

FBM KLCI Semi-Annual Review

Weighing Sunway's Inclusion

KEY INVESTMENT HIGHLIGHTS

- **FBM KLCI to undergo semi-annual review on 24th June; data cut-off date on 27th May**
- **Sunway is a potential new entrant to the list after rising to 24th spot possibly replacing AMMB Holdings**
- **Both YTL Power and YTL Corp, which were included in the previous review, strengthens its positions in the FBM KLCI**
- **Financial services sector weightage potentially to decline to 39.6% (from 41.3%); industrial sector weightage to grow to 7.9% (from 6.6%)**

Upcoming FBM KLCI review. The semi-annual review of the FTSE Bursa Malaysia (FBM) KLCI is scheduled to take place on 24th June 2024, based on the data from the market close on 27th May 2024. Any changes to the constituents, if applicable, will be implemented after the market concludes on the third Friday of June-24 (21st June) and will come into effect on the following Monday (24th June). Based on the market close on 30th April 2024 and the ground rules as stipulated by FTSE Russell, we estimate the possible changes to the constituents of FBM KLCI.

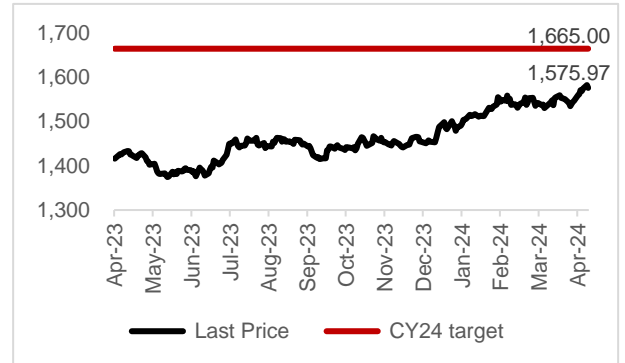
Sunway could potentially join FBM KLCI... Sunway saw a meteoric rise in its share price since 20th November 2023, the cut-off date of the previous semi-annual review of the FBM KLCI. It was trading at RM1.99 then, ranking it at the 38th spot in terms of market capitalisation. Since then, its share price has risen +76.9% to RM3.52 as of 30th April 2024, bumping it up to the 24th spot. While there much can happen until then, should it maintain its position or even drop to the 25th, we believe that an inclusion into the barometer index is more-or-less guaranteed as it conforms to both the free float and liquidity requirements.

...replacing AMMB. A possible inclusion of Sunway means that there would be an exclusion, which we estimate to be AMMB Holdings. If the rankings in terms of market capitalisation remain unchanged during the cut-off date on 27th May, AMMB Holdings would be the lowest rank. As of 30th April, it commands a market capitalisation of RM13.89b, ranking it 33rd. Directly ahead of it is Mr DIY Group (M) at the 31st spot with RM14.74b.

Both YTLs strengthen position in top 30. YTL Power International and YTL Corp were ranked 23rd and 24th respectively on 20th November 2023, leading to its inclusion during the Dec-23 review. Both counters have performed well to date, further cementing their positions in the FBM KLCI, placing them at the 10th and 13th spots respectively. Both YTL Power International and YTL Corp were also the top two most liquid during the period.

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

FBM KLCI TARGET



Source: Bloomberg, MIDFR

FBM KLCI CONSTITUENTS

Bursa Ticker	MIDFR Rec.	TP (RM)
Existing		
MAYBANK	NEUTRAL	9.71
PBBANK	NEUTRAL	4.48
CIMB	NEUTRAL	6.95
TENAGA	NEUTRAL	11.00
IHH	BUY	7.35
PCHEM	NEUTRAL	7.18
CDB	BUY	4.95
PMETAL	-	-
HLBANK	BUY	21.38
YTLPOWR	BUY	4.22
PETGAS	BUY	19.37
MISC	BUY	8.48
YTL	BUY	2.27
SIMEPLT	NEUTRAL	4.18
NESTLE	NEUTRAL	126.00
MAXIS	NEUTRAL	4.04
AXIATA	NEUTRAL	2.42
KLK	BUY	24.60
IOICORP	BUY	4.50
TM	NEUTRAL	5.58
RHBBANK	BUY	6.00
PPB	NEUTRAL	15.47
PETDAG	BUY	24.91
HLFG	BUY	20.79
SIME	-	-
GENTING	-	-
QL	BUY	6.50
GENM	-	-
MRDIY	-	-
AMBANK	NEUTRAL	4.23
Potential Inclusion		
SUNWAY	BUY	3.01*
Potential Exclusion		
AMBANK	NEUTRAL	4.23

