

# Portfolio Managers' Views



**29 August 2022**  
FUND MANAGEMENT DEPARTMENT

# MALAYSIA & REGIONAL

## The Week in Review (22-26 Aug 2022) & Our Managers' Views

- 1 Banks:** Maybank and AmBank's most recent quarterly earnings came in within consensus estimation. Their earnings were driven by loans growth and net interest margin expansion from the current interest rate rate hike cycle. Total return of Bursa Malaysia Finance Index is 10% YTD and we expect this positive momentum to continue in the second half of 2022 as we expect banks' earnings to be better in 2023 due to write-backs in provisions and the ceasing of Cukai Makmur.
- 2 Crude oil:** OPEC+ is considering cutting oil production in anticipation of more supply from Iranian if Europe is successful in reviving the Iran nuclear deal. The return of Iran may add 2% to the global supplies and alleviate some supply pressures in the oil markets. Brent oil price responded positively to OPEC+'s views, rising from \$94 to \$100/bbl, reinforcing our view on high oil prices. We are invested in upstream oil producers that benefit from this development.
- 3 Dividends:** In the ongoing 2Q earnings reporting season, we noted an increase in dividend payouts (including specials) from government-linked companies (GLCs) such as Petronas Chemicals, Petronas Dagangan and Telekom. Dividends were higher YoY by 9%, 10% and 30% respectively. The higher payouts reflect YoY earnings growth and an increasing need to boost the government's tight coffers. Our funds are invested in such companies.
- 4 Plantation:** Selected plantation companies indicate that labour shortages have impacted their recent quarter's crude palm oil (CPO) production. In view of the global edible oil shortage, we expect planters' earnings and dividends to be supported by higher CPO prices (RM4,000 to RM4,500/ton) compared to Pre-Covid 10-year average of RM2,567/ton. Thus, we expect total shareholder returns (share price plus dividends) of plantation companies to continue its positive momentum in 2H'22.
- 5 Governance:** On Tuesday, Malaysia ex-PM Dato' Sri Najib Razak was found guilty for the misappropriation of RM42mil of funds belonging to SRC International. He will face 12 years of imprisonment and a fine of RM210mil. This ruling was a testament to Malaysia's strong rule of law which sends a positive message to both current and potential foreign investors.
- 6 Flows:** Malaysia remains a top-3 recipient of flows into ASEAN equity markets. ASEAN benefits from tourism-led economies (positive on consumer discretionary spending and tourism receipts), rate hike cycle (higher earnings for banks) and higher commodity prices (positive for plantation and energy stocks). Our funds are invested in the above beneficiaries.

# MALAYSIA & REGIONAL (cont')

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**Valuation:** Relatively unchanged WoW. KLCI remains cheap at a 2022 price-earnings ratio (“PER”) of 14.6x (-1.0 standard deviation, below its 5Y average of 16.1x). Its price-to-book ratio of 1.50x (below the 5Y average of 1.55x), dividend yield of 4.1% (above its 5Y average of 3.6%) and 14% premium against the Asia ex-Japan PER (at the low end of its 5Y average) are also supportive for the Malaysian market

