

Portfolio Managers' Views

16 January 2023
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (9-13 January 2023) & Our Managers' Views

- 1 China Reopening:** Our holdings in China travel and consumption-related stocks received further support from positive news flows. The resumption of the Hong Kong-China high-speed rail service, high occupancies of major hotels in Macau during the upcoming Chinese New Year and Hong Kong's classification of COVID as an endemic disease point to rising travel and consumption throughout 2023. We remain invested and are looking to increase our exposure to China.
- 2 Regional tech:** Taiwan passed its Chips Act which allow local chip makers to convert 25% of their annual research and development (R&D) expenses into tax credits. The tax incentive is aimed at maintaining the country's leading position in the semiconductor industry. This is a positive for the bottom-line and cash flows of our Taiwan tech holdings and supporting their preparation for the next tech upcycle.
- 3 US Non Farm Payrolls:** The US's nonfarm payrolls increased by 223,000 in Dec-22, which is lower than the Nov-22 job growth of 256,000. Based on economists' forecasts, the unemployment rate will only increase when nonfarm payroll growth falls below 100,000. This shows that the current labor market remains strong and wage inflation is likely to persist. As a result, futures markets are still expecting rates to trend higher in the near term with an estimated peak rate of 5% in 1H'23.
- 4 Inari Sell Off:** Last Tuesday, Inari Armetron experienced a 6% sell off after Apple announced plans to produce Bluetooth and WiFi chips in-house. These are currently supplied by Broadcom, Inari's key customer. Although Inari is mainly involved in producing radio frequency filters that are harder to replicate, suppliers are increasingly at risk of being replaced in the long term. Despite the fall in share price, we remain underweight in the tech sector as valuations are still relatively expensive.
- 5 Glove sector bottoming:** We attended briefings by Hartalega and TopGlove last week. Both companies viewed that the sector's worst period has passed as glove price declines have slowed substantially, customer inventories are depleting and new entrants are exiting the market. However, the sector may still take between 6 -12 months to recover as supply still exceeds demand despite the capacity expansion cuts in Malaysia and China. We remain Underweight in this sector.
- 6 Crude Palm Oil (CPO):** We remain invested in upstream planters for their dividend prospects. The 4% drop in Malaysia's palm oil inventory to 2.2mil ton was mainly due to lower production during the recent wet season. Inventories are expected to fall further in Q1'23 as Indonesia continues to increase its demand for biodiesels amidst the low palm oil production season. Malaysian planters with net cash positions are likely to raise dividends prospectively with CPO prices of RM4,000/ton.

MALAYSIA & REGIONAL (cont'd)

The Week in Review (9-13 January 2023) & Our Managers' Views

6

Valuation: KLCI valuations were relatively unchanged last week. We maintain our view that the KLCI is 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 4.1% (above its 5Y average of 3.6%). Positive drivers from the external front are China's reopening and peaking of the US Fed Fund Rate.

