

PORTFOLIO MANAGERS' VIEWS



23 May 2022

MALAYSIA & REGIONAL

1. THE WEEK IN REVIEW (17-20 May 2022): Global food scarcity and inflation came to the fore after Malaysia removed the approved permit requirements to import foodstuff into the country. The Prime Minister's department announced this on 18 May after wheat prices rose when India banned wheat exports on 14 May. This ban led to wheat prices rising 9% from that point to 17 May. In the ensuing three days to 20 May, prices reversed by 9% after Canada pledged to raise wheat exports to help combat shortages and higher prices.

India is the second-largest wheat producer in the world, accounting for 14% of annual global production after China (17%). Russia (10%, third-largest) and Ukraine's (4%, seventh-largest) combined output is equivalent to India's. However, in export (USD) terms, Russia and Ukraine totaled 22% of global exports whereas Canada ranked fourth with a 12% share and India ranked 10th with just 3% share. Canada's top three export destinations in volume terms are the China, Indonesia and Japan.

It appeared that Canada's stance nullified India's export ban in the last week alone, but year-to-date (YTD) 20 May, wheat prices have risen 52%, sparked by the Russia-Ukraine conflict. While higher wheat costs is generally negative for food producers, Malaysia's FTSE Bursa Malaysia (FBM) Food, Beverage & Tobacco (F&B) and the FBM Consumer Staples Indexes have been the top two equity sector performers. YTD 20 May, both indexes rose 15% (with dividends: 17%), significantly outperforming the KLCI (price gain: negative 1%, with dividends: +1%).

2. STRATEGY & OUTLOOK: Going forward, we believe there are more upside potential to Malaysia's F&B and consumer staples sectors.

MALAYSIA & REGIONAL ('cont)

1) For companies under our coverage, their share price gains have been possible because our research indicate they can pass on the higher costs by raising product prices without significantly impacting volume sales due to inelastic demand. Hence, the confidence in the stocks' performances.

2) Malaysia's wheat requirements are mostly imported from Australia (80%), with the rest from the US, Canada and Ukraine. So, Malaysia is less impacted (if any) by India's export ban.

3) Canada's pledge to raise wheat exports and Malaysia's removal of permit requirements for imported foodstuff is positive for more diverse sourcing of wheat

4) The Malaysia Institute of Economic Research's (MIER) recently-published survey of consumer sentiment is positive. The Consumer Sentiments Index for Q1 2022 breached the optimism threshold for the first time since year 2018, to 109 pts. This rise was driven by the "improvement in current incomes and jobs", which we believe has extended to the current quarter after the easing of travel restrictions on 1 April.

5) Despite the total return of 17% YTD, valuation and dividends remain attractive from a regional standpoint. On current year estimates, the MSCI Emerging Asia Consumer Staples Index is valued at price-earnings (PE) ratio of 24x with prospective dividend yield of 2.2%. On the other hand, the FBM F&B Index and Consumer Staples Index are valued lower at PE multiples of 18x and have higher dividend yields of 3.4%.

Both Malaysia and regional funds are invested in Malaysian F&B and consumer staple stocks that generate above-sector dividend yields and in some cases, below-sector valuations.

MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

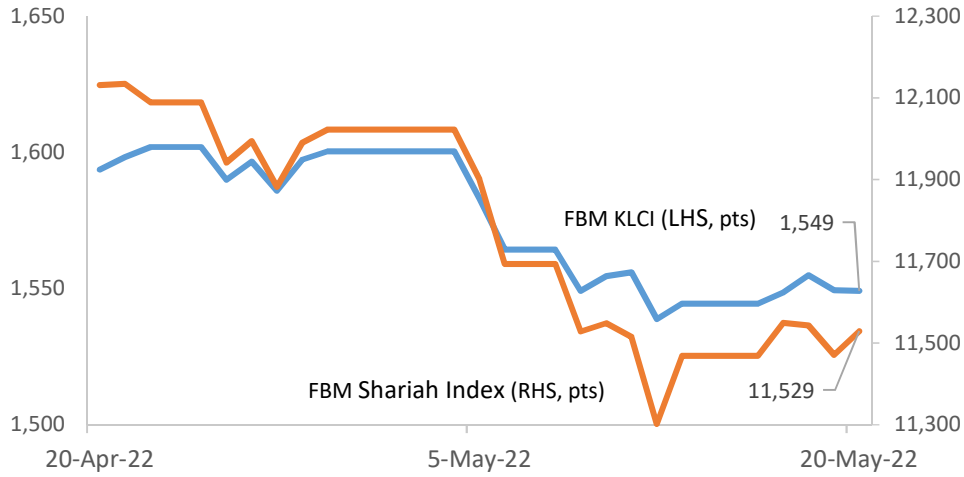


Exhibit 2: USDMYR FX

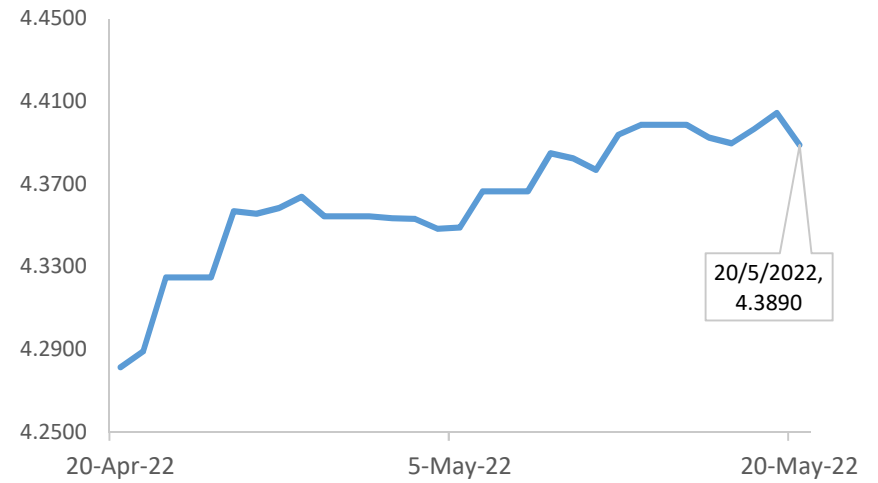


Exhibit 3: Sector Performance Indices (1 Week, %)

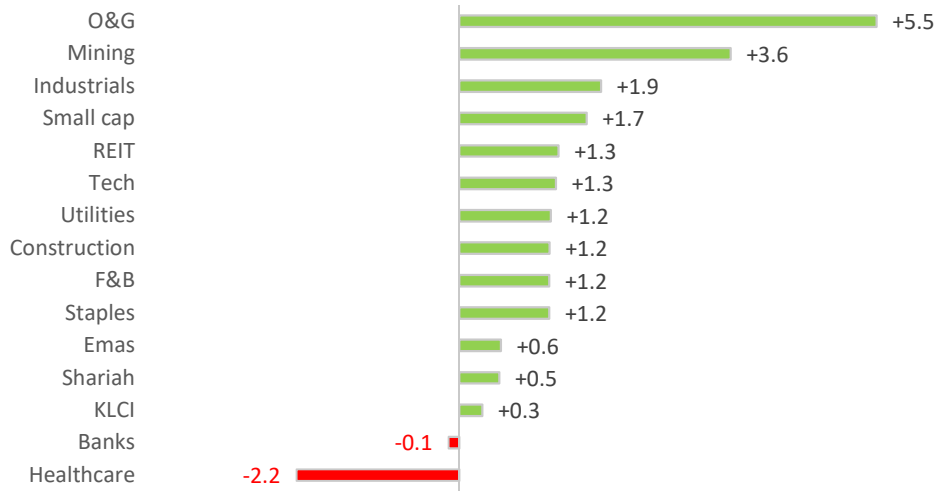
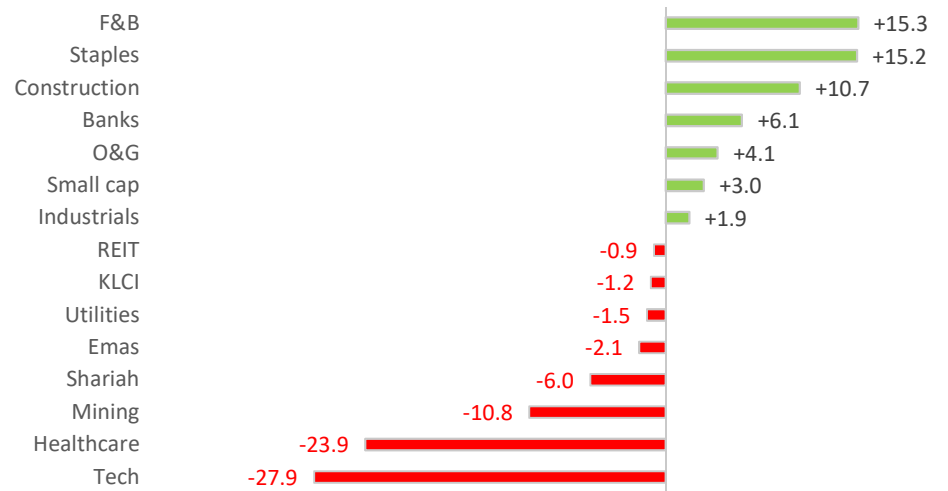


