

Portfolio Managers' Views



03 April 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (27-31 March 2023) & Our Managers' Views

- 1 Glove Industry Bottoms:** We joined a briefing with Hartalega. The management sees improving conditions in the industry as costs are declining and selling prices are bottoming out. They are currently doing marginal price increases but this may result in lower utilisation rates if customers refuse the hikes. This was done to cushion losses amid price competition with China. We are not invested in gloves but continue to monitor the industry closely as glove manufacturers trade at attractive valuations.
- 2 Remain Invested in Hibiscus on Tight Oil Markets:** Brent oil prices recovered from \$70/bbl last week to now trade at \$79/bbl as contagion risks from the banking sector subsides. We believe supply will remain tight as Russia lowers supply, OPEC spare capacity remains low and US's strategic petroleum reserve releases decline. On demand, we think China's economic recovery will be the key. We remain invested in Hibiscus, a local oil & gas producer.
- 3 China Smartphone Recovery to benefit MediaTek:** We joined a briefing with Samsung Electronics, a major supplier of smartphone memory chips. Its management views that China's smartphone inventories have likely normalised and sees 1Q23 to be the industry's bottom, followed by progressive improvement from 2Q23 onwards. This reinforces our view on China's smartphone recovery in 2023. We are positioned in Mediatek, a major chip designer for Chinese smartphone models.
- 4 Tech Markets in the Balance:** Key tech indices such as the NASDAQ and the SOX Index rose 3.4% and 3.2% respectively during the week. In support of this rally, tech-related inventories are destocking progressively and the semiconductor sales cycle is bottoming but on the contrary, markets still expect another 2 quarters of earnings decline. We currently remain Underweight on tech but we are looking to accumulate once valuations become attractive.
- 5 Positive on Alibaba's Business Split:** Alibaba announced that it plans to split the company into 6 individual entities. This was mainly done to resolve the government's distrust with the influence of big technology companies in China. We are positive on this development as it resolves the regulatory crackdown, improves operating efficiencies and realise underlying value in Alibaba's individual business segments. Our funds are invested in Alibaba.
- 6 China consumer discretionary:** China's year-to-date 2023 industrial profits fell 23% YoY but the silver lining was in consumer spending, where retail sales rose 3.5%. We believe the e-commerce and payments sectors offer proxies to rising consumption in China. Further, Alibaba's proposed corporate streamlining exercise adds to the e-commerce sector's re-rating potential. We are also invested in consumer retail to benefit from this trend.

1.0 MALAYSIA & REGIONAL (cont'd)

The Week in Review (27-31 March 2023) & Our Managers' Views

7

China tourism: An international broker's analysis on China's upcoming flight schedules indicates shifts in China airspace resources (time slots) from domestic to international routes for the summer-autumn period. This is supported by a China airline booking tech company's guidance at a non-deal readshow that international travel will rise to 80% of pre-COVID levels by end-2023. We are invested in travel tech, airport, integrated resorts and mobility products to gain from this trend.

8

Valuations: KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.5%, above its 10-year high of 4.5% seen in 1Q of 2021. Price-to-book ratios are also attractive at 1.3x, which are levels last seen only during the market bottom for Covid in Mar-20. Hence, we are optimistic for the prospects of the Malaysian markets moving forward.

2.0 MALAYSIA MARKET REVIEW

Markets Lifted by Speculation of High Speed Rail Project Revival

Exhibit 1: KLCI vs Shariah Index

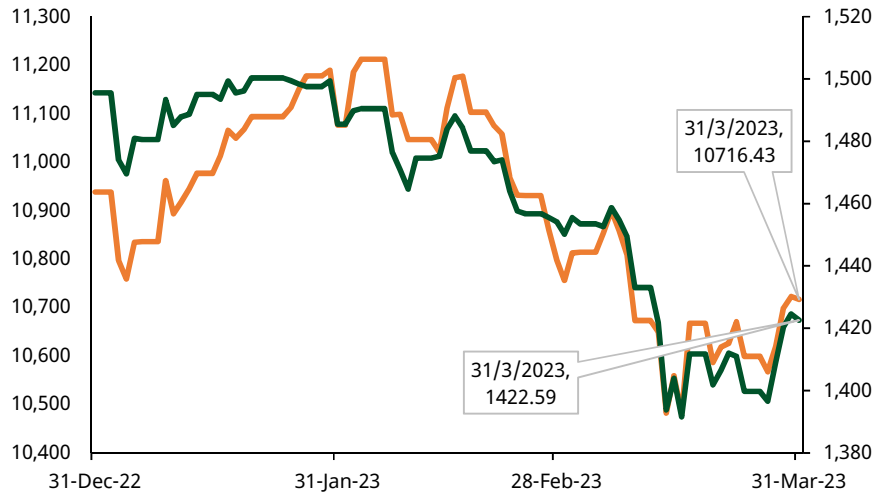


Exhibit 2: USDMYR

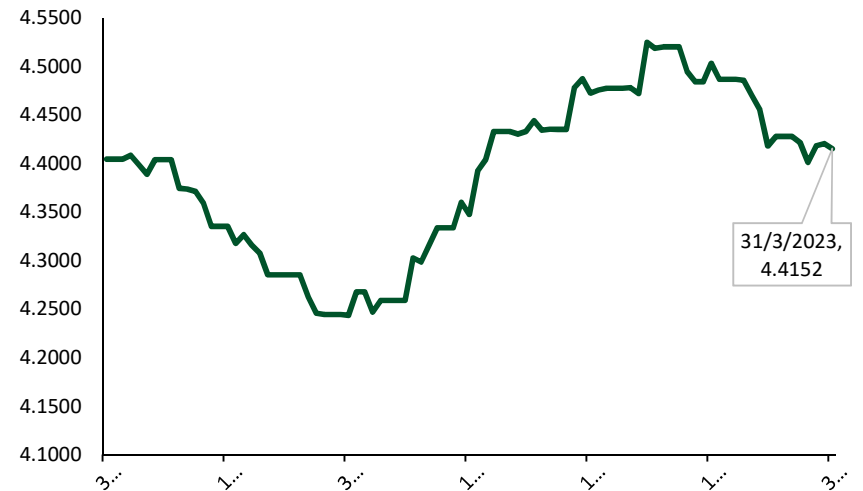
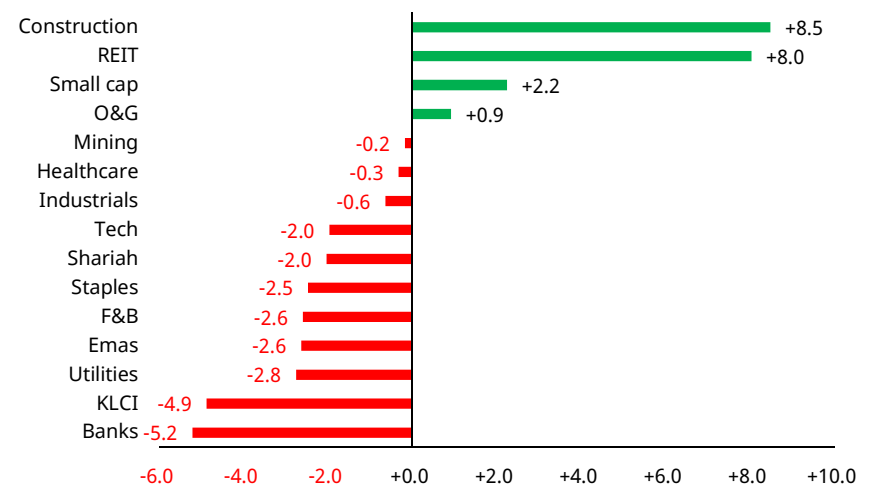


