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STRATEGY

28 April 2021

STRATEGY NOTE – 2Q2021

TAKING A LONGER-TERM PERSPECTIVE

Although global equities have reacted positively to the vaccination process, Malaysian equities have drifted since the start of the year, largely due to the retreating share prices of glovemaker stocks, while other heavyweights also dithered with the lack of catalysts. At the same time, the already toppish valuation on most index heavyweights are keeping fresh buying at bay.

With little change to the near-term conditions, we see the FBM KLCI staying rangebound as there are still few significant catalysts to sustain an upside. Also, there is still wariness over the economy due to the prolonged containment measures that would affect the corporate earnings performance in 1H2020.

As such, we think the key index may linger within the 1,550 and 1,640 levels over the near-to-medium until there is more clarity on the market's outlook. However, there should be some support to keep the FBM KLCI steady as the selling pressure still benign amid the earnings recovery that could still top 66% in 2021, with much of the optimism springing in from 3Q2021 onwards.

The broader market and lower liners should also remain well supported on continuing retail participation. Retail players' risk appetite for equities remains firm with the continuing low interest rates and the mostly unattractive returns from alternate asset classes helping to preserve their interest in equities, although we see the buying becoming more selective due to the combination of high valuations and fewer "low hanging fruits".

Meanwhile, global equities will continue to ride on the easing pandemic theme over the near-to-medium term that could well see further gains, in tandem with the latest prognosis that global economies may rebound more sharply in 2H2021 as more people are vaccinated. This also leaves the global markets at an early cycle of a potentially firmer upcycle when there are signs that earnings growth could pick up pace, potentially as early as 3Q2021.

Despite the inoculation optimism, however, global equities' valuations are already toppish and has reflected the potential earnings recovery. The lofty valuations also mean that there are fewer value stocks and market players are awaiting for the earnings growth to play catch up to the equity prices.

The Malaysian economy is expected to pick up in subsequent quarters after a slow 1Q2021, in tandem with the recovery of global economies that is expected to bolster demand for Malaysia's exports. Domestic demand and spending will also recover, aided by the various government stimulus measures and improved employment prospect with the increased economic activities that could help GDP to recover a decent 5.5% Y-o-Y in 2021.

Although the near term global economic conditions are still susceptible to further downside risk, the global consensus forecast for the full year has been lifted to 5.6% Y-o-Y (from 5.2% Y-o-Y) on expectation that the improvements will be firmer with the pickup in activities when more people are inoculated, and also on the assumption that further severe lockdowns will be avoided. The prognosis is helped by an extended duration for low interest rates and inflation that could bolster growth.

Analysts: Research Team

GLOBAL ECONOMIC REVIEW

2020 was a watershed year for global economies amid the Covid-19 pandemic that severely curtailed most economic activities and creating steep trough and rises in quarterly economic conditions as the pandemic conditions dictate the level of economic activities. Global economic conditions were most affected in 2Q2020 when the world was at a near total lockdown that resulted in unprecedented GDP contractions. Equally, economic conditions surged when the lockdowns ended that saw 3Q2020 GDPs making strong bounce, only to weaken/slowed in the final quarter of the year due to the new wave of infections that necessitated a fresh round of lockdowns, albeit they were less stringent.

Global Quarterly and Yearly GDP

	2Q2020	3Q2020	4Q2020		2019	2020
in %	Y-o-Y	Y-o-Y	Y-o-Y	Q-o-Q	Y-o-Y	Y-o-Y
USA	-9.0	-2.8	**-5.4**	**4.1**	2.2	-3.5
EU	-13.8	-4.1	**-4.6**	**-0.5**	1.6	-6.1
Eurozone	-11.6	12.5	**-4.9**	**-11.6**	1.3	-6.6
Germany	-11.3	-3.9	**-2.7**	**1.3**	0.6	-4.9
France	-18.6	-3.7	**-4.9**	**-1.4**	1.5	-8.1
UK	-21.0	-8.7	**-7.8**	**1.0**	1.5	-10.1
China	3.2	4.9	**6.5**	**2.6**	6.0	2.3
Japan	-10.3	-5.8	**-1.4**	**11.7**	0.3	-4.9
WORLD					**2.8**	**-3.5**

Source: Bloomberg

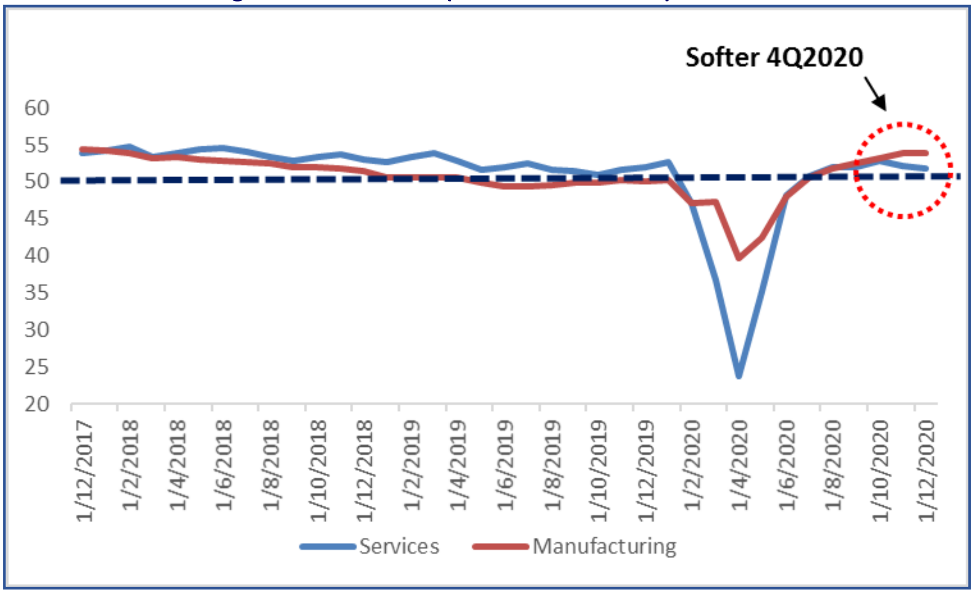
Despite the volatile economy, the "once-in-a hundred years" pandemic conditions were seen less disruptive with the global economy only contracting 3.5% Y-o-Y in 2020, as opposed to the earlier prognosis for a contraction of 3.8%-4.4% Y-o-Y. Much of the cushioning effects came from the multitude of government stimulus measures that included record low interest rates and bond buying that limited the economic damage. It was estimated that global fiscal and monetary stimulus measures amounted to more than $18.40 trn in 2020, which was about 21.0% of the global GDP that helped to haul the global economy out a steeper contraction. The stimulus, coupled with the re-opening of the economy, helped to ease unemployment and at the same time, bolstering pent-up demand for both goods and services that provided the vital lift the global economies. Even so, the World Bank estimates that the global unemployment rate surged to some 6.5% at the end of 2020, up from about 5.4% in 2019 as the pandemic conditions continue to bite.

The G8's GDP slowed in 4Q2020 to 3.0% Y-o- Y to lead to its full year contraction at 4.5% Y-o-Y, which was better-than-the earlier estimate of a 5.1% Y-o-Y contraction forecast on above-expectation U.S. economic performance to offset the still dire performance from most European nations as the severe Covid-19 conditions forced further lockdowns. Emerging economies, however, fared better-than-expected due largely to China's continuing outperformance amid its strong recovery from its pandemic conditions.

Despite the lingering pandemic conditions, global manufacturing activities continue to recover in the final quarter of the year, helped by the combination of pent-up demand and less stringent lockdowns that allowed the global manufacturing PMI to not only stay above the 50 level during the quarter, but to also recover further to above the pre-pandemic levels.

Similarly, the global services PMI also stayed in an expansionary mode throughout 4Q2020, despite the new round of lockdowns that curtailed many in-person services in Europe, albeit the U.S. and the rest of the world avoided major lockdowns that allowed most service industries to resume that also provided the cushioning effect and to preserve the global services PMI in the positive territory.

Global Manufacturing and Services PMI (Dec 2017-Dec 2020)



Source: Bloomberg

After a firmer recovery in the preceding quarter, the U.S economy slowed in 4Q2020 due to the spike in Covid-19 cases that necessitated some lockdown measure that had severely trimmed personal consumption growth to just 2.4% Q-o-Q (-2.6% Y-o-Y) against the 41.0% Q-o-Q surge in 3Q2020, with patronage of services slowed to just 4.0% Q-o-Q (-6.8% Y-o-Y) from 3Q2020's 38.0% Q-o-Q recovery. In addition, spending on goods contracted 0.9% Q-o-Q (+11.8% Y-o-Y) after a strong rebound of 47.2% Q-o-Q in the preceding quarter that was brought about by the pent-up demand from the re-opening of the economy. Part of the slower growth was also due to the still weak government spending (-1.1% Q-o-Q) even though it was an improvement from the previous quarter. On an annual basis, the 3.5% Y-o-Y GDP contraction in 2020 was its worst in more than 70 years, but the contraction was within expectations.

Despite the slower domestic economy, U.S. private investments continue to rebound, albeit at a slower pace of 26.5% Q-o-Q (3Q2020: +86.3% Q-o-Q) with fixed investments slowing to 19.1% Q-o-Q, from 31.3% Q-o-Q in the preceding quarter. The recovery of its manufacturing sector output also slowed to 3.1% Q-o-Q, which was anticipated following the surge of 11.6% Q-o-Q in 3Q2020. Similarly, export growth moderated to 21.8% Q-o-Q after a 59.6% Q-o-Q spike in 3Q2020 that was due mainly to the lower pent-up demand following the re-opening of international trade.

As a sign of further improvements in its economic condition, the U.S.' unemployment rate continues to moderate to 6.8% (3Q2020: 8.8%) with the reopening of the economy helping to shore up job openings. In addition, wage growth also resumed with the annual rate at around 5.0%.

After recouping all its quarterly contraction in 3Q2020, the European economy lost steam again in 4Q2020 as it returns to a contraction. The renewed weakness was the result of another lockdown following a resurgent of Covid-19 cases. Nevertheless, the contraction was less-than-expected and it helped the EU and Eurozone's 2020 GDP performance to be better-than the earlier contraction estimates of 7.5% Y-o-Y and 7.3% Y-o-Y respectively. Still, the new containment measures saw business and consumer activities slipping back into the negative territory in most member countries. The broader EU's domestic demand came in at -0.5% Q-o-Q after rebound of 9.5% Q-o-Q in 3Q2020, while household spending contracted 1.8% during the quarter, from a 13.3% Q-o-Q growth in the preceding quarter. As a result, the wholesale and retail trade segment declined 3.7% Q-o-Q (3Q2020: +21.7% Q-o-Q).

New investments, meanwhile, also wilted with fixed capital formation growth falling to just 1.3% Q-o-Q vs. 3Q2020's capex spending growth of 12.1% Q-o-Q, as the new lockdowns slowed the spending process. Meanwhile, the EU's exports moderated with a gain of just 3.7% Q-o-Q, a drop of 79.0% from the previous quarter amid the softening demand due to the weakness in many of its trading partners. Correspondingly, the EU's manufacturing sector growth also slowed to 3.0% Q-o-Q in 4Q2020, down from the growth of 18.2% Q-o-Q in 3Q2020.

Italy was among the worst affected country due to the fresh lockdowns and its economy slipped back into a contraction sequentially. It also emerged as the worst hit economy in Europe for the year due to the severity of the Covid-19 outbreak in 1H2020. Almost all of its economic sectors reported a slowdown with business and consumer spending affected. Compounding its economy was its stubbornly high unemployment rate of over 9.0% that further curtailed spending (4Q2020 household consumption was -2.7% Q-o-Q). France's economy also tipped into a contraction on a quarterly basis as it also introduced a new round of containment measures for most of 4Q2020 to curtail the pandemic, resulting in household spending declining 5.4% Q-o-Q.

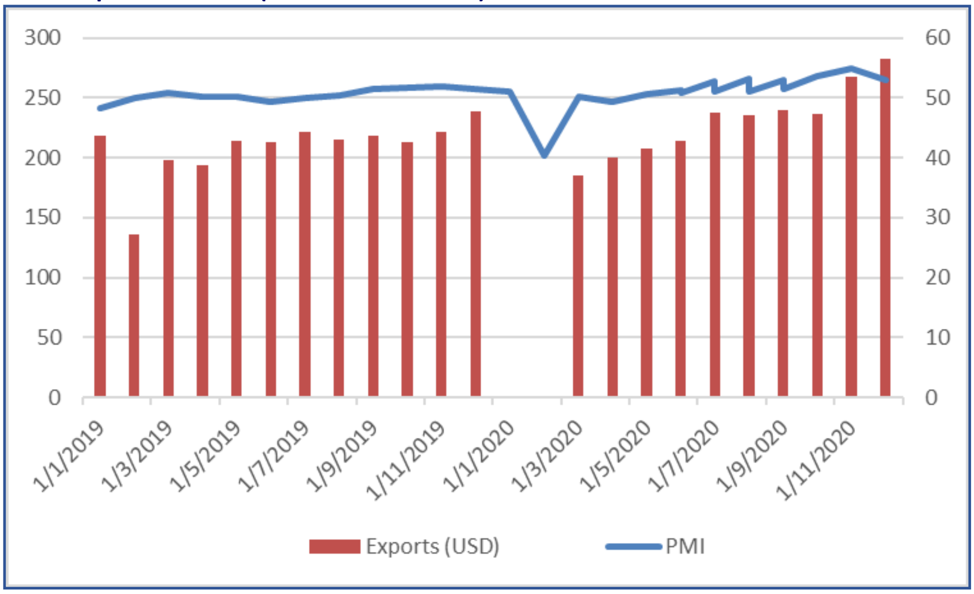
Meanwhile, Germany - the region's industrial powerhouse, avoided a contraction with a minor Q-o-Q growth in 4Q2020 despite a new lockdown with much of it due to the sustained exports growth (+4.5% Q-o-Q) to offset its lower domestic consumption, where both private (-3.3% Q-o-Q) and government (-0.5% Q-o-Q) spending easing with the softening demand. The U.K. economy also managed to stay afloat in 4Q2020 with a better-than-expected performance that was helped by the improvement in exports (+0.1% Q-o-Q) and higher government spending (+6.4% Q-o-Q) to cushion against the reduced private consumption (-0.2% Q-o-Q). Despite its improved 4Q2020 performance, the U.K economy was still among the worst hit country in the region due to its unabated Covid-19 cases earlier in the year and uncertainties over its exit from the EU.

Asian economies (ex-Japan) performed stronger-than-expected in 4Q2020 as well as outperforming its previous 2020 forecast. Much of the outperformance is due to the region's better control of the Covid-19 conditions as well as China's strong recovery from the pandemic conditions. Although many regional countries reported contractions in their respective 4Q2020 GDP, the contractions were cushioned by less restrictive containment measures that allowed many economic activities to continue. Furthermore, many regional economies benefitted from China's faster economic recovery that bolstered intra-region trade.

China's GDP grew at a record pace of 18.3% Y-o-Y in 1Q2021, recovering from its deep slump in 1Q2020 with strong gains in retail sales (+34.2% Y-o-Y), manufacturing (+24.4% Y-o-Y) and capital spending (+25.6% Y-o-Y). Retail sales were very much bolstered by the return of consumer confidence that was previously affected by the lingering Covid-19 and employment concerns.

Its manufacturing sector, meanwhile, continues to chalk-up a strong recovery with output helped by a resurgent in the demand for high-tech manufacturing activities amid the shortage of semiconductors. At the same time, there were pent-up demand from the increased economic activities as many lockdown conditions eased in the final quarter of 2020 that also translated to the higher capex spending.

China Exports and PMI (Jan 2019- Dec 2020)



Source: Bloomberg

Correspondingly, China's exports surged 38.7% Y-o-Y in 1Q2021, surging from the steep contraction in the previous corresponding period during the onset of the global pandemic conditions, particularly in March 2020 when there was a sharp drop in external demand.

The Japanese economy posted a slower Q-o-Q growth despite extending its recovery for the second successive quarter as the lingering emergency slowed private consumption, even though it still grew a credible 9.0% Q-o-Q compared to the 22.3% Q-o-Q growth in the preceding quarter. On an annual basis, however, private consumption was still negative (-2.4% Y-o-Y) as spending was anaemic earlier .

In broader Asia, economic conditions were also lukewarm in the final quarter of the year, affected by the resurgent of Covid-19 cases globally that hampered economic conditions, particularly external demand. Nevertheless, the downsides remained cushioned by firmer domestic spending and this allowed most Asian countries to post lower contractions on a Y-o-Y basis, albeit the Q-o-Q performances were still subdued, affected by the lingering hesitancy in consumer spending. At the same time, the various stimulus measures also helped the respective economies to avoid a steeper contraction.

MALAYSIA ECONOMIC REVIEW

The Malaysian economy's weakness expanded into 4Q2020 following a new round of restrictions to economic activities amid a jump in local Covid-19 cases. However, the contraction was slightly better than the forecast contraction of 3.9% Y-o-Y as the lockdown conditions was less restrictive. This also helped the full year GDP to be slightly ahead of the prognosis of a 5.8% Y-o-Y contraction.

Key Malaysia Economic Statistics

Y.o.Y in %	2Q2020	3Q2020	Latest 4Q2020	2019 (Actual)	2020 (Actual)
Real GDP	-17.1	-2.6	**-3.4**	4.3	-5.6
Q.o.Q	*-16.5*	*18.2*	***-0.3***		
Agriculture	1.0	-0.5	**-0.7**	2.0	-2.2
Mining/Quarrying	-20.0	-6.8	**-10.6**	-2.0	-10.0
Manufacturing	-18.3	3.3	**3.0**	3.8	-2.6
Construction	-44.5	-12.4	**-13.9**	0.1	-19.4
Services	-16.2	-4.0	**-4.9**	6.1	-5.5

Source: Bank Negara Malaysia

Much of the last quarter's weakness was due to the decline in domestic demand (-4.4% Y-o-Y in 4Q2020 vs. -3.3% Y-o-Y in 3Q2020) as private consumption slipped (-3.4% Y-o-Y in 4Q2020 vs. -3.3% Y-o-Y in 3Q2020) with lower household spending amid the continuing weakness in employment and income prospects during the quarter. The imposition of the Conditional Movement Order (CMCO) also limited the business activities that further reduced physical spending, despite the implementation of the EPF's withdrawal scheme. Meanwhile, cushioning the domestic spending weakness was higher government spending in 4Q2020, albeit the spending growth was less than the preceding quarter.

