



Portfolio Managers' View

As at 15 December 2020

Fund Management Department

Malaysia

1. The KLCI closed at 1,674 @ 15.12.20, up 4.6% M-o-M. Last week, Banks (+11.7%) were the best performing sectors while Healthcare (-11.0%) and Technology (-3.7%) were the worst performing sectors. YTD @15.12.2020, the KLCI has increased by +5.4%. If the KLCI manages to hold on to its gains till the end of the year, it will be the second time only in the last 7 years that the KLCI has delivered positive returns.
2. The Dewan Rakyat passed the vote today to approve Budget 2021 with 111 votes in favour and 108 votes against. The result again showed that Perikatan Nasional's majority in Parliament remains razor thin. Nonetheless, this was a relief for investors as a rejection of Budget 2021 in Parliament would have resulted in political uncertainty and a delay in previously announced plans to revive the economy.
3. Year-to-date @ 14.12.20, the MYR has appreciated by 0.9%. A strengthening MYR makes domestic assets like equities and bonds more attractive to foreigners. However, this is a slight dampener for our technology holdings as their sales are usually denominated in USD. However, the Ringgit's appreciation in this quarter is less than the Ringgit's 3.5% appreciation in 3Q (from RM 4.30 in Jun-20 to RM 4.15 in Sep-20). We therefore expect the foreign currency losses for the Malaysian tech companies in 4Q to be less than the previous quarter ie. 3Q.

