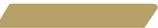


# Portfolio Managers' Views

  
**13 March 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (6-10 March 2023) & Our Managers' Views

- 1 InvestMalaysia:** We attended an InvestMalaysia conference which saw the Prime Minister, Anwar Ibrahim reiterating the government's focus on restoring investor confidence by ensuring good corporate governance in public and private sectors. He also reassured that the new capital gains tax will not be extended to public markets. This is positive for capital markets and foreign investor sentiment.
- 2 Positive outlook on MBM Resource's earnings:** Perodua reported that its car sales increased by 16% MoM to 24,936 units and achieved 15% of its full-year target of 314,000 units in February 2023. Perodua stated that the waiting period for car collection ranged from 2.5 to 8 months. Thus, we expect car sales in 2023 to remain resilient due to the high backlog orders. This will benefit Perodua's shareholder, MBM Resources in which we are invested in for its growth and dividend prospects.
- 3 Our plantation holdings offer attractive dividend yields:** Malaysia's palm oil inventory fell by 6.6% due to lower palm oil production and imports. The global palm oil supply in the export market may decrease due to (1) heavy rain in Malaysia, which impacted palm oil production and (2) higher local demand for the Hari Raya celebration in Indonesia. We expect crude palm oil prices to trade in between RM4,000/ton to RM4,500/ton in 1H23, and benefit our plantation stock holdings.
- 4 Favour high dividend yield banks:** On 9 March, Bank Negara Malaysia maintained the Overnight Policy Rate at 2.75%. Although we expect flattish net interest income growth ahead, banks are still likely to achieve positive earnings growth in 2023 due to the removal of the prosperity tax, positive loans growth and write-backs of loan loss provisions. We are invested in Maybank and RHB Bank who offer the highest dividend yields in the sector.
- 5 Turning positive on Industrial Companies' Margins:** Coal prices maintained their downtrend, falling 3% week-to-date and 53% year-to-date. At roughly \$185/t, coal prices are at levels not seen since the Russian-Ukraine war broke out in Feb-22. This is positive for industrials that have substantial coal-related costs in their operations. We are invested in Malayan Cement and Ann Joo, Malaysia's largest cement and steel producer respectively which will benefit from lower coal prices.
- 6 Buy Tech on Weakness:** Jan-23 semiconductor sales numbers came in -18% lower YoY (vs -14% in Dec-22). The weak numbers are within our expectations and is the third-highest YoY decline after the dotcom bubble and global financial crisis in 2000 and 2008 respectively. Barring a significant economic recession, we maintain our view that the downcycle is nearing its peak and we reiterate that we look to accumulate tech on weakness.

# 1.0 MALAYSIA & REGIONAL (cont'd)

## The Week in Review (6-10 March 2023) & Our Managers' Views

7

**Valuation:** KLCI's valuations became more attractive after a volatile week when the US Federal Reserves guided for more rate hikes, and for longer. We maintain our view that the KLCI continues to remain cheap at a 2023 price-earnings ratio ("PER") of 12.7x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.3x (below the 5Y average of 1.6x) and 4.6% (above its 5Y average of 3.6%).

# 2.0 MALAYSIA MARKET REVIEW

## Markets Weighed on Hawkish Federal Reserves

Exhibit 1: KLCI vs Shariah Index

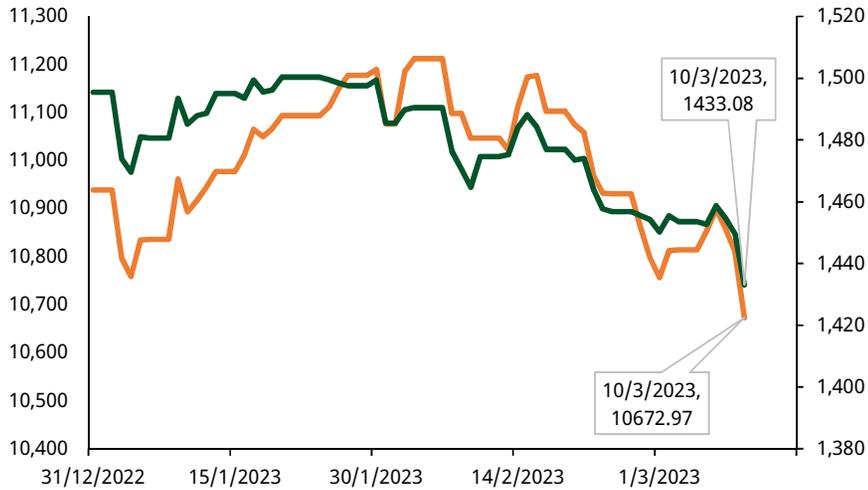


Exhibit 2: USDMYR

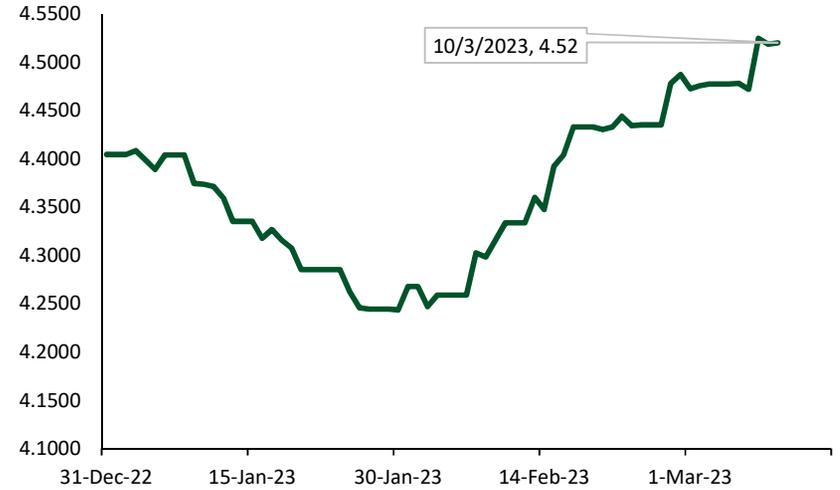


Exhibit 3: Sector Performances Week-to-Date (%)

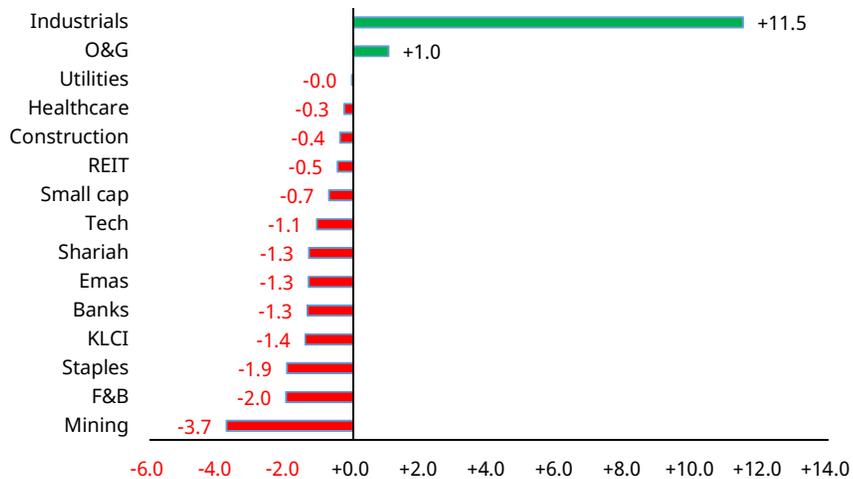
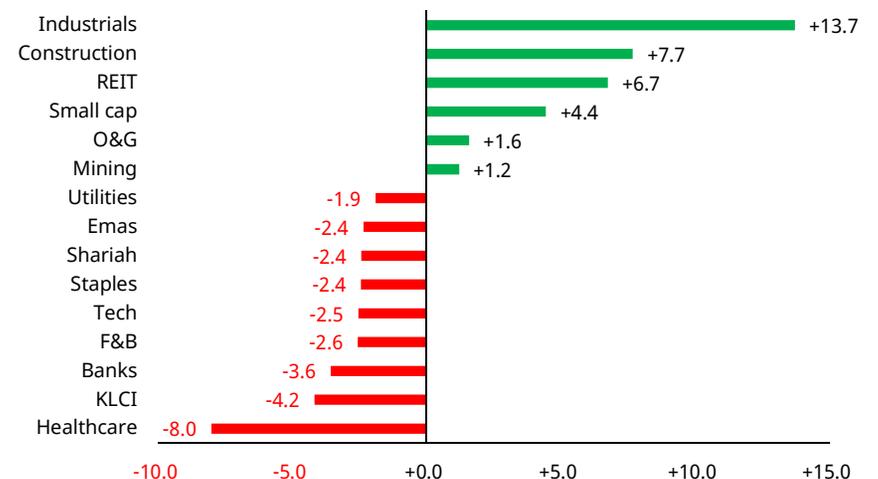


