Portfolio Manager’s View

28 July 2021

Fund Management Department

Regional

1. This week's US Federal Reserve FOMC Meeting was a non-event; Chair Jerome Powell played the delicate balance to ensure no serious market dislocations as was experienced in last month's meeting. The US equity markets reacted as though there was no FOMC Meeting.

2. This week, the market worthy news came from within Asia. China shattered the calm with regulatory crackdown on both the internet and private education sectors. The fear was compounded further by rumour of the US possibly banning US based funds from investing in China and Hong Kong. The US Securities and Exchange Commission also announced that Chinese companies listed on the US Stock Exchanges will need to disclose the risk of Chinese Government interference in their businesses as part of their regular reporting obligations. When it rains, it pours.

3. It is likely that we are at the beginning rather than closer to the end of this heightened scrutiny. Unfortunately, as China and China Internet is a large part of the MSCI Asia ex-Japan Index, this regulatory uncertainty may act as an upside resistance to the Chinese equity market. However, we prefer to look

-continued

beyond this micro tightening confined to some sectors and focus on macro easing which should benefit the broad economy and market. There will be value to be found in this broad indiscriminate sell-off.

4. We believe that this week's meeting between the Chinese Foreign Ministry and the visiting Deputy Secretary of State is the precursor to a possible meeting between Presidents Joe Biden and Xi Jinping at the G20 Summit in October. The Chinese representatives appeared to still be playing hardball but the US appeared more reconciliatory, stressing the need to develop guardrails to ensure that ties do not veer into conflict. At the risk of being optimistically wrong, we may be close to another turning point of the US-China trade tension, albeit a positive one. Considering how Asia has been plagued by this conflict since 2018, any improvement in US-China relation will be a very good uplift to Asian fundamentals and sentiment.

Malaysia

1. The KLCI closed at 1,513 @ 28.07.21, a decline of -3.8% M-o-M. Last week, Technology (+3.4%) and Construction (+3.2%) were the best performing sectors. In contrast, Oil & Gas (-0.4%) and Banks (-0.2%) were the worst performing sectors. Year-to-date @ 22.7.2021, the KLCI has retreated by -6.5%. Year-to-date, *local* and *foreign* institutions have been large net sellers. Local retailers have remained the biggest net buyers.

2. As we enter 2Q21 reporting season, a key concern is the resurgence of new Covid-19 cases globally and re-implementation of lockdowns which may dampen corporate earnings. Vitrox a Malaysia semiconductor equipment maker announced a record high quarterly result for its June quarter. Its net profit of RM 50.6mil (+56% QoQ and +105% YoY) was nearly 60% of consensus full year estimate. At Vitrox's analyst briefing, management reiterated it continues to see strong order visibility from its customers for the rest of 2021. We maintain our Overweight position in the technology sector.

3. Last week, hard disk drive ("HDD") manufacturer Seagate announced its June-quarter results which was above consensus estimate. Seagate reported a 6 year high revenue of US$ 3.01bil (vs consensus US$2.97bil) and EPS reported was 9-years high at US $2.07 (vs consensus US$1.87).

-continued

The strong growth reported was driven by mass capacity HDD i.e. 18 terabytes drives. This is a positive read through for Dufu Technology which produces HDD spacers for Seagate.

