

Portfolio Managers' Views



25 April 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (17-21 April 2023) & Our Managers' Views

1

Better demand to drive MFlour's Earnings: MFlour is expected to increase its slaughtering capacity from 280k to 340k birds/day. This signals that demand is growing, especially from Tyson, MFlour's strategic partner and one of the largest food producers globally. The recent decline in poultry feed prices is also supportive of better margins. We remain positive on the company as earnings are likely to improve arising from its strategic partnership and improving demand.

2

5G dual wholesale network discussions to cause share price overhang: It is rumoured that a second 5G network will roll out in 2024. Currently, Malaysia's 5G operates under a single network but concerns on pricing and transparency had delayed its execution. Although this is still under discussions, having two 5G networks is positive for telcos as it will help facilitate competitive pricing. Meanwhile, we expect an overhang on telcos' share prices due to uncertainties.

3

Glove sector bottoming out: We attended a call with Sri Trang, the world's 5th largest glove producer based in Thailand. Its CFO highlighted that they believe sales volumes had bottomed while selling prices have stabilised but not bottomed yet. They also view that US inventories are bottoming as gloves supplied in 2020 are reaching their expiry dates. Although a recovery will be gradual, this news supports our view that the industry had likely passed its worst.

4

Supermax Saga - a lesson on governance: Cecile Thai who is a director of Supermax and also the oldest daughter to its current chairman and founder, Stanley Thai, had resigned from the board, citing "bullying" and misalignment of fiduciary duties in relation to a purchase of a c.\$47mil aircraft as key concerns. We do not hold Supermax shares, but this highlights the importance of good corporate governance when investing. Supermax's share price fell -10% following the news.

5

Easing regulatory crackdown to benefit Alibaba: China regulators are expected to reduce fines charged on Ant Group (Alibaba's finance arm) from \$1bil to \$728mil. The fine reduction reinforces our view that China's government aims to end its crackdown on big tech and pave the way for Ant Group's listing. An easing crackdown, unlocking value from spin-offs and recovering China consumer spending are reasons why we are positive on the company. We remain invested in the stock.

6

Valuations: KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13.0x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.5%, 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.

1.1 THOUGHT OF THE WEEK

China: Reopening Story Gaining Momentum

1 China Consumption Data Is Improving

China's 1Q23 GDP came in **above expectations**, growing +4.5% YoY compared to consensus expectations of a +4.0% YoY growth.

There were various highlights from the data release but we would like to direct focus towards what we think were the key contributors of the stronger-than-expected GDP numbers (Please refer to the table on the right).

The strong GDP report reinforces our view that **consumption has been rising** post-reopening and we have invested our funds to benefit from this rise in post-pandemic consumption (Please see below).

	YoY	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Retail sales		3.9%	3.2%	5.1%	3.0%	0.5%	-5.6%	-0.1%	2.9%	2.9%	9.1%
Clothes & Textile		1.2%	0.8%	5.1%	-0.5%	-7.5%	-15.6%	-12.5%	5.4%	5.4%	17.7%
Auto		13.9%	9.7%	15.9%	14.2%	3.9%	-4.2%	4.6%	-9.4%	-9.4%	11.5%
Telecommunication		6.6%	4.9%	-4.6%	5.8%	-8.9%	-17.6%	-4.5%	-8.2%	-8.2%	1.8%
Online retail sales		8.2%	10.1%	12.8%	14.5%	22.1%	3.9%	15.6%	6.7%	6.7%	16.5%

Source: National Bureau of Statistics China, Astute FM

2 What We Invest In

Online Retail: Alibaba is the **leading e-commerce platform** in China which will benefit from the return of consumption after being weighed down by COVID restrictions previously. We also think its cheap valuations will re-rate as the government eases its regulatory crackdown on China's big tech

Automotive: BOE Varitronix is the **leading provider of automotive display modules** for most auto manufacturers operating in China. We think that it will benefit from higher automotive sales and the increasing number of panels per car, particularly in electric vehicles.

Telecommunications: China Mobile is the **largest telecommunications company** in China. Although higher telco consumption will benefit its earnings, we are invested in the company mainly for its attractive dividend yields and potential re-rating as China reforms its state-owned enterprises.

Retail sales: PAX Global is one of the **leading manufacturers of Point-of-Sale (POS) Terminals**. As consumption of goods increase, we expect the demand for POS terminals to increase as well. It also trades at very attractive valuations and offers a high dividend yield.

Clothes & Textiles: JNBY Designs is the **leading designer brand** in China. It has 1,956 physical stores, 65% of which are located in Tier 1 & 2 cities in China. We expect revenue spending will drive JNBY's earnings higher and remain invested as it also offers attractive dividend yields at a cheap

2.0 MALAYSIA MARKET REVIEW

Bursa Utilities Index rose 2.0% WTD led by YTL Power

Exhibit 1: KLCI vs Shariah Index

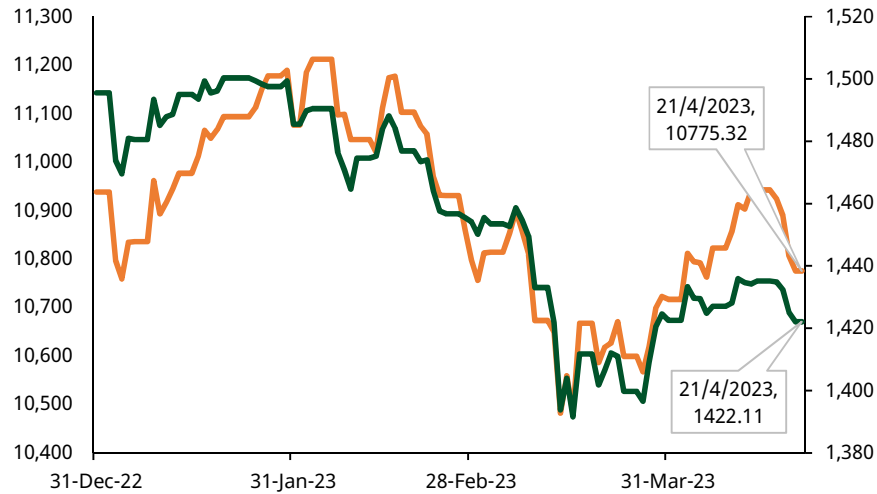


Exhibit 2: USDMYR

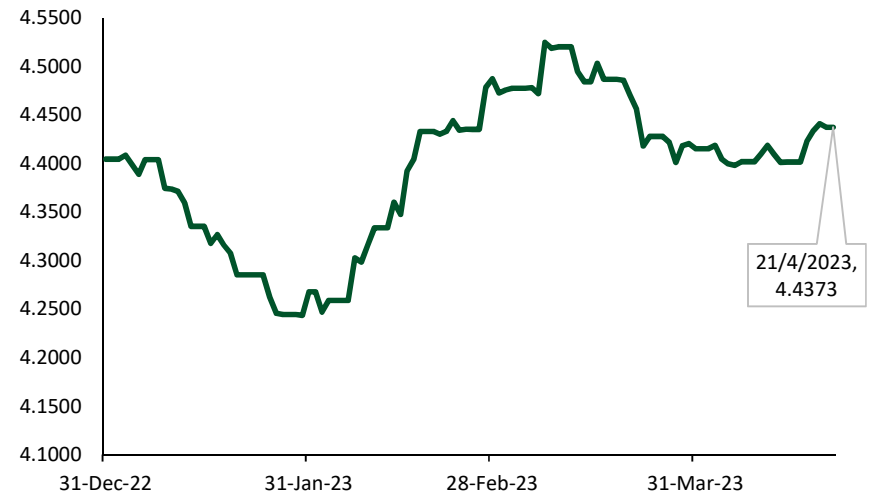


Exhibit 3: Sector Performances Week-to-Date (%)

