

Portfolio Managers' Views



29 May 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (22 - 26 May 2023) & Our Managers' Views

- 1 We invest in Tomei to ride on gold trend and potential re-rating:** Tomei reported a 15% higher net profit of RM12.5mil for March 2023 quarter, mainly driven by higher festive sales and gold prices. We invest in Tomei for its undemanding Price-Earnings ratio of only 5x, while its regional peers are trading at 10-20x. Moreover, we expect gold prices to remain elevated due to global political uncertainties and a weakening US economy.
- 2 We invest in Malayan Flour Mills (MFL) for its potential margin expansion and positive poultry joint venture (JV) outlook:** MFL reported a 51% YoY decline in profits due to higher wheat costs, partially offset by poultry JV gains. We think that its flour segment margins will likely expand as wheat costs have declined by 21% YTD. Looking forward, we believe the poultry will grow due to higher demand from restaurants and its key partner, Tyson Foods, a global leader in protein-based foods.
- 3 We invest in Hong Leong Industries (HLI) for its high dividend yields and potential expansions:** HLI reported a 7.9% QoQ increase in core net profit due to higher Yamaha motorcycle sales. Since Yamaha is one of the top 3 best-selling motorcycles in Malaysia, HLI's earnings and dividends will likely be sustainable. Moreover, HLI may pay more dividends or expand its business as it has net cash of RM1.6bil.
- 4 Hibiscus - high free cashflows and a proxy to oil industry supercycle:** Hibiscus Petroleum's sales declined by 25% due to lower realised oil prices and lower production volume, but profits remained flat QoQ as there were many one-off charges in the previous quarter. We remain invested as we believe that oil markets may be heading into a supercycle due to years of underinvestments. Additionally, Hibiscus remains undervalued compared to its peers and offers high free cash flows.
- 5 We are optimistic on the local cement industry consolidation:** Major cement producers Malayan Cement and Hume Cement reported a 4x and 6x increase in profits QoQ. We are invested in the sector as we think that the industry's consolidation is starting to bear fruit. As the industry now practices pricing discipline, producers benefitted from higher selling prices. We think there is further room for upside as production costs decline and construction activities to pick up.
- 6 Valuations:** KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13.1x 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 4.3% 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 Technology Index rose 1.0% WTD led by Inari and Frontken.

Exhibit 1: KLCI vs Shariah Index

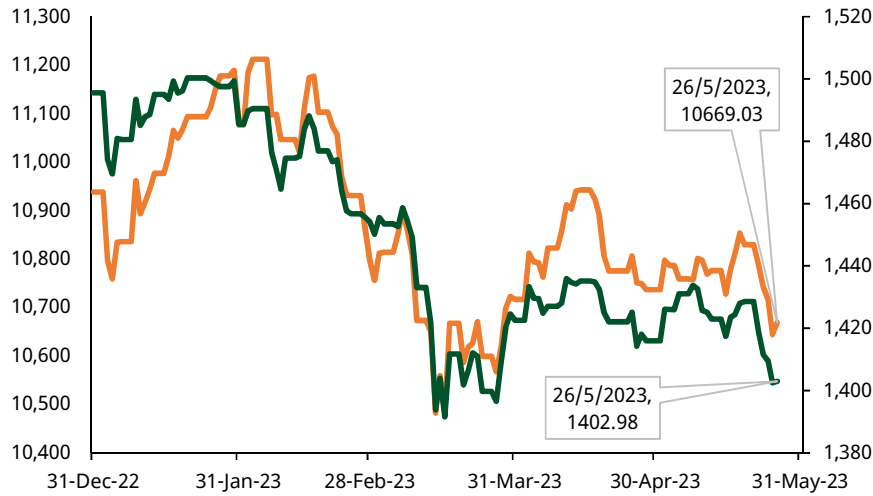


Exhibit 2: USDMYR

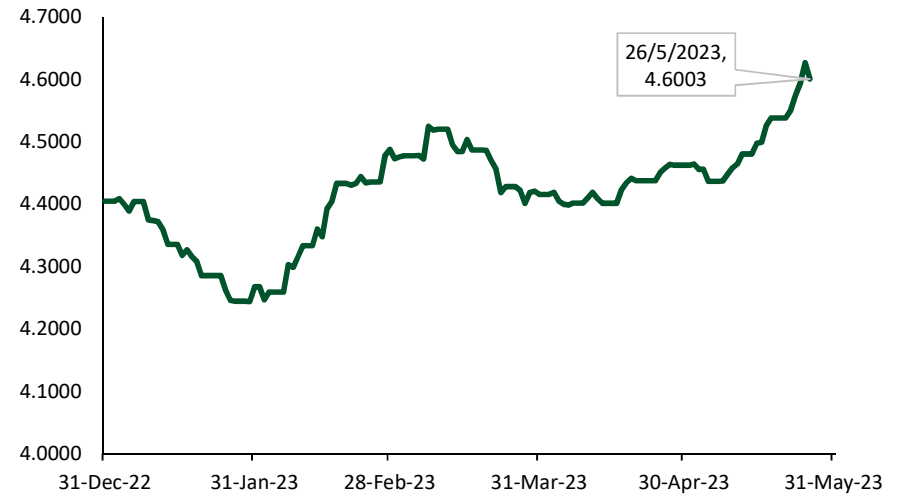


Exhibit 3: Sector Performances Week-to-Date (%)

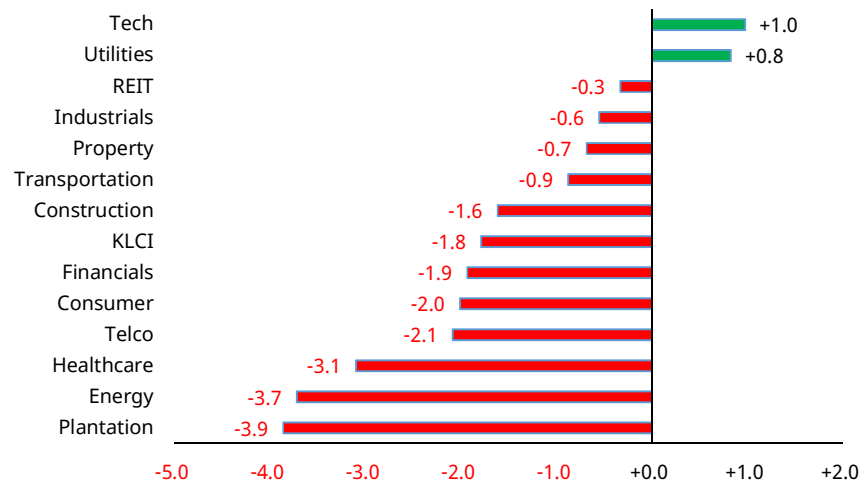
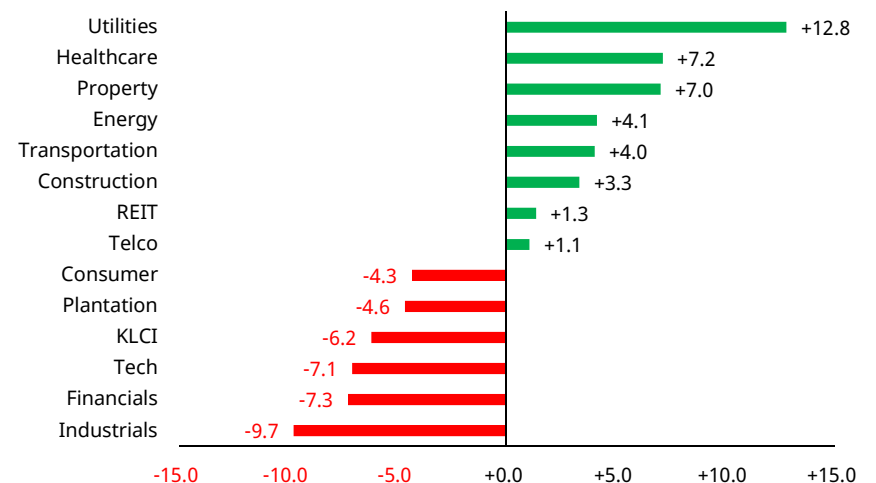


