

Portfolio Managers' Views


25 January 2023
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (16-20 January 2023) & Our Managers' Views

- 1 Tech:** The Semiconductor Industry Association (SIA) reported that Nov-22's semi sales dropped to \$45.5bil (-9.2% YoY). We expect this to continue as we are in the 15th month of the decline whereas past downcycles last 19months on average. We expect the bottom to come between Feb-23 and Sep-23. We have re-entered into tech and are looking to increase our holdings but we remain patient on our entry as we expect upcoming earnings to be weak and this will weigh on share prices.
- 2 Overnight Policy Rate (OPR):** Bank Negara Malaysia (BNM) surprised the markets by maintaining rates at 2.75% instead of raising it by 25bps. Consensus may downgrade the earnings of banks due to lower net interest margin expansion. Despite this, banks will still benefit from positive loan growth, removal of prosperity tax and a potential write-back of provisions. Thus, we remain invested in banks for the positive earnings outlook and decent dividend yields.
- 3 Consumer Staples:** The government brought forward the disbursement of Sumbangan Tunai Rahmah (STR) cash aid for the B40 from Mar-23 to Jan-23. B40 households will receive RM300, while single senior citizens and bachelors will receive RM100. Cash aids will incentivise consumers to spend more on daily necessities. Thus, we favour consumer staple companies with net cash positions and offer decent dividend yields.
- 4 Poultry:** The Government intends to lift ceiling prices for chicken and egg once supply stabilises. Poultry and egg prices are likely to increase in the short term to reflect the high festive demand. These higher prices will incentivise poultry farmers to produce more which will increase supply and subsequently normalise prices back down. We are invested in a poultry company that will benefit from both higher prices in the short term and higher supply in the long term.
- 5 China Pivot:** During the week, China markets rallied 1.5%. We believe this is because (1) The economy continues its post-Covid reopening, (2) the Chinese government is taking a more accomodative stance on its economic policies, (3) greater flows into Asia as the dollar weakens and (4) the relatively low foreign shareholding in Chinese markets. Our funds are invested in China and we will look to increase our exposure as we believe this trend will continue.
- 6 Valuation:** KLCI valuation remains flat WoW supported by the expectation of China's reopen. We maintain our view that the KLCI continues to remain cheap at a 2023 price-earnings ratio ("PER") of 14.7x (-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 4.1% (above its 5Y average of 3.6%).

