Portfolio Managers' View

As at 8 December 2020

Fund Management Department

For Use of AISB's Clients, Consultants and Distributors only

Malaysia

1. The KLCI closed at 1,622 @ 4.12.20, up 1.0% W-o-W and 11.4% M-o-M. Last week, Industrials (+13.9%), REITs (+4.6%) and Construction (+4.0%) were the best performing sectors while Healthcare (-1.4%) and O&G (-0.4%) were the worst performing sectors. YTD @4.12.2020, the KLCI has increased by +2.5%. If the KLCI manages to hold on to its gains till the end of the year, it will be the second time only in the last 7 years that the KLCI has delivered positive returns.

2. Interestingly, the KLCI is ending the year with some tailwinds. Reasons : a) The MYR has strengthened to 4.07 vs the USD. YTD-20, the Ringgit has appreciated by 0.45% vs the USD vs Philippine Peso +5.4%, Thai Baht -0.8% and Rupiah -1.9% b) Crude oil prices have risen from $41/bbl at end-Sep to $48/bbl currently (vs US$42/bbl assumption in Budget 2021) c) In the Sep-quarter reporting season, there were more companies which exceeded expectations than companies which underperformed expectations (*sources : Maybank & CIMB*). Consensus expects earnings for the market to rebound by +13% from $86 in 2020 to $97 in 2021. In our opinion, consensus may be too conservative with their 2021 market EPS forecast as an earnings integer of $100-$100 has been reasonably achievable.

-continued

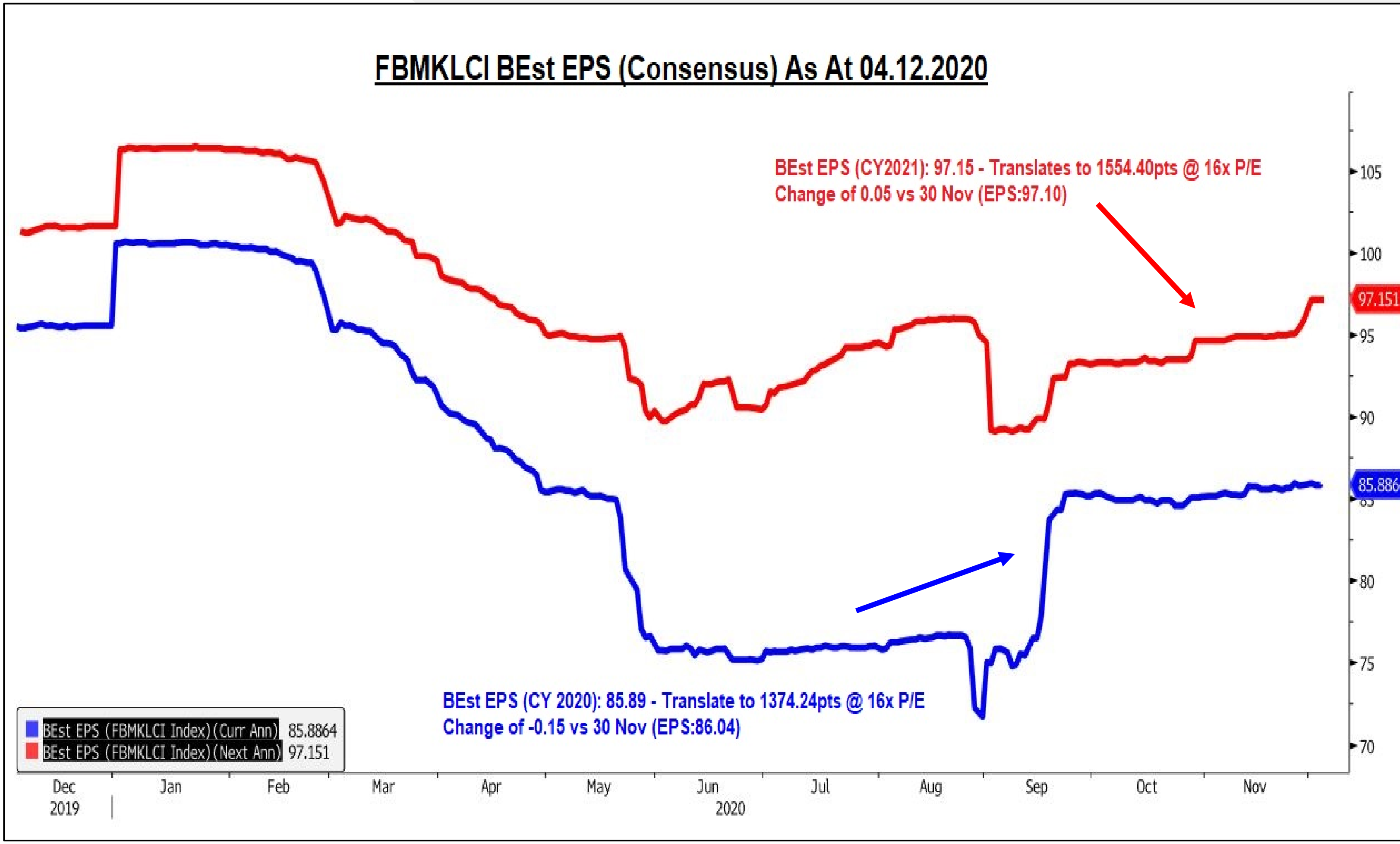
3. Malaysia's valuation has become more attractive relative to the region. Malaysia's PER is trading at a 6% discount against MSCI Asia ex-Japan. This is at the low-end of the range of 0% to +40% in the last 5 years. This may be attributable to Malaysia's defensive earnings profile and also the earnings upgrades in the healthcare (rubber glove) sector.

