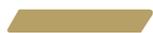


# Portfolio Manager's Views

Investment Department



10 October 2024

# 1. MALAYSIA & REGIONAL

- 1** Falling US interest rates are supportive of equity markets. The FED cut the FFR by 50 bps on 18/9/24 and may reduce it by another 50 bps by year-end, bringing the rate to 4.50%. If the FED cuts by 25 bps at each meeting in 2025, the FFR could fall to 3.0% by 2H25, weakening the USD and benefiting Emerging Markets. Inflationary pressures are easing, with core PCE and CPI moderating, though recent figures slightly exceeded consensus. On the hawkish side, strong Sep non-farm payrolls (254K vs 150K consensus) and a drop in unemployment to 4.1% suggest a resilient US economy. Overall, these conditions create a positive backdrop for equity markets as inflation cools and growth remains strong.
- 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. In addition, the MYR has appreciated by 11% against USD since April-24. Local and foreign funds have net buyers in 2024. We believe these trends will support the KLCI for the rest of 2024.
- 3** **KLCI's valuations are reasonable** ie. 2024 PER of 15.2x (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.** Since our previous month feature on AirAsia X (AAX) on the 10th September 2024, AAX share price rose from RM1.29 to RM1.81 (+40%) following Bursa Malaysia's clearance and the release of its circular to acquire its sister company, Capital A's, aviation business. We continue to remain positive as the company's restructuring plan is progressing well. We expect the upcoming milestones, the Capital A and AAX shareholders EGM (14th and 16th October 2024) and the completion of the acquisition (December 2024 to January 2025), to be key share price catalyst. With the accretive synergies of a consolidated fleet and tailwinds from a strengthening MYR and oil price downtrend, we foresee a positive prospect for AAX heading into 2025.

## 2. MALAYSIA MARKET REVIEW

Malaysia has been an outperformer in 2024, ringgit strengthened against USD since Apr-24.

Exhibit 1: KLCI & Shariah Index



Exhibit 2: USDMYR



Construction and banks rallied upon expectation of stronger GDP growth, technology sector adversely affected by ringgit strengthening.

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

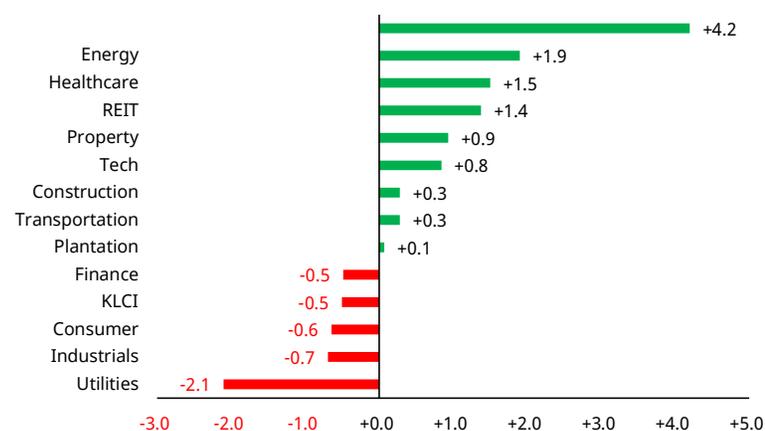
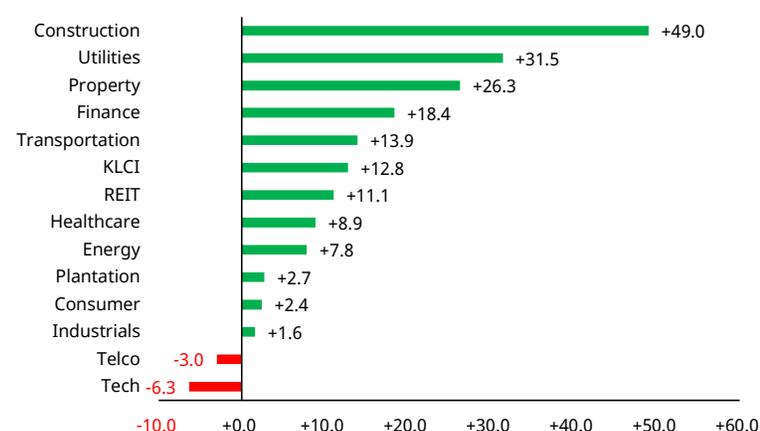


