

# Portfolio Managers' Views

**31 October 2022**  
FUND MANAGEMENT DEPARTMENT

# MALAYSIA & REGIONAL

## The Week in Review (24-28 Oct 2022) & Our Managers' Views

- 1 Elections:** We attended a call by the Merdeka Centre for Public Opinion Research on the current political landscape. They highlighted that Perikatan Nasional's current disapproval rating is at 51%. These are dangerous levels for a re-election as this is worse than Barisan Nasional's disapproval rating of 47% in the previous general election. Merdeka Centre assigned the highest likelihood to an UMNO-led plurality, necessitating a team up with PAS and GPS to form a simple majority government.
- 2 Crude Oil:** Saudi Aramco has said that Russian oil exports, which typically flow into Europe are being rechanneled into Asia instead. This is ahead of Western sanctions that will take effect on 5 Dec-22. However, we believe that Russia will not have enough crude tankers to rechannel all their oil exports into Asia. Its tanker availability suggests that 1mbpd worth of supply will be displaced. This reinforces our view that oil prices will be higher in Dec. We remain invested in the oil sector.
- 3 Tech:** We expect the tech downtrend to continue as we have seen a downward revision of expectations subsequent to Meta and Google's disappointing Q3 earnings results which were announced last week. Chip manufacturers, TSMC and Samsung have reported difficulties in selling their newest chips while local manufacturer Unisem also reported weaker Q3 earnings. We anticipated this decline late last year and our portfolios have not held any significant positions in the tech sector since Q4'21.
- 4 Consumer:** We remain invested in the consumer sector. Nestle's recent earnings announcement saw profit margins decline from 10% to 7% due to high raw material costs. Although high commodity prices have and will continue compress margins for consumer-related companies, we are not overly concerned as the companies that we have invested in have the ability to pass the costs down to its customers and eventually normalise margins.
- 5 Plantation:** We remain invested in the plantation sector as we expect Crude Palm Oil (CPO) price to remain above RM3,500/ton which is higher than the average production cost. CPO price has risen 20% MTD to RM3,987/ton due to expectations of lower palm oil supply arising from heavy rain in top producing countries such as Malaysia and Indonesia. Moreover, any downsides to the CPO price will likely be capped as CPO is already trading at a higher than average discount of USD760/ton to Soy Oil.
- 6 Valuation:** KLCI valuations improved WoW, tracking a broader market rebound following the recent S&P rally. We maintain our view that the KLCI continues to remain cheap at a 2022 price-earnings ratio ("PER") of 14.1x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.40x (below the 5Y average of 1.55x) and 4.2% (above its 5Y average of 3.6%).

