PORTFOLIO MANAGERS' VIEWS

22 March 2022

MALAYSIA

1. THE WEEK IN REVIEW (14-18 March 2022): As the Russia-Ukraine war entered its fourth week, the state of flux in geopolitics brought an unusual certainty in the form of interest rate hike. Last week, the US Federal Reserve ("the Fed") raised its policy rate by 25 bps and guided an aggressive path, with rates rising at each of the remaining six meetings in 2022. Last week's hike – the first in three years – was expected as it follows the Fed's determination to "take the measures necessary to restore price stability" in its fight against inflation. Worldwide, banks (beneficiaries of higher interest rates) rallied, with the MSCI USA Financials Index gaining 7.2% WoW. This lifted Malaysian banks (+4.0% WoW) to be among the top sector performers. In turn, banks were key drivers of KLCI's 1.5% WoW returns. In our 21 February 2022 bulletin, we highlighted we are not overly concerned with US rate hikes. Before last week, we expected up to seven hikes. With last week's rise, our view of six remaining hikes are within the Fed's guidance of one hike per remaining Fed meetings in 2022.

2. STRATEGY & OUTLOOK: Historically, emerging markets have outperformed developed markets in three out of the last five US rate cycles. Going forward, Malaysia will catch up with the global rate hiking cycle albeit in the second half of year 2022 at the earliest. Bloomberg's current World Implied Rate Probability for Malaysia indicate up to 75 bps rise in one year's time, with the first 25 bps expected in six months. We think expectations of the local rate hike cycle will support foreign funds flow that are seeking beneficiaries of rate hikes and rebounding economies in ASEAN (Malaysia's 6% GDP growth for 2022 is slated to outpace the world's 4%). Last week, Malaysia continued to garner foreign net flows of US$281m, the third highest in the ASEAN region after Indonesia (US$502m) and Thailand (US$335m).

MALAYSIA ('cont)

Going forward, a key risk for the local market may come from the government's latest decision to allow 6.3m eligible members of Employee Provident Fund ("EPF") to withdraw RM10,000. This is the fourth withdrawal scheme since the COVID-19 pandemic started in the second quarter of 2020. As a comparison, reports indicate the last three EPF withdrawal schemes had a combined impact of RM101 bn.

However, we think the RM63 bn headwind from this fourth scheme can be mitigated from a few possitibities. Firstly, EPF may meet withdrawal requests from liquidating its overseas assets. As at September 2021, EPF had RM989 bn in assets, of which 36% (or RM356 bn) are abroad. First hand, it appears feasible to liquidate 17% of the foreign assets to meet the potential RM63 bn withdrawal, hence alleviating pressure on Bursa Malaysia. Secondly, EPF holds 5% of total assets (c.RM20 bn) in money market, roughly one-third of the potential RM63 bn withdrawal. Last but not least, we note that the KLCI posted a positive return of 0.3% (including dividends) in 2021 despite the i-CITRA (launched July 2021, estimated withdrawal: RM21 bn) and i-SINAR (launched December 2020, estimated withdrawal: RM59 bn) schemes. This points to the market's ability to absorb EPF withdrawals going forward, and the current foreign inflows may counteract the effects of EPF selling in the local bourse, if any.

On valuations, Malaysia remains fair. As at last Friday's close, the KLCI's (1) CY22 PER of 15.0x is below its 5Y average PER of 16.3x (2) CY22 PBR of 1.50x is below its 5Y average level of 1.57x and (3) the market's DY of 4.0% is +1SD above its 5Y average of 3.5% (historically 3.0% to 4.5%).

REGIONAL

1. THE WEEK IN REVIEW (14-18 March 2022): The regional benchmark’s 3.9% return and MSCI China’s 5.0% gain for the week masked a tumultuous period for China-related equities. The week started with China’s publication of draft regulation that limits children’s internet use of streaming and social networking apps. This follows last year’s restrictions on children's access to games. Further, a news agency reported that a China internet behemoth may face record penalties for violating money laundering rules. In the first two days, the Hang Seng Tech index plunged 18%. The rest of China equities also sold off after US President warned the China President of “consequences” if China supports Russia in the war in Ukraine. China staged a strong relief rally after Beijing signaled it would move to stabilize markets, deal with property crisis and speed up regulatory crackdown and reviews of major tech companies. "Relevant departments should actively introduce policies that are beneficial to the market and not introduce contractionary policies", said the China Premier Liu.

