Apex INVESTMENT SERVICES BERHAD (420390-M)
20 years and beyond

Portfolio Managers' View

As at 1 September 2020

Fund Management Department

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Malaysia

1. The KLCI closed at 1,521 @ 01.09.20. The stock market has declined by 3.4% since the end of the previous month. Banks (-3.0% WoW) and healthcare (-2.3% WoW) were the worst performing sectors in the last one week. YTD-2020, the KLCI has declined by 2.1 %.

2. Malaysia recorded a 3.1% YoY growth in exports in July-20 (vs 8.0% in Jun-20). This is the 2nd consecutive month of positive export growth. The segments which performed strongly were electrical and electronics (9.2% YoY), palm oil (52.0% YoY) and optical & scientific equipment (9.9% YoY).

3. After the Chinese Renminbi, the Malaysia Ringgit (MYR) was the 2nd best performing currency in Asia in the last 3 months. The MYR has risen by 4.2% on a 3-mths basis. For YTD-2020, the MYR is still down by 1.3%. Although, foreigners have been large net sellers in 2020, a stronger MYR vs the USD will improve the attractiveness of Malaysia equities to foreign investors.

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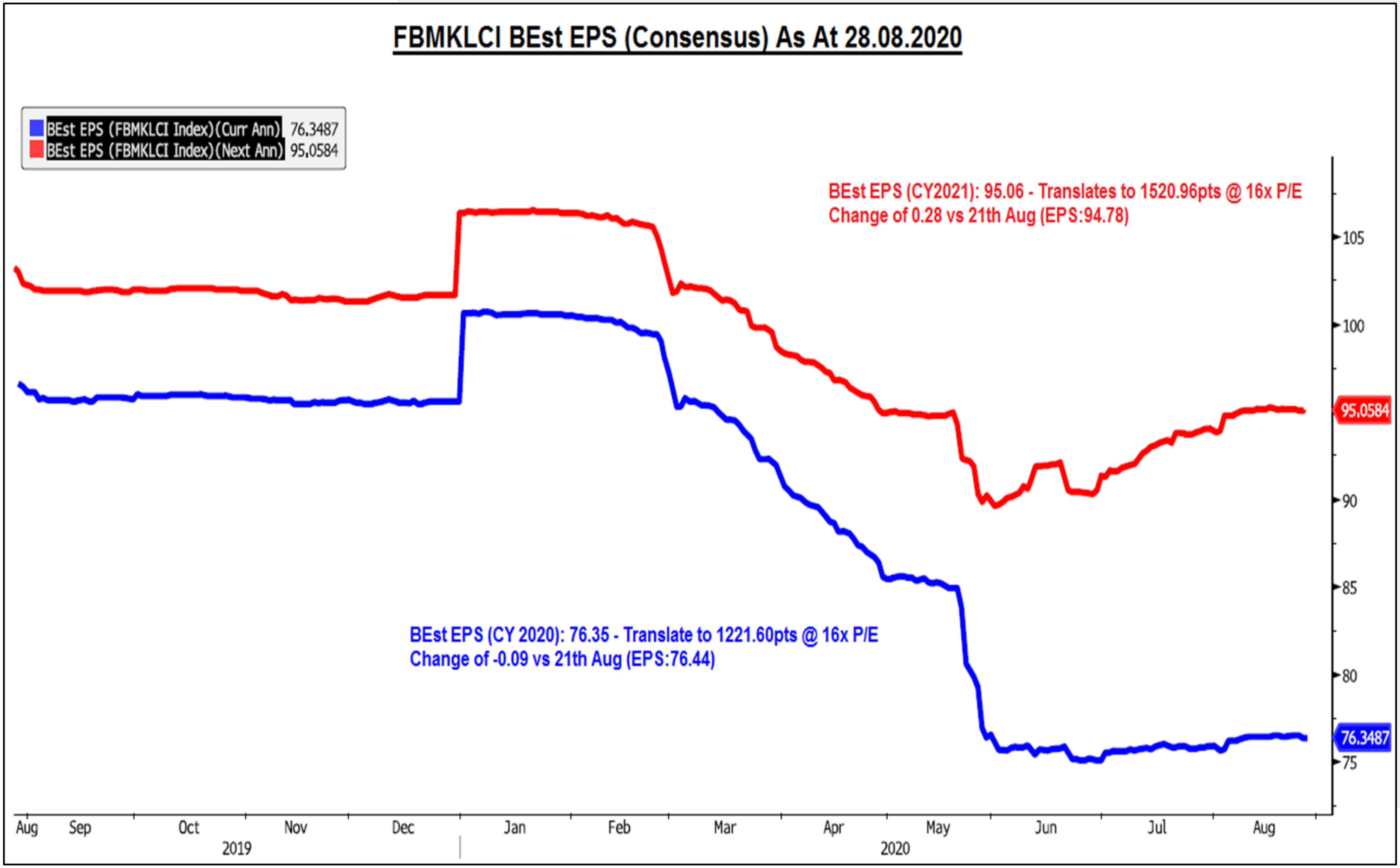
4. We believe the ongoing trade tension between US & China will benefit the Malaysia manufacturing sector. The most noticeable beneficiary of the shift in supply chain is the electronic and electrical sectors. A recent example recently was VS Industry secured manufacturing deal with US-Based Victory Innovations to manufacturer cordless electrostatic sprayers on a box-build assembly (The Sundaily).

