

Strategy

Navigating Malaysia from a Shariah perspective

by Ivy NG Lee Fang, CFA | T: (60) 3 2261 9073 | E: ivy.ng@cgs-cimb.com

- This inaugural report provides our 2021F equity strategy outlook from a Shariah perspective.
- We expect the market to do well in 1H21F before facing challenges in 2H21F.
- The key positives we anticipate include strong corporate earnings, ample liquidity for retail investors, improved sentiment due to the availability of Covid-19 vaccines and potential foreign fund flows back into emerging markets (EM).
- Our key concerns going into 2H21F include corporate earnings growth peaking in 2Q21F, stimulus measures progressively ending in 2H21F and higher probability of the 15th General Election being called.
- We provide eight trading themes for 2021F in this report; our top Shariah sector picks are technology, EMS, rubber gloves, oil & gas and healthcare. Our top three Shariah stock picks are Inari, Top Glove and Telekom.

Content Page

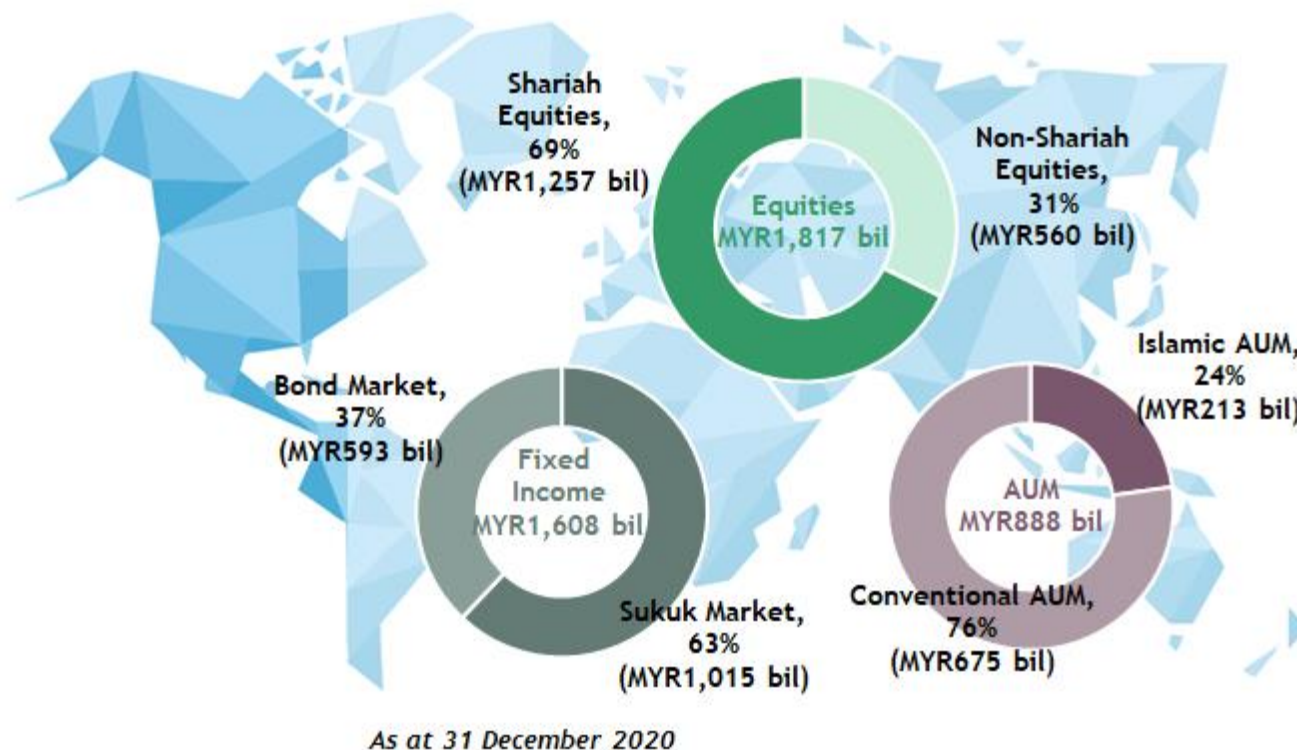
Background on Islamic Capital Market in Malaysia	3
2020 review	7
Outlook	17
Fund flows	24
Thematics	26
Risks	35
Market Valuations	39
Economic Outlook	41
Technical Analysis	46
Top Picks and Sector Ratings	48

Islamic Capital Market in Malaysia

As at 31 December 2020, the size of Malaysia's Islamic Capital Market (ICM) was RM2.2tr (66% of total capital market size of RM3.4tr).

Shariah equities accounted for 55% of Malaysia's ICM and 69% of Malaysia's total equity market capitalisation as at end-2020.

The sukuk market made up 45% of the ICM and 63% of the total fixed income market as at end-2020.



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

Shariah Screening Methodology

- The Shariah Advisory Council (SAC) of the Securities Commission Malaysia (SC) adopts a two-tier quantitative approach, applying the business activity benchmarks and the financial ratio benchmarks to determine the Shariah status of the listed securities. The securities will be classified as Shariah-compliant in Malaysia if their business activities and financial ratios are within these benchmarks.
- In addition to the two-tier quantitative criteria, the SAC takes into account the qualitative aspect, which involves public perception or image of the company's activities from the perspective of Islamic teachings.
- SC releases the list of companies that are deemed Shariah-compliant on a bi-annual basis (May and Nov).

Business activity benchmark		Financial ratio benchmarks
The 5% benchmark	The 20% benchmark	
<p>The 5% benchmark is applicable to the following businesses/activities:</p> <ul style="list-style-type: none"> • conventional banking and lending; • conventional insurance; • gambling; • liquor and liquor-related activities; • pork and pork-related activities; • non-halal food and beverages; • Shariah non-compliant entertainment; • tobacco and tobacco-related activities; • interest income from conventional accounts and instruments (including interest income awarded arising from a court judgement or arbitrator); • dividends from Shariah non-compliant investments; and • other activities deemed non-compliant according to Shariah principles as determined by the SAC. <p>For the above-mentioned businesses/activities, the contribution of Shariah noncompliant businesses/activities to the Group revenue or Group profit before taxation of the company must be less than 5%.</p>	<p>The 20% benchmark is applicable to the following businesses/activities:</p> <ul style="list-style-type: none"> • share trading; • stockbroking business; • rental received from Shariah non-compliant activities; and • other activities deemed non-compliant according to Shariah principles as determined by the SAC. <p>For the above-mentioned businesses/activities, the contribution of Shariah noncompliant businesses/activities to the Group revenue or Group profit before taxation of the company must be less than 20%.</p>	<p>For the financial ratio benchmarks, the SAC takes into account the following:</p> <p>(i) Cash over total assets Cash only includes cash placed in conventional accounts and instruments, whereas cash placed in Islamic accounts and instruments is excluded from the calculation.</p> <p>(ii) Debt over total assets Debt only includes interest-bearing debt whereas Islamic financing or sukuk is excluded from the calculation.</p> <p>Each ratio, which is intended to measure riba and riba-based elements within a company's statements of financial position, must be less than 33%.</p>

SOURCES: CGS-CIMB RESEARCH, SECURITIES COMMISSION MALAYSIA

Timing of disposal of Shariah non-compliant securities

As a guide for investors, below is SAC's advice on the timing of the disposal of securities that have been classified as Shariah non-compliant:

1. Shariah-compliant securities that are subsequently re-classified as "Shariah non-compliant"

A) The share price of Shariah non-compliant security exceeds or equals investment cost

On the effective date of the updated list of Shariah-compliant securities, if the respective market price of Shariah non-compliant securities exceeds or is equal to the investment cost, investors who hold such securities must dispose of them.

Any dividend received and capital gains arising from the disposal of Shariah non-compliant securities up to and on the date of the announcement can be kept by the investors. However, any dividends received and excess capital gain from the disposal of Shariah non-compliant securities after the date of the announcement should be channeled to baitulmal and/or charitable bodies.

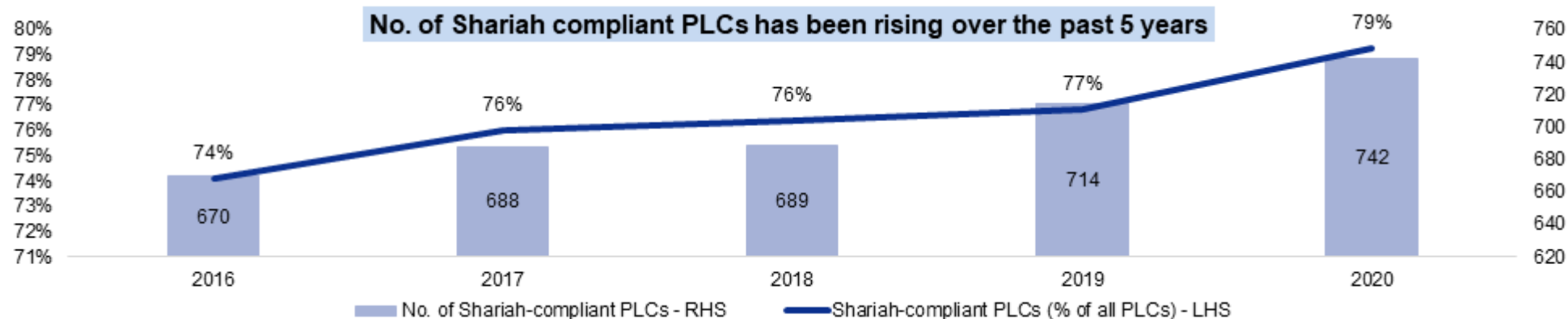
B) The share price of Shariah non-compliant security is below investment cost

Investors are allowed to hold their investments in Shariah non-compliant securities if the market price of the said securities is below the investment cost. Investors are also allowed to keep the dividends received during the holding period until such time when the total amount of dividends received and the market value of the Shariah non-compliant securities held are equal to the investment cost.

2) Shariah non-compliant securities

The SAC advises investors who invest based on Shariah principles to dispose of any Shariah non-compliant securities they presently hold within a month of knowing the status of the securities. Any gain made in the form of capital gain or dividend income before or after the disposal of the securities has to be channeled to baitulmal and/or charitable bodies. The investor has a right to retain only the investment cost.

Shariah-compliant PLCs Listed on Bursa Malaysia



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	220	31%	267	82%
Consumer products	137	19%	184	74%
Property	82	11%	99	83%
Technology	78	11%	86	91%
Construction	52	7%	56	93%
Plantation	33	5%	42	79%
Transportation and logistics	30	4%	38	79%
Energy	27	4%	31	87%
Telecom and Media	25	3%	31	81%
Healthcare	18	3%	19	95%
Utilities	10	1%	13	77%
Financial services	3	0%	34	9%
SPAC	na		1	na
Closed-end funds	na		1	na
Total	715	100%	902	

Data as at end-Dec 2020

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

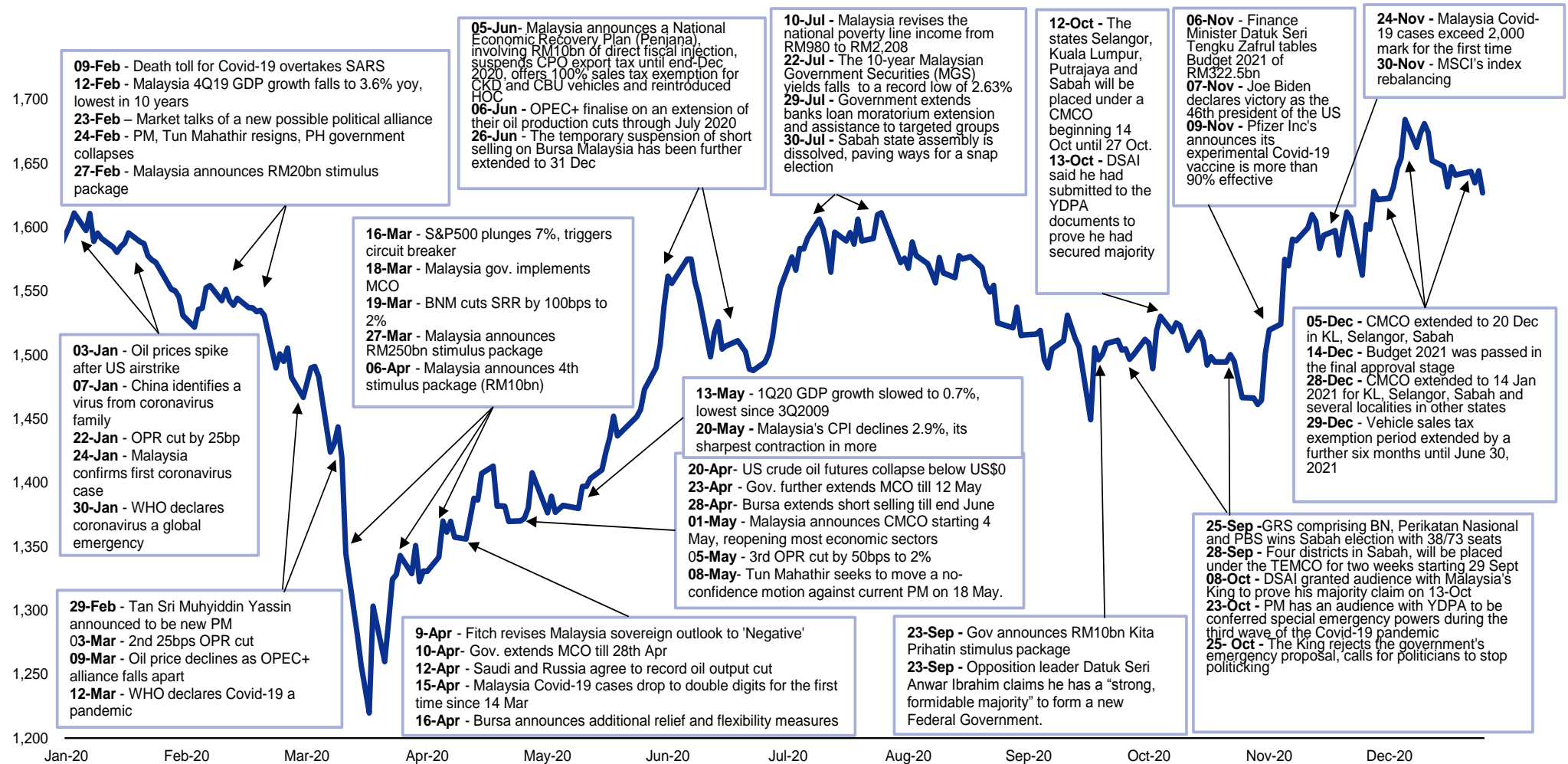
Increasing interest in Shariah investments

- The total Islamic assets under management for the Malaysian fund management industry grew from 22% of total assets in 2017 to 24% as at Dec 2020. The Islamic unit trust size expanded at a faster pace, accounting for 24.7% of the total net asset value of unit trust in Dec 2020 vs. 18.2% in 2017. Total Islamic assets under management were RM217bn as at end-Dec 2020.
- The sustained outperformance of the Shariah index over the conventional could lead to more interest in Shariah investments.

