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ISSUE 10

MERGE

RHB

Merging all that is significant in your world

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Emerging from the shadow of COVID-19.

Welcome back to MERGE. We are happy that this first issue of the new year finds the world emerging from under the shadow of COVID-19 with the roll-out of vaccines around the world. We look forward to the brighter days that are coming our way.

As all eyes turn toward a vaccine-driven economic recovery, inquiring minds want to know where our investment dollars should be directed for best returns? In this issue, we look at investing in the new normal, spotlighting sectors and countries that are expected to shine with the roll-out of the vaccine.

However much as we all long for the good old days, our world has changed irrevocably. For one, the pandemic has accelerated digital transformation, with many businesses adopting e-commerce, artificial intelligence and automation to alleviate the impact of the pandemic on their businesses. In this issue, we meet four businesses that share how they have undergone this transformation to emerge from the pandemic stronger than ever.

Sustainability efforts also gained traction as climate change and resource scarcity became the pressing issues of our times. It is not only governments that are stepping up their sustainability efforts, but stakeholders such as investors as well. Sustainable investments surged in 2020 as institutional and individual investors alike increasingly utilised environment, sustainability and governance (ESG) criteria to evaluate investments to address issues such as climate change, diversity and human rights. Going forward, the upcoming generation of investors comprising Millenials will continue to drive this movement. As such, we take an in-depth look at ESG investing and its benefits.

We hope that you find this issue a profitable read as you navigate our new post-pandemic world. We at RHB Premier Banking look forward to walking this new world with you.

Rakesh Kaul
Head of Group Retail Banking
Malaysia and ASEAN

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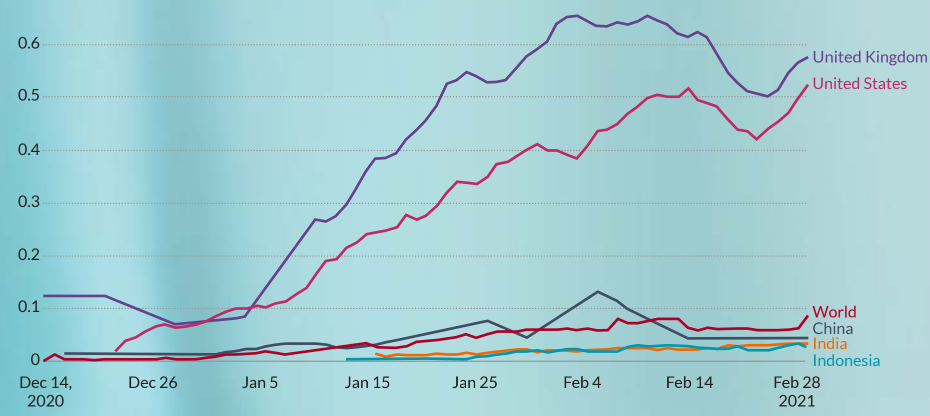
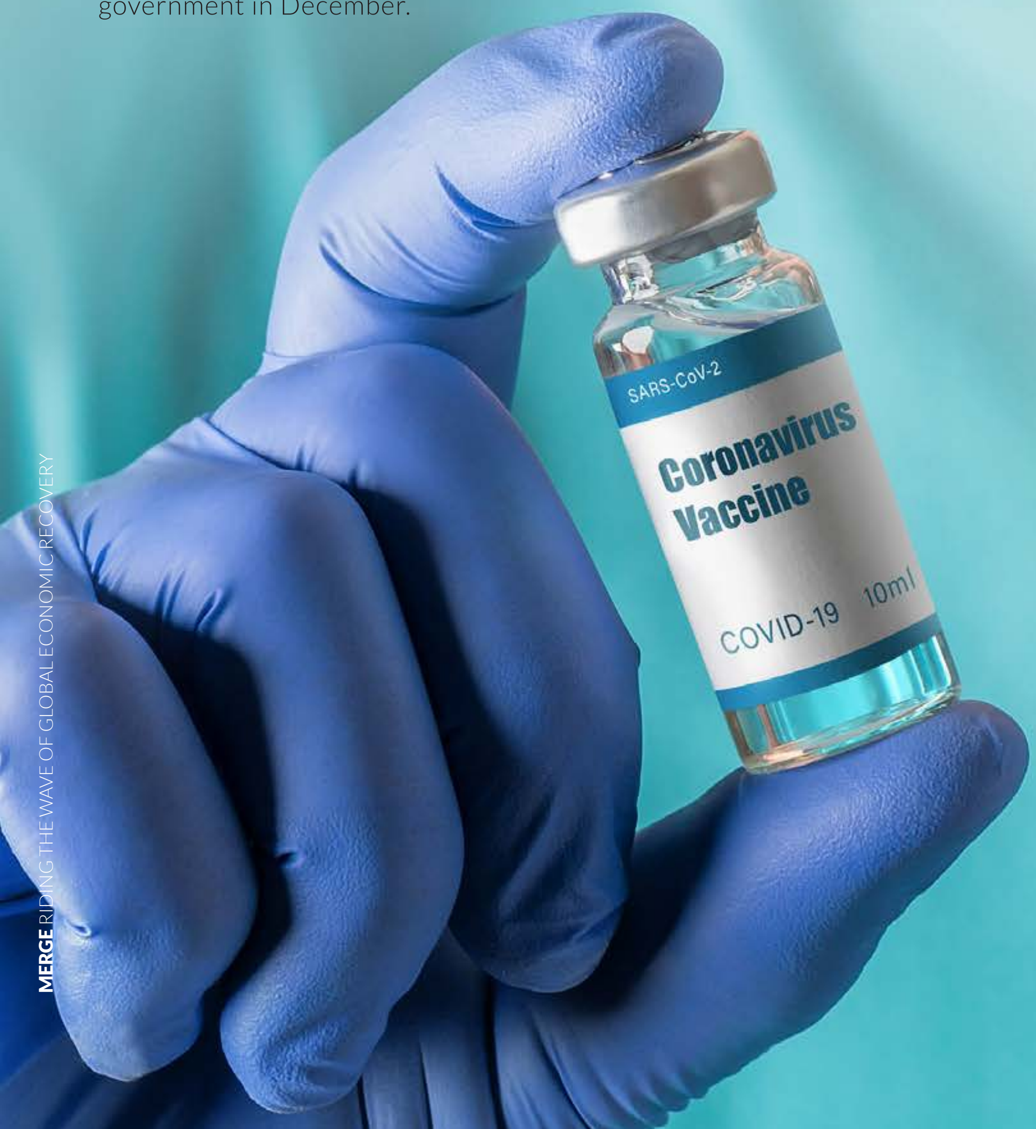
Riding the wave of global economic recovery.

There's a lot of hope pinned on the success of the Covid-19 vaccines. The Pfizer-BioNTech vaccine has been cleared for administration across North America, Europe and the Middle East after it was found to reduce infection rates by 95% in trials of tens of thousands of volunteers, and Moderna's version has been proven to be just as effective. To add to our artillery of vaccines, AstraZeneca-University of Oxford's developed vaccine was cleared for use by the UK government in December.



Source: Ourworldindata.org



Eager to get a head start, other countries have jumped the gun on the vaccination process before the vaccines were fully tested. China and Russia authorised their own vaccines in July and August, respectively, administering millions of doses since then.

As the world plans and rolls out the vaccine, stock markets are rallying on the expectation that corporate earnings will bounce back this year.

