

PORTFOLIO MANAGERS' VIEWS

21 FEBRUARY 2022



MALAYSIA

1. THE WEEK IN REVIEW (7-18 February 2022): The KLCI gained with most sectors rebounding after the National Recovery Council mooted to fully reopen Malaysia's international borders without the need for compulsory Covid-19 quarantine as of 1 March 2022. This was negative for healthcare stocks like glove producers. Additionally, Umrah travel was allowed to resume from 8 February 2022. This led to outperformances for the aviation, hotel and tourism sectors. Business optimism also extended to other sectors, as evidenced by a major land deal in Kuala Lumpur and sizeable petrochemical contract win (see news flows below). These optimism overcame geopolitical tensions at the Russia-Ukraine border that sent oil rallying 15% WoW to USD 95/barrel (Russia is the world's third-largest oil producer, after the US and Saudi Arabia) and a surge in COVID-19 cases (the latter was downplayed by the government's pragmatic "No MCO, No Emergency" stance).

2. STRATEGY & COMMENTS: We are more optimistic on the travel-related recovery theme as we expect more international borders to reopen as the current Omicron wave subsides. However, we are cautious on the aviation sector as fuel prices (the majority of airlines' operating costs) continue to trend higher on supply-demand imbalances and geopolitical tensions. On the other hand, the latter validates our positive view on the oil and gas sector, which has played out well. Beyond the Russia-Ukraine tensions, we believe oil prices will be supported by the acute under-investment in the upstream sector. On valuations, Malaysia remains fair after the recent market rally. As at last Friday's close, the KLCI's (1) forward PER of 15.4x is in-line with the 5Y average PER of 15.7x (2) forward PBR rose to 1.5x which is its 5Y average level and (3) the market's DY of 3.9% is +1SD above its 5Y average of 3.6% (historically 3.0% to 4.5%).

REGIONAL

1. THE WEEK IN REVIEW (7-18 February 2022): Having fallen on the Russia-Ukraine geopolitical tensions before the Chinese New Year (CNY) break, Asia ex-Japan (AXJP) markets returned to the first full week of trading (7-11 February) to catch-up with the rebound in global markets. Financials, materials and energy sectors (notably in ASEAN) dominated whereas North Asian tech rebounded from the sharp pre-CNY sell-offs following higher expectations of US policy rate hikes. Despite the positive market performances, the above geopolitical tensions, high inflation and potential rate hikes in the US continued to cast an overhang over regional markets. China property gained as well, after China's finance minister pledged support to the economy and home buyers. A key sector underperformer was the AXJP consumer discretionary, where China's e-commerce players came under regulatory pressure to reduce service fees.

2. STRATEGY & COMMENTS: We are not overly concerned with expectations of multiple US rate hikes in 2022 (the markets have already priced up to 7 hikes). In the last 8 US hiking cycles from 1972, studies have shown that the US market lost ground around the 1st rate hike but rebounded after 3 months. Secondly, hikes become a problem only when the yield curve is inverted. As for the region, emerging markets outperformed developed markets in 3 out of the last 5 US rate hike cycles. As such we remain optimistic of investment prospects in this region.

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Exhibit 1: FBM KLCI and FBM Shariah Index over the Past 30 days