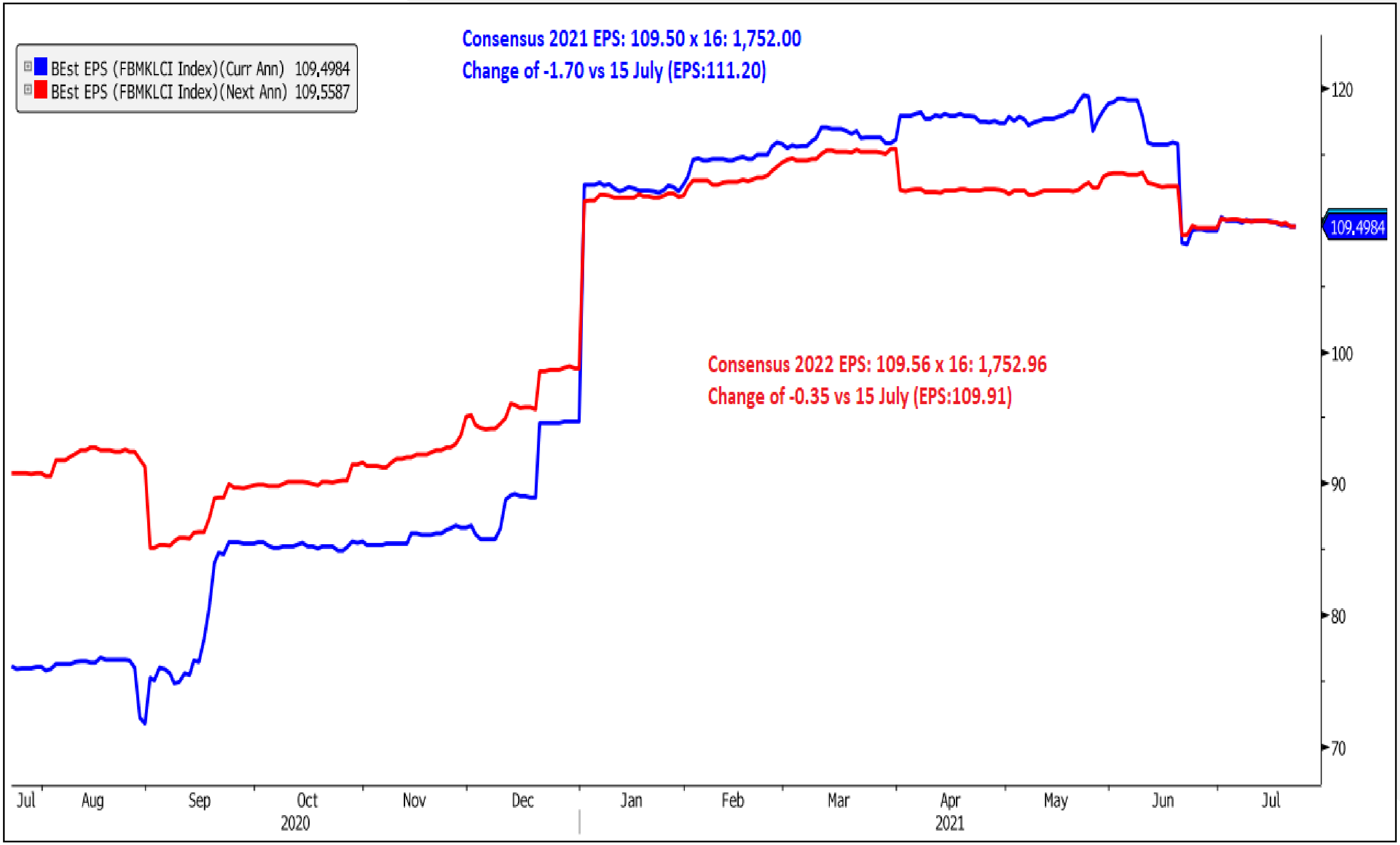
4. On OPEC+, an agreement has finally been struck to pump an extra 400k barrels/day progressively on a monthly basis from Aug until Dec 2022 (extended from Apr 2022). This saw prices drop from $76 to $70/barrel following the announcement prices have since recovered to $75/ barrel as the pace of supply is outpaced by greater demand as economies reopen. It is worth noting that the current oil price is favourable for Malaysia, as Budget 2021 oil price assumption was US$45 to US$55/ barrel.

5. As at 28 July 2021, a total of 18.4 mil vaccine doses have been administered so far with 38.2% of the population receiving one dose and ~18.1% of the population receiving two doses. The increased momentum in vaccination rate has put the country in a realistic position to achieve a vaccination rate of 80% by end of Oct-21.

