Wealth Management Digest
March 2023

Exclusively for AmBank SIGNATURE Priority Banking Customers

AmBank
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PRIORITY BANKING

Table of Contents

Market Overview

Total Returns (%) Year-To-Date (At Month End)

	2020	2021	2022	Nov-22	Dec-22	Jan-23	Feb-23
MSCI Global Equities	16.87%	19.04%	-17.95%	-14.62%	-17.95%	7.20%	4.16%
MSCI Developed Market Equities	16.53%	22.38%	-17.71%	-14.09%	-17.71%	7.11%	4.58%
MSCI Emerging Markets Equities	18.79%	-2.36%	-19.87%	-18.71%	-19.87%	7.90%	0.91%
MSCI Asia ex Jn Equities	20.36%	-1.13%	-16.84%	-16.63%	-16.84%	7.86%	1.58%
S&P 500 (US) Equities	18.39%	28.68%	-18.13%	-13.11%	-18.13%	6.28%	3.68%
STOXX 600 (EU) Equities	-1.44%	25.82%	-9.88%	-6.80%	-9.88%	6.76%	8.78%
CSI 300 (China) Equities	29.89%	-3.51%	-19.83%	-20.34%	-19.83%	7.38%	5.14%
HSI (HK) Equities	-0.24%	-11.84%	-12.56%	-17.81%	-12.56%	10.42%	0.03%
MSCI Malaysia (MY) Equities	1.94%	-2.90%	-0.39%	-1.19%	-0.39%	-0.40%	-2.81%
Bloomberg Global IG Bond	9.20%	-4.71%	-16.25%	-16.70%	-16.25%	3.28%	-0.15%
Bloomberg Global HY Bond	7.03%	0.99%	-12.71%	-13.28%	-12.71%	4.18%	2.21%

Source: Bloomberg, as of 28 February 2023

GLOBAL EQUITIES

Global equities gave us some gains from January as markets continued to assess interest rate hikes by the US Federal Reserve following hotter than expected inflation readings. The still strong jobs data also sparked fears that the central bank may be encouraged to keep hiking interest rates. Elevated geopolitical tensions are elevated, with the continued Russia-Ukraine war and tensions brewing between US and China over Taiwan, leading to risk-off sentiments in the market. Mixed earnings results and lacklustre future earnings guidance also weighed on buying momentum for the month.

ASIA PACIFIC EQUITIES

Asian equities were only marginally higher in February as investors feared that the initial market rally was not supported by fundamentals and that the market had jumped up too fast. Concerns over China's economic growth following warnings from major companies that consumption remained weak, as well as continued regulatory policies on key sectors kept the outlook gloomy. Investors were also waiting for the National People's Congress in March which would provide more clues on how the economy will perform. Rest of Asia took cues from the China market performance, with a lack of local market catalyst to direct buying.

MALAYSIAN EQUITIES

Malaysian equities ended further in the red in February 2023, as investors awaited the Budget 2023 announcement by the new government. Lack of local market catalyst kept local retail and institutional investors away, while the strength of the US dollar kept foreign investors glued to USD-denominated assets, dropping the ball on Malaysian and other Asia based assets.

Source: AmBank Retail Wealth Management Advisory & Research (as at 28 February 2023)

News Topics – Business & Economy

Some US Chipmakers Banned From Expanding In China For 10-Years

Semiconductor companies benefitting from the US government's Chips Act which was passed last year will be barred from expanding production in China and other countries for the next 10-years.

The Chips Act sets aside US$ 39 billion in federal funds that can be tapped by semiconductor companies planning to build factories in the US in order to strengthen their supply chain.

This is also in line with the government's efforts to domesticate supply chains after the pandemic created shortages which eventually lead to a spike up in inflationary pressures.

Encouraging US semiconductor companies to resume manufacturing activity locally is also meant to ensure that the US will continue to have a technological advantage over China as competition and geopolitical tensions between the two countries ramps up.

Semiconductor companies are already facing an export ban relating to advance chip designs to China last year, as the US government aims to restrict China's advancement in the field of artificial intelligence.