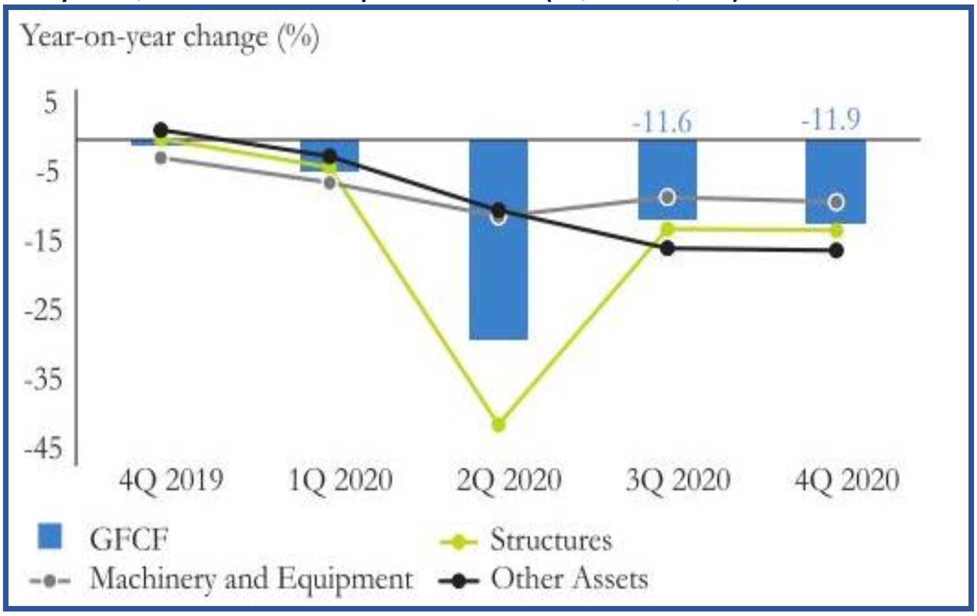
Key Quarterly and Yearly Malaysian Economic Data

	Quarterly			Annually	
Y-o-Y in %	**2Q2020**	**3Q2020**	**4Q2020**	**2019**	**2020**
Domestic Demand	-18.7	-3.3	**-4.4**	4.3	**-5.7**
Private Sector	-20.5	-3.6	**-4.1**	6.2	-6.0
Consumption	-18.5	-2.1	**-3.4**	7.6	-4.3
Investment	-26.4	-9.3	**-7.0**	1.6	-11.9
Net exports	-38.6	21.9	**12.4**	9.7	-12.3
Exports	-21.7	-4.7	**-1.8**	-1.3	-8.8
Imports	-19.7	-7.8	**-3.3**	-2.5	-8.3
Loans disbursements	-16.1	-3.8	**-0.3**	1.2	-4.7
Loans outstanding	4.1	4.6	**3.7**	4.7	3.7
Total deposits	3.1	4.4	**4.0**	5.0	3.5
M1	11.0	17.3	**18.3**	3.6	13.2
M3	4.9	6.2	**4.8**	5.0	4.9
Unemployment	5.1	4.7	**4.8**	3.3	4.5

Source: Bank Negara Malaysia

Correspondingly, gross fixed capital formation declined a further 11.9% Y-o-Y (3Q2020: -11.6% Y-o-Y) on weak capital spending by both the private (-7.0% Y-o-Y) and government (-19.8% Y-o-Y) segments, particularly on structures (-13.1% Y-o-Y) and machinery & equipment (-9.0% Y-o-Y). However, private investments were cushioned by sustained capital spending on export-oriented industries.

Malaysia 4Q2020 Gross Fixed Capital Formation (4Q2019-4Q2020)



Source: Bank Negara Malaysia

Except for the manufacturing sector, all other key economic sectors contracted with the construction sector the worse affected. The sector recorded a larger contraction resulting from delays and site shutdowns from Covid-19 outbreaks and was further compounded by labour shortages affecting the progress of civil engineering and residential projects.

The services sector, meanwhile, was dampened by shorter operating hours amid the travel restrictions due to the CMCO, in addition to the weaker consumer sentiment. With the recreational and hospitality segment coming to a near standstill amid the lockdowns, other sub-sectors like food & beverage and transportation were also severely affected. The dampened conditions also spread to the wholesale and retail segment with total segment revenue slipping some 3.0% Y-o-Y in 4Q2020, albeit there was still a 1.5% Q-o-Q growth (3Q2020: +29.9% Q-o-Q). The quarterly growth in the information and telecommunication segment (+3.4% Q-o-Q) also cushioned some of the weakness in the wholesale and retail segment.

Meanwhile, the agriculture sector faced labour shortages that affected palm oil output. Furthermore, the adverse weather conditions at the end of 2020 also contributed to the sector's weakness, with further softness among sub-segments like rubber, fishery and forestry contributing to the sector's contraction.

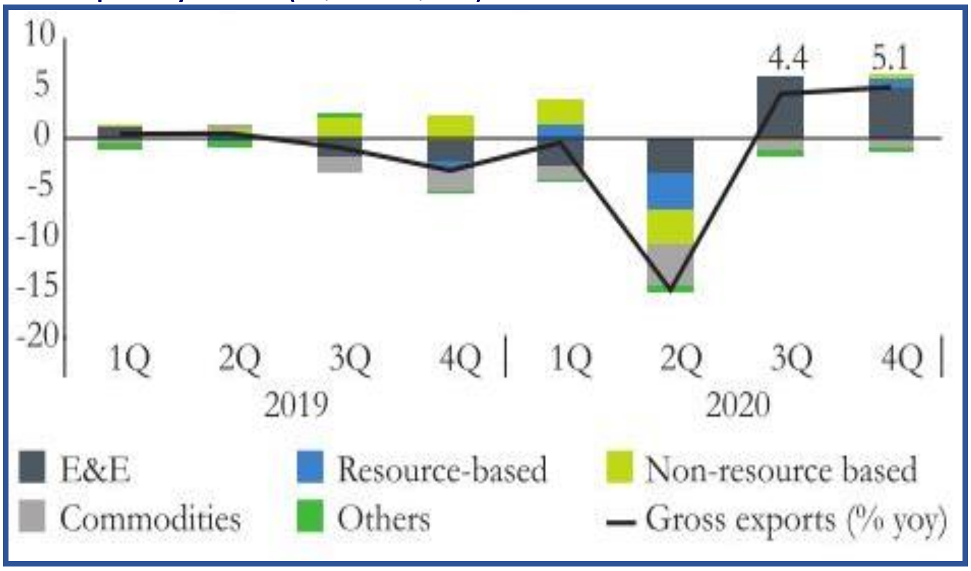
The mining sector was hampered by selective closure of oil and gas production facilities for maintenance. As a result, the output of both crude oil and natural gas lower during the quarter.

Only the manufacturing sector saw growth and even then the growth was weaker than the preceding quarter due to lower output for non-E&E products, albeit demand for semiconductors remained firm due to global shortages. As a result, there was a backlog of orders for semiconductors yet to be met that saw production remaining frenzy. The manufacturing sector reported a 3.0% Y-o-Y improvement in sales value, mainly from increases in transport equipment, food & beverage and E&E products. This helped to offset the weakness in consumer related clusters that were affected by the new lockdown measures. Meanwhile, manufacturing sales dipped 2.1% Y-o-Y for the full year, due in part to MCO conditions that affected production in 2Q2020.

Gross exports continue to perform credibly in 4Q2020, rising 5.1% Y-o-Y (3Q2020: +4.4% Y-o-Y) with manufactured goods exports rising 7.6% Y-o-Y, faster than 3Q2020's 6.8% Y-o-Y growth. Not surprisingly, E&E products were the main contributors with the sub-segment exports rising 13.8% Y-o-Y, slightly slower than the 16.0% Y-o-Y growth in the preceding quarter. Commodities exports, however, were sluggish, falling another 7.8% Y-o-Y amid lower exports of crude oil.

On the other hand, gross imports also declined, but at a slower rate of 4.5% Y-o-Y with capital good import remained in contraction (-15.0% Y-o-Y) due to slower capex spending as well as lower consumption goods import (-0.3% Y-o-Y) due to weaker household spending. Although intermediate goods imports remain in contraction, the decline was lower due to higher imports of industrial supplies to meet the continuing expansion of the country's manufacturing activities.

Gross Exports By Product (1Q2019-4Q2020)



Source: Bank Negara Malaysia

Amid the improved export performance, the country's trade surplus amounted to RM59.9b, a shade lower than the RM60.3b recorded in 3Q2020. The current account posted a surplus of RM19.0b (5.0% of GDP) in 4Q2020, which was lower than 3Q2020's RM26.1b (7.1% of GDP) largely on a deficit in the secondary income (-RM2.5b) and services (-RM14.2b) accounts, offsetting the RM42.9b surplus in the goods segment that benefitted from stronger exports.

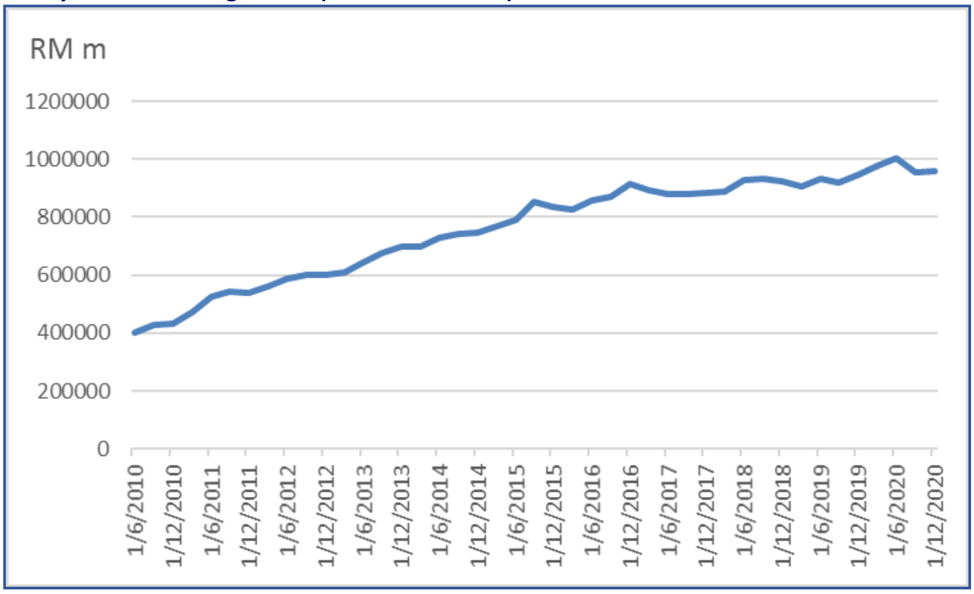
Net FDI inflows came in at RM6.1b as there were higher equity injections (+RM4.4b) and debt instruments (+RM3.5b) into the services and manufacturing sectors. However, portfolio investments remain in a net outflow of RM6.9b, even though it was lower than the RM23.1b outflow recorded in the previous quarter.

Inflation remained non-existent with the CPI at -1.5% Y-o-Y, deteriorating from -1.4% Y-o-Y in 3Q2020 as telecommunication and rental rates saw downward trend, as with retail fuel prices even as transport and food prices rose. This also saw core inflation moderating to 0.8% Y-o-Y, compared to 1.0% Y-o-Y in the previous quarter.
With the lingering lockdown conditions, the unemployment rose to 4.8%, compared to 4.7% in the previous quarter. Employment prospects were improving in October but deteriorated again in November and December with the re-imposition of the CMCO. Private sector salaries, meanwhile, continues

to fall (-3.4% Y-o-Y vs. -2.6% Y-o-Y in 3Q2020) due mostly to wages in the services and manufacturing industries.

The country's external debts rose in 4Q2020, rising to 67.7% of GDP (3Q2020: 66.5%) at RM958.5b, largely on account of higher non-resident holding of government domestic debt securities. The higher debt level supersedes the stronger Ringgit against selected currencies during the quarter. Foreign denominated debts still account for the bulk of the country's external debts at 66.1% of the total debts, little changed from the preceding quarter. The private sector carries the bulk of the foreign currency external debts with a share of 51.5% (3Q2020: 50.9%). Meanwhile, the country's foreign reserves were at $107.6b (3Q2020: $105.0b), sufficient to cover 1.2x the country's short-term external debt and finance 8.6 months of retained imports.

Malaysia Total Foreign Debt (1Q2010-4Q2020)



Source: Bloomberg

GLOBAL ECONOMIC OUTLOOK

Global economies will remain largely stifled in 1Q2021 due to the lingering pandemic conditions that had again caused many economic activities to be shelved or slowed, causing a bumpy start to the year and setting back some of expected recovery prospects in 2021. As it is, the new Covid-19 wave in late 4Q2020 has carried into the early months of 2021, coinciding with the onset of the start of the mass vaccination programme which was expectedly slow due to teething issues.

As a result, many economies are still expected to post economic contractions in 1Q2020 due to the reduced activities. However, the impact this time around is likely to be less severe as many economic activities were still allowed to proceed and this also means that the downside risk to economic conditions is lessened. Nevertheless, the impact also varies with the U.S' economic conditions likely to fare better as its inoculation process is ahead of the rest of the world, while China's pandemic conditions eased conditions should also see its economic growth recovering to pre-pandemic levels. The recovery prospects in Europe and the rest of the world are likely to remain soft in 1Q2021 due to the lingering effects of the pandemic and slow vaccination process.

Although economic conditions are set to improve from 2Q2021 onward, it remains vulnerable to negative news and infection rates that are still high, despite the lower mortality rates. Already, parts of Europe are experiencing a third wave of infection, prolonging the lockdown conditions into April and this has risen the spectre of a "double dip" recession and is likely to delay the recovery prospects into 2H2020. As such, we see the patchy recovery trend persisting that may also weigh on the global economic gains for the rest of the year, if the pandemic conditions remain elevated and the vaccination programme remains slow

Selected GDP Forecast 1Q2021-2022

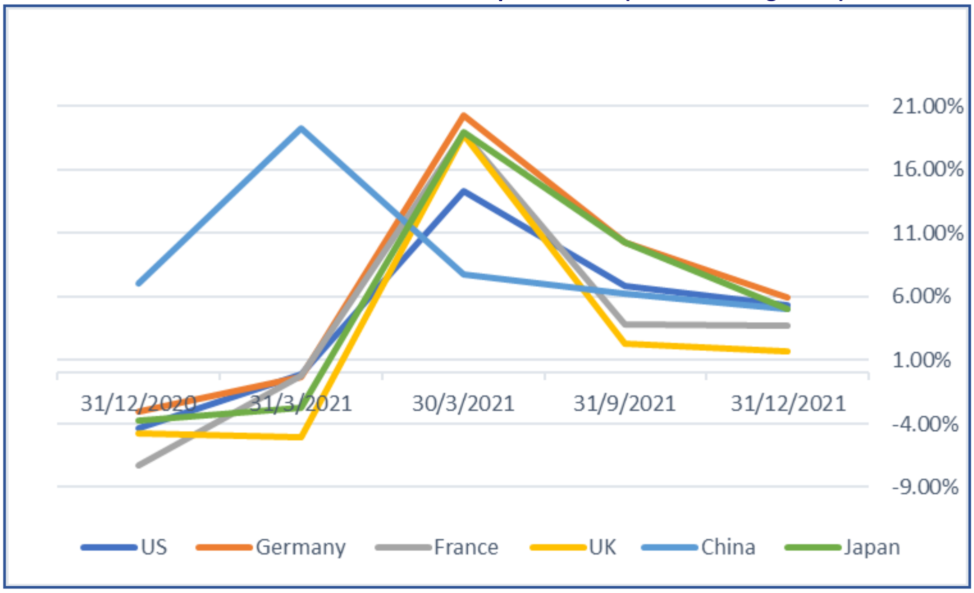
(Y-o-Y in %)	1Q2021	2Q2021	3Q2021	2021	2022
World	-	-	-	**5.6**	**4.1**
Asia (Ex-Japan)	12.0	9.9	6.1	**5.8**	**5.7**
European Union	-3.2	13.9	3.2	**4.3**	**4.3**
Eurozone	-2.2	13.0	2.4	**4.2**	**4.1**
G-8	1.1	8.9	5.3	**4.9**	**3.8**
China	18.0	7.7	6.2	**8.5**	**5.5**
Germany	-3.0	9.9	3.4	**3.5**	**4.0**
France	0.7	18.3	1.5	**5.7**	**3.9**
Japan	-2.1	8.2	3.9	**2.8**	**2.1**
United Kingdom	-8.4	18.6	5.5	**4.7**	**5.7**
United States	-0.1	11.7	5.7	**5.7**	**4.0**

Source: Bloomberg

Although the near term global economic conditions are still susceptible to further downside risk, the global consensus forecast for the full year has been lifted to 5.6% Y-o-Y (from 5.2% Y-o-Y) on expectation that the improvements will be firmer with the pickup in activities when more people are inoculated, and also on the assumption that further severe lockdowns will be avoided. The prognosis is helped by an extended duration for low interest rates and inflation that could bolster growth, albeit inflationary risk is an ongoing concern as the pent-up demand is likely to stay elevated and could push prices higher. Meanwhile, the International Monetary Fund is even more sanguine, hoisting its global growth forecast from its earlier forecast of 5.5% Y-o-Y to 6.0% Y-o-Y, citing accelerated vaccine rollouts even though it warns of potential pitfalls to the vaccination process, particularly the divergence in the inoculation rates between developed and less developed countries.

Supporting the prognosis that economic conditions are on the mend are the generally improved economic data YTD. Although recent data has been mixed, the global manufacturing and services sectors continues to tip higher in spite of the intermittent lockdowns. Employment numbers are also gaining, as with consumer and business spending which are also gradually picking up pace in tandem with the increased economic activities. The nascent improvements are expected to firm up from 2H2021 when the pandemic conditions ease further with more inoculations performed in due course, albeit the gains could be more gradual after an initial surge from pent-up demand and from the lower base a year ago during the worst of the pandemic conditions. Still, the forecast growth rates for the remaining quarters of the year are more than decent as they are above the pre-pandemic levels.

Forecast Global and Selected Countries' Composite PMI (Jan 2020-Aug 2020)



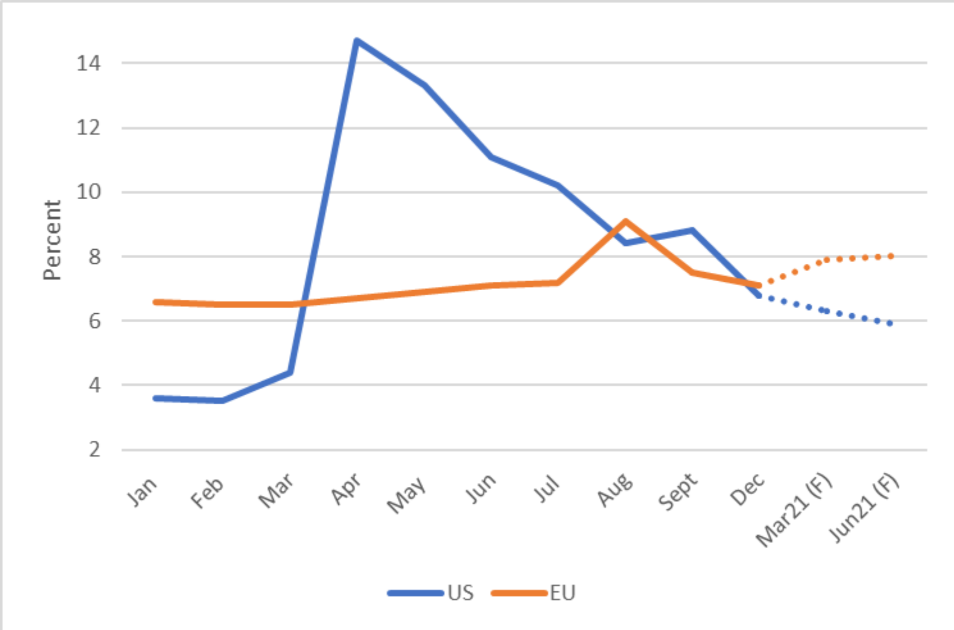
Source: Bloomberg

Meanwhile, global unemployment rates are tipped to fall at a more gradual pace over the coming few quarters as many sectors, particularly services oriented industries where in-person patronage is currently restricted/slowed by the lingering pandemic conditions, will be allowed to resume when herd immunity is likely to be attained later at the year or in early 2022. While the unemployment rate is set ease, the improvements would be uneven and will be dependent on the vaccination level and how soon the economic activities can resume.

In the U.S, which is at the forefront on the vaccination programme, its unemployment rate is expected to ease at a much faster pace, particularly in 2H2021 when more of its population is inoculated. This should see its economy move towards "normalcy" sooner when more services activities are allowed as its services sector amounts to some two-thirds of its pre-Covid 19 economy. By the end of 2021, its unemployment rate could taper to below 5.0%, albeit it will still be above the pre-pandemic levels of 3.5%-4.5%.

Europe's unemployment rate, however, is expected to remain elevated for the foreseeable future, but stable at around 8.0% amid the lingering pandemic conditions that is already causing another round of lockdowns. The start-stop nature of the lockdowns is causing more consternation and despite the massive fiscal and monetary stimulus from the ECB, the high unemployment is likely to remain due to structural issues that is plaguing some of its member countries.