MALAYSIA MARKET REVIEW

Market rallied on China reopening & expectation of Fed Fund Rate peaking

Exhibit 1: KLCI vs Shariah Index

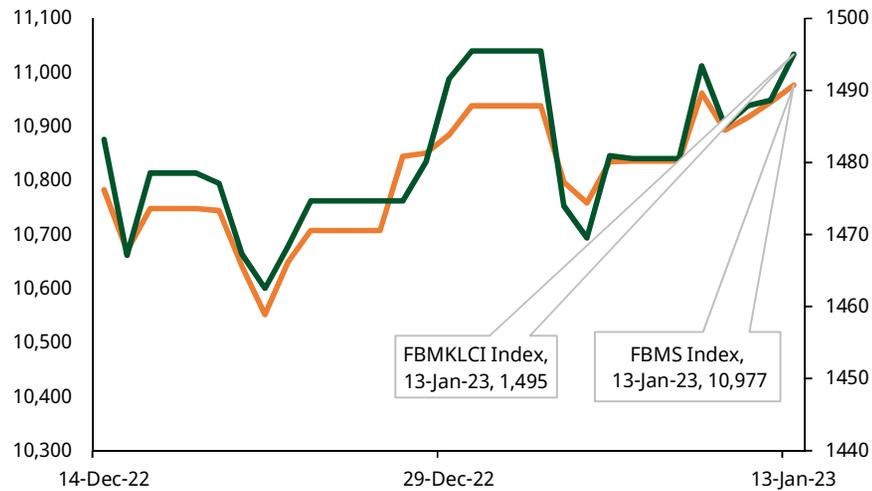


Exhibit 2: USDMYR

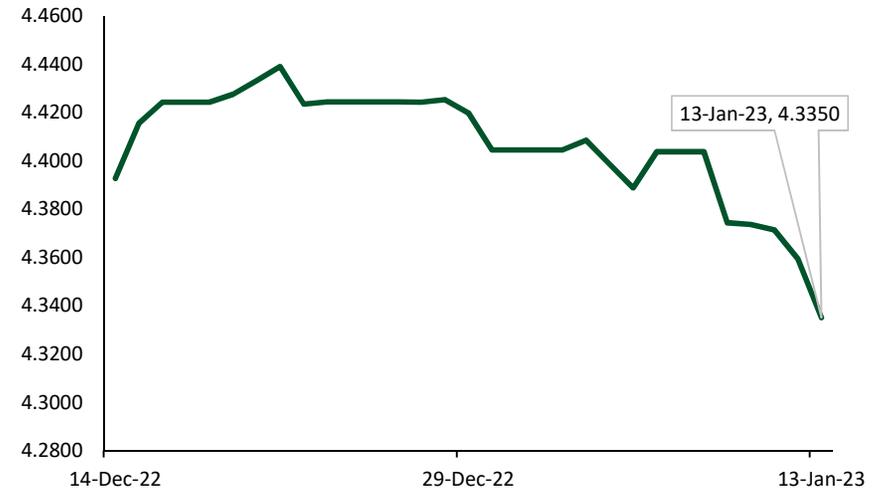
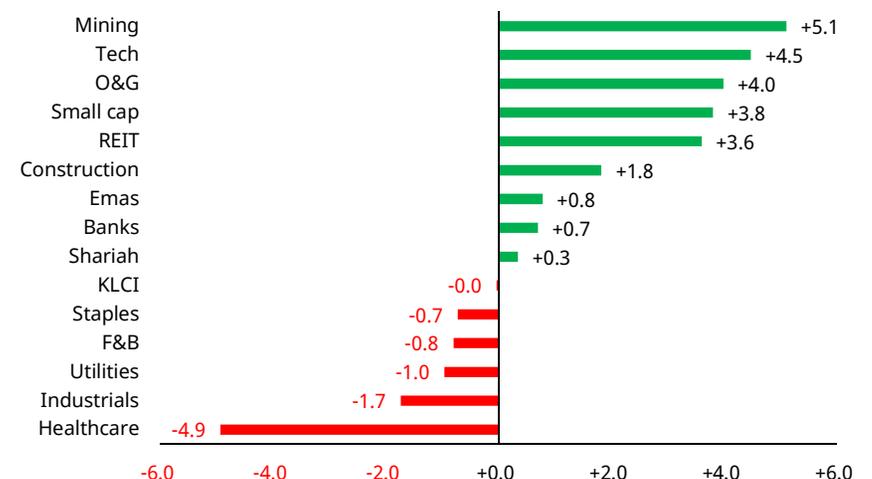