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations remain at Historical Bottoms - BUY Territory

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

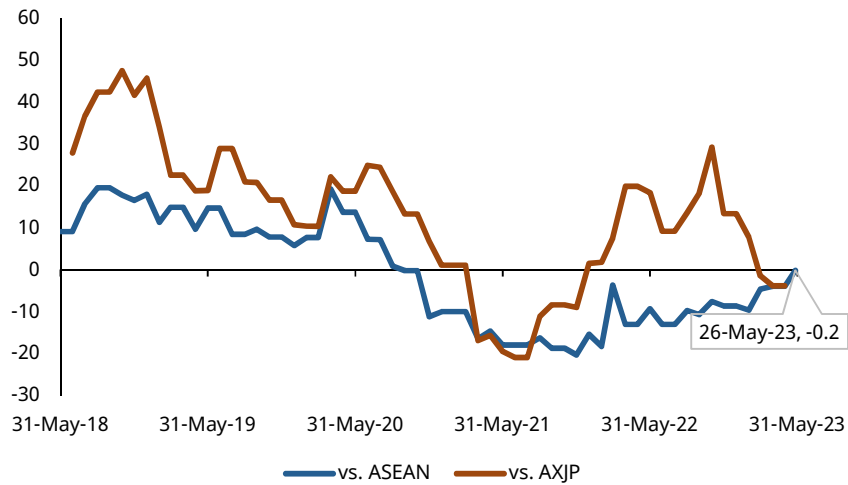


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

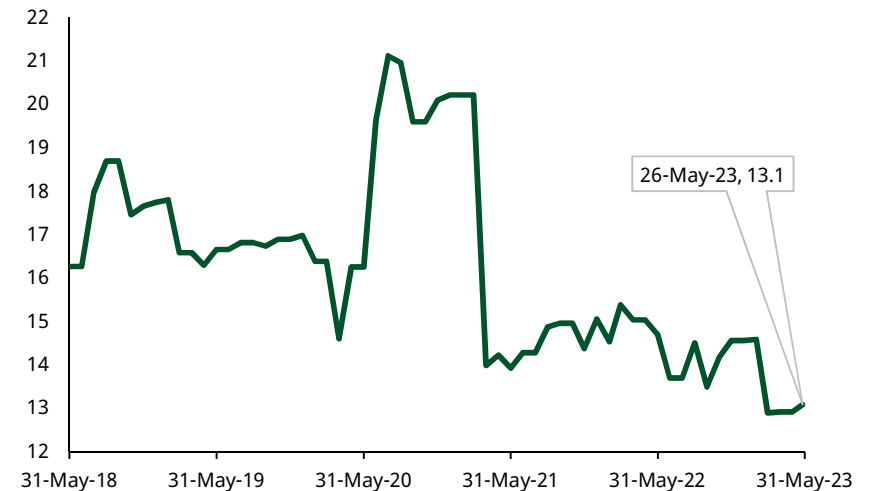


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

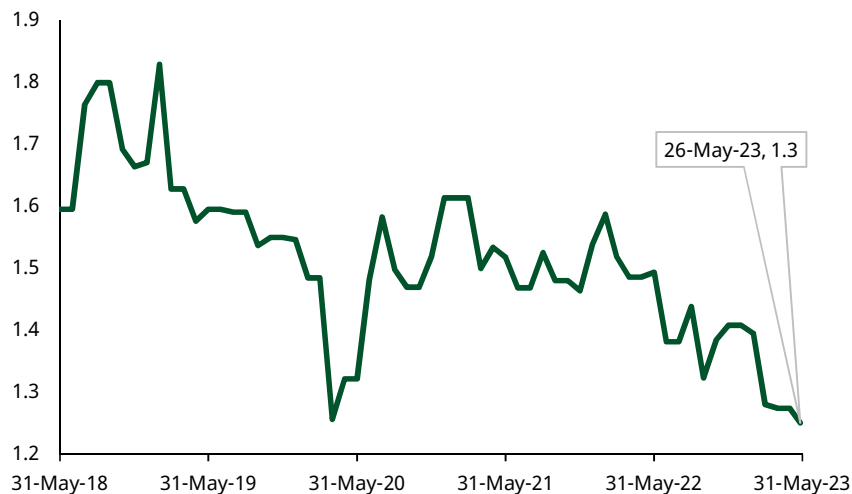
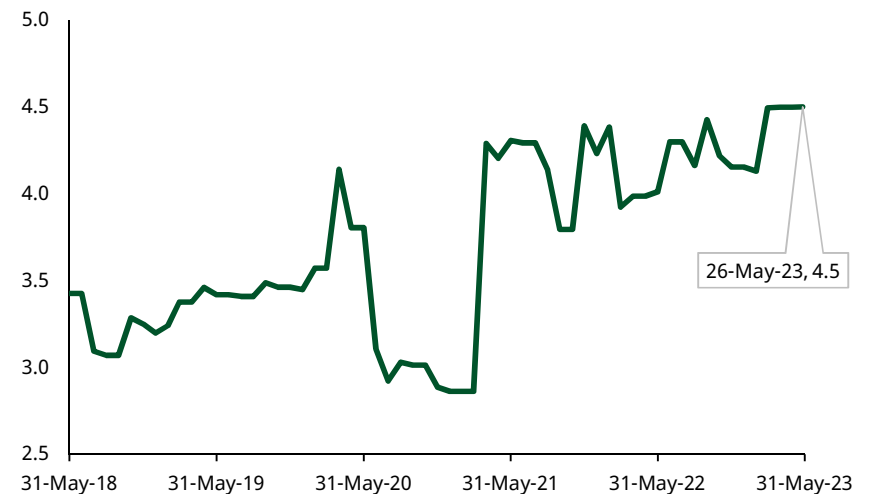


