



Portfolio Manager's Views

Investment Department



July 2024

1. MALAYSIA & REGIONAL

1 **In June, Malaysia's market outperformed (see Exhibit 1).** Recent US data show signs of a "Goldilocks" economy. Non-farm payrolls for Jun-24 came in at 206K, a tad higher than consensus. However, the surprise was the unemployment rate which came in at 4.1% (the highest since Oct-21). Other signs of cooler activity came from the core PCE which increased by 0.083% in May-24 - the lowest increase since Nov-2020. Also 1Q GDP in US came in at 1.4% (3rd reading). Consensus estimates for 2Q GDP may have downside risk. Finally, May's core CPI of 0.16% MoM was 10 bps below expectations and the lowest since Aug-21. The recent flow of data provides sanguine conditions for equity markets and presages a FED rate cut in 2H of 2024.

2 **For Malaysia,** we see a convergence in positive thematic such as data center investments, FDI's, supply chain relocation, Johor special economic zone and recovery in E&E exports. These themes will support the KLCI for the rest of 2024.

3 **We believe the KLCI's valuations remain undemanding** ie. 2024 PER of 14.7x (10Y range 12.4x to 21.7x), PBR of 1.4x (10Y range 1.2x to 2.3x) and 2024 forecast DY of 4.1% (10Y range 2.7% to 5.3%). Our strategy is to invest in well-managed companies which have potential catalysts, growth and/or decent dividend yield. We believe the market has the potential to trade higher in the coming months.

4 **Feature of the Month - SK Hynix Inc.** The company's leadership in next-generation memory LPDDR5 and HBM allows the company to be at the forefront of riding the AI boom. What is the outlook for SK Hynix Inc? The memory down cycle has come to an end, sales are picking up as the AI boom drives up memory chip demand which will in turn significantly enhance the profitability of SK Hynix. The semiconductor upcycle is likely to persist for the next 2 years.

2. MALAYSIA MARKET REVIEW

Malaysia has been an outperformer in 2024.

Exhibit 1: KLCI & Shariah Index

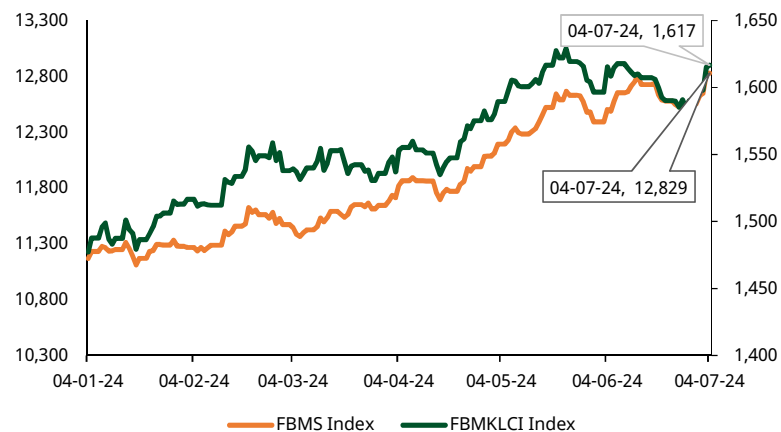
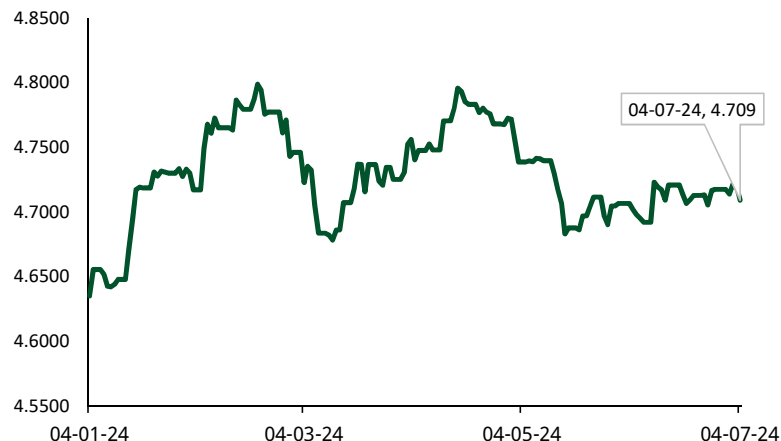


Exhibit 2: USDMYR



Construction and property sectors to capitalise onto key infrastructure projects, technology sector remains in focus with recovery in world semiconductor sales.

