



Portfolio Manager's View

11 August 2021

Fund Management Department

Regional

1. Last week, China's July Caixin Manufacturing Index came out weaker than expected. Over the weekend, China's Central Bank PBOC flagged risks to the growth outlook for the second half of 2021. At the same time, PBOC assured investors that inflation remains controllable. We view this as a signal from PBOC that the earlier cut in banks' reserve ration requirement by 50bp is only the beginning in China's shift towards easier monetary conditions. The recent situation of rising Delta variant Covid-19 new cases is another reason for PBOC go easy on monetary policy. This, we believe will also be on the US Federal Reserve's mind in formulating monetary policy in the coming months. A China returning back to lockdown will shut down the world's largest factories, exacerbating the current supply shortage that will impede global economic growth possibly into 2022 and beyond.
2. US July nonfarm payroll jobs add was better than expected. This has reignited the market's expectations of an early asset purchase taper announcement as soon as even September month. The US monthly nonfarm payroll has been a highly volatile high-frequency data-point that has swung the extremes of a pendulum month to month. We believe that the US Federal Reserve may want to see a sustained improvement in this data-point before making a decision on

-continued

asset purchase taper. US Federal Reserve Vice-Chair Richard Clarida has floated a number to the market; current unemployment rate is 5.4%, Clarida said 3.8% will be the catalyst.

3. The US Senate has finally passed the US\$1 trillion Infrastructure Bill. The House is now awaiting another US\$3.5 trillion Social Policy Bill to get through Senate. When both bills get passed the House, the next question has to be the funding required for this massive spending and the government deficit concern that comes with it. Will the corporate sector and the wealthy be taxed for this spending? Or will more government debt needs to be raised? Will US Treasury Secretary Janet Yellen whisper to the US Federal Reserve Chair Jerome Powell to keep rates low enough to keep interest payments affordable?

Malaysia

1. The KLCI closed at 1,504 @ 11.08.21, a decline of -3.8% M-o-M. Last week, Constructions (+1.9%) & REITS (+1.4%) were the best performing sectors. In contrast, Oil & Gas (-4.9%) and Healthcare (-2.5%) were the worst performing sectors. Year-to-date @ 30.7.2021, the KLCI has retreated by -8.1%. Year-to-date @ 6.8.2021, *local* and *foreign* institutions have been large net sellers (-RM6.3 bil/-RM5.99 bil respectively). Local retailers were the biggest net buyers (+RM9.4 bil). Foreign holding on Bursa Malaysia has fallen to an all time low of 20.2% (source : CIMB Research).
2. 105 MPs from the Opposition and 13 MPs from UMNO allegedly wrote to the King to reject the leadership of Prime Minister Tan Sri Muhyiddin. This means there are only 102 MPs who support the PM while 118 MPs are against his leadership (2 vacant seats). If the media reports are correct, the PM no longer appears to command the majority of the MPs in Parliament. The leadership uncertainty continues to unfold and will weigh down on the stock market.

