



# The Observer

**07.07.2023**

## ❖ Being a Contrarian Investor

Contrarian investing is an investment strategy that goes against prevailing market trends and sentiments. Contrarian investors, often referred to as contrarians, actively seek opportunities to invest in assets that are undervalued or out of favour with the majority of market participants. They believe that markets are not always efficient and can sometimes overreact, leading to the mispricing of assets. By taking a contrarian approach, these investors aim to profit from such market inefficiencies.

Contrarian investing is rooted in the belief that markets are driven by emotions and herd behaviour, causing prices to deviate from their intrinsic values. Contrarians take advantage of these deviations by buying assets when they are undervalued and selling them when they become overvalued. They believe that the best time to invest is when there is pessimism and fear in the market, as it often presents attractive buying opportunities.

### **The characteristics**

Contrarian investors are characterised by their willingness to swim against the current of popular opinion. They possess a strong conviction in their analysis and are willing to withstand short-term market fluctuations. While most investors tend to follow the crowd and chase momentum, contrarians take a more independent and contrarian approach to investing.

Contrarian investors employ various strategies to identify investment opportunities. They often seek assets that have fallen out of favor due to negative news, market downturns, or general pessimism. These assets may be undervalued compared to their intrinsic worth, presenting an opportunity for contrarians to buy them at a lower price.

Contrarians also pay attention to market sentiment indicators, such as investor surveys, research analysts reports, and news headlines. They look for extremes in sentiment, where excessive optimism or pessimism prevails, as these extremes can indicate potential turning points in the market. When sentiment is excessively positive, contrarians may consider selling the asset, while excessively negative sentiment may signal a buying opportunity.

Value investing is a common approach employed by contrarian investors. They search for stocks or other assets that are trading at a significant discount to their intrinsic value.

By conducting fundamental analysis and assessing the underlying value of the asset, contrarians aim to identify investments with a high potential for future appreciation. Contrarian investors are often long-term oriented, focusing on the fundamental prospects of the asset rather than short-term price movements. They have the patience to wait for the market to recognize the true value of their investments, even if it takes time for the sentiment to shift in their favour.

Some well-known contrarian investors include Warren Buffett, Benjamin Graham, and David Dreman. Buffett, often regarded as one of the greatest investors of all time, is known for his contrarian approach to value investing. He famously stated, "Be fearful when others are greedy and greedy when others are fearful," encapsulating the essence of contrarian investing.

Contrarian investing is not without its risks. It requires careful analysis, as going against the prevailing market sentiment can lead to potential losses if the contrarian investor's analysis is flawed or if the market sentiment persists. It also requires a strong psychological mindset, as contrarians must be able to withstand criticism and stay true to their convictions even when the majority of investors disagree with them.

In conclusion, contrarian investing is an investment strategy that involves going against the prevailing market sentiment and seeking opportunities in assets that are undervalued or out of favour.

Contrarian investors believe that markets are not always efficient and can be driven by emotions and herd behaviour. By taking a contrarian approach, investors aim to profit from market inefficiencies and deviations from intrinsic values. Contrarian investors employ various strategies, such as value investing and analysing market sentiment indicators, to identify investment opportunities. While contrarian investing carries risks, successful contrarians like Buffett have demonstrated that a contrarian approach can yield substantial returns over the long term.

**Devanesan Evanson**  
**Chief Executive Officer**

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### **MSWG AGM/EGM Weekly Watch 10 – 14 July 2023**

For this week, the following are the AGMs/EGMs of companies in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at [www.mswg.org.my](http://www.mswg.org.my).