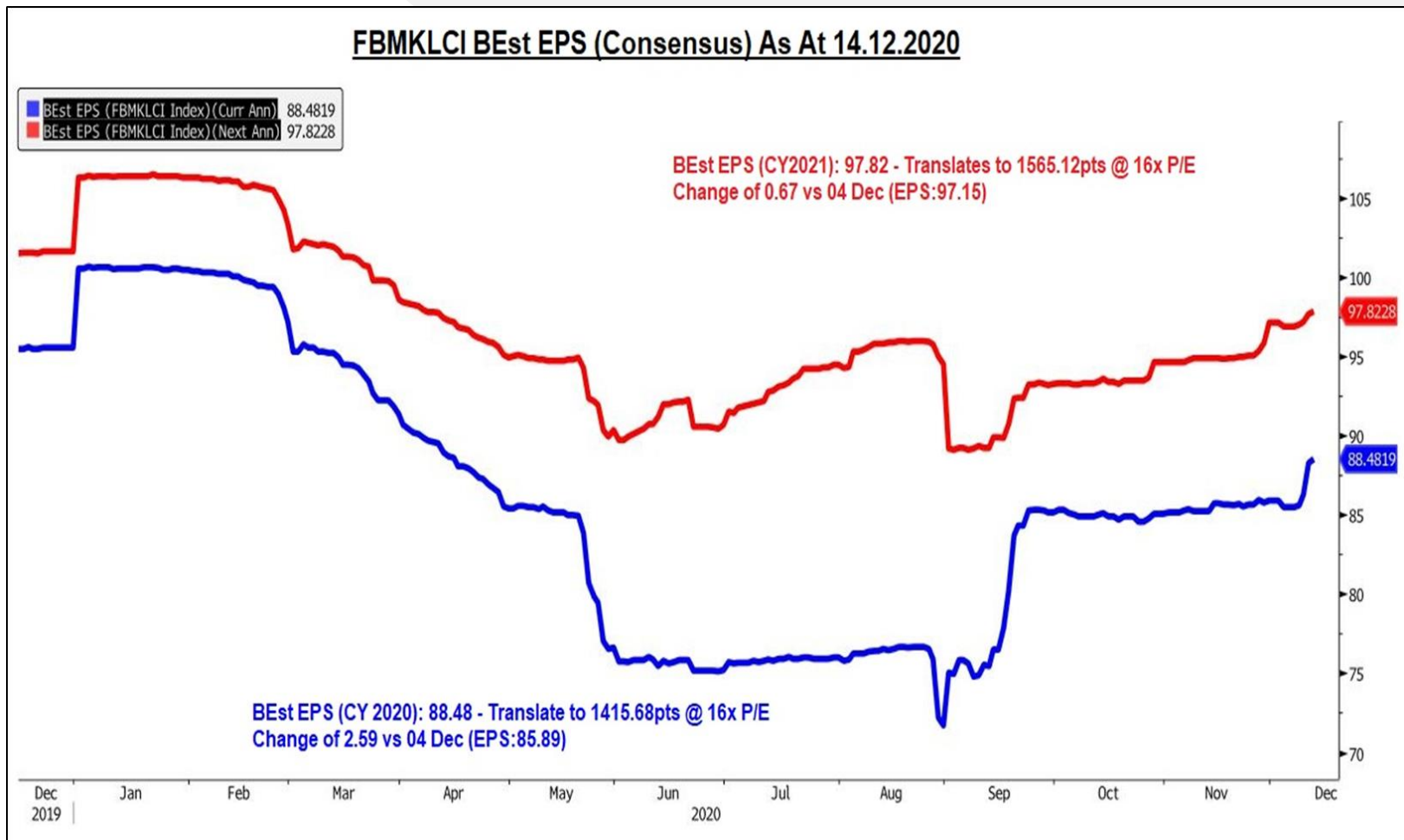
-continued

4. Prices of several commodities have improved. Palm oil prices have risen from circa RM 3,000 at the start of the year to RM 3,600/ton (fob) currently. Brent crude prices have recovered from \$43/bbl in Sep-20 to USD50/bbl in Dec-20. This comes after OPEC+ decision to ease its production cut by 500K Bpd instead of 2mil Bpd in Jan 2021. This will bring the total oil production cut to 7.2mil Bpd in 1Q21. This is positive for the Malaysia government's petroleum-related revenues as the oil price assumption in Budget 2021 is based on USD\$ 42 per barrel. Our top oil and gas holding is Dialog Group.
5. Interestingly, consensus 2021 market eps estimate has moved up from RM 88 in early Sep-20 to RM 98 currently. At 1,674 @ 15.12.20, the market is trading at a PER of 18.9x/17.1x for CY20/CY21 respectively. The market's valuation for 2021 is slightly above its 12M mean PER of ~16x. However, the 3Q reporting season gave us an indication that consensus may be too conservative in their earnings estimates for 2021. Separately, Malaysia 6% discount to Asia ex-Japan's PER is the lowest in the last 5 years.

