

## Singapore

**ADD** (no change)

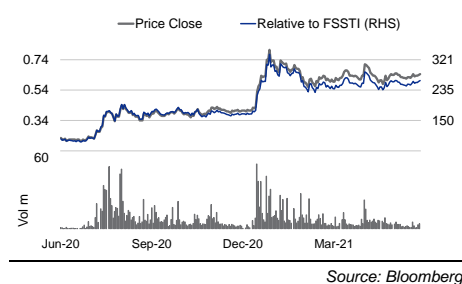
Consensus ratings\*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.645
Target price:	S\$0.844
Previous target:	S\$0.844
Up/downside:	30.8%
CGS-CIMB / Consensus:	0.0%
Reuters:	ISDN.SI
Bloomberg:	ISDN SP
Market cap:	US\$208.5m
	S\$280.8m
Average daily turnover:	US\$2.20m
	S\$2.93m
Current shares o/s:	435.3m
Free float:	54.4%

\*Source: Bloomberg

### Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.6	6.6	186.7
Relative (%)	1.9	7.2	168.5

### Major shareholders

	% held
Teo Cher Koon	32.0
NTCP SPV VI	8.5
Braun Karl Walter	4.6

### Analyst(s)



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# ISDN Holdings Ltd

## Strengthening its automation offerings

- ISDN Holdings Ltd (ISDN) has announced a partnership with Whizpace Pte Ltd (unlisted) to deploy the latter's Super Wifi offerings.
- As for its hydropower business, the company is still working towards commercialisation for two of its plants by end-FY21F.
- Reiterate Add. Our TP remains at S\$0.84.

### Adding Super Wifi to its offering

On 18 Jun 2021, ISDN announced a global strategic partnership with Whizpace Pte Ltd (unlisted) to deliver wide-area Industry 4.0 and Internet of Things (IoT) solutions globally. This partnership helps ISDN extend the reach of its Industrial Automation solutions into new areas where intelligent devices are connected over wide spaces such as farms, oil fields, ships, forests and mines. Whizpace's patented TV band connectivity (Super Wifi) fills an important gap in ISDN's portfolio of industrial connectivity technologies. By providing reliable, low-energy connectivity in the 2km to 10km+ range, Whizpace allows ISDN to deliver automation solutions to farming, transportation, utilities, pipelines and other wide-area industrial operations.

### What is Super Wifi

TV White Space (TVWS) or Super Wifi are wireless spectrums in the TV bands that are not fully utilised by licensed services such as TV broadcasts and are made available for other users. The switch to digital TV has opened more opportunities for Super Wi-Fi. Some of the most immediate beneficiaries will be people living in areas that cannot be affordably reached with existing technologies (such as rural inhabitants) as well as sparse populations spread out over large areas in remote parts of developing markets such as Africa. The most common implementation of Super Wifi networks will be access via radio-enabled devices that report their locations to an Internet database. The database will then tell the device which TV white space channels to operate on.

### Hydropower still a year end goal

With regards to its hydropower plant projects in Indonesia, ISDN has three hydropower projects under construction. Management is still hopeful that two of these projects could commence commercial operations by end-2021. At end-Dec 20, ISDN has invested c.S\$76.8m into the hydropower plants, of which about 64% is equity funded and the balance 36% debt funded.

### Reiterate Add

We reiterate our Add call on ISDN. Our TP of S\$0.84 is based on 12.5x Singapore tech sector's CY22 average P/E (currently the sector average is 14.0x). Potential re-rating catalysts could come from stronger-than-expected sales orders for its mainstay industrial automation business and profit contribution from its hydropower segment. Downside risks are order delays, cost overruns in its hydropower business and any disruption to business activities due to the ongoing Covid-19 pandemic.

