



Portfolio Managers' View

As at 09 February 2021

Fund Management Department

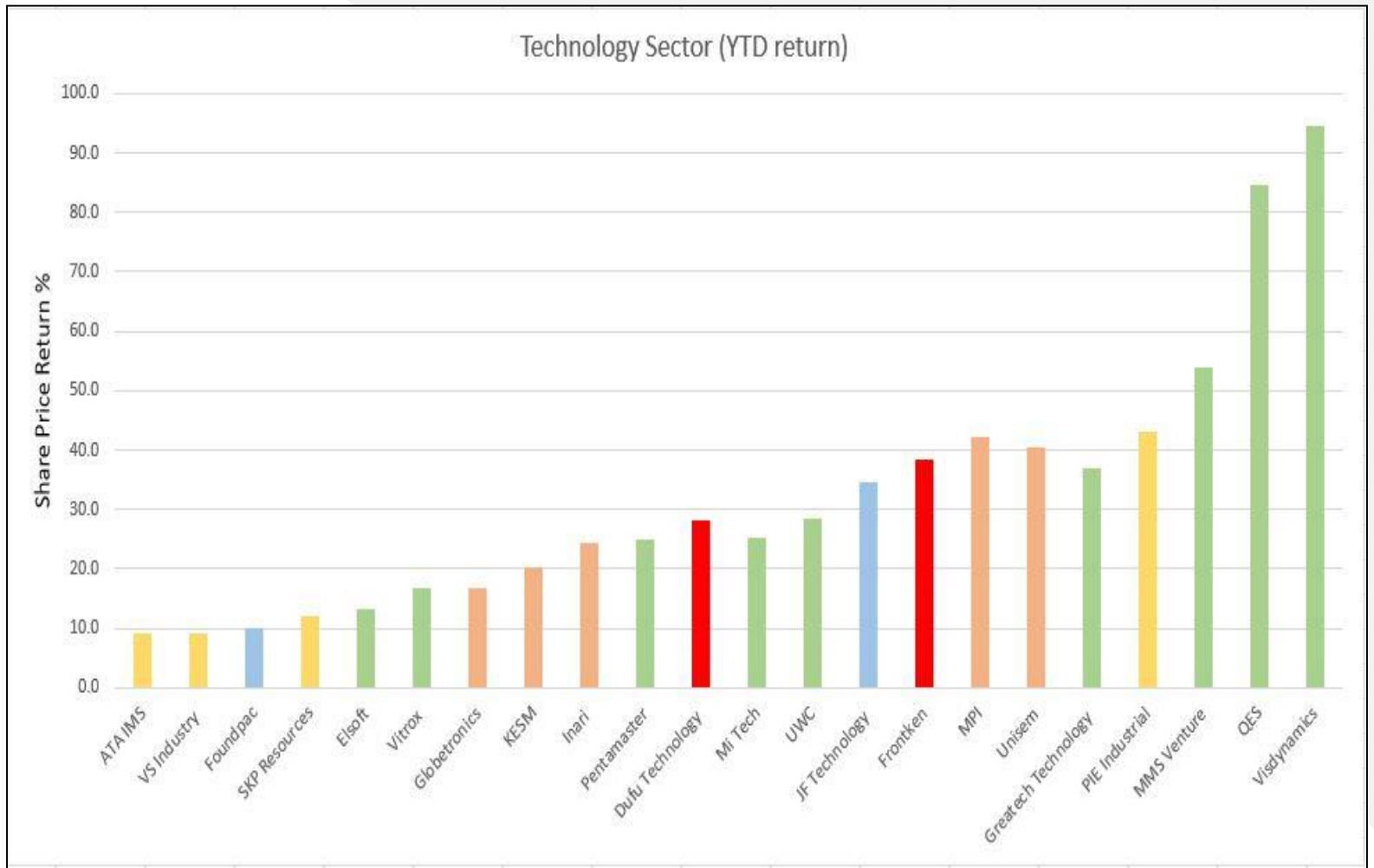
Malaysia

1. The KLCI closed at 1,586 @ 9.02.21, down -3.8% M-o-M. Last week, Technology (+4.5%) and Oil & Gas (+3.8%) were the best performing sectors. Meanwhile, Healthcare (-0.9%) was the worst performing sector. Year-to-date @ 05.02.2020, the KLCI has declined by -3%.
2. Month-to-date @ 05.2.2021, foreigners net bought RM 117.0mil of equities. In 2020, Malaysia recorded its highest ever annual foreign outflow of RM 24.6bil. Foreigners have been net sellers of Malaysia equities in 6 out of the last 7 years. We do not expect foreign selling to be a major negative for the market moving forward.
3. Brent crude prices have recovered from USD \$52/bbl in Dec-20 to USD \$60/bbl @ 9.02.21. The recovery was due to the production cut commitment by OPEC+ (production cut 7.2mil Bpd in 1Q21) and hopes for further economic stimulus by the US (US\$ 1.9 trillion package). There is potential upside to the government's petroleum-related revenues as Budget 2021 assumes a Brent crude price of USD\$42/bbl. Every +/- 1 USD change from the base-case translates to +/- RM300 million change in the government's revenues.

