Portfolio Managers' View

As at 02 February 2021

Fund Management Department

Malaysia

1. The KLCI closed at 1,580 @ 2.02.21, down -3.8% M-o-M. Last week, Technology (+7.5%) was the best performing sectors while Industrial, Metals & Mining (-5.7%) and Construction (-4%) were the worst performing sectors. Year-to-date @ 27.01.2020, the KLCI has declined by -2.9%.

2. Senior Minister Datuk Seri Sabri Yaakob announced that MCO 2.0 will be extended from Feb 5 to Feb 18 with implementation of stricter measures. In an interview with CNA, Finance Minister Tengku Zafrul stated that GDP growth for 2021 is likely to come in at the low-end of MoF's GDP forecast of 6.5% to 7.5% for 2021 due to the current MCO 2.0. Daily economic losses under MCO 2.0 is estimated at RM 0.75 bil per day (vs RM 0.2 bil under CMCO and RM 2.4 bil under MCO 1.0 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%.

3. On 28.01.21, Moody's affirmed Malaysia's A3 rating with a stable outlook. The next rating agency to rate Malaysia outlook is S&P. In June 2020, S&P had downgraded Malaysia's rating outlook to Negative from Stable.

-continued

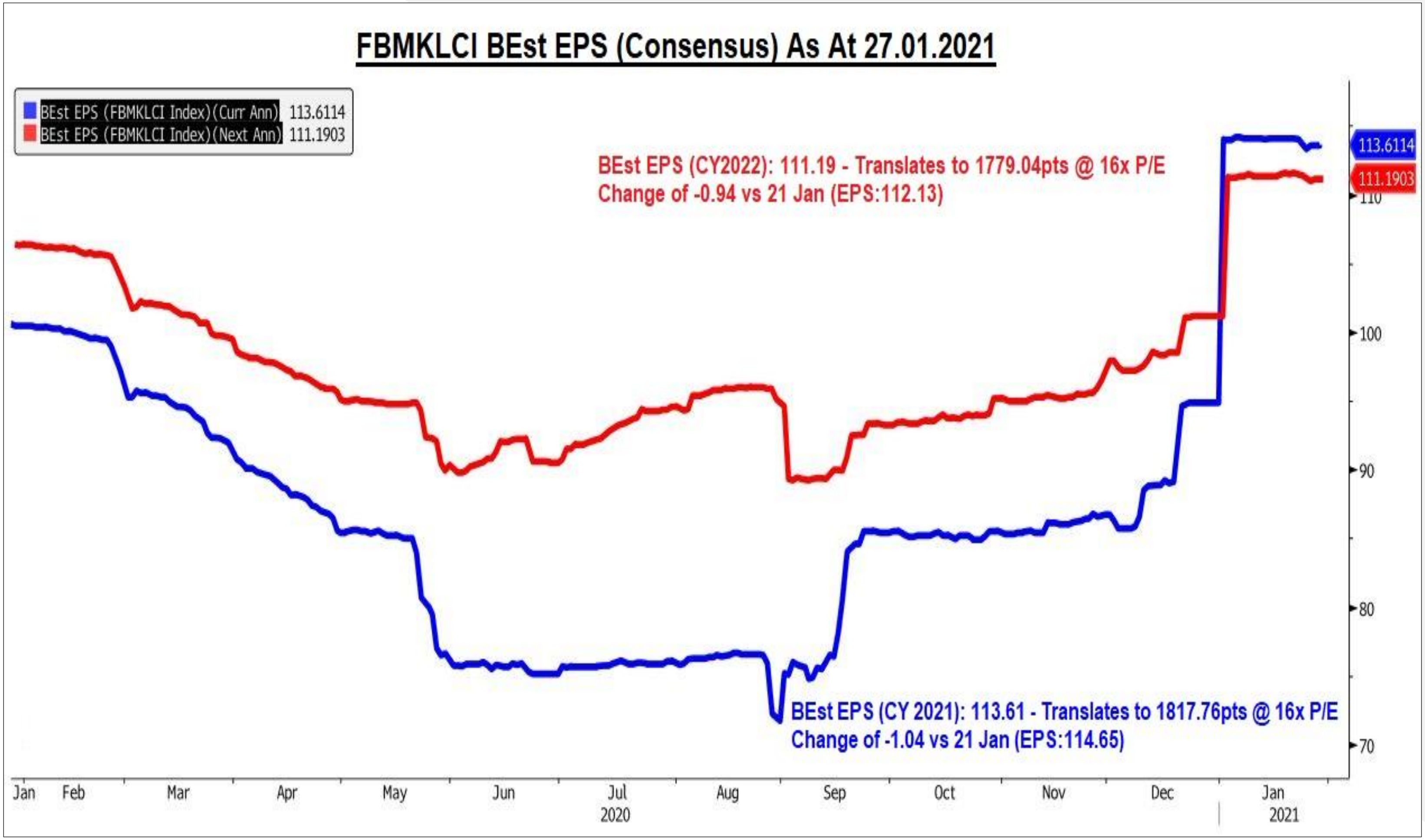
4. According to United Nations Conference on Trade and Development (UNCTAD), FDI inflow into Southeast Asia fell by 31% to $107bil in 2020. Malaysia's FDI inflows fell by -68% to $2.5 bil, Singapore fell by 37% to $58 bil, Indonesia decreased by 24% to $18 bil, Vietnam fell by 10% to $14 bil and Thailand declined by 50% to $1.5 bil. Philippines bucked the trend with a 29% increase in inflow to US$6.4 bil. Malaysia was the second lowest recipient of FDIs in SEA in 2020.

