midf INVESTMENT midf RESEARCH

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8 OCTOBER 2015

MALAYSIA EQUITY

4Q15 OUTLOOK

RINGGIT RENAISSANCE
A MARKET ELIXIR

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

TABLE OF CONTENTS

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

EXECUTIVE SUMMARY

3Q15 IN BRIEF

- The domestic market received a needed shot in the arm pursuant to the reaffirmation by Fitch Rating of Malaysia's sovereign debt rating as well as the upgrade in its outlook to stable.
- Nonetheless WSJ's purported 'expose' and NO votes by Greece deflated market sentiment. Meanwhile, cabinet reshuffling brought only short-lived respite as it was followed by the Ringgit and FBM KLCI breaking support thresholds and was made worse by China's decision to devalue the Yuan.
- The downward momentum was rather forceful that the news of Malaysia's better than expected 2Q15 GDP did little to stop the rout. However, the cyclical ebb came on 24 August which corresponded with a massive 8.75% one-day decline in China's CSI300 index.
- The ensuing rebound was partly fueled by the prospect of RM20b Valuecap boost as well as the delay in US Fed rate liftoff.

WHITHER THE RINGGIT

- One of the basic investing strategies is to "follow the money". In the short-term, the word 'money' may mean the flow of market liquidity, while in the longer-term it is almost invariably refers to the underlying corporate earnings.
- In this regard, the risk to our forward FBM KLCI targets may emanate from the actual future dynamics of Ringgit movements. Recall that we witnessed an almost all-around weakening of Ringgit during its August selloff. Pursuant to this, it is important for the Ringgit to regain as well as retain its pre-August dynamics, i.e. relative stability against other major G7 currencies, notably the Euro and Japanese Yen.
- In the shorter term, failure to retain the pre-August dynamics may exacerbate foreign liquidity outflows. Furthermore, in the longer term, it may unfavorably alter the nation's macro prospects and, by extension, the corporate earnings outlook.

INTRODUCE FBM KLCI 2016 YEAR-END TARGET AT 1,800 POINTS

- We reiterate our assertion that empirical observations between earnings and price are conclusive with regard to the nature of their secular direct relationship. This is despite the ever present 'noises' from short-term price volatility which is influenced by market sentiment and other situational issues. Against the backdrop of recovering earnings growth next year, we introduce our 2016 FBM KLCI target at 1,800 points. The baseline target equates to PER16 of 16.0x and +0.5SD.
- Also, we reiterate our year-end 2015 FBM KLCI baseline target of 1,650 points (with upper and lower range of 1,700 and 1,600 points respectively) which equates to PER16 of 14.7x and -0.3SD.

08 OCTOBER, 2015

KLCI (02 October 2015) : 1,706.64
END-2015 TARGET : 1,650.00

SECTOR VIEW

POSITIVE	
Aviation	Oil & Gas
Construction	Ports
Glove	Shipping
Healthcare	Technology
Plantation	Utility (Power)
NEUTRAL (with Positive bias)	
Telecommunication	
NEUTRAL	
Automotive	Property
Banking	REITs
Cement	Tobacco
Insurance	
NEUTRAL (with Negative bias)	
Consumer	Media
NEGATIVE	
Steel	

TOP BUYS

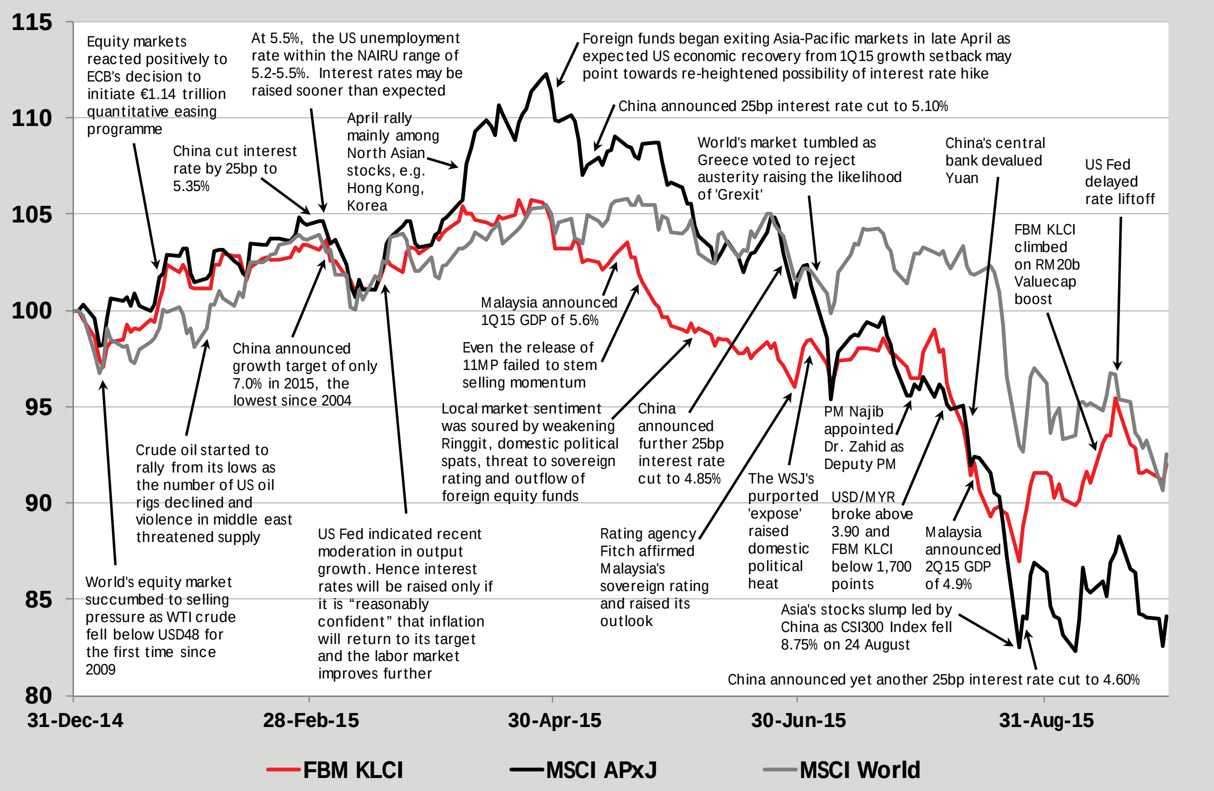
STOCK	Price 02 Oct (RM)	Target Price (RM)	Total Return
MRCB	1.15	2.21	94.3%
MBM Resources	2.90	4.80	69.7%
SapuraKencana	1.86	2.89	57.8%
AirAsia	1.26	1.82	46.8%
Tenaga	12.06	15.60	32.0%
DiGi	5.55	7.04	31.7%
Gas Malaysia	2.45	2.87	21.2%
PPB Goup	15.40	18.00	18.5%
Sime Darby	8.05	9.10	16.4%
Hong Leong Bk	13.20	14.60	13.3%

A. MARKET & EARNINGS REVIEW

I. MARKET PERFORMANCE

- **Market boosted by affirmation of rating and upgrade in outlook.** The domestic market received a needed shot in the arm at the start of 3Q15 pursuant to the reaffirmation by Fitch Rating of Malaysia's sovereign debt rating at A- (long-term foreign currency) as well as the upgrade in its outlook from negative to stable.

Chart 1: FBM KLCI vis-à-vis MSCI Asia-Pacific ex-Japan (APxJ) and MSCI World Index



Source: Bloomberg, MIDFR

- **Nonetheless WSJ's purported 'expose'...** However, the moment of glory was rather brief as the local market upswing was cut short by the WSJ's purported 'expose' which served to heighten both the domestic political heat and the level of risk aversion among investors.

- **...and NO votes by Greece deflated market sentiment.** Externally, the world's equities tumbled in reaction to the heightened financial market uncertainties. This was due to the raised likelihood of 'Grexit' pursuant to the overwhelming NO votes by the Greek people towards the EU-sponsored austerity plan.

- **Cabinet reshuffling brought short-lived respite but...** In the meanwhile, the recent 'expose' proved injurious to the stability of the ruling government so much so that a cabinet reshuffling was deemed necessary. Among the major changes was the appointment of Dr. Zahid Hamidi as the new Deputy Prime Minister. Perhaps sensing a more stable government even amidst the still un-ebbing political storm, the domestic market staged what proved to be a short-lived rally.

- **...was followed by USD/MYR and FBM KLCI breaking technical thresholds...** The month of August provided no respite to the local currency as it came under intensified selling pressure. Initially, the USD/MYR broke above our earlier year-end target range of between 3.80-3.90 with relative ease while the FBM KLCI dropped to below its technical support of 1,700 points.

- **...and made worse by China's decision to devalue Yuan.** Not much later, the decision by China's central bank to devalue the Yuan contributed to further weakening of the Ringgit at over 4.00 psychological levels against the US Dollar. Likewise, the local equity barometer sank below our price-book value (PBV)-based support of 1,650 points.

- **Malaysia announced better than expected 2Q15 GDP numbers...** The downward momentum was rather forceful that the news of Malaysia's better than expected 2Q15 GDP at 4.9% did little to prevent the FBM KLCI from dropping below another technical support at 1,600 points.

- **...however the stock market rout continued led by China.** It must be highlighted however that the equity pullback was not confined to the local market but in fact, particularly towards the latter half of August, a worldwide phenomenon. For most Asian markets, the cyclical ebb came on 24 August which corresponded with a massive 8.75% one-day decline in China's CSI300 index. It is notable that the massive selloff was promptly met with another 25bp cut in China's interest rate, its fourth thus far this year.

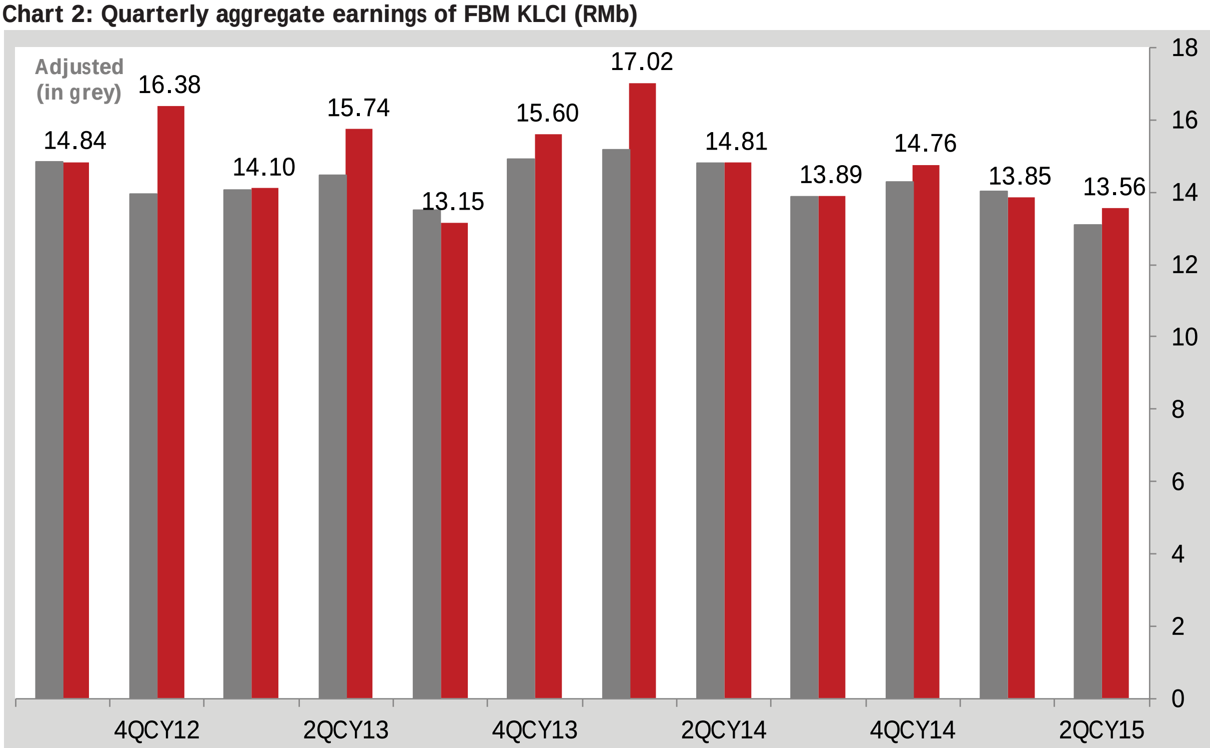
- **Consolidation ensued with gains partly helped by RM20b Valuecap boost.** The ensuing rebound and consolidation in the FBM KLCI was followed by another rebound as market sentiment was fueled by the prospect of RM20b Valuecap boost.

- **US Fed delayed rate liftoff not helping to sooth market uncertainty.** Besides, the September rebound was also attributed to the raised probability of the US Fed delaying its rate hike. In the aftermath of the no liftoff decision however, the ensuing market correction seemed to reflect continued uncertainty over its future course.

II. CORPORATE EARNINGS

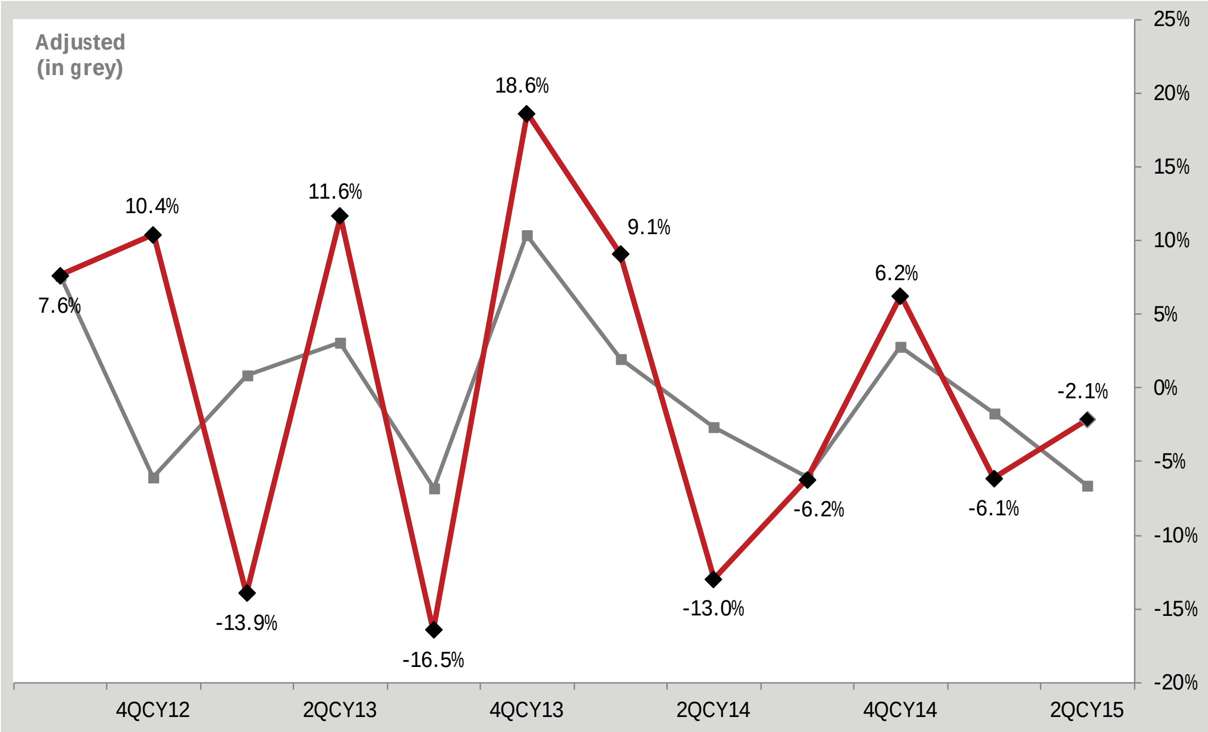
- **The aggregate reported earnings of current 30 FBM KLCI constituents totalled RM13.56b in 2QCY15.** The figure was lower both sequentially and on-year at -2.1%qoq and -8.5%yoy respectively. However, the sequential and on-year reported growth figures require some adjustments to reflect a fairer earnings picture.

Chart 2: Quarterly aggregate earnings of FBM KLCI (RMb)



Source: Bloomberg, MIDFR

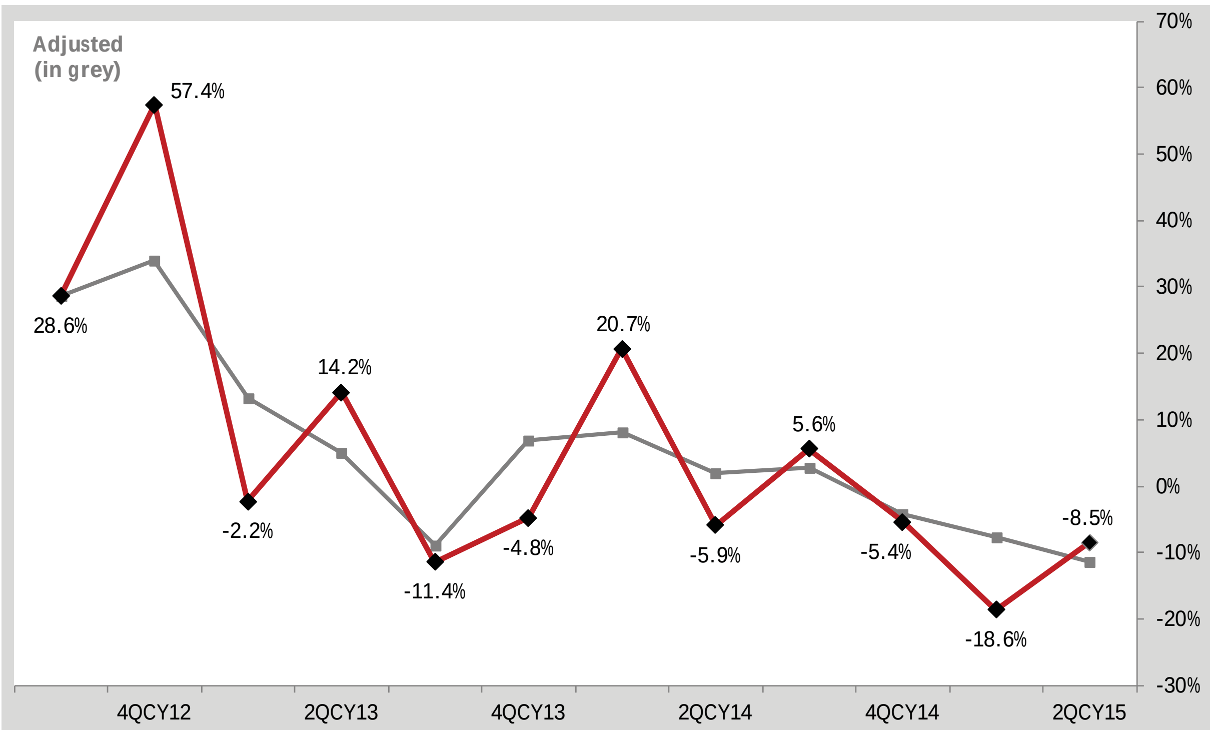
Chart 3: Quarterly aggregate earnings of FBM KLCI (QoQ % growth)



Source: Bloomberg, MIDFR

- **The reported growth numbers were boosted by RM407m tax allowance for Petronas Gas in 2QCY15.** On the other hand, the reported sequential growth number was dampened by a one-off restructuring expense totalling RM202m recorded by CIMB as well as exceptional items of various companies in 1QCY15. Additionally, the reported on-year growth number was slightly depressed by the combo effect of RM208m divestment gain by AMMB and RM182m forex loss by Axiata in 2QCY14.

