AmInvestment Bank

2 Dec 2022

STRATEGY

Slightly lowered 2023 FBMKLCI earnings growth

1,540

End-2022 FBM KLCI target (pts)

(Maintained)

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Rationale for report: Market update

Investment Highlights

- **Mixed 3Q2022 report card**. The results of the 3Q2022 season were mixed as underperformers accounted for 19% of the stocks under our coverage vs 27% outperformers with 55% in line. In comparison, 2Q2022 underperformers constituted 29%, outperformers 26% and in line 44% (Exhibit 1). The oil & gas, consumer and REIT sectors outperformed with each industry registering at least 4 companies with above-expected results while the plantation, construction and property sector disappointed with at least 3 underperformers in each segment.

- **Stronger QoQ core earnings from REIT, power, banks, insurance, construction and property sectors**. QoQ, the best performing sector was REIT (+44%) given the post-pandemic retail mall recovery with a rebound in footfalls and tenant sales (Exhibit 2). This was followed by power (+42% QoQ) as Malakoff secured higher capacity payments while YTL Power benefited from higher electricity prices. Insurance rose 29% QoQ with higher net earned premiums and lower fair value losses from interest rate movements. The earnings of banks, which account for the largest FBMKLCI weightage at 34%, rose 10% QoQ on higher net interest income from loan expansion and margins driven by OPR hikes with modest loan impairment allowances.

- **The worst QoQ sector earnings drop was glove** (-81%) with declining average selling prices, followed by plantation (-41%), which was depressed by lower crude palm oil prices and increased production costs. Manufacturing earnings fell 32% QoQ as lower commodity prices impacted Ancom Nylex's industrial chemical division.

- **Slightly lower 2023F FBMKLCI EPS growth to 5.2% from 5.6% earlier.** While 2022F FBMKLCI EPS was largely unchanged with a marginal growth of 0.4%, our corporate forecast revisions have slightly reduced 2023F core earnings growth to 5.2% from 5.6% previously. This mainly stemmed from lower CY23F earnings for Telekom Malaysia (-10%) and Petronas Chemicals Group (-2%) together with mild revisions to banks. Note that our 2023 forecasts are more conservative than Bloomberg consensus' 11.8%.

- **Easing net foreign equity selling pressure**. Foreign selling pressure eased off in November with net sales of RM282mil, halving from RM594mil in October (Exhibit 7). Together with local institutional buying of RM153mil, this partly supported a mild 9% rebound to 1,491 from a 2-year low of 1,373 on 13 October 2022, a level not seen since May 2020 during the initial outbreak of the Covid-19 pandemic. The November selling activities mostly focused on industrial products & services (66%) followed by financial services (17%) and plantation (15%). This decreased foreign equity shareholdings in October to 20.5% from 20.6% in September, which remains substantively below the 22.4% in January 2020 before the Covid 19 global outbreak (Exhibit 10).

- **Partially cushioned by local buying**. The weakness on Malaysian equities was partly cushioned by local buying support which reached RM2.2bil in September-November vs net foreign sales of RM2.5bil. While the local institutional net buying activities were a mild relief amid counter-cyclical transactions with foreign investors, local institutions were still YTD net sellers of RM8.2bil (Exhibit 7-9). This was 44% more than cumulative foreign net purchases of RM65.7il in 2022 so far, against the backdrop of an aggressive US Federal Reserve stance and Malaysia's GE15 election.

- **Still among only 3 ASEAN countries with YTD net foreign inflows**. The net selling over the past 3 months reduced YTD 2022 foreign net buying position by 27% from RM8.2bil as at 31 August 2022 to RM5.7bil (Exhibit 5), of which 75% was into the financial sector with the balance mostly into plantation and industrial products/services. Within the region, only Indonesia, Thailand and Malaysia enjoyed YTD net foreign equity inflows with Malaysia accounting for a lower share of 11% of ASEAN's net purchases from 16% in August this year (Exhibits 11-12).

- **Malaysian equities at bargain Southeast Asian valuations**. India, Indonesia and now Singapore has bucked the regional YTD downtrend with the Nifty Fifty delivering index gains of 8%, Indonesia 7% and Singapore 5%. The worst performers were the Far East markets - Hong Kong (-2%), Taiwan (-18%), Korea (-17%) and China (-13%) (Exhibit 3) vs Malaysia's -5%. Hence, the FBMKLCI still trades at a Southeast Asian bargain at 0.9 standard deviation below its 5-year median (SDB5YM) of 16.2x, vs 0.3 SDB5YM for Thailand and 0.7 SDB5YM for Singapore. Indonesia's 2023 consensus earnings for Indonesia has been revised upwards to 17% from flat just a month ago, due to persistently high commodity prices. Hence, Indonesia now trades at 1.3 SDB5YM from 0.8 SDB5YM in the beginning of November (Exhibit 16).

- **Tapering interest rate hike expectations next year**. Our economist expects Bank Negara to raise the overnight policy rate (OPR) by 25 basis points (bps) in January 2023 that will bring the OPR to 3.00% for the whole of next year. Given the aggressive stance of the US Federal Reserve, consensus' expectations of additional rate hikes this year could elevate the Federal funds rate from 3.75%-4.00% currently to 4.50% by the end of this month and 4.65% next year.

- **Expect net foreign equity outflow to reverse**. Given the tapering selling trajectory last month, we expect a return of foreign equity buyers in the near-term from the September-November foreign equity outflows amid attractive Malaysian equity valuations and our inhouse 2023 GDP growth projection of 4.5% vs the global rate of 2.1% and US' 0.4%. This will be underpinned by expectations of a strengthening ringgit, which already rallied from RM4.75/US$ on 4 November to RM4.40/US$ currently, with our economist projecting at RM4.15-RM4.20/US$ (vs. consensus: RM4.40/US$) by end-2023.

- **Maintain our base-case end-Dec 2022 FBMKLCI target at 1,540** premised on 0.5 SDB5YM, underpinned by a post-Covid domestic consumption-driven economy amid an improving political landscape.

  For 2023, we are looking at a base-case end-2023 FBMKLCI target of 1,630, pegged to 0.5 SDB5YM as Malaysia's tapering GDP growth of 4.5% next year remain better than recessionary prospects in US and Europe with expectations for a reset in US interest rate hike trajectory in 2H2023.

