

# Portfolio Managers' Views

**03 January 2023**  
FUND MANAGEMENT DEPARTMENT

# MALAYSIA & REGIONAL

## The Week in Review (26 Dec - 30 Dec 2022) & Our Managers' Views

- 1 Plantation:** We remain positive and invested in the upstream plantation sector after Indonesia limited its crude palm oil (CPO) exports to six times of their domestic sales volume, from the current eight times. We expect Malaysian planters to benefit as CPO prices will be supported by the higher export demand and lower palm oil inventories. We see upstream CPO producers offering decent dividend yields when CPO price trades at RM4,000/ton.
- 2 Banking:** Recent statistics reinforce our positive view on banks. Bank Negara Malaysia's statistics showed that banks recorded a 5.5% YoY loan growth for Nov-22, outpacing its 5-year average of 4.9%. Gross impaired loan ratio remains stable at 1.83%. We expect continued loans growth and further increases in the Overnight Policy Rates (positive on net interest margins) to drive banks' earnings and dividends in 2023.
- 3 Telekom Malaysia (TM):** TM exited its KL Tower concession business as it plans to focus on strengthening its core business. However, sources claim that the concession was profitable and was sold to an unknown distressed company. As the news attracted interest from the Malaysian Anti-Corruption Commission (MACC), we believe this issue will create an share price overhang but we remain invested until more information is released.
- 4 Electronic Manufacturing Services (EMS):** ATA IMS is looking to reduce its operating capacity and undertake an impairment exercise after Dyson terminated its contract following allegations of a human rights violation in 2021. Its share price has declined by 91% since the termination was announced. We are not invested in ATA IMS but we are monitoring its local peers as the contract termination translates to more potential contracts for the other EMS companies.
- 5 Valuation:** KLCI valuations increased WoW due to year end window dressing rally. We maintain our view that the KLCI continues to remain cheap at a 2023 price-earnings ratio ("PER") of 14.6x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.4x (below the 5Y average of 1.55x) and 4.3% (above its 5Y average of 3.6%).

# MALAYSIA & REGIONAL (cont')

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6

**China reopening:** We remain positive on reopening prospects, especially in the travel and consumption sectors. Hong Kong will resume quarantine-free travel with China by 8th Jan'23. Since the announcement on 26th Dec'22, domestic flight bookings within China has doubled (source: Bloomberg). We see the nascent domestic flight recovery as positive for our holdings in a travel technology company.

7

**China consumer discretionary:** China's gaming industry received further boost after regulators approved 84 domestic and 44 foreign titles in Dec 2022. Two of China's major games companies, Tencent and Netease, received approvals. We view the approvals as positive and we are reviewing a re-entry into this digital discretionary sub-sector as we favour exposures in consumer technology, food, motors and insurance stocks that offer attractive dividend yields.

8

**Thailand:** Private consumption rose 7% YoY in Nov 2022, led by services (+23% YoY) and non-durable (+3% YoY) sectors. The tourism-led economy is expected to be driven further by inbound travellers, with China in focus for 2023. In 2019, China accounted for 28% of the 40 mil tourist arrivals in Thailand. However, we view Thailand tourism-related exposures like hotels to be expensively-valued, and we prefer consumer and commodity-related stocks for their dividend yields.