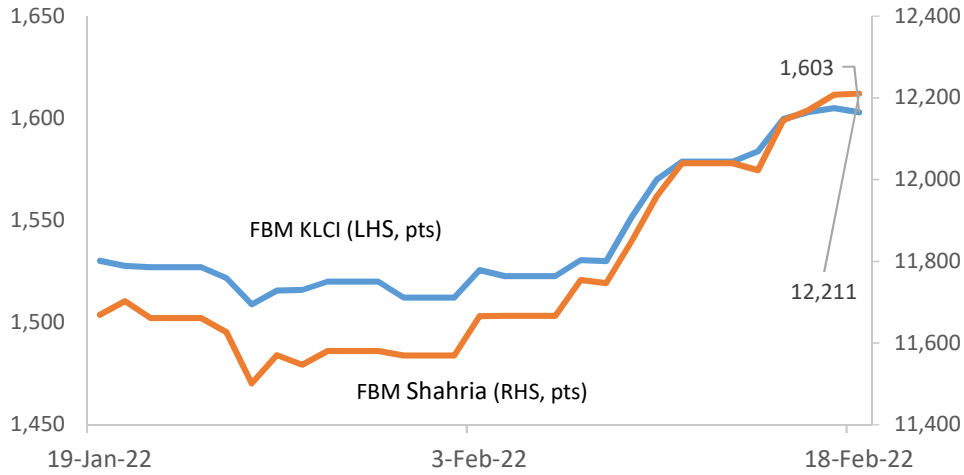


Exhibit 2: USDMYR FX over the Past 30 days

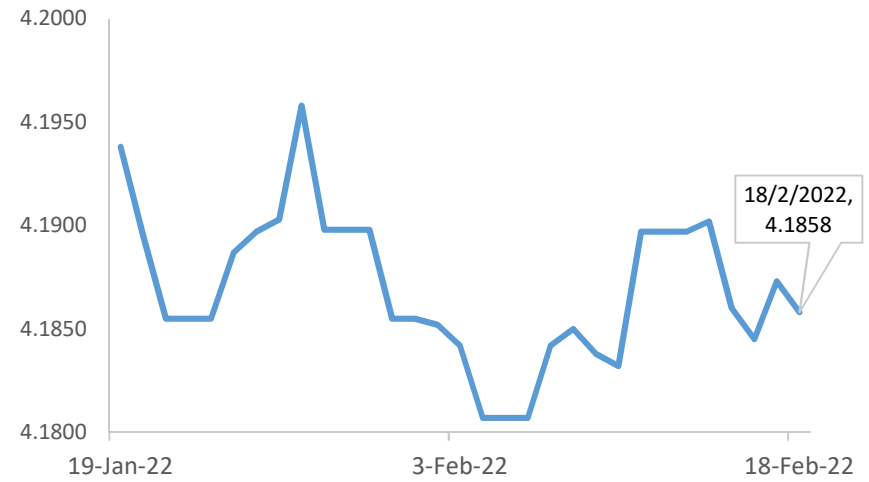
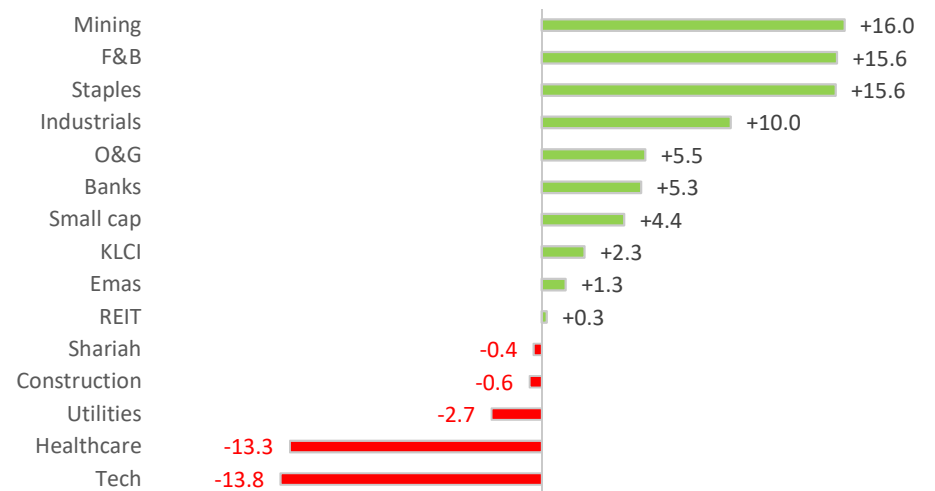


Exhibit 3: Sector Performance Indices (2 Weeks, %)



Exhibit 4: Sector Performance Indices (Year-to-Date, %)



