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STRATEGY NOTE – 1Q2022

CHOPPIER START TO THE YEAR

The global economic outlook will still see growth heading into early 2022 as the world continues to adjust from the pandemic conditions even as it has yet to abate. Still, there could be considerable unevenness to the growth pace as the increased risk and disruptions to the economy could also exacerbate the ongoing supply shortages and keep the inflation elevated.

The challenges in early 2022 is also resulting in a slightly lower global GDP forecast to reflect the softer economic conditions that will still face headwinds from continuing supply shortages, rising inflation and the start of the stimulus tapering for much of the year. Also, demand dynamics may also moderate as the higher prices may lead to reduce consumption and demand.

In the same vein, Malaysia's economic recovery should pick-up pace in 2022, premised on the pandemic conditions easing further, and that the Omicron variant does not escalate. If so, there should be further rebound in the country's economy as the recovery prospects picks up pace that will be driven by the improved outlook in all segments of the economy.

There should also be a stronger revival in capex spending on the back of the improved demand, both from domestic and external sectors, that will see increased investments to meet the heightened demand. As a result, the manufacturing sector's strong rebound should continue into 2022, casting aside the lingering Covid-19 concerns.

Despite the unabated pandemic conditions, global equities have performed convincingly in 2021, riding on the easing pandemic conditions and the corresponding resumption of most economic activities that allowed for a stronger-than-expected earnings recovery. Much of this trend will continue into 2022, but at a slower pace amid the easing economic environment and most of positives of the recovery have been reflected.

Global corporate earnings growth will also soften to 18.4% Y-o-Y due to continuing production constraints, higher cost, tighter margins, easing demand growth and the stimulus tapering. With valuations staying toppish, however, further gains will also be more modest as stock picking could be more selective with defensive stocks and less interest rate sensitive stocks preferred due to the impending tapering. There could also be switching into emerging market equities where they have been persistent laggards.

In 1Q2022, Malaysian equities will remain guarded as well, affected by the FBM KLCI's slower earnings growth of 3.3% Y-o-Y due to the lingering pandemic conditions and the prosperity tax. In addition, domestic corporate leads have been relatively scant that could also prolong the ongoing fickle market conditions. Still, with the country's recovering fundamentals and the generally improving corporate earnings performance in 2022, the selling pressure is likely to be milder and bouts of buying support could emerge that should preserve the key index above the 1,500 level in 1Q2022.

Notwithstanding the choppier market outlook, both the FBM KLCI and FBM EMAS' PERs are at the lower end of their historical forward average of 14x-16x. The lower forward PERs have partly reflected the prosperity tax and although valuations appear fair, in our view, there could be opportunities for these indices to gain ground as the temporary market volatility could provide buy on weakness opportunities on sector leaders that will benefit from the pandemic recovery as well as on cyclical stocks.

Analysts: Research Team

GLOBAL ECONOMIC REVIEW

There were further improvements in global economies with many countries, particularly G8 nations, attaining GDP performances that were close to their pre-pandemic levels in 3Q2021. However, the improvements were expectedly lower than those attained in 2Q2021 that was due to the low base in the previous corresponding quarter as it was the worst of the pandemic conditions when most economic activities were halted to stem the spread of the Coronavirus. At the same time, Q-o-Q economic conditions were also slowed by the rising inflationary pressures and shortage of materials that affected many the manufacturing industries.

Global Quarterly and Yearly GDP

	1Q2021	2Q2021	3Q2021		2019	2020
	Y-o-Y	Y-o-Y	Y-o-Y	Q-o-Q	Y-o-Y	Y-o-Y
USA	0.5	12.2	**4.9**	**2.1**	2.2	-3.5
EU	-2.0	15.3	**4.1**	**2.1**	1.6	-6.1
Eurozone	-1.3	14.3	**3.9**	**2.2**	1.3	-6.6
Germany	-3.1	9.4	**2.5**	**1.7**	0.6	-4.9
France	1.5	18.7	**3.3**	**3.0**	1.5	-8.1
UK	-6.1	22.2	**6.6**	**1.3**	1.5	-10.1
China	18.3	7.9	**4.9**	**0.2**	6.0	2.3
Japan	-1.3	7.6	**1.2**	**-0.9**	0.3	-4.9
WORLD					**2.8**	**-3.5**

Source: Bloomberg

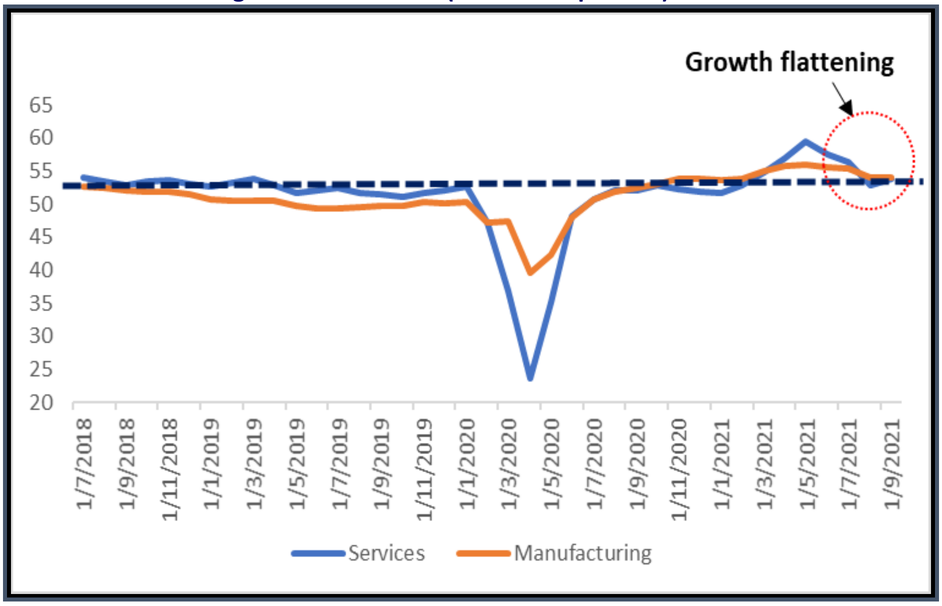
Notwithstanding the milder growth pace, developed countries in the G8 group continues to lead global growth as their recovery strengthened with most of their economic sectors returning to near normalcy. At the same time, there were continued policy supports in the form of quantitative easing and low interest rates that helped to restore economic buoyancy in many countries with the aim of ensuring sufficient liquidity and fiscal support.

Still, economic conditions in the G8 grouping were more subdued due with growth slowing to 2.2% Y-o-Y, as opposed to the 8.6% Y-o-Y growth in 2Q2021. Europe’s growth steadied on the back of the reopening but was somewhat blighted by the high inflation rate and tighter supplies. In Asia, many economies were still affected by the widespread pandemic conditions that saw another round of lockdowns and reduced economic activities.

After posting strong recoveries in 2Q2021, the global manufacturing sector growth was more modest in 3Q2020, affected by the combination of input cost hikes, supply constraints and lower demand for goods that was earlier pushed up by pent-up demand. However, growth was still preserved for the most part amid the sustained global economic recovery. As a result, most U.S. and European economies continue to show an upward trajectory in their manufacturing PMIs, but China’s manufacturing output was more subdued, affected by the supply constraints that also included energy shortages as well as shipping delays.

The global services sector also continues to post improvements with more in-person services performed amid the easing pandemic conditions. However, there were still disparities with Asia’s services sector still seeing unevenness due to the continuing domestic and border lockdowns, while the U.S. and Europe’s services PMIs remained firm, albeit they were lower in 3Q2021 as demand normalises from the pent-up demand that helped the PMIs reach record levels in the previous quarter.

Global Manufacturing and Services PMI (Jul 2018-Sept 2021)



Source: Bloomberg

Even though the U.S.' GDP slowed in 3Q2021, it was still on an upward trajectory. The reduced growth was mainly due to supply chain disruptions and higher inflation that caused consumer spending growth to slow to 7.0% Y-o-Y, down from the 16.2% Y-o-Y increase in the preceding quarter. On a quarterly basis, the slowdown was more pronounced as consumption slowed to just 1.7% Q-o-Q vs. the 12.0% Q-o-Q increase in 2Q2021. Its services segment was also affected with growth also slowing to 7.0% Y-o-Y (2Q2021: -13.8% Y-o-Y) as demand eases from the pent-up demand earlier. At the same time, automobile sales dipped into contraction (-1.8% Y-o-Y) due to parts shortages, while spending on residential properties fell to just 5.4% Y-o-Y, compared to 21.1% Y-o-Y in the previous quarter.

Meanwhile, private investments also slipped with growth slowing to 6.9% Y-o-Y, with fixed investments growth slowing to 8.0% Y-o-Y (2Q2021: 15.0% Y-o-Y). On a Q-o-Q basis, however, private investments grew 11.6% (2Q2021: -3.9%) even as fixed investments were in contraction (-0.3% Q-o-Q vs. 0.8% Q-o-Q in 2Q2021). Exports registered a lower growth of 5.5% Y-o-Y (+18.6% Y-o-Y in 2Q2021) with goods and services diverted to the domestic market due to strong demand. At the same time, imports were also easier with new imports slowing to 12.9% (+30.6% Y-o-Y in 2Q2021.

U.S. employment prospects strengthen with the unemployment rate falling to 4.8% at the end of the quarter and falling to its lowest level since March 2020 – just before the start of the pandemic lockdowns. The economic re-opening continues to generate employment gains in segments like professionals, construction and manufacturing to offset lower retail trade employment. Meanwhile, labour cost continues to rise amid the shortage of workers that saw labour cost increasing the most in 20 years. In 3Q2021, labour cost rose 3.7% Y-o-Y, compared to the 2.9% Y-o-Y gain in 2Q2021. Labour cost increases were also widespread with many sectors reporting higher cost. This also had a bearing on inflation as its CPI rose at its fastest rate in nearly 30 years. Disruptions in global supply chains, strong consumer demand and labour shortages were cited as the main reasons for the surge in inflation. At the same time, the higher rate was also due to the low base a year ago during the height of the pandemic conditions when inflation was virtually non-existence.

Europe's economic growth also moderated after a strong rebound from technical recession in 2Q2021, but the growth was largely within expectations. The improvements were decent and continues to be supported by domestic demand (+4.3% Y-o-Y) and new investments (+9.2% Y-o-Y) even as their growth was slower than those attained in 2Q2021 which were due to the low base effect from a year ago. Spending gains were still helped by further easing of movement restrictions that allowed for employment to pick-up. As a result, the region's unemployment rate fell below the 7.0% level (to 6.8%) for the first time since 3Q2020.

Government spending also slowed to a growth of 2.7% Y-o-Y (2Q2021: +7.3% Y-o-Y) as the pandemic conditions eased. Although new investments grew on a yearly basis, it slipped to a contraction of 0.6% on a quarterly basis as the supply shortages delayed or cancelled new investments. Inflation continues to increase, rising to 2.9% in 3Q2021, up from 2.0% in 2Q2021, on higher fuel cost and supply chain shortages that ramped up prices with countries like Germany and France reporting multi-year highs.

After surging some 25% Y-o-Y in 2Q2021, Europe's exports growth slowed to 8.7% Y-o-Y which was mainly due to the low base effect in the preceding quarter. However, export growth slowed to 1.0% Q-o-Q which was due to the 1.1% Q-o-Q contraction in goods exports but was held up by the 6.8% Q-o-Q increase in export of services. As with most other nations, goods exports slowed due to supply shortages. Correspondingly, Europe's manufacturing sector growth eased to 5.8% Y-o-Y, slipping from 24.3% Y-o-Y in 2Q2021. Quarter wise, the sector's growth was unchanged at 0.5%.

France continues to report big improvements with its GDP growth accelerating on a quarterly basis (+3.0% Q-o-Q in 3Q2021 vs. 1.3% Q-o-Q in 2Q2021) even as the growth moderated to 3.3% Y-o-Y compared to 18.8% Y-o-Y in the preceding quarter. Household spending remained buoyant (+4.9% Q-o-Q) to lead the gains to cushion against lower capex spending (+0.1% Q-o-Q). Exports also firmed up further with growth doubling to 2.5% Q-o-Q on strong external demand.

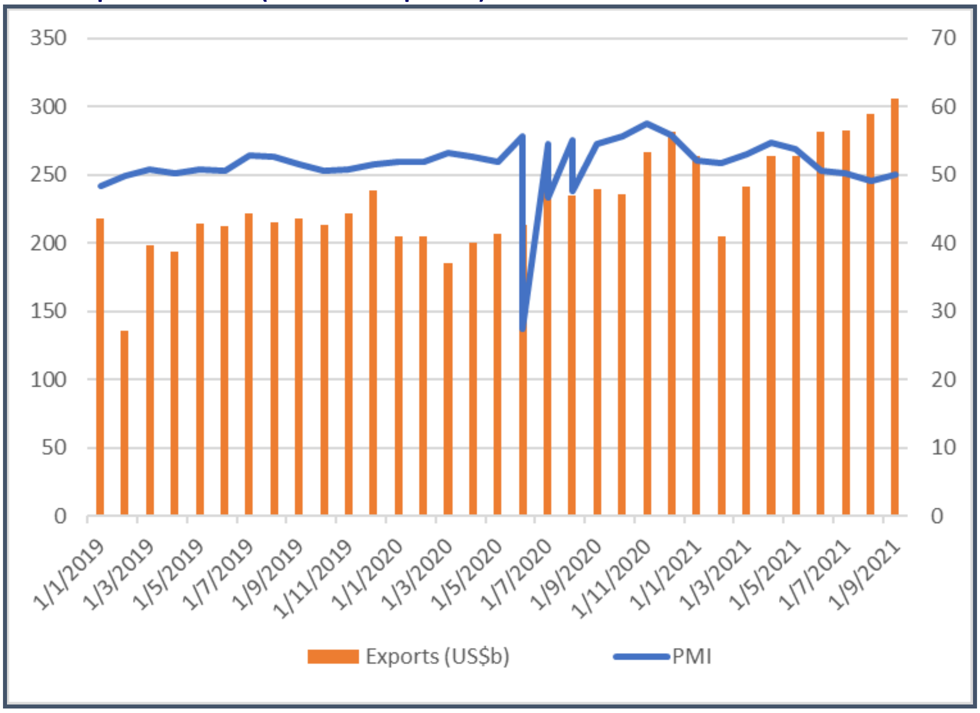
Germany also continues to post decent gains despite the supply shortages as household spending increased by 6.2% Q-o-Q (+3.6% Y-o-Y). Other economic segments were also mostly lower with its manufacturing sector contracting another 2.2% Q-o-Q (2Q2021: -1.0% Q-o-Q) due to higher input prices and tight supply. As a result, its exports were also weaker, contracting 1.0% Q-o-Q (+5.6% Y-o-Y) due to fewer finished goods and inventory.

As with most European countries, the U.K's GDP growth slowed on supply constraints and a resurgence in new Covid-19 cases that affected many of its economic subsectors. Unsurprisingly, its manufacturing sector reported a contraction of 0.3% Q-o-Q (+4.4% Y-o-Y), but its services sector managed to grow 1.6% Q-o-Q (+7.2% Y-o-Y) on higher demand for tourism and other hospitality services. However, exports slipped to a 1.9% Q-o-Q contraction, mainly the result of a steep 5.8% Q-o-Q contraction in exports of goods, albeit services exports growth rose to 3.1% Q-o-Q.

Asia's GDP also eased in 3Q2021, due in part to the continuing pandemic conditions that caused widespread movement restrictions. There were also significant supply shortages and coupled with inclement weather as well as shipment delays, resulted in a weaker economic environment. Domestic spending was noticeably lower during the quarter, but still sanguine manufacturing output in many Asian countries helped to tide their economies through the lockdowns and reduced consumer spending. Still, manufacturing activities slowed due to the outbreaks and had a telling effect on the global supply chain, causing shortages in many electrical and electronic peripherals as well as commodities. North Asian countries managed to report stronger GDP performances due to the fewer Covid-19 outbreaks, but South-East Asian nations saw significant disruptions to their economic performances as another wave of Covid-19 struck.

China's 2021 GDP was slightly above expectations despite its 4Q2021 performance falling short of forecast. Most of its economic metrices slowed during the quarter with domestic consumption in the form of retail sales rising 4.4% Y-o-Y, falling from 7.5% Y-o-Y in the preceding quarter. Regulatory crackdowns and slower economic conditions dampened consumer sentiments, while the property sector remains in turmoil due to loan defaults by several high-profile developers. Its manufacturing activities also eased, albeit slightly, amid the supply shortages, but exports gathered pace due to strong global demand. Export growth rose to 22.3% Y-o-Y in 4Q2021, bringing the whole year's growth to 27.9% Y-o-Y.

China Exports and PMI (Jan 2019- Sep 2021)



Source: Bloomberg

Japan was the sole developed country that reported a quarterly contraction in its GDP due to the heightened pandemic conditions. As a result, its domestic demand slipped back into a contraction of 0.9% Q-o-Q (+0.6% Y-o-Y), with household consumption coming in at -1.4% Q-o-Q (+0.4% Y-o-Y). The shortage of parts had a telling effect on its motor vehicle production that saw output nearly halved on a Y-o-Y basis in September. This resulted in its exports growth also slipping, contracting 2.1% Q-o-Q. At the same time, new investments were also affected with many companies held back their spending until there are further signs of improvements in its economy.

MALAYSIA ECONOMIC REVIEW

Malaysia's 3Q2021 GDP fared worse-than-expected with the Y-o-Y and Q-o-Q contractions exceeding consensus forecast (-2.6% Y-o-Y) as the pandemic and the impact of the corresponding lockdowns were more pronounced, resulting in all key economic segments slipping into contraction again.

Historical Malaysia Quarterly and Yearly GDP

Y.o.Y in %	1Q2021	2Q2021	Latest 3Q2021	2019 (Actual)	2020 (Actual)
Real GDP	-0.5	16.1	**-4.5**	4.3	-5.6
Q.o.Q	*2.7*	*-2.0*	***-3.6***		
Agriculture	0.4	-1.5	**-1.9**	2.0	-2.2
Mining/Quarrying	5.0	13.9	**-3.6**	-0.6	-10.6
Manufacturing	6.6	26.6	**-0.8**	3.8	-2.6
Construction	-10.4	40.3	**-20.6**	0.4	-19.4
Services	-2.3	-2.3	**-4.9**	6.2	-5.5

Source: Bank Negara Malaysia

With the surge in Covid-19 cases, most economic activities were halted during the quarter, particularly services type industries like the construction, retail and hospitality sectors. The ban on interstate travel exacerbated the difficult operating condition that mostly affected the economy in July and August before the restrictions were gradually relaxed from late August onwards.

The construction sector posted the biggest decline among the main economic sectors. All activities – residential and non-residential as well as civil engineering activities stopped and only resumed in the late August when the some of the restrictions were relaxed. At the same time, the broad services sector also saw further contraction with the retail and wholesale segment, as well as the food and beverage segment severely curbed by the lockdowns. However, the sector's weakness was partly cushioned by stronger demand for information and communications services due to continued work-from-home arrangements and online shopping.

Lower production of crude oil and natural gas resulting from the maintenance of some production facilities were the main cause of the contraction in the mining sector. In the agriculture sector, weak production and harvesting due to labour shortages continue to leave the sector in contraction. Nevertheless, improvements in rubber, forestry and livestock subsectors provided some cushioning effects.

The manufacturing sector was not spared from contraction as only essential and export-centric manufacturing activities were allowed to operate. Even so, the capacity was restricted that also tempered the sector's performance. However, the sectors weakness was supported by the allowance for fully vaccinated employees to resume working from mid-August onwards.

