

## Singapore

### ADD (no change)

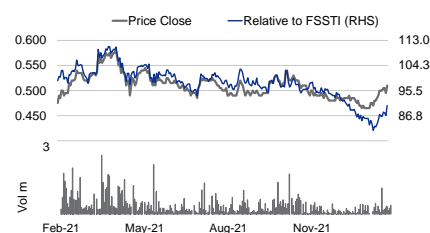
Consensus ratings\*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.519
Target price:	S\$0.78
Previous target:	S\$0.78
Up/downside:	52.9%
CGS-CIMB / Consensus:	N/A
Reuters:	CHSN.SI
Bloomberg:	CSSC SP
Market cap:	US\$368.0m
	S\$494.9m
Average daily turnover:	US\$0.07m
	S\$0.10m
Current shares o/s:	972.5m
Free float:	35.0%

\*Source: Bloomberg

### Key changes in this note

- FY22-23F EPS raised by 2.2%-2.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.3	0	6.3
Relative (%)	3.3	-5.1	-11.1

Major shareholders	% held
Success More Group Limited	63.3

### Analyst(s)



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# China Sunshin Chemical Holdings

## Ending the year on a high note

- 2H21 net profit grew 77% yoy to Rmb241m, above expectations, driven by stronger gross profit/ton (+26% yoy) and higher sales volumes (+9% yoy).
- Capacity expansion to support further volume growth in FY22F, but we caution on near-term volatility in view of escalating international oil prices.
- Valuation attractive at 2x FY23F ex-cash P/E. Reiterate Add.

### 2H21: Stronger profit spread

China Sunshin Chemical Holdings (CSSC) recorded a 2H21 net profit of Rmb241m (-9% hoh, +77% yoy), driven by stronger profit spread and sales volume. This brings FY21 net profit to Rmb506m (+131% yoy), above expectations at 105%/109% of our/Bloomberg consensus' full-year forecasts. Gross profit per tonne rose 26% yoy in 2H21, supported by healthy downstream demand, which allowed Sunshin to pass on the rising input costs. Sales volumes grew 9% yoy in 2H21, with all three key rubber chemicals recording growth. A total DPS of 2 Scts was declared (20% dividend payout) for FY21, implying a 4% dividend yield.

### Capacity addition to drive volume growth in FY22F

CSSC commenced operations of its new 30kt p.a. insoluble sulphur (IS) facility in Dec 2021, effectively doubling its annual IS capacity. Its 30kt p.a. antioxidant facility is also expected to commence commercial production in 2H22F. Once both projects are completed, we expect CSSC's total capacity to grow by c.30% to 252kt p.a. by end-FY22F. As both its IS and antioxidant facilities have been operating at full capacity in 2H21, we believe the addition is timely and can allow CSSC to further consolidate market share from smaller players. We currently forecast 7% volume growth for CSSC in FY22F.

### Near-term margin volatility

While we expect 1Q22F ASPs to remain healthy on the back of continued strength in input prices, the uncertainties around the Russia-Ukraine tension could cause some near-term margin volatility. Note that Sunshin adopts a quarterly pricing review for its rubber accelerator products with major customers, but typically does not lock-in pricing for raw material purchases. Pricing of aniline, a key raw material, correlates with international crude oil price movement, hence there is a possibility that Sunshin will have to absorb the higher costs until the next pricing negotiation. Nevertheless, CSSC has a strong track record of maintaining GPM of above 25% since FY14.

### Valuations attractive at 2x ex-cash P/E

Reiterate Add and TP of S\$0.78, still pegged to 1.05x FY22F P/BV (0.5 s.d. above its 10-year historical mean). Valuation remains attractive at 2x FY23F P/E (ex-cash). A potential re-rating catalyst is stronger downstream demand. Key downside risks include intensifying pricing competition amid China economic slowdown.

### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	2,334	3,725	3,811	4,130	4,320
Operating EBITDA (Rmbm)	402.1	831.4	783.6	806.4	824.4
Net Profit (Rmbm)	218.8	506.3	451.7	458.5	465.8
Core EPS (Rmb)	0.22	0.52	0.47	0.47	0.48
Core EPS Growth	(40%)	132%	(11%)	2%	2%
FD Core P/E (x)	10.67	4.60	5.15	5.07	4.99
DPS (Rmb)	0.051	0.095	0.093	0.094	0.096
Dividend Yield	2.14%	3.97%	3.88%	3.94%	4.01%
EV/EBITDA (x)	2.50	1.14	0.87	0.54	0.18
P/FCFE (x)	15.79	17.24	6.38	6.98	6.18
Net Gearing	(48.7%)	(43.4%)	(46.6%)	(48.4%)	(50.9%)
P/BV (x)	0.86	0.73	0.66	0.60	0.54
ROE	8.3%	17.2%	13.5%	12.3%	11.4%
% Change In Core EPS Estimates			2.38%	2.19%	
CGS-CIMB/Consensus EPS (x)			1.07	1.14	

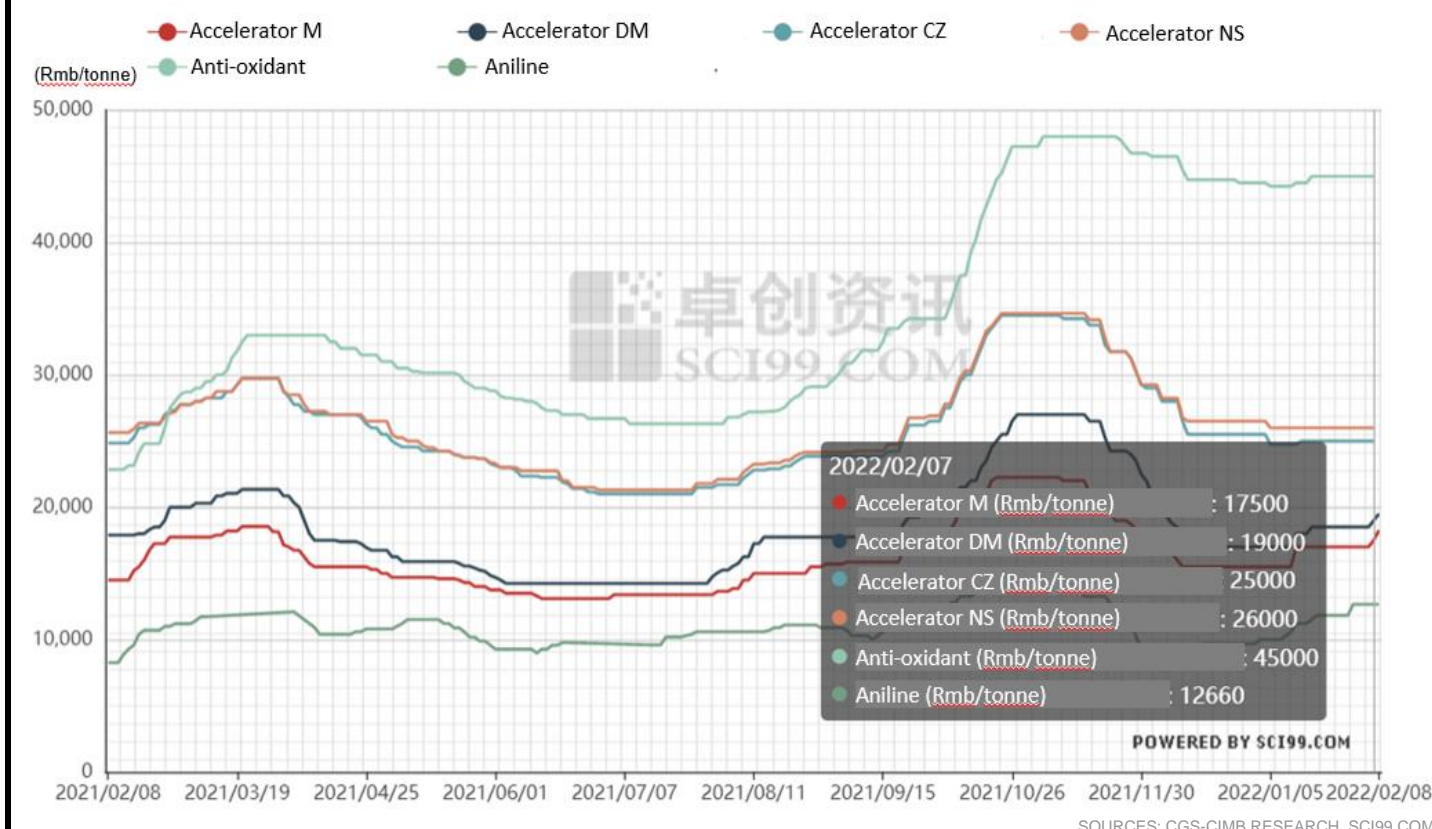
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