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Exhibit 5: Premium/Discount to the Region based on Forward PER (%)

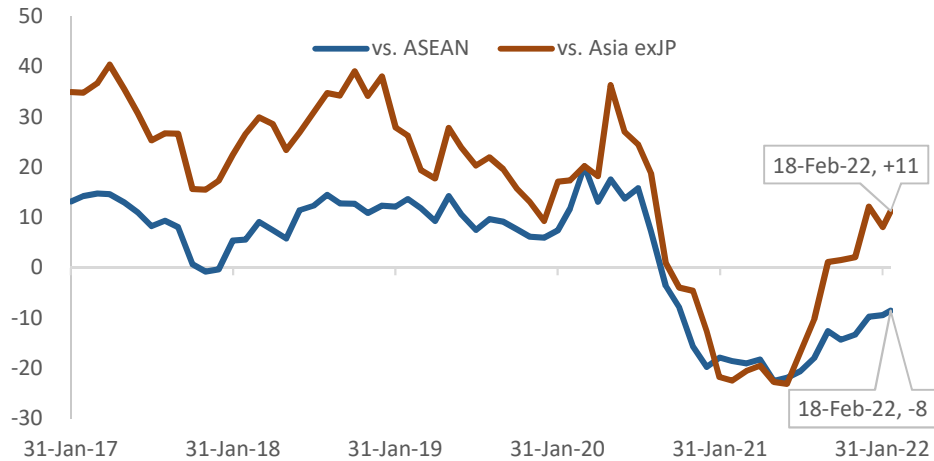


Exhibit 6: KLCI Forward Price-Earnings Ratio (PER, x)

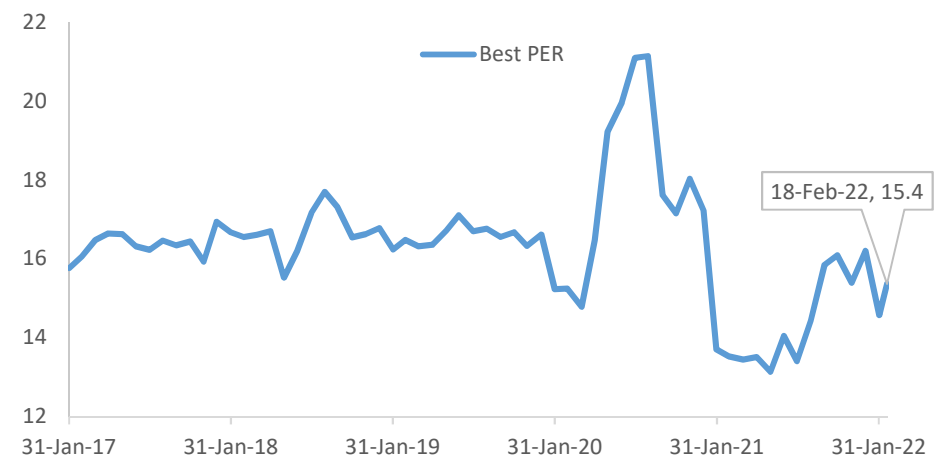


Exhibit 7: KLCI Forward Price-to-Book Ratio (PBR, x)

