

Portfolio Managers' Views


05 December 2022
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (28 Nov - 2 Dec 2022) & Our Managers' Views

- 1 Oil:** Oil prices rose 2% last week to trade at \$86/bbl, recovering the prior week's decline to a trough of \$79/bbl. This comes after US' oil inventory data was lower than expected at -12.6mil bbls last week. On the demand side, markets now expect China (the 2nd largest consumer of oil) to progressively reopen its economy. We believe this reaffirms our view that oil will maintain elevated at around \$90/bbl for 2023. We remain invested in the upstream oil sector.
- 2 Oil markets remained unchanged:** Over the weekends, OPEC decided to maintain its production quota instead of further cuts. Furthermore, a \$60/bbl price cap on Russian oil exports by Western countries took effect on 1 Dec-22 but this is not expected to have material impact on global oil supplies as Russia will continue rerouting exports to China and India. Effectively, oil prices remain elevated at \$86/bbl and we expect this to continue into 2023. We remain invested.
- 3 Less aggressive rate hikes in US:** The US Fed guided for a slower pace of interest rate hikes. This caused bond yields to decline and global markets to rally as lower expected interest rates decreases an investors' required rate of return which increases equity valuations. We see this as a positive development for growth stocks as they tend to have higher valuations and were previously more susceptible to aggressive interest rate hikes.
- 4 Normalising USDMYR:** USDMYR decreased by 7.8% its peak on 4 Nov-22, it now trades at 4.37. This was due to expectations of a weaker USD as the Fed slows down its rate hikes and a newfound perceived investor's confidence towards Malaysia's new government. We see the stronger Ringgit as a potential catalyst for Malaysian importers, which are mostly in the industrial sectors that currently trade at undemanding valuations.
- 5 Valuations:** KLCI valuations increased as markets rallied from expectations of less aggressive rate hikes in the US. We maintain our view that the KLCI continues to remain cheap at a 2022 price-earnings ratio ("PER") of 14.5x (-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 4.2% (above its 5Y average of 4.0%).