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

2.1 MALAYSIA VALUATIONS

Valuations are at Historical Bottoms

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

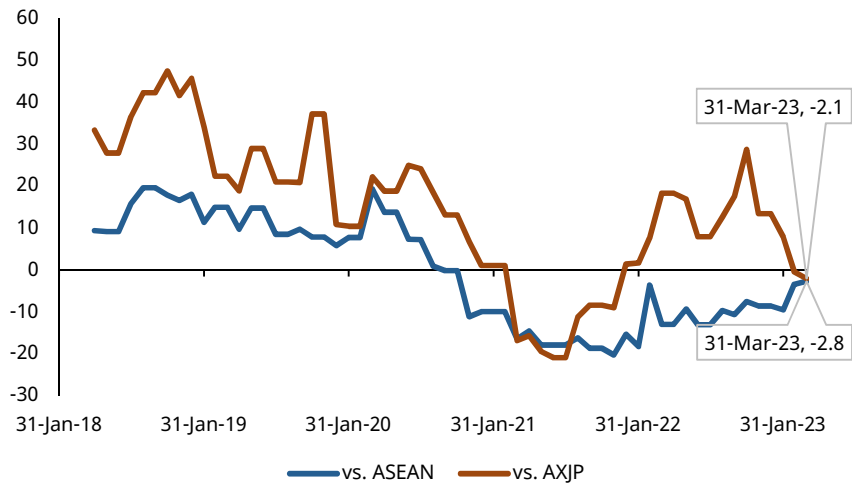


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

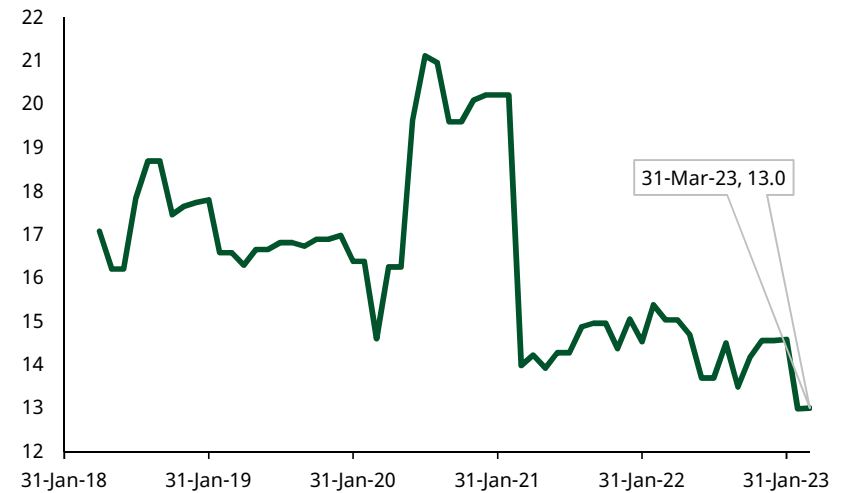


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

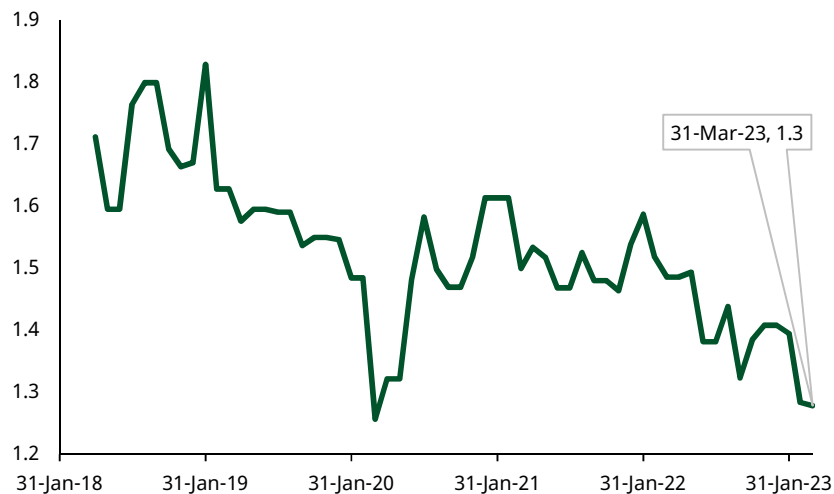
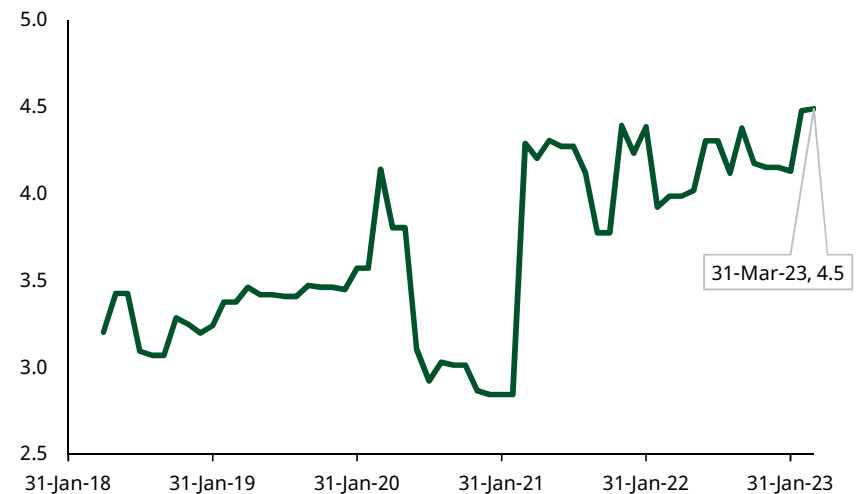


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

North Asian Markets Rallied as Investors Bottom Fished

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

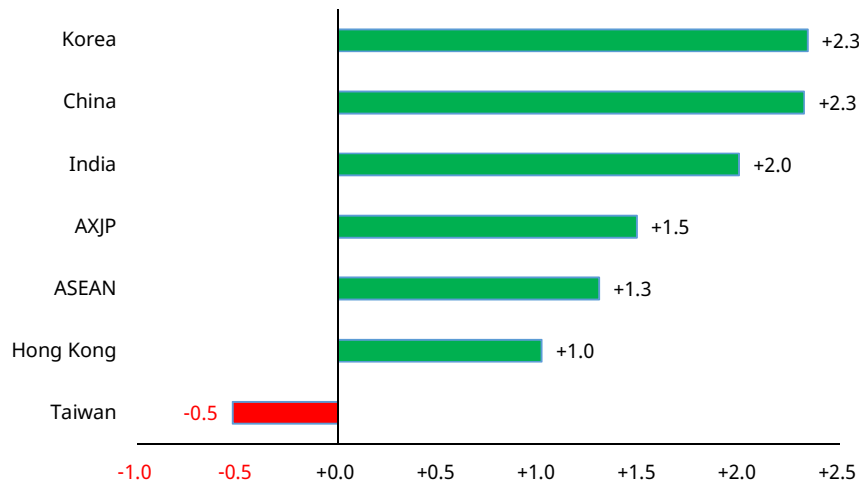


Exhibit 2: Country Performances Year-to-Date (%)