<b>Date &amp; Time</b>	<b>Company</b>	<b>Quick-take</b>
10.07.23 (Mon) 03.30 pm	Kronologi Asia Berhad (AGM)	Kronologi demonstrated resilient financial performance in FY2023, with revenue and net profit reaching RM314.2 million (+2.0% YoY) and RM24.5 million (+3.6% YoY) respectively.  The EDM Infrastructure Technology segment drove this growth,

		<p>contributing RM250.9 million (80% of total revenue) with a segment profit growth of 7.0% to RM26.2 million. Singapore, China, and the Philippines were the largest contributors to this segment.</p> <p>Meanwhile, the AAS segment saw revenue growth of 20% to RM63.4 million, with profits of RM7.1 million.</p> <p>The Group is confident in delivering another strong performance in FY2024 with initiatives to enhance customer value.</p>
13.07.23 (Wed) 10.30 am	Seal Incorporated Berhad (EGM)	The Company is proposing a placement of 62.29 million new shares, representing approximately 20% of its total number of issued shares (excluding treasury shares), to Chen Khai Voon at an issue price of 26 sen per share for RM16.19 million, vide a conditional Subscription Agreement entered into between Seal and the Subscriber on 8 May 2023.
13.07.23 (Wed) 10.30 am	Reneuco Berhad (EGM)	Reneuco is proposing issuance of 2% redeemable convertible bond (RCB) due in 2026 with total nominal value of up to RM350 million (in 4 tranches) to a pre-identified investor, Triton Capital Fund VCC. Reneuco intends to utilise the proceeds to fund its working capital requirements.
13.07.23 (Wed) 10.30 am	Yinson Holdings Berhad (AGM)	<p>In FYE 2023, the Group delivered a strong set of financial results, recording higher revenue of RM6.3 billion (FYE 2022: RM3.6 billion) mainly driven by FPSO Maria Quitéria and FPSO Atlanta, which commenced Engineering, Procurement, Construction, Installation &amp; Commissioning ("EPCIC") business activities in the current financial year.</p> <p>Correspondingly, its net profit was higher at RM588 million, an increase of 12.2% over FYE 2022.</p>
13.07.23 (Wed) 02.30 pm	Yinson Holdings Berhad (EGM)	The Company is proposing to acquire the entire equity interest in AFPS B.V ("AFPS") by Yinson Bouvardia Pte. Ltd., an indirect wholly-owned subsidiary of the Company from Atlanta Field B.V. by way of exercising the call option granted (Call Option) pursuant to the Call Option Agreement dated 21 February 2022 (Call Option Agreement) for a purchase

		<p>consideration equivalent to the option price.</p> <p>The maximum costs for the exercise of the call option are estimated to be USD434.7 million (or equivalent to RM2,006.4 million), which comprises of option price of USD 87.9 million (equivalent to RM405.7 million) and USD346.8 million (or equivalent to RM1,600.7 million) call grantor loan to be drawdown by AFPS.</p>
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<b>One of the points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>
Kronologi Asia Berhad (AGM)	<ol style="list-style-type: none"> <li>1. An impairment loss on amount due from subsidiaries increased from RM4.9 million in FY2022 to RM22.1 million in FY2023 (page 79 of AR 2023). <ol style="list-style-type: none"> <li>a) Please provide the name of the subsidiaries that have the impairment losses.</li> <li>b) What were the reasons for the high impairment losses in FY2023?</li> <li>c) What are the measures taken by the Company to ensure that the impairment losses on amount due from subsidiaries does not increase further or recur?</li> </ol> </li> <li>2. The Group's trade receivables and contract assets that were past due more than 61-90 days have increased to RM1,813,720 in FY2023 from RM960,989 in FY2022 (page 140 of AR2023). <ol style="list-style-type: none"> <li>a) What were the difficulties faced by the Group in the collection of the trade receivables that were past due more than 61-90 days as the outstanding amount increased substantially?</li> <li>b) Who are the customers and their profiles that made up of this category (past due 61-90 days) of the Group's trade receivables in FY2023?</li> <li>c) To-date, how much of the overdue amount has been collected?</li> </ol> </li> </ol>
Yinson Holdings Berhad (AGM)	<p>The Group has built a good portfolio of technologies through investments in companies such as Shift Clean Energy, MooVita, eMoovit Lift Ocean, GotSurge, Oyika and chargEV. (Page 90 of IAR)</p> <ol style="list-style-type: none"> <li>a) What is the total investment cost of the portfolio of technology companies mentioned above?</li> <li>b) Please name the technology companies that are EBITDA positive in FY 2023 or when they are expected to be EBITDA positive.</li> </ol>

## **MSWG TEAM**

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## **DISCLOSURE OF INTERESTS**

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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