

Strategy

Every dark cloud has a silver lining – Shariah perspective

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- This report delineates our 2022F equity strategy outlook from a Shariah perspective.
- We expect 2022 to be a more challenging year for the market due to potential headwinds in the form of policies as well as corporate earnings and political risks.
- However, downside could be capped by stronger economic growth, additional liquidity available for large institutional funds and KLCI's undemanding valuations.
- We provide six trading themes for 2022F in this report; our top Shariah sector picks are Islamic banking, chemicals, healthcare, media, oil & gas, packaging, semiconductor, EMS, and utilities.
- Our top three Shariah stock picks are Bank Islam, Inari and QL Resources.

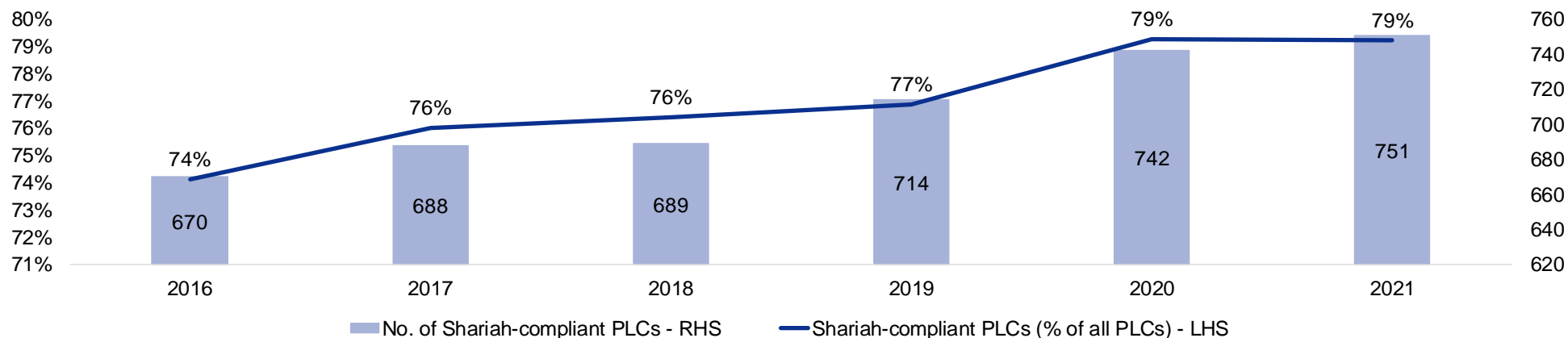
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Investment Summary

- We expect investors to tread cautiously in 2022F as we see potential headwinds buffeting the markets in the form of new Covid-19 waves (Omicron), foreign fund outflows due to the Fed taper, reversals of fiscal stimulus, tighter monetary policy, return of intra-day short-selling, higher transaction costs for trading of Malaysia shares, corporate earnings risks due to higher taxes, companies' inability to raise prices and political risks.
- However, downside could be capped by expectations of stronger economic growth as Malaysia reopens international borders following the lifting of the inter-state travel ban since 11 Oct 2021, additional liquidity available for domestic institutional funds like EPF following the end of the various one-off withdrawal schemes under stimulus packages announced in 2020 and 2021 and given that the KLCI is trading at undemanding valuations (KLCI traded at a forward P/E of 14.7x as at 17 Jan 2022, close to 1.5 s.d. below its 3-year mean).
- We offer five policy events to watch that could shape 2022: 1) decision on the Single Wholesale Network model for 5G rollout; 2) resumption of foreign workers intake; 3) resolution to the allegations of forced labour issues in Malaysia; 4) decision on the MRT3 project; and 5) allocation of five digital banking licences. However, we advise investors to be nimble in their investing strategy as the market is likely to stay volatile.
- Our six key trading themes for 2022F are 1) beneficiaries of OPR hikes; (2) value and laggard plays; (3) recovery plays; (4) EV plays; (5) ESG picks; and (6) high dividend-yielding stocks.
- Our top Shariah sector picks are Islamic banks, technology, petrochemical, media, oil & gas, healthcare, utilities, healthcare and EMS. Our top three Shariah picks are Bank Islam, Inari and QL Resources.
- We maintain our end-2022F KLCI target of 1,612 pts (based on 12M forward P/E of 14.3x, 1.5 s.d. below its historical 3-year moving average mean P/E of 16.2x).
- Key risks to our earnings projections are slower global growth, inability of companies to pass on rising costs, higher taxes, shortage of foreign workers, rising trade risks and political uncertainties. Potential upside risks to earnings are better-than-expected commodity prices and the government reconsidering some of the new tax measures to reduce tax burdens.

Shariah-compliant PLCs rising over the past years



Main Market/Ace Market	No. of shariah compliant securities	Sectoral breakdown (%)	Total securities in Bursa Malaysia	% of shariah-compliant securities within the sector
Industrial products & services	223	30%	269	83%
Consumer products & services	146	19%	199	73%
Property	89	12%	99	90%
Technology	86	11%	105	82%
Construction	56	7%	61	92%
Plantation	35	5%	43	81%
Transportation and logistics	30	4%	35	86%
Energy	26	3%	34	76%
Telecommunications & media	22	3%	31	71%
Healthcare	23	3%	24	96%
Utilities	11	1%	13	85%
Financial services	4	1%	33	12%
SPAC			1	na
Closed-end funds			1	na
Total	751	100%	948	79%

Data as at 22 Nov 2021

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA, SECURITIES COMMISSION

Increasing interest in Shariah investments

- Total Islamic assets under management for the Malaysian fund management industry grew from 22% of total assets in 2017 to 24.1% in Nov 2021.
- The Islamic unit trust size expanded at a faster pace, accounting for 25.2% of the total net asset value of unit trusts in Nov 2021 vs. 18.2% in 2017. Total Islamic assets under management stood at RM231.4bn at end-Nov 2021.

Period	Islamic Assets under Management (RM bn)	Islamic Assets under Management (% of total)	Islamic Unit Trust Net Asset Value (RM bn)	Islamic Unit Trust Net Asset Value (% of total)
Annual				
2017	170.8	22.0	77.8	18.2
2018	158.8	21.4	83.5	19.6
2019	180.5	21.9	107.3	22.3
2020	216.8	23.9	128.5	24.7
Monthly				
Jan-21	220.4	24.2	131.7	25.2
Feb-21	220.3	23.9	130.7	24.8
Mar-21	224.9	24.2	134.6	25.2
Apr-21	222.9	23.7	132.6	24.7
May-21	223.7	23.7	133.0	24.7
Jun-21	222.3	23.6	131.2	24.7
Jul-21	225.0	23.8	132.2	24.7
Aug-21	228.3	23.6	134.5	24.5
Sep-21	227.4	23.8	132.6	24.7
Oct-21	230.3	23.7	135.6	24.6
Nov-21	231.4	24.1	136.8	25.2

SOURCES: CGS-CIMB RESEARCH, SECURITIES COMMISSION

Recap of market performance in 2021

- The KLCI fell 3.7% in 2021 as the market was hit by a series of negative newsflow:-
 - Declaration of state of emergency in Jan to combat Covid-19
 - Reinstatement of various Movement Control Orders in Jan-Aug 2021
 - Increase in Covid-19 cases and peaking at 24,599 on 26 Aug 2021
 - Slow vaccination progress in 1H21
 - ESG concerns relating to forced labour issues
 - Political uncertainties (change in prime minister on 21 Aug)
 - Falling ASP for glove makers leading to sharp correction in their share prices following significant outperformance in 2020
 - Higher tax measures announced in Budget 2022
- KLCI briefly touched its 2021 high of 1,640 pts on 10 Mar 2021 and fell to a low of 1,481 pts on 14 Dec 2021 due to concerns over the fallout from Budget 2022, the impact of Omicron (a more contagious Covid-19 variant of concern) on the reopening of economy and relaxation of travel restrictions. The KLCI fell 3.7% or 60 pts in 2021 to close at 1,567 pts on 31 Dec 2021.
- The fund flow data showed that local institutional and foreign investors net sold RM12.1bn and RM3.3bn worth of Malaysian equities, respectively, in 2021. Foreign shareholding in Malaysia fell 0.3% pt from 20.7% at end-Dec 2020 to 20.4% at end-Dec 2021.

Key market events in 2021



Note: TSMY stands for Tan Sri Muhyiddin Yassin

Note: YDPA stands for Yang di-Pertuan Agong, the King

Note: MCO stands for Movement Control Order; CMCO stands for Conditional Movement Control Order; FMCO stands for Full Movement Control Order

Note: DSIS stands for Datuk Seri Ismail Sabri

Note: PM stands for Prime Minister of Malaysia

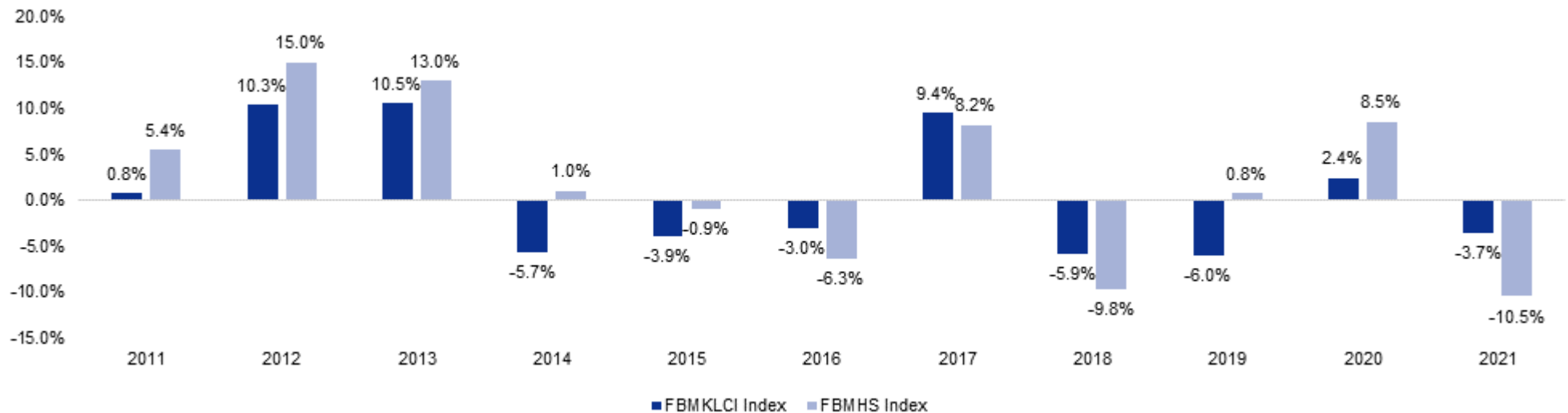
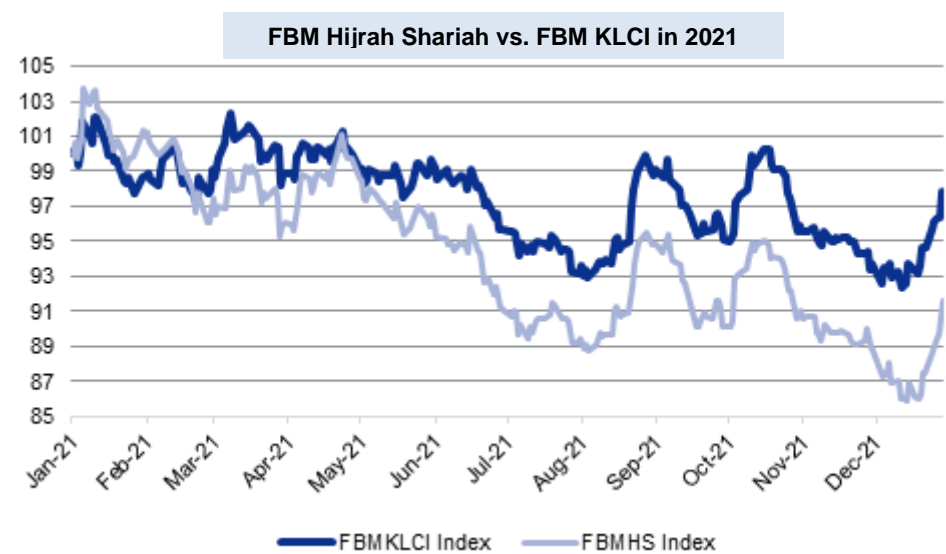
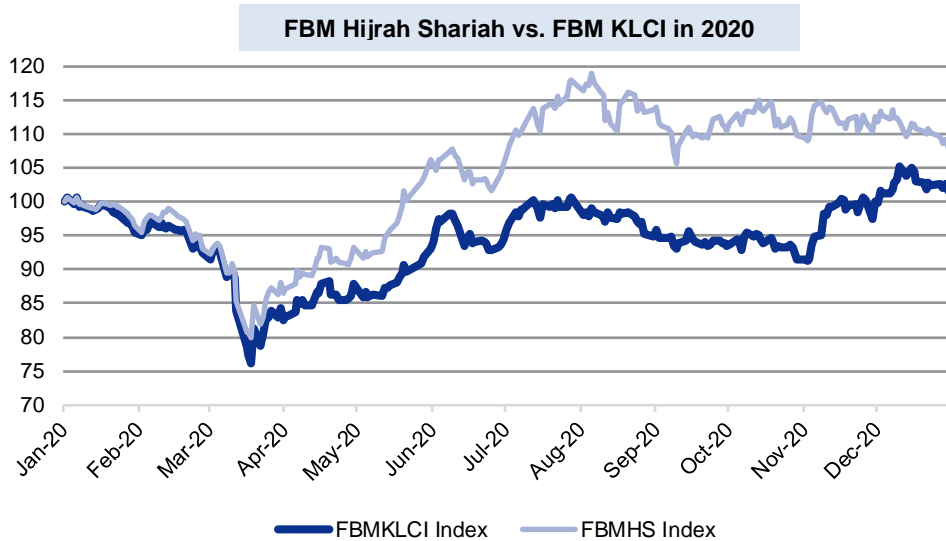
Data as at 31-Dec-21

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, VARIOUS NEWS ARTICLES

Comparing performances of FBM KLCI and FBM Hijrah index

- The FBM KLCI comprises the 30 largest companies on Bursa Malaysia by market capitalisation that meet the eligibility criteria of FTSE Bursa Malaysia Index Ground Rules.
- The FBM Hijrah Shariah Index outperformed the conventional FBM KLCI index in seven out of the past eleven years (2011-2021).
- A closer analysis reveals that one of the key determinants of the relative performance of KLCI vs. Hijrah Shariah Index is the banking sector's movements.
- This is because six out of the 30 constituents in the KLCI index are banks that are non-Shariah compliant; these formed around 36% of KLCI's total weightage on 31 Dec 2021.
- As at 31 Dec 2021, the key heavyweights in the Hijrah Shariah index were the food and beverages (19.91%), telecommunications (19.46% of total index weight), utilities (14.29%), and healthcare (10.84%) sectors.
- The top three companies with the highest weightage in FBM Hijrah Shariah Index are Tenaga, Petronas Chemicals and Press Metal.

FBM Hijrah Shariah outperformed FBM KLCI in 7 out of the past 11 years



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

FBM KLCI vs. FBM Hijrah Shariah index

FBM KLCI Top 10 Constituents	
Constituent	Weight (%)
Public Bank	12.76
Malayan Banking	10.42
CIMB Group Holdings	7.54
Tenaga Nasional	7.24
Petronas Chemicals Group Bhd	5.00
Press Metal Aluminium Holdings	4.35
IHH Healthcare	4.32
Axiata Group Bhd	3.82
Digi.com	3.16
Top Glove Corp	2.71
Total	60.58

FBMKLCI sector breakdown		
Sector	No. of constituents	Weight (%)
Banks	6	35.5
Telecommunications	4	11.8
Food Beverage and Tobacco	5	10.9
Utilities	2	9.3
Health Care	3	8.7
Chemicals	1	5.0
Basic Resources	1	4.4
Industrial Goods and Services	2	4.0
Energy	2	3.8
Travel and Leisure	2	3.7
Technology	1	2.2
Retailers	1	0.7
Total	30	100.0

FBM Hijrah Shariah Top 10 Constituents	
Constituent	Weight (%)
Tenaga Nasional	11.16
Petronas Chemicals Group Bhd	7.70
Press Metal Aluminium Holdings	6.70
IHH Healthcare	6.66
Axiata Group Bhd	5.88
Digi.com	4.87
Top Glove Corp	4.18
Sime Darby Plantation	4.09
Maxis Bhd	4.06
Dialog Group	3.66
Total	59.49

FBM Hijrah Shariah sector breakdown		
Sector	No. of constituents	Weight (%)
Food Beverage and Tobacco	8	19.9
Telecommunications	5	19.5
Utilities	2	14.3
Health Care	2	10.8
Chemicals	1	7.7
Technology	4	6.9
Basic Resources	1	6.7
Energy	2	5.9
Industrial Goods and Services	2	3.8
Construction and Materials	2	3.5
Retailers	1	1.1
Total	30	100.0

Note : Data as at end-Dec 21

SOURCES: CGS-CIMB RESEARCH, FTSE RUSSELL BLOOMBERG

Shariah indices underperformed conventional indices in 2021

- The technology, industrial and transport sectors were the top performing sectors in 2021.
- The construction, energy and healthcare sectors were the worst performing sectors in 2021.
- The FBM Hijrah Shariah and FBM Emas Shariah indices underperformed the FBM KLCI indices in 2021. This was due mainly to the outperformance of the finance sector against the healthcare and utilities sectors in 2021.

Index	2015	2016	2017	2018	2019	2020	2021
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy
Bursa Malaysia Technology	52.4%	-13.3%	89.7%	-29.9%	29.2%	83.9%	38.6%
Bursa Malaysia Industrial	21.6%	-7.3%	21.1%	-4.8%	-7.9%	16.1%	13.8%
Bursa Malaysia Transport	2.4%	0.2%	6.9%	-32.1%	4.6%	4.7%	8.3%
Bursa Malaysia Finance	-9.8%	1.6%	17.2%	2.6%	-10.6%	-1.0%	1.6%
FBM Fledgling	18.2%	-4.5%	17.0%	-23.3%	6.7%	30.3%	1.4%
FBM Small Cap	6.0%	-7.7%	15.9%	-33.7%	25.4%	9.9%	1.3%
FBM Small Cap Shariah	9.5%	-9.4%	11.1%	-34.8%	26.9%	15.4%	0.5%
Bursa Malaysia Telecom	-2.8%	-7.3%	-2.5%	-39.0%	12.1%	-2.0%	-2.5%
FBM KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%
FBM Emas	-2.3%	-2.8%	12.9%	-10.9%	-1.8%	3.9%	-3.9%
Bursa Malaysia Property	-7.6%	-5.0%	8.8%	-28.6%	-5.2%	-11.5%	-4.2%
FBM Top 100	-2.9%	-2.5%	12.7%	-9.3%	-2.9%	3.5%	-4.2%
Bursa Malaysia Consumer	5.8%	-2.1%	12.1%	1.6%	-0.3%	-7.6%	-4.5%
Bursa Malaysia REIT	-0.9%	11.2%	4.8%	-12.5%	4.1%	-13.4%	-5.0%
FBM Mid 70	0.5%	-0.8%	23.4%	-18.7%	8.7%	6.6%	-6.2%
FBM Emas Shariah	2.3%	-6.1%	10.7%	-13.5%	3.9%	10.1%	-6.8%
Bursa Malaysia Plantation	-3.4%	1.7%	2.0%	-12.7%	12.0%	-5.6%	-10.3%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-10.5%
Bursa Malaysia Utilities	1.5%	-5.0%	-2.1%	-5.4%	7.8%	-1.6%	-11.6%
Bursa Malaysia Construction	-0.8%	3.0%	9.8%	-50.2%	34.3%	-10.8%	-17.6%
Bursa Malaysia Energy	-18.8%	-18.9%	32.5%	-36.6%	51.3%	-27.8%	-21.5%
Bursa Malaysia Healthcare	60.9%	-12.0%	18.5%	10.1%	-4.2%	185.6%	-34.6%
FBM ACE	13.0%	-25.2%	38.1%	-34.6%	21.1%	105.4%	-40.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Performance of global and regional markets

- Malaysia was the worst performer and the only market that posted negative returns among the MIST (Malaysia, Indonesia, Singapore and Thailand) markets in 2021. This could be due partly to profit-taking in the glove sector after its outperformance in 2020.