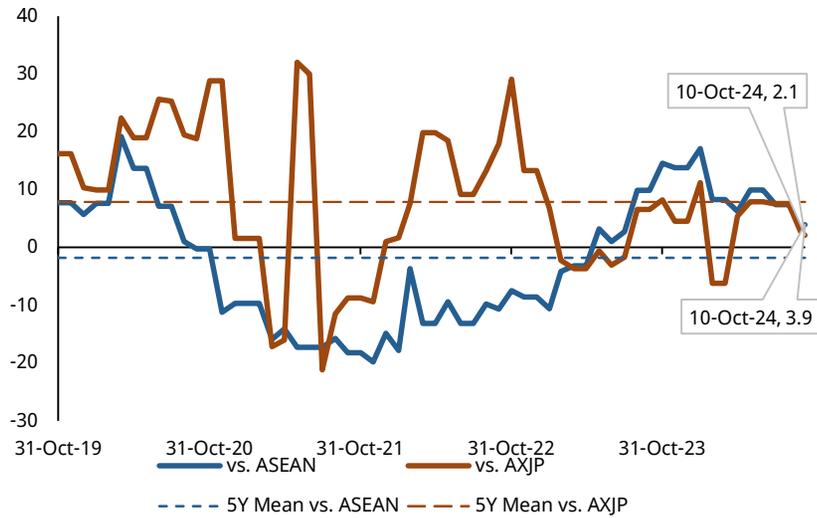
Exhibit 4: Sector Performances Year-to-Date (%)



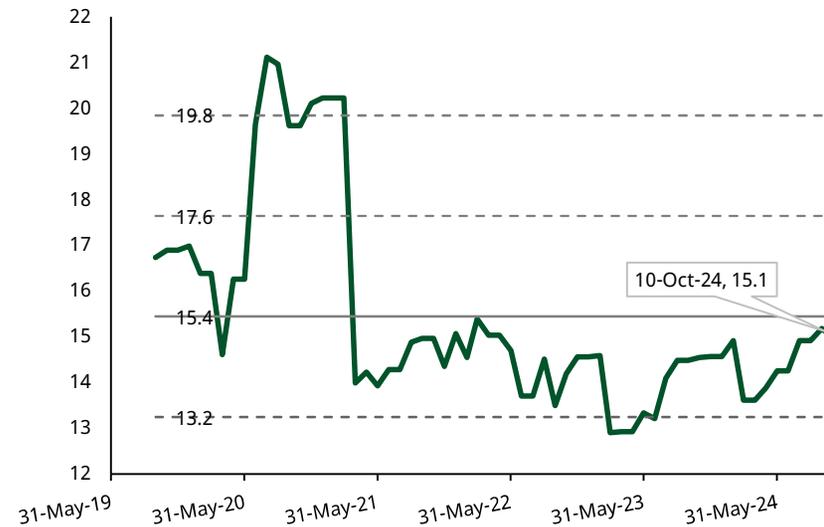
# 3. MALAYSIA VALUATIONS

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

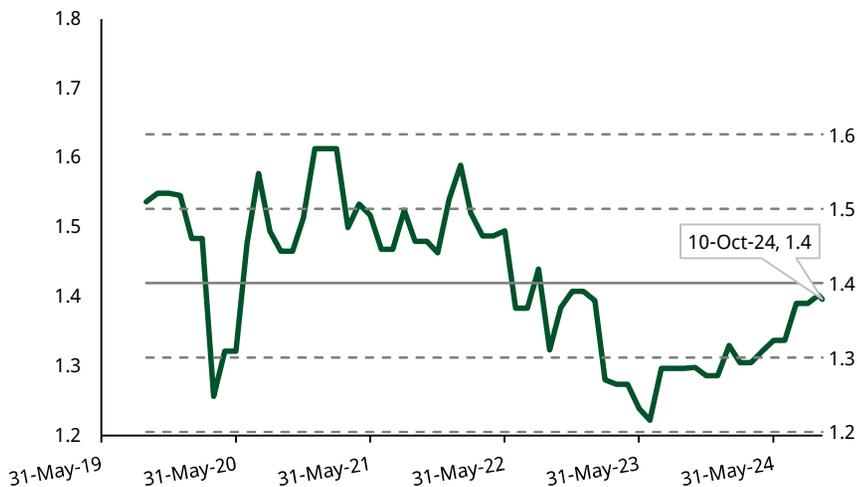
**Exhibit 5: MY's PER Premium/Discount (%) to ASEAN & Asia**