# MALAYSIA MARKET REVIEW

## Year End Window Dressing Rally

Exhibit 1: KLCI vs Shariah Index

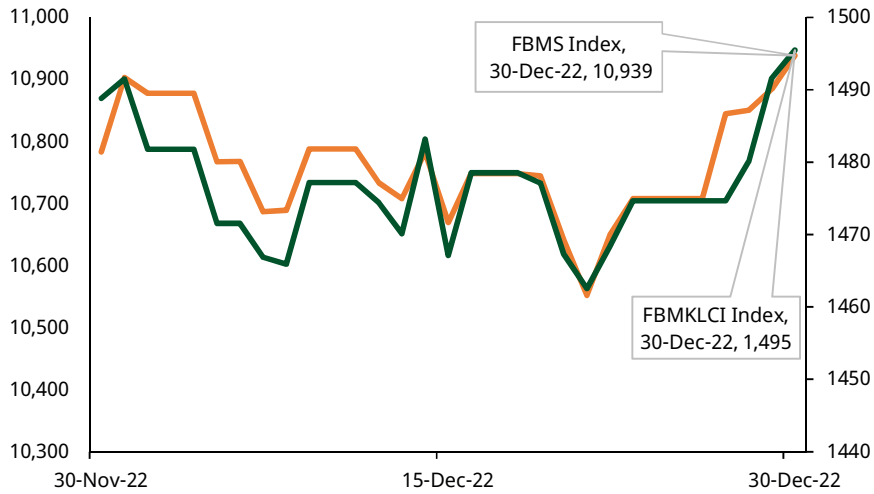


Exhibit 2: USDMYR

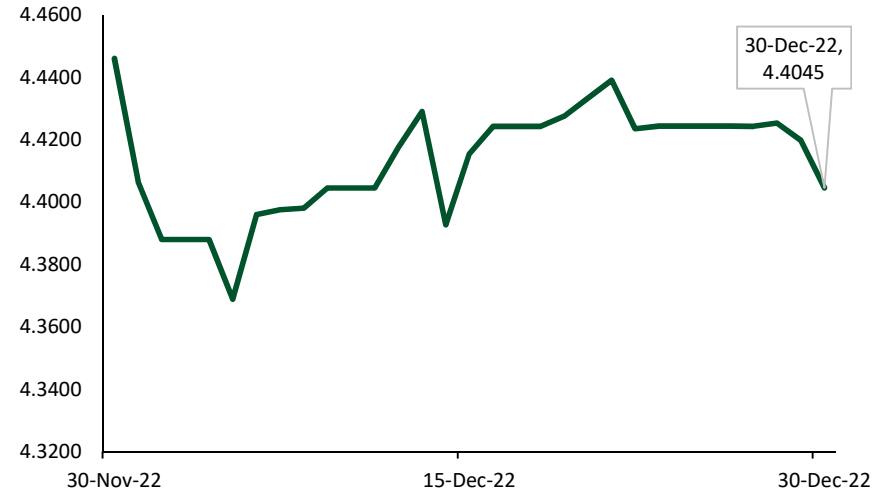


Exhibit 3: Sector Performances Week-to-Date (%)

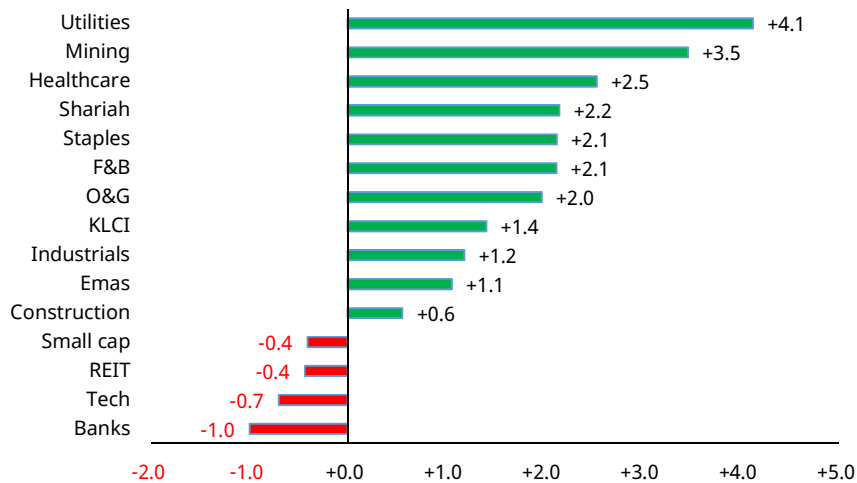
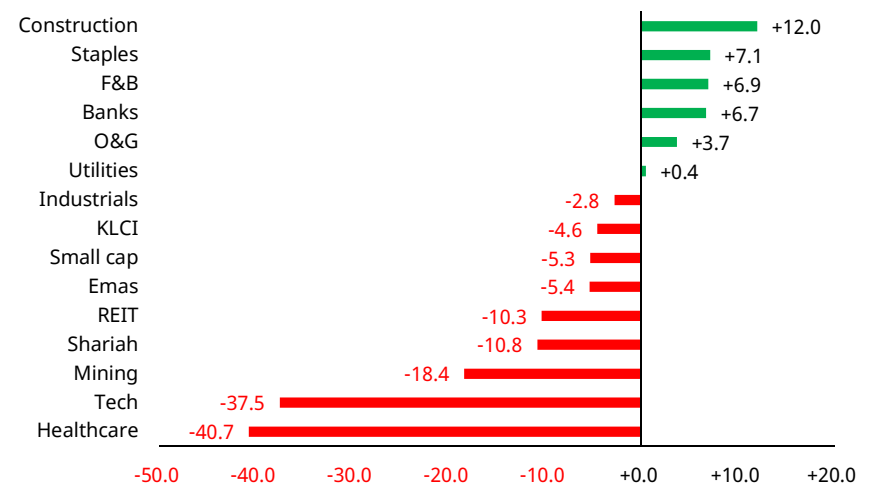


Exhibit 4: Sector Performances Year-to-Date (%)



# MALAYSIA VALUATIONS

## Malaysia remains in BUY territory

Exhibit 5: MY's Premium/Discount (%) to ASEAN & Asia (on Current PER, %)

