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STRATEGY

31 October 2022

STRATEGY NOTE – 4Q2022

OUTLOOK STILL MIRED BY SUSTAINED HEADWINDS

The global economy will remain challenging for the rest of 2022 and into 2023 with inflationary pressures, due to the ongoing supply constraints and the corresponding interest rate hikes, to dampen growth. This has resulted in the global GDP forecast cut to 2.9% for 2022, down from 3.3% earlier. In addition, stagflation risk has also risen, as with the recession odds in 2023.

Following the firmer-than-expected quarterly GDPs, Malaysia's 2022's GDP forecast has been lifted to 7.0%, from 6.1% previously. Even with the ongoing global challenges, the country's economic activities have stayed steadfast, and will continue to be supported by the strong external sector and improved domestic activities for the remainder of the year as almost all pandemic restrictions have ended.

Meanwhile, global equities are likely to remain volatile with the cautious note to also prolong the market headwinds brought about by the rise in borrowing cost, sustained tight supply situation and heightened recession fears that will continue to dominate market sentiments for the foreseeable future. These concerns are set to keep markets in the unsettled as most central banks are still on their tapering course and is likely to continue with their aggressive rate increases that could undo some of the recent bounce in equity prices.

Still, the global equities steep falls YTD has largely reflected the headwinds with valuations looking compelling. Also, recent economic data, although deteriorating, has not turned overwhelming negative – suggesting that the broad economy is still holding and markets may have bottomed, albeit the longer-term outlook remains little changed.

Malaysian equities are set to mirror the performance of global equities and also remain unsettled for the foreseeable future. However, the FBM KLCI has managed to extricate from its year-low in its recent rebound, raising hopes that the challenging conditions for the year has already passed. As it is, the FBM KLCI may now aim to fortify its position above the 1,400 level for the rest of the year, with the rebound already exceeded the near-term targets of 1,430-1,450 points.

Global earnings growth is estimated at 4.9% Y-o-Y for 2022, before improving a further 5.3% Y-o-Y in 2023 – both of which are lower than their previous forecast with valuations also trending within their historical forward averages of 14x-16x following the recent recovery which we see as overdone. U.S. equities' valuation are fair, but European and Asian equities still offer some value propositions.

The FBM KLCI's earnings growth has been lifted to 13.8% Y-o-Y in 2022, and to 11.8% Y-o-Y in 2023 with valuations still a tad below its historical averages. As such, there could be still some legs to the ongoing rebound, with the recovery to bring the FBM KLCI to around the 1,480 level. By then, volatility could emerge with selling into strength and profit taking hold as the market approaches overbought once again. We think the FBM KLCI and FBM EMAS may trade at a standard deviation of 0.5x-1.0x below their historical forward averages due to the continuing challenges that could be detrimental to its 2023 performance.

Analysts: Research Team

GLOBAL ECONOMIC REVIEW

Global economic conditions continue to cool in 2Q2022, hobbled by the surging inflation and the corresponding rising interest rates that stumped economic growth, causing demand to falter amid the higher prices of goods and services. As a result, many economies reported slower Y-o-Y growth with increasing challenges to their economy, particularly as global supplies continue to tighten following Russia intrusion into Ukraine earlier in the year that exacerbated widespread shortages of commodities and basic materials. This also contributed to rising input cost that further contributed to the rising overall cost.

The lockdowns in China – which still practises a "Zero-Covid" policy, also exacerbated the supply shortages as its intermittent lockdowns affected production and output, while the runaway inflation forced some Central Banks to lift interest rates that slowed the pace of economic activities further, including that of its domestic economy. The global tightening was also more aggressive-than-anticipated, particularly in the U.S. with its interest rate rises already near the previous year-end target.

Global Quarterly and Yearly GDP

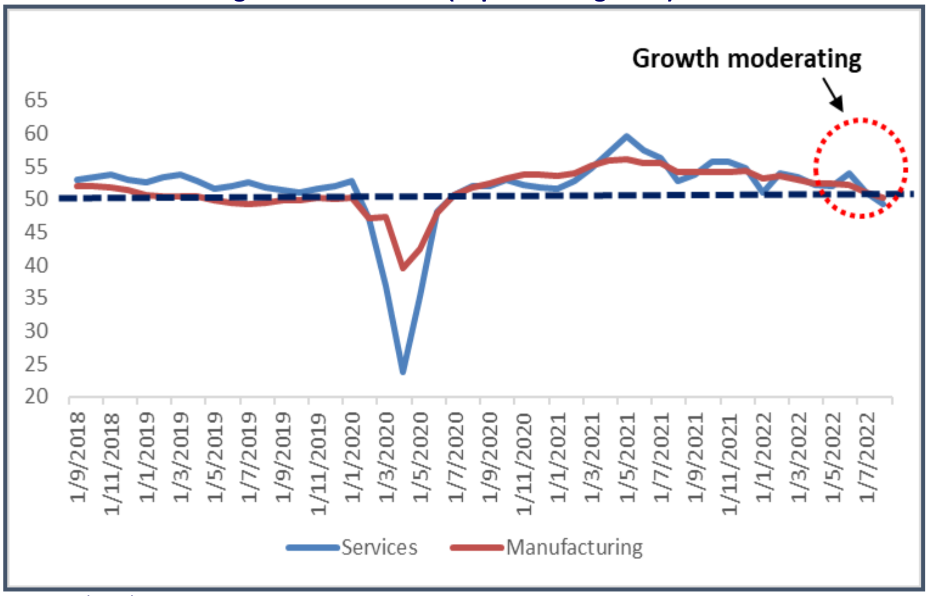
	4Q2021	1Q2022	2Q2022		2020	2021
	Y-o-Y	Y-o-Y	Y-o-Y	Q-o-Q	Y-o-Y	Y-o-Y
USA*	5.5	1.6	**1.8**	**2.6**	-3.4	5.7
EU	5.0	6.1	**4.2**	**0.7**	-6.4	5.4
Eurozone	4.7	5.4	**4.1**	**0.8**	-6.4	5.3
Germany	1.8	3.8	**1.7**	**0.1**	-4.6	2.9
France	5.4	4.5	**4.2**	**0.5**	-7.9	7.0
UK	6.5	8.7	**2.9**	**-0.1**	-9.4	7.2
China*	4.0	0.4	**3.9**	**3**	2.2	8.1
Japan	0.4	0.4	**1.6**	**3.5**	-4.5	1.8
WORLD					**-3.1**	5.9

*Source: Bloomberg *3rd Quarter*

Most developed countries reported moderation in their economies as conditions turned tentative from the spate of monetary tightening process, particularly in Europe after Russia reduced exports of oil & gas to the region, causing fuel prices to surge to their highest level since 2008. This also caused inflation to surge to an average of 8.2% among G8 countries in 2Q2022 – the highest reading in some 40 years. There were also sharp increases in the EU's Producer Price Index (PPI) that measures the input cost for manufacturing and services to as high as 16% Y-o-Y in May and lingered well above 10% Y-o-Y for the year-to-date. In the US, the PPI was also elevated at around 11% Y-o-Y during the quarter.

With the increasing input cost, global manufacturing activities continues to moderate with the JP Morgan Global Manufacturing Index growth slowing progressively, albeit it remains above the 50 level that indicates sustained growth. Apart from higher cost and moderating demand, China's manufacturing activities remain mostly in contraction as its intermittent Covid lockdowns further slowed its manufacturing sector's progress and also contributed the slower global growth. Meanwhile, the global services sector PMI held steady in 2Q2022 as consumption switched to services amid the higher prices of goods. The continuing growth in the services sector was mostly the result of the lingering pent-up demand as many countries continue to relax their pandemic movement restrictions that benefitted segments like entertainment, sports and recreational activities.

Global Manufacturing and Services PMI (Sep 2018-Aug 2022)



Source: Bloomberg

The U.S. economy rebounded in 3Q2022, and it exited its technical recession from the previous quarter. The performance also exceeded expectation which was due largely to the narrower traded deficit which was seen as a one-off even where total imports contracted 6.9% Q-o-Q – the first contraction since 2Q2020. Supporting the growth was the slightly firmer personal consumption expenditure growth of 3.1% Q-o-Q (2Q2022: +3.0% Q-o-Q) with spending switching to services that grew 2.8% Q-o-Q against the 1.2% Q-o-Q contraction on spending on goods during the quarter. The still firm spending growth is largely due to the steady employment prospects with the unemployment rate remaining unchanged at 3.6% in 3Q2022.

Despite the improvement in its GDP, investments remain in contraction with private investments falling another 8.5% Q-o-Q (2Q2022: -14.1% Q-o-Q). Industrial activities were little changed despite the tight supply of materials, and this helped exports to improve further 14.4% Q-o-Q, from 13.8% Q-o-Q in 2Q2022.

Although inflation has tamed to a rate of 8.3% Y-o-Y, from 8.7% Y-o-Y in 2Q2022, it remains high and continues to cause consternation to the U.S. economy. The stubbornly high inflation rate forced the Federal Reserve to lift rates further in 3Q2022 to 3.25%, from 1.75% in 2Q2022.

After a better-than-expected 1Q2022, economic conditions in Europe moderated in 2Q2022 with the supply chain disruptions affecting growth, even as their overall performance exceeded expectations. The sustained growth was mainly supported by still firm consumer spending growth (+4.2% Y-o-Y vs.+6.4% Y-o-Y in 1Q2022) as well as increased capex spending (+6.4% Y-o-Y vs. +5.6% Y-o-Y in 1Q2022), both of which recovered further from the end of the pandemic restrictions as well as increased tourism spending during the summer months. This helped the region's domestic demand to sustain a commendable growth at 4.8% Y-o-Y, compared to the 6.2% Y-o-Y growth in the preceding quarter. Exports also stayed resilient, gaining 7.2% Y-o-Y (1Q2022: +7.9% Y-o-Y), while imports moderated slightly to 8.6% Y-o-Y (1Q2022: +9.6% Y-o-Y).

Amid the higher prices, however, the bloc's inflation rate jumped to 9.8% in June, which is a new record with the surging energy prices driving up prices. Food prices also soared due to the tight supplies from the Russia/Ukraine war that has substantially reduced the available food commodities and produce. Meanwhile, the EU's unemployment rate stagnated at just over 6.0%, barely making headway as employment gains are affected by the slower economic conditions.

The German economy lost steam in 2Q2022 with its GDP moderating on Y-o-Y basis, while posting no growth from 1Q2022. Still, the performance was deemed commendable due to its strong reliance on Russian energy sources that drove its inflation rate to 7.6%, with supply constraints also pushing up prices. As a result, both domestic demand (+4.1% Y-o-Y vs. 5.7% in 1Q2022) and capex spending fell with the latter contracting 0.5% Y-o-Y. Lending support to its economy was higher exports, despite its manufacturing sector slowing further with a larger contraction of 0.6% Y-o-Y against the 0.3% Y-o-Y contraction in 1Q2022.

France's economy only saw a modest decline as its 2Q2022 GDP recorded a commendable growth of 4.2% Y-o-Y, with a marginal 0.5% Q-o-Q growth. Its economy was held up by a still firm domestic consumption (+4.8% Y-o-Y vs. 5.6% Y-o-Y in 1Q2022) that were mainly on services during the summer months, particularly on accommodations, food and transport services as the prices of goods rose. Capital spending, however, slowed to 1.1% Y-o-Y, but exports stayed resilient, climbing 8.4% Y-o-Y (1Q2022: +10.3% Y-o-Y). Similar to the rest of Europe, its inflation rate also rose but at a more moderate pace of 5.8%.

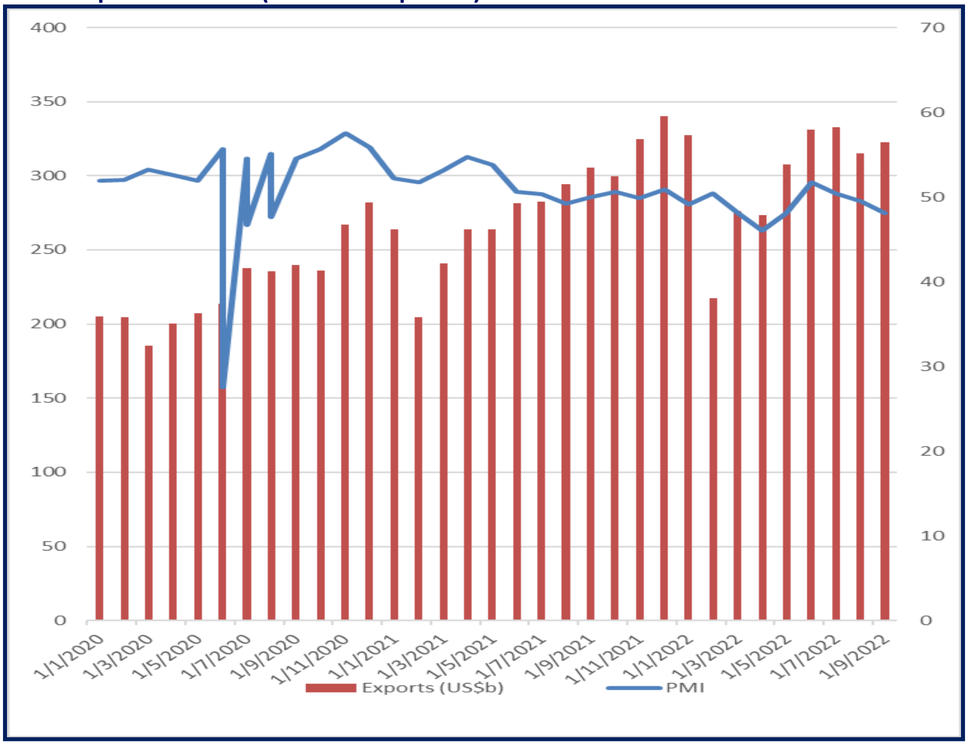
The U.K. economy slowed significantly from the preceding quarter, dragged down by the moderating consumer spending where household spending growth eased to 4.3% Y-o-Y, down from 14.9% Y-o-Y in 1Q2022. As prices rose, spending on goods contracted 5.1% Y-o-Y and growth in the services sector was cut by more-than-half to 5.7% Y-o-Y, mainly due to lower spending on health and social work with the end of the pandemic. Its exports also slowed (+5.2% Y-o-Y), but imports rose 15.6% Y-o-Y. Expectedly, its inflation rate surged with June's CPI at 9.4%, contributed mainly by higher energy and food cost.

Asia's economic performance was mixed in 2Q2022 with the slower China economy, with its Zero-Covid stance, providing the main drag on the region's performance. Correspondingly, greater China countries like Hong Kong, Taiwan and South Korea also saw a moderation in their economies due to the supply shortages and higher prices. ASEAN economies fared better as most of member economies exited the pandemic phase and enjoyed strong external demand for their manufactured products and basic commodities, allowing them to embark on a recovery trend after a wretched 1Q2022. The Indian economy (+13.5% Y-o-Y) also rebounded strongly as the pandemic conditions ended.

China's economy regained traction in 3Q2022, rising 3.9% Y-o-Y with most of its key sectors making headway. Its performance was also above expectations with wholesale and retail trade making a strong comeback with a 1.6% Y-o-Y growth (2Q2022: -1.8% Y-o-Y) with the slight easing of some of its Covid-19 restrictions. This helped consumer spending to grow 3.5% Y-o-Y even as consumer confidence continues to fall during the quarter. Meanwhile, its manufacturing activities also picked up strongly by 4.8% Y-o-Y, (2Q2022: 0.6% Y-o-Y), also due in part to the relaxed Covid restriction and strong external demand.

This saw its exports to also grow another 9.9% Y-o-Y, which is similar to the pace recorded in the preceding quarter. Exports, on the other hand grew at a slower rate of 2.3% Y-o-Y, down from 3.0% Y-o-Y recorded in 2Q2022.

China Exports and PMI (Jan 2020-Sep 2022)



Source: Bloomberg

After losing steam in the previous quarter, Japan's economic condition improved significantly in 2Q2022 as it eases its Covid-19 restrictions. The move helped household consumption to improve 3.1% Y-o-Y, from 2.0% Y-o-Y in 1Q2022, while domestic demand rose to 3.2% Y-o-Y (1Q2022: +2.2% Y-o-Y). Although domestic activities firmed up Japan's economic conditions during the quarter, exports were lower with a growth of 2.7% Y-o-Y, down from the 4.5% Y-o-Y growth attained in the preceding quarter as its manufacturing sector endured tighter supplies as well as higher input cost. Meanwhile, inflation also picked up to 2.4% in June, and although it appears benign, it was a reversal from the previous corresponding period's deflation of 0.5%.

MALAYSIA ECONOMIC REVIEW

Malaysia's 2Q2022 GDP was better-than-expected, coming in at 8.9% Y-o-Y, comfortably exceeding the consensus forecast of a growth of 5.6% Y-o-Y and the 5.0% growth in 1Q2022.

The significantly improved economic performance can be attributed to the strong jump in both the domestic and external sectors upon the full re-opening of the economy and the move into the endemicity phase. This allowed domestic demand to post a 13.0% Y-o-Y (1Q2022: +4.4% Y-o-Y) improvement, bolstered by renewed business-related activities. Private spending was particularly strong (+18.3% Y-o-Y vs. 5.5% Y-o-Y in 1Q2022) that was aided by EPF withdrawals as well the remaining government handouts during the Hari Raya period. Growth was further augmented by a strong revival in investment activities (+6.3% Y-o-Y vs. 0.4% Y-o-Y in 1Q2022) after the full re-opening of the economy renewed capital spending that were placed in the backburner during the pandemic period.

Historical Malaysia Quarterly and Yearly GDP

Y.o.Y in %	4Q2021	1Q2022	Latest 2Q2022	1H2021 (Actual)	1H2022 (Actual)
Real GDP	3.6	5.0	**8.9**	7.0	6.9
Q.o.Q	*4.6*	*3.9*	***3.5***	-	-
Agriculture	2.8	0.1	**-2.4**	-0.7	-1.2
Mining/Quarrying	-0.6	-1.1	**-0.5**	2.4	-0.8
Manufacturing	9.1	6.6	**9.2**	15.8	7.9
Construction	-12.2	-6.2	**2.4**	8.3	-2.1
Services	3.2	6.5	**12.0**	4.9	9.2

Source: Bank Negara Malaysia

The increased spending growth was mostly contributed by a hefty revival of the services sector that recorded a strong growth of 12% Y-o-Y, nearly doubling the growth it attained in 1Q2022. There were heightened activities in the wholesale and retail, leisure and tourism related sectors with the end of the movement restrictions. The improvements were also complimented the growth of the real estate and communication activities with real estate activities also improving due to the end of the pandemic restrictions.

Manufacturing activities stayed robust with increased demand from exports and domestic centric industries. There was still strong demand from the external sector, particularly for electrical and electronic (E&E) peripherals, to meet the tight global supplies. Meanwhile, production for local consumption also grew strongly following the reopening of the economy. In particular, motor vehicle production saw big moves on strong demand ahead of the expiration of the sales & service tax exemptions. However, rubber glove manufacturing slowed further due to the easing global pandemic conditions that reduced the demand for the gloves.

Malaysia Monthly Manufacturing, Wholesale & Retail and Export Performance

Source: Department of Statistics Malaysia, Bloomberg

The construction sector posted its first growth in a year as activities in the sector was severely curtailed by the movement restrictions since the start of the pandemic. In 2Q2022, the sector's recovery was mainly assisted by activities from property-related construction as infrastructure projects were still in a lull that resulted in the underperformance of the civil engineering segment. At the same time, there were also fewer ongoing large-scale infrastructure projects.

Meanwhile, the agriculture and mining sectors remain in contraction with the former affected by weaker harvest and output of palm products due to labour shortages, while livestock and other agriculture production was dampened by high animal feed and fertiliser cost. Although the mining sector was still in contraction, the decline was narrower as higher production from the Pegaga gas field, located offshore east Malaysia, mitigated some of the reduced output from the closure of some oil & gas facilities for maintenance.