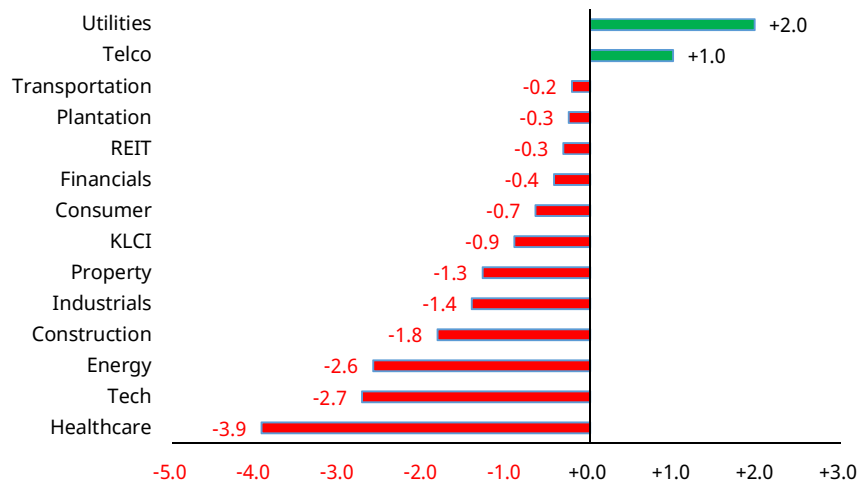


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations remain at Historical Bottoms - BUY Territory

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

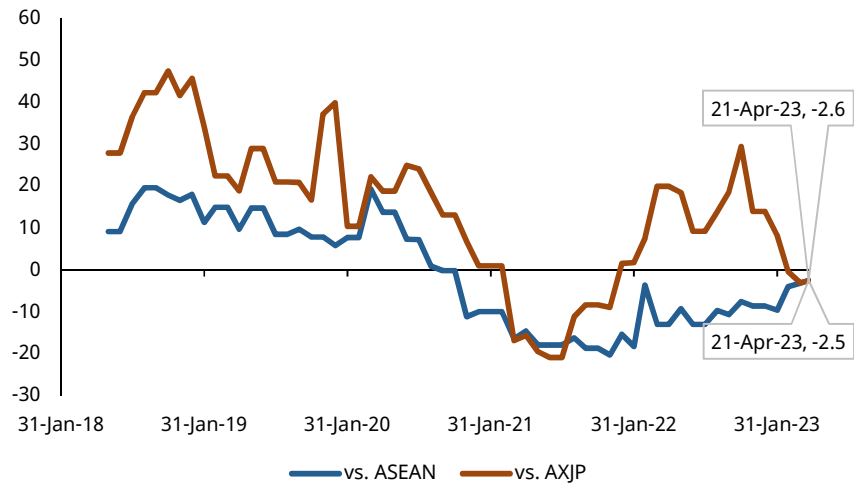


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

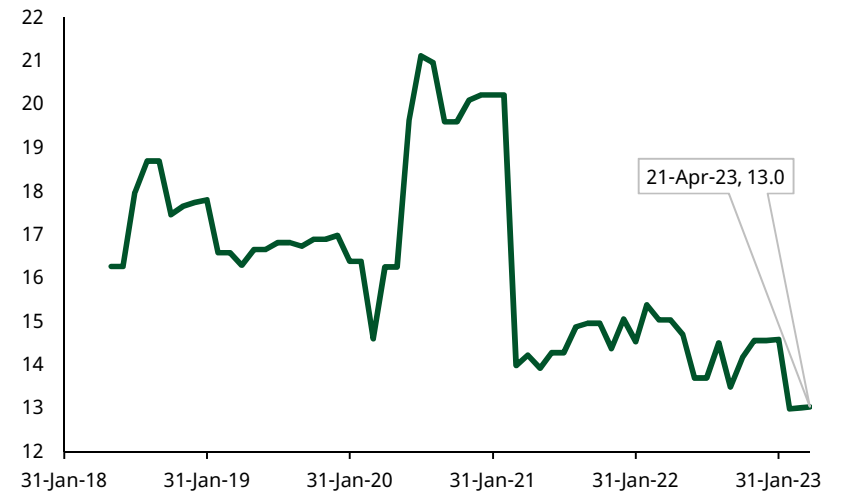


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

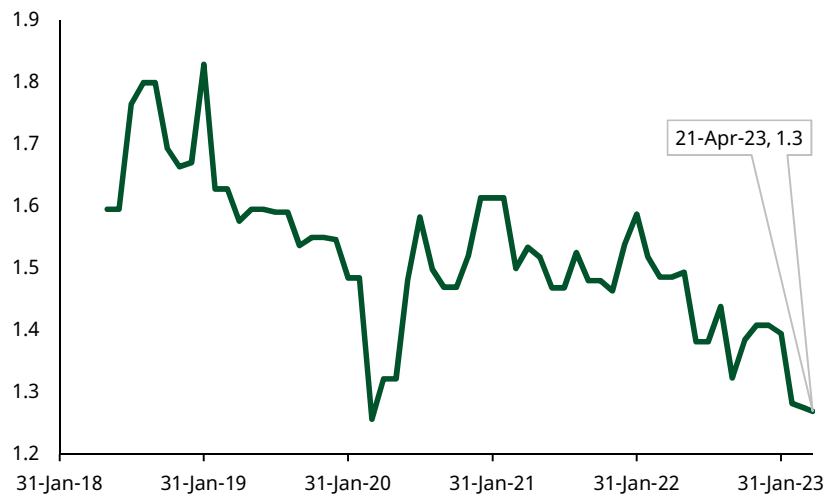
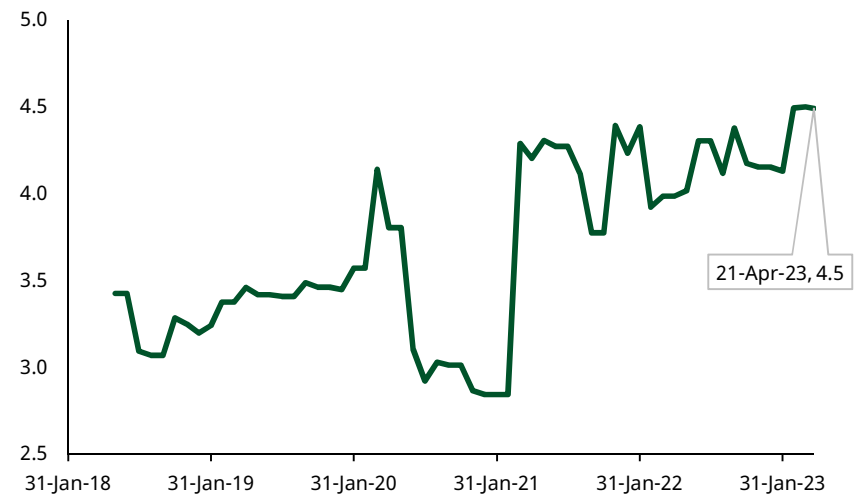


