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STRATEGY

23 May 2023

STRATEGY NOTE – 2Q2023

OUTLOOK REMAINS UNCERTAIN, MARKET TO DITHER

Malaysian equities continue to lag global and regional performances in 1Q2023 as the FBM KLCI is devoid of significant catalysts to drive it higher Furthermore, the more modest economic outlook is leaving market players on the sidelines as they await for more clarity on Bursa Malaysia's direction before deciding on their next course of action.

Consequently, Malaysian equities are unlikely to stage strong outperformance over the near-to-medium term amid the continuing market uncertainties. This also means the downward bias is still present that could see further weakness among the key index constituents and lower liners.

At the same time, global equity market conditions are becoming choppier with the prevailing headwinds that were cast aside earlier, creeping back as renewed concerns. In particular, concerns over the slowing global economy and an extended period of tighter monetary conditions have re-emerged that could keep market conditions tepid. In addition, global equities have made decent strides for the year, which are largely reflective of the more subdued growth prospects on offer.

Also, the global economic outlook for the rest of the year is less clear-cut, mainly due to the prevailing headwinds like high inflation and interest rates, slower economic growth and activities that could keep the global economic conditions on a tight leash. There could be positive and negative economic prognosis in equal measures ahead that will continue to keep the global economy in tenterhooks well into 2H2023.

Malaysia's economy is tipped to ease in the upcoming quarters, despite the better-than-expected GDP performance in 1Q2023, as the high base effect from re-opening of the economy from the pandemic restrictions wanes. At the same time, the tottering global economic conditions will also continue to affect the country's exports, with the downside risk also remaining elevated due to the prolonged global monetary tightening process.

There will be little-to-no earnings growth among global equities with a forecast of a slight contraction of 0.3% in 2023 due to the slower global economic outlook. Consequently, global equity valuations are already fair, being within its historical forward averages of 14x-16x following the global equities' YTD gains. This could slow further equity market gains as corporate and economic fundamentals are likely to remain on a low gear for the rest of the year. The stretched valuations could also lead to increased volatility.

The FBM KLCI's earnings growth forecast is raised to 14.2% Y-o-Y for 2023, (from +7.0% Y-o-Y), but the FBM EMAS' earnings growth is more modest at 4.5% Y-o-Y. Valuations also remain undemanding, with both the FBM KLCI and FBM EMAS indices trading below their historical forward averages of 14x-16x. Even so, Malaysian equities valuations is likely to lag its regional peers for the foreseeable future due to the low buying interest and continuing selling by foreign funds.

For now, stock selection should be to companies with stable and defensive earnings that can weather the vagaries of the economic uncertainties, particularly sector leaders with strong pricing power like banks, utilities, consumer staples and telcos. Laggards that could benefit from the economy's reopening like gaming, aviation and retail stocks should also be considered.

Analysts: Research Team

GLOBAL ECONOMIC REVIEW

Global economic conditions saw a mixed performance with some countries reporting slightly improved metrices, while others continue to deteriorate amid the increased economic weakness. The mixed data belies the continuing headwinds that many developed countries face with rising interest rates, elevated inflation and slowing economic conditions denting the prospects for the upcoming quarters.

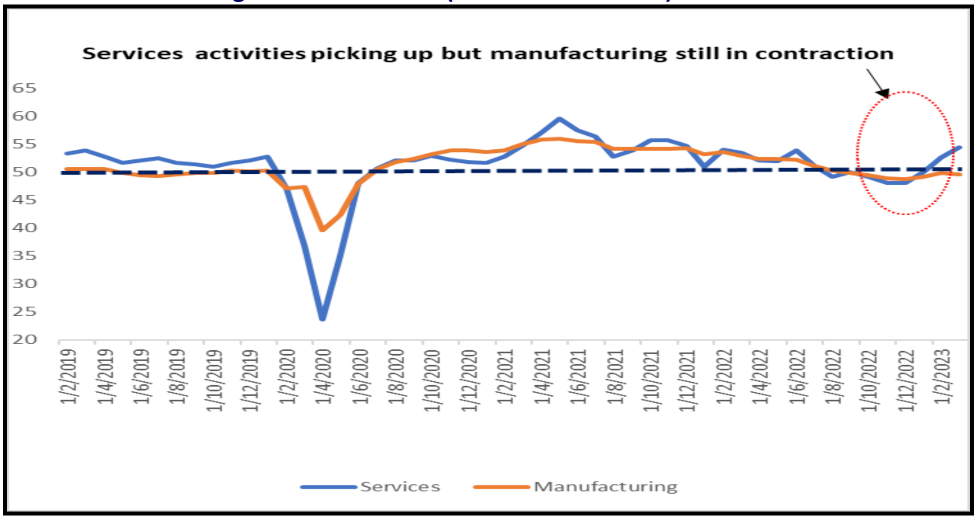
Global Quarterly and Yearly GDP

in %	3Q2022 Y-o-Y	4Q2022 Y-o-Y	1Q2023 Y-o-Y	1Q2023 Q-o-Q	2021 Y-o-Y	2022 Y-o-Y
US	1.9	0.9	**1.6**	**1.1**	5.9	2.1
EU	2.7	1.8	**1.4**	**0.3**	5.4	3.5
Eurozone	2.5	1.8	**1.3**	**0.1**	5.3	3.5
Germany	1.4	0.8	**(0.1)**	**0.0**	2.6	1.8
France	1.0	0.4	**0.8**	**0.2**	6.8	2.6
UK	2.0	0.6	**0.2**	**0.1**	8.5	4.3
China	3.9	2.9	**4.5**	**2.2**	8.4	3.0
Japan	1.5	0.4	**1.3**	**1.6**	2.3	1.1
ASEAN 6						
Malaysia	14.1	7.1	**5.6**	**0.9**	3.1	8.7
Indonesia	5.7	5.0	**5.0**	**(0.9)**	3.7	5.3
Singapore	4.0	2.1	**0.1**	**(0.7)**	9.1	3.7
Thailand	4.6	1.4	**2.7**	**1.9**	1.5	2.6
Vietnam	n.a.	n.a.	n.a.	n.a.	2.6	8.0
Philippines	7.7	7.1	**6.4**	**1.1**	5.7	7.6
WORLD					**6.3**	**3.4**

Source: Bloomberg

Despite the continuing headwinds, however, global services activities have picked up since the start of the year, mainly on the back of resilient spending as the unemployment rate continues to improve, allowing for increased spending. This helped the global services PMI to tip back above the 50 level since the start of the year, indicating growth in the segment. The manufacturing sector PMI also showed improvements, but it remains in contraction due to the lower output. At the same time, the minor improvements in the manufacturing sector were due to supply availability, rather than an increase in demand for manufactured goods.

Global Manufacturing and Services PMI (Jan 2019-Mar 2023)

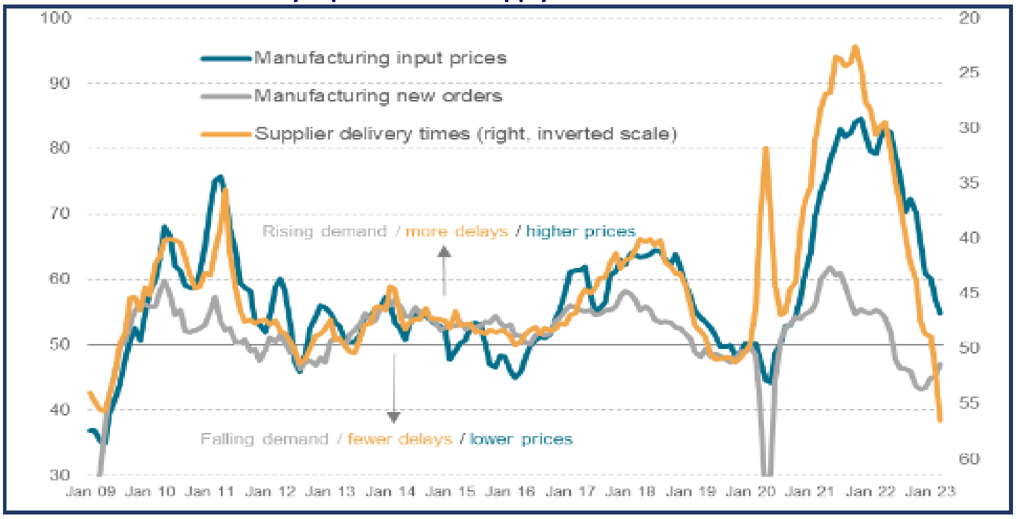


Source: Bloomberg

In other barometers, price pressures also eased in many in G4 countries (top 4 largest developed economies in the world – US, UK, Eurozone and Japan), due in part to the softening demand and further easing of input price pressures. As it is, input prices slipped to its lowest level since October 2020 in March with a reduction in the lead times for supplies deliveries as container shortages and port congestion also helping to lessen the inflationary pressures.

While manufacturing input cost continues to ease, the services sector cost remains elevated in March 2023, particularly in the U.S. and Japan, and is a reflection of the sustained demand for services and tighter labour market conditions. On the whole, the interest rate rises over the past year has helped to reduce the inflationary pressure, lessening the demand for goods with the demand shifting to services. This is particularly so with fuel prices that has halved from a peak of US$120 per barrel in the middle of 2022, to around US$60 per barrel in March 2023. In addition, the supplier lead delivery time shortened significantly and helping to also ease inflationary pressures.

S&P Global PMI Factory Input Cost and Supply Chain

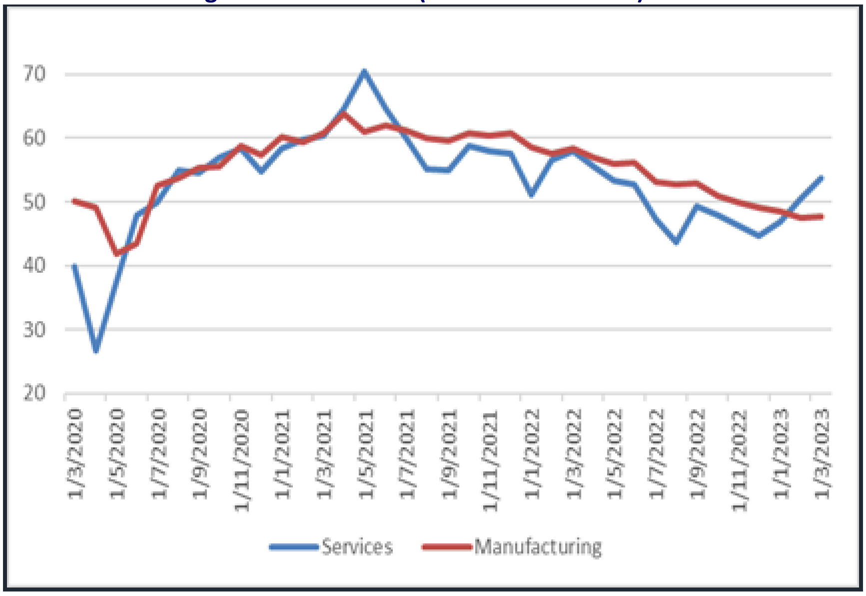


Source: S&P

Meanwhile, the US and Eurozone's unemployment rates have fallen to their pre-pandemic levels, and this has helped to provide the spending catalysts. Furthermore, China's move away from its strict pandemic restrictions is also helping to shore up global activities with its domestic and external activities seeing a resurgence.

The U.S. economy exhibited a decelerated performance by recording a milder growth of 1.1% Q-o-Q (4Q2022: 2.6% Q-o-Q) for the quarter in review but was accompanied by an improvement of 1.6% Y-o-Y (4Q2022: 0.9% Y-o-Y) which outperformed the expectation of a 1.0% Y-o-Y growth. The performance was mainly contributed by an increase in consumer spending of 3.7% Q-o-Q (4Q2022: 1.0% Q-o-Q), a 4.7% Q-o-Q (4Q2022: 3.8% Q-o-Q) increase in government spending and a solid rebound back into the positive territory for both exports and imports at 4.8% and 2.9% Q-o-Q (4Q2022: -3.7%, -5.5% Q-o-Q) respectively, resulting in a favourable net-export contribution. The GDP growth was, however, mostly dampened by a contraction of 12.5% Q-o-Q (4Q2022: 4.5% Q-o-Q) in private investment, with the residential investment sector taking the negative lead, mainly resulted from the slower economic activities in the construction sector for single-family properties.

U.S. Manufacturing and Services PMI (Jan 2020-Mar 2023)

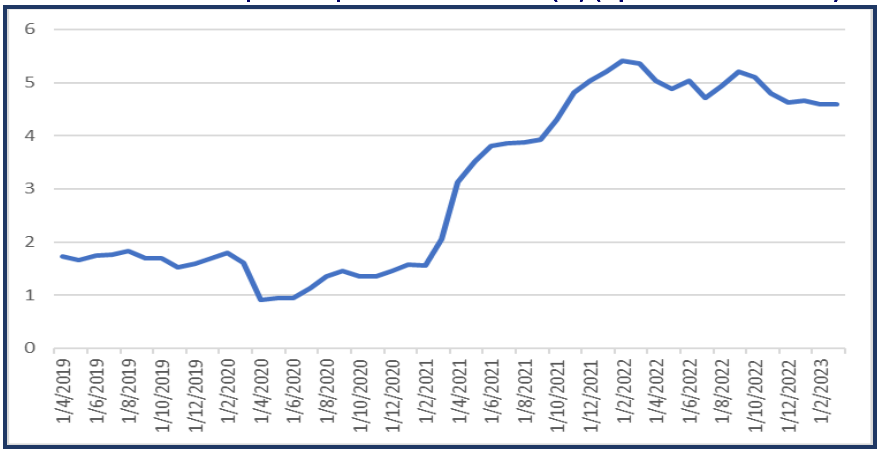


Source: Bloomberg

Meanwhile, inflationary pressure in the U.S. continued to ease to 5.8% Y-o-Y (4Q2022: 7.1% Y-o-Y), continuing its downward trajectory from its 40-year record of 9.1% at the end of 2Q2022. Interest rates remained elevated at 5.0% (4Q2022: 4.5%), after a systematic and controlled hike from the end of 4Q2022, as the PCE CPI has yet to decline to the Fed's target of 2.0%.

Despite the more moderate rate, inflation was still contributed by persistently high food prices that rose 9.4% Y-o-Y in 1Q2023 (4Q2022: 10.6% Y-o-Y). However, on the monthly basis, there has been a visible downtrend in food inflation from January 2023 to March 2023, further signalling easing from the heightened inflation. Furthermore, a drastic reduction in energy prices was observed as it recorded a significantly lower growth of 2.5% Y-o-Y (4Q2022: 10.6% Y-o-Y), helping to ease inflationary pressure further. On the other hand, the labour market remained competitive, with the unemployment rate improved slightly to 3.5% (4Q2022: 3.6%).

U.S. Personal Consumption Expenditure Inflation (%) (Apr 2019 – Mar 2023)

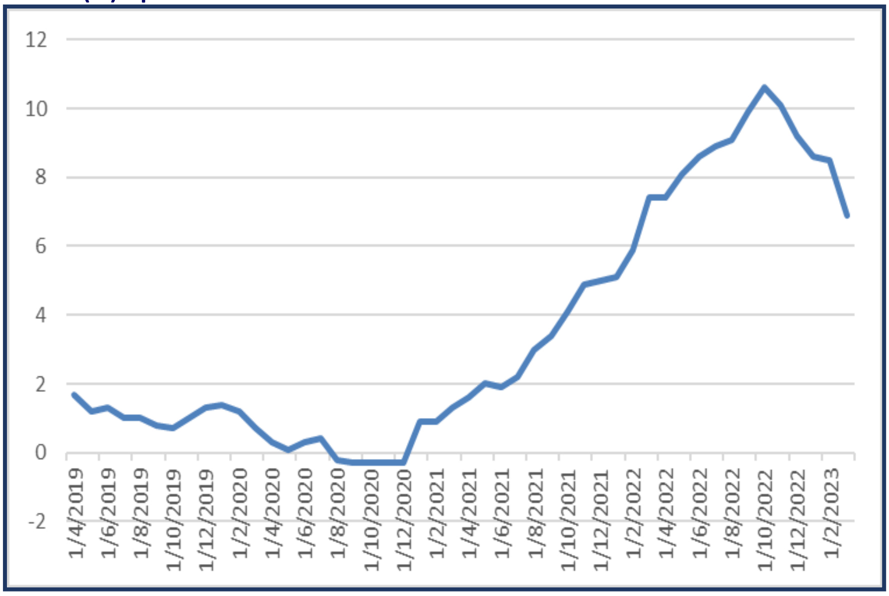


Source: Bloomberg

Over in Europe, its 1Q2023's performance continues to exhibit a downward trend with its growth tapering to 1.4% Y-o-Y (4Q2022: 1.8%). On Q-o-Q basis, the performance rebounded back into the positive territory with a 0.3% growth after a contraction of 0.1% Q-o-Q in the preceding quarter. Most of the Western European economies continues to record slower recovery, mainly due to the heightened inflation that restricted household and business demands. Nonetheless, monetary policies were consistently deployed across these economies to loosen up the economic capacity for growth to take off. Except in the U.K., all western European economies and the G7 have shown recovery back to levels higher than pre-pandemic period. With that said, the U.K. remained to be the most affected economy in the region, with the country singled out as the only economy to still be recording a double-digit inflation rate within the western European region.

In the meantime, inflationary pressures continue to ease with the EU's CPI slipping to its lowest level in a year in March 2023 to 6.9%, mainly on the back of the easing fuel prices. Still, prices of food and beverages continue to climb, rising 15.4% Y-o-Y, while prices of services rose a further 5.0% Y-o-Y as core inflation (excluding food and energy prices) remains worrisome after it rose 5.7% in February 2023- which is a new record high.

EU CPI (%) Apr 2019-Mac 2023

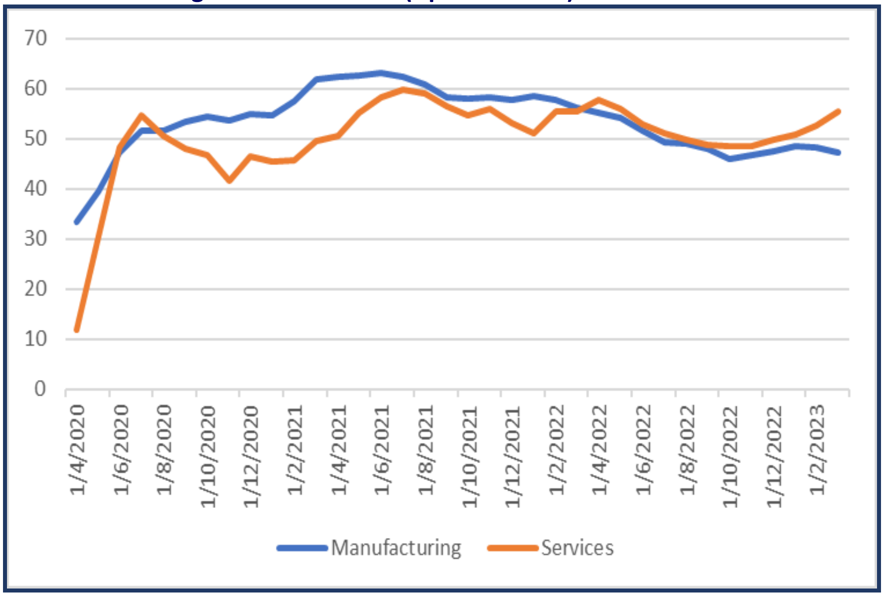


Source: Bloomberg

On the supply side, the EU's manufacturing and services sectors remains on a divergent path with the former still down-trending, while the latter continues to see strength. Manufacturing activities were still tepid as factory orders declined for the 11th consecutive month with the recent fall in orders mostly due to the shorter delivery times, as opposed to lower demand previously. Overall output rose marginally due to the higher production, while input cost dropped for the first time in March in nearly three years due to the availability of items and lower energy cost.

On the other hand, the EU's services sector PMI rose for the third straight month in March and at its strongest since May last year. There was a strong revival in real estate activities, casting aside the higher interest rates, and augmented by firmer demand for travel and tourism activities. At the same time, demand for financial services also improved, despite concerns over the stability of the region's banking sector. Apart from the above factors, new orders also accelerated that resulted in backlogs that should keep its services sector humming for over the coming months.

EU Manufacturing and Services PMI (Apr 20-Mar23)



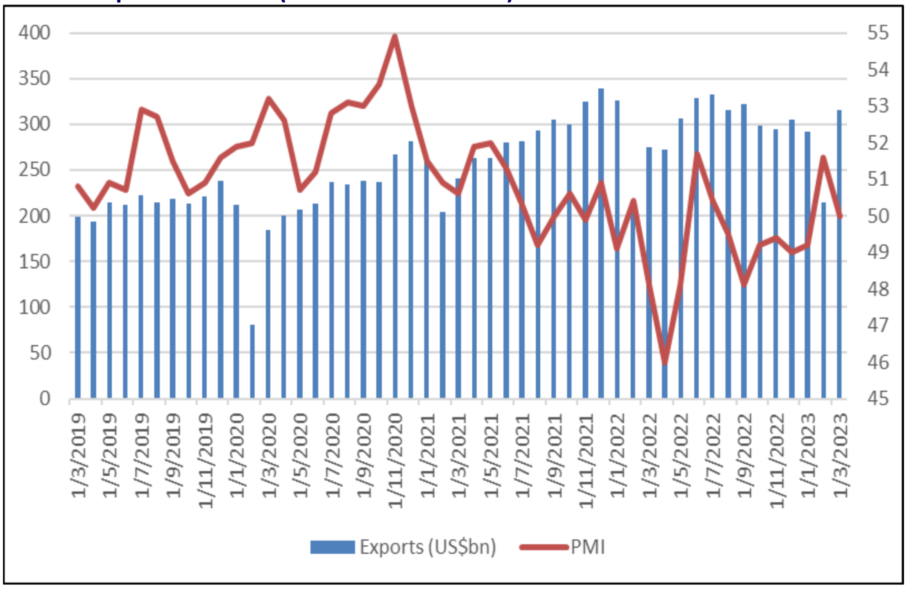
Source: Bloomberg

Asian economies continue to manage their economic headwinds better than the U.S. and Europe in 1Q2023, with China and India alone seen to contribute more than half of the global growth for the year. ASEAN nations growth had also robustly returned to the pre-pandemic levels, helped by an outperformance in the Chinese economy that was buoyed from a rebound in domestic consumption and exports. Inflation in the Asian region continues to perform better than the U.S. and European economies, with the CPI recorded at a much lower average of 3.0% Y-o-Y, as compared to the U.S and Eurozone of 5.8% Y-o-Y and 8.0% Y-o-Y respectively. Nonetheless, inflation in these 3 key economic regions have eased from early 2023 despite the price levels still hovering at levels significantly higher than their target rates, especially in the U.S. and Europe.

