

Portfolio Managers' Views

13 February 2023
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (6 Feb - 10 Feb 2023) & Our Managers' Views

1

Buy Tech after Weak Earnings: Key US Smartphone chipmakers, Skyworks and Qorvo reported weaker Q4 earnings as sales declined 5% and 33% QoQ respectively. This was due to weaker end-demand for smartphones and inventory corrections which started since 2H22. Despite this weakness, its management was optimistic on a potential recovery in 2H23 and 2024. We reiterate our view to buy into tech on weaker earnings as we see likely improvements in earnings from 2024 onwards.

2

Coal & Gas Prices to Weaken, Positive on Industrials: Prices of natural gas and coal have declined 75% and 51% respectively from their peaks in 2H22. We believe prices will remain weak as panic buying which fuelled the rally last year has subsided and is unlikely to return as inventory levels are high. This augurs well for the industrial companies' margins as electricity accounts for a significant share of costs. We are invested in cement and steel producers which will benefit from lower energy prices.

3

Remain invested in Automotive: Perodua sold 21k cars in January 2023 and guided that it achieved 6.8% of its 2023 sales target. This shows that Perodua expects to sell 314k cars in 2023 and by comparing to the MAA total industry car sales forecast of 650k cars, Perodua's market share is likely to increase from 40% to 48% in 2023. We believe Perodua is likely to achieve its 2023 target with its plant expansion thus we remain invested in a Perodua-related company that offers higher dividend yield.

4

Remain invested in plantation: The Malaysia Palm Oil Board (MPOB) stated that Malaysia's palm oil inventory rose by 3% to 2.27mil ton due to lower exports. We expect Malaysia's palm oil exports to increase in the coming months as Indonesia tightens its export policy and palm oil demand is driven higher by the Lebaran celebrations. Higher palm oil exports will support prices at RM4,000/ton. We are invested in plantations but favour planters that offer high dividend yields.

5

Regional dividends in focus: Energy major Europe Totalenergies doubled its profits in 2022 and announced special dividends. We believe our holdings in Asian energy companies with fiscal years ended Dec-22 will also lift dividends in the upcoming results reporting season after booking in high energy prices in 2022. Typically, special dividends are announced in conjunction with fiscal year-end results.

6

Valuation: KLCI valuation remains flat WoW. We maintain our view that the KLCI continues to remain cheap at a 2023 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 1.4x (below the 5Y average of 1.55x) and 4.2% (above its 5Y average of 3.6%).

MALAYSIA MARKET REVIEW

Industrials rose on cheaper coal prices

Exhibit 1: KLCI vs Shariah Index

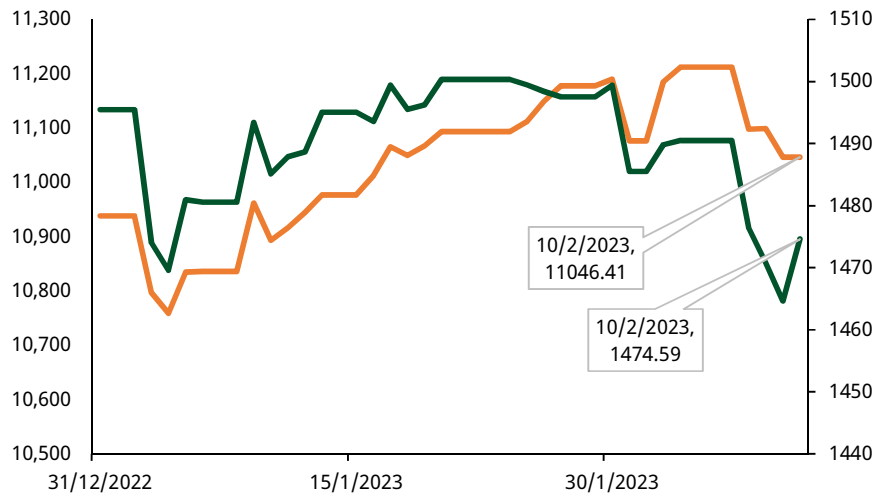


Exhibit 2: USDMYR

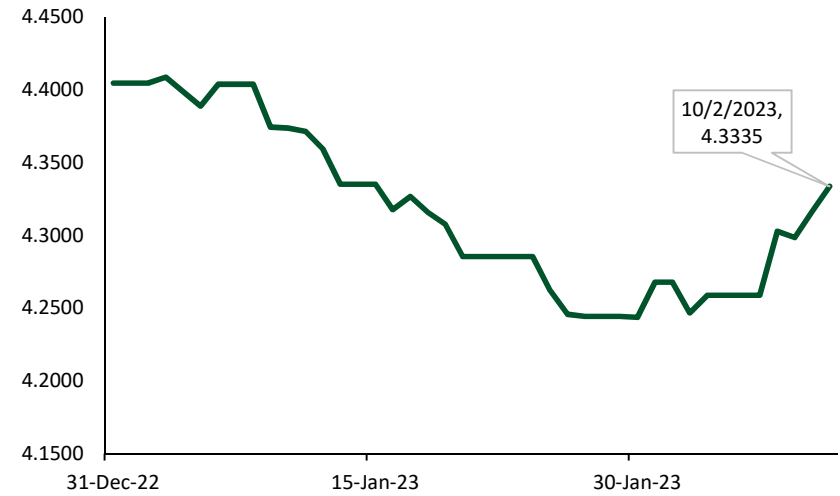


Exhibit 3: Sector Performances Week-to-Date (%)

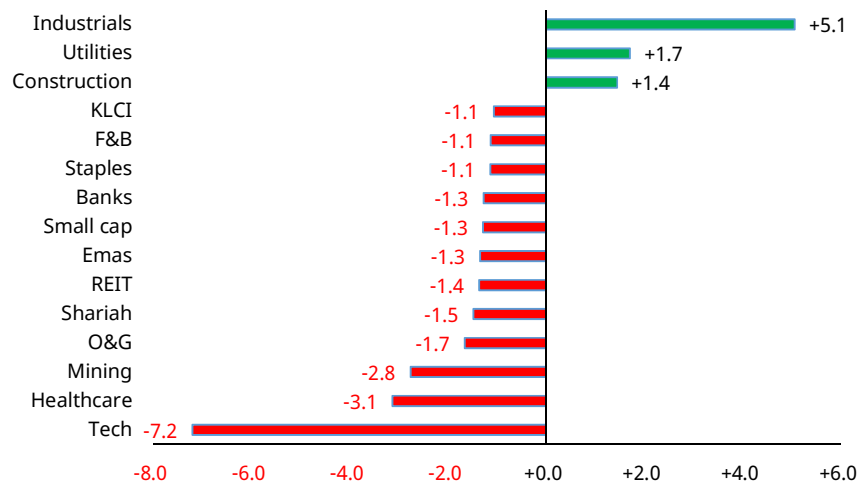
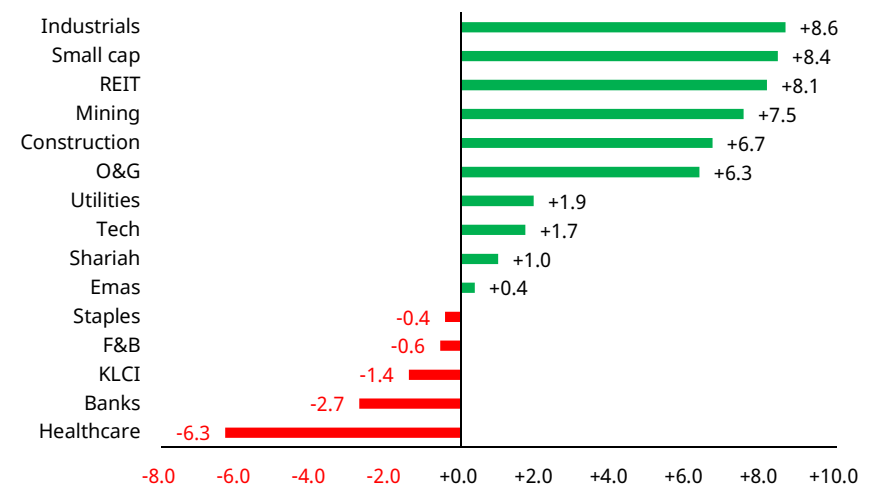