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Regional markets weighed by expectation of Fed rate hikes

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

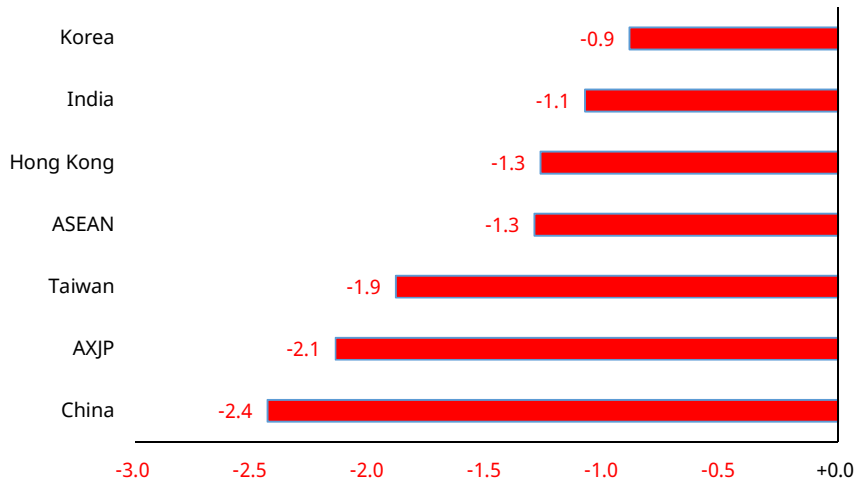


Exhibit 2: Country Performances Year-to-Date (%)

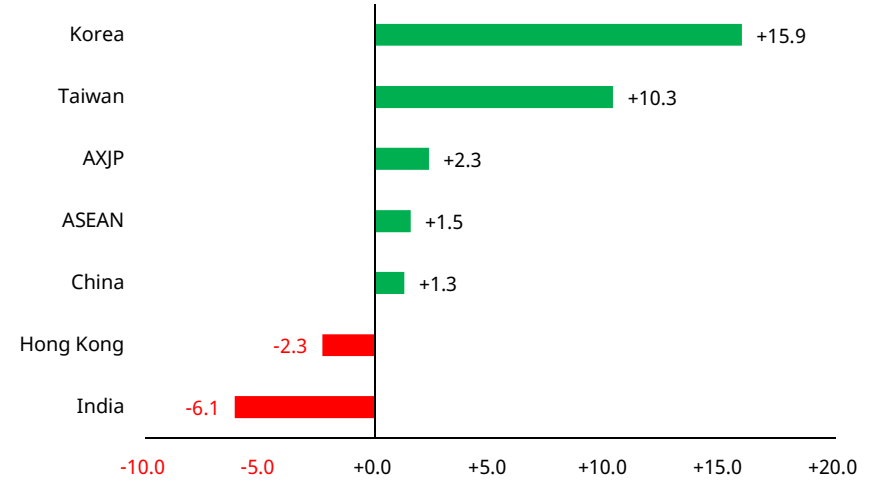


Exhibit 3: Sector Performances Week-to-Date (%)

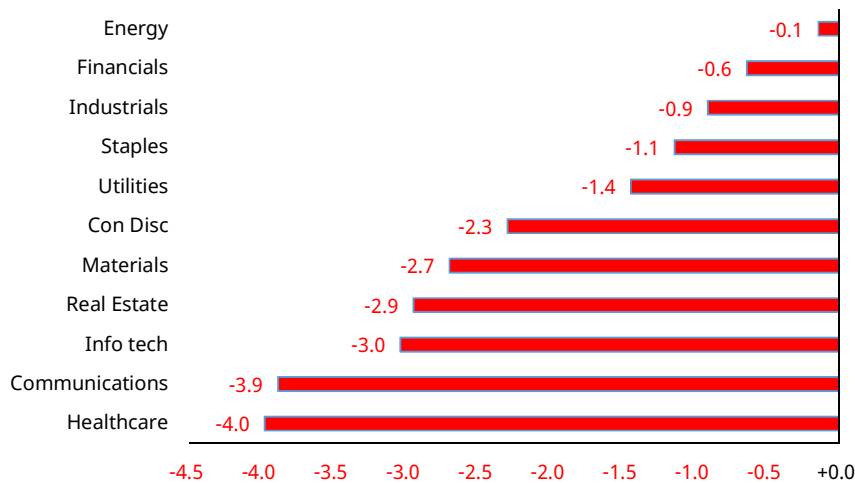
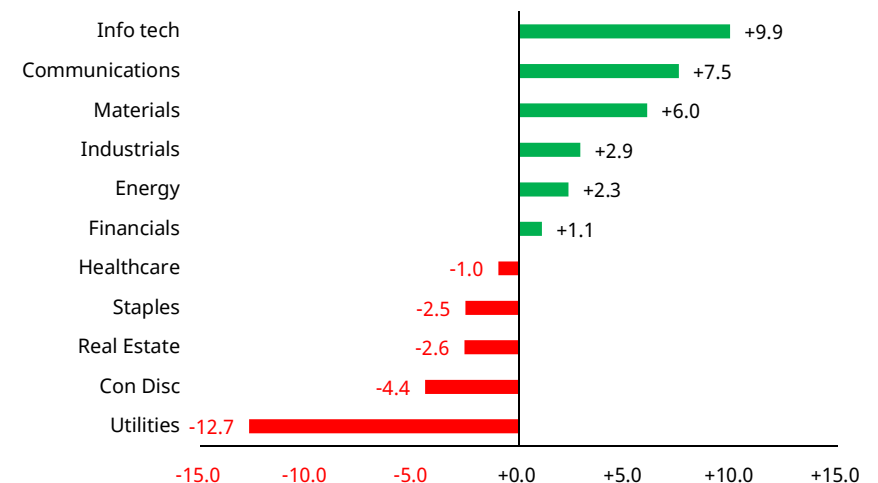


