

Invest Shariah Corporate Conversation Series 2022

Malaysia Equity Market Review & Outlook

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Investment Banking Group





KLCI's 12 months' journey, major events

KLCI hit a 9-year low in mid-March 2020; then hit 2020 YTD high on 11 Dec



Note: KLCI was -5.7% in 2014, -3.9% in 2015, -3.0% in 2016, +9.4% in 2017, -5.9% in 2018, -9.5% in 2019, +6.3% in 2020, -3.6% in 2021.

KLCI's record high close was 1,895.2 on 19 Apr 2018.

Note: KLCI at 1,568 (31 Dec 2021), 1,627 (31 Dec 2020), 1,531 (31 Dec 2019), 1,691 (31 Dec 2018), 1,797 (29 Dec 2017), 1,642 (30 Dec 2016).

KLCI constituent ownership by controlling shareholders / GLCs / GLICs



Company	Stock code	Market Cap (RM bn)	Non-GLC/GLIC						% total	Total (RMbn)
			major sh. (%)	EPF (%)	Khazanah (%)	PNB (%)	KWAP (%)	Petronas (%)		
1 Maybank	MAY MK	105.8		13.9		46.9	4.9	65.8	69.6	
2 Public Bank	PBK MK	85.4	21.6	15.3		2.4	4.1	43.5	37.1	
3 Petronas Chemicals	PCHEM MK	77.6		7.0		6.0	2.7	64.4	62.1	
4 IHH Healthcare	IHH MK	56.4	32.8	9.7	26.0	4.3	3.3	76.1	42.9	
5 Press Metal	PMAH MK	52.6	34.8	2.8			0.8	38.3	20.1	
6 CIMB	CIMB MK	51.6		15.7	25.7	10.6	6.7	58.6	30.3	
7 Tenaga Nasional	TNB MK	51.2		16.0	25.6	17.8	7.3	66.7	34.2	
8 Hong Leong Bank	HLBK MK	44.0	62.0	9.3		1.3	1.2	73.8	32.5	
9 Sime Plantations	SDPL MK	35.8		14.9		56.0	6.4	77.3	27.6	
10 Axiata Group	AXIATA MK	34.7		17.1	36.7	17.5	2.9	74.2	25.7	
11 Petronas Gas	PTG MK	33.9		13.9		9.4	10.5	51.0	28.7	
12 Maxis	MAXIS MK	32.5	62.3	12.0		10.4	1.5	86.1	28.0	
13 MISC	MISC MK	32.5		12.4		8.1	5.1	51.0	24.9	
14 Nestle (M)	NESZ MK	31.9	72.6	9.5			1.1	83.2	26.6	
15 DiGi.Com	DIGI MK	31.5	49.0	15.1		10.1	3.7	77.9	24.5	
16 Kuala Lumpur Kepong	KLK MK	28.2	47.7	11.1		7.2	0.6	66.6	18.8	
17 IOI Corp	IOI MK	26.1	50.4	12.1		8.2	3.4	74.1	19.3	
18 RHB Bank	RHBBANK MK	24.1	10.2	42.2		7.0	5.8	65.1	15.7	
19 PPB Group	PEP MK	23.9	50.2	11.8			0.9	62.9	15.0	
20 MR. D.I.Y.	MRDIY MK	22.6	68.6					68.6	15.5	
21 Hong Leong FG	HLFG MK	22.5	77.5	3.1			2.3	82.8	18.7	
22 Petronas Dagangan	PETD MK	20.6		11.7		9.2		63.9	17.4	
23 Telekom Malaysia	T MK	18.2		18.7	20.1	14.3	10.4	63.5	11.6	
24 Genting Bhd	GENT MK	17.4	43.0					43.0	7.5	
25 Genting (M)	GENM MK	16.7	49.5					49.5	8.2	
26 Sime Darby	SIME MK	15.5		8.8		50.8	7.4	67.0	10.4	
27 Dialog	DLG MK	15.4	19.1	13.5		3.1	9.3	45.1	6.9	
28 Hartalega	HART MK	14.7	42.9	8.0			1.9	52.8	7.8	
29 Top Glove	TOPG MK	13.4	35.5	6.0			1.5	43.1	5.8	
30 Inari Amertron	INRI MK	10.8	14.3	6.2			8.8	29.3	3.2	
TOTAL		1,047.4							696.5	
31 Hap Seng	HAP MK	18.3	66.5					66.5	12.2	
32 Westports	WPRTS MK	13.3	65.9	7.3		3.3	6.2	82.7	11.0	
33 KLCC Property	KLCCSS MK	12.0		10.0		12.2	0.3	64.7	10.5	
34 QL Resources	QLG MK	11.5	63.8	7.0		1.3	2.3	74.4	8.5	
35 AMMB Holdings	AMM MK	11.1	33.5	9.4		7.5	1.4	51.7	5.7	

Note: Inclusion/exclusion for Dec 21 KLCI constituent revision in green/orange highlights; GLCs in blue highlights
 Source: Maybank IBG Research, FactSet, Bloomberg (as of 11 Mar)

2022 Equity Market YTD and Outlook: Catalysts and Thematics

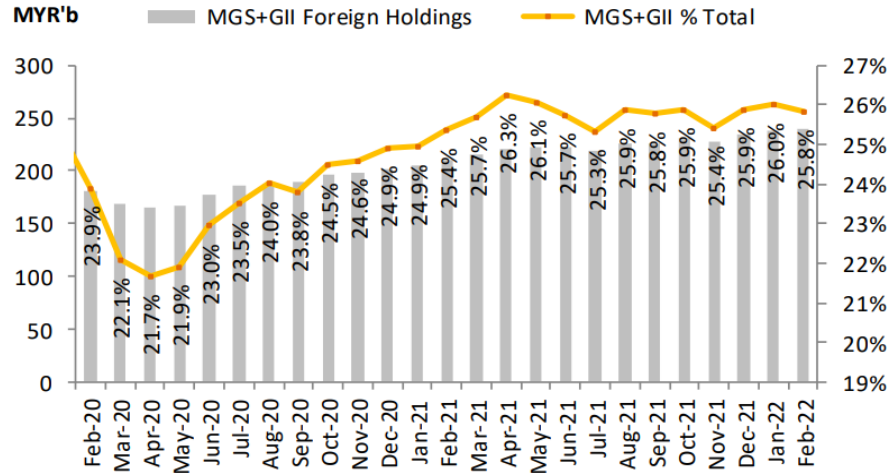


- **2021 Recap:** the KLCI spent 1H21 range-bound, then came to life in 3Q on surge in vaccinations and paced economic reopening. However, a populist turn in policymaking into Budget 2022 (e.g. extended loan moratoriums, Cukai Makmur) deflated sentiment and overshadowed positives such as resilient corporate reporting, undershooting NPLs and commodities / exports strength. KLCI was the worst performing ASEAN benchmark (-4%).
- **2022 Outlook:** notwithstanding ASEAN/Malaysia relative outperformance YTD (switch into value + commodities price surge), Budget 2022 measures are resulting in a GDP-divergent YoY earnings contraction for the KLCI, its' fourth in five years. Given risks (geopolitical tensions, policy/political risk in run-up to GE15), sustained traction is only expected into 2H22 when 2023E earnings rebound is in sight. Early elections the best case scenario.
- **Positioning:** 21/22E/23E KLCI earnings forecast: +38.0%/-3.9%/+16.7% YoY (includes Cukai Makmur impact). Commodity stocks (24% of KLCI weighting) and banks (32% weighting, with inflation/interest rate upside risk driving interest) are dominating but we continue to recommend balanced positioning via mix of growth and value, +yield. Sector weights per slide 12; BUY / ESG / SELL / YIELD picks per slides 13/14/15/16, respectively.

KLCI: leading in 2020 but held back by politics/policy/lockdowns in 2021/22



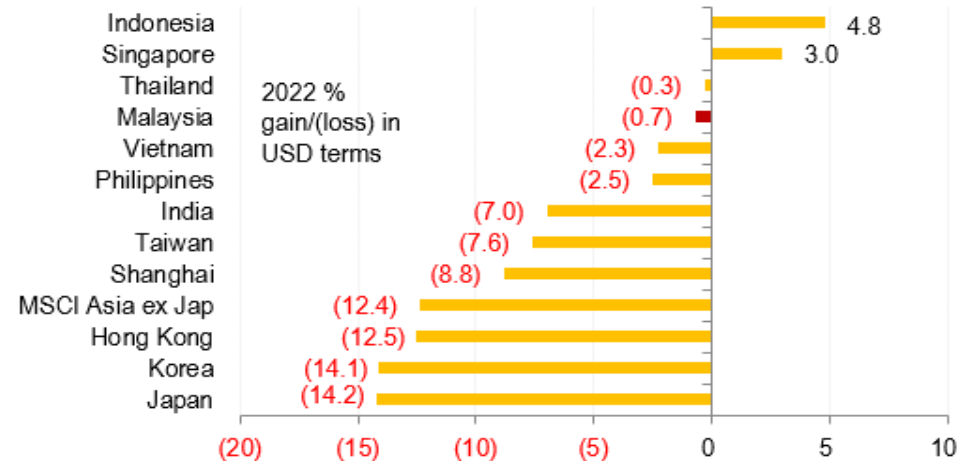
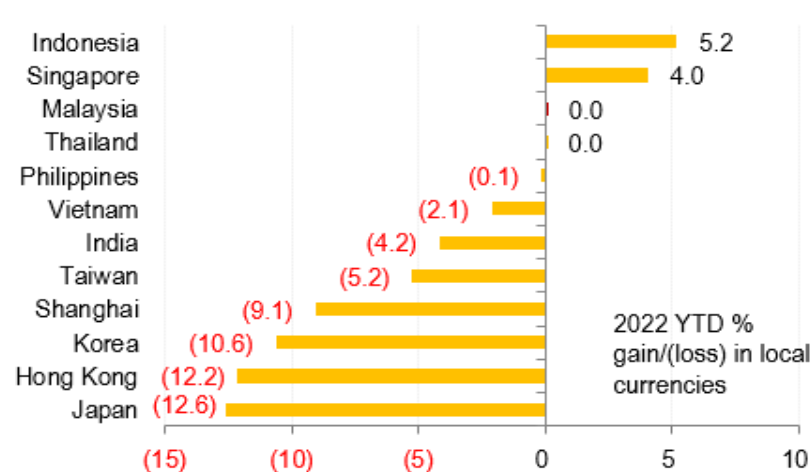
MGS + GII - foreign holding level



Relative performance: Malaysia vs. ASEAN

Benchmark Indices	Ticker	Performance (%)			Performance (%)		
		1M	3M	YTD	1YR	3YR	5YR
Benchmark Indices	MXASJ Index	(12.1)	(13.1)	(12.3)	(22.5)	6.7	23.4
	MXEF Index	(12.5)	(12.3)	(11.9)	(20.0)	4.3	17.3
	MXSO Index	(6.1)	(0.9)	(2.2)	(6.4)	(12.2)	(3.7)
Malaysia	FBMKLCI Index	(0.7)	5.3	0.0	(3.8)	(5.8)	(8.7)
Singapore	FSSTI Index	(5.2)	3.6	4.0	4.6	1.8	3.7
Indonesia	JCI Index	1.6	4.1	5.2	10.5	8.7	28.4
Thailand	SET Index	(2.4)	2.5	0.0	5.3	1.9	7.7
Philippines	PCOMP Index	(2.2)	(1.1)	(0.1)	5.8	(7.7)	(0.5)
Vietnam	VNINDEX Index	(2.3)	0.2	(2.1)	24.1	49.0	106.0
India	Nifty Index	(4.3)	(5.0)	(4.2)	9.6	48.9	86.1

