

Portfolio Manager's Views

Investment Department



10 September 2024

1. MALAYSIA & REGIONAL

1

In spite of the volatility recently, we maintain our positive stance on equity markets. Investors are worried that the US economy is slowing rapidly. While growth has indeed slowed, we do not believe that the US is headed for a recession. Consensus expects US GDP growth to be positive in 3Q & 4Q (Bloomberg : 2.3%/1.8% respectively). Meanwhile, inflationary pressures are receding as the labour market cools. We believe the US FED will cut rates for the first time this cycle in September. Lower US interest rates will support equity valuations. In addition, Asian currencies are likely to strengthen against the USD. This usually augurs well for equity markets in Asia.

2

We see a convergence in positive thematics such as data center investments, FDIs, 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

KLCI's valuations are not as cheap as before ie. 2024 PER of 17.8x (10Y range 12.4x to 21.7x), PBR of 1.4x (10Y range 1.1x to 2.2x) 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 - AirAsia X. We believe AAX's prospects will improve in moving forward. The continued recovery in air travel demand and airline industry supply constraints are expected to push airfares above 2019 levels and thus benefit their topline. Additionally, the downtrend in jet fuel prices (which contributes 40-50% of OPEX) and MYR strengthening (70-80% of OPEX are USD-denominated) will positively contribute to its earnings. The next milestone of AAX's restructuring is acquiring and consolidating Capital A's aviation into a single fleet allowing revenue and cost synergies to serve as re-rating catalysts.

2. MALAYSIA MARKET REVIEW

Malaysia has been an outperformer in 2024.

Exhibit 1: KLCI & Shariah Index

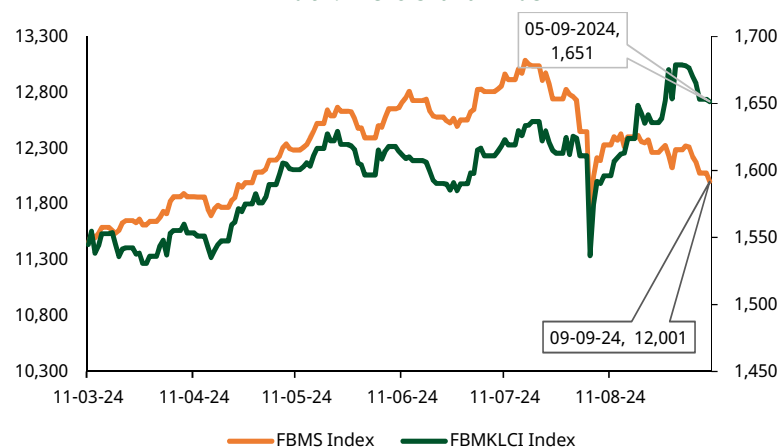
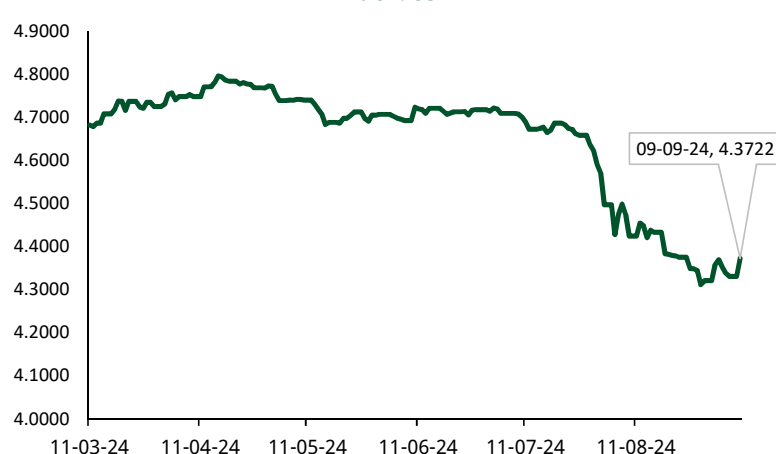


Exhibit 2: USDMYR



Construction and property sectors to capitalise onto key infrastructure projects, technology sector taking a breather after the 1H rally.