For now, the equities market offers a lot of potential upside as fund managers take an underweight view on bonds. Given the two opposing developments, adopting the right approach is key in getting the most of a unique situation and riding on the wave of global growth.

From lab to jab

It takes a global effort to fight a global pandemic. A study commissioned by the International Chamber of Commerce (ICC) Research Foundation has found that the global economy stands to lose as much as US$9.2 trillion[1] if more advanced governments fail to ensure developing economies access to COVID-19 vaccines.

The biggest vaccination campaign in history has begun. In the US, the number of administered vaccinations has outpaced the number of positive cases. So far, 24.3 doses have been given per 100 people[2]. China has planned a production capacity of 1 billion doses this year, with herd immunity to be achieved by 2022.

As at February 9, the country is second behind the US in the number of administered doses, at 40.5 million. The Malaysian government has confirmed 12.8 million pre-orders of the vaccine, with the first phase of vaccinations already started in February. By 2022, 80% of the population will be immunised, achieving the level required for herd immunity[3].

Sectors to watch in 2021

Overall, since the start of the pandemic, North Asian economies have shown a faster recovery rate than their advanced counterparts. This is partly because developed countries have, in general, experienced more Covid-19 cases and deaths relative to their populations compared to the developing economies of the Global South. In addition, developing economies producing goods lower down the value chain don't tend to get hit as hard by downturns compared to their developed peers.

China, whose economy relies heavily on manufacturing, reported its strongest GDP growth in the two years since the pandemic began. It surged to close in on 70% of the US at US$14.73 trillion, or a growth of 3%, signaling the nation is well on its way to overtaking the US as a global economic superpower.

That said, here's a quick look at the sectors that will continue to drive growth in 2021, especially on this side of the world.

Technology

Covid-19 has acted as an accelerator of disruptive technologies and valuations of tech stocks have soared. Google's share price has soared 45% over the last 12 months, closing at US$2,011.41 on 3 March 2021.

Asia is fast catching up with the developed world. According to McKinsey Global Institute, China hosts 26% of the world's unicorns or startups valued at a billion U.S. dollars or more. Other emerging Asian economies invest relatively little in innovation but have huge market potential, driven by increasing automation, cloud computing, digital payments, Artificial Intelligence (AI) and big data. As a result, tech companies providing products and services supporting work-from-anywhere operations will continue to see growth in 2021[4].

We've all adapted to using live webinar platforms over the last year. According to research firm Absolute Market Insights, the live webinar software market is estimated to grow to US$789.86 million by 2027, at a compounded annual growth rate (CAGR) of 6.43%, due to the increasing adoption of the platform as a promotional tool.

An exciting prospect in technology is the development in Electric Vehicles (EV). As production is ramped up, costs go down and these green cars are more accessible than they have ever been. Shares of the largest EV makers are still going up. China's NIO Inc has seen its share price increase more than tenfold over the last year, and the company is speeding up its global expansion[5] plans. EV sales in China almost tripled by 281.4% year-on-year to 158,000 units.

The common denominator of all the above tech developments is the humble semiconductor. Semiconductor producers will see an increase in demand as technology develops more rapidly.

"Tech companies providing products and services supporting work-from-anywhere operations will continue to see growth in 2021."

E-Commerce

The adoption of e-commerce in developing economies will play a significant role in their recovery. According to GlobalData's E-Commerce Analytics, Malaysia's e-commerce market is estimated to register a 24.7% growth in 2020. The market is expected to reach RM51.6 billion (US$12.6 billion) by 2024, increasing at a CAGR of 14.3% between 2020 and 2024.

Tying in with the rapid growth in e-commerce is fintech. Utilising fintech has become almost second nature to most and the lockdown only increased the penetration rate. From mobile wallets, electronic payments and payment gateways, to crowdfunding and "insurtech" (the combination of insurance and technology), businesses and consumers are fast adapting to electronic transactions.

Wellness and healthcare

The healthcare and pharmaceuticals sectors are expected to thrive in the post-pandemic economy as people become more aware of the importance of health. Beyond just rubber gloves, the pandemic is accelerating innovation in healthcare technology. On top of that, producers of supplementary health products and fitness equipment have benefited from the change in habit as more people look into taking care of their health for the long term and this is unlikely to change much post-pandemic.

"The healthcare and pharmaceuticals sectors are expected to thrive in the post-pandemic economy as people become more aware of the importance of health."

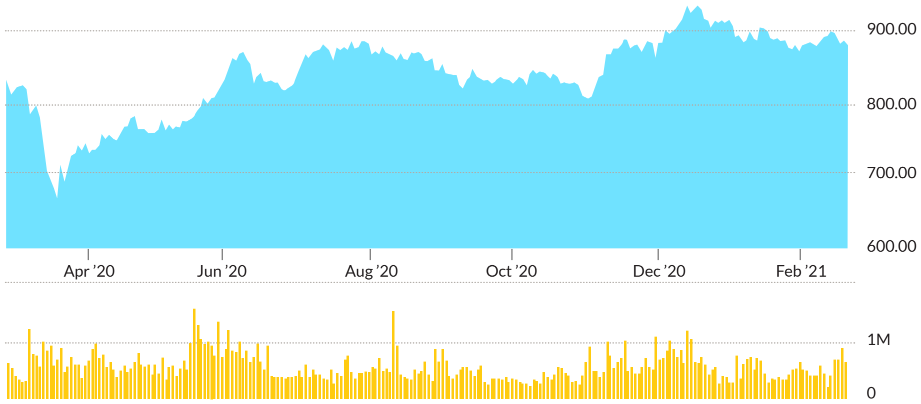
Going green

Green has become gold. Throughout 2020, demand for sustainable investments grew, buoyed by the demand in investments that were more holistic in terms of risk mitigation. ESG (Environmental, Social and Governance) stocks performed well as investors looked for sustainable and socially-conscious options. ESG builds on the ideas put forward by the socially responsible investment movement but applies financial, rather than moral, relevance to the model.

This is a previously niche area that an increasing number of investors are participating in, and it looks set to keep growing. BlackRock recently announced that almost all of its US$7 trillion assets under management would be governed by ESG considerations. Supportive policies from governments will continue to spur growth in ESG investing, placing the onus on businesses to change their game and take on a more sustainable approach to business.

US President Joe Biden has pledged US$2 trillion to help the US meet sustainable targets and improve infrastructure to be more environmentally sound. He also plans to expand government research and create a cross-agency Advanced Research Projects Agency on Climate (ARPA-C), which would invest in research on decarbonisation, hydrogen technologies and other environmental innovations.

At home, since the start of the Movement Control order, Bursa Malaysia's FTSE4Good Index has seen an increase of 34% to 835.99 points on February 11, just before the Chinese New Year break. To invest in ESG stocks, ask your Relationship Manager about the RHB Global Sustainable Disruptor Fund.



Source: Bursa Malaysia

Global economic growth to be driven by the East

How fast and how soon the world's economies will recover depends on the efficiency and effectiveness of the vaccination process and neutering the threat of more transmissible variants of the virus. Amid exceptional uncertainty, the International Monetary Fund (IMF) has projected a global GDP growth of 5.5% in 2021 and 4.2% in 2022[6]. The IMF raised its US growth estimate for 2021 to 5.1% from its prior estimate of 3.1%. Meanwhile it cut its growth estimate for China by a tenth, to 8.1%.