5. A number of companies in the technology sector have reported above expectation earnings. These companies include Mi Tech (13.0% above consensus), Unisem (94.1% above) and MPI (43.7% above). The results of these companies reflect: a) the resilient demand for their products b) these companies are able to operate effectively in spite of the disruptions caused by the Covid-19 pandemic globally. We continue to Overweight the technology sector.

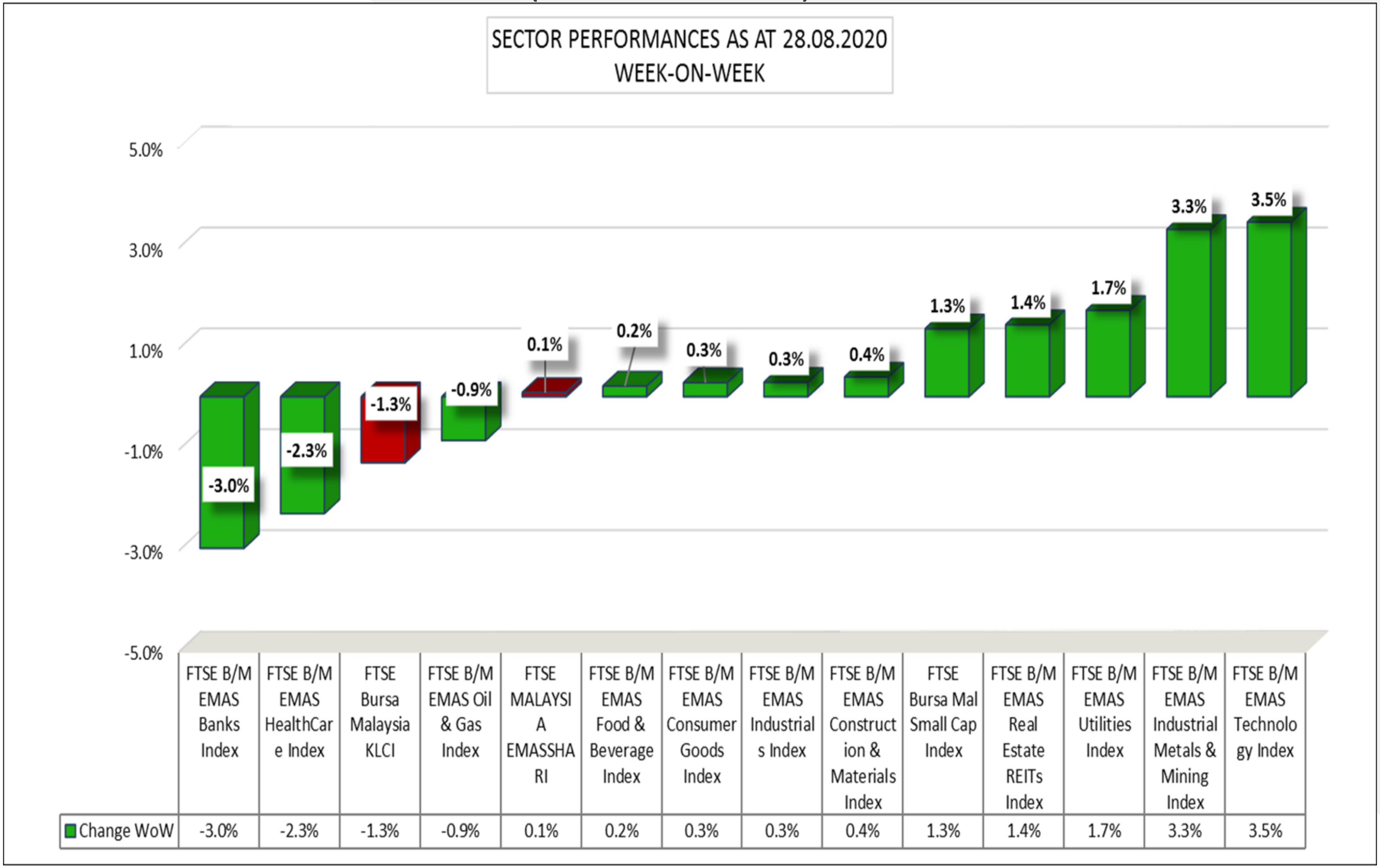
6. Consensus 2021 market eps has been cut by 10.8% from 106.5 sen @ end-Jan to 95 sen @ 28.8.2020. In recent weeks, market earnings for 2021 have been revised up due to the upward earnings revisions for the glove companies. At 1,521 @ 01.09.20, the market is trading at a PER of 21.2x/16.3x for CY20/CY21. The market's valuation for 2021 is in-line with its 12M mean PER of ~16x.

