

Portfolio Managers' Views


29 November 2022
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (21 - 25 Nov 2022) & Our Managers' Views

- 1 Politics:** We expect KLCI to rerate once a new government is formed. As indicated in our last report, the KLCI did not react negatively post-GE15 despite a hung parliament. This affirms our view that the market has largely priced in this outcome. As such, we believe the eventual formation of a government will help rerate the KLCI as uncertainties related to our political landscape are resolved.
- 2 Banks:** We remain invested in banks. Malayan Banking Berhad's net profit increased by 17% QoQ mainly driven by stronger loan growth and higher investment income. We expect banks' earnings to improve in 2023 due to net interest margin expansion, potential write-back of provision and removal of Cukai Makmur. We continue to favour banks with high dividend yield and return on equity.
- 3 Plantation:** We remain invested in plantation. Although a number of plantation companies reported weaker quarterly earnings due to lower CPO price, this is within our estimates. We are not overly concerned on this as CPO price will likely to trend up in the next 2 quarters, to trade in the range of RM4,000 - 4,500/ton until Q1'23 mainly due to low production season and large discount of palm oil price compared to soybean oil price.
- 4 Oil:** We maintain our \$90/bbl oil price target for 2023 although oil price fell 4% to \$85/bbl. The drop in oil price was due to higher than expected US oil inventory surplus (+3.1mil bbls vs expected +383k bbls) and a potential oil price cap of \$65-70/bbl on sanctioned Russian oil. We believe last week's decline to be reactionary as 2023 US oil demand is likely to increase and the price caps have yet to be finalised. We remain invested in the oil sector.
- 5 Tech:** Based on the Semiconductor Industry Association's (SIA) global semiconductor sales data, each of the last two sales downturns lasted 5-7 months. Although the current downturn is only in its fifth month, we believe Asian tech equities have already priced in the downturn. Historically, tech equities hit bottom three months ahead of the global sales downturn. Asian tech equities are at the nascent stage of recovery and we will be looking to add positions in our regional portfolios.
- 6 Valuation:** KLCI remains in Buy territory as it continues to remain cheap at a 2022 price-earnings ratio ("PER") of 14.8x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.50x (below the 5Y average of 1.55x) and 4.0% (above its 5Y average of 3.6%).