Exhibit 8: KLCI's Dividend Yield (DY, %)



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 (%)

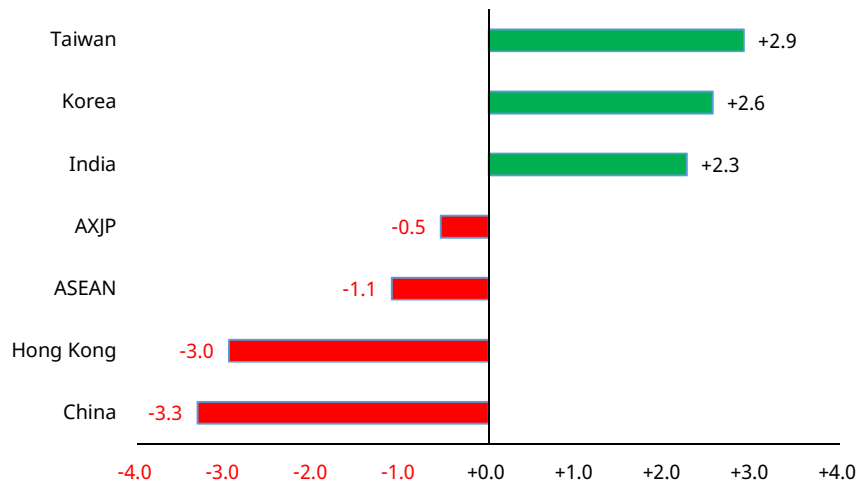


Exhibit 2: Country Performances Year-to-Date (%)

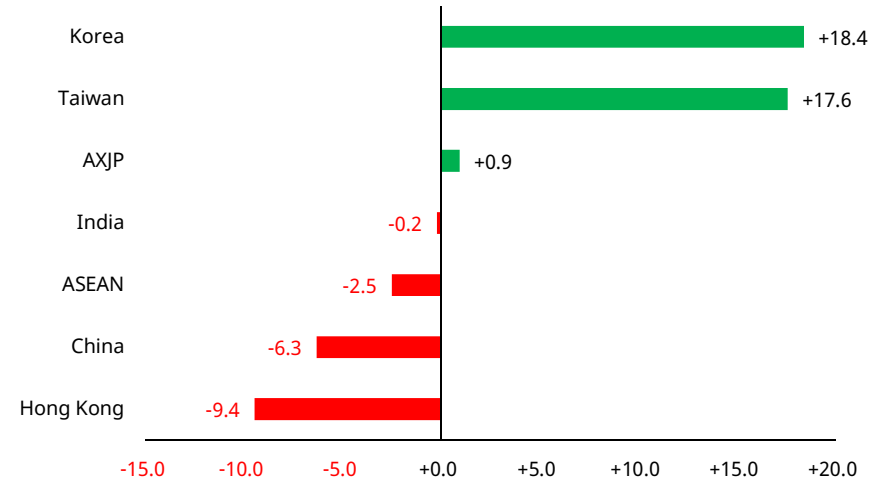


Exhibit 3: Sector Performances Week-to-Date (%)

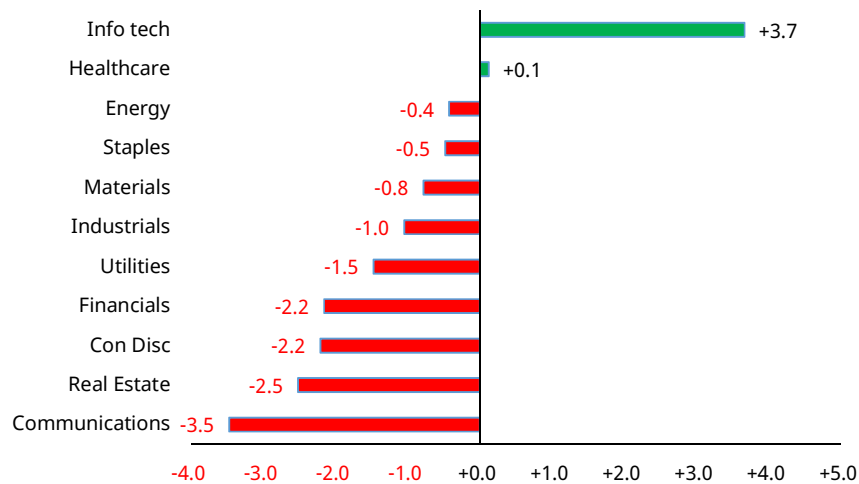
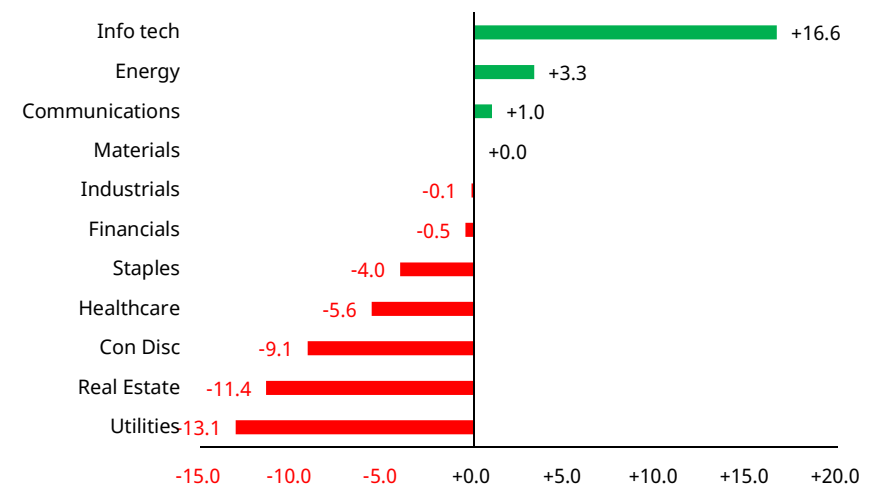


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

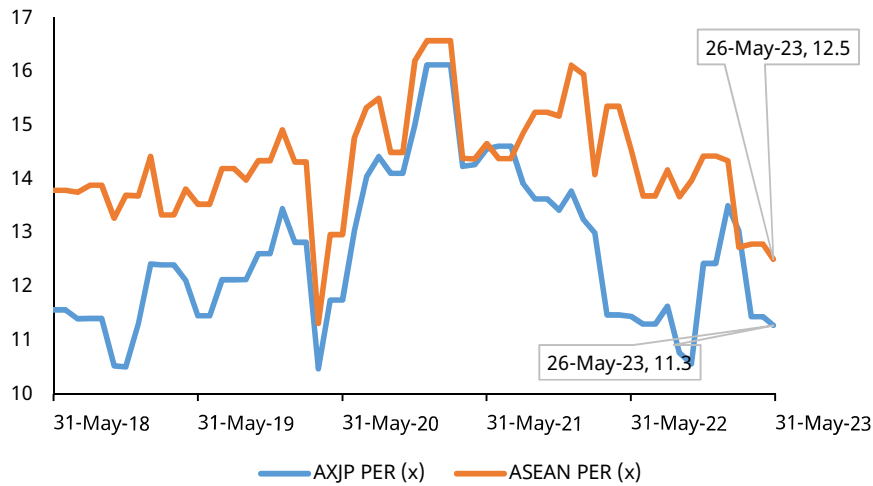


Exhibit 6: Regional Price-to-Book Ratio (x)

