

FBM KLCI Semi-Annual Review

Cut-off date: Nov 25, 2024

FTSE announcement date: Dec 5, 2024

Implementation date: Dec 23, 2024

A Sneak Peek at the Dec-24 Reviews

KEY INVESTMENT HIGHLIGHTS

- **FBM KLCI to undergo semi-annual review on 23rd Dec; data cut-off date on 25th Nov**
- **Gamuda is a likely new entrant to the list after rising to 24th spot**
- **Potential removal of Genting Malaysia after falling to 36th spot**
- **Likely return of construction sector to the FBM KLCI with a 3.18% weightage: Financial Services to remain as anchor at 41.9%**
- **Consumer sector weightage to reduce from 9.81% to 8.48%**

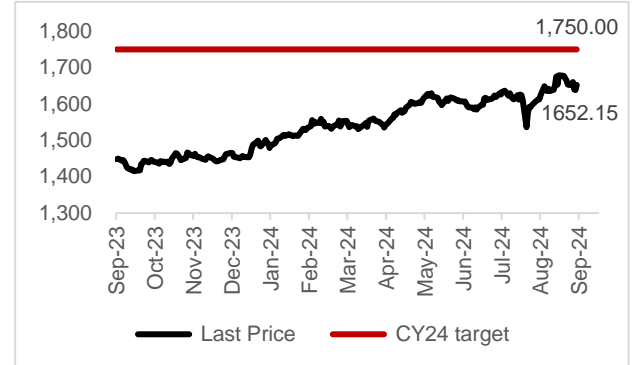
Upcoming FBM KLCI review. The semi-annual review of the FTSE Bursa Malaysia (FBM) KLCI is scheduled to be implemented on the 23rd of December, based on the data from the review cut-off date on the 25th of November. While it is still two months away, we opine that it will be of interest to delve into the possible changes among the blue-chip stocks since the previous review cut-off date on 27th May and with the recent listing of 99 Speed Mart Retail Holdings.

Return of the construction giant. After two years (five consecutive semi-annual reviews) in the FBM KLCI reserve list, it seems likely for Gamuda to be elevated into the barometer index. Since the Jun-24 review, its share price has risen +19.0% to RM7.59 as at 13th September, ranking 24th based on market capitalisation. As long as it remains at the 25th spot and above by the cut-off date, an inclusion into the index is rather certain as Gamuda meets both the free float and liquidity requirements. Gamuda's previous entry into the FBM KLCI was more than a decade ago on 20th September 2010, replacing Tanjong that was taken private. Gamuda was removed from the index in the Dec-11 review alongside MISC to make way for Bumi Armada and AirAsia.

Potential removal of Genting Malaysia. As of Friday, Genting Malaysia has fallen to the 36th spot in terms of market capitalisation. If it remains at that position by the cut-off date of the upcoming review, it will have to be deleted from the index, going by the ground rules. This will make way for Gamuda's potential entry.

Could it have been a fast entry for 99 Speed Mart? Among the ground rules of the FBM Index Series allows for fast entry inclusion for a new issue if its full market capitalisation amounts to 2% or more of the full market capitalisation of the FBM EMAS Index. At its IPO price of RM1.65, 99 Speed Mart's market cap was only 0.8% of the entire FBM Emas, thus not qualifying for fast entry. The last time there was a fast entrant into the FBM KLCI was in Aug-12 when IHH

FBM KLCI TARGET



Source: Bloomberg, MIDFR

FBM KLCI CONSTITUENTS

Bursa Ticker	Rec.	TP (RM)
Existing		
MAYBANK	BUY	12.11
PBBANK	BUY	5.16
CIMB	BUY	9.11
TENAGA	NEUTRAL	14.20
IHH	BUY	7.35
HLBANK	BUY	22.76
PCHEM	BUY	4.95
CDB	BUY	4.43
PMETAL	-	-
MISC	BUY	9.75
PETGAS	BUY	19.23
SDG	NEUTRAL	4.80
MAXIS	BUY	4.17
YTLPOWR	BUY	6.20
YTL	BUY	4.19
RHBBANK	BUY	6.60
TM	NEUTRAL	7.03
IOICORP	BUY	4.50
NESTLE	NEUTRAL	126.00
SUNWAY	NEUTRAL	4.15
AXIATA	NEUTRAL	2.56
KLK	NEUTRAL	23.42
HLFG	BUY	23.13
PPB	NEUTRAL	14.47
PETDAG	BUY	24.63
MRDIY	-	-
QL	BUY	7.25
GENTING	-	-
SIME	-	-
GENM	-	-
Potential Inclusion		
GAMUDA	BUY	8.26
Potential Exclusion		
GENM	-	-