4. The major news in the past week was Fitch's revision of Malaysia's rating from A- to BBB+ on 4th Dec 2020. The rating agency moved its outlook from "negative" to "stable". However, the bond market was reasonably steady despite the news. Foreigners own approximately 40% of Malaysia Government Securities (MGS) in Nov-20. We believe at least half of these foreign bond holders are comprised of sovereign funds, pension funds and insurance funds which are long-term investors.

-continued

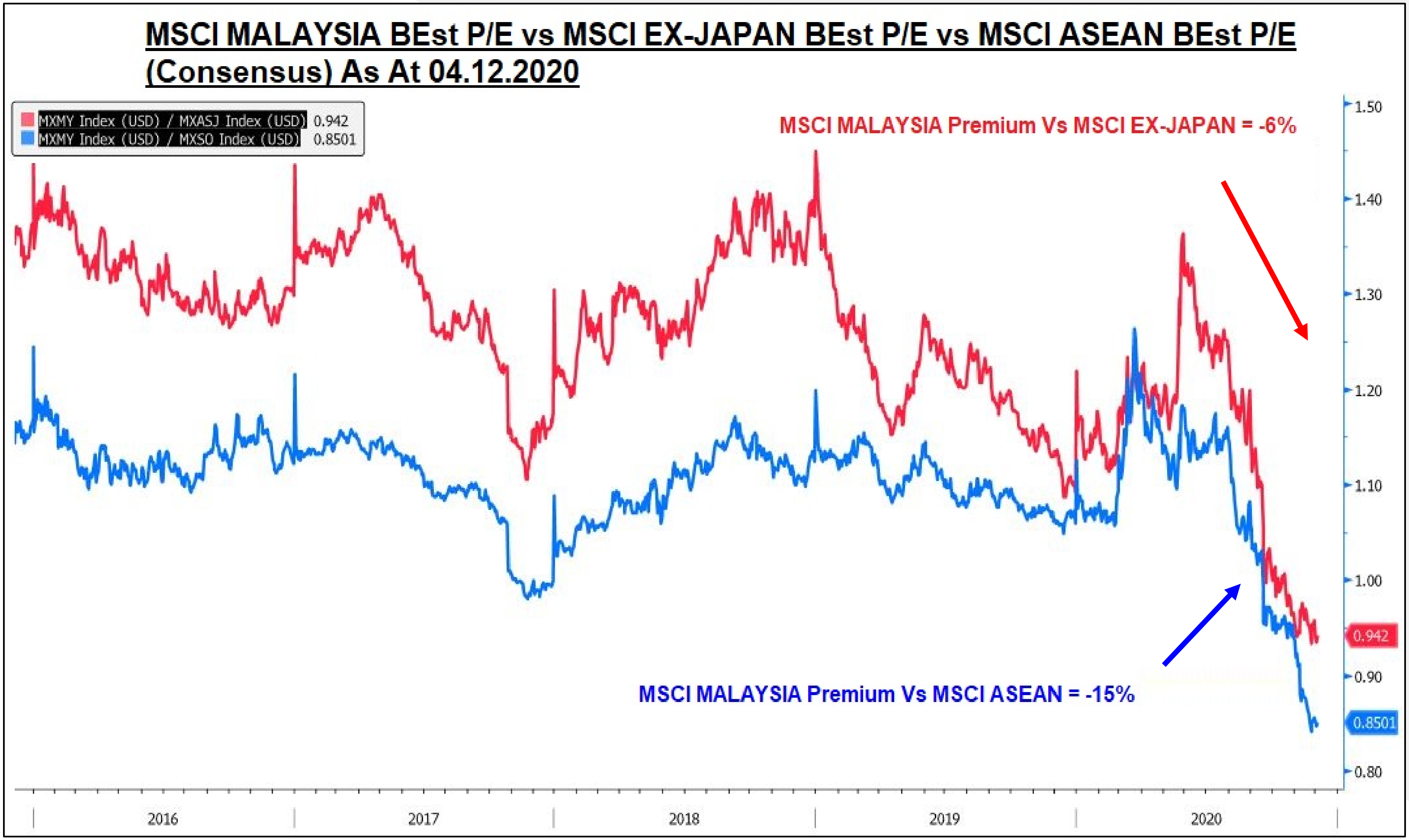
5. Consensus 2021 market eps estimate has moved up gradually since Sep-20. Market eps has been revised up from $88 in early Sep-20 to $97 currently. At 1,622 @4.12.20, the market is trading at a PER of 18.9x/16.7x for CY20/CY21 respectively (based on consensus estimates). The market's valuation for 2021 is in-line with its 12M mean PER of ~16x. We continue to Overweight technology across our funds as we believe the drivers for the sector remain favourable. In some portfolios, we have added selective laggard companies whose earnings will fare better when the economy eventually recovers from the pandemic. As always, our discipline is to invest in companies which in our view have identifiable catalysts which will drive a rerating of their share prices.

Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS).



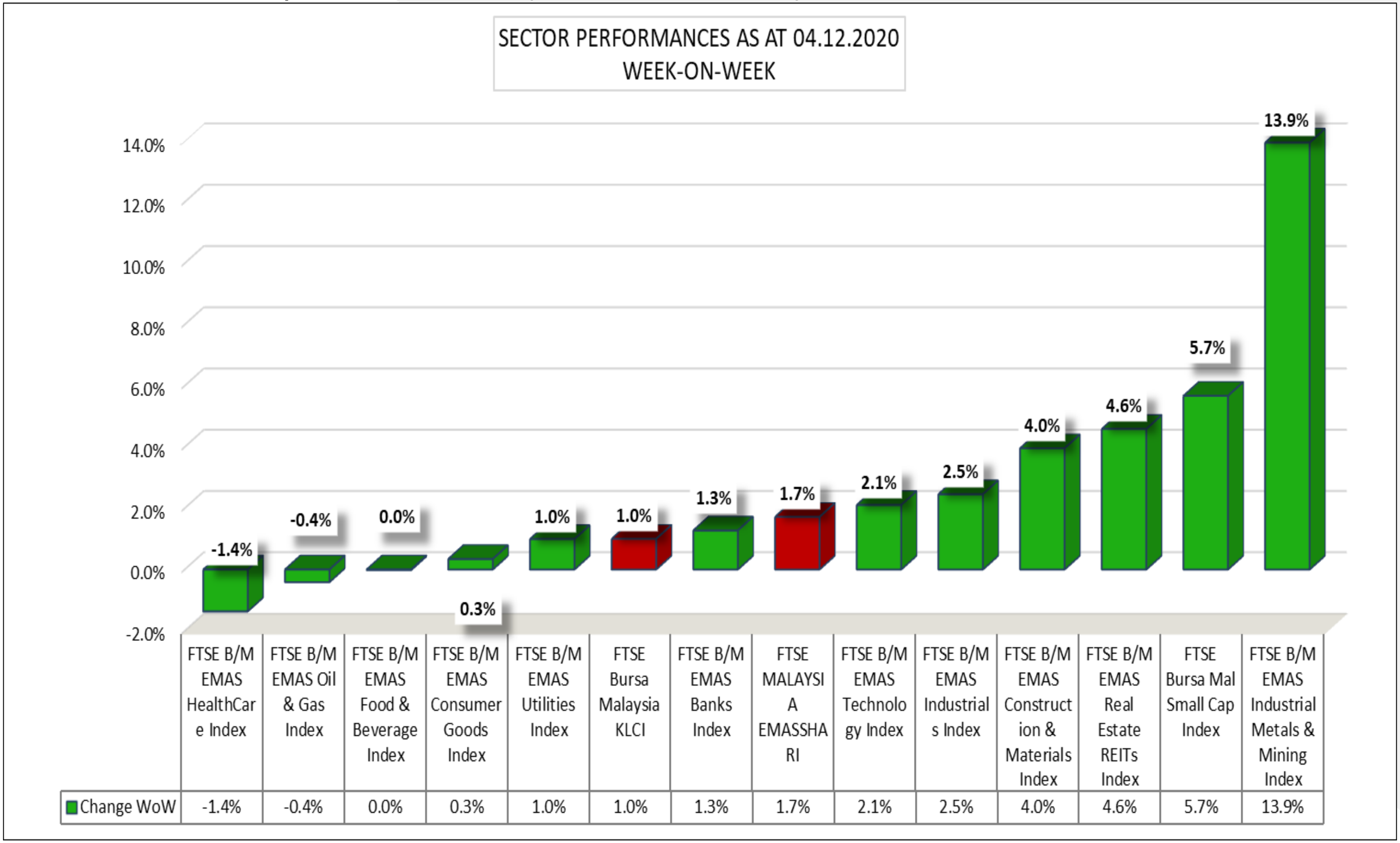
(Source: Bloomberg)

Exhibit 2: MXMY BEst P/E vs MXASJ BEst P/E vs MXSO BEst PE



(Source: Bloomberg)

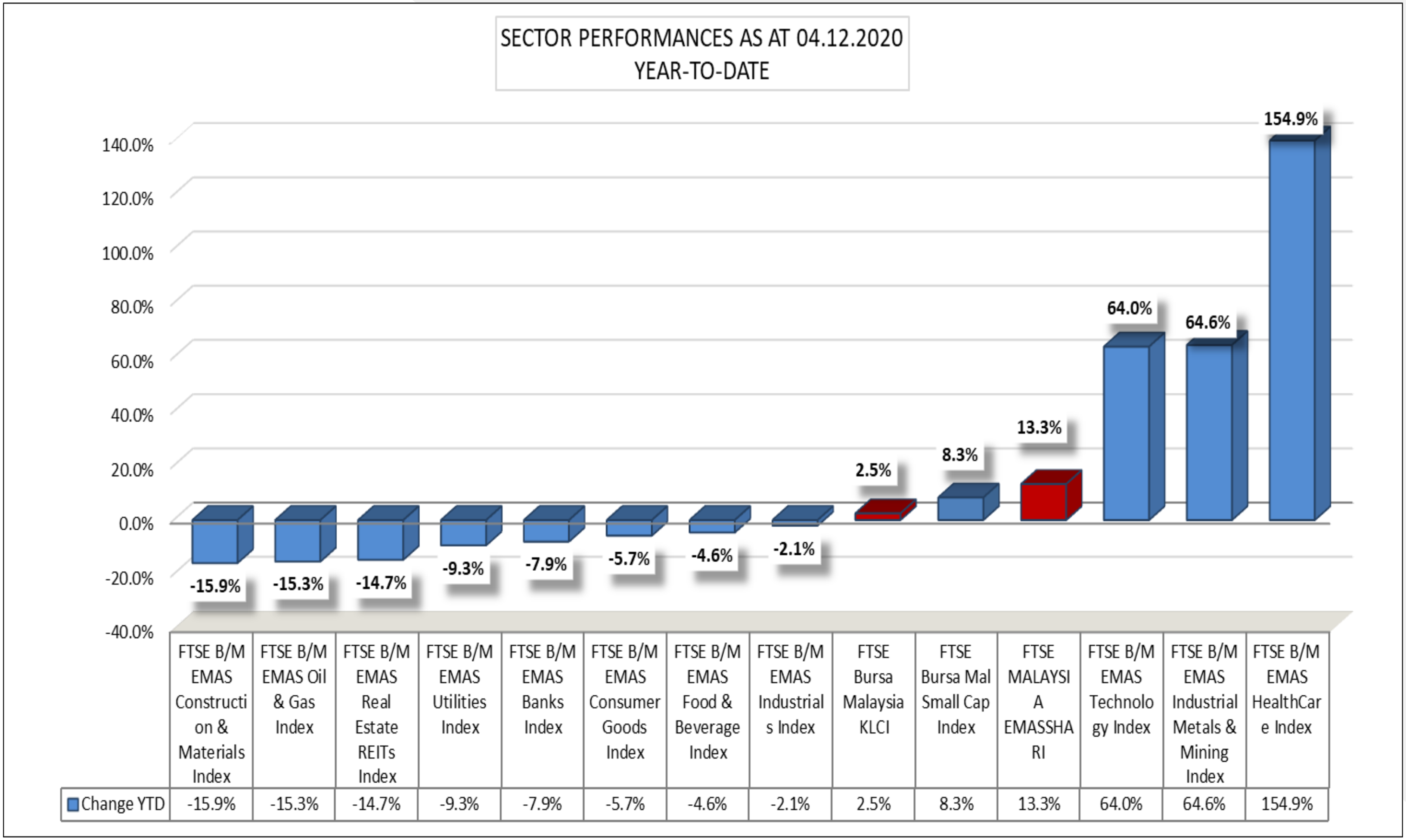
Exhibit 3: Sector performances (Week-on-Week)



	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Utilities Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Banks Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Technology Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Real Estate REITs Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrial Metals & Mining Index
Change WoW	-1.4%	-0.4%	0.0%	0.3%	1.0%	1.0%	1.3%	1.7%	2.1%	2.5%	4.0%	4.6%	5.7%	13.9%

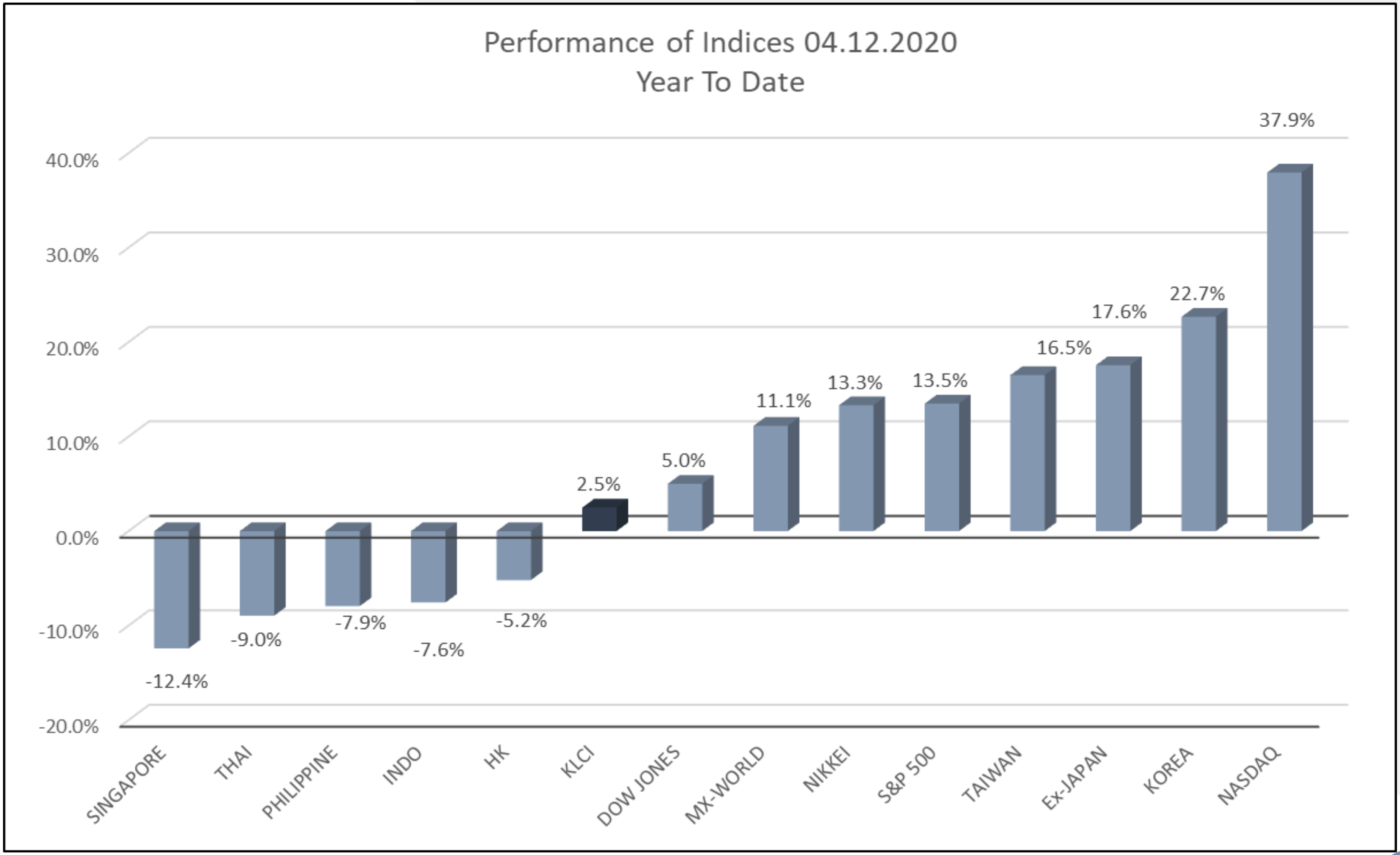
(Source: Bloomberg)

