

Portfolio Managers' Views


02 May 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (25-28 April 2023) & Our Managers' Views

1

Low oil supply outweigh near term demand concerns. We remain invested in oil producers: Oil prices fell sharply from \$85/bbl to \$77/bbl as markets feared that further rate hikes will decrease oil demand. This remains a possibility but we believe the supply shortage and capacity underinvestment outweigh these concerns in the medium term. We reiterate our view that oil prices will remain elevated and continue to remain invested in upstream oil producers Hibiscus and CNOOC.

2

China auto: shift in consumer preference, remain invested in BOE Varitronix: We joined a foreign broker call on China's largest auto show and took away some key trends: (1) consumers prefer local over international brands, consumers prefer electric vehicles over conventional vehicles and (3) competition between automakers are intensifying. In view of these trends, we are invested in BOE Varitronix, a display panel supplier for cars manufactured in China.

3

Tech sector is bottoming: Unisem reported that its 1Q23 profits declined by 85% QoQ due to lower sales volume. This was below market expectations but in line with ours. However, its management guided that earnings likely bottomed in Q1 and it should see improvement in Q2. This reinforces our view that based on historical cycles, we should see the industry's sales trend bottoming in Q2 and improve from thereon. We are invested in Unisem and aim to add our position on weakness.

4

Sale of Miami Lands is positive for Genting Malaysia's (GENM) prospects: GENM will sell its Miami lands for RM5.4bil and realise a disposal gain of RM4.3bil. We think GENM will likely use the proceeds to bid for a gaming license at downstate New York, which will contribute significantly to its earnings if successful. Moreover, we expect 2023 earnings to be further driven by the return of Chinese tourists and the full reopening of its hotel rooms and theme parks. We are invested in GENM.

5

Rebound in tourism is positive for travel-related stocks: Two Singapore-listed hospitality real estate investment trusts ("REIT") reported strong 1Q23 results as tourism rebounded. Far East Hospitality and CDL Hospitality reported revenue growth of 20-30%, on higher occupancy and room rates. Similarly, we expect our position in a Malaysian hospitality REIT to fare well on the back of these travel dynamics. It also has a higher dividend yield of 7% compared to the said Singapore REIT.

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.

2.0 MALAYSIA MARKET REVIEW

Bursa Telecommunications Index rose 3.0% WTD led by Star Media

Exhibit 1: KLCI vs Shariah Index

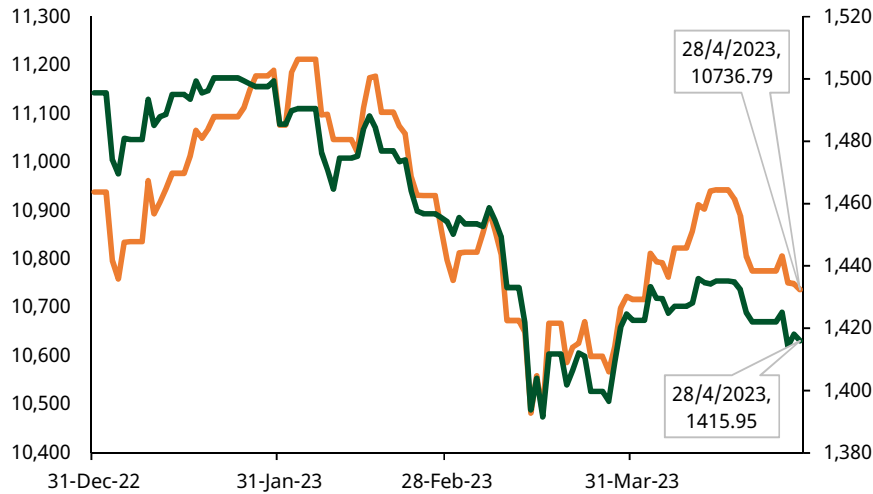


Exhibit 2: USDMYR

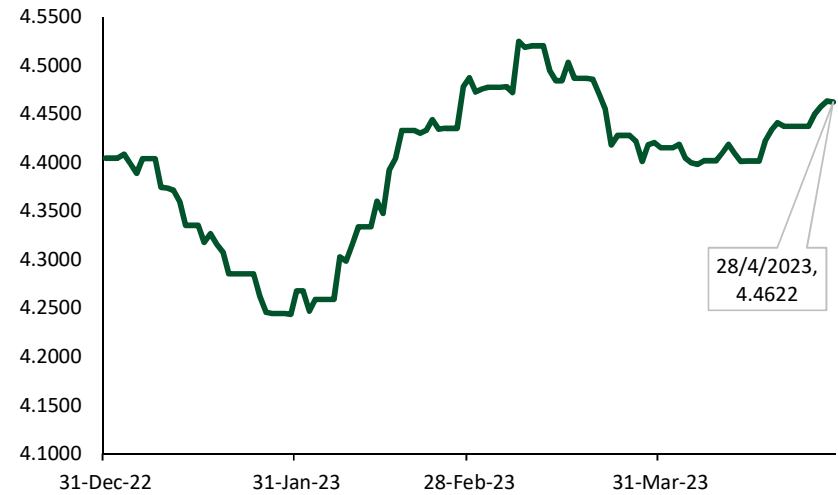


Exhibit 3: Sector Performances Week-to-Date (%)

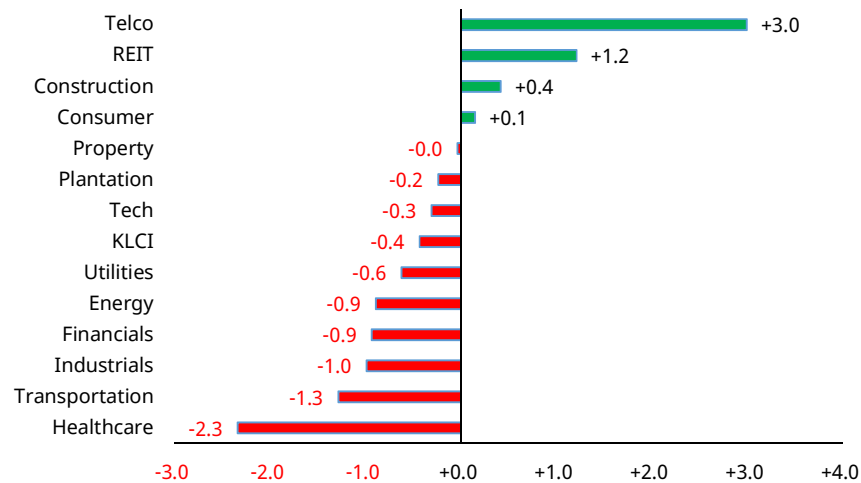
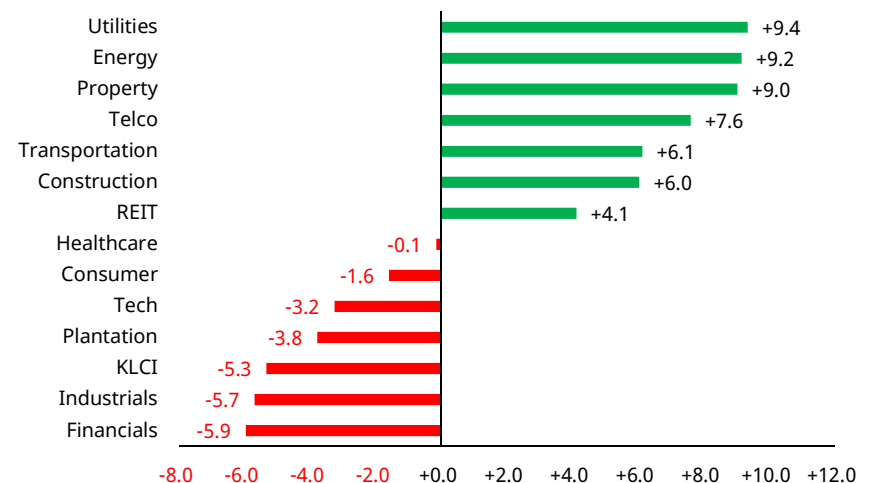