Global indexes	2015	2016	2017	2018	2019	2020	2021
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy
Taiwan Taiex Index	-10.4%	11.0%	15.0%	-8.6%	23.3%	22.8%	23.7%
S&P BSE Sensex Index	-5.0%	1.9%	27.9%	5.9%	14.4%	15.8%	22.0%
Nasdaq Composite Index	5.7%	7.5%	28.2%	-3.9%	35.2%	43.6%	21.4%
Dow Jones Indus. Avg	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	18.7%
FTSE 100 Index	-4.9%	14.4%	7.6%	-12.5%	12.1%	-14.3%	14.3%
Nikkei 225	9.1%	0.4%	19.1%	-12.1%	18.2%	16.0%	4.9%
Shanghai SE Composite Index	9.4%	-12.3%	6.6%	-24.6%	22.3%	13.9%	4.8%
KOSPI Index	2.4%	3.3%	21.8%	-17.3%	7.7%	30.8%	3.6%
FTSE Bursa Malaysia KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%
MSCI AC Asia x Japan	-11.3%	2.9%	38.7%	-16.4%	15.4%	22.5%	-6.4%
Hang Seng Index	-7.2%	0.4%	36.0%	-13.6%	9.1%	-3.4%	-14.1%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-10.5%

Regional indexes	2015	2016	2017	2018	2019	2020	2021
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy
Thai Index	-14.0%	19.8%	13.7%	-10.8%	1.0%	-8.3%	14.4%
Jakarta Composite Index	-12.1%	15.3%	20.0%	-2.5%	1.7%	-5.1%	10.1%
Straits Times Index STI	-14.3%	-0.1%	18.1%	-9.8%	5.0%	-11.8%	9.8%
PSEi - Philippine SE Index	-3.9%	-1.6%	25.1%	-12.8%	4.7%	-8.6%	-0.2%
FTSE Bursa Malaysia KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-10.5%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

18 KLCI constituents delivered positive returns in 2021

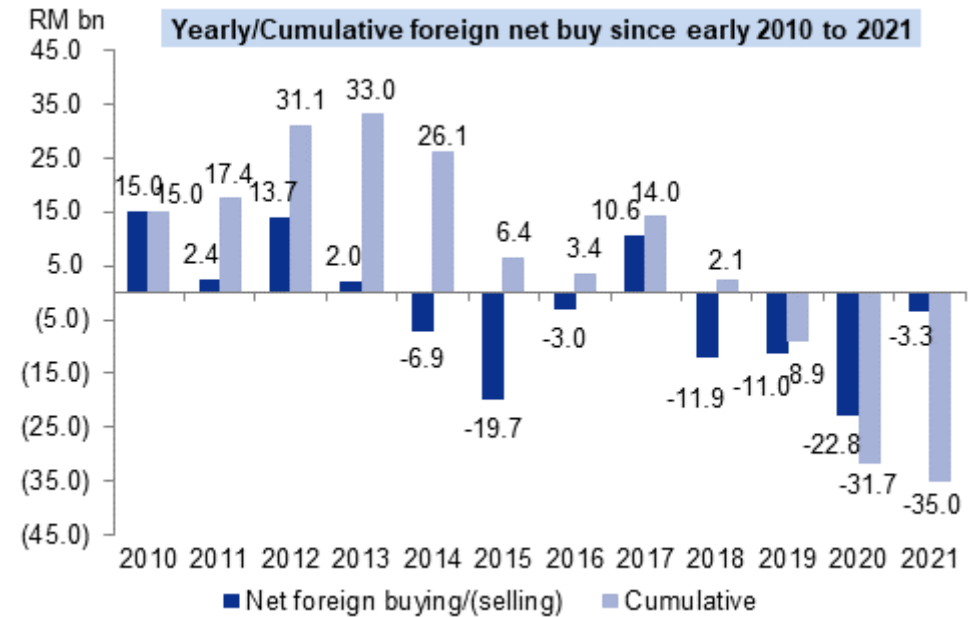
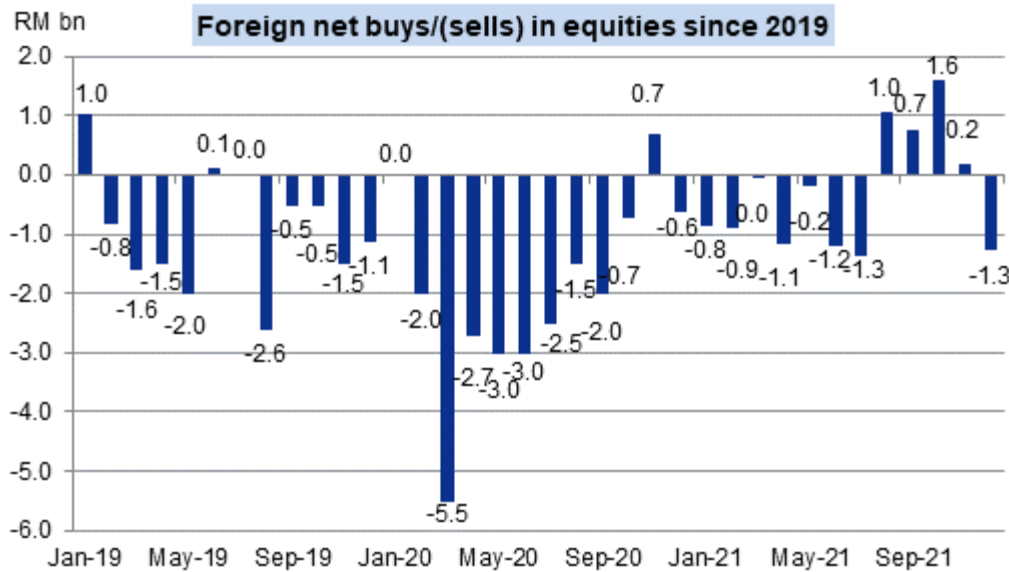
KLCI constituents	2015	2016	2017	2018	2019	2020	2021
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy
Inari Amertron	95.9%	-7.0%	112.8%	-31.6%	16.7%	67.0%	50.0%
Press Metal	-16.2%	119.4%	245.3%	-9.2%	-2.6%	80.4%	37.8%
IHH Healthcare	37.2%	-3.0%	-7.2%	-7.6%	2.0%	0.6%	33.8%
CIMB Group	-17.2%	4.5%	51.2%	-9.3%	-5.1%	-16.5%	30.6%
Petronas Chemicals	37.3%	-1.6%	14.0%	24.7%	-18.0%	1.1%	20.1%
Mr DIY Group	-	-	-	-	-	-	15.8%
Axiata Group	-5.8%	-24.1%	18.1%	-27.0%	7.8%	-9.6%	11.3%
Genting Malaysia Bhd	9.3%	6.3%	26.8%	-44.3%	15.5%	-18.2%	7.1%
Digi.Com	-8.7%	-6.6%	9.7%	-7.9%	3.1%	-7.2%	5.3%
Petronas Gas	5.1%	-3.6%	-15.0%	14.1%	-9.6%	3.4%	4.8%
Genting	-16.9%	9.5%	17.5%	-32.0%	2.2%	-26.3%	4.7%
Maybank	-2.4%	3.7%	26.6%	2.8%	-3.1%	-2.1%	3.7%
MISC	32.1%	-18.5%	6.6%	-5.4%	29.9%	-17.7%	2.6%
Hong Leong Bank	2.4%	3.6%	29.7%	22.9%	-12.8%	5.2%	2.3%
RHB Bank	-22.3%	11.3%	8.6%	9.3%	14.3%	-5.7%	1.8%
Telekom Malaysia	-28.2%	-1.4%	6.3%	2.1%	-5.3%	41.9%	1.7%
Public Bank Bhd	4.3%	9.8%	8.5%	22.5%	-19.0%	6.0%	1.0%
Sime Darby Berhad	-13.0%	8.1%	29.7%	11.9%	-3.3%	4.1%	0.5%
Nestle (Malaysia)	11.7%	10.4%	36.2%	45.6%	1.7%	-5.5%	-3.4%
Petronas Dagangan	49.7%	-1.8%	5.2%	13.4%	-10.3%	-7.4%	-3.7%
Maxis	3.9%	-9.1%	3.8%	-7.8%	3.2%	-5.0%	-3.9%
Hong Leong Financial	-11.7%	4.5%	28.5%	6.0%	-6.8%	6.9%	-4.0%
PPB Group	12.9%	1.3%	10.3%	24.3%	8.8%	-1.7%	-7.7%
Kuala Lumpur Kepong	2.8%	6.9%	6.3%	0.9%	2.2%	-3.3%	-8.1%
Tenaga Nasional	-1.4%	6.8%	14.4%	-7.9%	1.5%	-21.2%	-10.0%
IOI Corp	-5.1%	0.4%	5.3%	2.4%	5.5%	-5.5%	-15.4%
Dialog Group	8.2%	-2.4%	65.0%	25.1%	12.2%	0.1%	-24.0%
Sime Darby Plantations	-	-	-	-17.8%	14.9%	-8.4%	-24.3%
Hartalega	71.7%	-17.2%	124.4%	16.5%	-9.4%	125.1%	-52.9%
Top Glove Corp	210.1%	-19.3%	53.3%	42.3%	-13.8%	308.1%	-57.8%

Note : Light blue represents Shariah-compliant constituents

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Foreigners were net sellers for 8 out of 12 months in 2021

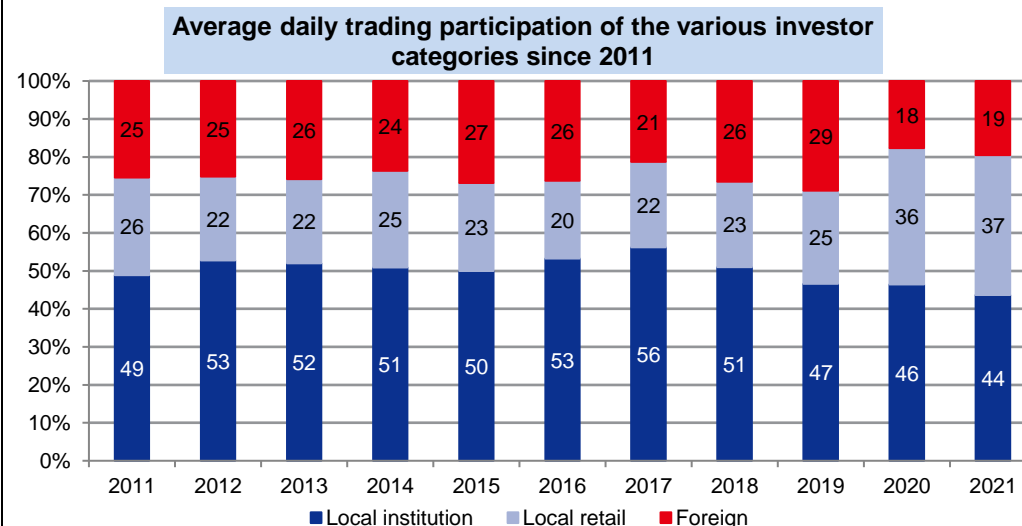
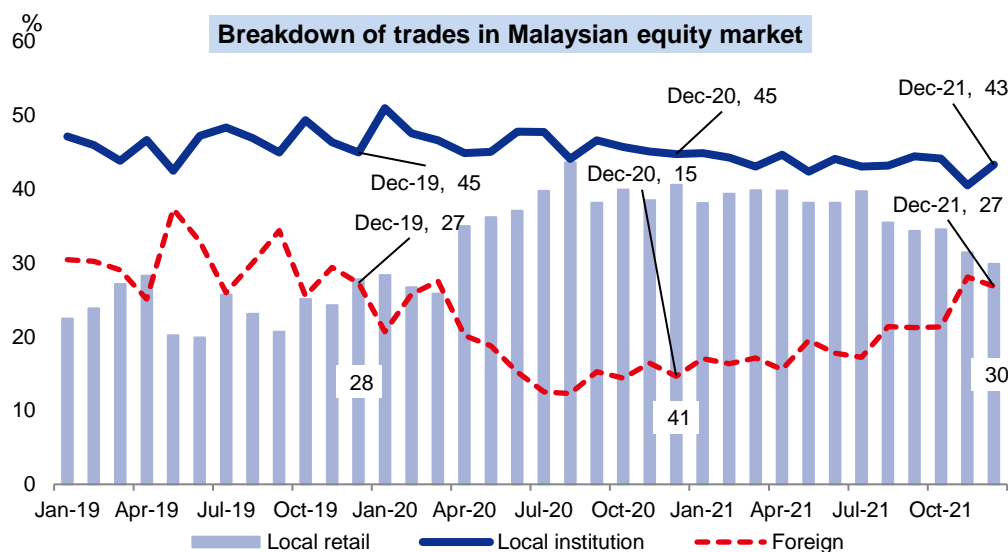
- Foreign investors continued to be net sellers of Malaysian equities, net selling RM3.3bn in 2021.
- This was lower than the net outflow experienced in 2020 of RM22.8bn (highest net foreign net outflows experienced by the Malaysian equity market since statistics were available in 2010 due to concerns over MCO 1.0, change of government and Covid-19) and RM11.0bn in 2019.
- The average monthly net foreign fund outflow for 2021 worked out to RM275m.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

Market participation trends in 2021 vs. 2020

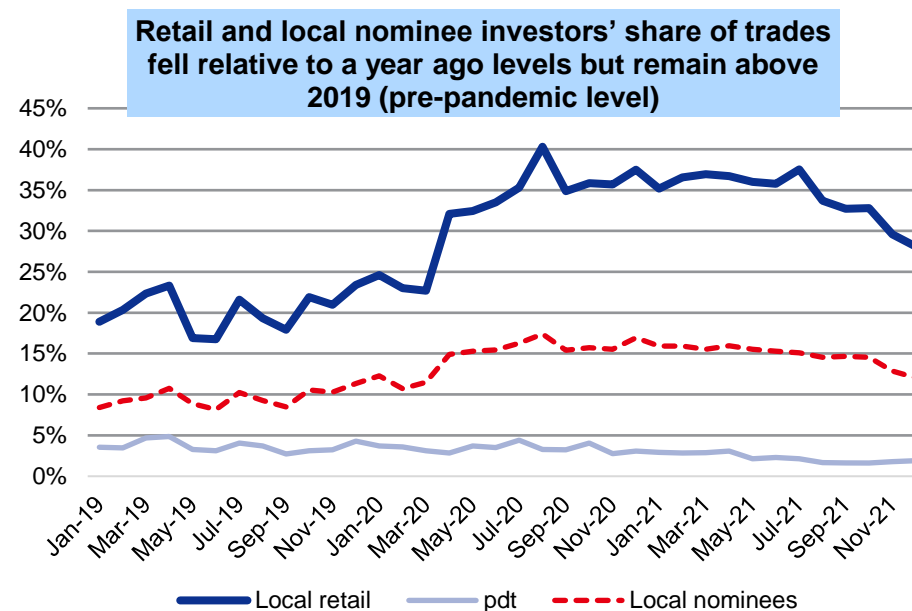
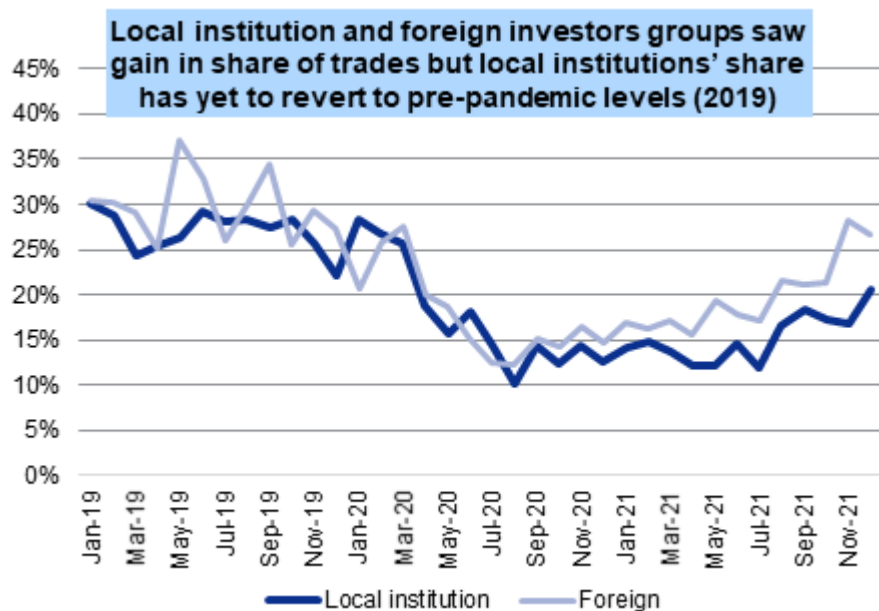
- Retail investors' monthly share of daily trades has declined more significantly yoy since Aug 2021. This group's share of trade fell to 30% in Dec 2021 from its peak of 44% in Aug 2020. However, the retail share of trades remained higher than the pre-Covid-19 level, which averaged 25% in 2019. Overall, retail investors' share of daily trading value was higher at 37% in 2021 from 36% in 2020.
- Foreign investors' share of trade improved from its low of 12% in Aug 2020 to peak at 28% in Nov 2021, bringing the group's share of trade back to pre-Covid-19 levels of 29% in 2019 following a low of 18% in 2020. In 2021, foreign investors' share of trade improved by only 1% pt to 19% as the increase in trading activities started in Aug 2021.
- Local institutions' share of monthly trade in 2021 was also lower, ranging from 41% to 45% in Jan-Dec 21 vs. 44% to 48% in Jan-Dec 20. As a result, local institutions' share of trades fell for a third consecutive year to 44% in 2021. This represents a significant drop from its peak in 2017 of 56%. We believe local institutions' share of trades declined due to moves to increase diversification of investment portfolios to overseas markets for higher returns as well as the various one-off EPF withdrawal schemes introduced in 2020 and 2021.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

Market participation trends analysis

- Retail share of trades fell 9% pts to 28% in Dec 2021 from 37% as at Dec 20 (23% as at Dec 19). A closer look at the statistics reveals that the retail share of trades peaked in Aug 2020 at 40% and is significantly higher if we allocate 50% of the nominees' share of trade of 17% in Aug 2020 as retail trade. This would bring retail share of trade to as high as 49% at its peak in Aug 20. Performing the same analysis for the Dec 2021 figure reveals that the retail share of trades tumbled to 34%, which suggests a fall of 15% pts from its peak. However, this remains higher against its share of trades in Dec 2019 of 29% (including 50% of nominees' share of trade).
- We also noticed that local institutions' share of trades (excluding IVT and nominees) expanded by 7% pts since Dec 20 to 21% in Dec 21. This remains lower than its share of trade of 22% in Dec 19 (pre-pandemic).
- Foreign share of total trading value improved by 12% pts to 27% in Dec 21 from 15% in Dec 20. At its peak, foreign investors share of daily trades was 37% in May 19.

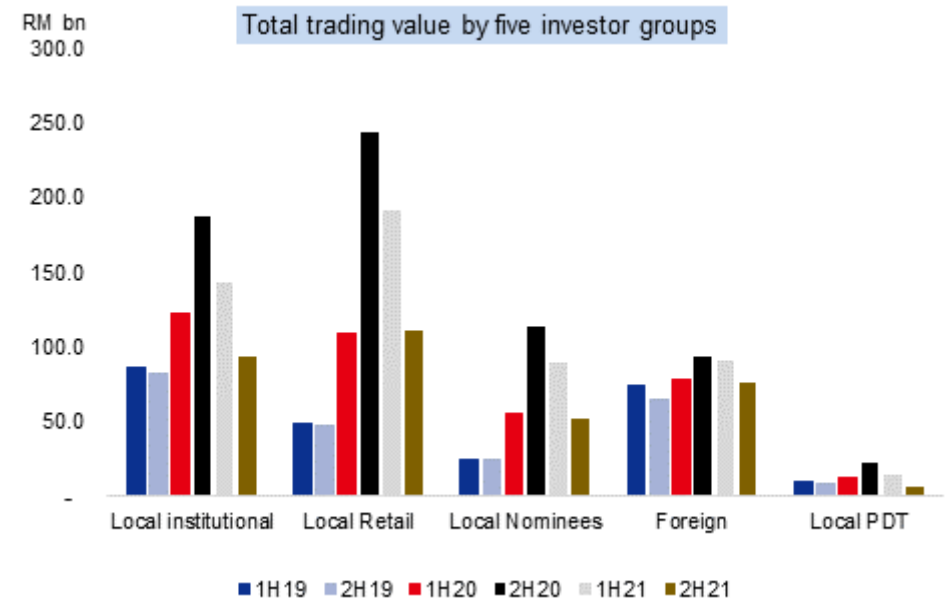
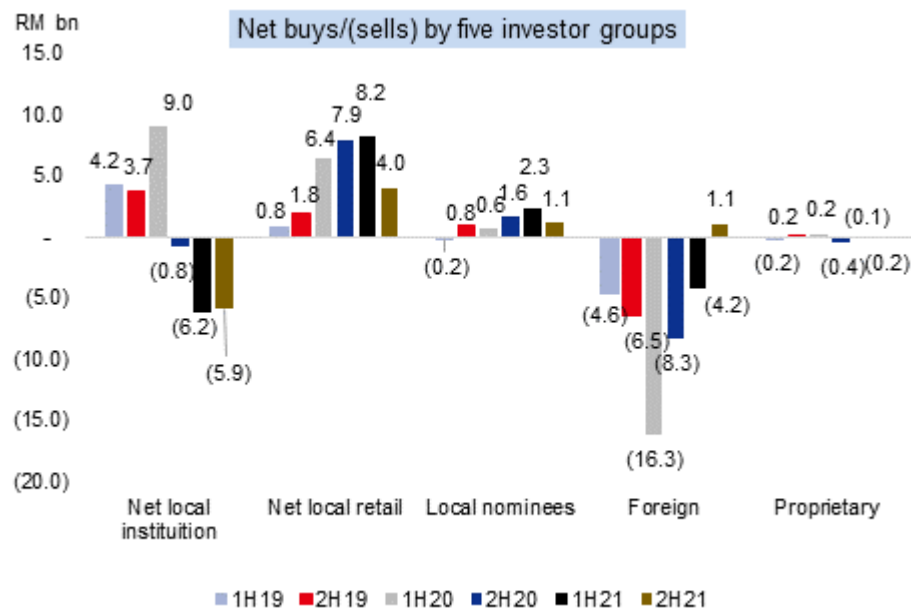


Note: PDT stands for Proprietary Day Trading

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Local institutions and foreign investors were net sellers

- Our analysis also showed that the rising share of local institution and foreign investors was due mainly to declining trading activities by retail and nominees investor groups. In 2021, retail and nominees investors posted 14% yoy and 18% yoy declines in trades, respectively, higher than the fall in foreign investors' trading value of 3% yoy..
- Retail investors continued to be the largest net buyers (most bullish) in the Malaysian equity market in 2021. The 2021 net buy flows from the retail investors group of RM12.2bn (2020: RM14.3bn) outpaced that of local nominees' RM3.4bn (2020: RM2.3bn). These helped offset the record net selling by local institutional investors, who are the most bearish investor group in Malaysia, of RM12bn in 2021 (2020: +RM8.2bn).
- For the first time since records were made available in 2018, local institutions were a net seller in the market, significantly bucking the trend. In 2018-2020, local institutions were net buyers of RM8.2bn to RM10.1bn of local equities annually.
- Foreign investors, which were the most aggressive net sellers in the Malaysian equity market over 2018-2020 due to political uncertainty, narrowed their net selling to RM3.3bn in 2021 from RM24.6bn in 2020.