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Healthcare was listed. 99 Speed Mart, which last traded at RM1.88 on Friday, commands a market capitalisation of RM15.79b, ranking it 33rd. It will likely be included in the reserve list in the upcoming review. For it to ascend into the FBM KLCI by Dec-24, its share price must climb to RM2.41, if everything else remains status quo. As a comparison, Mr DIY Group (M), which was listed on the 26th of October 2020 at RM1.60, entered the FBM KLCI during the Jun-21 review after its share price rose 2.4x to RM3.89 (before one-for-two bonus issue in Jun-22).

Table 1: Top 40 stocks by market capitalisation (as of 13 September 2024)

	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*	Potential New KLCI weightage*
1	Malayan Banking	10.64	128.39	65.87%	84.57	0.14%	14.13%	13.85%
2	Public Bank	4.70	91.23	75.99%	69.33	0.13%	11.59%	11.35%
3	Cimb Group Holdings	8.16	87.40	77.53%	67.76	0.25%	11.32%	11.09%
4	Tenaga Nasional	14.78	85.92	78.55%	67.49	0.16%	11.28%	11.05%
5	IHH Healthcare	6.78	59.71	34.48%	20.59	0.17%	3.44%	3.37%
6	Hong Leong Bank	21.20	45.96	35.23%	16.19	0.11%	2.71%	2.65%
7	Petronas Chemicals Group	5.50	44.00	34.89%	15.35	0.11%	2.57%	2.51%
8	CelcomDigi	3.70	43.41	33.50%	14.54	0.07%	2.43%	2.38%
9	Press Metal Aluminium Holdings	4.78	39.39	42.56%	16.76	0.20%	2.80%	2.74%
10	MISC	8.04	35.89	46.70%	16.76	0.16%	2.80%	2.74%
11	Petronas Gas	17.98	35.58	48.60%	17.29	0.07%	2.89%	2.83%
12	SD Guthrie	4.54	31.40	53.91%	16.93	0.07%	2.83%	2.77%
13	Maxis	3.84	30.08	37.50%	11.28	0.07%	1.89%	1.85%
14	YTL Power International	3.66	30.04	30.47%	9.15	0.99%	1.53%	1.50%
15	YTL Corp	2.55	28.08	39.15%	11.00	0.58%	1.84%	1.80%
16	RHB Bank	6.30	27.46	50.69%	13.92	0.30%	2.33%	2.28%
17	Telekom Malaysia	6.70	25.71	80.35%	20.66	0.21%	3.45%	3.38%
18	IOI Corp	3.86	23.95	42.81%	10.25	0.07%	1.71%	1.68%
19	Nestle (Malaysia)	101.30	23.75	26.85%	6.38	0.15%	1.07%	1.04%
20	Sunway	4.09	23.19	40.64%	9.42	0.58%	1.57%	1.54%
21	Axiata Group	2.50	22.95	63.26%	14.52	0.10%	2.43%	2.38%
22	Kuala Lumpur Kepong	20.78	22.78	51.52%	11.74	0.14%	1.96%	1.92%
23	Hong Leong Financial Group	19.30	22.10	18.85%	4.17	0.11%	0.70%	0.68%
24	Gamuda	7.59	21.40	90.74%	19.42	0.33%		3.18%
25	PPB Group Berhad	14.20	20.20	43.90%	8.87	0.09%	1.48%	1.45%
26	Petronas Dagangan	19.08	18.96	36.08%	6.84	0.11%	1.14%	1.12%
27	Mr DIY Group (M)	1.96	18.53	28.19%	5.22	0.33%	0.87%	0.86%
28	Malaysia Airports Holdings	10.50	17.52	32.10%	5.62	0.54%		
29	AMMB Holdings	5.17	17.12	88.80%	15.20	0.18%		
30	QL Resources	6.78	16.49	33.79%	5.57	0.30%	0.93%	0.91%
31	Genting	4.21	16.21	54.19%	8.78	0.29%	1.47%	1.44%
32	Sime Darby Berhad	2.32	15.81	63.95%	10.11	0.31%	1.69%	1.66%
33	99 Speed Mart Retail Holdings	1.88	15.79	17.00%	2.68	3.17%		
34	Westports Holdings	4.23	14.42	31.12%	4.49	0.09%		
35	KLCCP Stapled Group	7.97	14.39	35.32%	5.08	0.01%		
36	Genting Malaysia	2.45	13.89	49.98%	6.94	0.29%	1.16%	
37	Dialog Group	2.22	12.53	80.32%	10.06	0.21%		
38	Inari Amertron	3.04	11.52	84.21%	9.70	0.31%		
39	United Plantations	27.42	11.37	42.59%	4.84	0.20%		
40	IOI Properties Group	2.03	11.18	29.12%	3.26	0.34%		
				Current Expected	598.39 610.87			