Selected Monthly/Quarterly Unemployment Rate (Jan 2020- Jun 2021)



Source: Bloomberg

With the employment prospects improving in the U.S., it should enter a new recovery cycle in 2021, much of it on the easing pandemic conditions that is allowing for more economic activities to resume. At the same time, policy support is likely to remain accommodative for the foreseeable future with the Federal Reserve aiming to keep interest rates low until 2023, providing further impetus for longer-term recovery/growth akin to that in the previous global financial crisis. Consumer spending growth is expected to surge to its highest level since 1998 at 6.2% Y-o-Y in 2021 amid the rising employment and stimulus measures, bolstering demand for both goods and services. The pent-up demand could also see private investments jumping to a record level of 11.1% Y-o-Y, with industrial production recovering 6.3% Y-o-Y in 2021.

However, the strong economic gains could also lift inflation to 2.5% by the end of the year (from 1.2% in 2020) with the core personal consumption expenditure price index tipping to 1.9%, which is close to the make-or-break 2.0% level that could prompt the Federal Reserve to lift interest rate earlier-than-expected that may slow the economic growth rate in 2022.

Europe's economy is still trying to find a footing as it is still grappling with lockdowns with Covid-19 cases on the rise again, even though the new lockdowns are less stringent. As such, 1Q2021 and potentially early 2Q2021 economic conditions could be disrupted as well, but with its economic fundamentals are much improved and less sensitive to the lockdowns from a year ago, the adverse impact should be milder.

Although the prognosis is for the recovery to gain better traction in 2H2021, the gains would be very much dependent on the level of vaccination, which has been slow and bogged down by supply issues that is keeping the downside risk elevated, particularly with the unemployment rate expected to stay high for the foreseeable future.

Amid the continuing challenges, the ECB is likely to increase its bond buying measures to stimulate the economy. This follows the raising of its pandemic Emergency Purchase Programme to €1.85t in December 2020 (from €1.35t) with the ECB stating that they would keep monetary and fiscal polices easy to hasten its economic recovery. In the interim, the whole year GDP forecast has been trimmed pending further signs of a firmer recovery in 2H2021.

Asian economies should continue to weather the pandemic conditions relatively better, with much of the improvement to emanate from 2Q2021 onwards as 1Q2021's GDP performances could still be impacted by the lingering pandemic conditions that has increased in their intensity since the start of the year. This could again hamper domestic spending activities in many countries, albeit the external sector could still be cushioned by the re-opening of many economies and strong trade flows with China. This is allowing for the GDP forecast to be lifted from 2Q2021 onwards that also saw an improvement in the full-year GDP forecast for most countries.

Asia Quarterly & Yearly GDP Forecast 1Q2021-2022

in % Y-o-Y	1Q2021	2Q2021	3Q2021	2021	2022
Hong Kong	3.7	5.0	4.0	4.1	3.0
India	1.5	25.5	7.9	-7.5	10.4
Indonesia	-0.5	6.7	6.0	4.8	5.0
Philippines	-1.7	15.9	9.0	7.5	6.5
Singapore	-0.7	15.4	6.9	5.9	3.8
South Korea	0.7	5.0	3.7	3.4	2.8
Taiwan	5.5	6.8	3.1	4.3	2.7
Thailand	-3.5	8.8	3.2	3.5	4.7
Vietnam	-	-	-	7.5	6.8

Source: Bloomberg

China should benefit the most from the recovery of the global economy and it could also point to more-than-a doubling of its fixed capital investment growth to 7.5% Y-o-Y for the year after a lull in 2020, while its industrial production may again climb to a near double digit growth of 9.2% Y-o-Y in 2021 as demand for goods continues to see a strong recovery from the re-opening of many economic activities globally. More crucially, a strong bounce in its retail spending (+12.9% Y-o-Y) is targeted after spending was largely curtailed in 2020 due to the lingering Covid-19 concerns.

While China's economy is poised for a strong rebound, there are also some signs of weakness in its export base and this could mitigate some of the gains attained earlier in the year. In addition, a roll-back in bank lending could also materialise after a record-breaking lending in 1Q2021 as its Central Bank looks to curtail the rising domestic debt risk. The slower loans growth temper some the recovery prospects.

With the Covid-19 emergency prolonging in Japan, coupled with the slow vaccination rate, Japan's economic recovery could lag those of its regional peers even as the impact is seen to be less pronounced. Much of the cushioning effect will be from exports (+11.3% Y-o-Y) that is poised to see a strong rebound to counter the slower recovery of domestic consumer spending (+1.4% Y-o-Y) following a rise in consumption tax. A watered-down Olympics, slated for July, could also take some shine off the rebound process.

MALAYSIA ECONOMIC OUTLOOK

After a projected slow start to the year, due to the continuing lockdown measures from the resurgence of Covid-19 cases, the Malaysian economy is expected to pick up in subsequent quarters, in tandem with the recovery of global economies that is expected to bolster demand for Malaysia's exports. Domestic demand and spending will also recover, aided by the various government stimulus measures (such as the Prihatin and Pemerkasa initiatives) as well as improved employment prospect with the increased economic activities. For the most part, however, the improved prospects will be dependent on the vaccination process which may still be tempered by supply issues.

Malaysia Consensus Economic Forecast 2020-2021

in %	1Q2021 (F)	2Q2021 (F)	3Q2021 (F)	*2021F*	*2022F*
Real GDP (Y-o-Y)	-2.6	18.3	4.2	*5.5*	*5.0*
CPI (Y-o-Y)	-0.5	2.9	1.9	*1.8*	*1.9*
Overnight Policy Rate	1.65	1.65	1.65	*1.70*	*2.05*
Unemployment				*4.1*	*3.7*
Budget Deficit (% of GDP)				*-5.5*	*-4.4*

Source: Bloomberg

In the meantime, 1Q2021's GDP is likely to be still in contraction following the re-imposition of the MCO, even though it was more relaxed compared to the first MCO implemented a year ago with many more activities allowed to operate with stricter conditions. Even so, the near standstill of many economic activities would have a negative bearing on the GDP performance, leading to the possible economic contraction.

We also think that 2Q2021 economic performance may be compromised as some of the restrictive measures are still in place. As it is, inter-state travel is still not allowed and is looking increasingly likely to extend into June that could continue to jeopardise selected industries, such as the travel and hospitality services segment further.

Still, the worst of the pandemic conditions should have passed with the vaccine availability, even though the mass vaccination process is still slow and the recovery prospects now largely hinges on how soon the global population could attain herd immunity, which would in turn dictate the level of the global economic activities.

Although mass vaccination set to pick-up pace in 2H2021, the economic recovery is likely to be gradual given that the vaccine supplies are still in short supply. As such, we think the current GDP estimates are still fluid with the inoculation rate to determine how soon the near normalcy can be attained.

Despite the fluidity, however, BNM has broadly maintained its growth projections for 2021, citing stronger global demand for E&Es and improvements in the labour market in the upcoming quarters. BNM is expecting the country's net exports to gain 4.8% in 2021, while on the domestic side, it expects private consumption to grow by 8.0% Y-o-Y, on the back of the easing pandemic conditions. However, the central bank does acknowledge that the growth prospects are still subject to the vagaries of the pandemic conditions.

BNM Sector Performance 2019 – 2021

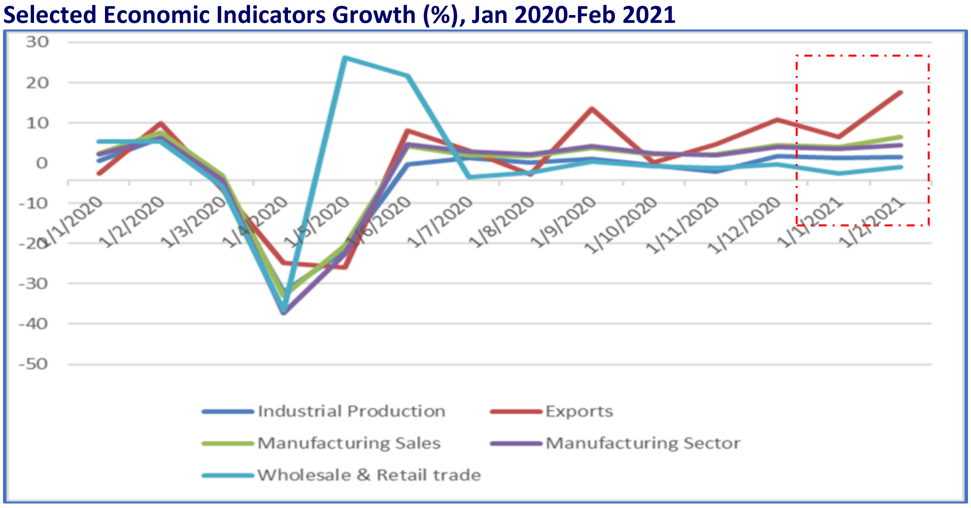
Y.o.Y in %	2019	2020A	Current 2021F
Real GDP	**4.3**	**-5.6**	**6.0-7.5**
Agriculture	2.0	-2.2	4.7
Mining/Quarrying	-2.0	-10.0	4.1
Manufacturing	3.8	-2.6	7.0
Construction	0.1	-19.4	13.4
Services	6.1	-5.5	7.0
CPI	0.7	-1.0	2.5

Source: BNM

Nevertheless, recent economic indicators continue to suggest growth, particularly in the manufacturing sector that is still on an upward trajectory. Much of the manufacturing sector's outperformance was due to the strong external demand that saw a big jump in exports, especially for E&E products amid the shortage of chips and increased digitalisation – a trend that is likely to continue going forward.

With external demand to remain strong from pent-up demand, domestic activities need to pick-up to sustain the recovery. For now, wholesale and retail trade, however, is still weak and contracted in the first two months of the year, affected by the continuing CMCO conditions and still challenging labour market conditions that hampered consumption. Although the movement controls are less restrictive, consumption patterns remain affected by concerns over the unsettled economic conditions as well as uncertain job prospects and wage growth prospects that are still recovering at a slower-than-expected pace. Nevertheless, the impact of the EPF withdrawal schemes and government wage subsidies should provide some cover against a sharp drop in consumer spending.

Selected Economic Indicators Growth (%), Jan 2020-Feb 2021



Source: Bloomberg

The available policy supports should also aid the ongoing recovery process, particularly with interest rates remaining accommodative, complemented by the central bank's financing scheme for SMEs that should help to them to weather the still uncertain and challenging economic environment. This is particularly vital for the tourism and related segments that remain largely shut due to the closed borders and ban on interstate travel. Other services-based industries like F&B are also seeing stronger revival with dine-in allowed that would also benefit many micro-businesses.

The acceleration of major ongoing rail and road projects and digital infrastructure – touted as high impact projects, is still on the cards that would be a welcomed kicker to the construction industry. Among the projects that are set to be accelerated include the ongoing LRT 3 project, while the MRT 3 Circle Line project may be fast-tracked for approval. However, the implementation of these high impact projects may still take time to materialise as they are still at the planning stages and their large funding requirements will take time to organise.

Meanwhile, employment prospects are also improving as more economic segments are allowed to re-open, but employment gains will be gradual unless demand pick up substantially in the upcoming quarters. This is particularly so for tourism and hospitality related industries that contribute to about 15% of the country's pre-pandemic GDP that is still in a state of limbo. As such, the re-opening of the country's state and international borders will provide a much-needed kicker to their prospects as well as supplementing country's GDP performance.

Meanwhile, concerns over a dreaded fourth wave, both globally and domestically, has risen with the recent pick-up in new cases that may again stall consumer spending and investments as well as delaying/slowing the recovery process and although consumer spending and investments are set to improve, the start-stop recovery process is keeping the downside risk elevated.

Headline inflation is expected to average between 2.5%-4.0% Y-o-Y, mainly due to higher fuel prices with a potential spike in 2Q2021 from its low base a year ago, before moderating again in the remaining quarters of the year. The spike in fuel prices has also seen many consumer staple products seeing a big jump of late, particularly food prices, and this is also contributing to the spike in headline inflation in 2Q2021 that may tip up to 2.9% Y-o-Y. Already, February's CPI saw a jump from -0.2% M-o-M in January to 0.1% M-o-M – its first M-o-M inflation since March last year.

GLOBAL EQUITY MARKET REVIEW

Global equities remain on a positive trend in 1Q2021, extending their upbeat moves for more than a year from the onset of the pandemic-induced lockdown. Much of the current market strength rides on the economic recovery theme for 2021 as the pandemic conditions look to ease with the start of mass vaccination. The abundance of liquidity also fuelled the Dow, S&P 500 and the DAX to post new all-time highs, while others tether near their record highs.

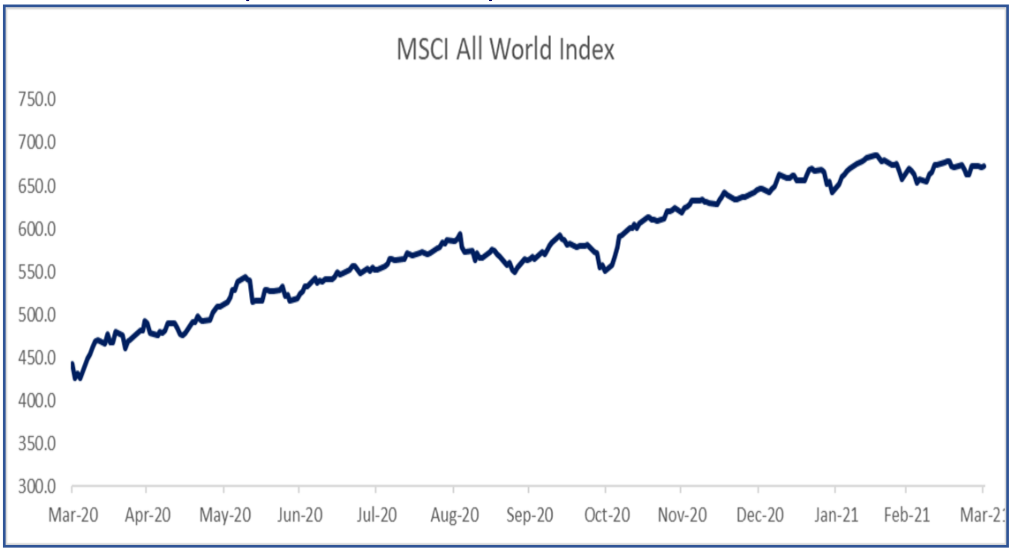
Much of the liquidity surge is from Central Bank's sustained pump-priming actions as well as the ultra-low interest rate environment encouraging more moves into riskier assets. In addition, the continuing weakness of the U.S. Dollar also provided an impetus for global equities to sustain their uptrend as funds chase improved yields. There was increased volatility as well, in the early parts of the year due to the rising bond yields, but these concerns were mostly cast aside as equity markets continued to be buoyed by expectations of improved economic and corporate earnings performances for the rest of the year.

Selected Index Performance

Indices	31 March 2021 Closing	31 December 2020 Closing	*QoQ change (%)*	31 March 2020 Closing	*YoY change (%)*
FTSE Bursa Malaysia KLCI	**1,573.51**	**1,627.21**	***-3.30***	**1,350.89**	***16.48***
MSCI ACWI	673.29	646.27	*4.18*	442.35	*52.21*
DOW JONES INDUS. AVG	32,981.55	30,606.48	*7.76*	21,917.16	*50.48*
S&P 500 INDEX	3,972.89	3,756.07	*5.77*	2,584.59	*53.71*
NASDAQ COMPOSITE	13,246.87	12,888.28	*2.78*	7,700.10	*72.04*
FTSE 100 INDEX	6,713.63	6,460.52	*3.92*	5,671.96	*18.37*
CAC 40 INDEX	6,067.23	5,551.41	*9.29*	4,396.12	*38.01*
DAX INDEX	15,008.34	13,718.78	*9.40*	9,935.84	*51.05*
NIKKEI 225	29,178.80	27,444.17	*6.32*	18,917.01	*54.25*
HANG SENG INDEX	28,378.35	27,231.13	*4.21*	23,603.48	*20.23*
SHANGHAI SE COMPOSITE	3,441.91	3,473.07	*-0.90*	2,750.30	*25.15*

Source: Bloomberg

MSCI All World Index (Mar 2020 – Mar 2021)



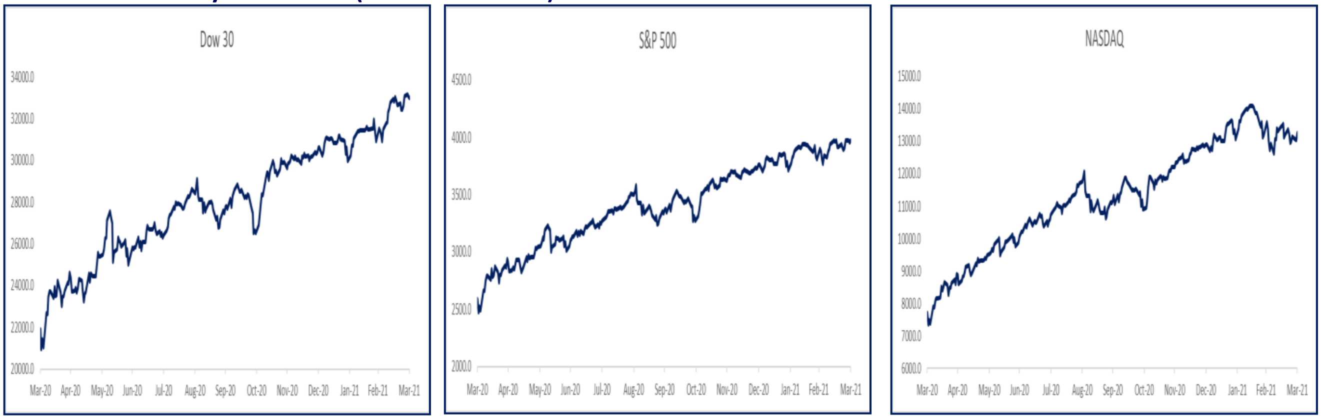
Source: Bloomberg

U.S. markets advanced strongly in 1Q2021, supported by the rollout of Covid-19 vaccines and news of further U.S. fiscal stimulus, where most market participants undertook rotational buying interest into value shares. The rise in bond yields has been closely correlated with significant outperformance for financials and value stocks. As a result, growth stocks lagged as the U.S. 10-Year Treasury yield's rapid rise comes with an anticipation of a strong economic recovery and that the Federal Reserve will raise interest rate much earlier than it planned.

U.S. markets also improved as the Federal Reserve announced it will tolerate inflation to overshoot the two per cent mark to achieve maximum sustainable employment. Investors also welcomed the news of an additional US$1.9 trn economic stimulus, as President Biden signs the American Rescue Plan Act into law. This brings the combined fiscal stimulus of the Trump and Biden administrations to US$5.3 trn, or an estimated 27.0% of the U.S. GDP.

The economic recovery substantiates with the acceleration of vaccine rollout with availability of the Johnson & Johnson vaccine. However, stocks seemed to come under periodic pressure in late March, as rising infection numbers in many states, as well as renewed lockdowns in Europe dampened sentiments.