In tandem with the overall economic weakness, domestic demand slipped 4.1% Y-o-Y with private consumption and investment activities grinding to a halt. Private spending saw a 4.2% Y-o-Y contraction due to the movement controls that curbed household spending. Consumer spending was further affected by the weaker labour market conditions, but government cash aid and EPF withdrawals provided some support to households. On the other hand, government consumption rose 8.1% Y-o-Y, mainly on expenditures to combat the pandemic, including spending on vaccine supplies.

Key Malaysian Quarterly and Yearly Economic Data

	Quarterly (Y-o-Y change %)			Annually	
Y-o-Y in %	**1Q2021**	**2Q2021**	**3Q2021**	**2019**	**2020**
Domestic Demand	-1.0	12.4	-4.1	4.3	-5.8
Private Sector	-0.9	13.0	-4.4	6.2	-6.0
Consumption	-1.5	11.7	-4.2	7.6	-4.3
Investment	1.3	17.4	-4.8	1.6	-11.9
Net exports	0.8	34.3	-37.5	9.7	-13.0
Exports	11.9	37.4	5.1	-1.3	-8.9
Imports	13.0	37.6	11.7	-2.5	-8.4
Loans disbursements	15.3	36.4	19.2	0.6	5.2
Loans outstanding	3.8	3.7	2.9	4.8	4.0
Total deposits	5.2	4.2	3.9	5.0	3.5
M1	20.0	15.1	10.1	3.6	13.2
M3	5.2	3.8	4.0	5.0	4.9
Unemployment	4.8	4.8		3.3	4.8

Source: Bank Negara Malaysia, Bloomberg

On the investment side, gross fixed capital spending contracted 10.8% Y-o-Y as both private (-4.8% Y-o-Y) and government investments (-28.9% Y-o-Y) slipped during the lockdown, which was unsurprising given that all activities were halted. In particular, spending on structures were most affected as it contracted 26.1% Y-o-Y, followed by machinery and equipment (-10.2% Y-o-Y). There were, however, increased capital spending on computer peripherals by export-based sectors as they ramp-up their capacity to meet the strong external demand. On the public side, the government spent less on construction and repairs due to the lockdowns.

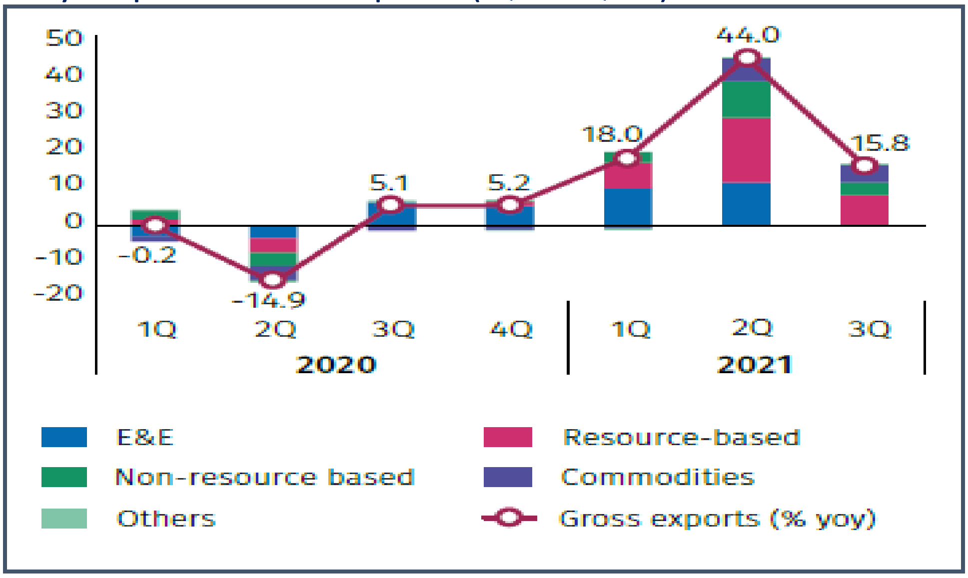
Despite the difficult operating environment, exports continue to expand in 3Q2021, rising another 15.8% Y-o-Y amid the strong external demand for manufactured goods (+12.9% Y-o-Y) and commodities (+36.7% Y-o-Y). Manufactured goods output was driven mostly by exports of non-E&E products (+25.3% Y-o-Y), particularly for products like petroleum, chemical and metal products. Meanwhile, strong exports of CPO and LNG were the main contributor to the jump in commodities export.

Malaysia Monthly Manufacturing, Wholesale & Retail and Export Performance

Source: Bank Negara Malaysia, Bloomberg

Net exports, however, contracted 37.5% Y-o-Y on account of imports (+21.0% Y-o-Y outpacing exports amid higher import of intermediate good (+27.9% Y-o-Y) and a rise in capital imports (+22.8% Y-o-Y). Still, the trade surplus grew to RM61.3b, compared to RM56.4b in 2Q2021, but the current account surplus slipped to RM11.6b (vs. RM14.4b in 2Q2021) on account of lower investment income and higher outward remittances by foreign workers. The financial account, meanwhile, saw a net inflow of RM22.8b from direction investments (+RM17.6b) and other investments that offset the outflow of portfolio investments (+RM4.3b).

Malaysia Export Growth and Components (1Q2020-3Q2021)



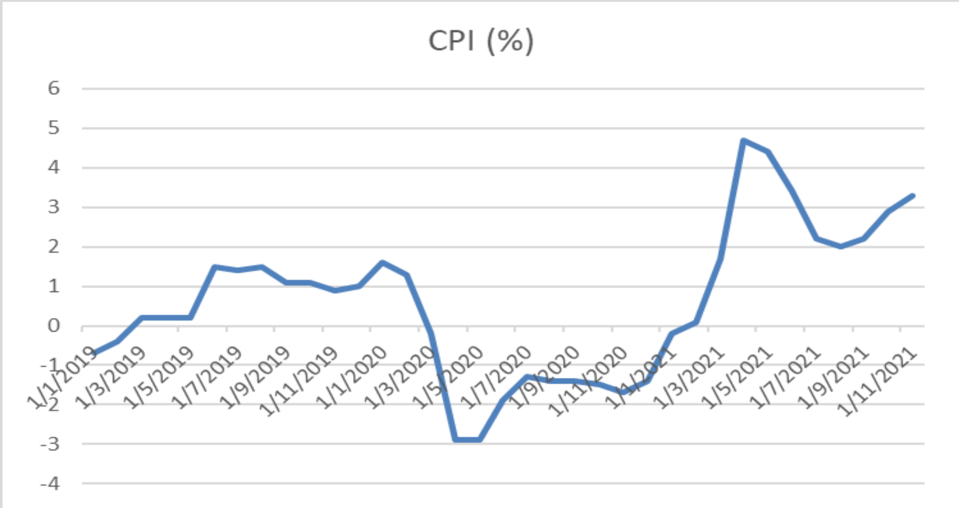
Source: Bank Negara Malaysia

The country's external debt increased to RM1,057b in 3Q2021, which is 70.5% of GDP, higher than the RM1,027b or 68.5% of GDP in 2Q2021. The increases were due to additional SDR allocation (+RM20.8b) from the IMF, although were partly offset by repayment of bank borrowings. In terms of profile, foreign currency debts accounts for 65.3% of the country's total external debts, the bulk of which are undertaken by the private sector. The remainder are largely non-resident holding of domestic debt securities which are not subject to forex volatility. Meanwhile, the country's international reserves amount to $116.1b as at end October, which can cover 1.2x the country's external debts and finance 8.1 months of retained imports.

Labour market conditions became more difficult during the lockdowns in 3Q2021, but the unemployment rate improved slightly to 4.7%, compared to 4.8% in the preceding quarter. This came amid the gradual reopening of the economy in the later half of the quarter as well as reduced number of people looking for work. Private sector wages, on the other hand, declined 0.9% Y-o-Y after improving 2.4% Y-o-Y in 2Q2021 with the services sector wages declining the most (-2.6% Y-o-Y) as the sector was the worst hit by the movement restrictions. Wages in the manufacturing sector, however, rose 2.3% Y-o-Y due to the sustained activities in the E&E, petrochemicals and other essential goods.

Inflation, meanwhile, moderated to 2.2% from 2Q2021 mainly the result of easing effects from the low base in 2Q2020. In addition, electricity cost was lower due to the discounts to the rate for three months. Still, some consumer items saw escalating prices in tandem with the high global prices with items like fresh meat and eggs seeing a big jump.

Malaysia Inflation (Jan 2019-Dec 2021)



Source: Department of Statistics Malaysia

GLOBAL ECONOMIC OUTLOOK

The global economic outlook will still see growth heading into 2022 as the world continues to adjust from the pandemic conditions even as it has yet to abate despite the vaccine availability. However, the onset of the Omicron variant has further complicated the recovery prospects with renewed lockdowns in some European countries as they battle the new variant that is also proving to be more contagious. As such, there could be considerable unevenness to the growth pace as there is increased risk that countries with low vaccination rates will lag in their recovery process.

Even in countries where there is high vaccination, new lockdowns could be a necessity to curb to the spread of the new variant and this could again hamper economic performance and stall the ongoing recovery. In-person industries like travel, tourism and other hospitality will again be most affected by the lockdowns and renewed concerns over the pandemic that is likely to cut demand as well. The disruptions could also exacerbate the ongoing supply shortages and keep the inflation elevated. Already, the ongoing supply bottlenecks is slowing the recovery pace and could further dent the recovery prospects.

Apart from supply bottlenecks, there are already signs that the economic growth momentum is waning as the pent-up demand eases. This has lessened the demand growth, but with the supply imbalances still persisting, demand could remain elevated somewhat.

Selected Countries and Region GDP Forecast (4Q2021-2022)

(Y-o-Y in %)	4Q2021	1Q2022	2Q2022	2021	2022
World	-	-	-	**5.8**	**4.4**
Asia (Ex-Japan)	4.0	4.1	5.1	**7.0**	**5.5**
European Union	5.2	6.3	4.6	**5.4**	**4.3**
Eurozone	4.8	5.8	4.5	**5.1**	**4.2**
G-8	5.5	4.7	3.8	**5.0**	**3.9**
China	3.2	4.2	4.7	**8.0**	**5.2**
Germany	2.3	5.1	4.3	**2.8**	**4.1**
France	5.0	5.7	5.1	**6.7**	**4.0**
Japan	0.5	2.5	2.9	**1.8**	**2.9**
United Kingdom	6.5	5.8	3.8	**6.9**	**4.8**
United States	5.2	4.6	3.8	**5.6**	**3.9**

Source: Bloomberg

The growth forecast for 4Q2021, meanwhile, is largely unchanged with economic conditions reflecting the slower pace in 2H2021 with the supply constraints and higher prices denting the recovery slightly. At the same time, lingering pandemic conditions, particularly in Asia, also affected the growth prospects. In the same vein, the full year forecast for 2021 is relatively unchanged with most of the recovery already reflected earlier in the year, particularly in 1H2021 when there was strong pent-up demand as more countries re-opened their economies from the pandemic lockdowns.

The forecast for 2022, however, have been tweaked slightly lower to reflect the softer economic conditions that will still face headwinds from continuing supply shortages, rising inflation and stimulus tapering. At the same time, demand dynamics may also moderate due to stubbornly high inflation rate that is expected to reduce consumption.

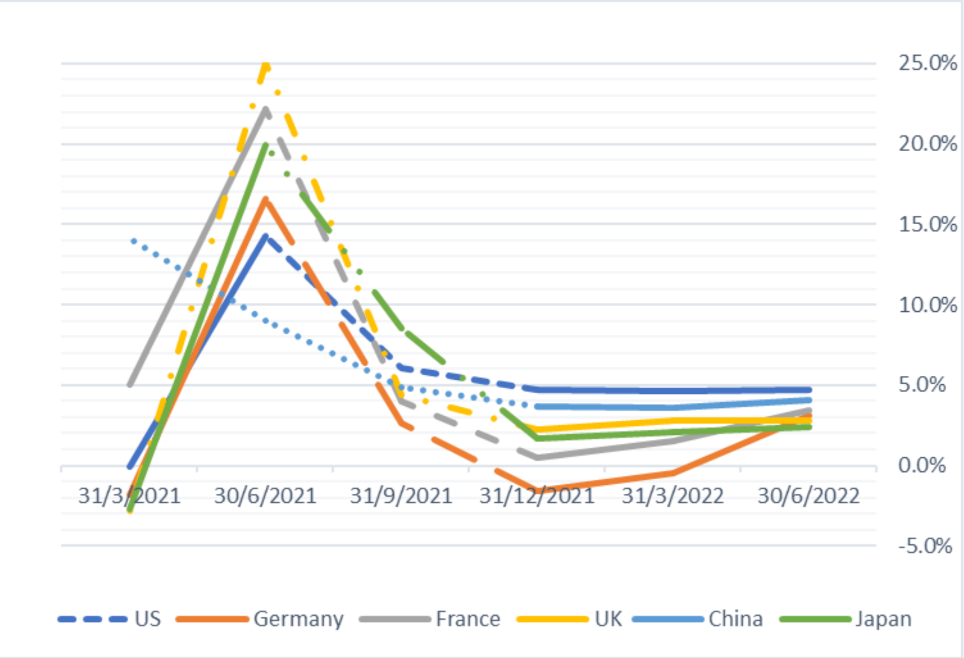
Many Central Banks, particularly the Federal Reserve (Fed) and the European Central Bank (ECB) have signalled their plans to start the tapering process amid to combat inflation where the CPI reached 6.8% in November, which is largest Y-o-Y increase nearly 40 years. The Fed have already started its tapering and will trim its monthly bond buying to $60b starting January (from $90b in December) with more cuts on the cards in the months ahead. The ECB, meanwhile, has indicated that it plans to cut back on its bond buying in 1Q2022, but did not place a specific value or a timeline. Instead, it said that it will continue with its asset purchases to support the economic recovery and may keep the programme well into 2022.

The Fed's tapering could also signal a rise in interest rates with consensus estimates pointing to three rate hikes in 2022, beginning in 2Q2022 with interest rate potentially reaching 0.75% by the end of the year (currently 0.25%). The ECB is likely to raise interest rates at an even more gradual pace, but on the other spectrum, China and Japan are likely to keep interest rates steady in 2022 to support their economy. Nevertheless, the pace and direction of interest rates will still be largely dependent on the state of the economy as 2022 progresses. If inflation remains heightened, interest rates hikes are likely to be hastened, but if it moderates, the hikes are likely to be slower until there are further signs of the economy can sustain its growth trajectory. In any case, the tapering is set to continue and is only its pace will be dependent on the state of the economy.

Meanwhile, global manufacturing activities will continue to by stymied by supply chain issues that could persist until 2023. In addition to supply constraints, logistical issues will further compound the shortages as there is still a tight supply of shipping containers and port congestions that are also driving up freight cost. The onset of the Omicron variant is an added layer of uncertainty as a new round of widespread lockdowns could disrupt production further and prolong the manufacturing lead time. Although the widely anticipated energy crunch in Europe and China is still benign, the shortage of natural gas could temper the optimism and it remains a threat, particularly with gas prices soaring to near record levels and could again heighten inflationary concerns.

Thus far, the global manufacturing data have remained relatively stable in the past few months and growth is expected to persist into 1H2022, despite the continuing tight supply situation. The gains are expected to stay modest due to the continuing supply constraints but is still deemed decent as production gradually catches-up to demand. Nevertheless, the risk of slower output remains due to the new Coronavirus variant and the unresolved input shortages which could still trim output levels.

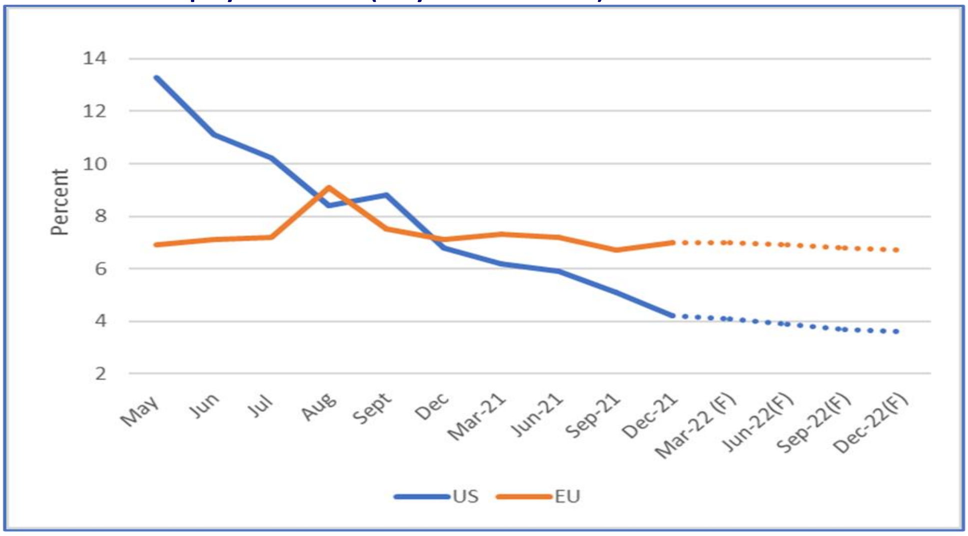
Actual and Forecast of Selected Countries IPI Growth in % (2Q2021-2Q2022F)



Source: Bloomberg

At the same time, there should be further employment gains as the labour market conditions are still stretched despite the lingering pandemic conditions. Much of the gains will continue to be on consumer services like retail, education, tourism and hospitality. While there could be hiccups due to the new wave of Covid 19, the disruptions could be temporary, and this could allow for an acceleration in employment gains later in 2022. Still, the gains could be uneven and will be dependent on the respective country's recovery prospects. Developed nations should continue to lead the employment gains, but their unemployment rates will still be above their pre-pandemic levels at least until 2023.

US and EU Unemployment Rates (May 2020-Dec 2022)



Source: Bloomberg

The U.S. will continue to lead the employment growth with its unemployment inching closer to pre pandemic levels amid the continuing jobs growth without the corresponding increase in labour force participation rate. At the same time, new job openings are expected to be opened-up, potentially driving up labour demand, particularly in the manufacturing sector and professional & business services as the economy continues to recover. However, labour market conditions would still be patchy given that labour turnover rates are still high as the labour market adjust to post-pandemic norms. Nevertheless, U.S. unemployment rates are continuing to improve, falling to 4.2% in November and is poised to fall below the 4.0% by the middle of 2022.

Although employment gains in the EU have picked up pace, the gains could still lag due to the resurgent of the pandemic that could slow new hirings. Even without the onset of the new Omicron variant, employment gains were slow due skills gap as well as a still fragmented economic recovery. As such, the prognosis is for Europe's unemployment rate to remain elevated and slow to recover at least until 2H2022.

Meanwhile, the U.S. economic growth is likely to moderate in 2022 after a strong recovery in 2021. Even so, the growth pace is still deemed sanguine with continuing progress in both the services and manufacturing sectors to underpin growth. However, spending is likely to taper after the strong recovery a year ago with consumer spending growth to slow to 3.8% Y-o-Y in 2022 against the projected 8.0% increase in 2021.

Still, the growth rate will be above the pre-pandemic levels, albeit the earlier pent-up demand for goods and services from the re-opening of the economy has passed along with the end of the government cash handouts. At the same time, discretionary spending could also be dented by the lingering Coronavirus and tapering concerns. On the investment side, private investments should remain on the growth trajectory with a forecast improvement of 5.7% Y-o-Y, lower than the estimated 7.9% Y-o-Y improvement in 2021.

The sustained consumption growth would also allow for its manufacturing sector to maintain its upward trajectory in 2022 with a projected growth of 4.1% Y-o-Y, slightly lower than the forecast 5.6% Y-o-Y growth in 2021. The growth should be attained despite the tight supply and higher input cost as demand is likely to be sustained as well as from meeting the order backlogs.

Still, these impediments may lead to operational bottlenecks and reduced margins due to disruptions and reduced capacity utilisation rates. Meanwhile, the current labour shortages could hasten the move towards automation and smart factory initiatives that would also create latent demand for its manufacturing sector.

