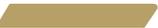


# Portfolio Managers' Views

  
**20 February 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (13-17 Feb 2023) & Our Managers' Views

- 1 Buy Cement On Lower Coal Prices:** A major cement producer in Semenanjung Malaysia, Hume Cement returned to profitability in its recent earnings results. Its revenue and margins rose on the back of healthy cement demand and lower coal prices respectively. We are invested in Malayan Cement, the largest cement producer in Semenanjung Malaysia as we believe that it would experience a similar improvement in earnings as demand remains healthy and coal prices decline.
- 2 Weak Tech Earnings, Accumulate on Weakness:** Malaysian Pacific Industries (MPI), Malaysia's leading automotive Outsource Assembly & Testing (OSAT) company, reported a -65% decline in earnings due to weak demand in China which led to lower utilisation and selling prices. This was in line with our expectations from previous editions. We expect the stock's weakness to continue and will look to accumulate on weakness when valuations become attractive.
- 3 Remain Underweight on Gloves But The Worst May Be Behind Us:** Supermax and Kossan reported a loss for the quarter as glove selling prices fell on competition from Chinese producers. Despite the negative newsflow, we believe the industry's recovery may still take another two to three quarters. We remain underweight in this sector until there are clearer signs of recovery.
- 4 Remain Invested in Poultry:** The highly pathogenic avian influenza (HPAI) virus is fast-infecting the poultry market globally. As Malaysian farmers import grandparent day-old chicks from the US, there is a possibility that the virus may spread to Malaysia. If contingencies are taken, local farmers may see lower poultry supply. This may impact poultry players as the price of chicken is capped. For now, we remain invested in our poultry position and will monitor the situation closely.
- 5 China telecommunication companies are amplifying dividends:** Major telcos in China guided higher dividend distribution this year. We concur as we see strong cash flows going forward after the end of their 5G capital expenditure cycle, new additions of 5G subscribers and rising contributions from cloud-related businesses. Our regional funds are invested in this sector that potentially offers dividend yields of 8-10%.
- 6 Valuation:** KLCI's valuation remains unchanged 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 4.1% (above its 5Y average of 3.6%).

# 2.0 MALAYSIA MARKET REVIEW

## Hospital operators rose on positive earnings surprise

Exhibit 1: KLCI vs Shariah Index

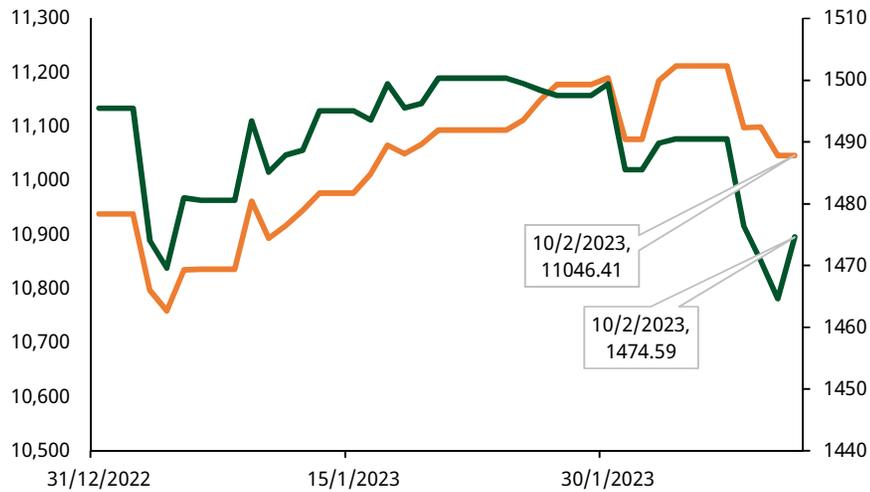


Exhibit 2: USDMYR

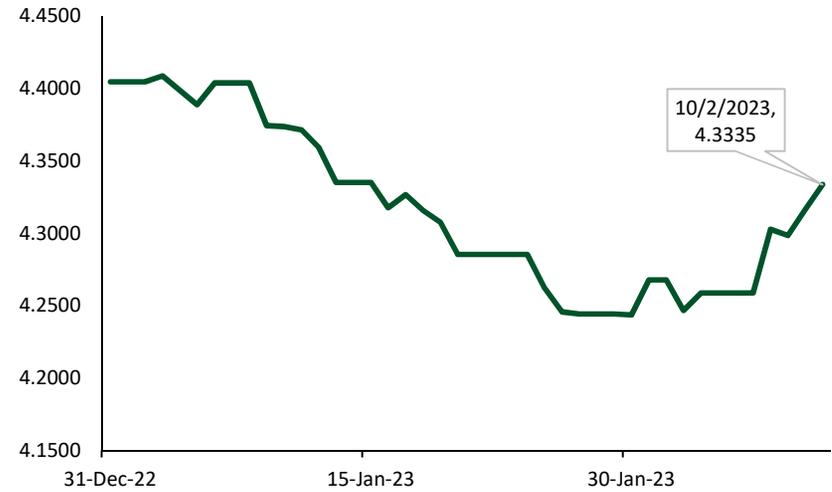


Exhibit 3: Sector Performances Week-to-Date (%)

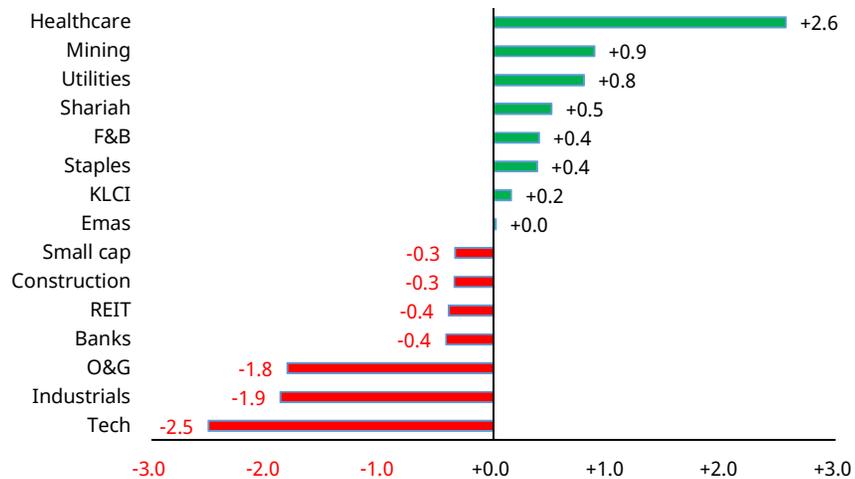
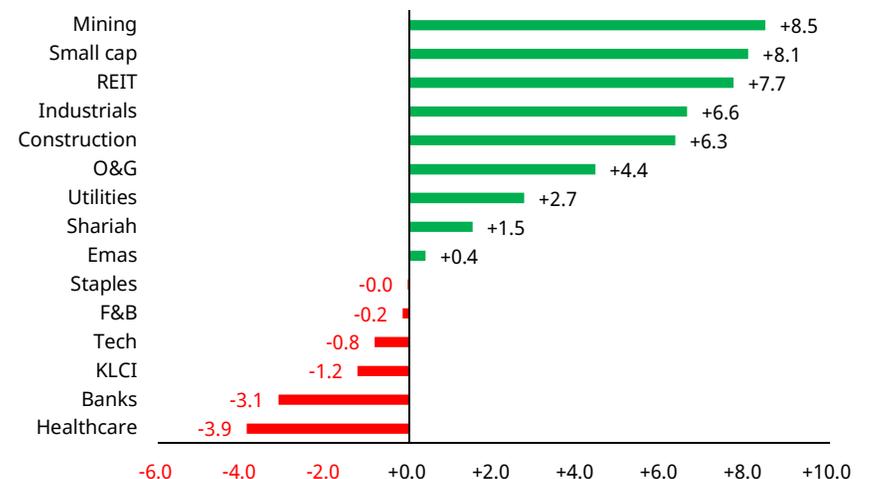


