

# Portfolio Managers' Views

  
**28 August 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (21- 25 August 2023) & Our Managers' Views

- 1 We remain invested in Cement manufacturers:** Cement manufacturers Malayan Cement and Hume Cement released positive earnings for the quarter. Malayan Cement's profits rose by 133% while Hume Cement went from loss-making to profiting over RM40mil on a year-on-year basis. This is supportive of our view that the recent cement industry consolidation has resulted in better pricing discipline. We remain invested as we think that there is further upsides to sales volumes.
- 2 Hibiscus to benefit from higher oil prices and share consolidation:** Hibiscus' core earnings came within expectations after removing one-off gains. We remain positive on Hibiscus as it expects to ship more oil and condensates in FY2024 (+6 to +10% higher YoY) and that higher oil prices, supported by tight supplies, will also drive earnings growth. We also think that its proposed share consolidation may reduce the stock's volatility which improves its merits from a security analysis point of view.
- 3 We remain invested in Innoprise (Inno) for the potential higher CPO prices:** Inno's net profit rose 18% QoQ due to higher selling volume and lower costs. We expect CPO prices to maintain RM4,000/ton due to El Nino, the breach of the Black Sea Agreement and the upcoming low production season. Moreover, fertiliser prices declined by 15% YTD, which will benefit planters in the coming quarters. The higher CPO prices and lower fertiliser costs will support Inno's earnings and dividends.
- 4 We remain invested in MBMR for its high dividend yield:** MBMR declared a 26sens dividend in Q2'23, which is higher than last year's 16sens, mainly supported by asset disposal and higher dividends from Perodua. We expect Perodua to achieve its FY2023 car sales target of 313k as its latest backlog orders remain high at 200k. As a shareholder of Perodua, MBMR's earnings and dividends will likely be supported by higher Perodua car sales.
- 5 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

## Utilities Sector Rallied on National Energy Transition Roadmap

Exhibit 1: KLCI vs Shariah Index

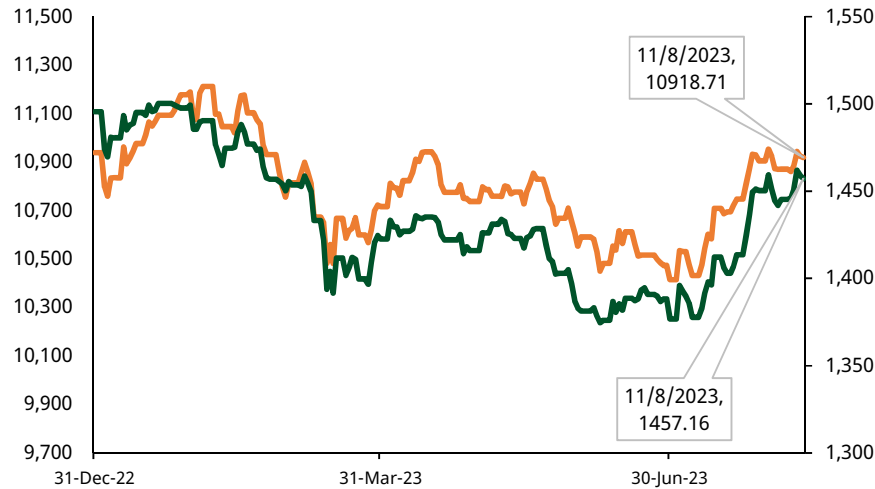


Exhibit 2: USDMYR

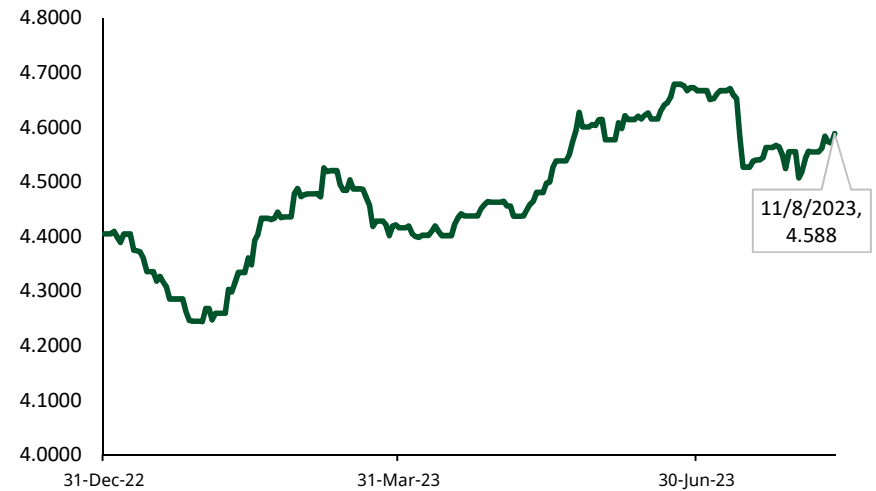


Exhibit 3: Sector Performances Week-to-Date (%)

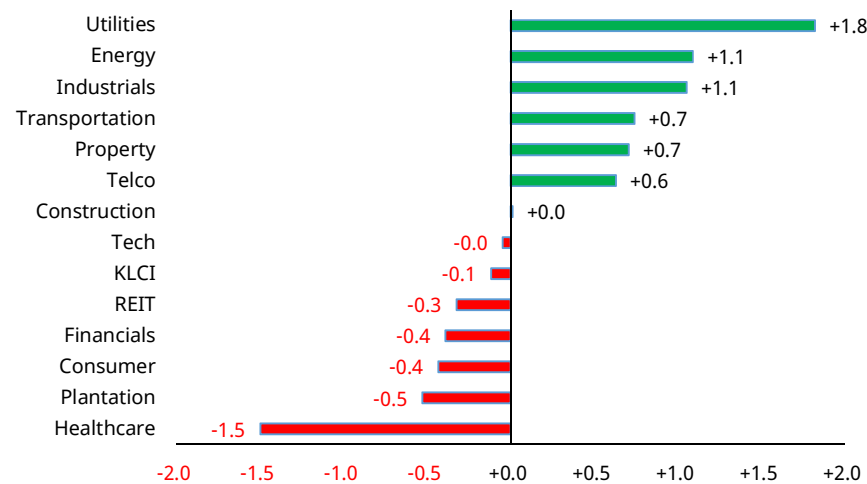
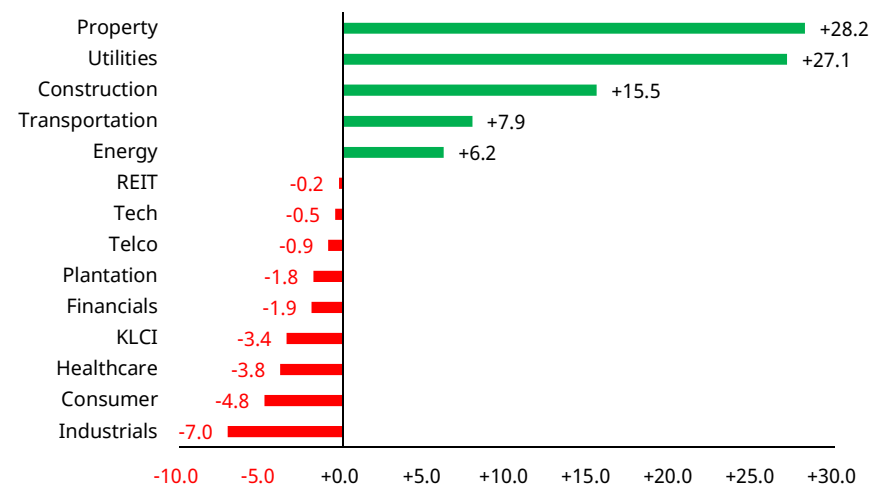


