

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.25	3
5-yr UST	2.21	5
10-yr UST	2.40	3
30-yr UST	2.82	1

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.38	-3	3.49	-3	-3
5-yr	3.53	-1	3.61	-5	-5
7-yr	3.66	-10	3.77	-5	-5
10-yr	3.75	-3	3.83	0	0
15-yr	4.12	-2	4.10	-6	-6
20-yr	4.31	-2	4.40	-5	-5
30-yr	4.55	-4	4.68	0	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.54	-2
3-yr	3.53	-2
5-yr	3.62	-2
7-yr	3.74	-3
10-yr	3.92	-4

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended weaker yesterday despite weaker-than-expected 4Q GDP with the long-end outperforming elsewhere on the curve. Both the UST 2Y and the much-watched 10Y moved 3bps higher at 2.25% and 2.40% respectively. The Treasury's 7Y auction was awarded at 2.281% with a decent BTC ratio of 2.54x. US-China trade talks are expected to take centre-stage while bond traders monitor the existing inversion on the front-end of the curve with many betting on Fed interest rate cuts this year. Japanese fiscal year-end portfolio adjustments are expected to be watched by bond players today before an upcoming Fedspeak event later.

MGS/GII

- Local govies continued its strong momentum yesterday with solid volume of RM8.76b as interest was seen across the curve as bond markets rallied in most markets worldwide on renewed fears of global slowdown. Overall benchmark yields however ended 0-10bps lower as interest rate swap levels drifted lower. The 5Y benchmark MGS 4/23 edged 1bps lower at 3.53% whilst the 10Y MGS 8/29 rallied another 3bps at 3.75%. GII bonds jumped to form 55% of overall trades. BNM has trimmed this year's growth forecasts to 4.3-4.8% compared to 4.7% growth last year whilst many market players are beginning to weigh the policy options available at its disposal.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw heavy volume of RM1.07b with investor interest seen mainly across the curve and most tenures. The Govt-guaranteed space witnessed 27 various bonds traded. The 10Y papers i.e. BPMB, PRASA and DANA 29's closed 6-32bps sharply lower between 4.02-13% levels whilst the long DANA 2/49 closed 13bps lower at 4.73%. AAA-rated TNB Western 7/30 closed at 4.41% whereas GENM Capital 7/23 ended unchanged at 4.46%. AA-rated space was dominated mainly by energy-related bonds namely SEB, EDRA, TADAU, and JEP which also moved a whopping 5-40bps lower in line with the rally in govies. The banking space was active with both RHB Bank 24NC19 and 27NC22 closing 1-5bps lower at 4.02% and 4.46% respectively whereas Hong Leong Financial Group perps saw closing levels between 4.59-4.91% area. Interest is expected to prevail.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.352	45	3.329	26/03/2019	2
MGS	10/19	3.347	132	3.357	27/03/2019	-1
MGS	11/19	3.359	321	3.339	27/03/2019	2
MGS	03/20	3.400	74	3.370	27/03/2019	3
MGS	07/20	3.383	2	3.318	26/03/2019	6
MGS	10/20	3.356	19	3.364	27/03/2019	-1
MGS	02/21	3.409	8	3.412	26/03/2019	0
MGS	07/21	3.426	110	3.437	27/03/2019	-1
MGS	09/21	3.407	8	3.443	27/03/2019	-4
MGS	11/21	3.399	143	3.445	27/03/2019	-5
MGS	03/22	3.377	187	3.402	27/03/2019	-3
MGS	08/22	3.501	7	3.518	27/03/2019	-2
MGS	09/22	3.474	83	3.526	27/03/2019	-5
MGS	03/23	3.528	79	3.581	27/03/2019	-5
MGS	04/23	3.530	176	3.591	27/03/2019	-6
MGS	08/23	3.608	3	3.630	27/03/2019	-2
MGS	07/24	3.681	57	3.713	27/03/2019	-3
MGS	09/24	3.704	18	3.714	27/03/2019	-1
MGS	03/25	3.740	60	3.763	27/03/2019	-2
MGS	09/25	3.726	39	3.779	26/03/2019	-5
MGS	04/26	3.808	80	3.845	27/03/2019	-4
MGS	07/26	3.661	678	3.771	27/03/2019	-11
MGS	11/26	3.702	211	3.831	27/03/2019	-13
MGS	05/27	3.798	32	3.880	27/03/2019	-8
MGS	11/27	3.816	80	3.838	27/03/2019	-2
MGS	06/28	3.843	55	3.856	26/03/2019	-1
MGS	08/29	3.750	548	3.814	27/03/2019	-6
MGS	04/32	4.130	32	4.145	27/03/2019	-1
MGS	04/33	4.089	87	4.156	27/03/2019	-7