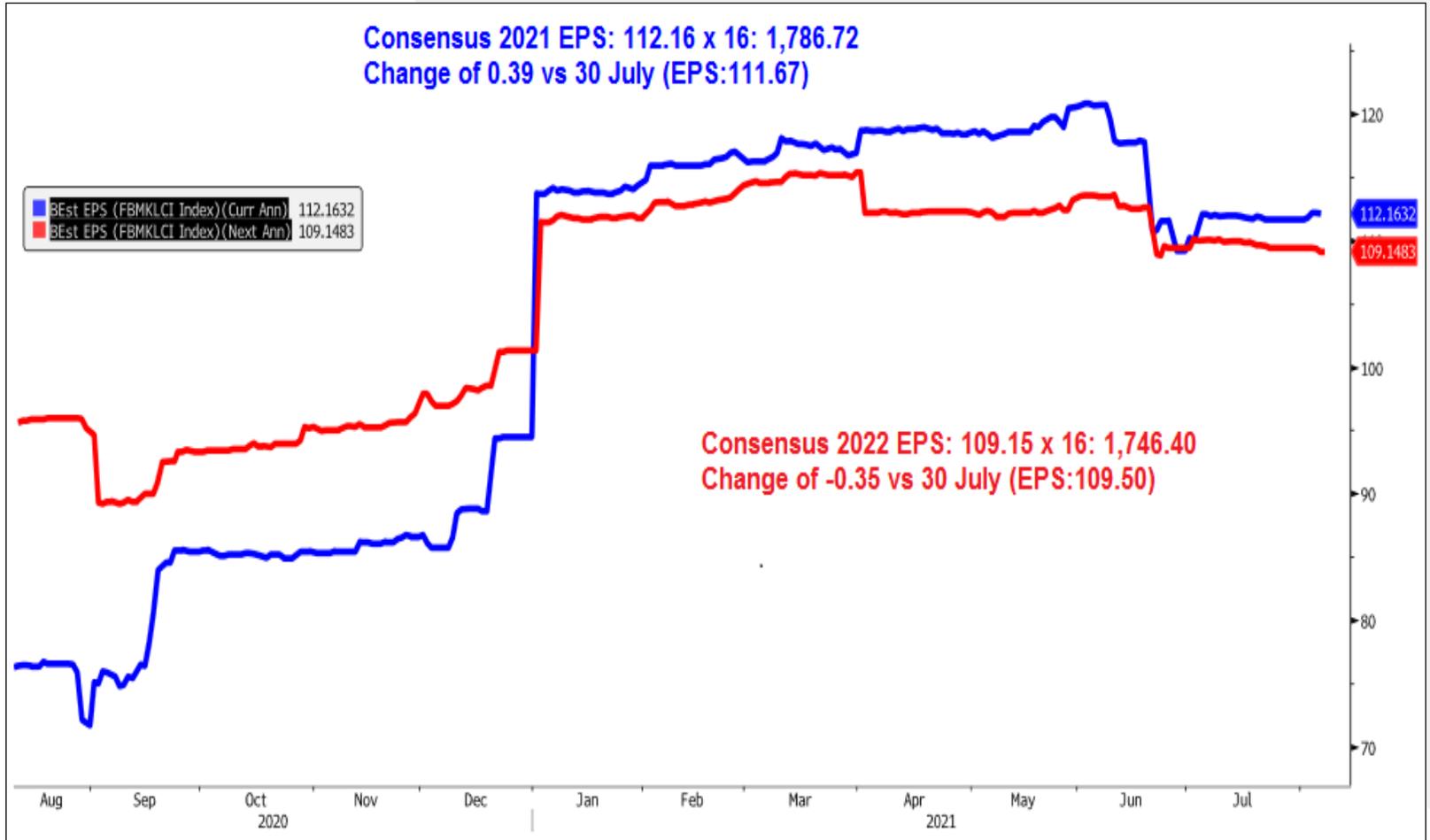
-continued

3. Inari, the largest OSAT player by market capitalization, reported 4Q (June) earnings which were above consensus expectations (@ 111% of consensus full year). Revenues grew +5.4% QoQ & +54.8% YoY. While net profit rose +7.8% QoQ & +149.1% YoY. In its analyst briefing, Inari's management was upbeat and guided for higher utilization in 2H21 driven by radio frequency ("RF") chips for 5G smart-phones and optoelectronic products going into automotive solutions. Management was positive on growth due to the increase in value from *content* gains in smartphones. Since the company was ordering raw materials up to 1-year forward, the company has decided to impose non-cancellable terms for some customer orders. We continue to have an overweight position in the semiconductor sector.
4. Palm oil inventory grew by 1% as weaker exports were offset by lower production. The drastic M-o-M drop in production was due to worker shortages, slow replanting of trees, aging plantations and logistics issues from the MCO. CPO prices are expected to remain elevated at these levels due to lower supply.