Source: Bloomberg, MIDFR

* - MIDF estimates

** - Indicative figure

Highlighted in green - Current KLCI constituents

Green font – potential inclusion

Red font – potential exclusion

Table 2: Reserve list

Current list	Expected new list
Gamuda	Malaysia Airports Holdings
Malaysia Airports Holdings	AMMB Holdings
AMMB Holdings	99 Speed Mart Retail Holdings
Westports Holdings	Westports Holdings
Dialog Group	Genting Malaysia

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 potential elevation of Gamuda and relegation of Genting Malaysia. Dialog Group is expected to be off the reserve list following the inclusion of 99 Speed Mart Retail 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. 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). Of the top 40, only KLCCP Stapled Group did not meet the liquidity requirement.


A shift in sector weightages. With the expected inclusion of Gamuda into the FBM KLCI, the Construction sector reemerges again in the index with an estimated weightage of 3.18%. The Consumer Products & Services sector will see a reduction from 9.81% to 8.48% with the potential removal of Genting Malaysia. Financial Services will remain the anchor sector of the index with a weightage of 41.90%. 

Figure 1: FBM KLCI sector weightages

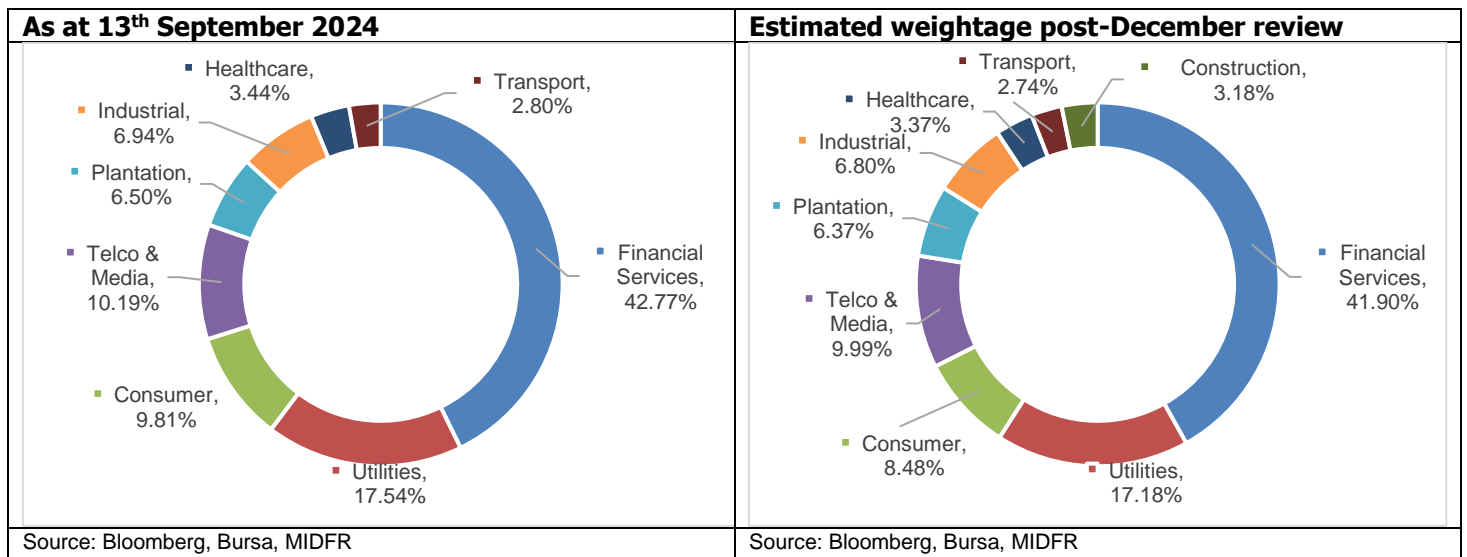


Table 3: FBM KLCI semi-annual review dates

Review period	Cut-off date	Preliminary announcement date	Official announcement date	Change implementation date	Effective date
Jun-24	27th May	5th June	6th June	21st June	24th June
Dec-24	25th November	4th December	5th December	20th December	23rd December
Jun-25	26th May	4th June	5th June	20th June	23rd June

Source: LSEG/FTSE Russell & MIDFR

Table 4: FBM KLCI semi-annual review dates

Review period	Inclusion(s)	Exclusion(s)
Dec-14	-	-
Jun-15	Westports Holdings	Felda Global Ventures Holdings
Dec-15	-	-
Jun-16	Hap Seng Consolidated	UMW Holdings
Dec-16	IJM Corp	SapuraKencana Petroleum
Jun-17	-	-
Dec-17	Nestle (Malaysia), Press Metal Aluminium Holdings	British American Tobacco (Malaysia), IJM Corp
Jun-18	Hartalega Holdings, Dialog Group, Malaysia Airports Holdings	YTL Corp, AMMB Holdings, Astro Malaysia Holdings
Dec-18	Top Glove Corp, AMMB Holdings	KLCCP Stapled Group, Telekom Malaysia
Jun-19	-	-
Dec-19	-	-
Jun-20	Telekom Malaysia, KLCCP Stapled Group	AMMB Holdings, Malaysia Airports Holdings
Dec-20	Supermax	KLCCP Stapled Group