Asia market performance: country benchmark indices vs. MSCI Asia ex-Japan



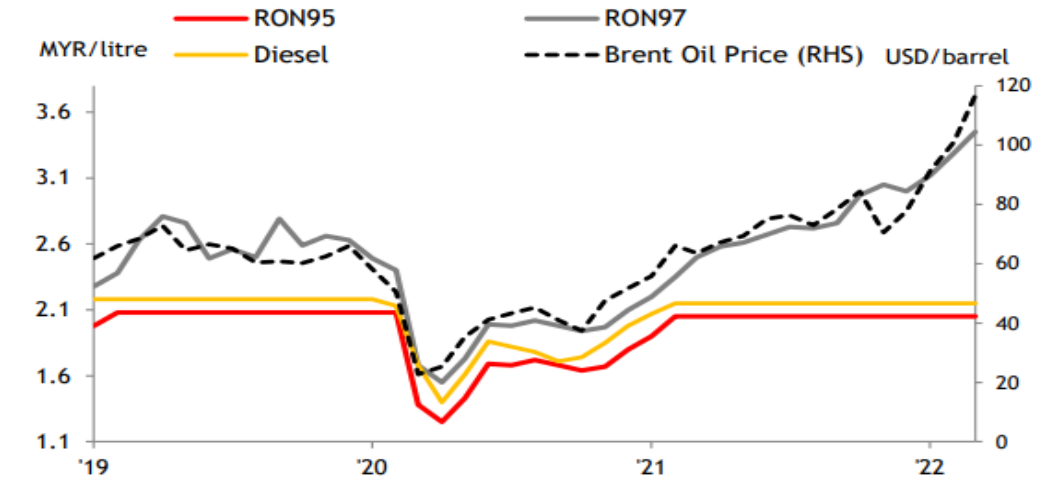


ASEAN/MY: Impact of rising oil prices from the Russia-Ukraine conflict

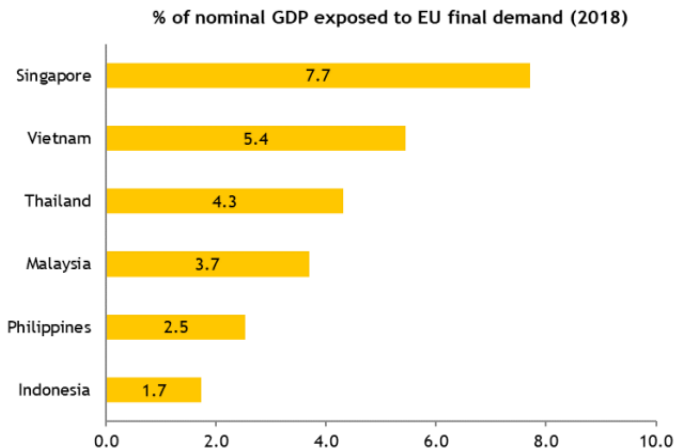
Malaysia - Fiscal Impact of Crude Oil Price Increase

Every USD10/bbl increase in annual average crude oil price	MYRb
Oil-Related Revenue	7.5
Oil-Related Taxes	4.0
Petronas Dividend	3.5
% of 2021 GDP	0.5
Fuel Subsidy Cost Increase (RON95 & Diesel)	6.1
% of 2021 GDP	0.4
Net Fiscal Effect (Oil-Related Revenue Gain less Fuel Subsidy Cost Increase)	1.4
% of 2021 GDP	0.1

Malaysia - Subsidized RON95 & Diesel Prices Stay Unchanged, RON97 Climbs Alongside Global Oil Prices



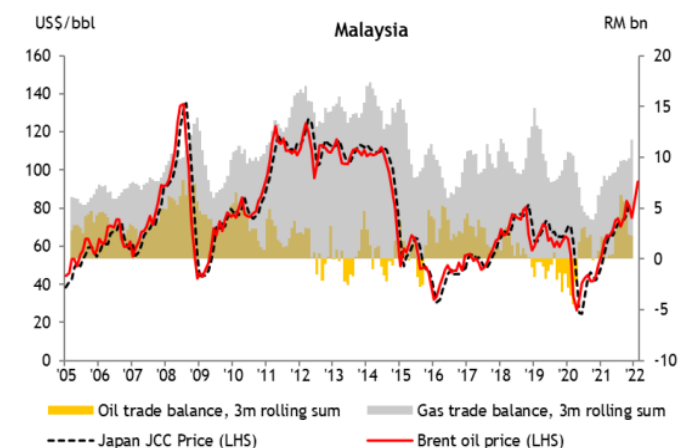
Singapore, Vietnam, and Thailand More Vulnerable to Falling EU Final Demand



Impact of 10% Rise in Oil Prices on GDP, Inflation & Current Account Balance*



Malaysia - Oil and Gas Trade Surplus Ballooning with Higher Oil Prices

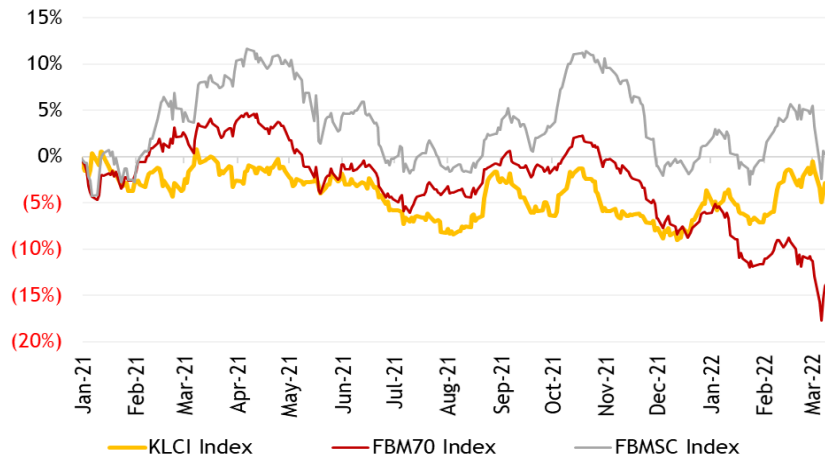


* Note: Vietnam GDP and headline inflation impact as estimated by Nguyen Bich Lam, former head of the General Statistics Office of Vietnam
Source: Maybank IBG Research, OECD TiVA Database,

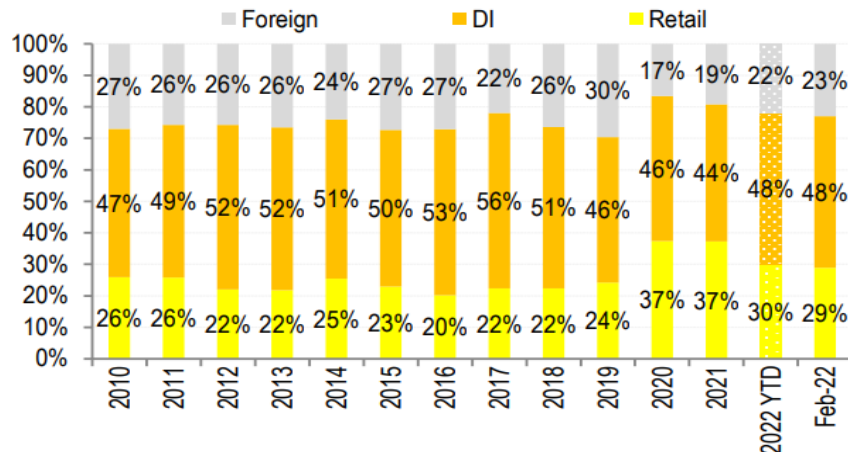


Malaysia equities: 2021 statistical highlights

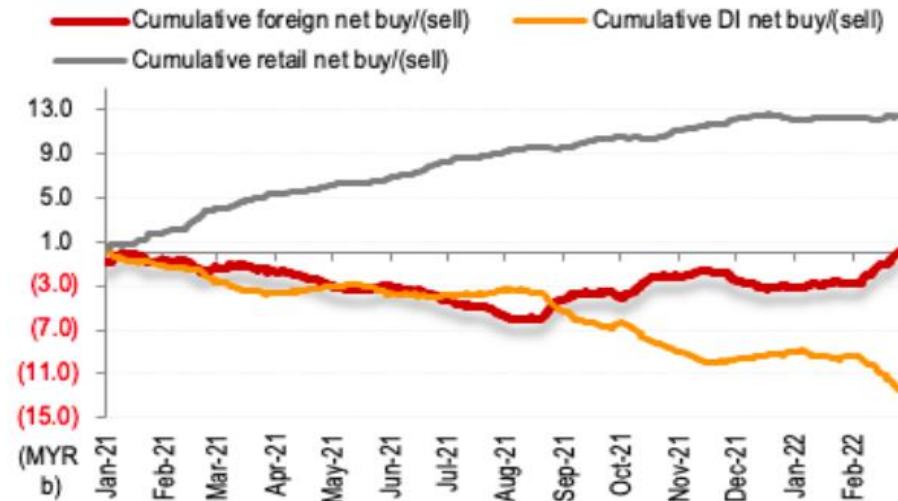
Malaysia key indices, since Jan 2021 (% gain/ (loss))



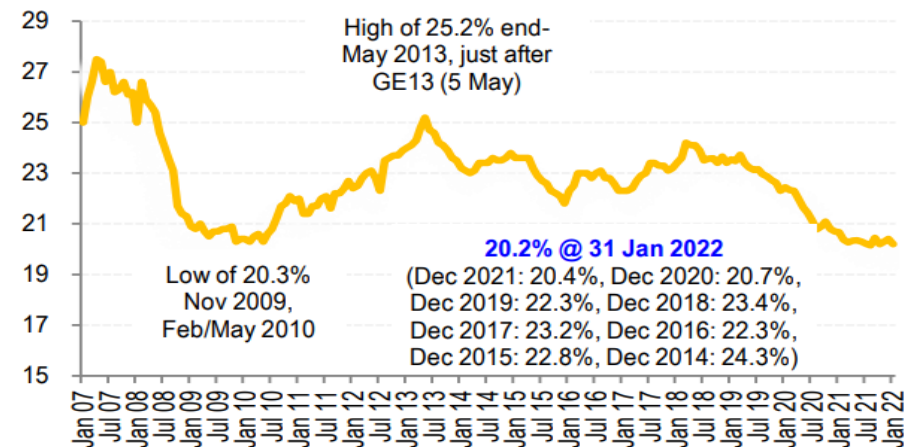
Foreign vs. domestic institution vs. domestic retail trade participation since early-2010 (%)



Cumulative foreign, domestic insti and retail net buy/(sell) of MY equities; since Jan 2021 (MYR b)



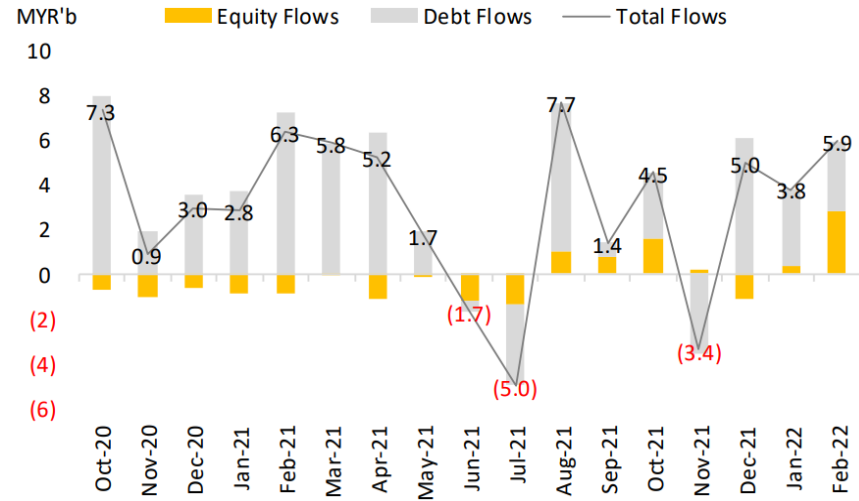
Foreign holdings recovered to 20.2% as of end-Jan 2022



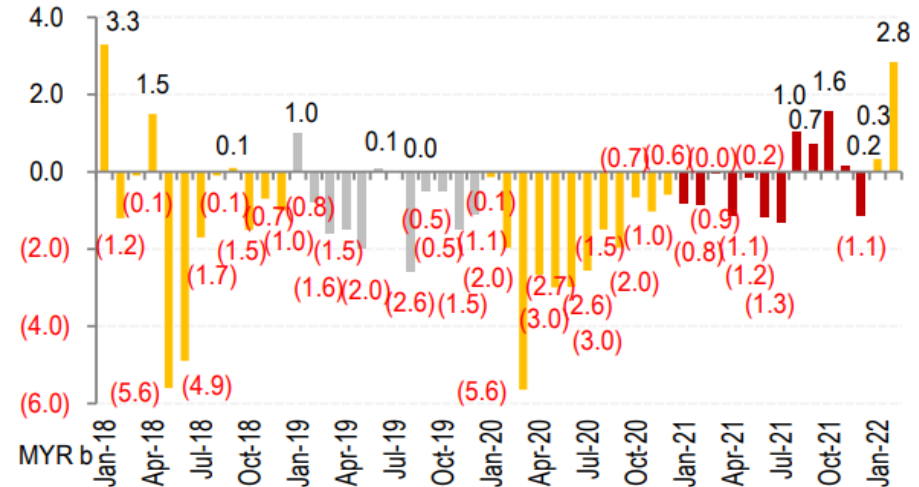


Equities vs. fixed income: contrasting fortunes re foreign appetite

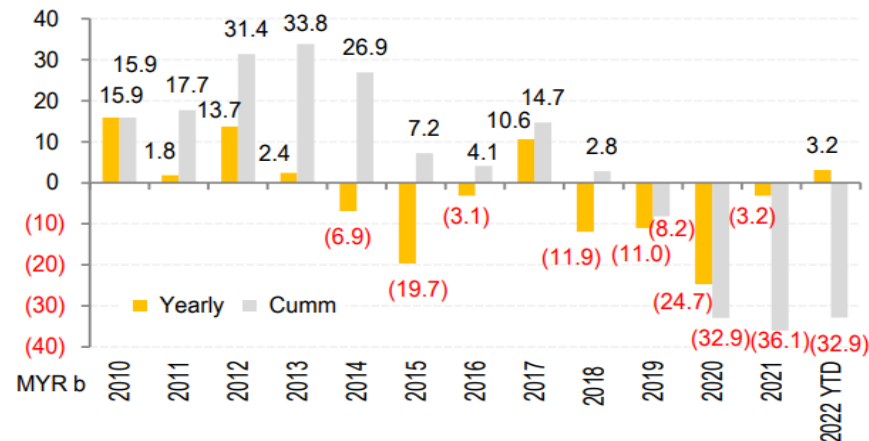
Total portfolio flows - Malaysia equities + bonds (MYR b)



