

# Portfolio Managers' Views



**22 May 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (15 - 19 May 2023) & Our Managers' Views

- 1 Aluminium's Upside outweighs Downside:** We attended a foreign broker's briefing on aluminium. The view is that supply remains tight due to decarbonisation efforts in China. We believe that demand may outstrip supply as consumption recovers and investors tilt their ESG mandates to include aluminium as it is one of the greenest metals. We are invested in Press Metal, the largest aluminium producer in the region.
- 2 Cement Industry Turnaround:** Hume Cement, one of the 5 major cement makers in Malaysia reported a 5x increase in profits QoQ. This can be attributed to the industry's consolidation which started in 2019 and has resulted in relieved pricing competition between cement makers. Hume benefitted from higher cement prices, lower sales rebates and lower production costs. Our funds are invested in Hume Cement warrants and Malayan Cement, the largest cement maker in Malaysia.
- 3 Potential consumer demand downtrading:** We have attended briefings with a gold jeweller and brewer. Although demand typically weakens after Chinese New Year festivities, both companies noted that the weakness in 2023 was worse than usual. This signals that consumers are starting to reduce their spending due to economic uncertainties. We think the impact will be more pronounced on higher end goods, benefitting the affordable niche such as Padini in which we are invested.
- 4 Tomei's potential acquisition of Pajak Gadai to unlock synergies:** Tomei announced its intention to buy Pajak Gadai, a local pawn shop for RM3.8mil. We deem this acquisition to be positive as it creates synergies between the two companies. Tomei can buy cheap unredeemed gold from Pajak Gadai, remould it and sell it again. Moreover, a listed pawnshop reported a 67% YoY growth in net profit and a 15% net profit margin, which implies that pawnshops are a lucrative business.
- 5 China's consumer sector outpaced industrials in Apr-23:** Retail sales grew 18.4% YoY vs. industrial output of +5.6%. Among the fastest-growing consumer sectors were gold, silver and jewelry (+44.7%), garments and footwear (+32.4%) and sports and recreation goods (+25.7%). Baidu's 1Q23 revenue growth of 10% YoY, driven by advertising, also supports the surge in consumption. We are invested in China's apparel, payment systems and e-commerce sectors.
- 6 Valuations:** KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13.2x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.4%, above its 10-year high of 4.3% 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

Bursa Healthcare Index rose 6.0% WTD led by glove stocks.

Exhibit 1: KLCI vs Shariah Index

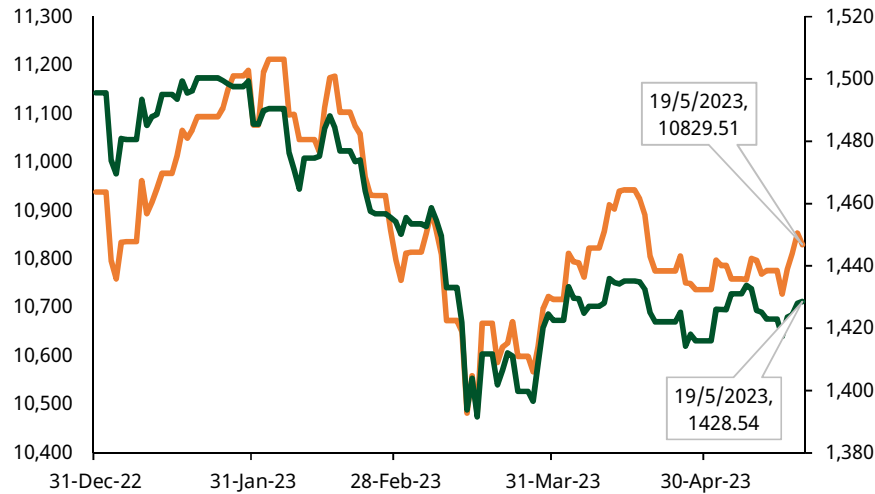


Exhibit 2: USDMYR

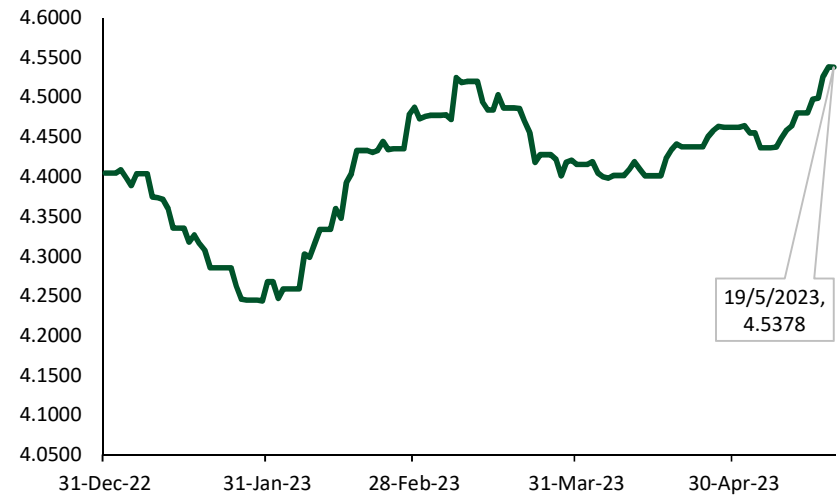


Exhibit 3: Sector Performances Week-to-Date (%)