Period	Islamic Asset under Management (RM bn)	Islamic Asset 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
Monthly				
Jan-20	178.3	22.0	103.8	21.7
Feb-20	177.7	22.1	103.6	22.0
Mar-20	169.9	22.9	99.3	22.9
Apr-20	173.8	22.3	100.3	22.2
May-20	180.5	22.5	104.4	22.5
Jun-20	185.3	22.9	109.0	23.3
Jul-20	199.5	23.6	119.1	24.2
Aug-20	207.4	24.3	125.2	25.3
Sep-20	204.0	24.1	122.5	25.0
Oct-20	207.0	24.3	124.3	25.4
Nov-20	213.0	24.0	127.7	24.9
Dec-20	216.8	23.9	128.5	24.7

SOURCES: CGS-CIMB RESEARCH, SECURITIES COMMISSION

A tale of Covid-19, politics, oil price, MCO and stimulus in 2020



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

The four key Shariah indices in Bursa Malaysia

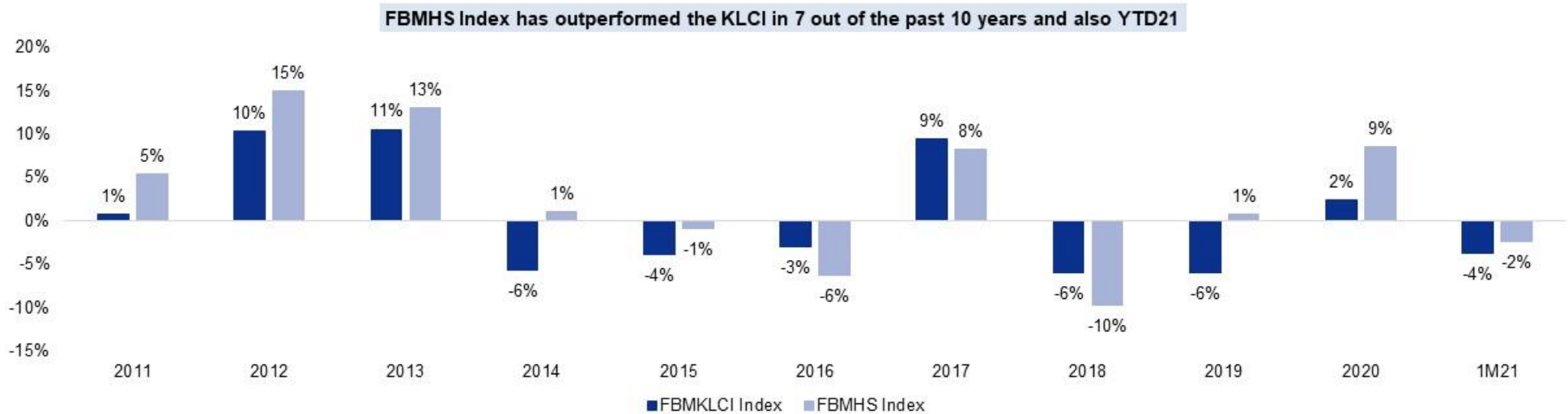
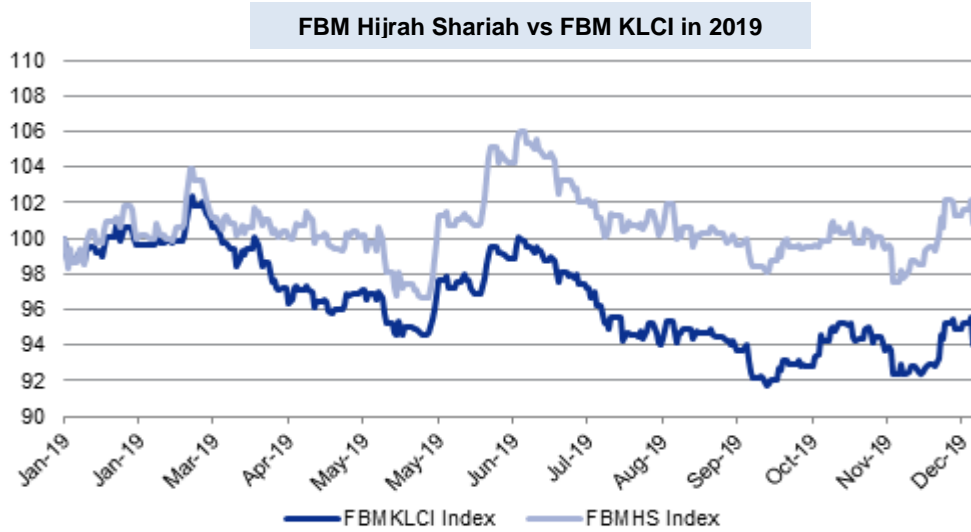
There are four Shariah indices that track the performance of Shariah compliant securities:

- 1) FTSE Bursa Malaysia Hijrah Shariah Index (FBM Hijrah), which comprises the top 30 largest companies in the FBM Emas Index that meet the eligibility criteria of FTSE's global standards, Yassar's International Shariah screening methodology and SAC screening methodology.
- 2) FTSE Bursa Malaysia EMAS Shariah Index (FBM Emas Shariah), which comprises constituents of the FTSE Bursa Malaysia EMAS index that are Shariah-compliant according to the Securities Commission's SAC screening methodology and FTSE's screens of free float, liquidity and investability.
- 3) FTSE Bursa Malaysia Small Cap Shariah Index (FBM Small Cap Shariah), which comprises constituents of the FTSE Bursa Malaysia Small Cap Index that are Shariah-compliant according to the Securities Commission's Shariah Advisory Council (SAC) screening methodology.
- 4) FTSE Bursa Malaysia Mid Cap Shariah Index (FBM Mids Shariah), which consists of all constituents of the FTSE Bursa Malaysia MidS Cap Index that are Shariah-compliant according to the SAC screening methodology.

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.
- FBM Hijrah Shariah Index outperformed the conventional FBM KLCI index in seven out of the past ten years (2011-2020).
- 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 performance.
- This is because six out of the 30 constituents in the KLCI index are banks that are non-Shariah compliant; these formed around 32% of KLCI's total weightage as at 29 Jan 2021.
- As at 29 Jan 2021, the key heavyweights in the Hijrah Shariah index were the healthcare (26% of total index weight), food and beverages (18.92%), telecommunications (17.59%) and utilities (13.92%) sectors.
- The top three companies with the highest weightage in FBM Hijrah are Tenaga, Top Glove, and Petronas Chemical.

FBM Hijrah Shariah outperformed FBM KLCI in 7 out of past 10 years



Note : 1M21 data is up to end-Jan 21
 SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

FBM KLCI vs. FBM Hijrah Shariah index

FBM KLCI Top 10 Constituents	
Constituent	Weight (%)
Public Bank BHD	12.94
Malayan Banking	9.34
Tenaga Nasional	7.51
Top Glove Corp	7.27
CIMB Group Holdings	5.35
PETRONAS Chemicals Group Bhd	3.78
Hartalega Holdings Bhd	3.77
Sime Darby Plantation	3.45
Axiata Group Bhd	3.08
IHH Healthcare	3.03
Total	59.52

FBMKLCI sector breakdown		
Sector	No. of constituents	Weight (%)
Oil & Gas	2	4.13
Chemicals	1	3.78
Basic Resources	1	3.03
Industrial Goods & Services	3	4.66
Food & Beverage	5	12.44
Health Care	4	16.28
Travel & Leisure	2	3.19
Telecommunications	4	10.94
Utilities	2	9.33
Banks	6	32.22
Total	30	100

FBM Hijrah Shariah Top 10 Constituents	
Constituent	Weight (%)
Tenaga Nasional	11.20
Top Glove Corp	10.84
PETRONAS Chemicals Group Bhd	5.64
Hartalega Holdings Bhd	5.63
Sime Darby Plantation	5.15
Axiata Group Bhd	4.59
IHH Healthcare	4.52
Dialog Group	4.13
Digi.com	4.13
IOI	3.97
Total	59.78

FBM Hijrah Shariah sector breakdown		
Sector	No. of constituents	Weight (%)
Oil & Gas	2	6.15
Chemicals	2	6.04
Construction & Materials	2	3.61
Industrial Goods & Services	4	5.58
Food & Beverage	7	18.92
Health Care	5	25.97
Technology	1	2.23
Telecommunications	5	17.59
Utilities	2	13.92
Total	30	100

Note : Data as at end-Jan 21

SOURCES: CGS-CIMB RESEARCH, FTSE RUSSEL BLOOMBERG

Shariah indices outperformed conventional indices in the past two years

- The technology and healthcare sectors were the top performing sectors in 2020.
- The energy, property and REIT sectors were the worst performing sectors in 2020.
- Shariah indices tend to outperform KLCI or FBM Emas indices when banks underperform consumer, healthcare, utilities and telecom sectors.

Index	2015	2016	2017	2018	2019	2020	Jan-21
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	% chg
Bursa Malaysia Technology	52.4%	-13.3%	89.7%	-29.9%	29.2%	83.9%	17.6%
Bursa Malaysia Telecom	-2.8%	-7.3%	-2.5%	-39.0%	12.1%	-2.0%	-0.6%
FBM Ace	13.0%	-25.2%	38.1%	-34.6%	21.1%	105.4%	2.8%
FBM Fledgling	18.2%	-4.5%	17.0%	-23.3%	6.7%	30.3%	-2.5%
FBM Small Cap	6.0%	-7.7%	15.9%	-33.7%	25.4%	9.9%	-2.5%
Bursa Malaysia Healthcare	60.9%	-12.0%	18.5%	10.1%	-4.2%	185.6%	0.7%
FBM Small Cap Shariah	9.5%	-9.4%	11.1%	-34.8%	26.9%	15.4%	-2.0%
FBM Emas Shariah	2.3%	-6.1%	10.7%	-13.5%	3.9%	10.1%	-2.2%
Bursa Malaysia Plantation	-3.4%	1.7%	2.0%	-12.7%	12.0%	-5.6%	-2.8%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-2.4%
FBM Mid 70	0.5%	-0.8%	23.4%	-18.7%	8.7%	6.6%	-2.6%
FBM EMAS	-2.3%	-2.8%	12.9%	-10.9%	-1.8%	3.9%	-3.4%
FBM Top 100	-2.9%	-2.5%	12.7%	-9.3%	-2.9%	3.5%	-3.5%
FBM KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%
Bursa Malaysia Consumer	5.8%	-2.1%	12.1%	1.6%	-0.3%	-7.6%	-3.8%
Bursa Malaysia REIT	-0.9%	11.2%	4.8%	-12.5%	4.1%	-13.4%	-3.0%
Bursa Malaysia Industrial Production	21.6%	-7.3%	21.1%	-4.8%	-7.9%	16.1%	-5.0%
Bursa Malaysia Finance	-9.8%	1.6%	17.2%	2.6%	-10.6%	-1.0%	-5.6%
Bursa Malaysia Transport	2.4%	0.2%	6.9%	-32.1%	4.6%	4.7%	-6.4%
Bursa Malaysia Utilities	1.5%	-5.0%	-2.1%	-5.4%	7.8%	-1.6%	-6.3%
Bursa Malaysia Property	-7.6%	-5.0%	8.8%	-28.6%	-5.2%	-11.5%	-8.9%
Bursa Malaysia Energy	-18.8%	-18.9%	32.5%	-36.6%	51.3%	-27.8%	-11.5%
Bursa Malaysia Construction	-0.8%	3.0%	9.8%	-50.2%	34.3%	-10.8%	-13.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Performance of global and regional markets

- KLCI outperformed the MIST markets in 2020, thanks to the rally in glove makers. Excluding this, we estimate the KLCI declined by 5.8% in 2020.

Global indexes	2015	2016	2017	2018	2019	2020	Jan-21
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	chg
MSCI AC Asia x Japan	-11.3%	2.9%	38.7%	-16.4%	15.4%	22.5%	4.0%
Hang Seng Index	-7.2%	0.4%	36.0%	-13.6%	9.1%	-3.4%	3.9%
KOSPI Index	2.4%	3.3%	21.8%	-17.3%	7.7%	30.8%	3.6%
Taiwan Taiex Index	-10.4%	11.0%	15.0%	-8.6%	23.3%	22.8%	2.8%
Nasdaq Composite Index	5.7%	7.5%	28.2%	-3.9%	35.2%	43.6%	1.4%
Nikkei 225	9.1%	0.4%	19.1%	-12.1%	18.2%	16.0%	0.8%
Shanghai SE Composite Index	9.4%	-12.3%	6.6%	-24.6%	22.3%	13.9%	0.3%
FTSE 100 Index	-4.9%	14.4%	7.6%	-12.5%	12.1%	-14.3%	-0.8%
Dow Jones Indus. Avg	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	-2.0%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-2.4%
S&P BSE Sensex Index	-5.0%	1.9%	27.9%	5.9%	14.4%	15.8%	-3.1%
FBM KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%

Regional indexes	2015	2016	2017	2018	2019	2020	Jan-21
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	chg
Straits Times Index STI	-14.3%	-0.1%	18.1%	-9.8%	5.0%	-11.8%	2.1%
Thai Index	-14.0%	19.8%	13.7%	-10.8%	1.0%	-8.3%	1.2%
FBM Hijrah Shariah	-0.9%	-6.3%	8.2%	-9.8%	0.8%	8.5%	-2.4%
Jakarta Composite Index	-12.1%	15.3%	20.0%	-2.5%	1.7%	-5.1%	-2.0%
FBM KLCI	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%
PSEi - Philippine SE Index	-3.9%	-1.6%	25.1%	-12.8%	4.7%	-8.6%	-7.4%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Covid-19 impact on non Shariah-compliant stocks

- The non Shariah-compliant companies (the Genting group and banks) in KLCI were harder hit by Covid-19 in 2020 compared to Shariah-compliant ones.