# MALAYSIA MARKET REVIEW

Rebounded during mid-week on strong reported earnings for 1H2022

Exhibit 1: KLCI vs Shariah Index

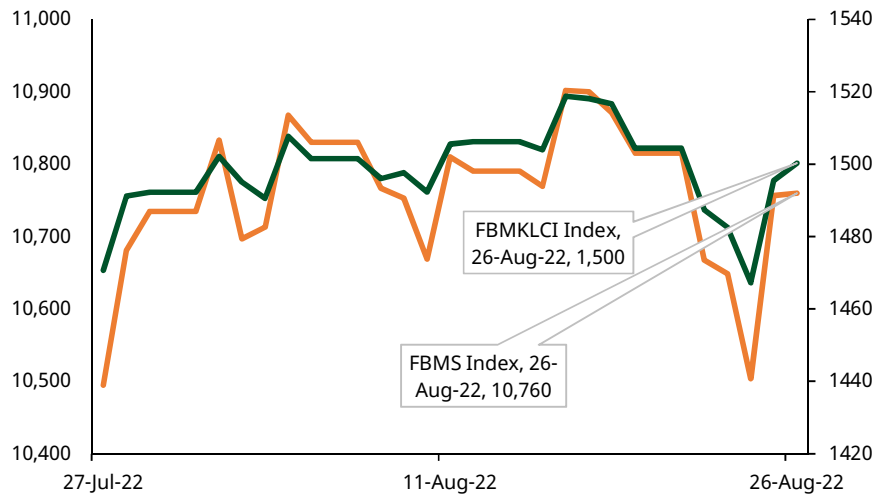


Exhibit 2: USDMYR

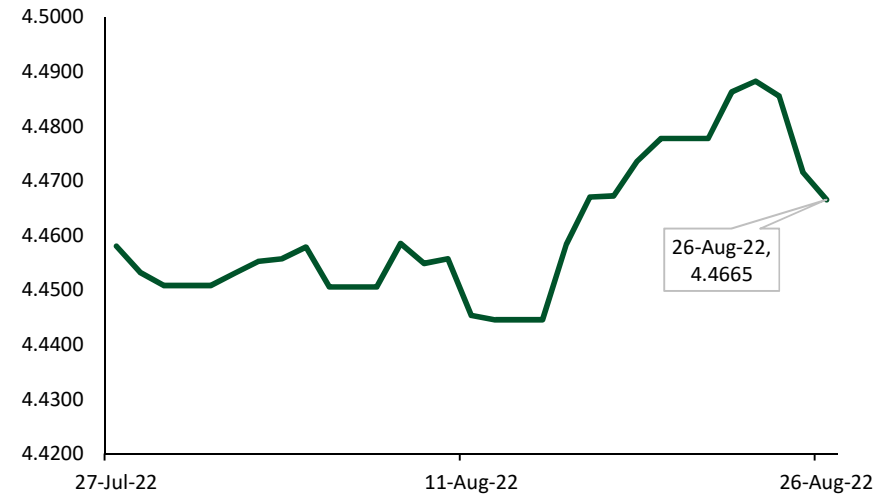


Exhibit 3: Sector Performances Week-to-Date (%)

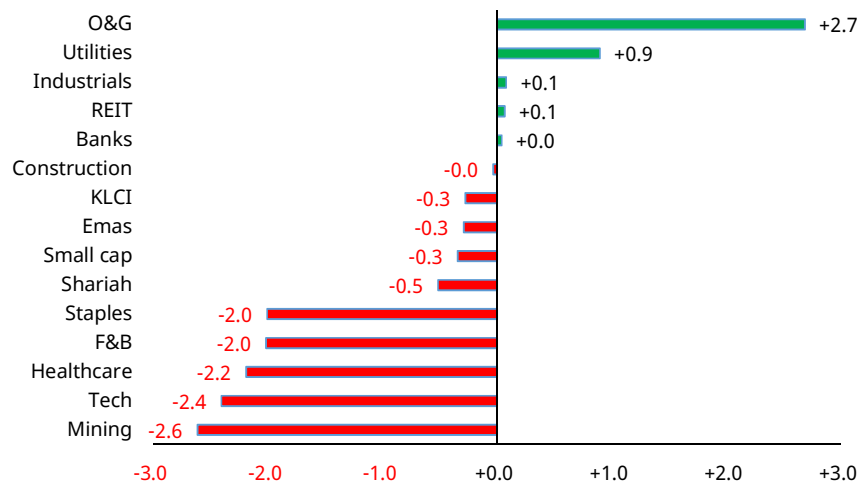
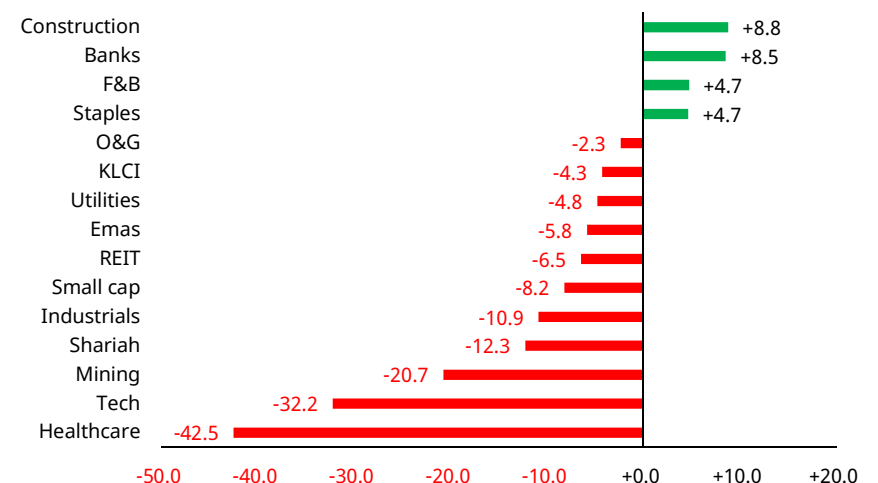