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4. YTD Feb-2021, the technology sector has risen by 23.9% and is the best performing sector in the Malaysia market (see Exhibit 4). Within the sector, small cap semiconductor equipment players such as Visdynamics, QES & MMSV were the best performers this year. This may be due to retailers chasing the “more affordable” names in the sector i.e. stocks with lower absolute share prices. The recent results from companies such as Apple, Skyworks, Qualcomm and TSMC had positive read through for our exposure in the Malaysia semiconductor sector. In sell-side reports, there is now a familiar chorus of positives such as supply tightness, price increases, margin uptick and long-term price agreements. In our view, this robust outlook for the sector is likely to extend for several more quarters. We believe earnings estimates for the Malaysian semiconductor companies are conservative and will be revised up after the 4Q (Dec) reporting season. This may provide the catalyst for our technology holdings to re-rate further.

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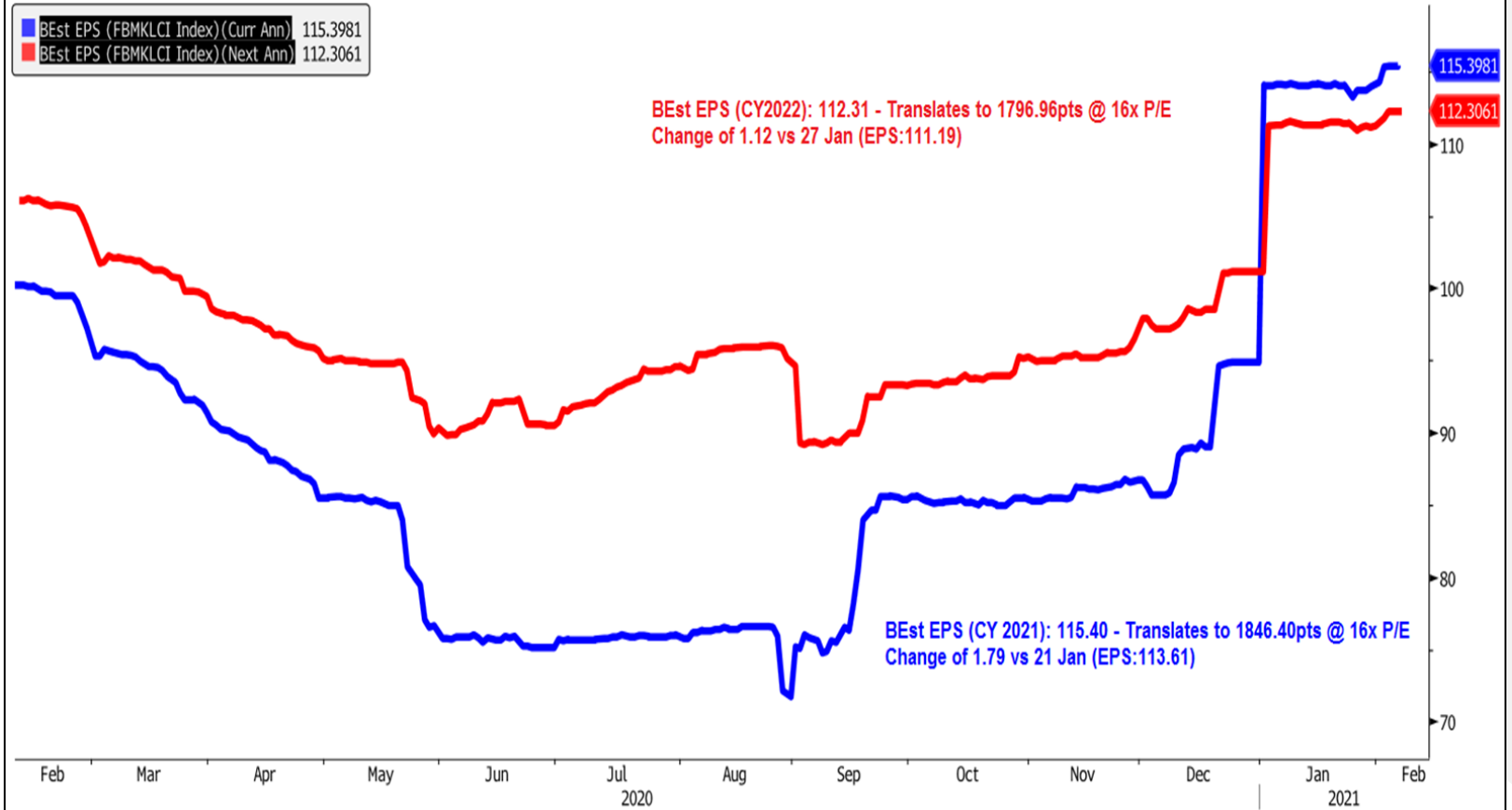
(Source: Bloomberg)