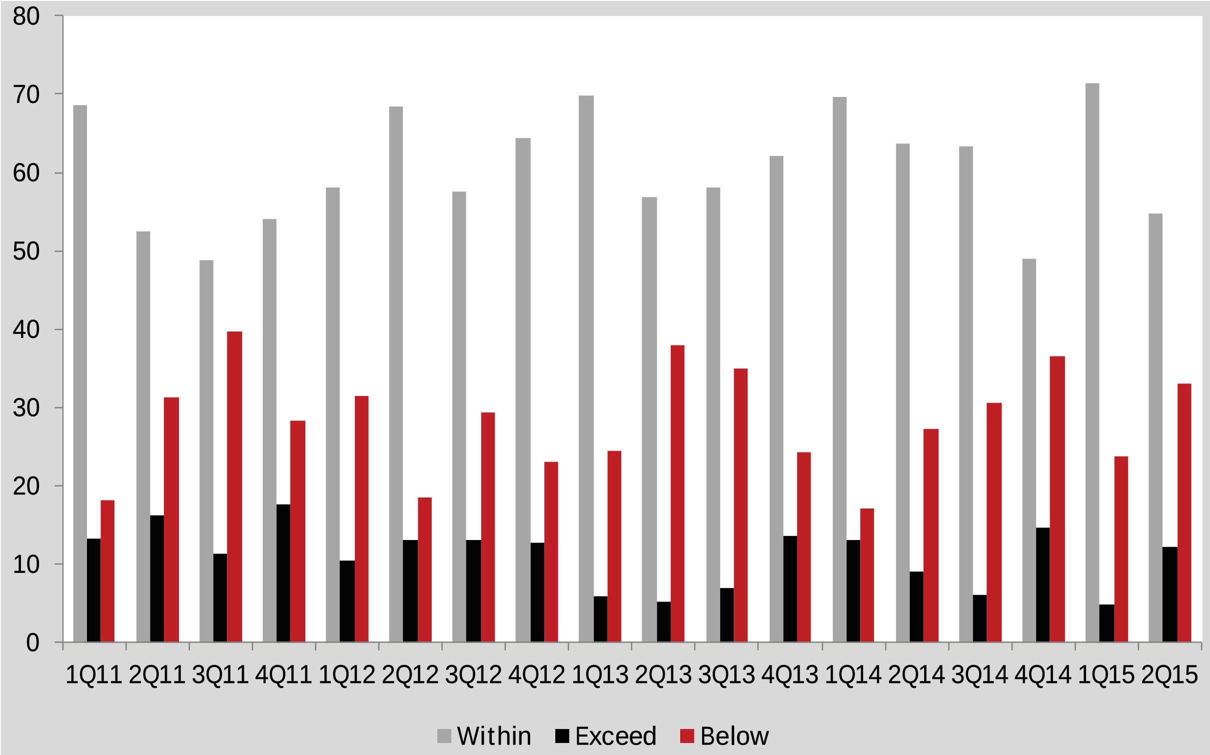
Chart 4: Quarterly aggregate earnings of FBM KLCI (YoY % growth)



Source: Bloomberg, MIDFR

- After deducting the relevant exceptional items, the adjusted sequential growth figure in 2QCY15 showed a bigger decline of -6.6%qoq and the on-year growth figure was deeper in negative territory at -11.4%yoy.

Chart 5: MIDFR Universe - Earnings surprises (%)



Source: Bloomberg, MIDFR

- Needless to say, the adjusted aggregate earnings and growth figures for 2QCY15 still came in below expectations. This is reflected by the number of FBM KLCI constituents under our coverage which reported below expected earnings as well as the resultant negative changes in aggregate earnings estimates.

- Under the MIDFR Universe, we made 20 changes to our stock recommendations with 14 upgrades and 6 downgrades. In addition, target price changes involved 16 upward adjustments against 41 downward adjustments. For the record, we added Sunway Construction to our coverage universe after the previous result season.

- The percentage of companies within the MIDFR Universe which reported earnings that came below our expectations jumped to 33% in 2QCY15 from 24% in the preceding quarter. However, it is noteworthy that the proportion of positive surprises also increased to 12% during the quarter under review vis-à-vis mere 5% recorded in 1QCY15.

- Accordingly, companies with results that were in line with expectations declined to 55% in 2QCY15 from 71% in the prior quarter.

- Construction, Telecom, Media, Technology, Glove, Healthcare, Property, REIT and Transport were the sectors which recorded higher total earnings (as reported) in 2QCY15 when compared to both the preceding quarter and corresponding period last year.

- On the other hand, sectors such as Plantation, Tobacco, Consumer, Finance, Utility, Auto and Building Material were those that showed negative sequential as well as on-year earnings (as reported) growth percentage in 2QCY15.

- As in prior reporting season, the disappointing earnings streak continued yet again into 2QCY15 with the aggregate numbers came in below expectations. This is attested by the apparent negative variance between the overall earnings of FBM KLCI constituents against its earlier estimate pursuant to the previous reporting season. Hence, the weaker-than-expected streak which began in 1QCY14 continues on for the 6th consecutive reporting seasons.

- Furthermore, among the 28 FBM KLCI constituents under our coverage, only 4 (1QCY15: 0 cos.) of the companies, i.e. KLCC, MISC, Petronas Dagangan and Sime Darby, reported better than expected earnings. On the contrary, there were 9 (1QCY15: 10 cos.) earnings underperformers, namely CIMB, IHH Health, IOI Corp, Maxis, Petronas Chemicals, Telekom Malaysia, Tenaga Nasional, UMW Holdings and YTL Corp. Nonetheless, there were slight improvements in both the number of outperformers and underperformers as compared to the preceding quarter.

- Consequently, the aggregate earnings estimate for FY2015 of the 28 FBM KLCI stocks under our coverage was lowered by -6.1% to RM53.27b vis-à-vis its earlier estimate pursuant to the prior reporting season. Moreover, the aggregate earnings estimate for FY2015 of all 106 stocks under MIDFR Universe was cut by -8.0% to RM68.91b.

Table 1: Sectorial valuation

KLCI: 1,621.04	Earnings Growth (%)			PER (x) 1/			Recommendation
	FY14	FY15		FY14	FY15		
		Previous	Revised		Previous	Revised	
AVIATION	(52.5)	351.5	29.0	59.7	9.4	32.8	Positive
CONSTRUCTION	44.5	(13.3)	(13.5)	12.5	15.4	15.4	Positive
GLOVE	(1.3)	11.9	16.2	20.1	28.6	27.6	Positive
HEALTHCARE	38.1	25.9	7.8	41.3	40.7	47.5	Positive
OIL & GAS	(10.1)	15.1	2.9	20.4	18.2	20.4	Positive
PLANTATION	3.6	(38.4)	(54.1)	15.5	22.1	29.7	Positive
PORT	10.9	7.2	6.0	23.2	28.3	28.7	Positive
POWER	19.6	(1.2)	(11.2)	11.5	10.5	11.6	Positive
SHIPPING	4.1	(15.8)	(2.0)	15.1	21.5	18.5	Positive
TECHNOLOGY	(351.8)	30.3	30.3	18.1	18.8	18.8	Positive
TELECOMMUNICATION	(1.5)	9.4	6.6	26.8	22.2	22.7	Neutral+
AUTOMOTIVE	(8.5)	41.5	(0.6)	18.7	9.7	13.8	Neutral
BANKING	1.1	4.5	0.8	12.8	10.9	11.3	Neutral
CEMENT	(30.2)	23.9	23.9	32.4	24.1	24.1	Neutral
FINANCE	57.4	(26.7)	(44.8)	9.0	9.5	12.6	Neutral
PROPERTY	(25.8)	1.6	0.1	12.0	11.1	11.2	Neutral
TOBACCO	9.5	11.4	7.6	20.6	17.1	17.7	Neutral
TOLL	2.5	2.8	2.8	14.2	19.4	19.4	Neutral
WATER	23.9	(79.9)	(92.1)	4.9	21.7	55.1	Neutral
CONSUMER	(6.8)	12.0	4.0	20.7	18.7	20.1	Neutral-
MEDIA	(18.1)	25.3	25.3	30.6	22.4	22.4	Neutral-
STEEL	2,070.8	(81.1)	(44.1)	(1.9)	(6.4)	(2.2)	Negative
MIDFR Universe	1.7	0.3	(7.7)	16.5	15.7	17.0	
FBM KLCI 2/	2.5	(0.8)	(6.9)	16.6	15.8	16.8	

Source: MIDFR
1/ As at 30 September 2015
2/ Only 28 FBM KLCI component stocks covered under the MIDFR Universe

III. MACRO ECONOMICS PERFORMANCE AND OUTLOOK

External - Global uncertainties continues

Direction of the Fed remains uncertain

- **No rate hike in September by the Fed.** The Fed decided in September meeting that they would not increase its benchmark interest rate in September; despite the fact they were upgrading most of their key indicators upward compared to their June projection. It reflects one thing; the Fed takes the global economy and market condition into account.

- **Fed revised its 2015 real GDP projection to 2.1% and unemployment rate at 5.0%,** improved from 1.9% and 5.3% in June's projection respectively. However the upward revision in real GDP projection was more due to the higher than expected GDP growth in the first half of 2015. US GDP grew by 2.8%yoy in the first half of 2015. In order for the US economy to achieve exactly 2.1% growth in 2015, the second half of economic growth only needs to increase by 1.4%, meaning that the Fed is expecting that the economy will moderate in the second half. This can also be seen from the downward revision of 2016 and 2017 GDP growth projection.

Table 2: Fed's September projection

Variable	Median				
	2015	2016	2017	2018	Longer run
Change in real GDP	2.1	2.3	2.2	2.0	2.0
June projection	1.9	2.5	2.3	n.a.	2.0
Unemployment rate	5.0	4.8	4.8	4.8	4.9
June projection	5.3	5.1	5.0	n.a.	5.0
PCE inflation	0.4	1.7	1.9	2.0	2.0
June projection	0.7	1.8	2.0	n.a.	2.0
Core PCE inflation	1.4	1.7	1.9	2.0	
June projection	1.3	1.8	2.0	n.a.	
Memo: Projected appropriate policy path					
Federal funds rate	0.40	1.40	2.60	3.40	3.50
June projection	0.60	1.60	2.90	n.a.	3.80

Source: Federal Reserve

- **There will be higher uncertainty in the market.** A no hike decision while revising upward most of its macroeconomic indicators are raising doubts in the market on whether the Fed was really being 'data-dependent' as they previously said they were. The market will continue to be widely divided from now on and that will lead to a marginal shock every time the Fed makes their decision.

- **A no lift-off is better for Malaysia's economy.** In our opinion a no lift-off will be better for Malaysia's economy as it will slow down the capital outflow process. A gradual sell-off of the Malaysia's capital market assets will lead to a more stable Ringgit rather than an earlier hike as long as the expectation of a future hike remains intact. However the situation will worsen if the subsequent hike will be conducted at a faster pace since the lift-off is now delayed.

- **Most of the members are pointing towards a December hike.** Contrary to before, all of the FOMC members that had been talking to the public recently are signalling that they would conduct their first interest rate hike in December. Assuming that it is their communication strategy to guide the market, we could expect that the Fed will increase its interest rate in December this year by 25 basis points. However the fact remains that it will be influenced by the global economic and financial market data.

Table 3: FOMC expectations on the Fed Fund rate (%)

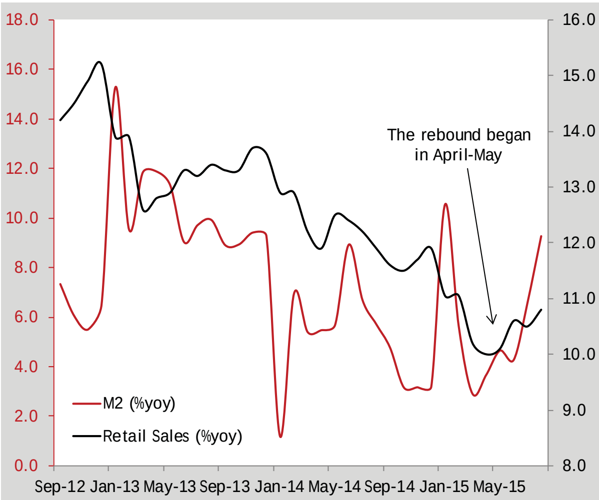
	End-2015	End-2016	End-2017	End-2018	Long-term
Dec'14	1.125	2.500	3.625	-	3.75
Mar'15	0.625	1.875	3.125	-	3.75
Jun'15	0.625	1.625	2.875	-	3.75
Sep'15	0.375	1.375	2.625	3.375	3.50

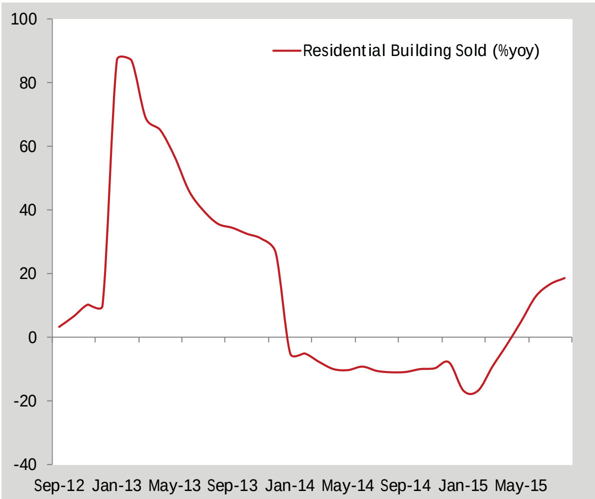
Source: Federal Reserve, MIDFR

China's Economic Slowdown is yet to Hit Malaysia

- **China is facing a historical low GDP growth,** but the impact to Malaysia is still marginal. There are three reasons on why a China's economic slowdown would be bad for Malaysia's economy theoretically:
  - Lower trade balance and current account as China is in the top two ranking for our exports destination;
  - Further fall in commodity prices since China is considered as the main commodity consumer globally;
  - Domino effect to other economies as China is one of the major trading partners for most country particularly Asia Pacific region.
- **Net export with China is getting better in recent months.** Despite our trade balance deficit with China experienced a historical low of RM4.4 billion in January, the value has been getting significantly better lately with the deficit going less than RM2 billion per month. The better than expected trade performance with China is contributed by the weaker currency and the building up of oil reserves by China.

Chart 6 and 7: China's consumer side indicators





Source: CEIC, MIDF Research

- **The risk remains high.** The overcapacity problem of China, excessive leverage and the bubble and bust of both China's property and stock market recently are making the 7% growth target by the Chinese government close to impossible. The worse than expected slowdown in China's economy will further fuel the negative sentiments on Malaysia's economy, adversely affecting our stocks, bonds and FX market.
- **However there are signs of a rebound from the consumption sector.** Although the contraction in the industrial sector is inevitable, it would seem that there is no spillover effect to the consumption sector yet. In our opinion as long as the consumption side in China is not experiencing a slowdown, we could expect that the global economy, particularly the Asian and Emerging Market, will not be going into a recession because of China.

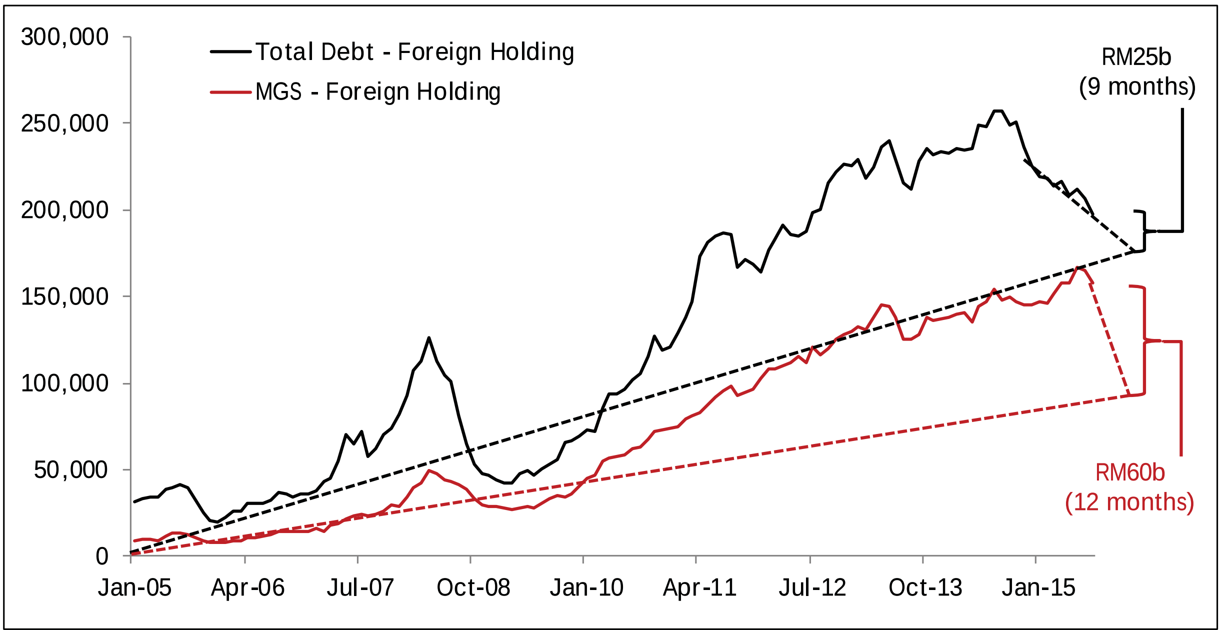
Malaysia – Ringgit volatility is the new normal

- **Malaysia is being fuelled by negative sentiments.** Whether it be from economics perspective (China's economic slowdown), fiscal perspective (low oil price), monetary perspective (expected increase of US interest rates) or political perspective (1MDB and political scandal), none of them are going to help Malaysia's image in the eyes of international investors. As a result, we could expect that the downward pressure on Ringgit to continue. The sentiments on all the factors above are unlikely to make a reversal in a short period of time.

- **Even without the negative sentiments, it is unlikely for Malaysia's Ringgit to rebound significantly.** The fact that the Federal Reserves is expected to gradually increase its interest rates itself will be enough to hold Ringgit from recovering below RM4.00/USD level. Realise that the high amount of capital inflow into the economy was initially caused by the quantitative easing programme via portfolio rebalancing channel. It would only be normal to assume that the trend will be in a reversal once the Fed is expected to increase its interest rates back again.

- **At least RM25 billion worth of capital is still waiting to exit Malaysia's capital market.** Despite there is a huge difference on the level of foreign holding between now and the pre-QE level, it should be noted that the foreign holding was in an uptrend even before the Global Financial Crisis. Assuming that the upward trend continues in a linear trend, it is expected that the bond selloff will continue for another RM25 billion which will finish in 9 months period. On the other hand, if MGS is being taken as the benchmark, there will be another RM60 billion to be sold which will finish in approximately 12 months period.

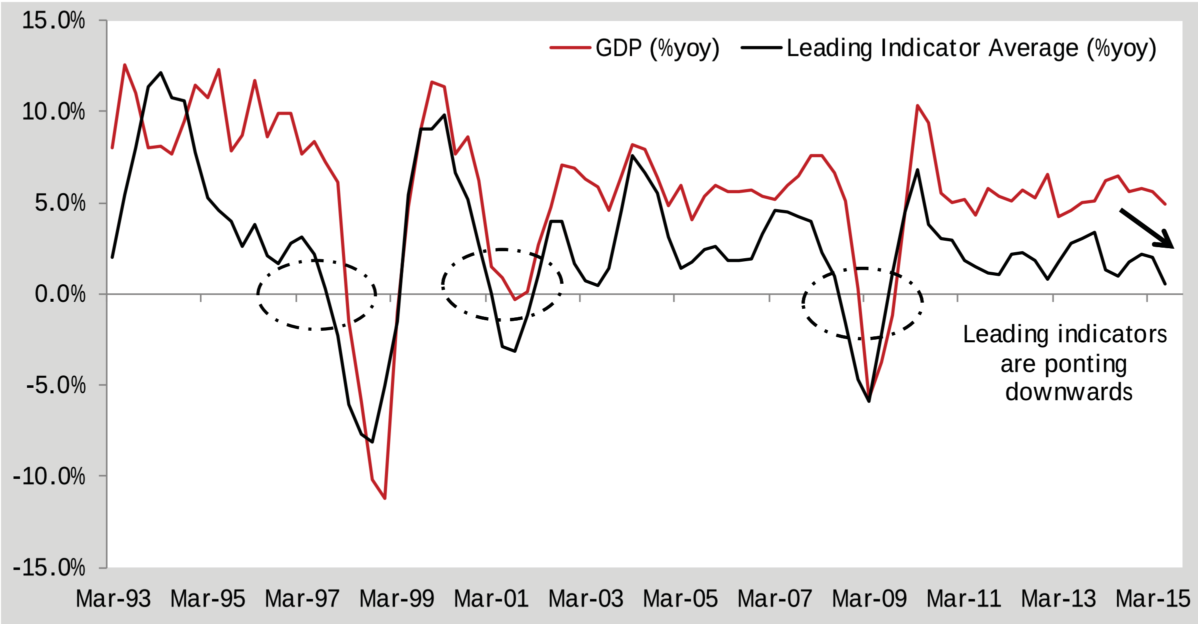
Chart 8: Foreign holdings of Malaysia debt securities (RMm)



Source: CEIC, MIDF Research

- **The negative sentiments may cause the amount to be higher.** Risks of a sovereign downgrade, risk of political turmoil and risk of another Asian economic recession originated from China's slowdown could cause the bonds selloff to be higher than previously estimated. The worst part is that all of these factors will quicken the pace of the selloff, leading to higher pressure on the Ringgit. Even with the same amount of bonds selloff, the impact to Ringgit may differ significantly according to the pace of the selloffs.

