



AmInvestment Bank

ETF report

AmInvestment Bank
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FBM KLCI ETF

(FBM30 MK EQUITY, FBMT.KL)

13 Jan 2021

Bursa ETF Watch: Glove stocks cap valuations

HOLD

(Maintained)

Rationale for report: ETF update

Price **RM1.69**
Fair Value **RM1.84**
52-week High/Low **RM1.78/RM1.36**

Key Changes

Fair value



Stock and Financial Data

Shares Outstanding (million)	2.058
Market Cap (RMmil)	4.239
NAV (RM/share)	1.68
P/NAV (x)	1.01
Premium/Discount (%)	1%
MER (%)	0.98
Major Shareholders	Alliance Investment Bank(6.4%) Hong Leong Investment Bank(4.3%) Citibank(3.1%)
Free Float	86.2

What is an ETF?

Exchange Traded Funds (ETFs), are open-end index tracking funds or trusts that are listed and traded real time on a stock exchange. An ETF is a security that tracks an index, a commodity or a basket of assets like an open-end investment fund, but trades on an exchange like a stock. Since ETFs are bought and sold on an exchange like shares, ETFs are priced and traded throughout the day. Essentially, ETFs combine the characteristics of an open-end fund and a stock.

What are the advantages of ETFs?

ETFs combine the benefits of stocks, unit trusts and index funds because they share common characteristics:

1. Easy access to diversification - own a basket of securities e.g. an entire market, country or region with a single trade.
2. Flexibility - buy and sell during trading hours just like a stock.
3. Low cost - low management fee and no upfront fee.
4. Transparency - you know what you are buying as the underlying securities are disclosed. Prices are available real-time throughout the trading day.
5. Liquidity - Investor can redeem units easily and obtain cash by the 2nd market day after trade date (T+2).
6. Affordability - For a small sum of money, you can invest in your desired securities investment.

Fund description and objective: FTSE Bursa Malaysia KLCI exchange-traded fund (FBM KLCI ETF) is a passively managed index fund aiming to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the FTSE Bursa Malaysia Large 30 Index, balanced with the need to facilitate liquidity provision. The fund invests all of its assets in the constituents of the benchmark index of Malaysia.

Investment Highlights

- We maintain our HOLD call on FBM KLCI ETF but trim our fair value (FV) to RM1.84 (from RM1.85) (Exhibit 1). Our FV is based on our FVs (for stocks under our coverage), consensus FVs (for stocks not under our coverage) and last traded price (for Hap Seng Consolidated, which is not under any coverage). It is at a 10% premium to its NAV of RM1.68 (Exhibit 1).
- The FV adjustment is largely to reflect the downgrade in our FVs for glove makers Top Glove (-8% to RM6.50) and Hartalega (-8% to RM12.50), and a slight drop (-3% to RM11.46) in Supermax's consensus FV, offset by the upgrade in our FVs for banks CIMB (+10% to RM4.10) and Public Bank (+7% to RM19.00).
- We expect glove selling prices to start to ease within 1H2021 (after rising persistently over the last three quarters), as glove supply gradually outstrips glove demand, from a shortage situation at present.
- Post-pandemic, we believe the demand growth for gloves will normalise to 8–10%, driven by rising glove usage per capita on higher/stricter hygiene standards.
- On the supply side, expansion plans by existing players and new entrants should add about 120bil (+55%) pieces annually to global supply by the end of 2022. Top Glove, Supermax, Hartalega and Kossan will respectively add 30bil, 22bil, 12bil and 10bil pieces annually, with the balance coming from Sri Trang (Thailand), Intco Medical (China) and Blue Sail (China).
- Meanwhile, cost pressure will come from the rising cost of inputs latex and butadiene, as well as additional expenses incurred in relation to the upgrading the dormitory for foreign workers in compliance with the Worker' Minimum Standards of Housing and Amenities Act 1990, also known as Act 446.