The world's recovery will depend on the growth of emerging economies in the east. According to Goldman Sachs chief Asia-Pacific economist Andrew Tilton in his recent podcast, recovery is underway. "We're optimistic about growth in Asia-Pacific next (this) year," Tilton says. "We think the region could grow more than 7% in 2021. We're optimistic about the world also – we think the world can grow about 6%—but especially optimistic about Asia-Pacific."

Supporting regional economic growth is the positive outlook on trade. China, the world's largest trade nation, seems to be on the road to a full recovery, with US President Joe Biden expected to take a less confrontational trading stance compared with his predecessor Donald Trump.

From a wider perspective, the Covid-19 pandemic and the US-China trade war have had little impact on overall trade growth in China. Total China trade – a combination of exports and imports – rose to US$4.65 trillion last year, the highest level since records began in 1950, according to the data released by the General Administration of Customs.

Exports surged 18.1% year-on-year to a new record of US$281.9 billion in December 2020, the seventh consecutive month of growth, bolstered by an increase in global demand for medical supplies and work-from-home electronics as businesses look to alternative work arrangements on a long-term basis.

"The world's recovery will depend on the growth of emerging economies in the east."

While still in its infancy, China is taking the lead in adoption of 5G technology, spurred by the country's infrastructure development plans. Alibaba is investing RMB200 billion (US$30.9 billion) over the next three years and Tencent RMB500 billion (US$77.3 billion) over the next five years, according to the China Academy of Information and Communications Technology (CAICT). China's three telcos, China Mobile, China Telecom, and China Unicom have invested a total of 210 billion yuan (US$32.5 billion) on development in 2020.

China is still a hotspot and Malaysian investors have an opportunity to ride on its strong performance via the RHB Shariah China Focus Fund. Investors can also access the Chinese equity market through A shares – those that trade in mainland China on domestic exchanges. MSCI started to partially include China large-cap A shares in the MSCI Emerging Markets Index on May 31st, 2018 and FTSE Russell will add Chinese government bonds to its flagship World Government Bond Index (WGBI) pending confirmation in March. Chinese government bonds, a US$1.5 trillion market, are already a part of the JPMorgan and Bloomberg Barclays index suites. Goldman Sachs estimates there is US$2.5 trillion of global cash following the WGBI, and China's inclusion could drive US$140 billion into mainland bonds over the inclusion period.

Southeast Asia will benefit significantly from the Regional Comprehensive Economic Partnership (RCEP) free trade agreement (US$19 billion annually by 2030). The RCEP could improve access to Chinese Belt and Road Initiative (BRI) funds by strengthening transport, energy, and communications links, making the region more attractive to foreign investment. New agreements under the RCEP should strengthen the economies of North and Southeast Asia, as their strengths in technology, manufacturing, agriculture and natural resources are linked and supply chains are incentivised.

Malaysia on the way to recovery

The World Bank expects Malaysia's economy to grow by 6.7% in 2021, after a contraction of 5.8% in 2020, bolstered by fairly resilient electrical and electronics, manufacturing and agricultural sectors and the boom in e-commerce and its supporting logistics sectors.

Government stimulus packages to the tune of some RM148 billion and a continued low interest rate environment will pump cash into the economy and encourage domestic spending. The National Economic Recovery Plan (PENJANA), which was unveiled last year, focuses on the recovery and development of SMEs and microenterprises, which make up 98.5% of the business population. As at February 2021, the government has approved 6,731 applications for funding, amounting to RM1.26 billion[7]. A total of RM1 billion has also been allocated for SMEs in the tourism sector.

Malaysia's economy is largely dependent on the world's most popular commodity – oil. Oil prices are expected to slow their downward trend in 2021. President Biden has already suspended new oil and gas leasing and drilling permits on U.S. lands and waters for 60 days. He has also cancelled the permit for the Keystone XL pipeline. OPEC said it expected global oil demand in 2021 to increase by 5.9 million barrels per day year over year to average 95.9 million bpd as producers try to find equilibrium. With these factors in consideration, the IMF has forecast a 21% rebound in crude oil prices for 2021, to just above US$50 per barrel, which could bode well for the Malaysian economy.

For now, we're all safe at home, getting used to the New Normal after a long period of upheaval and changes. Over the last year, we've changed how we work and socialise, learning new skills to adapt to a world where almost everything is done online. These changes are more likely to become more permanent as more companies fast-track their digitalisation efforts and change how they do business. The New Normal may extend further than anticipated, given the lasting impact the pandemic has had on economies. Nonetheless, with change comes opportunity. Your Relationship Manager will help you go through your options to capitalise on new opportunities.

Sources: 1 International Chamber of Commerce, The Economic Case for Global Vaccinations report. **2** Bloomberg, More than 271 million shots given: Covid-19 tracker, updated 4 March 2021. **3** The Edge Markets, PM: Malaysia to meet target of vaccinating 80% of population by 1Q2022, Emir Zahrul, 18 Jan 2021. **4** CGTN, Asia is a leading global technology business growth, Xia Cheng, 15 January 2021. **5** Investor Place, Here's the reason the prospects for Nio stock just keep looking better, Chris Lau, 23 Feb 2021. **6** International Monetary Fund, World Economic Outlook update, January 2021. **7** HRMAsia, Malaysia approves RM1.259 bil of financing for SME support, Claire Lee, 1 March 2021.

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Why green is the new black in the investors' world.

Green and clean are in. Sustainable development initiatives have been around for decades since the drafting of the Brundtland Report in 1987, but Covid-19's devastating impact on economies was the straw that finally broke the camel's back, highlighting our race against time.

As businesses closed, folks lost their jobs, and central banks took unprecedented measures to sustain their economies, we began to ask ourselves what we could have done to prevent this. We can't undo what just happened, but we can take measures to ensure we won't be as badly affected again.

If anything, the pandemic has only further revealed the weaknesses of the "traditional" business model, which tends to focus on the bottom line. Sustainability has to be at the heart of any business model if the business intends to ride out any unforeseen circumstances. The goal is no longer short-term profits, but long-term sustainability.

We're taking huge strides in the right direction, with governments stepping up their efforts in sustainability. Environmental responsibility and transparency are among the issues that sustainability addresses.

Newly-elected US President Joe Biden's Build Back Better[1] plan aims to develop a sustainable infrastructure and clean energy economy. China, long derided as a major contributor to global pollution, has already stepped up its efforts in clean energy. The nation surprised the world when it released its 2020 total wind and solar capacity additions[2] of a whopping 120 gigawatts, the largest in the world. China has pledged to be carbon-neutral by 2060.

China President Xi Jinping has stressed the need to fight corruption if the country is to achieve its political and economic goals. The country launched its "Sky Net 2021" campaign to track down corrupt fugitives from state-owned enterprises and recover their illegal gains. Sky Net was originally launched in 2015. China's efforts to reduce corruption over the last few years has gained traction, with the country climbing up the rankings of Transparency International's 2020 Corruption Index to 78th place out of 180 countries.

While these are decisions at the highest administration levels, as investors we have the power and responsibility to make the right investment choices, and these choices will, in turn, change the landscape. When stakeholders are increasingly pricing in sustainability preferences, it makes perfect sense for businesses to take a more conscious approach. There's no better time than now to get on the green train.