-continued

6. Based on KLCI at 1,513 @ 28.07.2021 and assuming a market eps integer of 109/109, the market is trading at a PER of 13.8x/13.8x for CY21/CY22 respectively. This is more than -1 standard deviation below its mean PER of 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. While there is no short-term impetus, we believe that the risk to reward ratio for the KLCI is favourable in the longer-term.

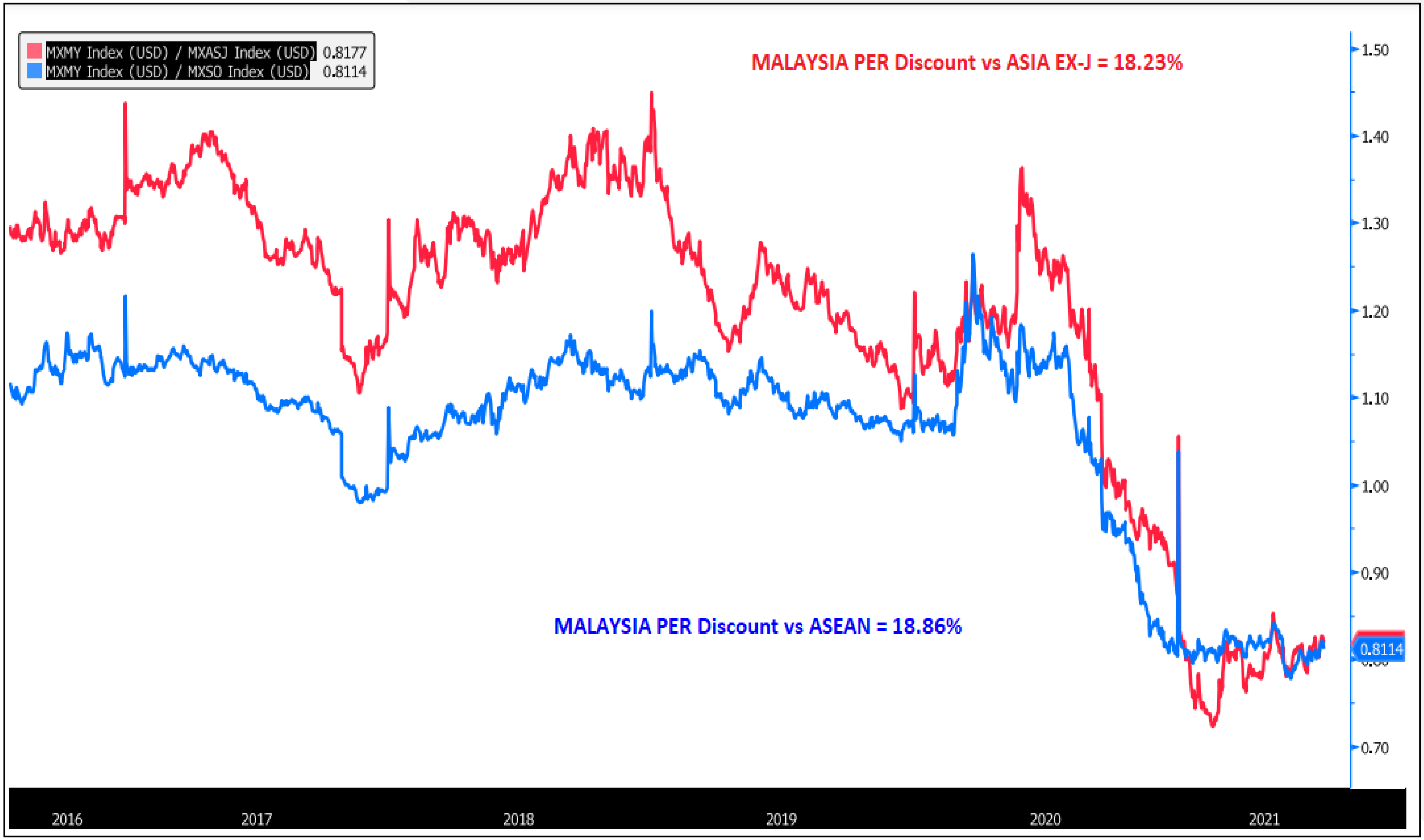
Exhibit 1 : FBMKLCI Consensus Earnings Per Share (EPS) @ 22.07.21



