

Portfolio Managers' Views



7 June 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (29 May - 2 June 2023) & Our Managers' Views

1

We invest in Taliworks (TWK) for its sustainable high dividend yields: TWK's Q1'23 net profit increased by 1.5% YoY due to higher water, toll and solar contributions. We see more potential in TWK as it will likely raise the water tariff and toll rates, further supporting its earnings and dividends. Moreover, we are not overly concerned about the delays of the Rasau Project as it is a very impactful project for the Selangor state. Thus, the project will likely progress in the coming quarters.

2

We invest in ELK-DESA (ELK) for its sustainable, strong loan growth and high dividend yields: ELK's Q4'23 net profit increased by 35% YoY, driven by a higher-than-industry average loan growth of 23% YoY. ELK will likely achieve a double-digit loan growth due to the strong demand for second-hand vehicle hire purchase loans. Moreover, ELK re-implemented its repossession policy, allowing it to recover some bad debts. Thus, earnings and dividends should remain stable.

3

We invest in YTLREIT (YTLR) for its high dividend yields and potential upside from its Australian hotels: YTLR's Q3'23 distributable income rose 44% YoY due to higher contributions from its Australian hotels. We expect YTLR to pay higher dividends once it receives deferred rentals from its Australian hotels this year. Moreover, given that the short-term international arrival in Mar-23 is 65% of Mar-19, there is still room for Australian hotels to recover back to pre-covid levels.

4

We invest in Ann Joo for its return to profitability as margins improve: Ann Joo reported that although sales have declined by 15%, its bottomline has improved from a loss of RM66mil to a loss of RM21mil. This was due to lower sales volume which was offset by better selling prices. We believe the sector will experience margin improvements and the downside risks of steel prices to be limited as operating costs such as utilities and coal prices are expected to come down significantly as the year

5

We invest in Press Metal on Weak Aluminium Supply : Press Metal saw sales decline by 20% but profits rising 30% QoQ. The better margins were because carbon anode prices, one of its key raw materials, saw prices fall 30% during the quarter. Moving forward, we believe there is a secular weakness in aluminium supply which will become more evident once demand improves. We expect aluminium's supply tightness to drive aluminium prices and subsequently improve Press Metal's earnings.

6

Valuations: KLCI valuations are trading at very attractive levels. For instance, its 2023 price-earnings ratio ("PER") of 13.3x is well below the bottom of its 12-year range of approximately 15x PER. Similarly, its dividend yields are trading at 4.5%, above the 10-year high of 4.3% last seen in Q1 of 2021. Price-to-book ratios are also attractive at 1.2x, which are levels last seen only during the market bottom for Covid in Mar-20. Hence, we remain optimistic for the prospects of the Malaysian markets.

1.0 MALAYSIA & REGIONAL

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7 Ringgit Depreciation: The equity market is dragged down by the depreciating Ringgit. Anecdotally our conversations with the management of listed companies reveal that although import prices of raw materials (such as wheat, coal, barley, malt etc.) have declined, the cost savings were partially offset by the weaker Ringgit. On the other hand, exporters such as companies in the technology and plantation industry are also not benefitting from the weaker Ringgit due to falling global demand.

We believe that companies that earn their revenues in USD with pricing power such as airlines and tourism should benefit well from a slower export and strong USD environment.

8 China's consumer spending on services like travel and eating out are compensating for the lag in China's manufacturing: China's industrial profits fell -21% YoY and the manufacturing purchasers' manufacturing index (PMI) fell to 48.8 in May-23 (-2.7 point lower vs Apr-23). Our funds are invested in proxies to China's growing consumption via e-commerce retail, travel technology and booking platforms.

2.0 MALAYSIA MARKET REVIEW

Bursa Construction Index rose 3.1% WTD, led by IJM & Gamuda.

Exhibit 1: KLCI vs Shariah Index

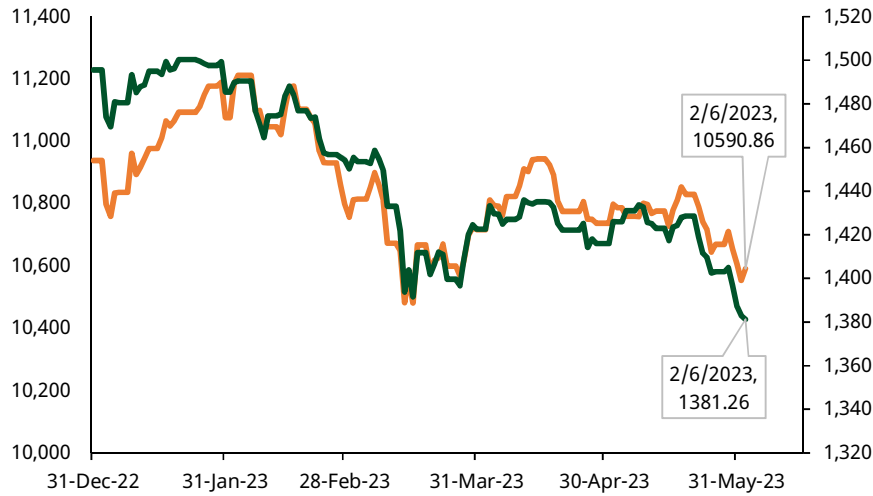


Exhibit 2: USDMYR

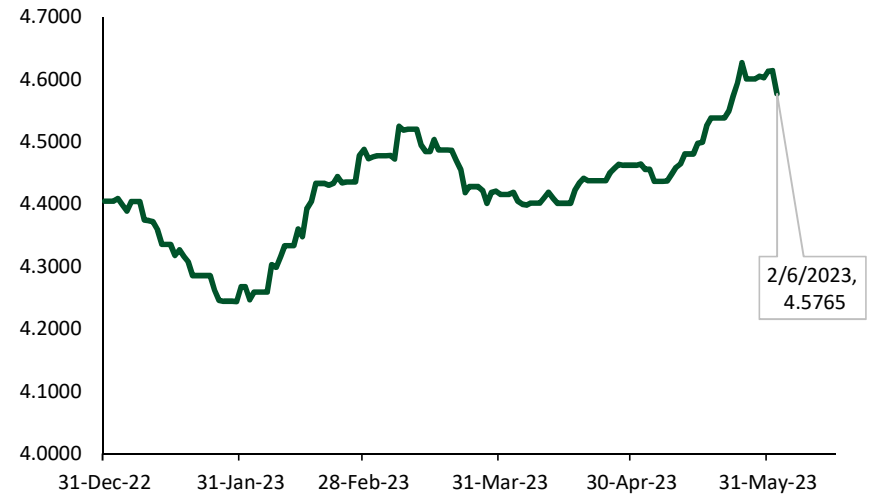


Exhibit 3: Sector Performances Week-to-Date (%)

