Money managers remain invested in stocks and time

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Analysts don't advise investors to cash out now from their long term investment, indeed buy when people are fearful

by NUR HANANI AZMAN / Pic by TMR FILE PIX

SMART money remains con dent the local equity market offers good investment opportunities if investors have a long term view and shut out the "noise" which brings uncertainty and volatility to the market.

With the domestic political scene leaving investors nervous, the benchmark FTSE Bursa Malaysia KLCI has edged lower to trade at nine-month lows at 1,504 point level as the Covid-19 spread and lockdowns hit the economy and corporate earnings prospects.

In spite of that, money managers said many listed companies remain fundamentally strong and offer earnings growth.

"We don't advise investors to cash out now from their long term investment, indeed buy when people are fearful. Be patient. Too much noise in the market affects the sentiment and challenges the basic principle of investing long term. People are affected by the herd mentality of hearing too much short-term noise and making irrational decisions -a big challenge to average investors," Areca Capital Sdn Bhd CEO Danny Wong told *The Malaysian Reserve (TMR)* recently.

He looks at the recovery and economic reopening as catalysts ahead on the back of soon-to-be reached herd immunity (with high inoculation rate now).

"We like banking and consumer products which have been bashed down in prices. We also like those positive impact stocks like industrial, electrical and electronic, exporters for growth," he said.

Maybank Asset Management Sdn Bhd CIO Syhiful Zamri advised investing in resilient and structurally supportive sectors that reflect the new normal such as the technology sector.

He said this sector is gaining attention and getting premium valuation due as companies and people rely more heavily on technology, both software and hardware, during and post-Covid-19 period.

"Environmental, social and governance (ESG) is getting into the mainstream investment consideration, especially after some issues were brought into the limelight due to Covid-19," he told *TMR*.

He also sees value in companies that have less exposure in the domestic economy or reliance on local jobs or contracts and exporters and logistics providers like ports and logistics who continue to benefit from selling to the world, especially developed countries that are already in their recovery phase.

Syhiful advised retail inventors to identify resilient and sustainable companies with strong business models and balance sheets that can withstand the current market weakness and come out stronger from this Covid-19 episode.

He said investors must not get trapped in companies with ESG issues which may be at risk of being abandoned by institutional investors in the future and be considered a value trap as their valuation will continue to de-rated over time.

Apex Investment Services Bhd CEO Clement Chew said healthcare companies were the first to benefit from the pandemic but the new normal has also seen local semi-conductor companies enjoy tremendous demand.

"Supply has been unable to cope with the surge in demand. Unlike gloves, barriers to entry for the semiconductor industry are high. There is a close working relationship in the semiconductor industry between suppliers and their customers. Average selling prices have not been raised indiscriminately in spite of robust demand. The sector has emerged as a clear winner," he told *TMR*.

Chew expects interest for economic reopening plays will return by the end of 2021 as Covid-19 infection cases will start to fall from September onwards.

"This should spur a return of interest in the reopening plays in sectors like consumer, construction, hospitality and tourism.

"The Delta variant has resulted in resurgent cases in many countries. However, this will not derail the strong earnings recovery we are seeing in developed markets and the rebound in global GDP growth," he added.

Chew believes it is easy to get caught up in the negativity of the moment as the high Covid-19 cases, the relentless net selling by local and foreign funds and uncertain political situation do not inspire confidence.

"The silver lining is the below average market price-to-earnings multiples, record low foreign shareholding level and expected improvement in Covid-19 cases as vaccination rates improve.

"I think the risk-reward for investors is reasonable at this juncture. I expect the market to end the year at a higher level than where we are now," he said.

Bank Islam Malaysia Bhd economist Adam Mohamed Rahim said given the ongoing volatile situation caused by the pandemic and uncertain political situation, the work from home environment and excess to savings in the Employee Provident Fund has attracted fresh funds from retailers into the stock market.

"Retail investors have consistently made up more than 30% of the total traded value on Bursa Malaysia since April last year. Prior to that retail investors never contributed more than 30% of the total value traded on Bursa," he added.

He thinks many people still opt for stock investments because it is a liquid investment which can easily be converted to cash at a click of a mouse as opposed to a property investment which may take months to turn into cash.

"People will have to really understand the dynamics of the stock market and keep up with the latest news trends that keep evolving," he added.

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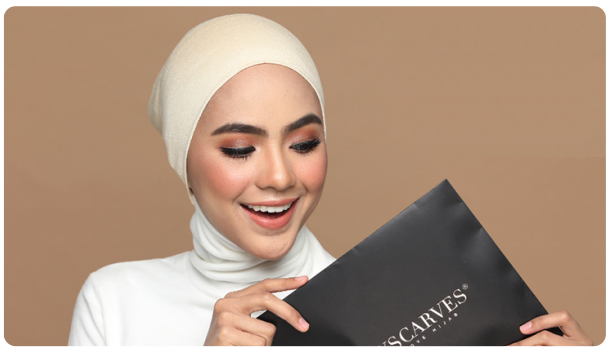

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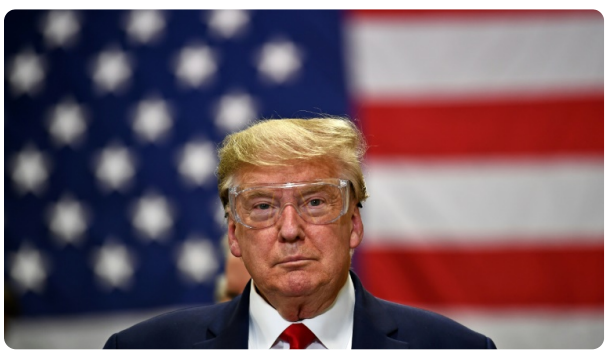

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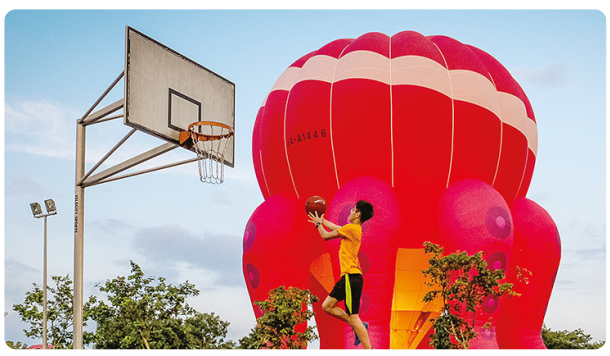

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