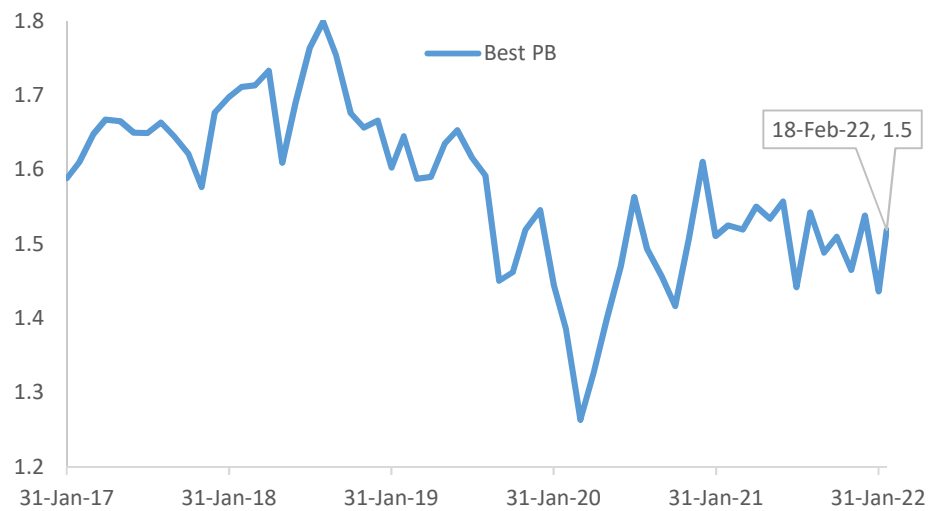
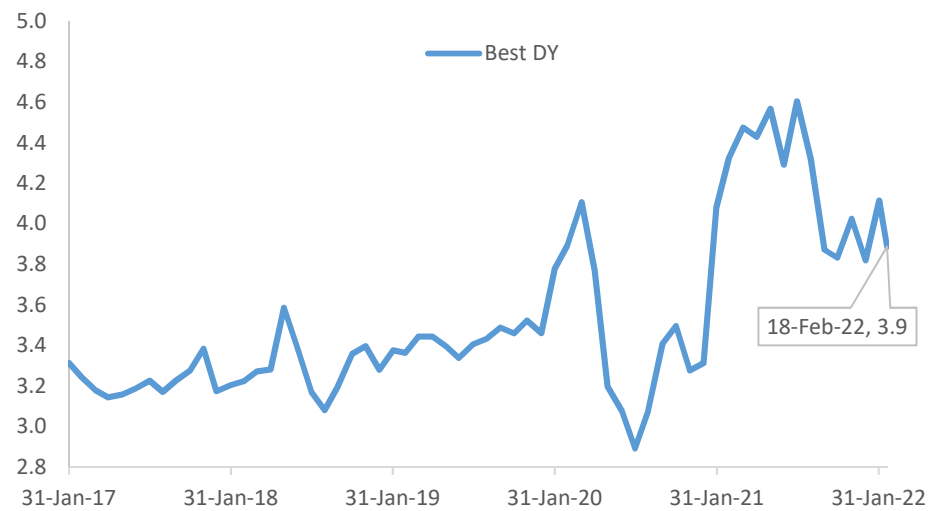


Exhibit 8: KLCI Forward Dividend Yield (DY, %)



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Exhibit 1: Country Performance Indices (2 weeks, %)

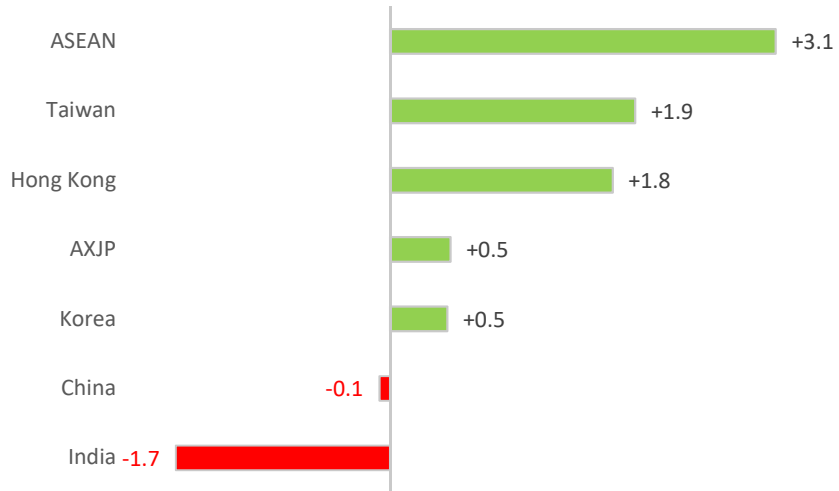


Exhibit 2: Country Performance Indices (Year-to-Date, %)