Exhibit 4: Sector Performances Year-to-Date (%)



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, %)

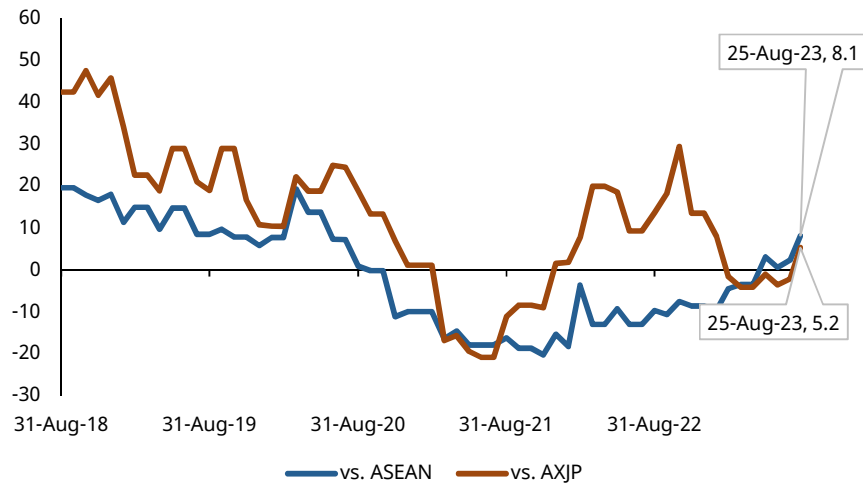


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

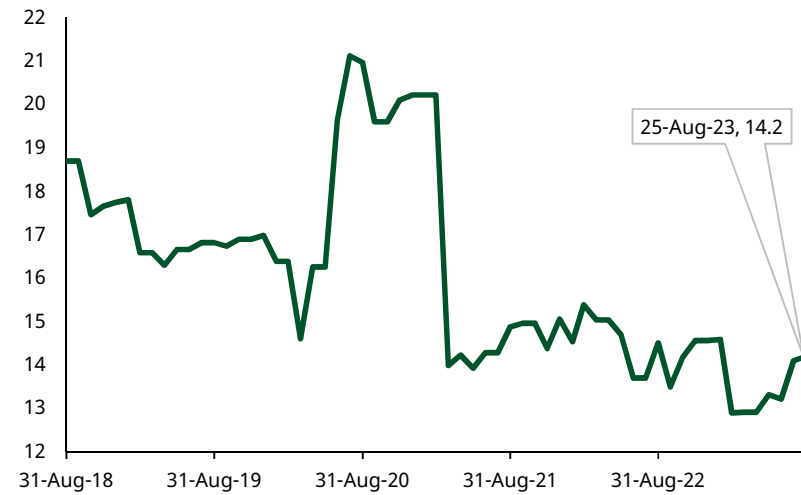


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

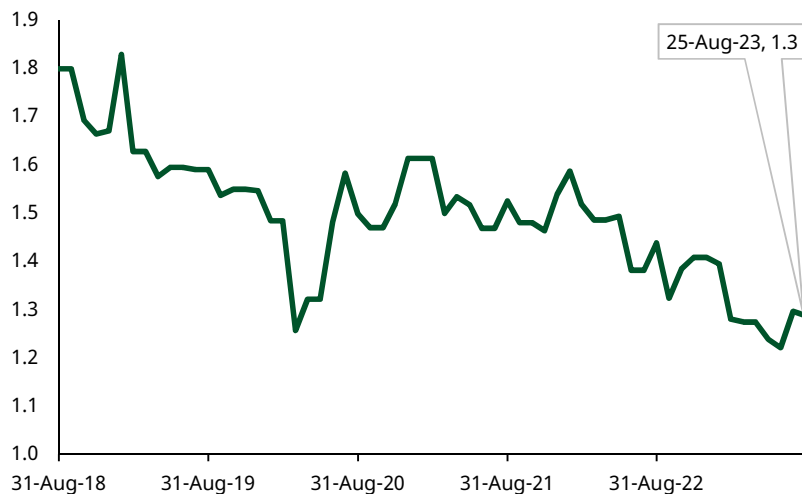
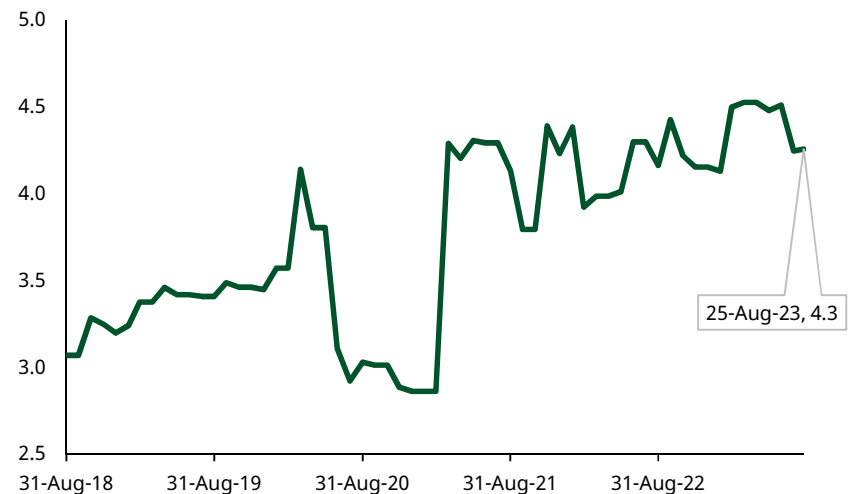


Exhibit 8: KLCI's Dividend Yield (DY, %)



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 (%)