Note: PDT stands for Proprietary Day Trading

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Sectoral net buy and net sell flow of key investor groups in 2021

- Local institutional investors were the largest net sellers of financial services (-RM3.5bn), healthcare (-RM3.1bn) and industrial products (-RM2.3bn) in 2021. They were mainly net buyers in only two sectors – transportation and logistics (+RM282m) and property (+RM60m).
- Foreign investors were the largest net sellers in consumer products (-RM1.3bn), financial services (-RM957m) and construction (-RM659m) in 2021. However, they were the largest net buyer of industrial products (+RM1.7bn) and technology (+RM1.1bn).
- The three sectors that received the highest net inflow of funds from retailers were financial services (+RM3.3bn), healthcare (+RM2.9bn) and utilities (+RM1.9bn). Retailers were net sellers in only two sectors – transportation and logistics (-RM85m) and technology (-RM180m).

2021 sector net buys/(sell) flows (RMm)	Local institution	Local retail	Local nominees	Foreign	ivt	pdt
Construction	-106	709	52	-659	5	0
Consumer Products and Services	127	1,095	113	-1,263	-65	-8
Energy	-283	748	162	-592	-30	-6
Financial Services	-3,481	3,279	1,220	-957	-59	-2
Healthcare	-3,149	2,916	926	-665	-22	-6
Industrial Products and Services	-2,342	1,041	-265	1,679	-102	-12
Plantation	-448	179	383	-111	-1	-1
Property	60	24	15	-87	-11	-1
REIT	-359	313	148	-100	-2	-1
Technology	-417	-180	-525	1,082	54	-13
Telecommunications and Media	8	164	13	-168	-17	0
Transportation and Logistic	282	-85	364	-578	18	-1
Utilities	-1,992	1,915	702	-630	7	-2

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Net buy and net sell flows into/out of KLCI constituents in 2021

Companies	Local institution	Local retail	Local nominees	Foreign	ivt	pd
INARI	27	-37	-19	39	-9	-1
CIMB	-365	-690	-332	1,423	-37	-0
RHBBANK	177	20	-91	-110	4	-0
HLFG	69	5	-5	-69	-0	0
MAYBANK	-1,748	1,177	579	7	-15	-0
PBBANK	-1,048	2,066	755	-1,713	-60	-1
IOICORP	-130	40	27	57	6	0
KLK	-31	31	4	-2	-2	-0
HAPSENG	-18	-10	-2	30	-1	-0
GENTING	189	50	97	-381	46	-0
MISC	501	-9	-19	-471	-2	-0
PPB	-56	-8	4	63	-2	-0
SIME	-39	10	4	28	-3	-0
NESTLE	-132	-7	-5	146	-1	-0
GENM	361	48	-17	-394	2	-0
TM	300	-2	25	-324	0	-0
HARTA	-48	582	294	-828	1	-1
PCHEM	-1,253	-41	-12	1,311	-4	-0
IHH	-695	-23	-6	727	-3	-0
SIMEPLT	41	29	23	-95	3	-0
MRDIY	216	-59	-24	-80	-53	-0
TENAGA	-1,872	1,669	680	-496	21	-2
PETDAG	109	-3	1	-107	-1	-0
HLBANK	101	-1	-2	-95	-3	-0
MAXIS	-61	38	20	5	-2	-0
PETGAS	74	42	11	-125	-2	-0
AXIATA	-53	-28	-16	105	-7	-0
DIGI	-32	-1	12	24	-2	-0
SUPERMX	-454	218	89	217	-69	-1
TOPGLOV	-1,161	1,086	137	-114	54	-2
DIALOG	467	118	70	-658	4	-0
PMETAL	-371	-118	-35	525	-0	-0

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Top 20 on net buy and net sell lists of Shariah stocks of key investors

- We round up our fund flows analysis by taking a look at the top 20 names on the net buy and sell lists of key players in the market in 2021, namely local institution, retail and foreign investors. The key takeaway is that the glove makers, Petronas Chemicals and Tenaga dominated the net buy and net sell lists of local institution, retail and foreign investors throughout the year.
- Companies that catch our attention among the top 20 net buys of retail investors are D&O, Serba Dinamik, Genetec, Hong Seng and CTOS.
- The five top sells for local institutions in 2021 were Tenaga, Petronas Chemicals, Top Glove, Serba Dinamik and Inari. On the flipside, the top five net buys in 2021 by local institutions were MISC, Dialog, Gamuda, MRDIY and Telekom Malaysia.
- Foreign investors' top five net buys in 2021 were Petronas Chemical, Inari, IHH, Press Metal and Nestle. Their top five net sells were Hartalega, Dialog, Gamuda, Tenaga and MISC.
- Local retail's top five net buys for 2021 were Tenaga, Top Glove, Serba Dinamik, Hartalega and Supermax. Their top five key sells were D&O, MMC Corp, Kobay, Genetec and Hibiscus.

No	Local institution				Local retail				Foreign			
	Company	Net buy	Company	Net sell	Company	Net buy	Company	Net sell	Company	Net buy	Company	Net sell
1	MISC	501	TENAGA	-1,872	TENAGA	1,669	D&O	-291	PCHEM	1,311	HARTA	-828
2	DIALOG	467	PCHEM	-1,253	TOPGLOV	1,086	MMCCORP	-180	INARI	1,059	DIALOG	-658
3	GAMUDA	418	TOPGLOV	-1,161	SERBADK	786	KOBAY	-161	IHH	727	GAMUDA	-592
4	MRDIY	336	SERBADK	-862	HARTA	582	GENETEC	-157	PMETAL	525	TENAGA	-496
5	TM	300	INARI	-810	SUPERMX	578	HIBISCS	-149	NESTLE	146	MISC	-471
6	D&O	224	IHH	-695	KOSSAN	393	INARI	-140	CTOS	139	TM	-324
7	GENP	172	SUPERMX	-585	BURSA	356	PMETAL	-118	HONGSENG	129	GENP	-251
8	UNISEM	167	KOSSAN	-466	RUBEREX	183	FGV	-117	D&O	107	SERBADK	-176
9	GENETEC	138	PMETAL	-371	KPOWER	177	HONGSENG	-88	AXIATA	105	KOSSAN	-171
10	QL	135	CMSB	-260	SCIB	161	ECOWLD	-83	GREATEC	103	SUPERMX	-171
11	AEON	131	BURSA	-219	WIDAD	158	MRDIY	-80	MMCCORP	103	BURSA	-162
12	KOBAY	130	YINSON	-191	CMSB	158	ANNJOO	-80	YINSON	100	KPOWER	-160
13	PENTA	125	LCTITAN	-190	UTDPLT	156	HEXTAR	-79	HIBISCS	90	F&N	-149
14	DNEX	116	UTDPLT	-182	MMAG	125	DUFU	-75	UMW	72	PETGAS	-125
15	SPSETIA	114	MMCCORP	-177	DIALOG	118	SPSETIA	-71	TAANN	67	MYEG	-124
16	PETDAG	109	TAKAFUL	-173	JAKS	117	SAM	-70	PPB	63	TOPGLOV	-114
17	ECOWLD	108	PHARMA	-166	PHARMA	115	UNISEM	-64	IOICORP	57	PETDAG	-107
18	UWC	108	FGV	-157	LKL	113	AEON	-61	LCTITAN	55	QL	-96
19	F&N	107	NESTLE	-132	G3	109	PENTA	-54	MPI	54	SIMEPLT	-95
20	DUFU	106	IOICORP	-130	GAMUDA	102	CTOS	-51	TAKAFUL	46	VS	-91

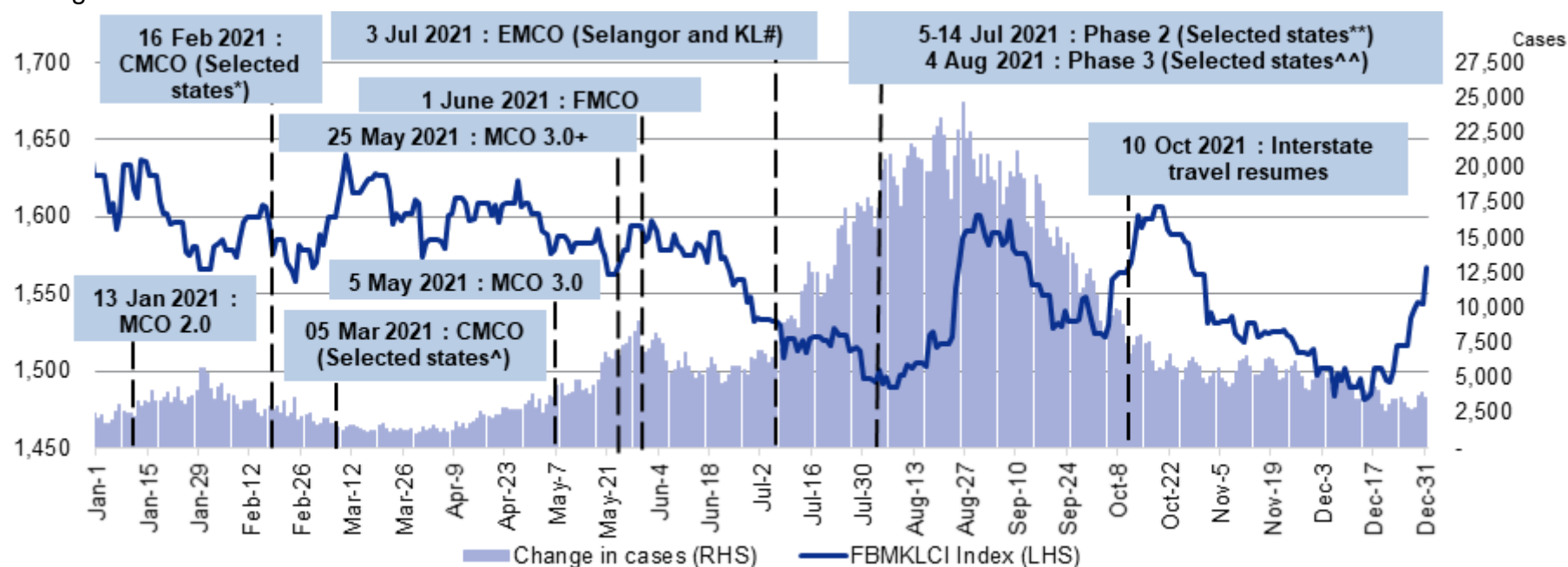
SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Market Outlook: 2022F likely to be more challenging

- We expect investors to tread cautiously into 2022 as we see potential headwinds buffeting the markets in the form of new Covid-19 waves (Omicron), return of intra-day short-selling, foreign funds outflow due to Fed taper, reversals of fiscal stimulus and tighter monetary policy, higher transaction costs for trading of Malaysia shares, corporate earnings risks due to higher operating costs and taxes and political risks.
- The probability of GE15 being held in 2022 remains high as the Covid-19 pandemic is under control and 78.6% of the population were fully vaccinated as at 17 Jan 2022. These factors are likely to dent sentiment in the stock market.
- However, downside could be capped by expectations of stronger economic growth as Malaysia reopens international borders following the lifting of the inter-state travel ban since 11 Oct 2021, additional liquidity becoming available to domestic institutional funds like EPF following the end of the various one-off withdrawal schemes under stimulus packages announced in 2020 and 2021 and given that the KLCI is trading at undemanding valuations (at KLCI closing of 1,542 on 17 Jan 2022, KLCI traded at a forward P/E of 14.7x, close to 1.5 s.d. below its 3-year mean).
- We expect the market to price in the risks and headwinds ahead of these events and this could offer trading opportunities for investors looking for bargains in the stock market over the medium term.
- Overall, we expect the market to be volatile in 2022 as it adjusts to the new post-Covid-19 normal. Below we discuss some of the key events that could dominate 2022F and potential consequences for the market.

High vaccination coverage allows for smooth reopening

- Malaysia had successfully vaccinated 98% of Malaysian adults and 88% of adolescents against Covid-19 as at 17 Jan 2022. On top of this, 41% of the adult population received their booster shot as at 17 Jan 2022. The country has also successfully conducted the Melaka state election and Sarawak state election. It has reopened its borders with Singapore and Thailand and introduced an international travel bubble to Pulau Langkawi. Schools have reopened and most if not all economic activities in the country have resumed.
- The lifting of inter-state travel restrictions has been progressing smoothly (till end-Dec) as new Covid-19 cases continue to trend lower. On 22 December, Malaysia temporarily suspended the sale of bus and flight tickets under the Vaccinated Travel Lane (VTL) in a precautionary measure to curb the spread of the new Covid-19 variant Omicron.
- A resumption of border reopening will be a boon for sectors that have been severely affected by the multiple lockdown measures in 9M21. Sectors that will benefit from the reopening of the economy are retail, consumer, gaming, media, property, construction, REIT and banking.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, BURSA MALAYSIA

Local institutional investors could turn net buyers in 2022F

- Local institutional investors' net selling in the market subsided in Dec 2021 and could turn positive in 2022 as the one-off EPF withdrawal scheme announced under the various stimulus packages ended in Sep 2021.
- The minister of finance revealed on 14 Dec 2021 that the government and EPF had implemented three withdrawal schemes due to the Covid-19 pandemic, with a total of RM101bn withdrawn by 7.4m EPF members. We estimate that this represents a take-up rate of 72%.
- The total RM101bn withdrawn under these one-off schemes over the past two years is high relative to the RM55bn-75bn of annual gross contributions for reinvestment that EPF received before Covid-19, where some are ploughed back into the domestic equity market in line with its Strategic Asset Allocation (SAA).

Comparison of EPF withdrawal schemes under stimulus measures

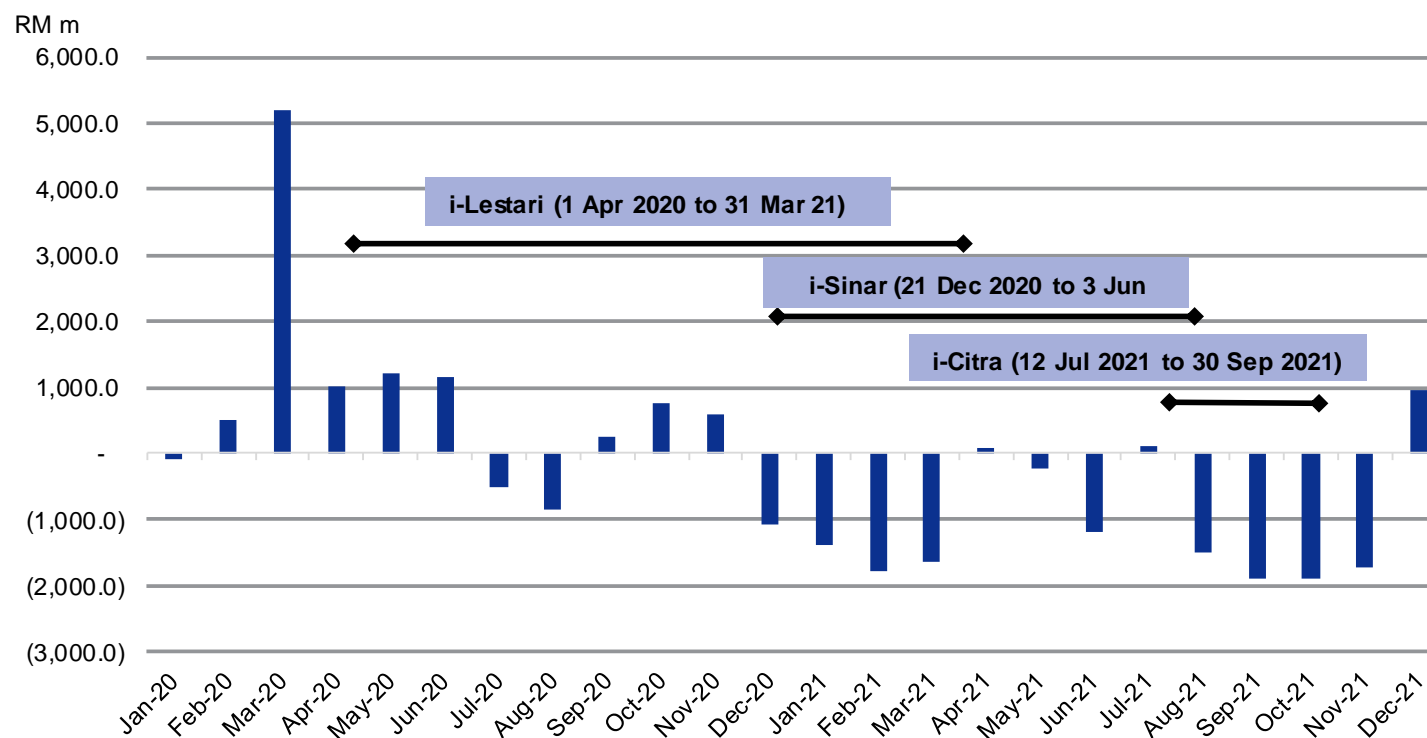
Name	I-Lestari	I-Sinar	i-Citra
Application	1 Apr 20 to 31 Mar 21	21 Dec to 3 Jun 2021	12 Jul to 30 Sep 2021
Eligible members	12m	8m	12.6m
Potential withdrawal	RM40bn	RM70bn	RM30bn
EPF members eligible	Members < 55 years	Members < 55 years	Members < 55 yrs
Maximum withdrawal	RM6,000	RM60,000	RM5,000
Fund source from members	Account 2	Account 1	Account 1 and 2
Max payment	Fixed monthly payment of RM500/mth	Fixed monthly payment of up to RM10k/mth	Fixed monthly payment of RM1k/mth
Limitation	Subject to savings balance and min balance of RM50	Subject to savings balance and min balance of RM50	Subject to savings balance and min balance of RM50
Payment to start	4-May-20	2-Mar-21	Aug-21

SOURCES: CGS-CIMB RESEARCH, VARIOUS NEWS ARTICLES

Local institutional investors could turn net buyers in 2022F

- We are of the view that this partly explains the net selling by local institutional investors of RM12bn in 2021.
- Prior to the launch of the EPF withdrawal schemes, local institutional investors were net buyers of RM9bn/RM4.4bn/RM10.9bn in the local equity market in 1H20/2019/2018.
- Barring any major changes to EPF's Strategic Asset Allocation (SAA) for the domestic equity market and as Malaysia recovers from Covid-19 in 2022F, we expect the net annual contributions to EPF to rise, potentially reversing the net selling by local institutional investors in 2020, which will be positive for the market.