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations remain at Historical Bottoms - BUY Territory

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

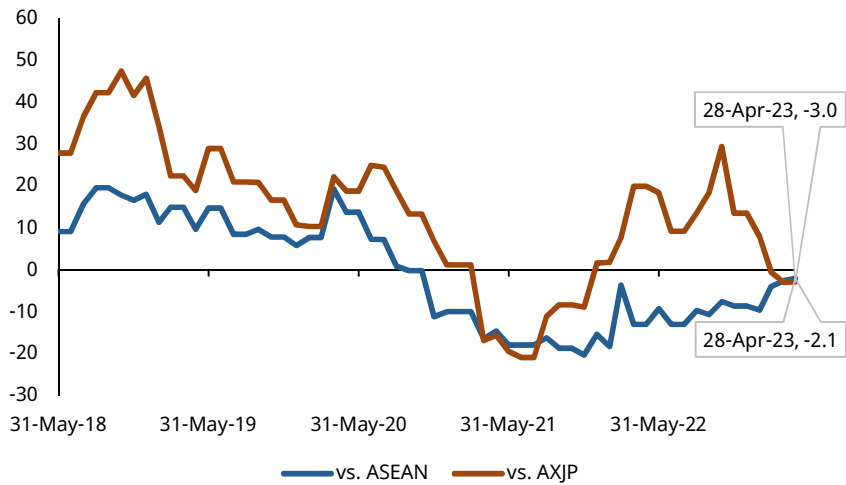


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

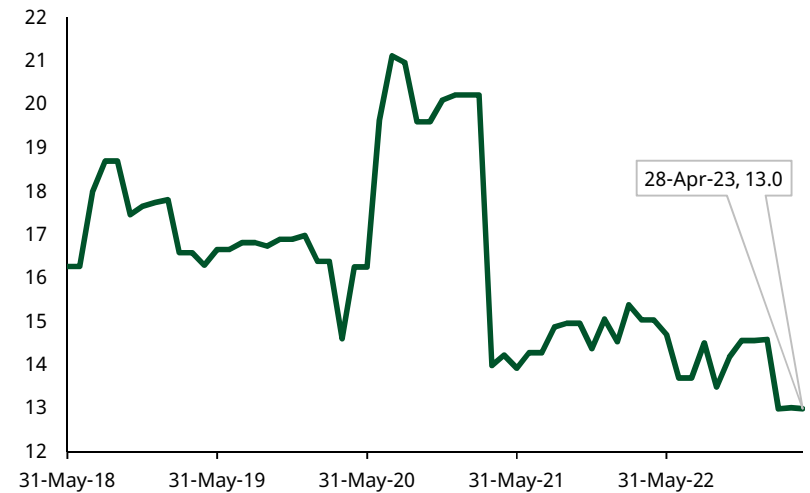


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

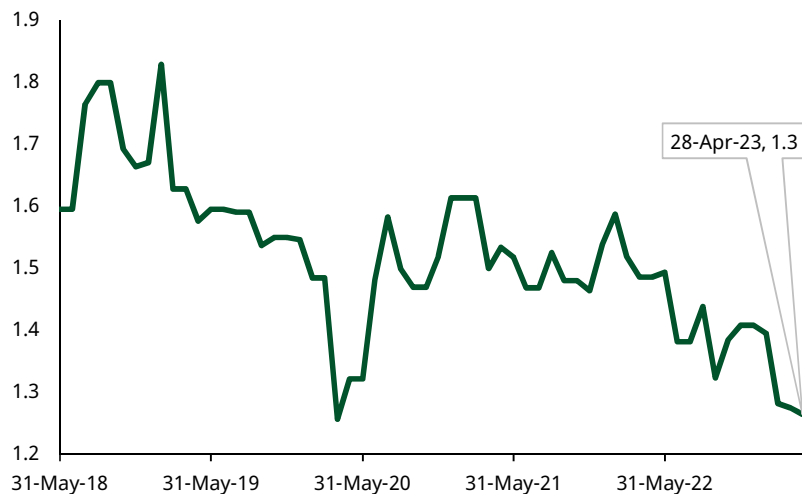
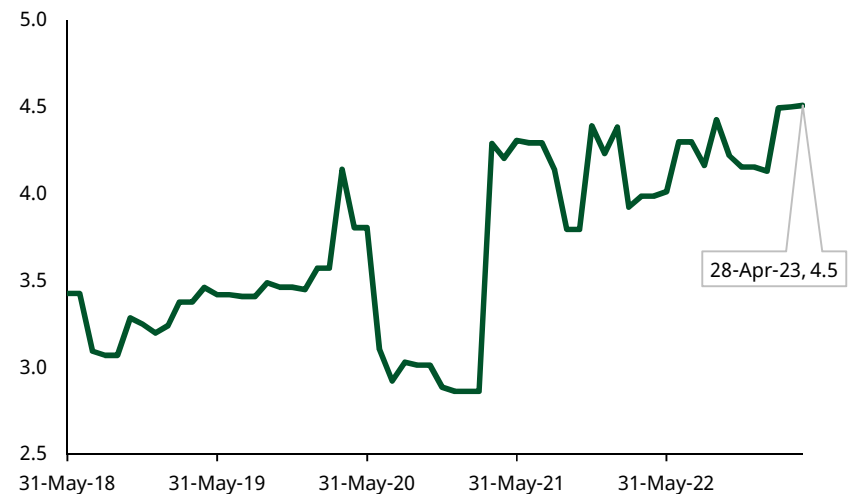


Exhibit 8: KLCI's Dividend Yield (DY, %)



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 (%)