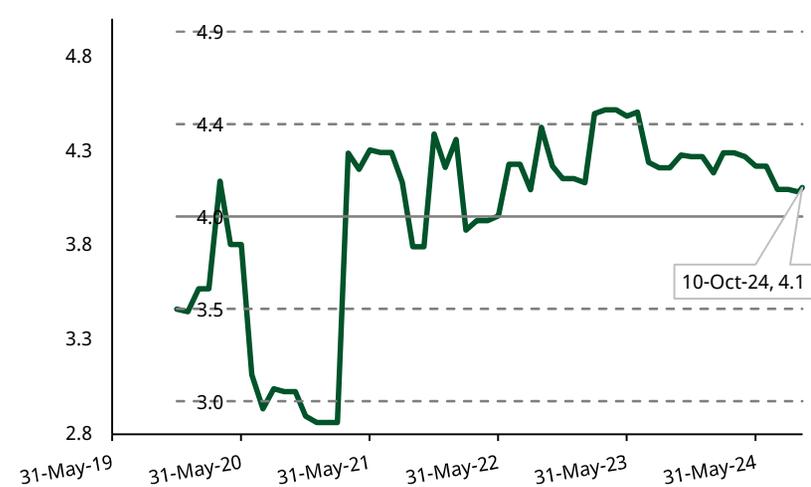
**Exhibit 6: KLCI's 2024 PER (x)**



**Exhibit 7: KLCI's 2024 PBR (x)**



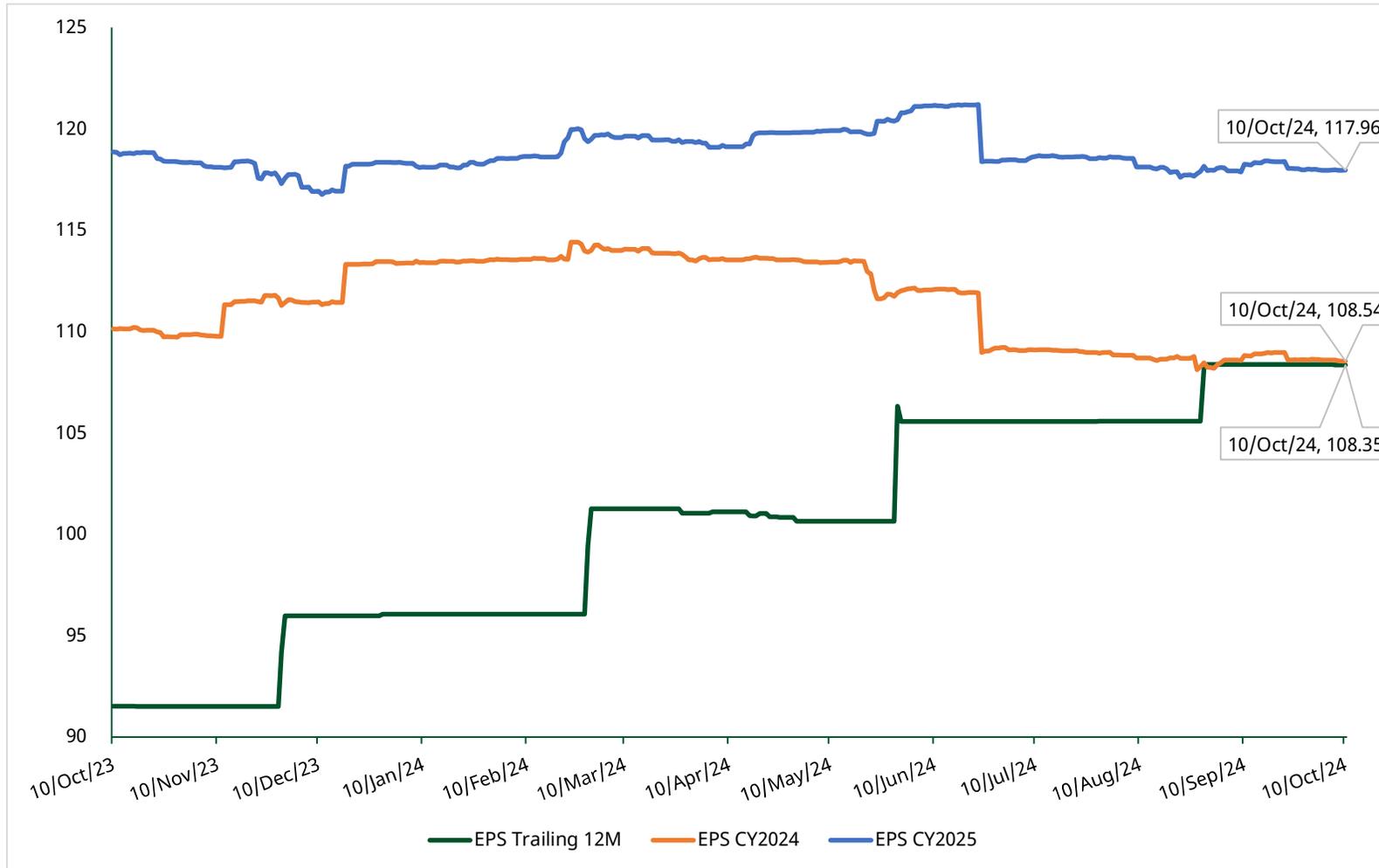
**Exhibit 8: KLCI's 2024 DY (%)**



# 4. CONSENSUS EPS

KLCI earnings have been steady.