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



MALAYSIA

Exhibit 5: Malaysia's Premium/Discount (%) to Asia ex-Japan based on Current PER (%)

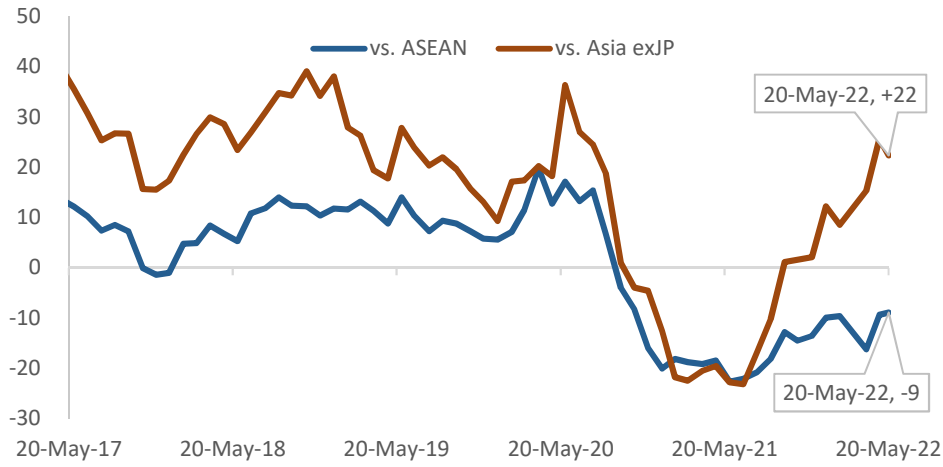


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

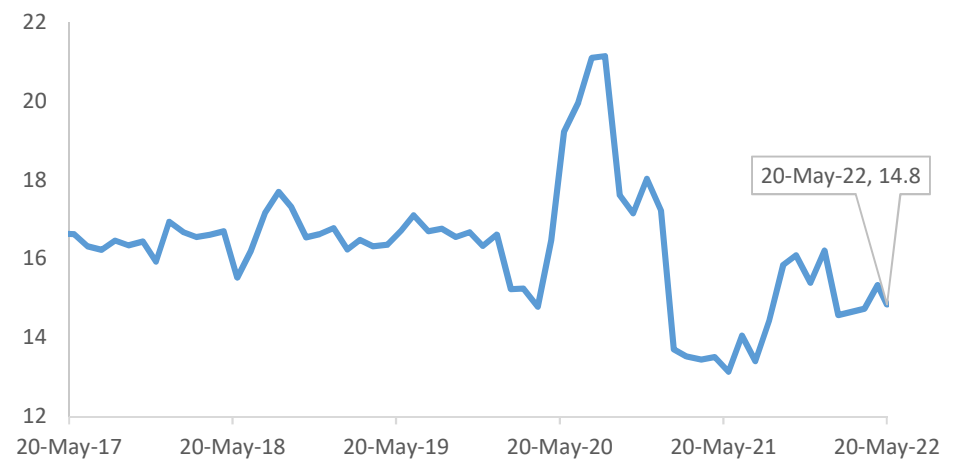


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

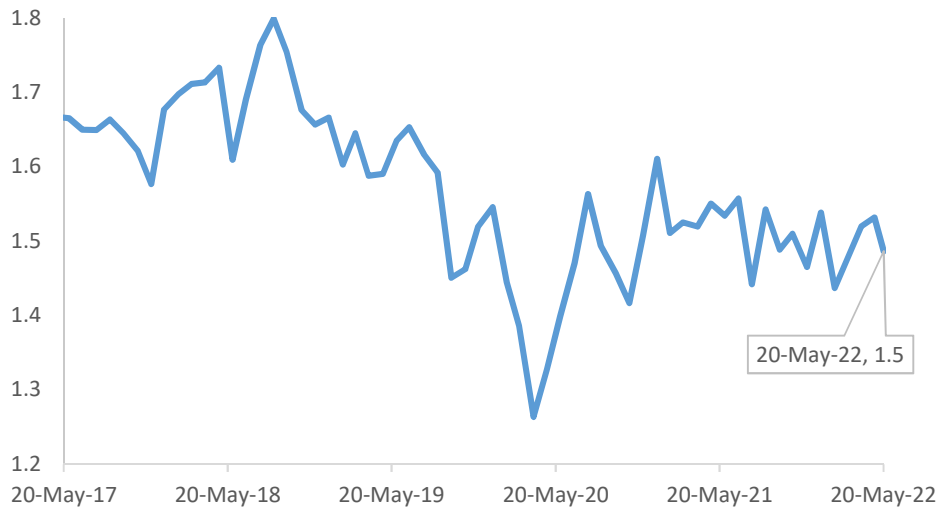


Exhibit 8: KLCI's Dividend Yield (DY, %)



REGIONAL

Exhibit 1: MSCI Country Performance Indices (1 Week, %)