Chart 9: Malaysia leading indicators

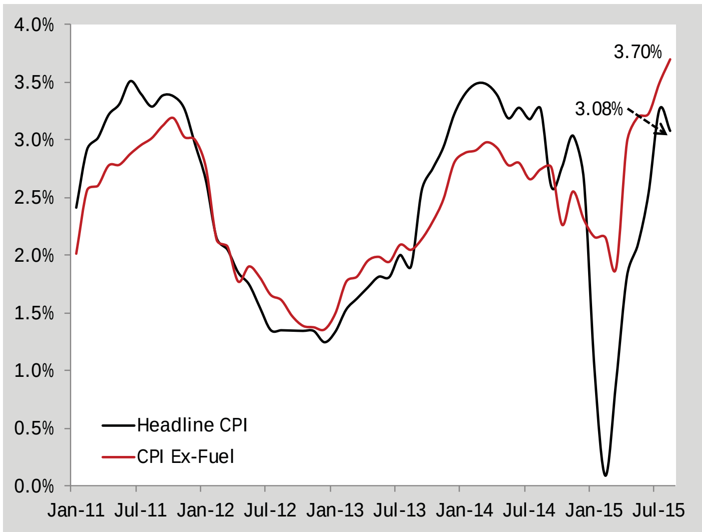


Source: CEIC, MIDF Research

- **Low consumer sentiment combined with significantly weaker Ringgit will slowdown the economy.** The economy is expected to further moderate in the second half of 2015, due to weaker Ringgit and low consumer sentiment caused by both economic and political factor. The currency depreciation is expected to be more adverse to businesses, leading to a moderate level of private investment in the second half of 2015.

- **The inflationary pressure was being curbed by low pump price.** The headline inflation has been contained at a moderate level due to the low pump price this year. As the pump price was at an even higher level in October last year, we would expect that the deflationary pressure from the pump price will be stronger for the rest of the year. However, by excluding the oil price from the CPI basket, Malaysia's inflation rate has been at the highest level since the global financial crisis. The high level of inflation is contributed to the GST implementation and weaker Ringgit.

Chart 10: CPI vs CPI Ex-Fuel



Source: CEIC, MIDF Research

- **We maintain our expectation that BNM will keep interest rates unchanged at 3.25%.** Despite risk of a slowdown and recession is getting higher, due to the volatility of the Ringgit there is not much room for BNM to reduce its current interest rates level. On the other hand, increasing the interest rate will cause a contraction in the economy making a recession more likely. Expected higher inflation coming from the weaker Ringgit will be curbed by lower oil prices as such there is yet a need for BNM to increase the interest rate level to deflate inflation.

Table 4: Key macroeconomic indicators

(YoY% unless otherwise stated)	2014	2015e	3Q14	4Q14	1Q15	2Q15
Real GDP	6.0	4.7	5.6	5.7	5.6	4.9
Private consumption expenditure	7.1	5.5	6.8	7.6	8.8	6.4
Government expenditure	4.4	2.5	5.1	2.5	4.1	6.8
Gross fixed capital formation	4.8	4.0	1.3	4.3	7.9	0.5
Exports of goods & services	5.1	2.5	2.6	1.9	-0.6	-3.7
Imports of goods & services	4.2	3.0	2.0	2.6	1.0	-2.8
Net exports	19.7	-3.7	7.4	-4.0	-10.2	-10.5
Agriculture	2.1	-1.0	3.4	-3.7	-4.7	4.6
Mining	3.3	3.0	1.4	9.5	9.6	6.0
Manufacturing	6.2	5.0	5.3	5.4	5.6	4.2
Construction	11.8	7.0	9.7	8.8	9.7	5.6
Services	6.5	5.5	6.5	6.6	6.4	5.0
Nominal GDP	8.6	4.5	5.6	5.7	5.6	4.0
Consumer price index	3.2	2.3	3.0	2.8	0.7	2.2
Balance of payments						
Current account - RMb	49.5	30.0	7.1	5.7	10.0	7.6
Current account - % of GNI	4.8	2.8	2.9	2.3	3.7	2.7
Net FDI – RMb	-18.5		2.1	-2.5	-1.2	-3.9
Net portfolio flows	-38.5		-11.0	-20.4	-7.9	-11.8
Fiscal balance - % of GDP	-3.5	-3.2	-0.7	-5.7	-4.2	-1.4
Federal government debt - % of GDP	52.7	53.0	53.2	52.7	51.2	53.8
Money supply, M3	7.0	6.0	5.2	7.0	7.9	6.0
Loans outstanding - household	9.7		10.7	9.7	9.8	8.7
Loans outstanding - businesses	8.8		7.8	8.8	8.9	8.7
Total External Debt – RMb	747.5		740.7	747.5	768.1	794.3
Total External debt/GDP (%)	67.5		69.2	67.5	65.9	68.1
Total FX Reserves – RMb	405.5		416.9	405.5	389.2	398.1
Total FX Reserves/Short-term external debt	1.1		1.1	1.1	1.1	1.1
Short-term external debt/Total debt (%)	48.6		49.1	48.6	45.1	42.9
	2014	2015e	3Q14	4Q14	1Q15	2Q15
MYR/USD	3.497	3.730	3.281	3.497	3.704	3.773
EUR/MYR	4.250	4.140	4.154	4.251	3.972	4.205
MYR/JPG	2.924	3.030	2.992	2.992	3.083	3.080
MYR/SGD	2.647	2.760	2.573	2.648	2.693	2.804
Yield on generic 10-year MGS (%)	4.079	4.000	3.921	3.873	4.009	4.032
3-month KLIBOR (%)	3.860	3.800	3.860	3.930	3.690	3.690
Overnight policy rate (%)	3.250	3.250	3.250	3.250	3.250	3.250

Source: Department of Statistics, BNM, MIDFR estimates

IV. MARKET VALUATION AND STOCK SELECTION

- **FBM KLCI valuation is mostly cheaper relative to its regional peers…** As at the close of week ended 2 October, the PER of FBM KLCI stood at 15.0x based on forward year earnings (current year earnings: 15.8x). With a standard deviation (SD) to the PER of -0.13, the valuation of FBM KLCI is mostly cheaper in comparison to its main regional peers.

Table 5: FBM KLCI - Valuations against regional markets (as at week ended 2 October)

	FBM KLCI	FSSTI	JCI	SET	PCOMP
SD	-0.13	-0.44	0.29	0.95	0.80
PER	15.0	13.4	14.9	14.4	17.8
PER (+1SD)	16.8	15.6	16.5	14.5	18.4
PER (Mean)	15.2	14.1	14.2	12.2	15.4
PER (-1SD)	13.6	12.5	11.9	9.8	12.4

Source: Bloomberg, MIDFR
Note: Data for the purpose of Mean and SD calculations are from Jan 2006 to present

- **…but cheapest vis-à-vis other international markets.** Nonetheless, against other international markets, the FBM KLCI is the cheapest in SD to the PER valuation term. It must however be noted that these international markets are at different phases of the economic cycle. As their economies are either recovering or are only beginning to recuperate, it is not unusual for the SD to the PER valuation yardstick to hover substantially above the parity mark. But in contrast, most of the emerging economies are arguably at between midway to advanced stages of the growth phase or even entering into the maturity phase of the economic cycle.

Table 6: FBM KLCI - Valuations against international markets (as at week ended 2 October)

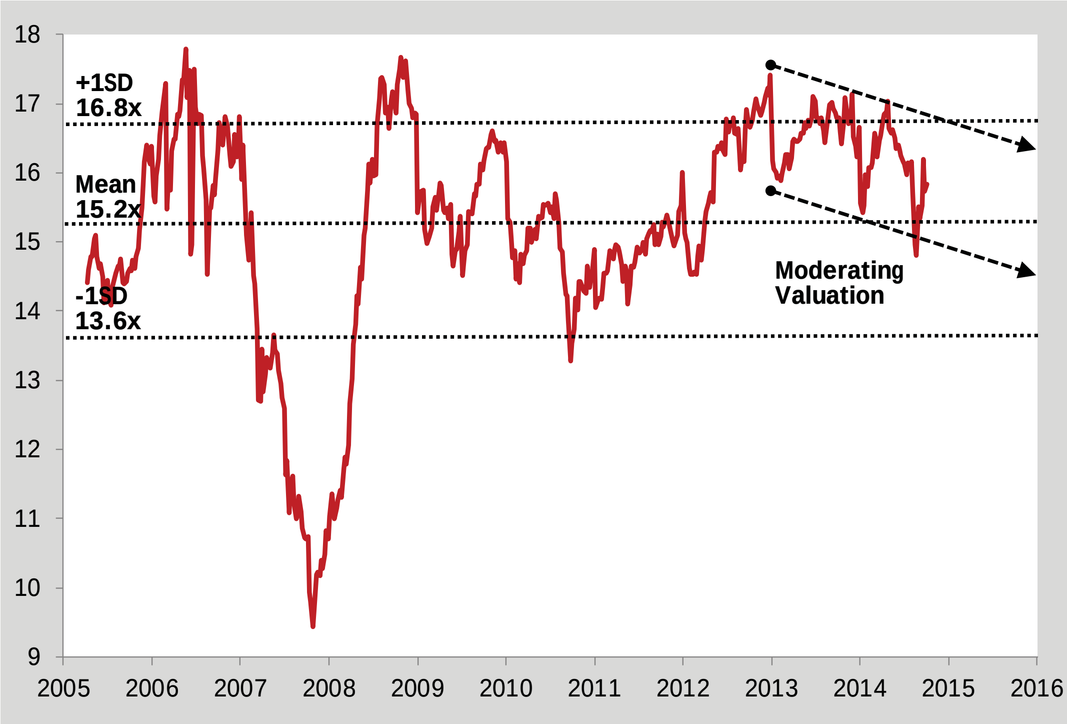
	FBM KLCI	DJIA	S&P500	Euro Stoxx	DAX
SD	-0.13	0.42	0.72	0.91	0.32
PER	15.0	15.1	16.0	13.6	12.9
PER (+1SD)	16.8	16.2	16.5	13.8	14.0
PER (Mean)	15.2	14.3	14.9	11.8	12.3
PER (-1SD)	13.6	12.4	13.2	9.8	10.6

Source: Bloomberg, MIDFR
Note: Data for the purpose of Mean and SD calculations are from Jan 2006 to present

- **Against its historical levels, the valuation trend is visibly moderating…** It is notable that the PER of FBM KLCI has continued to exhibit a descending trend towards its long-term mean ever since its peak in late 2013. It must also be highlighted that the valuation apex corresponded with the cessation of QE3 program.

- **…in line with the ongoing tightening of dollar-based global liquidity.** Hence this downward motion was arguably precipitated by relative tightening of liquidity pursuant to the unwinding of QE3 in 2014. Thenceforth, the valuation contraction continued on with the prospect of US interest rate hikes now plausibly as early as later this year. Therefore, we reckon the moderation in PER multiple of FBM KLCI to persist going forward. Having said that, we may see intermittent spikes and troughs as the earnings multiple charts its path toward the long-term mean levels of circa 15.0x. We expect the mean reverting process to complete its course no earlier than in 2016.

Chart 11: PE Ratio of FBM KLCI (with Mean and +/- 1-Std dev lines)



Source: Bloomberg, MIDFR

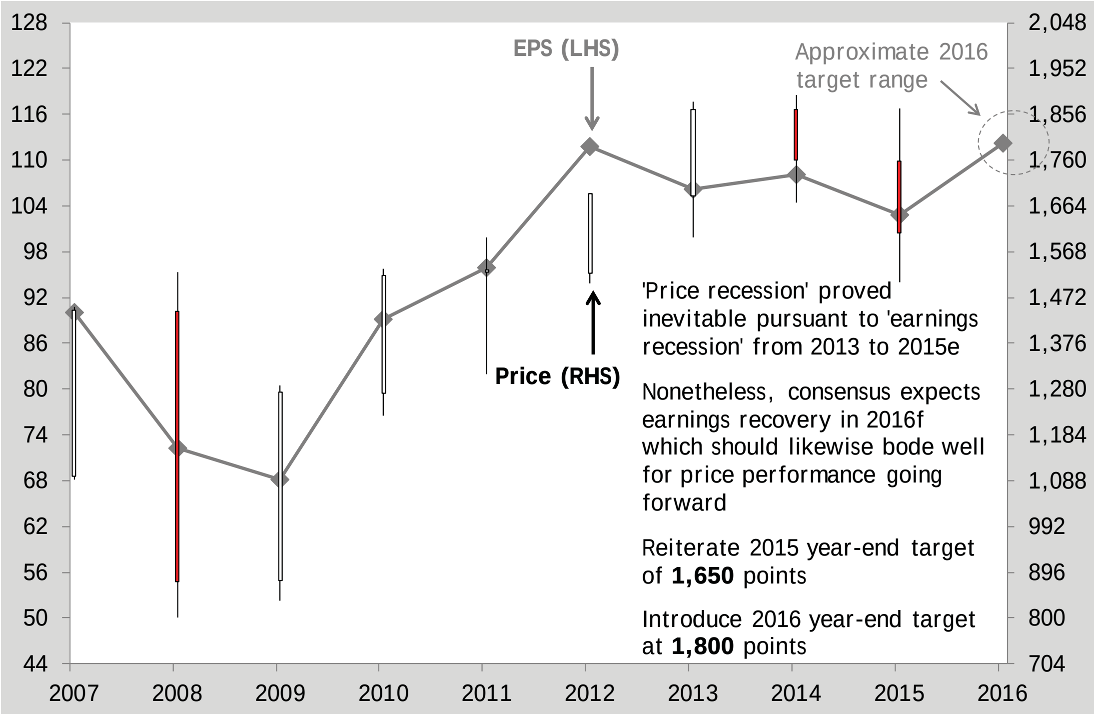
- **Bottoming commodity prices...** Recall that the FBM KLCI forward earnings had underwent almost incessant downward revisions since the first half of 2014. We attribute the bearish earnings sentiment in no small part to the slump in crude palm oil (CPO) and crude oil prices since March and July last year respectively. On this score, it must also be highlighted that, pursuant to the post-2008 recovery, world's commodity prices in general (based on UBS Bloomberg CMCI Composite) reached their cyclical peak in 2011 period and the subsequent pullbacks saw further intensification last year. Going forward, while commodity prices may remain volatile, we are beginning to see good support for Brent crude and CPO at USD45pb and RM2,000pmt respectively. Pursuant to this, we expect the bottoming commodity prices to contribute to the stabilization of forward earnings sentiment.

- **...and recovery in corporate earnings growth...** In line with the above, the (Bloomberg) consensus 2016 FBM KLCI earnings growth is expected to return to a healthy, and more normal, level of 9.1%. The anticipated forward year performance is in stark contrast to the prevailing 'earnings recession' as attested by current year earnings growth estimate of -4.9% as well 2014 and 2013 growth figures of measly 1.8% and -5.0% respectively.

- **...underpinned by continued healthy macro outlook...** Furthermore, this optimism is also premised on the still healthy macroeconomic outlook for Malaysia in particular and the region in general. Even under current scenario, the mean (Bloomberg) consensus economist forecasts expect Malaysia's GDP growth to stay quite robust at 4.90% and 4.80% for this year and next respectively.

- **...to counteract lowering valuation and preserve market secular trend.** Hence, underpinned by the continued healthy macro outlook, the recovery in corporate earnings growth would counteract the impact of anticipated moderation in market valuation on the index price levels. On this basis, we expect the upward secular trend of the equity market to likewise remain intact into the foreseeable future.

Chart 12: FBM KLCI Secular Trend Channel



Source: Bloomberg, MIDFR

- **Introduce year-end 2016 FBM KLCI baseline target at 1,800 points.** We reiterate our assertion that empirical observations between earnings and price are conclusive with regard to the nature of their secular direct relationship. This is despite the ever present 'noises' from short-term price volatility which is influenced by market sentiment and other situational issues. Against this backdrop, we introduce our 2016 FBM KLCI target at 1,800 points. The baseline target equates to PER16 of 16.0x and +0.5SD.

- **Reiterate year-end 2015 FBM KLCI baseline target of 1,650 points.** Also, we reiterate our year-end 2015 FBM KLCI baseline target of 1,650 points (with upper and lower range of 1,700 and 1,600 points respectively) which equates to PER16 of 14.7x and -0.3SD.

- **Whither the Ringgit.** One of the basic investing strategies is to "follow the money". In the short-term, the word 'money' may mean the flow of market liquidity, while in the longer-term it is almost invariably refers to the underlying corporate earnings. In this regard, the risk to both the year-end 2015 and 2016 FBM KLCI targets may emanate from the actual future dynamics of Ringgit movements. Recall that we witnessed an almost all-around weakening of Ringgit during its August selloff. As alluded in our Strategy note titled "Ringgit performance & FBM KLCI" dated 21 August 2015, given the continued strength of US Dollar, it is important for the Ringgit to regain as well as retain its pre-August dynamics, i.e. relative stability against other major G7 currencies, notably the Euro and Japanese Yen. In the shorter term, failure to retain the pre-August dynamics may exacerbate foreign liquidity outflows. Furthermore, in the longer term, it may unfavorably alter the nation's macro prospects and, by extension, the corporate earnings outlook.

Stock Selection

- **Portfolio & stocks selection criteria.** As stated earlier, we are rather sanguine on the continued macro growth and the recovery in corporate earnings growth going forward. Nonetheless the risks associated with these expectations are also elevated. Hence we are now advocating a 'bias' towards risk-conservative (previously risk-balanced) equity portfolio in view of the heightened external and domestic uncertainties. Accordingly, we recommend portfolio exposures with a combination of stocks in the following order of preference (high to low): (i) inherent earnings quality, (ii) attractive valuation, and (iii) superior earnings growth potential.

- **Change to Top 10 list.** To reflect the moderately conservative stance, made three changes to our current list of Top 10 stock picks (refer to our 3Q15 Outlook: Triple Tantrum dated 8 July 2015).
  - Dayang Enterprise Holdings Berhad, Eversendai Corporation Berhad and Hock Seng Lee Berhad are relegated in favor of other companies with good earnings quality, i.e. better track record and clearer forward visibility.
  - In place of the above relegated stocks, we introduce Digi.com Berhad, Gas Malaysia Berhad and Sime Darby Berhad to our Top 10 list.
- Below is a list of 10 stocks that fit the investment criteria and which we reckon are in good stead to outperform the broader market:
  - **Malaysian Resources Corporation Berhad (BUY, TP: RM2.21).** We view that the stock is underappreciated following routs of volatility affecting the market. However, we deem MRCB is rather unique as its property assets are mostly centered towards transport-oriented development (TOD). Moving ahead, catalysts that will contribute to MRCB's earnings growth are: (i) sales of its 329.8 acres of new property developments (including massive 64.1 acres of RM8.0b Project MX-1 in Kwasa Damansara) with an estimated GDV of RM23.1b, (ii) fee of 6% from RM9.0b LRT3 PDP role, and (iii) total outstanding construction order book of RM1.58b.
  - **MBM Resources Berhad (BUY, TP: RM4.80).** MBM is the best performing stocks within the automotive sector thus far in 2015. We believe it was mainly attributable to the encouraging sales of Perodua vehicle at +11.6%yoy to 143,048 units in the first eight months of 2015. We expect demand for Perodua's vehicles in 2015 to remain robust on full-year contribution of the Perodua Axia and the Perodua Myvi facelift which was launched in Jan 2015. We expect MBM's earnings to rebound strongly in FY15 due to the absence of earnings drag from the Hino assembly plant in Sendayan, Negeri Sembilan, and increased capacity from Perodua's second manufacturing plant. Meanwhile, we are optimistic on the recovery of MBM's alloy-wheel business which should see losses narrowing as utilisation ramps up while contribution from Hirotako is expected to remain stable.
  - **SapuraKencana Petroleum Berhad (BUY, TP: RM2.89).** The fundamentals of SapuraKencana Petroleum remain intact. Its current order book of RM24.5b with more than RM11b worth of extension options is still solid. The company noted that out of the outstanding orderbook, approximately RM6.4b will be executed and recognised in FY16, RM5.1b in FY17 and RM13b in FY18 onwards. As such, at this juncture, our revenue target for FY16 remains intact at RM8.1b. The company's tenderbook is approximately equal to the orderbook value. On a similar note, the company has secured approximately RM969m worth of contracts year-to-date and is expected to secure and announce more this year.
  - **AirAsia Berhad (BUY, TP: RM1.82).** AirAsia is one of our top picks with TP of RM1.82 based on PER of 8.5 times FY16 EPS. Our 8.5x PER is pegged at a 34% discount to Asian Low Cost Carrier (LCC) valuation of 12.9x. Our BUY call is premised on AirAsia: (1) benefitting from lower jet fuel prices with exposure to spot market at 49% in 4Q15 (51% hedged) and 100% in FY16 (fully unhedged); (2) revamping of IAA and PAA's capital structures; (3) capacity & fare rationalisation by Malaysia Airlines (MAB). We note that the discount between MAB and AirAsia's ticket prices have widened to 20%-30% (from 10-20% in 2013-2014) as MAB prices its tickets at levels more reflective of a full service carrier. This is positive for AirAsia as the major impediment to its profitability has always

been its stubbornly low yields (RASK). Currently, AirAsia is trading at FY15 and FY16 PER of only 6.1x and 5.7x respectively.