MGS	11/33	4.118	220	4.136	27/03/2019	-2
MGS	05/35	4.275	7	4.280	27/03/2019	0
MGS	04/37	4.358	55	4.359	27/03/2019	0
MGS	06/38	4.307	81	4.325	27/03/2019	-2
MGS	09/43	4.547	50	4.577	27/03/2019	-3
MGS	03/46	4.586	3	4.609	27/03/2019	-2
MGS	07/48	4.546	129	4.584	26/03/2019	-4
GII	04/19	3.344	945	3.362	27/03/2019	-2
GII	04/20	3.423	221	3.425	27/03/2019	0
GII	04/20	3.396	20	3.525	01/03/2019	-13
GII	05/20	3.436	20	3.438	22/03/2019	0
GII	08/20	3.445	6	3.521	25/03/2019	-8
GII	03/22	3.485	140	3.513	27/03/2019	-3
GII	04/22	3.553	12	3.570	26/03/2019	-2
GII	07/22	3.550	100	3.609	27/03/2019	-6
GII	11/22	3.609	40	3.677	27/03/2019	-7
GII	11/22	3.609	10	3.674	27/03/2019	-6
GII	07/23	3.649	310	3.713	27/03/2019	-6
GII	11/23	3.613	132	3.660	27/03/2019	-5
GII	08/24	3.713	52	3.761	27/03/2019	-5
GII	08/25	3.772	361	3.823	27/03/2019	-5
GII	03/26	3.726	1060	-	-	-
GII	09/26	3.823	90	3.877	26/03/2019	-5
GII	07/27	3.833	30	3.918	26/03/2019	-9
GII	10/28	3.841	120	3.963	27/03/2019	-12
GII	07/29	3.833	330	3.866	27/03/2019	-3
GII	09/30	4.074	10	4.077	27/03/2019	0
GII	06/33	4.098	445	4.192	27/03/2019	-9
GII	08/33	4.136	270	4.250	26/03/2019	-11
GII	10/35	4.318	3	4.325	25/03/2019	-1
GII	08/37	4.395	80	4.446	27/03/2019	-5
GII	09/39	4.363	20	4.403	26/03/2019	-4
GII	05/47	4.676	10	4.676	27/03/2019	0
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Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Johor Corporation	06/19	GG	3.484	10	3.696	29/10/2018	-21	12
Khazanah Nasional Berhad	08/19	GG	3.517	60	3.536	15/03/2019	-2	15
Prasarana Malaysia Berhad	08/21	GG	3.684	20	3.811	18/03/2019	-13	29
Pengurusan Air SPV Berhad	02/23	GG	3.803	5	3.839	21/03/2019	-4	29
Bank Pembangunan Malaysia Berhad	09/24	GG	3.949	10	4.009	26/03/2019	-6	37
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	3.902	10	4.200	07/11/2018	-30	13
Pengurusan Air SPV Berhad	02/26	GG	3.938	10	3.939	27/03/2019	0	17
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	3.969	10	4.009	26/03/2019	-4	20
DanaInfra Nasional Berhad	05/27	GG	3.940	5	4.293	01/10/2018	-35	14
DanaInfra Nasional Berhad	02/28	GG	3.959	5	4.219	12/02/2019	-26	14
DanaInfra Nasional Berhad	05/28	GG	3.958	5	4.069	22/03/2019	-11	14
Prasarana Malaysia Berhad	09/28	GG	4.019	20	4.080	27/03/2019	-6	20
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	4.101	10	4.222	04/03/2019	-12	28
Pelabuhan Tanjung Pelepas Sdn Berhad	11/28	GG	4.131	10	4.450	31/10/2018	-32	31
DanaInfra Nasional Berhad	04/29	GG	4.018	5	4.131	26/03/2019	-11	20
Bank Pembangunan Malaysia Berhad	09/29	GG	4.128	40	4.449	17/01/2019	-32	31
Prasarana Malaysia Berhad	09/29	GG	4.040	5	4.099	21/03/2019	-6	22
DanaInfra Nasional Berhad	11/29	GG	4.030	40	4.129	25/03/2019	-10	21
DanaInfra Nasional Berhad	04/30	GG	4.039	5	4.141	25/03/2019	-10	22
Pelabuhan Tanjung Pelepas Sdn Berhad	11/30	GG	4.311	10	4.660	31/10/2018	-35	49
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	4.401	20	4.750	31/10/2018	-35	24
DanaInfra Nasional Berhad	05/32	GG	4.220	30	4.470	05/03/2019	-25	6
DanaInfra Nasional Berhad	11/34	GG	4.391	5	5.024	26/06/2018	-63	23
DanaInfra Nasional Berhad	11/35	GG	4.431	5	4.489	26/03/2019	-6	27
DanaInfra Nasional Berhad	02/39	GG	4.510	10	4.719	27/02/2019	-21	17
DanaInfra Nasional Berhad	01/48	GG	4.820	10	-	-	-	48
DanaInfra Nasional Berhad	02/49	GG	4.730	15	4.860	14/03/2019	-13	39
Public Bank Berhad	04/19	AAA	3.824	40	3.849	14/03/2019	-3	46
Rantau Abang Capital Berhad	08/19	AAA	3.800	10	3.801	01/03/2019	0	43
Impian Ekspresi Sdn Berhad	11/20	AAA	4.454	40	4.717	06/02/2018	-26	106
Gulf Investment Corporation G.S.C	03/21	AAA	4.666	1	4.753	25/01/2019	-9	128
Pengurusan Air SPV Berhad	02/22	AAA	3.980	5	-	-	-	58
Toyota Capital Malaysia Sdn Berhad	01/23	AAA	4.353	24	4.366	15/03/2019	-1	84
GENM Capital Berhad	07/23	AAA	4.460	11	4.461	25/03/2019	0	95
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.087	10	4.350	26/11/2018	-26	58