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

MALAYSIA VALUATIONS

Malaysia remains in BUY territory

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

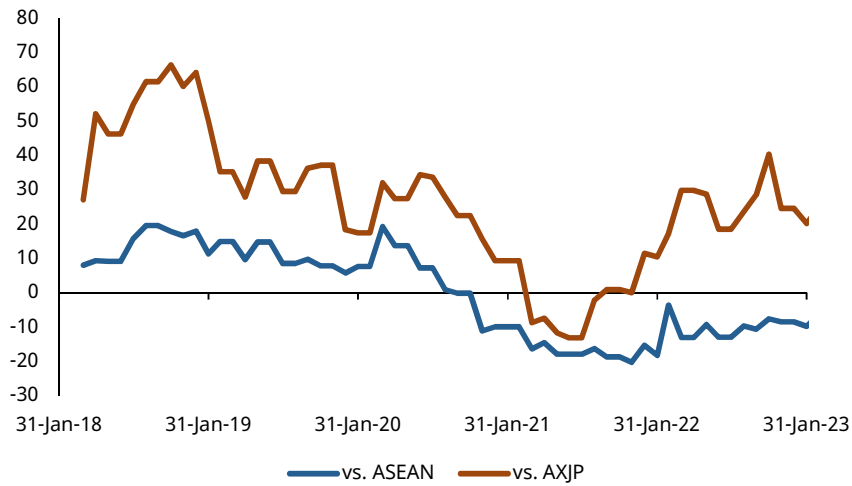


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

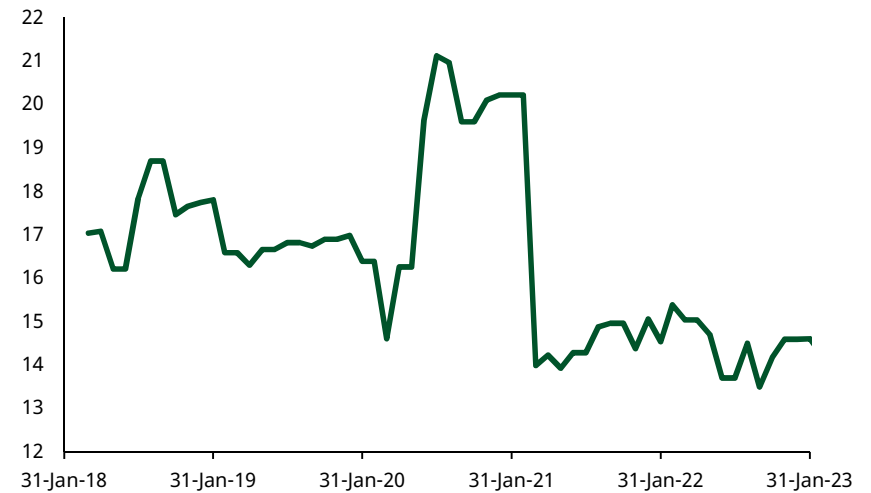


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

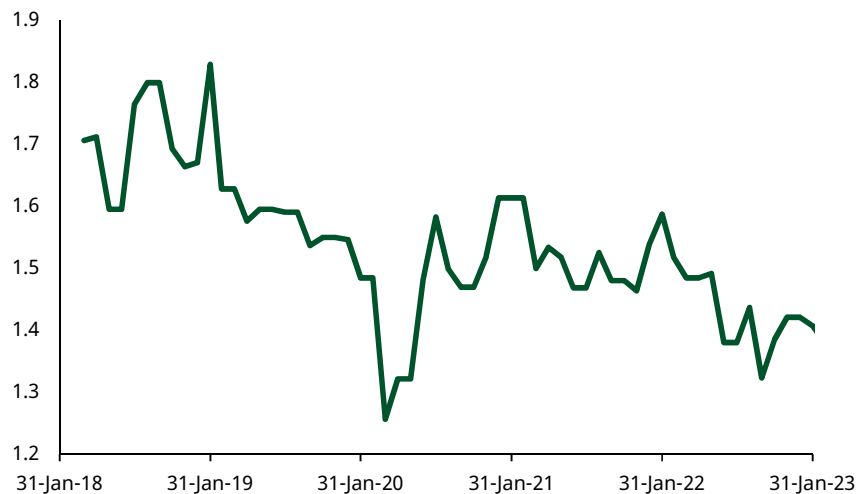
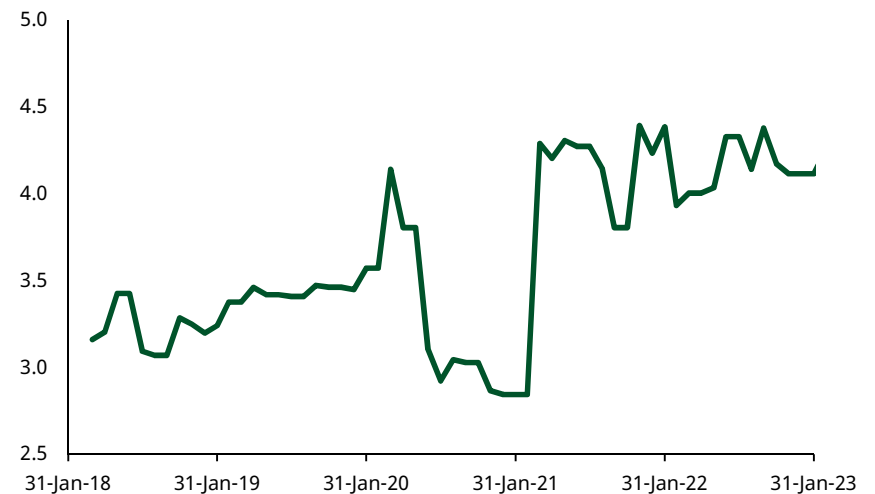


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL MARKETS REVIEW

Geopolitical tensions between US and China weighed on China equities

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

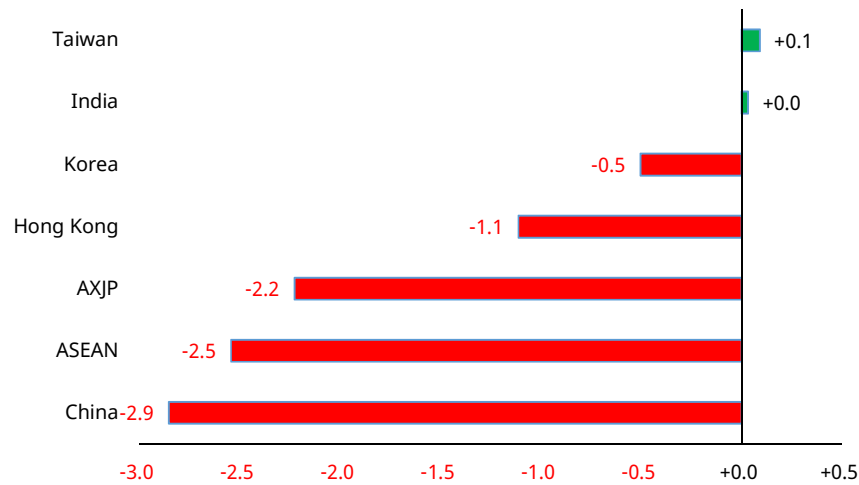


Exhibit 2: Country Performances Year-to-Date (%)

