

PORTFOLIO MANAGERS' VIEWS



8 August 2022

MALAYSIA & REGIONAL

THE WEEK IN REVIEW (1-5 AUG 2022) & OUR MANAGERS' VIEWS

1. Semiconductors: The US extended the ban of American chip-making equipment to China to cover equipment that can make anything more advanced than 14 nm. Previously, the ban applied to chips more advanced than 10 nm. Raising the restriction level to 14 nm would cover a broader range of semiconductor equipment. We do not have exposure to China semiconductor manufacturers and Malaysia funds remain underweight in this sector.

2. Oil & Gas: OPEC+ guided that they will add another 100,000 barrels per day of oil in September. Given that the average global oil supply is 80mil barrels per day, the additional output is insignificant. We reiterate our view that tightness in the oil market remains, despite the recent fall in oil prices.

3. Plantation: Between the first to the fifteen of August 2022, Indonesia's palm oil export tax will be US\$33/ton, from US\$288 previously. This is intended to quickly raise the palm oil export volume in order to resolve its current excess stock issue. Although this is negative for palm oil prices in the short term, we view this positively. The sooner that Indonesia depletes its excess stock, the sooner the supply tightness condition returns, which is positive for palm oil prices in the longer term. We remain positive on and are invested in this sector.

MALAYSIA & REGIONAL (cont'd)

4. Banks: Bank Negara Malaysia announced the country's Banking Statistics for June 2022. The sector's loans grew strongly at 5.6% YoY growth whereas gross impaired loan ratio (GILR) remained elevated at 1.65%. Nonetheless, we believe that banks have created sufficient provision to cushion for it. Moreover, higher loan growth coupled with rate hike cycle will drive banks' earnings higher. Thus, we favour banks with good asset quality, able to benefit better from the rising overnight policy rates and have high dividend pay-out.

5. Politics: The Registrar of Societies (ROS) allow UMNO to postpone its party polls to not later than six months after the 15th General Election. This creates opportunity for general election to happen earlier. Based on Merdeka Center's findings, the earliest window that general election may be held fall between November and December 2022.

6. Foreign Fund Flows: Last week, foreign investors were net buyers with a total net inflow of RM388mil, but locals (institutions and retail) were net sellers. On a sectoral basis, the industrial products and services, energy and plantation had the highest net foreign outflows and financial services, consumer products and services whereas healthcare saw the highest net foreign inflows. It appears foreigners are posturing to an economic slowdown. Our local and regional portfolios are also invested in stocks and sectors that are more resilient during moderation in economic growth.

MALAYSIA & REGIONAL (cont'd)

7. Valuation: Although the local market rallied recently, valuations are still remain relatively cheap. Based on KLCI level of 1,501.55 as at 5 August 2022 and using consensus market EPS integer of 104.1 for 2022, the market is trading at a 2022 price-earnings ratio (“PER”) of 14.4x. This is -1.0 standard deviation below its 5 years average of 16.1x. The market price-to-book ratio (“PBR”) of 1.47x (below its 5-year average of 1.55x) and DY of 4.6% (above its 5-year average of 3.6%) are also supportive. Finally, Malaysia is trading at a 15% premium against the Asia ex-Japan PER, at the low end of its 5-year average of zero to 40% premium (excluding the pandemic period in 2020 & 2021).

MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

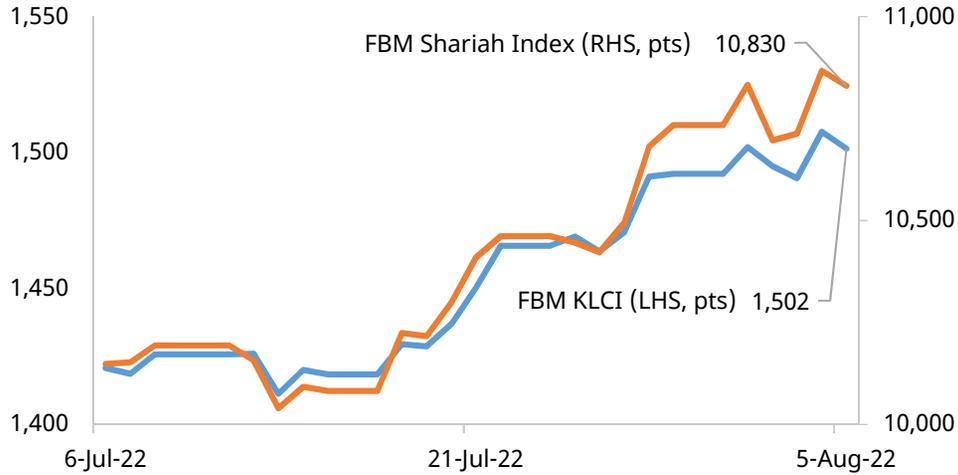


Exhibit 2: USDMYR FX

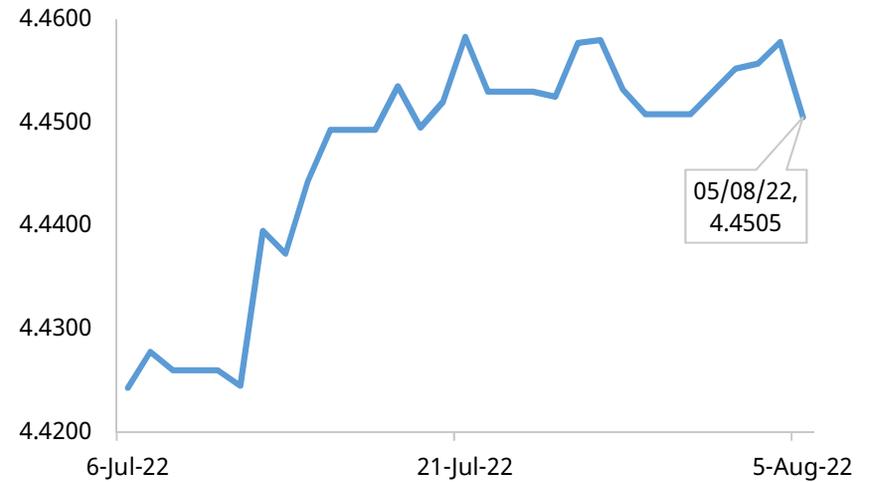


Exhibit 3: Sector Performance Indices (1 Week, %)

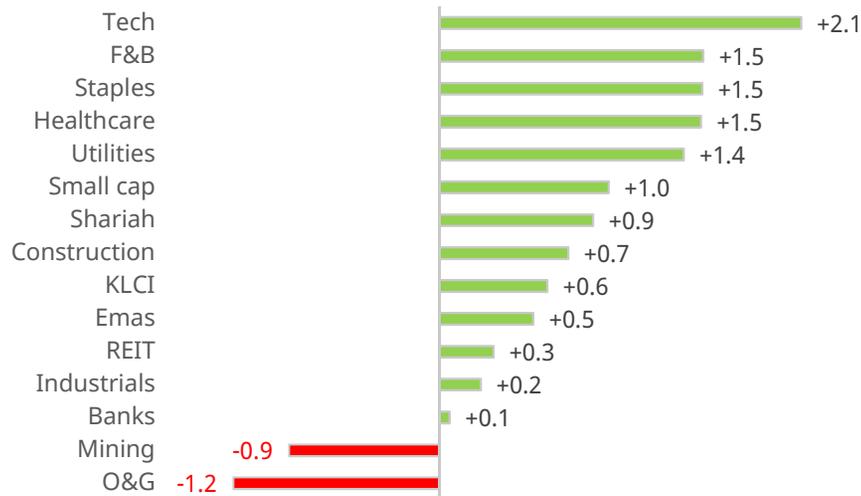
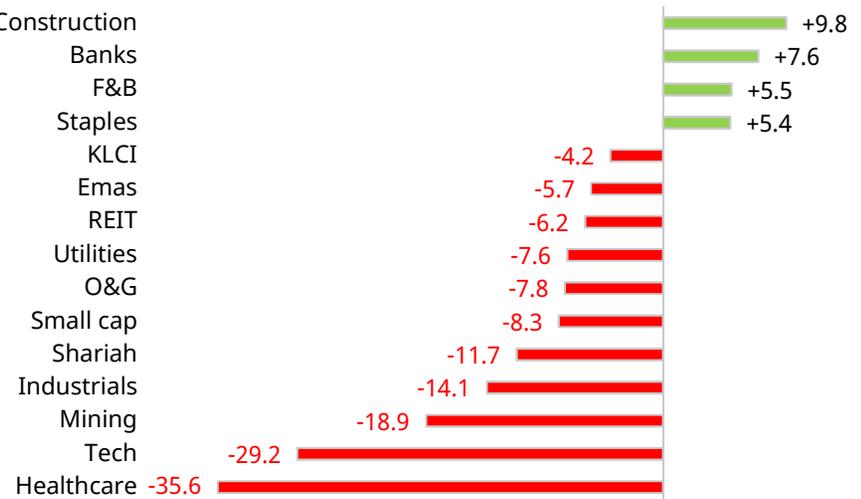


