Apex
INVESTMENT SERVICES BERHAD (420390-M)
20 years and beyond

Portfolio Managers' View

As at 12 January 2021

Fund Management Department

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Malaysia

1. The KLCI closed at 1,612 @ 12.01.20, down -0.8% M-o-M. Last week, Healthcare (+6.1%) were the best performing sectors while Construction (-7.6%) and REITs (-4.7%) were the worst performing sectors. YTD @12.01.2020, the KLCI has increased by 0.4%.

2. To curb the outbreak of Covid-19, PM Tan Sri Muhyiddin announced a Movement Control Order 2 (MCO 2) between January 13 and 26 for Penang, Selangor, Federal Territories, Melaka, Johor and Sabah. To recap, the first MCO implementation on 18 March 2020 saw Malaysia's GDP contracted by -17.1% in 2Q20 which was the steepest fall since the Asia Financial Crisis 1998. However, we believe that the impact of MCO 2 to the Malaysia's economy is less severe than MCO 1. This is because most of the critical industries such as manufacturing, construction, services, trading, farming and commodities are able to operate.

3. The Yang di-Pertuan Agong declared a national state of emergency from 12 Jan 2021 to 1 Aug 2021. The objective was to curb the runaway spread of Covid-19. There were four times in Malaysia's history that the country was placed under emergency rule (1964, 1966, 1969, 1977) under the current state of emergency, there is no curfew or military intervention while businesses will operate as usual. Post the emergency declaration, general election and

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by-elections will not permitted. Parliament will also not be allowed to convene. The PN government's grip on power is based on a very slim majority in Parliament. We are underweight companies which rely on winning government contracts for their revenues.

4. As shown in Exhibit 1, the cash level for our funds have increased for all our Malaysia funds. We are well-positioned to capture any opportunities when they arise. The MCO is very likely to extend beyond two weeks and be a drag on growth and earnings in Q1. Daily economic losses under MCO2 is estimated at RM 0.75 bil per day (vs RM 0.2 bil under CMCO and RM 2.4 bil under MCO1 in 2020). Every fortnight of MCO2 will reduce full year GDP by RM 10 bil or 0.7% points (source: CGS-CIMB). We would not discount a further lowering of OPR currently at 1.75%.

5. We continue to be Overweight technology across our funds as we believe the structural drivers for the sector remain intact. Technology companies are enjoying an upsurge in orders, longer visibility, high utilisation and average selling price (ASP) increases (in several segments). As always, our discipline is to invest in companies that have clear catalysts which will drive a rerating of their share prices.