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

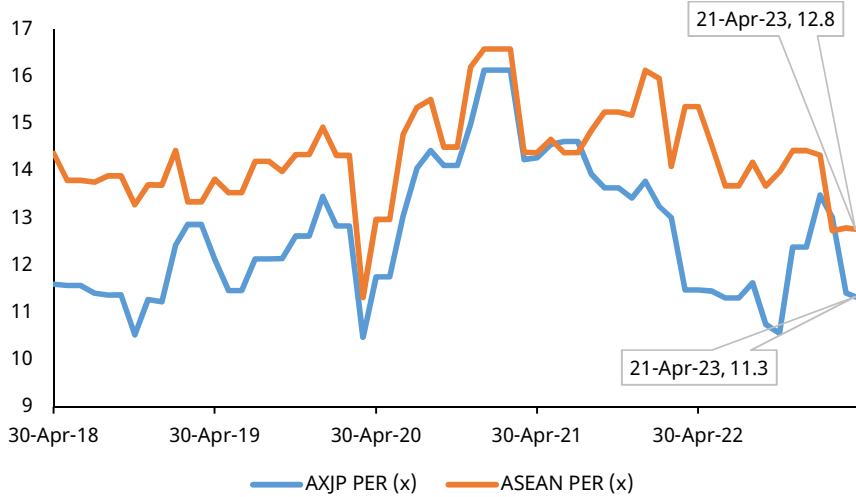


Exhibit 6: Regional Price-to-Book Ratio (x)

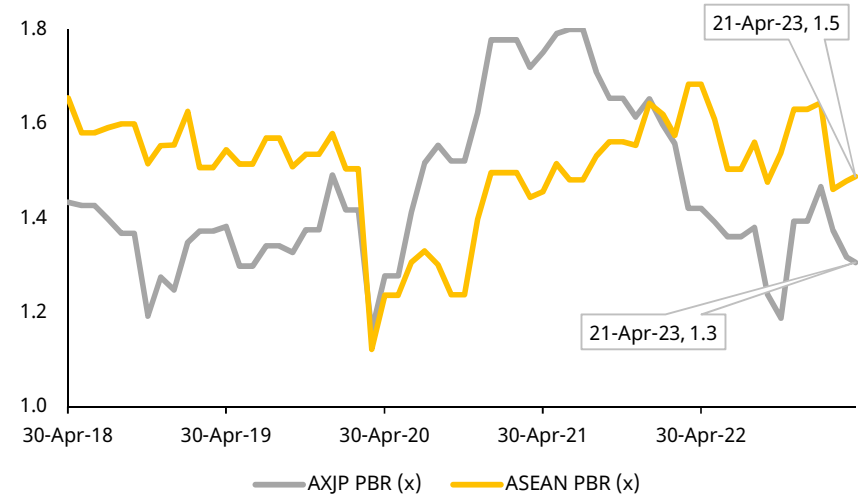


Exhibit 7: Regional Dividend Yield (%)

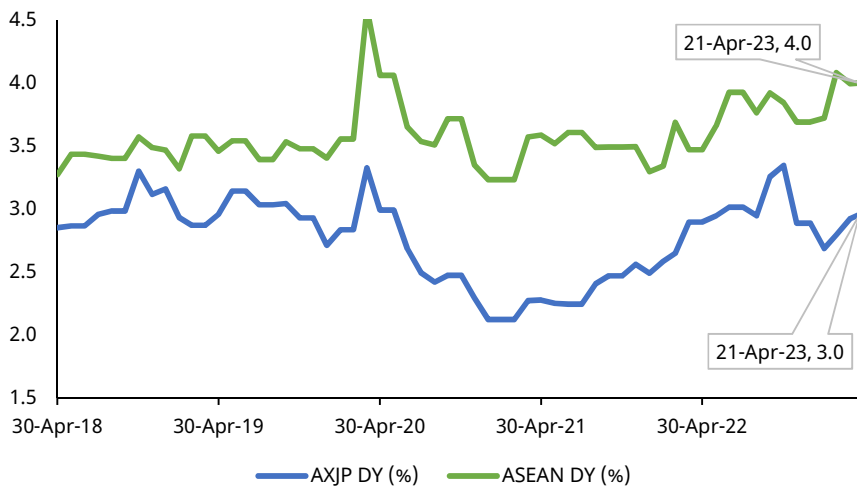
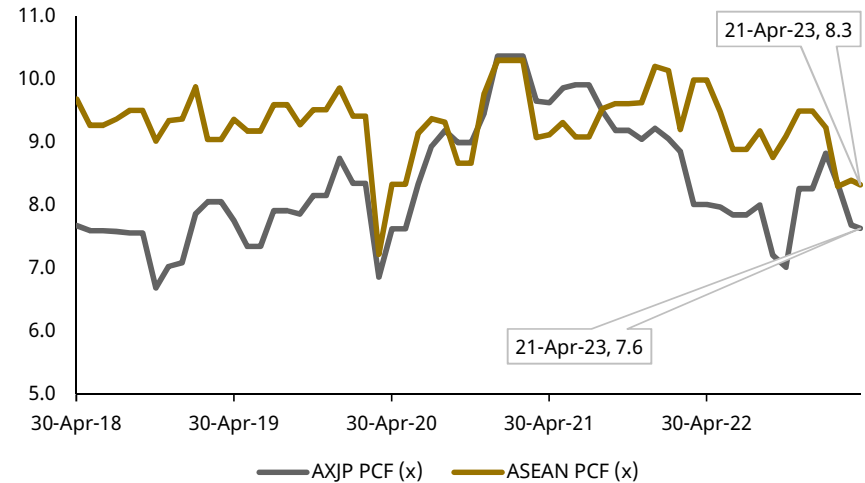


Exhibit 8: Regional Price-to-Cash Flow (x)



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)