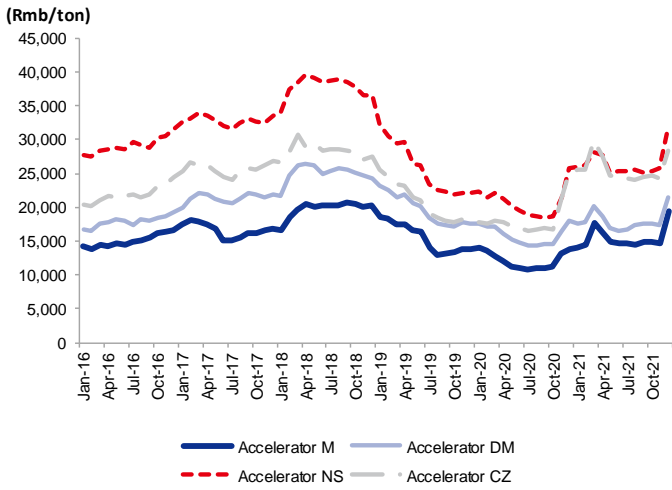
FYE Dec (Rmb m)	2HFY21	2HFY20	yoy % chg	FY21	FY20	yoy % chg	Prev. FY21F	Comments
Revenue	1,968	1,291	52	3,725	2,334	60	3,648	Above due to higher IS and antioxidant sales. FY21 formed 102% of our full-year forecast
Cost of goods sold	(1,474)	(933)	58	(2,679)	(1,733)	55	(2,556)	Below, higher input prices
Gross profit	494	358	38	1,047	600	74	1,092	
Gross margin (%)	25.1%	27.8%	(10)	28.1%	25.7%	9	29.9%	
OpEx	(180)	(194)	(7)	(372)	(321)	16	(428)	
Operating profit	314	165	91	675	280	141	664	In line
Operating margin (%)	16.0%	12.7%	25	18.1%	12.0%	51	18.2%	
Pretax profit	338	186	82	699	301	133	663	
Tax	(97)	(49)	98	(193)	(82)	136	(182)	
Tax rate (%)	28.8%	26.5%	8	27.6%	27.2%	1	27.5%	
Net profit	241	136	77	506	219	131	481	
<b>Core net profit</b>	<b>241</b>	<b>136</b>	<b>77</b>	<b>506</b>	<b>219</b>	<b>131</b>	<b>481</b>	<b>Above, FY21 formed 105% of our full-year forecast</b>
EPS (S cts)	24.8	14.0	77	52.2	22.5	132	49.5	
Core EPS (S cts)	24.8	14.0	77	52.2	22.5	132	49.5	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Rubber accelerator and aniline prices