-continued

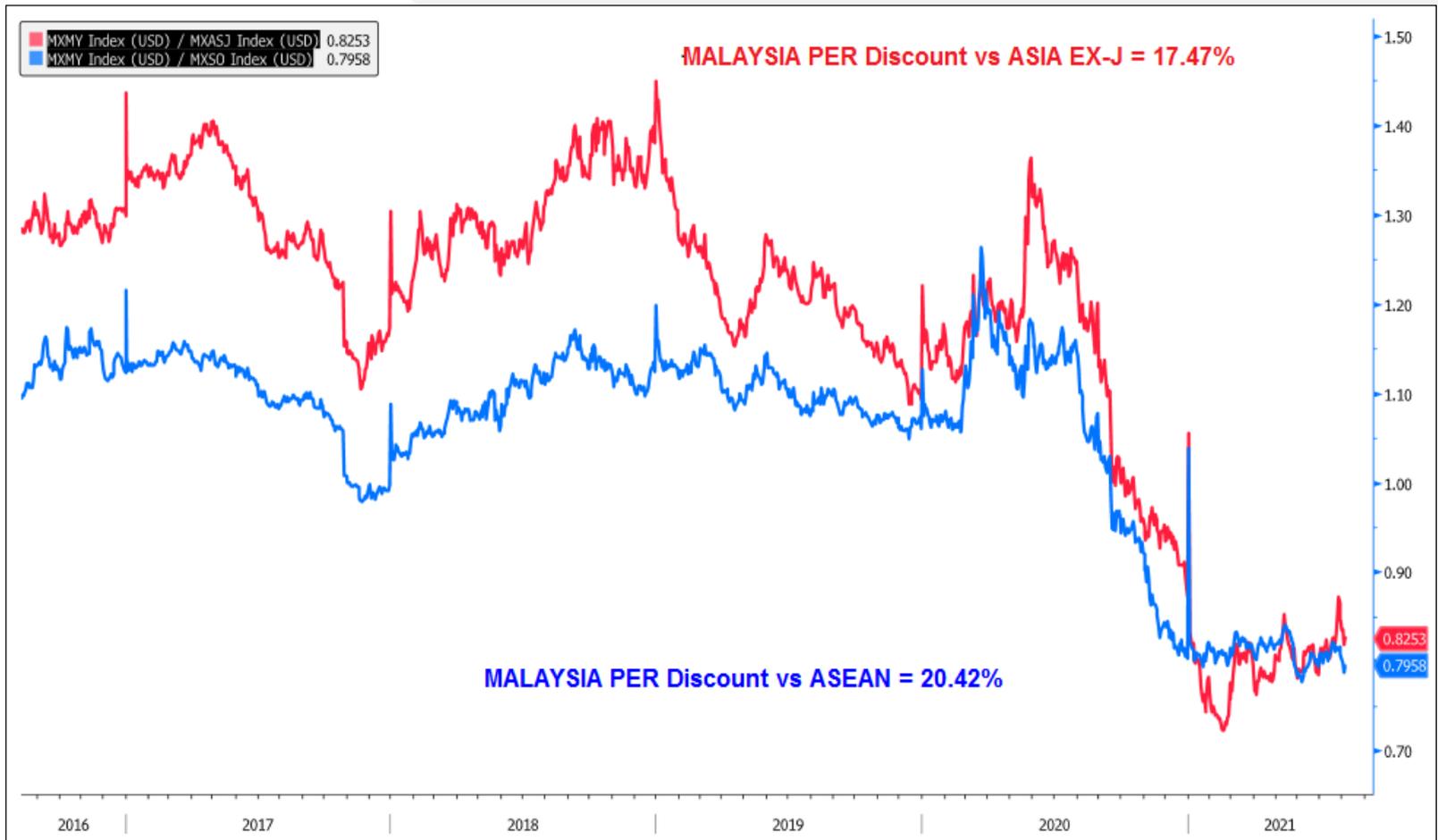
5. The silver lining for the stock market is valuations. Based on KLCI at 1,504 @ 11.8.2021 and assuming a market eps integer of 112/109, the market is trading at a PER of 13.5x/13.8x for CY21/CY22 respectively. This is more than 1 standard deviation below its mean PER of 15-16x. Stripping out the glove makers, the KLCI (ex-gloves) is trading at a PER of 18.0x and 15.7x in CY21/CY22 respectively vs the 5-year average ex-gloves PER of 19.4x. In addition, foreigners are extremely underweight in Malaysia. With vaccinations being rolled-out aggressively, Malaysia is on target to achieve a 80% vaccination rate (two doses) around end of October. We believe the risk to reward ratio for the KLCI is reasonable.