Telekom Malaysia Berhad	09/27	AAA	4.317	3	4.493	16/01/2019	-18	52
TNB Western Energy Berhad	07/30	AAA	4.405	10	4.866	13/07/2018	-46	59
Tenaga Nasional Berhad	08/32	AAA	4.411	10	4.409	27/03/2019	0	25
Sabah Credit Corporation	05/20	AA1	4.154	10	4.189	25/03/2019	-4	79
Sabah Credit Corporation	08/20	AA1	4.205	20	4.485	17/08/2018	-28	84
Malayan Banking Berhad	10/25	AA1	4.369	30	4.745	12/02/2018	-38	60
Sarawak Energy Berhad	06/26	AA1	4.257	10	4.409	01/03/2019	-15	48
Sarawak Energy Berhad	04/31	AA1	4.501	40	4.550	13/03/2019	-5	68
Sarawak Energy Berhad	12/32	AA1	4.509	15	4.608	25/03/2019	-10	35
First Resources Limited	06/20	AA2	4.223	20	4.261	08/03/2019	-4	86
Imtiaj Sukuk II Berhad	10/22	AA2	4.324	20	4.507	13/11/2018	-18	81
Konsortium Prof-HAWK Sdn Berhad	06/33	AA2	4.751	20	4.928	15/01/2019	-18	59
Malaysia Airport Holdings Berhad	12/14	AA2	4.661	1	4.699	06/03/2019	-4	32
Besraya (M) Sdn Berhad	07/20	AA3	4.480	10	4.597	21/12/2016	-12	111
Gamuda Berhad	03/23	AA3	4.505	6	4.507	22/03/2019	0	100
RHB Bank Berhad	07/24	AA3	4.022	10	4.068	25/03/2019	-5	44
RHB Investment Bank Berhad	04/25	AA3	4.294	20	4.334	03/01/2019	-4	60
Tadau Energy Sdn Berhad	07/25	AA3	4.843	11	5.158	11/04/2018	-32	114
Tadau Energy Sdn Berhad	07/26	AA3	4.914	10	5.308	08/03/2018	-39	114
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.530	1	4.550	26/03/2019	-2	73
RHB Bank Berhad	09/27	AA3	4.462	20	4.470	01/03/2019	-1	65
Tadau Energy Sdn Berhad	07/29	AA3	5.109	1	5.307	04/12/2018	-20	129
Dynasty Harmony Sdn Berhad	12/29	AA3	5.979	5	-	-	-	216
Edra Energy Sdn Berhad	01/30	AA3	5.749	5	5.880	27/02/2019	-13	193
Edra Energy Sdn Berhad	07/30	AA3	5.759	15	5.878	07/03/2019	-12	194
Edra Energy Sdn Berhad	01/31	AA3	5.789	10	5.888	07/03/2019	-10	197
Edra Energy Sdn Berhad	07/31	AA3	5.819	15	5.908	21/03/2019	-9	200
Edra Energy Sdn Berhad	01/32	AA3	5.849	5	5.878	22/03/2019	-3	169
Edra Energy Sdn Berhad	07/32	AA3	5.889	10	5.968	21/03/2019	-8	173
Edra Energy Sdn Berhad	01/33	AA3	5.919	20	5.948	27/03/2019	-3	176
Edra Energy Sdn Berhad	01/34	AA3	5.999	10	6.081	13/03/2019	-8	184
Edra Energy Sdn Berhad	07/34	AA3	6.029	15	6.079	22/03/2019	-5	187
Edra Energy Sdn Berhad	01/35	AA3	6.049	5	6.149	08/03/2019	-10	189
Edra Energy Sdn Berhad	01/36	AA3	6.099	5	6.199	08/03/2019	-10	194
Edra Energy Sdn Berhad	07/37	AA3	6.189	5	6.269	07/03/2019	-8	185
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.376	10	4.453	20/02/2019	-8	101
UEM Sunrise Berhad	06/21	AA-	4.461	10	4.560	01/03/2019	-10	107
UEM Sunrise Berhad	10/21	AA-	4.474	10	4.575	07/03/2019	-10	107
Jimah East Power Sdn Berhad	06/26	AA-	4.509	8	4.609	12/02/2019	-10	74
MEX II Sdn Berhad	04/29	AA-	4.800	1	5.250	22/06/2018	-45	98
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/29	AA-	4.807	5	4.809	27/03/2019	0	99
UiTM Solar Power Sdn Berhad	04/32	AA-	5.587	5	5.588	27/03/2019	0	143
Southern Power Generation Sdn Berhad	10/32	AA-	4.589	10	4.679	07/03/2019	-9	43
UiTM Solar Power Sdn Berhad	04/33	AA-	5.684	5	5.685	27/03/2019	0	153
Southern Power Generation Sdn Berhad	04/34	AA-	4.813	11	5.014	07/12/2018	-20	66
Lafarge Cement Sdn Berhad	01/20	A1	5.001	1	4.997	18/03/2019	0	163
Affin Bank Berhad	02/27	A1	4.871	1	4.731	20/03/2019	14	107
CIMB Group Holdings Berhad	05/16	A1	4.656	10	4.521	26/03/2019	14	32
Hong Leong Financial Group Berhad	11/17	A1	4.914	10	5.170	20/03/2019	-26	57
UMW Holdings Berhad	04/18	A1	5.517	1	5.530	12/03/2019	-1	118
Hong Leong Financial Group Berhad	-	A1	4.594	10	-	-	-	-
Pacific & Orient Insurance CO Berhad	06/22	A3	6.203	1	6.522	12/09/2018	-32	280
Mah Sing Perpetual	-	-	5.949	1	5.895	05/03/2019	5	-
Eco World International Berhad	-	-	6.371	1	6.171	22/03/2019	20	-
Celcom Networks Sdn Berhad	10/26	AA+	4.409	1	4.411	27/03/2019	0	61
Danajamin Nasional Berhad	10/27	AA+	4.457	5	4.479	15/03/2019	-2	64
				1069				