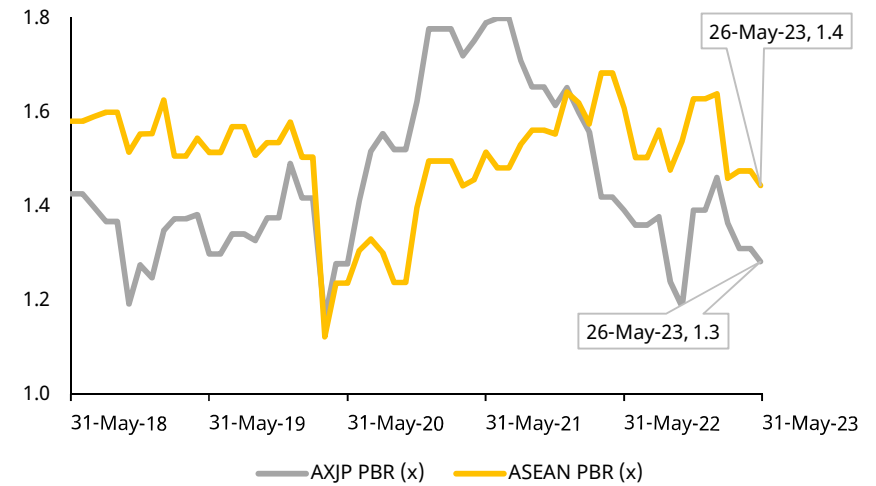


Exhibit 7: Regional Dividend Yield (%)

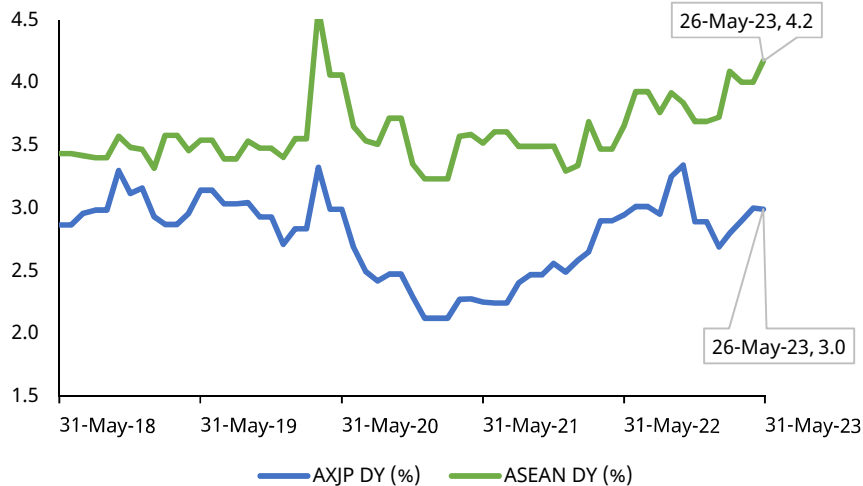
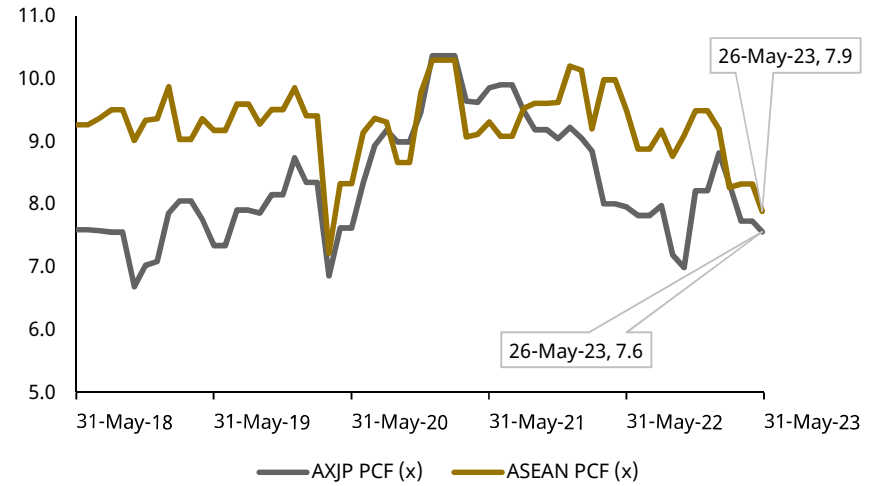


Exhibit 8: Regional Price-to-Cash Flow (x)



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)

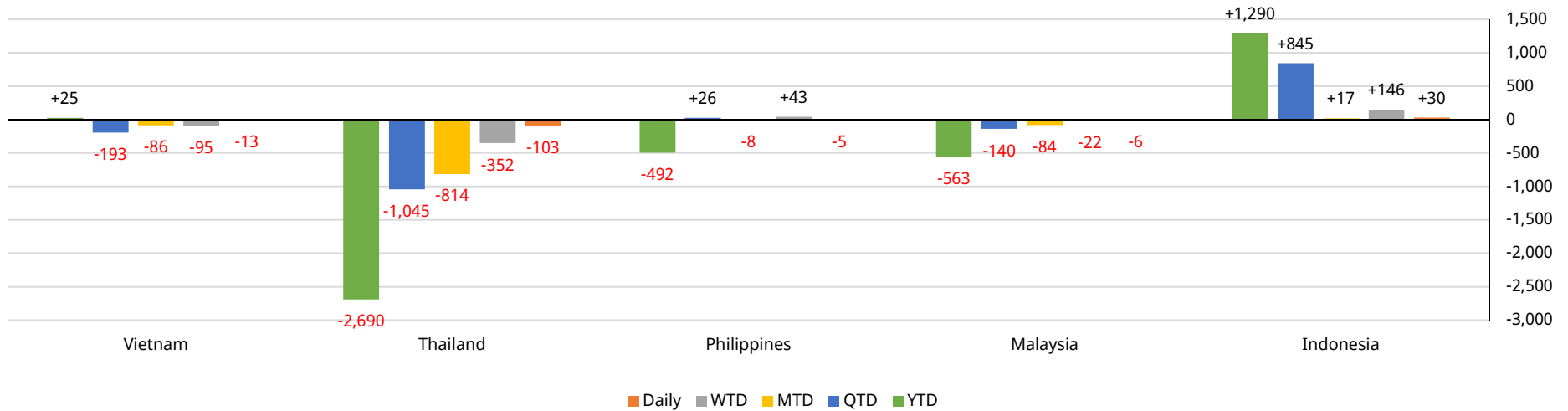
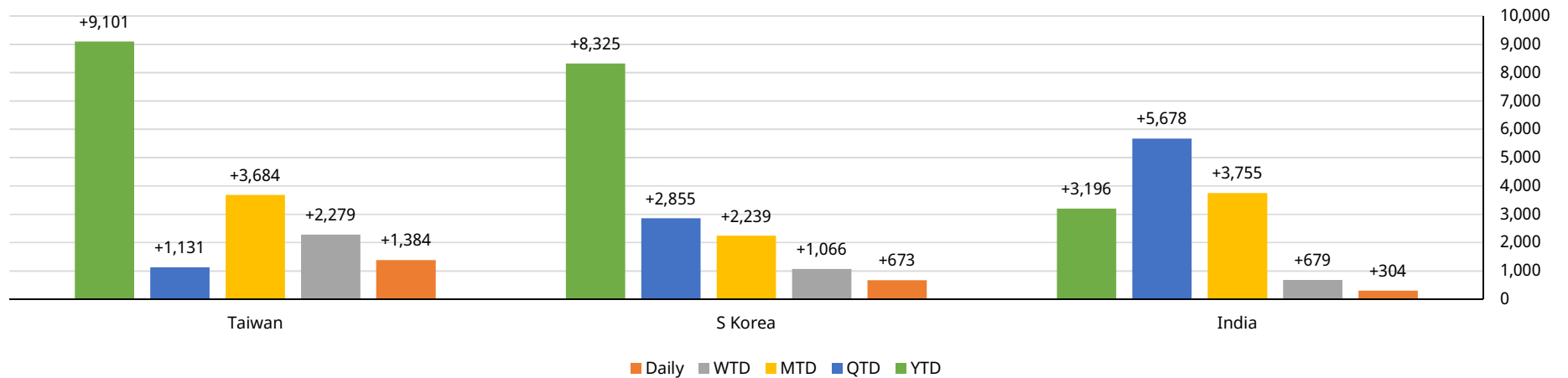