In contrast to the Western economies, China's economy got off to a commendable start in 1Q2023 by recording a 4.5% Y-o-Y growth (4Q2022: 2.9% Y-o-Y), beating the expectations of a 2.8% Y-o-Y growth. It also reached the highest growth since 1Q2022 as its economy benefitted from the lifting of the strict zero-Covid policy restrictions which helped retail sales rebounding strongly at 5.8% Y-o-Y (4Q2022: +2.7% Y-o-Y) with the catering industry and online retail sales surging 13.9% and 8.6% Y-o-Y respectively. Moreover, industrial production recovered gradually with a growth of 3.0% Y-o-Y, accelerating from the 2.7% Y-o-Y growth in 4Q2022.

For the first three months of 2023, China reported a surprise 8.4% Y-o-Y growth in exports, despite facing weak external demand, particularly as exports have expanded 14.8% Y-o-Y in March, mainly contributed by the strong electric vehicle sales and exports to Russia. Imports, on the other hand, only edged up 0.2% Y-o-Y. Despite the surge in these activities, the Chinese economy still faced an uneven recovery with private sector fixed asset investment remaining weak, increasing a mere 0.6% Y-o-Y in contrast to the 10% Y-o-Y growth in state-led investments during the quarter. Investments in real estate also saw a drop of 5.8% in the first quarter. Nevertheless, there are signs of easing from a record-breaking slump in the property sector last year with sales by value climbing 4.1% Y-o-Y with new home price also rising at the fastest pace in 21 months in March.

China Exports and PMI (Mar 2019-Mar 2023)



Source: Bloomberg

The Japanese economy rebounded from a period of contraction to record a 1.6% Q-o-Q growth (4Q2022: -0.1% Q-o-Q), pacing up its performance to a three-quarters high, mainly contributed by strong services sector spending. The economy's growth similarly edged up to 1.3% Y-o-Y after posting a milder growth in the preceding quarter. Inflation eased slightly to 3.6% Y-o-Y (4Q2022: 3.8%) but remained considerably higher than the past average and the central bank's target rate at 2.0%, mainly due to cost-push factors as the global commodity prices rose. While the heightened inflation had put some downward pressure on the economy, the performance was partly helped by an increase in the demand for services due to the easing border controls and the extension of the national travel subsidy, resulting in a strong rebound in domestic demand to 2.8% Q-o-Q (4Q2022: -1.6% Q-o-Q). However, the improvement was offset by an unfavourable movement in net exports as exports declined 15.6% Q-o-Q (4Q2022: +8.4% Q-o-Q).

In the rest of the region, the economic recovery appears to be losing momentum, save for India that is still reporting healthy economic data. The dependence to China's recovery remains unfilled and its slow recovery has also kept intra-region trade growth modest for the time being. At the same time, price pressures continue to bite that also caused domestic spending in many regional countries to become more tentative.

MALAYSIA ECONOMIC REVIEW

1Q2023 GDP has shown a modest growth of 0.9% Q-o-Q, rebounding back into the positive territory after contracting 1.7% Q-o-Q in 4Q2022, signaling strength in its early 2023 performance. For the quarter in review, the GDP also increased by 5.6% Y-o-Y (4Q2022: +7.1% Y-o-Y), marking a consistent return of economic activity back to its pre-pandemic level, and outperforming the consensus expectation. Inflation eased to 3.6% Y-o-Y (4Q2022: +3.9% Y-o-Y), thanks to a moderation in fuel prices but was partially offset by a higher vegetable price due to adverse weather conditions.

Labour market remained competitive, with a slight improvement in the unemployment rate to 3.5% (4Q2022: +3.6%), albeit this was accompanied by a slower growth in real wages of 0.9% Y-o-Y (4Q2022: +1.7% Y-o-Y). Meanwhile, some indicators remained adverse, resulting in persistent challenges for the economy, especially the weakening Ringgit and continuous hikes in OPR rates leading to some restraining of economic activities.

Malaysia Real GDP, 2020-2022

% Y-o-Y chg	Yearly			Quarterly			
	2020	2021	2022	2Q2022	3Q2022	4Q2022	1Q2023
Real GDP (Q-o-Q)	-	-	-	**4.1**	**2.2**	**(1.7)**	**0.9**
Real GDP	**(5.6)**	**3.1**	**8.7**	**8.8**	**14.1**	**7.1**	**5.6**
Agriculture	(2.4)	(0.2)	0.1	(2.3)	1.2	1.1	0.9
Mining	(9.7)	0.3	2.6	(1.7)	9.1	6.3	2.4
Manufacturing	(2.7)	9.5	8.1	9.2	13.1	3.9	3.2
Construction	(19.3)	(5.2)	5.0	2.5	15.3	10.1	7.4
Services	(5.4)	1.9	10.9	11.9	16.7	9.1	7.3
Domestic Demand	**(5.5)**	**1.7**	**9.2**	**13.0**	**13.2**	**6.8**	**4.6**
Private Consumption	(4.2)	1.9	11.2	18.3	14.8	7.3	5.9
Public Consumption	5.0	5.3	4.5	2.3	6.5	3.0	(2.2)
Gross Fixed Capital Formation	**(14.4)**	**(0.9)**	**6.8**	**5.8**	**13.1**	**8.8**	**4.9**
Public Investment	(21.2)	(11.3)	5.3	3.2	13.1	6.0	5.7
Private Investment	(11.9)	2.6	7.2	6.3	13.2	10.3	4.7
Exports of Goods & Services	(8.6)	15.4	14.5	15.9	21.5	8.6	(3.3)
Imports of Goods & Services	(7.9)	17.7	15.9	20.1	21.1	7.2	(6.5)

Source: Bloomberg

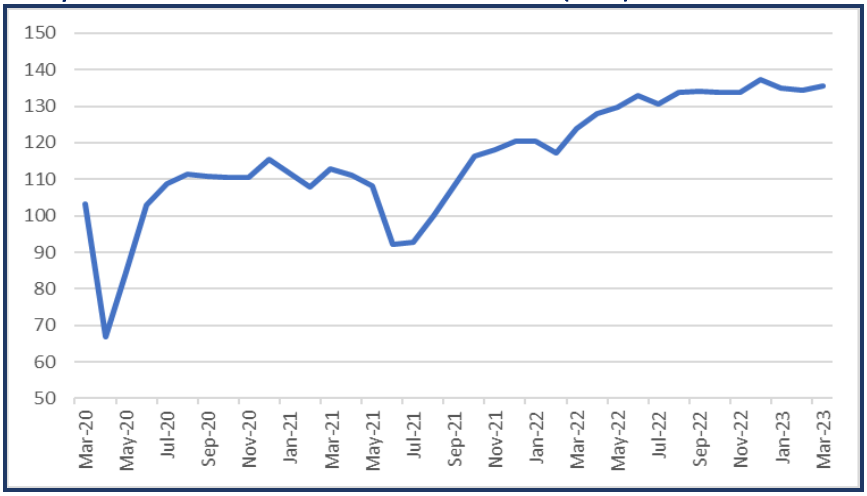
Despite the growth modestly higher compared to prior quarters, the overall Y-o-Y growth remained commendable, with the growth rate hovering higher than the long-term average growth of 5.1% from 2011 to 2019, placing the economy on a consistent track for continual growth normalisation. The leading factor for the performance continues to be strong domestic demand, continual investment activities and higher net exports. On the supply side, all sectors remain broadly expansionary, with construction and services sectors taking the lead. Meanwhile, on the demand side, the performance continues to be headed by strong private consumption and gross fixed capital formation.

The construction sector recorded the highest growth across all sectors, despite its growth rate moderating to +7.4% Y-o-Y (4Q2022: +10.1% Y-o-Y). This sector has shown considerable recovery strength after recording a consecutive contraction in 2020 and 2021 of 19.3% and 5.2% respectively. The rebound was mainly driven by progress in large transportation and utility projects during the quarter.

Statistics on the subsector contributions also showed encouraging movements, mainly led by civil engineering at +15.9% Y-o-Y (4Q2022: +18.1% Y-o-Y) and followed by specialised construction activities at +8.7% Y-o-Y (4Q2022: +8.0% Y-o-Y). Moreover, non-residential buildings similarly recorded a growth of 6.4% Y-o-Y (4Q2022: +10.7% Y-o-Y) but were partially offset by a contraction of 3.4% Y-o-Y (4Q2022: +2.8% Y-o-Y) in the residential sector.

Similarly, the services sector growth moderated to 7.3% Y-o-Y (4Q2022: +9.1% Y-o-Y) as the growth rate tapered across all subsectors. The growth was led by the wholesale & retail subsector that recorded a steady growth of 9.4% Y-o-Y (4Q2022: +9.8% Y-o-Y), mainly contributed by the retail trade segment of 14.5% Y-o-Y (4Q2022: +19.2% Y-o-Y). Moreover, the transportation and storage sub-sector recorded a growth of 17.0% Y-o-Y (4Q2022: +23.1% Y-o-Y), mainly due to better performance in air and land transport segments as the country observed greater transport movement, partly benefiting from improvements in demand for domestic tourism. This is followed by a growth of 16.2% Y-o-Y (4Q2022: +23.7% Y-o-Y) in the business services, largely supported by strong performance in professional and administrative segments. The growth rate was also moderately sustained by accommodation of 55.7% Y-o-Y (4Q2022: +78.6% Y-o-Y) and real estate of 2.0% Y-o-Y (4Q2022: +34.0% Y-o-Y). On a side note, there has been a consistent improvement on a monthly Y-o-Y basis, signaling a positive trend for the contribution from this sector.

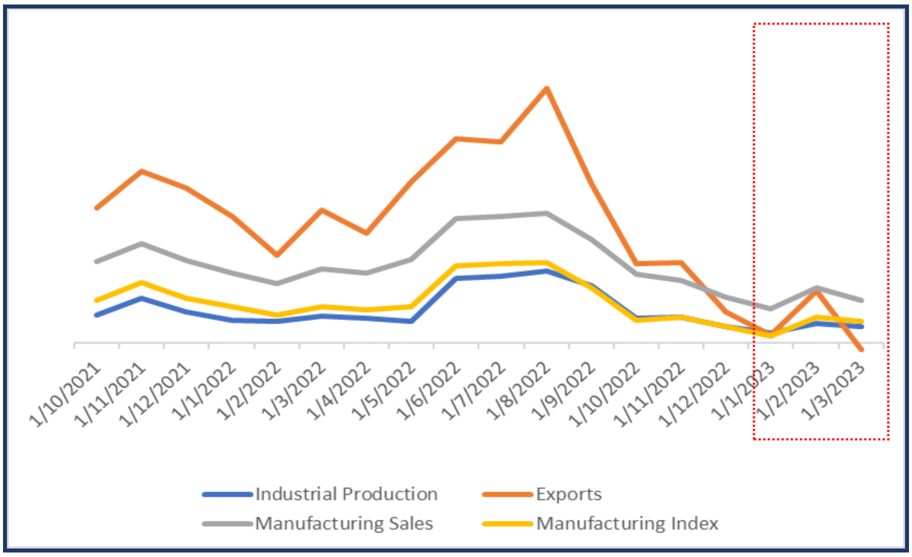
Malaysia Wholesale & Retail Trade Mar 20-Mar23 (RMb)



Source: Department of Statistics, Malaysia

The manufacturing sector also exhibited a similar growth trend with its performance tapering off to just 3.2% Y-o-Y (4Q2022: +3.9% Y-o-Y). The performance was mainly influenced by a continual contraction from the preceding quarter, with the decline contributed by wood products of 8.4% Y-o-Y (4Q2022: -7.6% Y-o-Y), Plastic products at -8.8 Y-o-Y (4Q2022: -3.9% Y-o-Y), computers and peripheral equipment of -6.2% Y-o-Y (4Q2022:-6.2% Y-o-Y) and furniture of -11.1% Y-o-Y (4Q2022: -6.6% Y-o-Y), but was partly offset by some encouraging improvements in subsectors such as vegetable and animal oils & fats at +13.5% Y-o-Y (4Q2022: +1.8% Y-o-Y), tobacco products at +15.4% Y-o-Y (4Q2022: -12.9% Y-o-Y) and transport equipment, other manufacturing, and repair at +7.7% Y-o-Y (4Q2022: +4.9% Y-o-Y). Meanwhile, slower but sustained growth can be seen for electrical, electronic, and optical products at 3.8% Y-o-Y (4Q2022: +9.2% Y-o-Y).

Malaysia Industrial Production, Exports, Manufacturing Index and Sales Trend Oct 2021-Mar 2022



Source: Bloomberg, Department of Statistics, Malaysia

The mining and quarrying sector recorded a slower growth of 2.4% Y-o-Y (4Q2022: +6.3% Y-o-Y), with all subsectors contributing to the decelerated effect. Leading the tapering effect was the natural gas output at just +0.6% Y-o-Y (4Q2022: +7.3% Y-o-Y), followed by a marginal decrease in performance in the crude oil and condensate subsector and other mining & quarrying and supporting services subsector growing at 4.0% and 7.3% Y-o-Y respectively (4Q2022: +4.3%, +8.4% Y-o-Y).

The agriculture sector has similarly recorded slower growth compared to the preceding quarter at 0.9% Y-o-Y (4Q2022: +1.1% Y-o-Y). The marginal growth was mainly due to a decline in the oil palm sector growth to 3.4% Y-o-Y (4Q2022: +9.6% Y-o-Y) despite the increased oil palm output and higher arrival of foreign plantation workers under the Foreign Workers Employment Relaxation Plan. This was followed by a continuing contraction from the preceding quarter for rubber, livestock, forestry and logging and marine fishing output of 13.5%, 2.6%, 2.1%, 1.6% Y-o-Y respectively (4Q2022: -21.9%, -2.2%, -5.5%, -1.9% Y-o-Y). Moreover, the aquaculture subsector had again recorded a contraction of 0.9% Y-o-Y after a continuous streak of growth since the end of 2021.

Domestic demand continued to be led by a modest growth in private consumption at 4.6% Y-o-Y (4Q2022: +6.8% Y-o-Y), despite it exhibiting a continual downtrend in growth from preceding quarters. Demand remained supported by improved labour market conditions and policy measures such as increased minimum wage and continued cash handouts. This performance was, however, slightly impeded by a contraction in public consumption at 2.2% Y-o-Y (4Q2022: +3.0% Y-o-Y), as a result of lower government spending on supplies and services.

Capex spending was lower with gross fixed capital formation growth recorded at 4.9% Y-o-Y (4Q2022: +8.8% Y-o-Y), as the private investment component contributed a modest 4.7% Y-o-Y growth (4Q2022: +10.3% Y-o-Y) on the back of continued capacity expansion by firms and encouraging progress on construction activities. Similarly, public investment growth remained robust by recording only a marginal cut back to 5.7% Y-o-Y (4Q2022: +6.0% Y-o-Y), mainly driven by capital expenditure by public corporations.

Exports fell into the contractionary territory, declining to -3.3% during the quarter (4Q2022: +8.6%). The contraction was mainly due to global economic headwinds that saw global demand declining and was partly attributable to a shift in consumption from goods to services, which was further exacerbated by a downcycle in the E&E sector, particularly for consumer electronics. Despite the contraction, exports performed significantly better than most of its ASEAN peers and only fell short of some key export countries such as Indonesia and China during the quarter. Net exports, however, showed significant improvements by achieving a 54.4% Y-o-Y growth (4Q2022: +23.0% Y-o-Y), on the back of further recovery in tourism activities, indicating an uprising strength in inbound service exports.

Imports, on the other hand, plummeted to a contraction of 6.5% Y-o-Y (4Q2022: +7.2% Y-o-Y), mainly due to weaker intermediate imports as manufactured exports and domestic demand moderated in the quarter.

The current account surplus shrank by 84.4% Q-o-Q to just RM4.3b in 1Q2023 (4Q2022: +82% Q-o-Q, RM27.5b), and represents a smaller portion of GDP at 1.0% share (4Q2022: 5.9%). The narrowing surplus was mainly due to the moderation in external demand and deteriorated further due to lower investment income from abroad resulting in a smaller primary income deficit.

Meanwhile, the service account continued its deficit streak, mainly due to a continued deficit in the transportation and other business accounts.

GLOBAL ECONOMIC OUTLOOK

Although many economic indicators still suggest growth, or at least holding, the outlook for the rest of the year is less clear-cut, mainly due to the prevailing headwinds like high inflation and interest rates, slower economic growth and activities that could keep the global economic conditions on a tight leash for the foreseeable future. As such, there could be positive and negative economic prognosis in equal measures ahead that will continue to keep the global economy in tenterhooks well into 2Q and 3Q2023.

Still, the bias is still on the downside as inflation remains sticky and interest rates could remain elevated for the time being with central banks to keep rates high for the rest of the year to combat inflation, albeit price hikes are likely to ease in 2H2023. Adding to the pressures would be still strong employment prospects and while layoffs have accelerated of late, the employment outlook has not dimmed. This could continue to preserve the firm consumer spending pattern well into 2Q2023 that would also keep both inflation and interest rates elevated. The lingering geopolitical tensions could still affect sentiments even as it does not appear to boil over for now.

Under the prevailing environment, the risk of recession remains even as the odds have now been trimmed slightly to about 60%, from 65% previously. Even so, the prognosis is that any recession is likely to be mild, cushioned by the still firm employment prospects that would also be supportive of consumer spending and provide support to the global economy. However, the risk is still tilted to the downside for now given that economic conditions is widely expected to decelerate in the months ahead and place further strain on growth prospects. The continuing high debt conditions, coupled with reduced liquidity levels amid the monetary tightening stance, could further nudge the key global economies towards a slowdown.

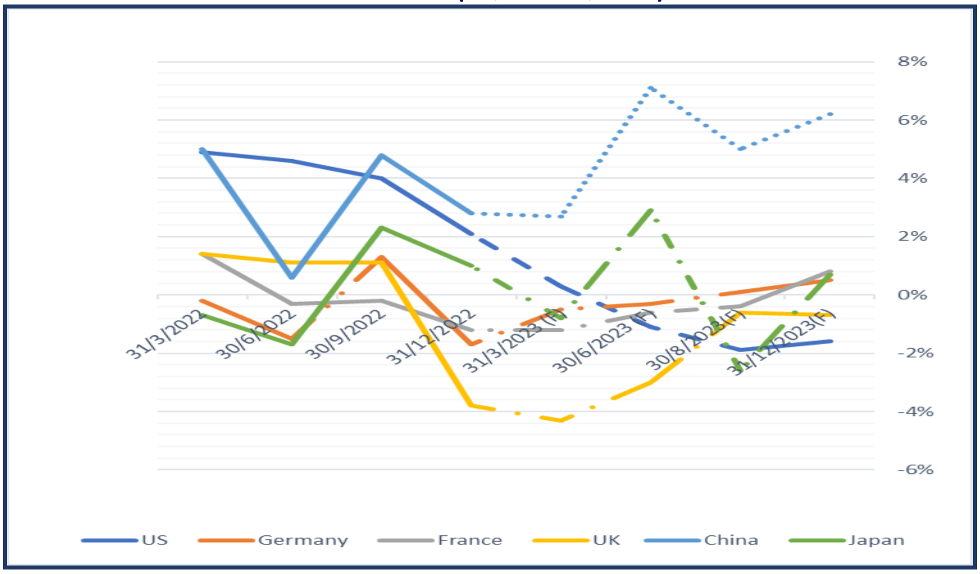
Selected Countries GDP Forecast (2Q2023-2024)

(Y-o-Y in %)	2Q2023	3Q2023	4Q2023	2023	2024
World	-	-	-	**2.5**	**2.8**
Asia (Ex-Japan)	6.7	4.9	5.4	**5.3**	**4.9**
European Union	0.5	0.3	0.5	**0.5**	**1.4**
Eurozone	1.1	0.4	0.3	**0.6**	**1.0**
G-8	0.3	-0.3	-0.1	**0.5**	**1.1**
China	8.0	5.3	5.8	**5.7**	**5.0**
Germany	0.1	-0.2	0.5	**0.0**	**1.2**
France	0.2	0.1	0.2	**0.6**	**1.0**
Japan	1.3	0.4	1.0	**1.0**	**1.1**
United Kingdom	-0.3	-0.1	-0.1	**-0.2**	**0.9**
United States	1.8	0.8	0.2	**1.1**	**0.8**

Source: Bloomberg

Although the global economy is likely to soften in the months ahead and the heightened recession risk, the year's growth estimates has been tweaked up slightly, with the still firm conditions at the start of the year providing some of the cushioning effect. The global growth is now estimated at 2.5% Y-o-Y, against the 2.1% Y-o-Y forecast earlier. However, for 2024, the forecast is trimmed slightly to 2.8% Y-o-Y, down a tad from 2.9% Y-o-Y. Even so, economic conditions could feel more challenging that the economic data would suggest as economic activities slow further.

Selected Countries Industrial Production (1Q2022-4Q2023F)



Source: Bloomberg

Thus far, the services sector has cushioned the weakness in the manufacturing sector and the prognosis is for more of the same going into the next few quarters. Manufacturing activities are set to remain on a low gear for most of the year in many major economies due to the lower demand and the consensus estimates point to contractions in many countries' industrial production in the upcoming quarters that may even linger into the start of next year due to the tighter demand dynamics.