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

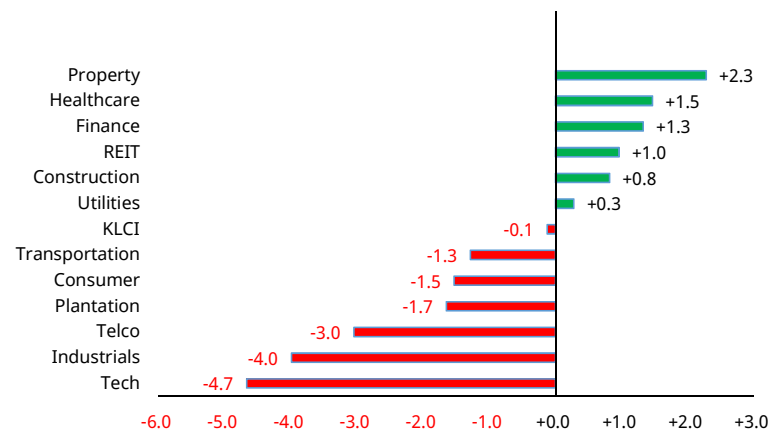
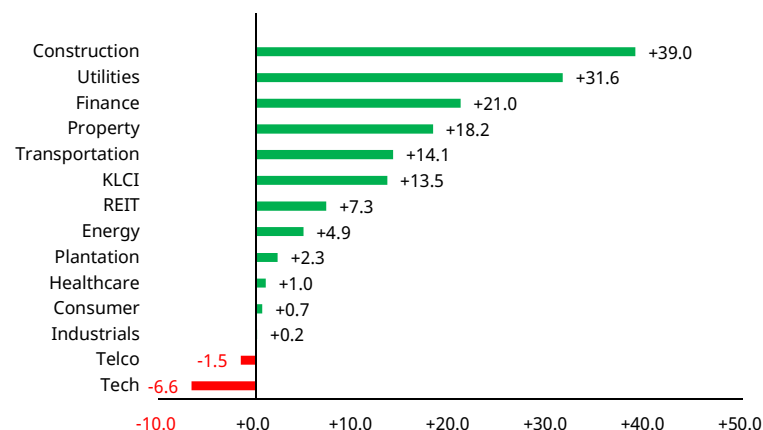


Exhibit 4: Sector Performances Year-to-Date (%)



3. MALAYSIA VALUATIONS

KLCI's valuations not as cheap as before, we remain invested in well managed companies.

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

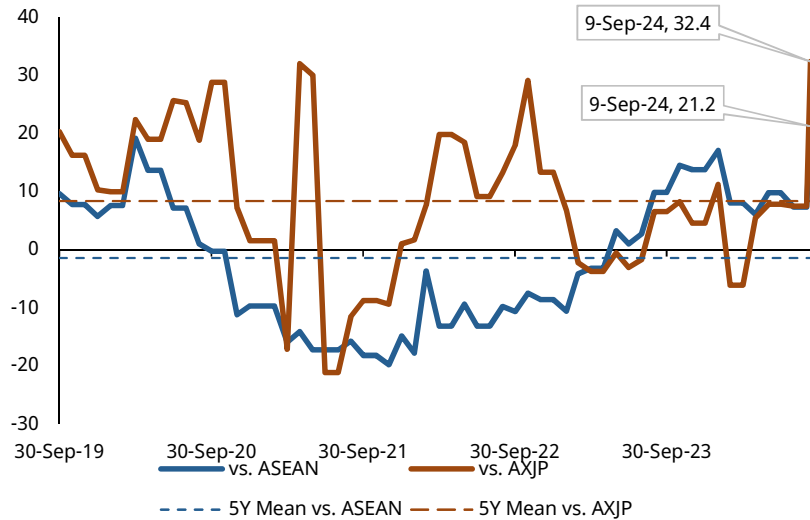


Exhibit 6: KLCI's 2024 PER (x)

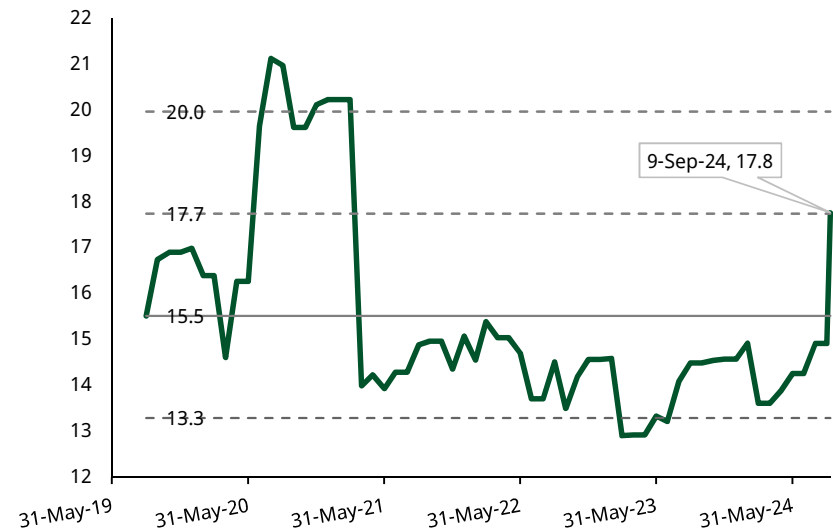


Exhibit 7: KLCI's 2024 PBR (x)

