17 January 2023

Market Outlook | Market Strategy

Regional Equity Strategy

Turning The Corner

- **Macroeconomic indicators flashing positive for equities.** RHB believes the monetary tightening cycle is close to peaking, with the terminal US Federal Funds Rate (FFR) forecasted to peak at 5.00-5.25% in 2023. The US is expected to avoid a deep recession, with growth resuming in 2H23. Recent data suggests that inflation has already crested. China's re-opening continues apace, which bodes well for global growth in 2H. Our preferred regional market is Thailand, on the pent-up demand for travel and tourist arrivals from China.
- **Indonesia.** The JCI is likely to remain highly volatile, amidst expectations of a further weakening of the IDR and negative sentiment from global recession fears in 1Q23. However, we believe the JCI should trend upwards in 2H23 on improved macroeconomic conditions, as consumer spending is likely to normalise after the increase in the minimum wage is realised and the impact of inflation subsides. We prefer a bottom-up approach – investors should buy on dips, for the large-cap value stocks and counters with solid fundamentals. Our end-2023 target for the JCI is 7,450pts, based on 11.3x FY24F P/E (-1.5SD from the market's 5-year P/E band) with FY23-24F EPS growth of 7.1-8.2% YoY – driven by the financial services, basic materials and consumer sectors.
- **Malaysia.** Investors should actively look at opportunities to build equity positions on weakness. The market continues to seek clarity on key government policy priorities following the formation of the unity government – which keeps regulatory risks elevated. The re-tabling of Budget 2023 on 24 Feb will be an important milestone that will offer clues on key priorities and initiatives for the unity government. Investors should accumulate large-cap value stocks on weakness, with selective opportunities in the small- and mid-cap spaces. We have OVERWEIGHT ratings on banks, oil & gas (O&G), gaming, basic materials, non-bank financial institutions (NBFIs), healthcare and property. Our end-2023 FBM KLCI target of 1,660pts is based on 15x (-0.5SD to mean) target P/E to FY24F EPS.
- **Singapore.** The STI should deliver double-digit EPS growth, on strong growth from the banks. While its low P/E could reflect investor concerns about the sustainability of EPS growth amidst a potential recession, this is not the base case. The positive effects of higher tourist inflows from China's reopening on the tourism, services, and retail sectors should offset effects of the global slowdown on the local economy. We believe Singapore equities will end higher this year, even as global recession risk and central banks' policies keep markets volatile in the short term. Our end-2023 target for the STI is 3,440pts, from ascribing 11.5x target P/E to 2024F earnings.
- **Thailand.** The effects of the COVID-19 pandemic, inflation and rising interest rates continue to dominate Thailand's economic landscape. The SET will continue to face these challenges in 1H23, albeit at a slower pace. Despite the threat of a global economic downturn, Thailand should post more robust YoY figures, as 2023 will mark a full year of economic reopening activities following the pandemic's devastation of businesses. Consumer spending, tourism, and investment growth are critical economic drivers. Also, the upcoming general election in May 2023 will be another market driver. Our end-2023 target for the SET is 1,818pts, premised on 18x target P/E.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-23F	P/B (x) Dec-23F	ROAE (%) Dec-23F	Yield (%) Dec-23F
Airports of Thailand	Buy	THB82.00	10.4	64.7	8.2	13.9	0.9
Bank Negara Indonesia	Buy	IDR11,600	36.5	7.9	1.0	13.9	4.2
CIMB	Buy	MYR7.00	21.3	9.5	0.9	10.0	5.3
CP ALL	Buy	THB79.00	15.3	31.3	5.5	18.6	1.6
DBS	Buy	SGD41.10	18.6	8.9	1.4	16.3	4.7
Kasikornbank	Buy	THB175.00	12.9	8.4	0.7	8.3	2.9
Mayora Indah	Buy	IDR3,000	23.5	22.8	4.0	18.6	1.8
Mr DIY Group	Buy	MYR2.62	33.0	28.7	10.6	40.7	1.7
Sime Darby	Buy	MYR2.80	21.2	12.4	0.9	7.7	5.3
Singtel	Buy	SGD3.30	34.7	15.0	1.3	9.0	5.0
ST Engineering	Buy	SGD4.15	22.8	17.0	4.0	24.2	3.7
Vale Indonesia	Buy	IDR8,300	13.3	18.6	1.8	11.0	-

Source: Company data, RHB

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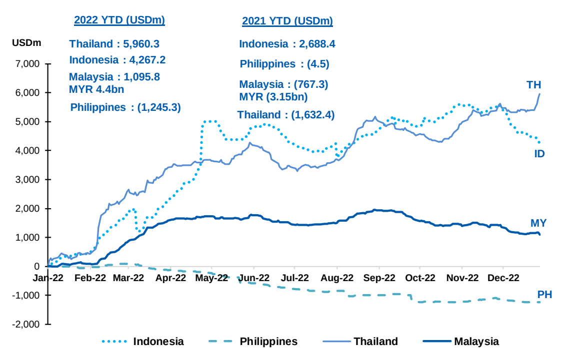
Regional foreign fund flows for 2023 YTD



Source: Bloomberg, RHB

Indonesia Strategy

Cautiously optimistic in 2023

The JCI's volatility is expected to remain elevated in 1Q23, but we believe that it will begin to trend upwards in 2H23. We anticipate consumer spending to normalise during the latter period, after the increased minimum wage is realised and impact of inflation subsides. Historically, increases in the former are most commonly seen at the end of 1Q or start of 2Q of any given year. This should have a multiplier effect on consumer spending and bring about a positive impact on the overall economy, as domestic spending accounts for the majority of Indonesia's GDP.

We detail the key investment highlights for 2023 below.

Bank Indonesia (BI) rate will likely still increase, but at a slower pace

Following the recent aggressive BI 7-Day Reverse Repo Rate (7DRRR) hike, our economists forecast the central bank's rate to further increase by 50bps in 2023. BI's rate movements are likely to be in line with the US Fed's expected rate trends. Note that the central bank aggressively increased the 7DRRR by 150bps in the last four months, to 5.50% in December.

So far, the effect of this aggressive rate hike has been limited to consumer spending, but we anticipate it will begin to have an impact on the overall economy in early 2023. The impact of BI's 7DRRR increases on interest rate-sensitive metrics such as vehicle and real estate sales appear to be minimal in 2022. According to our channel checks, banks and financing companies have not increased the majority of their loan rates because the cost of funds remains relatively low. Indonesian banks currently have high liquidity levels, but the loan-to-deposit ratio (LDR) has recently increased slightly. We believe banks will begin raising their deposit and lending rates in 1Q23, which will bring up financing costs. It is also possible that loan growth will slow during the latter quarter – and most likely start normalising and accelerating in 2H23 when BI begins to halt its 7DRRR rate hikes.

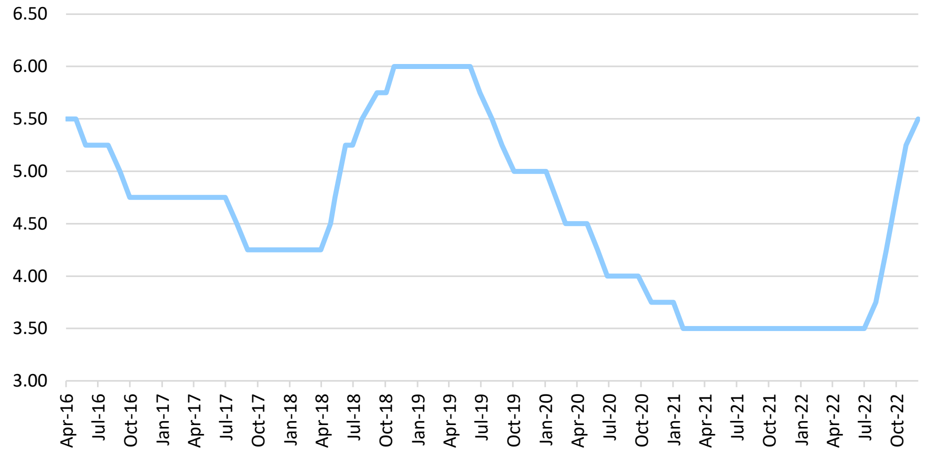
We expect slower growth in interest-sensitive sectors, eg vehicle and property sales in 2023. Demand for 4-wheeler (4W) and 2-wheeler (2W) vehicles were quite robust in 2022. According to the most recent data from the Indonesian Automotive Industry Association or GAIKINDO, 4W wholesales increased 19.2% YoY in 11M22 while 2W wholesales only increased 1.5% YoY due to limited supply (primarily attributed to the global semiconductor shortage). We also note that monthly 4W vehicle wholesales have returned to pre-pandemic levels.

Meanwhile, according to the latest published data, property presales have also increased by an average of c.4% YoY in 9M22. These strong numbers are being supported by tax incentives, as well as the low base in the previous year.

In 2023, we expect 4W wholesales to rise around 3% YoY after booking very strong growth in 2022. We also expect 2W wholesales growth to recover, thanks to normalising manufacturing activities while property sales will rise c.5% YoY.

2023's sales growth is likely to return to normal levels, as some banks and financing companies begin to raise their lending rates. We believe the impact of the higher interest rates will likely be at its worst in 1Q23. However, increased consumer spending in 2H23 should partially offset the negative impact of these higher financing costs.

Figure 1: BI likely to still increase 7DRRR in 2023, but at a slower pace



Source: RHB

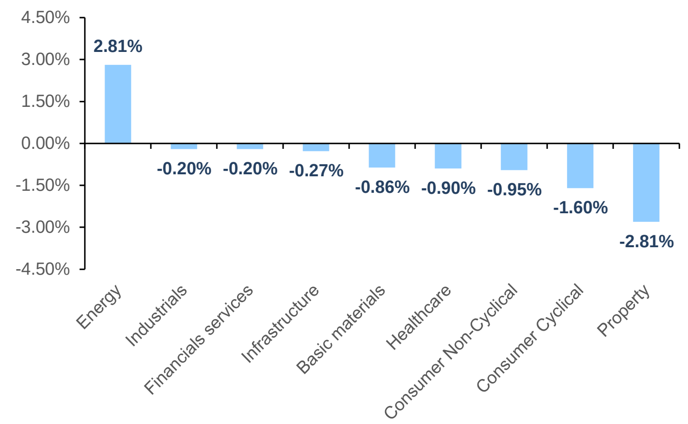
IDR to begin strengthening in 2H23

The US Fed is likely to ease its tightening policy in 2H23, which should reduce the spread between the Indonesian 10-year government bond and US 10-year treasury yields. This move is also expected to strengthen the IDR in the second half of the year, which is positive for the country's overall economic wellbeing.

In 1H23, we expect the IDR to trade in the range of 15,500-16,000 per USD. A moderating commodity price environment should lead to a current account deficit in 1Q23, which is one of the drivers of a weaker domestic currency. Indonesia's international reserves, which are six months ahead of the IDR, have fallen 7.5% YTD, ie January-October.

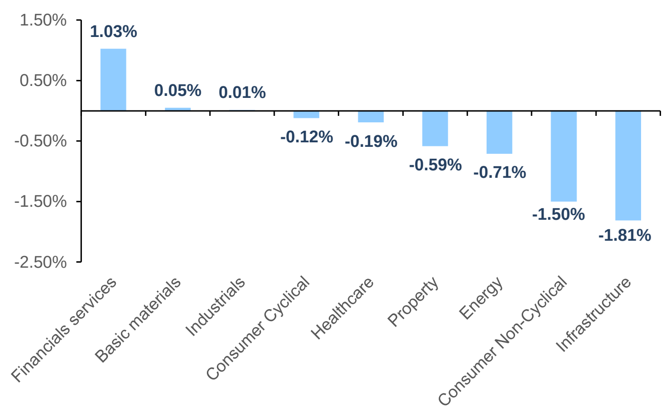
However, the IDR is expected to strengthen against the USD in the 15,000-15,500 range in 2H23. Market expectations will almost certainly be anchored on a peak FFR forecast. As the Federal Open Markets Committee or FOMC moves toward FFR cuts in 2024, nominal interest rate differentials may fall. Separately, we anticipate Indonesia's growth momentum to accelerate in 2H23 as trade and manufacturing prospects improve.

Figure 2: Weaker IDR sensitivity to changes in earnings



Source: Bloomberg, RHB

Figure 3: Earnings sensitivity to a 25bps BI rate hike



Source: Bloomberg, RHB

New nickel smelters beginning operations in 2023 should benefit shipping

Shipping companies are among the key beneficiaries, eg Pelita Samudera Shipping (PSSI IJ, BUY, TP: IDR800), Trans Power Marine (TPMA IJ, NR), and Habco Trans Maritima (HATM IJ, BUY, TP: IDR530). As with other shipping companies, we believe PSSI will benefit from the undersupply of tugboats and barges in the market now. The expected 5% YoY rise in coal production next year still provides positive support for its business.

PSSI has a sizeable fleet of 37 tugboats, 36 barges, and five sets of motor vessels (MVs) – all with utilisation rates of above 85%. This is especially so for MVs, which have utilisation rates of c.92%. Its MV vessels are operating with high shipping rates, given the limited availability of MVs in the industry.

TPMA has signed a contract with Pacific Pelayaran Indonesia and T&J Industrial Holding (part of Tsingshan Group) to form a JV that will operate a coal transhipment business. According to the company, Tsingshan Group will be expanding its production lines to 100 from 85 currently over the next two years – the group will then need an estimated 20m tonnes of coal annually for its power plant.

To deal with the vessel supply shortages, HATM has purchased secondhand vessels, which provide faster vessel availability, albeit at high prices. We have seen another impact of the recent condition – the Baltic Dry Index, a benchmark for shipping rates, rose from about USD1,000 to levels of over USD5,000 in Sep 2021. Such rates have helped provide support to HATM's earnings.

Unlocking new potential from the bauxite ore ban

To capitalise on more value from the abundance of raw materials, the Government implemented an export ban policy for unprocessed materials – an export ban for raw nickel ore has been in effect since 2020, while that for bauxite is expected to be implemented in June. This should boost the development of the downstream industry in Indonesia, ie smelters. Action was taken in hopes of boosting sentiment towards investing in bauxite development – eg there are only three alumina smelters operating locally at this time – which will accommodate more output for upcoming aluminium smelters in future. Note: Indonesia imports c.750k tonnes of aluminium per year on average, vs the domestic output at c.230k tonnes. To produce 1m tonnes of aluminium, 1.9m tonnes of alumina is required – the latter is derived from 2-4m tonnes of bauxite ore. Note that Indonesia has 1.2bn tonnes of bauxite reserves, equivalent to 4% of the world's reserves.

The Government said eight more smelters will be operational within the next two years, which will absorb more than c.35m tonnes of bauxite ore pa (c.75 years of mine life nationwide), ie a potential input for more aluminium production. This could translate to cheaper alumina materials instead of having to purchase it from overseas. Apart from aluminium, Indonesia was also sources the alumina – mostly from India and Australia – at c.500k tonnes per year. In our view, this will benefit companies that plan to engage in the aluminium business, eg Adaro Minerals (ADMR IJ, NR).

Previously, the impact from export ban policy for nickel ore has been quite positive in supporting the national trade balance through additional value from its downstream products. We might see a similar success story from the bauxite ban as well. Note: Bauxite ore and aluminium were sold at USD5 and c.USD3,000 per tonne recently – EBITDA margins may be at c.12% for smelter companies.

New Public Service Agency (BLU) policy impact on coal companies

We see the impact as generally positive for coal miners here. A similar scheme is already in place for the CPO industry, where the disparity between domestic sales prices and the global benchmark is subsidised by BLU. CPO and coal are amongst the commodities that have regulated prices, which are capped via the domestic market obligation (DMO) to benefit local users.

The BLU scheme is deemed by the consensus to be beneficial for miners, as it will allow for higher ASPs, especially for those more focused on domestic sales. This is especially true when global commodities are on a strong uptrend, as the implementation of the DMO partially removes the benefit of higher prices. Coal miners are required to sell c.25% of their total annual volumes produced in Indonesia, with the maximum price capped at USD70 per tonne for utilities and USD90 per tonne for other industries (except smelters). Utilities represent c.70% of total coal demand in Indonesia.

Under this scheme, power producers operated by the state under Perusahaan Listrik Negara (PLN) and those operating privately – ie independent power producers (IPPs) – will be required to buy thermal coal under spot/contract prices. BLU will cover the disparity in prices – by transferring the subsidy fund to PLN and/or the IPPs – so that buyers will still enjoy the capped price while sellers receive a premium from higher spot prices. Of course, this is if spot prices are higher in relation to DMO prices. To cover the funds needed for this scheme to work, the Government will regulate a policy (still in progress) for the BLU to enforce a specific fee from all coal companies – the contributions will be calculated evenly for all coal miners in per tonne units.

In an example scenario, FY23 national coal output is targeted to reach 694m tonnes (+4% YoY) with c.160m tonnes for domestic use, using specific calories. We have assumed the price average at c.USD200 per tonne – still higher than the DMO's USD70-90 per tonne price range. Based on the scheme's draft plan, the price difference – at c.USD135 per tonne – will be divided by total coal production cost or c.USD12 per tonne (coal producers with higher export destinations will probably pay higher fees for the BLU scheme). This is the amount the agency will impose on coal companies to sustain the scheme, ie c.USD9bn in total.

This scenario should not be taken as an absolute reference nor official statement (more details are expected to come in 1Q23), but rather as a rough idea on the BLU funding.

New incentives should hasten EV manufacturing growth

Industry Minister Agus Gumiwang Kartasasmita recently stated the Government will provide IDR80m and IDR8m in incentives for the purchase of electric cars and electric motorcycles. The quantum for these incentives is still being calculated, but we understand that an incentive of c.IDR80m will be given to purchase an electric car or battery EV (BEV) while c.IDR40m will be given for the purchase a hybrid car. The incentive for purchasing a new electric motorcycle is IDR8m, while the incentive for purchasing a converted motorcycle – where the 2W's petrol engine is replaced with an electric motor – is IDR5m. Buyers of cars or EVs from manufacturers with factories in Indonesia will also be given incentives.

Currently, BEV sales contributions to total national car sales remain low. However, several car manufacturers, including Hyundai and Wuling, have begun to produce or assemble BEVs for a broader target market. Astra International (ASII IJ, BUY, TP: IDR7,650) has also introduced EVs and, particularly, hybrid models, which have gained traction. An example of this is the Toyota Innova Zenix (market leader in the national 2,000cc medium MPV segment and c.7% of ASII's YTD wholesales), which has been well received by the market – over 4,000 units have been ordered since its introduction in November, with a c.6-month waiting period. According to our channel checks, the Toyota Fortuner hybrid will be released to the market at the end of this year or in early 2023. Fortuners account for around 4% of the company's YTD wholesales. ASII has said that, due to the planned EV incentives, it will likely adjust its EV sales prices. However, based on historical data, despite price adjustments, the company still benefited from tax incentives during the pandemic. The previous tax incentives created room for ASII to lower its sales discount.

Overall, the EV incentives should be positive for Indonesia's auto companies, as well as vehicles spare parts players such as Astra Otoparts (AUTO IJ, BUY, TP: IDR1,900) and Dharma Polimetal (DRMA IJ, NR)

Green businesses like renewable energy (RE) to emerge

A USD20bn financing agreement was signed to aid in the early retirement of coal-fired power plants in Indonesia, boosting the use of RE. US and Indonesian Presidents Joe Biden and Joko Widodo (Jokowi) recently announced a climate finance agreement to assist Indonesia in transitioning away from coal power. The country will commit towards capping CO2 emissions from its electricity sector at 290 megatonnes by 2030 – a cap that will apply not only to the domestic conventional power grid, but also to power suppliers for industrial facilities.