China, however, may buck the weakness trend after it ended its strict pandemic restrictions, but its recovery could also be slow due the lower global demand. Apart from lower demand, manufacturers will also have to endure elevated input cost as they remain slow to ease and could continue to eat into profit margins. On the flip side, supply constraints have eased with the materials availability and the earlier shipping delays have also largely dissipated. Further improvements are expected, and this could see cost easing further in the upcoming quarters.

The combination of easing demand and supplies availability could spill over to the overall global inflation rate with price pressures likely to ease further in the months ahead. The consensus estimate points the inflation rate at 5.6% for the whole of 2023, compared to 8.7% in 2022, as demand could fall amid the slower economic conditions and more expensive borrowing cost. At the same time, the conflict in Eastern Europe has not escalated and unlikely to choke supplies. Meanwhile, going into 2024, the inflation rate could moderate further to 3.6% which would be close to its pre pandemic levels as both demand and supply dynamics are likely to normalise as well as coming off from a high base.

While inflation is easing, there are concerns that unemployment could rise in 2023 due to the increasingly challenging economic undertone. For now, however, the unemployment rates are holding steady, but layoffs are increasing, and this could lead to further deterioration in employment prospects in the upcoming months. The G7 bloc could see a slight uptrend in unemployment rates to 4.4% in 2023, up from 4.2% in 2022 before possibly increasing to 4.8% in 2024 as the employment condition weakens.

The U.S. economy is expected to slow further in the upcoming quarters even as the headwinds appear to have soften in the early parts of the year, particularly inflationary pressures. The Fed's spate of interest rate increases from last year is seen to have desired effect of curbing price pressures and reduction in demand, albeit it is mixed with demand for goods faltering, but services demand remaining firm. Recent economic data also suggest that the economic undertone is holding firm, as evidenced by the sustained household consumption and wages that is also supporting the overall demand growth.

However, the positive data could belie the still high PCE inflation rates that is expected to average 4.0%-4.2% in 2023, before moderating to some 2.5% in 2025, which is still higher than the Fed's target of 2.0% which could mean that interest rates are likely to remain elevated even as the Fed may pause further increases for the rest of the year. The slower goods demand is also likely to leave U.S. industrial production in a low gear and may contract 1.0% Y-o-Y, from a growth of 3.4% Y-o-Y in Y-o-Y in 2022, which is also due in part to the expected moderation in exports to just a growth of 3.0% Y-o-Y, (2022: +7.1% Y-o-Y)

With the prognosis that U.S. employment is likely to ease in the months ahead, its unemployment rate is tipped to climb again to 3.9% by the end of 2023, from 3.6% in 2022. Even so, the new forecast is lower than the earlier estimate of 5.0% as employment prospects should stay sanguine in 1H2023, before deteriorating further in 2024 with the unemployment rate poised to reach 4.6% as the slowdown looks to extend.

The easing pressures is also giving hope that a soft landing could be attained, and any downturn may be shortlived. This could preserve the growth trend in 1H2023, but conditions could worsen in 2H2023 with the pent-up demand for services to likely fall amid the expectations that employment may taper along with the falling demand. With growth to moderate in the latter half of the year, the full-year growth is forecast to post an growth of 1.1% Y-o-Y, albeit higher than the previous estimate of a growth of 0.9% Y-o-Y.

In Europe, its economic outlook has brighten somewhat following the easing inflationary pressures and firmer employment prospects that has held up its economy in 1Q2023. At the same time, the still firm undertone has reduced the recession odds in 1H2022 with the bloc's domestic demand likely to stay decent on the back of easing prices that would support consumer spending. Although the Russia-Ukraine conflict is still ongoing, it has not escalated, and this has raised hopes that the supply chain shortages could be largely averted in the upcoming quarters.

Therefore, the economic undertone is likely to hold up for the most part as the unemployment rate is unlikely to blow out and employment prospects could hold firm, sustaining consumer spending and demand and help to keep its economy on a steadier footing, compared to the conditions in the middle of last year. Thus far, the Russia/Ukraine conflict appears to be contained and this is allowing for fuel and commodities supplies to the European region to remain largely uninterrupted. With the slight improvement in economic conditions, the European Union's GDP forecast has lifted to 0.5% Y-o-Y, slightly up from the 0.4% Y-o-Y forecast earlier.

Nevertheless, Europe's economic conditions are still fluid and could deteriorate if the ongoing headwinds escalate. Although inflationary pressures have ebbed somewhat, it is unlikely to reach its target in the foreseeable future, forcing the European Central Bank to keep interest rates elevated for a while with the consensus estimate pointing to interest rates reaching 4.3%, which is higher than the previous consensus estimates of 3.5%-3.7%. Inflation, meanwhile, could average 6.4% in 2023 as fuel and commodity prices have ease and this is also helping to lower the CPI from last year's average of 8.4%.

By and large, Asian economies' growth prospects will be slower in 2023 after a strong outperformance in 2022 when most regional countries fully reopened their economy from the pandemic lockdowns that spurred domestic spending and also benefitted from the strong external demand. In 2023, growth will moderate due to the slower global economic conditions that is likely to trim demand for Asia's finished goods and commodities. Nevertheless, there should be support from a still firm domestic spending that would cushion some of the weaker overseas demand and this will help the regional countries avoid recessionary conditions, particularly for ASEAN economies that are very export dependent.

While ASEAN economies are poised to settle for lower growth in 2023, China's re-opening from its tough Covid-19 restrictions is likely to jump start its economy, and this could provide a cushioning effect to regional economies as well with the potentially increased commodities demand and intra-region trades. The spillover effect will be most pronounced for Greater China economies like Hong Kong, Macau and Taiwan that are also likely to see a strong revival in their economies as they also recover from their pandemic conditions. As a result, the region's GDP estimates have been lifted to 5.2% Y-o-Y, up slightly from the previous forecast of 5.0% Y-o-Y.

The Chinese economy could emerge as the biggest outperformer in 2023 with a potential GDP of 5.7% Y-o-Y, up from the previous forecast of 5.4% Y-o-Y on the strong revival of its domestic spending that may grow by 10.2% Y-o-Y, an improvement from the previous forecast of 8.0% Y-o-Y as spending is set to pick up further pace. At the same time, the easing supply chain and transportation issues will aid its manufacturing sector performance, albeit global demand may still be soft due to the slower global economic conditions. Still, its industrial production could grow at a stronger rate of 5.5% Y-o-Y, firmer than the 3.0% Y-o-Y growth a year ago with domestic-centric manufacturing to lead the growth.

In the same vein, capex spending is likely to remain firm with a potential increase of 5.7% Y-o-Y, higher than last year's growth of 5.5% Y-o-Y. The improved capex spending is mainly from higher spending on the manufacturing sector as idle capacity is increasingly taken up. Although most of its economic activities resume, the external sector may still be challenging due to the softer global demand. As a result, China's export may contract 1.0% Y-o-Y in 2023, reversing the upbeat 8.0% Y-o-Y surge in 2022. Already, its exports have been on a declining trend since 4Q2022 due to the weaker global economy with few signs of demand recovering as yet, except to fulfil back orders from the Lunar New Year break.

Japan's economic outlook is likely to stay lacklustre in 2023, hampered by a weak global economy that could keep its GDP growth modest amid a slower export performance. As it is, domestic demand remains subdued by the weak consumption patterns as the pent-up spending has been relatively mild, as with capex spending, both of which are likely to lag last year's performances. Compared to the earlier forecast of a 1.4% Y-o-Y growth in consumer spending, growth is now expected at 1.3% Y-o-Y, while private investment growth could ease to 1.6% Y-o-Y, from 1.8% Y-o-Y in 2022. The weak global demand could also trim export growth to just 2.5% Y-o-Y, down from the 4.9% Y-o-Y growth a year ago.

MALAYSIA ECONOMIC OUTLOOK

Despite the better-than-expected GDP performance in 1Q2023, economic conditions are widely tipped to ease in the upcoming quarters, due in part to the high base effect when the economy re-opened last year following the end of the pandemic restrictions. At the same time, the tottering global economic conditions will also continue to affect the country's exports, with the downside risk also remaining elevated due to the prolonged global monetary tightening process.

Malaysia Consensus Economic Forecasts

in %	2Q2023 (F)	3Q2023 (F)	4Q2023 (F)	*2023F*	*2024F*
Real GDP (Y-o-Y)	3.2	2.8	5.3	***4.0***	***4.5***
Real GDP (Q-o-Q)	1.1	1.3	1.5	-	-
CPI (Y-o-Y)	3.0	2.4	2.2	***3.0***	***2.3***
Overnight Policy Rate	3.00	3.00	3.00	***3.00***	***2.75***
Unemployment				***3.5***	***3.3***
Budget Deficit (% of GDP)				***-5.2***	***-4.5***

Source: Bloomberg

Even so, growth will still be preserved with a consensus GDP growth estimate of 4.0% Y-o-Y for 2023, with the central bank's estimate at 4%-5%, which are still commendable as the country's GDP would comfortably be above the pre-pandemic levels. With the external sector to dither further, domestic activities will provide support to the country's economic performance. The support will mainly be from the still firm employment prospects that should hold steady at 3.5% in 2023, down from 3.6% in 2022. Although the unemployment rate will still be above the pre-pandemic levels, higher wages and sustained income growth will help to preserve consumer spending with private consumption poised to grow a credible 6.1% Y-o-Y in 2023, albeit slower than the 11.3% Y-o-Y growth a year ago due to the pent-up spending and low base.

Going into 2H2023, however, consumer spending could see a moderating trend as the major festive celebrations would have passed. This will be among the reasons for the easing consumer spending growth, apart from reduced pent-up buying and the absence of government handouts and EPF withdrawals that were instrumental in supporting consumption growth after the lockdowns ended last year. If subsidies are rolled back further, spending growth could also moderate further.

Meanwhile, labour market conditions should remain firm on account of the revival of the tourism industry and still firm domestic activities, benefitting the consumer sector as well. There have been credible gains in employment over the past few quarters and the prognosis is for the employment conditions to hold up in the coming months due to the still tight labour market for both skilled and unskilled labour.

In addition, the touted revival of large-scale infrastructure projects like the KVMRT Line 3 project, High Speed Rail, industrial data centres and increased telecommunication spending could also spur domestic activities as well as generate wide spill-over effects to the broader economy.

The improved domestic activities will also be partly contributed by private investment growth, even as it is projected to ease to 5.8% in 2023, compared to the 7.2% Y-o-Y increase in 2022. As it is, fresh investments are easing, particularly in the manufacturing sector, due to the weaker external demand, while several high-profile infrastructure projects are still in the backburner that could also slow capex spending growth for the year.

In tandem with the increasingly challenging external sector, the country's manufacturing sector performance is expected to halve with a growth of just 4.0% Y-o-Y in 2023. More specifically, the output of E&E products is expected to ease further due to the weaker global demand for semiconductor products. As it is, the government is forecasting a low growth of just 1.8% Y-o-Y in exports this year, vastly lower than the double digit increases over the past few years. Already, the slowdown in the country's manufacturing sector is evident with the manufacturing PMIs in the contraction zone since the start of 4Q2022, with few signs of a revival as yet.

Meanwhile, China's reopening has yet to translate to a significant jump in export demand, particularly as the global E&E segment is still dithering and this is providing few impetuses for the industry to make significant improvements amid the weak demand dynamics. With export centric manufacturing easing, domestic-centric manufacturing could still hold up, particularly for consumption type industries like food & beverage industries where demand is relatively inelastic. Commodities exports, however, should hold up with the likelihood of the El Nino weather curtailing output that could keep the prices of commodities like palm oil elevated.

Malaysia's CPI is expected to range between 2.8%-3.8% in 2023, remaining elevated but should moderate over the course of the year from the easing price pressures as supply issues ebb. Nevertheless, overall demand is still firm from the re-opening of the economy and improving labour market conditions that could extend the period of higher prices. The weak Ringgit could also contribute to the continuing high inflationary rate, and if domestic subsidies are reduced later in the year, inflation could also remain a sticking point and keep the CPI elevated.

However, Bank Negara may hold off further interest rate hikes over the coming months after it recently lift interest rate to 3.0%. The latest hike, which is seen as a pre-emptive move to curtail the prevailing inflationary pressure, brings the interest rate to the pre-pandemic levels that also coincides with the normalising economic conditions. Following the latest hike, Bank Negara may pause further interest rates for the remainder of 1H2023 and may only increase the rates further in 2H2023 if inflation remains stubbornly high, in our view.

BNM Sector Growth 2021-2023F

Y.o.Y in %	2021	2022	2023F
Real GDP	**3.1**	**8.7**	**4.0-5.0**
Agriculture	-0.2	0.1	0.7
Mining/Quarrying	0.7	3.4	2.0
Manufacturing	9.5	8.1	4.0
Construction	-5.2	5.0	6.3
Services	1.9	10.9	5.0
CPI	4.5	3.3	2.8-3.8

Source: Bank Negara Malaysia

GLOBAL EQUITY MARKET REVIEW

Despite the overriding interest rate and slowing global economic outlook, global equities continue to their runup in 1Q2023, even with the recent spate of bank failures in the US and Europe that raised contagion fears. The equity market's strength was largely contributed by the easing inflationary pressures that trimmed the odds of further significant interest rate hikes as well as the quick resolve to the banking crisis. There was also optimism that the easing inflationary pressures would trim the risk of recession for the year, and that a recession, if any, will be shallow.

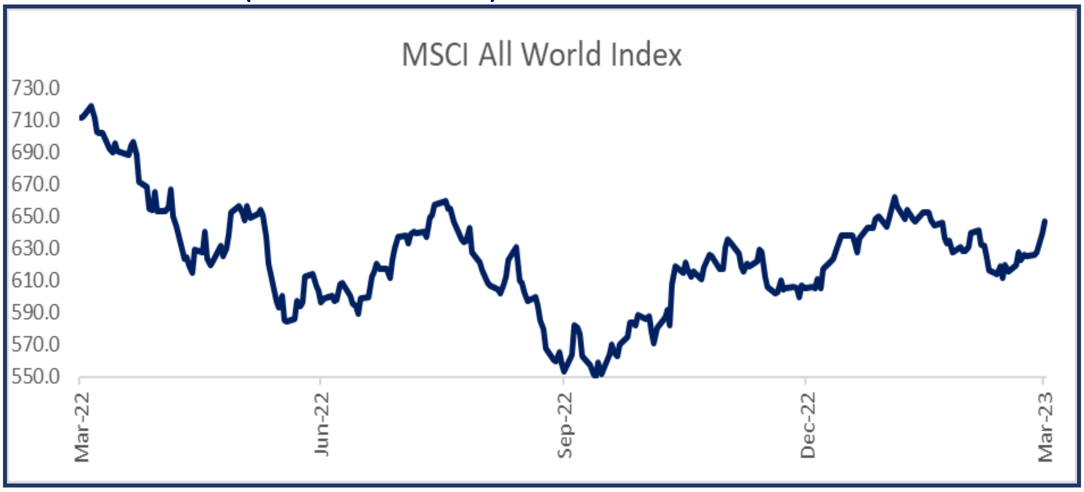
At the same time, corporate earnings performances were generally upbeat that provided the impetus for global equities to continue recovering from the lows at the start of 4Q2022. The upsides were also supported by the more attractive equity valuations amid the projection that global corporate earnings in 2023 will not be severely curtailed by the prevailing market headwind.

Performance of Key Global Indices

Indices	31 Mar 2023 Closing	31 Dec 2022 Closing	QoQ change (%)	31 Dec 2022 Closing	YTD change (%)
FTSE Bursa Malaysia KLCI	**1,422.59**	**1,495.49**	***-4.87***	**1,495.49**	***-4.87***
MSCI ACWI	646.76	605.38	*6.84*	605.38	*6.84*
DOW JONES INDUS. AVG	33,274.15	33,147.25	*0.38*	33,147.25	*0.38*
S&P 500 INDEX	4,109.31	3,839.50	*7.03*	3,839.50	*7.03*
NASDAQ COMPOSITE	12,221.91	10,466.48	*16.77*	10,466.48	*16.77*
FTSE 100 INDEX	7,631.74	7,451.74	*2.42*	7,451.74	*2.42*
CAC 40 INDEX	7,322.39	6,473.76	*13.11*	6,473.76	*13.11*
DAX INDEX	15,628.84	13,923.59	*12.25*	13,923.59	*12.25*
NIKKEI 225	28,041.48	26,094.50	*7.46*	26,094.50	*7.46*
HANG SENG INDEX	20,400.11	19,781.41	*3.13*	19,781.41	*3.13*
SHANGHAI SE COMPOSITE	3,272.86	3,089.26	*5.94*	3,089.26	*5.94*

Source: Bloomberg

MSCI All World Index (Mar 2022 – Mar 2023)



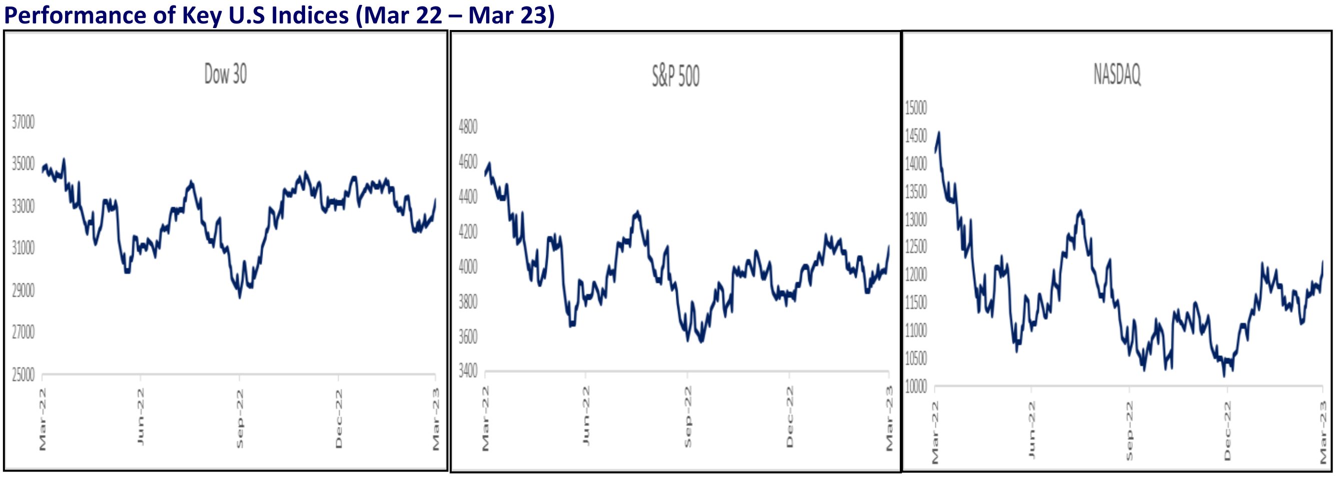
Source: Bloomberg

Most key U.S. indices chalked up decent gains, except for the Dow Jones index (+0.4% Q-o-Q) which recorded marginal increase due to heightened uncertainties in its banking stocks. The Nasdaq Composite (+16.8% Q-o-Q) was the biggest gainer, while the S&P 500 (+7.0% Q-o-Q) outperformed the MSCI ACWI as technology stocks rebounded from their oversold conditions from late last year.

The market was also bullish after the Fed raised interest rates at a slower pace, and data indicated that inflation is cooling, leading to expectations the hiking cycle could come to an end shortly. The collapse of Silicon Valley Bank (SVB) caused stocks to dip sharply in early March, but U.S. stocks swiftly rebounded and shrugged off the event as investors concluded that the systemic risk was minimal after First Citizen Bank acquired SVB and the Fed provided liquidity injection into the financial system. However, the stresses in the U.S. banking system threw a spanner into the Fed's balancing act between financial stability, inflation and employment.

Sector wise, the Communication and Technology sector was the biggest gainer, while the Energy and Financials lagged the most over the quarter. The percentage of U.S. stocks traded below the 200-day moving average came in at 45.9% in 1Q2023, higher than 40.8% in 4Q2022. Growth stocks continue to outperform in the quarter and the SOX index broke out from an 8-week consolidation range before closing at its highest level in early April 2022, reflecting the market has largely priced-in the majority of the semiconductor industry downside.

Performance of Key U.S Indices (Mar 22 – Mar 23)



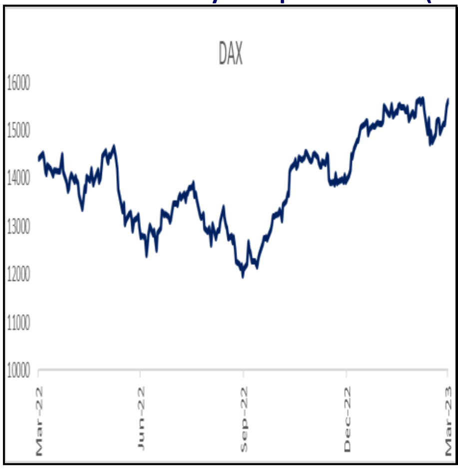
Source: Bloomberg

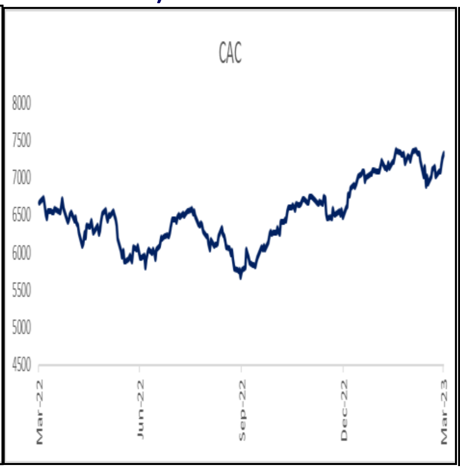
European equities were the big movers in 1Q2023 on the reduced recession odds and easing prices. The gains were also helped by a spate of better-than-estimated corporate results, allowing for the CAC and DAX to ascend 13.1% and 12.2% Q-o-Q respectively. The main movers were information technology, consumer discretionary and communication services sectors. Laggards were real estate and energy stocks. The market was also soothed over by the containment of Credit Suisse's failure.

