

Portfolio Managers' Views


27 March 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (20-24 March 2023) & Our Managers' Views

- 1 China gloves still a concern:** Gloves continued their rally after TopGlove's management commented that the worst of the sector has likely passed as customer inventories are depleting and selling price declines have stabilised. We hold a similar view and see value in some stocks based on their net cash positions and normalised earnings. However, we are not invested as we are still cautious on China's influence as a new competitor.
- 2 Optimistic Outlook on Bermaz & MBMR:** Malaysian Automotive Association (MAA) reported Feb-23 car sales of 62,649 units which are 27% higher than the Jan-23 car sales. We expect car sales to remain resilient due to high order backlogs guided by car distributors. For instance, Bermaz and Perodua guided that order backlogs will require 4 months and 2.5 to 8 months to clear respectively. We are invested in these companies as high sales will continue to support its attractive dividend yields.
- 3 Local banks are resilient:** We joined a briefing with Liberium, a reputable foreign broker and researcher, where its analyst believes that the recent banking turmoil were issues of profitability, instead of solvency. This means that the hikes will mainly result in lower profitability but will not likely cause insolvency as banks in Europe are more well capitalised. We view this to be the case in Malaysia as well and do not expect insolvency, but we continue to monitor these development closely.
- 4 Peaking Rate Hikes by 3Q23:** The Federal Reserve raised interest rates by 25bps on Wednesday and guided for slower rates hike in the future without indicating rate cuts. Contrarily, markets estimate that rates will decrease by 50bps in six months due to the recent banking turmoils. Given these rate cuts, we have positioned our funds to invest in gold, commodity and tech-related stocks that may benefit from the potential rate cut cycle.
- 5 China Consumer Discretionary:** We are positive on China's latest approval of 86 game titles for March. Importantly, Tencent and NetEase had martial arts and combat games approved which reinforces the reversal of the two-year regulatory crackdown. Still, we remain underweight in Tencent, preferring exposure to airport, e-commerce, consumer- and travel-tech and mobility products on the back of a broader consumption and travel recovery.
- 6 China Travel Recovery:** Travelsky Technology's call with analysts indicate improvements in airline travels. In the first two months of 2023, international route bookings were just 17% of pre-COVID levels vs 86% for domestic routes, but are higher from the Dec-22 levels of 10% and 40% respectively. We see significant upside potential in outbound tourism and are positive on airline booking platforms and integrated resorts in the region.

1.0 MALAYSIA & REGIONAL (cont'd)

The Week in Review (20-24 March 2023) & Our Managers' Views

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Valuations: KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 12.75x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.6%, above its 10-year high of 4.3% seen in 1Q of 2021. Price-to-book ratios are also attractive at 1.25x, which are levels last seen only during the market bottom for Covid in Mar-20. Hence, we are optimistic for the prospects of the Malaysian markets moving forward.

2.0 MALAYSIA MARKET REVIEW

Banking Fears Continue to Spook Markets

Exhibit 1: KLCI vs Shariah Index

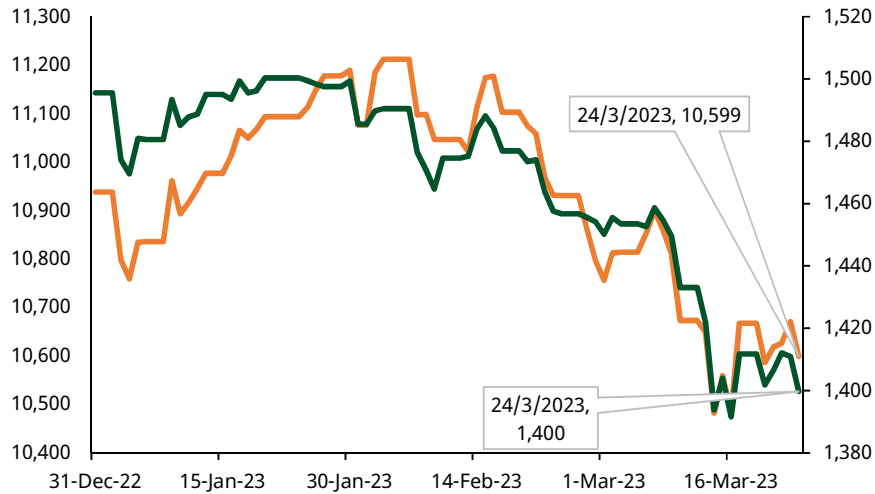


Exhibit 2: USDMYR

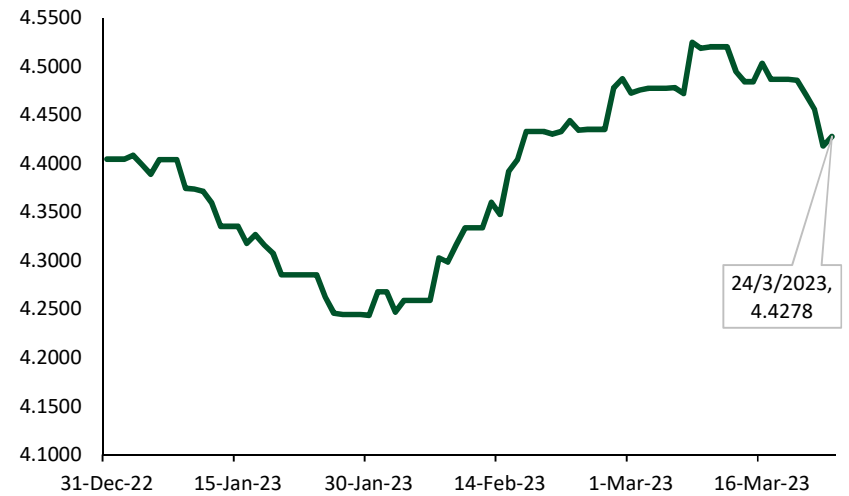


Exhibit 3: Sector Performances Week-to-Date (%)

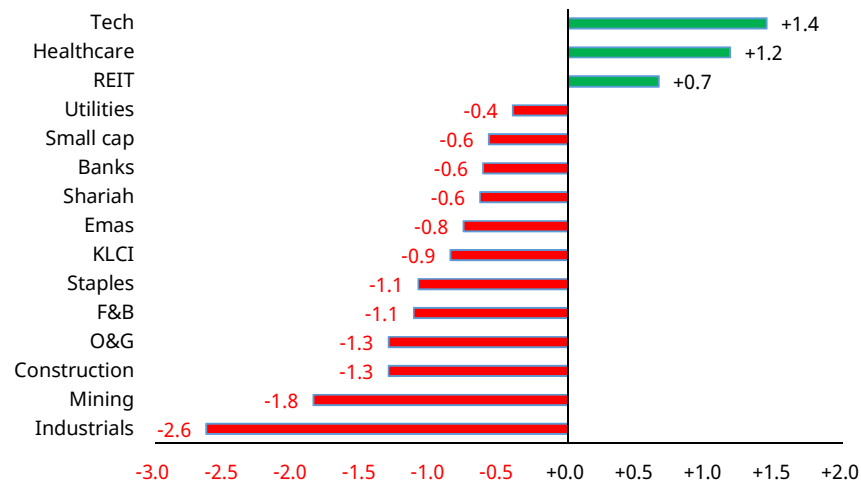
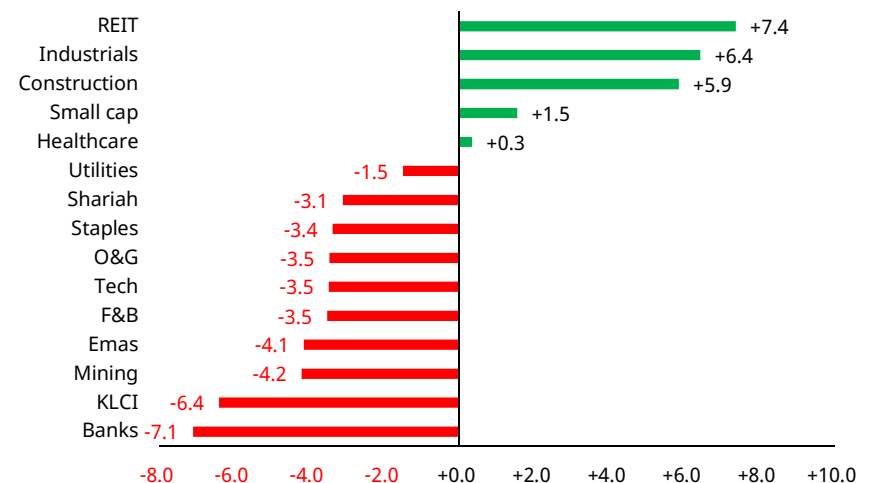


