

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries gave up prior day's gains as traders found comfort from Fed Chair Powell's testimony that the US economy remained resilient and monetary policy stance remained appropriate for now. In his testimony before the House Financial Services Committee, Fed Chair Ppowell reiterated that some uncertainties have been removed following the last month's signing of phase one (1) US-China trade deal but the Fed is monitoring closely the continued threat posed from the viral outbreak. The UST 3Y auction of \$38b attracted slightly above average demand on a BTC ratio of 2.56x (previous auction: 2.45x) which yielded 1.394%. Overall benchmark yields ended 3bps higher with both the UST 2Y and 10Y closing at 1.42% and 1.60% respectively. Expect traders to focus on the upcoming UST 10Y auction tonight followed by inflation data for January tomorrow.

##### MGS/GII

- Local govies continued to see solid traction amid slight lower secondary market volume of RM5.34b with interest mainly in the off-the-run 20's, 23's, 33's and also 5Y,10Y MGS/GII bonds. Overall benchmark yields ended mostly lower between 0-8bps save for the 7Y. The benchmark 5Y MGS 6/24 closed 2bps lower at 2.82% whilst the 10Y MGS 8/29 rallied 4bps lower at 2.96%. GII bonds maintained about ~ 45% of overall trades. Meanwhile the MYR has now steadied itself over earlier concerns over the slump in oil prices and dampened sentiment over the coronavirus outbreak. MYR bonds continue to be well-bid as yields continue to drift lower as foreign holdings have improved three (3) months in a row. Expect attention to shift to the upcoming 4Q 2019 GDP growth numbers today followed by 10Y MGS auction tomorrow.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space also maintained strong appetite on Tuesday with secondary market volume at RM694m mainly with overall interest seen across the GG-AAA part of the curve as yields ended mostly lower on 46 various names. Govt-guaranteed DANA dominated trades with the 29's about 30-55bps sharply lower compared to previous-done levels between 3.17-20% area. The longer-end DANA 2043-2048 tranches similarly saw demand with yields closing lower between 3.67-82%. AAA-rated SEB 1/27 edged 2bps lower on RM130m in nominal amounts whilst the 2028-2033 tranches close between 4-23bps lower between 3.37-53% levels. The seldom-traded AA-rated SAMALAJU 12/28 and 12/29 ended at 3.70% and 3.78% each. The banking space saw PUBLIC 29NC24 move 14bps lower at 3.42%.

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 1.42        | 3         |
| 5-yr UST  | 1.42        | 3         |
| 10-yr UST | 1.60        | 3         |
| 30-yr UST | 2.07        | 3         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.77        | -1        | 2.84        | 0         |
| 5-yr   | 2.82        | -2        | 2.86        | -1        |
| 7-yr   | 2.94        | 5         | 2.90        | -6        |
| 10-yr  | 2.96        | -4        | 3.06        | -8        |
| 15-yr  | 3.20        | 0         | 3.24        | -2        |
| 20-yr  | 3.36        | 0         | 3.40        | -2        |
| 30-yr  | 3.69        | -7        | 3.70        | -2        |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.93        | 0         |
| 3-yr           | 2.93        | 0         |
| 5-yr           | 2.96        | 2         |
| 7-yr           | 3.04        | 2         |
| 10-yr          | 3.20        | 4         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Reopening of RM4.0b of 10Y MGS 8/29 on Thursday,  
13<sup>th</sup> Feb 2020

