

Portfolio Managers' Views


24 July 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (17 - 21 July 2023) & Our Managers' Views

1

We remain invested in Innoprise and United Plantation as CPO price will likely remain elevated: Recently, Russia broke the Black Sea Agreement which puts the global wheat and oil seed supply at risk. Coupled with the El Nino weather threat, edible oil and wheat prices rose, and we expect CPO prices to trade higher to c.RM4,000/t. With potentially lower fertiliser costs, we expect planters' earnings and dividends to be supported.

2

We are invested in beneficiaries of the strong China NEV trend: China recorded a 69% YoY rise in New Energy Vehicle (NEV) sales and penetration rates trended higher to 30% of total sales volume in 2Q23. As 2H is typically a seasonally stronger half, we expect this strong growth trend to continue as new models are released and consumers transit from traditional to NEV cars. We are invested in China's leading smart panel maker which is a key feature in NEVs.

3

Semiconductor outlook gloomy, but the worse is likely over: At TSMC's 2Q23 investor briefing, their industry outlook was relatively more guarded, citing weak macroeconomics due to high interest rates and inflation which negatively affected their customers' orders. Although we may see a slower recovery going forward, we believe the worse is over and continue to remain positive on the sector as its longer term secular drivers remain intact.

4

Boom in China travel continues - positive on tourism theme. TravelSky Technology's total processed volume recovered to 84% of pre-COVID (i.e. year 2019) level. Domestic and international routes reached 97% and 29% of 2019 levels respectively, versus 43% and 6% in 2022. Arising from the surge in total travel volume processed, the company issued a positive profit warning of >120% YoY growth in earnings for 1H23.

5

Reinforcing our positive view on China tourism is positive read-throughs from revenue per available room (RevPAR) for hotels in China. Amidst the summer travel holidays, RevPar during the 25 June-1 July period hit 14% above 2019 levels. In the first 2 weeks of July, RevPAR came in at 9-11% above 2019 levels. The recovery points to positive earnings outcomes in our holdings in companies engaged in travel technology, airport and mobility products.

6

Valuations: FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 13.6x is at the bottom end of its 12 year low. Similarly, the price-to-book ratio is at 1.3x, which was last seen only during the market's low during the Covid crisis in Mar-20. Dividend yield of 4.4% is above the 10-year high of 4.3%, last seen in Q1 of 2021. Hence, we are positive on Malaysia and our portfolios are also seeking situational opportunities in restructuring plays.

2.0 MALAYSIA MARKET REVIEW

Bursa Property Index rose 4.8% WTD led by UEM Sunrise

Exhibit 1: KLCI vs Shariah Index

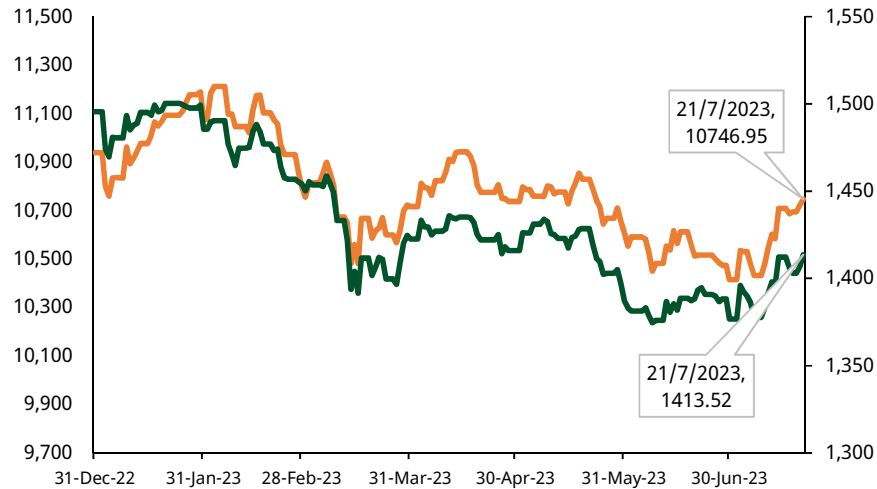


Exhibit 2: USDMYR

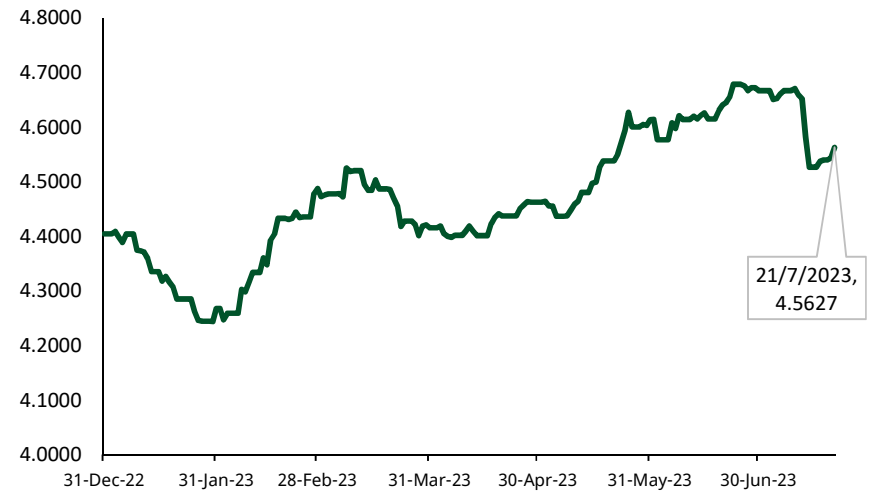


Exhibit 3: Sector Performances Week-to-Date (%)