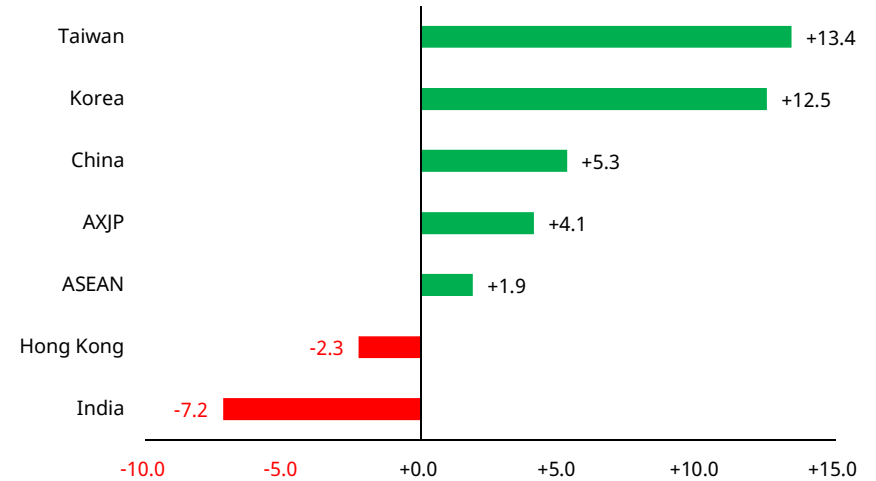


Exhibit 3: Sector Performances Week-to-Date (%)

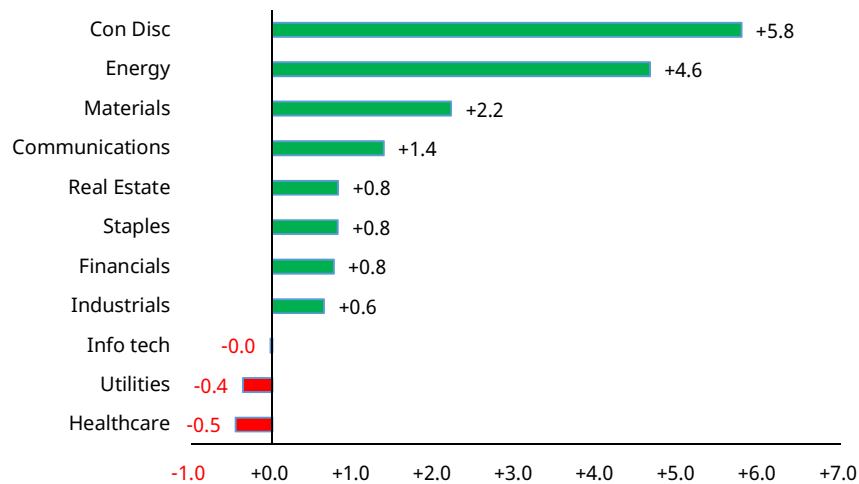
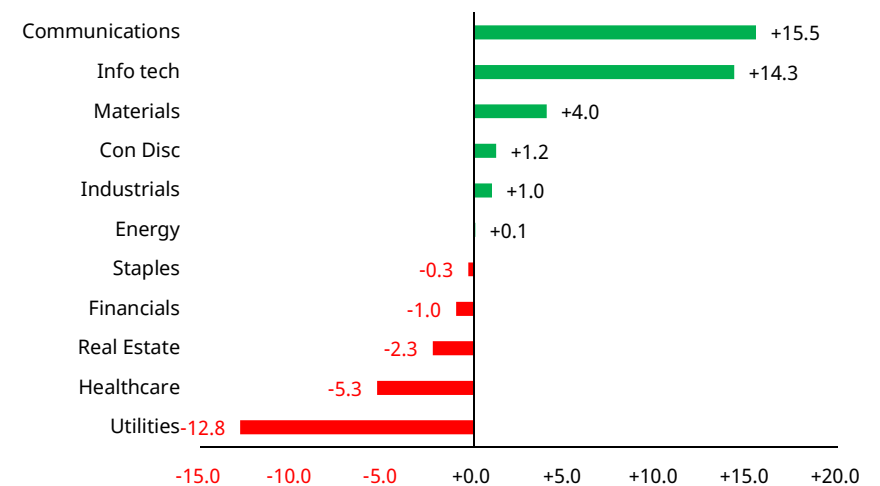


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

We see the market's retracement as an opportunity to buy

Exhibit 5: Regional Price-Earnings Ratio (x)

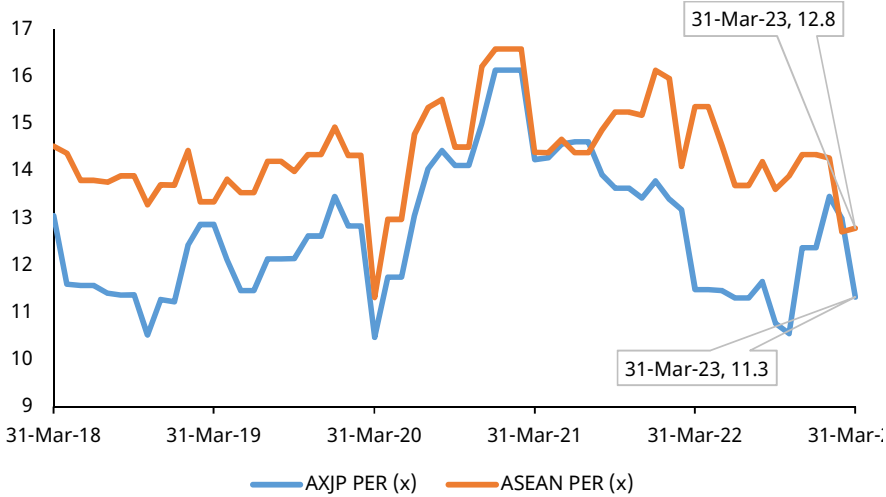


Exhibit 6: Regional Price-to-Book Ratio (x)

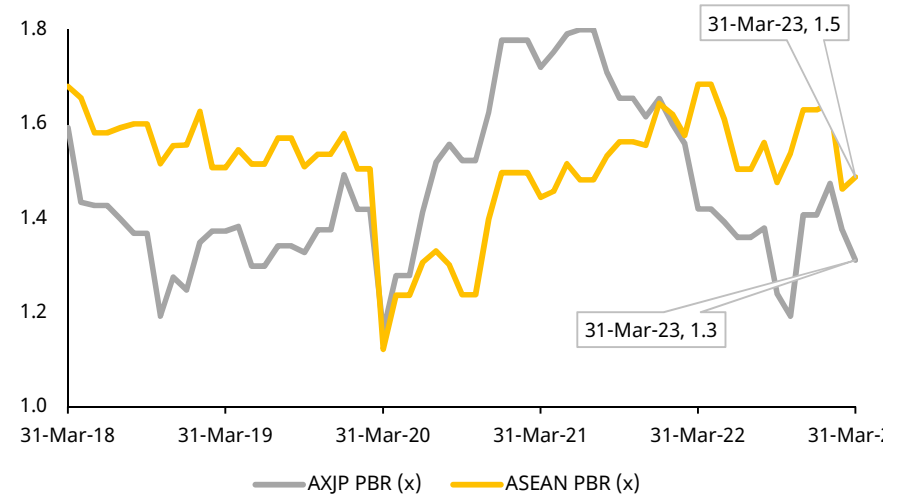


Exhibit 7: Regional Dividend Yield (%)