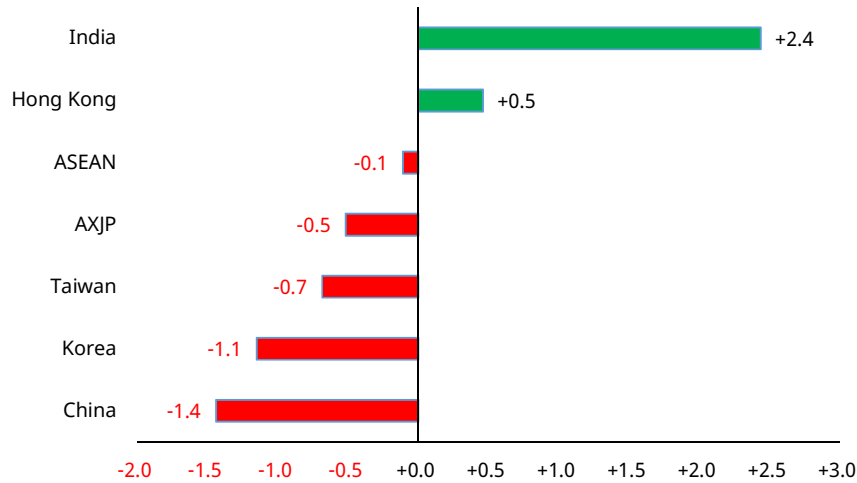


Exhibit 2: Country Performances Year-to-Date (%)

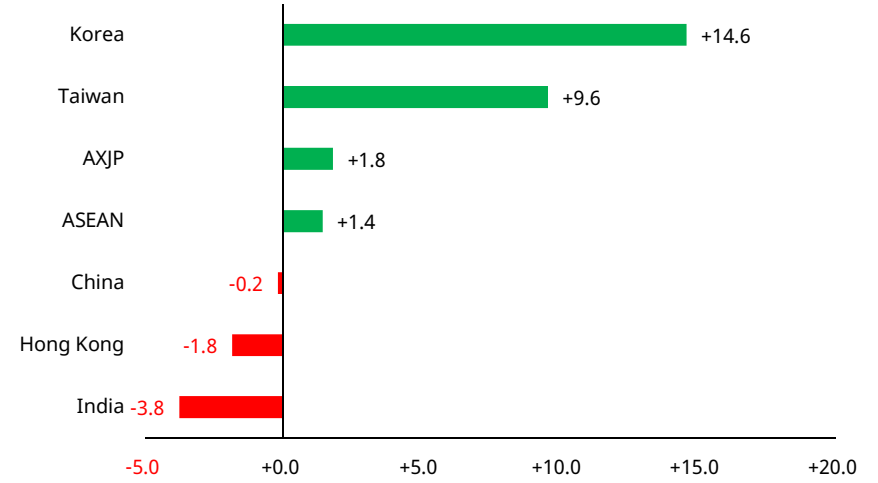


Exhibit 3: Sector Performances Week-to-Date (%)

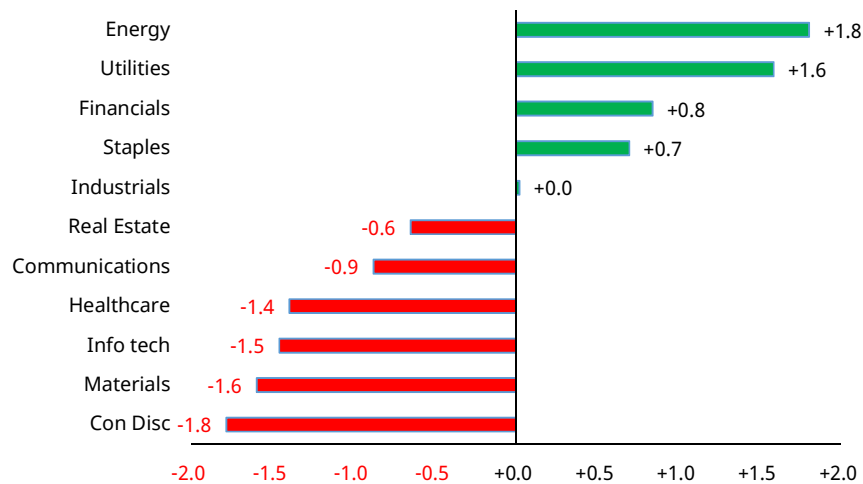
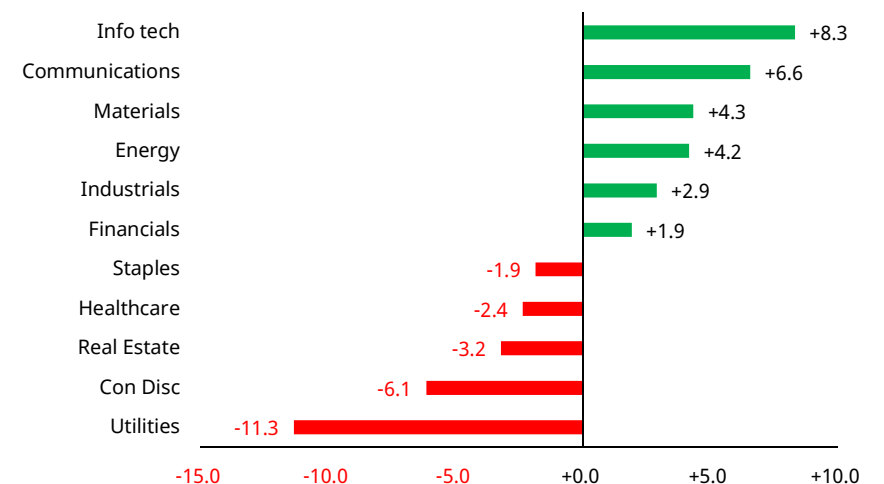


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

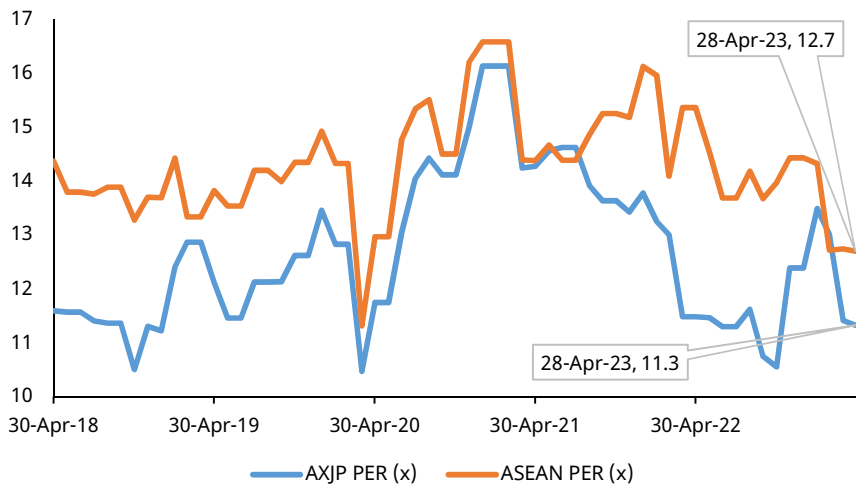


Exhibit 6: Regional Price-to-Book Ratio (x)