*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Permodalan Nasional Bhd (PNB) has distributed a record high of RM15bil in dividends in the financial year ended Dec 31, 2018 (FY2018) despite a slight drop of 3.96% in net income to RM17.01bil from 2017. Having achieved this result on the back of a highly uncertain year, PNB's strategy moving forward is to increase its percentage of global investments across all asset classes. The RM15bil is by far, the largest payout since the inception of the government-linked investment company, which brings its cumulative dividends paid out since inception to RM187bil. The dividends paid out last year was 2.74% higher than RM14.6bil in 2017. This is slightly lower than the quantum last year at 6.75 sen for ASB 2 and 6.25 sen for ASM. The total payout for ASB 2 will be RM610.7mil to 404,706 unit holders who own 10.4 billion units while ASM will distribute a total payout of RM1.1bil to 541,758 unit holders with 19.5 billion units. ASB 2 and ASM recorded net realised incomes of RM500mil and RM800mil respectively. As for PNB's three variable price funds - ASN Equity 3, ASN Imbang 2 and ASN Sara 1 - the income distributions are 4.1 sen, 4.2 sen and 5 sen per unit respectively. The total income distribution for these three funds amounts to RM236.1mil, benefitting 220,188 unit holders. PNB has manoeuvred through a challenging economic environment in 2018 to achieve a 6.9% increase in assets under management (AUM) to RM298.5bil from RM279.2bil the previous year. It also saw an increase in units in circulation (UIC) by 7.9% from 219.3 billion to 236.6 billion, from 13.8 million accounts across all of PNB's 14 funds. Amidst the backdrop of global uncertainties, PNB chairman Tan Sri Dr Zeti Akhtar Aziz said PNB has demonstrated its resilience with its financial performance. "The increase in assets reflects the trust the unit holders have in PNB and that the funds have continued to deliver competitive returns to unit holders. "There has been greater diversification of our portfolio of assets and we intend to intensify these efforts. More cash has now been reallocated to fixed income as well as global financial assets," she told a briefing on PNB's FY2018 performance review and annual report release. Zeti said the macroeconomic condition in 2018 became challenging as global economic growth moderated in most economies except for the United States. Among other factors that influenced market conditions were the intensifying US and China trade tensions, tightening interest rates by the Federal Reserve, the volatility of energy and commodity prices and the downward trend of crude oil and crude palm oil prices. The ringgit also depreciated in 2018 following an outflow of foreign funds from most emerging markets but it was a lesser extent for Malaysia than other regional currencies. The FBM KLCI which was also down by 5.9%, was also to a lesser extent than most of the other regional markets. "The environment remains challenging for 2019 as uncertainties in the global economy and the international financial system continue to be down on growth in many parts of the world. "For Malaysia, the GDP growth is predicted to be sustained at 4.5% to 4.9%, with the ringgit expected to remain stable for the year, underpinned by resilient performance of the domestic sector. "I believe our forecast is just very slightly, more optimistic and we hold to this forecast. As we reach the conclusion of the first quarter, we can observe that although global markets have rebounded, the domestic market has yet to recover," she said. Given the highly volatile and uncertain market conditions, Zeti said PNB's strategy will be to push for greater diversification. The ongoing portfolio diversification has seen a reduction of cash and money market from 18.6% to 17.4% while investment in fixed income went up from 5.8% to 6.5%. International diversification is also gathering pace, going up to 3.3% from 2.4%. The remaining 96.7% are domestic investments. In terms of geographical diversification, Zeti said PNB will look at both developed countries such as US, United Kingdom, Australia, Japan, France and Germany and other emerging economies and emerging economies in Europe and Asia. "We're not only going into the global financial markets but also within our country. For example, our bond market is one of the most developed in Asia in terms of the number of instruments raised, issued, the term and maturity structure. "We will look at all these