- **Tenaga Nasional Berhad (BUY, TP: RM15.60).** Admittedly, the performance of TNB stock had been lackluster thus far this year, of which we believe could be attributed to the negative sentiment surrounding its involvement in the purchase of Track 3B (and potentially other power assets) from 1MDB. While many may perceive this action as a bail out by the Government, we nonetheless are view of the view that the transaction has been concluded (and will be conducted) on fair commercial terms, as evidenced by the revision in Track 3B tariff. Furthermore, we opine that TNB is the clear winner from the implementation of the ICPT mechanism due to the prospect of renewed stability of its earnings base. We also believe that TNB's fundamental shall remain intact, backed by robust growth in electricity demand as well as Government's continuous commitment in implementing the ICPT mechanism. We reiterate our BUY call on TNB with a TP of RM15.60.
- **DiGi.com Berhad (BUY, TP: RM7.04).** Digi has enjoyed several strong and innovative leaders from Norway contributing to its success and has leveraged on Telenor's global best practices and knowledge sharing network. The group continues to strengthen its IT infrastructure capability with a new policy control and charging (PCC) engine that will allow more innovative ways of designing products and services to support sustainable internet growth and data monetisation. The group is embarking on rapid expansion of 4G-LTE. Currently, its 5 key markets have more than 65% 4G-LTE coverage as at 1H15. It also has the most consistent mobile internet experience with download speed achieving more than 5Mpbs (@ 80% of the time). Digi has healthy net cash generated from its operating activities. This enables regular dividend payout of approximately 100% with more than RM2.0b dividend paid in FY14. Based on current price, the stocks offer attractive dividend yield of nearly 5%. We value Digi with a target price of RM7.04 per share based dividend discount model (DDM) valuation methodology. The assumptions applied are: i) expected market return of 10%; ii) risk free rate of 4%; iii) beta of 1.00; and iv) terminal growth rate of 5%.
- **Gas Malaysia Berhad (BUY, TP: RM2.87).** GMB will most likely adopt the incentive-based regulation (IBR) regime come January 2016. Under this new regime, we believe that there will be more earnings clarity moving forward as the average gas distribution margin would be around RM1.58/ mmbtu. Apart from the regulated business (gas transportation), GMB has other non-regulated business that would contribute in a more significant manner starting in FY16. These non-regulated businesses are: (i) Virtual Pipeline (expected contribution in 1Q16); (ii) Combined Heat & Power (expected contribution in 4Q16); and (iii) Bio-Compressed Natural Gas (expected contribution in 1Q16). Despite having a dividend policy of 75%, GMB has been distributing 100% of its net profits for the past three years. We are of the opinion that the company would continue to distribute all of its earnings, at least in FY15. Its first interim dividend declared for FY15 was 3.5sen per share. Our TP is based on Gordon Growth Model with a risk-free rate (rfr) assumption of 3.9%, market-risk premium of 6.1%, beta of 0.6x, and a terminal growth rate of 4%.
- **PPB Group Berhad (BUY, TP: RM18.00).** We like PPB due to its strong 1HFY15 earnings growth of 34%yoy as it rides the earnings recovery from Wilmar. PPB is also poised to benefit from higher USD/ MYR rate as Wilmar earnings is reported in US Dollar. PPB's own businesses are doing well. PPB's Grains & Agribusiness (G&A) division's PBT has increased 4%yoy to RM100m in 1HFY15. Note that G&A contributed PBT of RM100m or 21% of the Group's total PBT of RM466m in 1HFY15. Our TP of RM18.00 is based on Forward PER of 21.6x on FY16 EPS of 83.3 sen. The Forward PER of 21.6x reflects +0.5 Standard Deviation over 3-year Mean. This is due to its diversified business model which should outperform other plantation during current low CPO price environment.
- **Sime Darby Berhad (BUY, TP: RM9.10).** Sime Darby's FY16 FFB growth expected at 10%yoy is the highest among big cap peers (average: 2% FFB growth). Most of the FFB growth is expected to

come from New Britain Palm Oil Limited (NBPOL) which will start its first full year contribution in FY16. Our new TP for Sime Darby is RM9.10 (previously RM8.80) after assuming higher CPO price of RM2300/MT for FY16. Final dividend of 19.0 sen likely to be received within the next 2 months. For FY16, we are estimating net dividend of 26.7 sen or decent yield of 3.2%. Our TP of RM9.10 is based on Sum of Parts with plantation sector @ 23.2x FY16E PER, which is the average target PER of IOI Corp and KL Kepong.

- **Hong Leong Bank Berhad (BUY, TP: RM14.60).** Our positive stance is based on: (i) strong asset quality with 85% of its loans collateralised; (ii) liquid balance sheet with a Gross LDR of 81%; (iii) hitherto strong profit contribution from Bank of Chengdu; (iv) potential improvement in cost efficiency ahead with its digital banking initiatives; and (v) key growth drivers, i.e. wealth management, SME and health banking.

Table 7: Top 10 Stock Picks

STOCK	BETA	PRICE 2-Oct (RM)	TARGET PRICE (RM)	% PRICE RETURN	% DIV. YIELD	% TOTAL RETURN
MRCB	0.94	1.15	2.21	92.2%	2.2%	94.3%
MBM Resources	0.62	2.90	4.80	65.5%	4.1%	69.7%
SapuraKencana	2.00	1.86	2.89	55.4%	2.4%	57.8%
AirAsia	0.95	1.26	1.82	44.4%	2.4%	46.8%
Tenaga	1.26	12.06	15.60	29.4%	2.7%	32.0%
DiGi	1.06	5.55	7.04	26.8%	4.8%	31.7%
Gas Malaysia	0.66	2.45	2.87	17.1%	4.0%	21.2%
PPB Group	1.03	15.40	18.00	16.9%	1.6%	18.5%
Sime Darby	0.84	8.05	9.10	13.0%	3.3%	16.4%
Hong Leong Bk	0.67	13.20	14.60	10.6%	2.7%	13.3%

Source: Bloomberg, MIDFR

B. SECTORS WE LIKE

I. AVIATION

Lower jet fuel offsets weaker currency.. Maintain POSITIVE

- **Lower jet fuel prices to offset weaker Ringgit.** We believe that both AirAsia and AAX will be net beneficiaries of lower jet fuel prices which more than offset the effects of weaker Ringgit. This is mainly due to cheaper spot rates (~US$60/bbl in FY15 vs. ~US$110/bbl in FY14) and an absence of fuel hedging in FY16 (only 10% hedged at US$60/bbl). AirAsia has hedged 73% of its US Dollar borrowing and 8% of operating costs while AAX has hedged 70% of operating costs through natural hedge. Our sensitivity analysis suggests that both AirAsia and AAX will be able to save shave off -1.3% and 0.9% in operating cost respectively based on currency and jet fuel prices.

- **Clearing concerns on AirAsia Berhad's subsidiaries.** According to the Jakarta Post, IAA's shareholders have agreed to convert its accounts payables into Redeemable and Convertible Preference Shares (RCPS) which is the first hurdle in its efforts to reducing its payables to AirAsia Berhad and raising its equity into positive position. Currently, the proposal is awaiting approval from the Indonesian Investment Coordinating Board (BKPM). Recall that management is planning to: (1) convert payables owed to AirAsia Berhad into non-voting Redeemable and Convertible Preference Shares (RCPS) amounting USD250m which is classified as equity; (2) inject capital of USD40m by local investors and matched by AirAsia Berhad to comply with regulatory requirements on equity position; (3) issue Convertible Bond (CB) of USD150m to ease IAA's cash flow position. We believe that completion of the corporate exercises could lift a major overhang over the stock as IAA's weak balance sheet position has been a major concern for investors.

- **Higher average fares from MAB frequency cuts.** We believe that average fares will begin trending upwards as the frequency reductions and fare rationalisation exercise by Malaysia Airlines Berhad (MAB) takes effect in 3Q15. In addition, the discount between MAB and AirAsia's ticket prices are seen to have widened from 10-20% in 2013-2014 to a more reasonable 20%-30% as MAB prices its tickets more akin to a full service carrier. This is positive for both AirAsia and AAX as stubbornly low yields (RASK) has been a major impediment to its profitability.

- **Airport passenger traffic recovering from 1H15's negative growth.** Cumulative passenger traffic growth up to Aug 2015 was positive at +1.8%yoy after spending most of FY15 in negative territory. While still trailing both management's and our forecasts of +3.0%yoy and +3.5% respectively. We are maintaining our forecasts predicated on the China segment showing signs of improvement with +10% yoy growth in 2H15 and upcoming peak travel season in 4Q15.

- **We remain POSITIVE on the aviation sector.** We have BUY recommendations for both AirAsia (TP: RM1.82) and AAX (TP: RM0.26) as major beneficiaries of the low fuel price environment and MAB's capacity rationalisation. Meanwhile, while MAHB's passenger traffic appears to be picking up, higher costs from KLIA2 and SGIA warrant our NEUTRAL call with TP: RM6.235.

II. CONSTRUCTION

Government policies equate to more jobs....................................... Maintain POSITIVE

- **National policies will uplift sector.** Government policies will continue to contribute significantly to the construction sector especially in infrastructure development. The broad commitments that were highlighted in the 11MP will impact the sector positively through the execution of (i) intercity transport infrastructure (railway and road), (ii) transit system, (iii) transport-oriented development,

(iv) transport-proximate development, and (v) greenfield downstream oil and gas infrastructure. For the next 5 years, we reckon that the rolling out of more of the projects under National Key Results Area (NKRA) will contribute positive excitement to the sector.

- **Maintain Positive.** We continue to remain positive on the sector driven by government polices especially the continuation of NKRA. This is translated by various theme-specific infrastructure programs such as Greater Kuala Lumpur, Urban Land Transport, National Public Transport Plan, Sarawak Corridor of Renewable Energy in Sarawak and East Coast Economic Corridor in east coast of Peninsular Malaysia.

- **Conservative valuation.** Nonetheless, the valuation of the construction companies is generally conservative with KLCON Index's average PER of 12-16x. Furthermore, to concur with MIDFR's prevailing equity strategy view, we are applying a more risk-conservative approach in stock valuation. Hence, our implied PER valuation is bias towards the lower-half of the KLCON Index's average PER range at 12-14x PER.

- **Recommendation.** In sum, we have recommended BUY calls on companies that are forecasted to be benefitting from existing government policies. We have found that they responded well by clinching contracts related to the infrastructure segments such as Bus Rapid Transit (BRT), RAPID, Penang Transport Masterplan (PTMP), KVMRT1, KVMRT2 and LRT3. Our top picks for the sector are MRCB (TP: RM2.21), Muhibbah (TP: 2.95), SunCon (TP: RM1.36) and Eversendai (TP: RM1.28). Meanwhile we still favour Gamuda (TP: RM4.83) despite the prevailing risk on divestment loss of SPLASH.

III. GLOVE

Beneficiaries of the weaker ringgit .... Maintain POSITIVE

- **Rubber glove manufacturers are beneficiaries of weaker ringgit.** The domestic market rubber glove production from Jan to July 2015 sustained at 18.4b pairs of rubber gloves, slightly lower at -0.2% from the same period last year. However, the export value surged by +19.8% to RM7.2b. The spike in export value was mainly attributable to the consistent demand from the overseas market supported by the strengthening of the US Dollar. From January until July, the export volume has decreased by -15.16%yoy to 54.97k tonnes. The decrease in export volume (tonnes) in spite of the sustained production volume was attributable to the higher demand of thinner gloves, as the market is switching from nitrile rubber gloves to natural rubber gloves. We expect the demand for rubber gloves to remain healthy, increasing by 6-8% per annum based on its four-year historical growth average of +6.8%. For nitrile gloves, we expect the demand to remain strong at 10-15% per annum whereas natural rubber gloves are expected to grow at a stable rate of 5-7% per annum.

- **Low rubber price supporting earnings growth.** From January to September 2015, the average price for natural rubber has declined by -6.2%yoy to RM4.22 per kg. The average price of nitrile butadiene rubber (NBR) has also reduced significantly by -32.7% compared to the same period last year. The drastic reduction in the NBR price was due to the decline in the average price of crude oil which fell by -45.5% compared to the same period last year. The lower raw material prices have further supported the earnings for the glove manufacturers as it reduces the raw material costs. Although the magnitude might not be big, as customers would normally request for lower selling prices, but we expect it is enough to slightly increase the profit margins.

- **Maintain POSITIVE.** The average price-to-earnings ratio (PER16) for the four largest glove stocks is at an all-time high of 25x driven by the positive sentiment from the strengthening of USD/MYR, robust expansion plans and depressed raw material price. Despite the high PER16, we reaffirm our POSITIVE call on the sector as we believe that the demand for rubber gloves, mainly nitrile, is still strong. Moreover, we still believe that the demand for rubber gloves will be able to cater to the robust expansion plans by the glove companies and that the fundamentals of the rubber glove sector will remain favourable.

IV. HEALTHCARE

Robust outlook remains .... Maintain POSITIVE

- **Private healthcare demand remains resilient.** The demand for quality private healthcare remains resilient, largely due to increasing health awareness. This is supported by: (i) Ageing demographic; (ii) Lack of public healthcare system; (iii) Growing middle income group; and (iv) Increasing insurance penetration rate. Countries such as China and India have seen surging demand of private healthcare. In addition, we note that medical tourism also contribute to the increasing demand of private healthcare.

- **Strong pipeline of beds coming onstream.** To cater with the increasing demand of healthcare and the ageing population, hospitals in Malaysia are increasing its capacity. This includes KPJ Healthcare (KPJ) and IHH Healthcare (IHH). In 2015, IHH is expected to increase its capacity by approximately 800 beds locally and abroad. This includes its greenfield expansions, namely, the Gleneagles Kota Kinabalu which opened in May and the Gleneagles Medini, which is expected to complete by end-2015. For its foreign operations, the Acibadem chain of hospital in Turkey will add another three hospitals, namely Taksim, Sistina Skopje and Bodrum, under its stable and Mount Elizabeth Novena Hospital in Singapore is expected to add another ward by end-2015. Meanwhile, for KPJ, it is expected to open its KPJ Pahang Hospital at Tanjung Lumpur by end-2015 which will add an additional capacity of 190 beds.

- **Focusing more on medical tourism.** Going forward, both companies expect to focus more on promoting medical tourism. Currently, Malaysia is ranked number three in Southeast Asia in terms of number of health travelers in the region after Thailand and Singapore. Malaysia expects to surpass these two countries by 2020. To achieve this, strong collaborations with the Malaysian Government have been formed to attract more tourists from key markets such as the Middle East, China, Australia, New Zealand and the United Kingdom. The medical tourism industry in Malaysia is also supported by the current weak ringgit condition as it would be cheaper for tourists to carry out their treatments here. In 2015, the government targets to earn RM1b in revenue from medical tourism, a 37% growth from RM730m in 2014.

- Maintain POSITIVE. We are reiterating our POSITIVE stance on the sector as we expect the sector's earnings growth to remain strong on robust demand for quality private healthcare. Our top pick for the sector is IHH with a BUY call and target price of RM7.14. Our BUY call is supported by the expected higher EBITDA margin from IHH's Turkey operations and increase in bed capacity of its home market.

V. PLANTATION

Money does grow on trees ....Upgrade POSITIVE

- **Upgrade 2016 average CPO price to RM2300/MT from RM2100/MT.** Reasons for the increase in CPO price assumption are: i) CPO price is expected to benefit from weak Ringgit, ii) soybean oil price should have bottomed, and iii) El Nino has been stronger than expected. For 2015, we are maintaining our CPO price forecast at average RM2175/MT as YTD price of RM2172/MT is close to our forecast.

- **CPO price to benefit from weak Ringgit.** We expect CPO price to benefit from the weak Ringgit trend. Although CPO price is not expected to increase significantly in USD due to the high US Dollar Index, we expect it to increase in Ringgit after the translation of the same USD price of CPO to weaker Ringgit.

Note that we have now assumed average USD/MYR exchange rate of 1USD/RM4.40 for 2016 (previously 3.71). This is in line with our latest economist forecast of RM4.40-4.50 by end of 2015. Fundamentally, weaker Ringgit is expected to improve CPO competitiveness against other vegetable oil (especially soybean oil).

- **Inventory to decline by 12% to 2.20m MT by end-2015** due to low CPO production expected in 4Q2015 for Sabah. Oil World mentioned that "Production prospects have deteriorated and yields are likely to be down sizably in 4Q2015 and probably also in early 2016 as a result of the serious drought which was experienced in Feb to April with monthly rainfall well below the critical 100 mm level." We concur with this as we have highlighted previously in our sector report on 10-Aug-2015 that the dry season in Sabah from Feb to Apr this year should affect 4Q2015 CPO production. Note that palm oil tree usually produce less Fresh Fruit Bunches (FFB) 6 to 9 months after the dry spell. Overall, we expect this to reduce Malaysia palm oil inventory by 12% to 2.20m MT by end-2015 (from end-Aug level of 2.49m MT).

- **Change in production pattern prevented all-time high inventory in September.** We gather that the peak production month has shifted to August this year (instead of the usual September or October historically). Hence, we are reducing our inventory estimate for end-Sep by 6% to 2.58m MT after assuming September production to decline 5% MoM (from 2% increase MoM). Effectively, this means that the scenario of record high inventory exceeding previous record of 2.63m MT in Dec-2012 is unlikely to happen anytime soon. Looking ahead, we believe that seasonal production downtrend has started and this is supportive of CPO price in the near term.

- **Soybean oil price should have bottomed as inventory is expected to decline in 2015/16 season.** According to United States Department of Agriculture (USDA), global soybean oil inventory is expected to increase to 3.46m MT in 2015/2016 season (from 3.51m MT in 2014/2015 season). The decline in inventory is caused by the higher consumption growth expected at 5.2% against production growth of 4.8%. The higher consumption is driven by higher consumption expected from China (+7.4% to 15.24m MT) and India (+14.1% to 4.45m MT). Despite slower economic growth prospect in these countries, we wish to highlight that demand growth for soybean oil is likely to sustain as it is mainly used for food purposes.

- **Low Brent crude oil prices unlikely to affect CPO price** as the correlation was already broken when Brent tumbled below USD80 per barrel. Note that the correlation between CPO price and Brent crude oil has weakened to only 0.22 for the period of Nov-2014 to Sep-2015. This is significantly lower than the strong 0.85 correlation for the period of Jan-2000 to Oct-2014. Recall that Nov-2014 was the month when Brent crude oil price dropped below USD80 per barrel. We believe that the correlation has become insignificant as our estimate shows that discretionary demand for biodiesel is likely to have stopped completely when Brent crude oil price tumbled below USD80/barrel. This is caused by the negative margin experienced by biodiesel producer if they produce it independent of government subsidy. As a result of the weak correlation, we believe that persistently low Brent crude oil price will no longer affect CPO price. Fundamentally, this could be caused by the "new normal" in which the demand-supply dynamics of palm oil has get used to the absence of strong demand support from biodiesel consumption.