## Daily Trades : Government Bond

| Securities |       | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|-------|---------|-------------|----------|----------------------------|------|
|            |       | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS        | 03/20 | 2.768   | 22          | 2.760    | 10/02/2020                 | 1    |
| MGS        | 07/20 | 2.756   | 107         | 2.751    | 10/02/2020                 | 0    |
| MGS        | 10/20 | 2.731   | 230         | 2.778    | 10/02/2020                 | -5   |
| MGS        | 07/21 | 2.746   | 1           | 2.741    | 10/02/2020                 | 0    |
| MGS        | 09/21 | 2.767   | 11          | 2.750    | 10/02/2020                 | 2    |
| MGS        | 11/21 | 2.769   | 145         | 2.771    | 10/02/2020                 | 0    |
| MGS        | 03/22 | 2.770   | 182         | 2.784    | 10/02/2020                 | -1   |
| MGS        | 03/23 | 2.790   | 446         | 2.782    | 10/02/2020                 | 1    |
| MGS        | 06/24 | 2.816   | 120         | 2.836    | 10/02/2020                 | -2   |
| MGS        | 07/24 | 2.873   | 2           | 2.913    | 10/02/2020                 | -4   |
| MGS        | 09/24 | 2.842   | 40          | 2.852    | 10/02/2020                 | -1   |
| MGS        | 09/25 | 2.850   | 103         | 2.844    | 10/02/2020                 | 1    |
| MGS        | 04/26 | 2.885   | 2           | 3.029    | 07/02/2020                 | -14  |
| MGS        | 07/26 | 2.942   | 168         | 2.893    | 10/02/2020                 | 5    |
| MGS        | 11/26 | 2.951   | 45          | 2.976    | 10/02/2020                 | -2   |
| MGS        | 05/27 | 2.934   | 248         | 2.965    | 10/02/2020                 | -3   |
| MGS        | 11/27 | 3.015   | 62          | 3.011    | 10/02/2020                 | 0    |
| MGS        | 06/28 | 2.996   | 68          | 3.042    | 10/02/2020                 | -5   |
| MGS        | 08/29 | 2.962   | 174         | 2.997    | 10/02/2020                 | -3   |
| MGS        | 04/30 | 3.076   | 182         | 3.058    | 10/02/2020                 | 2    |
| MGS        | 06/31 | 3.167   | 6           | 3.238    | 07/02/2020                 | -7   |
| MGS        | 04/33 | 3.225   | 60          | 3.238    | 10/02/2020                 | -1   |
| MGS        | 11/33 | 3.230   | 70          | 3.243    | 10/02/2020                 | -1   |
| MGS        | 07/34 | 3.195   | 75          | 3.196    | 10/02/2020                 | 0    |
| MGS        | 05/35 | 3.311   | 90          | 3.358    | 10/02/2020                 | -5   |
| MGS        | 04/37 | 3.415   | 108         | 3.364    | 10/02/2020                 | 5    |
| MGS        | 06/38 | 3.402   | 60          | 3.478    | 07/02/2020                 | -8   |
| MGS        | 03/46 | 3.686   | 52          | 3.751    | 10/02/2020                 | -6   |
| MGS        | 07/48 | 3.690   | 71          | 3.756    | 10/02/2020                 | -7   |
| GII        | 04/20 | 2.807   | 3           | 2.813    | 06/02/2020                 | -1   |
| GII        | 05/20 | 2.751   | 50          | 2.767    | 05/02/2020                 | -2   |
| GII        | 06/20 | 2.719   | 30          | 2.755    | 03/02/2020                 | -4   |
| GII        | 07/22 | 2.816   | 60          | 2.819    | 07/02/2020                 | 0    |
| GII        | 05/23 | 2.820   | 10          | 2.814    | 10/02/2020                 | 1    |
| GII        | 07/23 | 2.820   | 26          | 2.868    | 07/02/2020                 | -5   |
| GII        | 11/23 | 2.835   | 35          | 2.828    | 10/02/2020                 | 1    |
| GII        | 08/24 | 2.878   | 120         | 2.960    | 07/02/2020                 | -8   |
| GII        | 10/24 | 2.860   | 30          | 2.872    | 10/02/2020                 | -1   |
| GII        | 08/25 | 2.963   | 1           | 2.921    | 10/02/2020                 | 4    |
| GII        | 10/25 | 2.900   | 90          | 3.063    | 04/02/2020                 | -16  |
| GII        | 03/26 | 2.901   | 111         | 2.962    | 10/02/2020                 | -6   |
| GII        | 09/26 | 2.982   | 60          | 3.096    | 07/02/2020                 | -11  |
| GII        | 07/27 | 3.021   | 10          | 3.137    | 07/02/2020                 | -12  |
| GII        | 10/28 | 3.046   | 240         | 3.097    | 10/02/2020                 | -5   |
| GII        | 07/29 | 3.058   | 520         | 3.141    | 10/02/2020                 | -8   |
| GII        | 06/33 | 3.251   | 300         | 3.254    | 10/02/2020                 | 0    |
| GII        | 08/33 | 3.267   | 10          | 3.348    | 07/02/2020                 | -8   |
| GII        | 11/34 | 3.241   | 361         | 3.262    | 10/02/2020                 | -2   |
| GII        | 10/35 | 3.352   | 40          | 3.367    | 10/02/2020                 | -2   |
| GII        | 08/37 | 3.379   | 139         | 3.410    | 10/02/2020                 | -3   |
| GII        | 09/39 | 3.395   | 80          | 3.411    | 10/02/2020                 | -2   |
| GII        | 05/47 | 3.720   | 21          | 3.750    | 10/02/2020                 | -3   |
| GII        | 11/49 | 3.702   | 40          | 3.716    | 10/02/2020                 | -1   |
