Astute
Fund Management

Portfolio Managers' Views

January 2024
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Month of December 2023 in Review & Our Managers' Views

1. **Undercurrents in Malaysian equities are stronger than it looks.** Although Malaysia's equity barometer posted a modest monthly gain in December, it is pertinent to note that (a) it was the third consecutive month of gains, (b) certain sectors posted enormous returns due to bottom-up drivers, and (c) foreign funds maintained their positive views on Malaysia.

2. **Malaysia is garnering inflows.** On the above (1)(c), a regional brokerage's study showed that Malaysia was one of the highest recipients of foreign funds inflows in the second half of 2023. From Aug to Dec 2023, the average monthly trading volume of foreigners were c.RM30bn. This is 30-131% higher than the RM13-23bn monthly trading value between Jan to July 2023.

3. **Why Malaysia?** In the past, Malaysia has been a very over-looked market as interest in the region centered on technology and high consumption markets in the North Asian region. That left Malaysia's equity valuation at historical lows, with prospective dividend yields higher at >4% (selectively, yields can reach 6-8%) and the USDMYR at around its weakest level since the Asian financial crisis. We expect foreign interest to continue in 2024.

4. **Why Malaysia Now?** The recent surge of interest is on the back of a weak Ringgit, which is hovering near its weakest level post-Asian financial crisis. This makes FX conversions attractive should USD eventually weaken when the US cuts policy rates. Also, the bottom-up drivers are sparking catalysts in the market. This encourages foreign inflows and local institutional and retail participation. Our local and regional funds are invested in Malaysia on the back of key catalysts.

5. **What are the catalysts?** Construction and property activities are picking up. The Mass Rail Transit 3 begins it land acquisition over 2024-25, data centres are being fast-tracked (Malaysian contractors are pivoting to these constructions), and spillover from tech is seen from collaboration with a US tech giant to develop artificial intelligence infrastructure. In January, Malaysia will sign a MOU with Singapore to develop a special economic zone in Johor.

   Such domestic drivers (and there are more) will complement "green shoots" in tech. Driven from the top-down, we expect bond yield-sensitive sectors like real estate investment trust (REIT) and dividend stocks to outperform as bond yields fall. Weaker USD will also benefit companies with exposures to gold, and we also favour energy, utilities, and consumer discretionary, aside from construction and building materials.

2.0 MALAYSIA MARKET REVIEW

Domestic-driven sectors like construction and property are gaining traction.