*Target price under review

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Table 1: Top 40 stocks by market capitalisation (as of 30 April)

	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	9.73	117.41	68.29%	80.18	0.10%	14.04%	14.14%
2	Public Bank	4.12	79.97	74.90%	59.90	0.10%	10.49%	10.57%
3	CIMB Group Holdings	6.61	70.59	77.13%	54.45	0.16%	9.53%	9.61%
4	Tenaga Nasional	11.96	69.22	77.94%	53.95	0.10%	9.45%	9.52%
5	IHH Healthcare	6.33	55.75	34.67%	19.33	0.10%	3.38%	3.41%
6	Petronas Chemicals Group	6.78	54.24	34.66%	18.80	0.11%	3.29%	3.32%
7	CelcomDigi	4.15	48.69	33.50%	16.31	0.05%	2.86%	2.88%
8	Press Metal Aluminium Holdings	5.37	44.25	42.35%	18.74	0.11%	3.28%	3.31%
9	Hong Leong Bank	19.30	41.84	35.23%	14.74	0.09%	2.58%	2.60%
10	YTL Power International	4.60	37.37	30.03%	11.22	0.82%	1.96%	1.98%
11	Petronas Gas	18.00	35.62	48.32%	17.21	0.07%	3.01%	3.04%
12	MISC	7.96	35.53	46.70%	16.59	0.08%	2.91%	2.93%
13	YTL Corp	3.10	34.03	38.64%	13.15	0.62%	2.30%	2.32%
14	Sime Darby Plantation	4.47	30.91	53.89%	16.66	0.06%	2.92%	2.94%
15	Nestle (Malaysia)	127.20	29.83	26.85%	8.01	0.12%	1.40%	1.41%
16	Maxis	3.67	28.74	37.49%	10.78	0.06%	1.89%	1.90%
17	Axiata	2.83	25.98	62.77%	16.31	0.09%	2.86%	2.88%
18	Kuala Lumpur Kepong	23.14	25.37	51.54%	13.08	0.15%	2.29%	2.31%
19	IOI Corp	4.07	25.25	45.56%	11.50	0.07%	2.01%	2.03%
20	Telekom Malaysia	6.19	23.75	79.90%	18.98	0.11%	3.32%	3.35%
21	RHB Bank	5.50	23.57	49.36%	11.64	0.21%	2.04%	2.05%
22	PPB Group	15.74	22.39	43.90%	9.83	0.09%	1.72%	1.73%
23	Petronas Dagangan	21.70	21.56	36.08%	7.78	0.08%	1.36%	1.37%
24	Sunway	3.52	19.78	35.72%	7.06	0.47%		1.25%
25	Hong Leong Financial Group	16.72	19.15	18.85%	3.61	0.09%	0.63%	0.64%
26	Sime Darby	2.80	19.08	62.65%	11.96	0.18%	2.09%	2.11%
27	Genting	4.52	17.40	55.03%	9.58	0.23%	1.68%	1.69%
28	Malaysia Airports Holdings	10.00	16.69	65.90%	11.00	0.25%		
29	QL Resources	6.42	15.62	33.79%	5.28	0.20%	0.92%	0.93%
30	Genting Malaysia	2.64	14.96	49.98%	7.48	0.20%	1.31%	1.32%
31	Mr DIY Group (M)	1.56	14.74	18.88%	2.78	0.39%	0.49%	0.49%
32	Gamuda	5.31	14.71	87.15%	12.82	0.22%		
33	AMMB Holdings	4.20	13.89	81.76%	11.36	0.13%	1.99%	
34	KLCCP Stapled Group	7.54	13.61	35.32%	4.81	0.01%		
35	Dialog Group	2.41	13.60	61.80%	8.40	0.18%		
36	Westports Holdings	3.91	13.33	31.12%	4.15	0.11%		
37	IOI Properties Group	2.16	11.89	26.74%	3.18	0.25%		
38	Inari Amertron	3.09	11.62	83.56%	9.71	0.26%		
39	Fraser & Neave Holdings	31.6	11.59	43.96%	5.09	0.06%		
40	Hap Seng Consolidated	4.43	10.45	25.87%	2.70	0.18%		

Source: Bloomberg, MIDFR

* - MIDF estimates

** - Indicative figure

Highlighted in green - Current KLCI constituents

Table 2: Reserve list

Current list	Expected new list (MIDFR Estimate)
Dialog	Malaysia Airports Holdings
Gamuda	Gamuda
Inari Amertron	AMMB Holdings
Malaysia Airports Holdings	Dialog Group
Westports Holdings	Westports Holdings

Source: Bloomberg, MIDFR

Reserve list. The reserve list of the FBM KLCI, which comprises the top five non-constituents, is expected to see a slight change, with the removal of Inari Amertron and the inclusion of AMMB Holdings.

