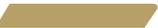


Portfolio Managers' Views


21 August 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (14- 18 August 2023) & Our Managers' Views

- 1 Brewers:** We remain invested in Carlsberg (CAB) for its potentially higher earnings in Q4'23. CAB's Q2'23 net profit is in line with consensus earnings estimates despite a 23% decline in revenue, thanks to effective cost management. Moving forward, we expect Q4'23 results to be better than Q2'23 and Q3'23, mainly driven by higher festive sales. Moreover, we are not overly concerned about the termination of the Asahi collaboration as CAB will likely replace it with a new product.
- 2 Brent Oil Price Fell on Weak China Economic Outlook:** Oil price fell from \$86/bbl to \$82/bbl over the week as concerns mounted over China's economic growth outlook. Weaknesses in the property sector owing to large developers' credit worthiness caused a chain reaction across other sectors in the market. We continue to monitor these developments but remain invested in oil as supply continues to remain tight.
- 3 We remain invested in PAX Global on cheap valuations and secular growth of payment terminals:** PAX reported a -14% sales decline and -6% in net profit due to lower sales in Latin America and Europe. We think the company will resume its growth trajectory in 2024 as economies recover and payment terminal penetration increases, while an increase in software services provision will also improve margins. The stock trades at just 5x PER and offers an attractive yield of 6.5%.
- 4 China's July 2023 economic numbers moderated:** Retail sales (+2.5% YoY) and industrial production (+3.7% YoY) growth fell (+3.1% and 4.6% respectively in June), raising concerns that China is slowing down. Headlines aside, the services (+5.7%) and domestic tourism (+20%) sectors outperformed. We are selectively invested in China, favouring e-commerce, payment systems, and tourism- and consumer-related stocks that deliver stronger operational and financial numbers (see item 5).
- 5 Selected companies' growth are outpacing the slower China economy:** Consumer discretionary companies and internet platform operators like Tencent (11% rise in 2Q'23 revenue; earnings +33% YoY), JD.com (revenues rose 8%) and Samsonite (2Q'23 revenue +33%; earnings +97%) are delivering stronger financial results vis-a-vis the China economy. We are positive on selected companies and sectors as their earnings deliveries outpace the broader economy.
- 6 Valuations:** FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 14.1x is nearly at the bottom end of its 12-year range. 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 4.3% is in line with the 10-year high of 4.2%, 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

Property & Utilities Sector Rallied on National Energy Transition Roadmap

Exhibit 1: KLCI vs Shariah Index

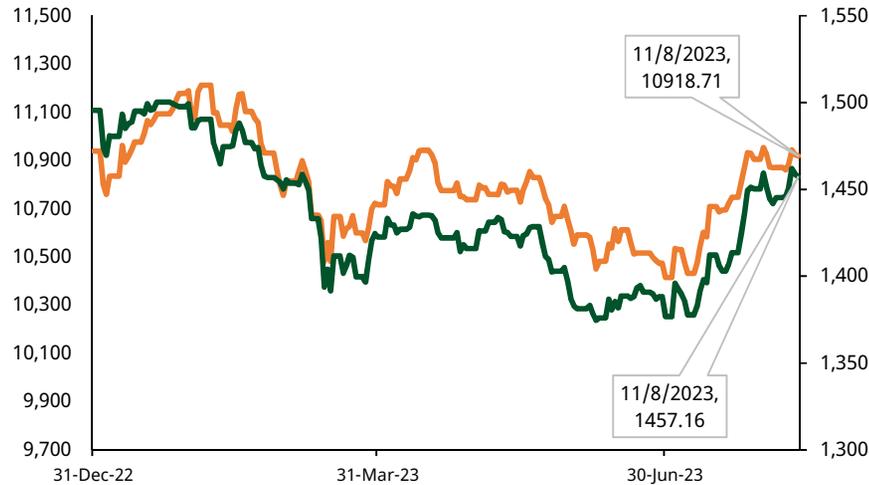


Exhibit 2: USDMYR

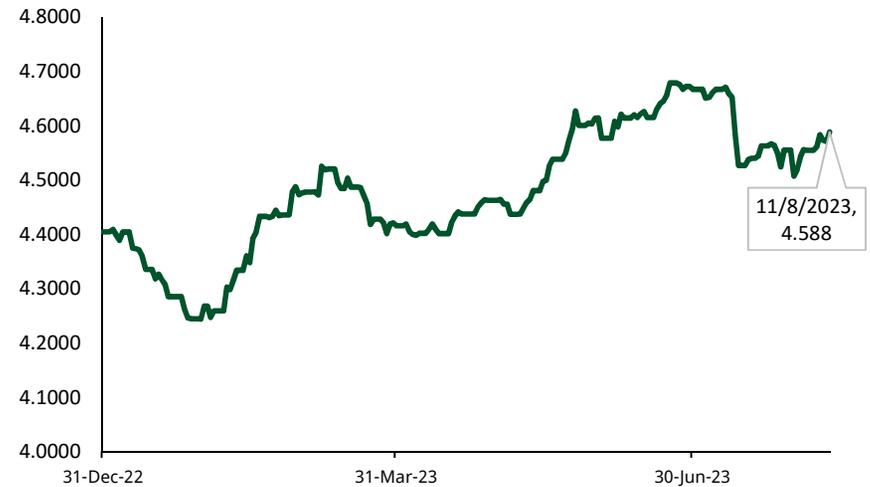
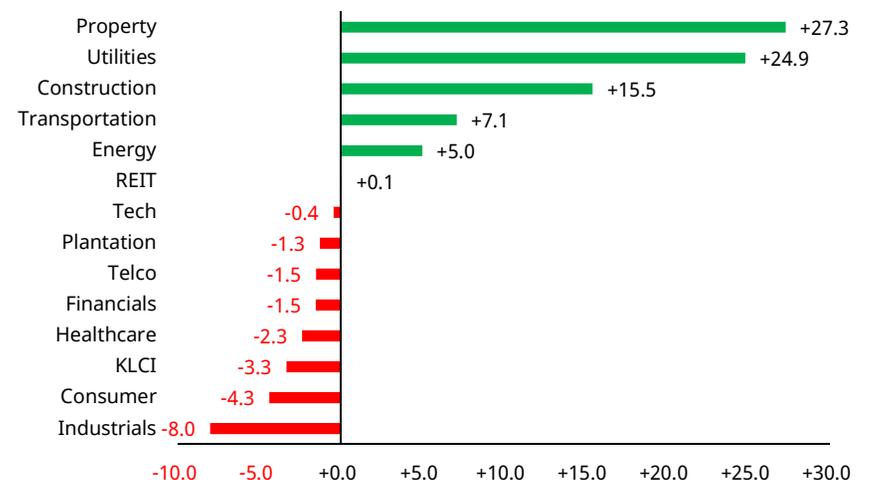


