

# Portfolio Managers' Views

**27 June 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (19 - 23 June 2023) & Our Managers' Views

1

**We remain invested in Bermaz and MBMR for potentially higher dividends.** The Malaysian Automotive Association reported that car sales rose by 33% MoM to 61,795 units in May 2023, led by the national cars. Moving forward, we believe the earnings and dividends of both car dealers are sustainable as the backlog orders remain strong, which will take roughly 4 to 6 months to clear. Moreover, both car dealers are net cash and have strong cash flows, raising the prospects of higher dividends.

2

**We remain invested in Genting Malaysia (GENM) for its potential earnings upside from securing the New York downstate casino license and the return of tourists:** GENM announced that Smart Miami City LLC ended its bid for the land. We are not overly concerned about this as there were other bidders initially, indicating high demand for the Miami land. Moreover, we believe GENM's earnings will improve due to rising tourism arrivals.

3

**We remain invested in BOE Varitronix based on higher demand for new energy vehicles (NEVs):** China's government extended the NEV purchase tax exemption to 2027. The policy exempted consumers from the 10% purchase tax on NEVs, and bridged the price gap between traditional cars and NEVs, further boosting NEVs' penetration in China. We prefer leading auto components makers to car manufacturers as the latter face fierce competition as more models are launched.

4

**China's travel-related consumption rose during the recent Dragon Boat Festival.** According to China authorities, spending hitting 95% of pre-Covid levels. The 106 mil tourism trips made exceeded the 2019 levels by 13%. We remain invested in tourism-related exposures, via the online travel and airline booking platforms, airport, mobility and luggage producer, and regional tourism resorts to capitalise on the travel resumption theme.

5

**Valuations:** FBMKLCI is trading at very attractive levels now. For instance, its 2023 price-earnings ratio ("PER") of 13.3x is the lowest levels its been in the last 13 years. Similarly, price-to-book ratios are also attractive at 1.2x, which are levels last seen only during the market bottom for Covid in Mar-20. Dividend yields are also trading at 4.5%, above the 10-year high of 4.3% last seen in Q1 of 2021. Hence, we remain optimistic for the prospects of the Malaysian markets.

# 2.0 MALAYSIA MARKET REVIEW

Healthcare Index dropped by 4.4% WTD dragged by Top Glove & Hartalega

Exhibit 1: KLCI vs Shariah Index

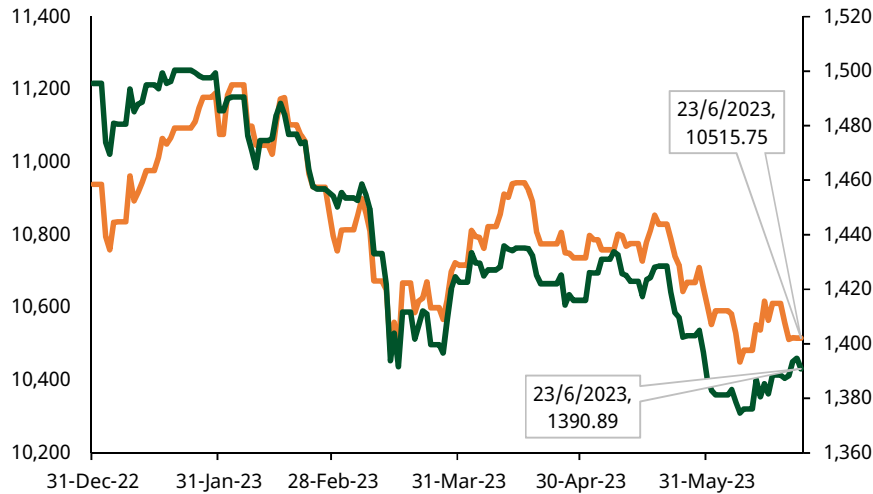


Exhibit 2: USDMYR

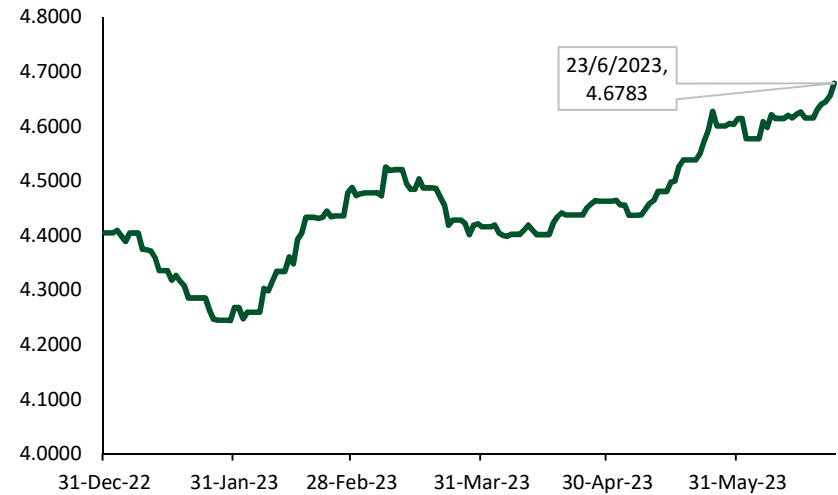


Exhibit 3: Sector Performances Week-to-Date (%)

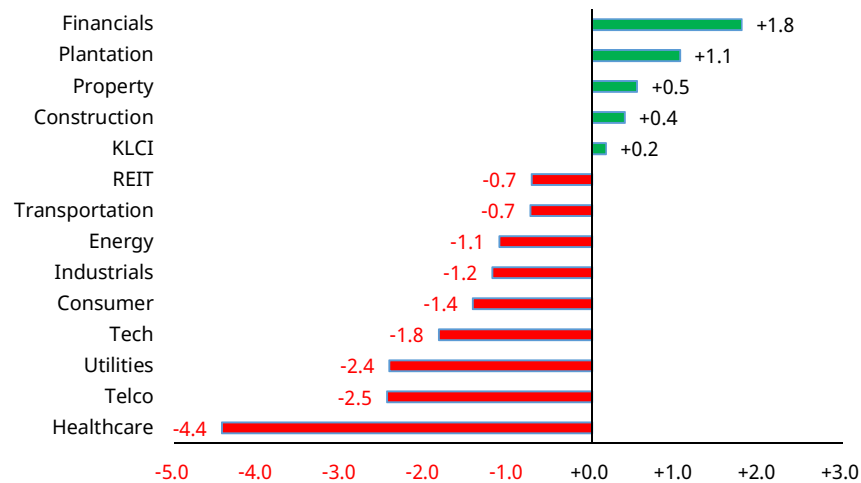
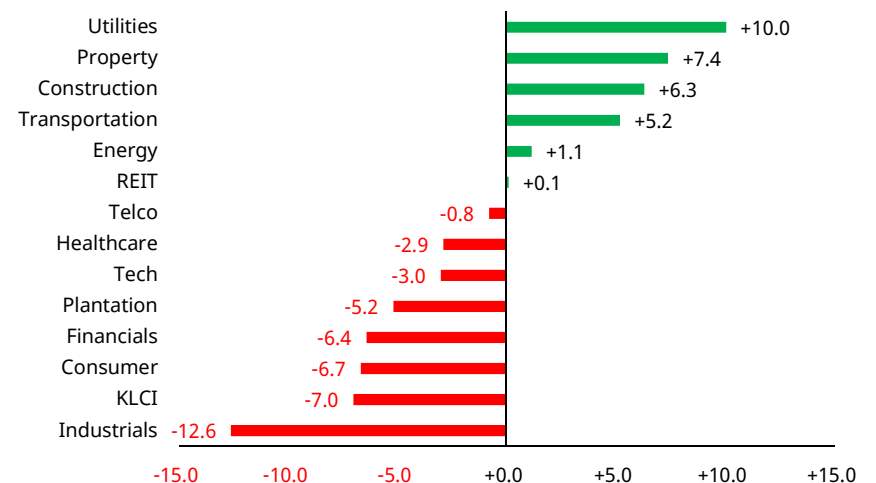


