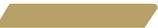


Portfolio Managers' Views



17 April 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (10-14 April 2023) & Our Managers' Views

- 1 Potentially higher MBMR dividends:** Perodua's March 2023 car sales rose by 29% MoM to 32,179 units due to the fulfilment of PENJANA orders, and it sold 78,564 cars YTD, on track to its 2023 target of 314,000 units. Thus, Perodua will likely achieve its 2023 target and report higher earnings and dividends YoY. We remain invested in MBMR, a shareholder of Perodua, as it tends to pay out all the dividends it receives from its affiliates. This translates to potentially higher dividend yield.
- 2 Lower palm oil inventory:** Malaysia's March 2023 palm oil inventory declined 21% MoM to 1.67mil ton due to lower production caused by floods and higher exports to compensate for Indonesia's lower palm oil exports. Going forward, we expect CPO prices to trade around RM4,000/ton in 2H'23 as Malaysia's labour shortage eases and Indonesia resumes palm oil exports after Hari Raya. We remain invested in our plantation holdings for their attractive dividend yields.
- 3 Looking to bottom-fish tech:** Based on TSMC's announcements, 1Q23 sales will likely decrease 16% QoQ due to Apple's order cuts and sluggish recovery from PC and Android smartphones. We share the same view and expect technology companies to report weaker earnings in 1H23 due to the weaker macroeconomic sentiment and sluggish demand. However, we are looking to bottom-fish the technology industry as recovery will likely happen in 2024 and as valuations get cheaper.
- 4 Increasing exposure to China:** We attended a call with a foreign broker's analyst after her recent visit to Mainland China. Key takeaways include locations packed with tourists, improving consumer sentiment and China government's pro-business measures to attract foreign investors back. This reiterates our constructive view on China's economic recovery and our local and regional funds are invested in China stocks to benefit from these themes.
- 5 Potential US Recession:** US CPI for Mar-23 moderated to 5.0% YoY (vs Feb-23: 6.2% YoY). However, the market reacted negatively as the Fed's meeting minutes revealed that they are expecting the recent bank failures to cause a recession in 2H23. We are not invested in the US but an impending recession will eventually facilitate rate cuts, lower bond yields and a weaker dollar which is positive for emerging markets and tech, which we are invested in.
- 6 Valuations:** KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13.1x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.4%, above its 10-year high of 4.3% seen in 1Q of 2021. Price-to-book ratios are also attractive at 1.3x, 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

Bursa Transportation Index rose 2.6% WTD led by Shin Yang Shipping & GDEX

Exhibit 1: KLCI vs Shariah Index

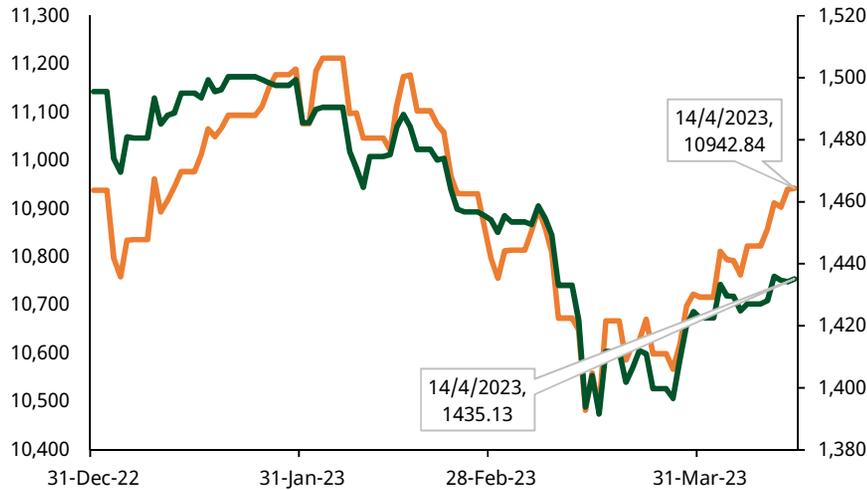


Exhibit 2: USDMYR

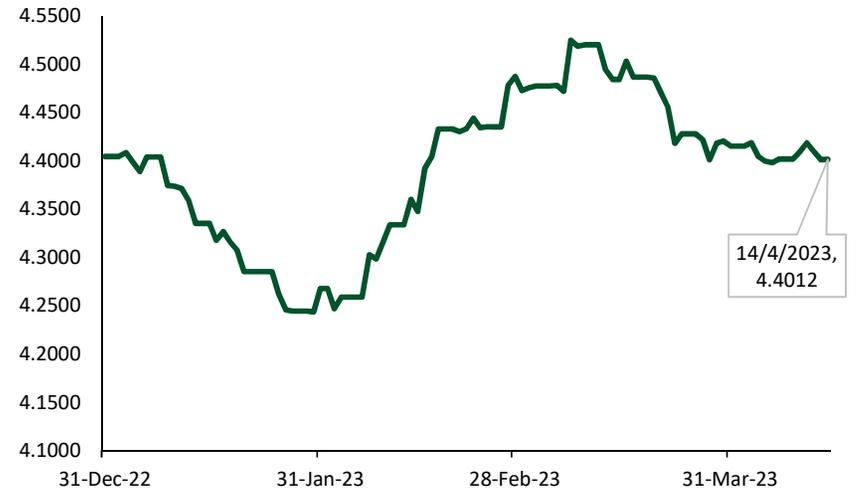


Exhibit 3: Sector Performances Week-to-Date (%)