Exhibit 3: Sector Performances Week-to-Date (%)



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, %)

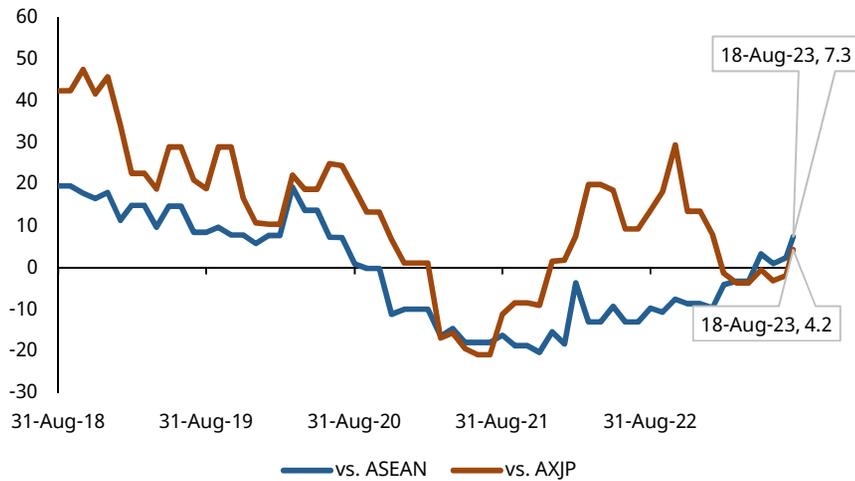


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

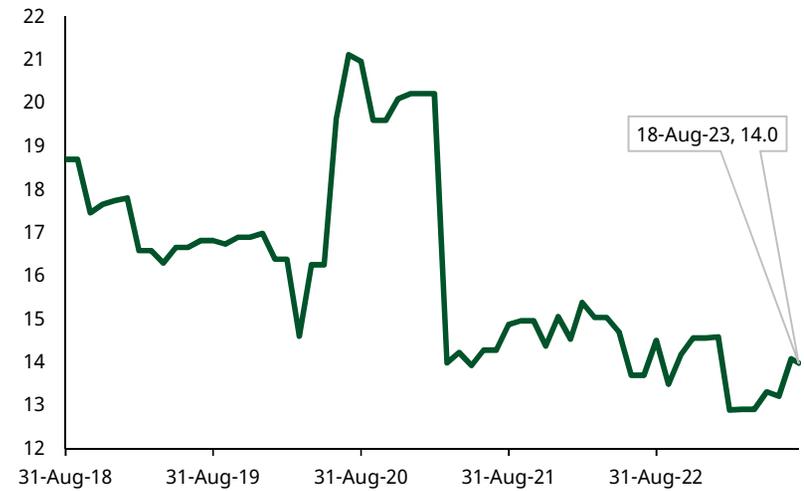


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

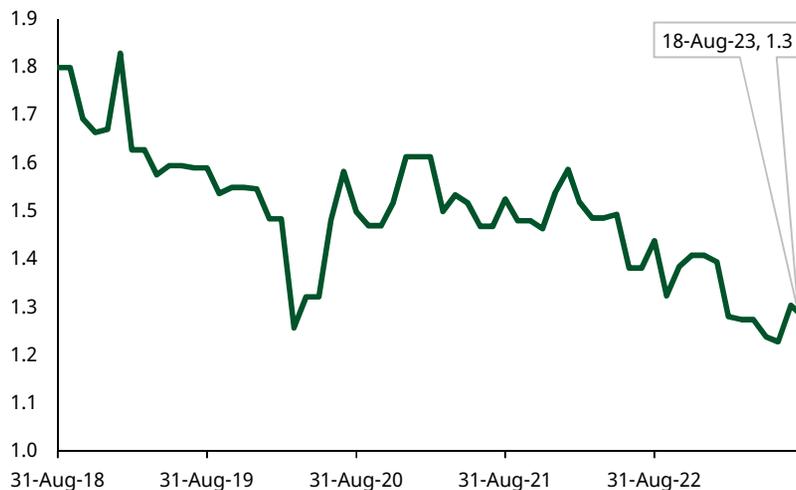
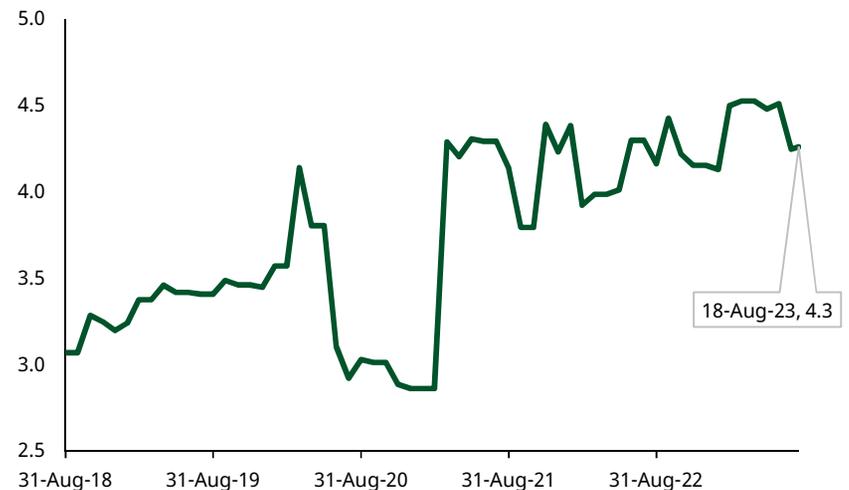


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

China's market tumbled as the property sector woes worsened.