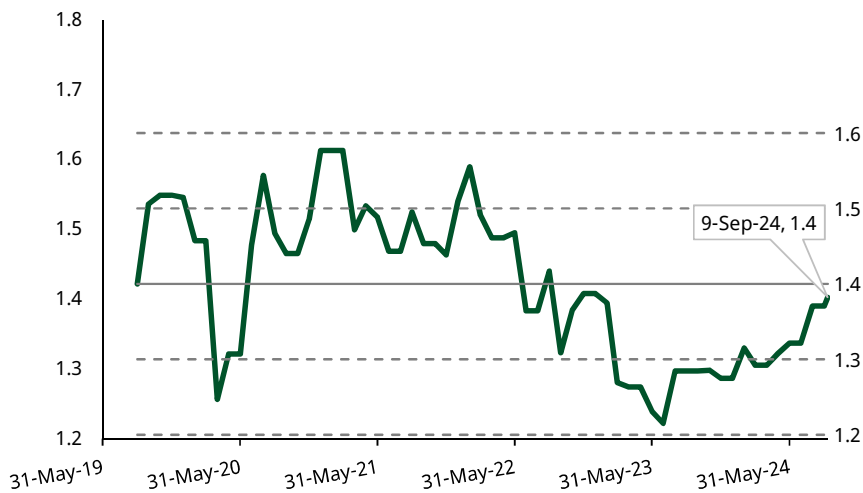
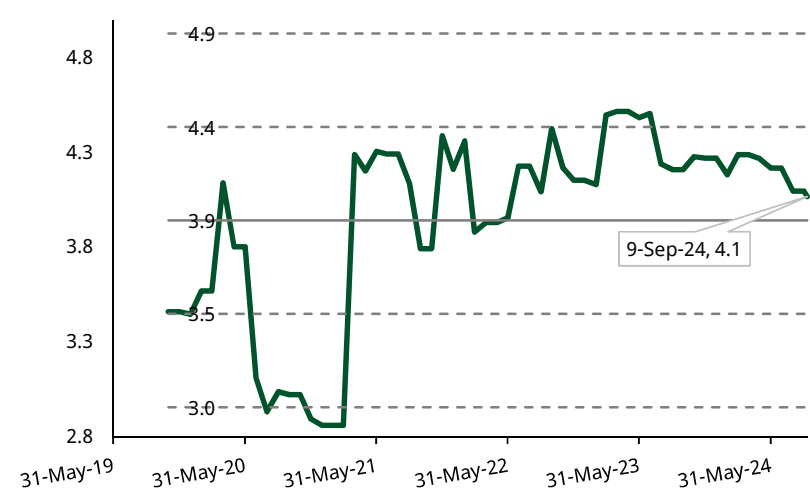