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

2.1 MALAYSIA VALUATIONS

Valuations are at Historical Bottoms

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

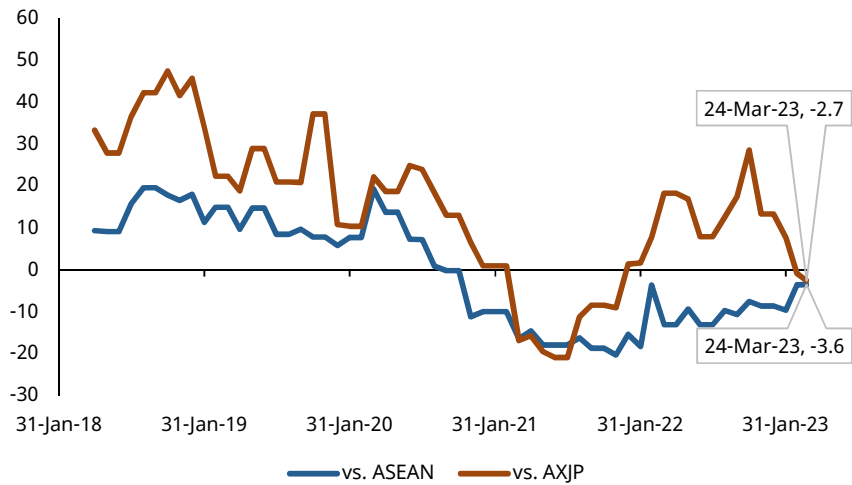


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

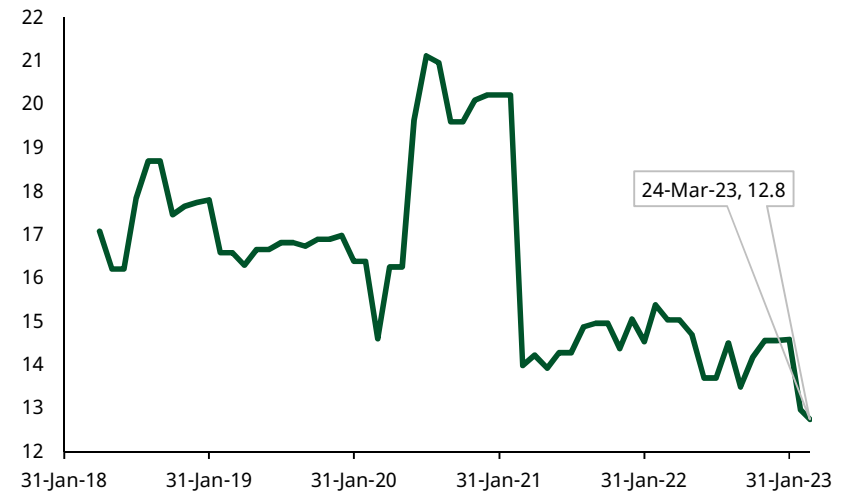


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

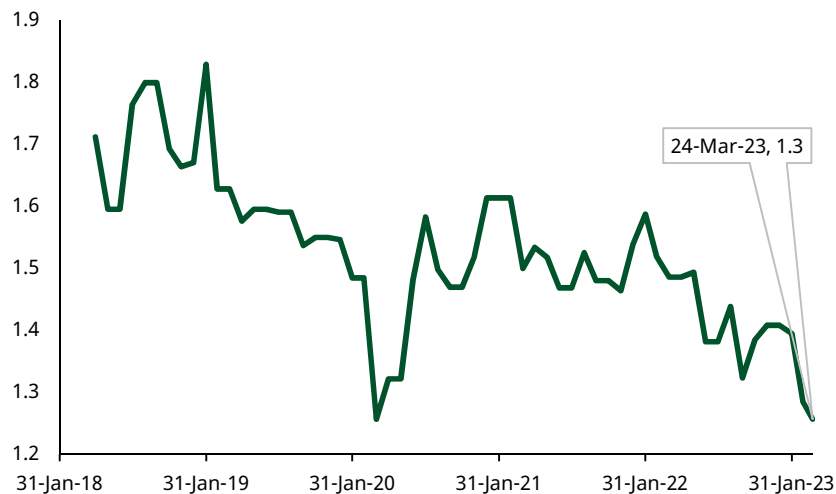
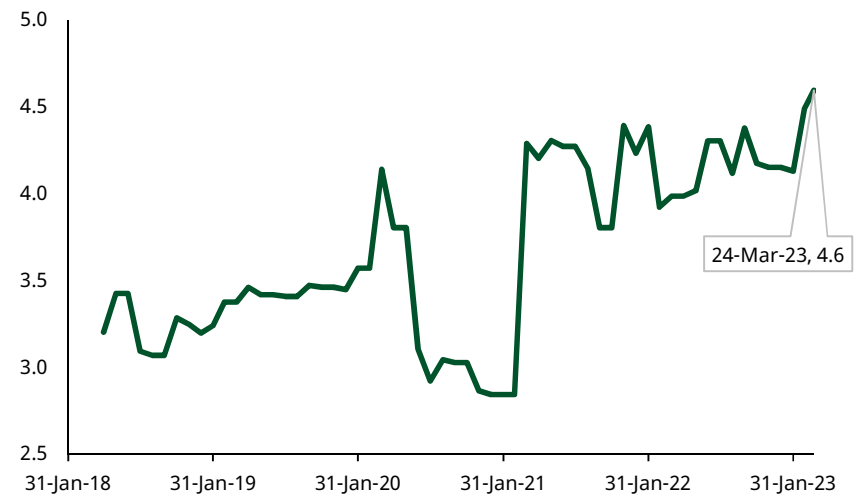


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

North Asian Markets Rallied as Investors Bottom Fished

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

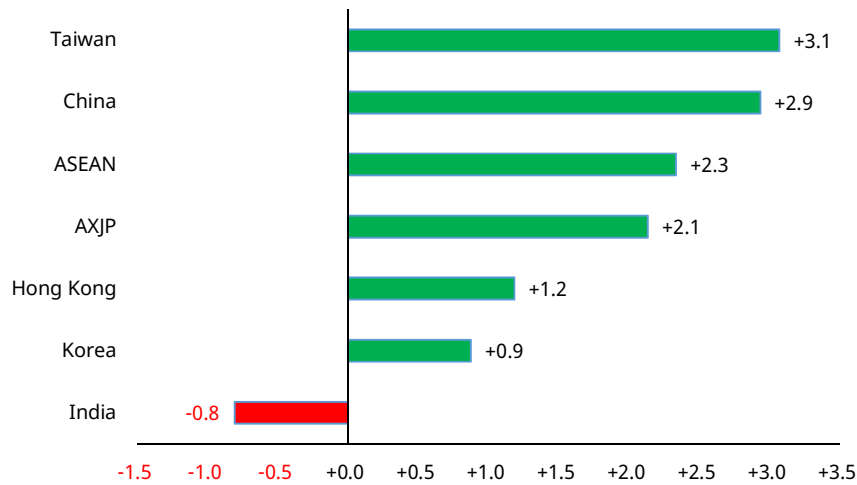


Exhibit 2: Country Performances Year-to-Date (%)