Key Malaysian Quarterly and Yearly Economic Data

	Quarterly (Y-o-Y change %)			Annually	
Y-o-Y (%)	**4Q2021**	**1Q2022**	**2Q2022**	**1H2021**	**1H2022**
Domestic Demand	1.9	4.4	13.0	4.9	8.6
Private Sector	2.5	4.4	15.4	5.3	9.6
Consumption	3.7	5.5	18.3	4.3	11.5
Investment	-2.8	0.4	6.3	8.7	3.4
Net exports	0.8	-26.5	-28.7	27.7	-27.6
Exports	13.0	8.0	10.4	23.3	9.2
Imports	14.5	11.1	14.0	22.9	12.6
Loans disbursements	26.5	15.1	23.7	24.9	19.4
Loans outstanding	4.0	4.6	5.2	3.8	4.9
Total deposits	5.2	5.3	5.2	4.7	5.2
M1	9.6	8.6	9.9	17.5	9.3
M3	5.7	6.3	6.7	4.5	6.5
Unemployment	4.3	4.1	3.9	4.8	3.8

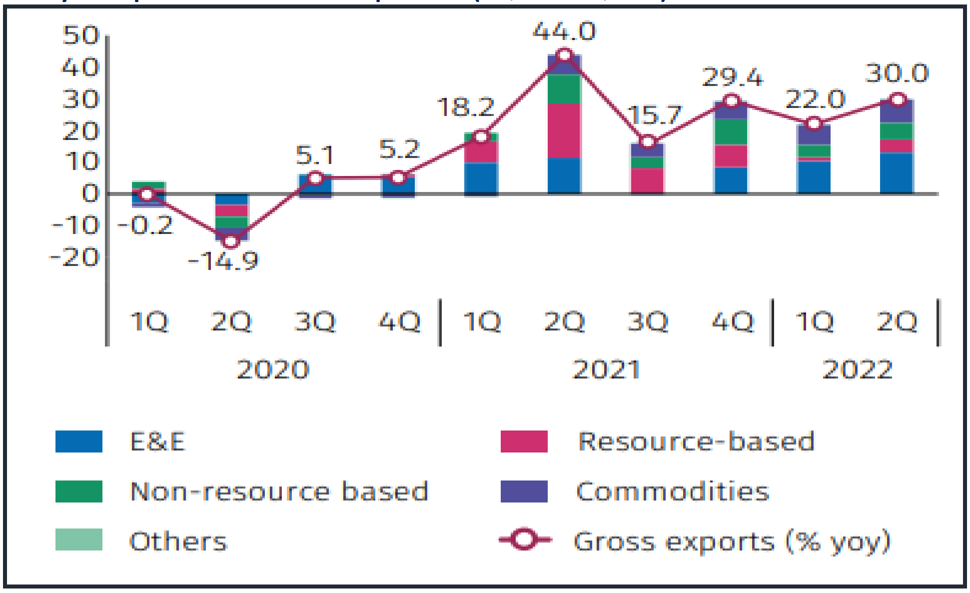
Source: Bank Negara Malaysia, Bloomberg

Gross fixed capital investment also saw a respectable growth of 5.8% Y-o-Y (1Q2022: +0.2% Y-o-Y) with private investments growing 6.3% Y-o-Y (1Q2022: +0.4% Y-o-Y) to lead the investments growth. Most on the increases during the period were into services, manufacturing, ICT and structures. By type of asset, investments in machinery and equipment rose 9.6% Y-o-Y (1Q2022: +12.0% Y-o-Y), followed by structures at 3.8% Y-o-Y (1Q2022: -7.9% Y-o-Y) and other assets (+0.2% Y-o-Y vs. -0.9% Y-o-Y in 1Q2022). Meanwhile, the government sector chipped in with an investment growth of 3.2% Y-o-Y (1Q2022: -0.9 Y-o-Y), mostly on oil & gas and telecommunications sectors.

The country's exports continue to post strong growth amid the heightened external demand and restocking exercise. The firmer commodity prices also aided the export performance and helped gross exports to surge 30.0% Y-o-Y, higher than the 22.0% Y-o-Y growth registered in 1Q2022. However, there was also a corresponding jump in imports that grew 36.1% Y-o-Y, resulting in a narrower trade surplus with much of the higher imports predominately on intermediate goods (+36.2% Y-o-Y vs. 29.0% Y-o-Y in 1Q2022), while import of consumption goods rose at a slower rate of 18.1% Y-o-Y (1Q2022: +24.4% Y-o-Y)

By category, manufactured goods exports rose 26.0% (1Q2022: +17.8% Y-o-Y) with much of the growth contributed by E&E exports (+37.6% Y-o-Y vs. 27.2% Y-o-Y in 1Q2022). Other exports rose by 18.2% Y-o-Y (1Q2022: +10.4% Y-o-Y), comprising mainly of commodities (+55.3% Y-o-Y) like palm oil and oil & gas that also benefitted from higher commodity prices.

Malaysia Export Growth and Components (1Q2020-2Q2022)



Source: Bank Negara Malaysia

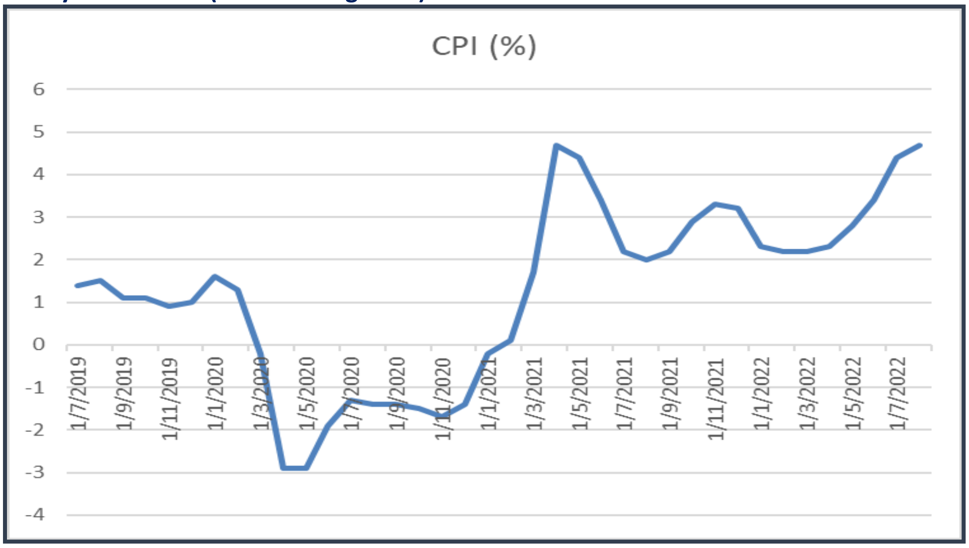
Due to the narrower trade surplus, the goods account surplus also fell to RM34.0b, from RM40.5b in 1Q2022. However, the services account deficit dropped to RM12.3b, from RM15.0b in 1Q2022 following the reopening of the country's borders to tourism. The financial account reported a lower net inflow of RM0.2b, (1Q2022: +RM30.4b) due to the lower direct and investment inflows and a net outflow in the portfolio investment account amounting to RM14.7b (1Q2022: -RM10.1b) – mainly due to the outflow of non-resident debt securities.

The country's external debts continue to climb, reaching RM1,128b in 2Q2022, which is higher than the RM1.111b recorded in 1Q2022. Much of the increase is attributed to the weaker Ringgit against the US Dollar. Still, the total external debts ratio to GDP improved as it amounts to 67.7% in 2Q2022, which is lower than the 69.6% at the end of the preceding quarter. Foreign currency denominated debts amount to a third of the total foreign debt, little changed from 1Q2022. Meanwhile, the country's foreign currency reserves were at $109.0b billion at the end of June 2022. It slipped from $115.6b in 1Q2022 with the amount sufficient to cover 5.8 months of imports of goods and services (change from the retained imports method). If the previous classification was used, the reserves would be sufficient to finance 6.7 months of retained imports in 2Q2022 (1Q2022: 6.1 months). The 2Q2022 reserves would also be able to cover 1.1x the country's short-term external debt, a slight drop from the preceding quarter's 1.2x.

Labour market conditions continue to improve with the unemployment rate easing to 3.9%, from 4.1% in 1Q2022. The improvements were in tandem with the full re-opening of the economy that saw both the number of persons employed and expansion of the labour force making further ground. In 2Q2022, the participation rate rose to 69.2% (1Q2022: 69.0%) that was above the pre-pandemic levels. Wages also increased with private sector wages gaining 7.8% Y-o-Y (1Q2022: +4.7% Y-o-Y), due in part to the implementation of the new minimum wage structure. Manufacturing sector wages improved by 5.2% Y-o-Y (1Q2022: +4.1% Y-o-Y), while those in the services sector grew 9.3%, surpassing 1Q2022's wage growth of 5.0% Y-o-Y.

After moderating in 1Q2022, headline inflation picked-up again, with the CPI rising to 2.8% (1Q2022: +2.2%) as cost pressures continue to rise with ongoing Russia-Ukraine conflict that pushed up global fuel and food prices. This is reflected in the 2.5% (1Q2022: +1.7%) increase in core inflation as food prices remained on an upward trajectory with the lingering shortages and high input cost. The CPI continues to tip higher at the start of 3Q2022, rising past the 4.0% in July and August as prices continue to climb.

Malaysia Inflation (Jul 2019-Aug 2022)



Source: Department of Statistics Malaysia

GLOBAL ECONOMIC OUTLOOK

The global economy will remain challenging for the rest of 2022 and into 2023 with inflationary pressures, due to the ongoing supply constraints and the corresponding interest rate hikes, to dampen growth. This has resulted in the global GDP forecast cut to 2.9% for 2022, down from 3.3% earlier. At the same time, the spectre of stagflation has also risen, as with the recession odds in 2023, with both supply and demand likely to ebb ahead due to the higher cost that looks to linger due to unresolved geopolitical issues in eastern Europe and China's unwavering Zero-Covid stance. Even countries that are not in recession could feel like they are in one as many economic activities may slow considerably, while prices are expected to remain elevated, thereby raising the possibility of stagflation.

Selected Countries GDP Forecast (3Q2022-2023)

(Y-o-Y in %)	3Q2022	4Q2022	1Q2023	2022	2023
World	-	-	-	**2.9**	**2.3**
Asia (Ex-Japan)	4.1	3.9	3.6	**3.5**	**5.0**
European Union	1.9	0.9	0.1	**3.3**	**0.3**
Eurozone	1.8	0.9	0.1	**3.0**	**0.0**
G-8	1.0	0.3	0.5	**1.7**	**0.3**
China	3.9*	4.0	3.5	**3.3**	**5.0**
Germany	0.7	0.2	-0.9	**1.5**	**-0.5**
France	1.0	0.4	0.5	**2.5**	**0.5**
Japan	1.6	2.0	1.1	**1.6**	**1.4**
United Kingdom	2.2	0.4	-0.5	**4.1**	**-0.4**
United States	1.5	0.0	0.6	**1.7**	**0.5**

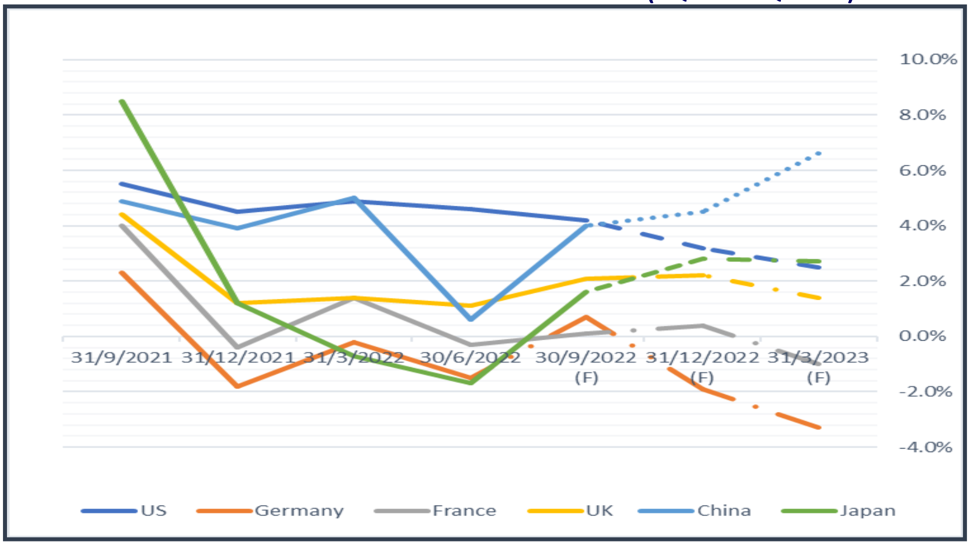
*Source: Bloomberg *actual*

Notwithstanding the increasing recession risk, most economic forecasts are still tilted towards growth for now, albeit lower, in the upcoming quarters and into 2023, suggesting that any recession may be mild for now. The consensus forecast also points to the Asian, Emerging and BRICS economies to be in comparatively better shape and still set for further growth, sustained by the strength of their domestic economies that could help to cushion against the softer external sector. Developed economies could face the steepest decline due to the tightening and inflationary conditions that will continue to keep economic activities on a low gear. On the whole, there is now a 50% chance of global recession in 2023, which is higher than the previous estimate of 25-30%

In the near-to-medium term, the energy crisis may deepen as Russia reduces heating fuel to Europe that may result in a scramble for supplies, just as OPEC is also looking to cut production amid the prognosis of slower economic outlook. This will lift the level of uncertainty and fragility in the global economic conditions with more countries scrambling for energy supplies that could also keep fuel prices elevated. At the same time, there could also be more economic shocks ahead amid the high debt levels and lower liquidity that may exacerbate the already weak economic outlook. There are also increasing concerns over the deflating asset values globally that could raise the financial risk to the banking system.

As a result, inflationary pressures will stay elevated for the foreseeable future that could necessitate an extended period of tight monetary policies. The global CPI rate is expected to rise to 7.2% (2021: 4.7%) and the average interest rate among G8 countries to climb to 3.3% (2021: 0.6%) in 2022. Under the prevailing environment, Central Banks will continue to tread within a fine line of setting fiscal and monetary policies to orchestrate a soft landing, albeit the task will be arduous given that economic conditions are already deteriorating.

Actual and Forecast of Selected Countries IPI Growth in % (3Q2021-1Q2023F)



Source: Bloomberg

Global manufacturing activities will be mixed heading into 2023 with key Asian manufacturing economies like China and Japan to fare better and to registered growth as their activities rebound with the reopening of their economies from the pandemic conditions. The production output will be helped by meeting the backlog orders, although the tight supply conditions could still temper some of the growth prospects. Meanwhile, the US and key European economies are likely to see their manufacturing activities softening in the quarters ahead due to the expected slowdown in their economic activities. Cost pressures in the form of higher input cost could also weigh on their manufacturing activities ahead, as with the weaker demand dynamics.

The U.S GDP growth forecast is trimmed to 1.6% Y-o-Y for 2022 (from 2.7% Y-o-Y) as economic activities would weaken further on sustained inflationary pressure and persisting shortages. The higher interest rates would also deter consumer spending in the quarters ahead as the Fed is bent on fighting inflation and to bring the target core PCE inflation to 2.0% (from 5.0% presently). This target seems distant as consensus forecast points to the PCE inflation rate staying above 2.0% at least until 2Q2024 and the sustained period of high interest rates could also prolong the challenging economic outlook. In the meantime, the Fed is poised to lift rates further with interest rate to climb to as high as 4.3% by 1Q2023 as it looks to tame inflation that could also affect interest rate sensitive sectors for longer.

Nevertheless, the prognosis is for sustained U.S. consumer spending growth over the next few quarters, albeit at modest rates, as employment prospects are expected to remain firm even as the unemployment rate may climb above 4.0% in 2023. For the most part, the U.S. jobs market is likely to stay resilient due to the shortage of workers with many industries still looking to beef up their workforce. The stronger employment prospects may help U.S. consumer spending to grow 2.4% Y-o-Y and 1.3% Y-o-Y in 2022 and 2023 respectively. The forecast growth rates are also within those that it attained prior to the pandemic years and is deemed to be commendable in view of the increasingly challenging economic undertone.

Its manufacturing activities are also expected to remain firm in 2022 with an expected growth of 4.3% Y-o-Y, which is a slight reduction from the earlier forecast of a 5.0% Y-o-Y growth amid the slower economic conditions as it looks to meet the backlogs and inventory replenishment. Manufacturing output, however, could moderate further next year with its sector's growth forecast cut to 1.5% Y-o-Y, from 2.0% Y-o-Y previously, as demand is likely to moderate further. Its export performance may also slow with the growth potentially whittling down to 3.7% Y-o-Y in 2023, down from the forecast 6.4% Y-o-Y growth in 2022.

Europe is still likely to emerge as the worse affected region as the Russia/Ukraine war has driven up fuel cost and is likely to worsen in the winter months. As it is, there is a strong possibility a shortage of heating fuel as Russia is limiting the supply to Russia and this would drive up energy cost further. This also means that inflation would surge further with the full year rate to come in at 8.6%, before moderating to 5.5% in 2023. The ECB is also widely tipped to raise interest rates further that could top 2.25% by the end of the year, with potentially another hike to 2.50% in next year as inflation remains the biggest impediment on its economy.

The heighten level of uncertainties has depressed Europe's economic sentiments and conditions are becoming more muted, with the risk of a recession also climbing significantly. As a result, consumer spending has moderated significantly regionwide with most member countries to report low or negative growth over the coming 2-3 quarters with virtually no spending growth in 2023. On the supply side, Europe's manufacturing activities are also tipped to moderate further with growth to be at near standstill at just 0.6% Y-o-Y, from the expected 0.8% Y-o-Y growth in 2022.

Notwithstanding the increasingly stiff headwinds, Europe's employment outlook could be a silver lining as recent data suggest that new hirings are still ongoing due to the post pandemic shortage of skilled labour. While layoffs could increase amid the increasingly weak economic outlook ahead, the unemployment rate is only expected to rise marginally. The sustained employment gains could limit the effects of a recession and keep it relatively benign for the time being.

Asian economies could also grapple with slower global growth, but domestic activities may provide some support, particularly with the prognosis that China could be gradually relaxing its tight Covid-19 restrictions. Overall growth prospects, however, could still be muted due to the tightening global financial environment and surging commodity prices that is likely to keep prices elevated. At the same time, their respective external environment could also moderate further amid the slowdown in the U.S. and European economies that would affect demand in 2023.

For now, the Asian region's 2022 GDP growth is trimmed to 3.5% Y-o-Y, from 4.1% Y-o-Y, while for 2023's the GDP forecast is reduced to 5.0% Y-o-Y, which is slightly lower than the previous estimate of 5.1% Y-o-Y. The lower forecast is due to the stiffer headwinds faced by the Chinese and Indian economies. Also, capital outflows from the Asian region have accelerated on the global interest rate hikes and with more increases on the horizon, the outflows would likely persist.

With China still keeping its Zero Covid, economic conditions are likely to stay muted for the rest of 2022 with domestic demand and activities to ease further due to the persisting movement restrictions and slower external sector that are affected by the surging inflation and tight supplies. Domestically, the property market softness will still weigh on sentiments and the risk of further downsides are still apparent. As a result, its manufacturing sector growth may ease to 4.0% Y-o-Y in 2022, down from the 4.5% Y-o-Y forecast earlier. Similarly, its export performance may also moderate with a growth of 9.0% Y-o-Y in 2022, compared to 28.6% Y-o-Y growth a year ago. Export performance could weaken further in 2023 with an expected growth of just 2.2% Y-o-Y, which would also mark the slowest growth since the onset of the pandemic in 2020.

Although China's economy could improve in 2023 as it may gradually ease up on the pandemic restrictions, economic conditions could still remain unsettled as demand could be slow to pick up. However, there should be boosters to its domestic spending if it eases up on its Covid restrictions with retail spending poised to grow 6.6% in 2023, from a relatively anaemic 2.1% Y-o-Y growth in 2022.

Japan's economy is looking to recover from its pandemic conditions after it re-opened its borders – which is among the last in the region. There should be pent-up demand that may bolster its performance in the last quarter of 2022, potentially raising the full year consumer spending growth to 2.9% Y-o-Y, before slipping again with a 1.3% Y-o-Y growth in 2023 as the pent-up demand ends. Nevertheless, capital spending growth could accelerate from 1.6% Y-o-Y in 2022 to 3.0% Y-o-Y as investments pick-up to meet the tight supplies. Exports may also moderate in 2023 with a growth of 1.8% Y-o-Y (forecast growth of 3.5% Y-o-Y in 2022), even as manufacturing activities are expected to improve by 3.1% Y-o-Y. Part of the slowdown in exports is due to the weaker global economic conditions.

In the rest of Asia, economic performances are also likely to moderate – largely due to the weaker external environment that could crimp exports. Inflationary and supply issues will also affect domestic demand and activities, but there should be sustained growth from the full reopening of their economies from the pandemic conditions.

MALAYSIA ECONOMIC OUTLOOK

With the 15th General Election called, Budget 2023 became an exercise in futility and will have no bearing on the country's economy until it is re-tabled later. Instead, the country's economic undertone will be shored-up by the revival of domestic activities and the strong exports performance in 2022, following the full re-opening of the Malaysian economy in 2Q2022.

The re-opening helped the country's economy grow 6.9% Y-o-Y in 1H2022 on improvement momentum in both local and external fronts, coupled with steady labour market conditions. Going into 2H2022, the transition to endemicity stage of the pandemic is expected to continue to underpin the economy on improved private consumption and business activities. Following the spate of firmer-than-expected quarterly GDPs, 2022's consensus GDP forecast has also been lifted to 7.0% Y-o-Y, from 6.1% Y-o-Y previously. Even with the ongoing global challenges, the country's economic activities have stayed steadfast, and will continue to be supported by the strong external sector and improved domestic activities for the remainder of the year. BNM has also lifted its forecast and is now expecting 2022 GDP to come in at 6.5%-7.0%, up from 5.3%-6.3% previously.