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

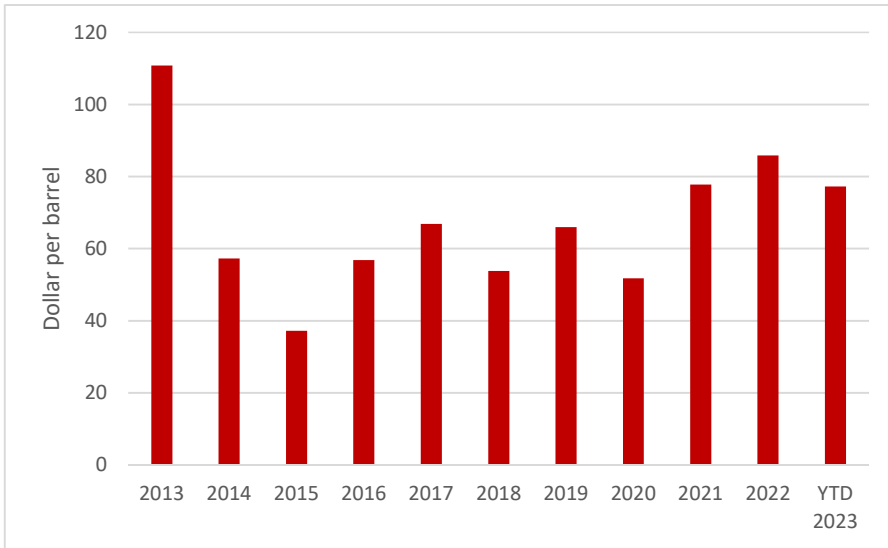


Source: Bloomberg

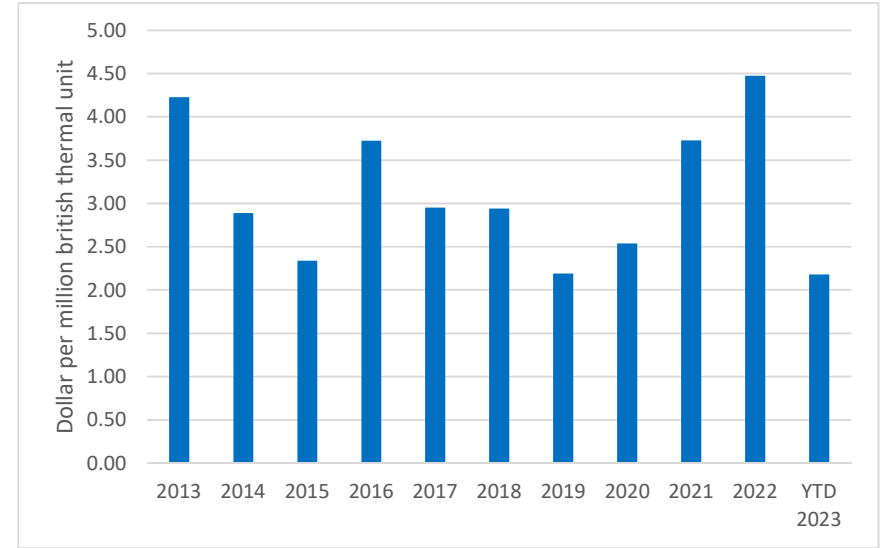
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