Net fund flows of local institutional investors vs. EPF withdrawal schemes



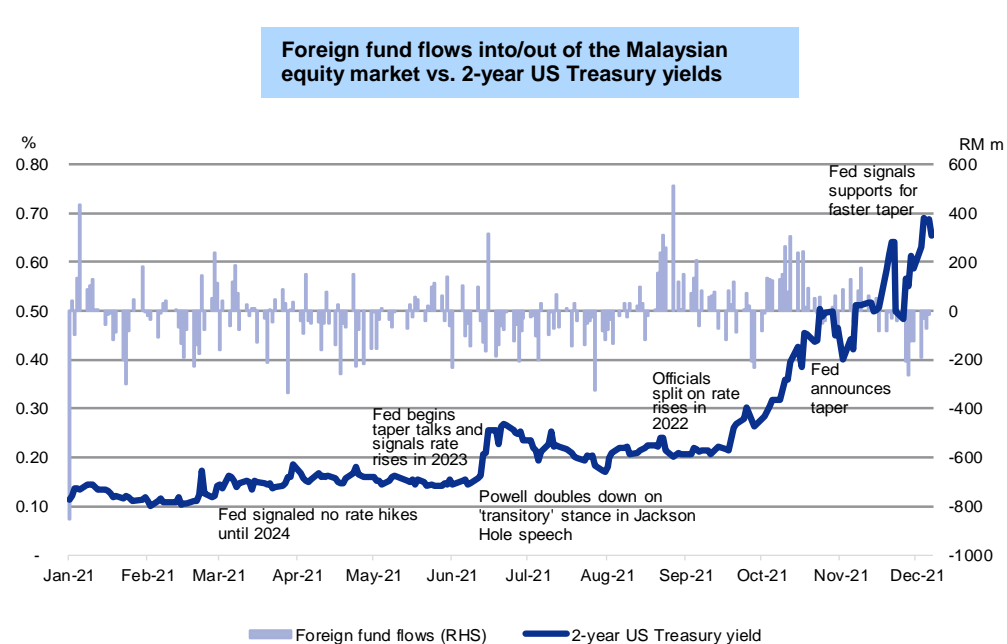
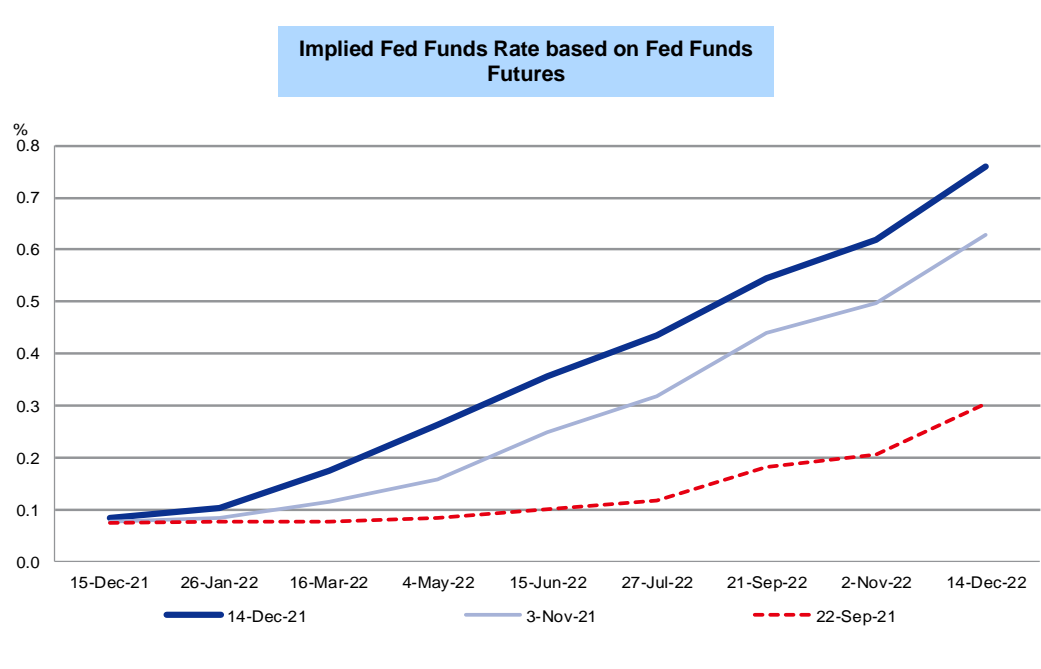
SOURCES: CGS-CIMB RESEARCH, EPF, BURSA MALAYSIA

Omicron is a potential threat to recovery

- On 26 Nov 2021, WHO designated the variant B.1.1.529 of the Covid-19 virus a variant of concern, dubbing it Omicron. Cases of Omicron were first detected in South Africa and have now been reported in more than 50 countries.
- The key worrying trend arising from the Omicron variant is that it is spreading fast. It was reported that the number of Omicron cases grew exponentially in South Africa, UK and Denmark.
- On top of this, Omicron is spreading in highly immune populations as quickly as the original virus did in populations with no immunity. This has led to concerns that the variant could cause an increase in hospitalisation and deaths, if left unchecked.
- This could compel some countries to reintroduce Covid-19 movement restrictions to prevent the spread of Omicron, adding to the uncertainty and denting the pace of our projected economic recovery for Malaysia of 5.6% GDP growth in 2022F (vs. 3.5% in 2021F). This could in turn lead to weaker corporate earnings and depressed market sentiment. We are of the view that the market has not priced in potential lockdowns in 2022F.
- As such, any surge in new Covid-19 cases, hospitalisation rate or death rate may lead to further profit taking in the market due to concerns over earnings disappointments.
- The potential key beneficiary should Covid-19 cases rise due to Omicron is **Pharmaniaga** given the likely rush for a booster shot as the protection from current vaccinations wanes. The company could also benefit from vaccination of primary school-aged children (currently pending regulatory approval) and potentially more export sales.
- Another likely beneficiary of increased Covid-19 cases is **IHH** as this will lift the demand for its Covid-19-related services (mainly laboratory testing).

US taper could lead to foreign funds outflow

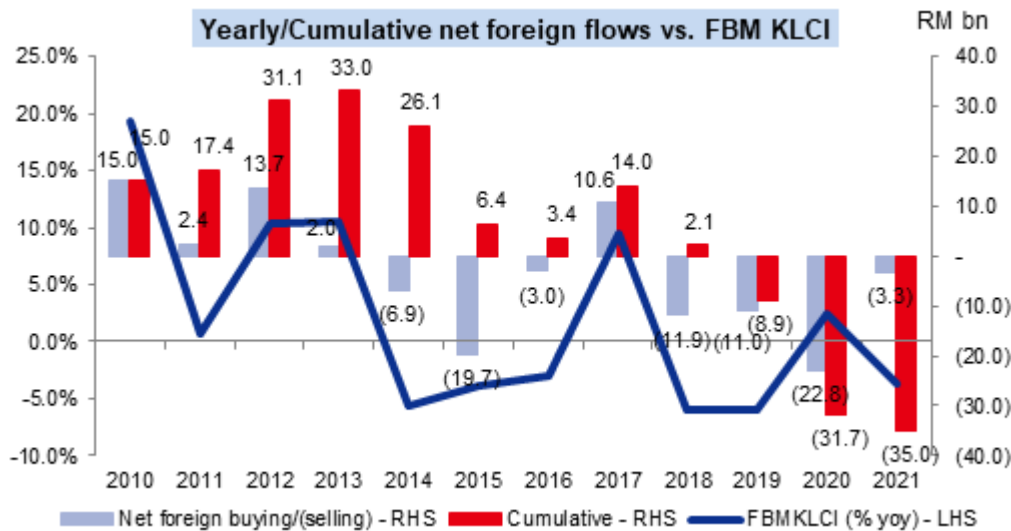
- On 11 Jan 2022, the Federal Reserve chairman said to a Senate committee at his confirmation hearing that the economy is both healthy enough and in need of tighter monetary policy. This likely will entail interest rate hikes, tapering of monthly asset purchases and a smaller balance sheet.
- In addition to rate hikes, the Fed is reducing its monthly bond purchases, which have added more than US\$4.5tr to its balance sheet since the early days of the pandemic. Officials also have indicated they may start paring down the balance sheet this year, mostly likely by allowing a set level of proceeds to run off each month, though the Fed could sell assets outright as well. Markets are currently pricing in three quarter-percentage point hikes in 2022 and possibly a fourth in December 2022.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA, BLOOMBERG

US taper could lead to foreign funds outflow

- This has led to concerns that foreign investors may pull out their investments in bonds and equities in Malaysia when the US Fed starts winding down its asset purchases. The sharp and sudden outflow of money could weaken the ringgit and force Bank Negara to raise interest rates.
- We are of the view that the Malaysian equity market may be less affected this time around compared to the US Fed taper tantrum during 2013 as foreign shareholding in Malaysia's equities was near its lowest monthly level since the Global Financial Crisis (GFC) of 20.4% as at end-Dec 2021.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA, BLOOMBERG

Stamp duty hike and cap may dent trading liquidity

- Malaysia has proposed under Budget 2022 to raise the stamp duty on contract notes for trading of shares on Bursa Malaysia from 0.1% to 0.15% as well as to remove the RM200 stamp duty cap. It has also proposed to remove the 6% sales and services tax (SST) on brokerage.
- The finance minister said that the move to increase the stamp duty rate is among several initiatives to offer fair tax treatment to the public. We gather the MOF expects to collect additional net tax revenue of RM400m from these measures.
- The MOF announced on 30 Dec 2021 that the government will impose a stamp duty of 0.15% on share contract notes, up to a maximum of RM1,000. It said stamp duty amounts exceeding RM1,000 will be remitted and that this remittance will apply to all contract notes from 1 Jan 2022 until 31 Dec 2026 for transactions of stocks listed on Bursa Malaysia.
- The MOF decision to impose a higher cap on stamp duty on share transactions in Malaysia till 31 Dec 2026 as opposed to the earlier Budget 2022 proposal to abolish the RM200 cap on stamp duty is positive for the stock market. This will lower transaction costs for the trading of shares.
- We estimate the latest decision will cut total transaction costs for Malaysia from 0.32% to 0.2% for US\$1m (RM4.2m) trade value, assuming a brokerage rate of 0.15%.
- This is because the stamp duty costs will decline to RM1,000 from RM6,300 (under Budget 2022's proposal to remove cap on stamp duty).
- However, this is still higher than total transaction costs in 2021 of 0.19%, based on our estimates when the stamp duty cap was RM200.

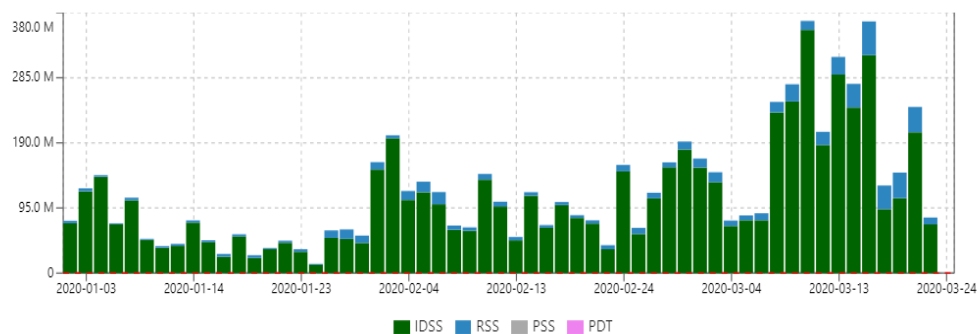
Lifting of ban on intra-day short-selling could lead to higher volatility

- On 27 August 2021, the Securities Commission (SC) and Bursa Malaysia announced that they will extend the temporary suspension of intra-day short-selling (IDSS) and intra-day short-selling by Proprietary Day Traders (PDT short sale) until the end of 2021.
- The temporary suspension of IDSS and PDT short sale was introduced on 24 March 2020 to mitigate potential risks arising from heightened volatility and global uncertainties as a result of the Covid-19 pandemic. It was extended twice on 22 Feb and 26 Aug 2021.
- The lifting of the intra-day short-selling on 1 Jan 2022 could lead to higher volatility in the market. To recap, the KLCI fell 2% (or 25 points) on the first trading day of 2021, after SC and Bursa Malaysia lifted the temporary suspension of Regulated Short Selling (RSS) and Permitted Short Selling (PSS) on 31 Dec 2020. The decline was due partly to RM168.6m of restricted short-selling trades on 4 Jan 2021. Prior to the suspension of IDSS on 24 March 2020, we noticed that IDSS trades formed most of the daily short-selling from 1 Jan to 24 March 2020.

Short-selling analysis from 1 Jan 2020 to 24 March 2020 (before suspension)

Short Selling Analysis

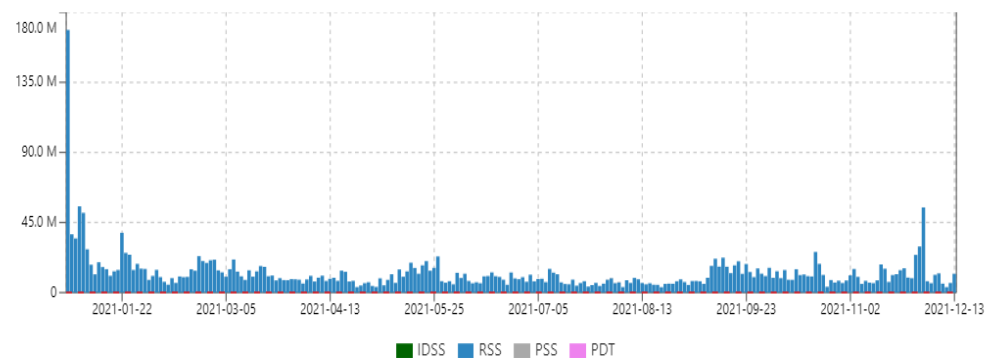
2020-01-02 - 2020-03-24	IDSS	RSS	PSS	PDT	Total
Value (MYR)	-	-	-	-	7.1 B
Volume	-	-	-	-	7.9 B



Short-selling analysis from 4 Jan to 13 Dec 2021 (only RSS and PSS)

Short Selling Analysis

2021-01-04 - 2021-12-13	IDSS	RSS	PSS	PDT	Total
Value (MYR)	-	8.8 B	4.4 M	-	8.8 B
Volume	-	2.9 B	1.4 M	-	2.9 B



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA DIBOTS

Higher taxes and lower commodity prices to dent corporate earnings in 2022F

- We project stronger GDP growth of 5.6% for the Malaysian economy in 2022F (+3.5% in 2021F), driven by the resumption of economic activities following the relaxing of movement restrictions imposed in the country in most of 2020 and 2021.
- However, we expect KLCI earnings to decline by 4.8% in 2022F (+39% in 2021F) due to higher corporate taxes and our projection of lower commodity prices.
- To recap, the government proposed a one-off prosperity tax (or Cukai Makmur) and the permanent withdrawal of tax exemption on foreign sourced income (FSI) effective 1 Jan 2022 in Budget 2022.
- The one-off prosperity tax of 33% (instead of the headline 24% corporate tax) will be levied on companies with chargeable income of more than RM100m.
- The government estimates that it could collect about RM3.9bn from this one-off tax. The sectors most affected are likely to be manufacturing, banking and utilities.
- The withdrawal of the tax exemption on foreign sourced income is likely to have a more detrimental earnings impact on corporates/individuals vs. the one-off prosperity tax. This is because the change will permanently affect future income streams from overseas investments.

Tax exemption on FSI extended till 2026

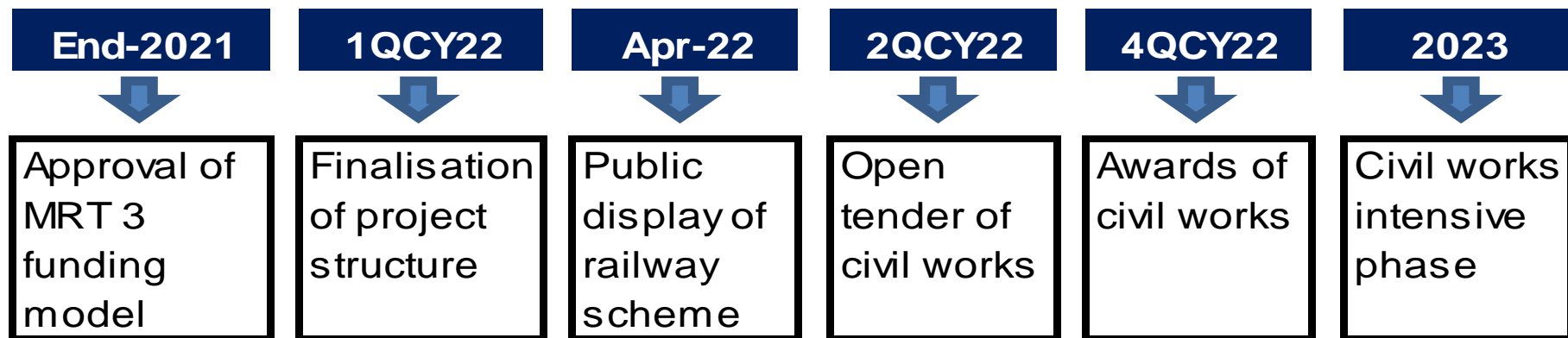
- This will impact companies that have invested significantly abroad ever since the tax exemption on foreign sourced income was introduced in 1998. The biggest impact for corporate Malaysia comes from dividends that they receive from their overseas subsidiaries, which are remitted back to headquarters to pay dividends to their Malaysian shareholders. This is because dividends paid out of net profit, which would have already been taxed under the corporate income tax imposed by the foreign country, will now be subject to additional taxes, hence reducing the return on investments for the companies affected.
- However, on 30 Dec 2021, the Ministry of Finance (MOF) announced that it has agreed to exempt all types of FSI of individuals from tax and extended the exemption on foreign sourced dividend incomes earned by limited liability companies and partnerships for five years from 1 Jan 2022 to 31 Dec 2026.
- The other key dampeners to Malaysia's corporate earnings are the weaker average selling prices for gloves and our projection for lower palm oil and petrochemical prices.
- Malaysia's weaker KLCI earnings prospects (FY22F: -4.8%) relative to its MIST peers, which are projected to grow by 13-18%, could make the Malaysia stock market less appealing to foreign investors over the near term.

Key policy events to watch in 2022F

- One of the key events in 2022F is the government's decision on whether to continue with its plan to roll out 5G via a Single Wholesale Network model under Digital Nasional Berhad (DNB). Communication and Multimedia Minister Annuar Musa recently said the government was reconsidering its decision regarding the SWN model for 5G network rollout after receiving feedback from telecommunication companies and industry stakeholders. This policy decision, expected sometime in Jan 2022, could impact the rollout plan for 5G in Malaysia. To recap, DNB, which is owned by the ministry of finance, has been mandated to be the single party undertaking the deployment of 5G infrastructure and network throughout Malaysia.
- On 10 Dec 2021, the government agreed to allow the recruitment of foreign workers for all sectors and for a memorandum of understanding on workers to be signed with Bangladesh. On top of this, the government agreed to postpone the multi-tier levy for foreign workers from 1 Jan to 1 July 2022 to reduce the burden on employers.
- Malaysia has agreed to ratify the International Labour Organisation (ILO) Protocol 29 as a demonstration of the government's commitment to eradicate forced labour. If the protocol is successfully ratified and enforced, we expect this to be positive for the companies and sectors affected.
- On 2 July 2021, Malaysia's central bank (Bank Negara) announced that it has received 29 applications for a digital banking licence following a six-month application period. A diverse range of parties has submitted applications for the licence, including banks, industry conglomerates, technology firms, e-commerce operators, FinTech players, cooperatives and state governments. Bank Negara is expected to issue five licences by 1Q2022 with an asset threshold of no more than RM3bn (US\$722.62m) for the first three to five years of operations. Following the initial phase, the limit will be removed and the digital banks will be subject to similar regulations as conventional banks.

Key policy events to watch in 2022F

- We recently had a virtual meeting with MRT Corp’s CEO and came away with more clarity on the new strategies to kick off the MRT 3 (Circle Line) project (est. RM20bn-30bn) in 2022F.
- Important milestones to watch out for: 1) potential Cabinet approval of MRT 3 hybrid funding model; 2) finalisation of project structure in 1QCY22F and how contractors can undertake the private sector funding portions of the civil works; 3) three-month public display of MRT 3 railway scheme/alignment in Apr (prior to land acquisition phase); 4) open tender for civil works in 2QCY22F – minimum of 6 months’ evaluation period; 5) award of civil works in 4QCY22F, at the earliest; and 6) commencement of civil works intensive phases in 2023F. Should MRT 3 progress and newsflow regain momentum in the coming months, interest in MRT 3 rail plays could make a comeback over the short term as investors’ opinion of the MRT 3 project has been lukewarm due to delays YTD and the lack of funding allocations in the key infra targets of Budget 2022.
- Our picks for potential early beneficiaries of MRT3 are **Gamuda and IJM** for their rail credentials and strong balance sheets. **HSS Engineers** could also be a beneficiary as the group could secure sizeable engineering consultancy scopes from MRT 3 ahead of the civil works tenders.



SOURCES: CGS-CIMB RESEARCH, MRT CORP MEETING SESSION

GE15, if called, could lead to short-term uncertainties

- The likelihood of GE15 being held could increase once the Covid-19 pandemic subsides.
- We believe this could take place in 2022 if the country is able to control the spread of the pandemic through the mass vaccination programme. This could lead to short-term volatility as investors take profit given uncertainties over the potential outcome of the election.

FBMKLCI performances	Election	12 months	9 months	6 months	3 months	1 month	1 month	3 months	6 months	9 months	12 months
		before	before	before	before	before	after	after	after	after	after
22-Apr-82	1982	-35.1%	-25.2%	3.4%	-11.7%	2.7%	1.0%	-16.0%	-11.6%	-5.3%	16.2%
2-Aug-86	1986	-25.9%	-26.8%	0.4%	23.4%	-2.9%	11.8%	28.6%	32.8%	72.5%	114.1%
20-Oct-90	1990	-2.2%	-15.9%	-12.0%	-23.8%	-8.1%	0.0%	2.2%	24.9%	23.0%	8.3%
24-Apr-95	1995	-6.1%	-5.0%	-12.1%	14.7%	1.8%	5.3%	7.2%	-1.6%	8.4%	20.4%
29-Nov-99	1999	49.8%	44.4%	0.4%	-2.8%	0.4%	7.9%	31.9%	21.6%	7.2%	-1.0%
21-Mar-04	2004	43.1%	32.6%	21.5%	17.5%	5.0%	-4.8%	-9.1%	-5.0%	0.0%	-2.1%
8-Mar-08	2008	9.0%	-4.7%	-0.7%	-9.6%	-8.4%	-5.8%	-3.7%	-17.4%	-34.6%	-33.8%
5-May-13	2013	6.5%	3.6%	2.3%	4.1%	0.4%	4.8%	5.2%	6.8%	6.4%	9.8%
7-May-18	2018	3.7%	2.8%	4.9%	-1.3%	-0.5%	-2.8%	-2.7%	-6.5%	-7.9%	-10.3%
	Average	4.8%	0.6%	0.9%	1.2%	-1.1%	1.9%	4.8%	4.9%	7.7%	13.5%
	Median	3.7%	-4.7%	0.4%	-1.3%	0.4%	1.0%	2.2%	-1.6%	6.4%	8.3%

FBMKLCI performances	Event	12 months	9 months	6 months	3 months	1 month	1 month	3 months	6 months	9 months	12 months
		before	before	before	before	before	after	after	after	after	after
	7-May-18 GE14	3.7%	2.8%	4.9%	-1.3%	-0.5%	-2.8%	-2.7%	-6.5%	-7.9%	-10.3%
	Change of government to TSMY as PM	-12.8%	-9.8%	-8.0%	-5.1%	-3.2%	-8.9%	-0.6%	2.9%	8.7%	5.7%
	Change of government to DSIS as PM	-3.7%	-3.8%	-4.2%	-2.8%	-0.6%	0.6%	0.5%	-2.3%	-1.5%	-1.5%
	Average	-4.3%	-3.6%	-2.4%	-3.1%	-1.4%	-3.7%	-0.9%	-2.0%	-0.2%	-2.1%
	Median	-3.7%	-3.8%	-4.2%	-2.8%	-0.6%	-2.8%	-0.6%	-2.3%	-1.5%	-1.5%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, VARIOUS NEWS ARTICLES

Key trading themes: Beneficiaries of an OPR hike

- Our economist expects BNM to dial back some monetary support with a 50bp hike in Overnight Policy Rate (OPR) to 2.25% by end-2022F as economic activity returns to normal and Covid-19 becomes less of a threat to the economy as 78% of the population has been fully vaccinated as at 14 Dec 2021.
- A rate hike is positive for banks, as the size of floating-rate loans is larger than total fixed deposits for banks (both will be repriced upward the during OPR hike).
- Among the Shariah-compliant banks under our coverage, we have an Add call on **Bank Islam**, and we project Bank Islam to see earnings upside of 7.4% in FY22F for every 25bp hike in OPR rate.
- Other potential beneficiaries of a rate hike are companies that have a large net cash position from higher interest income.
- As such, we screened for Shariah-compliant companies under our coverage that have Add calls and net cash positions. The top three stocks that are Shariah-compliant, rated Add by us and which have the highest net cash over their market caps are Star Media, Lotte Chemical and Success Transformer.

Company	Bloomberg Ticker	Recom.	Share price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Net cash per share (RM)	Net cash % of market cap
Star Media Group Bhd	STAR MK	Add	0.34	0.50	49%	243	0.46	138%
Lotte Chemical Titan	TTNP MK	Add	2.31	2.63	14%	5,261	1.80	78%
Success Transformer Corp	STC MK	Add	0.77	1.17	53%	175	0.49	64%
Bank Islam Malaysia Bhd	BIMB MK	Add	3.19	3.46	8%	6,622	0.89	28%
UMW Holdings	UMWH MK	Add	2.98	3.90	31%	3,482	0.68	23%
Syarikat Takaful Malaysia Keluarga Bhd	STMB MK	Add	3.74	6.00	60%	3,125	0.85	23%
Media Chinese Int'l	MCIL MK	Add	0.17	0.22	33%	278	0.04	22%
Bermaz Auto Berhad	BAUTO MK	Add	1.68	1.90	13%	1,952	0.25	15%
Thong Guan Industries	TGI MK	Add	2.83	5.44	92%	1,088	0.38	13%
Petronas Chemicals Group	PCHEM MK	Add	9.09	9.97	10%	72,720	1.19	13%
Hap Seng Plantations	HAPL MK	Add	2.02	2.35	16%	1,615	0.25	13%
Hartalega Holdings	HART MK	Add	5.68	6.40	13%	19,411	0.68	12%
Uchi Technologies	UCHI MK	Add	2.91	3.65	25%	1,318	0.35	12%
Kawan Food	KFB MK	Add	1.62	2.70	67%	582	0.18	11%
Malaysian Pacific Industries	MPI MK	Add	40.96	56.50	38%	8,147	4.41	11%
Lee Swee Kiat Group	LSKG MK	Add	0.88	1.84	109%	142	0.09	10%
Kossan Rubber Industries	KRI MK	Add	1.97	2.20	12%	5,027	0.20	10%
Wellcall Holdings	WELL MK	Add	1.24	1.36	10%	617	0.12	10%

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Beneficiaries of an OPR hike (cont'd)

- In addition, a rate hike is negative for companies with high gearing in ringgit borrowings as it will result in higher interest expense.
- We screened the top 20 Shariah-compliant companies with the highest net gearing under our coverage with Add calls.
- The top three companies under our coverage with the highest gearing are Pharmaniaga, Berjaya Food and Mr D.I.Y Group.

Company	Bloomberg Ticker	Recom.	Share price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Net debt (RM m)	Net gearing (x)
Pharmaniaga Bhd	PHRM MK	Add	0.77	1.00	31%	1,002	631	1.78
Berjaya Food Berhad	BFD MK	Add	2.15	3.25	51%	779	601	1.61
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	3.70	4.40	19%	23,239	1,107	1.26
Tenaga Nasional	TNB MK	Add	9.04	10.88	20%	51,764	64,626	1.12
Malakoff Corporation	MLK MK	Add	0.71	1.05	49%	3,445	6,455	1.00
DKSH Holdings (Malaysia)	DKSH MK	Add	4.86	6.20	28%	766	628	0.94
Telekom Malaysia	T MK	Add	5.35	7.50	40%	20,189	5,050	0.72
WCT Holdings	WCTHG MK	Add	0.53	0.78	49%	744	2,649	0.72
SP Setia	SPSB MK	Add	1.25	1.81	45%	5,085	10,547	0.69
LBS Bina Group	LBS MK	Add	0.51	0.58	15%	788	812	0.52
MSM Malaysia Holdings	MSM MK	Add	1.19	1.57	32%	837	716	0.45
QL Resources	QLG MK	Add	5.02	5.50	10%	12,217	1,071	0.42
Kuala Lumpur Kepong	KLK MK	Add	21.80	22.22	2%	23,498	5,464	0.38
UEM Sunrise Bhd	UEMS MK	Add	0.33	0.55	67%	1,669	2,811	0.38
Genting Plantations	GENP MK	Add	6.81	8.28	22%	6,110	1,659	0.33
IJM Corp Bhd	IJM MK	Add	1.49	2.17	45%	5,296	3,750	0.31
Sime Darby Property Berhad	SDPR MK	Add	0.61	0.84	38%	4,149	2,608	0.28
IHH Healthcare Bhd	IHH MK	Add	6.58	8.30	26%	57,884	7,441	0.28
Malayan Cement Bhd	LMC MK	Add	2.34	3.26	39%	3,066	633	0.25
Daibochi Bhd	SCIPACK MK	Add	2.39	3.32	39%	782	60	0.20

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Value and laggard plays

- We define value and laggard plays as companies under our coverage with Add ratings that are trading below their share price highs in the pre-pandemic year (which we have defined as 2019), their share prices underperformed the KLCI in 2021 and are currently trading at attractive P/BV compared to their pre-pandemic average P/BV.
- In view of the above, we screened for stocks based on the following criteria: (1) Shariah-compliant stocks currently under our coverage; (2) share prices trading at more than 20% below their peak in 2019; and (3) companies with Add ratings that are trading at a 20% discount to their pre-pandemic average P/BV.
- We believe these stocks, which were impacted by Covid-19, could move closer to their pre-Covid-19 share price levels as the economy recovers, which should lead to a revival in earnings.
- The top three stocks that are Shariah-compliant with Add calls and which have fallen the most since 31 Dec 2019 are UEM Sunrise, HSS Engineers and Star Media Group.

Company	Bloomberg Ticker	Recom.	Share price	Target Price	Upside	Market Cap (RM m)	% of latest price below 2019 peak	3 year average P/BV (x)	Current P/BV (x)	% discount to pre- pandemic P/BV (x)
			(RM)	(RM)			chg	CY17-19		% chg
UEM Sunrise Bhd	UEMS MK	Add	0.33	0.55	67%	1,669	(66.3%)	0.60	0.24	(59.2%)
HSS Engineers	HSS MK	Add	0.54	0.77	44%	265	(57.9%)	3.54	1.16	(67.2%)
Star Media Group Bhd	STAR MK	Add	0.34	0.50	49%	243	(53.7%)	0.80	0.36	(55.0%)
MSM Malaysia Holdings	MSM MK	Add	1.19	1.57	32%	837	(51.6%)	1.08	0.48	(55.1%)
Malayan Cement Bhd	LMC MK	Add	2.34	3.26	39%	3,066	(46.1%)	1.30	0.78	(39.7%)
Sime Darby Property Berhad	SDPR MK	Add	0.61	0.84	38%	4,149	(44.3%)	0.71	0.46	(35.3%)
Syarikat Takaful Malaysia Keluarga	STMB MK	Add	3.74	6.00	60%	3,125	(42.9%)	3.36	1.78	(47.0%)
Genting Plantations	GENP MK	Add	6.81	8.28	22%	6,110	(33.9%)	1.79	1.23	(31.3%)
Fraser & Neave Holdings	FNH MK	Add	24.78	29.80	20%	9,089	(29.7%)	4.73	3.22	(31.8%)
Success Transformer Corp	STC MK	Add	0.77	1.17	53%	175	(24.0%)	0.70	0.52	(25.2%)

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG COMPANY REPORTS

Key trading themes: Recovery plays

- While Malaysia entered the recovery stage in 4Q21, the transition into the endemic stage has been delayed by the uncertainty caused by the latest Covid-19 Omicron variant. Our base case assumes Covid-19 concerns will diminish throughout 2022 and Malaysia will enter the endemic stage in 2Q22.
- In line with this, we look for Shariah-compliant stocks under our coverage that are expected to show strong earnings growth in 2022F. In our selection criteria, we compare the net profit forecasts for CY22F vs. CY19 for stocks under our coverage with Add ratings.
- Based on this, we have a list of top 30 companies that exhibit the highest earnings recovery on an absolute basis, including those that have recovered from losses.

Company	Bloomberg Ticker	Recom.	Share price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	CY22F EPS growth vs CY19 yoy %	CY23F EPS growth vs CY19 yoy %
HSS Engineers	HSS MK	Add	0.54	0.77	44%	265	1,104.2%	1,269.8%
Genetec Technology Bhd	GENE MK	Add	2.65	4.15	57%	1,805	822.9%	994.8%
DKSH Holdings (Malaysia)	DKSH MK	Add	4.86	6.20	28%	766	677.9%	801.1%
Hap Seng Plantations	HAPL MK	Add	2.02	2.35	16%	1,615	371.8%	258.8%
Unisem	UNI MK	Add	3.04	5.00	64%	4,904	305.4%	303.0%
Kawan Food	KFB MK	Add	1.62	2.70	67%	582	262.1%	343.5%
Berjaya Food Berhad	BFD MK	Add	2.15	3.25	51%	779	nm	nm
Hartalega Holdings	HART MK	Add	5.68	6.40	13%	19,411	185.4%	80.5%
MSM Malaysia Holdings	MSM MK	Add	1.19	1.57	32%	837	nm	nm
Inari-Amertron Bhd	INRI MK	Add	3.38	4.95	46%	12,514	164.2%	189.5%
FM Global Logistics	FM MK	Add	0.81	1.36	68%	452	162.9%	189.6%
Malaysian Pacific Industries	MPI MK	Add	40.96	56.50	38%	8,147	140.1%	162.5%
SKP Resources Bhd	SKP MK	Add	1.59	2.53	59%	2,484	136.7%	156.7%
Kuala Lumpur Kepong	KLK MK	Add	21.80	22.22	2%	23,498	127.9%	91.5%
Petronas Chemicals Group	PCHEM MK	Add	9.09	9.97	10%	72,720	120.6%	122.9%
Genting Plantations	GENP MK	Add	6.81	8.28	22%	6,110	120.1%	95.2%
VS Industry Bhd	VSI MK	Add	1.21	1.94	61%	4,618	116.1%	170.5%
Malayan Cement Bhd	LMC MK	Add	2.34	3.26	39%	3,066	nm	nm
Lee Swee Kiat Group	LSKG MK	Add	0.88	1.84	109%	142	103.9%	187.5%
LBS Bina Group	LBS MK	Add	0.51	0.58	15%	788	102.1%	95.2%
SP Setia	SPSB MK	Add	1.25	1.81	45%	5,085	102.0%	(7.9%)
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	3.70	4.40	19%	23,239	89.8%	121.5%
MY E.G. Services	MYEG MK	Add	1.00	1.30	30%	7,397	81.4%	93.5%
Thong Guan Industries	TGI MK	Add	2.83	5.44	92%	1,088	71.2%	135.0%
IHH Healthcare Bhd	IHH MK	Add	6.58	8.30	26%	57,884	69.8%	92.1%
Bonia Corporation	BON MK	Add	1.05	1.00	-5%	210	63.1%	91.1%
Mi Technovation	MI MK	Add	2.31	5.00	116%	2,070	62.6%	103.7%
Malakoff Corporation	MLK MK	Add	0.71	1.05	49%	3,445	55.2%	64.1%
Success Transformer Corp	STC MK	Add	0.77	1.17	53%	175	52.7%	62.6%
IJM Corp Bhd	IJM MK	Add	1.49	2.17	45%	5,296	49.1%	56.9%

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Electric Vehicle (EV) plays

- We expect Malaysian semiconductor service and test equipment providers to benefit from increased semiconductor content value going into automotive on the back of accelerating electric vehicle (EV) penetration. The International Energy Agency (IEA) estimates annual EV sales to reach almost 14m and 25m in 2025F and 2030F, respectively. This represents 10% and 16% of global annual vehicle sales in 2025F and 2030F, respectively. We believe this provides long-term demand visibility for the automotive semiconductor market.
- A global leader in automotive semiconductor, Infineon estimates an average mild hybrid model requires US\$572 worth of semiconductor content, 25% higher than the traditional internal combustion engine (ICE) model. Meanwhile, for full and plug-in hybrid models, the total semiconductor value jumps to US\$834 per vehicle. The significant increase in content is mainly the result of higher power semiconductor content in order to control components, such as motor inverters and DC-DC converters.
- We see Malaysia Pacific Industries (MPI), Genetec and Pentamaster, which are under our Shariah-compliant coverage list, as key beneficiaries of the growing electronics content adoption in EVs. For example, MPI is involved in assembly, packaging and test of silicon carbide (SiC) chips that go into electric motor inverters for a leading North American EV manufacturer. Meanwhile, Pentamaster is involved in supplying test equipment to test these SiC chips that go into EVs. Apart from that, Genetec supplies automation solutions to manufacture components, such as battery packs and regenerative braking systems that go into EVs. Overall, we see these three companies as the best plays in Malaysia to ride the growing EV penetration worldwide.

Company	Bloomberg Ticker	Recom.	Share price	Target Price	Upside	Market Cap (RM m)	Core P/E (x)		3 Year EPS CAGR
			(RM)	(RM)			CY22F	CY23F	CY19-23F
Malaysian Pacific Industries	MPI MK	Add	40.96	56.50	38%	8,147	23.5	21.5	38%
Pentamaster Corp Bhd	PENT MK	Hold	4.45	5.30	19%	3,170	32.6	26.9	11%
Genetec Technology Bhd	GENE MK	Add	2.65	4.15	57%	1,805	30.5	25.7	122%

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: ESG picks

- In this thematic, we look for stocks under our coverage that have the highest ESG scores by third-party assessors.
- In our selection criteria, we screen for Shariah-compliant stocks under our coverage with Add ratings that have the best ESG scores using: (1) FTSE ESG Grading Band (Score of 4 equates to top 25% by ESG ratings among companies in FBMEMAS), (2) Refinitiv ESG score (A – excellent relative ESG performance); (3) Sustainalytics ESG ratings (lower Sustainalytics score is equivalent to lower ESG risk); and (4) MSCI's ESG rating (AAA represents leading companies in ESG space).
- Based on combined ratings from all third-party assessors, the top five ESG picks under our coverage with Add ratings are MISC, Fraser and Neave Holdings, Hartalega, Sime Darby and Telekom.

Company	Bloomberg Ticker	Recom.	Share price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	FTSE ESG Grading Band	Refinitiv Score	Sustainalytics Rating	MSCI Rating
UEM Sunrise Bhd	UEMS MK	Add	0.33	0.55	67%	1,669	4.00	A	na	na
MISC Bhd	MISC MK	Add	6.92	7.81	13%	30,889	4.00	B	18.80	na
Fraser & Neave Holdings	FNH MK	Add	24.78	29.80	20%	9,089	4.00	B	24.40	na
Hartalega Holdings	HART MK	Add	5.68	6.40	13%	19,411	4.00	B-	17.60	AA
Sime Darby Bhd	SIME MK	Add	2.25	2.55	13%	15,322	4.00	B-	25.20	A
Telekom Malaysia	T MK	Add	5.35	7.50	40%	20,189	4.00	B-	26.10	AA
Kuala Lumpur Kepong	KLK MK	Add	21.80	22.22	2%	23,498	4.00	B-	40.40	A
Genting Plantations	GENP MK	Add	6.81	8.28	22%	6,110	4.00	B-	43.30	na
Bermaz Auto Berhad	BAUTO MK	Add	1.68	1.90	13%	1,952	4.00	B-	na	na
Petronas Chemicals Group	PCHEM MK	Add	9.09	9.97	10%	72,720	4.00	C+	27.80	B
IJM Corp Bhd	IJM MK	Add	1.49	2.17	45%	5,296	4.00	C+	35.70	na
MY E.G. Services	MYEG MK	Add	1.00	1.30	30%	7,397	4.00	C	na	na
Dialog Group Bhd	DLG MK	Add	2.89	3.58	24%	16,307	4.00	D	31.60	BBB
DKSH Holdings (Malaysia)	DKSH MK	Add	4.86	6.20	28%	766	4.00	na	na	na
Unisem	UNI MK	Add	3.04	5.00	64%	4,904	4.00	na	na	na
Inari-Amertron Bhd	INRI MK	Add	3.38	4.95	46%	12,514	4.00	na	na	na
Mah Sing Group	MSGB MK	Add	0.71	0.81	14%	1,724	4.00	na	na	na
Sime Darby Property Berhad	SDPR MK	Add	0.61	0.84	38%	4,149	3.00	B	na	na
UMW Holdings	UMWH MK	Add	2.98	3.90	31%	3,482	3.00	B-	28.20	na
Gamuda	GAM MK	Add	2.89	3.88	34%	7,264	3.00	B-	35.80	na
SP Setia	SPSB MK	Add	1.25	1.81	45%	5,085	3.00	B-	na	na
Tenaga Nasional	TNB MK	Add	9.04	10.88	20%	51,764	3.00	C+	38.00	BBB
Kossan Rubber Industries	KRI MK	Add	1.97	2.20	12%	5,027	3.00	C-	20.00	A
Malaysian Pacific Industries	MPI MK	Add	40.96	56.50	38%	8,147	3.00	na	na	na

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: ESG picks (cont'd)

Company	Bloomberg Ticker	Recom.	Share price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	FTSE ESG Grading Band	Refinitiv Score	Sustainalytics Rating	MSCI Rating
VS Industry Bhd	VSI MK	Add	1.21	1.94	61%	4,618	3.00	na	na	na
Malakoff Corporation	MLK MK	Add	0.71	1.05	49%	3,445	3.00	na	na	na
Pharmaniaga Bhd	PHRM MK	Add	0.77	1.00	31%	1,002	3.00	na	na	na
Uchi Technologies	UCHI MK	Add	2.91	3.65	25%	1,318	3.00	na	na	na
Syarikat Takaful Malaysia Keluarga	STMB MK	Add	3.74	6.00	60%	3,125	3.00	na	na	na
Media Chinese Int'l	MCIL MK	Add	0.17	0.22	33%	278	3.00	na	na	na
Star Media Group Bhd	STAR MK	Add	0.34	0.50	49%	243	3.00	na	na	na

MSCI rating:-



Sustainalytics rating:-



Refinitiv Score:-

D-	D	D+	C-	C	C+	B-	B	B+	A-	A	A+
Poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly			Satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly			Good relative ESG performance and above average degree of transparency in reporting material ESG data publicly			Excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly		

FTSE ESG Grading Band:-

- 4 Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
- 3 Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

Share price data as at 14-Jan-2022

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS, MSCI, REFINITIV, FTSE RUSSELL, BURSA, SUSTAINALYTICS

Key trading themes: High dividend yields

- Investors continue to seek high dividend-yielding stocks in view of the low interest rate environment in Malaysia. Moreover, stocks with high dividend yields could offer shelter in these uncertain times.
- The high dividend yield could also cap the downside risks for share prices. To recap, Malaysia cut its OPR rate by 125bp to a record low of 1.75% in 2020.
- In view of our expectation of a 50bp hike in 2H22F, we screened for Shariah-compliant stocks under our coverage with Add ratings that offer dividend yields of 5% and above for CY22F.
- The historical average yield gap between KLCI's dividend and Bank Negara's OPR was 0.6% over the past 11 years.
- The top five dividend-yielding stocks under our coverage in CY22F with Add calls are: Malakoff (dividend yield: 7.5%), Taliworks (7.3%), Uchi Technologies (6.2%), IJM Corp (6.1%) and MSM Malaysia (6.1%).