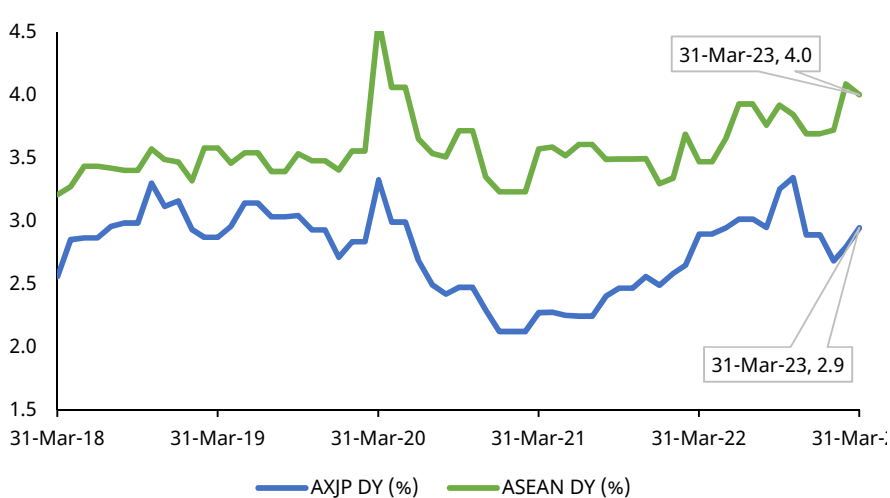
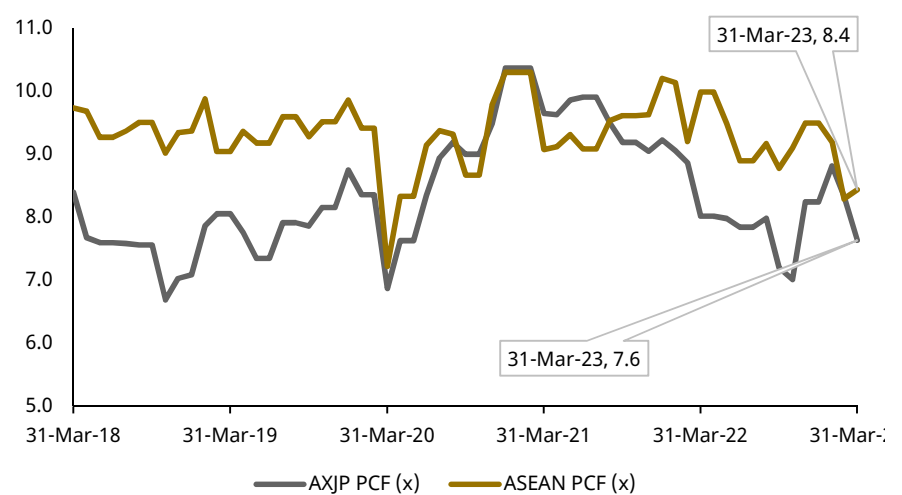


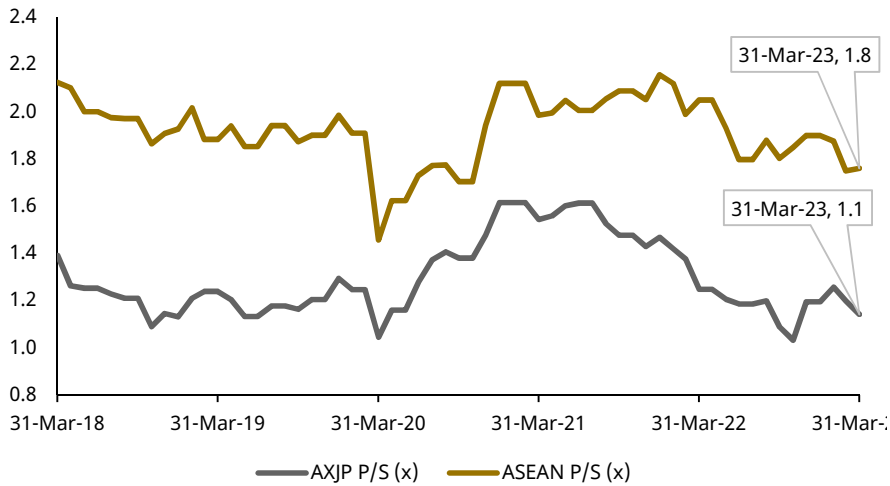
Exhibit 8: Regional Price-to-Cash Flow (x)



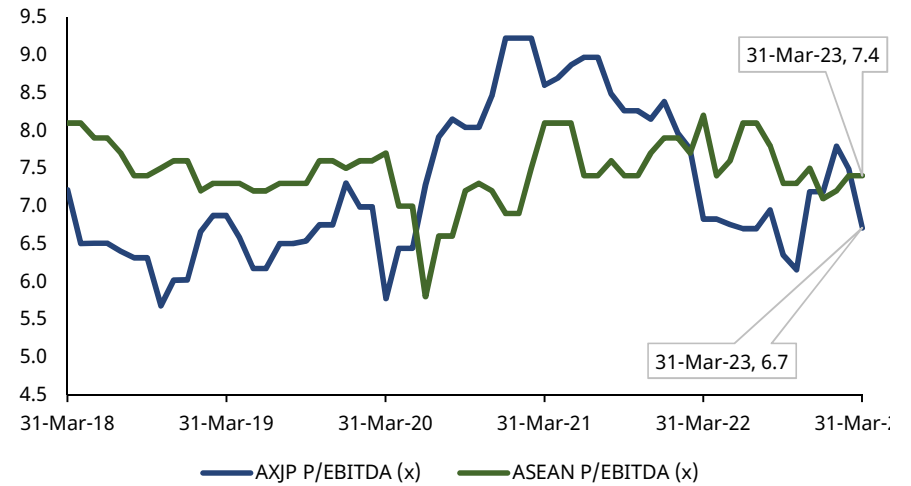
3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

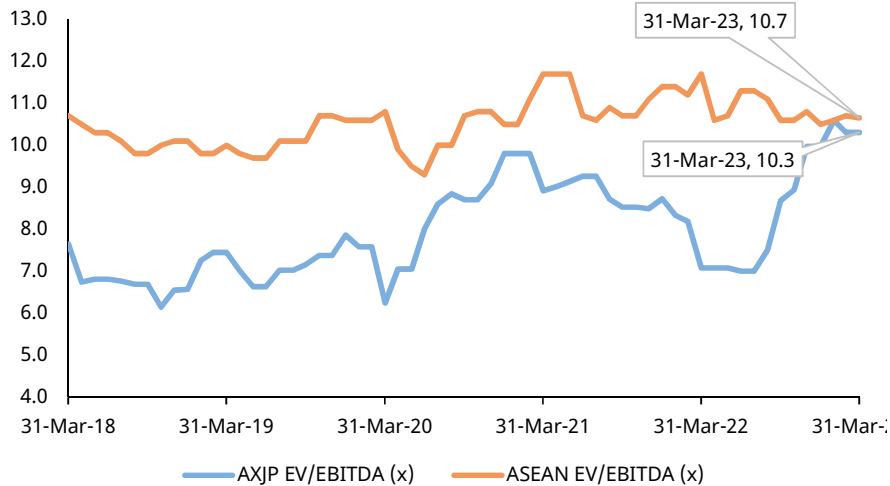
Regional Price-to-Sales Ratio (x)



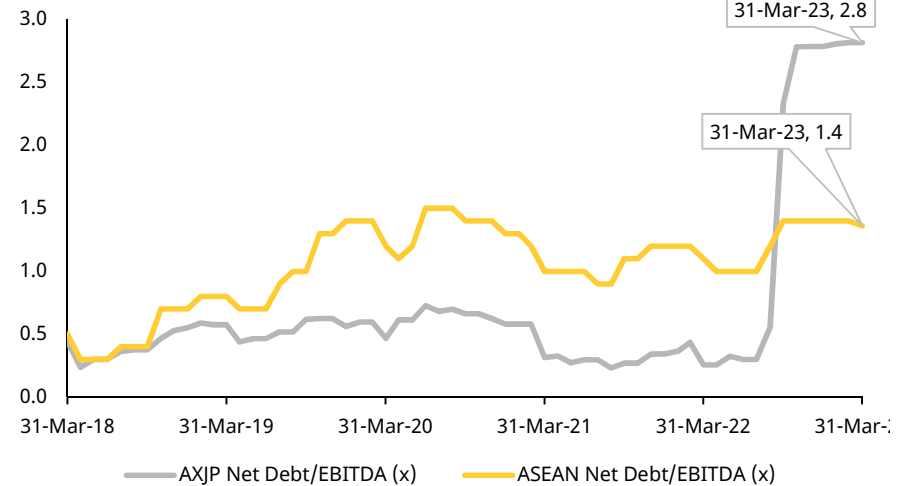
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign funds have turned net sellers as uncertainties rise