# MALAYSIA MARKET REVIEW

Markets tracked US market rally ahead of potentially better Q3 results

Exhibit 1: KLCI vs Shariah Index

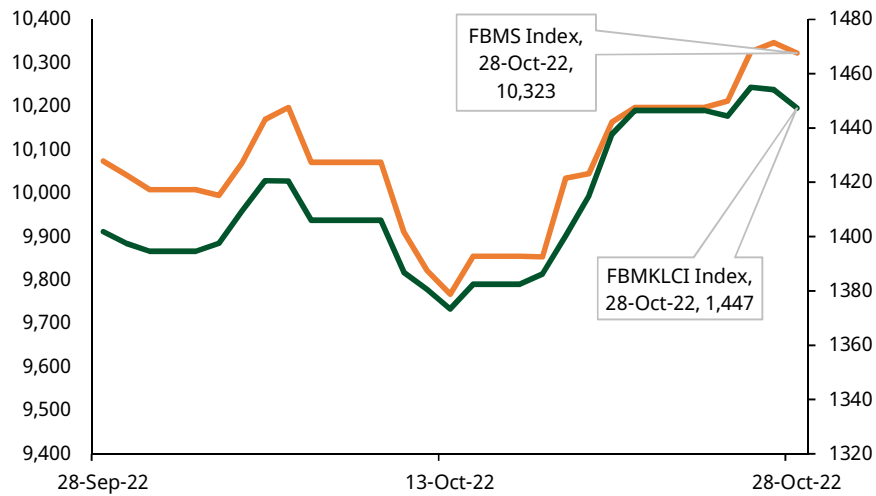


Exhibit 2: USDMYR

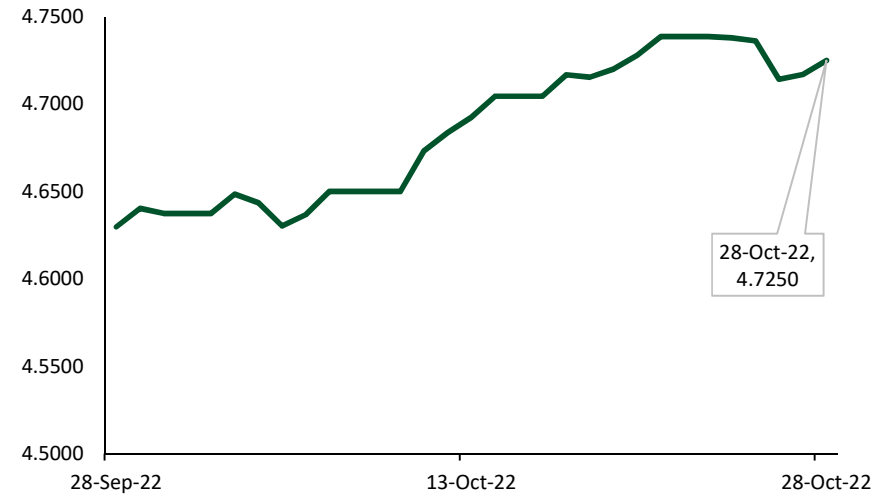


Exhibit 3: Sector Performances Week-to-Date (%)

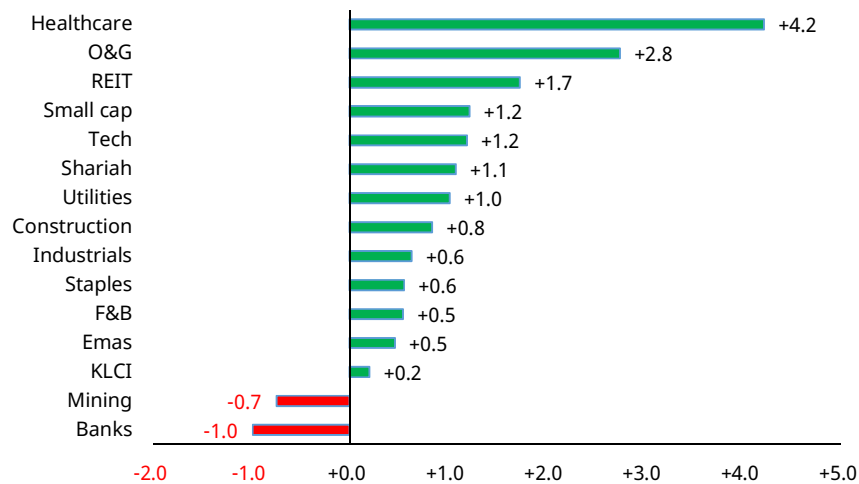
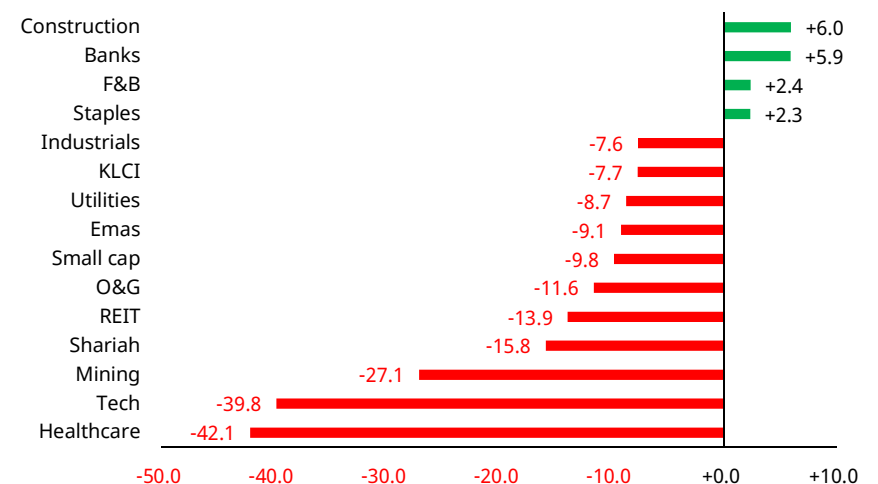


Exhibit 4: Sector Performances Year-to-Date (%)