Exhibit 4: Sector Performances Year-to-Date (%)



# 2.1 MALAYSIA VALUATIONS

## Malaysia remains in BUY territory

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

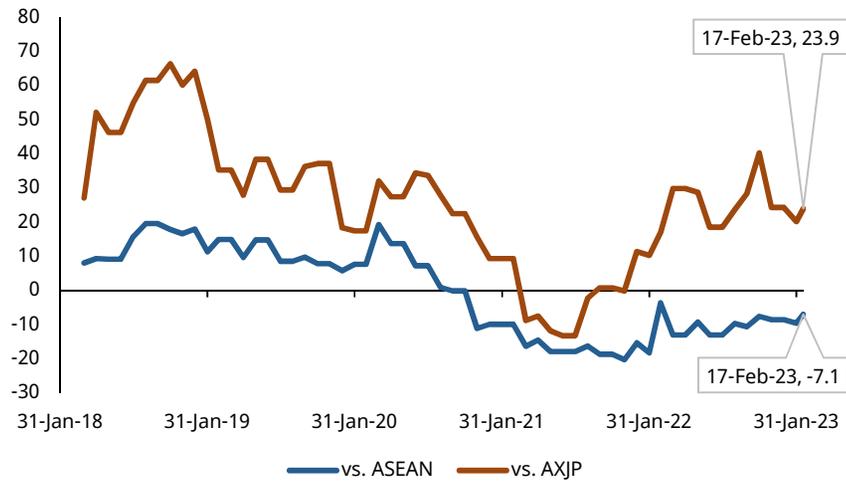


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

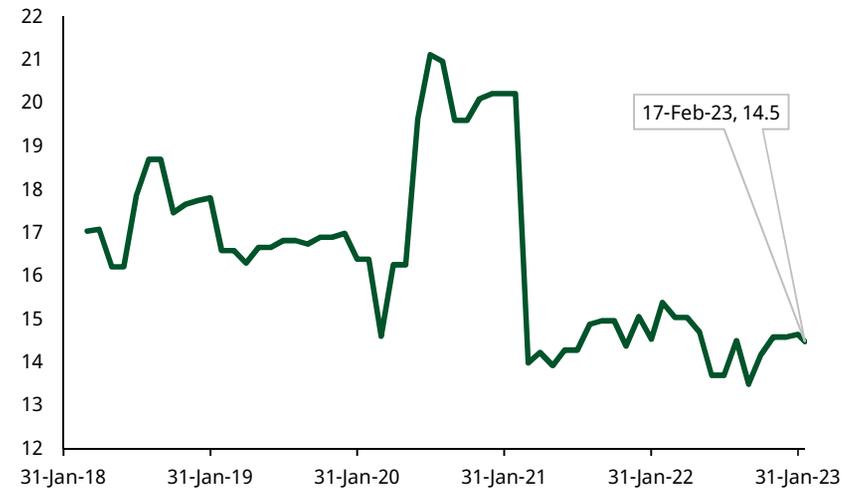


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

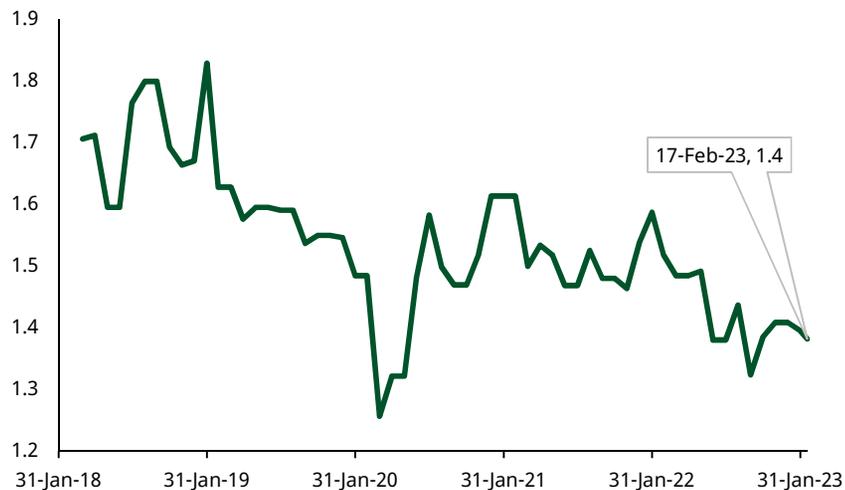
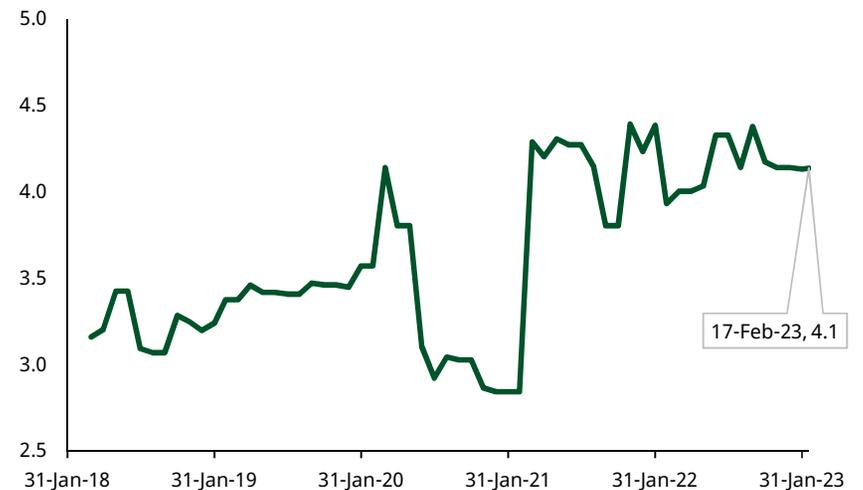


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

Geopolitical tensions between US and China weighed on China equities

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

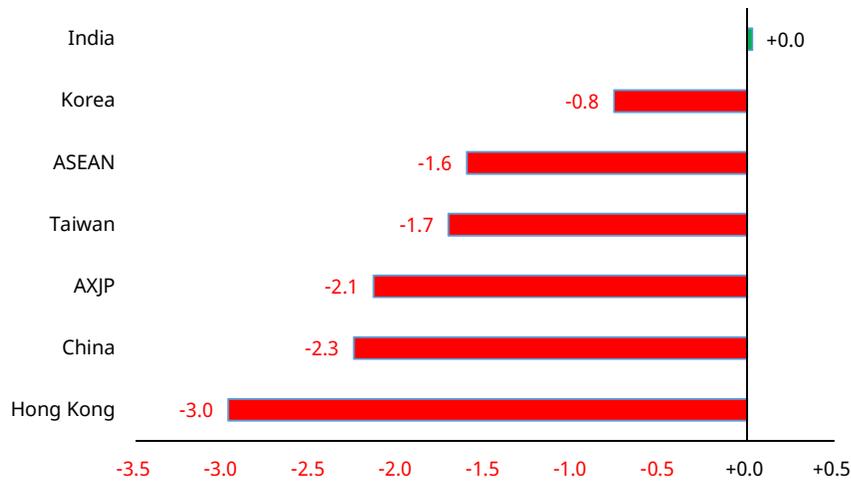


Exhibit 2: Country Performances Year-to-Date (%)