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

# MALAYSIA VALUATIONS

Remains attractive historically and versus the region

Exhibit 5: MY's Premium/Discount (%) to ASEAN & Asia (on Current PER, %)

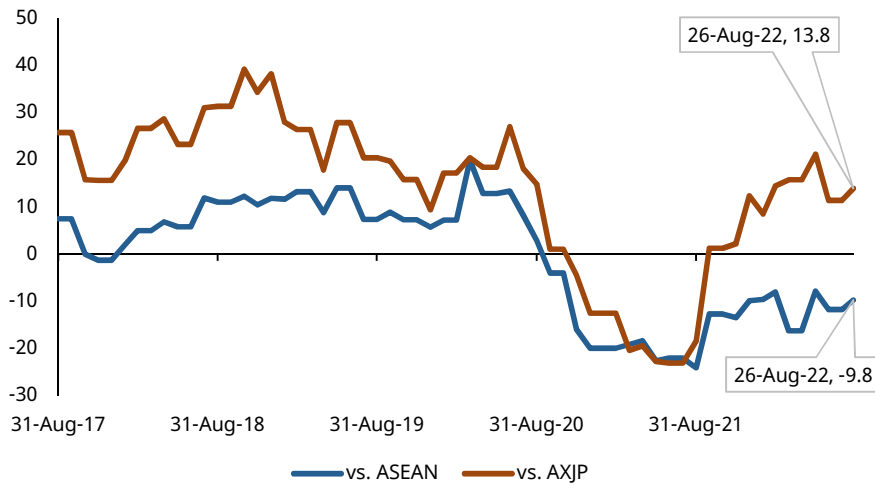


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

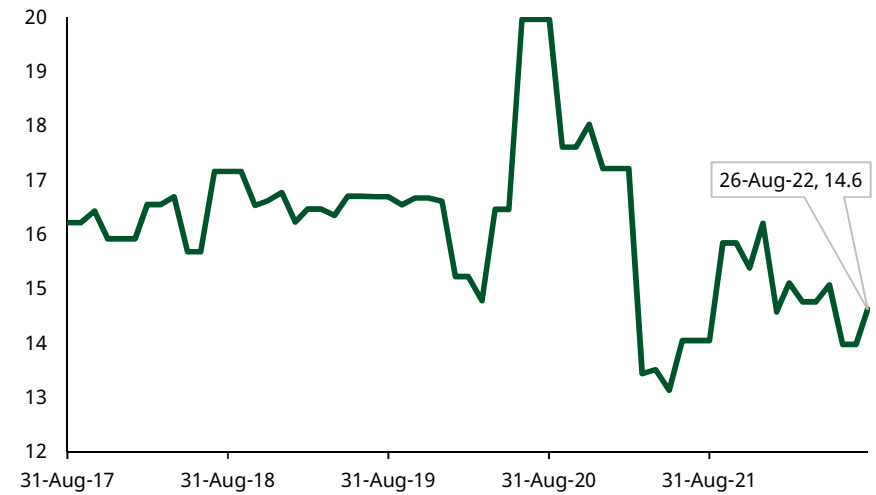