MALAYSIA MARKET REVIEW

Market rallied after the appointment of Malaysia's 10th Prime Minister

Exhibit 1: KLCI vs Shariah Index

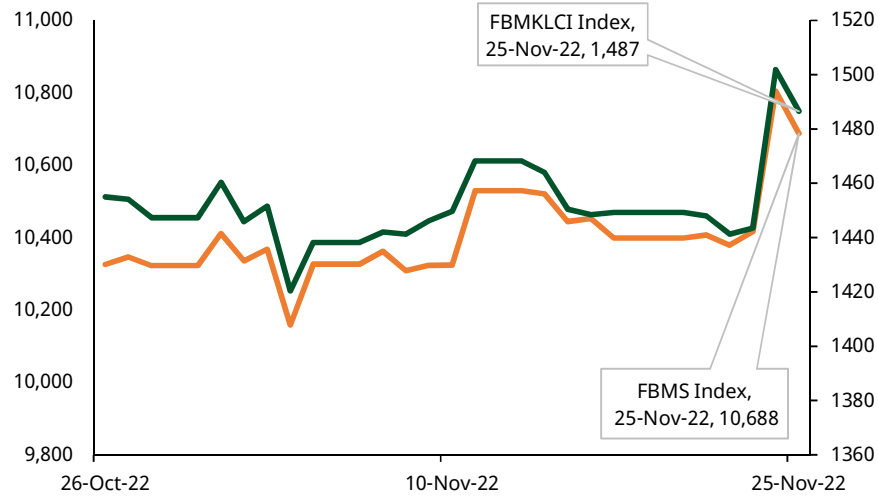


Exhibit 2: USDMYR

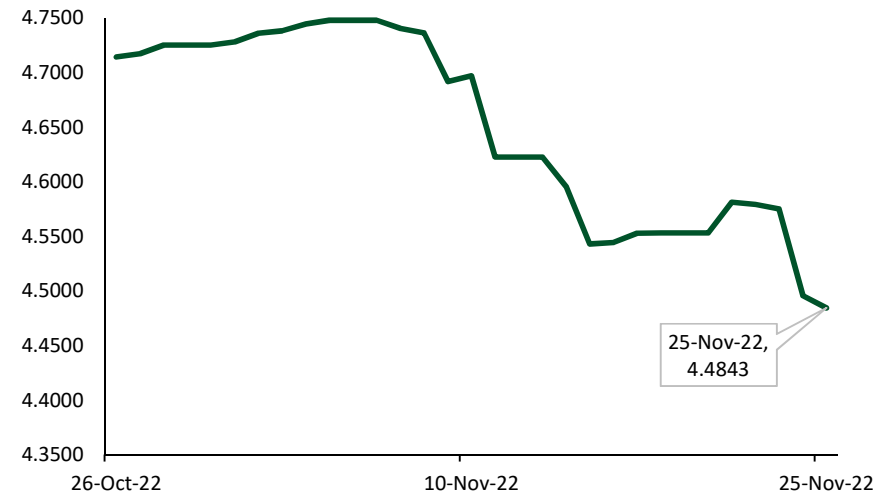
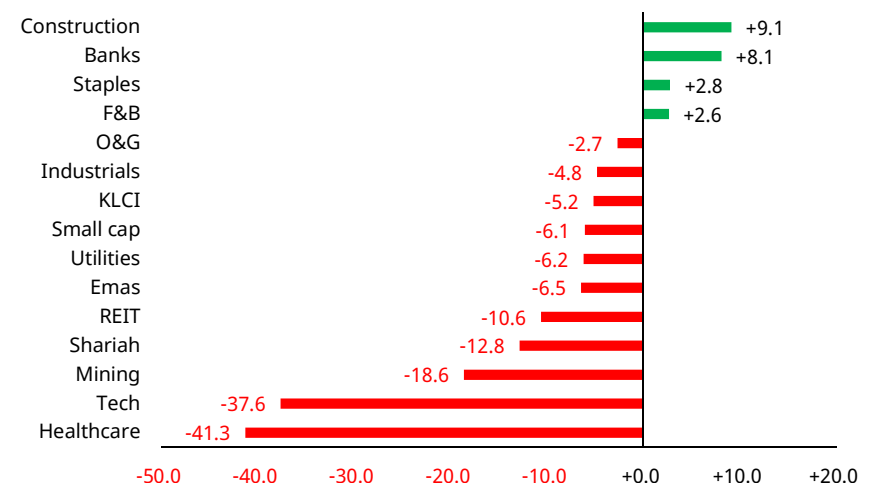