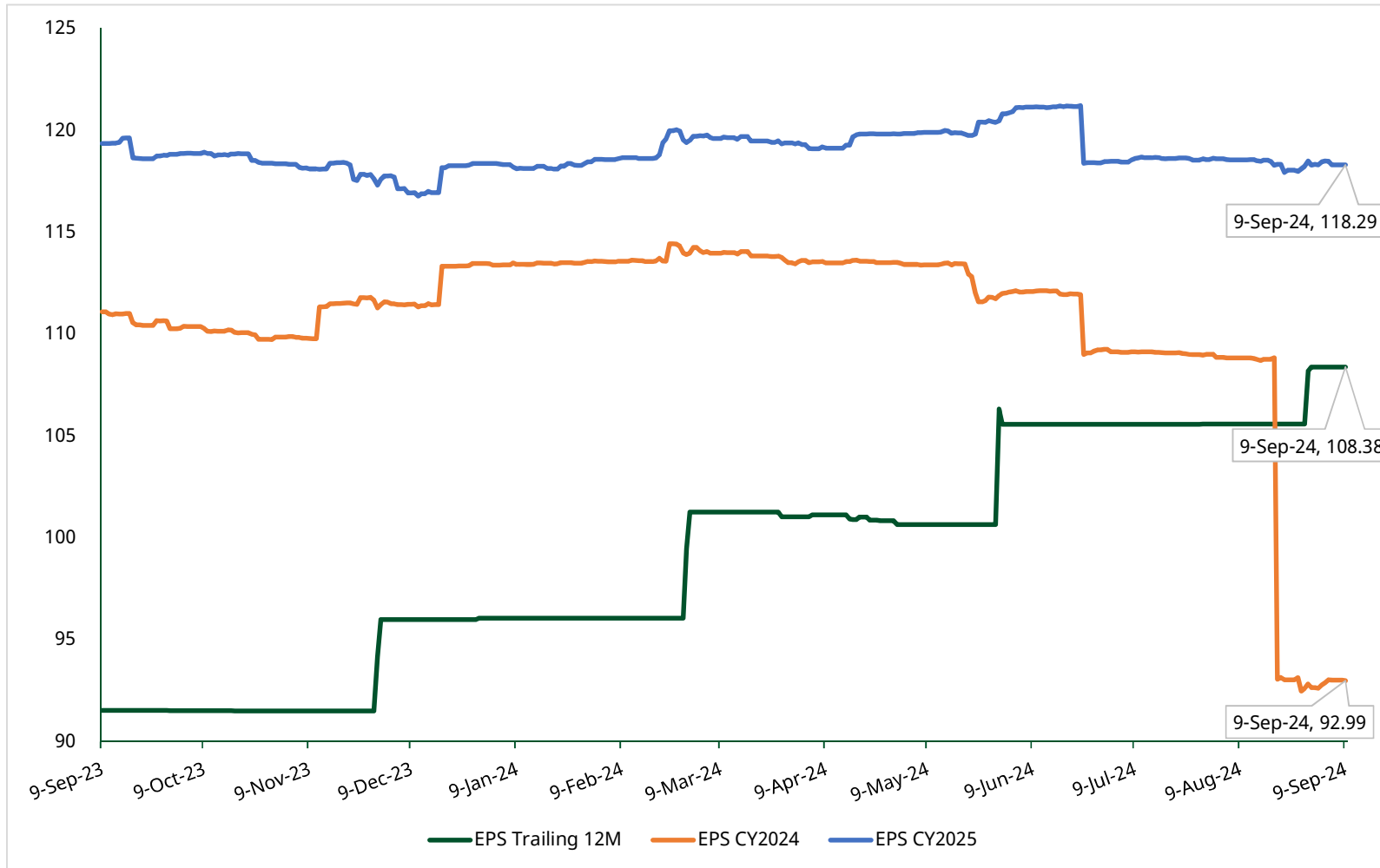
Exhibit 8: KLCI's 2024 DY (%)



4. CONSENSUS EPS

KLCI earnings have been steady.