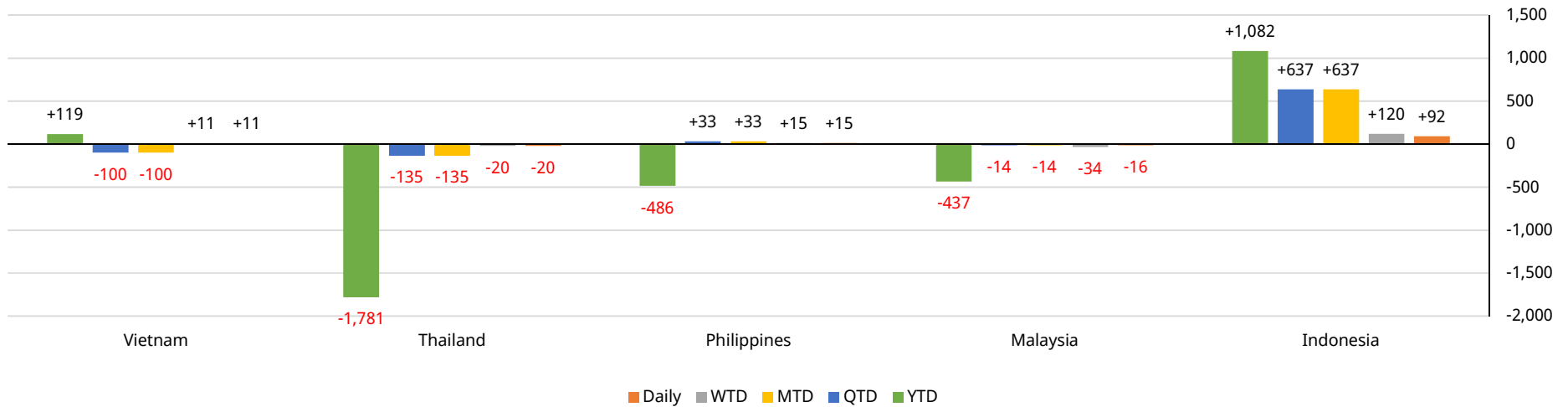
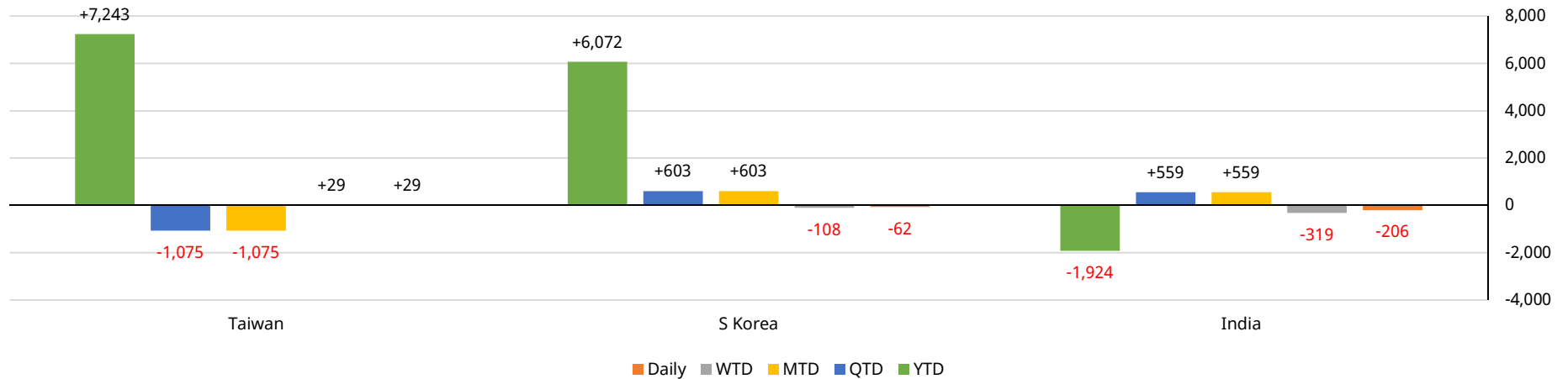


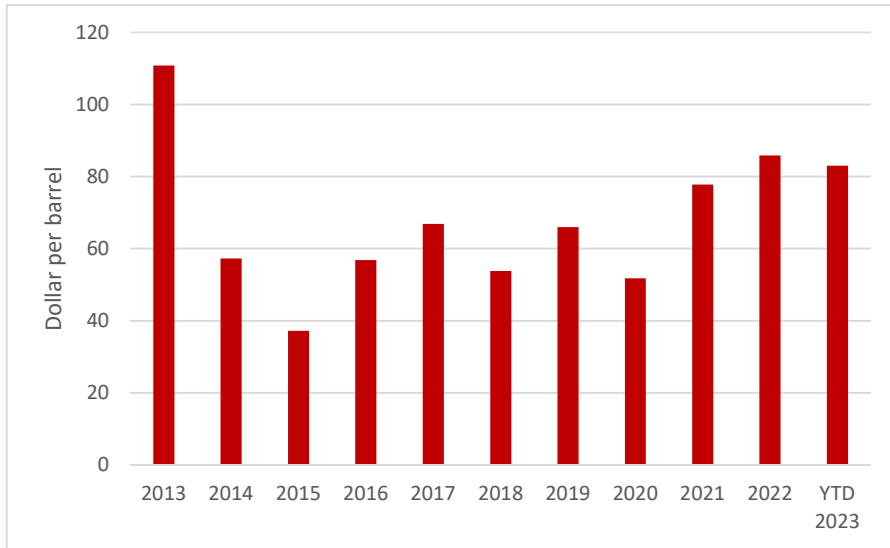
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