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

MALAYSIA VALUATIONS

Malaysia remains in BUY territory

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

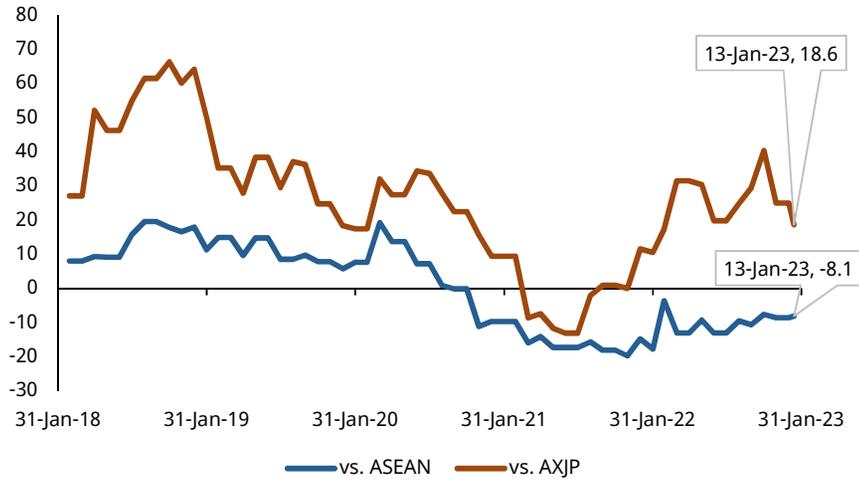


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

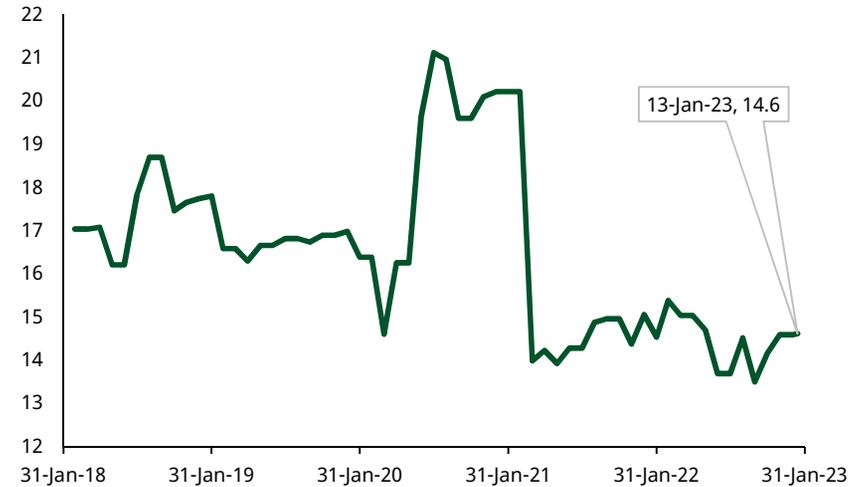


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

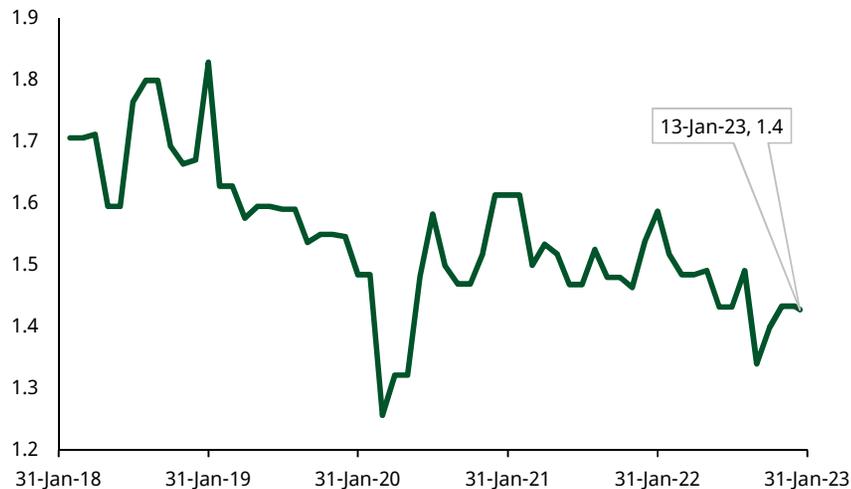
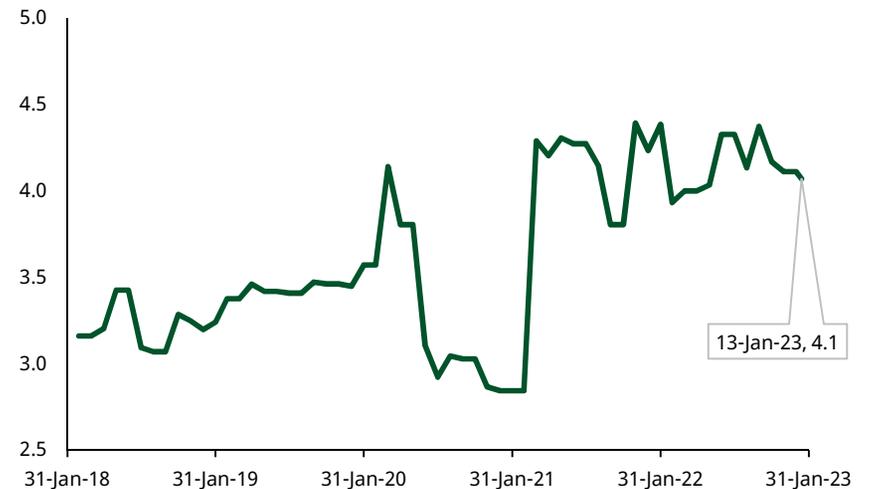


