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

Portfolio Manager's View

05 October 2021

Fund Management Department

Regional

1. The Summit of G20 Heads of State will be held at the end of October. We are hopeful of a more reconciliatory outcome from the US-China trade uncertainty that has plagued markets since 2018. US Trade Representative Katherine Tai in her latest speech commented that the Biden Administration's objective is not to inflame trade tensions with China further. In fact, she has committed to durable coexistence, to be mindful of the enormous consequences of undesirable confrontational actions, and work through challenges to deliver meaningful results. Meanwhile, a targeted tariff exclusion process will be introduced, in our view likely to be more liberally applied compared to the hardened rhetoric. We are recoupling, not decoupling.

2. The world has proven itself to be still highly reliant on pollutive commodities especially fossil fuels. Sustained price weakness has caused major suppliers to cut back drastically on investments since 2014. One reason is the slowdown in China's economy weakening demand across the commodities complex. Another is the accelerated push towards cleaner energy/resources without a broader understanding of the capability for supply to meet demand. This has come at a critical point when pent-up demand is released at the same time

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when the supply chains are facing logistic delays too. We believe that global economic growth in the next few years with a reflating China (Evergrande aftermath) and an improving US-China relation should be sustainably stronger. Investments into commodity projects have long gestation cycles, the structural shortage will take years to resolve. This augurs well for a stronger commodity cycle too.

Malaysia

1. The KLCI closed at 1,525 @ 01.10.21, a decrease of -3.9% MoM. Last week, Healthcare (+1.6%) and Small Caps (+1.1%) were the best performing sectors. In contrast, Industrials (-1.3%), Utilities (-1.2%), Constructions (-1.1%) and Oil & Gas (-1.1%) were the worst performing sectors. Year-to-date @ 05.10.2021, the KLCI has retreated by -6.3%.

2. On 1 October 2021, PM Ismail Sabri announced that Klang Valley will transition into Phase 3 of the National Recovery Plan which allows for most economic activities to resume operations. This comes as vaccination rates (2 doses) surpass 60% of Malaysia's population. This bodes well for retailers and F&B outlets as customers gradually return to malls and dine-ins.

3. Withdrawals under EPF's i-Citra as at 30.8.2021 totalled RM 20.6 bil. In <u>2021</u>, the withdrawals under the 3 EPF's schemes (Lestari RM 6.0 bil, Sinar RM 58.8 bil & Citra RM 20.6 bil) totalled RM 85.4 bil. In <u>2020</u>, the withdrawal under i-Lestari was RM 14.8 bil. This translates to a <u>total</u> withdrawal of RM 100.2 bil for 2020 & 2021.

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4. BNM has suspended access by Credit Reporting Agencies (CRA) to the Central Credit Reference Information System (CCRIS). This is amid alleged data leakages from several government linked bodies. This means that CTOS was unable to access CCRIS to perform credit evaluation for the reports it sells to its customers. However, the Company’s security checks reportedly indicated there were no breaches on CTOS’s database. Management in an analyst call was optimistic that the situation will be resolved in the next few weeks.

5. Organization of the Petroleum Exporting Countries (OPEC) after its meeting on 4/10/2021decided to stick to its plan to increase output by 400,000 barrels per day (bpd) each month from July 2021 up until at least April 2022. Energy substitution triggered by a spike in LNG prices (from US$2.52 to US$6.33 per MMBtu this year) and the reopening of economies are driving up demand for oil. In addition, we believe the chronic under-investment in upstream activities will hamper the industry’s ability to meet demand and increase the risk of a supply shortfall in the next 3-4 years.