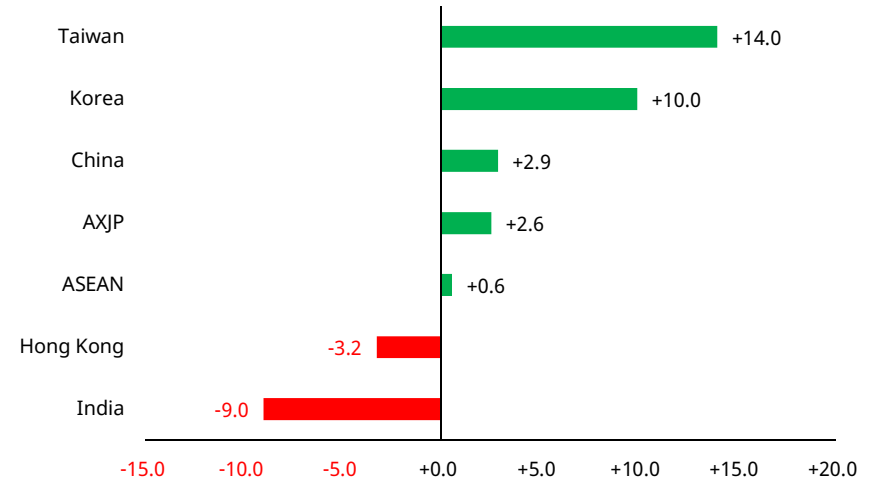


Exhibit 3: Sector Performances Week-to-Date (%)

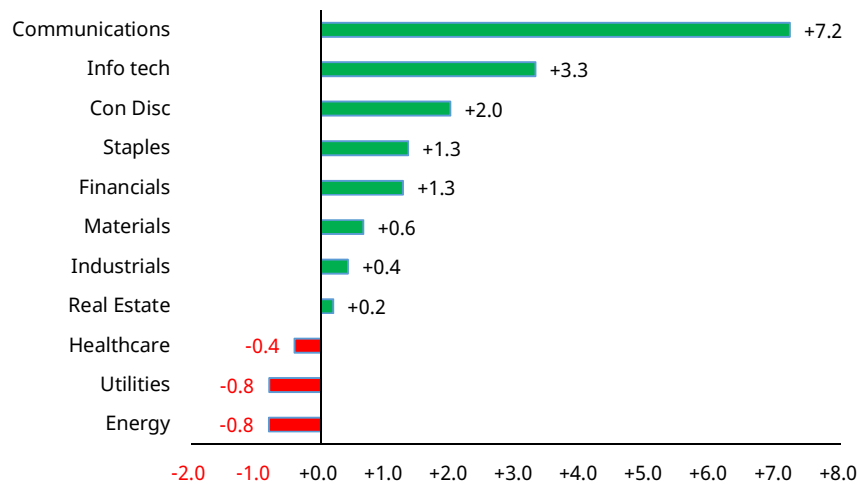
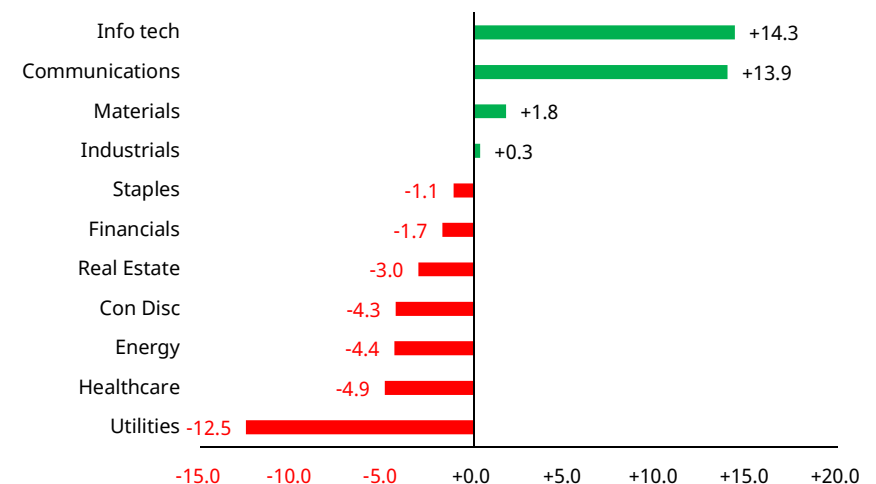


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

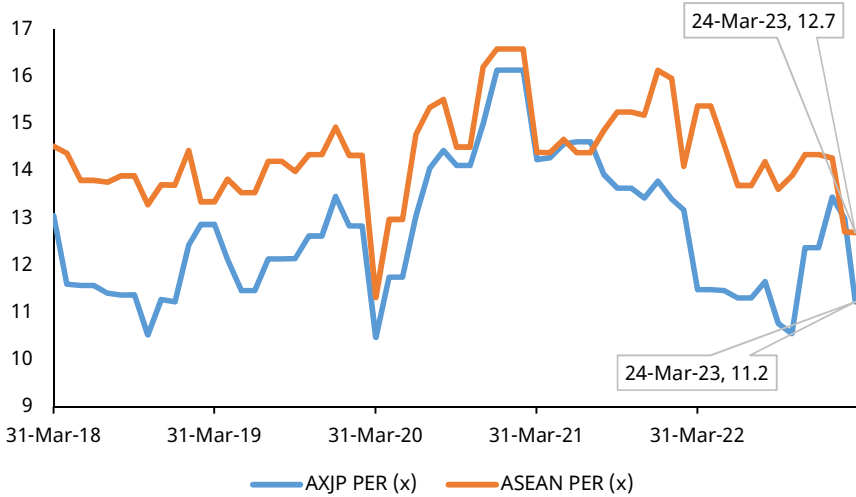


Exhibit 6: Regional Price-to-Book Ratio (x)

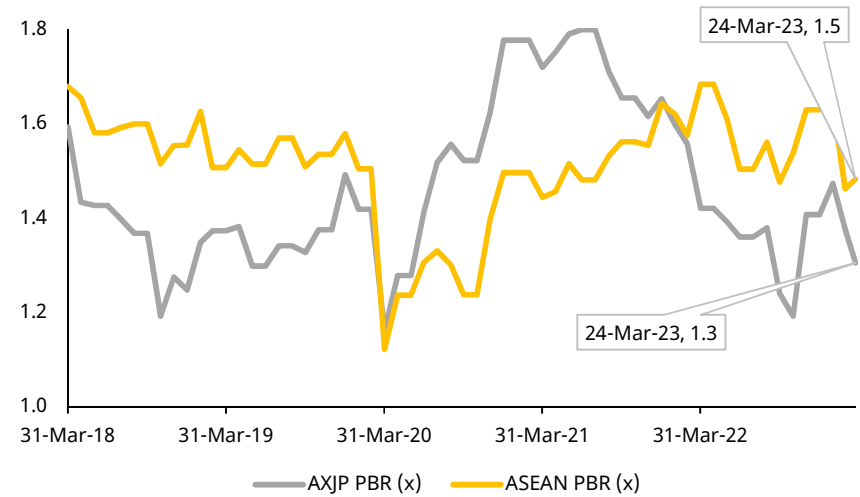


Exhibit 7: Regional Dividend Yield (%)