Malaysia Sector Performance 2021-2023F

Y.o.Y in %	2021	2022F	2023F
Real GDP	**3.1**	**6.5-7.0**	**4.0-5.0**
Agriculture	-0.2	0.1	2.3
Mining/Quarrying	0.7	2.1	1.1
Manufacturing	9.5	6.3	3.9
Construction	-5.2	2.3	4.7
Services	1.9	8.2	5.0
CPI	4.5	3.3	2.8-3.3

Source: Bank Negara Malaysia, Ministry of Finance Malaysia

After a strong 1H2022, domestic demand is likely to sustain its growth for the rest of the year, albeit growth may ease slightly as the pent-up demand slows for both goods and services. Domestic demand is predicted to grow further by 4.1%Y-o-Y in 2H2022 (1H2022: +8.6% Y-o-Y) and by 6.3% Y-o-Y for the full year, with private expenditure expected to expand at 7.5% Y-o-Y in 2022 on higher consumption and investment spending. Public expenditure, on the other hand, is expected to grow modestly by 1.3% Y-o-Y following the end of the pandemic that resulted in lower spending for healthcare.

Private consumption is anticipated to grow by 6.0% Y-o-Y in 2H2022 and 8.7% Y-o-Y for the whole year, tapping on the continuous improvement in the labour market through salaries and wages increment as well as B40 households-friendly government assistance. Domestic demand and activities are likely to taper with growth possibly slowing to 5.1% Y-o-Y, based on the short-lived Budget 2023, as economic conditions are set to turn more cautious. Correspondingly, this may also slow private consumption growth to 6.3% Y-o-Y in 2023 amid the easing spending. Nevertheless, the growth rates are still seen as commendable given the increasing economic challenges with the consumption patterns to be still supported by the firm employment prospects and higher wages.

Meanwhile, private investment was up 3.3% in 1H2022 as the country's fundamentals has remained solid with the foreign direct investment reaching a net inflow of RM41.7b in the same period. It is expected that private investment would grow by 2.5% Y-o-Y in 2H2022 and by 3.0% Y-o-Y for 2022 on continuous spending, especially in the manufacturing and services segments. Malaysia's stellar performances on the external front is likely to continue with gross exports projected to go up by 17.4% in 2022 as the country benefits from the acceleration of digitalisation and the global technology upcycle.

Exports of manufactured goods are estimated to grow by 15.0% in 2H2022, led by 26.9% and 6.1% growths on E&E and non-E&E products. The strong demand for semiconductor products will continue to buoy the E&E subsector, which have been supporting the export-oriented industries in the past few years. Meanwhile, the strong growth of 13.7% in furniture exports and 14.5% in wood products subsectors have also come in handy. The sector is expected to increase by 4.9% in 2H2022 and then by 6.3% for the year.

Gross imports, on the other hand, are forecast to improve by 19.3% Y-o-Y in 2022, underpinned by intermediate, capital and also consumption goods. Led by largest share to external trade at 55.9%, intermediate goods are poised to improve by 20.7% Y-o-Y, followed by growth of 17.0% Y-o-Y and 8.9% Y-o-Y in consumption and capital goods.

On the flip side, the agriculture sector contracted by 1.2% in 1H2022 due to lower output in most subsectors as the labour shortages prolonged. However, the sector is projected to turn around with a growth of 1.3% in 2H2022, elevated by a surge in the production of crude palm oil on expectation of more mature planted areas coming on-stream. With the resumption of production in a major oil field in Sabah, higher oil and gas output from existing and new natural gas fields are poised to support the 5.1% Y-o-Y recovery growth of the sector in 2H2022. The pent-up demand following the easing of the pandemic and continuing geopolitical tension in Eastern Europe is expected to hold the average Brent crude oil price at the US$100 level. The sector is on tap for a 2.1% Y-o-Y growth in 2022

Malaysia Consensus Economic Data

in %	3Q2022 (F)	4Q2022 (F)	1Q2023 (F)	*2022F*	*2023F*
Real GDP (Y-o-Y)	10.9	5.0	4.1	***7.0***	***4.3***
Real GDP (Q-o-Q)	0.4	0.3	1.0	-	-
CPI (Y-o-Y)	4.3	3.6	3.4	***3.2***	***2.5***
Overnight Policy Rate	2.5	2.65	2.96	***2.70***	***3.10***
Unemployment				***3.8***	***3.4***
Budget Deficit (% of GDP)				***-6.0***	***-4.9***

Source: Bloomberg

Headline inflation is also expected to see a temporary hike in the third quarter of the year on low base effect as electricity discount was removed for domestic consumer. Whole-year inflation is estimated at 3.2%-3.3% but may ease to around 2.5% in 2023 as the higher base effect.

On the producer side, producer price index (PPI) shot up by 10.2% during the first seven months of the year as global commodity prices rose, in particular crude oil and natural gas. Nevertheless, the PPI is projected to remain stable in 2022 as the hike in input cost has started to normalise and may find further stability in 2023.

Meanwhile, government debt will be little change and would continue to tether close its self-imposed limit of 65% of GDP (2022: forecast government debt at 61% of GDP), with the need to continue funding the country's development spending. This also means another year of deficit with the Ministry of Finance, in the short-lived Budget 2023, projecting a budget deficit of 5.5% which is lower than the estimated 5.8% deficit for this year.

Going into 2023, however, the country's economic conditions are likely to ease in tandem with the slower global conditions. As such, Malaysia's downside risk remains heighten even the possibility of a recession is still low due to the country's diversified economic base.

As the country's export performance is likely to be affected by the easing global demand, it could pose the biggest challenge to the Malaysian economy in 2023 and the manufacturing sector growth may ease to just 3.9% Y-o-Y, from the projected 6.3% Y-o-Y growth in 2022. Demand for E&E products may decline in tandem with the slower global economic conditions, but domestic centric manufacturing may remain stable amid the increased demand for food products and building materials.

The continuing employment gains – where the unemployment rate is widely tipped to remain below 4.0% in 2022, is likely to improve further in 2023 with the rate to average 3.5%-3.7% amid the sustained economic expansion to would firm up employment prospects.

GLOBAL EQUITY MARKET REVIEW

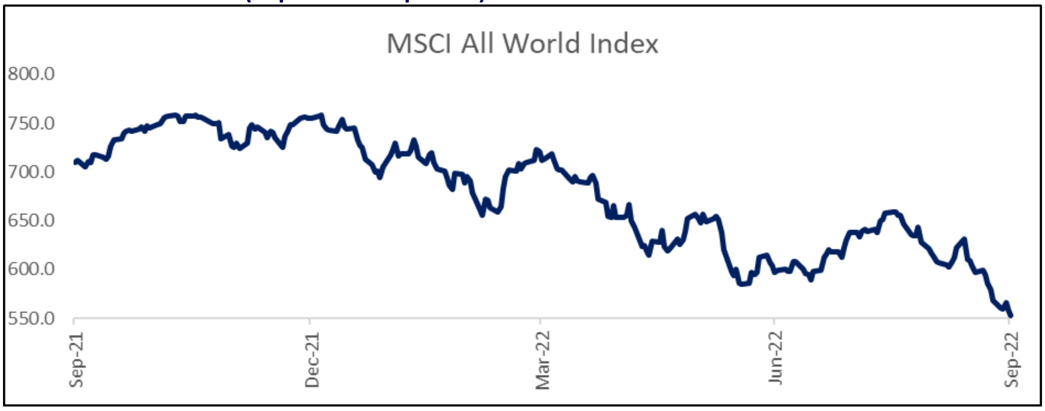
Global equities endured a wretched 3Q2022 as market conditions worsened following Central Banks series of monetary tightening to tame the runaway inflation. The capital markets were hammered by disruptions and volatility, due in large part to the global response to soaring inflation and widespread geopolitical events (sabotage of the Nord stream gas pipelines and worsening of the U.S.-China relationship) pushing stock and bond prices lower, while the U.S. Dollar was propped up. As a result, the MSCI All World Index fell 7.3% Q-o-Q. Most commodity prices have also reversed to turn sharply lower from their 1H2022 gains due to the slowdown in global economic activities.

Performance of Key Global Indices

Indices	30 September 2022 Closing	30 June 2022 Closing	QoQ change (%)	31 Dec 2021 Closing	YTD change (%)
FTSE Bursa Malaysia KLCI	**1,394.63**	**1,444.22**	***-3.43***	**1,567.53**	***-11.03***
MSCI ACWI	553.37	596.77	*-7.27*	754.83	*-26.69*
DOW JONES INDUS. AVG	28,725.51	30,775.43	*-6.66*	36,338.30	*-20.95*
S&P 500 INDEX	3,585.62	3,785.38	*-5.28*	4,766.18	*-24.77*
NASDAQ COMPOSITE	10,575.62	11,028.74	*-4.11*	15,644.97	*-32.40*
FTSE 100 INDEX	6,893.81	7,169.28	*-3.84*	7,384.54	*-6.65*
CAC 40 INDEX	5,762.34	5,922.86	*-2.71*	7,153.03	*-19.44*
DAX INDEX	12,114.36	12,783.77	*-5.24*	15,884.86	*-23.74*
NIKKEI 225	25,937.21	26,393.04	*-1.73*	28,791.71	*-9.91*
HANG SENG INDEX	17,222.83	21,859.79	*-21.21*	23,397.67	*-26.39*
SHANGHAI SE COMPOSITE	3,024.39	3,398.62	*-11.01*	3,639.78	*-16.91*

Source: Bloomberg

MSCI All World Index (Sep 2021 – Sep 2022)



Source: Bloomberg

Many global central banks tried to keep up with the Federal Reserve's rapid pace of rate hikes to defend their local currencies and restore price stability, a contrast to the post-Great Financial Crisis era's race to the bottom. The sharp rise in global interest rate increased the debt servicing costs that became a significant headwind for global economic activities. Historically, the strengthening of the greenback has been a wrecking ball for other currencies and as a result, global foreign currency reserves declined about 7.8%, or by $1.0t this year to $12.0t.

In July, U.S. market rallied, shrugging off the second consecutive negative GDP performance, but the peak inflation narrative failed, combined with the Fed's commitment to cool the jobs market. However, the labour market remained tight with the unemployment rate at pre-pandemic level, spurring wage-price spiral risk, squashing any hope for a dovish pivot in the foreseeable future. Furthermore, the market was pressured by the quantitative tightening and expectation of another 125 bps rate hikes over the final two FOMC meetings in 2022.

The incessant selling sent major U.S. equity benchmarks to new multiyear lows, with the consumer discretionary and energy sectors the only outperformers, closing in the positive territory for the quarter. The worst performing sectors were Communications and Real Estate. Small-cap growth stocks outperformed value stocks in 3Q2022 but on a YTD basis, value stocks were still the relative outperformer. The Dollar Index – DYX, rose 7.1% Q-o-Q in 3Q2022, rising at much faster pace as compared to 2Q2022's 6.4% Q-o-Q.

As of the end of 3Q2022, the percentage of stocks trading above their 200-day moving average was at 13.5%, as compared to 18.9% in 2Q2022, closing at their lowest level since the start of the pandemic.

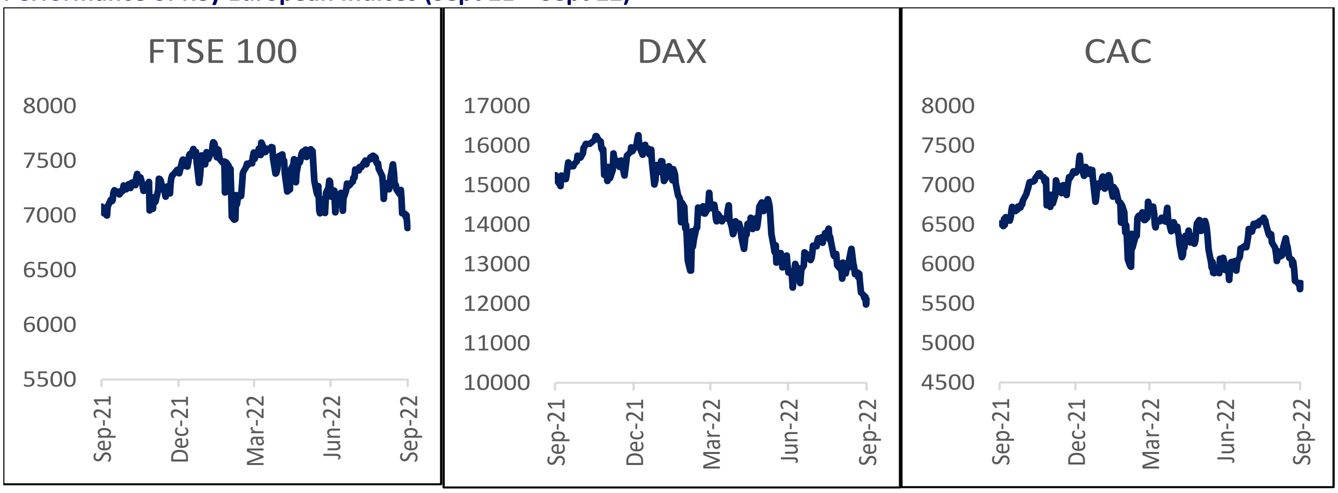
Performance of Key U.S Indices (Sept 21 – Sept 22)

Source: Bloomberg

In Europe, markets descended for the third consecutive quarter amid the prolonged energy crisis and rising inflation that dampened the economic growth outlook. The DAX and CAC fell 5.2% Q-o-Q and 2.7% Q-o-Q respectively in 3Q2022, descending at a slower pace compared to 2Q2022. All sectors posted negative returns with the steepest falls on communication services, real estate, and healthcare sectors, with the real estate sector pressured by rising interest rates. This follows the European Central Bank's raising of interest rates in July and September, taking the deposit rate to 0.75% and the refinancing rate to 1.25% as well as ending its asset purchase program. Gas disruption from the Nord Stream pipeline put pressure on energy cost, contributing significantly to the rising inflation. Furthermore, the composite purchasing managers' index posted three consecutive months of contraction in 3Q2022. The weakness also sent the euro to a 20-year low against the U.S. Dollar, hitting a one-to-one exchange rate with the U.S. dollar and subsequently below parity.

U.K. equities also retraced, slipping 5.9% Q-o-Q. Similar to the U.S. markets, large multinational consumer staples and energy companies outperformed as these industries were seen to be able to cope with an inflationary environment better. However, real estate and domestically denominated base companies were weighed down. Markets were roiled further when new Prime Minister Liz Truss' Cabinet announced a fiscal package in September that was poorly received by markets that also sent the Sterling to an all-time low vs. the US dollar. The Bank of England launched its emergency intervention on Sep. 28 after an unprecedented sell-off in long-dated U.K. government bonds threatened to collapse the multiple liability driven investment funds that are widely held by U.K. pension schemes.

Performance of Key European Indices (Sept 21 – Sept 22)

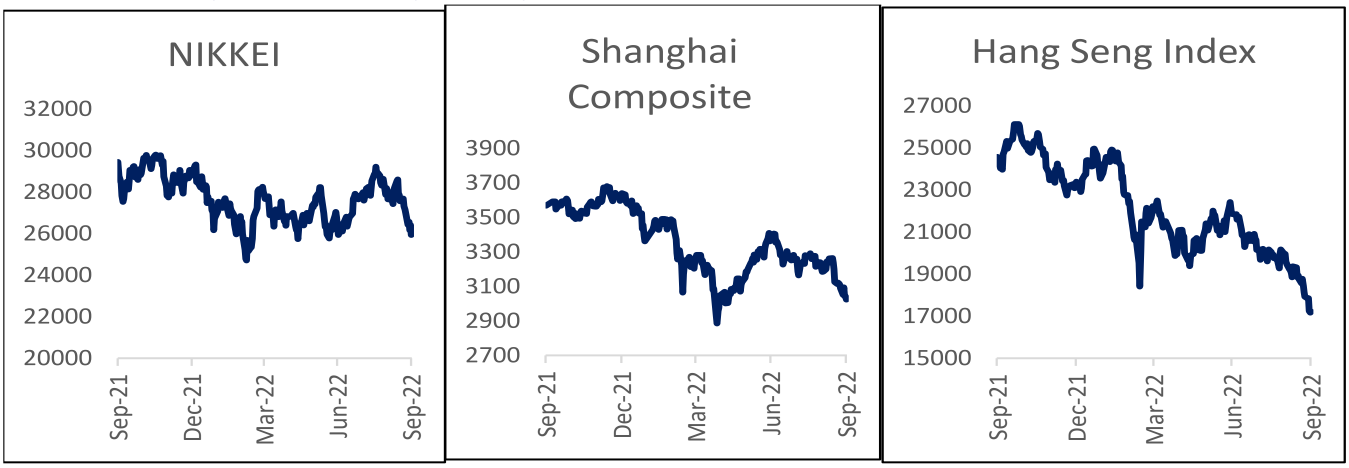


Source: Bloomberg

Asian equities mirrored the performance of global equities and was hard hit not only by inflationary concerns, but also pressures to their currencies. The Japanese market fell 1.7% Q-o-Q with the Yen weakening against the US dollar, easily breaking the $1.00:140 Yen level for the first time since 1998. The Bank of Japan kept its monetary easing policy unchanged and the interest rate differential with the U.S. This differential has been a significant factor in the weakening of the Yen. On 22 September, the Ministry of Finance did intervene directly in the currency markets when the Yen was seen depreciating rapidly towards 146 against the U.S. dollar. This was the first such direct intervention in support of the Yen since 1998.

The Shanghai Composite fell 11.0% Q-o-Q, as the country's economic expansion was impeded by lockdowns, falling consumer sentiment, slowdown in its manufacturing PMI, and worsening of the U.S.-China relations. China's State Council rolled out an economic stimulus package worth 1tr yuan. However, the markets were not convinced with China's monetary and fiscal policies as its economic activities were also rattled by its tough Zero Covid policies. The Hong Kong market fell the most among major regional indices, down 21.2% Q-o-Q, and falling for five consecutive quarters which was last seen during the 2008 Global Financial Crisis.

Performance of Key Asian Indices (Sept 21 – Sept 22)



Source: Bloomberg

MALAYSIAN EQUITY MARKET REVIEW

The FBM KLCI dove further in 3Q2022, down by 3.4% from the previous quarter as it mirrored the performance of global markets that were rocked by the continuous rate hike in the U.S. The persistently high inflation rate also prompted central banks worldwide to go on a massive rate hike spree that further affected investor sentiments, with stocks on Bursa Malaysia also similarly affected after BNM lifted rates.

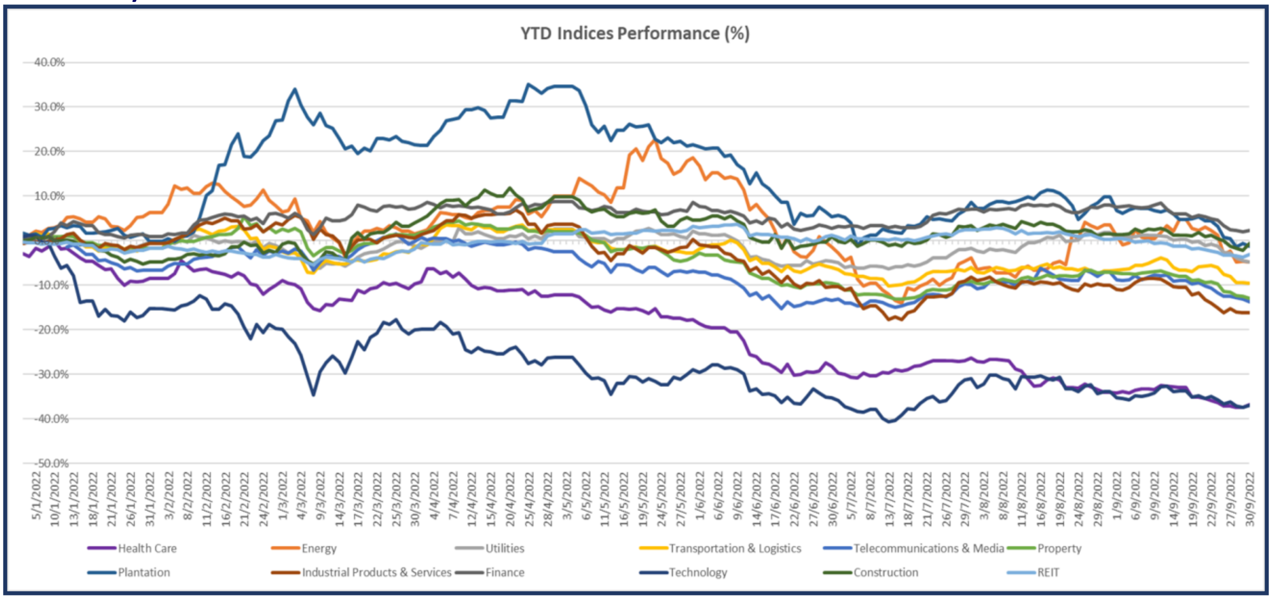
FBM KLCI one-year performance

Source: Bloomberg

The selling was also due in part to the weaker Ringgit that prompted foreign funds to reduce their exposure. There were also few domestic leads to bolster sentiments despite the recovery in corporate earnings from their pandemic lows following the full reopening of the country's economy. The unsettled political undertone further kept sentiments guarded with most market players opting to stay on the sidelines until there is clarity in the market's direction. As a result, the FBM KLCI surrendered its July gains in the ensuing months that also saw it registering a new two-year low of 1,373 points in September on the back of the incessant selling.

