PE
STEPS TOWARDS SUSTAINABILITY
POTENTIAL EXCELERATE GROUP LTD.
Dec 2020

Newsletter

PEG FLASH www.pegroupholding.com #Issue 52

"Year's end is neither an end nor a beginning but a going on, with all the wisdom that experience can instill in us." ---Hal Borland

FROM THE DESK OF MD/ED

From the effects of the US-China trade war, Brexit, stock market crisis, brent crude oil dropped below $50 per barrel to the US presidential election, 2020 has been a tough year for all of us. A crisis of unparalleled magnitude and consequences is being seen throughout the world.

The COVID-19 situation has evolved further and we are dealing with a significant global challenge. The World Health Organization has declared this outbreak a pandemic. Many governments around the world have enforced lockdown to ensure the safety of their citizens. In reality, we are seeing a much wider impact on all of our lives as well as the global economy.

CONTENT

To Our Colleagues,

First and foremost, I would like to thank you for what you have already done to weather this pandemic and to get our company prepared to cope with this situation. Your dedication makes all the difference.

I am proud and inspired by the way our company has risen to this challenge, with versatility, resilience, courage – and a caring heart. On the other hand, we're seeing our investment portfolios we've made over the past five years deliver incredible results. Thank you for your enormous contributions. Let's work together – across all parts of the business - to keep going.

To Our Valued Investors and Stakeholders,

2020 also has been a good year for advances in Artificial Intelligence (AI), 5G data networks, autonomous vehicles, COVID-19 mRNA vaccines to blockchain technology. We are amidst the 4th Industrial Revolution, and technology is progressing more rapidly than ever before.

We have spent much of 2020 examining our portfolio to determine what mix of investments can help us achieve our target return. We undertake this comprehensive analysis to guide our investment decision-making going forward.

Ultimately, amid the uncertainties of 2020, I'm proud that we have remained focused on our company's vision and mission. In so many ways, this has never been more important. The arrival of 2021 presents an opportunity. The New Year will usher in a renewed commitment to making Potential Excelerate Group financially stronger.

Warm regards,

Dato' Sri Sherwin Chew
Potential Excelerate Group
Chief Executive Officer

1 (i) Airbnb, DoorDash rallies stoke renewed debate on pricing IPOs

(Source: The Straits Times)

First it was DoorDash Inc. And now it's Airbnb Inc. In a 24-hour period, the two startups went public and their valuations skyrocketed, a sign that both companies could have raised a lot more money than they did.

Airbnb opened 115 per cent above its initial public offering price, the biggest debut rally on record for a large US listing. Had the shares priced closer to where they started trading - at US$146 instead of US$68 apiece - Airbnb could have raised US$4 billion more for the company and early investors.

That gap is known as money left on the table, and is at the center of a years-long debate about how to price an IPO.

Getting pricing right on an IPO can be complicated. While a big rally can leave investors wondering why shares weren't priced higher, if the stock doesn't pop - or worse if it falls - companies can be viewed as failures for not attracting investors. The tradition of an IPO pop is designed to attract investors who are taking a risk on buying new stock that's never been public.
Morgan Stanley and Goldman Sachs Group Inc. were lead advisers to Airbnb, responsible for deciding, along with the company's executives, where the stock should price. When the parties convened on their Wednesday evening call to discuss that number, the performance of DoorDash - which had just soared 86 per cent in its debut - was on their minds, according to people familiar with the matter.

That debut rallies that rank among the biggest-ever happened within hours of each other points to the enthusiasm around IPOs this year - especially those by well-known technology companies. Of the top 10 US trading debuts on record for companies that raised more than US$1 billion, five were logged by businesses that went public this year, according to data compiled by Bloomberg.

"We haven't seen this level of IPO pricing variability in a long time, perhaps since 1999 and 2000," said Notre Dame Law School associate professor Patrick Corrigan, who specializes in IPOs and venture capital. The reason for the extreme pops this week is a mix of advisers finding demand from retail investors hard to measure, and scarcity of shares available to buy on trading day, people familiar with Airbnb and DoorDash's IPOs said this week.

Retail Demand Retail investors drove a lot of the early activity around Airbnb, according to people familiar with the matter, sending the price up as they hustled to get a slice of the trading. In the hours before Airbnb started trading, there was an influx of small, likely retail orders, with eight to nine buyers for every seller, the people said.