5. Last week, Apple and Skyworks announced 4Q20 earnings which were above expectations. Apple reported its first $100bil revenue quarter with momentum driven by the new Apple 5G iPhone 12. Handset sales were $65.6bil vs est of $60.3bil. The sustained demand for Apple's 5G iPhone 12 and the current low inventory level bode well for the supply chain. Separately, Skyworks which produces RF (Radio-Frequency) for Apple 5G iPhone 12 reported its 4Q20 revenue of $1.5bil vs est $1.1bil. These results provide a positive read through for Outsourced Semiconductor Assembly and Test (OSAT) players such as MPI, Unisem and Inari. With high utilisation and strong end-demand, we expect the local semiconductor companies to announce encouraging Dec-quarter earnings this month. We expect potential upside to tech company earnings during the upcoming reporting season.

-continued

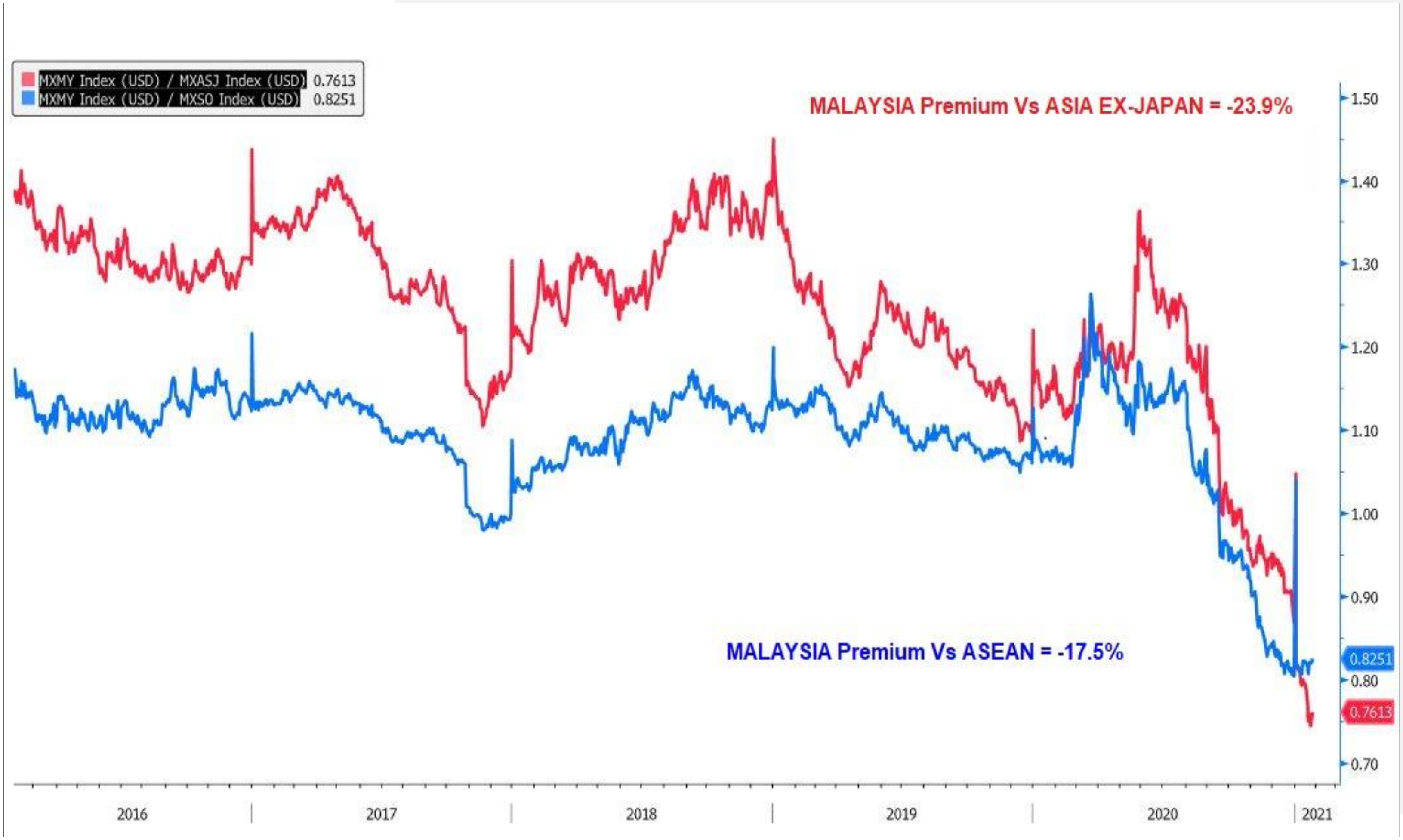
6. Consensus 2021 market eps estimate has moved up from RM 88.8 in Dec-20 to RM 113.6 currently. At 1,580 @ 2.02.21, the market is trading at a PER of 13.9x for CY21 respectively. The market's valuation for 2021 is below its 12M mean PER of ~16x. Separately, Malaysia is cheap vs the Asian region. Malaysia is currently trading at a 23.9% discount to Asia ex-Japan's 2020 PE multiple (see Exhibit 2). This is the steepest discount in the last 5 years.

Exhibit 1 : FBMKLCI Consensus Earnings Per Share (EPS)



(Source: Bloomberg)