Inflation is likely to remain elevated in 2022 and the earlier prognosis that the CPI could be transitory is no longer the case. The combination of supply shortages, higher cost and strong demand are seen as the major factors keeping the inflation rate high at least in 1H2022. The projection is for the CPI to average 4.4% Y-o-Y in 2022, just a slight drop from the 4.7% Y-o-Y estimate for 2021. Even the widely followed personal consumption expenditure rate in the U.S. is widely expected to stay well above the Fed's target of 2.0% Y-o-Y with the estimate for 2022 at 3.5% Y-o-Y (2021 estimate: +3.8% Y-o-Y).

Europe, in 2022, will also continue to see growth but expectedly at a slower rate after the strong bounce back in 2021. As it is, the European economy has recovered at a firmer-than-expected rate last year due to its high vaccination rates with the recovery progress to continue into 2022. While the forecast growth is largely unchanged from the previous estimate, the outlook is still dependent on the developments in the region's Covid-19 condition where a fourth wave in late 2021 is still raging and caused the re-introduction of movement restrictions. Even though the Omicron variant is more transmissible, it is seen as more benign, potentially allowing for the pandemic to resolve quicker and allow for the resumption of economic activities. If so, Europe's economic revival could be hastened.

The region's recovery will also be helped by the ECB's continuing stimulus measures, in contrast to the Fed's tapering moves, as it deems the European economy's recovery is at a different phase to that of the U.S and is still below its pre-pandemic levels. To this end, it will be keeping the €80b monthly bond buying programme until March as planned, before halving it to €40b a month until the end of the year. At the same time, the ECB would also retain its interest rate at -0.5% until it ends its bond buying programme.

Meanwhile, the ECB is undeterred by the surging inflation rate that has reached the record levels since the Euro currency was introduced. It maintains the prognosis that inflation is transitory and will ease in 2022. However, private economist is in the view that the ECB will not be able to hold off raising interest rates for too long as inflation is already causing secondary effects to the economy. Estimates point to the EU's inflation rate remain above its target of 2.0% at 2.8% in 2022, against the estimate of 2.6% in 2021.

Asia's (ex-Japan) economic outlook will moderate in 2022, in tune with the slower global growth. Conditions in 1Q2022 is likely to remain bumpy, sustaining the conditions from late 2021 with inflation and supply bottlenecks to be the major concerns. The U.S. tapering is the latest concern, and the reduced fiscal help could also lead to lower demand growth, affecting the region's manufacturers and commodities producers, albeit the impact is unlikely to be debilitating due to the ongoing shortages. Another worry is the re-emergence of Covid-19 cases with many north Asian countries seeing a spike in new cases that could dent the recovery prospects.

China will continue to see challenges to its economy in 2022 with ongoing regulatory restrictions, fewer domestic drivers, and slower external environment to slow its growth in 2022. Higher input and energy cost, supply shortages and shipping delays could halve its industrial production output growth in 2022 to just 5.0% Y-o-Y. Consumer spending growth is also expected to taper with retail sales growth forecast to also halve to 6.7% Y-o-Y., while new capex spending growth is forecast at just 5.2% Y-o-Y amid the reduced demand.

The Japanese economy, on the other hand, is still expected to post a stronger recovery in 2022, sustaining the gains from 4Q2021 on the back of improvements from domestic activities that would strengthen its recovery as it continues to move out of the pandemic conditions. Consumer spending growth is expected at 3.3% Y-o-Y, a two-fold improvement from 2021, with investments also poised to grow 4.0% Y-o-Y, from no growth. Nevertheless, manufacturing activities may lag with growth slowing to 4.9% Y-o-Y due to ongoing supply disruptions and higher prices.

In the rest of Asia, growth should sustain, but at a slower rate pace as the pent-up demand is likely to wane. Domestic activities are seen supportive of growth amid the easing pandemic conditions. External sectors should also perform credibly due to the ongoing shortages, particularly for commodities, but inflation and tapering concerns could place a dampener on the growth prospects. At the same time, the risk of a resurgence of the pandemic remains high and may also severely affect the region's performance is another wave strikes.

MALAYSIA ECONOMIC OUTLOOK

Malaysia's economic recovery should pick-up pace in 2022 on the assumption that the pandemic conditions ease further, and that the Omicron variant does not escalate. If so, there should be further rebound in the country's economic environment as the recovery prospects picks up pace that will be driven by the improved outlook in almost all segments of the economy with the manufacturing, services and commodities segments to lead the recovery. There improvements will also spill over the labour market with the unemployment rate tipped to fall below the 4.0% level as the employment prospects pick up in tandem with the economic recovery.

In the interim, 4Q2021 performance should be an improvement over the preceding quarter due to the move into the fourth phase of the recovery, with many services-oriented industries such as construction, tourism and retail activities were allowed to resume. At the same time, the country's manufacturing and export activities remained robust to lend support to the growth prospects with the forecast GDP growth to come in at 2.1% Y-o-Y, and potentially bringing the full year GDP growth to 3.5% Y-o-Y, which is lower than the previous forecast recovery of 4.1% Y-o-Y. Nevertheless, these improvements could set the stage for a stronger start to 2022 with many economic metrics continuing to show strong recovery in the final months of 2021.

Malaysia Consensus Economic Data

in %	4Q2021 (E)	1Q2022 (F)	2Q2022 (F)	*2021F*	*2022F*
Real GDP (Y-o-Y)	3.0	2.4	4.9	***3.5***	***5.7***
Real GDP (Q-o-Q)	2.1	2.1	2.2	-	-
CPI (Y-o-Y)	2.9	1.8	1.6	***2.5***	***2.0***
Overnight Policy Rate	1.75	1.75	1.95	***1.75***	***2.10***
Unemployment				***4.6***	***3.9***
Budget Deficit (% of GDP)				***-6.5***	***-6.0***

Source: Bloomberg

Amid the potentially stronger 2022, there should also be a stronger revival in capex spending on the back of the improved demand, both from domestic and external sectors, that will see increased investments to meet the demand. This is particularly so for E&E products that are likely to face tight supplies at least up the latter parts of the year. As such, export-oriented manufacturing industries will continue to see improvements that is also becoming more broad-based to encompass non-E&E products as the global economy is expected to remain on a recovery track.

Other domestic demand growth should also accelerate due to the higher employment rates and should continue to see pent-up demand at a slower pace. Once again, services-type industries could lead growth after activities were curtailed by the earlier movement controls. The country's high population vaccinate rates, coupled with the ongoing booster jab initiative, should firm up demand for both goods and services in the year ahead, despite the Omicron variant looming that still poses a large risk. The easing pandemic conditions will provide a strong booster to the wholesale and retail segments that is assisted by firmer consumer spending on the back of the improved consumer sentiments and bouts of pent-up spending, at least in 1H2022 with the Central Bank estimating an 8.7% Y-o-Y growth in 2022.

Meanwhile, the hospitality sector is also set for strong comeback with the resumption of travel and tourism activities. Further impetus for the sector could emanate from the reopening of the country's borders to foreigners in due course, even as there is still little indication when the borders will be opened due to the emergence of the Omicron variant that is rampant in many countries. Despite the calmer economic environment, there remain concerns that the recovery could be derailed if another outbreak occurs. As such, the pandemic risk has not abated and will continue to be keep the economy guarded.

The manufacturing sector has seen strong rebound over the past few quarters with the trend set to continue into 2022, casting aside the lingering Covid-19 concerns. As production bottlenecks are still prevalent and demand remaining high, the manufacturing sector's outlook remains firm that is also benefitting from increased capex, products and manufacturing capacity to meet the demands for electric vehicles, automation and digitalisation programmes worldwide. There are also increasing diversification trend in Asian countries as semiconductor entities are looking at expanding their supply chain strategies to minimise disruptions. These moves will present opportunities for the country's manufacturing sector to expand as well as moving up the technology and value chain.

Meanwhile, the measures announced in the recent Budget 2022 could also complement the recovery with the cash handouts, employment initiatives, wage subsidies and assistance to SMEs aiding the recovery process. Construction activities are also expected to pick-up pace, while the agriculture sector should benefit from high prices and streamlining of the palm oil levies. However, the recent adverse weather conditions could affect production and correspondingly affect the output, particularly in 1Q2022. Manufacturing and services activities could also be affected by the recent floods that affected some states and may take months to be fully restored.

Fiscal and monetary conditions are also expected to remain largely accommodative in 2022 with the low interest rate regime to continue despite the inflationary concern. However, the inflation rate is expected to stay above the pre-pandemic levels and could average 2.1% over the next few years. Apart from cost-push inflationary concerns, supply constraints show few signs of improving as yet and may linger into next year. The shortages, brought about the combination of pent-up demand, depleted inventory and disrupted production, could affect local production given the linkages of the country's manufacturing sector to that of other countries.

If inflation stays stubbornly high, BNM may also be compelled to lift interest rates sooner than anticipated. Even so, the rises are likely to be modest for now as the inflation rate is still manageable and this would allow the Central Bank to keep the increases measured to ensure that the economy is unduly burdened by higher rates. Nevertheless, the Central Bank is widely expected to raise interest rates to 2.05% due to the improving economic prospects in 2022, from the current 1.75%.

Meanwhile, BNM's projected 2022 GDP growth of 5.5%-6.5% is an attainable target as the worst of the pandemic conditions have already passed. Although there will still be some hesitation, and the recovery may still be measured due to the lingering pandemic conditions, the recovery path appears clearer that should be supportive of the country's recovery prospects ahead.

GLOBAL EQUITY MARKET REVIEW

For the most part, global equities were stable in 3Q2021, helped by the economic re-opening theme. There were bouts of volatility, however, with much of it due to tapering concerns, but better-than-expected corporate results and economic data provided the continuing market impetuses. The tapering concerns were also cast aside as Central Banks stayed steadfast with the continuation of widespread stimulus measures and low interest rates that saw equities remaining the preferred investment vehicle.

This helped the MSCI All World Index to gain 6.4% in 4Q2021 and up 16.8% for the year, despite the bull market climbing a wall of worry over steep share price valuation, supply chain congestion, inventory shortages, Covid-19 virus and inflation. The S&P, Dow Jones and Nasdaq continues to rally in 4Q2021, providing a strong positive return at the end of the calendar year. Strong earnings growth drove the equities higher despite the market had to digest rising inflation, emergence of the Omicron variant, stalled fiscal stimulus policy (Build Back Better plan) and hawkist policy hints from the Fed.

Global Stock Market Performance Summary

Indices	31 Dec 2021 Closing	30 Sept 2021 Closing	QTD change (%)	31 Dec 2020 Closing	YTD change (%)
FTSE Bursa Malaysia KLCI	**1,567.53**	**1,537.80**	***1.93***	**1,627.21**	***-3.67***
MSCI ACWI	754.83	709.51	*6.39*	646.27	*16.80*
DOW JONES INDUS. AVG	36,338.30	33,843.92	*7.37*	30,606.48	*18.73*
S&P 500 INDEX	4,766.18	4,307.54	*10.65*	3,756.07	*26.89*
NASDAQ COMPOSITE	15,644.97	14,448.58	*8.28*	12,888.28	*21.39*
FTSE 100 INDEX	7,384.54	7,086.42	*4.21*	6,460.52	*14.30*
CAC 40 INDEX	7,153.03	6,520.01	*9.71*	5,551.41	*28.85*
DAX INDEX	15,884.86	15,260.69	*4.09*	13,718.78	*15.79*
NIKKEI 225	28,791.71	29,452.66	*-2.24*	27,444.17	*4.91*
HANG SENG INDEX	23,397.67	24,575.64	*-4.79*	27,231.13	*-14.08*
SHANGHAI SE COMPOSITE	3,639.78	3,568.17	*2.01*	3,473.07	*4.80*

Source: Bloomberg

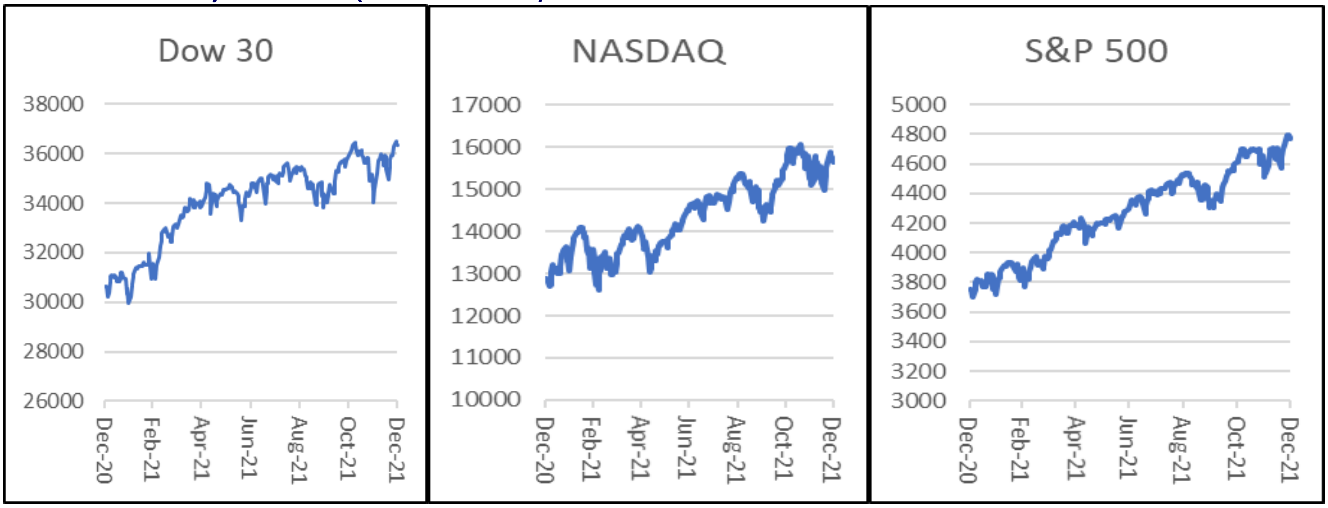
MSCI All World Index (Dec 2020 – Dec 2021)

Source: Bloomberg

Sector wise, some of the strongest returns in the quarter came from the information technology, materials and REITs. Information technology stocks benefited from positive surprises in earnings growth, while materials stocks benefited from roaring prices in respond to supply chains constraint. REITs recorded gains and was unfazed by the Omicron variant and held up by strong demand. Growth stocks outperformed value stocks in 4Q2021, albeit it is too early to put a stake in the ground and declare the streak will continue in 2022.

Despite the US market making record high, the percentage of US stocks trading below their 200-day moving average inched up marginally to 52.4% in 4Q2021, from 52.1% at the end of 3Q2021. By market capitalisation, large-cap stocks outperformed small-cap stocks in 4Q2021. The 2’s/ 10’s Treasury spread fell to a year low of 78bps. The flatter curve reflects slowing growth, but the curve is far from inverted.

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

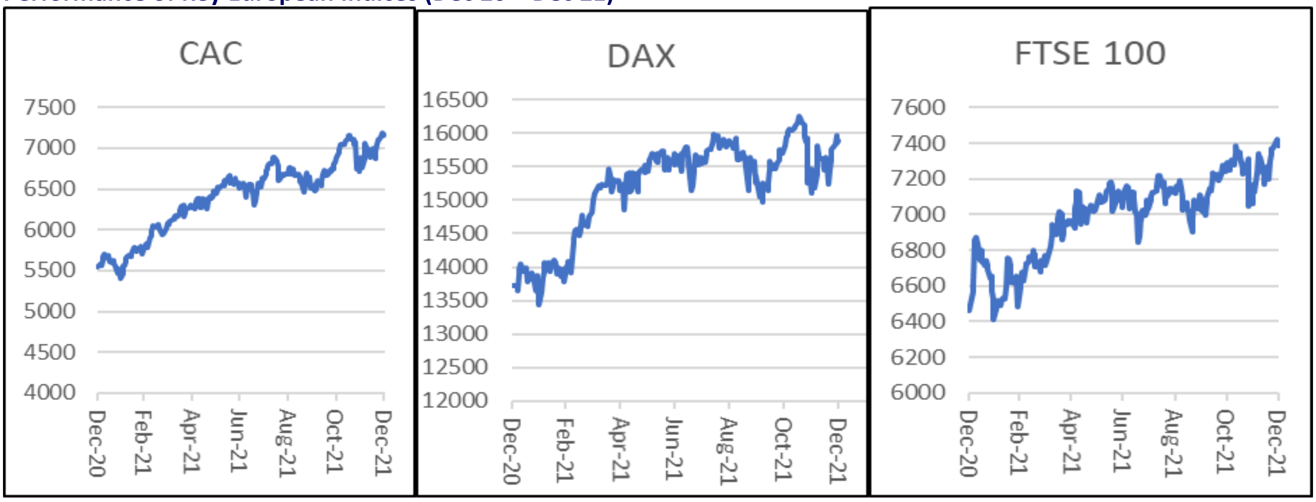


Source: Bloomberg

UK equities rose 4.2% over the quarter despite an initial selloff in November, backed by economic support given to businesses, including a furlough scheme for employees. Aerospace, banking and diversified consumer sectors stocks were the outperformers. The BoE became the first of the world's major central banks to raise rates by 15 basis points to 0.25 percent.

Eurozone shares also made gains in 4Q2021, where the DAX rose by 4.1% Q-o-Q and the CAC increased by 9.7% Q-o-Q as the market reacted positively to strong corporate profits and firm economic outlook against the new Omicron variant, despite a number of countries introducing restrictions. Utilities, aerospace and banking stocks were among the top performers. Semiconductors also performed particularly well in the backdrop of a higher interest rate environment. The quarter was marked by volatile gas prices which contributed to higher inflation.

Performance of Key European Indices (Dec 20 – Dec 21)



Source: Bloomberg

The Nikkei rebounded on the final month of 4Q2021 after the ruling Liberal Democratic Party's retained a solid majority, clearing political uncertainty as focus shifted to its substantial fiscal stimulus package. This includes direct cash handouts to households in an effort to kick-start a consumption-led recovery in the first half of 2022. There was a positive surprise in the strength of the rebound in industrial production as auto output began to recover from the temporary weakness caused by the global semiconductor shortage.

The Shanghai Composite regain some ground after a slip in 3Q2021, but still underperformed global equities. The People's Bank of China showed more easing bias in its operations, heading the opposite way of other major central banks. In early December, after cutting the reserve requirement ratio (RRR) by 50 basis points (bps), the PBOC lowered the re-lending rate by 25 bps to support agricultural and small enterprises.
There was a broad sell off in the Hang Seng following the emergence of the Omicron variant and increased scrutiny over China's property developers. Continuing tensions between the US and China on a number of issues including cyber security and computer chips also dented market returns. Hong Kong's Omicron outbreak imposed new social distancing curbs and further strained supply chain.