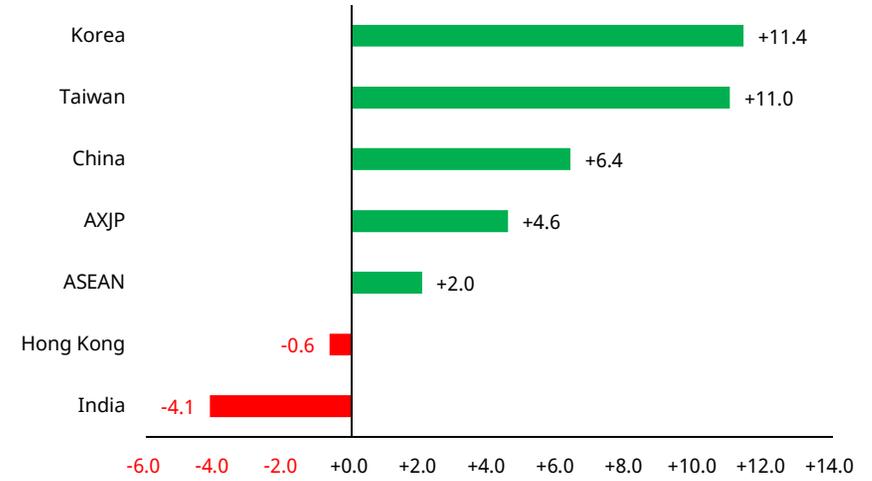
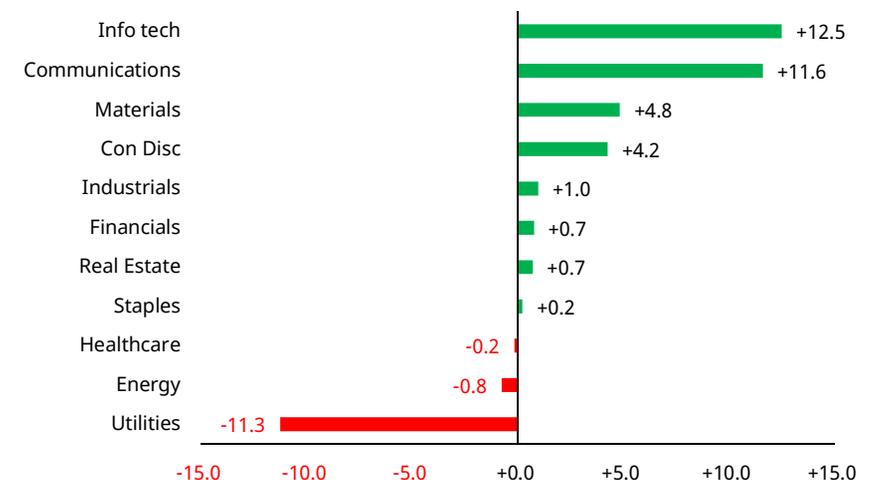


Exhibit 3: Sector Performances Week-to-Date (%)



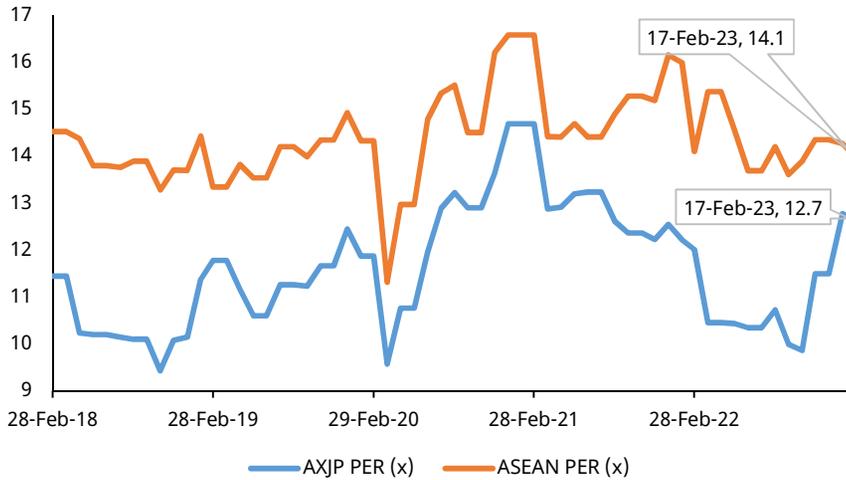
Exhibit 4: Sector Performance Year-to-Date (%)



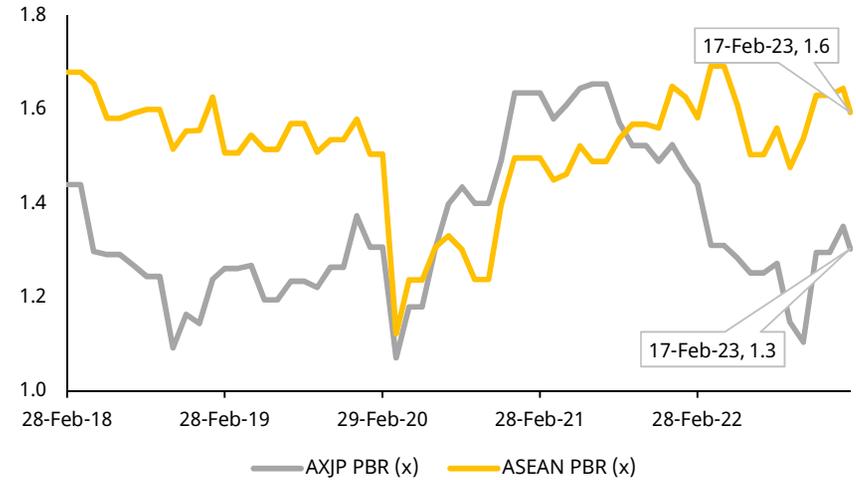
# 3.1 REGIONAL VALUATIONS

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

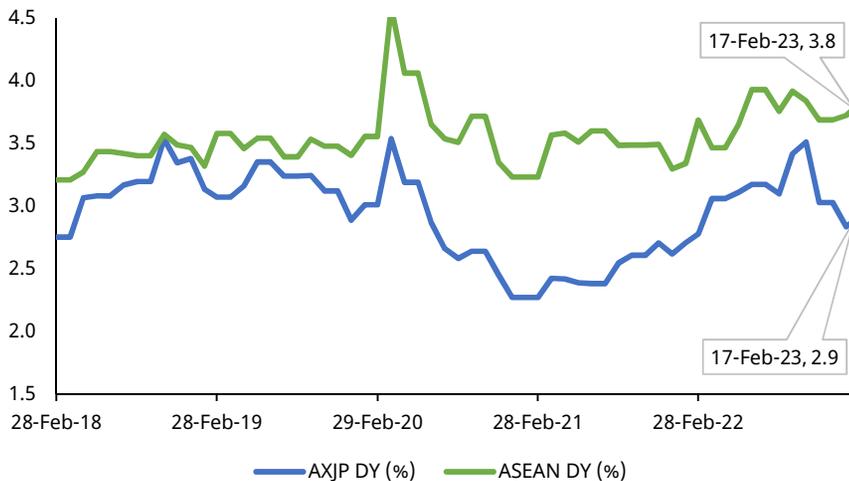
**Exhibit 5: Regional Price-Earnings Ratio (x)**