Feb net buy was MYR2.8b, building on Jan's net inflow of MYR0.3b; 2021 net sell: MYR3.2b (2020 net sell: MYR24.7bn)



Cumulative foreign net buy at -ve MYR32.9b as at end-Feb 2022



Foreign net buy/sell across ASEAN (2022 YTD)

Monthly (USD mil)	Indonesia	Philippines	Thailand	Vietnam	Malaysia
Feb-22	1,220	141	1931	(16)	679
Jan-22	425	(56)	432	(131)	79
Dec-21	101	1,724	695	(130)	(271)
Nov-21	(214)	5	(324)	(383)	40
Oct-21	926	8	474	(234)	378
Sep-21	305	(47)	338	(396)	177
Aug-21	312	33	175	(313)	248
Jul-21	67	(183)	(522)	215	(318)
Jun-21	342	(79)	(314)	(182)	(284)
May-21	247	(239)	(1,061)	(510)	(39)
Apr-21	(244)	(278)	(107)	8	(275)
Mar-21	(186)	(483)	(1)	(493)	(8)
Feb-21	258	(191)	(621)	(61)	(214)
2021	2,688	(5)	(1,632)	(2,537)	(773)
2020	(3,220)	(2,513)	(8,287)	(674)	(5,811)

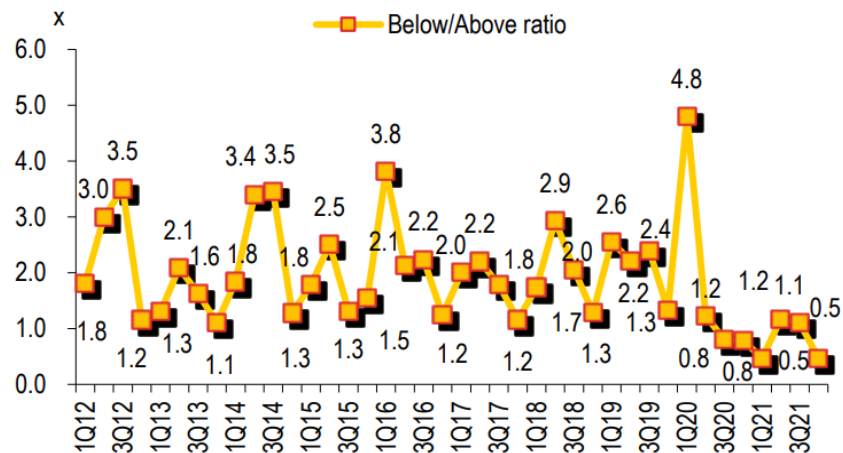


4Q21 Results Highlights: Turning the corner

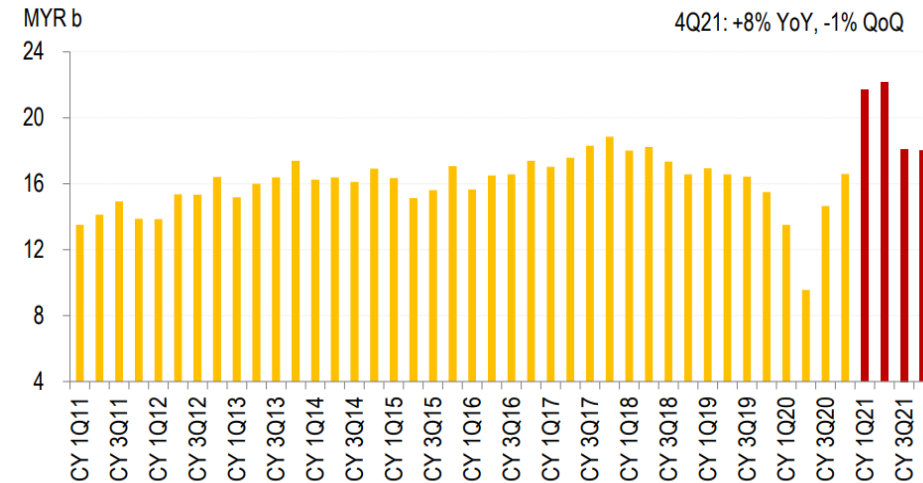
4Q21 core net profit: flattish QoQ, +8% YoY (2021: +38% YoY)

- 4Q21 core net profit for coverage companies (99) with quarters ending Nov / Dec was prima facie sluggish QoQ, but this was primarily due to a 65% ASP-led QoQ contraction in glove sector earnings; in fact, 9 sectors posted improved core profits both YoY/QoQ - Plantation, Petrochem, Consumer, Property, REITs, Const/Infra, Healthcare, Tech and Auto. No sectors had a majority of misses. Of 9 rating upgrades, 7 were to BUY; of 4 downgrades, all were to HOLD. (-4.5% YoY).
- Per following slide, for FY2022E, we now estimate -3.9% core earnings decline (-6.0% previously), led by contractions in commodities/ASP-centric sectors (gloves, plantations, petrochem,), and *Cukai Makmur* impact (41 stocks). For 2023E, we see growth rebounding post-CM and per sustained economic recovery, with +16.7%/+12.9% earnings expansion for our universe/KLCI, respectively. Ex-glove stocks, research universe core earnings growth is +9% and +17.9% for 2022E/2023E, respectively. Sector weightings / positioning are per slide 12.

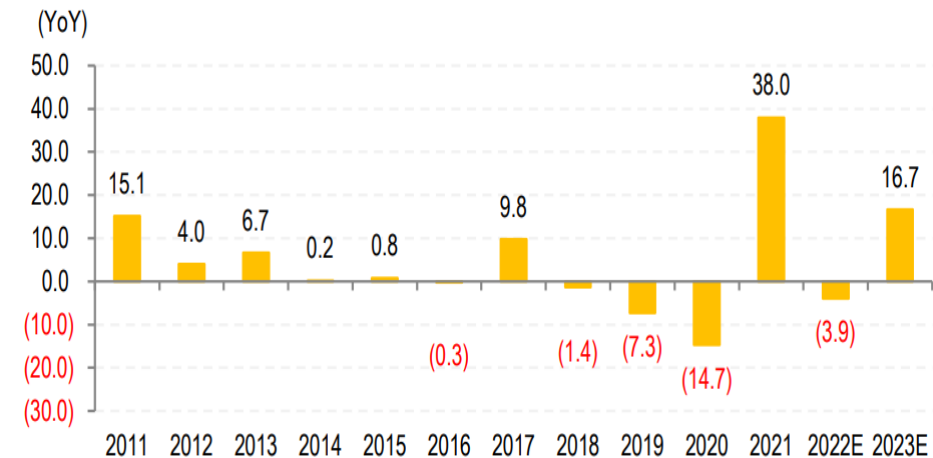
Below-to-above expectation ratio (of research universe)



Quarterly core profit of research universe (quarter ended Dec-21)



Research universe core earnings growth



MY Research Universe earnings growth, PE, P/B, ROE (post-4Q21 reporting)



Sector	Core earnings (MYR m)				Core earnings growth (% YoY)				CAGR (%)
	CY20A	CY21A	CY22E	CY23E	CY20A	CY21A	CY22E	CY23E	CY21-23E
Banks	22,682	28,803	28,704	33,932	(18.7)	27.0	(0.3)	18.2	8.5
Non-bank Financials	1,019	967	885	947	29.8	(5.1)	(8.5)	6.9	(1.1)
Consumer	2,040	2,324	3,028	3,396	(24.0)	13.9	30.3	12.1	20.9
Healthcare	850	1,625	1,918	2,295	(24.8)	91.2	18.0	19.7	18.9
Automotive	1,570	1,646	2,020	2,158	(3.3)	4.9	22.7	6.8	14.5
Construction, Infra	1,349	1,443	1,565	1,620	(19.6)	7.0	8.4	3.6	6.0
Gaming - NFO	255	143	361	452	(43.3)	(44.0)	152.1	25.4	77.8
Gaming - Casino	(1,810)	(2,092)	1,504	2,782	NA	15.6	NA	85.0	NM
Glove	7,244	11,469	2,297	1,815	373.5	58.3	(80.0)	(21.0)	(60.2)
Media	544	412	526	550	(16.1)	(24.3)	27.7	4.6	15.6
Oil & Gas	1,335	284	2,049	2,646	NA	(78.7)	621.5	29.1	205.2
Petrochemical	1,997	8,179	5,927	6,194	(39.2)	309.6	(27.5)	4.5	(13.0)
Plantation	3,642	7,329	6,999	5,377	119.5	101.2	(4.5)	(23.2)	(14.3)
Property - Developer	880	1,056	1,655	1,852	(60.2)	20.0	56.7	11.9	32.4
Property - REIT	1,615	1,497	1,919	2,150	(21.2)	(7.3)	28.2	12.0	19.9
Renewables	87	88	113	149	(0.5)	0.8	28.4	31.5	29.9
Technology	1,114	1,571	1,845	2,081	79.7	41.0	17.5	12.8	15.1
Telco	4,800	5,189	5,213	6,056	(7.9)	8.1	0.5	16.2	8.0
Transport - Aviation	(4,257)	(3,662)	(3,143)	761	NA	(14.0)	(14.2)	NA	NM
Transport - Shipping	2,159	1,889	2,282	2,360	34.1	(12.5)	20.8	3.4	11.8
Transport - Port	653	667	609	728	1.3	2.2	(8.8)	19.6	4.4
Utility	7,547	8,254	7,700	8,356	(4.7)	9.4	(6.7)	8.5	0.6
Stocks under cvrg	57,316	79,081	75,975	88,657	(14.7)	38.0	(3.9)	16.7	5.9

MY Research Universe earnings growth, PE, P/B, ROE (post-4Q21 reporting)



Sector	PER (x)			P/B (x)			ROE (%)		
	CY21A	CY22E	CY23E	CY21A	CY22E	CY23E	CY21A	CY22E	CY23E
Banks	12.5	12.5	10.6	1.2	1.1	1.1	7.7	9.5	9.0
Non-bank Financials	8.8	9.7	9.0	1.5	1.4	1.2	17.9	16.7	14.0
Consumer	39.5	30.3	27.0	10.1	9.1	8.7	23.9	25.5	30.1
Healthcare	38.4	32.5	27.2	2.5	2.4	2.3	3.6	6.6	7.5
Automotive	14.2	11.6	10.8	0.9	0.9	0.9	6.4	6.5	7.7
Construction, Infra	13.4	12.3	11.9	0.8	0.7	0.7	5.6	5.7	6.0
Gaming - NFO	36.4	14.5	11.5	1.6	1.6	1.6	8.1	4.5	11.2
Gaming - Casino	NM	23.0	12.5	0.8	0.8	0.7	(3.8)	(4.6)	3.3
Glove	3.3	16.4	20.7	2.3	2.2	2.1	60.3	71.0	13.3
Media	12.5	9.8	9.4	4.5	4.0	3.7	51.4	35.6	41.2
Oil & Gas	105.2	14.6	11.3	1.1	1.0	0.9	5.1	1.1	7.0
Petrochemical	10.0	13.8	13.2	1.7	1.6	1.5	4.7	17.2	11.9
Plantation	15.0	15.7	20.5	2.1	2.0	1.9	7.6	14.0	12.6
Property - Developer	22.8	14.5	13.0	0.5	0.5	0.5	1.9	2.1	3.2
Property - REIT	21.5	16.8	15.0	0.9	0.9	0.9	4.7	4.2	5.3
Renewables	12.7	9.9	7.5	1.0	0.9	0.8	9.0	7.6	8.8
Technology	29.8	25.4	22.5	7.2	6.0	5.5	21.4	24.2	23.8
Telco	24.0	23.9	20.6	3.5	3.4	3.3	13.5	14.4	14.2
Transport - Aviation	NM	NM	16.6	4.0	NM	25.6	(72.3)	(116.5)	NM
Transport - Shipping	17.3	14.3	13.8	1.0	0.9	0.9	6.7	5.5	6.6
Transport - Port	20.0	21.9	18.3	4.3	4.1	3.8	23.1	21.3	18.5
Utility	12.3	13.1	12.1	1.1	1.1	1.0	8.4	8.9	8.1
Stocks under cvrg	15.9	16.6	14.2	1.5	1.4	1.4	7.0	9.3	8.6