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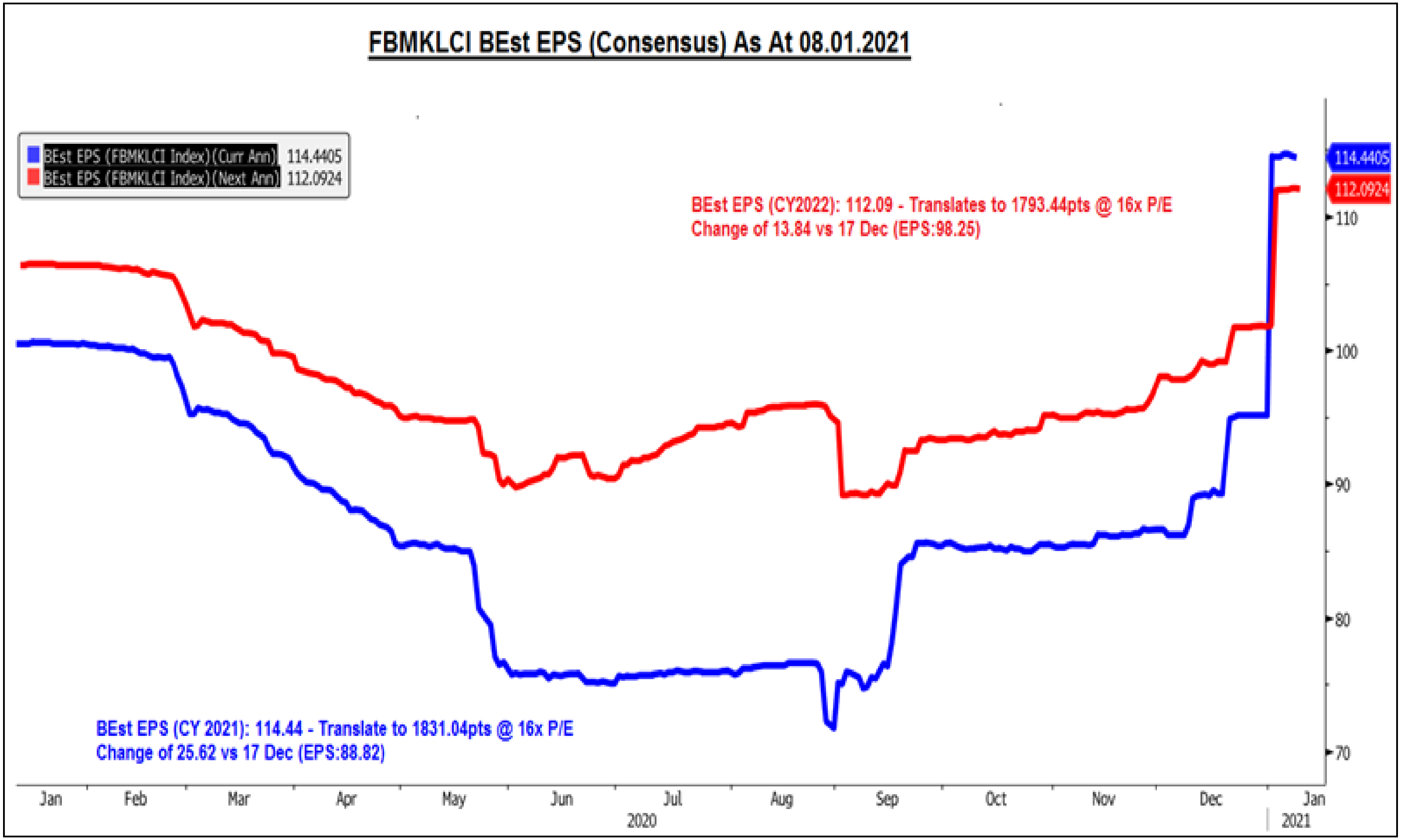
6. Consensus 2021 market eps estimate has moved up from RM 88.8 in Dec-20 to RM 114.4 currently. At 1,612 @ 12.01.21, the market is trading at a PER of 14x for CY21 respectively. The market's valuation for 2021 is below its 12M mean PER of ~16x. Separately, Malaysia is cheap vs the Asian region. Malaysia is currently trading at a 19% discount to Asia ex-Japan's 2020 PE multiple (pls see Exhibit 3). This discount is at its widest level in the last 5 years.

Exhibit 1: Apex Investment Funds Cash Level

FUND	Cash Level (%)	
	08-Jan-21	31-Dec-20
Apex Malaysia Growth Trust	22.79	6.40
Apex Quantum Fund	22.27	3.55
Apex Dana Aslah	14.67	2.21
Apex Dana Al-Sofi-i	18.32	6.48
Apex Dana Al-Faiz-i	18.59	5.76
Apex Dynamic Fund	16.66	3.67