### Financial Summary

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (S\$m)	291.0	361.9	383.2	402.4	418.4
Net Profit (S\$m)	6.59	15.14	24.50	29.38	31.11
Core EPS (S\$)	0.017	0.049	0.056	0.067	0.071
Core EPS Growth	(37%)	180%	15%	20%	6%
FD Core P/E (x)	35.48	13.12	11.46	9.56	9.03
Price To Sales (x)	0.95	0.78	0.73	0.70	0.67
DPS (S\$)	0.004	0.008	0.015	0.018	0.019
Dividend Yield	0.62%	1.24%	2.27%	2.72%	2.88%
EV/EBITDA (x)	11.18	7.66	6.64	5.33	4.65
P/FCFE (x)	16.69	10.33	16.94	8.41	7.80
Net Gearing	(16.4%)	(12.3%)	(15.2%)	(22.9%)	(29.6%)
P/BV (x)	1.81	1.65	1.49	1.34	1.21
ROE	5.0%	13.1%	13.7%	14.8%	14.1%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)					

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Peer comparison**

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY21F	CY22F	CY23F		CY21F	CY22F		
ISDN Holdings Ltd	ISDN SP	Add	0.65	0.84	208	11.5	9.6	9.0	14.8%	1.49	1.34	13.7%	2.3%
AEM Holdings Ltd	AEM SP	Add	3.67	4.63	769	9.5	9.9	9.9	1.9%	3.49	2.76	42.4%	2.6%
Aztech Global Ltd	AZTECH SP	Add	1.19	1.91	684	11.3	9.9	8.8	15.7%	3.24	2.64	50.0%	2.4%
Frencken Group Ltd	FRKN SP	Add	1.71	1.87	542	13.2	12.4	11.4	10.5%	1.93	1.72	15.4%	1.8%
Fu Yu Corp Ltd	FUYU SP	Add	0.32	0.35	176	12.3	11.5	10.6	10.9%	1.32	1.26	11.0%	5.1%
Grand Venture Technology Ltd	GVTL SP	Add	0.84	1.12	191	14.1	11.2	9.1	62.7%	4.03	2.96	36.1%	0.0%
Nanofilm Technologies Int'l Ltd	NANO SP	Add	5.40	5.52	2,653	42.1	34.5	29.2	22.9%	7.13	6.18	18.2%	19.2%
UMS Holdings Ltd	UMSH SP	Add	1.39	1.58	550	12.1	10.9	10.7	16.6%	2.55	2.18	22.6%	2.9%
Valuetronics Holdings Ltd	VALUE SP	Reduce	0.60	0.50	194	10.7	11.7	10.5	-8.2%	1.09	1.04	10.4%	4.7%
Venture Corporation	VMS SP	Add	18.20	22.51	3,926	15.0	14.0	13.4	11.3%	1.95	1.84	13.2%	4.1%
<b>Simple average excluding ISDN</b>						<b>15.6</b>	<b>14.0</b>	<b>12.6</b>	<b>16.0%</b>	<b>2.97</b>	<b>2.51</b>	<b>24.4%</b>	<b>4.7%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

## ESG in a nutshell

ISDN focuses on the motion control industry and provides the full spectrum of integrated precision engineering services from conceptualisation, design and development to prototyping, production, sales and marketing and after-sales engineering support. The group is also involved in mini-hydropower projects in Indonesia. Through its role in industrial automation, ISDN aims to help drive efficiency to save energy and reduce the environmental impact of a multitude of industries.

### Keep your eye on

The group's mini-hydropower plant project in Indonesia helps offset carbon emissions and mitigate climate change. The mini-hydropower plants targets the remote and rural areas in Indonesia, generating clean energy and job opportunities.

### Implications

ISDN's mini-hydropower plants face delays due to the Covid-19 pandemic. Management aims to turn on the plants by end-2021. Mini-hydropower earnings represent upside earnings risk as we have not factored them into our projections.

### ESG highlights

At end-FY20, ISDN had 82 subsidiaries and 74 sales offices in Asia. ISDN has an established whistle-blowing policy which allows the whistle-blower direct access to their superiors, any of the Group's Managing Director and President, or the Chairman of the Audit Committee.

### Implications

The large number of subsidiaries in various geographies could pose operational risk. In 2018, ISDN's Beijing subsidiary was served a writ of summons alleging that its ex-employee had borrowed monies for which the Beijing subsidiary has acted as a guarantor. Ineffective risk control could pose financial and reputational risks to ISDN.

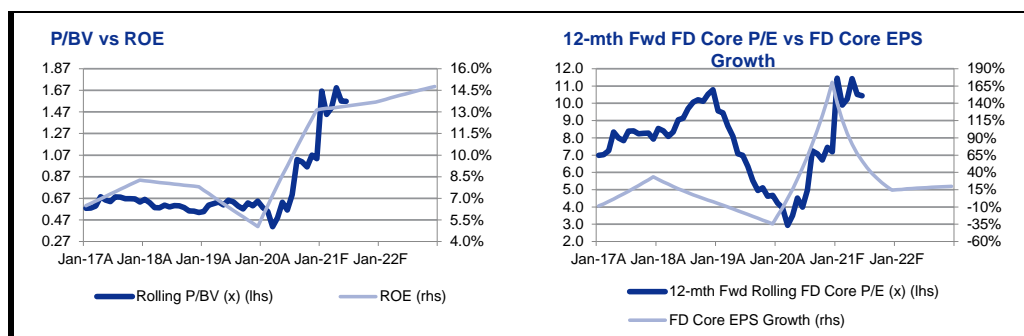
### Trends

Rising wage costs and increasing competition for talent is a key trend to watch out for. ISDN's employees are its most valuable assets as they understand customer requirements and are able to offer value-added solutions.

### Implications

ISDN provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. The group does not discriminate on the basis of gender, ethnicity, religion, colour, age, marital status, family status, pregnancy or any other discrimination prohibited by applicable laws. In addition to the basic wage package, ISDN also provides benefits and welfare such as severance pay, mandatory/central provident fund, employment compensation insurance, medical insurance, unlimited times doctor visit reimbursement, annual leave, sick leave, additional remuneration and benefits to reward and recognise performing employees such as performance-based bonus, commissions and variable annual bonuses. Based on the different job duties of employees, local travelling (parking and petrol inclusive) allowance, mobile phone allowance, overseas travelling and meals allowance, and overtime taxi claim are included in the total remuneration and benefits package for employees.

Our forecasts assume that ISDN's staff attrition rate will not deviate from past norms given its competitive wage benefits.

**BY THE NUMBERS**

**Profit & Loss**

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
<b>Total Net Revenues</b>	<b>291.0</b>	<b>361.9</b>	<b>383.2</b>	<b>402.4</b>	<b>418.4</b>
<b>Gross Profit</b>	<b>77.4</b>	<b>99.7</b>	<b>102.9</b>	<b>111.8</b>	<b>116.4</b>
<b>Operating EBITDA</b>	<b>25.9</b>	<b>38.6</b>	<b>44.1</b>	<b>51.6</b>	<b>55.0</b>
Depreciation And Amortisation	(3.8)	(4.1)	(4.4)	(4.8)	(5.1)
<b>Operating EBIT</b>	<b>22.1</b>	<b>34.5</b>	<b>39.7</b>	<b>46.8</b>	<b>49.9</b>
Financial Income/(Expense)	(1.8)	(1.4)	(1.6)	(1.6)	(1.6)
Pretax Income/(Loss) from Assoc.	(0.1)	1.0	0.7	0.7	0.5
Non-Operating Income/(Expense)	0.0	4.0	3.2	3.0	3.0
<b>Profit Before Tax (pre-EI)</b>	<b>20.2</b>	<b>38.1</b>	<b>42.0</b>	<b>48.9</b>	<b>51.8</b>
Exceptional Items	(0.4)	(6.1)	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>19.7</b>	<b>32.0</b>	<b>42.0</b>	<b>48.9</b>	<b>51.8</b>
Taxation	(6.0)	(9.5)	(9.5)	(11.1)	(11.7)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>13.7</b>	<b>22.5</b>	<b>32.5</b>	<b>37.9</b>	<b>40.1</b>
Minority Interests	(7.1)	(7.4)	(8.0)	(8.5)	(9.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6.6</b>	<b>15.1</b>	<b>24.5</b>	<b>29.4</b>	<b>31.1</b>
Recurring Net Profit	7.5	21.3	24.5	29.4	31.1
<b>Fully Diluted Recurring Net Profit</b>	<b>7.5</b>	<b>21.3</b>	<b>24.5</b>	<b>29.4</b>	<b>31.1</b>

**Cash Flow**

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
<b>EBITDA</b>	<b>25.95</b>	<b>38.62</b>	<b>44.11</b>	<b>51.60</b>	<b>55.01</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(1.40)	23.44	(14.24)	(3.16)	(3.38)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(0.45)	(21.86)	2.80	2.60	2.70
Net Interest (Paid)/Received	(1.80)	(1.43)	(1.60)	(1.60)	(1.60)
Tax Paid	(6.00)	(8.19)	(9.49)	(11.06)	(11.71)
<b>Cashflow From Operations</b>	<b>16.31</b>	<b>30.58</b>	<b>21.57</b>	<b>38.38</b>	<b>41.02</b>
Capex	(2.62)	(10.51)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	4.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1.77)	4.42	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(0.39)</b>	<b>(6.09)</b>	<b>(5.00)</b>	<b>(5.00)</b>	<b>(5.00)</b>
Debt Raised/(repaid)	0.00	2.51	0.00	0.00	0.00
Proceeds From Issue Of Shares	5.40	0.00	0.00	0.00	0.00
Shares Repurchased		0.00	0.00	0.00	0.00
Dividends Paid	(2.76)	(5.74)	(6.37)	(7.64)	(8.09)
Preferred Dividends		0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	(0.32)	0.00	0.00	0.00
<b>Cash Flow From Financing</b>	<b>2.63</b>	<b>(3.56)</b>	<b>(6.37)</b>	<b>(7.64)</b>	<b>(8.09)</b>
Total Cash Generated	18.56	20.94	10.21	25.74	27.93
<b>Free Cashflow To Equity</b>	<b>15.92</b>	<b>27.00</b>	<b>16.57</b>	<b>33.38</b>	<b>36.02</b>
<b>Free Cashflow To Firm</b>	<b>18.03</b>	<b>26.23</b>	<b>18.57</b>	<b>35.38</b>	<b>38.02</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(S\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	60.9	58.5	68.7	94.4	122.3
Total Debtors	92.5	103.0	109.2	114.7	119.2
Inventories	53.2	55.6	71.0	73.6	76.6
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>206.6</b>	<b>217.0</b>	<b>248.8</b>	<b>282.7</b>	<b>318.1</b>
Fixed Assets	38.1	61.6	62.2	62.4	62.3
Total Investments	0.0	5.8	6.5	7.2	7.7
Intangible Assets	13.5	12.2	12.2	12.2	12.2
Total Other Non-Current Assets	38.6	61.4	61.4	61.4	61.4
<b>Total Non-current Assets</b>	<b>90.2</b>	<b>141.0</b>	<b>142.2</b>	<b>143.2</b>	<b>143.6</b>
Short-term Debt	16.4	22.1	22.1	22.1	22.1
Current Portion of Long-Term Debt					
Total Creditors	66.3	84.4	91.3	95.9	99.7
Other Current Liabilities	2.4	22.6	22.6	22.6	22.6
<b>Total Current Liabilities</b>	<b>85.1</b>	<b>129.1</b>	<b>136.0</b>	<b>140.6</b>	<b>144.4</b>
Total Long-term Debt	11.8	9.6	9.6	9.6	9.6
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.2	1.7	1.7	1.7	1.7
<b>Total Non-current Liabilities</b>	<b>12.1</b>	<b>11.3</b>	<b>11.3</b>	<b>11.3</b>	<b>11.3</b>
Total Provisions	0.7	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>97.8</b>	<b>140.4</b>	<b>147.3</b>	<b>151.9</b>	<b>155.7</b>
Shareholders' Equity	153.4	170.0	188.1	209.9	232.9
Minority Interests	45.6	47.6	55.6	64.1	73.1
<b>Total Equity</b>	<b>199.0</b>	<b>217.6</b>	<b>243.8</b>	<b>274.0</b>	<b>306.0</b>

### Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	(3.6%)	24.4%	5.9%	5.0%	4.0%
Operating EBITDA Growth	(1.4%)	48.8%	14.2%	17.0%	6.6%
Operating EBITDA Margin	8.9%	10.7%	11.5%	12.8%	13.1%
Net Cash Per Share (S\$)	0.08	0.06	0.08	0.14	0.21
BVPS (S\$)	0.36	0.39	0.43	0.48	0.54
Gross Interest Cover	10.49	19.90	19.84	23.42	24.96
Effective Tax Rate	30.4%	29.7%	22.6%	22.6%	22.6%
Net Dividend Payout Ratio	24.4%	10.1%	10.5%	10.2%	11.0%
Accounts Receivables Days	118.4	98.8	101.0	101.5	102.0
Inventory Days	92.66	75.96	82.42	90.81	90.76
Accounts Payables Days	115.9	105.2	114.4	117.6	118.2
ROIC (%)	13.0%	20.6%	21.2%	23.2%	24.3%
ROCE (%)	10.2%	14.6%	15.3%	16.3%	15.6%
Return On Average Assets	5.51%	9.18%	9.10%	9.67%	9.40%

### Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Motion control rev growth (%)	-6.7%	20.2%	5.0%	9.0%	8.0%
Gross profit margin (%)	26.6%	26.4%	25.7%	26.6%	26.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd.	Securities Commission Malaysia
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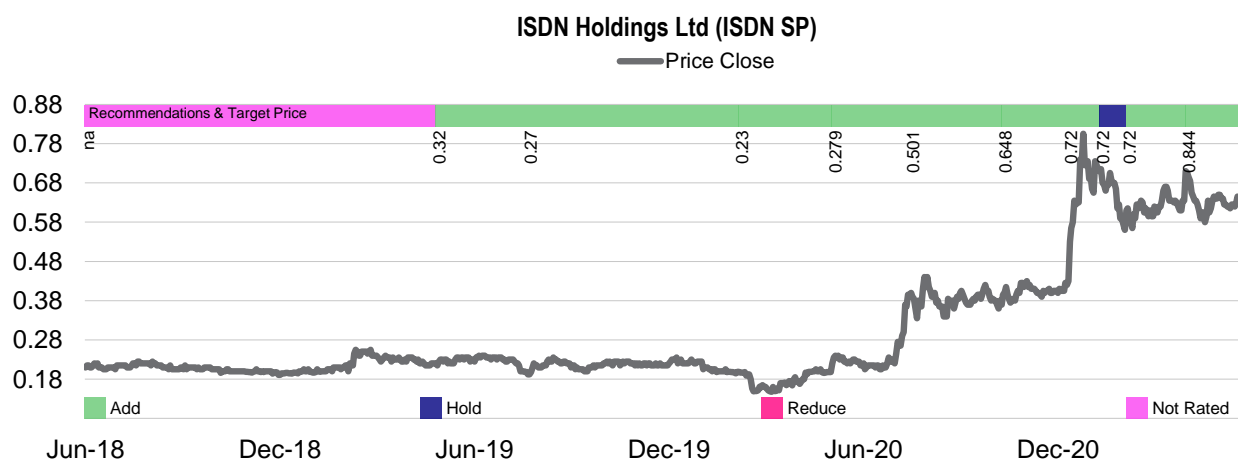
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613 companies under coverage for quarter ended on 31 March 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	1.1%
Hold	19.6%	0.2%
Reduce	10.1%	0.2%

### Spitzer Chart for stock being researched ( 2 year data )



### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

##### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

##### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