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

# 2.1 MALAYSIA VALUATIONS

## Malaysia remains in BUY territory

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

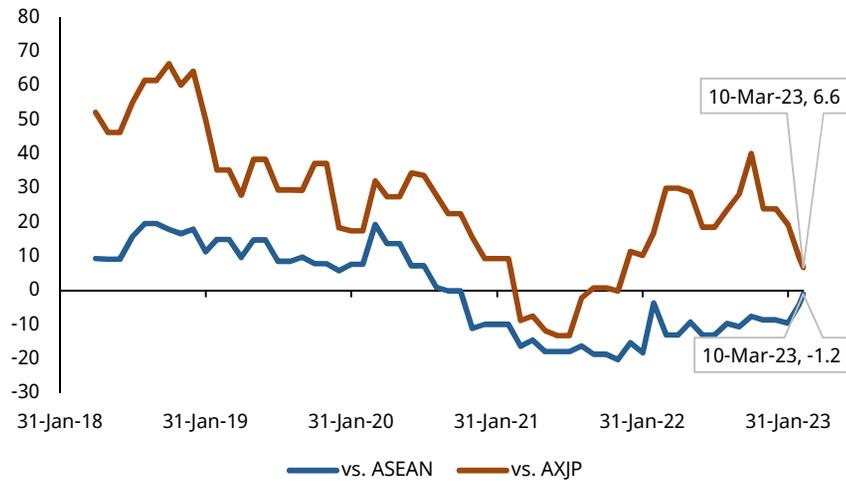


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

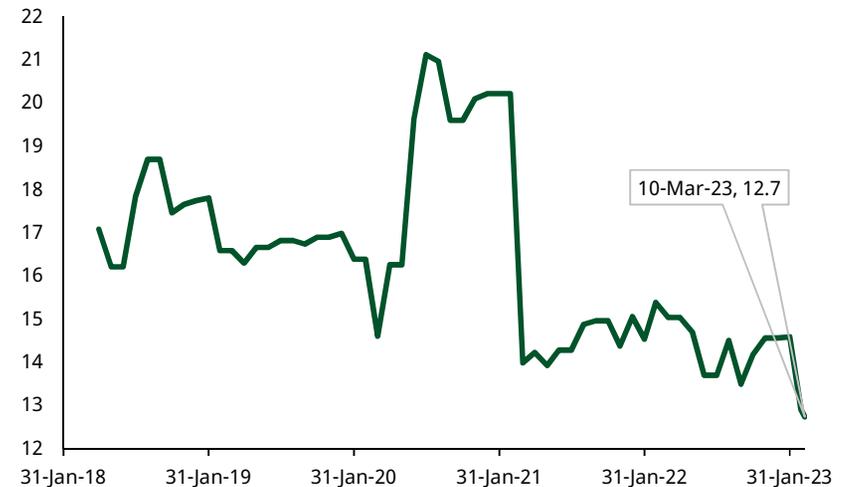


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

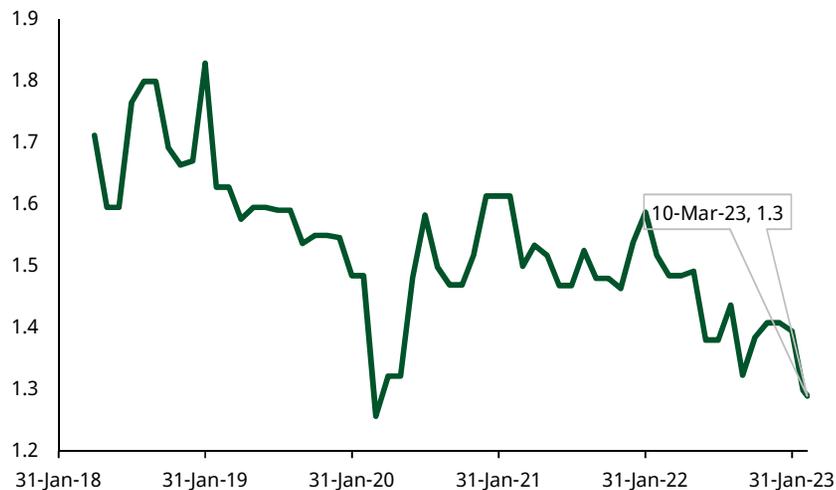
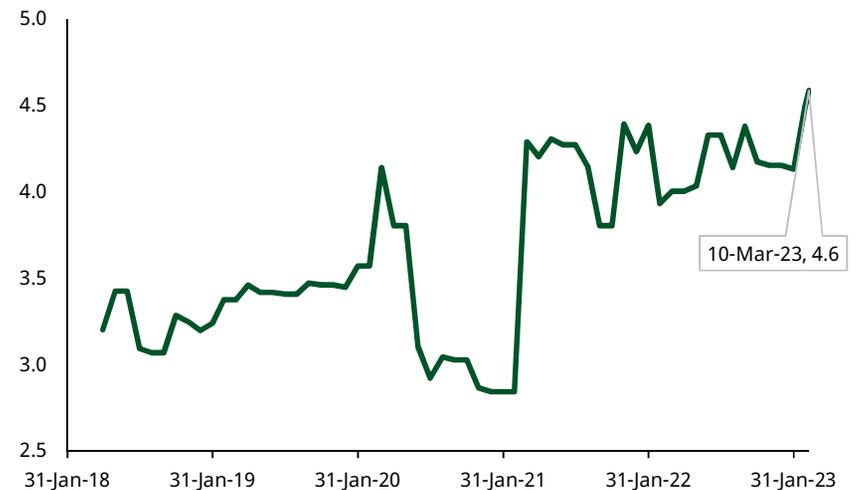