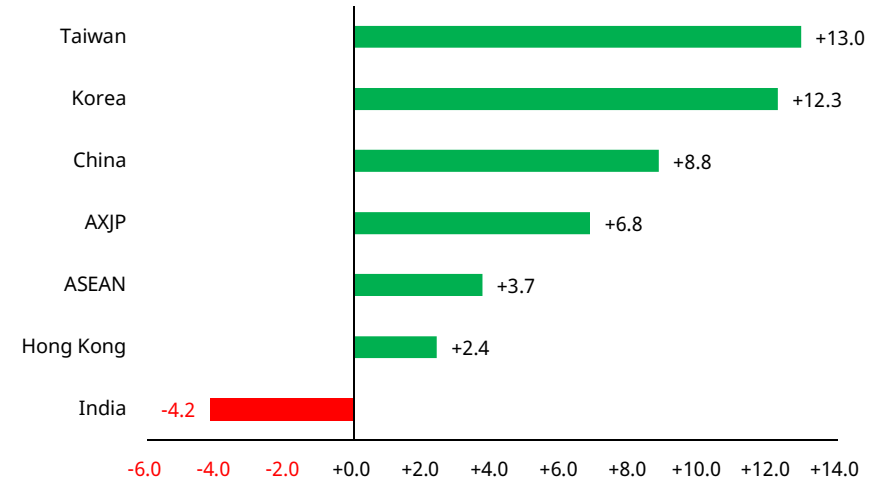


Exhibit 3: Sector Performances Week-to-Date (%)

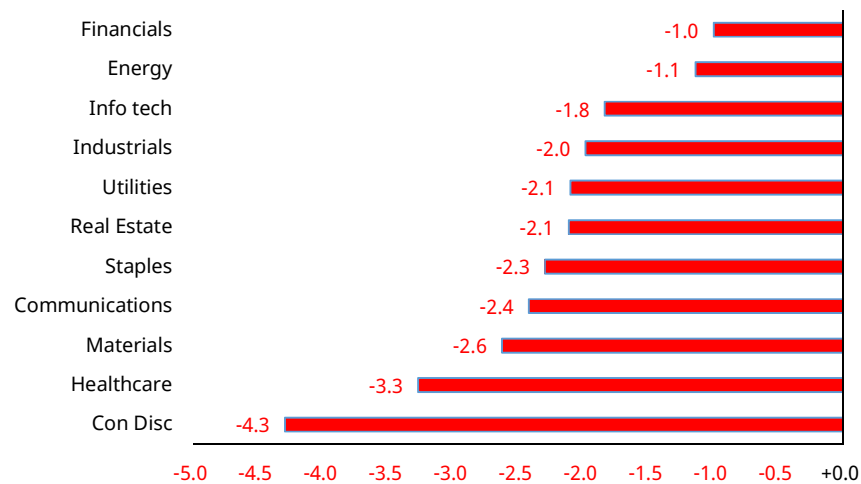
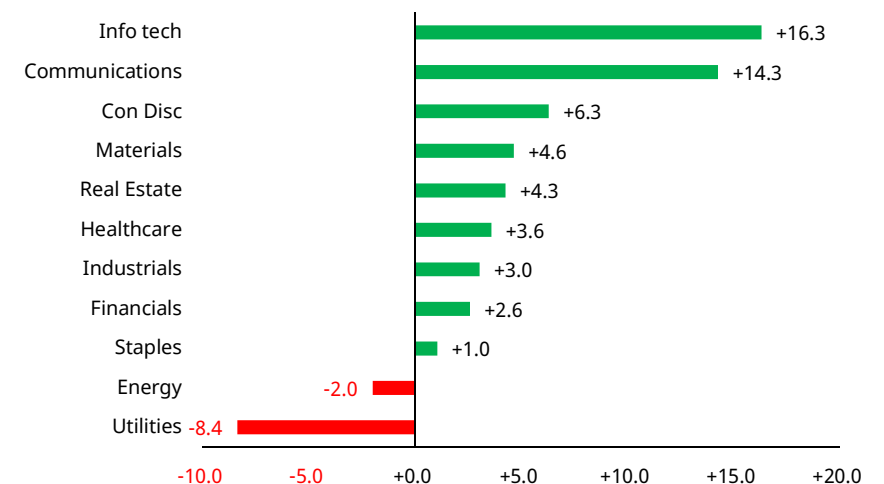


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL VALUATIONS

We see last week's market retracement as an opportunity to buy

Exhibit 5: Regional Price-Earnings Ratio (x)

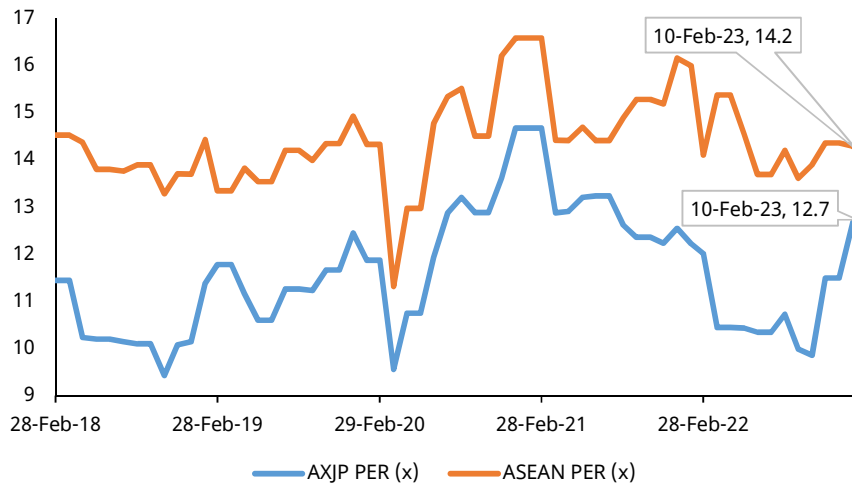


Exhibit 6: Regional Price-to-Book Ratio (x)

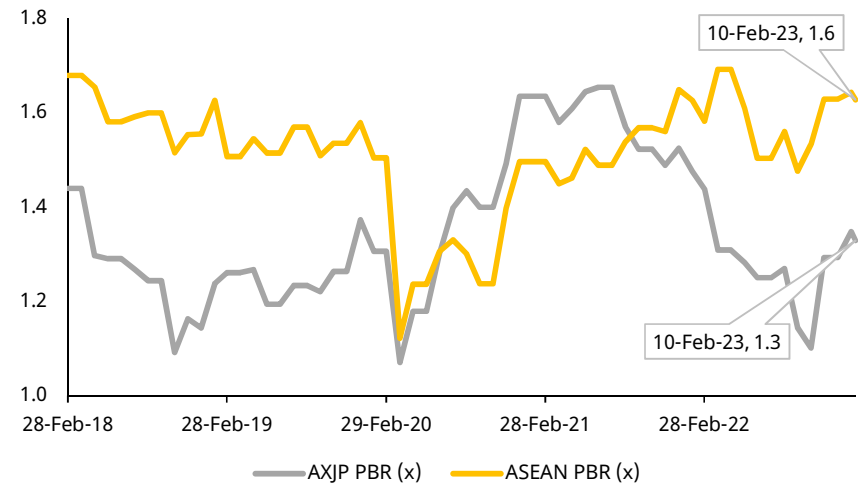


Exhibit 7: Regional Dividend Yield (%)