Apps such as Robinhood, which have increased in popularity the past few years, allow individual investors to buy a fraction of a single share, lowering the barrier to entry.

"It seems like a stretch to say that fractional share programs arriving at major retail brokerages and IPOs going stratospheric at the open is just a coincidence," said Max Gokhman, head of asset allocation at Pacific Life Fund Advisors.

Still, the extent of the day-one pop seems to have shocked even those closest to the companies. Airbnb chief executive officer Brian Chesky said he was "lost for words" and "humbled" in an interview with Bloomberg Television when he heard about the high pricing indications before trading started.

DoorDash chief executive officer Tony Xu, meanwhile, acknowledged DoorDash didn't choose the highest price possible for its IPO. "We priced our stock where we did not take every last dollar off the table but where we feel like it is a true reflection of our fundamentals," he told Reuters.

Read more at

Read more at: https://www.straitstimes.com/business/companies-markets/airbnb-doordash-rallies-stoke-renewed-debate-on-pricing-ipos

Our Research Team View

Amid this COVID-19 pandemic, we have seen steady flows of initial public offerings in the market, especially in the U.S., where 203 companies have already listed in 2020.

While many retail investors are jumping on the bandwagon, participating on these IPOs early may not be the best strategy. Investors should remain cautious and do their research to ensure the companies intrinsic value and fundamentals are solid.

Even though the IPOs for Airbnb and DoorDash skyrocketed during the listing week, according to experts from CNBC, investors should not buy into the hype. If you have interests in an IPO, be sure to do your own due diligence instead of simply following the herd. Should the company have strong fundamentals and you truly believe in the company for the long term, then it may be good to get in early.

With so much uncertainty and volatility in the market, the cautious approach may be the best approach to investing at this juncture.

1 (ii) StanChart's Eight Big Market Risks for 2021

(Source: Bloomberg, December 2020)

What could go wrong for investors next year after the ultimate black swan event of the coronavirus pandemic? Well, a lot, judging by Standard Chartered Plc's list of potential market surprises for 2021.

Democrats winning control of the Senate, a U.S.-China detente driving a yuan rally to 6 versus the dollar, or oil crashing to $20 per barrel on an OPEC rupture. Those are among the eight "unlikely" events that could upend markets, according to the bank's global head of research, Eric Robertsen, in an annual financial-markets surprises report.

A pandemic wasn't on too many lists last year, but global markets have largely recovered from the shock, helped by emergency fiscal- and monetary action. Investors have found some consensus on a recovery in growth and inflation heading into the new year, driving global yield curves steeper, rallies in corporate bonds and a slide in the U.S. dollar. As such, the biggest blow would be a setback to vaccine delivery, in Robertsen's view.

"With some measures of risk trading back at pre-Covid lows, the 'reflation' consensus appears especially vulnerable to bad news," he wrote.

As for last year's "non-zero probability" events, Robertsen did nail it with his vision of the Fed slashing interest rates and gold hitting $2,000 an ounce on extended central bank asset purchases. He was also close with a 20% gain in the S&P 500. Here is his latest tally of underpriced risks for next year:

Event	Impact
1. Democrats win Georgia's seats to take the U.S. Senate The Democrats initiate legislative agenda to raise taxes and regulatory changes targeting the technology sector	Technology shares plummet and U.S. Treasury yields surge on supply fears.
2. U.S. and China find common ground China agrees to let its currency appreciate in an attempt to lift purchasing power for its companies and consumers.	USD/CNY falls to 6.00

Event	Impact
3. Monetary and fiscal stimulus drives strongest recovery in a century Eager to capture gains in real assets, investors and traders shift increasing amounts of capital to markets like copper.	Copper rallies 50%.
4. OPEC splinters In order to plug fiscal finances, oil exporters abandon supply quota and OPEC co-operation collapses.	Oil prices fall back to $20 a barrel.
5. European fiscal stimulus hopes dashed ECB's ability to support the recovery is increasingly called into question with zero policy rates and balance sheet approaching 100% of GDP.	EUR/USD falls to 1.06 by midyear.
6. U.S. Treasury secretary abandons strong dollar policy When Congress fails to cooperate on a fiscal package, Treasury Secretary-elect Janet Yellen talks down the dollar to ease financial conditions.	Dollar crashes 15%.
7. Emerging-market debt defaults and sovereign downgrades Corporate debt defaults start slowly and then cascade to state-sponsored entities leading to ratings downgrades.	EM equities fall 30% by second quarter, in worst year for EM since 2013.
8. U.S. President Biden steps down Frustrated at failure to bridge gap between Republicans and Democrats, and under strain from mounting protest and social unrest, Biden resigns in favour of Vice President Kamala Harris.	Sharp correction in U.S. equities, credit spreads widen, dollar decline accelerates.