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

Source: Bloomberg

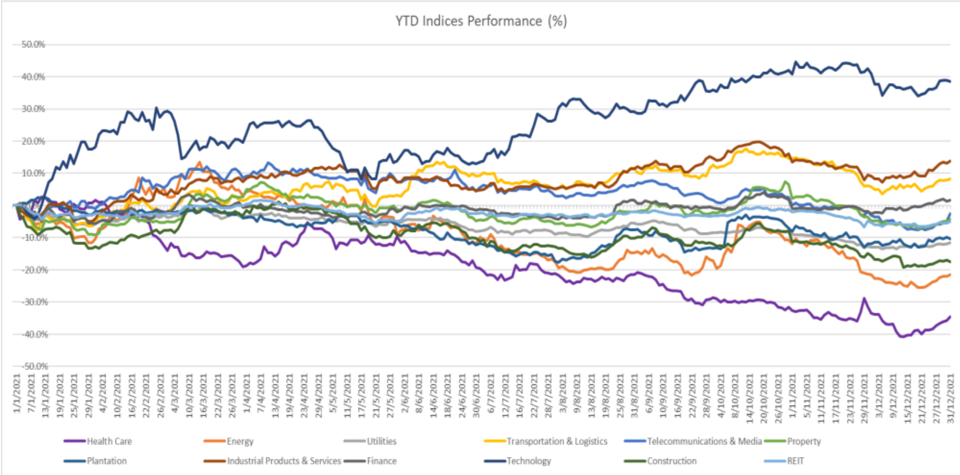
MALAYSIAN EQUITY MARKET REVIEW

Although the FBM KLCI ended 4Q2021 on a firmer note, it continues to lag the global and region's performance in 2021 as it only managed to eke-out a modest gain of 1.9% Q-o-Q, in line with the uptrend in regional bourses to close the year marginally higher. Note that the KLCI lost ground since the announcement of the one-off prosperity tax and higher stamp duty charges in Budget 2022, alongside the more transmissible Omicron strain spreading its infection worldwide that affected the local market. Nonetheless, Malaysian equities managed to defy further downside risk after lodging record high trade values in its November that allayed fears that the country's economic recovery was slowing.

Notable gainers in 4Q2021 included CIMB Group Holdings, Dialog Group and IHH Healthcare, while Top Glove Corporation, Genting as well as Mr DIY Group Malaysia led the laggards.

Q-o-Q, the FBM Small Cap Index turned choppy and declined by 2.0%, dragged down by a freefall in the share prices of energy, consumer products & services, healthcare as well as telecommunications & media counters such as Sapura Energy (-56.5%), Green Packet (-33.3%), Iconic Worldwide (-37.5%) and Adventa (-14.0%). Y-o-Y, the Small Cap index grew minimally at 1.3%. As for the FBM ACE Index, the downtrend was more prevalent - underperforming all sub-and sector-indices by 10.3% Q-o-Q and 40.2% Y-o-Y respectively. The drop was mostly the result of lacklustre trading throughout the quarter.

Bursa Malaysia Indices Performance 2021 (in %)



Source: Bloomberg

In terms of trading activities, both trader volume and value plunged by 60.9% Y-o-Y and 47.4% Y-o-Y in 4Q2021 respectively. Q-o-Q, trading volume declined by 23.3%, while value dropped by 12.2%. For the full-year, traded volume and value also underperformed by 22.0% Y-o-Y and 15.8% Y-o-Y respectively. The pullback in the trading activities of Malaysian stocks was mainly due to tepid local sentiment stemming from the pandemic risk and sending most market players to the sidelines.

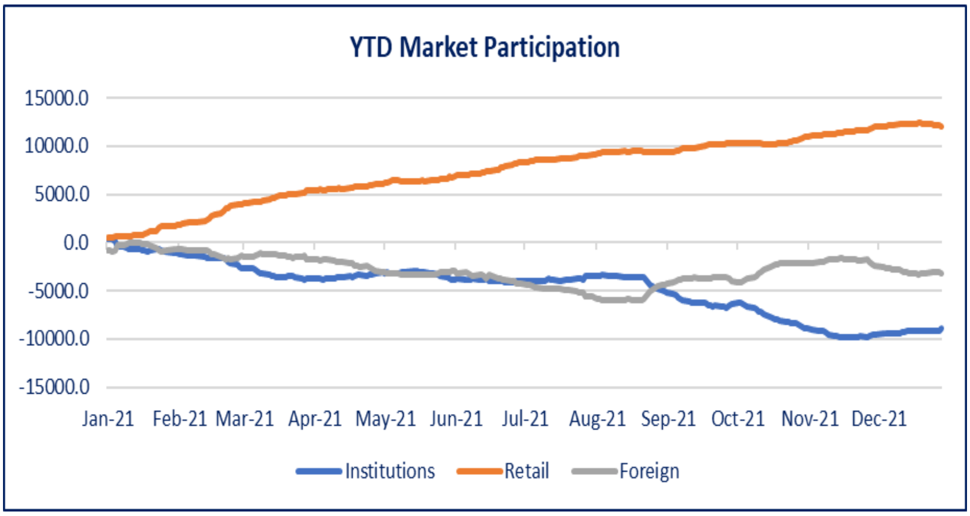
Bursa Malaysia Market Participants

Volume (m)

4QCY21	4QCY20	Y-o-Y chg (%)	3QCY21	Q-o-Q chg (%)	CY21	CY20	Y-o-Y chg (%)
3,504.8	8,972.0	-60.9	4,568.2	-23.3	5,711.4	7,322.7	-22.0

Value (RMm)

4QCY21	4QCY20	Y-o-Y chg (%)	3QCY21	Q-o-Q chg (%)	CY21	CY20	Y-o-Y chg (%)
2,533.8	4,824.7	-47.5	2,886.3	-12.2	3,543.9	4,209.9	-15.8



Source: Bloomberg

SECTOR INSIGHTS

Construction (-6.5%)
Q-o-Q, the construction sector declined by 6.5%, still very much affected by the lingering pandemic conditions and fewer large-scale infrastructure projects. Ageson (-50.0%), Top Builders Capital (-41.7%) and Zelan (-38.5%) were the top three laggards, while Brem Holdings (+53.3%), Hock Seng Lee (+35.1%) and AME Elite Consortium (+19.6%) finished in the top three.

Brem Holdings rose on the privatisation proposal by its major shareholders via a share capital reduction at RM1.20 apiece, while AME Elite is planning to list RM557m worth of its industrial and industrial-related real estate assets through its upcoming REIT in which the group expects to raise RM254.8m from the IPO in 2Q2022.

Property (-2.2%)
The property index shed 2.2% Q-o-Q as the impact of the pandemic has yet to improve. Top laggards include Meridian (-62.9%), Encorp (-48.0%) and Paragon Globe (-31.0%). Top gainers included Country Heights Holdings (+48.7%), Ideal United Bintang International (+40.9%) and Bina Darulaman (+28.9%).

Country Heights Holdings jumped to multi-year high when it announced its joint venture with JD.com to build an omnichannel business in Malaysia which will see the JV building the first physical store with 100,000 sq.ft. of retail space.

Technology (+2.0%)
The technology index was up by 2.0% Q-o-Q, still riding on the optimism of the growing semiconductor industry. Leaders included Cuscapi (+21.7%), Elsoft Research (+18.9%) and Excel Force MSC (+18.8%), whereas Trive Property Group (-50.0%), Industronics (-46.3%) and ARB (-42.3%) led the downtrending shares.

Elsoft Research is likely to continue to ride on the robust upcycle of the semiconductor industry.

Energy (-5.2%)
The energy sector declined by 5.2% Q-o-Q despite a strong recovery in oil prices since the mid-2020. Top laggards included Alam Maritim Resources (-61.5%), Sapura Energy (-56.5%) and KNM Group (-34.8%). In contrast, top gainers were Coastal Contracts (+67.1%), Hisbiscus Petroleum (+16.4%) as well as Carimin Petroleum (+12.5%).

Coastal Contracts rose after it won a RM4.5b onshore gas-conditioning plant project in Mexico in December 2021, while Hibiscus Petroleum, one of the oil field owners in the Anasuria Cluster in the UK, rode on the rising oil prices environment. The group is also acquiring Spanish energy giant, Repsol's Malaysian portfolio, which is expected to further strengthen its future earnings.

Industrial Products & Services (-0.7%)
Industrial products & services index retreated less than 1.0% Q-o-Q with ATA IMS (-76.6%), Bintai Kinden Corporation (-64.5%) and Sarawak Consolidated Industry (-53.9%) leading the losers, while EP Manufacturing (+132.6%), Ajiya (+98.2%) and Chin Hin Group (+94.1%) topped the gainers.

ATA IMS was embroiled in labour rights issues where it was whistle blew by a human rights activist for violating the human rights of its foreign labours. The group was then shunned by its biggest client, Dyson when the latter relocated its manufacturing orders to the peers of the group. On the flip side, EP Manufacturing is tapping into the long-hailed green technology via a collaboration with Malaysia Automotive, Robotics and IoT Institute (MARii) and Pecca Group to develop electric vehicle (EV) production technologies.

Plantation (+3.5%)

The plantation sector was among the big movers when it gained 3.5% Q-o-Q. Ta Ann Holdings (-18.2%), Gopeng (-15.5%) and Cepat Wawasan Group (-14.8%) topped the losers, but Far East Holdings (+19.4%), Innoprise Plantations (+13.4%) and Kim Long Resources (+9.6%) led the gainers.

Plantation counters benefited from the rising crude palm oil (CPO) prices, surging from the RM2,000 level in mid-2020 to the recent RM5,000 level. Despite some pullbacks, CPO prices managed to stage a strong uptrend pattern.

Finance (+2.4%)

The financial services index grew 2.4% Q-o-Q, with notable gainers included Apex Equity Holdings (+29.1%), RCE Capital (18.5%), Alliance Bank Malaysia (+14.6%), while laggards were Johan Holdings (-19.0%), Bursa Malaysia (-11.2%) and Syarikat Takaful Malaysia Keluarga (-9.4%).

REC Capital rose as it was set to take a 30% equity stake in a consortium featuring Paramount Corporation, Star Medium Group and another two more companies to bid for one of five digital banking licenses from Bank Negara Malaysia (BNM).

Consumer Products & Services (-4.7%)

The pandemic took a toll on the real purchasing power and hurt the consumer products segment that slipped 4.7% Q-o-Q. The biggest loser was Cheetah Holdings (-70.7%), followed by Sinaran Advance Group (-40.0%) and Iconic Worldwide (-37.5%). However, the drop was partially elevated by China Ouhua Winery (+71.4%), Signature International (+48.4%) and Milux Corporation (+47.7%).

Signature International is venturing into the renovation industry by acquiring a 51% stake in a renovation firm for RM15.3m, helping to shore up its share price.

Real Estate Investment Trust (REIT) (-1.9%)

REITs have not recovered from the pandemic yet even though the movement restrictions were removed, causing the index to underperform by 1.9%. Top losers included Pavilion REIT (-12.0%), Hektar REIT (-11.4%) and Al-Saham REIT (-7.5%), whereas top winners were Axis REIT (+4.6%), Atrium REIT (+4.5%) and Sentral REIT (+4.0%).

Axis REIT rose after it expanded its portfolio of industrial properties with the acquisition of a warehouse logistics facility in Johor for RM32m.

Transportation and Logistics (-3.9%)

The transportations and logistics index dropped 3.9% Q-o-Q, with losses led by PDZ Holdings (-82.7%), Marine & General (-52.2%) and EA Technique Malaysia (-36.0%). However, the drop was partially cushioned by a surge in counters like Complete Logistics Services (+45.1%), See Hup Consolidated (+18.3%) as well as Chin Hin Group Property (+11.8%).

The laggards were all plagued by widening net losses for at least four quarters consecutively. Two-of-the top three gainers were seeking to diversify their earnings base, with See Hup Consolidated proposing to diversify into construction contracts business to further expand its existing business, which is also to reduce dependency on its core transportation business, while Chin Hin Group Property is diversifying into the infrastructure construction segment.

Telecommunications & Media (-4.2%)
Telecommunications & media sector also underperformed with the index falling by 4.2% Q-o-Q as Green Packet (-33.3%), Sasbadi Holdings (-15.6%) and Media Prima (-15.3%) dragged the sub-index lower but was partially offset by growth in heavyweights telecommunications service providers such as Axiata Group (+6.4%), Seni Jaya Corporation (+5.6%) as well as Maxis (+4.4%).

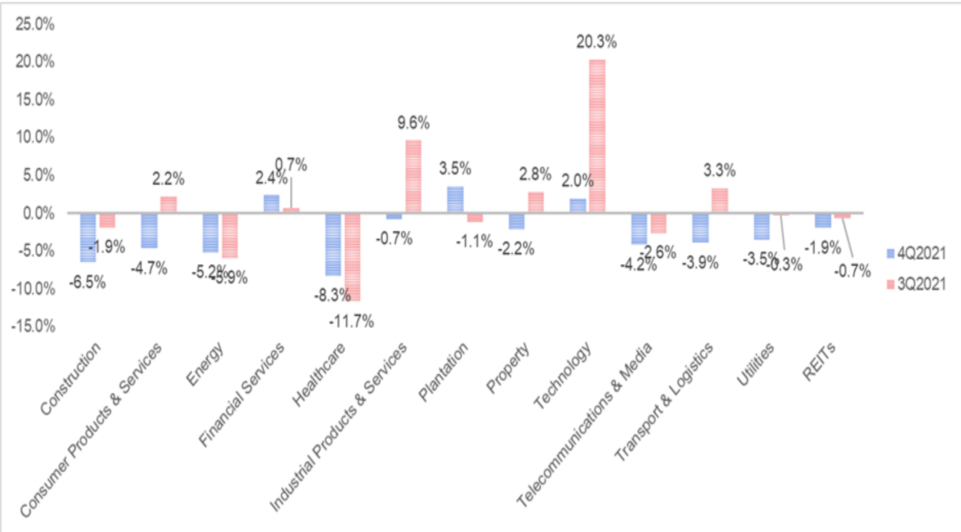
The telecommunication services providers were mostly riding on the on-going 5G services rollout that will be spearheaded by the government.

Utilities (-3.5%)
The utilities sector was one of the laggards, declining by 3.5% Q-o-Q. Ranhill Utilities (-17.6%), Eden Inc (-13.8%) and Malakoff Corporation (-11.7%) led the downtrend, but Salcon (+19.0%), Petronas Gas (+8.2%) and Taliworks Corporation (+6.9%) offered some relief to the sub-index.

Salcon was eyeing to grow its orderbook by partnering with a private firm to jointly undertake water and wastewater infrastructure projects both locally and overseas.

Health Care (-8.3%)
The healthcare industry suffered a setback after a robust run in some of its members evaporated, and the index pulled back by 8.3% Q-o-Q due to underperformance by glovemakers like Supermax Corporation (-34.5%), Adventa (-14.0%) and Kossan Rubber Industries (-12.5%). Nonetheless, non-glove related stocks like Nova Wellness Group (+16.5%), Kotra Industries (+16.1%) and IHH Healthcare (+9.6%) provided some mild support to the sub-index.

Bursa Indices Performance 3Q2021 vs 4Q2021



Source: Bloomberg

GLOBAL EQUITY MARKET OUTLOOK

Despite the lingering pandemic conditions, global equities have performed convincingly in 2021, riding on the easing pandemic conditions and the corresponding resumption of most economic activities that allowed for a stronger-than-expected earnings recovery. Much of this trend will continue into 2022, but at a slower pace amid the easing economic environment and most of positives of the recovery have been reflected. As it is, the pent-up demand driven rebound is ending and the global economic environment is moving further into normalisation that would allow for the consumer and business activities to stabilise.

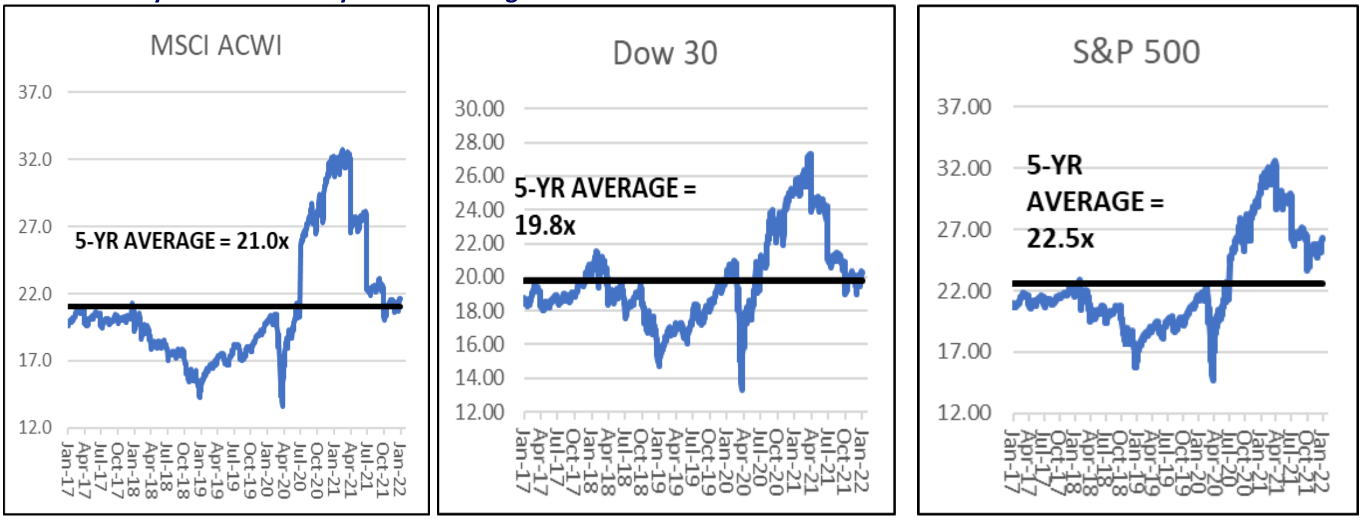
Going into 2022, the normalisation process will include the stimulus tapering where the Federal Reserve has given its biggest hint yet for a potentially more aggressive tapering after it raises interest rates that may include another two times in 2022. The Fed cites high inflation and strong employment gains over the past few quarters as the main reasons for it to trim its stimulus measures. The reduced liquidity is expected to result in increasing volatility as the market adjust to the tapering process and is likely to adjust their portfolios to fewer cyclical stocks, in favour of defensive stocks to ride out the tapering concerns.

At the same time, the pandemic is still affecting many parts of the world and although the health impact may be milder with the Omicron variant, the economic cost continues to mount that would also affect corporate earnings performance and delay the recovery process as governments may be forced to re-implement restrictive measures to control the new infection waves. There are also no certainties that other Coronavirus variants may not emerge that may also cause further consternation to the global economy. Meanwhile, global valuations remain toppish and has remained so for the past 13 months that may slow further ascend as market players await earnings growth to play catch up, despite the PERs easing over the past year.

With valuations staying toppish for the most part, further gains will also be more difficult to come by as stock picking could be more selective, particularly among stocks where their valuations have been more than reflected. There should also be moves into defensive stocks in the commodities and utilities sectors as well as less interest rate sensitive stocks in view of the impending tapering. Meanwhile, there could also be switching from developed countries equities to emerging market where valuation have remained relatively subdued over the past year due to their relative under performance that has given rise to attractive value propositions.

Although the fiscal and monetary tapering process is about to commence, the pace is widely expected to be moderate, thereby provide ample support to equity markets, even as the Fed is hinting of more aggressive tapering in view of the heightened inflation pressure. The ECB is also steadfast on its tapering process and will maintain a gradual pace of tapering in 2022. The measured tapering pace will leave ample liquidity in the global market and allow for equities to remain in favour for longer as interest rates will remain accommodative for longer.

Selected Key Global Index 5-year PER Averages



Source: Bloomberg

U.S. equities looks to endure a choppier market condition in 1Q2022 on the resurgence of the Coronavirus that is likely to challenge its economic undertone and potentially result in lower corporate earnings as demand, particularly for in-person services, will decline substantially. Other industries will also not be spared due to the high infection rates that would also slow both the demand and supply dynamics. Already, the consensus earnings growth estimates for the upcoming two quarters have been trimmed to reflect the more severe pandemic conditions.