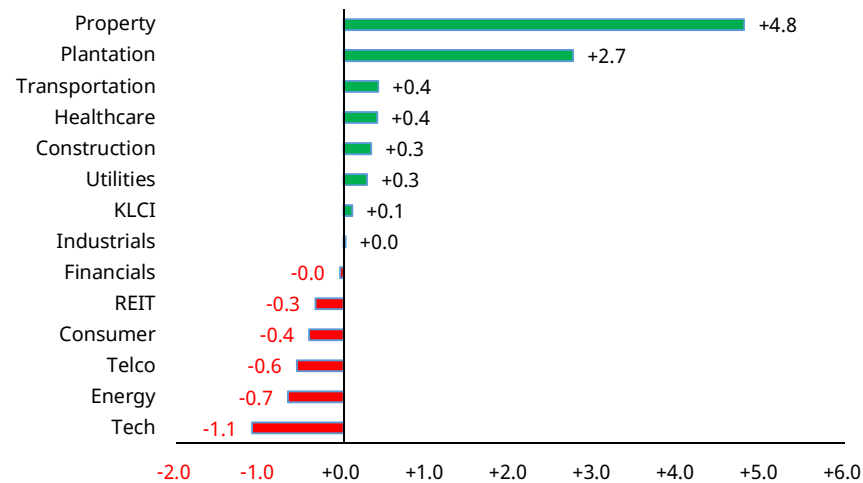
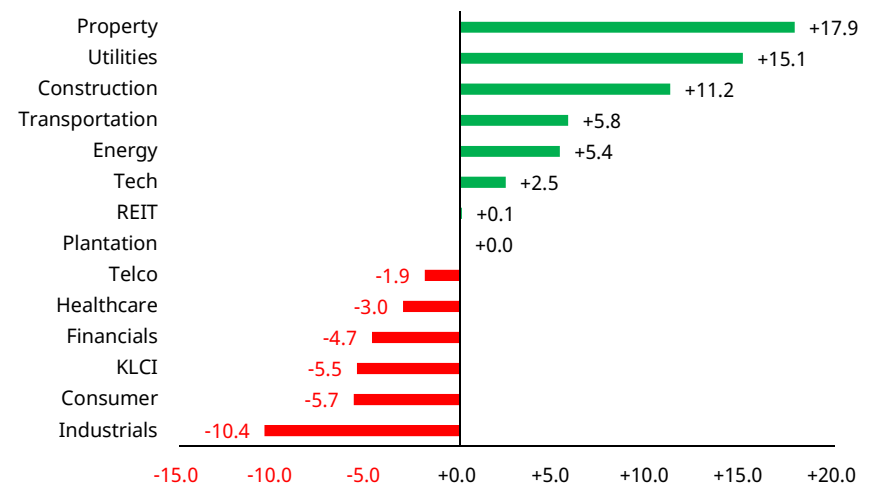


Exhibit 4: Sector Performances Year-to-Date (%)



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, %)

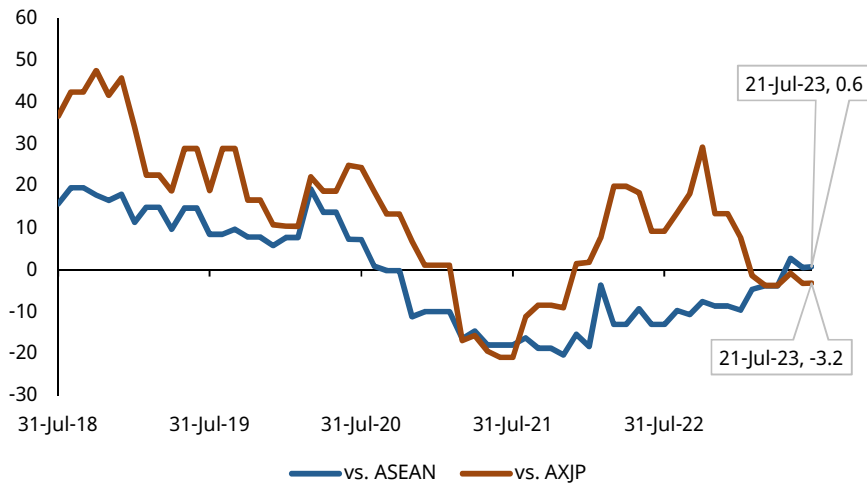


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

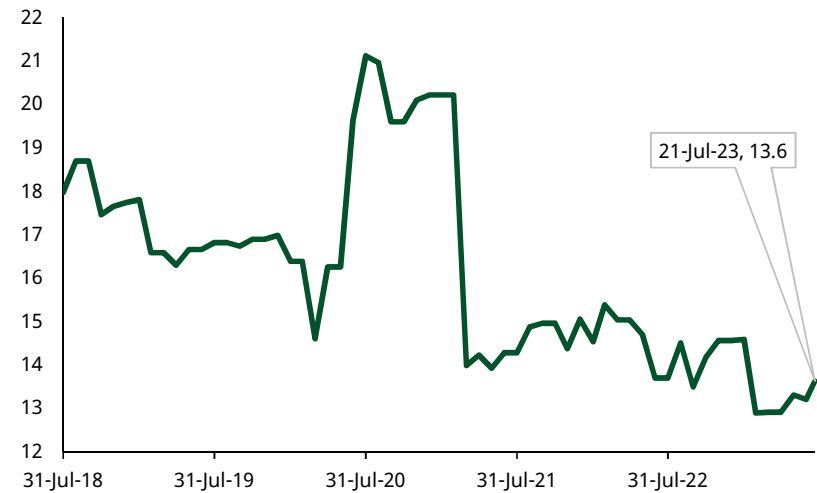


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

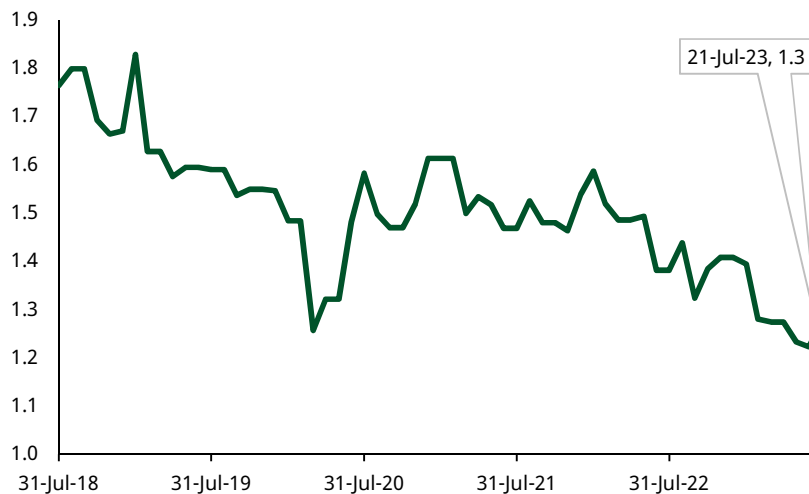
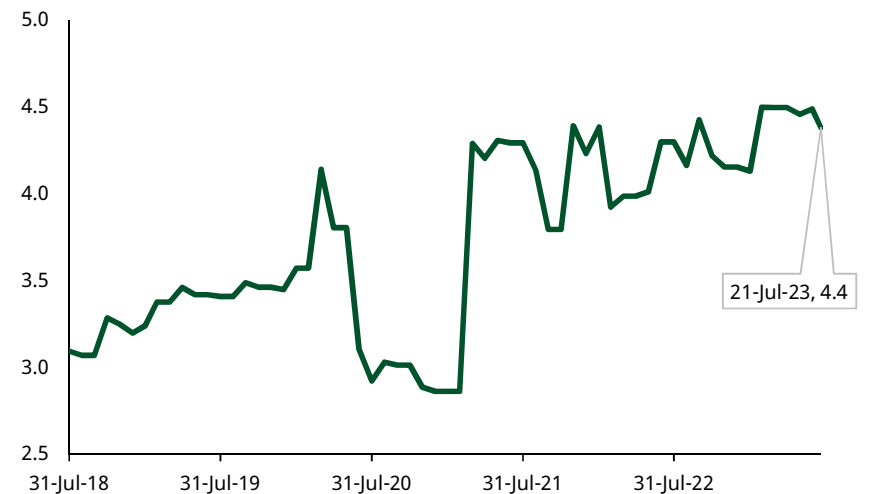


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Regional markets weighed by weaker tech earnings and potential rate hike

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

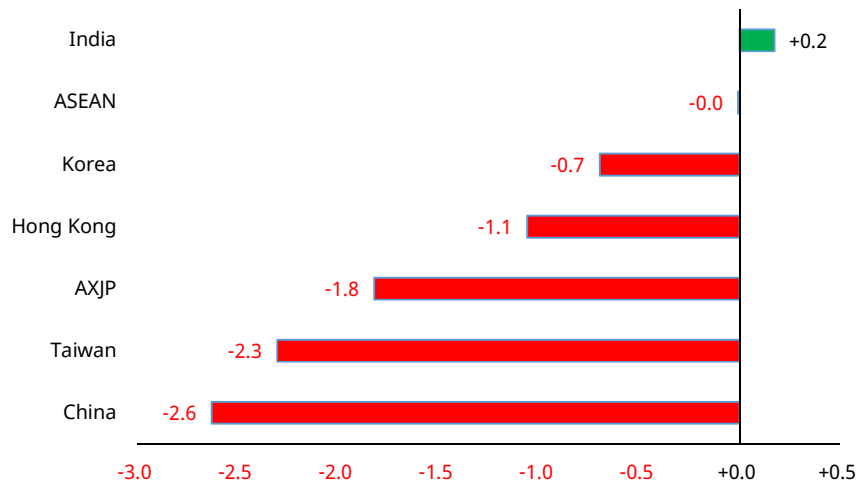


Exhibit 2: Country Performances Year-to-Date (%)

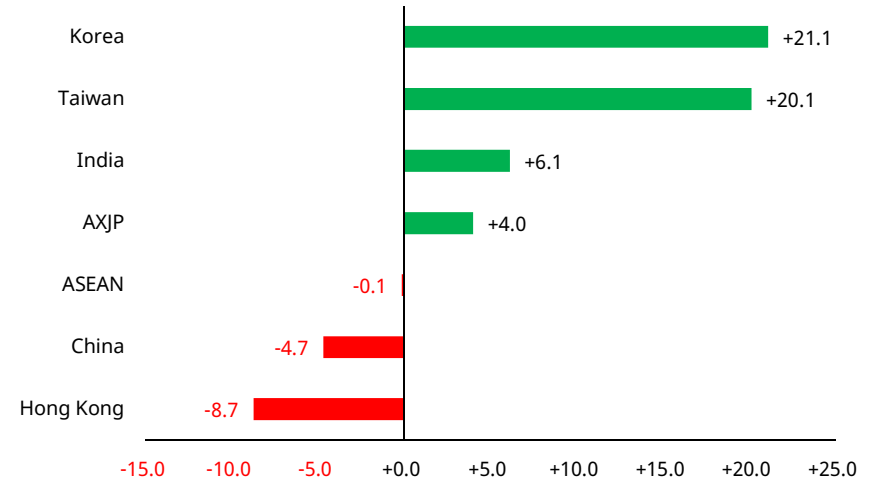


Exhibit 3: Sector Performances Week-to-Date (%)

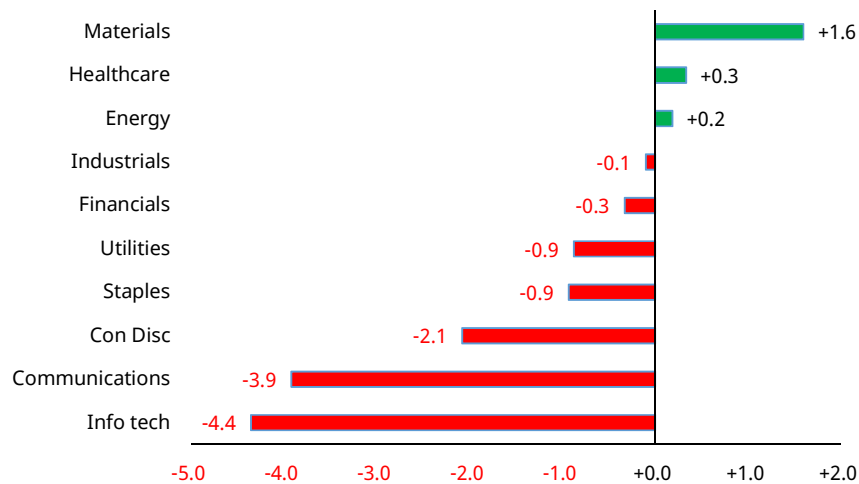
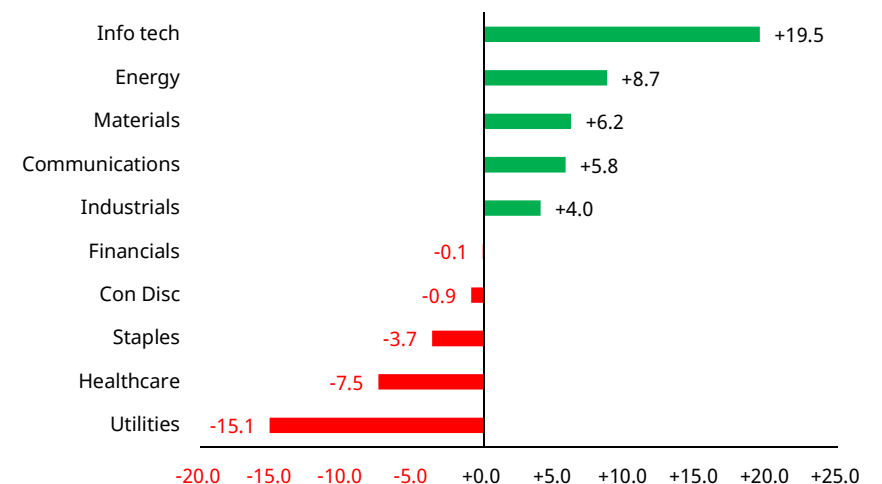


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

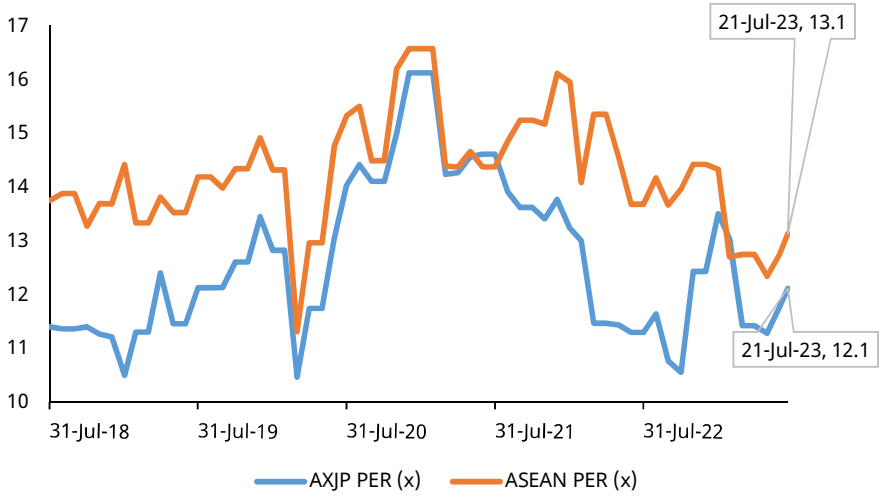


Exhibit 6: Regional Price-to-Book Ratio (x)

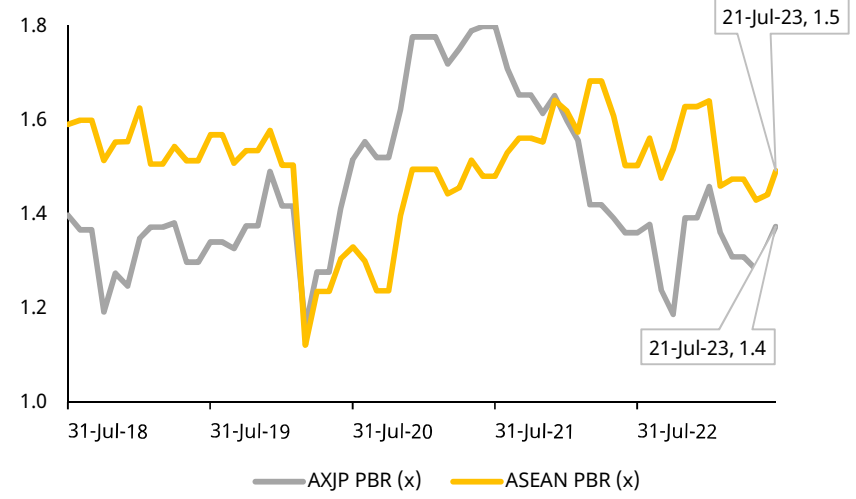


Exhibit 7: Regional Dividend Yield (%)

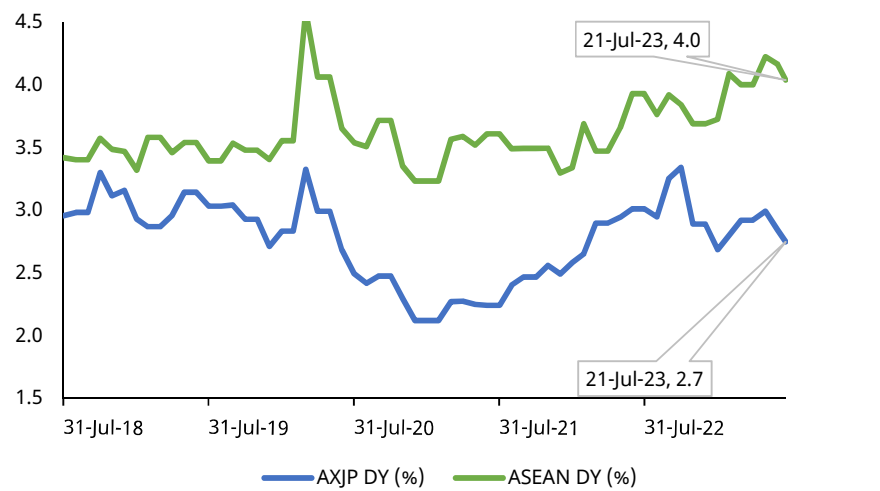
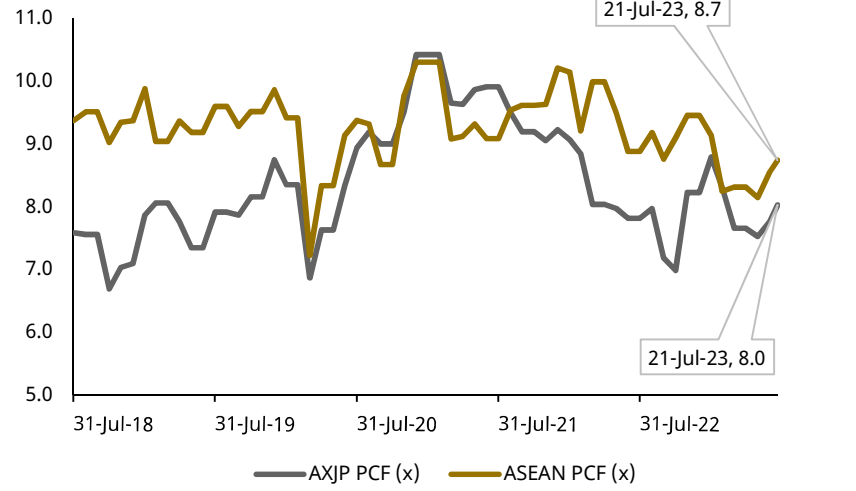


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign Funds Were Net Buyers of Indonesia, Korea and India since end-June

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

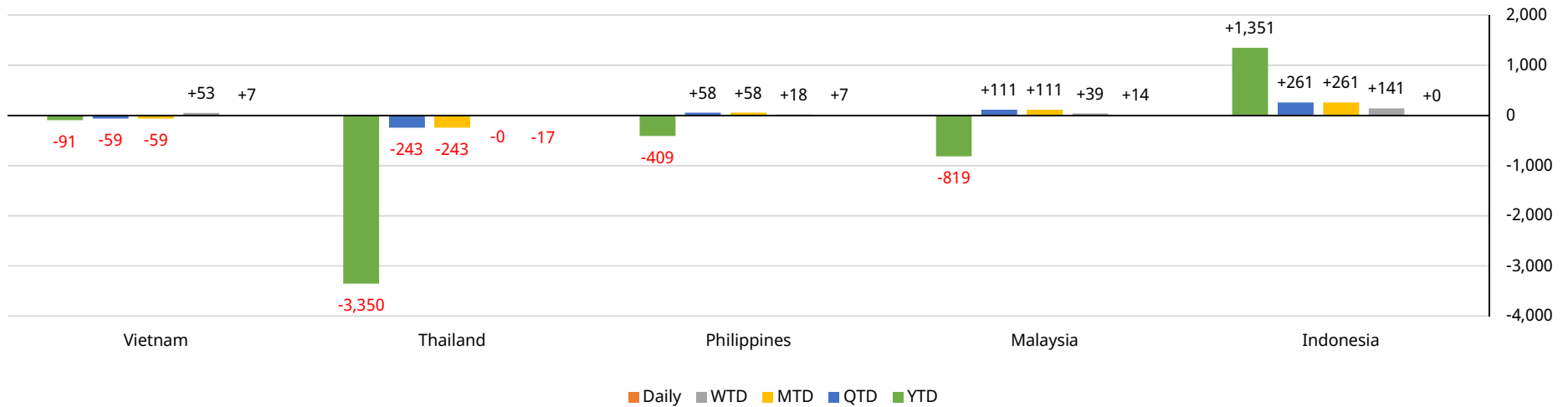
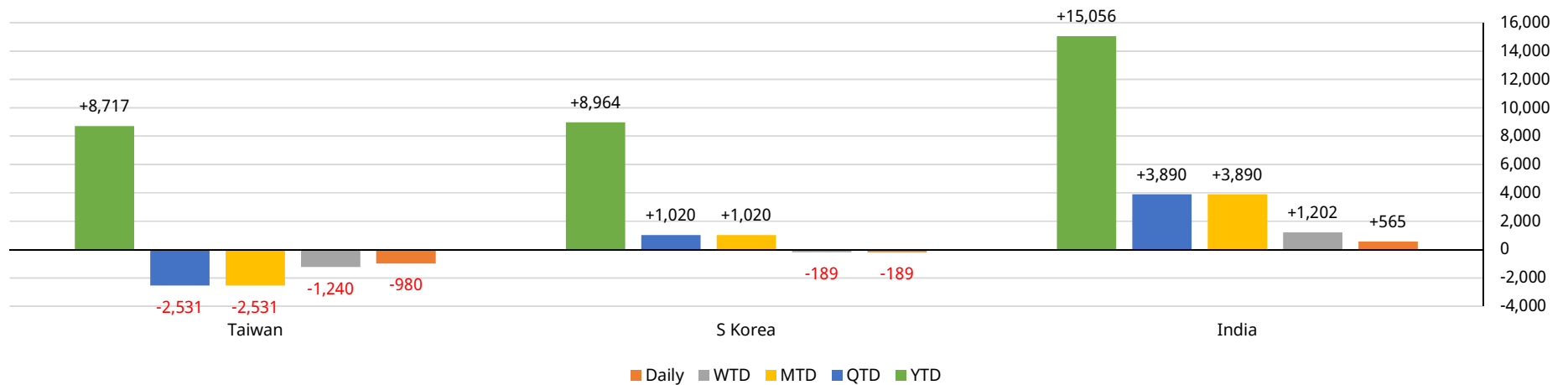


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

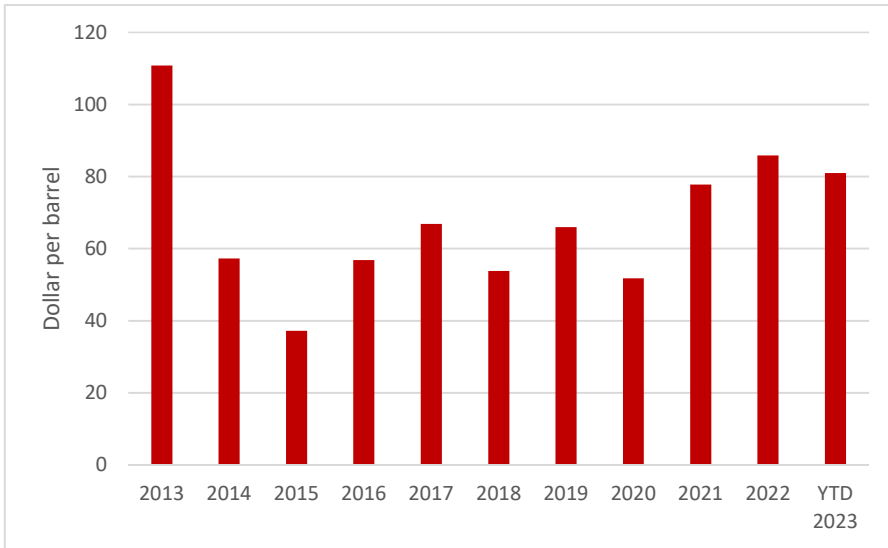


Source: Bloomberg

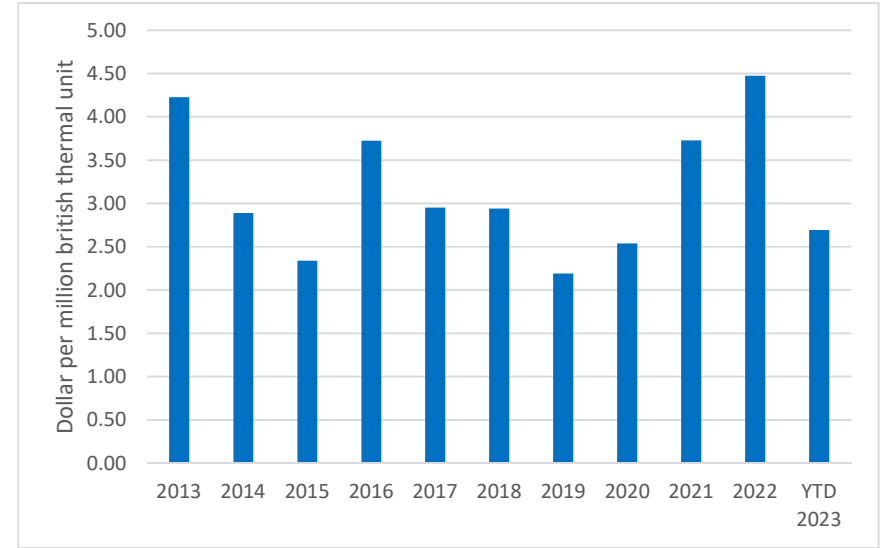
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

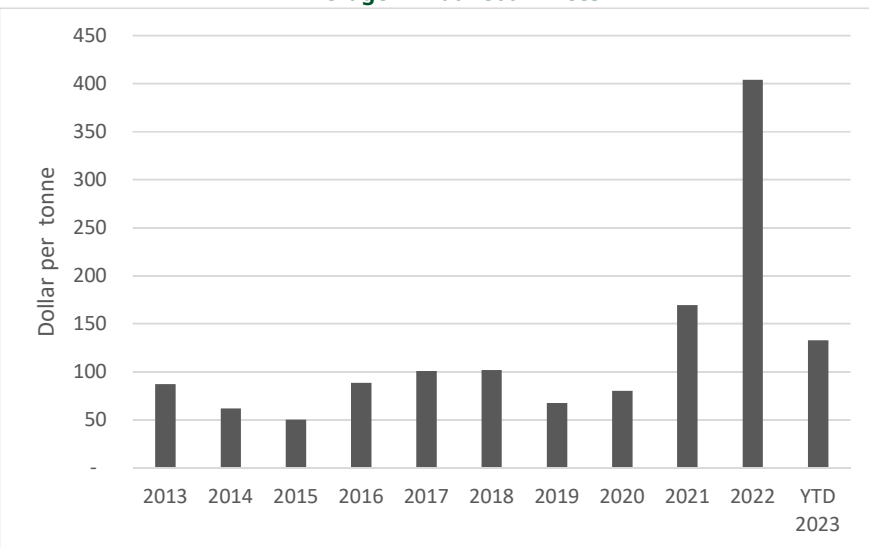
Average Annual Brent Oil Prices



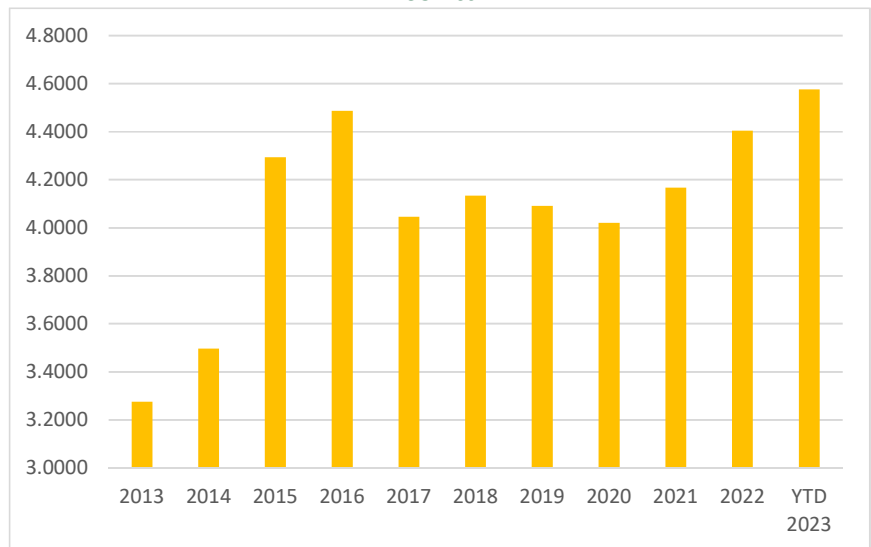
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