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5. Consensus 2021 market eps estimate has moved up from RM 88.8 in Dec-20 to RM 115.4 currently. This was due to upward earnings revision for companies such as Supermax, Hartalega, Sime Darby Plantation and KL Kepong. At 1,586 @ 9.02.21, the market is trading at a PER of 13.7x for CY21 respectively. The market's valuation for 2021 is below its 12M mean PER of ~16x. Separately, Malaysia is trading at a 25% discount to Asia ex-Japan's 2020 PE multiple (see Exhibit 2). This is the steepest discount in the last 5 years.

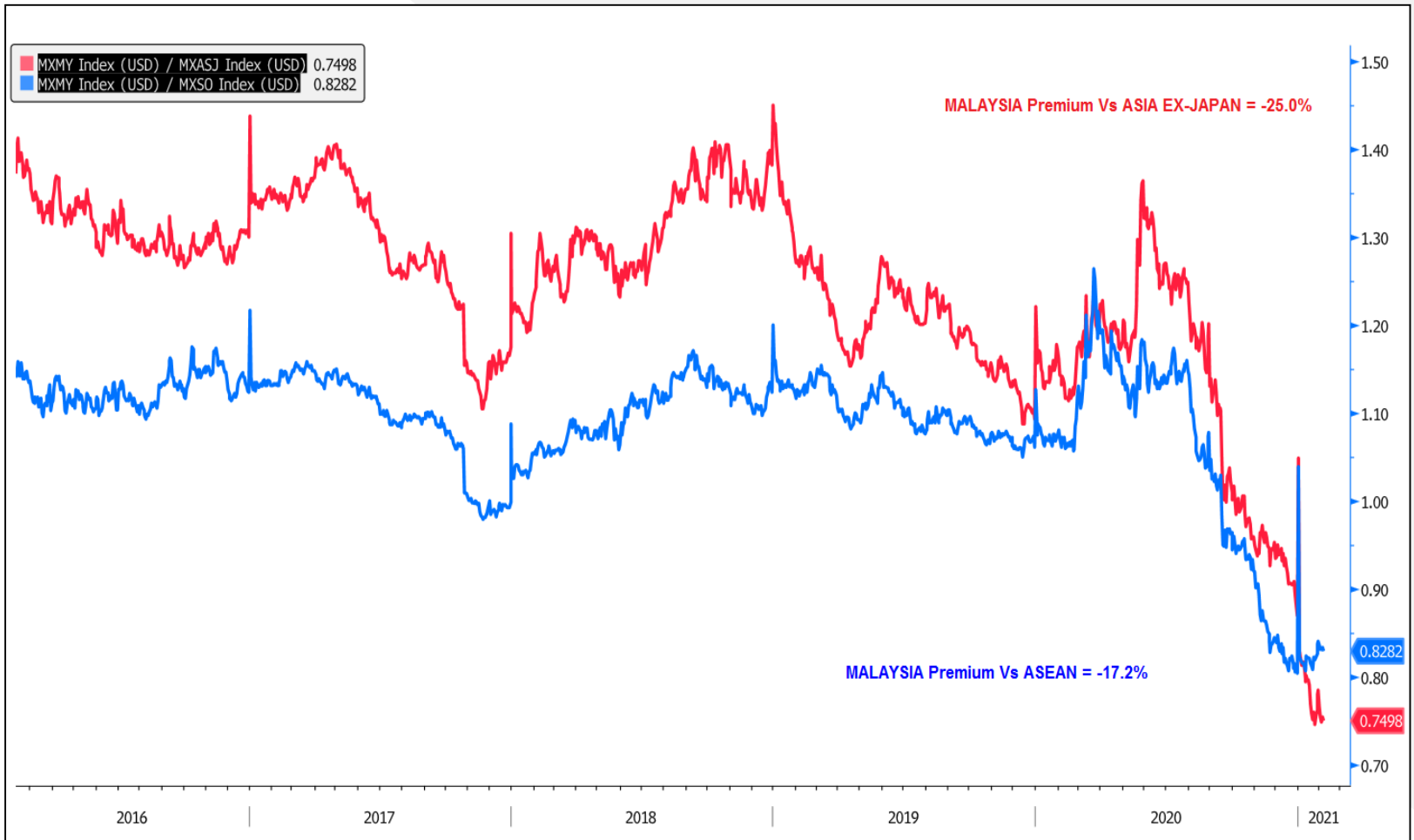
Exhibit 1 : FBMKLCI Consensus Earnings Per Share (EPS)