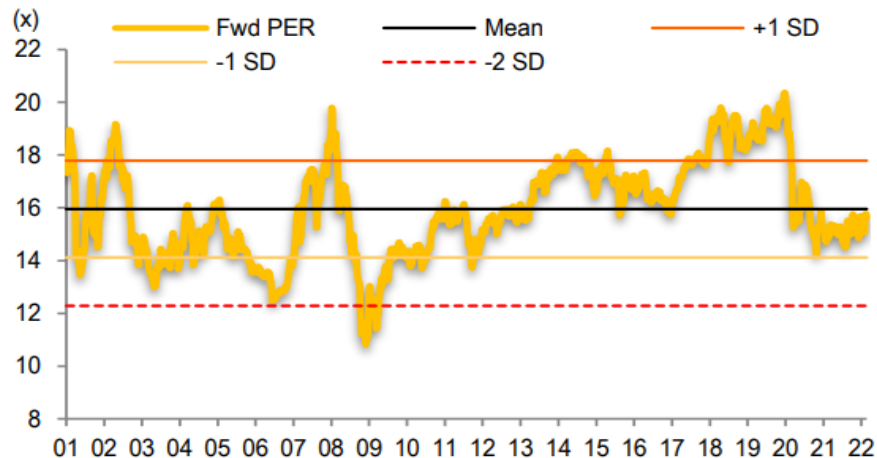


Market earnings growth and valuations

Balanced via mix of growth and value, + yield focus

- ❑ Balancing continuing earnings risks with domestic liquidity support and earnings/dividend yield gaps vs. Rf/MGS, revised end-2022 1,710 KLCI target implies 15x post-CM 12M fwd. PER, -0.5SD vs. historical LT mean, reflecting expected mid-teens 2023E earnings rebound.
- ❑ We advocate balanced positioning + yield thematic; sector preferences are Financials (laggards + rates upside), Tech / Software / Renewables (secular growth intact), Oil & Gas (oil price proxy, transitioning pivots), Petrochemicals (oil-linked ASP upside), REITs (reopening plays) and Auto / Gaming (reopening); selective re Plantations (has run), Telcos, Hospitals, Logistics, broader Consumer (prefer the SMIDs) and Construction. We are underweight Gloves.

KLCI's 12M forward PER at 15.6x @ 1 Mar 2022, or -0.2SD of LT mean (mean = 16.0x, 1SD = 1.8x)



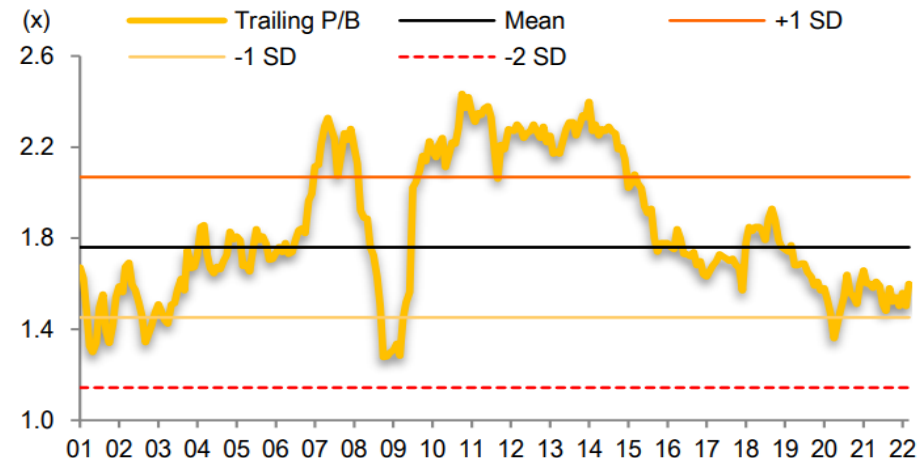
Source: Bloomberg (as of 01 Mar), Maybank IBG Research (compilation)

Market earnings growth & valuation (post-Cukai Makmur)

		2021A	2022E	2023E
KLCI @ 1,596	PE (x)	14.9	16.0	14.2
Earnings Growth	(%)	37.7%	(6.9%)	12.9%
Research Universe	PE (x)	15.9	16.6	14.2
Earnings Growth	(%)	38.0%	(3.9%)	16.7%

Source: Maybank IBG Research, FactSet (as of 01 Mar)

KLCI's trailing P/B at 1.6x @ 1 Mar 2022, at -0.6SD of LT mean (mean = 1.8x, 1SD = 0.3x)





Malaysia: valuation comp. vs. ASEAN peers, sector positioning

- Re ASEAN strategy, Malaysia's commodities-heavy benchmark / macro drivers is delivering relative outperformance vs. the region; re GDP momentum, Sing and Vietnam lead in 2022E, and are the most tangible plays on the supply chain relocation thematic; Indonesia leads on structural changes re Omnibus Law, slashed corporate tax rates (see Slide 31; Phils has also cut the corporate tax rate); Thailand is the regional beta play on reopening, while Sing leads on restructuring, yield attractions.
- Common across ASEAN are relative attraction of financials + restructuring momentum, with ESG a growing consideration; note yield / tech in MY / SG, materials / energy in TH, consumer / property in IN and PH, and logistics / infra in VN.

ASEAN: Regional Market Valuations

	Index	PER (x)		Growth (%)		ROE (%)		P/B (x)		Yield (%)	
		2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Malaysia	1,568	14.8	13.9	-0.1	7.1	10.2	10.9	1.5	1.4	4.0	4.2
Singapore	3,250	13.2	11.5	4.9	13.0	8.5	9.3	1.1	1.0	4.2	4.7
Indonesia	6,923	16.0	14.1	5.5	12.0	14.4	15.1	2.2	2.0	2.2	2.5
Thailand	1,658	17.6	15.5	2.0	13.5	8.1	8.8	1.7	1.6	2.7	3.0
Philippines	7,112	16.8	14.2	26.3	18.7	8.7	9.9	1.6	1.6	1.7	1.9
Vietnam	1,467	14.0	10.9	6.8	23.8	19.2	19.4	2.3	2.0	1.2	1.4
India	16,630	22.3	18.7	0.1	19.1	14.6	15.7	3.3	2.9	1.3	1.5

Source: Maybank IBG Research, Bloomberg (as of 11 Mar)

MY Research: Sector Weightings

Overweight	Neutral	Underweight
Automotive	Aviation	Healthcare (Gloves)
Gaming (Casinos + NFOs)	Construction	
Healthcare (Hospitals)	Consumer	
Large-cap Oil & Gas	Large-cap Banks	
Mid-cap Financials / Banks / Insurers	Media	
Petrochemicals	Mid-cap Oil & Gas	
REITs	Plantations	
Renewables	Ports & Shipping	
Technology (Semicon)	Property	
Technology (Software)	Telcos	
	Utilities	

Source: Maybank IBG Research

Malaysia: MIBG recommended General Portfolio Stock Picks



Stock	BBG Code	Mkt. cap (MYRm)	Rec.	Price (MYR)	TP (MYR)	Upside (%)	PER (x)		P/B (x)		ROE (%)		Div. Yield (%)	
							2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Large caps														
Petronas Chemicals	PCHEM MK	77,600	Buy	9.70	11.00	13.4%	9.9	13.8	2.0	2.1	21.0%	14.9%	6.3%	3.6%
IHH Healthcare	IHH MK	56,398	Buy	6.41	7.60	18.6%	41.0	32.0	2.9	2.4	8.3%	7.5%	0.8%	1.2%
Hong Leong Bank	HLBK MK	44,005	Buy	20.30	24.70	21.7%	13.4	12.9	1.4	1.4	10.1%	10.6%	2.7%	2.9%
Axiata Group	AXIATA MK	34,661	Buy	3.78	4.70	24.3%	28.8	25.3	2.1	1.9	4.5%	7.5%	2.3%	3.4%
MISC Bhd	MISC MK	32,452	Buy	7.27	7.56	3.9%	16.7	14.2	0.9	0.9	5.4%	6.6%	4.7%	4.5%
Kuala Lumpur Kepong	KLK MK	28,215	Buy	26.10	29.60	13.4%	12.2	14.0	1.8	2.2	18.6%	15.7%	5.0%	3.8%
RHB Bank	RHBBANK MK	24,070	Buy	5.81	6.30	8.4%	7.7	10.1	0.8	0.8	10.2%	8.4%	7.4%	5.0%
MR D.I.Y. Group (M)	MRDIY MK	22,596	Buy	3.60	4.20	16.7%	52.5	34.4	19.7	14.9	nm	nm	0.8%	1.3%
Telekom Malaysia	T MK	18,189	Buy	4.82	7.50	55.5%	20.4	15.5	2.8	2.2	11.9%	14.5%	2.4%	3.2%
Genting Malaysia	GENM MK	16,676	Buy	2.95	3.37	14.1%	nm	17.3	1.2	1.2	nm	6.9%	3.1%	4.9%
Inari Amertron	INRI MK	10,848	Buy	2.93	4.77	62.8%	31.8	24.9	8.0	4.6	24.1%	18.4%	3.5%	4.0%
Gamuda	GAM MK	8,122	Buy	3.18	4.00	25.8%	12.0	13.4	0.8	0.8	6.4%	6.3%	0.0%	3.8%
Heineken Malaysia	HEIM MK	6,423	Buy	21.26	27.10	27.5%	25.6	21.6	15.9	17.2	nm	nm	3.9%	4.6%
ViTrox Corp	VITRO MK	6,347	Buy	6.72	10.20	51.8%	26.8	30.4	6.6	7.3	23.8%	24.1%	1.0%	0.8%
Bank Islam Malaysia	BIMB MK	6,315	Buy	2.93	3.40	16.0%	13.1	10.8	1.0	0.9	nm	nm	3.6%	4.1%
Yinson Holdings	YNS MK	5,122	Buy	4.81	11.15	131.8%	11.8	11.4	3.0	2.3	17.1%	20.4%	1.2%	1.2%
Frontken Corp.	FRCB MK	4,283	Buy	2.72	4.10	50.7%	60.2	33.2	13.2	7.9	22.0%	23.9%	1.0%	1.5%
Greatech Technology	GREATEC MK	4,257	Buy	3.40	6.60	94.1%	57.6	24.5	19.5	7.0	32.9%	28.8%	0.0%	0.0%
Mid-small caps														
CTOS Digital	CTOS MK	3,465	Buy	1.50	2.30	53.3%	80.2	39.0	12.9	9.4	14.2%	24.9%	0.7%	1.3%
Mega First Corp.	MFCB MK	3,308	Buy	3.50	4.20	19.9%	9.5	9.4	1.4	1.2	19.3%	13.1%	1.9%	2.1%
Axis REIT	AXRB MK	3,040	Buy	1.86	2.30	23.7%	21.7	17.9	1.2	1.2	7.9%	6.7%	4.0%	5.0%
Hibiscus Petroleum	HIBI MK	2,375	Buy	1.18	1.90	61.0%	11.4	7.4	0.8	1.6	7.0%	21.8%	2.2%	0.0%
Allianz Malaysia	ALLZ MK	2,201	Buy	12.38	16.75	35.3%	6.5	5.7	1.1	0.9	11.7%	11.7%	4.9%	5.1%
AEON Co. (M)	AEON MK	2,106	Buy	1.50	2.20	46.7%	21.2	17.2	1.1	1.2	4.9%	6.8%	2.1%	2.7%
Bermaz Auto	BAUTO MK	2,025	Buy	1.74	2.25	29.3%	13.1	16.0	3.0	3.3	23.7%	20.5%	4.4%	3.7%
GHL Systems	GHLS MK	1,587	Buy	1.39	1.92	38.1%	58.5	40.2	3.9	2.9	5.5%	7.2%	0.0%	0.0%
Berjaya Food	BFD MK	1,186	Buy	3.29	3.3	0.3%	12.9	12.6	1.8	2.6	12.6%	20.3%	1.5%	1.2%
Globetronics Technology	GTB MK	924	Buy	1.38	2.48	79.7%	21.0	16.2	3.7	2.9	17.9%	18.1%	3.8%	4.9%
Cypark Resources	CYP MK	486	Buy	0.815	1.35	65.6%	8.2	5.5	0.6	0.5	7.7%	8.5%	0.0%	4.5%