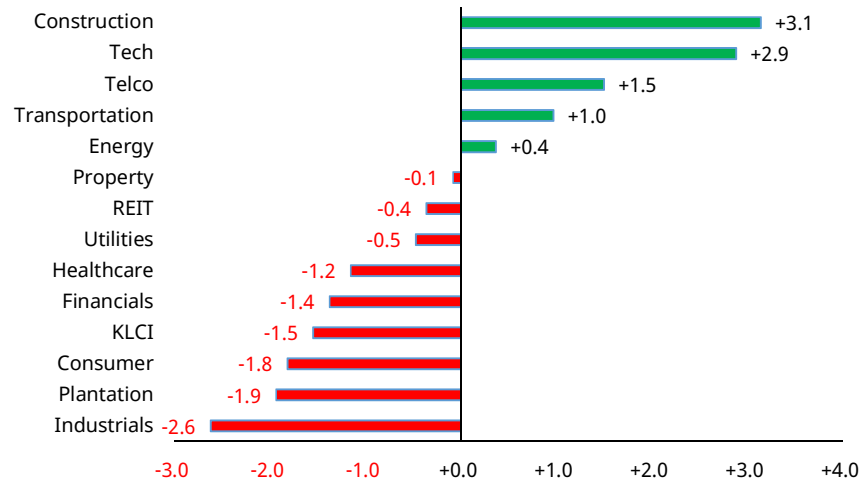
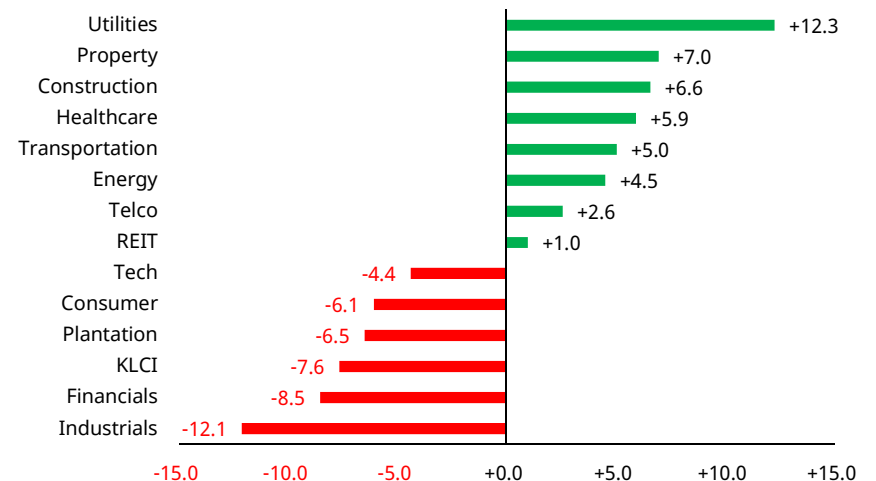


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations Remain at Historical Bottoms - BUY Territory

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

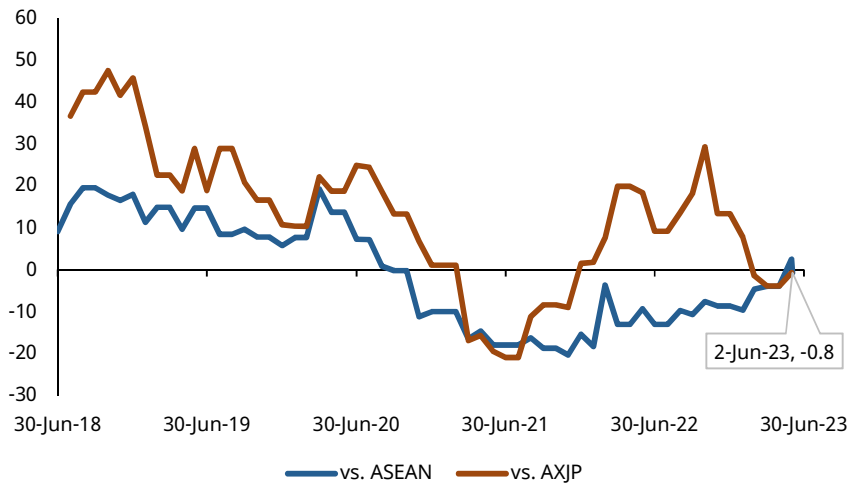


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

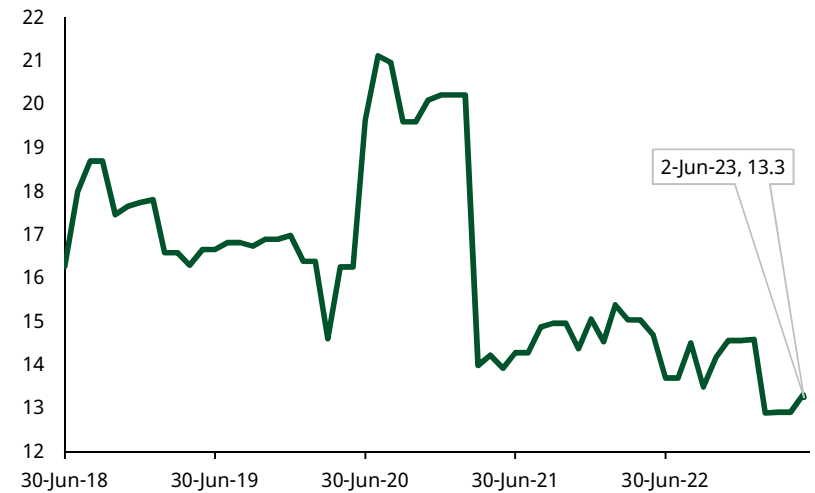


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

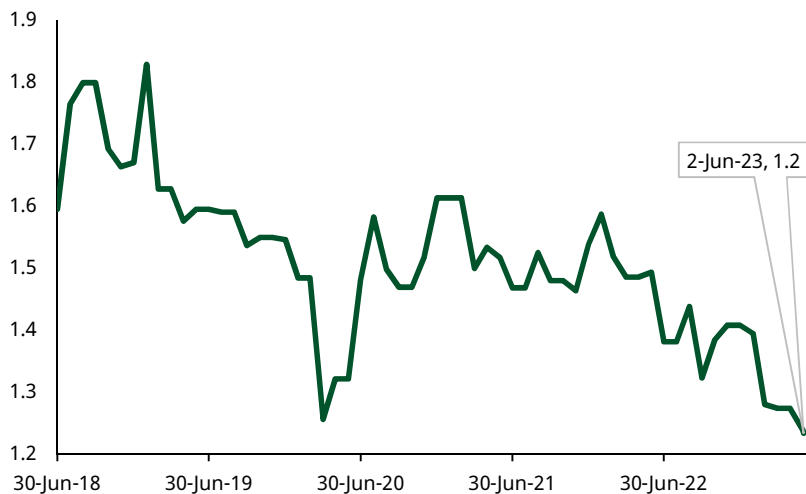
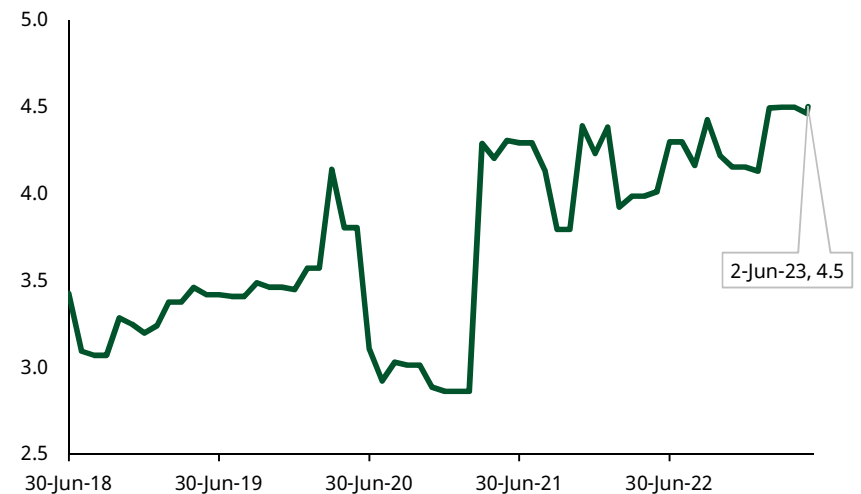