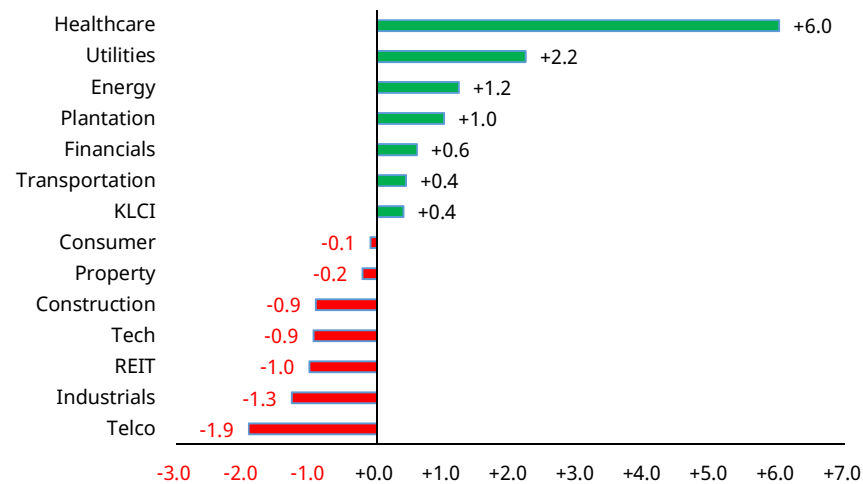


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

# 2.1 MALAYSIA VALUATIONS

## Valuations remain at Historical Bottoms - BUY Territory

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

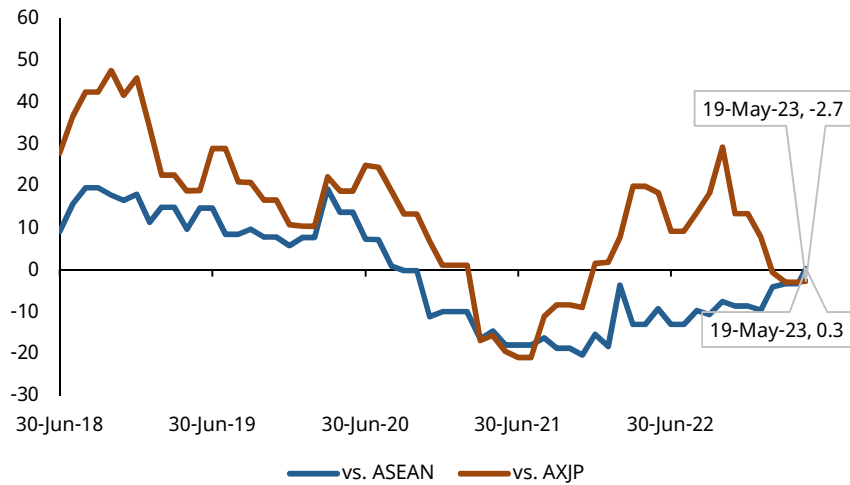


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

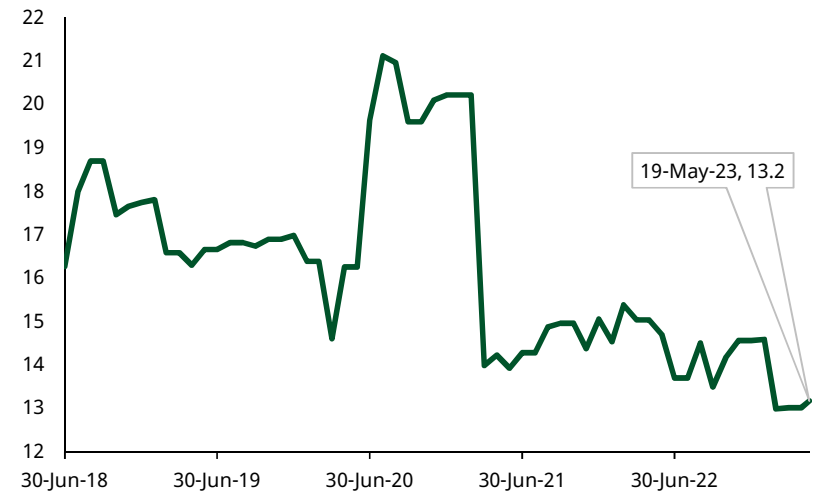


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

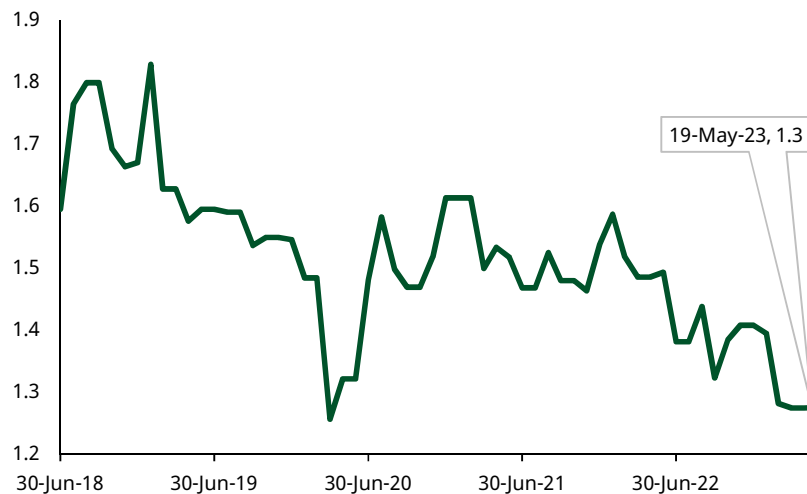
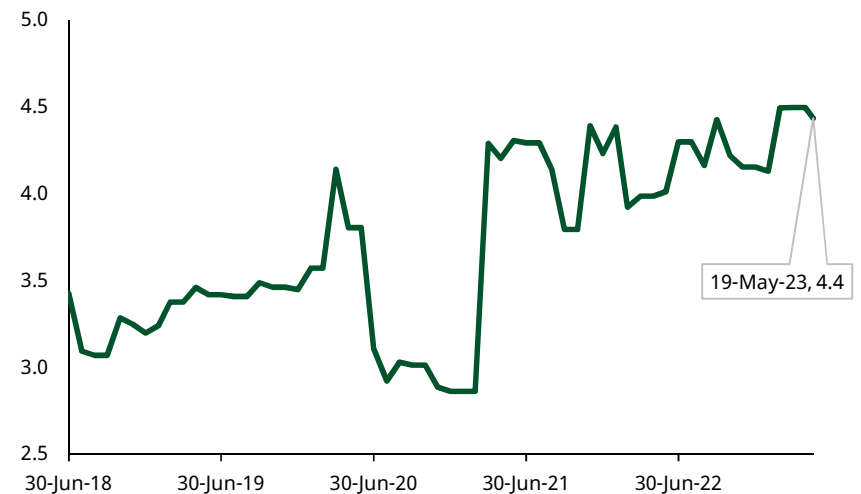


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

## Taiwan & Korea outperformance driven by technology stocks

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

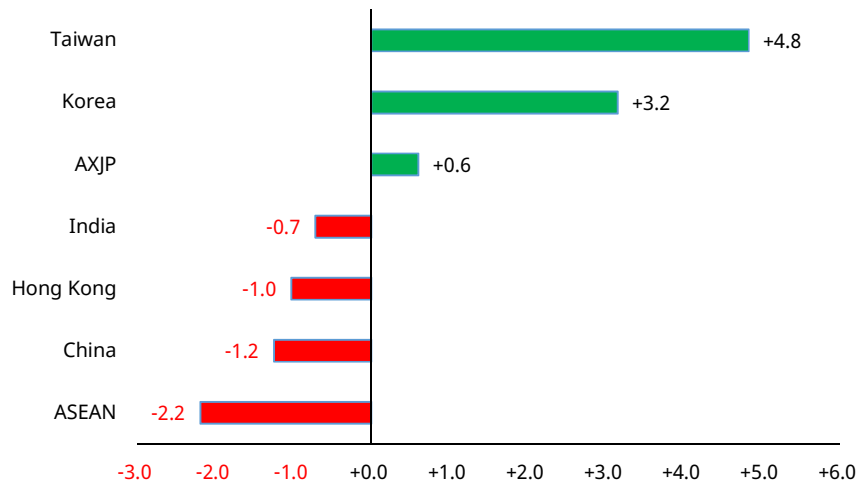


Exhibit 2: Country Performances Year-to-Date (%)