  Best-case scenario would be a 2023 FBMKLCI target of 1,740 at parity to its 5-year median PE of 16.2x while worst-case scenario from a full-blown global recession, new pandemics and geopolitical conflicts translates to 1,380, pegged at 2 SDB5YM. We do not discount equity volatility from more US rate hike surprises with lingering supply chain disruptions from China's ongoing Covid lockdowns, US-China trade tensions and Russia being shunned by the global economy.

- **OVERWEIGHT on banks, oil & gas, autos, ports, property, REIT and media** with top picks being **Maybank, RHB Bank, CIMB, Yinson, Dialog Group, Bermaz Auto, Inari Amertron, Sunway REIT** and **Astro** (Exhibit 23). We also like small cap stocks with strong brand names which can safely navigate inflationary pressures such as **Spritzer** and niche agrichemical producer **Ancom Nylex**, as well as grossly undervalued companies such as **Deleum** (Exhibit 24). Our **ESG champions** are **MayBank, Petronas Chemicals Group, Petronas Gas, IHH Healthcare, Telekom Malaysia, Westports Holdings, Inari Amertron, Sunway Holdings, Yinson Holdings, Sunway REIT** and **Astro** (Exhibit 22).

EXHIBIT 1: 3Q2022 REPORT CARD – RESULTS VS OUR EXPECTATIONS

Sector	Below	Within	Above	Total
Automobile	1	3	2	6
Banking/Financial Service:	-	9	-	9
Construction	3	2	1	6
Consumer	2	4	6	12
EMS			1	1
Glove	1	1	1	3
Healthcare		1	1	2
Manufacturing		2		2
Insurance	1	2	-	3
Media	1	1	-	2
Oil & Gas	-	4	4	8
Plantation	4	5	-	9
Port	-	1	2	3
Power	-	2	1	3
Property	3	4	2	9
REITs	-	2	4	6
Technology	1	4	-	5
Telecommunications	-	4	-	4
Transport	1	2	1	4
Total	**18**	**53**	**26**	**97**
Share of total (%)	**18.6**	**54.6**	**26.8**	**100.0**

Source: AmInvestment Bank

EXHIBIT 2: 3Q2022 SECTOR QOQ PERFORMANCE

Sector	Core net profit change QoQ (%)	Comments
Plantation	-41%	Affected by lower CPO price and higher costs of production.
Power	42.0%	Malakoff had strong energy payments in 3QFY22 while YTL Power's Singapore division enjoyed higher selling prices.
Oil & Gas	-1%	Lower crude and oil and petrochemical prices weighed on Hibiscus Petroleum and Petronas Chemicals performance, but partly mitigated by MISC's better
Banking	10%	Earnings were lifted by stronger net interest income from loan expansion and improved interest margins due to OPR hikes. A mix bag for provisions, but overall, allowances for loan impairments increased only modestly QoQ.
Insurance	29%	Improved earnings contributed by higher net earned premium/contribution and lower fair value losses on investments from interest rate movements.
Construction	10%	Building material costs stabilised, resulting in better margins in construction segment.
Media	-15%	Weaker advertising expenditure due to lack of festive campaigns and reduced home shopping activities as consumers return to physical stores.
Port	3%	Overall increase in throughput volumes, weighed by higher handling costs associated with handling of breakbulk cargo for Westports.
REITs	44%	Improved earnings contributed by stronger revenue from retail malls and recovery of hospitality industry. We also observed that tenant sales in retail malls have largely recovered to pre-pandemic level.
Property	9%	Stronger revenue recognition from property development segment as a result of higher sales and progress billings.
Consumer	-15%	Affected by weaker seasonality in the absence of holiday and festive spending.
Automobile	-29%	Lower sales after reaching peak prior to SST exemption expiry on 30 June 2022.
Manufacturing	-32%	LSK earnings was dampened by aggressive promotional expenses while Ancom Nylex was impacted by lower commodity prices from its industrial chemical segment amid lower commodity prices.
Gloves	-81%	Mainly due to higher cost structure and lower average selling prices.
Healthcare	0%	Apex's stronger earnings growth due to higher revenue and better product mix was offset by slightly weaker IHH performance, impacted by higher net finance cost and effective tax rate.
Telecommunications	-17.0%	Higher costs across all key items dragged profitability while revenue was flattish.
Technology	-4.6%	Affected by under-utilisation of MPI's China plant, affected by lockdowns.
EMS	8.1%	Higher sales and margin from VS' production ramp up following the arrival of migrant workers

Source: AmInvestment Bank

EXHIBIT 3: 3Q2022 ABOVE-EXPECTED RESULTS

Company	Sector	Share price RM/share	Previous FV RM/share	Revised FV RM/share	Previous rating	Revised rating	Rationale
Malakoff	Power	0.64	0.79	0.87	Buy	Buy	Higher than expected energy payments .in 3QFY22.
PPB Group	Consumer	16.22	19.30	19.30	Buy	Buy	Higher than expected earnings from Wilmar.
Bumi Armada	Oil & Gas	0.45	0.83	0.84	Buy	Buy	Higher revenue coupled with lower depreciation charges and finance costs.
MISC	Oil & Gas	7.20	7.99	8.11	Buy	Buy	Higher-than-expected oil tanker freight rates and EPCIC progress of Mero 3.
Petronas Gas	Oil & Gas	16.60	20.05	20.05	Buy	Buy	Stronger margins in utilities and regasiifcation.
Yinson	Oil & Gas	2.35	3.61	3.61	Buy	Buy	Higher EPCIC progress of FPSO Maria and O&M dayrates for some existing vessels.
Bintulu Port	Port	4.87	6.05	6.08	Buy	Buy	Higher-than-expected throughput.
Suria Capital Holdings	Port	1.06	1.00	1.15	Hold	Hold	Higher-than-expected container throughput volumes.
Kimlun Corporation	Construction	0.76	0.69	1.09	Hold	Buy	Higher-than-expected contribution from manufacturing & trading segment.
Sunway REIT	REITs	1.45	1.79	1.73	Buy	Buy	Better-than-expected occupancy rate in hospitality properties and lower than-expected interest expense.
IGB REIT	REITs	1.66	1.85	1.86	Buy	Buy	Higher than-expected base rent upon the renewal of tenancies as well as a stronger shopping volume.
Pavilion REIT	REITs	1.20	1.56	1.51	Buy	Buy	Better-than-expected rental revenue from Elite Pavilion Mall.
Hektar REIT	REITs	0.66	0.73	0.81	Buy	Buy	Reversal of impairment losses of trade receivable totaling RM4mil in 9MFY22.
UEM Sunrise	Property	0.28	0.35	0.25	Hold	Hold	Stronger share of results from joint ventures.
Paramount Corporation	Property	0.75	0.74	0.76	Hold	Buy	Revision of project costings in 3QFY22 and stronger-than-expected revenue recognition from its property development segment.
Apex Healthcare	Healthcare	3.350	3.73	3.73	Buy	Buy	Strong demand for flu medicine and higher share of manufacturing revenue which generate better margins.
Top Glove Corp	Glove	0.870	0.88	0.60	Hold	Hold	One-off cumulative RM229mil inventory write-downs in 4QFY22, which boosed FY22 core net profit.
Leong Hup International	Consumer	0.53	0.50	0.74	Hold	Hold	Higher selling prices and volume across all operating markets coupled with leading domestic market share.
Spritzer	Consumer	2.09	2.40	2.70	Buy	Buy	Higher sales volume with leading market position.
MyNews Holdings	Consumer	0.6	0.41	0.41	Hold	Hold	Narrowed losses on the back of healthier in-store sales, pushed by the reopening of economic activities and higher number of outlets
Tan Chong Motor	Automotive	1.14	0.65	1.10	Underweight	Underweight	Higher sales volume from SST exemption.
MBM Resources	Automotive	3.32	5.00	5.10	Buy	Buy	Higher sales volume with continuous new model roll-outs.
V.S. Industry	EMS	0.92	1.27	1.27	Buy	Buy	Higher sales and gross margin expansion due to production ramp up following the arrival of migrant workers.