|            |       |         | <u>5334</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                   |       | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|--|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Perbadanan Tabung Pendidikan Tinggi Nasional | 03/24 | GG     | 3.037          | 40              | 3.403           | 21/11/2019                             | -37         | 21                        |
| Lembaga Pembiayaan Perumahan Sektor Awarr    | 04/29 | GG     | 3.207          | 10              | 3.278           | 07/02/2020                             | -7          | 22                        |
| DanaInfra Nasional Berhad                    | 09/29 | GG     | 3.201          | 10              | 3.747           | 08/11/2019                             | -55         | 22                        |
| DanaInfra Nasional Berhad                    | 11/29 | GG     | 3.168          | 5               | 3.470           | 17/01/2020                             | -30         | 19                        |
| DanaInfra Nasional Berhad                    | 11/29 | GG     | 3.168          | 5               | 3.470           | 21/01/2020                             | -30         | 19                        |
| Public Bank Berhad                           | 12/29 | GG     | 3.421          | 30              | 3.560           | 20/01/2020                             | -14         | 44                        |
| Turus Pesawat Sdn Berhad                     | 11/32 | GG     | 3.398          | 40              | 3.628           | 17/01/2020                             | -23         | 20                        |
| DanaInfra Nasional Berhad                    | 03/34 | GG     | 3.321          | 5               | 3.418           | 07/02/2020                             | -10         | 12                        |
| DanaInfra Nasional Berhad                    | 07/34 | GG     | 3.389          | 25              | 3.440           | 04/02/2020                             | -5          | 19                        |
| DanaInfra Nasional Berhad                    | 04/40 | GG     | 3.493          | 20              | 3.579           | 10/02/2020                             | -9          | 13                        |
| DanaInfra Nasional Berhad                    | 04/43 | GG     | 3.671          | 10              | 3.689           | 10/02/2020                             | -2          | 30                        |
| DanaInfra Nasional Berhad                    | 11/48 | GG     | 3.820          | 10              | 3.970           | 24/01/2020                             | -15         | 45                        |
| DanaInfra Nasional Berhad                    | 02/49 | GG     | 3.816          | 5               | 3.909           | 30/01/2020                             | -9          | 45                        |
| Manjung Island Energy Berhad                 | 11/20 | AAA    | 3.122          | 10              | 3.209           | 01/10/2019                             | -9          | 36                        |
| Gulf Investment Corporation G.S.C            | 03/21 | AAA    | 3.656          | 10              | 3.658           | 07/02/2020                             | 0           | 90                        |
| Bakun Hydro Power Generation Sdn Berhad (fk  | 08/21 | AAA    | 3.284          | 10              | 3.398           | 08/01/2020                             | -11         | 53                        |
| Putrajaya Bina Sdn Berhad                    | 03/23 | AAA    | 3.126          | 10              | 4.188           | 05/03/2019                             | -106        | 34                        |
| Telekom Malaysia Berhad                      | 10/24 | AAA    | 3.339          | 20              | 3.613           | 17/12/2019                             | -27         | 50                        |
| Aman Sukuk Berhad                            | 05/25 | AAA    | 3.348          | 10              | 3.349           | 10/02/2020                             | 0           | 51                        |
| Sarawak Energy Berhad                        | 01/27 | AAA    | 3.299          | 130             | 3.321           | 10/02/2020                             | -2          | 36                        |
| Danga Capital Berhad                         | 09/27 | AAA    | 3.358          | 30              | 3.428           | 30/01/2020                             | -7          | 40                        |
| Putrajaya Bina Sdn Berhad                    | 09/27 | AAA    | 3.328          | 10              | 3.513           | 11/09/2019                             | -19         | 37                        |
| Sarawak Energy Berhad                        | 11/28 | AAA    | 3.367          | 40              | 3.598           | 16/01/2020                             | -23         | 38                        |
| Sarawak Energy Berhad                        | 04/31 | AAA    | 3.428          | 10              | 3.539           | 28/01/2020                             | -11         | 45                        |
| Sarawak Energy Berhad                        | 11/33 | AAA    | 3.531          | 10              | 3.571           | 10/02/2020                             | -4          | 33                        |
| Hong Leong Financial Group Berhad            | 09/21 | AA1    | 3.345          | 10              | 4.234           | 07/03/2019                             | -89         | 58                        |
| Samalaju Industrial Port Sdn Berhad          | 12/28 | AA1    | 3.698          | 10              | 4.894           | 22/10/2018                             | -120        | 71                        |
| Samalaju Industrial Port Sdn Berhad          | 12/29 | AA1    | 3.776          | 10              | 4.088           | 23/12/2019                             | -31         | 80                        |
| CIMB Bank Berhad                             | 08/26 | AA+    | 3.711          | 1               | 5.148           | 04/02/2020                             | -144        | 82                        |
| First Resources Limited                      | 06/20 | AA2    | 3.387          | 10              | 3.499           | 30/12/2019                             | -11         | 63                        |
| Tanjung Bin Power Sdn Berhad                 | 08/20 | AA2    | 3.203          | 10              | 3.289           | 27/12/2019                             | -9          | 44                        |
| UMW Holdings Berhad                          | 02/21 | AA2    | 3.268          | 10              | 3.284           | 06/02/2020                             | -2          | 51                        |
| UMW Holdings Berhad                          | 10/21 | AA2    | 3.305          | 20              | 3.474           | 19/12/2019                             | -17         | 54                        |
| Anih Berhad                                  | 11/28 | AA     | 3.647          | 30              | 4.069           | 21/11/2019                             | -42         | 66                        |
| BGSM Management Sdn Berhad                   | 08/21 | AA3    | 3.375          | 10              | 3.427           | 06/02/2020                             | -5          | 61                        |
| Country Garden Real Estate Sdn Berhad        | 03/22 | AA3    | 4.494          | 5               | 6.134           | 16/08/2019                             | -164        | 173                       |
| WCT Holdings Berhad                          | 04/26 | AA-    | 4.321          | 15              | 4.586           | 15/01/2020                             | -27         | 143                       |
| CIMB Thai Bank Public Company Limited        | 07/26 | AA3    | 3.886          | 2               | 3.993           | 03/02/2020                             | -11         | 99                        |
| AmBank (M) Berhad                            | 03/27 | AA3    | 3.926          | 1               | 4.494           | 06/02/2020                             | -57         | 99                        |
| AmBank Islamic Berhad                        | 02/28 | AA3    | 4.253          | 1               | -               | -                                      | -           | 129                       |
| UEM Sunrise Berhad                           | 10/25 | AA-    | 3.536          | 10              | 3.600           | 04/02/2020                             | -6          | 64                        |
| UiTM Solar Power Sdn Berhad                  | 04/28 | AA-    | 4.373          | 3               | 4.669           | 08/01/2020                             | -30         | 141                       |
| Penang Port Sdn Berhad                       | 12/31 | AA-    | 4.000          | 10              | 4.139           | 31/01/2020                             | -14         | 102                       |
| IJM Land Berhad                              | 03/19 | A2     | 4.413          | 5               | 4.401           | 23/01/2020                             | 1           | 105                       |
| YNH Property Berhad                          | 08/19 | -      | 6.673          | 6               | 6.408           | 10/02/2020                             | 27          | 331                       |
| Eco World International Berhad               | 05/23 | -      | 5.350          | 1               | 5.351           | 07/02/2020                             | 0           | 256                       |
|  |       |        |                | <u>694</u>      |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**Businessman Tan Sri Wan Azmi Wan Hamzah and Datuk Mohd Zakhir Siddiqy Sidek are set to emerge as substantial shareholders of Scomi Energy Services Bhd as they have opted to take over the company's shares pledged against loans extended to Scomi Group Bhd following a default last month.** In a bourse filing yesterday, Scomi Group said it has missed the remedy period to repay Wan Azmi and Gelombang Global Sdn Bhd (GGSB) — Mohd Zakhir's private vehicle — RM21 million each that Scomi Group borrowed middle of last year. The two loans were securitised against 435.23 million shares in Scomi Energy owned by Scomi Group which represented an 18.6% stake in Scomi Energy — or 9.3% each for Wan Azmi and GGSB. The pledged shares valued Scomi Energy at 9.65 sen per share, against its last closing of 5.5 sen per share. Following the default on Jan 21, each of the lenders had the option to instruct the appointed trustee Malaysian Trustees Bhd (MTB) to dispose of the pledged shares, or to take over the pledged shares and become substantial shareholders, Scomi said. "On Feb 11, 2020, both Tan Sri Wan Azmi and GGSB have each given notices to MTB to procure the transfer to themselves respectively such number of pledged shares," the company said. "The company is seeking legal advice on its next course of action which will be announced

in due course," it added. Scomi Group had obtained the loans as part of its proposals to reduce its liabilities and improve its capital base, including the reduction of its issued share capital from RM224.96 million to RM3 million and consolidation of every four shares to one. Just like Scomi Group, Scomi Energy had also defaulted on its financing facilities — RM55 million worth of Series E of the Guaranteed Serial Bonds issued by the latter's subsidiary. Scomi Energy had asked to postpone the payment to its bondholders to Feb 28. The bondholders had until Jan 21 to revert, but Scomi Energy has not revealed the outcome of its request.. (Source: *The Star*)

**All eyes will be on Bank Negara Malaysia's (BNM) assessment of the nation's economy at its media conference today, amid expectations of slower growth in the final quarter of 2019 (4Q19) and the Wuhan virus' ripple effects.** More importantly, aside from the 4Q gross domestic product (GDP) scheduled to be released today, market watchers will be seeking cues from Bank Negara Malaysia's (BNM) governor Datuk Nor Shamsiah Mohd Yunus on BNM's input for the economic stimulus package that Putrajaya had promised to deliver over the next few weeks. "The 4Q19 numbers will set the tone on what to expect this year, with current concerns over the virus outbreak, and the consequential impact on China's trading partners, including Malaysia," Socio-Economic Research Centre executive director and economist Lee Heng Guie told *The Edge Financial Daily*. "I would expect them (BNM) to give some guidance on how they will work together with the various ministries and key agencies to manage this short-term disruption," said Lee when contacted. Economists are expecting GDP growth to decelerate in 4Q19, compared with that in the previous quarter, dragged by weaker exports and private investments, coupled with a weak performance in major sectors amid the US-China trade war. The headwinds prompted BNM to cut the overnight policy rate (OPR) by 25 basis points (bps) in January to 2.75% — a nine-year low. Now, the virus outbreak is taking a toll on private consumption, the prime mover of the economy in recent times. On Monday, the Malaysian Association of Hotels said as at Saturday, there were 95,972 room cancellations amid the outbreak, resulting in a revenue loss of RM40 million. In a research note published yesterday, CGS-CIMB expects Malaysia to "remain stuck in a low-growth environment in 1Q20" as weaknesses in commodities spilled over into other segments. "While there are considerable uncertainties about the economic impact from the virus outbreak, we estimate a 0.5% could be shaved off Malaysia's GDP growth in 1Q20 due to the direct impact of restricted travel on tourism, transportation and consumer spending, as well as a weaker export demand for commodities and manufactured goods from China's slowing economic expansion," said the research house. However, the ministry of finance had set a deadline for the economic stimulus package release to address the virus outbreak's impact by end-February or early March. Separately, the economic affairs ministry has identified the tourism, retail and aviation industries as the stimulus package's main recipients, according to reports. Earlier this week, Malaysian banks began offering assistance to individuals as well as small and medium enterprises impacted by the virus outbreak. CGS-CIMB estimated the stimulus package "could be in the ballpark" of RM8.1 billion spent during the severe acute respiratory syndrome outbreak in 2003. That, it said, is equivalent to 0.5% of Malaysia's GDP in today's terms. "We expect the policy mix to be strengthened by a further dose of monetary easing, and project BNM to reduce the OPR by a further 25bps to 2.50% in 1H2020 (the first half of this year)," the research house added. Meanwhile, Lee recommends that government projects be expedited along with small measures such as a freeze on tourism tax, a voluntary reduction in pension fund contribution, and a close monitoring of potential lay-offs that would emerge in the affected sectors. "If there is a need for a higher budget deficit [from the targeted 3.2%], I am sure the government still can do some outright targeted spending. "The government could also set up funds to provide financing at a lower rate," he added. "It is inevitable that the headwinds will impact the economy, but these measures are in the right direction to ease the economic pain." The government has forecast a GDP growth of 4.7% for 2019, within the central bank's expected 4.3% to 4.8%. Economists polled on Bloomberg expect a median GDP growth of 4.5% for 2019 and 4.1% for 4Q19.. (Source: *The Edgemarkets*)

| Rating Action          |   |                |            |
|------------------------|---|----------------|------------|
| Issuer                 | PDS Description   | Rating/Outlook | Action     |
| Cendana Sejati Sdn Bhd | RM360 million Senior Sukuk Murabahah MTN Programme (Senior Sukuk Programme) | To C3 from C1  | Downgraded |

Source: RAM, MARC

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