

Portfolio Managers' Views

04 August 2023

FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (31 July - 4 August 2023) & Our Managers' Views

- 1 Saudi Arabia & OPEC production cuts are supportive of higher oil prices - we are invested in oil:** Saudi Arabia, OPEC's largest producer announced a 1-month extension to its 1mbpd production cut. These are in addition to the cuts it had already committed through the OPEC+ alliance in anticipation of weaker US and China economies. We think that US and China will start to progressively recover and this will drive oil prices higher as supply has tightened from the above cuts.
- 2 Recovery in Australian hotel occupancies ahead - we remain invested in YTLREIT.** The average occupancy rate of the YTLREIT's Australian hotels was 73% in FY23, lower than the pre-COVID level of 85% in FY19. This is in line with Australia's lower short-term visitor arrivals from China in May 2023, at just 34% of May 2019 levels. Going forward, we expect the return of Chinese tourists to drive the Australian hotels' earnings, and thus, higher dividends from YTLREIT.
- 3 Higher national car sales - MBMR & UMW are beneficiaries.** In July 2023, Proton delivered 13,326 car units and estimated the total industry volume (TIV) to be 64,864 units, which is 3.7% higher MoM. We expect Perodua to achieve a similar or higher sales growth following the higher TIV growth trend, and will be on track to achieve its 300k units sales target. Thus, we expect the motor companies to achieve higher earnings YoY and return more dividends.
- 4 Returning investor confidence may drive an upward re-rating of the Malaysia stock market.** In recent weeks, Malaysia received Foreign Direct Investment (FDI) commitments from global multinationals such as Infineon, Tesla, Intel, Geely and Ericsson. We think that this signifies a return of foreign investor's confidence in Malaysia's economy and see this as a potential catalyst for the Malaysian stock market to re-rate as higher FDIs typically result in a stronger MYR and foreign fund inflows.
- 5 Taiwan's Foxconn Technology's operating revenue for July 2023 represented a MoM rise of 11%** and YoY decline of just 1%, signaling a potential bottoming of the regional tech cycle from a fundamental perspective. As Foxconn manufactures for leading names in electronic products, we believe the sector's earnings recession is ending. Our regional funds are invested in North and South East Asian tech stocks to benefit from the upturn in the tech cycle.
- 6 Valuations:** FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 14.0x is nearly at the bottom end of its 12-year low. Similarly, the price-to-book ratio is at 1.3x, which was last seen only during the market's low during the COVID crisis in Mar-20. Dividend yield of 4.3% is in line with the 10-year high of 4.3%, last seen in Q1 of 2021. Hence, we are positive on Malaysia and our portfolios are also seeking situational opportunities in restructuring plays.

2.0 MALAYSIA MARKET REVIEW

Bursa Utilities Index rose by 1.9% WTD led by YTL Power

Exhibit 1: KLCI vs Shariah Index

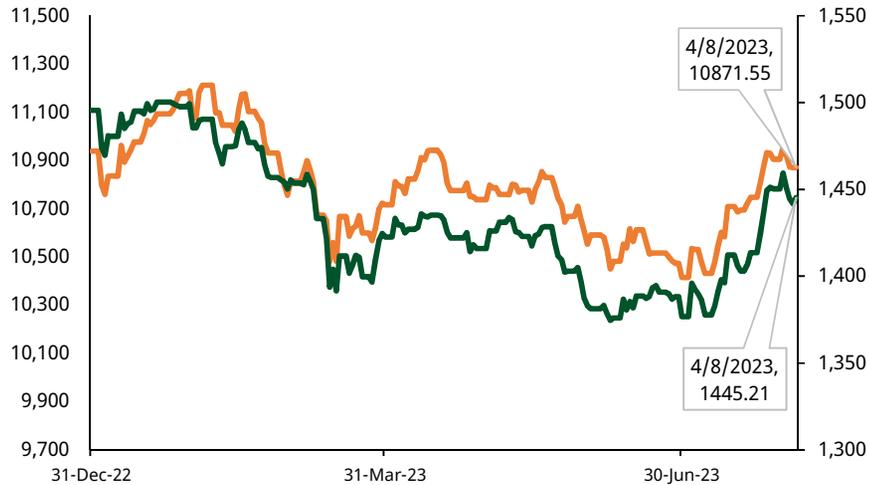


Exhibit 2: USDMYR

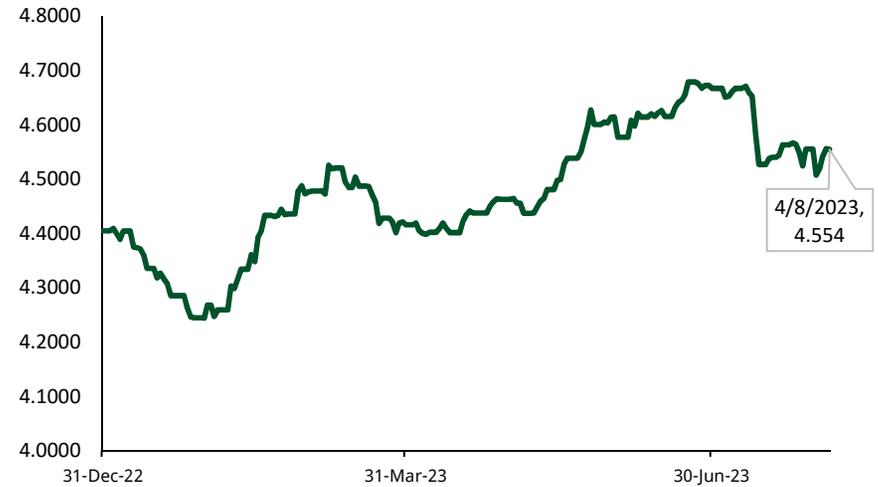
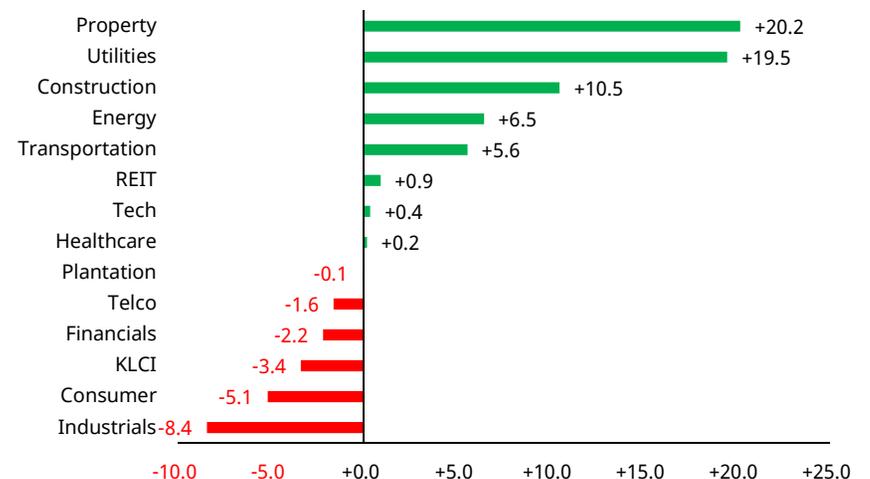