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

## Markets Weighed on Hawkish Federal Reserves

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

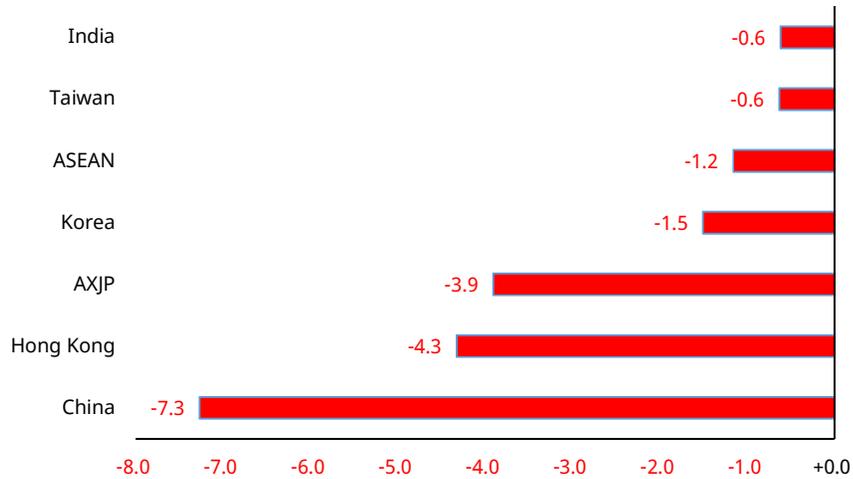


Exhibit 2: Country Performances Year-to-Date (%)

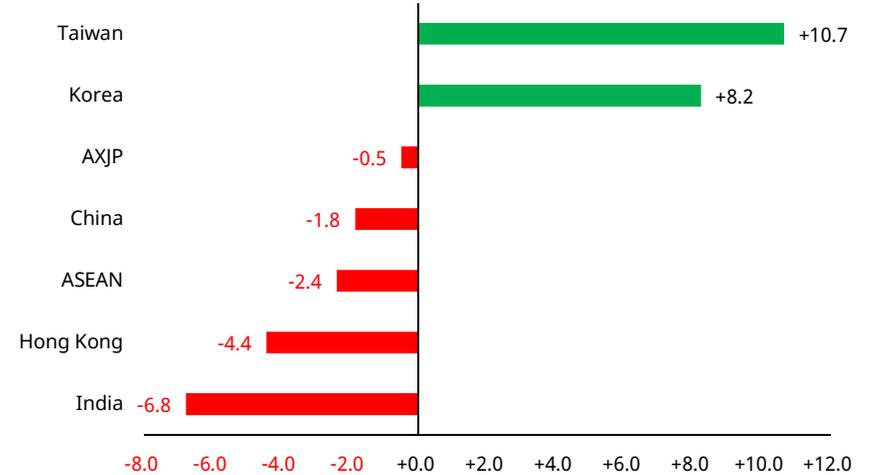


Exhibit 3: Sector Performances Week-to-Date (%)

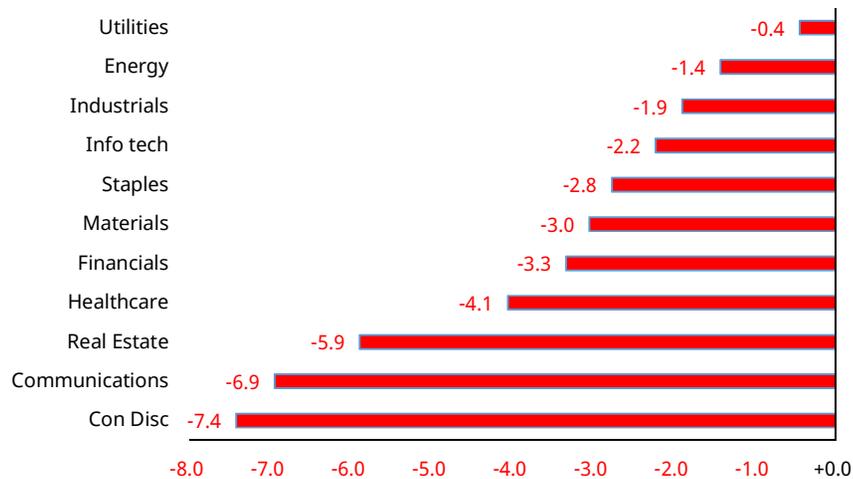


Exhibit 4: Sector Performance Year-to-Date (%)



# 3.1 REGIONAL VALUATIONS

We see the market's retracement as an opportunity to buy

Exhibit 5: Regional Price-Earnings Ratio (x)

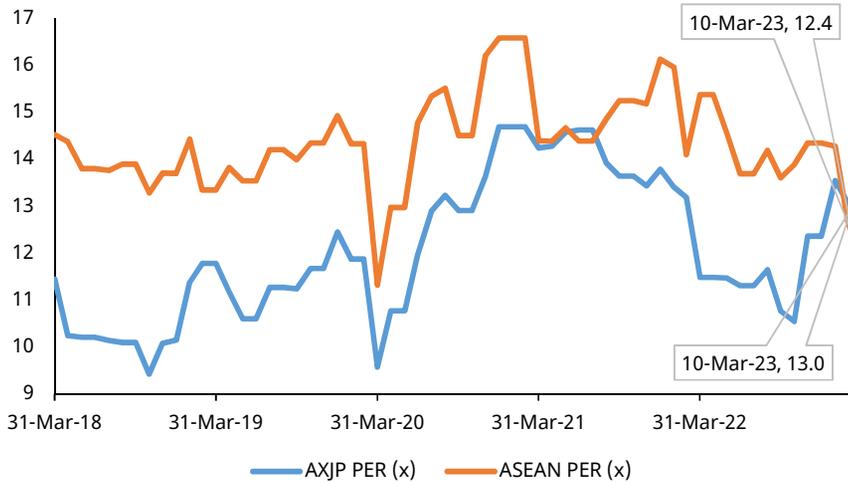


Exhibit 6: Regional Price-to-Book Ratio (x)

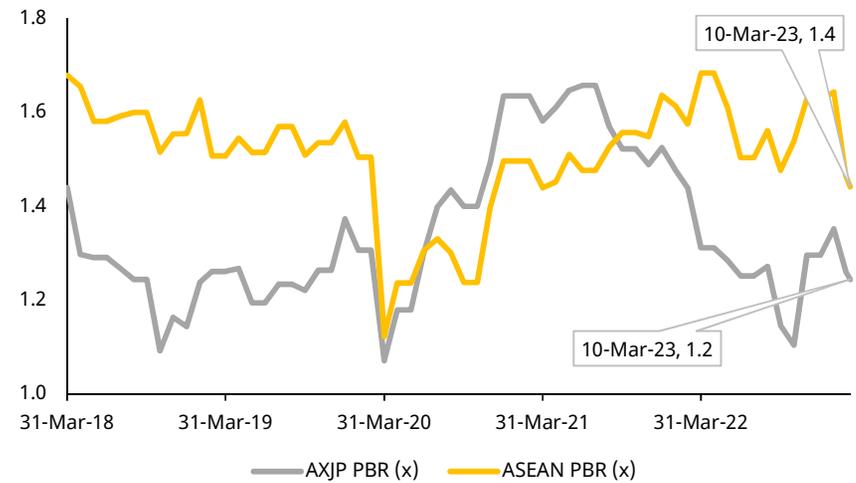


Exhibit 7: Regional Dividend Yield (%)