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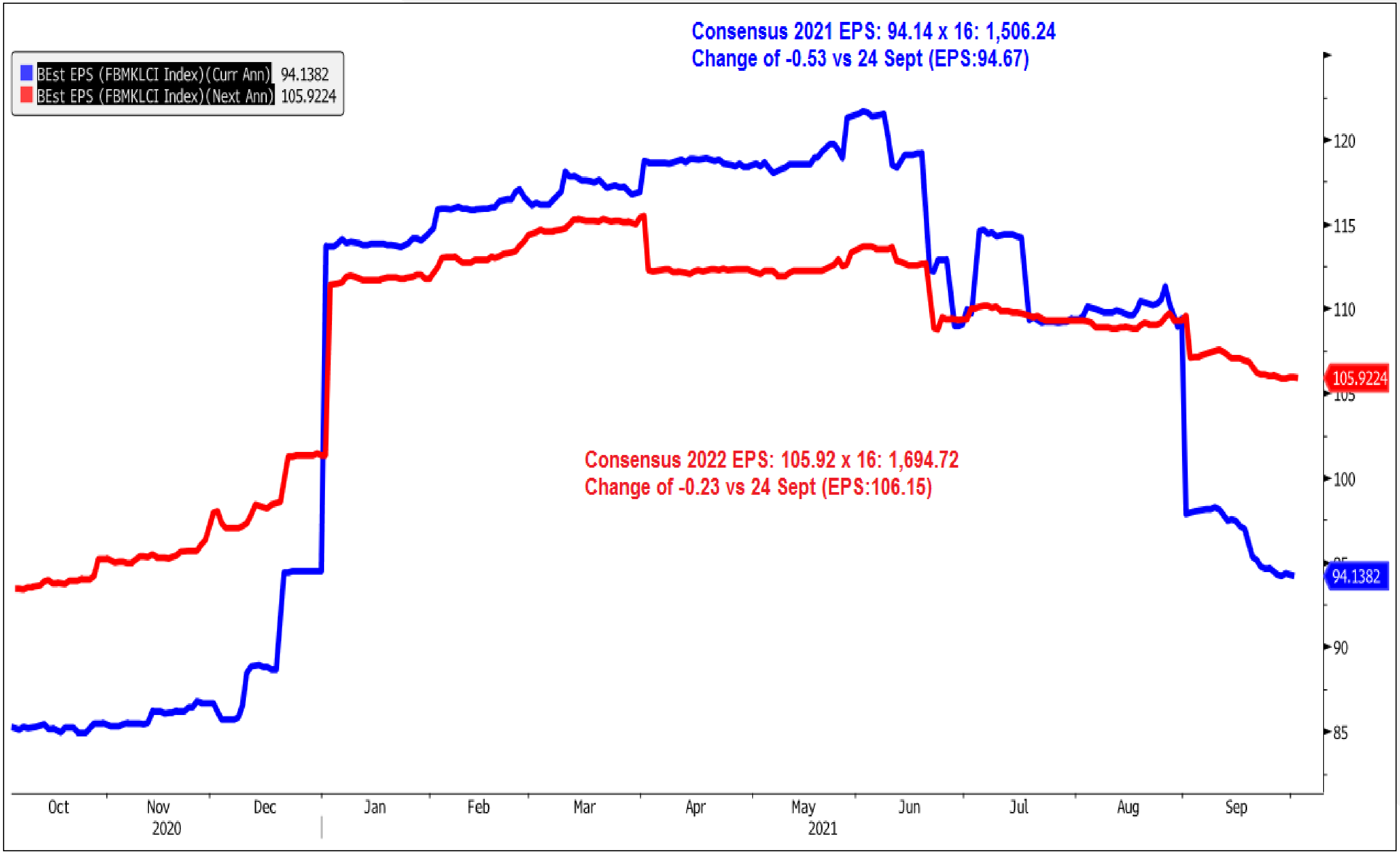
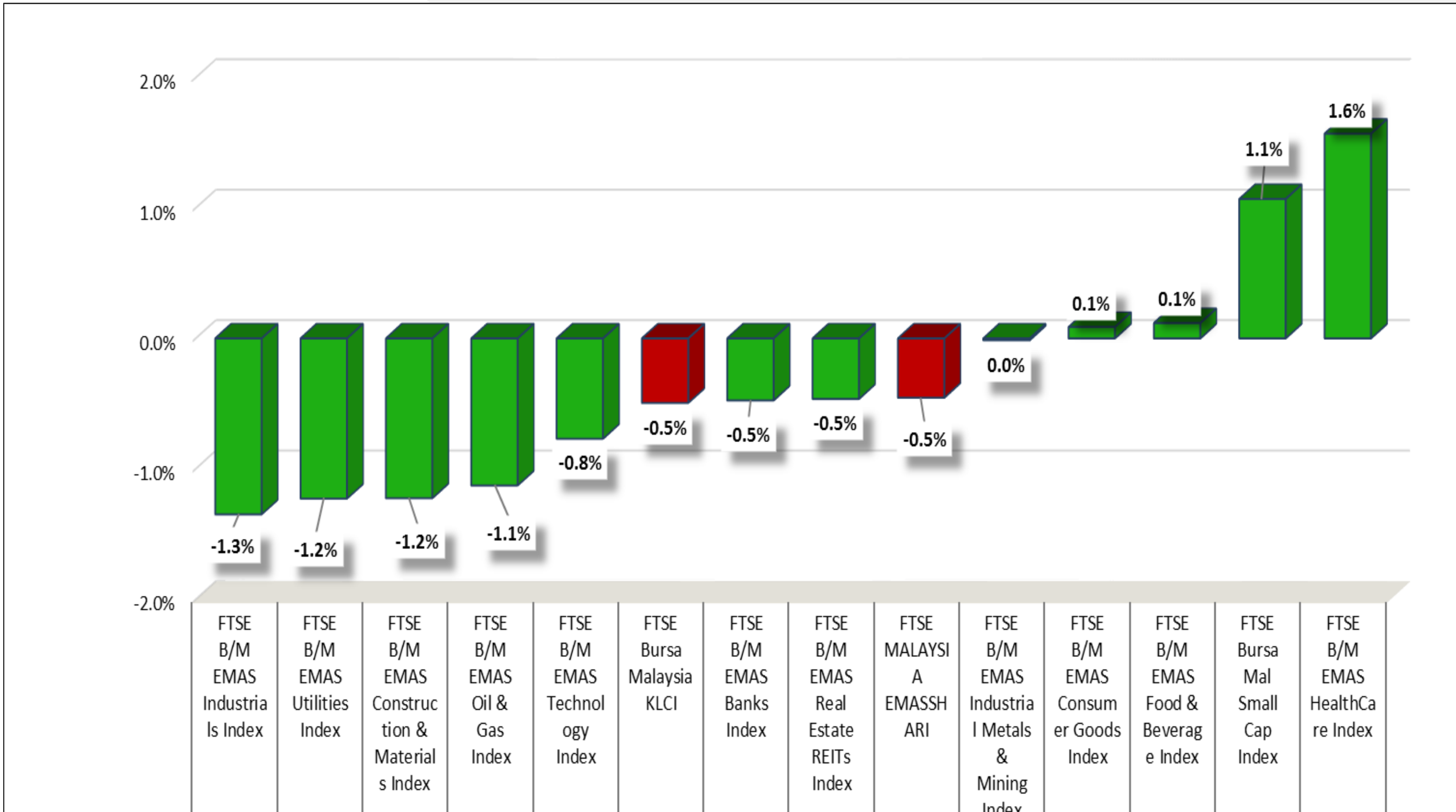
6. The decline in the KLCI this year has made Malaysia valuations more attractive. Based on KLCI at 1,525 @ 01.10.2021 and assuming a market eps integer of 94/106 for 2021/2022, the market is trading at a PER of 16.2x/14.4x respectively. This is -1 standard deviation below its long-term mean of 16x for FY22. The market PBR of 1.5x (at 7-year mean) and DY of 3.5% (at between 7-year mean and +1SD) are also supportive. Finally, Malaysia is trading at par with Asia ex-Japan PER vs a 5-year range of par to +40% premium (ex-Pandemic in 2020).