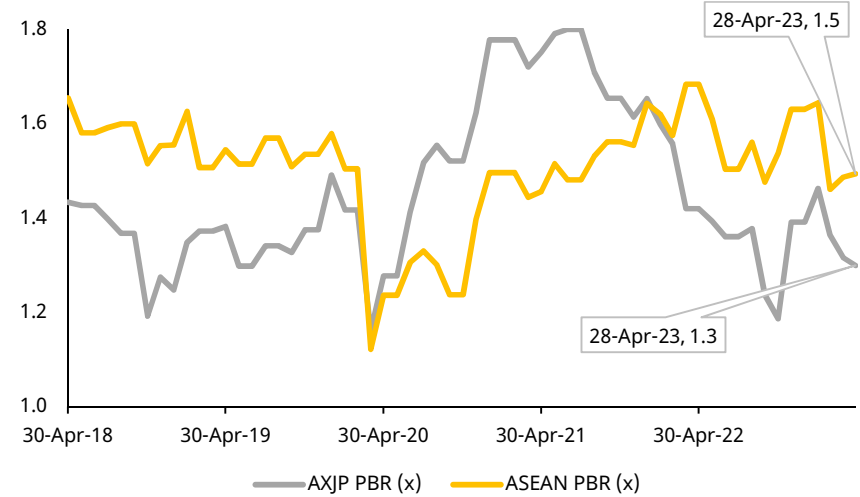


Exhibit 7: Regional Dividend Yield (%)

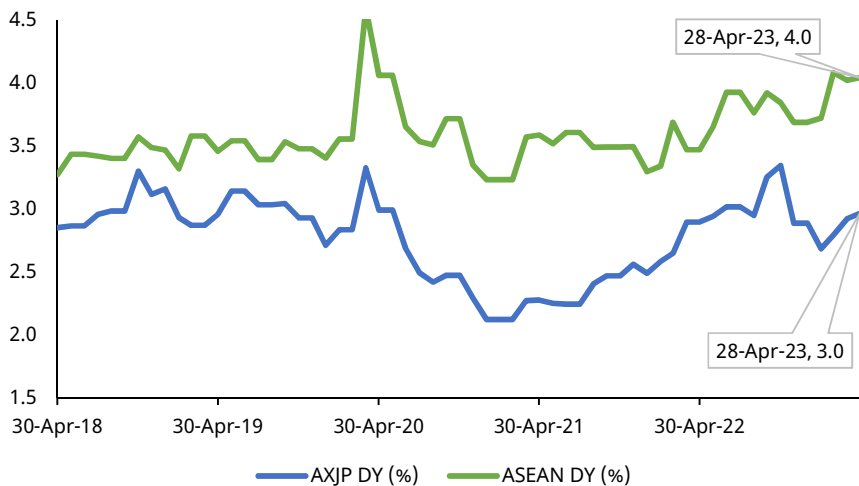
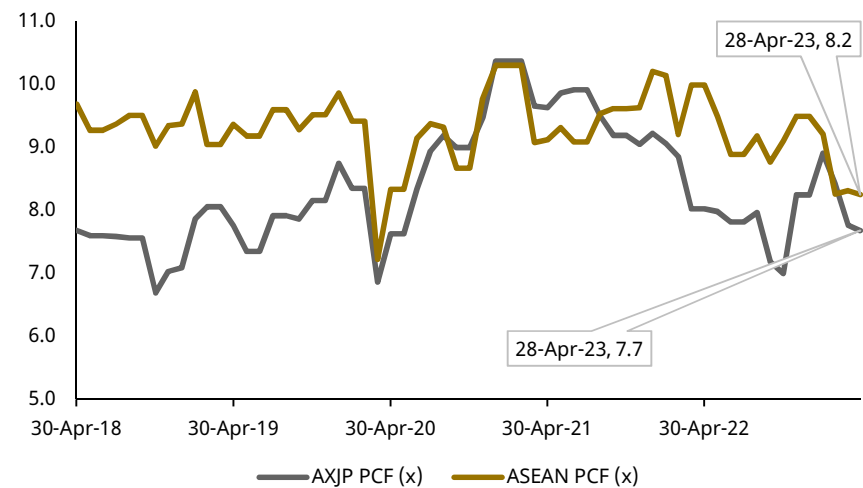


Exhibit 8: Regional Price-to-Cash Flow (x)



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)

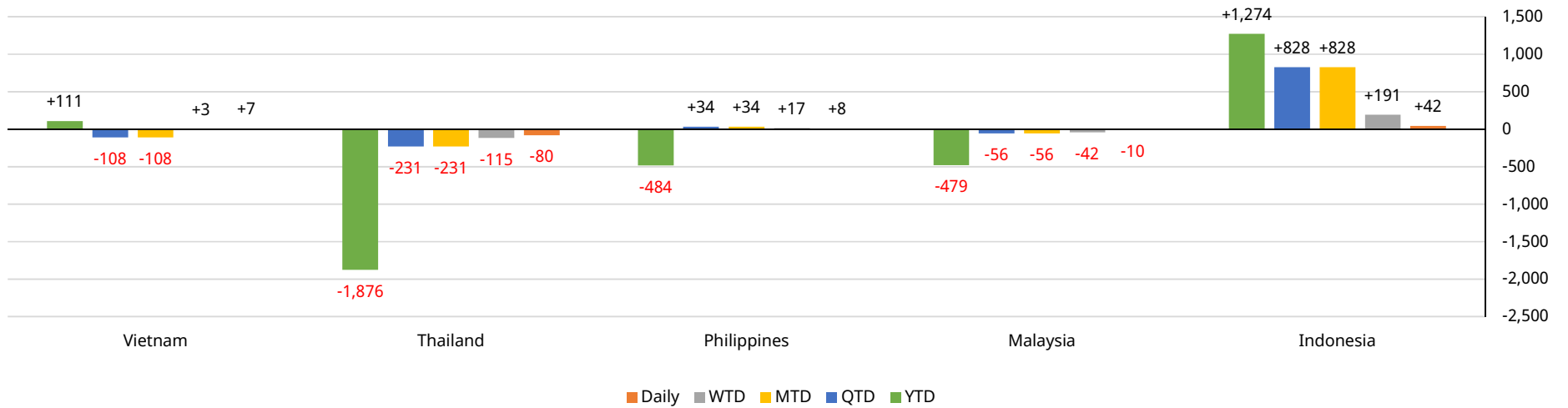
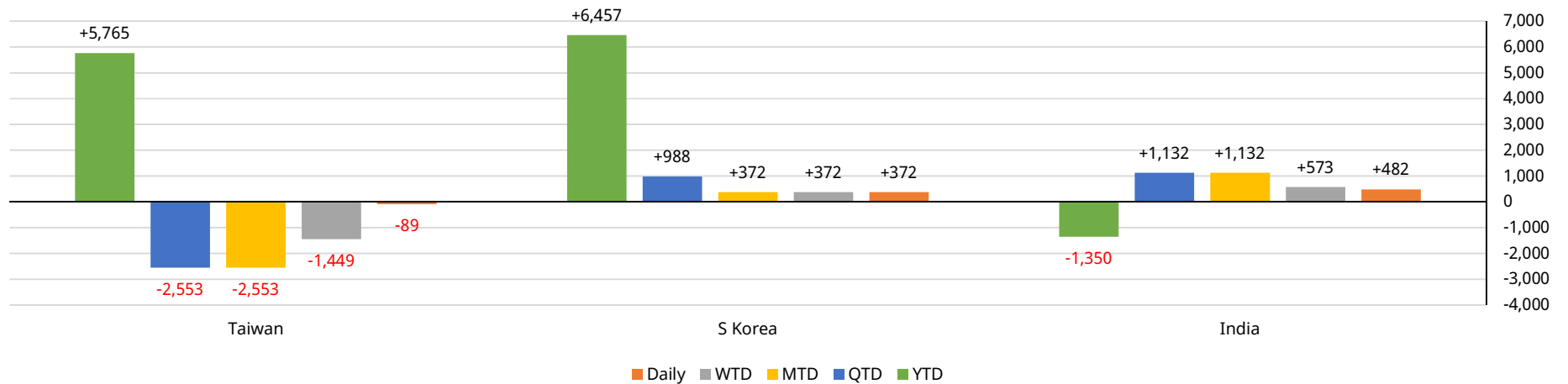