MALAYSIA MARKET REVIEW

Markets rallied and USD weakened from a less aggressive US Fed

Exhibit 1: KLCI vs Shariah Index

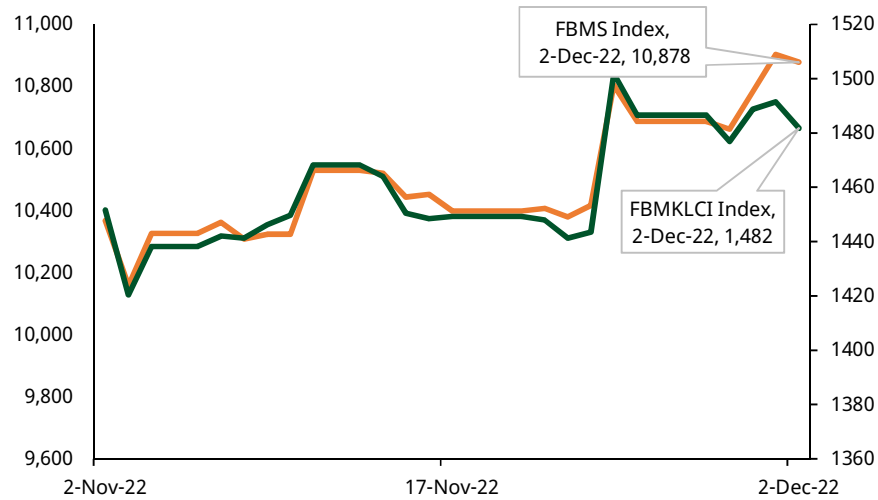


Exhibit 2: USDMYR

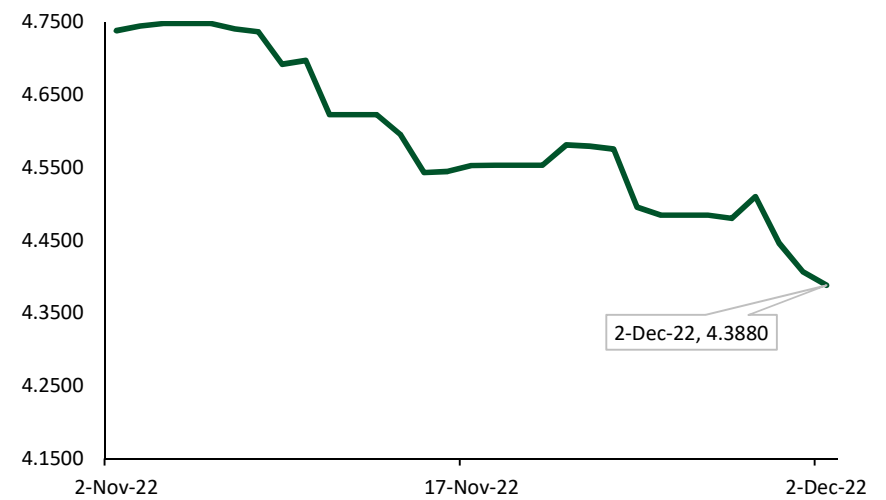
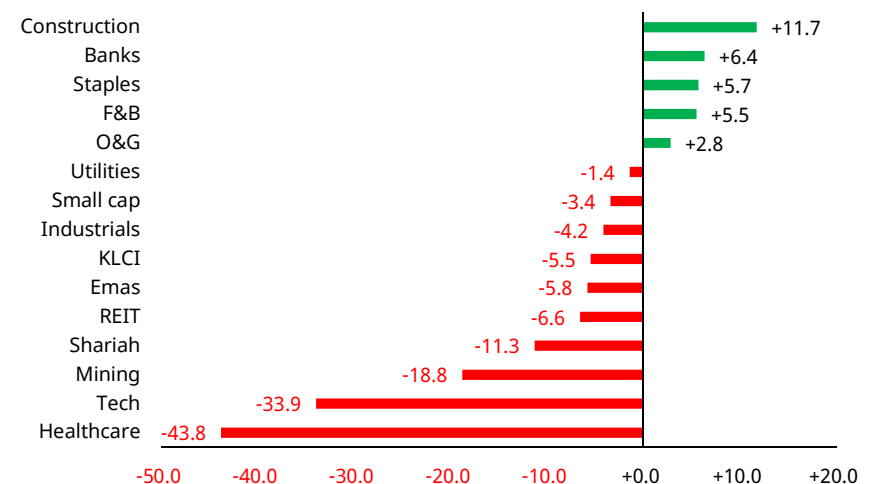


Exhibit 3: Sector Performances Week-to-Date (%)



