

# FBM KLCI Semi-Annual Review

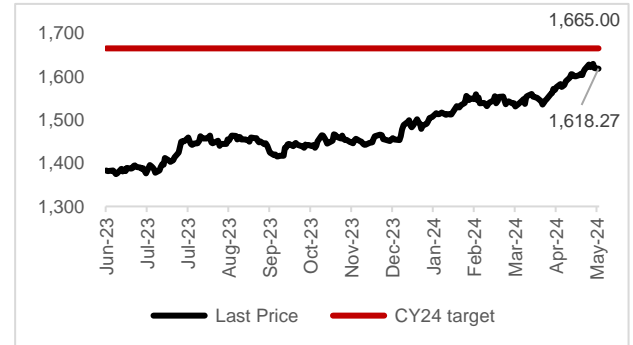
**Data cut-off date:** May 27, 2024  
**FTSE announcement date:** June 6, 2024  
**Implementation date:** June 24, 2024

## Revisiting Sunway's Elevation into the KLCI

### KEY INVESTMENT HIGHLIGHTS

- **FBM KLCI undergoing semi-annual review; data cut-off date on 27<sup>th</sup> May**
- **Sunway is a likely new entrant to the list after rising to 23<sup>rd</sup> spot while AMMB Holdings is likely to be removed**
- **Slight changes to reserve list with the removal of Inari and Westports and addition of AMMB Holdings and IOI Properties Group**
- **Financial services sector weightage expected to decline to 39.1% (from 40.8%); industrial sector weightage to grow to 7.8% (from 6.5%)**

### FBM KLCI TARGET



Source: Bloomberg, MIDFR

**Upcoming FBM KLCI review.** We revisit the FTSE Bursa Malaysia (FBM) KLCI four weeks after our earlier report “Weighing Sunway’s inclusion” as the benchmark index is now up for its semi-annual review, based on the data from the market close yesterday. Changes to the constituents will be implemented after the market concludes on the third Friday of Jun-24 (21<sup>st</sup> June) and will come into effect on the following Monday (24<sup>th</sup> June).

**Sunway to join KLCI.** In our previous report, we anticipated the inclusion of Sunway in the FBM KLCI. At the close of 30<sup>th</sup> April, the stock ranked 24<sup>th</sup> based on market capitalisation (market cap), which was then at RM19.8b. Its share price gained +6.53% since then, giving Sunway a market cap of RM21.11b and moved it up a spot to 23<sup>rd</sup>. As Sunway conforms to both the free float and liquidity requirements, we expect FTSE to announce its inclusion in the index next week.

**Ambank to be removed.** To make way for Sunway, AMMB Holdings will likely be removed, being the lowest ranking constituent as at yesterday’s close with a market cap of RM14.12b, ranking it at 34<sup>th</sup>, dropping one spot from 30<sup>th</sup> April.

**Reserve list.** We expect the reserve list of the FBM KLCI, which comprises the top five non-constituents, to see slight changes, with the removal of Inari Amertron and Westports Holdings and the inclusion of AMMB Holdings and IOI Properties Group.

**Free float.** All the top 40 shares met the free float requirement of more than 15%, according to our estimates.

**Liquidity estimates.** The average monthly liquidity figures shown in Table 1 are indicative figures. The way liquidity is observed as per the ground rules of the FTSE Bursa Malaysia Index Series is via the median trading volume each month where there must be a minimum of five trading days, with a monthly turnover of at least 0.05% (0.04% for existing constituents) of its issued shares after adjusting for free float for at least 10 out of 12 months (eight out of 12 months for existing constituents). Out of the top 40 stocks, only KLCCP Stapled Group and Chin Hin Group do not meet the liquidity requirements.