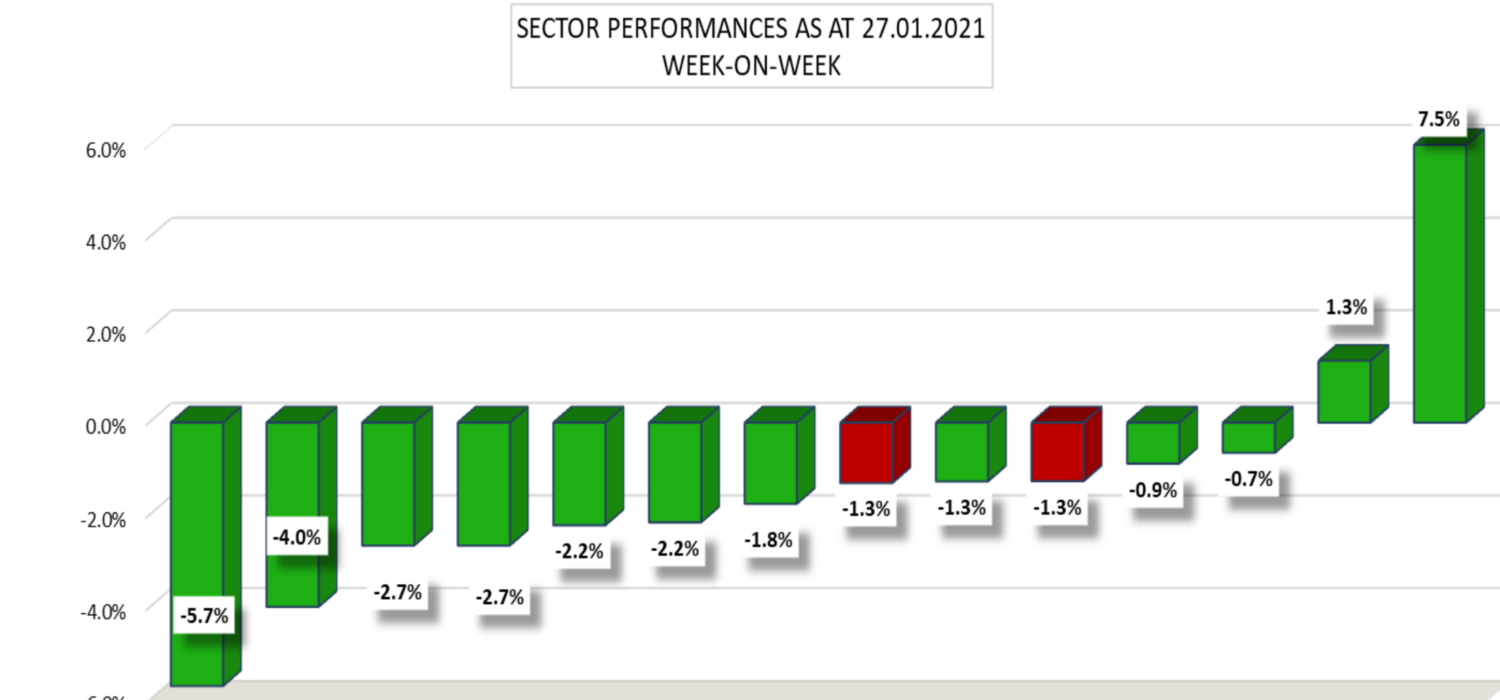
Exhibit 2: MALAYSIA P/E vs ASIA EX-JAPAN P/E vs ASEAN P/E



(Source: Bloomberg)