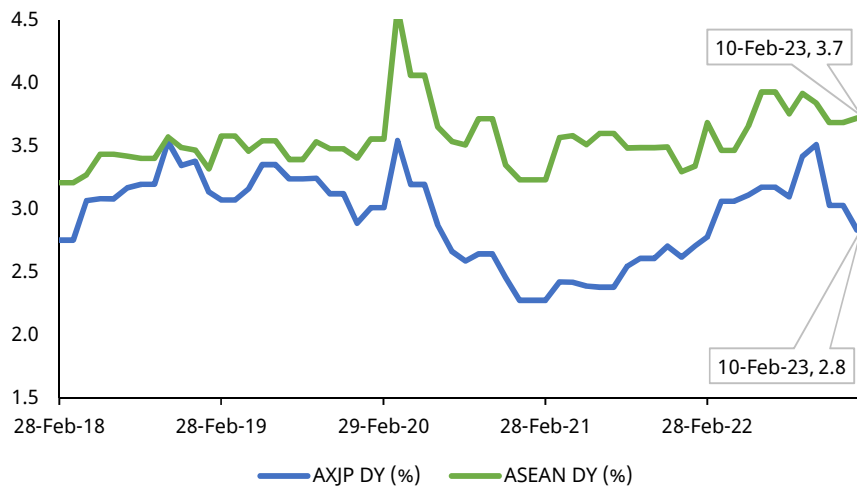
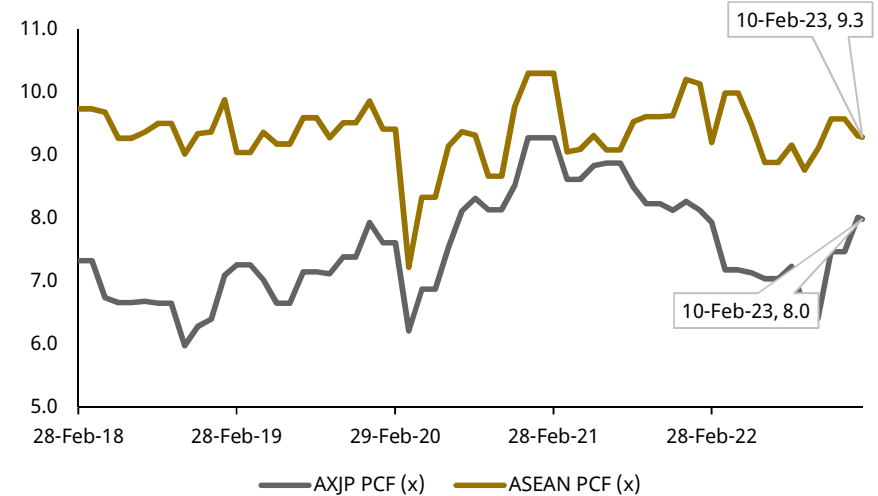


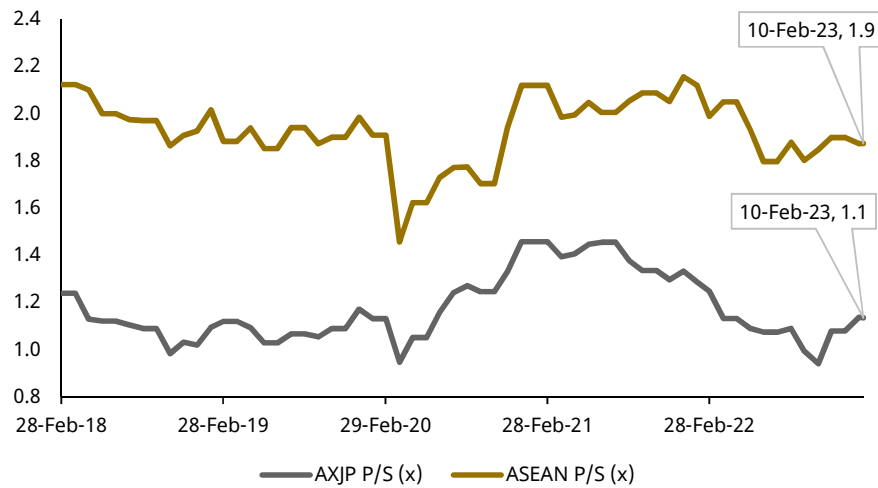
Exhibit 8: Regional Price-to-Cash Flow (x)



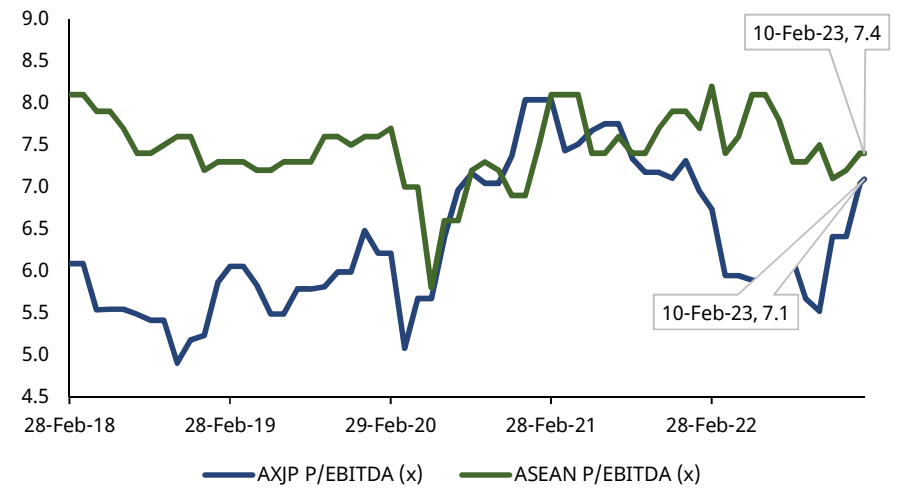
REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

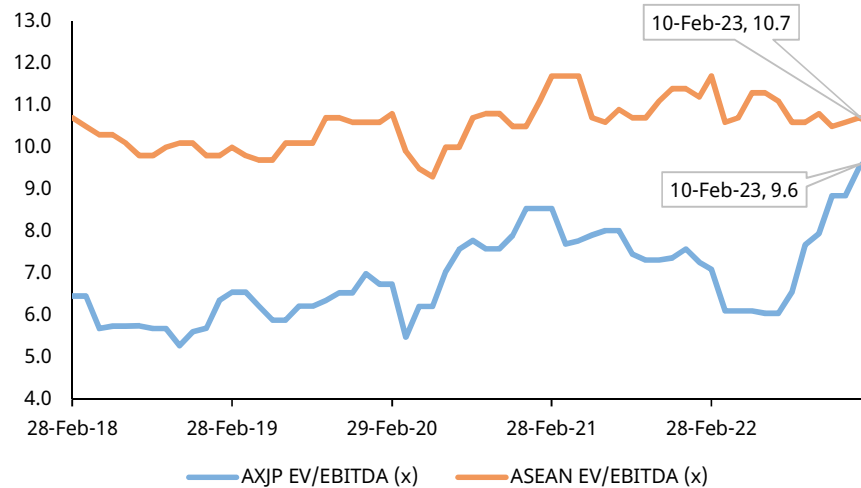
Regional Price-to-Sales Ratio (x)