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



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)

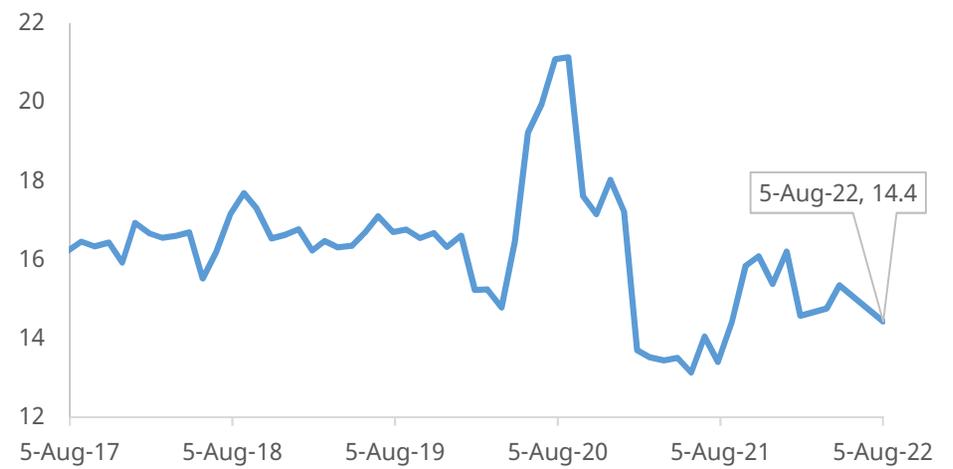


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

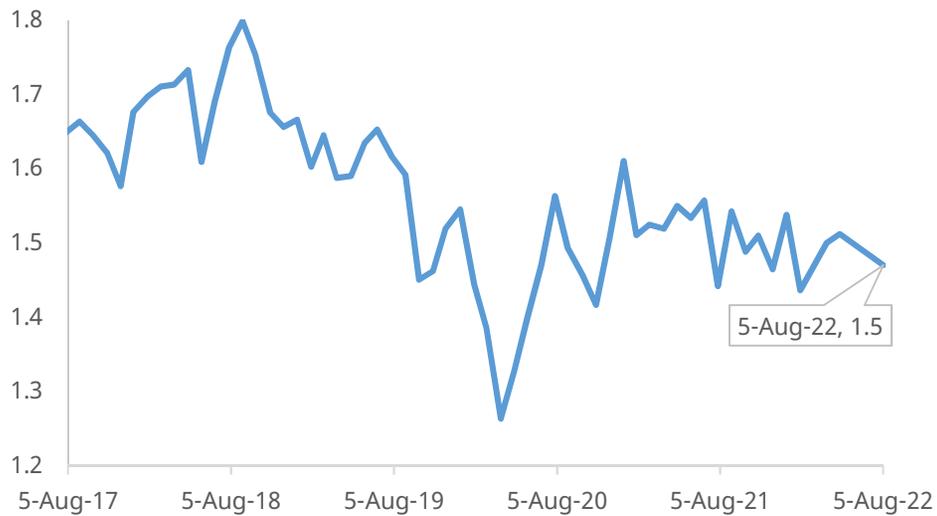


Exhibit 8: KLCI's Dividend Yield (DY, %)