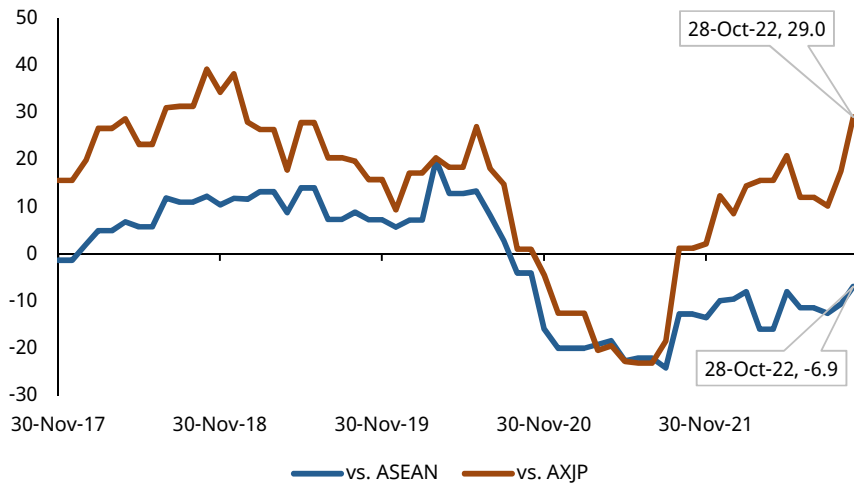


Source: Bloomberg

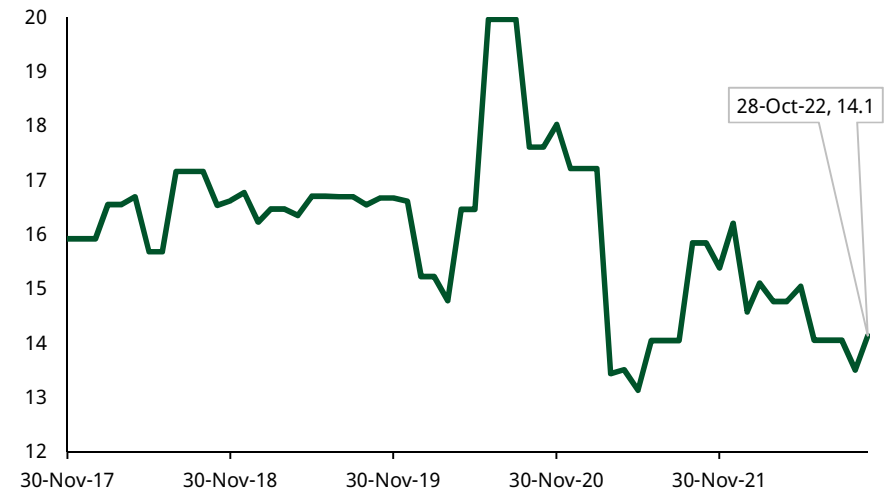
# MALAYSIA VALUATIONS

Remains attractive historically and versus the region

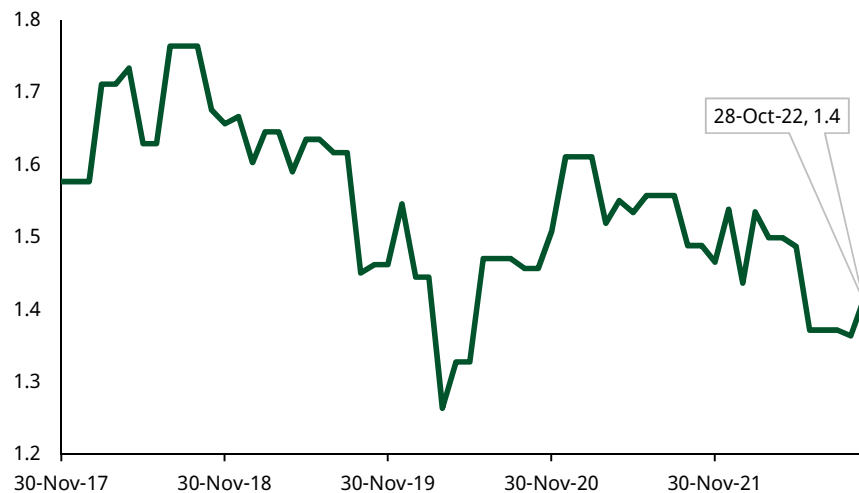
**Exhibit 5: MY's Premium/Discount (%) to ASEAN & Asia (on Current PER, %)**