- **El Nino is stronger than expected.** The recent Southern Oscillation Index data has shown reading as low as negative 22 which is way below negative 8 level which is indicative of El Nino weather condition. This is significantly below the range of negative 10 to negative 15 zone observed three months ago. Hence, we have now assumed strong El Nino (previously weak El Nino) and expect Malaysia palm oil production to decline 1%yoy in 2016 to 19.1m MT (previously +2%yoy to 19.7m MT). As a result, our 2016 inventory assumption has been reduced by 20% to 1.58m MT. In the latest information by Australia Bureau Of Meteorology, it was mentioned that "a strong El Niño that is likely to persist into early 2016. Tropical Pacific sea surface temperatures …. are at levels not seen since the 1997–98 event". Lower inventory is expected to be positive to CPO price.

- **Upgrade plantation sector to POSITIVE.** Upgrade TSH to BUY with New TP of RM2.33 (previously NEUTRAL with TP of RM2.00). FGV upgraded to NEUTRAL with unchanged TP of RM1.30. In line with higher CPO price assumption, we have increased our earnings assumption for FY16 for all planters under our coverage. Accordingly, our Target Price has been increased for all planters except FGV which is maintained as we are using 1.0x Price to Net Tangible Assets method. FGV has been upgraded to NEUTRAL as their outlook should improve in line with better CPO price prospect. We have upgraded TSH to BUY as its FFB growth is expected at 12% in FY16 which means that the Company is poised to enjoy superior earnings growth against other mid-cap peers. Its young age profile estimated at 7.3 years old means that its FFB production is more resilient to El Nino.

- **SIME (BUY; TP: RM9.10) is our top pick.** Our contrarian BUY call on SIME has been accurate so far. Note that SIME share price has surged 8.0% to RM8.05 as of yesterday since our upgrade on 27-Aug-2015 when the share price was RM7.45. This has clearly outperformed FBMKLCI performance of 3.4% within the same period. Having said that, we believe there is still upside to SIME as its FY16 FFB growth expected at 10%yoy is the highest among big cap peers (average: 2% FFB growth). Most of the FFB growth is expected to come from New Britain Palm Oil Limited (NBPOL) which will start its first full year contribution in FY16. Our new TP for SIME is RM9.10 (previously RM8.80) after assuming higher CPO price of RM2300/MT for FY16.

- **Other BUYs are PPB (TP: RM18.00) and TAANN (TP: RM4.50).** We like PPB due to its strong 1HFY15 earnings growth of 34%yoy as it rides the earnings recovery from Wilmar. PPB is also poised to benefit from higher USDMYR rate as Wilmar earnings is reported in USD. For TAANN, we expect its timber division to benefit from higher USDMYR as the division's product (Export Log and Plywood) prices are quoted in USD. Hence, TAANN is poised to enjoy earnings growth from both plantation and timber divisions.

VI. PORTS & SHIPPING

Improving industry dynamics……………………………………………………Upgrade POSITIVE

- **Upgrade to POSITIVE from NEUTRAL.** We are upgrading our stance on the seaport and shipping sectors from NEUTRAL to POSITIVE. We believe that industry dynamics have improved due to: 1) steady growth of container throughputs; 2) clarity on container handling tariffs; 3) excess crude supply environment to persist. Under our coverage, we have BUY recommendations on Westports (TP: RM4.77) and MISC (TP: RM9.45). Meanwhile, we are NEUTRAL on NCB (TP: RM3.45) and Maybulk (TP: RM0.77). We prefer Westports due to: 1) clarity on tariff hikes provides better negotiation leverage with clients; 2) geographical diversification with 70% exposure to transshipment business; and 3) potential granting of investment tax incentive for its CAPEX spending which kicks off largely in 2016 which will reduce its effective tax rate from 24% to 16%.

- **Seasonally peak period for container throughputs in 4Q.** In 1H15, both Westports and NCB recorded throughput growth numbers that were within our forecast of +11%yoy and +9%yoy respectively. Looking forward into 2H15, we expect throughput growth to moderate into the high single-digit in 3Q15 before expanding to low double-digits as 4Q which is the seasonally peak period, particularly for the Asia-Europe and Asia-North America routes due strong Christmas demand.

- **Long awaited tariff hike for Port Klang to commence in Nov 2015.** A major development for ports under our coverage is the announcement in Aug 2015 of a tariff hike for ports operating in Port Klang over 2 phases with a 15% increase each. However, the hike which was initially slated to take effect in Sep 2015 was delayed by 2 months to Nov 2015. Nevertheless, we expect that the impact in terms of fewer revenue gains for Westports and NCB to be marginal at 0.75% and 1.4% respectively as the tariff hike will mainly affect gateway boxes.

- **Excess crude supply to buoy petroleum shipping.** The Petroleum tanker segment showed marked improvement for MISC swinging from a loss of US$20m in 1HFY14 to a profit of US$56.5m in 1HFY15. We believe the higher petroleum tanker rates could persist in the near to mid-term due to: i) high levels of crude oil production increasing the need for transportation and storage; and ii) favourable supply/demand dynamics of vessels as newbuildings only kick-off in 2HFY16 by operators. We believe that MISC will benefit from the higher petroleum tanker rates, particularly the spot market as 15% of MISC's VLCC and 33% of MISC's Aframax and Suezmax fleet will be coming off time-charters and moving into spot arrangement in FY15-FY16.

VII. OIL & GAS

Downstream sub-segment intact for the long haul .... Maintain POSITIVE

- **2015 oil price performance and beyond.** Global crude oil price performance has been dismal in 2015. Year-to-date, the price of Brent crude has fallen by more than -16% and for 3Q15 alone, the price of Brent crude had retreated by -24%. Taking que from the forward crude oil market, the average Brent price expectations for 2016 is USD54.16pb.

- **Oil production activity in Malaysia going strong.** The average national crude oil and condensates production in 2014 was 597kbpd. This has since increased by over >13%yoy to average 677kbpd for the first six months of 2015. Despite global crude oil prices being relatively soft, we are encouraged by the increase in national oil production indicating that global demand is still able to meet the surplus in global supply. The increase in national oil production is beneficial for local oil and gas service providers as activity levels are sustained at favourable levels.

- **Downstream activities resilient.** Contrary to the cuts made in the upstream segment of the oil and gas industry this year and also expected cuts in 2016, the downstream segment of the oil and gas value chain remains intact. For the case of Malaysia, the single largest downstream segment investment by far would be Petronas' refinery and petrochemical integrated development (RAPID) project worth approximately USD27b in totality. Companies such as Muhibbah Engineering Berhad (BUY; TP: RM2.95), KNM Group (BUY; TP: RM0.62) and Mudajaya (not rated) have already won large chunks of works in Pengerang this year. The first phase of the jobs is mostly ground works consisting civil works, supporting buildings and infrastructure works. The second phase would then consist of more specialized petrochemical plant works.

- **Advocating stocks with strong orderbook and good dividends.** We remain POSITIVE on the sector as we believe that there are some fundamentally sound stocks which are undervalued and with the potential to appreciate. As such, moving forward up to the end of 2015 given the subdued crude oil price, we are advocating stocks with (i) Strong orderbooks and long contract duration and; (ii) Commendable dividend yield. Apart from that, we are advocating stocks with strong international exposure (geographical risk diversification) as well stocks with a stable (long term contracts with recurring income) businesses in Malaysia which are easier to monitor. Our top picks for the sector are SapuraKencana Petroleum (BUY; TP: RM2.89) and Gas Malaysia (BUY; TP: RM2.87). Our Brent crude oil price forecast for 2016 remains at USD60pb.

VIII. TECHNOLOGY

Going niche to drive earnings growth .... Maintain POSITIVE

- **Local industry remains vibrant.** The global semiconductor sales (GSS) tapered in recent months due to softening demand, normal market cyclicality and currency devaluation in some regional markets. The cumulative sales for the month of January to July 2015 only grew by +4.6%yoy as opposed to +10.3%yoy recorded in the previous year corresponding period. Despite experiencing some slowdown, export of semiconductor products from Malaysia remains encouraging. Malaysian export of semiconductor products for the period of January to July 2015 outpaced GSS growth at +8.8%yoy. We believe that the outperformance, as compared to GSS was mainly attributable to: (i) Focus on niche growing segment especially those related to the Internet of Things (IoT) and; (ii) Favourable foreign currency exchange.

- **IoT to fuel industry growth.** Global information technology (IT) demand cycle will eventually stem from mobile computing devices to IoT. 2015 is believed to be the year of transition. The IoT market is expected to record a CAGR of 72% over 2014 to 2020. To benefit from this, local semiconductor players are positioning themselves within the production value chain. For instance, Globetronics is focusing on suppling 3D imaging sensor which is expected to have a CAGR of 28% from 2015 to 2020.

- **Favourable foreign exchange rate.** The strengthening of the USD has been a blessing to local semiconductor companies as majority of the revenue is export oriented. In 3Q15, we observed that the USD appreciated by +19.4%QoQ. This would lead to a favourable foreign exchange gain. However, the positive impact will differ from companies depending on the product sales mixture as well as the proportion of imported raw materials.

- **Maintain POSITIVE.** We view that local semiconductor companies are nimble enough to move in tune with the market demand. This has enabled them to remain at the forefront of technology offerings. The move had also lead to better and more resilient earnings prospect. This is further boosted by the strengthening of the USD. Some of the counters also provide attractive dividend payout which act as a sweetener. All factors considered, we reiterate our POSITIVE stance on the sector. Our top pick for the sector is Globetronics Technology Bhd (Buy, TP:RM7.05).

IX. UTILITY (POWER)

ICPT formally booked in .... Maintain POSITIVE

- **Electricity demand growth to remain robust.** TNB reported a robust growth in electricity demand for 1HFY15 of 3.1%yoy compared to 1HFY14 of 1.6%yoy. Growth in demand was primarily driven by the increased electricity consumption from commercial and industrial segments. Overall growth trajectory for 2015 is expected to remain strong, backed by further investments in the infrastructure projects under the 11 Malaysia Plan and Malaysia Economic Transformation Plan.

- **Fuel cost to remain largely favourable in 2015.** Coal price has continued to be depressed due to an oversupply of coal in the global market in which the demand was much slower to pick up than production. On the other hand, we believe that the Liquefied Natural Gas (LNG) cost for the sector would be cheaper going forward with the weaknesses in the price of LNG brought upon by the declined in global crude oil prices six months ago, is going to be reflected in the LNG's selling price to the power sector. We continue to believe that both LNG and coal prices will remain to be flattish in 2015. As such, a lower power generation cost for the industry is expected to remain in 4Q15 on the back of the current subdued fuel cost environment.

- **Coal as the main energy mix in power production.** We expect an increased in the utilisation of coal-fired power plants with the commissioning of the 1,000MW Manjung 4 coal-fired power plant in 2Q15. Tenaga's coal procurement is also projected to increase by 33% in FY15 to cater for the new Manjung 4 power plant and higher utilisation of other coal-fired power plants. Also, it has been observed that daily average gas consumption has been declining as a result of higher utilization of coal-fired power plant during the last quarter of 2014.

- **Implementation of Imbalance Cost Pass Through (ICPT) mechanism.** We are highly positive on Government's continuous commitment in implementing the ICPT mechanism as we view this as an essential element to the power sector reform as it would provide a stability and visibility to the power players' earnings. With the implementation of ICPT mechanism, end consumers would enjoy any cost savings derived from lower fuel cost and whilst the power players earnings would be safeguarded from fluctuations in fuel cost.

- **Maintain POSITIVE.** We reiterate our BUY call on TNB with a TP of RM15.60. We opine that it is the clear winner from the implementation of the ICPT mechanism owing to the renewed stability of its earnings base. Admittedly, the performance of TNB stock had been lackluster thus far this year, of which we believe could be attributed to the negative sentiments surrounding its involvement in taking over Track 3B, and potentially other power assets, from 1MDB. While many may perceive this action as a bail out by the Government, we nonetheless are view of the view that the transaction will be done on a fair commercial terms, as evidenced by the revision in Track 3B tariff. We also believe that TNB's fundamental remains intact, backed by robust growth in electricity demand as well as Government's continuous commitment in implementing the ICPT mechanism.

C. OUR NEUTRAL-VIEW SECTORS

I. TELECOMMUNICATION

Continuing price war .... Maintain NEUTRAL (positive bias)

- **Expecting further development on national broadband projects in 4Q15.** We believe that the Malaysian Communication and Multimedia Commission (MCMC) is currently reviewing the tender submissions with regard to the provision of consultancy series for the verification of High Speed Broadband (HSBB) phase 2 and Sub-Urban broadband (SUBB) project roll out. This is subsequent to the closing date of the tender invitation in the middle of September 2015. In view of this, we could expect the MCMC to divulge more information on these projects earliest by 4Q15. Note that in February 2015, Telekom Malaysia had accepted a letter of award from the government for the two broadband projects which would entail an investment of RM3.4b. However, details surrounding these projects remain sketchy.

- **Heightened competition in the prepaid and postpaid realms.** In 3Q15, mobile service providers continue to introduce new offerings. These new offerings entail aggressive internet pricing and free internet access, international direct dialing (IDD) price war as well as freebies on reload. Such move will continue to suppress the growth in average revenue per user (ARPU). On a positive note, the downward trend in average telco service prices will fuel the growth in customer acquisition as well as volume usage.

- **Awaiting announcement on the spectrum re-farming exercise.** The industry is currently awaiting the MCMC to announce the re-farming of the low-frequency spectrum band. Any shift in existing spectrum allocation is expected to greatly change the local competition landscape. We believe that the move would be detrimental to Celcom and Maxis which control most of the low-frequency spectrum band. On the contrary, a more equal distribution of spectrum will benefit companies with low spectrum allocations such as Digi.

- **Maintain NEUTRAL.** Mobile service providers continue to compete with their peers to attract new users while existing users are being entice to increase their usage. This would help to combat the softer consumer sentiment, impact of new tax regime and weakening of Ringgit. Due to proliferation of data, effective data monetisation remains as one of the main contributing factors to maintain a competitive position. Despite heightened competition, telecommunication service providers are being favored by investors for its stable and attractive dividend payment. The weakness in share price performance would represent an opportunity for investors to further increase exposure in telecommunication stocks. All in, we reiterate our NEUTRAL+ stance on the sector. Digi (Buy, TP: RM7.04) remains our top pick among the mobile service providers as it is able to leverage on Telenor Group's expertise.

II. BANKING

Operating environment remains tough .... Maintain NEUTRAL

- **Slower loan momentum in 4QCY15 on the back of slower economic growth,** weaker household and cautious business sentiment. We now expect loans for the sector to grow 7-8% instead of 8-9% previously for CY15. NIM for banks to remain under pressure mainly due to high COF as well as lower asset yield.

- **Higher provisioning.** Expect banks with lower LLC ratios due to higher loan impairments such as Maybank and CIMB to raise provisioning to improve their ratios. Focus on achieving higher efficiency to improve CI ratio remains key area for banks looking at the challenges on revenue growth.

- **Normalizing credit charge-off.** Credit charge-off to move towards normalized levels with lower recoveries of bad debts. Capital market activities are likely to remain weak while market will continue to be volatile in 4QCY15. We continue to expect challenges to bank's Treasury income due to the volatility in the market. On IB deals, we continue to expect a low execution of pipeline deals for capital raising via equities and bonds in 4QCY15.

- **Maintain NEUTRAL on the sector.** Our BUY calls are on Hong Leong Bank (TP: RM14.60) for its defensive qualities and Maybank (TP: RM9.80) for its diversified earnings and attractive dividend yield. On the other stocks, we are NEUTRAL on Public Bank (TP: RM19.80), Affin (TP: 2.30), AMMB (TP: RM5.50), AFG (TP: RM4.10), RHB Cap (TP: RM6.60) and CIMB (TP: RM5.50).

III. BUILDING MATERIAL (CEMENT)

Sluggish sales and changed landscape .... Maintain NEUTRAL

- **Growth of sales may remain sluggish.** Based on our visits to several trade fairs such as International Construction Week, EcoBuild, OneBuild and Rail Business, we are of the opinion that cement sales growth will be dampened due to structural changes in demand for cement. The changes are due to (i) intense competition for pricing and products, and (ii) limited sales and oversupply of cement in the market. In such scenario, we are inclined to forecast sluggish results for Lafarge (the only company under our coverage) in upcoming quarters.

- **Changing landscape.** Our view takes into account the latest development with increased usage of pre-cast concrete products, industrial building system and in-house concrete mix plants. This adds up to the intense competition to Lafarge from the pricing of rival products for Ordinary Portland Cement (OPC) such as Panda (Hume Industries) and White Castle (YTL Cement).

- **Remain Neutral.** Providentially, the silver lining to the sector is contributed by (i) lower electricity tariff through the Imbalance Cost-pass through (ICPT) rebate of 2.25sen/kWh from 1 July, 2015 to 31 December, 2015 which reduces production cost, and (ii) downtrend in Newcastle coal price. In sum, despite the imminent risk faced by industry players, we reckon the aforementioned external factors will limit further downside risks. Thus, our recommendations on the sector and Lafarge (TP: RM10.15) remain Neutral.

IV. INSURANCE

At a crossroad .... Maintain NEUTRAL

- **Potential growth in Malaysia…** Although the market penetration increased significantly from 11.4% in 1988 to the most recent of 55.5%, the insurance industry in Malaysia is relatively small by international standards. The industry is still relatively under-penetrated at 55.5% when comparing to the penetration rates of >100% in other countries in the region. Recall that under the Government's ETP, a penetration level of 75% by 2020 has been set as a goal for the industry. For that reason, we deem this ratio is rather flattering but reflects the enormous untapped potential in the local insurance sector. As the life insurance industry is exempted from the GST, this signals another opportunity for insurers to take the industry to a new level of maturity.

- **….but industry liberalization and regulatory changes spell increasing competition.** On the flip side, the issuance of additional licenses in particularly for Takaful insurance and liberalization of the higher allowance for foreign equity spark further fuel competition and consolidation in the Malaysian insurance landscape. Besides that, BNM also introduced a host of regulatory changes involving the financial sector in order to enhance the industry's financial soundness, efficiency and consumer protection.

- **Imminent tariff deregulation exacerbates insurers' bottomline growth.** Presently, there are significant mismatches in the structure as statutory-controlled motor premiums have not changed much since 1973. With deregulation the pricing of fire and motor insurance products will come into effect earliest in mid-2016, this possibly will trigger greater intensity in competition among insurance players. Insurers are expected to face pressure on pricing, which finding themselves needing to sacrifice profit margins to boost sales. However, we opine the adverse impact will not be as significant as initial thought since BNM is looking to implement detariffication in phases-approach to smoothen the transition.

- **NEUTRAL recommendation.** In sum, we expect the transition path of minimizing instability in the industry will inhibit pace of insurers' profitability growth at this juncture. Should they strive to maintain profit margins, the players ought to exercise more control over their expense and claims costs and enhance products competitiveness. Therefore, we are NEUTRAL on the sector with an only top BUY recommendation on Tune Protect (TP: RM1.86).

V. PROPERTY

Still not out of the woods .... Maintain NEUTRAL

- **Property developers' result in 2QCY15 was mixed.** Out of the seven property developers under our coverage which released their results in 2QCY15, 29% or two of the stocks under our coverage (UEMS and E&O) reported earnings which were below expectations. UEMS 1HFY15 results were below expectation due to higher than expected interest cost. As for E&O, its weaker results were due to lower than expected margin for its property division. SUNWAY, MAHSING, UOADEV and GLOMAC earnings were in line with our estimates. Only SPSETIA managed to beat our estimate. This is due to the stronger than expected margin for its Fulton Lane project in Melbourne, Australia. Overall, the 2QCY15 earnings were mixed with two underperformed expectations and one above expectation.