MALAYSIA MARKET REVIEW

Ringgit Strengthen on Weaker \$ | Minings Rally on China Reopening

Exhibit 1: KLCI vs Shariah Index

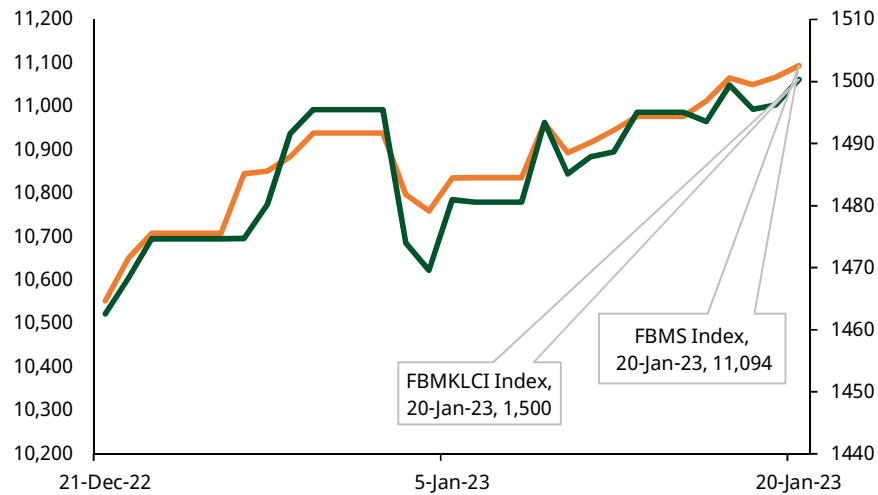


Exhibit 2: USDMYR

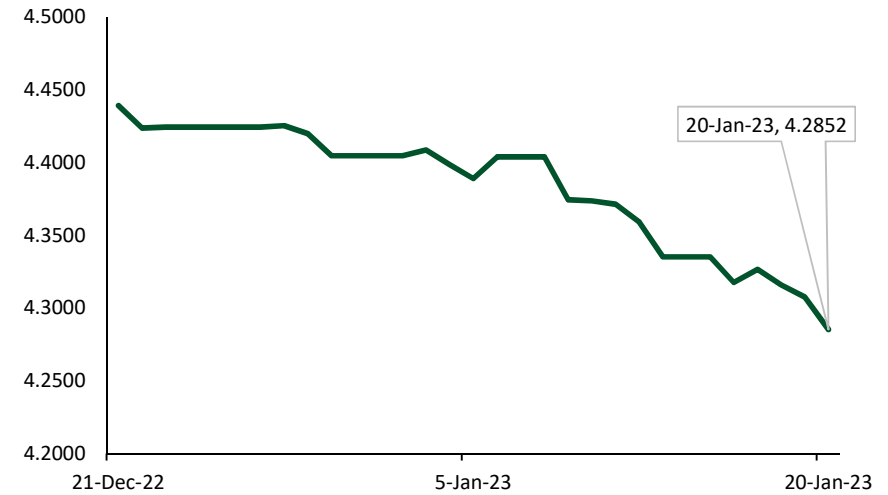


Exhibit 3: Sector Performances Week-to-Date (%)

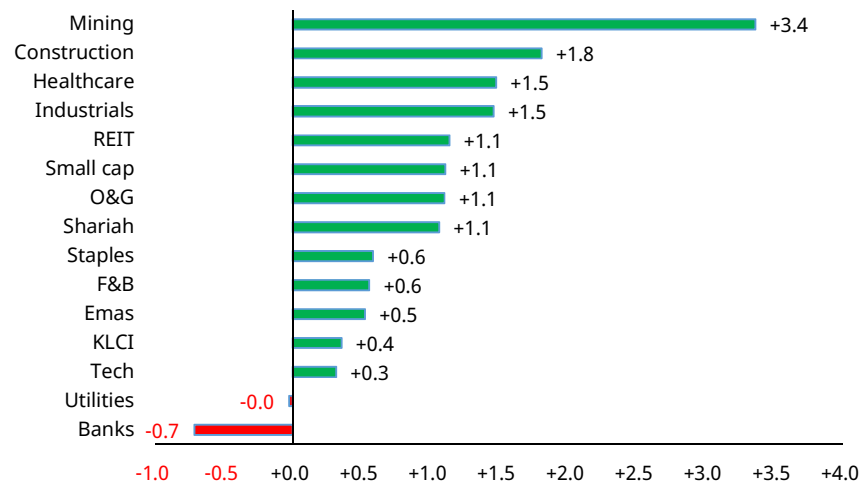
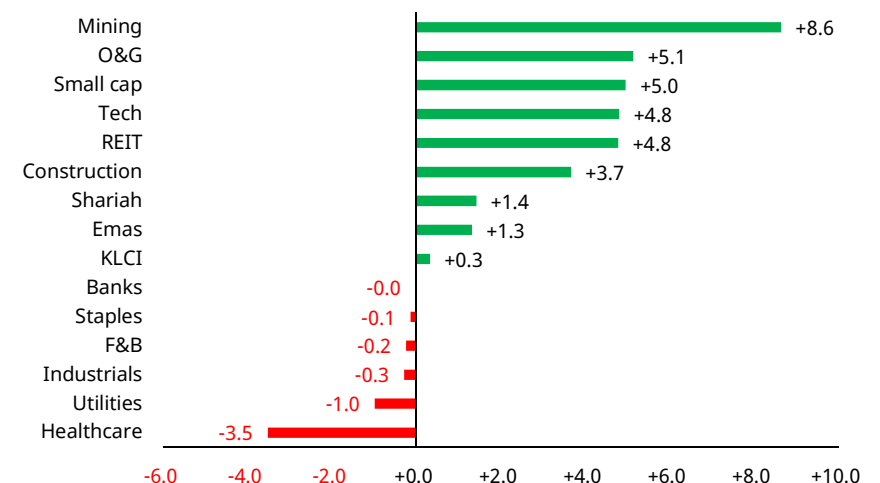


Exhibit 4: Sector Performances Year-to-Date (%)