Our Research Team View

The article outlined many events that we should watch out for, but with the unpredictability of the entire environment, even if some of these events come to pass, they will require a length of time. For example, the stabilisation of China and U.S. relationship. Even under the Biden administration, the distrust and disagreements between the two nations will not dissipate overnight.

Like its 2020 performance, we anticipate the market to react positively in 2021, albeit not as exciting as the year before. Knowing that markets are often forward-looking, what we expect to happen from the pandemic will quickly be reflected on the markets.

While there are many debates on whether COVID-19 is a black swan or grey rhino, we prepare to see the resurgence of old economic activities. Now that the COVID-19 vaccines are being rolled out, we hope to see travel restrictions being lifted and some faint resemblance of pre-COVID-19 interests in tourism and the various industries impacted by the pandemic.

Read more at

Read more at : https://www.bloomberg.com/news/articles/2020-12-15/if-2020-wasn-t-enough-stanchart-has-eight-big-risks-for-2021

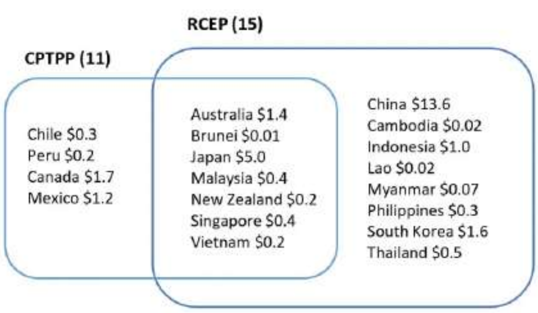
1 (iii) RCEP: A New Trade Agreement That Will Shape Global Economics and Politics

(Source: Brookings, November 2020)

On November 15, 2020, 15 countries — members of the Association of Southeast Asian Nations (ASEAN) and five regional partners — signed the Regional Comprehensive Economic Partnership (RCEP), arguably the largest free trade agreement in history. RCEP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which concluded in 2018 and is also dominated by East Asian members, are the only major multilateral free trade agreements signed in the Trump era.

India and the United States were to be members of RCEP and the CPTPP, respectively, but withdrew under the Modi and Trump governments. As the agreements are now configured (see Figure 1), they forcefully stimulate intra-East Asian integration around China and Japan. This is partly the result of U.S. policies. The United States needs to rebalance its economic and security strategies to advance not only its economic interests, but also its security goals.

Figure 1: Members of RCEP & CPTPP (Numbers present 2018 GDP in trillions of U.S. dollars)



RCEP'S ECONOMIC SIGNIFICANCE

- Connect about 30% of the world's people and output
- Could add $209 billion annually to world incomes, and $500 billion to world trade by 2030
- Will offset global losses from the U.S.-China trade war, although not for China and the United States
- Incentivizes supply chains across the region but also caters to political sensitivities
- Could improve access to Chinese Belt and Road Initiative (BRI) funds, enhancing gains from market access by strengthening transport, energy, and communications links

RCEP'S GEOPOLITICAL SIGNIFICANCE

- Often labelled inaccurately as "China-led" but is a triumph of ASEAN's middle-power diplomacy
- Will accelerate Northeast Asian economic integration
- Spurs mutually beneficial growth and its members will gain influence across the world

Our Research Team View

With the market barriers lowered, we expect to see investments and trading between countries in the RCEP region to grow, spurring a stronger connection among the countries with different degrees of development.

While this agreement should boost Malaysia's economy, it also means the country will have to work harder to attract these investments, especially when other countries with similar characteristics, such as Vietnam and Indonesia, will be eyeing the same investments.

Though other industries such as Textile and Apparel and Timber are expected to face intense competition from lower-cost producers in the RCEP region, Malaysia should focus on its strengths.

As a leader in the Information and Communications Technology and Electrical and Electronics industries, Malaysia should leverage its expertise in these industries and be prepared to provide incentives to foster continuous improvements and maintain its position in the market.

The RCEP may bring about many opportunities for Malaysia, but we must be ready to embrace the new partnerships and make accommodations.