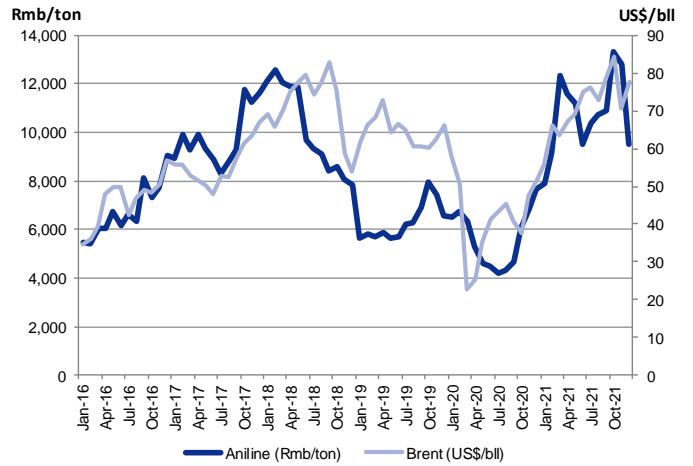


**Figure 3: Price trend of key rubber accelerators in China**



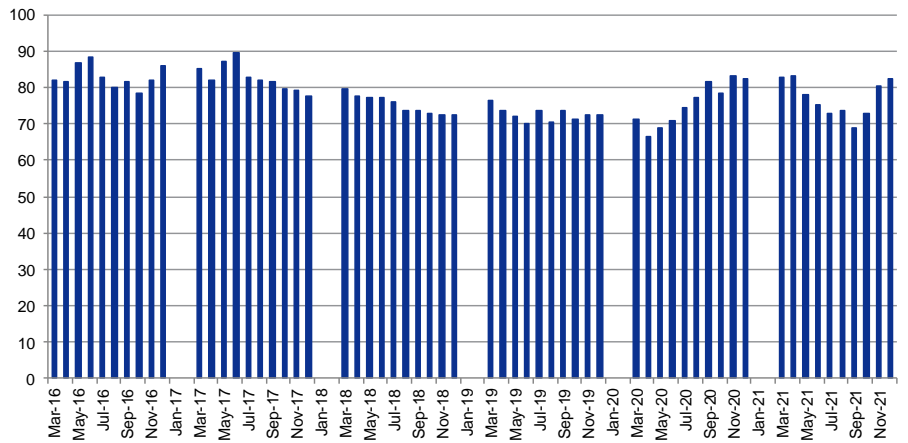
SOURCES: CGS-CIMB RESEARCH, CHINA PETROLEUM AND CHEMICAL INDUSTRY FEDERATION

**Figure 4: Aniline prices vs. Brent**



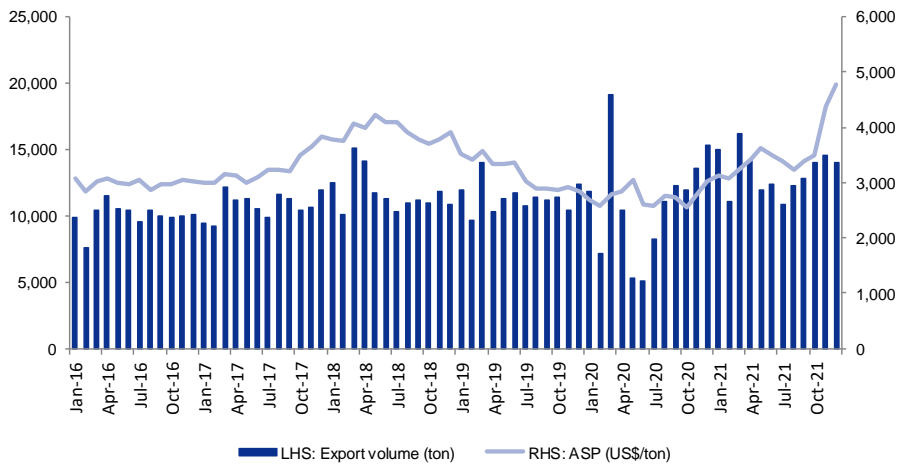
SOURCES: CGS-CIMB RESEARCH, CEIC, BLOOMBERG