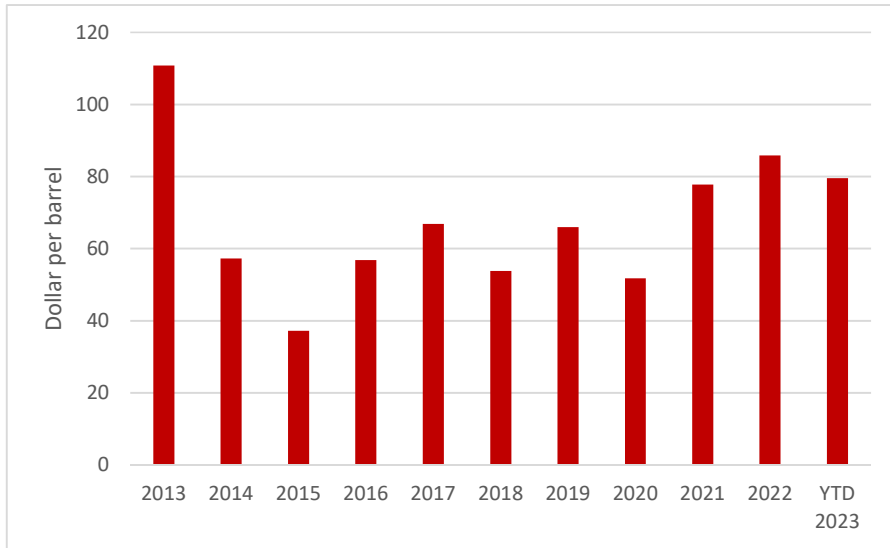
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



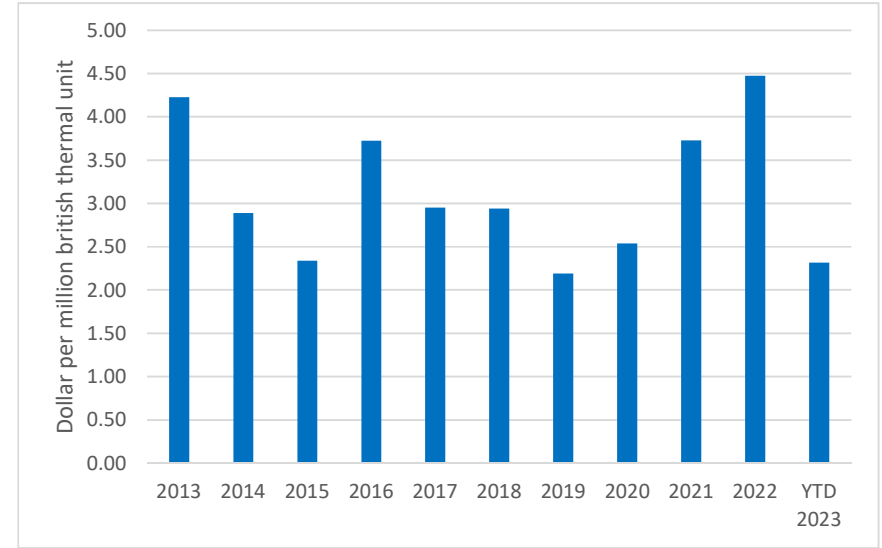
4.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