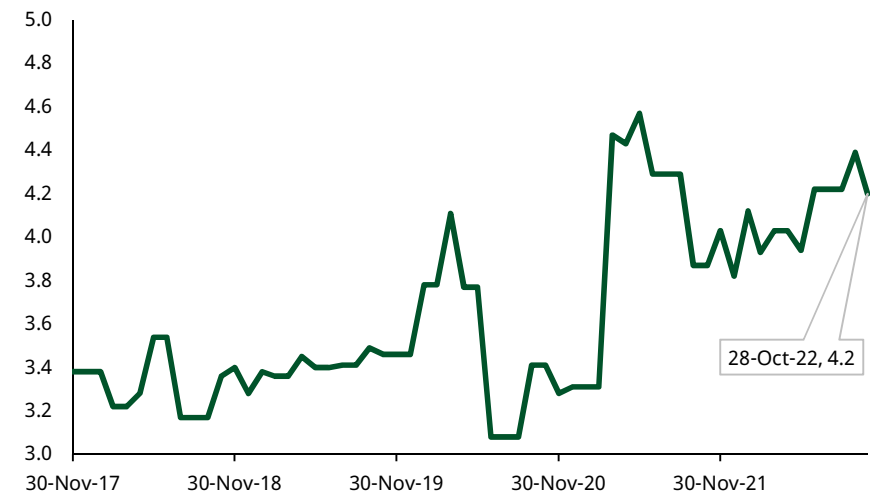
**Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)**



**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

North Asia lower due to tech and China's lack of economic policy direction

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

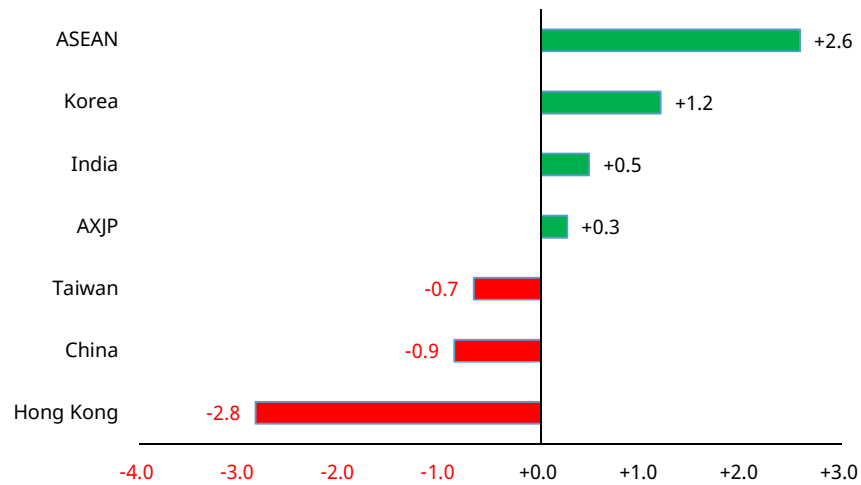


Exhibit 2: Country Performances Year-to-Date (%)

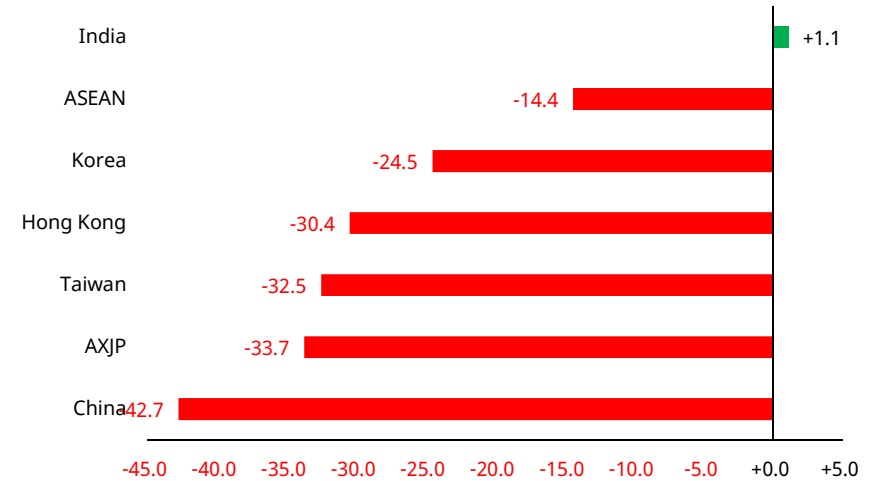


Exhibit 3: Sector Performances Week-to-Date (%)

