PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

Malaysia – Look for Silver Linings

In 2023, the stock market has been dominated by a select group of mega-cap US tech companies, commonly referred to as the "magnificent 7." These companies include Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla, and Meta (formerly known as Facebook). Their strong performance has left little room for other markets to outshine the US market. In our local market, the FBM KLCI index has experienced a decline of 5.94% year-to-date when measured in local currency terms and nearly 9% in USD terms. As a result, it has underperformed in comparison to its regional counterparts, with only a slight edge over the Thailand market, which has declined by 8% year-to-date.

After experiencing several months of foreign net outflows in the Malaysian equity market, there has been a notable change in July, with foreigners making a return and buying RM363 million worth of Malaysia equities. This influx of foreign investment has had a positive impact on the ringgit's value against the dollar (the ringgit has appreciated by 2.58% against the dollar month-to-date), indicating some excitement and confidence among investors irrespective of the uncertainties ahead of the state elections next month. Of course, investors will continue to closely monitor the development of the state election, but we believe it is unlikely to see any changes occurring in the state government.

In addition, we believe that there are numerous catalysts present in our local market, which gives us reasons to remain optimistic and look for potential opportunities.

1. Malaysia sees benefit from trade diversion

Notwithstanding the trade war effects, Malaysia stood to benefit arising from trade diversion when the US and China substituted their demand for imports from each other to other emerging markets, including Malaysia. Also, multinational corporations (MNCs) opted to relocate their operations to circumvent the high tariffs, with some MNCs choosing Malaysia. This led to an increase in manufacturing investments and generated trade and investment spillovers into the country. MNCs opted to relocate their operations to Malaysia thanks to our high degree of trade openness and low tax environment. The sectors that benefitted the most are Tech & E&E in Malaysia.

Interestingly, we continue to see positive momentum of approved FDI into Malaysia. Specifically, there was a notable surge in Net FDI (Foreign Direct Investment) in 2022, reaching RM73 billion, as multinational corporations (MNCs) continued to expand their capacity in the country. However, in the first quarter of 2023, FDI has moderated, declining to RM12 billion, primarily due to global economic weakness.

2. Chinese tourists to boost Malaysian growth

The reopening of China's borders has brought a delayed but much-needed boost to Malaysia's tourism industry. Prior to the pandemic, Chinese tourist arrivals were at 12% of the pre-pandemic level, while the tourist receipts stood at 19%. This indicates that Chinese tourists exhibited stronger spending power compared to other tourists visiting the country. In 2023, while the Chinese tourist arrival numbers have not yet fully recovered to pre-pandemic levels, given the need to obtain visas and the reduced frequency of flights. Nevertheless, it is expected that the situation will gradually normalize moving forward, as travel restrictions ease and flight frequencies increase.

