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MANAGING YOUR MONEY

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United Asian Growth Opportunities up 101%; bullish on Chinese consumer, Taiwanese tech stocks

| BY KELVIN TAN |

Despite the spectacular rally experienced by many Asian stocks this year, there are numerous undervalued, fast-growing counters that can still be found in the region's small-cap arena, says Paul Ho, fund manager of United Asian Growth Opportunities, currently the best-performing Singapore-registered Asian small-cap equity fund.

"Surprisingly, there are still many stocks I can find that are still substantially undervalued, even after the strong market rally. Many of these stocks could be multi-baggers," says Ho, whose fund was up 101% this year to Dec 4. The United Asian Growth Opportunities is also the fifth-best-performing regional fund in Singapore on a year-to-date basis (see tables).

The fund manager from UOB Asset Management (UOBAM) says he tends to focus on Asian stocks with market caps of between US\$1 billion (\$1.4 billion) and US\$3 billion, and whose growth in the coming years has yet to be priced in. At the moment, United Asian Growth Opportunities — with a fund size of \$75.16 million as at Dec 4 — has nearly 70% of its assets invested in Hong Kong, China and Taiwan, as Ho is most bullish on Chinese domestic consumer stocks and Taiwanese tech plays.

Many of the Chinese domestic consumption stocks his fund owns have

"very strong growth going forward", says Ho, adding that small-cap counters listed in Hong Kong and China generally offer good liquidity, compared with their peers in the other markets. "Given the cheap valuations of some of them, I don't think it is difficult to understand why we are overweighting Hong Kong/China."

Taiwan's technology sector is another attractive equity segment, according to Ho. "We are likely to see a lot of new product launches next year that will contribute significantly to the growth of some of the listed companies." He is particularly excited about the increased adoption of LED TVs, the rising popularity of touch panels in consumer electronics devices and the "dramatic rise" of the e-book market spurred by Amazon's wireless reading device, Kindle, and Nook from Barnes & Nobles. Ho says Apple could also launch an e-book product next year.

"These are some of the trends that will create opportunities in this sector. I am very excited about some of these developments, not just for the performance of the fund, but also as a potential user of these new gadgets," he enthuses.

Stock holdings

The fund's semi-annual report for the period ended June 30 shows that it was invested in the stocks of **Young Fast Optoelectronics**, a Taiwanese manufacturer of touch-control panels, as well as China's domestic consumer counters like



Ho believes small-cap counters listed in Hong Kong and China offer good liquidity

sportswear retailer **China Hongxing**, supermarket chain operator **Lianhua Supermarket Holdings** and automaker **Great Wall Motors**.

Other stocks Ho likes, and which make up his top 10 holdings, are Chinese coal miner **Fushan International Energy** and Chinese consumer electronics company **TCL Multimedia**.

He says Fushan's valuation will depend on its ability to find and inject new mining assets into the company. "This is a dynamic process and every time a good asset is injected into the company, its valuation goes up, as does its share price," he says. "So, the upside depends on the ability of the company's management to add more value over

time. We are expecting that they will be able to deliver on that. Of course, it helps that coal prices are going up as well, owing to increasing demand from steel production and decreasing supply [due to the closure of smaller mines in China]," he adds.

Meanwhile, Ho believes TCL Multimedia will benefit from subsidies the world's most populous nation is giving out to its people for consumer electronics products purchases. "The [consumer electronics] sector has been our favourite exposure to the Chinese consumption theme for some time now," he says.

Markets 'due for a correction'

Notwithstanding his long-term bullish views on Asian small-cap stocks, Ho says equities in general "are almost due for a correction", after the sharp rally this year. "Frankly, the trigger for the correction could come from anywhere. For a while, many people thought the H1N1 epidemic would be it. Then, it was the Chinese government's tightening of its monetary policy. More recently, it was the Dubai incident. But, it seems like the market has brushed all these aside."

Still, the pragmatic UOBAM fund manager tells *Personal Wealth* he is "staying vigilant" for other possibilities that could lead to a short-term correction in equities. "However, we do think that after an initial correction, the market may rally back up again, on the back of the [global] economy turning around decisively," he says.