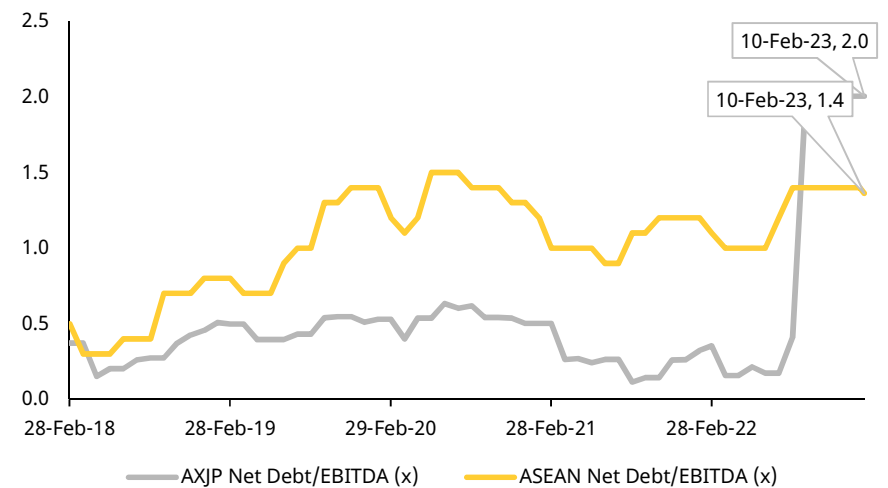
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



FOREIGN FUND FLOWS

Foreign funds have turned net buys of tech-heavy markets in North Asia

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

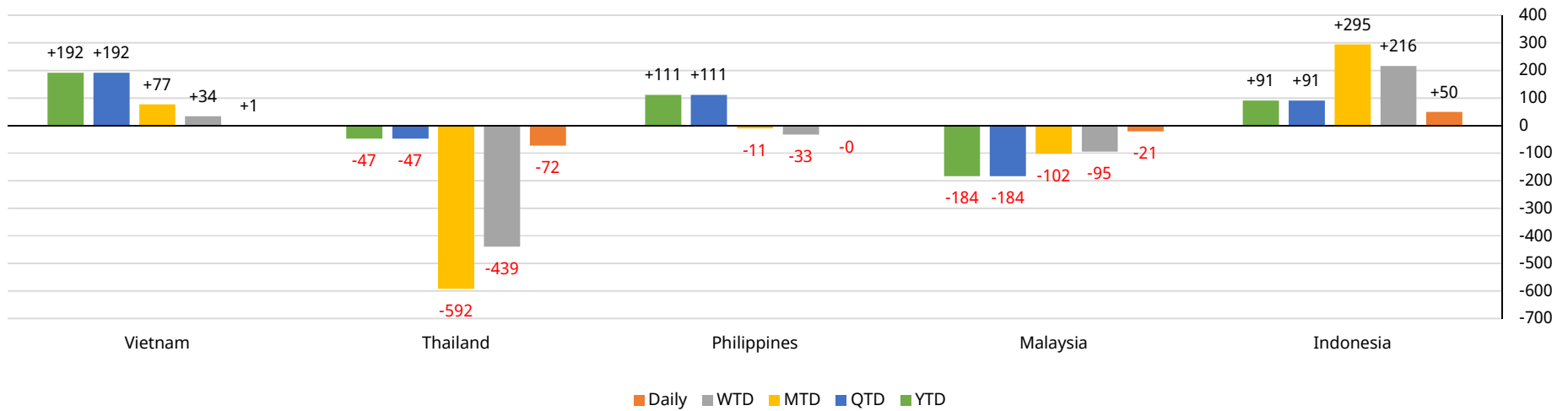
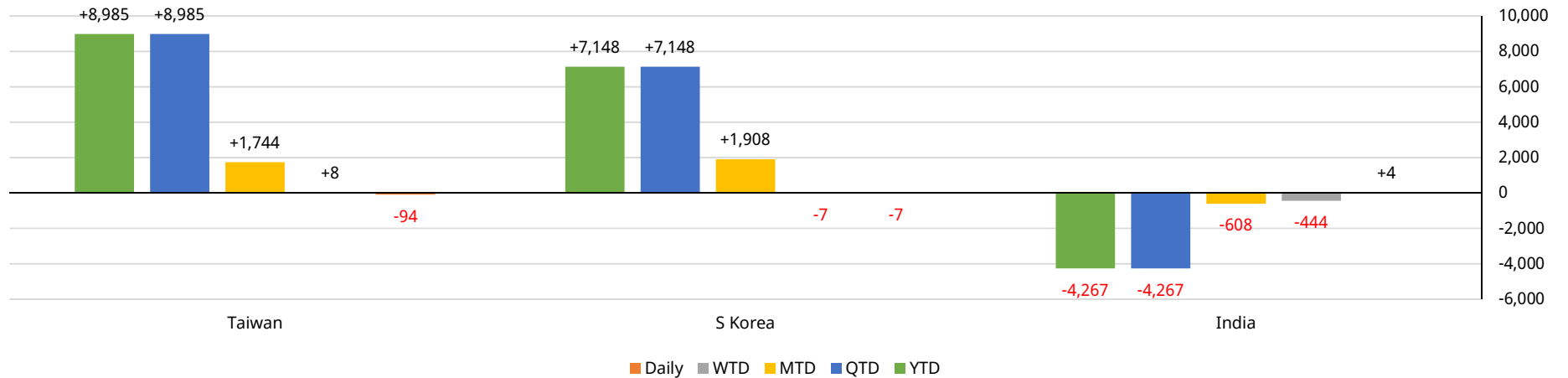


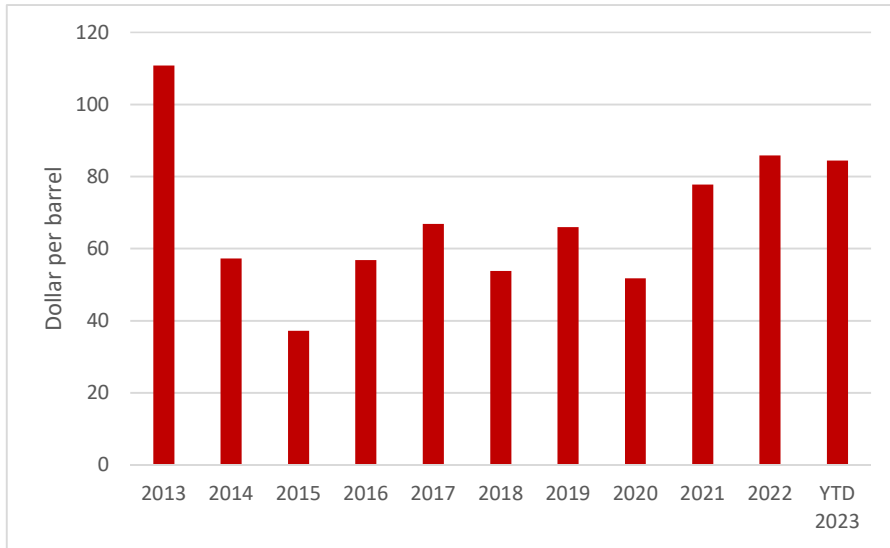
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