Exhibit 4: Sector Performances Year-to-Date (%)



# 2.1 MALAYSIA VALUATIONS

## Valuations Remain at Historical Bottoms - BUY Territory

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

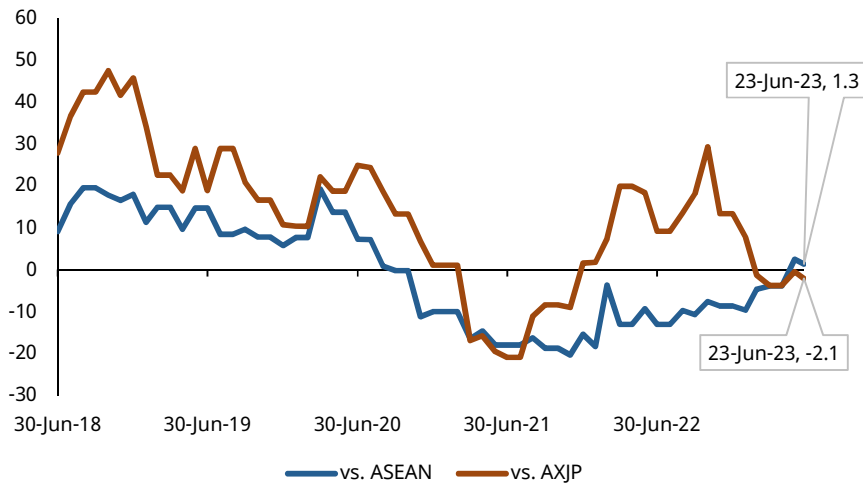


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

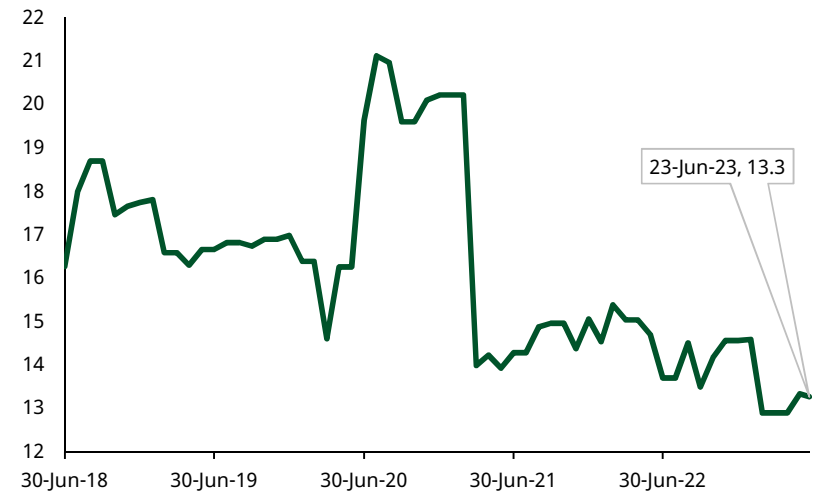


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

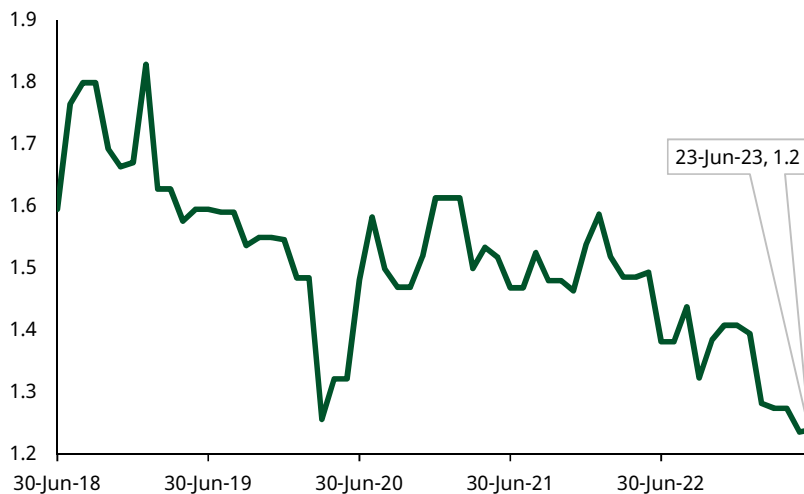
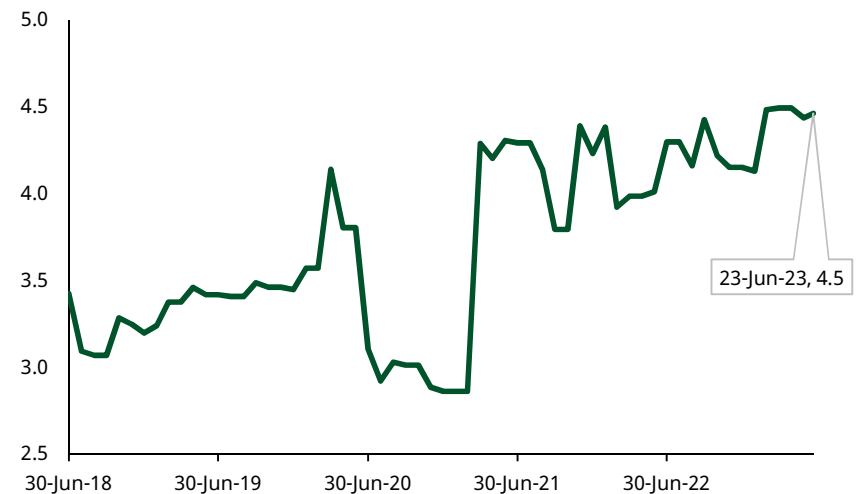