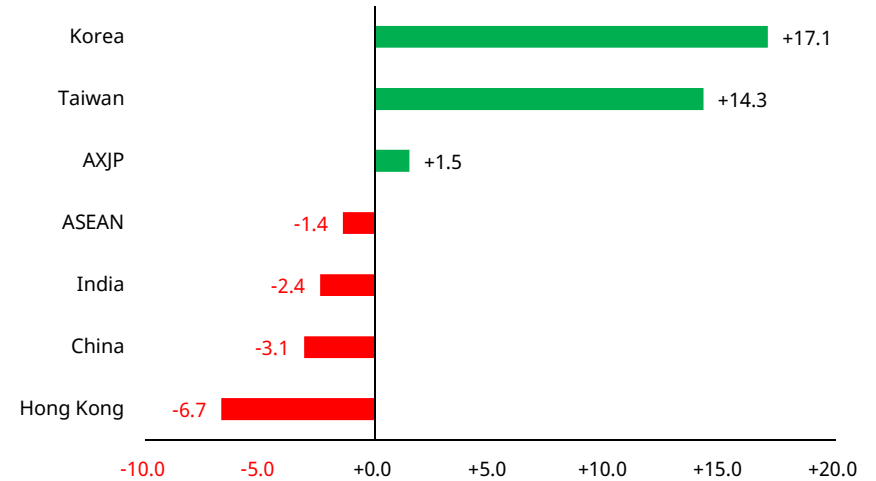


Exhibit 3: Sector Performances Week-to-Date (%)

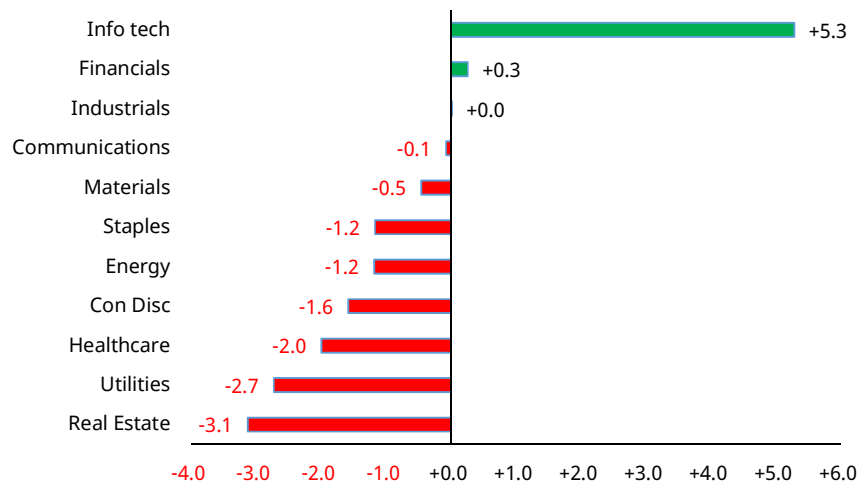


Exhibit 4: Sector Performance Year-to-Date (%)



# 3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

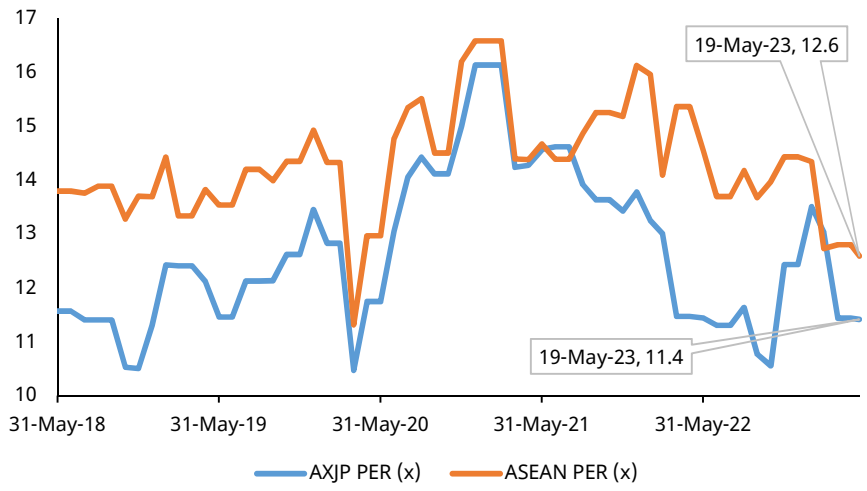


Exhibit 6: Regional Price-to-Book Ratio (x)

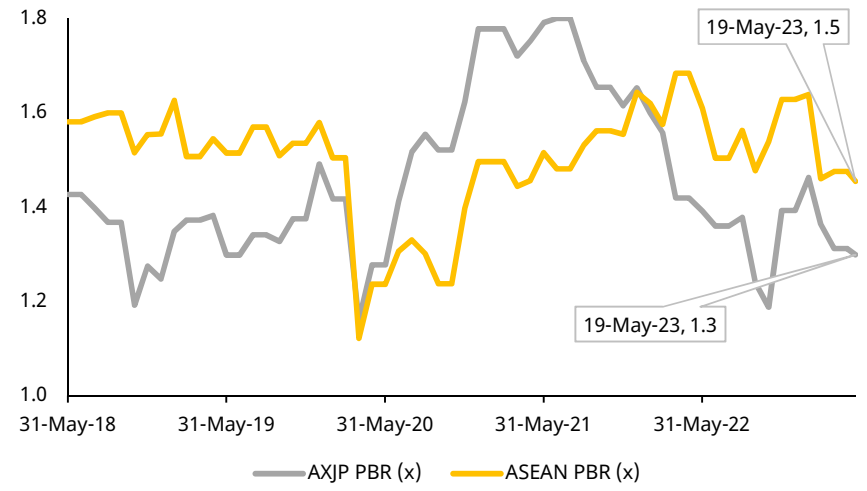


Exhibit 7: Regional Dividend Yield (%)