Exhibit 3: Sector Performances Week-to-Date (%)



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, %)

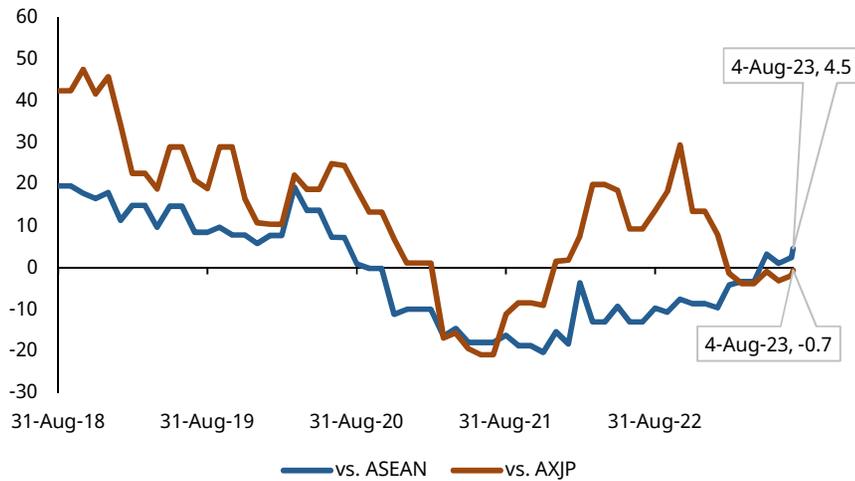


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

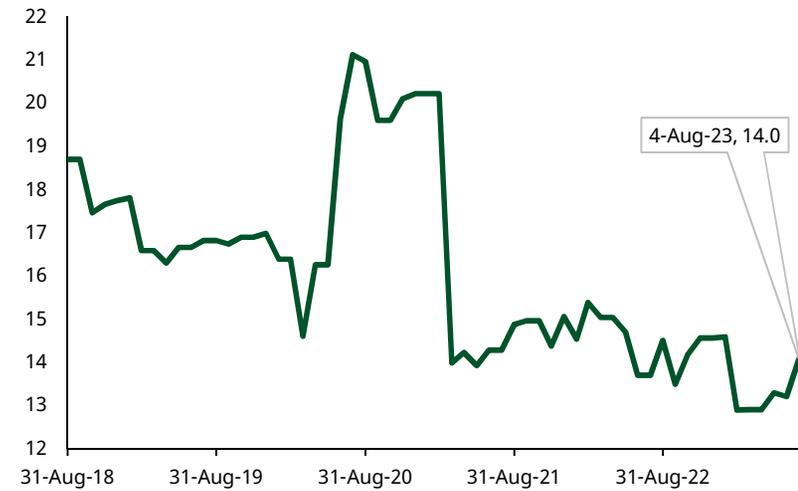


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

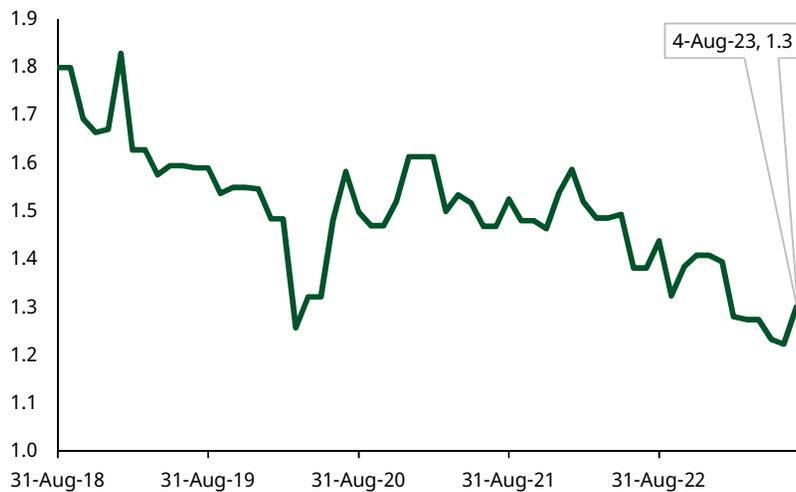
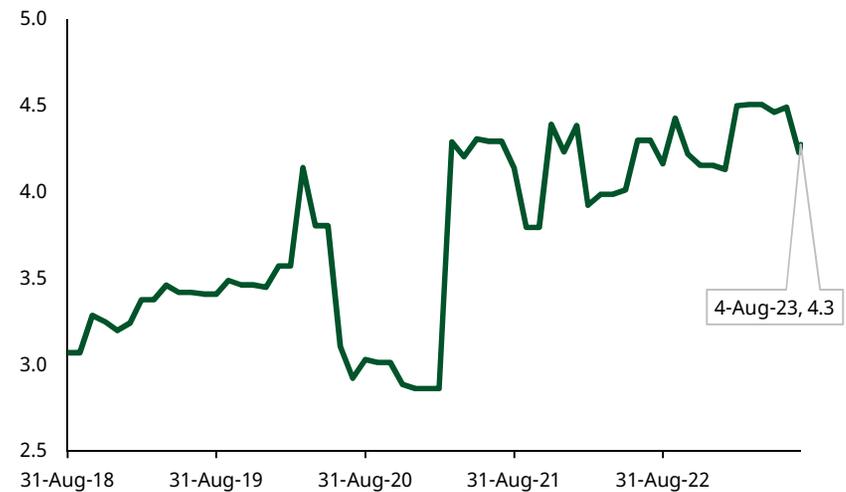


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Global stock markets fell after Fitch downgraded US credit rating

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

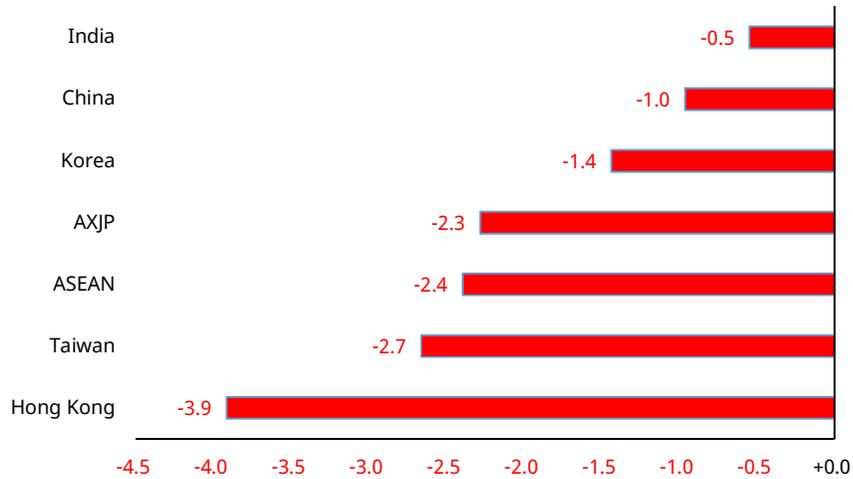


Exhibit 2: Country Performances Year-to-Date (%)

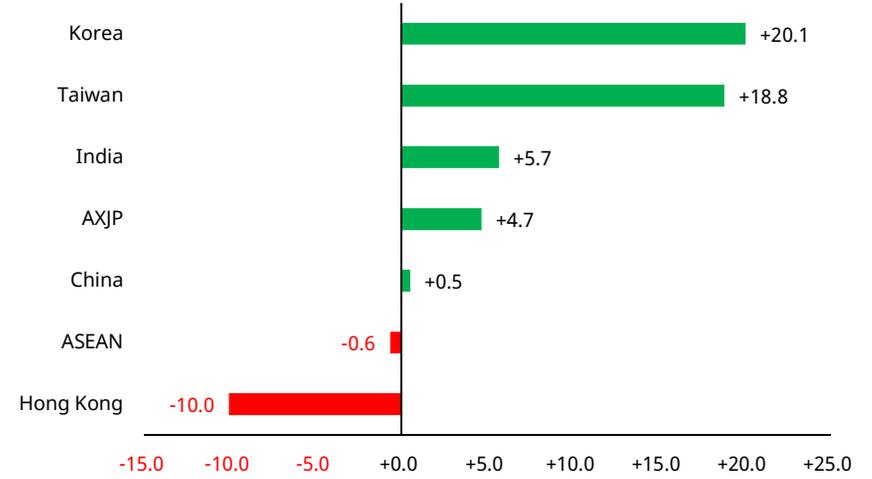


Exhibit 3: Sector Performances Week-to-Date (%)

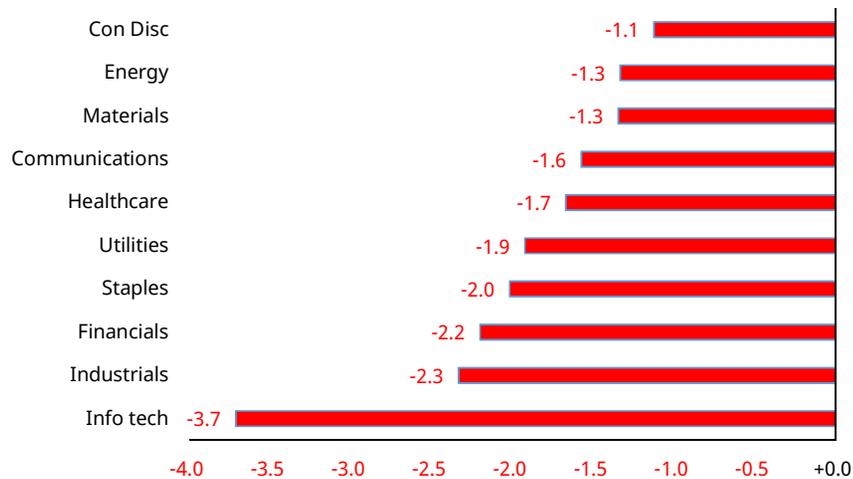


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

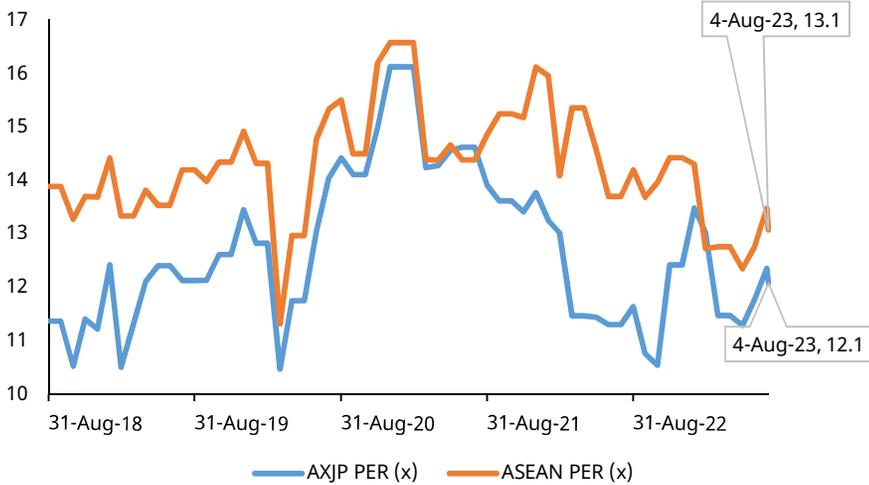


Exhibit 6: Regional Price-to-Book Ratio (x)

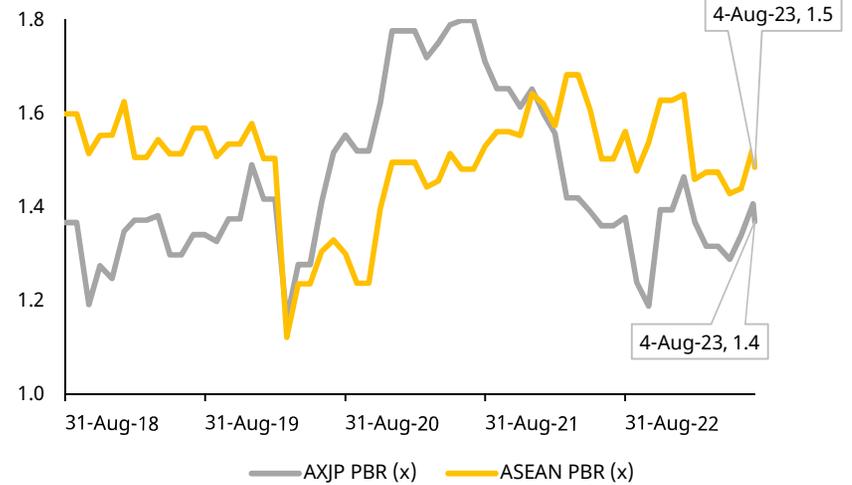


Exhibit 7: Regional Dividend Yield (%)