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

## Regional Markets were Weighed Down by Hawkish US Federal Reserve

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

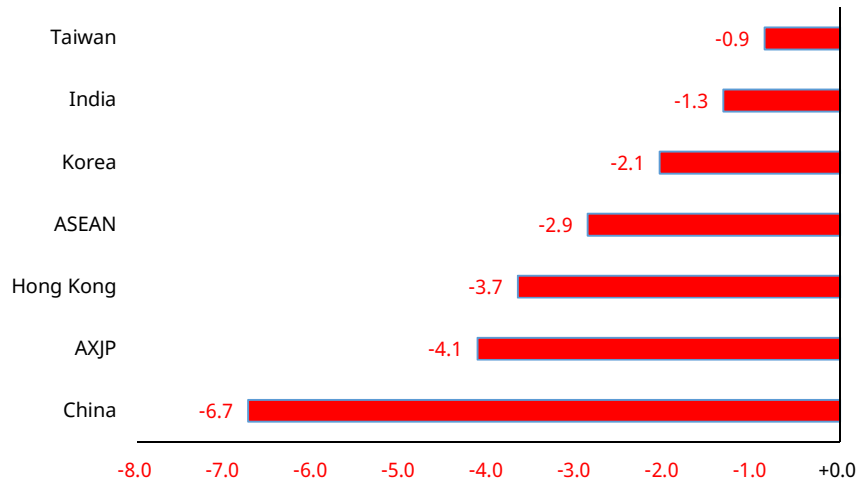


Exhibit 2: Country Performances Year-to-Date (%)

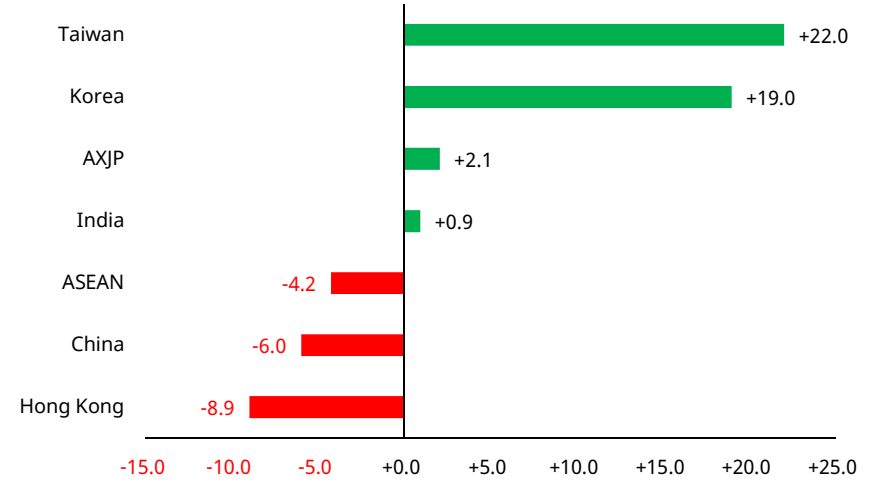


Exhibit 3: Sector Performances Week-to-Date (%)

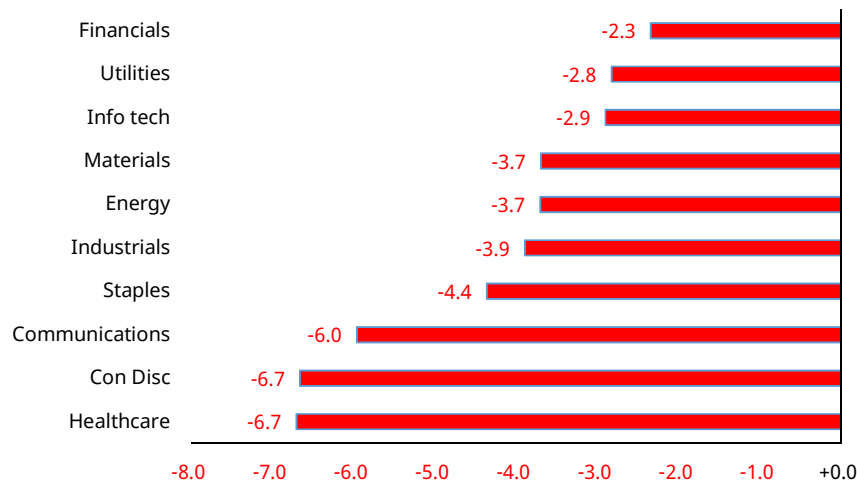
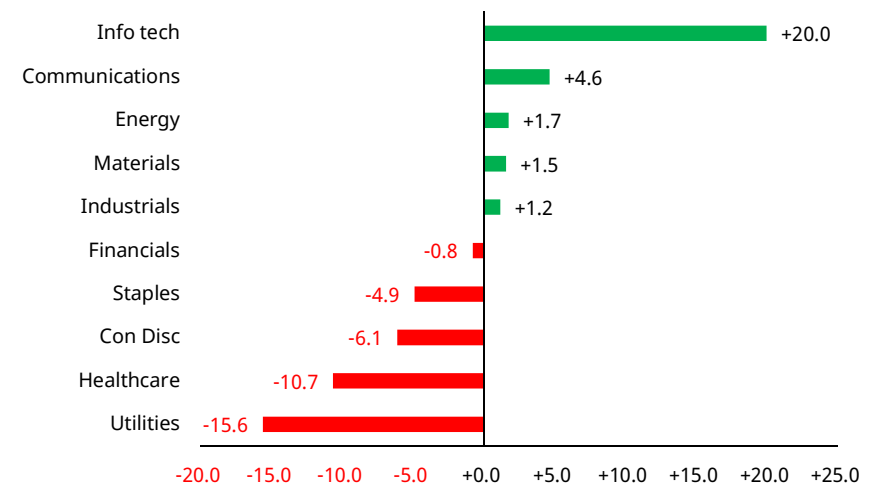


Exhibit 4: Sector Performance Year-to-Date (%)



# 3.1 REGIONAL VALUATIONS

We See The Market's Retracement As An Opportunity To Buy

Exhibit 5: Regional Price-Earnings Ratio (x)

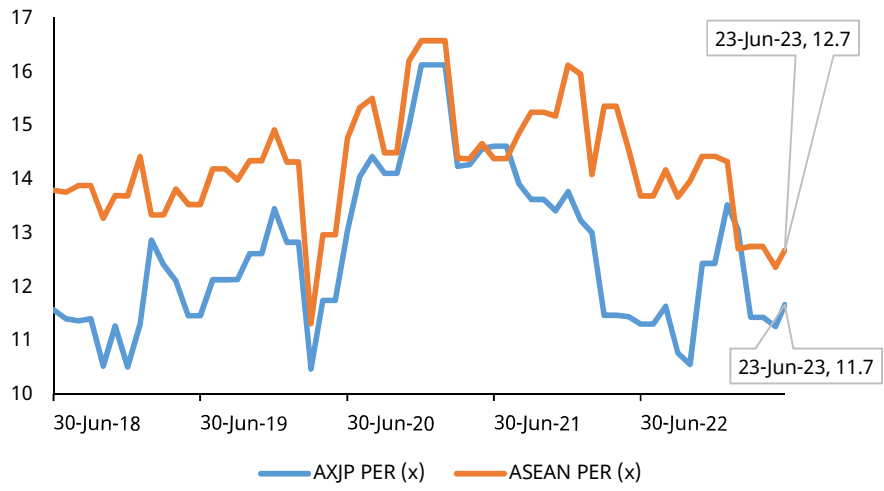


Exhibit 6: Regional Price-to-Book Ratio (x)