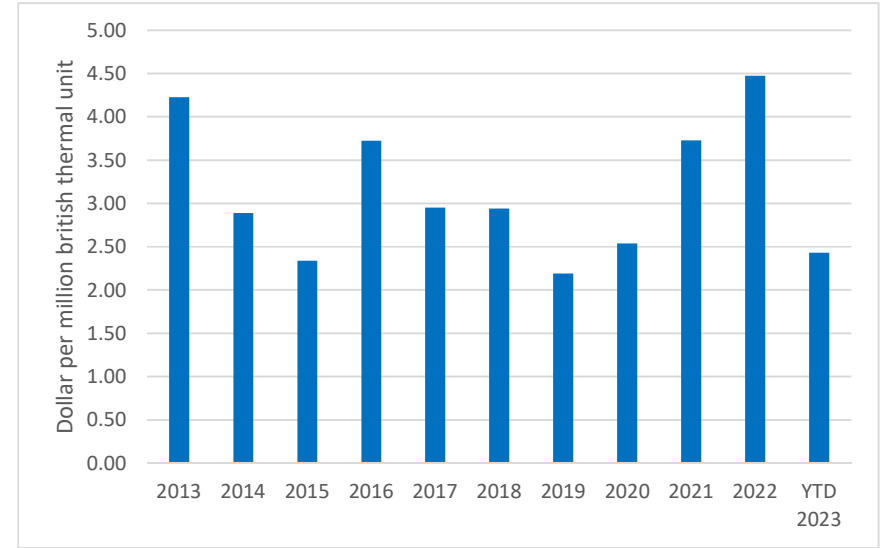
Energy Annual Prices

Coal and Natural Gas prices decline as panic buying subsides

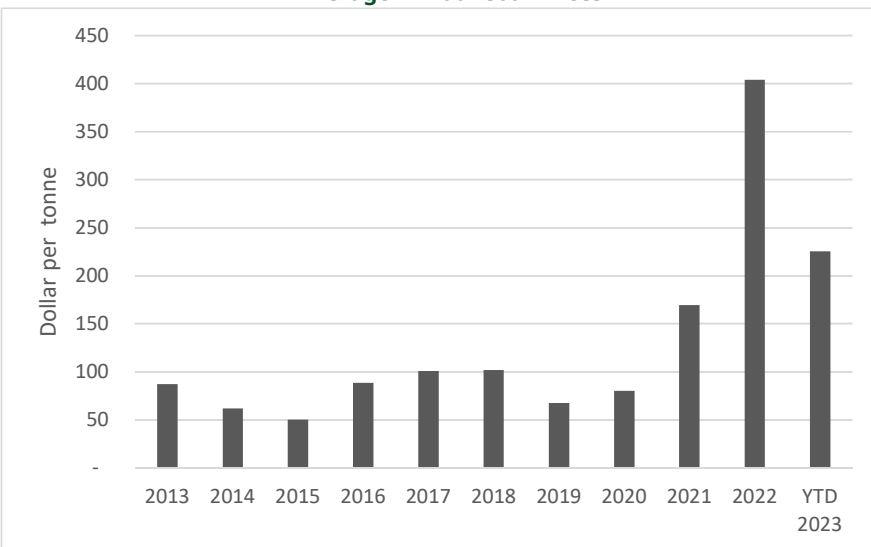
Average Annual Brent Oil Prices



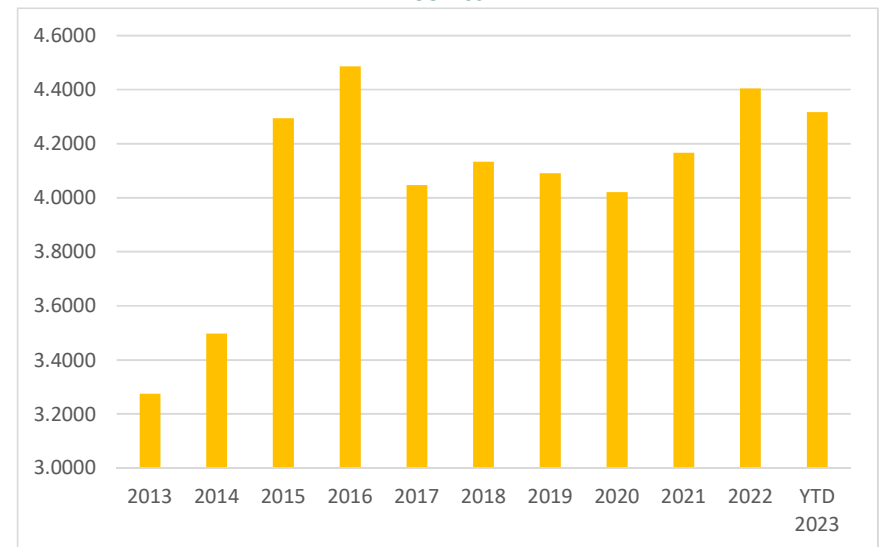
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