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

MALAYSIA VALUATIONS

Remains relatively attractive compared to long-term averages

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

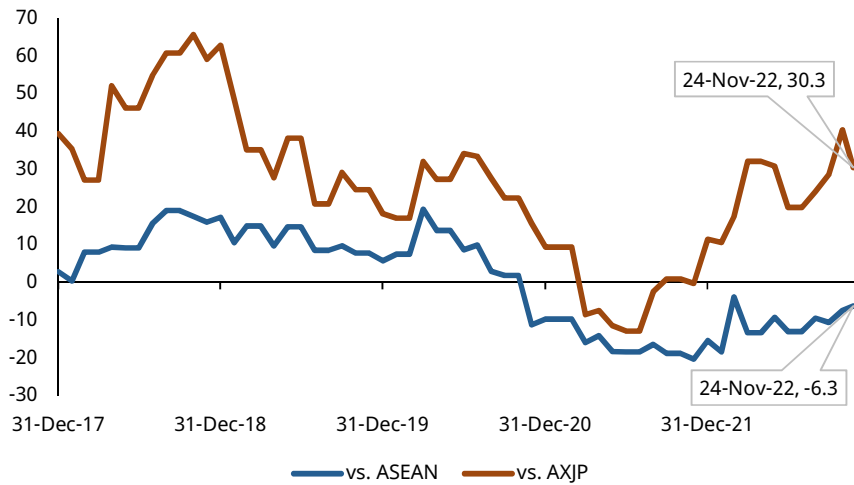


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

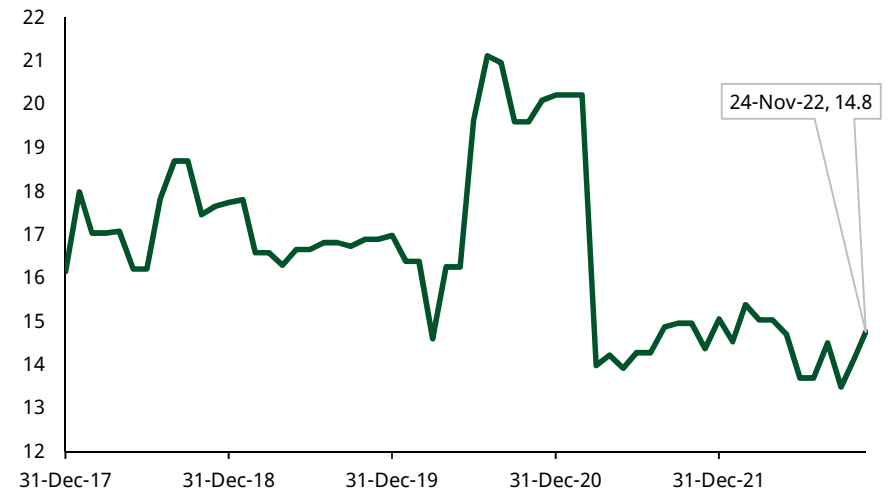


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

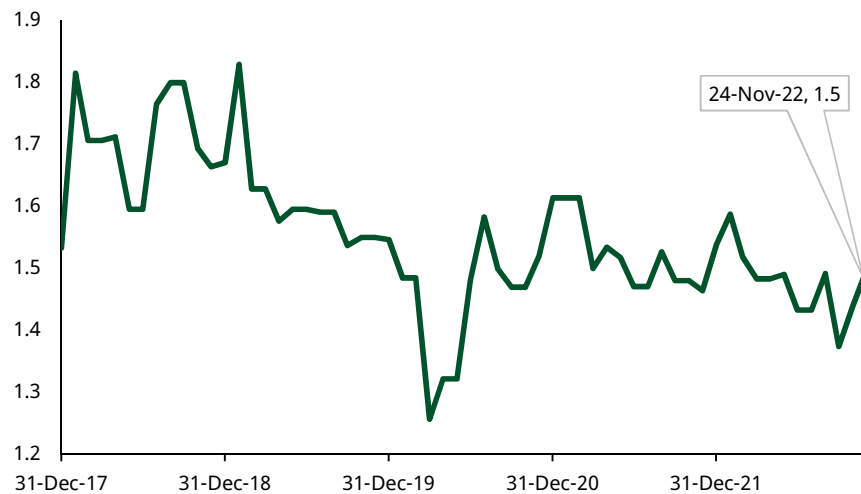
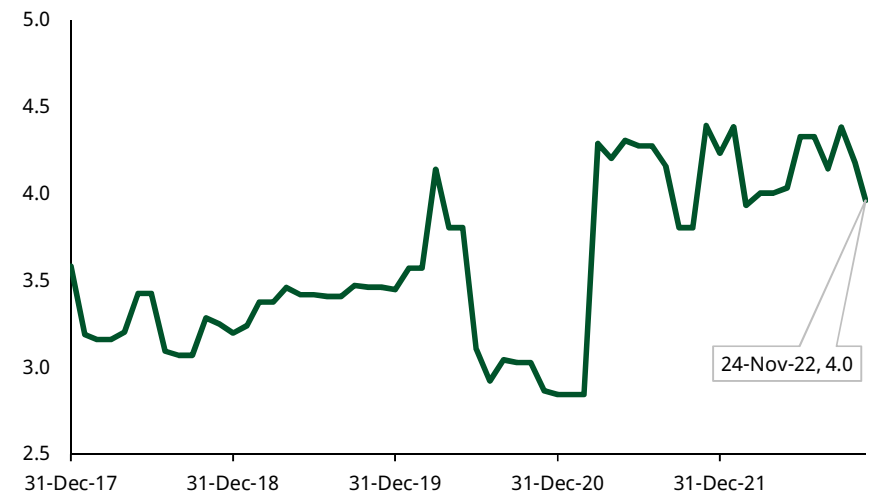