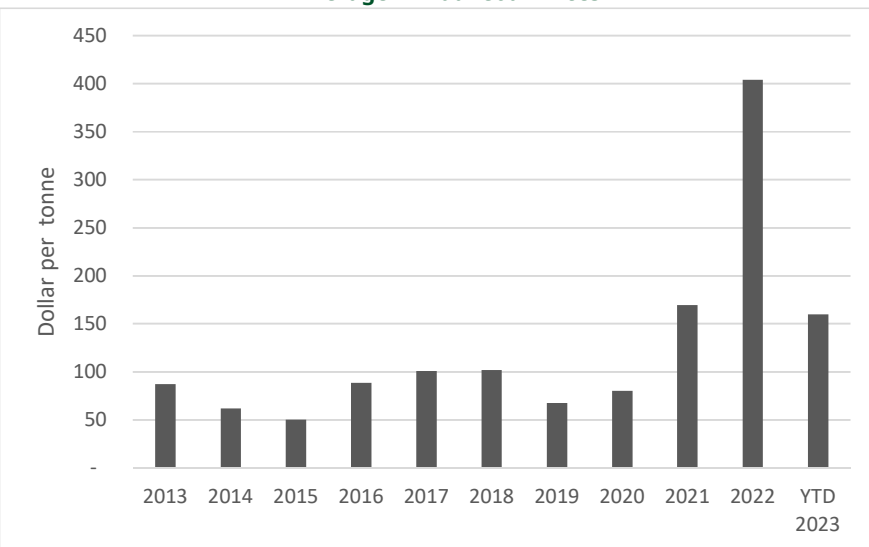
Average Annual Brent Oil Prices



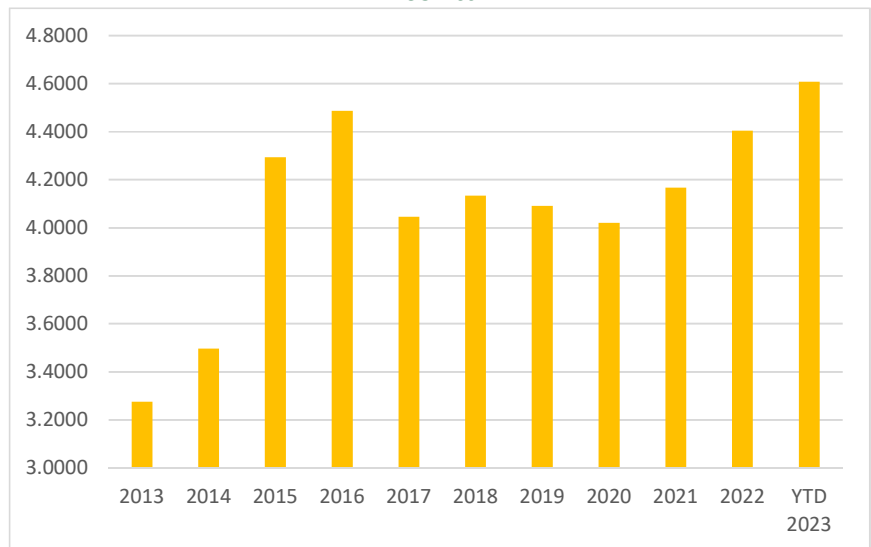
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