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

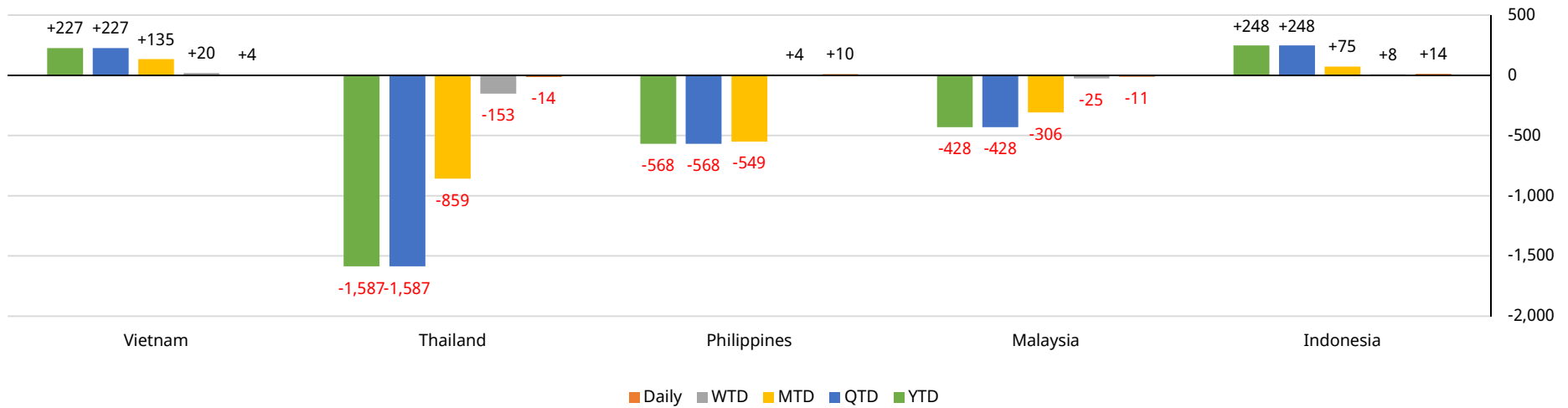
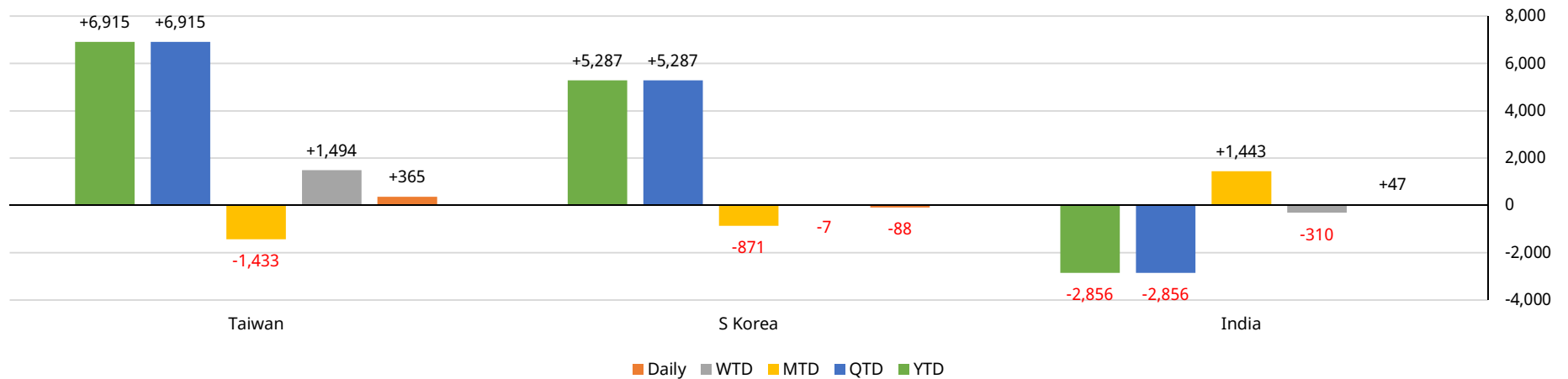


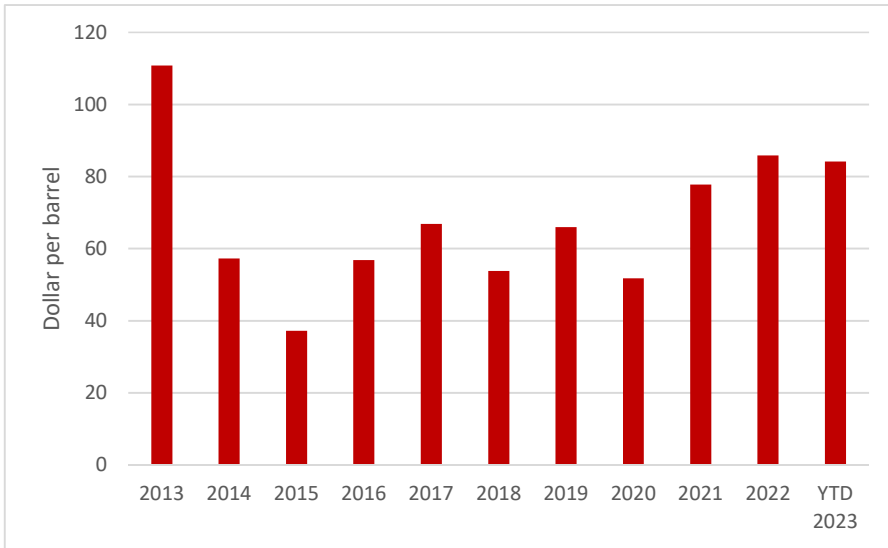
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