Companies will also face restrictions on licensing technology to foreign countries if they have received funding from the Chips Act.

The new funding will not only allow US semiconductor companies to expand production locally, but also fund research in developing more advance semiconductors native to the US.

Companies are also barred from using the government funding to pay-out dividends or initiate share buybacks, with policymakers indicating that there will be strict monitoring of the proceeds.

The US government views policy supporting the semiconductor sector as part of its national security interests.

Source: Financial Times (February 2023)

US Companies Don't View China As Top Investment Destination

The number of US companies that view China as a top investment destination – either as an addressable market or to support their manufacturing and supply chains has fallen at the start of 2023.

Corporate managers are weighing China's management of the pandemic, as well as rising geopolitical tensions as reasons to be more careful when it comes to investing in China.

US companies are also considering their bottom-line, as 2022 turned out to be less rewarding according to a survey conducted by the American Chamber of Commerce in China, with half of the respondents saying that they didn't turn a profit in 2022, while a third reported that revenues fell versus the previous year.

Managers are most concerned about the regulatory environment, against the backdrop of China's inconsistent messaging, as well as unclear laws and enforcement by local authorities.

Only 45% of companies view China as a top investment destination for their business in 2022, compared to 60% in 2019. Despite the poor assessment, most US companies have indicated that they will continue to operate in China given the market opportunity and to make good on existing investments in the country.

A few US consumer facing companies are still investing to grow their business in China, given that the large population offers an opportunity to tap into a new market. However other sectors sound more cautious on China at this momentum.

Corporate leaders are still visiting China to assess the situation and to attend government organized business conferences in order to gauge conditions in the country – but at the same time, mangers are also diversifying their supply chains away from the country in order to avoid disruptions that were seen during the pandemic.

Source: Wall Street Journal (March 2023)

News Topics – Business & Economy

Russia Suspends Nuclear Treaty With the US Over Ukraine Support

President Vladimir Putin has suspended Russia's participation in a nuclear arms control deal with the United States as support from the US and Europe to Ukraine continues to dampen Russia's progress to assimilate the country as part of its territory.

Exiting the nuclear arms treaty serves as a warning to western governments that Russia is prepared to escalate the situation if needed. The country has already threatened to resume nuclear tests.

Previously, both the US and Russia were party to the New Start treaty which would limit the number of strategic nuclear warheads that each country could deploy and would allow the countries to inspect each other's nuclear arsenal to ensure compliance.

Russian and the US holds about 90% of the world's nuclear warheads, with each side having almost 1,550 warheads, as per the limit of the New Start treaty.

Despite President Putin's declaration, Russia's foreign ministry reported that the country would continue to abide by the restrictions outlined in the treaty which helped diffuse the situation somewhat.

Analysts view the declaration as a strategic move by Putin to discourage support for Ukraine by western governments as the invasion of the country enters its second year.

Russia has been struggling to gain ground on Ukraine, as support from western governments and volunteer war fighters have pushed back the Russian army time and time again.

The country is already facing several sanctions that aim to encourage it to change course, with sanctions aiming to block Russia out from parts of the global financial system, while its oil exports have also been sanctioned with price caps and import bans.

Global brands have also exited the country as a sign of support towards Ukraine, which has also hit the Russian economy. It remains to be seen how much longer Russia can hold before economic devastation makes leaders reverse course.

Source: Reuters (February 2023)

New Study Shows China Research Outpacing US Competition

A study by the Australian Strategic Policy Institute shows that Chinese researchers are surpassing their American counterparts in the field of scientific studies and is well positioned to benefit from new research breakthroughs.

The report suggests that China is leading the US in 37 of 44 technologies examined, across key sectors such as dense, space, robotics, energy, environment, biotechnology, artificial intelligence, advanced materials, and quantum technology.

Stronger research capabilities will allow China to take the lead in the development of new technologies in the future, eroding the US dominance of the field.

China is making huge headways in the military and space exploration segments. Notably, China has released a hypersonic missile in 2022, which caught US defence contractors by surprise. Data shows that China researchers generates 48% more impactful research papers, which is helping shape their industries compared to the US.