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

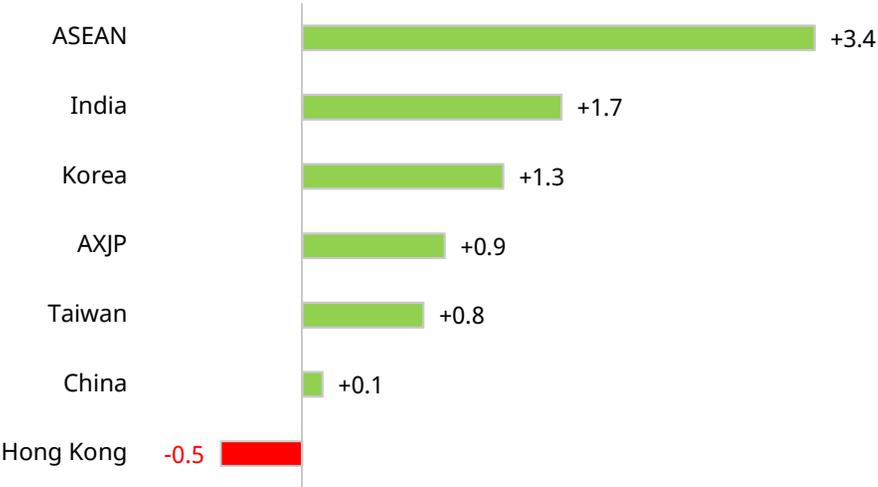


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

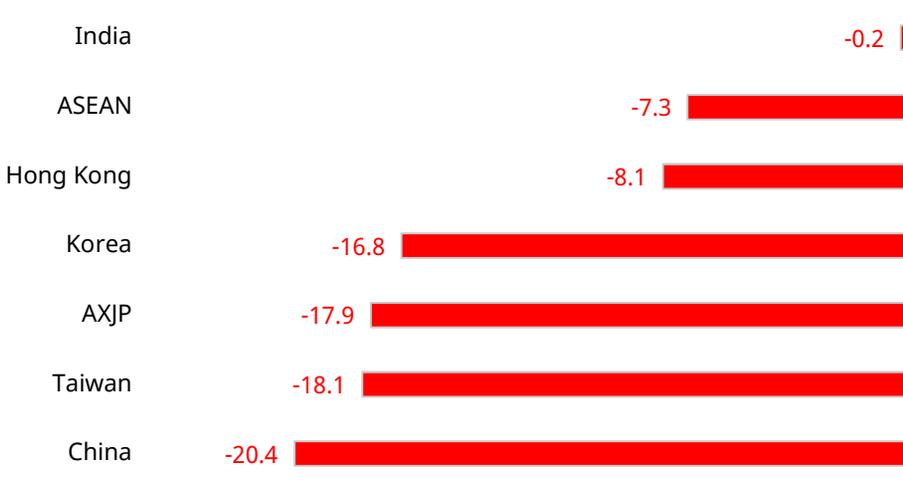