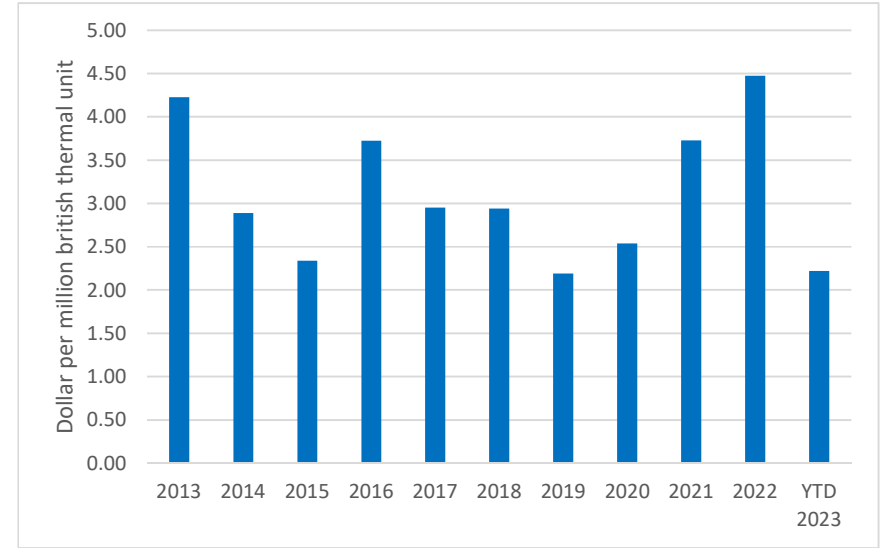
4.0 Energy Annual Prices

Energy Prices Weighed by Global Macro Uncertainties

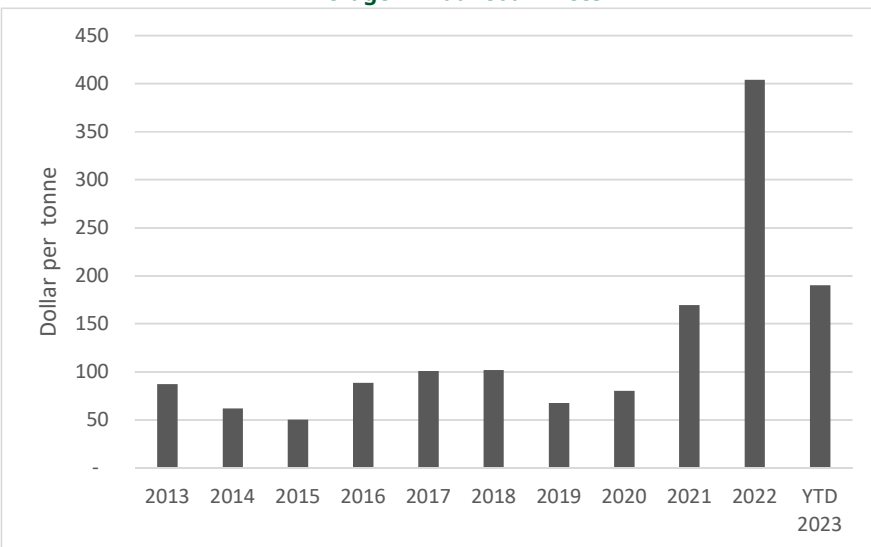
Average Annual Brent Oil Prices



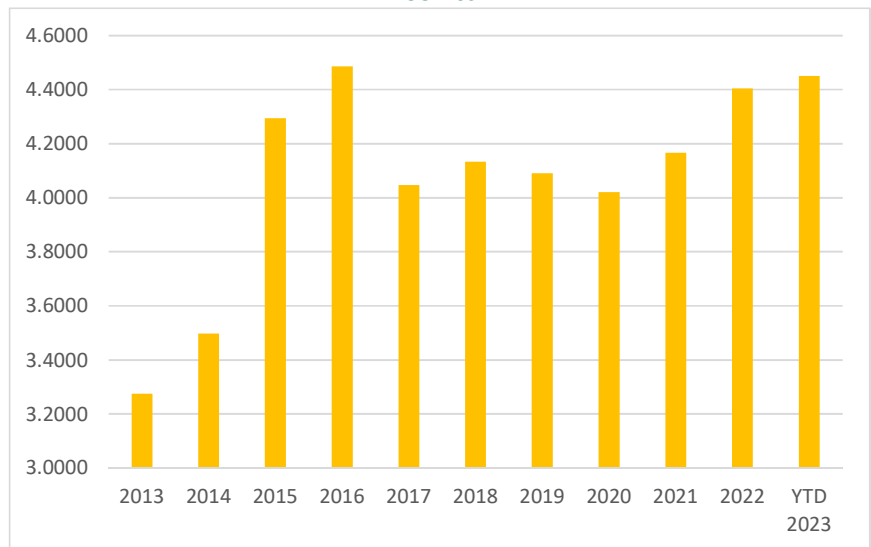
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

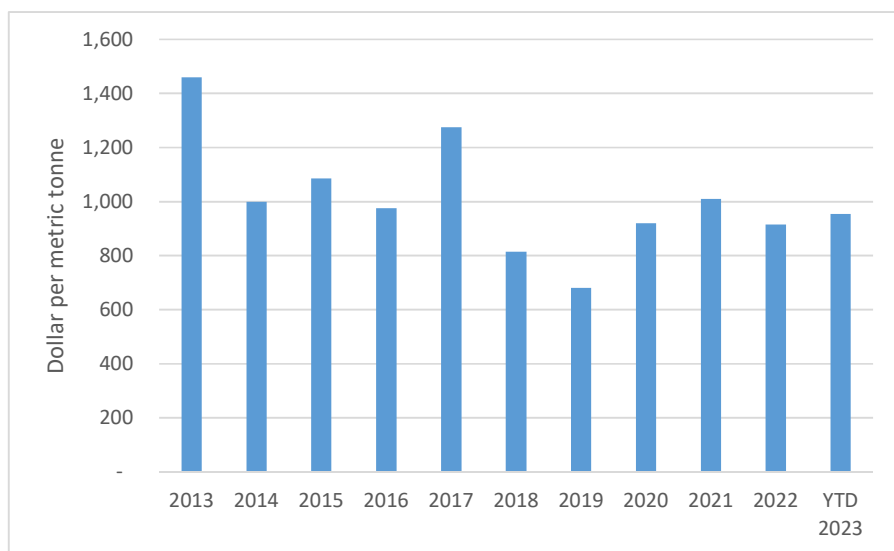


Source: Bloomberg

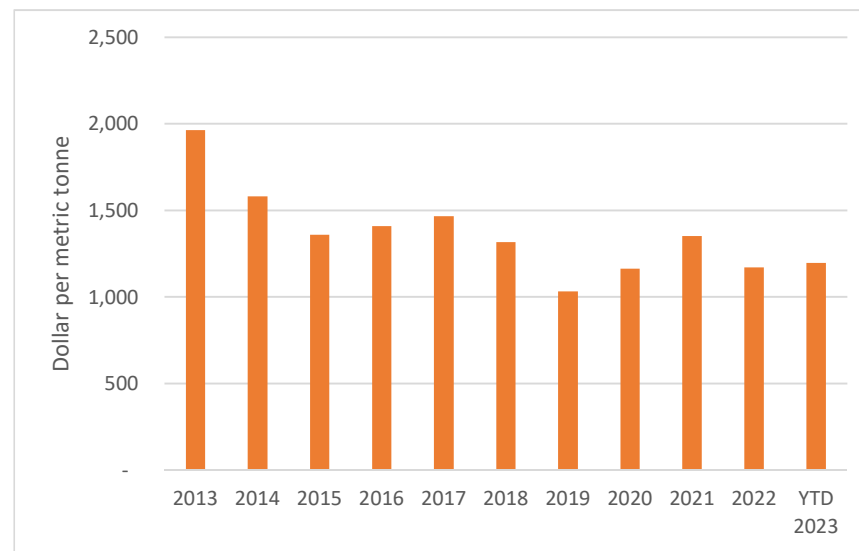
4.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