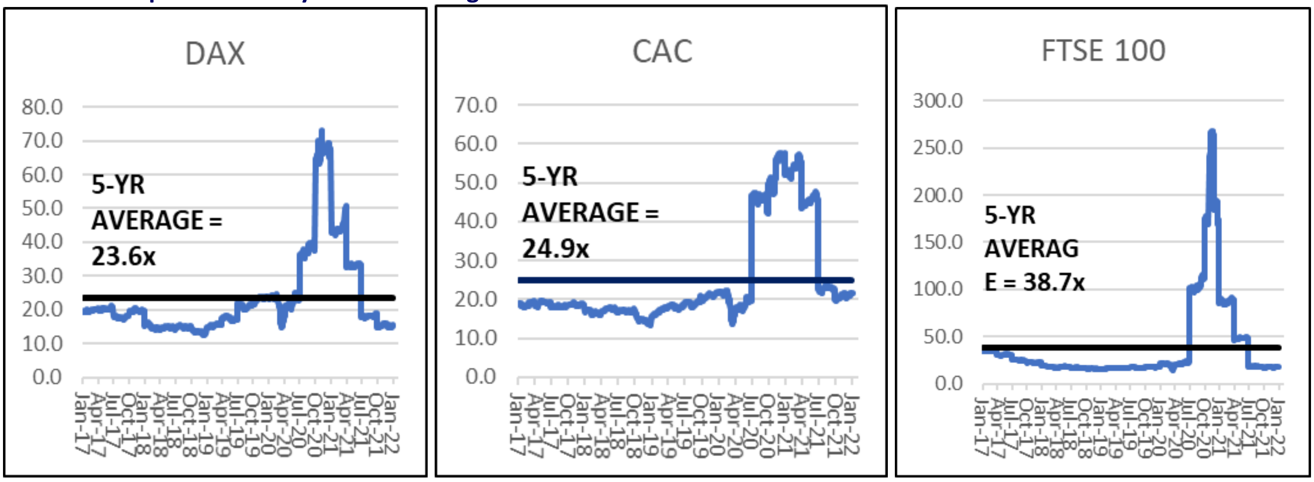
At the same time, the tapering process is likely to accelerate that may also leave market conditions volatile for longer. For the most part, however, the tapering will still leave monetary and fiscal conditions accommodative and leave sufficient impetus for U.S. equities to mount a recovery in the quarters ahead when the Omicron variant runs its course.

Europe is also in the midst of battling the Omicron variant and its economic and corporate earnings performances in 1Q2022 will also be similarly affected by latest outbreak that has necessitated another round of restrictions, albeit they are less severe than the earlier lockdowns. However, valuations remain compelling despite several key European indices posting new highs as inflationary concerns continue to leave markets choppy earlier. There are also concerns over the high inflation rate and supply shortages that could also delay the recovery.

For now, Covid-19 remains the main risk to its recovery, with inflation to also keep sentiments in check. However, with the expectation that the pandemic will likely diminish substantially by late summer 2022, the upside potential remains among European equities, albeit near term market conditions could still be choppy for the time being due to the pandemic conditions.

In the meantime, the ECB's continuing monetary and fiscal support will provide ample cushioning to European equities, despite the potentially more volatile market conditions. The ECB is set to maintain its accommodative monetary policies in 2022 with the view that inflation will ease in the upcoming quarters, and this will help to keep equities in favour for longer. At the same time, its tapering process could be more measured, thereby providing ample support for equities in 2022 as liquidity levels will not be stifled.

Selected European Index 5-year PER Average



Source: Bloomberg

Asian equities have remained relative underperformers in 2021 and valuations continue to look attractive with its PERs hovering at their lowest level since the recovery from the pandemic nearly a year ago. As it is, earnings growth is preserved, albeit at a slower rate, with strong orders flow for the manufacturing industry in most regional countries. There remains strong demand for E&E products globally and will continue to drive the market's performance. However, higher input cost, supply shortages and logistical issues will also prolong and affect corporate earnings performance in 2022. While valuations and prospects appear sanguine, there has been little support for many Asian equities of late, but the buying is likely to be more selective with preference for equities of countries which are likely to post firmer recovery for the pandemic conditions.

China stocks could continue to lag due to weak property market, its zero-Covid policy as well as its regulatory crackdowns on some of its economic sectors like the entertainment and education sectors that are affecting its consumer sentiments. However, the Chinese government will continue to provide ample support to its economy to ensure that growth is sustained, and this strengthen some of the country's corporate fundamentals and re-position its economy for the post pandemic era.

Japanese equities have also lagged global peers, but with the pandemic conditions easing and corporate earnings to stay relatively stable, there should be renewed buying impetus as its valuations are still undemanding with the recovery also tipped to pick-up further and potentially lead to firmer earnings revision later in the year. Its more stable political environment will also aid the recovery of its equity market with small and mid-cap stocks emerging as forerunners.

Meanwhile, South-East Asian equities may find more solace as they re-open their economies further despite the Omicron threat and the strong uptake of their manufacturing and commodities output will greatly help their recovery. However, their gains could be more modest as valuations are fair that could result in some tentativeness at the start of the year, before making headway later in the year as the prognosis is for firmer earnings recovery when the pandemic subsides further.

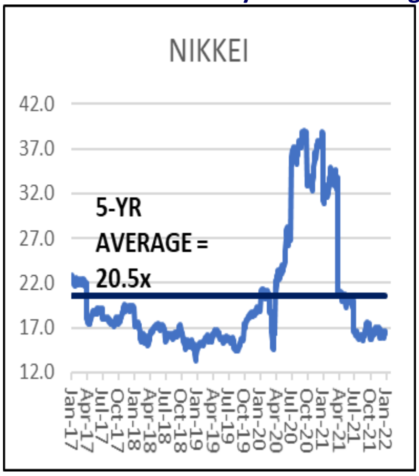
On the whole, global corporate earnings should continue to tip higher in 2022 with the MSCI All World Index forecast improvement of 18.2% Y-o-Y, which is higher than the previous forecast of 7.0% Y-o-Y, with the revised forecast mainly due to weaker earnings growth in 2H2021 that was hampered by the lingering pandemic conditions and supply shortages. Pent-up demand for goods and services also moderated during the period. As a result, 2021's corporate earnings are now expected to only improve 67.0% vs. the earlier forecast of 76% Y-o-Y.

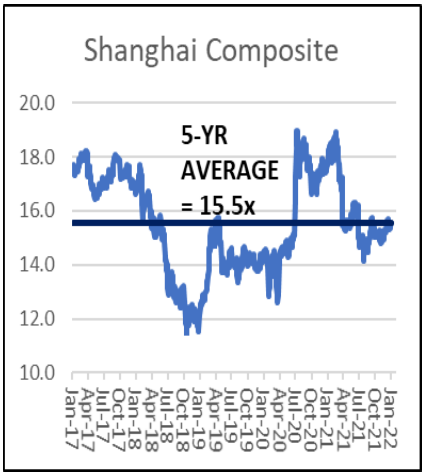
U.S' earnings forecast is seeing the steepest revision with 2021's earnings now expected at 48.6% Y-o-Y on the S&P 500, compared to the previous forecast of 63.0% Y-o-Y due to supply shortages and tighter margins from higher prices. Still, the growth rate is commendable as the growth will be among the highest on record.

Over in Europe, corporate earnings are expected to come in at 175% Y-o-Y, which is also lower than the previous forecast of 215% Y-o-Y due to higher inflation and supply constraints that has slowed earnings growth since the start of 2H2021.

In Asia, meanwhile, earnings growth will also slow to 44.3% Y-o-Y in 2021, just a shade lower than the 48.0% Y-o-Y growth forecast in the previous quarter. Earnings growth in the region is largely preserved by the high commodity prices as well the re-opening of their economies from the pandemic, but slower China earnings is dampening the overall earnings outlook.

Selected Asian Index 5-year PER Averages





Source: Bloomberg

Going into 2022, corporate earnings growth will continue to soften on the back of the continuing production constraints, higher cost, tighter margins, easing demand growth and stimulus tapering. Nevertheless, the 18.4% Y-o-Y earnings growth projection is a lift from the previous forecast of a 7.0% Y-o-Y growth as some of the above issues could ease as the year progresses, thereby helping to sustain a decent earnings performance in 2022.

U.S. equities is expected to put in a 21.5% Y-o-Y earnings growth, while European stocks are tipped to report 27.0% Y-o-Y growth in earnings, but Asian earnings could slow further to just 15.9% Y-o-Y mainly on slower growth in China that is pursuing a tighter pandemic containment policy as well as the effects of supply shortages and higher cost.

Global equity valuations are still tilted on the expensive side despite the recent market pullback. The MSCI All World Index is trending above its forward average PERs of 14x-16x, albeit they have fallen from overly expensive levels and there could still be upsides later in the year if corporate earnings improve

U.S. equities appears to be most expensive, with the broad S&P 500 index continuing to stay above 20x forward PER in 2022. This is despite the recent market pullback due to the tapering concerns. In the same vein, the Dow Jones Index is also above its historical average of about 16x-18x.

Meanwhile, Europe and Asian equities appear most attractive and may see renewed interest on switching from U.S. equities that are already ahead of its normalised forward PER range. However, the tepid earnings growth in Asian companies may deter strong flow into their stocks.

Selected Key Global Indices Comparative PER

(in times)	2020	2021	2022 (F)	2023 (F)
Dow Jones	25.2	20.2	18.7	17.0
S&P 500	30.7	26.2	20.8	18.9
NASDAQ	59.0	129.1	29.5	25.1
FTSE	85.1	17.7	12.4	12.1
DAX	43.1	15.3	14.2	13.0
CAC	51.9	21.7	15.0	14.3
MSCI Europe Index	**43.4**	**19.3**	**15.1**	**14.3**
Nikkei 225	31.4	16.3	17.1	15.4
Shanghai Composite	17.7	15.6	11.5	10.3
Hang Seng Index	14.1	9.3	11.5	10.1
KOSPI	25.0	13.8	10.3	9.3
MSCI Asia Index	**25.8**	**15.8**	**14.6**	**13.2**
MSCI All World Index	**30.8**	**21.6**	**17.8**	**16.4**

Source: Bloomberg

MALAYSIA EQUITY MARKET OUTLOOK

Apart from the bout of window dressing in late 2021, the Malaysian equity market environment has been relatively subdued, affected by the imposition of a prosperity tax and lingering pandemic conditions that could continue to weigh on market sentiments for longer. At the same time, domestic corporate leads have been relatively scant, while foreign impetuses are also in short supply due to the tapering concerns that could also prolong the ongoing fickle market conditions.

Going into the start of the year, conditions are still largely the same as the above concerns have not dissipated and will still largely dictate the market's movements over the near-to-medium term. In fact, market conditions have become more uncertain as the market continues to price-in the impact of the one-off prosperity tax on companies with earnings above RM100m, which for the most part, will affect most index-linked stocks. This could mean that the volatility could still dominate sentiments and trades in 1Q2022 as investors continue to adjust to the potentially lower earnings in 2022 now that the economic reopening theme has run its course.

Adding to the above concerns, investors will also be keeping a keen eye on the impending U.S and European tapering as well as the interest rate direction to gauge the strength of the market as well as their impact on economic and corporate earnings going forward. Further ahead, BNM is also expected to lift rates, possibly by the start of 2H2022, to be in line with the global trend and this could still preserve the cautious market trend.

Still, with the country's recovering fundamentals and the generally improving corporate earnings performance in 2022, the selling pressure is likely to be significantly milder, and bouts of buying support could emerge that should preserve the key index above the 1,500 level in 1Q2022. The abating selling could allow the key index to find stability and possibly to build up a firmer base above the 1,500 level. At the same time, it also appears that the worst of the pandemic conditions may have passed due to the country's high vaccination rates that may allow it to avoid a hard lockdown even if another wave hits. The avoidance of widespread lockdowns will help to ease economic concerns and more importantly, allow for the economy to sustain its recovery trend and potentially shore up corporate fundamentals in the process.

Meanwhile, the global supply shortages and higher input cost have not had a debilitating effect on Malaysian manufacturers and the broader economy. This eases concern over corporate performance and would also help to keep earnings performance steady. Nevertheless, manufacturers are not out of the wood as yet and the higher input cost and the intermittent shortages may still affect performances as the global supply chain issue remains.

For now, the plantation, telco, energy, banking, technology and selected manufacturing segments looks to fare better in 2022, despite the ongoing volatility as these sectors should continue to ride on firmer demand and benefitting from the ongoing economic recovery, but the imposition of the prosperity tax could weigh on some of their earnings performance. Meanwhile, with fewer new large-scale projects, the construction sector will continue to lag, along with the healthcare sector that will continue to grapple with lower ASPs. Transport related stocks could be affected by higher fuel cost that may dent their earnings. Still, the higher cost will be felt by most economic sectors that could lead to tighter margins.

In terms of earnings growth, 2021's earnings forecast has been raised to 41.0% Y-o-Y, from 36% Y-o-Y earlier, on a stronger 2H2021 performance that was greatly helped by the lifting of the movement restrictions. Consumer spending was exceptionally strong to also reach record levels in what was seen as "revenge spending" following the end of the pandemic lockdowns. At the same time, there were also strong earnings from manufacturers, planters and technology/telco companies on strong global demand.

On the FBM EMAS, however, 2021's earnings growth forecast has been pared down to 83.4% Y-o-Y, from 202% Y-o-Y in the previous quarter on downward revisions due to the prolonged MCOs that affected demand and spending patterns as well as production outputs.

Going into 2022, the FBM KLCI's consensus forecast earnings growth is set to slow further to just 3.3% Y-o-Y (from 9.5% Y-o-Y previously) due to the one-off prosperity tax and slower demand growth due to higher prices. The earlier pent-up demand is also looking to ease with the end of the various government monetary assistance initiatives and demand is also expected to normalise. Earnings could also be dragged by glovemaker's earnings that are likely to stay subdued due to lower ASPs. On the flipside, banks earnings should see firmer growth on the back of the projected rate increases later in the year. Consumer products stocks earnings should also recover after a difficult two years that was affected by the lockdowns.

On the broader FBM EMAS index, however, earnings growth should be firmer at 16.4% Y-o-Y, compared to the previous forecast of 14.7% Y-o-Y as more companies maintain their earnings recovery streak and most companies should be operating close to or at the pre-pandemic levels.

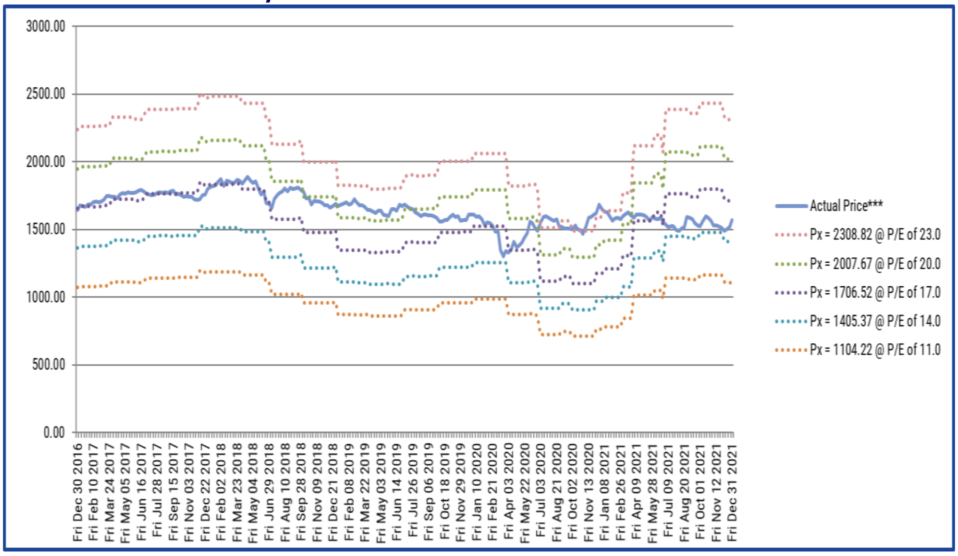
Looking at valuations, both the FBM KLCI and FBM EMAS' PERs are at the lower end of their historical forward average range of 14x-16x. The lower forward PERs have partly reflected the impact of the prosperity tax on corporate earnings. Although valuations appear fair as they are within its historical band, there could be opportunities for these indices to gain further ground as they have traditionally trended above its regional peers. A clear impetus would be a stronger earnings growth prospects in 2022 that would provide the much-needed bolster for stocks to head higher in due course.

Comparative PERs - Malaysia vs ASEAN

(in times)	**2020**	**2021**	**2022(F)**	**2023(F)**
FTSE Bursa Malaysia KLCI	**22.9**	**15.6**	**14.8**	**13.8**
FTSE Bursa Malaysia Emas	**34.2**	**17.9**	**15.0**	**13.3**
FBM KLCI (ex glovestocks)	**24.9**	**17.0**	**15.7**	**14.1**
FTSE Straits Times Index	*37.7*	*19.7*	*13.6*	*11.9*
Jakarta Composite Index	*47.9*	*25.6*	*15.9*	*14.3*
Stock Exchange of Thailand	*37.3*	*15.1*	*17.7*	*15.5*
Philipines PS Index	*32.7*	*23.5*	*17.0*	*14.2*
ASEAN average	***38.9***	***21.0***	***16.0***	***14.0***

Source: Bloomberg

FBM KLCI PER Band – 5 years



Source: Bloomberg

The lower liners and broader market's ascend in 4Q2021 were halted by the increase in stock transaction stamp duty announced in Budget 2022, sending many of these stocks to their year lows where it remained until the year-end window dressing emerged.

However, the near-term outlook remains insipid, hampered by the lack of catalysts and worries over faster tapering that could still leave sentiments on the downside. At the same time, market players are adjusting to the higher transaction cost and are likely to maintain their wait-and-see stance until there is further clarity in the market's direction, which for the time being is likely to stay cautious due to the tapering concerns and lack of fresh leads. The projected firmer earnings growth outlook and less demanding valuations are also unlikely to provide significant impetus amid the guarded market sentiments.

In view of the insipid sentiments, the participation rate could also remain low that could further leave stocks to drift and potentially hover near the lows recorded in December last year for longer. Any upsides could also be limited as follow through buying will still be lacking and most market players are likely to stay indifferent.

Despite the prognosis that the near-term market conditions could remain choppy, the mid-longer-term outlook appears more sanguine with the expected easing of the pandemic conditions that could further bolster earnings recovery. Therefore, the ongoing market volatility are likely temporary and could provide buy on weakness opportunities on sector leaders that will benefit from the pandemic recovery and cyclical stocks.

COMPANY UPDATES

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

ABLE GLOBAL BHD

BUY

Current Price	**RM 1.58**
Target Price	**RM 1.93**
Consensus Price	**RM 2.11**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	ABLE MK
Masa Ticker / Stock Code	ABLE/7167
Shares Issued (m)	0.0
Market Capitalisation (RM'm)	485.9
52 Week Hi/Lo Price (RM)	1.94/1.42
Avg Trading Volume (3-mth)	203,311
Est Free Float (%)	51.7
YTD Returns (%)	-0.6
Beta (x)	1.18

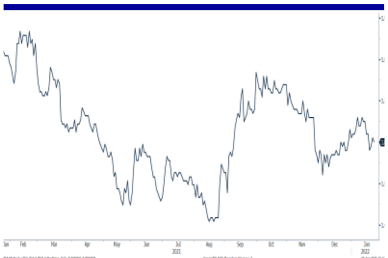
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	0.0	-0.7
3 mth	-7.5	-3.7
12 mth	-14.0	-9.7

Major Shareholders (%)

Goh Mia Kwong	11.6
Ng Keng Hoe	11.2
Goh Swee Wang	7.6

1-Year Share Price Performance



Analyst: Research Team

Email: research@interpac.com.my

Company Profile

ABLE's mainstay is the manufacturing of condensed milk followed by evaporated milk. The group also produces tin cans for trading and packaging purposes.

Investment Merits

We like ABLE for its:

- **Earnings visibility.** ABLE's Mexican venture has started production in July 2021, paving way for stronger future earnings.
- **Strategic market segmentation.** ABLE targeted the low-end markets in the North America region, in contrast to those big boys. The group will also be selling to renowned retailers like Walmart, etc.
- **Decent dividend payout.** Annual dividend hovered above 40% on average, translating to dividend yield of about 3.0% - 3.5%, well above F&N's 2.5%. A majority of our local F&B players pay less than 2.0%.

Key Updates

- **Y-o-Y**, ABLE's 3QCY21 **top and bottomline dropped by 16.2% and 43.7%**, respectively due to lockdown restrictions.
- The Mexican JV started commercial run for: 1) condensed milk, producing 2,300MT in 3Q2021, 2) 1 line for evaporated milk and completed another line in November 2021.
- Pending only audit and certification from MoH Mexico for export purposes.

Downside Risks

- Resurgence of Covid-19 in a more transmissible form affecting production
- Unresolved high freight cost and raw material prices

Valuation

We maintain our **BUY** recommendation with an unchanged TP of **RM1.93**, derived from a SoTP valuation by ascribing target multiples of 12.0x and 8.0x to its F&B and tin cans manufacturing segments' forecast CY21 EV/EBIT respectively.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM Mn)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	501.1	579.8	502.3	472.5	525.5
EBITDA	59.7	73.5	66.1	59.5	71.5
PBT	48.4	60.1	53.2	46.9	52.4
Net Income	36.6	47.8	39.8	35.6	39.8
EBITDA Margin (%)	11.9	12.7	13.2	12.6	13.6
PBT Margin (%)	9.6	10.4	10.6	9.9	10.0
Net Margin (%)	7.3	8.2	7.9	7.5	7.6
EPS (sen)	11.9	15.5	13.0	11.6	12.9
PER (x)	13.3	10.2	12.2	13.6	12.2
DPS (sen)	5.0	6.4	5.4	4.9	5.6
Dividend Yield (%)	3.2	4.1	3.4	3.1	3.5
ROE (%)	11.6	14.0	11.1	9.4	9.9
Net Gearing	-22.5	-21.3	-51.7	-63.7	-69.3
ROA (%)	8.2	10.5	8.5	7.2	7.5
BV/Share	1.0	1.1	1.2	1.2	1.3
P/B (x)	1.5	1.4	1.4	1.3	1.2

Source: Inter-Pacific Research

INTER-PACIFIC RESEARCH SDN. BHD.

199701033506 (449005-X)

AWC

BUY

Current Price	**RM 0.57**
Target Price	**RM 0.70**
Consensus Price	**RM 0.66**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	AWCF MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	388.8
52 Week Hi/Lo Price (RM)	0.76/0.40
Avg Trading Volume (3-mth)	1,149,997
Est Free Float (%)	41.2
YTD Returns (%)	-7.1
Beta (x)	1.37

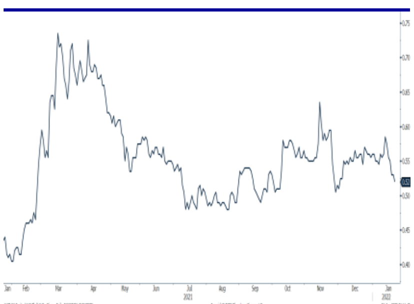
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-5.36	-6.10
3 mth	-6.19	-2.40
12 mth	21.84	26.16

Major Shareholders (%)

K-Capital Sdn Bhd	26.6
Ahmad Kabeer	6.9

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David

Email: davidlai@interpac.com.my

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** businesses. Prominent projects include: Customs Immigration & Quarantine Complex (facility management), Changi Airport (waste management), and KL118 & Tun Razak Exchange (plumbing solutions).

Investment merits

- Proxy to Malaysia's rail and water investment that could result in increased orderbook
- long term earnings visibility from concession contracts
- Potential M&A with net cash of RM100m (31sen/share)

Key updates

- 1QFY22's earnings accounted for 13% of our FY22 estimate, where earnings were dampened by operational restriction in Malaysia and Singapore.
- AWC has replenished up to RM120m worth of new contracts in 4Q2021, mainly in the facilities management healthcare segment. The new contract win is line with AWC target to build its healthcare support services portfolio.
- Our orderbook replenishment target for FY22 is RM303m.

Downside Risks

- Project delays
- Collection risk
- Rising steel cost may negatively affect profit margin

Valuation

We retain our **BUY** recommendation with an unchanged TP to **RM0.70** based on an unchanged SoTP valuation parameter.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE June (RM m)	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	323.1	315.1	343.9	381.4	399.7
EBITDA	41.9	(4.2)	51.9	57.8	60.5
EBITDA Margin (%)	13.0	(1.3)	15.1	15.2	15.1
PAT	27.2	(15.3)	38.9	40.1	41.9
PATAMI	20.0	(18.8)	25.9	27.2	28.4
PATAMI Margin (%)	6.2	(6.0)	7.5	7.1	7.1
Earnings Growth (%)	-6.3	(193.8)	237.6	5.3	4.2
EPS (sen)	6.2	NA	8.1	8.5	8.8
PER (x)	8.3	NA	6.5	6.1	5.9
DPS (sen)	1.5	0.5	1.5	1.5	1.5
Dividend Yield (%)	2.9	1.0	2.9	2.9	2.9
ROE (%)	10.1	(10.7)	12.5	11.9	11.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	0.8	0.9	0.8	0.7	0.7

Source: Inter-Pacific Research, Bloomberg

COCOALAND HOLDINGS

NEUTRAL

Current Price	**RM 1.14**
Target Price	**RM 0.87**
Consensus Price	**RM 0.86**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	COLA MK
Masa Ticker / Stock Code	COCOLND/7205
Shares Outstanding (m)	449.9
Market Capitalisation (RM'm)	512.8
52 Week Hi/Lo Price (RM)	1.27/0.84
Avg Trading Volume (3-mth)	1,044,265
Est Free Float (%)	21.6
YTD Returns (%)	9.6
Beta (x)	0.63

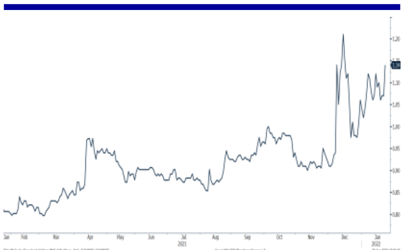
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	16.3	16.8
3 mth	16.3	21.3
12 mth	34.1	38.4

Major Shareholders (%)

Leverage Success Sdn Bhd	40.7
Fraser & Neave Holdings Bhd	27.7

1-Year Share Price Performance



Analyst: **Research Team**

Email: research@interpac.com.my

Company Profile

Cocoaland Holdings is a **pioneer** in the **production of** snack foods, chocolate & sugar confectionary and soft drinks, in which its fruit **gummy** remains the core product of the group. Currently, its export markets constitute around 51.0% of total revenue.

Investment Merits

We like COCOALAND for its:

- **Decent dividend yield.** Cocoaland's dividend payout of above 50% on average yielded a good return compared to its peers, staying well above 4.0%.
- **Plenty of liquidity.** The group has been a cash-rich company for the past four years without any borrowings, enjoying a very comfortable current ratio of more than 5.0x.

Key Updates

- **Y-o-Y, both 3QCY21's revenue and earnings dropped by 18.4% and 44.2%**, respectively due to lower demand for fortified gummy on its Contract Manufacturing Business.
- The group is ready to commission its new fourth gummy production plant once the production line is due for completion in 1Q2022. The plant is situated in Rawang, spanning across 113,700 sq.ft. of land.

Downside Risks

- Continuing decline in export sales
- Rising material and freight costs
- Lingering pandemic risk that would dampen consumer-oriented gummy demand

Valuation

We changed our call on Cocoaland to **NEUTRAL** with an unchanged TP of **RM0.87**, derived from an unchanged 16.0x target PER pegged to our CY22 EPS estimate of 5.4 sen, pending further fresh catalysts. Its recent share price movement to the upside since December 2021 were on rumours of interests by foreign firms. The group, nonetheless, has yet to respond on the rumors.

Table 1: Historical Earnings and Forecasts

FYE Dec (RM'Mn)	CY17	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	267.2	253.8	254.1	216.2	197.4	202.8
GP	77.1	67.8	73.6	54.1	49.3	54.7
PBT	45.8	39.8	47.3	27.3	26.4	32.4
Net Profit	33.5	30.9	35.7	20.4	19.8	24.3
GP Margin (%)	28.9	26.7	29.0	25.0	25.0	27.0
PBT Margin (%)	17.2	15.7	18.6	12.6	13.4	16.0
Net Margin (%)	12.5	12.2	14.1	9.4	10.0	12.0
EPS (Sen)	14.8	13.5	15.6	9.0	4.4	5.4
PER (x)	13.5	8.4	7.3	12.7	25.9	21.1
DPS (Sen)	13.0	6.0	10.0	8.0	10.0	10.0
Dividend Yield (%)	6.5	5.3	8.8	7.0	8.8	8.8
ROE (%)	13.4	13.1	14.3	8.2	8.9	12.1
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
ROA (%)	0.1	11.0	12.2	7.4	8.0	10.6
BV/Share (x)	1.1	0.5	0.6	0.6	0.5	0.4
Price/Book Ratio	1.8	2.2	2.1	2.1	2.3	2.5

Source: Inter-Pacific Research

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

DATASONIC GROUP

BUY

Current Price	**RM 0.43**
Target Price	**RM 0.55**
Consensus Price	**RM 0.72**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DSON MK
Masa Ticker / Stock Code	DSONIC/5216
Shares Outstanding (m)	2,868.6
Market Capitalisation (RM'm)	1,233.5
52 Week Hi/Lo Price (RM)	0.65/0.40
Avg Trading Volume (3-mth)	4,256,965
Est Free Float (%)	51.1
YTD Returns (%)	4.9
Beta (x)	1.09

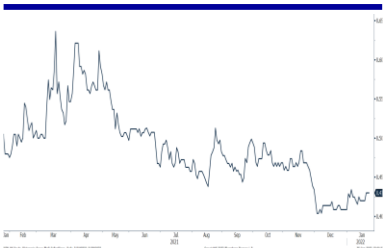
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	3.6	2.9
3 mth	-7.5	-3.7
12 mth	-11.3	-7.0

Major Shareholders (%)

Chew Ben Ben	13.3
Urusharta Jamaah Sdn Bhd	8.8
Demi Mekar Sdn Bhd	6.0

1-Year Share Price Performance



Analyst: **Research Team**

Email: **research@interpac.com.my**

Company Profile

Datasonic Group Berhad (DGB) is a **security and surveillance technology services provider** focusing on **customised smart card solutions**, mainly servicing **government agencies** and financial institutions.

Investment Merits

We like DGB for its:

- **Front runner position.** DGB might emerge stronger as a post-pandemic recovery theme play as passport contracts are expected to flow in on the gradual borders reopening
- **Total solution provider.** The group has been the total solutions provider of ICAO compliant passports for the government since 2016, which positions it as a strong contender for any recurrent passport and MyKad-related projects

Key Updates

- **Q-o-Q,** DGB **turned around** in **2QFY22** as quarterly **revenue improved by 65.3%** to RM28.7m on more supplies of passport and personalisation services
- The group is undertaking pilot testing for a new MyKad printing system as the government looks set to issue a new generation of MyKad to deter fakes ones

Downside Risks

- Delays in borders reopening
- Risk of the Omicron variant that could threaten the recovery of the global economy, especially the tourism industry

Valuation

We maintain our **BUY** call on Datasonic Group Bhd (DGB) with the same TP of **RM0.55** by pegging a PER of 43x to our forecast FY22 EPS of 1.3 sen, which is almost on par with its 5-year PER average.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	219.6	247.5	138.4	177.8	248.5
EBIT	48.6	69.7	14.2	43.6	80.7
PBT	40.5	63.4	11.1	40.5	77.7
Net profit	36.3	60.3	7.3	36.4	71.7
EBIT margin (%)	22.1	28.2	10.2	24.5	32.5
PBT margin (%)	18.4	25.6	8.0	22.8	31.3
Net profit margin (%)	16.5	24.4	5.3	20.5	28.9
EPS (sen)	*1.3*	*2.1*	*0.3*	*1.3*	*2.5*
Diluted EPS (sen)*	0.9	1.4	0.2	0.9	1.7
PER (x)	33.9	20.4	169.3	33.8	17.2
*Diluted PER (x)**	*49.8*	*30.0*	*249.0*	*49.8*	*25.2*
DPS (sen)	2.5	3.0	1.1	1.4	1.6
Dividend Yield (%)	5.8	7.0	2.4	3.1	3.8
ROE (%)	13.8	23.5	3.2	16.2	28.9
Net Gearing (x)	0.4	0.3	0.2	0.1	0.1

*based on enlarged share capital of 4218.6 mln outstanding shares (ex-warrants conversion)

Source: Inter-Pacific Research

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

GUAN CHONG BHD

BUY

Current Price	**RM 2.65**
Target Price	**RM 3.44**
Consensus Price	**RM 3.61**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	GUAN MK
Masa Ticker / Stock Code	GCB/5102
Shares Issued (m)	1,054.5
Market Capitalisation (RM'm)	2,794.5
52 Week Hi/Lo Price (RM)	3.23/2.44
Avg Trading Volume (3-mth)	317,162
Est Free Float (%)	22.2
YTD Returns (%)	-6.1
Beta (x)	1.19

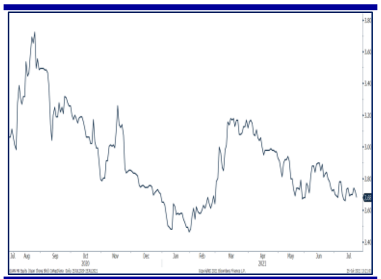
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-0.38	-1.12
3 mth	-15.06	-11.27
12 mth	4.33	8.65

Major Shareholders (%)

Guan Chong Resources Sdn Bhd	49.4
Misi Galakan Sdn Bhd	5.2

1-Year Share Price Performance



Analyst: Research Team

Email: research@interpac.com.my

Company Profile

GCB is a **leading cocoa processor in Asia** and the **fourth largest grinder** in the world which exports to chocolate and confectionery big boys like **Nestle, Mars, Hershey, and Cadbury**.

Investment Merits

We like GCB for its:

- **Earnings visibility.** GCB's earnings visibility will stem from the European market, in which the group is boosting its industrial chocolate production in Germany by another 10,000MT per year to meet demand. The group exported 80% of its products to the European market.
- **Strategic source of raw material.** The construction of its Ivory Coast grinding factory will bump up its annual grinding capacity, which will also place the group at a closer proximity to the source of raw material as Ivory Coast is the biggest cocoa producer in the world.

Key Updates

- **Y-o-Y,** GCB posted an **increase of 18.6%** in the **revenue** in **3QCY21,** but **net profit fell 26.3%** on thinner margins due to higher freight rates and competitive pricing.
- The Ivory Coast plant is expected to start contributing in 2H2022, adding an extra 60,000MT per year, bringing its total grinding annual capacity to 317,000MT.
- The Germany plant is poised to add 10,000MT annual production capacity to its existing 90,000MT, totaling 100,000MT per annum for its industrial chocolate manufacturing segment.

Downside Risks

- Uncertainties on the Living Income Differential (LID) rule on all cocoa sales slapped by the Ivorian government.
- Continuous drop in the cocoa butter ASP will further squeeze margins.

Valuation

We keep our **BUY** recommendation on Guan Chong Bhd (GCB) with an unchanged TP of **RM3.44** by ascribing an unchanged target PER of 15.0x to its forecast CY22 EPS of 22.9 sen, as we look forward to a revival in tourism which is likely to spur chocolate consumption.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM'm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	2273.4	2941.6	3685.0	3908.7	4278.8
EBITDA	263.3	332.8	349.3	295.4	394.5
Net profit	190.1	217.9	222.7	170.7	241.6
EPS (sen)	18.0	20.7	21.1	16.2	22.9
*Diluted EPS (sen)**	*16.1*	*18.5*	*18.9*	*14.5*	*20.5*
PER (x)	14.7	12.8	12.5	16.4	11.6
*Diluted PER (x)**	*16.4*	*14.3*	*14.0*	*18.3*	*12.9*
Dividend yield (%)	1.5	1.9	1.3	1.2	1.7
BV/share	0.63	0.90	1.13	1.23	1.44
P/B (x)	4.2	2.9	2.4	2.2	1.8
ROE (%)	28.5	23.0	18.7	13.2	15.9

**based on enlarged share capital of 1,177.7m outstanding shares (after adjusting for full warrant conversion)*

Source: Inter-Pacific Research

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

HARTALEGA

BUY

Current Price	**RM 5.75**
Target Price	**RM 7.40**
Consensus Price	**RM 5.96**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	HART MK
Masa Ticker / Stock Code	HARTA/5168
Shares Issued (m)	3,417.5
Market Capitalisation (RM'm)	19,650.4
52 Week Hi/Lo Price (RM)	13.44/4.95
Avg Trading Volume (3-mth)	5,552,055
Est Free Float (%)	34.4
YTD Returns (%)	0.3
Beta (x)	1.08

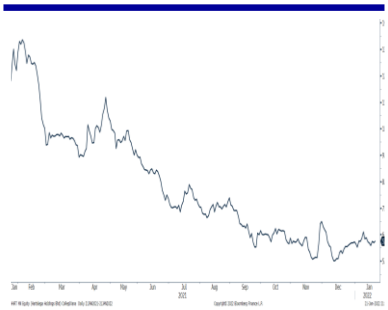
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	8.70	8.00
3 mth	-6.35	-2.51
12 mth	-51.27	-46.91

Major Shareholders (%)

Haralega Haralega Industries Sdn	34.4
EPF	7.9

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.

Investment merits

- Expansion plans stretching beyond 2030
- ESG complaint with strong balance sheet
- Vigorous drive for cost efficiencies via automation and energy conservation

Key updates

- 6MFY22 net profit accounted to 93% and 83% of ours and consensus forecast respectively. We deem the results to be in line with expectations given the earnings would be largely lower in 2HFY22 due to lower selling prices and utlisation rate, combined with higher taxes from Cukai Makmur.
- Industry ASP expectation hovers above $27-$30 for 1Q2022, cementing a new price floor which includes the increase in labor, ESG, fuel, and raw material cost.
- ASPs are due to reach pre-pandemic market equilibrium in 1Q2022.

Downside Risks

- Slower-than-expected ASP normalisation
- Unresolved worker shortages in the industry

Valuation

We maintain our **BUY** call on Hartalega with an unchanged TP of RM**7.40**, derived from a PER peg of 25x (from 18x), to FY23's EPS

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Mar (m)	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	2,827	2,924	6,696	7,940	6,638
EBITDA	467	452	3656	4166	7
EBIT Margin (%)	16.5	15.5	54.6	52.5	0.1
PATAMI	455	435	2885	3408	1014
PAT Margin (%)	16.1	14.9	43.1	42.9	15.3
Earnings Growth (%)	3.9	-4.4	563.6	18.1	-70.2
EPS (sen)	13.3	12.7	84.4	99.7	29.7
PER (x)	44.0	46.1	6.9	5.9	19.8
DPS (sen)	8.0	7.5	51.0	60.0	18.0
Dividend Yield (%)	1.4	1.3	8.7	10.2	3.1
ROE (%)	20.2	17.1	58.0	53.8	15.1
Net Gearing Ratio (%)	8.6	Net Cash	Net Cash	Net Cash	Net Cash
Price/Book Ratio (x)	8.9	7.9	4.0	3.2	3.0
Key Assumption					
Glove Sales (b pcs)	28.5	31.0	34.8	31.8	44.3
Basket Glove Price (RM/k pcs)	99.2	94.2	192.3	250.0	150.0

Source: Inter-Pacific Research, Bloomberg

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

HAP SENG PLANTATIONS

BUY

Current Price	**RM 2.05**
Target Price	**RM 2.42**
Consensus Price	**RM 2.37**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	HAPL MK
Masa Ticker / Stock Code	HSPLANT/5138
Shares Issued (m)	799.7
Market Capitalisation (RM'm)	1,639
52 Week Hi/Lo Price (RM)	2.28/1.69
Avg Trading Volume (3-mth)	38,866
Est Free Float (%)	12.5
YTD Returns (%)	4.1
Beta (x)	0.73

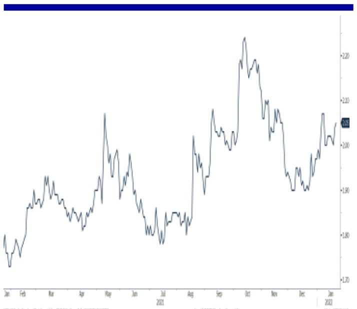
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	6.81	6.06
3 mth	-6.42	-2.62
12 mth	15.25	19.57

Major Shareholders (%)

Hap Seng Consolidated Bd	74.9
EPF	8.9

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 oil palm estates 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.

Investment merits

- Asset play: - Sabah's average transacted price of RM75k/ha translates to RM3.30/share for Hap Seng's planted landbank, excluding palm oil mils and bio-gas plant
- High palm kernel prices complementing its bottom-line
- Beneficiary of RSPO premium

Key updates

- HSP's 9MCY21 earnings of RM129.7m accounts for 60% of our CY21 forecast. HSP is expected to report better results in 2HCY21, on the back of higher CPO and palm kernel prices and volume output.
- We expect higher CPO ASP to offset seasonal low FFB production and catch up with our earnings forecast.
- Innoprise Corporation crossed its entire stake (15% of total share capital) in Hap Seng Plantations Bhd to Hap Seng Consolidated Bhd, for RM2.20/share in Sep 2021.

Downside Risks

- Extended La Nina season
- Further hike of direct and indirect taxes
- Value trapped

Valuation

We maintain our **BUY** recommendation with an unchanged TP of **RM2.42**, which is derived from our unchanged a target of P/B of 1.0x to CY22's NTA.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

CYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	390.8	418.6	467.6	702.2	617.2
EBITDA	34.9	122.3	194.1	337.6	279.1
EBITDA margin (%)	8.9	29.2	41.5	48.1	45.2
PAT	29.1	31.4	90.3	188.2	141.2
Net Profit margin (%)	7.4	7.5	19.3	26.8	22.9
Earnings Growth (%)	(73.3)	8.0	187.1	108.4	(25.0)
EPS (sen)	3.6	3.9	11.3	23.5	17.7
PER (x)	59.3	54.9	19.1	9.2	12.2
DPS (sen)	2.5	2.5	7.0	14.0	13.0
Dividend Yield (%)	1.2	1.2	3.2	6.5	6.0
ROE (%)	1.8	1.9	5.3	10.5	7.3
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share	2.03	2.07	2.14	2.24	2.42
Price/Book Ratio (x)	1.06	1.04	1.01	0.96	0.89
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	4,100	3,500

Source: Inter-Pacific Research, Bloomberg

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

KELINGTON GROUP

BUY

Current Price	**RM 1.47**
Target Price	**RM 1.90**
Consensus Price	**RM 2.06**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	643.0
Market Capitalisation (RM'm)	945.2
52 Week Hi/Lo Price (RM)	1.88/0.85
Avg Trading Volume (3-mth)	2,913,356
Est Free Float (%)	46.9
YTD Returns (%)	-14.5
Beta (x)	1.08

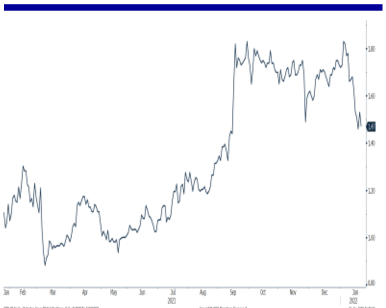
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-10.37	-11.07
3 mth	-15.52	-11.67
12 mth	31.84	36.20

Major Shareholders (%)

PALAC STAR	21.1
CIMB GROUP	5.8

1-Year Share Price Performance



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

Company profile

Kelington Group Bhd's (KGB) provides: 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.

Investment merits

- Firm earnings growth potential, supported by increased job orders from the semiconductor industry.
- Stable new income stream from LCO2 operations which could also help to shore up dividend prospects.
- Diversification into gas trading and manufacturing.

Key updates

- 9MCY21 PATMI accounts to 74% of our CY21 earnings estimate. We deem earnings to be in line with expectation.
- Improved earnings were driven by higher project completion.
- At the end of CY21, orderbook replenishment registered a new record high of RM1.18b and raised its outstanding orderbook to RM1.22b.
- We expect earnings improvement Q-o-Q, thanks to higher work recognition in China, Malaysia and Singapore.

Downside Risks

- Slower-than-expected contract wins
- Stricter lockdowns/work restrictions at China's worksite
- Delay in customer expansion plans

Valuation

We reiterate our **BUY** recommendation and our TP of **RM1.90** with an unchanged valuation metric derived from pegging an unchanged target PER of 27x to CY22's EPS.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

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)	2.9	3.8	2.7	4.7	5.7
Earnings Growth (%)	65.3	30.9	(29.9)	76.5	22.9
PER (x)	41.2	31.4	44.9	25.4	20.7
DPS (sen)	1.8	2.0	0.5	2.0	2.0
Dividend Yield (%)	1.5	1.7	0.4	1.7	1.7
ROE (%)	21.5	20.3	11.9	21.8	27.9
ROA (%)	10.3	10.4	5.7	11.6	14.4
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	6.6	4.9	4.6	4.1	4.3

Source: Inter-Pacific Research, Bloomberg

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

MTAG GROUP

BUY

Current Price	**RM 0.51**
Target Price	**RM 0.64**
Consensus Price	**RM 0.65**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MTAG MK
Masa Ticker / Stock Code	MTAG/0213
Shares Issued (m)	681.6
Market Capitalisation (RM'm)	347.6
52 Week Hi/Lo Price (RM)	0.94/0.41
Avg Trading Volume (3-mth)	902,003
Est Free Float (%)	27.3
YTD Returns (%)	0.0
Beta (x)	1.44

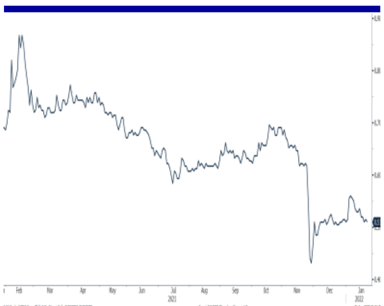
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	0.99	0.29
3 mth	-27.14	-23.30
12 mth	NA	NA

Major Shareholders (%)

Chaw Kam Shiang	50.8
Lau Cher Liang	14.7

1-Year Share Price Performance



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

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.

Investment Merits

- Exposure to resilient home appliance growth from a UK customer
- Re-rating catalyst from the transfer to Main Board from the ACE Market

Key Updates

- 1QFY22 earnings of RM5.7m accounts to 16.0% of our earnings estimate, but we deem the results to be in line on expectation of earnings improvement in the upcoming quarters, backed by increased orders from end customers playing catch up with production targets.
- The end customers have diverted production orders to other contract EMS players after one of its key suppliers contracted (MTAG's customer) was terminated.
- Orders was diverted to other EMS players, which are customers of MTAG as well.
- **We believe valuation will normalised once ESG ratings and compliances are standardised.**

Downside Risks

- Slowdown in the global economy and electrical home devices demand
- Customer concentration risk
- Continually rising raw material cost

Valuation

We maintain our **BUY** call with a lower TP of **RM0.67 (-RM0.15),** pegged to a lower PER target of 13x on our forecast FY22 EPS. The lower PER peg is due to the dampened industry sentiment from the increased customer pullout risk.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE June (RM m)	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	190.0	166.1	193.6	209.2	222.8
EBITDA	41.6	40.3	44.8	45.9	48.8
EBITDA Margin (%)	21.9	24.2	23.1	21.9	21.9
PAT	33.0	30.2	33.6	35.1	37.3
PAT Margin (%)	17.3	18.2	17.4	16.8	16.8
Earnings Growth (%)	(30.6)	(8.4)	11.3	4.5	6.3
EPS (sen)	4.8	4.4	4.9	5.2	5.5
PER (x)	10.8	11.7	10.5	10.1	9.5
DPS (sen)	1.0	3.0	3.0	3.0	3.5
Dividend Yield (%)	1.9	5.8	5.8	5.8	6.7
ROE (%)	42.4	22.4	23.2	21.2	22.4
ROA (%)	31.8	20.0	20.9	19.2	20.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	3.4	2.0	1.8	1.6	1.6

Source: Inter-Pacific Research, Bloomberg

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

MYNEWS

BUY

Current Price	**RM 0.85**
Target Price	**RM 1.07**
Consensus Price	**RM 1.08**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	MNHB MK
Masa Ticker / Stock Code	MYNEWS/5275
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	586.6
52 Week Hi/Lo Price (RM)	1.12/0.58
Avg Trading Volume (3-mth)	623,686
Est Free Float (%)	24.8
YTD Returns (%)	-1.2
Beta (x)	1.25

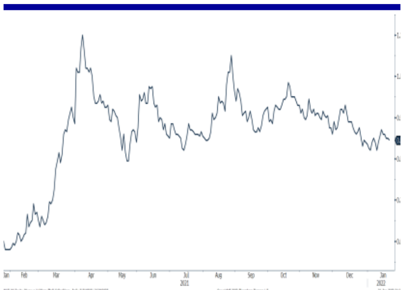
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.73	-2.48
3 mth	-12.82	-9.02
12 mth	41.67	45.99

Major Shareholders (%)

D & D Consolidated	57.4
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** outlets.

Investment Merits

- Earlier-than-expected recovery in topline sales
- Higher than expected boost in basket price from the RTE segment

Key Updates

- FY21 net loss of RM43.1m was wider than ours and consensus expectations due to prevailing restrictions and higher operating expenses from the setup of CU's workforce and improvement to its in-house logistics department.
- On a brighter note, revenue rebounded 10.9% Q-o-Q to RM104.1m as the restrictions eased. However, 4QFY21 EBIT were unchanged, partly due to higher expenses from preparations for the opening of its CU outlets.
- With the easing restrictions nationwide, we expect footfall to recover in time with the festive seasons (Christmas and Chinese New Year) and potentially a turnaround in its financials this year.
- Mynews is aggressively expanding its CU stores with 21 stores at the end of October and targeting of 150 new outlets by end FY22.

Downside Risks

- Slower recovery in consumer purchases and tourist footfall
- Low utilisation of its FPC

Valuation

We maintain **BUY** with an unchanged TP of **RM1.07**, based on a valuation of 30x PER pegged to our forecast FY22 EPS.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Oct (RM' m)	FY19	FY20	FY21	FY22(F)	FY22(F)
Revenue	517.7	489.4	400.6	651.0	862.1
EBITDA	50.2	10.8	-25.5	61.2	66.1
EBITDA Margin (%)	9.7	2.2	-6.4	9.4	7.7
PATAMI	27.5	-9.8	-43.1	24.4	26.9
PATAMI Margin (%)	5.3	-2.0	-10.8	3.7	3.1
EPS (sen)	3.6	-1.4	-6.3	3.6	3.9
Earnings Growth (%)	5.7	(135.8)	N.M	N.M	10.1
PER (x)	23.8	N.M	N.M	23.8	21.6
Dividend (sen)	1.0	NA	NA	NA	NA
Dividend Yield (%)	1.2	NA	NA	NA	NA
ROE (%)	9.1	(3.4)	(17.5)	9.3	9.2
Net Gearing Ratio (%)	NET CASH	7.8	22.2	28.0	23.4
BV/Share (RM)	0.4	0.4	0.4	0.4	0.4
Price/Book Ratio (x)	2.0	2.1	2.4	2.3	2.0

Source: Inter-Pacific Research, Bloomberg

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

OCK GROUP BHD

BUY

Current Price	**RM 0.44**
Target Price	**RM 0.52**
Consensus Price	**RM 0.53**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	OCK MK
Masa Ticker / Stock Code	OCK/0172
Shares Issued (m)	1,054.5
Market Capitalisation (RM'm)	458.7
52 Week Hi/Lo Price (RM)	0.58/0.42
Avg Trading Volume (3-mth)	1,168,684
Est Free Float (%)	42.0
YTD Returns (%)	-6.5
Beta (x)	1.05

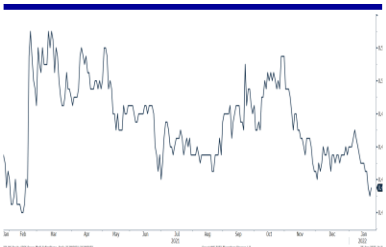
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-5.5	-6.2
3 mth	-14.0	-10.2
12 mth	-4.4	-0.1

Major Shareholders (%)

Aliran Armada Sdn Bhd	30.9
LT Angkatan Tentera	10.2
Employees Provident Fund	7.7

1-Year Share Price Performance



Analyst: Research Team

Email: research@interpac.com.my

Company Profile

The company **provides turnkey solutions in the telecommunication services equipment** within Telecommunication Network Services, Trading of Telco and Network Products, Green Energy and Power Solutions, as well as M&E Engineering Services divisions.

Investment Merits

We like OCK for its:

- **Leading position.** OCK is the largest in Telecommunication Network Services provider in Malaysia and Indonesia with a good track record in the industry
- **Beneficiary under Jendela program.** The group is expected to gain more contracts under the program as the government-initiated program progress towards 5G technologies adaptation, in which it has already clinched more than RM80m worth of orders previously
- **Green energy expansion.** OCK also rode on the global rise of renewable energy, growing its green energy business division with a new NEM solar project in Terengganu for a 25-year lease term commercializing by 2Q2022

Key Updates

- **Y-o-Y**, OCK's **3QCY21 revenue improved 1.3%** to RM118.7m contributed by substantial growth in revenue from its renewable energy division and trading segment **Net profit**, however, **fell 19.6%** on higher taxation due to the absence of a special one-off tax incentive from the Vietnam government vs. a year ago
- OCK is currently progressing on the installation and commissioning of 5G services in Targeted Phase 1 in KL Central areas, Putrajaya as well as Cyberjaya

Downside Risks

- Unexpected geopolitical tensions in its overseas markets especially Myanmar

Valuation

We upgrade our call on OCK to **BUY** (from Trading Buy) with an unchanged TP of **RM0.52** which is derived from our unchanged 7x EV/EBITDA target multiple. We are positive on OCK on its sustainable telco business nature coupled with expanding strategy tapping further into the accelerating renewable energy industry.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RMm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	457.2	473.7	473.1	472.2	496.2
EBITDA	100.9	133.6	148.3	150.0	155.0
PBT	44.4	39.9	35.9	44.2	46.2
Net profit	24.3	28.1	25.6	29.0	29.9
EBITDA margin (%)	22.1	28.2	31.3	31.8	31.2
PBT margin (%)	9.7	8.4	7.6	9.4	9.3
Net profit margin (%)	5.3	5.9	5.4	6.1	6.0
EPS (sen)	2.3	2.7	2.4	2.7	2.8
*Diluted EPS (sen)**	*2.1*	*2.4*	*2.2*	*2.5*	*2.6*
PER (x)	18.9	16.4	17.9	15.8	15.3
*Diluted PER (x)**	*20.6*	*17.8*	*19.5*	*17.3*	*16.7*
DPS (sen)	N/A	N/A	N/A	N/A	N/A
Dividend Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	4.9	4.8	4.1	4.4	4.5
Net Gearing (x)	0.8	0.6	0.6	0.6	0.7

**based on enlarged share capital of 1150.3 mln outstanding shares (ex-warrants conversion)*

Source: Inter-Pacific Research

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

PENTAMASTER

BUY

Current Price	**RM 4.18**
Target Price	**RM 5.30**
Consensus Price	**RM 6.02**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	PENT MK
Masa Ticker / Stock Code	PENTA/7160
Shares Issued (m)	712.3
Market Capitalisation (RM'm)	1,017,446
52 Week Hi/Lo Price (RM)	6.85/3.98
Avg Trading Volume (3-mth)	2,056,239
Est Free Float (%)	54.4
YTD Returns (%)	-25.0
Beta (x)	1.16

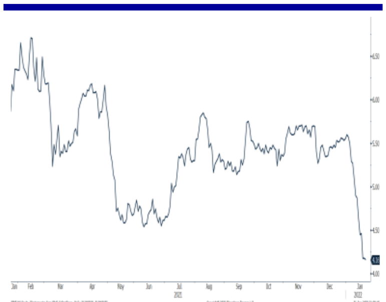
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-23.72	-24.47
3 mth	-23.16	-19.36
12 mth	-28.91	-24.59

Major Shareholders (%)

Chuah Choo Bin	19.7
EPF	6.1
Prudential PLC	5.1

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David
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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.

Investment Merits

- Foray into the medical device market with resilient growth potential
- Tapping into growing demand for high-power electronics in the EV segments
- Resilient demands for sensor equipment and automation projects

Key Updates

- Pentamaster's 9MCY21 earnings came in below expectations, accounting for 68% and 63% of ours and consensus earnings respectively. The miss was mainly due to semiconductor supply chain challenges and power shortages in China, causing orders to be deferred.
- Orderbook rose to RM300m this quarter from the previous quarter of RM270m, driven by increased orders from the FAS operations for various industries and ATE for the automotive segment.
- The group is targeting double-digit Y-o-Y revenue growth in FY22, driven by high order backlog following delays in equipment delivery due to travel restrictions and strong demand for its sensor equipment and factory automation solution.
- The group is in the midst of constructing its third plant in Batu Kawan to support the expansion of its FAS and medical equipment divisions that is expected to commence by 4QFY22.

Downside Risks

- Technology obsolescence
- A sharp appreciation in the Ringgit
- Rising raw material cost

Valuation

We upgrade our call to **BUY** with a lower our TP of **RM5.30 (-RM0.80**), which is based on a lower target PER valuation of 38x pegged to our forecast FY22 EPS. The lower PER peg is due to rising interest rate backdrop leading to a switch to value theme from growth.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

CYE Dec (RMm)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	422.2	490.1	418.8	505.0	596.2
EBITDA	102.6	155.7	123.9	133.6	173.0
EBITDA Margin (%)	24.3	31.8	29.6	26.5	29.0
PATAMI	57.1	83.0	70.9	74.7	98.8
PATMI Margin (%)	13.5	16.9	16.9	14.8	16.6
EPS (sen)	8.0	11.7	10.0	10.5	13.9
Earnings Growth (%)	58.8	45.4	(14.6)	5.3	32.3
PER (x)	50.5	34.7	40.7	38.6	29.2
DPS (sen)	0.0	1.5	1.5	1.5	1.5
Dividend Yield (%)	0.0	0.4	0.4	0.4	0.4
ROE (%)	21.0	23.3	16.0	14.0	16.0
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	8.1	6.6	5.7	4.6	4.2

Source: Inter-Pacific Research, Bloomberg

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

TASCO BHD

BUY

Current Price	**RM 1.12**
Target Price	**RM 1.31**
Consensus Price	**RM 1.53**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	TASCO MK
Masa Ticker / Stock Code	TASCO/5140
Shares Issued (m)	800.0
Market Capitalisation (RM'm)	896.0
52 Week Hi/Lo Price (RM)	1.48/0.82
Avg Trading Volume (3-mth)	1,407,978
Est Free Float (%)	33.1
YTD Returns (%)	-5.2
Beta (x)	0.98

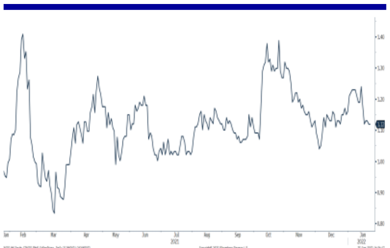
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.8	-2.5
3 mth	-16.0	-12.2
12 mth	13.1	17.4

Major Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6

1-Year Share Price Performance



Analyst: **Research Team**

Email: **research@interpac.com.my**

Company Profile

Tasco is a one-stop **total logistics solutions provider** specialising in transportation services, warehousing as well as cold chain supply. It is a subsidiary of global logistics player, Yusen Logistics which ranked among the market leaders in the world.

