The sluggish performance of Singapore construction companies over the past years has consistently deterred investors and researchers from concentrating their efforts towards studying them. However diversification may be used to minimize risks and hence potential losses. A study on the construction stocks may thus provide an alternative for investors to consider including it to their portfolios.

This study aims to provide a thorough analysis on the investment performance of construction stocks listed on the Singapore Stock Exchange in the period 1990-1999. Using the time-varying approach, the abnormal return performance of the 13 construction companies is investigated. Employing the Kalman filter technique, there was evidence that the construction firms generally under-performed in the market.

Also the relationship between the abnormal returns of the construction firms and four variables, namely, the Gross Domestic Product, the Construction Gross Domestic Product, the value of contracts awarded and the Building Materials Index. The results verified that the variables had positive relationships with the abnormal performance of the construction firms, with the exception of the Construction Gross Domestic Product, where a firm significant relation could not be established.

Key Words: Investment Performance, Construction Companies, Time-Varying Approach