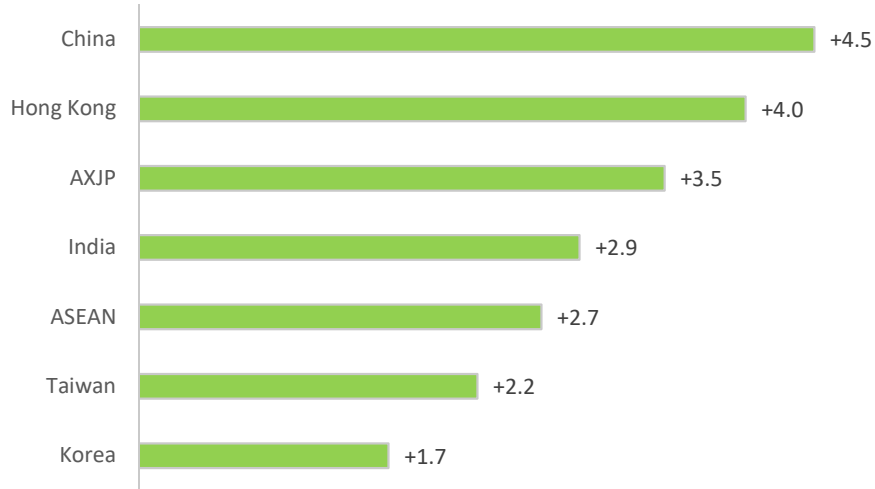


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

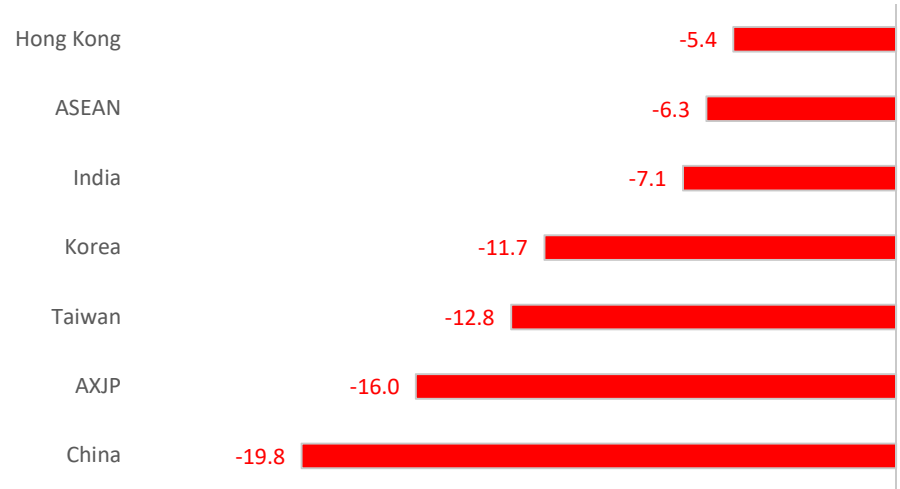