options to try and enhance our return and also mitigate some of our risks in the financial markets,” she said. PNB also has around 6.6% invested in the domestic bond market and will look into other asset classes including REITs domestically. PNB’s diversification in emerging economies will be in a very gradual manner as it needs time to build up expertise. “We’re not going to rush into it. Timing and entry level is very important. Our investment time horizon is for the medium and longer term. The market will respond to a wide range of factors including short term factors that trigger volatility. “We will focus on the fundamentals and try to avoid being subsumed in the noise that happens around us,” she said, and stressed that PNB will be a responsible investor, and will not contribute to any disruptive movement in the domestic market, its strategic investments or any markets it invests in. President and group CEO Datuk Abdul Rahman Ahmad said PNB has identified six global fund managers for its overseas investments. The deployment of the investments would take around three to three and a half years and PNB will begin some of its deployment by the end of this year. On the progress update of PNB’s Strategic Plan 2017-2022, it will be undertaking a mid-term review of the plan, focussing on key areas of strategic asset allocation and optimal liquidity management, enterprise risk management and organisational transformation. Meanwhile, Zeti called for investors to understand the risks in the financial market place as PNB’s income distribution depended on investment performance, which in turn, depends on the investment climate it is operating in. “As the custodian to the wealth of millions of Malaysians, we will do our best to continue navigating these uncertain times to deliver sustainable returns to our unit holders. “We will nevertheless strive to outperform the market through our robust investment process and stringent investment criteria,” Zeti said. (Source: *The Star*)

The Employees Provident Fund (EPF) has outsourced a total of RM117.56bil to external fund managers as at Dec 31, 2018, an increase of 2.62%, as compared with RM114.56bil at the end of 2017. This allocation, invested across both equity and fixed income instruments, represented 14.10% of the EPF’s total investment assets. “As the EPF’s fund size grows, we will continue to outsource a portion of our funds to external fund managers as part of our diversification programme and to better manage the performance of our assets,” chairman Tan Sri Samsudin Osman said in a statement Thursday. The fund said beginning this year, the EPF’s newly-formed external fund managers department would streamline the monitoring of external fund management across equity and fixed income asset classes, to tap into external fund managers’ specialised range of knowledge, skillsets and exposure in order to deliver sustainable, value-added returns over the long run. Samsudin said the restructuring would provide greater clarity to the EPF’s external fund management activities and make it more effective to monitor performance, communicate and execute EPF’s investment strategies in line with its core investment philosophy of earning superior risk-adjusted returns with a long-term perspective. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Eternal Icon Sdn Bhd	RM87.0 million Senior MTN	AAA/Stable	Reaffirmed
SUNREIT Capital Berhad	Proposed RM3.0 bil Commercial Papers (CP) Programme	P1 (s)	Assigned
Inverfin Sdn Bhd	Senior Commercial Papers/Medium-Term Notes	MARC-1	Affirmed
Murud Capital Sdn Bhd	Senior CP/MTN programme of up to RM290 million	Lowered from AA to AA-	Affirmed

Source: RAM, MARC

Hong Leong Bank Berhad

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