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



(Source: Bloomberg)

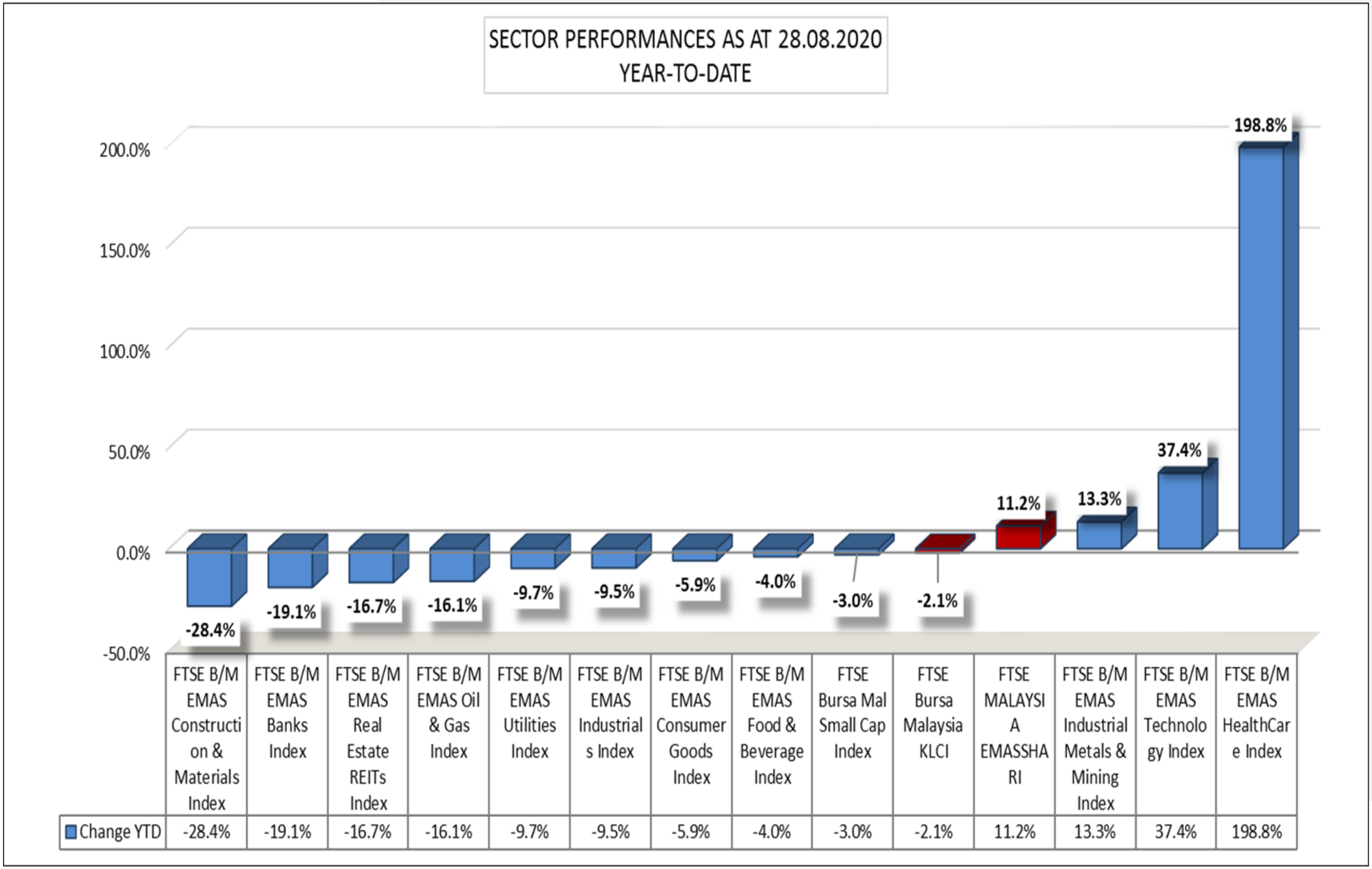
Exhibit 2: Sector Performances (Week-on-Week)



