

MARKET COMMENTARY

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Dear Valued Investor,

Our inaugural newsletter is a conscious effort to improve communications between our investors and us.

We want our investors to better understand our investment thought process.

We aim to keep it brief.



CARTOON BY: GARY VARVEL

OUR HOUSE VIEW

Liquidity Will Still Be Aplenty

- We are in a low growth but also low inflation environment. Commodity price downtrend tends to be a long drawn adjustment cycle. The impact is also highly deflationary.
- We expect a benign & shallow US rate hike cycle as the US Fed stay cautiously behind the curve.
- Using the US as a precedent, Eurozone liquidity tap to run for another 5 years & possibly longer following Greece.
- China's rekindled animal spirits are largely positive for Asian neighbours but needs to be managed sustainably. Recycling of Chinese liquidity will have a global impact.
- We remain cautious on Malaysia but this pessimism is reflected in the market.

PERFORMANCE OF KEY INDICES

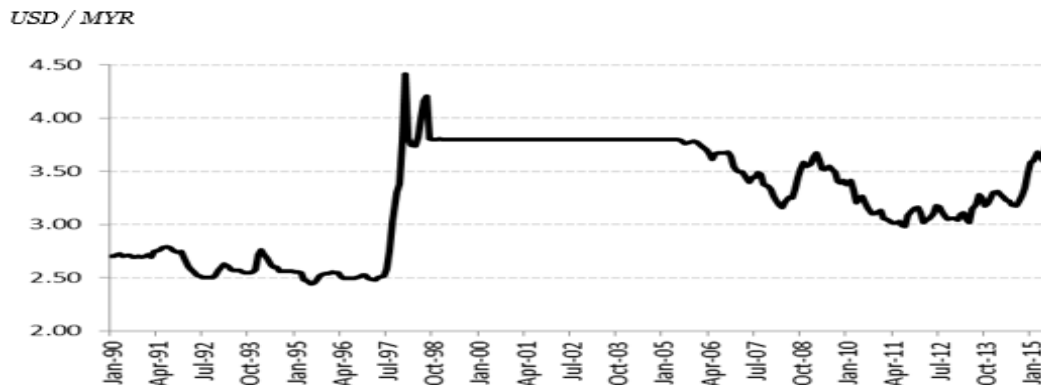
	1 MONTH (% CHANGE)	2015 (% CHANGE)	PER 2015
DOW JONES	-0.7	-1.3	15.3
NASDAQ	2.1	8.0	30.6
DAX	0.9	16.4	18.1
KLCI	0.6	-1.0	17.3
USD / MYR	2.0	10.1	-

SOURCE: BLOOMBERG (AS AT 03/08/2015)

“If you want to build a ship, don't drum up people to collect wood and don't assign them tasks & work. But instead, lead them to long for the endless immensity of the sea”
//Antoine de Saint-Exupery//

IS THE MALAYSIAN RINGGIT REFLECTING A LOT OF BAD NEWS?

The Malaysian Ringgit has not been this weak since the 1997 Asian Financial Crisis & the 2008 Lehman Global Financial Crisis, two equally if not darker periods.



Source: IMF/ World Bank/ Bank Negara/ Maybank KE

Fitch affirmed Malaysia's investment grade credit rating & upgraded the country's outlook to stable, contrary to market expectation. Tied to this credit rating is the Malaysian Government's commitment to sound macroeconomic policies & fiscal reforms.

S&P has also maintained its positive sovereign rating outlook for Malaysia. Perhaps still a long path to a healthier economy but the outlook has to be looking more up than down.

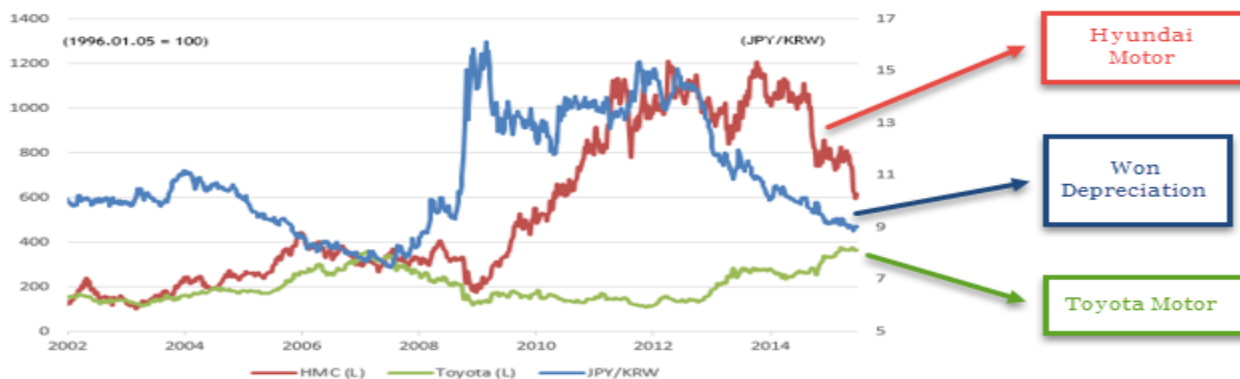
WHY WE LIKE MALAYSIAN EXPORTERS

Currency flexibility is a country's economic lever, just ask the Greeks about it! Currencies adjust up & down, though sometimes a reflection of domestic upheavals, but is necessary for rebuilding competitiveness.

The weak Malaysian Ringgit may have eroded the real purchasing power of local consumers but export oriented industries will gain market share & improve profitability due to competitive pricing off a lowered cost base.

The currency shift is a 'Big Bang Effect' – Check out Hyundai Motor's significant share price outperformance against Toyota Motor post devaluation of the KRW/JPY.

Hyundai Motor Outperformance Due To Currency



Source: IMF/ World Bank/ Bank Negara/ Maybank KE

This is potentially a multi year upcycle for export oriented industries & tourism. Quality companies with quality management will be ready to capitalise on this competitive advantage.

SOME SELECTED HOLDINGS

STOCKS	BLOOMBERG TICKER	PRICE (RM)	PER 2015	EPS (\$) 2015	GROWTH (%) 2015	P/BVPS 2015	DY (%) 2015
BIMB	BIMB MK EQUITY	4.17	11.7	0.36	0.3	2.0	3.5
CAHYA MATA SARAWAK	CMS MK EQUITY	5.80	22.9	0.25	18.2	3.2	1.5
DIGI	DIGI MK EQUITY	5.50	21.2	0.26	0.0	68.8	4.7
PRESTARIANG	PRES MK EQUITY	2.40	20.0	0.12	185.7	6.9	1.6
TAKAFUL	STMB MK EQUITY	4.01	19.1	0.21	21.4	5.1	3.8

SOURCE: BLOOMBERG CONSENSUS DATA (AS AT 03/08/2015)

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