Company	Bloomberg Ticker	Recom.	Share price	Target Price	Upside	Market Cap (RM m)	Dividend yield (%)	
			(RM)	(RM)			CY22F	CY23F
Malakoff Corporation	MLK MK	Add	0.71	1.05	49%	3,445	7.5%	8.0%
Taliworks Corporation	TWK MK	Add	0.90	1.06	18%	1,814	7.3%	7.3%
Uchi Technologies	UCHI MK	Add	2.91	3.65	25%	1,318	6.2%	6.2%
IJM Corp Bhd	IJM MK	Add	1.49	2.17	45%	5,296	6.1%	4.6%
MSM Malaysia Holdings	MSM MK	Add	1.19	1.57	32%	837	5.6%	8.7%
Hap Seng Plantations	HAPL MK	Add	2.02	2.35	16%	1,615	5.5%	4.3%
Syarikat Takaful Malaysia Keluarga	STMB MK	Add	3.74	6.00	60%	3,125	5.5%	6.3%
Gas Malaysia Berhad	GMB MK	Add	2.68	2.99	12%	3,441	5.5%	5.9%
Tenaga Nasional	TNB MK	Add	9.04	10.88	20%	51,764	5.3%	5.5%
Lee Swee Kiat Group	LSKG MK	Add	0.88	1.84	109%	142	5.2%	7.3%
Media Chinese Int'l	MCIL MK	Add	0.17	0.22	33%	278	5.1%	7.7%

Share price data as at 14-Jan-2022

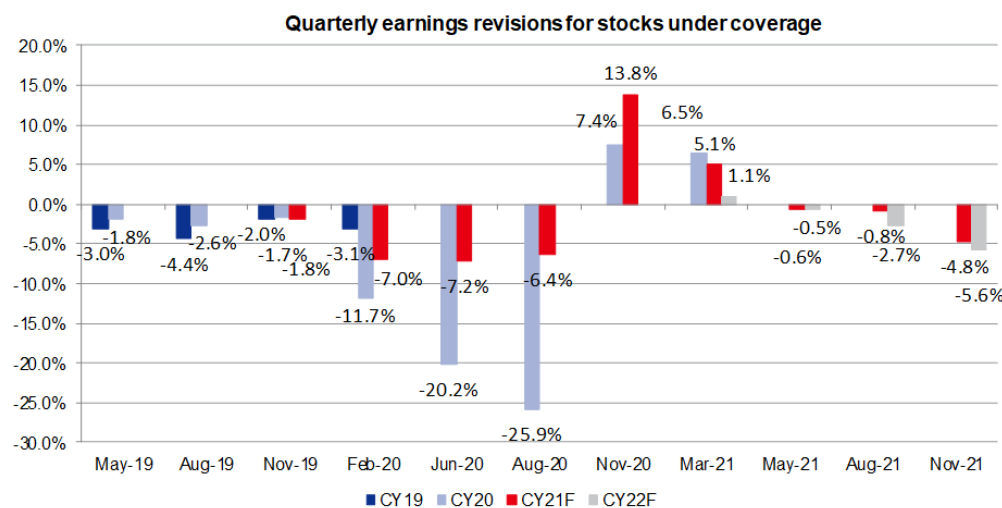
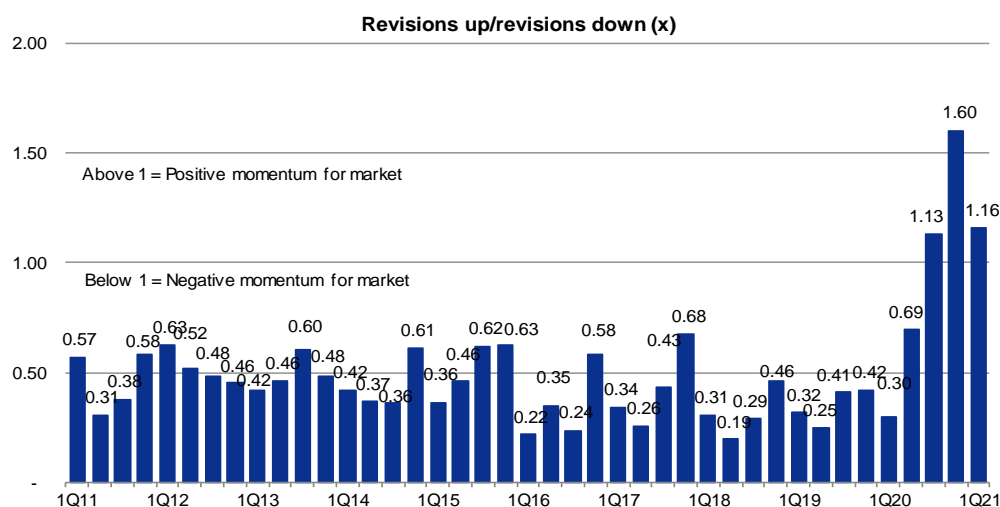
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Risks: Global volatility

- Risks that could derail earnings growth prospects and roil financial markets include:-
 - Emergence of new Covid-19 variants putting a strain on hospital capacity and a return to strict lockdowns;
 - Slower-than-expected global economic growth;
 - Materialisation of shocks from the build-up in macroeconomic imbalances, including financial scarring, unemployment, high debt serving burdens, external financing gaps and asset price inflation;
 - Deterioration in public sector finances prompting successive sovereign rating downgrades or dislocations in bond markets;
 - Sharp rise in inflation posing policy dilemma for central banks;
 - Escalation in US-China tensions;
 - Excessive currency and commodity price volatility; and
 - Fluid geopolitical and domestic political dynamics.

Risks: Corporate earnings

- Malaysia has suffered from earnings disappointments since 2016. In 2018 and 2019, Malaysian corporates continued to face challenges in delivering stronger earnings due to policy changes by the new Pakatan Harapan (PH) government following GE14. In 2020, corporate earnings remained weak due to the partial lockdown imposed to contain the spread of Covid-19. However, strong commodity prices, record earnings from glove makers and technology players brightened corporate earnings prospects in Malaysia in 2021, which we estimate grew by 39% in 2021F.
- The key risks to our future earnings forecasts for corporate Malaysia lie in new waves of Covid-19 outbreaks which could force new movement restrictions, changes in government policies which are detrimental to earnings prospects, such as limiting the intake of foreign workers and inability to raise selling prices of goods, introduction of new tax measures leading to higher tax expenses, sharp fall in commodity prices, sharper-than-expected rise in interest rates and political instability.
- Other potential global headwinds are global economic recession, new waves of Covid-19 outbreaks globally, global inflation risk, rising interest rate risks, geopolitical risks and spillover from the Evergrande debt crisis and US-China trade tension.

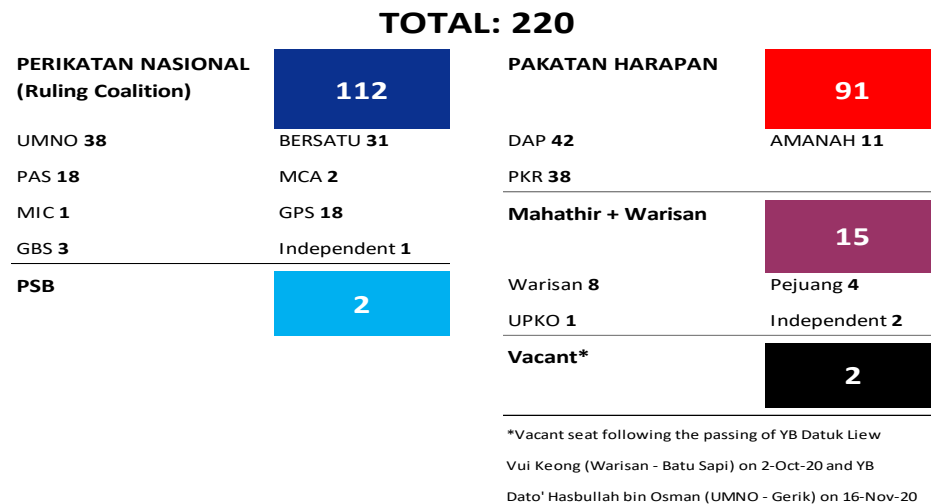


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Risks: Political concerns

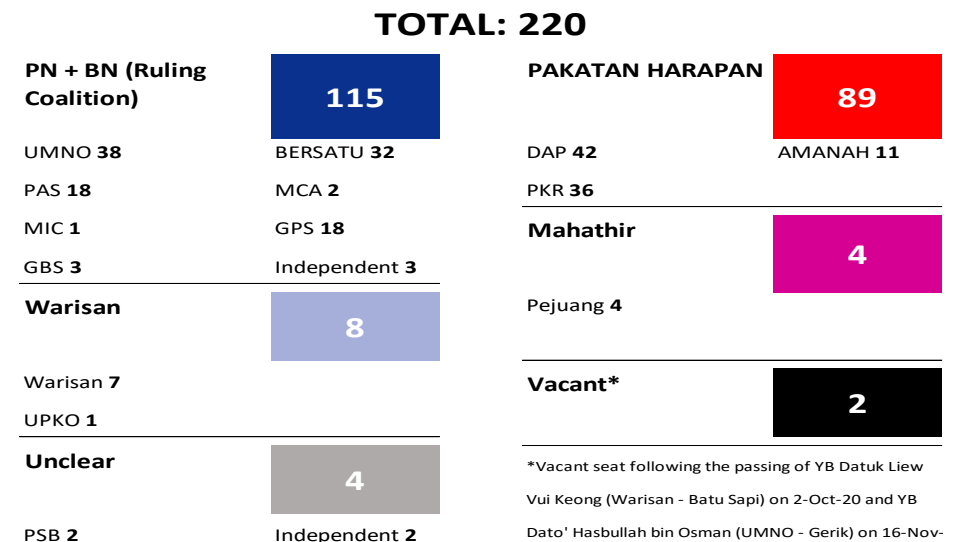
- The next general election is not due until mid-2023, but many expect it to be called sooner or take place in 2022, following BN's strong win in the Melaka state election. The case for an earlier GE15 is also supported by the need to resolve the slim majority the PM currently holds in parliament. In our view, potential factors that could determine the next GE timeline include (1) the UMNO party elections to be held by end-2022; (2) progress of the MOU with PH; (3) Covid-19 cases; and (4) the pace of recovery in Malaysia's economy in 2022.
- Markets are likely to view the materialisation of further political uncertainty negatively given the relative inexperience with Malaysia's new fractured political landscape, having had a one-party system for 61 years since independence until GE14 in May 2018. Should an election be called, we expect heightened stock market volatility in the period after Parliament is dissolved or expires, particularly during the campaigning period. The stock market performance immediately after elections will be largely determined by 1) the degree of selling pressure during the campaigning period; and 2) the actual polling results.
- If the selling pressure is intense in the 2-3 weeks before the polls, it would mean that most of the potential bad news would already be priced in the share prices. Also, the market is likely to stage a relief rally if the new government holds a stronger majority in parliament. Our tracking of the past nine GEs reveals that the KLCI tends to deliver higher average returns up to 12 months post elections, compared to the 12 months that precede the general election

Previous parliament composition (17 Nov 20)



SOURCES: CGS-CIMB, PARLIMEN OF MALAYSIA, MALAYSIKINI

Current parliament composition (13 Dec 2021)



SOURCES: CGS-CIMB RESEARCH, PARLIMEN OF MALAYSIA, MALAYSIKINI

Key events that could impact 1H22F

Dates	Country	Key events
1Q22F		
20-Jan-22	Malaysia	Monetary Policy Decision
26-Jan-22	US	FOMC Rate decision
Jan 22	Malaysia	Government decision on 5G Single Wholesale Network model under DNB
1-Feb-22	Malaysia	Chinese New Year
11-Feb-22	Malaysia	4Q21 GDP
Feb-22	Malaysia	4Q21 Malaysia corporate results season
1-Mar-22	Global	MSCI quarterly index rebalancing effective date
3-Mar-22	Malaysia	Monetary Policy Decision
1Q22	Malaysia	Likely relaunch of MRT 3 (Circle Line) project
2Q22F		
22-24 Apr-22	Global	World Bank and IMF Spring Meeting
16-Mar-22	US	FOMC Rate decision
3-May-22	Malaysia	Hari Raya Aidilfitri
4-May-22	US	FOMC Rate decision
11-May-22	Malaysia	Monetary Policy Decision
13-May-22	Malaysia	1Q22 GDP
May-22	Malaysia	1Q22 Malaysia corporate results season
1-Jun-22	Global	MSCI quarterly index rebalancing effective date
2-Jun-22	Malaysia	FTSE Bursa Malaysia Index semi-annual review
15-Jun-22	US	FOMC Rate decision

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

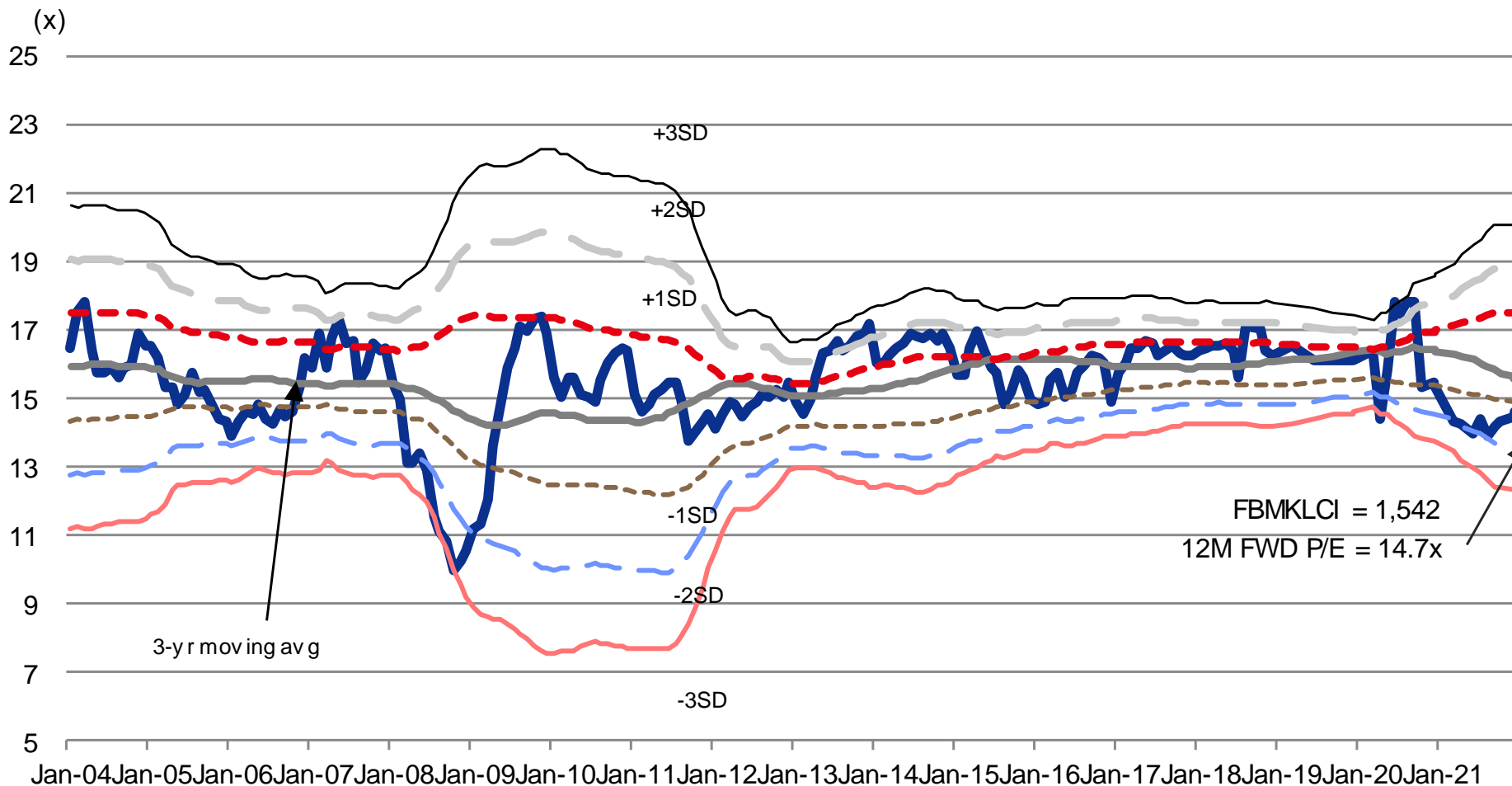
Key events that could impact 2H22F

Dates	Country	Key events
3Q22F		
6-Jul-22	Malaysia	Monetary Policy Decision
11-Jul-22	Malaysia	Hari Raya Haji
27-Jul-22	US	FOMC Rate decision
12-Aug-22	Malaysia	2Q22 GDP
31-Aug-22	Malaysia	Merdeka Day
Aug-22	Malaysia	2Q22 Malaysia corporate results season
1-Sep-22	Global	MSCI quarterly index rebalancing effective date
8-Sep-22	Malaysia	Monetary Policy Decision
21-Sep-22	US	FOMC Rate decision
4Q22F		
14-16 Oct-22	Global	World Bank and IMF Annual Meeting
24-Oct-22	Malaysia	Deepavali
Oct-Nov 22	Malaysia	Malaysia Budget 2023
2-Nov-22	US	FOMC Rate decision
3-Nov-22	Malaysia	Monetary Policy Decision
Nov-22	Malaysia	3Q22 Malaysia corporate results season
Nov-22	Global	G20 Summit
1-Dec-22	Global	MSCI quarterly index rebalancing effective date
1-Dec-22	Malaysia	FTSE Bursa Malaysia Index semi-annual review
14-Dec-22	US	FOMC Rate decision
2022	Malaysia	Gas Industry Liberalization
2022	Malaysia	Carbon Pricing/Emission Trading Scheme
2022	Malaysia	Implementation Of Mandatory Standard On Access Pricing (MSAP)

SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

FBM KLCI's 12M forward core P/E(x) band

- Our estimates reveal that at the KLCI closing of 1,542 points as on 17 Jan 2022, it was trading at 15.1x CY22F P/E and 13.6x CY23F P/E. On a three-year moving average P/E basis, the market is trading at 14.7x, which, in our view, is at the lower end of its historical trading range due to concerns over challenges facing the economy.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Sensitivity of CGS-CIMB's end-2022F KLCI target

- Our end-2022F KLCI target stands at 1,612 points. We continue to value the market at a 1.5 s.d. discount to historical 3-year average P/E to reflect potential earnings risks (for which we have ascribed 1 s.d.) and political instability (for which we have ascribed 0.5 s.d.) as GE15 could be called in 2022F.
- We expect KLCI earnings to rise by 39.2% in CY21F before falling by 4.8% in CY22F. To recap, our estimate showed KLCI earnings fell for three consecutive years by between -0.7% to -9.7% from CY18-CY20 before rebounding in CY21.

Sensitivity of end-2022F KLCI target to various P/E valuation assumptions	FBMKLCI	12M Forward P/E (x)
Mean P/E	1,832	16.2
+1SD	1,978	17.5
+2SD	2,125	18.8
+3SD	2,271	20.1
-1SD	1,686	14.9
-1.5SD	1,612	14.3
-2SD	1,539	13.6
-3SD	1,393	12.3

FBMKLCI Statistics	2017	2018	2019	2020	2021F	2022F	2023F
Core P/E (x)	17.5x	15.4x	17.1x	19.7x	14.2x	14.9x	13.4x
Core Net Profit Growth (%)	7.3%	-0.7%	-9.7%	-6.6%	39.2%	-4.8%	10.8%
P/BV (x)	1.7x	1.6x	1.6x	2.0x	1.9x	1.8x	1.7x
Dividend yield (%)	3.5%	3.5%	4.1%	3.7%	4.2%	3.8%	4.2%
Recurring ROE	9.4%	10.7%	9.3%	10.0%	13.2%	11.9%	12.6%

* 2017-2021 are based on previous constituents; 2022-2023F are based on new constituents

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

KLCI earnings prospects lagging behind regional peers

- The Malaysian stock market's forward 2022F P/E valuation of 14.9x is at a premium over Singapore market's forward P/E of 13.1x but below that of Thailand's and Indonesia's P/E of 18.1x and 16x, respectively.
- We expect Malaysia to be the only country among MIST to post a decline in its 2022F corporate earnings due to lower earnings from glove markers and our projection for palm oil and petrochemical prices to decline and a higher corporate tax rate due to the one-off Cukai Makmur.
- We project KLCI earnings to decline by 4.8% in 2022F against its regional peers' average earnings growth of 14-18% due partly to the impact of higher taxes announced in Budget 2022. For 2023F, we expect KLCI earnings to grow by 10.8%, lagging behind its regional peer average earnings growth of 12-16%.