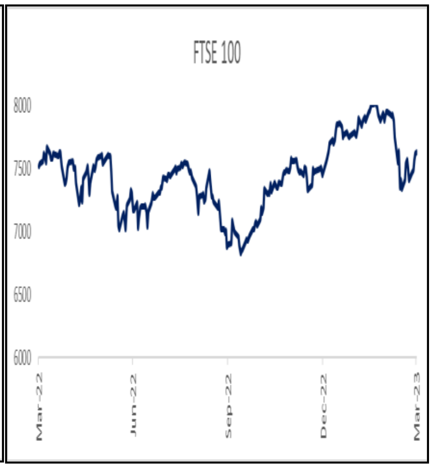
Meanwhile, the market absorbed the interest rate hike of 50 basis points in both February and March, where share price volatility was absent. Energy prices were softer after an energy crisis was avoided. In France, the market was relatively stable after President Macron's government narrowly survived a no-confidence vote over the retirement age issue.

In the UK, the FTSE index mirrored the region's bullish sentiments, gaining 2.4% Q-o-Q and retracing half of the selloff during the global banking crisis. The market also priced-in the increasing possibility of the Bank of England cutting interest rates in late 2023. As a result, the industrial and the consumer discretionary sectors were the outperformer, while the commodity and finance sectors were the main laggards.

Performance of Key European Indices (Mar 22– Mar 23)







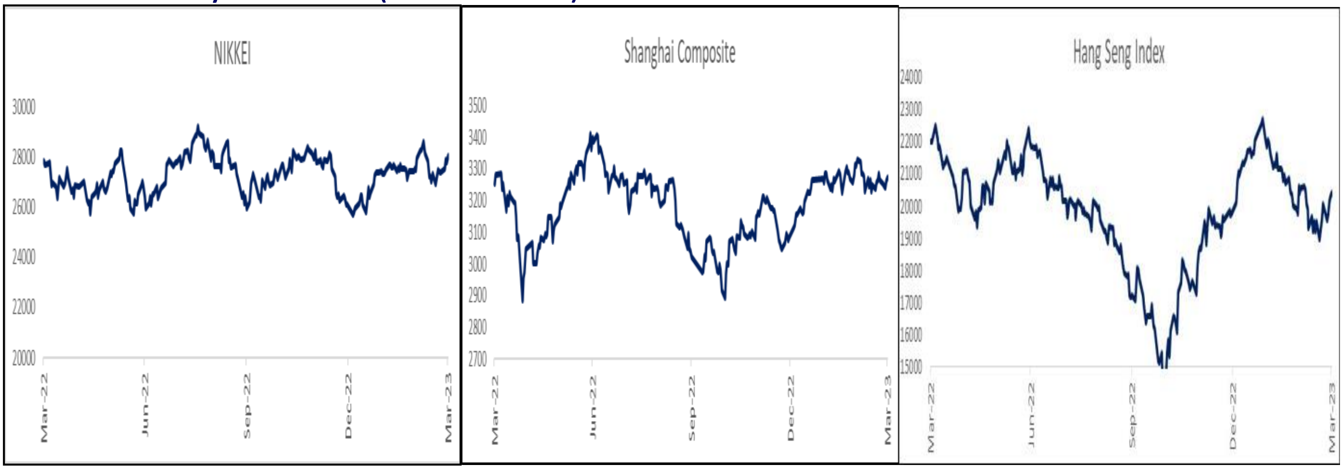
Source: Bloomberg

Asian equities' recovery was modest and was largely on Greater China stocks due to the end of the pandemic restrictions. Their gains saw a switch from ASEAN equities that are underperformers in 1Q2023. The Nikkei recorded strong gains after the Bank of Japan left its interest rate policy unchanged at the January policy meeting. The Bank of Japan seek to fix yields on 10-year Japanese government bonds around zero, tolerating moves of up to 50 basis points above or below that level. In addition, the Tokyo Stock Exchange intends to announce its guidance for companies with a price-to-book ratio of below 1 to make plans to boost corporate value, which attracted investors attention.

Chinese shares achieved robust gains at the start of the quarter with the Shanghai Composite up 5.9% Q-o-Q after the government loosened its Covid-19 restrictions that had constrained the country's economic growth. Supportive property market measures and a loosening of the regulatory crackdown on China's technology companies also bolstered investor sentiment. The market cheered on the breakup of Alibaba business unit with each unit to ride on their respective ability to raise funding and to be listed.

The Hang Seng Index rose at a slower pace (+3.1% Q-o-Q) relative to its peers. The market juggled the timing of China's reopening and policy-supported recovery plan outcome and overseas banking liquidity risk.

Performance of Key Asian Indices (Mar 22 – Mar 23)



Source: Bloomberg

MALAYSIAN EQUITY MARKET REVIEW

The FBM KLCI fell nearly 5.0% from the previous quarter as Malaysia equities mimic global markets' movement with investors pricing in a less hawkish stance from the U.S. Federal Reserve. Even so, the market reflected the near-term economic weakness of potentially higher electricity & fuel prices with the repeal of subsidies, receding consumer sentiment and slowing loan growth, despite Bank Negara maintaining the OPR at 2.75% in January and March.

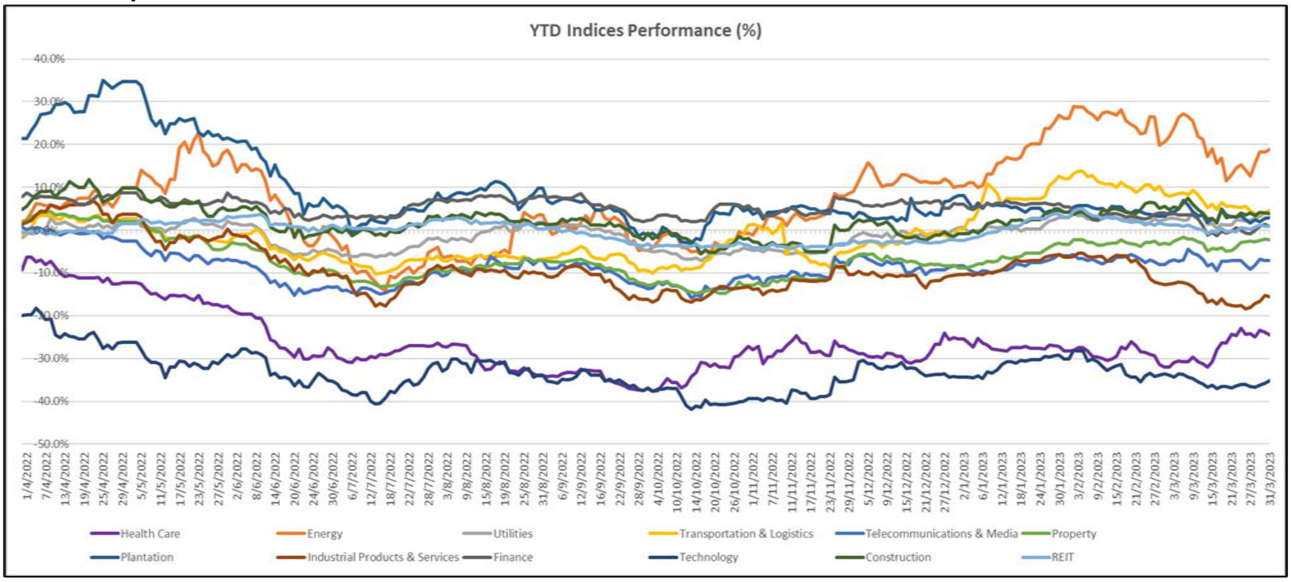
Market sentiment was also dragged down by the sustained high core inflation rate in 1Q2023, as it hovers at 3.9% Y-o-Y, vs. its peak in November 2022 at 4.2% Y-o-Y, where prices of discretionary and none-discretionary items were marked up due to weaker Ringgit vs. USD in 2H2022. Furthermore, the market was neutral on the revised budget in the absent of new initiatives.

FBM KLCI, FBM Small Cap and FBM ACE one-year performance

Source: Bloomberg

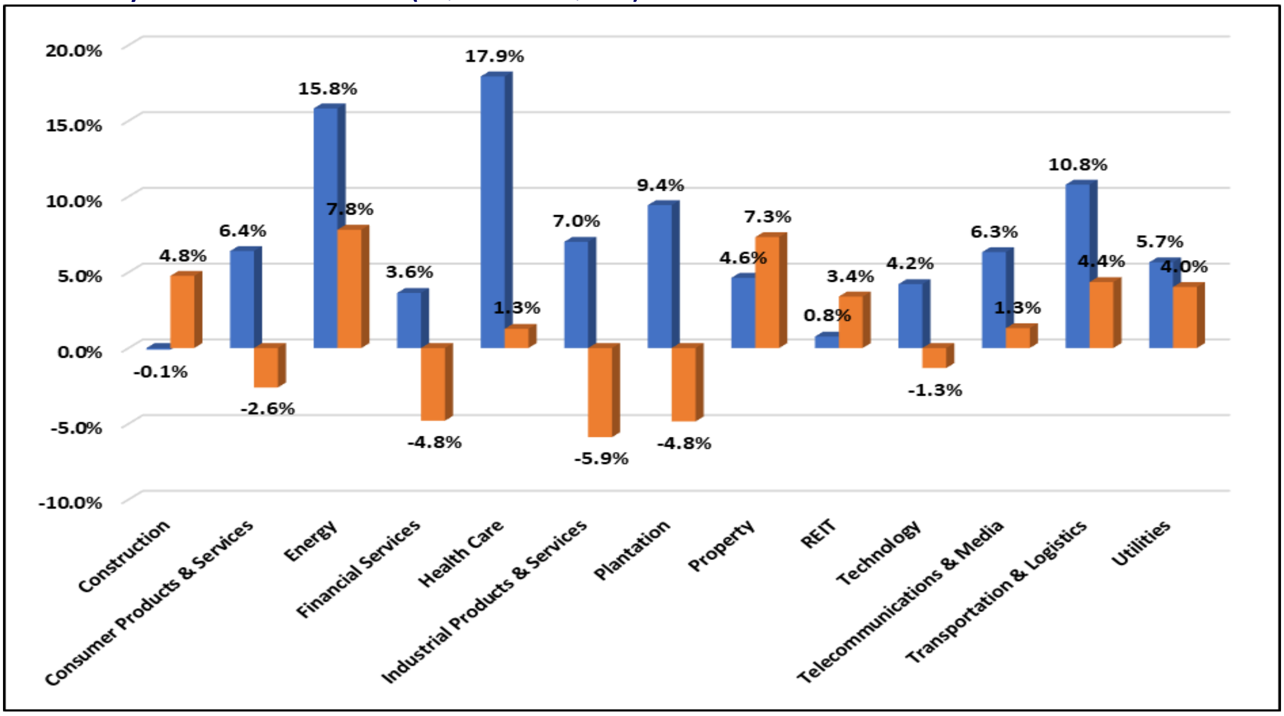
The top three best performers in the KLCI components stocks were Celcom Digi Bhd (+7.3%), Genting (+5.7%) and QL Resources (+3.7%), while the worst performing stocks were PCHEM (-19.2%), MRDIY (-17.7%) and CIMB Group (-9.7%). Celcom Digi Bhd rose post-merger between Celcom and DIGI and Genting jumped on the news of its asset sale in Miami, U.S., while QL Resources gains were boosted by improved selling prices of its marine and livestock products. However, PCHEM was dragged lower by lower selling prices, MRDIY weighed down by softer consumer sentiment while CIMB felling on softer earnings prospect due to shrinking NIM.

Bursa Malaysia Sector YTD Performances



Source: Bloomberg

Bursa Malaysia Indices Performance (4Q2022 vs. 1Q2023)



Source: Bloomberg

Q-o-Q, sectoral performance was mixed with the ENERGY and PROPERTY indices rising the most at 7.8% and 7.3% respectively, thanks to improve earnings visibility in the energy services operators and stable OPR combined with bargain hunting in beaten down property stocks. The INDUSTRIAL

PRODUCTS & SERVICES, PLANTATION and FINANCIAL SERVICES were the main laggards, falling 5.9%, 4.8% and 4.8% respectively. The sectors were dragged down by softer manufacturing services in the consumer electronics, softer CPO prices and declining loan growth, combined with rising risk sentiment in overseas bank stocks.

Malaysia Equity Market's Trading Activity

YTD, Malaysian equities have been supported by local institutions and retail investors with a net buy of RM1.98b and RM0.17b respectively. Foreign investors were net sellers in the quarter, offloading a cumulative RM2.15b. The traded value was down by 17% to RM126b.

Trade-wise, the number of transactions rose at a faster pace on quarter with the average daily traded volume of at 3.4b, up 24.6% Q-o-Q and 6.4% Y-o-Y, thank to higher participation rate from retailers, absorbing the proportion of selling from foreigner investors. However, value rose relatively softer by 13.9% Q-o-Q and contracted 17.5% Y-o-Y respectively.

Average Daily Trading Volume and Trading Value of Malaysian Equity Market

Volume (m)

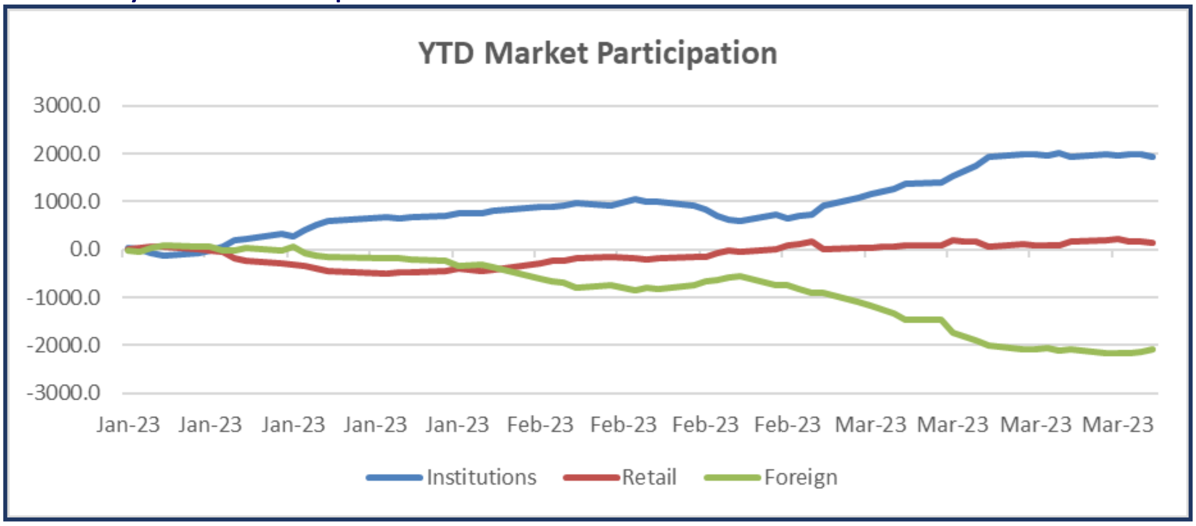
1QCY23	1QCY22	Y-o-Y chg (%)	4QCY22	Q-o-Q chg (%)	3MCY23	3MCY22	Y-o-Y chg (%)
3,434.7	3,227.1	6.4	2,755.6	24.6	3,434.7	3,227.1	6.4

Value (RMm)

1QCY23	1QCY22	Y-o-Y chg (%)	4QCY22	Q-o-Q chg (%)	3MCY23	3MCY22	Y-o-Y chg (%)
2,144.4	2,597.9	-17.5	1,883.2	13.9	2,144.4	2,597.9	-17.5

Source: Bloomberg, Inter-Pacific Research

Bursa Malaysia Market Participants



Source: Bloomberg

GLOBAL EQUITY MARKET OUTLOOK

After making firm strides in 1Q2023 and inching higher in 2Q2023 thus far, the global equity market conditions are becoming choppier with the prevailing headwinds that were cast aside earlier creeping back as renewed concerns. In particular, concerns over the slowing global economy and an extended period of tighter monetary conditions have re-emerged to keep market conditions tepid. At the same time, there are also fresh concerns over the U.S. banking sector that may deepen into a new crisis of confidence if there are further bank failures. The U.S. banking issues may have a contagion effect to the rest of the world to leave sentiments in a state of flux until market confidence is restored.

Although the global financial environment could remain tight for an extended period, the tightening cycle could also be nearing an end with central banks likely to slow further interest rate hikes as price pressures are showing further signs of easing. However, demand dynamics are also slowing further, and this is affecting the manufacturing sector the most. The reduced demand is also seeing increased redundancies that could exacerbate the fragile growth prospects and the corresponding corporate earnings performance. The conflict between Russia and Ukraine is still simmering and any escalation could also disrupt sentiments further.

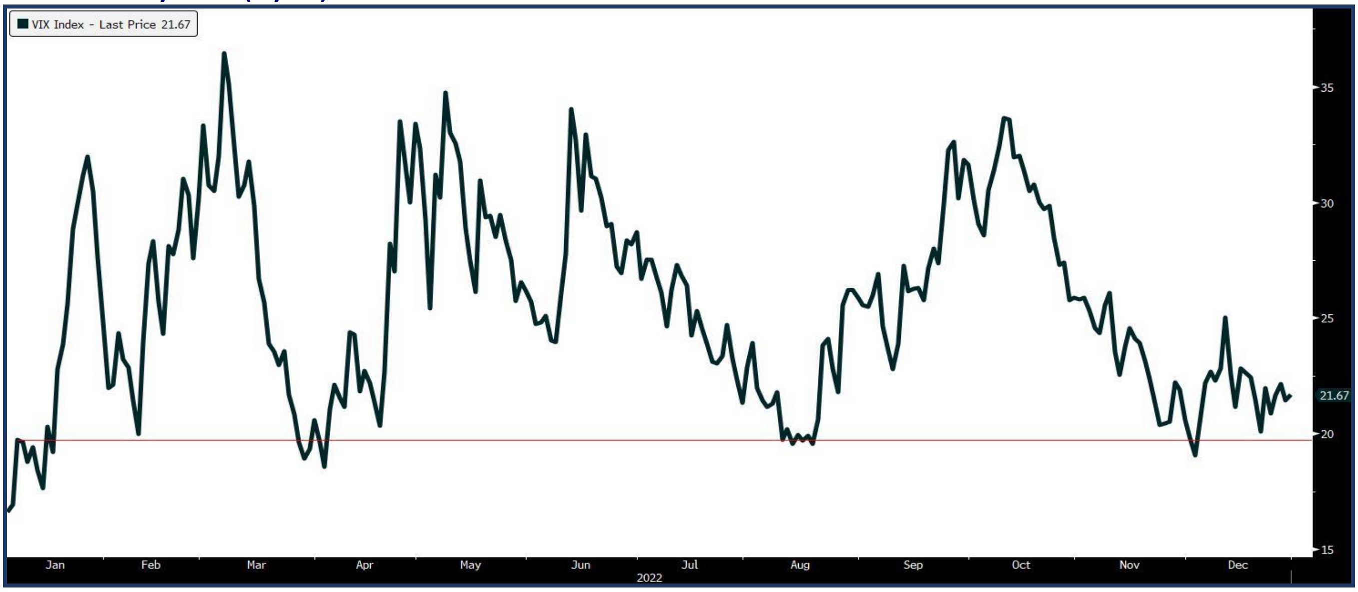
In addition, global equities have made decent strides for the year, which are largely reflective of the more subdued growth prospects on offer. As such, further gains could become harder to materialise, unless there are notable improvements in both the economic and corporate fundamentals in the months ahead. Barring the improvements, global equities could become more volatile as participants weigh corporate and economic prospects for the remainder of the year, which may see weakness in 2H2023 as conditions could turn more challenging.

U.S. stocks indices still look unsettled as the headwinds have re-emerged that left the Dow surrendering much of its earlier gains, albeit the broader S&P 500 remains well in the positive territory, as with the technology centric Nasdaq. Even after the big caps' underperformance, there could be more cautiousness ahead, mainly as the Fed is likely to keep interest rates high for an extended duration, even as odds have risen for a pause in further hikes as the employment and inflation outlook is showing signs of improvement. Lingering concerns over the state of the U.S. banking system could also deter further upsides in its equities as cautiousness may also prevail for rest of the quarter.

By far the biggest concern would be the possible earnings recession among U.S. corporates with the slowing business activities and increasing layoffs. As it is, the S&P 500's earnings have softened in 1Q2023 and is expected to weaken further in 2Q2023 amid the slower economic and corporate outlook. Against this backdrop, demand may ease further that could also leave corporate earnings performance subdued for longer and may leave equities to continue drifting for longer.