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

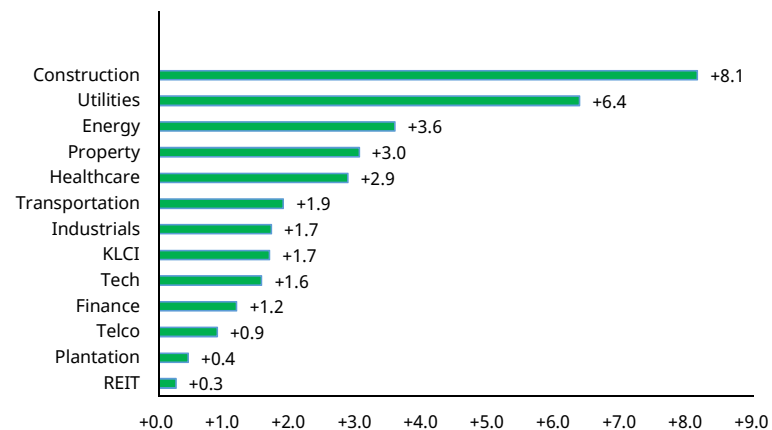
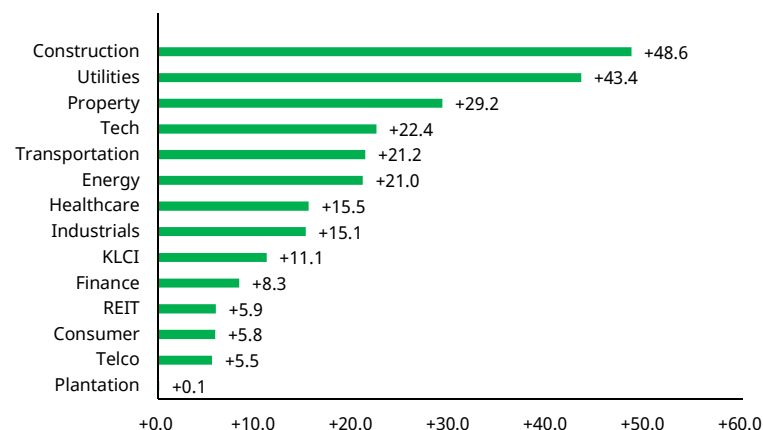


Exhibit 4: Sector Performances Year-to-Date (%)



3. MALAYSIA VALUATIONS

KLCI's valuations remain undemanding. We have a positive stance on the market.

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

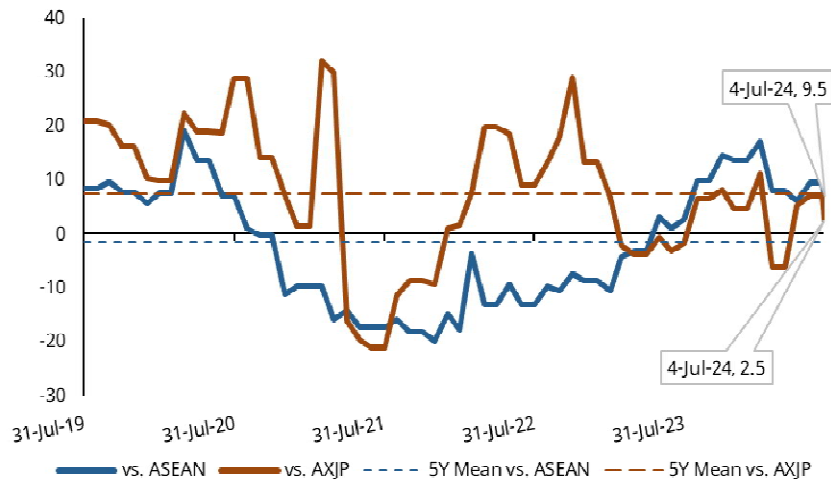


Exhibit 6: KLCI's 2024 PER (x)