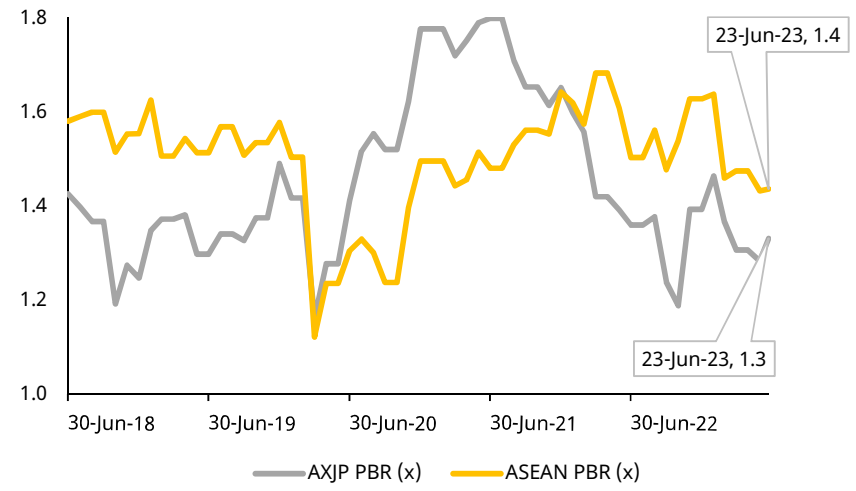


Exhibit 7: Regional Dividend Yield (%)

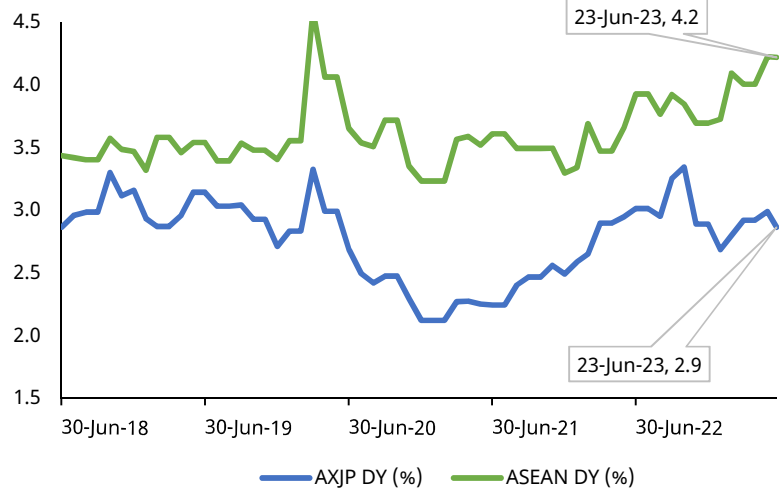
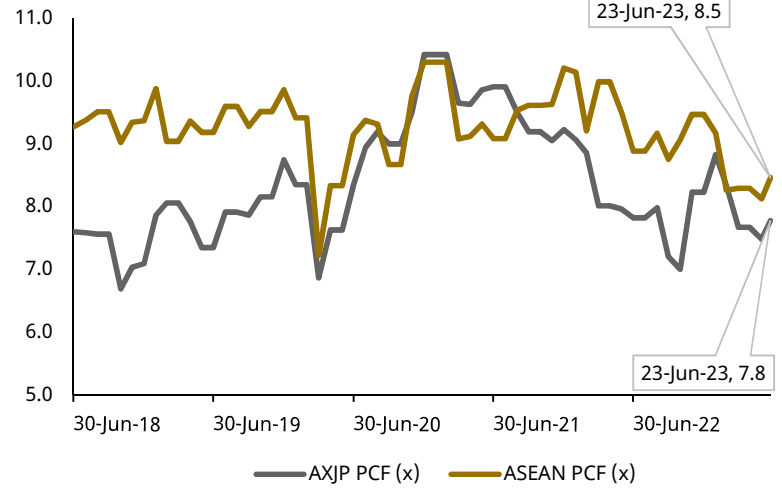


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

# 4.0 FOREIGN FUND FLOWS

Foreign Funds Were Net Buyers of Taiwan & India since end-May

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

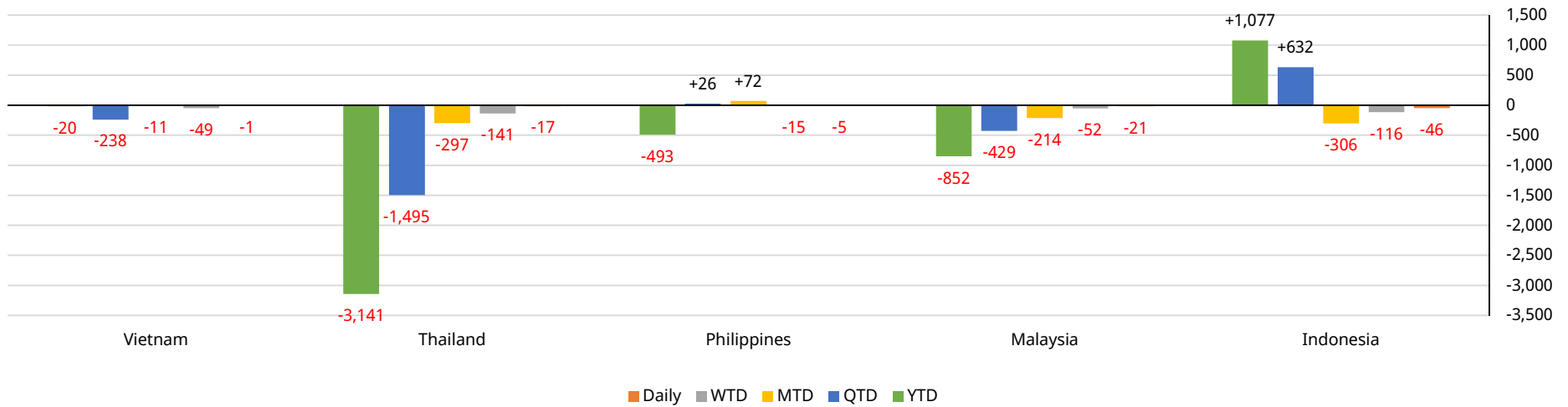
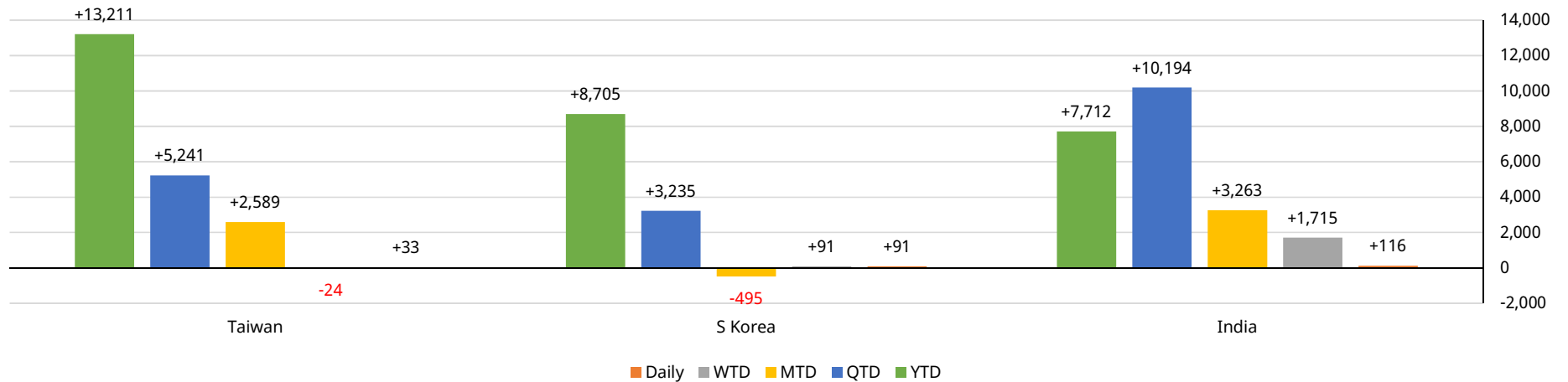