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

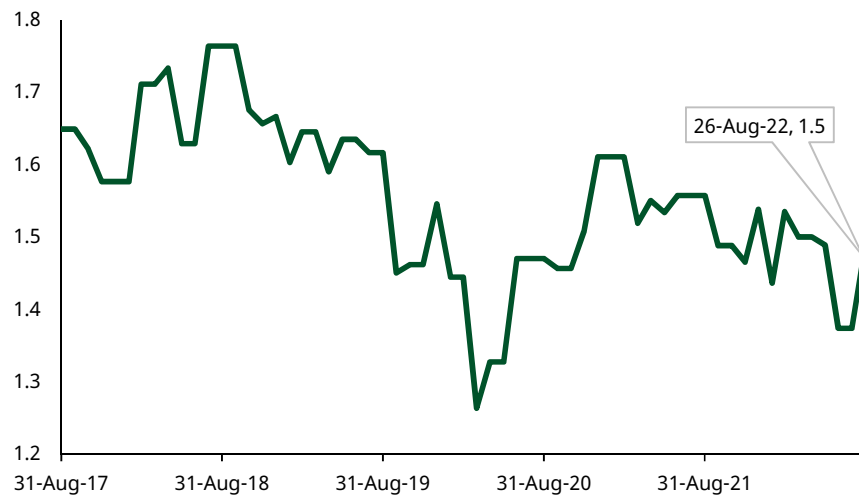
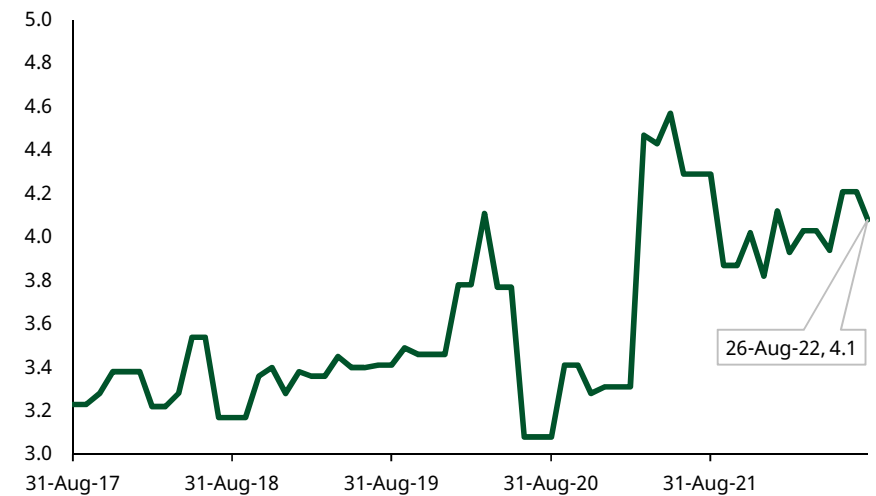


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# REGIONAL MARKETS REVIEW

Lower ahead of US Jackson Hole symposium but China rose on stimulus plans

Exhibit 1: Country Performances Week-to-Date (%)