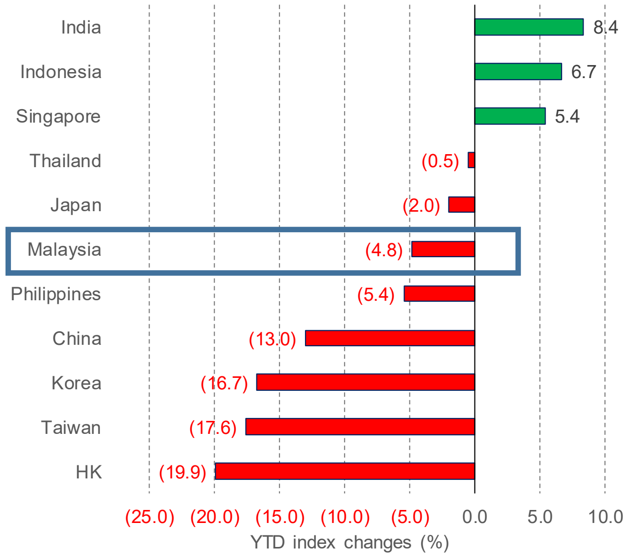
Source: AmInvestment Bank

EXHIBIT 4: 3Q2022 BELOW-EXPECTED RESULTS

Company	Sector	Share price RM/share	Previous FV RM/share	Revised FV RM/share	Previous rating	Revised rating	Rationale
TSH Resources	Plantation	1.07	0.85	0.85	Sell	Sell	Dragged by higher costs of production.
Sime Darby Plantation	Plantation	4.30	3.85	3.85	Sell	Sell	Dragged by higher costs of production.
Hap Seng Plantations	Plantation	2.01	2.20	2.20	Hold	Hold	Dragged by higher costs of production and fair value loss on biological assets.
Genting Plantations	Plantation	6.40	6.55	6.55	Hold	Hold	Dragged by higher costs of production.
Allianz Malaysia	Insurance	13.7	17.40	16.40	Buy	Buy	Higher than expected fair value losses on investments.
Sunway Construction	Construction	1.48	1.69	1.51	Hold	Hold	Slower-than-expected progress billings from ongoing projects
WCT Holdings	Construction	0.43	0.46	0.39	Hold	Hold	Lower-than-expected contribution from property earnings.
Media Prima	Media	0.44	0.61	0.48	Buy	Hold	Wider-than-expected loss in home shopping segment.
S P Setia	Property	0.695	0.84	0.60	Hold	Hold	Higher finance cost due to its high floating rate exposure of >90% of borrowings.
Sime Darby Property	Property	0.485	0.62	0.62	Buy	Buy	Slower-than-expected progress billing in 3QFY22.
Lagenda Properties	Property	1.18	1.82	1.64	Buy	Buy	Higher upfront cost incurred for its upcoming projects outside of Perak, coupled with an absence of new launches in 3QFY22.
Kossan Rubber Industries	Glove	1.11	1.23	1.19	Hold	Hold	Mainly due to lower higher cost structure and lower average selling price.
Nestle Malaysia	Consumer	136.7	122.00	119.00	Hold	Hold	Mainly impacted by higher input costs due to inflation and spike in commodity prices.
Malaysian Pacific Industries	Technology	29.2	38.40	28.00	Buy	Hold	Lower-than-expected sales due to under-utilisation of its China plant.