Exhibit 1 : FBMKLCI Consensus Earnings Per Share (EPS) @ 06.08.21



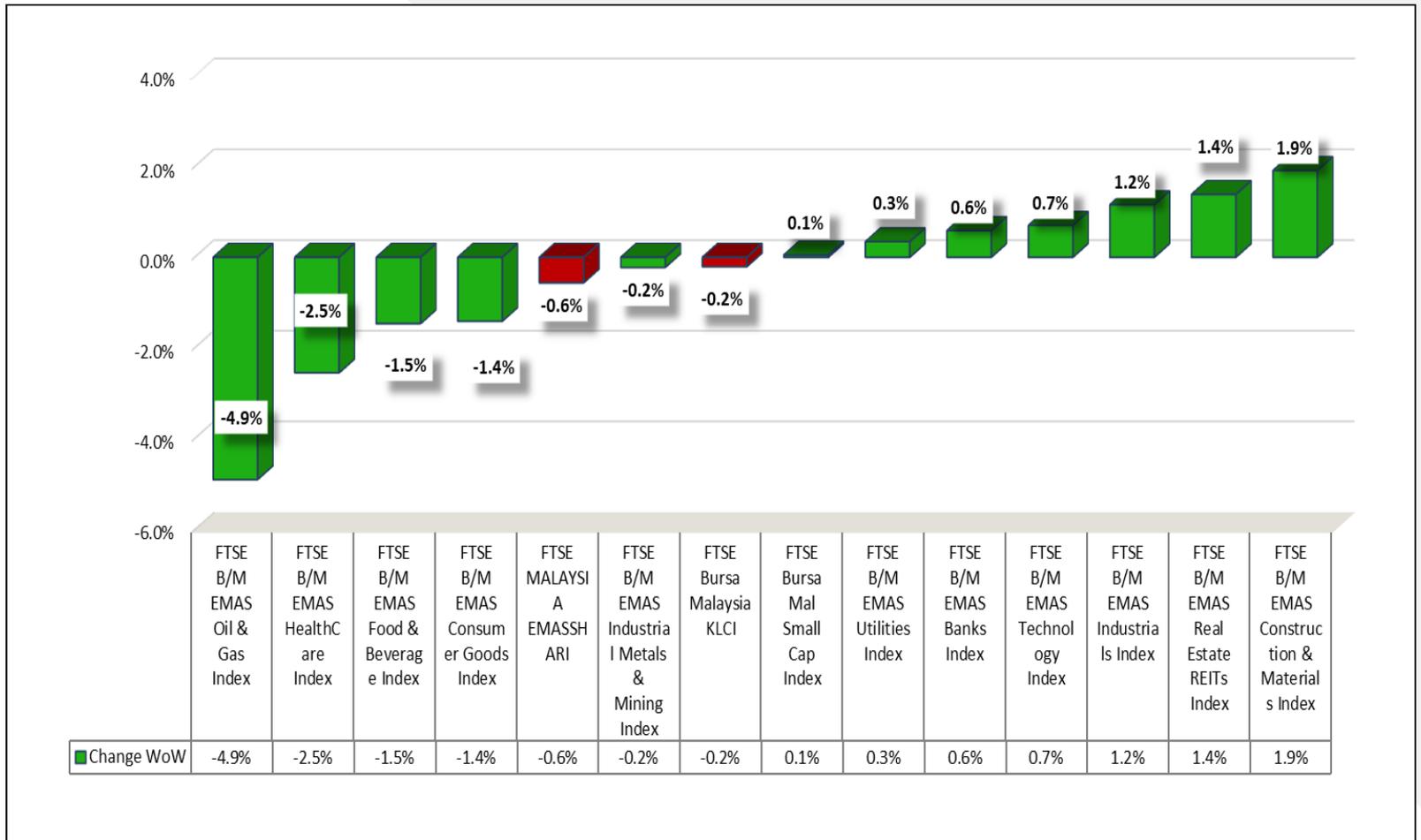
(Source: Bloomberg)