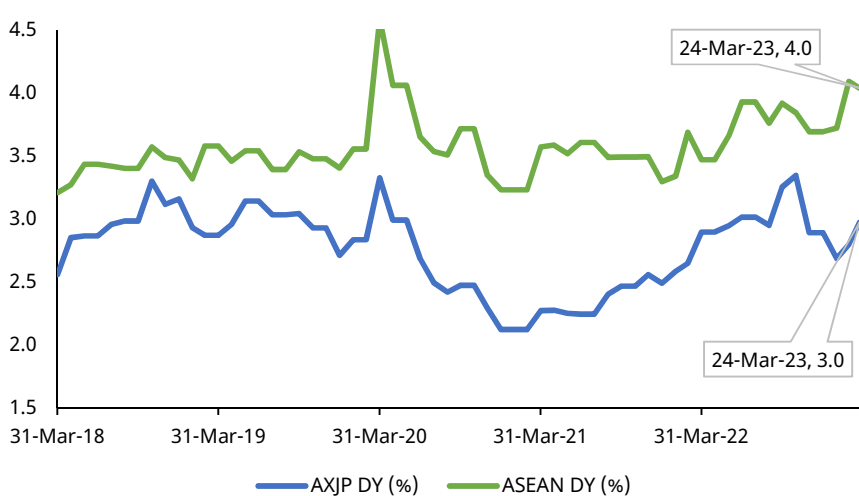
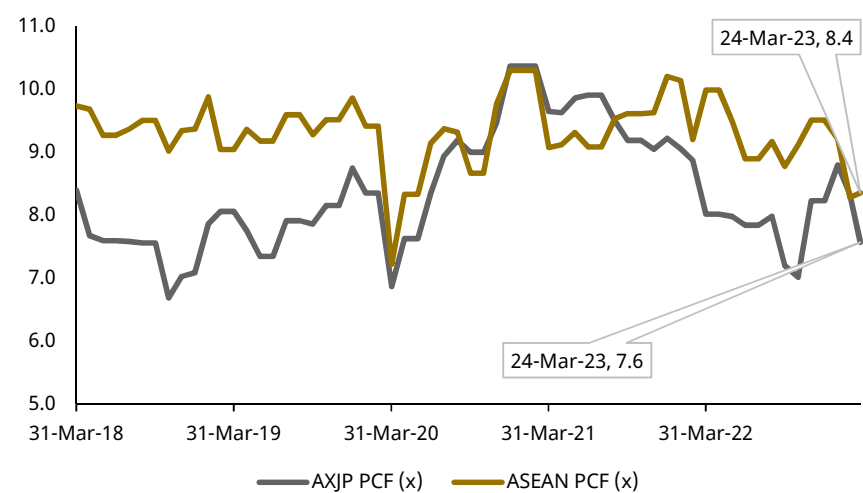


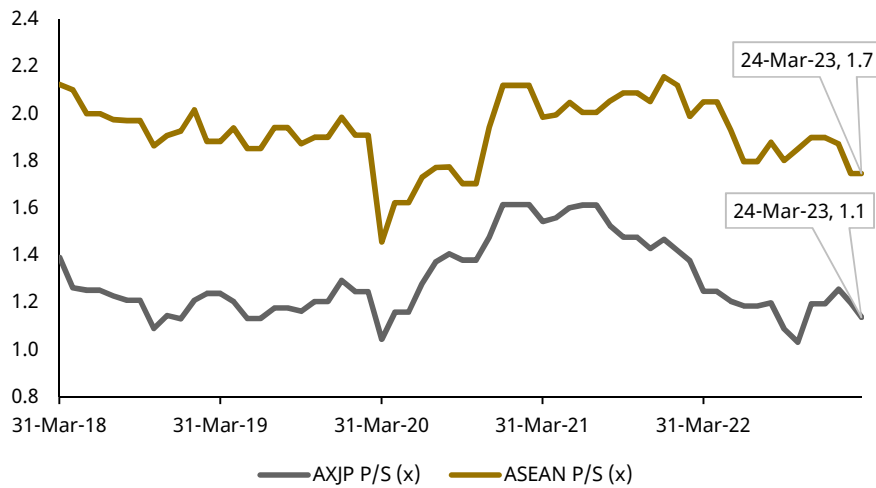
Exhibit 8: Regional Price-to-Cash Flow (x)



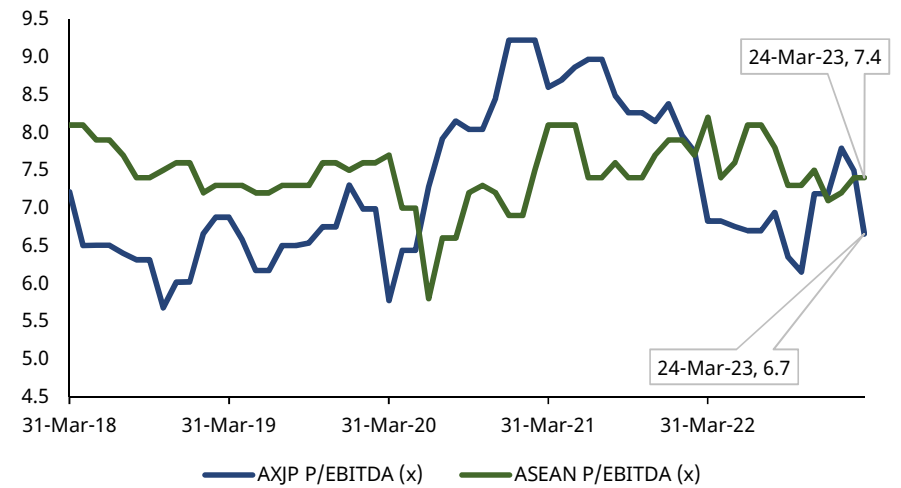
3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

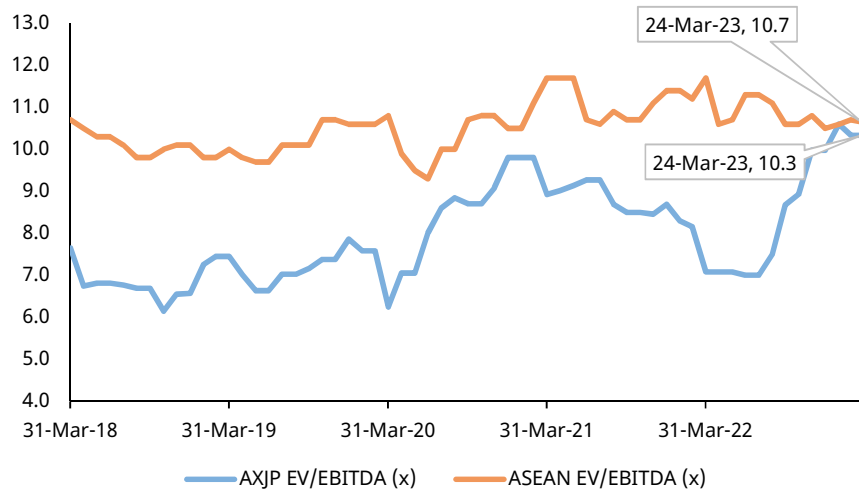
Regional Price-to-Sales Ratio (x)