Malaysia: MIBG recommended ESG Portfolio Stock Picks



Stock	BBG Code	Mkt Cap. (MYRm)	Rec.	Price (MYR)	TP (MYR)	PER (x)		PBV (x)	ROE (%)	Yield (%)	Risk Rating*	Risk Score*	Controversy Score*	In FBM4G Index?^
						FY21E	FY22E	FY22E	FY22E	FY22E				
BUY-rated Stocks														
Bermaz Auto Berhad	BAUTO MK	2,025	Buy	1.74	2.25	13.1	16.0	3.3	20.5%	3.7%	Low	10.8	0	Yes
Inari Amertron	INRI MK	10,848	Buy	2.93	4.77	31.8	24.9	4.6	18.4%	4.0%	Low	11.4	1	Yes
V.S. Industry	VSI MK	3,627	Buy	0.95	1.73	19.4	12.8	1.6	12.3%	4.5%	Low	13.3	0	Yes
MISC Bhd	MISC MK	32,452	Buy	7.27	7.56	16.7	14.2	0.9	6.6%	4.5%	Low	18.8	2	Yes
Yinson Holdings	YNS MK	5,122	Buy	4.81	11.15	11.8	11.4	2.3	20.4%	1.2%	Medium	21.7	1	Yes
Hong Leong Bank	HLBK MK	44,005	Buy	20.30	24.70	13.4	12.9	1.4	10.3%	2.9%	Medium	24.3	0	Yes
ViTrox Corp	VITRO MK	6,347	Buy	6.72	10.20	26.8	30.4	7.3	24.1%	0.8%	Medium	24.6	0	Yes
Telekom Malaysia	T MK	18,189	Buy	4.82	7.50	20.4	15.5	2.2	14.5%	3.2%	Medium	26.1	2	Yes
Petronas Chemicals	PCHEM MK	77,600	Buy	9.70	11.00	9.9	13.8	2.1	14.9%	3.6%	Medium	28.0	0	Yes
Gamuda	GAM MK	8,122	Buy	3.18	4.00	12.0	13.4	0.8	6.3%	3.8%	High	35.3	1	No
HOLD-rated Stocks														
Westports	WPRTS MK	13,299	Hold	3.90	3.99	18.8	20.9	4.0	19.4%	3.6%	Low	11.2	1	Yes
Bursa Malaysia	BURSA MK	5,014	Hold	6.21	6.38	14.9	21.4	6.2	29.2%	4.3%	Low	13.1	0	Yes
Sunway Bhd	SWB MK	8,311	Hold	1.70	1.79	27.3	18.5	0.8	4.4%	1.6%	Low	13.6	0	Yes
DiGi.com	DIGI MK	31,489	Hold	4.05	4.00	29.2	30.1	49.8	nm	3.3%	Medium	23.9	0	Yes
IOI Corporation	IOI MK	26,094	Hold	4.20	4.53	18.8	17.0	2.5	14.5%	3.5%	Medium	25.0	3	Yes

* derived from leading external ESG research & data provider Sustainalytics

^ FTSE4Good Bursa Malaysia (F4GBM) Index (80 constituents as of Dec 2021)

Malaysia: MIBG SELL-rated stocks



Stock	BBg Code	Mkt. cap (MYRm)	Rec.	Price (MYR)	TP (MYR)	Downside (%)	PER (x)		P/B (x)		ROE (%)		Div. Yield (%)	
							2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Nestle Malaysia	NESZ MK	31,939	Sell	136.20	101.20	-25.7%	54.3	48.0	54.0	54.6	nm	nm	1.8%	2.1%
Hartalega	HART MK	14,695	Sell	4.30	3.01	-30.0%	10.3	4.9	6.1	2.4	58.0%	48.3%	5.6%	11.9%
Top Glove	TOPG MK	13,372	Sell	1.67	0.91	-45.3%	4.1	26.8	4.4	1.8	nm	8.1%	16.3%	1.9%
QL Resources	QLG MK	11,487	Sell	4.72	4.00	-15.3%	63.5	52.8	6.4	4.7	13.5%	8.9%	0.6%	0.9%
TH Plantations	THP MK	857	Sell	0.97	0.71	-26.8%	7.2	9.2	0.8	1.2	10.8%	12.6%	0.0%	0.0%
Sapura Energy	SAPE MK	559	Sell	0.04	0.03	-14.3%	nm	nm	0.2	0.1	nm	nm	0.0%	0.0%
Al-Salam REIT	SALAM MK	281	Sell	0.49	0.42	-13.4%	19.2	16.5	0.5	0.5	0.5%	2.9%	4.3%	5.1%

Malaysia: MIBG recommended Top Dividend Yield Stocks



Stock	Ticker	Div. Yield (%)			FCF Yield (%)			Net Gearing (%)
		2021A	2022E	2023E	2021A	2022E	2023E	2021A
Malakoff Corp	MLK MK	6.1%	8.2%	8.6%	44.9%	43.9%	46.7%	87.4%
Sentral REIT	SENTRAL MK	7.4%	7.6%	7.7%	10.4%	12.5%	12.5%	58.6%
Astro Malaysia	ASTRO MK	9.4%	7.0%	7.5%	34.8%	24.2%	28.1%	239.2%
MBM Resources	MBM MK	6.3%	6.9%	7.3%	0.0%	4.3%	4.1%	net cash
LITRAK	LTK MK	5.2%	6.8%	6.8%	15.3%	14.3%	17.7%	net cash
Sime Darby	SIME MK	6.9%	6.6%	6.7%	15.1%	17.3%	14.0%	net cash
Gas Malaysia	GMB MK	6.6%	6.3%	6.8%	12.3%	8.9%	4.5%	net cash
Axis REIT	AXRB MK	4.0%	5.0%	5.4%	6.4%	6.8%	8.3%	39.1%
RHB Bank	RHBBANK MK	7.4%	5.0%	6.0%	nm	nm	nm	nm
MISC Bhd	MISC MK	4.7%	4.5%	4.5%	nm	1.4%	2.3%	26.0%
Tenaga Nasional	TNB MK	4.3%	4.1%	4.4%	9.2%	9.9%	11.6%	72.7%



Additional Data and Charts



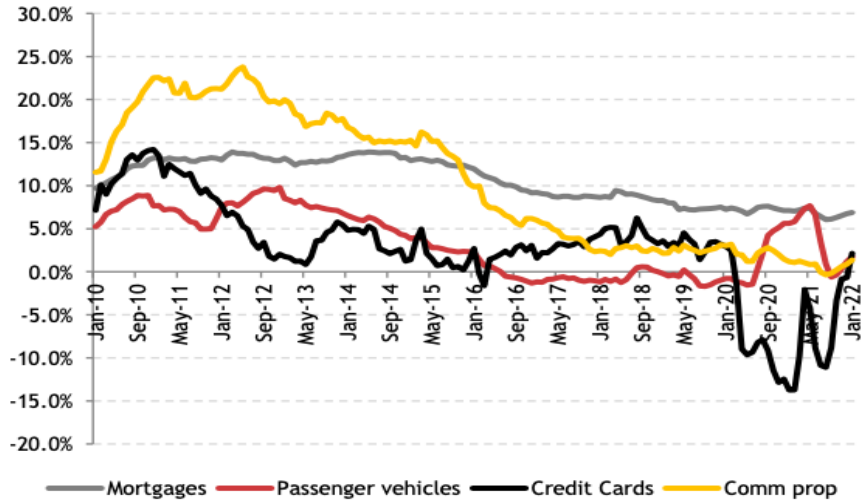
Malaysia: Real GDP & other key macroeconomic indicators

% chg	ACTUAL		MAYBANK IBG		OFFICIAL 2022E
	2020	2021	2022E	2023E	
Real GDP	(5.6)	3.1	6.0	5.0	5.5 - 6.5
Services	(5.5)	1.9	6.5	6.0	7.0
Manufacturing	(2.6)	9.5	6.8	5.5	4.7
Mining	(10.6)	0.7	3.0	1.5	(0.3)
Agriculture	(2.2)	(0.2)	1.2	1.0	3.9
Construction	(19.4)	(5.2)	8.2	5.0	11.5
Domestic Demand	(5.8)	1.9	6.8	5.5	6.6
Private Consumption	(4.3)	1.9	7.5	6.3	7.3
Public Consumption	3.9	6.6	3.0	2.5	1.1
Gross Fixed Capital Formation	(14.5)	(0.9)	7.3	5.5	6.2
Private Investment	(11.9)	2.6	5.0	5.0	2.6
Public Investment	(21.3)	(11.4)	15.0	6.8	24.1
Net External Demand	13.0	(5.8)	2.7	(1.8)	6.8
Exports of Goods & Services	(8.9)	15.9	10.1	5.0	4.2
Imports of Goods & Services	(8.4)	18.5	10.8	5.5	3.9
Change in Inventories (MYRb)	(4.3)	18.6	7.4	5.5	(9.3)
Inflation Rate	(1.2)	2.5	2.5	2.5	2.1
Unemployment Rate (%)	4.5	4.6	4.0	3.8	4.0
Overnight Policy Rate (% p.a.)	1.75	1.75	2.00	2.50	-
MYR per USD (end-period)	4.02	4.17	4.10	4.02	-
Current Account Balance (% of GDP)	4.2	3.5	3.3	3.0	3.4
Budget Balance (% of GDP)	(6.2)	(6.4)	(6.0)	(4.8)	(6.0)
Crude Oil (Brent, USD/bbl, average)	42.3	70.5	100	90	66
Crude Palm Oil (MYR/tonne, average)	2,781	4,426	4,100	3,200	3,400

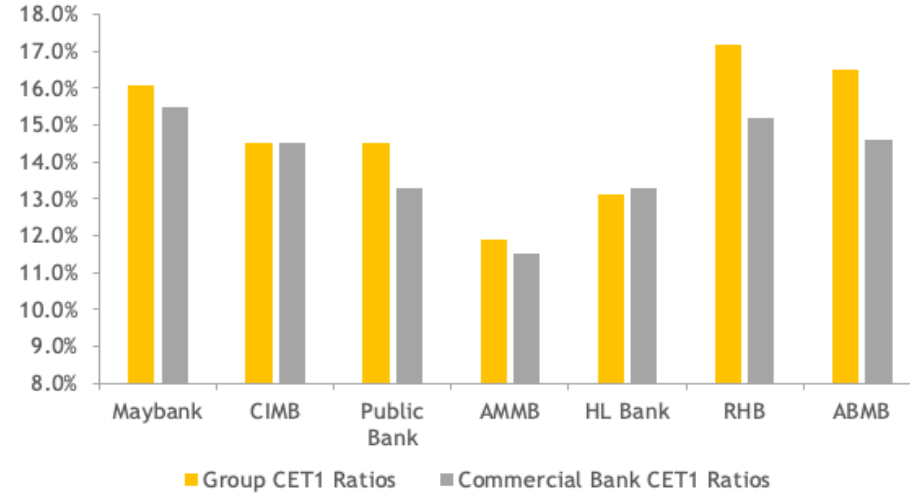


Banking sector: sluggish loan growth but NPLs looking contained

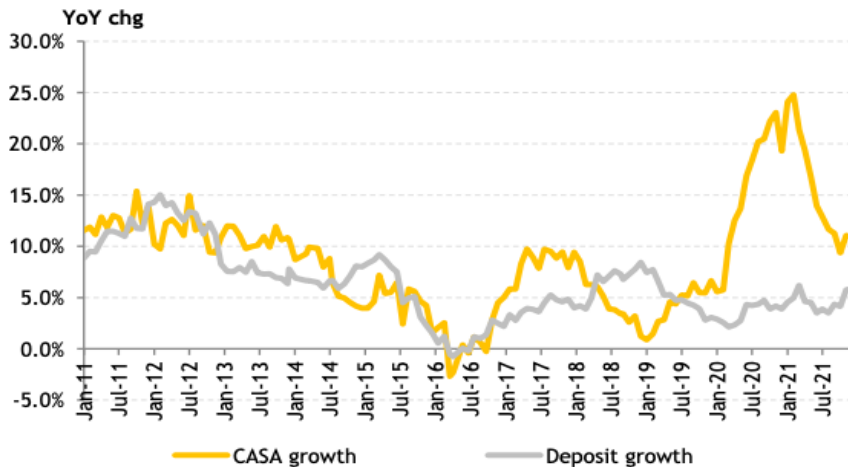
Malaysia consumer loan growth (YoY, by segment)



Bank CET1 ratios (at Group & Commercial levels, Dec 2021)



Banking system: Total Deposits vs. CASA growth



Banking system: GIL ratios by segment

	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21
Securities	0.50%	0.50%	0.39%	0.38%	0.42%
Transport vehicles	0.63%	0.67%	0.77%	0.88%	0.96%
<i>Passenger vehicles</i>	0.41%	0.45%	0.55%	0.66%	0.74%
Residential property	1.18%	1.17%	1.21%	1.26%	1.29%
Non-residential prop	1.42%	1.46%	1.45%	1.46%	1.48%
Fixed assets	1.82%	1.84%	1.92%	2.08%	2.12%
Personal use	1.78%	1.75%	1.86%	1.92%	2.07%
Credit card	0.85%	0.89%	0.91%	0.94%	0.99%
Consumer durables	3.28%	3.42%	3.55%	2.93%	2.87%
Construction	5.03%	5.21%	5.19%	5.30%	5.35%
Working capital	1.89%	1.85%	1.84%	1.88%	1.93%
Other purposes	1.45%	1.44%	1.46%	1.49%	1.51%
Total	1.45%	1.44%	1.47%	1.52%	1.57%



Equities vs. fixed income: the former continues to show better value

MY Government Bond: Annual returns



KLCI's equity premium (over 10Y MGS) well above mean



Brent oil: price trend; spot (USD/bbl)



Crude Palm Oil (CPO): price trend; spot (MYR/t)





Thematic 1: GLC Restructuring

- Government-linked companies (GLCs) are 35%-40% of KLCI capitalization (ex-IHH), with government-linked investment companies (GLICs) dominating shareholders; ditto Petronas and its' listed subsidiaries.
- GLCs dominate key economic (KLCI) sectors such as banking, telcos, power, property and plantations but broadly underperform non-GLC peers on efficiency and profitability metrics. Most tangible end-result of 2004's ten-year GLC Transformation Programme has been greater scale i.e. crowding out private sector.
- Another round of leadership changes at GLCs/GLICs played out post-March 2020 change in government, and may play out again with the latest / impending changes; tentative restructuring traction notwithstanding policy/political uncertainties i.e. CCM disposal, revived DiGi-Axiata merger, Petronas' divestments.