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

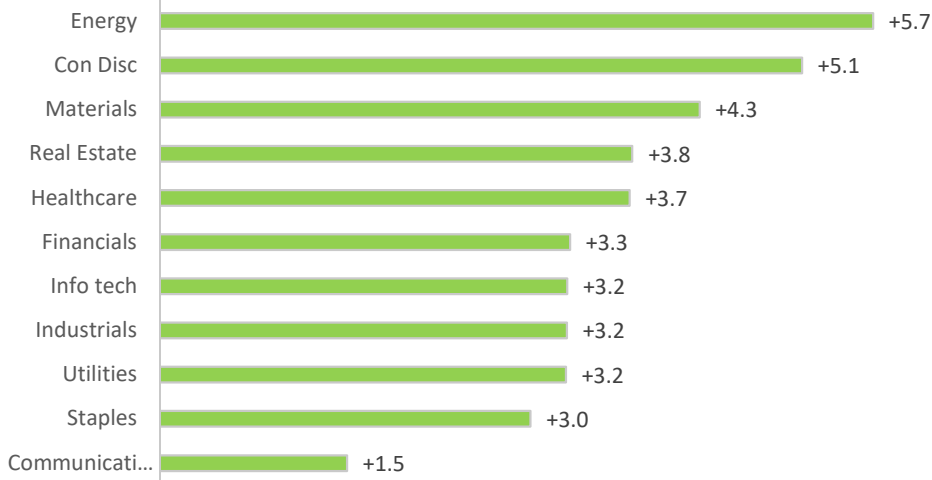