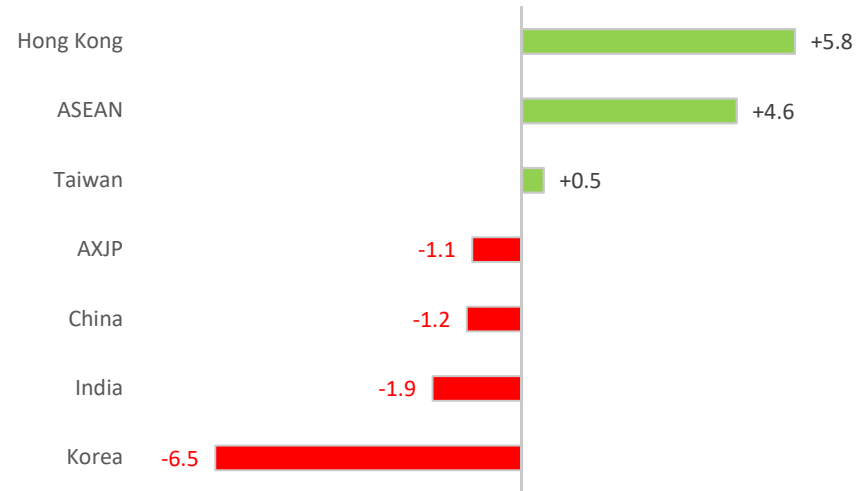
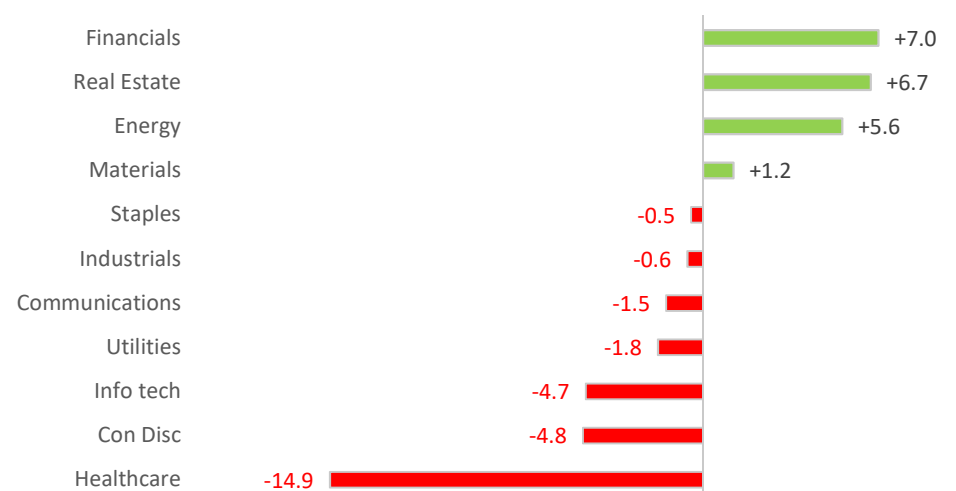


Exhibit 3: Sector Performance Indices (2 weeks, %)



Exhibit 4: Sector Performance Indices (Year-to-Date, %)



REGIONAL

Exhibit 5: Country Valuations: Forward Price-Earnings Ratio (PER, x) from Dec 2019-Current