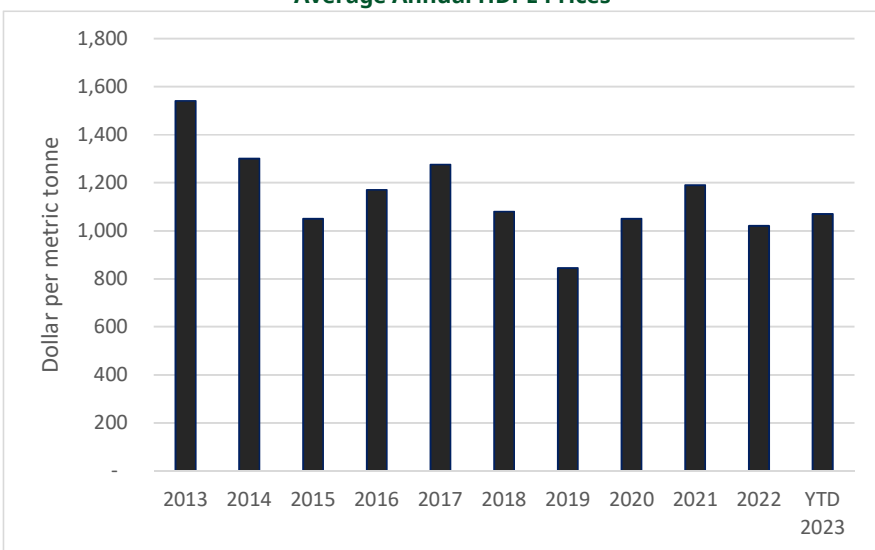
Average Annual Ethylene Prices



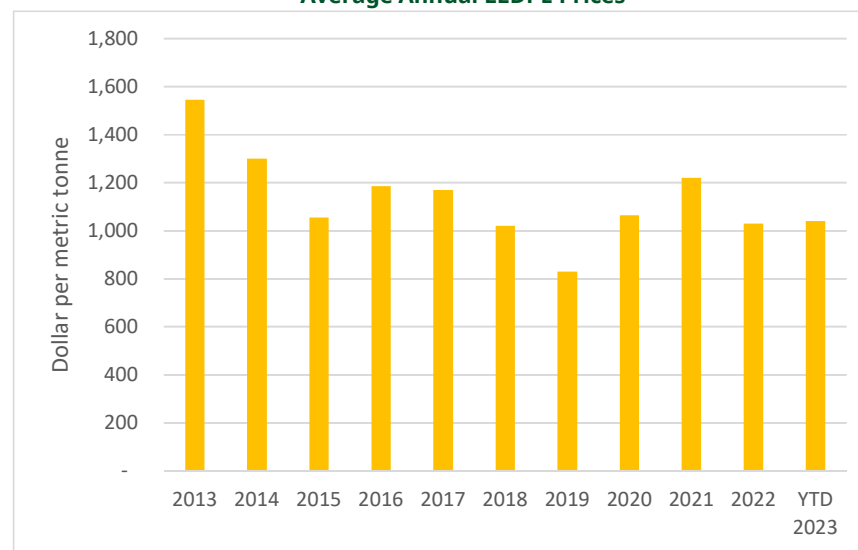
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

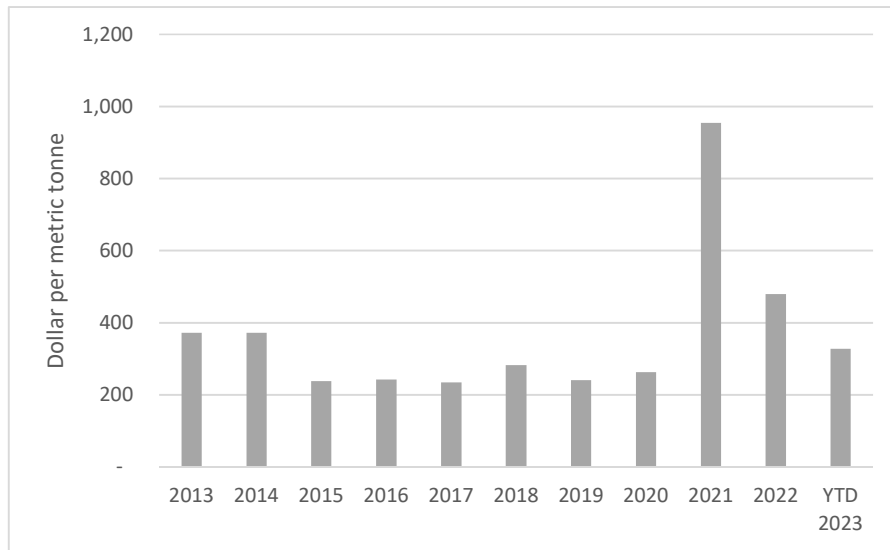


Source: Bloomberg

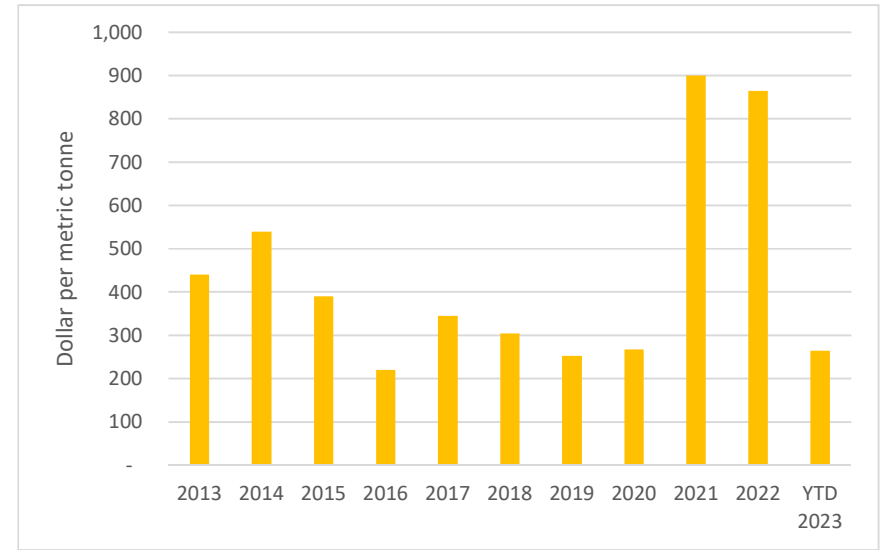
4.2 Fertiliser Annual Prices

Ammonia & Urea Prices Returned to Pre-Covid Price Range

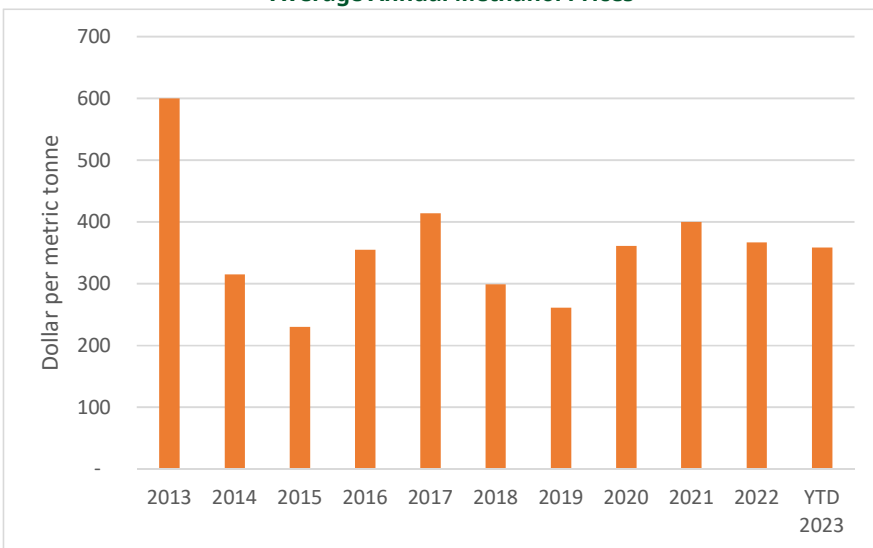
Average Annual Urea Prices



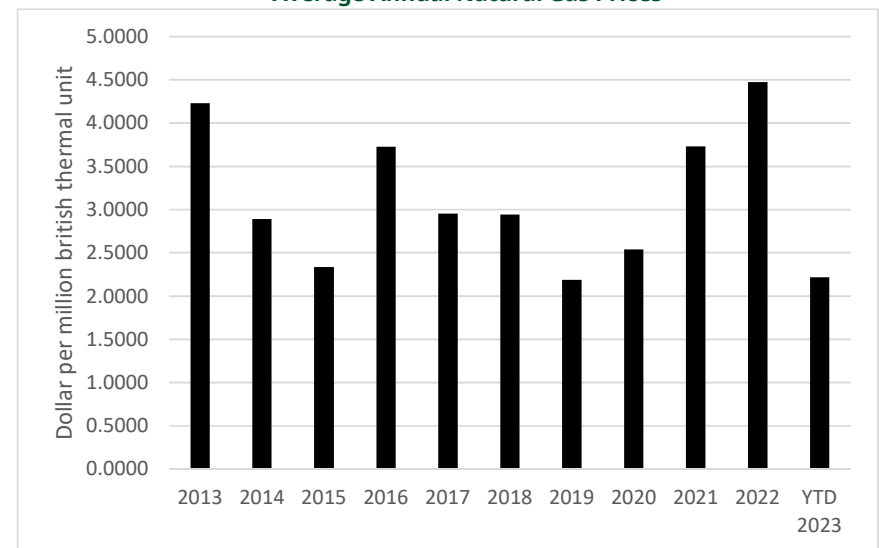
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