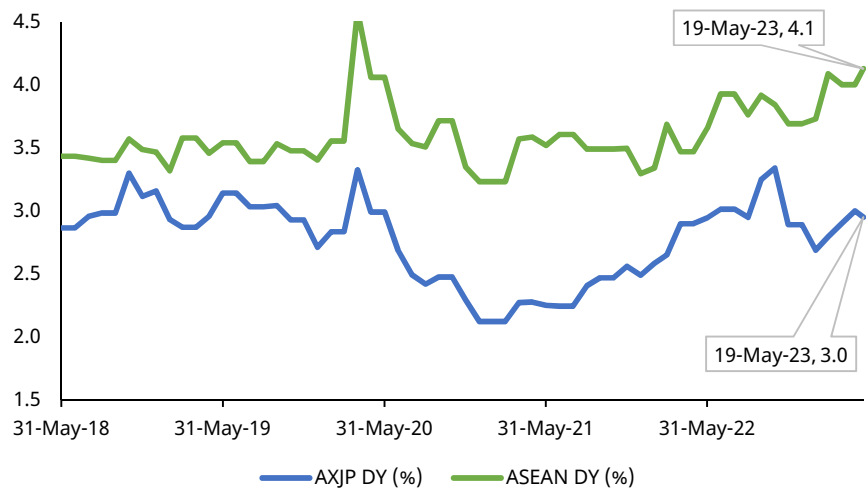
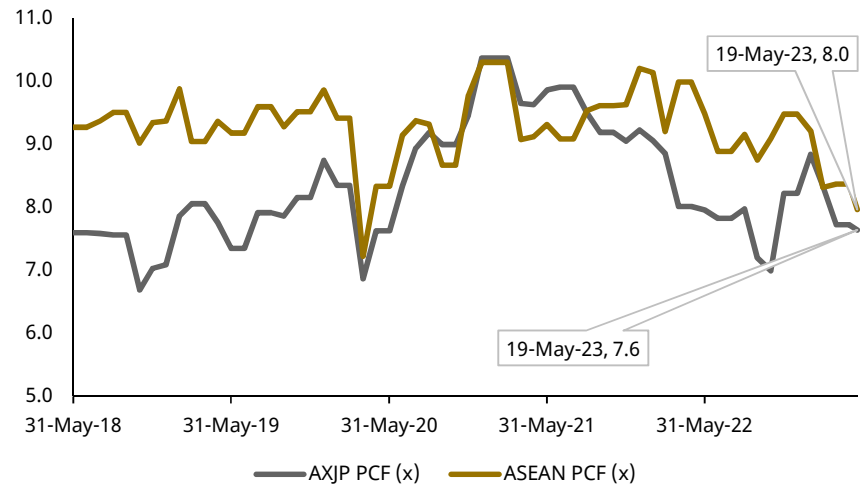


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

# 4.0 FOREIGN FUND FLOWS

Foreign funds net buy Taiwan, India and South Korea since end of Apr-23

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

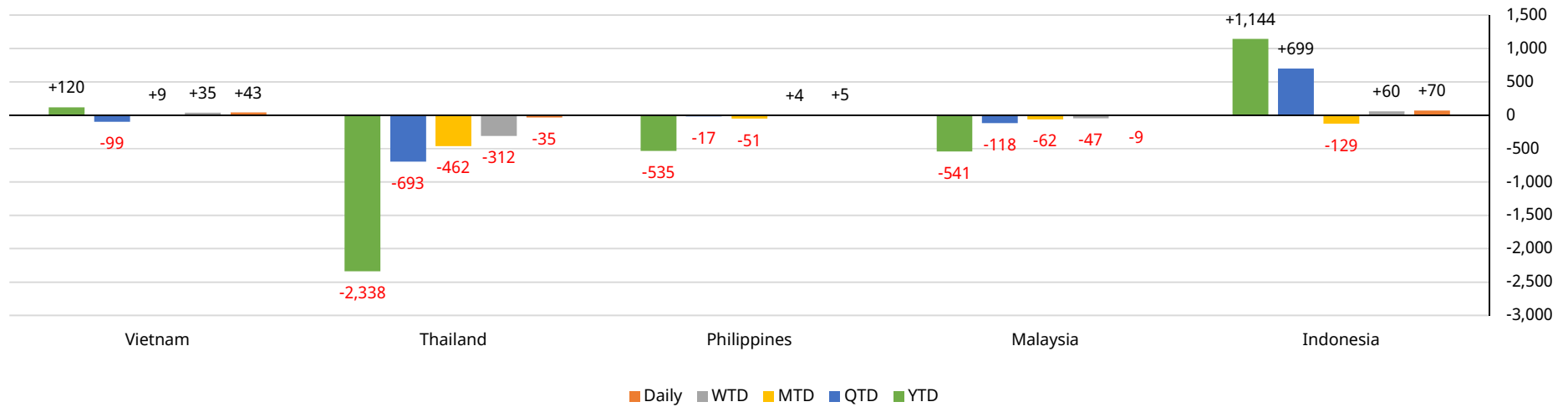
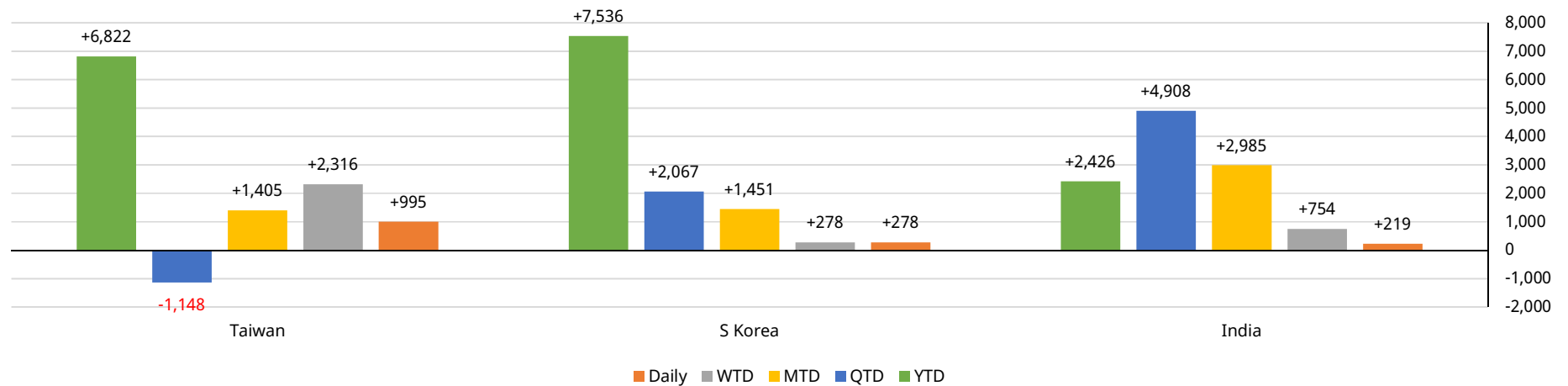