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL MARKETS REVIEW

Tech-driven markets outperformed as they benefit from lower rate hopes

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

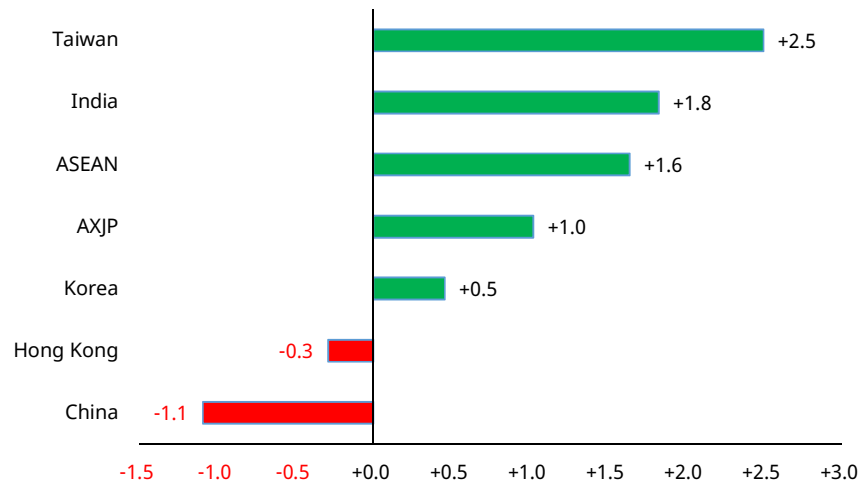


Exhibit 2: Country Performances Year-to-Date (%)

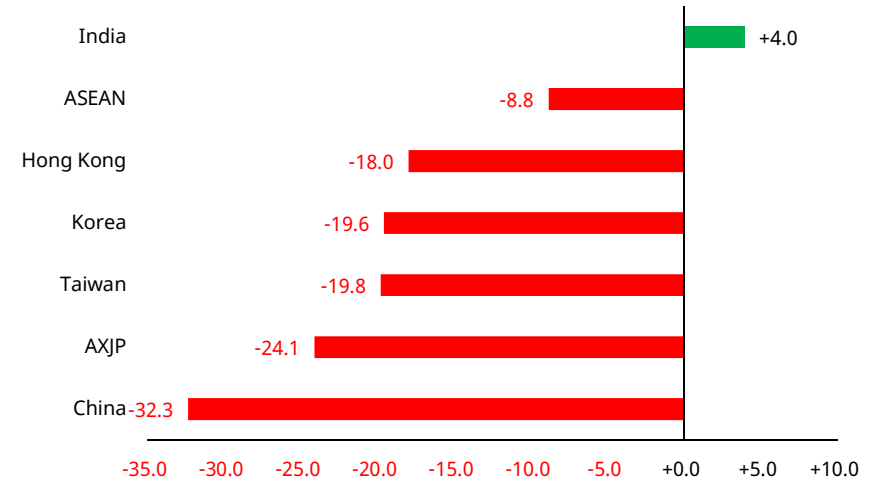
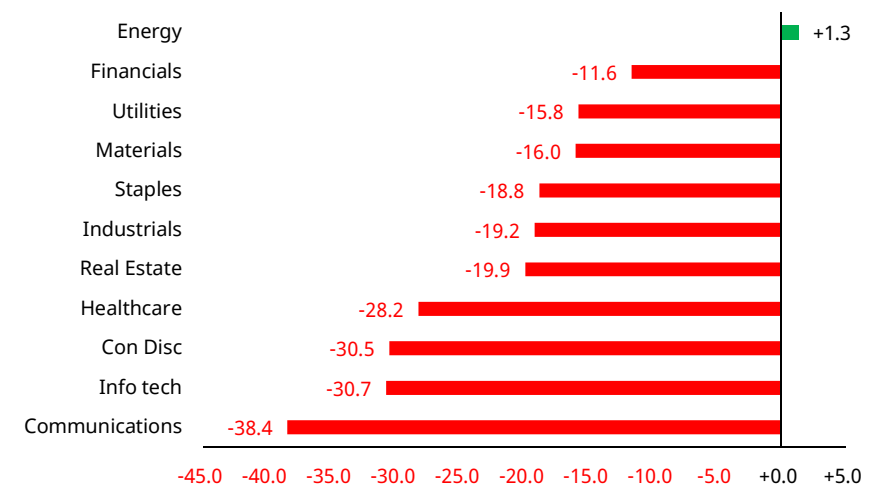