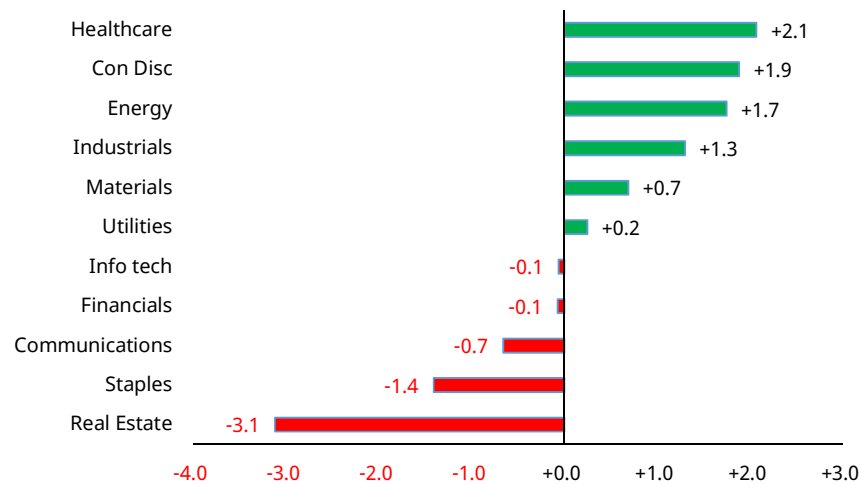
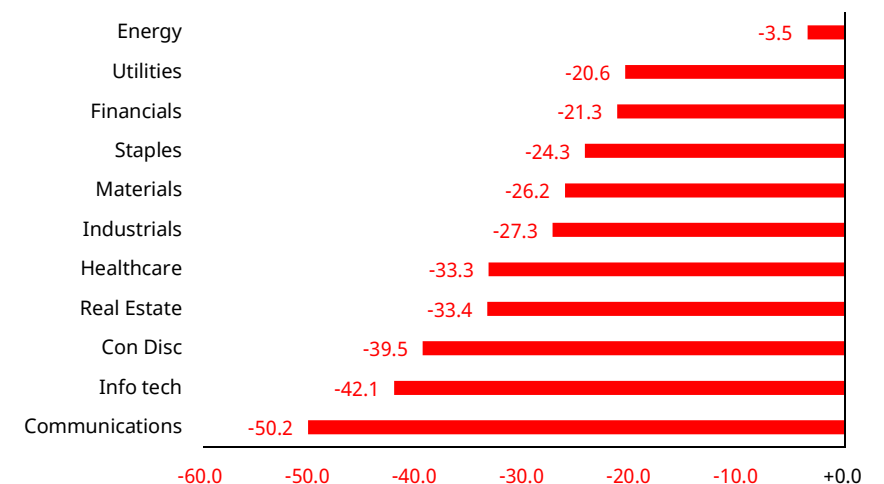


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

# REGIONAL VALUATIONS

Regional markets continue to face headwinds but valuations are attractive

Exhibit 5: Regional Price-Earnings Ratio (x)

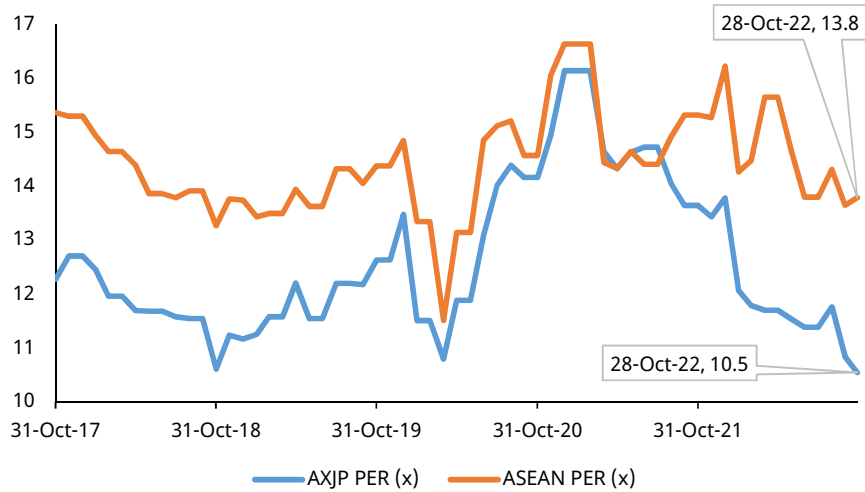


Exhibit 6: Regional Price-to-Book Ratio (x)

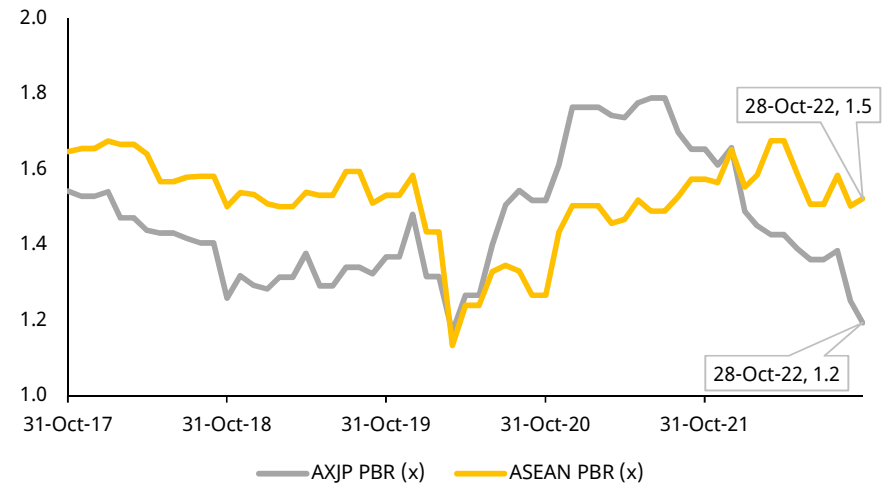


Exhibit 7: Regional Dividend Yield (%)