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

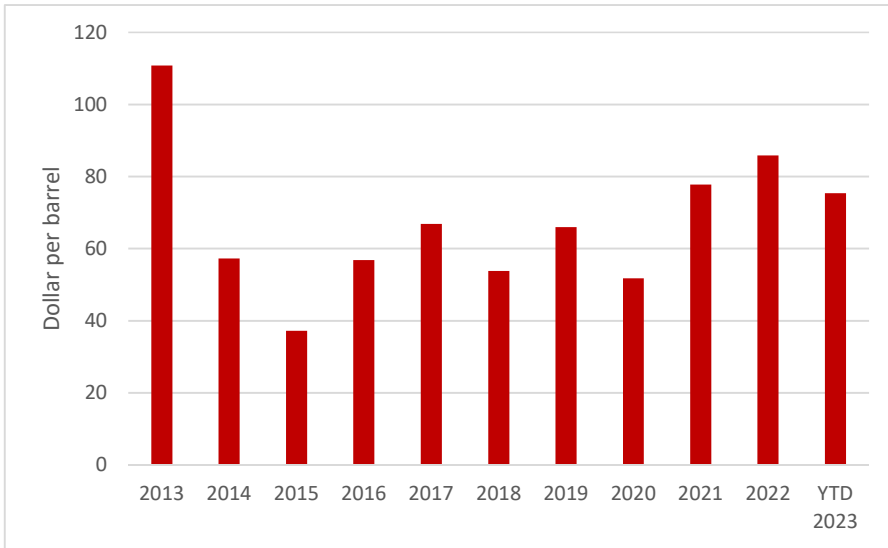


Source: Bloomberg

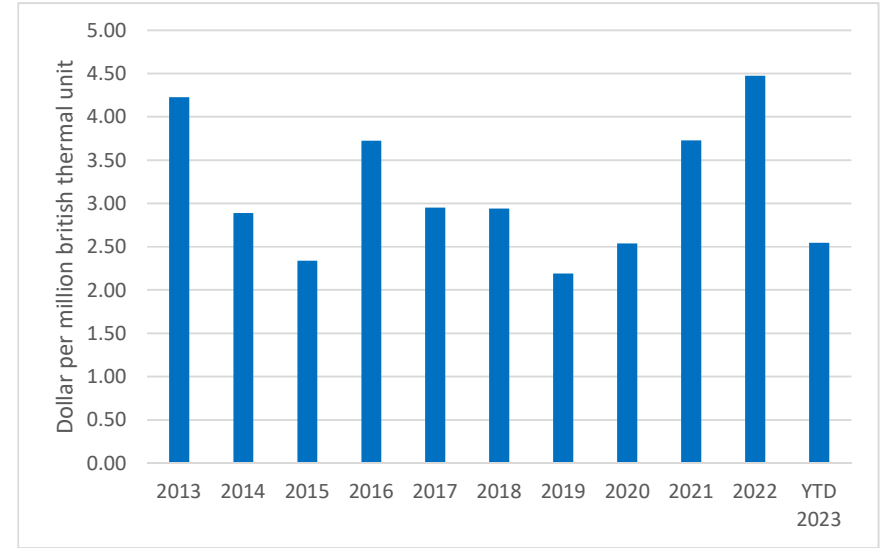
# 5.0 Energy Annual Prices

## Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

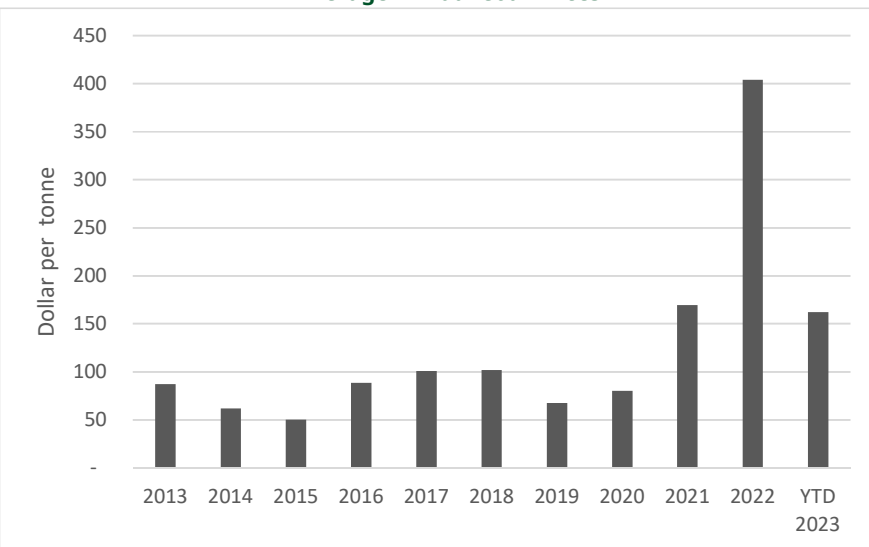
Average Annual Brent Oil Prices



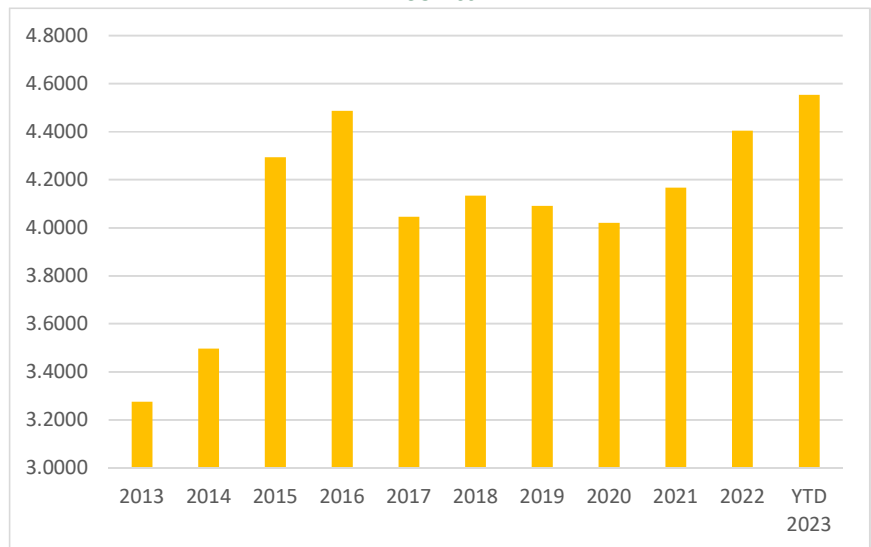
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR



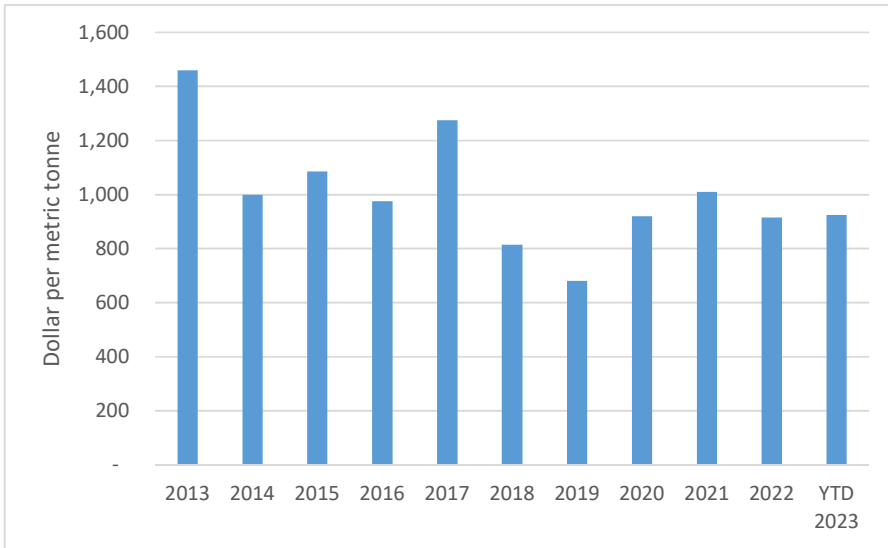
Source: Bloomberg



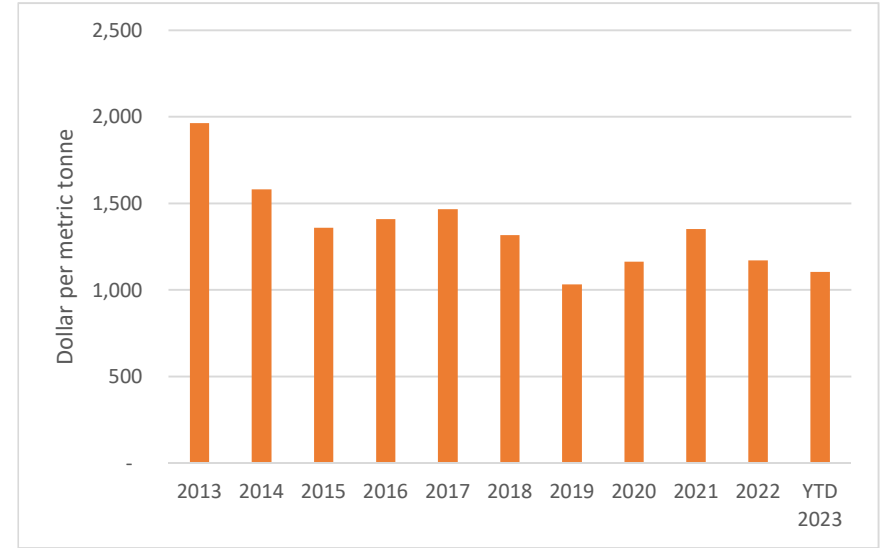
# 5.1 Petrochemical Annual Prices

## Modest Price Increase On China's Reopening Demand

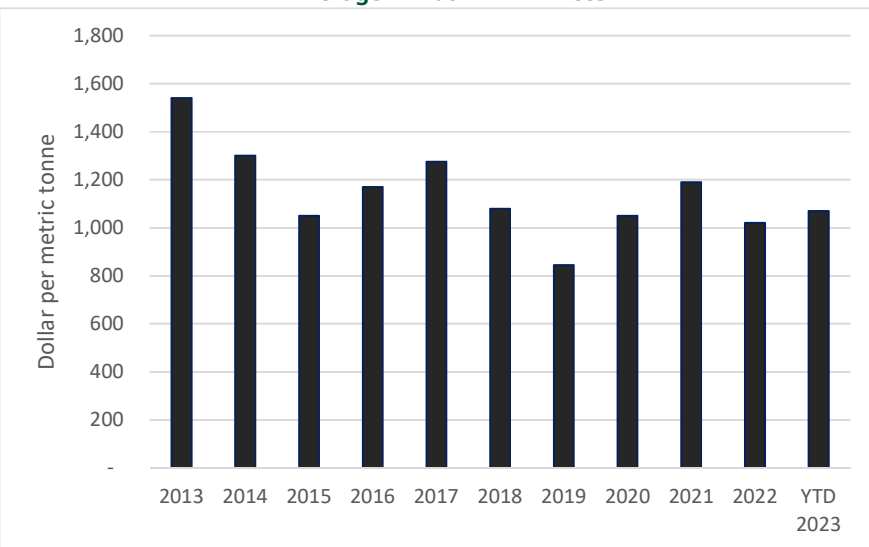
Average Annual Ethylene Prices



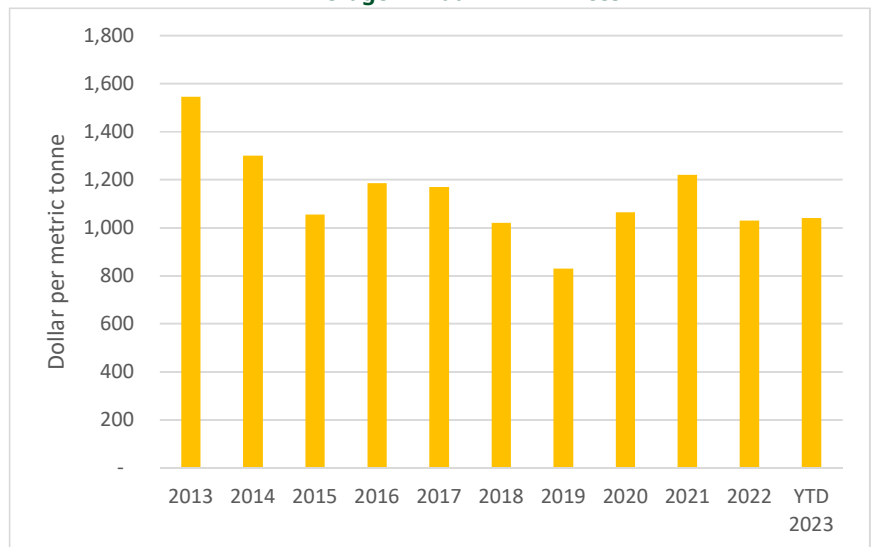
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