2. STRATEGY & OUTLOOK: The volatility in China-related tech reinforces our view that markets will continue rotating from high-valuation “growth” to “value” equities. We believe the rally in China tech (with the e-commerce and internets classified under the Asian consumer discretionary category) may be temporary. Regulatory pressures (penalties, anti-trust measures, etc), slowing economic growth and funds outflows may trigger further de-rating in this sector, from its “consumer discretionary” forward multiples of 15-20x, to “utility” multiples of circa 5x as the “discretionary” elements of e-commerce and internet (non-essential) usage are reduced closer to “essential-utility” usage. Moreover, the COVID-19 "stay-at-home" play that re-rated China internet/e-commerce for 11 months from March 2020 to February 2021, sending the Hang Seng Tech Index up by 175%, is no longer relevant as China grapples with slowing economic momentum.

REGIONAL ('cont)

Once the fastest-growing major Asian economy with 8.1% GDP growth in 2021, China is expected to achieve only 5.5% in 2022, according to Premier Liu. The street is less optimistic, with consensus estimating 5.2% for 2022. Barring the COVID-19 pandemic year of 2020 when China printed a 2.2% GDP growth, the last time the annual rate dropped below the 5%-level was in 1990, at 3.8%. As such, we believe the de-rating of China internet/e-commerce will continue to weigh on any price upside in this sector.

Currently, regional portfolios are not invested in this segment and are underweight in allocations to China. The preferred allocation is on ASEAN, which is more appealing from a valuatoin standpoint and are benefiting from the elevated commodity prices and re-opening of economies and easing of travel restrictions for inbound travellers.

MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

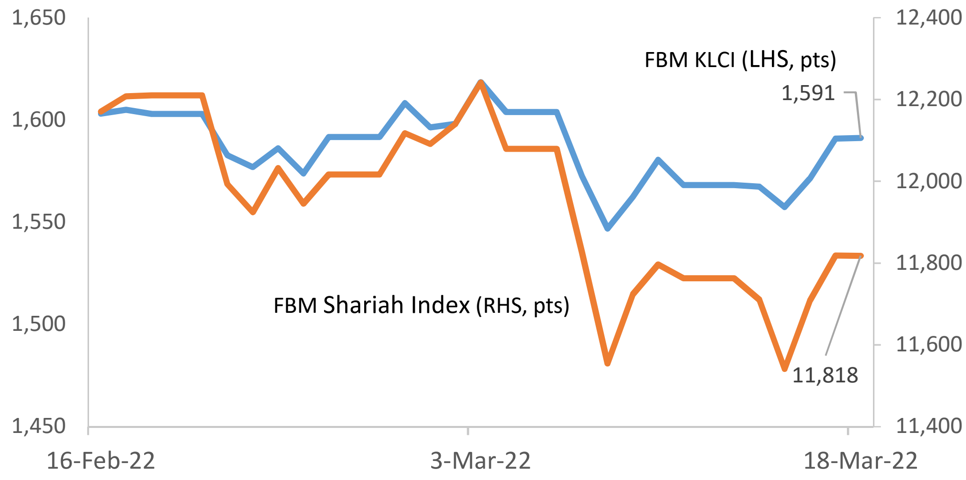


Exhibit 2: USDMYR FX

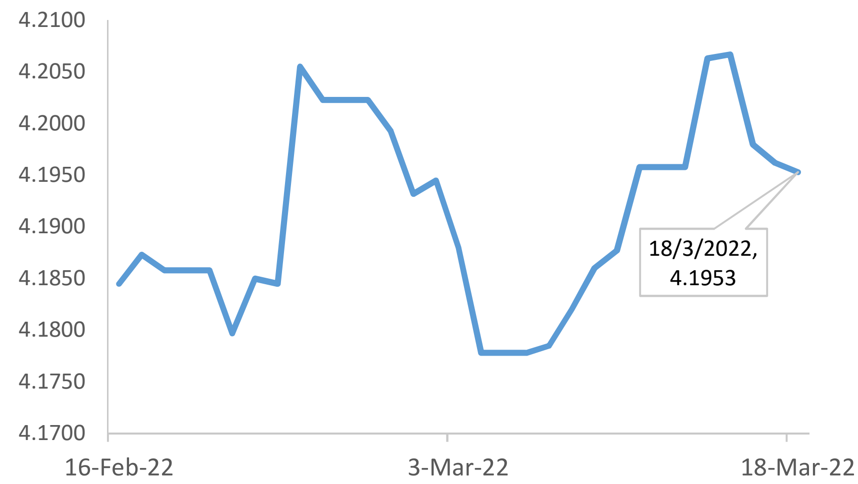


Exhibit 3: Sector Performance Indices (1 Week, %)