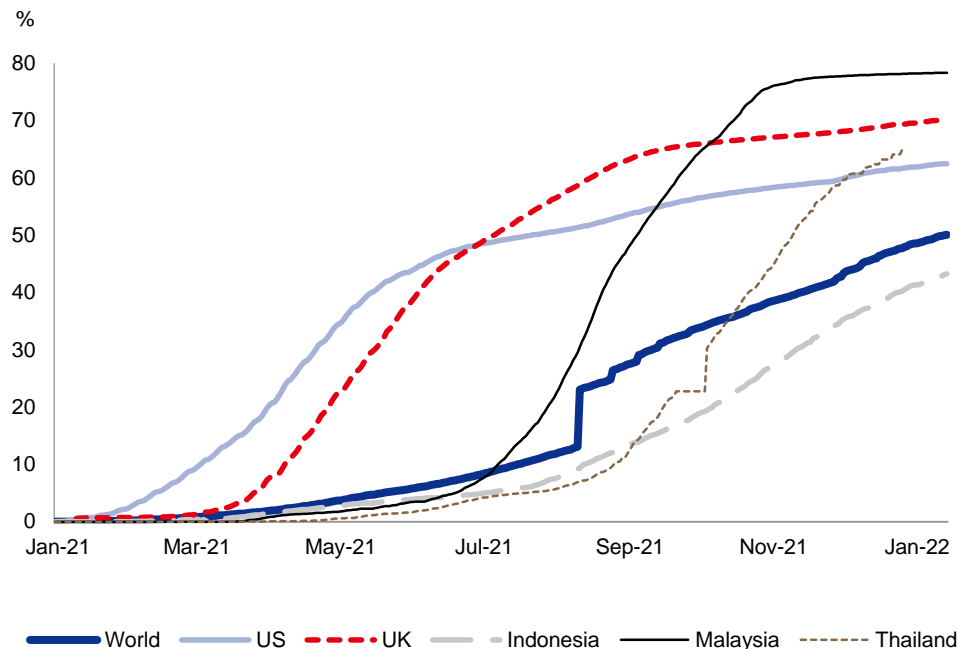
	----- Core P/E -----				----- Core EPS growth -----			
	2020	2021F	2022F	2023F	2020	2021F	2022F	2023F
FBMKLCI	19.7x	14.2x	14.9x	13.4x	-6.6%	39.2%	-4.8%	10.8%
FSSTI	20.0x	15.0x	13.1x	11.7x	-39.1%	46.4%	13.9%	11.8%
SET	31.3x	20.7x	18.1x	15.6x	-39.3%	51.3%	14.2%	16.0%
JCI	25.5x	18.5x	16.0x	14.0x	-32.1%	45.3%	18.0%	13.0%
<i>Simple Region x KL avg</i>	<i>25.6x</i>	<i>18.1x</i>	<i>15.7x</i>	<i>13.8x</i>	<i>-36.8%</i>	<i>47.7%</i>	<i>15.4%</i>	<i>13.6%</i>
<i>KLCI PER premium vs region</i>	<i>-23.0%</i>	<i>-21.4%</i>	<i>-5.3%</i>	<i>-2.7%</i>				

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

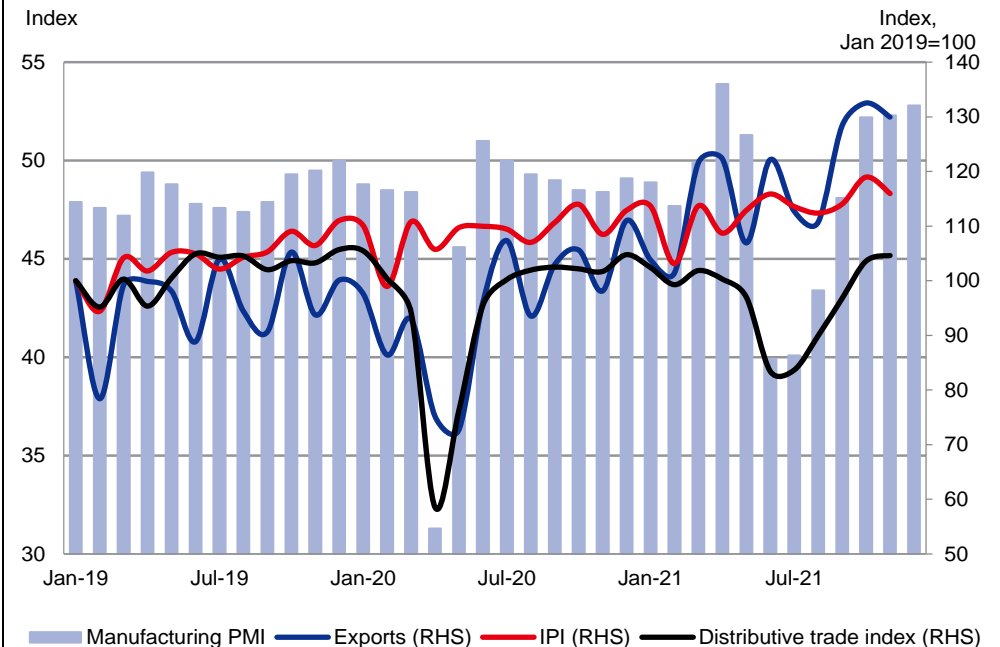
Economic outlook: High vaccination rate is an advantage

- Our base case scenario for 2022F assumes there are minimal disruptions to economic reopening, aided by wide vaccination coverage and the acceleration in Covid-19 vaccine booster rollout in view of the emergence of the more infectious, albeit milder, Omicron variant. As at 17 Jan 2022, 78.6% of Malaysia’s population was fully vaccinated and 29% had received their Covid-19 vaccine booster shots.
- We project Malaysia’s GDP growth to improve from 3.5% yoy in 2021F to 5.6% yoy in 2022F. After two lull years, domestic demand (+6.4% yoy in 2022F vs. +2.0% yoy in 2021F) is set to become the key engine of GDP growth next year, driven by mobility flexibility, improving labour market conditions as well as accommodative monetary and fiscal policies.
- On the supply side, construction (+10.8% yoy in 2022F vs. -3.6% yoy in 2021F) and services (+6.2% yoy in 2022F vs. +2.7% yoy in 2021F) – the worst-hit sectors during the Covid-19 pandemic – are poised for a solid turnaround in tandem with a revival in consumption and investment activity. Both local and external demand will be supportive of resilient manufacturing activity (+5.2% yoy in 2022F vs. +9.0% yoy in 2021F).

Extensive vaccination coverage...



... brightens the prospects of a durable economic reopening

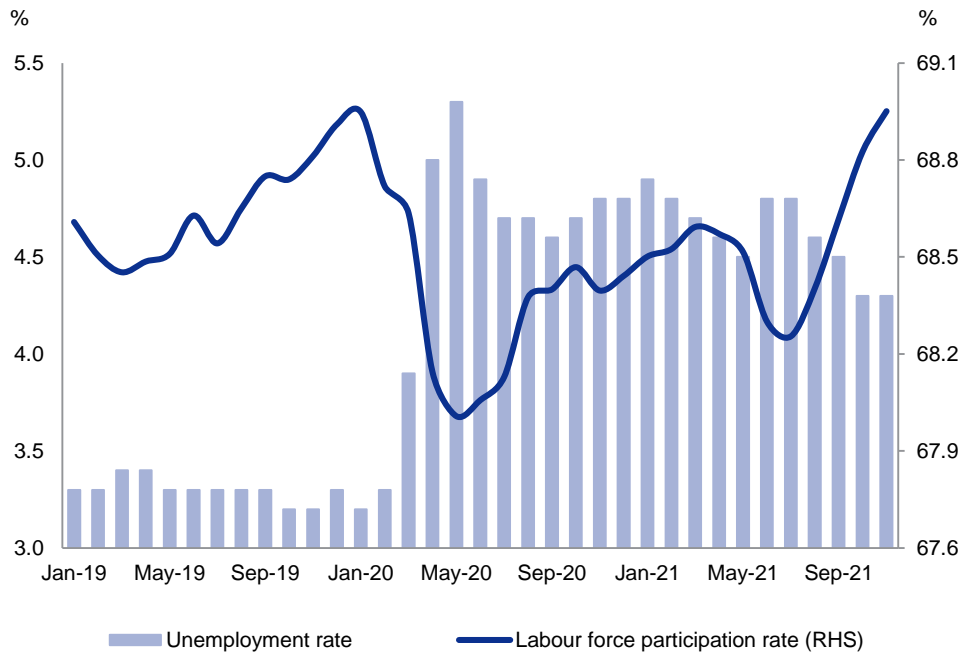


SOURCES: CGS-CIMB RESEARCH, GOOGLE MOBILITY, CEIC

Economic outlook: Improving income prospects as jobs return

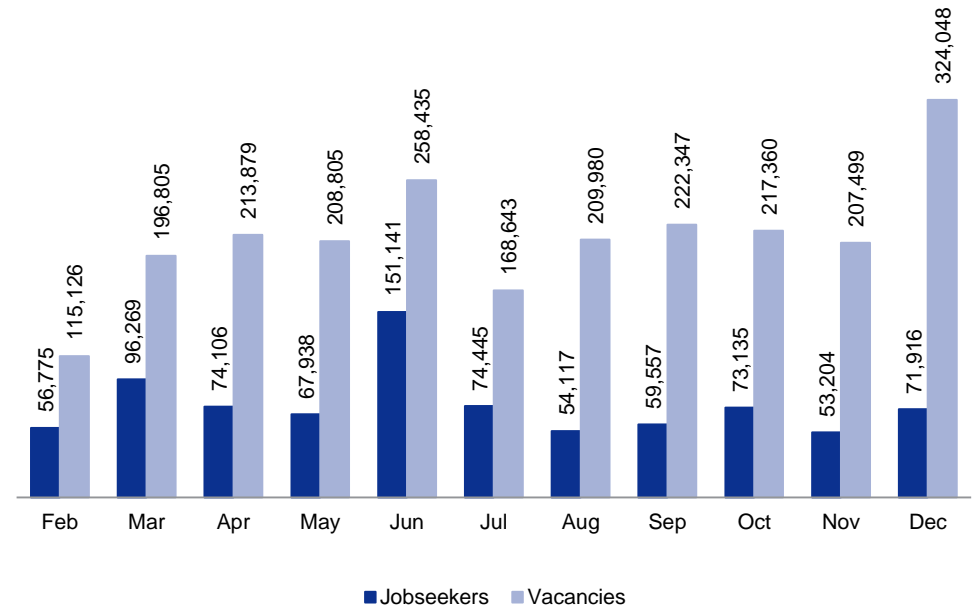
- Optimism of a sustained economic reopening has led to the return of job seekers to the labour market, raising the labour force participation rate to the pre-pandemic level of 69.0% in Nov, as well as a resumption in hiring among businesses for the fourth month in a row in Nov, lifting employment by 2.1% from the previous low in Jul 2021.
- Persistent migrant worker shortage continues to hamper production in critical sectors, especially on elementary occupations that locals are not interested to take up. The acute shortage may ease gradually as the government opens online applications for recruitment of foreign workers in 1Q22.

Labour market bound for further recovery



Labour crunch could induce stronger wage pressures

Vacancies and jobseekers registered on MYFuture Jobs, 2021

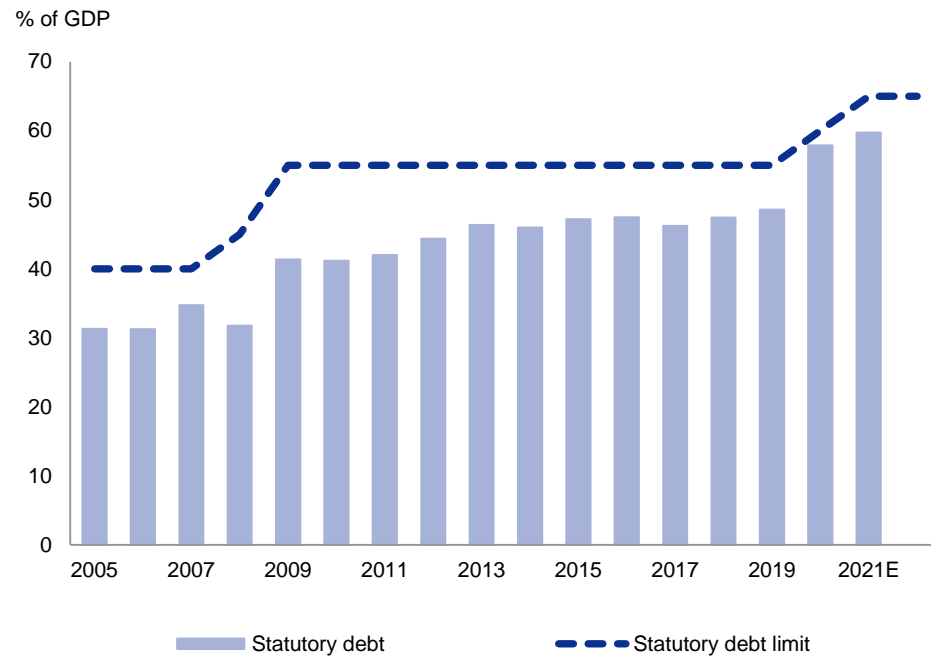


SOURCES: CGS-CIMB RESEARCH, CEIC, EIS CENTRE

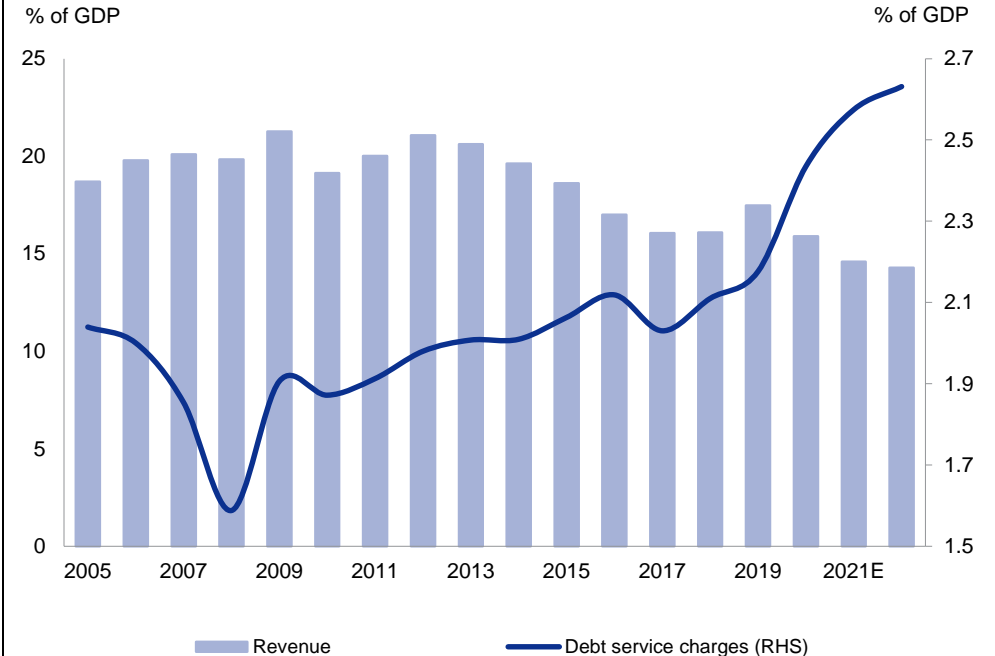
Economic outlook: Gradual fiscal consolidation amid cautious outlook over recovery

- Fiscal injection into the economy will remain substantial in 2022F as Budget 2022 has set the fiscal deficit at RM97.5bn or 6.0% of GDP (vs. RM98.8bn or 6.5% of GDP in 2021F) on the back of elevated fiscal spending – the sum of operating expenditure (OE), development expenditure (DE) and Covid-19 Fund – of RM322.1bn (+3.6% yoy).
- The expansionary budget marks a more gradual fiscal consolidation path while budgetary constraints were eased by an increase in statutory debt ceiling to 65% of GDP. Nonetheless, the rising burden of debt service charges and declining revenue-to-GDP ratio increases the urgency of fiscal reforms to rebuild the fiscal buffer.
- Steps have been taken to enhance revenue collection, including a one-off prosperity tax of 33% on corporate taxable income above RM100m, a toned-down tax on foreign sourced income, as well as a higher rate of 0.15% for stamp duty for trading of listed shares with a higher cap of RM1,000 per contract.

Debt to GDP has risen substantially



Urgency of fiscal reforms to rebuild fiscal buffers

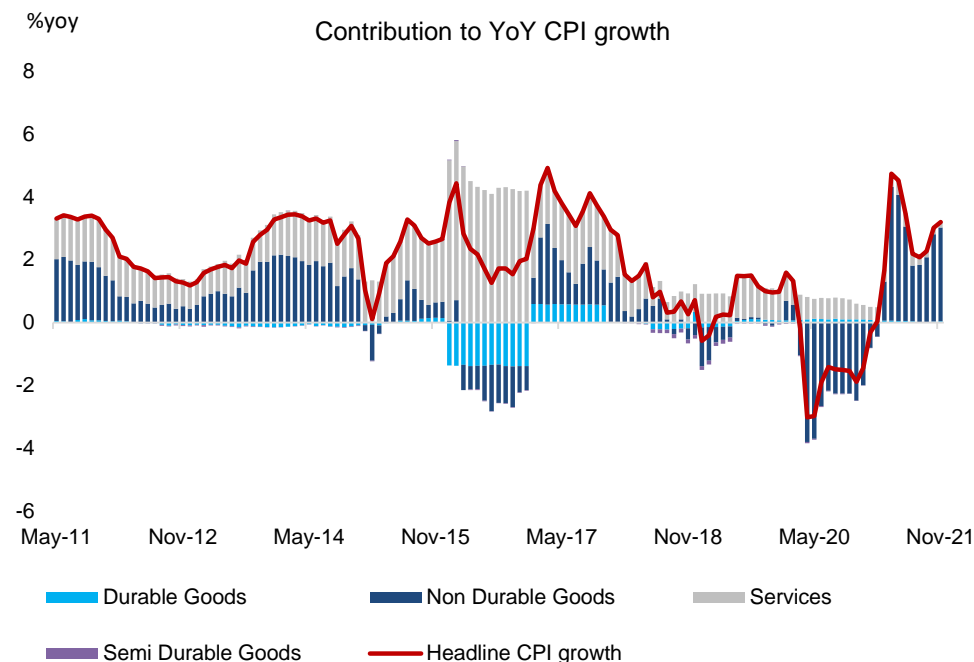


SOURCES: CGS-CIMB RESEARCH, CEIC, MOF

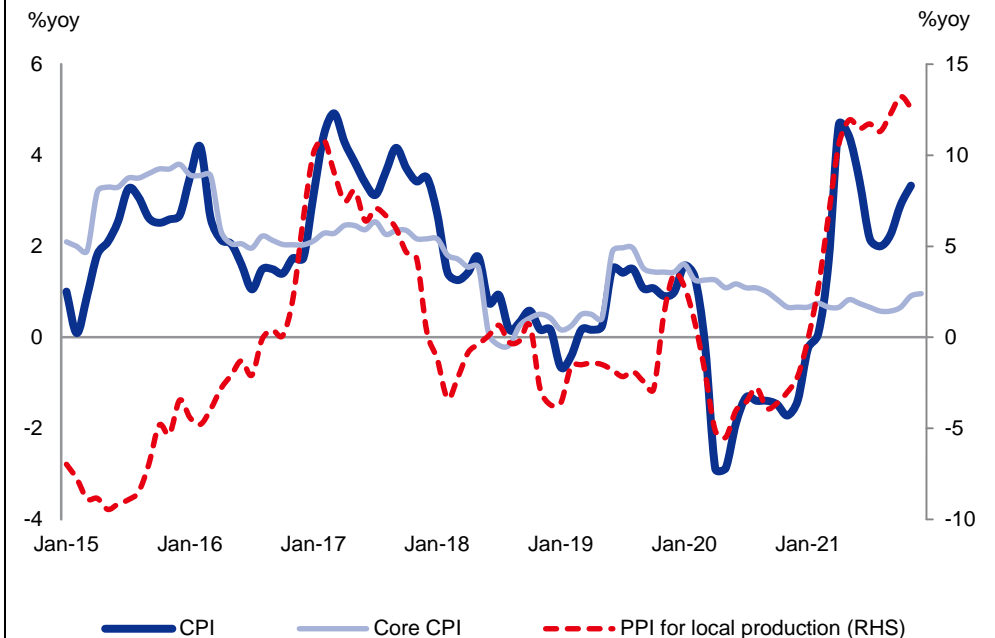
Economic outlook: Stronger inflation momentum in the near term

- Malaysia's inflation rate moderated from the peak of 4.7% yoy in Apr 2021 to 3.3% in Nov 2021. This was in sharp contrast to the surge in producer price inflation (+12.6% yoy in Nov 2021; +9.5% yoy in 11M21). The softer headline inflation was a result of price controls on retail fuel and cooking oil via subsidies that insulated the impact of rising crude oil and CPO prices on end-consumers. In addition, producers were not able to pass the higher costs to consumers amid lockdown measures and weakened consumer spending.
- Looking ahead, we see upside risk to inflation from rising cost of production, an expansion of sugar tax coverage, and possible adjustment of electricity tariffs to account for rising crude oil and coal prices. However, this could be mitigated by the easing of supply disruptions with the reopening of the economy and the entry of foreign workers, moderating commodity prices from their recent peak as well as price stabilisation measures by the government.
- Hence, we expect headline inflation to average at 2.2% in 2022F, with an uptick in core inflation (+1.6% yoy in 2022F vs. +0.7% yoy in 2021F) as domestic demand strengthens.