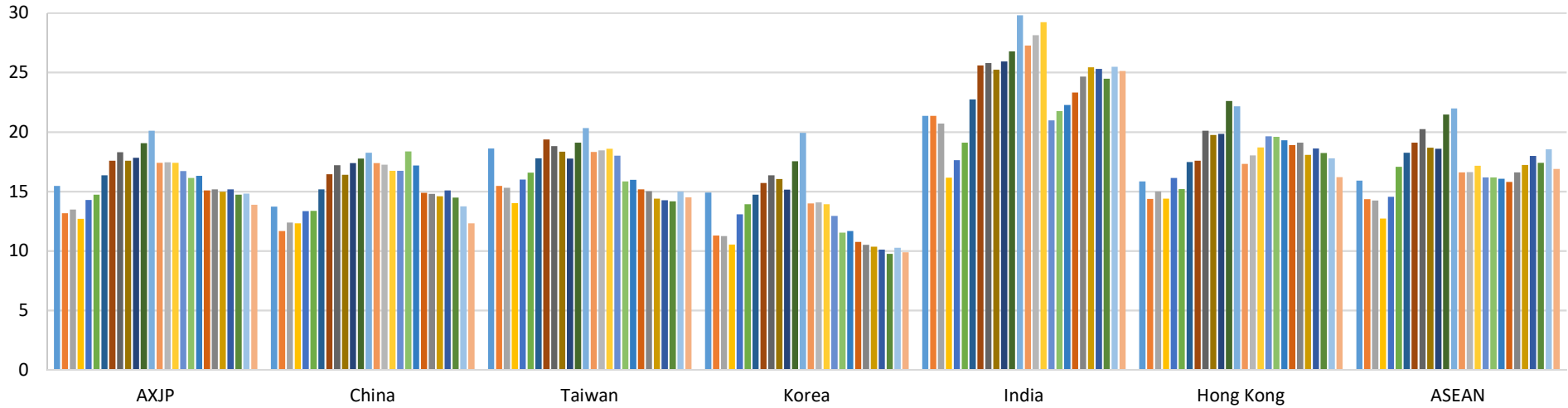
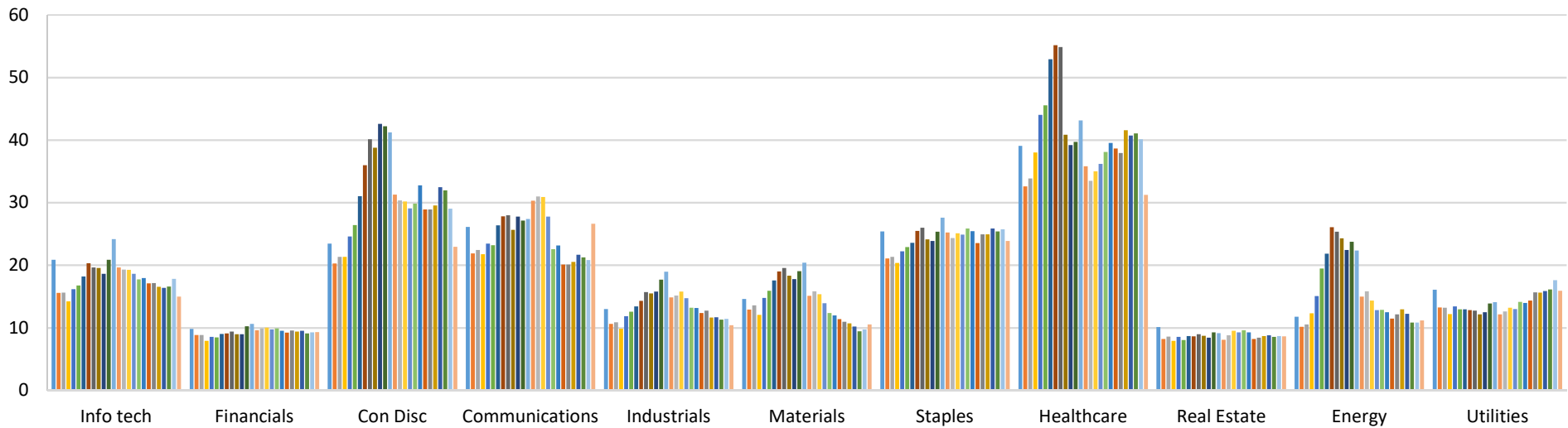


Exhibit 6: Sector Valuations: Forward Price-Earnings Ratio (PER, x) from Dec 2019-Current



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