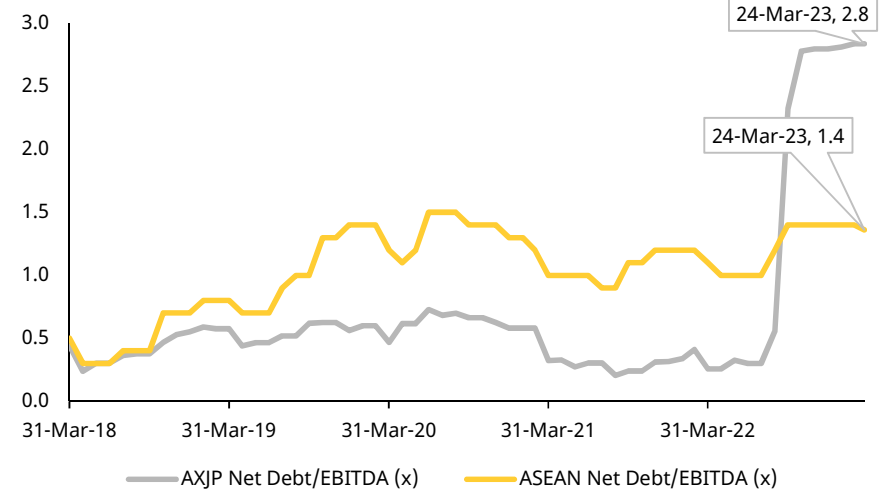
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign funds have turned net sellers as uncertainties rise

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

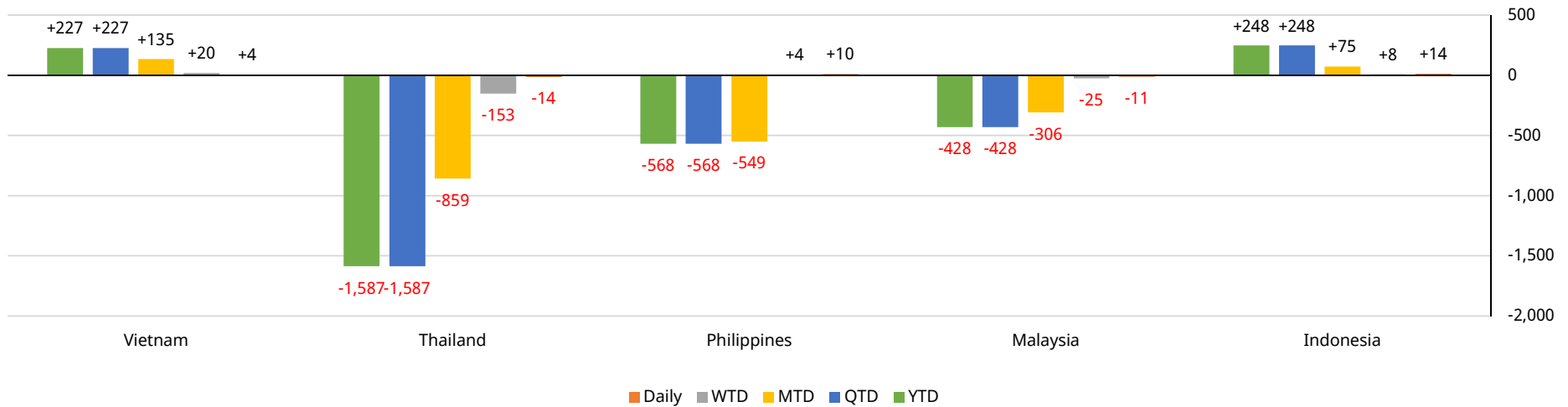
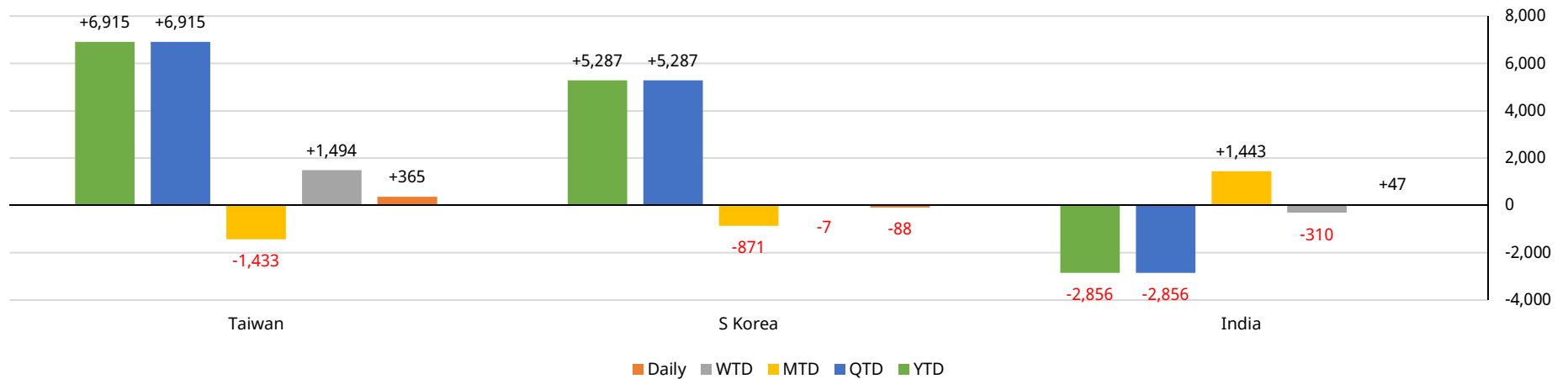


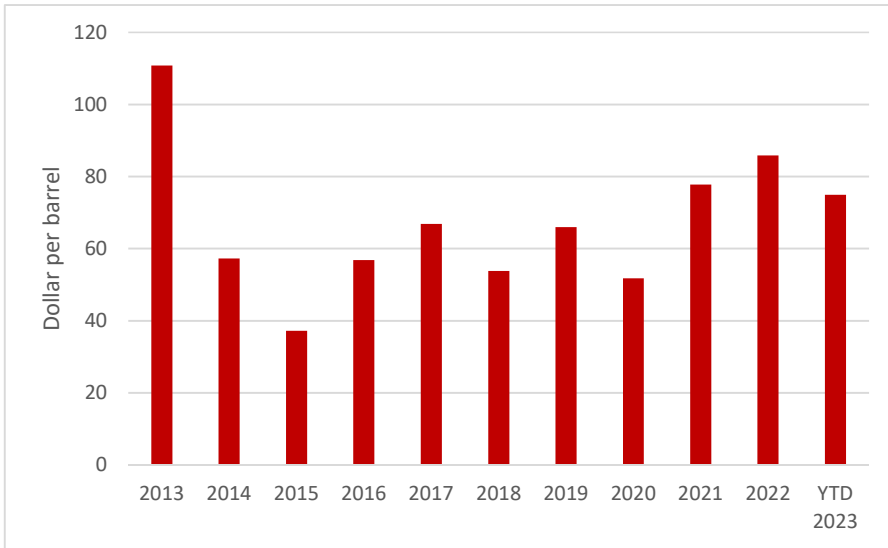
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