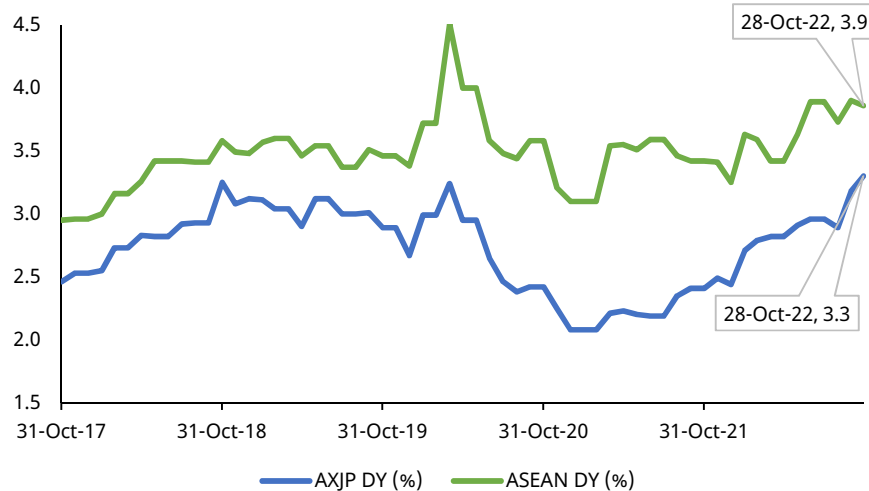
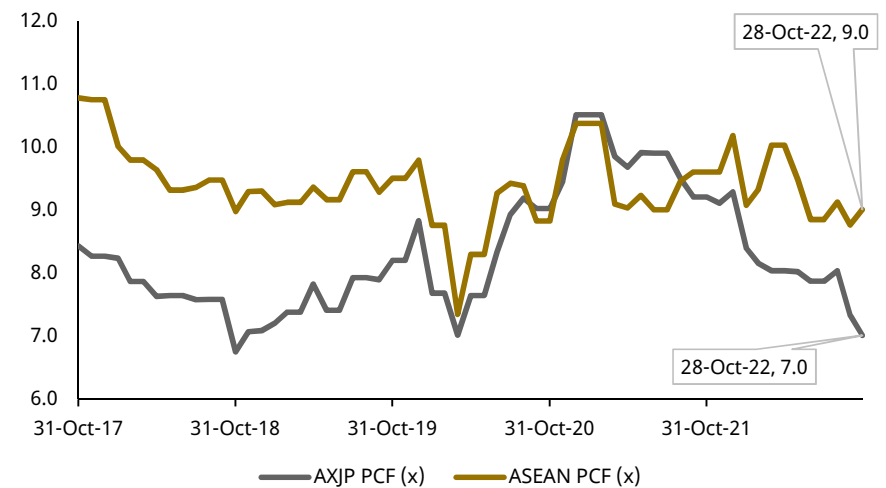


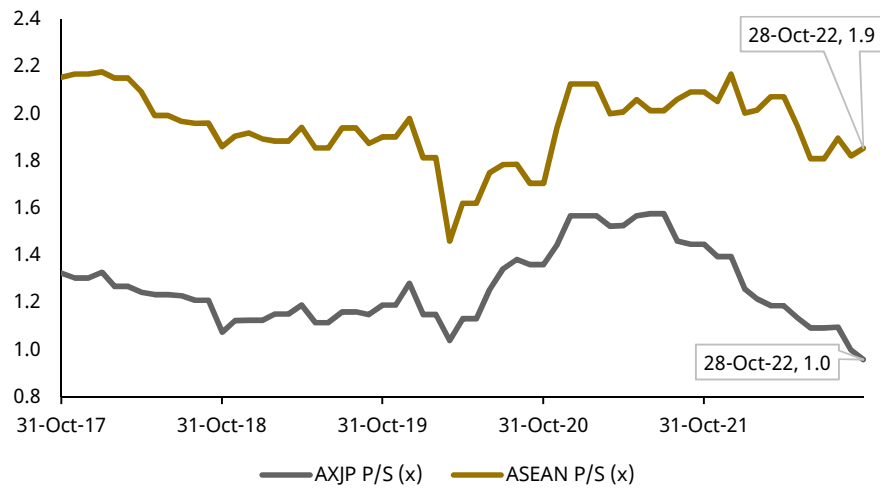
Exhibit 8: Regional Price-to-Cash Flow (x)