Exhibit 2 : MALAYSIA P/E is at a discount to the region @ 06.08.21



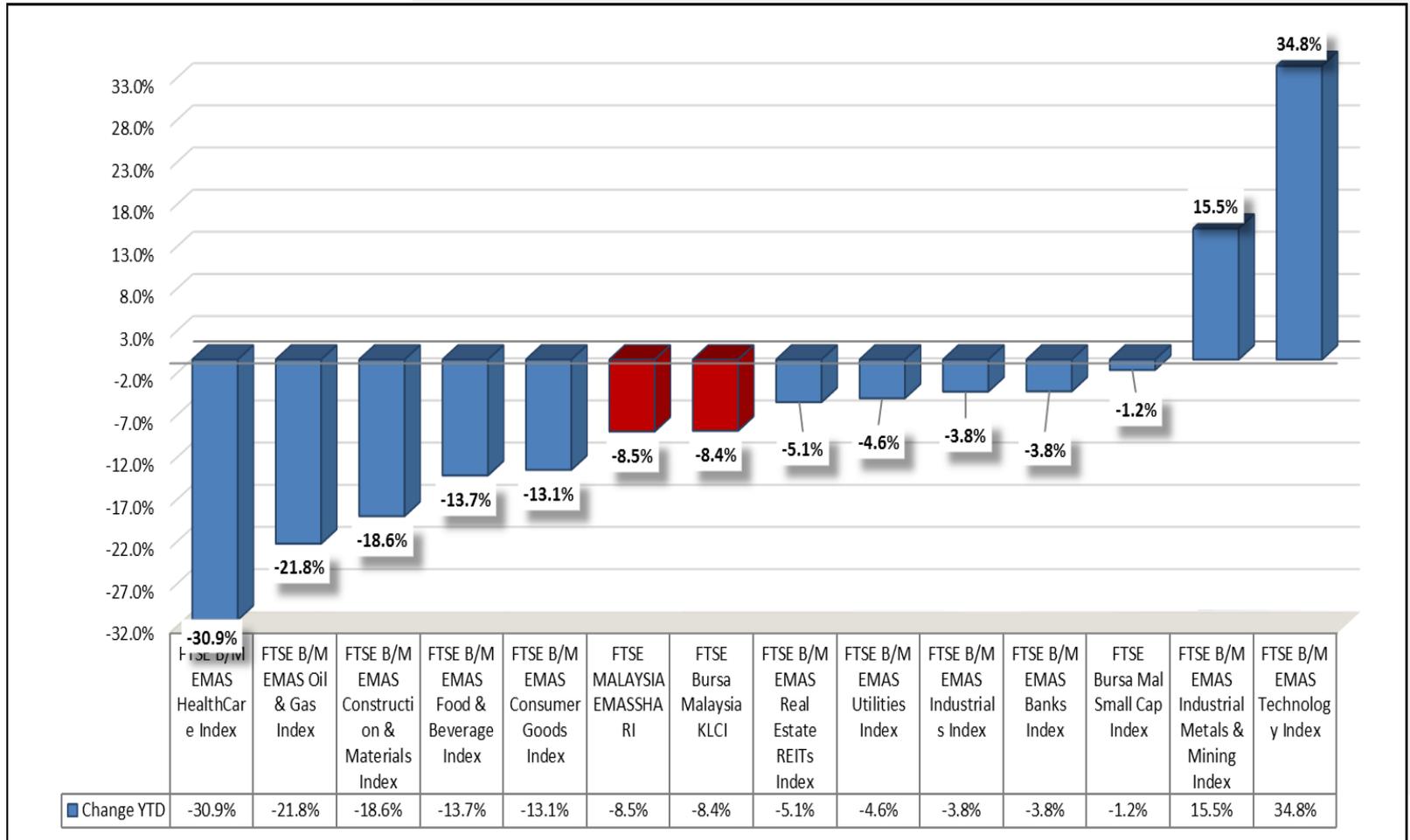
(Source: Bloomberg)