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Taiwan & Korea Outperformance Driven by Technology Stocks

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

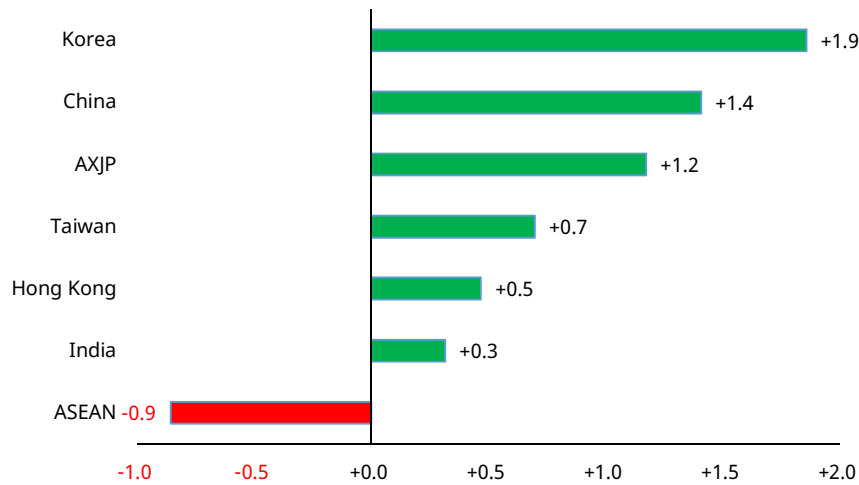


Exhibit 2: Country Performances Year-to-Date (%)

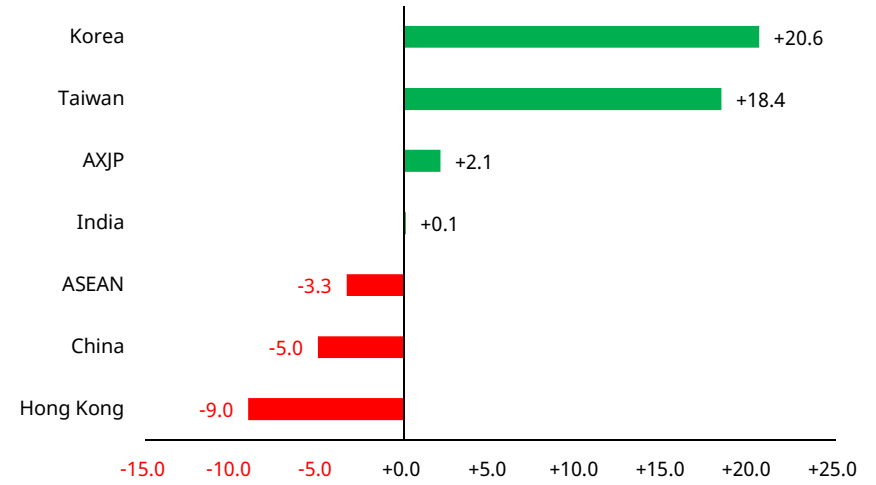


Exhibit 3: Sector Performances Week-to-Date (%)

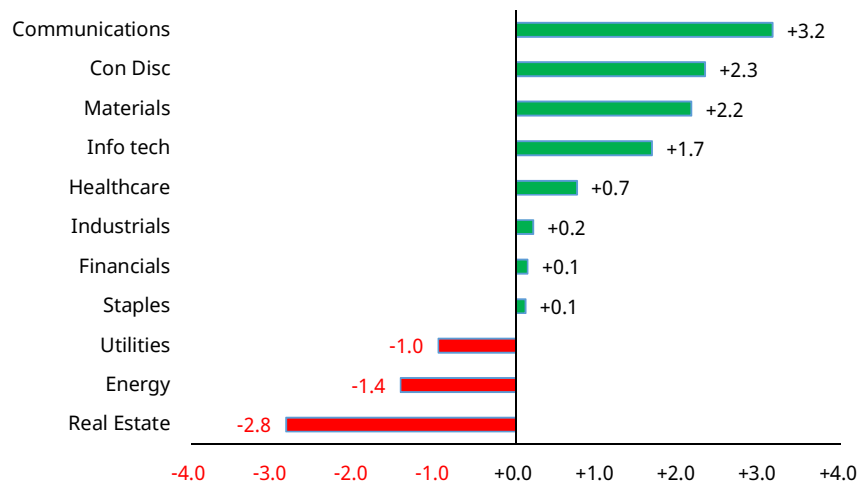
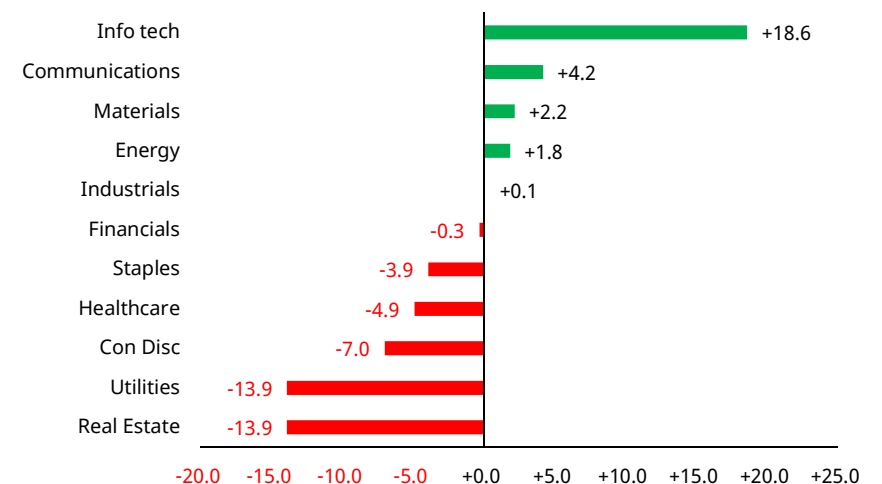


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

We See The Market's Retracement As An Opportunity To Buy

Exhibit 5: Regional Price-Earnings Ratio (x)