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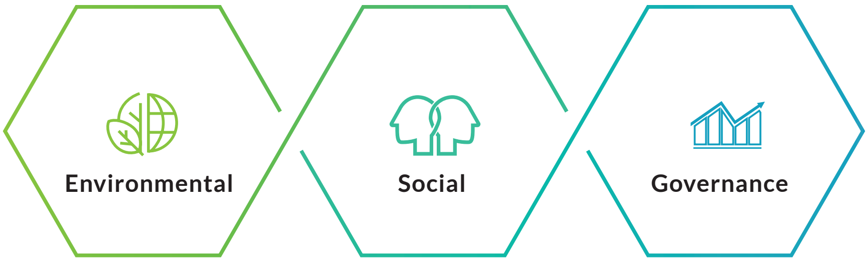
What is sustainable investing?

Sustainable investing is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. Taking the cue from shariah and similar investments, sustainable investing also avoids tobacco, weapons and alcohol companies.

Environmental factors determine a company's stewardship of environment and focus on waste and pollution, resource depletion, greenhouse gas emissions, deforestation, and climate change.

Governance factors look at corporate policies and how a company is governed. They focus on tax strategy, executive remuneration, donations and political lobbying, corruption and bribery, and board diversity and structure.



Social factors look at how a company treats people and focuses on employee relations and diversity, working conditions, local communities, health and safety, and conflict.

Milestones in sustainable investing

ESG has its roots in socially responsible investing (SRI) which relies on strategies that emphasise sustainable, responsible and impact investing. SRI sprung from a niche investment strategy that emerged in the 1960s and '70s, but some might say it goes further back, to the Quaker, Islamic and Jewish exclusion of "sinful" companies. The apartheid in South Africa became a tipping point, when investors began divesting from companies that did business there on moral and ethical grounds, refusing to invest in a government that implemented a system of institutionalised racial segregation.

The emergence of impact investment

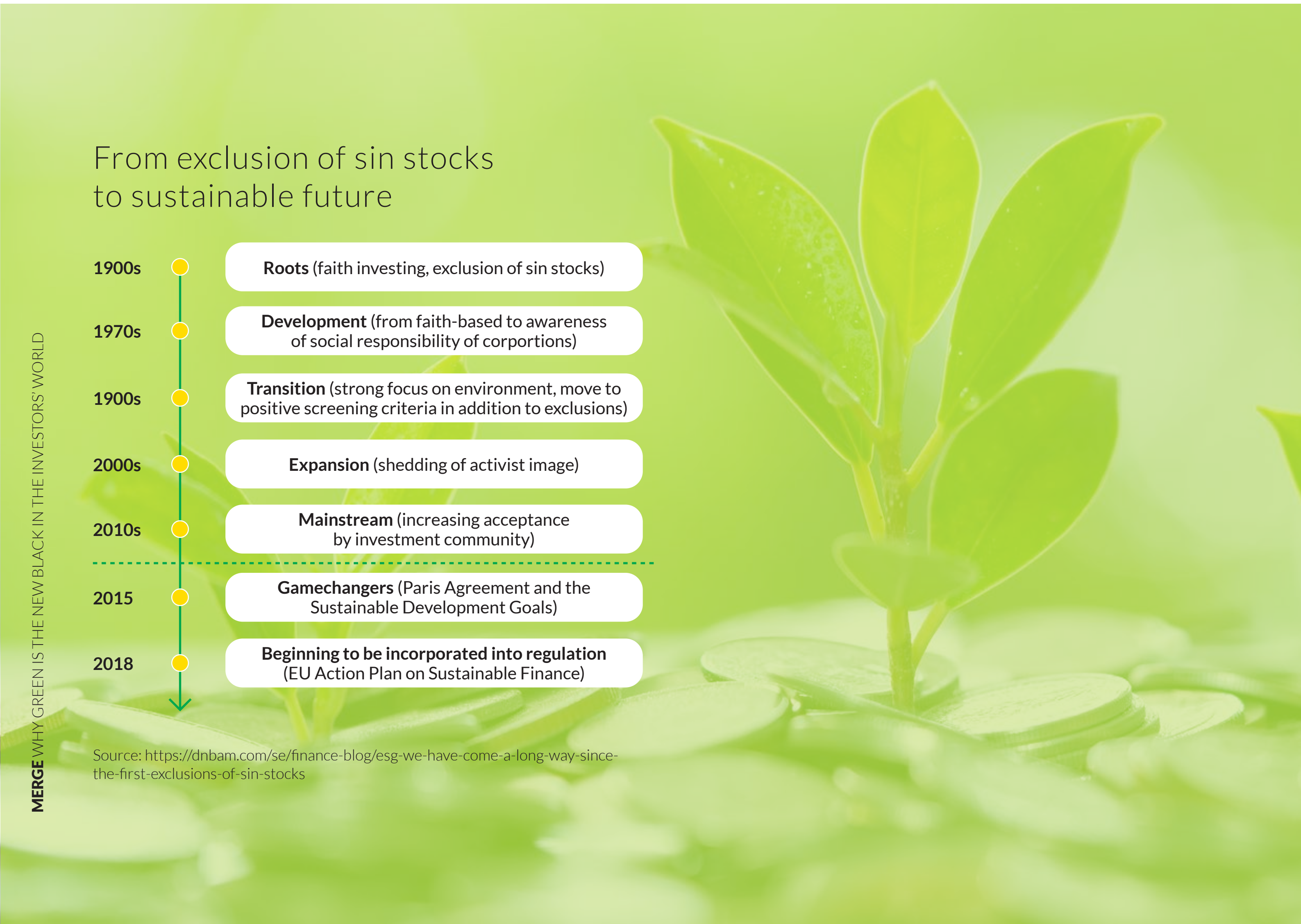
1970s
- Start of the environmental movement. With the first Earth day being celebrated in 1970.
- Ralph Nader gets two socially-based resolutions on to the annual meeting of General Motors - both fail.

1980s
- Anti-apartheid disinvestment from companies who are invested in the South African economy.
- Several funds were created to cater to socially responsible investors. For example, Calver Social Investment Balance Portfolio and the Parnassus Fund.

1990s
- Domni Social Index launched in 1990 – 400 large-capitalization US corporations, comparable to the S&P 500 (now known as MSCI KLD 400 Social. Index).

2000s
- 2006-7: Impact Investing coined as a term.
- Metric 1.0: Accountability Metric 2.0: Common standards Metric 3.0: Value creation.
- SRI mainstreams sustainable investment and impact investing.

Source: https://www.betterevaluation.org/en/themes/monitoring-and-evaluation-impact-investing



From exclusion of sin stocks to sustainable future

1900s	**Roots** (faith investing, exclusion of sin stocks)
1970s	**Development** (from faith-based to awareness of social responsibility of corportions)
1900s	**Transition** (strong focus on environment, move to positive screening criteria in addition to exclusions)
2000s	**Expansion** (shedding of activist image)
2010s	**Mainstream** (increasing acceptance by investment community)
2015	**Gamechangers** (Paris Agreement and the Sustainable Development Goals)
2018	**Beginning to be incorporated into regulation** (EU Action Plan on Sustainable Finance)

Source: https://dnbam.com/se/finance-blog/esg-we-have-come-a-long-way-since-the-first-exclusions-of-sin-stocks

Doing well by doing good

ESG factors benefit both investors and businesses. By adopting ESG factors, businesses not only create an ethical approach; the holistic view also allows them to tap into a wider pool of information - along with traditional financial analysis - to better understand both the risks and create new opportunities.