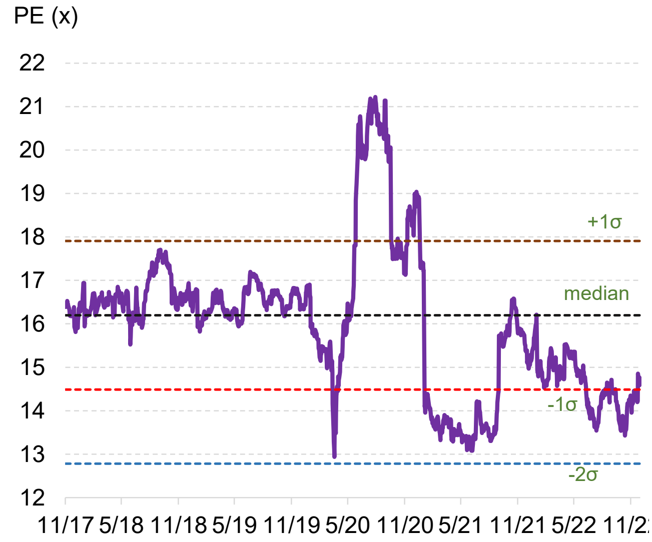
Source: AmInvestment Bank

EXHIBIT 5: 2022 YTD REGIONAL INDEX PERFORMANCES



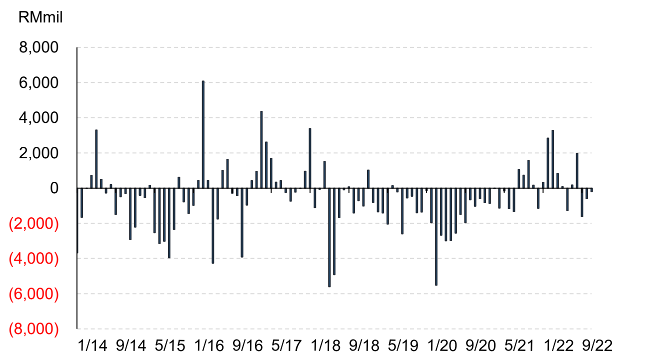
Source: AmInvestment Bank/Bloomberg

EXHIBIT 6: **FBMKLCI'S 1**-YEAR FORWARD PE



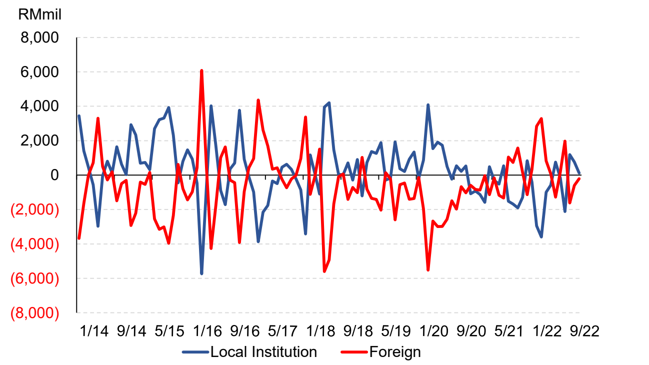
Source: AmInvestment Bank/Bloomberg

EXHIBIT 7: MONTHLY NET FOREIGN EQUITY FLOWS TO MALAYSIA



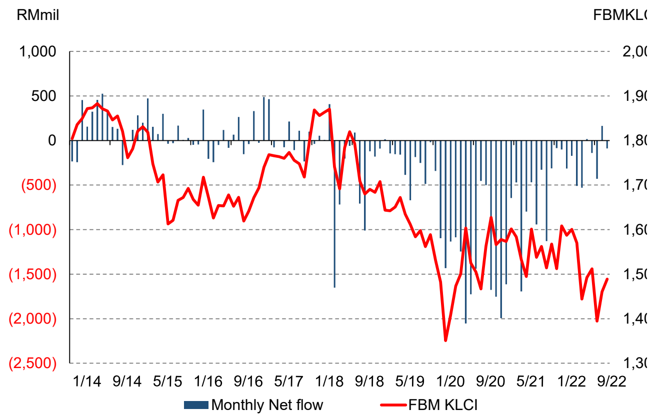
Source: Bursa Malaysia/AmInvestment Bank

EXHIBIT 8: MONTHLY NET FOREIGN EQUITY VS. LOCAL INSTITUTIONAL FLOWS TO MALAYSIA



Source: AmInvestment Bank/Bursa Malaysia

EXHIBIT 9: COMBINED LOCAL INSTITUTIONAL & FOREIGN EQUITY NET FLOWS VS. FBMKLCI

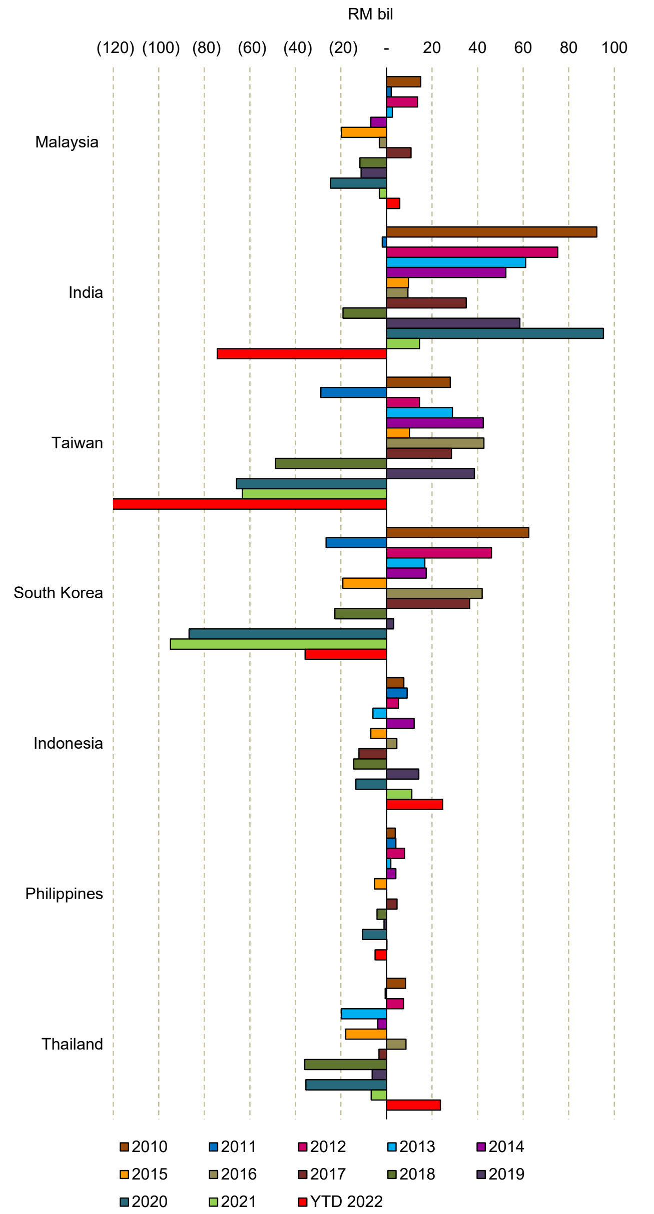


Source: AmInvestment Bank/Bursa Malaysia/Bloomberg

EXHIBIT 10: FOREIGN SHAREHOLDING IN MALAYSIAN EQUITIES

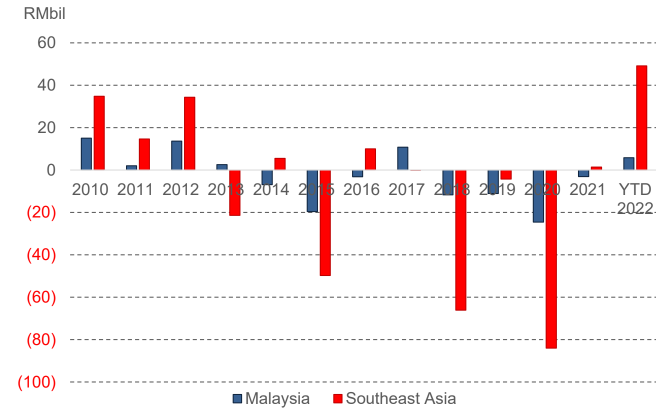
Source: AmInvestment Bank/Bursa Malaysia