Exhibit 3 : Sector Performances (Week-on-Week) @ 06.08.21



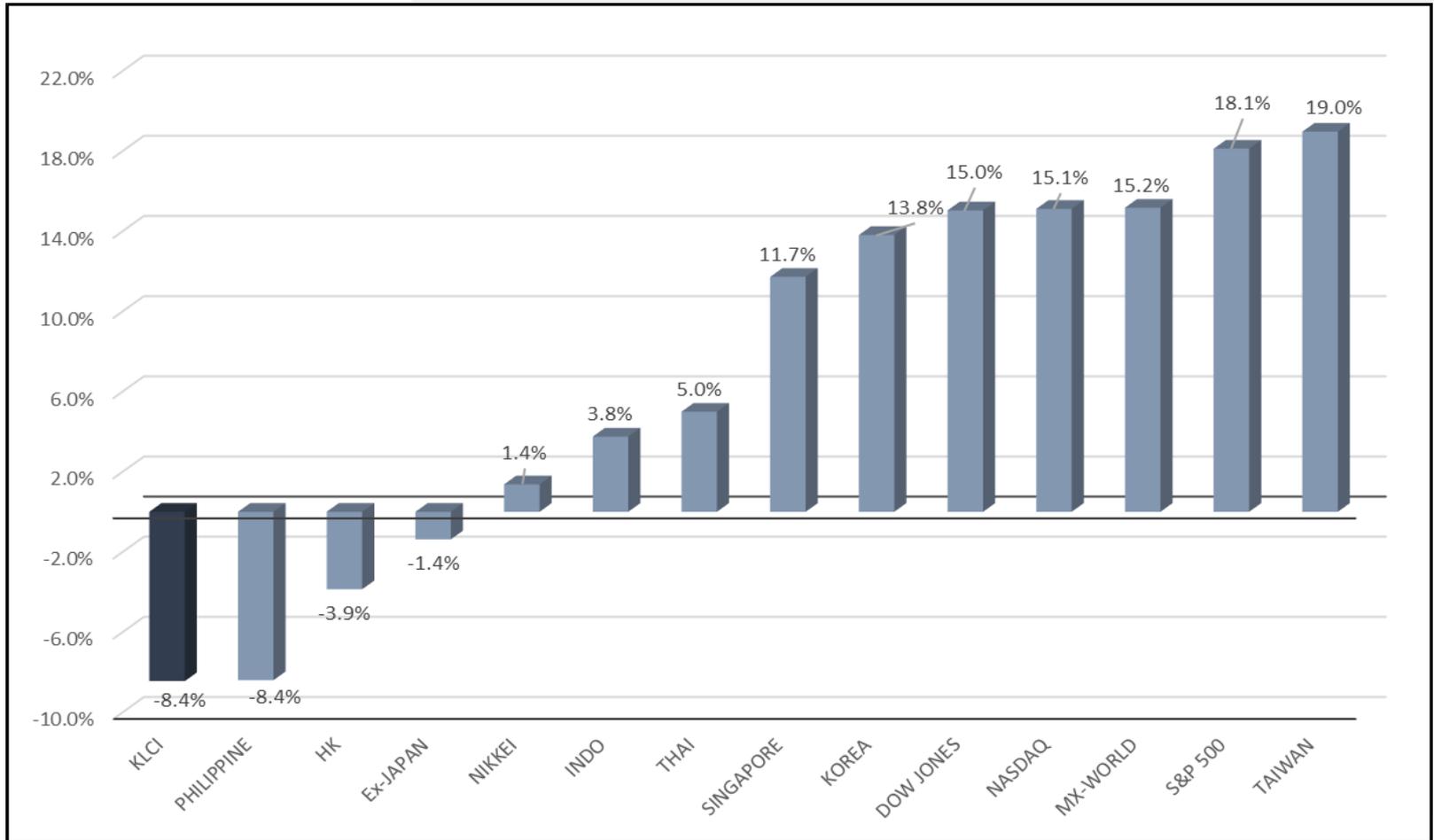
(Source: Bloomberg)

Exhibit 4 : Sector Performances (Year-to-Date) @ 06.08.21



(Source: Bloomberg)

Exhibit 5 : Performance of Indices (Year-to-Date) @ 06.08.21



(Source: Bloomberg)

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.