- **1HCY15 property transaction value is down 6.0%yoy with volume down 3.5%yoy.** According to the National Property Information Centre's (NAPIC) First Half 2015 Property Market Report, property transaction value in the 1HCY15 has declined 6.0%yoy to RM77.08b. The decline in 2QCY15 at 9.6%yoy is worse than the 1QCY15 decline of 2.3%yoy. As for property transaction volume, it has declined 3.5%yoy to 186,618 in 1HCY15. The same trend occurs for volume in which 2QCY15 volume slipped 7.6%yoy and this is worse than 1QCY15 volume which still show 0.9%yoy growth. We view the data as a confirmation of our view that 2015 sales for developers are likely to decline on-year.

- **Loan demand for property purchase still weak.** The latest Bank Negara statistics show that "Applied Loan for Purchase of Property" for the first eight months of 2015 (8M15) has declined 7%yoy to RM203.13b. For Aug-2015 against same month last year, it has declined 12%yoy to RM25.68b. This is worse than July-2015 data which show 4%yoy decline. On a mom basis, the data show decline of 3%. We are neutral on this data as the on-year trend remains in the negative growth territory. We think that the general appetite among consumers to buy big ticket items such as property remains low. This may be caused by escalating cost of living due to GST and weakening Ringgit.

- **Weak consumer sentiment may cause lower sales trend to continue in 4QCY15 and 1QCY16.** The latest publication from Malaysian Institute of Economic Research (MIER) shows that Consumer Sentiment Index (CSI) is currently at 71.7. Effectively, this means that CSI is at 6.5 years low. One of the notable comments from MIER is "Consumer spending less robust going forward" and we concur with this due to escalating cost of living due to GST and weakening Ringgit. Hence, we believe that consumer is likely to defer big item purchase in the near term. As a result, we believe that the trend of lower new property sales on-year by developers is likely to continue in 4QCY15 and 1QCY16.

- **Maintain NEUTRAL with SPSETIA (BUY; TP: RM3.60) as our top pick.** We like SPSETIA as: i) it is expected to benefit from higher GBP/MYR rate, ii) the upcoming 4QFY15 result is likely to be good and iii) its net dividend yield of 4.4% is higher than peers' average of 4.2%. Other BUYs are UOADEV (TP: RM2.05) and GLOMAC (TP: RM1.06). We like UOADEV for its net dividend yield of 7.1% which is very attractive against peers' average of 4.2%. UOADEV balance sheet is also the strongest among developers with net cash of RM741m. Lastly, we like GLOMAC as we expect its FY16 earnings growth to be strong at +48%yoy as its unbilled sales have improved to RM796m as of end-FY15 (against RM555m as of end-FY14).

VI. REIT

Safe but unexciting .... Maintain NEUTRAL

- **Latest quarterly results for REITs were in line with expectations.** In our universe of 6 REIT stocks, only KLCC's earnings was above expectations while the remaining reported earnings which came in within expectations. Note that KLCC operating expenses unexpectedly declined by 3%yoy to RM160m possibly due cost saving measure implemented by the Company. 5 REIT stocks with earnings matching expectation are AXREIT, CMMT, IGBREIT, PAVREIT and SUNREIT.

- **Overall, average DPU for 6 REIT stocks under our coverage grew by 4.7%yoy.** IGBREIT registered the strongest DPU growth of 11%yoy. The superior DPU growth was in line with a -8% reduction in operating expenses due to lower utilities and reimbursement costs.

- **We expect MGS yields to continue being volatile** in the near term due to global economic and interest rate uncertainties. This is likely to impact the stability of the spreads between REIT-MGS yield. On interest rates, our economist expects BNM to maintain OPR at 3.25% for the rest of the year. This should keep financing cost stable for all REIT players.

- **We believe sluggish consumer sentiment** with more cautious approach taken given the weak Ringgit and GST implementation could dampen consumer spending. This could affect REITs with exposure to shopping malls (IGBREIT, KLCC, CMMT, PAVREIT and SUNREIT) as rental reversion growth is capped in line with tenants' business revenue, limiting REITs FY15 CNI growth. REITs with commercial/office exposure (AXREIT and SUNREIT) could also have difficulty in maintaining high occupancy rates with influx of new office space outpacing demand growth.

- **We remain NEUTRAL on the sector.** Our Top Picks are IGBREIT (BUY; TP: RM1.46) and CMMT (BUY; TP: RM1.66). We like IGBREIT due to: (i) dividend growth of 11%yoy in 1HFY15 is higher than peers average of 3.4%, (ii) its strong ability to contain expenses, and (iii) minimal risk to interest rate increase as 98% of its loans are in fixed rate. Meanwhile, our BUY call on CMMT is premised on i) our view that the market has underappreciated the earnings contribution from the acquisition of Tropicana City Mall, ii) its net dividend yield at 5.6% is better than sector average of 5.2%, and iii) potential recovery in Sungei Wang Plaza occupancy rate after completion of MRT construction. We are NEUTRAL on KLCC (TP: RM6.93), AXREIT (TP: RM1.75), PAVREIT (TP: RM1.57) and SUNREIT (TP: RM1.62).

VII. TOBACCO

Expecting legal volume to sustain with strict enforcement………………. Maintain NEUTRAL

- **1H15 TIV declined…** As expected, the total industry volume (TIV) in June 2015 fell by -11.0%yoy to 914m cigarette sticks. However, on a month-over-month basis the legal volume has shown a continuous improvement in April, May and June 2015. In April, TIV slumped by -24.3%yoy to only 806m cigarette sticks. This slump in April was mostly due to the remaining high stock of cigarettes purchased before the implementation of the goods and services tax (GST) in April. The TIV from January to June 2015 has also declined by -9.6%yoy.

- **…but improved since Ops Outlet version 2.0 launched.** The improvement of the TIV in May and June is attributable to the launch of the Ops Outlet version 2.0 in April 2015. Together with this new initiative and the current strong enforcement by the Royal Malaysian Customs (RMC), we expect the legal volume to be sustainable in 2015, despite the price hike which took place end-June 2015. From January – June 2015, the total number of illegal cigarettes seized by the RMC was 138m sticks.

- **Maintain NEUTRAL.** We are supportive of the initiatives and strict enforcement carried out by the RMC to battle illicit cigarettes. Moving in 4Q15, we are expecting consumers to face monetary pressure from the increased price of cigarettes and the increased cost of living, thus, raising the possibility of a decline in TIV. However, we are positive on the price hike as we believe that it will support BAT's earnings. Consumers would also be more inclined towards switching to illicit cigarettes which are sold lower than RM7. As such, we are expecting RMC's continuous effort to reduce the illegal cigarette level or at most to retain at the current level.

VIII. MEDIA

Consumer sentiment to remain subdued ………………… Maintain NEUTRAL (negative bias)

- **Consumer sentiment index (CSI) continues to trend lower.** Traditionally, CSI serves as a yardstick to gauge economic expectations and probable future spending behaviour of the consumer. In 2Q15, the CSI trended marginally lower at 71.7 from 72.6 in 1Q15. Such index level is last seen in 4Q08 during the financial crisis. The Malaysia Institute of Economic Research (MIER) indicated that more consumers have less purchasing power. As a result, consumer spending will be less robust. However, we observed that the contraction in CSI has moderated.

- **Decline in advertising expenditure (adex) remains unstoppable.** According to Nielsen, adex dipped by -3.6%yoy to RM1.1b for the month of August 2015. This means that advertisers have remain cautious in view of the weak consumer sentiment which was further exacerbated by economic uncertainties. Historically, we observed that adex normally rises in the fourth quarter in view of the festive holiday season. However, given the subdued consumer sentiment, we believe that the growth in 4Q15 adex would be unexciting.

- **Growth in digital platform could be fueled by surging sales of phablet.** Media companies continue to favour the digital platform as it provides a more competitive pricing policy as well as a more targeted approach. In this regard, locally established media companies are changing their respective business plans to enable more effective monetisation of the digital platform. On another note, we view that the surging demand of phablet (smartphones with 5.5" to 7" screens) would further boost the demand of online advertising due to the bigger screen size. For 2015, sale of phablet is expected to grow by more than 70%, partly due to the introduction of iPhone 6 Plus by Apple.

- **Strong balance sheet to meet the dividend commitment.** Predominantly, media companies are being favoured by the investment community due to the consistent dividend payout. To meet this commitment, media companies have maintained healthy net cash level. Despite the weak market outlook, media companies under our portfolio have shown its ability to manage their cost effectively.

- **Maintain NEUTRAL.** The weak consumer sentiment and economic uncertainty will continue to impact ad-spend and the revenue of media companies. However, we applaud the efforts of media companies to remain competitive in the lackluster operating environment. Equipped with strong balance sheet, media companies remain committed in their distribution of dividends. As we view that there is limited downside in share price performance, we reiterate our NEUTRAL stance in the media sector. Astro (BUY, TP:RM3.58) is our top pick for the sector due to better earnings visibility and strong cash generation capability with enables the adoption of a progressive dividend policy.

D. SECTORS TO BE CAUTIOUS OF

I. STEEL

Dumping activities not likely to abate in the near term .... Maintain NEGATIVE

- **Global overcapacity of steel production** and high steel production worldwide continue to plague the industry.
- **Imports of China's steel bars and wire rods into our domestic market** is expected to continue to be high, impacting margins of local steel players.
- **Steel prices are likely to remain depressed.** This is on the back of continuation of dumping activities by exporters, particularly China mills of cheap steel into the domestic market.
- **Import duties and enforcement of standards yet to bear desired results.** Some positive steps have been taken locally with the reinstatement of the 5% import duties on carbon rebars and wire rods effective 11 June 2015 as well as the enforcement of CIBD (Amendment) Act 2011, on 1st July 2015, where building materials are required to be registered and adhere to the approved standards with CIBD before commencement of projects. However, these have yet to seen as effective in curbing the strong influx of steel from China.
- **Loopholes.** It remains likelihood for steel to be still declared as alloy instead of carbon steel in China, thus taking advantage of export tax rebate of 9-13% and sold abroad.
- **Arising from the excess steel capacity in China,** exports from the country is likely to still remain high ahead. This is despite of the removal of export rebate for boron added rebars and wire rods and the potential implementation of a new environment protection tax law in the country with taxes to be imposed on pollution.
- **Remain NEGATIVE on the sector.** China's dumping of cheap steel products is not likely to abate in the near term.

APPENDIX

Table i: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15*
FBM KLCI	1,761.25	10.5%	-1.0%	1.8%	-1.9%	-4.6%	-5.7%	3.9%	-6.8%	-4.6%
KOSPI	1,915.59	0.7%	-1.3%	0.8%	0.9%	-5.2%	-4.8%	6.5%	1.6%	-5.0%
Mumbai Sensex 30	27,499.42	9.0%	5.7%	13.5%	4.8%	3.3%	29.9%	1.7%	-0.6%	-5.6%
Dow Jones	17,823.07	26.5%	-0.7%	2.2%	1.3%	4.6%	7.5%	-0.3%	-0.9%	-6.5%
Philippines Composite	7,230.57	1.3%	9.1%	6.5%	6.4%	-0.7%	22.8%	9.8%	-4.7%	-9.4%
SET Index	1,497.67	-6.7%	6.0%	8.0%	6.7%	-5.5%	15.3%	0.6%	-0.1%	-10.5%
Taiwan Weighted	9,307.26	11.8%	2.8%	6.1%	-4.5%	3.8%	8.1%	3.0%	-2.7%	-10.9%
Nikkei 225	17,450.77	56.7%	-9.0%	2.3%	6.7%	7.9%	7.1%	10.1%	5.4%	-12.4%
Jakarta Composite	5,226.95	-1.0%	11.6%	2.3%	5.3%	1.7%	22.3%	5.6%	-11.0%	-14.3%
Straits Times	3,365.15	0.0%	0.7%	2.1%	0.6%	2.7%	6.2%	2.4%	-3.8%	-15.8%
Hang Seng	23,605.04	2.9%	-5.0%	4.7%	-1.1%	2.9%	1.3%	5.5%	5.4%	-18.1%
Shanghai Composite	3,234.68	-6.7%	-3.9%	0.7%	15.4%	36.8%	52.9%	15.9%	14.1%	-28.6%

Source: Bloomberg (*as at 2 Oct 2015)

Table ii: Performance of various markets in US dollar (% change)

In US Dollar	Index point	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15*
Dow Jones	17,823.07	26.5%	-0.7%	2.2%	1.3%	4.6%	7.5%	-0.3%	-0.9%	-6.5%
Mumbai Sensex 30	434.95	-3.5%	9.2%	13.2%	1.6%	1.1%	27.1%	3.2%	-2.7%	-8.5%
KOSPI	1.75	1.9%	-1.9%	5.9%	-3.5%	-8.5%	-8.4%	5.4%	0.8%	-9.7%
Nikkei 225	146.08	28.4%	-7.2%	4.1%	-1.5%	-1.0%	-5.8%	9.6%	3.5%	-10.7%
Philippines Composite	161.67	-6.3%	8.1%	9.3%	3.4%	-0.2%	21.8%	9.9%	-5.6%	-12.4%
Taiwan Weighted	294.36	9.1%	0.6%	8.2%	-6.3%	-0.1%	1.9%	4.2%	-1.6%	-16.1%
SET Index	45.56	-13.1%	7.4%	7.9%	6.7%	-6.8%	15.3%	1.5%	-3.7%	-17.1%
Hang Seng	3,044.28	2.8%	-5.0%	4.8%	-1.3%	3.1%	1.3%	5.5%	5.4%	-18.1%
FBM KLCI	503.00	2.8%	-0.2%	3.3%	-4.1%	-10.6%	-11.6%	-1.8%	-7.8%	-19.3%
Straits Times	2,540.31	-3.2%	1.0%	3.0%	-1.6%	-1.1%	1.2%	-1.2%	-1.9%	-20.9%
Jakarta Composite	0.42	-22.0%	19.6%	-1.6%	2.5%	-0.2%	20.5%	0.2%	-12.9%	-22.0%
Shanghai Composite	521.10	-3.9%	-6.5%	1.0%	16.6%	35.3%	49.1%	16.0%	14.2%	-30.4%

Source: Bloomberg (*as at 2 Oct 2015)

Table iii: Performance by sectors (% change)

	Index point	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15*
Industrial	3,243.85	14.0%	0.1%	1.6%	-1.4%	-0.7%	-0.3%	5.5%	-6.6%	1.8%
Plantation	9,230.91	7.6%	0.2%	3.0%	-9.4%	-5.7%	-11.8%	-1.1%	-6.8%	0.5%
Technology	18.54	25.3%	7.5%	14.1%	6.3%	-15.2%	10.4%	27.7%	2.4%	-1.6%
Consumer	588.00	11.0%	-2.0%	1.5%	1.2%	-6.4%	-5.8%	7.5%	-3.1%	-2.2%
Services & Trading	243.56	16.5%	0.0%	1.0%	-0.4%	-5.3%	-4.8%	5.2%	-6.8%	-3.1%
Property	1,428.15	22.7%	5.4%	4.8%	4.5%	-13.9%	-0.6%	2.3%	-7.8%	-5.0%
Construction	301.80	17.4%	3.4%	5.3%	0.4%	-8.2%	0.4%	6.6%	-6.4%	-5.4%
Finance	17,172.35	10.4%	-1.9%	3.3%	0.3%	-8.9%	-7.4%	3.4%	-4.9%	-9.6%
FBM 100	12,678.32	11.4%	-1.0%	1.8%	-1.4%	-5.5%	-6.2%	3.8%	-6.5%	-4.3%
FBM Emas	13,049.79	12.4%	-0.4%	2.0%	-1.0%	-6.6%	-6.1%	4.1%	-6.3%	-4.4%
FBM KLCI	1,882.71	10.5%	-1.0%	1.8%	-1.9%	-4.6%	-5.7%	3.9%	-6.8%	-4.6%
FBM Small Cap	17,931.86	36.7%	9.1%	4.7%	4.1%	-19.4%	-4.2%	8.3%	-3.3%	-6.2%

Source: Bloomberg (*as at 2 Oct 2015)

Table iv: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2014	2015 (est as of)		2016 (f'cast as of)		2014	2015 (est as of)		2016 (f'cast as of)	
		Jun-15	Oct-15	Jun-15	Oct-15		Jun-15	Oct-15	Jun-15	Oct-15
Nikkei 225	20.0%	19.6%	20.1%	11.1%	9.4%	20.1	19.2	16.7	17.3	15.3
Taiwan Weighted	28.6%	10.1%	4.7%	7.9%	4.1%	13.0	13.2	12.4	12.3	11.9
Hang Seng	11.4%	-13.2%	-16.0%	10.5%	7.3%	9.0	12.7	10.7	11.5	10.0
FBM KLCI	1.9%	-2.2%	-4.9%	9.1%	9.1%	15.1	16.1	15.8	14.8	14.5
Jakarta Comp.	12.9%	29.7%	24.8%	17.9%	15.3%	17.4	15.6	13.9	13.3	12.1
SET Index	-14.4%	27.8%	21.0%	14.9%	14.8%	17.6	15.4	14.5	13.4	12.7
Philippines Comp.	6.0%	5.9%	3.6%	13.1%	13.2%	19.0	19.8	18.3	17.5	16.2
Shanghai Comp.	0.0%	21.0%	14.8%	13.1%	11.9%	14.9	17.2	12.9	15.2	11.6
Straits Times	5.5%	-1.8%	-5.0%	8.9%	7.4%	11.4	13.8	12.0	12.7	11.2
Mumbai Sensex 30	12.2%	17.8%	11.3%	20.3%	20.4%	18.4	16.6	16.6	13.8	13.8
DJIA	4.3%	2.0%	-0.2%	8.7%	9.1%	15.0	15.7	15.0	14.4	13.8

Source: Bloomberg (*as at 2 Oct 2015)

Table v: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share price (RM)		% change	TP	UNDER-PERFORMERS	Share price (RM)		% change	TP
	10/02/15	6/30/15				10/02/15	6/30/15		
UEM Sunrise	1.19	0.98	22.1%	1.13	Berjaya Auto	1.92	2.70	-28.9%	3.30
LITRAK	5.15	4.25	21.2%	5.07	Dayang	1.64	2.25	-27.1%	1.97
Kulim	3.02	2.50	20.8%	2.40	Parkson	1.15	1.55	-25.8%	1.54
NCB	4.25	3.52	20.7%	3.45	UMW Holdings	7.57	10.14	-25.3%	8.60
Kossan	7.81	6.50	20.2%	7.84	KNM Group	0.47	0.62	-24.2%	0.62
Top Glove	7.95	6.65	19.5%	6.79	AMMB	4.58	6.03	-24.0%	5.50
MISC	8.67	7.72	12.3%	9.45	Alliance Financial	3.37	4.39	-23.2%	4.10
Hartalega	4.70	4.26	10.5%	8.90	Mah Sing	1.27	1.65	-23.0%	1.40
PetDag	22.14	20.58	7.6%	18.89	Tune Ins	1.29	1.64	-21.3%	1.86
Lafarge	9.05	8.46	7.0%	10.15	SapuraKencana	1.86	2.36	-21.2%	2.89
WCT	1.45	1.37	6.2%	1.66	Ann Joo Res.	0.75	0.95	-21.1%	0.73
IHH	6.01	5.66	6.2%	7.14	RHB Capital	5.88	7.37	-20.2%	6.60
Capitamalls	1.41	1.34	5.2%	1.66	CIMB	4.47	5.47	-18.3%	5.50
SP Setia	3.26	3.10	5.2%	3.70	AirAsia	1.26	1.54	-18.2%	1.82
KL Kepong	22.50	21.40	5.1%	23.40	Tan Chong	2.43	2.95	-17.6%	2.47
Padini	1.39	1.33	4.5%	2.19	Bumi Armada	0.94	1.14	-17.5%	0.94
Globetronics	6.20	5.95	4.2%	7.05	MBM Resources	2.90	3.48	-16.7%	4.80
TM	6.79	6.54	3.8%	7.10	MAHB	5.20	6.21	-16.3%	6.35
Glomac	0.83	0.80	3.7%	1.06	Eversendai	0.76	0.90	-15.6%	1.28
Genting Plant'	10.28	9.91	3.7%	10.20	KKB Eng.	1.51	1.77	-14.7%	1.96
PetGas	22.04	21.26	3.7%	19.27	Favelle	2.44	2.83	-13.8%	3.20
DiGi	5.55	5.36	3.5%	7.04	AEON Co.	2.69	3.10	-13.2%	3.60
Daibochi	4.45	4.30	3.5%	3.83	MMHE	1.05	1.21	-13.2%	1.27
F&N	18.42	17.80	3.5%	18.22	Wah Seong	1.20	1.38	-13.0%	1.13
IOI Corp	4.20	4.06	3.4%	4.30	Maybulk	0.89	1.02	-12.7%	0.77
Maxis	6.55	6.37	2.8%	6.80	Media Prima	1.28	1.46	-12.3%	1.69
YTL Corp	1.59	1.55	2.6%	1.58	Affin Holdings	2.37	2.70	-12.2%	2.30
Nestle	72.88	71.50	1.9%	73.04	UOA Devt	1.85	2.10	-11.9%	2.05
Dialog Group	1.62	1.59	1.9%	1.57	Muhibbah	2.00	2.27	-11.9%	2.95
PPB Goup	15.40	15.12	1.9%	18.00	Protasco	1.61	1.82	-11.5%	2.45
Perdana Pet'	1.54	1.52	1.3%	1.55	Panasonic	20.82	23.00	-9.5%	27.88
YTL Power	1.62	1.60	1.3%	1.60	TSH Res.	2.02	2.23	-9.4%	2.33
Puncak Niaga	2.65	2.62	1.1%	3.16	Axiata	5.80	6.40	-9.4%	6.39
UEM Edgenta	3.48	3.45	0.9%	3.35	Sunway	3.12	3.44	-9.3%	3.44
Sykt Takaful	3.83	3.80	0.8%	3.42	Unisem	2.12	2.33	-9.0%	2.74
KLCC Stapled	7.00	6.96	0.6%	6.93	TH Plantation	1.42	1.56	-9.0%	1.39
Bank Islam	4.06	4.04	0.5%	4.22	IJM Plant	3.30	3.60	-8.3%	3.65
Westports	4.23	4.23	0.0%	4.77	MayBank	8.45	9.14	-7.5%	9.80
Sunreit	1.53	1.54	-0.6%	1.62	Astro	2.85	3.08	-7.5%	3.58
Pavilion	1.48	1.49	-0.7%	1.57	Felda Global	1.51	1.63	-7.4%	1.30
KPJ	4.19	4.22	-0.7%	4.27	Hong Leong Fin.	14.06	15.16	-7.3%	17.80
Star	2.44	2.47	-1.2%	2.46	Lion Industries	0.33	0.35	-7.1%	0.36
LPI Capital	13.70	13.88	-1.3%	13.18	E&O	1.55	1.67	-7.0%	1.66
Hong Leong Bk	13.20	13.40	-1.5%	14.60	MSM	4.76	5.05	-5.7%	6.02
Ta Ann	3.75	3.81	-1.6%	4.50	Sime Darby	8.05	8.52	-5.5%	9.10
IJM Corp	3.20	3.26	-1.8%	3.56	MBSB	1.60	1.69	-5.3%	1.44
Bursa Malaysia	7.95	8.14	-2.3%	9.45	Gamuda	4.43	4.67	-5.1%	4.83
BAT	60.52	62.00	-2.4%	69.62	Public Bank	17.80	18.72	-4.9%	19.80
Gas Malaysia	2.45	2.51	-2.4%	2.87	AirAsia X	0.20	0.21	-4.8%	0.26
MRCB	1.15	1.18	-2.5%	2.21	Tenaga	12.06	12.64	-4.6%	15.60
Axis REIT	1.68	1.73	-2.6%	1.75					
Naim Holdings	2.18	2.25	-3.1%	2.58					
PetChem	6.06	6.32	-4.1%	4.77					
Hock Seng Lee	1.77	1.85	-4.3%	2.06					
IGB REIT	1.27	1.33	-4.5%	1.46					
Sunway Cons.	1.21	n.a.	n.a.	1.32					
					FBM KLCI	1,628.80	1,706.64	-4.6%	1,650.00

Source: MIDFR, Bloomberg (*as at 2 Oct 2015)

MIDF RESEARCH STOCK UNIVERSE as at 2 Oct 2015

	FYE	Rec.	Price (RM)	TP (RM)	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RMm)	52-week Price	
					FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14							High (RM)	Low (RM)
CONSTRUCTION																															
Gamuda	Jul	NEUTRAL	4.43	4.83	719.4	735.5	709.0	31.3	30.6	29.5	23.4	-2.3	-3.6	14.2	14.5	15.0	12.0	12.0	12.0	2.7	2.7	2.7	1.68	2.63	30.65	5.52	10.99	2,405.9	10,658.2	5.36	3.77
Eversendai	Dec	BUY	0.76	1.28	37.4	85.0	90.3	4.8	11.0	11.7	14.3	128.8	6.2	15.8	6.9	6.5	0.0	2.2	2.3	0.0	2.9	3.0	0.59	1.28	8.48	4.27	9.34	773.9	588.2	1.05	0.49
WCT	Dec	NEUTRAL	1.45	1.66	122.9	150.7	165.1	10.8	12.7	14.0	-37.8	18.2	9.6	13.5	11.4	10.4	2.1	4.0	4.5	1.5	2.8	3.1	0.71	2.03	9.11	2.42	6.59	1,182.9	1,715.2	2.08	1.10
Hock Seng Lee	Dec	BUY	1.77	2.06	76.9	88.1	100.5	14.0	16.0	18.3	-9.2	14.6	14.1	12.7	11.0	9.7	2.8	3.0	4.0	1.6	1.7	2.3	1.56	1.14	14.57	10.92	14.78	549.5	972.6	1.98	1.61
IJM Corp	Mar	NEUTRAL	3.20	3.56	829.6	561.1	634.7	29.5	15.7	17.8	93.9	-46.8	13.1	10.8	20.4	18.0	7.5	16.0	18.0	2.3	5.0	5.6	1.11	2.88	10.30	2.84	5.86	3,572.6	11,432.4	3.75	2.87
Muhibbah	Dec	BUY	2.00	2.95	81.6	102.8	104.8	19.2	21.9	22.4	-8.3	14.1	1.9	10.4	9.1	8.9	4.0	5.0	5.0	2.0	2.5	2.5	1.27	1.57	5.93	3.28	11.84	468.6	937.1	3.07	1.51
Protasco	Dec	BUY	1.61	2.45	-46.4	78.9	81.4	-14.0	23.5	24.3	-189.2	-268.5	3.2	n.a.	6.8	6.6	5.0	10.0	10.0	3.1	6.2	6.2	1.54	1.04	7.43	8.52	20.99	335.6	540.3	2.09	1.29
Sunway Con	Dec	BUY	1.21	1.32	124.8	127.9	n.a.	9.7	9.9	n.a.	86.5	2.0	n.a.	12.5	12.2	n.a.	0.0	3.3	n.a.	0.0	2.7	n.a.	4.96	0.24	6.80	10.19	41.22	1,292.9	1,564.4	1.32	0.98
TELECOMMUNICATIONS																															
DiGi	Dec	BUY	5.55	7.04	2,031.1	2,079.0	2,182.0	26.1	26.7	28.1	19.2	2.5	5.0	21.3	20.8	19.8	26.0	27.0	28.0	4.7	4.9	5.0	72.45	0.08	29.62	48.31	303.00	7,775.0	43,151.3	6.65	4.86
Axiata	Dec	NEUTRAL	5.80	6.39	2,348.7	2,534.7	2,704.0	27.4	29.1	31.1	-8.4	6.3	6.7	21.2	19.9	18.7	22.0	24.0	26.0	3.8	4.1	4.5	2.35	2.46	13.55	5.16	11.24	8,706.1	50,495.2	7.29	5.59
Maxis	Dec	NEUTRAL	6.55	6.80	1,717.4	2,093.0	2,141.0	22.9	27.9	28.5	-2.8	21.8	2.3	28.6	23.5	23.0	32.0	22.0	23.0	4.9	3.4	3.5	12.26	0.53	24.95	11.56	44.18	7,509.7	49,188.5	7.30	6.22
Telekom M'sia	Dec	NEUTRAL	6.79	7.10	831.8	873.6	960.4	22.9	23.2	25.6	-19.1	1.5	9.9	29.7	29.2	26.6	22.9	21.4	23.5	3.4	3.2	3.5	3.32	2.05	7.78	3.86	10.98	3,757.9	25,516.4	7.79	6.00
MEDIA																															
Astro	Jan	NEUTRAL	2.85	3.58	448.0	595.9	651.3	8.6	11.5	12.5	-60.9	33.2	9.3	33.1	24.9	22.8	9.0	11.0	11.0	3.2	3.9	3.9	23.44	0.12	11.39	8.85	83.43	5,201.7	14,824.9	3.50	2.73
Media Prima	Dec	NEUTRAL	1.28	1.69	75.5	144.6	151.2	6.8	13.0	13.6	-65.2	90.9	4.6	18.7	9.8	9.4	11.0	10.0	11.0	8.6	7.8	8.6	0.89	1.44	9.60	5.83	8.96	1,109.2	1,419.8	2.20	1.04
Star	Dec	NEUTRAL	2.44	2.46	111.4	131.3	138.9	15.1	17.8	18.8	-22.0	17.8	5.8	16.2	13.7	13.0	12.0	14.0	14.0	4.9	5.7	5.7	1.58	1.54	12.95	7.86	11.16	738.0	1,800.6	2.63	2.17
SEMICONDUCTOR																															
Unisem	Dec	BUY	2.12	2.74	68.4	94.0	108.3	10.2	12.8	14.8	-164.9	26.2	15.2	20.9	16.6	14.4	6.0	8.0	9.5	2.8	3.8	4.5	1.29	1.65	9.05	6.33	9.11	733.8	1,555.7	2.65	1.20
Globetronics	Dec	BUY	6.20	7.05	64.4	79.1	88.2	22.9	28.1	31.3	20.6	22.5	11.5	27.0	22.1	19.8	20.0	25.0	27.0	3.2	4.0	4.4	5.80	1.07	22.36	22.08	27.80	281.5	1,745.6	6.47	3.52
PLANTATION																															
Sime Darby	Jun	TRADING BUY	8.05	9.10	3,352.7	2,149.4	2,769.8	55.6	34.6	44.6	-9.7	-37.7	28.9	14.5	23.3	18.1	36.0	20.0	30.0	4.5	2.5	3.7	1.65	4.89	4.92	3.49	6.85	6,211.2	49,999.8	9.77	6.70
Felda Global	Dec	NEUTRAL	1.51	1.30	325.5	479.3	259.9	8.9	13.1	7.1	-66.9	47.6	-45.8	17.0	11.5	21.2	10.0	10.0	4.4	6.6	6.6	2.9	0.88	1.73	2.93	2.31	5.43	3,648.2	5,508.7	3.69	1.18
Genting Plant	Dec	BUY	10.28	10.20	377.2	396.1	464.7	49.3	50.9	59.8	64.3	3.3	17.3	20.8	20.2	17.2	7.0	9.0	12.0	0.7	0.9	1.2	2.00	5.14	24.11	7.09	9.54	777.4	7,992.1	10.81	8.52
IJM Plant	Mar	NEUTRAL	3.30	3.65	88.6	122.6	149.5	11.1	13.9	17.0	-25.9	26.0	22.0	29.9	23.7	19.4	7.0	10.0	10.0	2.1	3.0	3.0	1.84	1.79	18.36	4.77	7.67	880.6	2,905.9	3.82	2.99
IOI Corp	Jun	NEUTRAL	4.20	4.30	3,373.0	941.8	1,121.5	52.9	15.0	17.8	71.7	-71.8	19.1	7.9	28.1	23.6	20.0	10.0	9.2	4.8	2.4	2.2	5.25	0.80	8.16	7.01	17.94	6,299.1	26,456.3	4.99	3.70
TSH Resources	Dec	NEUTRAL	2.02	2.33	123.8	124.2	156.0	9.2	9.2	11.5	19.6	-0.5	25.7	22.0	22.1	17.6	2.5	4.0	5.0	1.2	2.0	2.5	2.32	0.87	11.59	4.79	9.63	1,355.7	2,738.6	2.41	1.73
TH Plantation	Dec	NEUTRAL	1.42	1.39	48.3	57.8	63.7	5.5	6.5	7.2	-23.7	19.4	10.3	26.0	21.7	19.7	2.0	2.4	2.7	1.4	1.7	1.9	1.04	1.37	11.82	1.62	3.58	883.9	1,255.1	1.74	1.11
KL Kepong	Sep	NEUTRAL	22.50	23.40	991.7	1,101.5	1,190.4	93.1	103.4	111.8	8.0	11.1	8.1	24.2	21.8	20.1	55.0	60.0	65.0	2.4	2.7	2.9	2.73	8.24	9.97	8.55	13.46	1,065.0	23,961.7	23.66	19.60
Kulim	Dec	SELL	3.02	2.40	164.3	70.8	84.5	12.6	5.6	6.7	-62.9	-55.4	19.4	24.1	54.0	45.2	9.5	37.7	2.2	3.1	12.5	0.7	0.83	3.63	6.48	0.76	1.26	1,265.8	3,822.7	3.15	2.41
PPB Goup	Dec	NEUTRAL	15.40	18.00	916.8	1,052.4	1,128.6	77.3	88.8	95.2	-6.8	14.8	7.2	19.9	17.3	16.2	23.0	28.3	30.3	1.5	1.8	2.0	1.02	15.13	28.51	5.66	6.05	1,185.5	18,256.7	16.20	13.42
TOBACCO																															
BAT	Dec	BUY	60.52	69.62	902.0	970.4	1,032.4	315.9	339.9	361.6	9.5	7.6	6.4	19.2	17.8	16.7	309.0	317.0	325.0	5.1	5.2	5.4	32.01	1.89	20.23	75.57	185.13	285.5	17,280.3	74.40	56.74
GLOVE																															
Kossan	Dec	NEUTRAL	7.81	7.84	145.6	199.9	227.7	22.8	31.3	35.6	6.8	37.3	13.9	34.3	25.0	21.9	8.0	8.9	9.8	1.0	1.1	1.3	5.54	1.41	15.36	15.50	24.14	639.5	4,994.2	7.96	4.21
Hartalega	Mar	NEUTRAL	4.70	8.90	232.8	278.1	331.6	15.7	16.9	20.2	-1.5	8.0	19.2	29.9	27.7	23.3	7.3	12.5	13.0	1.5	2.7	2.8	5.55	0.85	24.27	19.08	21.89	1,640.9	7,712.1	5.15	3.28
Top Glove	Aug	BUY	7.95	6.79	180.5	240.0	270.8	29.1	38.7	43.6	-8.3	32.9	12.8	27.3	20.6	18.2	16.0	17.0	17.0	2.0	2.1	2.1	3.33	2.38	10.55	12.41	17.17	620.9	4,935.8	8.55	4.21
HEALTHCARE																															
KPJ	Dec	NEUTRAL	4.19	4.27	143.0	133.0	147.0	14.1	12.8	14.2	33.9	-8.9	10.5	29.8	32.7	29.6	4.9	6.5	7.2	1.2	1.6	1.7	3.19	1.31	5.04	3.99	9.86	1,038.4	4,350.9	4.42	3.55
IHH Healthcare	Dec	BUY	6.01	7.14	754.3	1,012.0	1,216.0	9.2	12.3	14.8	18.8	33.2	20.2	65.0	48.8	40.6	3.0	4.0	5.0	0.5	0.7	0.8	2.39	2.52	13.79	3.53	4.75	8,223.3	49,421.9	6.45	4.60
UEM Edgenta	Dec	NEUTRAL	3.48	3.35	202.4	239.0	253.0	24.9	29.4	31.1	6.4	18.0	5.9	14.0	11.8	11.2	5.0	18.0	18.0	1.4	5.2	5.2	2.34	1.49	7.74	9.03	17.56	813.5	2,831.0	3.87	1.98
CONSUMER (F&B, Retail)																															
Padini	Jun	NEUTRAL	1.39	2.19	90.9	108.3	117.3	13.8	16.5	17.8	6.5	19.1	8.3	10.1	8.4	7.8	10.0	12.0	12.5	7.2	8.6	9.0	2.25	0.62	11.07	17.97	26.70	657.9	914.5	1.90	1.28
Daibochi	Dec	NEUTRAL	4.45	3.83	23.7	25.8	26.7	20.9	22.7	23.5	-13.6	8.9	3.5	21.3	19.6	18.9	13.0	14.0	15.2	2.9	3.1	3.4	2.89	1.54	7.49	8.77	15.33	113.4	504.7	4.68	4.00
PPB Goup	Dec	NEUTRAL	15.40	18.00	916.8	1,052.4	1,128.6	77.3	88.8	95.2	-6.8	14.8	7.2	19.9	17.3	16.2	23.0	28.3	30.3	1.5	1.8	2.0	1.02	15.13	28.51	5.66	6.05	1,185.5	18,256.7	16.20	13.42
Panasonic	Mar	BUY	20.82	27.88	80.8	105.8	n.a.	133.0	174.2	n.a.	7.3	31.0	n.a.	15.7	12.0	n.a.	50.0	87.0	n.a.	2.4	4.2	n.a.	1.69	12.35	11.36	11.71	14.73	60.7	1,264.7	22.59	17.38
Nestle	Dec	NEUTRAL	72.88	73.04	550.4	608.9	644.4	235.0	259.7	274.8	-2.1	10.5	5.8	31.0	28.1	26.5	235.0	251.5	261.1	3.2	3.5	3.6	28.21	2.58	12.66	26.44	78.35	234.5	17,090.4	75.50	65.90
MSM	Dec	BUY	4.76	6.02	257.0	281.9	293.9	36.6	40.1	41.8	0.9	9.7	4.3	13.0	11.9	11.4	24.0	24.0	25.0	5.0	5.0	5.3	1.68	2.84	12.36	11.19	14.50	703.0	3,346.2	5.50	4.62
Parkson	Jun	NEUTRAL	1.15	1.54	139.0	156.6	149.1	11.1	14.3	13.6	-36.8	29.1	-4.8	10.4	8.0	8.4	0.0	4.5	5.0	0.0	3.9	4.3	0.47	2.43	4.19	1.59	3.66	1,092.6	1,256.5	2.52	0.99
F&N	Sep	NEUTRAL	18.42	18.22	259.4	290.1	311.7	71.0	79.2	85.1	-0.6	11.5	7.4	25.9	23.3	21.7	55.0	69.8	73.3	3.0	3.8	4.0	3.81	4.84	7.60	10.61	17.18	366.4	6,749.3	19.12	15.42
AEON Co.	Dec	NEUTRAL	2.69	3.60	212.7	240.7	210.2	15.2	17.1	15.0	-7.9	13.2	-12.7	17.8	15.7	18.0	5.0	4.5	4.7	1.9	1.7	1.7	2.05	1.31	6.50	7.16	13.50	1,404.0	3,776.8	3.79	2.64
BANKING																															
Hong Leong Bk	Jun	BUY	13.20	14.60	2,102.3	2,157.1	2,293.7	119.4	119.9	127.5	12.9	0.4	6.3	11.1	11.0	10.4	41.0	38.0	40.0	3.1	2.9	3.0	1.41	9.33	29.25	1.17	12.85	1,798.8	23,744.3	14.82	12.30
HLFG	Jun	BUY	14.06	17.80	1,706.9	1,647.0	1,798.0	162.9	156.4	170.8	14.2	-4.0	9.2	8.6	9.0	8.2	38.0	38.0	39.0	2.7	2.7	2.8	1.13	12.48	20.61	0.81	8.46	1,052.8	14,801.9	18.48	12.50
RHB Capital	Dec	BUY	5.88	6.60	2,038.0	2,104.0	2,437.0	79.7	81.3	94.1	9.3	2.0	15.8	7.4	7.2	6.2	6.0	10.0	12.0	1.0	1.7	2.0	0.76	7.74	20.26	0.96	11.14	2,588.5	15,220.3	9.05	5.85
Affin Holdings	Dec	NEUTRAL	2.37	2.30	605.3	481.0	640.0	35.3	24.8	32.9	-14.3	-29.8	33.1	6.7	9.6	7.2	15.0	12.0	16.0	6.3	5.1	6.8	0.57	4.18	14.62	0.72	6.02	1,942.9	4,604.8	3.40	2.10
MayBank	Dec	BUY	8.45	9.80	6,716.5	6,963.0	7,665.0	74.2	73.0	80.4	-2.1	-1.6	10.1	11.4	11.6	10.5	57.0	45.0	49.0	6.7	5.3	5.8	1.43	5.93	26.24	1.09	12.72	9,539.3	80,607.0	10.10	8.18
Alliance F'cial	Mar	NEUTRAL	3.37	4.10	563.5	560.0	630.0	37.2	36.2	40.7	5.4	-2.8	12.5	9.1	9.3	8.3	19.0	16.0	18.0	5.6	4.7	5.3	1.15	2.92	23.08	1.05	n.a.	1,548.1	5,217.1	4.93	3.31
CIMB	Dec	NEUTRAL	4.47	5.50	3,106.8	3,692.0	4,223.0	37.5	43.5	49.7	-37.5	16.0	14.4	11.9	10.3	9.0	15.0	18.0	20.0	3.4	4.0	4.5	0.98	4.56	17.47	0.89	9.62	8,489.8	37,949.3	7.05	4.46
AMMB	Mar	NEUTRAL	4.58	5.50	1,782.4	1,696.2	1,794.2	59.3	56.3	59.5	9.7	-5.1	5.8	7.7	8.1	7.7	24.1	23.0	24.0	5.3	5.0	5.2	0.93	4.92	24.01	1.27	10.94	3,014.2	13,805.0	6.94	4.17
Public Bank	Dec	NEUTRAL	17.80	19.80	4,518.8	4,691.8	5,104.6	123.7	121.5	132.2	9.9	-1.8	8.8	14.4	14.6	13.5	54.0	56.0	60.0	3.0	3.1	3.4	2.34	7.59	30.52	1.36	16.25	3,861.5	68,734.6	19.90	17.04
Bank Islam	Dec	NEUTRAL	4.06	4.22	532.3	560.8	600.1	35.6	36.4	38.9	37.9	2.0	7.0	11.4	11.2	10.4	14.7	15.0	16.1	3.6	3.7	4.0	1.84	2.21	18.89	1.06	17.58	1,542.2	6,261.4	4.34	3.70