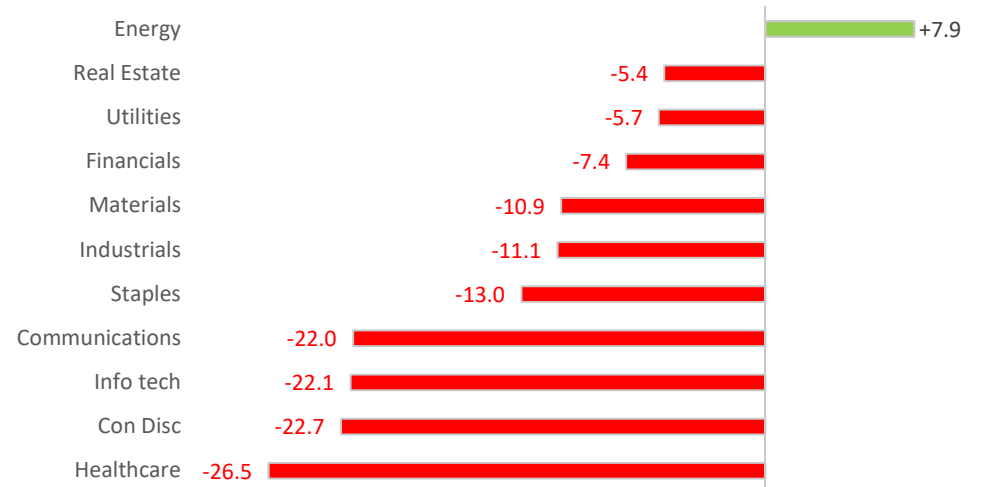
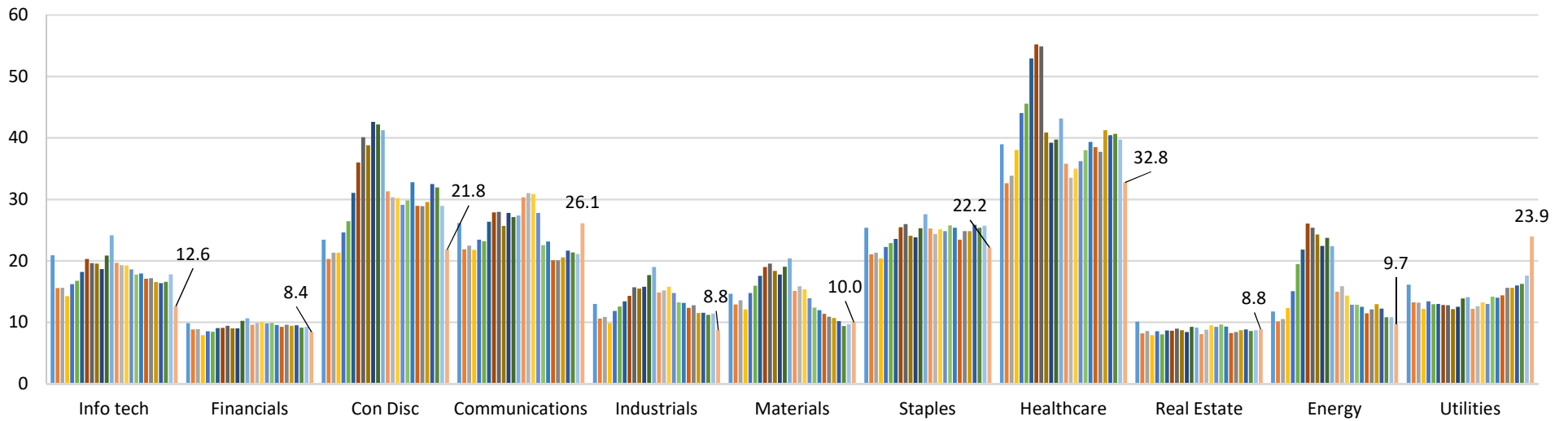
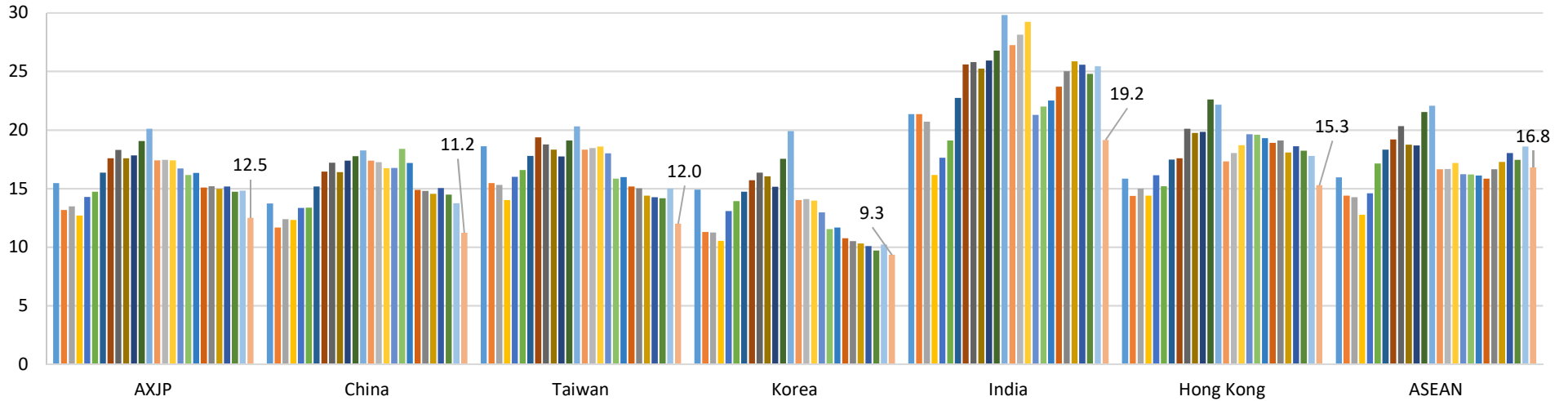