Performance of Key U.S Indices (Mar 20 – Mar 21)



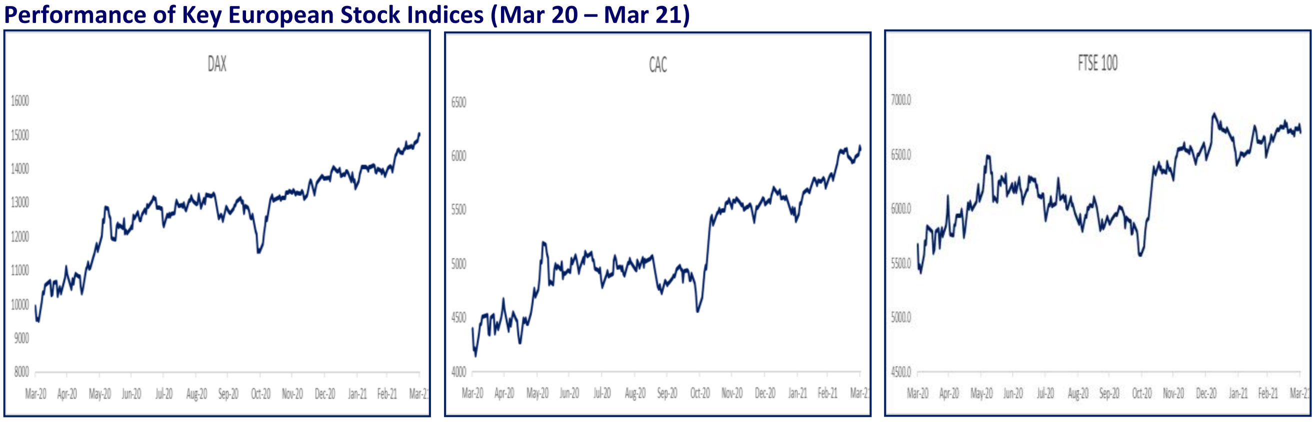
Source: Bloomberg

Subsequent economic data showed tame U.S. consumer price and better-than-expected nonfarm payrolls as it indicated that growth was picking up as the economy re-opened. Weekly jobless claims fell to pandemic-era lows, and the better labour market was reflected in a jump in consumer confidence indicators. At the same time, both Fed Chair Jerome Powell and Treasury Secretary Janet Yellen noted that they saw little danger of an overheating economy. The market also shrugged of an initial tax proposal as surplus from economic recovery is likely to outweigh any corporate tax hike.

Amidst a backdrop of heightened volatility, the Dow and S&P 500 reached new highs in the final week of 1Q2021, whereas the Nasdaq lagged with only modest gains as growth stocks were pressured by the sharp rise in rates. At the sector level, the defensive Utilities, Industrials and Staples were the main movers as they rebounded sharply. REITs, Energy and Financials were in positive territory. Energy, financial and industrial stocks also made strong gains, but technology and consumer staples lagged. Meanwhile, the small-cap Russell 1000 Index outperformed the Russell 1000 Growth Index by four percentage points.

European equities also advanced in 1Q2021 on optimism over economic growth eclipsing renewed coronavirus-related lockdowns and slow vaccine rollout that posed downside risk to its economy performance.

Performance of Key European Stock Indices (Mar 20 – Mar 21)



Source: Bloomberg

The European Central Bank (ECB) maintained its key interest rates and announced it will step up the pace of bond purchases. Furthermore, the ECB raised its 2021 forecast for eurozone economic growth to 4.0% Y-o-Y, from its 3.9% Y-o-Y estimate in December. It also expects inflation to reach 1.5%, up from 1.0%, due to temporary factors and higher energy prices. As a result, core eurozone bond yields climbed on investor expectations of higher inflation.

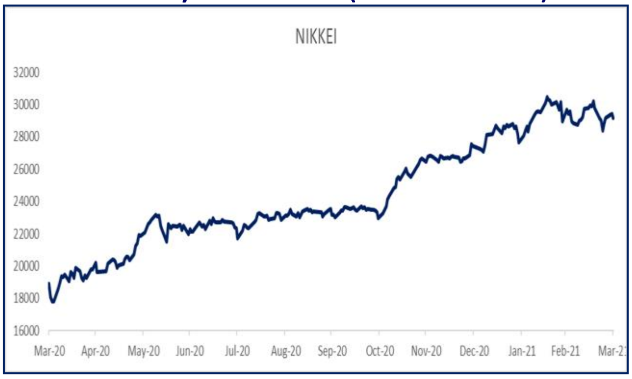
Meanwhile, business activity unexpectedly grew in March, driven by the fastest expansion in the manufacturing sector in 23 years. The sustained growth in manufacturing would create more employment but the extended tightening of coronavirus restrictions may slow overall activity again.

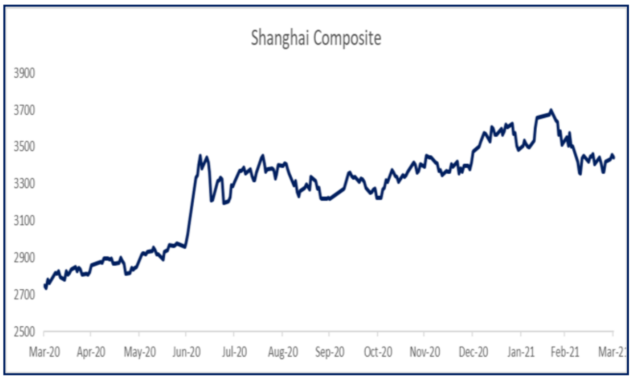
In the UK, the FTSE faltered in January as the UK entered a third lockdown on the re-surgent of COVID-19 cases and rising bond yields. The index recovered gradually as the cases ease following their vaccination. For the quarter, the FTSE 100 gains were largely contributed by value shares like travel and leisure stocks that were, unsurprisingly, among the top risers on the impending of more services related industries. The Bank of England also left monetary policy unchanged, maintaining its bond-buying program and its lowest-ever key interest rate at 0.1%. It noted that the price of risk assets had held up despite higher bond yields, which reflected a pickup in inflation as economic activity increased.

Japanese stock’s upsides were led by value-oriented stock as its manufacturing and international trade benefited from rebound in global demand. Also driving the strong rally in value this year is the speculation that inflation is set to rise significantly moving forward, given the vast amounts of fiscal and monetary stimulus provided by governments and central banks globally. March saw the Japanese Diet approve a record JPY106.61 trn ($976b) budget for the 2021 fiscal year (commencing April 1), aimed at helping to mitigate the fallout from the coronavirus pandemic as well as rising social security and defense costs. The Bank of Japan (BoJ) reiterated that short- and long-term policy rates are expected to remain at present or lower levels. The BoJ removed its guidance to buy exchange-traded funds at a set pace: under the new policy, it will intervene only when necessary, rather than steadily increasing its holdings, while maintaining a JPY12 trn ceiling for annual purchases and even highlighted that large-scale purchases during times of heightened market instability are effective.

Over in China, the bearish mood on concerns over the normalising of monetary policies following a stronger Chinese economy and geopolitical tension dampened market sentiments. In 1Q2021, the Shanghai Stock Exchange Composite Index close lower as Beijing stepped up regulatory scrutiny of e-commerce platforms like Alibaba, Baidu, and Tencent. Tech stocks came under pressure on reports that the U.S. Securities and Exchange Commission would start implementing a law that would delist U.S.-listed Chinese companies that do not comply with U.S. audit requirements. The People’s Bank of China left its key interest rate unchanged for the 11th straight month. On the coronavirus front, China is reporting a small number of new cases daily. Beijing has committed itself to vaccinating 40% of the population by the end of June.

Performance of Key Asian Indices (Mar 20 – Mar 21)





Source: Bloomberg

MALAYSIA MARKET REVIEW

The FBM KLCI Index ended 1Q2021 down 3.3% Q-o-Q (vs. +8.1% Q-o-Q in 4Q2020), albeit it up 16.5% Y-o-Y from a year ago at the onset of the pandemic. The lacklustre sequential performance was most likely the result of the spike in coronavirus cases in Malaysia and fears of tighter travel controls. To recap, the daily new cases hit record high near end-January at more than 5,000 daily infections amid more relaxed travel restrictions.

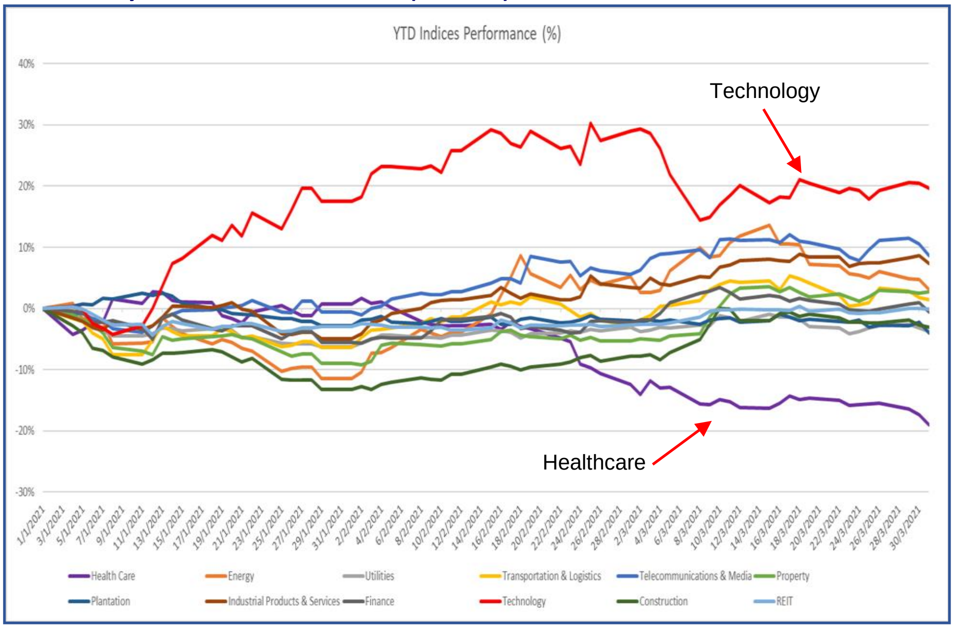
The hardest hit were rubber glove heavyweights like Supermax (-36% Q-o-Q), Hartalega (-26% Q-o-Q) and Top Glove (-23% Q-o-Q) on expectations of ASPs normalisation amid global vaccine roll-out programs. Other index laggards, meanwhile, include Digi (-11% Q-o-Q) and Dialog (-10% Q-o-Q).

FBM KLCI Performance (Mar 20 – Mar 21)

Source: Bloomberg

Rotation into cyclical plays, meanwhile, saw increased interests in Press Metal (+18% Q-o-Q), Telekom (+15% Q-o-Q) and Petronas Chemicals (+9% Q-o-Q), as well as tourism-related shares like Genting Malaysia (+17% Q-o-Q) and Genting Bhd (+15% Q-o-Q) – the beneficiaries of the return of visitors following the targeted lifting of the inter-state travel ban. The outperformance in Press Metal was mainly due to higher aluminum prices ahead of the commencement of its Phase 3 smelter operations in December 2020, as well as the positive sentiment from its proposed 1-for-1 bonus issue.

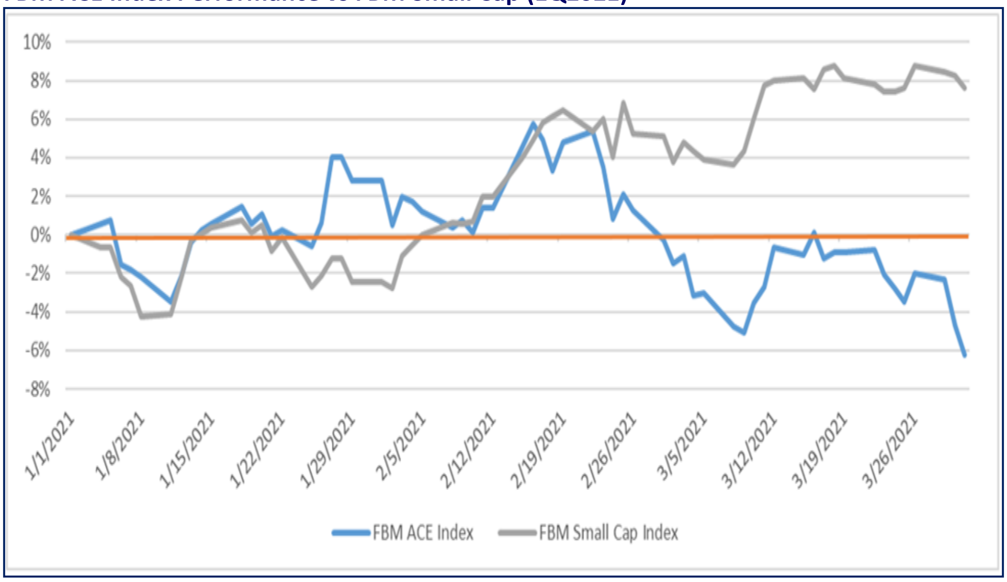
Bursa Malaysia Indices Performance (1Q2021)



Source: Bloomberg

Despite the decline in FBM KLCI heavyweights after the state of emergency announcement that would be effective until August this year, the FBM Small Cap stocks were largely unperturbed following reassurances from the government that business will be operating as usual. Market observers believed that the emergency proclamation may be a blessing in disguise as it could mean more stability in the political landscape at least until August.

FBM ACE Index Performance vs FBM Small Cap (1Q2021)



Source: Bloomberg

The FBM Small Cap index outperformed other lower liners on a sequential basis, growing 81.9% Y-o-Y and 7.6% Q-o-Q to 16,749.53, owing to ample market liquidity following the imposition of loan moratoriums, low interest rates and work-from-home arrangements that saw higher retail participation. The FBM ACE also surged more than 150% Y-o-Y to 10,065.80 due to the low base effect following the panic selling in March last year. On a sequential basis, however, the FBM ACE was down 6.2% Q-o-Q, due in part to profit-taking activities after last year's frenzy and on the back of the lack of fresh catalysts to spur the index higher.

On the broader market, the Healthcare sector underperformed its peers as investors exit rubber gloves-related counters en massed, following expectations of more normalised ASPs on tapering demand amid global vaccination rollouts. The Healthcare index was down 19.1% Q-o-Q, following the sharp selldown in gloves stocks on the first trading day of the year.

Top Glove Bhd – the second largest constituent in the Healthcare sector (based on market capitalisation), meanwhile was down 23% Q-o-Q by end-March. The rubber glove giant continued to be enveloped by labour abuse controversies which lead to the seizure of its disposable gloves by the United States Customs and Border Protection (CBP) on 29th March 2021. The incident further punctured investors sentiment, on top of uncertain earnings, in-line with expectations of ASP and demand normalisation.

Meanwhile, significant outperformers on the Technology Index were penny stocks like Dataprep Holdings (+911.1% Q-o-Q), Dagang Nexchange (+304.4% Q-o-Q) Industronics (+127.8% Q-o-Q) and Cuscapi (+116.0% Q-o-Q). On the flipside, lagging technology-related stocks were JCY International (-34.0% Q-o-Q) and Trive Property (-22.6% Q-o-Q). Despite pulling back from its high, the index remained ahead of its peers, closing higher by 19.6% Q-o-Q, mainly due to strong earnings growth projections and global semiconductor shortages.

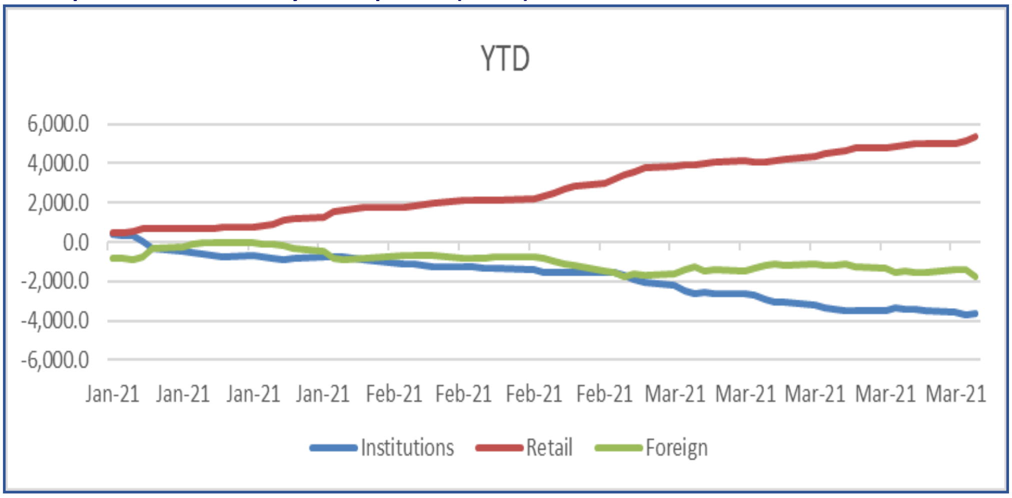
Meanwhile, accelerated vaccine rollout programs in the country as well as expectations of broader economic recovery and rotational plays from Covid-related stocks into cyclical stocks also helped buoyed gains the Telecommunications & Media (+8.6% Q-o-Q), Industrial Products & Services (+7.3% Q-o-Q), Energy (+3.1% Q-o-Q) and Property Index (+2.7% Q-o-Q). The Transport & Logistics index, meanwhile, inched higher by 1.5% Q-o-Q on speculative vaccine distribution news.

Despite stronger CPO prices, the Plantation Index was down by 4.0% Q-o-Q, weighed down by Jaya Tiasa (-24.4% Q-o-Q), TDM (-23.9% Q-o-Q) and TH Plantations (-14.9% Q-o-Q), most likely on profit-taking activities and the negative sentiment surrounding local planters after the U.S. banned imports from Sime Darby Plantation and FGV Holdings last year on allegations of forced labour.

As mentioned earlier, 1Q2021 retail participation continued to be robust in a market flushed with liquidity, contributing about 39% of total trading value, while foreign participation was lacklustre at 17.0% in 1Q2021, albeit slightly higher compared to 16.0% in 4Q2020. Institutional participation also hovered at around 44.0% of total trades, resulting in total trading value surging slightly more than 100% Y-o-Y to RM5.08b vs. RM2.53b a year ago. In 1Q2021, both the local and foreign institutions were net seller at RM3.72b and RM1.73b respectively, while retail buyers's net buying totaled RM5.4b.

Trading volume also jumped to 8.45b (+152.9% Y-o-Y), from 3.34b last year, partially helped by strong retail interest and the IPO listing of several ACE market stocks like HPP Holdings, Mobilia Holdings, Teladan Setia Group and Flexidynamic Holdings.

Participation Rate in Malaysian Equities (RMm)



Source: Inter Pacific Research

Value (RMm)				
1QCY21	1QCY20	Y-o-Y chg (%)	4QCY20	Q-o-Q chg (%)
5,078.2	2,529.3	100.8	4,824.7	5.3

Volume (m)				
1QCY21	1QCY20	Y-o-Y chg (%)	4QCY20	Q-o-Q chg (%)
8,453.7	3,342.4	152.9	8,972.0	-5.8

Source: Inter Pacific Research

GLOBAL EQUITY MARKET OUTLOOK

Global equities will continue to ride on the easing pandemic theme over the near-to-medium term that could well see further gains, in tandem with the latest prognosis that global economies may rebound more sharply in 2H2021 as more people are vaccinated that would also allow for more of the current movement restrictions to be lifted. This also leaves the global markets at the early cycle of a potentially firmer upcycle when there are signs that earnings growth could pick up pace, potentially as early as 3Q2021.

Supporting the potential upsides are Central Banks' unbridled stimulus measures that looks to continue until 2023. The U.S. is on the cusp of introducing another stimulus worth US$1.8 trn to augment its earlier two massive stimulus measures to hasten its economic rebound. The low interest rate environment will further drive interest in equities as they could still be favoured for their potentially higher returns vis-à-vis other asset classes.