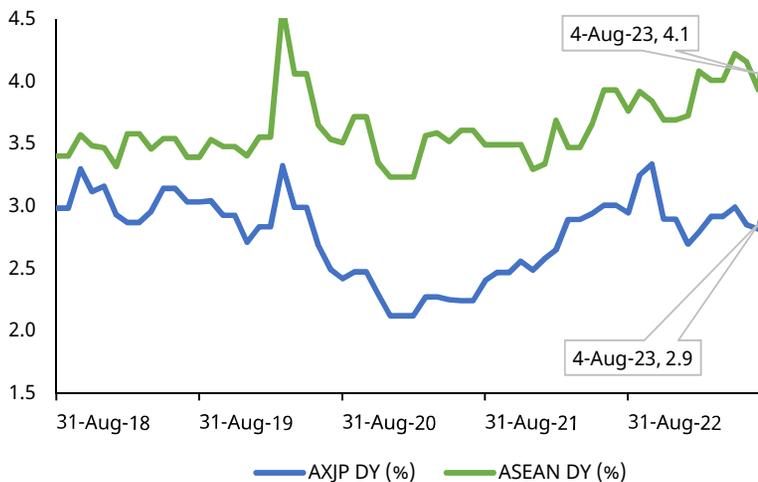
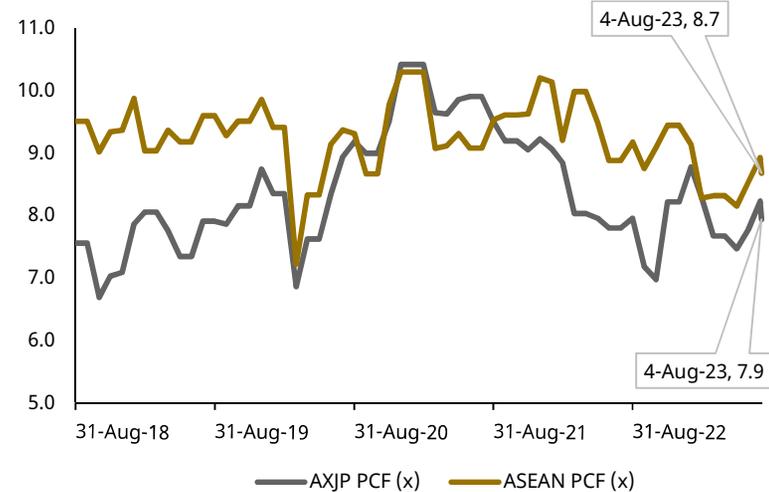


Exhibit 8: Regional Price-to-Cash Flow (x)



4.0 FOREIGN FUND FLOWS

Foreign Funds Net Buy Indonesia, Philippines, Malaysia & India since end-June

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

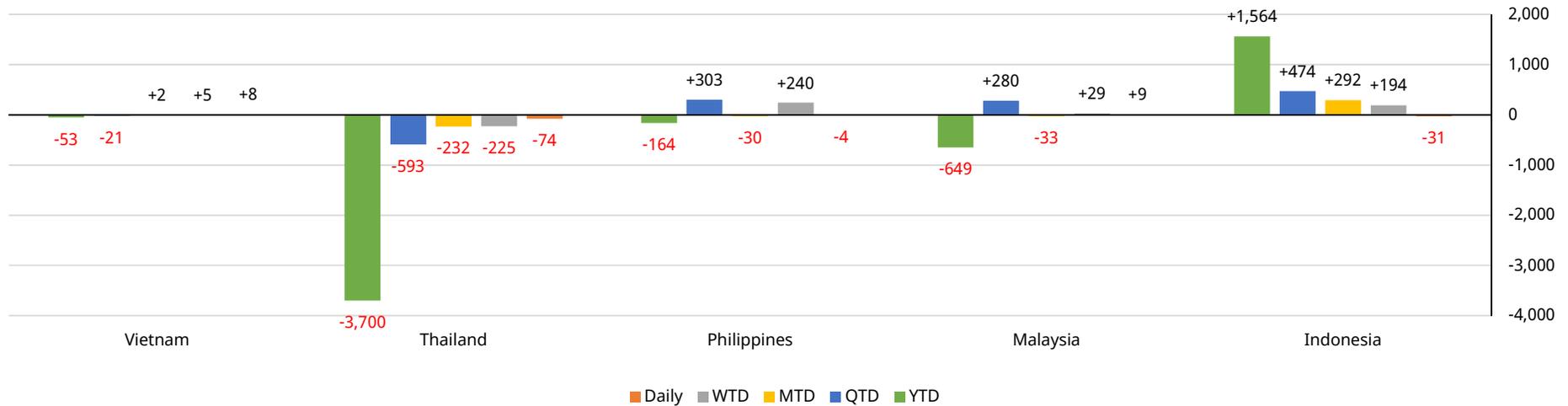
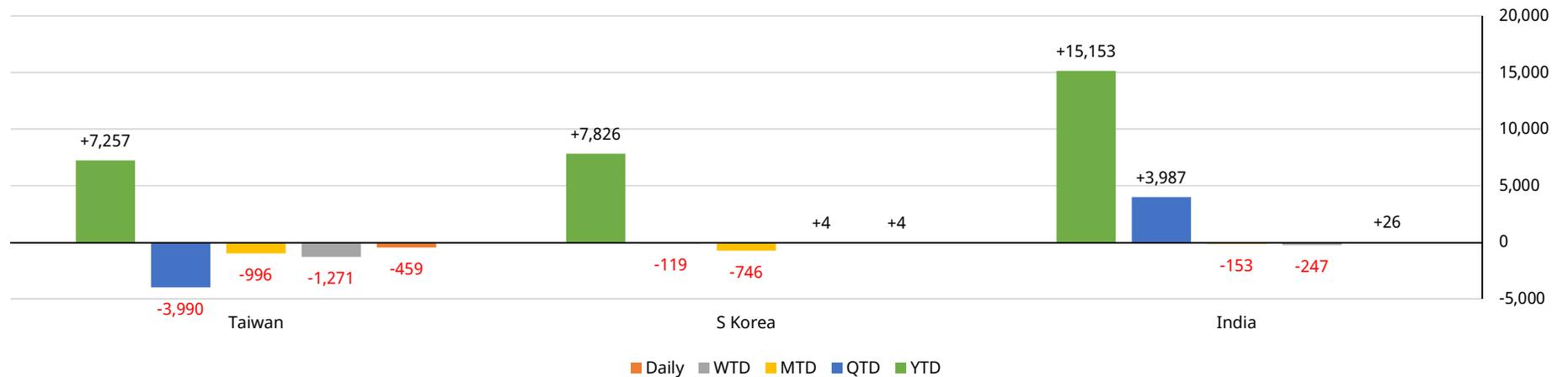