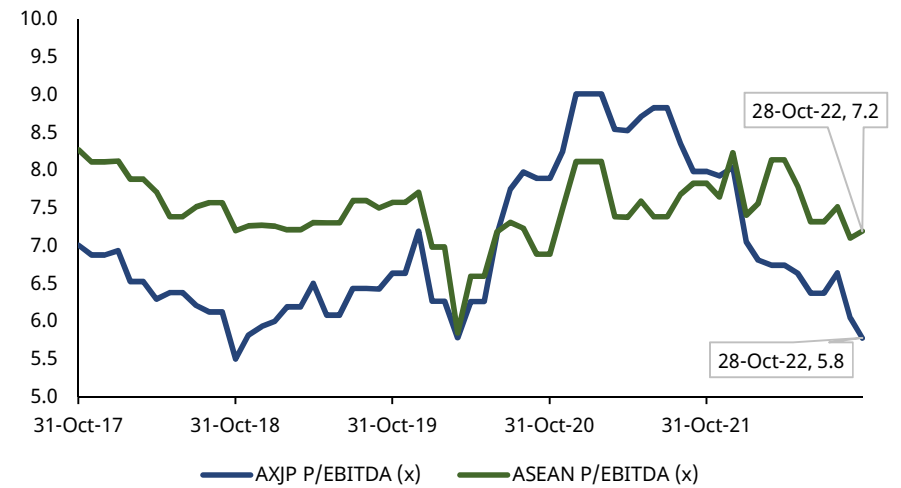
# REGIONAL VALUATIONS

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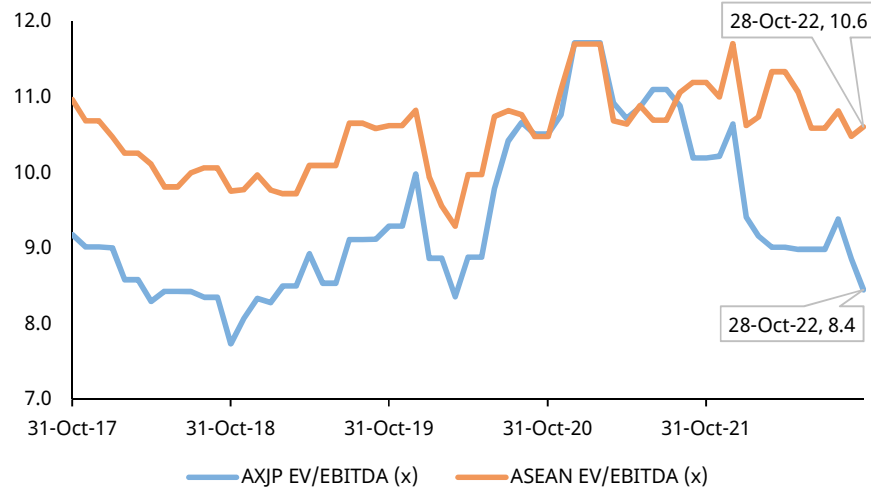
Regional Price-to-Sales Ratio (x)



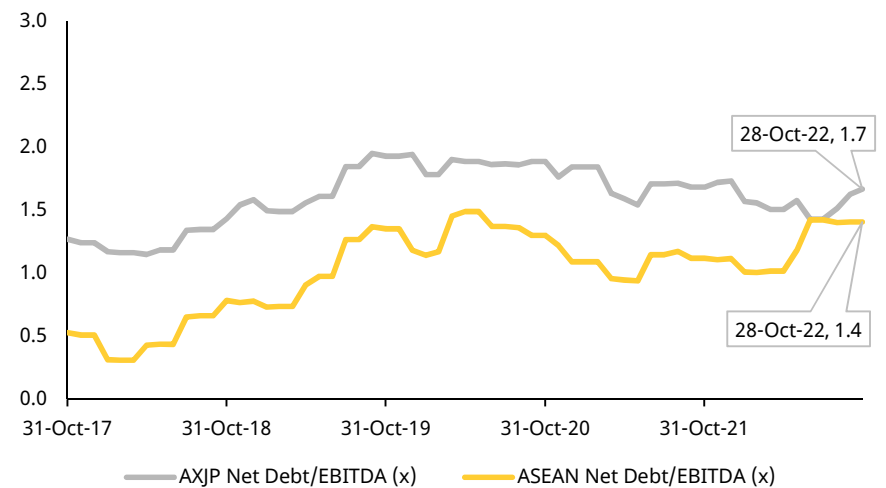
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