Exhibit 9: 12M Trailing & 2024 & 2025 EPS

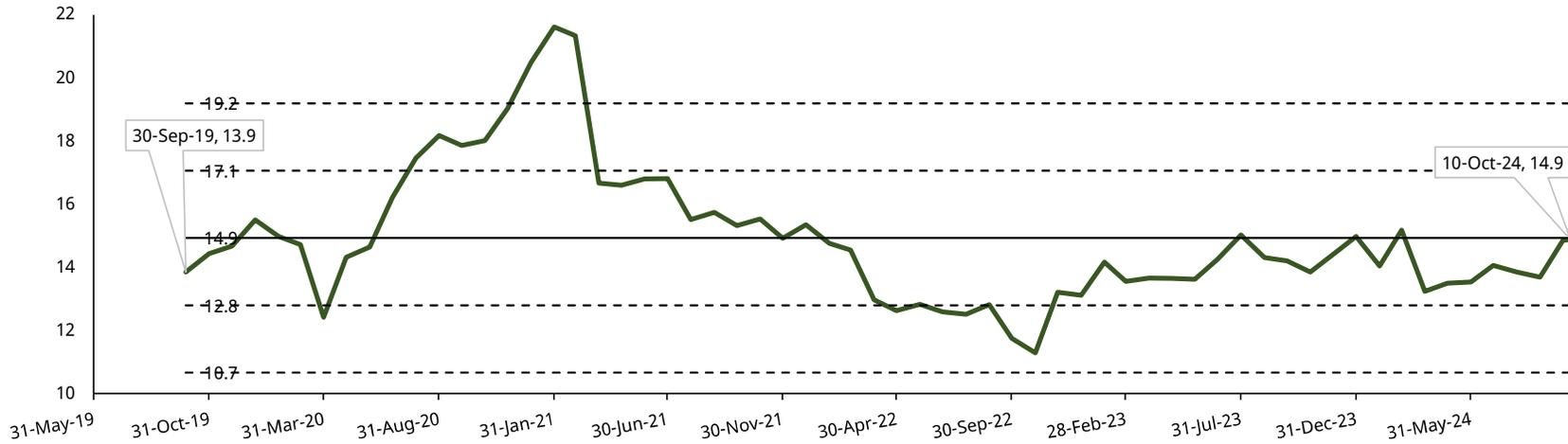


Source: Bloomberg

# 5. MSCI ASIA EX JAPAN PER & USD

Asia ex Japan is trading near historical averages.

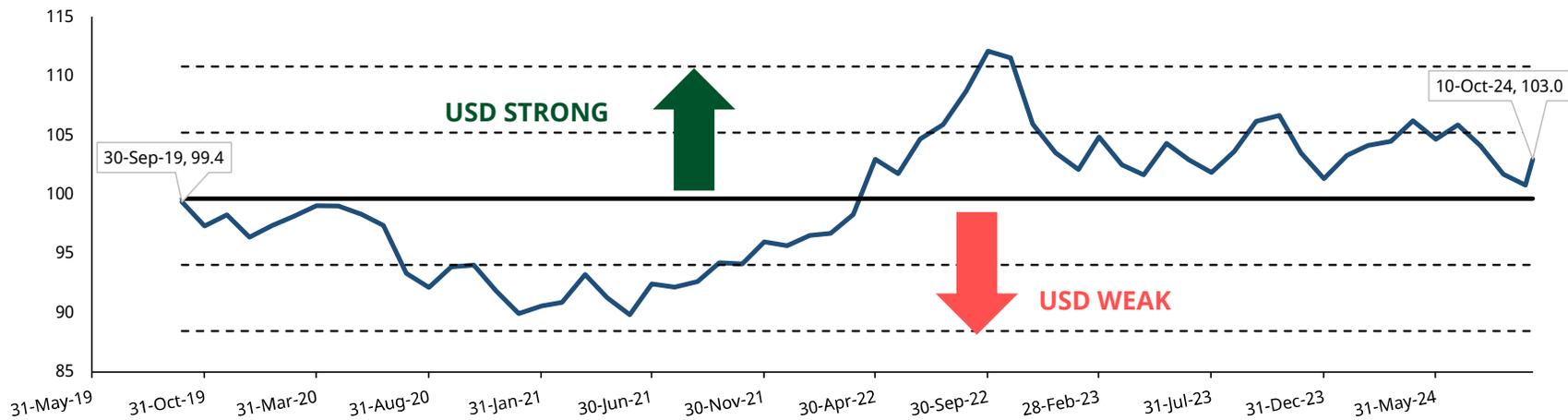
Exhibit 10: MSCI Axj Index's 2024 PER (x)