On the FBM KLCI, the top Q-o-Q gainers managed to eke-out single-digit growth, led by Maxis, CIMB Group Holdings and Telekom Malaysia with gains of 7.7%, 6.1% and 5.8% respectively. On the flip side, glovemakers remained top losers with Hartalega Holdings and Top Glove Corporation plummeting 44.6% and 39.9% respectively. Press Metal Aluminium Holdings came in third after dropping by 14.8% as silver prices declined markedly on recession fears.

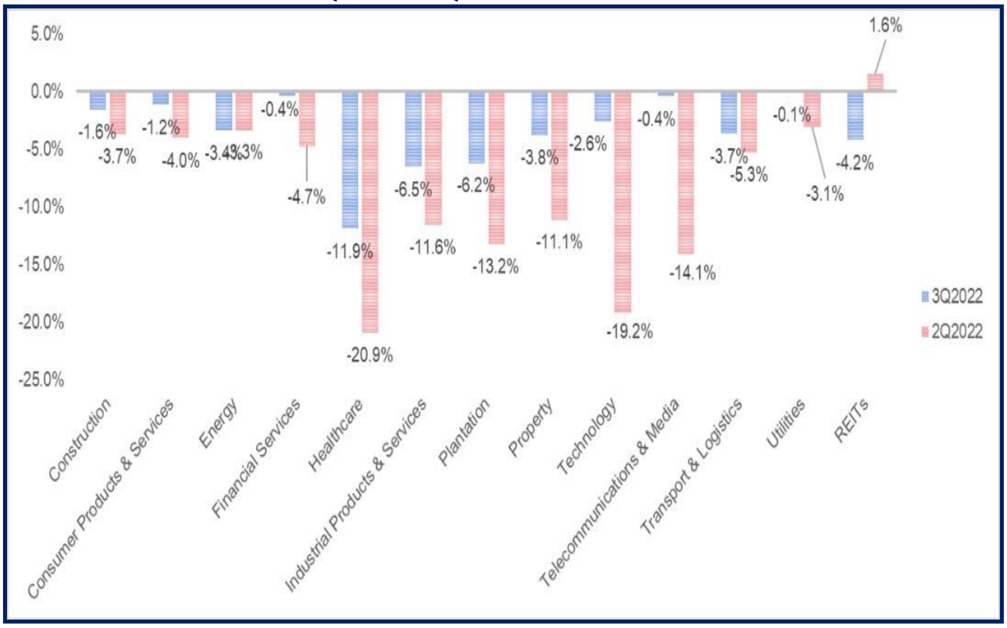
Bursa Malaysia Indices Performance 9M2022



Source: Bloomberg

Q-o-Q, both the FBM Small Cap and ACE indices tracked Bursa Malaysia's benchmark index lower, dropping 3.6% and 2.0% respectively. Among the lower liners, the share prices of Metronic Global, Jade Marvel Group as well as Serba Dinamik Holdings plunged more than 70%. In contrast, top gainers outperformed by more than 100.0% with MCOM Holdings gaining 200.0%, followed by EA Technique and VSolar Group posting gains of 116.8% and 100.0%, respectively. Y-o-Y, the performance of both indices was still down by 14.7% and 34.9% respectively.

Bursa Indices Performance 3Q2022 vs 2Q2022



Source: Bloomberg

All Bursa Malaysia sectoral performances were still in the red Q-o-Q as the selling accelerated amid the weaker market sentiments. The REIT sector, the sole gainer in 2Q2022, also failed to carry over its positive momentum from the previous quarter, falling by 4.2% vs. an increase of 1.6% previously. In other sectors, the utility sector fared the best as it only declined by 0.1% Q-o-Q, whereas the financial and telco sectors trailed with 0.4% Q-o-Q losses. Once again, the healthcare sector was the worst performer, losing about 11.9% Q-o-Q as the effect of the pandemic began dwindled.

YTD, local equities have been supported by retail and foreign investors with a net buy of RM2.22b and RM6.38b respectively. Local institutional investors, however, continued to offload Malaysian equities at a cumulative RM8.60b.

Trade-wise, the number of transactions sunk further on quarter with the average daily traded volume dropping 21.2%. but eased slightly to 50.1% Y-o-Y. Similarly, value deteriorated further by 22.9% Q-o-Q and 43.8% Y-o-Y respectively. Cumulative nine months' trading volume and value were not encouraging either, dropping 56.9% and 46.0% on year. The reduced market following is due to the risk-off mode by investors, coupled with recession fears with the onset of inflationary conditions dampening demands and causing growth to remain subdued.

Average Daily Bursa Malaysia Volume and Value

Volume (m)

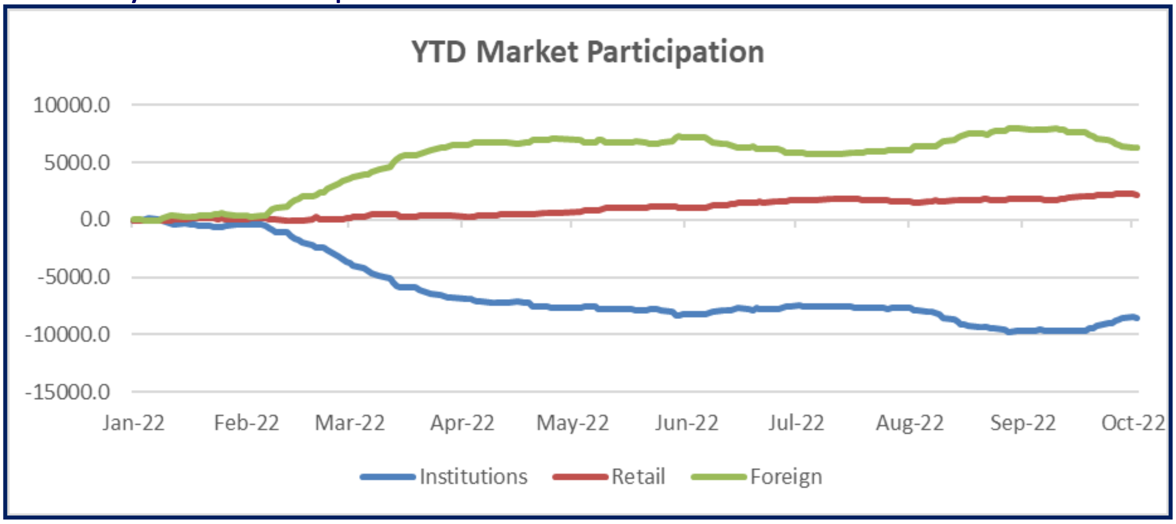
3QCY22	3QCY21	Y-o-Y chg (%)	2QCY22	Q-o-Q chg (%)	9MCY22	9MCY21	Q-o-Q chg (%)
2,280.9	4,568.2	-50.1	2,893.3	-21.2	2,793.7	6,475.3	-56.9

Value (RMm)

3QCY22	3QCY21	Y-o-Y chg (%)	2QCY22	Q-o-Q chg (%)	9MCY22	9MCY21	Q-o-Q chg (%)
1,621.2	2,886.3	-43.8	2,101.4	-22.9	2,101.6	3,893.6	-46.0

Source: Bloomberg

Bursa Malaysia Market Participants



Source: Bloomberg

GLOBAL EQUITY MARKET OUTLOOK

Global equities are likely to remain volatile with the downbeat note to also prolong market headwinds brought about by the rise in borrowing cost, sustained tight supply situation and heightened recession fears that will continue to dominate market sentiments for the foreseeable future. The recessionary concerns are set to keep equity markets in the doldrums as most central banks are still on their tapering course and continue with their aggressive rate increases that could further sustain the cautious trend. At the same time, the Russia/Ukraine conflict shows few signs of abating that will also keep market sentiments guarded for longer.

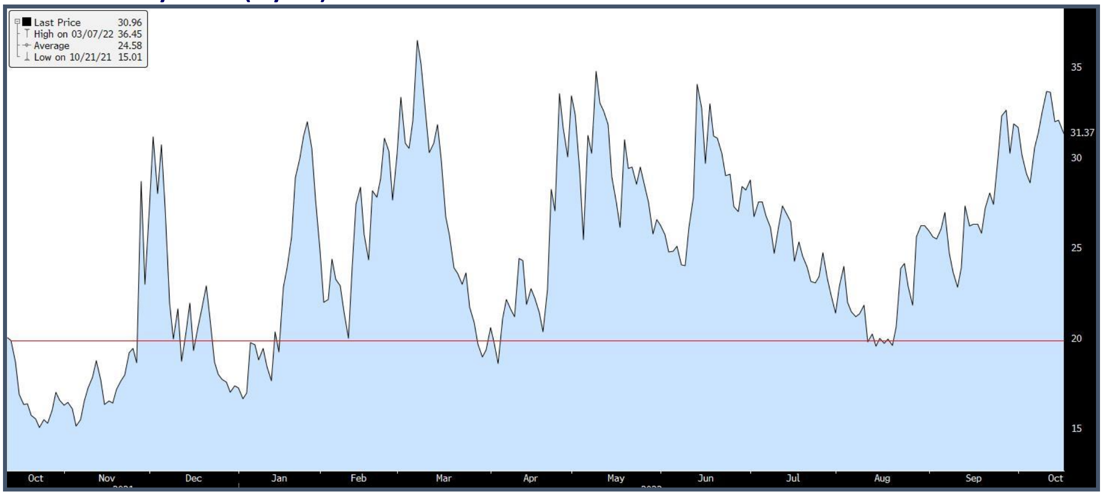
Already, most key global indices are in the bear market conditions, and they are likely to remain so for the rest of the year as there appears to be few pockets of positivity for market players to follow for now. The ongoing weakness has resulted in most global indices veering into the oversold region and while a rebound is due, their recovery may still be modest and could just be technical in nature due to the overriding headwinds that the markets face.

Still, the steep falls YTD has largely reflected the market's headwind with valuations looking compelling. At the same time, recent economic data, although deteriorating, has not turned overwhelming negative – suggesting that the broad economy is still holding that would suggest that the worst of the stockmarket conditions could be over for now and providing hope that a bottom may have been found as market players await for more signs of stability to emerge. At the same time, equity valuations are looking compelling after their steep falls that may also provide some measure of support even as earnings growth prospects are uncertain for the most part due to the slowing economic conditions that could dampen demand, while supply dynamics may also be affected by the tight supplies and higher input cost.

At this juncture, U.S. equities looks to remain in bear market territory for the remainder of the year, with odds of a "hard" landing rising even if inflation data starts to show moderation as it is unlikely to reach the Fed's PCE inflation target of 2.0% anytime soon due to the still positive consumer spending trend. Concerns over the Fed's aggressive monetary stance to combat inflation will continue to weigh on market sentiments for longer and this is leaving sentiments guarded, despite the recent market bounce which is seen as a rebound from oversold conditions.

In the interim, U.S. economy and corporate earnings are likely to deteriorate further in the coming quarters and their respective outlooks will continue to stay fluid, tilted to the downside due to the Fed's continuing hawkish stance. There are suggestions that the upcoming inflation data will determine the Fed's upcoming monetary policy stance and are also looking for signs of peak inflation – with some believing that June's 9.1% CPI is the peak. Even if a peak inflation is found, the inflation rate could remain elevated for an extended duration.

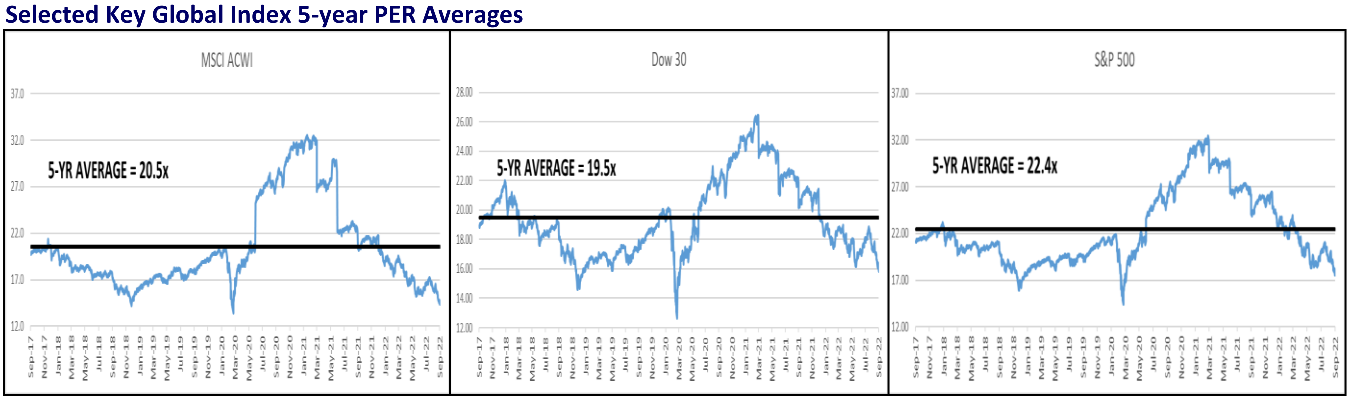
CBOT Volatility Index (1 year)



Source: Bloomberg

At the same time, the CBOT volatility index remains above the 20 mark, re-enforcing the volatile outlook for U.S. equities. The index also stayed above the 20 mark for most of the past year, indicating that the bearish streak is prevalent. Although the downward pressure is still prevalent, the S&P 500 may find a bottom around 3,500 points, which is also the "make-or-break" level that could provide a meaningful support. However, a break of the level could prompt more downside bias, but we see the level holding for now due to the already oversold conditions.

Selected Key Global Index 5-year PER Averages

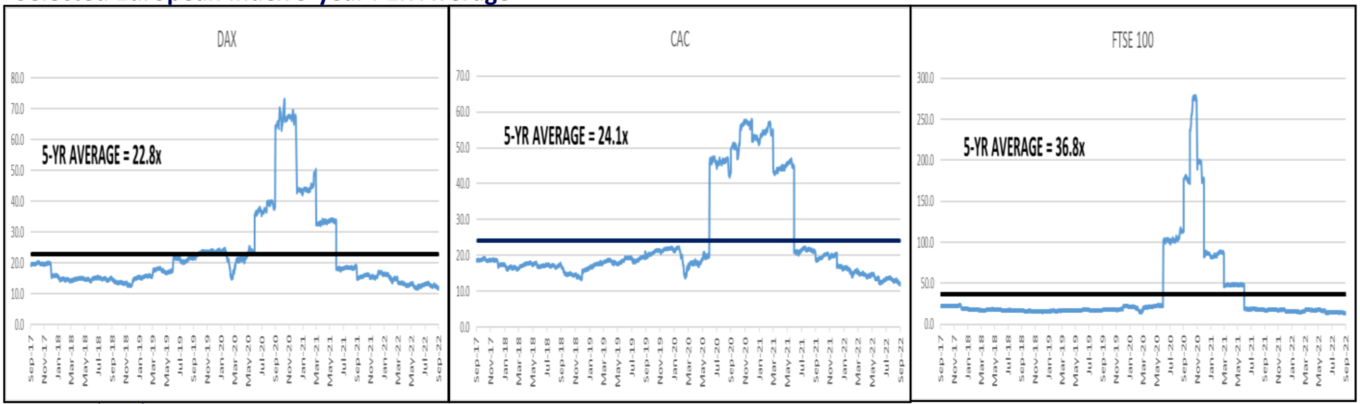


Source: Bloomberg

European equities could emerge as the big losers ahead due to the ongoing energy crisis and inflation that may worsen in the upcoming winter months as Russia and OPEC trims their supply. As a result, there is likely further cuts in corporate earnings outlook and leave its equity markets tentative for longer, despite Europe's attractive equity valuations. Therefore, investor confidence remains thin for the most part and this could prolong the difficult market environment.

The PERs compressions looks to prolong even as there could be limited upsides for the rest of the year as much of the headways persist. Even with markets traditionally see improvements in the final quarter of the year, any upsides will be muted as the outlook for 2023 appears bleak for European equities with no end in sight for the ongoing war in the Ukraine. In fact, the conflict has escalated somewhat that may point to a deepening of the ongoing concerns and the outlook will stay uncertain for longer.

Selected European Index 5-year PER Average



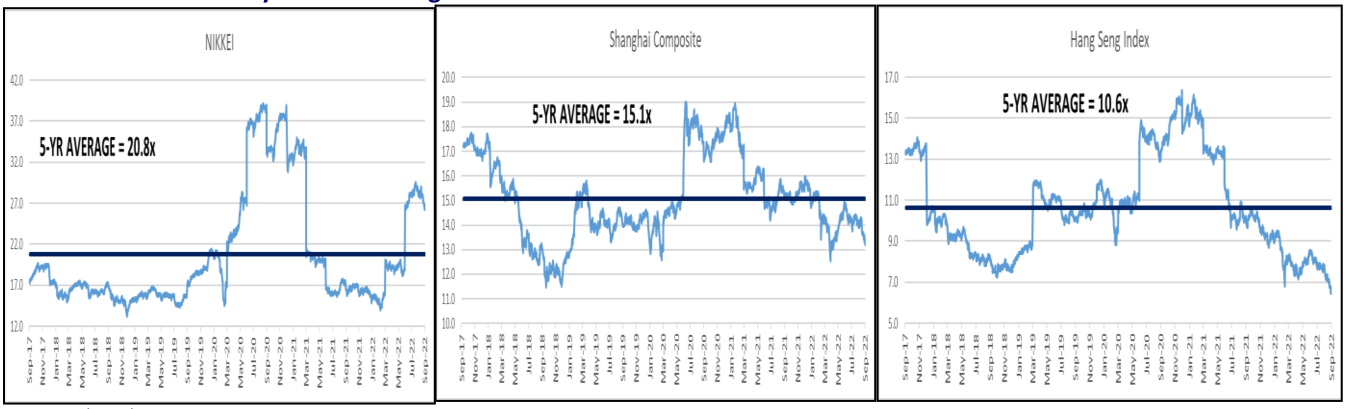
Source: Bloomberg

There will also be volatility on Asian equities as they mirror the performance of global indices amid the continue challenging outlook for the rest of the year and into 2023 with the weak external sector to impact performance, in particular their depreciating currencies that is posing a new threat to equities. Relative to developed equity markets, however, Asian equities could find more support due to the stronger recovery prospects of corporate earnings in 2023 as many countries continue to emerge from their pandemic conditions.

China equities could stay mixed-to-lower for longer as it persists with the tough pandemic restrictions that is slowing its economic performance that could also affect its corporate earnings performance. However, its stockmarket outlook may improve in 2023 as it could relax its pandemic restrictions that will be a boon to its domestic activities.

The relaxation of most of its Covid restrictions could spur a firmer revival of Japan’s equity market, but the longevity remains in doubt due to its weak currency and export performance that may again cause consternation to its equity markets. Moving into 2023, conditions may also fare better as the impact of the reopening of its economy filters in.

Selected Asian Index 5-year PER Averages



Source: Bloomberg

Global earnings growth, as measured by the MSCI All World Index, is estimated at 4.9% Y-o-Y for 2022, before improving a further 5.3% Y-o-Y in 2023. The estimates are lower than the previous forecast as global earnings is likely to be slowed further by the ongoing inflationary environment, rising interest rates and prolonged tight supplies situation. At the same time, the earnings forecast is still subject to further downward revisions due to the ongoing headwinds that shows few signs of letting up as yet and will continue to dull the earnings prospects.

In the U.S., the S&P 500's earnings forecast for 2022 has been cut further to 9.6% Y-o-Y (previously 15.0%) as the higher interest rates continue to eat into margins. For 2023, earnings growth could slow further to 7.5% Y-o-Y due to the recessionary conditions. In a similar vein, the Dow's earnings growth is also lowered to 6.4% Y-o-Y and 9.7% Y-o-Y for 2022 and 2023 respectively as business conditions tighten globally.

Over in Europe, the MSCI Europe index is expected to post an earnings growth of 28.9% Y-o-Y in 2022, little changed from the previous forecast with the growth emanating from energy and commodities related industries that will cushion the lower earnings from other sectors. However, 2023's earnings growth will slow to just 2.2% as conditions become more challenging with inflation and higher interest rates sapping corporate performances. Asia's earnings growth, meanwhile, is expected to contract 10.2% in 2022 mostly due to the weakness of technology related stocks as well as China's prolonged lockdowns. Asia's earnings growth is expected to resume in 2023 with a growth of 7.8% Y-o-Y on optimism that China will relax its movement controls.

In terms of valuations, global are trending within their historical forward averages of 14x-16x following the recent mild recovery. U.S. equity indices have also climbed above their historical averages in the latest rebound, trending above 16x forward PERs for the next two years. European indices, on the other hand, have retreated further due to the continuing headwinds and are looking attractive. Asian equities are also looking attractive following their steep falls and are also below their historical forward averages.