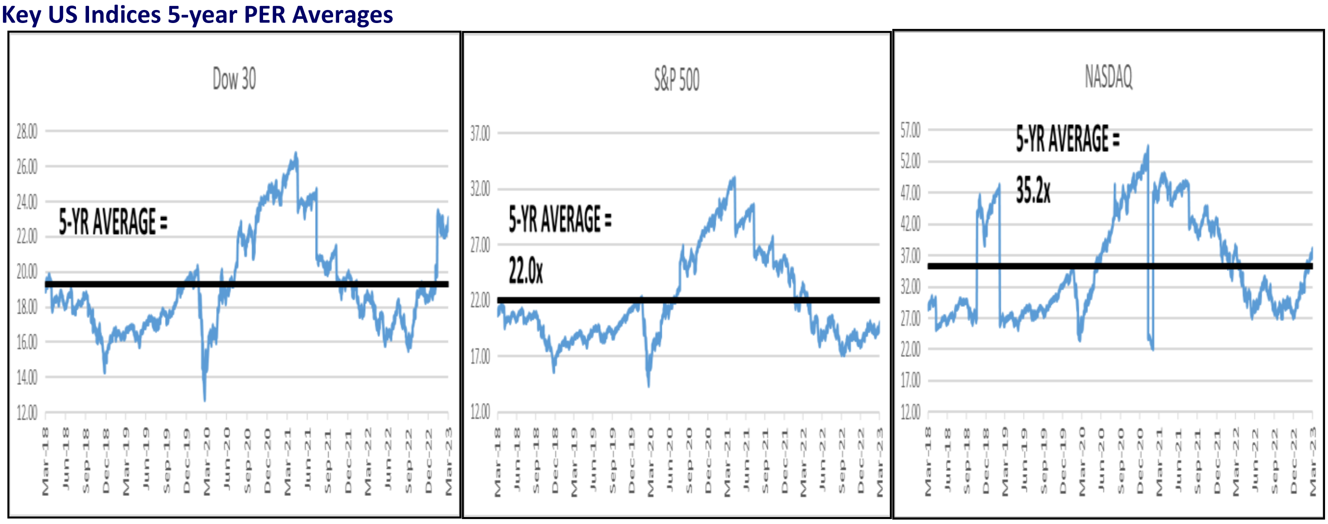
Notwithstanding the increased risk of a slowdown in the U.S. equity market performance, the CBOT Volatility Index is not reflecting the risk thus far as it has moderated, remaining comfortably below the 20 level since the start of the 2Q2023 after spiking up in 1Q2023 due to the spate of U.S. banking. The reading below 20 indicates low market volatility for the time being as the threat of higher inflation and interest rates have also eased. Going by the index's prognosis, the S&P 500 could remain stable for now, even as lingering concerns over the slowing economy persist into the end of the quarter.

CBOT Volatility Index (1 year)



Source: Bloomberg

Key US Indices 5-year PER Averages

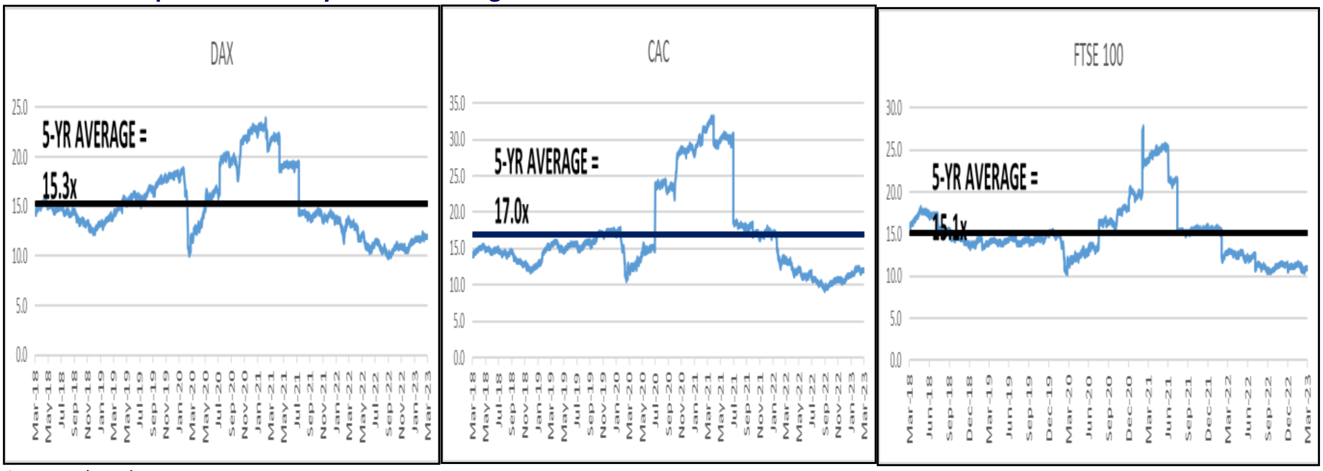


Source: Bloomberg

After a strong outperformance YTD, European equities are also looking fair with their valuations already nearing its longer-term averages. It also appears that the YTD runup has overshot the region's economic and corporate fundamentals that are still at risk of further slowing that could also leave its corporate earnings performance in a state of flux. While the slowing economy prospects could still persist, there are hopes for a soft landing that may cushion any consolidation in its equities. As it is, the YTD gains among European equities were largely due to the easing inflationary pressures as the widely touted tight supply of fuel and commodities did not materialise. In addition, employment prospects remained steady and helping to sustain demand. The firm labour market conditions and ample supply of fuel and commodities also reduces the odds of a severe recession that may also provide support to its equity markets over the near-to-medium term.

As noted, European equities are nearing its longer-term averages after the recent gains, and with earnings growth to dither in 2023, there will be little to no change in its forward valuations, and they will remain mostly fair until there are improvements in its corporate fundamentals. This could also provide little upside impetus for further upsides and stocks could instead consolidate over the near-to-medium term as there are still signs that the region's economic conditions are slowing, even as inflation and interest rate concerns continue to ease. The calmer market outlook is also premised on the Russian/Ukraine conflict not escalating as the conflict could increase the volatility and downside risk among European equities.

Selected European Indices 5-year PER Average



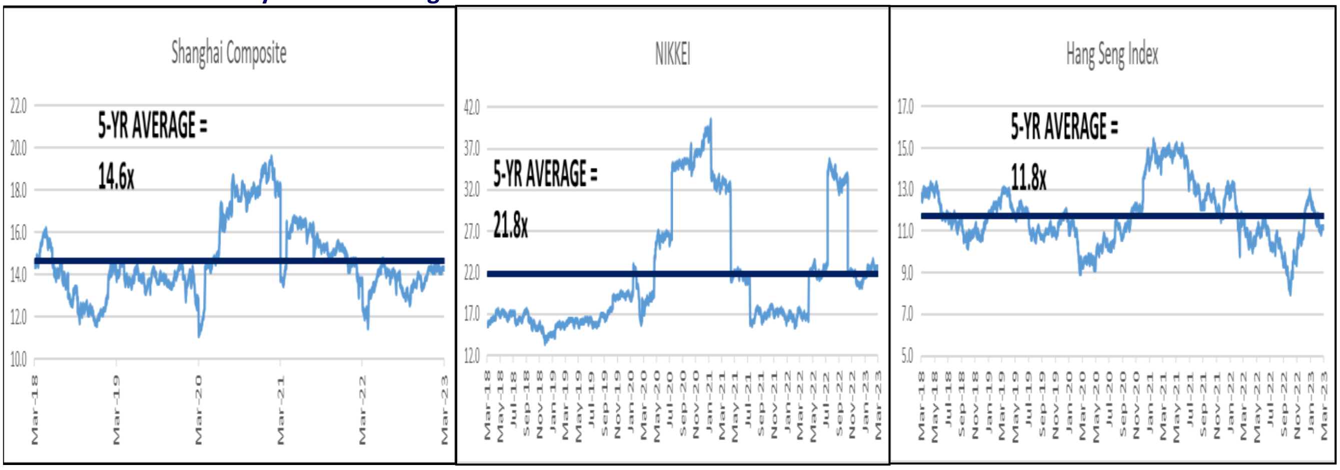
Source: Bloomberg

After making headway in early 2023 when the China ended its strict Covid restrictions, Asian equities have drifted since as the re-opening optimism have yet to materialise, albeit the region's economic outlook is more sanguine that western economies that are grappling with numerous headwinds. The same headwinds are keeping the region's overall economic and corporate fundamentals subdued amid the slower demand growth, both from domestic and external sources due to the weaker economic outlook. As a result, demand has yet to spike-up and Asian equities have also turned mixed, which could also prevail for longer as there are still few impetuses yet to lift equities for the time being, particularly as the risk of a recession in many western countries remain.

Chinese equities, in particular, are likely to remain outperformers among its regional peers due to the strong earnings recovery prospects as its economy re-opens. Its equity valuations also remain compelling as their rebound has been relatively benign of late, leaving room for further upsides, particularly if its corporate earnings recovery is firmer than expected. However, with its economic recovery still dithering, the mixed reading could be a drag to its equity markets' upsides. In the absence of a definitive recovery, however, China equities could also stay indifferent for longer as investors weigh its recovery prospects for the remainder of the year.

In broader Asia, equity market conditions could also cautious, underwhelmed by their slower economic and corporate earnings prospects, even as the overall outlook is more promising than the rest of the world. Much of the region's prospects also depends on China's re-opening for trade flows, where the impact has been relatively benign thus far. As such, market conditions could also stay subdued until new catalyst arrives with the insipid conditions to also prevail up at least to the middle of the year.

Selected Asian Index 5-year PER Averages



Source: Bloomberg

The latest Bloomberg estimates points to virtually no earnings growth in 2023 on the MSCI All World Index - revised to a slight contraction of a 0.3% Y-o-Y, compared to the near 1.0% growth estimate earlier. In any case, growth is affected by the rising interest rates and still elevated inflationary rate that could curtail demand and margins, even as the inflationary pressure is reduced. This could see corporates posting some of their slowest earnings performance since the Covid-19 pandemic as demand falters to leave a more challenging business landscape and strengthens the possibility of an earnings recession. At the same time, the unsettled corporate earnings outlook raises the risk of further downward revisions in the upcoming quarters.

The S&P 500 index is likely to see a slight earnings contraction in 2023 due to the U.S' tighter monetary conditions that already affected its sequential earnings in 1Q2023, where earnings were some 3.7% lower compared to 4Q2022, albeit Y-o-Y performance improved by a credible 10.4%. Corporate earnings could whittle down further in the upcoming quarters as the soft conditions are set to continue with margins seeing further compression due to the elevated cost. At the same time, sectors like healthcare, materials, technology and communications are likely to see weak earnings prospects for most of the year due to reduced demand.

European stocks' earnings are also set to be modestly lower in 2023 with a forecast contraction of 1.8% Y-o-Y. However, the new forecast is an improvement from the previous forecast of a 2.5% Y-o-Y contraction as the widely anticipated tight supply of fuel and commodities did not materialise. Furthermore, the easing price pressures could also support margins, albeit demand may still be weaker due to the ongoing economic challenges and tighter monetary conditions.

Meanwhile, the earlier stronger earnings projection on Asian stocks has evaporated despite China's re-opening as the weak external sector is likely to weigh on corporate earnings growth in many Asian countries, despite their domestic sectors providing some support. With the moderating economic growth, the region's corporate earnings growth is now tipped to fall nearly 1.0% Y-o-Y in 2023, nullifying the stronger earnings forecast on China corporates that could improve by some 31% Y-o-Y with the end of its pandemic restrictions.

Global equity valuations are already fair, being within its historical forward averages of 14x-16x following the global equities' YTD gains. This could slow further equity market gains on the prognosis that corporate and economic fundamentals are likely to remain on a low gear for the rest of the year. The stretched valuations could also lead to increased volatility, particularly if corporate earnings and fundamentals deteriorate further in the upcoming quarters.

U.S. equity valuations, as measured by the broader S&P 500 index, remains among the most expensive as it is trades at nearly 19x on 2023 earnings. Even on 2024 earnings, its valuations are still toppish at nearly 17x, albeit they are still lower than the over 20x forward PERs during the pandemic years. European equities' valuations, on the other hand, are still looking attractive at around 13x over the next two years, despite their strong YTD gains and remain below its longer-term averages. As it is, the easing price pressures globally is helping European corporates to preserve most of their earnings in 2023. Asian equities' forward valuations have tipped up slightly but are still below their longer-term averages and despite the projection of firmer corporate earnings with China's reopening, valuations were little changed as Asian equities failed to make significant headway over the past few months.

Selected Key Global Indices Comparative PER

(in times)	2021	2022	2023 (F)	2024 (F)
Dow Jones	19.8	18.5	16.9	16.0
S&P 500	25.8	18.2	18.8	17.1
NASDAQ	42.2	27.8	26.7	23.2
FTSE	15.9	11.4	10.8	10.6
DAX	14.9	11.3	11.4	10.4
CAC	16.8	10.5	13.1	12.3
MSCI Europe Index	**17.7**	**12.2**	**13.3**	**12.6**
Nikkei 225	17.4	20.4	18.0	16.8
Shanghai Composite	15.4	13.5	11.4	9.9
Hang Seng Index	11.8	10.8	9.6	8.7
KOSPI	14.6	11.2	14.7	9.8
MSCI Asia Index	**16.9**	**14.9**	**14.0**	**12.4**
MSCI All World Index	**21.2**	**16.1**	**16.3**	**14.9**

Source: Bloomberg

MALAYSIA EQUITY MARKET OUTLOOK

Malaysian equities continue to lag global and regional performances YTD as the FBM KLCI is devoid of significant catalysts to drive it higher with foreign investors still reducing their holding of Malaysian equities. Furthermore, the more modest economic outlook is leaving market players on the sidelines as they await for more clarity on Bursa Malaysia's direction before deciding on their next course of action. Lingering political concerns, particularly with the upcoming state elections to be held in the next few months, is also keeping market sentiments subdued. Local institutions and retail players have been providing support to Malaysian equities in the face of the persistent foreign selling and is likely to remain so due to the weak interest foreign investors.

Judging by the underlying market tone, Malaysian equities are unlikely to stage any strong outperformance over the near-to-medium term amid the continuing market uncertainties that is still engulfing sentiments on Bursa Malaysia. As a result, the downward bias is still present that could see further weakness among the key index constituents and broader market shares. Although economic conditions continue to perform credibly in the early parts of the year, it could turn softer in the months ahead as the external headwinds persist and domestic activities could also slow. Furthermore, domestic corporate developments also remain far and in-between due to the insipid operating conditions and increasing challenges that many businesses faces. As such, corporate earnings performances are likely to be subdued and may slow that could also leave the equity market conditons guarded. The ongoing 1Q2023 results announcements will be crucial as it could provide inklings to corporate results for the rest of the year.

The continuing low market interest could also see the FBM KLCI sustaining its YTD contraction, largely in line with the weakness among its ASEAN peers as the buying interest has shifted to greater China indices as these countries emerge from the pandemic conditions. With external inflows to remain weak for the foreseeable future, odds of a meaningful recovery among Malaysian increasingly remote for the time being.

While we see significant upsides difficult to come by in the upcoming months, the selling pressure could also remain relatively benign, with continuing mild buying support from local institutions and retail players to cushion against much of the foreign selling. As it is, Malaysian equities' valuations are still relatively inexpensive that should also provide some support. Also, corporate earnings are still holding for the most part, and should also temper some of the selling pressure, in our view. Investors will be on the lookout if there will be more stability in the country's political landscape in the upcoming state elections that could also determine if some of the unity governments initiatives can be carried out. Many of these projects, like the planned transport projects like the High Speed Rail and the KL MRT 2 could have far-reaching effect on the country's economy.

On balance, we see Malaysian equities remaining largely rangebound over the near-to-medium term, with the bouts of selling to be supported by mild bargain hunting in an indifferent market environment and lingering uncertainties. As such, we are neutral on Malaysian equities, switching from a mildly positive stance, due to the ongoing market performance. The present market undertone is likely to keep conditions lackluster until there are improvements in corporate Malaysia's fundementals that are still mired by uncertainties over its direction, even as inflationary and the potentially slower corporate earnings performances are already broadly reflected. For the most part, we see FBM KLCI trending within the 1,400 and 1,450 levels for the rest of the quarter but it could still find the 1,435 level a formibable level to clear over the near term due to the insipid market conditions. There should also be buying support to keep the key index above the 1,400 level, in our opinion.

Despite the continuing challenges, the concensus earnings growth forecast on the FBM KLCI has been lifted to 14.2% Y-o-Y for 2023, up from 7.0% Y-o-Y earlier. The improved forecast is premised on stronger earnings recovery of selected gaming, banking and consumer heavyweights as overall cost pressures continue to ease. Banking stocks's earnings may be bolstered by the higher interest rates and firmer demand for financial services, while gaming and consumer stocks is poised to benefit from increased tourist arrivals as well as from the still firm consumer spending trend. The absence of the one-off prosperity tax will also provide some earnings growth catalyst.

The FBM EMAS' earnings growth is more modest at 4.5% Y-o-Y as earnings from its plantation, manufacturing and healthcare constituents could be affected by the continuing headwinds, particularly on export-reliant industries. Despite the improved forecast, risk remains with the higher labour and finance cost, as well as the lackluster external demand that could temper the earnings growth prospects over the coming quarters. Glovemakers' earnings performance is likely to remain volatile due to the oversupply environment, while E&E manufacturers is still grappling with the tech sector downcycle.

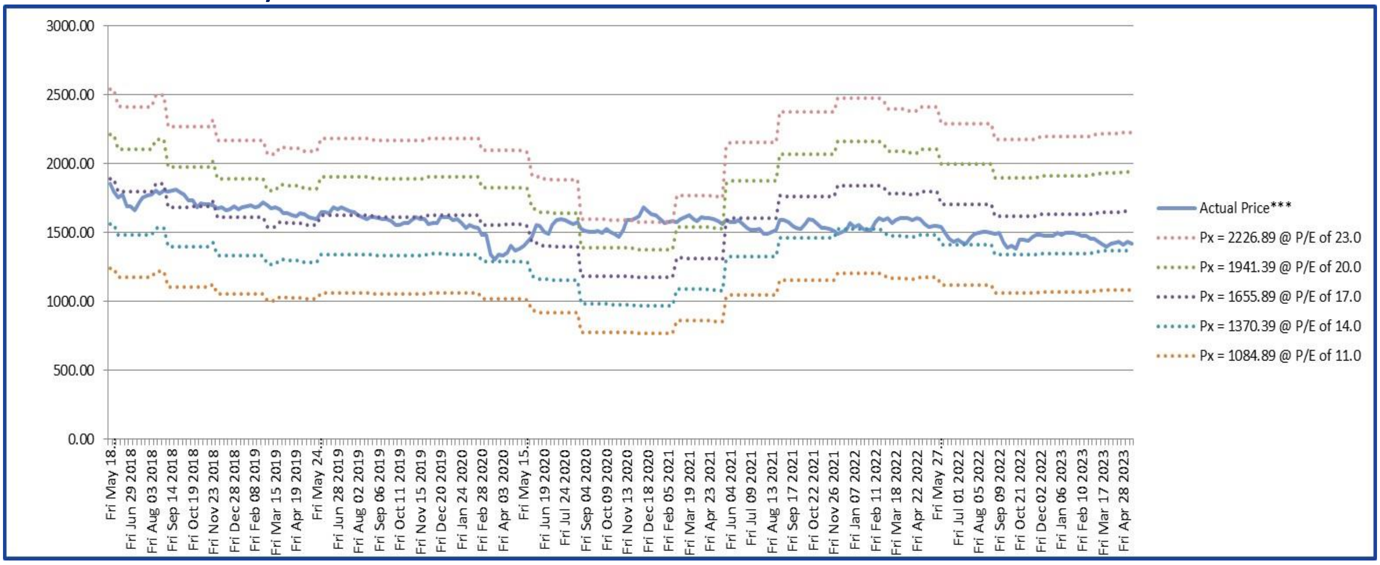
Despite the firmer earnings growth prospects, valuations remain undemanding, with both the FBM KLCI and FBM EMAS indices trading below their historical forward averages of 14x-16x. Bursa Malaysia's key barometers' valuations are also at the discount to its regional peers, a contrast to the FBM KLCI and FBM EMAS' premium to peers previously. We see Malaysian equities valuations lagging its regional peers for the foreseeable future due to the lack of buying interest and continuing selling by foreign funds. The thin market interest could also leave both the FBM KLCI and FBM EMAS to continue trading at a standard deviation of 0.5x-1.0x below its historical forward averages for an extended period.

Comparative PERs – Malaysia vs. ASEAN

(in times)	**2021**	**2022**	**2023(F)**	**2024(F)**
FTSE Bursa Malaysia KLCI	**14.8**	**15.9**	**13.1**	**12.4**
FTSE Bursa Malaysia Emas	**23.9**	**15.3**	**13.5**	**12.5**
FTSE Straits Times Index	*18.3*	*14.0*	*10.6*	*10.3*
Jakarta Composite Index	*26.5*	*15.1*	*13.5*	*12.3*
Stock Exchange of Thailand	*22.0*	*18.2*	*15.9*	*14.2*
Philipines PS Index	*21.1*	*15.1*	*12.5*	*11.1*
ASEAN average	***22.0***	***15.6***	***13.1***	***12.0***

Source: Bloomberg

FBM KLCI PER Band – 5 years



Source: Bloomberg

Meanwhile, the lower liners and broader market shares have also lost their luster after peaking at its YTD high in mid-April. Conditions have since turned cautious with the the FBM Small Cap and FBM ACE Market indices undergoing a consolidation trend. With the continuing lack of impetus, coupled with the thinner market interest, there could be more downward pressure on these stocks in the months ahead. As it is, these indices are attempting to form a base after their recent falls, but conditions are still looking precarious with the lack of buying and could leave these stocks to continue drifting for longer.

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

COMPANY UPDATES

All prices as of 17th May 2023

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

Able Global

BUY

Current Price	**RM 1.32**
Target Price	**RM 1.69**
Consensus Price	**RM 1.61**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	ABLE MK
Masa Ticker / Stock Code	ABLEGLOB/7167
Shares Issued (m)	310.5
Market Capitalisation (RM'm)	409.8
52 Week Hi/Lo Price (RM)	1.51/1.19
Avg Trading Volume (3-mth)	95,511
Est Free Float (%)	56.9
YTD Returns (%)	-2.2
Beta (x)	0.65

Share Price Performance (%)

Price change	Absolute	Relative
1 mth	2.33	2.89
3 mth	-8.97	-5.41
12 mth	-5.71	2.68

Major Shareholders (%)

Ng Keng Hoe	12.5
Goh Mia Kwong	11.6
Goh Swee Wang	7.6

1-Year Share Price Performance

Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

Able Global is primarily involved in two business segments: 1) food & beverage (F&B) – manufacturing and sale of milk and dairy-related products, and 2) tin can manufacturing.