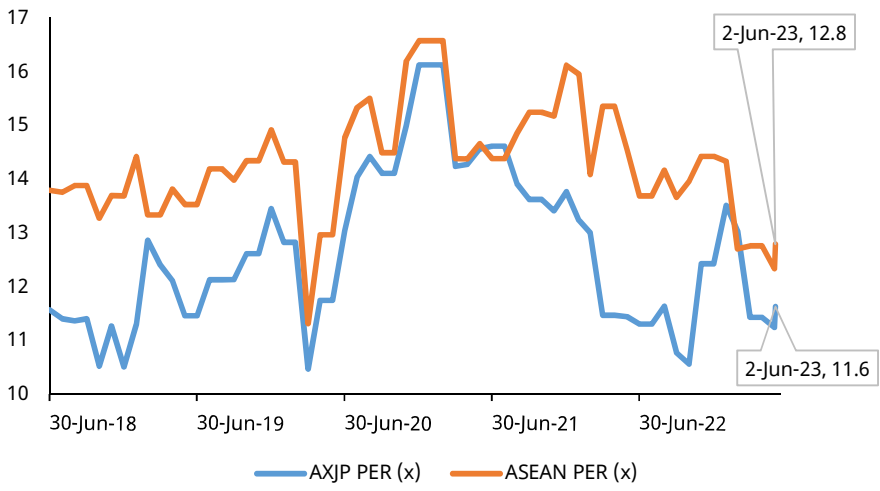


Exhibit 6: Regional Price-to-Book Ratio (x)

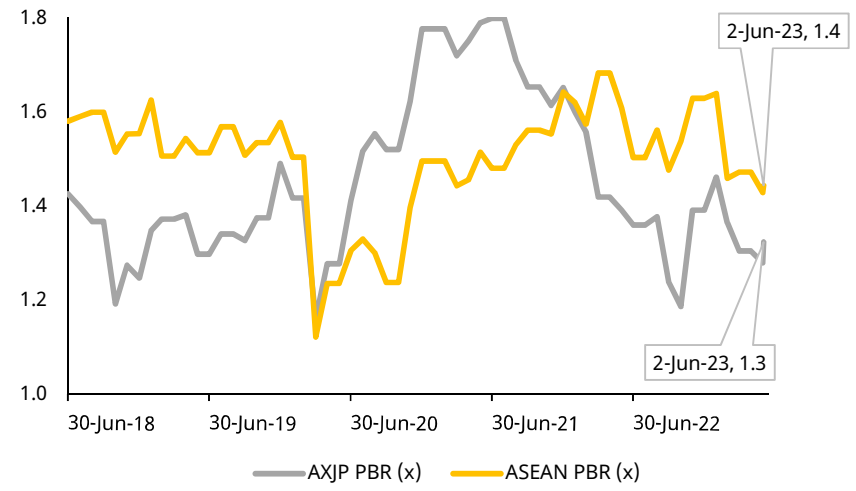


Exhibit 7: Regional Dividend Yield (%)

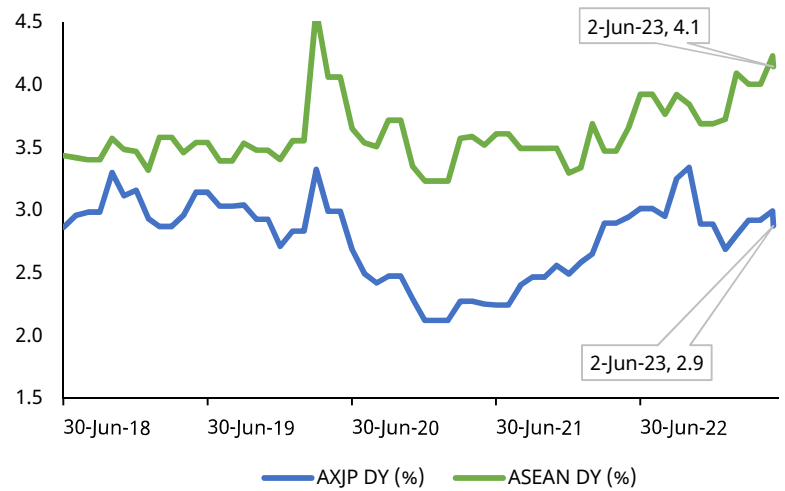
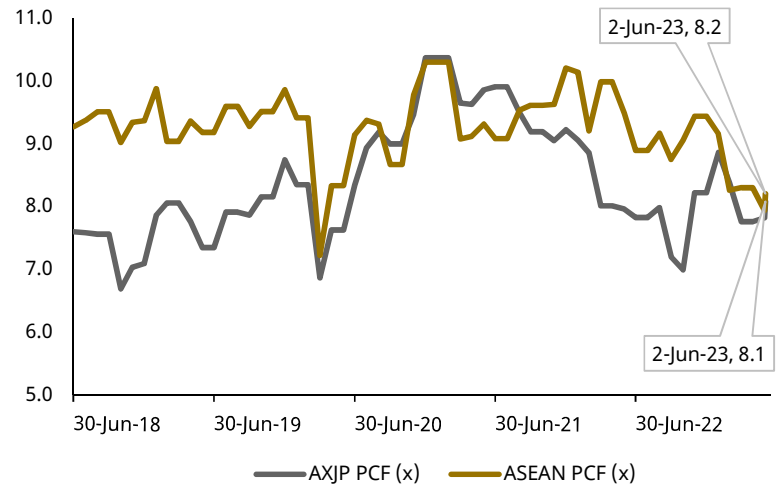


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign Funds Net Buy Taiwan, India and South Korea Since End of May-23