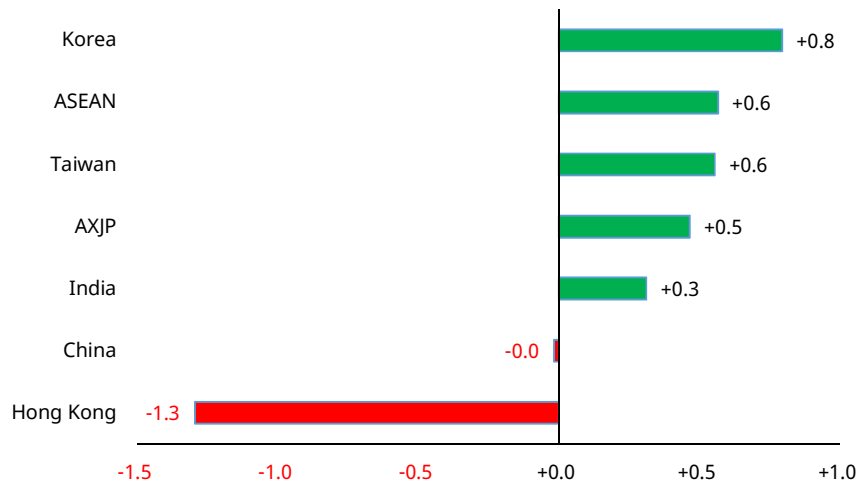


Exhibit 2: Country Performances Year-to-Date (%)

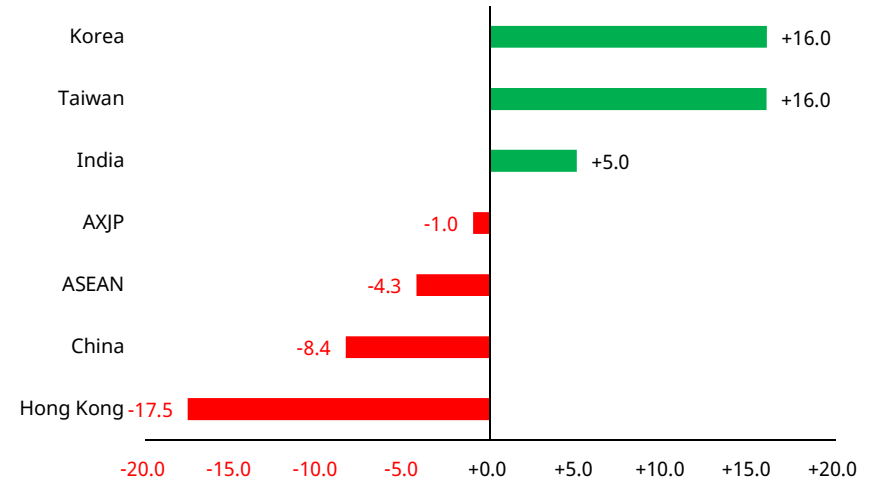


Exhibit 3: Sector Performances Week-to-Date (%)

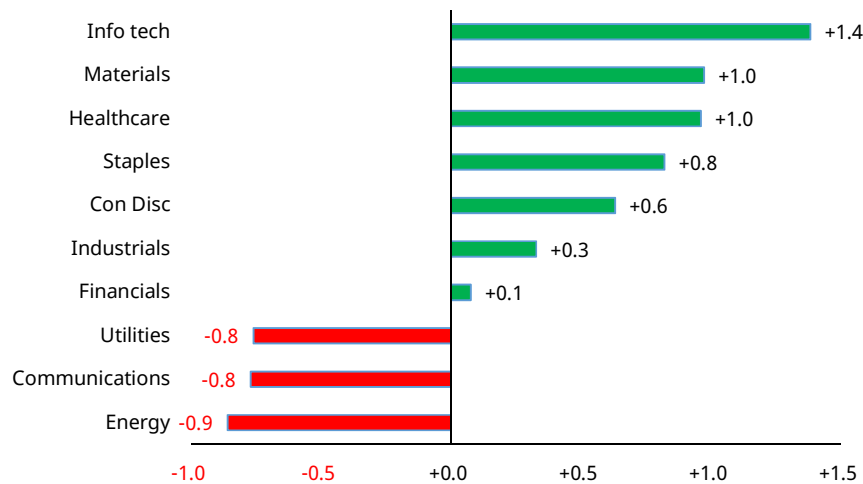


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

# 3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

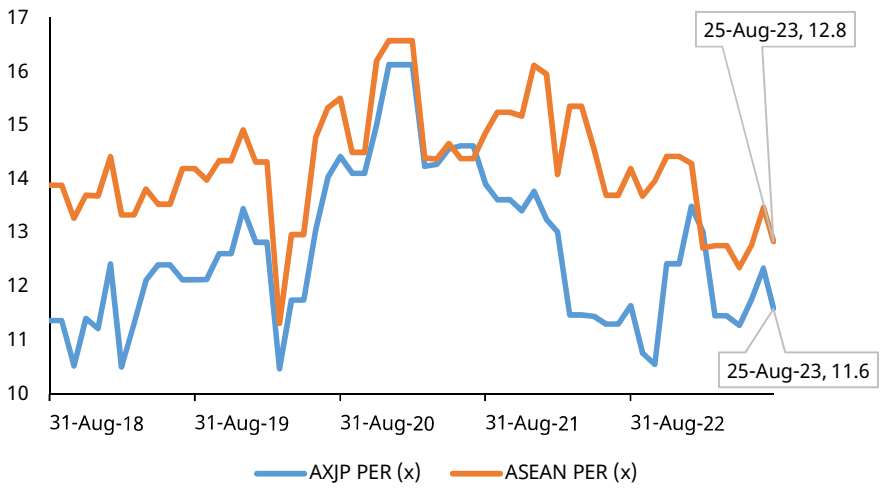


Exhibit 6: Regional Price-to-Book Ratio (x)

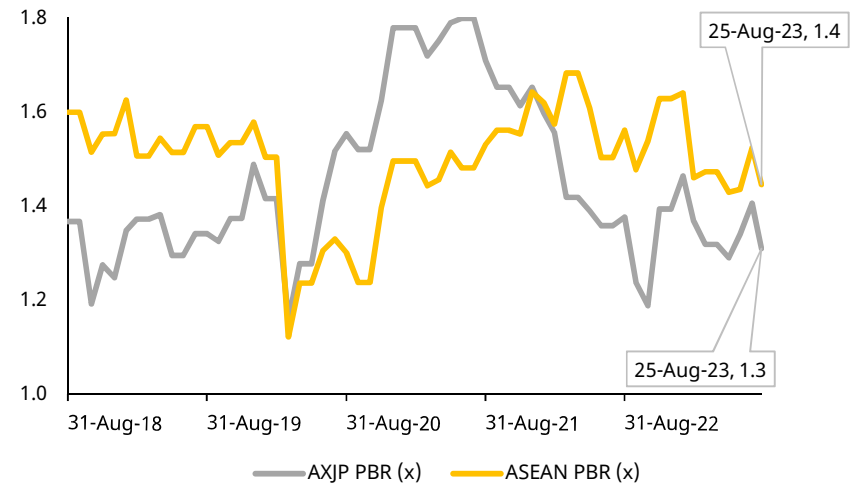


Exhibit 7: Regional Dividend Yield (%)