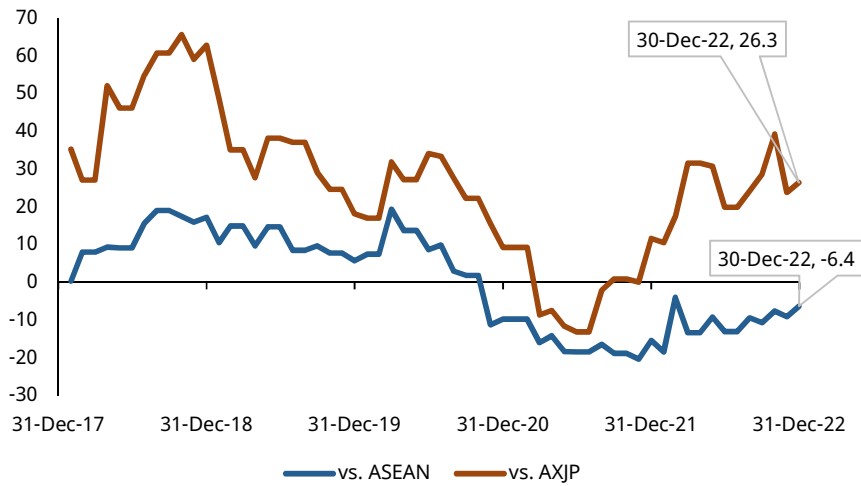


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

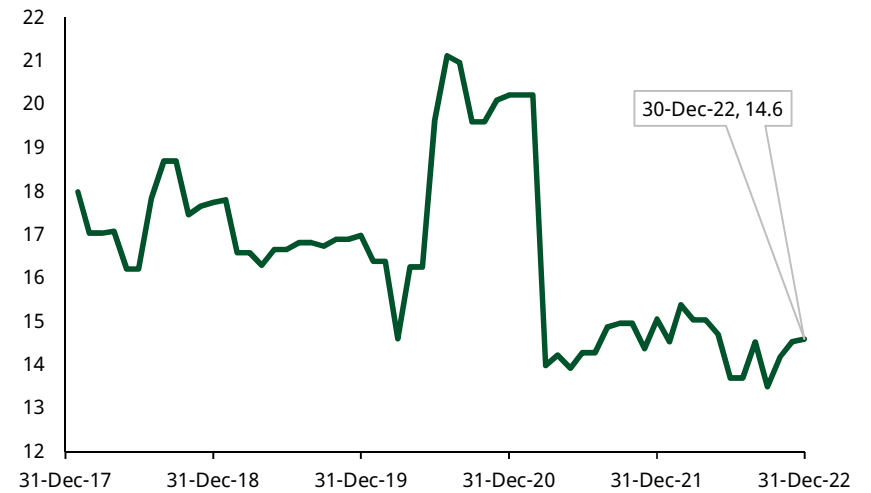


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

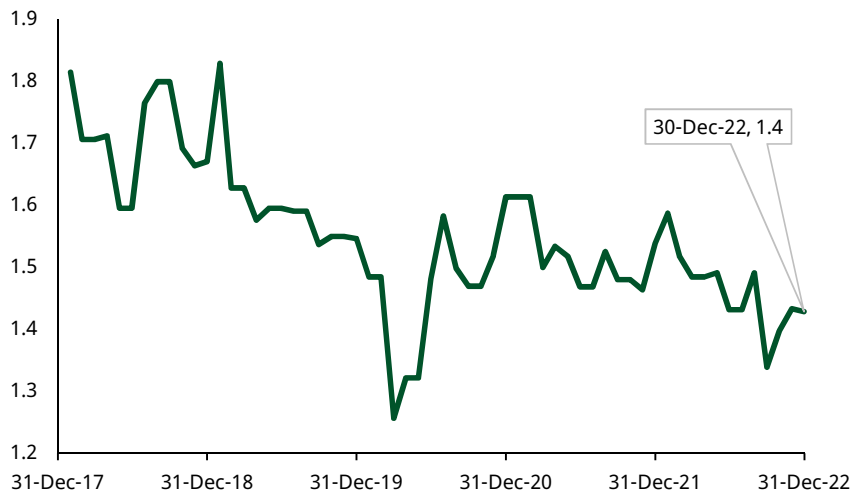
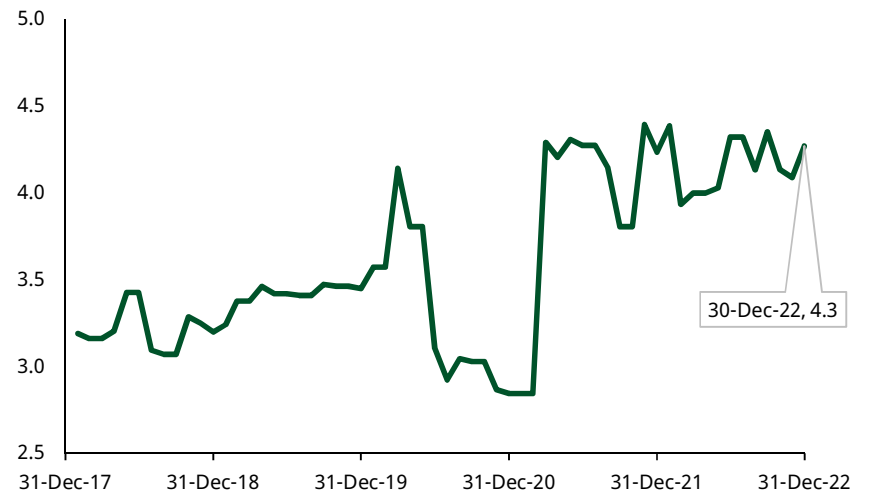