EXHIBIT 11: REGIONAL MONTHLY NET FOREIGN EQUITY FLOWS



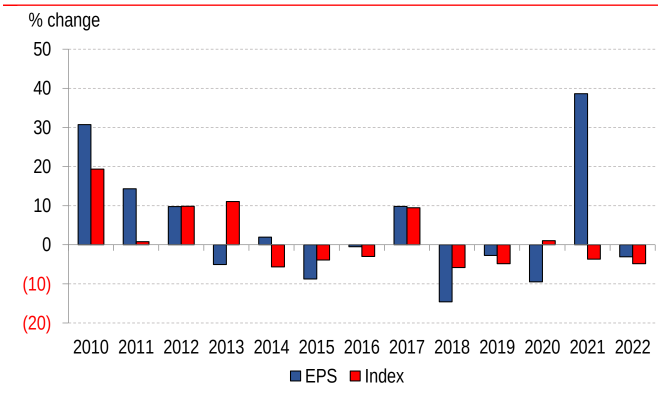
Source: Bloomberg/AmInvestment Bank

EXHIBIT 12: NET FOREIGN MONTHLY EQUITY FLOWS – MALAYSIA VS. SOUTHEAST ASIA



Source: AmInvestment Bank/Bloomberg

EXHIBIT 13: FBMKLCI VS. EPS CHANGES



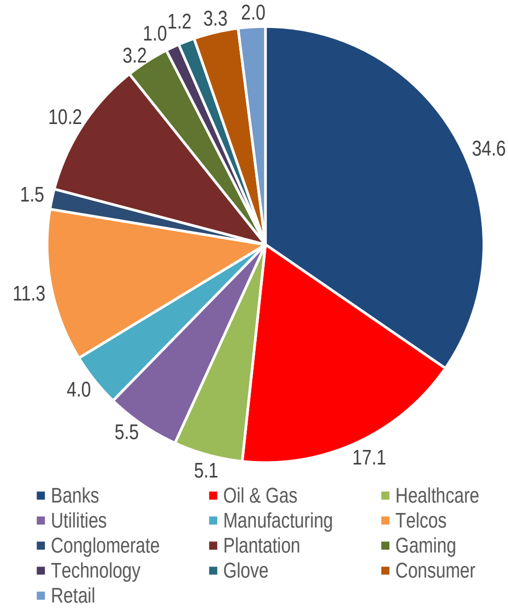
Source: AmInvestment Bank/Bloomberg

EXHIBIT 14: SECTORAL EPS GROWTH AND PE

	SECTORAL WEIGHTING (%)	NET PROFIT GROWTH (%)				P/E (X)			
		2021A	2022F	2023F	2024F	2021A	2022F	2023F	2024F
ALL SECTORS		61.4	(3.7)	6.9	5.6	13.5	14.0	13.1	12.4
FBM KLCI @		35.0	(0.4)	5.2	4.8	14.4	14.5	13.8	13.1
Automobile	2.3	58.4	13.8	6.4	(3.7)	13.3	11.7	11.0	11.4
Construction	1.7	(17.6)	89.3	12.5	8.7	28.9	15.3	13.6	12.5
Consumer	7.9	22.8	26.4	3.7	10.4	27.8	22.0	21.2	19.2
Financial Services	32.7	30.5	13.5	6.5	5.3	12.2	10.7	10.1	9.6
Glove	1.4	>100.0	(94.9)	(29.6)	94.3	1.1	22.1	31.4	16.2
Healthcare	5.2	98.8	(2.8)	46.6	2.4	30.6	31.4	21.4	20.9
Manufacturing	0.5	96.3	(29.6)	68.2	8.0	13.9	19.8	11.8	10.9
Media	0.4	(7.5)	(4.8)	7.2	6.4	8.4	8.9	8.3	7.8
Oil & Gas	11.4	91.9	6.2	0.5	(5.4)	11.6	11.0	10.9	11.5
Plantation	8.3	>100.0	17.8	(35.6)	0.1	13.1	11.2	17.3	17.3
Power	5.6	15.4	(0.5)	19.7	2.9	12.8	12.9	10.8	10.5
Property	2.6	54.8	24.5	10.3	13.3	14.2	11.4	10.3	9.1
REITs	1.2	(13.2)	51.4	12.3	4.6	26.7	17.6	15.7	15.0
Stock Exchange	0.5	(5.9)	(32.8)	5.8	13.3	15.7	23.4	22.1	19.5
Technology	2.6	>100.0	16.5	8.4	17.2	31.3	26.9	24.8	21.2
Telecommunication	10.1	5.9	6.3	7.1	8.4	24.0	22.5	21.1	19.4
Transportation & Logistics	5.5	(69.0)	>-100.0	>100.0	33.2	(48.2)	>100	18.3	13.7