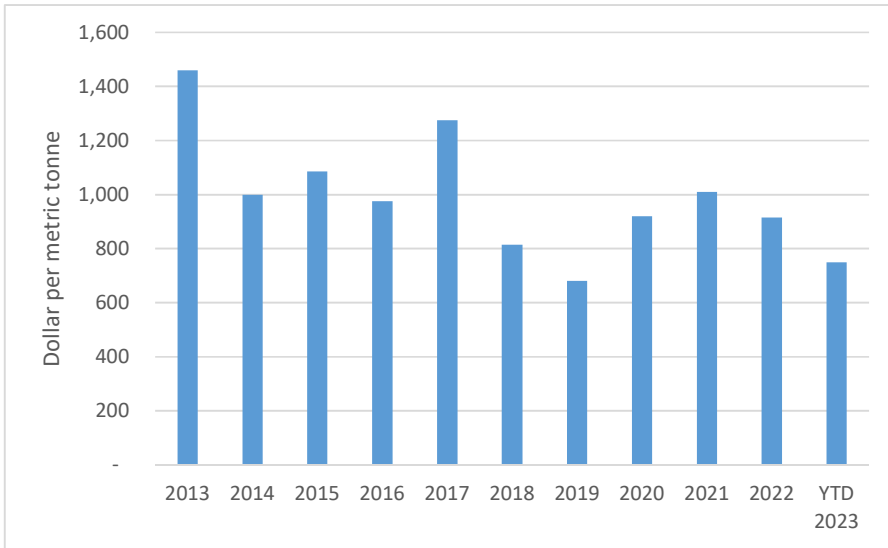


Source: Bloomberg

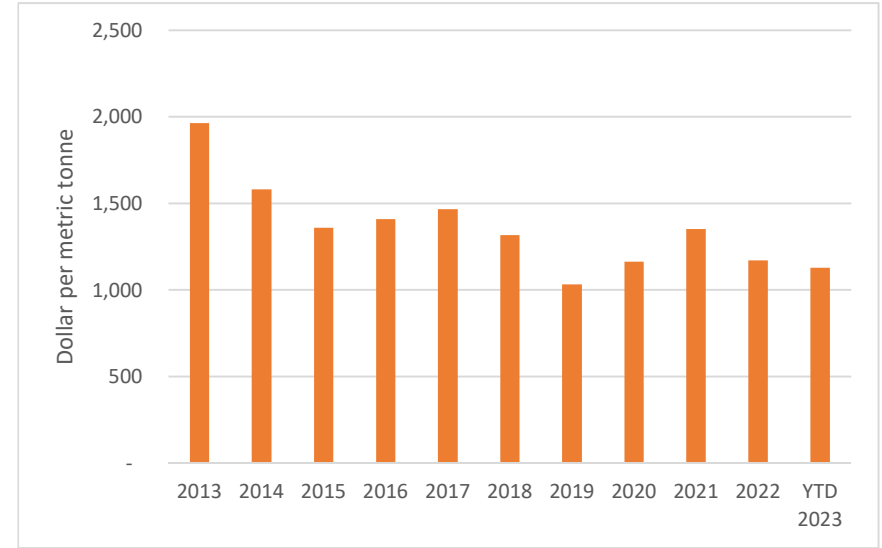
5.1 Petrochemical Annual Prices

Prices Decline on Weak China Demand

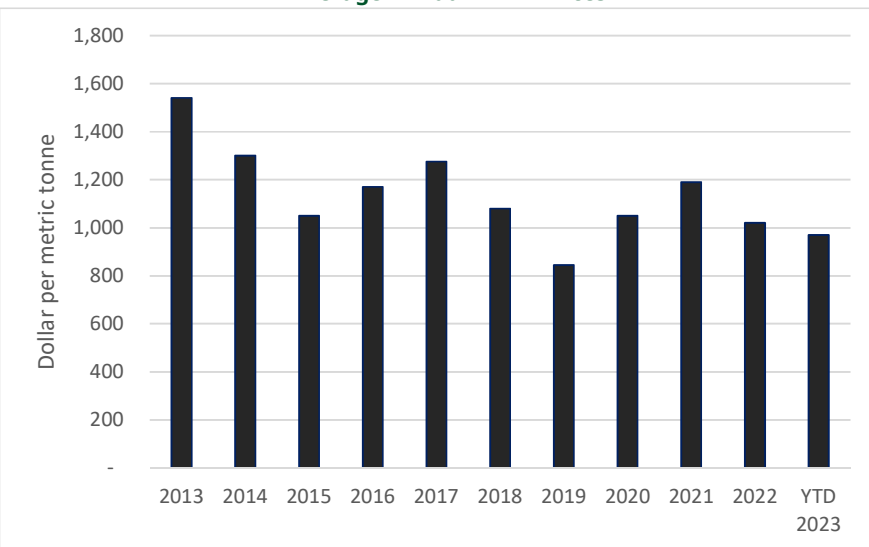
Average Annual Ethylene Prices



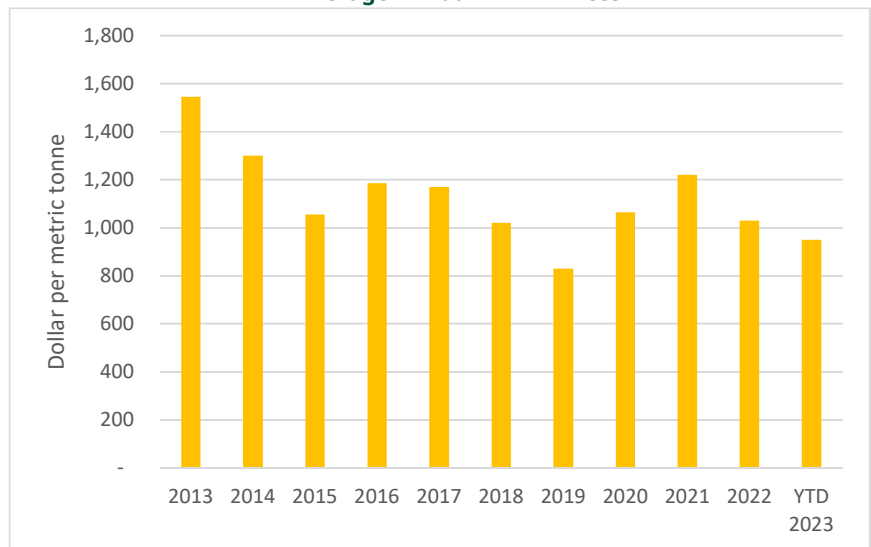
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

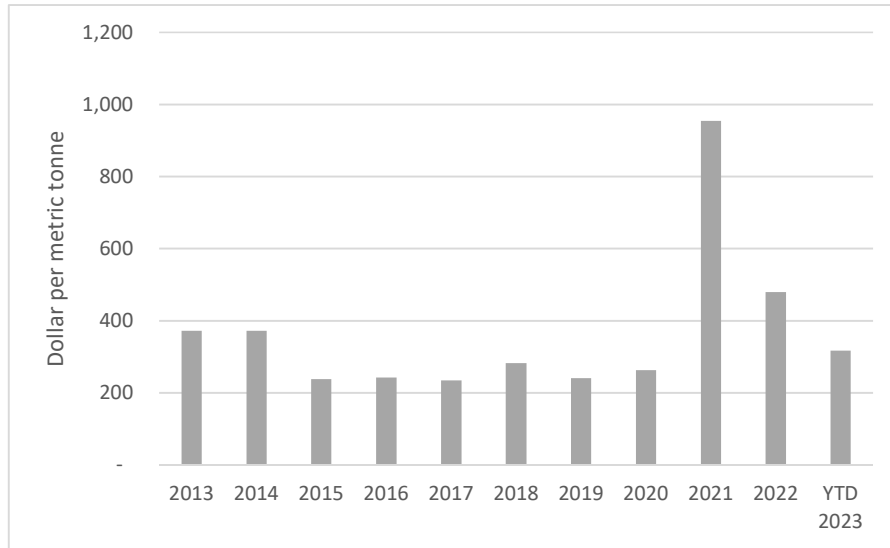


Source: Bloomberg

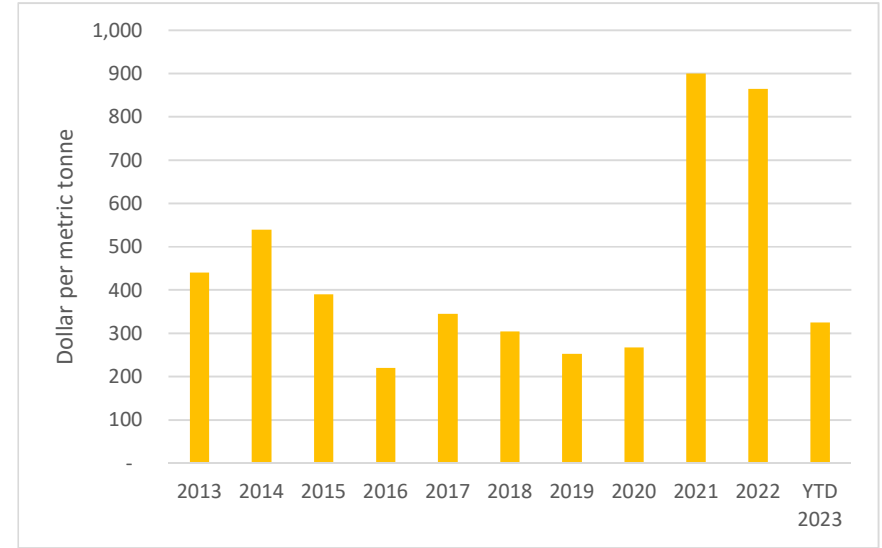
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

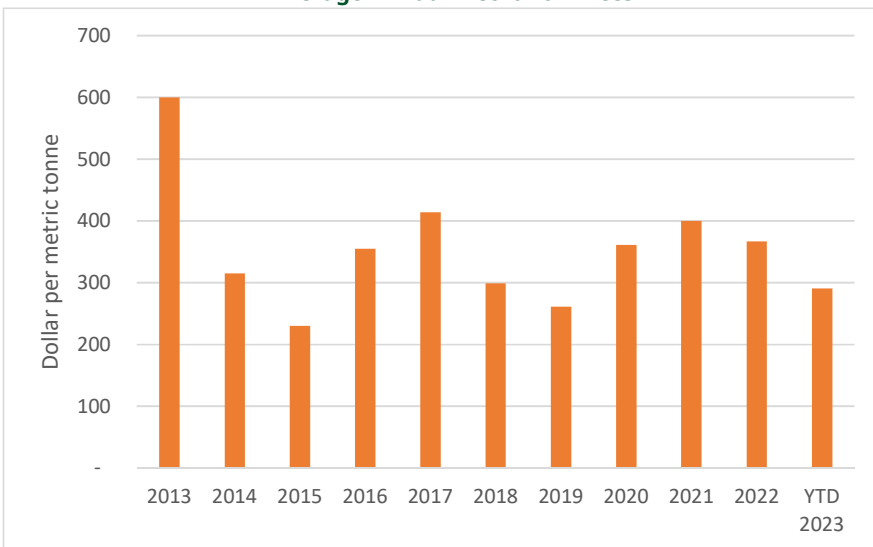
Average Annual Urea Prices



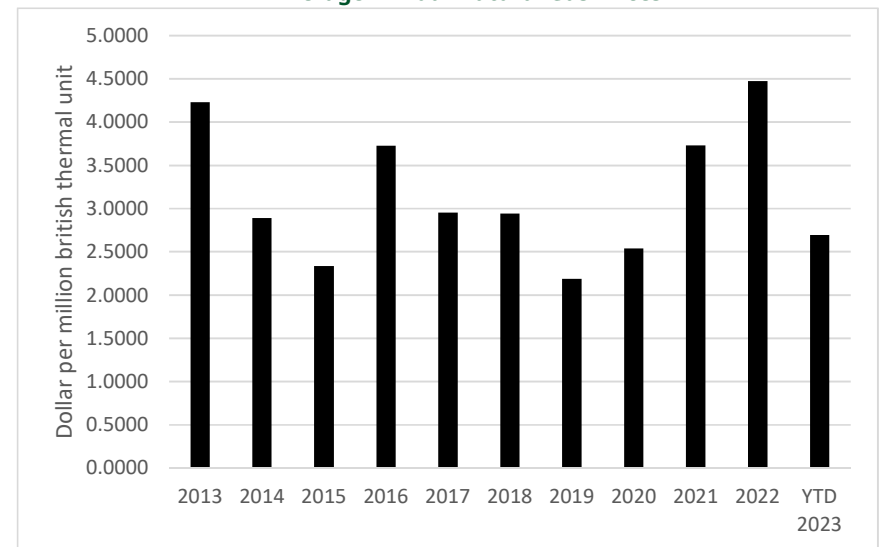
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