The country is home to 7 of the world's top 10 research institutions focused on military and space sectors. China has supercharged its efforts to compete with the US in the technology space under the leadership of President Xi Jinping, following US threats of blocking China from key technology exports.

China had 1.58 million patents filled in 2021, which was double the amount filled by US researchers. The country is also benefitting from Chinese talents returning to serve their country, by switching from US or other foreign universities or corporations in favour of Chinese companies.

The US views China as a threat to its position, especially on China's role as the worlds factory and its dependence on China's supply chain. The US government has announced steps to reduce its dependence on China by encouraging more domestic production and for companies to slow investments in foreign countries, namely China. However, that is unlikely to stop the momentum of the China economy.

Source: Wall Street Journal (March 2023)

News Topics – Business & Economy

China Factory Activity Rebounds To Fastest Pace Since 2012

China's manufacturing activity, as measured by the official purchasing managers index hit 52.6 in February 2023, much higher compared to January's 50.1 and above estimates for a 50.5 reading. The figure represents its highest reading since April 2012, nearly a 10-year high.

The data suggests that the China economy is on the rebound, aided by the end of COVID-19 prevention measures in December 2022 as well as a pick-up in consumption as pandemic uncertainty fades.

While the PMI figures are benefitting from the low base effect from the weaker reading in February 2022 – the data does show that sentiments are brightening, and that the China economy is gradually becoming healthier against the backdrop of normalizing activity.

Supply chains are facing less disruptions, while business investments improve as managers move to expand capacity.

Local and overseas demand for goods remain elevated leading to higher flow of goods in and out of the country.

Other data points also suggest a sustained recovery starting to take shape in China, with the China Real Estate Information agency reporting that home sales increased in February for the first time in more than 2-years.

China is still in the initial recovery stages, with the country facing challenges from its property sector and a drop in export momentum as US and Europe face recessions.

These could derail momentum moving deeper into 2023, leading to slower economic expansion.

Focus will be on the upcoming National People's Congress, where Beijing is expected to announce more concrete measures to strengthen economic pillars and boost growth prospects in the post-pandemic environment for the country.

Source: Financial Times (March 2023)

US Jobs Market Show Signs Of Softening

US jobs market has been tight since 2022, keeping interest rates elevated for the duration. But recent data is finally showing signs that the jobs market is starting to mellow out.

Data from recruitment companies, such as ZipRecruiter, show that job postings from private companies are starting to decline since the start of 2023, suggesting that companies are cutting back on new hires as they face an uncertain economic regime.

The data contrasts against the government's report that there are 11 million job vacancies available in the US and suggest that upcoming jobs data from the government will show signs of weakening.

This is a welcomed development, as a drop in hiring could help cool down inflationary pressures in the market as consumer demand falters against the backdrop of lower employment opportunities and a potential recession.

Easing inflation has the benefit of allowing the US central bank (the Federal Reserve) to cut down interest rates which have risen from nearly zero to a range of 4.5-4.75% as of January 2023. Rising interest rates have further weighed on economic outlook, with consumers and businesses faced with rising financial obligations, while the cost of acquiring new funding is also curtailed by the rise in benchmark interest rates.

The Fed has viewed the robust jobs data as a sign that inflationary pressures is sticky and that the economy can stomach rapid interest rate hikes to restore economic balance.

Corporations across the US are fearful that they are over hiring workers as the economic outlook becomes gloomier, leading to a freeze in recruitment drives. Technology and financial firms have had the largest pullback in job postings as well as the most layoffs.

Source: Wall Street Journal (March 2023)

Economic Events – Commentary & Charts

Malaysia:

Re-Tabled Budget 2023

Mildly Expansionary – As expected, the re-tabling of the Budget did not experience a significant change relative to the previous Budget 1.0 that was tabled on 8th October 2023. Below are the key highlights on the finance:

- A total budget of RM386 billion was allocated for overall spending, which is 5.1% higher than the initial allocation announced earlier of RM367 billion. RM97 billion is allocated for the development expenditure, which is 2.1% higher than the previous budget, and the other RM289 is allocated for operation expenditure, which is 6.2% higher than the previous budget announcement.

