

PHILLIP MUTUAL BERHAD

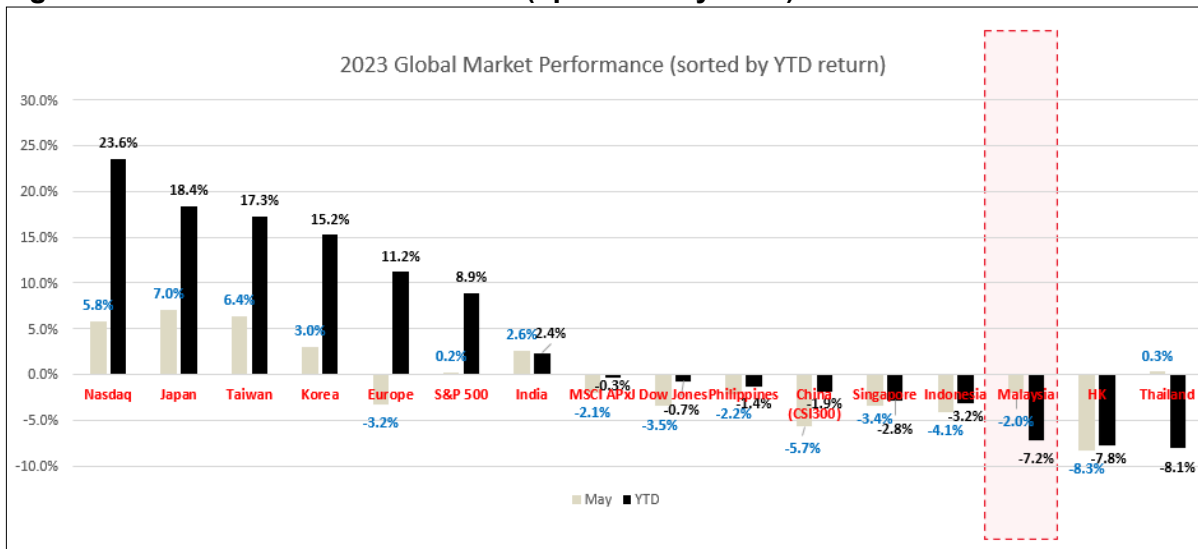
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A review of Malaysia's market and strategies for investors to navigate during challenging times

During times of weak market conditions, investors encounter challenges in remaining invested. Taking Malaysia market as example, the FBM KLCI Index experienced a decline of 2.0% in May and 7.2% year-to-date (YTD), underperforming many other markets and most ASEAN peers except Thailand. The local market's weakness is primarily attributed to the continuous foreign selling, concerns regarding the local banking sector in light of the recent global banking crisis (the FBM KLCI Index has substantial exposure to banks), and underwhelming corporate earnings results.

Figure 1: Global Market Performance (up to 31 May 2023)



Source: Bloomberg, compiled by PMB

Meanwhile, the ongoing weakness in the Malaysian Ringgit has exacerbated the prevailing negative sentiment, with the local note weakened by 4.5% against the USD YTD, continuing its downward trend from the previous year (2022: -5.8%). Apart from some concerns domestically (fiscal concerns, lack of structural reforms, politics etc), MYR continues to be influenced by global factors:

1. Strong USD (DXY index ↑ 2.6% in May & 0.8% YTD)
2. Weaker-than-expected China's economic data (among regional countries, MYR has the highest correlation with CNY).

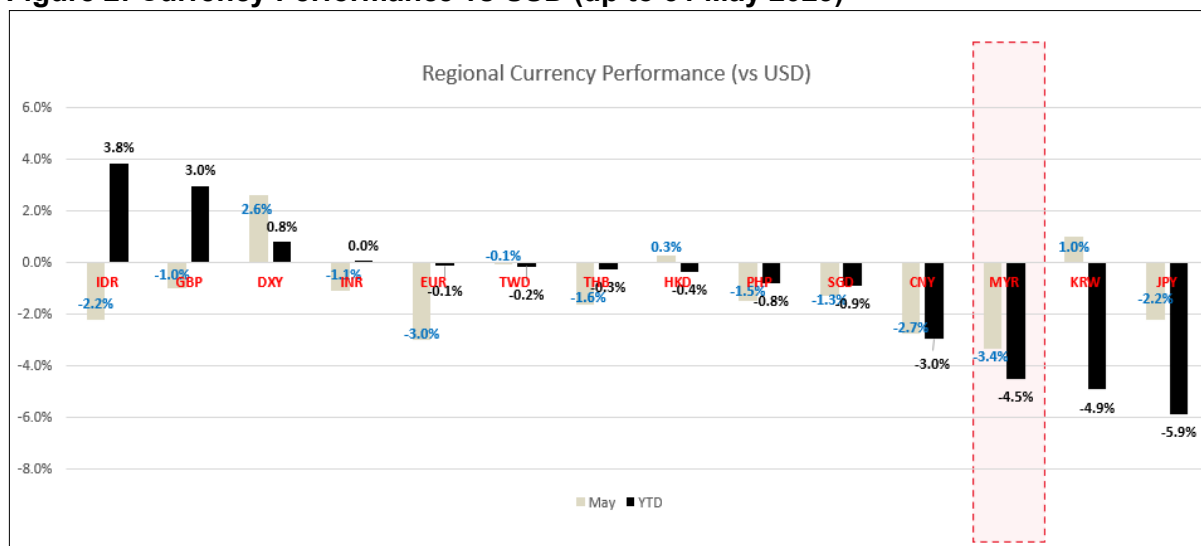
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Figure 2: Currency Performance vs USD (up to 31 May 2023)