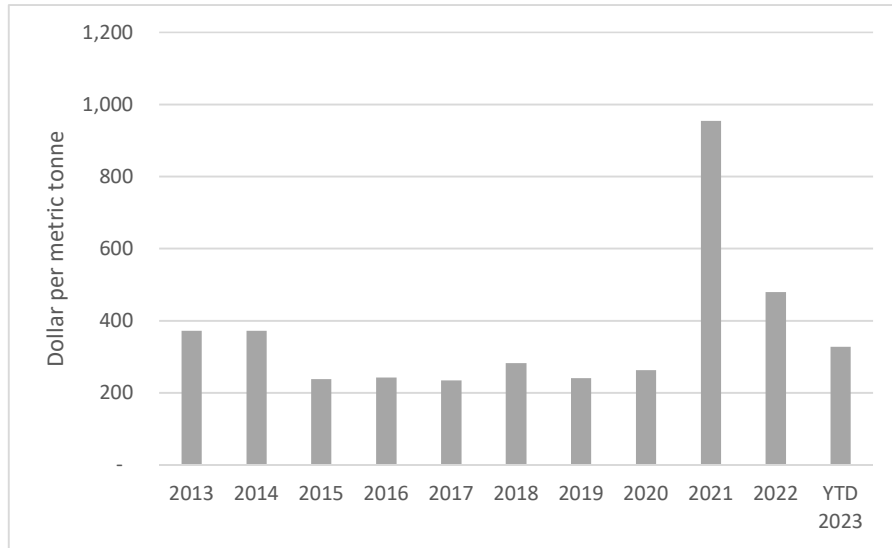


Source: Bloomberg

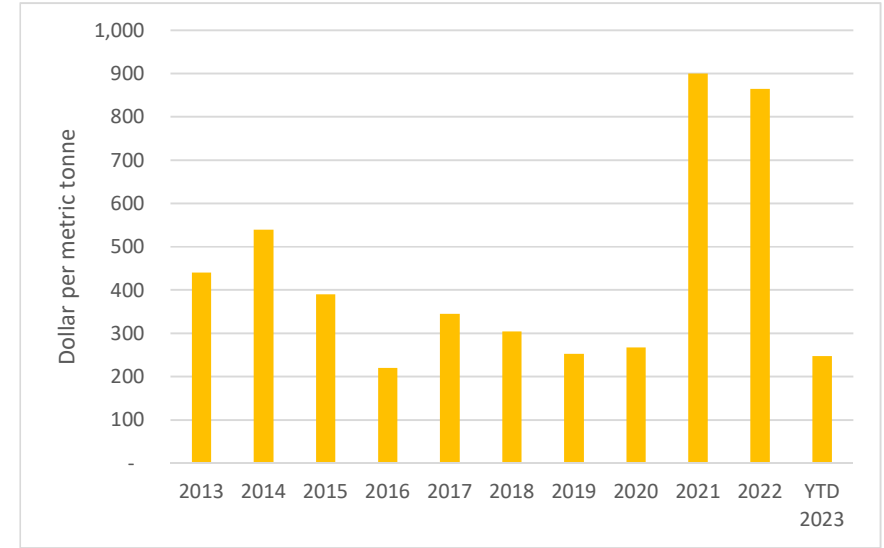
# 5.2 Fertiliser Annual Prices

## Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

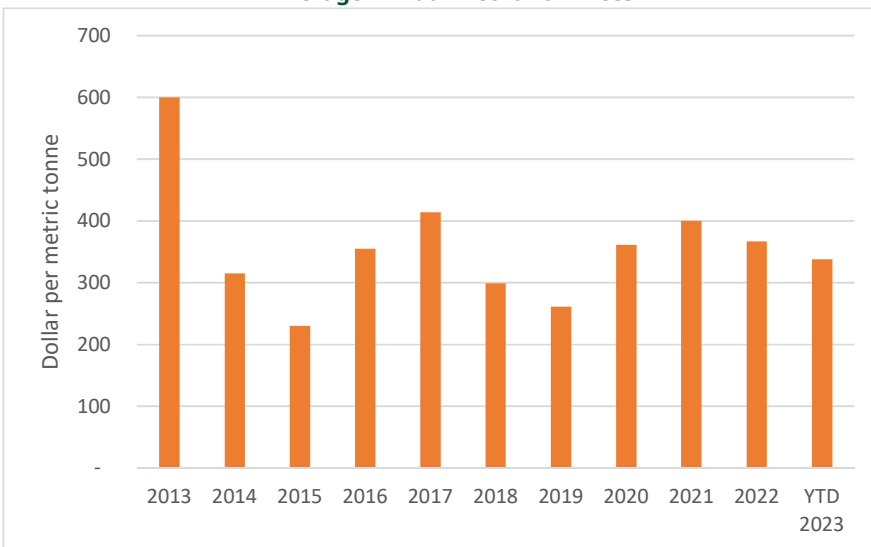
Average Annual Urea Prices



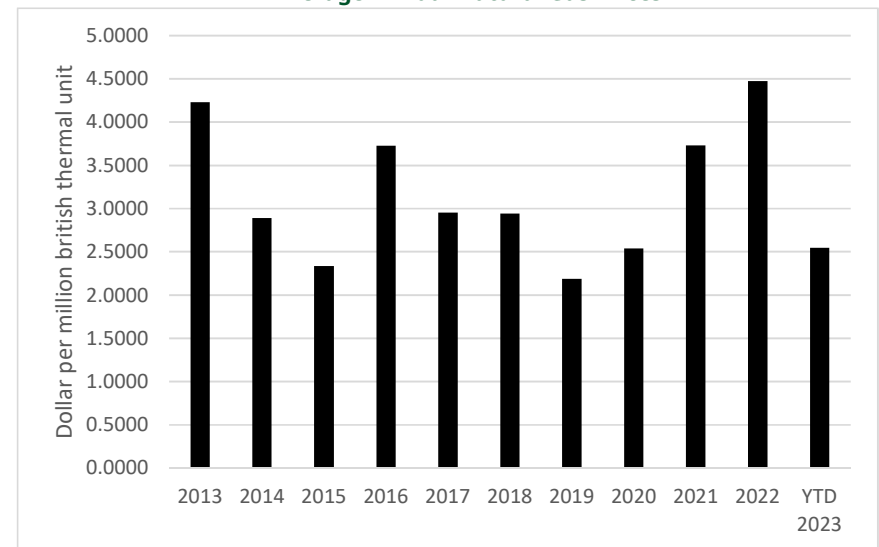
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