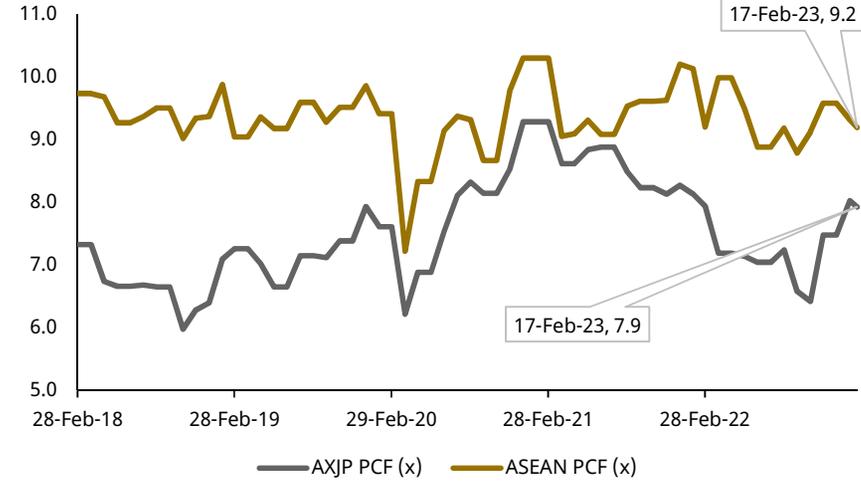
**Exhibit 6: Regional Price-to-Book Ratio (x)**



**Exhibit 7: Regional Dividend Yield (%)**



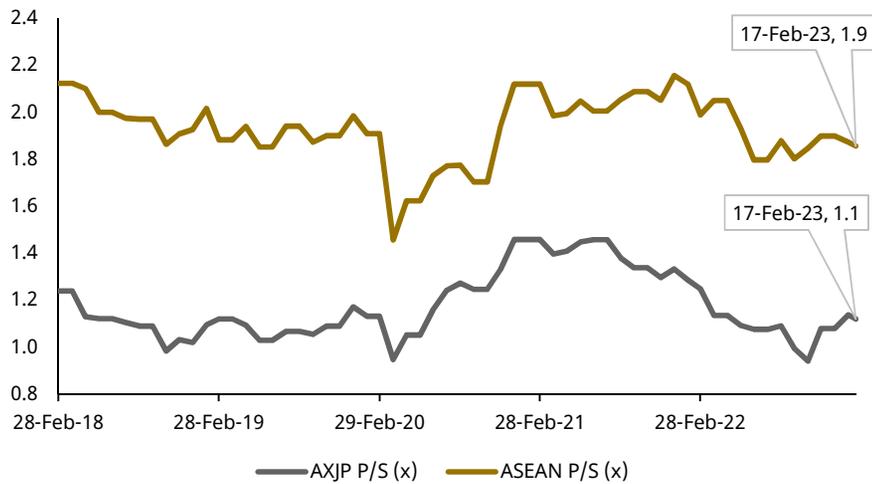
**Exhibit 8: Regional Price-to-Cash Flow (x)**



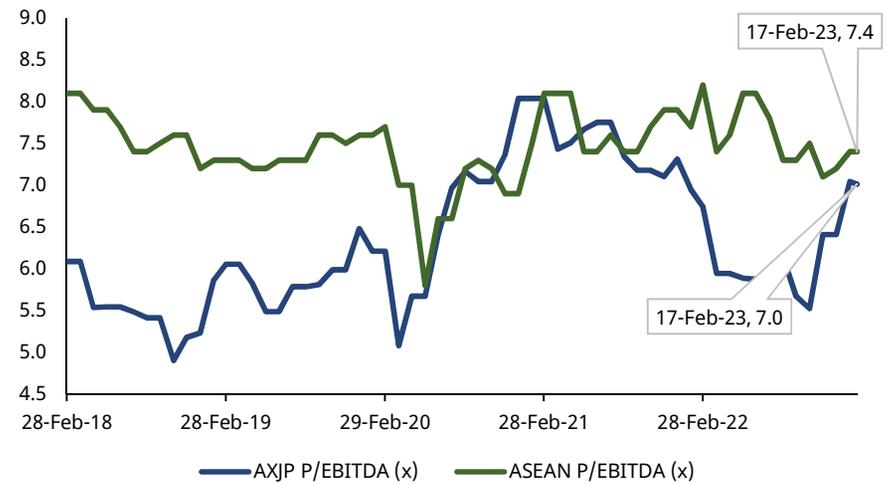
# 3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

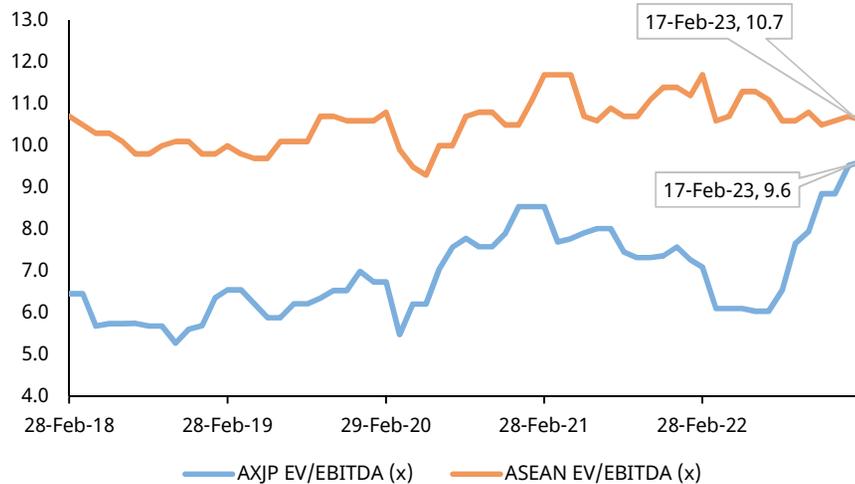
Regional Price-to-Sales Ratio (x)



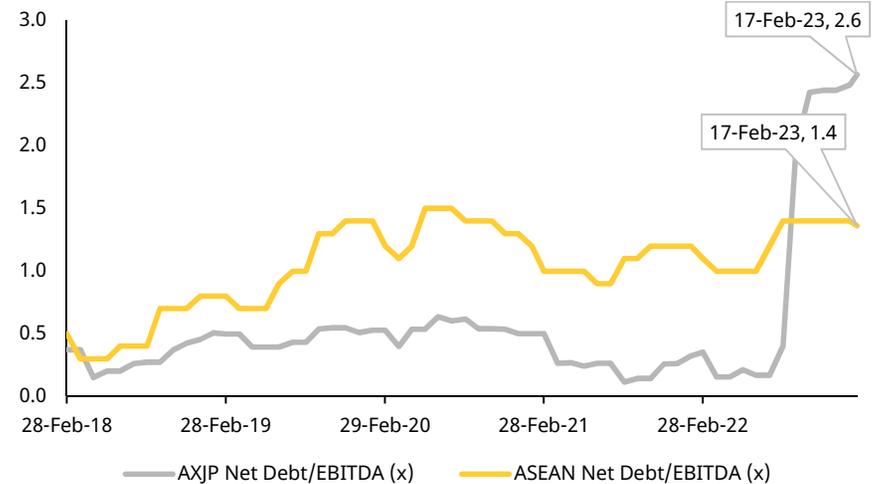
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