### FBM KLCI CONSTITUENTS

Bursa Ticker	Rec.	TP (RM)
<b>Existing</b>		
MAYBANK	NEUTRAL	10.03
PBBANK	BUY	4.78
TENAGA	NEUTRAL	11.00
CIMB	BUY	7.17
IHH	BUY	7.35
PCHEM	NEUTRAL	7.18
CDB	BUY	4.95
PMETAL	-	-
HLBANK	BUY	21.38
YTL	BUY	4.19
YTLPOWR	BUY	6.35
MISC	BUY	8.48
PETGAS	BUY	19.37
SIMEPLT	NEUTRAL	4.18
NESTLE	NEUTRAL	127.00
MAXIS	NEUTRAL	3.87
AXIATA	TRADING	2.42
	SELL	
TM	NEUTRAL	5.58
IOICORP	BUY	4.50
KLK	NEUTRAL	22.00
RHBBANK	BUY	6.00
PPB	NEUTRAL	15.47
HLFG	BUY	20.79
PETDAG	BUY	24.91
SIME	-	-
GENTING	-	-
MRDIY	-	-
QL	BUY	6.50
GENM	-	-
AMBANK	NEUTRAL	4.23
<b>Potential Inclusion</b>		
SUNWAY	BUY	3.98
<b>Potential Exclusion</b>		
AMBANK	NEUTRAL	4.23

**Analyst**  
**Royce Tan** Seng Hooi  
royce.tan@midf.com.my

**Table 1: Top 40 stocks by market capitalisation (as of 27 May)**

	Stock name	Share price (RM)	Full market cap (RM'b)	Free float*	Free float adjusted market cap (RM'b)	Average monthly liquidity**	Current KLCI weightage*	New KLCI weightage*
1	Malayan Banking	9.99	120.55	68.15%	82.15	0.11%	13.92%	14.01%
2	Public Bank	4.13	80.17	74.90%	60.04	0.10%	10.17%	10.24%
3	Tenaga Nasional	13.22	76.51	77.94%	59.63	0.10%	10.10%	10.17%
4	CIMB Group Holdings	6.90	73.70	77.14%	56.85	0.18%	9.63%	9.69%
5	IHH Healthcare	6.29	55.40	37.62%	20.84	0.11%	3.53%	3.55%
6	Petronas Chemicals Group	6.87	54.96	34.66%	19.05	0.10%	3.23%	3.25%
7	CelcomDigi	4.08	47.86	33.50%	16.03	0.05%	2.72%	2.73%
8	Press Metal Aluminium Holdings	5.35	44.08	43.15%	19.02	0.12%	3.22%	3.24%
9	Hong Leong Bank	19.40	42.05	35.23%	14.81	0.08%	2.51%	2.53%
10	YTL Corp	3.71	40.78	38.72%	15.79	0.62%	2.67%	2.69%
11	YTL Power International	4.96	40.39	30.19%	12.19	0.93%	2.07%	2.08%
12	MISC	8.37	37.36	46.70%	17.45	0.09%	2.96%	2.97%
13	Petronas Gas	18.32	36.25	48.60%	17.62	0.07%	2.98%	3.00%
14	Sime Darby Plantation	4.33	29.95	53.89%	16.14	0.06%	2.73%	2.75%
15	Nestle (Malaysia)	127.40	29.88	26.85%	8.02	0.14%	1.36%	1.37%
16	Maxis	3.69	28.90	37.49%	10.84	0.06%	1.84%	1.85%
17	Axiata	2.85	26.17	63.26%	16.55	0.08%	2.80%	2.82%
18	Telekom Malaysia	6.50	24.94	80.35%	20.04	0.12%	3.39%	3.42%
19	IOI Corp	3.95	24.50	45.56%	11.16	0.06%	1.89%	1.90%
20	Kuala Lumpur Kepong	21.98	24.10	51.54%	12.42	0.14%	2.10%	2.12%
21	RHB Bank	5.51	24.02	49.39%	11.86	0.22%	2.01%	2.02%
22	PPB Group	14.88	21.17	43.90%	9.29	0.09%	1.57%	1.58%
23	Sunway	3.75	21.11	36.56%	7.72	0.48%		1.32%
24	Hong Leong Financial Group	17.48	20.02	18.85%	3.77	0.12%	0.64%	0.64%
25	Petronas Dagangan	19.96	19.83	36.08%	7.15	0.09%	1.21%	1.22%
26	Sime Darby	2.83	19.29	62.82%	12.12	0.22%	2.05%	2.07%
27	Genting	4.77	18.37	54.19%	9.95	0.23%	1.69%	1.70%
28	Mr DIY Group (M)	1.83	17.29	28.07%	4.85	0.29%	0.82%	0.83%
29	Gamuda	6.10	16.90	90.72%	15.33	0.23%		
30	Malaysia Airports Holdings	10.02	16.72	32.10%	5.37	0.55%		
31	QL Resources	6.48	15.77	33.79%	5.33	0.24%	0.90%	0.91%
32	Genting Malaysia	2.76	15.64	49.98%	7.82	0.23%	1.32%	1.33%
33	Dialog Group	2.55	14.39	61.80%	8.89	0.23%		
34	<b>AMMB Holdings</b>	4.27	14.12	81.76%	11.54	0.12%	1.96%	
35	IOI Properties Group	2.54	13.99	29.12%	4.07	0.28%		
36	KLCCP Stapled Group	7.65	13.81	35.32%	4.88	0.01%		
37	Westports Holdings	4.04	13.78	31.12%	4.29	0.11%		
38	Inari Amertron	3.41	12.83	83.66%	10.73	0.26%		
39	Chin Hin Group	3.44	12.17	36.06%	4.39	0.07%		
40	Fraser & Neave Holdings	32.70	11.99	25.87%	3.10	0.12%		