Source: Bloomberg

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

Exhibit 11: DXY Index

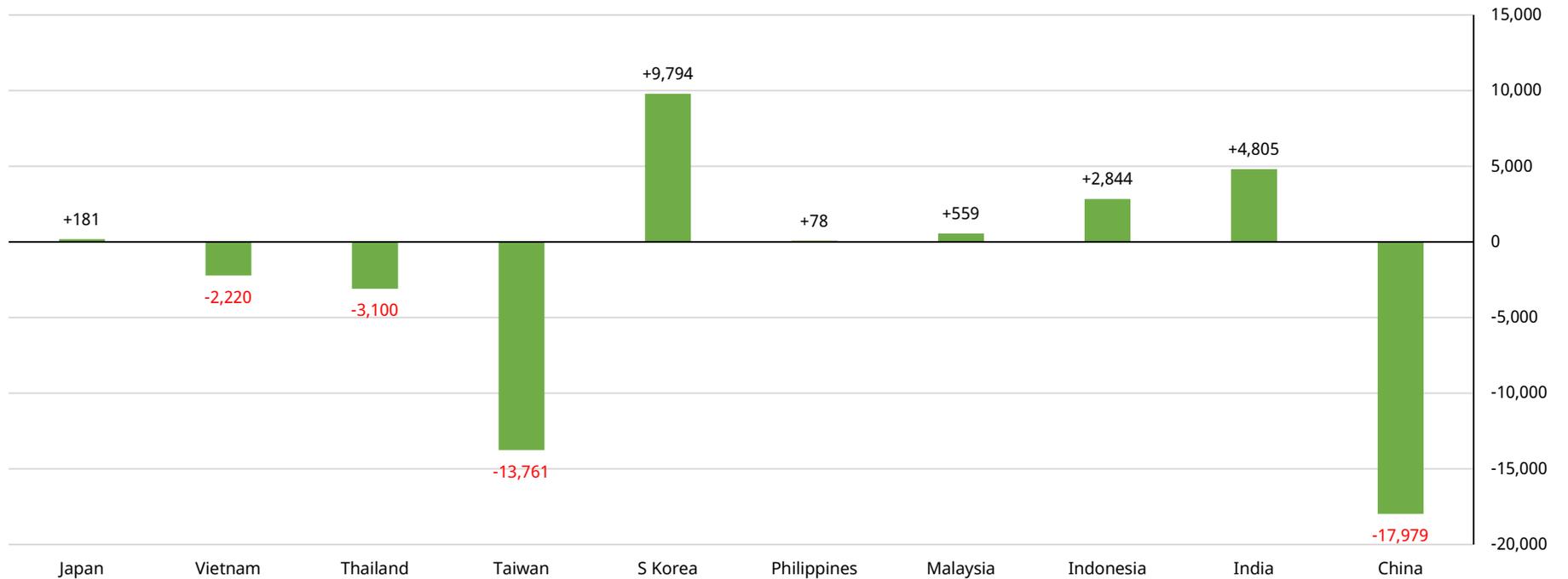


Source: Bloomberg

# 6. FUND FLOWS YTD-24

Outflows from North Asia, ASEAN is seeing inflows except for Vietnam.

Exhibit 12: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg

# 7. FEATURE OF THE MONTH: AIRASIA X

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**Astute Fund Management holds AAX across several of its funds. Here are multiple justifications for our positive view:**

- 1 AAX's share price has been re-rated as it clears the various regulatory approvals for its corporate exercise.**