Exhibit 9: 12M Trailing & 2024 & 2025 EPS

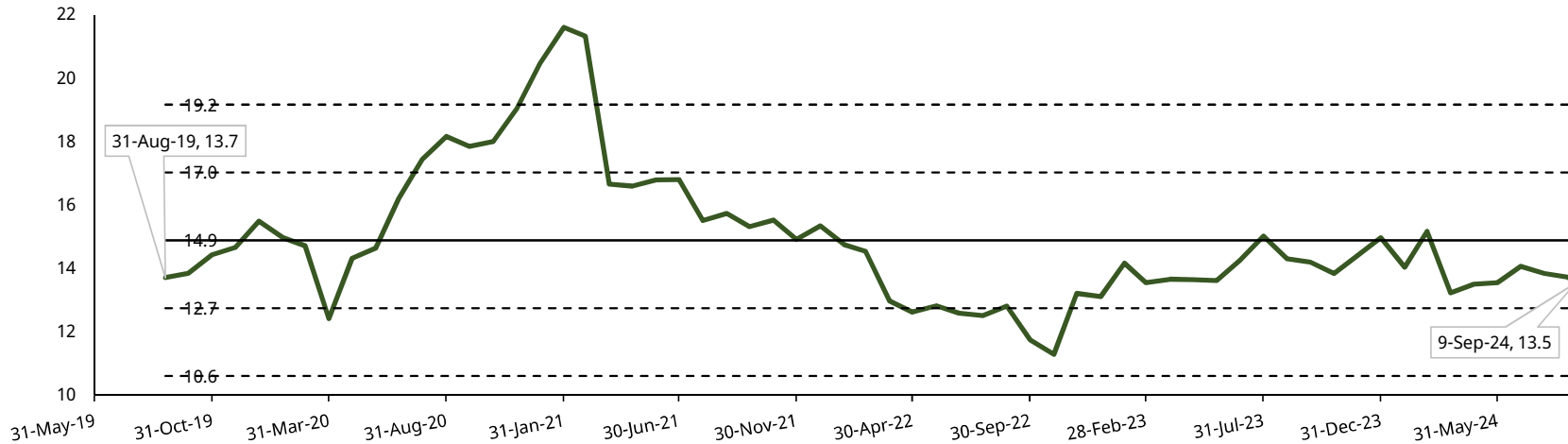


Source: Bloomberg

5. MSCI ASIA EX JAPAN PER & USD

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

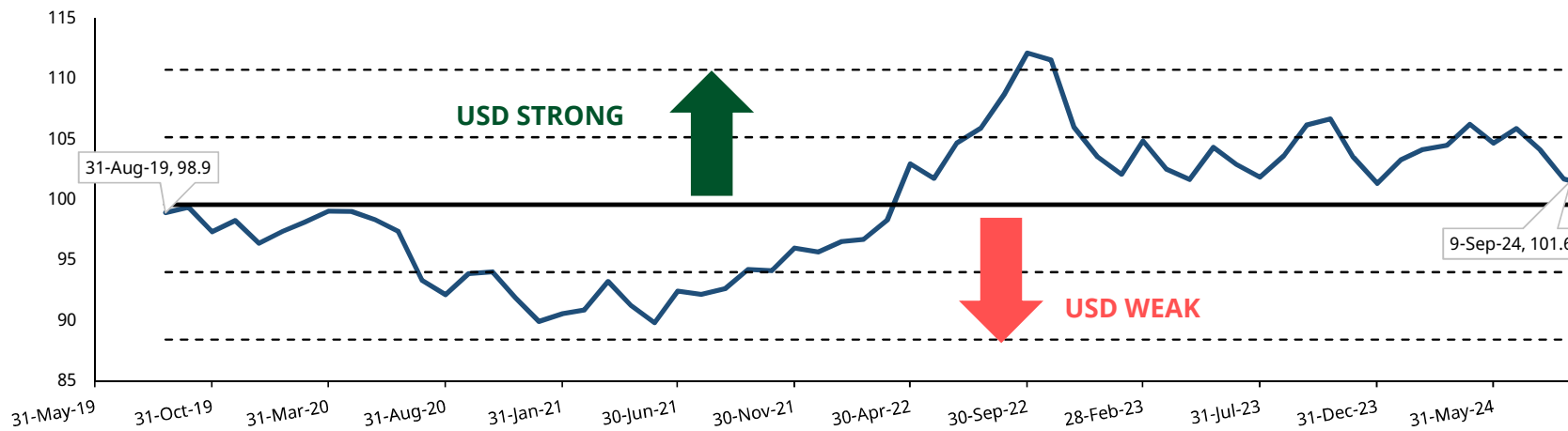
Exhibit 10: MSCI Axj Index's 2024 PER (x)