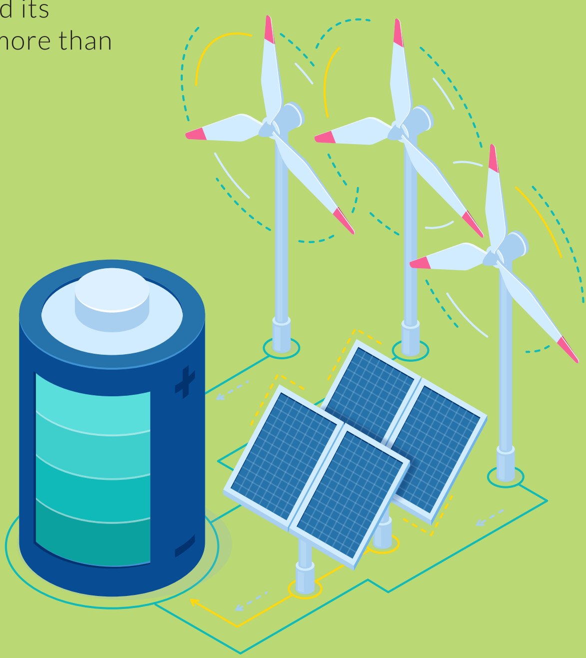
It definitely pays to go green. Companies that can better manage ESG issues are likely to be more resilient throughout the current crisis. If they invest time and effort in addressing supply chain risks, they will be in a better position to manage disruptions in their businesses due to lockdowns. An example we've seen recently is how well some businesses have been able to adapt the restrictions of the new normal. Companies offering their employees more work flexibility and are more focused on their wellbeing are better adjusted to the work-from-home culture. Those that were already conducting business online didn't have much to change during the lockdown.

Resources are vital to business continuity (raw materials, water, etc) are crucial to business continuity, and their continued depletion has led corporations to become more environmentally aware than ever.

Automotive companies are known to be among the biggest polluters and the Ford Motor Company is determined to change that. The company uses sustainable fabrics in its vehicles, and 80% of parts in the Focus and Escape models are recyclable.

Tech giants have spent millions on solar and wind power to cut energy expenses and greenhouse gas emissions at the same time, among them Google, Facebook and Amazon. Each company is committed to getting 100% of their power for their data centers from renewable resources.

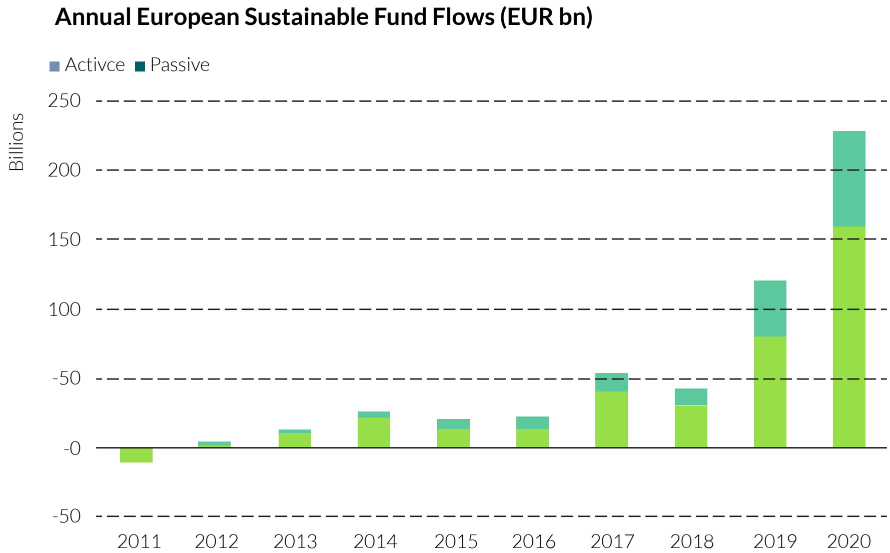
Today, in the age of social media and big data, you can't hide the impact of businesses and investments. For companies, reputational risk is very real and can inflict serious long-term damage. Prevention is always better than the cure. Rubber glove makers Top Glove Berhad found out the hard way when the US Department of Labour (DOL) moved to ban imports of the company's products on allegations of forced labour. Top Glove remedied this by blacklisting unethical recruitment agents and paying out a total of RM136 million in remediation payments to workers. Top Glove's share price, which had seen a meteoric rise due to the pandemic, dropped 47% following news reports on the labour issues. Corporate governance and transparency are also no longer second-tier requirements, as any slip-up can lead to a company's swift demise. Remember Enron in the early 2000s? The company's leadership fooled regulators with fake holdings and off-the-books accounting practices. It hid massive debts behind multiple special purpose vehicles (SPV) and as a result the company and its auditors were subject to a criminal investigation. Within a few short years since its tricks were unveiled, the company ended up filing for bankruptcy and liquidated its assets, paying creditors more than US$21.7 billion.



From an investor's standpoint, we want to invest in businesses that consider all angles for opportunities and risk mitigation, which ESG covers. In addition to that, many investors are not only interested in the financial outcomes of investments; we are also interested in the impact of our investments and the role these assets can have in promoting global issues such as climate action.

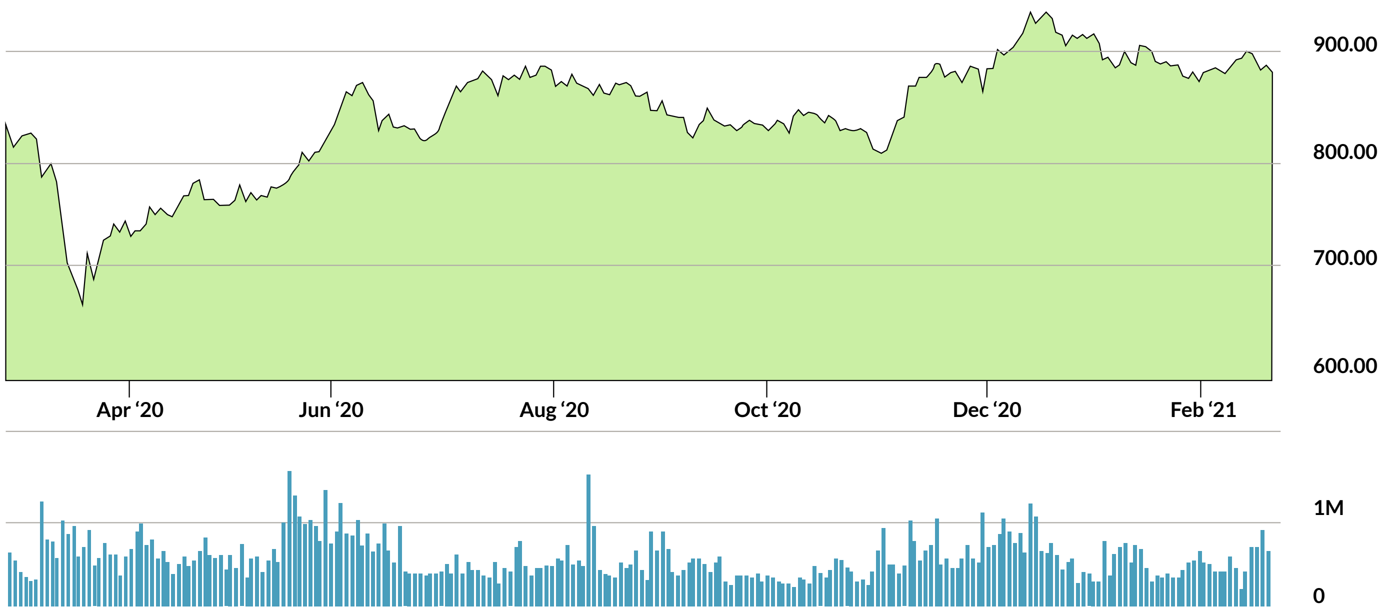
Here's why ESG investing makes sense. Figures from Fidelity's Putting Sustainability to the Test report[3] showed stocks at the top of the fund house's ESG rating scale regularly outperformed those with weaker ratings in 2020. This suggests that stocks with higher ESG ratings are less prone to volatility in the markets. Fidelity analysed 2,660 firms for the report.