Source: Company, MIDFR

MIDF RESEARCH STOCK UNIVERSE as at 2 Oct 2015 (cont'd)

	FYE	Rec.	Price (RM)	TP (RM)	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RMm)	52-week Price	
					FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14	FY15F	FY16F	FY14							High (RM)	Low (RM)
FINANCE																															
MBSB	Dec	NEUTRAL	1.60	1.44	1,015.0	685.5	695.5	39.2	24.2	24.5	5.6	-38.3	1.5	4.1	6.6	6.5	10.0	7.6	7.7	6.3	4.8	4.8	0.94	1.70	41.82	1.82	14.64	2,838.5	4,541.6	2.66	1.26
Bursa Malaysia	Dec	BUY	7.95	9.45	198.2	204.3	219.1	37.2	38.2	41.0	14.5	2.7	7.2	21.4	20.8	19.4	34.0	36.4	39.0	4.3	4.6	4.9	5.50	1.44	43.35	12.33	26.79	534.6	4,250.2	9.00	7.48
LPI Capital	Dec	NEUTRAL	13.70	13.18	283.0	229.2	237.3	85.5	69.0	71.5	40.4	-19.3	3.5	16.0	19.8	19.2	50.0	50.0	50.0	3.6	3.6	3.6	2.73	5.02	25.91	6.79	13.87	332.0	4,548.2	15.30	11.00
Sykt Takaful	Dec	BUY	3.83	3.42	140.5	165.7	136.6	17.3	20.3	16.7	1.1	17.7	-17.6	22.2	18.9	22.9	15.0	50.9	14.5	3.9	13.3	3.8	5.12	0.75	10.85	2.31	27.78	815.8	3,124.7	4.23	2.06
Tune Ins	Dec	BUY	1.29	1.86	72.3	79.6	88.8	9.6	10.6	11.8	3.6	10.1	11.6	13.4	12.2	10.9	0.0	4.5	5.1	0.0	3.5	4.0	2.35	0.55	24.02	7.29	17.88	751.8	969.8	2.27	1.21
OIL & GAS																															
SapuraKencana	Jan	BUY	1.86	2.89	1,086.9	1,267.8	1,332.3	18.9	21.2	22.2	80.5	11.8	5.1	9.8	8.8	8.4	0.0	4.5	5.5	0.0	2.4	3.0	0.88	2.11	12.75	3.67	10.57	5,992.2	11,145.4	4.07	1.36
PetChem	Dec	NEUTRAL	6.06	4.77	2,465.0	2,862.0	2,878.0	31.0	35.8	36.0	-20.5	15.4	0.6	19.5	16.9	16.8	16.0	22.0	23.0	2.6	3.6	3.8	2.07	2.93	19.61	10.06	11.69	8,000.0	48,480.0	6.64	4.65
Wah Seong	Dec	BUY	1.20	1.13	125.6	121.4	123.0	16.2	15.7	15.9	289.6	-3.0	1.3	7.4	7.7	7.6	5.0	5.0	5.0	4.1	4.2	4.2	0.83	1.45	4.98	4.18	9.57	774.1	928.9	1.77	1.17
Bumi Armada	Dec	NEUTRAL	0.94	0.94	218.7	414.4	442.8	4.3	7.1	7.5	-22.7	63.5	6.9	21.8	13.3	12.5	1.6	2.0	2.0	1.7	2.1	2.1	0.81	1.16	17.29	2.87	6.17	5,866.3	5,514.3	1.92	0.77
KNM Group	Dec	BUY	0.47	0.62	42.2	115.4	127.0	2.6	6.0	6.5	69.7	126.3	10.1	17.9	7.9	7.2	0.0	0.6	0.6	0.0	1.3	1.3	0.36	1.32	6.19	2.94	5.35	1,938.9	911.3	0.87	0.38
Petronas Gas	Dec	NEUTRAL	22.04	19.27	1,843.2	1,783.5	1,798.1	93.1	90.1	90.9	-11.4	-3.2	0.8	23.7	24.5	24.3	95.0	55.0	55.0	4.3	2.5	2.5	3.87	5.69	40.61	13.45	16.87	1,978.7	43,611.3	23.98	20.20
Dialog Group	Jun	NEUTRAL	1.62	1.57	215.9	236.1	249.8	2.2	4.6	4.9	-45.3	111.5	5.8	74.0	35.0	33.1	1.1	2.1	2.2	0.7	1.3	1.4	2.15	0.75	10.01	6.50	11.54	5,098.0	8,258.7	1.80	1.19
Gas Malaysia	Dec	NEUTRAL	2.45	2.87	167.6	126.5	131.1	13.0	9.9	10.2	0.0	-24.2	3.6	18.8	24.9	24.0	13.1	9.9	10.2	5.3	4.0	4.2	3.24	0.76	4.56	7.06	12.49	1,284.0	3,145.8	3.56	1.93
Dayang	Dec	BUY	1.64	1.97	180.1	216.5	221.4	21.5	24.7	25.3	18.7	14.9	2.3	7.6	6.6	6.5	7.0	8.0	8.0	4.3	4.9	4.9	1.41	1.16	24.69	16.44	22.44	876.8	1,438.0	3.37	1.45
MMHE	Dec	NEUTRAL	1.05	1.27	129.9	135.4	146.1	8.1	8.5	9.1	-45.1	4.2	7.9	12.9	12.4	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.63	1.68	5.01	3.03	5.14	1,600.0	1,680.0	2.97	0.90
PetDag	Dec	NEUTRAL	22.14	18.89	501.6	619.1	723.5	50.5	62.3	72.8	-38.2	23.4	16.9	43.8	35.5	30.4	60.0	50.0	55.0	2.7	2.3	2.5	4.49	4.93	1.91	6.49	12.92	993.5	21,995.1	22.80	14.40
Perdana Pet.	Dec	NEUTRAL	1.54	1.55	88.0	69.2	93.8	12.0	9.2	12.5	38.2	-22.7	35.5	12.9	16.7	12.3	2.0	2.0	2.0	1.3	1.3	1.3	1.63	0.95	19.93	5.00	10.58	749.0	1,153.5	1.79	0.99
PROPERTY & REITS																															
Naim Holdings	Dec	NEUTRAL	2.18	2.54	220.3	77.7	98.7	93.0	32.8	41.7	-6.5	-64.7	27.0	2.3	6.6	5.2	3.5	3.3	4.2	1.6	1.5	1.9	0.40	5.41	11.84	4.17	6.10	236.9	516.5	3.45	1.95
MRCB	Dec	BUY	1.15	2.21	152.6	70.9	116.1	8.9	4.0	6.5	-221.0	-55.6	63.8	12.9	29.0	17.7	2.5	2.5	3.7	2.2	2.2	3.2	0.89	1.29	4.68	1.01	3.43	1,786.6	2,054.6	1.63	0.80
SP Setia	Oct	NEUTRAL	3.26	3.70	405.7	602.0	723.0	16.3	22.9	27.5	-9.4	40.5	20.1	20.0	14.2	11.9	9.7	14.3	17.1	3.0	4.4	5.3	1.28	2.55	15.80	4.59	8.86	2,628.2	8,568.1	3.65	2.92
UEM Sunrise	Dec	NEUTRAL	1.19	1.13	479.9	474.0	506.0	10.6	10.4	11.2	-20.3	-1.4	6.8	11.2	11.4	10.7	3.0	2.9	3.1	2.5	2.5	2.6	0.85	1.40	17.81	4.27	6.95	4,537.4	5,399.5	1.88	0.76
Sunway	Dec	TRADING BUY	3.12	3.44	734.0	558.0	595.0	42.6	31.3	33.3	-55.0	-26.5	6.6	7.3	10.0	9.4	11.0	11.3	120.0	3.5	3.6	38.5	0.87	3.57	12.24	4.34	8.82	1,784.4	5,567.2	3.53	2.81
UOA Devt	Dec	NEUTRAL	1.85	2.05	316.1	321.0	407.0	23.0	21.1	26.8	-17.9	-8.2	26.8	8.0	8.8	6.9	13.0	13.1	14.0	7.0	7.1	7.6	0.98	1.90	29.78	9.31	11.30	1,519.7	2,811.4	2.32	1.68
E&O	Mar	NEUTRAL	1.55	1.66	113.2	130.0	136.0	8.3	10.4	10.9	-20.6	25.3	4.6	18.7	14.9	14.3	2.7	3.0	3.1	1.7	1.9	2.0	1.19	1.30	28.92	4.23	7.89	1,251.9	1,940.5	2.53	1.42
Mah Sing	Dec	NEUTRAL	1.27	1.40	339.2	406.0	448.0	17.2	16.9	18.6	9.0	-1.8	10.3	7.4	7.5	6.8	4.8	7.9	8.6	3.7	6.2	6.8	1.04	1.23	14.03	7.65	17.82	2,409.4	3,060.0	1.79	1.26
Axis REIT	Dec	NEUTRAL	1.68	1.75	110.5	94.6	99.3	12.9	8.6	9.1	-2.3	-33.3	5.0	13.0	19.5	18.5	9.9	16.9	16.7	5.9	10.1	9.9	1.36	1.23	66.97	4.54	7.13	1,095.5	1,840.5	1.87	1.57
IGB REIT	Dec	BUY	1.27	1.46	317.6	245.0	248.0	9.2	7.1	7.2	1.1	-23.4	1.2	13.8	18.0	17.7	7.8	7.3	7.4	6.1	5.8	5.8	1.20	1.06	53.06	4.75	6.69	3,465.6	4,401.3	1.38	1.22
Sunreit	Jun	NEUTRAL	1.53	1.62	411.1	244.3	273.3	14.1	8.3	9.3	-0.4	-40.9	11.9	10.9	18.4	16.5	8.4	7.9	8.8	5.5	5.1	5.8	1.13	1.36	53.47	3.80	6.13	2,939.9	4,498.1	1.76	1.45
Pavilion	Dec	NEUTRAL	1.48	1.57	510.5	241.0	253.0	16.9	8.0	8.4	55.7	-52.9	5.0	8.7	18.5	17.7	8.0	7.4	7.8	5.4	5.0	5.3	1.17	1.26	59.94	5.18	6.32	3,017.8	4,466.4	1.63	1.34
Capitamalls	Dec	NEUTRAL	1.41	1.66	236.4	148.5	155.1	13.3	7.3	7.7	2.5	-44.9	4.4	10.6	19.2	18.4	8.9	6.9	7.3	6.3	4.9	5.1	1.07	1.31	47.08	4.36	6.49	2,024.8	2,855.0	1.66	1.24
Glomac	Apr	BUY	0.83	1.06	108.4	93.0	98.0	15.0	12.8	13.5	0.9	-14.4	5.4	5.5	6.5	6.1	4.9	4.4	4.6	5.9	5.3	5.6	0.63	1.32	19.65	4.97	9.33	726.1	602.6	1.15	0.73
KLCC Stapled	Dec	NEUTRAL	7.00	6.93	458.6	593.0	617.0	25.4	32.8	34.2	-13.3	29.3	4.0	27.6	21.3	20.5	33.6	30.9	32.2	4.8	4.4	4.6	1.05	6.69	43.81	3.53	4.28	1,805.3	12,637.3	7.40	6.33
TRANSPORT																															
- Aviation																															
AirAsia	Dec	BUY	1.26	1.82	82.8	1,054.7	1,123.0	3.0	37.9	40.4	-76.9	1,163.3	6.5	42.0	3.3	3.1	3.0	7.0	8.0	2.4	5.6	6.3	0.74	1.71	19.47	5.10	23.15	2,783.0	3,506.5	2.94	0.77
AirAsia X	Dec	BUY	0.20	0.26	-519.4	12.3	119.0	-17.6	0.3	2.9	226.7	-101.7	867.5	n.a.	67.4	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.99	0.20	0.42	0.33	1.75	4,148.1	829.6	0.67	0.15
MAHB	Dec	NEUTRAL	5.20	6.35	745.7	328.4	399.1	52.4	19.8	24.1	79.9	-62.2	21.5	9.9	26.3	21.6	6.0	17.0	18.0	1.2	3.3	3.5	1.12	4.64	9.82	1.46	4.42	1,659.2	8,627.8	7.35	4.22
- Ports & Logistics																															
NCB	Dec	NEUTRAL	4.25	3.45	27.9	36.5	54.3	5.9	7.8	11.5	-46.4	31.6	48.8	72.0	54.8	36.8	7.0	10.0	10.0	1.6	2.4	2.4	1.43	2.98	4.39	1.61	2.60	470.3	1,998.6	4.54	2.11
Westports	Dec	NEUTRAL	4.23	4.77	512.2	542.7	586.3	15.0	15.9	17.2	8.4	6.0	8.0	28.2	26.6	24.6	11.3	11.8	12.9	2.7	2.8	3.0	8.00	0.53	34.74	14.11	30.76	3,410.0	14,424.3	4.68	2.81
- Shipping																															
Maybulk	Dec	NEUTRAL	0.89	0.77	12.2	45.2	47.2	1.2	4.5	4.7	-72.6	270.5	4.4	73.0	19.7	18.9	1.0	1.0	3.0	1.1	1.1	3.4	0.44	2.01	17.68	1.80	2.24	1,000.0	890.0	1.68	0.78
MISC	Dec	NEUTRAL	8.67	9.45	2,204.3	1,822.0	1,901.6	49.4	40.8	42.6	5.8	-17.4	4.4	17.6	21.2	20.4	10.0	18.0	21.0	1.2	2.1	2.4	1.26	6.89	19.60	4.38	6.32	4,463.8	38,701.1	9.39	6.48
TOLL																															
LITRAK	Mar	BUY	5.15	5.07	134.1	157.2	241.0	26.1	30.1	46.2	1.6	15.5	53.3	19.7	17.1	11.1	17.0	20.0	22.3	3.3	3.9	4.3	4.52	1.14	41.29	7.16	29.27	521.6	2,686.5	5.22	3.39
UTILITIES																															
Tenaga	Aug	BUY	12.06	15.60	6,467.0	6,601.7	6,824.3	114.6	117.0	120.9	19.2	2.1	3.4	10.5	10.3	10.0	29.0	35.8	37.0	2.4	3.0	3.1	1.46	8.28	15.43	5.97	15.19	5,643.6	68,061.9	16.96	10.26
YTL Power	Jun	NEUTRAL	1.62	1.60	1,202.4	976.3	940.0	18.3	13.8	13.3	32.1	-24.4	-3.7	8.9	11.7	12.2	10.0	8.1	7.8	6.2	5.0	4.8	1.00	1.61	8.19	2.20	8.42	7,053.1	11,426.0	1.67	1.44
AUTO																															
Berjaya Auto	Apr	BUY	1.92	3.30	130.6	254.0	262.5	12.3	22.3	23.0	n.a.	81.3	3.3	15.6	8.6	8.3	3.8	0.0	0.0	2.0	0.0	0.0	4.62	0.42	13.88	34.35	51.57	1,139.7	2,188.3	2.96	1.88
UMW Holdings	Dec	NEUTRAL	7.57	8.60	652.0	780.0	781.0	55.8	66.8	66.8	-0.2	19.6	0.1	13.6	11.3	11.3	41.0	36.7	36.8	5.4	4.8	4.9	1.32	5.75	5.22	4.72	8.27	1,168.3	8,844.0	12.16	7.41
Tan Chong	Dec	NEUTRAL	2.43	2.47	105.9	233.0	328.0	16.2	35.7	50.3	-57.8	120.1	40.8	15.0	6.8	4.8	6.0	6.1	9.5	2.5	2.5	3.9	0.57	4.26	4.89	4.65	8.44	652.7	1,586.0	4.60	2.28
MBM Resources	Dec	BUY	2.90	4.80	112.2	181.0	197.0	28.7	46.3	50.4	-18.7	61.4	8.8	10.1	6.3	5.8	8.0	12.0	12.0	2.8	4.1	4.1	0.70	4.12	10.20	7.45	10.20	390.7	1,133.1	3.50	2.57
GENERAL INDUSTRIES																															
Favelle	Dec	BUY	2.44	3.20	87.6	88.3	88.9	40.6	40.3	40.6	28.3	-0.5	0.7	6.0	6.0	6.0	12.0	13.1	13.2	4.9	5.4	5.4	1.12	2.19	11.07	7.78	19.21	218.9	534.1	3.30	2.28
KKB Eng.	Dec	TRADING BUY	1.51	1.96	21.0	36.4	41.2	8.1	14.1	16.0	-37.4	73.7	13.2	18.6	10.7	9.4	4.0	5.7	6.4	2.6	3.8	4.2	1.26	1.20	18.02	10.68	12.31	257.8	389.3	2.29	1.20
BUILDING MATERIAL																															
- Steel																															
Ann Joo Res.	Dec	NEUTRAL	0.75	0.73	23.4	12.1	42.9	4.7	2.4	8.6	90.6	-48.2	254.5	16.1	31.0	8.8	2.0	0.0	2.6	2.7	0.0	3.5	0.36	2.11	0.53	0.44	1.14	500.6	375.4	1.26	0.71
Lion Industries	Jun	NEUTRAL	0.33	0.36	-505.9	-103.3	12.7	-70.6	-14.7	1.8	1,366.9	-79.2	-112.3	n.a.	n.a.	18.0	0.0	1.0	1.0	0.0	3.1	3.1	0.10	3.36	-3.62	-2.34	-3.85	704.5	229.0	0.63	0.22
- Cement																															
Lafarge	Dec	NEUTRAL	9.05	10.15	256.0	317.1	359.1	30.1	37.3	42.3	-30.2	23.9	13.2	30.0	24.3	21.4	34.0	35.0	41.0	3.8	3.9	4.5	2.47	3.67	11.56	7.95	10.15	849.7	7,689.7	10.80	8.38
- Timber																															
Ta Ann	Dec	BUY	3.75	4.50	123.7	122.3	138.3	33.4	33.0	37.3	33.0	-1.1	13.1	11.2	11.4	10.0	20.0	12.0	12.0	5.3	3.2	3.2	1.24	3.02	12.09	6.50	11.22	370.5	1,389.5	3.99	3.20
WATER																															
Puncak Niaga	Dec	NEUTRAL	2.65	3.16	248.4	50.0	63.3	60.5	12.0	15.2	23.4	-80.1	26.6	4.4	22.0	17.4	0.0	100.0	4.5	0.0	37.7	1.7	1.00	2.65	8.24	1.03	2.41	416.0	1,102.4	3.74	2.29

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	*Negative* total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

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(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380