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. Liquidity is observed, as per the ground rules of the FTSE Bursa Malaysia Index Series, 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). Petronas Gas narrowly met this requirement according to our estimates as its monthly liquidity median was only 0.03% in Jul-23, Oct-23 and Dec-23. We understand that it is also up to the discretion of FTSE Russell to adjust the figures by up to 0.01% across the region during a review. Non-constituents KLCCP Stapled Group, Fraser & Neave and Hap Seng Consolidated do not meet the liquidity requirements.

Potential shift in sector weightages. With the expected deletion of AMMB Holdings from the FBM KLCI, we estimate that the anchor sector Financial Services may see a weightage reduction from 41.30% currently to 39.61% after the review. The most significant change will come from the Industrial Products & Services sector, with a bump in weightage from 6.57% to 7.87% with Sunway's inclusion.

Figure 1: FBM KLCI sector weightages

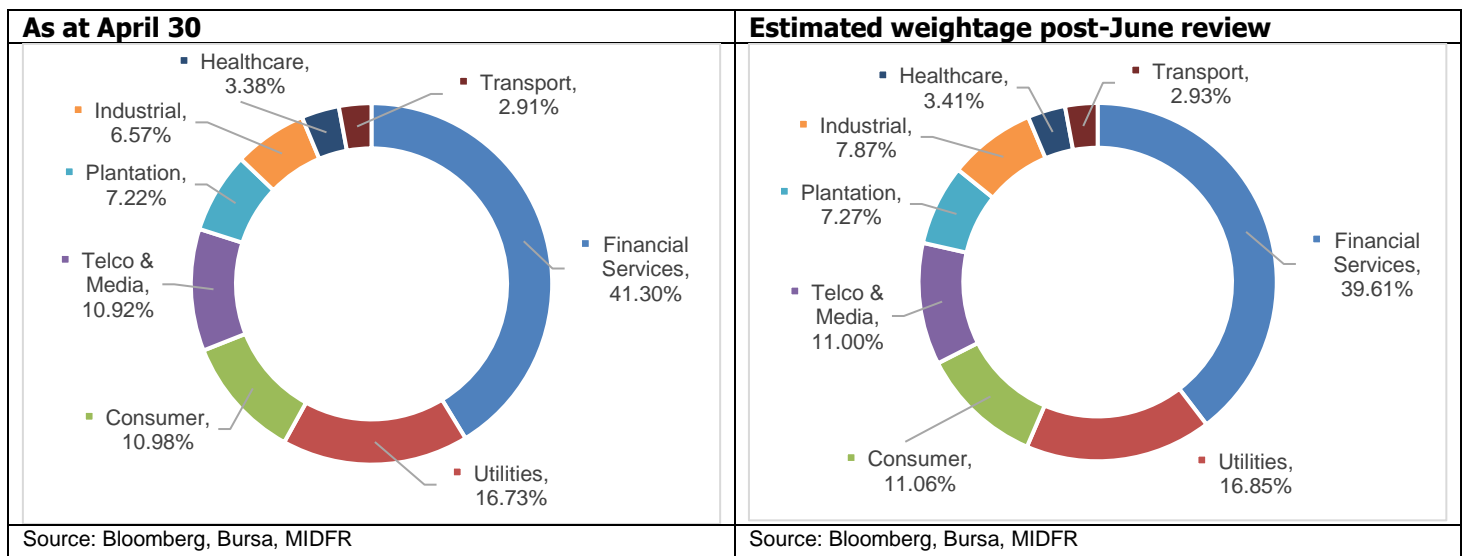



Table 3: FBM KLCI semi-annual review dates

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

Maintain FBM KLCI 2024 target at 1,665 points. The benchmark index rose to a two year high of 1,582.66 points on Monday before investors pared some gains on Tuesday, slashing a few points from the index to 1,575.97 points on the back of net selling activities by local institutional and local retail investors. We maintain our **FBM KLCI target for 2024 at 1,665 points**, or a PER of 14.6 times. We believe that it is still a waiting game for the Federal Reserve to deliver its first rate cut as expected by the market. Nevertheless, we are sanguine on Malaysia's economic prospects, and we maintain our expectation of the earnings growth potential of corporate Malaysia which will be anchored by a recovery in external trade, upside in the construction sector and the improving outlook of the property sector. 

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

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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