Source: Bloomberg

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

Exhibit 11: DXY Index

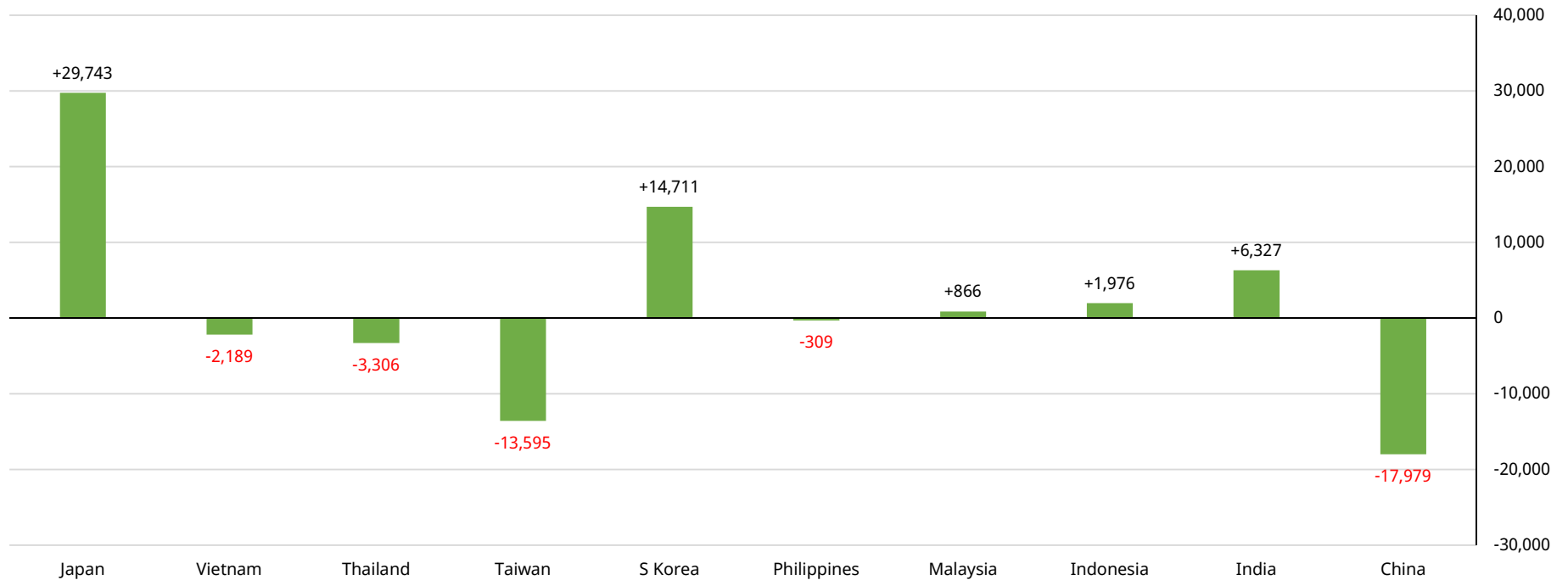


Source: Bloomberg

6. FUND FLOWS YTD-24

Inflows into North Asia, ASEAN is seeing Outflows except for Malaysia and Indonesia.

Exhibit 12: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg

7. FEATURE OF THE MONTH: AIRASIA X BERHAD

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AirAsia Group - Largest Low-Cost Carrier in Asia.

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AirAsia Group Have a Strong Brand Recognition & Market Share in Malaysia and Thailand.

Exhibit 1: AirAsia Group Total Market Share by Airline Passengers.

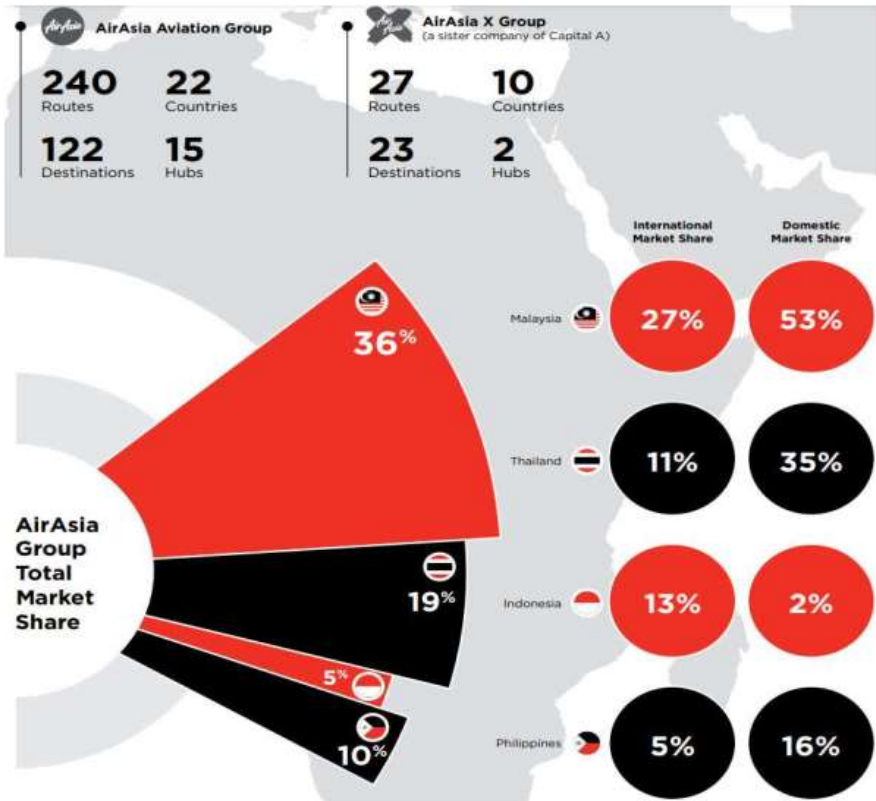


Exhibit 2: AirAsia X's Large Route Network with Established Hubs.



Source: AirAsia X Berhad

Source: Capital A Berhad

7.1 (CONT'D) AIRASIA X BERHAD

2

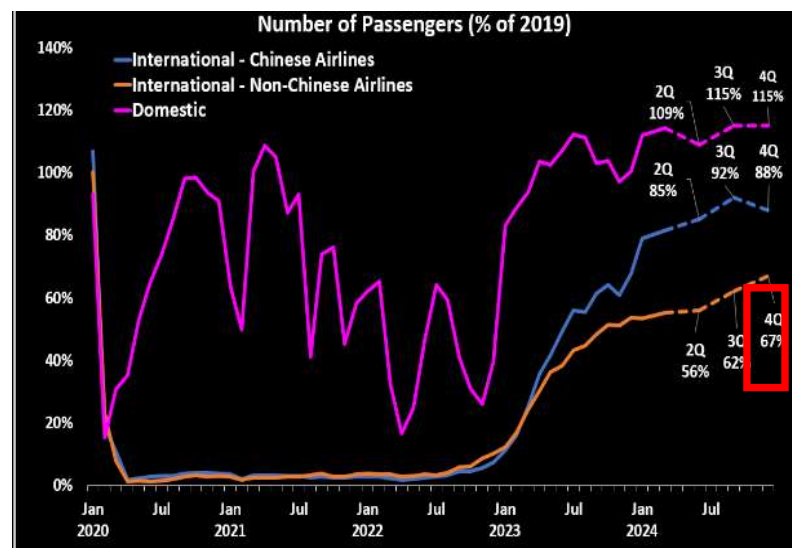
The Continued Recovery and Strong Growth in Air Travel will Support AirAsia Group's Travel Demand.