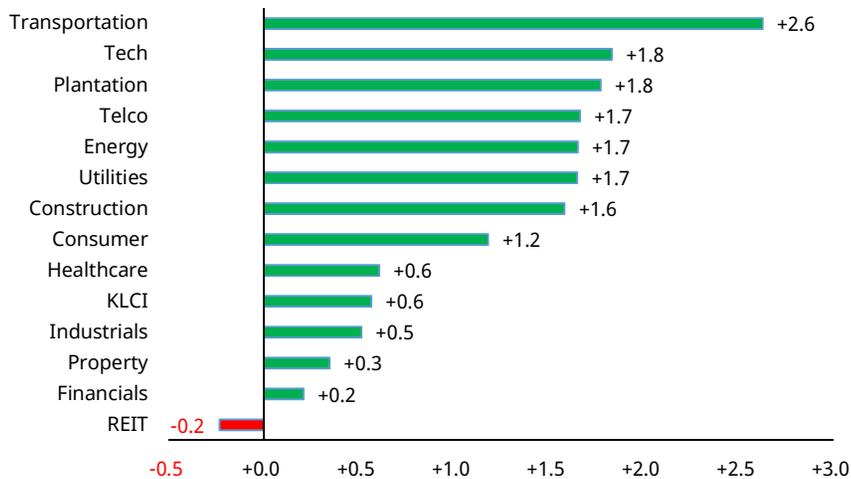
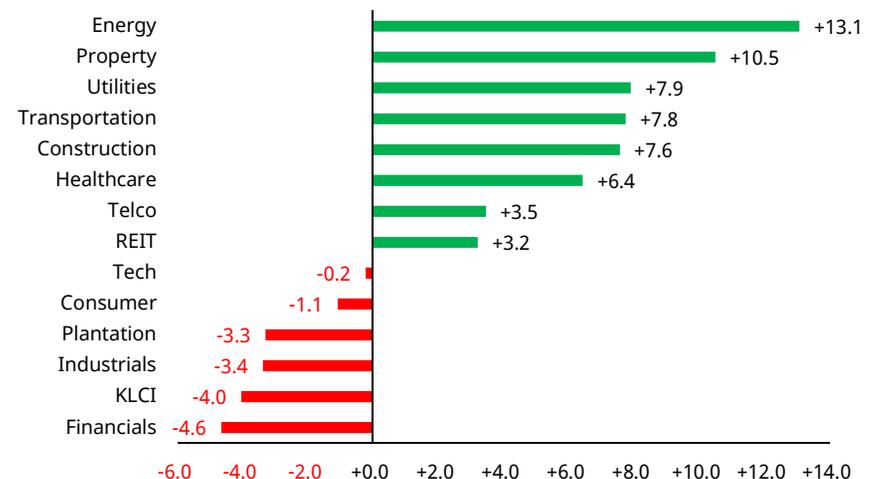


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

2.1 MALAYSIA VALUATIONS

Valuations remain at Historical Bottoms - BUY Territory

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

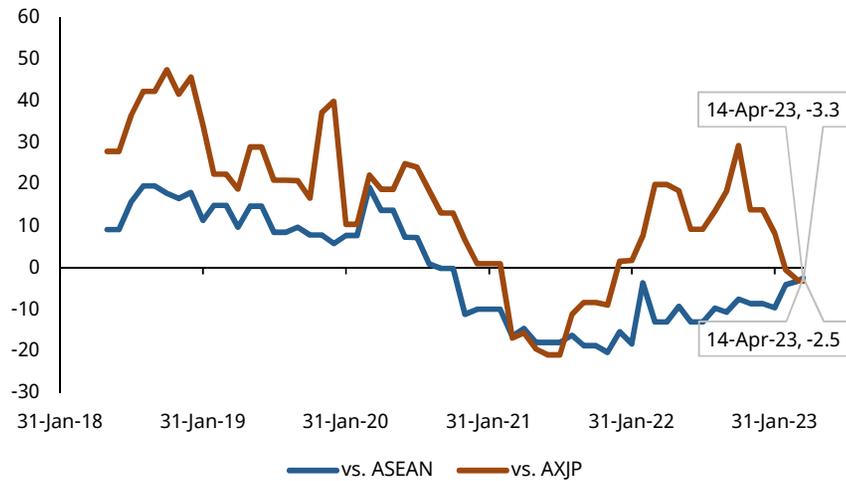


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

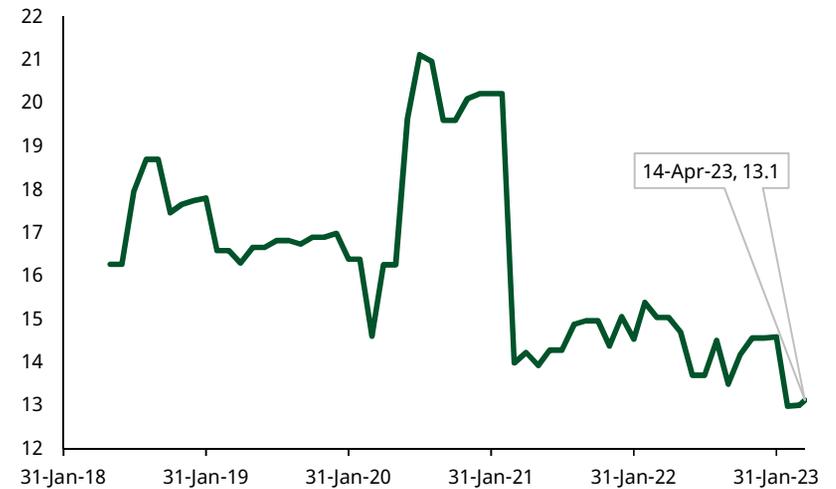


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

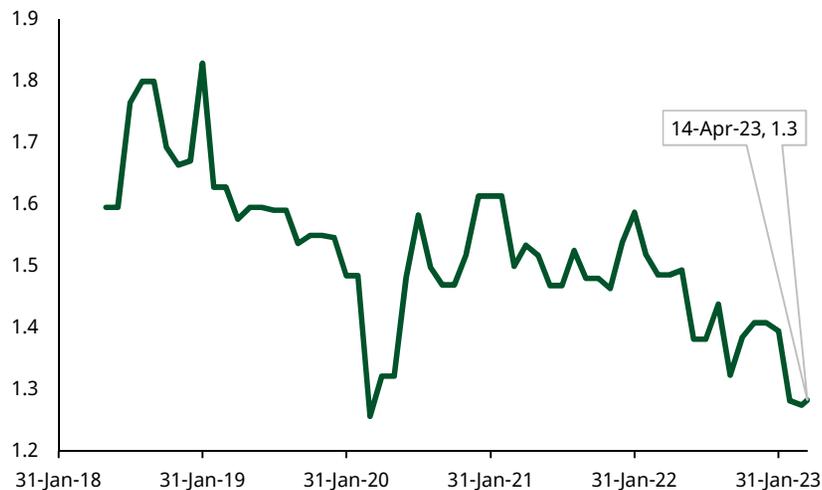
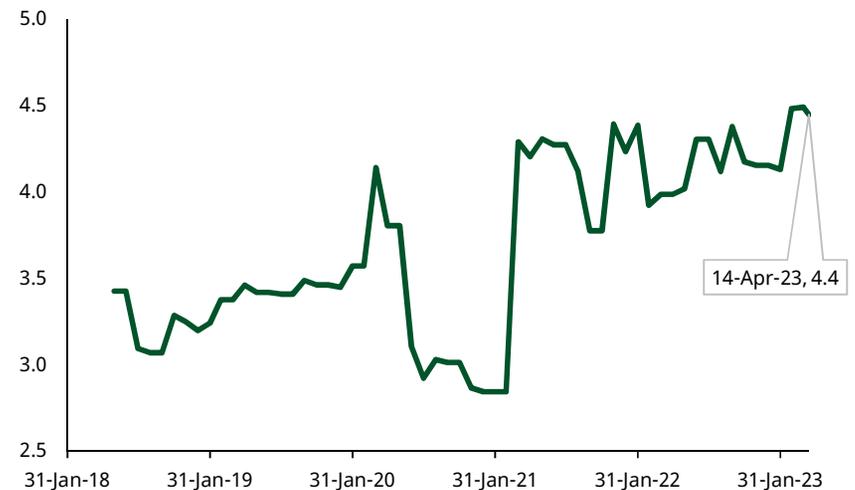