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

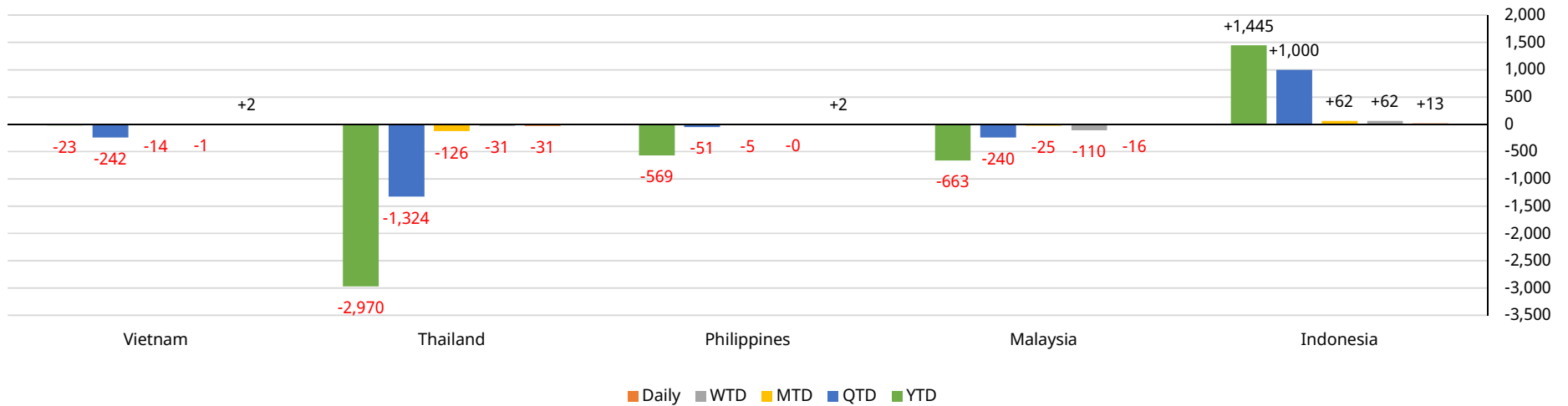
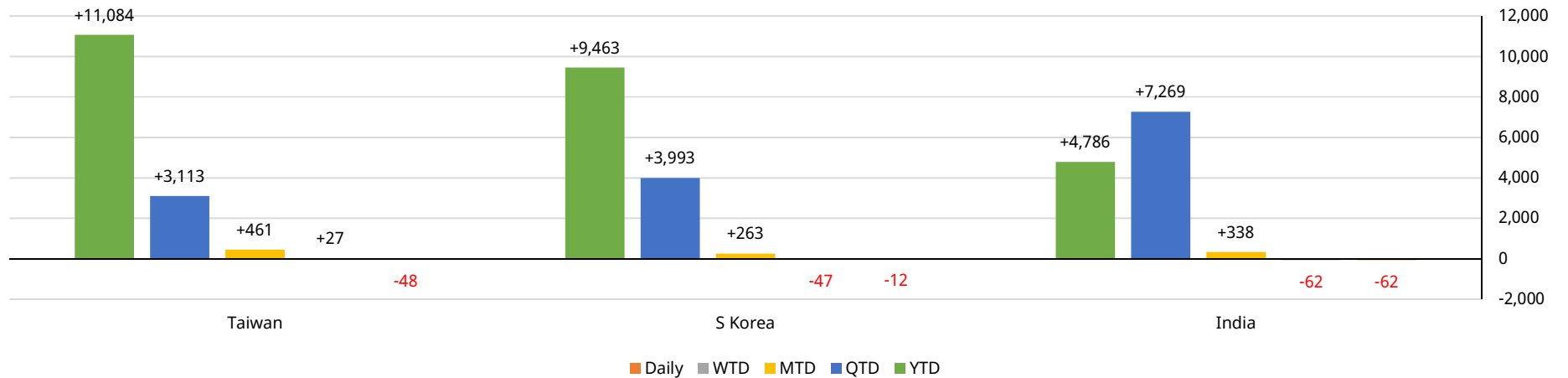


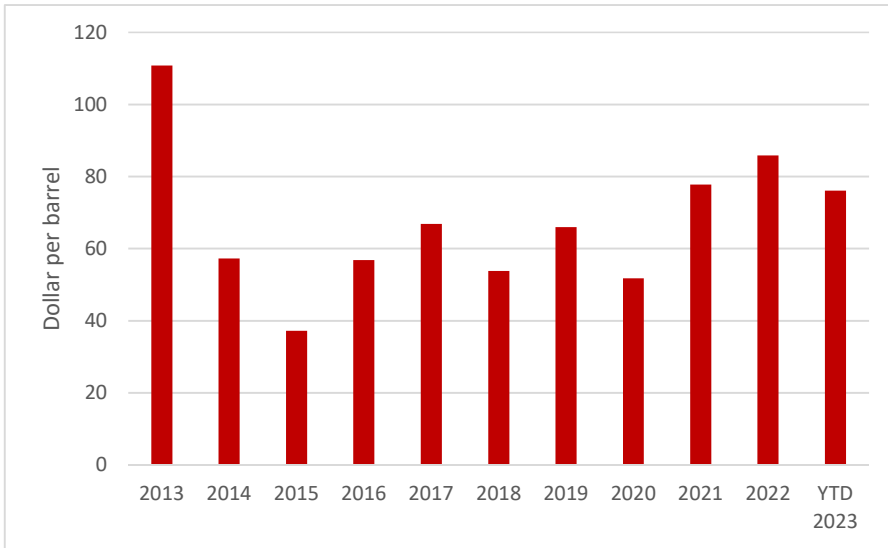
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



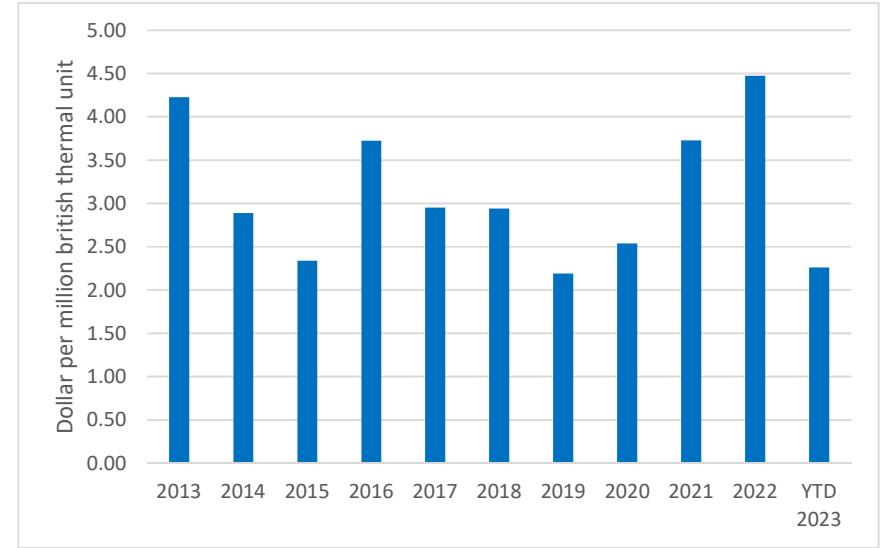
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

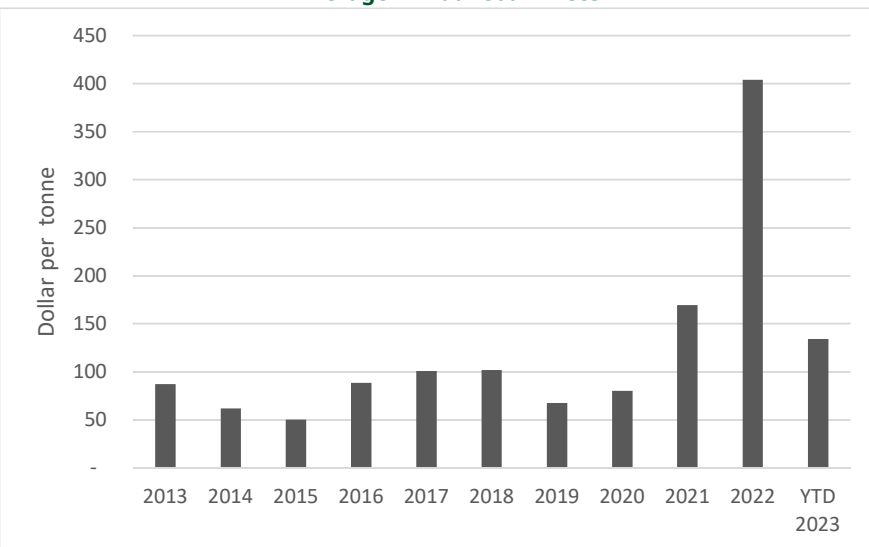
Average Annual Brent Oil Prices



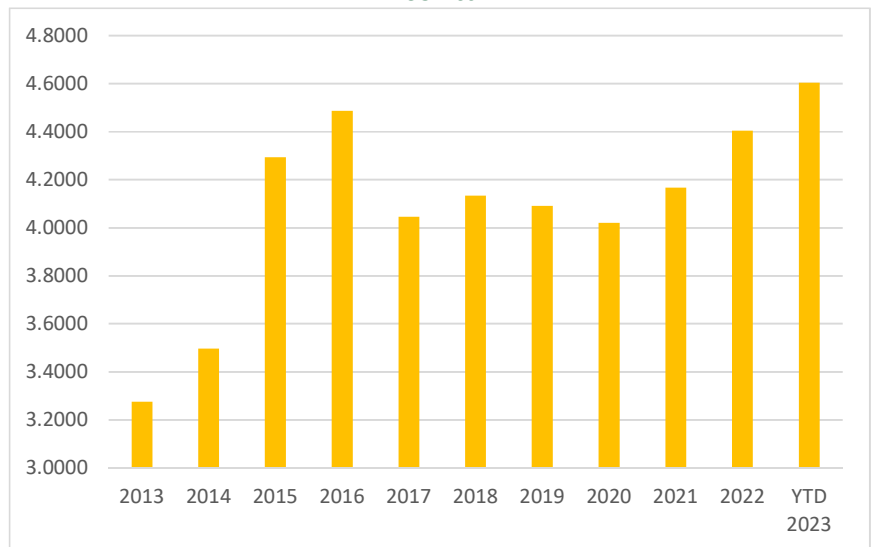
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

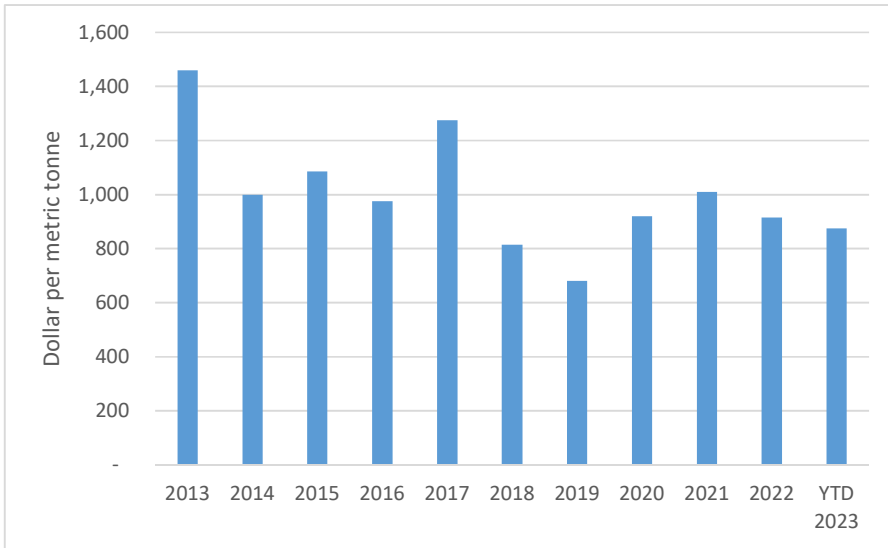


Source: Bloomberg

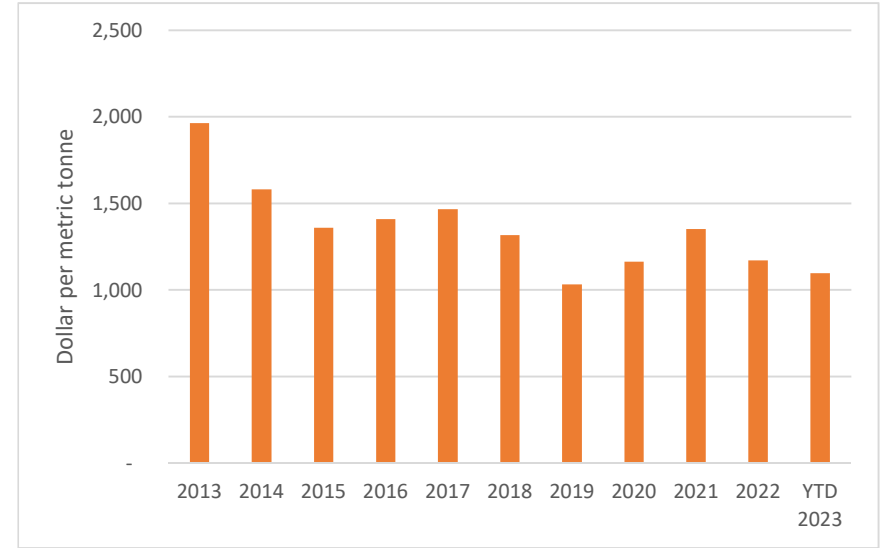
5.1 Petrochemical Annual Prices

Modest Price Increase On China's Reopening Demand

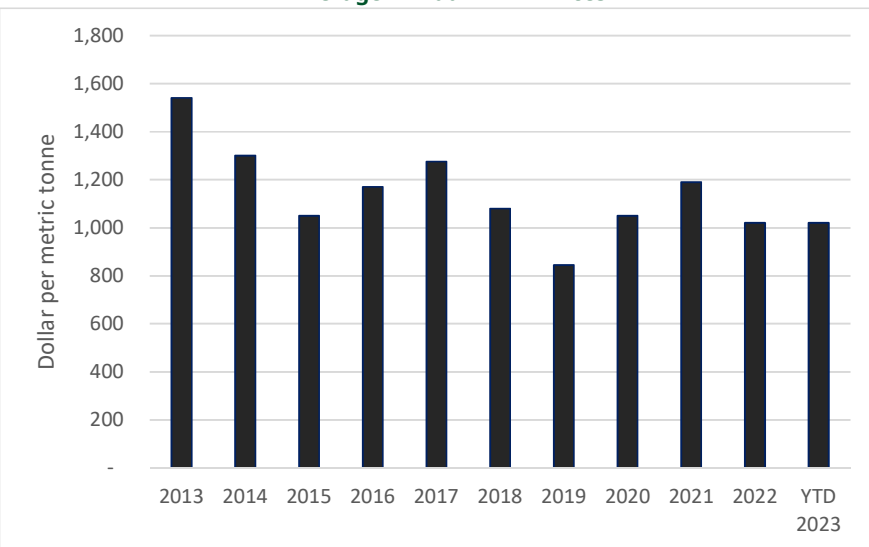
Average Annual Ethylene Prices



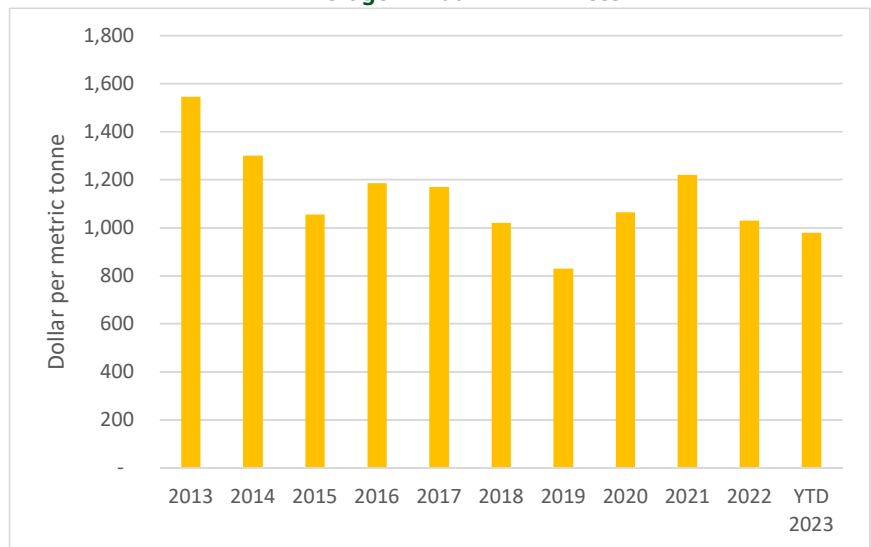
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

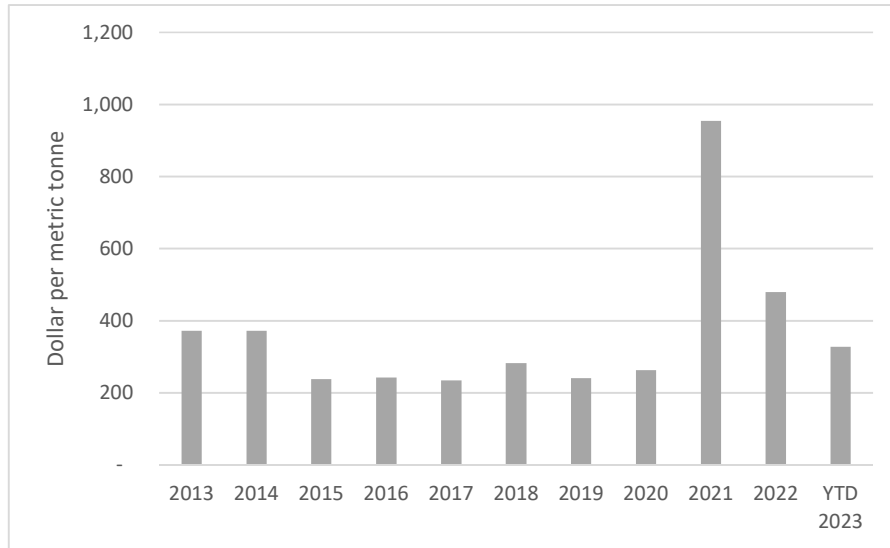


Source: Bloomberg

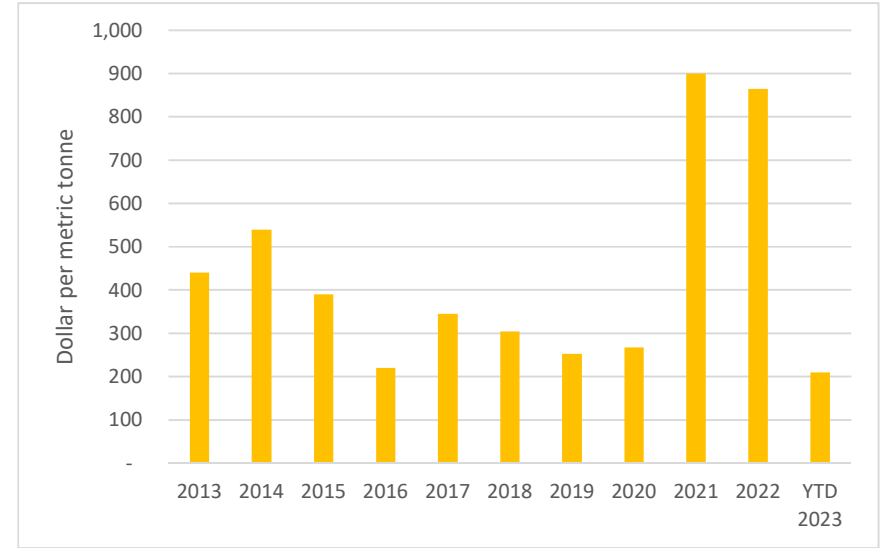
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

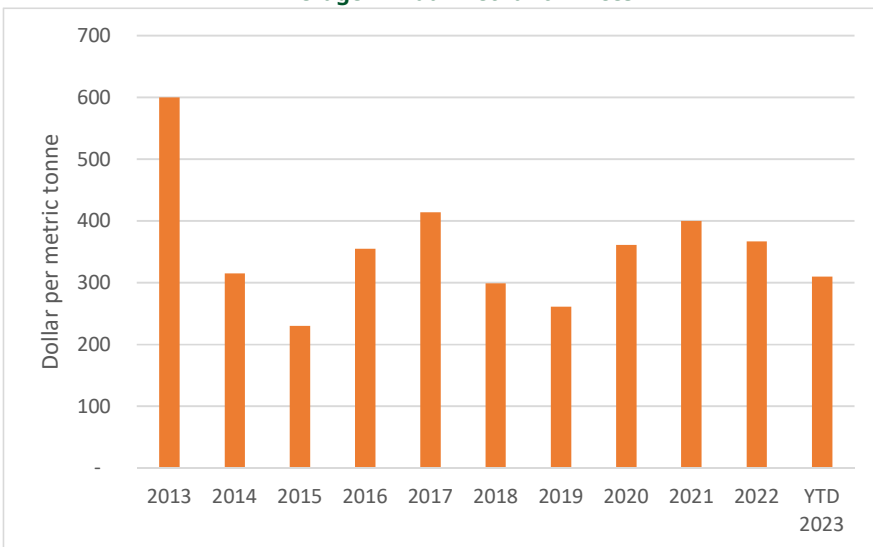
Average Annual Urea Prices



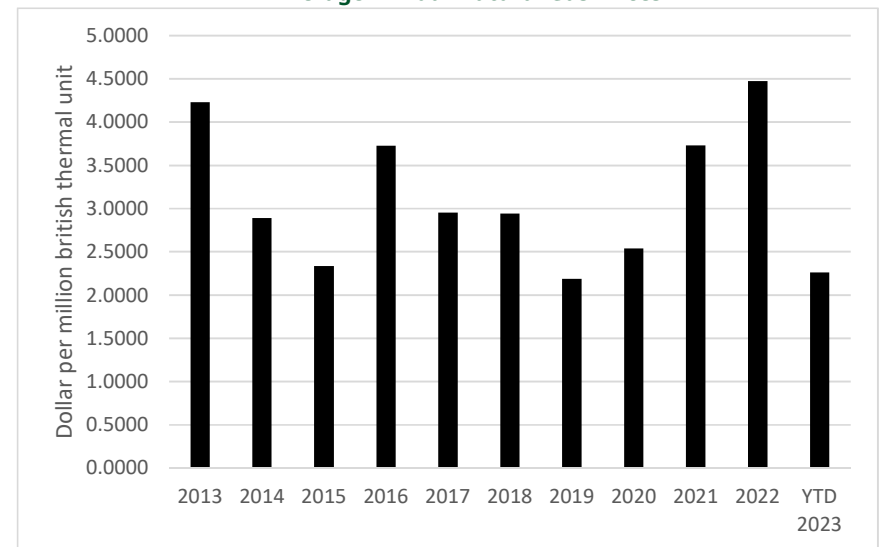
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

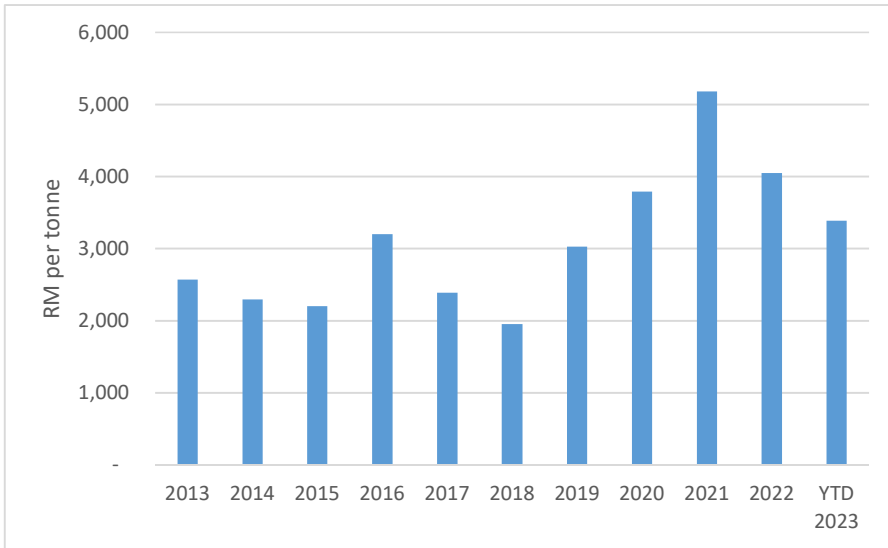


Source: Bloomberg

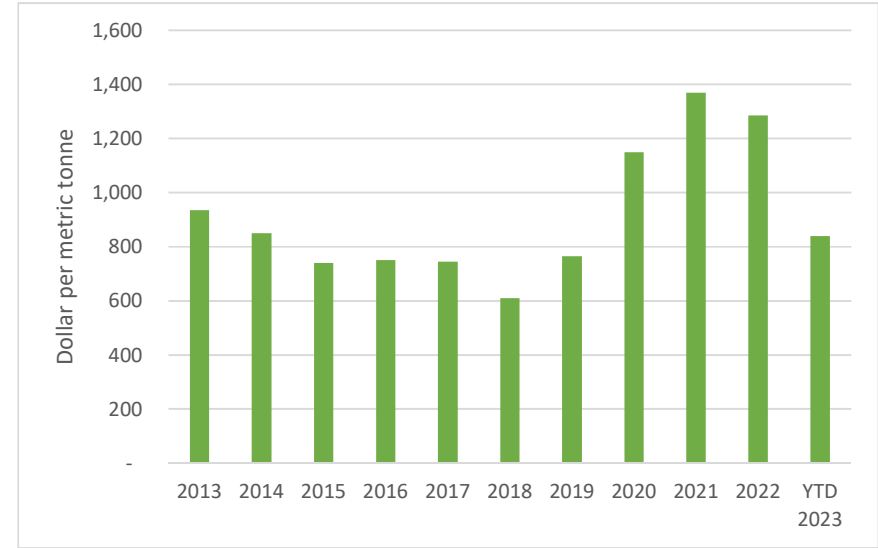
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand

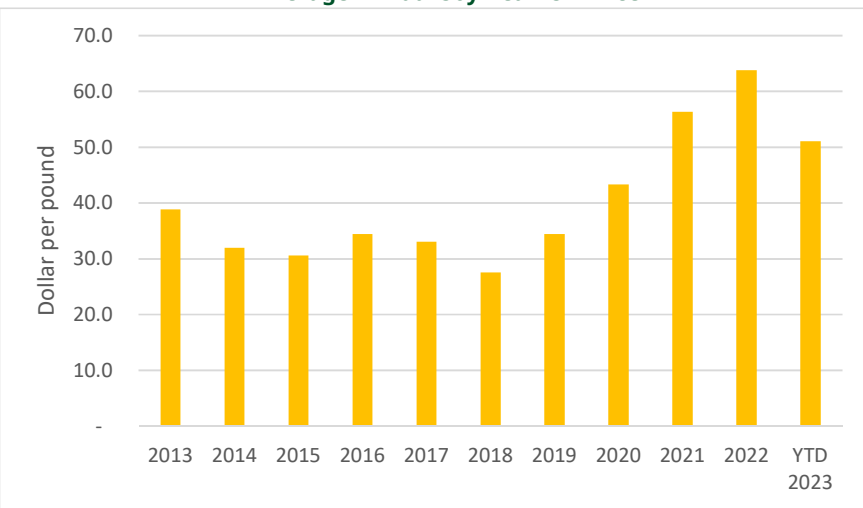
Average Annual Palm Oil Prices



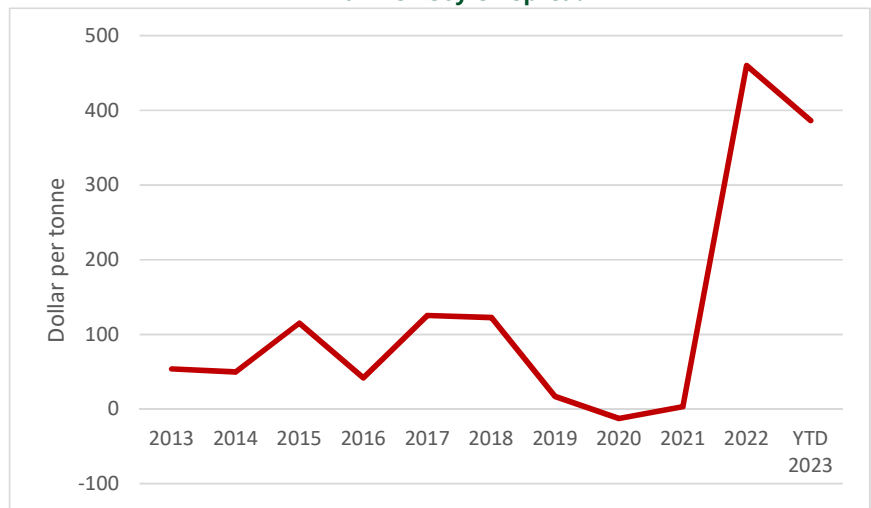
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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