Exhibit 3: Asia Pacific is expected to see the highest growth in passenger numbers over the next 20 years due to solid economic growth & improving living standards.

Region	CAGR (2023 - 2043)	Additional passengers by 2043, million
Africa	3.7%	179
Asia Pacific	5.3%	2,750
Europe	2.3%	656
Middle East	3.9%	282
North America	2.7%	659
Latin America & Caribbean	2.9%	311
World	3.8%	4,154

Source: IATA, February 2024 update

Exhibit 4: Chinese passengers are expected to rebound to 67% of 2019 levels by end-2024. This provides for further upside as China's tourism recovers.



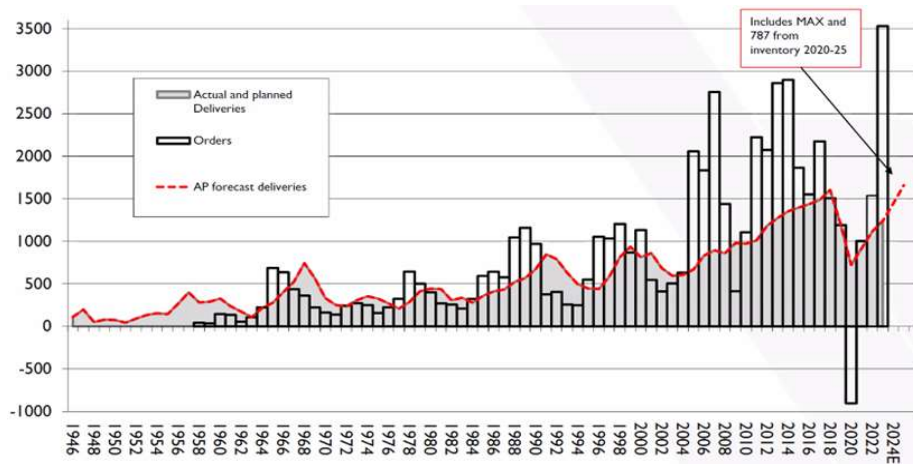
Source: Bloomberg Intelligence

7.2 (CONT'D) AIRASIA X BERHAD

3

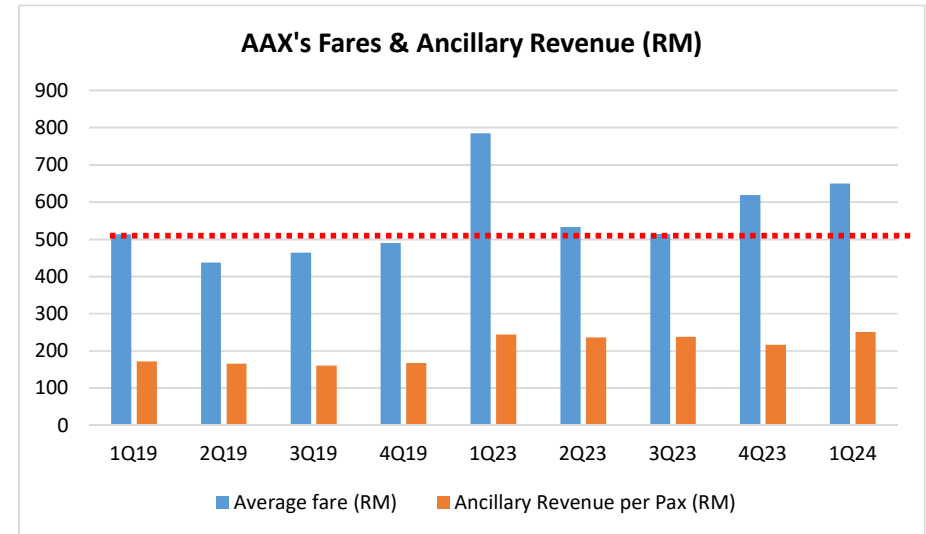
The Airline Industry Supply Constraints will Elevate Airfares Above 2019 Levels, Supporting AAX Fares.