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

China and Taiwan weighed by geopolitical tension

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

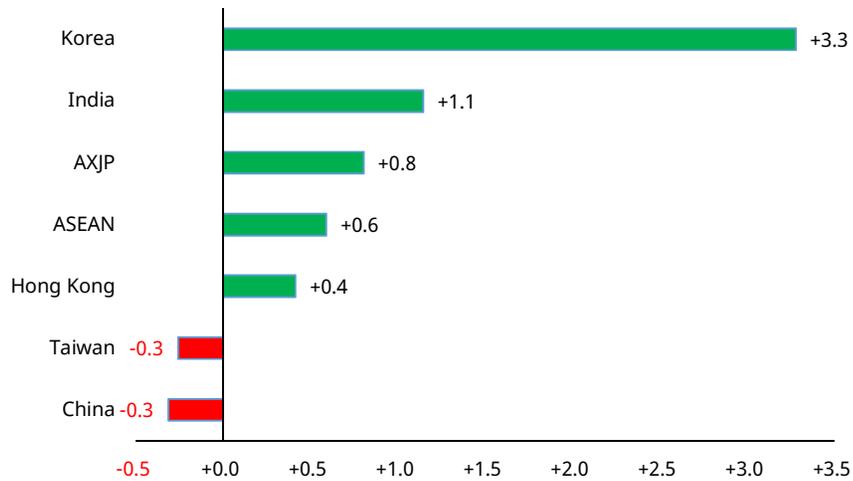


Exhibit 2: Country Performances Year-to-Date (%)



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

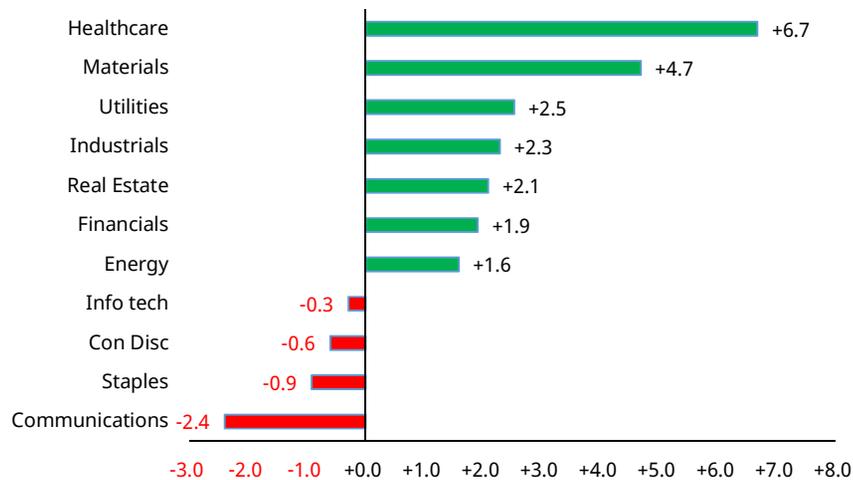


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

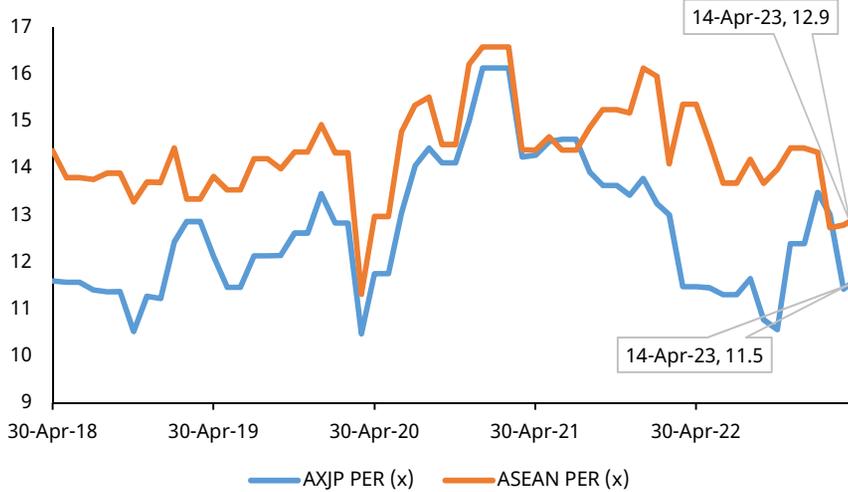


Exhibit 6: Regional Price-to-Book Ratio (x)

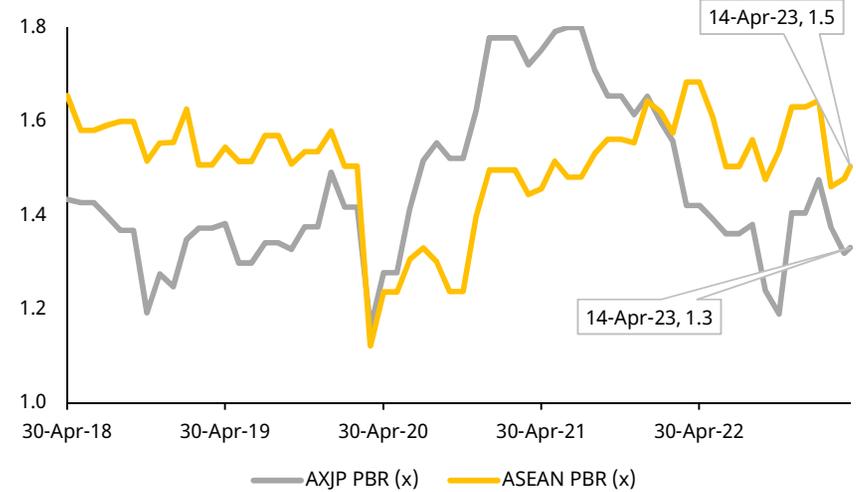


Exhibit 7: Regional Dividend Yield (%)