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# REGIONAL MARKETS REVIEW

## India remains the outperformer in Asia Ex-Japan

Exhibit 1: Country Performances Week-to-Date (%)

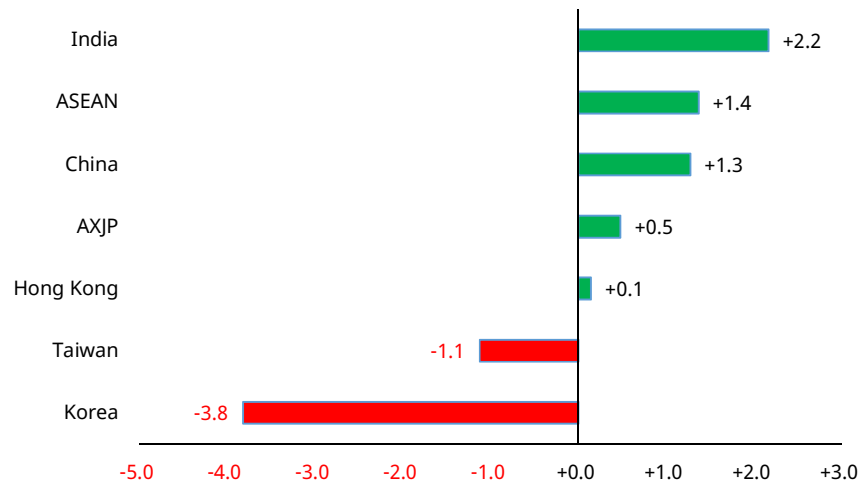


Exhibit 2: Country Performances Year-to-Date (%)

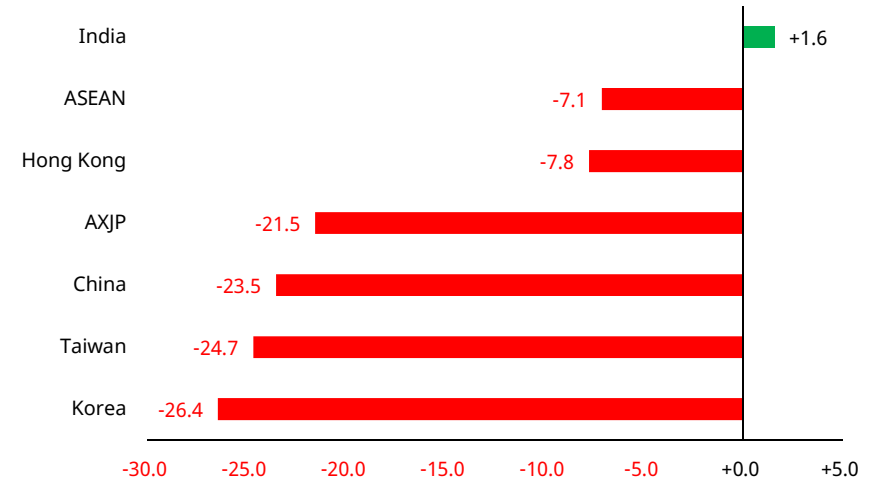


Exhibit 3: Sector Performances Week-to-Date (%)