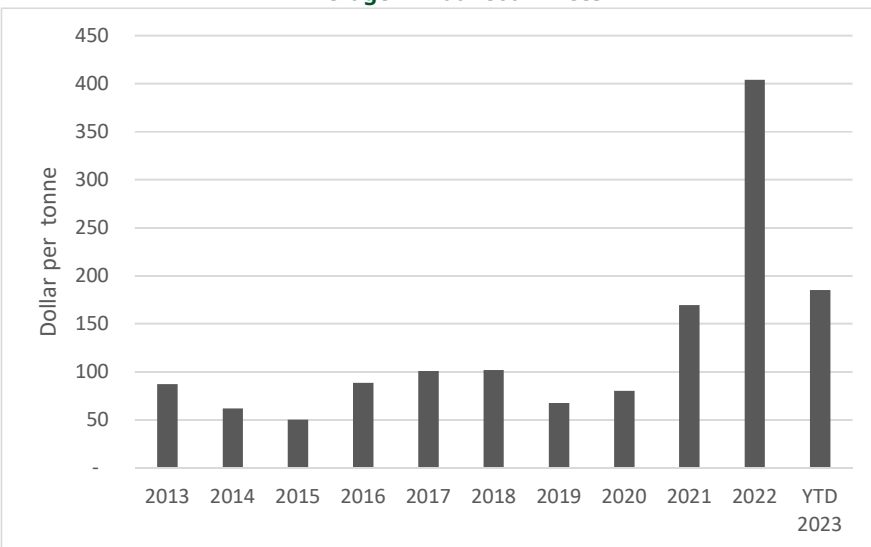
Average Annual Brent Oil Prices



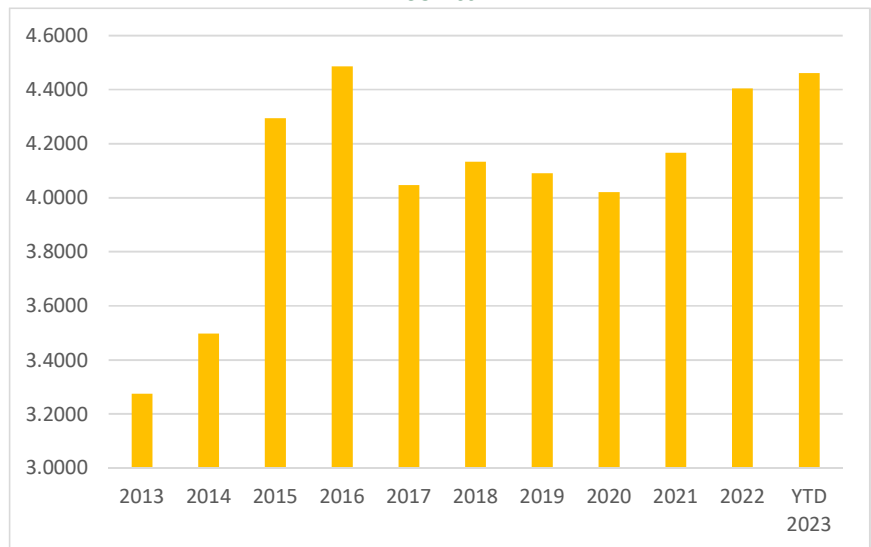
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

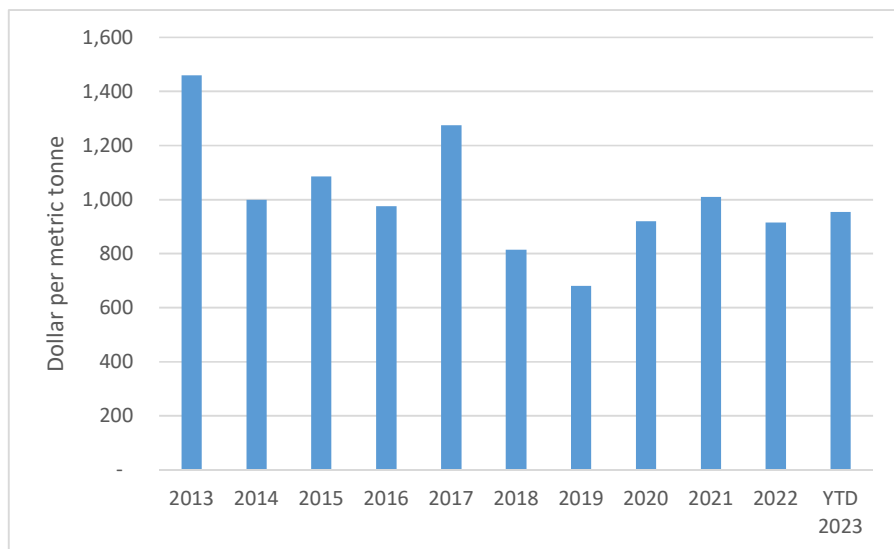


Source: Bloomberg

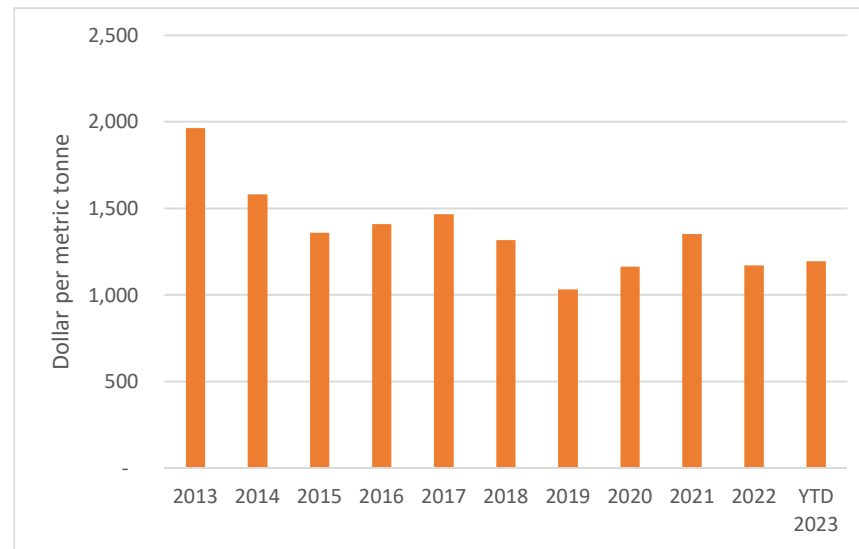
4.1 Petrochemical Annual Prices

Modest Price Increase On China's Reopening Demand

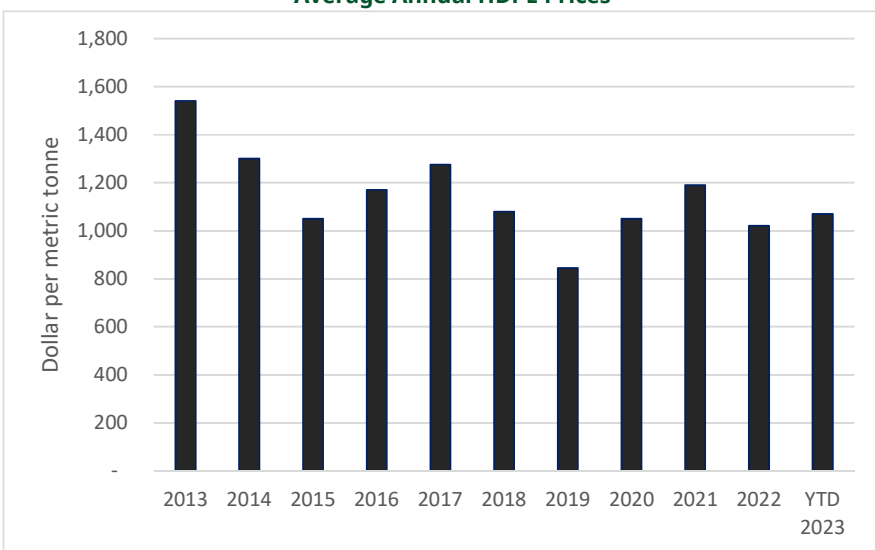
Average Annual Ethylene Prices



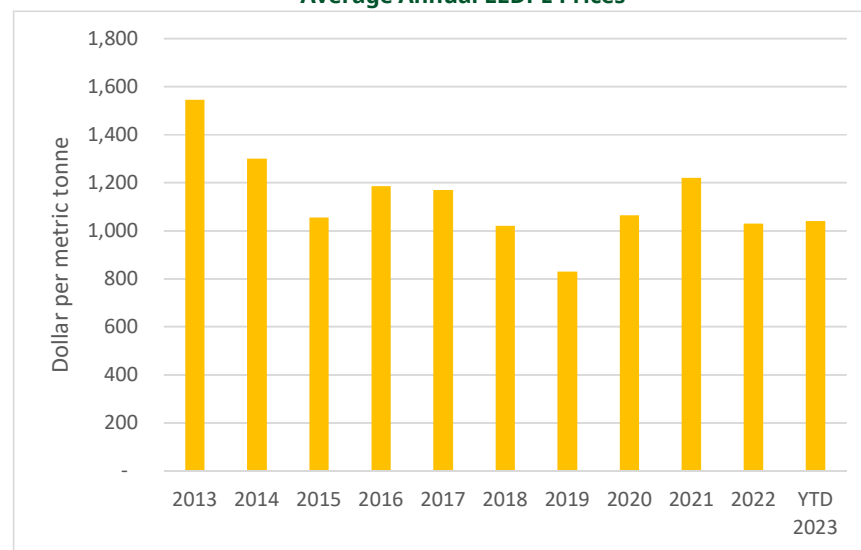
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