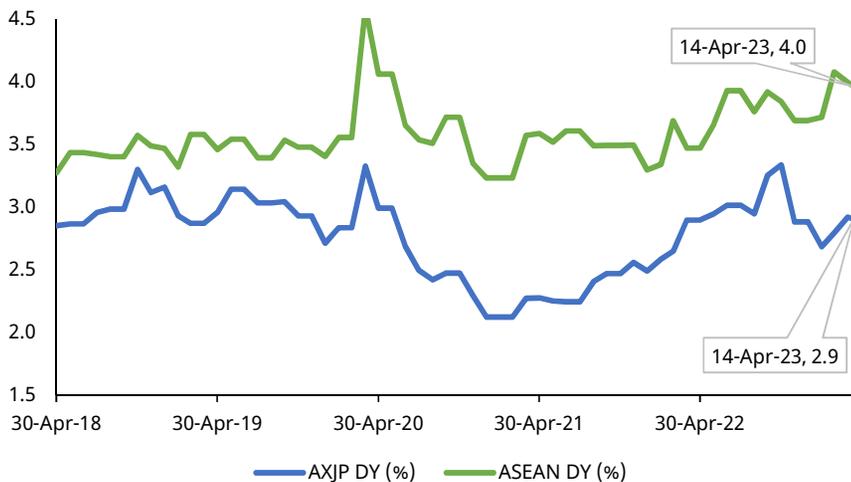
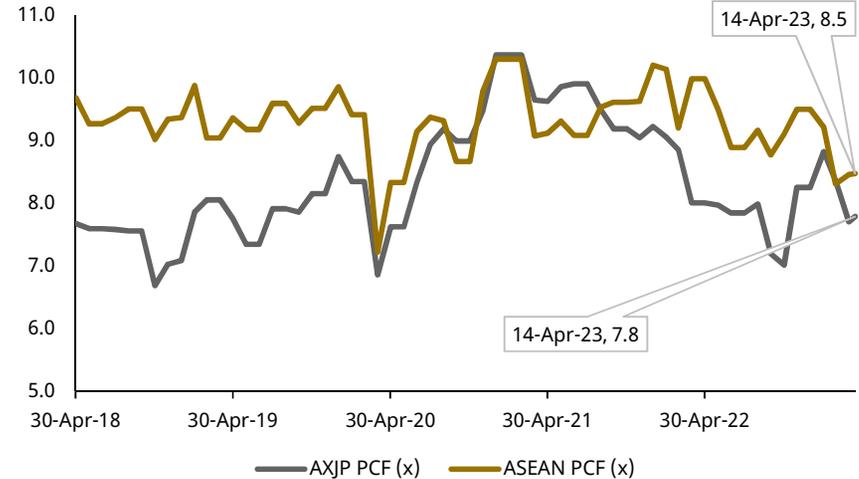


Exhibit 8: Regional Price-to-Cash Flow (x)



4.0 FOREIGN FUND FLOWS

Foreign funds net buy Indonesia, India and South Korea since end of Mar-23

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

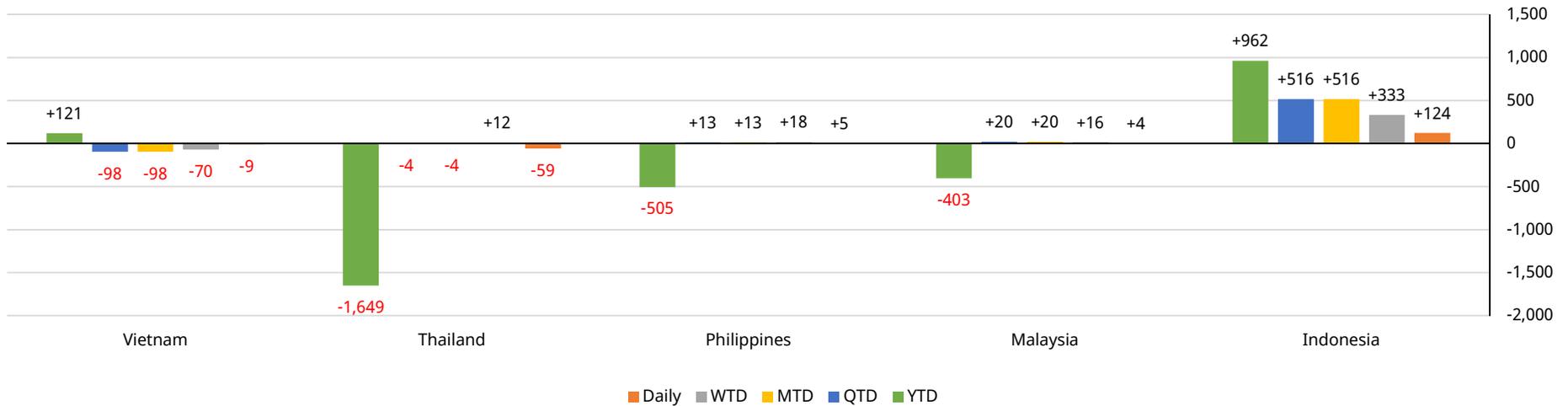
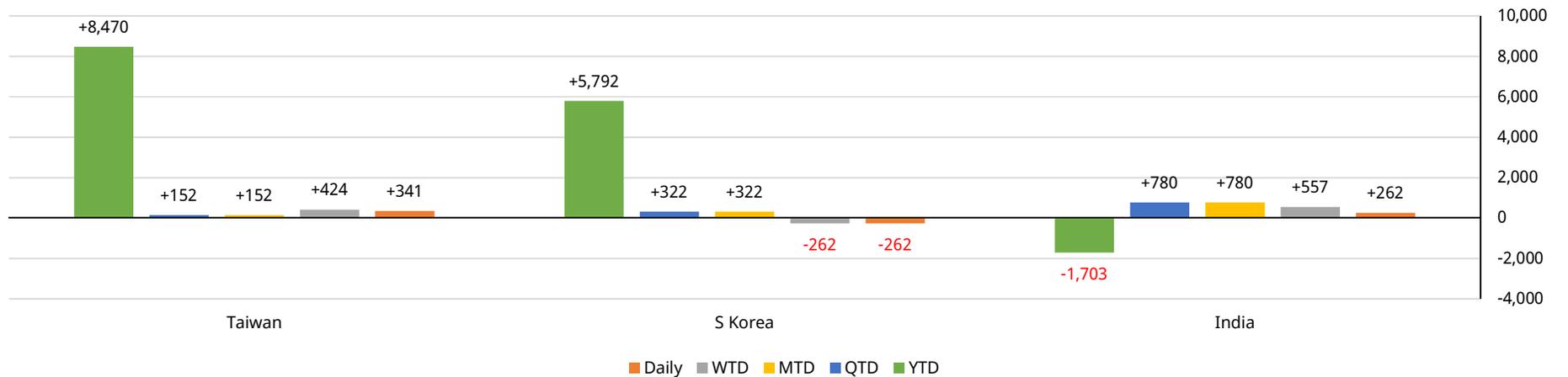