Read more at

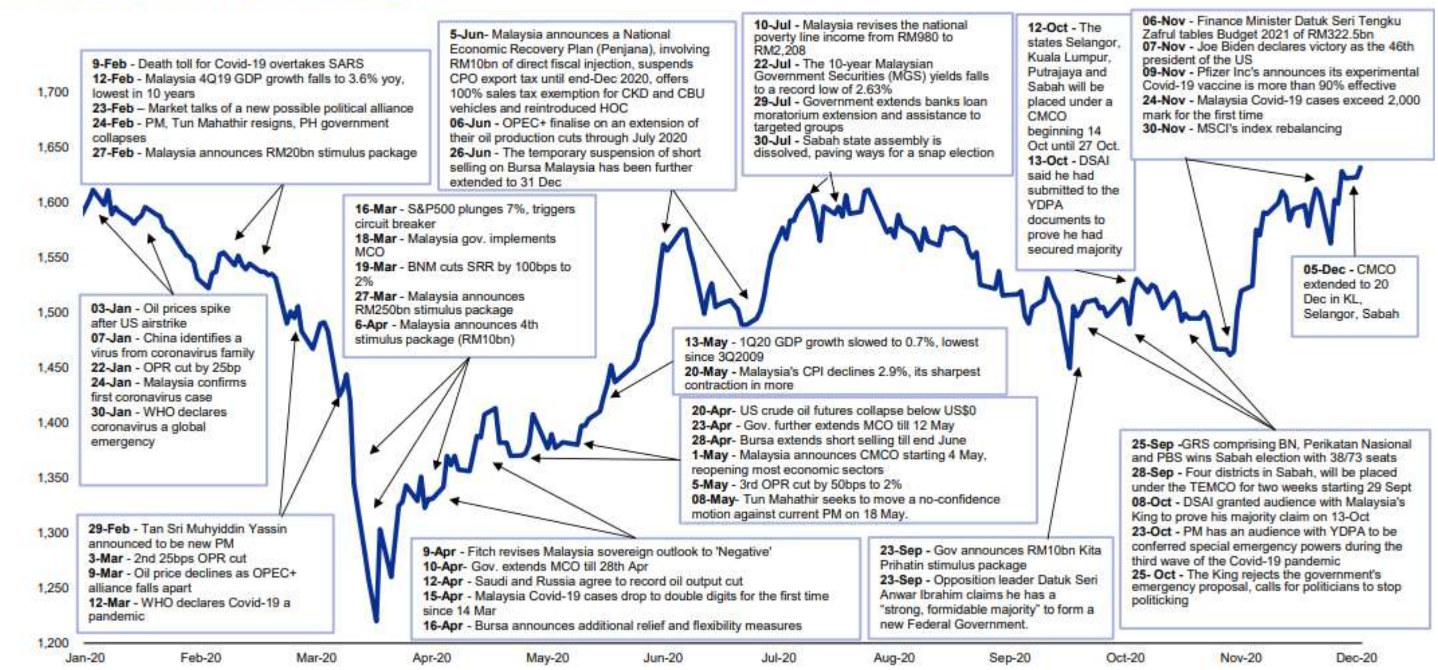
Read more at: https://www.brookings.edu/blog/order-from-chaos/2020/11/16/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics/

1 (iv) Sectors To Watch Out For In 2021

(Source: CGS CIMB, December 2020)

Locally, 2020 has been a very volatile year. Below, we provide a quick month-by-month recap of the KLCI's performance this year.