Exhibit 1: KLCI vs Shariah Index

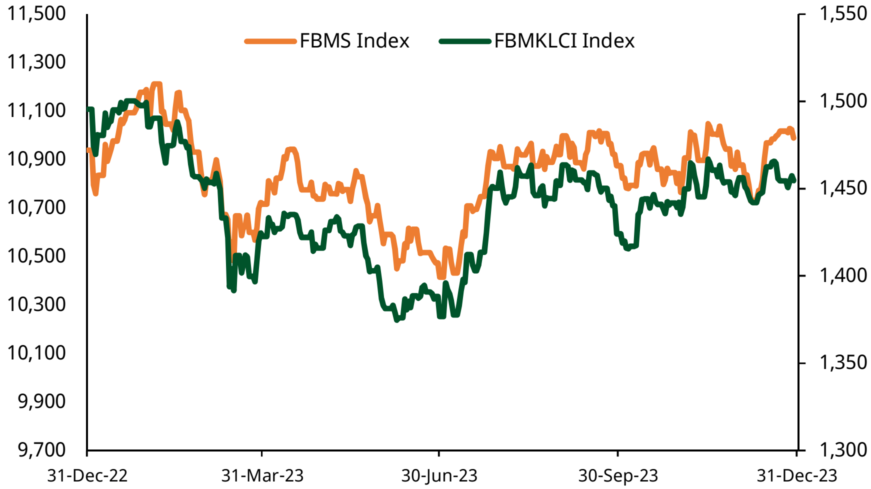


Exhibit 2: USDMYR

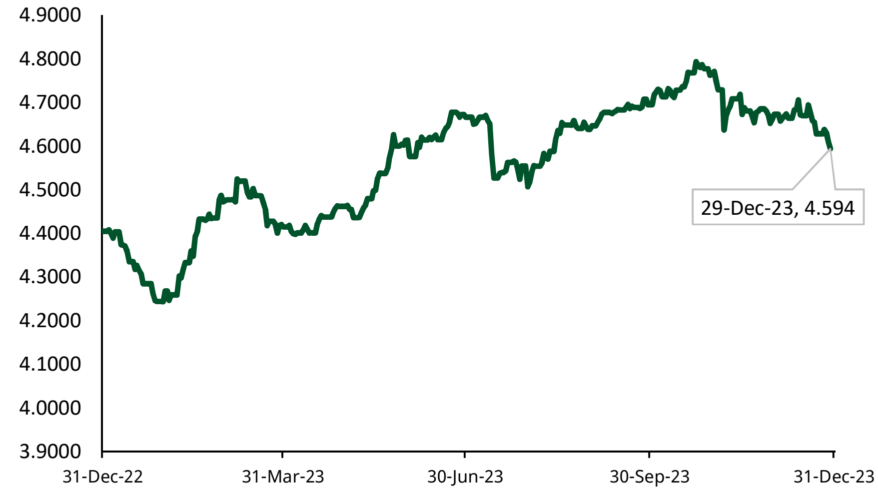


Exhibit 3: Sector Performances Month-to-Date (%)

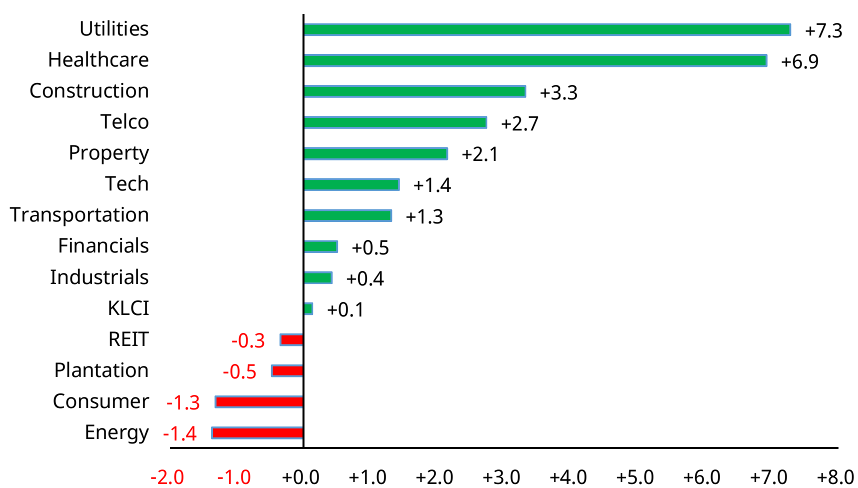
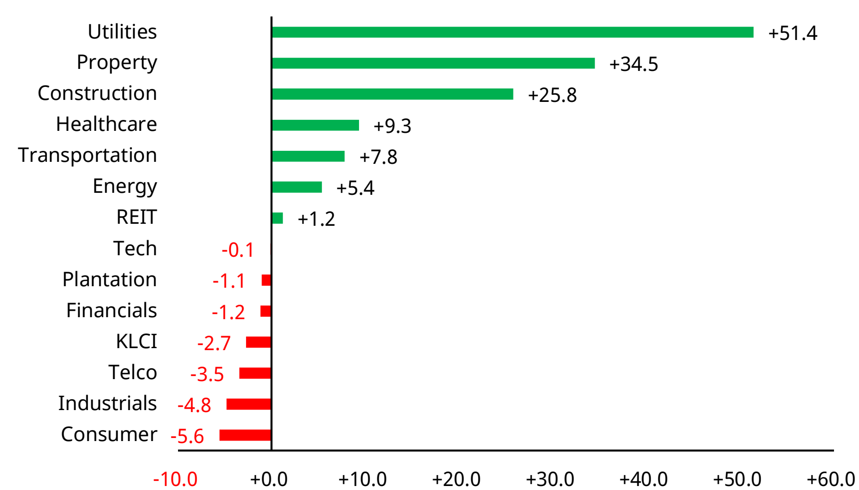


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

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