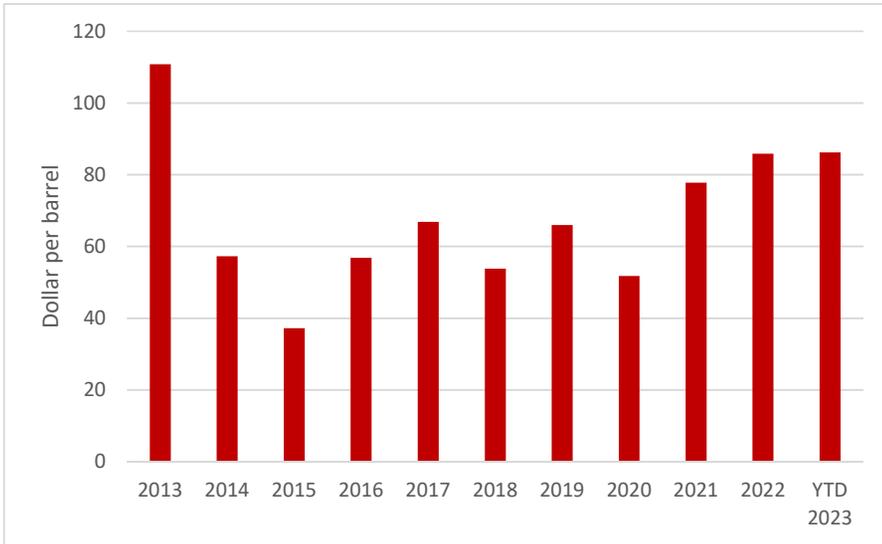
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



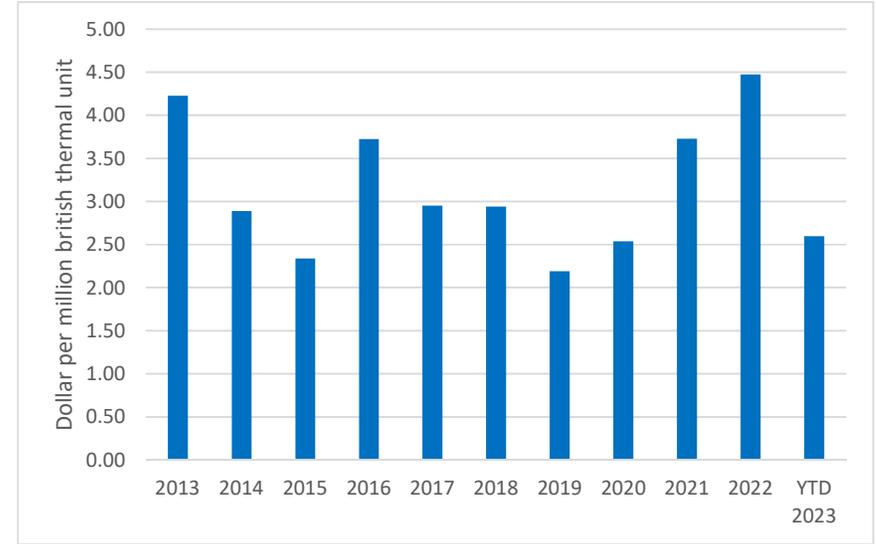
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

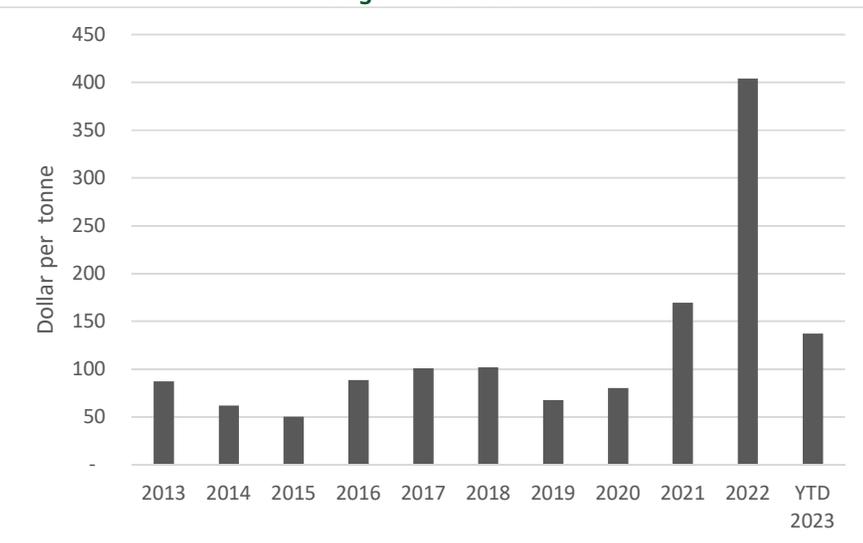
Average Annual Brent Oil Prices



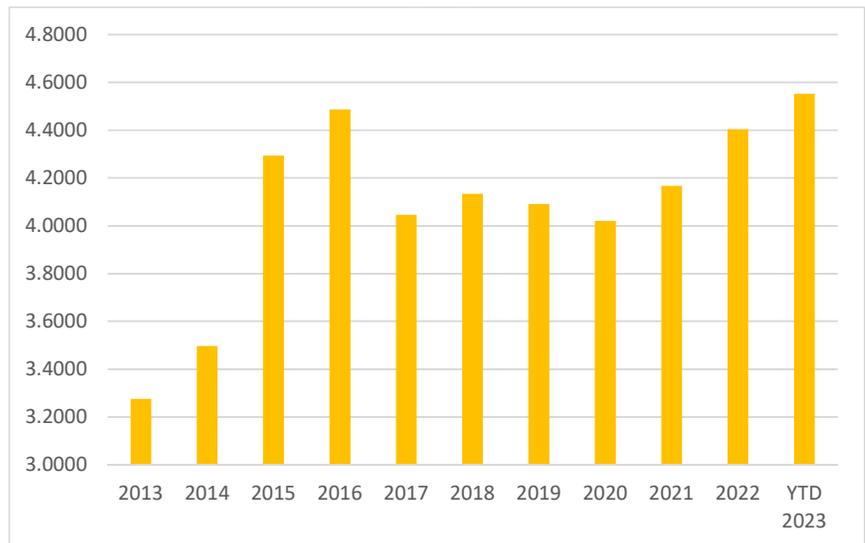
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