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

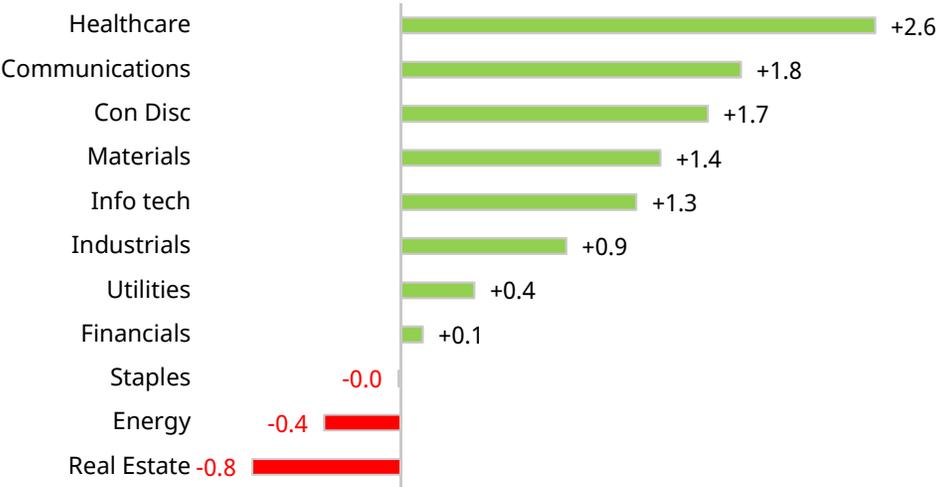
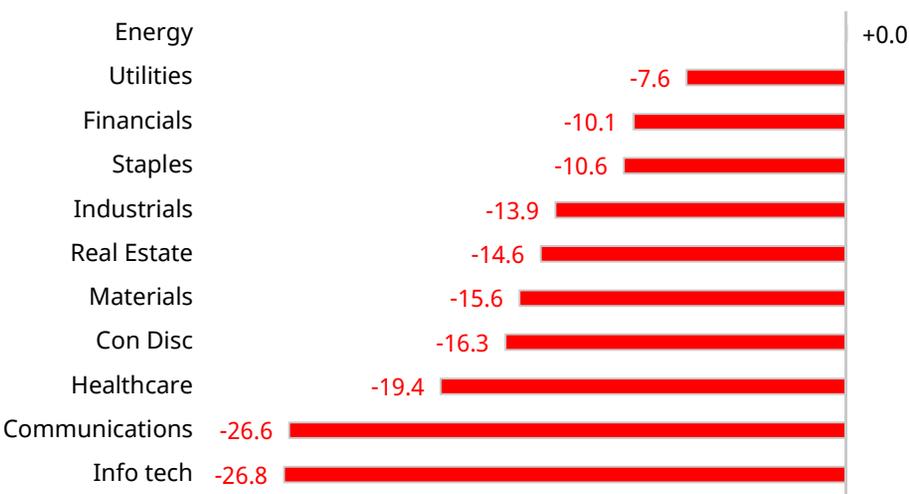
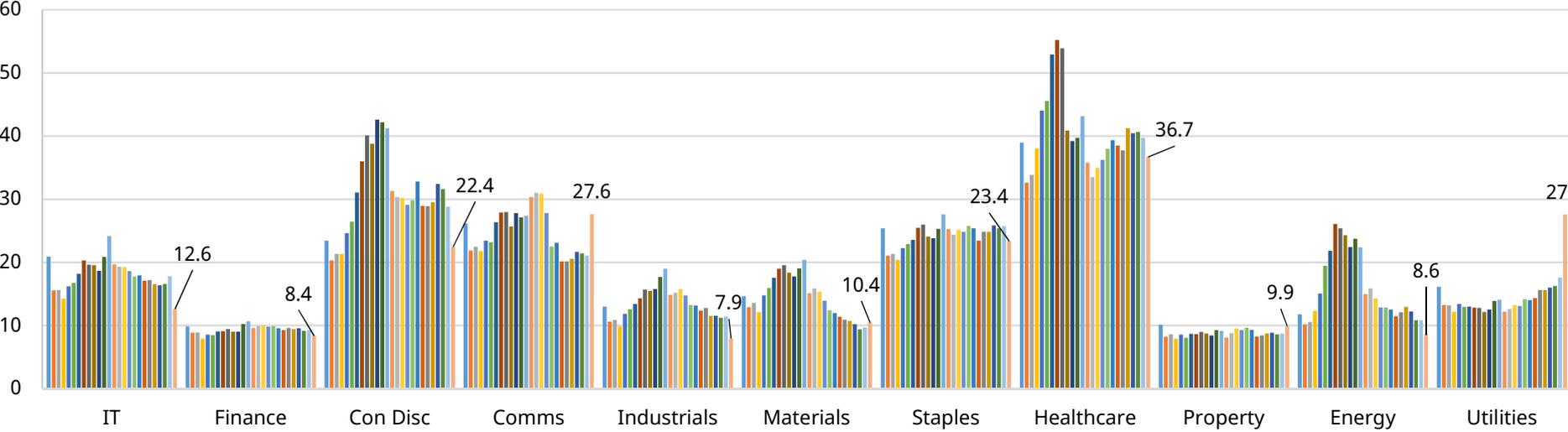
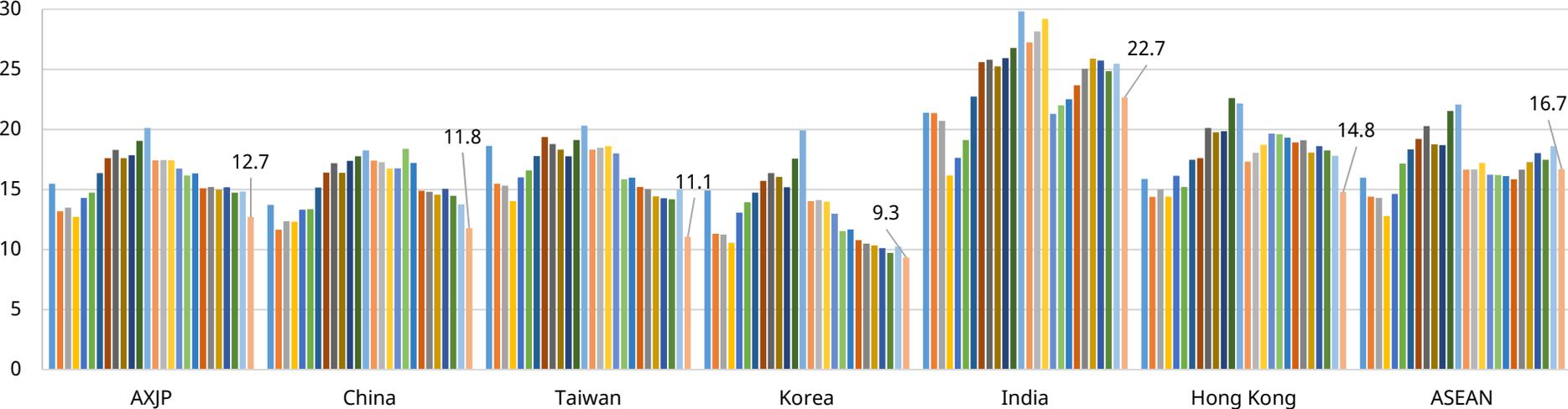