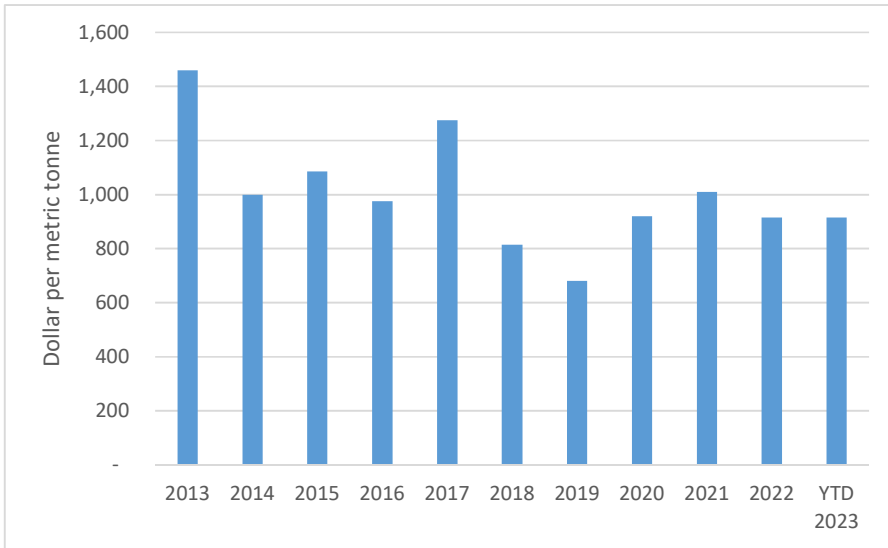


Source: Bloomberg

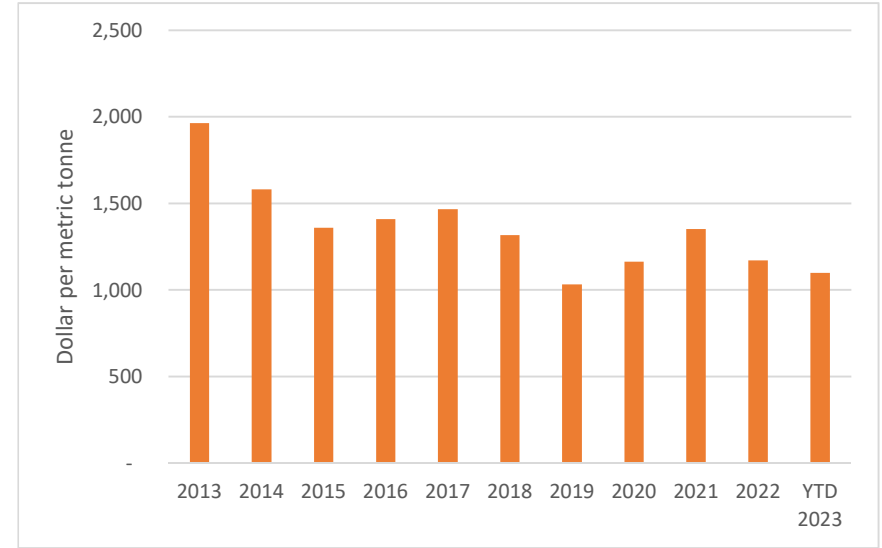
5.1 Petrochemical Annual Prices

Modest Price Increase On China's Reopening Demand

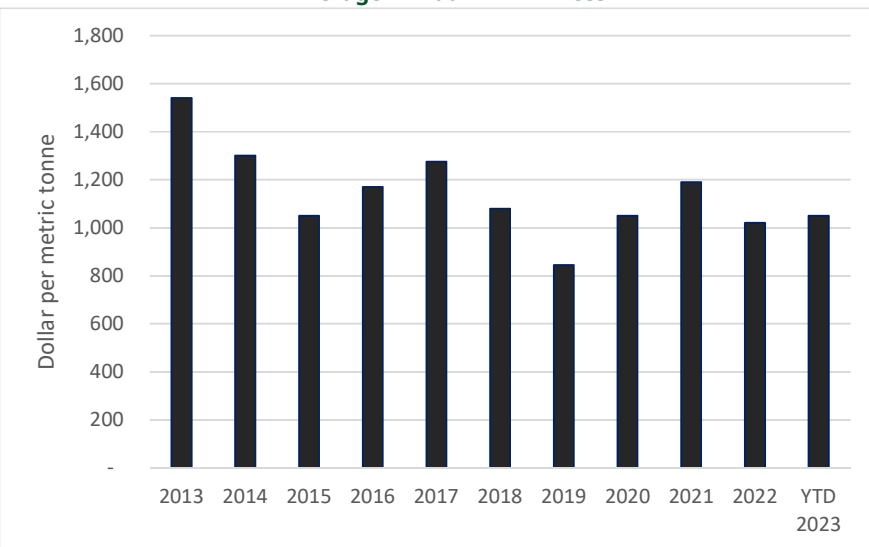
Average Annual Ethylene Prices



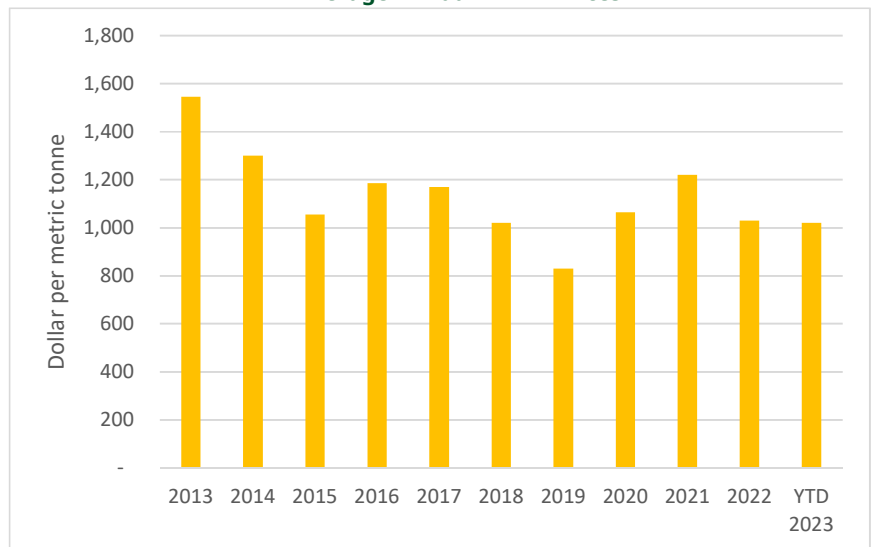
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

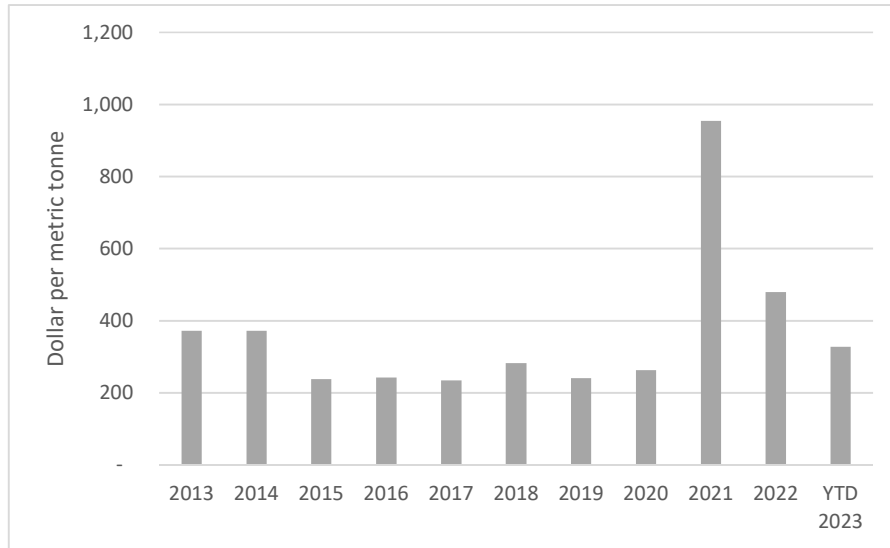


Source: Bloomberg

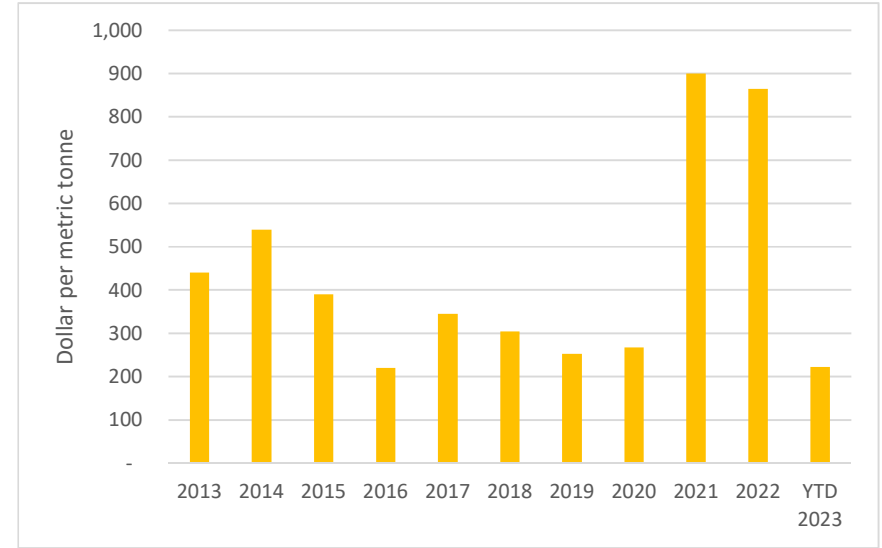
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

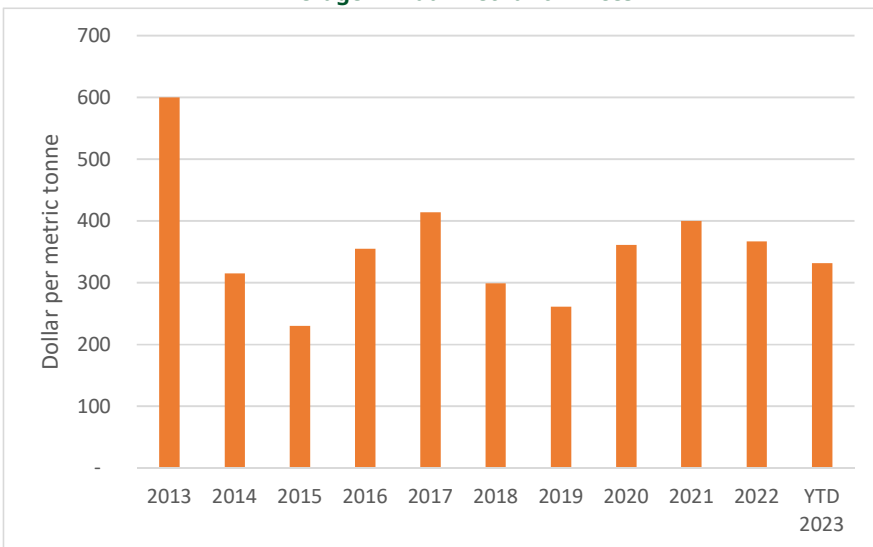
Average Annual Urea Prices



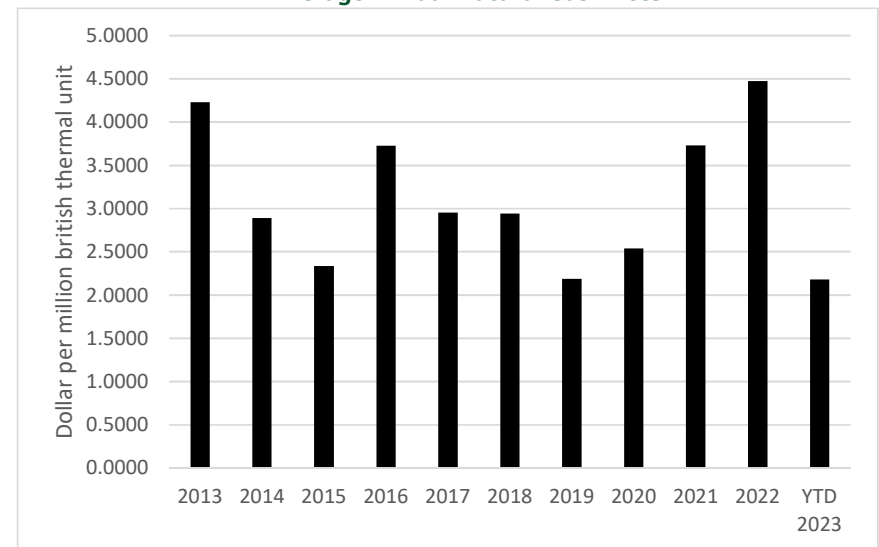
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