Selected Key Global Indices Comparative PER

(in times)	2020	2021	2022 (F)	2023 (F)
Dow Jones	24.4	19.4	15.6	14.1
S&P 500	30.4	24.8	16.2	15.0
NASDAQ	58.6	54.9	23.9	19.9
FTSE	82.8	15.2	8.6	8.6
DAX	43.1	16.8	9.8	9.4
CAC	51.9	16.8	9.3	9.7
MSCI Europe Index	**43.4**	**16.8**	**10.8**	**10.5**
Nikkei 225	31.4	16.4	14.8	14.5
Shanghai Composite	17.7	15.9	10.5	9.2
Hang Seng Index	14.3	8.9	9.6	8.3
KOSPI	25.0	12.4	9.8	9.6
MSCI Asia Index	**26.0**	**15.1**	**12.2**	**11.6**
MSCI All World Index	**30.6**	**20.2**	**14.0**	**13.2**

Source: Bloomberg

MALAYSIA EQUITY MARKET OUTLOOK

Malaysian equities are set to mirror the performance of global equities and remain unsettled for the foreseeable future. However, the FBM KLCI has managed to extricate from its year-low in its recent rebound, raising hopes that the worst of the year has already passed. As it is, the market is making a bounce from its deeply oversold conditions that pervaded it for most of September and the FBM KLCI may now aim to fortify its position above the 1,400 level for the rest of the year.

While domestic leads are also few and in-between that could leave Malaysian equities directionless, the outcome of the upcoming General Elections could provide a clearer market outlook with a decisive outcome that could also see Malaysian equities making up some lost ground earlier. Notwithstanding the probability of more upsides, the gains could also be measured due to the high likelihood of a slower economic outlook in 2023 that could also slow corporate earnings recovery and may continue to cloud the market's medium-to-longer term outlook.

As such, the strength of the ongoing rebound is indeterminable as there is no change to the market's fundamentals with the rebound already surpassed the near-term targets at the 1,430-1,450 levels. Beyond these levels, a firmer recovery could bring the FBM KLCI to around the 1,480 level, but the way up could be volatile with selling into strength and profit taking likely to emerge as the market approaches overbought. While we think the key index may not revisit the year low, there should be ample support for the FBM KLCI to remain above the pychological 1,400 level for the most part, otherwise the 1,380 level should provide further support for the foreseeable future. As it is, the recent recovery has allowed valuations to also recover has also largely reflected the fundamentals of companies listed on Bursa Malaysia for the next 12-18 months, in our view.

Notwithstanding the ongoing rebound, market conditions would stay cautious over the mid-to-longer term due to the prevailing weak market sentiments globally. Therefore, the outlook for the remaining parts of the final quarter of the year will continue to look precarious, undermined by the continuing market headwinds like higher global inflation and recession odds that could cloud investor sentiments and keep it cautious, particularly as 2023 appears to be more challenging with the heightened odds of recession among G7 countries.

Although foreign foreign funds remain net buyers for the year-to-date, their support may be waning as they could still be trimming their positions due to the depreciating Ringgit and potentially better value offerings in other assets or other equity markets amid the hike in interest rates. Domestic institutions have been the net sellers for much of the year and this trend is unlikely to change in the remainder of the year, given that there is a strong possibility that corporate fundamentals may weaken further in 2023. In addition, the overall market interest remains thin and is unlikely to see much improvements as there is no change to the Bursa Malaysia's fundamentals. The lack of market interest could keep the market subdued for longer as follow through buying interest may wane quickly.

Despite the weaker prospects, the FBM KLCI's consensus corporate earnings growth has been lifted to 13.8% Y-o-Y in 2022, from 11.4% Y-o-Y previously on firmer overall corporate earnings in 1H2022 that was bolstered by stronger performances of domestic centric industries when the economy entered the endemic phase of the recovery from Covid-19. The earnings were further shored up by the strong performance of exporters on heightened pent-up demand. For 2023, the earnings growth could slow to a still commendable 11.8% Y-o-Y, riding on a still firm economic undertone that will still be supportive for earnings growth.

However, we think that the consensus estimate for 2023 could be optimistic given that global economic slowdown could have a more pronounce effect on the FBM KLCI's earnings growth performance. On the broader FBM EMAS index, 2022's corporate earnings growth is more subtle at 7.0% Y-o-Y, before expanding 11.6% Y-o-Y in 2023. We also think the concensus estimate for 2023 could be watered down in the months ahead due to the increasingly challenging operating environment.

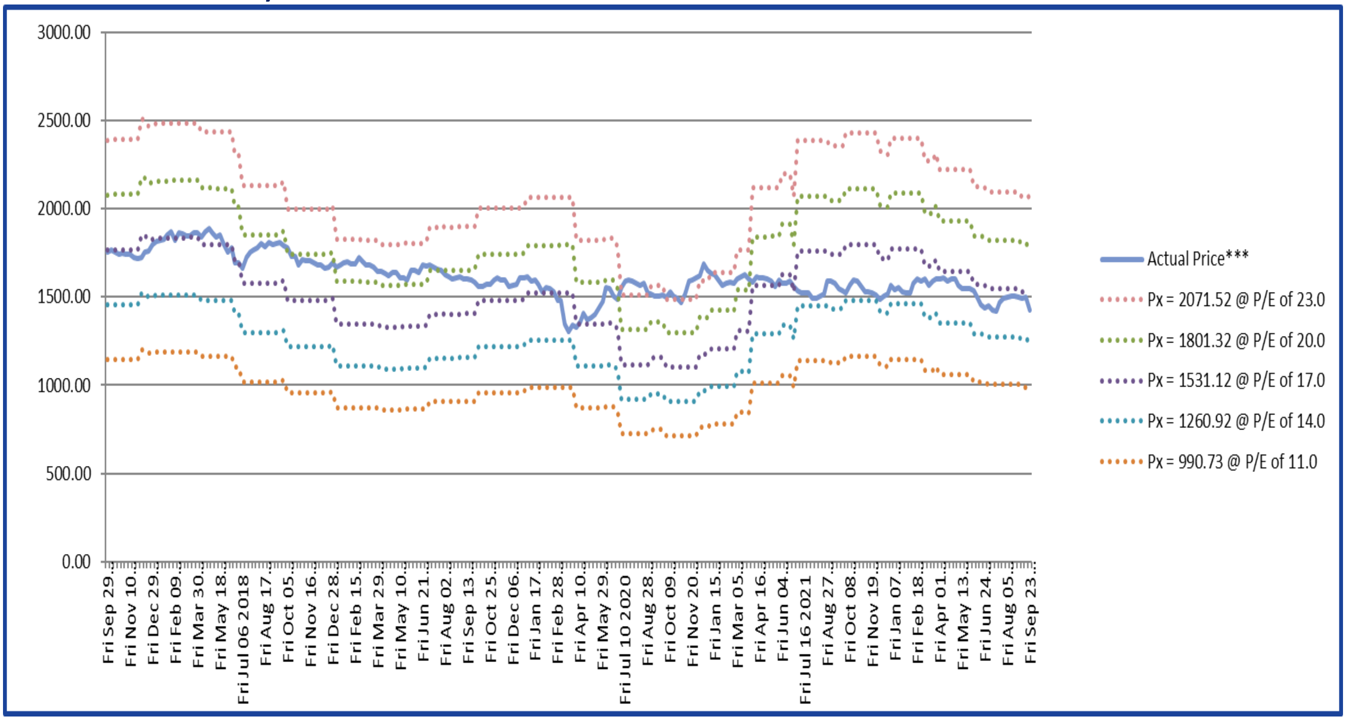
Comparative PERs – Malaysia vs. ASEAN

(in times)	**2020**	**2021**	**2022(F)**	**2023(F)**
FTSE Bursa Malaysia KLCI	**22.9**	**15.0**	**13.7**	**12.3**
FTSE Bursa Malaysia Emas	**34.2**	**16.4**	**13.4**	**12.1**
FTSE Straits Times Index	*37.7*	*13.6*	*11.8*	*10.5*
Jakarta Composite Index	*49.2*	*21.5*	*NM*	*NM*
Stock Exchange of Thailand	*39.4*	*17.4*	*14.8*	*14.1*
Philipines PS Index	*32.7*	*21.0*	*13.8*	*12.0*
ASEAN average	***39.7***	***18.4***	***13.5***	***12.2***

Source: Bloomberg

Following the recent rebound, the FBM KLCI's valuation has rebounded close to its historical forward averages of 14x-16x. As the valuations still look undemanding as they are at a slight discount to the averages, there is still room for further near term upsides, albeit we think both the FBM KLCI and FBM EMAS may continue to trade at a standard deviation of 0.5x-1.0x below their historical forward averages due to the continuing challenges that they are likely to face in their 2023 earnings growth performance.

FBM KLCI PER Band – 5 years



Source: Bloomberg

The lower liners and broader market shares, meanwhile, are likely to stay directionless due to the lack of significanly leads. Buying support on these stocks have stayed low due to the uncertain market outlook. We see interest on these stocks staying subdued for longer due to the lack of catalysts, even as retail buyers have been net buyers for the year.

Trading activities on these stocks have also waned and is likely to remains so as most retail players are still staying on the sidelines. As such, these stocks are likely to remain mostly sideways for the foreseeable future. Any pickup in activities could be temporary with market players keeping an eye out for the stockmarket performance in 2023 that is likely to become more challenging.

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

COMPANY UPDATES

All prices as of 26th October 2022

ABLE GLOBAL BHD

BUY

Closing Price	**RM 1.30**
Target Price	**RM 1.57**
Consensus Price	**RM 1.63**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	ABLE MK
Masa Ticker / Stock Code	ABLE/7167
Shares Outstanding (m)	307.6
Market Capitalisation (RM'm)	399.8
52 Week Hi/Lo Price (RM)	1.78/1.19
Avg Trading Volume (3-mth)	266,944
Est Free Float (%)	53.7
YTD Returns (%)	-19.3
Beta (x)	0.82

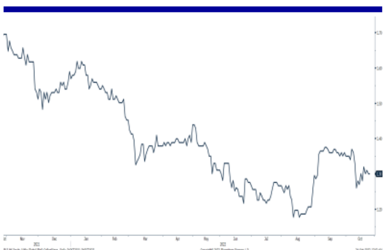
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-3.7	-6.7
3 mth	0.8	1.4
12 mth	-25.3	-17.1

Major Shareholders (%)

Ng Keng Hoe	12.3
Goh Mia Kwong	11.6
Goh Swee Wang	7.6

1-Year Share Price Performance



Analyst: Vanessa Leong

Email: vanessaleong@interpac.com.my

Company Profile

Able is primarily involved in the manufacturing of condensed and sweetened milk. Additionally, the group is also rolling out its UHT milk progressively as part of expansion plan.

Investment Merits

- **Earnings visibility.** Able's Mexican expansion is progressing well with Walmart's audit already completed, pending final stage of audit by Ministry of Health (MoH) Mexico. Upon the completion of the MoH's audit, the group could start to export to neighboring regions which is expected to lift its earnings.

Key Updates

- **Y-o-Y.** 2QCY22's revenue and net profit improved by 26.2% and 8.0% respectively, as revenue contributions from both tin cans manufacturing and the F&B segments increased by 1.9% and 33.5% respectively on higher sales. PBT also increased by 8.0% due to improvements in the PBT of tin cans manufacturing of 22.5%, but the F&B segment's PBT was still pressured by higher raw material prices.
- **Q-o-Q.** Both top and bottomline also hiked by 16.3% and 172.4% respectively on better F&B segment's revenue and was back to the black during the reporting quarter. Nonetheless, the tin cans manufacturing segment posted declines in both its revenue and PBT by 16.7% and 10.6% respectively on lower sales.
- **Cumulative.** 1HCY22's revenue was up by 20.7% Y-o-Y, underpinned by an increase of 6.3% Y-o-Y and 25.5% Y-o-Y in the revenue of its tin cans manufacturing and F&B segment respectively. Nevertheless, net profit was down 19.7% Y-o-Y, dragged down by a decline of 56.8% Y-o-Y in the PBT of the F&B segment on higher costs of raw materials, albeit it was partially offset by a growth of 36.9% in the tin cans manufacturing's PBT on better sales mix.

Valuation

We maintain our **BUY** call on ABLE with a lower **TP** of **RM1.57 (-RM0.02)** following some finetuning on our forecast, based on unchanged SoTP valuation.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	501.1	579.8	502.3	499.9	536.7	571.2
EBITDA	59.7	73.5	66.1	63.6	63.2	71.1
PBT	48.4	60.1	53.2	51.4	50.7	58.4
Net Income	36.6	47.8	39.8	37.5	38.5	44.4
EBITDA Margin (%)	11.9	12.7	13.2	12.7	11.8	12.5
PBT Margin (%)	9.6	10.4	10.6	10.3	9.4	10.2
Net Margin (%)	7.3	8.2	7.9	7.5	7.2	7.8
EPS (sen)	11.9	15.5	13.0	12.2	12.5	14.4
PER (x)	10.9	8.4	10.0	10.7	10.4	9.0
DPS (sen)	5.0	6.4	5.4	5.0	4.0	5.0
Dividend Yield (%)	3.8	4.9	4.2	3.8	3.1	3.8
ROE (%)	11.6	14.0	11.1	9.8	9.5	10.2
ROA (%)	8.2	10.5	8.5	7.1	6.6	7.0
BV/Share	1.0	1.1	1.2	1.2	1.3	1.4
P/B (x)	1.3	1.2	1.1	1.1	1.0	0.9

Source: Inter-Pacific Research

AWC

BUY

Current Price	**RM 0.42**
Target Price	**RM 0.70**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	AWCF MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	286.5
52 Week Hi/Lo Price (RM)	0.65/0.40
Avg Trading Volume (3-mth)	153,051
Est Free Float (%)	41.3
YTD Returns (%)	-25.0
Beta (x)	1.01

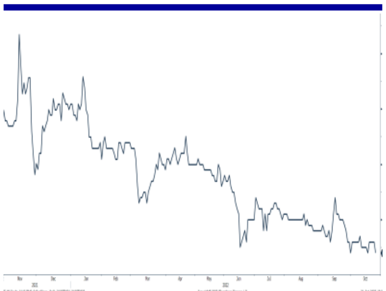
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-3.37	-6.34
3 mth	-6.52	-5.93
12 mth	-24.56	-16.40

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 services company that operates in the facility management, waste management, plumbing and systems solution in plumbing and heating, ventilation & air conditioning segments. Prominent projects included 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 investments that could result in increased orderbook.
- Long term earnings visibility from concession contracts
- Potential M&A with net cash of RM130m (40sen/share)

Key updates

- FY22 net earnings of RM22.4m, excluding impairment of goodwill, missed our earnings forecast by 4.0%, largely due to the impairment of trade receivables and margin compression in the FM division, pressured by the increase in minimum wages.
- 4QFY22 revenue passed the RM100m mark, boosted by work progress recognition in all division. PATAMI, however, fell 21.3% Y-o-Y to RM2.1m, weighed down by the wage increase in the FM division, adverse project progress in the environmental division in Singapore and higher amortisation of goodwill. Excluding the goodwill amortisation, core PATAMI would have risen 4.8% Y-o-Y.
- AWC declared a final interim dividend of 1.5 sen/share, total of 2.0 sen dividend for FY22, higher than our expected 1.5 sen. FY22 dividend translates to a payout ratio of 31% of its earnings, vs. 19% last year.
- FM's margin to continue to be pressured by higher wage cost, where only a portion of AWC's FM contracts has cost increase clause. Prospects for the environmental division is buoyant with UAE's accommodative fiscal policy. In the engineering division, the group is on course to complete work on PNB 118 and Lendlease Mall.

Downside factors

- Project delays
- Collection risk

Valuation

We retain our **BUY** recommendation with an unchanged TP to **RM0.57,** based on an unchanged SoTP valuation parameter.

HISTORICAL EARNINGS AND FORECASTS

FYE June (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	315.1	343.9	355.2	364.8	374.4
EBITDA	(4.2)	51.9	47.7	43.6	46.1
EBITDA Margin (%)	(1.3)	15.1	13.4	11.9	12.3
PAT	(15.3)	38.9	34.6	30.8	32.8
PATAMI	(18.8)	25.9	21.8	22.6	23.8
PATAMI Margin (%)	(6.0)	7.5	6.1	6.2	6.4
Earnings Growth (%)	(193.8)	237.6	(15.8)	3.7	5.5
EPS (sen)	NA	8.0	6.8	7.0	7.4
PER (x)	NA	5.3	6.3	6.1	5.7
DPS (sen)	0.5	1.5	2.0	2.0	2.0
Dividend Yield (%)	1.2	3.5	4.7	4.7	4.7
ROE (%)	(10.7)	12.5	9.7	9.4	9.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	0.8	0.7	0.6	0.6	0.5

Source: Inter-Pacific Research

DATASONIC GROUP

NEUTRAL

Close Price	**RM 0.50**
Target Price	**RM 0.58**
Consensus Price	**RM 0.57**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DSON MK
Masa Ticker / Stock Code	DSONIC/5216
Shares Outstanding (m)	2,851.0
Market Capitalisation (RM m)	1,425.5
52 Week Hi/Lo Price (RM)	0.60/0.40
Avg Trading Volume (3-mth)	5,070,294
Est Free Float (%)	45.7
YTD Returns (%)	22.0
Beta (x)	0.82

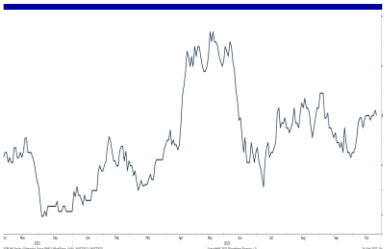
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	5.3	2.3
3 mth	1.0	1.6
12 mth	6.4	14.5

Major Shareholders (%)

Urusharta Jamaah Sdn Bhd	9.1
Chew Ben Ben	6.9
Bin Noordin Abu Hanifah	6.7

1-Year Share Price Performance



Analyst: Vanessa Leong
Email: vanessaleong@interpac.com.my

Company Profile

Datasonic Group Berhad provides security and surveillance technology services typically in customised smart card solutions. Its clients are mainly government agencies and financial institutions.

Investment Merits

- **Proven record.** The group has been providing ICAO compliant passports for the government since 2016, putting it as one of the big contenders for passport and MyKad-related projects.
- **Post-Covid recovery.** Catalysts for Datasonic banks on the resumption of travel and cross-border activities after movement restrictions were removed.

Key Updates

- **Y-o-Y.** Datasonic was back into the black with 1QFY23's revenue surging by 268.4% to RM64.1m as demand for its supply of smart cards, passports and personalisation services improved by 220.7% due to the reopening of the country's borders that boosted tourism activities.
- **Q-o-Q.** Topline increased by 17.9% on similar grounds, but bottomline dropped 10.0% on higher tax rate as the tax incentive awarded on its pioneer status has expired.

Downside Risks

- Low replenishment rate in its orderbook

Valuation

Given that technology stocks remain volatile on the global front, we keep our **NEUTRAL** call on Datasonic with a same **TP** of **RM0.58** by ascribing an unchanged target PER of 21.0x to our CY23 EPS of 2.7 sen.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY18	FY19	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	258.6	219.6	247.5	138.4	136.4	293.3	275.6
EBIT	78.3	48.6	69.7	14.2	14.2	99.7	93.7
PBT	70.3	40.5	63.4	11.1	12.7	98.0	91.3
Net profit	67.2	36.5	60.4	7.3	10.2	78.2	82.0
EBIT margin (%)	30.3	22.1	28.2	10.2	10.4	34.0	34.0
PBT margin (%)	27.2	18.4	25.6	8.0	9.3	33.4	33.1
Net profit margin (%)	26.0	16.6	24.4	5.2	7.5	26.7	29.7
EPS (sen)	*2.4*	*1.3*	*2.1*	*0.3*	*0.4*	*2.7*	*2.9*
Diluted EPS (sen)*	1.6	0.9	1.4	0.2	0.2	1.9	2.0
PER (x)	21.2	39.1	23.6	195.7	139.4	18.2	17.4
*Diluted PER (x)**	*31.3*	*57.7*	*34.8*	*288.4*	*205.4*	*26.8*	*25.6*
DPS (sen)	4.0	2.5	3.0	1.1	1.0	1.2	1.2
Dividend Yield (%)	8.0	5.0	6.0	2.1	2.0	2.4	2.4
Net Gearing (x)	0.4	0.4	0.3	0.2	0.1	Net Cash	0.0

*based on enlarged share capital of 4201 mln outstanding shares (ex-warrants conversion)

Source: Inter-Pacific Research

D&O GREEN TECHNOLOGIES

BUY

Close Price	**RM 3.88**
Target Price	**RM 4.55**
Consensus Price	**RM 4.68**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DOGT MK
Masa Ticker / Stock Code	D&O / 7204
Shares Outstanding (m)	1,237.3
Market Capitalisation (RM'm)	4,800.5
52 Week Hi/Lo Price (RM)	6.08/3.22
Avg Trading Volume (3-mth)	1,379,154
Est Free Float (%)	69.3
YTD Returns (%)	-34.2
Beta (x)	0.77

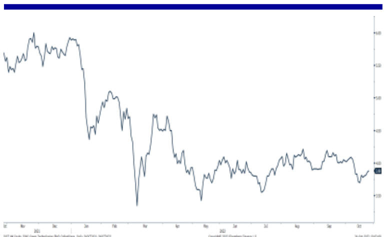
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-3.0	-6.0
3 mth	-0.8	-0.2
12 mth	-32.4	-24.2

Major Shareholders (%)

PRT Capital Pte Ltd	13.1
KEEN Capital Investments	12.4
Omega Riang Sdn Bhd	9.1

1-Year Share Price Performance



Analyst: Vanessa Leong

Email: vanessaleong@interpac.com.my

Company Profile

D&O via its wholly-owned subsidiary - Opto Dominant Opto Technologies Sdn Bhd is primarily involved in the automotive, general lighting, backlight unit and sensor applications. Established in 2000, Dominant Opto has grown globally with offices spanning across six regions in Europe, U.S., China, Japan, South Korea and India. Product wise, the group has a comprehensive portfolio consisting of low to high-intensity LEDs with a wide range of color spectrum for both interior and exterior applications.