KLCI constituents	2015	2016	2017	2018	2019	2020	Jan-21
	% yoy	% yoy	% yoy	% yoy	% yoy	% yoy	chg
Telekom Malaysia	-28.2%	-1.4%	6.3%	2.1%	-5.3%	41.9%	17.4%
Supermax Corp	91.2%	-34.9%	-7.4%	74.0%	-20.8%	773.3%	12.8%
Top Glove Corp	210.1%	-19.3%	53.3%	42.3%	-13.8%	308.1%	10.1%
Hartalega	71.7%	-17.2%	124.4%	16.5%	-9.4%	125.1%	5.9%
Public Bank	4.3%	9.8%	8.5%	22.5%	-19.0%	6.0%	1.7%
PPB Group	12.9%	1.3%	10.3%	24.3%	8.8%	-1.7%	-0.1%
Nestle (Malaysia)	11.7%	10.4%	36.2%	45.6%	1.7%	-5.5%	-1.4%
Kuala Lumpur Kepong	2.8%	6.9%	6.3%	0.9%	2.2%	-3.3%	-1.9%
Sime Darby Plantations	-	-	-	-17.8%	14.9%	-8.4%	-2.8%
IOI Corp	-5.1%	0.4%	5.3%	2.4%	5.5%	-5.5%	-3.4%
Sime Darby	-13.0%	8.1%	29.7%	11.9%	-3.3%	4.1%	-4.8%
Press Metal	-16.2%	119.4%	245.3%	-9.2%	-2.6%	80.4%	-4.8%
Hap Seng Consolidated	46.2%	43.0%	11.9%	6.9%	5.0%	-13.8%	-4.9%
Hong Leong Bank	2.4%	3.6%	29.7%	22.9%	-12.8%	5.2%	-5.2%
Maxis	3.9%	-9.1%	3.8%	-7.8%	3.2%	-5.0%	-5.5%
Maybank	-2.4%	3.7%	26.6%	2.8%	-3.1%	-2.1%	-6.3%
RHB Bank	-22.3%	11.3%	8.6%	9.3%	14.3%	-5.7%	-6.4%
Petronas Gas	5.1%	-3.6%	-15.0%	14.1%	-9.6%	3.4%	-6.6%
IHH Healthcare	37.2%	-3.0%	-7.2%	-7.6%	2.0%	0.6%	-7.1%
Tenaga Nasional	-1.4%	6.8%	14.4%	-7.9%	1.5%	-21.2%	-7.4%
Digi.Com	-8.7%	-6.6%	9.7%	-7.9%	3.1%	-7.2%	-8.5%
Genting Malaysia	9.3%	6.3%	26.8%	-44.3%	15.5%	-18.2%	-8.6%
Hong Leong Financial	-11.7%	4.5%	28.5%	6.0%	-6.8%	6.9%	-9.4%
Petronas Dagangan	49.7%	-1.8%	5.2%	13.4%	-10.3%	-7.4%	-9.5%
Petronas Chemicals	37.3%	-1.6%	14.0%	24.7%	-18.0%	1.1%	-9.7%
CIMB Group	-17.2%	4.5%	51.2%	-9.3%	-5.1%	-16.5%	-10.7%
Genting	-16.9%	9.5%	17.5%	-32.0%	2.2%	-26.3%	-10.8%
Axiata Group	-5.8%	-24.1%	18.1%	-27.0%	7.8%	-9.6%	-11.0%
Dialog Group	8.2%	-2.4%	65.0%	25.1%	12.2%	0.1%	-11.9%
MISC	32.1%	-18.5%	6.6%	-5.4%	29.9%	-17.7%	-13.2%

Note : Light blue represents Shariah-compliant constituents

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Vaccine news boosts market sentiment in Nov-Dec 2020 but...

- The KLCI gained 10.9% in the last two months of 2020 following an announcement on 9 Nov from Pfizer that its vaccine candidate was more than 90% effective against Covid-19. This mostly benefited stocks that would benefit from the reopening of the economy and borders.
- However, the rise in new Covid-19 cases led the government to declare stricter movement control orders (MCO 2.0) on 11 Jan 2021. The MCO, which was originally scheduled to end on 26 Jan, has since been extended twice to 4 Feb and 18 Feb 2021 as new daily cases hit a new record high of 5,728 on 30 Jan 2021.
- This, coupled with political concerns, led investors to rotate back into the sectors that have benefited from Covid-19 and/or export-oriented sectors in Jan 2021. As a result, the KLCI fell 3.7% mom and was the worst performer among the MIST markets.

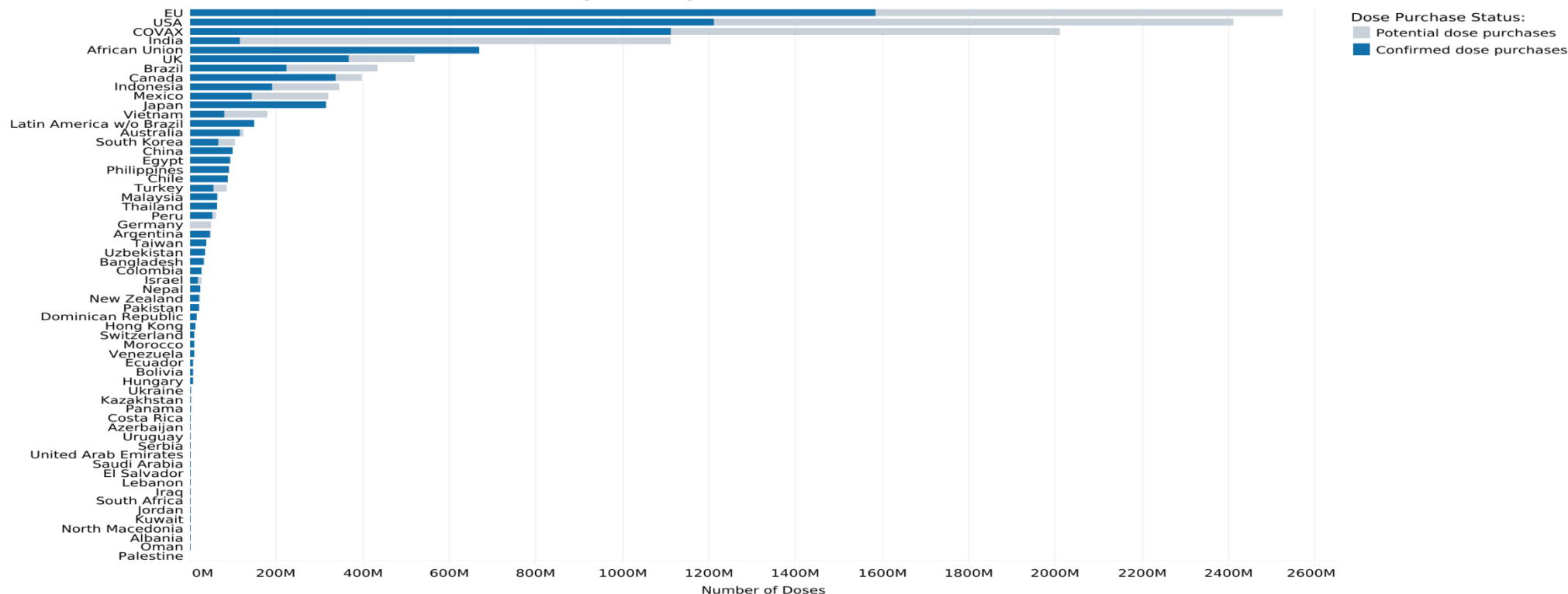
Bursa Malaysia sectoral indices	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom	% mom
Bursa Malaysia Technology	3.1%	-6.5%	-19.0%	22.8%	7.8%	4.8%	24.4%	11.3%	-3.0%	8.4%	9.2%	6.9%	17.6%
Bursa Malaysia Healthcare	9.8%	-2.6%	-3.1%	14.0%	55.4%	1.8%	68.0%	7.5%	-11.9%	7.1%	0.7%	-11.0%	0.7%
Bursa Malaysia Telecom	-3.9%	-2.4%	-14.5%	15.7%	3.8%	-8.6%	-1.7%	1.5%	-3.3%	-3.4%	10.8%	7.6%	-0.6%
FBM Hijrah Shariah Index	-3.0%	-3.7%	-5.4%	6.0%	11.2%	0.5%	12.9%	-3.8%	-1.9%	-1.0%	0.6%	-2.2%	-2.4%
Bursa Malaysia Plantation	-7.6%	-4.7%	-8.2%	1.7%	6.7%	-1.1%	6.5%	-1.3%	-0.1%	-3.5%	6.1%	1.2%	-2.8%
Bursa Malaysia REIT	-0.4%	1.5%	-13.3%	2.8%	1.5%	0.2%	-2.8%	-0.5%	-1.7%	-4.7%	5.1%	-0.6%	-3.0%
FBM KLCI	-3.6%	-3.2%	-8.9%	4.2%	4.7%	1.9%	6.8%	-4.9%	-1.3%	-2.5%	6.5%	4.1%	-3.7%
Bursa Malaysia Consumer	-4.1%	-4.2%	-15.2%	7.5%	3.5%	-0.4%	2.3%	-2.1%	-0.4%	-4.4%	8.2%	3.7%	-3.8%
Bursa Malaysia Industrial	-6.6%	-7.3%	-19.0%	11.9%	8.0%	2.8%	5.6%	-3.3%	0.3%	3.1%	13.8%	10.9%	-5.0%
Bursa Malaysia Finance	-4.4%	-3.1%	-14.4%	1.6%	0.1%	1.8%	3.6%	-4.0%	-1.3%	-3.8%	14.9%	11.0%	-5.6%
Bursa Malaysia Utilities	-4.4%	-1.6%	-10.3%	8.6%	8.6%	-4.8%	2.2%	0.8%	-3.4%	0.1%	0.6%	3.7%	-6.3%
Bursa Malaysia Transport	-3.8%	-7.3%	-21.6%	16.7%	12.7%	-3.4%	1.2%	-1.2%	-4.2%	1.2%	15.7%	5.1%	-6.4%
Bursa Malaysia Property	-8.0%	-4.3%	-24.5%	8.5%	6.9%	-3.0%	0.1%	3.5%	-5.4%	-2.9%	12.2%	10.6%	-8.9%
Bursa Malaysia Energy	-7.2%	-8.0%	-41.7%	13.1%	10.4%	-1.5%	0.2%	6.5%	-10.9%	-9.9%	24.0%	11.1%	-11.5%
Bursa Malaysia Construction	-5.5%	-7.5%	-24.6%	16.0%	11.8%	-4.5%	-1.7%	-4.5%	0.9%	-5.7%	12.9%	8.4%	-13.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Outlook: Successful rollout of vaccines key to reviving market sentiment

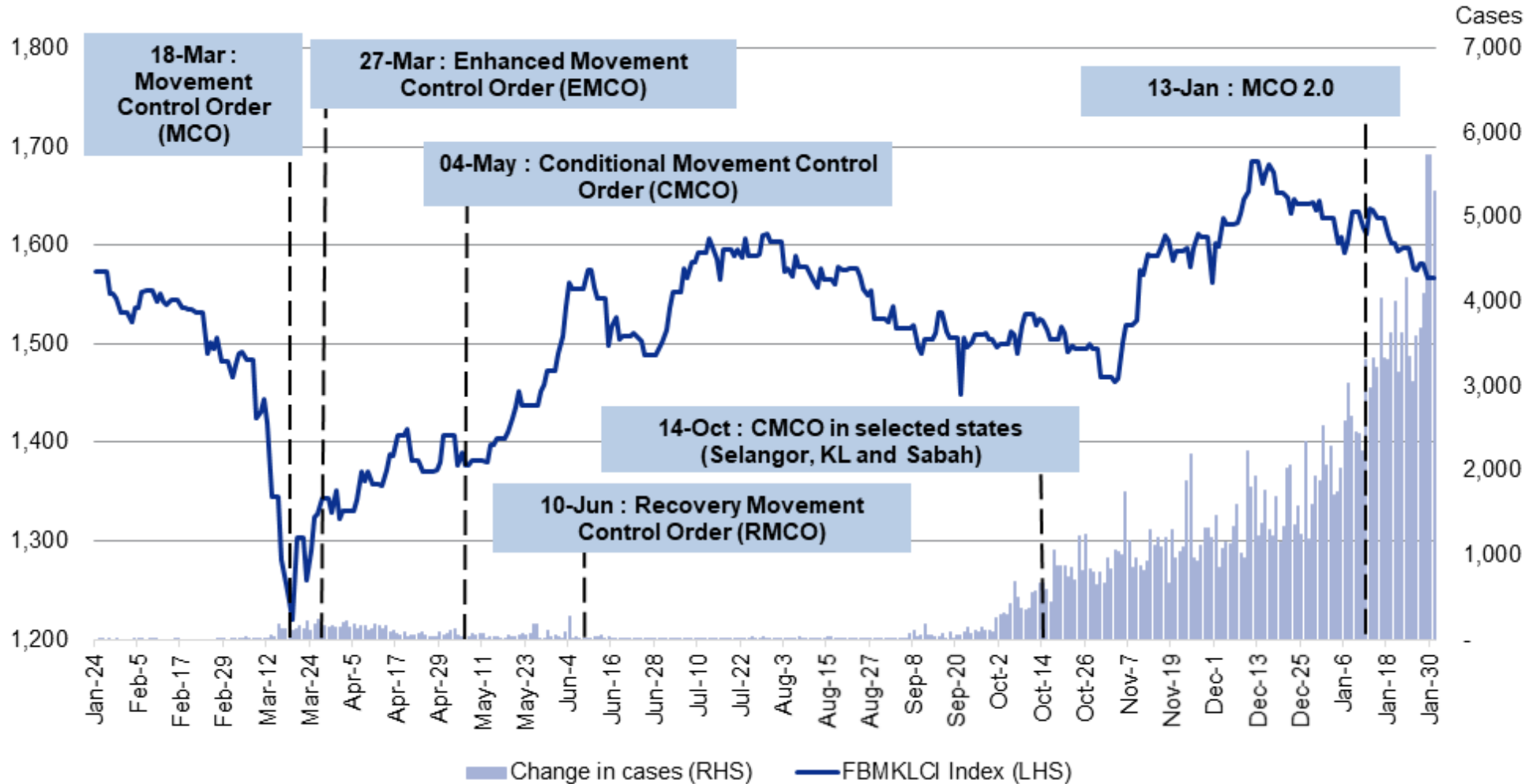
- A successful deployment of vaccines in the country and worldwide will boost market sentiment and increase the likelihood of border reopening, in our view.
- However, any hiccups or delays in the rollout of vaccines, coupled with a surge in new Covid-19 cases or death rate, may lead to profit taking in the market due to concerns that lockdown measures may be protracted, leading to higher earnings risks.
- We think there could be delays as pharmaceutical and vaccine production involves complex coordination, such as product development, manufacturing, packaging, storage, distribution and regulatory review, with delays potentially taking place at each stage. As such, we believe the market could stay volatile in 2021.

COVID-19 Vaccine Advance Market Commitments by Country



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Rising new cases of Covid-19 dampened vaccine optimism in Jan



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, MINISTRY OF HEALTH

Malaysia's Covid-19 vaccine procurement plan

- The Malaysian government has signed three agreements with vaccine producers and is expected to receive the first batch of Pfizer – BioNTech vaccines on 26 February 2021. Malaysia has placed orders for 12.8m doses of the Pfizer vaccine.
- Under the Pfizer deal, it will receive 1m doses in 1Q21 and 1.7m in 2Q21, 5.8m in 3Q21 and 4.3m doses in 4Q. Malaysia has also signed a deal to procure 6.4m doses of AstraZeneca's vaccine.
- Pharmaniaga has secured 14m vaccine doses from Sinovac, which will cover 22% of the country's total population, to be distributed in March. Duopharma has signed a deal with the Malaysian government to supply 6.4m doses of the Russian developed "Sputnik V" Covid-19 vaccine.

A snapshot of Malaysia's Covid-19 vaccine purchases

Vaccine developer	Platform	Regimen/pax	Doses	Population covered (people)	Population covered (%)	Status
Pfizer/BioNTech	mrNA	2 doses	12.8m	6.4m	20.0%	Arrive Feb 2021
The University of Oxford/AstraZeneca	ChAd	2 doses	6.4m	3.2m	10.0%	Arrive Apr/May 2021
The University of Oxford/AstraZeneca (The COVAX Initiative)	-	2 doses	6.4m	3.2m	10.0%	Likely arrive between March-June 2021
Sinovac's CoronoVac (Via Pharmaniava)	InV	2 doses	14.0m	7.0m	21.9%	Likely arrive March 2021
CanSino Biologics	Ad5	1 dose	3.5m	3.5m	10.9%	Negotiations ongoing
Gamaleya Research Institute, Russia (Via Duopharma)	Ad26+Ad5	2 doses	6.4m	3.2m	10.0%	Likely arrive March 2021
Total			49.5m	26.5m	82.8%	

SOURCES: CGS-CIMB RESEARCH, MINISTRY OF HEALTH, VARIOUS NEWS ARTICLES

Malaysia's vaccination programme to be completed by Feb 2022

- The vaccination programme will be implemented in three phases over a period of 12 months.
- The government plans to roll out the vaccination programme by end-Feb 2021. Malaysia targets to vaccinate 80% of its population or 26.5m people by 1Q22.
- The first phase of the vaccination programme (Feb-April) will involve 500,000 frontliners. The second phase (Apr-August 2021) will involve high-risk groups (60 years and above, with heart ailments or high blood pressure, obese or diabetic, and the disabled) involving 9.4m Malaysians.
- The third phase will be from May 2021 to Feb 2022 and involve the rest of the population aged above 18 years. Following this, the Prime Minister of Malaysia expects the country to achieve herd immunity by 1Q22.
- We are of the view that if the above vaccination programme is executed well, we could see investors shift their focus to Covid-19 recovery plays towards 2H21F.