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

Exhibit 5: Regional Price-Earnings Ratio (x)

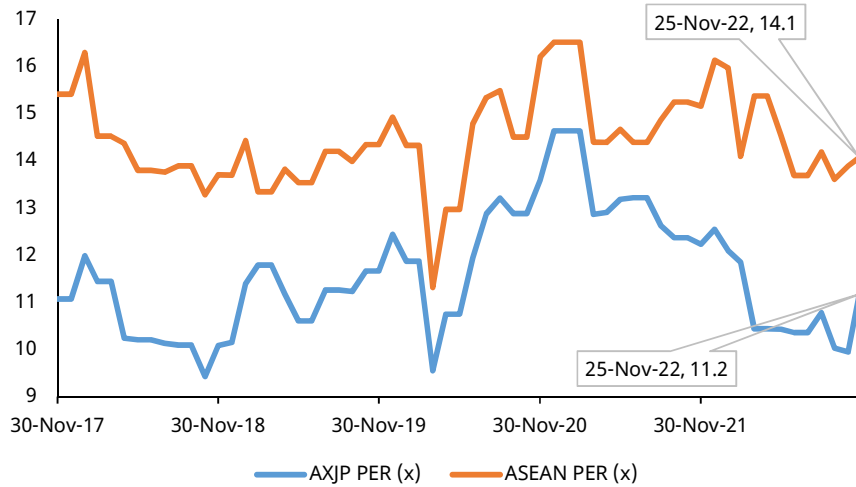


Exhibit 6: Regional Price-to-Book Ratio (x)

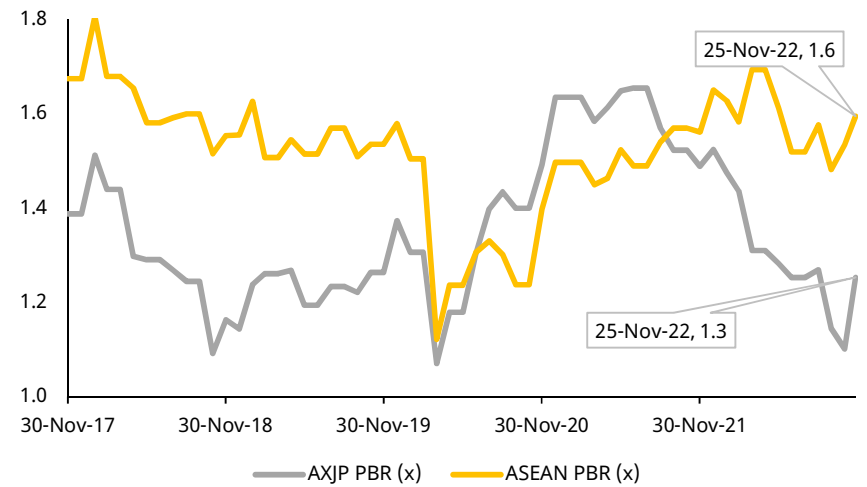


Exhibit 7: Regional Dividend Yield (%)