Investment Merits

- **Defensive industry.** Automakers have high requirements on LED players which normally take them at least five years and above to be enlisted in the Tier 2 circle by Tier 1 players.
- **EV theme play.** The increasingly aggressive push for green emission by many countries have inevitably sustained the demand for EVs. Given that EVs required much more LEDs than conventional cars, this paves way for automotive LED players to gear up their production and sales.

Dividends

- D&O has announced a first interim dividend of 0.78 sen per share for CY22.

Downside Risks

- Slower production growth in the global automotive industry

Valuation

We deem our **TP** of **RM4.55**, pegged to a target PER of 32x to its FY23 earnings per share of 14.2 sen is justifiable due to the high barriers to market entry with sustained prospects.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	FY17	FY18	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	463.3	490.8	504.3	575.8	846.5	1,050.0	1,170.0
EBIT	47.8	55.0	50.6	69.3	140.4	168.0	205.9
PBT	45.7	52.1	47.1	66.3	138.1	165.6	204.5
Net Profit	36.3	42.2	39.1	55.4	123.8	142.4	175.8
EBIT margin (%)	10.3	11.2	10.0	12.0	16.6	16.0	17.6
PBT margin (%)	9.9	10.6	9.3	11.5	16.3	15.8	17.5
Net margin (%)	7.8	8.6	7.7	9.6	14.6	13.6	15.0
EPS (sen)	2.2	3.1	2.8	4.2	8.8	11.5	14.2
PER (x)	173.0	127.0	138.4	93.1	43.9	33.7	27.3
DPS (sen)	0.5	1.0	1.0	0.7	1.5	2.0	2.0
Dividend Yield (%)	0.1	0.3	0.3	0.2	0.4	0.5	0.5
ROE (%)	11.4	12.0	10.1	12.3	15.2	15.3	16.2
ROA (%)	7.4	7.5	6.2	7.2	9.6	9.4	10.0
BVPS (sen)	25.6	28.5	31.3	36.4	65.8	75.3	87.5
P/BV (x)	15.1	13.6	12.4	10.7	5.9	5.2	4.4
Gearing (x)	0.1	0.1	0.3	0.2	0.2	0.3	0.3

Source: Inter-Pacific Research

Guan Chong Bhd

BUY

Close Price	**RM 2.04**
Target Price	**RM 2.45**
Consensus Price	**RM 3.60**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	GUAN MK
Masa Ticker / Stock Code	GCB/5102
Shares Outstanding (m)	1,125.8
Market Capitalisation (RM'm)	2,296.6
52 Week Hi/Lo Price (RM)	3.23/2.17
Avg Trading Volume (3-mth)	351,415
Est Free Float (%)	22.8
YTD Returns (%)	-12.5
Beta (x)	1.00

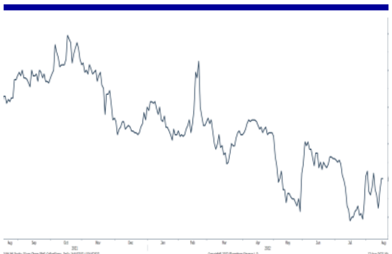
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	12.39	5.31
3 mth	7.46	9.38
12 mth	-14.34	-14.02

Major Shareholders (%)

Guan Chong Resources Sdn Bhd	48.9
Misi Galakan Sdn Bhd	5.1

1-Year Share Price Performance



Analyst: Vanessa Leong
Email: vanessaleong@interpac.com.my

Company Profile

Guan Chong mainly focusing on cocoa processing business, ranked as one of the top four grinders in the world.

Investment Merits

- **Leader in Asia.** Guan Chong currently ranked fourth in terms of cocoa grinding capacity in the world. Its new Ivory Coast plant will boost its capacity to a total capacity of 330,000 MT per year
- **Huge European market.** Consistently high European consumption of industrial chocolate supported the demand for raw materials, especially grinded cocoa

Key Updates

- **Y-o-Y.** 2QCY22's top line rose 36.7% to RM1,197.5m on higher sales volume of cocoa butter by 29.4%, coupled with better selling price of cocoa solids. EBITDA yield also improved by 17.6% to RM1,183.3 per tonne, leading to higher net profit.
- **Q-o-Q.** Guan Chong's revenue grew 20.9% due to better cocoa butter sales by 11.7%, but net profit dropped 16.3% as EBITDA yield sank 13.7%. The decline came as its European plant was hurt by the energy crisis and inflated electricity cost.
- **Cumulative.** Y-o-Y, cumulative 6-month revenue and net profit were up 19.2% and 39.3% respectively, on the back of better contributions across all geographical segments particularly local (+9.4%) and Germany's (+16.3%) operations.

Downside Risks

- Consistently low and sticky combined ratio
- Volatile cocoa bean price

Valuation

Pending more information on its Ivory Coast plant's progress, we keep our **BUY** call on Guan Chong with a same **TP** of **RM2.45** by pegging an unchanged target PER of 12.0x to our CY22 forecast EPS of 20.4 sen.

Nonetheless, we stay cautious on the intense inflation pressures that already dampened the consumer sentiments of the European region. Having said that, we maintain our EBITDA yield assumption of nearly RM1,270 per tonne.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	2941.6	3685.0	3923.3	4133.9	4274.8
EBITDA	332.1	346.9	284.2	379.7	420.9
Net profit	217.9	222.7	154.8	229.4	258.1
EPS (sen)	19.4	19.8	13.8	20.4	22.9
*Diluted EPS (sen)**	*18.5*	*18.9*	*13.1*	*19.5*	*21.9*
PER (x)	10.5	10.3	14.8	10.0	8.9
*Diluted PER (x)**	*11.0*	*10.8*	*15.5*	*10.5*	*9.3*
Dividend yield (%)	2.5	1.7	2.0	2.1	2.2
BV/share	0.84	1.06	1.19	1.35	1.54
P/B (x)	2.4	1.9	1.7	1.5	1.3
ROE (%)	23.0	18.7	11.5	15.0	14.9

**based on enlarged share capital of 1177.8 mln outstanding shares (ex-warrants conversion)*

Source: Inter-Pacific Research

HAP SENG PLANTATIONS

BUY

Current Price	**RM 2.07**
Target Price	**RM 2.50**
Consensus Price	**RM 2.59**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	HAPL MK
Masa Ticker / Stock Code	HSPLANT/5138
Shares Issued (m)	799.7
Market Capitalisation (RM'm)	1,655
52 Week Hi/Lo Price (RM)	3.50/1.81
Avg Trading Volume (3-mth)	317,009
Est Free Float (%)	24.5
YTD Returns (%)	5.1
Beta (x)	0.86

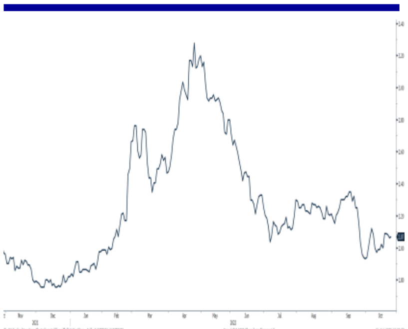
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.19	-7.15
3 mth	-4.63	-4.03
12 mth	-4.63	3.53

Major Shareholders (%)

Hap Seng Consolidated Bd	69.5

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 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 mills and bio-gas plant
- Beneficiary of RSPO premium

Key updates

- Hap Seng Plantation's 1HCY22 core earnings (excluding disposal gain and gain in biological asset revaluation) of RM141.6m accounts for 53%/57% of our/consensus CY22 earnings estimate. We deem the results to be in line amid expectation of softer CPO prices in 2H2022.
- 2QCY22 core PAT rose 74%, Y-o-Y thanks to higher CPO & PK prices, offsetting lower production.
- 2QCY22 core PAT fell 9.1% Q-o-Q amid weak PK prices and softer PK sales. The increase in minimum wage to RM1,500 in May 2022 has raised cost pressure.
- 2HCY22 performance is expected to be softer due to the sharp CPO and PK price correction. The strong dollar could pressure CPO prices as historically the dollar has an inverse relationship with commodity prices. However, we expect CPO prices to recover in 4QCY22 due to post peak production cycle and expected peak of the US Dollar.

Downside factors

- Further hike on direct and indirect taxes
- Value trapped

Valuation

We upgrade Hap Seng to a **BUY** with an unchanged TP of **RM2.50**, which is derived from a target of P/B of 1.0x to CY22's NTA as its valuation has turn attractive.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	418.6	467.6	670.9	855.4	723.6
EBITDA	120.6	191.8	374.8	383.2	302.7
EBITDA margin (%)	28.8	41.0	55.9	44.8	41.8
PAT	31.4	90.3	224.0	202.8	158.6
Net Profit margin (%)	7.5	19.3	33.4	23.7	21.9
Earnings Growth (%)	8.0	187.1	148.1	(9.5)	(21.8)
EPS (sen)	3.9	11.3	28.0	25.4	19.8
PER (x)	52.6	18.3	7.4	8.2	10.4
DPS (sen)	2.5	7.0	17.0	20.0	19.0
Dividend Yield (%)	1.2	3.4	8.2	9.7	9.2
ROE (%)	1.9	5.3	11.9	10.5	8.2
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share	2.07	2.14	2.35	2.41	2.42
Price/Book Ratio (x)	1.00	0.97	0.88	0.86	0.86
Key Assumption					
FFB production (mt)	659,427	633,660	593,278	593,000	620,000
CPO ASP (RM/mt)	2,079	2,749	4,506	5,500	4,200

Source: Inter-Pacific Research

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

HARTALEGA

BUY

Current Price	**RM 2.07**
Target Price	**RM 2.60**
Consensus Price	**RM 2.32**

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)	7,074.1
52 Week Hi/Lo Price (RM)	7.01/1.46
Avg Trading Volume (3-mth)	24,088,810
Est Free Float (%)	38.1
YTD Returns (%)	-63.9
Beta (x)	0.63

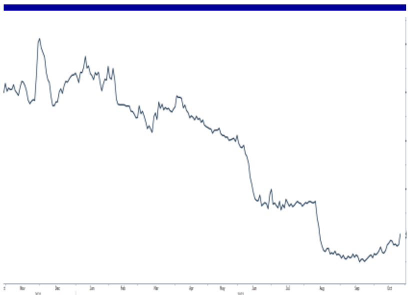
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	31.85	28.88
3 mth	-25.27	-24.68
12 mth	-64.43	-56.28

Major Shareholders (%)

Haralega Haralega Industries Sdn	34.4
Budi Tenggara	8.6

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 1 production facilities have a capacity of 43.7b pcs. The upcoming NGC 1.5 which is expected to boost capacity by 19b pcs, will commence in 4Q2022 and production will roll out gradually in accordance to market demand and supply.

Investment merits

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

Key updates

- Hartalega's 1QFY23 was below our expectation, where PATAMI accounted for only 17% of our previous FY23 earnings estimate.
- 1QFY23 PATAMI fell 96% Y-o-Y to RM88m due to lower ASP and sales volume.
- On a Q-o-Q basis, excluding the Prosperity Tax recognition in 4QFY22, the company's EBITDA fell 31% to RM167m, predominantly pressured by softer ASP that fell 28% Q-o-Q as well as higher energy and labour costs.
- Amid the industry downturn, Hartalega has a net cash of RM1.8b and we envisage the group to weather the storm better than most peers.
- Stiff competition is expected to persist as glove manufacturers are aggressively maintaining their market share and capacity utilisation rate. The management guided that ASPs are expected to linger around the low-to-mid USD20 level per thousand gloves in 2H2022. Earnings growth prospect is expected to be dull in FY23.

Downside factors

- Slower than expected ASP normalisation

Valuation

We upgrade our call to **BUY**, from NEUTRAL, with an unchanged TP of **RM2.60**, derived from a lower target PER of 21x (5-year PER mean) to our FY23 EPS, as we see value turning compelling following the steep fall of its share price.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	2,924	6,703	7,888	3,741	3,925
EBITDA	452	3937	4737	338	407
EBITDA Margin (%)	15.5	58.7	60.1	9.0	10.4
PATAMI	435	2886	3235	425	477
PAT Margin (%)	14.9	43.1	41.0	11.4	12.2
Earnings Growth (%)	(4.4)	563.8	12.1	(86.9)	12.3
EPS (sen)	12.7	84.2	94.3	12.4	13.9
PER (x)	16.3	2.5	2.2	16.7	14.9
DPS (sen)	7.5	51.0	53.5	7.5	7.5
Dividend Yield (%)	3.6	24.6	25.8	3.6	3.6
ROE (%)	17.1	58.0	63.2	7.9	8.5
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Price/Book Ratio (x)	2.8	1.4	1.4	1.3	1.3
Key Assumption					
Glove Sales (b pcs)	31.0	34.8	29.6	34.9	36.6
Basket Glove Price (RM/k pcs)	94.2	192.6	236.7	107.2	107.2

Source: Inter-Pacific Research

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

InNature Bhd

BUY

Closing Price	**RM 0.59**
Target Price	**RM 0.70**
Consensus Price	**RM 0.64**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	INNATURE MK
Msia Ticker / Stock Code	INNATUR/5295
Shares Issued (m)	705.9
Market Capitalisation (RM m)	412.9
52 Week Hi/Lo Price (RM)	0.87/0.46
Avg Trading Volume (3-mth)	1,170,545
Est Free Float (%)	7.0
YTD Returns (%)	-14.8
Beta (x)	0.89

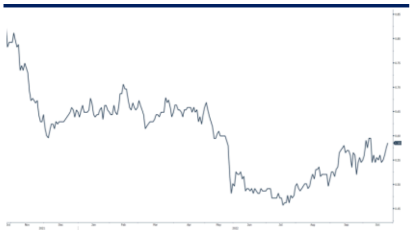
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	5.50	2.46
3 mth	19.79	20.94
12 mth	-29.45	-21.28

Major Shareholders (%)

Etheco Sdn Bhd	51.0
Blueplanet Sdn Bhd	17.9

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David

Email: davidlai@interpac.com.my

Company profile

InNature is a leading regional mono-brand retailer of cosmetics and personal care (CPC) products, carrying The Body Shop (TBS) and Natura brands in Malaysia, Vietnam and Cambodia with omnichannel sales strategy such as own TBS websites, Love Your Body (LYB) mobile apps and 3rd-party e-commerce platforms.

Investment Merits

- **Reopening of borders.** TBS retail store sales in Malaysia, Vietnam and Cambodia are expected to rebound strongly, underpinned by the increasing shopping traffic and foreign tourists' arrivals.
- **Expansion plan.** Management plans to set up at least 2-4 new stores per annum in Malaysia and Vietnam respectively and 4 stores in Cambodia within 3 years as well as refurbishing existing outlets.
- **Disposable of Natura.** The RM2m sales proceeds can be utilised to fund the TBS' expansion plans.

Key Updates

- **Y-o-Y.** Revenue rose by 41.8% to RM39.6m in 2QCY22, from RM27.9m in previous period, anchored by the strong revenue growth. Net profit quadrupled to RM5.6m in 2QCY22, from RM1.4m in previous quarter, thanks to easing raw material and freight costs.
- **Q-o-Q.** 2QCY22's topline and bottomline improved by 17.3% and 24.0% respectively on the similar grounds. Furthermore, the gross profit margin was maintained at c. 66%.

Downside Risks

- Slower-than-anticipated recovery in the sales per store
- Longer gestation period for new stores
- Delays of expansion plans
- Escalating material and freight costs

Valuation

We maintain our **BUY** recommendation with the **TP** of **RM0.70**, by ascribing a PER of 20.5x (historical average forward 12-months PER) to its CY23F EPS of 3.4 sen.

HISTORICAL EARNINGS AND FORECASTS

FYE (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	191.7	155.4	131.9	156.6	170.1
EBITDA	65.9	50.6	41.4	46.7	51.7
EBITDA margin (%)	34.4	32.6	31.3	29.8	30.4
PAT	30.2	20.0	14.9	22.3	24.2
PATAMI	30.2	20.0	14.9	22.3	24.2
PAT margin (%)	15.7	12.9	11.3	14.2	14.3
EPS (sen)	4.3	2.8	2.1	3.2	3.4
Earnings growth (%)	(33.9)	(33.8)	(25.5)	49.5	9.0
PER (x)	12.9	19.4	26.1	17.4	16.0
DPS (sen)	nm	2.0	2.0	2.0	2.0
Dividend yield (%)	nm	3.6	3.6	3.6	3.6
ROE (%)	37.1	17.7	10.5	15.0	15.4
Net gearing ratio	0.3	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	4.4	2.8	2.7	2.5	2.4

Source: Inter-Pacific Research

Note: nm = not meaningful

KAWAN FOOD BHD

BUY

Previous Close	**RM 2.19**
Target Price	**RM 2.39**
Consensus Price	**RM 2.49**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KFB MK
Masa Ticker / Stock Code	KAWAN/7216
Shares Outstanding (m)	360.9
Market Capitalisation (RM'm)	790.3
52 Week Hi/Lo Price (RM)	2.41/1.45
Avg Trading Volume (3-mth)	410,517
Est Free Float (%)	28.5
YTD Returns (%)	33.5
Beta (x)	0.48

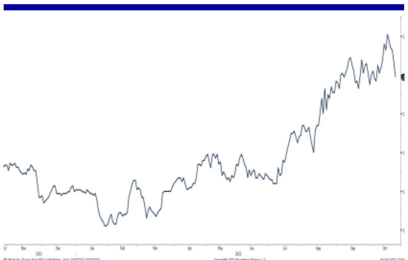
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-0.9	-3.9
3 mth	16.5	17.1
12 mth	23.0	31.2

Major Shareholders (%)

Gan Thiam Chai	25.4
VG Trustee Ltd	20.4
Gan Thiam Hock	6.2

1-Year Share Price Performance



Analyst: Vanessa Leong

Email: vanessaleong@interpac.com.my

Company Profile

Kawan Food Berhad a leading export-oriented frozen food manufacturer in Malaysia with main products including flatbread and pastry. North America, alongside the Asian region are its main export destinations, making up about 22% and 18% of its total sales respectively.

Investment Merits

- **Earnings visibility.** Kawan Food is still registering strong orders on the back of new clients secured. Its client base in the U.S. is expected to grow continuously.
- **Diversifying product portfolio.** The group has finally rolled-out its plant-based products, such as Vadai, Falafel, Purple Sweet Potato Fingers, and Sweet Potato Balls.

Key Updates

- **Y-o-Y.** 2QCY22's top and bottomline grew 46.0% and 72.8% respectively, on the back of higher sales across all geographical segments, except for China which dropped 28.6%. Sales from the European and North American markets outperformed by more than 100.0% whereas Africa contributed positively as compared to a loss a year ago.
- **Q-o-Q.** Results remained robust with revenue growing 17.0% while net profit was up by 25.7% on similar grounds.
- **Cumulative.** Y-o-Y, 1HCY22's sales and net profit improved by 23.8% and 34.5% respectively, with Europe lodging the highest sales growth at 91.0% Y-o-Y.