Exhibit 5: Total commercial aircraft annual orders saw a huge spike of more than 3.5k in 2023. This far exceeded the expected deliveries of Boeing and Airbus.



Source: Liberum, CGS International

Exhibit 6: Average fare and ancillary revenue had surpassed pre-COVID levels.



Source: Company, AirAsia X Berhad

7.3 (CONT'D) AIRASIA X BERHAD

4

Falling Jet Fuel Prices and Stronger MYR will Benefit AAX's Earnings.

Exhibit 7: Jet Fuel Prices Declined -15% YTD to USD85 while USDMYR Declined -6% to 4.33 (9th September 2024).



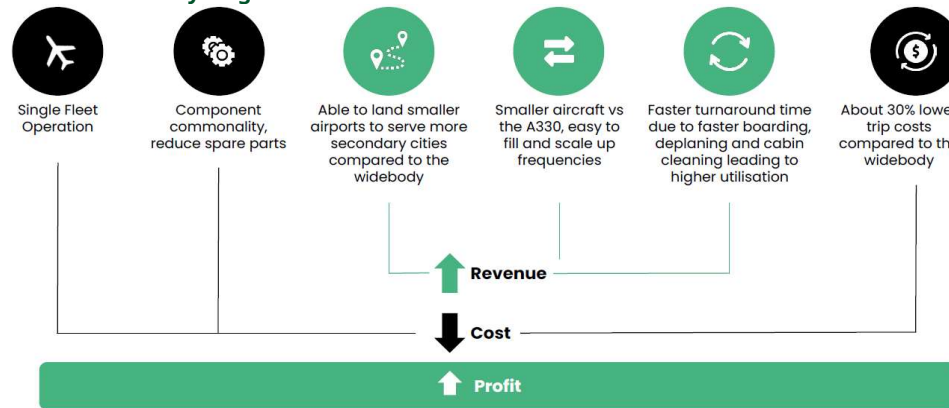
Source: Bloomberg

7.4 (CONT'D) AIRASIA X BERHAD

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Consolidating Capital A Aviation and AAX Fleet will Provide Better Revenue and Cost Synergies.

Exhibit 8: Consolidated Fleet Revenue and Cost Synergies

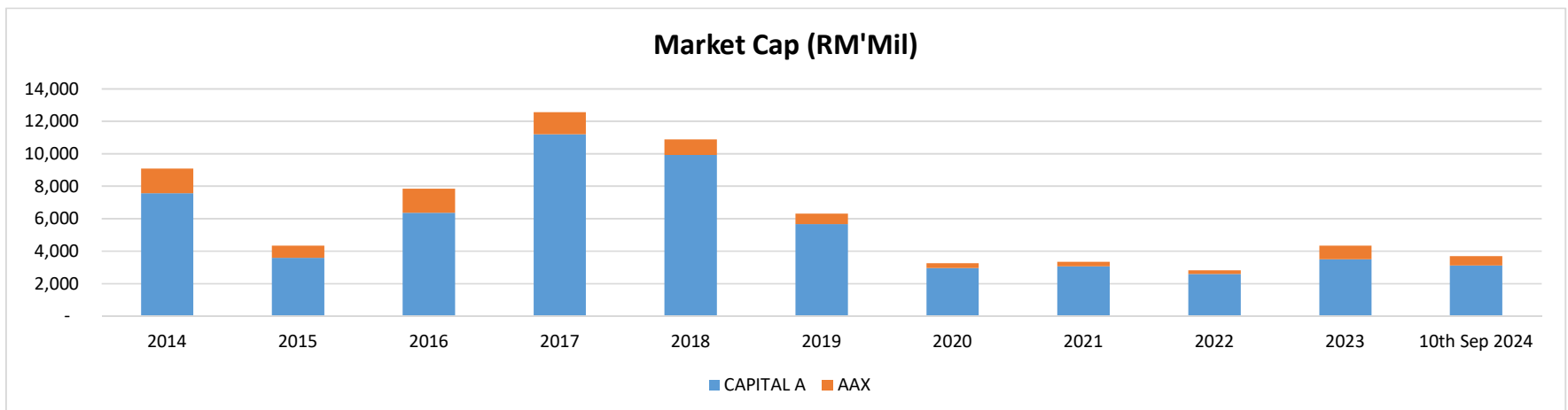


Source: Capital A Berhad

6

AAX's Acquisition of Capital A Aviation by December 2024 to Well Serve as a Re-Rating Catalyst.

Exhibit 9: Combined Capital A and AAX Market Capitalisation Remains Historically Undervalued.



Source: Bloomberg

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