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

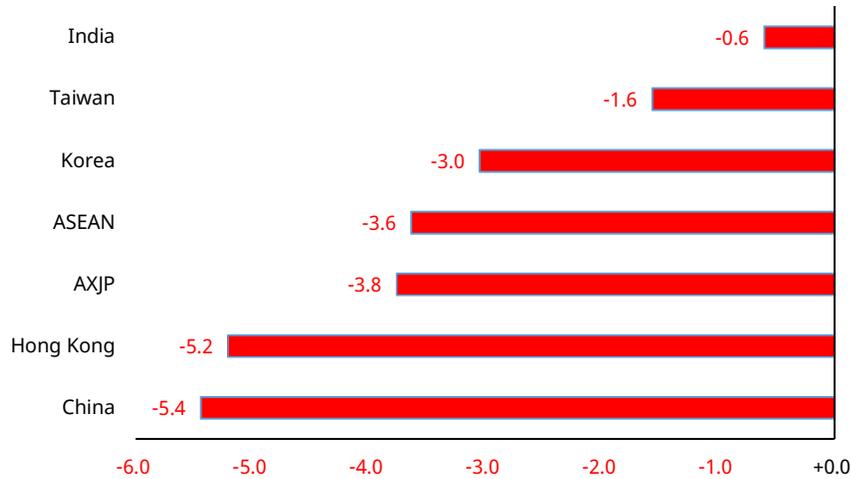


Exhibit 2: Country Performances Year-to-Date (%)



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

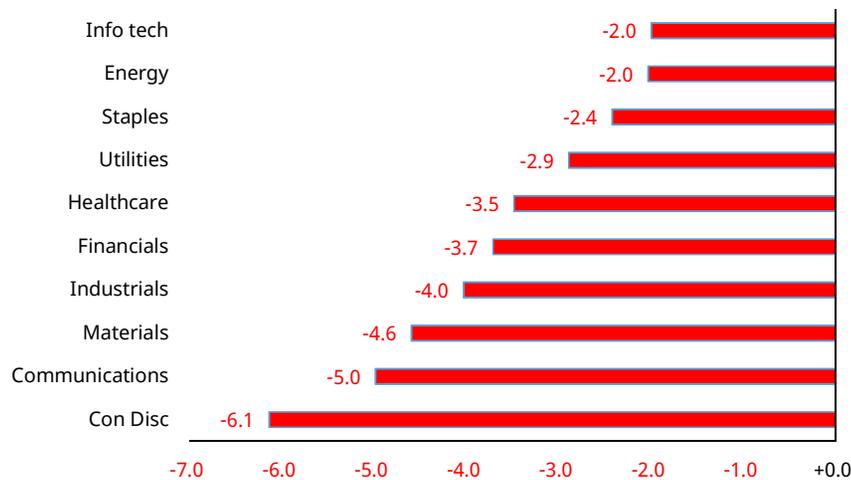
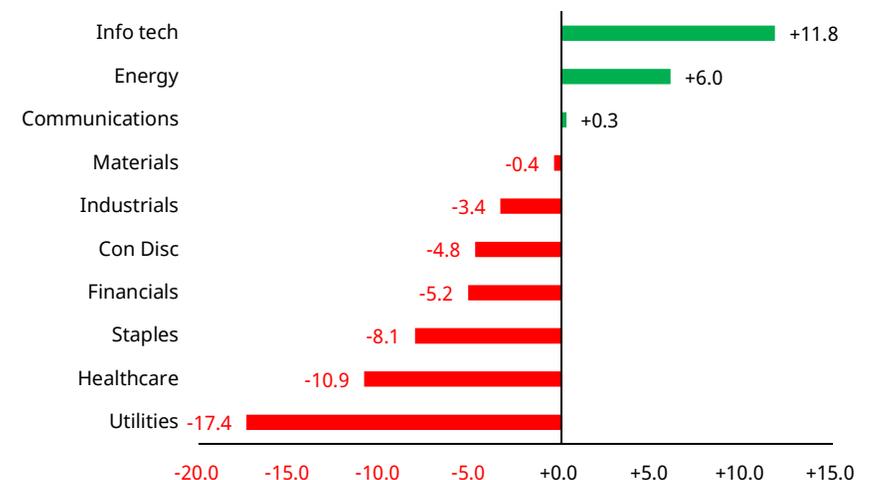


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

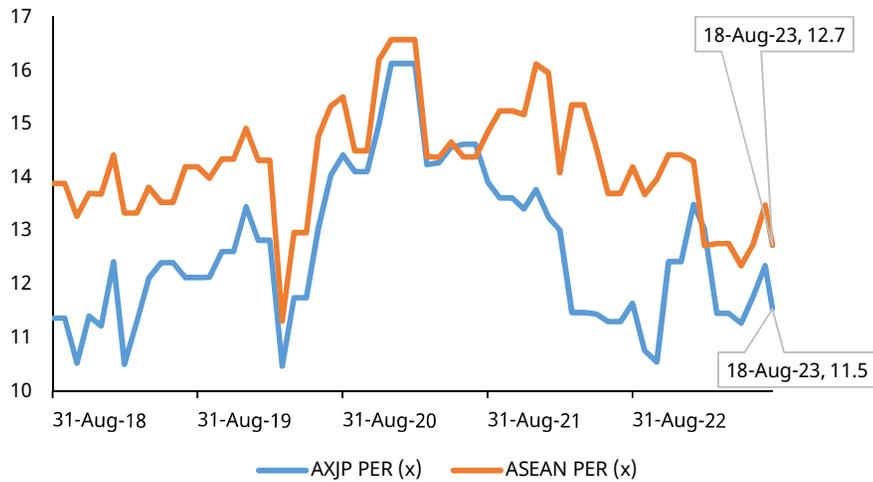


Exhibit 6: Regional Price-to-Book Ratio (x)

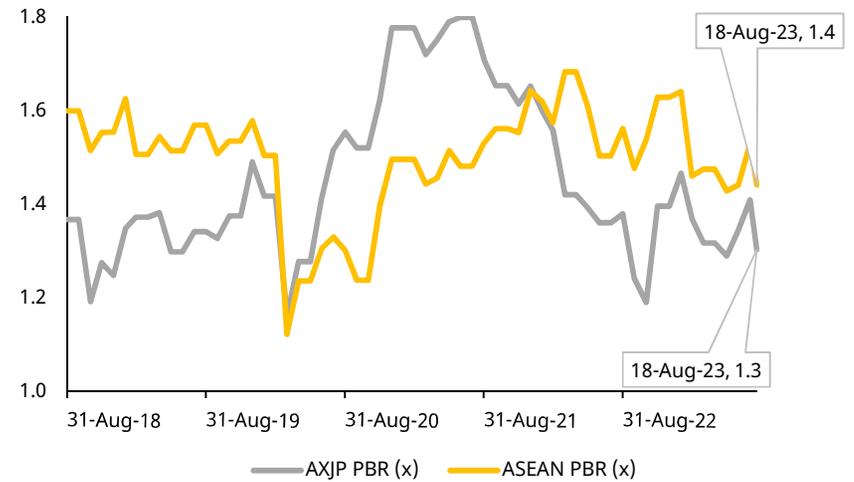


Exhibit 7: Regional Dividend Yield (%)