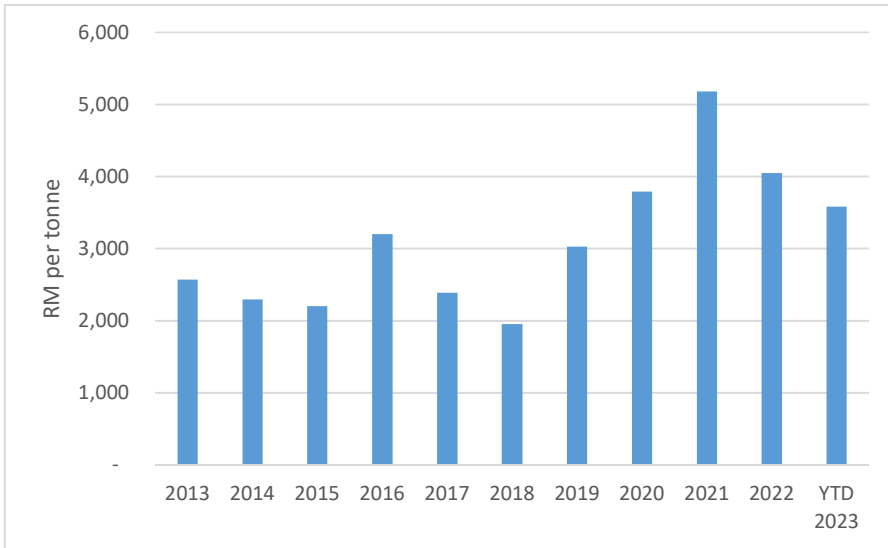


Source: Bloomberg

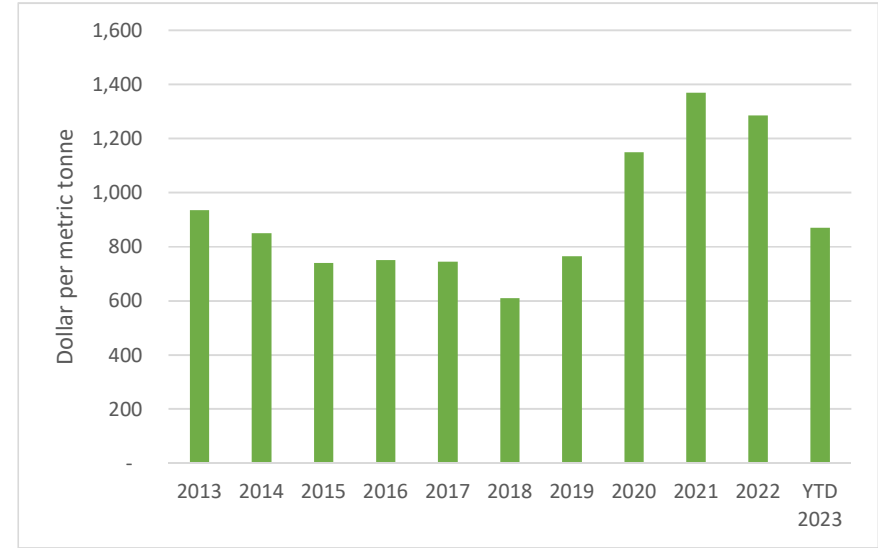
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand

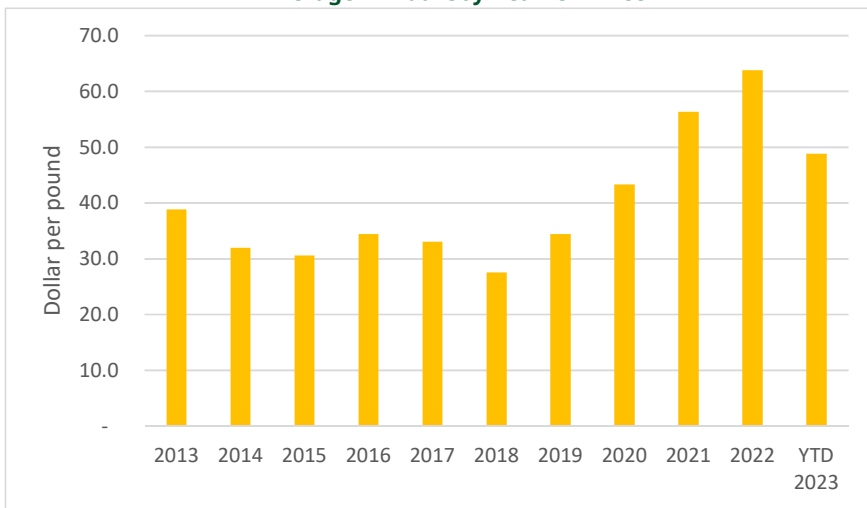
Average Annual Palm Oil Prices



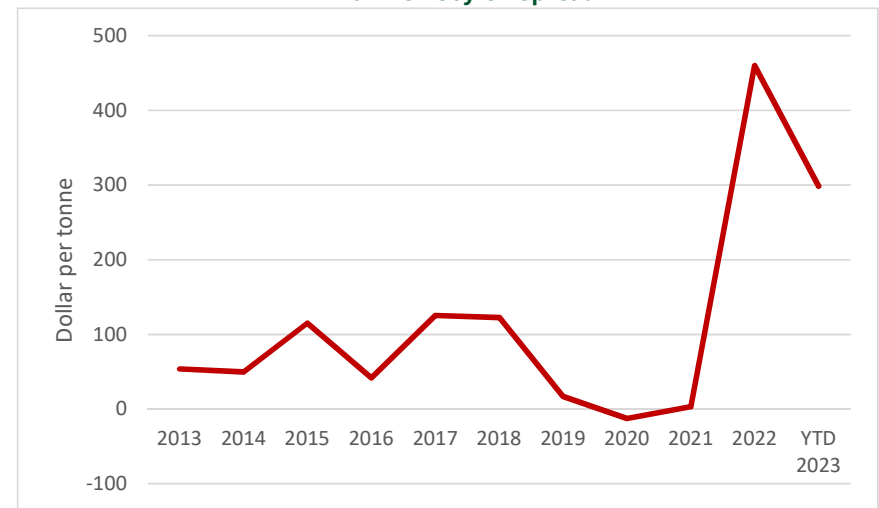
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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