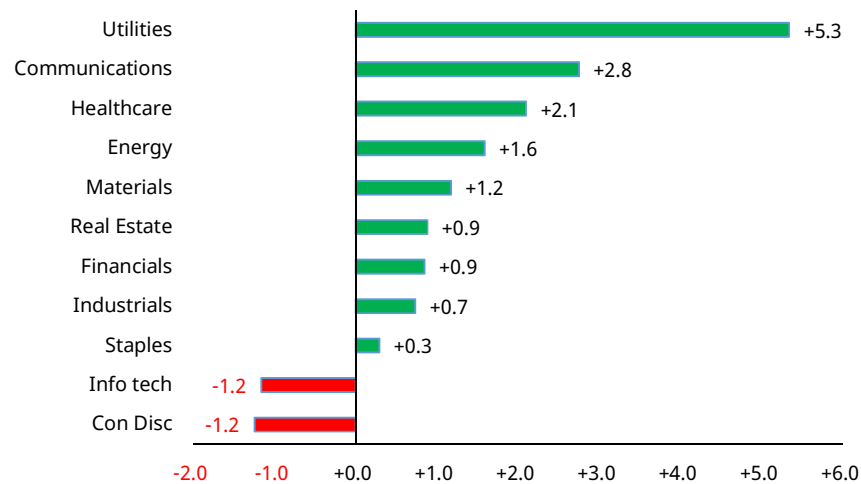
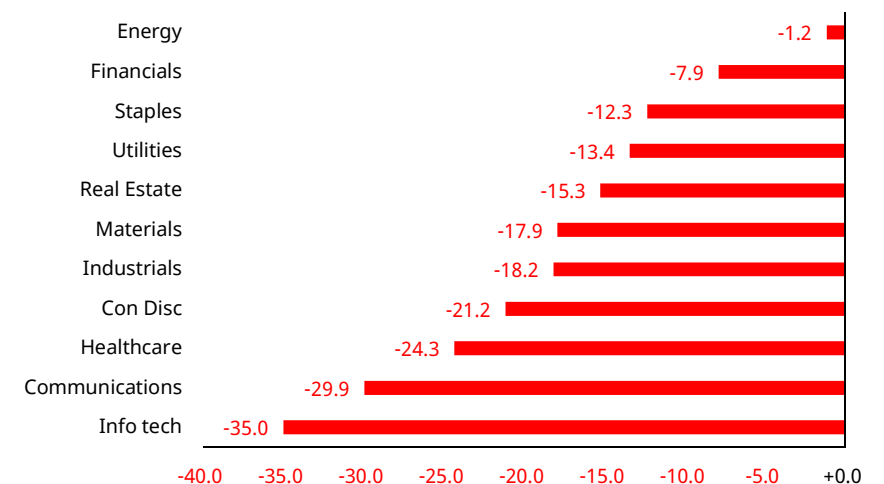


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

# REGIONAL VALUATIONS

## Asian valuations remain attractive

Exhibit 5: Regional Price-Earnings Ratio (x)

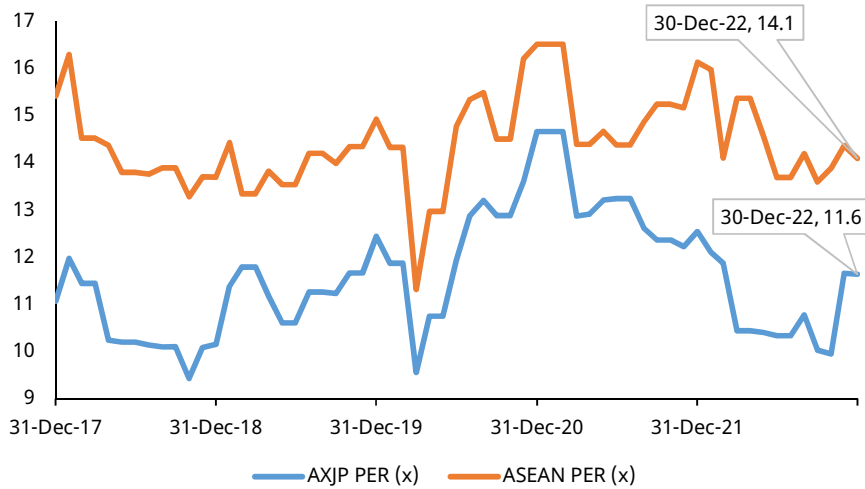


Exhibit 6: Regional Price-to-Book Ratio (x)