Source: Bloomberg, MIDFR

\* - MIDF estimates


\*\* - Indicative figure

Highlighted in green - Current KLCI constituents

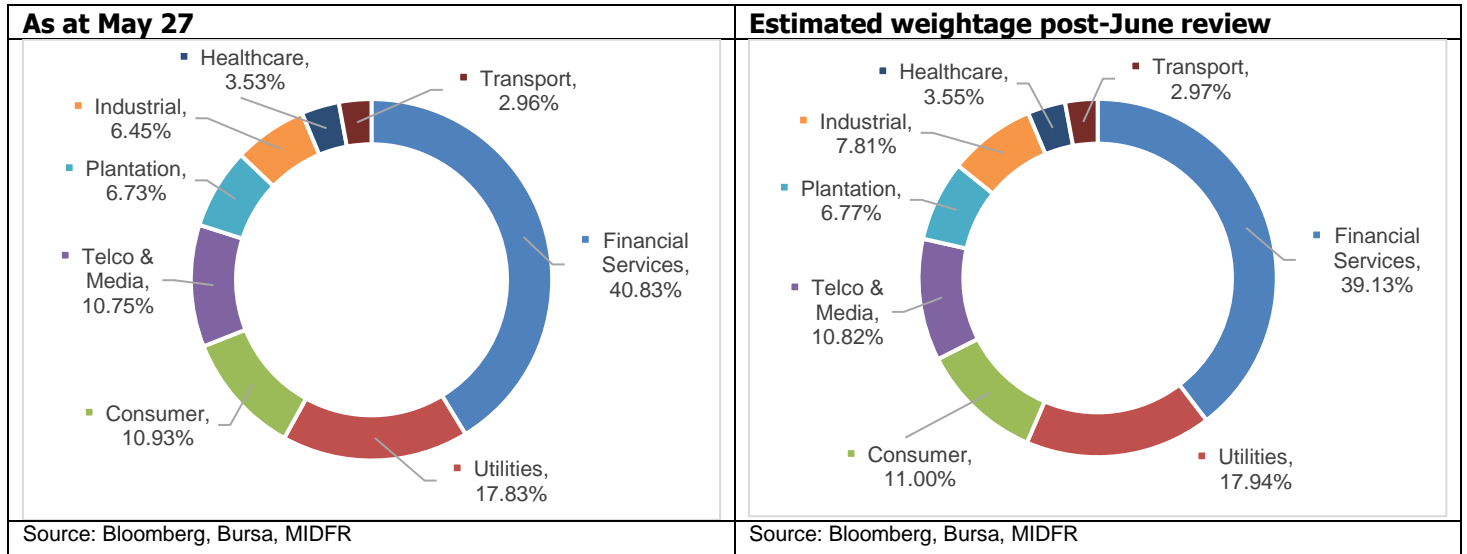
**Table 2: Reserve list**

Current list	Expected new list
Dialog	Gamuda
Gamuda	Malaysia Airports Holdings
Inari Amertron	Dialog Group
Malaysia Airports Holdings	AMMB Holdings
Westports Holdings	IOI Properties Group