Jun-21	Mr DIY Group (M)	Supermax Corp
Dec-21	Inari Amertron	Hap Seng Consolidated
Jun-22	-	-
Dec-22	AMMB Holdings, QL Resources	Hartalega Holdings, Top Glove Corp
Jun-23	Westports Holdings	Inari Amertron
Dec-23	YTL Corp, YTL Power International	Dialog Group, Westports Holdings
Jun-24	Sunway	AMMB Holdings
Dec-24*	Gamuda	Genting Malaysia

Source: LSEG/FTSE Russell & MIDFR

* - MIDF estimates

Table 5: Changes to the FBM KLCI that were out of the review period

Date	Inclusion	Exclusion	Reason
8th Nov-06	Petronas Dagangan	O.Y.L. Industries	O.Y.L. Industries taken over by Daikin Industries
14th May-07	MMC	Malakoff	Disposal of entire business and undertakings of Malakoff to MMC
25th Jun-07	Gamuda	Maxis Communications	Maxis Communications acquired by Binariang GSM Sdn Bhd
18th Oct-27	UMW Holdings	Golden Hope Plantations	Golden Hope Plantations acquired Synergy Drive Bhd
23rd Apr-08	TM International	Hong Leong Financial	Spin-off of TM International, successful demerger from Telekom Malaysia and subsequent listing
20th Nov-09	Maxis	Malaysian Airline System	Fast entry of Maxis following listing
26th May-10	Hong Leong Financial	Astro All Asia Networks	Unconditional takeover on Astro All Asia Networks
20th Sep-10	Gamuda	Tanjong	Unconditional takeover of Tanjong by Tanjong Capital
26th Nov-10	Petronas Chemicals Group	Berjaya Sports Toto	Fast entry of Petronas Chemicals Group following listing
13th Dec-11	UEM Land Holdings	Plus Expressways	Cash acquisition for Plus Expressways by multiple acquirers
1st Aug-12	IHH Healthcare	MMC	Fast entry of IHH following listing
21st Jan-14	IOI Properties Group	UEM Sunrise	Demerger and listing of IOI Properties Group

Source: LSEG/FTSE Russell & MIDFR

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

Section 6 - Changes to constituent companies

- 6.3.1** If a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the full capitalisation of the FTSE Bursa Malaysia EMAS Index) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the new issue will be included as a constituent of the FTSE Bursa Malaysia KLCI and the remaining FTSE Bursa Malaysia Indices that it qualifies for after the close of business on the fifth day of trading and eligibility will be determined using the closing price on the first day of trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.

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