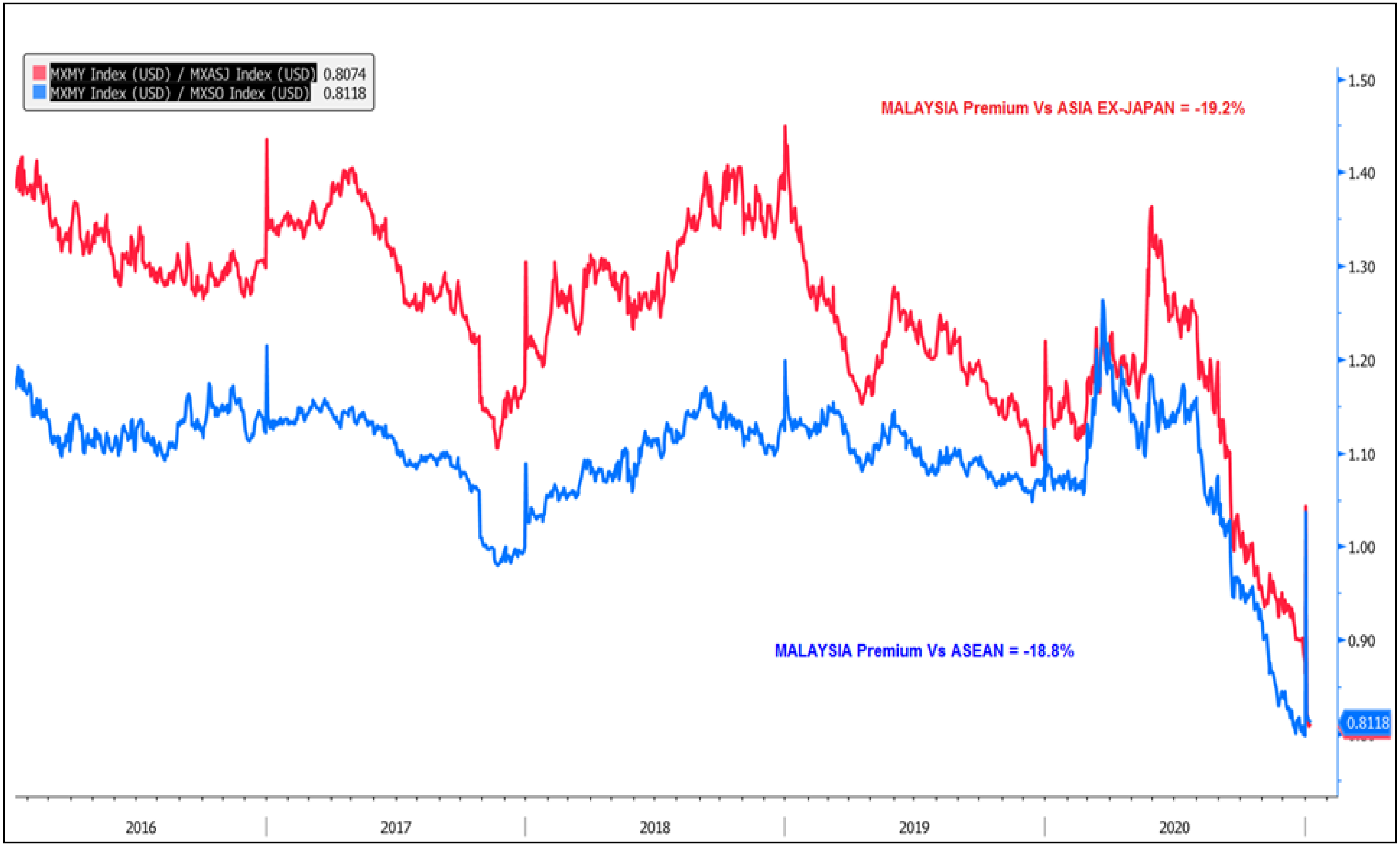
(Source: Apex Investment Services Berhad)

Exhibit 2 : FBMKLCI Consensus Earnings Per Share (EPS)



(Source: Bloomberg)

Exhibit 3: MALAYSIA P/E vs ASIA EX-JAPAN P/E vs ASEAN P/E



(Source: Bloomberg)