FBMKLCI BEst EPS (Consensus) As At 05.02.2021



(Source: Bloomberg)

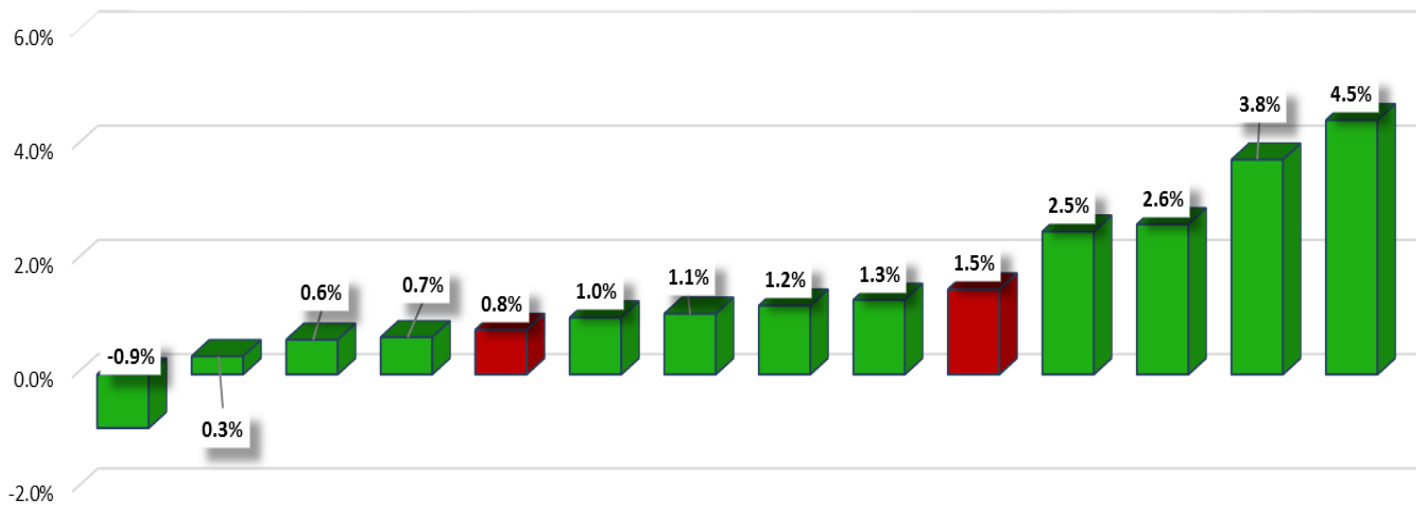
Exhibit 2: MALAYSIA P/E vs ASIA EX-JAPAN P/E vs ASEAN P/E



(Source: Bloomberg)

