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Malaysia Market Update Post State Election

Malaysia's equity market has shown increased resilience following the state election. Foreign investors were net buying Malaysia equities, with net inflows of RM1.4bn in July, RM140.8mn in August and RM270.3mn as of September 18, 2023 MTD. As of September 19, 2023, the FBMKLCI has recorded a 1.18% gain since August 14, 2023, which was shortly after the state election. Additionally, the FBM Small Cap index has performed even more impressively, delivering a remarkable 3.78% return in just over a month (see Table 1).

Table 1: Malaysia Market Performance post state election (14 August 2023 to 19 September 2023)

Index	Return (%)
FBM KLCI	1.18%
FBM Small Cap	3.78%
FBM70	1.70%
FBM Emas	1.44%
FBM Emas Shariah	1.13%

Source: Bloomberg (accurate as of 19 September 2023)

Prime Minister Anwar Ibrahim's recent announcements regarding mission objectives are promising, with execution and policy continuity being pivotal for their success. Specifically, the latest initiatives and masterplans, including National Energy Transition Roadmap (NETR) ([link to our article](#)), New Industrial Master Plan 2030 (NIMP2030) ([link to our article](#)), 12th Malaysia Plan Mid-Term Review (12MP-MTR), and the special financial zone for Forest City, are anticipated to bolster the nation's long-term fiscal stability and strengthen its competitiveness.

Moreover, in conjunction with Anwar's second official trip to China, three Memoranda of Understanding (MoUs) were signed between Malaysian and Chinese companies in Nanning, China, amounting to a total value of RM19.84 billion. This comes after the signing of as many as 19 MoUs related to agriculture and trade, reportedly worth RM170b, during Anwar's first trip to China in late March. The 3 new MoUs cover collaboration in waste-to-energy (WTE) power plants, warehousing and logistics, as well as the establishment of a trading and distribution center for refined palm oil and shortening. We view this development positively and believe the country will continue attracting quality FDIs given our appealing investment climate and favourable ecosystem.

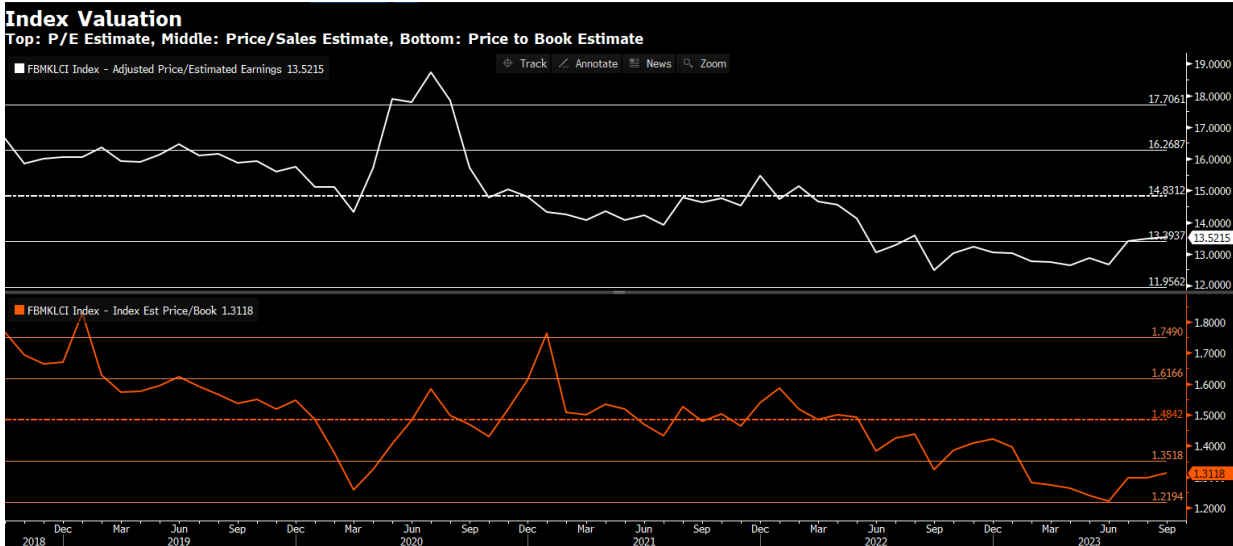
Apart from the reasons aforementioned, we see attractiveness in the Malaysia market underpinned by improved risk appetite post-election and a pick-up in M&A trails. M&A activity has reinvigorated the market, with KLK acquiring 33% of Boustead Plantations and Sime Darby acquiring 61% of UMW. Moreover, KLCI is trading at reasonably cheap valuation (13.5x P/E, one standard deviation (s.d.) below mean and 1.31x P/B, close to 1.5 s.d. below mean) (see Figure 1).

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Figure 1: KLCI valuation chart



Source: Bloomberg (accurate as of 19 September 2023)

The market is also supported by low foreign shareholding (19.6% as of August 2023) and a resumption of foreign net buying in September MTD (3rd consecutive month since July). Finally the reopening of China is anticipated to stimulate both tourism and trade.

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 Capital Malaysia offers a comprehensive suite of financial services including managed accounts and unit trusts, that may suit your investment preferences and financial goals. We also offer both conventional and Shariah-compliant options to cater to the needs of all investors.

Our local unit trust fund offerings are as follows:

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

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Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. 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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