Source: Bloomberg

# 4.0 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)

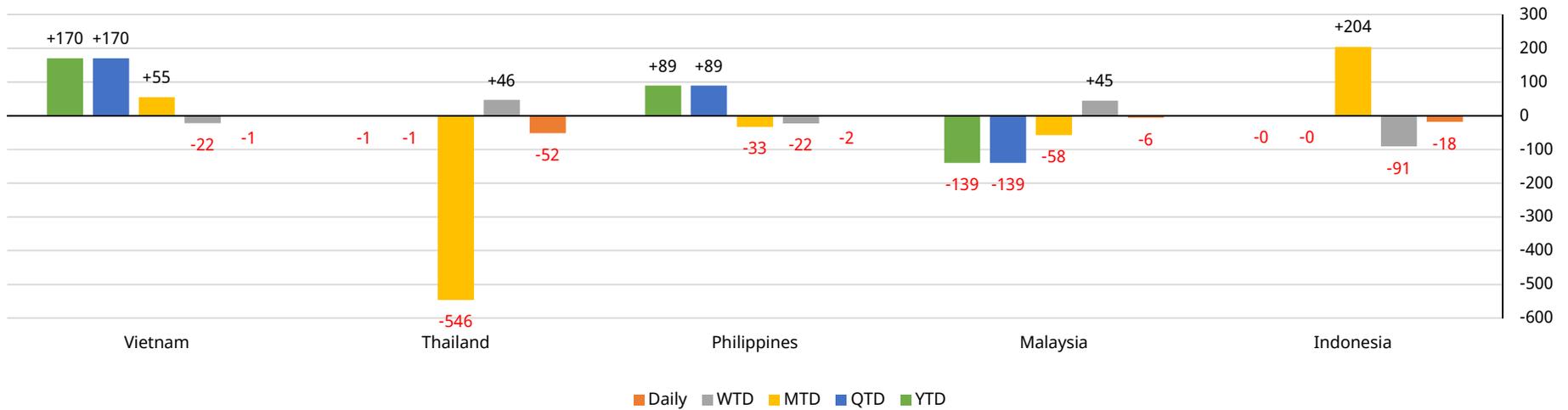
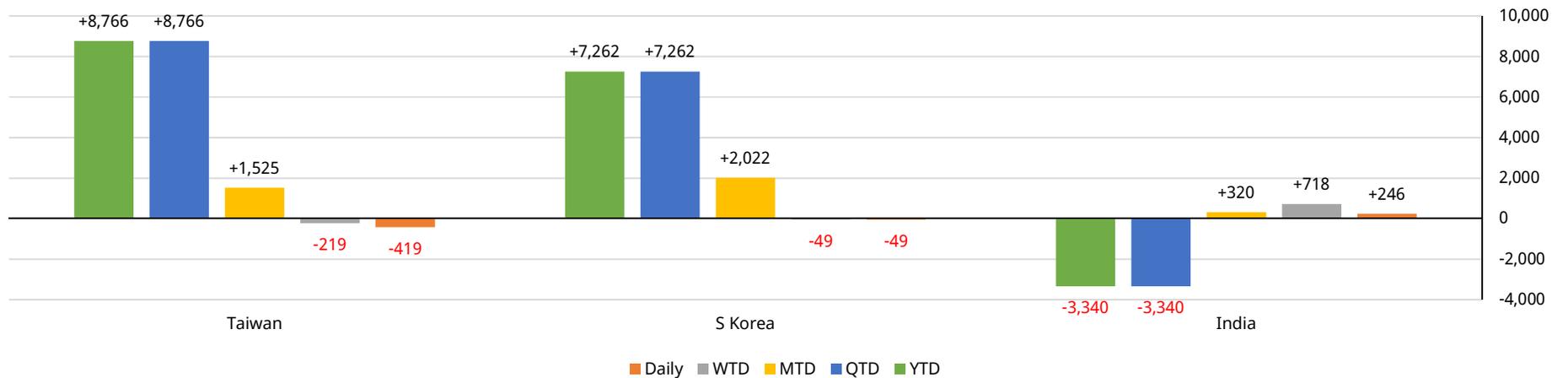


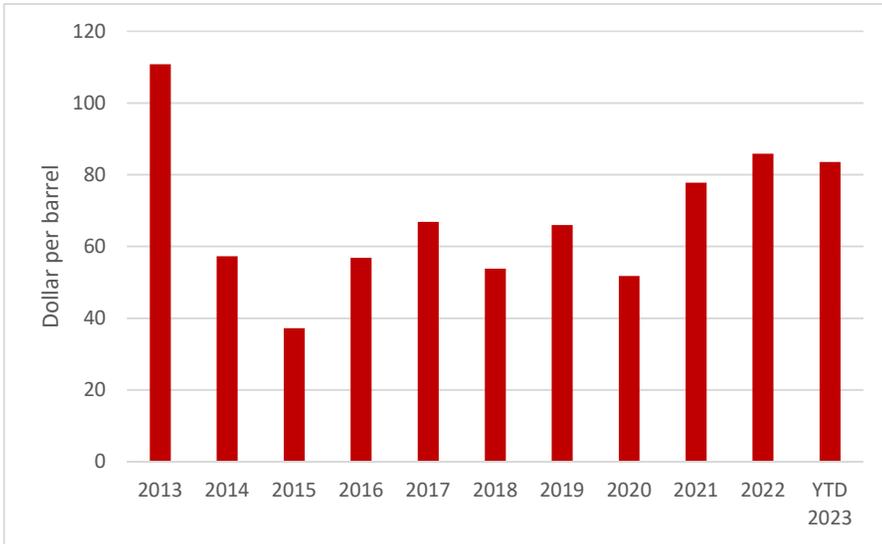
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