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

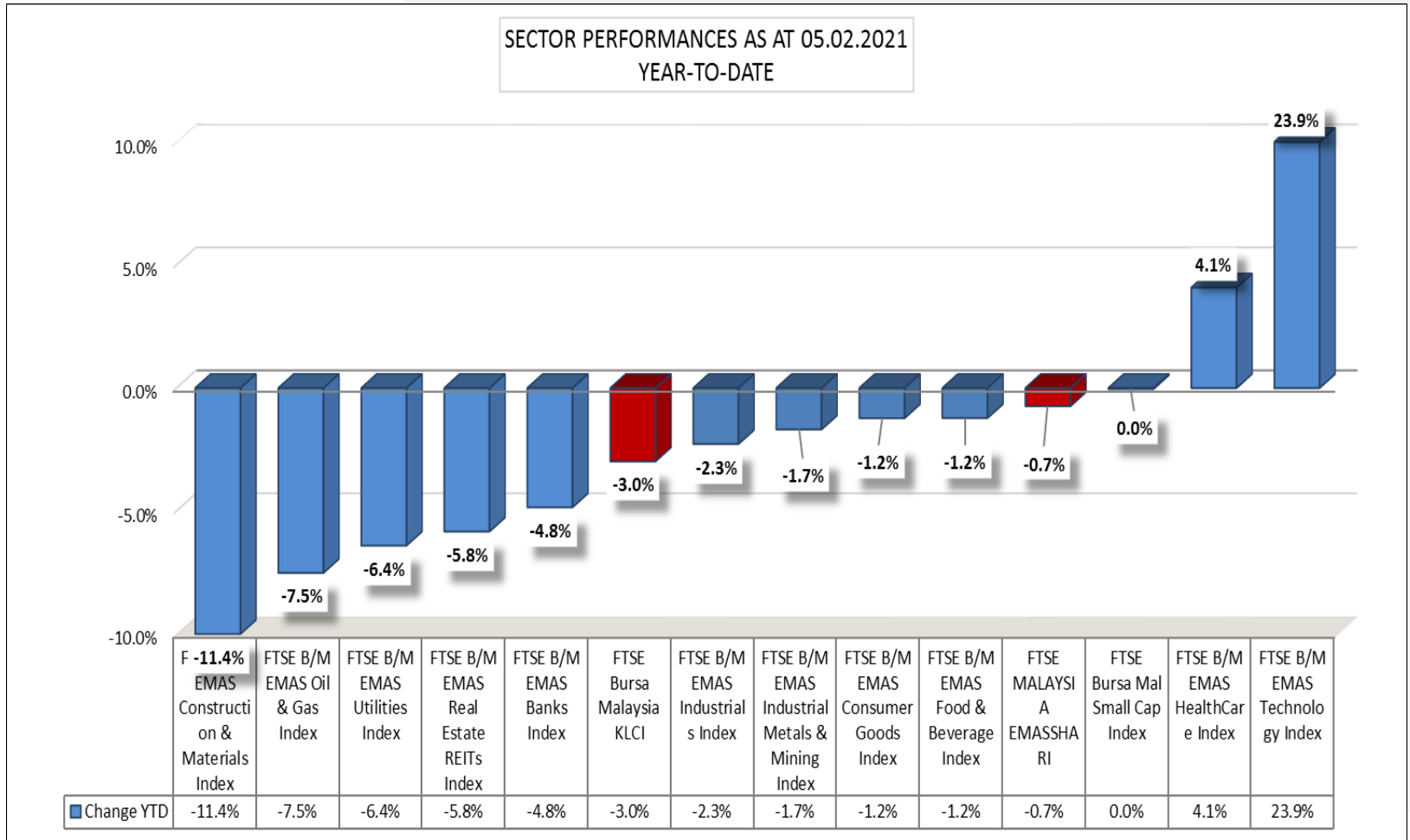
SECTOR PERFORMANCES AS AT 05.02.2021
WEEK-ON-WEEK



	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Consumer Goods Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Construction & Materials Index	FTSE MALAYSIA A EMASSHARE	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Technology Index
Change WoW	-0.9%	0.3%	0.6%	0.7%	0.8%	1.0%	1.1%	1.2%	1.3%	1.5%	2.5%	2.6%	3.8%	4.5%