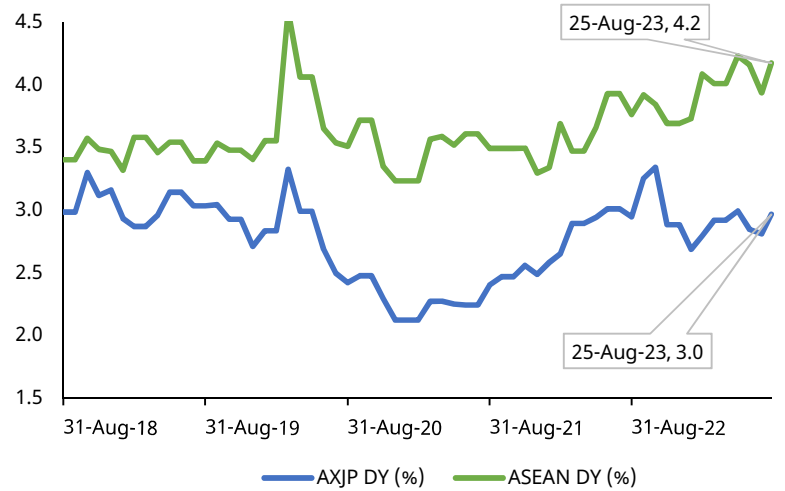
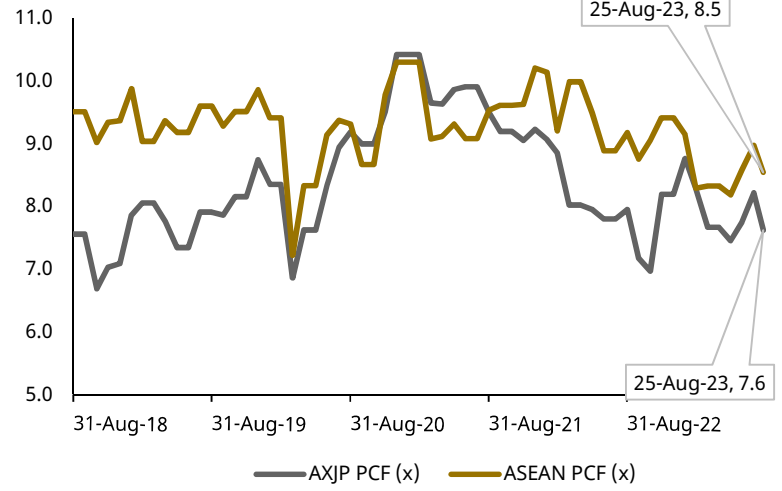


Exhibit 8: Regional Price-to-Cash Flow (x)



For Use of Astute's Clients, Consultants and Distributors only

Source: Bloomberg

# 4.0 FOREIGN FUND FLOWS

## Foreign Funds Net Buy Malaysia & India since end-July

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

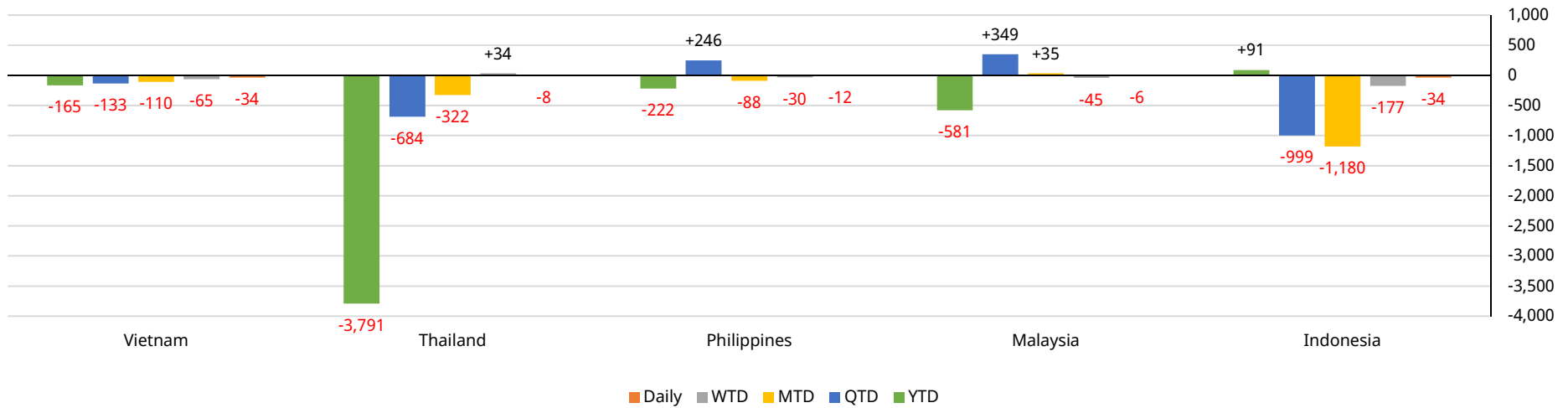
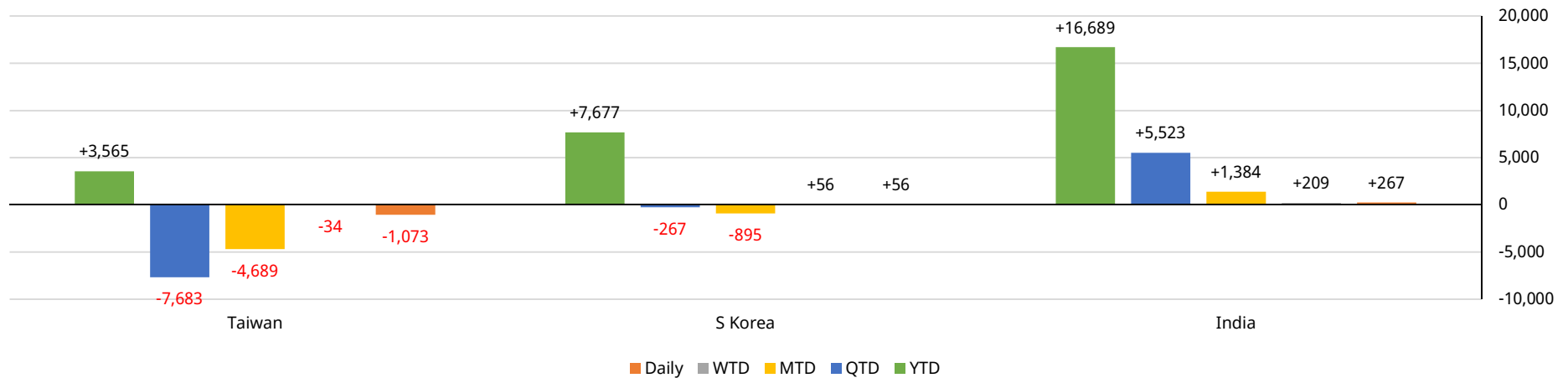