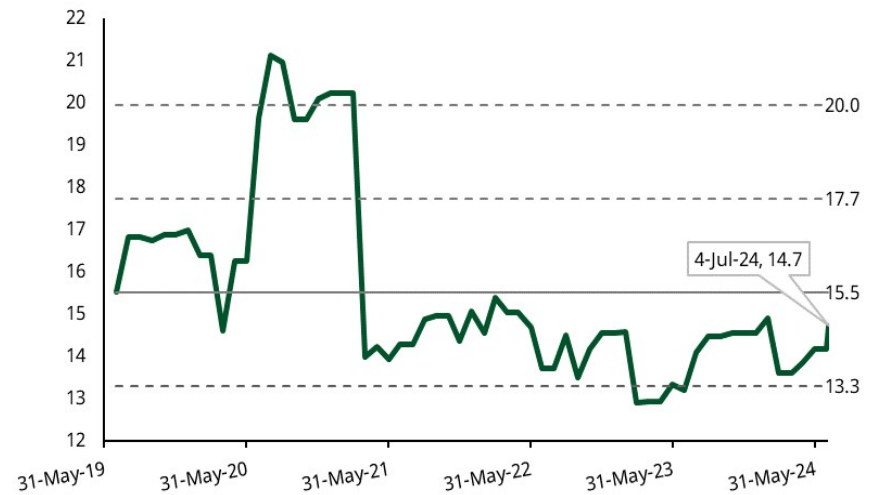


Exhibit 7: KLCI's 2024 PBR (x)

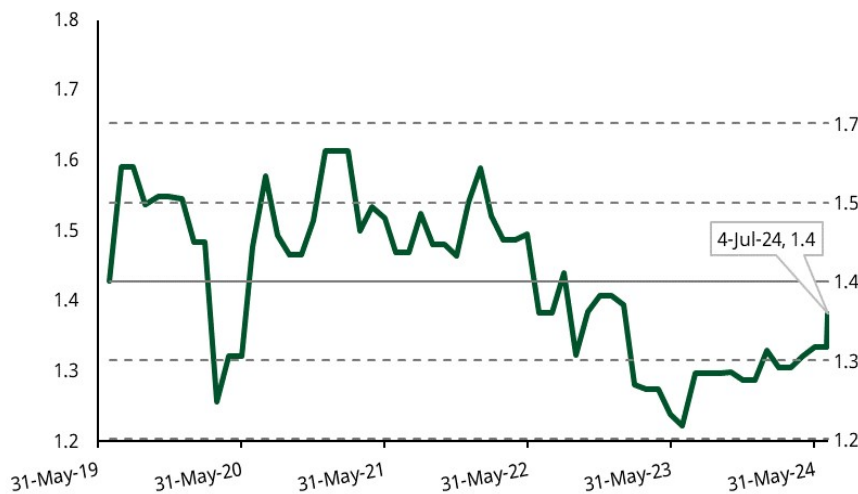
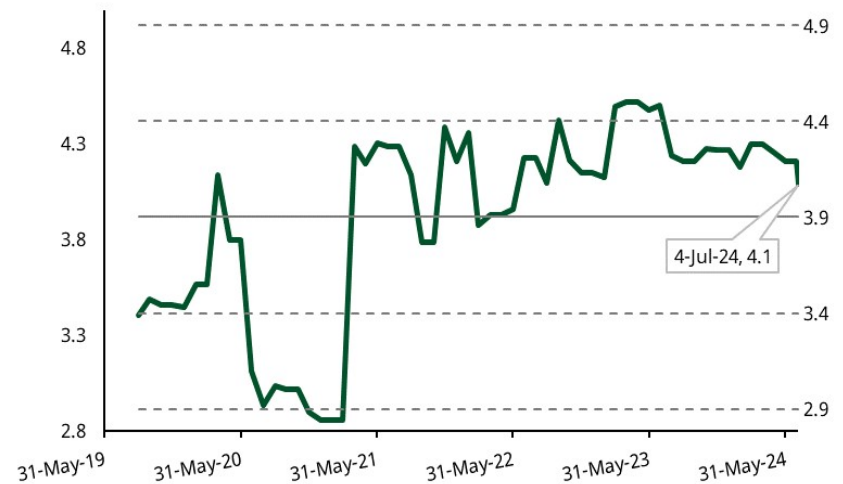