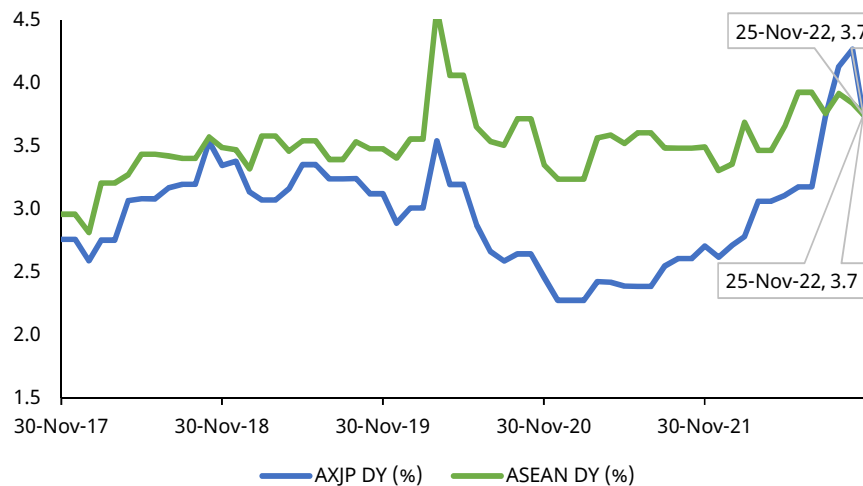
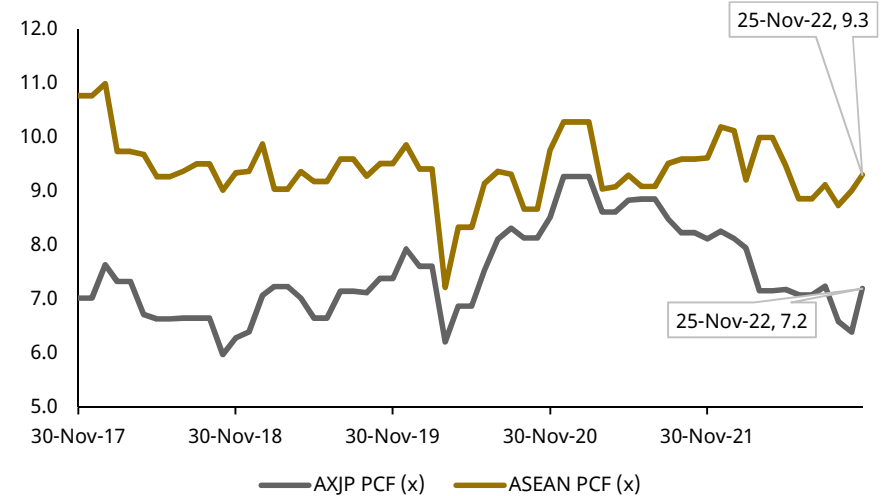


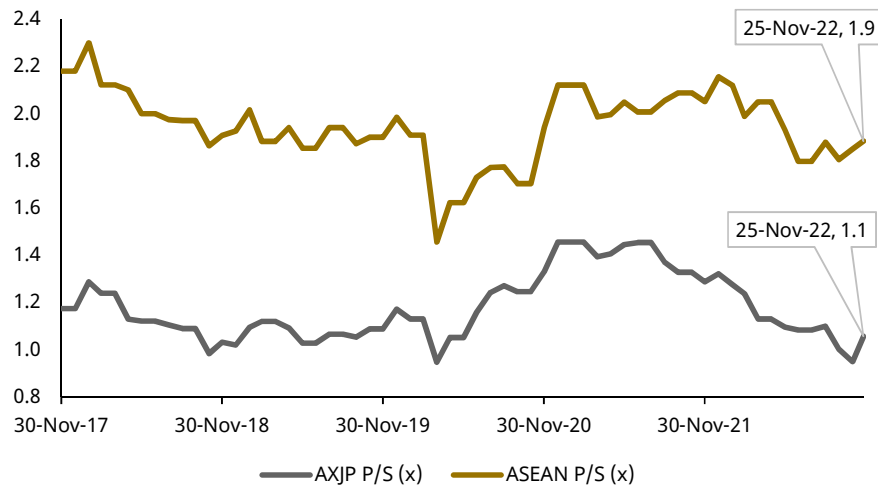
Exhibit 8: Regional Price-to-Cash Flow (x)