(Source: Bloomberg)

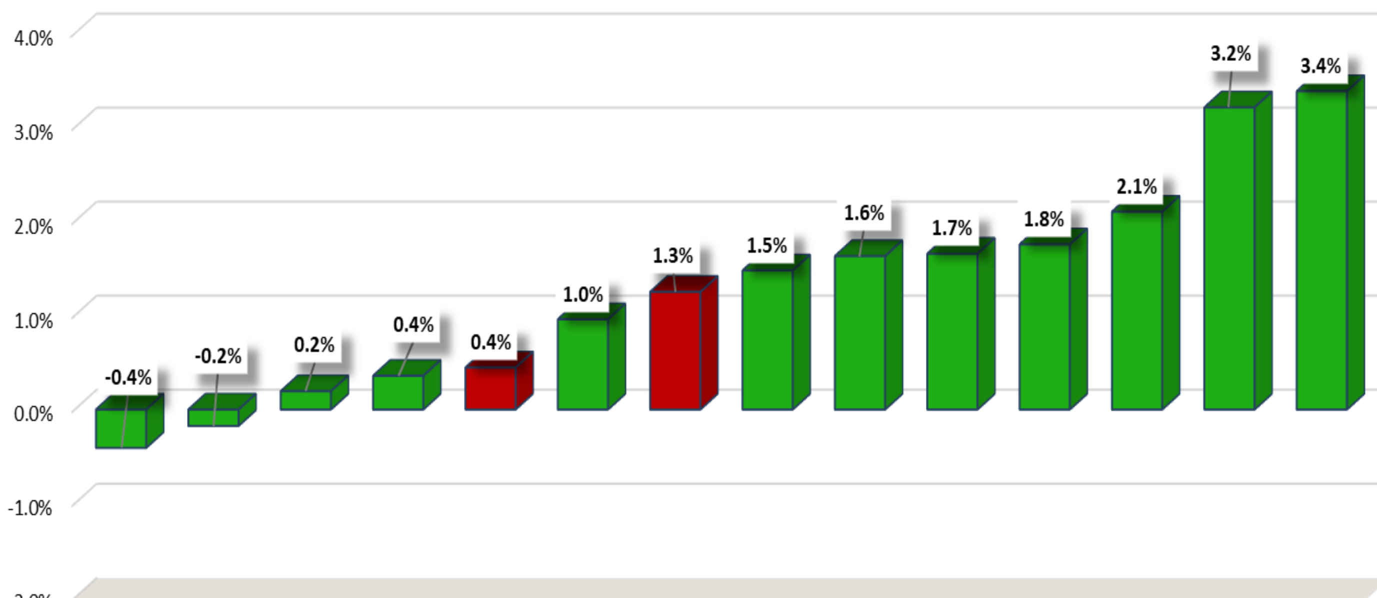
For Use of AISB's Clients, Consultants and Distributors only

Exhibit 2 : MALAYSIA P/E is at a discount to the region @ 22.07.21



(Source: Bloomberg)