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



MALAYSIA VALUATIONS

Remains relatively attractive compared to long-term averages

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

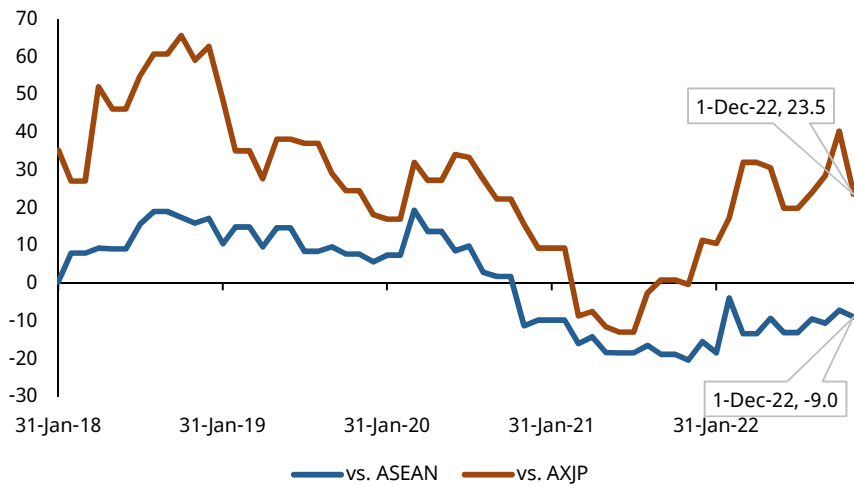


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

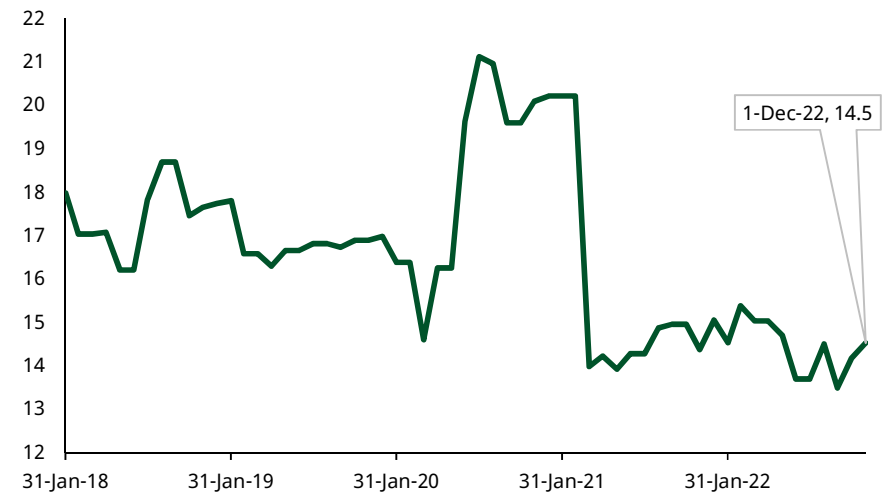


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

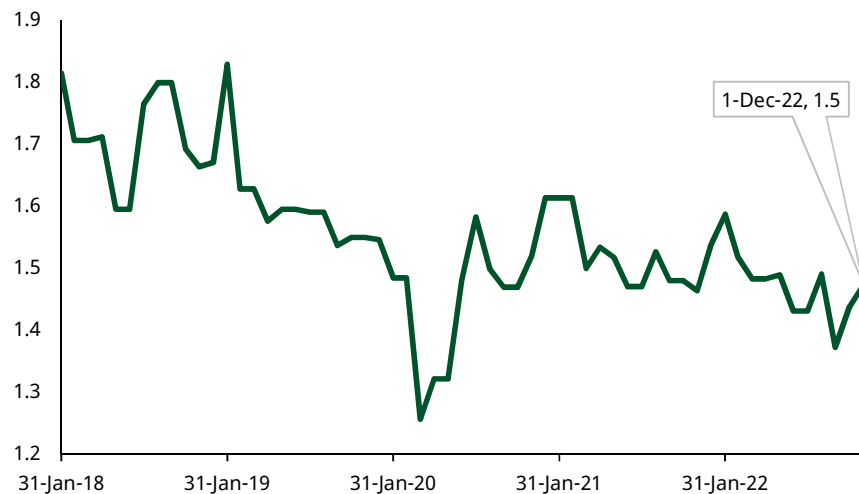
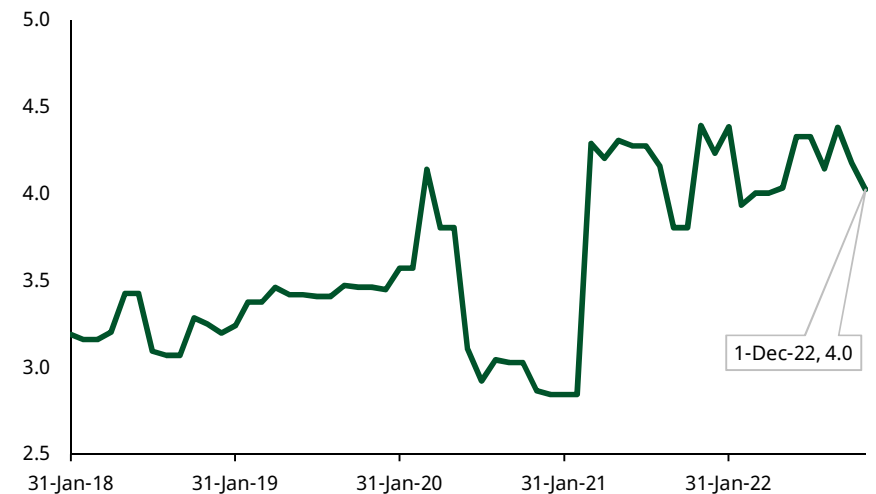


Exhibit 8: KLCI's Dividend Yield (DY, %)



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 (%)