Non-durable goods (i.e. food) to be the key driver for near-term inflation



Producers are likely to continue passing on some of the costs to consumers

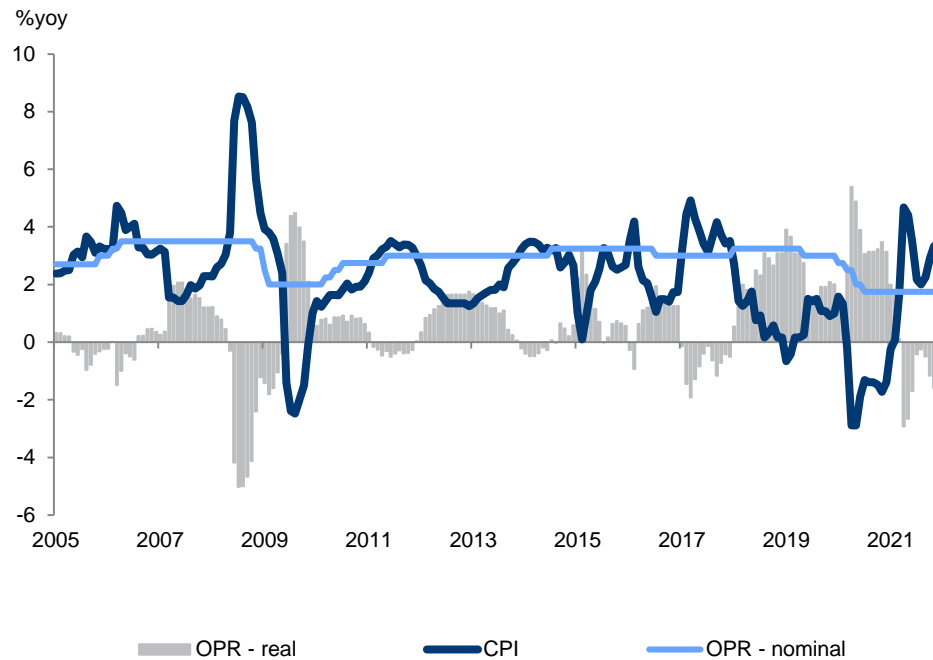


SOURCES: CGS-CIMB RESEARCH, CEIC

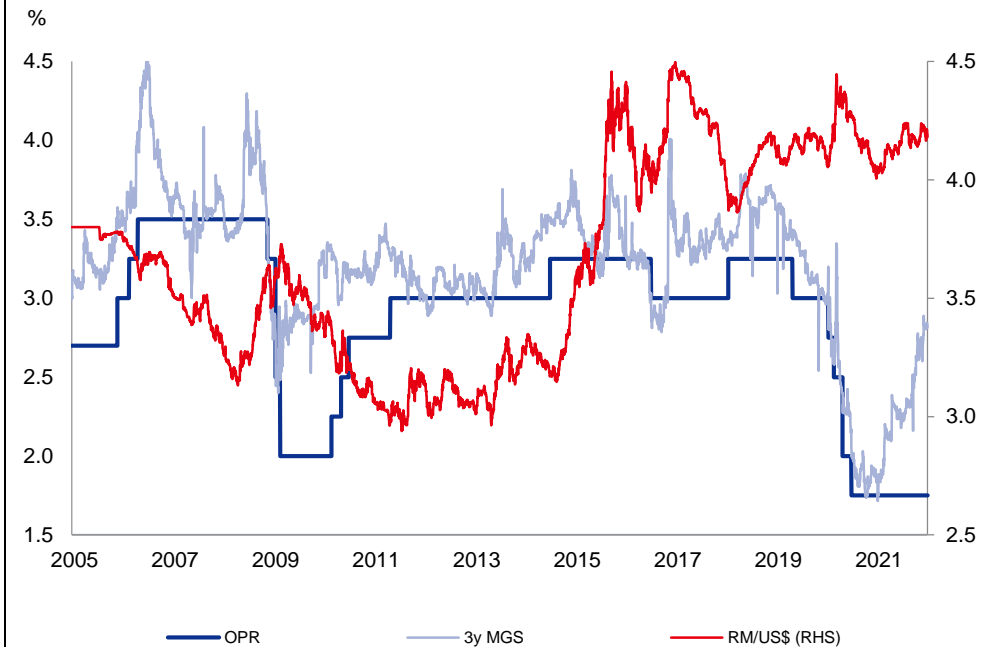
Economic outlook: We expect BNM to hike twice in 2H22

- Given our base case of durable economic reopening in Malaysia and anticipation of interest rate normalisation in the US, we expect Bank Negara Malaysia (BNM) to begin unwinding its monetary support in 2H22F.
- The previous interest rate normalisation cycle post the Global Financial Crisis (GFC) saw BNM raising the Overnight Policy Rate (OPR) by 100bp from a low of 2.00% to 3.00% within 15 months (Mar 2010-May 2011) on the back of a solid economic rebound (+7.4% yoy in 2010 vs. -1.5% yoy in 2009) and rising headline inflation (+3.2% yoy in 2011 vs. 1.7% yoy in 2010). That still left the OPR lower than the pre-GFC OPR level of 3.50% when inflation peaked at 4.7% in Mar 2006.
- As we expect inflation to stay within 2-3%, we foresee BNM raising the OPR by 50bp to 2.25% by end-2022F, with two 25bp rate hikes in 2H22F.

Monetary policy does not respond aggressively to fluctuations in headline inflation



BNM to raise OPR from the current record low of 1.75% in 2H22F



SOURCES: CGS-CIMB RESEARCH, CEIC, BLOOMBERG

Macro forecast

	Unit	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Real GDP	%yoy	5.1	4.5	5.8	4.8	4.4	-5.6	3.5	5.6	5.0
By expenditure										
Domestic demand	%yoy	5.1	4.3	6.5	5.6	4.3	-5.8	2.0	6.4	5.7
Private consumption	%yoy	6.0	5.9	6.9	8.0	7.7	-4.3	2.4	6.5	6.1
Public consumption	%yoy	0.0	1.1	5.7	3.4	1.8	3.9	7.9	3.7	5.2
Private investment	%yoy	6.3	4.5	9.0	4.3	1.6	-11.9	1.4	4.5	3.7
Public investment	%yoy	-1.1	-1.0	0.3	-5.0	-10.7	-21.3	-15.1	20.7	9.0
Net exports	%yoy	-3.7	0.4	-3.9	6.2	11.2	-13.0	-4.6	5.4	2.7
Exports	%yoy	0.3	1.3	8.7	1.9	-1.0	-8.9	15.3	10.2	6.6
Imports	%yoy	0.8	1.4	10.2	1.5	-2.4	-8.4	17.6	10.7	6.9

By economic activity

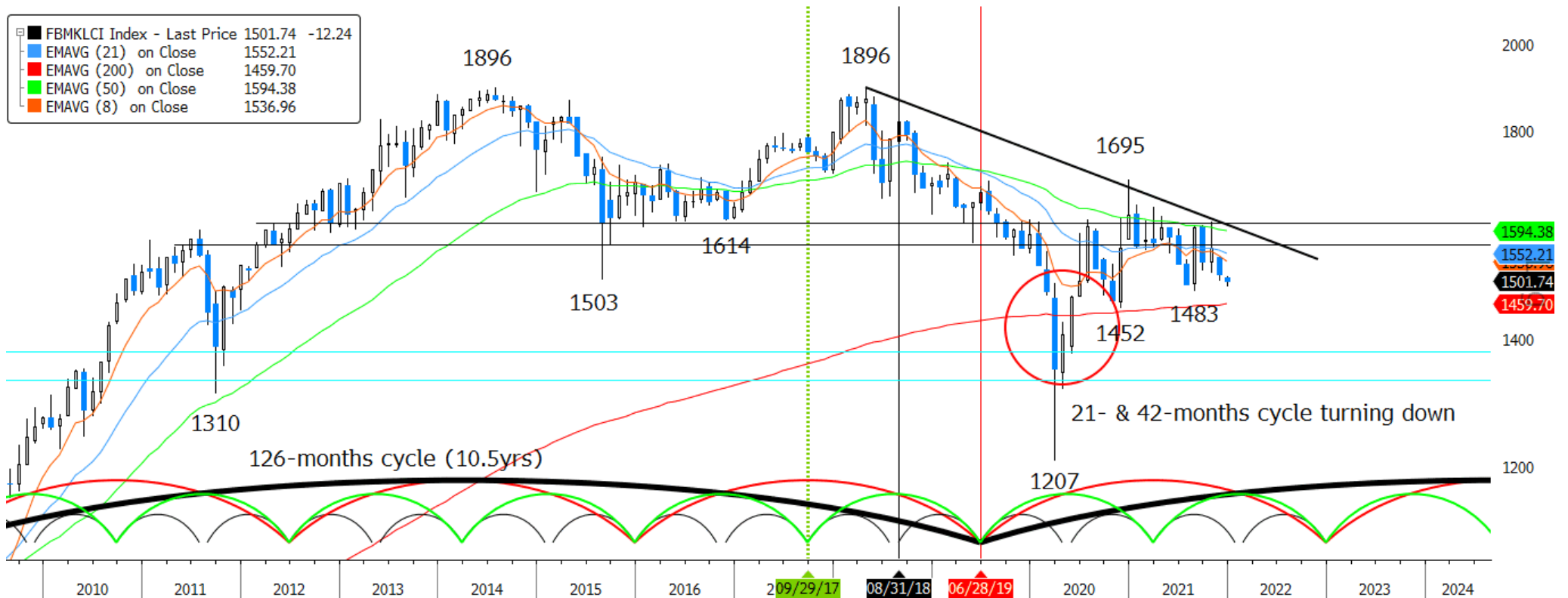
Agriculture	%yoy	1.4	-3.6	5.9	0.1	2.0	-2.2	-0.1	2.7	1.6
Mining	%yoy	5.3	2.2	0.4	-2.2	-0.6	-10.6	-0.5	2.8	2.7
Manufacturing	%yoy	4.8	4.4	6.0	5.0	3.8	-2.6	9.0	5.2	6.5
Construction	%yoy	8.4	7.4	6.7	4.2	0.4	-19.4	-3.6	10.8	4.1
Services	%yoy	5.3	5.7	6.3	6.9	6.2	-5.5	2.7	6.2	5.2
Import duties	%yoy	18.6	8.8	13.0	-8.5	-1.8	-5.6	3.2	5.7	5.1

	Unit	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Real GDP	%yoy	5.1	4.4	5.8	4.8	4.4	-5.6	3.5	5.6	5.0
Industrial production	%yoy	4.8	4.1	4.4	3.1	2.4	-4.4	7.6	4.2	6.5
Gross exports	%yoy	1.6	1.2	18.8	7.3	-0.8	-1.1	24.8	10.2	5.5
Gross imports	%yoy	0.4	1.9	19.7	5.2	-3.5	-5.8	22.4	18.6	8.0
Trade balance	RM bn	91.6	88.1	98.5	123.8	145.7	183.3	247.8	191.7	173.6
Current account	% of GDP	3.0	2.4	2.8	2.2	3.5	4.2	3.8	3.2	2.3
International reserves, end-period	US\$ bn	95.3	94.5	102.4	101.4	103.6	107.6	116.9	121.5	125.4
Headline inflation, average	%yoy	2.1	2.1	3.8	1.0	0.7	-1.1	2.4	2.2	1.2
Unemployment rate, end-period	%	3.4	3.5	3.3	3.3	3.3	4.8	4.0	3.7	3.4
Overnight Policy Rate, end-period	%p.a.	3.25	3.00	3.00	3.25	3.00	1.75	1.75	2.25	3.00
Ringgit per US dollar, average	RM/US\$	3.90	4.15	4.30	4.03	4.14	4.20	4.14	4.25	4.25

SOURCES: CGS-CIMB RESEARCH, CEIC

Technical analysis for FBMKLCI: To remain in consolidation

- Despite the strong rebound from the March 2020 low of 1,207, the benchmark FBMKLCI (KLCI) has struggled to breakout above the 1,618-1,625 critical resistance for the whole of 2021.
- It appears that the KLCI is still trying to build a base above its 200-month exponential moving average (EMA, currently at 1,459) and may continue to do so in 1H22F. However, a close below the said moving average is negative for the index, where a move lower towards 1,300-1,350 cannot be ruled out.
- The 42-month cycle has started to turn down in 1H21 while the 21-month cycle is going to turn down in January 2022. Both of these cycles may exert some downside pressure on the index for most of 2022. On the upside, overcoming the said critical resistance is required to confirm that the longer-term uptrend has resumed.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Technical analysis for FBM Hijrah Shariah

- The long-term uptrend for the FTSE Bursa Malaysia Hijrah Shariah Index (FBMHS) is still intact. However, the index has been in consolidation mode after failing to firmly clear the 15,350 resistance levels in 2020.
- The pullback from the 15,825 high has lasted about 1.5 years now and should be fast approaching a significant low. The pullback has reached and briefly surpassed the historical support of 12,315-12,616 and the 62% Fibonacci Retracement (FR) levels at 12,082 to test the 12,000 psychological levels. The bulls need to take a stand right now and quickly build a base at or above these said supports. A close above 13,060 (50-week EMA) would give the idea that a major low is in place while a close above 13,491 (200-week EMA) would likely confirm that the longer term uptrend has resumed.
- If the index fails to find support at the 12,000 psychological level, then the index is likely to consolidate for a further 3 months or a test of the 79% FR levels (at 11,228-11,424) is next. Failure to hold above the 79%FR levels would severely cut the odds of any bullish potential for FY22.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Top picks: Big-cap to mid-cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)			
						CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2024F	CY2022F	CY2023F	CY2022F	CY2023F		
Bank Islam Malaysia Bhd	BIMB MK	Add	3.19	3.46	1,585	11.3	9.1	11.1%	0.94	0.88	8.5%	10.0%	10.7%	na	na	4.4%	5.5%		
Gamuda	GAM MK	Add	2.89	3.88	1,739	12.2	11.9	3.1%	0.79	0.79	6.5%	6.6%	na	17.7	17.2	4.0%	4.0%		
Inari-Amertron Bhd	INRI MK	Add	3.38	4.95	2,995	28.6	26.0	20.5%	5.12	5.02	20.2%	19.5%	na	18.9	17.4	3.3%	3.5%		
Malaysian Pacific Industries	MPI MK	Add	40.96	56.50	1,950	24.6	22.4	20.5%	4.08	3.56	17.8%	17.0%	na	11.4	10.1	0.8%	0.9%		
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	3.70	4.40	5,562	38.5	33.0	27.2%	15.50	12.09	45.8%	41.2%	na	21.3	18.1	1.0%	1.2%		
MY E.G. Services	MYEG MK	Add	1.00	1.30	1,770	21.4	20.0	10.9%	4.65	4.00	23.6%	21.5%	na	15.4	14.0	2.5%	2.7%		
Petronas Chemicals Group	PICHEM MK	Add	9.09	9.97	17,405	12.0	11.8	49.6%	1.92	1.78	16.6%	15.6%	na	7.3	6.7	4.6%	4.6%		
QL Resources	QLG MK	Add	5.02	5.50	2,924	42.4	33.1	15.9%	4.65	4.25	11.4%	13.4%	na	19.2	16.0	0.8%	1.0%		
Sime Darby Property Berhad	SDPR MK	Add	0.61	0.84	993	15.3	15.7	9.1%	0.44	0.43	2.9%	2.8%	na	22.6	17.6	2.0%	1.9%		
Telekom Malaysia	T MK	Add	5.35	7.50	4,832	17.0	12.5	17.7%	2.50	2.32	15.2%	19.2%	19.9%	5.3	5.0	3.5%	4.8%		
Tenaga Nasional	TNB MK	Add	9.04	10.88	12,390	10.5	10.0	7.3%	0.86	0.83	8.4%	8.5%	na	5.8	5.7	5.3%	5.5%		
Average								19.2%	16.4%	16.8%	2.98	2.61	13.2%	14.5%	12.7%	13.6	11.5	2.9%	3.5%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Top picks: Small-cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2022F	CY2023F		CY2022F	CY2023F	CY2024F	CY2022F	CY2023F	CY2022F	CY2023F		
DKSH Holdings (Malaysia)	DKSH MK	Add	4.86	6.20	183	9.1	7.9	22.7%	0.96	0.87	11.0%	11.6%	na	5.1	4.5	2.1%	2.1%
EITA Resources Bhd	EITA MK	Add	0.87	1.87	54	8.4	7.1	0.6%	1.03	0.93	12.8%	13.7%	na	4.0	3.5	4.0%	4.0%
FM Global Logistics	FMIH MK	Add	0.89	1.36	118	13.2	11.9	21.3%	1.40	1.33	10.9%	11.4%	na	7.0	6.6	3.4%	3.7%
Genetec Technology Bhd	GENE MK	Add	2.65	4.15	432	30.4	25.6	243.2%	10.92	8.15	42.4%	36.5%	na	25.3	21.1	0.5%	0.8%
HSS Engineers	HSS MK	Add	0.54	0.77	63	19.1	16.8	14.1%	1.21	1.23	6.4%	7.3%	na	6.6	5.9	0.0%	0.0%
Kawan Food	KFB MK	Add	1.62	2.70	139	15.4	12.6	18.2%	1.50	1.40	10.0%	11.5%	na	8.3	7.0	2.5%	2.9%
Lee Swee Kiat Group	LSKG MK	Add	0.88	1.84	34	8.7	6.2	52.6%	1.85	1.54	23.3%	27.3%	na	5.0	3.2	5.2%	7.3%
Mah Sing Group	MSGB MK	Add	0.71	0.81	413	11.6	10.1	37.9%	0.40	0.39	4.2%	4.7%	na	9.8	8.5	4.6%	5.2%
Pharmaniaga Bhd	PHRM MK	Add	0.77	1.00	240	15.2	14.5	13.8%	2.56	2.43	17.3%	17.2%	17.1%	9.7	9.2	4.6%	4.8%
Star Media Group Bhd	STAR MK	Add	0.34	0.50	58	100.2	45.8	na	0.33	0.34	0.3%	0.7%	na	-6.3	-6.2	4.5%	4.5%
Average						24.5	15.4	51.8%	1.2	1.1	10.5%	11.5%	13.3%	5.1	4.3	4.2%	4.7%

 SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS, Share price as at 14th Jan 2022

Sector weightings

Overweight	<ul style="list-style-type: none">• Chemicals• Islamic Banking• Healthcare• Media• Oil & Gas	<ul style="list-style-type: none">• Packaging• Semiconductor• Tech Manufacturing Services• Utilities
Neutral	<ul style="list-style-type: none">• Agribusiness• Automotive• Construction• Consumer• Gloves	<ul style="list-style-type: none">• Insurance• Property Development• REIT• Telco• Transport

Top three picks

Bank Islam (Add, TP: RM3.46)

- We like Bank Islam because (1) its loan growth is the strongest in the sector (3-year CAGR of 8.1% from end-Sep 18 to end-Sep 21 vs. 3.7% for the sector), and (2) it is the biggest beneficiary of the expected hike in overnight policy rate in 2022.
- We are projecting a strong recovery in the growth of its core EPS to 24.4% in FY23F after being flattish (-0.2%) in FY22F (which will be dragged down by higher tax expense arising from Cukai Makmur).

Inari-Amerton (Add, TP: RM4.95)

- We like Inari-Amerton as a proxy for radio-frequency (RF) content value growth, on the back of rising worldwide 5G smartphone penetration.
- We see potential diversification in its automotive segment and its earnings-accretive OSAT JV in China as potential new catalysts for the stock. We project a CY20-23F core net profit CAGR of 26%.

QL Resources (Add, TP: RM5.50)

- Given retracement in its share price in the past twelve months of 24.2% yoy, QL Resources has turned into an attractive proxy for the expected recovery in consumer spending in 1H2022F.

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SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.