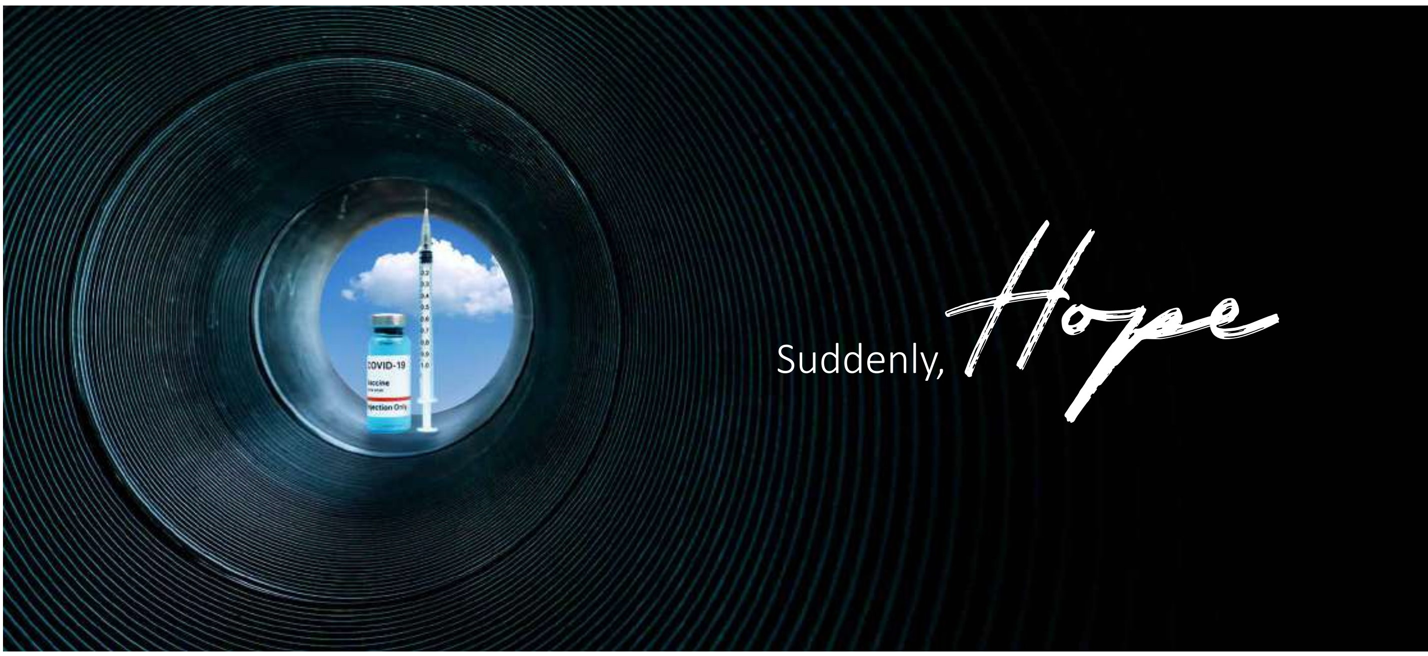
P.E
STEPS TOWARDS SUSTAINABILITY
POTENTIAL EXCELERATE GROUP LTD.
November 2020

Newsletter

PEG FLASH www.pegroupholding.com #Issue 51



FROM THE DESK OF MD/ED

"Success is not final; failure is not fatal: It is the courage to continue that counts."
| Winston S. Churchill

Our Valued Investors and Stakeholders,

November is starting out to be a very eventful month. From the announcement of the world's largest IPO listing suspension by Ant Group to the U.S. Presidential Election. There is much that still hangs on the line, even as we welcome the new President of the United States, Joe Biden. The U.S.-China tension will not disappear overnight, but we can at least expect more cordiality and predictability.

In this issue, we will cover Malaysian's 2021 Budget, Ant Group's IPO suspension, U.S. stocks that may benefit from the Biden presidency, the potential winners from the COVID-19 vaccine, and the breakdown of the U.S. private equity environment, as of the third quarter of 2020.

Our portfolio company, HOP Pte Ltd., has recently shared some exciting updates with us. HOP is an Australian-based company that provides ride-sharing services. Even with the restrictions imposed by COVID-19, HOP has been able to provide new offerings in Australia.

One of the most interesting exit strategies for private firms this year has been listing Special Purpose Acquisition Companies (SPACs). Since their inception, special purpose acquisition companies were mostly unknown. But this year, they have become some of the hottest investment vehicles on Wall Street, providing companies an alternative to a traditional IPO and opening up fertile new ground for deal making.

While the market is certainly reacting to the news, we review the its trends and expectations. Several pharmaceutical companies are releasing promising updates on their COVID-19 vaccine trials and are setting in place their plans for distribution.
As we are seeing increased number of COVID-19 cases everywhere in the world, we must do our best to abide by the new SOP and move towards the new normal.

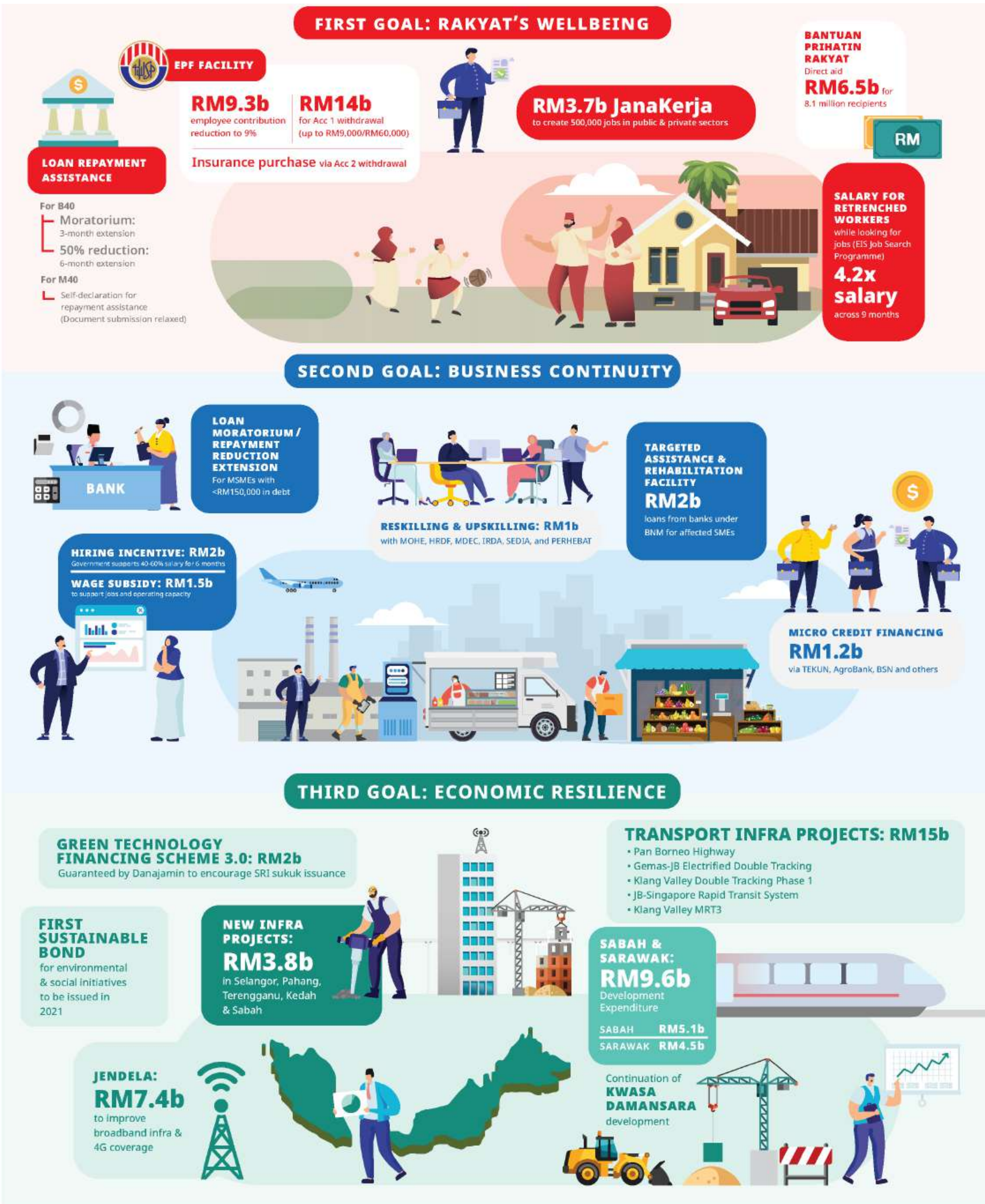
Stay safe and healthy.

Group COO of Potential Excelerate Group
Dato' CK Cheong

CONTENT

1 (i) Malaysia Budget 2021 and Economic Outlook

(Source: The Edge Markets, November 2020)



Our Research Team View

Though there are many sides to take on this issue, there is still the uncertainty of whether the proposed budget will be passed. With a budget of RM322.54 billion, the government is trying its best to minimise the effects of the pandemic. The focus on bolstering consumer spending and ensuring the wellbeing of its people.

By targeting areas with a high multiplier effect, we hope the budget will be able to further accelerate the growth of our economy, even higher than what is being projected. The budget's emphasis on helping businesses adjust to the need to digitalise and the importance of environmental, social, and corporate governance is laudable.

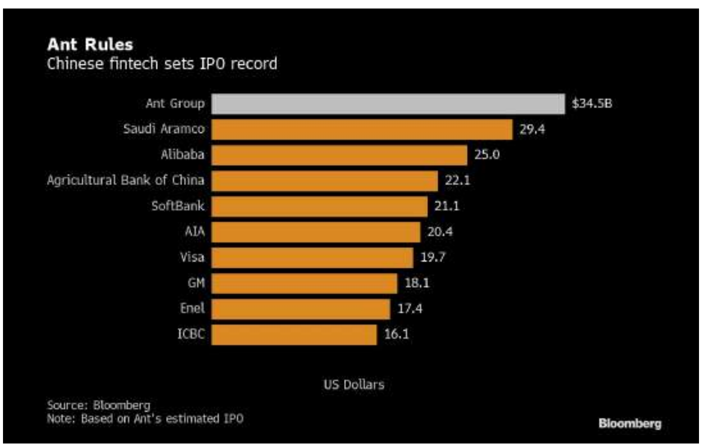
However, not all sectors are receiving the support they need. The tourism industry is still suffering and will need much more assistance in order to weather through this storm. With the number of COVID-19 cases on the rise, the outlook for any sort of travelling looks bleak.

Overall, the expansionary budget is as good as it gets. With all the uncertainty going around, we are grateful for what the government is doing to protect us and alleviate our burden.

1 (ii) China Stops Jack Ma's US$35bil Ant Group IPO From Going Ahead

(Source: Bloomberg, November 2020)

On November 3, China put the brakes on Ant Group Co's US$35 billion share sale in Shanghai and Hong Kong, derailing the world's biggest initial public offering.



The Shanghai stock exchange will suspend the listing after Ma was called in for "supervisory interviews" by related agencies, it said in a statement Tuesday. There was "significant change" in the regulatory environment and "such major issues could lead to your company not longer complying with requirements on listing or information disclosure," the statement said.

The Hong Kong leg will also be suspended, Ant said in a filing shortly after the Shanghai announcement. The fintech company's debut was expected for Thursday. Alibaba Group Holding Ltd, which owns about a third of a stake in Ant, fell 8% in premarket US trading. Futures on Hong Kong's Hang Seng index lost as much as 1.2%.

The shock move comes after China's regulators warned that Jack Ma's firm faces increased scrutiny and will be subject to the same restrictions on capital and leverage as banks. Ma, Ant's billionaire co-founder, was summoned to a rare joint meeting on Monday with the country's central bank and three other top financial regulators.

A representative for Ant couldn't immediately respond to a request for comment.

"It's a pretty bad look, where you have a China company conducting the world's largest IPO, locking in billions from global investors and getting halted on the eve," said Yu Tianjiao, a Hong Kong-based analyst from Sanford C. Bernstein. "Longer term, investors are going to reevaluate Ant's price, people who gave it lofty valuations as a tech company will have to start thinking about it more as a financial services firm and question the growth potential."

Ant's decision to list on the Star board, a market launched in Shanghai last year, was seen as a major win for the mainland exchange. The IPO had attracted at least US$3 trillion of orders from individual investors for its dual listing in Hong Kong and Shanghai. In the preliminary price consultation of its Shanghai IPO, institutional investors subscribed for over 76 billion shares, more than 284 times the initial offering tranche.

Ant Rules:

The fintech company's IPO would have given it a market value of about US$315 billion based on filings, bigger than JPMorgan Chase & Co and four times larger than Goldman Sachs Group Inc.

"It's definitely surprising," said Mike Bailey, director of research at FBB

Capital Partners. "If there is something strange going on the macro side for China's financial markets or in the company that would be worrisome. That would be like for instance if we had some problem with Amazon. I would view that as a meaningful problem for them. This could be something that feeds back into global markets."

Ant has faced scrutiny in Chinese state media in recent days after Ma criticized local and global regulators for stifling innovation and not paying sufficient heed to development and opportunities for the young. At a Shanghai conference late last month, he compared the Basel Accords, which set out capital requirements for banks, to a club for the elderly.

Ant said following the meeting with regulators that it will "implement the meeting opinions in depth" and follow guidelines including stable innovation, an embrace of supervision and service to the real economy.

The Hangzhou-based company, a 2010 offshoot of e-commerce giant Alibaba, dominates China's payments market via the Alipay app. It also runs the giant Yu'ebao money market fund and two of the country's largest consumer lending platforms. Other businesses include a credit scoring unit and an insurance marketplace.

Read more at

https://www.theedgemarkets.com/article/china-suspends-jack-mas-ant-group-shanghai-ipo-after-warning

Our Research Team View

Although Ant Group's IPO suspension shocked the whole world, we see this simply as a setback and not the end.

As technology continues to change the way we conduct business, there must be constant updates on the regulations set in place to protect the investors. While the announcement of new regulations has caused quite a stir in the global market, it is important to note the novelty of the financial technologies available.

While we believe in the necessity of financial regulations, we also want to emphasis on the need for collaborations between the regulators and the companies. Without clear understanding of how to best manage the risks involved with the fintech business models, neither parties nor the users will be satisfied.

It is unlikely that any dramatic changes will be made to Ant Group's business model, but investors will nevertheless be more cautious moving forward, due to the tightening of regulations. We might expect Ant Group to take 6 to 18 months to reevaluate its position before it attempts to relist again.

1

(iii) 10 Best Stocks to Buy for the Joe Biden Presidency

(Source: Kiplinger, November 2020)

In the coming January, Joe Biden will become America's 46th president. These are 10 of the best stocks to own that could benefit from the new administration:

COMPANY	SECTOR	MARKET CAP ($BILLION)	KEY STAT
Martin Marietta	Building Materials manufacturer	16	Specializes in the materials used in large construction projects. New presidency win should help to speed along a major boost in infrastruc-ture spending
CATERPILLAR	Construction& mining equipment	87.6	Tanked along with the rest of the market in February and March. But it not only recouped its losses in the rally that followed, it actually broke out of a three-year trading range.
BD	Medical instru-ments &supplies manufacturer	68.6	BECTON DICKINSON- A manufacturer of medical instruments and supplies, including syringes. A major piece of medical equipment pro-duction will be the deployment of a vaccine once it's ready

CORPORATE NEWS FLASH

COMPANY	SECTOR	MARKET CAP ($BILLION)	KEY STAT
Brookfield	Green-energy properties	10.8	Brookfield Renewable Partners LP- owns a portfolio of green-energy properties. Biden believes in Green New Deal and safe to assume that green energy and infrastructure will be a priority.
NEXTera ENERGY	Green-electric utility	148.3	Serves approximately 5.5 million customers in Florida and ranking No. 1 among utilities in For-tune's 2020 list of Most Admired Companies
Atlantica Sustainable Infrastructure	Green-energy properties	3.4	British company with operations scattered across the globe. Apart from the potential capital gains, the stock also sports an attractive dividend yield at 5.6%
First Solar	Solar-power manufacturer	9.4	Trade hands at 38 times trailing earnings and 2.4 times sales and a forward price-to-earnings ratio of 22 for 2021 estimation.
CANOPY GROWTH CORPORATION	Recreational and medical marijuana products	8.7	Democratic politicians take a more relaxed view toward marijuana and are more likely to support soft drug legalization
TESLA	Electric vehicle and clean energy manufac-turer	407.5	One of Biden's objectives to make the United States the leader in electric vehicle production. Tesla is now the most valuable auto compa-ny in the world
WORKHORSE	Electric delivery vehicles & delivery drones' manufacturer	2.2	The delivery business is booming during the pandemic, and that's not likely to change once life gets back to normal.

Read more at

https://www.kiplinger.com/investing/stocks/stocks-to-buy/601691/best-stocks-to-buy-for-the-joe-biden-presidency

Our Research Team View

On the US stock market, few points had dropped right before the US election. This is mainly due to its uncertain sentiment all over the market. The race between the two candidates ran very closely.

With President-elect Joe Biden preparing for his new role, the stocks in focus will be aligned to his stance on several key issues. With such an emphasis on ESG and getting the economy back to work safely, the stocks outlined by Kiplinger does seem to match his direction.

Regardless of all the recent market volatility, the long-term outlook for the United States still looks positive. Although its influence may be slightly reduced, it remains the world's largest economy, with the global reserve currency and its position as the epicentre of global finance.

As the investing legend Warren Buffett once said: "Never bet against America."

1 (iv) The Potential Winners of a Vaccine Discovery

(Source: CGS CIMB, November 2020)

1. Catalyst:

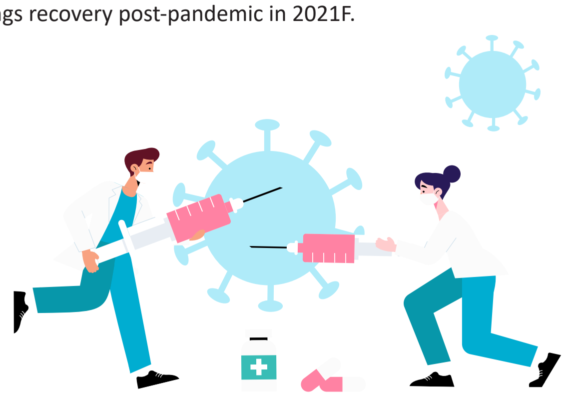
2. Strategy: Switch to recovery plays from COVID-19 could gain momentum

1. The vaccine discovery could be a signal that the worst may be over in terms of the ongo-ing COVID-19 pandemic.
2. This is likely to prompt investors to take profit on COVID-19 beneficiary stocks (gloves, technology sectors), which have done extremely well in terms of share price performances YTD
3. Switch to COVID-19 recovery plays (banks, airlines, airports, retailers, gaming, media), as their share prices have been significantly dented by movement restrictions.
4. In our 2H20 strategy note, we have mooted the COVID-19 recovery theme and advised investors to start accumulating stocks in these sectors due to their attractive valuations and expectation of earnings recovery post-pandemic in 2021F.

3. Screening for stocks that could benefit from the vaccine discovery

Sectors potentially bounce back once vaccine is developed:

1. Gaming (Casinos and NFOs)
2. Airline/ Airport
3. REIT
4. Media
5. Bank
6. Hospital
7. Brewer
8. Tobacco
9. Oil and gas



Read more at
https://bit.ly/3nQsJH4

Our Research Team View

While we will be seeing many more headlines on the vaccine race, some questions to consider are:

- *Will the vaccines work equally well across the different age, racial, and ethnic groups?*
- *Will the vaccines prevent people from spreading the virus, bringing a swifter end to the pandemic?*
- *How long the vaccine-induced immunity will last?*
- *How many doses are required for the vaccine to be effective?*
- *How will the vaccine be transported with the necessary cold-storage?*
- *How will the distribution be facilitated?*

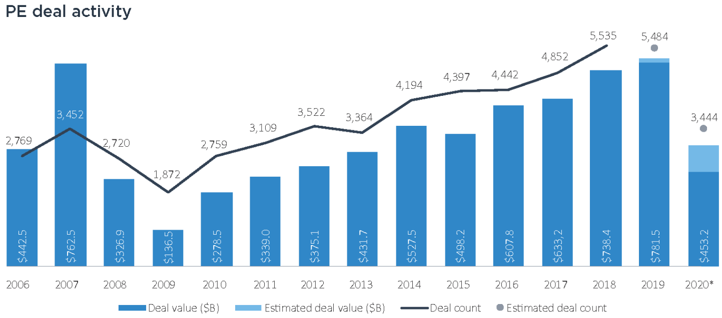
Currently, there are more questions than there are answers to. The market will be very attentive to any progress related to the vaccine development, from companies participating in the fill-and-finish to logistics.

1 (v) U.S. Private Equity Breakdown, Q3 2020

(Source: PitchBook, October 2020)

This report by PitchBook explores the rebound in U.S. private equity activity across dealmaking, exit activity, and fundraising. PE-backed exits experienced a slight rebound from last quarter but are still down YoY. GPs have increasingly turned to IPOs for the largest exits, taking advantage of a buoyant public equities market, and have also sold several companies to SPACs, a trend likely to continue. Fundraising appears poised to end the year on a high note, with several mega-funds ($5 billion+) seeking to close before 2021.

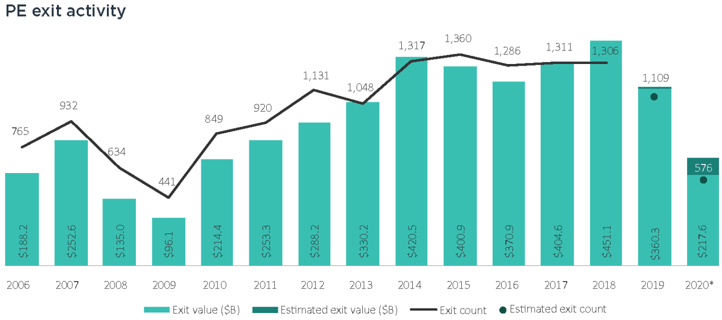
PE deal activity



Source: PitchBook | Geography: US
*As of September 30, 2020

U.S. private equity deal activity continues to lag in the wake of COVID-19's impact on the economy. The current trend of weaker deal activity across other sectors appears poised to change in the coming quarters, with more announced deals likely leading to a pick-up in future dealmaking

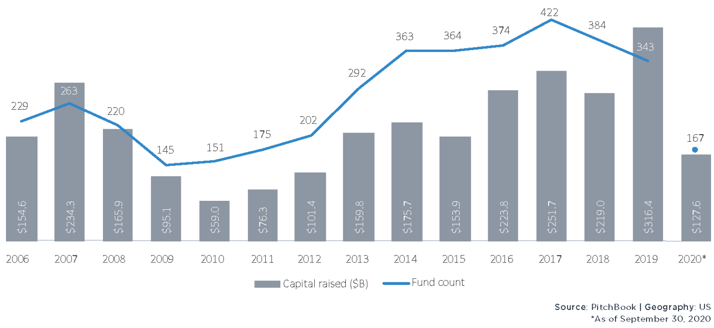
PE exit activity



Source: PitchBook | Geography: US
*As of September 30, 2020

Exit count has also diminished compared to last year's tally, but several multibillion-dollar exits via IPOs have helped buttress exit value amid a roaring public equity market recovery. Overall, public markets accounted for the bulk of multibillion-dollar PE-backed exits. Eight out of the 11 largest PE-backed exits in 2020 have gone through an IPO, which already puts 2020's PE-backed IPO value above any year since 2014.

CORPORATE NEWS FLASH



Fundraising activity appears modest year-to-date, but current signs point to a feverish finish to the year. A pair of record-setting tech funds could close on nearly $40 billion in Q4, with many addi-tional $1 billion-plus funds also seeking to hold a final close in 2020.

Read more at

https://pitchbook.com/news/reports/q3-2020-us-pe-breakdown

Our Research Team View

We see that the PE activity in the U.S. is not faring well, but the tech-focused deals have remained steady. While we wait for the vaccine to arrive, deal activity across other sectors seems ready for the pick-up in future deal-making.

As we finish the last quarter of the year, with new announcements and changes to regulations, many heads are turning towards the policies President-elect Joe Biden may choose to implement.

Knowing that the Democrats are more likely to increase corporate taxes, business owners may seek to sell and capitalise on lower capital gains taxes before any tax rate jumped. According to the report, it is clear that the public market has been a very attractive exit strategy for large PE-backed companies.

More specifically, there has been a drastic increase in special purpose acquisition company (SPAC) listings this year. Few segments of the financial world have been as closely intertwined with the SPAC boom as private equity. We will be covering some reasons why SPACs have been all the rage on Wall Street recently in the Research Corner of this issue.

Company Updates

HOP Pte Ltd.

PEG invested in HOP in 2018. We are thrilled to watch them grow, even through these restrictive times.

HOP is known as a taxi alternative, fully capitalizing on the "Drive More, Pay Less" concept. With its HOP platform, customers can access rental cars with unlimited kilometers from dozens of locations across Australia and pickup customers without having to own a vehicle. HOP will cover maintenance, cleaning, roadside assist, and insurance costs for all its rental cars.

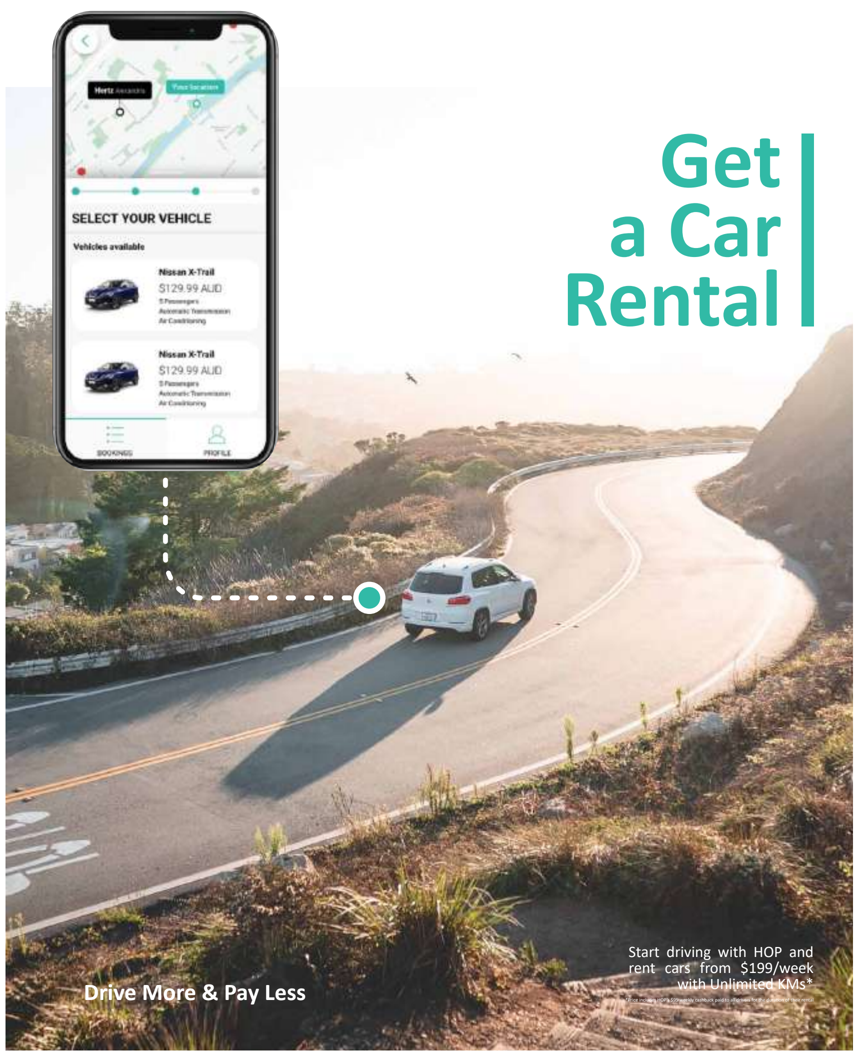
Ensuring a better and more comfortable experience for its riders, HOP built its own app and has a partnership with Hertz, one of the leading car rental companies in the world. HOP is able to optimize the use of brand new Hertz vehicles with its completely cashless solution.

Latest Updates from HOP

- Launching a new HOP landing page next month (www.myhop.io)
- Successfully closed another round of capital raising in September
- Fully paid out loan facility with Brevett Capital in September
- New rental offerings will be available throughout the East Coast of Australia
- Branding will commence late November at Sydney's Domestic Airport's Priority Pickup area

Benefits of HOP

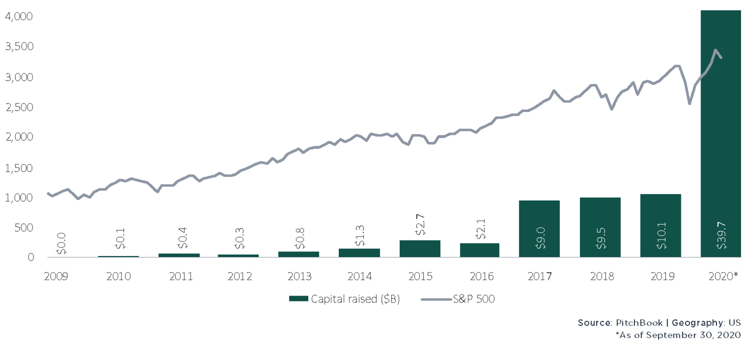
Driver	Rider
Flexibility	40% cheaper than regular fares
Driver without owning a car	Get a ride with or without the app
Insurance & maintainance covered	Cashless solution
Earn 100% of all fares	Brand new cars always



SPOTLIGHT

The 2020 SPAC Frenzy

SPAC proceeds and public market performance



Q: What is a SPAC?

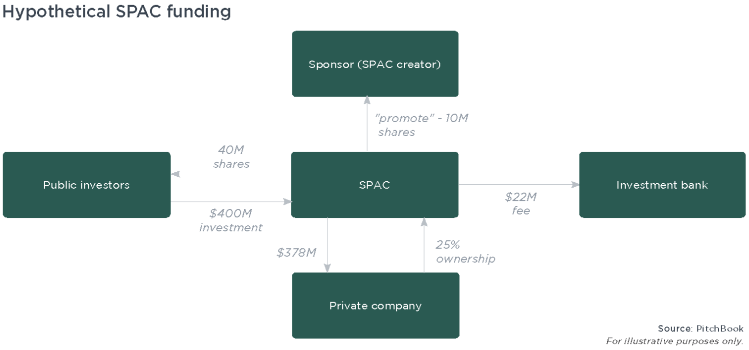
A special purpose acquisition company (SPAC) is a company that is formed strictly to raise capital through an IPO to acquire existing companies. It is also known as "Blank-Cheque Companies".

Q: How does a SPAC work?

SPACs function like a shell company; with no operations of their own, they raise capital from outside investors in IPO and use the proceeds to acquire private company in a reverse merger.

Formed by investors/sponsors with industrial expertise, SPAC IPO investors have no idea which company will be acquired. The funds raised are placed in trust account and cannot be disbursed except for acquisition. SPACs have 2 years to complete deal or face liquidation.

Hypothetical SPAC funding



Q: Why are SPACs so popular on Wall Street?

- Massive liquidity in market (QE & fiscal stimulus)
- Money is cheap, capital is abundant, investors are chasing growth
- More profitable than bonds and stocks
- Liquidity and risk management

Q: What are the benefits of a SPAC

- Guided by IPO prospectus
- Funds are returned to investors if not used
- Limited risk - shareholders' votes are needed
- Listed SPAC shares are immediately tradable
- SPAC warrants can be bought

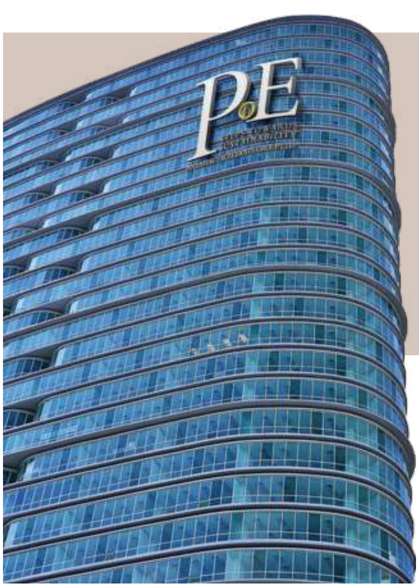
Q: What are some companies acquired by SPACs?

Company	Product/Service
DraftKings, Inc.	Sports-Betting
Virgin Galactic Holdings Inc.	Space Tourism
Nikola Motors	Electric Vehicles
Luminar Technologies Inc.	Sensor Tech for Driverless Cars

Q: What are some examples of SPACs currently listed?



Company	Industry	Funds Raised/Planning to Raise
Pershing Square	Technology	US$4 billion
Apollo Strategic Growth Capital	Growth-Oriented Businesses	US$750 million
TPG Capital	Tech & ESG	US$700 million
Gores Holding V, Inc.	Not Specified	US$525 million
RedBird Capital Partners	Sports, Media, Data Analytics	US$500 million



Editorial

Editor | Alanis Chew
Strategy | Steven Liew
Corporate Finance | Albert Ting Jayden Sho
Corporate Communication | Adrian Cheng
Marketing | Miyuki Chia
Customer Service | Angel Phoon
Graphic Designer | Jennifer Tee

Feedback Enquiries please email to info@pegroupholding.com

Disclaimer

While our Research Team has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability, or completeness of the information presented herein. The information provided is for general understanding and knowledge only to restricted receipients. Nothing presented herein is intended to constitute any investment advice and you should consult your financial advisor before making any investment decisions.