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



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



FOREIGN NET FLOWS

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

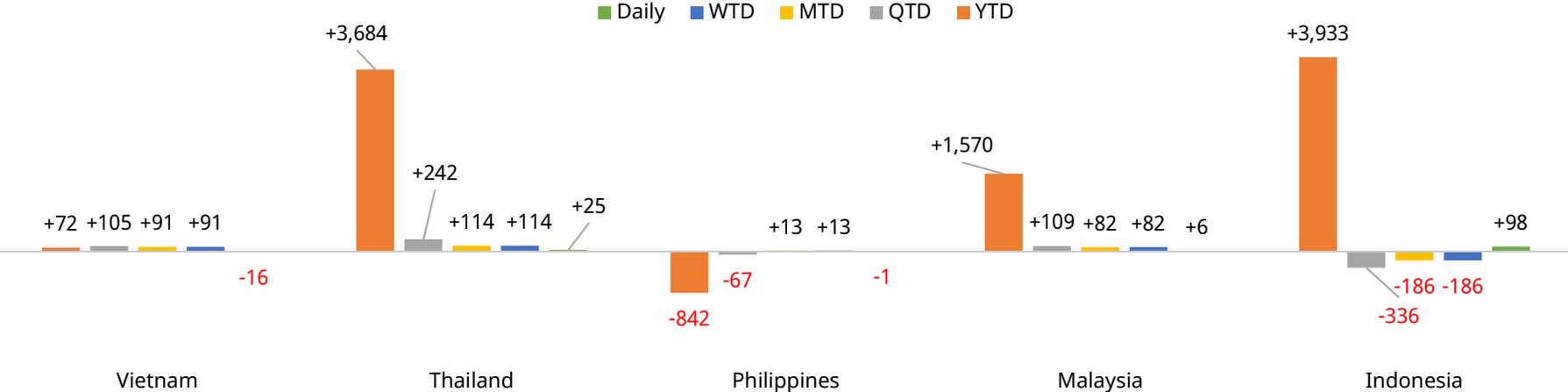
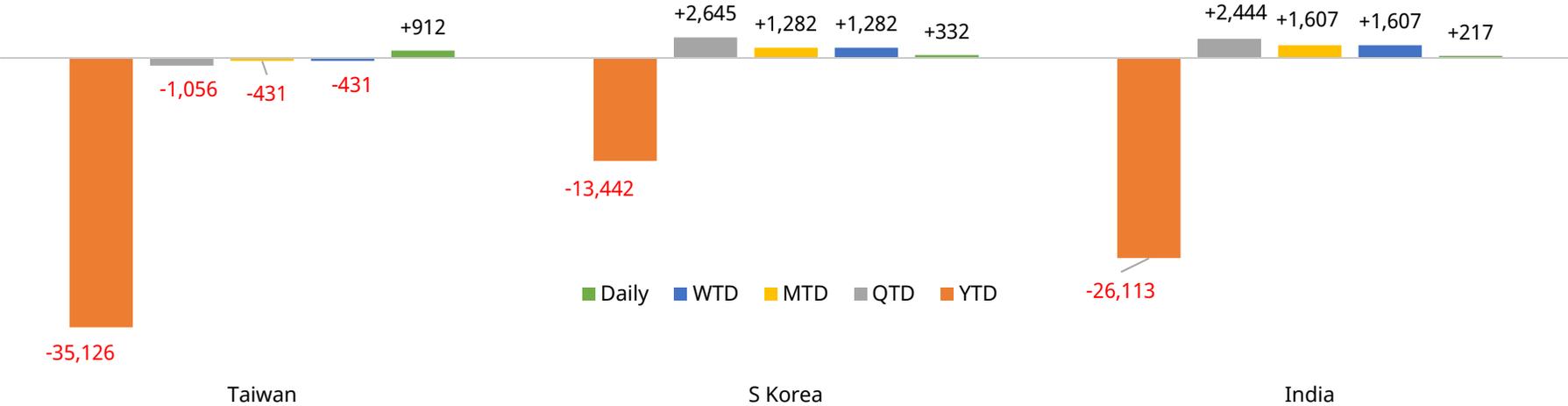


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)



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