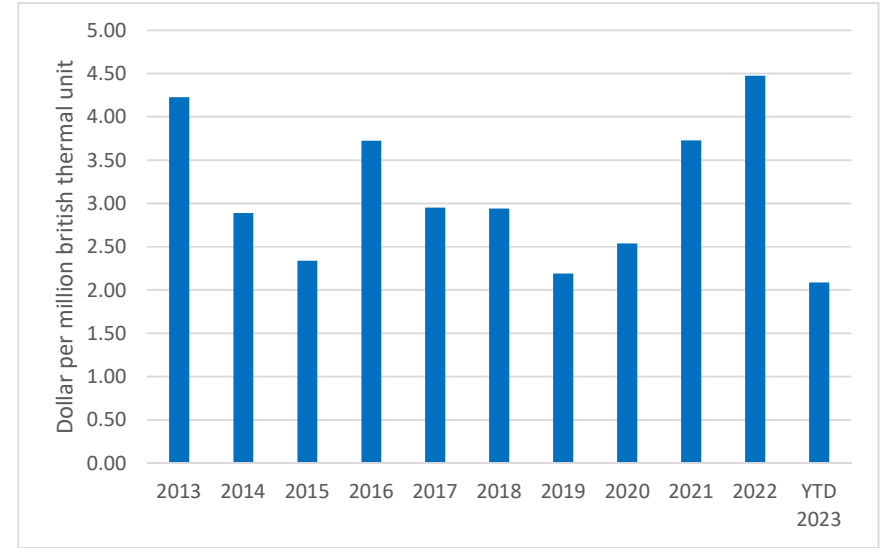
5.0 Energy Annual Prices

Energy Prices Weighed by Global Macro Uncertainties

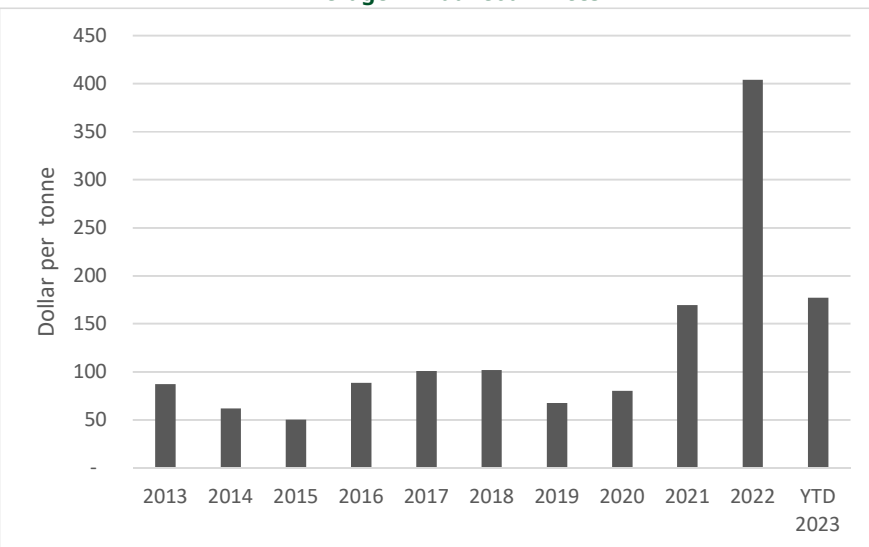
Average Annual Brent Oil Prices



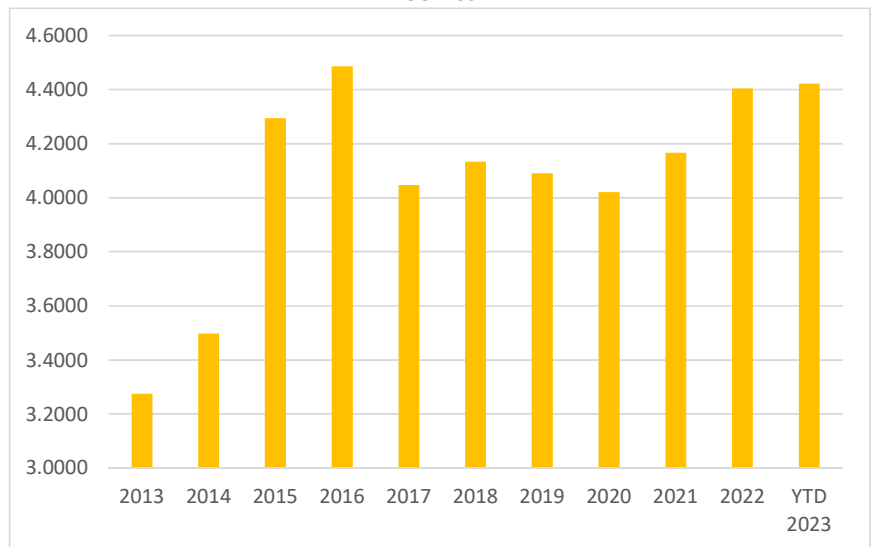
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

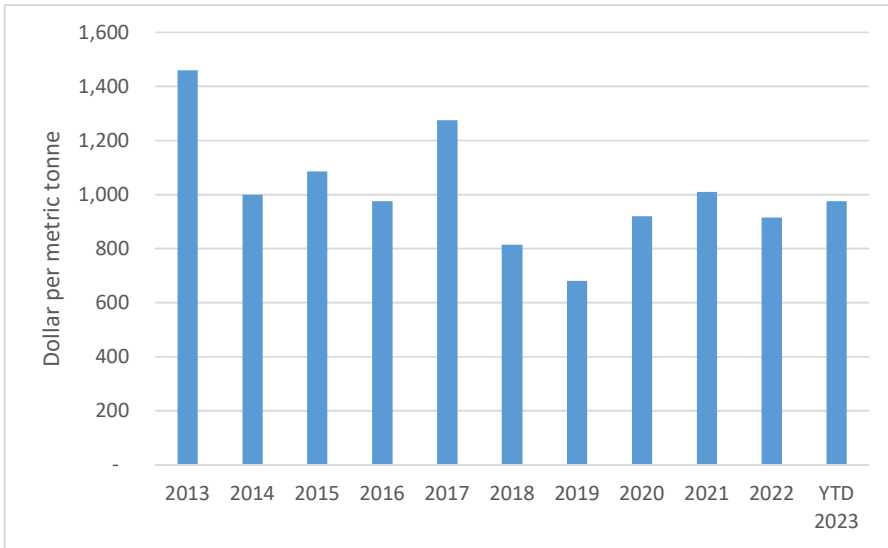


Source: Bloomberg

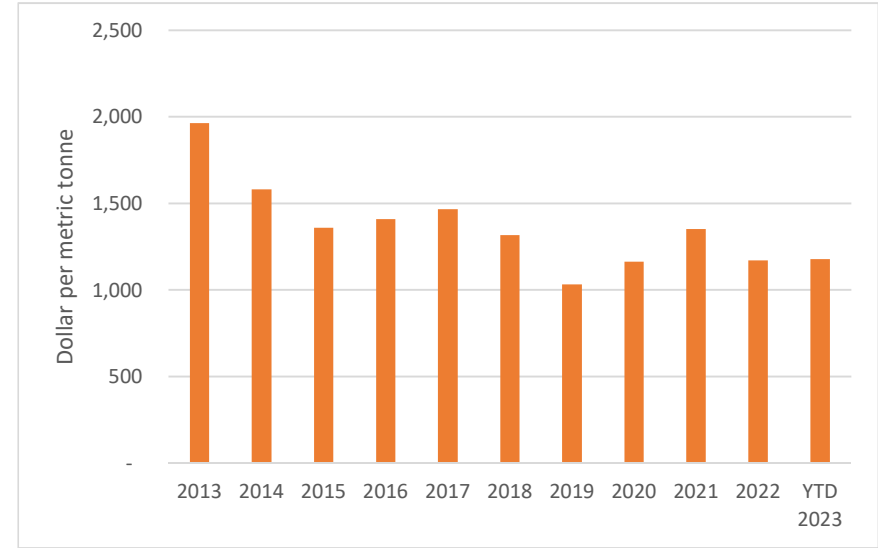
5.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