FUND INFO

Date of inception	19-Jul-07
Shariah compliance	No
ISIN	MYL0820EA000
Stock code	0820EA
Short name	FBMKLCI-EA
BB ticker	FBM30 MK Equity
Benchmark index	FTSE Bursa Malaysia KLCI
Min tradable lot	100
Min creation/redemption value (mil)	1.294

MANAGEMENT

Fund manager	AmFunds Management Berhad
Investment manager	AmInvestment Management SdnBhd
Trustee	HSBC (Malaysia) Trustee Berhad
Participating dealer	AmInvestment Bank Berhad JF Apex Securities Berhad Malacca Securities SdnBhd
Market maker	AmInvestment Bank Berhad Malacca Securities SdnBhd

DIVIDEND YIELD

Year	Dividend	Yield (%)
2020	1.80	1.01
2019	3.33	1.95
2018	3.33	1.84
2017	3.33	1.79
2016	3.33	1.88

PERFORMANCES

PE (x)	17.0
1Y Fwd PE (x)	18.9
Year	Tracking error (%)
1M	4.83
1Y	1.58
3Y	0.28
5Y	0.28

TOTAL RETURN

Year	Fund total return (%)	Benchmark performance (%)
2020	1.18	2.42
2019	-4.12	-2.89
2018	-4.44	-2.98
2017	12.10	13.22
2016	-0.55	0.07

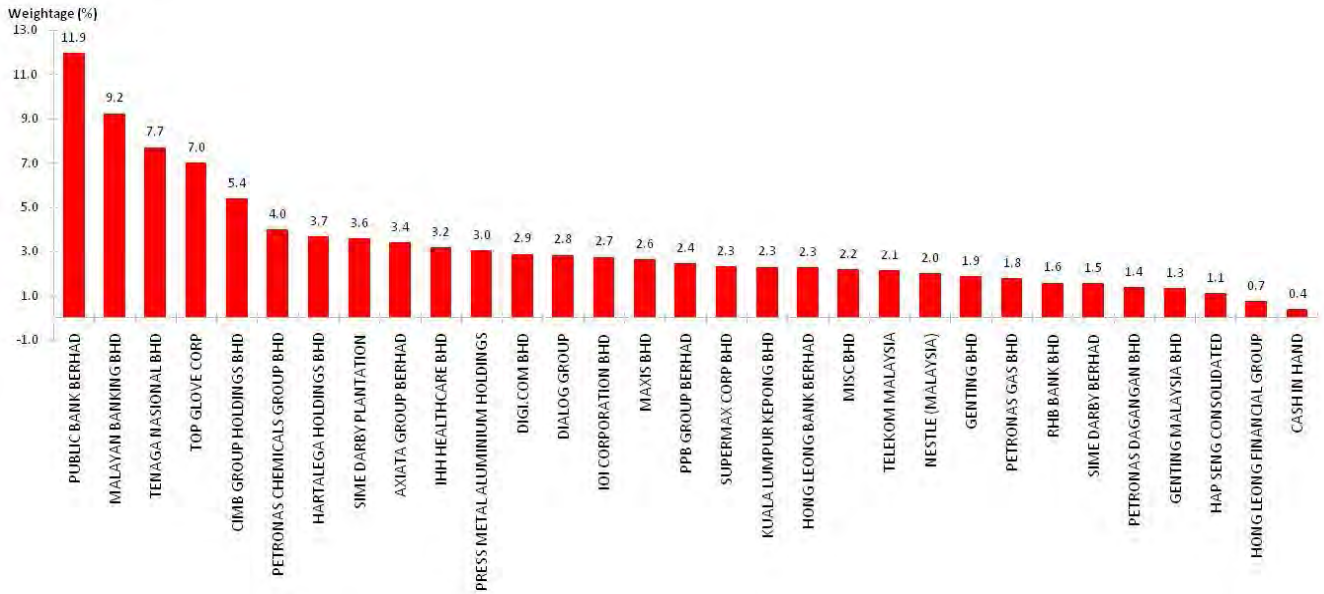
Source: Bloomberg, FBM KLCI ETF, AmInvestment Bank