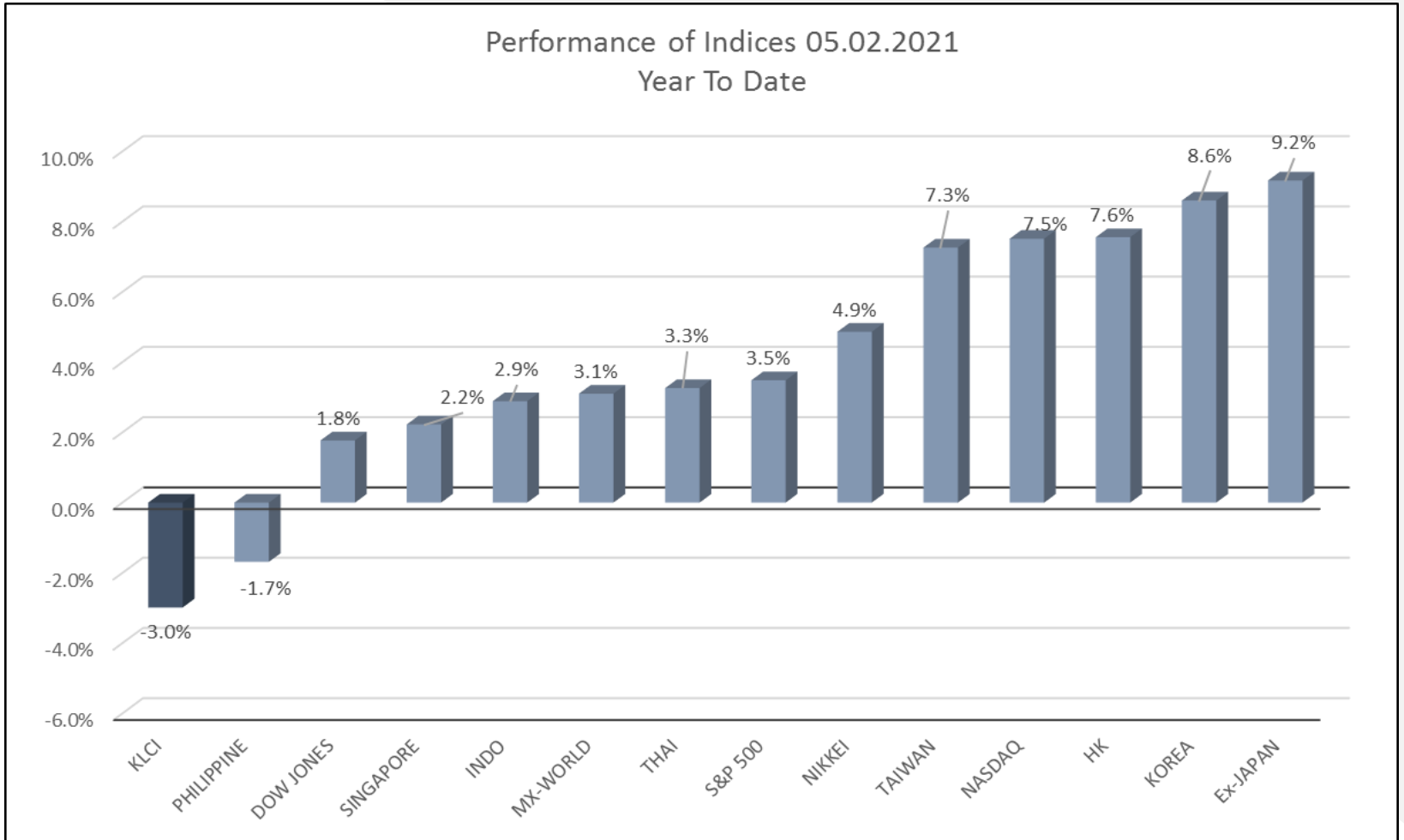
(Source: Bloomberg)

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



(Source: Bloomberg)

Exhibit 5: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. Last week, US January's non-farm payroll disappointed. Even as the unemployment rate edged down, it was due to a drop in the labour participation rate. People giving up looking for jobs is not a good thing, they take a long time to be convinced to come back for work. The waning of economic momentum will only justify for more fiscal and monetary support. The latest US Fed communique continues to speak for a sustained dovish approach. New Treasury Secretary Janet Yellen's argument for greater fiscal support cannot resonate more than this moment.
2. I have been told that some factories in China, mostly in the heavy industries, may remain open over Chinese New Year. In any case, many workers who worked far away from home are not able to make this festive trip back. The Covid-19 induced global inventory shortage is in need of supply, so many industries may be tempted to continue operating. Considering the low base effect of festivities and work days accentuated by the lockdown last year that began in February and persisted through March, it is a conceivable idea that we have an off-cycle seasonality, that China's 1Q21 GDP may surprise on the upside.

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3. The market is perhaps of the view that Joe Biden and Janet Yellen's US\$1.9 trillion fiscal package will be watered down. What if the full fiscal package gets passed? And January's US economic data-points just told us that the US Fed's benign monetary policy, ala Mario Draghi's "whatever it takes" just took on an even longer runway.

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