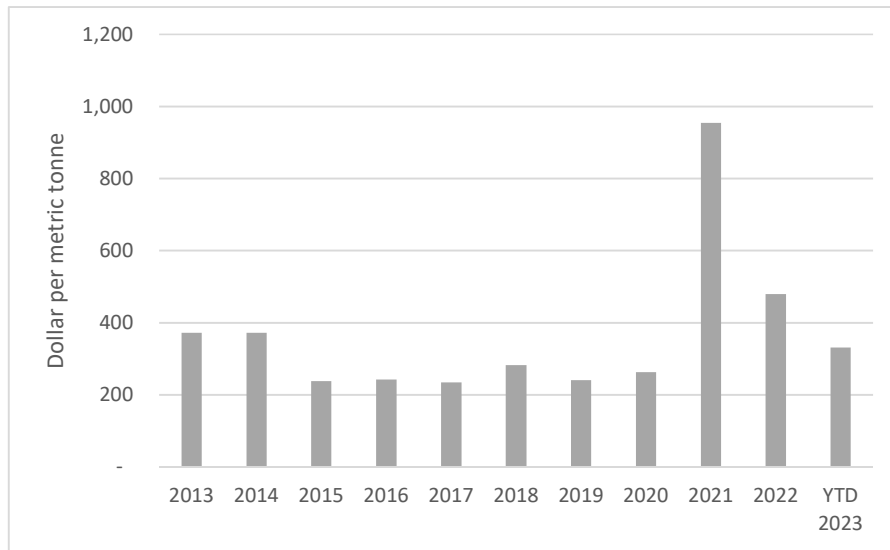


Source: Bloomberg

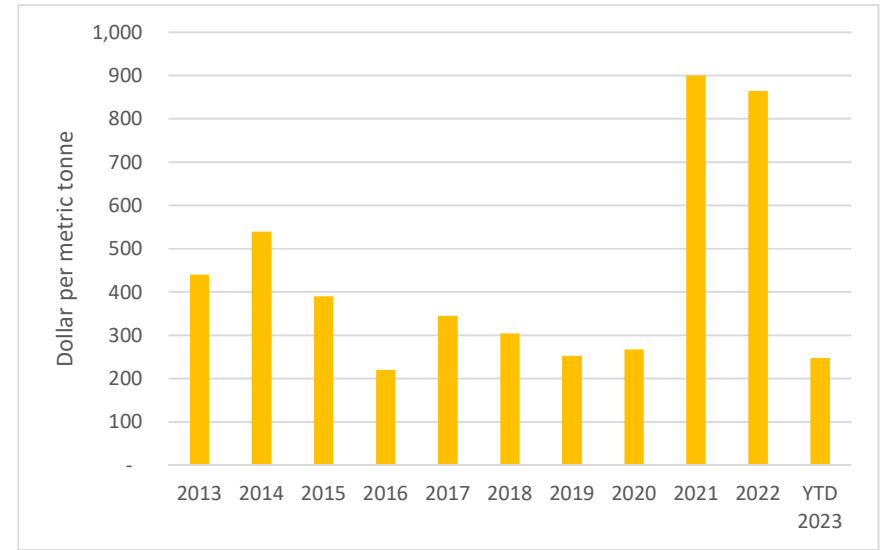
4.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

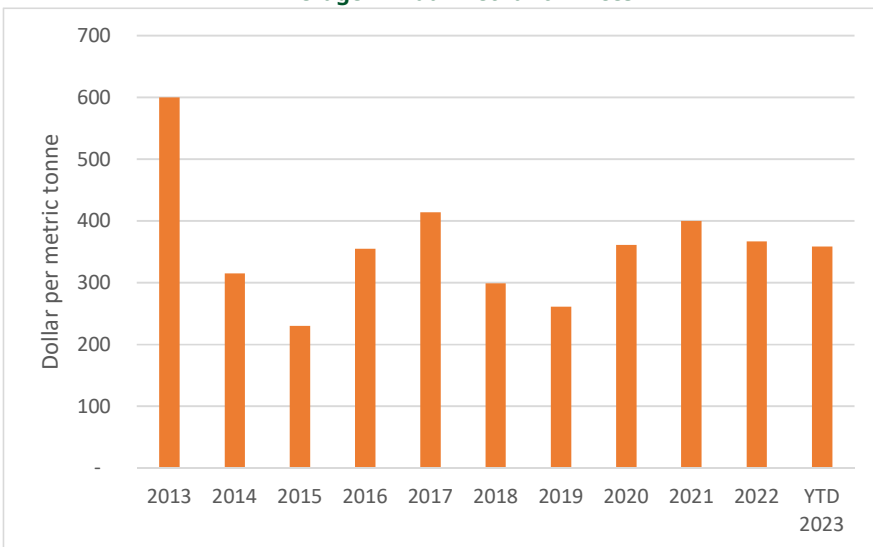
Average Annual Urea Prices



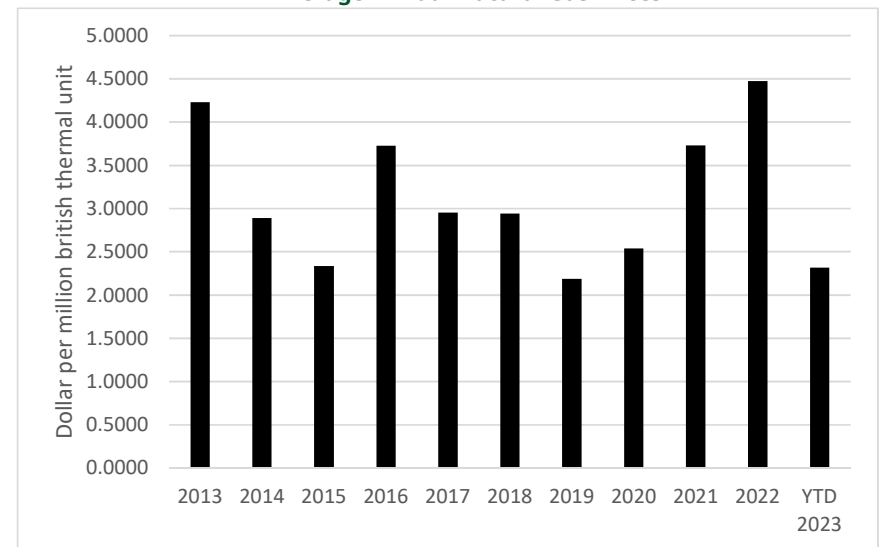
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