-continued

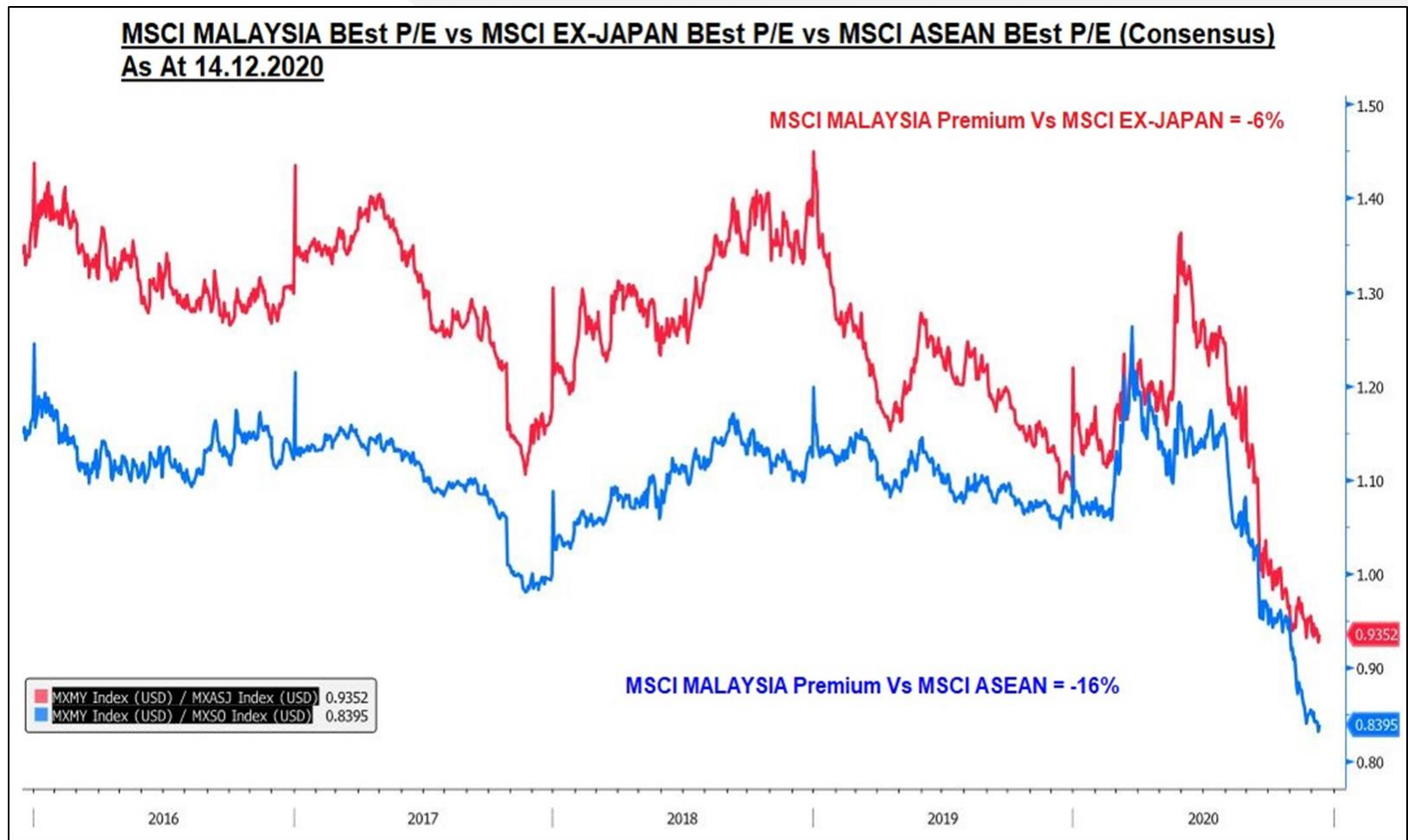
6. We continue to Overweight technology across our funds as we believe the structural drivers for the sector remain intact. In some portfolios, we have added selective laggard and/or value plays whose earnings will fare better when the economy recovers from the pandemic. As always, our discipline is to invest in companies which in our view have identifiable catalysts which will drive a rerating of their share prices.

Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS).