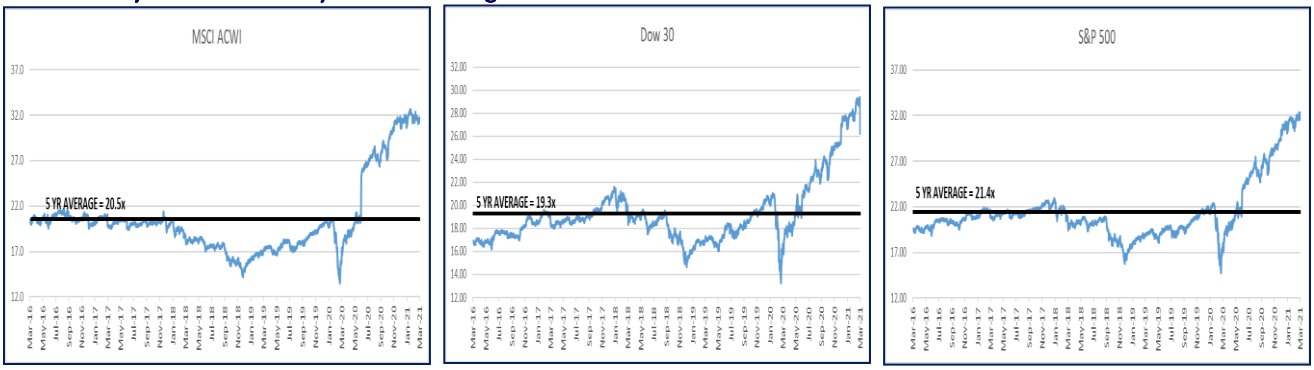
Despite the inoculation optimism, however, valuations are already toppish and more-than-reflected the year's potential earnings recovery, particularly among U.S. equities that are continuing to post new all-time highs. For now, however, the gains are not seen to have reached bubble conditions as yet but could slow the immediate upsides after a prolonged upside that has stretched for more than 13 months. The lofty valuations also mean that there are fewer value stocks as the current stock prices have largely reflected the recovering earnings for 2021 and the market is awaiting for the earnings growth to play catch up to the equity prices.

This could also be a prelude to increased volatility over the near-to-medium term due to fewer compelling buying opportunities. At the same time, we think global market should also take a breather after their year-long rally for some of the gains to be digested, albeit the ongoing rotational plays are still sustaining the mild uptrend for the time being. The current steady stock prices are also encouraged by the "fear of missing out" phenomenon as most market players is choosing to stay invested, coupled with the relatively benign selling pressure that is fuelling the risk-on sentiments

Part of the volatility could emerge from the upending concerns over inflation from the ongoing pump priming measure and rising bond yields that may overshadow the global equities ascend. Supply constraints, coupled with pent-up demand when more economic sector re-openings, could also lift the inflationary pressure and may force central banks to taper their stimulus measures earlier-than-expected.

Although the downside risk is relative benign for now, particularly with the vaccination programme ongoing, there remains concerns that the programme could be held back by vaccine supply constraints, particularly to less developed countries that could also lead to a slower-than-expected economic and corporate earnings recovery. Also, the spikes in new cases could also lead to start-stop recovery process and could also jeopardise the ongoing recovery and keeping the risk of the "long Covid" concerns elevated.

Selected Key Global Index 5-year PER Averages



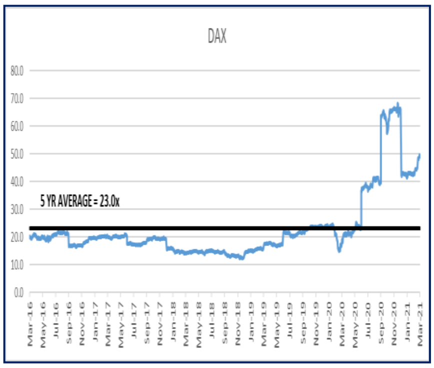
Source: Bloomberg

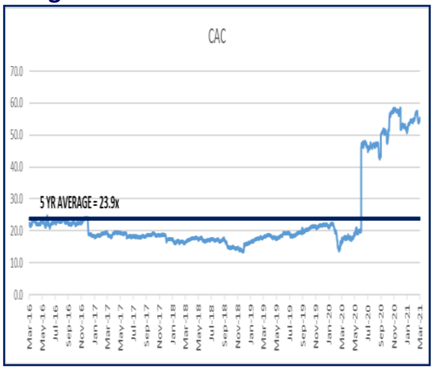
Earnings wise, MSCI All World index - the global equity barometer, is projected to see a 58.5% Y-o-Y recovery in 2021, an improvement over the earlier estimate of 57.3% Y-o-Y as hopes rise for accelerated earnings recovery in 2H2021 when more economic activities, like tourism and hospitality, resumes. Earnings growth will continue into 2022 at 14.4% Y-o-Y as the operating environment is likely to normalise further, providing more recovery impetus for service-oriented industries particularly.

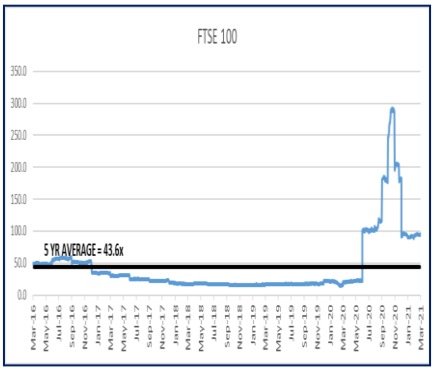
U.S' corporate earnings growth is seen at 42.5% Y-o-Y in 2021 for the S&P 500 index, as it more-than-recoups the 18.4% Y-o-Y earnings contraction in 2020. This follows its largely on-target inoculation programme that is permitting for more economic activities to re-open and with the inoculation target possibly met by late 3Q2021 or in early 4Q2021, there is also hope that the earnings growth may strengthen. While the U.S. may meet the vaccination targets, the rest of the world, however, is still lagging and this could also dent some of the U.S' recovery outlook.

Despite Europe still mired in pandemic conditions and necessitating further lockdowns, its earnings growth is projected to be the strongest at 174.5% Y-o-Y., much of it on the recovery of its export performance after a two-year slump. The earnings recovery is also seen as broad-based, but the benchmark MSCI Europe index's valuation have also caught up and is also pricey as they are already above its historical forward averages. As such, we also think its ascend will also be more modest over the near-to-medium term.

Selected European Indices 5-year PER Averages



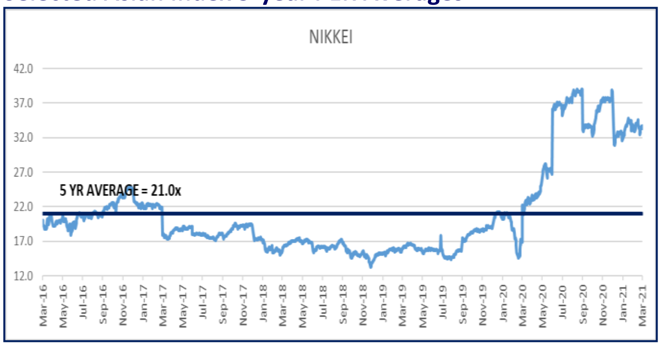


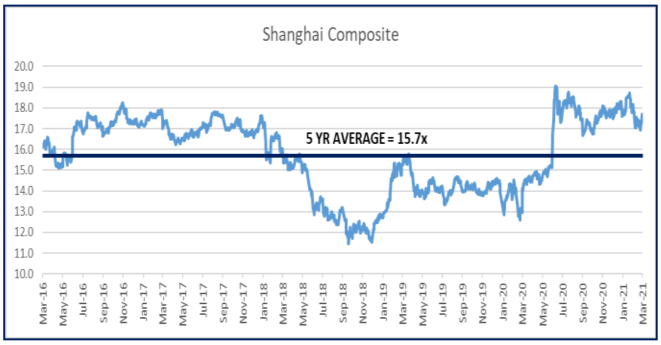


Source: Bloomberg

Asian equities' valuations, however, appear more attractive even after their retreat from the start of the year. There is still a potential strong turnaround in corporate earnings of some 45% Y-o-Y in 2021 as factory activities and exports are expanding from the ongoing recovery. However, domestic demand may still be dampened by the resurgent of Covid-19 cases in South Asian and ASEAN nations that could undo some of the strength in China's stronger rebound in consumer spending. Valuations are also compelling, but the ongoing consolidation that is due in part to the unabated global Covid-19 cases, could prolong the downside risk for longer.

Selected Asian Index 5-year PER Averages





Source: Bloomberg

Selected Key Global Indices Comparative PER

(in times)	2019	2020	2021(F)	2022(F)
Dow Jones	20.2	27.0	21.1	19.1
S&P 500	21.3	30.3	23.7	20.8
NASDAQ	43.6	58.2	35.2	29.1
FTSE	21.6	91.3	14.6	13.0
DAX	23.2	42.2	16.7	14.8
CAC	21.8	51.9	18.5	15.9
MSCI Europe Index	**21.3**	**43.8**	**17.7**	**15.7**
Nikkei 225	20.9	31.4	21.5	18.9
Shanghai Composite	14.3	17.5	12.5	11.4
Hang Seng Index	11.3	13.9	13.2	11.6
KOSPI	22.4	25.8	14.6	12.1
MSCI Asia Index	**16.5**	**26.0**	**17.2**	**15.0**
MSCI All World Index	**19.9**	**30.7**	**20.4**	**18.1**

Source: Bloomberg

MALAYSIA EQUITY MARKET OUTLOOK

Although global equities have reacted positively to the vaccination process, Malaysian equities have drifted since the start of the year, largely due to the retreating share prices of glovemaker stocks, while other heavyweights also dithered with the lack of catalysts. At the same time, the already toppish valuation on most index heavyweights are keeping fresh buying at bay.

In the interim, concerns over a new round of lockdowns are already affecting 1Q2020 earnings prospects that may now extend to 2Q2021 as some of the curbs are still in place, albeit the effects could be milder due to the less restrictive measures. Meanwhile, local institutional were seen shedding some of the shareholdings earlier and as their buying have also dwindled, the market's near-to-mid term performance could also remain moribund, in our view. In addition to fewer market catalysts, sentiments are likely to also stay insipid, dampened by the unsettled political backdrop that may prolong until the next general election as market players continue to keep a keen eye on the political developments.

Under the prevailing environment, we think the FBM KLCI is likely to remain mostly rangebound as the market is still devoid of any significant catalysts to sustain an upside. As it is, there is still substantial wariness over the state of the economy, particularly domestic related industries that are still enduring low activities due to the prolonged containment measures and this would affect the corporate earnings performance in 1H2020. With fewer compelling buying impetuses, fresh buying is expected to remain thin as market players await for a new direction.

Furthermore, there are fewer "low hanging fruits" and stock picks are becoming more challenging after last year's strong runup that has left stock valuations elevated. Collectively, this could also to see market participation remaining on the lower side for longer and this is likely to see Malaysian equities continuing to drift even as there is still little selling pressure.

With the sideway trend poised to linger, we see the key index potentially hovering within the 1,550 and 1,640 levels over the near-to-medium until there is more clarity on the market's direction. Even though the fresh buying will be relatively benign, we think there should still be some measure of support to keep the FBM KLCI steady, with the selling pressure still benign with most market players remaining invested for the potentially higher returns from equities vis-a-vis fixed income products.

While the near-to-medium prospects may be unsettled, the longer-term prognosis remains sanguine as the economic recovery is set to gather pace in 2H2021 when the inoculation process accelerates. This should see the market playing catch-up in due course and the prevailing market environment gives rise to mild bargain hunting and buy on weakness opportunities, albeit value has yet to materialise amid the still toppish valuations.

Although 4Q2020's corporate results showed improvements, they mostly missed expectations with the broader FBM EMAS index earnings only improving 2.5% Y-o-Y and 6.9% Q-o-Q respectively. The FBM KLCI, meanwhile, registered a 21.0% Y-o-Y and 26.7% Q-o-Q earnings growth in the same period, which were slightly below expectations. Much of the improvements were contributed by the record earnings of glovemakers on robust demand and ASPs, while other stocks' earnings were still affected by the still anaemic and gradual recoveries.

With the containment measures lingering into 1Q2021, earnings growth could remain suppressed with the FBM KLCI projected to post a modest 4.0% Q-o-Q improvement, albeit it could be some 96% Y-o-Y higher than the previous corresponding period's earnings that was severely affected by the first MCO. In a similar vein, the FBM EMAS' earnings growth looks to rise 7.8% Q-o-Q and 2.8x over 1Q2020's earnings.

The improved earnings will largely be contributed by the still firm earnings from glovemakers, while oil and gas stocks should see some improvements from higher oil prices and increased supporting activities within the sector. Banking stocks' earnings could see stability, as with export-based E&E companies continuing to outperform due to the strong demand and selling prices. Plantation companies' earning should also stay resilient due to the strengthening palm prices. However, earnings of companies in segments like consumer, telcos and construction could stay uneven over the next 1-2 quarters due to a still insipid domestic economic environment.

Despite the more subdued earnings recovery in 1H2021, the FBM KLCI's full year consensus earnings forecast has been lifted to 66.5% Y-o-Y (from 62.6% Y-o-Y), with much of the optimism springing in from 3Q2021 onwards. For now, however, we think the estimates are bullish as some of the lockdown effects are still lingering that could dampen the earnings recovery prospects.

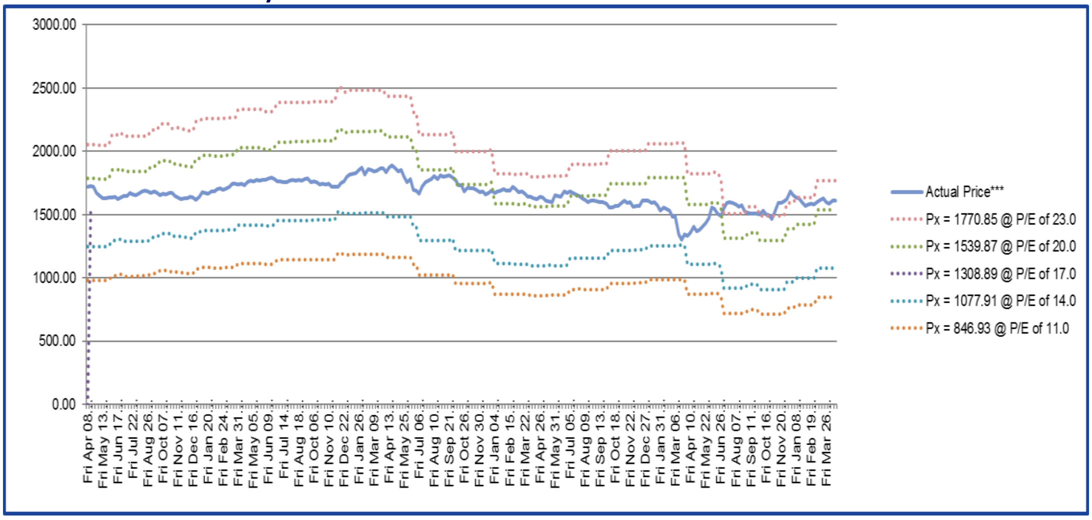
Meanwhile, Malaysian equities' valuation are broadly inexpensive and appear compelling, vis-à-vis its regional peers. However, much of the lower valuation is attributed to the low valuation of glovemaker stocks following their steep falls since December last year when the Covid-19 vaccines became available that sparked fears of reduced demand for medical gloves. Excluding the glovemaker stocks, the FBM KLCI's valuations are already ahead of its historical forward averages of 14x-16x, trading at 17.7x and 15.5x for 2021 and 2022 respectively. As such, the FBM KLCI is already seen as fairly valued with the potential earnings recovery already fully reflected, in our view.

Comparative PERs - Malaysia vs ASEAN

(in times)	2019	2020	2021(F)	2022(F)
FTSE Bursa Malaysia KLCI	**17.7**	**22.9**	**13.5**	**14.3**
FTSE Bursa Malaysia Emas	**20.8**	**33.6**	**14.9**	**14.8**
FTSE Straits Times Index	*12.5*	*38.2*	*15.4*	*13.2*
Jakarta Composite Index	*19.8*	*34.9*	*16.4*	*12.3*
Stock Exchange of Thailand	*18.1*	*36.6*	*19.5*	*16.5*
Philipines PS Index	*17.3*	*32.6*	*17.8*	*14.1*
ASEAN average	***16.9***	***35.6***	***17.3***	***14.0***

Source: Bloomberg

FBM KLCI PER Band – 5 years



Source: Bloomberg

On the broader market and among the lower liners, we think they should remain well supported on the back of the continuing retail participation. As it is, retail players' risk appetite for equities remains firm as they remain invested in an improving economic and corporate earnings environment. For the most part, retail players have remained proactive in the equity market, countering the thinner institutional and foreign following, and this has helped to preserve the lower liners uptrend that has stretched to over a year. We see sustained retail interest on stocks that are deemed to be beneficiaries of the economic re-opening theme as well as technology stocks that are among the big winners of the pandemic.

The continuing low interest rate environment and the mostly unattractive returns from alternate asset classes will also help to preserve the interest in equities, although we see the buying becoming more selective due to the combination of high valuations and fewer leads. The This also means that there will still be rotational plays in technology, energy, plantation and consumer stocks that could help to support the above indices and keep them elevated, despite the increasing volatility and lower overall market participation. The continuing support would also keep indices like the FBM Small Cap, Fledgling and ACE Market elevated for longer and they would continue to tether near their 2020 highs.

COMPANY UPDATES

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

AWC

NEUTRAL

Current Price	**RM 0.64**
Target Price	**RM 0.64**
Consensus Price	**RM 0.67**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	AWCF MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	436.6
52 Week Hi/Lo Price (RM)	0.76/0.35
Avg Trading Volume (3-mth)	6,071,565
Est Free Float (%)	46.1
YTD Returns (%)	27.8
Beta (x)	1.35

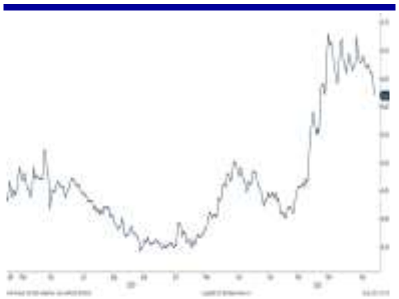
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-13.89	-14.22
3 mth	49.40	47.75
12 mth	42.53	25.44

Major Shareholders (%)

K-Capital Sdn Bhd	26.6
Ahmad Kabeer	6.7

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
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Company Profile

AWC is an engineering service company that operates in the facility management, waste management, plumbing and systems solution in plumbing and heating, ventilation & air conditioning. Prominent projects include: Customs Immigration & Quarantine Complex (facility management), Changi Airport (waste management), and KL118 & Tun Razak Exchange (plumbing solutions).

Updates

Recently, the Malaysian government has re-affirmed the direction and extension of the Section C in the East Coast Rail Link (ECRL) (Mentakab to Port Klang via Bentong, Gombak and Serendah) and the confirmation of the MRT 3 project that will boost the construction sector's sentiments despite government's fiscal constraints. This bodes well for the rail division's mid-and-long term work orders. In addition, the step up in revenue recognition from its government concession agreement will help improve AWC's top line. The environmental segment remains buoyant, boosted by projects in Malaysia, Singapore and the Middle East region.

Upside merits

Opportunities going forward include: 1) proxy to Malaysia's rail and water investment that could result in increased orderbook, and 2) undemanding valuation that will support its share price.

Downside factors

Key downside risks include: 1) project delays, 2) collection risk, and 3) slower-than-expected job replenishment rate.

Valuations

We revise our recommendation to **NEUTRAL** from BUY with an unchanged TP of RM0.64 based on adjusted SoTP valuations' parameters. The revision is due to jump in share price that has arrived at our fair value.