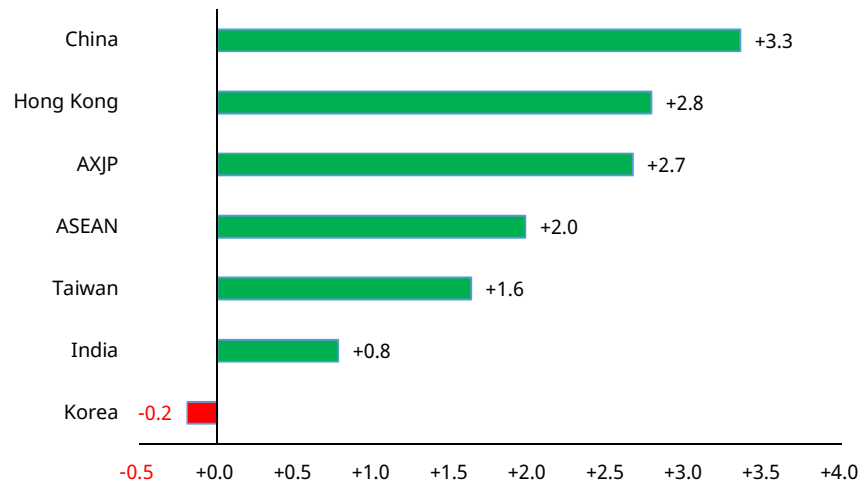


Exhibit 2: Country Performances Year-to-Date (%)

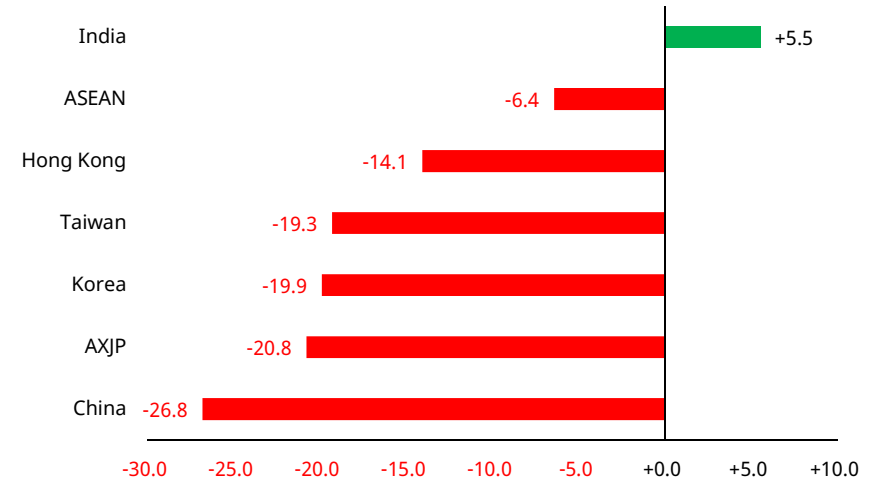


Exhibit 3: Sector Performances Week-to-Date (%)

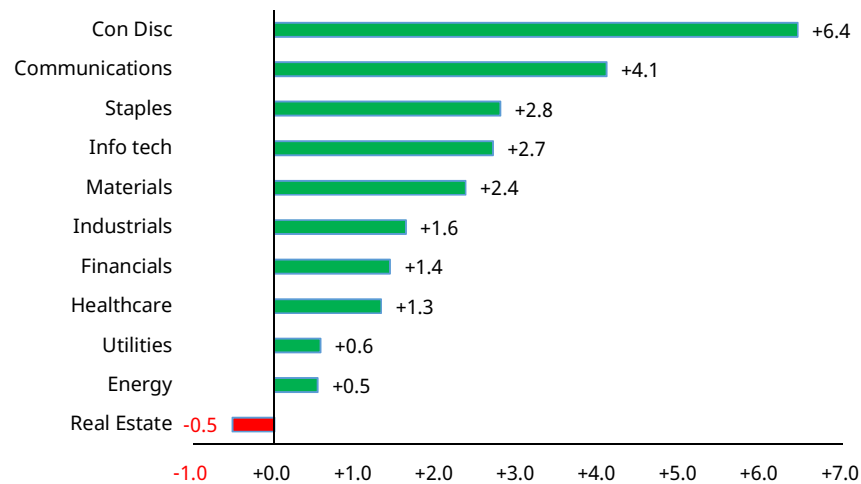
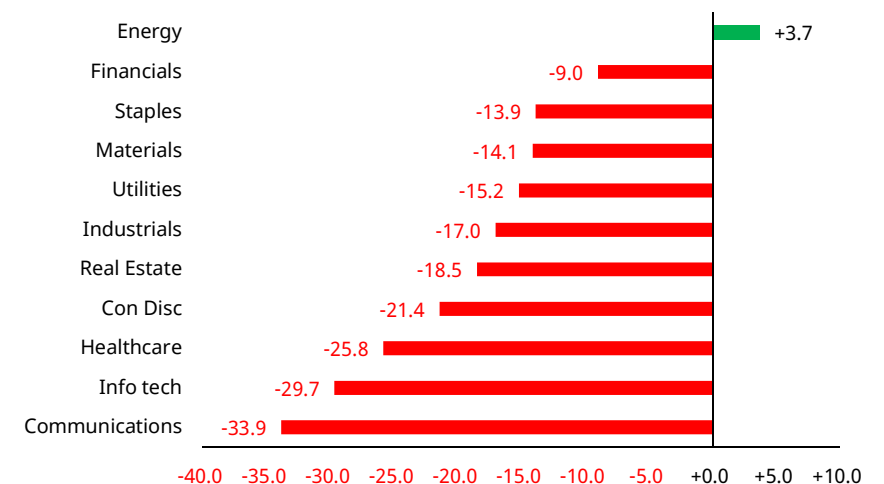