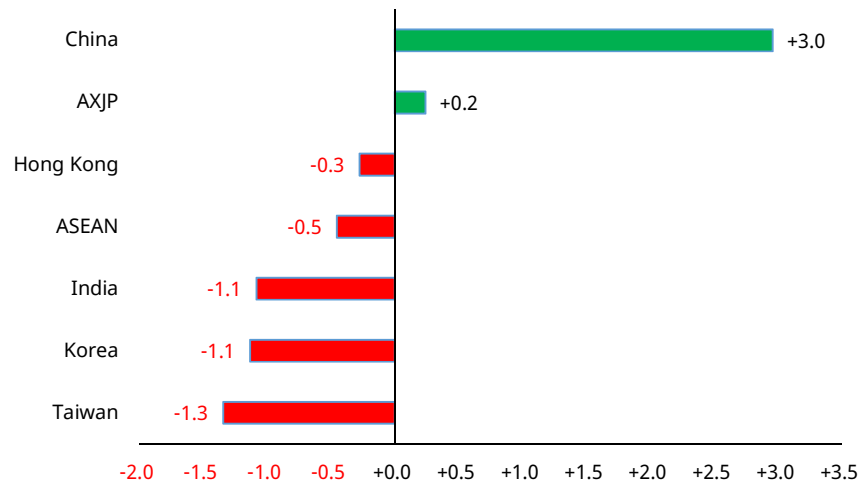


Exhibit 2: Country Performances Year-to-Date (%)

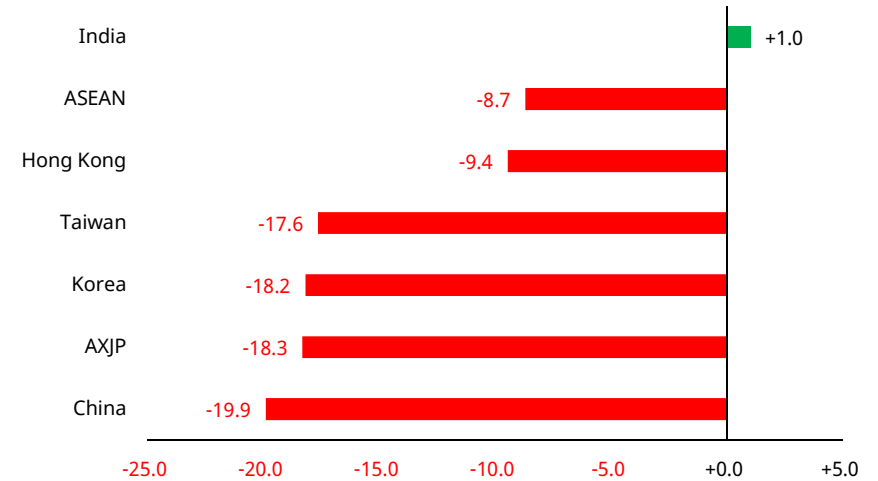


Exhibit 3: Sector Performances Week-to-Date (%)

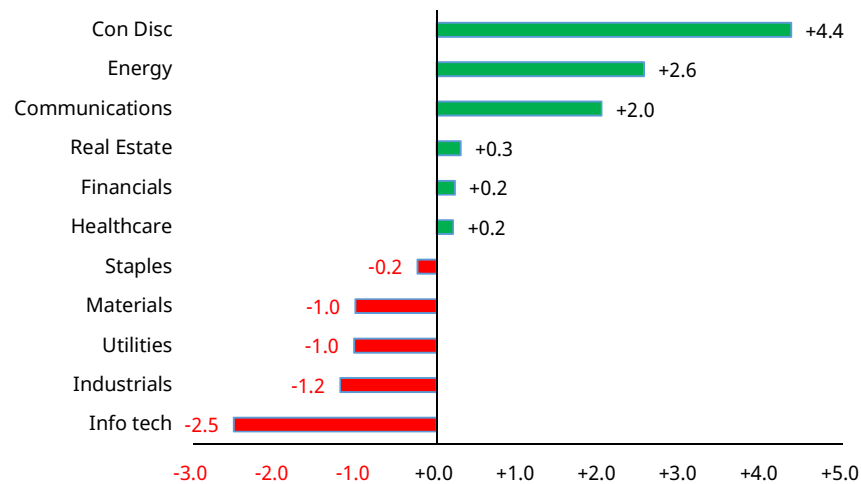
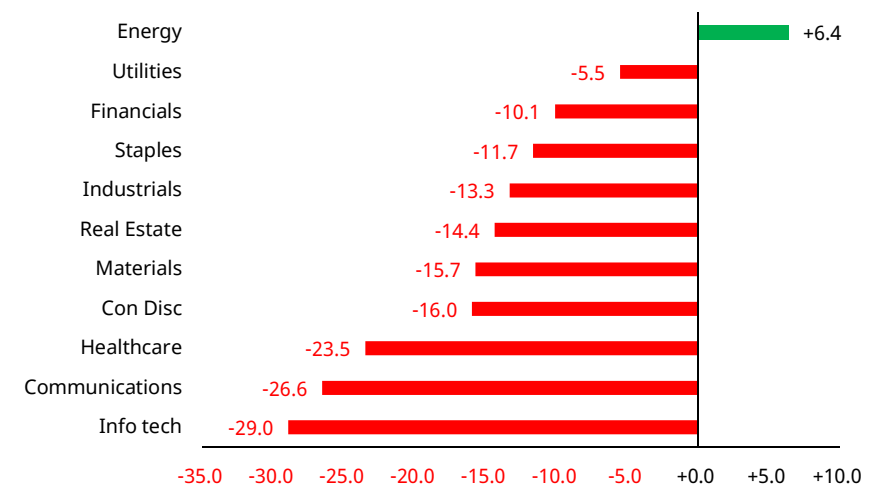