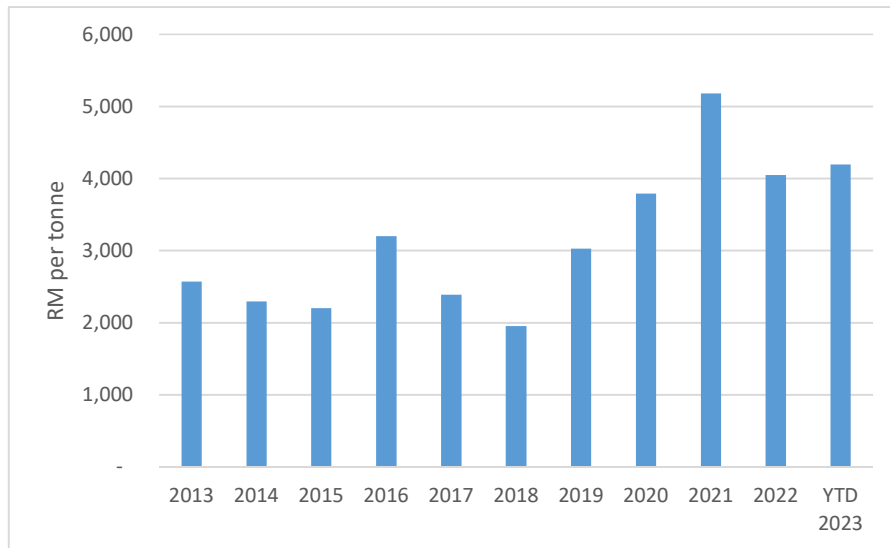


Source: Bloomberg

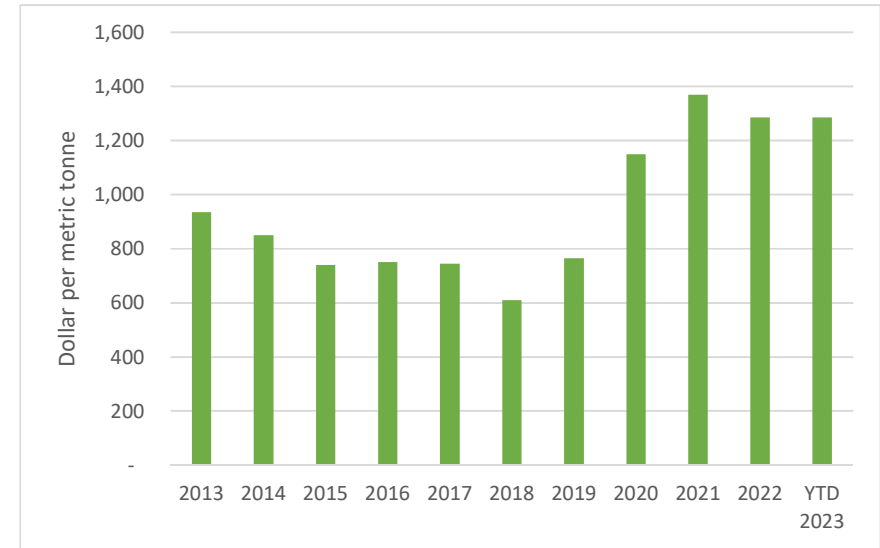
4.3 Agricultural Annual Prices

Prices to Trade Rangebound

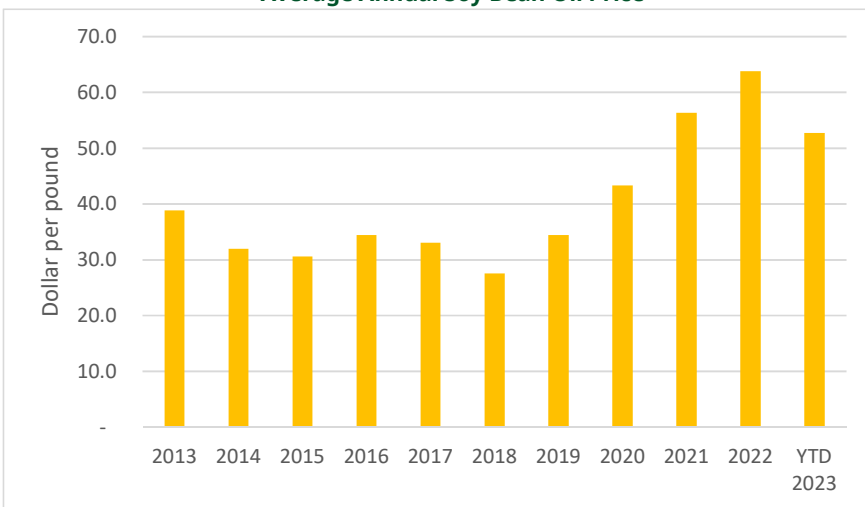
Average Annual Palm Oil Prices



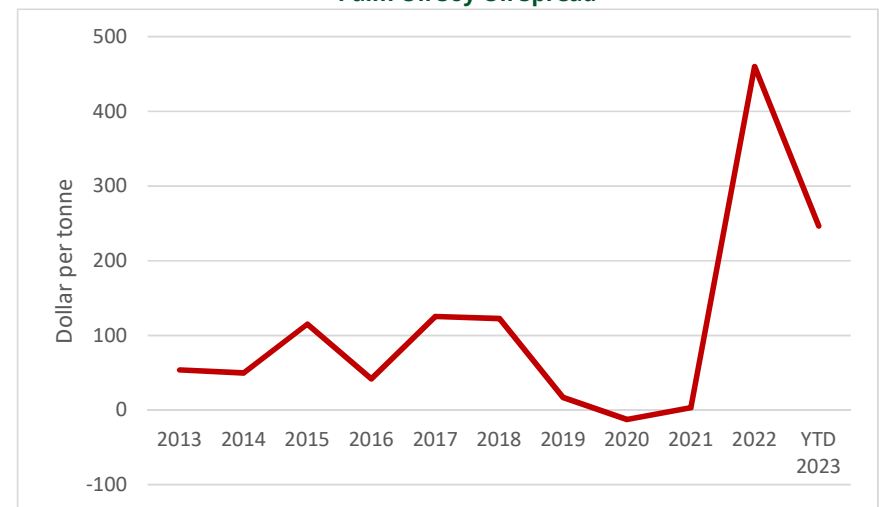
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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