Figure 9: KLCI market events in YTD20



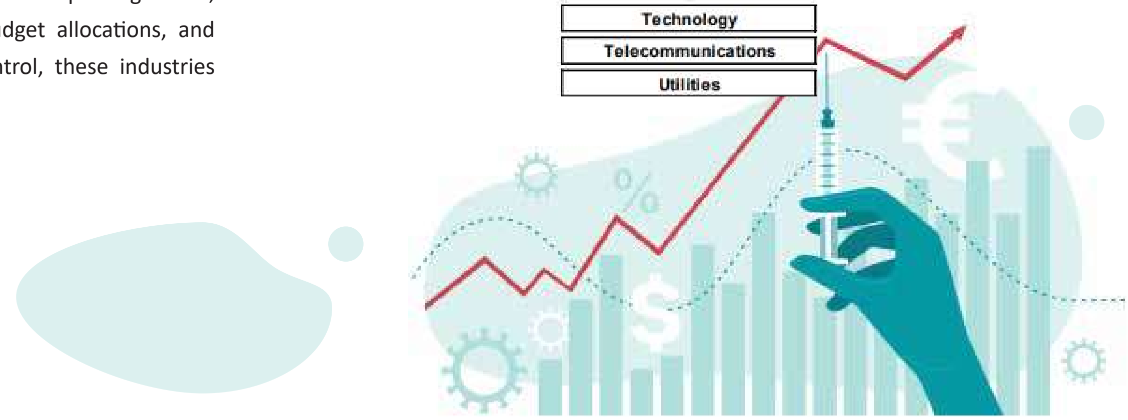
Note: DSAI stands for Datuk Seri Anwar Ibrahim
Note: YDPA stands for Yang di-Pertuan Agong, the King
Note : CMCO stands for Conditional Movement Control Order
Note : TEMCO stands for Targeted Enhanced Movement Control Order
YTD data as at 08-Dec-20
SOURCES: CGS-CIMB RESEARCH, VARIOUS MEDIA REPORTS, BLOOMBERG

CGSCIMB

Moving forward, CGS CIMB has given its opinions on various sectors, classifying them into overweight, neutral, and underweight categories.

It believes the overweight industries are bound to make a comeback in 2021 because of the normalisation of the coronavirus. Under expectations of net profit growths, sustained demand, increased budget allocations, and relaxation of the movement control, these industries hold promises for the next year.

OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Banks	Agribusiness	Chemicals
Gaming	Automotive	Transport
Gloves	Brewers	
Healthcare	Construction	
Media	Consumer	
Oil & Gas	Food & Beverages	
Packaging	Insurance	
Tech Manufacturing Services	Property Development	
	REIT	
	Semiconductor	
	Technology	
	Telecommunications	
	Utilities	



Read more at

Read more at: https://bit.ly/38cG9GY

Our Research Team View

2020 was certainly an unusual and interesting year. The world economy was performing well in the beginning of the year; however, growth came to a screeching halt following the outbreak of COVID-19 and the imposition of the global "stay at home" orders.

It was a year full of a liquidity-driven rally, with a clear disconnect between the stock markets and actual economy. Most of this had to do with the rollout of government stimulus packages, quantitative easing, and the slashing of interest rates. The 2020 market performance will be difficult to duplicate.

From the report, 2021 is expected to be a good year for the market, with the strong rebound in corporate earnings is set to converge with a sea of ample liquidity. Additionally, should the US dollar continue to weaken, this could spark the return of foreign investor interest in emerging markets, including Malaysia, spurring further gains for Malaysia's stock market.

As plans for the distribution of COVID-19 vaccines finalise, we see the vaccine as the key to not only providing immunity, but to fully reopening economies and borders. Nevertheless, the vaccination is a lengthy process with many factors, such as the markets reactions, that we have yet to consider.

1 (v) Fitch Downgrades Malaysia's Sovereign Rating to 'BBB+'

(Source: The Edge Markets, December 2020)

BLOOMBERG, MIZUHO BANK

Sovereign ratings for Malaysia and other Asian countries

	S&P		MOODY'S		FITCH	
	RATING	OUTLOOK	RATING	OUTLOOK	RATING	OUTLOOK
Malaysia	**A-**	**Negative**	**A3**	**Stable**	(A+) **BBB+**	(Negative) **Stable**
Thailand	BBB+	Stable	Baa1	Stable	BBB+	Stable
Philippines	BBB+	Stable	Baa2	Stable	BBB	Stable
India	BBB-	Stable	Baa3	**Negative**	BBB-	**Negative**
Indonesia	BBB	**Negative**	Baa2	Stable	BBB	Stable

BLOOMBERG, RHB ECONOMICS AND MARKET STRATEGY

Long-dated government bonds will remain well supported despite Fitch's downgrade of Malaysia's sovereign rating

Our Research Team View

Although the Fitch downgrade is not good news for Malaysia, it is important to note that many other countries have also been negatively impacted by the pandemic. The news is a reminder to the government to rein in the high fiscal deficit and debt levels.

With the low interest environment and liquidity-flushed global economy and financial markets, the negative impact of the downgrade was rather subdued. There was no drastic reaction seen from the market since the announcement was made – the FBM KLCI index and ringgit remained stable.

S&P Global Ratings and Moody's Investors Service, two other international rating agencies, have not changed their ratings on Malaysia's sovereign credit rating. Though the split rating situation is not damaging the country's access to global markets and external borrowing yet, Malaysia must take steps to address the deteriorating governance standards. We shall patiently wait and see if any announcements will be made from the two rating agencies after Fitch's decision.

Read more at

Read more at: https://www.theedgemarkets.com/article/fitch-downgrades-malaysias-longterm-foreign-currency-rating-bbb-stable-outlook

2020 Review on some of PEG's Key Portfolio companies

Cardiotrack

Business:
Integrated healthcare platform with diagnostic medical devices and remote medical consultation services

Country:
Bangalore, India

1. Broke the record of highest daily scans with more than 1,000 scans in FY20Q3
2. FY20H2 revenue surpassed FY19's full year revenue
3. Secured long-term collaboration agreements with:
   - an Indian multinational conglomerate
   - one of the leading insurers in India
   - an Indian renowned multinational company

WOBB

Business:
Job seeking platform for young professionals in Malaysia.

Country:
Malaysia

1. Achieved the highest revenue in October 2020 with a 41.7% growth year-on-year
2. Record high number of active jobs, over 40% higher than pre-lockdown level in March 2020
3. Partnered with the leading eCommerce platform Lazada Malaysia to launch its first ever digital career fair, Jom Cari Kerja

HOP

Business:
Car Rental Matching Platform with unlimited kilometres from dozens of locations across Australia

Country:
Australia

1. Closed another round of capital raising in September 2020
2. Successfully filled a Trademark agreement with Transport for NSW in Australia

CARDIOTRACK

WOBB

HOP

Cryptocurrency Craze: Bitcoin

(Source: CNN Business, Inquirer, The Edge Market, CoinGecko)

What is Bitcoin?

Bitcoin is a currency created in 2009 by an unknown person under the alias Satoshi Nakamoto. Transactions are made without middlemen – essentially, without the need of going through banks. Bitcoin can be used to book hotels on Expedia, shop for furniture on Overstock, and buy Xbox games. The common appeal to Bitcoin seems to be concept of getting rich quickly by trading the currency. The price of bitcoin skyrocketed into the thousands in 2017.

Why Bitcoin?

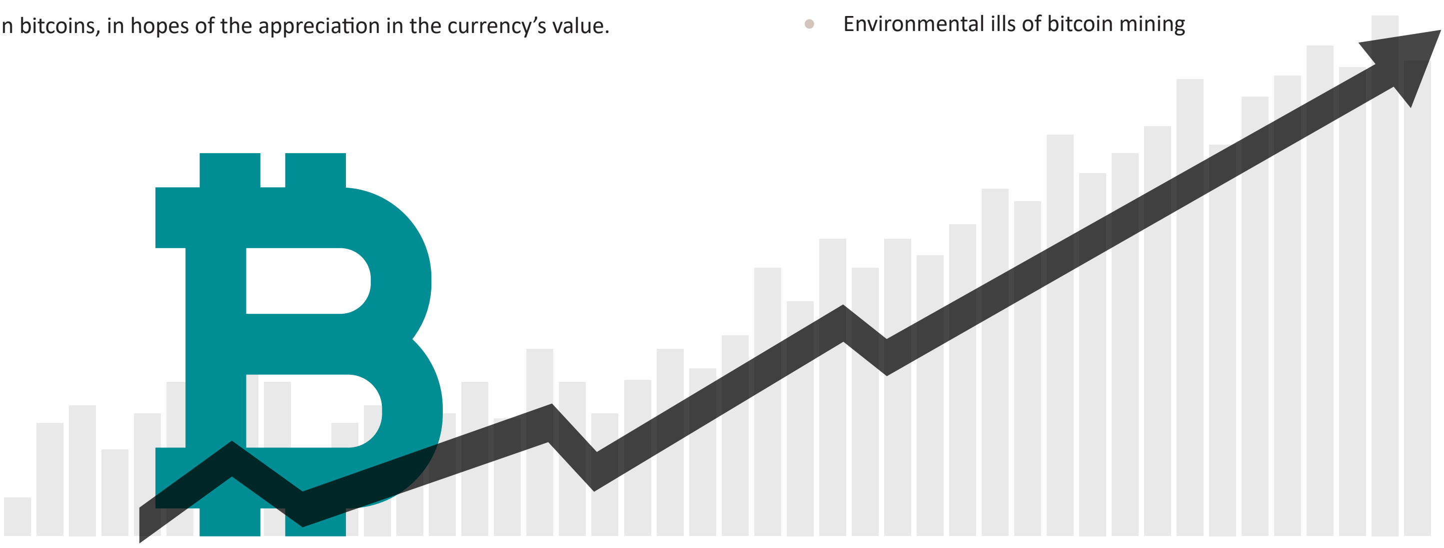
Bitcoins can be used to buy merchandise anonymously. In addition, international payments are easy and cheap because bitcoins are not tied to any country or subjected to regulation. Small businesses may prefer them because there are no transaction fees. Some people invest in bitcoins, in hopes of the appreciation in the currency's value.

