

Philequity Corner (December 29, 2014)

By Valentino Sy

One Day Only

This week, the Philippine Stock Exchange will be the only stock market in the world that will be open for one day only. Though many people are probably on extended vacation, let us not forget that today is the last trading day and work day of the year. This leaves us with just one day to bring our trading year to a close. In this article, we highlight the significance of this day for traders and investors alike, as we also look at the year in review and enumerate the best performing stocks in 2014.

One Day Only to Close 2014

Today will be the only trading day over a 14-day period, as this day is sandwiched between seven holidays and two regular weekends. This also leaves us with only 18 trading days in December. This is noteworthy, as some global markets have been trading even during holidays here. This also caused us to miss out trading action during the strongest period for stocks. Incidentally, while we were on holiday break, other global indices such as the S&P 500, Dow Jones, Nasdaq, Russell 2000 and Shanghai Composite have made new all-time or multi-year highs. Moreover, we missed out trading on December 26, the day which has the highest batting rate of delivering a positive return for the stock market.

Traders and investors have benefited from the historically strong performance of our stock market in December. The Santa Claus rally has been attributed to yearend window dressing and additional investments from retail investors who have just received their bonuses. However, stock market activity has been relatively muted this December, partly due to the limited number of trading days this month and the fact that most people are on extended vacation. This also leaves fund managers and institutions a very narrow time for yearend window-dressing.

And the winners are...

Though 2014 was a topsy-turvy year for our stock market, certain stocks performed very well this year. Below, we highlight the best performing stocks of 2014 in terms of price appreciation. Though there is still one trading day left, we believe that the returns that we show in this article will be indicative of the performance of these stocks this year.

- 1. Best bank stock: BDO Unibank (BDO).** BDO is the biggest bank in the country. After attaining this status through various mergers and acquisitions, the bank has steadily delivered operational improvements that have started to translate to higher RoE. With the noticeable improvements in profitability, the bank is benefiting from an upward re-rating in terms of valuation. This has resulted in the 60% gain in the bank's stock price year-to-date (YTD).
- 2. Best consumer stock (food): Universal Robina Corp (URC).** The diversified snack foods company continued to deliver strong earnings growth driven by sustained margin improvement. This, along with its value-accretive acquisition of New Zealand snack foods producer Griffin's, drove the stock's 71% YTD return.

Special mention goes to **D&L Industries (DNL)**. Though it is a manufacturing company that produces a wide range of products for car manufacturers, packaging companies and oil companies, it also services food manufacturers, fast food chains and other consumer-related companies. Hence, it is considered a proxy play for our country's robust domestic consumption. The company's sustained topline growth and improving margins have driven the 159% YTD return of the stock.

- 3. Best consumer stock (retail): Robinsons Retail Holdings (RRHI).** RRHI is a retail operator which owns supermarkets, department stores and other convenience and specialty stores. As such, the company is a direct play on the country's domestic consumption. RRHI, as well as other operators in the local retail space, also stand to benefit from the increase in consumer spending power brought by falling oil and commodity prices. These contributed to RRHI's 37% YTD gain.
- 4. Best utilities stock: First Gen Corp (FGEN).** After going through unexpected mishaps and disasters in 2013, FGEN rebounded strongly as it delivered uninterrupted full-year operations this year. While this showed the company's true earnings potential, upcoming projects such as the Avion power plant and other San Gabriel power plants should further improve FGEN's earnings profile. All these contributed to the stock's 96% YTD return.
- 5. Best property stock: Megaworld Corp (MEG).** MEG enjoyed another strong year as it continued to benefit from the sustained growth of the property sector as a whole. Further, the recent sale of two lots previously owned by the Government Service Insurance System (GSIS) in Bonifacio Global City (BGC) at record high prices is expected to drive the upward revaluation of MEG's properties and projects in the BGC area. These have propelled MEG's 47% YTD return.
- 6. Best holding stock: JG Summit Holdings (JGS).** Since JGS is a holding company, its 73% YTD return was driven by the performance of its subsidiaries, namely URC and Cebu Air (CEB). While URC delivered a 71% YTD return, CEB rose 81% YTD on the back of falling oil prices, which is expected to result in wider margins and higher earnings. Given CEB's market presence, it may also be considered as a play on the country's domestic consumption.
- 7. Best gaming stock: Leisure & Resorts World Corp (LR).** LR is a gaming company which has a share in the operations of City of Dreams (COD) Manila. Aside from this, LR also acts as a master licensor for online gaming while also operating a wide range of mass retail gaming boutiques. The expected earnings contribution from COD Manila and the sustained growth of its core gaming businesses drove the 93% YTD surge in LR's stock price.
- 8. Best mining stock: Nickel Asia Corp (NIKL).** The country's largest nickel miner has bucked the trend by performing strongly this year, even as miners around the globe are languishing due to falling metal prices. The Indonesian ban on raw ore exports has resulted in higher raw nickel ore prices and a banner year for the company in terms of earnings. This also drove the 214% YTD surge in NIKL's stock price.
- 9. Best IPO: DoubleDragon Properties Corp (DD).** DD is a property developer which made its stock market debut in April 2014. The company is a partnership between Jollibee Foods Corp (JFC) Chairman Tony Tan Caktiong and Mang Inasal Founder Edgar "Injap" Sia. The excitement caused by the partnership of two successful entrepreneurs, as well as the company's growth prospects, drove the 269% gain in DD's stock price since its IPO.

Special mention goes to **Xurpass (X)**. X is a technology company which specializes in developing mobile games and other digital products. So far, the company has delivered strong revenue growth accompanied by wide margins, resulting in explosive earnings growth over the past few years. Though X has only been listed for less than a month, its stock price has surged 145% since IPO.

10. Best index stock: First Gen Corp (FGEN). FGEN is the best performing index stock this year, posting a 96% YTD return. Apart from FGEN and the other stocks that we mentioned above, there are also other index stocks that have outperformed this year. We show them in the table below.

Table 1 – Top 10 Index Stocks by YTD Return

Rank	Company	Ticker	YTD Return
1	First Gen Corp	FGEN	96.4%
2	JG Summit Holdings	JGS	72.8%
3	Universal Robina Corp	URC	71.1%
4	BDO Unibank	BDO	59.9%
5	Energy Development Corp	EDC	53.7%
6	Megaworld Corp	MEG	46.6%
7	Semirara Mining and Power Corp	SCC	44.3%
8	GT Capital Holdings	GTCAP	41.2%
9	Bloomerry Resorts Corp	BLOOM	40.3%
10	Ayala Land	ALI	37.0%

*Based on closing prices as of December 23, 2014
Sources: Bloomberg, Wealth Securities*

One More Day

The top 10 index stocks have so far delivered returns of at least 37% YTD, contributing to the strong performance of our stock market this year. Though there have been many stocks that outperformed this year, the performance of the PSE Index has also been dragged down by underperforming telco and conglo stocks, which carry heavy weights in the index. The net effect, however, is still quite impressive, as the PSE Index has so far delivered a return of 22% YTD. Note that the returns that we showed for the best performers of 2014 and for the index are based on closing prices as of December 23, 2014. We still have one more day to find out what the final score will be.

And since this is the last work day of the year, let us use this day to look back at the year that was and count our blessings, even as we look forward to the start of another exciting year. We wish everyone a prosperous and profitable year for 2015. Happy New Year!

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.