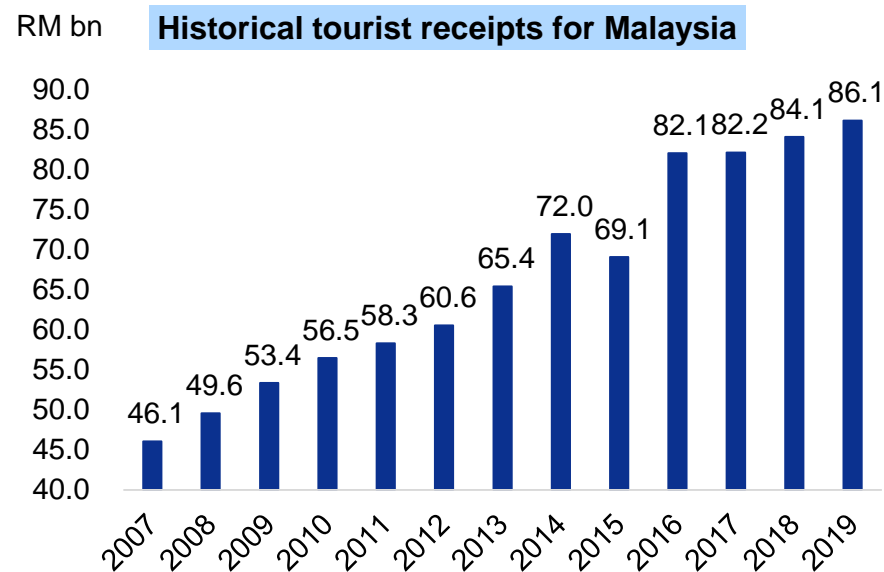
	Rollout timeline	Coverage (people)	Target population
Phase 1	Feb -21 to Apr-21	0.5m	300,000 healthcare workers and 200,000 non-healthcare frontliners (police, army and others who are involved in frontline tasks)
Phase 2	Apr-21 to Aug-21	9.4m	Senior citizens, people who have co-morbidities and persons with disabilities
Phase 3	May-21 to Feb-22	16.6m	Adults who are above 18 years old

Note : Phase 3 is based on the plan to inoculate 82.8% of the population in by Feb-22

SOURCES: CGS-CIMB RESEARCH, MINISTRY OF HEALTH, PMO OFFICE

Reopening of Malaysia's international borders

- The lifting of border restrictions and resumption of international travel will boost tourism activities in the country, which has been decimated by Covid-19 lockdowns. Malaysia's tourism industry is the third-largest foreign income earner and accounted for over 5.9% of the country's GDP in 2019, according to Malaysia's Department of Statistics.
- With the progressive rollout of vaccines globally, the possibility of Malaysia reopening its borders could improve in 2H21F. This will benefit tourism-related plays.



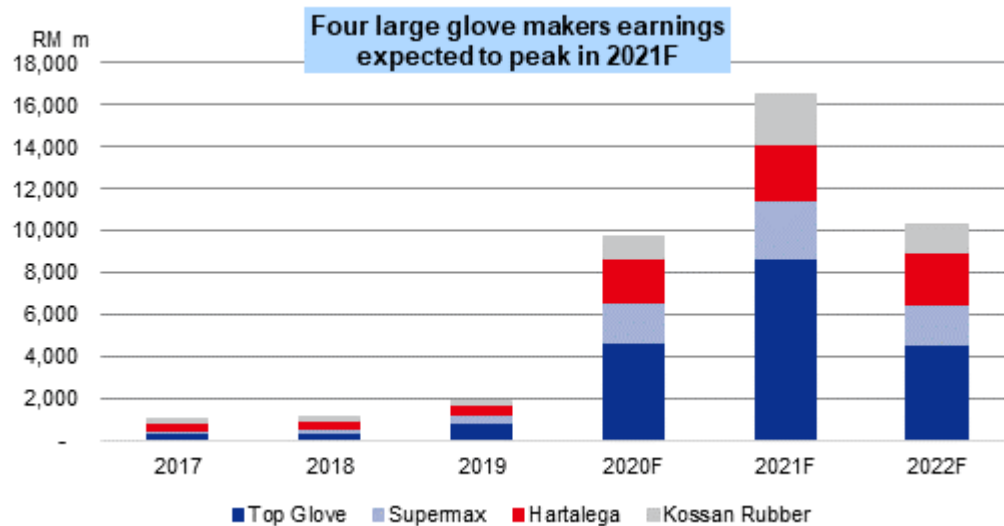
Tourist Arrivals in Malaysia

'000 tourists	2015	2016	2017	2018	2019	2020
Jan	2,291	2,376	2,350	2,277	2,196	2,164
Feb	1,949	2,091	2,043	2,051	2,166	1,398
Mar	2,242	2,199	2,238	2,193	2,335	671
Apr	2,072	2,101	2,146	1,957	2,160	8
May	2,119	2,144	2,039	1,977	2,098	5
Jun	1,894	2,121	2,135	2,276	2,401	7
Jul	2,216	2,297	2,263	2,305	2,415	19
Aug	2,183	2,282	2,129	2,254	2,342	12
Sep	2,084	2,118	2,092	2,097	1,997	16
Oct	2,083	2,326	2,069	2,104	2,031	-
Nov	2,005	2,054	2,008	1,990	1,969	-
Dec	2,583	2,647	2,436	2,352	1,991	-
Total	25,721	26,757	25,948	25,832	26,101	4,299

SOURCES: CGS-CIMB RESEARCH, MYTOURISMDATA COMPANY REPORTS

Projecting strong earnings growth of 37.7% for 2021F

- We project a strong rebound in the Malaysian economy and corporate earnings in 2021F, driven by resumption of business as well as rising commodity prices.
- We expect corporate earnings growth to be driven by the resumption of business activities in Malaysia, benefitting local industries like construction, property, retail, the consumer sector, gaming, media and local tourism.
- Corporate earnings will be further boosted by exceptional profits generated by glove makers, strong earnings growth for semiconductor players due to stronger chip demand and electronic manufacturing service players due to higher sales and plantation companies on the back of stronger CPO prices.



SOURCES: CGS-CIMB RESEARCH, MALAYSIAN PALM OIL BOARD, BLOOMBERG

Emerging markets seeing foreign investors interest returning

- Our economist is of the view that synchronised global economic recovery, low yields, disinflation and ample liquidity support could support reflation trade to rotate into riskier assets including Emerging Market (EM) FX.
- Sharp capital inflows could cause interim overshoots in MIST currencies, and broadly we expect the annual average exchange rates in MIST to strengthen by 4-5% in 2021 against the US\$, backed by widening growth, inflation and balance of payment differentials.
- A stronger ringgit has historically been positive for the market and could lead to the return of foreign investors that have exited the market over the past few years on concerns over political uncertainty and weak corporate earnings.



Data as at end Jan-21

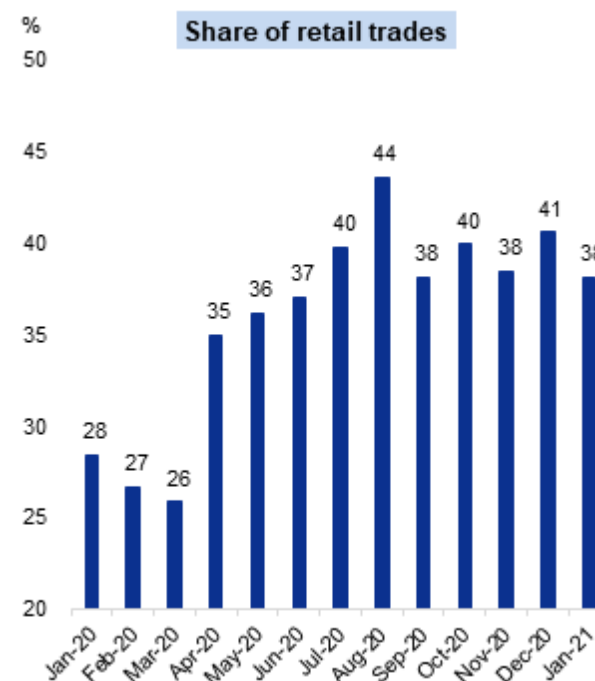
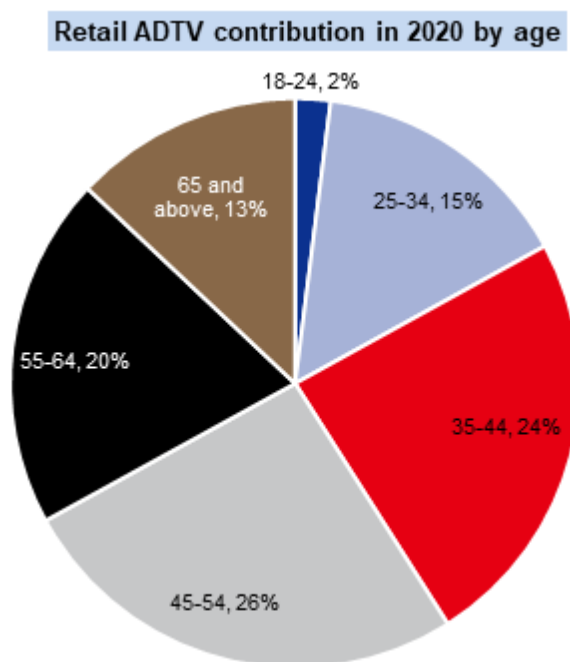
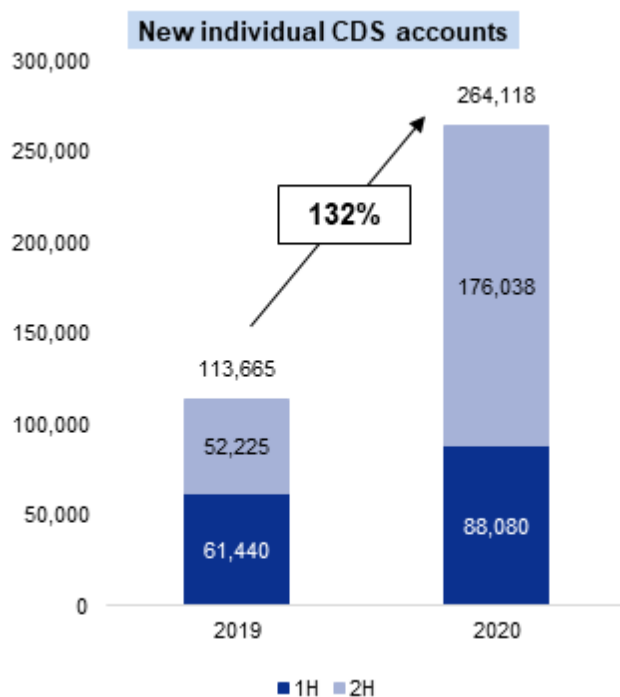
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

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

- The 15th Malaysian general election (GE15) is not due till 16 September 2023.
- However, Prime Minister Tan Sri Muhyiddin Yassin mentioned in his speech on 28 Nov and 4 Feb that a general election could take place once Covid-19 is brought under control.
- He has indicated that he plans to return the mandate to the people and let them choose the government.
- As such, the likelihood of snap GE15 could increase once the Covid-19 pandemic is brought under control.
- This could happen after the emergency ends (due 1 August 2021) or when the country is able to control the spread of the pandemic through its mass vaccination programme (targeting herd immunity by 1Q22F).
- In the short term, if GE15 is called, it could lead to profit taking in the equity market due to uncertainty over the potential outcome of the election.

Fund flow analysis – Covid-19 helps reignite the return of retail investors

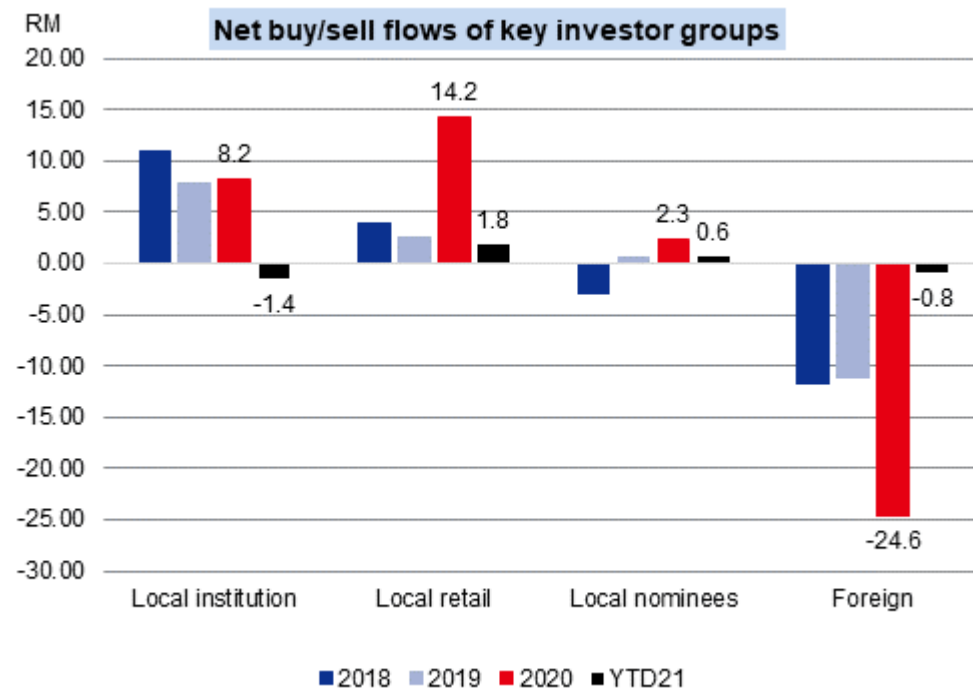
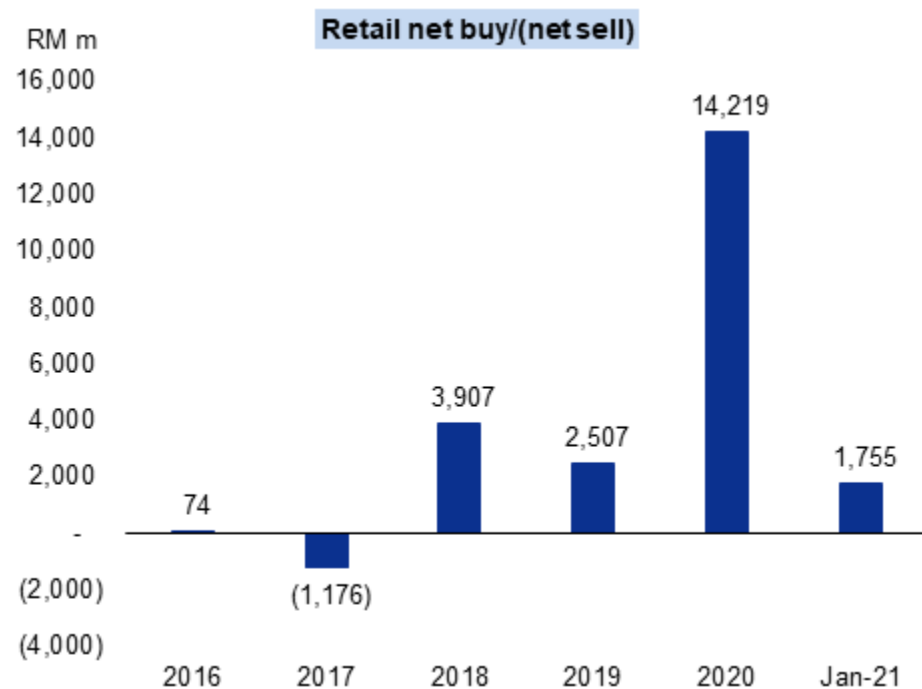
- Retail interest rose significantly in 2020 post the movement control order (MCO) implementation in March.
- Retail investors' share of daily trading value grew from 26% in Mar 2020 to peak at 44% in Aug 2020 and averaged 36% in 2020 (vs. 25% in 2019).
- According to Bursa Malaysia, 264,118 new individual CDS accounts were opened in 2020, representing an increase of 132% from 2019. The bulk of the new account openings were in 2H20 (67% of total).
- Also, 64% of new individual accounts opened in 2020 were investors aged 26-45 years and retail investors aged 35-54 years were the largest contributor to retail average trading value (ADV) in 2020.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