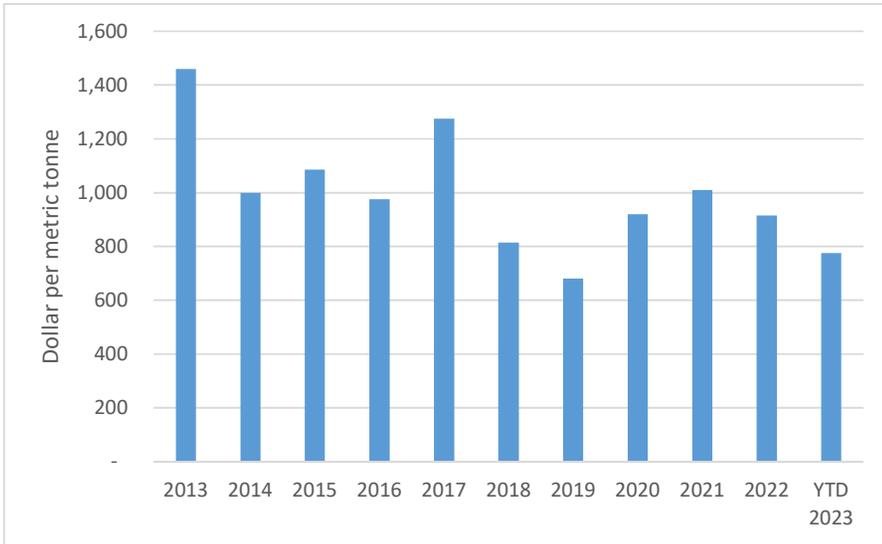


Source: Bloomberg

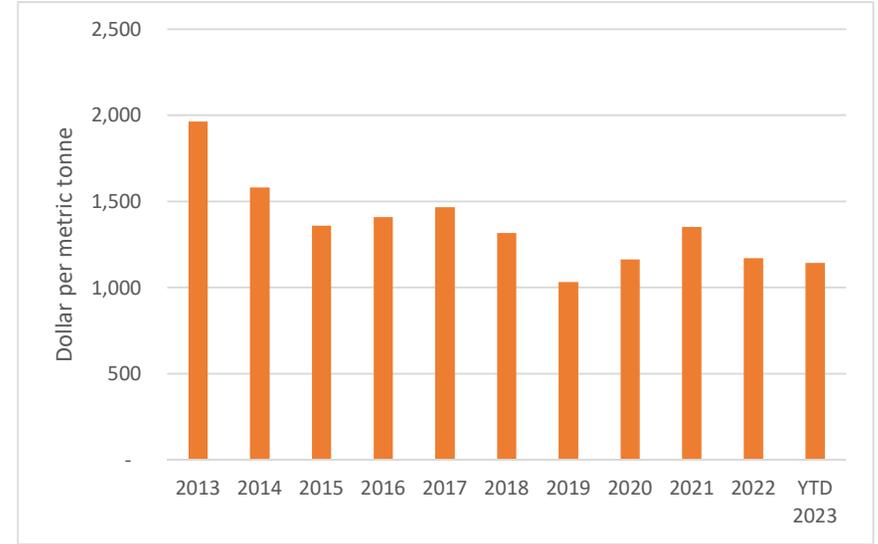
5.1 Petrochemical Annual Prices

Prices Decline on Weak China Demand

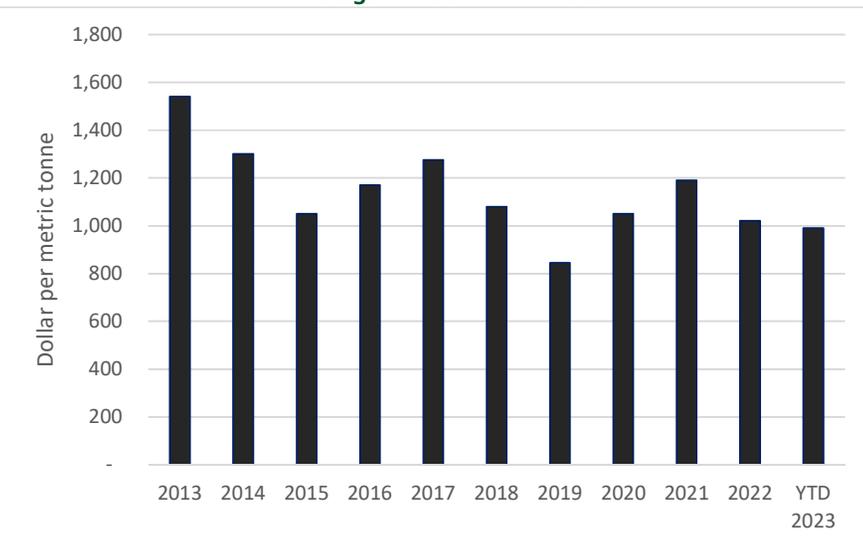
Average Annual Ethylene Prices



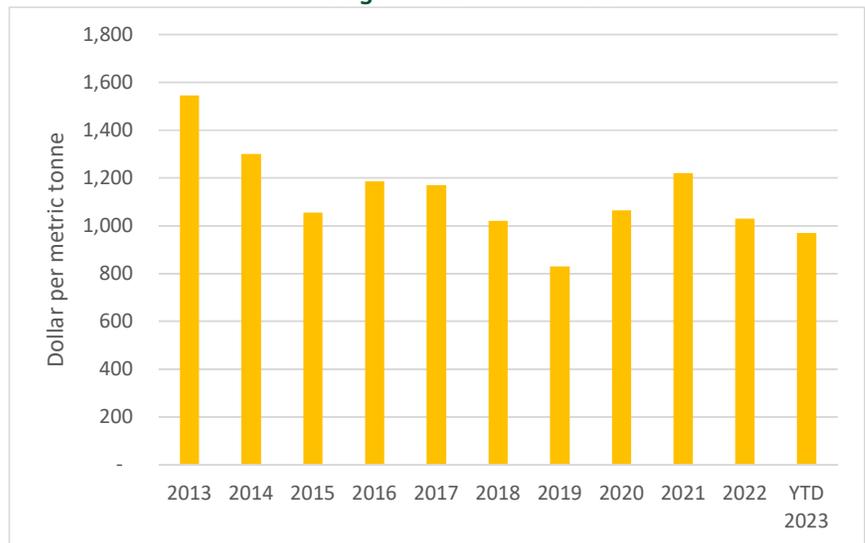
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