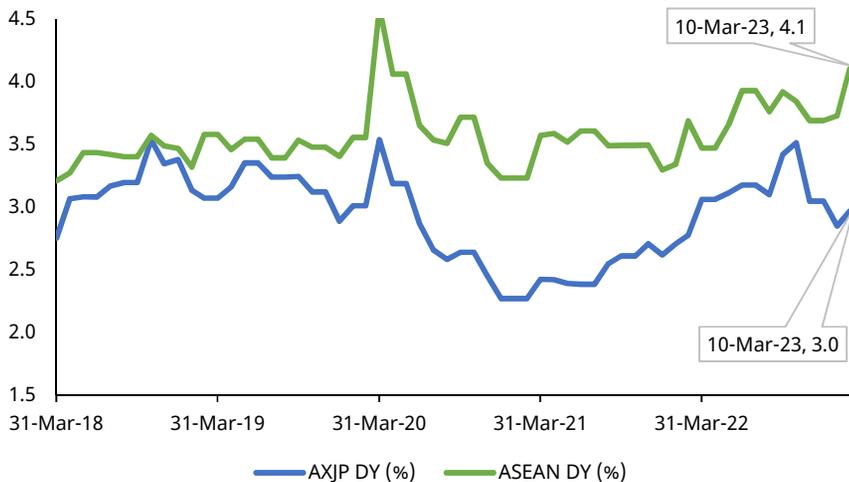
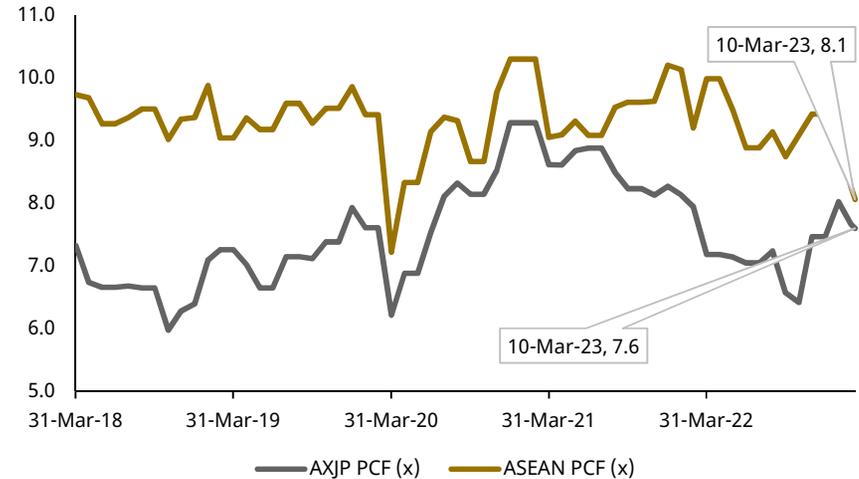


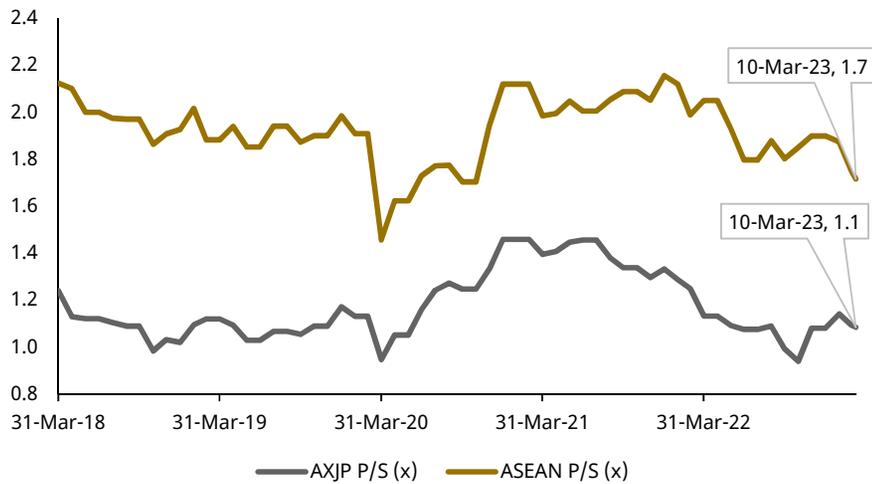
Exhibit 8: Regional Price-to-Cash Flow (x)



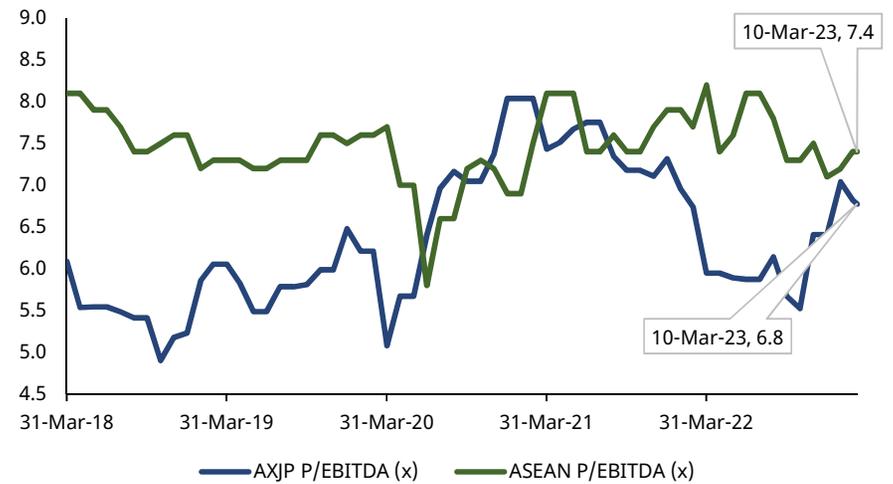
# 3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

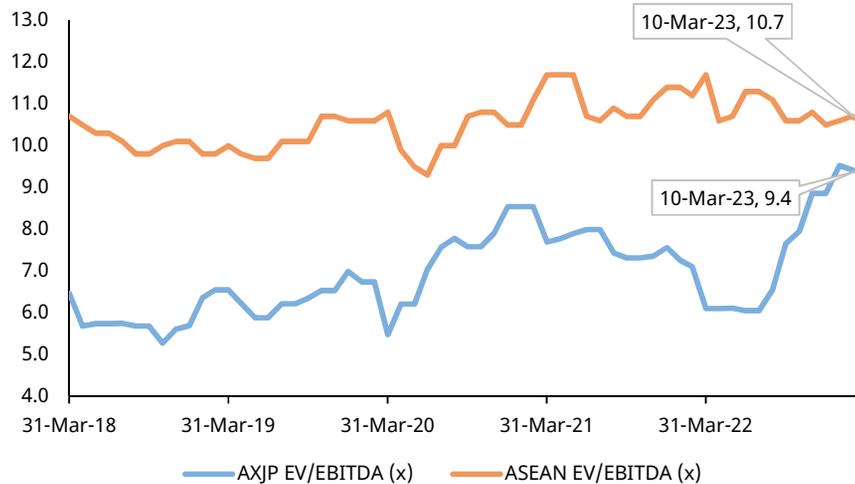
Regional Price-to-Sales Ratio (x)



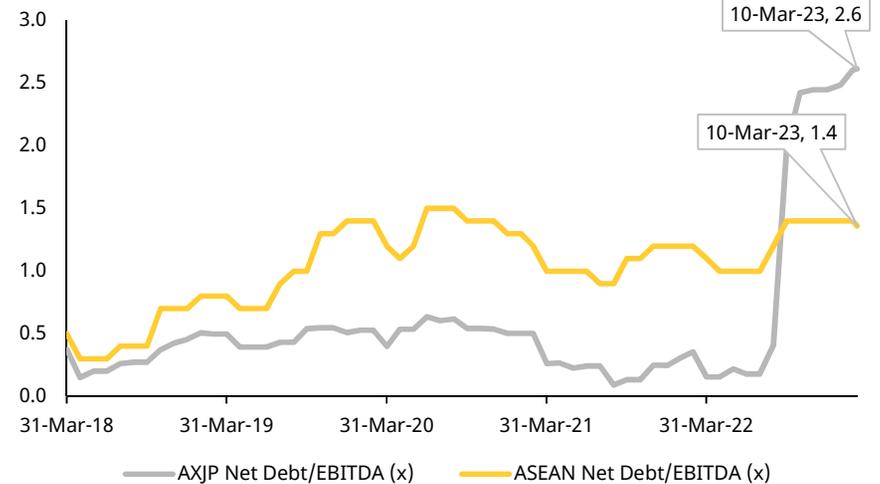
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