Retail investors the largest net buyers in equity market in 2020

- Retail investors were the largest net buyers (most bullish) in the Malaysian equity market in 2020 and Jan 2021.
- The 2020 net buy flows of RM14.2bn (2019: RM2.5bn) from the retail investor group outpaced that of local institutional investors' RM8.2bn in 2020 (2019: RM7.85bn).
- This helped offset the record net selling by foreign investors, who are the most bearish investor group in Malaysia, worth RM24.6bn in 2020 (2019: -RM11.1bn).
- Foreign investors were the most aggressive net sellers in the Malaysian equity market in Mar 2020 due to the unexpected change in government and the implementation of MCO.



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA, DIBOTS, BLOOMBERG

Key trading themes: Laggard plays

- We define laggard plays as companies under coverage that are still trading below their share price levels pre-Covid-19, which we determine to be as at 31 Dec 2019.
- We are of the view that these stocks impacted by Covid-19 could gravitate closer to their pre-pandemic share price levels once vaccines are in place and the country achieves herd immunity, if supported by an earnings recovery story.
- In view of the above, we screen for stocks based on the following criteria: (1) stocks currently under our coverage that are Shariah-compliant; (2) share prices trading at more than 20% below their pre-Covid-19 levels or 31 Dec 2019 closing prices; and (3) our research team has an Add rating on these companies.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Performance since 31-Dec-19 %
Malaysian Resources Corp	MRC MK	Add	0.39	0.56	45%	1,699	(47.3%)
UEM Sunrise Bhd	UEMS MK	Add	0.38	0.59	58%	1,897	(46.8%)
SP Setia	SPSB MK	Add	0.92	1.06	16%	3,712	(42.8%)
UMW Holdings	UMWH MK	Add	2.88	4.00	39%	3,365	(35.9%)
Bermaz Auto Berhad	BAUTO MK	Add	1.36	1.70	25%	1,580	(35.2%)
Star Media Group Bhd	STAR MK	Add	0.33	0.50	52%	239	(32.0%)
IJM Corp Bhd	IJM MK	Add	1.50	1.81	21%	5,432	(30.9%)
Media Chinese Int'l	MCIL MK	Add	0.17	0.20	21%	278	(29.8%)
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	(28.6%)
Tenaga Nasional	TNB MK	Add	9.65	13.20	37%	55,050	(27.2%)
DRB-Hicom	DRB MK	Add	1.77	2.35	33%	3,422	(25.6%)
Power Root Bhd	PWRT MK	Add	1.79	2.80	56%	756	(25.4%)
Ta Ann	TAH MK	Add	2.75	3.39	23%	1,211	(21.4%)

YTD data as at end-Jan 2021

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG COMPANY REPORTS

Key trading themes: Beneficiaries of foreign fund inflows

- We expect foreign fund selling to subside in 2021F as most foreign investors are likely to have underweight or hold zero weightage on Malaysian equities due to concerns over political instability.
- We are of the view that foreign investors could relook Malaysia equities if: (1) political instability concerns subside; (2) ringgit strengthens against US\$ and regional currencies; and (3) valuations become attractive and growth prospects are stronger vs. peers in other EMs. Should foreign investors turn net buyers in the Malaysian equity market, we believe they could revisit some of their previous holdings in Malaysia.
- Based on this, we screen for stocks under our coverage that have witnessed significant drops in foreign shareholding levels between Dec 2017 and Jun 2020, and for which we currently have Add calls and are Shariah-compliant. We have taken Dec 2017 as the starting point as this was the period before GE14 in 2018, which subsequently led to significant outflows of foreign funds.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Foreign shareholding drop %
Inari-Amertron Bhd	INRI MK	Add	3.40	3.70	9%	11,243	(17.4%)
Berjaya Food Berhad	BFD MK	Add	1.60	1.93	21%	567	(14.6%)
Daibochi Bhd	DPP MK	Add	2.46	4.04	64%	805	(14.0%)
SP Setia	SPSB MK	Add	0.92	1.06	16%	3,712	(9.6%)
Tenaga Nasional	TNB MK	Add	9.65	13.20	37%	55,050	(8.5%)
UMW Holdings	UMWH MK	Add	2.88	4.00	39%	3,365	(7.4%)
IJM Corp Bhd	IJM MK	Add	1.50	1.81	21%	5,432	(7.0%)
Mah Sing Group	MSGB MK	Add	0.81	1.35	68%	1,954	(6.9%)
Sime Darby Property Berhad	SDPR MK	Add	0.57	0.85	49%	3,876	(4.8%)
Ta Ann	TAH MK	Add	2.75	3.39	23%	1,211	(4.2%)
Malaysian Pacific Industries	MPI MK	Add	33.00	36.00	9%	6,564	(4.2%)
Uchi Technologies	UCHI MK	Add	2.69	3.00	12%	1,214	(4.0%)
Wellcall Holdings	WELL MK	Add	1.07	1.29	21%	532	(3.4%)
Aemulus Holdings Bhd	AMLS MK	Add	0.70	0.95	36%	424	(2.7%)
Sime Darby Bhd	SIME MK	Add	2.20	2.70	23%	14,966	(2.1%)
LBS Bina Group	LBS MK	Add	0.42	0.47	13%	648	(1.5%)
Bermaz Auto Berhad	BAUTO MK	Add	1.36	1.70	25%	1,580	(1.5%)
KPJ Healthcare	KPJ MK	Add	0.92	1.15	24%	3,937	(1.3%)
EITA Resources Bhd	EITA MK	Add	1.24	2.06	66%	322	(1.0%)
Taliworks Corporation	TWK MK	Add	0.81	0.87	8%	1,623	(0.9%)

YTD data as at end-Jan 2021

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Beneficiaries of foreign fund inflows

- On the flip side, we found ten stocks under our Add call list in which foreign investors have raised their holdings since 31 Dec 2017; these are mostly the glove makers, as well as Thong Guan and IHH Healthcare.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Foreign shareholding gain %
IHH Healthcare Bhd	IHH MK	Add	5.11	6.98	37%	44,852	11.9%
Hartalega Holdings	HART MK	Add	12.86	21.80	70%	44,079	7.0%
Thong Guan Industries	TGI MK	Add	2.38	3.61	52%	904	5.8%
Top Glove Corporation	TOPG MK	Add	6.74	8.90	32%	54,078	5.3%
Kossan Rubber Industries	KRI MK	Add	4.45	7.64	72%	11,361	4.9%
Dialog Group Bhd	DLG MK	Add	3.04	4.91	62%	17,152	4.1%
Axis REIT	AXRB MK	Add	1.97	2.44	24%	2,841	3.5%
Media Chinese Int'l	MCIL MK	Add	0.17	0.20	21%	278	2.6%
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	1.9%
Star Media Group Bhd	STAR MK	Add	0.33	0.50	52%	239	1.3%

YTD data as at end-Jan 2021

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Growth stocks post-Covid-19

- In this thematic, we look for stocks under our coverage that are expected to show strong earnings growth in CY21 and CY22 vs. CY19 and with current market caps of above RM2bn.
- In our selection criteria, we compare the net profit forecasts for FY22F vs. FY19 (pre-Covid-19) for stocks under our coverage that are Shariah-compliant with Add ratings. The screening criteria for growth stocks in this category are that our forecast net profits for these companies for FY21F and FY22F must be higher than their FY19 numbers. Based on this, we have a list of 19 companies, dominated by glove makers (Kossan, Supermax, Top Glove and Hartalega), EMS (ATA, SKP and VS) and technology players (Inari and MPI).
- The top five largest market cap stocks that fit the screening of our definition of growth stocks and with highest upside to our target prices are Top Glove, Hartalega, Supermax, Kossan Rubber and Yinson.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Earnings growth (%)	
							CY21F vs CY19	CY22F vs CY19
Supermax Corp	SUCB MK	Add	6.80	11.80	74%	17,800	1,008.7%	567.7%
Kossan Rubber Industries	KRI MK	Add	4.45	7.64	72%	11,361	983.6%	503.5%
Hartalega Holdings	HART MK	Add	12.86	21.80	70%	44,079	688.6%	468.6%
Top Glove Corporation	TOPG MK	Add	6.74	8.90	32%	54,078	902.9%	427.7%
Yinson Holdings Bhd	YNS MK	Add	5.20	6.80	31%	5,539	374.7%	386.2%
SP Setia	SPSB MK	Add	0.92	1.06	16%	3,712	106.3%	153.9%
SKP Resources Bhd	SKP MK	Add	2.19	2.35	7%	2,737	87.0%	116.4%
Genting Plantations	GENP MK	Add	9.71	10.90	12%	8,712	77.3%	104.7%
Inari-Amertron Bhd	INRI MK	Add	3.40	3.70	9%	11,243	75.8%	92.6%
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	2.96	3.45	17%	18,579	46.7%	90.5%
ATA IMS Bhd	AIB MK	Add	2.18	2.43	12%	2,622	66.0%	89.8%
VS Industry Bhd	VSI MK	Add	2.74	3.00	9%	5,155	55.9%	88.6%
Malaysian Pacific Industries	MPI MK	Add	33.00	36.00	9%	6,564	65.1%	83.8%
Malakoff Corporation	MLK MK	Add	0.90	1.05	17%	4,374	43.3%	45.9%
IHH Healthcare Bhd	IHH MK	Add	5.11	6.98	37%	44,852	5.5%	37.3%
Telekom Malaysia	T MK	Add	6.35	7.00	10%	23,963	25.1%	35.0%
Dialog Group Bhd	DLG MK	Add	3.04	4.91	62%	17,152	14.9%	34.4%
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	37.0%	32.9%
UMW Holdings	UMWH MK	Add	2.88	4.00	39%	3,365	12.4%	32.8%
Axis REIT	AXRB MK	Add	1.97	2.44	24%	2,841	15.1%	29.8%
IJM Corp Bhd	IJM MK	Add	1.50	1.81	21%	5,432	15.6%	24.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Retail picks in the small-cap space

- In the retail picks category, we screen for value play small-to-mid-cap companies in our Add list (market cap of less than RM2bn).
- Based on our screening exercise, we have a list of ten stocks where the forward P/E is at or less than 13x for FY21-22F. The three stocks with the highest upside to our target prices based on the above are Lee Swee Kiat (+84%), Mah Sing (68%) and Thong Guan (+52%).

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Core P/E (x)	
							CY21F	CY22F
Mah Sing Group	MSGB MK	Add	0.81	1.35	68%	1,954	7.8	5.7
Bonia Corporation	BON MK	Add	0.84	0.98	17%	169	9.3	8.8
DKSH Holdings (Malaysia)	DKSH MK	Add	3.18	3.90	23%	501	9.3	8.0
CCK Consolidated Holdings	CCK MK	Add	0.55	0.80	45%	345	9.9	8.9
Thong Guan Industries	TGI MK	Add	2.38	3.61	52%	904	10.2	9.3
LBS Bina Group	LBS MK	Add	0.42	0.47	13%	648	10.5	9.8
Lee Swee Kiat Group	LSKG MK	Add	0.87	1.60	84%	140	12.0	7.0
Oceancash Pacific Bhd	OCP MK	Add	0.55	0.74	37%	142	12.4	10.6
Success Transformer Corp	STC MK	Add	0.79	0.87	10%	180	12.7	10.1
Bermaz Auto Berhad	BAUTO MK	Add	1.36	1.70	25%	1,580	12.8	11.3

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: GLC picks

- In this category, we identify government-linked companies (GLC) that are forecast to deliver strong net profit growth in 2021F and 2022F vs. 2019, and for which we have Add calls and are Shariah-compliant.
- The earnings growth projected post-Covid-19 is expected to be driven by improving fundamentals in the industry they operate in or efforts undertaken by management to improve efficiency.
- Based on the above selection criteria, we derive a list of seven GLC picks, namely SP Setia, Telekom, MISC, UMW, Sime Darby, Tenaga Nasional, and Petronas Gas.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Earnings growth (%)	
							CY21F vs CY19	CY22F vs CY19
SP Setia	SPSB MK	Add	0.92	1.06	16%	3,712	106.3%	153.9%
Telekom Malaysia	T MK	Add	6.35	7.00	10%	23,963	25.1%	35.0%
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	37.0%	32.9%
UMW Holdings	UMWH MK	Add	2.88	4.00	39%	3,365	12.4%	32.8%
Sime Darby Bhd	SIME MK	Add	2.20	2.70	23%	14,966	11.2%	11.3%
Tenaga Nasional	TNB MK	Add	9.65	13.20	37%	55,050	4.4%	5.9%
Petronas Gas	PTG MK	Add	16.04	18.60	16%	31,739	3.2%	3.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Dividend yield picks