# FOREIGN FUND FLOWS

Year-to-date, Malaysia is the third-highest recipient of net flows into ASEAN

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

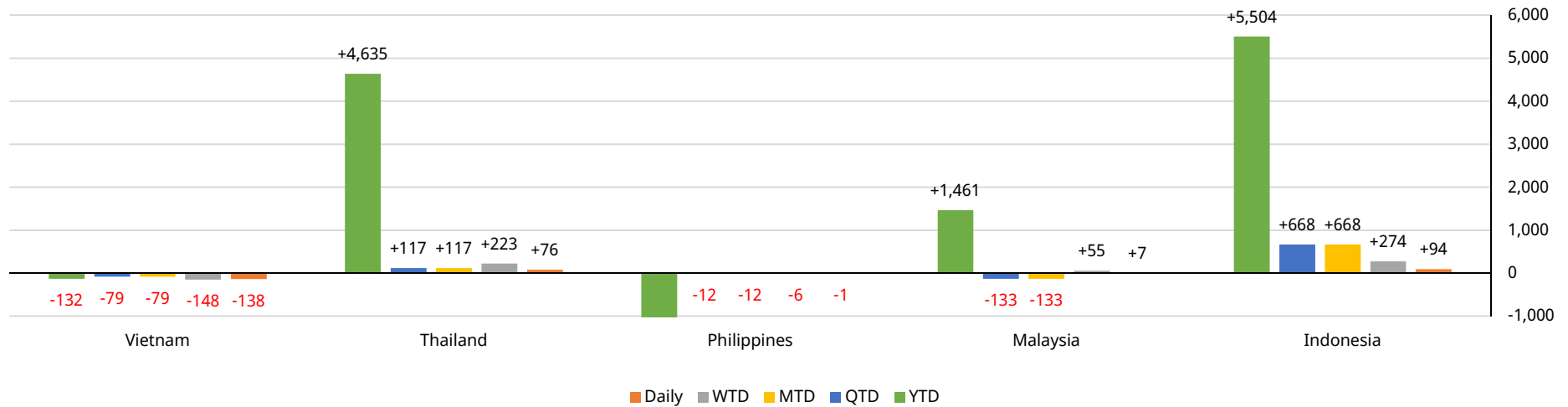
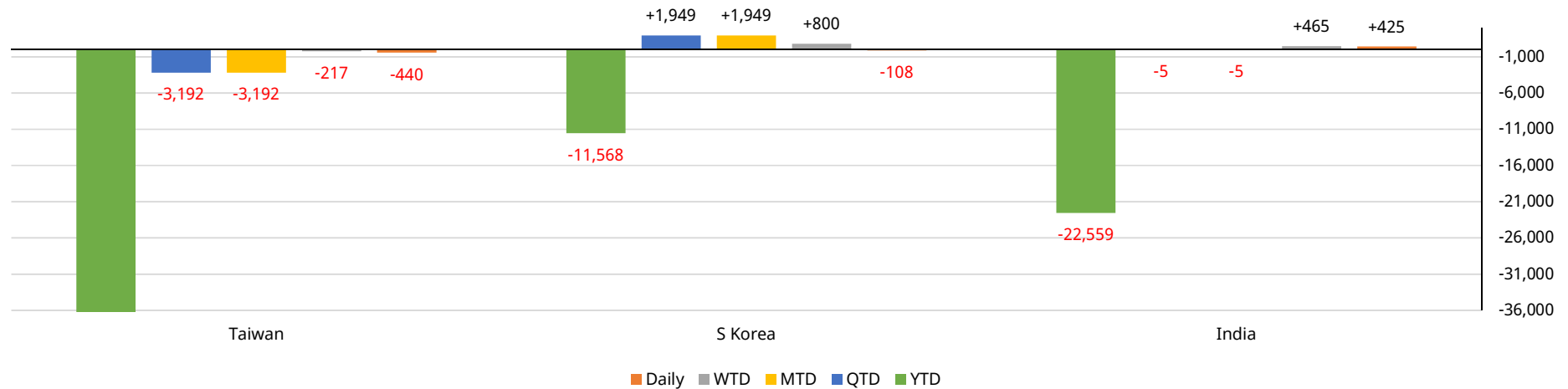


Exhibit 10: Selected North and West Asian Markets (Net USD mil)





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