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL MARKETS REVIEW

The China reopening and technology themes drove regional markets higher

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

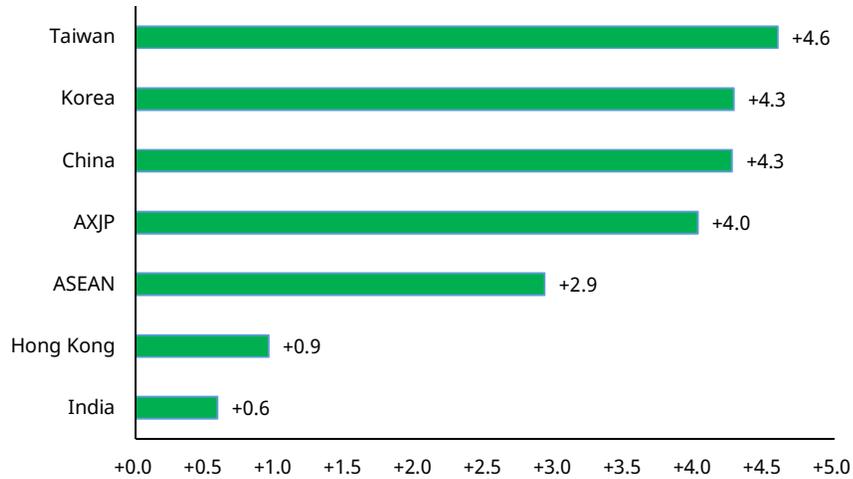


Exhibit 2: Country Performances Year-to-Date (%)

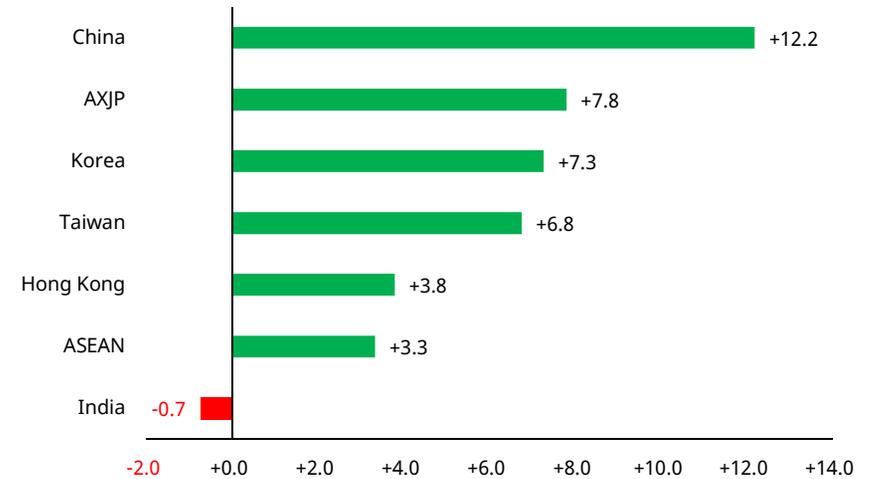


Exhibit 3: Sector Performances Week-to-Date (%)

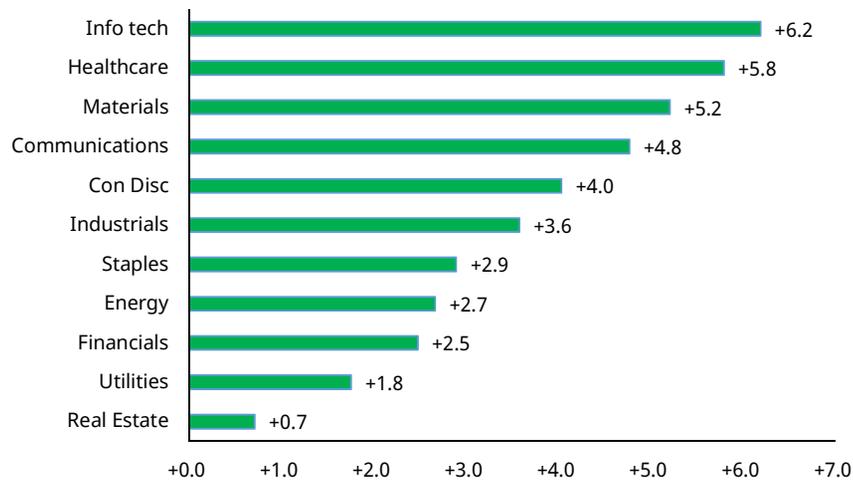
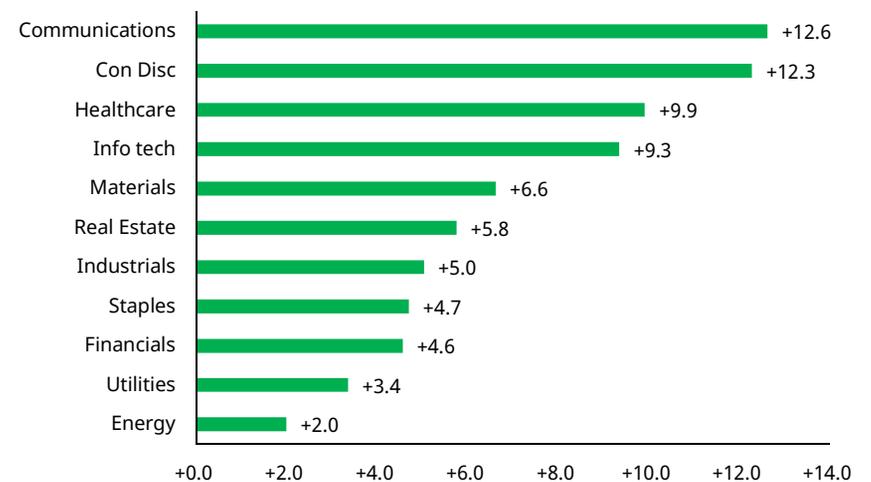


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

Exhibit 5: Regional Price-Earnings Ratio (x)

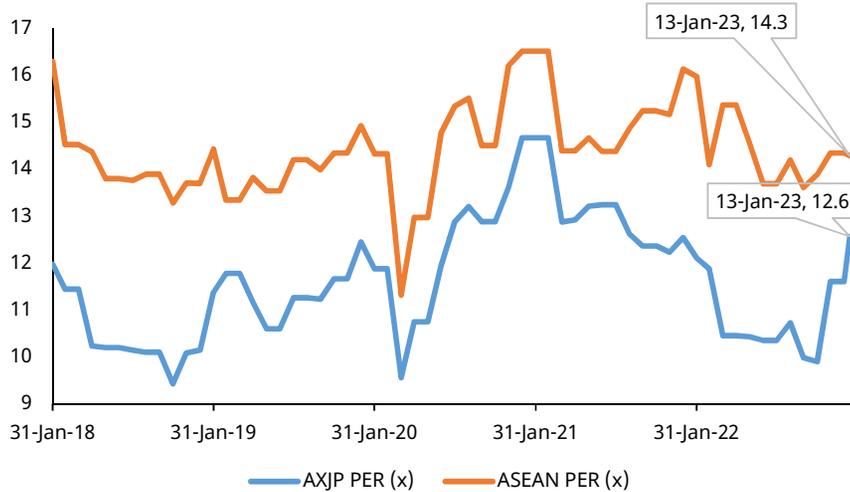


Exhibit 6: Regional Price-to-Book Ratio (x)

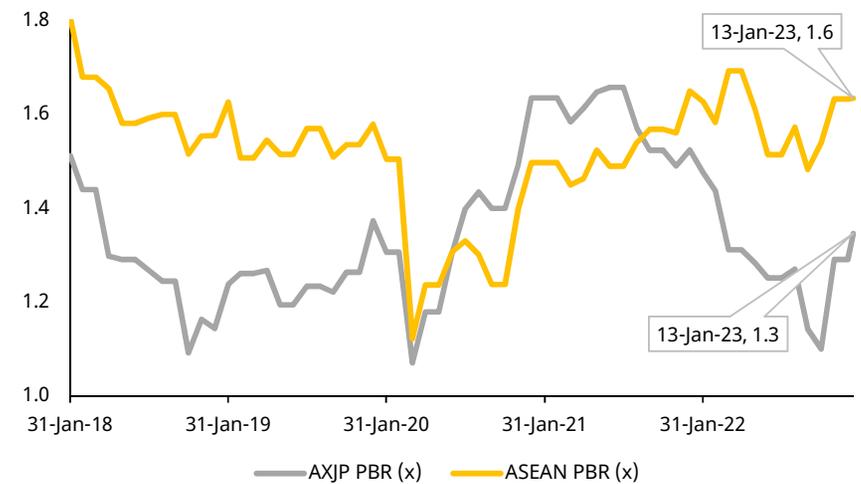


Exhibit 7: Regional Dividend Yield (%)