Due to its appeal, momentum is fast building up behind ESG investing. Global sustainable funds saw inflows of US$45.7 billion (Q1 2020), while the broader fund universe had an outflow of US$384.7 billion. Morningstar reported a bumper year for ESG funds in 2020. During the year, sustainable open-end and exchange-traded funds (ETFs) attracted net inflows of US$278.7 billion. This was almost double the figure for 2019. In the fourth quarter alone, sustainable funds pulled close to US$119.6 billion in net new money, taking 45% of overall European funds flows.



Source: Morningstar
https://esgclarity.com/european-sustainable-funds-grow-10-fold-in-past-decade/

At home, Bursa Malaysia's FTSE4Good Index has been on the rise since Movement Control Order (MCO) 1.0 in March 2020. Since its inception, the number of F4GBM Index constituents has since grown three-fold[4], increasing from 24 to 73 as of the latest review in June 2020.



Source: Bursa Malaysia
https://www.bursamalaysia.com/trade/trading_resources/listing_directory/indices-profile?stock_code=0840I

The government has set a target of 20% renewable energy mix, from the current 2%, by 2025 and banks are increasing their financing in this segment.

Finding the best ESG companies with strong stocks and growth need not be a trade-off with environmental, social and governance values. Zooming in on individual companies with a greener stance, Tesla has seen a remarkable growth in value over the last year, quadrupling since January 2020. This rise reflects a shift in investor sentiment towards investing in clean energy solutions. Examples of ESG-rated companies that have performed strongly over the last five years include Nvidia, Pool and Adobe.

Sustainability is at the heart of recovery plans for most governments, including Malaysia. With plans to invest in large scale renewables, clean transport, sustainable food, and shortening and diversifying global supply chains, this will likely support ongoing investment in sustainable industries. The government has set a target of 20% renewable energy mix, from the current 2%, by 2025 and banks are increasing their financing in this segment. And, under the National Agrofood Policy 2.0, the government will invest in modernising agriculture and advancing towards sustainable practices along the entire supply chain. As investors, these are areas we can look into for opportunities.

How can I start investing in ESG?

RHB Wealth Management offers investors the opportunity to invest in businesses that have an ethical edge via the RHB i-Global Sustainable Disruptors Fund.

The fund is Shariah-compliant and it is suitable for investors with a higher risk appetite who wish to seek capital appreciation over the medium to long-term periods through investments in sustainable equities.

The investment philosophy centres on the belief of long-term earnings growth and the likelihood of the earnings growth being delivered by investing in good quality and sustainable companies that can potentially offer attractive and sustainable long-term growth.

The fund invests up to 95% of its net asset value (NAV) in Shariah-compliant global equities. The balance of the Fund's NAV shall be invested in Islamic liquid assets including Islamic money market instruments, Placements of Cash and Islamic collective investment schemes investing in Islamic money market instruments and Placements of Cash.

You don't have to be a Greenpeace donor to invest in ESG. Think of it as taking a long-term strategy that also benefits the community and environment. Your investment choices today will play a role in determining the quality of life for generations to come.

Contact your Relationship Manager to discuss your ESG investment options.

Call RHB Premier at 03-9206 1188

Or visit any of our Premier Centres.

Your investment choices today will play a role in determining the quality of life for generations to come.

Sources: 1 The Biden Plan to build a modern, sustainable infrastructure and and equitable clean energy future, joebiden.com. **2** Greentechmedia, What is going on with China's crazy clean energy installation figures?, Jason Deign, Feb 2, 2021. **3** FTAdviser, How ESG stocks outperformed in 2020, Imogen Tew, Nov 10, 2020 . **4** Bursa Malaysia, FTSE4GOOD ESG scores on Malaysian public listed companies..., Aug 14,2020.

Innovation transcending the pandemic

How four businesses emerged from the pandemic transformed for a *brighter future.*

The pandemic has hit businesses hard the world over. However, crises are also opportunities for transformation, not just to mitigate risk or restore what was, but to create an advantage in adversity by adjusting to new realities. In this issue, we meet four different businesses, each facing its own unique set of challenges. What they have in common is the indomitable will to innovate and transform to overcome the seemingly insurmountable challenges of the pandemic, to not just survive but reach greater heights in a post-pandemic world.

“No one likes a crisis. But this is when you learn your strengths and weaknesses. From there you can evolve.”

Edmund Yuen, Managing Director,
Ideal Vision Integration Sdn Bhd

Like other businesses, Ideal Vision Integration Sdn Bhd (Ideal Vision) was affected by the Movement Control Order (MCO 1.0) announced in March 2020. Managing Director Edmund Yuen immediately set to work to take stock of the company’s position and work on contingency plans. First up, finances. Edmund expounds on the importance of cash flow management, stating that businesses should not wait until a crisis to manage cash flow. “Always know the facilities and grants available in the market,” he advises. “We made the right decision to apply for an overdraft facility with RHB Bank before the crisis struck,” he says. ‘Without it, we would have been in trouble.”

With cash reserves in place, Edmund was able to turn the Ideal Vision’s energies to the operational challenges faced by the company. Travel restrictions were curtailing their marketing and installation works, which required travel to marketing expos and to their customers’ sites across South East Asia (SEA), China and Taiwan. “The ball game changed,” says Edmund.

To overcome this challenge Ideal Vision appointed distributors and agents with offices in SEA, China and Taiwan. "It was a new way of working. We had to digitise our training materials and conduct training sessions for our distributors via Zoom, Microsoft Teams and Skype so that they can do the installation on our behalf," says Edmund. All this work was done under lockdown during MCO 1.0.

This change in operations paid off with Ideal Vision increasing their sales. This also opened up new business opportunities for Ideal Vision as they became the distributor for a UK manufacturer that needed a representative in Malaysia. This has led to them supplying their systems to the UK. This distributorship approach is now a permanent part of Ideal Vision's business model.

The crisis changed Ideal Vision in other ways. After some initial difficulty, the company is adapting to working from home and considering implementing work-from-home for the long term. This will allow the company to expand without having to invest in additional office space. Going into 2021 and beyond, Edmund is confident. "MCO 2.0 in early 2021 did not impact us. We have made all the changes we needed to make. We know the trend, and we have established a plan. We just need to execute it."

"One of my main values is that I treasure my staff. A company can thrive and be successful only because of its staff."

Dato' Albert Moh,
Founder & Group Managing Director,
M Summit Group

Despite the biggest business challenge of his lifetime, it never crossed the mind of Dato' Albert Moh, Founder & Group Managing Director of M Summit Group, to lay off his staff. To manage cash flow, salaries were deferred not reduced, and everyone multi-tasked and chipped in where needed to get the group through the tough times.