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

Exhibit 5: Regional Price-Earnings Ratio (x)

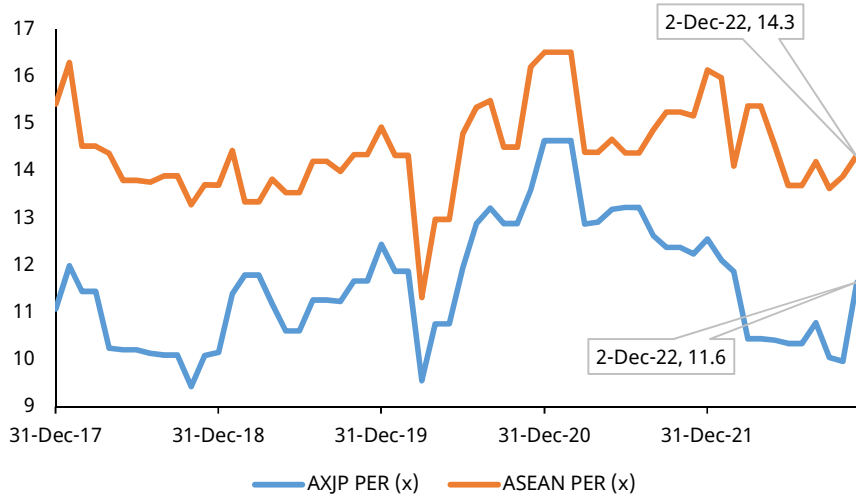


Exhibit 6: Regional Price-to-Book Ratio (x)

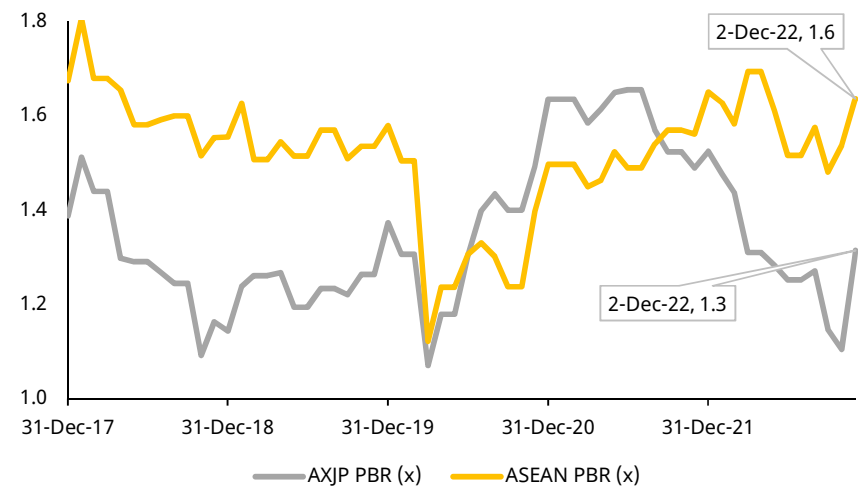


Exhibit 7: Regional Dividend Yield (%)