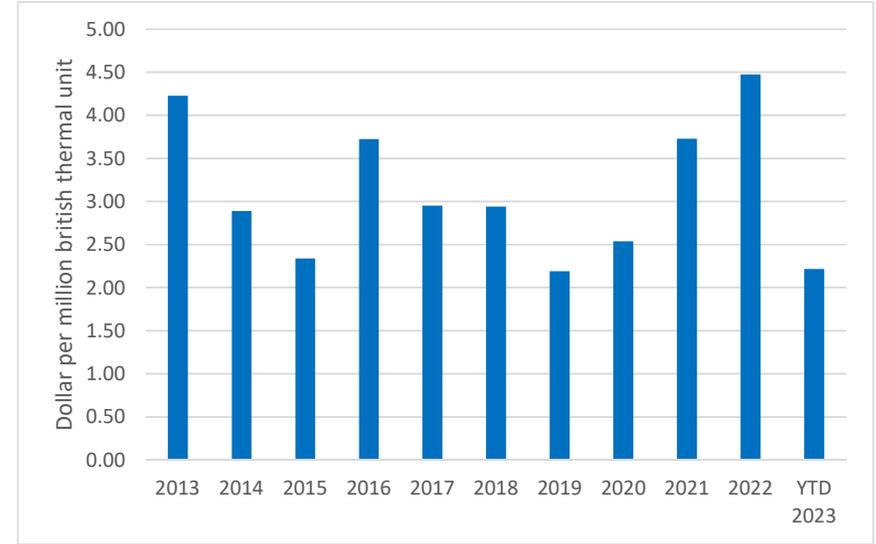
# 5.0 Energy Annual Prices

Coal and Natural Gas prices decline as panic buying subsides

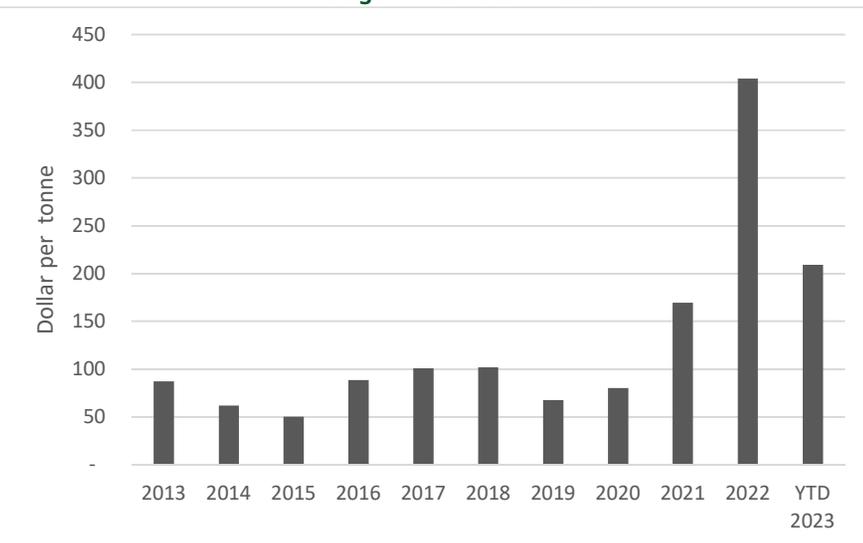
Average Annual Brent Oil Prices



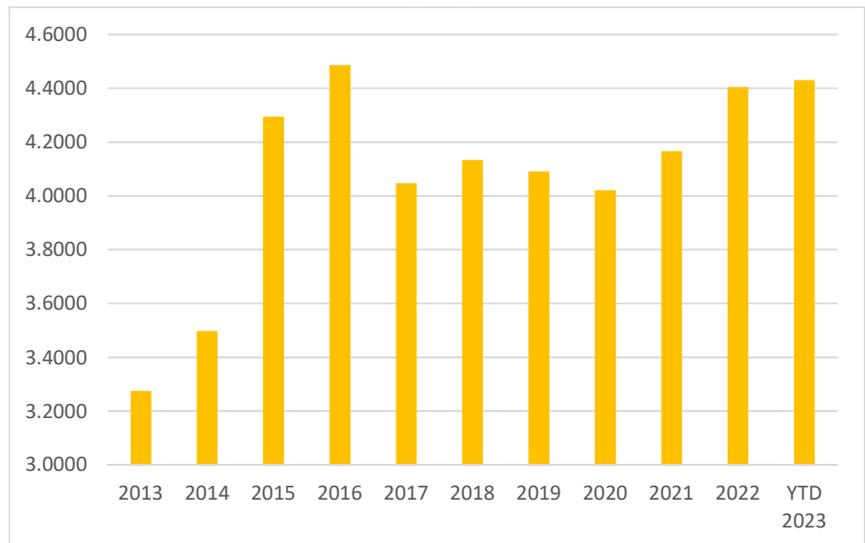
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

