

Portfolio Managers' Views



March 2024
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Month of March 2024 in Review & Our Managers' Views.

- 1 In March, Malaysia's construction and property sectors outperformed (see Exhibit 3).** Key catalysts were the start of land acquisition over 2024-25 for the Mass Rail Transit 3 project, data centres were fast-tracked, and spillover from tech (collaboration with a US tech giant to develop artificial intelligence ("AI") infrastructure). However off late, we noted catalysts in commodity markets were not well-reflected in Bursa's sectoral indices such as industrial products (e.g. metals) and plantation.
- 2 Commodity catalyst #1: Global tin prices have surged due to increasing demand and supply constraints.** Tin mines in Myanmar remained close. Indonesian exports have been delayed by lack of activities since this year. As such, we may see a 5,000-tonne tin deficit in 2024 from a 6,000-tonne surplus in 2023. Rising technology requirements, particularly in AI and automotive chips, are also expected to support high tin prices in the coming months.
- 3 Commodity catalyst #2: Gold prices surged to a record high** although the US Federal Reserve left interest rates unchanged. The record gold prices were in anticipation of lower interest rates going forward (weaker US Dollar) and decreased the opportunity cost of holding gold, which makes gold attractive versus the USD. Elevated inflation and geopolitical tensions in the Middle East and Ukraine have also combined to push up gold prices as investors now turn to gold as a store of value.
- 4 Commodity catalyst #3: CPO prices hit 12-month highs due to demand-supply dynamics.** Stagnating global crude palm oil ("CPO") production and higher biodiesel mandates are curbing edible supplies of the world's most used vegetable oil this year. CPO output in Indonesia and Malaysia, the main global producers, is likely to rise in 2024 or fall from 2023 levels, due to old plantations, lack of replanting and labour shortages. Unfavourable weather conditions add to supply tightness.
- 5 Commodity catalyst #4: Copper prices jumped from plant shutdowns and rise in generative AI computing.** Central to building generative AI that produces more content at speed and at scale is the computing hardware and infrastructure requirements. Commodities like copper (e.g. conductor) benefit from rising technological demand, while the recent efforts by major copper smelters in China to jointly embark on production cuts at some loss-making plants are limiting supplies.
- 6 Our local and regional funds are invested in beneficiaries of higher commodity prices (see examples in Exhibits 5 and 6).** Our holdings in these beneficiaries are typically non-index linked, have low valuations, and have a combination of growth and dividend drivers. As such, they feature in both our growth and dividend portfolios. The exhibits indicate our holdings tend to correlate with commodity price movements. The above have led to strong price gains and have benefitted our portfolios.

2.0 MALAYSIA MARKET REVIEW

Industrial products and plantation sectors' indices lagged in March...