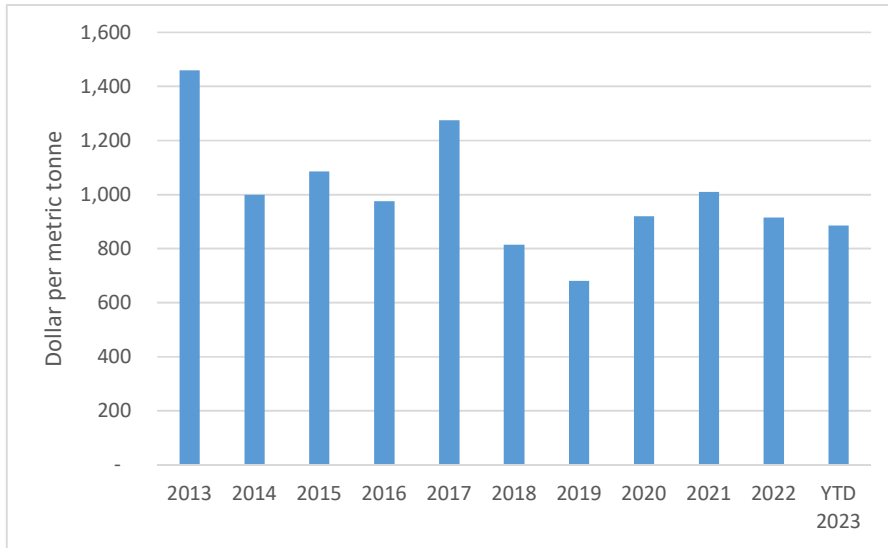


Source: Bloomberg

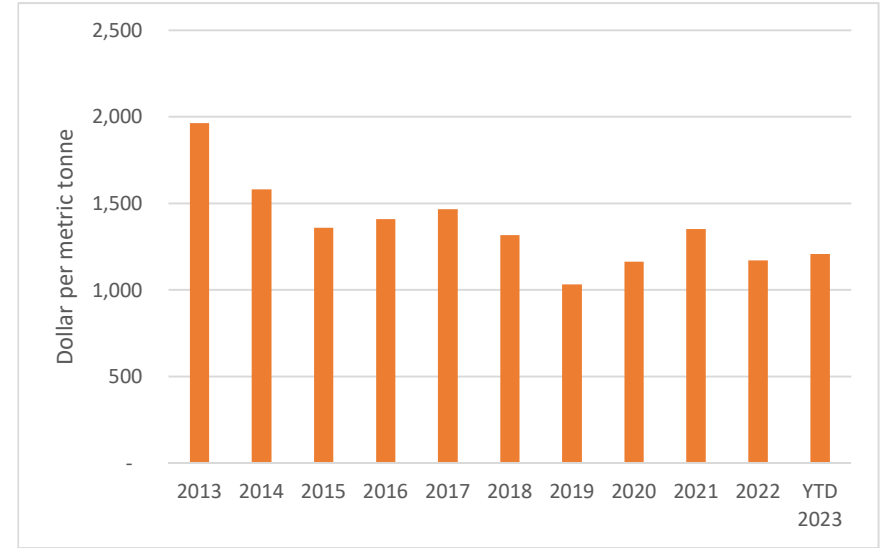
Petrochemical Annual Prices

Prices remain flat as China reopening demand to be absorbed by local supply

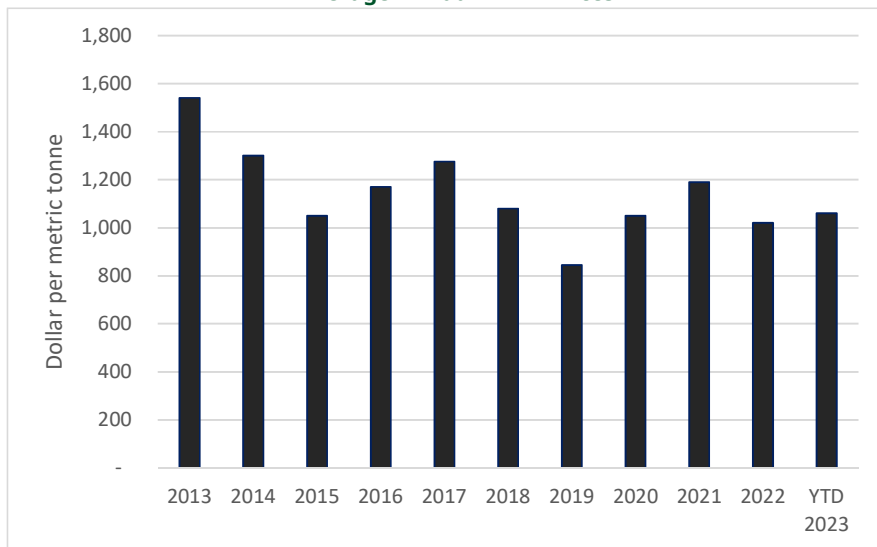
Average Annual Ethylene Prices



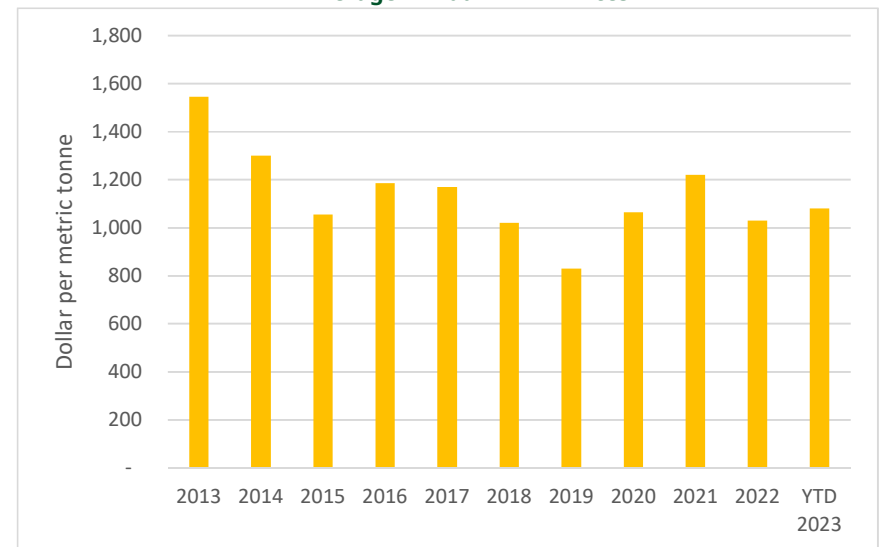
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