Exhibit 1: AAX Share Price and Trading Volume



AAX MK Equity (AirAsia X Bhd) Daily 29DEC2023-10OCT2024

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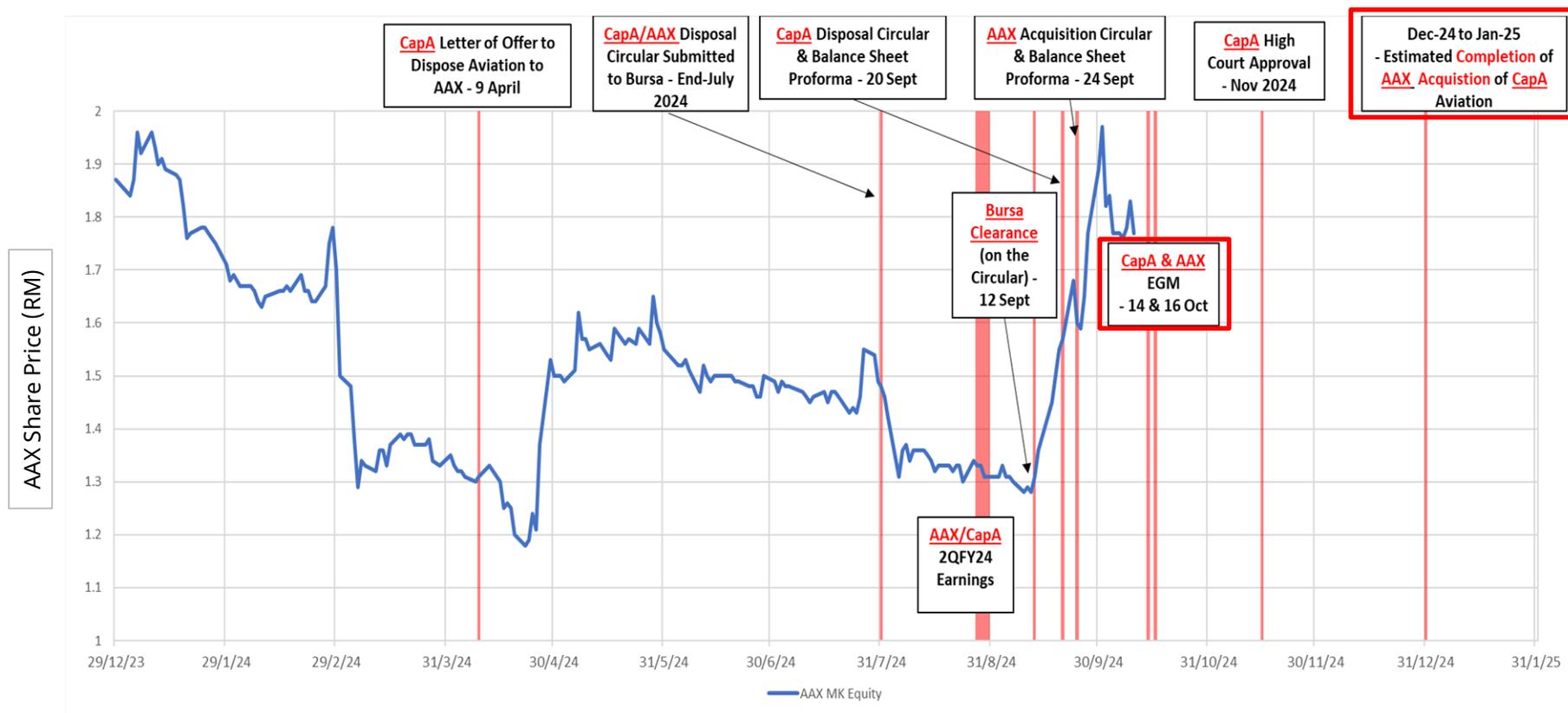
10-Oct-2024 16:09:24

Source: Bloomberg

# 7.1 (CONT'D) AIRASIA X

**2** The Capital A and AAX shareholders EGM and the completion of the acquisition are catalyst for the share price.

Exhibit 2: Regulatory approvals are catalyst. We expect the completion of AAX's Acquisition to complete by January 2025.

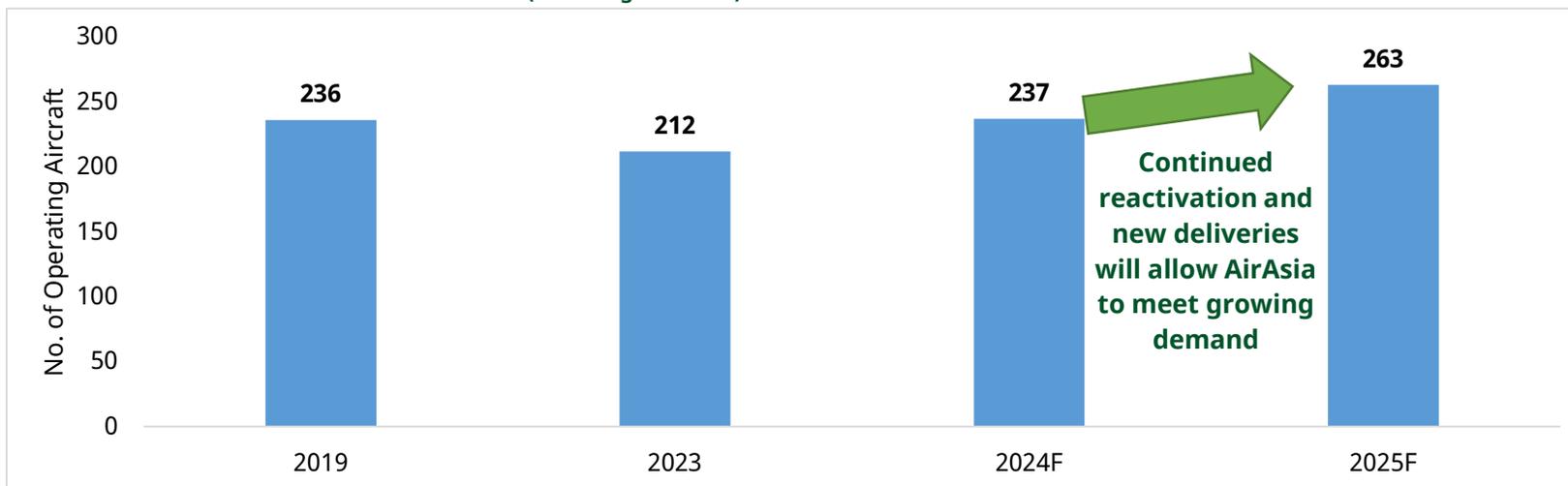


Source: Bloomberg, AirAsia X Berhad

## 7.2 (CONT'D) AIRASIA X

### 3 No. of operating aircraft is expected to return to 2019 levels by end-2024.

Exhibit 3: AirAsia X Consolidated Fleet (including Thai AAX)