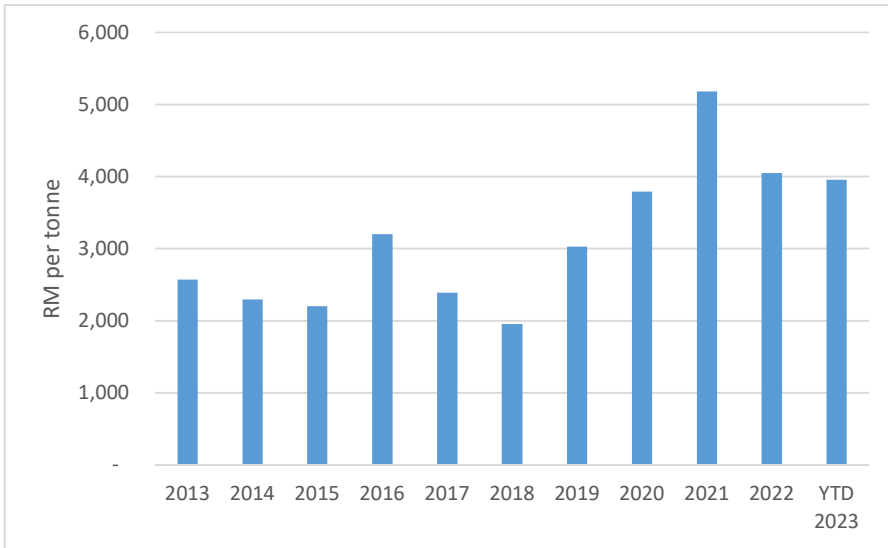


Source: Bloomberg

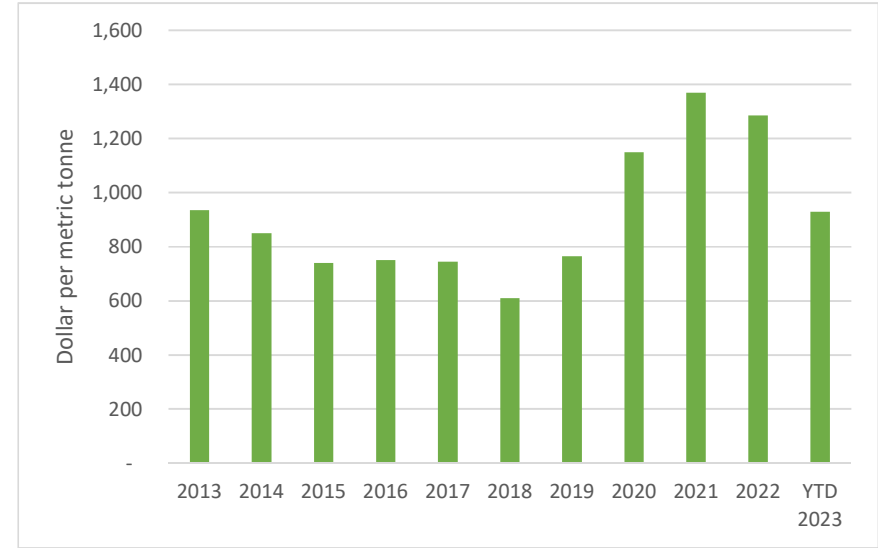
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

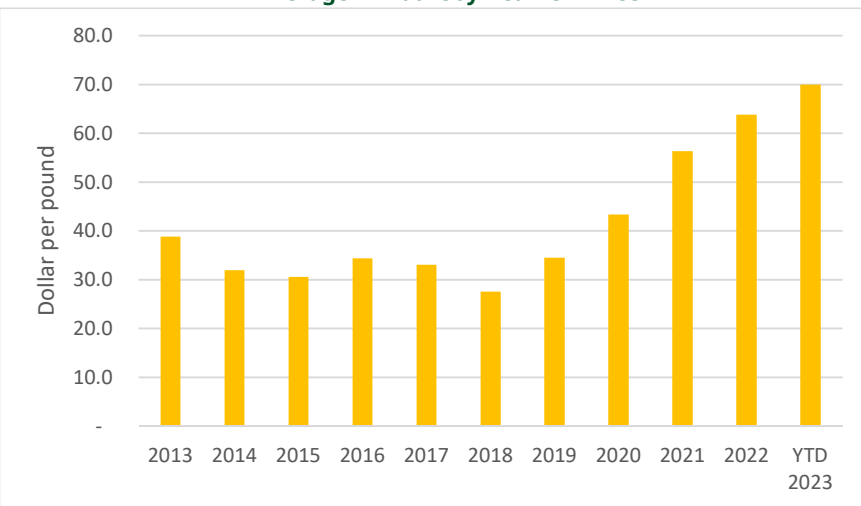
Average Annual Palm Oil Prices



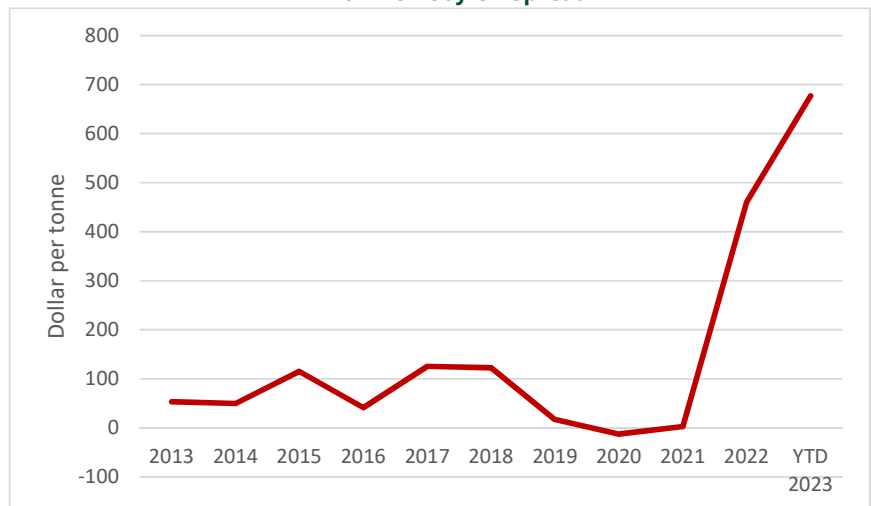
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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