Khazanah's key holdings

Stocks	Ticker	Portfolio	Market Cap. (MYRb)	Khazanah stake(%)	Market val. of stake (MYRb)	Comment
IHH	IHH MK	Commercial	57.8	26.0	15.0	Sold 16% stake to Mitsui in Nov 2018
CIMB	CIMB MK	Commercial	52.7	25.7	13.6	Placed out 138m shares in Sept 2021
Tenaga	TNB MK	Strategic	52.5	25.6	13.4	Has seen stake rationalisation in the past
Axiata	AXIATA MK	Commercial	34.8	36.7	12.8	Potentially exploring a merger with DiGi.com
Telekom	T MK	Strategic	20.6	20.1	4.1	Has seen stake rationalisation in the past
MAHB	MAHB MK	Strategic	9.5	33.2	3.2	Has seen stake rationalisation in the past
Time dotCom	TDC MK	Commercial	8.1	19.6	1.6	Attempted sale in the past
UEM Sunrise	UEMS MK	Commercial	1.6	69.6	1.1	Proposed merger with EcoWorld called off in Jan
Astro	ASTRO MK	Commercial	4.9	20.7	1.0	Thought to be looking for a buyer for its stake
UEM Edgenta	UEME MK	Commercial	1.3	69.1	0.9	Held via wholly-owned UEM Group
MAS	-	Strategic	-	100.0	-	Unlisted; held under wholly-owned UEM Group
PLUS	-	Strategic	-	51.0	-	Unlisted; held under wholly-owned UEM Group
TOTAL					66.7	Compared with Khazanah's end-2020 Realisable Asset Value of MYR125.0b (2019: MYR137.4b) and Net Worth Adjusted of MYR81.9b (2019: MYR91.6b)

PNB's key holdings

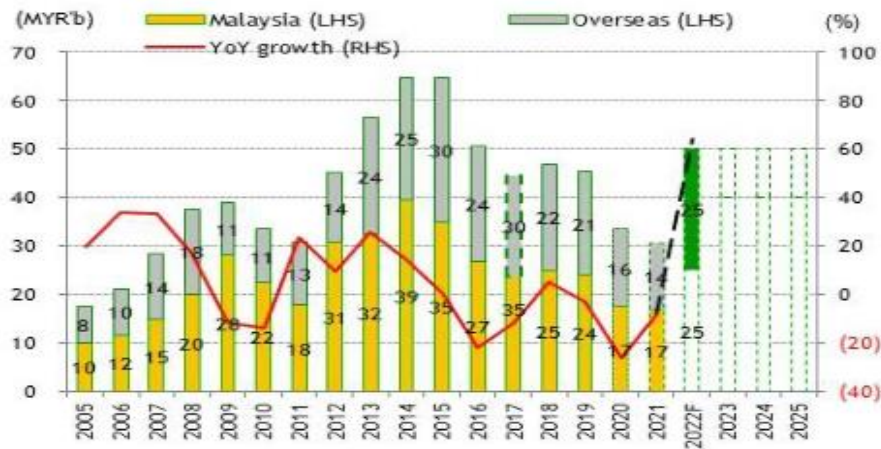
Stocks	Ticker	Market Cap. (MYRb)	PNB Stake (%)	Market valuation of stake (MYRb)	Comment
Maybank	MAY MK	94.4	47.1	44.5	Malaysia's largest banking group by assets and profits
Sime Plantations	SDPL MK	26.2	56.1	14.7	World's largest palm oil plantation company by planted area
Sime Darby	SIME MK	14.5	50.9	7.4	Auto-centric conglomerate; also trading/industrial/logistics
Sime Property	SDPR MK	4.3	57.3	2.5	Malaysia's largest property developer in terms of land bank
SP Setia	SPSB MK	4.9	61.0	3.0	Launched the takeover offer for SP Setia in 2011
UMW	UMWH MK	3.6	60.4	2.2	Auto-centric conglomerate; also equipment and M&E
CCM Duopharma	DBB MK	1.5	53.1	0.8	Manufacturer and distributor of pharmaceuticals/medicines
Velesto	VEB MK	1.0	53.9	0.6	Largest jack-up drilling rig player in the country
MNRB	MNRB MK	0.9	54.7	0.5	National reinsurance company; also Takaful operations
TOTAL				76.0	Compared with PNB's end-2020 Assets Under Management of MYR322.6b (2019: MYR312.0b)



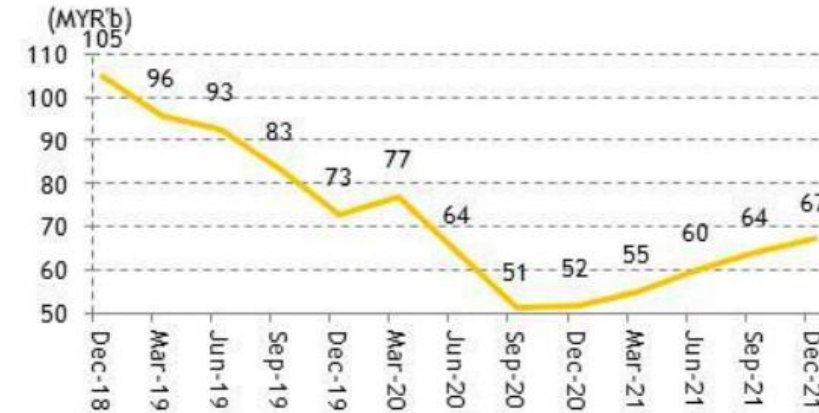
Thematic 1: GLC Restructuring (2) - the Petronas question

- Re FY21 results, Petronas reported a MYR40b core net profit (+256% YoY); with Brent >USD100/bbl vs. government budget projection of USD66/bbl, there is upside to committed MYR25b dividend for 2022. Dec 21 net cash: MYR67b; 2022 capex target is a higher MYR40b-50b (+31-63% YoY), while 20% of 5-year 2022-2026 capex will go towards clean energy solutions.

PETRONAS: Annual CAPEX breakdown by region



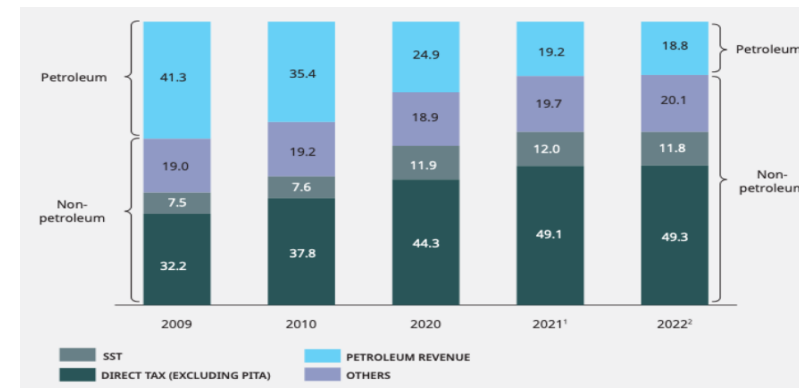
PETRONAS: Quarterly net cash



PETRONAS: Dividends vs. crude oil price



Budget 2022: Petroleum-related and Non-Petroleum related revenues (% of total revenue)



Wildcard 1: GLC Stake Sales = Fiscal and Free Float Lift



Petronas to continue to reduce stakes in listed subsidiaries - saw disposals in Dec 19 (raising c.MYR6b) and Dec 20 (raising c.MYR3b) - towards 51% control threshold;

- Can raise a further c.MYR15bn at current market prices; for fiscal priorities or an a-la-Aramco development fund for co-investing in “Industry 4.0” projects and/or securing US-China investment relocation opportunities.
- Paced but significant improvement in Bursa’s free-float; exchangeable bonds likely to be priced optimally in current environment / given issuer pedigree.

Petronas: potential stake monetization

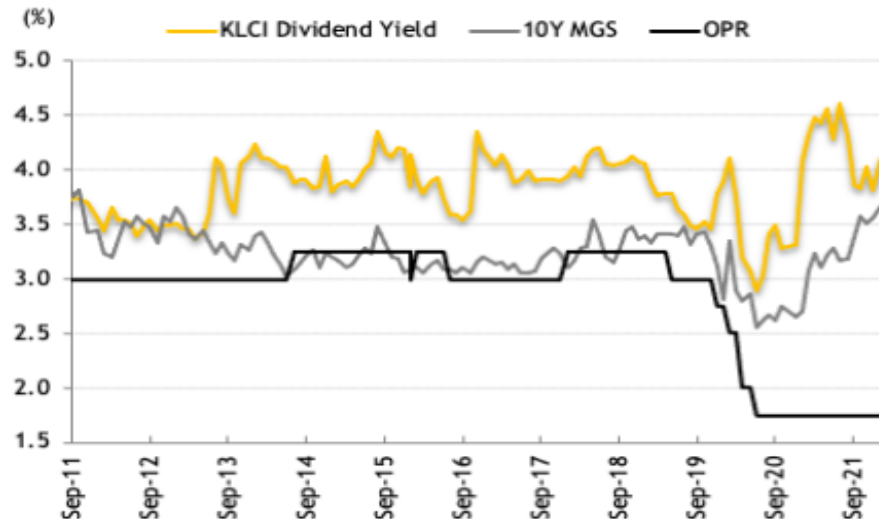
Listed Subsidiaries	Stock Code	Price (MYR)	Market Cap (MYR b)	Petronas' Stake (%)	Petronas Value (MYR b)	Value if 51% Stake (MYR b)	Implied Sale Sum (MYR b)
<i>Downstream</i>							
MISC	MISC MK	7.27	32.5	51.0	16.6	16.6	-
Petronas Dagangan	PETD MK	20.70	20.6	63.9	13.2	10.5	2.7
Petronas Chemicals	PCHEM MK	9.70	77.6	64.4	49.9	39.6	10.4
Petronas Gas	PTG MK	17.12	33.9	51.0	17.3	17.3	-
<i>Others</i>							
KLCCP Stapled Group	KLCCSS MK	6.64	12.0	64.7	7.8	6.1	1.6
TOTAL					104.7	90.1	14.7



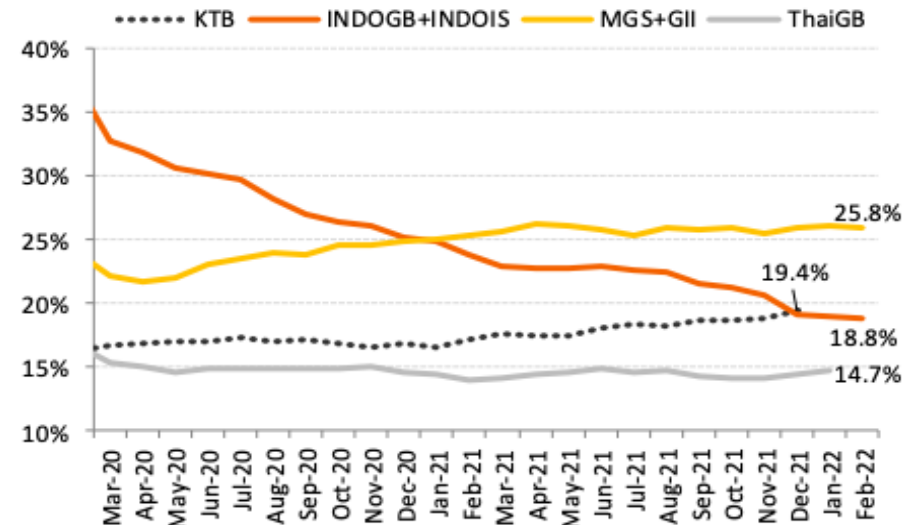
Thematic 2: Interest rates vs. dividend yields

- Easier monetary policy (2019: 25bps OPR cut, 50bps reduction in SRR; 2020: 125bps OPR cut, 100bps reduction in SRR); no cuts were made in 2021, with next rate move (a hike of 25bps) seen only in 2H22 despite rising inflation concerns.
- MGS yield downtrend more volatile due to higher issuance to fund fiscal deficit, moderated demand and risk to debt ratings per Fitch downgrade in Dec 2020, with 10yr MGS yield expected to gradually trend higher (end-21F: 3.5%); FTSE Russell review maintained status quo, as did S&P ratings review (albeit maintaining negative outlook) in June 2021.
- Declining cash yields, funding costs underpins dividend thematic, with KLCI average yield (c.4.0%) exceeding benchmark 10yr MGS yield (3.5%); our conviction cash dividend yield stock picks (>5% yields) are on slide 16, key screens being dividend frequency, payout ratio, FCF yield and gearing dynamics.