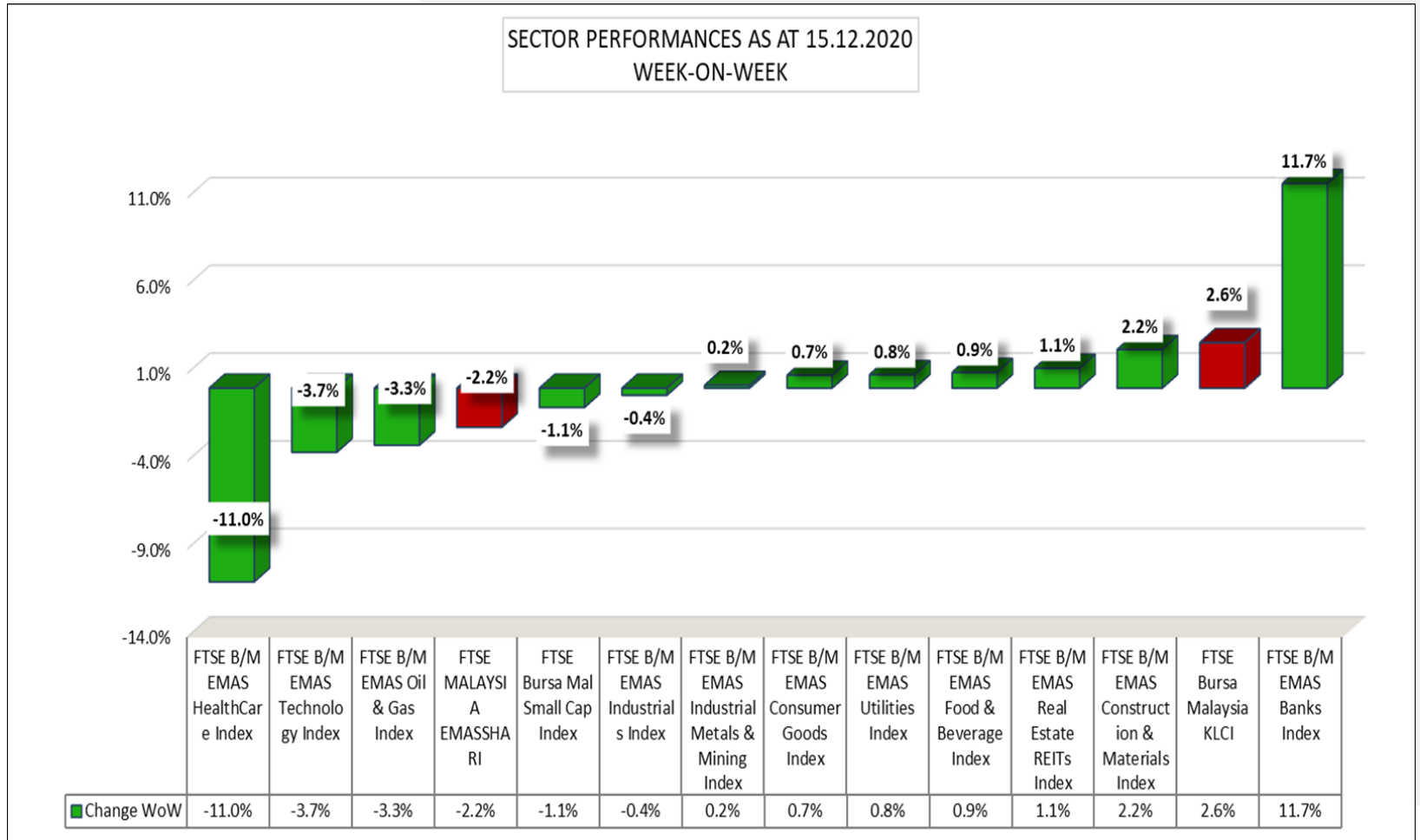
(Source: Bloomberg)