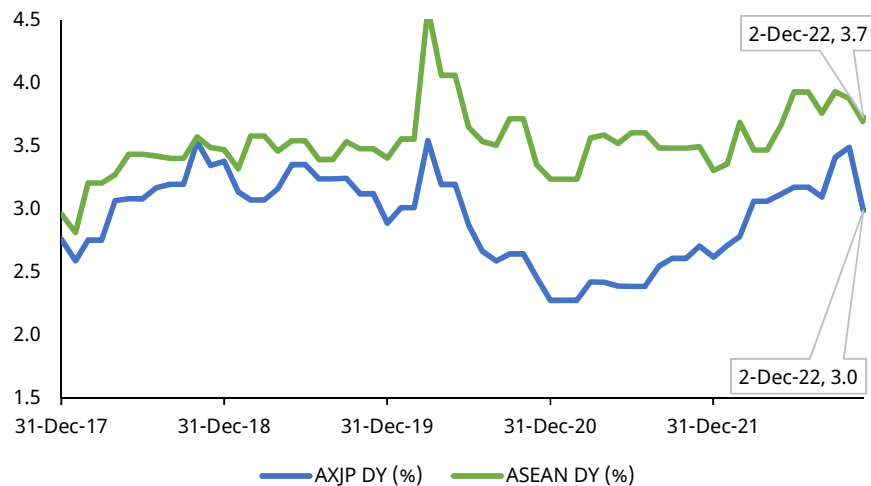
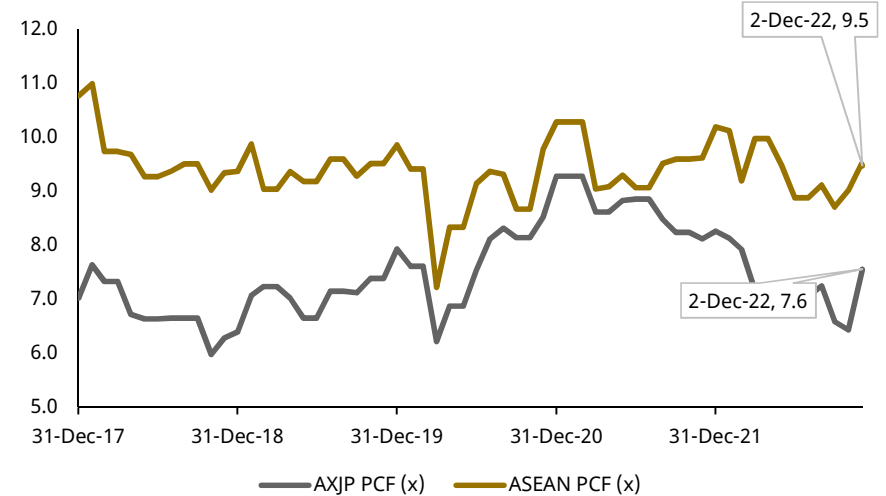


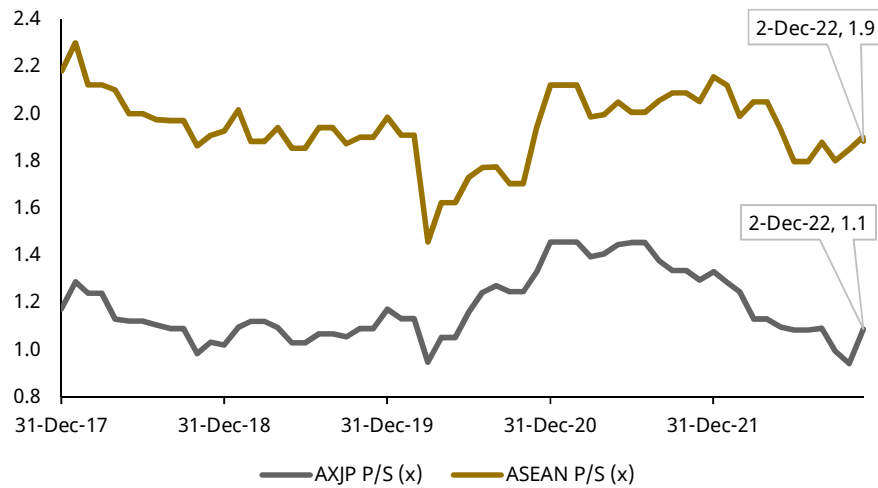
Exhibit 8: Regional Price-to-Cash Flow (x)