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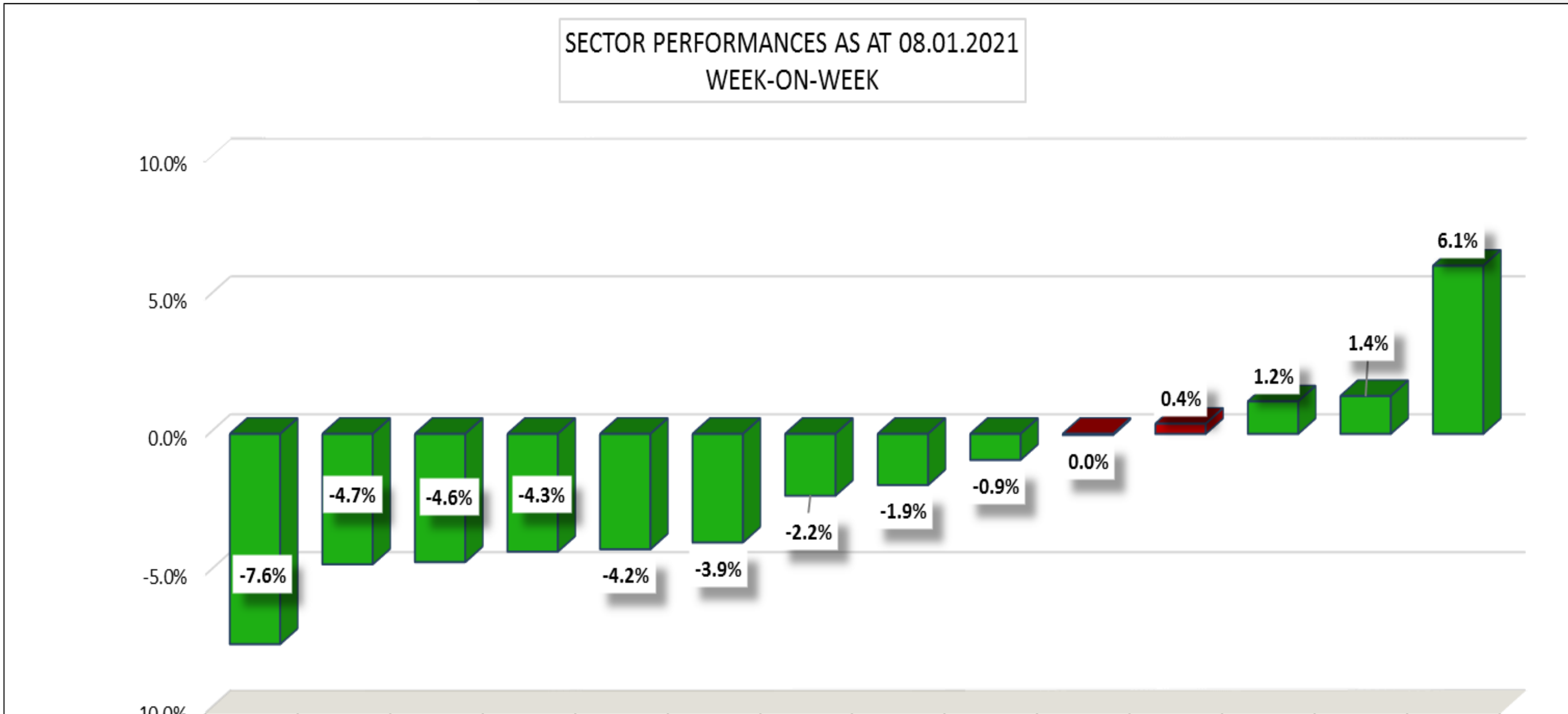
Exhibit 4: Sector performances (Week-on-Week)



	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Technology Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Utilities Index	FTSE MALAYSIA EMASSHARI	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS HealthCare Index
Change WoW	-7.6%	-4.7%	-4.6%	-4.3%	-4.2%	-3.9%	-2.2%	-1.9%	-0.9%	0.0%	0.4%	1.2%	1.4%	6.1%