THEEDGE / LIPPER REGIONAL FUND FOCUS

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Five best and worst regional fund groups year-to-date

	YTD RETURNS (%) DEC 31, 2008 TO DEC 4, 2009
Best groups	
Equity Emerging Mkts Latin Am	96.73
Equity Asia Pacific Sm&Mid Cap	82.22
Equity Greater China	62.58
Equity Asia Pacific Ex Japan	60.32
Equity Emerging Mkts Europe	57.63
Worst groups	
Equity EuroZone	27.72
Equity Europe ex UK	28.29
Equity Europe	31.28
Equity Emerging Mkts Other	32.1
Equity Asia Pacific	39

20 best-performing regional funds year-to-date

NAME	LIPPER LEADER FUND RATINGS			ONE-YEAR RETURN	
	TOTAL RETURN NOV 30, 2009 SCORE	CONSISTENT RETURN NOV 30, 2009 SCORE	PRESERVATION NOV 30, 2009 SCORE	VALUE DEC 31, 2008 TO DEC 4, 2009 (%)	RANK
Henderson HF China A2 USD	NA	NA	NA	124.02	1
Legg Mason Southeast Asia Special Sits Trust	Leader	3	1	112.49	2
Fidelity Funds - Latin America A USD	4	3	2	107.80	3
Parvest Latin America C	4	4	2	102.17	4
United Asian Growth Opportunities Fund	2	3	1	100.84	5
Templeton Eastern Europe A Acc EUR	3	2	1	98.64	6
Fortis L Equity Latin America Cap USD	1	1	1	95.24	7
ING (L) Invest Latin America P Cap	3	2	3	94.60	8
Templeton Latin America A Ydis USD	Leader	3	3	94.30	9
HSBC GIF Asia ex Japan Equity Smaller Cos AD USD	Leader	Leader	1	93.53	10
AIG Global Funds - AIG Latin America A	1	1	2	92.67	11
Templeton Asian Growth A Ydis USD	Leader	Leader	1	91.05	12
Fortis L Equity Turkey Cap	NA	NA	1	90.90	13
Schroder ISF Latin American A Acc	2	2	2	90.31	14
APS Alpha SGD	2	1	3	90.00	15
Templeton Asian Smaller Companies A Acc USD	NA	NA	NA	89.34	16
Schroder ISF Asian Smaller Companies A Acc	2	3	1	87.88	17
AIG Global Funds - AIG Emerging Europe Equity Y	Leader	Leader	1	87.29	18
PRU Dragon Peacock	Leader	Leader	2	83.26	19
DWS Asian Small/Mid Cap A SGD	3	4	2	83.17	20

20 worst-performing regional funds year-to-date

NAME	LIPPER LEADER FUND RATINGS			ONE-YEAR RETURN	
	TOTAL RETURN NOV 30, 2009 SCORE	CONSISTENT RETURN NOV 30, 2009 SCORE	PRESERVATION NOV 30, 2009 SCORE	VALUE DEC 31, 2008 TO DEC 4, 2009 (%)	RANK
WIOF Middle East Performance A USD	NA	NA	NA	-7.33	20
Franklin MENA A Acc USD	NA	NA	NA	1.02	19
EFG-Hermes Middle East & Developing Africa (MEDA)	NA	NA	Leader	10.99	18
WIOF Greece-Cyprus Opportunities A EUR	1	1	1	17.69	17
WIOF African Performance A USD	NA	NA	NA	18.82	16
Fidelity Funds - European Larger Cos A EUR	3	2	4	20.01	15
WIOF South East Asia Performance A USD	NA	NA	NA	20.03	14
Templeton Euroland A Acc EUR	1	1	3	20.26	13
Schroder ISF Middle East A Acc	NA	NA	NA	21.71	12
WIOF Adriatic-Balkan Opportunities A EUR	1	1	1	22.35	11
Templeton European A Acc EUR	1	1	4	22.61	10
Franklin Mutual European A Acc EUR	Leader	3	Leader	22.97	9
Schroder European Equity Yield	1	1	4	23.04	8
Henderson HF Pan European Equity A2	Leader	4	Leader	23.19	7
Schroder ISF European Equity Yield A Acc	1	1	4	23.38	6
Allianz RCM Best Styles Euroland - AT - EUR	NA	NA	NA	24.00	5
Fidelity Funds - Euro Blue Chip A EUR	4	3	3	24.79	4
M&G European A Euro Acc	2	2	3	25.02	3
Fortis L Equity High Dividend Europe Cap EUR	NA	NA	NA	25.13	2
Henderson HF Pan European Equity Dividend A2 EUR	3	3	4	25.53	1