Source: Bloomberg, compiled by PMB

Malaysia's Outlook

We continue to believe the market is likely to stay challenging in 1H23 due to some earnings risks from rising costs (electricity and labour). Nonetheless, we expect a sustained market recovery in 2H23, driven by improving earnings outlook (in the absence of prosperity tax and other taxes like gaming tax), low foreign holding and relative political stability. Malaysia's fundamentals remain strong on firm domestic demand and resilient external trade activities. On the positive side, given our strong diplomatic relations with China, China's economic recovery is raising our prospects for improving bilateral trade and returning Chinese tourists.

Our Offerings

Notwithstanding the prevailing conditions, we hold the belief that there are still areas of potential opportunities within the market.

At the core of our investment approach is a focus on stocks with strong fundamental characteristics, such as sustainable business models and consistent earnings. Additionally, we place significant emphasis on evaluating the management team of a company, as we believe that competent and visionary leaders are crucial for the long-term success of a business. Consequently, we only invest in companies where we have confidence in the competence and reliability of their management team.

This investment approach allows us to navigate through the challenging periods of market volatility and unexpected events, while maintaining a focus on delivering consistent returns to our investors over the long term. We strive to build resilient portfolios that can weather the storms and provide stable growth for our investors.

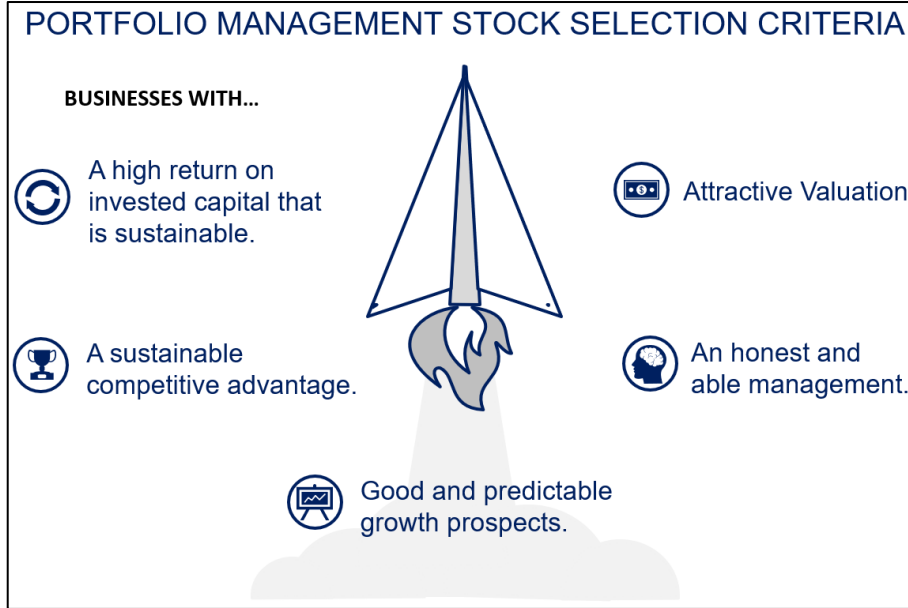
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Figure 3: Stock Selection Criteria



Source: PMB

Phillip Mutual Berhad offers a comprehensive list of local and global unit trust funds that may suit your investment preferences and financial goals. For local funds, our recommendation is as below:

Lipper Category	PMB Funds
Equity Malaysia Income	Phillip Dividend
Equity Malaysia	Phillip Recovery Phillip Dana Aman * Phillip Master Equity Growth
Equity Malaysia Sm&Mid Cap	Phillip Pearl
Fixed Income (Malaysia)	Phillip Dana Murni *
Balanced Fund (Malaysia)	Phillip SELECT Balance

Note: * indicates Syariah

For global funds, our recommendation is as below:

Lipper Category	PMB Funds
Equity Global	Phillip Global Stars
Equity China/Greater China	Phillip Focus China
Balanced Fund (Asia Pacific)	Phillip AsiaPac Income

Please click on the [link](#) to learn more or email us at phillipmutual@phillipcapital.com.my if you require any further information.

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