Exhibit 1: KLCI vs Shariah Index

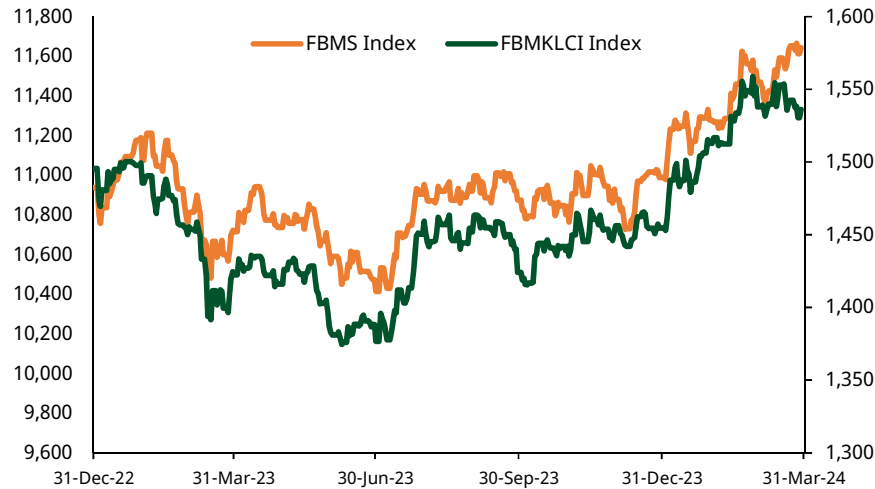


Exhibit 2: USDMYR

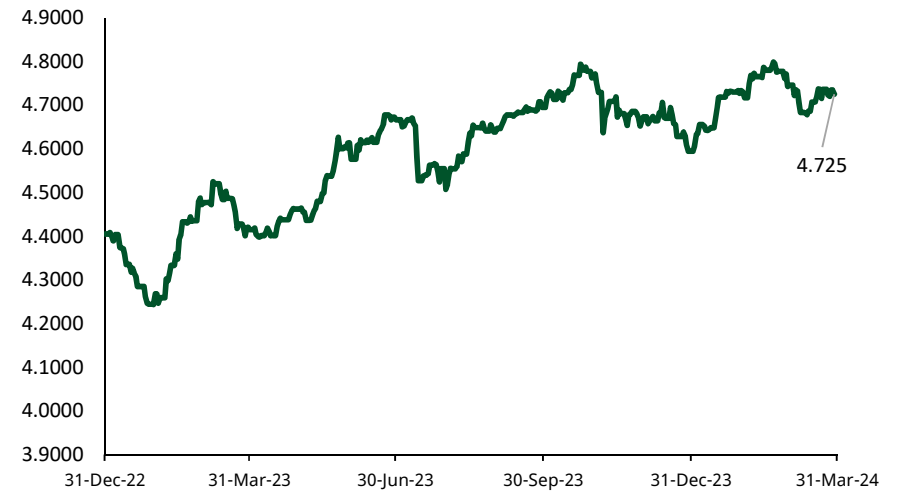


Exhibit 3: Sector Performances Month-to-Date (%)

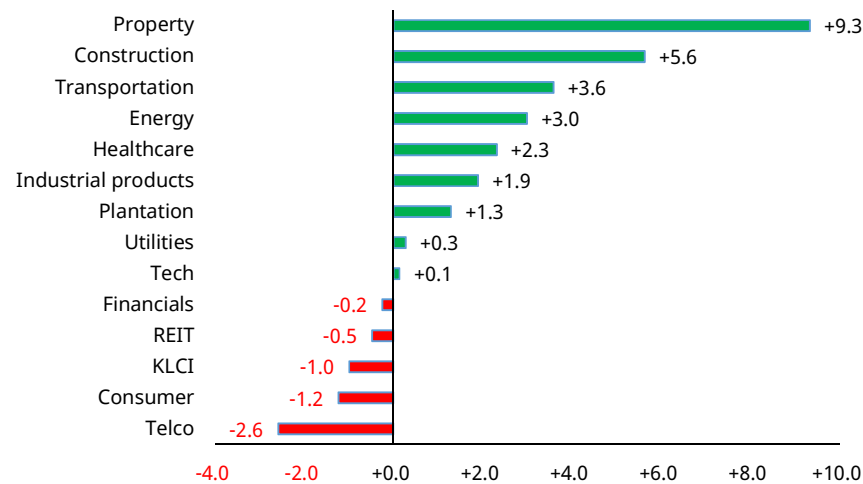
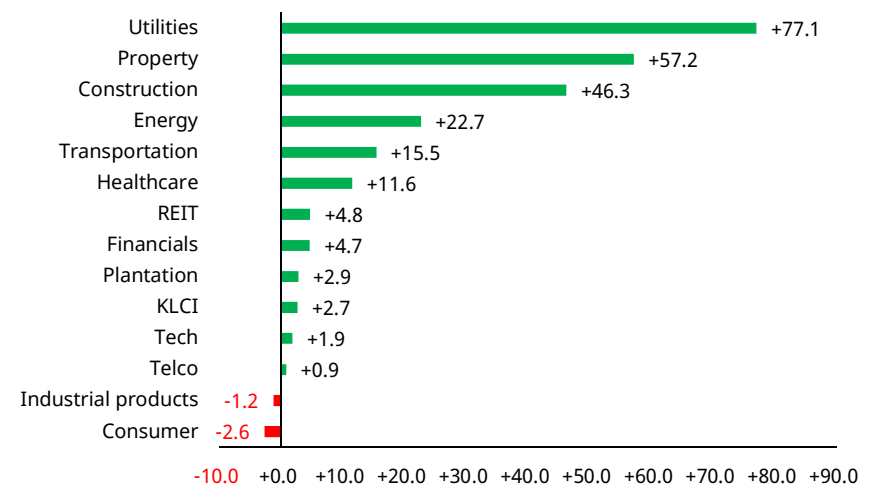


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

3.0 COMMODITIES RALLY BENEFIT SELECTED STOCKS

Our equity holdings are related to gold, tin, copper, and crude palm oil.

Exhibit 5: Gold Price (USD/oz) vs Tomei Consolidated Bhd Share price (RM)



GOLDS Comdty (GOLD SPOT \$/OZ) Daily 31MAR2023-31MAR2024

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4.0 WHY COMMODITY-RELATED STOCKS?

Low valuations coupled with earnings growth and dividend potential.

Exhibit 6: Tin Price (USD/mt) vs Malaysia Smelting Corp Share price (RM)



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