Indonesia will also set a goal to achieve net-zero emissions in the power sector by 2050, and commit to increasing RE deployment to at least 34% of total power generation by the end of this decade. This should significantly benefit Kencana Energi (KEEN IJ, BUY, TP: IDR1,380), Arkora Hydro (ARKO IJ, NR), and Barito Pacific (BRPT IJ, NR).

Brighter consumer spending in 2H23

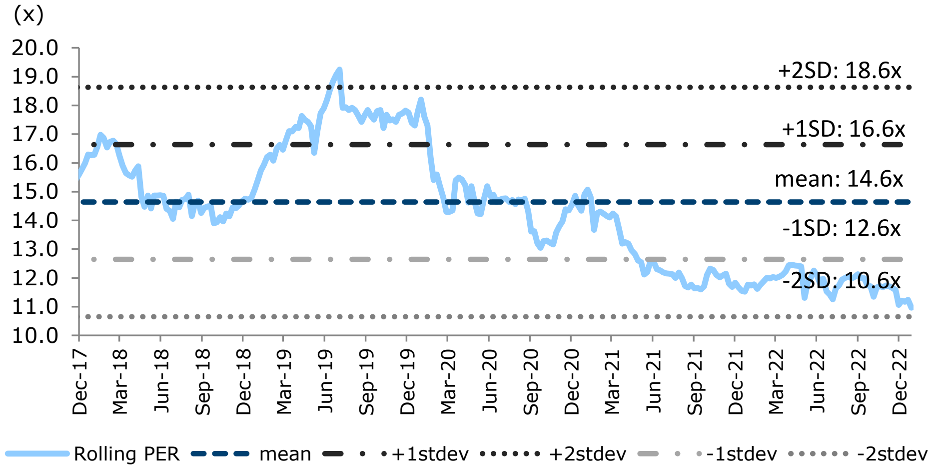
We maintain our OVERWEIGHT call for staples and NEUTRAL weighting for retailers in 1H23. We think consumer staples players should be more defensive against the impact of higher inflation. We also see these operators enjoying strong margin recovery from decreasing commodity prices.

We also see a brighter future ahead for retailers, particularly in 2H23, owing to the subsiding impact of inflation and a potential windfall from the upcoming election period here. We think the impact of the minimum wage and rental increases should be more priced-in in 2H22.

JCI: End-2023 target of 7,450pts

Our year-end 2023 target for the JCI is 7,450ps, based on our conservative scenario that puts the FY24F P/E at 11.3x (-1.5SD from the 5-year historical P/E mean). Some challenges on the macroeconomic side remain as the downside for the overall tone in the market, but we see several defensive sectors – most notably financial services and consumer – that could stave off the risks.

Figure 4: The JCI's 12-month forward-rolling P/E band



Source: Company data, RHB

- The JCI is trading close to -2SD from its 5-year mean, which still implies upside potential from growth next year despite with prevailing challenges from macroeconomic factors. We expect FY23-24 earnings to grow 7% and 8% YoY

Figure 5: The JCI's key statistics

Market data	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	18.1	16.2	5.9	6.1
Operating profit growth (%)	44.0	31.4	7.0	7.2
Net profit growth (%)	61.9	37.2	7.1	8.2
Current P/E (x)	17.4	12.7	11.9	11.0
EPS (IDR)	414	568	609	659
PEG (x)	0.3	0.3	1.7	1.3
EV/EBITDA (x)	11.9	10.0	8.5	7.6
P/BV (x)	2.1	1.9	1.7	1.6
Dividend yield (%)	4.1	5.3	6.3	5.5
ROE (%)	12.0	14.8	14.7	14.9

Source: Company data, RHB

- The JCI offers attractive dividend yields of 6% for FY23-24F, driven by lucrative dividend payments in the coal, banking and tobacco sectors
- It also offers handsome ROEs of c.15% for the same period

Figure 6: Summary of earnings growth for stocks under our coverage (2023-2024F)

Sector	Mkt cap IDRtrn	Weight %	2023F Net profit growth (YoY %)		2023F P/E (x)		2024F Net profit growth (YoY %)		2024F P/E (x)	
			RHB	Cons.	RHB	Cons.	RHB	Cons.	RHB	Cons.
Financials services	2,348	49.0%	16.8	15.1	12.9	13.0	12.1	11.7	11.5	11.6
Consumer non-cyclical	694	14.5%	17.4	17.4	14.3	15.0	10.1	10.3	13.0	13.6
Infrastructure	510	10.7%	9.4	15.2	13.4	14.8	24.1	17.2	10.8	12.6
Industrials	314	6.6%	24.5	18.9	19.9	21.0	9.6	20.9	18.1	17.4
Energy	312	6.5%	-4.1	-6.8	7.9	6.8	4.3	2.2	7.6	6.7
Basic materials	271	5.7%	-22.3	-23.6	5.2	4.4	-22.4	-18.9	6.7	5.4
Healthcare	180	3.8%	21.6	15.7	29.7	28.5	18.2	14.4	25.1	24.9
Consumer cyclical	83	1.7%	16.1	12.7	7.4	7.6	21.4	12.3	6.1	6.7
Property	78	1.6%	10.5	13.0	9.9	10.3	20.0	11.3	8.2	9.3
Total	**4,790**	**100%**	**7.1**	**4.2**	**11.9**	**11.8**	**8.2**	**6.9**	**11.0**	**11.1**

*Note: *Sector classification based on the JCI's official grouping index – the table above excludes the tech and transport indices*
Source: Company data, RHB

Prefer banks, consumer staples, metal mining, shipping and RE

Banks continue to be our preferred sector, as earnings growth is expected to be faster than in other industries. Due to working capital, consumer and investment loans demand, loan growth will remain healthy in the low teens in 2023, in our view, while NIM expansion will most likely be moderate, as banks would be hesitant to raise interest rates. Asset quality is improving as a result of the gradual decline in the loan-to-asset ratio (LAR) and the normalisation of new NPL formation. CoC would be lower, due to adequate LAR coverage. Large-cap banks are preferred, due to their better funding profiles and higher provisions.

Consumer spending is expected to return to normal in 2H23. Lower commodity prices – particularly for wheat, chocolate, and sugar – tend to benefit consumer companies. However, because ASPs have increased significantly YTD, GPMs are expected to widen. We believe normalising consumer spending will increase sales volumes in 2H23.

Metal mining, particularly of nickel, and support industries such as shipping, should benefit from new smelter operations – these could begin in late 2023 or early 2024. Meanwhile, we believe that nickel demand will rise in the short term, driven by improving sentiment over the property sector and increased steel manufacturing in China as a result of the relaxation of the Chinese Government's zero-COVID policy. Because of the start-up of new nickel smelters, the demand for nickel and coal shipments is expected to rise. However, tug & boat supply is limited.

RE and carbon trading are appealing for the long term. A USD20bn financing agreement was signed recently to aid in the early retirement of coal-fired power plants and accelerate the green industry in Indonesia.

Figure 7: Sector rotation summary

Sector	Top Picks (denoted by stock code)
OVERWEIGHT	
Financial services - banks	BBRI, BBNI
Non-cyclical - consumer staples	MYOR, ROTI
Infrastructure - telco	EXCL
Industry - auto	ASII, AUTO
Basic materials - cement	INTP
Basic materials - metal mining	INCO
Energy - O&G	PGAS
Transportation - shipping	HATM
Property - industrial estates	DMAS
Healthcare	HEAL
NEUTRAL	
Energy - coal	UNTR
Cyclical - retail	MAPI
Property - residential developer	CTRA
Infrastructure - construction	PTPP
Non-cyclical - plantation	LSIP
Non-cyclical - poultry	JPFA
UNDERWEIGHT	
Non-cyclical - tobacco	HMSP

Source: Bloomberg, RHB

Figure 8: Top 20 stocks offering the highest dividends

		Recommendation	Last price	TP	EPS growth		Div. yield		P/E	PBV	ROE
					2022	2023	2022	2023	2022	2022	2022
Bukit Asam	PTBA IJ	TRADING BUY	3,400	5,600	49.0	-28.4	12.8	13.6	3.3	1.2	38.4
Indo Tambangraya	ITMG IJ	TRADING BUY	36,075	49,300	74.8	-27.5	10.5	18.0	3.4	1.6	45.2
Adaro Energy	ADRO IJ	TRADING BUY	3,180	4,800	104.8	-34.6	9.6	19.3	3.7	1.2	33.1
Gudang Garam	GGRM IJ	NEUTRAL	17,275	36,000	-45.4	28.6	9.6	6.7	10.6	0.6	4.6
Bank Jabar	BJBR IJ	BUY	1,335	1,800	6.2	20.7	9.4	10.0	6.5	0.9	15.4
Deltamas Pura Lestari	DMAS IJ	BUY	159	250	57.1	6.8	9.1	9.7	6.8	1.2	18.0
United Tractors	UNTR IJ	BUY	25,075	38,000	79.5	-20.1	7.9	6.3	5.1	1.1	21.7
Astra Agro Lestari	AALI IJ	SELL	7,925	7,420	-25.7	6.8	7.6	6.0	10.4	0.7	6.7
Bank Jatim	BJTM IJ	BUY	705	1,000	27.5	22.5	7.5	9.6	5.4	0.9	16.1
Perusahaan Gas Negara	PGAS IJ	BUY	1,530	2,200	53.0	8.9	7.4	11.1	5.6	0.7	15.8
HM Sampoerna	HMSP IJ	BUY	835	1,200	-6.8	8.4	7.2	7.2	14.6	3.4	21.6
Matahari Department Store	LPPF IJ	NEUTRAL	4,040	4,800	29.6	15.4	7.0	9.0	8.1	6.8	76.7
Bank CIMB Niaga	BNGA IJ	BUY	1,125	1,270	6.7	13.8	5.8	6.2	6.5	0.6	9.3
PP London Sumatra Indonesia	LSIP IJ	NEUTRAL	1,005	1,070	2.7	-5.3	5.8	5.9	6.7	0.6	9.4
Bank Mandiri	BMRI IJ	BUY	8,950	11,450	40.8	11.1	5.7	6.3	10.6	1.9	16.7
Japfa Comfeed Indonesia	JPFA IJ	BUY	1,360	2,750	-8.5	23.5	5.0	5.2	8.6	1.2	13.1
Indocement	INTP IJ	BUY	10,175	12,500	-28.5	45.1	4.9	2.4	29.3	1.9	6.5
Arwana Citramulia	ARNA IJ	BUY	1,005	1,490	26.3	6.8	4.8	6.0	12.4	4.2	33.7
Erajaya Swasembada	ERAA IJ	BUY	424	510	-11.0	10.4	4.5	2.7	7.5	1.0	13.4
Ramayana Lestari	RALS IJ	NEUTRAL	645	610	30.6	60.7	4.3	2.6	20.5	1.2	6.1

Note: Data as per 11 Jan 2023
Source: Bloomberg, RHB

Figure 9: Sector highlights and outlook

Sector	Rating	Highlight/outlook	Top Picks
Financial services – banks	OVERWEIGHT	Loan growth will remain in the low teens in 2023, owing to broad-based credit demand. NIM expansion would most likely be moderate, as banks would be hesitant to raise interest rates, given the ample liquidity. Asset quality is improving as a result of the gradual decline in LAR and the normalisation of new NPL formation. Credit costs would be lower in 2023, thanks to an adequate LAR coverage ratio. Earnings in the sector are expected to increase by 16% YoY in FY23 following a 39% YoY hike in FY22F. PPOP will rise by 12% YoY due to healthy income growth. Credit costs are likely to fall to 1.32% in FY23, vs 1.44% in FY22F. We remain bullish on bank stocks. Large-cap banks are preferred due to their better funding profiles and higher provision coverage.	BBRI, BBNI
Non-cyclical – consumer staples	OVERWEIGHT	We think consumer staples companies should be more defensive against a spike in inflation levels. Such companies should enjoy strong margin recovery from decreasing commodity prices.	MYOR, ROTI
Infrastructure – telecommunications	OVERWEIGHT	Inflationary pressure could shift purchasing decisions towards low-data packages with cheaper prices, which are typically more expensive than high-data ones. Hence, we believe operators will have room to increase ARPU. Additionally, they have been focusing on other growth streams outside of the intense competition in the cellular segment. Fixed broadband, data centres, and IT managed services have far lower penetration rates, and offer high growth potential. Our Top Pick for the sector is XL Axiata (EXCL), given its first-mover advantage in terms of its fixed mobile convergence strategy to obtain lower churn rate subscribers and, hence, ARPU improvement.	EXCL
Industry – auto	OVERWEIGHT	Wholesale demand for 4W and 2W vehicles is expected to remain strong in 2023. Increased manufacturing activities and export vehicles should benefit auto spare parts manufacturers as well. Automakers' ASPs have increased in 2022, but demand for 4W and 2W vehicles remains strong – this is despite increased competition from new players, particularly Hyundai and Wuling, which aggressively launched new models. In spite of this, Astra International (ASII) retained a larger market share. The company is still concentrating on hybrid models for 4W market expansion, with a 4W EV for the mass market expected in 2024. ASII plans to introduce short-distance 2W EVs too.	ASII, AUTO
Basic materials – cement	OVERWEIGHT	We have a conservative view on volumes, expecting this to contract by 2% next year amidst the oversupply situation. However, earnings growth will be driven by margin recovery, especially on Indocement Tunggal Prakarsa (INTP) after gradually receiving coal with the DMO price (USD47/tonne). Its EBITDA margin improved in 3Q22 to 20% – thanks to a 60% contribution from DMO coal. For 2023, management is still negotiating to secure more DMO coal, which still remains at 15% of FY23F consumption currently, and there is more upside from normalising coal prices. INTP has entered into a lease agreement with Bosowa Corp while Semen Baturaja is consolidating with SMGR – these moves should strengthen their market share in different regions and potentially to reduce the price war risk.	INTP

Basic materials – metal mining	OVERWEIGHT	Macroeconomic risks halting the commodities trend trajectory remains the main medium-term risk for the mining sector. However, should the trajectory resume (ie a better outlook on China's economy from the easing of the zero-COVID policy), demand for base metals (especially from faster EV adoption and heightened RE development) will recover, pushing up prices once again. Conversely, mining investment throughout the world remains limited, thereby keeping supply at a low for periods ahead.	INCO
Energy – O&G	OVERWEIGHT	We maintain Brent crude oil price forecasts for 2023 and 2024 at USD90 and USD80 per bbl. YTD-Nov 2022 prices have averaged at USD100 per bbl, which was still in line with our estimate of IDR102 per bbl. However, in 4Q22, there was pressure on Brent oil prices, attributed by fears over higher recession risks as a result of: i) The US Fed's tightening policies, ii) a stronger USD, and iii) weaker China consumption. This was coupled with the decision by the EU to ban Russian crude imports and the G7's price cap. Upside for crude oil prices rising above and beyond our revised forecasts could come from: i) OPEC+ reducing production more aggressively; ii) higher-than-expected global oil demand; and iii) unexpected geopolitical events that heighten the risk premium. The domestic O&G sector still faces the following: Low investment in capex, or coming in below target in terms of production while there is potential demand from smelters that need additional energy sources (this could come from natural gas), and natural gas being an energy transition provider for RE sources – the latter two support natural gas prices.	PGAS
Transportation – shipping	OVERWEIGHT	We believe the shipping sector will continue to benefit from coal production growth and limited vessel availability. The Government targets to increase national coal production by 5% YoY in 2023 to 694m tonnes (FY22F coal output totalled 663m tonnes or c.96% of the projection as at mid-Dec 2022). We expect coal demand – especially in Indonesia – to remain elevated in the coming years as the transition to RE is still at its early phases. Hence, the need for tugboats and barges and motor vessels remain a necessity. However, with high prices for secondhand vessels and the already-full capacity at shipping yards, vessel availability is at limited levels and shipping rates remain high. Based on our recent discussions with the shipping companies, almost all said this condition will probably last to at least end-2023, before improving by mid-2024.	HATM
Property – industrial estates	OVERWEIGHT	We are of the view that the industrial estate sector will be underpinned by several positive catalysts: i) Additional demand from the smelter and data centre segments, ii) infrastructure developments that support the industrial ecosystem, and iii) loosening travel restrictions that are expected to increase queries for industrial areas. We believe industrial estate demand is more resilient than residential property demand, and – historically – election periods do not have much impact on foreign direct investments (FDIs). We like Puradelta Lestari (DMAS) due to the company's already-available infrastructure support, good track record on dividend payments and net cash position	DMAS
Infrastructure – construction	OVERWEIGHT	We believe 1H23 results will be lacklustre, as the Ibu Kota Negara (IKN, for the transition of Indonesia's new capital city to a spot in East Kalimantan) project area requires land preparation and site clearing – construction is likely to accelerate in 2H23. The Government's ambition to relocate the capital city to Nusantara remains intact – it has allocated IDR43.7trn for the IKN's development until 2024. Meanwhile, the appetite from foreign investors and the private sector is still waiting for IKN's basic infrastructure to be completed and the post-general election period, in our view.	PTPP
Energy – coal	NEUTRAL	Strengthening coal prices remained the major support for the sector's overall profitability. Extreme weather globally is a factor – pushing more demand in terms of electricity usage. This will be a support for the tsustained high coal prices, in our view – at least, until the end of 2022 and in early 2023. However, we expect some improvements on the demand-supply side – especially from the boost in domestic production in China and India – that could happen post the seasonal effect from the winter season.	UNTR
Cyclical – retail	NEUTRAL	We see a brighter future for retailers, particularly in 2H23, due to a subsiding inflationary impact and potential windfall from the upcoming election period. We think the impact of the minimum wage and rental increases should be more priced-in in 2H22.	MAPI
Property – residential developers	NEUTRAL	We remain NEUTRAL on the sector, on: i) Rate hikes that may impact presales and mortgage instalment payments, ii) expectation of rising FY23 inflation that may affect purchasing power, and iii) absence of the Value-Added Tax (VAT) subsidy. We expect improvements in recurring rental sales in 2023, as the pandemic is likely to be more manageable during this period, given the pick-up in vaccination rates and people starting to get booster shots. This will help support the economic reopening, in our view. Of the property stocks under our coverage, Pakuwon Jati (PWON) and Summarecon Agung (SMRA) have the largest portion of malls revenue to total turnover. Ciputra Development (CTRA) remains our Top Pick due to its large diversified landbank, strong balance sheet, and exposure to commodity sources. It also provides affordable housing units for first-home buyers. PWON can also be an option – it has a significant portion of recurring income.	CTRA
Non-cyclical – plantation	NEUTRAL	CPO prices should stay relatively rangebound in 2023, as supply improvements will be relatively balanced with a rise in demand. We maintain 2023F-2024F CPO prices at MYR3,900 and MYR3,500 per tonne. We expect supply to improve further in 2024, while pent-up demand in 2023 may moderate, leading to lower prices	LSIP
Healthcare	NEUTRAL	Strong growth potential should occur in 2023, driven by normalisation of earnings on subsiding COVID-19 cases. Other positive catalysts, eg the recovery in non-COVID-19 patient visits and seasonal increase in demand for health products, have been priced in. We see an overhang from higher Social Insurance Administration Organisation or BPJS reimbursements and class standardisation.	HEAL

Source: Company data, RHB

Top Picks

Figure 10: Our Top 10 picks

	Name	Ticker	Rating	Price	TP	Upside/ downside	Market cap	EPS growth	P/E	P/BV	PEG	ROE	Yield
								2023F					
				(IDR)	(IDR)	(%)	(USDbn)	(%)	(x)	(x)	(x)	(%)	(%)
1	Bank Rakyat Indonesia	BBRI IJ	BUY	4,380	5,800	32.4	42.9	16.8	12.1	1.9	0.7	15.7	5.6
2	Bank Negara Indonesia	BBNI IJ	BUY	8,500	11,600	36.5	10.2	13.5	7.9	1.1	0.6	13.9	4.1
3	Vale Indonesia	INCO IJ	BUY	7,325	8,300	13.3	4.7	19.2	17.6	1.7	0.9	10.4	0.0
4	Mayora Indah	MYOR IJ	BUY	2,430	3,000	23.5	3.5	38.2	22.8	4.0	0.6	18.6	1.8
5	Indocement	INTP IJ	BUY	10,175	12,500	22.9	2.4	45.1	20.8	1.7	0.5	9.4	2.4
6	Perusahaan Gas	PGAS IJ	BUY	1,530	2,200	43.8	2.4	8.9	5.1	0.8	0.6	16.1	11.1
7	XL Axiata	EXCL IJ	BUY	2,320	3,300	42.2	2.0	8.8	21.3	1.1	2.4	6.7	1.6
8	Nippon Indosari	ROTI IJ	BUY	1,325	1,700	28.3	0.5	12.7	19.8	2.4	1.6	13.8	2.8
9	Arwana Citramulia	ARNA IJ	BUY	1,005	1,490	48.3	0.5	6.8	10.3	3.6	1.5	38.0	6.1
10	Kencana Energi Lestari	KEEN IJ	BUY	570	1,380	142.1	0.1	259.1	3.2	0.8	0.0	24.8	3.7

*Note: *As per 11 Jan 2023 closing prices*
Source: Company data, RHB

Bank Rakyat Indonesia (BBRI) will likely be the biggest beneficiary of the Government's move to cut minimum statutory reserves for Guaranteed Microfinance Programme (KUR) distributors – as the bank will be able to reallocate funds to more productive assets. Also, the decrease in interest rates on super-micro KUR loans should have a minimal impact on the bank's numbers. In the meantime, even though the Government has raised the KUR allocation by c.25% for 2023, BBRI will still focus on growing its higher-yield loans. The bank is trading at 2.1x FY23F P/BV against a projected 15.7% ROE. Our GGM-backed TP of IDR5,800 is based on 2.5-2.4x FY23F-24F P/BV.

