MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

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❖ The 'Cassandras' are sounding the alarm of a market crash, but should investors be timing the market?

It may be difficult for some to envisage a major market crash in the near future, as it was not long ago since the Covid-19 pandemic triggered a free fall in global equities in early 2020.

But of late, several well-known "Cassandras" from the likes of Michael Burry, Nassim Taleb and Nouriel Roubini have rung the alarm of a devastating crash. Should their predictions prove accurate, an impending crash may be lurking around the corner and could take investors by surprise.

In the context of finance, the term "Cassandra" refers to an individual who identifies and warns of risks in financial markets or predicts economic downturns but is dismissed or ignored by others in the financial industry or the broader public. The term originates from the Greek myth of Cassandra, a Trojan priestess who was cursed to deliver true prophecies but never to be believed.

Let us briefly summarise what some of these market prognosticators have said recently. Note that although their insights are directed towards the US market, a significant market crash in the US is more than likely to lead to a downturn in global markets and our local bourse as well – as the popular saying goes, "When America sneezes, the world catches a cold."

Michael Burry

Michael Burry – who gained fame for his successful bet against the US housing market in the mid-2000s, which was chronicled in the book and subsequent movie "The Big Short" – has been warning over the past two years that stocks are headed for "the mother of all crashes."

In January, Burry hinted in a tweet that the stock market was nearing the edge of a cliff and could face a plunge similar to that of the dotcom bubble crash of 2001-2002.

Burry, who was once labelled as a Cassandra by Warren Buffett, also predicted that the US would slip into a recession in the second half of 2023 and inflation to decline overall (but only to spike again when the US responds to its weakened economy with stimulatory policy).

Nassim Taleb

Nassim Taleb, the author of "The Black Swan", recently used the phrase "Disneyland is over, the children go back to school" to warn investors of a painful return to reality. He argues that stock market levels are too overvalued unless interest rates "miraculously" return to near-zero levels, which the US Federal Reserve (Fed) will not allow as it has "realized zero-rates do not work" and create only "cosmetic growth."

Taleb said the groundwork for a crash was also laid when strong stock performances started to be no longer based on companies reporting positive cash flows.

Universa Investments, the hedge fund advised by Taleb, told its clients in a recent letter that ballooning debts across the global economy are poised to wreak havoc on markets rivalling the Great Depression of the 1930s.

Nouriel Roubini

Nouriel Roubini – a prominent economist known as "Dr. Doom" for his pessimistic (but often prophetic) economic forecasts – believes the world is on a "slow-motion train wreck" while warning that a US recession is a sure thing.

Roubini has been warning for months of a "great stagflationary debt crisis" – which would combine the worst elements of the 1970s stagflation and 2008 debt crisis.

Early this month, Roubini reiterated his prediction by saying that a "perfect storm" is brewing. He estimated that the Fed would need to lift rates "well above" 6% for inflation to fall back to its 2% target – which could spark a severe recession, a stock-market crash, and an explosion in debt defaults, leaving the Fed with no choice but to back off its inflation fight and let prices spiral out of control.

Market timing – a fool's errand?

After reading such doomsday predictions, investors may be emotionally tempted to time the market by cashing out and trying to re-enter when stock prices are low. However, attempting to do so can result in missed opportunities or costly mistakes.

Numerous studies have shown that market timing is ineffective in generating superior returns compared to a traditional buy-and-hold approach over the long haul.

For this reason, most investors are generally advised to abide by the age-old saying: "Time in the market beats timing the market." Such a saying is worth its weight in gold, considering it has been preached and echoed by numerous successful investors with time-tested track records from the likes of Buffett and Peter Lynch.

Both Lynch and Buffett have demonstrated that successful investing is not about making short-term predictions or trying to time the market, but rather about identifying high-quality companies with strong fundamentals and holding onto those investments for the long term.

Howard Marks, a highly respected investor whose memos are widely read by investors including Buffett, also warns against trying to time the market and dismisses macroeconomic forecasts.

However, Marks believes that investors should embrace a mindset that includes looking for a clear understanding of where we are now in the market cycle, developing an above-the-average understanding of future tendencies, and positioning our portfolios accordingly.

In his view, where the market stands in the cycle dictates the future probabilities of returns. A market near the bottom of its cycle has a higher probability of higher returns than one closer to the top. Where the market stands in the cycle dictates the likeliness of future outcomes.

That said, the allure of prognostications can certainly lead us astray as investors, but to simply brush away concerns of an impending crisis (especially from Cassandras who have a track record of being proven right) may not be completely wise.

While these Cassandras may be seen as contrarians or pessimists in the short term, their warnings can be valuable for preparing for and potentially mitigating the impacts of a financial crisis.

Clint Loh
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 20 – 24 March 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
22.03.23 (Wed) 10.00 am	Malton Berhad (EGM)	Malton via its 51% joint venture company, Regal Path Sdn Bhd is proposing to sell the Pavilion Bukit Jalil Mall to Pavilion Real Estate Investment Trust for RM2.2 billion.
24.03.23 (Fri) 10.30 am	CAB Cakaran Corporation Berhad (AGM)	The Group's total revenue increased by 13.4% y-o-y to RM1.95 billion (FY2021: RM1.72 billion) due to rising food prices in Malaysia such as poultry meat and other food-related products. In tandem with the higher selling price, it recorded a higher gross profit of RM175.57 million (FY2021: RM86.25

		million), however the higher cost of raw material has negated the increase in gross profit margin of the Group. Additionally, increased operating cost has also resulted in higher administrative expenses. It recorded a net profit of RM56.33 million in FY2022 compared to a net loss of RM30.27 million in the previous year thanks to government's subsidy on chicken amounted to RM25.86 million, which has increased the Group's other income to RM44.24 million (FY2021: RM20.97 million).

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
CAB Cakaran Corporation Berhad (AGM)	1. Bad debts written off increased significantly to RM2.8 million (2021: RM0.1 million). (page 84 of AR2022) What comprises the bad debts that have been written off? What were the measures taken to recover the RM2.8 million prior to being written-off? 2. Loss allowance during the financial year for trade receivables increased significantly to RM4.0 million (2021: RM1.3 million), while total loss allowance for trade receivables remained high at RM25.8 million (2021: RM21.8 million). (Note 26, page 156 of AR2022) a) What is the reason for the substantial increase in loss allowance on trade receivables during the financial year? b) What actions have been taken to recover the impaired trade receivables of RM25.8 million? c) To-date, how much of the impaired trade receivables have been collected?

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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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