Dato' Albert's staff proved to be his treasure, as they bloomed under his leadership and that of his sons Moh Wei Ren and Moh Wei Ken into idea generators, providing the M Summit Group with an unlimited supply of ideas. The ideas from the newly created Innovation Unit resulted in new packages and marketing plans that helped the group alleviate the crippling impact of the crisis on its hotel operations and achieve sales in a sluggish property market. The unit's ideas were groundbreaking in both the hotel and property development business.

The hotel business looked beyond tourists to identify local residents suffering from cabin fever as new customers. They offered dine-in packages in their suites in collaboration with restaurants, hourly rentals for people to chill-out in their suites, collaborated with neighbouring theme park The Top for a Stay-and-Play package, and converted some of their suites into co-working and meeting spaces. "I would say we are the trendsetters for this kind of innovative ideas," says Wei Ken who heads the hotel business.

In property development, the group introduced the RISE (Relief, Incentive, Stimulus, Excitement) programme where M Summit Group subsidizes the buyer's bank instalment payments for 40 months. "With this programme, people don't have to worry about bank instalments despite the current economic uncertainties," says Wei Ren who heads the property development division. The RISE programme helped the group sell 10% of their properties, bringing in much-needed cash flow to help the group ride out the crisis.

In dealing with the pandemic, this brick and mortar organisation also had to embrace digitalisation. The group is doing more digital marketing and the property division launched virtual showrooms, allowing customers to take a tour of their units from the comfort and safety of their own homes.

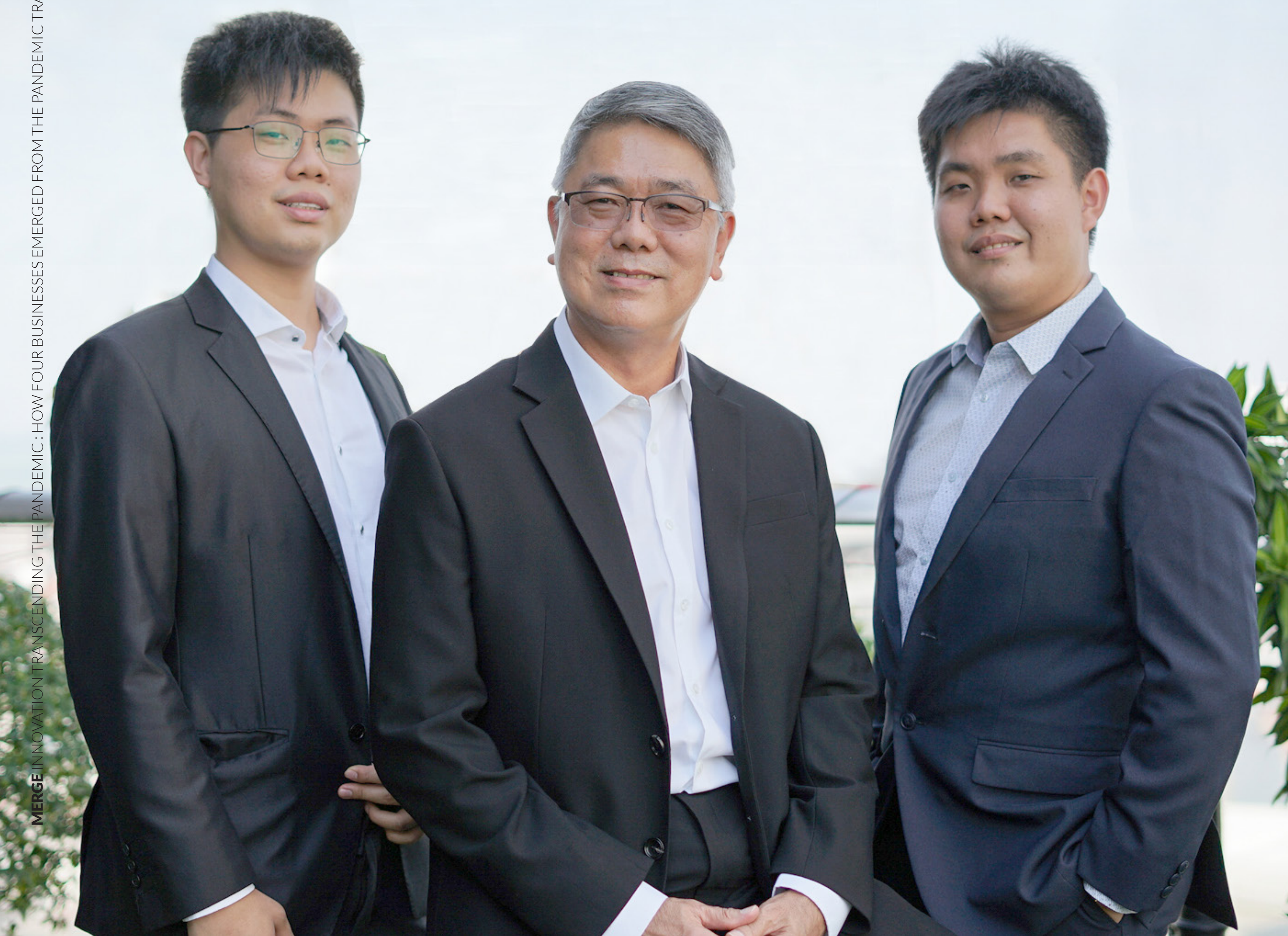
Although business is down compared to pre-pandemic days, Dato' Albert believes the worst is over. With vaccines being rolled out, Dato' Albert is now looking beyond the pandemic. As such, the Group is expanding the hotel with a new wing and a first-in-Penang bottomless swimming pool in anticipation of an explosion in post-pandemic demand for travel. This is only the beginning of the Group's plans as there are new property projects to be launched and also a healthcare division to grow. Powered by the ideas of its Innovation Unit, the Group can only continue to break new ground and reach greater heights.

From left to right:

Moh Wei Ken,
M Summit 191 Executive Hotel Suites General Manager

Dato' Albert Moh,
Founder & Group Managing Director

Moh Wei Ren,
Group Development Planning Manager



> “The company’s goals are clear, to turn the crisis into an opportunity and gain market share when everyone is shrinking.”
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> **Jack Teo,** Managing Director, Topmix Resources Sdn Bhd

“We have been waiting for this opportunity for a long time,” says Jack Teo, Managing Director of Topmix Resources Sdn Bhd (Topmix). Unlike other businesses, Topmix welcomed the crisis, seeing in it the opportunity to gain market share and grow their business as their competitors laboured under cash flow constraints caused by lax credit extension.

With such clearly articulated vision and goals, solid financial records, and close relationship with their bankers, including RHB Bank, Topmix was able to get quick approval for the working capital facilities they needed for this massive expansion drive. Topmix also uses its RHB Multi Currency Account to hedge its US dollar exposure to reduce inventory cost. “Our Relationship Manager updates us on the rates daily, and helps us plan our US dollar purchases,” explains Jack.

With financial support from their banks, Topmix put their plans into action. Topmix came up with a new catalogue and increased its inventory during the MCO 1.0. They also started aggressively doing e-marketing, utilising their customer database to communicate their new collection and new designs to their customers. “Once the MCO 1.0 was over, our new catalogue was ready to go, we were able to launch our new products very quickly and were able to gain market share,” Jack explains.

