announced

that it started operations yesterday afternoon.

Valuecap Sdn Bhd, with RM10 billion to spend and backed by some of the biggest institutional funds in the country, gave the KLSE something to celebrate when it released a statement saying that it has commenced operations.

The company did not, however, say whether it had begun buying shares yesterday.

Valuecap is equally owned by Khazanah Nasional Bhd, Permodalan Nasional

Bhd and Kumpulan Wang Amanah Pencen. The company said its investment decisions will be independent on its shareholders and will be governed by

its own board of directors and Investment Committee.

The benchmark KLSE Composite Index (KLCI) reacted almost immediately. From 3pm the KLCI, listless for most of the first half of the day, rose to

end the week 1.47 per cent higher, or 9.24 points, to 635,82 points.

Turnover almost doubled to 186.31 million shares compared with 112.79 million the previous day.

The top 10 leading movers yesterday were institutional favourites, with

Malayan Banking Bhd, Tenaga Nasional Bhd, RHB Capital Bhd, YTL and Telekom

Malaysia Bhd making up the top five spots.

Analysts said the announcement raised expectations and is expected to have a positive impact on trading on the KLSE in the short to medium term.

The news also came just a day after Prime Minister Datuk Seri Dr Mahathir Mohamad's comments that shares on the KLSE are undervalued.

"The launch of Valuecap is timely following Dr Mahathir's comments, with

the local bourse stabilising at very attractive levels," said a local head

of research.

He expects strong follow-through buying this week with selective blue chips continuing to see "strong gains".

Khazanah Nasional chief executive officer Datuk Anwar Aji when contacted

said the group will be closely monitoring the feedback from the market on

Valuecap.

He declined to reveal Valuecap's investment strategy but said it will look at two main factors, namely price and the timing.

OUB-TA Asset Management Sdn Bhd general manager Mohd Hasnul Ismar Mohd Ismail, a fund manager, told Business Times that the timing of the

investment firm is extremely good in terms of capitalising on the current cheap market valuations.

The KLSE is trading at a price-earnings (PE) ratio of 12 times compared to a 10-year average of 22 times. Mohd Hasnul expects follow-through buying to filter into the second board and lower liner stocks next week.

"Small- and medium-scale companies would likely benefit from retail buying... sectors like construction and consumer products could likely benefit also," added Mohd Hasnul.

Analysts said the news is very positive as it is likely to help strengthen investor sentiment on the local bourse in the short to medium term. It is also expected to provide the much needed liquidity to the market.

They said Valuecap's investment strategy would likely not see immediate aggressive buying in the short term, but hopes that it would provide a platform for investors to build upon.

In its announcement, Valuecap said the formation of the investment firm is timely and echoes the Government's call to promote greater efficiency in the domestic bourse by creating larger pools of institutional investor participation in the market, with the objective of ensuring that the market reflects fully the fundamental value of its stocks.

"The participation of Valuecap in the domestic market is expected to release additional institutional money to the market, thereby creating further liquidity," added Valuecap.

Given its sizeable fund of up to RM10 billion, Valuecap said it is poised to play an active role in the local bourse.