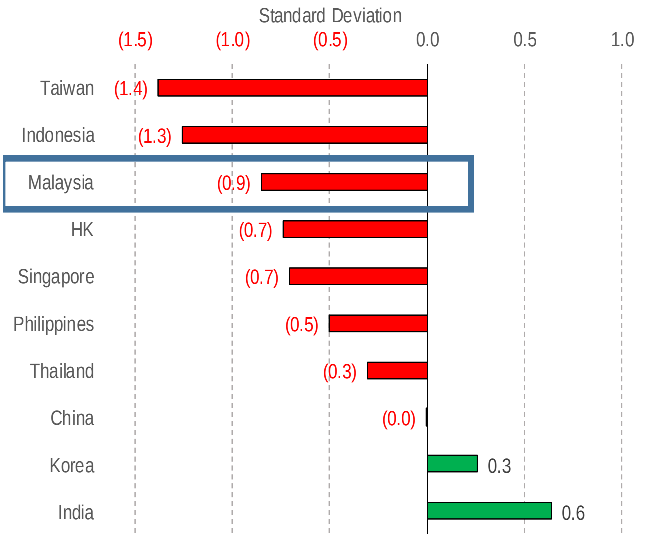
Source: AmInvestment Bank

EXHIBIT 15: FBMKLCI SECTOR WEIGHTINGS



Source: AmInvestment Bank/Bloomberg

EXHIBIT 16: STANDARD DEVIATION OF CY22F PE TO 5-YEAR MEDIAN



Source: AmInvestment Bank/Bloomberg

EXHIBIT 17: FBMKLCI SECTOR MATRIX

	YTD chg	PE (x)		Div yld	PBV	Net debt/
	(%)	2022F	2023F	(%)	(x)	EBITDA (x)
KLCI	(4.8)	14.3	12.7	4.1	1.4	2.1
Finance	12.0	11.3	9.8	5.1	1.1	n/a
Plantation	9.0	10.5	14.4	4.5	1.3	0.9
Energy	11.8	12.1	9.7	52.7	0.9	2.7
Utilities	3.4	13.1	12.2	5.1	1.0	4.0
Telco & Media	(2.3)	21.8	18.9	3.9	3.3	2.0
Consumer Prod	3.8	19.9	16.5	2.9	1.4	1.6
Tech	(31.3)	26.4	22.5	1.4	3.4	(1.2)
Ind Prod	(7.5)	13.4	12.9	3.4	1.3	1.0
Property	(3.7)	11.3	10.3	2.4	0.4	6.7
Transport & Logistics	3.1	22.3	16.7	3.3	1.1	1.9
Construction	4.7	12.3	12.3	5.1	0.6	7.3
Healthcare	(27.4)	29.6	24.7	1.4	1.5	0.7
REIT	2.6	16.0	15.0	5.9	1.1	5.9

Source: AmInvestment Bank/Bloomberg

EXHIBIT 18: REGIONAL VALUATIONS

	EPS growth (%)		PE (x)		Div yield	PBV	Net debt/ EBITDA
	2022F	2023F	2022F	2023F	%	x	x
Malaysia	(3.1)	11.8	14.7	13.2	4.1	1.5	2.2
Indonesia	66.4	17.2	14.0	11.9	2.5	2.0	0.3
Philippines	25.4	17.3	15.9	13.6	2.0	1.6	2.7
Thailand	8.7	5.1	15.8	15.0	2.7	1.6	2.5
Taiwan	4.5	(15.3)	10.8	12.7	4.6	2.0	1.0
HK	(31.3)	13.8	10.3	9.1	3.6	1.1	(1.1)
Japan	4.7	(1.1)	15.2	15.4	2.2	1.6	0.8
China	19.0	14.6	11.6	10.1	2.9	1.3	3.9
Korea	(10.7)	(3.1)	11.6	12.0	2.1	1.0	3.7
India	13.3	18.2	22.2	18.8	1.4	3.3	2.2
Singapore	19.3	11.6	12.1	10.9	4.4	1.1	1.4

Source: AmInvestment Bank/Bloomberg

EXHIBIT 19: OVERWEIGHT SECTORS

Sector	Rationale	BUYs
Automobile	Automobile firms continue to see healthy daily orders, signifying that underlying demand for cars remain robust. Therefore, we do not expect a sharp decline in sales after the tax-free delivery period ends in March 2023. Distributors/automakers' decision to delay new launches also bodes well as it would provide an additional boost to sales next year. Our 2023 forecast of 600,000 units assumes total industry volume to normalise back to pre-pandemic levels.	Bermaz Auto, MBM Resources, UMW
Banking	Interest rate uptrend benefitting the interest income of banks with lower provisions ahead supported by potential reversals of management overlays from an improving trend of loans under repayment assistance (RA). Also, with improved earnings visibility, we are seeing normalising dividend payouts by banks.	MayBank, CIMB, RHB
Manufacturing	LSK's near-term earnings growth will be driven by Cuckoo collaboration and expanding market share in the domestic market. Separately, Ancom will continue to benefit from the ban of paraquat in Malaysia, Thailand and Brazil in FY23F. Over the medium-to-longer term, the introduction of new active herbicidal ingredients will further boost FY24F-25F earnings.	Lee Swee Kiat Ancom Nylex
Media	Attractive dividend yield of 9% for Astro. We also expect adex recovery as Malaysia transitions to endemic phase and borders reopen.	Astro
Oil & Gas	Robust earnings growth from softer but still elevated oil prices against the backdrop of prolonged supply disruptions and past under-investment. Companies with direct exposure to the upstream production and the FPSO subsector will be in a pole position to ride on the tailwind of higher oil prices.	Dialog Group, Petronas Gas, Yinson
Ports	While we expect throughput volume to be soft in 4QFY22F, we are confident long term outlook for ports. The resilient outlook for the port sector in the region is underpinned by global trade and investments in the manufacturing sector that generate inbound and outbound throughput. There have been significant relocations of the manufacturing base by MNCs out of China to the region due to rising labour and land costs, exacerbated by the US-China trade war.	Bintulu Port, Westports
Power	Tenaga's rate of return is protected by the government's incentive-based regulatory framework, with higher coal and gas prices passed to consumers.	Tenaga Nasional
Property	In 2023, we expect a gradual recovery in property transaction volumes with improved post-lockdown market sentiments and stronger demand after the reopening of international borders. This is proven by still resilient sales in 1HCY22 despite HOC's expiry. Notwithstanding various negative headwinds in the property sector (increased building material costs, labour shortages and rising interest rates), we think current depressed valuations have already priced in the downtrend commencing early April 2022. With the gradual easing of building material costs and labour shortages, we believe the current Kuala Lumpur Property Index's price-to-book value (PBV) of 0.4x is appealing vs. the 10-year average/median of 0.7x and pre-pandemic	Sunway
REITs	We anticipate that the uptrend in 10-year UST yield to be tapering off with the expectation that the Federal Reserve may ease off aggressive rate hikes after the end of 2022 as a result of weaker economic data. Meanwhile, we expect the yield spread to be widening from FY22F onwards with the gradual recovery of retail footfalls, tenant sales and hotel occupancy.	Sunway REIT