KLCI Dividend Yield vs OPR, 10y MGS Yield



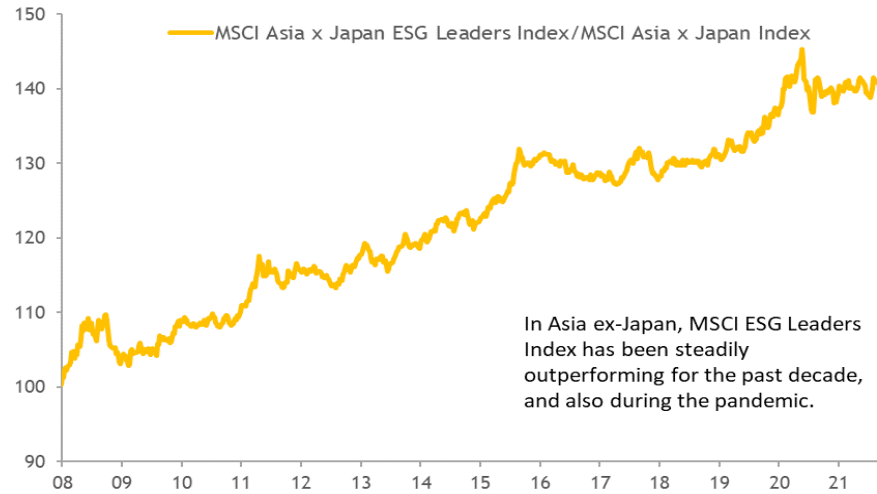
Regional: Foreign Holdings (% of total outstanding)



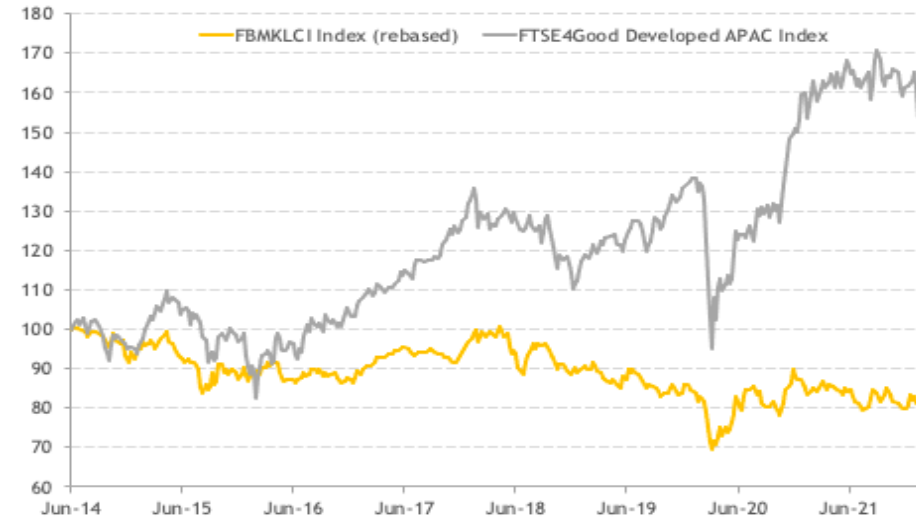
Sustainability / ESG - why you need to pay attention (1)



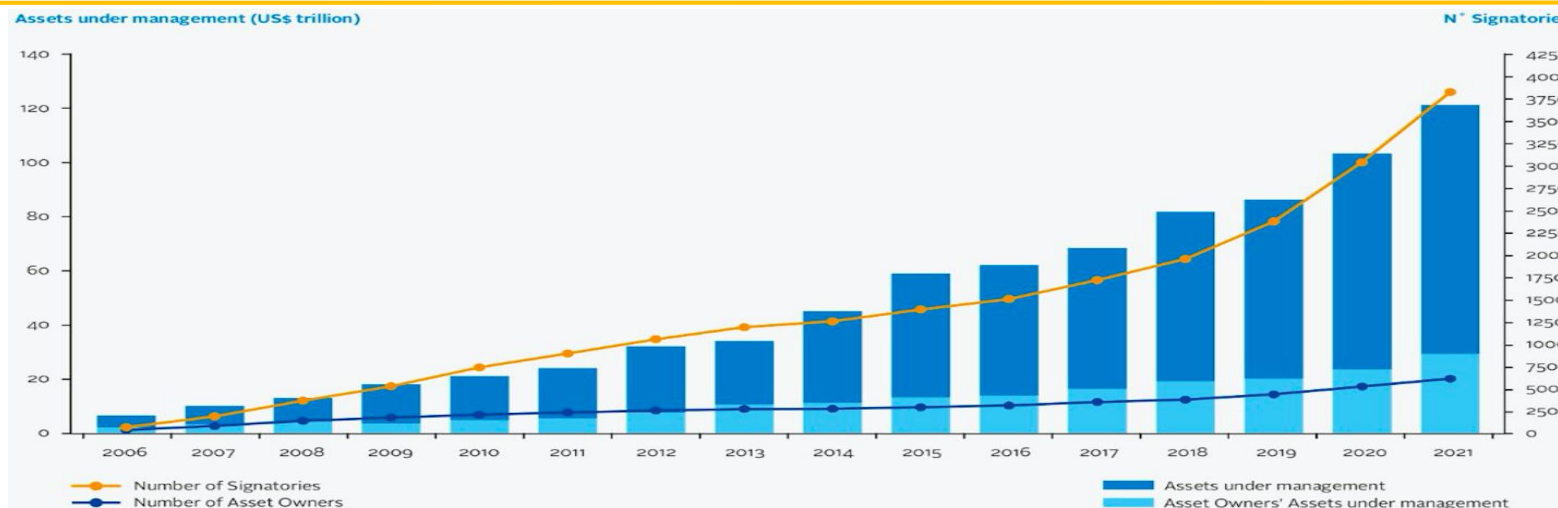
MSCI ESG Leaders vs. Asia ex-Japan Index



KLCI vs. FTSE4Good Asia ex-Japan (Developed)



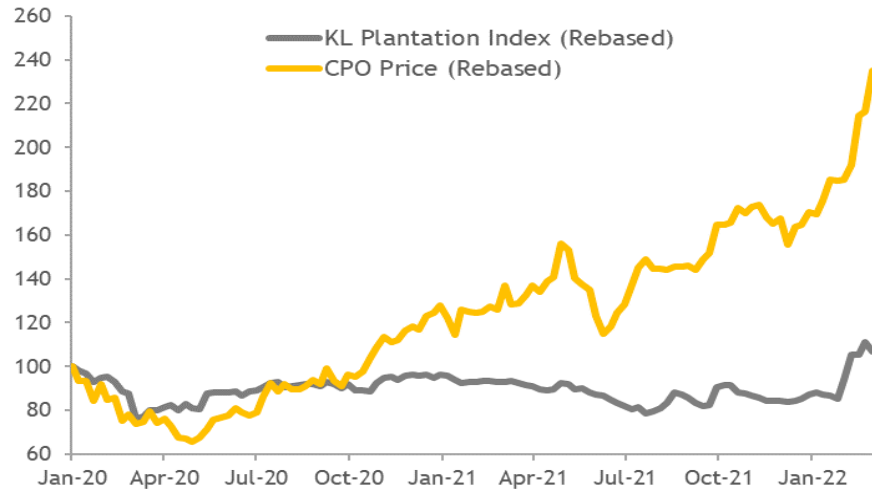
PRI: number of signatories and size of assets managed



Sustainability / ESG - why you need to pay attention (2)



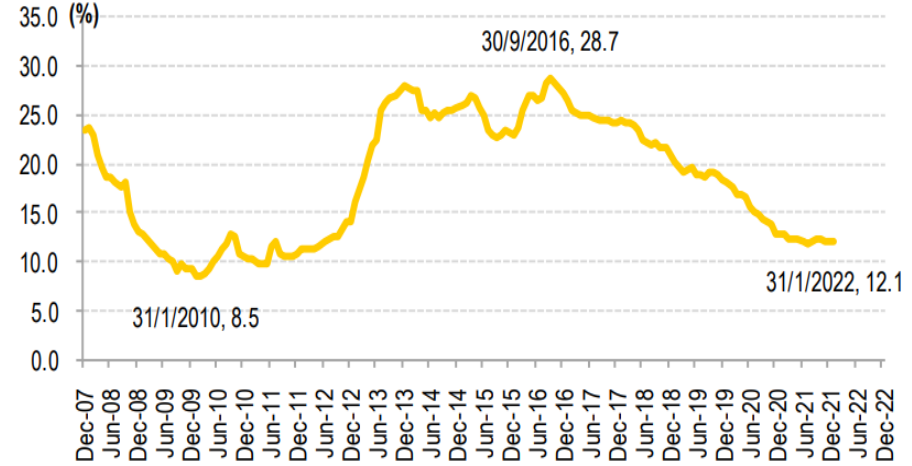
CPO Price vs. Plantations Index: relative performance



EU Emissions Trading System (ETS): carbon price (Euro/ton)



Tenaga: foreign shareholding trend



Malaysia vs. Australia: estimated emission cost (% of GDP)

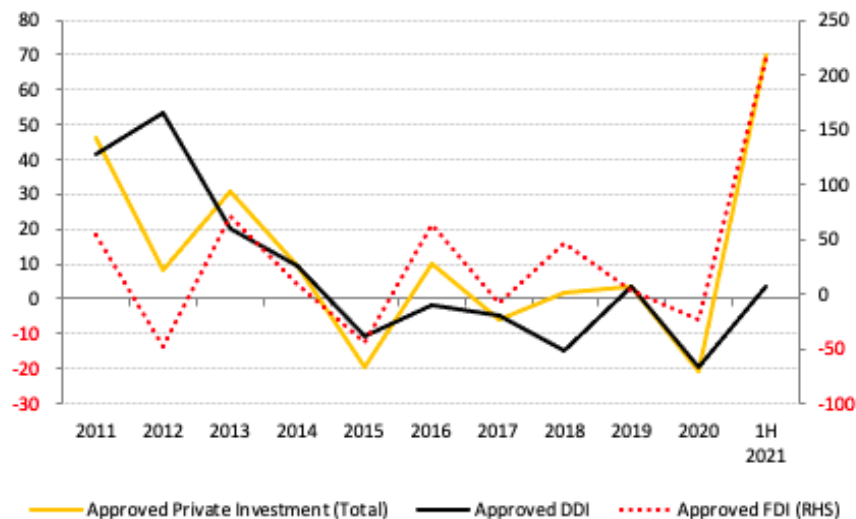
Millions	Malaysia	Australia
Energy Emissions CO ₂ Equivelant (2016) (A)	119	236
GDP Current Price USD (2016)	301,255	1,208,846
EU ETS Price USD/ton (B)	41.37	41.37
Cost of Emissions (A) x (B)	4,902	9,751
Energy Emissions Cost as a % of GDP	1.6%	0.8%



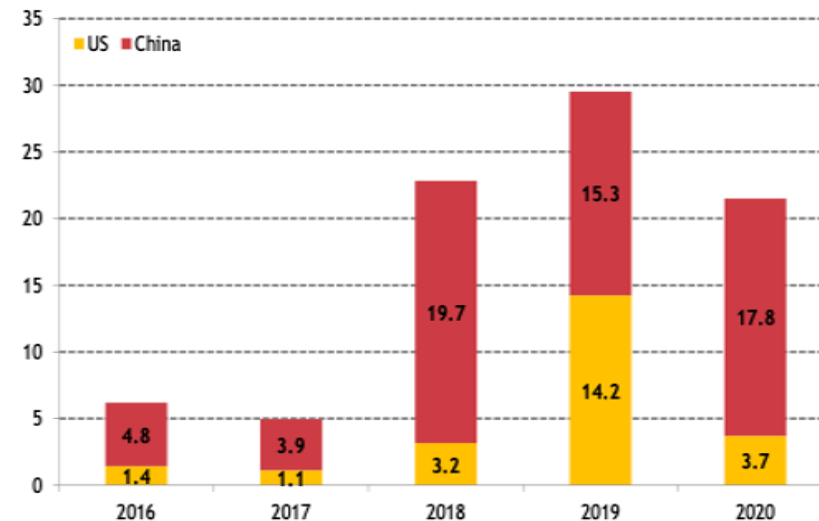
Thematic 4: Capex revival, US-China trade tensions opportunities

- Double blow of pandemic and political uncertainty have resulted in sharp declines in (MIER) business and consumer confidence; private and public investment growth has been sliding for the last few years, with DDI (per MIDA) falling steadily since 2015; high debt levels, economic uncertainty also weigh on capex.
- Externally-facing/export sectors have been faring much better, both in terms of earnings growth as well investment trends. Most visible are capex accelerations by the glove and tech sectors; less visible but of more weighty economic impact is the capturing of US-China trade diversions and relocation of supply chains out of China; US (temporarily) overtook China in 2019 to become the largest FDI in Malaysia; the pandemic (and politics) will continue to provide FDI relocation opportunities for Malaysia.