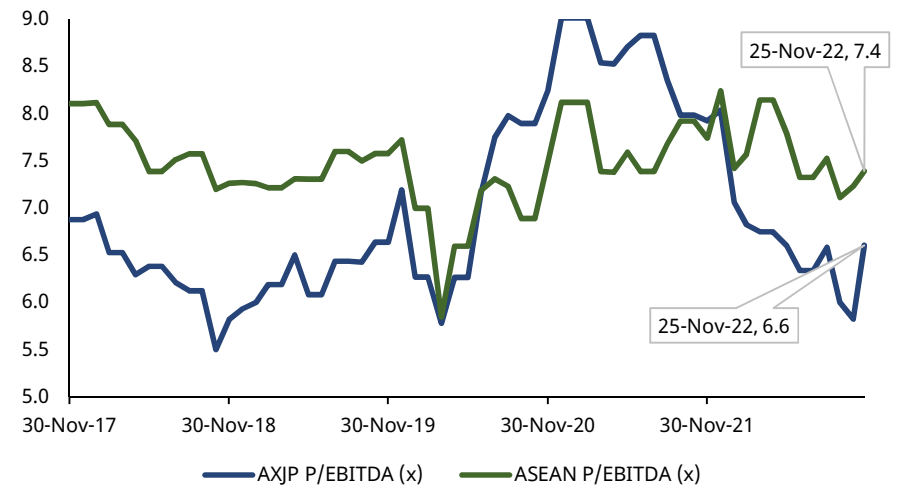
REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

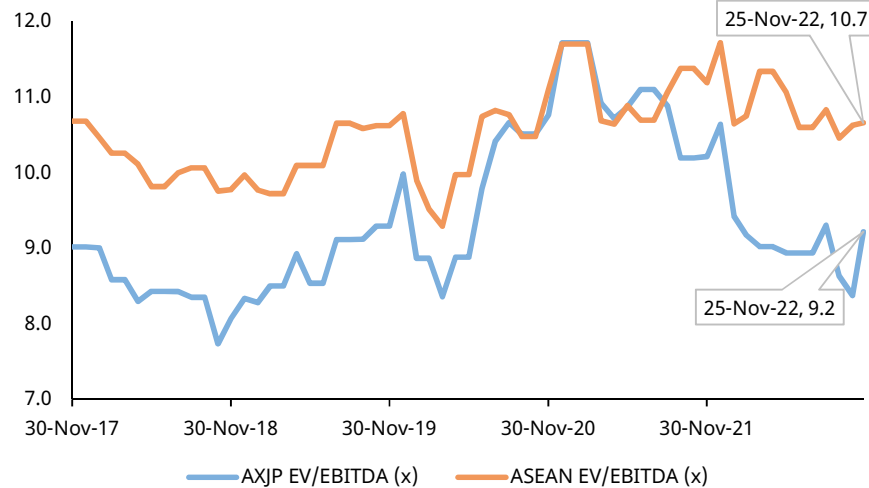
Regional Price-to-Sales Ratio (x)



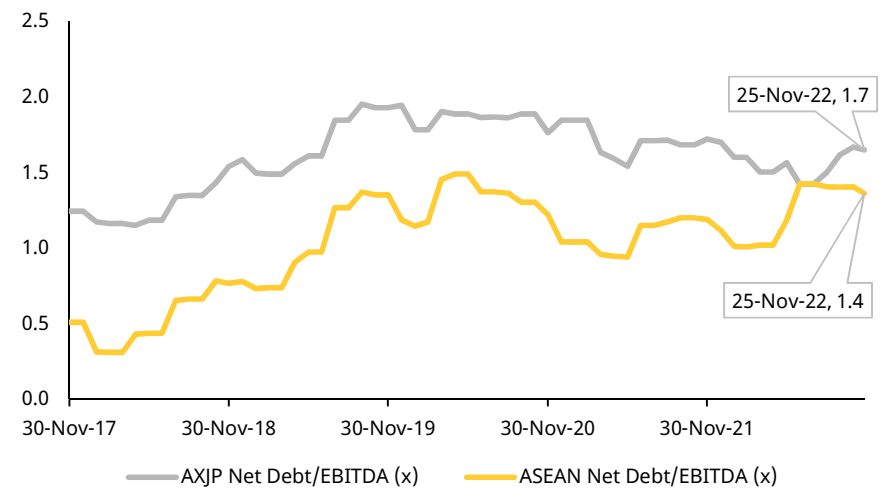
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