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

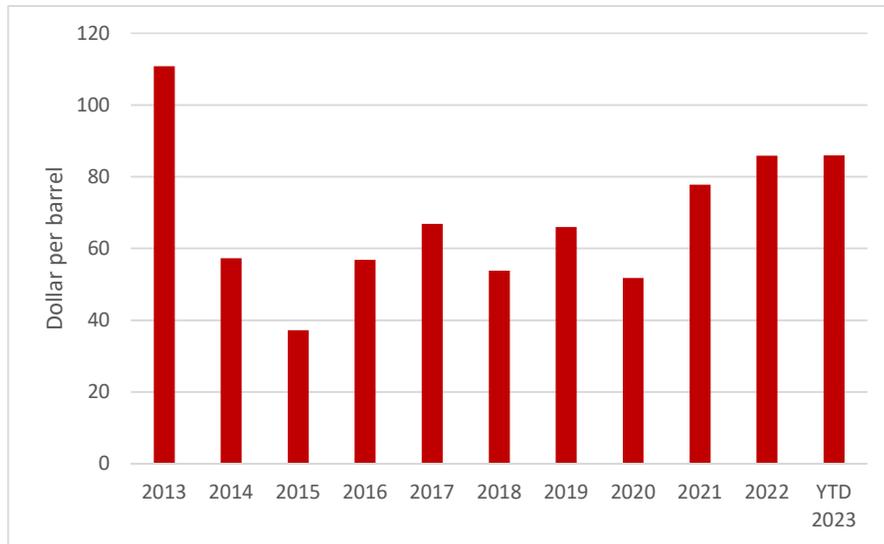


Source: Bloomberg

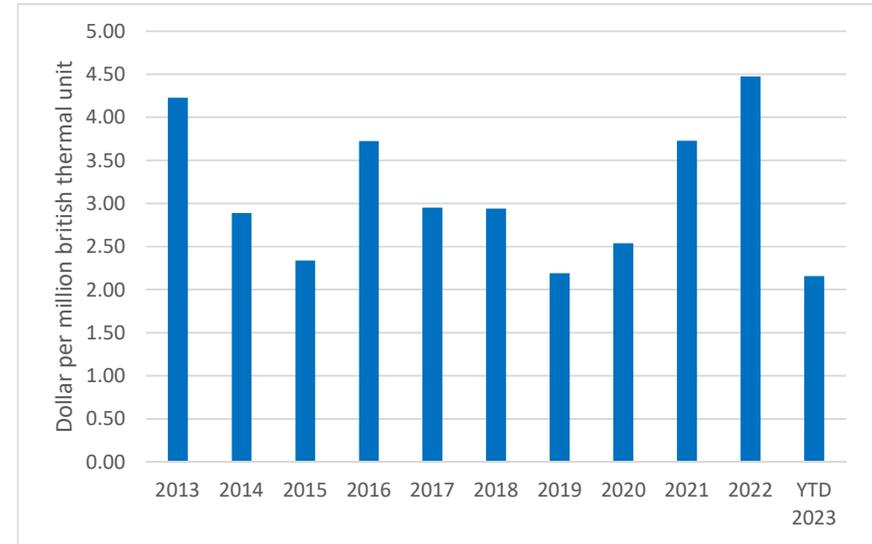
4.0 Energy Annual Prices

Energy Prices Weighed by Global Macro Uncertainties

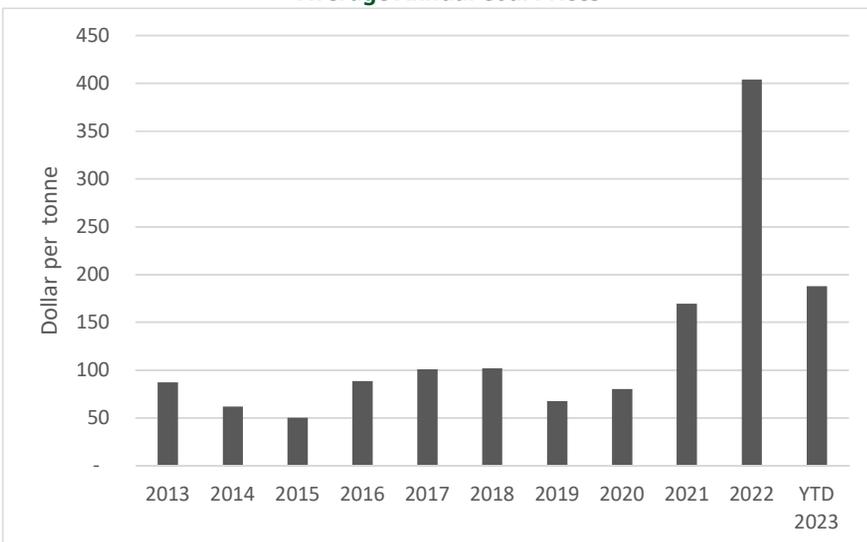
Average Annual Brent Oil Prices



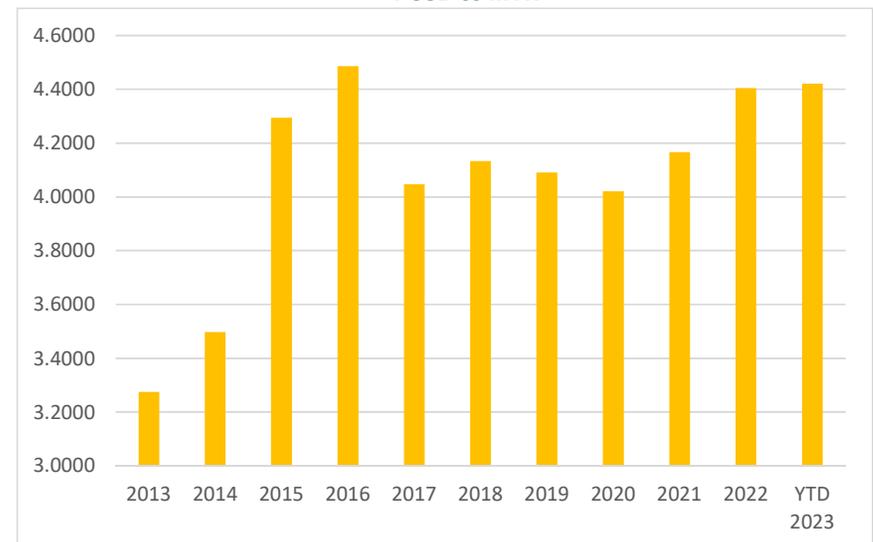
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