Approved Investments - Total, Foreign Direct Investment & Domestic Direct Investment (% chg YoY)



Approved Manufacturing Investment from US and China (MYR b)



Thematic 4: Investment revival held back by policy uncertainties



Sector	Lookouts	Comments
Aviation	New Operating Agreement	MAHB's current Operating Agreement (OA) prescribes set Passenger Service Charges (PSC) regardless of the amount it invests/re-invests in airports. MAHB has been touting a new OA. The new OA may be anchored on a Regulated Assets Base (RAB) model that will set PSC depending on the amount it invests/re-invests in airports. This will essentially guarantee MAHB a set ROI. That said, its implementation has been delayed since 2019. MAHB is now guiding that the new OA will be announced in mid-2022.
Banking	Virtual Banking Guidelines	The Exposure Draft on the licensing framework for digital banks was issued on 27 Dec 2019. It calls for digital banks to maintain minimum capital funds unimpaired by losses of MYR100m during the foundational phase and MYR300m thereafter. Moreover, BNM has imposed an asset threshold of not more than MYR2b in the initial 3-5 years of operations. At the close of applications on 30 June 2021, BNM had received 29 applications. Up to five licences may be issued and these licences are expected to be awarded in 1Q22.
Consumer	Tabling of new Tobacco Control Act	A new act to regulate the use of both conventional tobacco and electronic cigarettes are expected to be tabled in the first sitting of Parliament in 2022. Further, amendments to the Poisons Act 1952 and the Food Act 1983 will also be made to ensure that they are in line with Budget 2022's excise duty announcements on nicotine-based vape juices and gels. Recall that excise duties of MYR1.20/ml will be imposed on nicotine-based vape juices and gels from 1 Jan 2022 onwards.
Plantation	Revisions to windfall profit levies effective 1 Jan 2022	Threshold price for windfall profit levy on palm oil will be raised next year to MYR3,000 /t in Peninsular Malaysia ('PM'), from MYR2,500 /t previously. Threshold price for Sabah and Sarawak ('EM') increased to MYR3,500 /t, from MYR3,000 /t. In addition to this, the levy rate for EM will be set at 3% (taxed at FFB level or 15% equivalent at CPO level; previously 1.5% at FFB level or 7.5% equivalent at CPO level), the same as PM.
	Government to allow rehiring of foreign workers again in 2022	Due to Covid-19, the government has temporarily halted the hiring of the much needed foreign workers since early 2020. This resulted in a net outflow of foreign workers the past 18 months as some workers chose to return to their home countries upon expiry of their contracts. The industry is said to be short of 70,000 workers (as of Oct 2021) which have resulted in suboptimal harvesting activities. As a result, Malaysia's 10M21 FFB yield has fallen 10% YoY to 12.8t/ha.
	Possible re-introduction of CPO export duty exemption or revamp of the existing export tax structure in 2H22	Malaysia's processed palm oil (PPO) is losing its price competitiveness vis-à-vis Indonesia as evidenced by creeping imports and declining exports YTD. This structural problem stems from Indonesia's new progressive export tax structure introduced in December 2020 to raise levy to fund its B30 mandate. The GoM and industry should act fast to avert a repeat of 2012. After all, the refiners are an integral part of the ecosystem as 77% of all Malaysian exports between 2011 and 2020 are in the form of PPO. The refiners' inability to operate profitably will result in low utilization rates which in turn, may lead to CPO inventory rising quickly in 2H22 during the seasonally peak production months. Eventually, it will send the wrong signals to the market that may lead to CPO price pressure on the downside. The issue was not apparent in 2021 as there was a global shortage of palm oil (and other vegetable oils). But when global supply normalises, it will hurt Malaysia's export competitiveness, and drag down CPO price.

Thematic 4: Investment revival held back by policy uncertainties



Sector	Lookouts	Comments
Property	Removal of RPGT for the disposal of real estate in the 6th year onwards (<i>Budget 2022</i>)	The government will remove the Real Property Gains Tax (RPGT) for the disposal of real estate in the 6th year onwards (from the current 5% for Malaysian individuals and 10% for foreigners). This is on top of the policy easing measures announced in Budget 2021 last November i.e. stamp duty exemption on instruments of transfer and loan agreement for first time home buyers for residential properties up to MYR500k/unit until Dec 2025. Elsewhere, no extension on Home Ownership Campaign (HOC; into 2022) was announced during Budget 2022.
Telco	5G details and MSAP review	Recall the government has decided for Digital Nasional Berhad. (DNB is the government's wholly-owned SPV) to own, implement and manage a single 5G network in Malaysia. The incumbent telcos are to lease 5G capacity on a wholesale basis. 5G services was planned for initial launch in Dec 2021 at selected parts of the Klang Valley. However, with telcos still locked in discussions with DNB at the time of writing, clarity pertaining to the technical specifications and leasing rates would possibly only emerge in 1H22. Meanwhile, regulated access prices for fibre broadband remain under review, with new prices possibly being accounted only in early-2022. We do not expect a significant contraction from current rates.
Toll highway	Restructuring the model for highway development	The current model for existing and new highway development would be reviewed, according to the 12MP, to 'ensure that people will benefit from reasonable toll rates, while ensuring fair returns to investors. The restructuring aims to reduce the risk to the government while enabling concessionaires to undertake operations and maintenance of the highway and generate fair returns from toll collection.' Gamuda had earlier, in May 2021, affirmed its proposal to sell its four concession highways to an independent equity fund financed entirely by the private debt capital market. IJM is also exploring a highway trust; it is refining the parameters which include extension to existing alignment/s. The restructuring of highway concessions - aimed to alleviate the government's fiscal burden from having to pay compensation in return for no toll rate hike - may also see values unlocking, depending on the structure.
Utilities	Tenaga's RP3 terms and liberalization of retail gas prices	Tenaga will enter into a new regulatory cycle next year (RP3, 2022-2024) and has begun negotiations with the regulator for new terms. The RP3 base tariff would likely be announced in end-2021, with the detailed regulatory terms being disclosed in early-2022. We do not expect any deterioration of Tenaga's earnings in RP3. Separately, retail gas prices is slated to be liberalised in 2022, thus according Gas Malaysia the flexibility to decide on retail margin (and thus spreads). While regulatory terms remain undisclosed to date, we believe Gas Malaysia would at least maintain retail margin upon price liberalization.

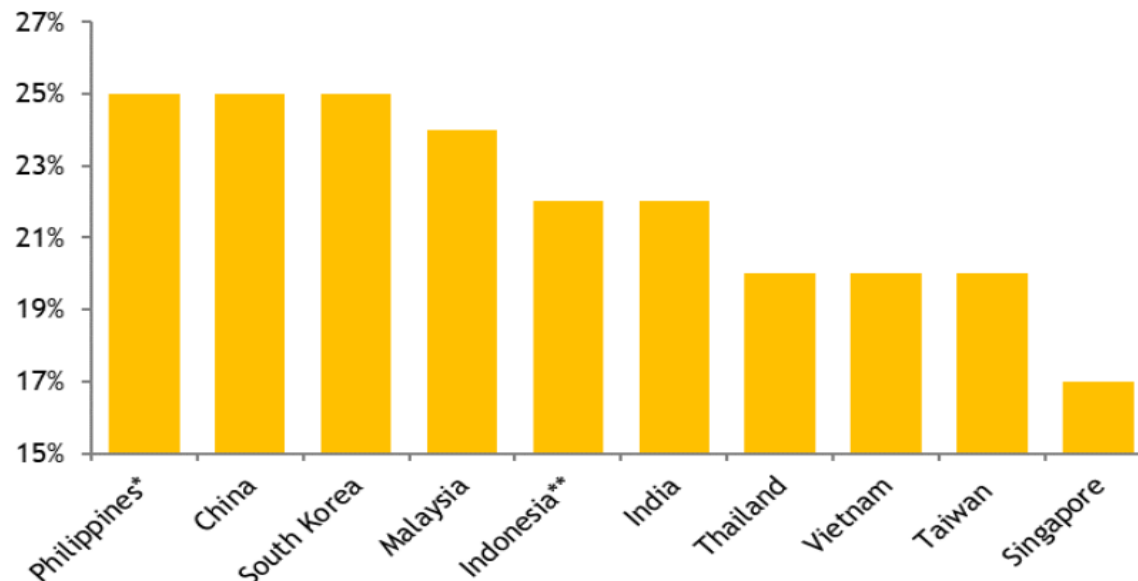


Wildcard 2: Link Corporate Tax Cuts to Bursa Malaysia Free Float

Adopt Indonesian model of corporate tax reduction for public listed corporates with at least a 40% free float; this will:

- Spur (currently tepid) private investment, and at acceptable fiscal cost
- Encourages market free float, especially re small-mid cap growth stocks
- Incentivises new listings / IPOs (per more favourable cost-benefit analysis)

Corporate tax rates: regional comparison



**for Philippines, the CREATE Act lowers the corporate tax rate from 30% to 25%, from July 2020 to July 2022, followed by a 1ppts reduction annually until 2027, to bring the tax rate down to 20%.*

*** for Indo, tax rate will be further reduced to 20% from 2022; public listed companies with free floats of over 40% pay a 3ppts lower corporate tax rate (2020/21: 19%; 2022: 17%).*

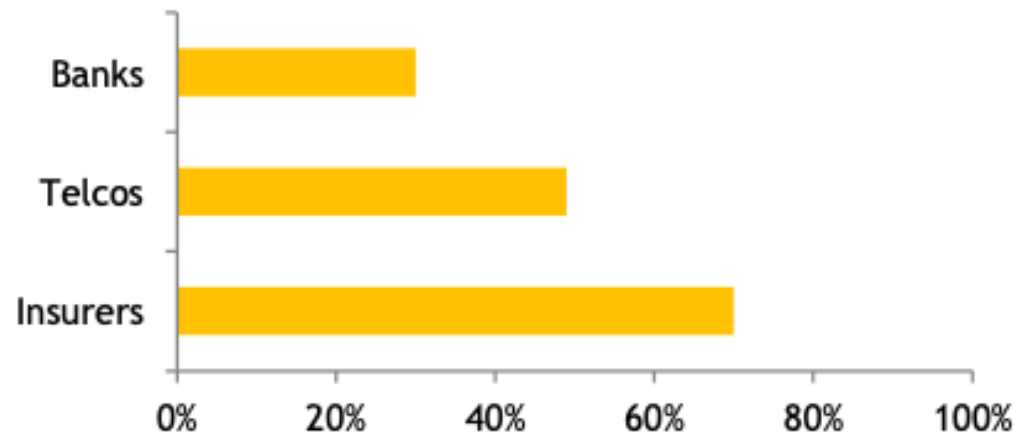
Wildcard 3: Abolish Foreign Shareholding Limits



Abolish all remaining foreign shareholding limits, replace with “prudential and best interests of Malaysia” test; this will:

- Make a strong statement / signal Malaysia’s openness to foreign investment at a time when regional competition for FDI is stepping up to take advantage of investment dislocations brought about by the US-China trade tensions + deflect criticism from key partners like the US re policy reciprocity / economic openness
- Widely-followed regional indices (MSCI, FTSE) are based on available foreign free float; if limits in sectors like banks are raised, could lead to higher free float.

Malaysia foreign strategic shareholding limits



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