	FTSE B/M EMAS Banks Index	FTSE B/M EMAS HealthCare Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Oil & Gas Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Construction & Materials Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Technology Index
Change WoW	-3.0%	-2.3%	-1.3%	-0.9%	0.1%	0.2%	0.3%	0.3%	0.4%	1.3%	1.4%	1.7%	3.3%	3.5%

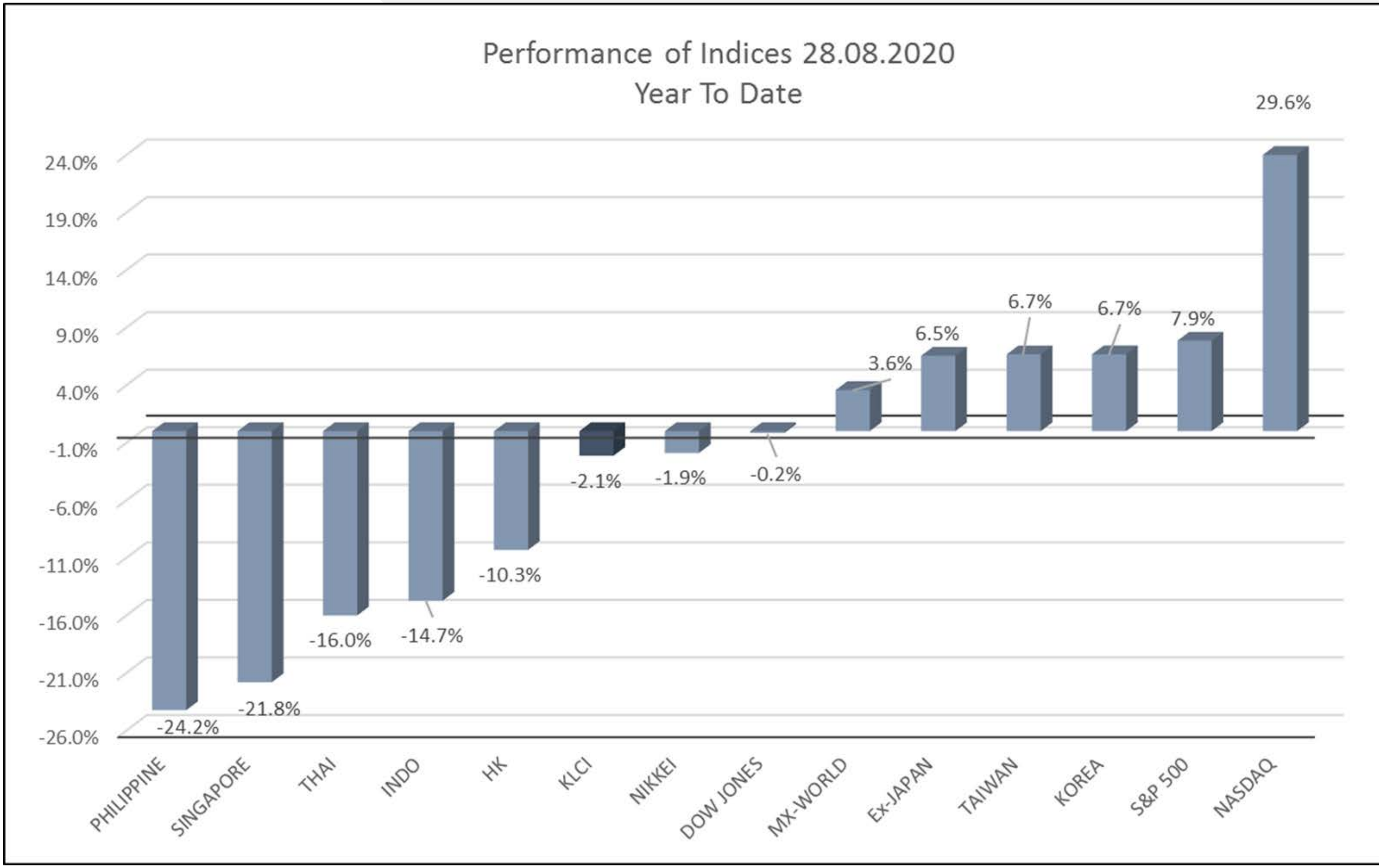
(Source: Bloomberg)

Exhibit 3: Sector Performances (Year-to-Date)



(Source: Bloomberg)

Exhibit 4: Performance of Indices Year to Date



(Source: Bloomberg)

Regional

1. How eventful was Jackson Hole? The message from US Federal Reserve Jerome Powell was as expected decidedly dovish; to throw caution to the wind and sustain an inflationary overshoot against the long-held mandate to manage inflation. However, how to get the inflation overshoot remains sketchy in details, the US Federal Reserve seemingly rested in hope of a miracle. If the US Federal Reserve did not manage to achieve its inflation target post Lehman crisis for seven years with the Fed Fund Rate at zero bound, someone needs to ask Jerome Powell on his wishful thinking? If Lehman crisis history is anything to go by, then its possibly seven more years of zero interest rate, longer than the earlier projection of end 2022?

2. US Federal Reserve Vice Chair Richard Clarida has outrightly rejected negative interest rates but is open to the possibility of employing Treasury yield caps at some point in the future. Short-term improvements in high frequency data such as those of Covid-19 may tamper the need to do so. Nonetheless, as the US Treasury goes on a debt funded fiscal binge (or rather economic support) with longer-dated tenures, it is inevitable that the US Federal Reserve will have to become an accomplice to lower funding costs for the US Government?

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3. Last week, we also saw the Chinese Government take the technology war to the US. If the Trump Administration thought it could force ByteDance to give away its US business in the name of national security concerns, China now basically requires ByteDance to seek approval for any sale. To China, Tik Tok's artificial intelligence interface technologies are now national intellectual property rights. Let's see if President Trump mandates Apple and the Android platform to remove Tik Tok from their app store and the implication.

4. The Covid-19 situation in many parts of the world looks to be getting better. On the other hand, the US Federal Reserve has just told us that it will continue to sustain a more conducive economic and investment environment. We remain constructive on Asian equity markets, historically a good performer under such a scenario .

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