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



REGIONAL

Exhibit 5: Year 2022 Price-Earnings Ratio (Dec 2019-Current)



FOREIGN NET FLOWS

Exhibit 6: Selected ASEAN Equity Markets (Net USD mil)

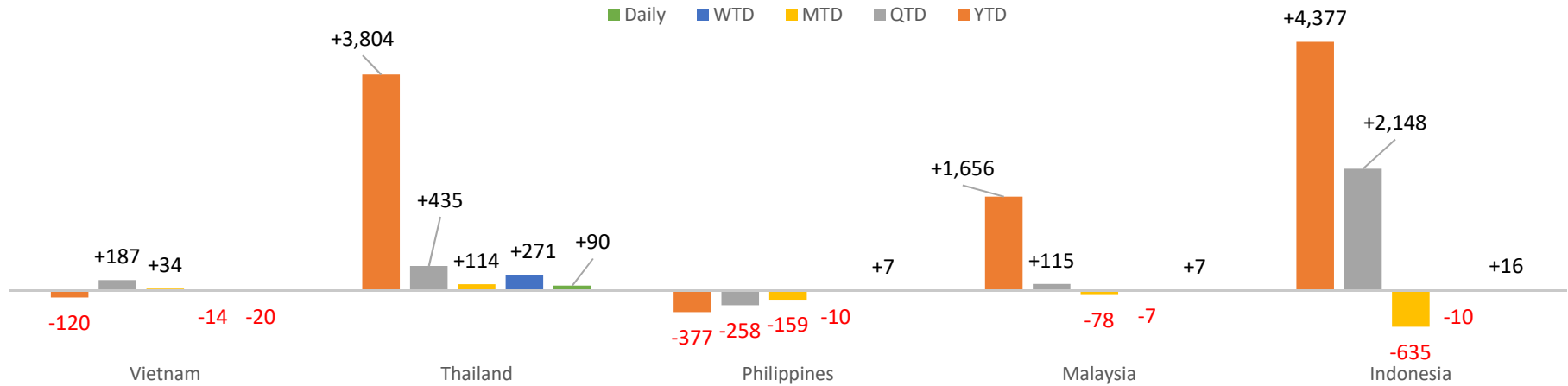
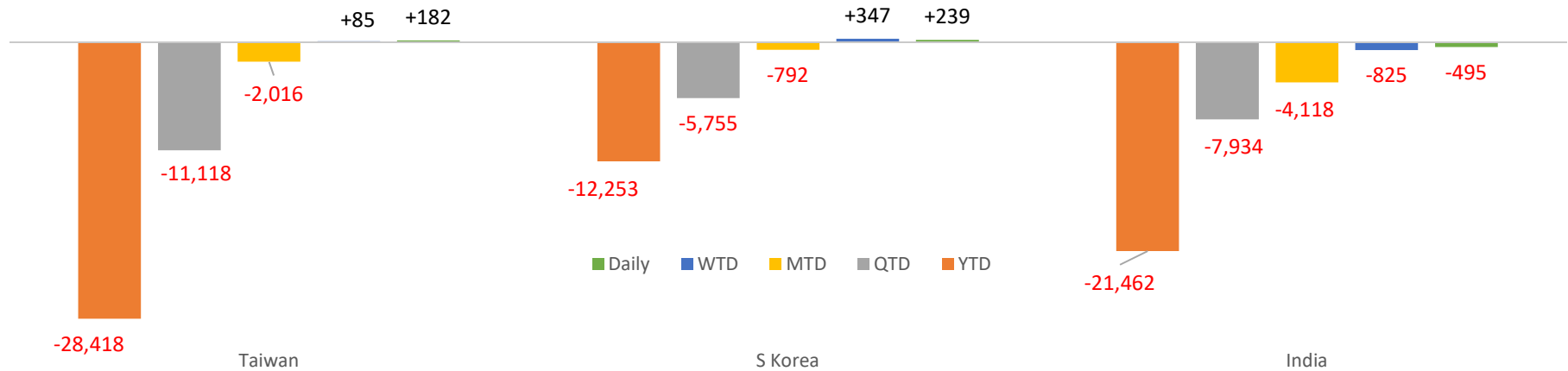


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)



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 Astute Fund Management Berhad ("AFMB") (formerly known as Apex Investment Services Berhad) and consequently no representation is made as to the accuracy or completeness of this document by AFMB and it should not be relied upon as such. Accordingly, AFMB 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. AFMB 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. AFMB 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 AFMB 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 AFMB 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 AFMB. AFMB 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.

Data, charts and news sources are derived from Bloomberg. Portfolio Managers' Views are from Astute Fund Management Berhad.