Source: Bloomberg

# 4.0 FOREIGN FUND FLOWS

Foreign funds have turned net buys of tech-heavy markets in North Asia

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

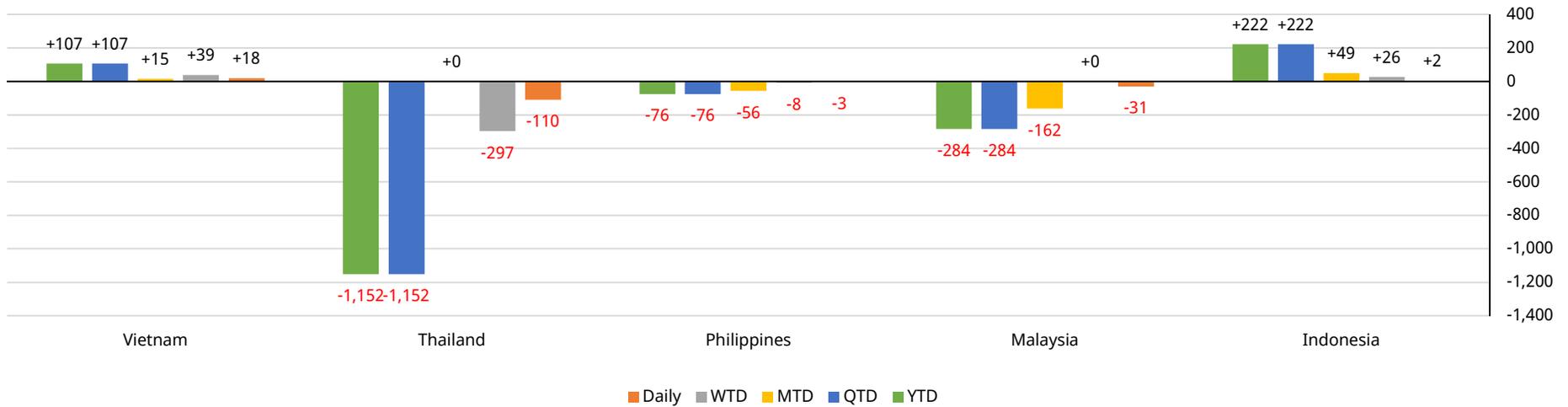
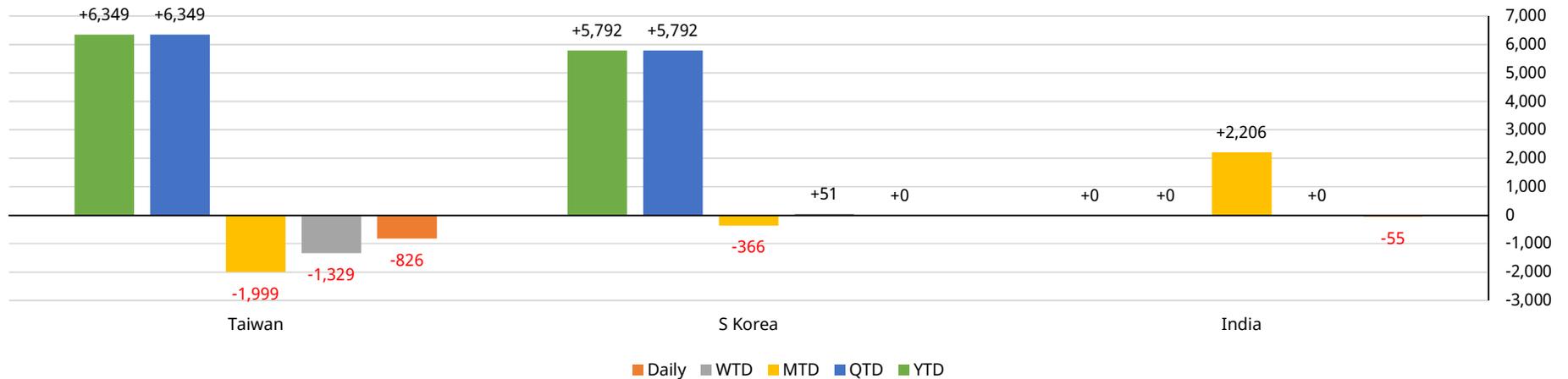


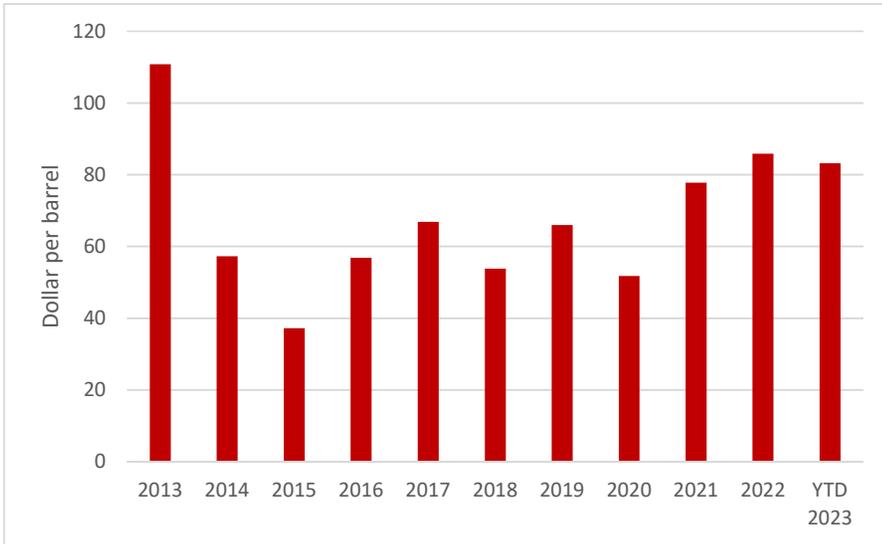
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