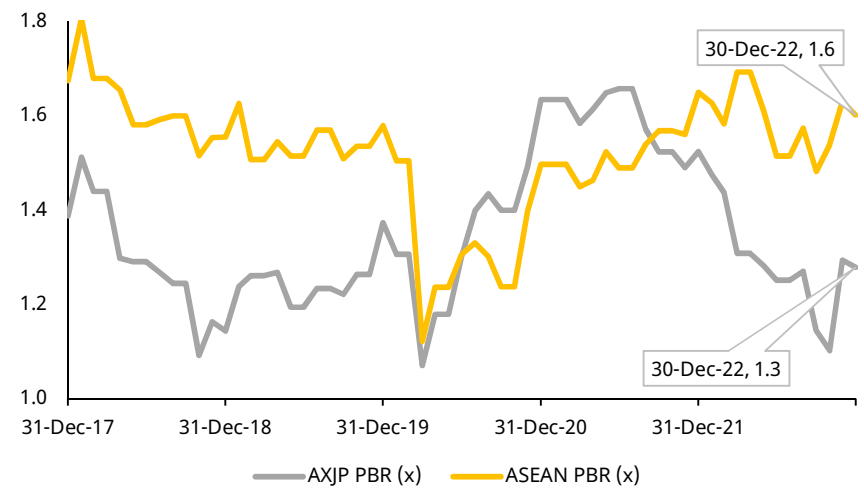


Exhibit 7: Regional Dividend Yield (%)

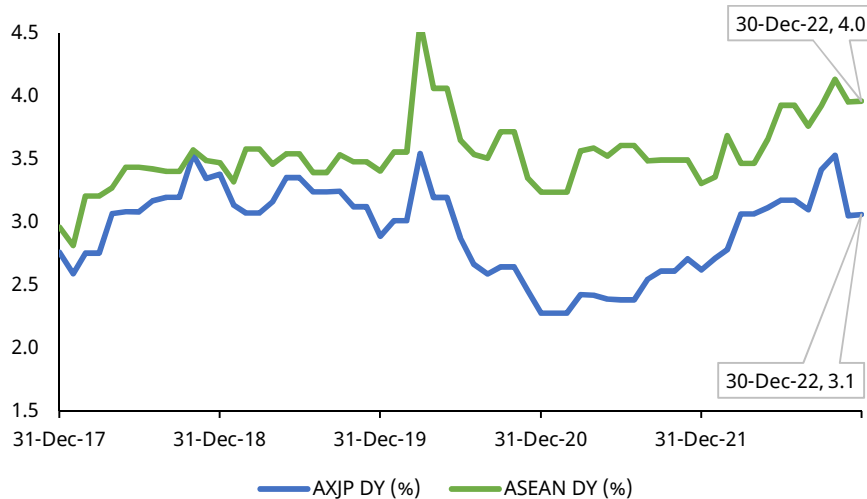
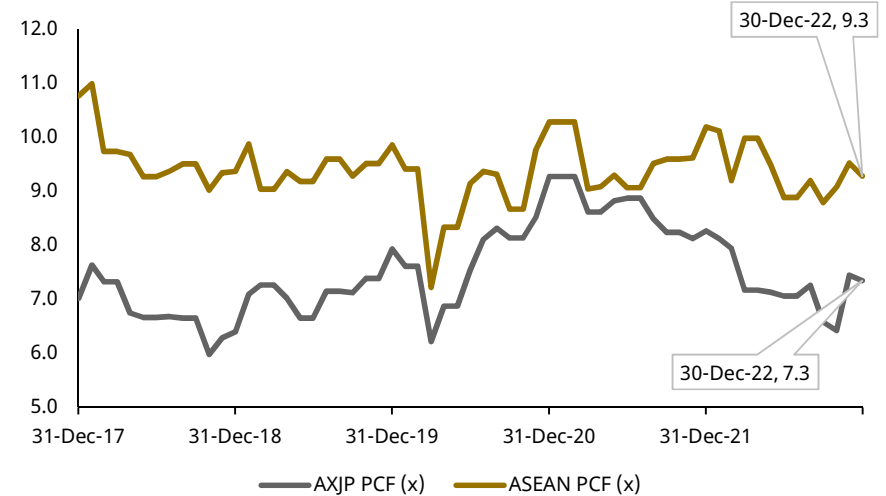


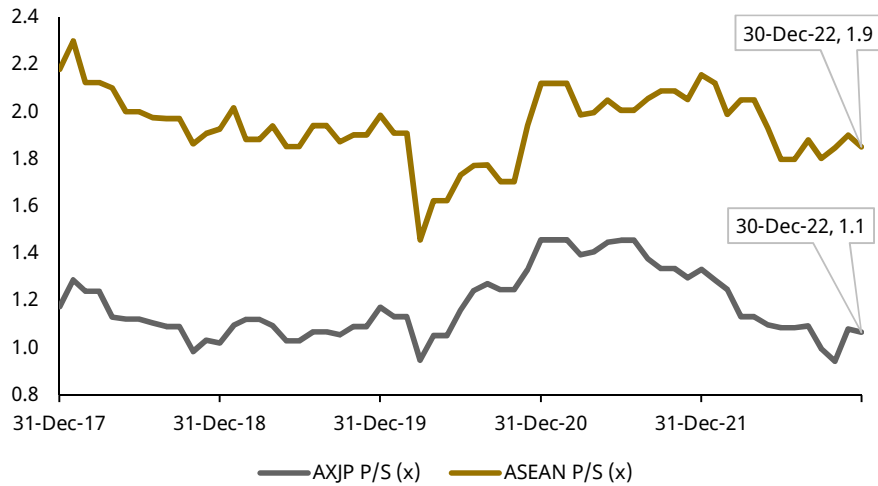
Exhibit 8: Regional Price-to-Cash Flow (x)