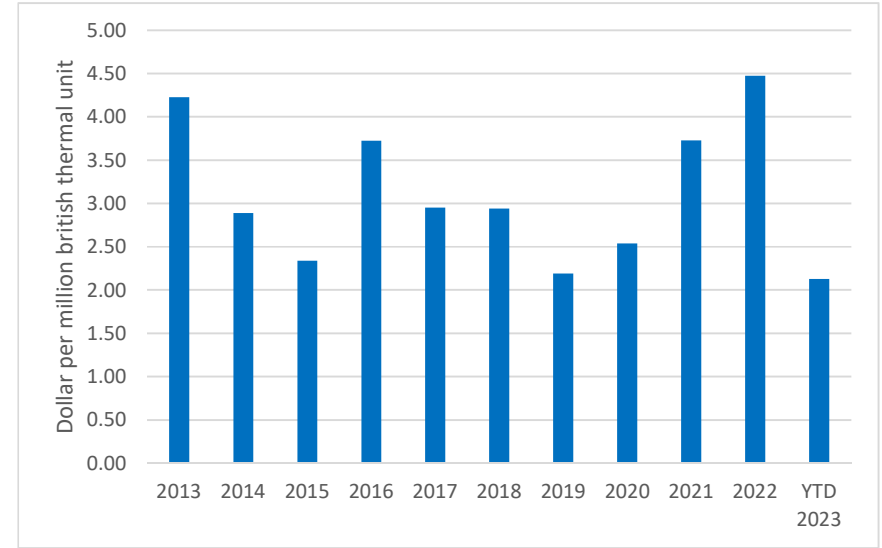
5.0 Energy Annual Prices

Energy Prices Weighed by Global Macro Uncertainties

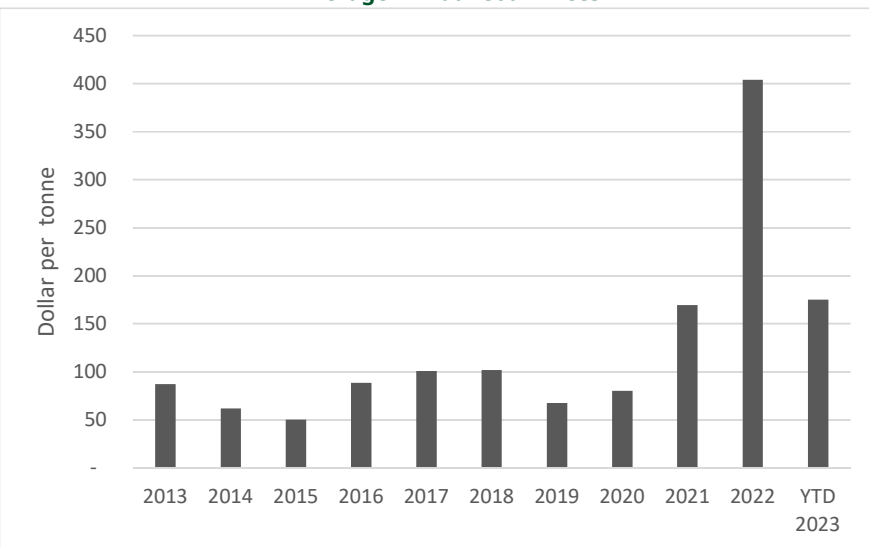
Average Annual Brent Oil Prices



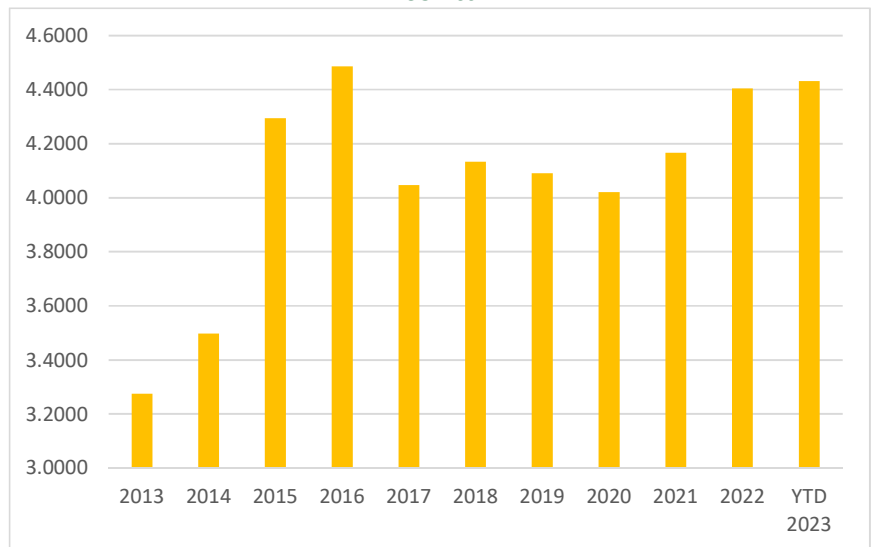
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

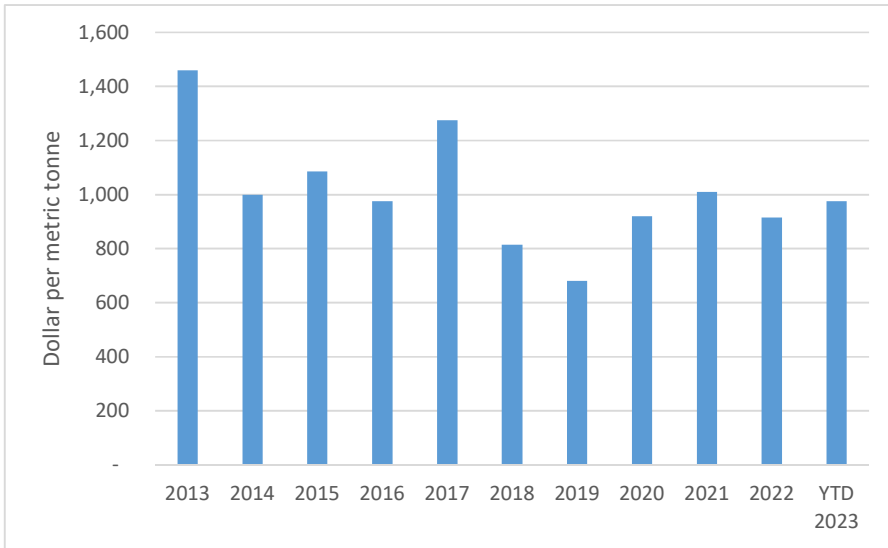


Source: Bloomberg

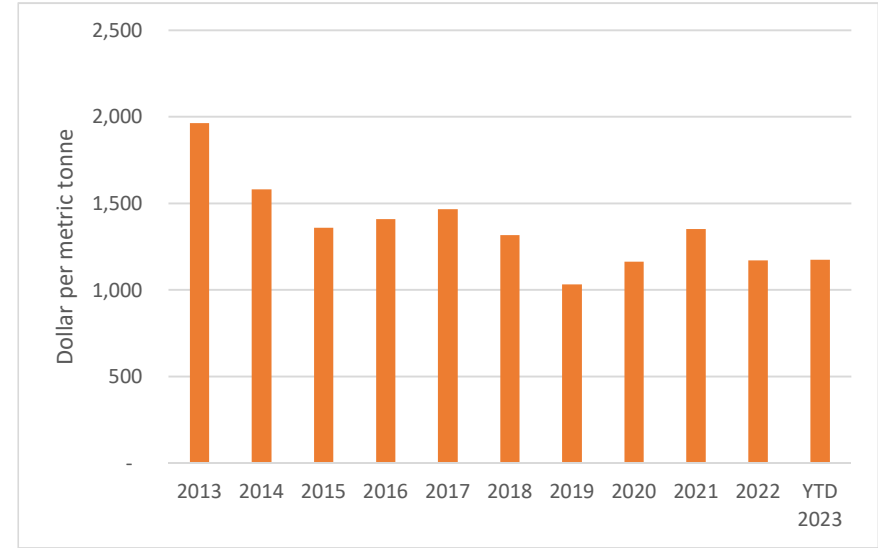
5.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