**Figure 5: Rubber tyre production volume in China (millions)**



SOURCES: CGS-CIMB RESEARCH, NATIONAL BUREAU OF STATISTICS

**Figure 6: Monthly export data of rubber accelerators (China)**



SOURCES: CGS-CIMB RESEARCH, CHINA PETROLEUM AND CHEMICAL INDUSTRY FEDERATION

**Figure 7: Earnings revision**

Earnings revision (Rmbm)	FY22F			FY23F		
	Old	New	% chg	Old	New	% chg
Revenue	3,829	3,811	-0.5%	4,023	4,130	2.7%
EBITDA	770	784	1.7%	789	806	2.2%
Net profit	442	452	2.3%	449	458	2.1%
Core net profit	442	452	2.3%	449	458	2.1%
Core EPS (Rmb cents)	45.5	46.5	2.4%	46.2	47.2	2.2%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## ESG in a nutshell



We find Sunsine's commitment to investing in environmental protection commendable. The company has been constantly improving its operational efficiencies and environmental protection efforts to stay ahead of government regulations, which is key to business continuity in view of environmental protection fast gaining traction in China among policy makers and the public. Its environmental management team comprises more than 40 employees, all of whom are well equipped with relevant environmental protection knowledge and experience, including five post-graduate staff specialised in environmental protection. In FY20 alone, the company invested Rmb121m on environmental protection.

### Keep your eye on

It is important to ensure Sunsine is fully compliant in both gaseous emissions and wastewater discharge meeting local emission standards. There should also be zero environmental incidents.

### Implications

Environmental protection is fast gaining traction in China among policy makers and the public, which has significant implications, especially to the chemicals industry. It is important that Sunsine is fully compliant with national environmental regulations to ensure smooth operations.

### ESG highlights

In FY20, Sunsine added 20,000-tonne per annum TBBS production line in Shanxian. This new TBBS line is the first ever continuous, fully-automated and "green" production line in the China rubber chemicals industry, and will also achieve "zero discharge" of wastewater. In order to reduce the environmental risks and waste treatment cost, Sunsine also acquired Heze Yongshun Environmental Protection Technology Co., Ltd in Jul 20, a hazardous waste disposal enterprise.

### Implications

This shows constant R&D efforts by Sunsine to further improve operational efficiencies and environmental protection efforts to stay ahead of government regulations. Improved cost efficiencies should help Sunsine enjoy absolute cost advantage over peers as well.

### Trends

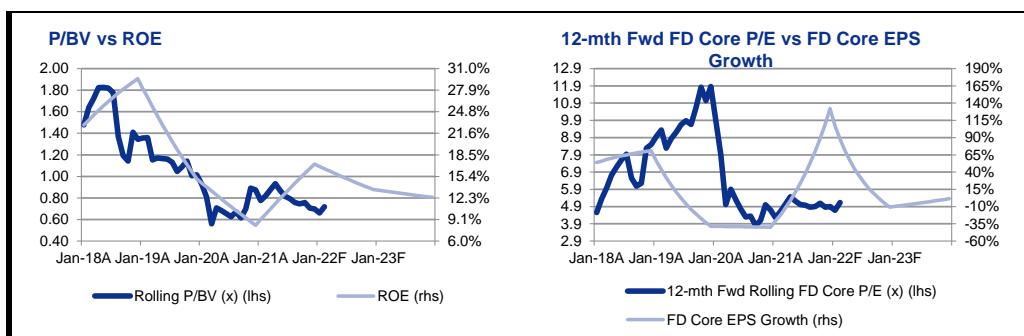
Sunsine has been able to reduce its energy consumption through usage of energy-saving equipment, and adoption of a more efficient way of production. In 2020, Sunsine's steam and electricity unit consumption decreased by 4.1% and 4.74% respectively.

### Implications

Energy efficiency is part and parcel of environmental protection management. It is crucial for Sunsine to be investing in this area to so that the company is always ahead of government regulations. This can ensure business continuity.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>2,334</b>	<b>3,725</b>	<b>3,811</b>	<b>4,130</b>	<b>4,320</b>
<b>Gross Profit</b>	<b>600</b>	<b>1,047</b>	<b>1,084</b>	<b>1,135</b>	<b>1,170</b>
<b>Operating EBITDA</b>	<b>402</b>	<b>831</b>	<b>784</b>	<b>806</b>	<b>824</b>
Depreciation And Amortisation	(122)	(156)	(160)	(173)	(181)
<b>Operating EBIT</b>	<b>280</b>	<b>675</b>	<b>624</b>	<b>633</b>	<b>643</b>
Financial Income/(Expense)	21	24	(1)	(1)	(1)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>301</b>	<b>699</b>	<b>623</b>	<b>632</b>	<b>642</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>301</b>	<b>699</b>	<b>623</b>	<b>632</b>	<b>642</b>
Taxation	(82)	(193)	(171)	(174)	(177)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>219</b>	<b>506</b>	<b>452</b>	<b>458</b>	<b>466</b>
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>219</b>	<b>506</b>	<b>452</b>	<b>458</b>	<b>466</b>
Recurring Net Profit	219	506	452	458	466
<b>Fully Diluted Recurring Net Profit</b>	<b>219</b>	<b>506</b>	<b>452</b>	<b>458</b>	<b>466</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>402.1</b>	<b>831.4</b>	<b>783.6</b>	<b>806.4</b>	<b>824.4</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	47.0	(320.8)	(17.0)	(69.0)	(41.0)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	20.0	(12.1)	0.0	0.0	0.0
Net Interest (Paid)/Received	20.8	24.2	(0.5)	(0.5)	(0.5)
Tax Paid	(63.0)	(124.9)	(171.3)	(173.9)	(176.7)
<b>Cashflow From Operations</b>	<b>426.9</b>	<b>397.8</b>	<b>594.7</b>	<b>562.9</b>	<b>606.2</b>
Capex	(275.3)	(213.2)	(230.0)	(230.0)	(230.0)
Disposals Of FAs/subsidiaries	(42.4)	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	60.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	22.1	(49.5)	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(235.6)</b>	<b>(262.7)</b>	<b>(230.0)</b>	<b>(230.0)</b>	<b>(230.0)</b>
Debt Raised/(repaid)	(43.4)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	(7.6)	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(48.8)	(46.8)	(94.7)	(90.3)	(91.7)
Preferred Dividends					
Other Financing Cashflow	(3.9)	(5.9)	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(103.7)</b>	<b>(52.7)</b>	<b>(94.7)</b>	<b>(90.3)</b>	<b>(91.7)</b>
Total Cash Generated	87.6	82.4	270.0	242.6	284.5
<b>Free Cashflow To Equity</b>	<b>147.9</b>	<b>135.1</b>	<b>364.7</b>	<b>332.9</b>	<b>376.2</b>
<b>Free Cashflow To Firm</b>	<b>192.6</b>	<b>135.1</b>	<b>365.2</b>	<b>333.4</b>	<b>376.7</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	1,326	1,377	1,647	1,890	2,174
Total Debtors	716	1,105	992	1,075	1,124
Inventories	198	357	374	410	432
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>2,239</b>	<b>2,840</b>	<b>3,013</b>	<b>3,375</b>	<b>3,730</b>
Fixed Assets	865	939	1,009	1,066	1,114
Total Investments	0	0	0	0	0
Intangible Assets	68	145	145	145	145
Total Other Non-Current Assets	0	0	0	0	0
<b>Total Non-current Assets</b>	<b>933</b>	<b>1,084</b>	<b>1,154</b>	<b>1,210</b>	<b>1,259</b>
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	410	638	524	575	604
Other Current Liabilities	42	109	109	109	109
<b>Total Current Liabilities</b>	<b>451</b>	<b>747</b>	<b>633</b>	<b>684</b>	<b>714</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>451</b>	<b>747</b>	<b>633</b>	<b>684</b>	<b>714</b>
Shareholders' Equity	2,721	3,176	3,533	3,901	4,275
Minority Interests	0	0	0	0	0
<b>Total Equity</b>	<b>2,721</b>	<b>3,176</b>	<b>3,533</b>	<b>3,901</b>	<b>4,275</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(13.3%)	59.6%	2.3%	8.4%	4.6%
Operating EBITDA Growth	(24%)	107%	(6%)	3%	2%
Operating EBITDA Margin	17.2%	22.3%	20.6%	19.5%	19.1%
Net Cash Per Share (Rmb)	1.36	1.42	1.70	1.95	2.24
BVPS (Rmb)	2.80	3.27	3.64	4.02	4.41
Gross Interest Cover	215	N/A	1,247	1,266	1,286
Effective Tax Rate	27.2%	27.6%	27.5%	27.5%	27.5%
Net Dividend Payout Ratio	22.8%	18.3%	20.0%	20.0%	20.0%
Accounts Receivables Days	110.4	89.2	100.4	91.3	93.2
Inventory Days	46.94	37.80	48.91	47.76	48.91
Accounts Payables Days	77.34	71.36	77.75	66.95	68.51
ROIC (%)	21.7%	48.4%	34.7%	33.6%	32.0%
ROCE (%)	11.4%	23.7%	18.6%	17.0%	15.7%
Return On Average Assets	6.5%	13.6%	11.2%	10.5%	9.7%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Accelerators ASP (Rmb/tonne)	15,781.2	21,850.5	21,930.0	22,039.7	22,149.8
Insoluble Sulphur ASP (Rmb/tonne)	7,470.2	8,249.7	8,075.0	8,115.4	8,156.0
Anti-oxidant ASP (Rmb/tonne)	13,268.2	20,390.0	18,400.0	18,492.0	18,584.5
Accelerators sales volume (tonne)	91.0	102.0	107.5	110.0	112.5
Insoluble Sulphur sales volume (tonne)	30.7	37.3	45.0	52.5	55.0
Anti-oxidant ASP sales volume (tonne)	46.0	54.6	55.0	65.0	70.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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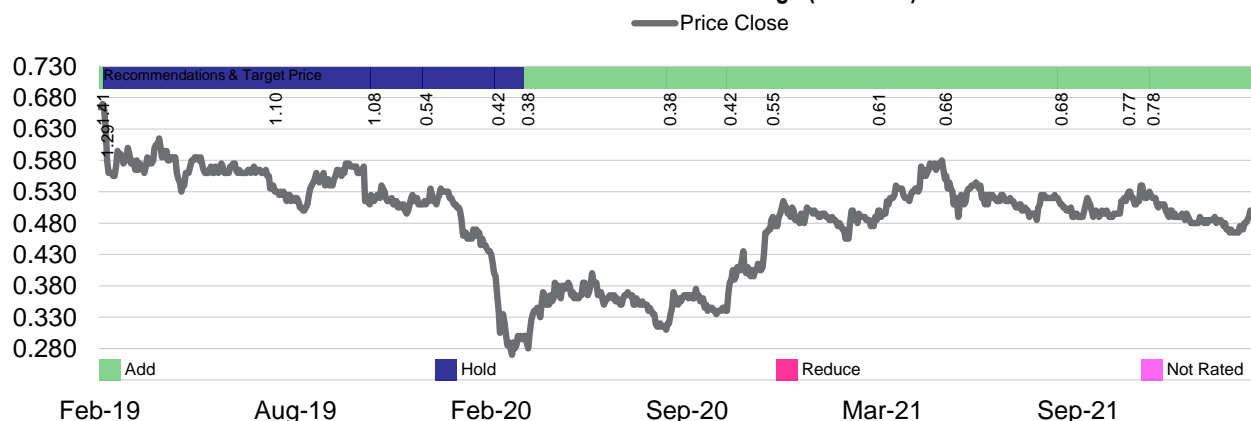
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China Sunshine Chemical Holdings (CSSC SP)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **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** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **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** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - 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.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework	
<b>Stock Ratings</b>	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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.