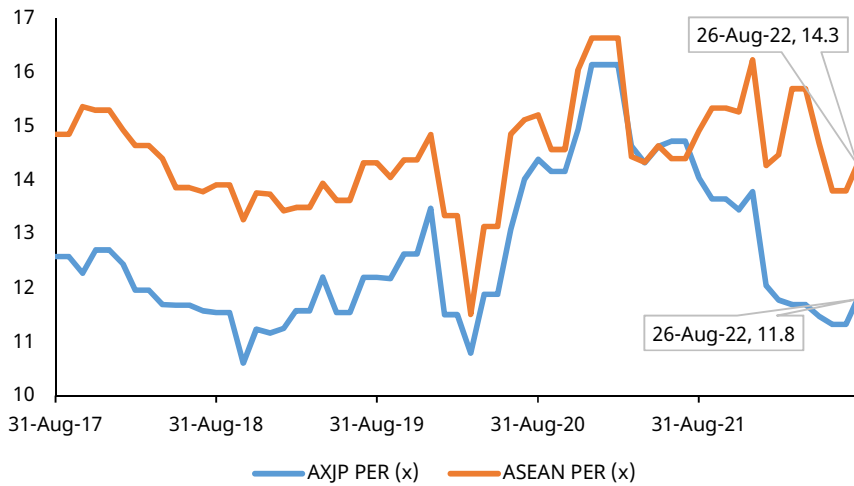
Exhibit 4: Sector Performance Year-to-Date (%)