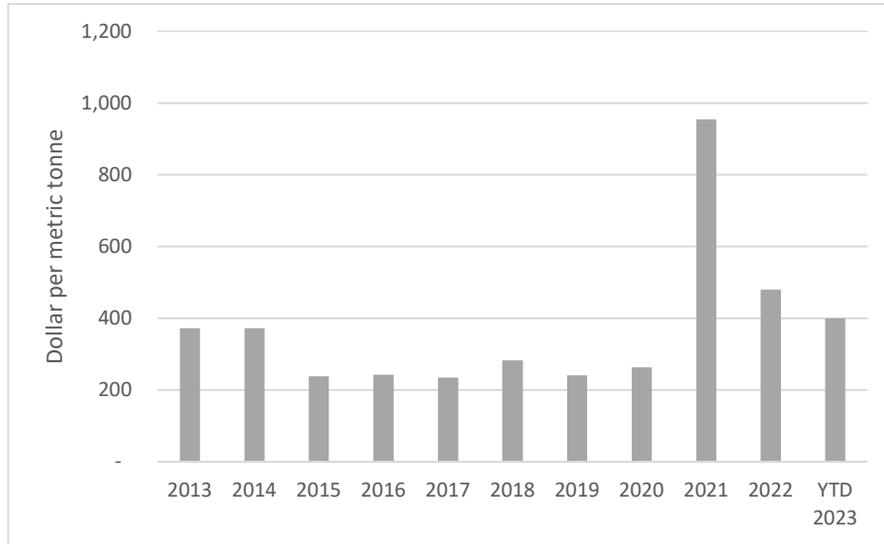


Source: Bloomberg

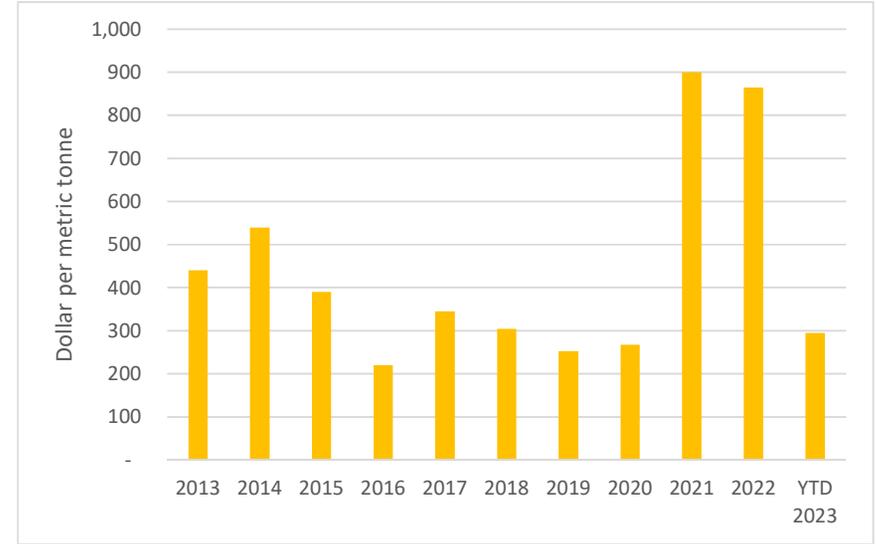
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

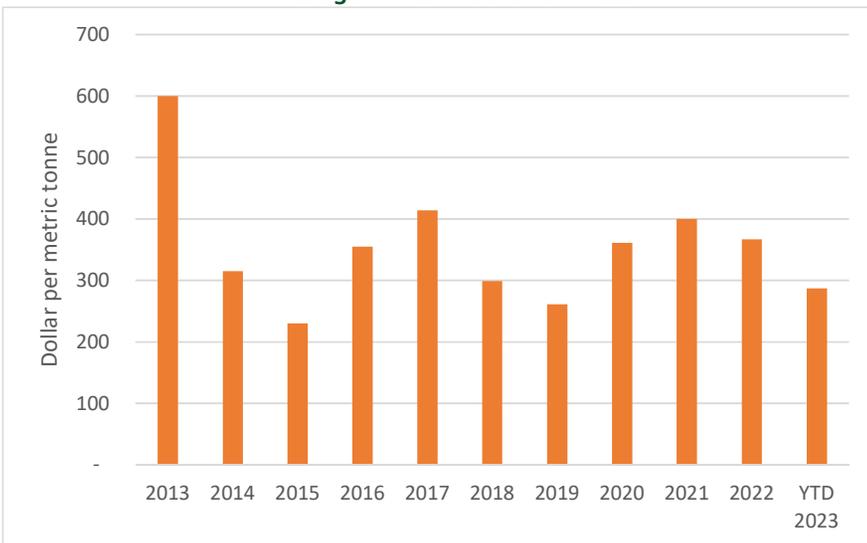
Average Annual Urea Prices



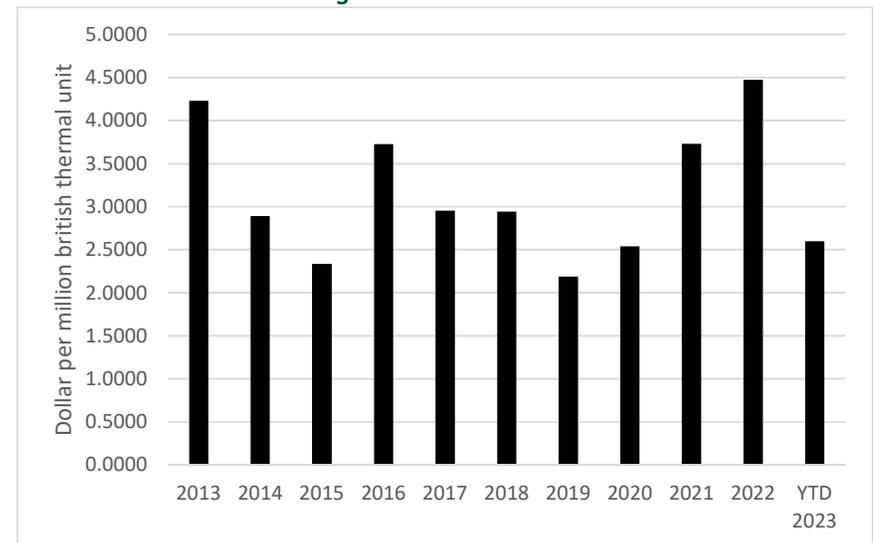
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