Exhibit 1 : FBMKLCI Consensus Earnings Per Share (EPS) @ 01.10.21



(Source: Bloomberg)

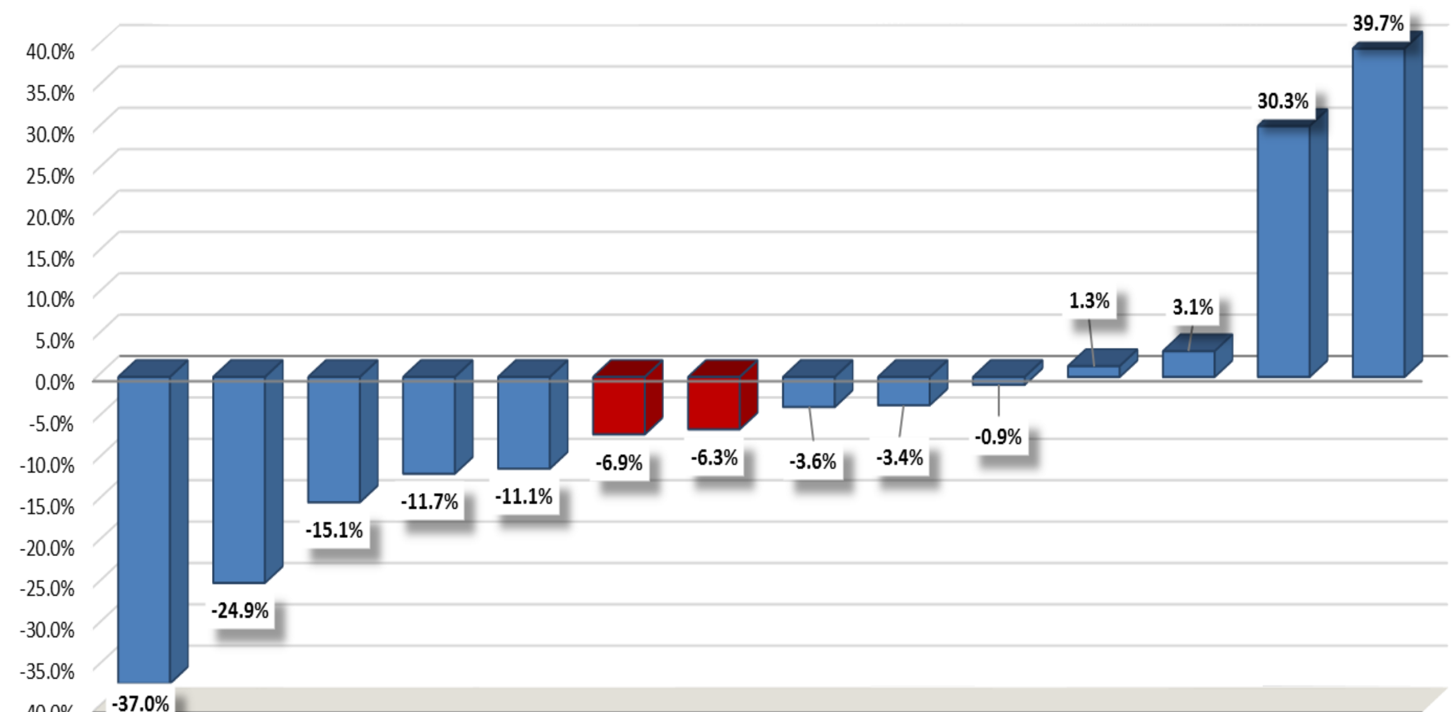
Exhibit 2 : Sector Performances (Week-on-Week) @ 01.10.21



	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Technology Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Real Estate REITs Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Food & Beverage Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS HealthCare Index
Change WoW	-1.3%	-1.2%	-1.2%	-1.1%	-0.8%	-0.5%	-0.5%	-0.5%	-0.5%	0.0%	0.1%	0.1%	1.1%	1.6%

(Source: Bloomberg)