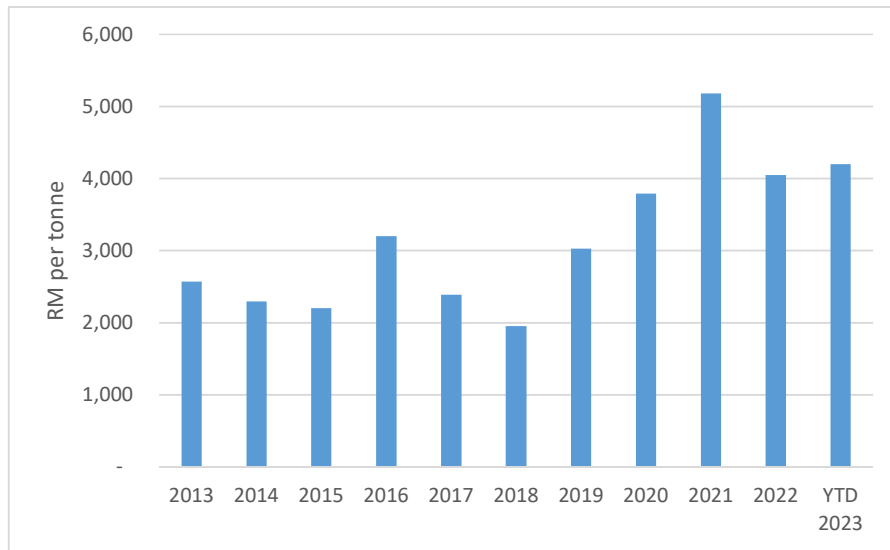


Source: Bloomberg

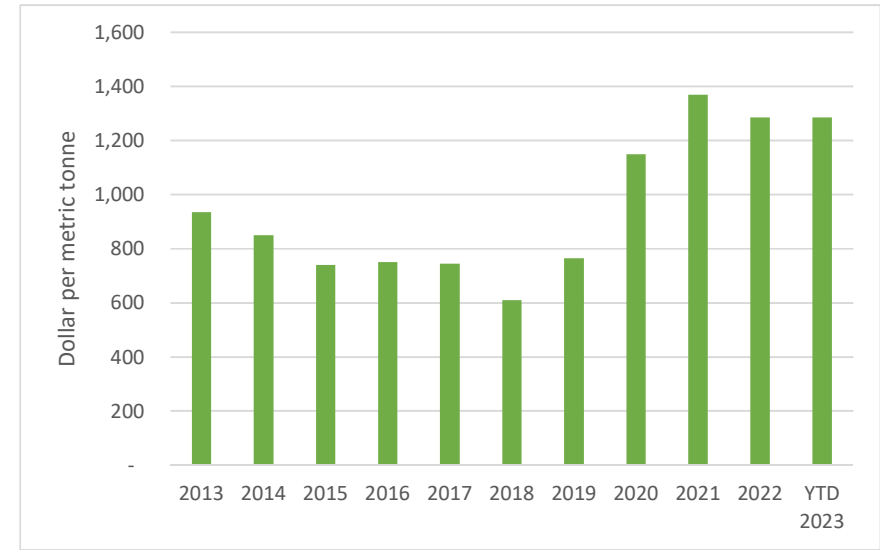
4.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand

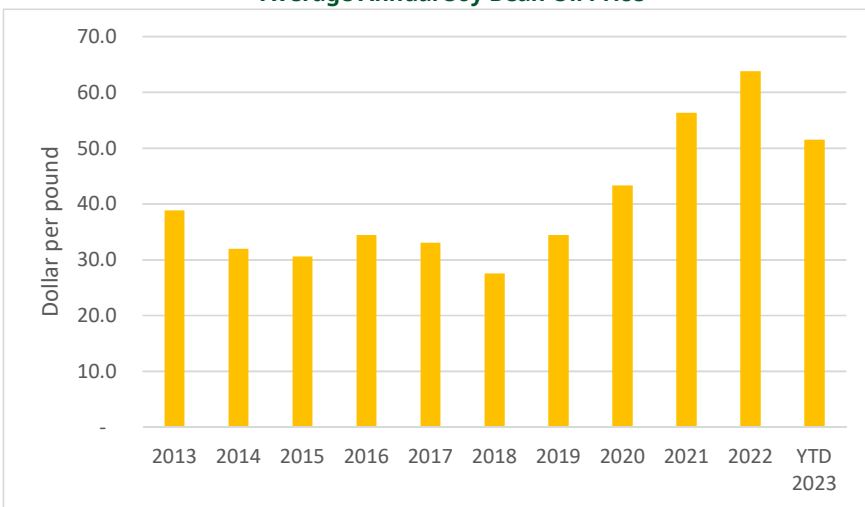
Average Annual Palm Oil Prices



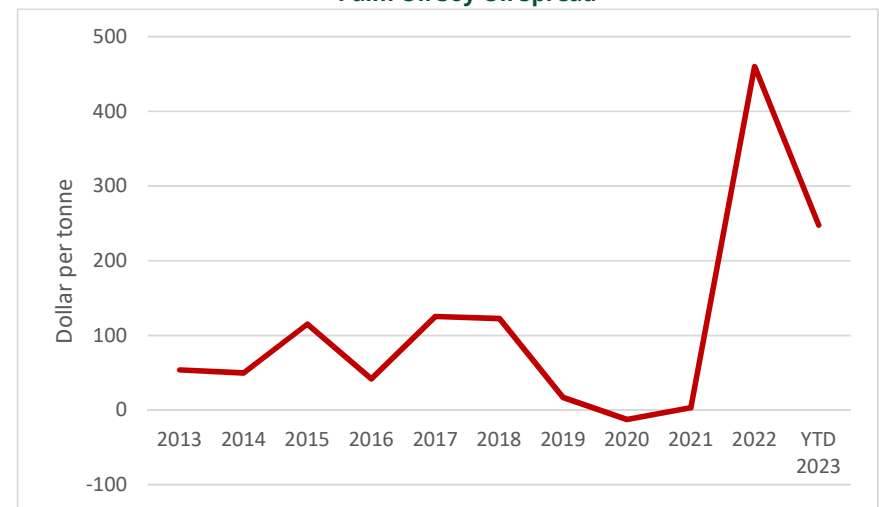
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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