- The record-low interest rate environment in Malaysia has led investors to seek out good dividend-yielding stocks, which in turn has boosted market sentiment in the equity market.
- To recap, Malaysia cut its OPR rate by 125bp to a record low of 1.75% in 2020. As such, we continue to like stocks that offer high dividend yields, which we think will provide shelter in these uncertain times.
- We screen for Shariah-compliant stocks in our universe that offer dividend yields of 4% and above.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Dividend yield (%)	
							CY21F	CY22F
Top Glove Corporation	TOPG MK	Add	6.74	8.90	32%	54,078	10.3%	5.3%
Kossan Rubber Industries	KRI MK	Add	4.45	7.64	72%	11,361	8.2%	4.6%
Taliworks Corporation	TWK MK	Add	0.81	0.87	8%	1,623	8.2%	8.2%
Supermax Corp	SUCB MK	Add	6.80	11.80	74%	17,800	7.7%	4.6%
Malakoff Corporation	MLK MK	Add	0.90	1.05	17%	4,374	7.7%	7.8%
Mah Sing Group	MSGB MK	Add	0.81	1.35	68%	1,954	6.2%	8.1%
Power Root Bhd	PWRT MK	Add	1.79	2.80	56%	756	6.1%	7.0%
Uchi Technologies	UCHI MK	Add	2.69	3.00	12%	1,214	5.9%	5.9%
Wellcall Holdings	WELL MK	Add	1.07	1.29	21%	532	5.9%	6.7%
EITA Resources Bhd	EITA MK	Add	1.24	2.06	66%	322	5.6%	5.6%
Sime Darby Bhd	SIME MK	Add	2.20	2.70	23%	14,966	5.5%	5.5%
Bermaz Auto Berhad	BAUTO MK	Add	1.36	1.70	25%	1,580	5.4%	5.8%
Hartalega Holdings	HART MK	Add	12.86	21.80	70%	44,079	5.3%	3.8%
Gas Malaysia Berhad	GMB MK	Add	2.60	3.00	15%	3,338	5.2%	5.3%
Tenaga Nasional	TNB MK	Add	9.65	13.20	37%	55,050	5.0%	5.1%
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	4.8%	4.8%
KLCCP Stapled Group	KLCCSS MK	Hold	7.05	7.25	3%	12,728	4.8%	4.9%
Axis REIT	AXRB MK	Add	1.97	2.44	24%	2,841	4.7%	5.3%
Axiata Group	AXIATA MK	Hold	3.33	4.45	34%	30,535	4.7%	5.3%
Petronas Gas	PTG MK	Add	16.04	18.60	16%	31,739	4.5%	4.5%
Syarikat Takaful Malaysia Keluarga	STMB MK	Hold	4.30	5.06	18%	3,571	4.3%	4.5%
Maxis Berhad	MAXIS MK	Hold	4.77	5.10	7%	37,316	4.2%	4.2%
Pharmaniaga Bhd	PHRM MK	Hold	4.91	5.41	10%	1,285	4.1%	3.8%
DiGi.com	DIGI MK	Hold	3.79	4.00	6%	29,467	4.0%	4.3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Tourism recovery plays

- We screened for Shariah-compliant companies that would benefit from a recovery in Malaysia's tourism sector when the country reopens its borders, and for which we have Add calls.
- The key beneficiaries we have identified for the revival of international tourist arrivals to Malaysia are retailers, REITs, hospitals (medical tourism) and airline players.
- There are five Shariah-compliant stocks under our coverage with exposure to a recovery in the tourism sector, and for which we have Add ratings. They are IHH, KPJ, Bonia, InNature and Mr D.I.Y. Group.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Earnings growth (%)	
							CY21F vs CY19	CY22F vs CY19
Hospitals								
KPJ Healthcare	KPJ MK	Add	0.92	1.15	24%	3,937	(16.4%)	0.9%
IHH Healthcare Bhd	IHH MK	Add	5.11	6.98	37%	44,852	5.5%	37.3%
Consumer								
Bonia Corporation	BON MK	Add	0.84	0.98	17%	169	79.4%	87.9%
InNature Bhd	INNATURE MK	Add	0.50	0.60	20%	349	(29.7%)	(8.6%)
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	2.96	3.45	17%	18,579	46.7%	90.5%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Key trading themes: Top picks based on upside potential to our TP

- We combined all the stocks that we selected above based on the seven aforementioned themes and filtered them for those that offer at least 20% upside to our target price. Based on the above screening exercise, we derive a list of 51 stocks. The top five with the highest upside to our target prices are Lee Swee Kiat, Supermax Corp, Kossan Rubber, Hartalega and Mah Sing.

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside	Market Cap (RM m)	Earnings growth (%)	
							CY21F vs CY19	CY22F vs CY19
Lee Sw ee Kiat Group	LSKG MK	Add	0.87	1.60	84%	140	43.6%	146.4%
Supermax Corp	SUCB MK	Add	6.80	11.80	74%	17,800	1,008.7%	567.7%
Kossan Rubber Industries	KRI MK	Add	4.45	7.64	72%	11,361	983.6%	503.5%
Hartalega Holdings	HART MK	Add	12.86	21.80	70%	44,079	688.6%	468.6%
Mah Sing Group	MSGB MK	Add	0.81	1.35	68%	1,954	75.9%	137.7%
EITA Resources Bhd	EITA MK	Add	1.24	2.06	66%	322	2.8%	25.4%
Daibochi Bhd	DPP MK	Add	2.46	4.04	64%	805	88.1%	115.1%
Dialog Group Bhd	DLG MK	Add	3.04	4.91	62%	17,152	14.9%	34.4%
UEM Sunrise Bhd	UEMS MK	Add	0.38	0.59	58%	1,897	(58.8%)	(60.0%)
Power Root Bhd	PWRT MK	Add	1.79	2.80	56%	756	7.0%	22.7%
Thong Guan Industries	TGI MK	Add	2.38	3.61	52%	904	39.9%	54.2%
Star Media Group Bhd	STAR MK	Add	0.33	0.50	52%	239	(397.2%)	(329.6%)
Sime Darby Property Berhad	SDPR MK	Add	0.57	0.85	49%	3,876	2.4%	(15.8%)
Malaysian Resources Corp	MRC MK	Add	0.39	0.56	45%	1,699	38.1%	123.5%
CCK Consolidated Holdings	CCK MK	Add	0.55	0.80	45%	345	3.8%	15.5%
UMW Holdings	UMWH MK	Add	2.88	4.00	39%	3,365	12.4%	32.8%
Tenaga Nasional	TNB MK	Add	9.65	13.20	37%	55,050	4.4%	5.9%
IHH Healthcare Bhd	IHH MK	Add	5.11	6.98	37%	44,852	5.5%	37.3%
Oceancash Pacific Bhd	OCP MK	Add	0.55	0.74	37%	142	61.7%	89.5%
Aemulus Holdings Bhd	AMLS MK	Add	0.70	0.95	36%	424	(393.3%)	(590.9%)
DRB-Hicom	DRB MK	Add	1.77	2.35	33%	3,422	1.7%	(9.5%)
Top Glove Corporation	TOPG MK	Add	6.74	8.90	32%	54,078	902.9%	427.7%
Yinson Holdings Bhd	YNS MK	Add	5.20	6.80	31%	5,539	374.7%	386.2%
MISC Bhd	MISC MK	Add	5.96	7.63	28%	26,604	37.0%	32.9%
Bermaz Auto Berhad	BAUTO MK	Add	1.36	1.70	25%	1,580	(20.6%)	(9.9%)
KPJ Healthcare	KPJ MK	Add	0.92	1.15	24%	3,937	(16.4%)	0.9%
Axis REIT	AXRB MK	Add	1.97	2.44	24%	2,841	15.1%	29.8%
Ta Ann	TAH MK	Add	2.75	3.39	23%	1,211	88.5%	127.9%
Sime Darby Bhd	SIME MK	Add	2.20	2.70	23%	14,966	11.2%	11.3%
DKSH Holdings (Malaysia)	DKSH MK	Add	3.18	3.90	23%	501	(2.8%)	12.3%
Media Chinese Int'l	MCIL MK	Add	0.17	0.20	21%	278	(128.9%)	(76.1%)
IJM Corp Bhd	IJM MK	Add	1.50	1.81	21%	5,432	15.6%	24.2%
Wellcall Holdings	WELL MK	Add	1.07	1.29	21%	532	8.0%	22.7%
Berjaya Food Berhad	BFD MK	Add	1.60	1.93	21%	567	(155.3%)	(160.6%)
InNature Bhd	INNATURE MK	Add	0.50	0.60	20%	349	(29.7%)	(8.6%)

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

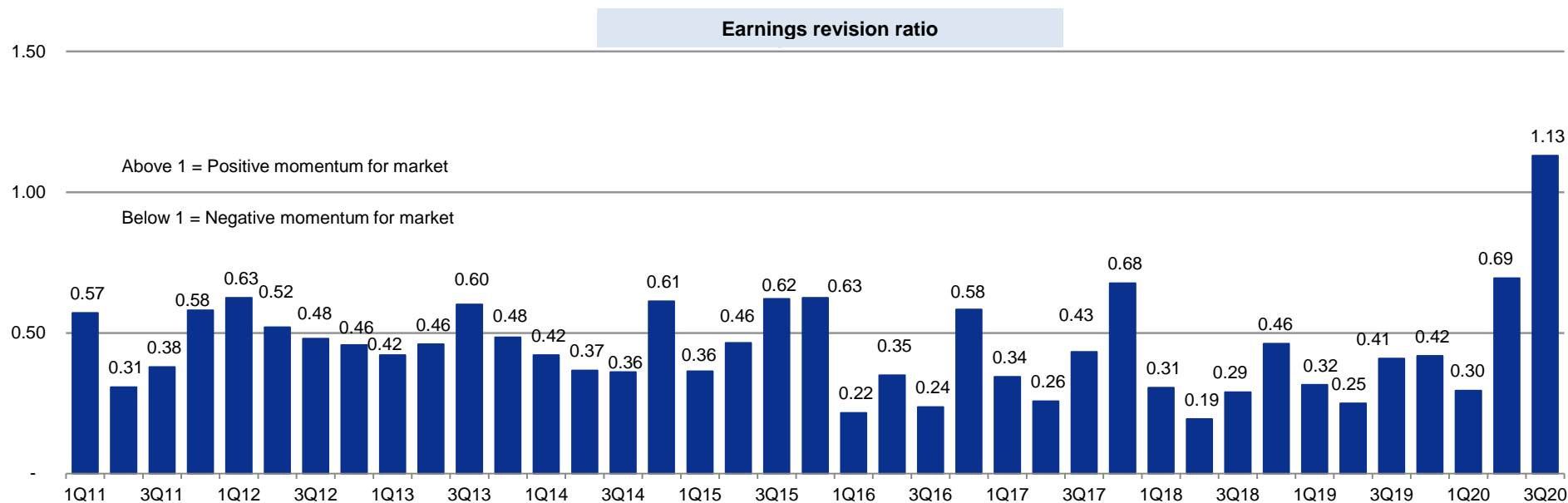
Risks: Global volatility

Risks that could derail earnings growth prospects and roil financial markets include:

- New waves of Covid-19 forcing additional travel and movement restrictions;
- Setbacks to vaccination timelines;
- Slower-than-expected recovery in the global economy;
- 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: Earnings Risks

- 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. In 2020, corporate earnings remained weak due to the partial lockdown imposed to contain the spread of Covid-19. However, strong commodity prices and record earnings from glove makers and technology players have brightened corporate earnings prospects in Malaysia.
 - We were positively surprised by 3Q20 corporate earnings, with the earnings revision ratio (companies that surprised on the upside/companies that surprised on the downside) rising to 1.13x in 3Q20 from 0.69x in 2Q20. This led us to upgrade earnings forecasts of companies under our coverage by 7.4% for CY20F and 13.8% for CY21F.
 - The key risks to our future earnings growth forecasts for corporate Malaysia lie in delayed rollout of vaccination timelines, weaker-than-expected commodity prices, sharp fall in ASPs for gloves, higher-than-expected credit costs for banks and new waves of Covid-19 outbreaks which could force new movement restrictions and political instability.
- Other potential global headwinds are global economic recession, new waves of Covid-19 outbreaks/delays in vaccines, Brexit uncertainties, and US-China trade war.

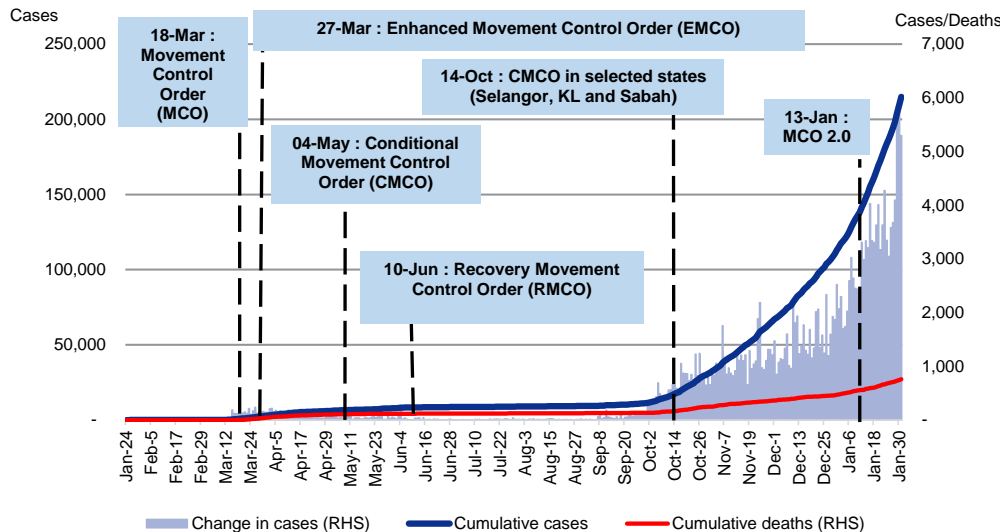


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Risks: New Covid-19 cases in Malaysia remain high despite MCO 2.0

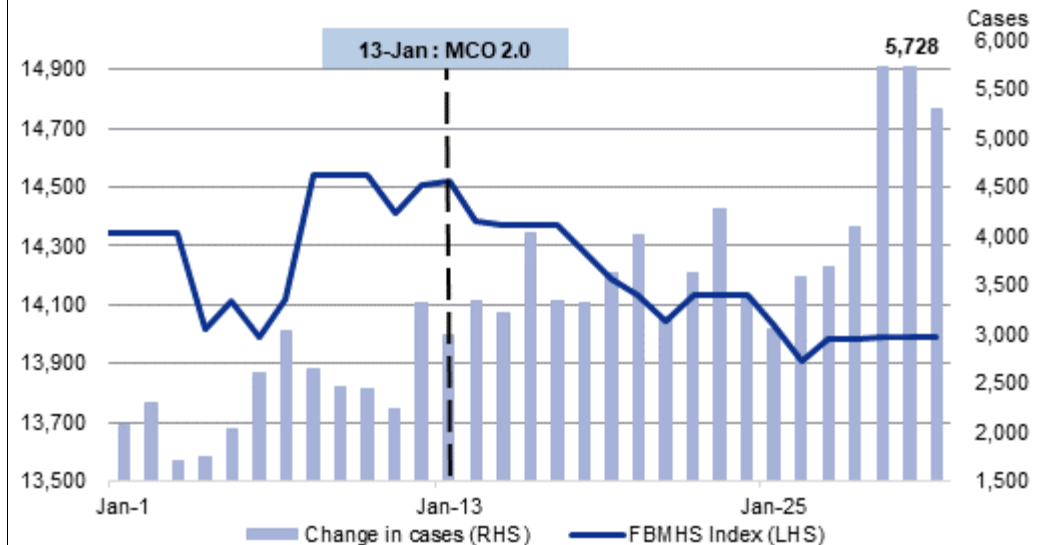
- The number of new Covid-19 cases started to rise ahead of the Sabah elections' campaigning period (12-26 Sep 2020). This resulted in Sabah being placed under a conditional movement control order (CMCO) on 13 Oct while Kuala Lumpur and Selangor were placed under CMCO on 14 Oct. Following significant spikes in infections and the emergence of several new clusters, the government extended the CMCO in Selangor and Kuala Lumpur, which was due to end on 31 Dec 2020, to 14 Jan 2021 and the CMCO in Sabah to 14 Jan 2021. However, the government lifted inter-state travel restrictions on 9 Dec 2020.
- On 31 Dec, the number of new Covid-19 cases in Malaysia rose to a record 2,525. The persistently high number of new cases prompted the government to impose a stricter movement control order (dubbed MCO2.0) from 13 Jan to 4 Feb 2021. However, the number of new Covid-19 cases increased to a record of 5,728 on 30 Jan 2021.