TABLE 1: FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Jun (RM m)	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	304.0	323.1	315.1	377.3	393.0
EBITDA	32.7	41.9	-4.2	52.9	49.0
EBITDA Margin (%)	10.8	13.0	-1.3	14.0	12.5
PAT	26.5	27.2	-15.3	36.8	34.5
PATAMI	21.4	20.0	-18.8	25.5	24.7
PATAMI Margin (%)	7.0	6.2	-6.0	6.8	6.3
Earnings Growth (%)	-0.9	-6.3	-193.8	235.5	-3.2
EPS (sen)	6.7	6.3	NA	8.0	7.7
PER (x)	9.6	10.2	NA	8.0	0.6
DPS (sen)	0.5	1.5	0.5	0.5	0.5
Dividend Yield (%)	0.8	2.3	0.8	0.8	0.8
ROE (%)	12.7	10.1	-10.7	12.7	11.0
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	1.2	1.0	1.2	1.0	0.9

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

COCOALAND HOLDINGS

TRADING SELL

Current Price	**RM 1.99**
Target Price	**RM 1.57**
Consensus Price	**RM 1.63**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	COLA MK
Masa Ticker / Stock Code	COCOLND/7205
Shares Issued (m)	226.8
Market Capitalisation (RM'm)	451.3
52 Week Hi/Lo Price (RM)	2.30/1.62
Avg Trading Volume (3-mth)	186,360
Est Free Float (%)	19.6
YTD Returns (%)	14.4
Beta (x)	0.62

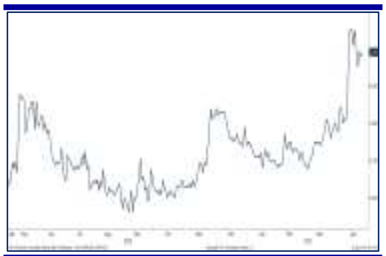
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	11.8	11.4
3 mth	17.1	15.0
12 mth	14.4	-3.0

Major Shareholders (%)

Leverage Success Sdn Bhd	40.6
Fraser & Neave Holdings Bhd	27.6

1-Year Share Price Performance



Analyst: Diana Cheok

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Company profile

Cocoaland is engaged in the **manufacturing and trading of candies, beverages,** and other related foodstuffs. Its main flagship products comprise of the **Lot 100 fruit gummy**, COCOPIE, KOKO Jelly Chocolate candy, Diction snack, Mum's Bake cookies and Fruit 10 fruit juice.

Investment merits

We like Cocoaland for its: 1) **consistent earnings generation**, 2) **market leadership** in Malaysia's gummy candy market, 3) **decent dividend yields,** and 5) position in the resilient sugar confectionaries industry.

Key updates

- **Net profit missed estimates** due to higher-than-expected operating and raw material costs.
- **Local and export sales** saw a **broad-based decline** in 2020, on weaker consumption of non-essential products due to pandemic.
- **Expect a pick-up in demand and earnings in 2022**, in-line with economic recovery and commencement of **new gummy production line** by 2Q2021.

Downside factors

Key downside risks include: 1) higher raw material prices (sugar, gelatin, and cocoa), labour shortages issue, and 2) fiercer competition both domestically and abroad.

Valuation

We downgrade our call on **Cocoaland** to **Trading Sell** (from Neutral) with an unchanged **TP of RM1.57**, derived from an unchanged 14.0x target PER pegged against our trimmed CY21 EPS of 11.2 sen as we believe Cocoaland's growth prospects have been priced-in and further catalysts are needed to justify the higher valuations.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20(E)	CY21(F)	CY22(F)
Revenue	253.8	254.1	216.2	241.9	290.8
GP	67.8	74.0	54.4	60.5	74.1
PBT	39.8	48.7	27.3	33.4	41.3
PAT	30.9	37.1	20.4	25.4	31.4
GP Margin (%)	26.7	29.1	25.1	25.0	25.5
PBT Margin (%)	15.7	19.2	12.6	13.8	14.2
PAT Margin (%)	12.2	14.6	9.4	10.5	10.8
EPS (Sen)	13.6	16.4	9.0	11.2	13.9
PER (x)	14.6	12.1	22.1	17.8	14.4
DPS (Sen)	6.0	10.0	8.0	9.0	10.0
Dividend Yield (%)	3.0	5.0	4.0	4.5	5.0
ROE (%)	13.1	14.8	8.2	9.9	11.9
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

DATASONIC GROUP

TRADING BUY

Current Price	**RM 0.565**
Target Price	**RM 0.60**
Consensus Price	**RM 0.62**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DSON MK
Masa Ticker / Stock Code	DSONIC/5216
Shares Issued (m)	2,629.8
Market Capitalisation (RM'm)	1,485.8
52 Week Hi/Lo Price (RM)	0.84/0.47
Avg Trading Volume (3-mth)	34,747,500
Est Free Float (%)	50.2
YTD Returns (%)	7.6
Beta (x)	1.20

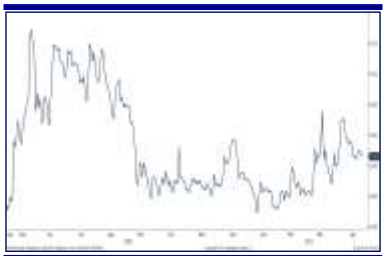
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	7.6	7.2
3 mth	16.5	14.4
12 mth	13.5	-4.0

Major Shareholders (%)

Chew Ben Ben	17.3
Urusharta Jamaah Sdn Bhd	8.1
Demi Mekar Sdn Bhd	6.0

1-Year Share Price Performance



Analyst: Diana Cheok

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Company profile

Datasonic (DGB) is a **security-based ICT and smart card solutions provider**, catering to **government agencies** and financial institutions.

Investment merits

We like DGB for its: 1) technical expertise and established position in the smart cards solutions market, and 2) strong balance sheet and cash position.

Key updates

- **9MFY21's net profit missed our expectations**, largely due to lower-than-expected deliveries of MyKad consumables and passport components (datapages, chips, booklet) due to the MCO during the quarter.
- **Current outstanding orderbook amounts to RM491.0m** vs. end-2QFY21 of RM550.6m.
- **Potential border reopening** could spur passport deliveries following **pent-up travel demand.**

Downside factors

Key downside risks include: 1) extended international travel restrictions in the event of a virus resurgence, and 2) political uncertainties that could negatively impact share price given that the bulk of DGB's revenue is derived from government service contracts with the political instability possibly causing contract awards to be pushed back as well, weighing on the company's longer-term earnings potential.

Valuation

We maintain our **Trading Buy** call on **Datasonic Group Bhd (DGB)** with an unchanged **TP of RM0.60**, based on our DFCF-derived valuation model (discount rate: 7.8%, TV 3.0% perpetual growth rate). Risks to our call include: 1) lower-than-expected contract deliverables, (2) no extension to previously recurring contracts, and (3) operating margin contraction.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Mar (RM m)	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	258.6	219.6	247.5	140.6	199.4
EBIT	78.3	48.6	69.7	26.0	46.9
PBT	70.3	40.5	63.4	21.8	43.5
PATAMI	67.1	36.4	60.4	20.2	40.2
EBIT margin (%)	30.3	22.1	28.2	18.5	23.5
PBT margin (%)	27.2	18.4	25.6	15.5	21.8
PATAMI margin (%)	26.0	16.6	24.4	14.3	20.1
Core EPS (sen)	2.6	1.4	2.3	0.8	1.5
PER (x)	22.1	40.7	24.6	73.8	37.0
DPS (sen)	4.0	2.5	3.0	1.0	1.5
Dividend Yield (%)	7.1	4.4	5.3	1.8	2.7
ROE (%)	25.2	13.9	23.5	8.0	16.0
Net Gearing (x)	0.4	0.4	0.3	0.1	0.1

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

GUAN CHONG BHD

TRADING BUY

Current Price	**RM 3.00**
Target Price	**RM 3.30**
Consensus Price	**RM 3.82**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	GUAN MK
Masa Ticker / Stock Code	GCB/5102
Shares Issued (m)	1,036.3
Market Capitalisation (RM'm)	3,108.8
52 Week Hi/Lo Price (RM)	3.79/2.24
Avg Trading Volume (3-mth)	1,377,511
Est Free Float (%)	25.3
YTD Returns (%)	12.4
Beta (x)	1.17

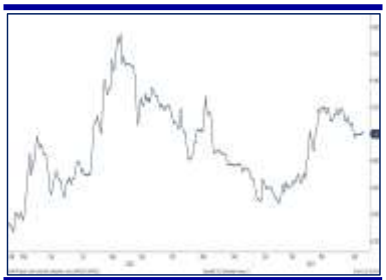
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.76	-5.20
3 mth	19.52	17.42
12 mth	26.58	9.17

Major Shareholders (%)

Guan Chong Resources Sdn Bhd	49.1
Misi Galakan Sdn Bhd	5.6

1-Year Share Price Performance



Analyst: Diana Cheok
Email: dianacheok@interpac.com.my

Company profile

GCB is a **leading cocoa processor in Asia** and ranked the fourth largest grinder (joint-position with Fuji Oil) in the world, with its products mostly exported to chocolate and confectionery MNCs like **Nestle, Mars, Hershey and Cadbury**.

Investment merits

We like GCB for its: 1) unique position as one of the **top cocoa processor in the world** behind Barry Callebaut and Olam, 2) **robust global demand** for chocolate will support GCB's **expansion venture**, 3) **high barriers of entry** for new players due to capital-intensive requirements, and 4) **attractive valuation** considering the size and potential growth of GCB.

Key updates

- Full year net profit and revenue were in-line with our estimates; **net profit was only marginally higher**, despite more than 20% Y-o-Y jump in revenue**, due to lower deliveries and thinner margins – affected by shipping issues and weaker demand.**
- Cocoa processing is expected to be slow in 2021 due to limited global travel, as well as lower retail and consumer spending.
- Even so, demand should be supported by mild demand recovery amid increasing vaccine inoculation worldwide and regular restocking activities by major confectioneries later in the year.

Downside factors

Key downside risks include: 1) volatile bean prices, and 2) weaker demand from emerging markets especially amid the pandemic.

Valuation

We maintain our **Trading Buy** recommendation on **Guan Chong Bhd (GCB)** with an unchanged **TP of RM3.30** by ascribing a target PER of 15.0x (unchanged) to its forecast CY21 EPS of 22.0 sen with earnings to remain stable in CY21 despite threat of potentially slower orders and thinner margins on higher shipping cost as well as uncertain raw material cost following the re-imposition of lockdowns in many countries.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RM'm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	2273.4	2941.6	3685.0	4160.0	4870.9
EBITDA	263.3	332.8	344.4	372.7	464.3
PAT	190.1	217.9	223.2	227.7	305.6
EPS (sen)	18.3	21.0	21.5	22.0	29.5
*Diluted EPS (sen)**	*16.2*	*18.5*	*19.0*	*19.4*	*26.0*
PER (x)	16.4	14.3	13.9	13.7	10.2
*Diluted PER (x)**	*18.6*	*16.2*	*15.8*	*15.5*	*11.5*
Dividend yield (%)	1.3	1.7	1.2	1.5	2.0
BV/share	0.64	0.92	1.15	1.28	1.50
P/B (x)	4.7	3.3	2.6	2.4	2.0
ROE (%)	28.5	23.0	18.8	21.3	21.4

**based on enlarged share capital of 1,176.1m outstanding shares (after adjusting for full warrant conversion)*

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

HARTALEGA

BUY

Current Price	**RM 11.18**
Target Price	**RM 16.10**
Consensus Price	**RM 15.16**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	HART MK
Masa Ticker / Stock Code	HARTA/5168
Shares Issued (m)	3,422.8
Market Capitalisation (RM'm)	36,623.5
52 Week Hi/Lo Price (RM)	21.16/7.21
Avg Trading Volume (3-mth)	7,138,178
Est Free Float (%)	34.3
YTD Returns (%)	-11.9
Beta (x)	0.98

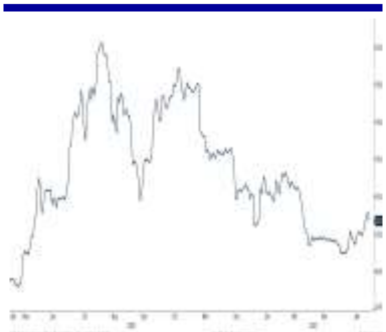
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	12.16	11.83
3 mth	-12.30	-13.94
12 mth	40.05	22.96

Major Shareholders (%)

Haralega Haralega Industries Sdn	47.2
EPF	7.4

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
Email: davidlai@interpac.com.my

Company Profile

Hartalega is one of the world's biggest nitrile glove manufacture and supplier. The group's Bestari Jaya and NGC production facilities are expected have a capacity of 43.7b pcs by 2021. NGC 1.5 and NGC 2 are expected to further boost capacity by 18.9b pcs and 32b pcs annually upon their completion.

Updates

We expect new glove manufacturers to face challenges to ramp up production due to labor shortages and certification approval from authorities. Given the ongoing Covid-19 pandemic, the intake of new foreign workers is still currently prohibited. Approval from authorities requires 1-2 months after commencement of production. We also believe glove prices to be higher than pre-pandemic levels due to increased ESG cost. On China's new glove production, we believe it will be consumed by local demand due to heightened hygiene awareness from the Covid-19 outbreak. China's glove usage per capita is 6 pcs as compared to the US and EU of 150 pcs and 100 pcs respectively.

Upside merits

Opportunities going forward are: 1) higher-than-expected ASP increases in the near-and-mid term; 2) inelastic demand for glove, and 3) vigorous drive for cost efficiencies via automation and energy conservation.

Downside factors

Key downside risks include: 1) Rapid fall in Covid cases; 2) faster than expect ASP normalisation, and 3) shortage of workers.

Valuations

We maintain our **BUY** recommendation and TP of RM16.10, based on a 21x target PER valuation pegged to FY22's EPS.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

FYE Mar (m)	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	2,405	2,827	2,924	7,716	6,994
EBITDA	461	467	453	4468	3316
EBIT Margin (%)	19.2	16.5	15.5	57.9	47.4
PATAMI	438	455	435	3466	2630
PAT Margin (%)	18.2	16.1	14.9	44.9	37.6
Earnings Growth (%)	54.6	3.9	-4.4	697.2	-24.1
EPS (sen)	12.8	13.3	12.7	101.1	76.7
PER (x)	87.6	84.3	88.2	11.1	14.6
DPS (sen)	7.0	8.0	7.5	60.0	45.0
Dividend Yield (%)	0.6	0.7	0.7	5.4	4.0
ROE (%)	22.0	20.2	17.9	90.2	53.4
Net Gearing Ratio (%)	8.2	8.6	5.2	Net Cash	Net Cash
Price/Book Ratio (x)	19.2	17.0	15.8	10.0	7.8
Key Assumption					
Glove Sales (b pcs)	25.8	28.5	33.1	37.9	41.1
Basket Glove Price (Sen)	99.2	99.2	94.2	203.8	170.0

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

HAP SENG PLANTATIONS

BUY

Current Price	**RM 1.85**
Target Price	**RM 2.20**
Consensus Price	**RM 2.24**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	HAPL MK
Masa Ticker / Stock Code	HSPLANT/5138
Shares Issued (m)	799.7
Market Capitalisation (RM'm)	1,503
52 Week Hi/Lo Price (RM)	1.95/1.34
Avg Trading Volume (3-mth)	75,582
Est Free Float (%)	8.7
YTD Returns (%)	3.9
Beta (x)	0.80

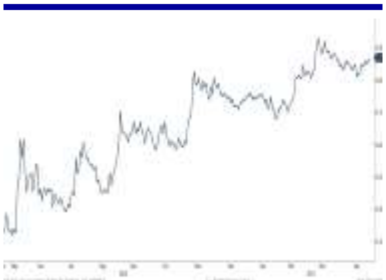
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-0.53	-0.86
3 mth	8.09	6.44
12 mth	38.52	21.43

Major Shareholders (%)

Hap Seng Consolidated Bd	59.9
Innoprise Corp Sdn Bhd	15.0

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
Email: davidlai@interpac.com.my

Company Profile

Hap Seng Plantation operates 40,279 ha. of palm oil estates and it is one the largest producers of sustainable palm oil in Sabah. The group also own and operates palm oil mills and biogas plants. The average palm tree age is 15.8 years, considered relatively mature.

Updates

The Ramadan boost in palm oil prices faltered on fears that India's Covid crisis will hammer demand. Most stock prices of Bursa plantation listed companies did not climb despite high CPO prices, due to investors' worries on lack of workers to offset strong selling prices. The group did not experienced shortage of workers in their plantation throughout the Covid period. Hap Seng may see softer earnings on lower FFB production in East Malaysia, -25% Q-o-Q and -10% Y-o-Y due to seasonal factors. We expect CPO price to range RM3,500-4,000/mt in 2QCY21 and normalise to RM2,800-RM3,000/mt in 3QCY21.

Upside merits

Opportunities going forward are: 1) Asset play:- Sabah's average transacted price of RM75k/ha translates to RM3.30/share for Hap Seng planted landbank, excluding palm oil mils and bio-gas plant, 2) high palm kernel prices complementing its bottom-line, and 3) weakening USD more often leads to a rise in commodity prices.

Downside factors

Downside risk includes: 1) low global demand & poor palm kernel prices, 2) good monsoon season in India which lowers palm oil consumption, and 3) escalation of U.S. – China trade tension that could pressure soybean prices.

Valuation

We maintain our **BUY** recommendation and our TP of RM2.20, pegged to 1.0x P/B valuation of CY21 book value.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

CYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	390.8	418.6	467.6	524.3	516.4
EBITDA	34.9	122.3	194.1	200.4	214.0
EBITDA margin (%)	8.9	29.2	41.5	38.2	41.5
PAT	29.1	31.4	90.3	89.9	91.7
Net Profit margin (%)	7.4	7.5	19.3	17.2	17.8
Earnings Growth (%)	(73.3)	8.0	187.1	(0.4)	2.0
EPS (sen)	3.6	3.9	11.3	11.2	11.5
PER (x)	51.1	47.3	16.5	16.5	16.2
DPS (sen)	2.5	2.5	7.0	7.0	6.0
Dividend Yield (%)	1.3	1.3	3.8	3.8	3.2
ROE (%)	1.8	1.9	5.3	5.1	5.0
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share	2.0	2.1	2.1	2.2	2.3
Price/Book Ratio (x)	0.91	0.90	0.87	0.85	0.81
Key Assumption					
FFB production (mt)	657,259	675,586	633,660	650,000	665,000
CPO ASP (RM/mt)	2,232	2,079	2,749	2,950	2,900

Source: Inter-Pacific Research, Bloomberg

KAWAN FOOD BHD

NEUTRAL

Current Price	**RM 1.95**
Target Price	**RM 2.13**
Consensus Price	**RM 2.84**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KFB MK
Masa Ticker / Stock Code	KAWAN/7216
Shares Issued (m)	359.5
Market Capitalisation (RM'm)	701.1
52 Week Hi/Lo Price (RM)	2.88/1.31
Avg Trading Volume (3-mth)	529,884
Est Free Float (%)	25.0
YTD Returns (%)	-6.2
Beta (x)	1.13

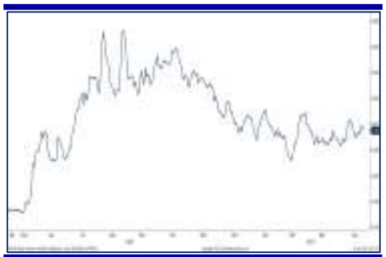
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	2.1	1.7
3 mth	0.0	-2.1
12 mth	43.4	26.0

Major Shareholders (%)

Gan Thiam Chai	27.2
VG Trustee Ltd	20.4
Malayan Banking Bhd	19.8

1-Year Share Price Performance



Analyst: **Diana Cheok**
Email: **dianacheok@interpac.com.my**

Company profile

Kawan Food Bhd (KFB) **manufactures and sells frozen food** under the 'Kawan' brand, KG Pastry, Passion Bake, Veat, and Aman. Its product portfolio includes – Paratha, Chapatti, Spring Roll Pastry, Naan, Bun and Bakery.

Investment merits

We like KFB for: 1) Its **track record of over 30 years** of operations supplying frozen Asian delicacies locally and abroad, 2) **products that are certified as Halal** by the Islamic Development Department of Malaysia (JAKIM), which meets the Islamic World Body Requirements, and also meeting KFB's strict standards on all ingredients and processes, 3) its **rigorous in-house R&D activities** in both product and manufacturing processes, together with innovative recipes on a wide variety of products consumed locally and abroad, and 4) its **application of quick-freezing technology** that provides the highest level of freshness to consumers.

Key updates

- **4QCY20 net profit grew 20.8% Y-o-Y** on better production efficiency and increased demand as consumers stockpiled convenient and easy to store foods during the pandemic.
- **Sequentially, net profit was only marginally higher**, weighed down by **rising raw material prices and weaker export sales**.
- Cautiously optimistic on earnings resilience, albeit growth could be tempered by current **global container shortages** plaguing the logistics chain, which is expected to persist until later in the year.
- KFB plans to gradually ramp up production as it expands its foreign market sales.