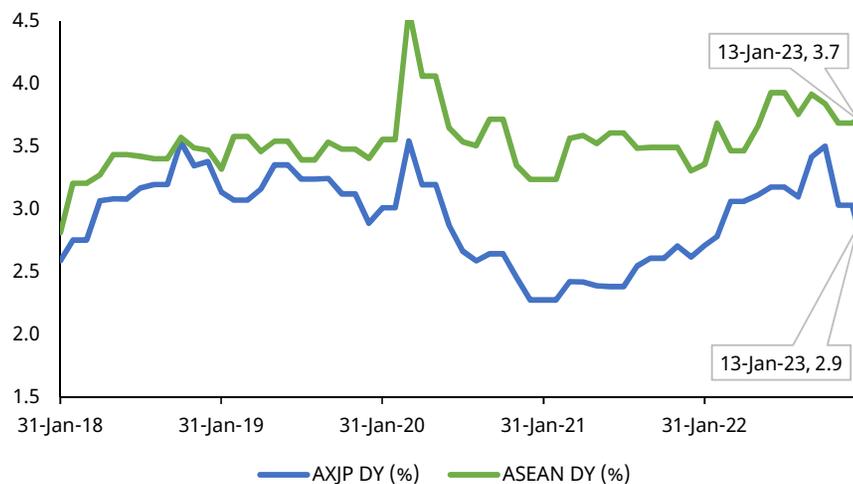
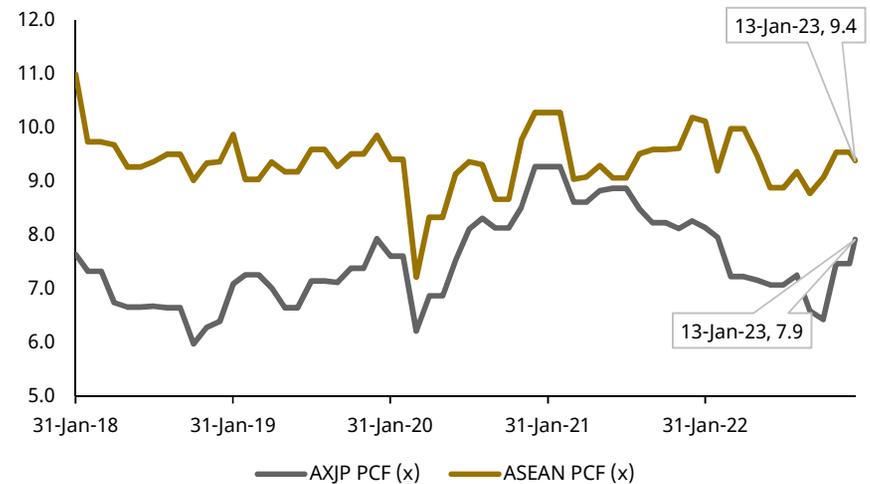


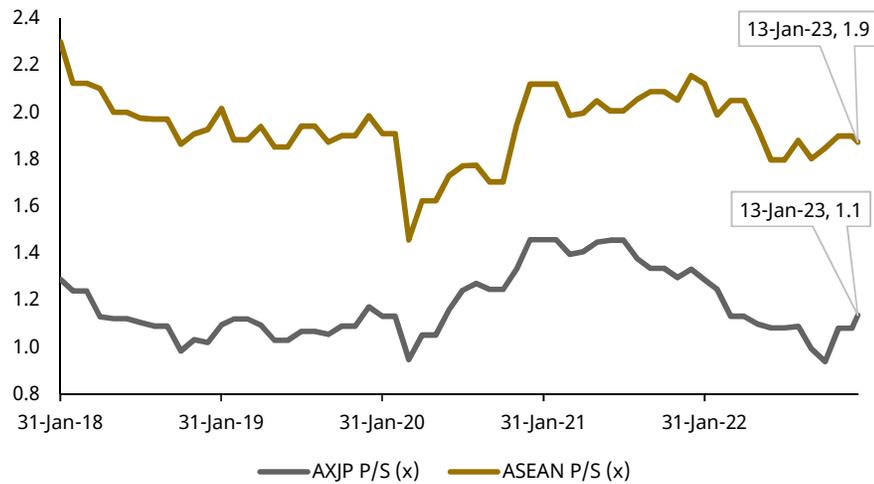
Exhibit 8: Regional Price-to-Cash Flow (x)