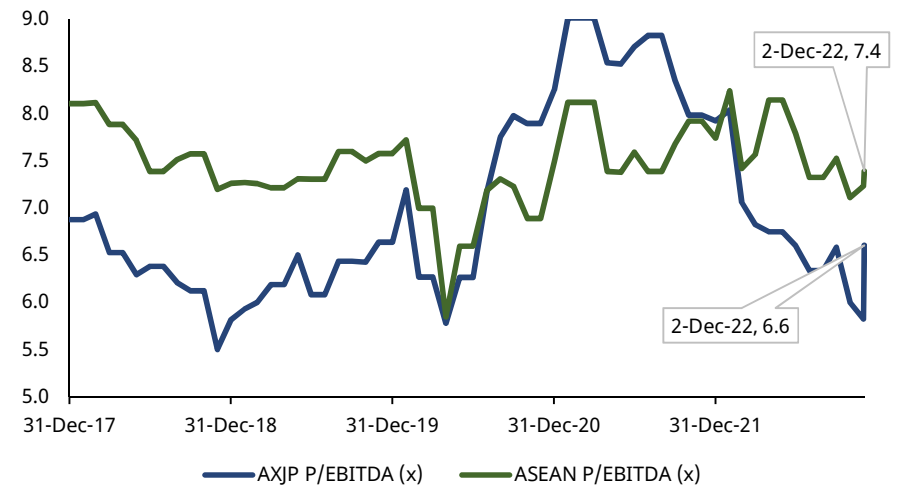
REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

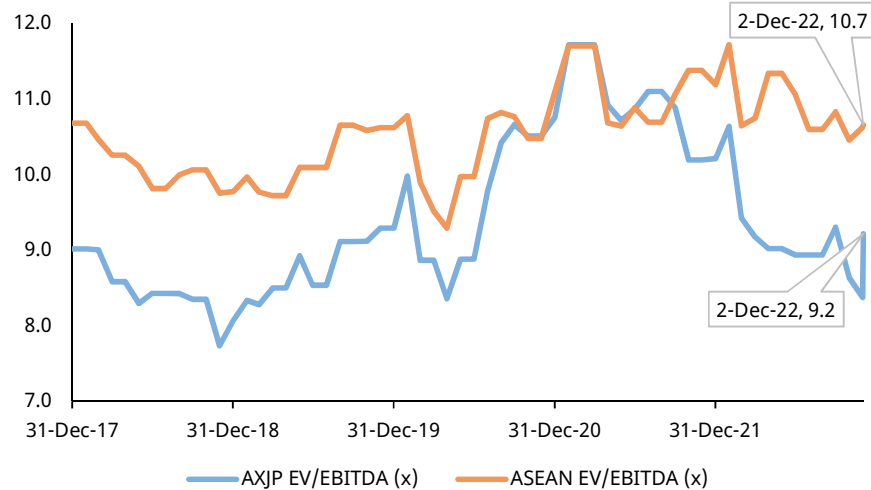
Regional Price-to-Sales Ratio (x)



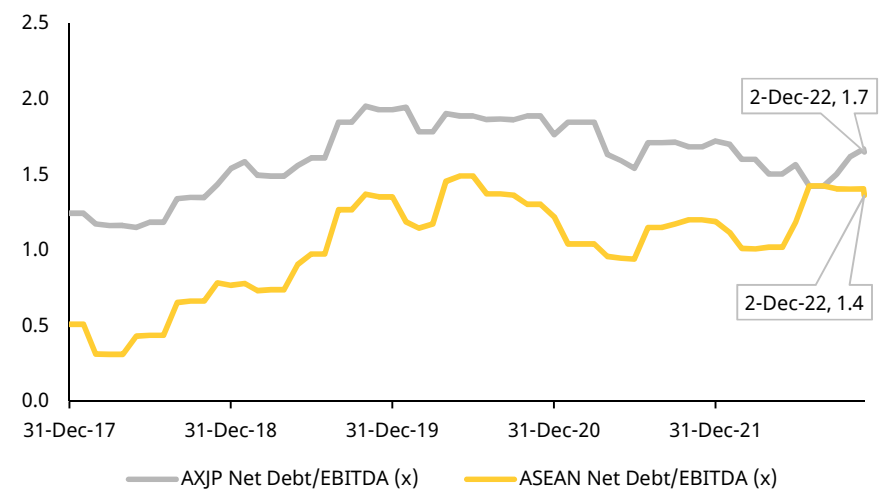
Regional Price-to-EBITDA (x)