Exhibit 8: KLCI's 2024 DY (%)

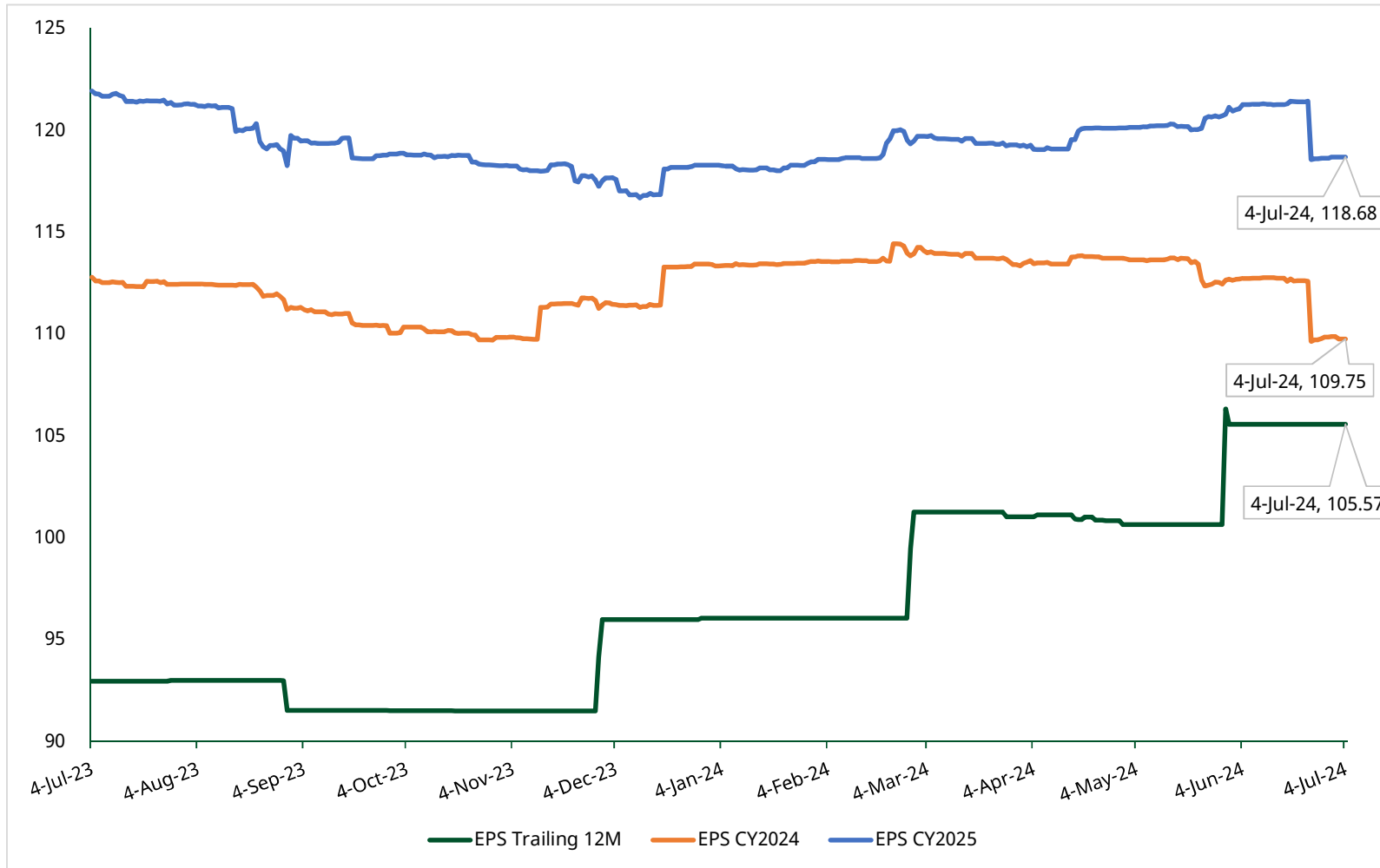


Source: Bloomberg

4. CONSENSUS EPS

KLCI earnings have been steady.

Exhibit 9: 12M Trailing & 2024 & 2025 EPS

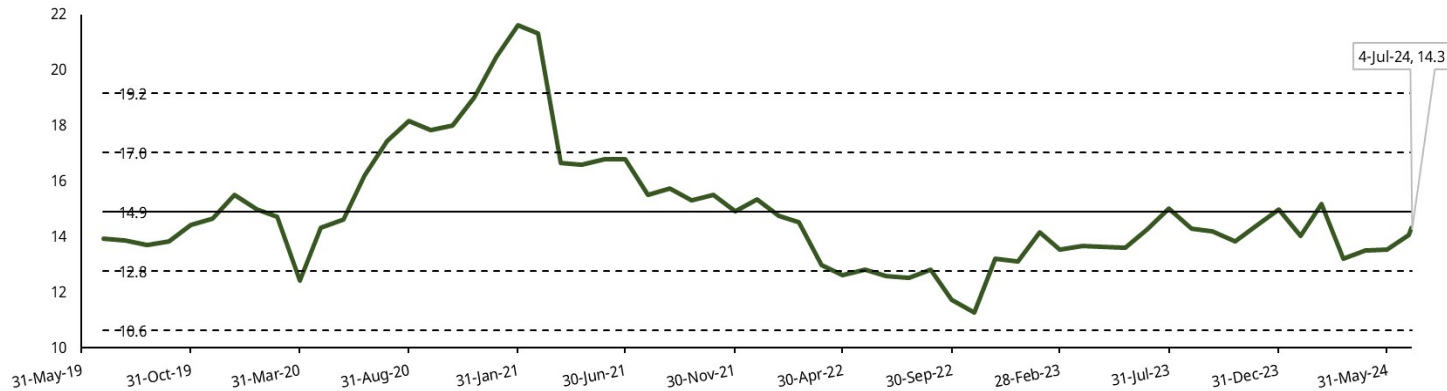


Source: Bloomberg

5. MSCI ASIA EX JAPAN PER & USD

Asia ex Japan is trading at a discount to historical averages.

Exhibit 10: MSCI Axj Index's 2024 PER (x)



Source: Bloomberg

Fed poised to cut interest rates, dollar may drift downwards.