FOREIGN FUND FLOWS

Fund flows are now favouring growth markets and tech sectors

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

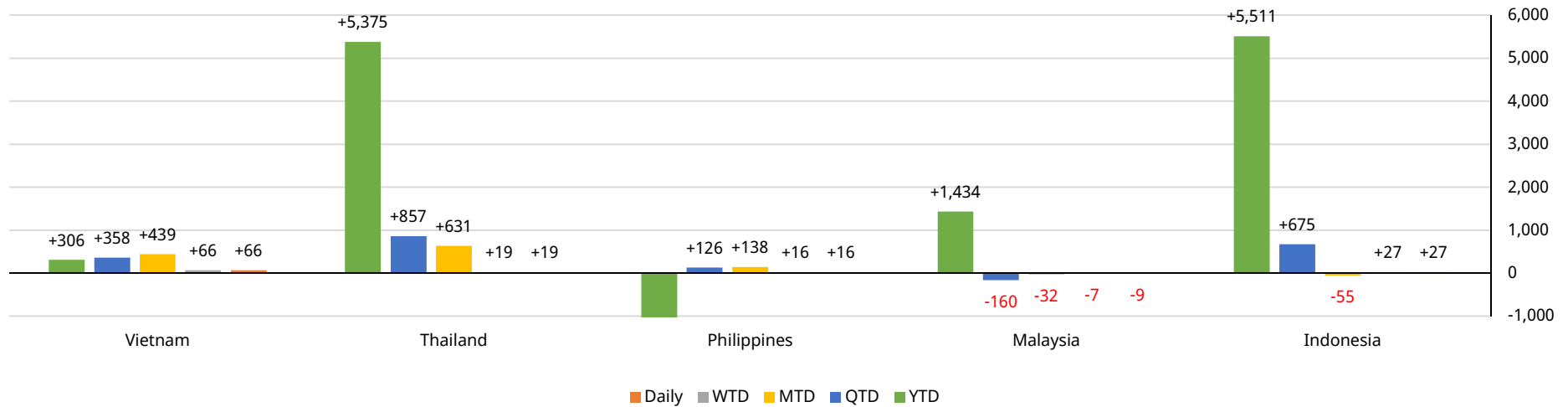
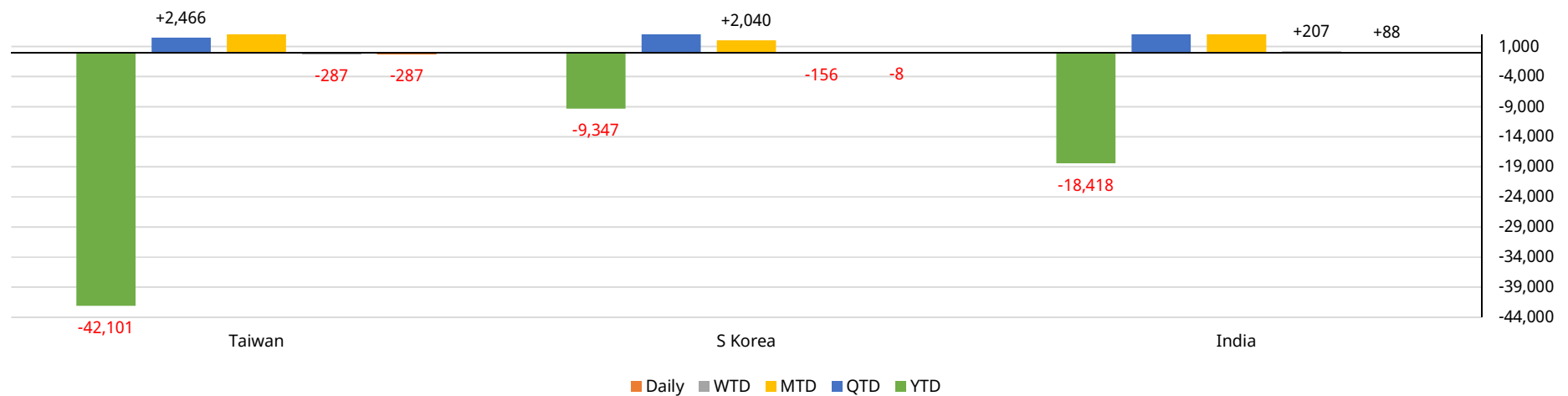


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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