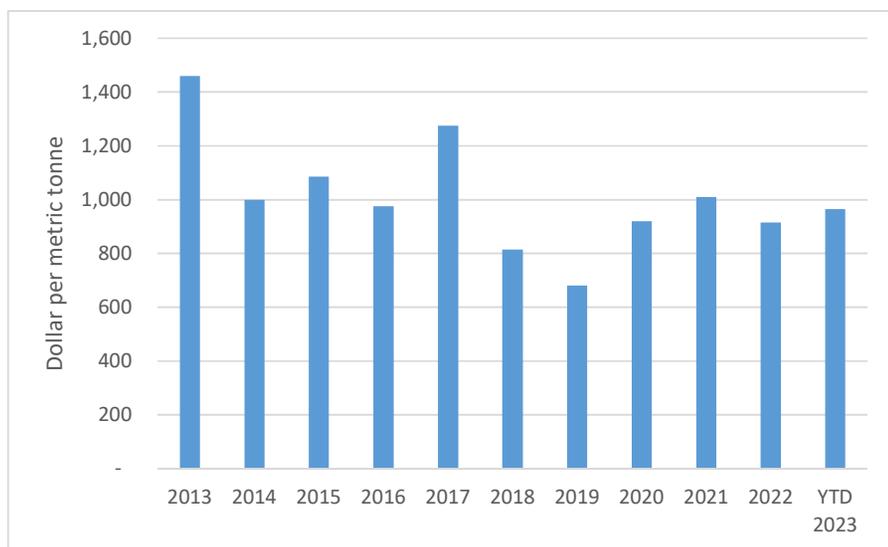


Source: Bloomberg

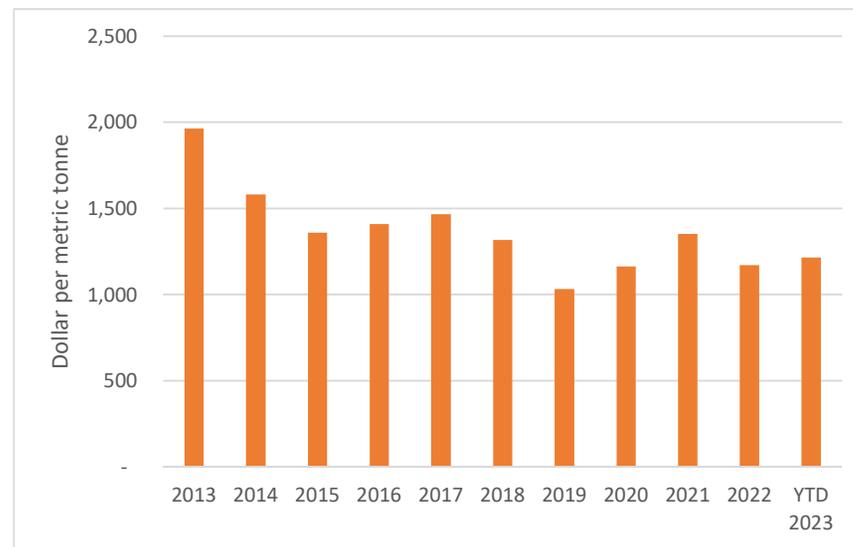
4.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

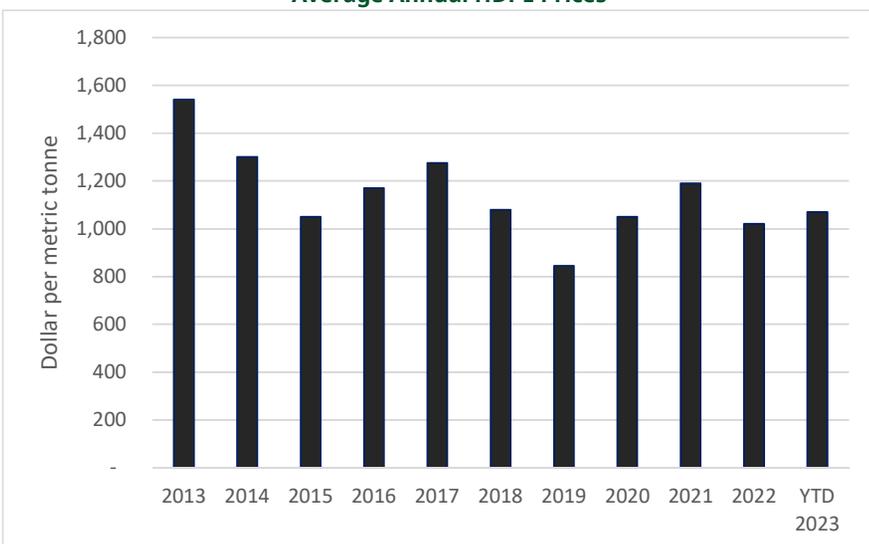
Average Annual Ethylene Prices



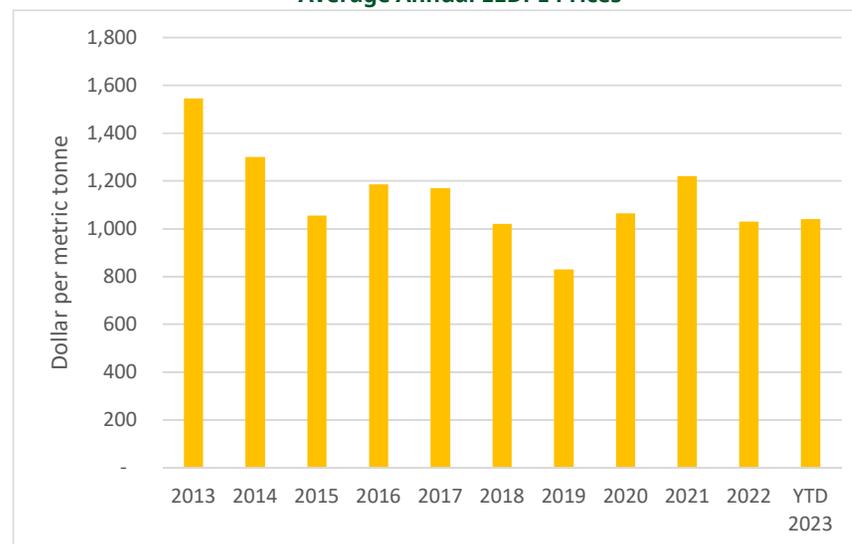
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