Exhibit 11: DXY Index

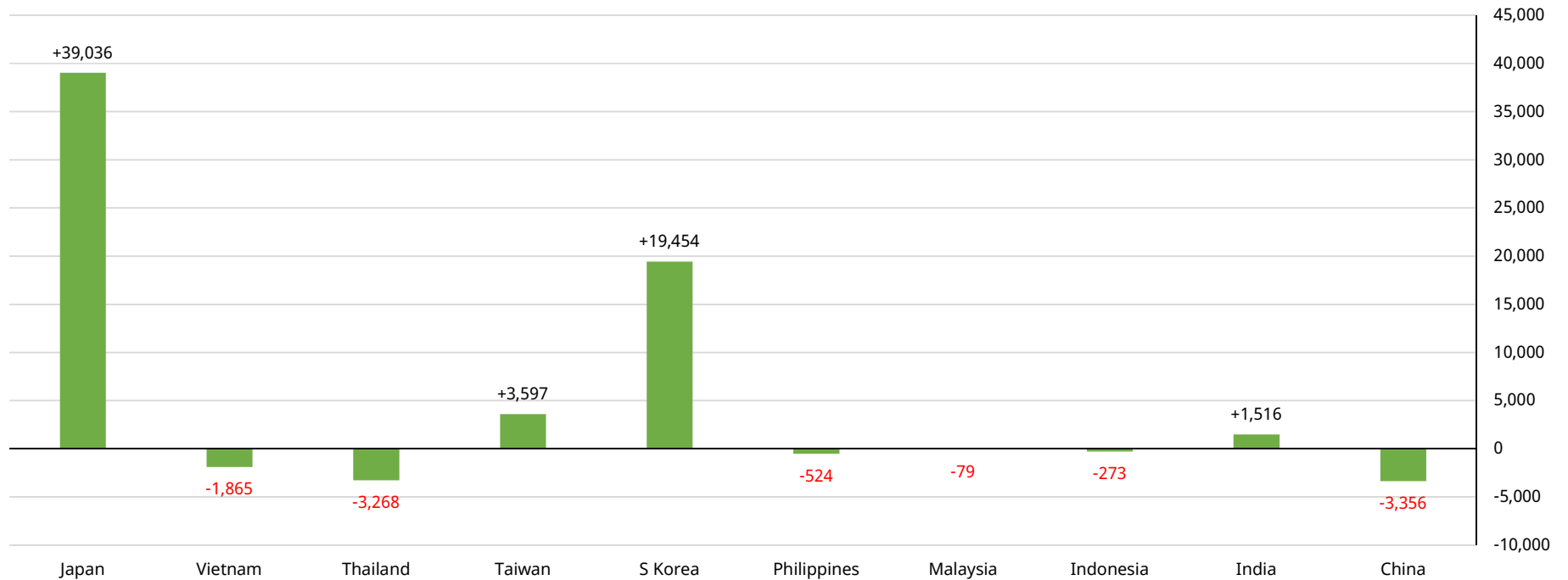


Source: Bloomberg

6. FUND FLOWS YTD-24

Inflows into North Asia, ASEAN is seeing Outflows.