Bank Negara Indonesia (BBNI) is on track to meet its FY22 targets. The key earnings driver for FY23 is expected to be improved asset quality, in our view. We believe the stock will continue to undergo a positive re-rating as ROE continues to rise and valuations remain low. Credit costs are expected to fall below 1.5% in FY23 vs 1.9-2.1% in FY22. Management maintained its loan growth target of 7-10% for FY22 and expects growth to be slightly lower in FY23 at 7-9%, as the domestic economy remains resilient. Our TP is IDR11,600.

Vale Indonesia (INCO). A strong jump in base metal prices – on better demand expectations (with China's shifting policies spurring this catalyst) – has provided optimism for a sector that is not well-accommodated by limited supplies (7-year inventory low for nickel). We believe Vale Indonesia will be able to record higher production output this year while being nurtured by positive ASP movements. We set our FY23 EV/EBITDA target at c.9x.

Mayora Indah (MYOR). We remain positive on MYOR due to its ability to capitalise on the reopening of economies – especially China – to monetise stocking-up activities as we approach the Lunar New Year festivities. Other positive factors: i) Strong margin recovery from decreasing commodity prices and ii) the IDR depreciation, particularly in 1H23F. The company's recent strategy to be more prudent in its marketing initiatives, while venturing into other types of products – eg savoury and vitamin jelly products – should support earnings growth.

Perusahaan Gas Negara (PGAS). The company's 10M22 operational data remains strong. With such numbers being largely still on track with our expectations, commercial gas distribution and gas transmission volumes remain in line with our estimates. Revenue from upstream operations also continues to strengthen, and this segment's contributions to total turnover has increased to about 18% of total revenue for 9M22. The further ramping up of oil production in Rokan, Riau Province is expected to expand revenue from oil transportation – this segment also has better margins. PGAS is also expected to record a substantial FY23F dividend yield of 9.4%, according to our calculations.

Indocement (INTP). Its earnings growth will be driven by a margin recovery, in our view, after gradually receiving coal at the DMO price of USD47 per tonne. INTP's EBITDA margin improved in 3Q22 to 20%, thanks to a 60% contribution from DMO coal sales. For 2023, management is still negotiating to secure more DMO coal, which currently remains at 15% of FY23 consumption. There is also more upside from normalising coal prices. INTP has entered into a lease agreement with Bosowa. Management is also still actively negotiating to increase DMO purchases. We also expect normalising coal prices to have a larger impact on the company.

Nippon Indosari (ROTI) should become the key beneficiary of the country's economic reopening. Margin expansion remains in sight, mainly derived from decreasing commodity prices and the full impact of price increases. We believe the stock is undervalued – ROTI is the only consumer company under our coverage that books negative YTD returns. It is trading at around -2SD from its 5-year P/E band.

XL Axiata (EXCL). The total proceeds of its rights issue, at approximately IDR5trn, will be used to pay off its floating rate debts, thereby lowering interest costs. This should allow the company to improve net margins by 40bps, in our estimation. We remain positive on the telecommunications sector, given its resilience against potential rate hikes and minimal impact from FX volatility. EXCL also has solid growth ahead, stemming from the fixed-mobile convergence strategy to boost the number of lower-churn rate subscribers, which will consequently result in ARPU improvement.

Arwana Citramulia (ARNA). This company is increasing production capacity to make premium ceramic tiles. It believes there is still room to cut production costs, particularly via decreasing gas usage and minimising product defects. ARNA guided for FY23-24 earnings growth to be driven by an improving sales mix, stronger sales volumes, and wider margins. Re-rating catalyst: New factories starting operations, which will eliminate capacity issues. BUY, with a TP of IDR1,490 TP.

Kencana Energi Lestari (KEEN). The strategic move to enhance the company's RE wing remains on track, evidenced by a recent collaboration with a renowned energy firm and the indication of further opportunities overseas. These factors cement our optimism on KEEN's ability to finish these projects in a timely manner.

Malaysia Strategy

The shoe is on the other foot

A year ago, the key concerns roiling markets included a recurrence of COVID-19 waves and movement restrictions, as well as macroeconomic risks – inflationary pressures, monetary tightening, global supply chain bottlenecks, and China's zero-COVID policy – coupled with local regulatory and policy worries. The rebound in economic growth in 2022 was also well anticipated.

Now, slowly but surely, it seems that the shoe is on the other foot and we note a growing number of signals that offer encouragement for equity markets.

i. The monetary policy tightening process seems well advanced, as the US Fed closes in on peak rates with some evidence emerging that the US economy is already beginning to decelerate, on the back of four consecutive 75bp rate increases in 2022 – the most aggressive pace since the 1980s. The prospect of slower global growth in 2023 is now well anticipated by markets.

ii. COVID-19 and the transition to endemicity is well underway and, for the most part, is gradually being relegated to the annals of history.

iii. China's zero-COVID policy is already seeing a more pragmatic application that will aid the recovery of its economy and offer welcome support to the global economy, in addition to being a re-rating catalyst.

iv. The transition to the Pakatan Harapan (PH)-led unity government has served to ease political risk, although regulatory risk has ticked higher pending clarity on this government's key policy and reform priorities.

Political risk down, regulatory risk still elevated

With the appointment of Datuk Seri Anwar Ibrahim (DSAI) as prime minister and the formation of the unity government, there was a palpable easing in political risk, as evidenced by the relief rally. The alternative Perikatan Nasional (PN)-led government would likely have resulted in a spike in political and country risk.

DSAI is well-known amongst foreign investors, and early anecdotal evidence suggests a positive initial reaction. Generally, investors expect a big improvement in governance standards, for political and fiscal reform to be kick-started. They also think that a more centrist approach to governing the country has the best chance of uniting the country, which is now scarred and divided along party lines following the relatively divisive election campaigning during the 15th general election (GE15).

However, pending further clarity on the new government's key priorities, regulatory risk is now elevated – with particular emphasis on banks, construction, telecommunications, energy, and gaming sectors. Also, investors will be closely watching the ability of the unity government, especially the unity Cabinet, to knuckle down to the matters at hand and work cohesively together in a manner that allows DSAI to implement his strategic vision. We think subsidy and fiscal reforms will be the acid test.

Key near-term milestones to look out for include the long-delayed United Malays National Organisation (UMNO) election and the re-tabling of Budget 2023.

Changes to sector weightings

Earlier this month, we upgraded our rating for the property sector to OVERWEIGHT (from Neutral) for the following reasons:

i. Interest rate upcycle nearing the peak;

ii. Easing political risk;

iii. China easing lending restrictions on developers and eventual re-opening will be favourable for market sentiment;

iv. Property sector is a high-beta play and valuations are already at depressed levels.

The rubber products sector remains our sole UNDERWEIGHT sector call. The structural imbalances that emerged – which led us to downgrade the sector – look likely to continue through 2023.

Figure 11: RHB basket – sector weightings and valuations

Sectors	Mkt Cap	Weight	EPS Growth (%)			P/E (x)			Recommendation
	MYRbn	%	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	
Banking	326.0	25.8	5.6	19.1	6.3	12.4	10.4	9.8	Overweight
Gaming	38.7	3.1	231.1	59.5	9.4	18.6	11.6	10.6	Overweight
Basic Materials	45.7	3.6	57.7	12.2	3.6	22.3	19.7	19.1	Overweight
Non-Bank Financials	16.1	1.3	(3.6)	7.5	6.9	10.0	9.3	8.7	Overweight
Oil & Gas	151.0	11.9	6.1	0.7	8.0	13.3	13.2	12.2	Overweight
Property	30.0	2.4	44.4	7.9	7.8	11.5	10.7	10.0	Overweight
Healthcare	60.2	4.8	1.6	21.7	6.9	33.7	27.7	25.9	Overweight
Construction	22.5	1.8	30.8	2.3	9.2	15.0	14.7	13.5	Neutral
Auto	24.4	1.9	16.1	(6.7)	9.7	11.6	12.4	11.3	Neutral
Property-REITs	32.7	2.6	27.3	4.0	3.9	17.2	16.4	15.7	Neutral
Telecommunications	133.2	10.5	2.3	12.4	7.9	20.9	18.6	17.3	Neutral
Utilities	100.5	8.0	(1.5)	9.8	4.3	14.1	12.8	12.3	Neutral
Plantation	95.4	7.5	34.1	(22.1)	(12.5)	10.1	12.9	14.8	Neutral
Consumer	111.7	8.8	25.3	14.8	9.5	25.8	22.5	20.5	Neutral
Transport	27.1	2.1	647.1	189.6	17.6	61.4	21.2	18.0	Neutral
Technology	28.1	2.2	27.3	(0.2)	18.7	23.7	23.8	20.0	Neutral
Media	3.6	0.3	(9.6)	15.2	3.2	7.2	6.3	6.1	Neutral
Rubber Products	17.0	1.3	(90.9)	(81.5)	66.0	13.0	70.5	42.5	Underweight
RHB BASKET	**1264.1**	**100.0**	**(1.0)**	**8.4**	**5.7**	**15.0**	**13.8**	**13.1**	

Source: RHB

Investment themes

We expect equity markets to remain volatile in 2023. The positive impact of emerging catalysts from greater political clarity, peaking interest rate cycle, and the China re-opening process will be offset by the anticipated surge in positive COVID-19 cases there, investor reaction to weaker macroeconomic and corporate data points, and persistent foreign fund outflows back to North Asia (and possibly back into fixed income).

We note that institutional investors have been net sellers through 2022, and anecdotal evidence suggests that they collectively continue to hold higher-than-average levels of cash that will need to be effectively deployed.

Key stock selection criteria should include companies with a strong domestic-centric business, robust balance sheets, pricing power, captive customer bases, recurring demand, ability to pass through higher costs, and a strong ESG profile.

Core defensive posture still warranted

While positive catalysts are beginning to emerge, and will offer investors room for less pessimism, risks still remain for an unexpected turn of events that will contribute to market volatility. Accordingly, we still believe investors should retain a core defensive posture in the early part of 2023, but that should gradually taper into value stocks. Given the prospect of slowing global growth, we prefer defensive names with a domestic-centric focus.

Figure 12: Defensive stocks with domestic-centric characteristics

		Price	TP	Mkt cap	EPS (sen)		EPS Growth (%)		3 yrs EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s)	(MYR/s)	(MYRm)	23F	24F	23F	24F	FY21-24F	23F	24F	24F	24F	24F
	Rec	11 Jan 23												
Mr DIY	Buy	1.97	2.62	18,580	6.9	7.7	26.3	11.5	17.9	28.7	25.7	8.8	18.6	1.9
Time DotCom	Neutral	5.04	5.30	9,256	28.4	30.8	22.5	8.2	14.3	17.7	16.4	2.7	12.6	4.9
Heineken (M)	Buy	25.20	30.50	7,613	138.3	143.6	9.6	3.8	20.9	18.2	17.5	18.7	14.8	5.6
IGB REIT	Buy	1.68	1.85	6,026	9.4	9.8	1.7	4.3	20.5	17.9	17.1	1.6	14.4	6.1
KPJ Healthcare	Buy	0.99	1.20	4,300	4.3	4.7	31.8	11.0	58.4	23.3	21.0	1.8	7.2	2.3
Axis Reit	Buy	1.84	2.19	3,204	10.7	11.2	8.7	5.3	8.0	17.3	16.4	1.2	6.0	6.1
Taliworks Corp^	Buy	0.86	1.06	1,734	3.6	4.2	29.5	14.3	5.9	23.7	20.7	2.2	12.2	7.7

Note: ^FY23-24 valuations refer to those of FY24-25
Source: RHB

Figure 13: High dividend yield stocks

	Price (MYR/s) 11 Jan 23	Target (MYR/s)	DY (%) FY23F	DY (%) FY24F	EPS Growth (%) FY23F	EPS Growth (%) FY24F	P/E (x) FY22F	P/E (x) FY23F	P/BV (x) FY23F	ROE (x) FY23F
Gamuda	3.94	3.73	12.8	3.0	(20.3)	4.0	12.3	15.4	1.0	6.6
Astro^	0.60	0.94	12.2	12.6	21.1	3.0	7.5	6.2	2.3	38.7
Texchem	1.89	4.40	11.1	12.7	21.8	8.5	5.7	4.7	0.7	16.5
BAT	11.30	11.50	9.1	9.1	12.9	(0.2)	12.2	10.8	8.2	76.5
Maybank	8.83	10.20	8.4	9.0	19.6	5.8	13.1	10.9	1.2	10.9
Tambun Indah	0.79	0.90	7.9	8.4	3.2	7.2	5.3	5.1	0.4	8.8
Sentral REIT	0.89	0.94	7.8	8.1	0.3	4.4	12.6	12.6	0.7	5.8
Taliworks Corporation	0.86	1.06	7.7	7.7	29.5	14.3	30.7	23.7	2.3	9.2
Affin	2.02	2.80	7.6	8.1	18.8	7.8	7.9	6.6	0.4	6.0
Bermaz Auto^	2.00	2.55	7.5	8.0	(1.4)	13.2	10.5	10.7	3.8	36.1
CLMT	0.54	0.54	7.2	7.3	0.8	0.9	13.6	13.5	0.5	4.4
Pavilion REIT	1.23	1.52	6.9	7.2	3.7	5.2	15.9	15.3	1.0	7.4
FM Global Logistics	0.60	1.01	6.7	6.7	(4.8)	5.6	7.2	7.6	0.9	11.8
Matrix Concepts^	1.51	1.75	6.6	7.3	11.5	4.3	8.7	7.8	0.9	11.8
Ta Ann	3.78	3.80	6.6	6.6	(27.0)	(12.4)	4.6	6.4	0.9	14.2
Sports Toto^	1.62	2.07	6.5	8.0	31.0	4.6	13.5	10.3	2.3	22.8
MBM Resources	3.45	3.20	6.4	6.4	(13.0)	8.7	5.9	6.7	0.6	9.6
UEM Edgenta	1.09	1.37	6.3	7.4	34.5	9.0	13.9	10.3	0.6	5.6
Alliance Bank^	3.73	4.40	6.3	6.8	8.7	9.2	8.7	8.0	0.8	10.3
UOA Development	1.64	1.78	6.1	6.1	(2.9)	8.6	18.0	18.5	0.7	3.8

Note: ^FY22-23 valuations refer to those of FY24-25
Source: RHB

Buy on weakness

Amidst a volatile and difficult market environment, a key investment theme should be to seek more attractive entry points to build positions for the longer term, considering the RHB macroeconomic house view for US-led growth to resume by 3Q23. A rotational sell-off or downshift in investor sentiment should be seen as opportunities to accumulate stocks with robust fundamentals. The general preference would be for large-cap value stocks.

Figure 14: Top BUYs

	FYE	Price (MYR/s) 11 Jan 23	TP (MYR)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY23F	EPS (sen) FY24F	EPS Growth (%) FY23F	EPS Growth (%) FY24F	3-Yr EPS CAGR (%	P/E (x) FY23F	P/E (x) FY24F	P/BV (x) FY24F	P/CF (x) FY24F	DY (%) FY24F
CIMB	Dec	5.77	7.00	NO	61,538	60.8	65.4	23.1	7.6	12.1	9.5	8.8	0.8	n.a.	5.8
KLK	Sep	21.94	27.85	YES	23,655	173.1	139.6	(21.0)	(19.4)	(6.9)	12.7	15.7	1.5	8.3	3.6
TM	Dec	5.19	7.55	YES	19,831	42.1	45.3	10.1	7.7	11.1	12.3	11.5	1.7	4.6	3.5
Mr DIY	Dec	1.97	2.62	YES	18,580	6.9	7.7	26.3	11.5	17.9	28.7	25.7	8.8	18.6	1.9
Sime Darby	Jun	2.31	2.80	YES	15,744	17.7	19.6	1.1	10.1	2.2	13.0	11.8	0.9	6.4	5.4
AMMB^	Mar	4.13	4.80	NO	13,668	61.4	64.5	15.0	5.0	12.3	6.7	6.4	0.6	n.a.	5.7
Heineken (M)	Dec	25.20	30.50	NO	7,613	138.3	143.6	9.6	3.8	20.9	18.2	17.5	18.7	14.8	5.6
Yinson^	Jan	2.55	3.15	NO	7,384	37.0	67.2	82.0	81.7	33.1	6.9	3.8	0.8	1.8	0.8
IOI Properties	Jun	1.12	1.40	NO	6,167	13.1	13.8	33.5	5.1	3.5	8.5	8.1	0.3	4.7	5.4
CTOS Digital	Dec	1.48	1.92	YES	3,419	4.5	5.1	23.5	11.8	38.6	32.5	29.1	5.7	37.7	2.1
Guan Chong	Dec	2.46	4.00	YES	2,889	27.4	29.3	53.2	7.0	24.0	9.0	8.4	1.3	8.3	3.6
Sunway Const	Dec	1.63	2.07	YES	2,102	12.9	13.6	18.3	6.0	16.9	12.7	12.0	2.4	10.4	5.0
Matrix^	Mar	1.51	1.75	YES	1,890	19.3	20.1	11.5	4.3	(6.4)	7.8	7.5	0.9	6.9	7.3
Kerjaya Prospek	Dec	1.18	1.44	YES	1,488	11.9	13.6	26.7	14.8	20.4	9.9	8.7	1.1	7.3	4.6
TASCO^	Mar	0.91	1.75	YES	724	12.4	13.6	6.2	9.4	12.0	7.3	6.7	1.0	4.1	4.1
Coraza	Dec	0.78	0.91	YES	335	4.7	5.8	40.3	25.1	32.9	16.7	13.4	2.3	15.5	2.1

Note: ^FY23-24 valuations refer to those of FY24-25
Source: RHB

Figure 15: Top SELLs

	FYE	Price (MYR/s) 11 Jan 23	TP (MYR/s)	*Shariah* Compliant	Market Cap (MYRm)	EPS (sen) FY23F	EPS (sen) FY24F	EPS Growth (%) FY23F	EPS Growth (%) FY24F	3 yrs EP CAGR (%)	P/E (x) FY23F	P/E (x) FY24F	P/BV (x) FY24F	P/CF (x) FY24F	DY (%) FY24F
Supermax	Jun	0.81	0.46	YES	2,142	1.3	2.4	(95.4)	93.6	(74.6)	64.7	33.4	0.4	17.6	1.2
Top Glove	Aug	0.85	0.57	YES	6,766	0.5	2.1	(90.0)	294.1	(72.0)	+>100	40.7	1.2	12.4	1.2
Hartalega^	Mar	1.57	1.47	YES	5,365	7.6	8.9	(91.8)	17.8	(153.1)	20.7	17.6	1.0	12.1	3.4
Kossan	Dec	1.06	0.91	YES	2,705	6.5	6.6	2.1	2.0	(61.0)	16.3	16.0	0.6	10.7	1.9
Sapura Energy^	Jan	0.05	0.02	YES	719	(1.4)	(1.8)	38.7	(25.1)	(52.8)	n.m.	n.m.	(1.1)	16.3	0.0
CBIP	Dec	1.07	0.90	YES	511	14.2	14.0	114.2	(1.5)	(9.6)	7.5	7.6	0.6	5.6	5.2
Boilermech^	Mar	0.78	0.62	YES	402	4.3	5.4	24.1	25.7	14.5	18.1	14.4	0.0	14.3	2.6

Note: ^FY23-24 valuations refer to those of FY24-25
Source: RHB

China re-opening story

We believe the China re-opening theme is inevitable, although the path for the country to emerge from its pandemic-induced isolation may not be a smooth one. Nonetheless, the re-opening process seems inevitable.

Figure 16: Impact of lifting of China's zero-COVID policy

Sector	Sector Weight	Financial Impact	Impact	Comment
Banking	OVERWEIGHT	Positive	Indirect	The banking sector would be an indirect beneficiary. A recovery in China's economic growth would be positive for its trading partners in ASEAN. The pick-up in trade flows should lead to higher demand for working capital loans as well as trade finance and FX facilities.
Oil and Gas	OVERWEIGHT	Positive	Indirect	Positive to oil prices as higher business activities will strengthen oil demand.
Healthcare	OVERWEIGHT	Positive	Direct	Beneficiary would be IHH Healthcare in terms of returning local patients to its China network of hospitals.
Basic Materials	OVERWEIGHT	Positive	Direct	Sector beneficiary would be Press Metal, given the company's exposure to upstream and downstream businesses in China.
Gaming	OVERWEIGHT	Positive	Direct	The return of Chinese tourists would bode well for gaming and non-gaming revenues. This is especially so for Genting Singapore, which relied quite heavily on Chinese tourists pre-COVID-19. While Resorts World Genting's visitor base mostly consisted of Malaysians, Singaporeans, and Indonesians pre-COVID-19, the return of Chinese tourists would nevertheless help boost footfall.
Non-Bank Financial Institutions	OVERWEIGHT	Neutral	None	No impact
Property	OVERWEIGHT	Positive	Indirect	Property sector is an indirect beneficiary due to the return of Chinese tourists and property buyers
Consumer	NEUTRAL	Positive	Direct	Consumer retail segment to benefit from the return of Chinese tourists. Lower risk of supply chain disruption for importers like Mr DIY and Padini.
Telecommunications	NEUTRAL	Positive	Indirect	Indirect beneficiary – stronger roaming revenues, with China tourists making up a sizeable portion.
Utilities	NEUTRAL	Neutral	None	No impact
Plantation	NEUTRAL	Positive	Indirect	Indirect beneficiary via increased HORECA activity and therefore more palm oil usage.
REITs	NEUTRAL	Positive	Indirect	Indirect beneficiary due to the return of Chinese tourists
Technology	NEUTRAL	Positive	Indirect	Potential pent-up demand in electronic goods, which will benefit the supply chain of the technology sector and further ease supply disruptions.
Auto	NEUTRAL	Positive	Indirect	China's reopening could lead to further easing of supply chain bottlenecks, thus alleviating the supply issues that some marques are still facing. Sime Darby is a direct beneficiary of China's reopening, as it will likely further boost its auto sales there.
Construction	NEUTRAL	Positive	Indirect	High exports of China's raw materials could increase worldwide supply and lower prices for building materials.

Transport	NEUTRAL	Positive	Direct	Trade flows at this point are hampered by restrictions in China. Freer movement would boost volumes for ports and freight services, given the pent-up trade flows, and also airports in terms of Chinese travelers.
Media	NEUTRAL	Positive	Indirect	Better trade activities will lead to improvement in business sentiment, which could result in stronger ad spending.
Rubber Products	UNDERWEIGHT	Neutral	None	No impact

Source: RHB

Figure 17: China re-opening plays

	Price (MYR/s) 11 Jan 23	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY23F	EPS (sen) FY24F	EPS Growth (%) FY23F	EPS Growth (%) FY24F	3-Yr EPS CAGR (%)	P/E (x) FY23F	P/E (x) FY24F	P/BV (x) FY24F	P/CF (x) FY24F	DY (%) FY24F	Rec
HL Bank	20.72	24.60	NO	44,915	182.5	193.8	13.6	6.2	11.5	11.4	10.7	1.2	n.a.	3.4	Buy
Press Metal	4.95	5.66	YES	40,786	23.7	23.9	16.7	1.1	24.5	20.9	20.7	5.2	14.7	1.4	Buy
KLK	21.94	27.85	YES	23,655	173.1	139.6	(21.0)	(19.4)	(6.9)	12.7	15.7	1.5	8.3	3.6	Buy
Sime Darby	2.31	2.80	YES	15,744	17.7	19.6	1.1	10.1	2.2	13.0	11.8	0.9	6.4	5.4	Buy
Westports	3.75	3.56	YES	12,788	21.0	22.0	16.0	4.6	0.6	17.9	17.1	3.7	12.3	4.4	Neutral
MAHB	7.17	6.71	NO	11,896	28.6	34.4	346.9	20.3	(190.6)	25.1	20.9	1.4	5.0	0.0	Neutral
Heineken (M)	25.20	30.50	NO	7,613	138.3	143.6	9.6	3.8	20.9	18.2	17.5	18.7	14.8	5.6	Buy
MPI	31.60	31.70	YES	6,285	121.2	174.8	(20.0)	44.1	12.3	26.1	18.1	2.7	9.3	1.3	Buy
Pavilion REIT	1.23	1.52	NO	3,759	8.0	8.5	3.7	5.2	26.9	15.3	14.5	1.1	9.3	7.2	Buy
SKP Resources	1.65	1.95	YES	2,578	13.2	14.3	16.9	8.0	10.2	12.5	11.6	2.4	10.1	5.2	Buy
BFood	0.99	1.13	YES	1,737	6.3	6.6	(9.4)	4.2	46.7	15.7	15.1	3.3	8.1	5.3	Buy
Kelington	1.48	1.53	YES	952	7.3	7.1	21.0	(2.2)	28.2	20.3	20.7	4.0	17.7	1.2	Neutral
MGB	0.55	0.64	YES	325	5.9	9.9	101.2	67.6	22.7	9.3	5.6	0.5	3.8	3.6	Buy

Note: ^FY23-24 valuations refer to those of FY24-25
Source: RHB

Some domestic regulatory risks to overcome

Figure 18: Regulatory risks – sectoral impact

Sector	Weighting	Risk	Comment
Banks	OVERWEIGHT	Windfall tax/ loan moratorium on Banks	The rising interest rate environment has led to improved NIM for banks, which in turn filtered down to healthy profit growth in 3Q22. This led to calls by certain quarters for the government to impose certain windfall tax (Cukai Makmur 2.0) on banks to help fund the Government's targeted subsidy allocations. There were also suggestions for banks to provide lower interest rates to B40 and M40 households. Should the government impose Cukai Makmur 2.0 (assuming a same tax rate of 33% on chargeable income above MYR100m) on banks, this would shave 2023 earnings by c.8-9%, thereby lowering sector FY23 earnings growth from 19% to 8%. The offering of lower interest rates to the B40 and M40 households would result in modification losses that would impact banks' bottomlines, although the impact would not be as severe as the losses recognised from the 6-month blanket moratorium in 2020.
Construction	NEUTRAL	Possibility of project review	Possible review on mega projects such as Mass Rapid Transit 3 (MRT3) and Light Rail Transit 3 (LRT3). All bids for the MRT3 civil work packages have been submitted by contactors to MRT Corp by end-Sep 2022. Given that bids submitted are now under review without any civil work packages being awarded yet, we believe that there are risks for the overall project cost to be reviewed by the Government. Likewise the potential reinstatement of previous omitted works for LRT3 worth c.MYR1bn could also be reviewed. Meanwhile, the Transport Minister Anthony Loke mentioned that the East Coast Rail Link will proceed without any amendments - since over MYR7bn of jobs have been awarded to local contractors so far, ie mainly the East Coast portion. Malaysia Rail Link and China Communications Construction Company have an agreement to award up to MYR10bn of contracts to local contractors. There is about MYR3bn left to be awarded to local players, which we believe pertains mostly to the Selangor alignment.

/		Toll rate reduction	Gradual toll rate reduction at PLUS highways with the ultimate goal of eliminating tolls and returning the PLUS highway to public ownership. PLUS is not owned by any listed company. However, if the Government were to ultimately take over other concession agreements such as the one IJM Corp has for Kajang-Seremban Highway (LEKAS), Sungai Besi Highway (BESRAYA), New Pantai Expressway (NPE) and West Coast Expressway (WCE), the impact would depend on the offer for the disposal of the tolls. Disposal of toll assets will give rise to a one-off cash injection, but a loss of earnings from the toll highway business. Companies could pare down debts or pay a special dividend
		Review on flood mitigation project	The review on MYR7bn worth of flood mitigation projects could pose a risk towards the proposals submitted by eight companies, with values ranging from MYR5bn to MYR15bn in March. Gamuda submitted a proposal for the Stormwater Management and Road Tunnel 2 (SMART 2) project in the Klang Valley. Costs for the SMART 2 project are estimated to be higher than the MYR2bn for the first SMART project, as it entails a 22km underground portion compared to the first version's 10km tunnel. Henceforth, Gamuda may still be able replenish its orderbook via the SMART 2 project, albeit at a likely lower contract value.
		Possibility of reduction of the development expenditure budget in Budget 2023	A downward revision of the MYR95bn development expenditure budgeted for 2023 could mean that the overall job flows for the sector could be smaller – translating into lower earnings visibility for contractors.
Telecommunication	NEUTRAL	Possibility of 5G rollout being reviewed	A review of the 5G network tender by Digital Nasional (DNB) and/or the single wholesale network (SWN) model would again raise the spectre of uncertainty on the country's 5G deployment and contribute to a near-term sector overhang. It may also lead to a further delay in the rollout of 5G, with DNB having an aggressive target to reach 80% population coverage by 2024.
		Possible changes on broadband access pricing	The mandatory standard of access pricing (MSAP) review is currently underway, with industry feedback/submissions by 3 Jan 2023. A final outcome/decision would be made by the regulator in Feb 2023, which could impact Telekom Malaysia if the decline in access prices is similar to or larger than proposed. This could trigger fresh retail price competition in the market.
Power	NEUTRAL	Proposal of targeted subsidy in relation to electricity tariff	We believe the ICPT review mechanism will be largely maintained but the Government may choose to increase surcharge to reduce the subsidy burden. What we think could potentially be imposed is an escalated tariff rate in tandem with higher usage for the residential division, while gradually increasing commercial and industrial tariffs in order to keep inflation at bay.
Oil & Gas	OVERWEIGHT	Revamp of petrol subsidy to be more targeted	It has been long discussed by the previous administration and we understand that the proposed implementation is rather advanced. Hence, a rollout is likely by 1H23. We expect a slight impact to overall sales volumes as we do not expect the switch to public transport to be very significant.
Gaming	OVERWEIGHT	Reduction of special draws	We do not think there will be any further policies adversely affecting the gaming sector following the reduction of special draws, which was a less detrimental policy undertaken by the previous government
Consumer	NEUTRAL	Stricter regulations on sin stocks ie. brewery and tobacco	We believe sentiment on the sector will be dampened before we are able to assess or quantify the actual impact on volume and earnings, depending on how the new regulation will be implemented or executed. A scenario of excise duty hikes is likely to give rise to the incidence of illicit trade, whilst a restriction on the operating hours of the on-trade channels selling beer should pose challenges for the breweries to grow their volumes.
Commodities	NEUTRAL	Possible proposal of targeted subsidies for basic food products like cooking oil, sugar, flour. Reconsideration of duopoly for sugar market, like the rice monopoly by Bernas	Should this happen, producers of basic food products like Malayan Flour Mills, PPB Group, MSM, and plantation companies may need to sell less subsidised products to the domestic market. Reconsideration of duopoly market however, may be negative for existing sugar players, although it would be difficult to change this scenario without large investments in milling plants
Healthcare	OVERWEIGHT	Possible review on drug pricing mechanism	Previously, the PH government gave its approval in May 2019 to regulate drug prices in Malaysia. The ceiling prices that would be imposed were: i) Maximum wholesale price (MWP) based on external reference pricing, and ii) maximum retail price (MRP) based on regressive mark-up on MWP. Based on the latest updates, according to a Code Blue media report (26 Jul 2022), former Health Minister Khairy Jamaluddin said the ministry was looking into developing a price transparency mechanism that would require pharmaceutical companies to reveal the selling price of crucial medicines, especially those used to treat cancer. He added that implementing a price control mechanism would be the last resort, and maintained that the Government was not in favour of intervening in the market.

Source : RHB

Borneo plays in focus

The unprecedented stronger presence of the Borneo bloc in the new unity government will have positive implications in terms of higher development expenditure allocations for programmes in Sabah and Sarawak.

Figure 19: Potential Borneo plays

	Rec	Price (MYR/s) 11 Jan 2023	TP (MYR/s)	Mkt Cap (MYRm)	Comments
Press Metal	Buy	4.95	5.66	40,786	Higher demand for aluminium from industries.
Cahya Mata Sarawak	Buy	1.18	1.41	1,268	Prospects of higher cement demand as road projects in Sarawak are expected to gain pace.
UEM Edgenta	Buy	1.09	1.37	906	Appointed as the project consultant through Opus by Sarawak state government for road projects such as coastal road network and secondary trunk road projects in Sarawak in 2019. Sarawak Economic Development Corp entered into a JV with UEM Edgenta's subsidiary to provide project management services and engineering design consultancy services relating to engineering and construction projects.
KKB Engineering	Buy	1.42	1.60	410	Involved in phase 1 Sarawak Water Supply Grid Programme. Also pre-qualified to participate in Second Trunk Road and Sarawak Coastal Highway with a total allocation of MYR11bn. Higher Petronas capex should also indirectly lead to higher demand for steel fabrication for O&G platforms under KKB's fabrication business.
Gabungan AQRS	Buy	0.27	0.46	147	May benefit from a contract to supply building materials for Pan Borneo Highway Sabah (estimated to be at least MYR200m) via SEDCO Precast SB (49% owned by Gabungan AQRS).
Suria Capital	NR	1.14	NA	394	Beneficiary of Sabah Port's throughput, if industries – particularly commodities – grow, especially with China's relaxed COVID-19 restrictions.
Naim Holdings	NR	0.55	NA	278	Involved in Pan Borneo Highway Sarawak via the JV (30:70, Gamuda:Naim) with Gamuda through a contract worth MYR1.65bn.
Kimlun Corporation	NR	0.78	NA	274	Awarded a contract worth MYR780m for the phase 1 of Sarawak-Sabah Link Road (SSLR). Eyeing phase 2 of Pan Borneo Highway Sarawak, and Sarawak's Autonomous Rapid Transit (ART).
Sarawak Consolidated Industries Berhad (SCIB)	NR	0.15	NA	87	Leverage on its strengths as the largest precast concrete and industrialised building system (IBS) manufacturer in Sarawak and Sabah with interest in rural development projects.
B.I.G. Industries	NR	0.74	NA	47	More foreign investments in Sarawak and Sabah in the form of industrials may lead to higher industrial gas demand.
Sarawak Cable	NR	0.07	NA	26	To leverage on expansion of electricity-related infrastructure in Sarawak.

Source: RHB

Singapore Strategy

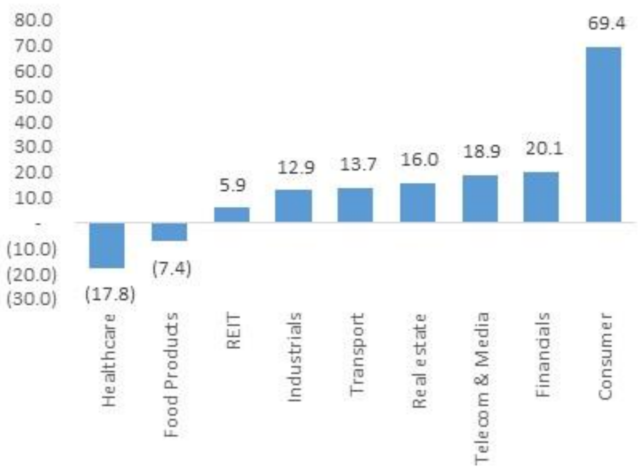
Key basis for market outlook

2023 economic growth will moderate but stay positive. Our Global Economics & Market Strategy team forecasts Singapore's GDP to expand by 3.7% YoY and 3.0% YoY in 2022 and 2023. We expect growth to decelerate in 4Q22-1H23 before stabilising in 2H23. Although not our base case, the balance of risks is tilted towards a technical recession in 2023. Our proprietary leading GDP index, which leads GDP by two quarters, suggests a slowdown to trend (not recession) in 1Q23. This is in line with our rhetoric that Singapore's output gap is expected to turn negative in 2023. Even if a technical recession (defined as two consecutive quarters of negative QoQ growth) is seen in 1H23, we think it will likely be short, shallow, and orderly.

We are more bullish than the Street's expectations, and our economic growth estimates are above the Government's official forecasts. Singapore's Ministry of Trade and Industry (MTI) had said in November that the country's economy is expected to grow by 0.5-2.5% YoY in 2023. In the latest survey of professional forecasters released by the Monetary Authority of Singapore (MAS) on 14 Dec 2022, private-sector economists lowered their growth forecast for Singapore to 1.8% in 2023 from an earlier projection of 2.8% growth, amidst concerns about a global economic slowdown. We are not overly worried about the impact of higher interest rates and slowing economic growth on corporate earnings, as according to MAS' latest financial stability review, stress tests suggest that the corporate and household sectors are resilient to macroeconomic financial shocks.

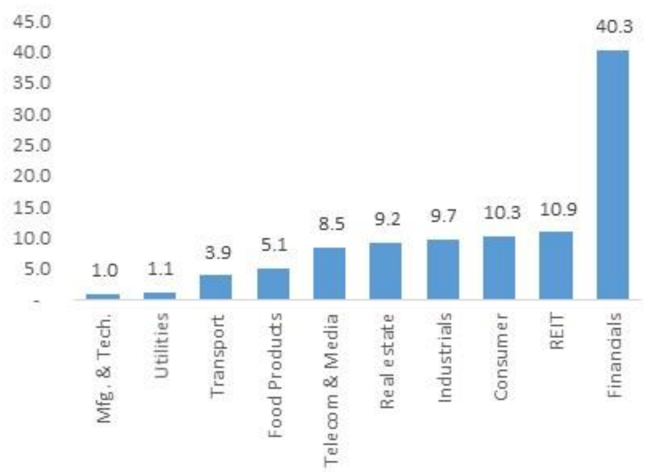
2023 corporate earnings growth will remain strong, supported by banks. Historically, the STI's forward EPS growth has had a positive correlation with Singapore's GDP growth expectations. Given the expectations of a moderation in economic growth in 2023, it will be safe to assume that earnings growth could moderate. We believe the STI's current forward P/E, which lies closer to -2SD from its average since Jan 2008, is probably reflecting investor concerns about the sustainability of the strong EPS growth forecast of 12% YoY for 2023, amidst a weakening macroeconomic environment, especially on the external front. Our top-down YoY EPS growth estimates for 2023 and 2024 are 12% and 8%. The 2023 EPS growth for stocks under our coverage is 19% YoY (excluding the manufacturing and technology sectors). However, it is worth noting that should our more optimistic view on Singapore's economic growth for 2023 outlook hold true, it increases the likelihood of positive earnings surprises in the quarters ahead.

Figure 20: 2023 sector EPS growth for RHB's coverage universe



Source: RHB

Figure 21: STI sector weightings



Source: Bloomberg, RHB

The lifting of COVID-19 restrictions will help broaden the earnings recovery to sectors more affected by the pandemic; and the STI has a heavier composition of banks, which are able to sustain earnings growth in an environment where higher inflation and interest rates would otherwise cut into corporate profit margins. Earnings growth estimates for Singapore banks have seen upward revisions in 2022 due to their positive leverage to rising market interest rates. Banks make up a hefty 40% of the index weight for the STI, as measured by market cap. We believe investors will continue to be attracted to Singapore, given its strong and defensive index earnings growth vs the regional peers.

Non-domestic oil exports (NODX) and manufacturing to remain soft in 1H23, before recovering in 2H23. We expect the recent softness in NODX growth to persist in 1H23. Some factors that may hamper exports and manufacturing activities will likely be seen from the relatively expensive SGD-Asia dynamic and higher domestic interest rates that may cap net export momentum and dissuade investor and business appetite. Due to Singapore's trade-dependent structure, the decrease in the NODX momentum may also drag the overall manufacturing outlook in the early part of 2023.

However, we expect a sizeable NODX recovery in 2H23, led by rosier global economic fundamentals and a low-base effect from 2H22. We should also see more clarity in global economic fundamentals, which may paint a positive backdrop for Singapore's external-facing industries. We are relatively more optimistic compared to official forecasts. We pencil in NODX growth at 1.0% YoY in 2023 against the official estimates of between -2.0% and 0.0%.

Domestic consumption should remain resilient, at least in 1H23. We expect the services sector to underpin overall GDP growth in 2023, led by the recovery in air travel and international visitor arrivals. This should uplift the transport and tourism-related sectors such as aviation, retail and F&B. The consumer-facing and travel-related sectors should continue to recover in the near term. China's eventual removal of the zero-COVID policy could aid the resurgence of Singapore's tourism industry, which will have favourable, short-term spill-over effects on the retail and F&B industries. We forecast retail sales growth at 10% YoY in 2022, with the balance of risk tilted towards the upside. Macroeconomics-wise, Singapore's retail climate will continue to benefit from the relatively tighter labour market and the gradual reopening of Asia's borders. We pencil in retail sales growth at 4-6% in 2023.

Key investment themes for the early part of 2023:

i. Buying banks as a proxy to elevated interest rates and defensive earnings growth

ii. Buying shares of firms with resilient and defensive earnings and dividends

iii. Selective exposure to China's economic reopening;

iv. Buying industrial REITs.

Banks – earnings growth and defensive characteristics

We estimate the banking sector's ROE to improve to 14.2% in FY23F from 12.3% in FY22F, on a healthy 21% YoY growth in net profit. Although deposit competition has intensified and loan growth is expected to moderate, tailwinds from hikes in the FFR in 2H22 and 1H23 should lift NII further in the coming year. Although loan portfolios are well-seasoned over the past two years, we have conservatively pencilled in a higher credit cost of 19bps for FY23F (FY22F: 14bps), given the rapid rise in interest rates. Non-II is expected to rise by a healthy 8%, led mainly by higher core fee income from loans and trade flows as well as a recovery in demand for wealth products. With CET-1 ratios at 13-14%, banks are well-positioned to weather the external headwinds. We expect a YoY rise in dividends. China's faster-than-expected pivot on its zero-COVID policy could create some near-term risks, but remains a long-term positive for Singapore. Preferred picks: DBS for its higher NIM sensitivity to interest rate changes, and OCBC given its cheaper valuation.

Figure 22: Singapore – riding the rising interest rate cycle (I)

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
						1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
DBS Group	66,488	Buy	41.10	18.6	Dec-22	11.0	8.9	1.5	1.4	4.2	4.7	na	na	14.0	16.3
OCBC	42,308	Buy	15.00	18.3	Dec-22	9.5	7.9	1.0	0.9	4.6	5.2	na	na	11.1	12.6

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 23: Singapore – riding the rising interest rate cycle (II)

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
						1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
DBS Group	66,488	Buy	41.10	18.6	Dec-22	18.6	24.1	22.5	10.2	na	na	na	na	3.7	2.1
OCBC	42,308	Buy	15.00	18.3	Dec-22	23.3	19.7	9.2	13.8	na	na	na	na	3.1	4.1

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Exposure to resilient and defensive sectors

In the near-to-medium term, greater global macroeconomic uncertainty promotes local idiosyncratic factors. Market, sector and company performances diverge as returns are driven by local financing costs and the relative resilience of profits. We believe investors should prioritise surviving through these uncertain times. Companies with strong financial sheets, pricing power, captive customer bases, recurrent demand, and the capacity to pass through increasing costs should be key considerations when choosing stocks. We support a fundamentally defensive stance that emphasises on investing in companies that have sturdy earnings or dividend profiles. We believe the relative outperformance of defensive styles (quality and momentum) and sectors (staples, health care and utilities) will persist in early 2023. Our stock picks for this subject are City Developments, Sheng Siong, ST Engineering and Wilmar International.

Figure 24: Singapore – resilient earnings growth (I)

	M Cap			Upside/ downside	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
City Developments	5,246	Buy	9.75	27.2	Dec-22	17.8	15.1	0.8	0.8	2.3	2.6	na	11.1	4.6	5.3
Sheng Siong	1,864	Buy	1.78	7.9	Dec-22	17.7	17.1	5.6	5.1	4.0	4.1	6.5	6.4	33.1	31.1
ST Engineering	7,949	Buy	4.15	22.8	Dec-22	19.3	17.0	4.3	4.0	5.3	3.7	0.2	1.4	24.7	24.2
Wilmar	19,274	Buy	5.40	31.0	Dec-22	8.9	8.9	0.9	0.9	3.0	3.0	na	13.7	10.6	10.0

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 25: Singapore – resilient earnings growth (II)

	M Cap			Upside/ downside	1FY	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
City Developments	5,246	Buy	9.75	27.2	Dec-22	302.3	17.2	50.0	11.1	12.1	12.8	1.1	1.1	-6.5	-6.8
Sheng Siong	1,864	Buy	1.78	7.9	Dec-22	5.8	3.4	5.8	3.4	9.7	9.6	-0.5	-0.6	0.0	0.0
ST Engineering	7,949	Buy	4.15	22.8	Dec-22	-4.5	13.5	19.1	-30.1	6.2	6.7	2.3	2.3	1.5	0.9
Wilmar	19,274	Buy	5.40	31.0	Dec-22	18.3	0.3	7.9	1.1	2.9	3.2	1.1	1.0	1.7	-1.2

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Exposure to economic reopening of China

With China announcing a relaxation of its zero-COVID policy from 8 Jan 2023, the only uncertainty would be over the pace of its re-opening and how smooth this process will be. With Chinese tourists accounting for approximately 19% of all tourist arrivals in Singapore before the pandemic (ie in 2019), the positive effects of increased tourist flows on the tourism, services, and retail sectors are likely to offset some of the effects of the global slowdown on Singapore's economy. Furthermore, the impact of a full reopening in China, possibly in 2H23F, could propel Singapore's economy even further towards the end of next year.

The potential beneficiaries of the China reopening may be beneficiaries of China's domestic reopening and/or companies that will gain from the return of business once China relaxes border restrictions. Within our coverage universe, we see Dairy Farm as one of the key beneficiaries of China's domestic reopening, while CDL Hospitality REIT, ComfortDelGro, Raffles Medical, Singtel and Thai Beverage should benefit from the return of Chinese tourists.

Figure 26: Singapore – China/regional economic reopening/recovery plays (I)

	M Cap			Upside/ downside	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
CDL Hospitality REIT	1,152	Neutral	1.15	-6.4	Dec-22	18.7	19.2	0.9	0.9	4.8	5.6	6.3	7.3	4.9	4.7
ComfortDelGro	1,904	Buy	1.65	36.4	Dec-22	14.8	13.4	1.0	0.9	4.0	4.5	17.2	8.8	6.5	7.0
Dairy Farm	4,142	Neutral	2.71	-14.1	Dec-22	86.1	20.9	3.6	3.2	1.0	3.8	0.8	6.2	4.0	16.3
Raffles Medical	1,923	Buy	1.65	17.9	Dec-22	22.5	27.3	2.7	2.6	1.9	2.2	3.4	5.9	12.0	9.6
SingTel	30,623	Buy	3.30	34.7	Mar-23	17.1	14.4	1.4	1.3	5.0	5.0	10.3	12.7	8.0	9.3
Thai Beverage	13,398	Buy	0.91	25.8	Sep-23	14.2	13.4	2.0	1.9	3.7	3.9	7.0	7.7	14.9	14.7

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 27: Singapore – China/regional economic reopening/recovery plays (II)

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
CDL Hospitality	1,152	Neutral	1.15	-6.4	Dec-22	17.4	-2.4	39.8	15.3	40.2	33.8	0.7	0.7	0.8	-1.6
ComfortDelGro	1,904	Buy	1.65	36.4	Dec-22	14.3	10.6	16.5	10.8	4.7	5.0	-0.3	-0.4	-3.2	-1.6
Dairy Farm	4,142	Neutral	2.71	-14.1	Dec-22	-51.9	312.9	-72.7	300.0	0.5	2.2	0.8	0.7	7.9	7.5
Raffles Medical	1,923	Buy	1.65	17.9	Dec-22	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.7	0.0
SingTel	30,623	Buy	3.30	34.7	Mar-23	18.6	19.2	29.0	0.0	14.2	16.4	0.4	0.4	-7.2	-4.7
Thai Beverage	13,398	Buy	0.91	25.8	Sep-23	6.1	6.2	6.1	6.2	10.6	10.9	0.6	0.5	7.5	5.1

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

REITs could benefit from the pausing of the rising interest rate cycle

We believe that we are coming to an end of the interest rate upcycle. Our bullish expectations of GDP growth and a strong rebound in economic activity, especially in 2H23, compel us to think that investors should revisit the Singapore REITs (S-REITs) sector, which delivered a dismal performance in 2022. The clarity of our views on above-consensus economic growth in 2023 will be determined by how economic events unfold in the first half of the year. We estimate and aggregate DPS growth at 0.9% YoY for all REITs covered by us. However, we note that this growth will be uneven throughout the year, and also uneven across the sectors. This should be reflected in the performance of the stocks. Defensive REITs, ie those that offer resilient DPS growth and have strong balance sheets, should deliver an outperformance in 1H23. In the meantime, REITs that will benefit from strong economic growth and the relaxation of China's zero-COVID policy should chalk an outperformance in 2H23.

Industrial demand remains strong, mitigating supply concerns. We expect industrial rental rates to continue rising, while occupancy rates are expected to stay relatively flattish. Among the sub-sectors, we like logistics, hi-tech, and good-quality business parks, as they continue to benefit from changing market dynamics brought about by COVID-19 and the Government's longer-term push to transform Singapore into a Smart Nation. Our preferred exposure in the S-REITs sector is AIMS APAC REIT, CapitaLand Ascendas REIT and ESR-LOGOS REIT. If our macroeconomic forecast pans out as expected, we believe there could be opportunities to rotate into hospitality and retail REITs in 2H23.

Figure 28: S-REIT picks (I)

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Div Yield (%) 1FY	Div Yield (%) 2FY	FCF Yield (%) 1FY	FCF Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY
AIMS APAC REIT	669	Buy	1.48	19.1	Mar-23	9.7	10.0	0.9	0.8	7.6	7.7	11.5	11.9	9.0	8.6
CapitaLand Ascendas	8,621	Buy	3.15	14.9	Dec-22	15.0	19.5	1.1	1.1	5.9	6.0	9.8	10.0	7.7	5.9
ESR-LOGOS REIT	1,842	Buy	0.46	25.8	Dec-22	na	11.5	0.8	1.0	8.2	7.7	14.0	12.1	-14.1	8.8

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 29: S-REIT picks (II)

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
AIMS APAC REIT	669	Buy	1.48	19.1	Mar-23	-12.7	-2.5	-0.1	1.4	55.1	52.4	0.8	0.8	3.3	0.0
CapitaLand Ascendas	8,621	Buy	3.15	14.9	Dec-22	-21.1	-23.1	5.4	2.7	57.2	43.3	0.6	0.6	-0.4	0.0
ESR-LOGOS REIT	1,842	Buy	0.46	25.8	Dec-22	-308.9	na	0.6	-6.6	-85.3	51.9	0.9	0.9	1.4	-1.4

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Singapore 2023 sector outlook, rating & preferred picks

Figure 30: Sector outlook, rating and preferred picks

Sector	Rating	2023 sector outlook	Preferred picks
Consumer	OVERWEIGHT	Despite the deteriorating global economic backdrop, which may weigh on Singapore's external-facing sectors, we believe that further increases in air travel and international visitor arrivals in 2023 will benefit the aviation and tourism-related sectors such as retail and F&B. We expect consumer spending to remain resilient, as the sector's fundamentals are supported by positive economic growth (2023F GDP growth: 3.0%) and a stable employment market.	Thai Beverage, Sheng Siong
Financial Services	OVERWEIGHT	Sector ROE is projected to improve to 13.6% in FY23F from 12.0% in FY22F, on a healthy 20% YoY growth in net profit. Although deposit competition has intensified and loan growth is expected to moderate, tailwinds from hikes in the FFR in 2H22 and 1H23 should lift the NII higher in the coming year. Loan portfolios are well-seasoned over the past two years, but we have conservatively pencilled in a higher credit cost of 19bps for FY23F (FY22F: 14bps), given the rapid rise in interest rates. Non-II is expected to rise by a healthy 8%, led mainly by higher core fee income from loans and trade flows as well as a recovery in demand for wealth products. With CET-1 ratios at 13-14%, banks are well-positioned to weather the external headwinds. We expect a YoY rise in dividends.	DBS, OCBC
Food Products - Plantation	NEUTRAL	CPO prices seem rangebound now, within the MYR3,500-4,500 per tonne range. With YTD prices at MYR5,218 per tonne, we expect average prices for 2022 to come in close to our MYR5,100 per tonne assumption. CPO prices are expected to remain in a similar price range in 2023. While upside risks for CPO prices have moderated in the last few weeks, there are still supportive factors for the commodity, which should keep prices relatively stable. These include weather uncertainties, especially with the ongoing *La Nina*, availability of fertiliser from Russia, which could impact oilseed crop supply, growing demand due to discounted CPO prices compared to those of soybean oil, and potential increases in Indonesia's biodiesel mandate. We prefer the integrated players, which would be able to withstand a lower CPO price environment better than the purer planters.	Wilmar, Golden Agri
Healthcare	OVERWEIGHT	We anticipate that Singapore's healthcare service providers will profit from the resurgence of elective treatments and pent-up demand from medical tourism. We think that because healthcare is a necessary service, it will be able to absorb most of the cost inflation. Given the modest gearing levels, we do not anticipate a significant impact from an increase in interest rates. Healthcare service providers like Raffles Medical that have a presence in South-East Asia and China will benefit from the economic reopening of China.	Raffles Medical
Real estate	NEUTRAL	Singapore's residential sector is expected to remain relatively resilient in 2023, despite sharply rising interest rates and decelerating economic growth, as limited unsold inventory, low developer margins, and resilient rental market conditions remain supportive. Overall, we expect transaction volumes to ease on the back of a growing mismatch in pricing expectations between buyers and sellers. Primary private transaction volumes are expected to decline by c.10% while secondary market transaction volumes (private resale and Housing Development Board (HDB) resale) are expected to decline by c.20%. We expect overall property prices to remain relatively flat at -2% to +2%. Key factors underpinning a resilient property market are: i) A resilient rental market, ii) limited inventory levels and supply, and iii) Singapore's stature as a regional and global financial hub. Key risks include prolonged recessionary risks resulting in sharp job losses, a continued sharp spike in interest rates, and further cooling measures.	City Developments
Hospitality REITs	NEUTRAL	The hospitality REITs' near-term outlook remains positive, but concerns are mounting over the medium term due to a sharp economic slowdown and the sustainability of pent-up demand. However, valuations, in our view, have priced in most of the positives (trading close to book value), and with a dim macroeconomic outlook, we see limited upside. With increasing inflationary pressures and recessionary risk, we believe there is a possibility of some of the hospitality demand slowing down after the initial surge from the lockdown. As such, hospitality stocks are likely to be more rangebound in the near term, with risks tilted towards the downside.	CDL Hospitality Trusts
Industrial REITs	OVERWEIGHT	Industrial demand remains strong, mitigating supply concerns. We expect industrial rental rates to continue to rise, while occupancy is expected to remain relatively flat. Among the sub-sectors, we like logistics, hi-tech, and good-quality business parks, as these sectors continue to benefit from changing market dynamics brought about by COVID-19 and the Government's longer-term push to transform Singapore into a Smart Nation.	CapitaLand Ascendas REIT, ESR-LOGOS REIT

Source: Company data, RHB

Figure 31: Sector outlook, rating and preferred picks (continued)

Sector	Rating	2023 sector outlook	Preferred picks
Office REITs	O/W	We expect overall office rental rates to continue to rise, albeit at a much slower pace of up to 2% in 2023, with some volatility expected in market occupancy amidst the ongoing tech sector layoffs. Limited supply in the office sector remains supportive despite mounting recession concerns. Despite a relatively favourable outlook and external factors supporting Singapore's office market, office S-REIT stocks have been trading at a discount to book value – a sharp contrast to transactions in the market. We believe this is mainly due to investor concerns about the impact arising from interest rates and uncertainty over the long-term office demand outlook from work-from-home (WFH) trends. We remain relatively positive on the long-term outlook for office demand.	Suntec REIT, Keppel REIT
Overseas REITs	O/W	Following a sharp correction in US office REIT share prices, these REITs now trade at attractive valuations of more than 30% below book value, with forward dividend yields averaging 12%. This, in our view, has priced in most of the current market uncertainty. More employees are also expected to return to their offices amidst looming layoff concerns and easing COVID-19 fears. Our base case at this juncture is that the US economy is unlikely to tip into a severe recession, and interest rate hikes are nearing the peak of the cycle. Based on the above view, we believe US REITs listed on the SGX are nearing the bottom of the current market cycle.	Prime US REIT, Keppel Pacific Oak US REIT
Retail REITs	N	For 2023, we expect landlords to remain focused on maintaining high occupancy rates in the shopping malls while remaining flexible on rental structures. The sector continues to be weighed down by rising inflation pressures, manpower constraints, and higher GST charges, which will kick in starting next year. However, the return of tourists and limited supply are expected to mitigate some of these demand pressures. Overall, we expect the island-wide vacancy rate to slightly widen by 1ppt to c.10% in 2023. In terms of retail rental, we expect overall rates to be relatively flat at -3% to +1%. We continue to maintain our NEUTRAL view and expect retail REITs to be largely rangebound.	Frasers Centrepoint Trust, Starhill Global REIT
Telecom	N	The telecom industry's mobile revenue is poised for a further recovery in 2023, with roaming revenue fast approaching pre-pandemic levels. We expect the tight competition within SIM-only plans to continue, with telcos attempting to better monetise 5G on standalone (SA) networks where coverage has surpassed 90% of the population (the Big-3 mobile network operators). Both Singtel and StarHub are aggressively expanding their respective enterprise businesses, capitalising on the slew of M&As executed. There could be medium-term earnings weakness from adding more headcount to shore up capabilities and expertise. We do not rule out additional asset monetisation and/or capital recycling by telcos, with industry consolidation being a prominent theme.	Singtel
Transport & Industrials	O/W	With the re-opening in Singapore in full swing, we expect land transport operators like ComfortDelGro to benefit from the higher demand for its taxi services and higher traffic for its rail business. This should offset some impact of higher energy costs for its rail business. Net cash position for transport players is also a positive in the rising interest rate environment. ST Engineering's defensive growth should continue to attract investor interest. While its high gearing will be impacted by rising interest rates, we believe some of the impact should be mitigated by its strong cash flow generation ability.	ComfortDelGro, ST Engineering

Source: Company data, RHB

Figure 32: Sector valuation comparison (I)

		P/E (x)		P/BV (x)		Dividend Yield (%)		FCF Yield (%)		ROE (%)	
Sector name	**Rating**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**
Consumer	OW	15.5	14.2	2.5	2.3	3.8	5.6	7.0	7.5	16.9	16.7
Financials	OW	9.3	8.6	1.4	1.3	4.8	5.4	4.0	5.1	14.8	15.0
Food Products	N	8.2	8.1	0.8	0.8	3.5	3.5	15.3	8.7	12.0	11.3
Healthcare	OW	27.3	26.3	2.6	2.4	2.2	1.8	5.9	4.9	9.6	9.5
Industrials	OW	16.6	14.2	3.8	3.5	3.8	4.8	2.0	9.9	23.8	25.5
Real estate	N	14.6	11.7	0.8	0.7	2.9	2.9	11.3	10.9	5.6	6.6
REIT	OW	15.2	15.1	0.9	0.9	6.6	6.7	8.8	8.8	6.2	6.2
Telecom & Media	N	14.9	13.4	1.4	1.3	5.0	5.0	13.4	14.7	9.5	10.2
Transport	OW	11.9	10.7	0.8	0.8	3.4	3.8	8.7	9.6	7.3	7.7

Note: Prices are as at 11 Jan 2023. Market cap weighted-averages for stocks under RHB's coverage
Source: Bloomberg, RHB

Figure 33: Sector valuation comparison (II) and returns

Sector name	Rating	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
		2023	2024	2023	2024	2023	2024	2023	2024	1M	YTD
Consumer	OW	69.4	9.3	66.6	36.4	8.9	9.0	0.5	0.4	6.7	5.0
Financials	OW	20.2	8.2	12.1	11.5	38.4	39.0	-0.7	-0.7	1.6	1.6
Food Products	N	-7.2	1.3	-6.5	2.2	5.4	5.2	0.8	0.7	0.5	-1.5
Healthcare	OW	-17.8	4.0	14.3	-16.1	12.4	12.3	-0.2	-0.3	0.7	0.0
Industrials	OW	12.9	16.4	-27.7	24.8	7.0	7.7	2.1	1.8	1.4	0.9
Real estate	N	15.9	24.4	10.1	0.0	13.3	14.8	1.0	1.0	-6.1	-6.3
REIT	OW	-2.9	0.2	-0.4	1.2	59.4	58.3	0.6	0.6	-1.2	-1.1
Telecom & Media	N	18.9	11.1	5.4	0.4	15.4	16.5	0.4	0.4	-7.0	-4.5
Transport	OW	14.8	11.2	1.5	14.0	4.1	4.3	-0.4	-0.5	2.8	1.9

Note: Prices are as at 11 Jan 2023. Market cap weighted-averages for stocks under RHB's coverage
Source: Bloomberg, RHB

Preferred Singapore stock picks for 2023

Figure 34: Singapore – valuation comparison (I) for large-cap picks

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
						1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
CapitaLand Ascendas	8,621	Buy	3.15	14.9	Dec-22	15.0	19.5	1.1	1.1	5.9	6.0	9.8	10.0	7.7	5.9
DBS Group	66,488	Buy	41.10	18.6	Dec-22	11.0	8.9	1.5	1.4	4.2	4.7	na	na	14.0	16.3
OCBC	42,308	Buy	15.00	18.3	Dec-22	9.5	7.9	1.0	0.9	4.6	5.2	na	na	11.1	12.6
SingTel	30,623	Buy	3.30	34.7	Mar-23	17.1	14.4	1.4	1.3	5.0	5.0	10.3	12.7	8.0	9.3
ST Engineering	7,949	Buy	4.15	22.8	Dec-22	19.3	17.0	4.3	4.0	5.3	3.7	0.2	1.4	24.7	24.2
Thai Beverage	13,398	Buy	0.91	25.8	Sep-23	14.2	13.4	2.0	1.9	3.7	3.9	7.0	7.7	14.9	14.7

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 35: Singapore – valuation comparison (II) and returns for large-cap picks

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
						1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
CapitaLand Ascendas	8,621	Buy	3.15	14.9	Dec-22	-21.1	-23.1	5.4	2.7	57.2	43.3	0.6	0.6	-0.4	0.0
DBS Group	66,488	Buy	41.10	18.6	Dec-22	18.6	24.1	22.5	10.2	na	na	na	na	3.7	2.1
OCBC	42,308	Buy	15.00	18.3	Dec-22	23.3	19.7	9.2	13.8	na	na	na	na	3.1	4.1
SingTel	30,623	Buy	3.30	34.7	Mar-23	18.6	19.2	29.0	0.0	14.2	16.4	0.4	0.4	-7.2	-4.7
ST Engineering	7,949	Buy	4.15	22.8	Dec-22	-4.5	13.5	19.1	-30.1	6.2	6.7	2.3	2.3	1.5	0.9
Thai Beverage	13,398	Buy	0.91	25.8	Sep-23	6.1	6.2	6.1	6.2	10.6	10.9	0.6	0.5	7.5	5.1

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 36: Singapore – valuation comparison (I) for mid- to small-cap picks

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
						1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
ESR-LOGOS REIT	1,842	Buy	0.46	25.8	Dec-22	na	11.5	0.8	1.0	8.2	7.7	14.0	12.1	-14.1	8.8
Raffles Medical	1,923	Buy	1.65	17.9	Dec-22	22.5	27.3	2.7	2.6	1.9	2.2	3.4	5.9	12.0	9.6
Sheng Siong	1,864	Buy	1.78	7.9	Dec-22	17.7	17.1	5.6	5.1	4.0	4.1	6.5	6.4	33.1	31.1

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 37: Singapore – valuation comparison (II) and returns for mid- to small-cap picks

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
						1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
ESR-LOGOS REIT	1,842	Buy	0.46	25.8	Dec-22	-308.9	na	0.6	-6.6	-85.3	51.9	0.9	0.9	1.4	-1.4
Raffles Medical	1,923	Buy	1.65	17.9	Dec-22	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.7	0.0
Sheng Siong	1,864	Buy	1.78	7.9	Dec-22	5.8	3.4	5.8	3.4	9.7	9.6	-0.5	-0.6	0.0	0.0

Note: Prices are as at 11 Jan 2023.
Source: Bloomberg, RHB

Figure 38: Investment theses for our stock picks

Stock	Investment thesis
AIMS APAC REIT (AAREIT SP)	• High-quality industrial portfolio, with a focus on logistics assets, which have been in demand amongst investors post COVID-19. • Earnings recovery will be driven by acquisitions, improved occupancy rates and rental increases. • Untapped potential to enhance portfolio value from asset enhancements. • Potential medium-term M&A candidate.
CapitaLand Ascendas (CLAR SP)	• Largest industrial REIT with diversified exposure to business parks, logistics and hi-tech industrial spaces. • Organic growth from asset redevelopments, higher occupancy rates, and rental improvement. • Backed by a strong and experienced sponsor.
City Developments (CIT SP)	• Continued earnings recovery from the hospitality segment and healthy locked-in sales of its residential projects. • Potential to recycle investment assets and unlock value through divestments, private funds or REITs. • Trading at an attractive >50% discount to RNAV.
ComfortDelGro (CD SP)	• Sustained earnings recovery amidst normalisation of Singapore rail and taxi businesses' operations. • Return of Chinese tourists could further boost Singapore's taxi and public transport ridership. • Valuation is compelling amidst ongoing YoY earnings growth and strong improvements in ROE. • Risk of slower-than-estimated earnings from the UK if Europe and/or the UK enter into a recession.
DBS Group (DBS SP)	• Highest sensitivity to interest rate movements, with a 25bps hike boosting annual earnings by 5%. • Some macroeconomic headwinds for topline growth, but lower provisions would provide uplift to bottomline. • Earnings to grow by a robust 24% in FY23F, supported by loan growth of 5%, stronger NIM, and a recovery in fee income. • Management guides for credit cost to normalise to 20bps, from 10-11bps in FY22F. • Its digital capabilities and new regional growth platforms support a richer valuation.
ESR-LOGOS REIT (EREIT SP)	• Asset recycling, redevelopments and acquisitions in new markets to generate value and investor interest. • High exposure to favourable industrial segments such as logistics and hi-tech industrials. • Strong and capable sponsor backing (ESR) and attractive valuation.
Golden Agri (GGR SP)	• Integrated plantation player which would be better off in a lower CPO price environment than pure planters. • Valuation looks attractive, trading at 5x 2023F P/E, at the low-end of its peer average of 5-9x. • Dividend yield of over 10% for 2022F and 6% for 2023F is an added attraction.
OCBC (OCBC SP)	• FY23F net profit to grow by a healthy topline growth, improved operating leverage and moderate decline in credit cost. • NIM, which jumped 23bps YoY for 9M22, would be a key earnings driver in 2023. • Management guided for mid-teens credit cost in FY22F (FY21: 32bps). • CET-1 ratio of 14.4% is above optimal levels of 12.5-13.5%, providing headroom for better dividend payouts in the future.
Raffles Medical (RFMD SP)	• Singapore hospital and healthcare operations reverting to normal will help offset the decline in COVID-19 related revenue. • China, which accounts for c.7% of RFMD's revenue, should also see higher revenue beyond 2023. • A net cash position should enable RFMD to look at inorganic growth opportunities. • RFMD's 2023F P/E and EV/EBITDA are below its peer average.
Sheng Siong (SSG SP)	• Defensive business model with the ability to preserve margins by passing on higher costs to consumers. • Growth to come from consumers seeking cheaper options amidst rising inflation and from normalisation of revenge spending. • Generates strong cash flow and has a net cash balance sheet.
Singtel (ST SP)	• The resumption of international travel should drive recovery in roaming revenue and sale of starter packs. • ARPU uplift to come from stronger 5G adoption. • Positive execution of strategic business reset (ie regionalisation of enterprise/B2B businesses & value unlocking of strategic infrastructure assets).
ST Engineering (STE SP)	• Sustained recovery in earnings beyond 2022, driven by gradual improvement in commercial aerospace. • c.SGD23bn of orderbook provides over two years of revenue visibility. • Recent acquisition of Transcore, although worsened its debt profile, also expanded the earnings profile. • Defensive business model that will allow it to sustain DPS of at least 16 SG cents.
Thai Beverage (THBEV SP)	• Proxy to capture the robust consumption in Thailand and Vietnam. • Potential reopening of China and the ensuing resurgence in tourism should catalyse earnings prospects. • Margin recovery on price adjustment amidst cost pressure.
Wilmar (WIL SP)	• Integrated commodities player which would be better off in a lower commodity price environment than pure farmers. • Undervalued at 8x 2023F P/E. Its combined stake in Yihai-Kerry and Adani Wilmar is c.2x its own market capitalisation. • ESG play, having the best ESG qualifications in the sector.

Source: Company data, RHB

Thailand Strategy

A Better Tomorrow Lies Ahead

Upbeat on prospects in 2023. The effects of the COVID-19 pandemic continue to dominate Thailand's economic landscape, along with inflation, rising interest rates, and supply chain disruptions. We believe the Thai equity market will still grapple with these obstacles in 1H23, albeit at a slower pace. Despite the threat of a global economic downturn next year, Thailand should record stronger numbers YoY, as 2023 will mark a full year of economic reopening activities after businesses were ravaged by the pandemic. The recovery in domestic consumption, tourism and investment growth are vital economic drivers. In addition, the upcoming general election – expected to be held in May 2023 – will be another market driver.

Steady GDP growth. The Street and RHB expect Thailand's GDP to chart growth over 2022-2024, with CPI slowing by 2H23 against a peak of <2.0% interest rate hikes throughout 2023. Inflation has hit the Thai economy, but not severely. The rise in interest rates will impact particular sectors such as consumer, finance, utilities, and services. Still, the corporate debt-to-equity ratio (average listed companies) remains at a low 1.6x. As such, we expect earnings to return to normal (pre-pandemic) levels by 2H23.

2023 SET index target at 1,818 pts. We anticipate that SET-listed companies' total net profit and EPS will increase by 11.5% YoY in 2023, with the former hitting a new high of THB1.24trn. Except for the agriculture and oil & gas sectors – where prices are expected to peak in 2022, then decline in 2023 – most sectors should recover and enjoy stronger growth. Furthermore, following the country's full economic reopening, the consumer, F&B, transportation, healthcare, construction materials, property, and petrochemical industries are expected to outperform the SET benchmark, followed by banks, consumer, construction, automotive and electronics. The tourism, media, and aviation sectors are among the industries that should recover and return to the black.

Investment themes:

i. **China's reopening of borders**. This will be positive for Thailand's trade and tourism, while boosting domestic consumption, international trade, direct investment and housing sales.

ii. **Pre-general election.** We present potential plays that investors may want to consider initiating trading positions on, for the near-to-medium term.

iii. **EV – at the initial stage of growth.** The Board of Investment (BoI) has approved 26 EV projects from 17 companies this year alone. The total investment value of the projects is THB80.21bn (USD2.3bn).

iv. **Hospitality – revenge travel.** We assume that there will be 24m (+125% YoY) international tourist arrivals to Thailand and THB1.48trn (+74% YoY) in foreign tourist receipts, if China allows outbound travel by 1H23F, implying 62% and 76% of pre-pandemic (ie 2019) numbers.

v. **Fund inflows to continue.** For the first time in five years, foreign investors recorded a net buy of THB183bn over 2022 (year-to-16 Dec) – the highest figure since 2000.

Key investment highlights for 2023

The positives

General election. Based on the likelihood that there will be no resolution for the House of Representatives before the end of this Government's term in Mar 2023, the next general election will be held on 7 May 2023. Statistics show that the SET index tends to trend upwards prior to national polls, and foreign fund inflows pick up.

Tourist numbers and receipts surge. As of YTD-5 Dec, Thailand recorded 9.8m international tourist arrivals. We expect the end-2022 figure to total 11m, and have maintained this forecast. The Tourism Authority of Thailand estimates visitor arrivals to amount to 24m next year (+118% YoY), with new tourists coming from Saudi Arabia and East Europe as well as the return of China tourists, in 2Q23. Our worst-case scenario would be 18m tourist arrivals (without visitors from China), while our best-case scenario is 24m arrivals by end-2023. Tourism revenue for 2022 is expected to be around THB1.3trn (USD38bn), equivalent to 7.6% of 2022F GDP, before rising to THB2.38trn (USD69bn) i.e. 14% of GDP next year.

China is reopening its borders, which will be positive for Thailand's trade and tourism. Our base case for COVID-19 restriction adjustments in China is that controls will be eased in 2Q23. Meanwhile, our bear case is that control measures will be maintained throughout 2023.

Private consumption. We expect consumption, private spending, and the tourism sector to be the chief drivers of GDP growth next year.

Public infrastructure projects being put up for bids. Projects should include phase 2 of the high-speed rail, the MRT Purple Line and MRT Orange Line, and retail projects situated at areas around Bang Sue Grand Station (the largest train station in ASEAN), as well as the extension of the MRT Red Line. The value of such projects should exceed USD10bn.

Fiscal prudence still in good shape. Thailand's fundamentals should remain solid – with lower interest rates, sufficient liquidity for loans, and solid financial positions for both financial institutions and corporations. Fitch Ratings has affirmed Thailand's long-term foreign-currency issuer default rating (IDR) at BBB+ with a stable outlook. Standard & Poor's credit rating for Thailand stands at BBB+ with a stable outlook as well. The public debt-to-GDP (at 60.4% in Oct 2022) comprises 88% in government debts (long-term), 1.7% in foreign debts, and 14% in debts held in the short term. As of Oct 2022, international reserves stayed relatively high at USD202bn, down from USD246bn in 2021. Still, if an economic downturn happens, there is still room for fiscal stimulus measures to cushion against a fall.

The risks

- Geopolitical tensions remain uncertain or continue to heat up.
- Global recession, rising energy prices and a food crisis.
- High inflation if prices rise faster than GDP (3-4%), which could result in a decline in real wages and an interest rate upcycle.
- Household debt in Thailand slightly decreased to 88.9% of GDP in 2Q22, from 90% of GDP in 1Q22. Rising household debt will limit domestic consumption, and possibly spike NPLs (2.76% in 3Q22) and the unemployment rate.
- External factors triggering an outflow of capital from the equity market.
- Government and policy changes. The upcoming general election – implying a possible change in government and prime minister – may create political instability and inconsistency in the long-term economic policy.

Investment themes for 2023

Theme 1: China's reopening of its borders

Tourism and domestic consumption

i. China's decision to relax its COVID-19 controls amidst growing public discontent may be an early proxy for the eventual removal of its zero-COVID policy. We anticipate that a gradual reopening of China's borders will be a boon for Thailand's tourism sector, given that Chinese tourists were the largest source of tourism during the pre-pandemic period. China accounted for 28% of 40m tourist arrivals in Thailand in 2019, and spending from China visitors alone contributed around 0.3% of GDP that year.

ii. According to our projections, inbound tourists to Thailand are expected to total 11m by end-2022. If China's borders reopen in 1H23, China tourist arrivals in 2023 could come up to around 4m (out of 24m total tourist arrivals). On the other hand, tourist spending on shopping accounted for approximately 23% (THB870bn) of Thailand's total retail sales (THB3.8trn) in 2019 – equivalent to 22% of GDP – according to the Thai Retailers Association.

Trade, FDI and housing

i. 13.7% of Thai exports were shipped to China as of 11M22. This makes China the kingdom's second-largest export market in 2022. Reopening the Chinese market should alleviate some of the bottlenecks in supply chains and increase FDI into Thailand.

ii. FDI in Thailand exceeded THB112bn (USD3.2bn) in 11M22 (+74% YoY), with China being the second-largest foreign investor, pumping in THB22.6bn. Most of these FDI were for projects related to infrastructure development and supporting industries. Subcontracting works for a U-Tapao Airport power plant, upgrading Map Ta Phut Industrial Port, designing and developing EV charging stations, international goods distribution centres, and software and digital data services were among the projects. In addition, Chinese investors play an increasingly important role in Thailand's EV, technology, electronics, industrial estate, and residential property industries.

iii. Total high-rise condominiums transferred in 1H22 amounted to THB10bn, of which 50% are Chinese buyers.

Companies that stand to benefit from this theme

i. **Industrial estates:** WHA Corp (WHA TB, BUY, TP: THB4.35), Amata Corp (AMATA TB, SELL, TP: THB13.20) and Pinthong Industrial Park (PIN TB, NR).

ii. **Sea freight & logistics:** Precious Shipping (PSL TB, NR), Regional Container Lines (RCL TB, NR), Leo Global Logistics (LEO TB, NR), Namyong Terminal (NYT TB, NR), and JWD Infologistics (JWD TB, NR).

iii. **Airport and airlines:** Asia Aviation (AAV TB, NR), Airports of Thailand (AOT TB, BUY, TP: THB82), Bangkok Airways (BA TB, NR) and Thai Airways International (THAI TB, NR).

iv. **Hospitality:** Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB35), Bangkok Chain Hospital (BCH TB, BUY, TP: THB25), Chularat Hospital (CHG TB, NR), Minor International (MINT TB, BUY, TP: THB40.50), The Erawan Group (ERW TB, BUY, TP: THB5), Central Plaza Hotel (CENTEL TB, NEUTRAL, TP: THB45.50) and Veranda Resort (VRANDA TB, NR).

v. **F&B:** CP ALL (CPALL TB, BUY, TP: THB79), Charoen Pokphand Foods (CPF TB, BUY, TP: THB34), Central Retail Corporation (CRC TB, BUY), TP: THB48), After You (AU TB, NR), Taokaenoi Food & Marketing (TKN TB, NR), Beauty Community (BEAUTY TB, NR) and Siam Wellness Group (SPA TB, NR).

vi. **High-rise residential property:** Ananda Development (ANAN TB, NR), Assetwise (ASW TB, NR), Origin Property (ORI TB, NR) and LPN Development (LPN TB, SELL, TP: THB3.50).

Top Picks for this theme: Central Retail Corporation, WHA Corp, Airports of Thailand, Bangkok Dusit Medical Services, Minor International, CP ALL.

Theme 2: Run-up to the general election

National polls next year. Based on the likelihood that there will be no signing of a resolution in the House of Representatives before the end of this government's term in March, the next general election will be held on 7 May. According to past statistics, investors are typically upbeat prior to general elections, and there is a pick-up in foreign fund inflows. Examples taken from past general elections point to a dual impact.

i. Trading sentiment and liquidity should improve further, potentially attracting more investors back to the market. According to historical data, the SET index picked up in the four months preceding an election – benefiting sectors such as energy, banks, property and consumer.

ii. Companies with government ties may see short-term investor speculation – like those in infrastructure and industrial estates. Companies involved in new media also see a pick-up in interest, over those in traditional media. Meanwhile, the technology (ICT) sector would be a laggard. We also note that in the period of the two months after the previous election (in 2019), ie June and July, profit-taking on construction stocks was at a historical high. This was due to changes in the government and national policies**.**

Election spending reaches c.THB22bn. Election regulations state that politicians are not to spend more than THB1.5m per head for a total number of 14,098 registered candidates. This translates into a baseline spending of THB22bn that can be circulated into the economy, contributing c.0.13% of 2021's GDP into 1Q23. The most likely beneficiaries of this regulation on election spending would be the consumer and food-related sectors.

Pre-election theme. For local flavour, we present some potential plays that investors may want to consider initiating trading positions on, for the near-to-medium term, as listed below.

i. **Conventional and renewable energy:** PTT Exploration & Production (PTTEP TB, BUY, TP: THB193), PTT (PTT TB, BUY, TP: THB51), Global Power Synergy (GPSC TB, BUY, TP: THB84), Energy Absolute (EA TB, NR), Gulf Energy Development (GULF TB, NR), Gunkul Engineering (GUNKUL TB, NR) and B.Grimm Power (BGRIM TB, NR).

ii. **Consumer:** CP ALL, Berli Jucker (BJC TB, BUY, TP: THB41), Siam Makro (MAKRO TB, NR), Central Retail Corp (CRC), and Central Pattana (CPN TB, BUY, TP: THB78.25).

iii. **Property developers & hospital:** SC Asset Corp (SC TB, NR), Sansiri (SIRI TB, NR) and Prama 9 Hospital (PR9 TB, NR).

iv. **Media:** Plan B Media (PLANB TB, NR), VGI (VGI TB, NR), Master Ad (MACO TB, NR), Major Cineplex Group (MAJOR, NR), and BEC World (BEC TB, NR).

v. **Technology:** Synnex (Thailand) (SYNEX TB, NR) and TKS Technologies (TKS TB, NR), Advanced Info Service (ADVANC TB, NEUTRAL, TP: THB206).

vi. **Infrastructure:** Sino-Thai Engineering & Construction (STEC TB, BUY, TP: THB14.30), CH Karnchang (CK TB, BUY, TP: THB26.70), Bangkok Expressway & Metro (BEM TB, BUY, TP: THB11.00), Italian-Thai Development (ITD TB, NR), and BTS Group Holdings (BTS TB, NR).

vii. **Private investment:** WHA Corp (WHA TB, BUY, TP: THB4.35), Amata Corp (AMATA TB, SELL, TP: THB13.20) and Pinthong Industrial Park (PIN TB, NR).

viii. **Cannabis-related:** Sappe (SAPPE TB, NR), Mega Lifesciences (MEGA TB, BUY, TP: THB57), R&B Food Supply (RBF TB, NR), Siam Wellness Group (SPA TB, NR), RS (RS TB, NR), CBG (CBG TB, NR).

Top Picks for this theme: PTT, PTT Exploration & Production, Central Retail Corp, CP ALL, Land & Houses, Supalai (SPALI TB, BUY, TP: THB26.40), Sino-Thai Engineering and Construction, Bangkok Expressway & Metro and WHA Corp.

Figure 39: Key political events

Political Events (2001-present)	4-month period prior to GE		Index	SET Index (pts)		Foreign flows	SET index (pts)		Foreign flows
	Start	End	Gain/ Loss	Low	High	(THBm)	2-month later	Closed	(THBm)
1) GE on 6 Feb 2005	**Oct 2004**	**Feb 2005**	**118**	**628**	**746**	**109,784**	**(87)**	**659**	**(17,285)**
Yellow Shirts uprising	Jun 2004	Sep 2006	-211	577	788	273,790			
Coup d'etat against Thaksin Shinawatra	19 Sep 2006	25 Sep 2006	18	679	697	1,118			
2) GE on 29 Jan 2008	**Sep 2007**	**Feb 2008**	**196**	**729**	**925**	**(40,520)**	**(92)**	**832**	**(10,069)**
Yellow Shirts -seizure of Suvarnabhumi Airport	8 Nov 2008	12 Dec 2008	-99	380	479	(21,640)			
Red Shirts - seizure of Ratchaprasong	Apr 2010	May 2010	-106	714	820	(42)			
3) GE on 3 Jul 2011	**Mar 2011**	**Jul 2011**	**152**	**984**	**1136**	**43,314**	**(220)**	**916**	**(58,690)**
PDRC protest against Yingluck Shinawatra	Aug 2013	Apr 2014	-221	1205	1427	(142,694)			
Yingluck Shinawatra dissolved Parliament	Apr 2014	May 2014	-106	1287	1393	(16,888)			
Coup d'etat against Yingluck Shinawatra	21 May 2014	22 Jun 2014	124	1370	1493	(36,425)			
Constitution Referendum	**May 2016**	**Aug 2016**	**207**	**1351**	**1558**	**102,931**	**(63)**	**1496**	**(502)**
4) GE on 23 Mar 2019	**Dec 2018**	**Mar 2019**	**110**	**1547**	**1657**	**(14,042)**	**92**	**1730**	**7,098**

Note: i) GE = general election; ii) The US-China trade war began in Jul 2018 under the administration of then-US president Donald Trump
Source: RHB

Theme 3: EV – in a nascent phase of growth

Roadmap to 30% EV production in 10 years. Under its 30/30 policy, the Government is accelerating the development of RE the green economy, and the EV industry to promote Thailand as an EV production base in ASEAN. Thailand is required by the 30/30 policy to increase its manufacturing capacity of zero-emission vehicles (ie EVs) by 30% by 2030. This will be broken down into three phases:

i. **Phase 1 (2021-2022)** – the Thai Government will promote electric motorcycles and support infrastructure nationwide;

ii. **Phase 2 (2023-2025)** – the EV industry will be developed to produce 225,000 cars and pick-up trucks, 360,000 motorcycles and 18,000 buses/trucks by 2025, including the production of batteries. This first milestone is designed to deliver cost advantages via economies of scale;

iii. **Phase 3 (2026-2030)** will be driven by the 30/30 policy to produce 725,000 EV cars and pick-up trucks, plus 675,000 EV motorcycles. This will account for 30% of total auto production by 2030 and includes domestic battery manufacturing. The National Electric Vehicle Policy Committee also establishes financial and tax incentives for EV and battery manufacturers and safety standards.

Tax breaks are becoming more prominent. The BoI approved 26 EV manufacturing projects from 17 companies this year alone. The total investment value of the projects is THB80.21bn (USD2.3bn), excluding land value and capital circulation. So far, the BoI has approved tax breaks for producing 838,775 EVs and awarded promotion certificates to 16 projects, including six for sedan production, two for pick-up truck production, and three for motorcycle production.

EV sales soar 223% as buyers take advantage of incentives. EVs have become more popular among Thais after the Cabinet approved (in principle) subsidies ranging from THB70,000 to THB150,000 for EV purchases, on the condition that the EV makers must also assemble them in Thailand later. Under the scheme, EV automakers are eligible for subsidies and duty reductions of up to THB150,000 per vehicle priced less than THB2m, and up to THB800,000 on EVs priced more than THB2m. In addition, until 2023, a subsidy is available for purchasing an electric motorcycle from an eligible manufacturer. EVs accounted for 15% of all vehicle bookings at Motor Expo 2022, with 36,679 units sold during the 12-day event. Overall EV sales also grew, to 11.9% of total sales of buses, trucks and other non-car EVs.

The following stage is EV infrastructure. Thailand currently has 869 EV charging stations and 2,572 chargers. The National Electric Vehicle Policy Committee intends to rapidly increase the number of charging stations across the country. The signing ceremony of the Memorandum of Understanding (MoU) for the installation of EV Station PluZ I GWM chargers in potential commercial areas was attended by PTT Oil & Retail Business and Great Wall Motor (Thailand) (GWM). The pilot branches of EV Station Pluz I GWM chargers are expected to be fully operational by 2022, with locations in commercially viable areas such as leading department stores, community malls, hotel chains, etc.

Focus stocks are as follows:

i. EV parts producers: Somboon Advance Technology (SAT TB, NR) and Thai Stanley Electric (STANLY TB, NR).

ii. EV passenger car and boat producers: PTT (PTT, BUY, TP: THB51), Energy Absolute (EA TB, NR), Nex Point (NEX TB, NR) and Chai Watana Tannery Group (CWT TB, NR).

iii. Battery chargers: Global Power Synergy, Rojana Industrial Park (ROJNA TB, NA), Energy Absolute and Banpu (BANPU TB, NR)

iv. Charging stations: Delta Electronics (Thailand) (DELTA TB, NR), PTT Oil & Retail Business (OR TB, BUY, TP: THB35), Energy Absolute and Forth Corporation (FORTH TB, NR).

v. Battery-wasted management: Better World Green (BWG TB, NR).

vi. High-tech electronics**:** DELTA, KCE Electronics (KCE TB, NR), Hana Microelectronics (HANA TB, NR).

Top picks: PTT (dividend yield of 5.6%) and PTT Oil & Retail Business.

Theme 4: Hospitality – revenge travel

Another surge in tourism in 2023. Based on the sharp rebound in tourists from existing international source markets, we have an upbeat outlook for the tourism industry next year. Aside from Asians, visitor arrivals from mid-to-long haul areas such as Russia, Eastern Europe and the Middle East, are expected to increase over the next year. We assume 24m (+125% YoY) international arrivals to Thailand and THB1.48trn (+74% YoY) in foreign receipts if China allows outbound travel by 1H23F, implying 62% and 76% of pre-pandemic numbers, ie from 2019 levels. Domestic tourism could generate 198m trips (+7% YoY) and THB904bn (+39% YoY) in revenue. Based on these figures, we estimate that tourism's contribution to Thailand's GDP will increase to 13% (2022: 8%) of the total. We also expect that tourism in Thailand will return to pre-pandemic levels in 2024.

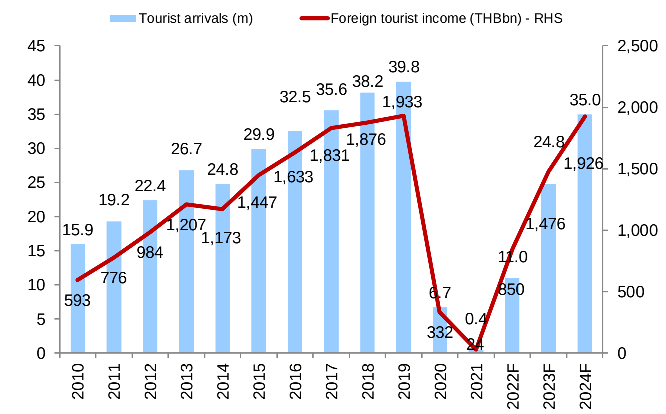
Airports, as a first-tier proxy, may secure more flights and passengers throughout the year, while hotels – the second-tier proxy – should see accelerating demand from both leisure and business customers. Average room rates may continue staying above pre-COVID-19 levels (mainly for the budget, upscale and luxury segments) while a rising foreign guest mix and improving operating leverage may lead to full-year earnings turnarounds for listed hoteliers.

We see significant opportunities to welcome more visitors from Saudi Arabia post-resumption of diplomatic relations between the country and Thailand. This could translate to 100,000 visitor arrivals in 2022, before the number doubles to 200,000 in 2023. The Thai authorities have joined hands with local partners to intensively promote tourism there, by focusing on wellness and exploration activities here for honeymooners and millennials. Being quality tourists with the top-ranked spenders (forking out THB107,331 per head each trip), this new source market may add value and act as another key growth driver to the related activities in the upscale and luxury tourism segments – led by accommodations, shopping and F&B which accounted for 27%, 25% and 20% of their spending.

Growing potential from expatriate travel. Bangkok has been ranked sixth out of 50 cities in the Expat City Ranking 2022, and as Asia's top destination for expatriates and long-stay guests. There are currently c.2m expatriates in Thailand, with Bangkok's strengths being value-for-money living expenses, excellent leisure options and accessible healthcare services. Thailand's border reopening may attract these target groups – as a destination to settle down in. Beneficiaries may be companies in medical, wellness, and recreation services – Bangkok Dusit Medical Services, Bumrungrad Hospital and Siam Wellness Group, etc.

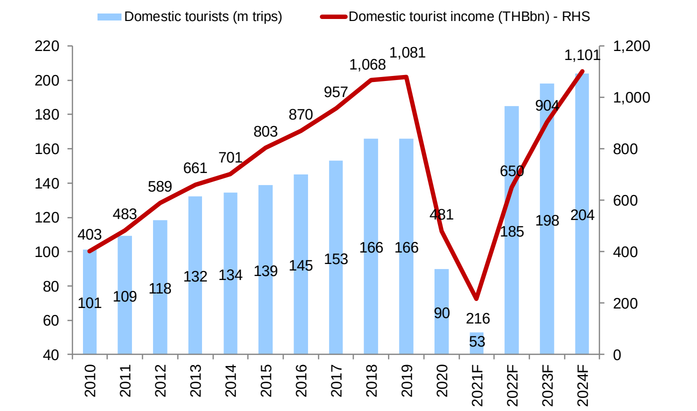
Top Picks for this theme are Airports of Thailand, Bangkok Dusit Medical Services, Minor International and The Erawan Group.

Figure 40: International tourist arrivals and receipts



Source: RHB

Figure 41: Domestic tourist trips and receipts



Source: RHB

Theme 5: Fund inflows to continue in 1H23

Net foreign outflow over the past 14 years. The SET saw net foreign fund outflows totalling THB954bn (c.USD26bn) over the past 14 years. This was largely due to the US subprime crisis which first surfaced in 2008, the slump in oil prices during 2014-2015, the US-China trade war (2017-2018), and COVID-19 (2019-2022).

Reverse to net inflows of THB183bn. For the first time in five years, foreign investors recorded a net buy of THB200bn over 2022 (up to 16 Dec 2022) – the highest figure since 2000. Based on the positive expectation that capital inflows will remain put throughout the rest of the year, our stock picks will focus on the top tier of large-cap stocks that are representative of each key economic sectors:

i. Banks – Kasikornbank (KBANK TB, BUY, TP: THB175) and Tisco Financial Group (TISCO TB, BUY, TP: THB114).

ii. Energy & utilities – PTT, PTT Exploration & Production, Global Power Synergy and Gulf Energy.

iii. Hospitality – Minor International, The Erawan Group, Bangkok Dusit Medical Services and Bangkok Chain Hospital.

iv. Transportation – Airports of Thailand.

v. Retailing – Central Retail Corp and Central Pattana.

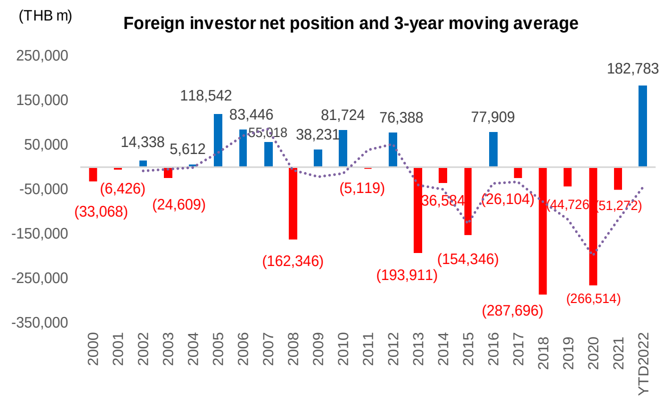
vi. Consumer – CP ALL, Home Product Center (HMPRO TB, BUY, TP: THB18.80) and PTT Oil & Retail Business.

vii. F&B – Thai Union (TU TB, BUY, TP: THB24) and Charoen Pokphand Foods (CPF).

viii. Basic materials & petrochemicals – Siam Cement (SCC TB, BUY, TP: THB400).

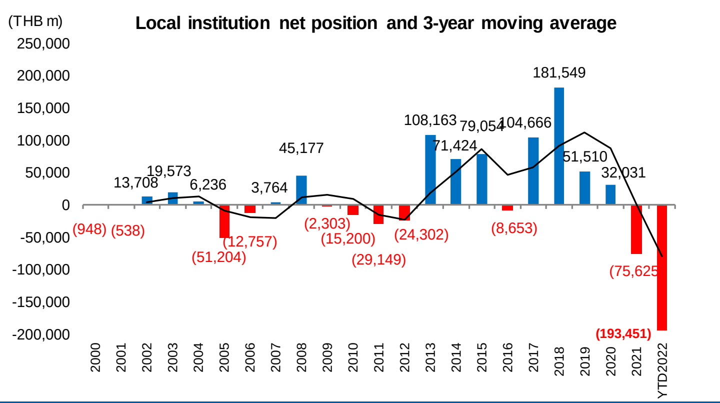
Top Picks: Kasikornbank, Tisco Financial Group, Siam Cement, PTT, Minor International, Airports of Thailand, CP ALL, Central Retail Corp, Home Product Center and Thai Union.

Figure 42: Foreign net inflows in YTD-2022 reached a 22-year peak



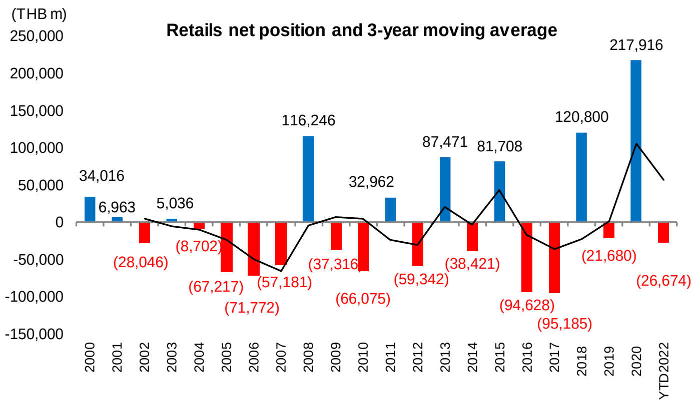
Note: Data as of 16 Dec 2022
Source: SET Smart, RHB

Figure 43: Local institutions recorded net sells for two consecutive years



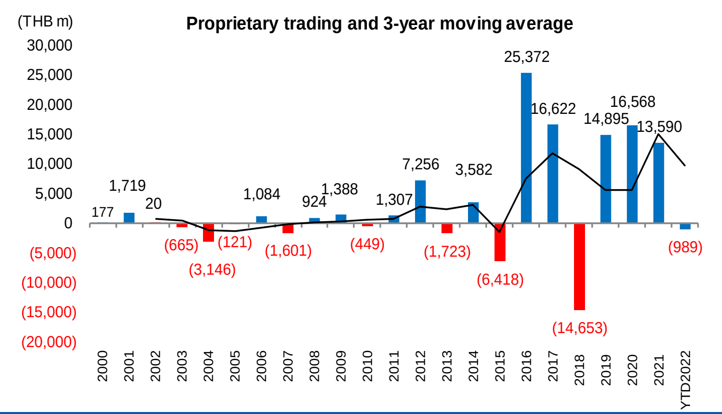
Note: Data as of 16 Dec 2022
Source: SET Smart, RHB

Figure 44: Retail investors recorded net sells



Note: Data as of 16 Dec 2022
Source: SET Smart, RHB

Figure 45: Proprietary trading registered net buys



Note: Data as of 16 Dec 2022
Source: SET Smart, RHB

2023 SET target of 1,818pts

We anticipate that the SET's combined net profit will increase by 11.5% YoY in 2023, reaching a new high of THB1.24trn. Except for agriculture and O&G where commodity prices are expected to have peaked in 2022 then decline this year, most industries should continue to recover and enjoy strong growth. Furthermore, following the country's full economic reopening, the consumer, F&B, transportation, healthcare, construction materials, property developer and petrochemical sectors are expected to outperform the SET benchmark, followed by banks, consumer, construction, automotive, and electronics. Tourism, media, and airlines are among the industries that should recover and return to the black.

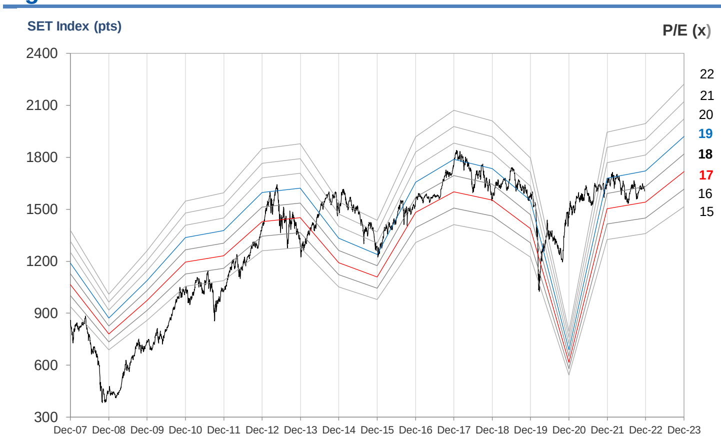
Figure 46: SET earnings and valuations

Year	Net Profit (THB m)	+/-	EPS (THB)	+/-	BPS (THB)	ROE	P/BV (x)	P/E (x)	Div. Yield
2011	594,419	4.7%	72.5	3.0%	541.8	13.4%	1.89	14.14	3.6%
2012	714,534	20.2%	84.1	16.0%	602.8	13.9%	2.31	16.56	3.2%
2013	755,587	5.7%	85.4	1.5%	638.4	13.5%	2.03	15.22	3.5%
2014	648,800	-14.1%	70.1	-17.8%	669.0	10.6%	2.24	21.36	2.5%
2015	622,277	-4.1%	65.3	-22.4%	707.3	9.2%	1.82	19.74	2.7%
2016	852,004	36.9%	87.2	33.6%	756.3	11.5%	2.04	17.70	3.0%
2017	944,064	10.8%	94.1	8.0%	800.3	11.7%	2.19	18.63	2.8%
2018	933,176	-1.2%	91.3	-3.0%	828.5	10.9%	1.89	17.12	2.9%
2019	865,415	-7.3%	81.6	-10.6%	848.3	9.6%	1.86	19.35	2.6%
2020	402,283	-53.5%	36.2	-55.7%	833.7	4.2%	1.74	40.04	1.0%
2021	1,044,549	159.7%	88.4	144.3%	911.1	9.7%	1.82	18.75	2.1%
2022E	1,109,549	6.2%	90.6	2.5%	924.6	9.8%	1.75	17.86	2.2%
2023E	1,236,993	11.5%	101.0	11.5%	975.1	10.4%	1.66	16.02	3.1%

Source: RHB

Our end-2023 SET target of 1,818pts is based on 18x. This is compared against the 3-year P/E mean of 26x, 5-year P/E average of 22x, 7-year P/E mean of 22x, and 10-year P/E mean of 21x.

Figure 47: SET's P/E band – at the crossroads of 18x



Source: RHB

Figure 48: SET valuation matrix

P/E (x)	EPS (THB) 2021	EPS (THB) 2022E	EPS (THB) 2023E	P/BV (x)	BV (THB) 2021	BV (THB) 2022E	BV (THB) 2023E
	88.42	**90.63**	**101.04**		**911.1**	**924.5**	**975.0**
growth	144%	2.5%	11.5%	growth	9.3%	1.5%	5.5%
17.00	1,503	1,541	1,718	1.70	1,549	1,572	1,657
18.00	1,591	**1,631**	**1,819**	1.75	1,594	1,618	1,706
18.75	1,658	1,699	1,894	1.82	1,658	1,683	1,774
19.00	1,680	1,722	1,920	1.85	1,685	1,710	1,804
20.00	1,768	1,813	2,021	1.91	1,740	1,766	1,862
20.45	1,808	1,853	2,066	1.81	1,649	1,673	1,765
21.62	1,912	1,959	2,184	1.91	1,740	1,766	1,862
26.05	2,303	2,361	2,632	1.99	1,813	1,840	1,940

SET Target	1,658	1,631	1,819	Historical mean	P/E	P/BV
Market return	14.4%	-1.6%	9.7%	3-year	26.05	1.81
Dividend Yield	2.1%	2.3%	3.1%	5-year	21.62	1.91
Total return	16.5%	0.7%	12.9%	7-year	21.62	1.91
ROE	9.4%	9.6%	10.1%	10-year	20.45	1.99

Source: RHB

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AF	BIZ	DELTA	GUNKUL	LIT	OISHI	PYLON	SIRI	TGH	TTCL
AH	BKI	DEMCO	HANA	LPN	OR	Q-CON	SIS	THANA	TTW
AIRA	BOL	DRT	HARN	MACO	ORI	QH	SITHAI	THANI	TU
AKP	BPP	DTAC	HMPRO	MAJOR	OSP	QTC	SMK	THCOM	TVD
ALT	BRR	DUSIT	ICC	MAKRO	OTO	RATCH	SMPC	THG	TVI
AMA	BTS	EA	ICHI	MALEE	PAP	RS	SNC	THIP	TVO
AMATA	BTW	EASTW	III	MBK	PCSGH	S	SONIC	THRE	TWPC
AMATA	BWG	ECF	ILINK	MC	PDG	S & J	SPALI	THREL	U
ANAN	CENTEL	ECL	ILM	MCOT	PDJ	SAAM	SPI	TIPCO	UAC
AOT	CFRESH	EE	INTUCH	METCO	PG	SABINA	SPRC	TISCO	UBIS
AP	CHEWA	EGCO	IP	MFEC	PHOL	SAMART	SPVI	TK	UV
ARIP	CHO	EPG	IRPC	MINT	PLANB	SAMTEL	SSSC	TKT	VGI
ARROW	CIMBT	ETC	ITEL	MONO	PLANET	SAT	SST	TMT	VIH
ASP	CK	FPI	IVL	MOONG	PLAT	SC	STA	TNDT	WACOA
AUCT	CKP	FPT	JSP	MSC	PORT	SCB	STEC	TNITY	WAVE
AWC	CM	FSMART	JWD	MST	PPS	SCC	STI	TOA	WHA
AYUD	CNT	GBX	K	MTC	PR9	SCCC	SUN	TOP	WHAUP
BAFS	COM7	GC	KBANK	MVP	PREB	SCG	SUSCO	TPBI	WICE
BANPU	COMAN	GCAP	KCE	NCL	PRG	SCGP	SUTHA	TQM	WINNER
BAY	COTTO	GFPT	KKP	NEP	PRM	SCM	SVI	TRC	ZEN
BBL	CPALL	GGC	KSL	NER	PROUD	SDC	SYMC	TRU	TRUE
BCP	CPF	GLAND	KTB	NKI	PSH	SEAFCO	SYNTEC	TSC	
BCPG	CPI	GLOBAL	KTC	NOBLE	PSL	SEAOIL	TACC	TSR	
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ABM	BAM	CSP	HPT	KTIS	NCH	RICHY	SKY	TFG	UPF
ACE	BC	CWT	HTC	KUMWEL	NETBA	RML	SLP	TFI	UPOIC
ACG	BCH	DCC	HYDRO	KUN	NEX	ROJNA	SMIT	TIGER	UTP
ADB	BEC	DCON	ICN	KWC	NINE	RPC	SMT	TITLE	VCOM
AEONTS	BEYOND	DHOUSE	IFS	KWM	NRF	RT	SNP	TKN	VL
AGE	BFIT	DOD	IMH	L&E	NTV	RWI	SO	TKS	VNT
AHC	BJC	DOHOME	IND	LDC	OCC	S11	SORKON	TM	VPO
AIT	BJCHI	DV8	INET	LEO	OGC	SA	SPA	TMC	VRANDA
ALL	BLA	EASON	INSET	LHK	PATO	SAK	SPC	TMD	WGE
ALLA	BR	EFORL	INSURE	LOXLEY	PB	SALEE	SPCG	TMI	WIIK
ALUCON	BROOK	ERW	IRC	LRH	PICO	SAMCO	SR	TMILL	WP
AMANA	CBG	ESSO	IRCP	LST	PIMO	SANKO	SRICHA	TNL	XO
AMARIN	CEN	ESTAR	IT	M	PJW	SAPPE	SSC	TNP	XPG
APCO	CGH	ETE	ITD	MATCH	PL	SAWAD	SSF	TOG	YUASA
APCS	CHARAN	FE	J	MBAX	PM	SCI	STANLY	TPA	
APURE	CHAYO	FLOYD	JAS	MEGA	PMTA	SCN	STGT	TPAC	
AQUA	CHG	FN	JCK	META	PPP	SCP	STOWER	TPCS	
ASAP	CHOTI	FNS	JCKH	MFC	PPPM	SE	STPI	TPS	
ASEFA	CHOW	FORTH	JMART	MGT	PRIME	SFLEX	SUC	TRITN	
ASIA	CI	FSS	JMT	MICRO	PRIN	SFP	SWC	TRT	
ASIAN	CIG	FTE	KBS	MILL	PRINC	SFT	SYNEX	TSE	
ASIMAR	CMC	FVC	KCAR	MITSIB	PSG	SGF	TAE	TVT	
ASK	COLOR	GEL	KEX	MK	PSTC	SIAM	TAKUNI	TWP	
ASN	CPL	GENCO	KGI	MODERN	PT	SINGER	TBSP	UEC	

CG Score 2021

Companies with Ver Good CG Scoring by alphabetical order

A	CMAN	KASET	PRAKIT	THMUI
AI	CMO	KCM	PRAPAT	TNH
AIE	CMR	KK	PRECHA	TNR
AJ	CPT	KKC	PTL	TOPP
ALPHAX	CRANE	KWI	RJH	TPCH
AMC	CSR	KYE	RP	TPIPL
APP	D	LEE	RPH	TPIPP
AQ	EKH	LPH	RSP	TPLAS
ARIN	EMC	MATI	SABUY	TPOLY
AS	EP	M-CHAI	SF	TQR
AU	F&D	MCS	SGP	TTI
B52	FMT	MDX	SICT	TYCN
BEAUTY	GIFT	MJD	SIMAT	UKEM
BGT	GLOCON	MORE	SISB	UMS
BH	GREEN	MUD	SK	UNIQ
BIG	GSC	NC	SMART	UPA
BLAND	GTB	NDR	SOLAR	UREKA
BM	HTECH	NFC	SPACK	VIBHA
BROCK	HUMAN	NNCL	SPG	W
BSBM	IHL	NOVA	SQ	WIN
BSM	IIG	NPK	SSP	WORK
BTNC	INGRS	NUSA	STARK	WPH
BYD	INOX	PAF	STC	YGG
CAZ	JAK	PF	SUPER	ZIGA
CCP	JR	PK	SVOA	
CGD	JTS	PLE	TC	
CITY	JUBILE	PPM	TCCC	

Source : http://www.thai-iod.com/th/projects-2.asp

IOD (IOD Disclaimer)

การเปิดเผลผลการสำรวจของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (IOD) ในเรื่องการกำกับดูแลกิจการ (Corporate Governance) นี้เป็นการดำเนินการตามนโยบายของสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์ โดยการสำรวจของ IOD เป็นการสำรวจและประเมินจากข้อมูลของบรษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและตลาดหลักทรัพย์เอ็มเอไอ ที่มีการเปิดเผยต่อสาธารณะและเป็นข้อมูลที่ผู้ลงทุนทั่วไปสามารถเข้าถึงได้ ดังนั้นผลสำรวจดังกล่าวจึงเป็นการนำเสนอในมุมมองของบุคคลภายนอกโดยไม่ได้เป็นการประเมินการปฏิบัติและมิได้มีการใช้ข้อมูลภายในในการประเมิน

อนึ่งผลการสำรวจดังกล่าวเป็นผลการสำรวจ ณ วันที่ปรากฏในรายงานการกำกับดูและกิจการบริษัทจดทะเบียนไทยเท่านั้น ดังนั้นผลการสำรวจจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าวทั้งนี้ บริษัทหลักทรัพย์ อาร์เอชบี จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความถูกต้องของผลการสำรวจดังกล่าวแต่อย่างใด

Score Range	Number of Logo	Description
Less than 50	No logo given	-
50-59		Pass
60-69		Satisfactory
70-79		Good
80-89		Very Good
90-100		Excellent

Anti-Corruption Progress Indicator *(as of 30 Dec 2021)*

ได้รับการรับรอง CAC

2S	BAM	CGH	EA	GJS	JKN	MAKRO	NOBLE	PM	RATCH	SKR	SYNTEC	TMILL	TVO
ADVANC	BANPU	CHEWA	EASTW	GPI	K	MALEE	NOK	PPP	RML	SMIT	TAE	TMT	TWPC
AF	BAY	CHOTI	ECL	GPSC	KASET	MBAX	NSI	PPPM	RWI	SMK	TAKUNI	TNITY	U
AI	BBL	CHOW	EGCO	GSTEEL	KBANK	MBK	NWR	PPS	S & J	SMPC	TASCO	TNL	UBE
AIE	BCH	CIG	EP	GUNKUL	KBS	MC	OCC	PREB	SAAM	SNC	TBSP	TNP	UBIS
AIRA	BCP	CIMBT	EPG	HANA	KCAR	MCOT	OCEAN	PRG	SABINA	SNP	TCAP	TNR	UEC
AKP	BCPG	CM	ERW	HARN	KCE	META	OGC	PRINC	SAPPE	SORKON	TCMC	TOG	UKEM
AMA	BEYOND	CMC	ESTAR	HEMP	KGI	MFC	ORI	PRM	SAT	SPACK	TFG	TOP	UOBKH
AMANAH	BGC	COM7	ETE	HMPRO	KKP	MFEC	PAP	PROS	SC	SPALI	TFI	TOPP	UPF
AMATA	BGRIM	COTTO	FE	HTC	KSL	MINT	PATO	PSH	SCB	SPC	TFMAMA	TPA	UV
AMATAV	BJCHI	CPALL	FNS	ICC	KTB	MONO	PB	PSL	SCC	SPI	TGH	TPP	VGI
AP	BKI	CPF	FPI	ICHI	KTC	MOONG	PCSGH	PSTC	SCCC	SPRC	THANI	TRU	VIH
APCS	BLA	CPI	FPT	IFEC	KWC	MSC	PDG	PT	SCG	SRICHA	THCOM	TRUE	VNT
AQUA	BPP	CPN	FSMART	IFS	KWI	MST	PDJ	PTG	SCN	SSF	THIP	TSC	WACOAL
ARROW	BROOK	CSC	FSS	ILINK	L&E	MTC	PE	PTT	SEAOIL	SSP	THRE	TSTE	WHA
ASIAN	BRR	DCC	FTE	INET	LANNA	MTI	PG	PTTEP	SE-ED	SSSC	THREL	TSTH	WHAUP
ASK	BSBM	DELTA	GBX	INSURE	LH	NBC	PHOL	PTTGC	SELIC	SST	TIDLOR	TTA	WICE
ASP	BTS	DEMCO	GC	INTUCH	LHFG	NEP	PK	PYLON	SENA	STA	TIPCO	TTB	WIIK
AWC	BWG	DIMET	GCAP	IRC	LHK	NINE	PL	Q-CON	SGP	STOWER	TISCO	TTCL	XO
AYUD	CEN	DRT	GEL	IRPC	LPN	NKI	PLANB	QH	SINGER	SUSCO	TKS	TU	ZEN

ได้ประกาศเจตนารมณ์เข้าร่วม CAC

7UP	AS	CPR	DOHOME	GULF	JMT	MAJOR	NRF	SAK	STECH	VCOM
ABICO	BEC	CPW	ECF	III	JR	MATCH	NUSA	SCGP	STGT	VIBHA
AJ	BKD	CRC	EKH	INOX	KEX	MILL	PIMO	SCM	SUPER	WIN
ALT	CHG	DDD	ETC	J	KUMWEL	NCL	PR9	SIS	TQM	YUASA
APCO	CPL	DHOUSE	EVER	JMART	LDC	NOVA	RS	STAR	TSI	ZIGA

ข้อมูล Anti-Corruption Progress Indicator

การเปิดเผยการประเมินดัชนีชี้วัดความคืบหน้าการป้องกันการมีส่วนเกี่ยวข้องกับการทุจริตคอร์รัปชัน (Anti-corruption Progress Indicators) ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยที่จัดทำโดยสถาบันที่เกี่ยวข้องซึ่งมีการเปิดเผยโดยสำนักงาน คณะกรรมการกำกับหลักทรัพย์ และตลาดหลักทรัพย์นี้ เป็นการดำเนินการตามนโยบาย และตามแผนพัฒนาความยั่งยืนสำหรับบริษัทจด ทะเบียนโดยผลการประเมินดังกล่าว สถาบันที่เกี่ยวข้องอาศัยข้อมูลที่ได้รับจากบริษัทจดทะเบียนตามที่บริษัทจดทะเบียนได้ระบุในแบบแสดงข้อมูลเพื่อการประเมิน Anti-Corruption ซึ่งอ้างอิงข้อมูลมาจากแบบแสดงรายการข้อมูลประจำปี แบบ (56-1) รายงานประจำปี แบบ (56-2) หรือในเอกสารหรือรายงานอื่นที่เกี่ยวข้องของบริษัทจดทะเบียนนั้น แล้วแต่กรณี ดังนั้น ผลการประเมินดังกล่าวจึงเป็นการนำเสนอในมุมมอง ของสถาบันที่เกี่ยวข้องซึ่งเป็นบุคคลภายนอก โดยมิได้เป็นการประเมินการปฏิบัติของบริษัทจดทะบียนในตลาดหลักทรัพย์แห่งประเทศไทย และมิได้ใช้ข้อมูลภายในเพื่อการประเมิน

เนื่องจากผลการประเมินดังกล่าวเป็นเพียงผลการประเมิน ณ วันที่ปรากฏในผลการประเมินเท่านั้น ดังนั้น ผลการประเมินจึงอาจเปลี่ยนแปลง

ได้ภายหลังวันดังกล่าว หรือรับรองความถูกต้องครบถ้วนของผลประเมินดังกล่าวแต่อย่างใด ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี จำกัด (มหาชน) มิได้

ยืนยันตรวจสอบหรือรับรองความถูกต้องของผลการสำรวจ