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

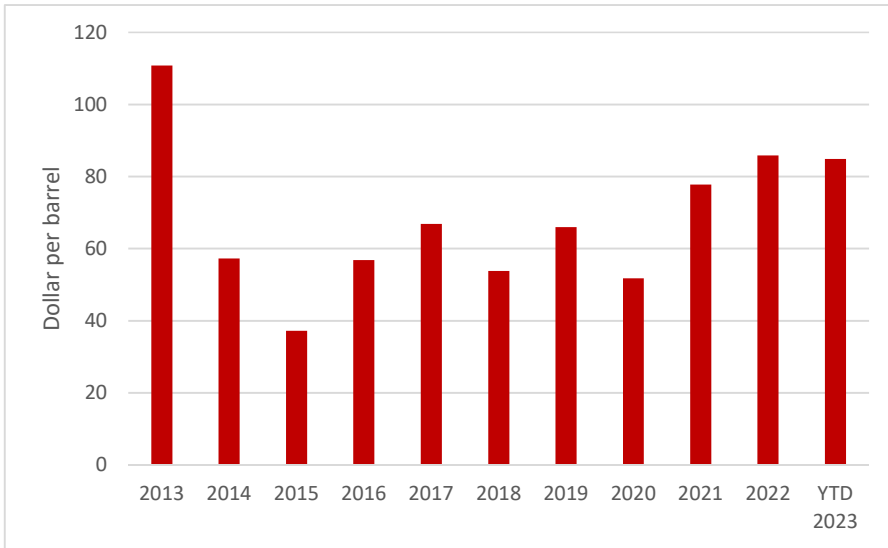


Source: Bloomberg

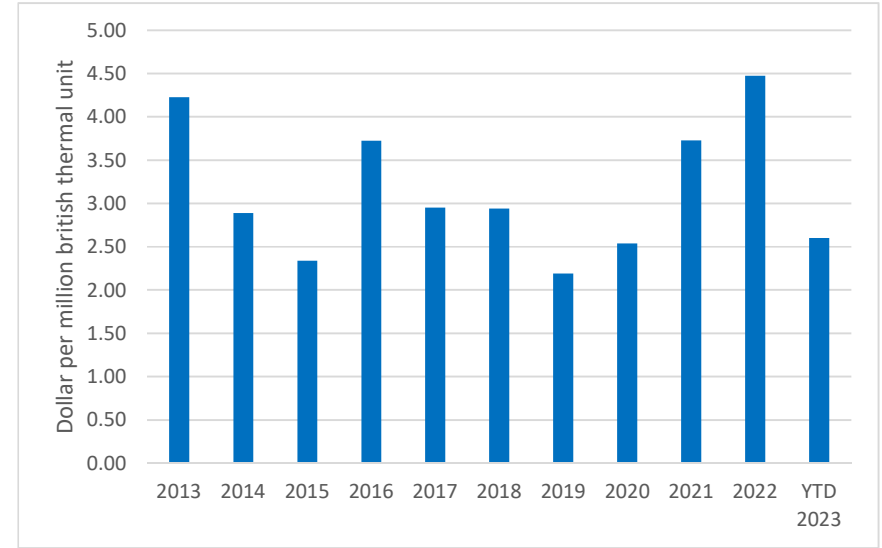
# 5.0 Energy Annual Prices

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

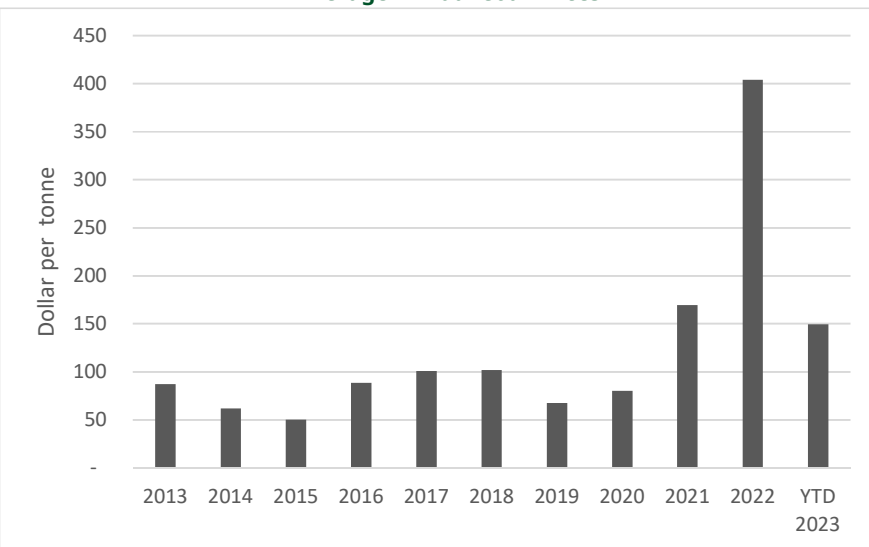
Average Annual Brent Oil Prices



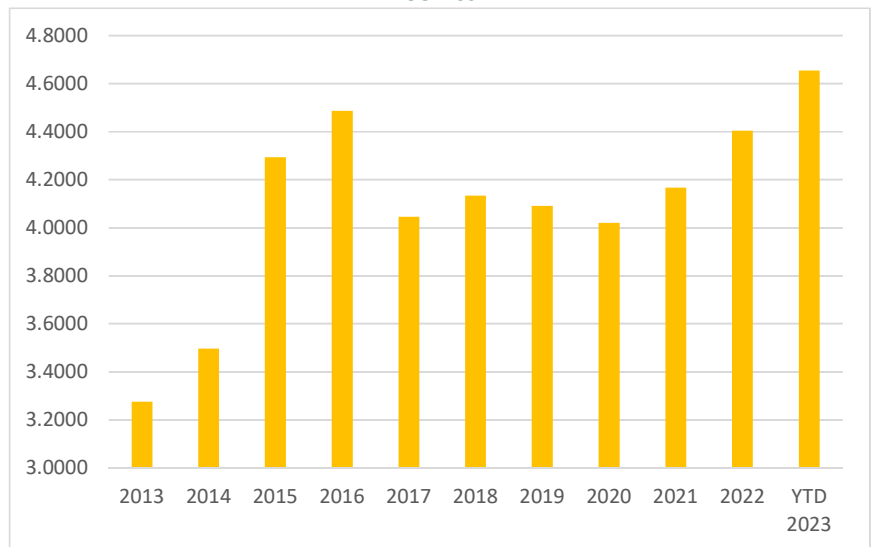
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR



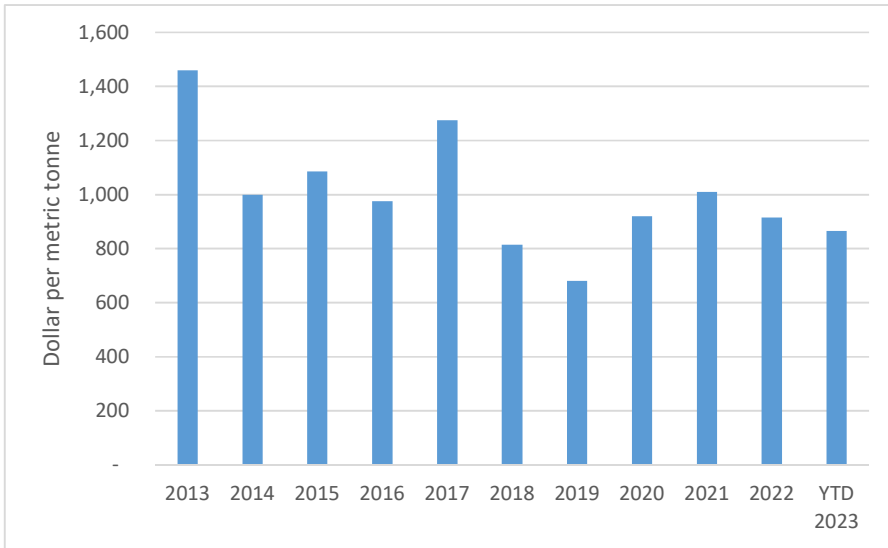
Source: Bloomberg



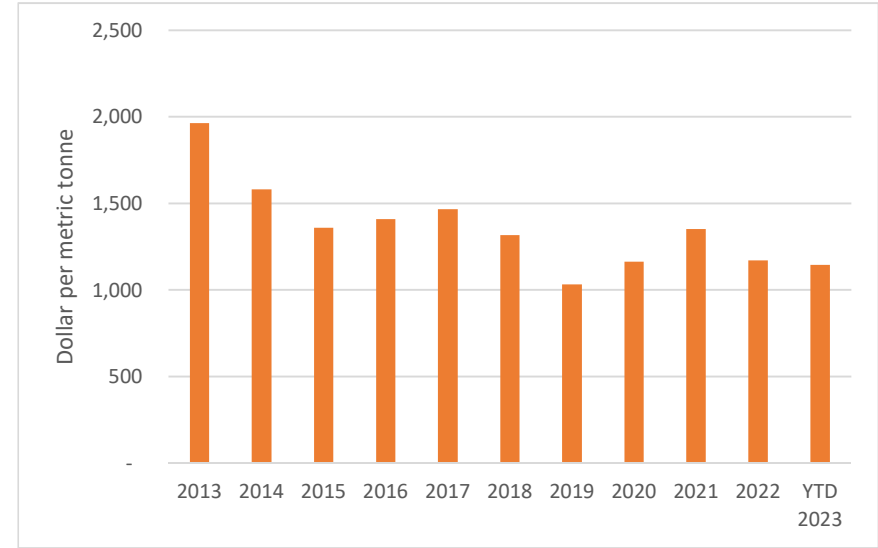
# 5.1 Petrochemical Annual Prices

## Prices Decline on Weak China Demand

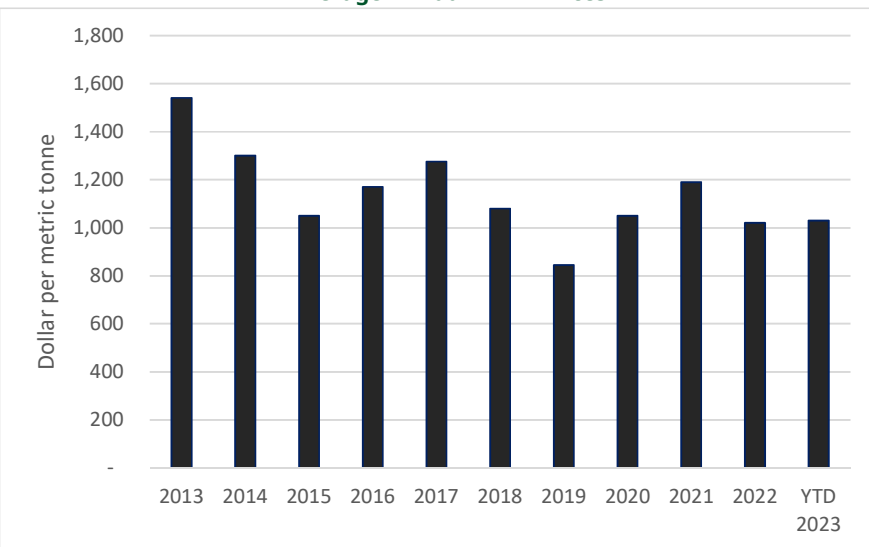
Average Annual Ethylene Prices



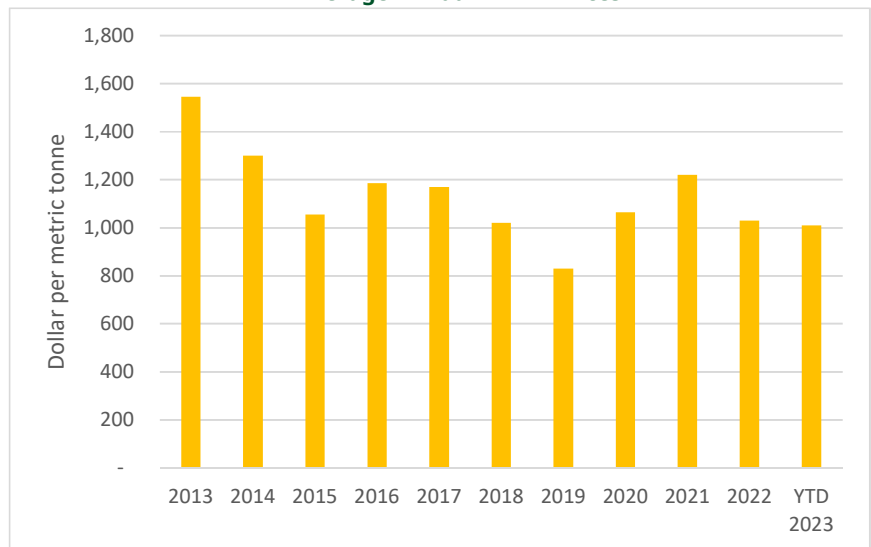
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