What are the advantages of using Bitcoin?

- Greater liquidity relative to other cryptocurrencies
- Increasing acceptance as a payment method
- More convenient for international transactions
- Generally lower transaction fees
- Anonymity
- Independence from political agents and creators
- Limited supply

What are the disadvantages of using Bitcoin?

- Exposure to bitcoin-specific scams and fraud
- Black market activity may damage reputation and usefulness
- Susceptible to high price volatility
- No chargebacks or refunds
- Risk of being replaced by superior/newer cryptocurrency
- Environmental ills of bitcoin mining



Cryptocurrency Craze: Bitcoin

Why is the price of Bitcoin going up?

Since the beginning of the third quarter of 2020, cryptocurrency prices have been soaring. On the 16th of December, Bitcoin's price surpassed the US$18,000 mark, an all-time high since the beginning of 2018. Its surge has prompted analysts to predict that Bitcoin's price could even surpass its December 2017 record high of US$19,041.

The prediction came true. By the 30th of December, we are looking at a price slightly higher than US$28,000. The digital currency has a market value of greater than US$500 billion, which is worth more than Visa or Mastercard.

This phenomenon may have to do with the fact that because Bitcoin has a limited supply, its value is relatively stable, if not only appreciating. Compared to the US dollar, which has been weakening due to the Federal Reserve's decision to keep interest rates near zero, some investors may consider Bitcoin as a more attractive currency.

As governments across the world are unveiling budget and stimulus plans to relaunch their economies, investment trends are currently leaning toward risk-taking approaches. Cryptocurrencies are subject to extreme exchange rate volatility but are nevertheless wooing investors. The popular online payment system, PayPal, has recently authorised the use of Bitcoin on its platform, further promoting the cryptocurrency. To add to the hype, many big, name-brand investors and huge consumer companies are embracing Bitcoin.

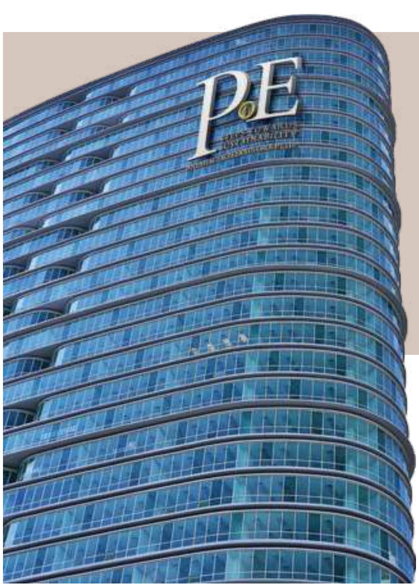
According to Anthony Scaramucci, Skybridge Capital's founder with a large stake in Bitcoin, the best days for Bitcoin are ahead of it, but there will be volatility and people need to be prepared for it.

What is its next resistance?

Bitcoin is a currency created in 2009 by an unknown person under the alias Satoshi Nakamoto. Transactions are made without middlemen – essentially, without the need of going through banks. Bitcoin can be used to book hotels on Expedia, shop for furniture on Overstock, and buy Xbox games. The common appeal to Bitcoin seems to be concept of getting rich quickly by trading the currency. The price of bitcoin skyrocketed into the thousands in 2017.

Where to buy Bitcoin?

Securities Commission Malaysia's Recognised Market Operators include Sinergy, Luno, and Tokenize



Editorial

Editor	| Alanis Chew
Corporate Finance	| Albert Ting Jayden Sho Steven Lee
Corporate Communication	| Adrian Cheng
Customer Service	| Angel Phoon
Graphic Designer	| Jennifer Tee

Feedback Enquiries please email to info@pegroupholding.com