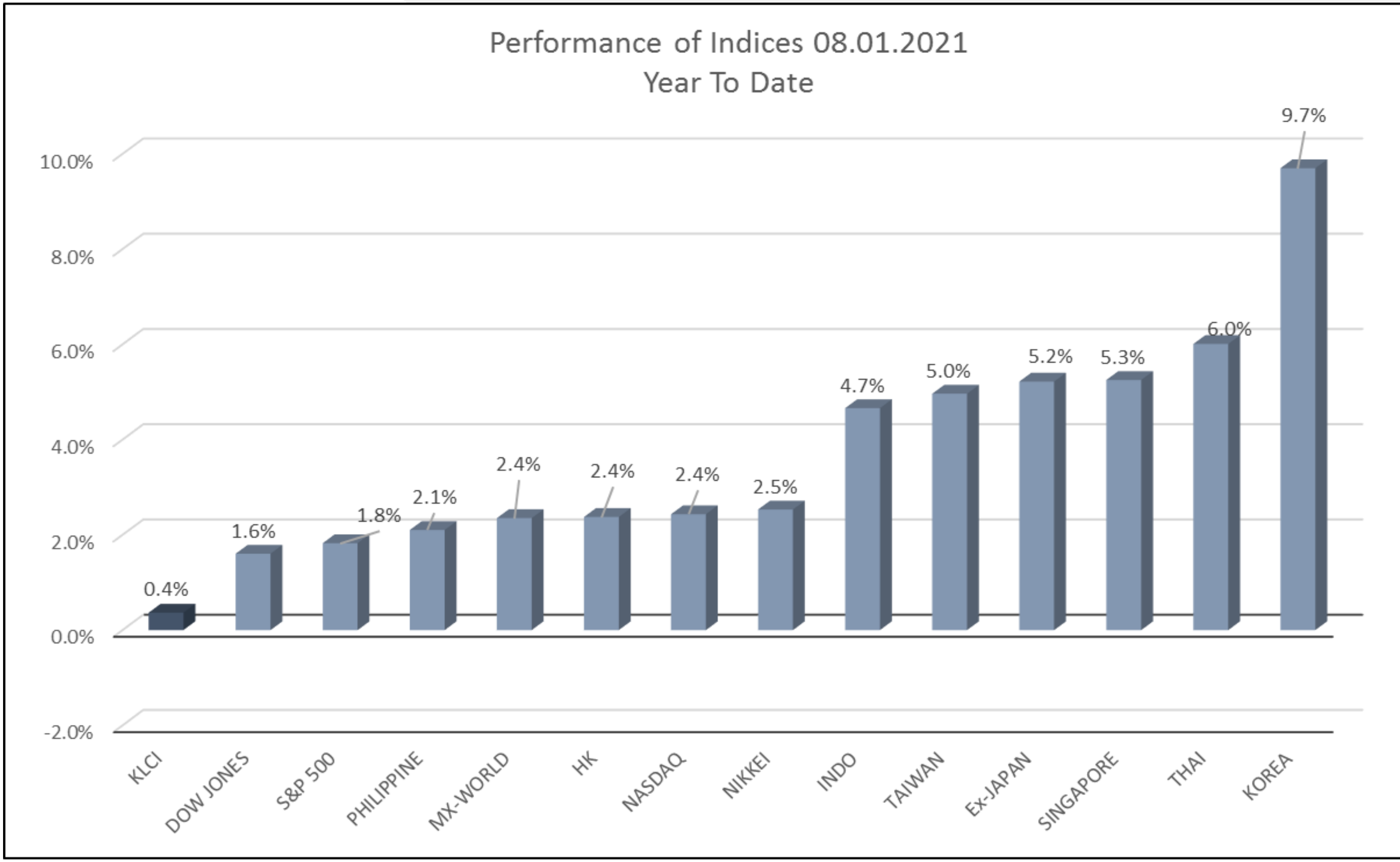
(Source: Bloomberg)

Exhibit 5: Sector performances (Year-to-Date)

	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Technology Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Utilities Index	FTSE MALAYSIA EMASSHARI	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS HealthCare Index
Change YTD	-7.6%	-4.7%	-4.6%	-4.3%	-4.2%	-3.9%	-2.2%	-1.9%	-0.9%	0.0%	0.4%	1.2%	1.4%	6.1%

(Source: Bloomberg)

Exhibit 6: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. The Georgia run-off has produced a positive result for emerging equity markets and currencies. Even as riots swept through Capital Hill and President Trump has called a state of emergency amid the possibility of impeachment and early removal from his closing days as the 45th President of USA, incoming President Joe Biden has wasted no time in pushing through a multi-billion dollar bailout package, likely in the next week or two.

2. Fiscal programs will need to be funded through the issuance of more government debt. Investors will insist on a higher return in the face of increased supply. The steepening of the yield curve is both pricing in a post-vaccine economic recovery as well as the demand-supply dynamics. We remain of the view that the US Fed will still step into some form of yield curve control, the question is when and at what level.

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3. US Fed member Charles Evans floated the idea not just aggressively to woo highly inflation but also thought that getting to 3% inflation to compensate for the perpetual undershooting of the 2% target is not a bad thing. For the first time, not just a number but a considerably higher 3% number was floated, and one that has not been achieved in the last 20 years. If this is the US Fed's thinking, monetary policy will remain benign for a longer period of time.

4. The combination of higher indebtedness and more money printing will result in sustained US Dollar weakness. We see a strong Chinese Rmb leading to broad Asian currency strength. Historically, this will also mean strong Asian equity markets performance.

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