



Headline : Utility, tech stocks good near-term picks: UOB Asset
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Utility, tech stocks good near-term picks: UOB Asset

➤ Positive on Malaysia's long-term investment potentials despite FBM KLCI's current lacklustre performance

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PETALING JAYA: UOB Asset Management (Malaysia) is advocating an active stock selection strategy to build a portfolio that has higher probability of outperforming the equity benchmark index, given the current uncertain investment climate amid the Covid-19 pandemic.

Under such conditions, its chief investment officer Francis Eng recommends investors to look at individual companies and assess their investment merits, to determine if they would fare better than the overall market.

For the near term, he professed a preference for utility counters which are typically in a more defensive business

sector, even during economic slowdown, and have strong cash flows that would translate into dividends.

"We also like the technology sector as it is a circular story with a good medium to longer term growth prospects with a lot of opportunities within Malaysia," Eng said at UOB Asset Management's virtual media briefing.

"In healthcare, apart from the gloves stocks there are also attractive opportunities within the pharmaceutical space as well."

Should investors adopt a medium term view of over six to 12 months, Eng said, the banking sector might look interesting again, especially with positive developments on a vaccine.

Bank Negara Malaysia's (BNM) projection of a 2021 recovery bodes well for

banks as weak economic conditions and sharp decline in interest rates would no longer be negative factors for the sector.

"If we get an economic recovery as forecast, the fortunes of the banks will probably improve and with rate cuts to such low levels, further rate cuts probably not going to be there, and there will be less pressure on interest rate margins going forward," said the chief investment officer.

Given the uncertainty in the Malaysian equity market, the asset management firm declined to put a year-end target on Bursa Malaysia's benchmark index, the FBM KLCI.

Eng explained that the year-to-date figures have indicated a very polarised performance across sectors, with a strong performance by the healthcare sector and, to a less extent, the technology sector, but the rest have largely been lacklustre due to the negative effects of Covid-19.

Another issue raised is the fact that market earnings are unpredictable.

"With such a large variance in market earnings projections, it is difficult to have a meaningful index target," he said.

On the whole, the asset management firm remains positive on Malaysia's long-term investment potentials despite the FBM KLCI's current lacklustre performance.

UOB Asset's CEO, Lim Suet Ling, noted that to cope with the fallout from Covid-19 on the financial markets all across the globe, governments and central banks have rolled out unprecedented fiscal and monetary policies to support their economies.

In Malaysia, the Penjana economic stimulus package will lift the total value of the support packages to RM295 billion, coupled with BNM's decision to cut the Overnight Policy Rate (OPR) to a record low of 1.75%.

"Such initiatives demonstrate the government's proactive efforts in keeping the impact of the Covid-19 pandemic under control," she said.

UOB Asset believes the central bank might not reduce the OPR in the coming monetary policy committee meeting, as the subsequent rate action would hinge on the latest economic data.



Lim says the government has taken proactive measures to keep Covid-19's impact under control