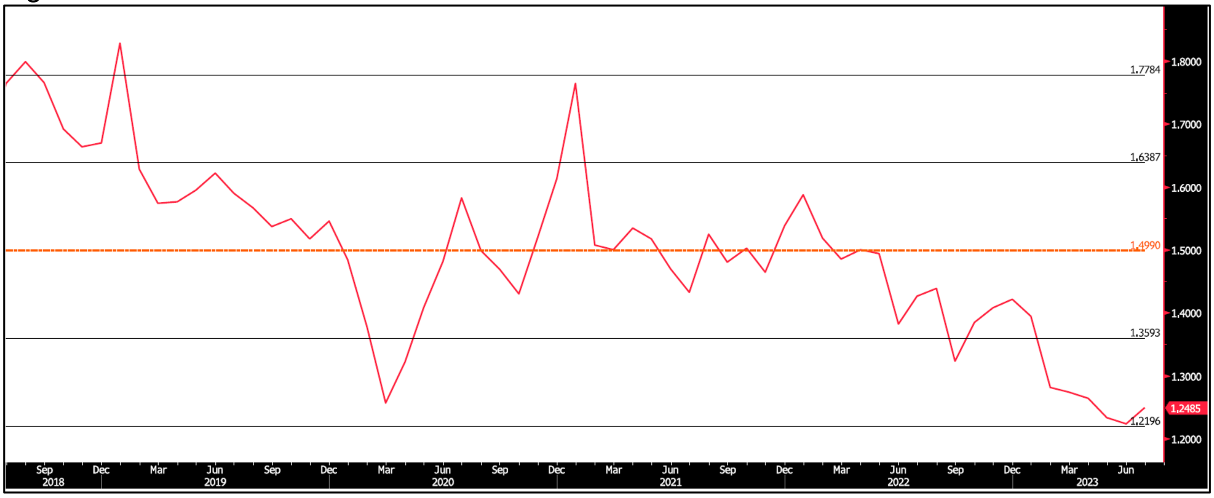
DISCLAIMER: This compilation is prepared by Phillip Mutual Berhad ("PMB") in its capacity as an IUTA approved by the Federation of Investment Managers Malaysia("FIMM") for specific Funds distributed by PMB. The information contained herein is general information only and not intended for public distribution. It is furnished to the recipient on a confidential basis. It does not take into account your individual objectives, financial situations or needs. You should seek your own professional advisers before investing. No part of this document may be circulated or reproduced without prior permission of PMB and does not constitute an offer, invitation or solicitation to invest in the specific Funds. Any investment product or service offered by PMB is not obligations of, deposits in or guaranteed by PMB. You are advised to read and understand the relevant prospectuses for the Funds, which have been registered with the Securities Commission Malaysia who takes no responsibility for the contents. The respective prospectuses to the Funds are obtainable at any of our offices, website and authorised agents. Any issue of units to which the prospectuses relate will only be made on receipt of the duly completed application form referred to in and accompanying the prospectuses. Investment in unit trust funds is not the same as placing money in a deposit with a financial institution. There are risks involved, and investors should rely on their own evaluation to assess the merits and risks when investing in these funds. There are also fees and charges involved and investors are advised to consider them before investing in the Funds. Investment in shares and bonds may go up as well as down. The prices of units and distribution payable, if any, may also go up as well as down. Past performance of the unit trust funds is not an indication of its future performance. If investors are in any doubt about any feature or nature of the investment, they should consult PMB to obtain further information before investing or seek other professional advice for the suitability of the Funds and to their specific investment needs or financial situations. Information contained herein are based on the law and practise currently in force in Malaysia and are subject to changes in such law without any notice.

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

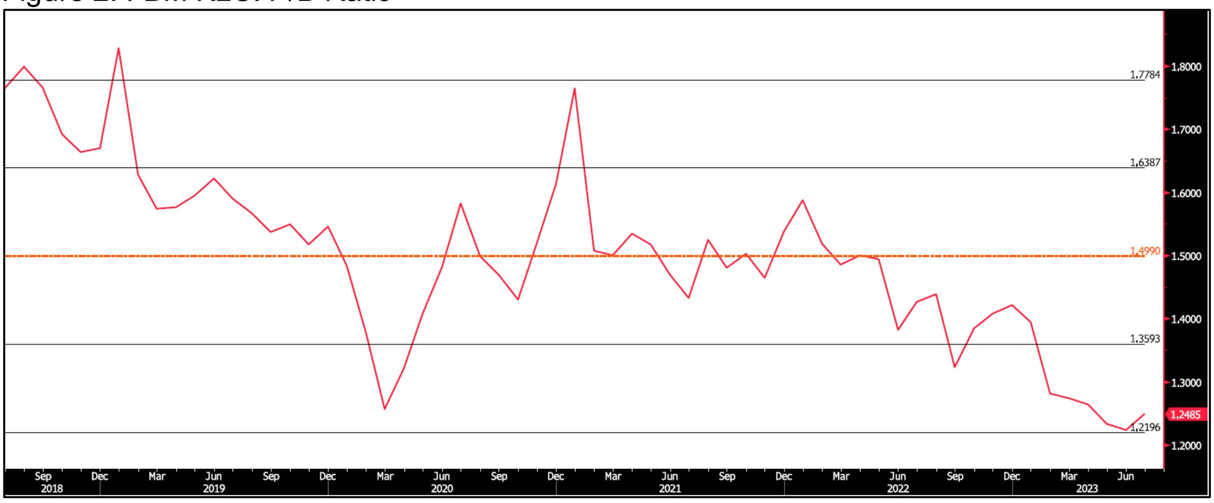
3. Malaysia possesses robust fundamentals and is currently trading at an attractive valuation.
Malaysia's economic fundamentals are notably stronger than during the Asian Financial Crisis (AFC) period. In the first quarter of 2023, the country's GDP grew by 5.6%, and the growth forecast for the year is expected to be between 4% to 5%. Moreover, foreign shareholding has reached an all-time low, standing at 19.9% as of June 30, 2023, compared to 18.1% recorded at the end of 2002/03. Additionally, the KLCI is currently trading at depressed valuations, 1.5 standard deviations below the forward price-to-earnings (P/E) ratio & 2 standard deviations below the historical price-to-book (P/B) ratio.