Source: AmInvestment Bank

EXHIBIT 20: NEUTRAL SECTORS

Sector	Rationale	BUYs
Construction	Short term uncertainties post-GE15. We forsee potential recovery of job flows in 2023, which will improve earnings visibility while operating margins stabilise as labour shortage and raw material cost eases.	Kimlun
Consumer	We expect stronger 4Q results due to better seasonality as holiday and festive spending will cushion softer results in the previous quarters. Nonetheless, persistently high commodity prices (high input costs) and rising cost of living (low purchasing power) due to inflation pose downside risks to sector earnings.	Berjaya Food, Mr DIY, Spritzer
EMS	Labour shortages continue to limit revenue growth prospects.	VS Industry
Glove	Persistent downwards pressure on average selling price (ASP), worsened by higher operating costs (opex), particularly, energy and labour costs. Moreover, the continued de-rating of the healthcare premium has dampened valuations, especially for Hartalega Holdings and Top Glove Corporation, which could be removed from the FBM KLCI.	N/A
Healthcare	IHH will continue its organic growth via bed capacity expansion in 2023, further boosted by continued recovery of foreign and domestic patients, especially in Malaysian and Singaporean markets.. Apex and Duopharma are well-positioned to benefit from rising take-up of generic drugs in Malaysia, an ageing population, public health education advancement and steady healthcare expenditure increase.	Apex Healthcare IHH Healthcare Duopharma Biotech
Insurance	Higher interest rates moving forward is likely to result in fair value losses on insurance companies' securities portfolio. Also, there remain uncertainties surrounding the day 1 impact of FRS 17 while claims are expected to trend higher in 2022 from the normalisation of motor and medical claims. The impending phase 2 detariffication is expected to exert pressure on the pricing of fire/general insurers.	Allianz
Plantation	CPO prices have reached its peak of RM8,000/tonne and would soften as 2H2022 production seasonally improves together with the arrival of more migrant workers.	N/A
Technology	Moderating semiconductor demand from global recessionary prospects and ongoing China lockdowns.	Inari Amertron & Pentamaster
Telecommunications	Higher opex from Digital Nasional's fixed 5G annual wholesale capacity charge on celcos could more than offset escalating data demand and easing competition from the consolidation of Celcom and Digi amid a stagflationary outlook which could depress subscriber affordability.	Telekom Malaysia

Source: AmInvestment Bank

EXHIBIT 21: TOP DIVIDEND PICKS

Company	Sector	Current share price	FY22F DPS (sen)	FY22F Yield (%)
Hektar REIT	REIT	0.66	7.6	11.5
Astro Malaysia	Media	0.74	6.8	9.2
YTL Hospitality REIT	REIT	0.88	8.0	9.1
UOA REIT	REIT	1.14	9.1	8.0
Malakoff	Power	0.64	5.0	7.8
Pavilion REIT	REIT	1.20	8.3	6.9
Malayan Banking	Financial Services	8.63	56.0	6.5
Sunway REIT	REIT	1.45	9.1	6.3
RHB Bank	Financial Services	5.62	34.8	6.2
IGB REIT	REIT	1.66	9.8	5.9
Power Root	Consumer	1.84	10.6	5.8
Mah Sing Group	Property	0.53	3.0	5.7
Globetronics	Tech	1.20	6.7	5.6

Source: AmInvestment Bank

EXHIBIT 22: ESG CHAMPIONS

Company	Sector	Market Cap RMmil	Share price RM/share	Fair value RM/share	Upside %	Rationale
Maybank	Banking	102,511	8.63	9.50	10.1	Low exposure to ESG vulnerable sectors, received a rating of 'AA' in the MSCI ESG Ratings assessment. Consistently included in FSTE4Good indices for 8 straight years which reflects recognition of its sustainability efforts and practices.
Petronas Chemicals Group	Oil & Gas	67,360	8.42	9.94	18.1	Established Net Zero Carbon Emissions 2050 Roadmap which targets to achieve net-zero carbon emissions by 2050. Also committed to transitioning to a new plastic and circular economy. One of the top 10 companies in the FTSE4Good Index and a member of the Dow Jones Sustainability World Index.
Petronas Gas	Oil & Gas	32,728	16.54	20.05	21.2	Already part of the energy transition with natural gas having a low carbon footprint in the power generation process. Adheres to GHG emissions limit of 5 million tonnes of Co2 equivalent together with continuous emissions reduction efforts that include flare reduction and improvement of energy efficiency and plant reliability. Included in FTSE4Good Index and ranked top 26-50% by ESG Ratings in FBM EMAS.
IHH Healthcare	Healthcare	51,075	5.80	6.89	18.8	Reducing water and electricity consumption throughout all operations such as standardising use of lighting & air-conditioning with optimal ranges, sensor faucets and high-efficiency toilets. Operates Malaysia's first green hospital – Pantai Hospital Laguna Merbok, which achieved GBI Silver certification in In 2014, becoming the first purpose-built hospital to incorporate green technologies and design into its construction and operations in Malaysia. Its innovations include green vehicle charging stations, condensate water harvesting, solar hot water for showers and LED façade lighting. All plastic cutlery has been replaced with wooden cutlery at the hospital cafeteria.
Telekom Malaysia	Telco	20,790	5.51	7.08	28.5	Spearheads the National Fiberisation & Connectivity Plan to rural and unreached communities, implementation of energy efficiency and sustainable systems and significant corporate/social contributions.
Westports Holdings	Port	12,380	3.48	4.76	36.8	Adopts initiatives to disclose greenhouse gas (GHG) emissions each year and introduced carbon pricing mechanism in 2020, reduce air pollution, water polution, and noise pollution, minimise long term effect of biodiversity loss (mangarove forests) and ensure that major supply chain partners adhere to all social standards stipulated by Malaysian labour law and the International Labour Organisation. Recognised by APEC Port Services Networtk Green Port 2020 as one of 8 global green ports; secured ISO 45001:2018 and MSOSH OSH Gold Class 2 Award Winner for 2021.
Inari Amertron	Technology	10,010	2.70	3.72	37.8	Highly committed in employee wellbeing and supply chain management. In addition, the group has ongoing investment in environmental technologies such as solar panels to lower carbon intensity. Inari was included into FTSE4GOOD Bursa Malaysia Index since Jun 2020 and is a corporate member of Climate Governance Malaysia to promote sustainability performance.
Sunway	Property	8,289	1.68	2.29	36.3	Targeting zero carbon emmission by 2050 and has incorporated sustainable financing consideration into capital management strategies via the issuance of sustainability-linked bond. Also, been recognised both locally and internationally for sustainability efforts. Listed in FTSE5Good Bursa Malaysai Index since 2016 and ranked by FTSE Russell EGS Ratings in FBM Emas.
Yinson Holdings	Oil & Gas	7,204	2.36	3.61	53.0	Aiming to invest in up to 3GW of renewable energy by 2023 and already has stakes in 330MW solar projects and multiple green technology start-ups. A constituent of the FTSE4Good Index and ranked top 26-50% by ESG Ratings in FBM EMAS.
Sunway REIT	REIT	4,966	1.45	1.79	23.4	Targeting zero carbon emmission by 2050 and has incorporated sustainable financing consideration into capital management strategies via the issuance of sustainability-linked bond. Also, been recognised both locally and internationally for sustainability efforts. Listed in FTSE5Good Bursa Malaysai Index since 2016 and ranked by FTSE Russell EGS Ratings in FBM Emas.
Astro	Media	4,354	0.84	1.16	38.9	Generated 1.6mil kWh of solar energy, reduced GHG emissions by 6% to 23,955 tCO2e and electricity consumption by 7% to 31mil kW while airing over 11,600 hours of public service announcements to amplify community messages in 2021.Included in the top 10% of media companies in 2021 for FTSE4Good Index and top 10% of all companies globally by Sustainalytics.