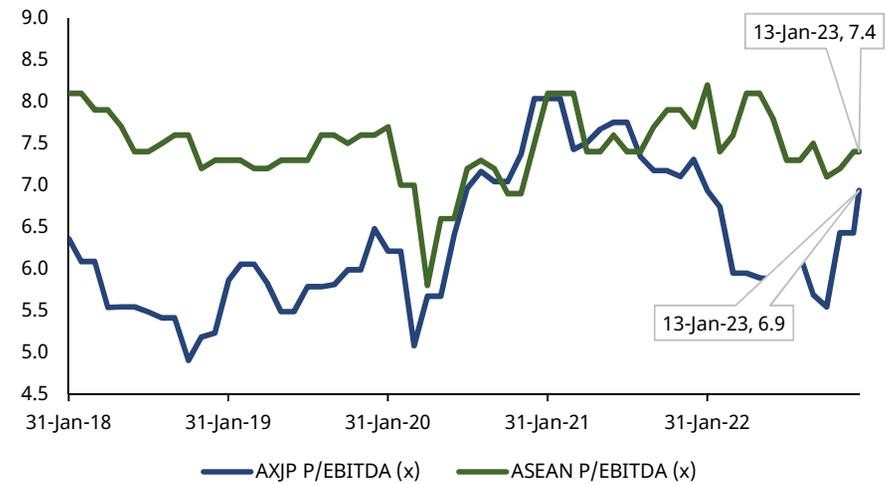
REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

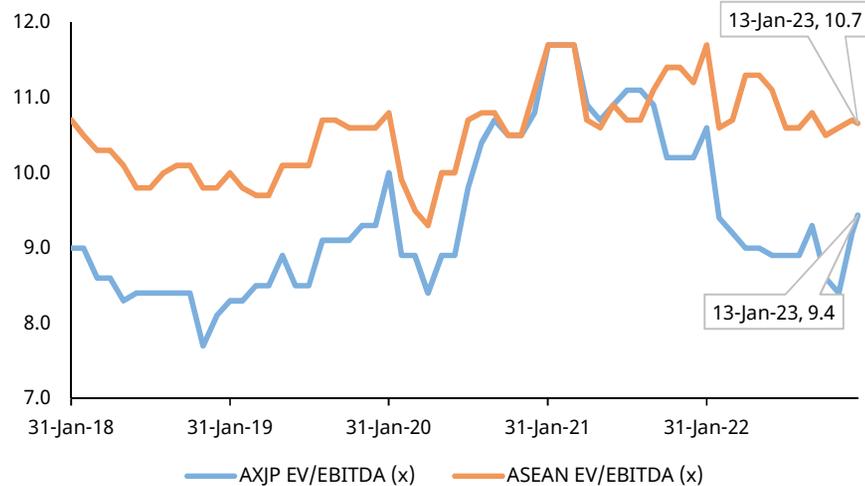
Regional Price-to-Sales Ratio (x)



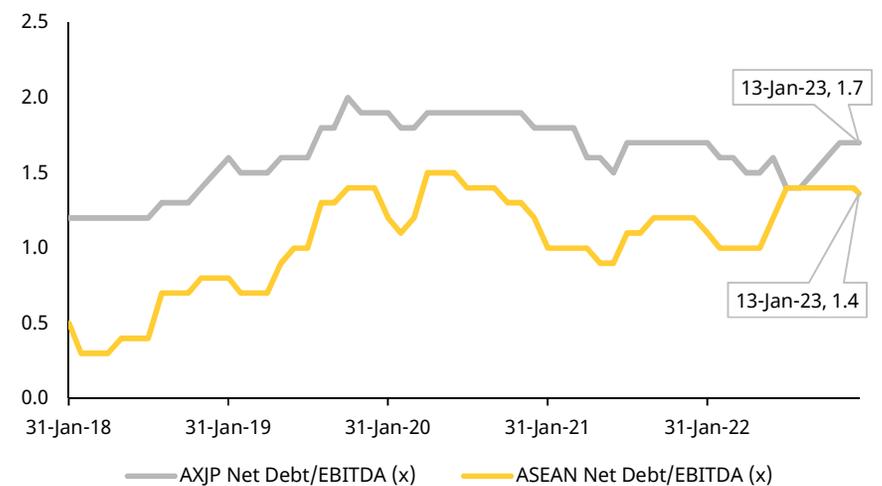
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