Downside factors

Key downside risks include: 1) further margin contractions as food prices (raw materials) continue to trend higher on supply disruptions, and 2) longer-than-expected disruptions in shipping.

Valuation

We maintain our **Neutral** call on **Kawan** with an unchanged **target value of RM2.13**, derived from our CY21 forecast EPS of 6.7 sen pegged to an unchanged target PER of 32x, as we believe that most of the positives are already priced-in and significant upside potential is limited at the current juncture.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	200.0	214.1	254.7	226.3	230.9
GP	79.4	72.2	101.0	88.3	91.2
PBT	29.2	15.4	32.0	29.8	30.8
PAT	22.8	11.7	27.7	24.0	24.7
GP Margin (%)	39.7	33.7	39.7	39.0	39.5
PBT Margin (%)	14.6	7.2	12.6	13.2	13.4
PAT margin (%)	11.4	5.5	10.9	10.6	10.7
EPS (sen)	6.3	3.3	7.7	6.7	6.9
PER (x)	30.7	59.8	25.4	29.3	28.3
DPS (sen)	2.5	2.5	2.5	3.0	4.0
Dividend Yield (%)	1.3	1.3	1.3	1.5	2.1
ROE (%)	7.1	3.6	8.0	6.9	6.8
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research, Bloomberg

KELINGTON GROUP

NEUTRAL

Current Price	RM 2.28
Target Price	RM 2.22
Consensus Price	RM 2.24

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	321.4
Market Capitalisation (RM'm)	716.7
52 Week Hi/Lo Price (RM)	2.70/0.95
Avg Trading Volume (3-mth)	3,094,544
Est Free Float (%)	57.6
YTD Returns (%)	32.5
Beta (x)	1.19

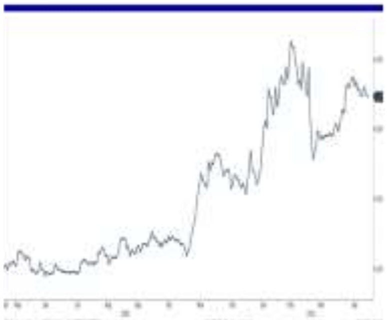
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	12.56	12.23
3 mth	-2.61	-4.26
12 mth	124.00	106.91

Major Shareholders (%)

PALAC STAR	61.3
CIMB GROUP	7.8

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
Email: davidlai@interpac.com.my

Company Profile

Kelington Group Bhd's (KGB) principle operations are: 1) engineering services for ultra-high purity (UHP) gas and chemical delivery systems solutions, 2) pro engineering for mechanical and electrical systems, general contracting and construction services, and (3) supplier of a range of industrial and specialty gasses used by electronics, semiconductor, food processing, and oil and gas industries.

Updates

The group proposed a 1-for-1 bonus issue of shares (issuance of up to 322.6m new shares), bringing its enlarged the share base to 645.2m. The exercise will improve the trading liquidity of the group's shares. KGB will also be issuing 215.1m free warrants on the basis of 1 warrant-for-every 3 shares held, with an exercise price of RM0.975. The complete exercise of warrants will raise RM210m which will be used to partly finance potential assets acquisition for its industrial gas business division, working capital requirement uses and to pare down gearing.

Upside merits

Opportunities going forward:- include 1) firmer earnings growth potential, supported by increased job orders from the semiconductor industry, and 2) stable new income stream from LCO2 operations which could also help to shore up dividend prospects.

Downside factors

Key downside risk include: 1) slower-than-expected contract wins, potential extension or 2) stricter lockdowns/work restrictions, and 3) delay in customer expansion plans.

Valuation

We revise our recommendation to **NEUTRAL** from BUY with an unchanged TP of RM2.22, pegged to a target PER of 24x to our forecast CY22 EPS, as its share price has reach our TP.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

FYE 31st Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	350.0	379.8	389.8	546.0	581.0
EBITDA	28.4	36.7	23.6	46.6	51.8
EBITDA Margin (%)	8.1	9.7	6.0	8.5	8.9
PATAMI	18.6	24.4	17.1	30.2	37.1
PATAMI Margin (%)	5.3	6.4	4.4	5.5	6.4
EPS (sen)	4.5	5.9	4.1	7.3	8.9
Earnings Growth (%)	65.3	30.9	(29.9)	76.5	22.9
PER (x)	50.8	38.8	55.4	31.4	25.5
DPS (sen)	1.8	2.0	0.5	2.0	2.0
Dividend Yield (%)	0.8	0.9	0.2	0.9	0.9
ROE (%)	21.5	20.3	11.9	21.2	27.2
ROA (%)	10.3	10.4	5.7	11.5	14.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	8.2	6.1	5.6	5.0	5.2

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

MTAG GROUP

NEUTRAL

Current Price	**RM 0.795**
Target Price	**RM 0.72**
Consensus Price	**RM 1.04**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MTAG MK
Masa Ticker / Stock Code	MTAG/0213
Shares Issued (m)	681.6
Market Capitalisation (RM'm)	541.9
52 Week Hi/Lo Price (RM)	1.22/0.40
Avg Trading Volume (3-mth)	7,258,313
Est Free Float (%)	31.6
YTD Returns (%)	7.4
Beta (x)	#N/A N/A

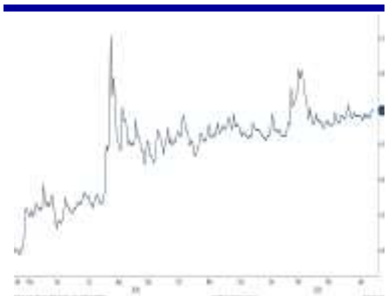
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	1.92	1.59
3 mth	9.66	8.01
12 mth	NA	NA

Major Shareholders (%)

Chaw Kam Shiang	50.8
Lau Cher Liang	14.6

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
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Company Profile

MTAG is a converter company involved in providing printing of labels and stickers and customised converting services for various materials. The group also distributes industrial tape and adhesive products under the 3M and Henkel brands. The group's key customers are contract electronic manufacturers in the country.

Updates

A leading UK home electronic appliance brand unveiled 3 new home cleaning products that bodes well for the Malaysia EMS industry. In addition, we believe the launch of a cord-free vacuum for hotels, office space and restaurants, with twice the battery capacity in January can crave out a new market segment for the EMS industry. Furthermore, Malaysia's EMS continues to be vibrant, supported by global reallocation of manufacturing capacity caused by trade war and global pandemic.

Investment merits

Opportunities going forward include: 1) exposure to resilient home appliance growth from a UK customer, 2) potential valuation rerating led by EMS peers, and, 3) beneficiary from foreign manufacturers reallocating their production center to Malaysia arising from U.S.-China trade war and global pandemic.

Downside factors

Key downside risks include: 1) delay in capacity expansion, 2) slowdown in the global economy and electrical home devices demand, and 3) customer concentration risk.

Valuations

We retain our **NEUTRAL** recommendation and TP of RM0.72, based on an unchanged target PER valuation of 13x to our FY21 EPS of 5.5 sen.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

FYE June (RM m)	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	187.5	190.0	166.1	219.3	237.3
EBITDA	56.1	41.6	40.3	49.9	54.8
EBITDA Margin (%)	29.9	21.9	24.2	22.7	23.1
PAT	47.5	33.0	30.2	37.8	41.8
PAT Margin (%)	25.3	17.3	18.2	17.2	17.6
Earnings Growth (%)	109.9	(30.6)	(8.4)	25.1	10.7
EPS (sen)	7.0	4.8	4.4	5.5	6.1
PER (x)	11.9	17.2	18.7	15.0	13.5
DPS (sen)	2.4	1.0	3.0	3.5	4.0
Dividend Yield (%)	2.9	1.2	3.6	4.2	4.8
ROE (%)	76.4	42.4	22.4	23.3	24.7
ROA (%)	51.2	31.8	20.0	21.0	22.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	7.4	5.5	3.1	2.6	2.5

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

MYNEWS

NEUTRAL

Current Price	**RM 0.93**
Target Price	**RM 0.82**
Consensus Price	**RM 1.02**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	MNHB MK
Masa Ticker / Stock Code	MYNEWS/5275
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	477.5
52 Week Hi/Lo Price (RM)	1.12/0.55
Avg Trading Volume (3-mth)	3,969,479
Est Free Float (%)	24.8
YTD Returns (%)	46.8
Beta (x)	1.16

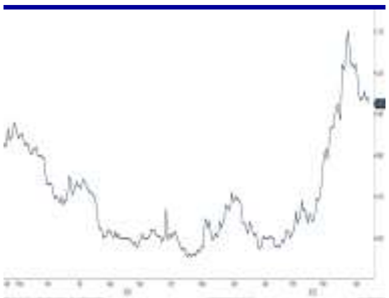
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	1.65	1.32
3 mth	59.48	57.83
12 mth	12.80	-4.28

Major Shareholders (%)

D & D Consolidated	5.7
EPF	6.6

1-Year Share Price Performance



Analyst: **Lai Yoon Hui, David**
Email: davidlai@interpac.com.my

Company Profile

Mynews operates the second largest convenience outlets in Malaysia, with the bulk of its outlets in the Klang Valley. The group also operates a Food Processing Center (FPC), partnering with Kineya and Ryoyupan to manufacture Ready-to-Eat consumables. The group also partners with WH Smith to operate WH Smith outlets at Malaysia's international airports, and with BGF Retail Co Ltd to operate CU.

Update

The group's newly launched CU outlet in Bandar Utama showed signs of consumer optimism and the group will open another 50 CU outlets this year. 60% of CU merchandise is sourced from BGF Retail Co Ltd. The group will open the next three outlets Puchong, Klang Valley (SetiaWalk, IoI Boulevard and IOI Mall). We envisage the successful rollout of CU will be re-rating catalyst as CU can potentially increase revenue by some 50% in existing Mynews outlets.

Investment merits

Opportunities going forward: 1) earlier-than-expected recovery in topline sales, and 2) higher than expected boost in basket price from the RTE segment.

Downside factors

Downside risk includes: 1) slower recovery in consumer purchases and tourist footfall, 2) low utilisation of its FPC, and 3) delay in vaccine rollout affecting footfall to its outlets.

Valuation

We maintain our call at **NEUTRAL** with an unchanged TP of RM0.82, which is based on an unchanged valuation of 24x PER pegged to our forecast FY22 EPS of 3.4 sen.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

FYE Oct (RM' m)	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	385.7	517.7	489.4	519.2	633.6
EBITDA	37.9	50.1	10.8	28.9	61.0
EBITDA Margin (%)	9.8	9.7	2.2	5.6	9.6
PATAMI	26.0	26.8	(9.8)	3.4	23.4
PATAMI Margin (%)	6.7	5.2	-2.0	0.7	3.7
EPS (sen)	3.8	3.6	-1.4	0.5	3.4
Earnings Growth (%)	8.3	3.1	(136.7)	134.6	587.5
PER (x)	24.9	26.8	N.M	190.5	27.7
Dividend (sen)	1.0	1.0	0.0	0.0	0.0
Dividend Yield (%)	1.1	1.1	0.0	0.0	0.0
ROE (%)	9.3	8.9	-3.4	1.2	7.6
Net Gearing Ratio (%)	NET CASH	NET CASH	7.8	14.2	10.5
BV/Share (RM)	0.4	0.4	0.4	0.4	0.4
Price/Book Ratio (x)	2.5	2.3	2.4	2.4	2.2

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

OCK GROUP BHD

BUY

Current Price	**RM 0.50**
Target Price	**RM 0.59**
Consensus Price	**RM 0.57**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	OCK MK
Masa Ticker / Stock Code	OCK/0172
Shares Issued (m)	1,054.4
Market Capitalisation (RM'm)	479.3
52 Week Hi/Lo Price (RM)	0.58/0.36
Avg Trading Volume (3-mth)	9,225,003
Est Free Float (%)	41.5
YTD Returns (%)	11.1
Beta (x)	1.10

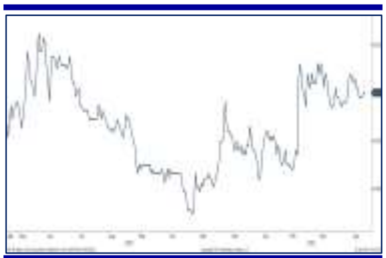
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.0	-1.4
3 mth	14.9	12.8
12 mth	9.2	-8.2

Major Shareholders (%)

Aliran Armada Sdn Bhd	30.9
LT Angkatan Tentera	10.2
Employees Provident Fund	7.3

1-Year Share Price Performance



Analyst: Diana Cheok

Email: dianacheok@interpac.com.my

Company profile

The company is engaged in the **provision of telecommunication services equipment with the ability to provide full turnkey services**. It has four major business divisions, namely: Telecommunication Network Services, Trading of Telco and Network Products, Green Energy and Power Solutions, as well as M&E Engineering Services.

Investment merits

We like OCK for: 1) **strong recurring base and foreign operations growth,** and 2) well-positioned to be a beneficiary of the government's 5-year national digital infrastructure (JENDELA) plan.

Key updates

- **Beneficiary to the MyDigital Initiative:** The government's plans to expedite the nation's digitalisation process by 2030 is beneficial to OCK as the group is already **actively involved in 5G trials in the country and is well-positioned for more projects under these initiatives.**
- **Myanmar operations has been mostly business-as-usual** despite the country declaring a state of emergency. Office operating hours have been reduced considering curfews imposed. Some **hiccups to future tower rollouts should also be expected**, but for now OCK's customers (mobile operators) continue to push for completion of existing orderbooks.

Downside factors

Key downside risk includes extended inter-state travel ban which could affect OCK's engineering services business as it previously has, resulting in delayed deliveries and slower billings.

Valuation

We maintain our **Buy** call on **OCK** with an unchanged **target price of RM0.59** which is derived from our unchanged 7x EV/EBITDA target multiple. We continue to like OCK for the industry support provided by government initiatives, its leading domestic market share as a service provider in developing telecommunications infrastructure, and long-term growth trajectory.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RMm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	3,283.2	4,528.6	6,014.1	8,167.4	9,909.3
GP	582.3	810.8	1,053.9	1,408.9	1,684.6
EBIT	473.3	691.0	910.5	1,185.8	1,409.4
PBT	434.1	544.8	706.3	1,028.3	1,239.7
PATAMI	387.9	496.6	631.7	919.4	1,114.6
Core EPS (sen)	10.5	13.4	17.0	24.8	30.0
PER (x)	15.9	12.4	9.7	6.7	5.5
DPS (sen)	3.2	4.1	5.5	6.5	7.5
Dividend Yield (%)	1.9	2.4	3.3	3.9	4.5
ROE (%)	18.5	20.4	19.4	20.4	20.8
Net Gearing	0.5	0.8	0.9	0.5	0.5

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

PENTAMASTER

NEUTRAL

Current Price	**RM 6.03**
Target Price	**RM 6.55**
Consensus Price	**RM 6.90**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	PENT MK
Masa Ticker / Stock Code	PENTA/716
Shares Issued (m)	712.3
Market Capitalisation (RM'm)	4,402.1
52 Week Hi/Lo Price (RM)	6.85/2.59
Avg Trading Volume (3-mth)	2,173,203
Est Free Float (%)	57.5
YTD Returns (%)	22.4
Beta (x)	1.22

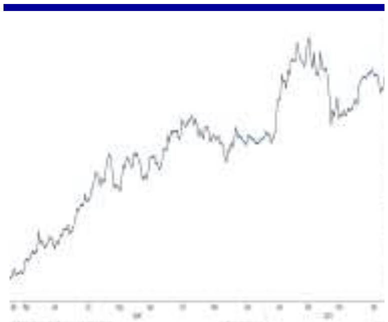
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	11.75	11.43
3 mth	-2.98	-4.63
12 mth	136.51	119.42

Major Shareholders (%)

Chuah Choo Bin	19.7
Prudential PLC	5.1
Kumplan Wang persaraan	5.1

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
Email: davidlai@interpac.com.my

Company Profile

Pentamaster is involved in the non-memory Automated Test Equipment and test handlers for optoelectronics, 3D sensors and high voltage application, factory automated solutions and manufacturing of single-use medical devices. The group's key strength is their reliability in customised test solution equipment and a key supply chain provider for a leading phone maker.

Update

The group has incorporated a wholly foreign-owned enterprise, Pentamaster Technology Limited, in the People's Republic of China for the sale and technical support for automated testing equipment and automation solutions. Penamaster's key automated testing equipment are used in the EV industry, specifically in the power management system. The new entity will allow Pentamaster to better serve its customers and solidify repurchase orders.

Investment merits

Opportunities going forward are: 1) foray into the medical device market with resilient growth potential, 2) tapping into growing demand for high-power electronics in the EV segments, and 3) margin expansion across its segments.

Downside factors

Downside risk includes: 1) technology obsolescence, 2) a sharp appreciation in the Ringgit, and 3) machine installation impediment due to border restrictions.

Valuation

We retain our **NEUTRAL** recommendation and our TP of RM6.55 that was derived from a unchanged target PER of 45x to our forecast CY21 EPS of 14.6 sen.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

CYE Dec (RMm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	422.2	490.1	418.8	586.3	688.4
EBITDA	102.6	155.7	123.9	191.2	231.1
EBITDA Margin (%)	24.3	31.8	29.6	32.6	33.6
PAT	94.0	131.1	112.3	167.2	201.9
PATAMI	57.1	83.0	70.9	103.7	140.0
PAT Margin (%)	22.3	26.7	26.8	28.5	29.3
EPS (sen)	8.0	11.7	10.0	14.6	19.7
Earnings Growth (%)	58.8	45.4	(14.6)	46.2	35.1
PER (x)	75.2	51.7	60.6	41.4	30.7
DPS (sen)	0.0	1.5	1.5	1.5	1.5
Dividend Yield (%)	0.0	0.2	0.2	0.2	0.2
ROE (%)	21.0	23.3	16.0	19.0	19.9
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	12.1	9.8	8.4	6.4	5.8

Source: Inter-Pacific Research, Bloomberg

SERBA DINAMIK

BUY

Current Price	**RM 1.66**
Target Price	**RM 2.48**
Consensus Price	**RM 2.27**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	SDH MK
Masa Ticker / Stock Code	SERBADK/5279
Shares Issued (m)	3,709.6
Market Capitalisation (RM'm)	6,158.0
52 Week Hi/Lo Price (RM)	2.09/1.49
Avg Trading Volume (3-mth)	20,128,360
Est Free Float (%)	32.2
YTD Returns (%)	-5.7
Beta (x)	1.33

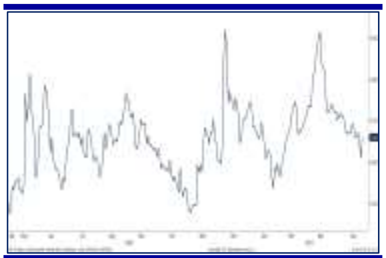
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.0	-4.5
3 mth	3.7	1.6
12 mth	7.1	-10.3

Major Shareholders (%)

Abdullah Mohd Abdul Karim Bin	26.9
Sahib Abdul Kadier	16.0
Employees Provident Fund	10.1

1-Year Share Price Performance



Analyst: Diana Cheok
Email: dianacheok@interpac.com.my

Company profile

Serba Dinamik Holdings Bhd (SDHB) provides **integrated engineering, contracting and maintenance services.** The company also offers information technology solutions, and procurement, construction, and commissioning services. SDHB operates primarily in **Malaysia and the Middle East as well as other regions such as America, Europe, Africa, Central Asia, and South East Asia.**

Investment merits

We like SDHB for its: 1) **strong market position**, 2) an **integrated service provider with a diverse geographic presence**, and 3) **stable revenue** from maintenance projects.