- On the revenue side, around RM292 billion is expected. This amount is 6.9% higher than the initial budget, but 1.0% lower than the 2022 estimated collection of RM294 billion.

- The fiscal deficit ratio is expected narrow to 5.0% of GDP, which is smaller relative to initial budget of 5.5% of GDP. The current fiscal deficit ratio is 5.6% of GDP.

- The narrower fiscal deficit is in line with the long- and medium-term commitment in practicing fiscal discipline. The Medium-Term Fiscal Framework (MTFF) is maintained, where the fiscal deficit per GDP is projected to average at 4.1% between 2023 – 2025.

Major beneficiaries

- The B40 and M40 are the winner given the cash handout worth RM8 billion and the tax cut for middle-income is also expected to benefit private consumption.

- Micro-Small and Medium Enterprises (MSMEs) will also gain front the loan grants and tax cut.

Fiscal Finances – Higher revenue is expected

The fiscal deficit ratio is expected narrow to 5.0% of GDP, which is smaller relative to initial budget of 5.2% of GDP but overall, it still reflects a mildly expansionary position.

Revenue is expected to be at RM291.5 billion, which is higher than the previous expectation RM272.6 billion. The tax revenue will be the largest contributor to the revenue, with 74.9% contribution.

The remaining portion comes from non-tax revenue. Petroleum income tax revenue (PITA) is expected to be higher compared to the previous budget, an increase of 12.7% to RM18.2 billion, with MoF's brent assumption of USD80 per barrel in 2023.

On the operating expenditure, there is an increase of 6.2% to RM289.1 billion. Emoluments remains the largest spending, with RM90.8 billion or 31.4% of overall operating expenditure.

On the other note, subsidies and social assistance had the largest increment of 39.6% to RM58.6 billion relative to Budget 1.0. On the development expenditure, there is an increase of 35.5% to RM97.0 billion.

The economic sector has the largest allocation with RM55.0 billion, which is 56.7% of the overall development expenditure, mainly due to higher spending in environment (+54.0%), energy & public utilities (+37.3%) and agriculture (+28.0%). Relative to Budget 1.0, the environment sector gets the higher increment of 14.6% to RM2.7 billion.

Fiscal Deficit – Remain on narrowing path

The narrower fiscal deficit is in line with the long- and medium-term commitment in practicing fiscal discipline.

The Medium-Term Fiscal Framework (MTFF) changed slightly, where the fiscal deficit per GDP is projected to average at 4.1% between 2023 – 2025 (previously was 4.4%) and will narrow to 3.2% by 2025 (previously was 3.5%).

This is assuming a nominal GDP (NGDP) growth of 5.9% forecasted by the MoF (previously was 6.4%). Overall fiscal balance needs to fall by just

Economic Events – Commentary & Charts

10% by 2025 for the budget deficit-to-GDP ratio target of 3.2%.

With commitments shown in all details of this budget such as the introduction of Luxury Goods Tax and the potential of Capital Gains Tax for the disposal of unlisted shares by companies, this target looks very much possible.

As a developing economy, there is still a need to continue to spend on crucial development sectors, especially on education to narrow the skills gap between employers and employees.

Meanwhile, development spending on healthcare sector is equally important as population continues to grow.

As such, we view that development expenditure shall continue to be maintained at adequate level to ensure the economy would remain close to its potential and supportive of the aspiration to transition towards a high-income economy.

We continue to view that sustainable and consistent revenue flow should bode well for Malaysia in the context of moving towards the balanced budget and maintaining fiscal support to the economy at the same time.

Several tax measures were announced

This includes:

- Plan to introduce a Luxury Goods Tax starting this year with a certain value according to the type of luxury goods. Some goods such as luxury watches and high-end clothing will be taxed.

- To study Capital Gains Tax for the disposal of unlisted shares by companies from 2024 at a low rate.

- To re-implement the voluntary acknowledgment programme. Through this program, 100% penalty remission will be granted for voluntary reporting from 1 June 2023 to 31 December 2024. This was similar to the Special Voluntary Disclosure Programme back in 2019.