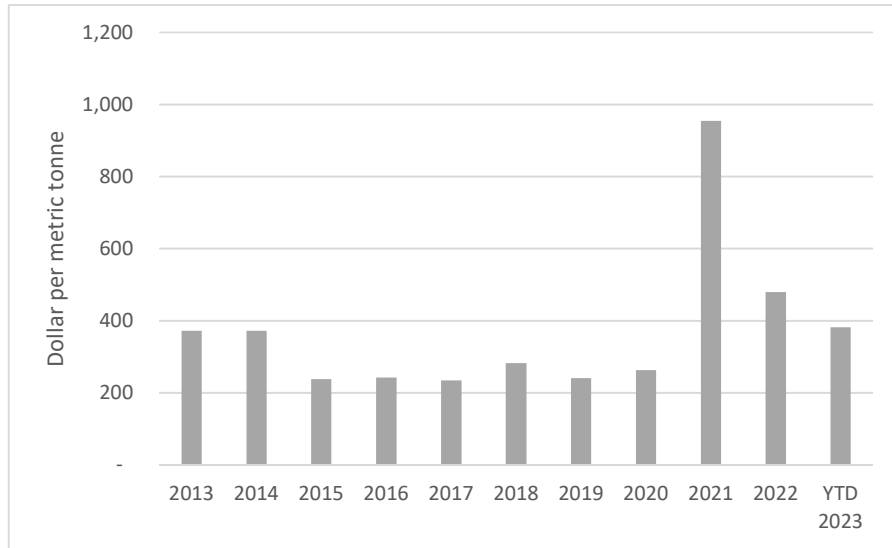


Source: Bloomberg

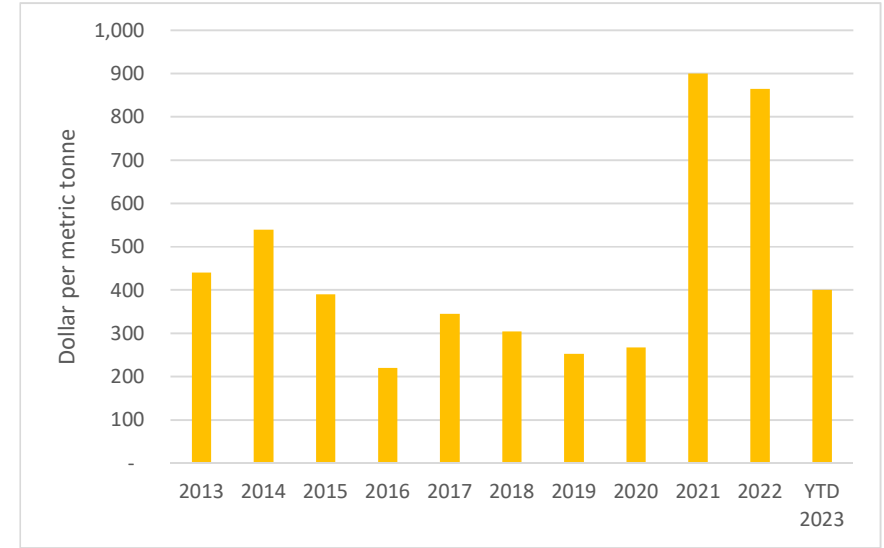
# 5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trended Lower, Tracking Natural Gas Prices

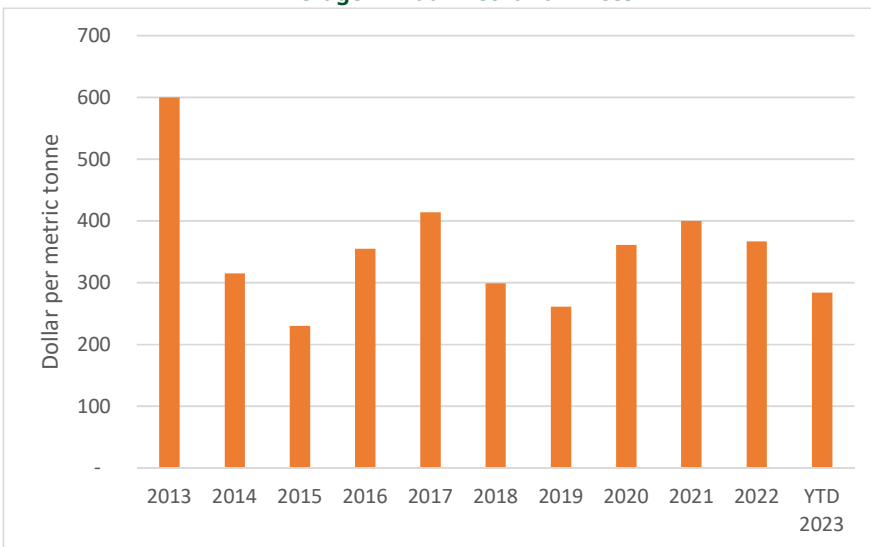
Average Annual Urea Prices



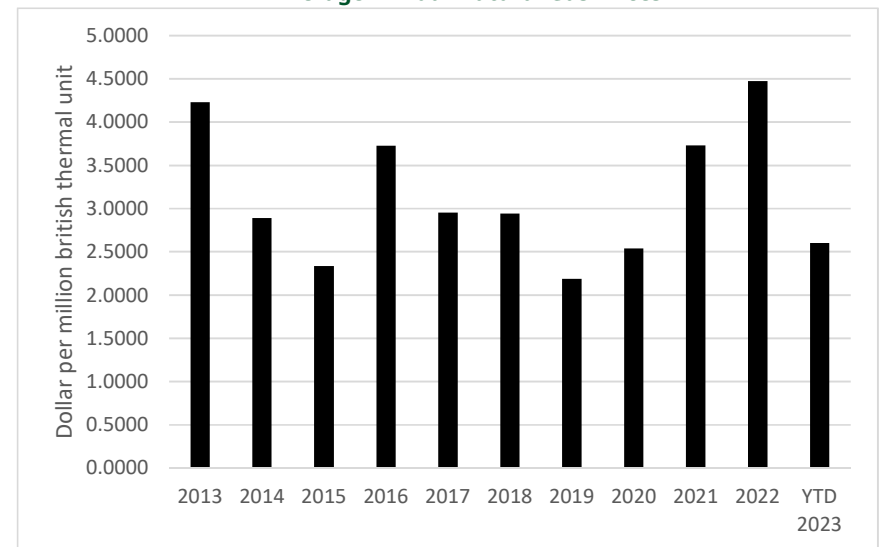
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