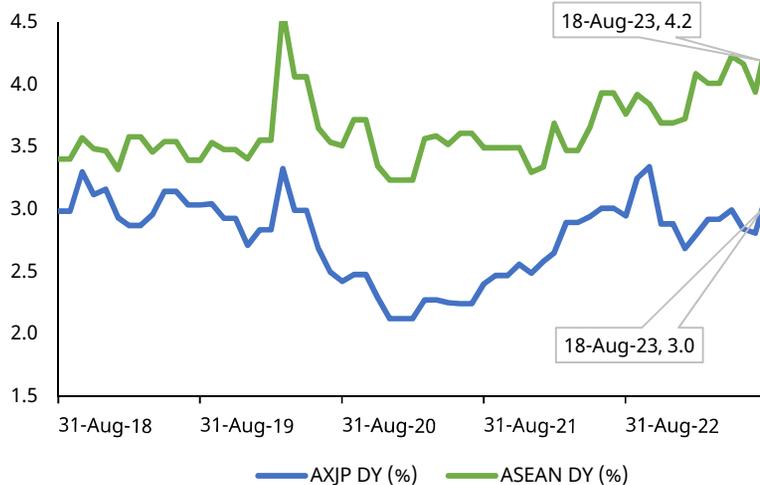
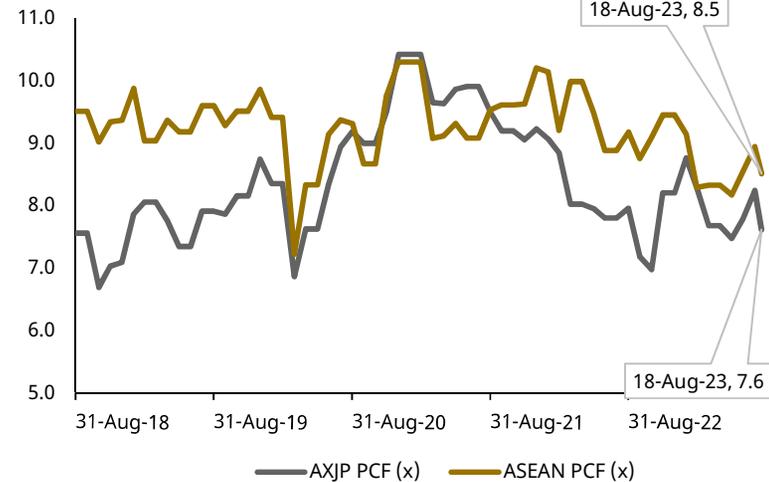


Exhibit 8: Regional Price-to-Cash Flow (x)



4.0 FOREIGN FUND FLOWS

Foreign Funds Net Buy Malaysia & India since end-July

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

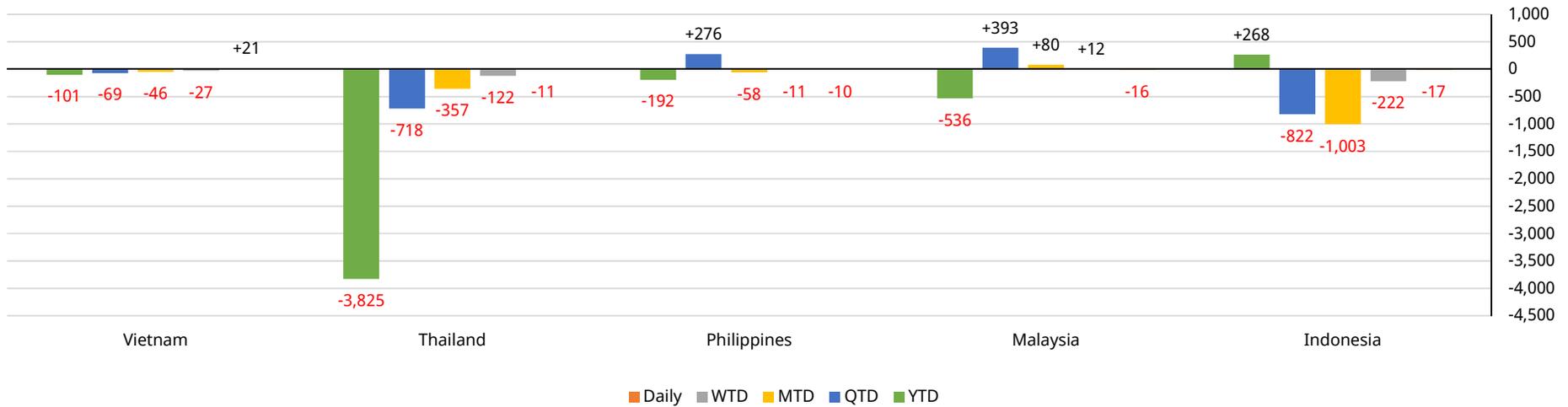
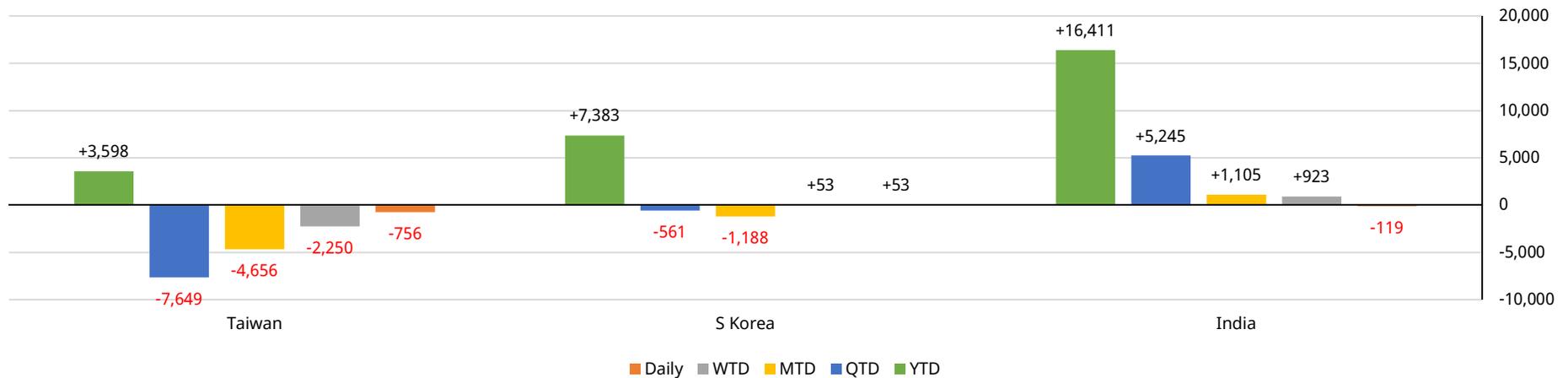


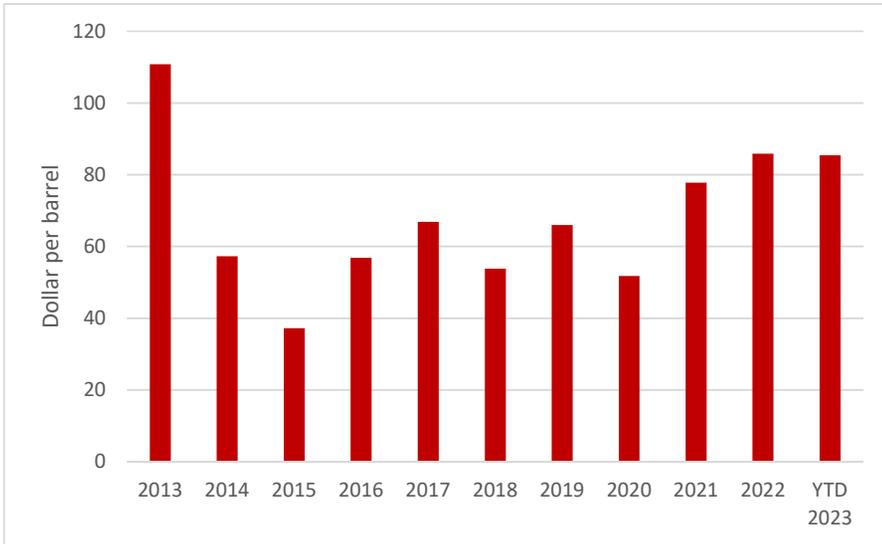
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



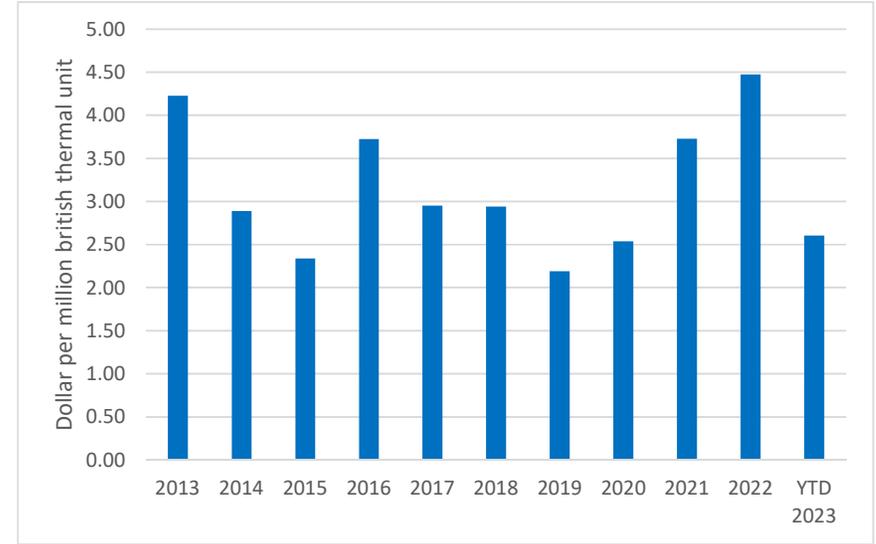
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

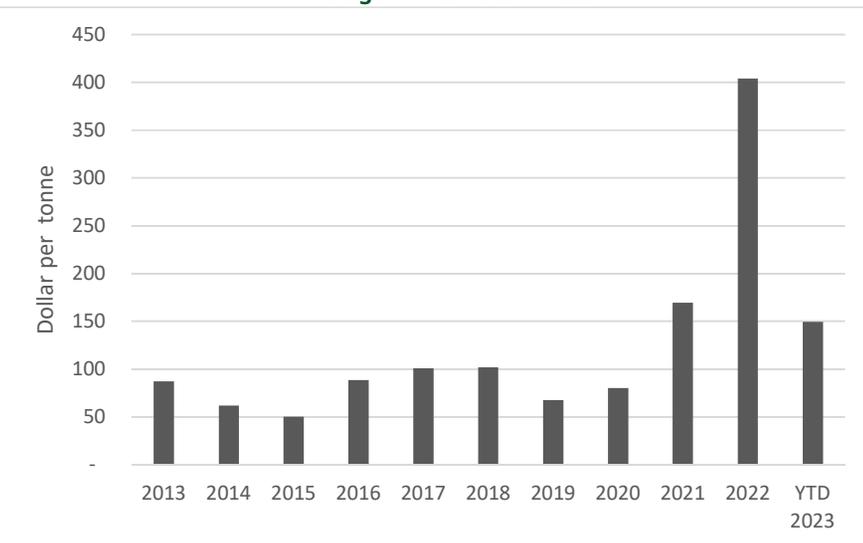
Average Annual Brent Oil Prices



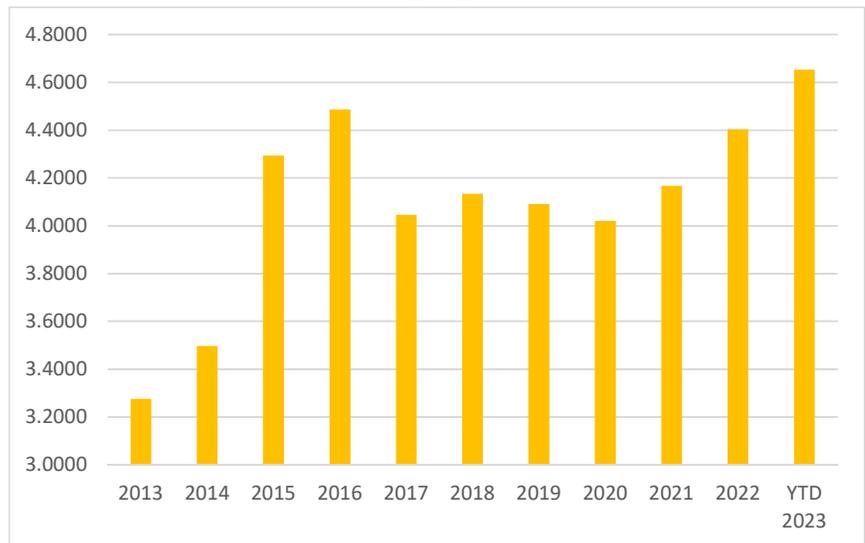
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

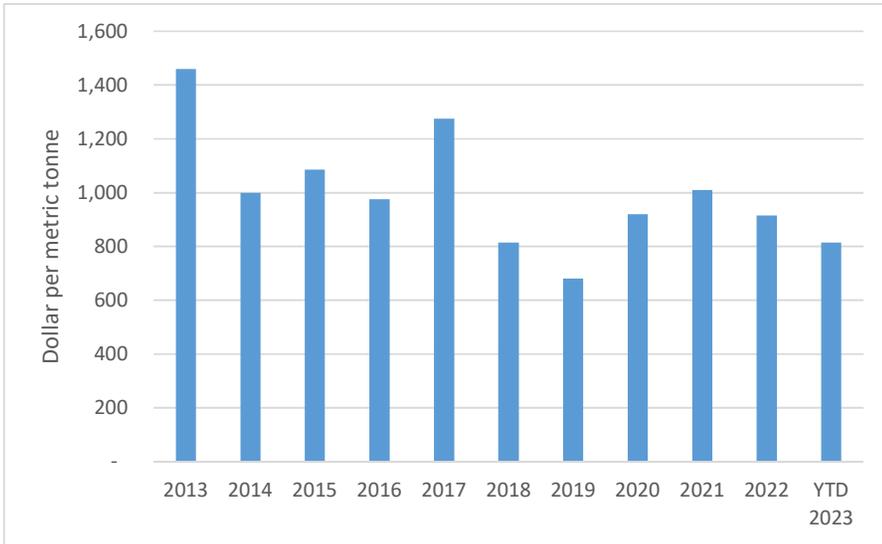


Source: Bloomberg

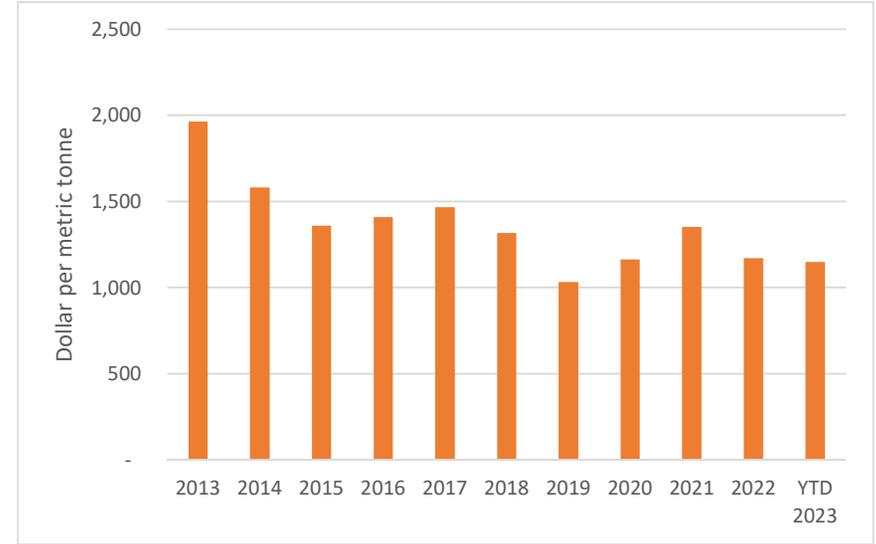
5.1 Petrochemical Annual Prices

Prices Decline on Weak China Demand

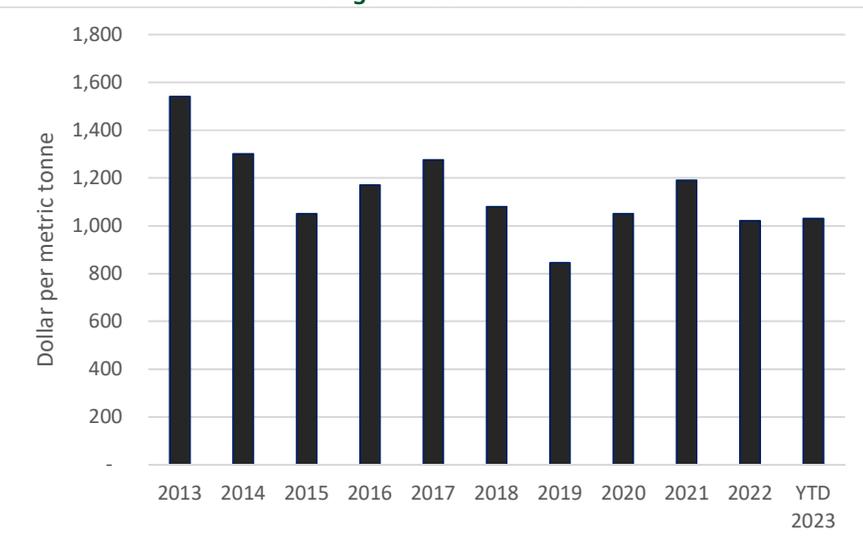
Average Annual Ethylene Prices



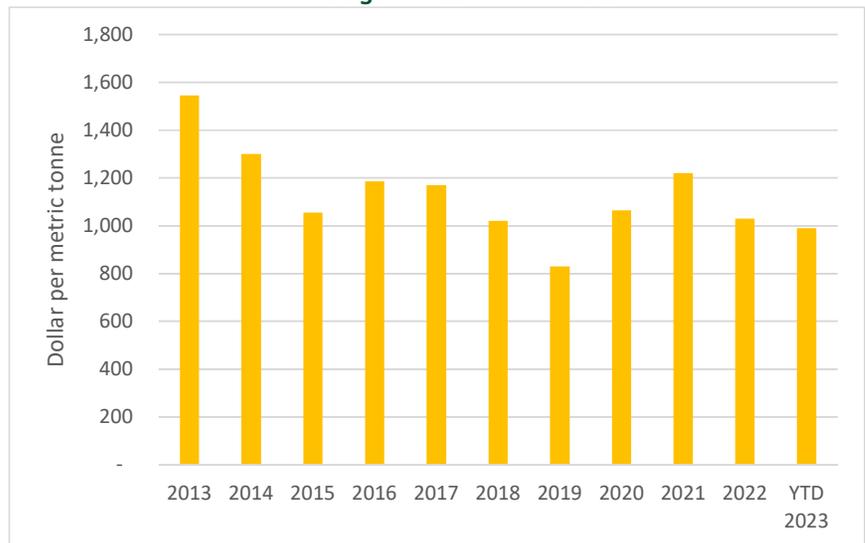
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