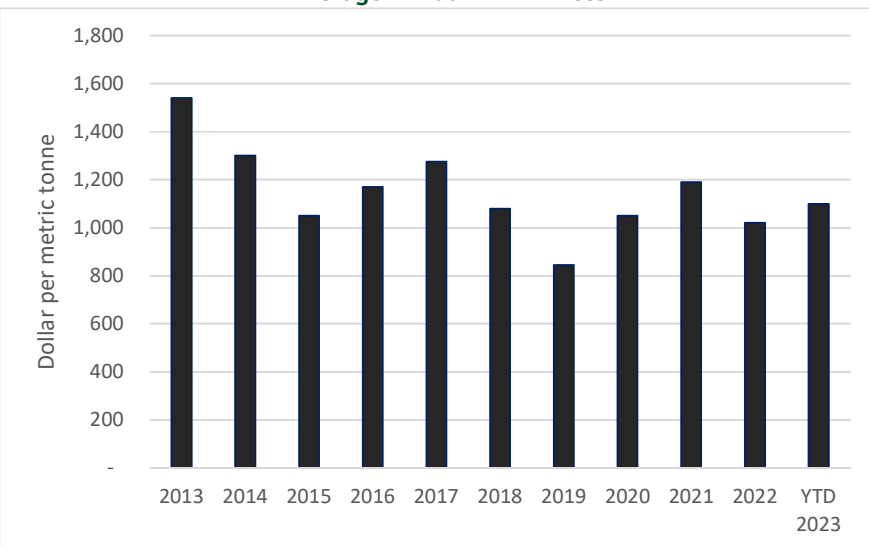
Average Annual Ethylene Prices



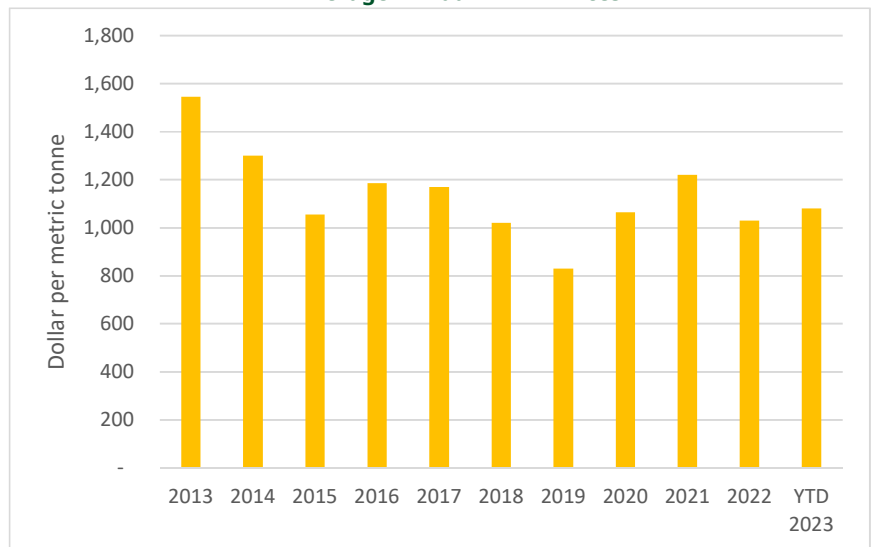
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

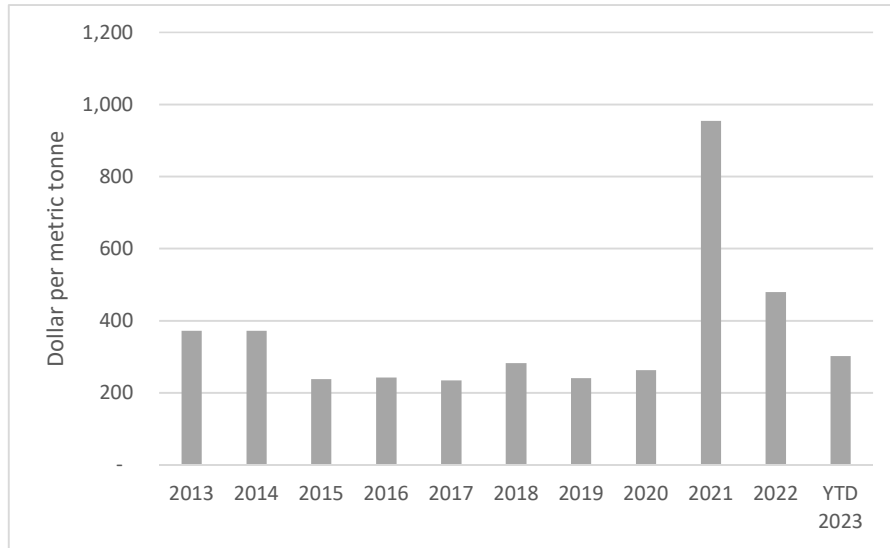


Source: Bloomberg

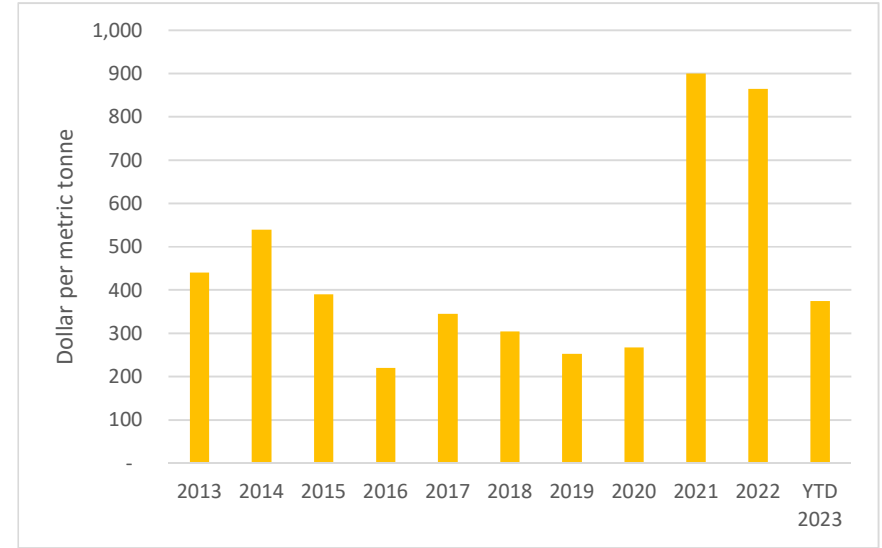
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Returned to Pre-Covid Price Range