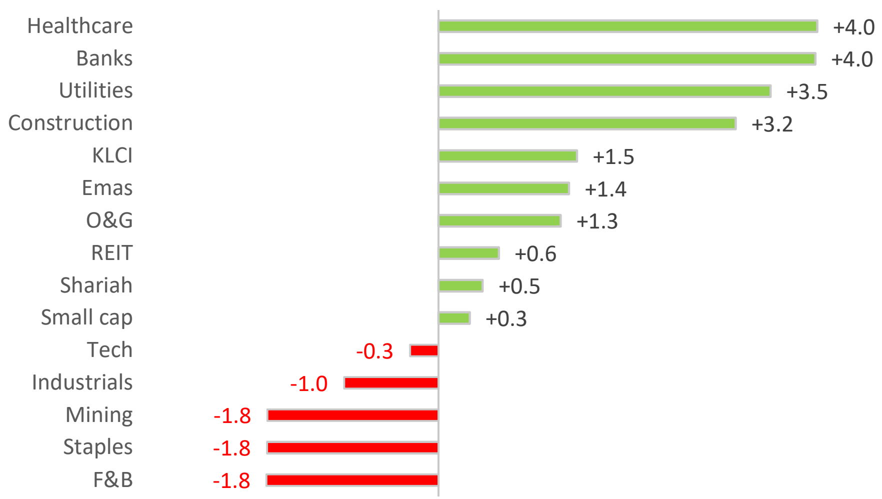
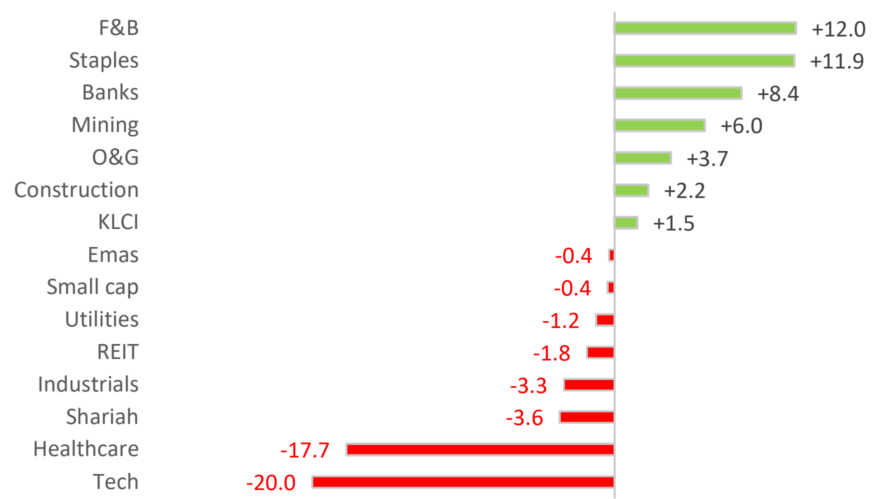


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



MALAYSIA

Exhibit 5: Malaysia's Premium/Discount to Asia ex-Japan based on Current PER (%)