EXHIBIT 1: FBM KLCI ETF'S NAV & FV CALCULATIONS

FBM KLCI ETF's NAV				FBM KLCI ETF's FV				
Stock	No. of shares	Price (RM)	Value (RM)	Stock	No. of shares	FV (RM)	Source	Value (RM)
Telekom Malaysia	15,900	5.60	89,040	Telekom Malaysia	15,900	6.10	AmBank	96,990
Axiata Group Berhad	38,700	3.68	142,416	Axiata Group Berhad	38,700	4.50	AmBank	174,150
Cimb Group Holdings Bhd	57,300	3.92	224,616	Cimb Group Holdings Bhd	57,300	4.10	AmBank	234,930
Dialog Group	36,300	3.27	118,701	Dialog Group	36,300	4.80	AmBank	174,240
Digi.Com Bhd	29,700	4.06	120,582	Digi.Com Bhd	29,700	4.40	AmBank	130,680
Genting Bhd	18,900	4.13	78,057	Genting Bhd	18,900	5.10	Consensus	96,390
Genting Malaysia Bhd	22,500	2.43	54,675	Genting Malaysia Bhd	22,500	2.89	Consensus	65,025
Hap Seng Consolidated	5,400	8.45	45,630	Hap Seng Consolidated	5,400	8.50	Last Price	45,900
Hartalega Holdings Bhd	11,700	13.14	153,738	Hartalega Holdings Bhd	11,700	12.25	AmBank	143,325
Hong Leong Bank Berhad	5,400	17.50	94,500	Hong Leong Bank Berhad	5,400	19.30	AmBank	104,220
Hong Leong Financial Group	1,800	17.20	30,960	Hong Leong Financial Group	1,800	19.00	AmBank	34,200
IHH Healthcare Bhd	24,000	5.55	133,200	IHH Healthcare Bhd	24,000	6.25	AmBank	150,000
IOI Corporation Bhd	25,500	4.50	114,750	IOI Corporation Bhd	25,500	4.30	AmBank	109,650
Kuala Lumpur Kepong Bhd	3,900	24.58	95,862	Kuala Lumpur Kepong Bhd	3,900	24.80	AmBank	96,720
Malayan Banking Bhd	48,300	8.00	386,400	Malayan Banking Bhd	48,300	9.50	AmBank	458,850
Supermax Corp Bhd	13,200	7.30	96,360	Supermax Corp Bhd	13,200	11.46	Consensus	151,272
Maxis Bhd	21,900	5.04	110,376	Maxis Bhd	21,900	5.50	AmBank	120,450
MISC Bhd	13,800	6.64	91,632	MISC Bhd	13,800	8.50	AmBank	117,300
Nestle (Malaysia)	600	139.50	83,700	Nestle (Malaysia)	600	110.71	AmBank	66,426
Petronas Chemicals Group Bhd	23,100	7.20	166,320	Petronas Chemicals Group Bhd	23,100	7.05	AmBank	162,855
Petronas Dagangan Bhd	2,700	21.30	57,510	Petronas Dagangan Bhd	2,700	19.53	Consensus	52,731
Petronas Gas Bhd	4,500	16.60	74,700	Petronas Gas Bhd	4,500	21.30	AmBank	95,850
PPB Group Berhad	5,400	18.96	102,384	PPB Group Berhad	5,400	20.30	AmBank	109,620
Press Metal Aluminium Holdings	15,300	8.27	126,531	Press Metal Aluminium Holdings	15,300	5.53	AmBank	84,609
Public Bank Berhad	24,900	20.08	499,992	Public Bank Berhad	24,900	19.00	AmBank	473,100
RHB Bank Bhd	12,300	5.33	65,559	RHB Bank Bhd	12,300	6.15	AmBank	75,645
Sime Darby Berhad	28,500	2.25	64,125	Sime Darby Berhad	28,500	2.87	AmBank	81,795
Sime Darby Plantation	28,800	5.20	149,760	Sime Darby Plantation	28,800	5.55	AmBank	159,840
Tenaga Nasional Bhd	31,800	10.12	321,816	Tenaga Nasional Bhd	31,800	13.95	AmBank	443,610
Top Glove Corp	43,800	6.68	292,584	Top Glove Corp	43,800	6.50	AmBank	284,700
Cash In Hand			15,176	Cash In Hand				15,176
NAV			4,201,652	FV				4,610,249
NAV/unit			1.68	FV/unit				1.84

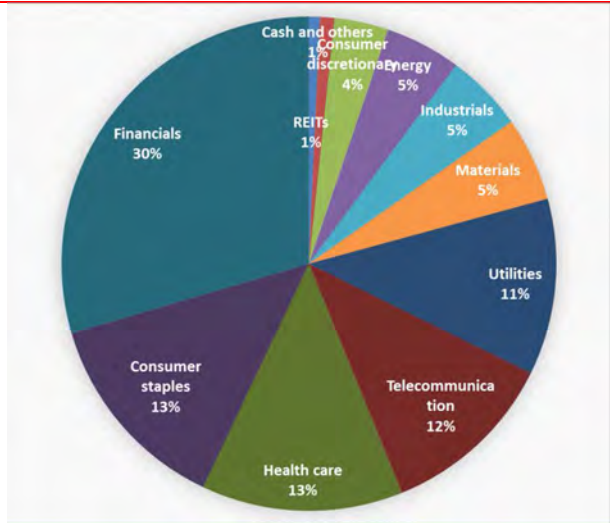
Source: FBM KLCI ETF, AmInvestment Bank Bhd

EXHIBIT 2: FBM KLCI ETF – CONSTITUENT & WEIGHTING (%)



Source: FBM KLCI ETF, AmlInvestment Bank Bhd

EXHIBIT 3: FUND ALLOCATION BY SECTOR



Source: FBM KLCI ETF, AmlInvestment Bank Bhd

EXHIBIT 4: TRACKING ERROR



Source: Bloomberg

PERFORMANCE

Total Return	1M	3M	6M	1Y	3Y	5Y	Since Inception
Price	-4.71	-3.11	-3.68	-8.99	-2.13	-2.39	46.79
NAV	-2.98	-5.02	-4.86	-10.04	-5.93	-8.49	40.85
Benchmark	-4.24	-4.93	-3.81	-9.15	-2.27	-3.41	68.74

Source: Bloomberg

GLOSSARY

Creation Application	An application to create new Units
Redemption Application	An application to redeem existing Units
Creation Unit Block	The quantity of Units which will be issued upon a successful Creation Application in respect of one (1) whole In-Kind Creation Basket. This quantity of Units may change from time to time as determined by the Manager, approved by the Trustee and notified to the Participating Dealers.
Redemption Unit Block	The quantity of Units which are required to be delivered to the Trustee in exchange for one (1) whole In-Kind Redemption Basket in a Redemption Application. This quantity of Units may change from time to time as determined by the Manager, approved by the Trustee and notified to the Participating Dealers.
Creation Securities	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Creation Basket or multiples thereof, are required to be deposited with the Trustee (but which shall not form part of the Fund Assets until such time as the Creation Application is successfully completed) by or for the account of a Participating Dealer pursuant to an approved and successful Creation Application submitted by that Participating Dealer.
Redemption Securities	The Permitted Investments which, together with the Cash Component (if any), comprise an In-Kind Redemption Basket or multiples thereof, are to be distributed from the Fund to or for the account of a Participating Dealer pursuant to an approved and successful Redemption Application submitted by that Participating Dealer in accordance with the provisions of the Deed.
Tracking error	The volatility from the average of excess returns versus the benchmark of defined granularity over the timeframe specified. Tracking error is used as a measure of quality of benchmark tracking.

Source: FBM KLCI ETF Prospectus, Bloomberg

For more info about the ETF, kindly refer to the fund's website, Bursa's website or its prospectus.

FUND RATING STRUCTURE AND DEFINITIONS

BUY	Minimum expected total return (capital gains + dividend yield) of 15% over a period of 12 months.
HOLD	Expected total return (capital gains + dividend yield) of between <+15% and >-15% over a period of 12 months.
UNDERWEIGHT	Minimum expected negative total return (capital gains + dividend yield) of 15%–20% over a period of 12 months.
SELL	Minimum expected negative total return (capital gains + dividend yield) of >20% over a period of 12 months.
UNRATED	Stock not within AmBank Research regular coverage; AmBank Research does not have a view on its fair value and valuation.
ACCEPT OFFER	Shareholders are recommended to accept the offer of share acquisition after an evaluation by the analyst that shows the offer is "fair and reasonable", providing an exit opportunity to the shareholders to realise their investment in cash at the offer price.

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