Source: AirAsia X Berhad, Astute Fund Management Research

Exhibit 4: AirAsia X Orderbook (To be delivered over the next 12 years)



Source: AirAsia X Berhad

**AAX has secured 396 aircraft from Airbus.**

**This would provide ready capacity in the coming years when new aircraft deliveries are constrained.**

# 7.3 (CONT'D) AIRASIA X

## 4 Falling jet fuel prices and stronger MYR will positively support AAX's earnings.

Exhibit 5: Bloomberg Singapore Jet Kerosene USD/Barrel (10th October 2024)

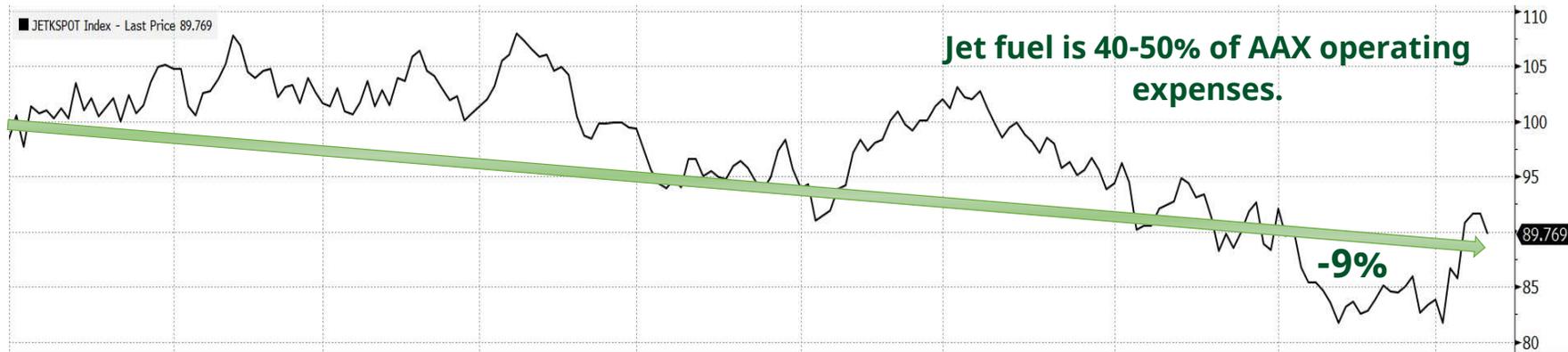
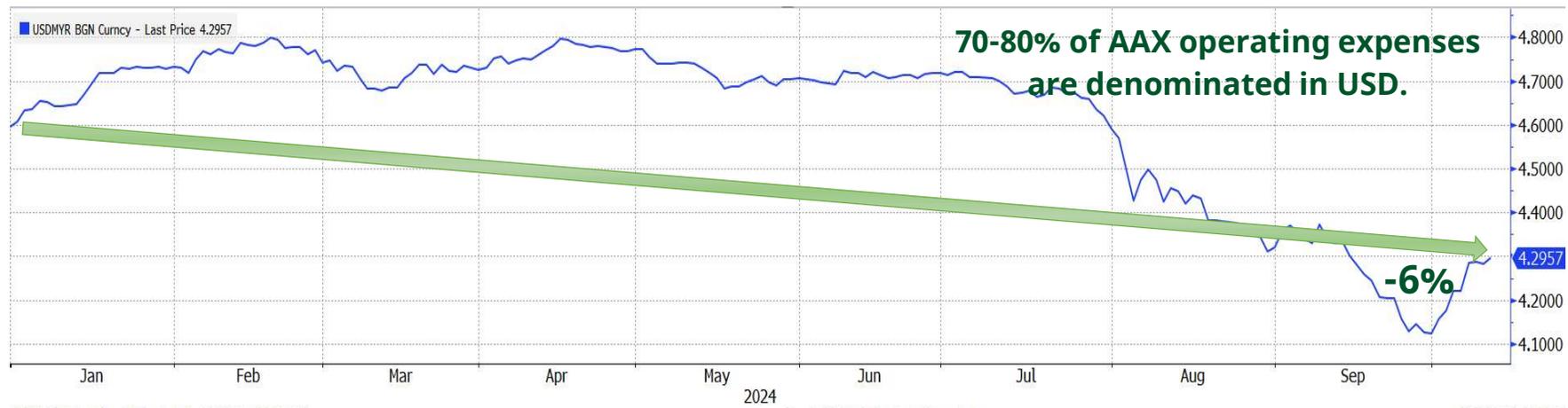