Exhibit 12: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg

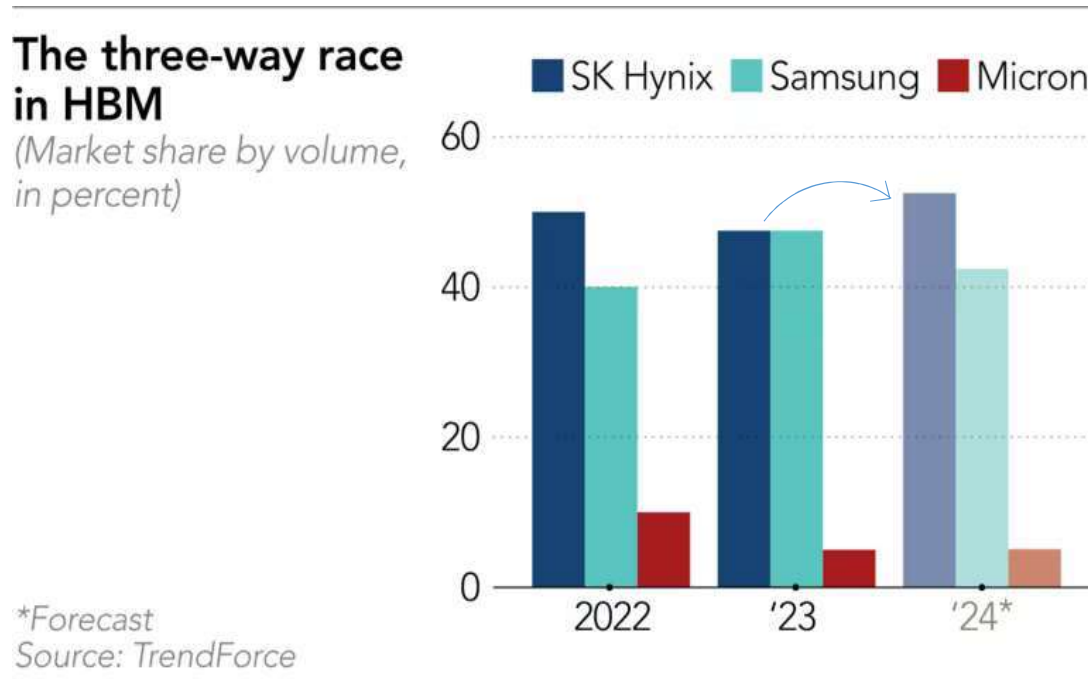
7. FEATURE OF THE MONTH: SK HYNIX INC

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The world's second-largest maker of memory chips.

1 SK Hynix has the largest market share of High Bandwidth Memory (HBM) chips.

Exhibit 1: Market share of HBM memory chips



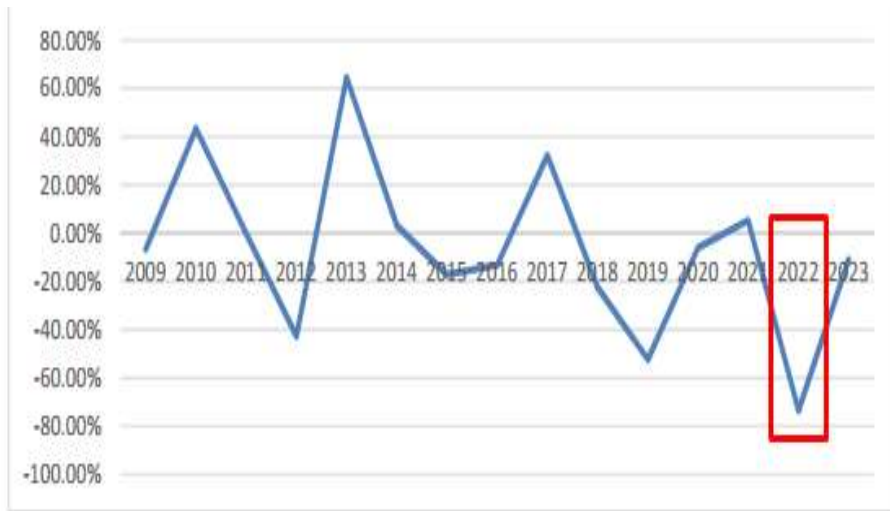
7.1 (CONT'D) SK HYNIX

Profits are improving strongly for SK Hynix.

2

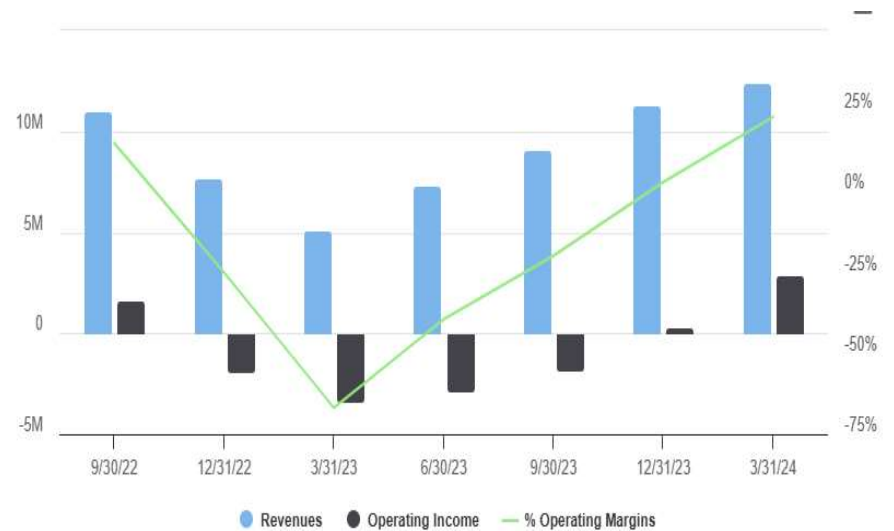
Inventory levels have been recovering since 2022. This indicates sales will improve in the future.