Exhibit 2: MSCI Malaysia P/E vs MSCI EX-Japan vs MSCI ASEAN P/E



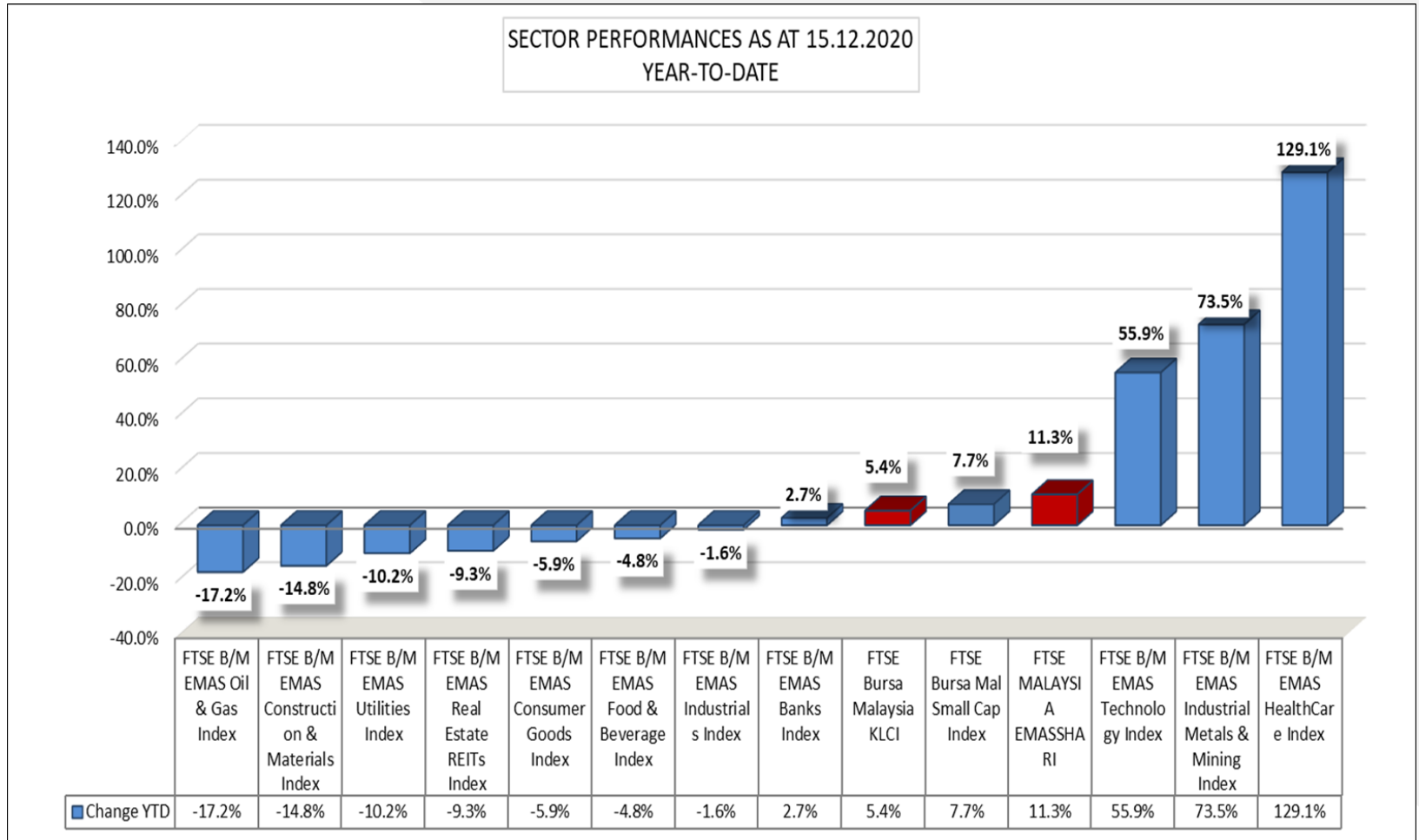
(Source: Bloomberg)

Exhibit 3: Sector performances (Week-on-Week)



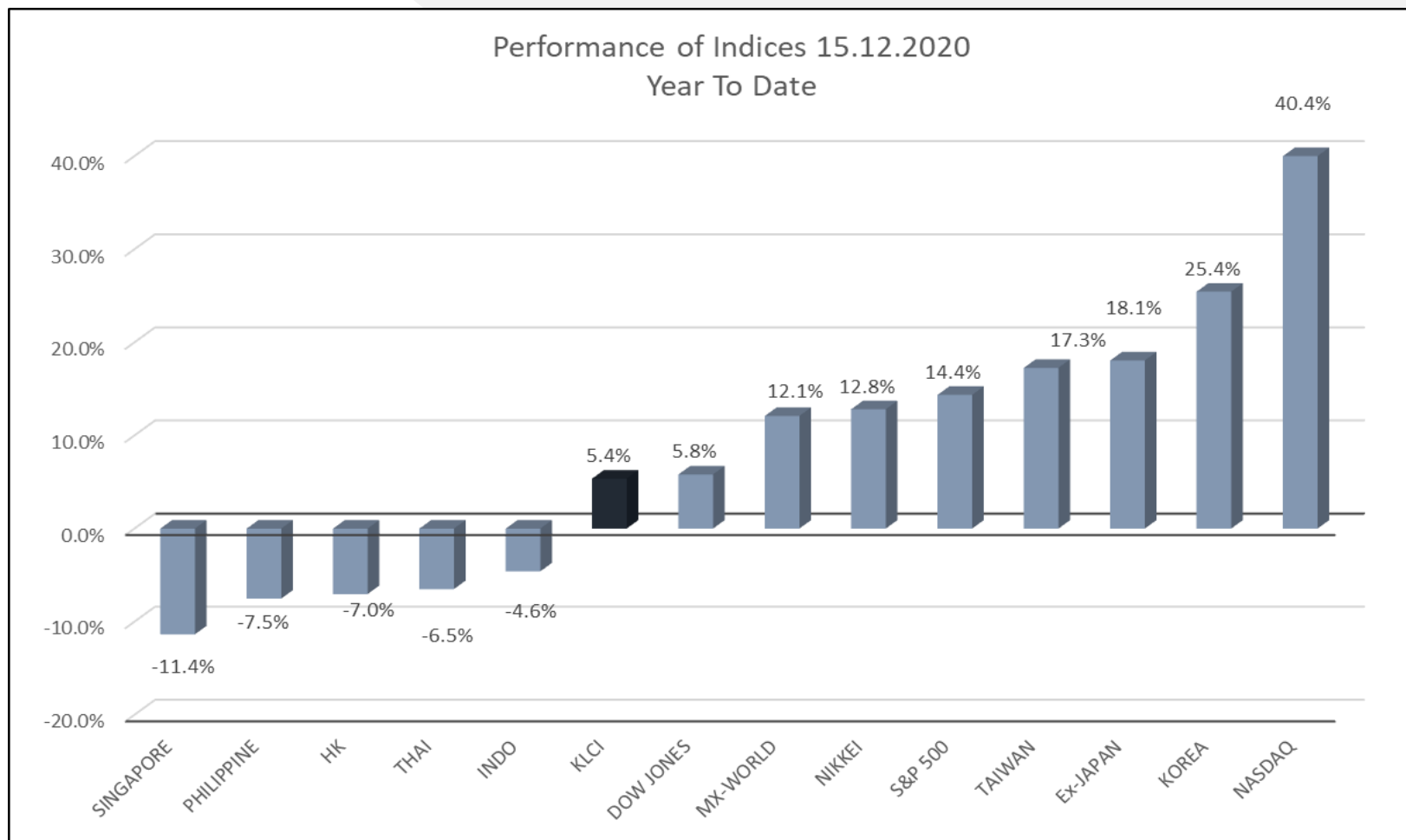
(Source: Bloomberg)