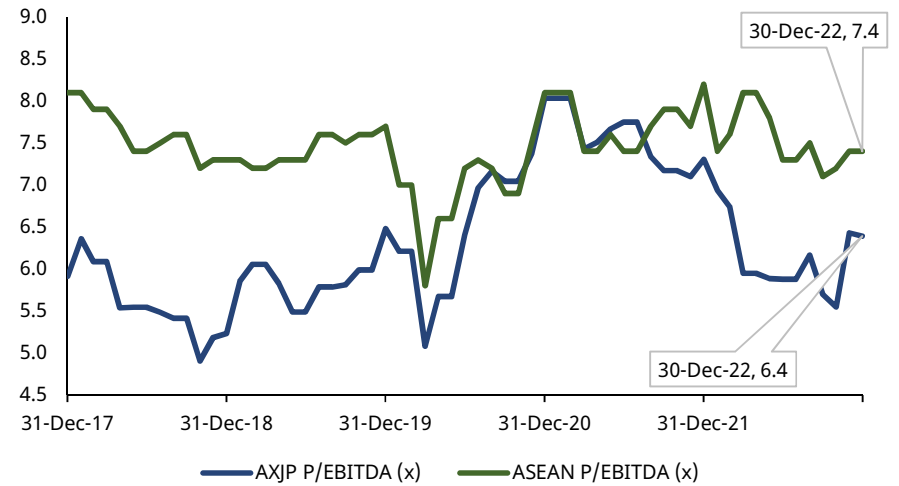
# REGIONAL VALUATIONS

## Asian valuations remain attractive

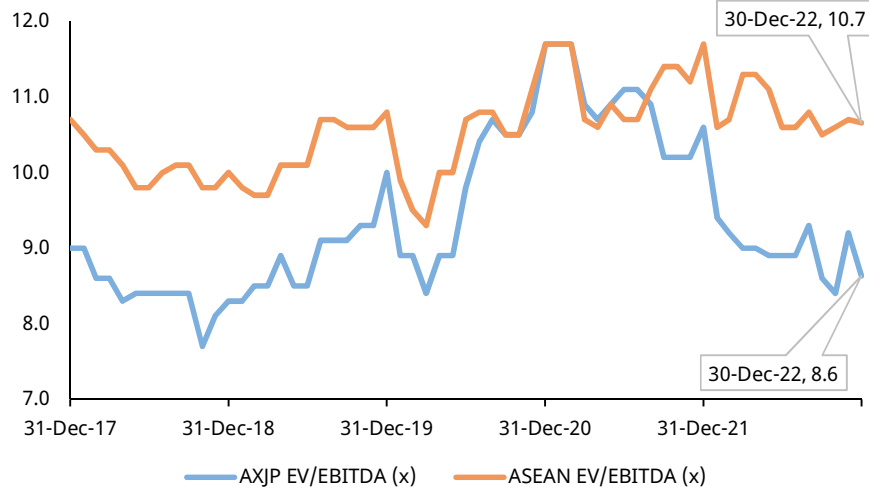
**Regional Price-to-Sales Ratio (x)**



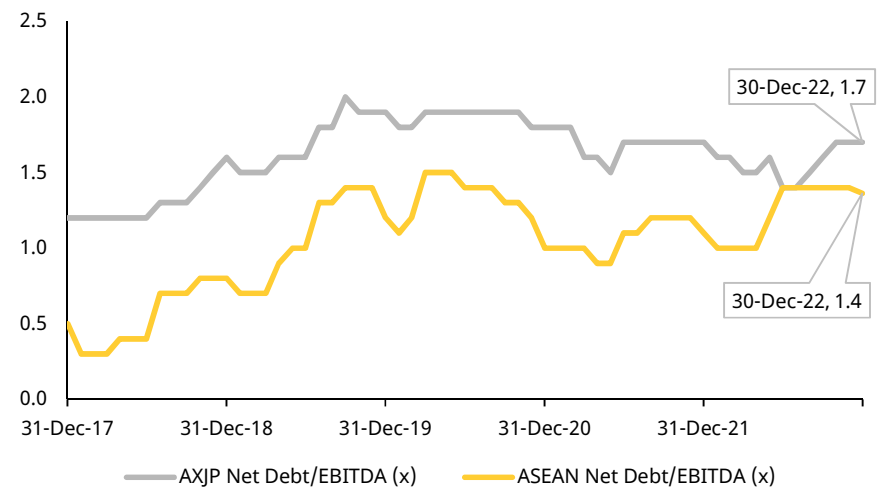
**Regional Price-to-EBITDA (x)**



**Regional EV-to-EBITDA (x)**



**Regional Net Debt-to-EBITDA (x)**



Source: Bloomberg



# FOREIGN FUND FLOWS

We see rotation from ASEAN to the North Asian markets

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

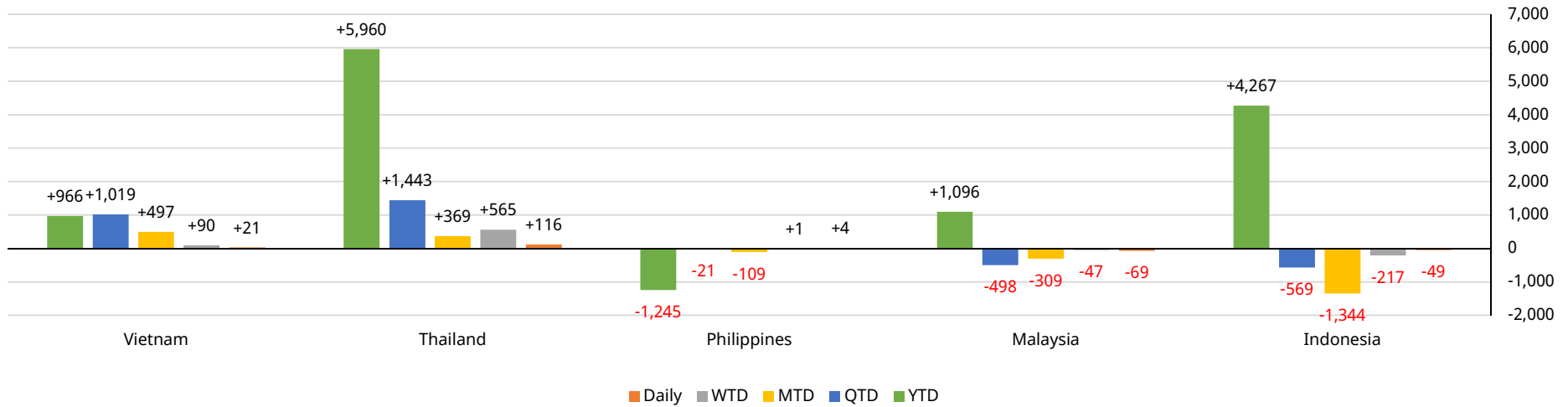
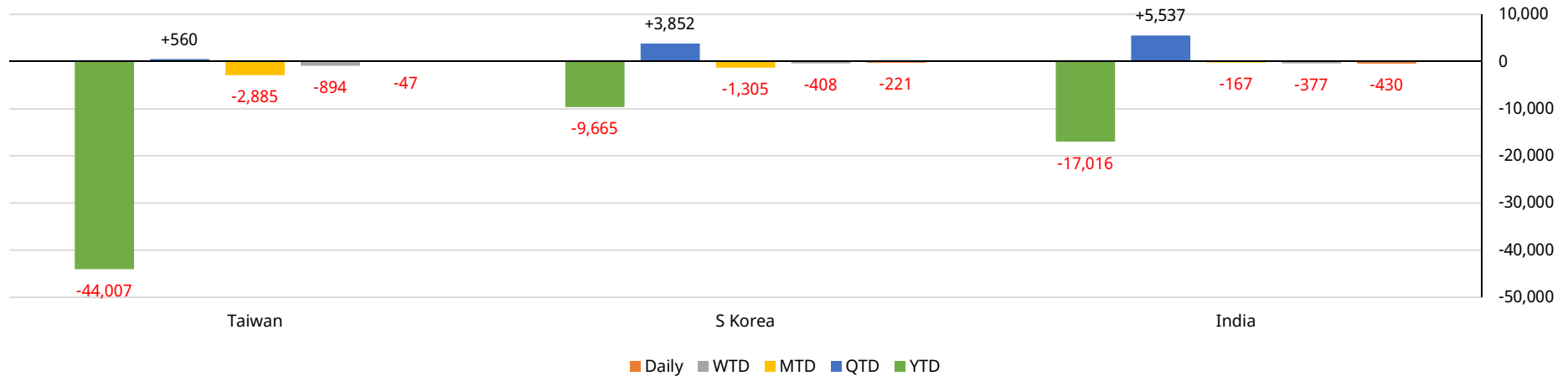


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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