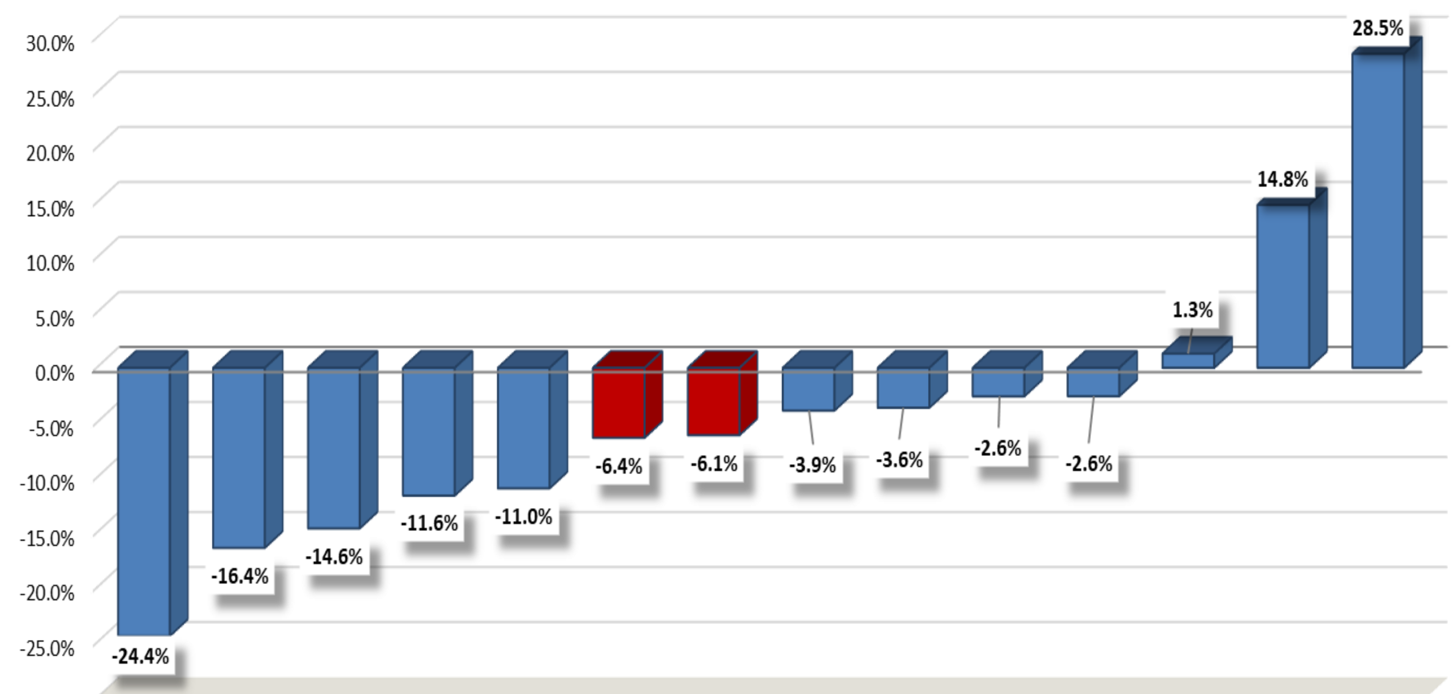
Exhibit 3 : Sector Performances (Week-on-Week) @ 22.07.21



	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Utilities Index	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Real Estate REITs Index	FTSE MALAYSIA EMASSHARI	FTSE B/M EMAS Industrials Index	FTSE B/M EMAS Consumer Goods Index	FTSE B/M EMAS Food & Beverage Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Technology Index
Change WoW	-0.4%	-0.2%	0.2%	0.4%	0.4%	1.0%	1.3%	1.5%	1.6%	1.7%	1.8%	2.1%	3.2%	3.4%

(Source: Bloomberg)