Investment Merits

- **Joint venture in Mexico.** The joint venture was recently granted an export license to export filled milk. As such, we expect the Mexico's operation to achieve breakeven within the first full operating year with 20% utilisation rate. It will start contributing additional earnings to the group in CY24.
- **Ramping up UHT milk prodution in Malaysia.** Able Global has diversified its product offerings with UHT milk to meet rising market demand and cross sell to existing clienteles. The capacity of its UHT milk production line is 48k tonnes per year. Based on our estimates, UHT milk will be sold at a slightly higher ASP of RM5k/tonne, which is higher than the blended average ASP of other milks.

Key Updates

- CY22 full year revenue increased by 10.0% Y-o-Y to RM549.8m, from RM499.9m in the prior period, underpinned by the increased demand and price adjustments. Nevertheless, as it was unable to fully pass on the increase in material costs to its consumers and its profitability was impacted with its gross profit margin dropping to 15.6%, from 19.2%, and PATAMI also falling 10.2% Y-o-Y.
- For 4QCY22, revenue declined by 13.3% Y-o-Y to RM128.1m, from RM147.7m in 4QCY21, mainly attributable to softer sales in the F&B segment which was partially offset by the stronger sales in tin manufacturing segment. However, it recorded an 11.6% Y-o-Y growth in PATAMI to RM8.1m, due to forex gains, lower tax expenses and lower share of losses from joint ventures. The group declared a 4th interim dividend of 1.0 sen, bringing CY22's dividend to a sum of 4.0 sen.

Downside Risks

- Higher input costs such as milk and sugar affecting margins
- Forex exchange risks

Valuation

We keep our **BUY** recommendation on Able Global with the same **TP** of **RM1.69**, by pegging a target PER of 20.0x and 8.0x to its F&B and tin manufacturing segments' CY23 earnings respectively.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	502.3	499.9	549.8	561.0	612.0
EBITDA	65.8	67.5	59.0	64.0	69.2
EBITDA margin (%)	13.1	13.5	10.7	11.4	11.3
PAT	39.8	37.4	33.6	34.1	43.8
PATAMI	39.5	36.9	33.4	33.7	43.4
PAT margin (%)	7.9	7.5	6.1	6.1	7.2
EPS (sen)	12.7	11.9	10.8	10.9	14.0
Earnings growth (%)	(16.8)	(6.5)	(9.5)	1.0	28.6
PER (x)	10.4	11.1	12.3	12.2	9.5
DPS (sen)	5.4	5.0	4.0	4.6	5.9
Dividend yield (%)	4.1	3.8	3.0	3.5	4.5
ROE (%)	8.5	7.4	5.3	4.6	5.9
Net gearing ratio	Net Cash	0.0	0.5	0.3	0.3
P/B (x)	1.2	1.1	1.0	1.0	0.9

Source: Inter-Pacific Research

AWC

BUY

Current Price	**RM 0.51**
Target Price	**RM 0.60**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	AWCF MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	682.2
Market Capitalisation (RM'm)	347.9
52 Week Hi/Lo Price (RM)	0.60/0.40
Avg Trading Volume (3-mth)	163,071
Est Free Float (%)	39.3
YTD Returns (%)	10.9
Beta (x)	0.86

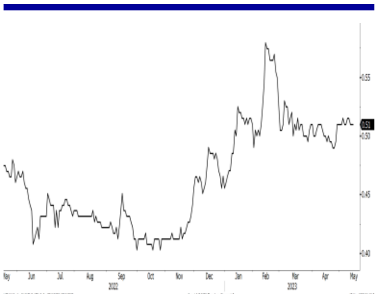
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	2.00	2.62
3 mth	-12.07	-8.45
12 mth	3.03	11.48

Major Shareholders (%)

K-Capital Sdn Bhd	26.5
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 industries. 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.

Key updates

- 6MFY23 PATAMI of RM10.2m was within expectations, accounting for 48.5% of our FY23 estimate. However, 6MFY23 PATAMI fell 15.8% Y-o-Y due to higher operating cost from the increase in the minimum wage and coming off from a high base (6MFY22 registered a reversal of the bonus provision and higher trade receivables recovery).
- The group clinched RM339m worth of new contracts in FY23 thus far, mainly coming from hospital and clinic support service jobs. Orderbook as at 2QFY23 stands at RM900m, which is 2.5x of its FY22 revenue, while tender book is at RM700m.

Downside factors

- Project delays
- Collection risk

Valuation

We maintain our **BUY** recommendation with an unchanged TP to **RM0.60,** based on a SoTP valuation parameter pegged to our FY23F earnings forecast.

HISTORICAL EARNINGS AND FORECASTS

FYE June (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	315.1	343.9	355.2	391.0	412.1
EBITDA	(4.2)	51.9	47.7	46.5	50.9
EBITDA Margin (%)	(1.3)	15.1	13.4	11.9	12.3
PAT	(15.3)	38.9	34.6	33.2	36.6
PATAMI	(18.8)	25.9	21.8	24.0	25.9
PATAMI Margin (%)	(6.0)	7.5	6.1	6.1	6.3
Earnings Growth (%)	(193.8)	237.6	(15.8)	10.2	8.0
EPS (sen)	NA	8.0	6.8	7.5	8.1
PER (x)	NA	6.3	7.5	6.8	6.3
DPS (sen)	0.5	1.5	2.0	2.0	2.0
Dividend Yield (%)	1.0	2.9	3.9	3.9	3.9
ROE (%)	(10.7)	12.5	9.7	9.9	9.9
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	0.9	0.8	0.7	0.7	0.6

Source: Inter-Pacific Research

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

Datasonic Group

BUY

Current Price	**RM 0.425**
Target Price	**RM 0.68**
Consensus Price	**RM 0.65**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DSON MK
Masa Ticker / Stock Code	DSONIC/5216
Shares Issued (m)	2,962.0
Market Capitalisation (RM'm)	1,258.9
52 Week Hi/Lo Price (RM)	0.60/0.41
Avg Trading Volume (3-mth)	2,776,435
Est Free Float (%)	46.7
YTD Returns (%)	-7.6
Beta (x)	0.69

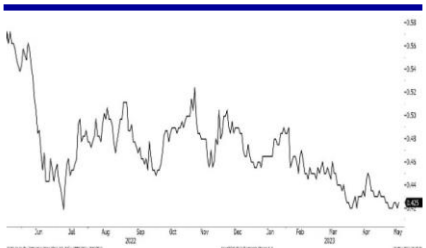
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-2.30	-1.74
3 mth	-8.60	-5.04
12 mth	-27.97	-19.57

Major Shareholders (%)

Urusharta Jamaah Sdn Bhd	8.8
Bin Noordin Abu Hanifah	8.0
Demi Mekar Sdn Bhd	6.1

1-Year Share Price Performance



Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

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

Investment Merits

- **Solid track record.** Datasonic 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.
- **Self-made passport polycarbonate data page.** The production for Datasonic's first self-made passport polycarbonate data page has ramped up since February 2023. As the new self-made polycarbonate page is cheaper, more locally manufactured passport booklets will be produced as well as replacing the existing passports progressively following the reopening of borders which is leading to a strong demand for passports.

Key Updates

- Revenue surged 128% Y-o-Y to RM82.1m in 3QFY23, from RM35.9m, of which 77.3% of the revenue was derived from the supply of smart cards, passport and personalisation, mainly attributed by the robust demand for passports since the reopening of international borders. In tune with the surge in revenue, its net profit increased by more than ten-fold to RM16.7m, from RM1.5m last year.
- As of March 2023, the outstanding orderbook has surpassed RM424m with the addition of the latest three-month extension contract worth RM12.5m for the supply of MyKad, MyTentera, MyPOCA raw cards and consumables.

Downside Risks

- Weaker-than-expected orderbook replenishment.
- Contracts not being renewed.

Valuation

We maintain our **BUY** rating for Datasonic with the same **TP** of **RM0.68**, by ascribing an unchanged target 21x PER to our FY24F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	247.5	138.4	136.4	311.5	330.6
EBIT	69.7	14.2	14.2	103.8	109.4
EBIT margin (%)	28.2	10.2	10.4	33.3	33.1
PBT	63.4	11.1	12.7	102.0	106.9
PBT margin (%)	25.6	8.0	9.3	32.7	32.3
PATAMI	60.3	7.3	10.2	81.4	96.1
PATAMI margin (%)	24.4	5.3	7.5	26.1	29.1
EPS (sen)	2.0	0.2	0.3	2.7	3.2
PER (x)	20.9	172.4	122.9	15.5	13.1
DPS (sen)	3.0	1.1	0.6	1.2	1.2
Dividend yield (%)	7.1	2.5	1.4	2.8	2.8
ROE (%)	23.2	3.0	3.6	22.3	23.0
Net gearing (x)	0.2	0.1	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research

D&O Technologies

NEUTRAL

Current Price	**RM 3.90**
Target Price	**RM 4.13**
Consensus Price	**RM 4.53**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	DOGT MK
Masa Ticker / Stock Code	D&O/7204
Shares Issued (m)	1,237.8
Market Capitalisation (RM'm)	4,827.4
52 Week Hi/Lo Price (RM)	4.94/3.51
Avg Trading Volume (3-mth)	1,280,273
Est Free Float (%)	69.5
YTD Returns (%)	-8.9
Beta (x)	0.83

Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-7.14	-6.58
3 mth	-15.22	-11.66
12 mth	3.17	11.57

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: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

D&O, via its principal operating subsidiary, Dominant Opto Technologies Sdn Bhd, is one of the world's leading automotive LED manufacturers. 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

- **Robust factory expansion plans.** Its plant 2 is targeted to be operational soon. We estimate that D&O's capacity in revenue terms could double with the new plant. Aside from that, plant 3 is slated to commence construction this year while the capacity is approximately 50% greater than that of plant 2.
- **Riding on the tailwinds of the smart LED.** With the increasing demand for EVs, we anticipated the sales of smart LED to contribute at least 10% to the group's CY23F revenue, while the profit margin could be lifted up as well due to higher ASP. As it is, smart and conventional LEDs share the same manufacturing platform.

Key Updates

- CY22 revenue recorded a 16.1% Y-o-Y growth to RM983.0m, from RM846.6m last year on the back of its strong business-win pipeline and the increasing LED usage in newer car designs. However, PATAMI sank 32.0% Y-o-Y to RM75.2m, from RM110.5m. The group has declared a dividend of 1.30 sen per share for CY22.
- For 4QCY22, revenue dropped marginally by 4.1% Y-o-Y to RM247.2m, from RM257.7m last year, as sales were impacted by the slower car sales in China as a result of China's prolonged zero-Covid policy. PATAMI declined by a higher magnitude of 64.9% Y-o-Y to RM13.6m, from RM38.6m, no thanks to higher minimum wage, inventory impairment losses, forex losses, higher finance costs.

Downside Risks

- Lower demand for global automotive vehicles.
- Depreciation of the Ringgit Malaysia against the Greenback.

Valuation

We maintain our **NEUTRAL** recommendation on D&O with an unchanged **TP** of **RM4.13**, by pegging an unchanged target 32.0x PER to our CY23F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	575.8	846.5	983.0	1,367.9	1,610.4
EBITDA	110.2	189.8	162.3	278.6	338.9
EBITDA margin (%)	19.1	22.4	16.5	20.4	21.0
PAT	55.4	123.8	83.4	177.4	219.4
PAT margin (%)	9.6	14.6	8.5	13.0	13.6
PATAMI	49.7	110.5	75.1	159.7	197.5
EPS (sen)	4.0	8.9	6.1	12.9	16.0
Earnings growth (%)	41.8	123.6	(32.6)	112.6	23.7
PER (x)	97.2	43.7	64.2	30.2	24.4
DPS (sen)	0.7	1.5	1.5	1.5	1.5
Dividend yield (%)	0.2	0.4	0.4	0.4	0.4
ROE (%)	12.9	18.7	9.5	17.7	18.3
Net gearing ratio	0.1	Net cash	0.2	0.0	0.0
P/B (x)	11.6	6.3	5.9	4.9	4.1

Source: Inter-Pacific Research

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

Guan Chong

BUY

Current Price	**RM 2.72**
Target Price	**RM 3.23**
Consensus Price	**RM 3.12**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	GUAN MK
Masa Ticker / Stock Code	GCB/5102
Shares Issued (m)	1,174.5
Market Capitalisation (RM'm)	3,194.7
52 Week Hi/Lo Price (RM)	2.80/2.02
Avg Trading Volume (3-mth)	385,555
Est Free Float (%)	20.9
YTD Returns (%)	13.3
Beta (x)	0.91

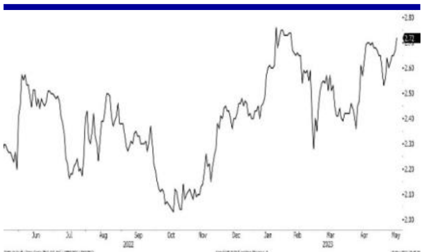
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	0.74	1.30
3 mth	2.64	6.20
12 mth	16.74	25.14

Major Shareholders (%)

Guan Chong Resources Sdn Bhd	50.6

1-Year Share Price Performance



Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

Guan Chong (GCB) is principally involved in cocoa processing business and manufacturing of cocoa-derived food ingredients such as cocoa butter, cocoa powder, cocoa cake, cocoa mass and industrial chocolate products.

Investment Merits

- **Ivory Coast expansion plan.** The newly constructed plant in Ivory Coast is strategically located which enables GCB to benefit from its "close to source" and "close to market" expansion policies. The plant is set to commence mass production in early CY23 with an annual capacity of 60k tonnes.
- **Integration into industrial chocolate production.** GCB can form a complete internal supply chain and benefit from cost efficiencies by utilising its internally produced cocoa-derived food ingredients to produce industrial chocolates. Its SCHOKINAG's plant in Germany currently has an annual production capacity of 95k tonnes and could reach 100k tonnes next year. Meanwhile, the new UK plant, with an annual capacity of 16k tonnes, will be commencing operations in 2H2023.

Key Updates

- CY22's revenue grew 12.7% Y-o-Y to RM4.42b, from RM3.92b on higher sales volume of cocoa products and higher average selling prices of cocoa powder. However, net profit declined 3.8% Y-o-Y due to weaker cocoa butter prices, higher operating expenses, soaring cocoa bean prices and higher finance costs. The group declared two interim dividends in CY22, totaling to 3.5 sen per share.
- On similar grounds, 4QCY22 revenue improved marginally by 3.8% Y-o-Y to RM1.13b, from RM1.09b in 4QCY21, but net profit decreased significantly by 59.4% Y-o-Y to RM20.3m, from RM50.1m a year ago.

Downside Risks

- Higher-than-estimated input and energy costs
- Lower-than-projected production volume

Valuation

We reiterate our **BUY** recommendation on GCB with the same **TP** of **RM3.23,** by ascribing the same target PER of 15x to our CY23F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	3,685.0	3,923.3	4,419.8	4,758.8	5,037.8
EBITDA	349.3	292.6	309.0	445.3	479.2
EBITDA margin (%)	9.5	7.5	7.0	9.4	9.5
PAT	222.7	154.8	147.4	252.7	275.1
PAT margin (%)	6.0	3.9	3.3	5.3	5.5
PATAMI	222.7	154.8	147.4	252.7	275.1
EPS (sen)	19.0	13.2	12.5	21.5	23.4
Earnings growth (%)	2.2	(30.5)	(4.8)	71.4	8.9
PER (x)	14.4	20.6	21.7	12.6	11.6
DPS (sen)	3.5	3.0	3.5	3.2	3.3
Dividend yield (%)	1.3	1.1	1.3	1.2	1.2
ROE (%)	9.1	4.9	4.1	6.7	6.8
Net gearing ratio	0.7	0.9	1.0	0.7	0.6
P/B (x)	2.7	2.4	2.0	1.7	1.5

Source: Inter-Pacific Research

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

HAP SENG PLANTATIONS

BUY

Current Price	**RM 1.87**
Target Price	**RM 2.41**
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)	1,495
52 Week Hi/Lo Price (RM)	3.06/1.68
Avg Trading Volume (3-mth)	549,412
Est Free Float (%)	25.7
YTD Returns (%)	-3.6
Beta (x)	0.88

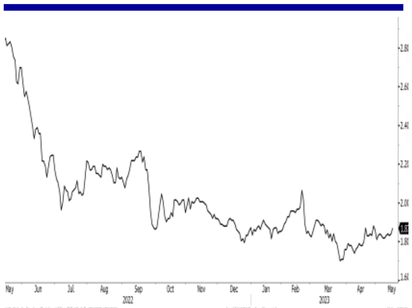
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	2.22	2.84
3 mth	-9.80	-6.19
12 mth	-39.07	-30.62

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

- HAPL's CY22 core PAT of RM220.7m (excluding disposal gain of asset of RM18.8m and fair value adjustments of biological assets) accounts for 107% of our CY22 earnings estimate. The earnings surpass expectations amid higher-than-expected palm kernel ASP and lower operating cost. HAPL's core CY22 PAT was 10.3% Y-o-Y higher, thanks to higher CPO and PK ASPs that outweighs the higher production cost.
- We lower our CY23 EPS by 17% as we adjust our PK ASP assumption to RM2,100/mt, from RM2,600/mt, but raise our CPO price estimate to RM4,250/mt, from RM4,100/mt and increase our minimum wage cost assumption. However, we maintain our 1.0x P/B to CY23's NTA valuation, arriving at a target price of RM2.41. In the near term, we expect CPO prices to be supported by festive demand in 2Q2023, before softening in the following quarter. The increase in minimum wage from RM1,200/month to RM1,500/month and high fertilizer cost will subdue FY23 earnings.

Downside factors

- Further hike on direct and indirect taxes
- Value trapped

Valuation

We maintain our **BUY** call with an unchanged TP of **RM2.41**, which is derived from a target of P/B of 1.0x to CY23's NTA.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	467.6	670.9	814.6	666.1	697.5
EBITDA	194.3	377.1	343.4	203.4	243.3
EBITDA margin (%)	41.5	56.2	42.2	30.5	34.9
PAT	90.3	224.0	210.3	115.9	146.0
Net Profit margin (%)	19.3	33.4	25.8	17.4	20.9
Earnings Growth (%)	187.1	148.1	(6.1)	(44.9)	26.0
EPS (sen)	11.3	28.0	26.3	14.5	18.3
PER (x)	16.6	6.7	7.1	12.9	10.2
DPS (sen)	7.0	17.0	12.0	9.0	10.0
Dividend Yield (%)	3.7	9.1	6.4	4.8	5.3
ROE (%)	5.3	11.9	10.9	5.9	7.2
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share	2.14	2.35	2.41	2.47	2.55
Price/Book Ratio (x)	0.87	0.79	0.78	0.76	0.73
Key Assumption					
FFB production (mt)	633,660	593,278	578,000	590,000	600,000
CPO ASP (RM/mt)	2,749	4,506	5,530	4,250	4,450

Source: Inter-Pacific Research

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

HARTALEGA

SELL

Current Price	**RM 2.37**
Target Price	**RM 1.97**
Consensus Price	**RM 1.83**

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)	8,099.4
52 Week Hi/Lo Price (RM)	4.45/1.41
Avg Trading Volume (3-mth)	22,723,460
Est Free Float (%)	38.1
YTD Returns (%)	39.4
Beta (x)	0.83

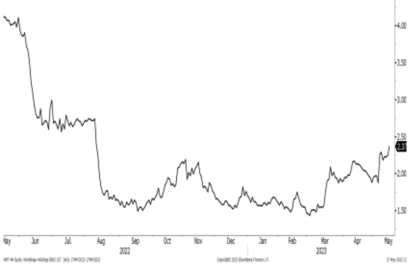
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	12.86	13.42
3 mth	42.77	46.33
12 mth	-44.50	-36.10

Major Shareholders (%)

Haralega Haralega Industries Sdn Bh	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 NGC and NGC 1 production facilities have a capacity of 49.8b pcs. The upcoming NGC 1.5, which is expected to boost capacity by 19b pcs, will commence soon 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

- FY23 core earnings of RM129.7m (excluding impairment of the Bestari Jaya plant decommissioning) beat our forecast of RM56.8m, thanks to better-than-expected operating margins and higher interest income of RM42.7m. FY23 PATAMI came in at a loss of RM218m vs. a profit of RM3.2b in FY22, due to weak ASPs and volume sales from the excessive stock build up in the medical industry during the pandemic. Stripping away the one-off impairments and foreign exchange movement, 4QFY23's core earnings of RM43.8m was higher than 3QFY23's core earnings of RM40.3m due to higher utilisation rate.
- We see medical glove ASP remaining sluggish ahead due to excess supply capacity. However, ongoing consolidation and collective cost past-through among producers will speed up the normalisation of the supply and demand dynamics.

Downside factors

- Slower than expected ASP normalisation

Valuation

We maintain our **SELL** recommendation, with an unchanged TP of **RM1.97**, derived from a lower target PER of 34x (5-year PER mean) to our FY24 EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (m)	FY21	FY22	FY23	FY24(F)	FY25(F)
Revenue	6,703	7,888	2407.8	2228.3	2,652
EBITDA	3,937	4,737	27.6	(40.7)	91
EBITDA Margin (%)	58.7	60.1	1.1	(1.8)	3.4
PATAMI	2,886	3,235	(218.0)	79.7	198
PAT Margin (%)	43.1	41.0	(9.1)	3.6	7.5
Earnings Growth (%)	563.8	12.1	(106.7)	136.5	148.8
EPS (sen)	84.2	94.3	(6.4)	2.3	5.8
PER (x)	2.8	2.5	(37.3)	102.0	41.0
DPS (sen)	51.0	53.5	3.5	2.5	2.5
Dividend Yield (%)	21.5	22.6	1.5	1.1	1.1
ROE (%)	58.0	63.2	(4.7)	1.7	4.1
Net Gearing Ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Price/Book Ratio (x)	1.6	1.6	1.7	1.7	1.7
Key Assumption					
Glove Sales (b pcs)	34.8	29.6	22.5	25.0	25.5
Basket Glove Price (RM/k pcs)	192.6	162.3	107.0	89.1	104.0

Source: Inter-Pacific Research

InNature

BUY

Current Price	**RM 0.55**
Target Price	**RM 0.65**
Consensus Price	**RM 0.72**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	INNATURE MK
Masa Ticker / Stock Code	INNATURE/5295
Shares Issued (m)	705.9
Market Capitalisation (RM'm)	388.2
52 Week Hi/Lo Price (RM)	0.67/0.46
Avg Trading Volume (3-mth)	306,845
Est Free Float (%)	12.5
YTD Returns (%)	-6.0
Beta (x)	0.92

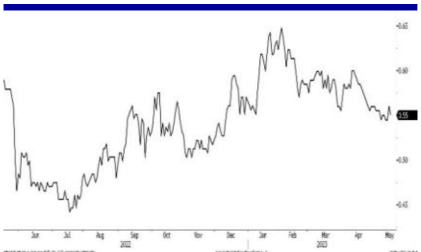
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.35	-3.79
3 mth	-11.29	-7.73
12 mth	-11.29	-2.89

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 products, carrying The Body Shop brand in Malaysia, Vietnam and Cambodia with omnichannel sales strategy such as its own TBS websites, Love Your Body 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 9 new stores in 2023, i.e. 4-5 new stores in Malaysia and Vietnam respectively and 1-2 stores in Cambodia.