Source: AmInvestment Bank

EXHIBIT 23: TOP BUY CALLS

Company	Sector	Market Cap RMmil	Share price RM/share	Fair value RM/share	Upside %	Rationale
Maybank	Banking	102,511	8.63	9.50	10.1	Expected improvement in core operating income with the interest rate uptrend benefitting underlying NIMs and lower provisions for loan losses with the tapering of new applications for RA in Malaysia and overseas operation.
CIMB	Banking	60,127	5.80	6.70	15.5	Undemanding valuation trading at 0.8x FY23F P/BV, potential ROE uplift from impairment of goodwill and intangible assets coupled with the group's initiatives on cost take-out to trim opex.
Tenaga Nasional	Power	51,760	7.96	11.80	48.2	Undemanding FY23F PE of 10x while rate of return of 7.3% is protected under RP3 guidelines.
RHB Bank	Banking	23,283	5.62	7.40	31.7	Strong capital position with a CET1 ratio of 16.6% as well as attractive FY23F P/BV valuation at 0.8x.
Telekom Malaysia	Telco	18,830	5.13	7.08	38.0	Strong earnings growth underpinned by rapid fibre subscriber growth on a nationwide network, rising wholesale revenue from 5G deployment and levelisation of playing field against established players together with improving cost management.
Inari Amertron	Technology	10,452	2.80	3.72	32.9	Proxy to the rapid growth of 5G telecommunication technology through its radio frequency business, which is set to benefit from the expected increase in demand for 5G smartphones.
Sunway	Property	8,289	1.68	2.29	36.3	Strong brand recognition established by its highly successful landmark developments and expanding healthcare business, supported by substantive unbilled sales and outstanding order book.
Sunway REIT	REIT	4,966	1.45	1.79	23.4	Diversified investment portfolio which encompasses retail malls, hotels, offices, a university, and hospitals that spread across Malaysia. Strong occupancy rates which have exceeded 90% in retail assets. Stable rental income generated from services and industrial segments.
Dialog Group	Oil & Gas	12,703	2.25	3.38	50.2	Improving sector recovery on bullish crude oil prices poised to spur recurring services growth with the group's strategic Pengerang development likely to bring in new investors.

Source: AmInvestment Bank

EXHIBIT 24: SMALL CAP IDEAS

Company	Sector	Market Cap RMmil	Share price RM/share	Fair value RM/share	Upside %	Rationale
Apex Healthcare	Healthcare	1,598	3.35	3.73	11	Well-positioned to benefit from an ageing population, public health education advancement and steady healthcare expenditure increase.
MBM Resources	Auto	1,293	3.32	5.10	54	Set to benefit from Perodua's robust sales and continuous effort to widen its product offerings . The newly launched Perodua Alza is one of the key catalyst for the group.
Mah Sing Group	Property	1,287	0.53	0.86	62	Focus on affordable housing developments at strategic locations as well as savvy execution and quick turnaround business model.
Lagenda Properties	Property	988	1.18	1.64	39	Focus on underserved landed affordable housing development in second-tier states with large populations of B40 and M40 income groups.
Ancom Nylex	Manufacturing	889	0.95	1.30	37	Benefit from the ban of paraquat in Malaysia, Thailand and Brazil in FY23F. Over the medium-to-longer term, the introduction of new active herbicidal ingredients will further boost FY24F-25F earnings.
UOAREIT	REIT	770	1.14	1.42	25	Strategically located properties which are well-connected in neighbourhoods, coupled with diverse tenant mix which could mitigate potential rental collection risk during economic downturns.
Perak Transit	Transportation & Logistics	823	1.16	1.36	17	Robust recurring earnings from integrated public transport terminals, while anticipating further growth by riding on the tailwinds of post-pandemic recovery as well as expansions in Bidor and Tronoh.
Spritzer	Consumer	439	2.09	2.70	29	Continues to strengthen its domestic market share, supported by strong cash flow position and sustainable demand for natural mineral/drinking water. FY23F earnings growth also will be helped by softening crude oil prices.
Deleum	Oil & Gas	321	0.80	1.02	28	Resilient earnings growth on stronger orderbook with additional upside from the potential lifting of Petronas' tender suspension on its anti-corrosion operations. 3QFY22 net cash already represents 58% of the current market cap.
Lee Swee Kiat	Manufacturing	105	0.630	0.90	43	Near-term earnings growth will be driven by Cuckoo collaboration and expanding domestic market share. Also, a proxy to long-term positive structural trends: (a) increasing consumer preference for latex mattresses; (b) post-pandemic health awareness; (c) increasing affluence; and (d) ageing Malaysian population.
Duopharma Biotech	Healthcare	1,428	1.50	1.89	26	Largest local pharmaceutical manufacturer with strong prospects driven by: (a) the rising take-up of generic drugs in Malaysia, (b) upcoming industry's patent cliff in 2022-2026 and booming biosimilars with the company's strength in R&D and state-of-art manufacturing facilities; and (c) ever growing Vitamin C market with its popular brands, Champs and Flavettes.

Source: AmInvestment Bank

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