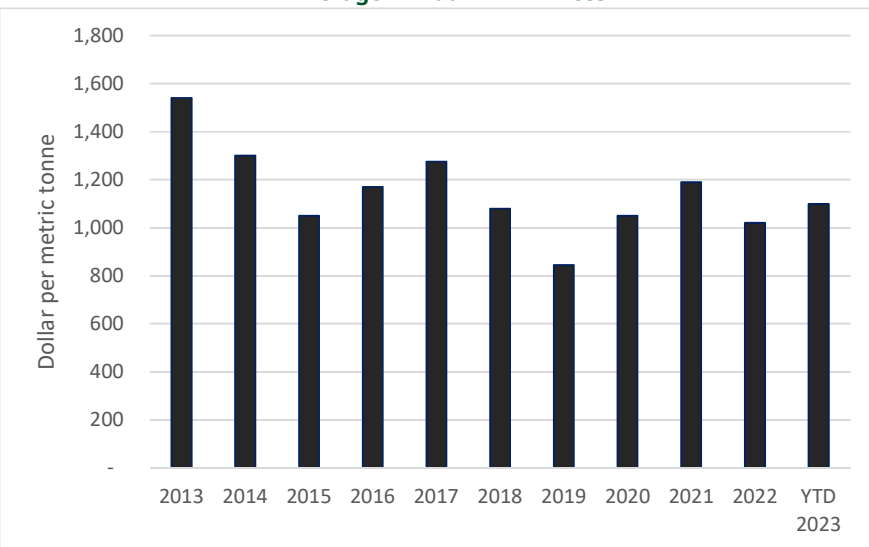
Average Annual Ethylene Prices



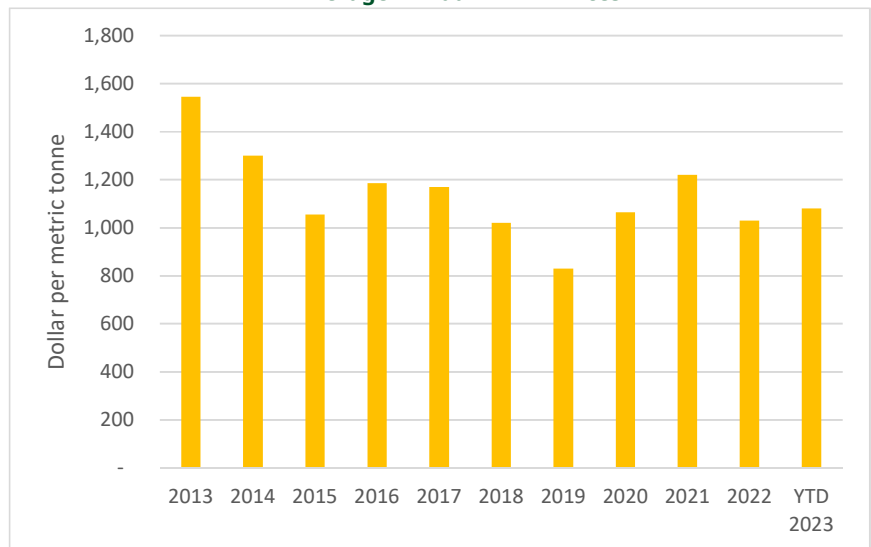
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

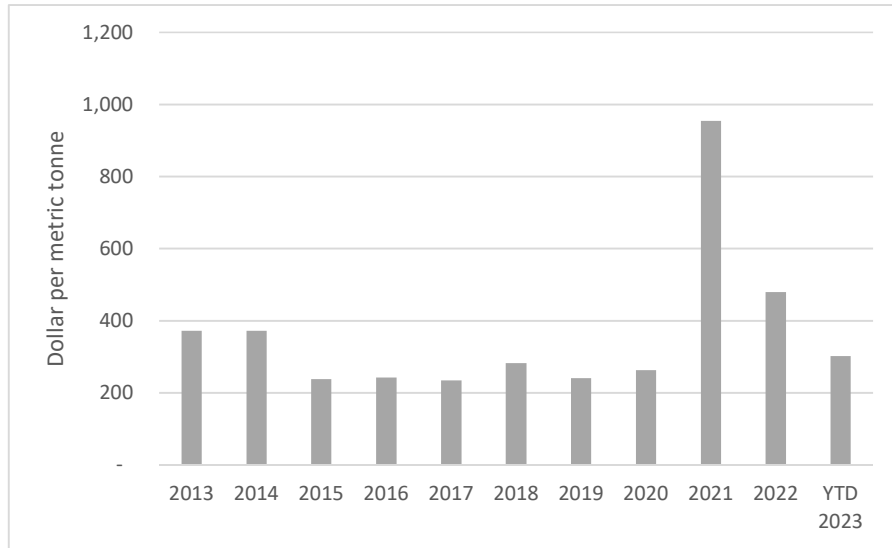


Source: Bloomberg

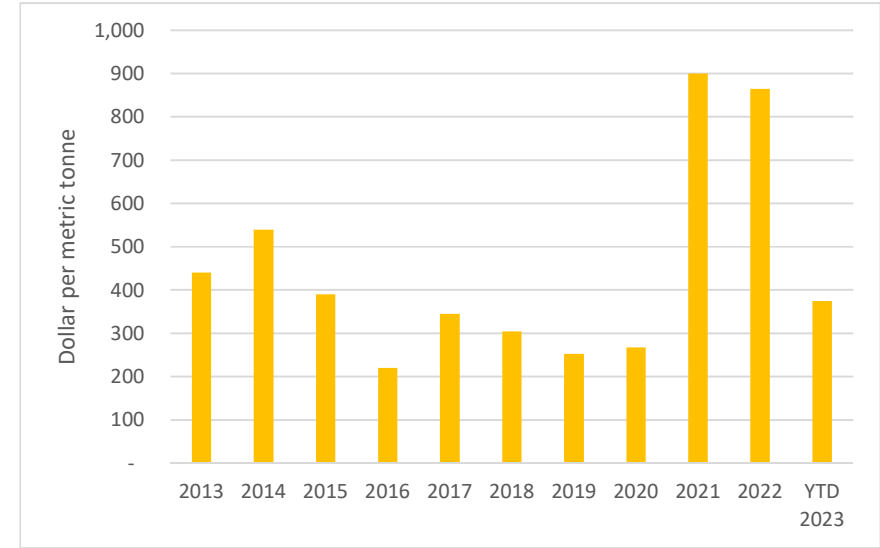
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Returned to Pre-Covid Price Range