FOREIGN FUND FLOWS

Foreign funds net buy North Asia

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

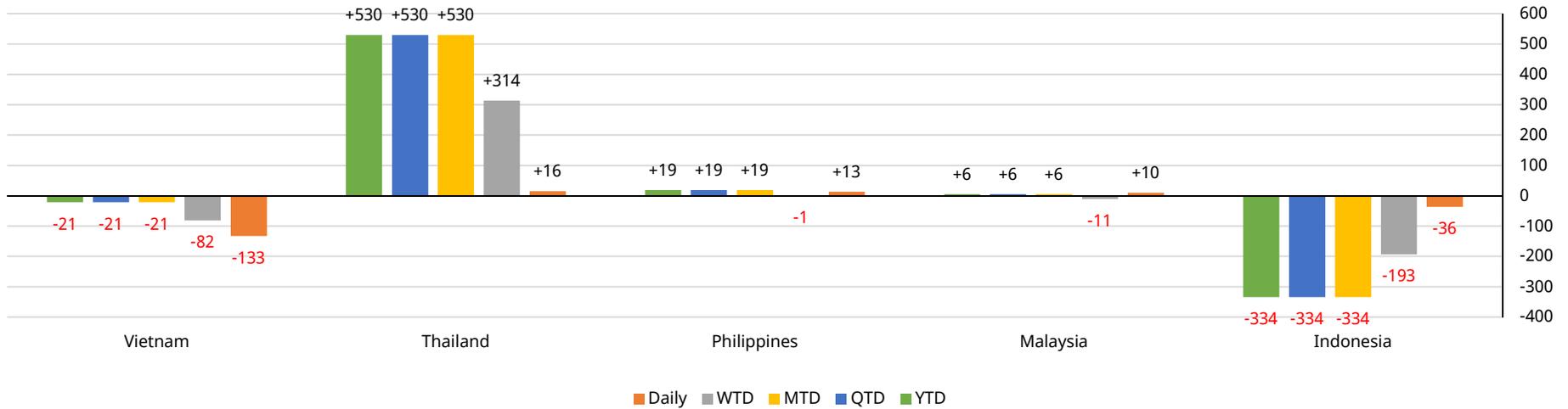
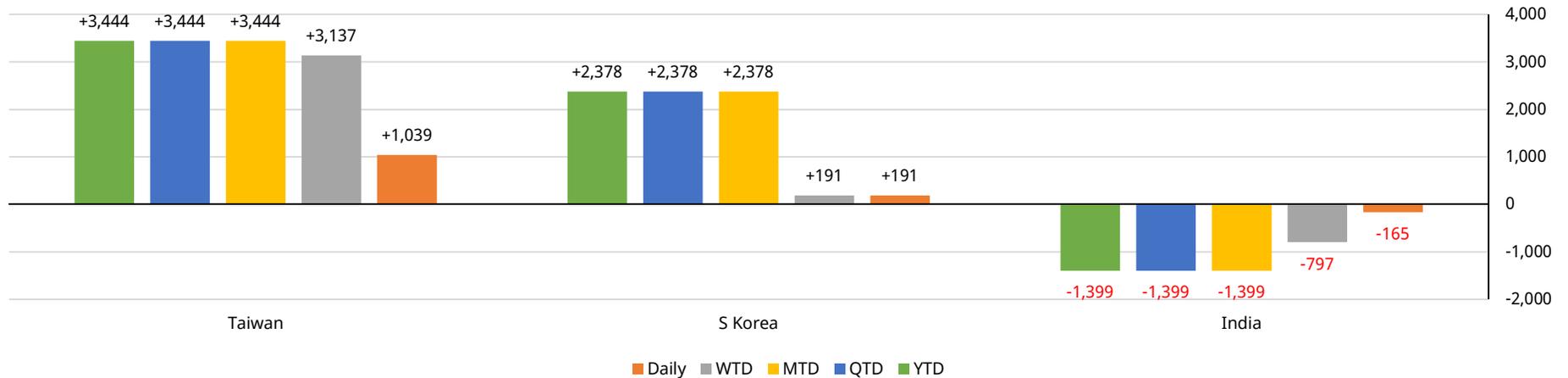


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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.