Investment Merits

We like Tasco for its:

- **Growth prospects.** Tasco is benefiting from the growing demand for shipping containers amid the ongoing pandemic, while rates will likely to be sustained by prospects of further reopening of the economy that would fuel shipping demand.
- **Well-rounded logistics player.** The group is a fully integrated logistics solutions provider with leading position not only in transportation services but also in cold chain services, in which it has leaped to become one of the main cold chain providers in Malaysia following its acquisition of the largest cold chain company in Sabah - Hypercold Logistics Sdn Bhd. The acquisition also marked the group's cold chain foray into East Malaysia.

Key Updates

- **Y-o-Y**, Tasco registered a **37.5%** and **46.6% growth** in **both its top and bottomline** in **2QFY22** on improvements in all business segments, in particular its sea freight forwarding business having lodged a 117.7% hike in the revenue on continuing high sea freight rates.

Downside Risks

- Competitive pricing among peers
- Unexpected hike in operational costs, especially labour cost which made up a significant portion of its total cost

Valuation

We upgrade our call on Tasco to **BUY** (from Trading Buy) with a lower TP to **RM1.31 (from RM1.68)**, derived from a lower target 18x PER pegged to our FY22 earnings estimate of 7.3 sen as high freight rates and growing demand for shipping services remain near-term catalysts for the group. The lower target PER is on par with its historical 5-year PER mean.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY19	FY20	FY21	FY22F	FY23F
Revenue	736.8	747.4	946.6	1124.4	1134.4
EBITDA	67.8	79.9	114.3	132.2	127.5
PBT	18.7	20.6	60.7	74.1	66.0
Net profit	13.1	8.9	41.3	58.3	53.0
EBITDA margins (%)	9.2	10.7	12.1	11.8	11.2
PBT margins (%)	2.5	2.8	6.4	6.6	5.8
Net profit margins (%)	1.8	1.2	4.4	5.2	4.7
EPS (Sen)	1.6	1.1	5.2	7.3	6.6
PER (x)	68.6	100.8	21.7	15.4	16.9
DPS (Sen)	2.5	2.0	2.0	2.5	2.5
Dividend yield (%)	2.2	1.8	1.8	2.2	2.2
ROE (%)	3.5	1.8	7.7	9.9	8.4
Net Gearing (x)	0.8	0.3	0.3	0.2	0.2

Source: Inter-Pacific Research

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

TSH RESOURCES

BUY

Current Price	**RM 1.09**
Target Price	**RM 1.36**
Consensus Price	**RM 1.37**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	TSH MK
Masa Ticker / Stock Code	TSH/9059
Shares Issued (m)	1,380.2
Market Capitalisation (RM'm)	1,504.4
52 Week Hi/Lo Price (RM)	1.29/0.98
Avg Trading Volume (3-mth)	1,758,244
Est Free Float (%)	40.4
YTD Returns (%)	0.9
Beta (x)	1.46

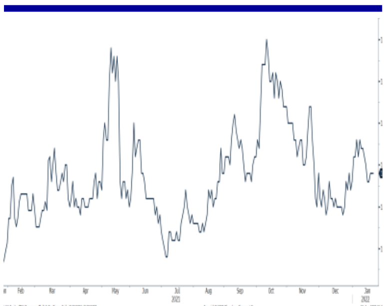
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	3.81	3.11
3 mth	-9.17	-5.32
12 mth	4.81	9.17

Major Shareholders (%)

TAN AIK PENG	18.2
EPF	6.4

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 11 years, considered relatively young. 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.

Investment Merits

- Sustained high CPO and PK prices up until end 1HCY22
- Unlocking value trap asset leads to lower net gearing and stronger balance sheet

Key Updates

- 9MCY21 core profit accounts to 63% of our earnings estimate. We deemed the results to be in line, given expectation of a much stronger 4QCY21 earnings.
- The disposal of PT % Industrial Park and Sharikat Keratong Sdn Bhd would bring down net gearing to 20-30%.
- Indonesia has increased the average minimum wage of each province by 1.09% for CY22; we believe the raise is minimal relatively to the high CPO prices.
- TSH's backdrop remained buoyant as CPO prices will remain lofty until 1Q2022, on supply concerns as the sector will enter a low production cycle. La Nina is set to support global edible oil prices, but the heavier rainfall more often than not softens CPO prices.

Downside Risks

- Downside risk includes: 1) lower-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 with an unchanged TP of **RM1.36** on TSH, based on an unchanged target valuation of 1.1x to its CY22 P/B.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

CYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY21(F)
Revenue	906.3	838.9	781.7	1,302.8	1,225.4
EBITDA	206.3	211.1	212.2	480.4	421.9
EBITDA Margin (%)	22.8	25.2	27.1	36.9	34.4
PATAMI	40.1	44.3	79.1	167.2	136.8
PATAMI Margin (%)	4.4	5.3	10.1	12.8	11.2
EPS (sen)	2.9	3.2	5.7	12.1	9.9
Earnings Growth (%)	(58.5)	10.4	78.6	111.5	(18.2)
PER (x)	40.3	36.5	20.4	9.7	11.8
DPS (sen)	1.0	1.0	1.5	2.5	2.5
Dividend Yield (%)	0.9	0.9	1.3	2.1	2.1
ROE (%)	2.9	3.1	5.4	10.3	7.7
Net Gearing Ratio (%)	92.7	86.8	76.0	49.6	40.1
Book Value (RM)	0.97	1.00	1.01	1.14	1.24
Price/Book (x)	1.2	1.2	1.2	1.0	0.9
Key Assumption					
FFB production (mt)	857,803	893,579	906,175	980,000	1,000,000
CPO ASP (RM/mt)	2,086	1,995	2,478	3,600	3,300

Source: Inter-Pacific Research, Bloomberg

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

V.S. Industry Bhd

BUY

Current Price	**RM 1.20**
Target Price	**RM 1.78**
Consensus Price	**RM 1.71**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	VSI MK
Masa Ticker / Stock Code	VS/6963
Shares Issued (m)	3,817.4
Market Capitalisation (RM'm)	4,580.9
52 Week Hi/Lo Price (RM)	1.73/1.00
Avg Trading Volume (3-mth)	14,652,620
Est Free Float (%)	41.6
YTD Returns (%)	-14.6
Beta (x)	1.04

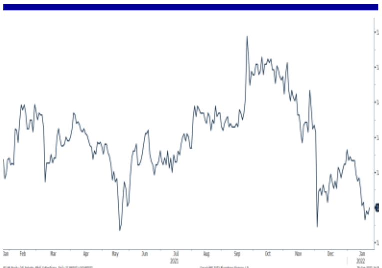
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-8.40	-9.14
3 mth	-25.47	-21.67
12 mth	-8.40	-4.08

Major Shareholders (%)

Beh Hwee Sze	14.3
KWAP	8.9
Beh Kim Ling	7.3

1-Year Share Price Performance



Analyst: Research Team
Email: research@interpac.com.my

Company Profile

VSI is a top **home-grown EMS player** involved in product design, PCBA, plastic injection, final assembly, box-built and testing as well as supply-chain management.

Investment Merits

We like VS for its:

- **Growth trajectory.** Most of VSI's clients are ramping up their orders, while a hike in raw material prices is expected to be passed down to the clients progressively which will then see the margins normalising accordingly. Also, full revenue impact realisation is expected in FY23 from the transfer of orders from its competitors that will be evident in further upsides to its earnings.

Key Updates

- **Y-o-Y,** VSI posted **lower top and bottomline in 1QFY22 by 1.9% and 40.9%**, respectively due to lower PCBA orders, alongside increased labor costs, higher depreciation charges for new facilities as well as one-off vaccination centre setup expenses.
- The group has begun a mass production for a new key client during the quarter under review.

Downside Risks

- Supply chain disruptions caused by global chip shortages
- Labour shortage

Valuation

We maintain our **BUY** recommendation on V.S. Industry Bhd (VS) with an unchanged TP of **RM1.78,** by ascribing to an unchanged target PER of 21x to its forecast FY22 EPS of 8.5 sen. We are also positive on the group's initiative in aligning its standards in favor of the labor rights compliance, which has recently gained the spotlight in a series of whistleblowing within the EMS industry.

TABLE 1: HISTORICAL EARNINGS AND FORECASTS

FYE July (RM m)	FY19	FY20	FY21	FY22F	FY23F
Revenue	3978.4	3243.2	4002.3	4646.1	5820.3
EBITDA	302.3	253.2	438.6	543.6	710.1
PATAMI	165.4	116.5	245.3	322.8	437.5
EPS (sen)	4.3	3.1	6.4	8.5	11.5
*Diluted EPS (sen)**	*3.6*	*2.5*	*5.4*	*7.0*	*9.6*
PER (x)	27.7	39.3	18.7	14.2	10.5
*Diluted PER (x)**	*33.2*	*47.2*	*22.4*	*17.0*	*12.6*
Dividend yield (%)	3.7	2.2	3.1	3.2	4.1
BV/share (RM)	0.38	0.42	0.45	0.53	0.54
P/B (x)	3.2	2.9	2.7	2.2	2.2
ROE (%)	*9.1*	*9.3*	*6.2*	*11.1*	*14.5*

**based on enlarged share capital of 4579.2 m outstanding shares (ex-warrants conversion)*

Source: Inter-Pacific Research

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

KAWAN FOOD BHD

BUY

Current Price	**RM 1.50**
Target Price	**RM 2.28**
Consensus Price	**RM 2.49**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KFB MK
Masa Ticker / Stock Code	KAWAN/7216
Shares Issued (m)	359.5
Market Capitalisation (RM'm)	539.3
52 Week Hi/Lo Price (RM)	2.19/1.48
Avg Trading Volume (3-mth)	93,905
Est Free Float (%)	31.2
YTD Returns (%)	-9.8
Beta (x)	1.03

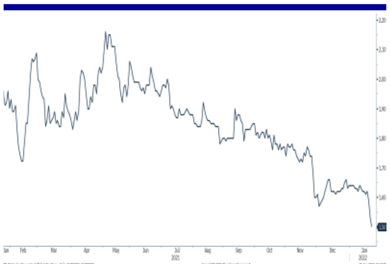
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-9.2	-9.9
3 mth	-15.9	-12.1
12 mth	-23.7	-19.4

Major Shareholders (%)

Gan Thiam Chai	24.5
VG Trustee Ltd	20.5
Gan Thiam Hock	6.3

1-Year Share Price Performance



Analyst: **Research Team**

Email: **research@interpac.com.my**

Company Profile

Kawan Food (KFB) manufactures a diversified product portfolio of frozen food included Paratha, Chapatti, Spring Roll Pastry, Naan, Bun, and Bakery. The group also exports to foreign markets such as Europe, North America, and Oceania.

Investment Merits

We like KFB for its:

- **Market leader position.** KFB is the largest frozen food producer in Malaysia with a wide range of frozen food offered under its portfolio.
- **Overseas engagement.** The group has been searching for potential customers in the U.S. region, especially South America. It currently exports about 21% of its products to the North American region, which is also its largest export market.

Key Updates

- **Y-o-Y,** KFB **sales grew 4.7%,** while **net profit rose 28.7%** in **3QCY21** on the back of recovery in demand.
- The group declared and paid a 3.0 sen first interim dividend in 3QCY21.

Downside Risks

- weaker-than-expected sales growth
- hike in raw material and freight costs
- lingering shipping delays

Valuation

We maintain our **BUY** call on Kawan with a higher TP of **RM2.28 (from RM2.10)** as we rolled over our valuation to CY22 earnings. Our CY22 forecast EPS of 11.4 sen is pegged to a lower PER of 20x (from 22x), which is in line with its 5-year forward PER average.

We are cautious on delays in shipments that have been taking a toll on its performance with domestic sales propping up its overall revenue for the cumulative nine months in CY21. While the underperformance in its export markets have shown signs of easing, we deemed the improvements as still far from a re-rating catalyst.

Table 1: Historical Earnings and Forecasts

FYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)	CY23(F)
Revenue	200.0	214.1	254.7	251.7	262.3	284.1
GP	79.4	71.8	101.0	98.2	107.5	119.3
PBT	29.2	15.4	32.0	40.4	47.8	50.2
Net Profit	22.8	12.0	27.7	34.7	41.1	43.1
GP Margin (%)	39.7	33.5	39.7	39.0	41.0	42.0
PBT Margin (%)	14.6	7.2	12.6	16.0	18.2	17.7
Net margin (%)	11.4	5.6	10.9	13.8	15.7	15.2
EPS (sen)	6.3	3.4	7.8	9.7	11.4	12.0
PER (x)	23.6	44.9	19.5	15.5	13.1	12.5
DPS (sen)	2.5	2.5	2.5	3.0	3.0	3.0
Dividend Yield (%)	1.7%	1.7%	1.7%	2.0%	2.0%	2.0%
ROE (%)	7.1%	3.7%	8.0%	9.4%	10.2%	9.9%
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research

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UCHI TECHNOLOGIES

BUY

Current Price	**RM 2.92**
Target Price	**RM 3.23**
Consensus Price	**RM 3.56**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	UCHI MK
Masa Ticker / Stock Code	UCHI/7100
Shares Outstanding (m)	452.8
Market Capitalisation (RM'm)	1,322.2
52 Week Hi/Lo Price (RM)	3.55/2.60
Avg Trading Volume (3-mth)	558,917
Est Free Float (%)	63.8
YTD Returns (%)	20.0
Beta (x)	0.84

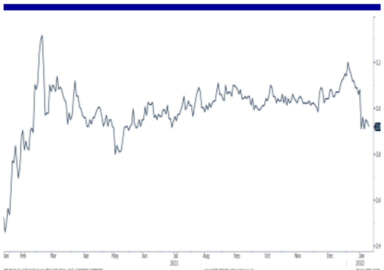
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-8.5	-9.3
3 mth	-7.1	-3.3
12 mth	10.7	15.0

Major Shareholders (%)

Eastbow International Ltd	18.4
Ironbridge Worldwide Ltd	7.8
Public Mutual	5.5

1-Year Share Price Performance



Analyst: Research Team

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Company Profile

UCHI Technologies focuses on **Original Design Manufacturing (ODM)**, specialising in designing, researching, developing as well as **manufacturing electronic control systems** such as control modules for electrical appliances.

Investment Merits

- **Steady recurring income.** UCHI's earnings stream comes mainly from its biggest long-term client whose sales is known to have grown steadily.
- **Good dividend paymaster.** UCHI has been paying out at least 70% of its earnings each year, yielding a dividend yield of 5.0% - 5.6%.
- **Lucrative margin from electronics design.** The group's capability as an ODM has given it a lucrative margin as it is also involved in the design and manufacturing process, as well as providing other value-added services to OEMs.

Key Updates

- **Y-o-Y**, UCHI's 3QCY21 **revenue grew 9.9%,** while **net profit grew 3.3%** on the back of higher demand from clients, alongside the appreciation in the USD as its revenue was mainly denominated in that currency
- The group paid an interim dividend per share of 9.0 sen for CY21, higher than that of the previous financial year's range of 7.5 sen – 8.5 sen

Downside Risks

- below expectation dividend pay-out
- weaker USD against the Ringgit
- lower sales orders from clients

Valuation

We upgrade our call on UCHI to **BUY** (from Trading Buy) but with a lower TP of **RM3.23 (from RM3.33)** using a DDM valuation on an unchanged dividend per share of 18.0 sen, but higher required rate of return of 11.5% to account for rising inflation expectations. Our TP is within our implied target PER of 16x pegged to our forecast CY21 EPS of 20.2 sen, which is also its 5-year historical PER mean.

Table 1: Historical Earnings and Forecasts

FYE Dec (RM m)	CY18	CY19	CY20	CY21(F)	CY22(F)
Revenue	140.0	156.7	155.3	173.2	203.7
EBITDA (m)	78.8	86.0	91.0	98.3	110.6
PBT	72.4	79.0	84.6	92.4	105.1
Net Profit	68.9	75.9	83.8	91.5	104.2
EBITDA margin (%)	56.3	54.9	58.6	56.8	54.3
PBT margin (%)	51.7	50.5	54.5	53.3	51.6
Net margin (%)	49.2	48.5	54.0	52.8	51.2
EPS (sen)	15.4	16.9	18.7	20.2	23.0
PER (x)	18.9	17.3	15.6	14.4	12.7
DPS (Sen)	34.0	16.0	17.0	18.0	18.0
Dividend Yield (%)	11.6	5.5	5.8	6.2	6.2
ROE (%)	45.7	46.8	46.7	48.3	49.1
ROA (%)	31.4	33.0	33.3	34.4	34.8
BVPS (sen)	33.3	35.8	39.6	41.8	46.8
P/BV (x)	8.8	8.2	7.4	7.0	6.2

Source: Inter-Pacific Research

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WELLCALL

TRADING BUY

Current Price	**RM 1.26**
Target Price	**RM 1.32**
Consensus Price	**RM 1.32**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	WELL MK
Masa Ticker / Stock Code	WELLCALL/723
Shares Issued (m)	497.5
Market Capitalisation (RM'm)	527.3
52 Week Hi/Lo Price (RM)	1.38/0.98
Avg Trading Volume (3-mth)	1,091,669
Est Free Float (%)	72.1
YTD Returns (%)	-4.7
Beta (x)	0.87

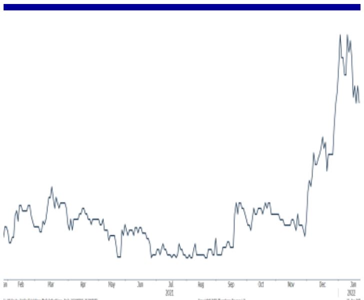
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	13.51	12.77
3 mth	17.76	21.56
12 mth	14.55	18.87

Major Shareholders (%)

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

1-Year Share Price Performance



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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.

Investment Merits

- Lean/efficient management that translates into higher margins
- Sustainable growth in the hose replacement market
- Contribution from JV with Trelleborg to manufacture & distribute compose hoses
- Attractive dividend yields

Key Updates

- Wellcall's FY21 earnings exceeded ours and consensus expectation by 117% and 108% respectively.
- Earnings surprise was underpinned by robust overseas demand (North & South America and Asia) to cushion lower domestic demand and improved GP margin.
- Wellcall's earnings have recovered more-than-expected and is poised to sustain the growth trend in the subsequent quarters, driven by increases in global economic activities and higher demand for industrial hoses.

Downside Risks

- raw materials /exchange rate volatility
- slower-than-expected economic recovery hampering sales

Valuation

We revised our recommendation to **TRADING BUY,** from BUY, with an unchanged TP of **RM1.34,** based on FY22's forecast EPS pegged to an unchanged target PER of 18.0x (5-year average PER), as the share price has appreciated near to our TP.

FINANCIAL HIGHLIGHTS & EARNINGS FORECASTS

FYE Sept RM (m')	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	170.1	134.9	157.0	173.0	180.1
EBITDA	53.6	43.6	51.5	55.0	58.3
EBITDA Margin (%)	31.5	32.3	32.8	31.8	32.4
PAT	36.8	29.4	34.2	37.2	40.2
PAT Margin (%)	21.6	21.8	21.8	21.5	22.3
EPS (sen)	7.4	5.9	6.9	7.5	8.1
Earnings Growth (%)	16.2	-20.2	16.3	8.9	8.0
PER (x)	16.6	20.9	17.9	16.5	15.3
DPS (sen)	5.7	5.0	7.0	5.6	6.0
Dividend Yield (%)	4.6	4.0	5.7	4.6	4.9
ROE (%)	31.6	24.3	26.9	28.7	28.3
ROA (%)	26.6	20.9	23.1	24.6	24.5
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	4.7	4.5	4.3	4.2	3.8

Source: Inter-Pacific Research, Bloomberg