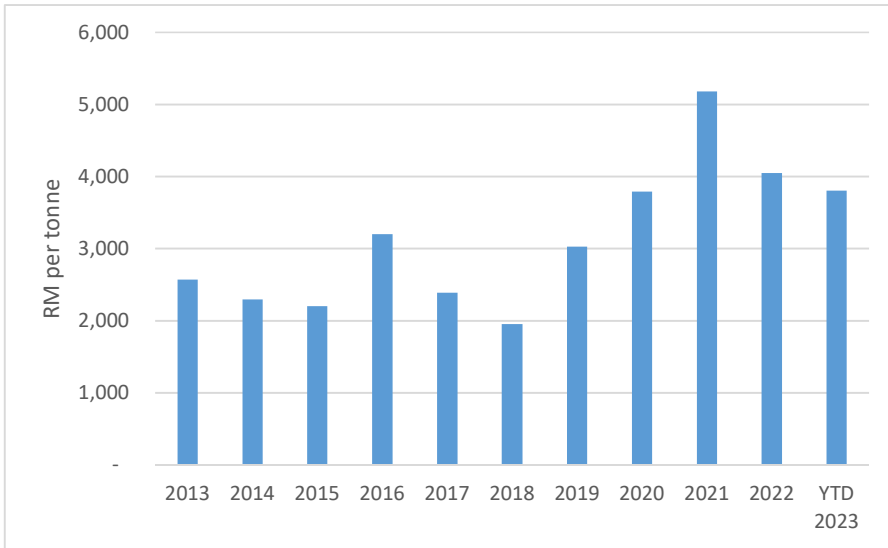


Source: Bloomberg

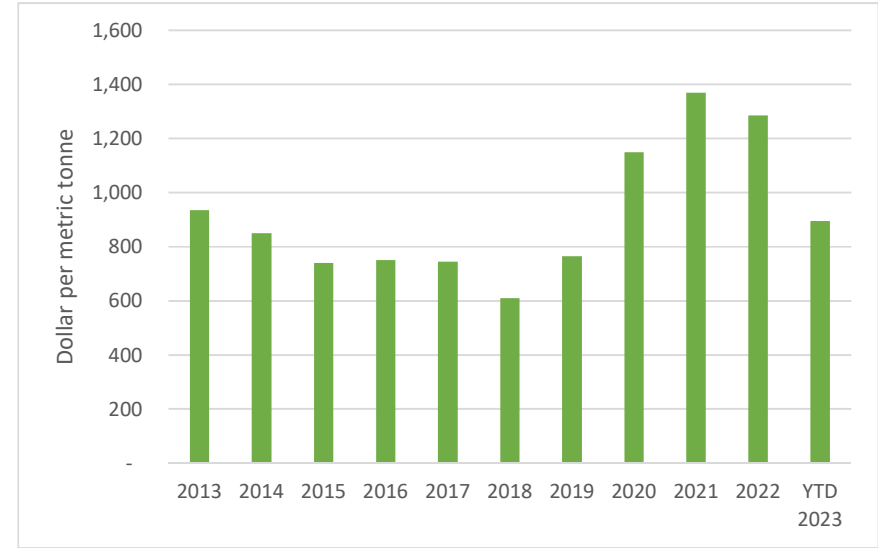
# 5.3 Agricultural Annual Prices

## Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

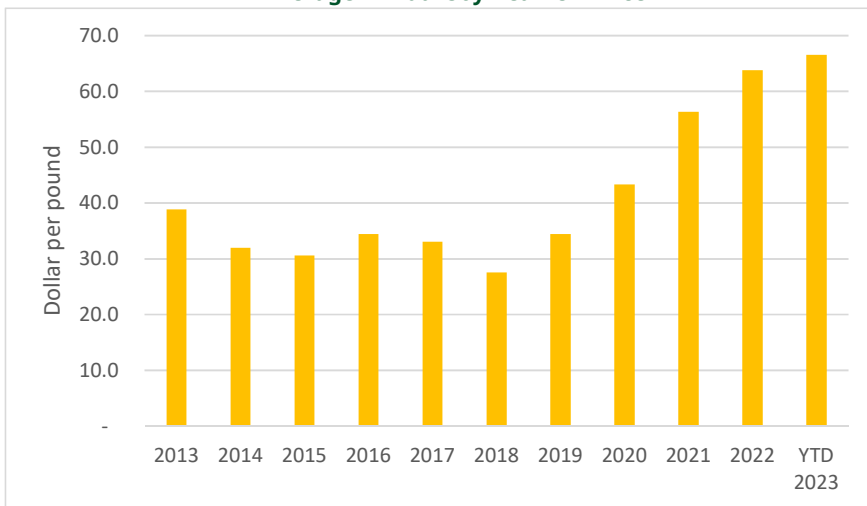
Average Annual Palm Oil Prices



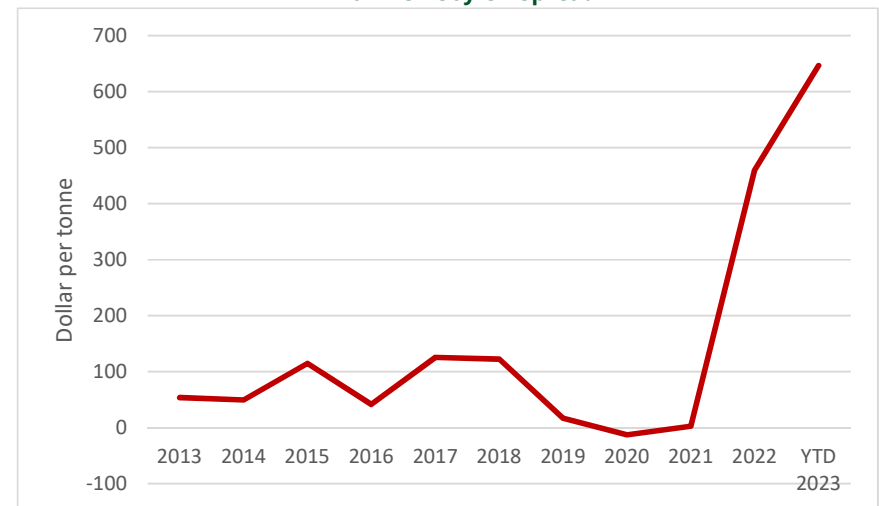
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



Source: Bloomberg

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