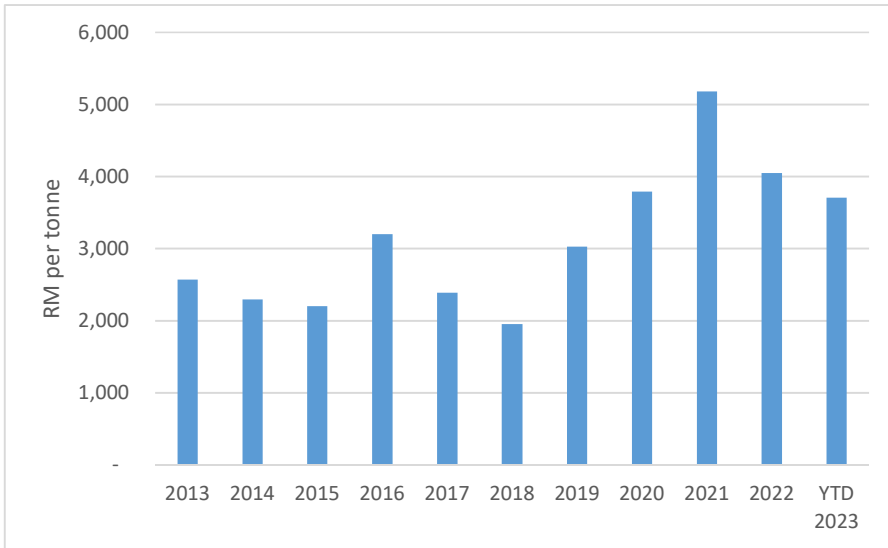


Source: Bloomberg

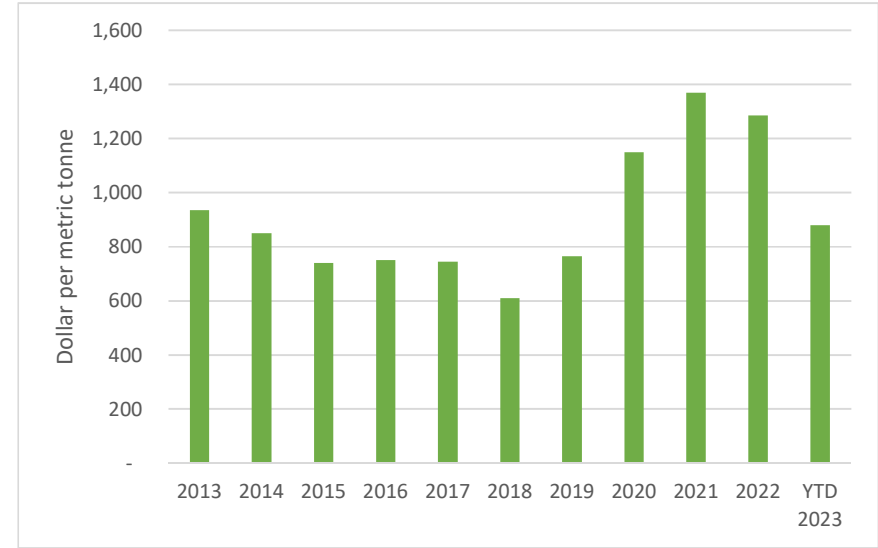
# 5.3 Agricultural Annual Prices

## Palm Oil Prices Supported By Resilient Demand

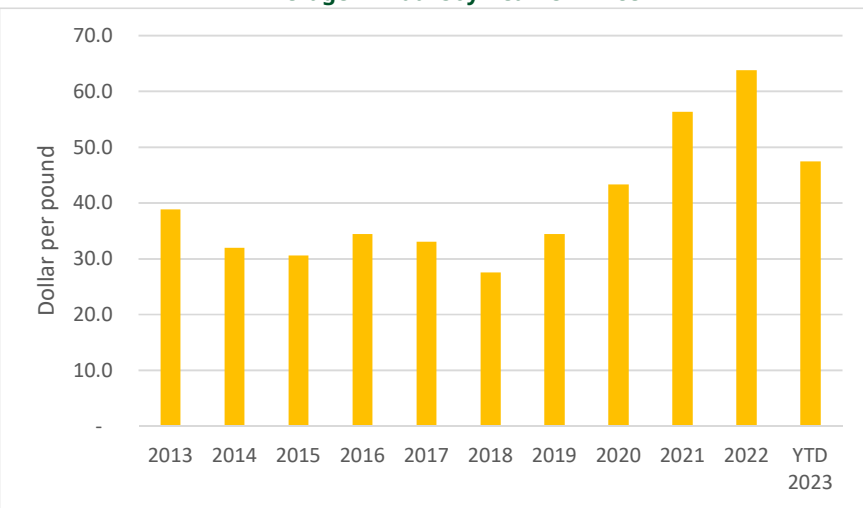
Average Annual Palm Oil Prices



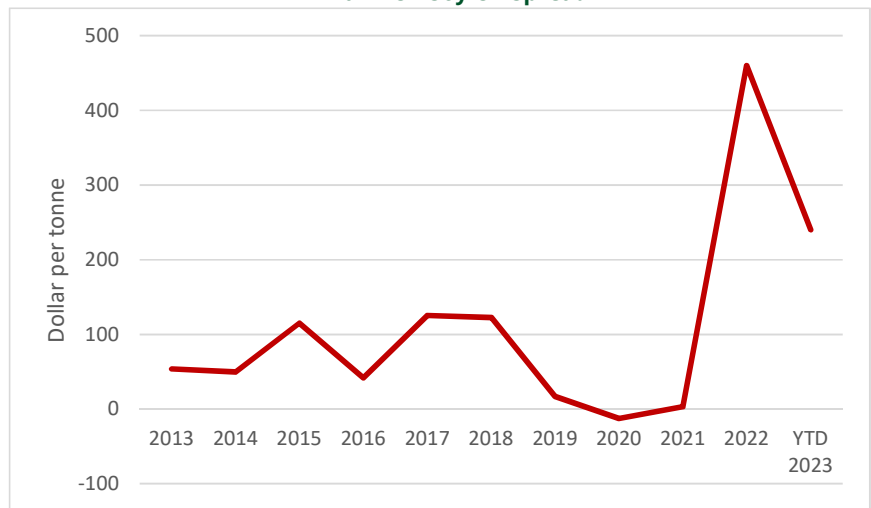
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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