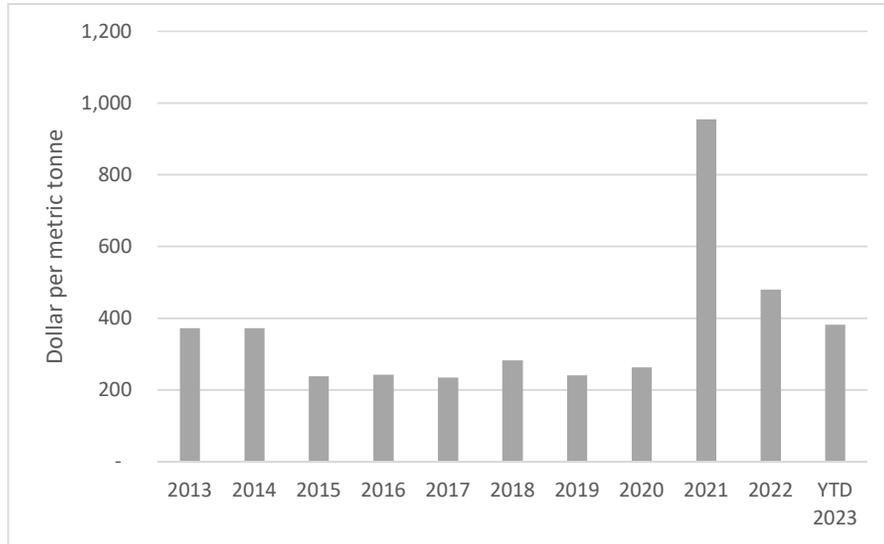


Source: Bloomberg

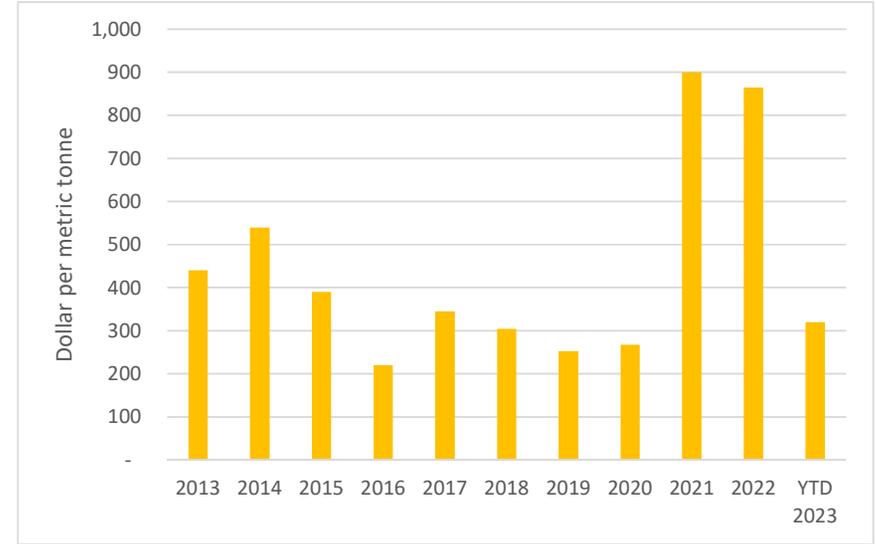
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trended Lower, Tracking Natural Gas Prices

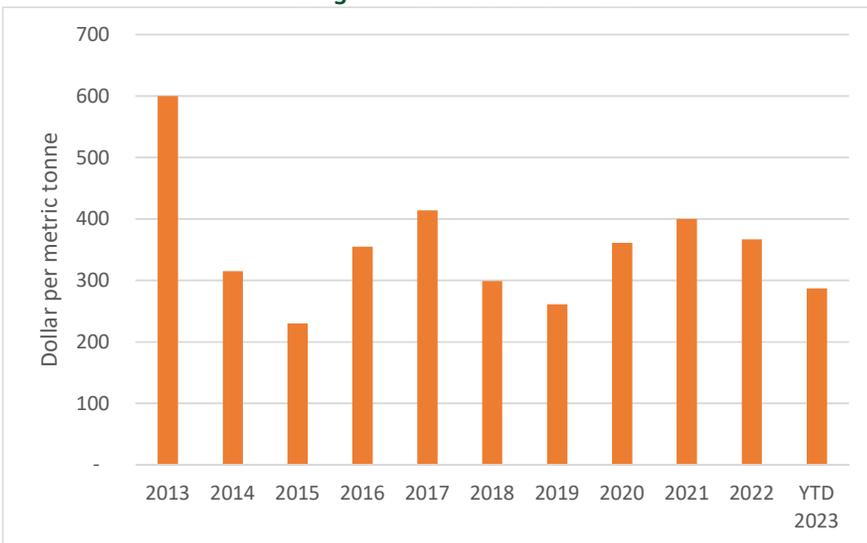
Average Annual Urea Prices



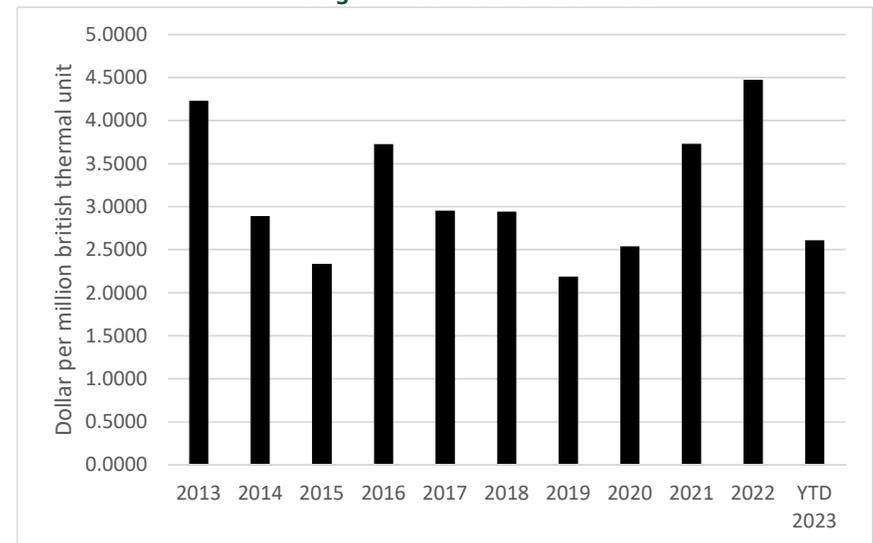
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