Figure 1: FBM KLCI Forward P/E Ratio



Source: Bloomberg, 20 July 2023

Figure 2: FBM KLCI P/B Ratio



Source: Bloomberg, 20 July 2023

DISCLAIMER: This compilation is prepared by Phillip Mutual Berhad ("PMB") in its capacity as an IUTA approved by the Federation of Investment Managers Malaysia("FIMM") for specific Funds distributed by PMB. The information contained herein is general information only and not intended for public distribution. It is furnished to the recipient on a confidential basis. It does not take into account your individual objectives, financial situations or needs. You should seek your own professional advisers before investing. No part of this document may be circulated or reproduced without prior permission of PMB and does not constitute an offer, invitation or solicitation to invest in the specific Funds. Any investment product or service offered by PMB is not obligations of, deposits in or guaranteed by PMB. You are advised to read and understand the relevant prospectuses for the Funds, which have been registered with the Securities Commission Malaysia who takes no responsibility for the contents. The respective prospectuses to the Funds are obtainable at any of our offices, website and authorised agents. Any issue of units to which the prospectuses relate will only be made on receipt of the duly completed application form referred to in and accompanying the prospectuses. Investment in unit trust funds is not the same as placing money in a deposit with a financial institution. There are risks involved, and investors should rely on their own evaluation to assess the merits and risks when investing in these funds. There are also fees and charges involved and investors are advised to consider them before investing in the Funds. Investment in shares and bonds may go up as well as down. The prices of units and distribution payable, if any, may also go up as well as down. Past performance of the unit trust funds is not an indication of its future performance. If investors are in any doubt about any feature or nature of the investment, they should consult PMB to obtain further information before investing or seek other professional advice for the suitability of the Funds and to their specific investment needs or financial situations. Information contained herein are based on the law and practise currently in force in Malaysia and are subject to changes in such law without any notice.

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

Where to position?

The market currently presents several opportunities for investors. However, it is crucial to exercise caution and carefully select investment options to ensure the best risk-adjusted returns. By taking a vigilant and discerning approach, investors can potentially reap the benefits of the current market opportunities while minimising risks.

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

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

DISCLAIMER: This compilation is prepared by Phillip Mutual Berhad ("PMB") in its capacity as an IUTA approved by the Federation of Investment Managers Malaysia("FIMM") for specific Funds distributed by PMB. The information contained herein is general information only and not intended for public distribution. It is furnished to the recipient on a confidential basis. It does not take into account your individual objectives, financial situations or needs. You should seek your own professional advisers before investing. No part of this document may be circulated or reproduced without prior permission of PMB and does not constitute an offer, invitation or solicitation to invest in the specific Funds. Any investment product or service offered by PMB is not obligations of, deposits in or guaranteed by PMB. You are advised to read and understand the relevant prospectuses for the Funds, which have been registered with the Securities Commission Malaysia who takes no responsibility for the contents. The respective prospectuses to the Funds are obtainable at any of our offices, website and authorised agents. Any issue of units to which the prospectuses relate will only be made on receipt of the duly completed application form referred to in and accompanying the prospectuses. Investment in unit trust funds is not the same as placing money in a deposit with a financial institution. There are risks involved, and investors should rely on their own evaluation to assess the merits and risks when investing in these funds. There are also fees and charges involved and investors are advised to consider them before investing in the Funds. Investment in shares and bonds may go up as well as down. The prices of units and distribution payable, if any, may also go up as well as down. Past performance of the unit trust funds is not an indication of its future performance. If investors are in any doubt about any feature or nature of the investment, they should consult PMB to obtain further information before investing or seek other professional advice for the suitability of the Funds and to their specific investment needs or financial situations. Information contained herein are based on the law and practise currently in force in Malaysia and are subject to changes in such law without any notice.