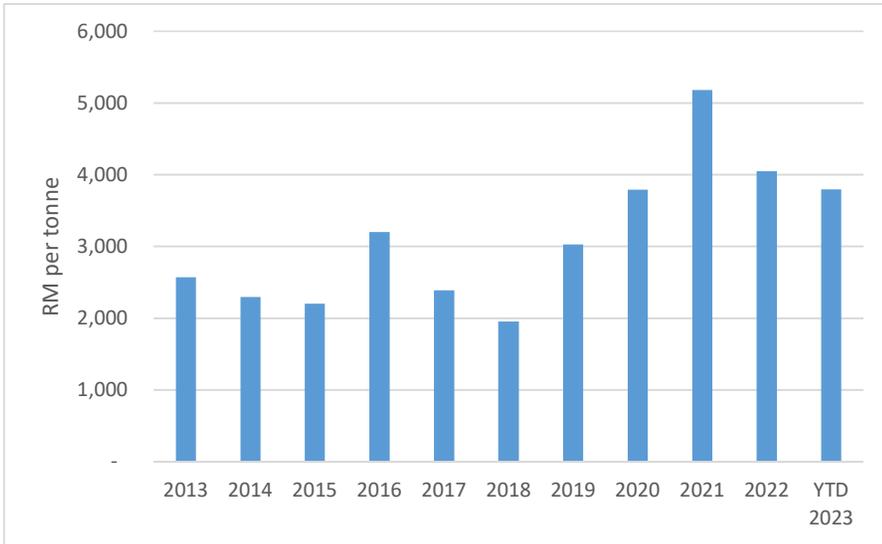


Source: Bloomberg

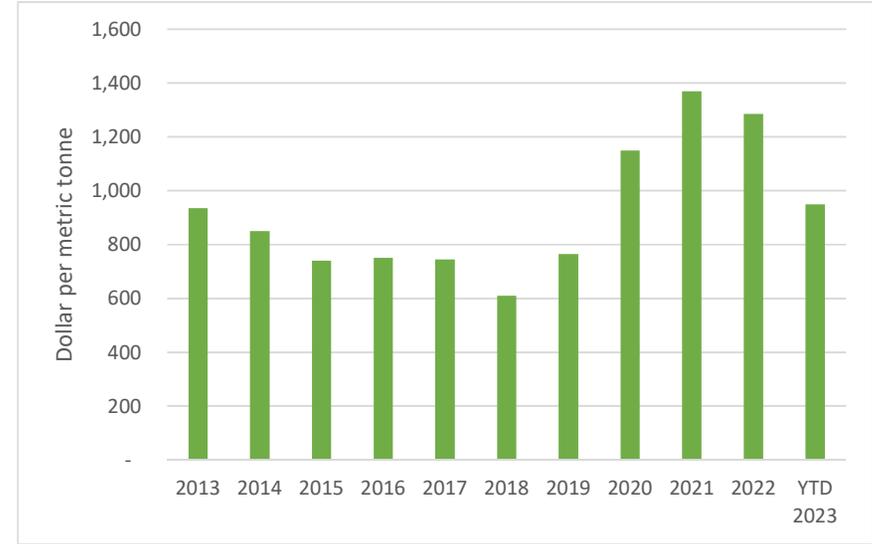
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

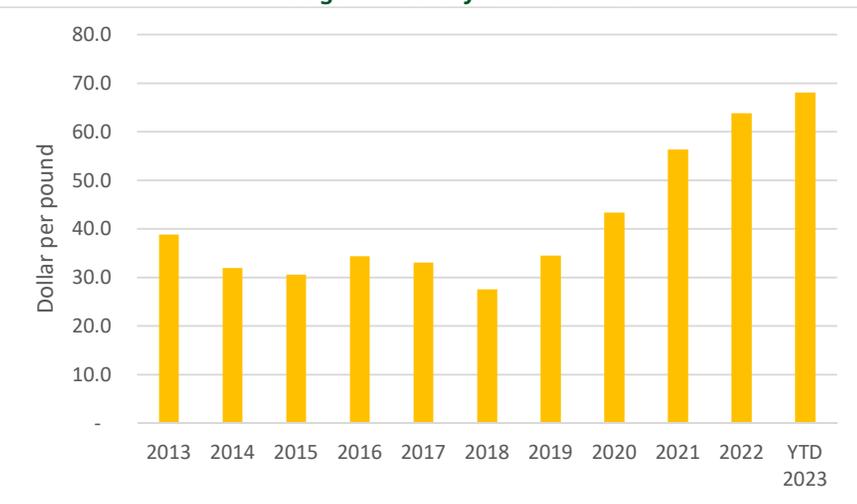
Average Annual Palm Oil Prices



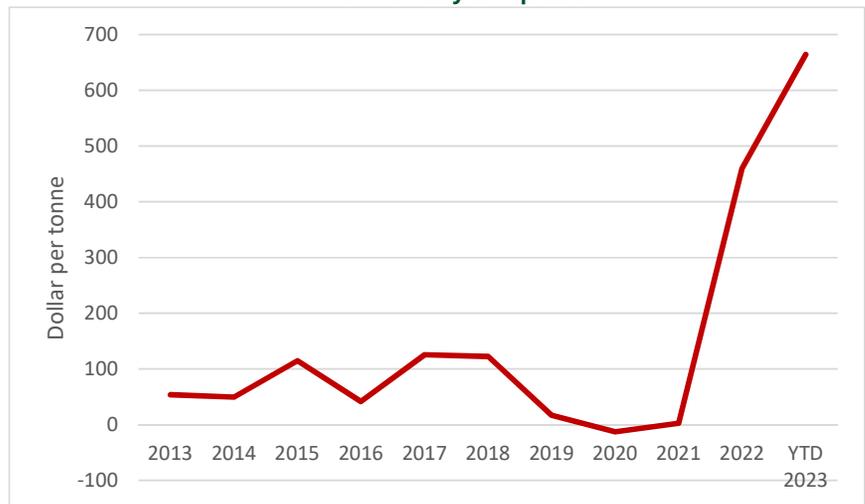
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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