Downside Risks

- Less than expected incoming sales
- Higher cost of sales induced by higher raw material prices

Valuation

We maintain our **BUY** call on Kawan with a slightly lower **TP** of **RM2.39 (-RM0.01)** following a housekeeping on our earnings estimate, pegged our CY22 EPS forecast of 11.9 sen to a target PER of 20.0x.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	200.0	214.1	254.7	251.8	296.1	345.4
GP	79.4	71.8	101.0	90.5	112.5	127.8
PBT	29.2	15.4	32.0	37.0	49.5	55.0
Net Profit	22.8	12.0	27.7	32.3	43.1	47.8
GP Margin (%)	39.7	33.5	39.7	36.0	38.0	37.0
PBT Margin (%)	14.6	7.2	12.6	14.7	16.7	15.9
Net margin (%)	11.4	5.6	10.9	12.8	14.6	13.8
EPS (sen)	6.3	3.4	7.8	9.0	11.9	13.3
PER (x)	34.6	65.8	28.6	24.5	18.3	16.5
DPS (sen)	2.5	2.5	2.5	3.5	3.0	3.0
Dividend Yield (%)	1.1%	1.1%	1.1%	1.6%	1.4%	1.4%
ROE (%)	7.1%	3.7%	8.0%	8.7%	10.7%	10.9%
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research

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

KELINGTON GROUP

NEUTRAL

Current Price	**RM 1.23**
Target Price	**RM 1.24**
Consensus Price	**RM 1.74**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	643.0
Market Capitalisation (RM'm)	790.9
52 Week Hi/Lo Price (RM)	1.86/1.06
Avg Trading Volume (3-mth)	1,892,811
Est Free Float (%)	48.9
YTD Returns (%)	-28.5
Beta (x)	1.01

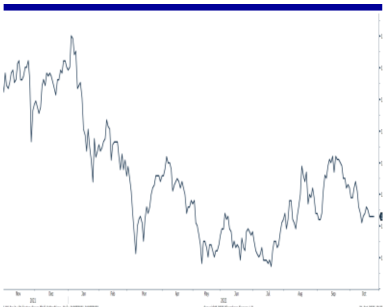
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-8.89	-11.86
3 mth	6.96	7.55
12 mth	-29.31	-21.15

Major Shareholders (%)

PALAC STAR	21.1
CIMB GROUP	6.8

1-Year Share Price Performance



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

Company profile

Kelington Group Bhd (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 the 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

- 1HCY22 earnings were within expectation, accounting for 45% of ours and 49% of consensus estimate. 1HCY22 earnings expanded 68.3% Y-o-Y, thanks to higher project rollout across all segments.
- 2QCY22 PATAMI grew by 63.3%, supported by higher revenue and number of working days as 1Q is traditionally the softer quarter due to the Chinese New Year festivities that impacts project progress.
- Net gearing has increased to 0.64x in 2QCY22, from 0.45x in the preceding quarter, mainly due to higher project financing cost.
- Earnings growth momentum is expected to sustain until 2HCY22, underpinned by its massive orderbook of RM1.4b with most of its projects expected to be billed within the next 2 years. While the memory segment end customers will slow their expansion, China's foundry may buffer the slowdown in memory segment, where China's largest chip maker has announced its plan for a US$7.5b plant for a new 12-inch foundry production line.

Downside factors

- Slower-than-expected contract wins.
- Delay in customer expansion plans

Valuation

We downgrade Kellington to **NEUTRAL,** from BUY, with a lower TP of **RM1.24**, derived from applying a lower target PER of 17x (5-year forward PER mean) to its unchanged CY22 EPS estimate amid a looming slowdown in some pockets of the front-end foundry expansion.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	379.8	394.6	514.6	993.6	882.4
EBITDA	36.7	29.3	50.8	76.7	75.3
EBITDA Margin (%)	9.7	7.4	9.9	7.7	8.5
PATAMI	24.4	17.0	29.0	51.9	46.9
PATAMI Margin (%)	6.4	4.3	5.6	5.2	5.3
EPS (sen)	3.8	2.6	4.5	8.0	7.3
Earnings Growth (%)	30.9	(30.2)	69.9	79.4	-9.6
PER (x)	32.5	46.6	27.4	15.3	16.9
DPS (sen)	2.0	0.5	1.5	2.0	2.0
Dividend Yield (%)	1.6	0.4	1.2	1.6	1.6
ROE (%)	20.3	12.5	18.5	28.7	23.0
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	80.59	43.57
Price/Book Ratio (x)	5.1	4.7	4.1	3.4	3.0

Source: Inter-Pacific Research

MI TECHNOVATION

NEUTRAL

Current Price	**RM 1.12**
Target Price	**RM 1.21**
Consensus Price	**RM 1.82**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MI MK
Masa Ticker / Stock Code	MI/5286
Shares Issued (m)	896.1
Market Capitalisation (RM'm)	1,003.6
52 Week Hi/Lo Price (RM)	3.92/1.06
Avg Trading Volume (3-mth)	4,092,251
Est Free Float (%)	28.4
YTD Returns (%)	-66.9
Beta (x)	0.51

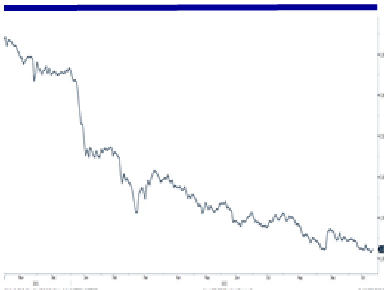
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-8.20	-11.16
3 mth	-24.32	-23.73
12 mth	-70.45	-62.29

Major Shareholders (%)

OH KUAN ENG	44.8
Yong Shio Voon	11.27

1-Year Share Price Performance



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

Company Profile

MI Technovation is a back-end equipment manufacturer in the semiconductor industry. Its customer base comprises global Tier-1 OSATs and IDMs. Moreover, the company has expanded its product offering to back-end equipment solutions and diversifying into semiconductor material manufacturing of solder sphere.

Investment merits

- benefitting from the growing adoption of advance wafer level packaging technology in electronic devices
- ample capacity to ramp up utilisation for its Mi series and SMBU units
- earnings accretion from its semiconductor material business

Key updates

- 6MCY22 PATAMI of RM31.5m accounted for 41% of our earnings estimate. The earnings miss was due to softer demand for its semiconductor backend equipment amid weaker demand for smart phone demand and lockdowns in China's manufacturing hub.
- 2CY22 PATAMI slipped 26.9% Y-o-Y due to the reasons above but was cushioned by improved sales of its materials unit.
- Q-o-Q, PATAMI rose 48.7%, backed by stronger performance of its material business unit and foreign exchange translation gain, where the USD strengthened against the MYR and NTD.
- The company will continue to sail through rough waters in 2H2022, as most customers have delayed its orders for its die sorting equipment due to weak demand for smart phone.
- In light of rising interest rates, the group has strategised to maintain low borrowings and safeguard its war chest, enabling the group to benefit from an increasing interest income while in search for M&A opportunities.

Downside factors

- Bloated inventories in the semiconductor industry impedes new back-end machinery expansion resulting a slow down in demand of backend machineries.
- Intensified competition

Valuation

We cut our call to **NEUTRAL** from BUY with a lower TP of **RM1.21 (-RM1.04)**, pegged to a lower target PER of 20x to a lower CY22 EPS estimate. The downgrade is due to weaker demand of smart phones and resulting in a cut in our earnings estimate.

HISTORICAL EARNINGS AND FORECASTS

FYE Sept RM (m')	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	170.1	134.9	157.0	173.0	175.6
EBITDA	53.6	43.6	51.5	53.7	56.1
EBITDA Margin (%)	31.5	32.3	32.8	31.0	31.9
PAT	36.8	29.4	34.2	36.1	38.5
PAT Margin (%)	21.6	21.8	21.8	20.9	21.9
EPS (sen)	7.4	5.9	6.9	7.3	7.7
Earnings Growth (%)	16.2	-20.2	16.3	5.8	6.4
PER (x)	15.2	19.0	16.3	15.4	14.5
DPS (sen)	5.7	5.0	7.0	5.6	6.0
Dividend Yield (%)	5.0	4.4	6.3	5.0	5.4
ROE (%)	31.6	24.3	26.9	28.1	27.7
ROA (%)	26.6	20.9	23.1	24.1	23.9
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	5.0	4.8	4.6	4.5	4.2

Source: Inter-Pacific Research

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

MTAG GROUP

NEUTRAL

Current Price	**RM 0.49**
Target Price	**RM 0.51**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MTAG MK
Masa Ticker / Stock Code	MTAG/0213
Shares Issued (m)	681.6
Market Capitalisation (RM'm)	334.0
52 Week Hi/Lo Price (RM)	0.72/0.41
Avg Trading Volume (3-mth)	321,243
Est Free Float (%)	27.3
YTD Returns (%)	-3.9
Beta (x)	0.90

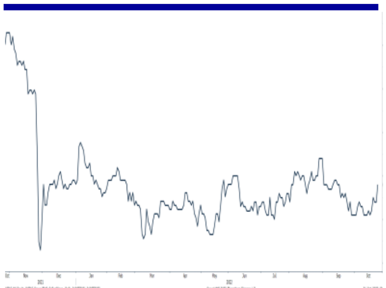
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	6.52	3.55
3 mth	5.38	5.97
12 mth	NA	NA

Major Shareholders (%)

Chaw Kam Shiang	50.8
Lau Cher Liang	14.6

1-Year Share Price Performance



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

Company Profile

MTAG is a converter company involved in the 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

- MTAG's FY22 PAT of RM30.1m beat our expectation by 7.0% owing to better-than-expected topline growth of 14.8% Y-o-Y.
- 4QFY22 PAT rose 8.8% Y-o-Y to RM7.7m, boosted by increased sales of distribution products and converting services
- Q-o-Q basis, PAT slipped 7.0% from RM8.3m due to higher administrative and other expenses, combine with the normalisation of the tax rate in the quarter.
- The EMS players are on track with their foreign worker recruitment plans. However, component shortages, mainly semiconductors, is expected to extend until 1Q2023. This could somewhat cap earnings risk in the EMS industry and for MTAG.

Downside Factors

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

Valuation

We revised MTAG's recommendation to **NEUTRAL** from TRADING BUY**,** with an unchanged TP of **RM0.51,** pegged to 13x target PER on our FY23 EPS forecast, as its share price nears our TP.

HISTORICAL EARNINGS AND FORECASTS

FYE June (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	166.1	193.6	180.2	186.2	192.1
EBITDA	40.3	44.8	39.5	40.2	45.4
EBITDA Margin (%)	24.2	23.1	21.9	21.6	23.6
PAT	30.2	33.6	30.1	30.4	34.2
PAT Margin (%)	18.2	17.4	16.7	16.3	17.8
Earnings Growth (%)	(8.4)	11.3	(10.5)	1.0	12.7
EPS (sen)	4.4	4.9	4.4	4.5	5.0
PER (x)	11.1	9.9	11.1	11.0	9.8
DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	6.1	6.1	6.1	6.1	6.1
ROE (%)	22.4	23.2	19.6	19.3	21.4
ROA (%)	20.0	20.9	17.0	17.5	19.5
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	1.9	1.7	1.6	1.6	1.6

Source: Inter-Pacific Research

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

MYNEWS

TRADING BUY

Current Price	**RM 0.49**
Target Price	**RM 0.52**
Consensus Price	**RM 0.53**

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)	0.97/0.36
Avg Trading Volume (3-mth)	1,436,686
Est Free Float (%)	24.6
YTD Returns (%)	-41.3
Beta (x)	0.88

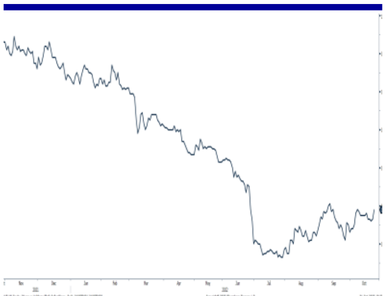
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	16.67	13.70
3 mth	32.43	33.03
12 mth	-48.42	-40.26

Major Shareholders (%)

D & D Consolidated	57.4
EPF	4.9

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

- Mynews' recorded a net loss of RM19.5m in 9MFY22, accounting for 81% of our forecast and largely above our expectations if the subsequent 4QFY22 losses are similar.
- 3QFY22 revenue rose to RM170.2m, expanding by 81.3% Y-o-Y, thanks to higher in-store sales and reopening of the international borders. LATAMI fell 90.3% to RM1.5m, largely due to the higher sales.
- LATAMI narrowed by 85.8% Q-o-Q largely due to improved in-store sales and cost cutting measures.
- The normalisation in foot traffic and further extension of operating hours will shore up MyNews financial performance and turnaround in the coming quarters. The pandemic woes are likely to be over, but the competitive landscape has increased, and the high marketing cost is likely to be maintained to attract consumers in the convenience segment.

Downside Factors

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

Valuation

We maintain our **TRADING BUY** call on Mynews with an unchanged TP of **RM0.52**, based on a target PER valuation of 20x pegged to our forecast FY22 EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Oct (RM' m)	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	517.7	489.4	400.6	588.0	857.1
EBITDA	50.2	10.8	(25.5)	(2.3)	54.1
EBITDA Margin (%)	9.7	2.2	(6.4)	(0.4)	6.3
PATAMI	27.5	(9.8)	(43.1)	(24.2)	17.4
PATAMI Margin (%)	5.3	N.M	N.M	N.M	2.0
EPS (sen)	3.6	(1.4)	(6.3)	(3.5)	2.6
Earnings Growth (%)	5.7	(135.8)	N.M	N.M	(171.9)
PER (x)	13.7	N.M	N.M	N.M	19.2
Dividend (sen)	1.0	NA	NA	NA	NA
Dividend Yield (%)	2.0	NA	NA	NA	NA
ROE (%)	9.1	(3.4)	(17.5)	(11.3)	7.4
Net Gearing Ratio (%)	NET CASH	7.8	22.2	55.0	53.9
BV/Share (RM)	0.4	0.4	0.4	0.30	0.3
Price/Book Ratio (x)	1.2	1.2	1.4	1.6	1.5

Source: Inter-Pacific Research

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

OCK GROUP BHD

BUY

Close Price	**RM 0.425**
Target Price	**RM 0.51**
Consensus Price	**RM 0.67**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	OCK MK
Masa Ticker / Stock Code	OCK/0172
Shares Outstanding (m)	1,054.5
Market Capitalisation (RM m)	448.2
52 Week Hi/Lo Price (RM)	0.53/0.36
Avg Trading Volume (3-mth)	1,669,571
Est Free Float (%)	39.9
YTD Returns (%)	-7.6
Beta (x)	0.51

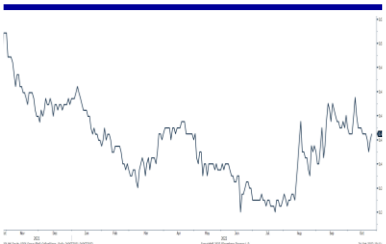
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.2	-4.1
3 mth	14.9	15.5
12 mth	-14.1	-6.0

Major Shareholders (%)

Aliran Armada Sdn Bhd	34.8
LT Angkatan Tentera	9.6
Employees Provident Fund	6.3

1-Year Share Price Performance



Analyst: Vanessa Leong

Email: vanessaleong@interpac.com.my

Company Profile

OCK 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.

Investment Merits

- **Leading position**. OCK leads the Telecommunication Network Services in both Malaysia and Indonesia but also present in Myanmar alongside Vietnam. The prospects of the group are supported by the switch over to 5G network under the JENDELA program helmed by Digital Nasional Bhd (DNB).
- **Green energy expansion.** OCK continues to ride on the rising renewable energy (RE) industry, growing its RE portfolio gradually.

Key Updates

- **Y-o-Y.** 2QCY22's revenue and net profit were up 22.1% and 19.7% respectively, helped by higher contribution from all business segments with its core TNS segment. Net profit grew minimally as the PBT of the TNS division dropped 5.8%.
- **Q-o-Q.** Both top and bottomline were up 11.6% and 2.2% respectively on similar grounds. TNS' revenue increased by 11.2% but PBT declined by 31.0%.
- **Cumulative.** 2QCY22's top and bottomline grew 17.3% Y-o-Y and 14.1% Y-o-Y respectively on better performance across all divisions. Revenue and PBT of the TNS segment improved by 13.9% Y-o-Y and 5.4% Y-o-Y respectively.

Downside Risks

- Geopolitics of Myanmar and Vietnam

Valuation

We keep our **BUY** call on OCK with an unchanged **TP** of **RM0.51**, derived from an unchanged 6.0x EV/EBITDA target multiple pegged to CY22's earnings.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	457.2	473.7	473.1	484.2	592.9	703.7
EBITDA	103.5	143.1	154.2	158.1	189.4	202.5
PBT	44.4	40.1	35.1	38.7	54.8	71.1
Net profit	24.3	28.1	25.6	25.9	36.4	46.0
EBITDA margin (%)	22.6	30.2	32.6	32.7	31.9	28.8
PBT margin (%)	9.7	8.5	7.4	8.0	9.2	10.1
Net profit margin (%)	5.3	5.9	5.4	5.4	6.1	6.5
EPS (sen)	2.3	2.7	2.4	2.5	3.5	4.4
*Diluted EPS (sen)**	*2.1*	*2.4*	*2.2*	*2.3*	*3.2*	*4.0*
PER (x)	18.5	16.0	17.5	17.3	12.3	9.7
*Diluted PER (x)**	*20.1*	*17.4*	*19.1*	*18.8*	*13.4*	*10.6*
DPS (sen)	N/A	N/A	N/A	0.5	0.5	0.5
Dividend Yield (%)	N/A	N/A	N/A	1.2	1.2	1.2
ROE (%)	4.9	4.8	4.1	3.8	5.1	6.0
Net Gearing (x)	0.8	0.7	0.6	0.5	0.7	0.7

**based on enlarged share capital of 1150.4 mln outstanding shares (ex-warrants conversion)*

Source: Inter-Pacific Research

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

PENTAMASTER CORP

BUY

Current Price	**RM 3.91**
Target Price	**RM 4.50**
Consensus Price	**RM 4.57**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	PENT MK
Masa Ticker / Stock Code	PENTA/7160
Shares Issued (m)	711.3
Market Capitalisation (RM'm)	966,205
52 Week Hi/Lo Price (RM)	5.82/2.67
Avg Trading Volume (3-mth)	1,196,448
Est Free Float (%)	46.2
YTD Returns (%)	-29.5
Beta (x)	0.46

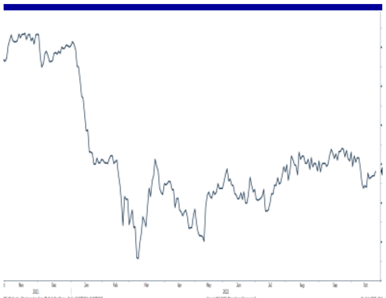
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.40	-7.37
3 mth	3.99	4.58
12 mth	-27.99	-19.84

Major Shareholders (%)

Chuah Choo Bin	19.7
EPF	8.2
Lembaga Tambing Haji	5.5

1-Year Share Price Performance



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

Company Profile

Pentamaster is involved in the non-memory Automated Test Equipment and test handlers for optoelectronics, 3D sensors and high voltage application, factory automated solutions and manufacturing of single-use medical devices.

Investment Merits

- Foray into the medical device market will add resilience to its growth potential
- Tapping into the growing demand for high-power electronics in the EV segment
- Resilient demand for sensor equipment and automation projects

Key Updates

- Pentamaster's 6MCY22 earnings of RM39.6m where within our expectations, where the group's EBITDA accounted for 47% of our previous CY22 estimate.
- Including foreign exchange losses, the group 2QCY22 earnings grew 7.1% Y-o-Y, driven by increasing demand for its ATE in the automotive segment, driven by the structural shift to automotive electrification.
- Revenue was flat while PATAMI decreased 5.8% Q-o-Q due to cost pressure from component shortages and indirect labor cost.
- We remain bullish on Pentamaster's growth where demand for ATE solutions for frontend to back-end solutions to remain elevated, fueled by a structural shift in the demand for EV. The increasing need of maximizing storage capacity and productivity, while lowering labor costs, will underpin the growth prospect for the group's FAS segment.

Downside Factors

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

Valuation

We retain Pentamaster's **BUY** recommendation with unchanged TP to **RM4.50,** based pegged to a same target PER of 29x.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RMm)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	490.1	418.8	508.4	596.2	676.2
EBITDA	155.7	123.9	123.6	149.7	173.1
EBITDA Margin (%)	31.8	29.6	24.3	25.1	25.6
PATAMI	83.0	70.9	72.7	91.8	107.1
PATMI Margin (%)	16.9	16.9	14.3	15.4	15.8
EPS (sen)	11.7	10.0	10.2	12.9	15.0
Earnings Growth (%)	45.4	(14.6)	2.6	26.3	16.6
PER (x)	33.5	39.3	38.3	30.3	26.0
DPS (sen)	1.5	1.5	2.0	2.0	2.0
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.5
ROE (%)	23.3	16.0	15.0	15.7	15.7
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	6.4	5.5	4.9	4.3	3.7

Source: Inter-Pacific Research

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

SOLARVEST

BUY

Current Price	**RM 0.72**
Target Price	**RM 0.90**
Consensus Price	**RM 0.87**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	SOLAR MK
Masa Ticker / Stock Code	SLVEST/0215
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	586.6
52 Week Hi/Lo Price (RM)	0.97/0.36
Avg Trading Volume (3-mth)	1,436,686
Est Free Float (%)	24.6
YTD Returns (%)	-41.3
Beta (x)	0.88

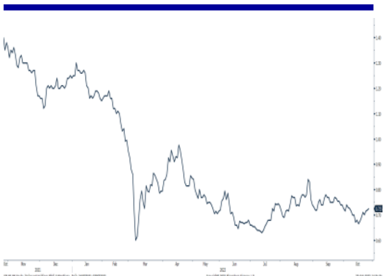
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.64	-7.76
3 mth	-2.70	-1.63
12 mth	-46.67	-38.57

Major Shareholders (%)

Alantic Blue	22.9
Divine Inventions	19.3
Lim Chin Siu	6.3
Tay Chyi Boon	5.9

1-Year Share Price Performance



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

Company Profile

Solarvest is a clean energy specialist with a full-fledged (engineering, procurement, construction and commissioning) solution provider, specialising in solar photovoltaic (PV) systems for residential, commercial and industrial properties and large-scale solar PV plants.