- The individual income tax rate is reduced by 2.0% involving the range between RM35 thousand to RM100 thousand. This reduction is expected to provide approximately 2.4 million taxpayers with extra disposable income of up to RM1,300.

- To raise the tax rate for those with high incomes by 0.5% to 2.0% involving a range of over RM100 thousand to RM1 million.

The B40 and M40 households to benefit from cash transfer and tax rate reduction

On the cash transfer programme, RM8.0 billion is allocated for the Sumbangan Tunai Rahmah (STR), benefitting 8.7 million recipients.

The generous allocation means there is a need to support the low- and middle-income households to cushion the impact from the high cost of living, and the commitment to support the vulnerable households from the potential slowdown.

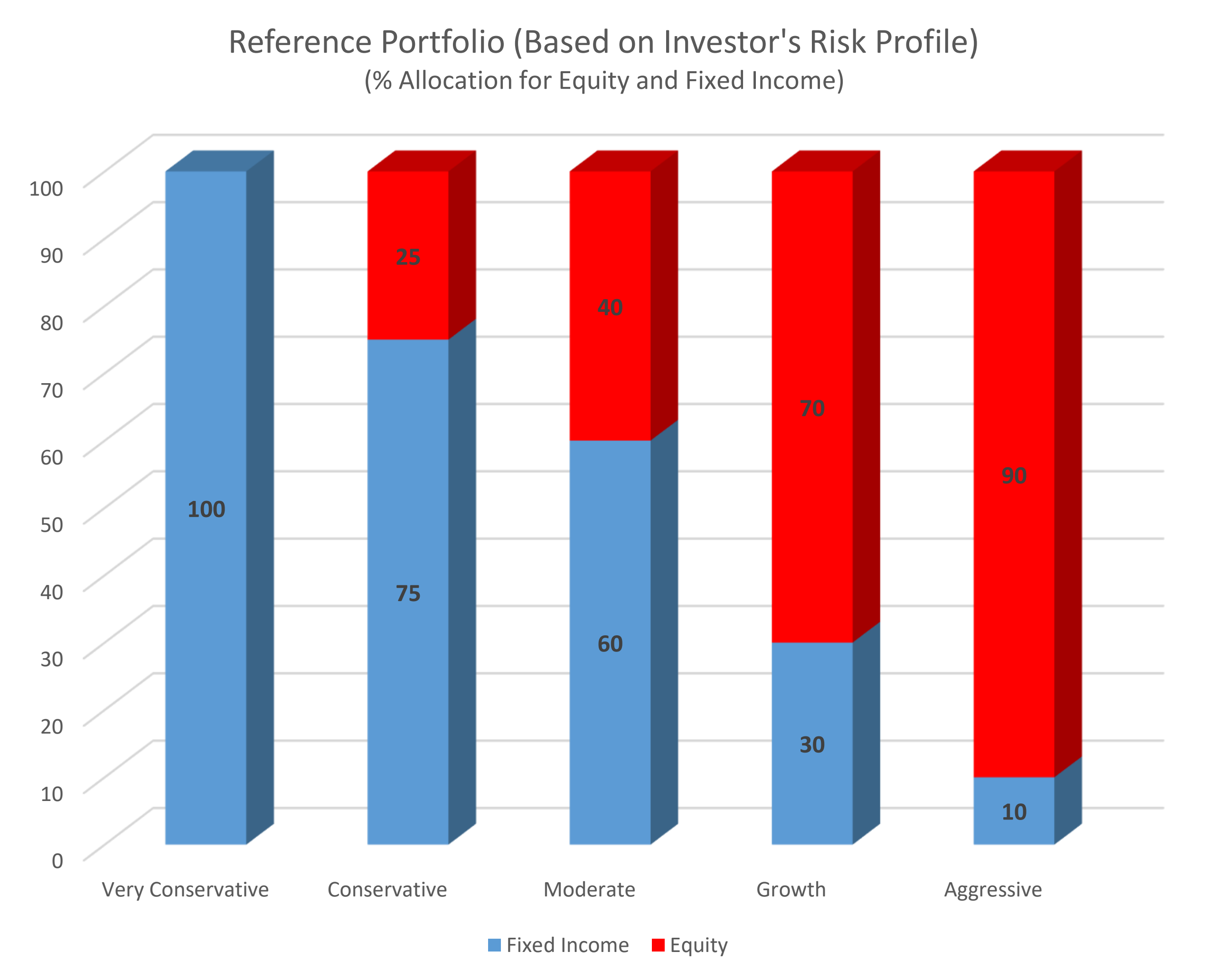
Source: AmBank Research

Economic Events – Commentary & Charts

Budget 2023: Key Difference between Budget 1.0 and Budget 2.0

Factor	Budget 1.0	Budget 2.0	Remarks
Revenue	RM272.6 billion	RM291.5 billion	6.9% higher than the Budget 1.0, but 1.0% lower than the collection in 2022. Lower investment income in Budget 1.0.
Direct Tax	RM152.4 billion	RM164.1 billion	6.9% higher than the collection in 2022. Higher collection from petroleum income tax (+12.7%), and corporate income tax (+8.5%) relative to Budget 1.0.
SST	RM 32.1 billion	RM33.3	4.0% higher than Budget 1.0.
Investment Income	RM42.7 billion	RM47.9 billion	Petronas dividend is expected to be RM40 billion as compared to RM35 billion in Budget 1.0
Operating Expenditure	RM272.3 billion	RM289.1 billion	6.2% higher than Budget 1.0. 15.3% share to GDP
Emoluments	RM90.8 billion	RM90.8 billion	Remain the highest component with 31.4% allocation
Subsidies & Assistance	RM42.0 billion	RM58.6 billion	39.6% higher than allocation in Budget 1.0. 20.3% allocation, the second highest component
Development Expenditure	RM95 billion	RM97 billion	2.1% higher than Budget 1.0. 56.7% allocated for economic & 27.4% allocated for Social
Economic	RM54.0 billion	RM55.0 billion	1.8% higher than Budget 1.0. Transport at RM17.5 billion (18.1%)