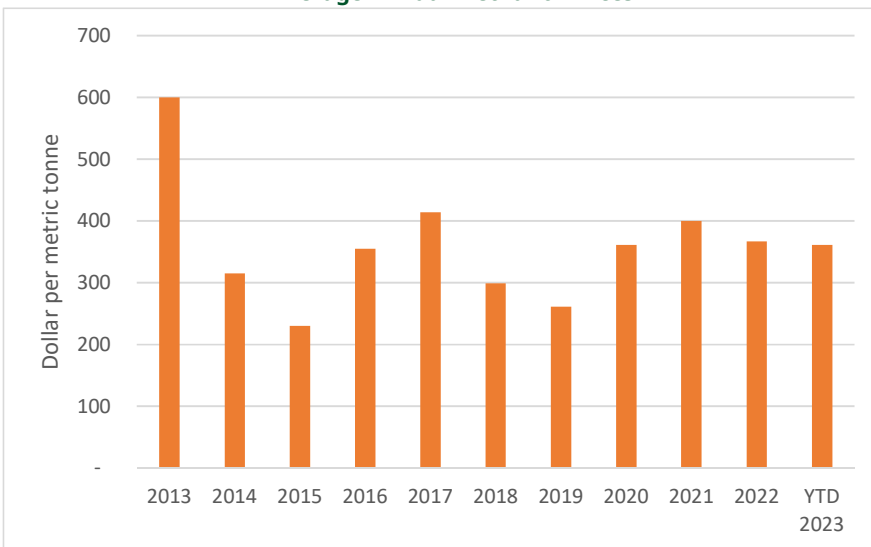
Average Annual Urea Prices



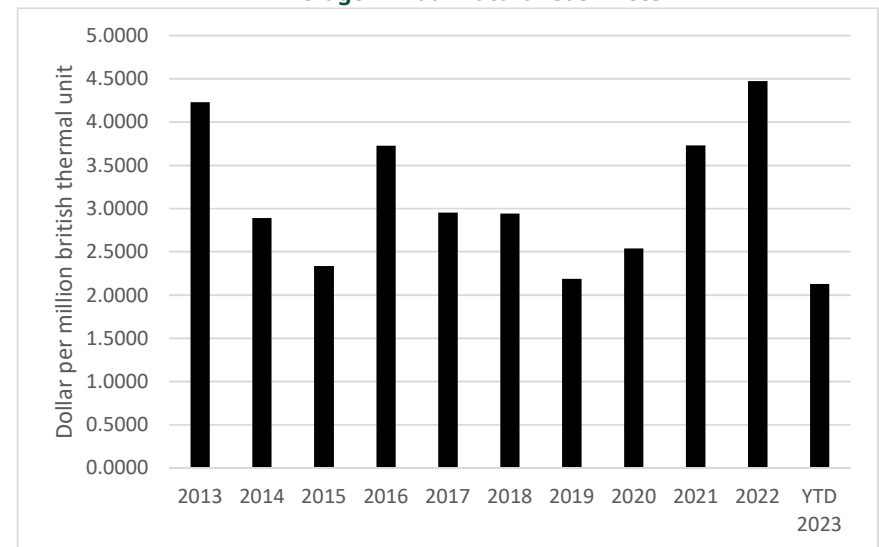
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

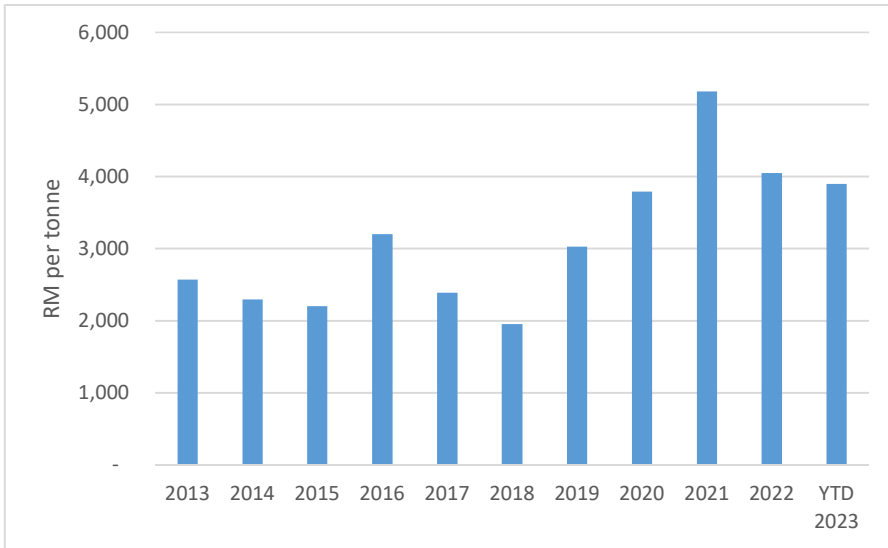


Source: Bloomberg

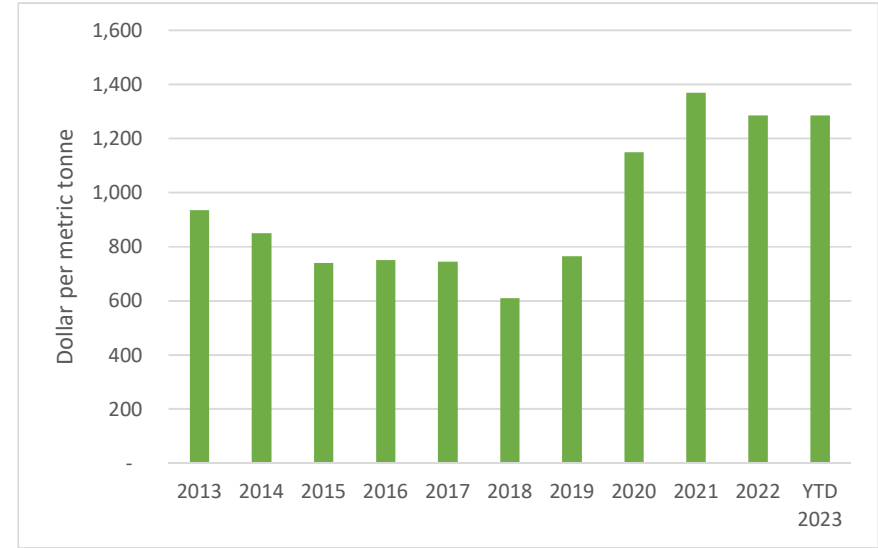
5.3 Agricultural Annual Prices

Price to Trade Rangebound

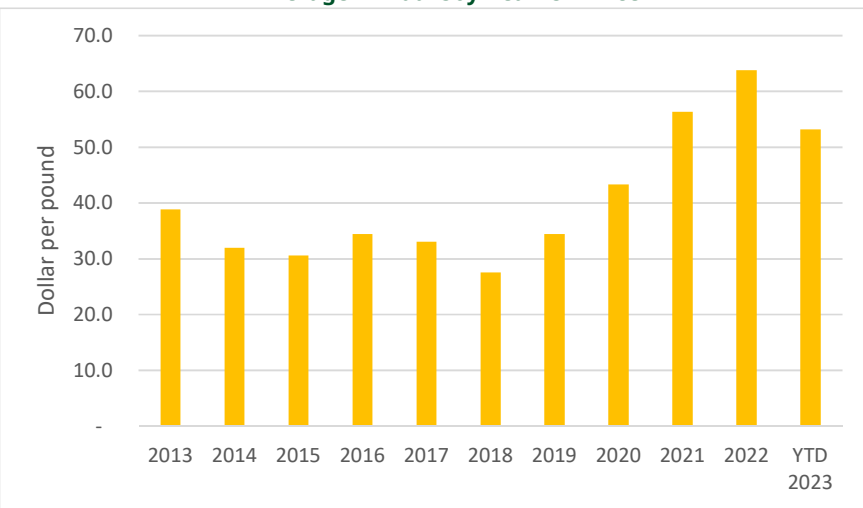
Average Annual Palm Oil Prices



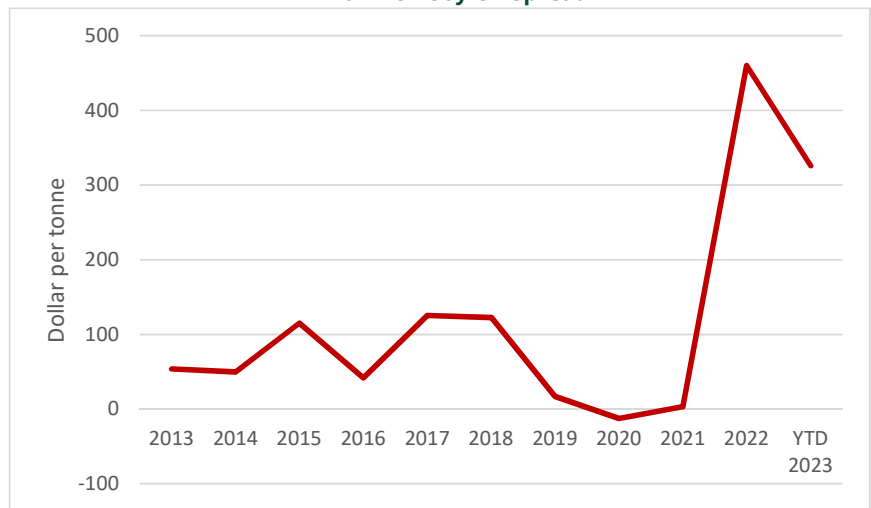
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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