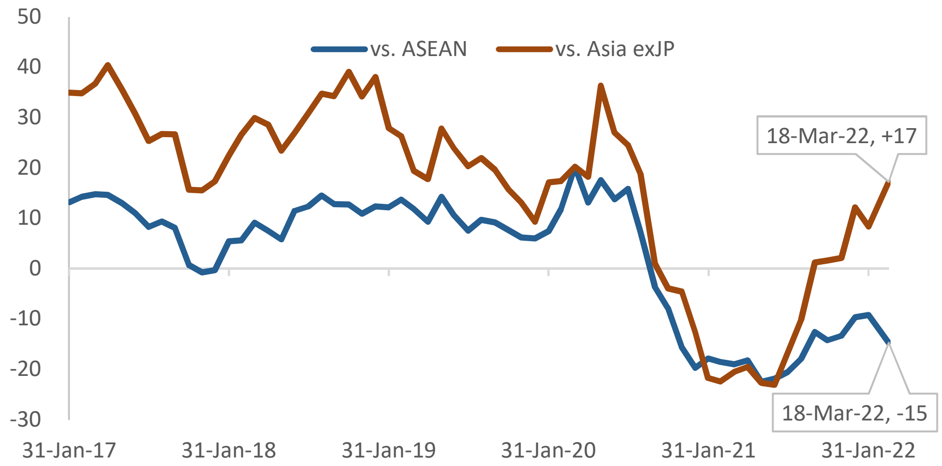


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

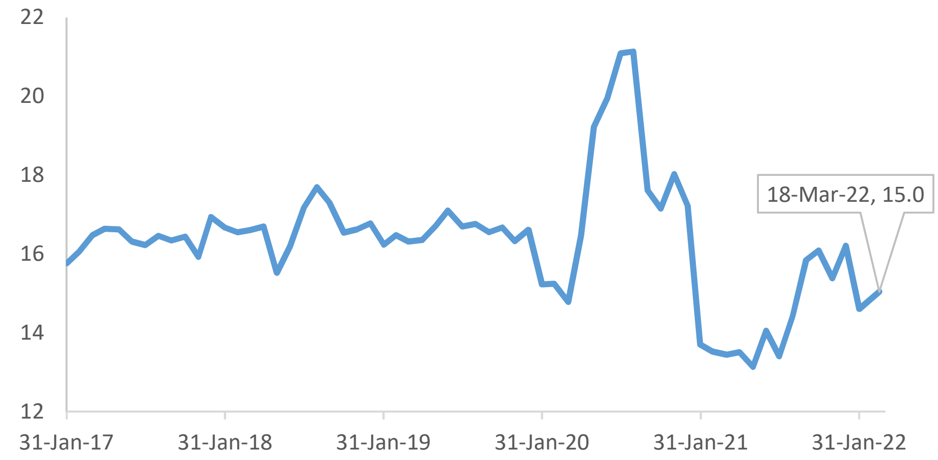


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

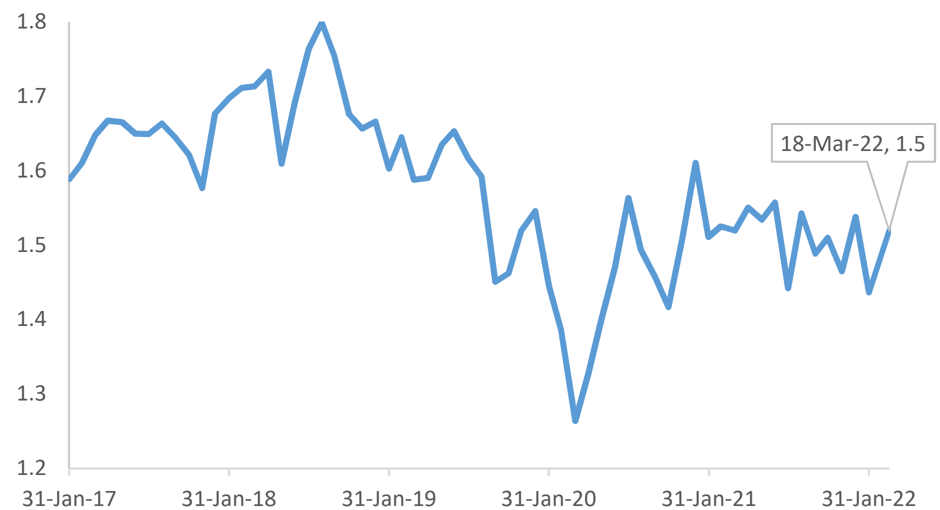
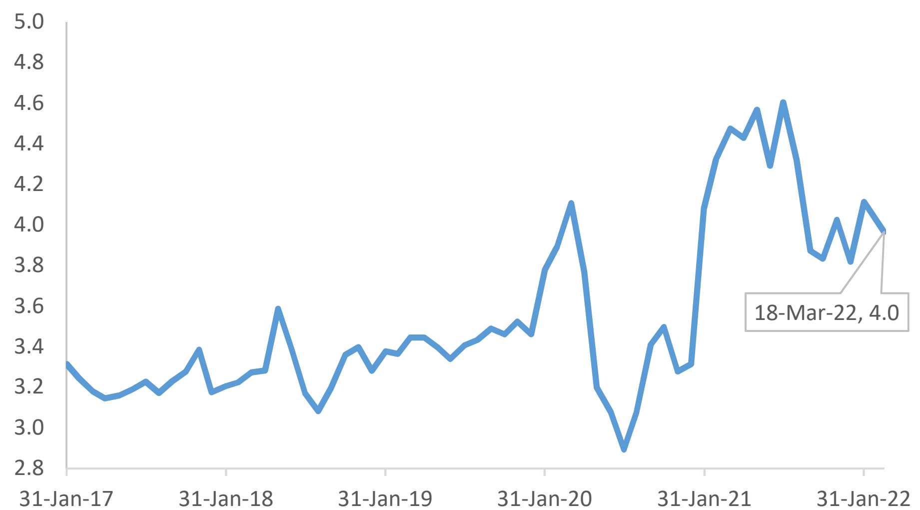


Exhibit 8: KLCI's Dividend Yield (DY, %)



REGIONAL

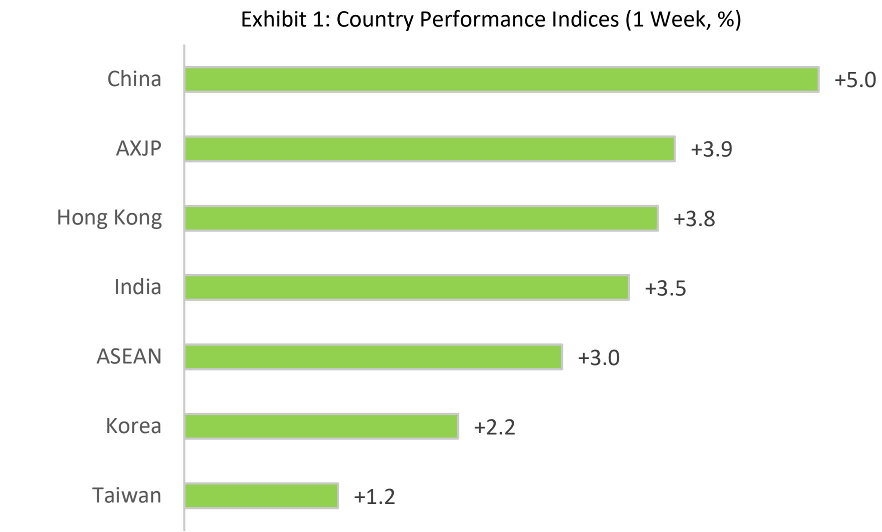


Exhibit 1: Country Performance Indices (1 Week, %)
China +5.0
AXJP +3.9
Hong Kong +3.8
India +3.5
ASEAN +3.0
Korea +2.2
Taiwan +1.2

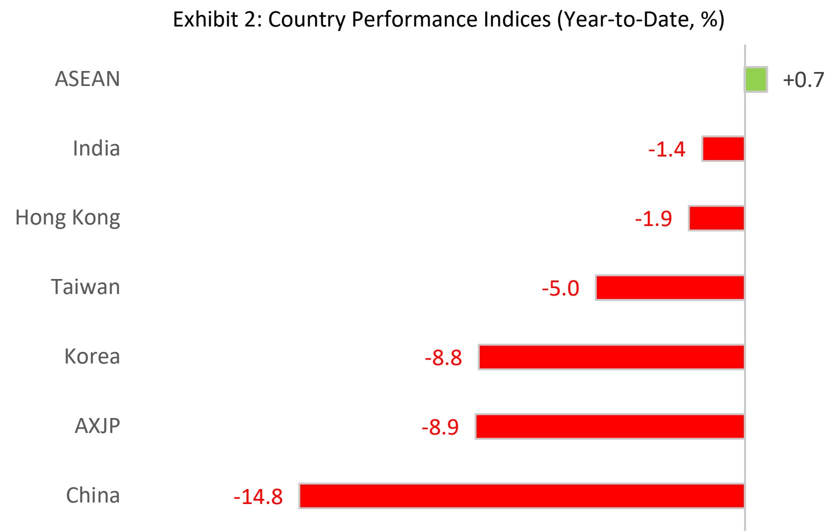


Exhibit 2: Country Performance Indices (Year-to-Date, %)
ASEAN +0.7
India -1.4
Hong Kong -1.9
Taiwan -5.0
Korea -8.8
AXJP -8.9
China -14.8

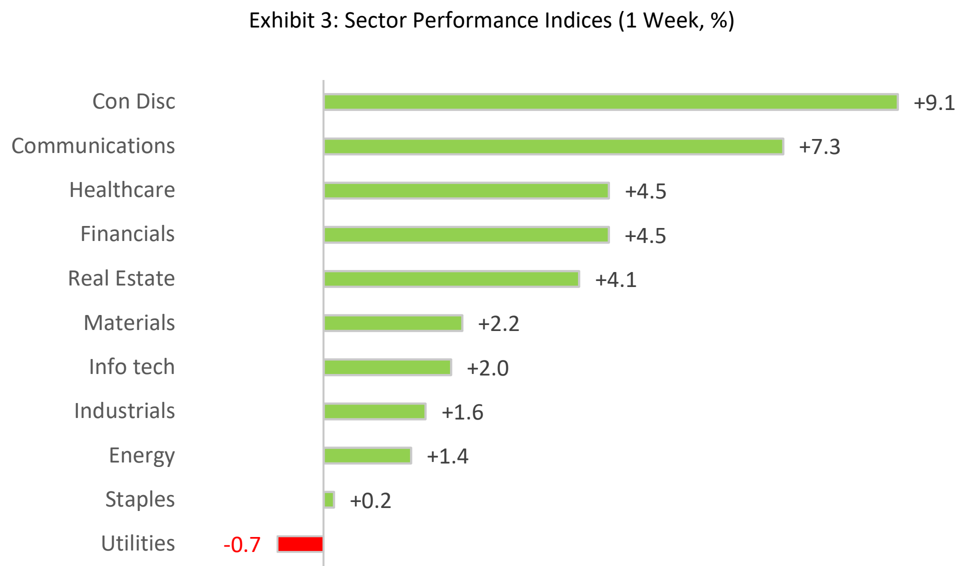


Exhibit 3: Sector Performance Indices (1 Week, %)
Con Disc +9.1
Communications +7.3
Healthcare +4.5
Financials +4.5
Real Estate +4.1
Materials +2.2
Info tech +2.0
Industrials +1.6
Energy +1.4
Staples +0.2
Utilities -0.7

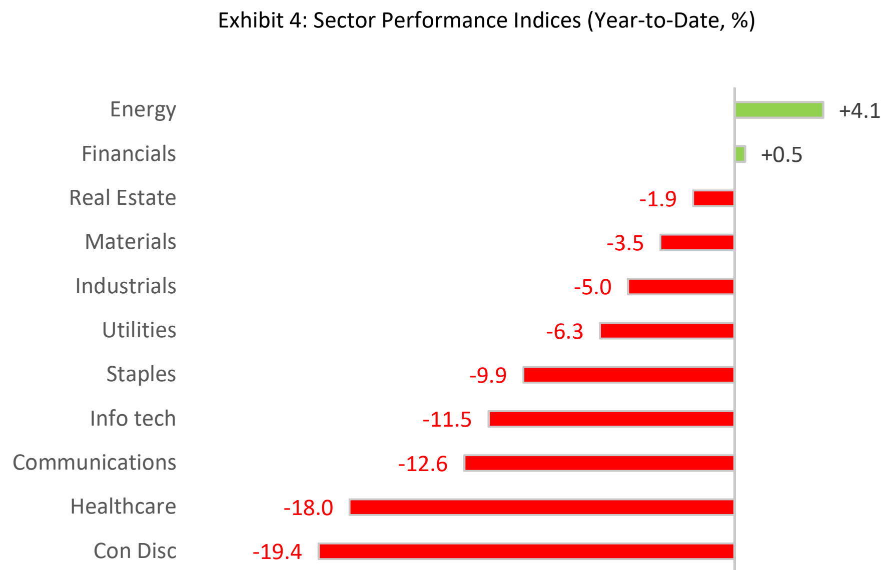


Exhibit 4: Sector Performance Indices (Year-to-Date, %)
Energy +4.1
Financials +0.5
Real Estate -1.9
Materials -3.5
Industrials -5.0
Utilities -6.3
Staples -9.9
Info tech -11.5
Communications -12.6
Healthcare -18.0
Con Disc -19.4

REGIONAL

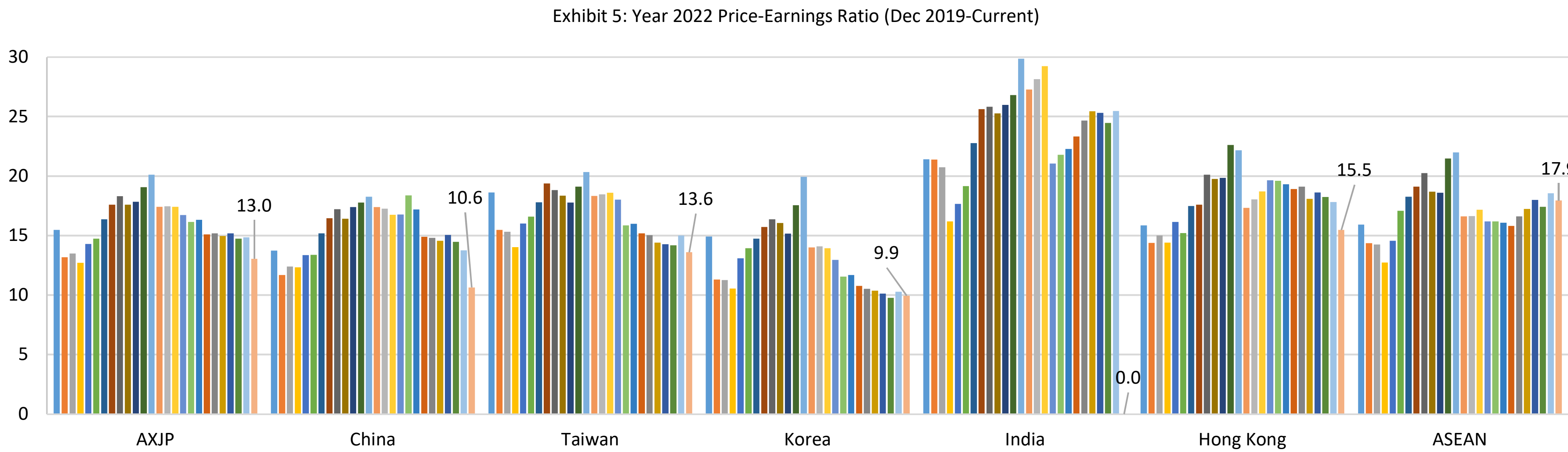
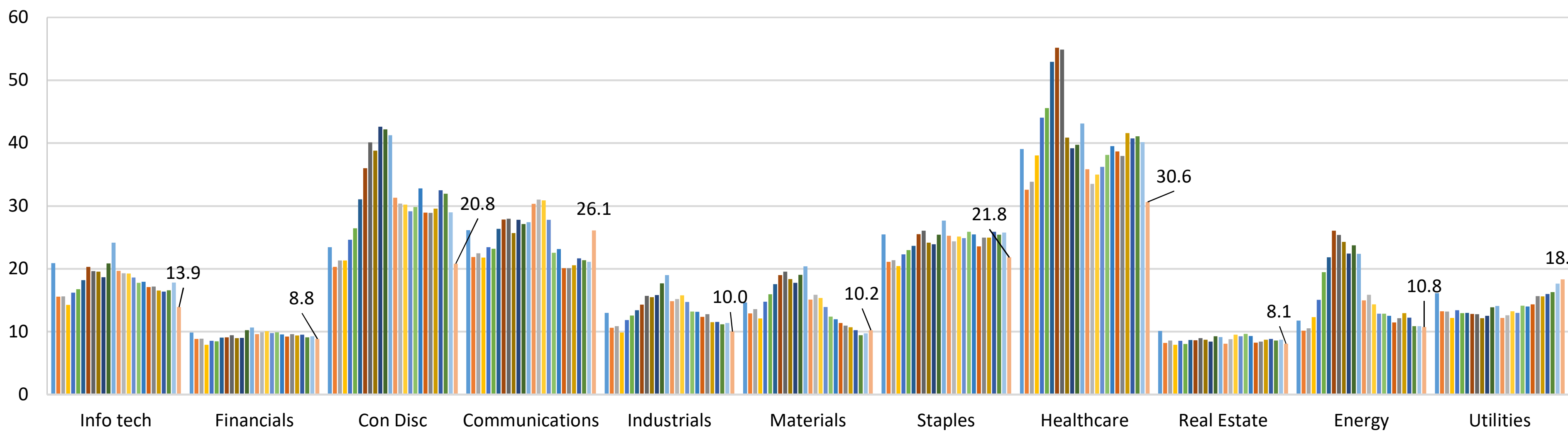


Exhibit 5: Year 2022 Price-Earnings Ratio (Dec 2019-Current)
30
25
20
15
10
5
0
13.0
10.6
13.6
9.9
0.0
15.5
17.9
AXJP
China
Taiwan
Korea
India
Hong Kong
ASEAN



60
50
40
30
20
10
0
13.9
8.8
20.8
26.1
10.0
10.2
21.8
30.6
8.1
10.8
18.3
Info tech
Financials
Con Disc
Communications
Industrials
Materials
Staples
Healthcare
Real Estate
Energy
Utilities

FOREIGN NET FLOWS

Exhibit 6: Selected ASEAN Equity Markets (Net USD mil)

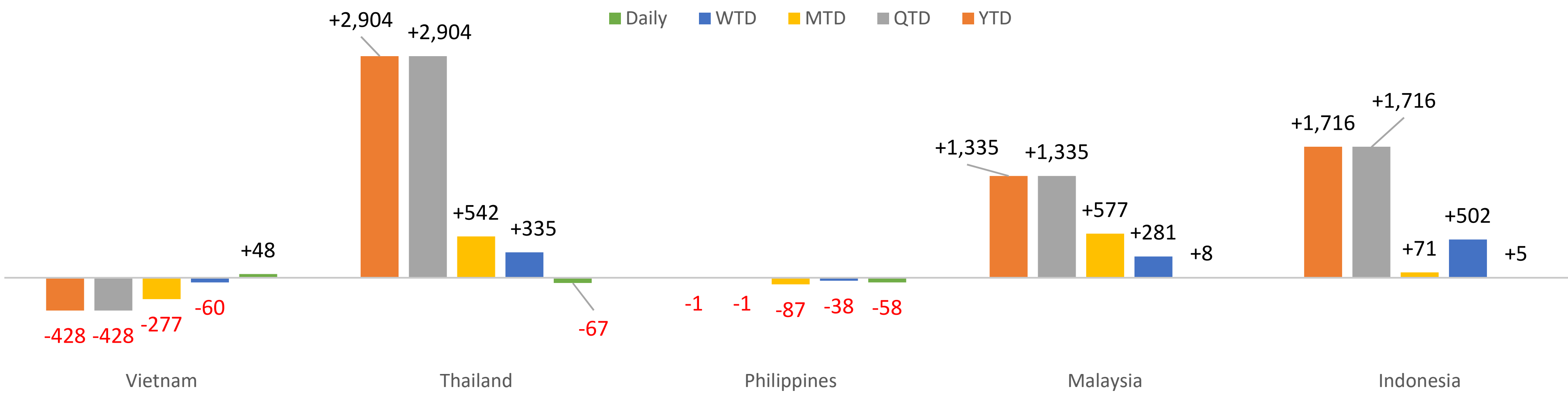
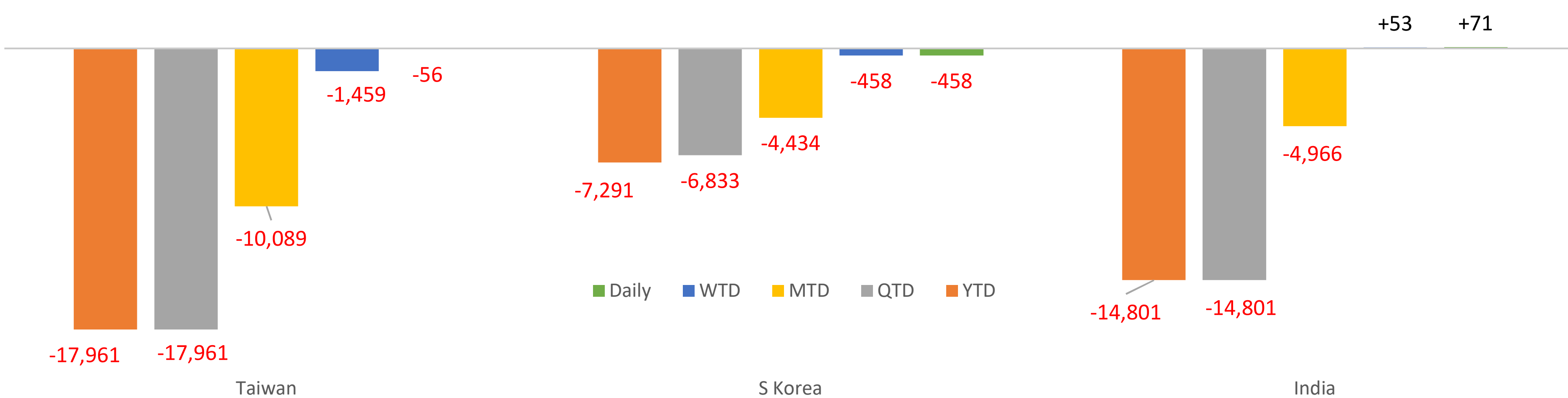


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)



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 Astute Fund Management Berhad (“AFMB”) (formerly known as Apex Investment Services Berhad) and consequently no representation is made as to the accuracy or completeness of this document by AFMB and it should not be relied upon as such. Accordingly, AFMB 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. AFMB 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. AFMB 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 AFMB 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 AFMB 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 AFMB. AFMB 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.

Data, charts and news sources are derived from Bloomberg. Portfolio Managers' Views are from Astute Fund Management Berhad.