



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

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❖ The bedrock of value investing

There have been many principles and practices in investing over the past decades. However, there is only one philosophy that can bring reliable and sustainable returns over a long period of time. It is value investing.

Value investing is an investment philosophy first introduced by Benjamin Graham in 1934 and popularised by Warren Buffett, arguably Graham's most successful disciple. Buffett's company, Berkshire Hathaway, has achieved a 19.8% compounded annual gain in market value for 58 years! There are other value investors with 20 to 40 years of successful records.

Buffett attributes his investment success to Graham's value investing principles. In 'The Superinvestors of Graham and Doddsville', an article published in 1984, Buffett laid out the performances of a group of investors who have outperformed the S&P 500 stock index. They all have one thing in common: value investing. These value investors simply search for discrepancies between price and value of a business. And they buy when the price is at a significant discount to intrinsic value. That's all they do to beat the market.

Basically, the fundamental philosophy of value investing has three concepts:

1. A stock is a piece of ownership in a company.
2. The market is there to serve you, not to instruct you.
3. Always seek a wide margin of safety.

Business ownership mindset

A stock is a piece of ownership in a company, not just a stock code or a piece of paper. Most people trade a stock like a piece of paper because it is easy to trade. However, a business does not change much in value on a daily or monthly basis but it takes years or decades.

Over the long term, the stock price is determined by the intrinsic value of the underlying business. If the business does well, the stock will follow too. Before you start investing, do

your homework. Pick one business and study it from A to Z. Think like a business owner and ask: how does the business make money, how does it finance its operations, how does the management allocate capital, how does it compare to the competition and what are the characteristics of the industry.

Never lose sight of the basic truth that a stock is a business. With this ownership mindset, you will approach investing in a different way than just buying for a quick profit.

In his recent [2022 letter to Berkshire Hathaway shareholders](#), Buffett wrote “We own publicly-traded stocks based on our expectations about their long-term business performance, not because we view them as vehicles for adroit purchases and sales. That point is crucial: **Charlie and I are not stock-pickers; we are business-pickers.**”

Mr Market is your servant, not your master

Value investors use market fluctuations to their advantage. The stock market exists to serve them, not to instruct them.

In Chapter 8 of *The Intelligent Investor* (Buffett said this is by far the best book on investing ever written), Graham explains how investors should view market fluctuations using Mr Market analogy. He said that you should imagine market quotations as coming from a remarkably accommodating fellow named Mr Market who is your partner in a private business. Without fail, Mr Market appears daily and names a price at which he will either buy your interest or sell you his.

The prices he offers are ultimately irrational and based on emotions. Every now and then, however, he will give you a chance to make a profit by buying low and selling high. But you must heed one warning: Mr Market is there to serve you, not to guide you.

In summary, Graham said “Basically, price fluctuations have only one significant meaning for the true investor. They provide him with an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal. At other times, he will do better if he forgets about the stock market and pays attention to his dividend returns and to the operating results of his companies.”

Build in a margin of safety

The key to this concept is to know what a business is worth and pay a much lower price. For example, if a business is worth RM10 million, you buy it at RM5 million. You don't buy it at RM9.5 million.

Investing is about predicting the future. And the future is unpredictable. Therefore, you need to build a margin of safety, so you don't lose much if you are wrong. The larger the margin, the more room for error. The idea is to protect investors from losing money. Remember Buffett's Rules No 1 and 2. That is the cornerstone of his investment success.

Investing is simple but also hard at the same time. These principles are simple to understand but not easy to execute. If you can master these three principles, coupled with patience and long-term thinking, you will be ahead of 99% of other investors.

As Buffett says, there will continue to be wide discrepancies between price and value in the stock market, and those who practice value investing will continue to prosper.

Jackson Tan
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 6 – 10 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
06.03.23 (Mon) 10.00 am	UMS Holdings Berhad (AGM)	<p>The Group's revenue has increased by RM10.267 million or 16.10% to RM74.05 million mainly due to the overall improvement in the market conditions compared to the previous financial year which was still under the MCO restriction.</p> <p>However, its pre-tax profit merely increased by RM581,000 or 11.36% to RM5.7 million from RM5.12 million mainly due to impairment of goodwill amounted to RM1.05 million during FY2022 as well as the absence of gain on disposal of a factory in current financial year.</p>
09.03.23 (Thur) 11.00 am	Mtouche Technology Berhad (AGM)	<p>mTouche's core business in mobile value-added services which include telco services, digital media content, and advertising. It expects the business to remain challenging and competitive. As such, the Group will rationalise its existing revenue portfolio and increase operational effectiveness.</p> <p>For its long-term business sustainability, it has recently purchased two commercial properties at Troika KLCC as part of its diversification into healthcare related businesses to set up lifestyle wellness and recovery services.</p>
09.03.23 (Thur) 11.00 am	Eduspec Holdings Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposed consolidation of every 20 existing ordinary shares in Eduspec ("Shares") into 1 Eduspec Share. It is also seeking shareholders approval for the</p>

		proposed renounceable rights issue of up to 996.52 million Eduspec Shares with up to 498.26 million free warrants on the basis of 6 Rights Shares with 3 free warrants for every 1 Consolidated Share held by the entitled shareholders. It expects to raise at least RM15 million for repayment of borrowings.
10.03.23 (Fri) 10.00 am	Digistar Corporation Berhad (AGM)	The Group recorded a 27% growth in revenue to RM49.89 million (2021: RM39.16 million), mainly contributed by the concession segment revenue which constituted about half of its revenue, and higher revenue from the hospitality segment at RM14.20 million compared to RM8.10 million in the previous year. It narrowed its pre-tax loss to RM2.03 million compared to a pre-tax loss of RM7.95 million in the previous year.
10.03.23 (Fri) 11.00 am	TWL Holdings Berhad (EGM)	TWL is proposing a rights issue exercise of issuing up to 5.56 billion five-year 5% redeemable convertible unsecured loan stocks in the Company ("RCULS") at two sen each with up to 1.11 billion free detachable warrants in the Company ("Warrant E") on the basis of 10 RCULS together with 2 free warrants for every 10 existing shares held by the entitled shareholders of the Company. The purpose of the rights issue is to fund the purchase of 3 parcels of land from Sime Darby Property Bhd to develop affordable housing projects.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
UMS Holdings Berhad (AGM)	For the last five financial years, there does not seem to be any evident significant growth in the Group's revenue; the highest revenue registered was in FY 2018 amounting to RM86.811 million followed by RM68.007 million in FY 2019, RM57.314 million in FY2020, RM63.782 million in FY2021 and RM74.049 million in FY2022. (page 9 of Annual Report (AR) 2022) Kindly explain the reasons for the Group's revenue growth pattern and what are the strategies to grow the revenue more significantly?
Mtouche Technology Berhad (AGM)	In FY2022, the Group recorded revenue of RM21.2 million, which represents an increase of RM2.38 million or approximately 12.6%, compared to Financial Period Ended

	<p>2021 (15-months result) of RM18.83 million. Revenue from matured markets such as Malaysia, Thailand and Hong Kong continued to contribute 97.2% (FPE 2021: 86.1%) to the Group's total revenue. The increase in revenue of RM2.98 million or 18.4% in matured markets was mainly contributed by Thailand market (page 8 of Annual Report (AR) 2022).</p> <p>a) Matured markets as mentioned above are saturated, what is the Group's strategy to expand into emerging markets such as Indonesia, Vietnam, Cambodia and Philippines?</p> <p>b) Please elaborate on the growth opportunities for the Group in these emerging markets where the penetration rate is low? Can these markets become significant contributors of revenue and profit in the next 2 years?</p>
<p>Digistar Corporation Berhad (AGM)</p>	<p>The Group's cost of sales increased significantly by 123.8% to RM16.57 million (2021: RM7.40 million) (page 62 of AR2022).</p> <p>Given that the Group's revenue increased by 27% to RM49.89 million (2021: RM39.16 million), what is the reason for the huge increase in cost of sales?</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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