Social	RM 25.2 billion	RM26.5 billion	5.5% higher than Budget 1.0. Education & Training at RM13.6 billion (14%)
Security	RM10.8 billion	RM11.5 billion	6.3% higher than Budget 1.0. This sector has the highest increment relative to Budget 1.0.
Fiscal Deficit	5.2% of GDP	5.0% of GDP	0.2% deficit improvement from Budget 1.0 Absolute deficit of RM93.9 billion

Fund Focus – 1st Quarter 2023



Source: AmBank

Fund Focus – 1st Quarter 2023

	Fund Name	Focus	Asset Class	Category	Islamic	MSCI ESG Rating
Core	Affin Hwang World Series - Global Income MYR	Global	Bond	Wholesale	Conventional	BBB*
Core	AmDividend Income	Malaysia	Equity	Retail	Conventional	A
Core	AmTactical Bond B MYR	Asia Pacific ex Japan	Bond	Retail	Conventional	-
Core	Eastspring Investments Asia Select Income	Asia (ex-Japan)	Mixed Assets	Retail	Conventional	BBB
Core	Global Dividend MYR	Global	Equity	Wholesale	Conventional	AAA
Core	Maybank Bluewaterz Total Return MYR	Asia (ex-Japan)	Bond	Wholesale	Conventional	A
Core	Principal Asia Pacific Dynamic Income MYR	Asia Pacific ex Japan	Equity	Retail	Conventional	-
Core	Principal Asia Pacific Dynamic Mixed Asset MYR	Asia Pacific ex Japan	Mixed Assets	Retail	Conventional	-
Core	Principal Islamic Lifetime Balanced	Asia Pacific ex Japan	Mixed Assets	Retail	Conventional	-
Core	Principal Lifetime Bond	Malaysia	Bond	Retail	Conventional	-
Core	United ASEAN Discovery	ASEAN	Equity	Retail	Islamic	A
Core	United-i Global Balanced MYR	Global	Mixed Assets	Retail	Islamic	A
Satellite	Affin Hwang Select Asia (ex Japan) Quantum MYR	Asia (ex-Japan)	Equity	Retail	Conventional	A
Satellite	Affin Hwang World Series-Glo Infra Inc MYR H	Global	Equity	Wholesale	Conventional	AAA*
Satellite	AmChina A-Shares MYR	China	Equity	Wholesale	Conventional	B
Satellite	Principal Greater China Equity MYR	Greater China	Equity	Retail	Conventional	BBB*
Satellite	Principal US High Conviction Equity MYR	United States	Equity	Retail	Conventional	-
Satellite	RHB Resources	Asia Pacific	Equity	Retail	Conventional	BBB
Satellite	TA Asia Absolute Alpha MYR	Asia Pacific	Equity	Retail	Conventional	A
Satellite	TA Global Technology MYR	Global	Equity	Retail	Conventional	AA
Satellite	TA Islamic	Malaysia	Equity	Retail	Islamic	-