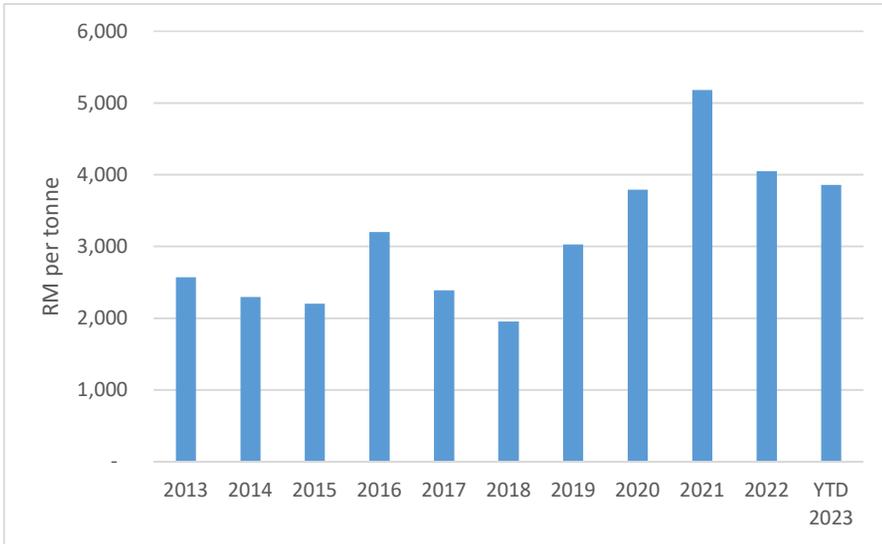


Source: Bloomberg

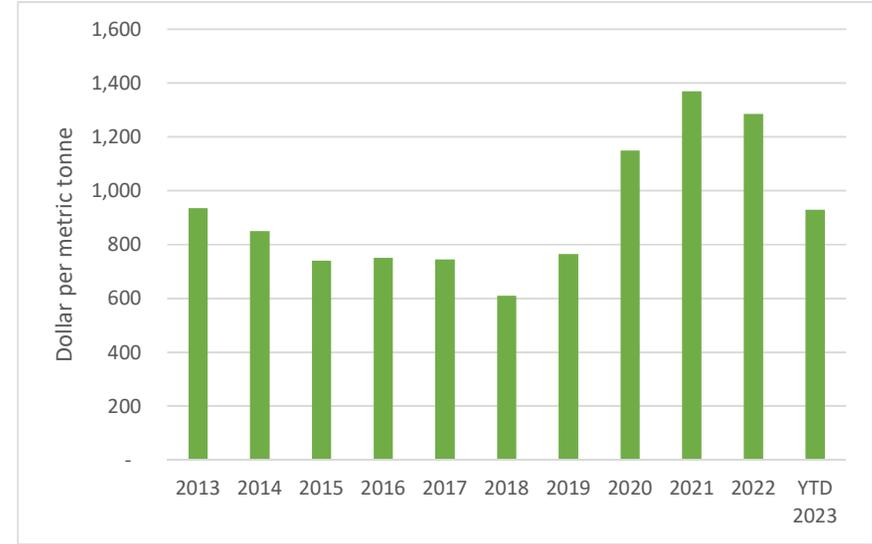
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

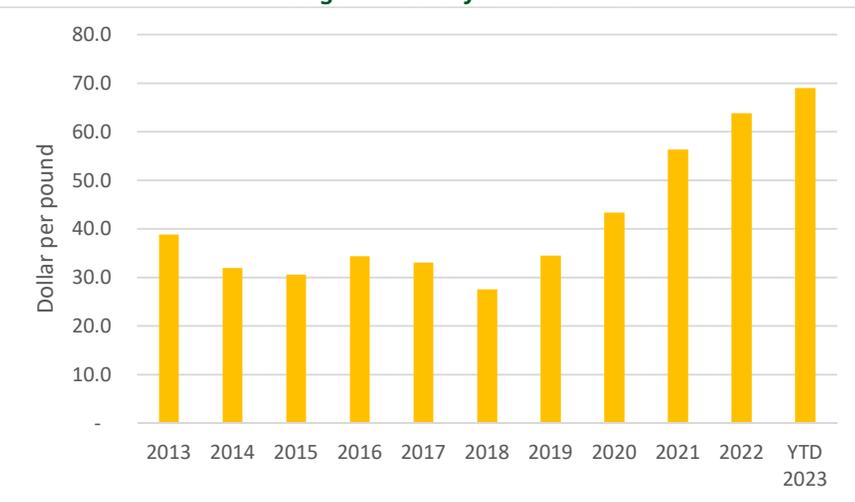
Average Annual Palm Oil Prices



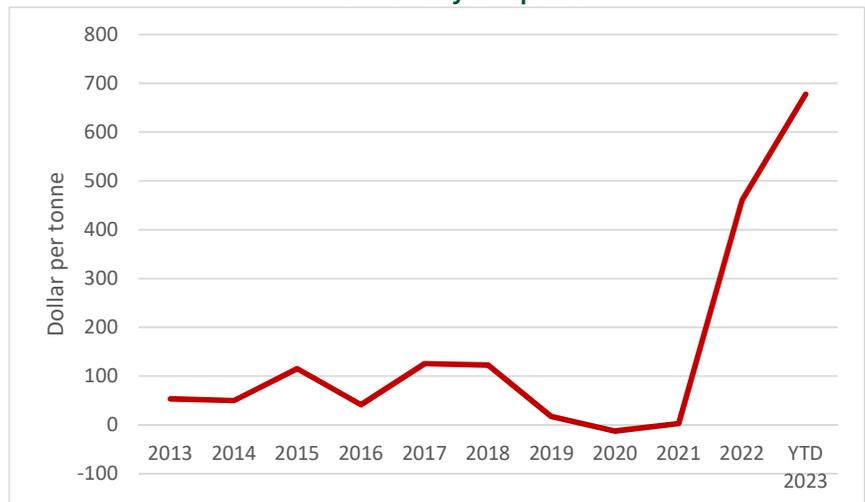
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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