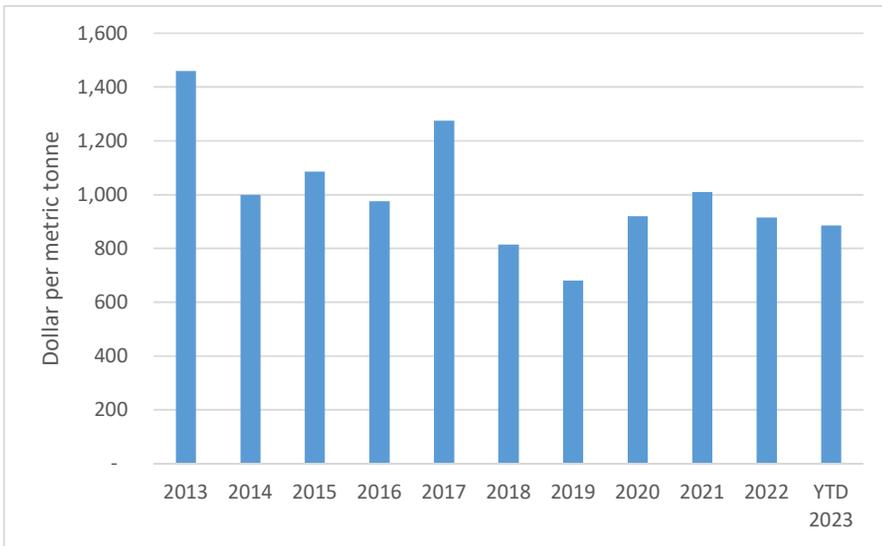


Source: Bloomberg

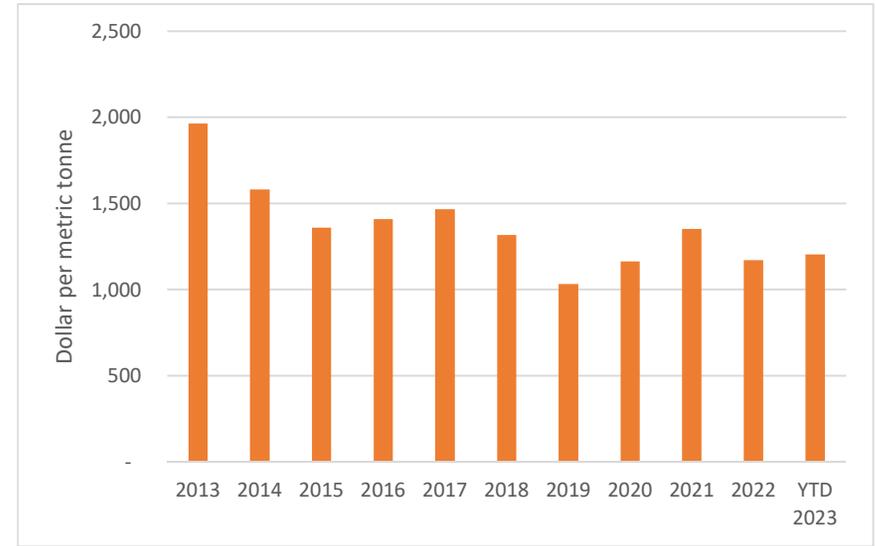
# 5.1 Petrochemical Annual Prices

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

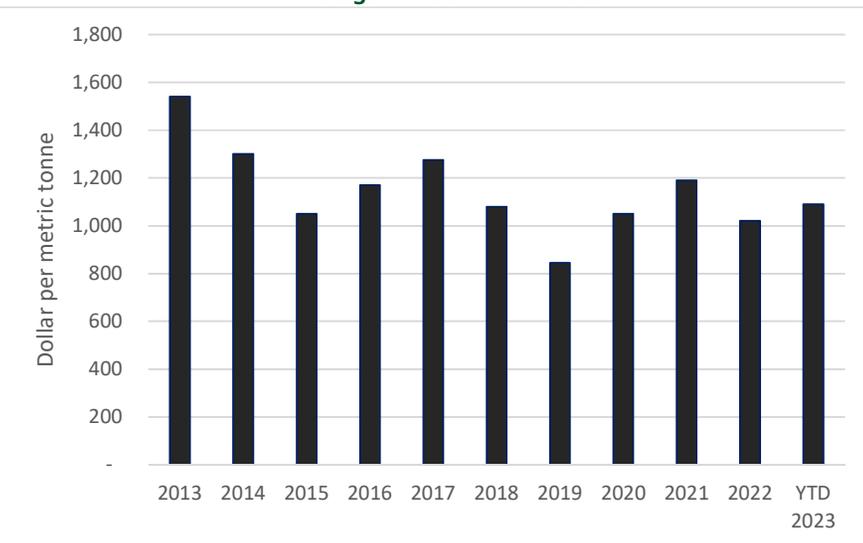
Average Annual Ethylene Prices



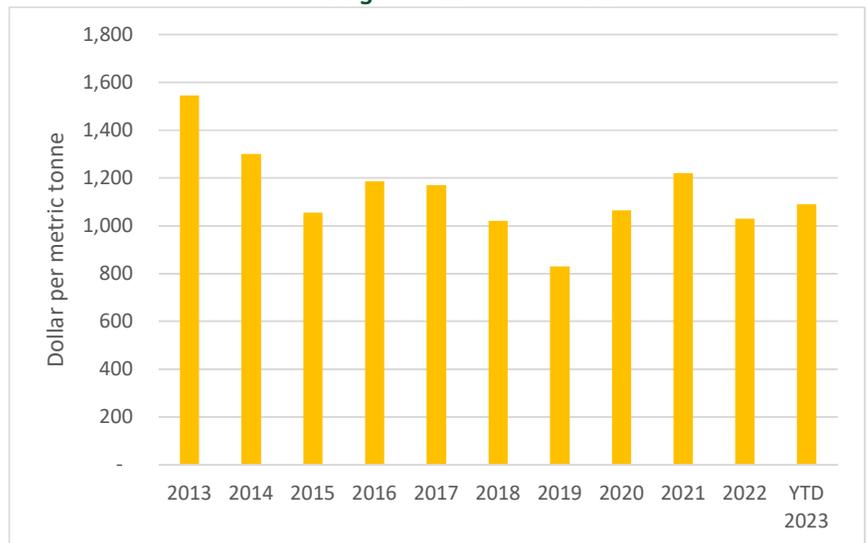
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