Source: AmBank as of January 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Europe Equity Growth	Equity-Europe	Wholesale	12.09	6.04	10.59
Global Emerging Market Opportunities	Equity-Global Emerging Markets	Retail	7.31	-5.87	2.59
Global Property Equities	Equity-Global	Retail	6.33	-9.86	1.80
Pan European Property Equities	Equity-Europe	Retail	7.01	-26.47	-2.02
RHB European Select	Equity-Europe exc UK	Wholesale	12.29	10.17	11.16

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmDividend Income	Equity-Malaysia	Retail	-0.37	-0.97	8.99
AmIncome	Bond-Malaysia	Retail	0.46	2.63	2.43
Precious Metals Securities	Equity-Global	Retail	-7.80	-19.26	-2.08
Principal China-India-Indonesia Opportunities	Equity-Asia (ex-Japan)	Retail	0.54	-6.25	1.58
RHB Gold and General	Equity-Global	Retail	-1.96	-9.74	9.40

Source: Lipper fund performance as at 28 February 2023, applicable to funds distributed by AmBank
Past performance does not indicate future returns

Definitions

AAA/BBB	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
AUD	Australian Dollar
Bosvepa	Brazil Stock Index
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Renminbi
CPI	Consumer Price Index
DAX	German Stock Index
DJIA	Dow Jones Industrial Average
EPFR Global	Emerging Portfolio Fund Research, Inc.
ETF	Exchange Traded Funds
EUR	Euro
FocusEconomics	FocusEconomics is a leading provider of economic analysis and forecasts for 127 countries in Africa, Asia, Europe and the Americas, as well as price forecasts for 33 key commodities.
GBP	UK Pound Sterling
GDP	Gross Domestic Product
German IFO	German **I**nformation and **Fo**rschung (research).
HSI	Hong Kong's Hang Seng Index
IIF	Institute of International Finance
IHS	Information Handling Services is a company based in London, United Kingdom. IHS provides information and analysis to support the decision-making process of businesses and governments.
IHS Markit	A merger between IHS and Markit Ltd.
Indonesia's JSX	Indonesia's Jakarta Stock Exchange
I/B/E/S	'Institutional Brokers' Estimate System
INR	Indian Rupee
JPY	Japanese Yen
KOSPI	South Korea's Stock Index
Malaysia's KLCI	FTSE Bursa Malaysia Index
Markit Ltd	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
MICEX	Russian Stock Index
MYR	Malaysian Ringgit
Philippines PSE	Philippines' Stock Index
PSEi	The Philippine Stock Exchange, Inc
PMI	Purchasing Managers' Index
PRC	People's Republic of China
Q1,Q2,Q3,Q4	Quarter 1, Quarter 2, Quarter 3, Quarter 4
SCI	China's Shanghai Composite Index
SGD	Singapore Dollar
Singapore STI	Singapore's Strait Times Index
TAIEX	Taiwan's Stock Index
Thailand's SET	Thailand's Stock Index
U.K.	United Kingdom
U.S.	United States of America
U.S. Fed	United States Federal Reserve
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

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