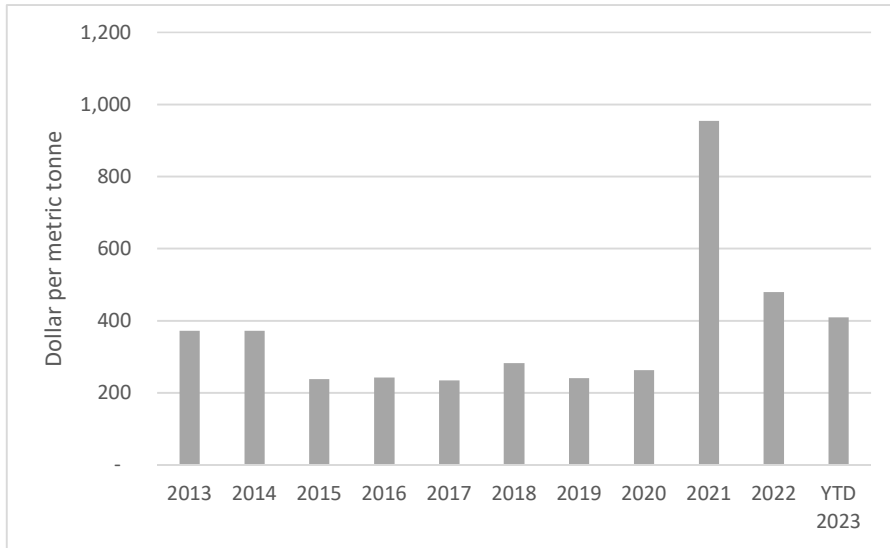


Source: Bloomberg

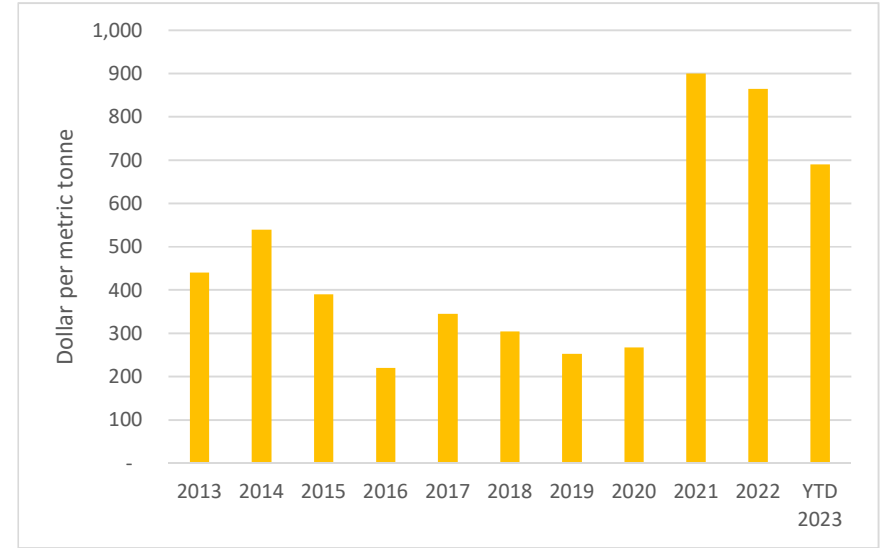
Fertiliser Annual Prices

Ammonia & Urea prices to decline, tracking decline in Natural Gas prices

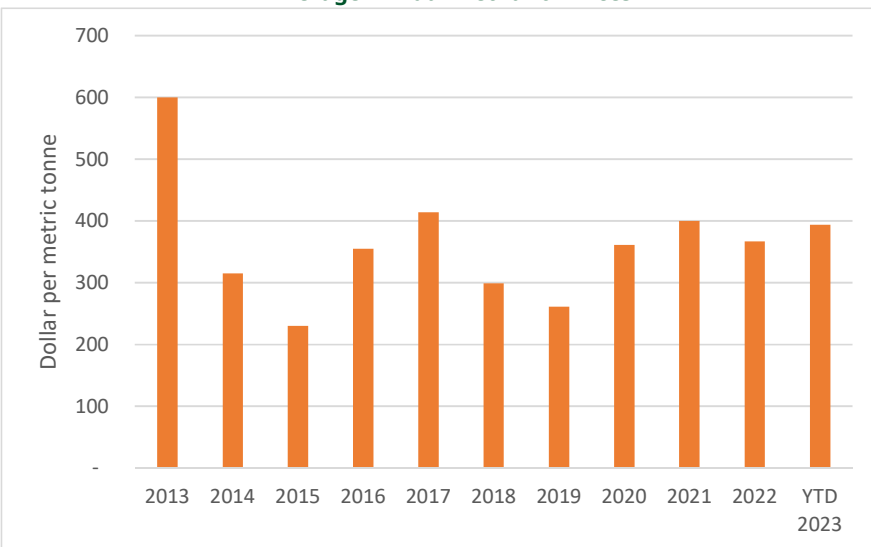
Average Annual Urea Prices



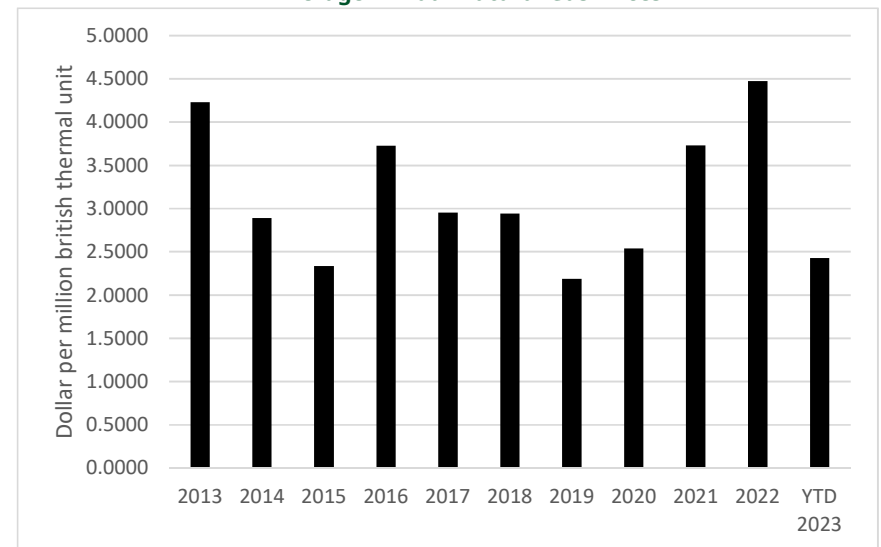
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

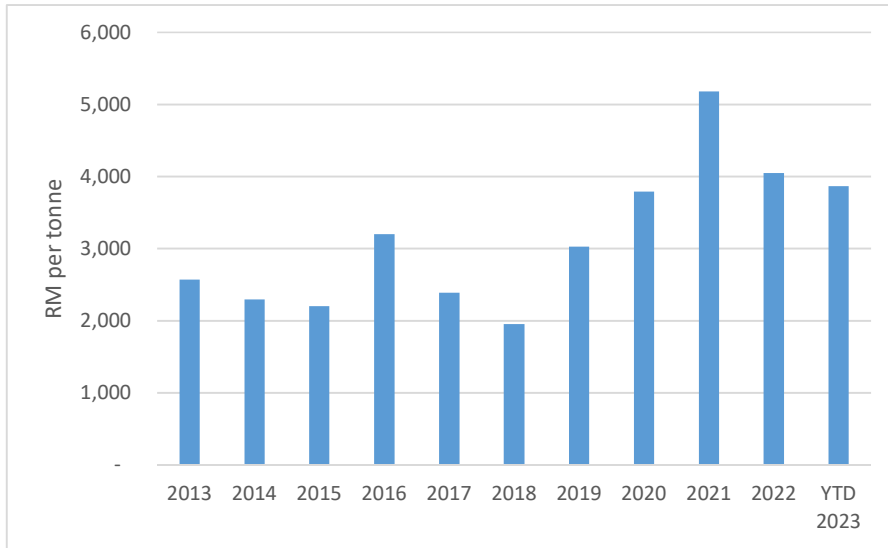


Source: Bloomberg

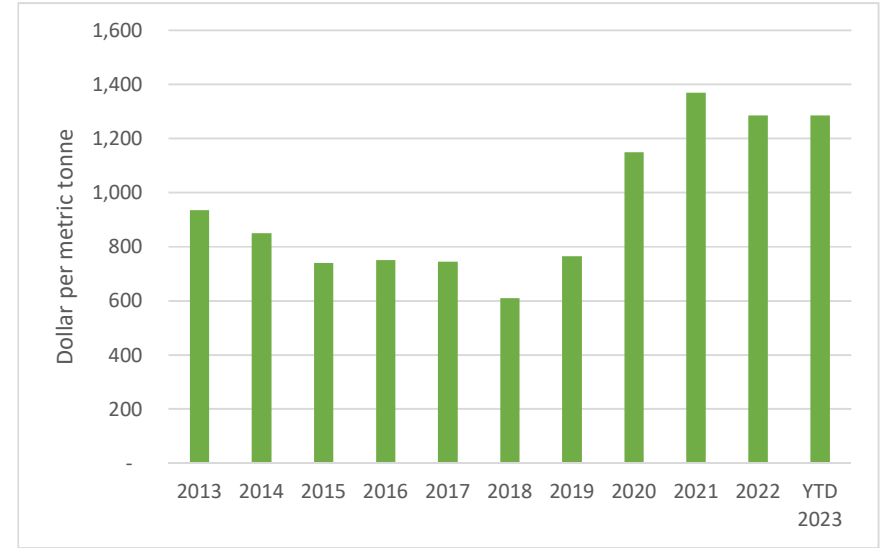
Agricultural Annual Prices

Prices to trade range bound

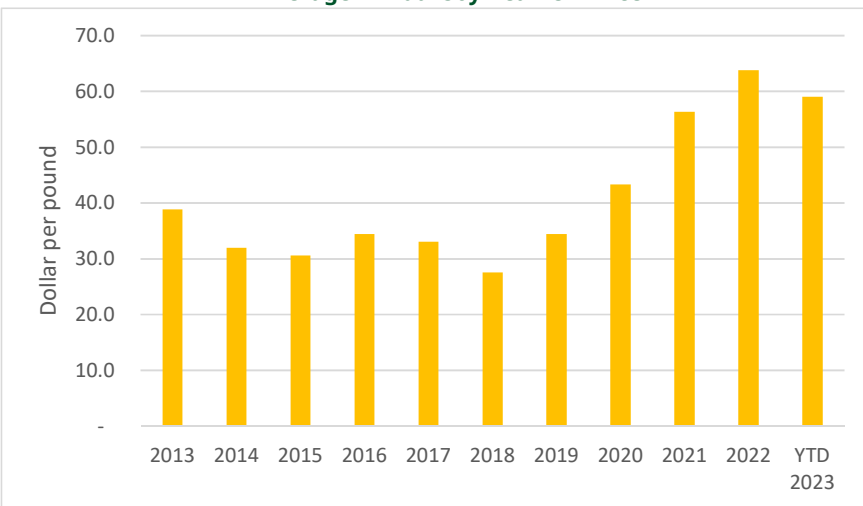
Average Annual Palm Oil Prices



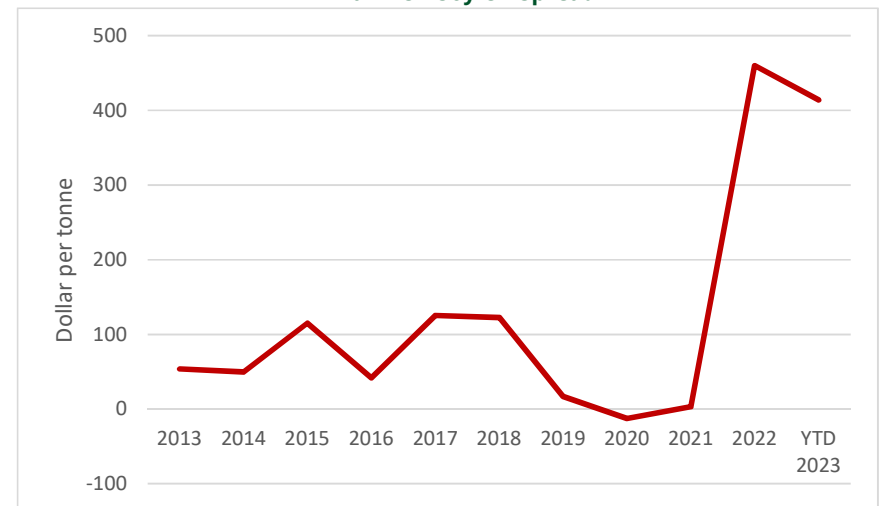
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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.