However, the company was not immune to the impact of lockdown. “Last year our business had to innovate and we hired a lot of e-marketing talent,”says Jack, as the lockdown affected their traditional marketing channels. “We hired the expertise we needed,” says Jack simply, undaunted by the big investment in human capital required to shift to this new way of marketing. “We should not be afraid to spend money. Instead, we should spend money correctly and seize the opportunity to expand our business,” he says. And Topmix has certainly spent its money very wisely. Sales grew 15% in 2020 in the middle of the pandemic, and the company has grown 14 fold from 5 staff in 2011 to 70 staff currently.

Topmix is now looking towards its next phase of growth. It plans to continue to increase market share and is turning its attention overseas. “We are using e-marketing to penetrate the international market. In fact, e-marketing is a more effective way for us to expand internationally,” says Jack. Topmix continues to be willing to spend on growth- venturing into manufacturing in collaboration with a local manufacturer to increase its profit margin and secure its supply chain. For now, everything is going according to plan, and the company looks to reap the rewards of its bold expansion in the coming years.

“The MCO really forced us to change fast and move fast. We are now so much more agile”

Mohammad Munzir Aminuddin,
Director of Sales and Marketing,
Siti Khadijah Apparel Sdn Bhd

When the MCO 1.0 was announced, Siti Khadijah Apparel Sdn Bhd (SKA) immediately faced a potential loss of about 70% of their income, which came from their boutiques. “Our cash flow was not very good. No sales at boutiques meant no cash. We could not afford to pay our staff,” confesses Mohammad Munzir Aminuddin, Director of Sales and Marketing of SKA. How did this beloved local brand turn this situation around?

Fortunately, SKA had term loans and overdraft facilities with RHB Bank which helped with cash flow. SKA also already had e-commerce infrastructure in place, with a website, a Whatsapp service and marketplaces on Shopee and Lazada. They were also active on social media. “We made the daring decision to bring all the bestselling products back from our boutiques to our warehouse so that we can put all the stock available online,” Munzir explains.

Demand for their products did shift to their online channels, which turned out to be a double-edged sword. Their infrastructure could not cope with the influx of online orders. “We were forced to change everything fast,” says Munzir on SKA’s over-taxed e-commerce infrastructure and fulfilment system. In the coming weeks, the SKA headquarters was turned into a fulfilment centre with every employee in the Klang Valley re-deployed to help out with fulfilment and IT staff tasked to look into improving the fulfilment process. Throughout the chaos, SKA’s RHB Reflex facility helped to smooth payment processes by expediting business payment processes via bulk payment.

While staff in the Klang Valley were occupied fulfilling online orders, staff outside the Klang Valley had no work. What could SKA do for them? "We came up with this brilliant idea," Munzir shares proudly. "We offered these staff an opportunity to become our dropship agents. We gave them products to sell at a highly discounted price." It turned out to be a win-win situation for all. SKA was able to convert stock into much-needed cash to continue running the business without taxing their existing e-commerce infrastructure. The staff received commissions that were in some cases higher than their salaries, and customers got a good deal. "And we all survived until today," quips Munzir wryly.

What's next for SKA? Retail stores still remain a big part of their business but are vulnerable to lockdown as shown in the recent MCO 2.0. As such, SKA is no longer complacent with its e-commerce platform. "We are on a hiring spree for the e-commerce and fulfilment departments," says Munzir. With steps taken to mitigate the inherent vulnerabilities of the business, SKA is in for brighter days ahead whatever the challenges that may come forth.

What can we learn about crisis management from these four businesses?

Cash is king
Cash reserves are key to withstand a crisis. Other than building cash reserves through savings, businesses can cultivate close relationships with their bankers to keep up-to-date on the loan facilities that are available and to get quick approvals to take advantage of opportunities in the market. RHB Bank has many innovative financing solutions available to our SME customers. Speak to your Relationship Manager to find out more.

Hold on to your staff
All our featured businesses strived to hold on to their staff, with some increasing headcount to acquire new expertise, despite the crisis. A workforce aligned with the company's goals and invested in the company's survival is an invaluable asset as a business strives to pivot and transform to survive a crisis, and form the foundation for the business's future growth.

Let go of the old
Our featured businesses immediately let go of old ways of doing business that are no longer working. Instead, they moved fast to discover and meet the new needs that arose in the market.

Engage with stakeholders for support
All four businesses were able to inspire confidence in their stakeholders and gain their support to help them through the crisis. Other than employees, suppliers and shareholders, banks are one of the key stakeholders that can support a business through a crisis. RHB Bank is proud to have been able to support our four customers through the pandemic and share their success stories with you in this issue of MERGE.

Beyond our SME loan facilities, RHB Joy@Work recognises the importance of employees to businesses and helps businesses manage employee welfare with a comprehensive banking solution that offers employees the privilege of enjoying attractive rates, savings and discounts.

We also offer SME e-solutions through RHB Reflex Premium Plus to help businesses manage and automate the tedious aspects of their financial, sales, accounting, people management and other processes. This frees up precious resources to focus on growing the business.

If you are looking for a banking partner that will walk with you through thick and thin, supporting your business to transcend crises to achieve new heights, talk to your RHB Relationship Manager today.

Sources: 1 Eminent Creative Sdn Bhd, Interview Audio Recordings – Ideal Vision Integration Sdn Bhd, 9 February 2021. **2** Eminent Creative Sdn Bhd, Interview Audio Recordings–M Summit Group, 24 February 2021. **3** Eminent Creative Sdn Bhd, Interview Audio Recordings – Topmix Resources Sdn Bhd, 26 February 2021. **4** Eminent Creative Sdn Bhd, Interview Audio Recordings—Siti Khadijah Apparel Sdn Bhd, 2 March 2021.

TOP 10 PERFORMING UT FUNDS

Lipper ranking as at 28 February 2021.

The Lipper Ratings provide an instant measure of a fund's success. Funds are ranked against their Lipper peer group classifications each month for 1-month,6-month, 1-year, and overall periods. These ratings are based on an equal-weighted average of percentile ranks of the five Lipper Leaders metrics: Total Return, Consistent Return, Preservation, Expense, and Tax Efficiency. To see details about each metric, go to lipperleaders.com

Equity

Rank	Fund	1 Month (%)	6 Months (%)	1 Year (%)
01	TA Small Cap	9.6	33.4	41.3
02	RHB Resources	9.2	14.2	27.5
03	Principal Small Cap Opportunities	8.0	23.3	39.1
04	TA Dana Fokus	7.4	31.0	63.3
05	Principal Titans Growth & Income	7.0	19.5	20.4
06	Manulife India Equity MYR	7.0	21.4	23.6
07	TA Growth	6.8	10.5	10.5
08	Principal Malaysia Enhanced Opportunities	6.6	16.2	22.9
09	Principal Malaysia Opportunities	6.5	16.2	22.6
10	RHB US Focus Equity	6.4	23.9	26.4

Note:

- Investors are advised to read and understand the contents of the respective product-offering documents or prospectus before investing. Among others, investors should consider the fees and charges involved. The price of units and distributions payable, if any, may go down as well as up. Top Performing Unit Trust Funds are distributed by RHB (ranked by 1 Year's Performance Growth %). Data is sourced from Lipper as at 28 February 2021.
- Asset Type is based on Lipper classifications
- Terms and conditions apply