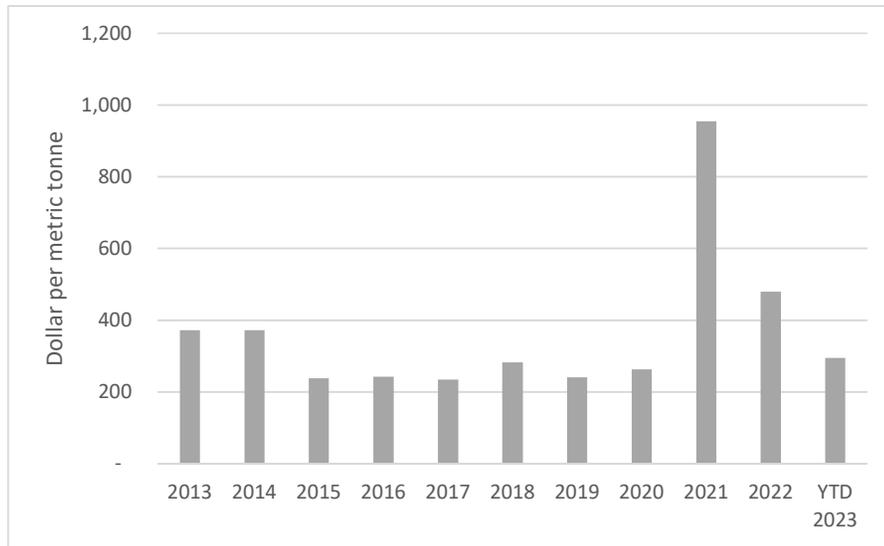


Source: Bloomberg

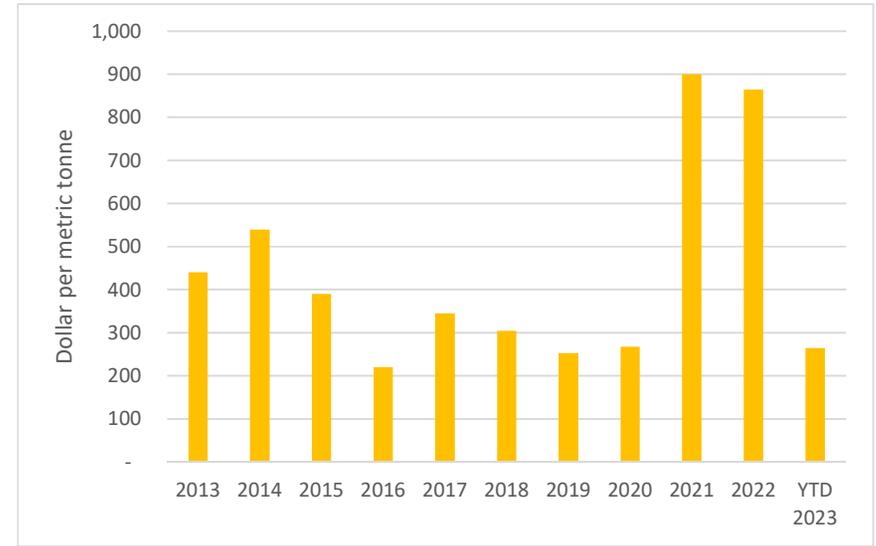
4.2 Fertiliser Annual Prices

Ammonia & Urea Prices Returned to Pre-Covid Price Range

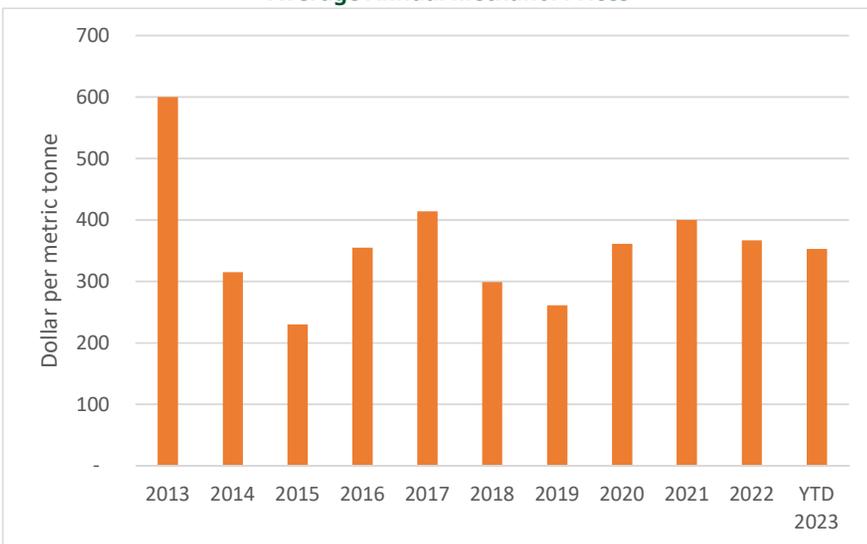
Average Annual Urea Prices



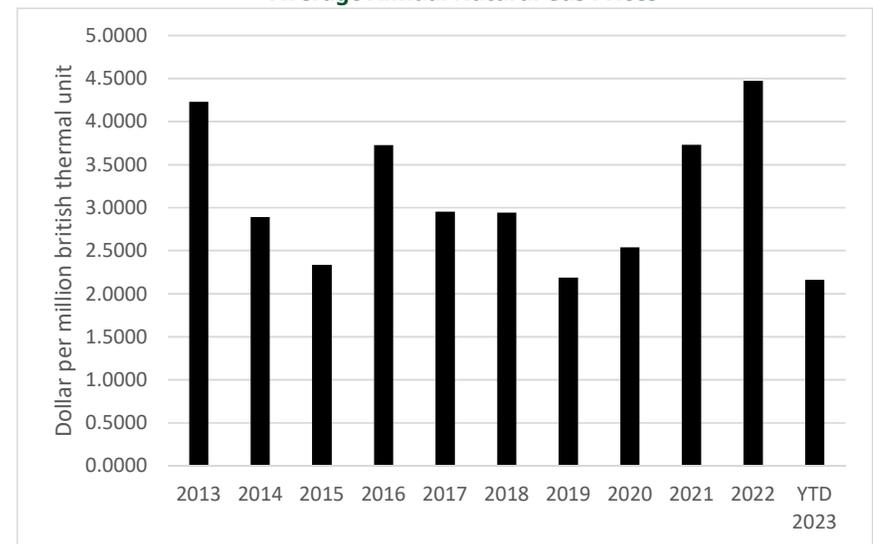
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