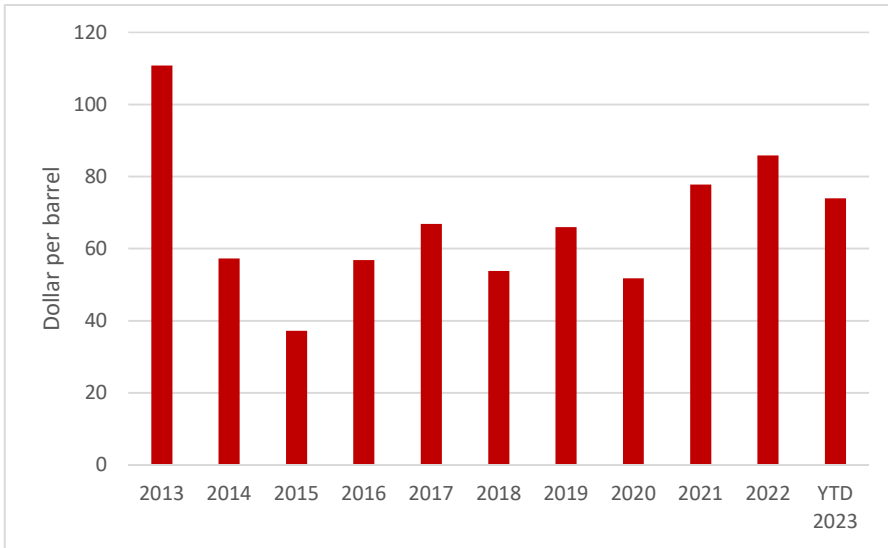
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