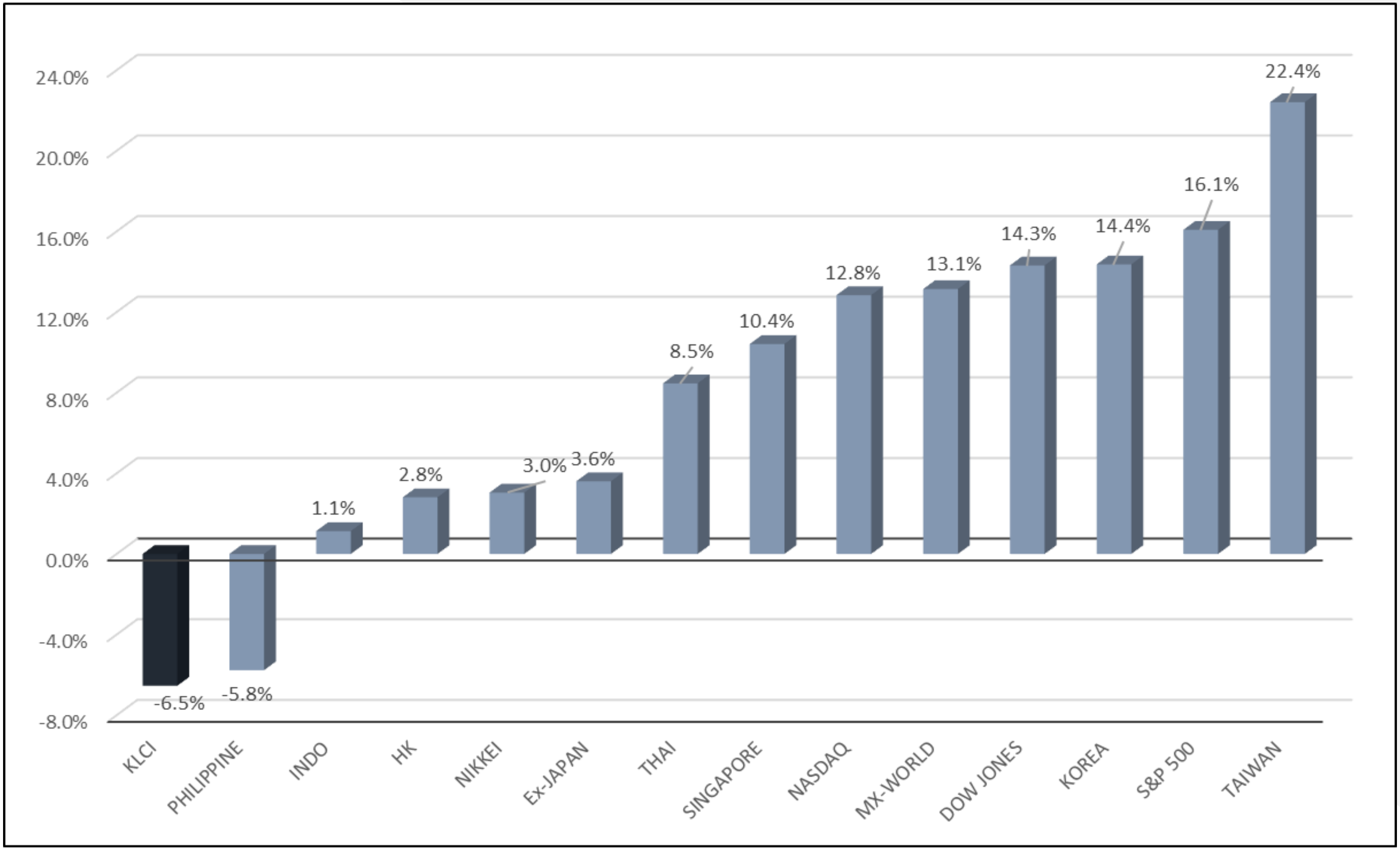
Exhibit 4 : Sector Performances (Year-to-Date) @ 22.07.21



	FTSE B/M EMAS HealthCare Index	FTSE B/M EMAS Oil & Gas Index	FTSE B/M EMAS Construction & Materials Index	FTSE B/M EMAS Food & Beverage Index	FTSE B/M EMAS Consumer Goods Index	FTSE MALAYSIA EMASSHARI	FTSE Bursa Malaysia KLCI	FTSE B/M EMAS Utilities Index	FTSE B/M EMAS Real Estate REITs Index	FTSE B/M EMAS Banks Index	FTSE B/M EMAS Industrials Index	FTSE Bursa Mal Small Cap Index	FTSE B/M EMAS Industrial Metals & Mining Index	FTSE B/M EMAS Technology Index
Change YTD	-24.4%	-16.4%	-14.6%	-11.6%	-11.0%	-6.4%	-6.1%	-3.9%	-3.6%	-2.6%	-2.6%	1.3%	14.8%	28.5%

(Source: Bloomberg)

Exhibit 5 : Performance of Indices (Year-to-Date) @ 22.07.21



(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.