Exhibit 2: SK Hynix's memory inventory cycle is rebounding



Source: Company, Astute Fund Management Berhad

Exhibit 3: SK Hynix reported its highest profit in nearly two years in the latest quarter



Source: TIKR Terminal

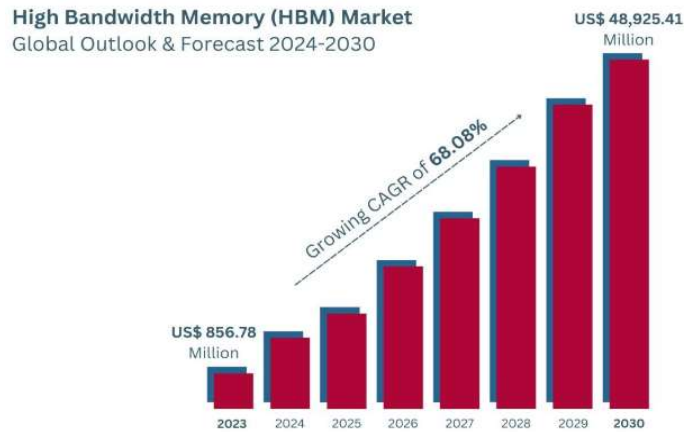
7.2 (CONT'D) SK HYNIX

As the market leader in HBM, SK Hynix is well positioned to capitalize on the AI upcycle.

3

The HBM market is poised for explosive growth, driven by the growing adoption of AI.

Exhibit 4: HBM market forecast



4

DRAM quarterly sales estimates will trend upward well into 2025. We are still early in the upcycle.

Exhibit 5: DRAM quarterly sales estimates

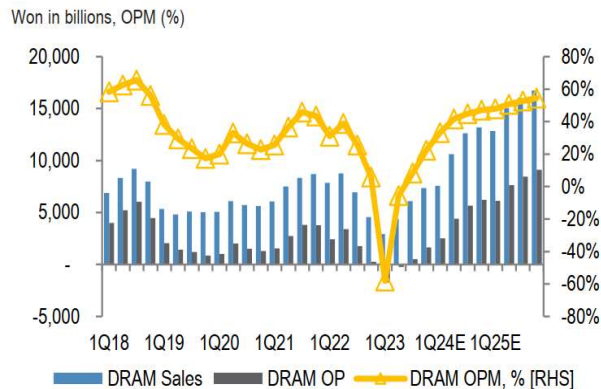


Exhibit 6: HBM will account for over 30% of total DRAM value from the current 8%

Estimated HBM Share of DRAM Bit Capacity and Market Value Proportion, 2023–2025

HBM	2023	2024(E)	2025(F)
Output Out of Total DRAM	2%	5%	over 10%
Revenue Out of Total DRAM	8%	21%	over 30%

Source: TrendForce, May, 2024

7.3 (CONT'D) SK HYNIX

Remains undervalued compared to peers given its market position and ongoing HBM shortage.

5 We see further upside to the shares. Its continuous leadership in HBM will serve as a re-rating catalyst.

Exhibit 7: SK Hynix's FY2025 P/E ratio compared to peers



Source: Bloomberg, data as at 4 July 2024

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