Investment Merits

- Earnings growth prospects are underpinned by its large orderbook of RM727m (4.1x of FY22 revenue)
- Recurring income from solar assets
- Solidifying and building new customer base though its one stop solutions services

Key Updates

- Solarvest 1QFY23 earnings of RM4.3m came in within expectation after excluding unrealised foreign exchange losses of RM0.73m.
- Revenue rose 131.5% Y-o-Y, on the back of resumption of construction activities as the country has resolved its pandemic lockdown. Net earnings rebounded to RM4.3m in 1QFY23 vs. RM0.2m in 1QFY22
- Revenue declined by 16.7% Q-o-Q, where some large-scale solar projects were completed. Net earnings, however expanded 18% Q-o-Q due to lower effective tax rate and improved margins from project completion mix, where residential, commercial and industrial yield higher margin as compare to large scale project.
- In the near term, we expected construction progress to ramp up progressively in the coming quarters. Solarvest's earnings growth is supported by its orderbook of RM727m and robust tender boom in the private large-scale power plants, residential, commercial & industrial projects.

Downside Factors

- Volatile solar panel cost
- Unexpected delays & setbacks in project deployment
- Rising competition from multiple EPCC operators.

Valuation

We reiterate our **BUY** recommendation with an unchanged a TP of **RM0.90**, derived from our sum-of-parts valuation.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	253.4	224.3	177.8	436.5	464.5
EBITDA	18.8	19.8	11.3	24.4	38.4
EBITDA Margin (%)	7.4	8.8	6.4	5.6	8.3
PAT	16.3	16.4	7.4	23.0	29.1
PATAMI	16.0	16.1	6.9	22.7	28.9
PATAMI Margin (%)	6.3	7.2	3.9	5.2	6.2
EPS (sen)	2.4	2.4	1.0	3.4	4.3
Earnings Growth (%)	43.7	1.0	(57.2)	228.7	27.2
PER (x)	30.3	30.0	70.1	21.3	16.8
DPS (sen)	NA	0.7	NA	NA	NA
Dividend Yield (%)	NA	0.9	NA	NA	NA
ROE (%)	19.7	12.2	4.4	12.7	13.9
Net Gearing Ratio	NETCASH	NETCASH	NETCASH	NETCASH	0.1
Price/Book (x)	6.0	3.7	3.1	2.7	2.3

Source: Inter-Pacific Research

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

TASCO BHD

BUY

Close Price	**RM 0.855**
Target Price	**RM 1.00**
Consensus Price	**RM 0.97**

Key Statistics

Shariah Compliant	NO
Bloomberg Ticker	TASCO MK
Masa Ticker / Stock Code	TASCO/5140
Shares Issued (m)	800.0
Market Capitalisation (RM'm)	684.0
52 Week Hi/Lo Price (RM)	1.35/0.77
Avg Trading Volume (3-mth)	447,803
Est Free Float (%)	32.5
YTD Returns (%)	-25.4
Beta (x)	1.19

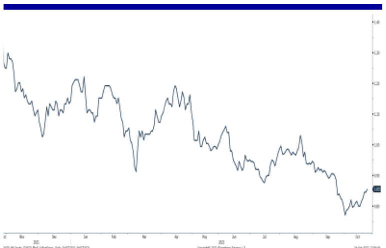
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	4.8	1.2
3 mth	-10.8	-8.2
12 mth	-32.4	-25.1

Major Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6

1-Year Share Price Performance



Analyst: Vanessa Leong

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Company Profile

Tasco provides full transportation services and is related to the world-renowned Nippon Yusen Kabushiki Kaisha (NYK) group. NYK is one of the largest shipping operators not only in Japan but also in the world with approximately a fleet of 814 vessels in operation.

Investment Merits

- **Extensive network.** Tapping into Yusen's global network, Tasco is capable of offering international services as compared to its local peers
- **Leader in cold chain space.** The acquisition of Sabah-based cold chain logistics company, Hypercold Logistics Sdn Bhd last year has placed Tasco as the largest player in Malaysia within that space, which is believed to have an estimated market share of close to 35.0%.

Key Updates

- **Y-o-Y.** Both 2QFY23's top and bottomline grew 56.6% and 51.4% respectively due to increases in contributions from the international as well as local segments of 51.7% and 61.4% respectively.
- **Q-o-Q.** Revenue increased by 8.9% but net profit dropped 1.3% as contribution from the international segment weakened by 8.5%, despite the local segment growing 32.6%. The drop in the former was contributed by a decline of 10.3% and 6.8% in air and sea freight forwarding operations respectively.
- **Cumulative.** Cumulative 6-month top and bottomline improved by 56.5% and 52.7% respectively, on similar grounds in which the international segment climbed 78.2%, whereas local segment jumped 37.7%.

Downside Risks

- Competitive pricing among peers
- Normalisation of freight rates as pandemic transitioned into endemic

Valuation

We upgrade Tasco to a **BUY** call alongside a higher **TP** of **RM1.00 (+RM0.03)** by pegging a target PER of 13.0x (from 12.4x) to its FY23 EPS of 7.7 sen.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F
Revenue	710.2	736.8	747.4	946.6	1481.4	1555.9	1616.7
EBITDA	75.6	67.8	79.9	114.3	145.4	127.7	144.1
PBT	42.0	18.7	20.6	60.7	88.1	76.1	92.7
Net profit	29.7	13.1	8.9	41.3	65.2	61.6	73.3
EBITDA margin (%)	10.6	9.2	10.7	12.1	9.8	8.2	8.9
PBT margin (%)	5.9	2.5	2.8	6.4	6.0	4.9	5.7
Net margin (%)	4.2	1.8	1.2	4.4	4.4	4.0	4.5
EPS (Sen)	3.7	1.6	1.1	5.2	8.2	7.7	9.2
PER (x)	23.1	52.4	76.9	16.6	10.5	11.1	9.3
DPS (Sen)	1.1	2.5	2.0	3.3	1.0	2.0	2.5
Dividend yield (%)	1.3	2.9	2.3	3.8	1.2	2.3	2.9
ROE (%)	8.2	3.5	1.8	7.7	11.2	9.7	10.7
Current ratio (x)	1.7	1.4	2.0	2.0	1.2	1.4	1.4

Source: Inter-Pacific Research

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

TSH RESOURCES

BUY

Current Price	**RM 1.04**
Target Price	**RM 1.19**
Consensus Price	**RM 1.44**

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)	1,435.4
52 Week Hi/Lo Price (RM)	1.89/0.90
Avg Trading Volume (3-mth)	4,581,005
Est Free Float (%)	36.3
YTD Returns (%)	-3.7
Beta (x)	1.28

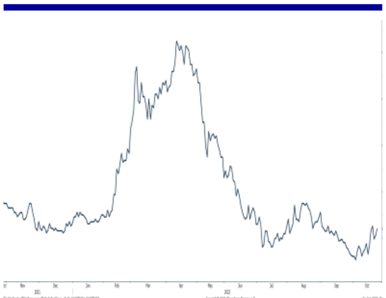
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	8.33	5.37
3 mth	4.52	5.12
12 mth	-12.61	-4.45

Major Shareholders (%)

Tan Aik Pen	22.8
Tan Aik Yong	5.1

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 39,480 ha. have been planted with an average palm age profile of 11.4 years, considered relatively young. The group also runs biomass and biogas power plants in Sabah. Other business segments under its ambit are the manufacturing and marketing of engineered hardwood, cocoa processing and forest rehabilitation.

Investment Merits

- Unlocking asset values that could lower it net gearing and strengthen its balance sheet

Key Updates

- TSH's 1HCY22 core PBT of RM165m met 54% and 57% of ours and consensus CY22 estimate and is deemed to be within expectations.
- Excluding a one-off disposal gain (RM31.7m), loss of foreign exchange (RM19.5m), loss from fair value adjustment of FFB (RM8.5m) and impairment of assets on cessation of a business operation (RM30.6m), TSH's core PBT rose 36% Y-o-Y, thanks to higher CPO and PK ASPs.
- TSH's core PBT increased by 15.0%, thanks to improve FFB production, higher CPO and PK ASPs, as well as higher contribution from its joint venture refinery operations.
- 2HCY22 performance is expected to be softer due to the sharp correction of CPO and PK prices. However, we expect 4Q2022 CPO prices to rebound from 3Q2022's low, thanks to current low palm oil inventories in Indonesia and harvest disruptions on a stronger-than-expected year end monsoon season.

Downside Factors

- Lower-than-expected global demand for palm and palm kernel oil
- An increase in Indonesia's minimum wage
- Increase in direct and indirect taxes/duties

Valuation

We upgrade TSH to **BUY** from NEUTRAL recommendation with an higher TP of **RM1.19 (+RM0.06),** based on a lower target valuation of 0.8x to its CY23 P/B, as we roll forward our valuation matric to CY23.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	838.9	781.7	1188.9	1242.6	1237.4
EBITDA	211.1	218.5	342.4	437.1	387.7
EBITDA Margin (%)	25.2	28.0	28.8	35.2	31.3
PATAMI	44.3	79.5	169.0	210.6	131.7
PATAMI Margin (%)	5.3	10.2	14.2	16.9	10.6
EPS (sen)	3.2	5.8	12.2	15.2	9.5
Earnings Growth (%)	10.4	79.5	112.6	24.6	-37.5
PER (x)	32.8	18.3	8.6	6.9	11.0
DPS (sen)	1.0	1.5	3.0	3.0	2.0
Dividend Yield (%)	1.0	1.4	2.9	2.9	1.9
ROE (%)	3.1	5.5	10.3	12.1	7.0
Net Gearing Ratio (%)	86.8	76.5	47.4	27.0	15.1
Book Value (RM)	1.0	1.0	1.2	1.2	1.3
Price/Book (x)	1.0	1.0	0.9	0.9	0.8
Key Assumption					
FFB production (mt)	893,579	906,175	918,886	949,000	970,000
CPO ASP (RM/mt)	1,995	2,453	3,570	3,794	3,700

Source: Inter-Pacific Research

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

UCHI TECHNOLOGIES

BUY

Closing Price	**RM 3.27**
Target Price	**RM 3.55**
Consensus Price	**RM 3.53**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	UCHI MK
Masa Ticker / Stock Code	UCHI/7100
Shares Outstanding (m)	453.9
Market Capitalisation (RM'm)	1,484.4
52 Week Hi/Lo Price (RM)	3.45/2.85
Avg Trading Volume (3-mth)	616,682
Est Free Float (%)	54.7
YTD Returns (%)	4.1
Beta (x)	0.51

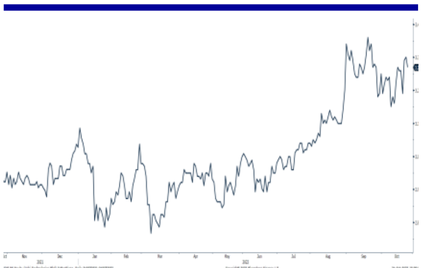
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-0.3	-3.3
3 mth	8.3	8.9
12 mth	4.5	12.6

Major Shareholders (%)

Eastbow International Ltd	18.4
Ironbridge Worldwide Ltd	7.8
Public Mutual	6.1

1-Year Share Price Performance



Analyst: Vanessa Leong

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Company Profile

UCHI Technologies Bhd is a contract manufacturer providing Original Design Manufacturing (ODM) on electronic control systems such as control modules for electrical products.

Investment Merits

- **Good patent strategy.** UCHI's full involvement from designing to producing electronic control module has borne fruit with patented solutions that restricted its clients' ability to source parts elsewhere.
- **Consistent dividend pay-out.** UCHI's higher-yielding dividend comes from its minimum 70% dividend payout policy, higher than its peers in the industry.

Key Updates

- **Y-o-Y.** 2QCY22's top and bottomline grew 36.2% and 37.6% respectively, on the back of higher sales demand coupled with the 3.9% appreciation of the USD against the Ringgit.
- **Q-o-Q.** Revenue and net profit managed to climb 19.2% and 22.8% respectively on similar grounds. Revenue in USD grew 16.7%.
- **Cumulative.** 1HCY22's revenue and net profit increased by 28.8% Y-o-Y and 36.8% Y-o-Y respectively, propped up by better sales across all three business segments with the manufacturing segment growing 21.0% Y-o-Y, while the biotech segment eked-out a growth of 9.3% Y-o-Y.

Downside Risks

- Weaker USD vs. the Ringgit
- Lower sales orders from clients

Valuation

We maintain our **BUY** call on Uchi with a same **TP** of **RM3.55** based on a required rate of return of 9.7% ascribed to our DDM-derived valuation.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY18	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	140.0	156.7	155.3	168.5	201.8	238.0
EBITDA (m)	78.8	86.0	91.0	-27.0	109.6	123.7
PBT	72.4	79.0	84.6	92.2	104.2	118.2
Net Profit	68.9	75.9	83.8	91.4	100.5	114.7
EBITDA margin (%)	56.3	54.9	58.6	-16.0	54.3	52.0
PBT margin (%)	51.7	50.5	54.5	54.7	51.6	49.7
Net margin (%)	49.2	48.5	54.0	54.3	49.8	48.2
EPS (sen)	15.4	16.9	18.7	20.1	22.1	25.3
PER (x)	21.2	19.3	17.5	16.2	14.8	12.9
DPS (Sen)	14.0	16.0	17.0	20.0	20.0	20.0
Dividend Yield (%)	4.3	4.9	5.2	6.1	6.1	6.1
ROE (%)	45.7	46.8	46.7	47.7	49.9	50.9
ROA (%)	31.4	33.0	33.3	33.6	36.2	38.3
BVPS (sen)	33.2	35.7	39.5	42.2	44.4	49.6
P/BV (x)	9.8	9.2	8.3	7.7	7.4	6.6

Source: Inter-Pacific Research

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

V.S. Industry Bhd

NEUTRAL

Current Price	**RM 0.835**
Target Price	**RM 0.93**
Consensus Price	**RM 1.08**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	VSI MK
Masa Ticker / Stock Code	VS/6963
Shares Issued (m)	3,837.2
Market Capitalisation (RM'm)	3,204.1
52 Week Hi/Lo Price (RM)	1.65/0.82
Avg Trading Volume (3-mth)	5,356,521
Est Free Float (%)	48.6
YTD Returns (%)	-39.1
Beta (x)	0.61

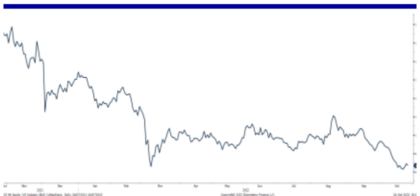
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-9.24	-12.21
3 mth	-13.47	-12.88
12 mth	-47.81	-39.66

Major Shareholders (%)

Kumpulan Wang Persaraan Diperbadankan	8.6
Beh Kim Ling	7.7
Beh Hwee Sze	7.3

1-Year Share Price Performance



Analyst: Vanessa Leong
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Company Profile

V.S. is in the manufacturing of global brand names for office and household electrical and electronic products, especially on the high-end products

Investment Merits

- **Home-grown EMS.** V.S. is a top home-grown EMS player involved primarily in the design of product, PCBA, plastic injection, assembly as well as box built. Its clients mainly come from the Europe, Japan, and the U.S.

Key Updates

- **Y-o-Y.** 4QFY22's revenue rose minimally by 6.7%, but net profit was down by 16.7% as PBT plunged 38.8% on a one-off impairment loss of RM25.8m on the investment in an associate as well as RM12.4m on plant and equipment.
- **Q-o-Q.** Quarterly revenue improved by 8.3%, but net profit dropped 32.6% on similar grounds. Excluding the one-off item, core PBT would have been 15.1% higher.
- **Cumulative.** Full year revenue and net profit dropped 2.2% and 38.0% respectively due to lower sales orders from key clients and squeezed by labour shortages as well as supply chain issues. Also, the mass production for a new key client has yet to achieve the optimal level.

Downside Risks

- Prolonged tight components supply
- Lower orders from clients due to increasingly subdued economy
- High customer concentration

Valuation

We keep our **NEUTRAL** call on V.S. Industry with a same **TP** of **RM0.93** by pegging an unchanged target PER of 14.6x to our FY23 forecast EPS of 6.3 sen. Its prospects are likely to be subdued as most of its clients are set to register slower sales ahead.

HISTORICAL EARNINGS AND FORECASTS

FYE July (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	3243.2	4002.3	3914.1	4595.7	5241.0
EBITDA	253.2	438.6	333.1	394.9	452.1
PATAMI	116.5	245.4	169.7	241.7	288.2
EPS (sen)	3.0	6.4	4.4	6.3	7.5
*Diluted EPS (sen)**	*2.5*	*5.3*	*3.7*	*5.3*	*6.3*
PER (x)	27.5	13.1	18.9	13.3	11.1
*Diluted PER (x)**	*33.0*	*15.6*	*22.6*	*15.9*	*13.3*
Dividend yield (%)	3.1	5.0	2.4	2.4	2.4
BV/share (RM)	0.5	0.6	0.6	0.6	0.6
P/B (x)	1.7	1.4	1.4	1.4	1.3
ROE (%)	*6.2%*	*11.1%*	*7.2%*	*10.7%*	*11.6%*

**based on enlarged share capital of 4598.1 m outstanding shares (ex-warrants conversion)*

Source: Inter-Pacific Research

199701033506 (449005-X)

WELLCALL

BUY

Current Price	**RM 1.11**
Target Price	**RM 1.34**
Consensus Price	**RM 1.46**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	WELL MK
Masa Ticker / Stock Code	WELLCALL/7231
Shares Issued (m)	497.5
Market Capitalisation (RM'm)	602.0
52 Week Hi/Lo Price (RM)	1.38/1.00
Avg Trading Volume (3-mth)	252,103
Est Free Float (%)	70.2
YTD Returns (%)	-14.0
Beta (x)	0.79

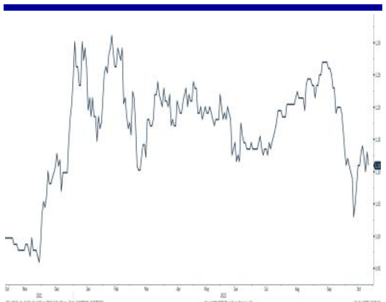
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-7.50	-10.47
3 mth	-6.72	-6.13
12 mth	4.72	12.87

Major Shareholders (%)

Maixum Perspective	11.3
OCBC (Nominee Accounts)	10.0

1-Year Share Price Performance



Analyst: **Lai Yoon Hui, David**
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Company Profile

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

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 9MFY22 PAT of RM25.7m was within expectations.
- Revenue and PAT climbed 31.8% Y-o-Y and 51.9% Y-o-Y, driven by global economic recovery where sales from all regions rose, except for Asia.
- Wellcall's topline grew 9.7% Q-o-Q to RM43m, near its previous record in 4QFY21. Sales picked up in Asia and Africa region, offsetting softer sales in Australia and South America region. PAT expanded 35.8% Q-o-Q thanks higher topline and lower administrative and distribution cost. GP margin retraced to 36.6% from 38.4%, which we think is due to the increase in minimum wage in Malaysia and higher raw material cost.

Downside Factors

- Raw materials /exchange rate volatility
- Labour shortages
- Slower-than-expected economic recovery hampering sales

Valuation

We upgrade Wellcall to a **BUY** from TRADING BUY recommendation with an unchanged TP of **RM1.34,** based on FY22's EPS pegged to an unchanged target PER of 18.0x, as valuation has turn attractive due to the recent price retracement.

HISTORICAL EARNINGS AND FORECASTS

FYE Sept RM (m')	FY19	FY20	FY21	FY22(F)	FY23(F)
Revenue	170.1	134.9	157.0	173.0	175.6
EBITDA	53.6	43.6	51.5	53.7	56.1
EBITDA Margin (%)	31.5	32.3	32.8	31.0	31.9
PAT	36.8	29.4	34.2	36.1	38.5
PAT Margin (%)	21.6	21.8	21.8	20.9	21.9
EPS (sen)	7.4	5.9	6.9	7.3	7.7
Earnings Growth (%)	16.2	-20.2	16.3	5.8	6.4
PER (x)	15.2	19.0	16.3	15.4	14.5
DPS (sen)	5.7	5.0	7.0	5.6	6.0
Dividend Yield (%)	5.0	4.4	6.3	5.0	5.4
ROE (%)	31.6	24.3	26.9	28.1	27.7
ROA (%)	26.6	20.9	23.1	24.1	23.9
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	5.0	4.8	4.6	4.5	4.2

Source: Inter-Pacific Research