MALAYSIA VALUATIONS

Malaysia remains in BUY territory

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

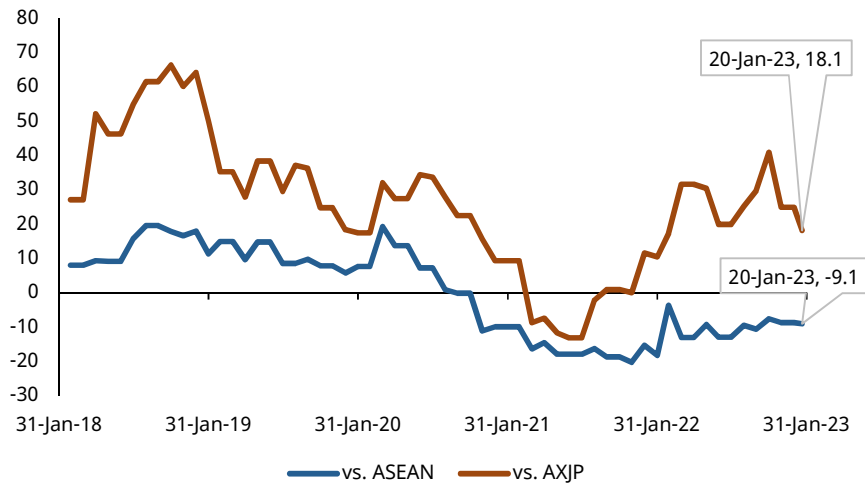


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

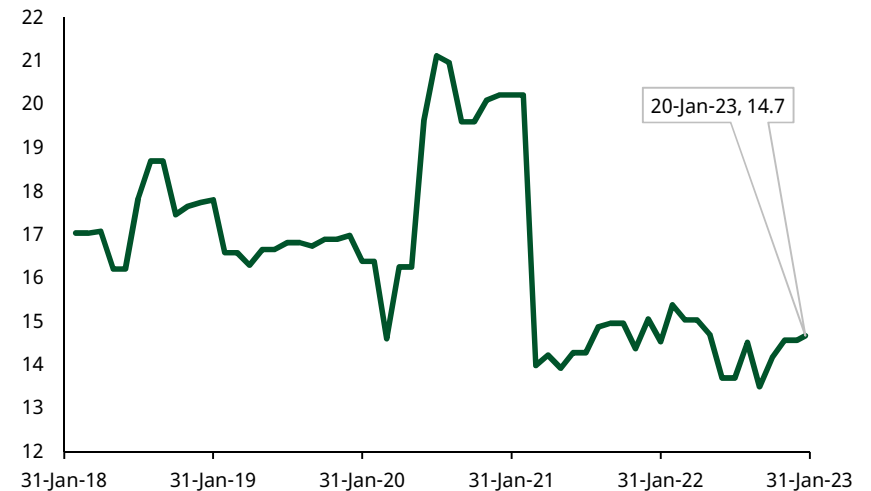


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

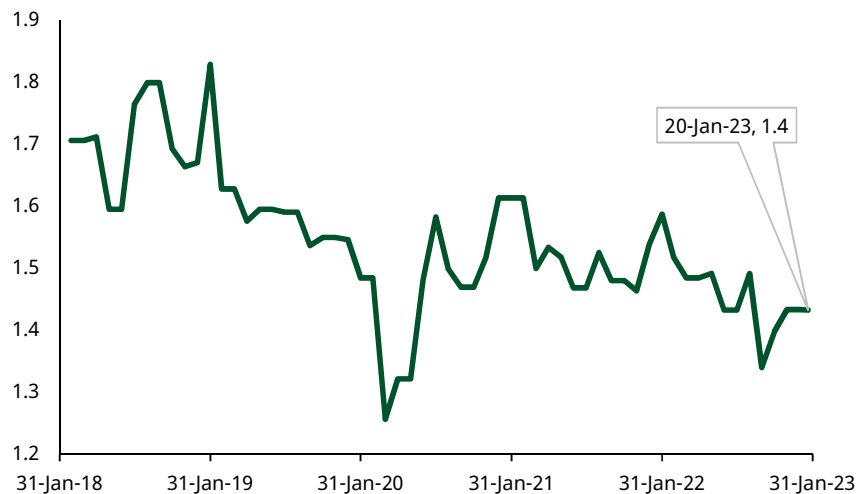
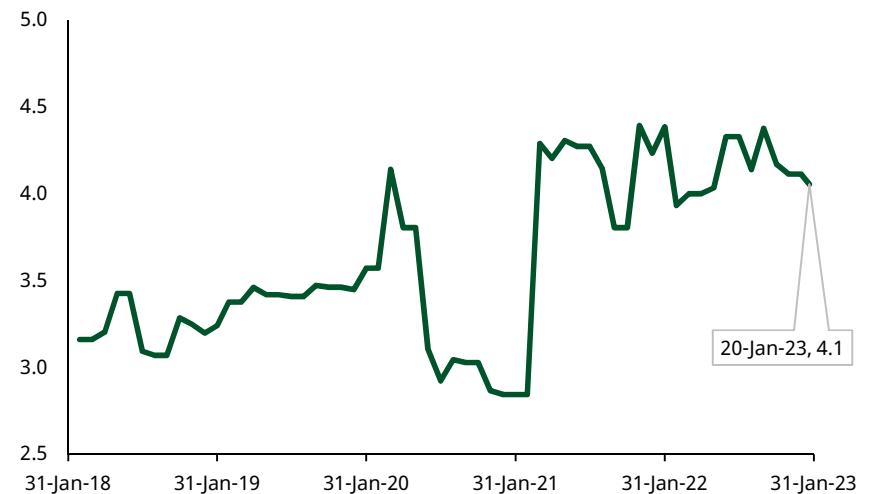