Key Updates

- CY22's revenue rebounded 13.2% Y-o-Y to RM149.4m, from RM131.9m last year, following the recovery of economy activities. Similarly, net profit also surged 41.7% Y-o-Y, supported by better profit margins after the gradual price hikes.
- For 4QCY22, revenue declined by 6.6% Y-o-Y to RM40.8m, from RM43.7m in 4QCY21, on the back of softer sales performance. Net profit slipped 15.0% Y-o-Y to RM6.6m, from RM7.8m, mainly attributable to higher operating expenses. Yet, it recorded a higher gross profit margin of 66.9% in 4QCY22 (4QCY21: 63.2%). The group declared a final dividend of 2.0 sen, bringing CY22's total dividend to 3.0 sen.
- In March 2023, the group received its B Corp certification by B Lab for its high standards of sustainability practices.

Downside Risks

- Slower-than-anticipated recovery in the sales/store
- Longer gestation period for new stores
- Delays of expansion plans

Valuation

InNature's share price has slipped by 9.9% since our NEUTRAL call on 27 February 2023, which we think that the valuation has turned attractive following the recent price retracement. Hence, we upgrade our recommendation to **BUY** with an unchanged **TP** of **RM0.65** by ascribing the same 20.0x PER to the unchanged CY23F EPS.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	155.4	131.9	149.4	163.8	177.0
EBIT	50.8	41.4	45.4	49.0	54.2
EBIT margin (%)	32.7	31.4	30.4	29.9	30.6
PAT	20.2	15.1	21.3	22.9	25.3
PAT margin (%)	13.0	11.4	14.3	14.0	14.3
PATAMI	20.2	15.1	21.3	22.9	25.3
EPS (sen)	2.9	2.1	3.0	3.2	3.6
Earnings growth (%)	(33.1)	(25.4)	41.8	7.5	10.1
PER (x)	19.2	25.8	18.2	16.9	15.4
DPS (sen)	1.0	3.0	3.0	3.0	3.0
Dividend yield (%)	1.8	5.5	5.5	5.5	5.5
ROE (%)	17.9	10.6	14.6	15.0	15.5
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	2.8	2.7	2.6	2.5	2.3

Source: Inter-Pacific Research

Kawan Food

BUY

Current Price	**RM 2.06**
Target Price	**RM 2.38**
Consensus Price	**RM 2.63**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KFB MK
Masa Ticker / Stock Code	KAWAN/7216
Shares Issued (m)	361.7
Market Capitalisation (RM'm)	745.1
52 Week Hi/Lo Price (RM)	2.41/1.64
Avg Trading Volume (3-mth)	81,779
Est Free Float (%)	29.8
YTD Returns (%)	-7.2
Beta (x)	0.62

Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-2.37	-1.81
3 mth	-6.79	-3.23
12 mth	17.71	26.11

Major Shareholders (%)

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

1-Year Share Price Performance

Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

Kawan Food is a leading export-oriented frozen food manufacturer in Malaysia with main products including paratha, spring roll, pastry and others, selling under five brands like Kawan, KG Pastry, Passion Bake, Veat and Aman. The group owns 2 manufacturing plants - in Selangor, Malaysia and Nantong, China.

Investment Merits

- **Growing international presence.** Export sales to US, Europe, China and Africa region are growing, thanks to the RSPO certification which paved the way for Kawan to successfully penetrate into foreign markets such as the U.S. and Europe.
- **New product launches.** We believe that new product launches planned from 4QCY22 onwards such as sweet potato fingers, cheese sticks and corn cheese cutlets will help Kawan capture higher market share.

Key Updates

- Revenue increased 15.2% Y-o-Y to RM79.1m in 1QCY23, from RM68.7m in the same quarter last year, with both sales' contribution from the Malaysian and European markets showing significant growth of 20.7% and 83.6% Y-o-Y to RM38.7m and RM12.0m respectively. Contrary to the increase in revenue, PATAMI declined by 8.4%. Y-o-Y to RM7.9m, from RM8.6m, which we attribute to the higher selling and distribution expenses as well as higher effective tax rate. Additionally, we estimate that the higher electricity cost could have partly caused its gross profit margin to slip by 3.1 percentage points to 31.0%, from 34.1% last year.

Downside Risks

- Material shortages
- Unfavourable consumers' response on the new product launches
- Higher-than-estimated input costs

Valuation

We keep our **BUY** recommendation on Kawan with the same **TP** of **RM2.38**, by ascribing an unchanged 20x target PER to our lowered CY23F EPS after we trimmed our forecast EPS by 9.8%/12.6% for CY23/24.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	254.7	251.8	293.2	336.4	375.2
EBIT	32.3	36.3	39.9	49.4	55.0
EBIT margin (%)	12.7	14.4	13.6	14.7	14.7
PAT	27.7	31.8	38.5	43.1	47.9
PAT margin (%)	10.9	12.6	13.1	12.8	12.8
PATAMI	28.0	31.8	38.5	43.1	47.9
EPS (sen)	7.8	8.8	10.7	11.9	13.2
Earnings growth (%)	129.8	13.4	21.1	12.0	11.1
PER (x)	26.4	23.3	19.3	17.3	15.6
DPS (sen)	2.5	3.0	3.0	3.0	3.0
Dividend yield (%)	1.2	1.5	1.5	1.5	1.5
ROE (%)	8.0	8.6	9.7	10.0	10.2
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Inter-Pacific Research

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

KELINGTON GROUP

BUY

Current Price	**RM 1.39**
Target Price	**RM 1.66**
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)	893.8
52 Week Hi/Lo Price (RM)	1.65/1.06
Avg Trading Volume (3-mth)	1,055,214
Est Free Float (%)	48.7
YTD Returns (%)	1.5
Beta (x)	0.90

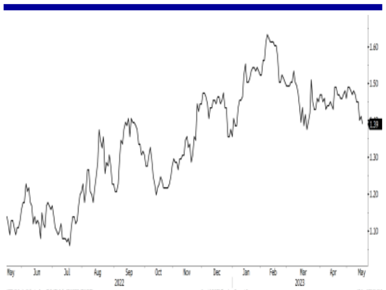
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-6.71	-6.15
3 mth	-14.20	-10.64
12 mth	19.83	28.22

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

- CY22 PATAMI came in 7.0% higher-than-expectations; CY22 earnings of RM55.4m was 91% Y-o-Y higher vs. CY21, driven by higher jobs completion in all division as well as from the gas division. The group made new records at both its top and bottom lines.
- The group replenished RM1.85b worth of new contracts in CY22 vs. RM1.19b in CY21, and current orderbook of RM1.7b (1.3x of CY22 revenue) provide earnings visibility in a global economic slowdown environment. KGB is in the midst of building a new second LCO2 plant at Kerteh, Terengganu, which will add 70k tonnes of liquid LCO2 capacity to its existing 50k tonnes. The new plant is expected to commence in CY24 and provides an additional recurring income stream. The group has also commenced its second on site gas supply scheme in Kulim, supplying hydrogen, nitrogen and oxygen for an optoelectronics semiconductor company.

Downside factors

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

Valuation

We maintain **BUY** recommendation and TP of **RM1.66**, based on unchanged CY23F EPS pegged a PER of 17x (+0.5x STDEV above its 5 years average PER of 15x). Its valuation has turn compelling after its recent share price retracement.

HISTORICAL EARNINGS AND FORECASTS

FYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	394.6	514.6	1269.5	1336.0	1279.0
EBITDA	29.3	50.8	87.2	101.7	104.7
EBITDA Margin (%)	7.4	9.9	6.9	7.6	8.2
PATAMI	17.0	29.0	55.4	58.7	60.6
PATAMI Margin (%)	4.3	5.6	4.4	4.4	4.7
EPS (sen)	2.6	4.5	8.6	9.1	9.4
Earnings Growth (%)	(30.2)	69.9	91.3	6.0	3.2
PER (x)	52.6	31.0	16.2	15.3	14.8
DPS (sen)	0.5	1.5	2.5	2.5	2.5
Dividend Yield (%)	0.4	1.1	1.8	1.8	1.8
ROE (%)	12.5	18.5	30.4	27.7	24.0
Net Gearing Ratio (%)	NET CASH	NET CASH	5.6	92.0	83.5
Price/Book Ratio (x)	5.3	4.7	3.8	3.1	2.6

Source: Inter-Pacific Research

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

MI TECHNOVATION

BUY

Current Price	**RM 1.42**
Target Price	**RM 2.09**
Consensus Price	**RM 1.82**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MI MK
Masa Ticker / Stock Code	MI/5286
Shares Issued (m)	895.0
Market Capitalisation (RM'm)	1,253.0
52 Week Hi/Lo Price (RM)	2.11/1.06
Avg Trading Volume (3-mth)	3,300,046
Est Free Float (%)	28.3
YTD Returns (%)	7.7
Beta (x)	0.68

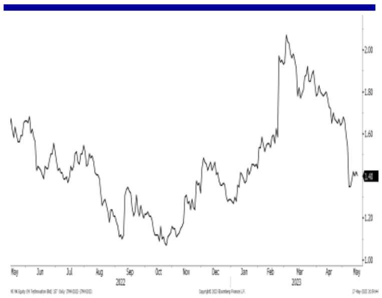
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-13.94	-13.32
3 mth	-11.80	-8.19
12 mth	-16.96	-8.51

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

- The soft results were expected: Mi's 1QCY23 PATAMI of RM6.4m only represented 9.0% of our earnings estimate but this was expected as 1Q is traditionally the softer quarter. 1QCY23 revenue contracted 13.7% Y-o-Y to RM76.8m with both equipment and material manufacturing segments dragged lower by the sluggish global chip manufacturing activities.
- We maintain our earnings estimate as the industry expects demand for assembly & packaging equipment, as well as die bonding equipment, to gradually pick-up in 2HCY23, while the power test & final test equipment could see significant sales improvement in 2024. We are also optimistic on its SMBU earnings growth prospects, thanks to the gradual capacity expansion and better product sales mix.

Downside factors

- Bloated inventories in the semiconductor industry impedes new back-end machinery expansion resulting a slowdown in the demand for backend machineries
- Intensified competition

Valuation

We maintain our **BUY** call with an unchanged TP of **RM2.09**, pegged to a higher PER of 28x to CY23 EPS estimate.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	229.0	375.5	389.4	433.0	484.0
EBITDA	59.2	79.7	95.2	100.7	127.5
EBITDA Margin (%)	25.8	21.2	24.4	23.3	26.3
PATMI	53.7	61.8	66.3	68.1	91.2
PATMI Margin (%)	23.5	16.5	17.0	15.7	18.8
EPS (sen)	6.0	6.7	7.4	7.8	10.6
Earnings Growth (%)	(9.2)	15.1	7.2	2.8	33.8
PER (x)	23.6	21.1	19.2	18.2	13.3
DPS (sen)	3.0	5.0	4.0	5.0	5.5
Dividend Yield (%)	2.1	3.5	2.8	3.5	3.9
ROE (%)	13.8	5.8	6.3	6.2	7.8
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	3.3	1.2	1.2	1.1	1.0

Source: Inter-Pacific Research

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

MTAG GROUP

NEUTRAL

Current Price	**RM 0.42**
Target Price	**RM 0.48**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	MTAG MK
Masa Ticker / Stock Code	MTAG/0213
Shares Issued (m)	681.6
Market Capitalisation (RM'm)	412.4
52 Week Hi/Lo Price (RM)	0.74/0.39
Avg Trading Volume (3-mth)	6,161,845
Est Free Float (%)	27.3
YTD Returns (%)	-32.3
Beta (x)	1.00

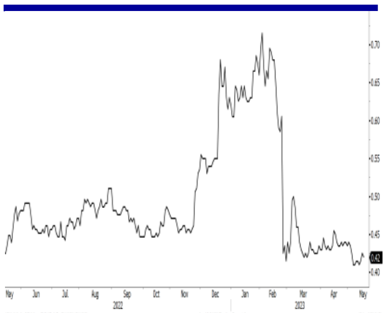
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.55	-3.99
3 mth	-35.38	-31.83
12 mth	NA	NA

Major Shareholders (%)

Chaw Kam Shiang	50.9
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 the resilient home appliance growth of a UK customer.
- Re-rating catalyst from the transfer to Main Board, from the ACE Market.

Key Updates

- MTAG's 6MFY22 PAT of RM19.2m accounts for 60% of our earnings estimate. We deem it to be within expectation due to possible softer earnings in the coming quarters, on a potential slowdown in demand for consumer electronics.
- In December 2022, MTAG's key customers were handed notice of termination by a notable home appliance brand owner. However, MTAG has yet to receive any termination notice from the said key customers. MTAG is still manufacturing and supplying mesh products and labels for the brand owner and supplies to other contract manufacturers, as its crucial to the customer supply chain system. Some of these products, such as sticker and mesh, are arranged with the final customer and may not have significant revenue loss going forward. However, due to lingering uncertainties, we will continue to monitor the development.

Downside Factors

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

Valuation

We revise our call to **NEUTRAL** from BUY**,** with an unchanged TP of **RM0.48,** pegged to a 12x target PER after we raise our FY23 EPS estimate. The share price is already closer to our implied fair value.

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	43.0	45.9
EBITDA Margin (%)	24.2	23.1	21.9	23.1	23.9
PAT	30.2	33.6	30.1	32.5	34.7
PAT Margin (%)	18.2	17.4	16.7	17.4	18.0
Earnings Growth (%)	(8.4)	11.3	(10.5)	8.0	6.7
EPS (sen)	4.4	4.9	4.4	4.8	5.1
PER (x)	9.5	8.5	9.5	8.8	8.3
DPS (sen)	3.0	3.0	3.0	1.5	2.0
Dividend Yield (%)	7.1	7.1	7.1	3.6	4.8
ROE (%)	22.4	23.2	19.6	20.5	21.6
ROA (%)	20.0	20.9	17.0	18.6	19.7
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	1.6	1.5	1.4	1.4	1.4

Source: Inter-Pacific Research

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

MYNEWS

NEUTRAL

Current Price	**RM 0.47**
Target Price	**RM 0.50**
Consensus Price	**RM 0.55**

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)	0.72/0.36
Avg Trading Volume (3-mth)	714,599
Est Free Float (%)	24.6
YTD Returns (%)	-25.4
Beta (x)	0.75

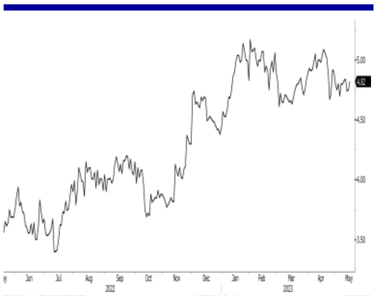
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.12	-3.51
3 mth	-27.34	-23.73
12 mth	-28.46	-20.01

Major Shareholders (%)

D&D Consolidated	57.6

1-Year Share Price Performance



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

Company Profile

Mynews is the operator of 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

- 1QFY23 loss of RM3.2m was below our expectation, as the company went into the red due to weaker-than-expected sales growth. Consumer spending has also turned soft due to the high inflationary pressures. The recovery in tourist arrivals, however, buffered the weaker discretionary spending power of locals.
- The group has added 6 new Mynews and CU outlets, bringing the total to 466 and 131 outlets respectively. Going forward, the group will be carefully expanding its new outlets, targeting 50 new outlets in FY23. Currently, CU outlets face a shortage of labor of about 250 workers, but Mynews outlets have sufficient workforce.
- Going forward, the industry will see softer sales due to the fasting month where it is traditionally is the slowest quarter of the group and will be reflected in the results of its 2QFY23. The group will initiate cost reduction programs and rollback on its promotion bundle deals.

Downside Factors

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

Valuation

We maintain our **NEUTRAL** recommendation with an unchanged TP of **RM0.50**, based on a target PER valuation of 24x pegged to our forecast FY24 EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Oct (RM' m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	489.4	394.4	631.3	689.4	808.0
EBITDA	10.8	(25.0)	14.8	41.3	73.3
EBITDA Margin (%)	2.2	(6.3)	2.4	6.0	9.1
PATAMI	(9.8)	(43.2)	(19.7)	(6.3)	14.1
PATAMI Margin (%)	N.M	N.M	N.M	(0.9)	1.7
EPS (sen)	(1.4)	(6.3)	(2.9)	(0.9)	2.1
Earnings Growth (%)	(135.8)	N.M	N.M	N.M	(325.2)
PER (x)	N.M	N.M	N.M	N.M	33.8
Dividend (sen)	NA	NA	NA	NA	NA
Dividend Yield (%)	NA	NA	NA	NA	NA
ROE (%)	(3.4)	(17.6)	(8.9)	(3.0)	6.2
Net Gearing Ratio (%)	7.8	22.2	34.8	45.3	35.8
BV/Share (RM)	0.4	0.4	0.32	0.3	0.3
Price/Book Ratio (x)	1.7	2.0	2.2	2.3	2.1

Source: Inter-Pacific Research

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

OCK Group

BUY

Current Price	**RM 0.38**
Target Price	**RM 0.49**
Consensus Price	**RM 0.59**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	OCK MK
Masa Ticker / Stock Code	OCK/0172
Shares Issued (m)	1,054.7
Market Capitalisation (RM'm)	400.8
52 Week Hi/Lo Price (RM)	0.46/0.36
Avg Trading Volume (3-mth)	3,484,381
Est Free Float (%)	41.2
YTD Returns (%)	-8.4
Beta (x)	0.51

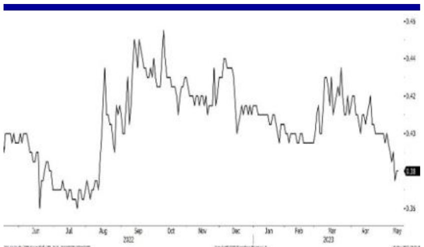
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-9.52	-8.96
3 mth	-5.00	-1.44
12 mth	-2.56	5.83

Major Shareholders (%)

Aliran Armada Sdn Bhd	34.8
LTAT	9.6
EPF	4.9

1-Year Share Price Performance



Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

OCK Group is a telecommunication infrastructure and services provider with presence in Malaysia, Myanmar, Vietnam and Indonesia. It has four major business divisions namely: 1) telecommunication network services (TNS), 2) green energy and power solutions, 3) trading of telco and network products, and 4) M&E engineering services.

Investment Merits

- **Further expansion of its regional footprint in the TNS segment.** As of 4QCY22, the group owns more than 5,300 telecommunication sites across the region. The group is expanding its presence in Laos with a mid-term focus on build-to-suit sites and it was granted a license in January 2023 to supply telco infrastructure.
- **Increasing revenue contribution from solar segment.** The group has diversified its source of income by establishing solar energy as a core business and it is expanding the number of solar assets through acquisitions as well as actively bidding on local large-scale solar projects.

Key Updates

- OCK concluded CY22 with its highest ever full year revenue and PATAMI, thanks to the large-scale rollout of the 5G network in the region, driving the growth of the TNS segment. CY22's revenue and PATAMI improved by 26.5% and 32.6% Y-o-Y to RM617.8m and RM33.7m respectively.
- For 4QCY22, revenue increased 33.2% Y-o-Y to RM186.1m, from RM139.7m in the same quarter last year, underpinned by higher revenue contribution from all segments with its core TNS segment remaining as the major contributor at 88% of total revenue. Tracking the top line growth, its PATAMI also surged by 58.9% Y-o-Y to RM10.0m, from RM6.3m, despite the higher taxation in the quarter.
- As of 4QCY22, the group has an orderbook of over RM386m, of which RM200m is contributed by the JENDELA programme for the rollout of the 5G network.