Malaysia's active and new Covid-19 cases have been on the rise over the past three months



SOURCES: CGS-CIMB, MINISTRY OF HEALTH MALAYSIA

Malaysia's new Covid-19 cases vs. FBM Hijrah Index in 2021



SOURCES: CGS-CIMB, MINISTRY OF HEALTH MALAYSIA, BLOOMBERG

Risks: Potential outflow of foreign funds

- Foreign shareholding in Malaysia as at end-Dec 20 was 20.7% and we estimate the value to be around RM376bn. Every 1%-pt change in the foreign shareholding ratio will lead to an outflow of around RM18.1bn, based on our estimates. The lowest monthly foreign shareholding registered post the global financial crisis (GFC) was 20.3% and should Malaysia's foreign shareholding revert to that level, it will be equivalent to stock market selling of an estimated c.RM7.3bn which we believe can be absorbed by domestic funds and retail investors.

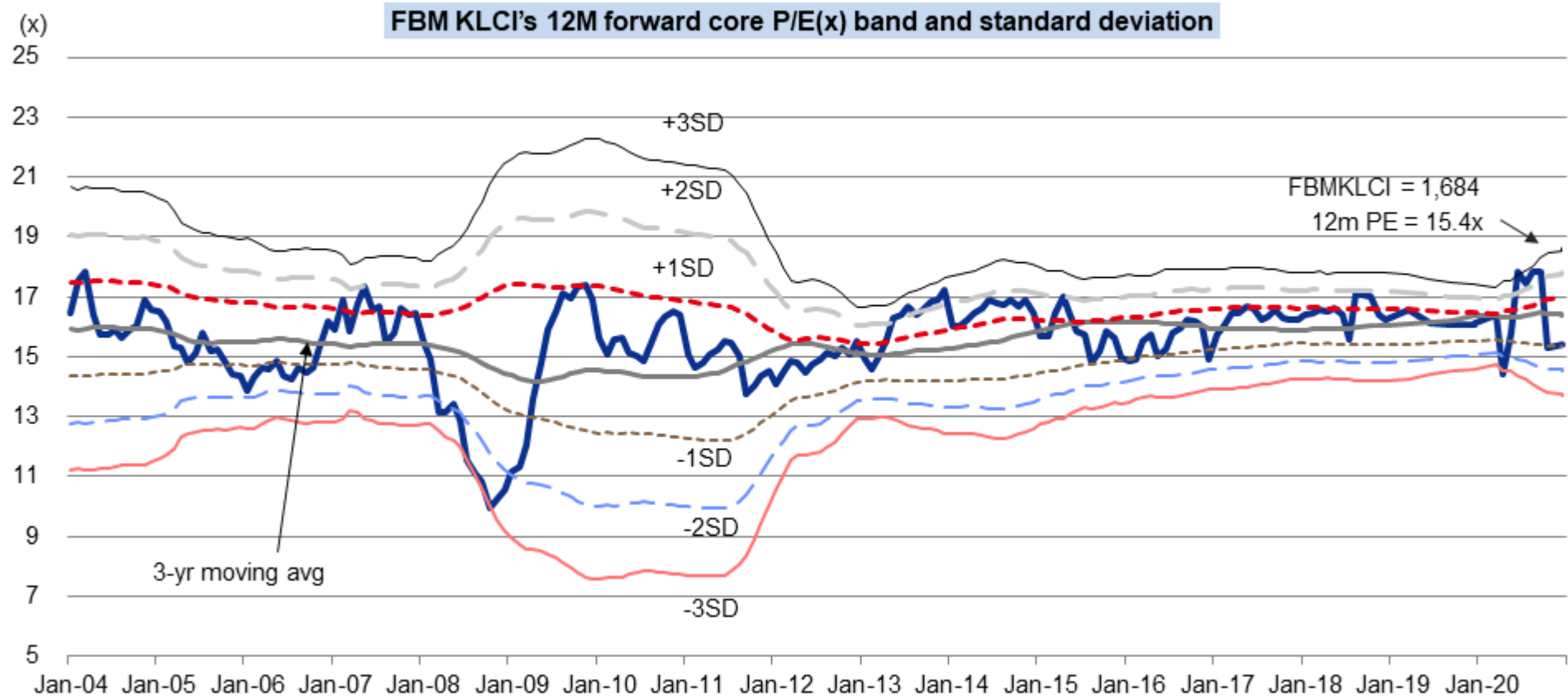
Foreign shareholding in Malaysian equity market



SOURCES: CGS-CIMB RESEARCH, BURSA MALAYSIA

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

- Our estimates reveal that the KLCI is currently trading at 14.4x CY21F P/E and 14.5x CY22F P/E. On a three-year moving average P/E basis, the market is trading at 15.4x, which, in our view, is broadly in line with historical trading range, mainly to reflect the expectation of a strong recovery in KLCI earnings and the economy in 2021F.



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Sensitivity of CGS-CIMB's end-2021F KLCI target

- Our base case KLCI target of 1,759 pts for end-2021F values the KLCI at 16.2x forward P/E or its 3-year historical average forward P/E. This is to reflect the higher liquidity in the market as well political uncertainty.
- Our sensitivity analysis reveals that should the market trade at the top end of its historical range, which is at 2 or 3 s.d. above its 3-year historical average forward P/E of 16.2x, our KLCI target could rise to 1,932 pts and 2,019 pts, respectively.
- Conversely, should the market correct due to concerns over weaker-than-expected corporate earnings/economic recovery prospects, the KLCI target could fall to as low as 1 s.d. or 2 s.d. below its 3-year historical average forward P/E of 15.4x and 14.6x, which could lower our end-2021F KLCI target to between 1,673 and 1,586 points, based on our estimates.
- The sensitivity of our KLCI target if we move our target P/E by 1 s.d. above or below the 3-year moving average forward P/E is around 87 pts, based on our current earnings estimates.

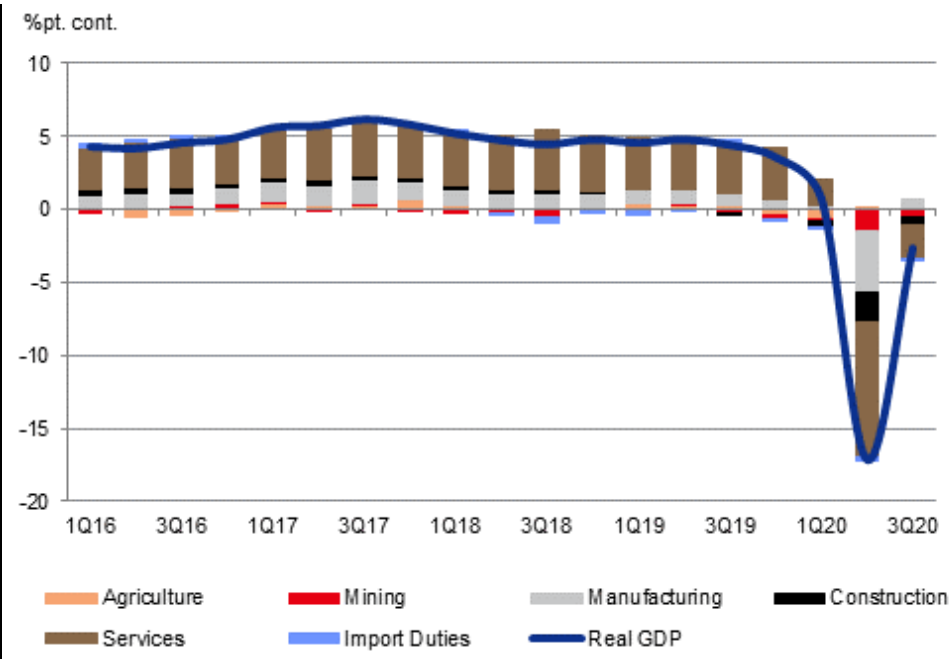
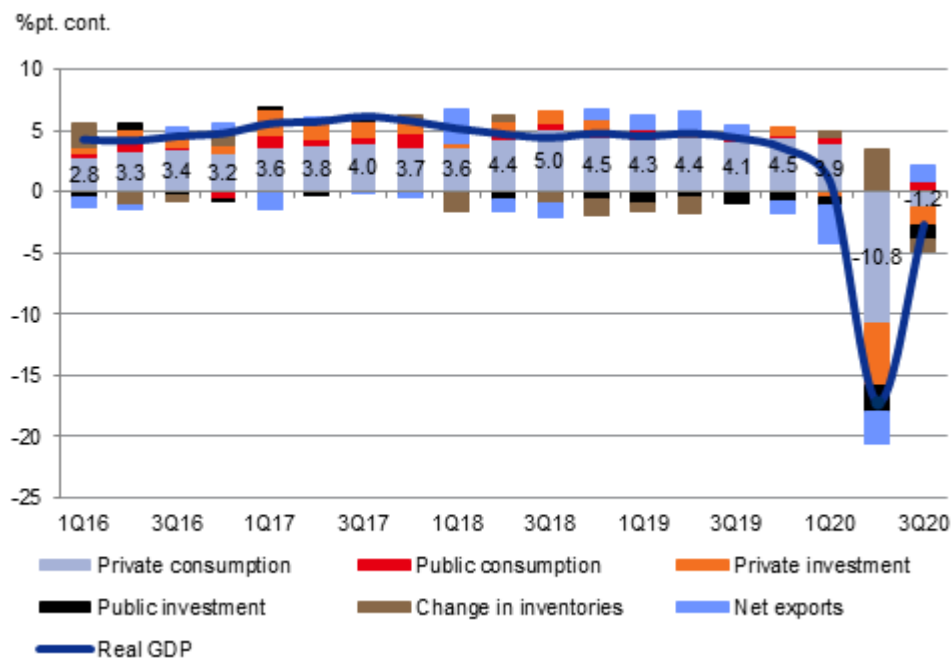
Sensitivity of CGS-CIMB's end-2021F KLCI target to various P/E valuation assumptions	FBMKLCI	12M Forward P/E (x)
Mean P/E	1,759	16.2
+1 s.d.	1,846	17.0
+2 s.d.	1,932	17.7
+3 s.d.	2,019	18.5
-1 s.d.	1,673	15.4
-2 s.d.	1,586	14.6
-3 s.d.	1,500	13.8

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Bumpy road to reopening of economy

- The decline in Malaysia’s real GDP narrowed to -2.7% yoy in 3Q20 (-17.1% yoy in 2Q20) as economic activity rebounded strongly on a sequential basis (+18.2% qoq seasonally adjusted (sa) vs. -16.5% qoq sa in 2Q20) following the transition into the Recovery Movement Control Order (RMCO) in Jun 2020.
- Looking ahead, we remain optimistic that Malaysia is well-positioned for economic recovery in 2021. Strengths are leverage to the uptrend in external demand for commodities and manufacturing, lower reliance on tourism and services exports than regional peers like Singapore and Thailand, a bipartisan commitment to fiscal expansion and relatively ample policy room to enhance monetary accommodativeness.

Sharp post-CMCO GDP recovery in 3Q20 boosted by reopening & stimulus but expect return of CMCO in Oct-Dec to dent progress in 4Q20 GDP

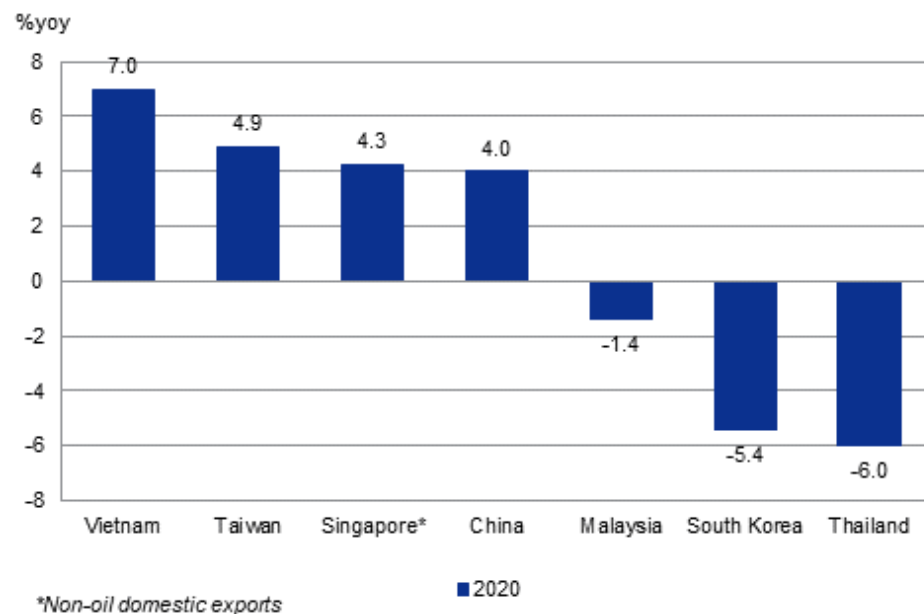


SOURCES: CGS-CIMB RESEARCH, CEIC

Rosy outlook for 2021 depends on Covid-19 containment

- Progress in 4Q20 economic recovery was halted by a third wave of Covid-19 cases, which exceeded the last two waves in breadth and severity. We estimate the daily economic losses due to the second round of MCO effective 13 Jan-18 Feb 2021 at RM0.75bn, higher than the RM0.2bn incurred under the previous Conditional MCO (CMCO) but significantly less painful than the RM2.4bn lost during the first MCO from Mar to May 2020.
- We expect each fortnight of MCO 2.0 to shave RM10bn or 0.7% points from our headline GDP growth forecast of 7.5% in 2021F. We have not imputed the effects of MCO 2.0 in our GDP forecast.