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL MARKETS REVIEW

The China reopening and technology themes drove regional markets higher

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

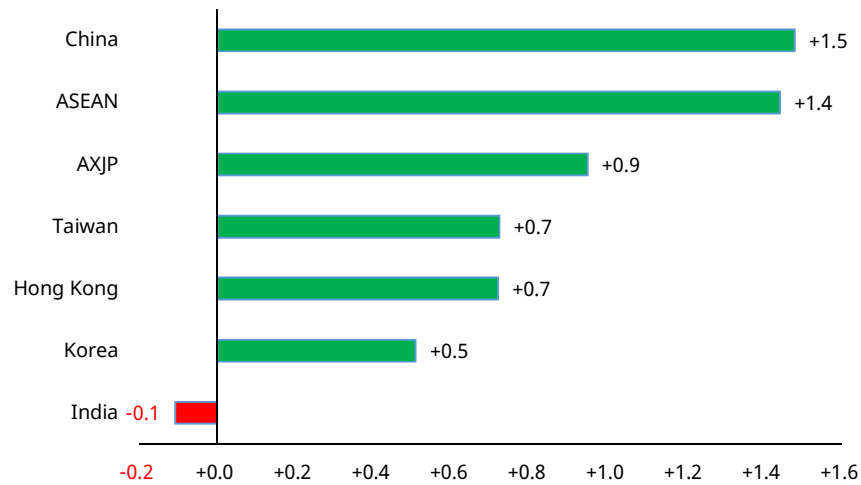


Exhibit 2: Country Performances Year-to-Date (%)

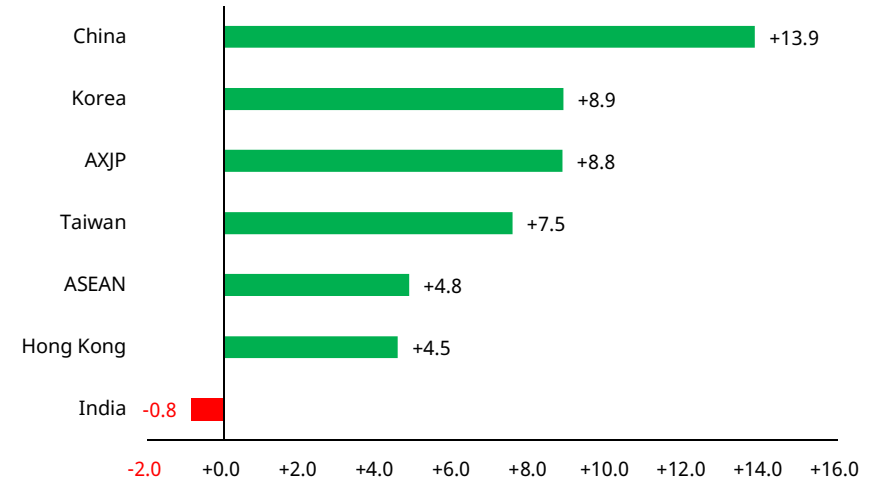
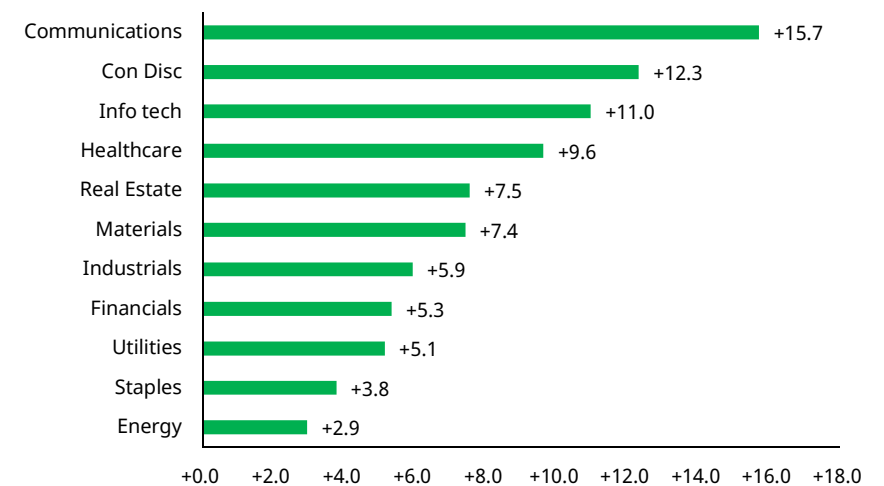


Exhibit 3: Sector Performances Week-to-Date (%)



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



REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

Exhibit 5: Regional Price-Earnings Ratio (x)

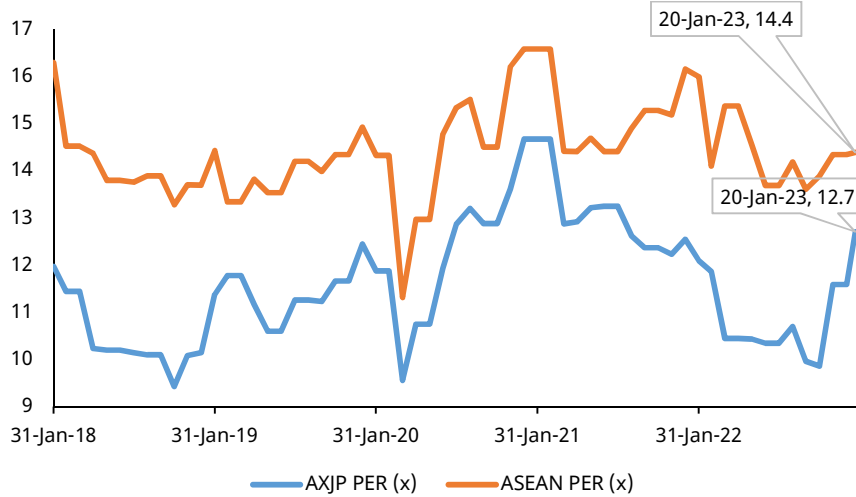


Exhibit 6: Regional Price-to-Book Ratio (x)

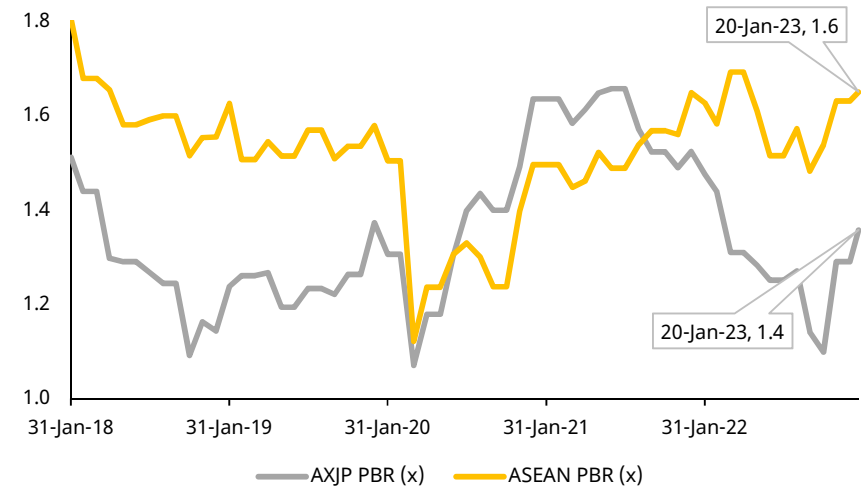


Exhibit 7: Regional Dividend Yield (%)

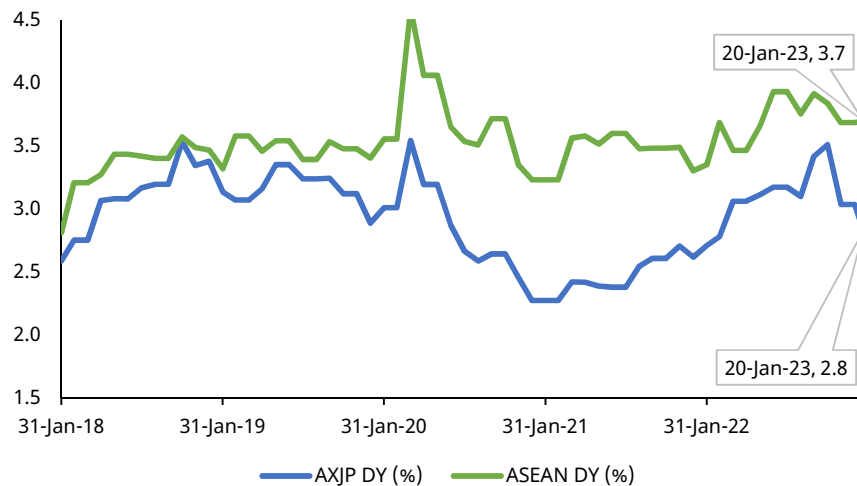
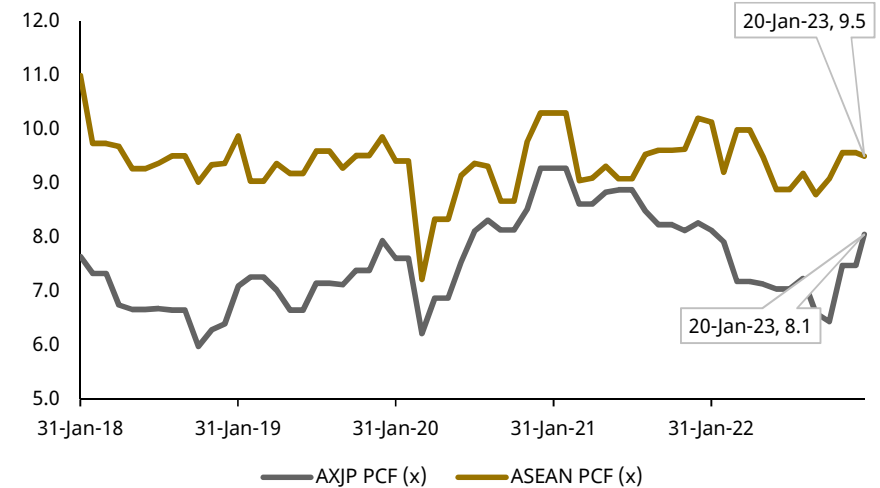


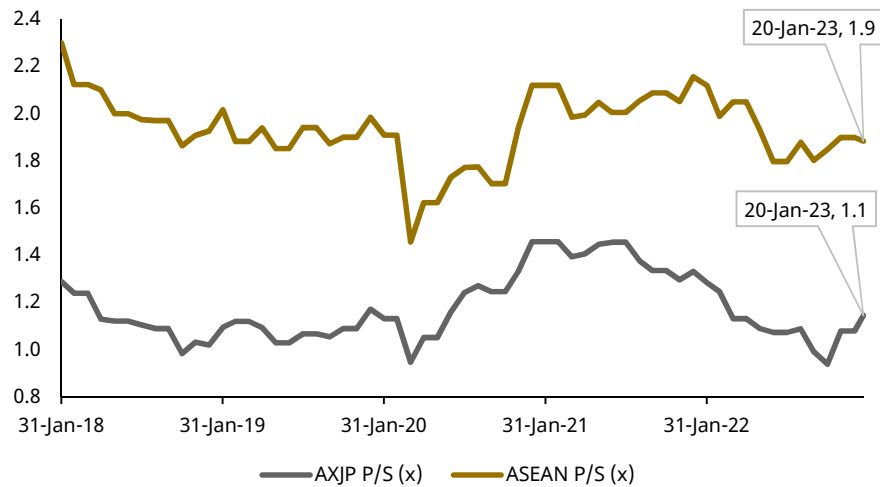
Exhibit 8: Regional Price-to-Cash Flow (x)



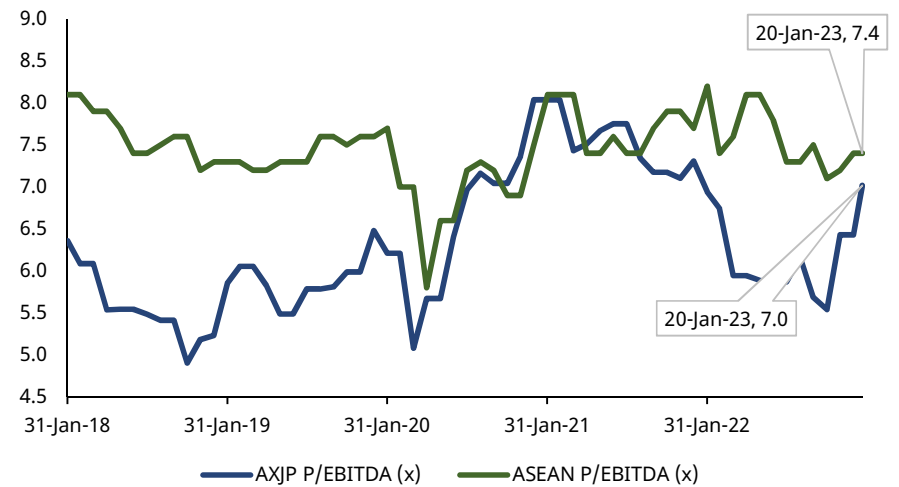
REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

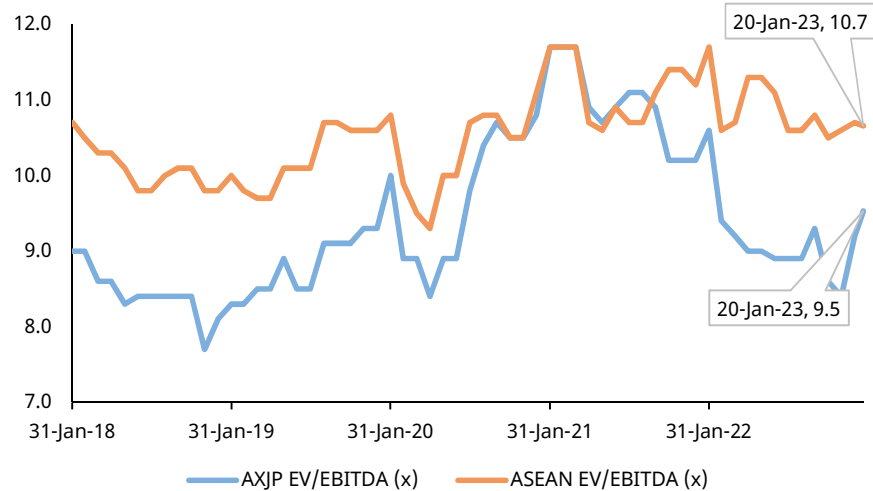
Regional Price-to-Sales Ratio (x)



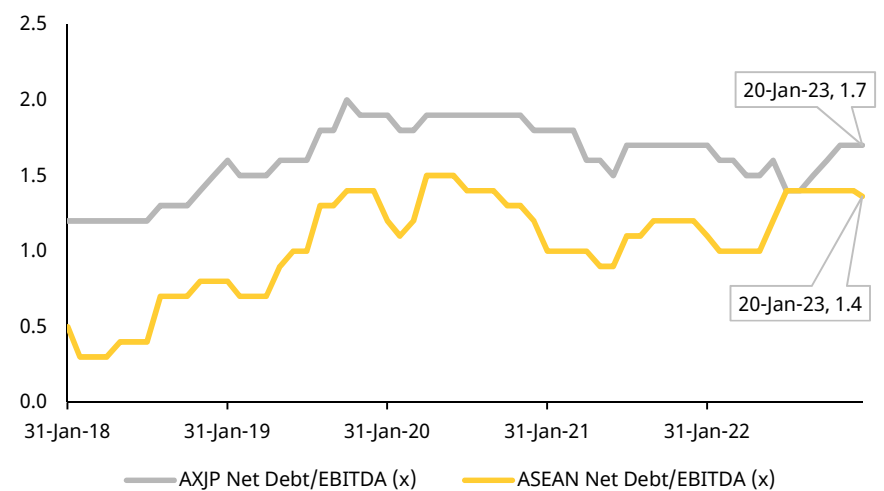
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



FOREIGN FUND FLOWS

Foreign funds net buy North Asia

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

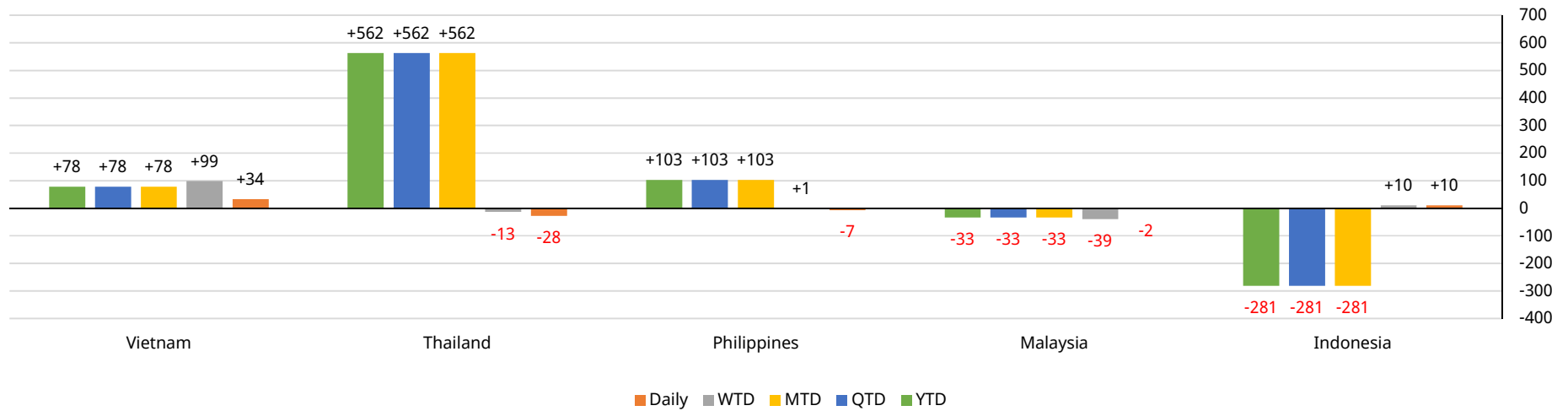
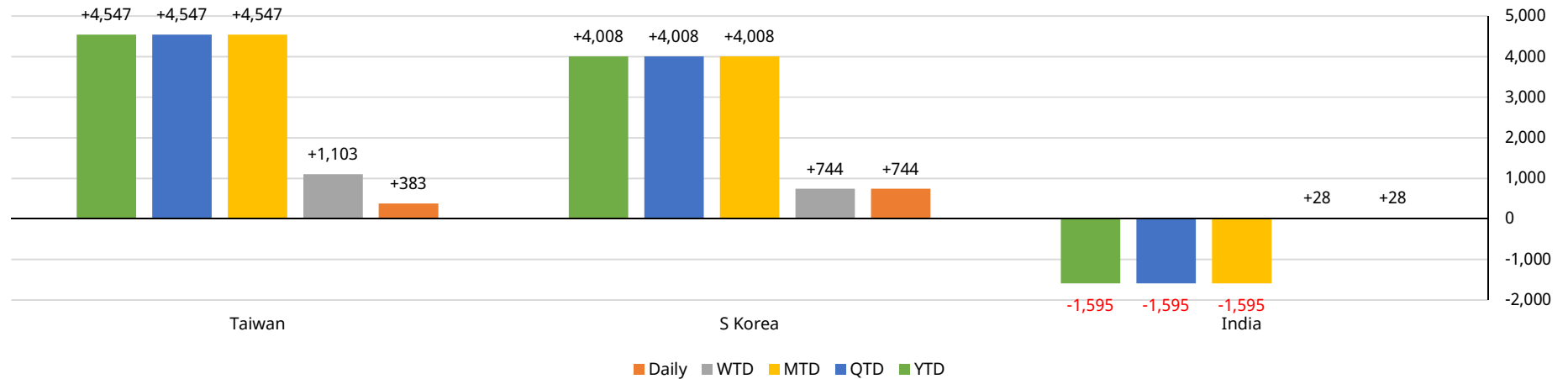


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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