Source: Bloomberg, MIDFR

**Changes in sector weightages.** With the expected deletion of AMMB Holdings from the FBM KLCI, the anchor sector Financial Services is expected to see a weightage reduction from 40.8% currently to 39.1% after the review. The most significant change will come from the Industrial Products & Services sector, with a bump in weightage from 6.5% to 7.8% with Sunway’s inclusion. 

**Figure 1: FBM KLCI sector weightages**



**Table 3: FBM KLCI semi-annual review dates**

Review period	Cut-off date	FTSE announcement date	Effective date
Dec-23	20th November	30th November	18th December
<b>Jun-24</b>	27th May	6th June	24th June
Dec-24	25th November	5th December	23rd December

## Appendix

### FTSE Bursa Malaysia Index Series v5.9 - Ground Rules

#### Section 4 - Index Construction

- 4.2 A** Free float will be calculated using available published information rounded to 12 decimal places. Companies with a free float of 15% or below are excluded from the index
- 4.3.3 (excerpts)**
- Each security will be tested for liquidity semi-annually in June and December by calculation of its monthly median of daily trading volume
  - A minimum of five trading days in that month must exist, otherwise the month will be excluded from the test
  - The daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut-off date
- 4.3.3 A** A non-constituent that does not turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trading volume per month for at least 10 of the 12 months prior to the semi-annual review will not be eligible for inclusion in the index.
- 4.3.3 B** An existing constituent that does not turnover at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trading volume per month for at least eight of the 12 months prior to the semi-annual review will be removed.
- 4.3.3 C** At the sole discretion of FTSE Russell, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in FTSE Russell's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

#### Section 5 - Periodic review of constituent companies

- 5.1.1** The semi-annual review of the FTSE Bursa Malaysia Index Series constituents takes place in June and December using data from the close of business on the Monday four weeks prior to the review effective date. Any constituent changes will be implemented after close of business on the third Friday (i.e. effective Monday) of June and December
- 5.3.3** A security will be inserted at the periodic review if it rises to 25th or above when the eligible Main Market securities are ranked by full market value
- 5.3.4** A security will be deleted at the periodic review if it falls to 36th or below when the eligible main market securities are ranked by full market value
- 5.7.1** FTSE Russell will be responsible for publishing the five highest-ranking non-constituents of the FTSE Bursa Malaysia KLCI at the time of the periodic review. The appropriate reserve list will be used if one or more constituents are deleted from the FTSE Bursa Malaysia KLCI during the period up to the next semi-annual review

Source: LSEG/FTSE Russell

### Free Float Restrictions v2.6

- 1 Free float restrictions include:**
- Shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension schemes for governments)
  - Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated
  - Shares held within employee share plans
  - Shares held by public companies or by non-listed subsidiaries of public companies
  - All shares where the holder is subject to a lock-in clause (for the duration of that clause)
  - All shares where the holder has a stated incentive to retain the shares (e.g. bonus shares paid if holding is retained for a set period of time)
  - Shares held by an investor, investment company or an investment fund for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, has an employee on the board of directors of a company, has a shareholder agreement, has successfully placed a current member to the board of directors or has nominated a current member to the board of directors alongside a shareholder agreement with the company
  - Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted
- 2 Free float restrictions where holding is 10% or greater**
- Shares that are held by sovereign wealth funds
  - Shares held by founders, promoters, former directors, venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert
- 3 Free float restrictions where holding is 30% or greater**
- For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However, where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%

Source: LSEG/FTSE Russell

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have an interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed, or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology