



# FBM KLCI ETF

(FBM30 MK EQUITY, FBMT.KL)

13 Jan 2022

*Bursa ETF Watch: A relatively better 2022*

**BUY**

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2240

*Rationale for report: ETF update*

Price **RM1.61**  
 Fair Value **RM1.83**  
 52-week High/Low **RM1.78/RM1.55**

### Key Changes



Source: Bloomberg (as at 12-Jan-2022)

### Stock and Financial Data

Shares Outstanding (million)	2.508
Market Cap (RM mil)	4.038
NAV (RM/share)	1.62
P/NAV (x)	0.99
Premium/Discount (%)	1
MER (%)	0.98
Major Shareholders	AmInvestment Bank (34.7%) CGS-CIMB Securities (3.0%) Hong Leong Investment (2.9%)
Free Float	59.4

### 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 BUY call on FBM KLCI ETF but tweak our fair value (FV) down to RM1.83 (from RM1.85) (Exhibit 1). Our FV is based on our FVs (for stocks under our coverage) and consensus FVs (for stocks not under our coverage). It is at a premium to its NAV of RM1.62 (Exhibit 1).
- The slight decline in the ETF FV is mainly due to changes applied on the fair values of MR D.I.Y. Group (M) and Sime Darby.
- We believe that 2022 should be a year when the FBM KLCI should fare relatively better. According to our in-house projection, Malaysia GDP is expected to grow at 5.4% in 2022, higher than 2021's estimated GDP growth of 3.4%.
- The GDP growth momentum in 2022 is premised on these positive factors: i) high Covid-19 vaccination coverage; ii) the ongoing booster rollout; and hence iii) the progression of the National Recovery Plan (NRP). Currently, all states in Malaysia have already reached Phase 4 of the NRP, which is the final phase. Our base case assumption is that there will be no lockdown in 2022 despite potentially higher number of cases caused by Omicron unless the hospitalization rate surges.
- According to *The Guardian* in a 24 Dec report, those infected with Omicron are estimated to be 50% to 70% less likely to require admission to the hospital, according to a study by the UK Health Security Agency (UKHSA).
- Risks to our FV. The FBM KLCI ETF price is tied to overall market performance of the top 30 index stocks. This means it is exposed to the risks of climate change if severe floods become more frequent, a potential ban from the US CBP on Malaysian corporates and a potentially slower-than-expected economy growth in China.

**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)	1.371

**MANAGEMENT**

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

**DIVIDEND YIELD**

Year	Dividend	Yield (%)
2021	5.2	3.27
2020	2.33	1.35
2019	3.33	1.95
2018	3.33	1.84
2017	3.33	1.79

**PERFORMANCES**

PE (x)	15.5
1Y Fwd PE (x)	15.0
Year	Tracking error (%)
1M	7.82
1Y	0.32
3Y	0.28
5Y	0.28

**TOTAL RETURN**

Year	Fund total return (%)	Benchmark performance (%)
2020	4.09	5.69
2019	-4.12	-2.89
2018	-4.44	-2.98
2017	12.10	13.22
2016	-0.55	0.07

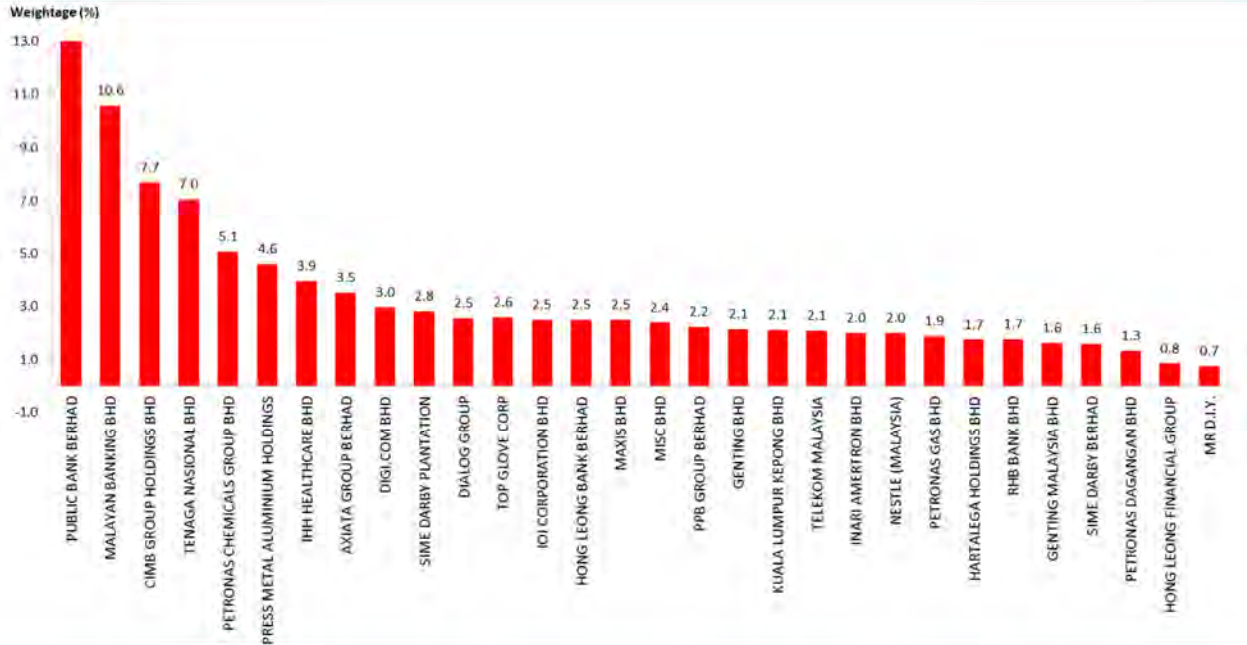
Source: Bloomberg, FBM KLCI ETF, AmInvestment Bank

## EXHIBIT 1: FBM KLCI ETF'S NAV &amp; 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	5.30	84,270	Telekom Malaysia	15,900	7.10	Ambank	112,890
Axiata Group Berhad	37,200	3.83	142,476	Axiata Group Berhad	37,200	4.51	Consensus	167,772
Cimb Group Holdings Bhd	56,100	5.56	311,916	Cimb Group Holdings Bhd	56,100	6.20	Ambank	347,820
Dialog Group	36,900	2.82	104,058	Dialog Group	36,900	3.75	Ambank	138,375
Digi.Com Bhd	29,400	4.08	119,952	Digi.Com Bhd	29,400	4.30	Consensus	126,420
Genting Bhd	18,300	4.71	86,193	Genting Bhd	18,300	6.05	Consensus	110,715
Genting Malaysia Bhd	22,500	2.90	65,250	Genting Malaysia Bhd	22,500	3.45	Consensus	77,625
Inari Amertron Bhd	21,900	3.68	80,592	Inari Amertron Bhd	21,900	4.78	Ambank	104,682
Hartalega Holdings Bhd	12,000	5.89	70,680	Hartalega Holdings Bhd	12,000	6.00	Ambank	72,000
Hong Leong Bank Berhad	5,100	19.70	100,470	Hong Leong Bank Berhad	5,100	21.10	Ambank	107,610
Hong Leong Financial Group	1,800	18.70	33,660	Hong Leong Financial Group	1,800	20.50	Ambank	36,900
IHH Healthcare Bhd	24,000	6.65	159,600	IHH Healthcare Bhd	24,000	6.27	Ambank	150,480
IOI Corporation Bhd	25,500	3.96	100,980	IOI Corporation Bhd	25,500	3.95	Ambank	100,725
Kuala Lumpur Kepong Bhd	3,900	21.78	84,942	Kuala Lumpur Kepong Bhd	3,900	21.85	Ambank	85,215
Malayan Banking Bhd	51,000	8.41	428,910	Malayan Banking Bhd	51,000	9.90	Ambank	504,900
Mr D.I.Y.	7,800	3.75	29,250	Mr D.I.Y.	7,800	4.17	Ambank	32,526
Maxis Bhd	21,900	4.58	100,302	Maxis Bhd	21,900	5.00	Ambank	109,500
MISC Bhd	13,800	7.00	96,600	MISC Bhd	13,800	7.75	Ambank	106,950
Nestle (Malaysia)	600	133.90	80,340	Nestle (Malaysia)	600	115.00	Ambank	69,000
Petronas Chemicals Group Bhd	22,800	9.00	205,200	Petronas Chemicals Group Bhd	22,800	10.90	Ambank	248,520
Petronas Dagangan Bhd	2,700	19.74	53,298	Petronas Dagangan Bhd	2,700	20.19	Consensus	54,513
Petronas Gas Bhd	4,500	16.88	75,960	Petronas Gas Bhd	4,500	20.20	Ambank	90,900
PPB Group Berhad	5,400	16.66	89,964	PPB Group Berhad	5,400	18.55	Ambank	100,170
Press Metal Aluminium Holdings	30,600	6.09	186,354	Press Metal Aluminium Holdings	30,600	7.34	Consensus	224,604
Public Bank Berhad	124,500	4.25	529,125	Public Bank Berhad	124,500	4.40	Ambank	547,800
RHB Bank Bhd	12,300	5.73	70,479	RHB Bank Bhd	12,300	6.90	Ambank	84,870
Sime Darby Berhad	28,200	2.28	64,296	Sime Darby Berhad	28,200	2.87	Ambank	80,934
Sime Darby Plantation	28,800	3.96	114,048	Sime Darby Plantation	28,800	4.40	Ambank	126,720
Tenaga Nasional Bhd	31,500	9.07	285,705	Tenaga Nasional Bhd	31,500	12.00	Ambank	378,000
Top Glove Corp	42,600	2.41	102,666	Top Glove Corp	42,600	1.95	Ambank	83,070
Cash In Hand			-	Cash In Hand				-
<b>NAV</b>			<b>4,057,536</b>	<b>FV</b>				<b>4,582,206</b>
<b>NAV/unit</b>			<b>1.62</b>	<b>FV/unit</b>				<b>1.83</b>

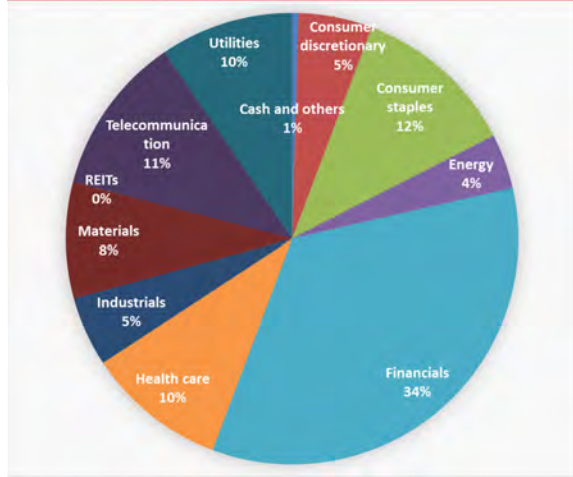
Source: FBM KLCI ETF, AmInvestment Bank Bhd (as at 12-Jan-2022)

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



Source: FBM KLCI ETF, AmInvestment Bank Bhd (as at 12-Jan-2022)

EXHIBIT 3: FUND ALLOC. BY SECTOR (AS AT JUNE 2021)



Source: FBM KLCI ETF, AmInvestment Bank Bhd

EXHIBIT 4: TRACKING ERROR



Source: Bloomberg (as at 12-Jan-2022)

## PERFORMANCE

Total Return	1M	3M	6M	1Y	3Y	5Y	Since Inception
Price	-0.63	-1.85	-1.24	-7.02	-11.17	-9.40	20.74
NAV	1.75	0.33	1.83	-4.10	-7.40	-4.36	20.49
Benchmark	3.54	1.93	2.28	-3.67	-7.28	-4.52	14.11

Source: Bloomberg (as at 12-Jan-2022)

## 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 CreationApplication 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 RedemptionApplication. 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 CreationApplication 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

<b>BUY</b>	Minimum expected total return (capital gains + dividend yield) of 15% over a period of 12 months.
<b>HOLD</b>	Expected total return (capital gains + dividend yield) of between <+15% and >-15% over a period of 12 months).
<b>UNDERWEIGHT</b>	Minimum expected negative total return (capital gains + dividend yield) of 15%–20% over a period of 12 months.
<b>SELL</b>	Minimum expected negative total return (capital gains + dividend yield) of >20% over a period of 12 months.
<b>UNRATED</b>	Stock not within AmBank Research regular coverage; AmBank Research does not have a view on its fair value and valuation.
<b>ACCEPT OFFER</b>	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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