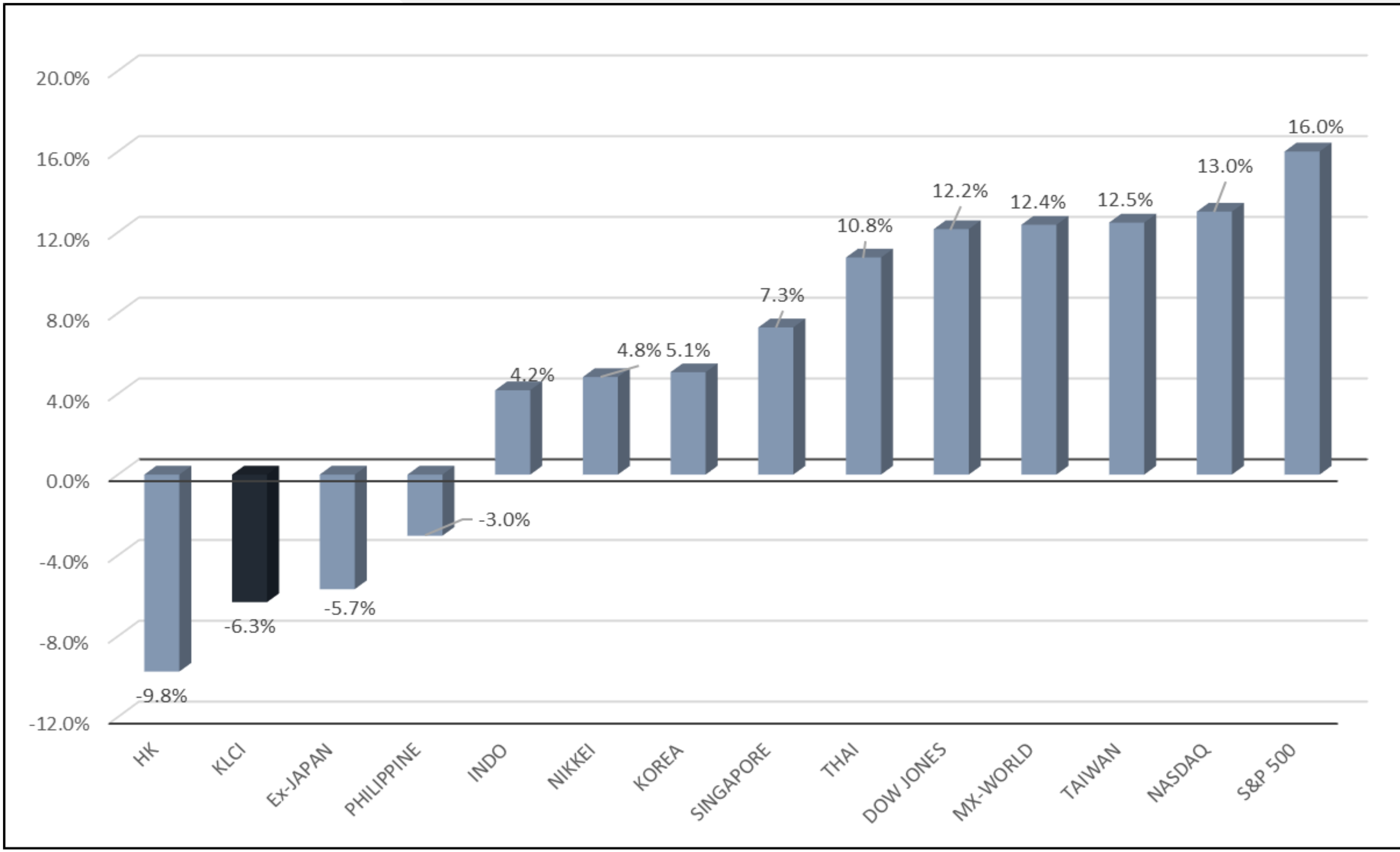
Exhibit 3 : Sector Performances (Year-to-Date) @ 01.10.21



	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Consumer Goods Index	FTSE MALAYSIA EMASSHARI	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Banks 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	-37.0%	-24.9%	-15.1%	-11.7%	-11.1%	-6.9%	-6.3%	-3.6%	-3.4%	-0.9%	1.3%	3.1%	30.3%	39.7%

(Source: Bloomberg)

Exhibit 4 : Performance of Indices (Year-to-Date) @ 01.10.21



(Source: Bloomberg)

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