Exhibit 4: Sector performances (Year-to-Date)



(Source: Bloomberg)

Exhibit 5: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. Make no mistake; China is not exactly a saint, however, the relentless onslaught by the out-going Secretary of State Mike Pompeo on China made China look almost like one. This is a time to bring the USA together, to focus on the deteriorating Covid-19 situation, to help the incoming team transit smoother to fight the pandemic more effectively. Alas, the job has been made more difficult for incoming President Joe Biden. The world can do with less of such cultish personalities.

2. The US 10-year Treasuries look close to testing the 1% mark. Next week's US Fed FOMC Meeting has never taken on more importance. Sure, pro-active monetary policy has plugged gapping stress in the financial markets. However, it is fiscal policy that is needed to tackle the negative effects on the real economy. Meanwhile, political jostling continues between the Democrats and Republicans on a new fiscal support package that might come too late. And more than US$250 million has been spent on TV ads for the Georgia Senate run-off in January 2021 that will decide who controls the Senate; what does the man on the street think of such spending in a time of extreme crisis?

-continued

3. It is worth repeating from last week that the US Fed will need to deliver a stronger statement on its dovish stance. There may not be a need to rush out yield curve control but there may be a need to keep the market in check to help this economic recovery on a more sustainable path. Sharply higher yields risk undermining the momentum; the question as always is, at what level is it too high?

Disclaimer

This document is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Fundamental ratings include various financial data from the income statement, balance sheet, and cash flow statement items such as sales, profit, all important ratios, cash flows, working capital, cash conversion cycle and etc. over the past quarters and years. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not indicative of future performance. This document is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this document. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this document. The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Apex Investment Services Berhad ("AISB") and consequently no representation is made as to the accuracy or completeness of this document by AISB and it should not be relied upon as such. Accordingly, AISB and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this document. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice. This document may contain forward-looking statements which are often but not always identified by the use of words such as " anticipate", "believe", "estimate", "intend", "plan", " expect", "forecast", "predict" and "project" and statements that an event or result "may", “will", "can", "should", "could " or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. AISB expressly disclaims any obligation to update or revise any such forward-looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. AISB and its officers, directors and employees, including persons involved in the preparation or issuance of this document, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this document, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this document. One or more directors, officers and/or employees of AISB may be a director of the issuers of the securities mentioned in this document to the extent permitted by law. This document is prepared for the use of AISB clients, consultants or Representatives and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of AISB. AISB and its Representatives accepts no liability whatsoever for the actions of third parties in this respect. This document is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This document is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this document.

This document has not been reviewed by the Securities Commission Malaysia (“SC”), Federation of Investment Managers Malaysia (“FIMM”) and Employees Provident Fund (“EPF”). The SC, FIMM and EPF are not liable for this document and are not in any way associated with this document. The SC, FIMM and EPF are not responsible for the contents herein and do not make any representation on the accuracy or completeness of this document, either in whole or in part.