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

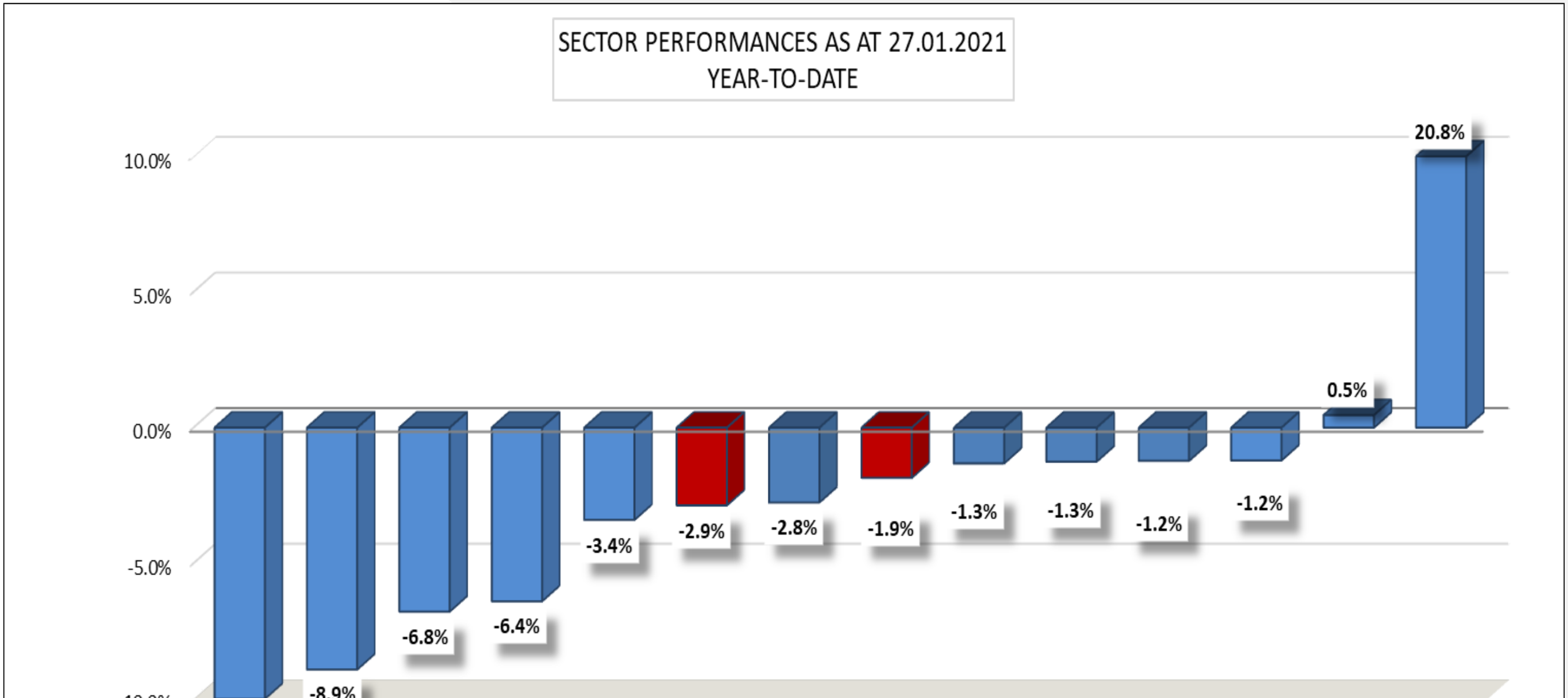
Exhibit 3: Sector performances (Week-on-Week)



	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Utilities Index	FTSE Bursa Mal Small Cap Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Consumer Goods Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Technology Index
Change WoW	-5.7%	-4.0%	-2.7%	-2.7%	-2.2%	-2.2%	-1.8%	-1.3%	-1.3%	-1.3%	-0.9%	-0.7%	1.3%	7.5%

(Source: Bloomberg)

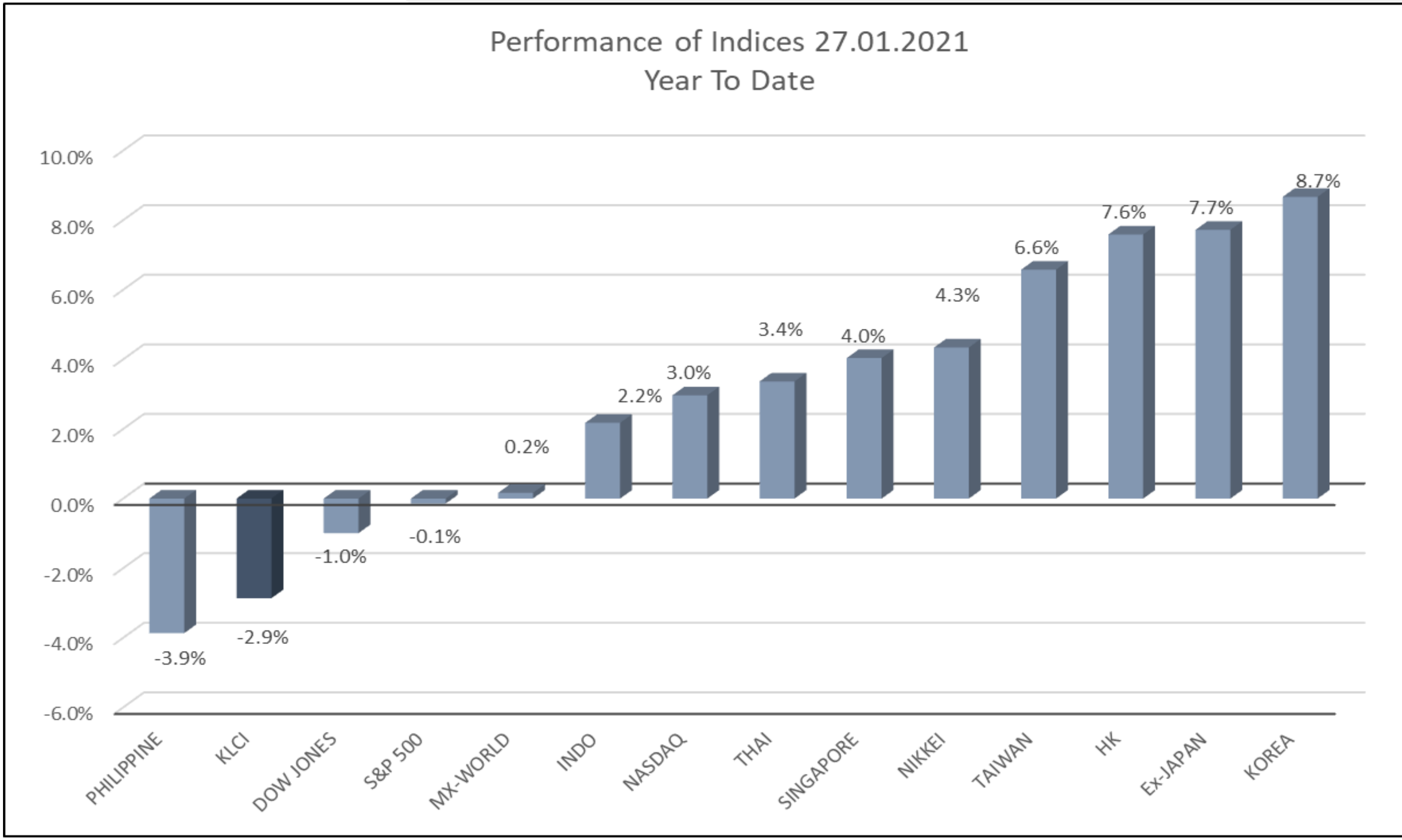
Exhibit 4: Sector performances (Year-to-Date)



	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Industrials Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Banks Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Technology Index
Change YTD	-10.8%	-8.9%	-6.8%	-6.4%	-3.4%	-2.9%	-2.8%	-1.9%	-1.3%	-1.3%	-1.2%	-1.2%	0.5%	20.8%

(Source: Bloomberg)

Exhibit 5: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. Equity markets have ran hard, from Joe Biden winning the US Presidency, to vaccine success, Democrat clean Sense-House sweep, and the proposed US$1.9 trillion fiscal support package. Corrections and volatility will be unavoidable with any unfavourable news flow likely to prompt profit-taking. Of late, the concern is over a watered-down fiscal support program. Our argument is that fiscal programs will remain a main-stay of economic support for a long time, in tandem with the US Federal Reserve's commitment to sustained easy monetary policy.

2. In the last week, it is what's closer to home that has spooked Asian equity markets. China's Central Bank PBOC drained Rmb567 billion off the system, a time where it is more typical for the PBOC to keep the system more liquid for the Chinese New Year festivities. PBOC made it clear that she remains on the supportive side, although the constant warnings over asset bubbles have extended from the property market to the domestic equity markets where they are threatening to breach through record level. Overnight repo rate touched 3.2%, the highest since 2015, possibly taking the winds out of the sails for the time being.

-continued

3. Our view remains that Janet Yellen as Treasury Secretary will fight for a BIG fiscal push and the US Federal Reserve will have to back-stop Treasuries issuance with a low interest rate regime. Meanwhile, China is committed to a sustained economic cycle, rather than the boom-bust cycles we have experienced in the past. International investors have yet to but must eventually recognise this de-risking (not deleveraging) shift post 2016 and that it is a good thing, especially compared to the magnitude of leveraging in the western world post Covid-19 pandemic. These will create a long runway of conducive emerging markets performance.

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.