Apex Investment Services Berhad (420390-M)
20 years and beyond

Portfolio Managers' View

As at 17 June 2020

Fund Management Department

Malaysia

1. The KLCI closed 1,526 @ 17.06.20. The stock market has risen by 12% since the end of the previous month. YTD-20, it has declined by 2.7%. Malaysia remains one of the best performing indices in the world.

2. Malaysia's PER premium of 31% against Asia ex-Japan is at the high end of its 5-year premium range of 10% to 30%.

3. Health Director General Datuk Dr Noor Hisham said that Malaysia will declare itself free from Covid-19 when there are zero infections for 28 consecutive days. In our view, the recovery for many business may be protracted as long as standard operating procedures (SOPs) remain in place.

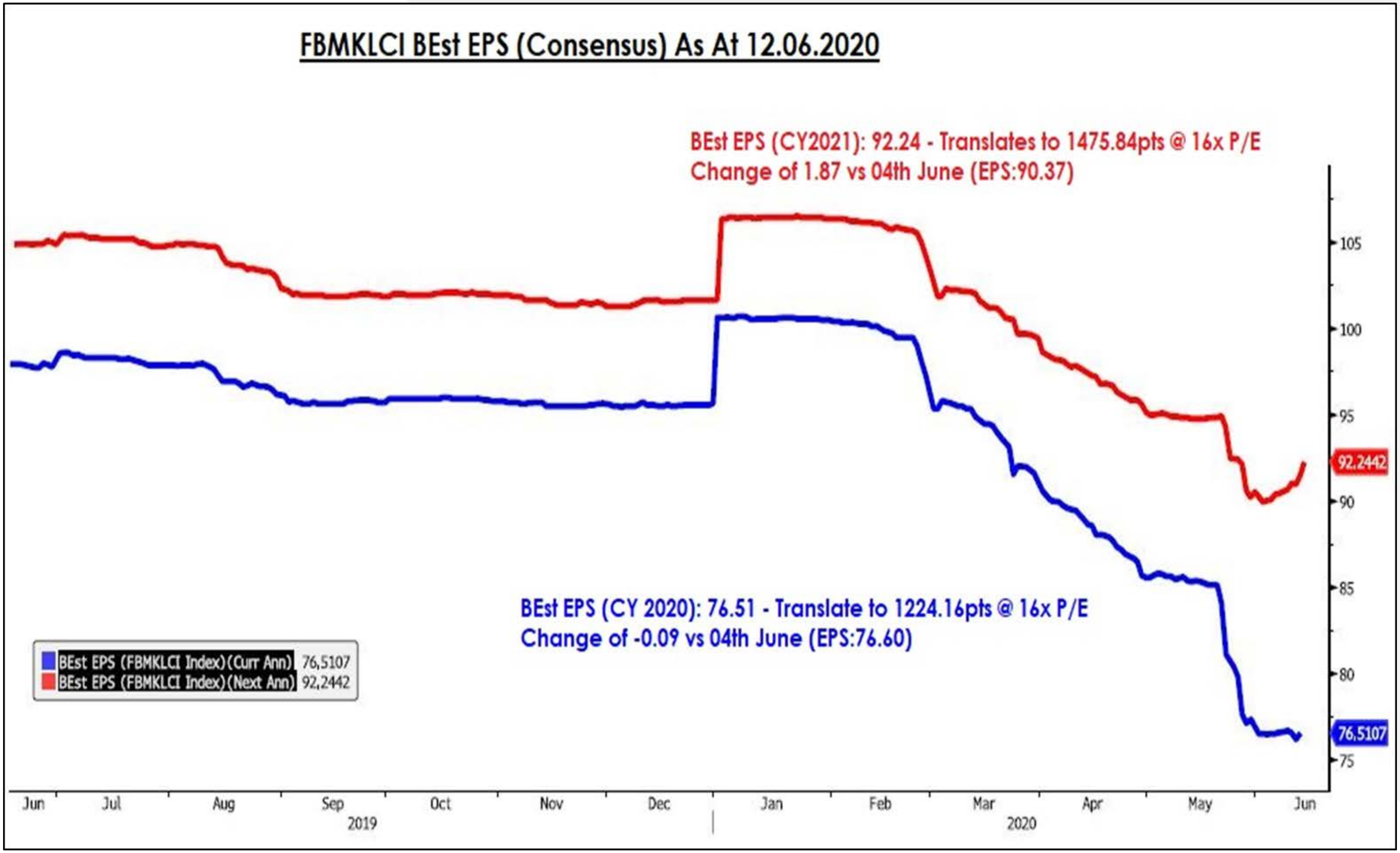
4. The government's stimulus packages together with low deposit rates, extension of short selling freeze and suspension of gaming outlets have resulted in a spike in the KLCI's *trading turnover*. The average turnover (ADTV) for May and June were RM 4.3 bil & RM 6.1 bil respectively vs RM 2.5 bil in 1Q20. In May, nearly a third of the market's turnover came from retail participation (source: Bursa Malaysia).

-continued

5. On 17 June, the Number Forecast Operators (NFOs) were given the green light to resume operations. All eyes will be on Genting Malaysia on the resumption of its operations. With the re-opening of gaming outlets nation-wide, there is a risk that some retail liquidity will be diverted away from Bursa Malaysia.

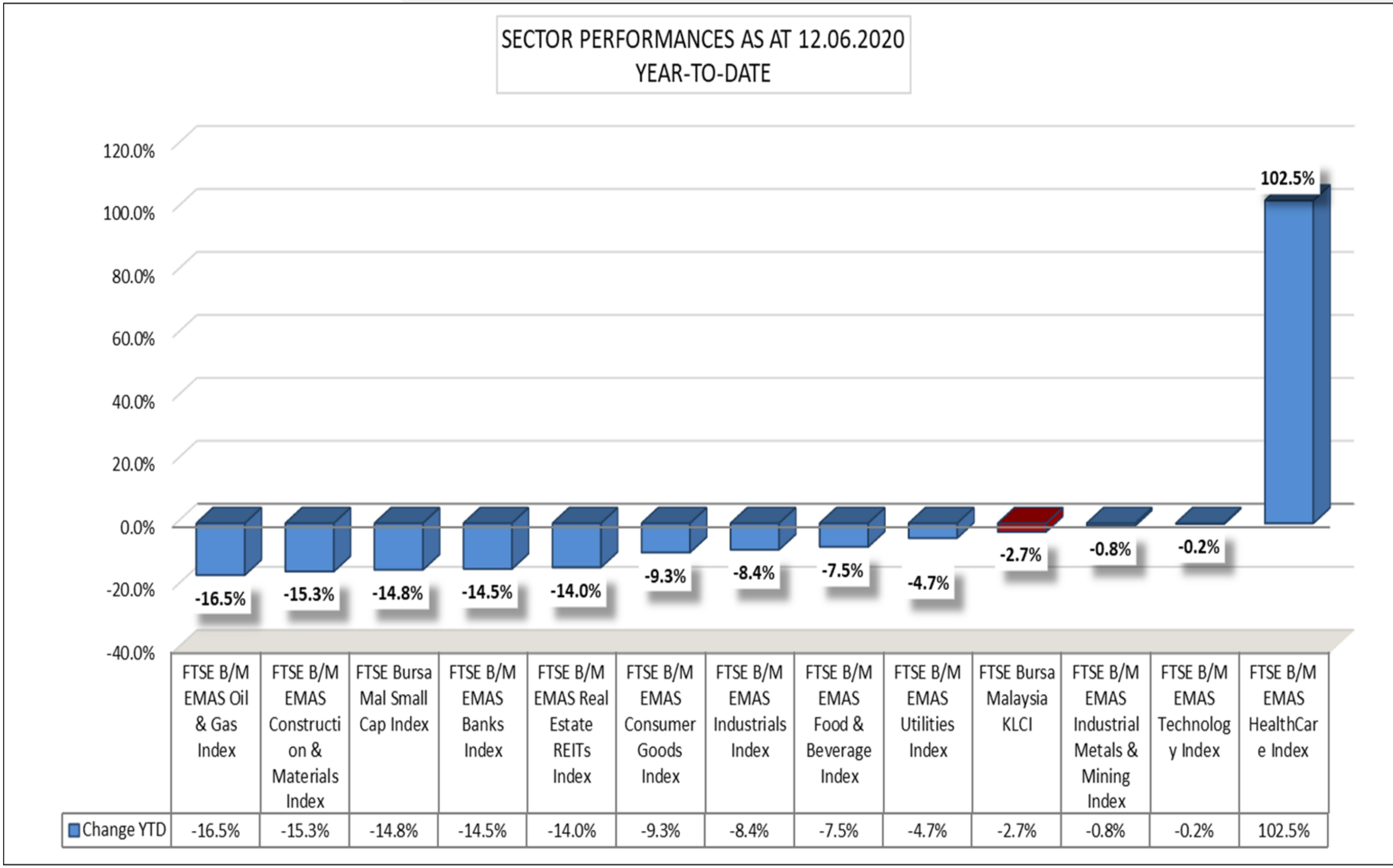
6. Consensus 2020 market eps has been cut by 24.9% from 101.9 sen @ end-Jan to 76.5 @ 12.6.2020. At 1,526 @ 17.6.2020, the market is trading at a PER of 19.8x/16.4x for CY20/CY21. This is **not cheap vis-a-vis** the KLCI's 12M mean PER of ~16x. We believe the earnings risk for 2020 remains on the downside. On the positive side, we have observed a slight upward revision in 2021 consensus earnings (source: Bloomberg).

Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS).



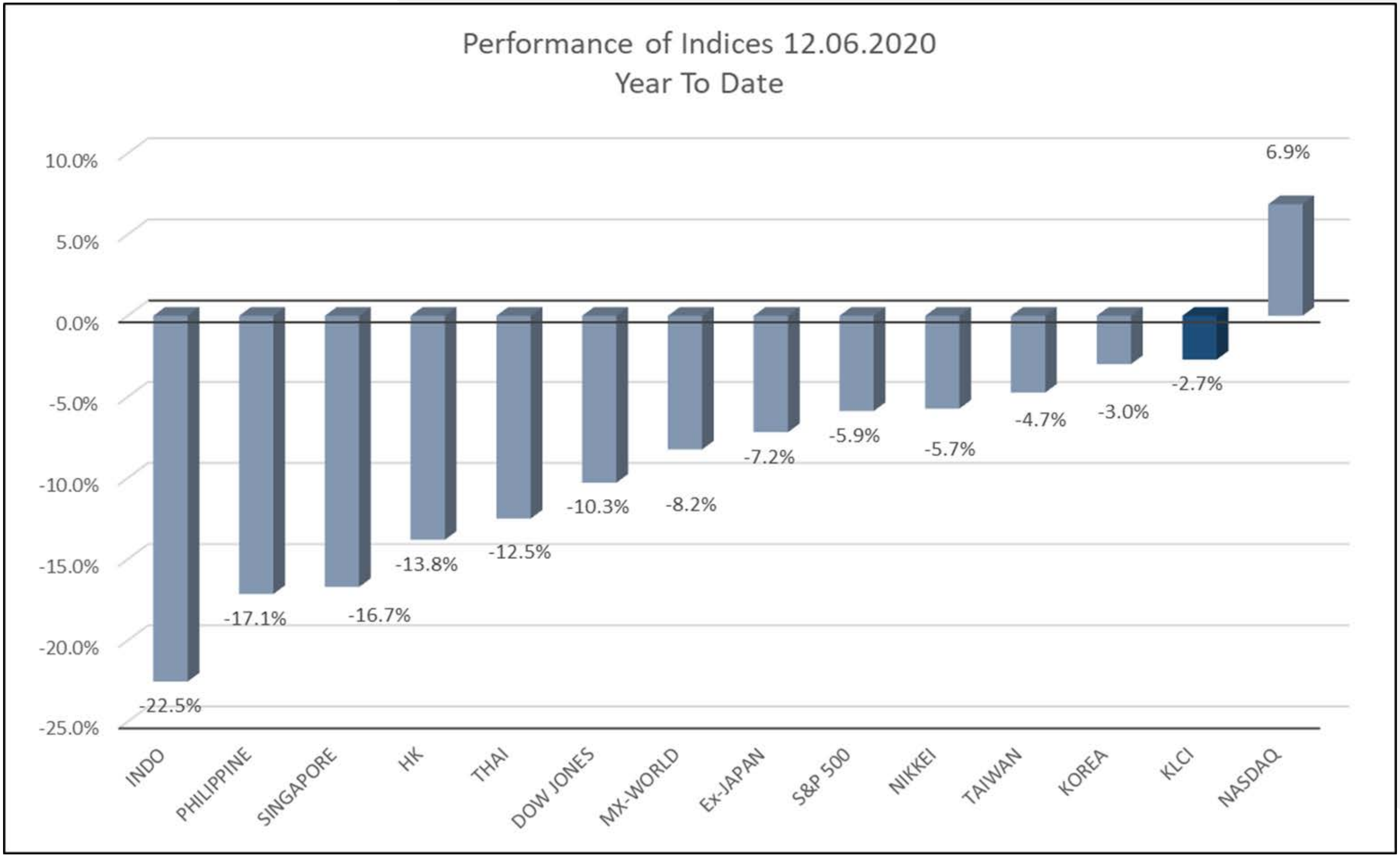
(Source: Bloomberg)

Exhibit 2: Sector Performances (Year-to-Date)



(Source: Bloomberg)

Exhibit 3: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. Market was spooked by an overly dovish US Federal Reserve Chief Jerome Powell who painted a world of uncertain uncertainty. On a glass half full, we should pay more attention to his "whatever we can and for as long as it takes". That's the "Greenspan Put" all over again, no different from either Ben Bernanke or Janet Yellen.

2. It is also noteworthy that Powell also expects unemployment to remain high for a considerable period. A severe second wave Covid-19 outbreak in the US will undermine even the best of current US Federal Reserve efforts. And despite Powell's adversity to negative interest rates, you bet that negative interest rate will almost be a sure thing.

3. No two histories are the same but they can be similar. The economic recovery in the US post Lehman Global Financial Crisis was the longest but also the most subdued. That cannot be said of one of the most powerful US equity market performance over the same period. Can history repeat itself?

-continued

4. Massive liquidity injection is the common thread. Liquidity is fungible and find its way to the best returns. Negative US interest rate is also unprecedented in history. Will the US Dollar's exorbitant privilege be undermined? What will asset allocators do? Where will they recycle the liquidity if it is not the US?

5. We can be 3 months punters or we want to take 3-year structural position. Who are you?

Disclaimer

This document is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Fundamental ratings include various financial data from the income statement, balance sheet, and cash flow statement items such as sales, profit, all important ratios, cash flows, working capital, cash conversion cycle and etc. over the past quarters and years. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not indicative of future performance. This document is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this document. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this document. The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Apex Investment Services Berhad ("AISB") and consequently no representation is made as to the accuracy or completeness of this document by AISB and it should not be relied upon as such. Accordingly, AISB and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this document. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice. This document may contain forward-looking statements which are often but not always identified by the use of words such as " anticipate", "believe", "estimate", "intend", "plan", " expect", "forecast", "predict" and "project" and statements that an event or result "may", “will", "can", "should", "could " or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. AISB expressly disclaims any obligation to update or revise any such forward-looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. AISB and its officers, directors and employees, including persons involved in the preparation or issuance of this document, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this document, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this document. One or more directors, officers and/or employees of AISB may be a director of the issuers of the securities mentioned in this document to the extent permitted by law. This document is prepared for the use of AISB clients, consultants or Representatives and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of AISB. AISB and its Representatives accepts no liability whatsoever for the actions of third parties in this respect. This document is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This document is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this document.

This document has not been reviewed by the Securities Commission Malaysia (“SC”), Federation of Investment Managers Malaysia (“FIMM”) and Employees Provident Fund (“EPF”). The SC, FIMM and EPF are not liable for this document and are not in any way associated with this document. The SC, FIMM and EPF are not responsible for the contents herein and do not make any representation on the accuracy or completeness of this document, either in whole or in part.