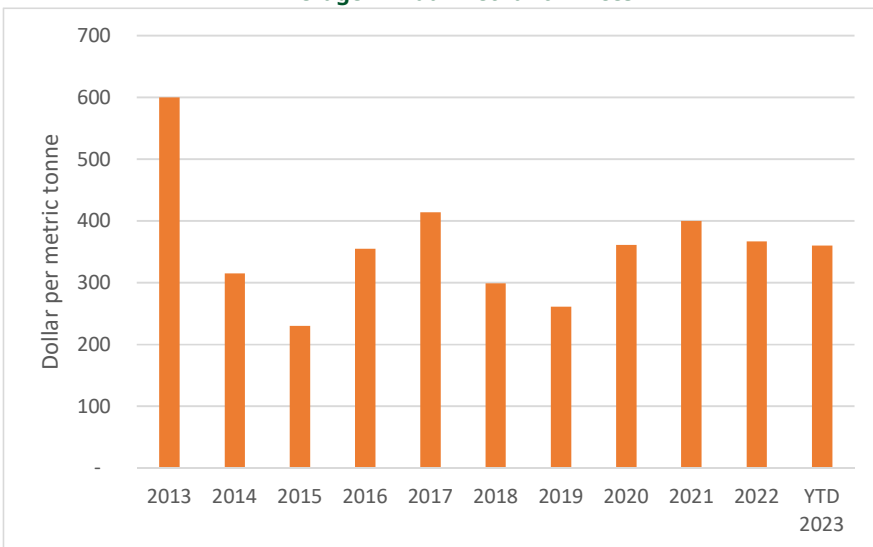
Average Annual Urea Prices



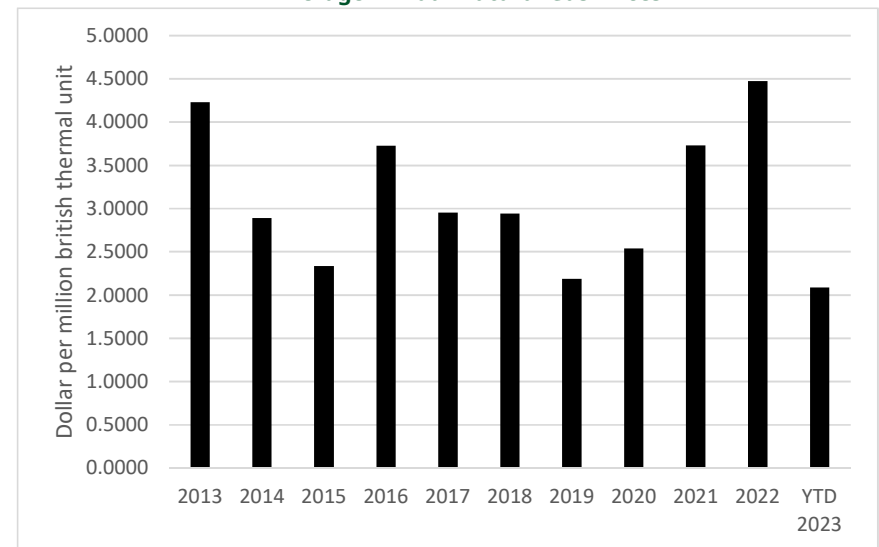
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

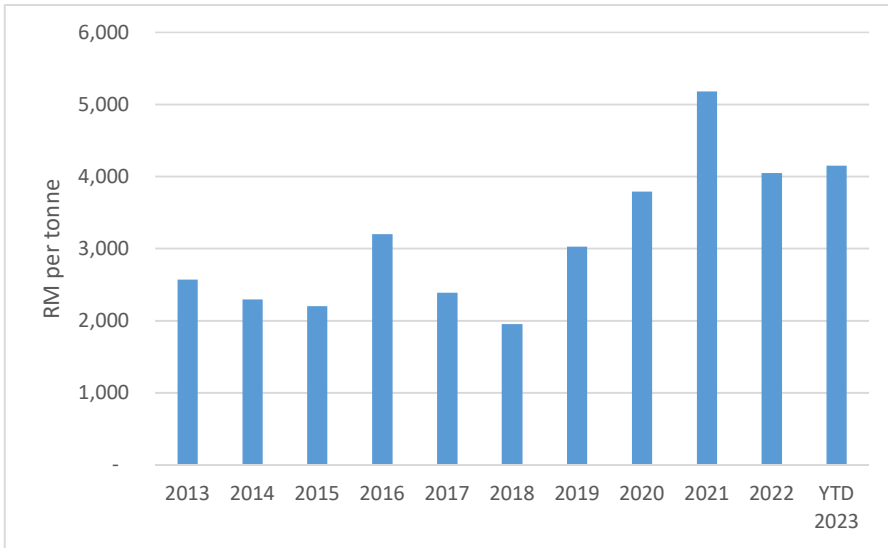


Source: Bloomberg

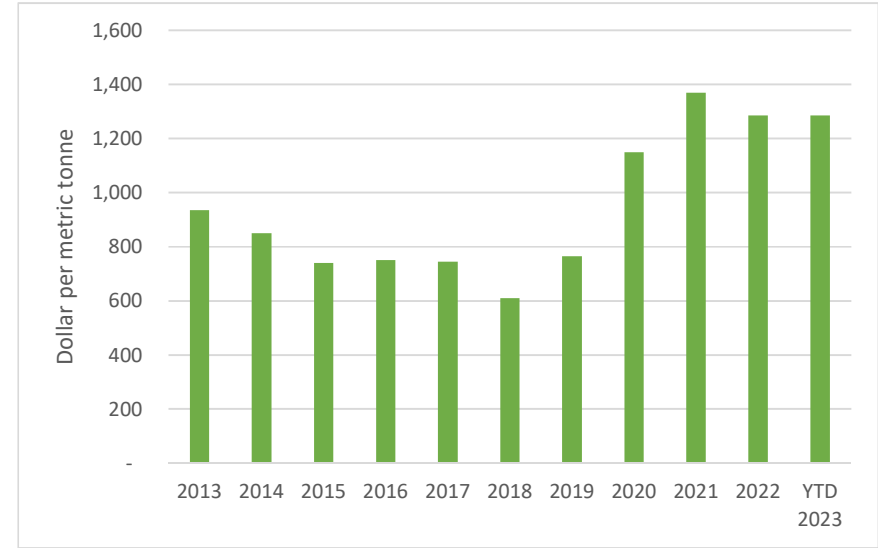
5.3 Agricultural Annual Prices

Prices to Trade Rangebound

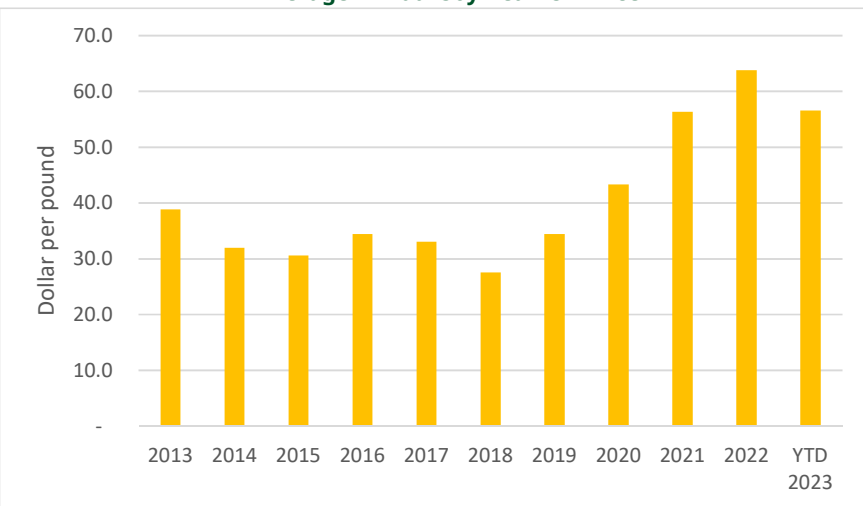
Average Annual Palm Oil Prices



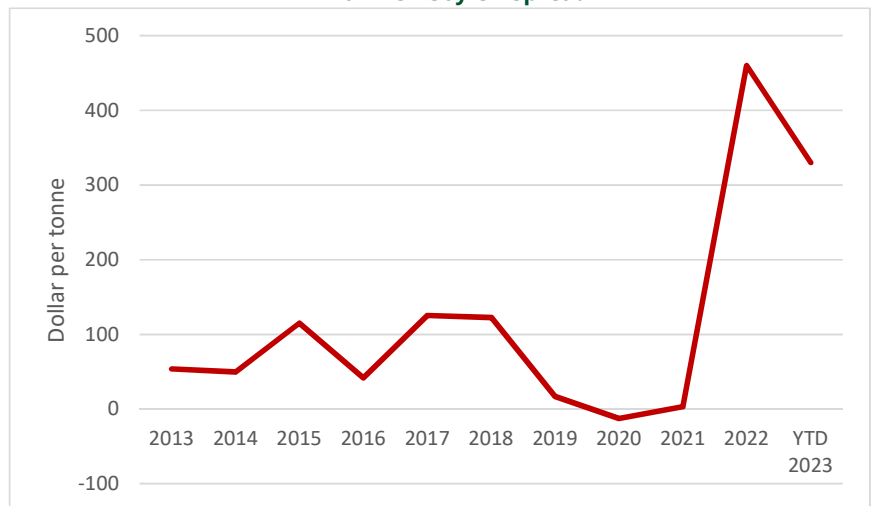
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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