Exhibit 6: USDMYR Exchange Rate (10th October 2024)



JETKSPOT Index (Sing Jet Kero) Daily 29DEC2023-10OCT2024

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10-Oct-2024 16:38:45

Source: Bloomberg

## 7.4 (CONT'D) AIRASIA X

**5** Astute Research forecast AAX to record RM1.4bil core net profit in FY25, near 2017 levels.

Exhibit 7: Consolidated AAX Core Net Profit (RM Mil)

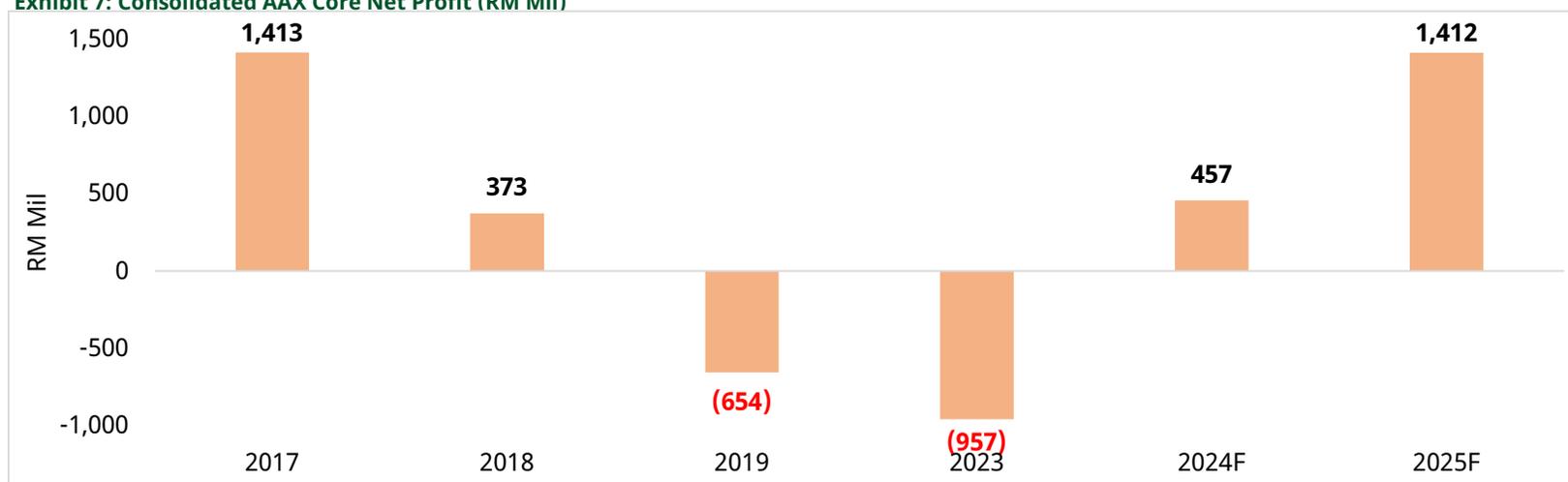


Exhibit 8: Assumptions

Capital A Aviation	2024F	2025F	2026F	AAX	2024F	2025F	2026F
Passengers carried	75,254	85,382	92,944	Passengers carried	3,542	3,776	6,923
Capacity	83,616	98,994	107,761	Capacity	4,268	4,605	8,443
Load factor (%)	90	86	86	Load factor (%)	83	82	82
Average fare (RM)	264	224	200	Average fare (RM)	650	593	593
Ancillary Income per Pax (RM)	57	60	65	Ancillary Income per Pax (RM)	255	268	282
Operating aircraft at year end (Group)	211	237	255	Operating aircraft at year end (Group)	18	18	33
<b>Bloomberg Singapore Jet Kerosene (USD per barrel)</b>	<b>96</b>	<b>92</b>	<b>89</b>	<b>Bloomberg Singapore Jet Kerosene (USD per barrel)</b>	<b>96</b>	<b>92</b>	<b>89</b>
Brent Price (USD per Barrel)	82	78	75	Brent Price (USD per Barrel)	82	78	75
<b>RM-USD average exchange rate</b>	<b>4.68</b>	<b>4.20</b>	<b>4.10</b>	<b>RM-USD average exchange rate</b>	<b>4.68</b>	<b>4.20</b>	<b>4.10</b>

Source: Astute Fund Management Research

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