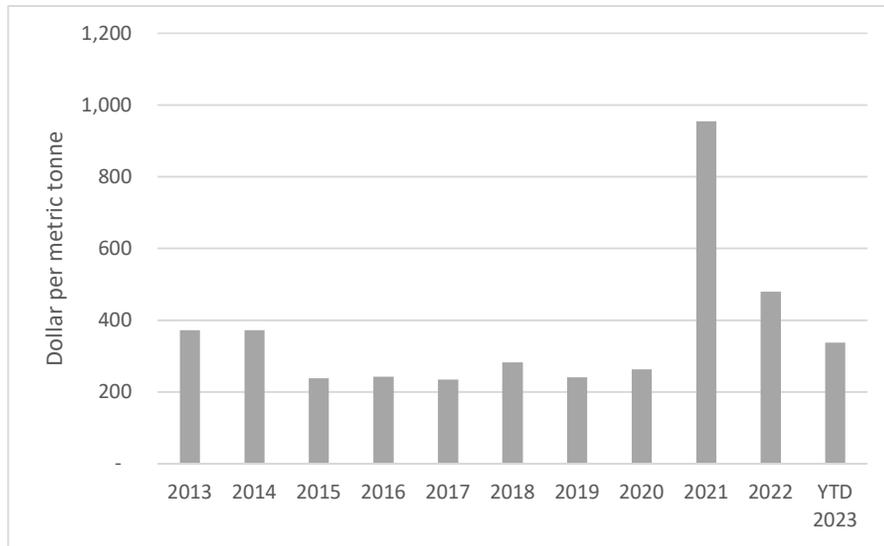


Source: Bloomberg

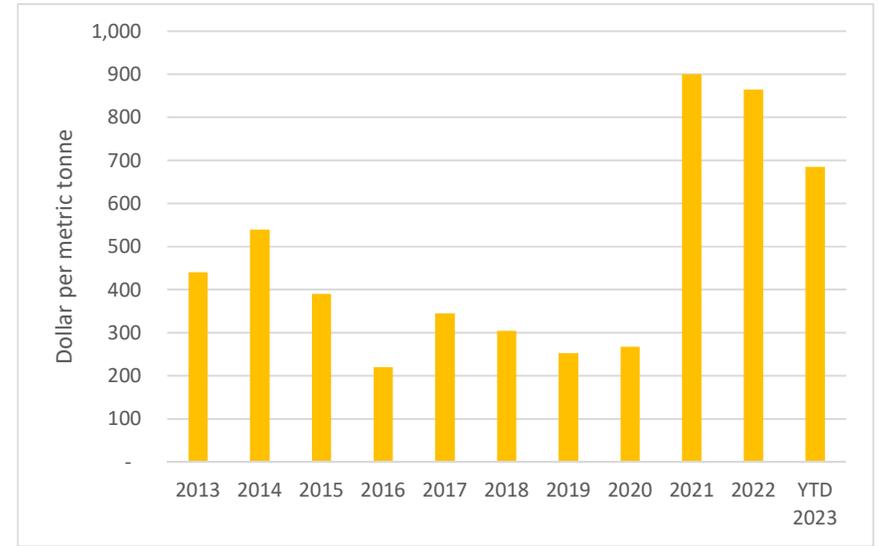
# 5.2 Fertiliser Annual Prices

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

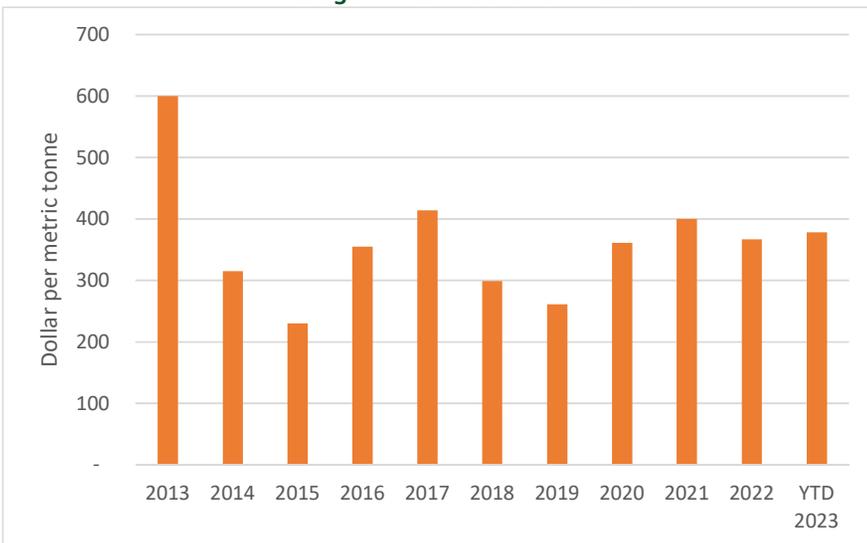
Average Annual Urea Prices



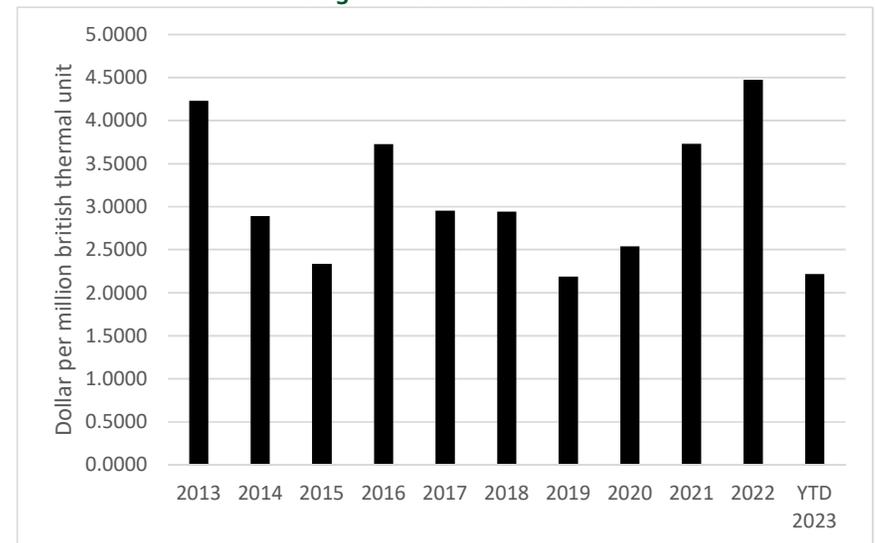
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

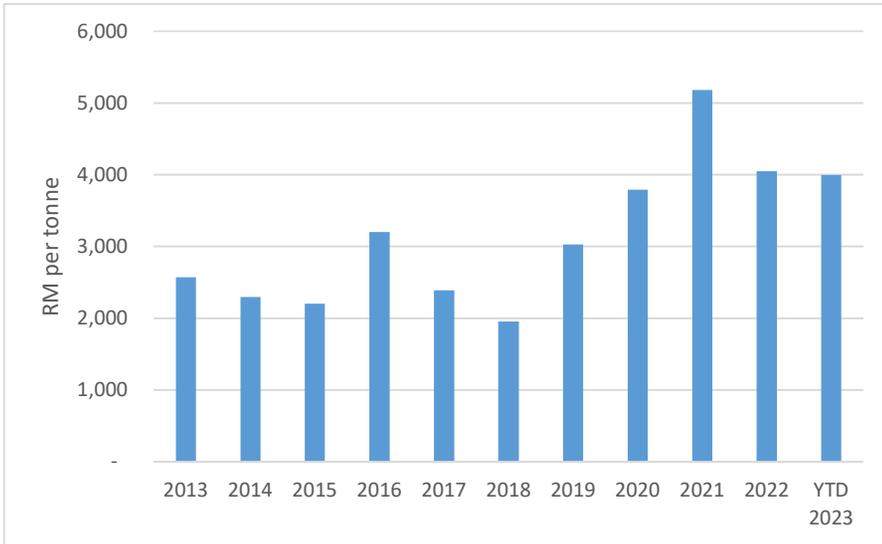


Source: Bloomberg

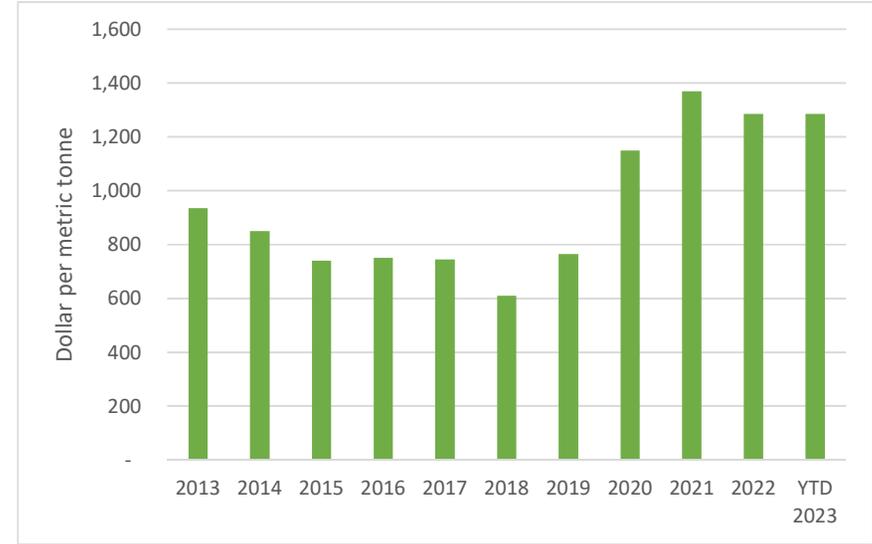
# 5.3 Agricultural Annual Prices

Prices to trade range bound

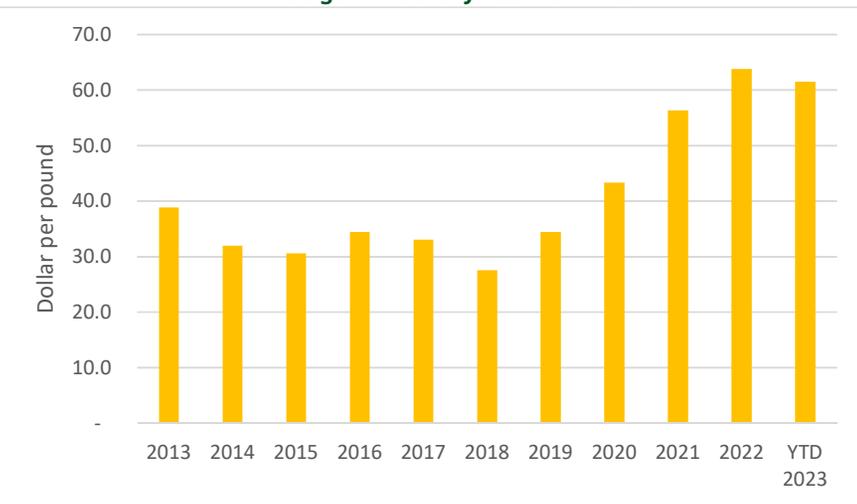
Average Annual Palm Oil Prices



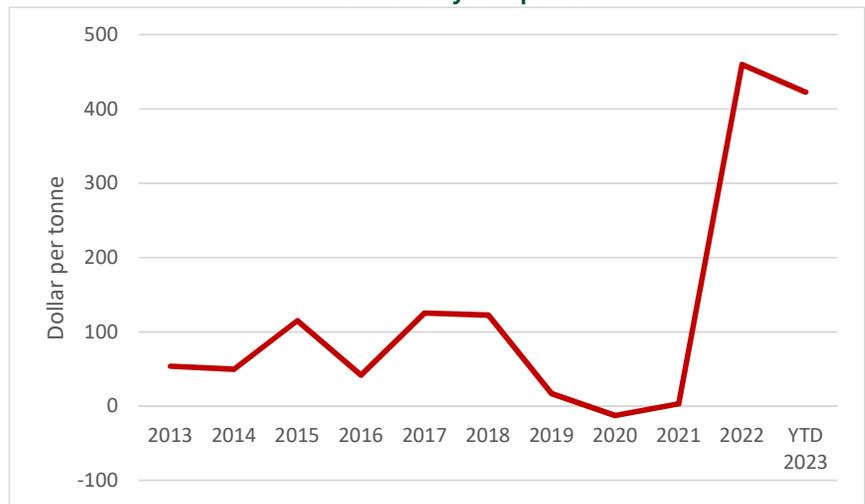
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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