



The Observer

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❖ Three edges in investing

Charley Ellis once described the three ways in which investors can beat the market:
"One is physically difficult, one is intellectually difficult, and one is emotionally difficult."

You can work harder, put in more hours, and outwork everyone else. You can be smarter, see the future differently, and better identify when the market is wrong. You can be better behaved, take a long-term investment approach, and hold on.

To outperform the market, you must know your edge. Your edge will determine your success as an investor. If you play games where other people have the edge and you don't, you are going to lose.

What is your edge over other investors?

Basically, there are three advantages that you could have as an investor.

1. Informational advantage
2. Analytical advantage
3. Time horizon advantage

Informational advantage

Informational advantage is when you have information that others don't have. It is the easiest to exploit but the hardest to find.

During Warren Buffett's early years in investing, he had huge information advantage over everyone else. He went through Moody's Manuals page by page, thousands of them. He found information that others don't have. Buffett made millions simply by looking for bargains using Benjamin Graham's approach.

Most investors focus on information advantage. But this advantage is the most competitive because the Internet has levelled the playing field for all investors. With the advancement in technology, anybody can uncover information at their fingertips.

As a result, information edge has decreased significantly over the years.

Analytical advantage

Analytical edge stems from the ability to interpret publicly available information differently from others.

Investors may have the same set of data and numbers, but some will come to different conclusions based on their own independent thinking. This edge is gained through in-depth research and deep thinking.

Moreover, you need to understand accounting. It's the language of practical business life. As Charlie Munger said, "*Without numerical fluency, in the part of life most of us inhabit, you are like a one-legged man in an ass-kicking contest.*"

Investors with strong analytical skills can generate unique insights – on companies and industries – which then lead to well-thought-out decisions. It also requires the courage to bet against the market and appears wrong for the short term, before being proven right over the longer term.

Time horizon advantage

Time horizon advantage refers to the ability to adopt a longer-term investment horizon. It means the willingness to maintain a 3-5-year time horizon when most market participants focus on the next quarter.

The longer you can extend your time horizon, the less competitive the market is because there are less players in the game. The less competitive the market, the higher the probability of making outsized returns.

Investors with a time horizon advantage can exploit market inefficiencies arising from short-term market volatility or temporary market dislocations. Usually, investors swing in the wrong direction: they get excited when prices rise and fearful when things go badly. If you can control your emotion and sit through huge drawdowns, you will get the return you deserve.

Note that there is a big difference between "market return" and "investor return". Market return, as measured by the S&P 500, was about 10% over the past 20 years. But how many investors can sit still for 20 years and earn 10% compounded annual return? Most would have sold out during downturn or out of panic. In short, investor behaviour derails compounding.

To do well in investing over the long term, you must behave well. If you don't have the patience to hold, you are going to do a lot worse than the market.

To sum it up

In summary, there are three edges that investors can gain in investing.

Information advantage is the most competitive because that is where most investors focus on. Analytical edge comes from deep thinking and years of continuous learning. Time horizon advantage is the most difficult because it is about how you behave.

Something that is hard to teach. It is a structural advantage given that most investors are short-term oriented.

When most investors are playing the short-term game, you should play the long game. Extend your time horizon. Take the less crowded road. Only by looking further out than most investors can you expect to beat them. And it's the most durable edge in investing.

By Jackson Tan
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 11 – 15 September 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.

Date & Time	Company	Quick-take
12.09.23 (Tue) 10.00 am	Titijaya Land Berhad (EGM)	The Company is seeking shareholders' approval for its proposal to variate of the intended development of a parcel of leasehold land held under PN 12299, Lot No. 72393, Mukim 12, Daerah Barat Daya, Pulau Pinang.
12.09.23 (Tue) 10.00 am	LTKM Berhad (AGM)	LTKM returned to profitability in FY2023 after two consecutive years of losses. It recorded a revenue of RM257.3 million, an increase of 28% compared to RM201.7 million in FY2022. Its earnings before tax improved to RM30.5 million compared to a loss before tax (LBT) of RM19.1 million in FY2022. However, its next financial year is clouded with uncertainties due to government policy on the control of egg prices and subsidies payout.
12.09.23 (Tue) 11.00 am	BLD Plantation Bhd (AGM)	The Group's revenue decreased by 2% y-o-y to about RM2.46 billion (FY2022: RM2.51 billion), while profit before tax declined by 61% to RM43.9 million (FY2022: RM112.60 million) mainly due to lower average selling price of products and unfavourable changes in fair value of biological assets.
13.09.23 (Wed) 11.00 am	George Kent (Malaysia) Berhad (AGM)	In FY2023, the Group reported a 30.5% decline in revenue to RM247.9 million, largely due to lower sales from the metering division and lower revenue from the engineering segment, arising from lower contribution towards the end of the hospital projects.

		Meanwhile, its PBT for FY2023 of RM7.78 million was 82% lower y-o-y, mainly attributed to lower contribution from both engineering and metering divisions, the share of loss of an associate, and further impairment loss in investment.
14.09.23 (Thur) 10.00 am	Priceworth International Berhad (EGM)	Priceworth is seeking shareholders' approval for the Proposed Capital Reduction of RM210.0 million of the issued share capital. Pursuant to the Proposed Capital Reduction, the accumulated losses will be eliminated to reflect the value of the underlying assets and the financial position more accurately and will enhance the financial profile for stakeholders. There will be no change to the number of shares and net assets per share pursuant to the Proposed Capital Reduction.
14.09.23 (Thur) 11.00 am	Emico Holdings Berhad (AGM)	The Group is back to black in FY2023 with a PBT of RM1.41 million compared to LBT of RM1.27 million in the preceding year. The increase in PBT was primarily attributed to the higher revenue from the trophy and contract manufacturing division, which amounted to RM53.68 million in FY2023, compared to RM32.08 million in FY2022.
15.09.23 (Fri) 10.00 am	Bintai Kinden Corporation Berhad (AGM)	<p>On 29 March 2023, Bintai Kinden Corporation Berhad (BKCB) was classified as a PN17 company as its wholly-owned subsidiary, Optimal Property Management Sdn Bhd, has defaulted in payment of the Islamic banking facilities of RM109 million. BKCB is formulating a plan to regularise its financial condition.</p> <p>The Group incurred net loss of RM114.5 million during the FYE 31 March 2023. The Group's current liabilities exceeded its current assets by RM77.7 million, as at 31 March 2023.</p>
15.09.23 (Fri) 02.30 pm	Adventa Berhad (EGM)	<p>Adventa is seeking shareholders' approval for the following resolutions:</p> <ul style="list-style-type: none"> - Proposed Rights Issue of up to 152.79 million new shares in Adventa on the basis of 1 rights share for every 1 existing Adventa Share held. The proceeds will be mainly utilised for business expansion to construct a

		<p>manufacturing facility in Indonesia and for working capital.</p> <p>- Proposed exemption to Low Chin Guan and persons acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining Adventa Shares pursuant to the Proposed Rights Issue exercise.</p>
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
LTKM Berhad (AGM)	<p>Revenue from the sand mining segment increased to RM7.1 million (FY2022: RM5.6 million), an improvement by 26% due to increase in production. However, sand mining incurred segmental loss of RM0.09 million (FY2022: RM0.22 million profit) despite higher revenue due to higher operating costs. (page 7 of AR2023)</p> <p>a) How does the Management plan to address the higher operating cost of the sand mining segment?</p> <p>b) What is the outlook and prospect for the Group's sand mining segment?</p>
BLD Plantation Bhd (AGM)	<p>The Group is mindful of the importance of contributing to the society in promoting good corporate citizenship in line with its vision (page 3 of AR2023). During the previous financial year, the subsidiary company has donated to a welfare foundation, which have common Directors, amounted to RM7 million. (Note 25 (c), page 124 of AR2023).</p> <p>Based on BLD's reply letter in year 2022 to MSWG's question raised in the previous AGM, the Company stated that the RM7 million donation is to carry out as part of the Group's CSR (corporate social responsibility) programs. How much was spent for the Group's CSR programs for FYE2023 and FYE2022?</p>
George Kent (Malaysia) Berhad (AGM)	<p>George Kent has developed proprietary innovative solutions such as the Automated Meter Reading ("AMR") and Advance Metering Infrastructure ("AMI") which have been implemented throughout Malaysia and the South East Asia region through proof-of-concepts and pilot projects with State Water Authorities and operators of large commercial retail spaces including private institutions during FY2023. Please elaborate on the features and advantages of AMR and AMI.</p>
Emico Holdings Berhad (AGM)	<p>1. There is a significant increase in other benefits under the employee benefits expense amounting to RM1,449,728 in FY2023 compared to RM431,554 in FY2022 (Page 109 of AR2023). This represents an increase of RM1,018,174 or 235.93%.</p> <p>What is the nature of this increase in other benefits? What are the reasons for the significant increase in these benefits?</p>

	<p>2. Other expenses increased to RM5,800,539 in FY2023 from RM3,740,997 in FY2022 (Page 63 of AR2023). This represents an increase of RM2,059,542 or 55.05%.</p> <p>What are the reasons for the increase in other expenses in FY2023? Are these expenses expected to rain at the same level or higher in FY2024?</p>
<p>Bintai Kinden Corporation Berhad (AGM)</p>	<p>BKCB and/or Optimal Property Management Sdn Bhd has defaulted in payment of the Islamic banking facilities of RM109 million granted by MBSB Bank Berhad. As a result, it was classified as affected listed issuer pursuant to Practice Note 17 ("PN 17") of the Main Market Listing Requirements on 29 March 2023. BKCB is currently working to settle with MBSB Bank Berhad and Melaka Chief Minister Incorporated as part of its regularisation plan.</p> <p>a) Please provide an update on the progress of BKCB's regularisation plan.</p> <p>b) What are the other specific measures and strategies that have been implemented as part of the plan, and what results have been achieved so far?</p>

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• 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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