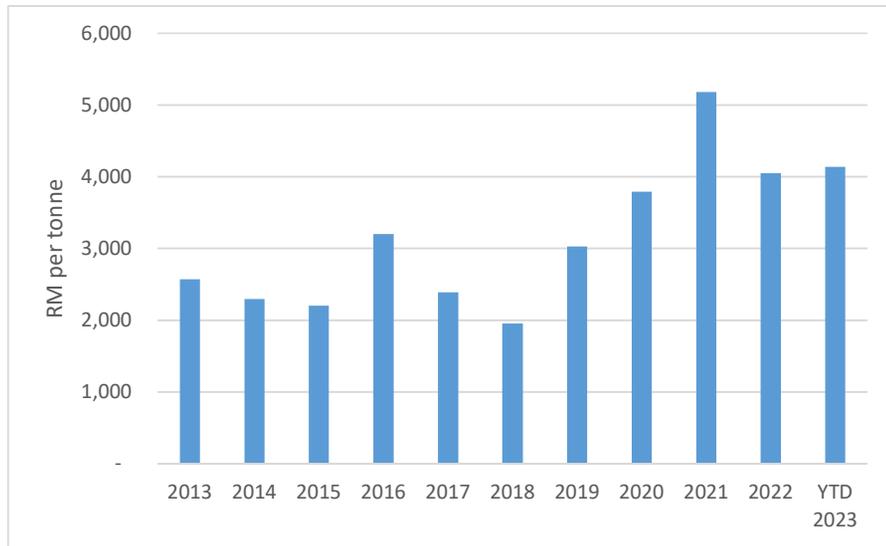


Source: Bloomberg

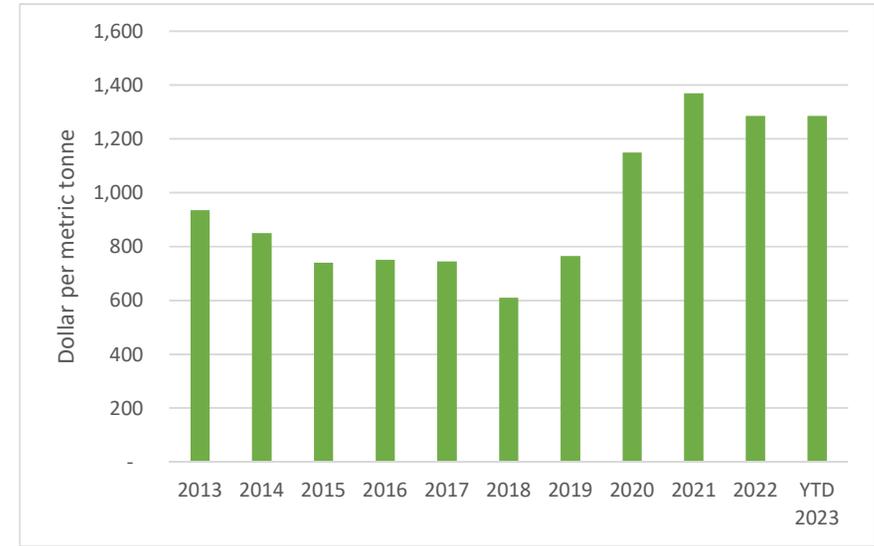
4.3 Agricultural Annual Prices

Prices to Trade Rangebound

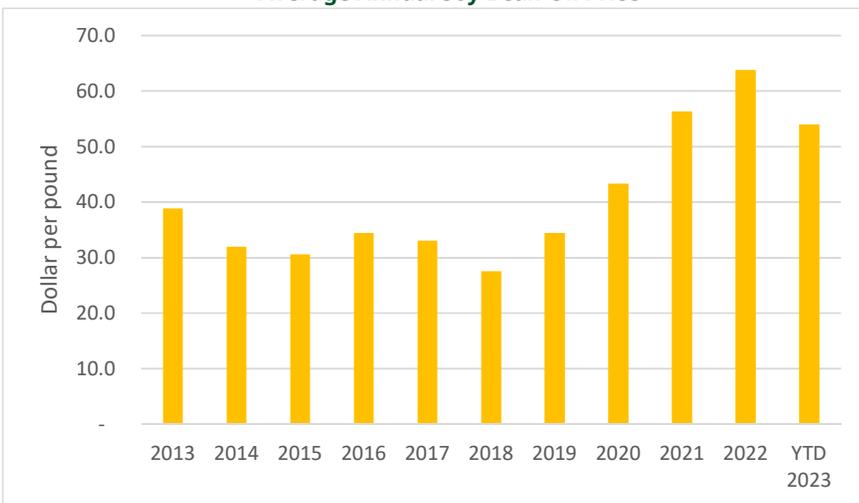
Average Annual Palm Oil Prices



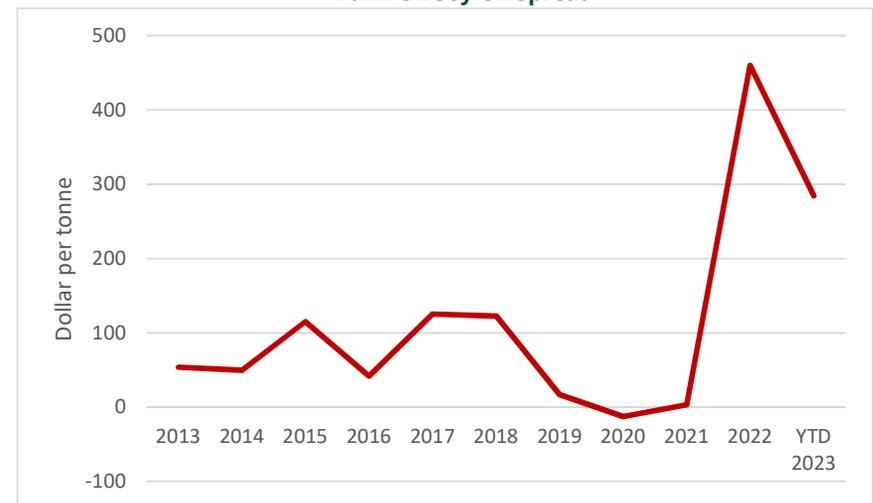
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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