Exhibit 4: Sector performances (Year-to-Date)



(Source: Bloomberg)

Exhibit 5: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. The US Electoral College has formally confirmed Joe Biden as the 46th US President, not unexpected, but also neither without anguished significance with Donald Trump on his unprecedented push to nullify results on accusations of electoral fraud. Well, Donald has a remaining gambit on 6th January 2021 to get Congress to reject the result but it is as real as plucking the moon from the sky. Let's hope that his ego doesn't take another bashing from the Georgia Senate run-off on 5th January.
2. At the risk of sounding like a broken recorder, the more significant event for the world's largest bond market is the FOMC Meeting 16th December. Will the market be happy with what the US Fed says? Investors are buying at every dip, a bet or a pressure on Jerome Powell to commit to a more dovish stance, to tilt its debt purchases towards longer maturities. Anything less will be a huge disappointment for markets that have ran hard. More importantly, how critical is the 1% US 10-Year Treasuries yield threshold and can the US Fed regain its credibility?

Disclaimer

This document is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Fundamental ratings include various financial data from the income statement, balance sheet, and cash flow statement items such as sales, profit, all important ratios, cash flows, working capital, cash conversion cycle and etc. over the past quarters and years. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not indicative of future performance. This document is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this document. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this document. The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Apex Investment Services Berhad ("AISB") and consequently no representation is made as to the accuracy or completeness of this document by AISB and it should not be relied upon as such. Accordingly, AISB and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this document. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice. This document may contain forward-looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. AISB expressly disclaims any obligation to update or revise any such forward-looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. AISB and its officers, directors and employees, including persons involved in the preparation or issuance of this document, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this document, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this document. One or more directors, officers and/or employees of AISB may be a director of the issuers of the securities mentioned in this document to the extent permitted by law. This document is prepared for the use of AISB clients, consultants or Representatives and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of AISB. AISB and its Representatives accepts no liability whatsoever for the actions of third parties in this respect. This document is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This document is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this document.

This document has not been reviewed by the Securities Commission Malaysia ("SC"), Federation of Investment Managers Malaysia ("FIMM") and Employees Provident Fund ("EPF"). The SC, FIMM and EPF are not liable for this document and are not in any way associated with this document. The SC, FIMM and EPF are not responsible for the contents herein and do not make any representation on the accuracy or completeness of this document, either in whole or in part.