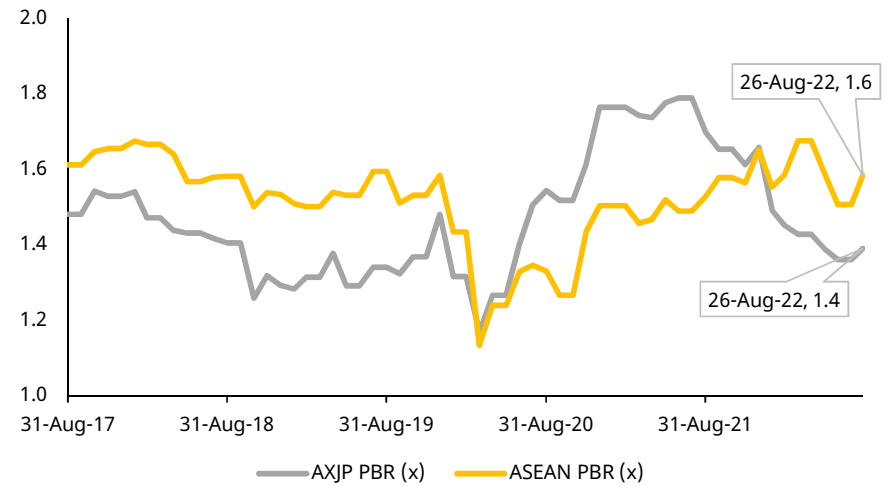
# REGIONAL VALUATIONS

The Asian region is trading near historical lows. ASEAN offers attractive yields

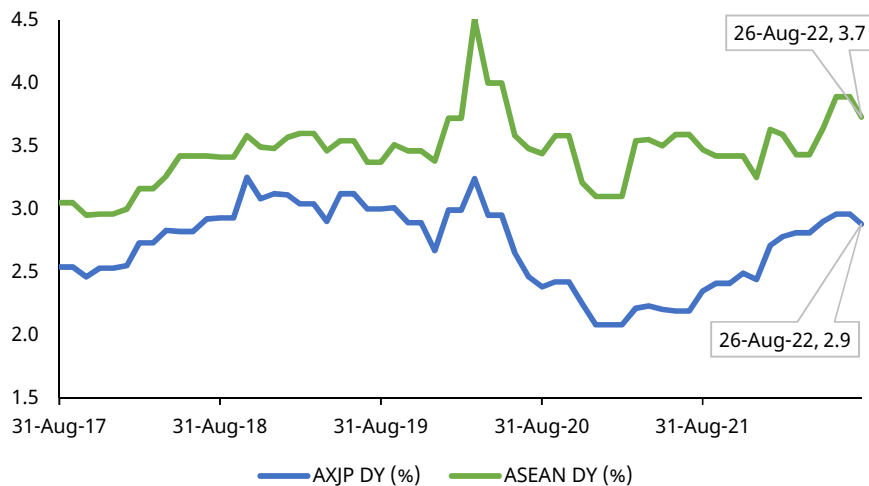
**Exhibit 5: Regional Price-Earnings Ratio (x)**



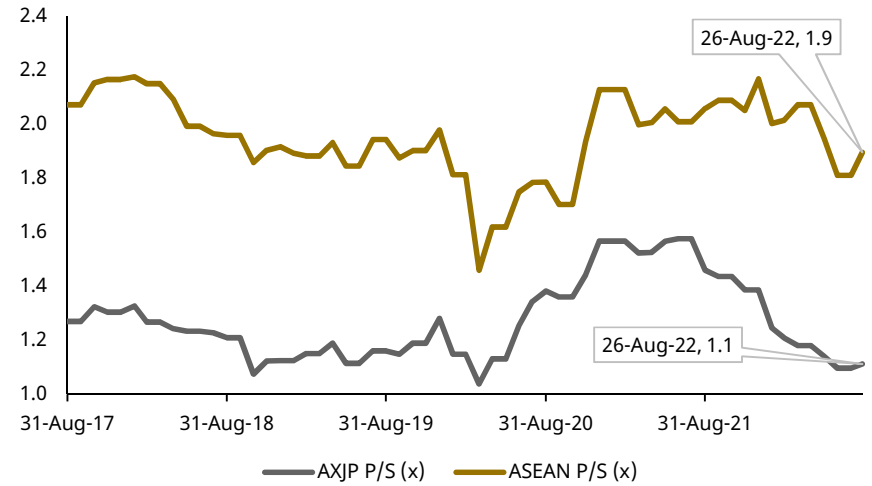
**Exhibit 6: Regional Price-to-Book Ratio (x)**



**Exhibit 7: Regional Dividend Yield (%)**



**Exhibit 8: Regional Price-to-Sales (x)**



# FOREIGN FUND FLOWS

Last week, Malaysia was a top-3 recipient of flows into ASEAN

Exhibit 9: Selected ASEAN Equity Markets (Net USD mil)