Downside Risks

- Forex exchange risks: MMK, VND and Ringgit against the strengthening USD
- Regulatory risks

Valuation

We maintain our **BUY** recommendation on OCK with an unchanged **TP** of **RM0.49**, by ascribing the same target EV/EBITDA multiple of 6x to our CY23 forecast EBITDA.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	473.5	488.2	617.1	743.8	831.5
EBITDA	154.9	155.9	187.2	201.5	220.5
EBITDA margin (%)	32.7	31.9	30.3	27.1	26.5
PAT	31.6	32.6	38.5	48.5	57.6
PAT margin (%)	6.7	6.7	6.2	6.5	6.9
PATAMI	27.0	25.4	32.8	41.5	49.3
PATAMI margin (%)	5.7	5.2	5.3	5.6	5.9
EPS (sen)	2.6	2.4	3.1	3.9	4.7
PER (x)	14.8	15.8	12.2	9.7	8.1
DPS (sen)	-	0.5	-	0.6	0.6
Dividend yield (%)	-	1.2	-	1.6	1.6
ROE (%)	5.1	4.5	5.3	6.4	7.1
Net gearing (x)	0.8	0.7	1.0	0.9	0.8

Source: Inter-Pacific Research

PENTAMASTER CORP

NEUTRAL

Current Price	**RM 4.75**
Target Price	**RM 4.86**
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)	1,014,016
52 Week Hi/Lo Price (RM)	5.20/2.67
Avg Trading Volume (3-mth)	1,605,048
Est Free Float (%)	47.7
YTD Returns (%)	10.4
Beta (x)	0.73

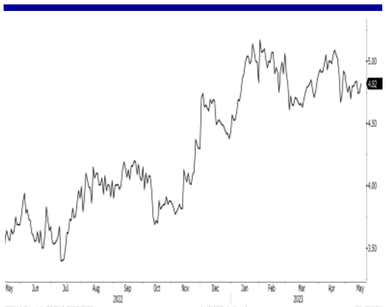
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-5.00	-2.58
3 mth	15.57	14.15
12 mth	31.94	39.64

Major Shareholders (%)

Chuah Choo Bin	19.7
EPF	6.6
Lembaga Tambing Haji	5.1

1-Year Share Price Performance



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

Company Profile

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

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

- 1QCY23 core earnings of RM21.1m represents 22% of our full year earnings but we believe earnings will catch up in the following quarters, driven by global vehicle electrification trends and ramp up of its medical manufacturing lines for its FAS.
- The group is currently at full capacity and revenue growth is driven by value added projects. Its Plant 3 expansion is on track to be completed in 2H2023 and phase 2 to be completed in 1H2024, which will reduce the bottleneck in Plant 1 and 2.
- Pentamaster's growth prospect is driven by demand for ATE solutions in the front end to back-end solutions, 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 **NEUTRAL** recommendation with a higher TP of **RM4.86,** based on a higher CY23 EPS pegged to the same target PER of 35x (+1 SDEV to its 5-year average PER of 27x).

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RMm)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	418.8	508.4	600.6	702.4	835.5
EBITDA	123.9	123.6	136.7	165.0	204.6
EBITDA Margin (%)	29.6	24.3	22.8	23.5	24.5
PATAMI	70.9	72.7	82.4	99.0	121.4
PATMI Margin (%)	16.9	14.3	13.7	14.1	14.5
EPS (sen)	10.0	10.2	11.6	13.9	17.0
Earnings Growth (%)	(14.6)	2.6	13.4	20.1	22.6
PER (x)	47.7	46.5	41.1	34.2	27.9
DPS (sen)	1.5	2.0	2.0	2.0	2.5
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.5
ROE (%)	16.0	15.0	14.8	15.4	16.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	6.7	6.0	5.4	4.8	4.2

Source: Inter-Pacific Research

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

SOLARVEST

BUY

Current Price	**RM 0.94**
Target Price	**RM 1.07**
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)	1.17/0.63
Avg Trading Volume (3-mth)	1,878,608
Est Free Float (%)	37.0
YTD Returns (%)	9.4
Beta (x)	0.86

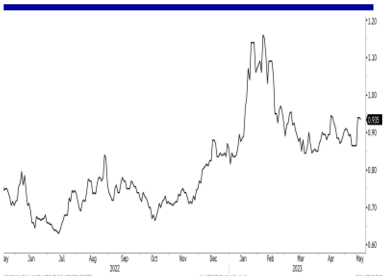
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	1.62	2.24
3 mth	-10.48	-6.86
12 mth	20.51	28.96

Major Shareholders (%)

Alantic Blue	22.9
Divine Inventions	19.3
Lim Chin Siu	7.6
Tay Chyi Boon	7.0

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 capability, specialising in solar photovoltaic (PV) systems for residential, commercial and industrial properties and large-scale solar PV plants.

Investment Merits

- Beneficiary of Malaysia energy liberalisation and growing demand of green energy.
- Recurring income from solar assets.
- Solidifying and building new customer base though its one stop solutions services.

Key Updates

- 9MFY23 core PAT came in at 74% our earnings expectation, but PATAMI of RM14.8m was 301% Y-o-Y higher, compared to 9MCY221, driven by higher job completion in the EPCC division after the removal of the MCO in November 2021.
- Solarvest's earnings growth is supported by its orderbook of RM595m (1.4x orderbook-to-book ratio against our FY23 revenue estimate) and robust tender book in the private large-scale power plants, residential, commercial & industrial projects. Furthermore, the solar farms in Manjung Perak (25MW) and Kuala Selangor Selangor (13MW) are expected to commence operations in May 2023 that will lift Solarvest's FY24 earnings by RM8.1m, in our estimates.

Downside Factors

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

Valuation

We maintain our **BUY** recommendation and maintained our unchanged TP of **RM1.07**, 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	433.1	462.
EBITDA	18.8	19.8	11.3	21.7	37.
EBITDA Margin (%)	7.4	8.8	6.4	5.0	8.
PAT	16.3	16.4	7.4	20.3	28.
PATAMI	16.0	16.1	6.9	20.0	27.
PATAMI Margin (%)	6.3	7.2	3.9	4.6	6.
EPS (sen)	2.4	2.4	1.0	3.0	4.
Earnings Growth (%)	43.7	1.0	(57.2)	189.5	39.
PER (x)	38.6	38.3	89.5	30.9	22.
DPS (sen)	NA	0.7	NA	NA	N
Dividend Yield (%)	NA	0.7	NA	NA	N
ROE (%)	19.7	12.2	4.4	11.3	13.
Net Gearing Ratio	NETCASH	NETCASH	NETCASH	NETCASH	0.
Price/Book (x)	7.6	4.7	4.0	3.5	3.

Source: Inter-Pacific Research

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

Tasco

BUY

Current Price	**RM 0.875**
Target Price	**RM 1.65**
Consensus Price	**RM 1.78**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	TASCO MK
Masa Ticker / Stock Code	TASCO/5140
Shares Issued (m)	800.0
Market Capitalisation (RM'm)	700.0
52 Week Hi/Lo Price (RM)	1.08/0.77
Avg Trading Volume (3-mth)	357,577
Est Free Float (%)	32.5
YTD Returns (%)	-2.8
Beta (x)	1.06

Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-6.42	-5.86
3 mth	-8.85	-5.30
12 mth	-15.87	-7.47

Major Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6

1-Year Share Price Performance

Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

Tasco provides full transportation services including air and ocean freight forwarding services, supply chain solutions, cold supply chain, contract logistics and trucking division. It is related to the world-renowned Nippon Yusen Kabushiki Kaisha (NYK) group, one of the largest shipping operators in the world with a fleet of about 811 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.
- **Agility and adaptation.** Tasco's strategy to adapt to the current market trend by diversifying its revenue base into the supply chain solutions division. This underpins the group's strategic direction in its commitment to venture into digitalisation and automation.

Key Updates

- Tasco concluded FY23 with a record-breaking full year revenue and PATAMI, thanks to the domestic business solutions (DBS) segment contributing a 23.7% Y-o-Y growth in revenue, cushioning the international business solutions (IBS) segment fall of 3.4% Y-o-Y due to the normalisation of international freight rates. The group also benefitted from the utilisation of investment tax allowance from the construction of new logistic centres in Shah Alam and Westport.
- For 4QFY23, revenue decreased by 36.6% Y-o-Y to RM266.6m, from RM420.8m, dragged by the normalisation of freight rates and lower volume contribution. Similarly, PATAMI had also decreased by 12.8% Y-o-Y, due to the lower revenue generated. The group declared a first and final dividend of 3.5 sen per share, representing a payout ratio of 30.8%.

Downside Risks

- Continuous downward trend in market freight rates
- Slower global economic activities dampening demand
- Delay in its expansion plans

Valuation

We reiterate our **BUY** recommendation on TASCO with the same **TP** of **RM1.65**, derived from pegging an unchanged 14.0x target PER to our rolled-over FY24F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE Mar (RM m)	FY21	FY22	FY23	FY24(F)	FY25(F)
Revenue	946.6	1481.4	1606.8	1658.9	1699.1
EBITDA	114.3	145.4	180.1	180.2	189.6
PBT	60.7	88.1	120.6	121.2	127.1
PATAMI	41.3	65.2	90.8	94.4	98.6
EBITDA margin (%)	12.1	9.8	11.2	10.9	11.2
PBT margin (%)	6.4	6.0	7.5	7.3	7.5
PATAMI margin (%)	4.4	4.4	5.7	5.7	5.8
EPS (sen)	5.2	8.2	11.4	11.8	12.3
PER (x)	17.0	10.7	7.7	7.4	7.1
DPS (sen)	3.3	2.5	3.5	3.5	3.5
Dividend yield (%)	3.7	2.9	4.0	4.0	4.0
ROE (%)	7.7	11.2	13.7	12.9	12.2
Current ratio (x)	2.0	1.2	1.3	1.4	1.6

Source: Inter-Pacific Research

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

TSH RESOURCES

BUY

Current Price	RM 1.01
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)	1,394.0
52 Week Hi/Lo Price (RM)	1.49/0.90
Avg Trading Volume (3-mth)	1,537,295
Est Free Float (%)	45.7
YTD Returns (%)	-5.6
Beta (x)	1.32

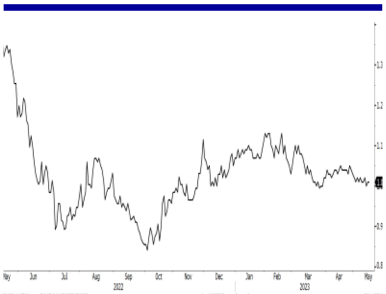
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-2.88	-2.32
3 mth	-9.01	-5.45
12 mth	-30.82	-22.42

Major Shareholders (%)

Tan Aik Pen	24.7
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 CY22 core PAT of RM262.9 accounted 106% of our earnings expectation, thanks to lower-than-expected duty palm oil levy - the Indonesia government extended the zero-levy policy for CPO export from August 2022 to December 2022. TSH's CY22 PATAMI increased 170%, was by driven gain asset disposal and higher CPO and PK ASP.
- Net gearing decreased to 0.04x this quarter, from 0.45x in Dec 2021, after the completion of the disposal of some of its palm oil estates in Indonesia and Sabah. The remaining balance of the sale of its Indonesia land is expected to be completed in 1QCY23. In the short term, the normalisation of estate workers higher rainfall that would subsequently lead to softer CPO prices

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 maintain TSH's **BUY** recommendation with an unchanged TP of **RM1.19,** based on a lower target valuation of 0.8x to its FY24 P/B, after we rolled forward our valuation metrics to the next year.

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	43.0	45.9
EBITDA Margin (%)	24.2	23.1	21.9	23.1	23.9
PAT	30.2	33.6	30.1	32.5	34.7
PAT Margin (%)	18.2	17.4	16.7	17.4	18.0
Earnings Growth (%)	(8.4)	11.3	(10.5)	8.0	6.7
EPS (sen)	4.4	4.9	4.4	4.8	5.1
PER (x)	9.5	8.5	9.5	8.8	8.3
DPS (sen)	3.0	3.0	3.0	1.5	2.0
Dividend Yield (%)	7.1	7.1	7.1	3.6	4.8
ROE (%)	22.4	23.2	19.6	20.5	21.6
ROA (%)	20.0	20.9	17.0	18.6	19.7
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	1.6	1.5	1.4	1.4	1.4

Source: Inter-Pacific Research

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

Uchi Technologies

NEUTRAL

Current Price	**RM 3.28**
Target Price	**RM 3.37**
Consensus Price	**RM 3.35**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	UCHI MK
Masa Ticker / Stock Code	UCHITEC/7100
Shares Issued (m)	456.4
Market Capitalisation (RM'm)	1,497.1
52 Week Hi/Lo Price (RM)	3.46/2.86
Avg Trading Volume (3-mth)	466,526
Est Free Float (%)	52.8
YTD Returns (%)	1.8
Beta (x)	0.55

Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.04	-3.48
3 mth	2.15	5.71
12 mth	11.00	19.40

Major Shareholders (%)

Eastbow International Ltd	18.3
Ironbridge Worldwide Ltd	7.7
Public Mutual Bhd	6.1

1-Year Share Price Performance

Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

UCHI Technologies is principally involved in Original Design Manufacturing, specialising in the design of electronic control systems. It designs and develops electronic control modules in-house and eventually manufactures and assembles components into semi-finished parts and control modules which its customers will insert into their finished products.

Investment Merits

- **Appealing dividend yield.** The dividend payout ratio has been consistently above 90% over the past few years, which is higher than its industry peers.
- **Riding on the tailwinds of the global coffee machine makers.** According to GlobeNewswire, the coffee machine industry is expected to record a CAGR of 6.4% between 2021-2027 to reach US$5.2b in 2027, thanks to increasing popularity of coffee among millennials, growing disposable income among the populations and the customised functions of coffee machines.

Key Updates

- CY22's revenue edged up by 27.2% Y-o-Y to RM214.3m, from RM168.5m last year, due to increased demand for the group's products as well as the stronger US dollar. Its net profit margin also inched up by 36.7% Y-o-Y, bringing net profit to RM124.9m, from RM91.4m. The revenue was mainly contributed by the Art-of-Living segments which represents 88% of the total revenue.
- For 4QCY22, revenue chalked a 28.3% Y-o-Y growth to RM54.6m, from RM42.5m in the same quarter last year, on the back of stronger demand across all segments as well as appreciation of greenback against the Ringgit. Its net profit margin also nudged up to 59.9%, from 54.9%, bringing net profit to RM32.7m, from RM23.3m.

Downside Risks

- Termination of contract by its key client
- Supply chain disruptions
- Non-renewal of its pioneer status

Valuation

We maintain our **NEUTRAL** recommendation on Uchitec with the same **TP** of **RM3.37**, based on our DDM-derived valuation with an unchanged required rate of return of 9.7% and a dividend growth rate of 3.0%.

HISTORICAL EARNINGS AND FORECASTS

CYE Dec (RM m)	CY20	CY21	CY22	CY23(F)	CY24(F)
Revenue	155.3	168.5	214.3	219.7	225.2
EBITDA	91.0	97.9	133.2	118.8	121.8
EBITDA margin (%)	58.6	58.1	62.1	54.1	54.1
PAT	83.8	91.4	124.9	90.5	92.8
PATAMI	83.8	91.4	124.9	90.5	92.8
PAT margin (%)	54.0	54.3	58.3	41.2	41.2
EPS (sen)	18.3	20.0	27.3	19.8	20.3
Earnings growth (%)	10.4	9.1	36.6	(27.5)	2.5
PER (x)	17.9	16.4	12.0	16.6	16.2
DPS (sen)	17.0	20.0	25.0	19.4	19.9
Dividend yield (%)	5.2	6.1	7.6	5.9	6.1
ROE (%)	49.1	49.3	60.9	41.3	42.0
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	8.4	7.8	6.9	6.8	6.8

Source: Inter-Pacific Research

V.S. Industry

NEUTRAL

Current Price	**RM 0.795**
Target Price	**RM 0.85**
Consensus Price	**RM 0.89**

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	VSI MK
Masa Ticker / Stock Code	VS/6963
Shares Issued (m)	3,847.3
Market Capitalisation (RM'm)	3,058.6
52 Week Hi/Lo Price (RM)	1.11/0.76
Avg Trading Volume (3-mth)	3,678,684
Est Free Float (%)	45.8
YTD Returns (%)	-9.7
Beta (x)	0.71

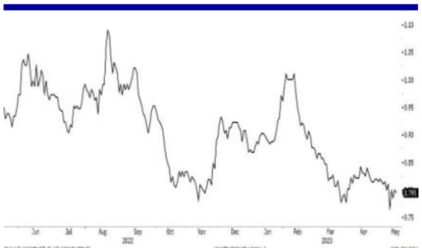
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-4.22	-3.66
3 mth	-13.59	-10.03
12 mth	-18.04	-9.64

Major Shareholders (%)

KWAP	9.0
Beh Kim Ling	7.7
Beh Hwee Sze	7.3

1-Year Share Price Performance



Analyst: Victor Wan
Email: victorwan@interpac.com.my

Company Profile

V.S. Industry is a leading integrated electronics manufacturing services provider in the ASEAN region. Its key clients are mainly involved in manufacturing of consumer electronic products from U.K., U.S. and European regions.

Investment Merits

- **New model launches from key customers.** Despite the lingering global recessionary fears, orders are anticipated to pick up in 4QFY23 as key customers are set to begin replenishing their inventories and launch of new models. We anticipate the spillover effect into FY24's earnings.
- **Initiatives to enhance value chain.** VS plans to manufacture some components internally to lessen dependence on third party suppliers. About RM40m out of the RM80m for FY23's capex budget is allocated for the project and we believe the supply chain enhancement can lift company's profitability moving forward.

Key Updates

- Revenue grew 13.1% Y-o-Y in 2QFY23, mainly contributed by the Malaysian operations' segment. However, PATAMI declined by 31.8% Y-o-Y due to a RM19.8m foreign exchange loss resulted from unfavourable exchange rates, as well as higher financing cost. Meanwhile, 1HFY23's revenue and PATAMI of RM2.44b and RM91.1m improved 23.2% and 8.6% Y-o-Y respectively, driven by higher sales orders from key customers and better profitability.

Downside Risks

- Higher-than-anticipated order cuts from the key clients
- Recessionary fears

Valuation

We maintain our **NEUTRAL** recommendation on VS with the same **TP** of **RM0.85** by pegging an unchanged 15.6x target PER (0.5 SD below its 5-year average) to our unchanged FY23F EPS.

HISTORICAL EARNINGS AND FORECASTS

FYE July (RM m)	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	3,243.2	4,002.3	3,914.1	4,696.7	4,871.8
EBITDA	253.2	438.6	332.4	424.9	472.6
EBITDA margin (%)	7.8	11.0	8.5	9.0	9.7
PAT	104.5	241.6	147.0	190.1	213.5
PATAMI	116.5	245.4	166.8	209.1	234.8
PAT margin (%)	3.2	6.0	3.8	4.0	4.4
PATAMI margin (%)	3.6	6.1	4.3	4.5	4.8
EPS (sen)	3.0	6.4	4.3	5.4	6.1
Earnings growth (%)	(29.6)	110.6	(32.0)	25.4	12.3
PER (x)	26.3	12.5	18.4	14.7	13.1
DPS (sen)	1.3	3.0	2.0	2.0	2.1
Dividend yield (%)	1.6	3.8	2.5	2.5	2.6
ROE (%)	7.0	13.1	7.9	9.3	9.7
Net gearing ratio	Net Cash	0.0	0.1	0.3	0.2
P/B (x)	1.8	1.5	1.4	1.3	1.2

Source: Inter-Pacific Research

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

WELLCALL

BUY

Current Price	**RM 1.14**
Target Price	**RM 1.30**
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)	577.1
52 Week Hi/Lo Price (RM)	1.28/1.01
Avg Trading Volume (3-mth)	172,727
Est Free Float (%)	70.2
YTD Returns (%)	0.9
Beta (x)	0.78

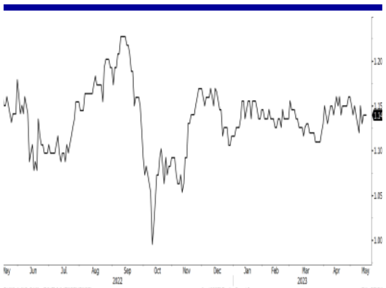
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-1.72	-1.11
3 mth	-0.87	2.75
12 mth	-6.56	1.89

Major Shareholders (%)

Maixum Perspective	11.3
OCBC (Nominee Accounts)	10.0

1-Year Share Price Performance



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

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 1QFY23 PAT of RM8.1m accounted for 23% of our FY23 earnings estimate; we deem the earnings to be within expectations as we believe the topline growth will be sustained, driven by the easing labor shortages and increased demand for its industrial rubber hose.
- The group's labor constraints were resolved this quarter and topline sales growth is expected to sustain, thanks to strong demand from international markets. In the short term, we expect the group's GP margin to hover between 32%-34% and to retain market share. The group has ample capacity to raise production.

Downside Factors

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

Valuation

We maintain our **BUY** recommendation with a higher **TP of RM1.30**, based on an unchanged PER valuation target of 17.0x (+1 SD above its 5-year average) pegged to FY23's EPS estimate.

HISTORICAL EARNINGS AND FORECASTS

FYE Sept RM (m')	FY20	FY21	FY22	FY23(F)	FY24(F)
Revenue	134.9	157.0	176.7	175.6	181.0
EBITDA	43.6	51.5	39.7	41.2	43.5
EBITDA Margin (%)	32.3	32.8	22.5	23.5	24.0
PAT	29.4	34.2	33.2	35.3	37.1
PAT Margin (%)	21.8	21.8	18.8	20.1	20.5
EPS (sen)	5.9	6.9	6.7	7.1	7.4
Earnings Growth (%)	-20.2	16.3	-2.8	6.4	5.0
PER (x)	19.3	16.6	17.1	16.1	15.3
DPS (sen)	5.0	7.0	7.0	6.5	6.7
Dividend Yield (%)	4.3	6.1	6.1	5.7	5.9
ROE (%)	24.3	26.9	26.7	28.3	28.6
ROA (%)	20.9	23.1	22.5	23.8	24.2
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	4.6	4.4	4.5	4.5	4.3

Source: Inter-Pacific Research

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(i) As of May 23, 2023, Inter-Pacific Research Sdn Bhd has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies mentioned or recommended in this report: (a) Able Global Bhd, (b) AWC Bhd, (c) Datasonic Group Bhd, (d) D & O Green Technologies Bhd, (e) Guan Chong Bhd, (f) Hap Seng Plantations Holdings Bhd, (g) Hartalega Holdings Bhd, (h) InNature Bhd, (i) Kawan Food Bhd, (j) Kelington Group Bhd, (k) Mi Technovation Bhd, (l) MTAG Group Bhd, (m) Mynews Holdings Bhd, (n) OCK Group Bhd, (o) Pentamaster Corporation Bhd, (p) Solarvest Holdings Bhd, (q) Tasco Bhd, (r) TSH Resources Bhd, (s) Uchi Technologies Bhd, (t) V.S. Industries Bhd, and (u) Wellcall Holdings Bhd.

(ii) As of May 23, 2023, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report: (a) Wan Kum Seng – nil, and (b) Lai Yoon Hui – nil.

Signed

Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd