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

Portfolio Manager's View

13 April 2021

Fund Management Department

Regional

1. New US Treasury Secretary Janet Yellen appears to be re-engaging the world with renewed American alliance, but this outreach is not without self-interest. Hard power means able to tell the rest of the world the USA needs a harmonised global minimal tax rate to help her finance her massive US$2.3 trillion infrastructure plan. Its a losing proposition to attract returning and foreign investments to create jobs for the masses when you are the only country having to raise taxes in the coming years. The whole world has become 'American taxpayers'.

2. It happens over and over again; this Covid-19 pandemic has dealt the poor another poor hand. The reason why the USA equity markets have roared ahead YTD 2021 is because she has muscled her way ahead of the rest of the world in her vaccination roll-out. Never mind that the USA was probably the country that handled the outbreak of Covid-19 pandemic the worst. And as a large part of the developed world is able to pay for the more expensive Pfizer and Moderna vaccines, and also peel back from the wider use of the Astra-Zeneca

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vaccine due to blood clot issue, the gap in economic recovery is widening ever more. And now with the US suspending the use of the J&J vaccine and reassuring Americans that they will have sufficient Pfizer and Moderna vaccines, my question is where does that leave the rest of the world especially the poorer ones? It may translate to another quarter of relative outperformance for the US equity markets.

3. Chicago Fed President Charles Evans said that a 3% inflation would not be a bad thing. Which is true, because the fear of the last 20 years has been more about deflation, that US inflation has hardly sustained above even 2%. Minneapolis Fed President Neel Kashkari said he would not panic if he saw inflation heats up to 4% annual rate. Kashkari is right on the need to understand why inflation had hit 4%, for it is our argument too that sustainably higher economic growth is the root cause of higher inflation, i.e good inflation. This tug of war between the Fed and the market will be played out over the coming months, expect some volatility.

Malaysia

1. The KLCI closed at 1,598 @ 13.4.21, declined by -1.4% M-o-M. Last week, Healthcare (+11.8%) and Technology (+2.4%) were the best performing sectors. Meanwhile, Oil & Gas (-1.1%) was the worst performing sector. Year-to-date @ 8.04.2021, the KLCI has retreated by -1.5%.

2. As we enter 1QCY21 results season, technology companies are indicating a strong 1QCY21 results. Nvidia which creates graphic processing chips for computers, stated that its 1QCY21 revenue is tracking above its previous guidance of US$ 5.3bil. The latter indicates that overall demand for Nvidia remains strong and continues to exceed supply. Anecdotally, the signs continue show that demand remains strong across the semiconductor chain. In this particular case, the strong demand is a positive read through for Frontken (TSMC exposure) and Malaysia's OSAT players (demand for assembly and packaging).

3. BIMB holdings has completed a share placement of 222mil new shares at RM 3.58 to raise ~RM 796 mil. The funds will be used to repay the sukuk issued to Tabung Haji. The next stage will see the shares of Bank Islam distributed to BIMB's shareholders. As part of the restructuring exercise, Bank Islam will take over the listing status of BIMB. In addition, Syarikat Takaful shares are also expected to be distributed to BIMB's shareholders.

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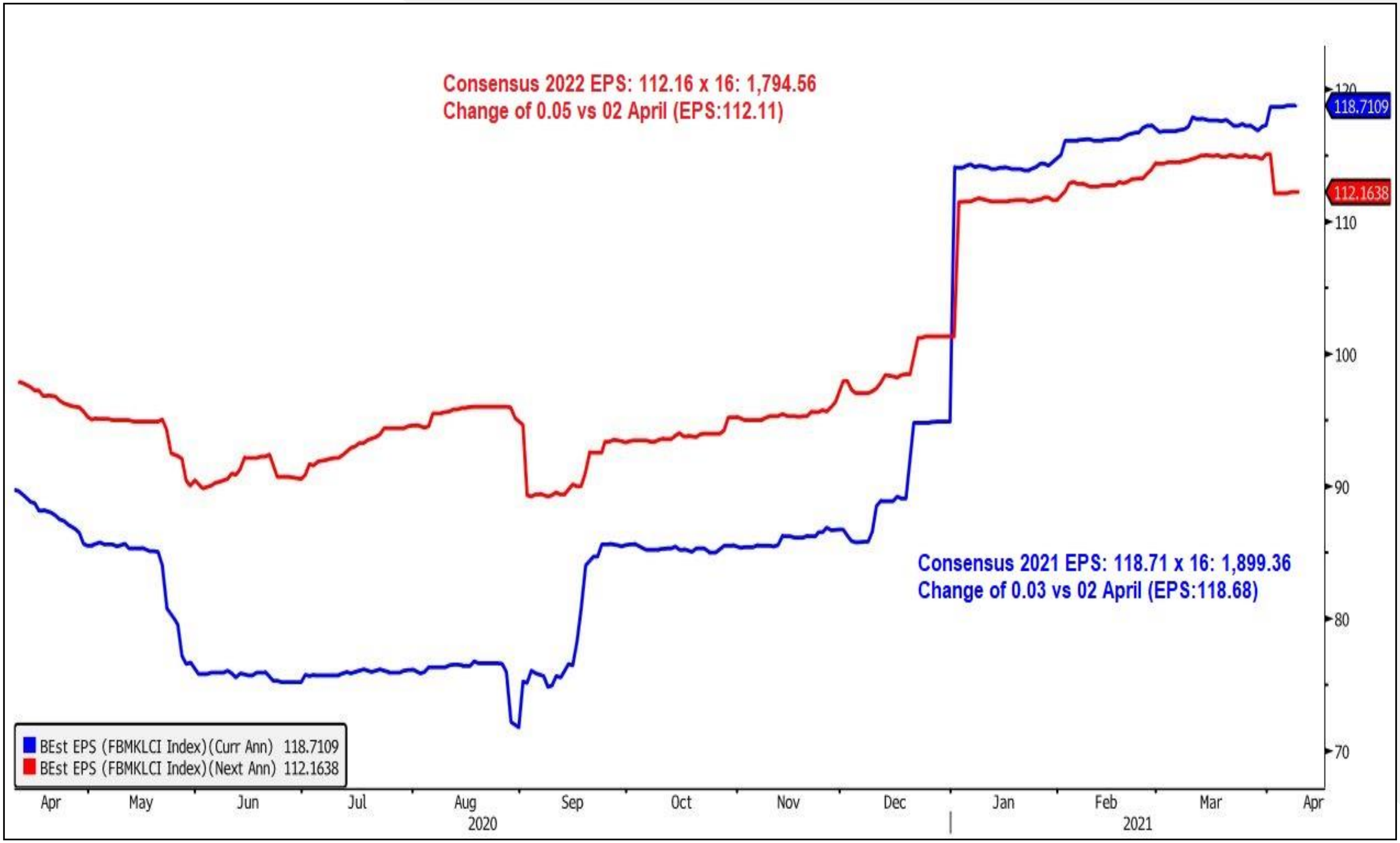
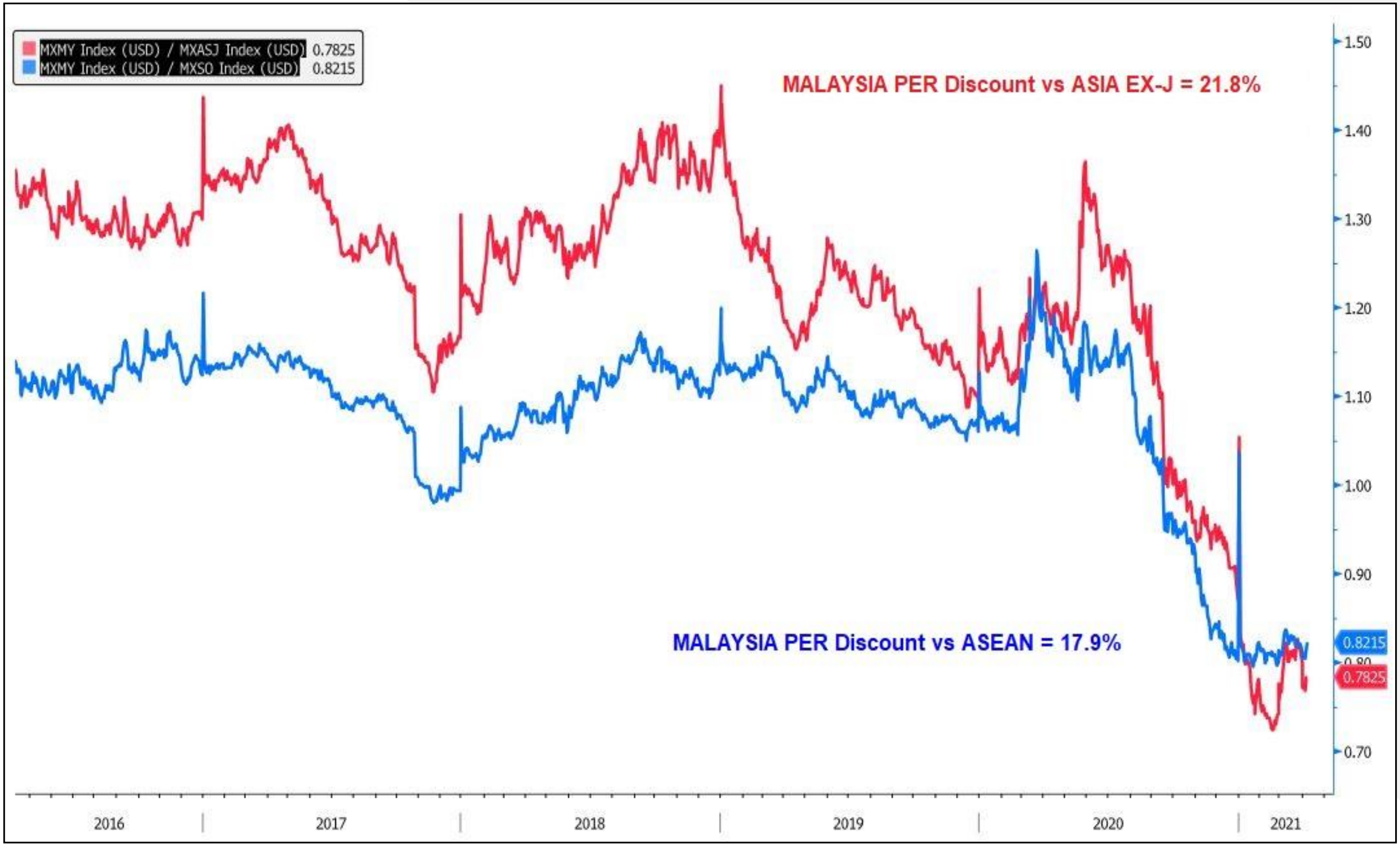
4. At 1,598 @ 13.04.21, the market is trading at a PER of 13.5x for CY21 respectively. The market's valuation for 2021 is at a 16% discount to its 12M mean PER of ~16x. The market's valuation is flattered by the low PERs of the glove companies. Excluding the latter, the KLCI is trading nearer to 18.0x (source : AISB). Separately, Malaysia is trading at a 22% discount to Asia ex-Japan's 2021 PER of 17.3x (see Exhibit 2). This is the steepest discount in the last 5 years. The latter reflects the consistent outflow of foreign funds from Malaysia in recent years. As most foreigners are significantly Underweight Malaysia, we do not foresee foreign selling to be a major negative going forward.

Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS) @ 08.04.21



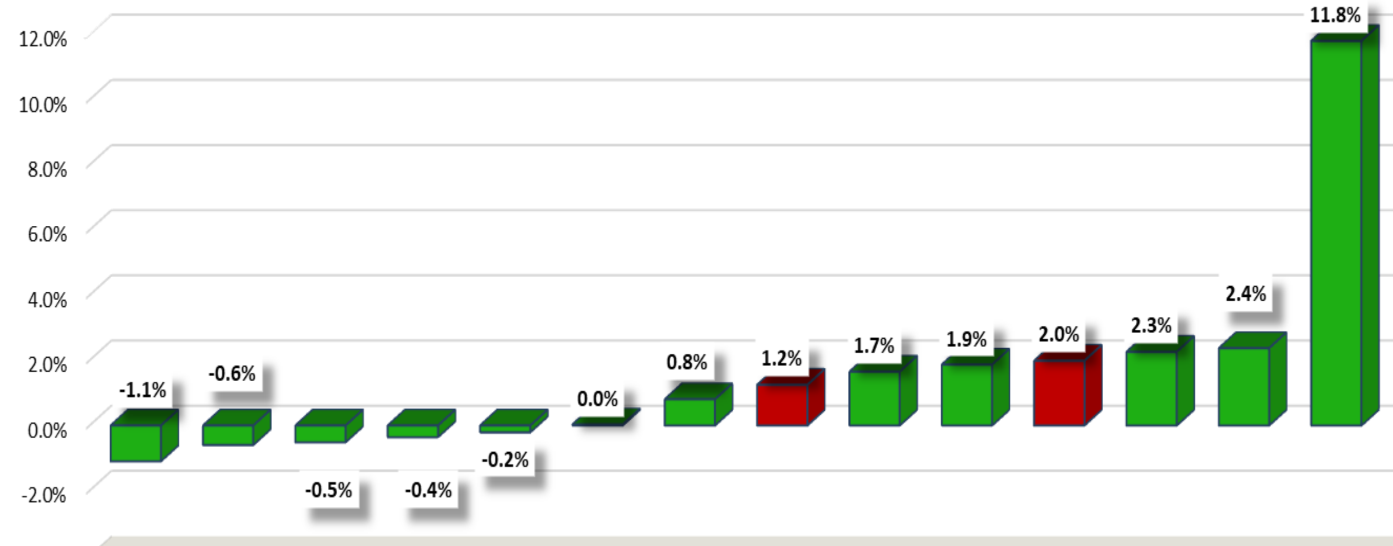
(Source: Bloomberg)

Exhibit 2: MALAYSIA P/E is at a discount to the region @ 08.04.21



(Source: Bloomberg)

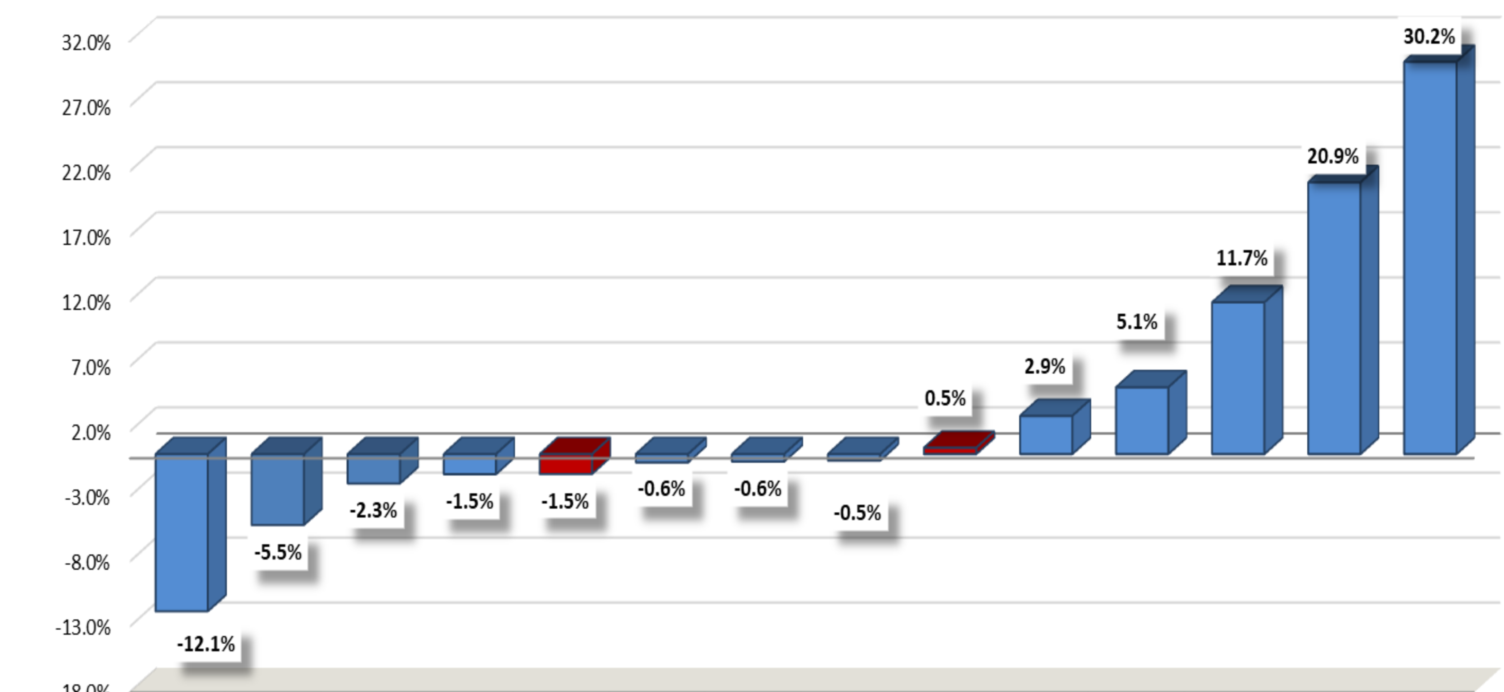
Exhibit 3: Sector Performance (Week-on-Week) @ 08.04.21



	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 B/M EMAS Banks Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Industrials Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE MALAYSIA EMASSHARI	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Technology Index	FTSE B/M EMAS HealthCare Index
Change WoW	-1.1%	-0.6%	-0.5%	-0.4%	-0.2%	0.0%	0.8%	1.2%	1.7%	1.9%	2.0%	2.3%	2.4%	11.8%

(Source: Bloomberg)

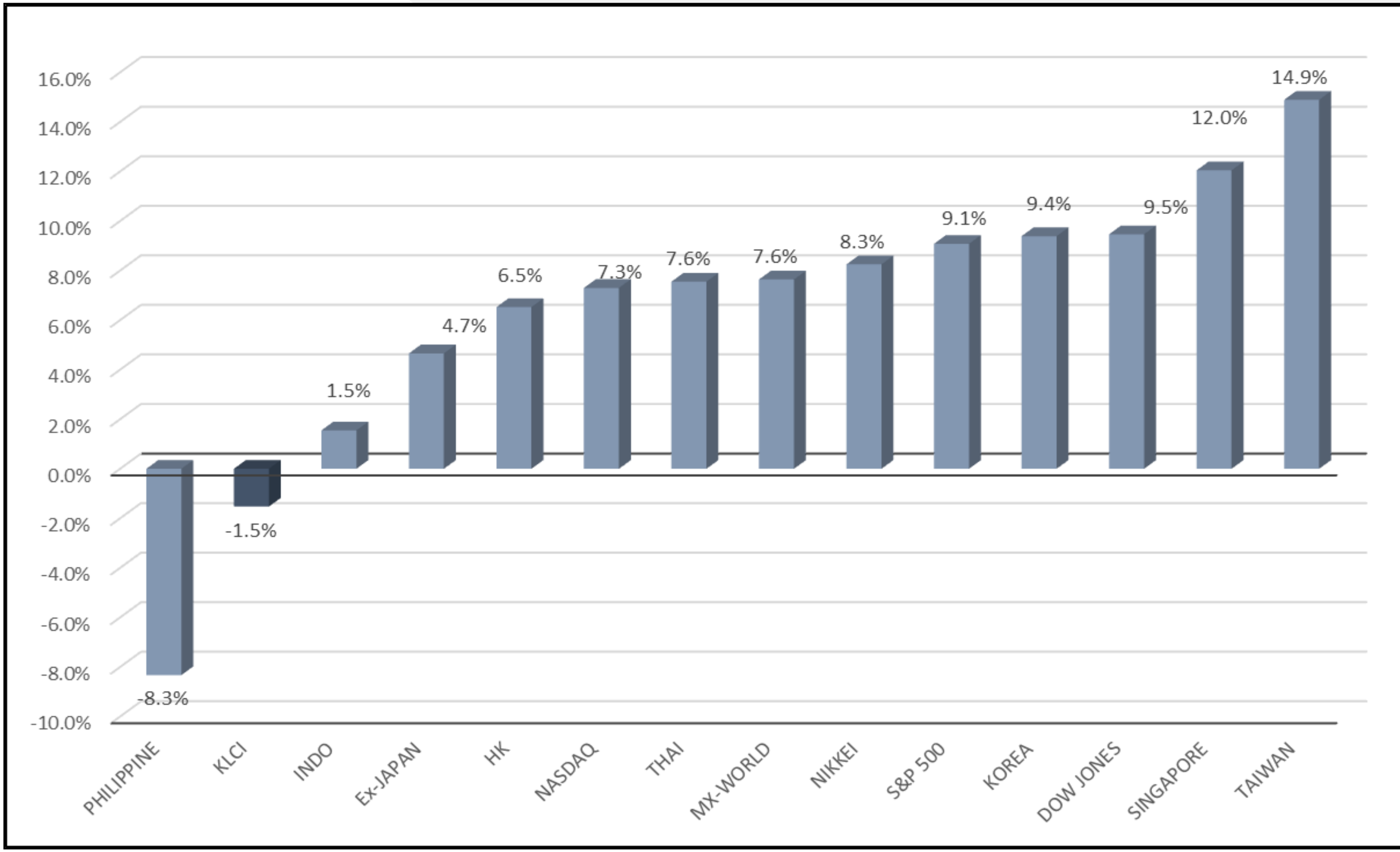
Exhibit 4 : Sector Performance (Year-to-Date) @ 08.04.21



	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 Bursa Malaysia KLCI	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Construction & Materials Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Industrials Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Technology Index
Change YTD	-12.1%	-5.5%	-2.3%	-1.5%	-1.5%	-0.6%	-0.6%	-0.5%	0.5%	2.9%	5.1%	11.7%	20.9%	30.2%

(Source: Bloomberg)

Exhibit 5 : Performance of Indices (Year-to-Date) @ 08.04.21



(Source: Bloomberg)

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