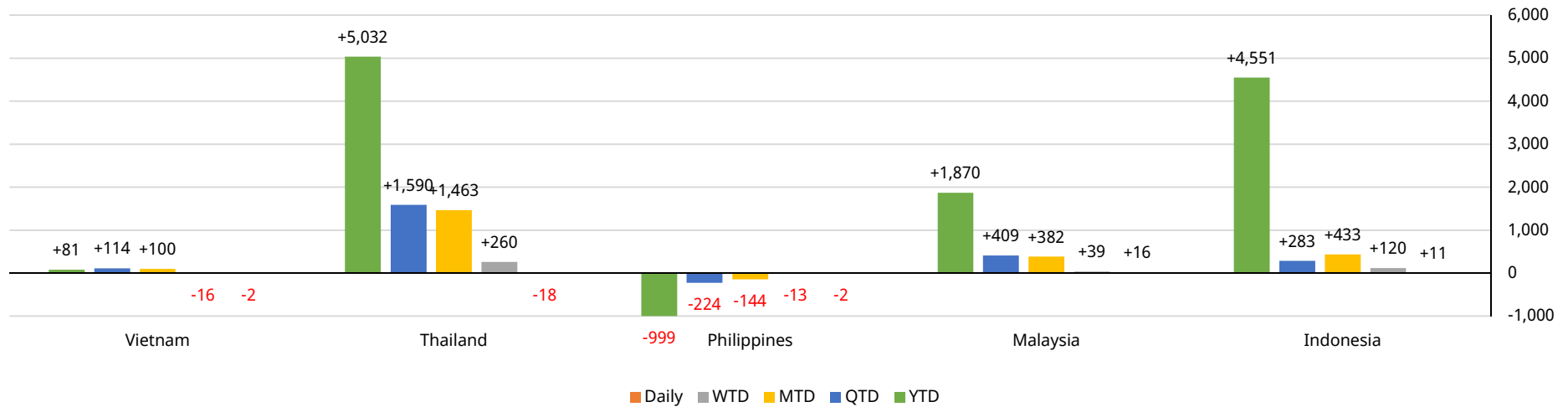
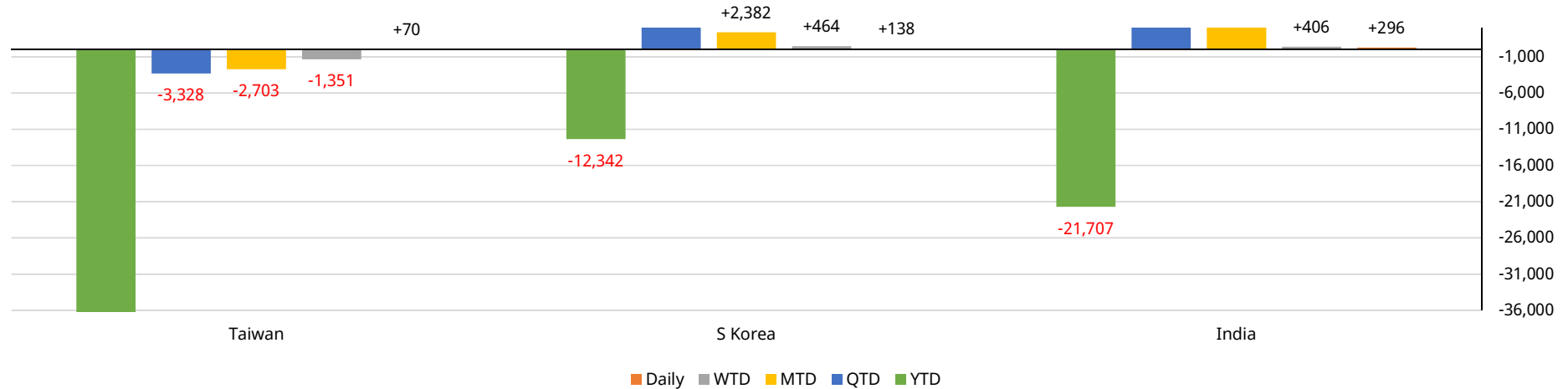


Exhibit 10: Selected North and West Asian Markets (Net USD mil)





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