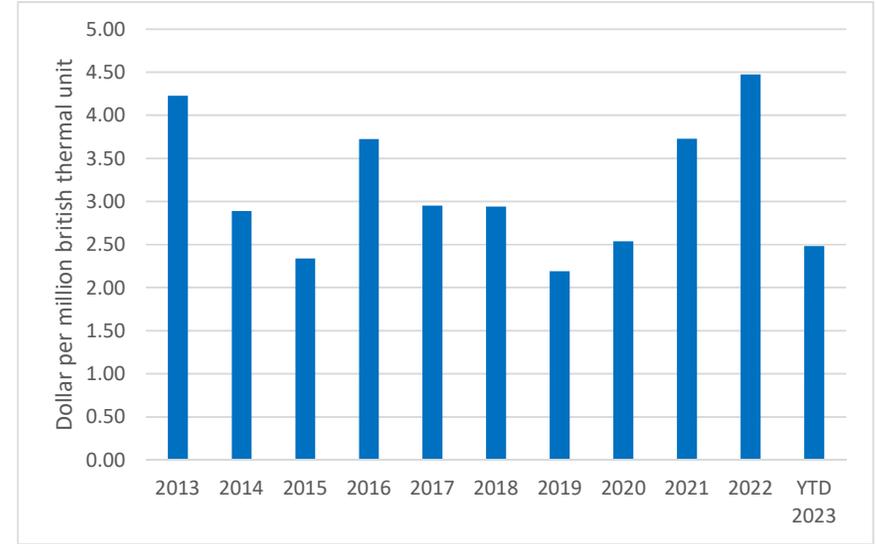
# 5.0 Energy Annual Prices

Coal and Natural Gas prices decline on lower demand and adequate supply

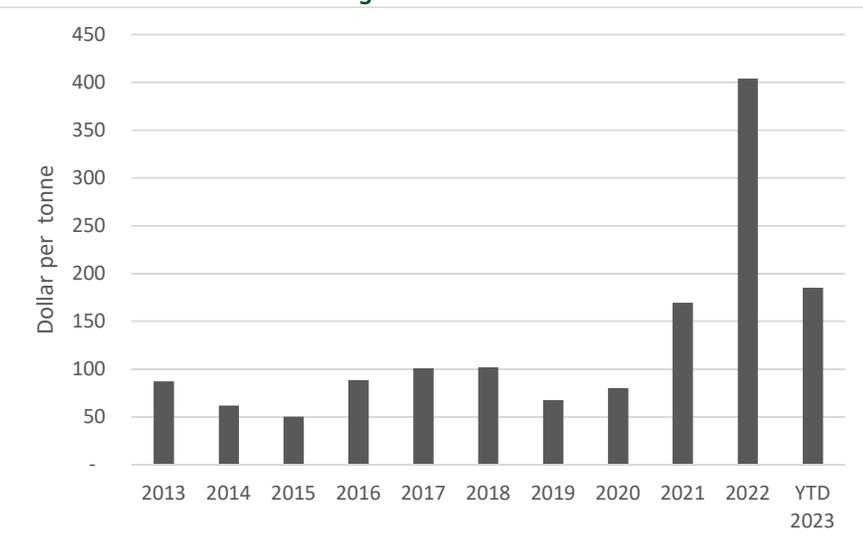
Average Annual Brent Oil Prices



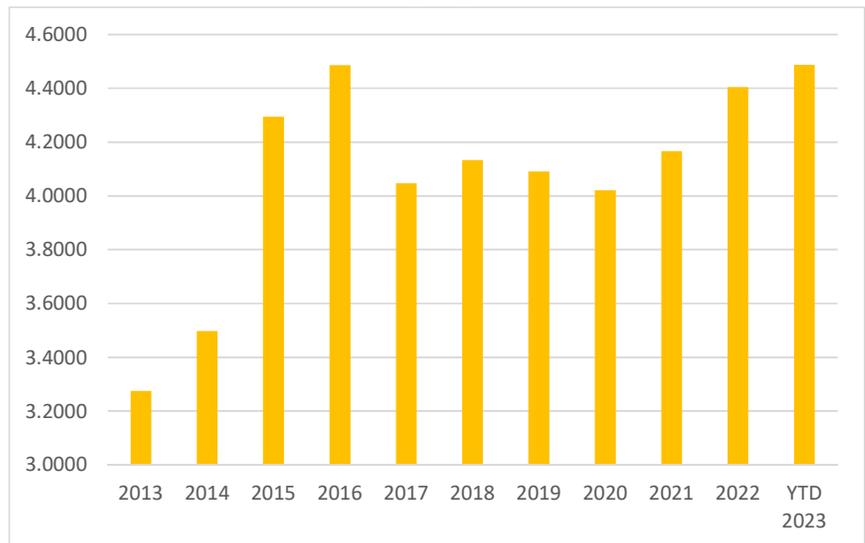
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

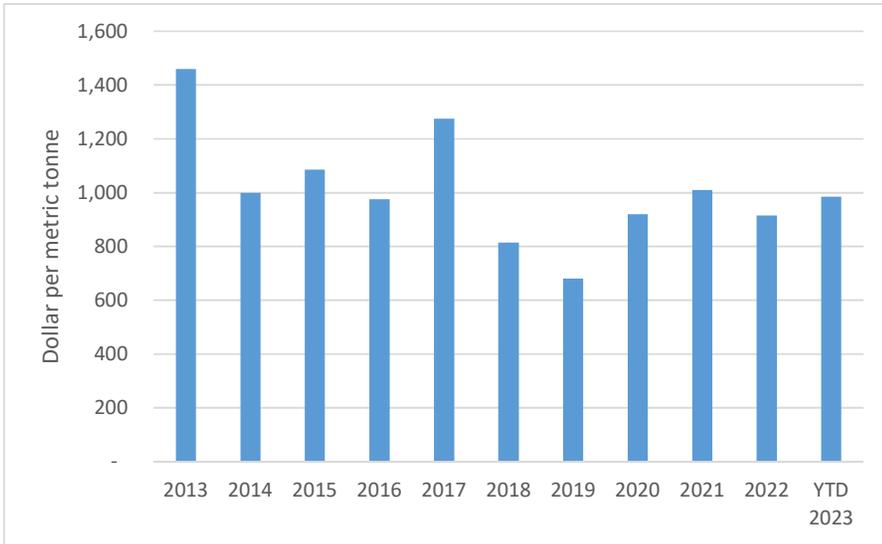


Source: Bloomberg

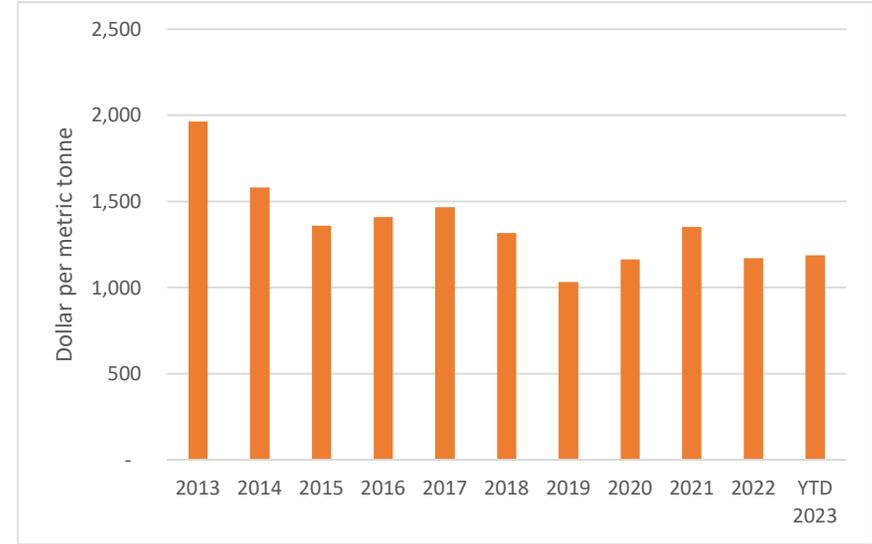
# 5.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

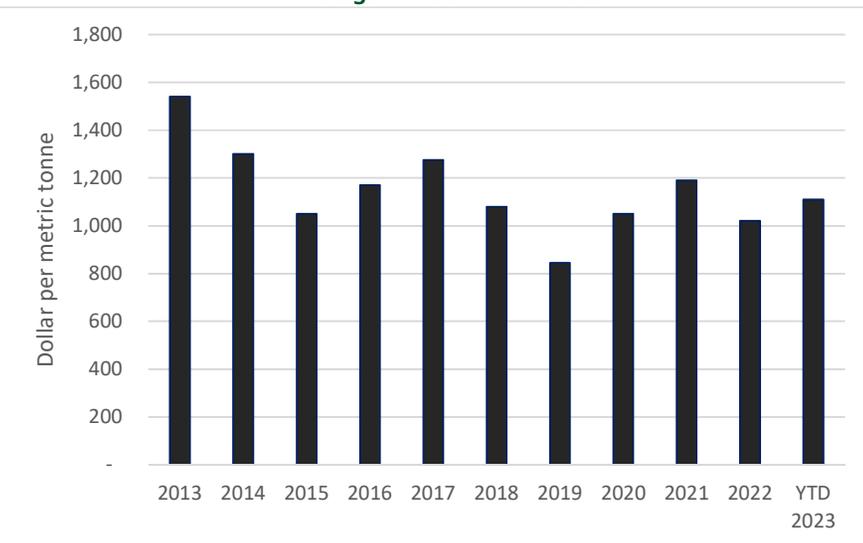
Average Annual Ethylene Prices



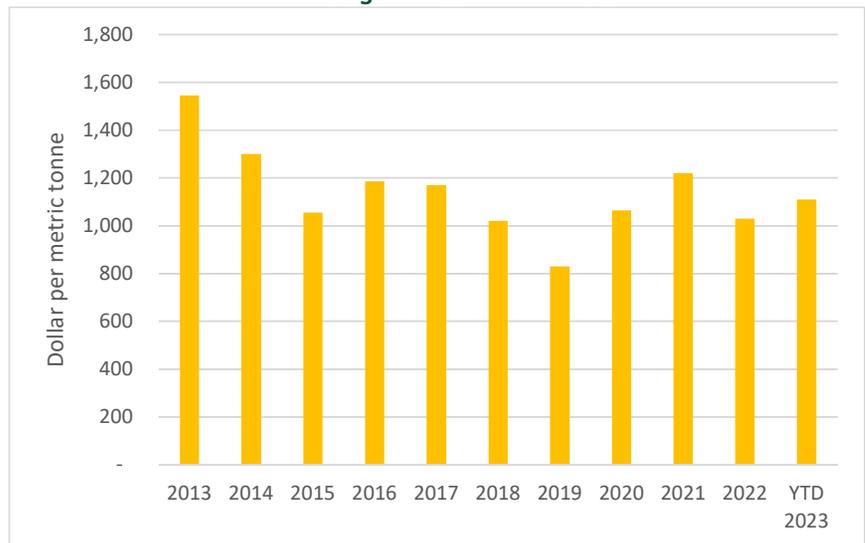
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

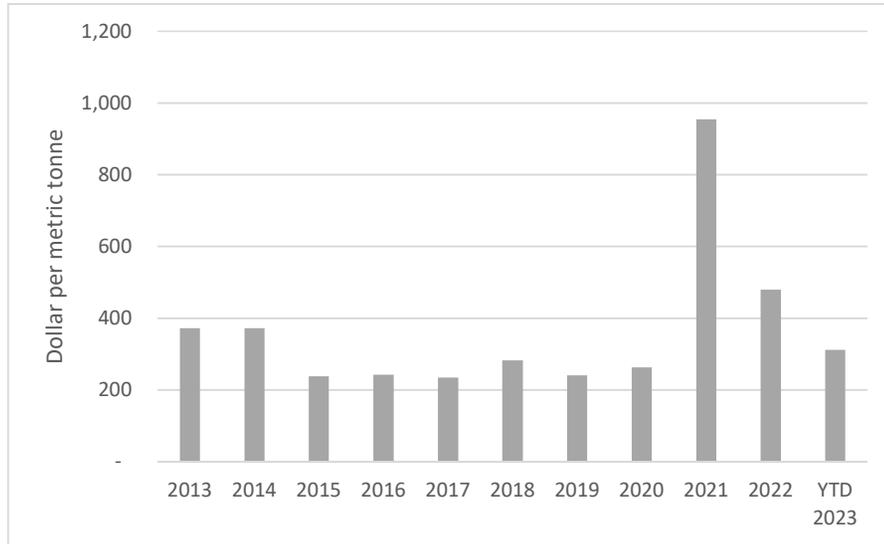


Source: Bloomberg

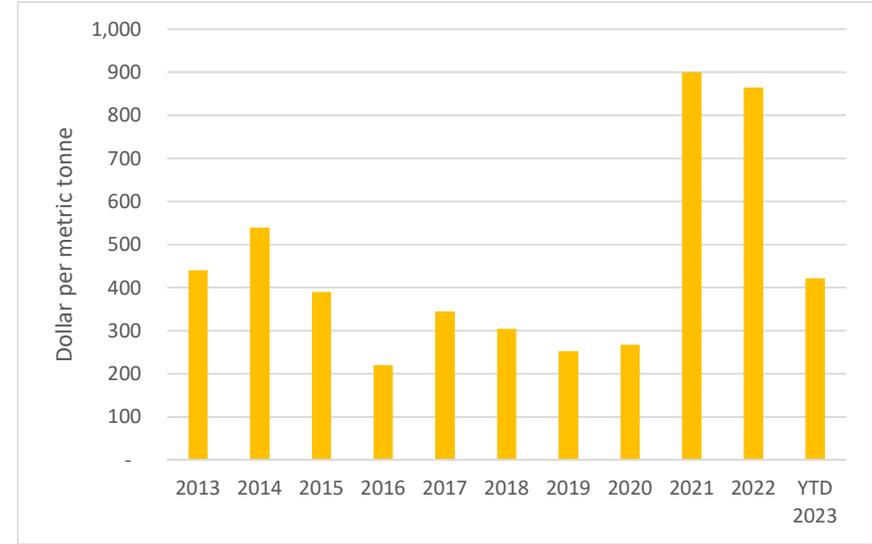
# 5.2 Fertiliser Annual Prices

Ammonia & Urea prices may decline, tracking decline in Natural Gas prices

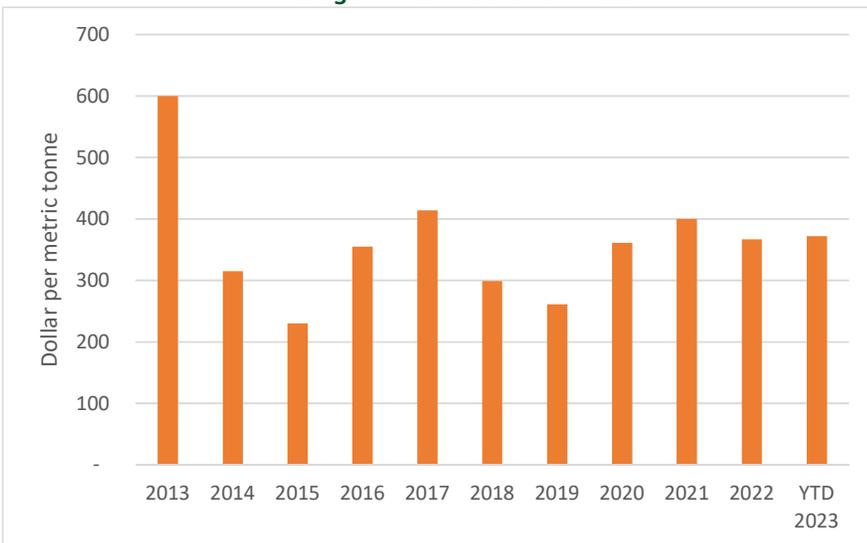
Average Annual Urea Prices



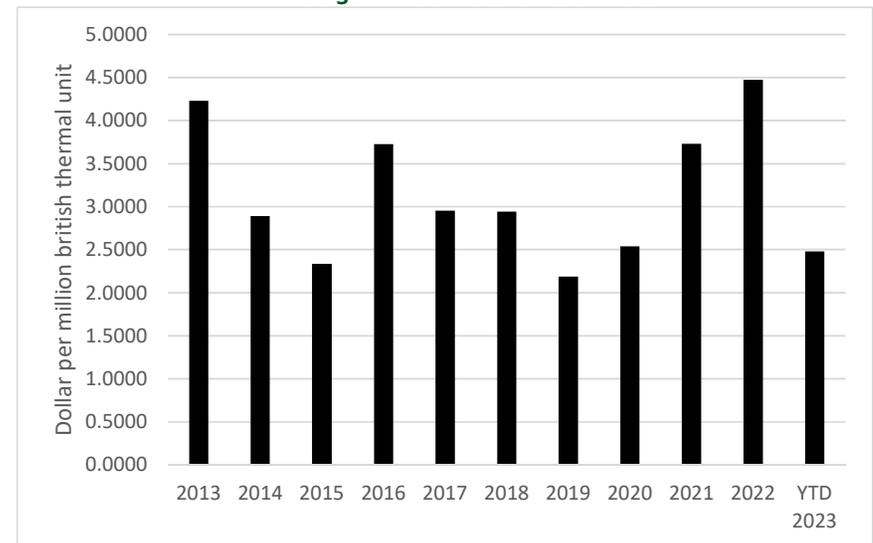
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

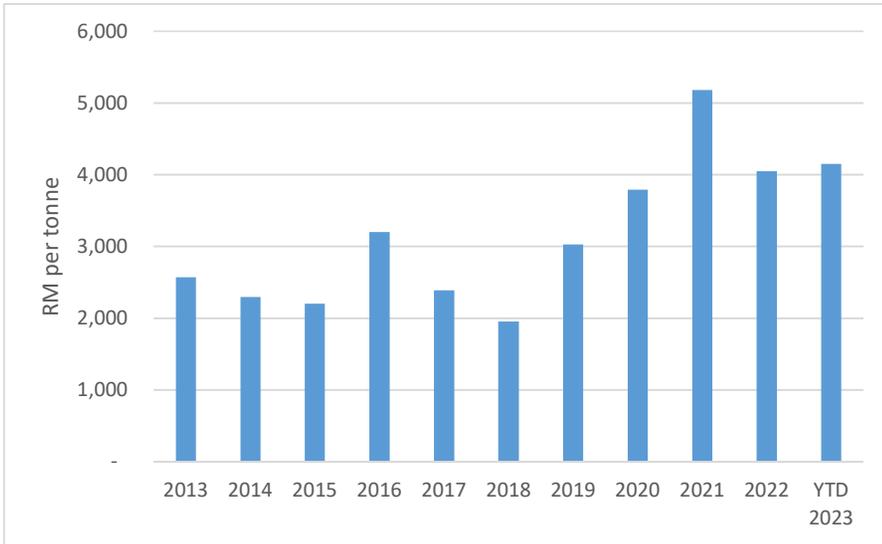


Source: Bloomberg

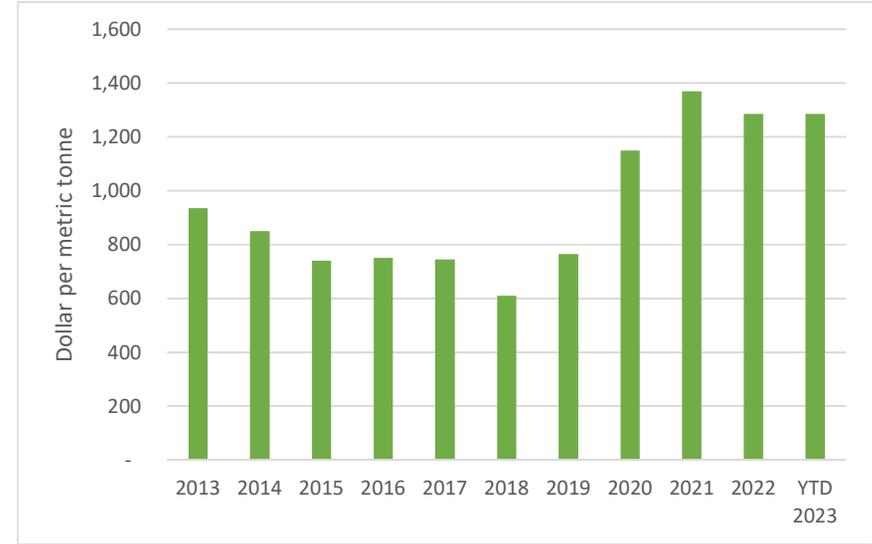
# 5.3 Agricultural Annual Prices

## Prices to trade range bound

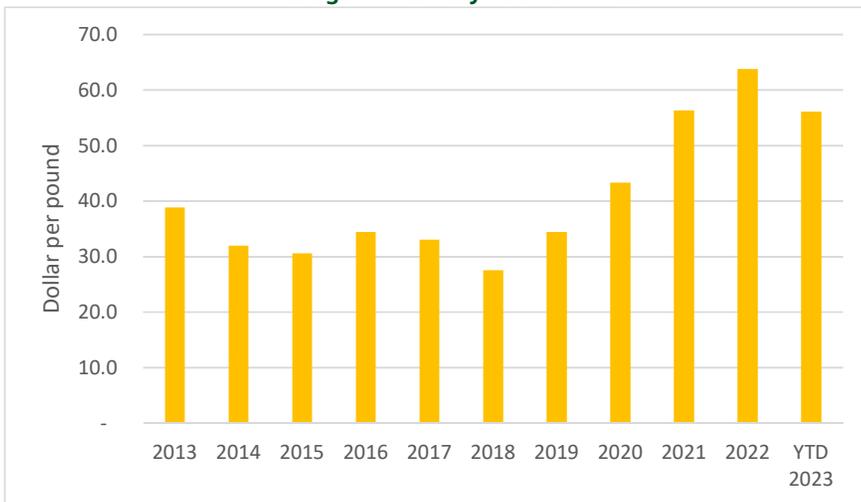
Average Annual Palm Oil Prices



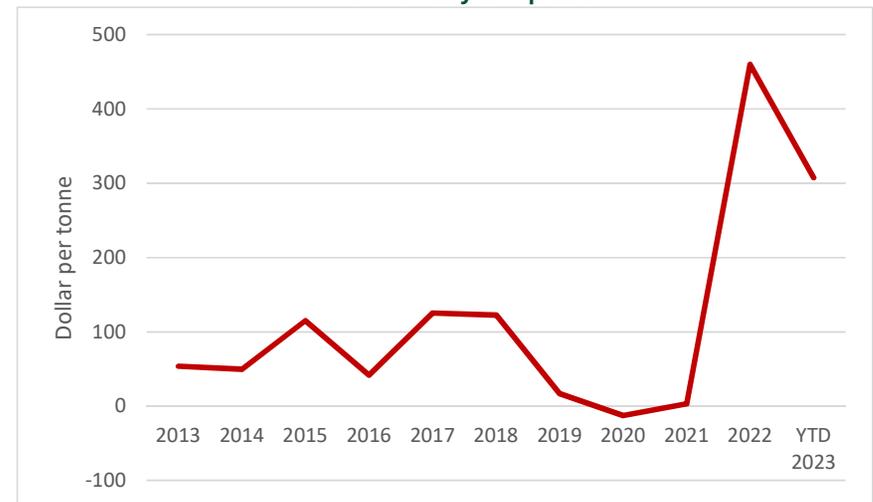
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



Source: Bloomberg

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