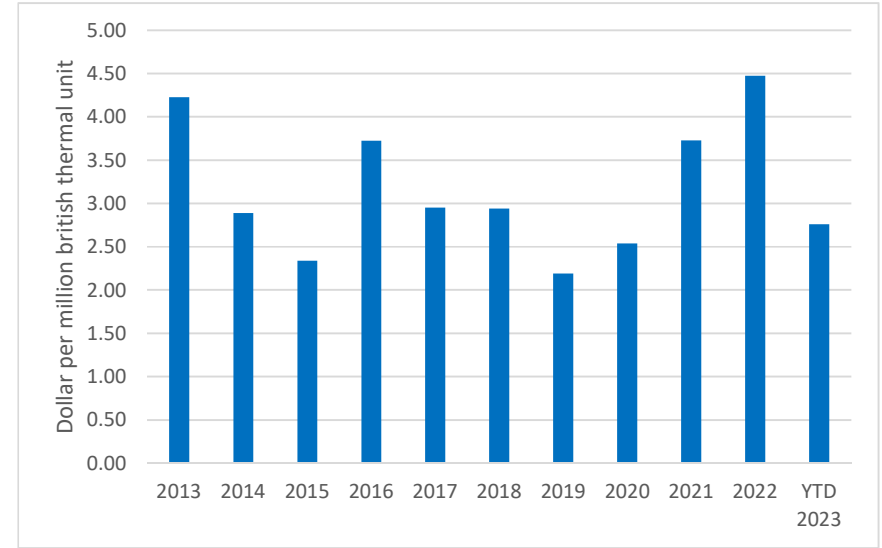
# 5.0 Energy Annual Prices

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

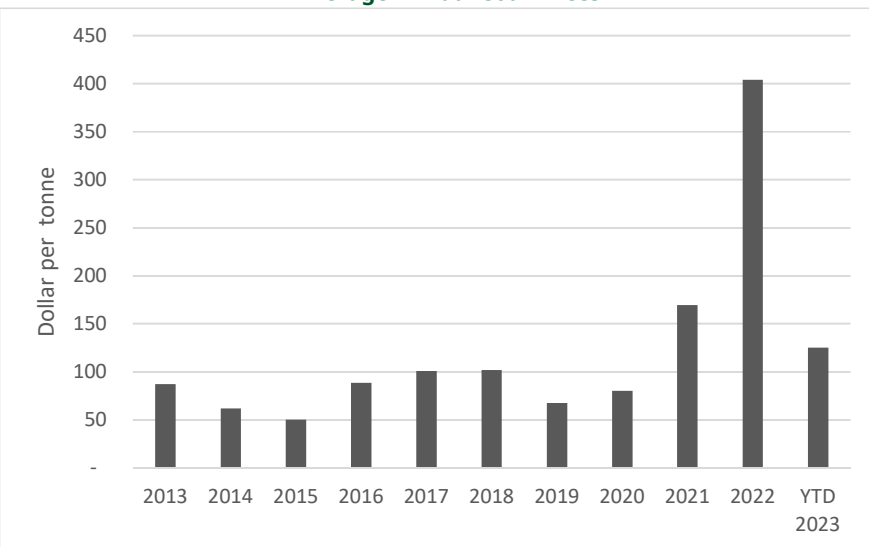
Average Annual Brent Oil Prices



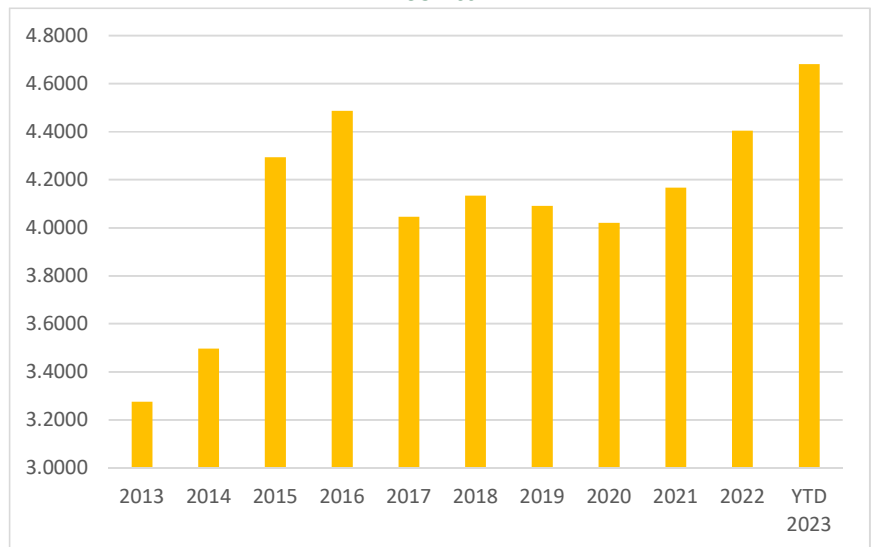
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR



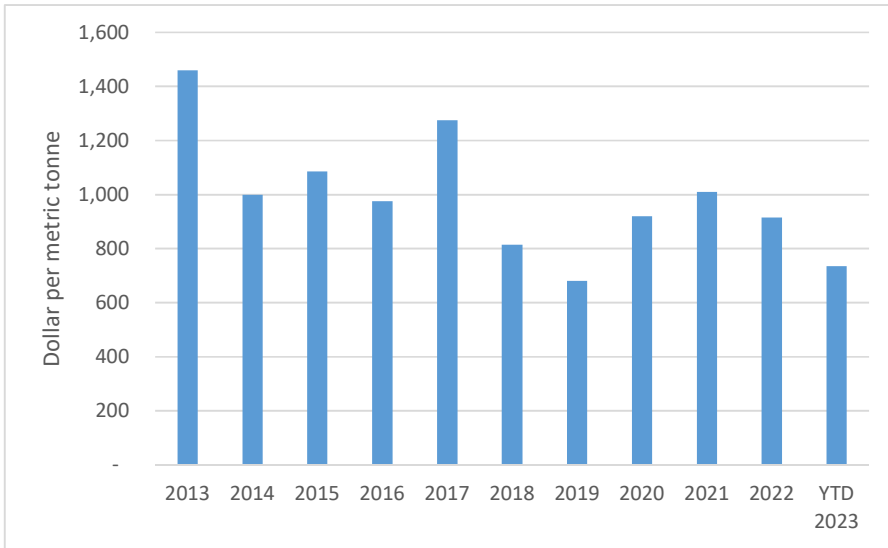
Source: Bloomberg



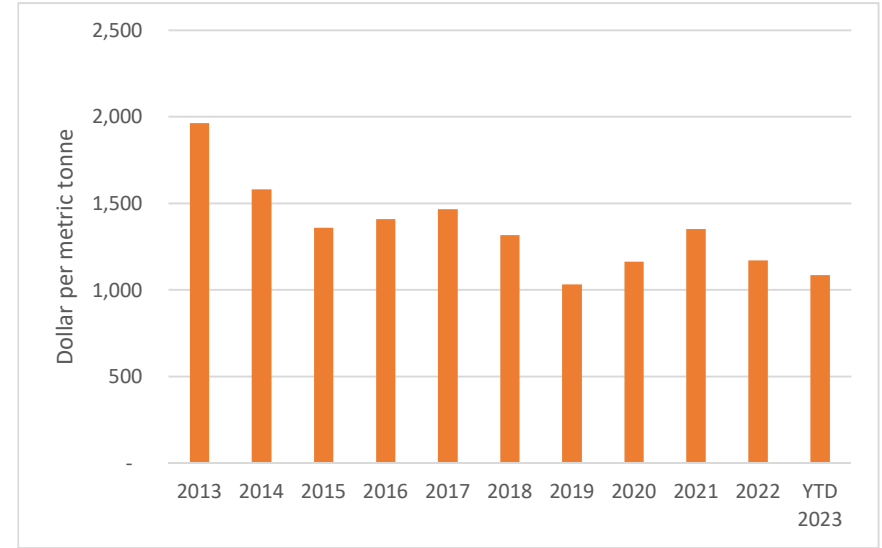
# 5.1 Petrochemical Annual Prices

## Modest Price Increase On China's Reopening Demand

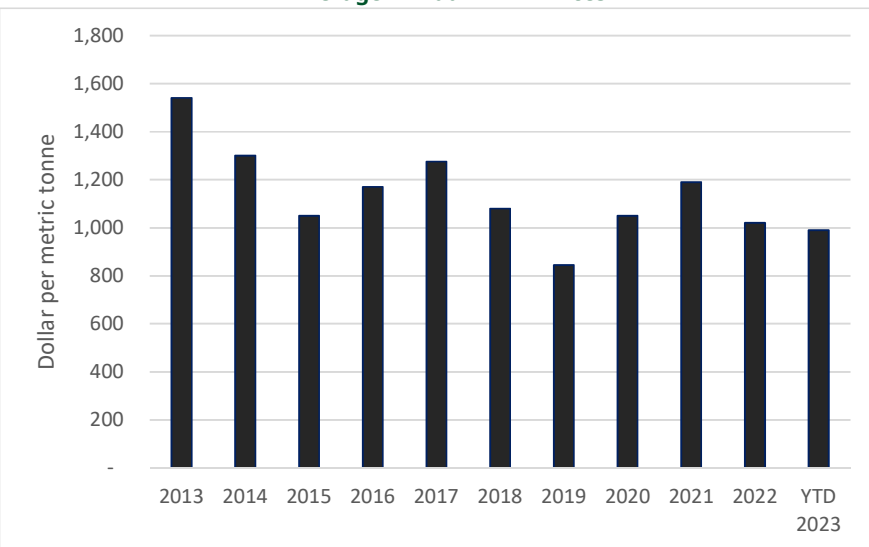
Average Annual Ethylene Prices



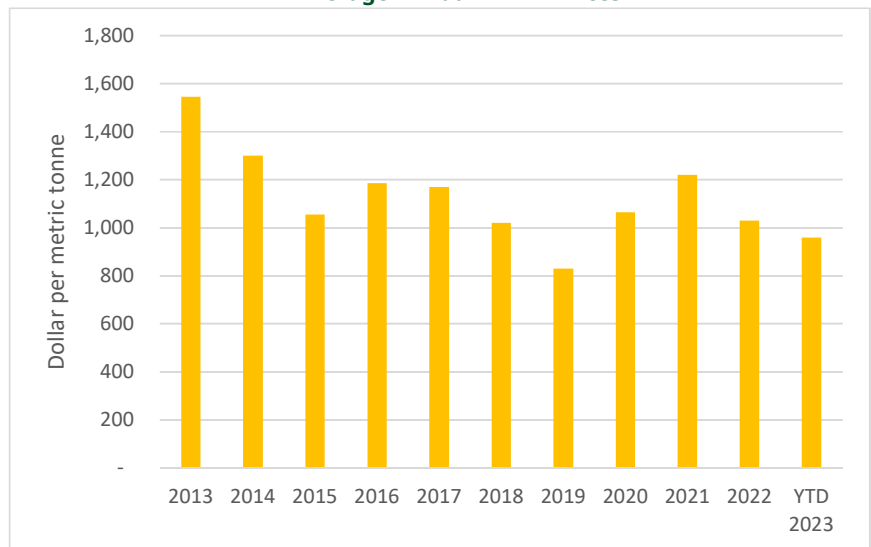
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

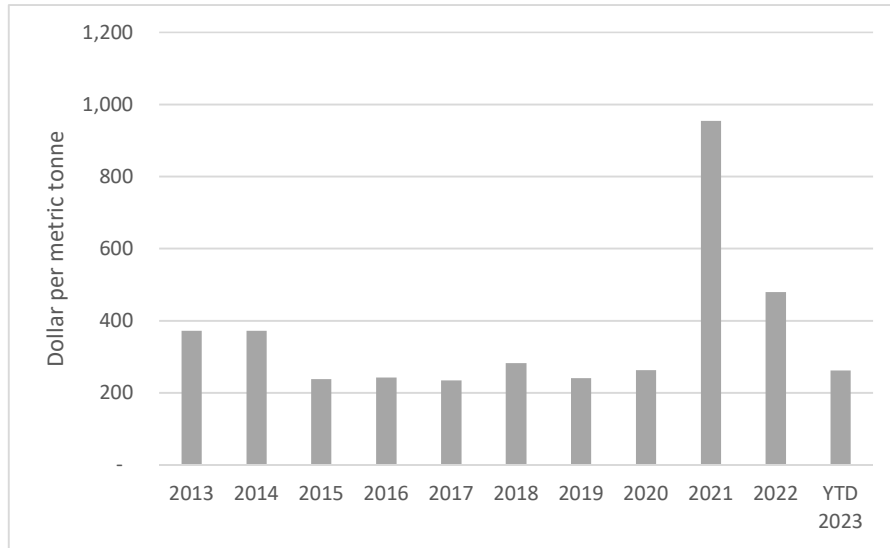


Source: Bloomberg

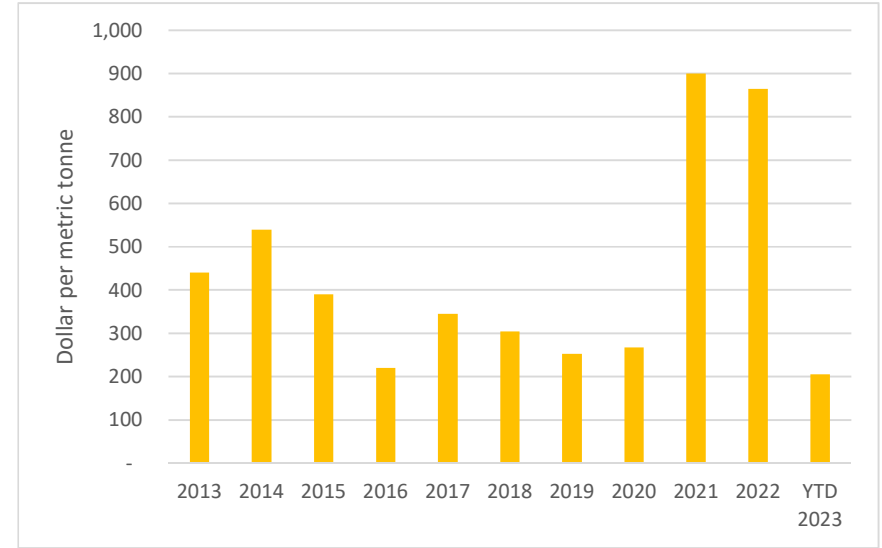
# 5.2 Fertiliser Annual Prices

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

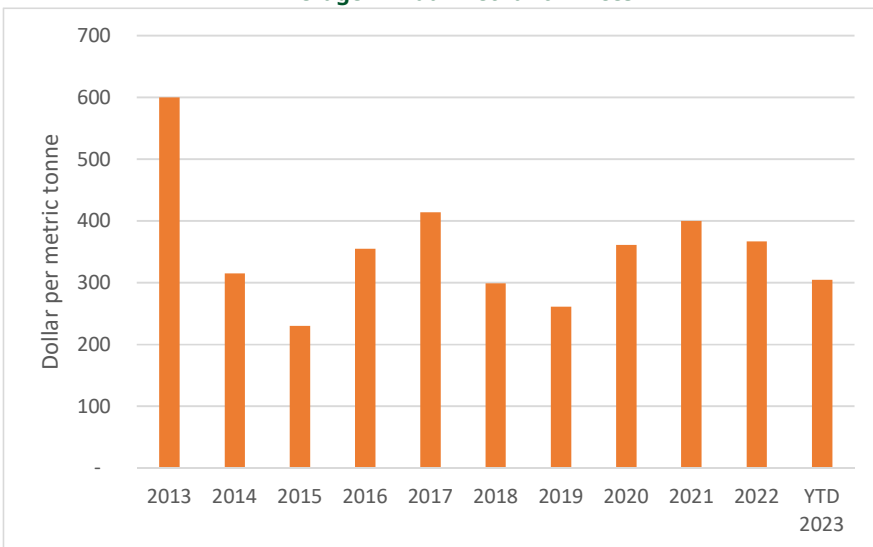
Average Annual Urea Prices



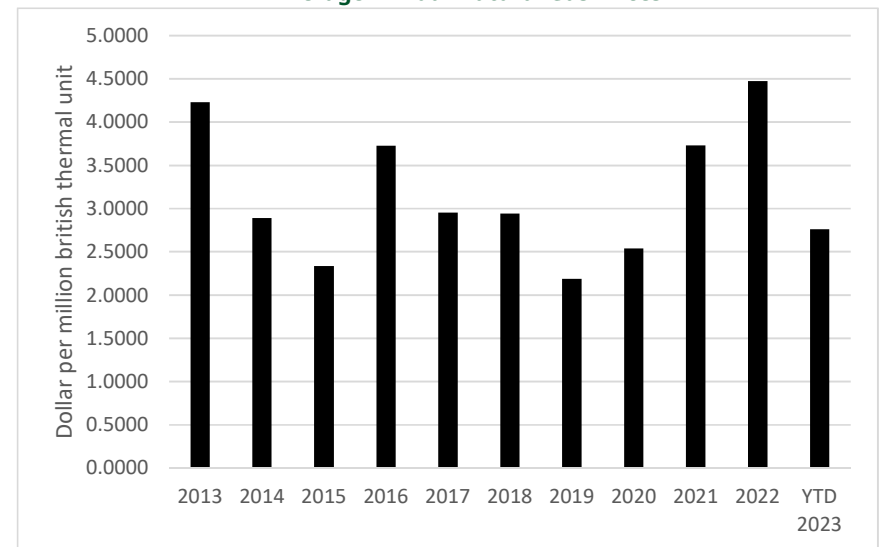
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

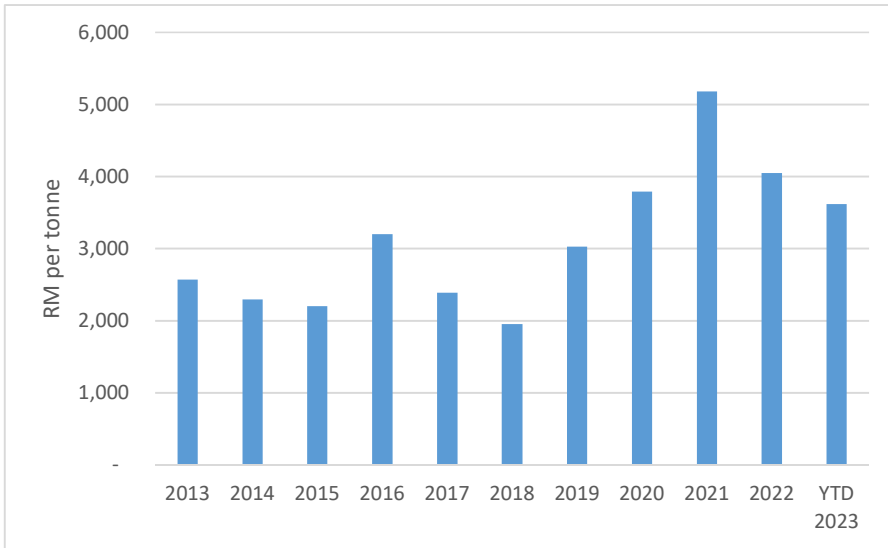


Source: Bloomberg

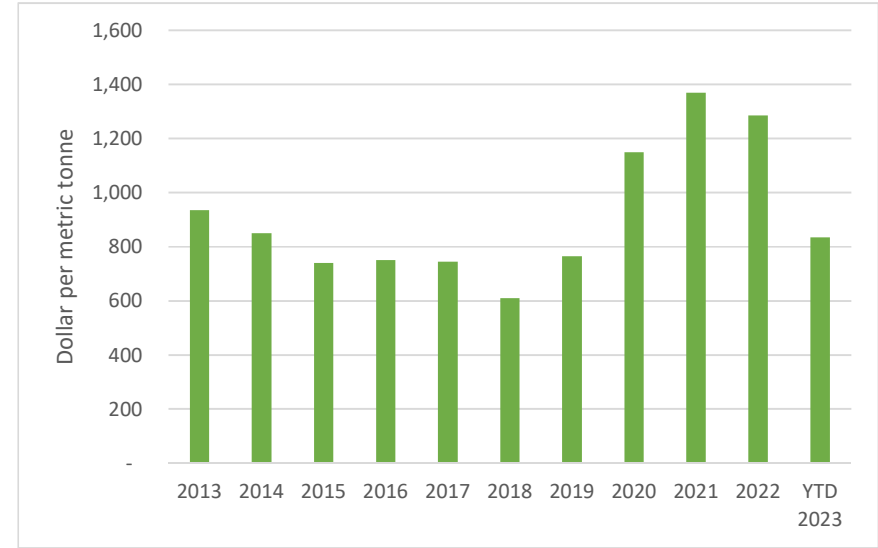
# 5.3 Agricultural Annual Prices

## Palm Oil Prices Supported By Resilient Demand

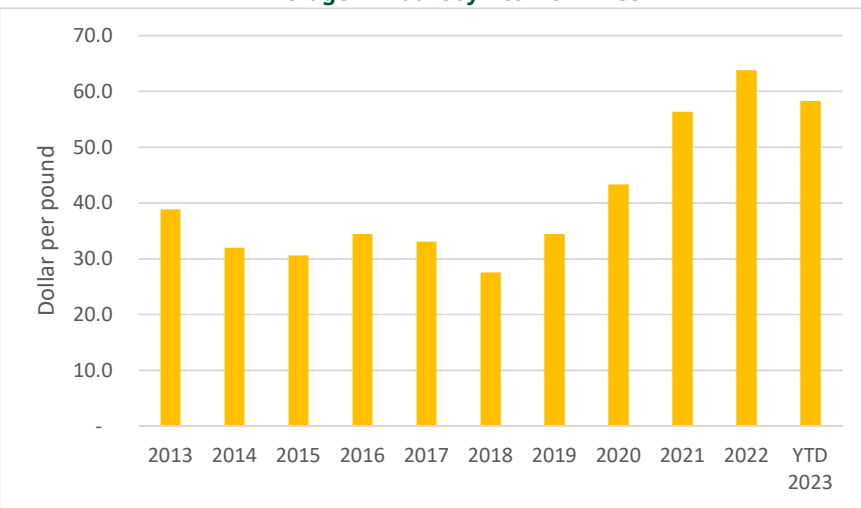
Average Annual Palm Oil Prices



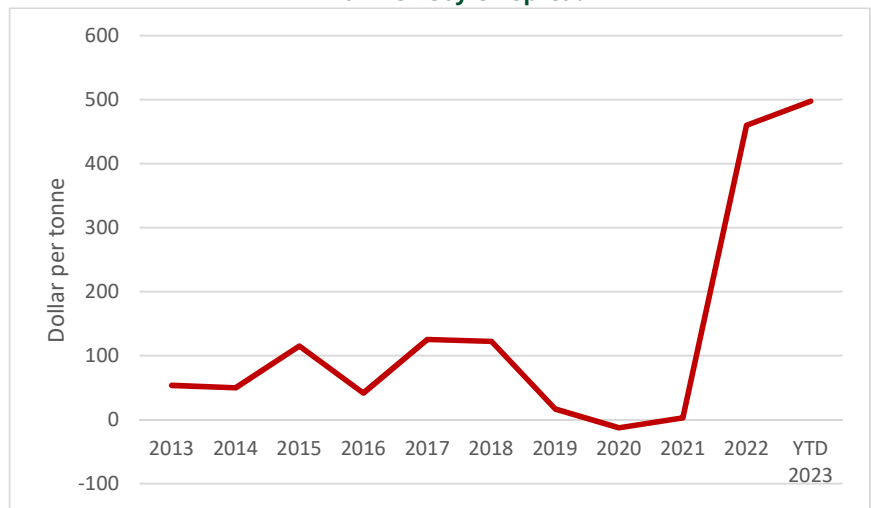
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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