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)

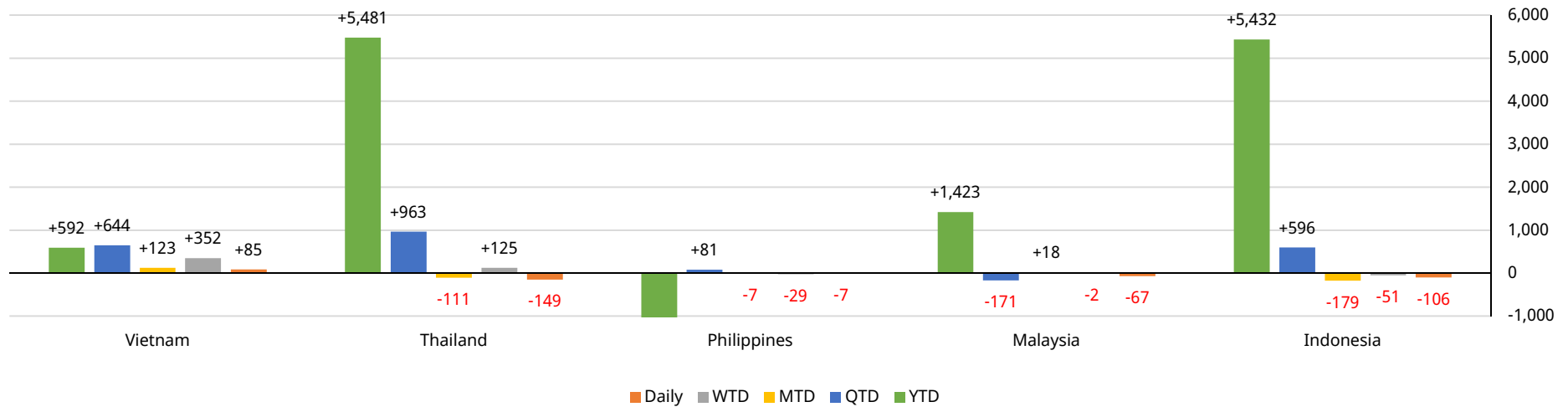
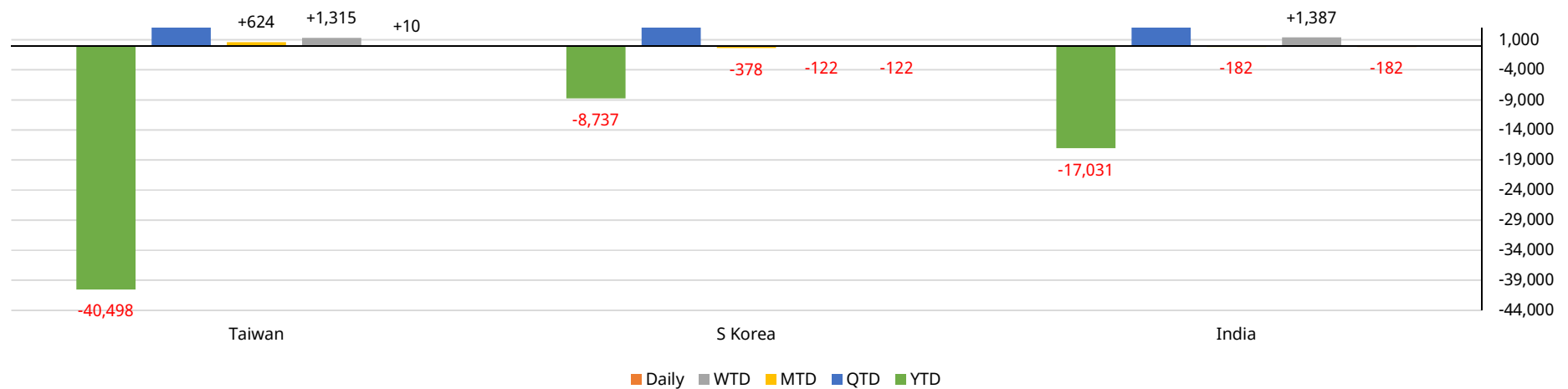


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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.