Key updates

- **Full year CY20 PATAMI climbed 27.2% Y-o-Y**, in-tandem with stronger revenue contribution from solid growths in its O&M, EPCC and ICT segments. On the margin front, there were insignificant changes as the group remains selective on job bids.
- **YTD contract wins** is about **RM973.2m.** We penciled-in an estimated orderbook target of RM21b and new project wins for CY21 of about RM10.5b Among the new projects secured includes three new ICT contracts in India, one O&M contract in Indonesia, and one O&M contract in Malaysia.
- New contract win from India is testament to its **increasing foothold expansion in India**

Downside factors

Key downside risks include: 1) slower orderbook replenishment/growth, and 2) dilution from capital raising.

Valuation

We retain our **Buy** call and **target fair value** on Serba Dinamik at **RM2.48**, after raising our earnings forecast for CY21 on stronger ICT and O&M contributions, but slashing our PER peg down to 10x (from 12.5x) as we fine-tune our valuation parameters to better reflect SDHB's operations.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RMm)	CY17	CY18	CY19	CY20(F)	CY21(F)
Revenue	2,722.3	3,283.2	4,528.6	5,700.9	6,562.5
GP	483.9	582.3	810.8	1,014.8	1,168.1
EBIT	382.1	473.3	691.0	881.4	1,008.0
PBT	346.1	434.1	544.8	669.0	825.6
PATAMI	308.1	387.9	496.6	604.8	737.4
Core EPS (sen)	9.1	11.5	14.7	17.9	21.9
Diluted EPS (Sen)*	8.3	10.5	13.4	16.3	19.9
PER (x)	17.5	13.9	10.9	8.9	7.3
Diluted PER (x)*	19.3	15.3	12.0	9.8	8.0
DPS (sen)	3.0	3.5	4.5	5.5	6.5
Dividend Yield (%)	1.9	2.2	2.8	3.4	4.1
ROE (%)	22.3	18.5	20.4	18.3	17.1
Net Gearing	0.3	0.5	0.8	0.7	0.5

Source: Inter-Pacific Research, Bloomberg
**including new issue of shares from fully subscribed private placement*

TASCO BHD

NEUTRAL

Current Price	**RM 1.26**
Target Price	**RM 1.00**
Consensus Price	**RM 1.15**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	TASCO MK
Masa Ticker / Stock Code	TASCO/5140
Shares Issued (m)	800.0
Market Capitalisation (RM'm)	1,008.0
52 Week Hi/Lo Price (RM)	1.48/0.20
Avg Trading Volume (3-mth)	8,777,276
Est Free Float (%)	31.4
YTD Returns (%)	67.4
Beta (x)	0.88

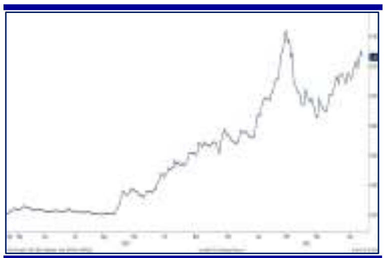
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	24.8	24.4
3 mth	24.1	22.5
12 mth	472.7	455.6

Major Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6

1-Year Share Price Performance



Analyst: Diana Cheok

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Company Profile

Tasco is a **total logistics solutions provider**. Its core businesses are contract logistics, freight forwarding, trucking, and cargo order & vendor management. Tasco also provides warehousing and cold room facilities.

Investment merits

We like Tasco for its: 1) large logistics network via its ultimate parent company, YSK, 2) fully integrated logistics solutions, and 3) strong operating cash flows generation.

Key updates

- **Signed Memorandum of Understanding (MoU) with MAB Kargo Sdn Bhd (MASkargo)** to lay the foundation to provide end-to-end solution in the logistics fulfillment process of Covid-19 vaccines.
- **Tasco Bhd's 70%-owned unit, Tasco Yusen Gold Cold Sdn Bhd (TYGC) buying a 50% stake in** a Sabah-based cold chain logistics company, **Hypercold Logistics** Sdn Bhd for **RM10.6m** as part of its move to expand its presence in East Malaysia.
- A back-of-the envelope calculation showed that **Tasco's FY21F net profit** of RM34.6m **will increase slightly by about 3.0%** based on Hypercold's historical 2019 net profit of RM2.6m, should the proposed acquisition go through.

Downside factors

Key downside risks include: 1) normalising freight rates and volumes post-covid as shipment backlogs clear up, which could see Tasco's freight forwarding business revenue to also normalise in time, and 2) higher operational costs which will eat into margins.

Valuation

We maintain our **NEUTRAL** call on Tasco at an unchanged **TP to RM1.00**, as we remain cautiously optimistic of the still strong demand even though freight rates could moderate this year, albeit not significant, in our view. Our TP is derived from an unchanged target 22x PER peg, +1 STD DEV from the 5-year mean PER of 16.2x against our FY22 earnings estimate of 4.54 sen.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Mar (RM m)	FY18	FY19	FY20	FY21	FY22(F)
Revenue	710.2	736.8	747.4	946.6	867.3
GP	175.5	100.6	109.3	151.2	135.3
EBITDA	75.6	67.8	79.9	114.3	93.7
PBT	42.0	18.7	20.6	60.7	46.5
PATAMI	29.7	13.1	8.9	41.3	36.3
GP Margins (%)	24.7	13.7	14.6	16.0	15.6
EBITDA Margins (%)	10.6	9.2	10.7	12.1	10.8
PBT Margins (%)	5.9	2.5	2.8	6.4	5.4
PATAMI Margins (%)	4.2	1.8	1.2	4.4	4.2
EPS (Sen)	3.7	1.6	1.1	5.2	4.5
PER (x)	34.0	77.2	113.4	24.4	27.7
DPS (Sen)	1.1	2.5	2.0	2.0	2.5
Dividend Yield (%)	0.9	2.0	1.6	1.6	2.0
ROE (%)	8.2	3.5	1.8	7.7	6.7
Net Gearing (x)	0.5	0.8	0.4	0.3	0.3

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

TSH RESOURCES

BUY

Current Price	**RM 1.08**
Target Price	**RM 1.31**
Consensus Price	**RM 1.34**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	TSH MK
Masa Ticker / Stock Code	TSH/9059
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	1,490.6
52 Week Hi/Lo Price (RM)	1.19/0.67
Avg Trading Volume (3-mth)	2,029,768
Est Free Float (%)	34.9
YTD Returns (%)	-6.1
Beta (x)	1.51

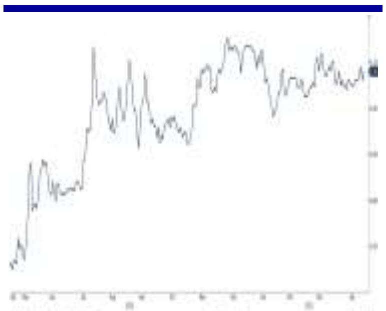
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.82	-2.15
3 mth	6.93	5.28
12 mth	60.00	42.91

Major Shareholders (%)

TAN AIK PENG	14.1
EPF	7.8

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
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Company Profile

TSH is in the cultivation, processing and refining of oil palm with total land bank of 99,520 ha. in Sabah, Kalimantan and Sumatera, of which 42,109 ha. have been planted, at an average palm age profile of 9.2 years, considered relatively young. It also operates seven palm oil mills, three in Sabah and two each in Kalimantan and Sumatera. The group also runs biomass and biogas power plants in Sabah. Other business segments under its ambit are manufacturing and marketing of engineered hardwood, cocoa processing and forest rehabilitation.

Update

TSH's FFB production growth is expected to be around 7%-11% Y-o-Y, backed by increasing yields from its young palm age profile of 10 years, coming from its newly matured plantations in Indonesia. TSH plantation has not experienced worker shortages throughout the Covid period. We expect CPO price to range RM3,500-4,000/mt in 2QCY21 and normalise to RM2,800-RM3,000/mt in 3QCY21.

Investment merits

Opportunities going forward are: 1) sustained high CPO and PK prices up till end 1HCY21, and 2) cost savings from lower interest rate cost.

Downside factors

Downside risk includes: 1) low-than-expected global demand for palm and palm kernel oil, and 2) an increase in Indonesia's minimum wage.

Valuation

We maintain our **BUY** recommendation and TP of RM1.31, based on unchanged valuation of 1.1x CY21 P/B.

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

CYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	906.3	838.9	781.7	875.0	934.8
EBITDA	206.3	211.1	249.9	242.2	276.7
EBITDA Margin (%)	22.8	25.2	32.0	27.7	29.6
PAT	51.5	45.7	72.9	75.7	98.9
PATAMI	40.1	44.3	79.1	65.8	86.1
PATAMI Margin (%)	4.4	5.3	10.1	7.5	9.2
EPS (sen)	2.9	3.2	5.7	4.8	6.2
Earnings Growth (%)	(58.5)	10.4	78.6	(16.8)	30.8
PER (x)	34.5	31.2	17.5	21.0	16.1
DPS (sen)	1.0	1.0	1.5	1.5	1.5
Dividend Yield (%)	1.0	1.0	1.5	1.5	1.5
ROE (%)	2.9	3.1	5.4	4.4	5.4
Net Gearing Ratio (%)	92.7	86.8	79.9	46.2	41.6
Book Value (RM)	0.97	1.00	1.05	1.09	1.15
Price/Book (x)	1.0	1.0	1.0	0.9	0.9
Key Assumption					
FFB production (mt)	857,803	893,579	906,175	750,000	780,000
CPO ASP (RM/mt)	2,086	1,995	2,478	2,700	2,750

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

UCHI TECHNOLOGIES

NEUTRAL

Current Price	**RM 3.16**
Target Price	**RM 3.18**
Consensus Price	**RM 3.62**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	UCHI MK
Masa Ticker / Stock Code	UCHI/7100
Shares Issued (m)	454.2
Market Capitalisation (RM'm)	1,435.4
52 Week Hi/Lo Price (RM)	3.55/2.30
Avg Trading Volume (3-mth)	2,314,386
Est Free Float (%)	60.5
YTD Returns (%)	21.5
Beta (x)	0.85

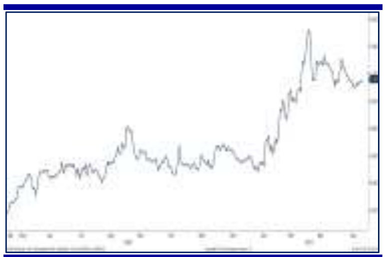
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.6	-2.0
3 mth	19.2	17.1
12 mth	36.8	19.4

Major Shareholders (%)

Eastbow International Ltd	18.4
Ironbridge Worldwide Ltd	7.8
Public Mutual	5.6

1-Year Share Price Performance



Analyst: Diana Cheok

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Company Profile

Uchi Technologies is principally involved in **Original Design Manufacturing (ODM),** specialising in the design of electronic control systems, manufacture, and assembly of components into semi-finished parts and control module. Its main revenue is derived from its European customers.

Investment merits

We like Uchi for its: 1) **excellent dividend payout record** with a 70% dividend payout policy and average historical **dividend yield of 4.5%-6.0%** in the past five years, 2) strong balance sheet that is supported by **stable operating cash flows**, and 3) significantly **higher margins** compared to industry EMS players.

Key updates

- **CY20 revenue slipped 0.9% Y-o-Y,** attributed to the temporary cease in production during 1HCY20, as well as slowing customer orders during the MCO.
- **CY20 core earnings, however, recorded a 10.4% Y-o-Y growth** on the back of stronger operating margins as well as an increase in net fair value gain on financial assets of RM2.0m (CY19: +RM0.6m)
- The group has proposed a final dividend of 9.5 sen a share in 4QCY20, which could translate into a total payout of 17.0 sen for the full-year or a 5.4% dividend yield.

Downside factors

Risks to our call are: 1) lower-than-expected sales orders, 2) margin contractions, and 3) higher operating costs.

Valuation

Although we remain confident in Uchi's long-term growth and its ability generate cash that will support consistent dividend payout, we think that its share price has ran ahead of its fundamentals and as such, we retain our call on Uchi Technologies (Uchi) at **Neutral** with an unchanged **TP of RM3.18**, based on our DDM model on CY21 dividend per share of 17.0 sen (from 12.0 sen) plus cash per share of RM0.35.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Dec (RMm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	140.0	156.7	155.3	169.5	157.3
PBT	72.5	79.0	84.6	85.5	79.3
PAT	69.0	75.9	83.8	84.2	77.7
PBT margin (%)	51.8	50.5	54.5	50.4	50.4
PAT margin (%)	49.3	48.5	54.0	49.7	49.4
EPS (sen)	15.2	16.7	18.5	18.5	17.1
PER (x)	20.8	18.9	17.1	17.0	18.5
DPS (Sen)	34.0	16.0	17.0	17.0	16.0
Dividend Yield (%)	10.8	5.1	5.4	5.4	5.1
ROE (%)	45.8	46.8	46.7	45.5	40.9
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

WELLCALL

BUY

Current Price	**RM 1.08**
Target Price	**RM 1.23**
Consensus Price	**RM 1.28**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	WELL MK
Masa Ticker / Stock Code	WELLCALL/7231
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	477.5
52 Week Hi/Lo Price (RM)	1.25/0.78
Avg Trading Volume (3-mth)	360,731
Est Free Float (%)	72.1
YTD Returns (%)	1.9
Beta (x)	0.86

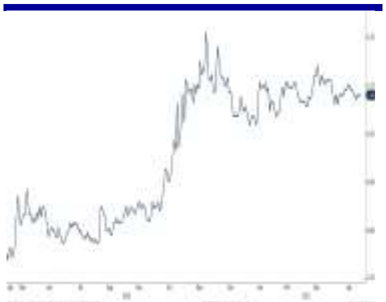
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-2.70	-3.03
3 mth	0.00	-1.65
12 mth	39.35	22.27

Major Shareholders (%)

Maixum Perspective	11.3
OCBC (Nominee Accounts)	10.0
Credit Suisse (Nominee Accounts)	5.4

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
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Company Profile

Wellcall Holdings is the largest low-and-medium pressure industrial rubber hose manufacturer in Malaysia. The company has three production plants located in Perak and it exports to more than 70 countries. Its customers are primarily distributors of rubber hoses. The company has a wide product range catering various industry such as air & water, oil & fuel, welding & gas, automobile, ship building, sand blast hose, cement & concrete, food & beverages and others.

Updates

The pick-up in industrial production and fiscal stimulation is expected to bode well for Wellcall's topline. We envisage the long-awaited U.S. infrastructure development starts to increase the demand for industrial rubber hoses as President Biden's administration proposes to inject $621 billion into transportation infrastructure such as bridges, roads, public transit, ports, airports and electric vehicle development. The group's key raw material, nitrile rubber price has drifted sideways while natural rubber prices are 13% lower than its peak in February 2021. On the Trelleborg's JV, the management does not expect contribution to be material until 2023.

Investment merits

Opportunities going forward are: 1) lean/efficient management that translates into higher margins, 2) sustainable growth in the hose replacement market, 3) contribution from JV with Trelleborg to manufacture & distribute compose hoses, and 4) attractive dividend yields.

Downside factors

Key downside risk includes: 1) raw material commodity price/exchange rate volatility, and 2) global economic slowdown.

Valuations

We maintain a **BUY** recommendation with a TP of RM1.23, based on FY21's EPS pegged to an unchanged target PER of 19.0x (5-year average PER).

TABLE: FINANCIAL HIGHLIGHTS & EARNINGS FORECAST

FYE Sept RM (m')	FY18	FY19	FY20	FY21(F)	FY22(F)
Revenue	171.1	170.1	134.9	161.9	173.2
EBITDA	47.8	53.6	42.7	48.2	51.9
EBITDA Margin (%)	27.9	31.5	31.7	29.8	29.9
PAT	31.7	36.8	28.6	32.2	34.9
PAT Margin (%)	18.5	21.6	21.2	19.9	20.2
EPS (sen)	6.36	7.39	5.75	6.46	7.02
Earnings Growth (%)	-12.4	16.2	-22.3	12.5	8.6
PER (x)	17.0	14.6	18.8	16.7	15.4
DPS (sen)	5.5	5.7	4.5	5.0	5.0
Dividend Yield (%)	5.0	5.2	4.2	4.6	4.6
ROE (%)	29.4	31.6	23.7	25.5	26.2
ROA (%)	24.4	26.6	20.4	21.9	22.7
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	5.3	4.9	4.7	4.5	4.3

Source: Inter-Pacific Research, Bloomberg

INTER-PACIFIC RESEARCH SDN. BHD.
199701033506 (449005-X)

V.S. Industry Bhd

TRADING BUY

Current Price	**RM 2.74**
Target Price	**RM 3.10**
Consensus Price	**RM 3.32**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	VSI MK
Masa Ticker / Stock Code	VS/6963
Shares Issued (m)	1,881.8
Market Capitalisation (RM'm)	5,156.3
52 Week Hi/Lo Price (RM)	3.13/0.84
Avg Trading Volume (3-mth)	9,582,232
Est Free Float (%)	59.2
YTD Returns (%)	5.8
Beta (x)	1.16

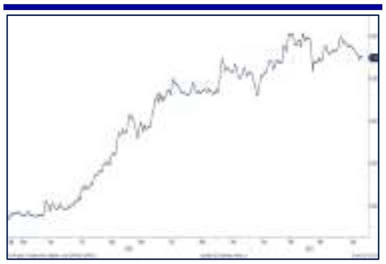
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-3.86	-4.30
3 mth	3.40	1.29
12 mth	204.44	187.03

Major Shareholders (%)

Kumpulan Wang Persaraan Diperbadankan	9.0
Beh Kim Ling	7.2

1-Year Share Price Performance



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Company Profile

As **one of the top EMS players** in the region, VS serves well-known **consumer electronics brands** from around the world. Being a one-stop integrated EMS provider, VS is able to cover the **full project life cycle of a product** including product design, PCBA, plastic injection, final assembly, box-built and testing, as well as supply-chain management. Key competitors in the local landscape include **ATA IMS Bhd**, **SKP Resources Bhd** and **Uchi Technologies Bhd**.

Investment Merits

We like VS for its 1) **strong customer relationships**, 2) **proven track record and experience**, 3) **solid sales and profit growth trajectory**, and 4) **consistent cash generation.**

Key Updates

- **New manufacturing facility in Senai** already completed and **production is expected to commence by end-2Q** this year.
- **Order flows from Customer Y remains on-track** amid transition of manufacturing chain from China to Malaysia.
- **Indonesian business** expected to improve in FY21, in-line with **higher margins.**
- **China** operations expected to remain **in the red,** albeit losses will be narrower due after massive cost-cutting measures in the past few years.
- Potential cut in orders from disinfectant manufacturer as pandemic crisis recedes; sales not imputed in our forecast.

Downside Factors

Key downside risks include: 1.) slower-then-expected vaccine deployment that could slow economic recovery and demand, supply-chain disruptions amid virus resurgence, and 2.) higher net USD receipts that will increase forex risk.

Valuation

We maintain our **Trading Buy** call on **V.S. Industry Bhd** with an unchanged **TP of RM3.10** by ascribing to an unchanged target PER of 19x to its forecast FY22 EPS of 16.4 sen as we expect strong double-digit growth in its topline and bottomline, supported by robust order visibility from key customers in the consumer electronics industry.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE July (RM'm)	FY18	FY19	FY20	FY21F	FY22F
Revenue	4100.7	3978.4	3243.2	4232.2	5101.7
EBITDA	287.8	302.3	253.2	435.9	525.5
PATAMI	151.1	165.4	116.5	251.3	309.5
EPS (sen)	8.0	8.8	6.2	13.4	16.4
Earnings growth (%)	-3.4	9.5	-29.6	115.8	23.1
EBITDA margin (%)	7.0	7.6	7.8	10.3	10.3
PATAMI margin (%)	3.7	4.2	3.6	5.9	6.1
PER (x)	34.1	31.2	44.3	20.5	16.7
Dividend yield (%)	1.7	1.6	0.9	2.0	2.5
P/B (x)	4.9	3.6	3.2	3.0	2.7
ROE (%)	12.2	9.1	9.3	6.2	12.2
Net gearing (x)	0.1	0.0	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research, Bloomberg

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