Exports driven by demand for gloves and electronics



Allocation for construction in Budget 2021

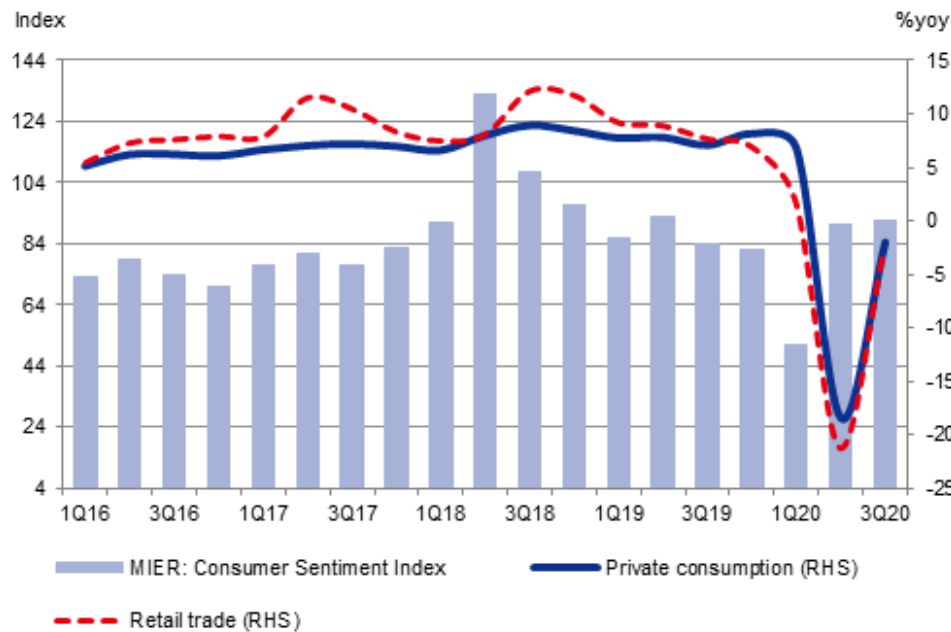
	RM m	% of total
Public transport infrastructure projects	15,000	40%
Water and electricity infra, roads, medical facilities and education (Sabah & Sarawak)	9,600	26%
Various building, housing and rural projects	4,086	11%
New infrastructure projects	3,800	10%
Small and medium scale projects for G1 to G4 contractors	2,500	7%
Rural road network (920km)	1,300	4%
Projects in various development regions	780	2%
Total	37,066	100%

SOURCES: CGS-CIMB RESEARCH, CEIC, BUDGET 2021

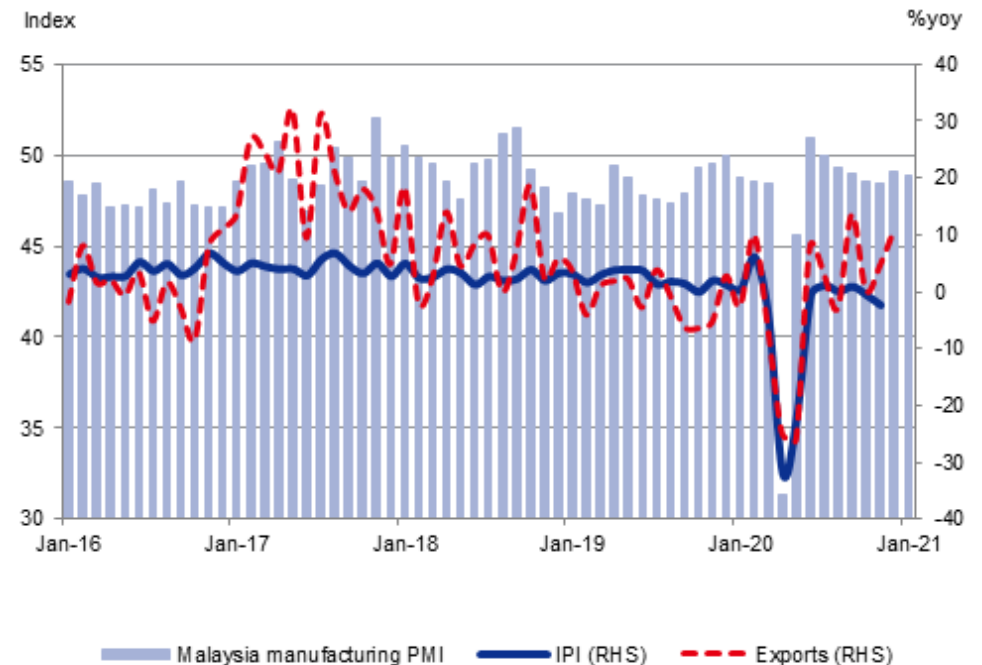
Recovery prospects rest on consumer rebound and goods exports

- The normalisation in consumer spending will rest on an efficient rollout of the vaccination programme, scheduled to commence in Feb. The government has secured sufficient vaccines to cover 83% of the population.
- We are projecting private consumption to rebound by 7% in 2021F (-4% in 2020), driven by a low base, greater reopening of economic activities, improved employment trends and income growth.
- A synchronised global recovery and continued demand for rubber products will underpin the manufacturing sector’s expansion, which we forecast at +6.8% in 2021F.

Consumer spending and sentiment normalising



Manufacturing activity was quickest to recover

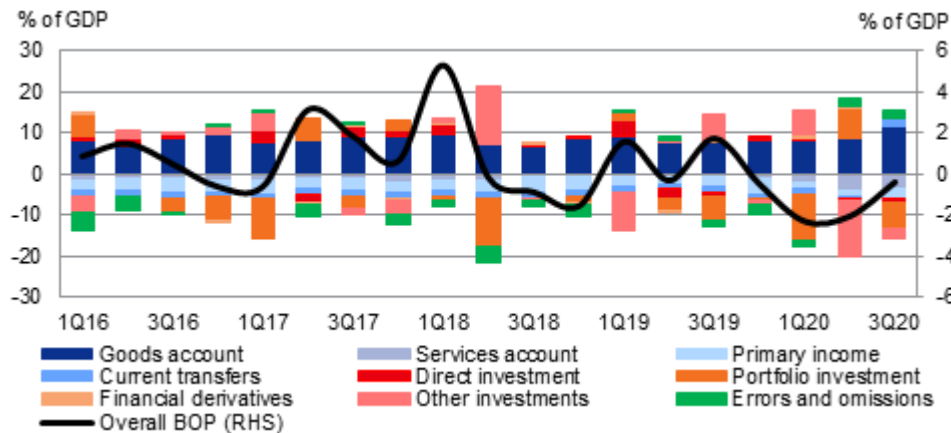


SOURCES: CGS-CIMB RESEARCH, CEIC, BLOOMBERG

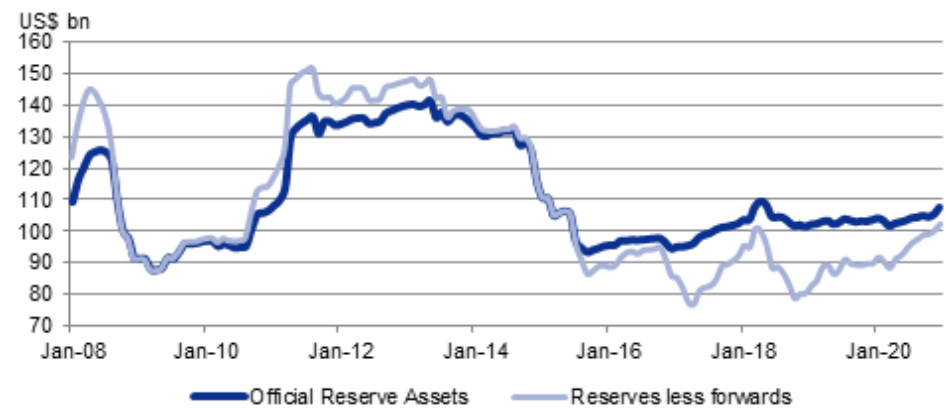
MCO 2.0 puts BNM on the defensive

- The MPC expects the growth trajectory “to improve from 2Q21 onwards” but emphasised that the “stance of monetary policy going forward will be determined by new data and information”. Should the growth outlook continue to falter, BNM may be pressed into easing monetary policy again.
- We foresee BNM reducing the OPR by 25bp to 1.50% in 1H21F, at either the Mar or May meeting.

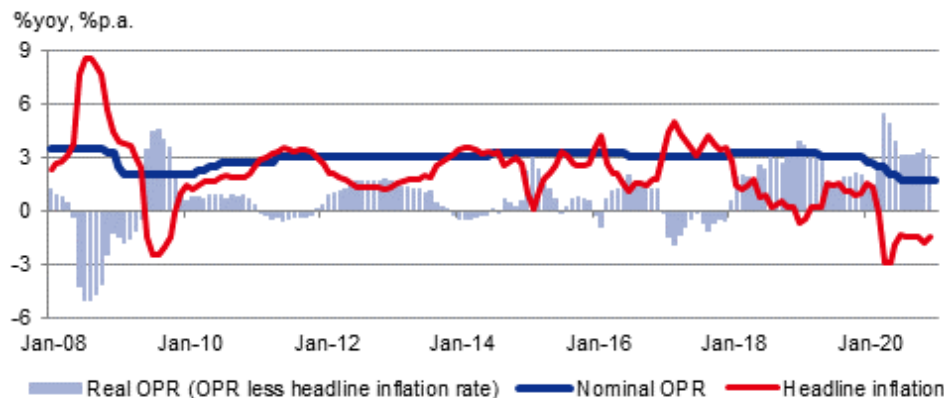
Gains in goods surplus & current transfers offset services and financial outflows



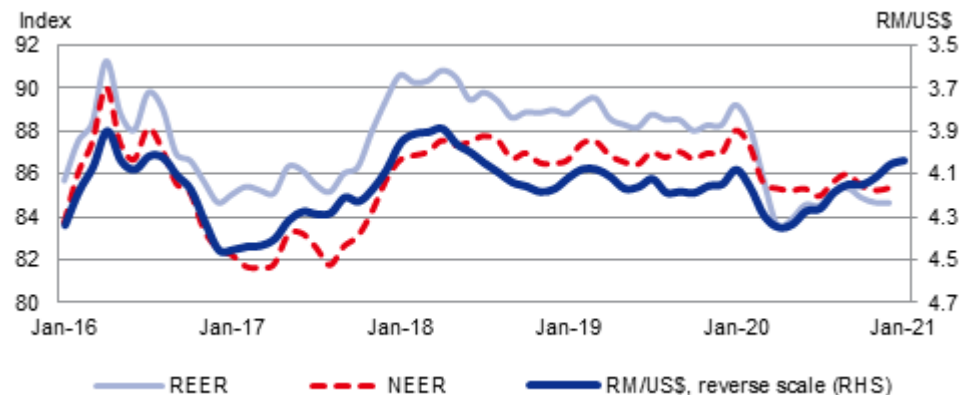
International reserves rose to US\$107.6bn in Dec 2020



We expect one 25bp cut in the OPR in 1H21F



Ringgit underpinned by recovery and US\$ weakness



Macro forecast

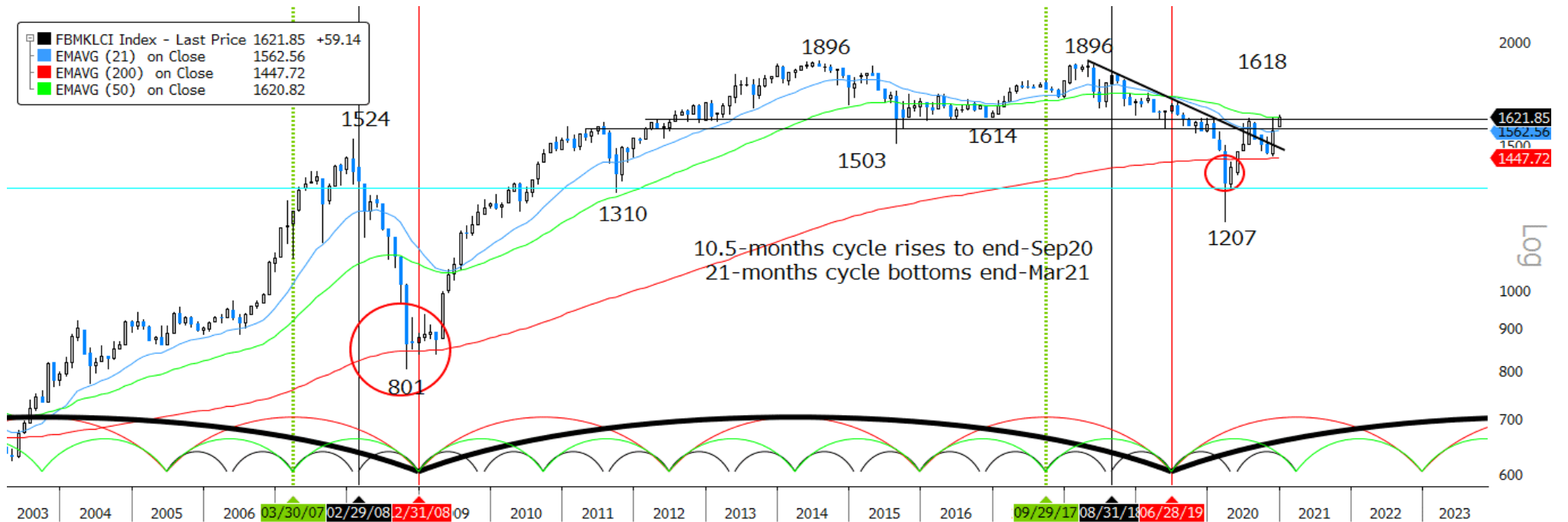
	2017	2018	2019	2020F	2021F	2017	2018	2019	2020F	2021F
	%yoy					% of GDP				
Real GDP	5.8	4.8	4.3	-5.0	7.5	100.0	100.0	100.0	100.0	100.0
<i>By expenditure</i>										
Private consumption	6.9	8.0	7.6	-4.0	7.0	55.3	56.9	58.7	59.4	59.4
Public consumption	5.7	3.2	2.0	4.9	3.0	12.6	12.4	12.2	13.5	12.9
Gross fixed capital formation	6.1	1.4	-2.1	-13.8	7.8	25.5	24.6	23.1	21.0	21.1
Net exports	-	-	-	-	-	6.6	6.7	7.0	6.9	6.8
Exports	8.7	1.9	-1.3	-9.3	8.3	69.2	67.3	63.7	60.9	61.6
Imports	10.2	1.5	-2.5	-9.7	8.8	62.6	60.7	56.7	53.9	54.8
<i>By sector</i>										
Agriculture	5.9	0.1	2.0	-2.3	4.3	7.6	7.3	7.1	7.4	7.2
Mining	0.4	-2.2	-2.0	-9.2	3.3	8.1	7.6	7.1	6.8	6.6
Manufacturing	6.0	5.0	3.8	-2.7	6.8	22.3	22.4	22.3	22.8	22.7
Construction	6.7	4.2	0.1	-18.4	12.1	4.9	4.9	4.7	4.0	4.2
Services	6.3	6.8	6.1	-5.0	7.8	55.6	56.7	57.7	57.8	58.1

	Unit	2013	2014	2015	2016	2017	2018	2019	2020F	2021F
Real GDP	%yoy	4.7	6.0	5.1	4.4	5.8	4.8	4.3	-5.0	7.5
Industrial production	%yoy	3.4	5.2	4.7	4.1	4.4	3.0	2.4	-4.0	5.7
Gross exports	%yoy	2.5	6.3	1.6	1.2	18.8	7.3	-1.7	-1.4	10.9
Gross imports	%yoy	6.9	5.3	0.4	1.9	19.7	5.2	-3.5	-6.3	11.5
Trade balance	RM bn	71.3	82.5	91.6	88.1	98.5	123.8	137.3	184.8	184.7
Current account	% of GDP	3.4	4.3	3.0	2.4	2.8	2.2	3.4	2.8	2.0
International reserves	US\$ bn	134.9	115.9	95.3	94.5	102.4	101.4	103.6	107.6	108.2
Headline inflation, average	%yoy	2.1	3.1	2.1	2.1	3.7	1.0	0.7	-1.2	1.6
Unemployment rate	%	3.0	3.0	3.4	3.5	3.3	3.3	3.3	5.0	4.0
Overnight policy rate	%p.a.	3.0	3.3	3.3	3.0	3.0	3.3	3.0	1.8	1.5
Ringgit per US dollar, average	RM/US\$	3.2	3.3	3.9	4.1	4.3	4.0	4.1	4.2	4.0

SOURCES: CGS-CIMB RESEARCH, CEIC

Technical analysis for FBMKLCI: A change in trend

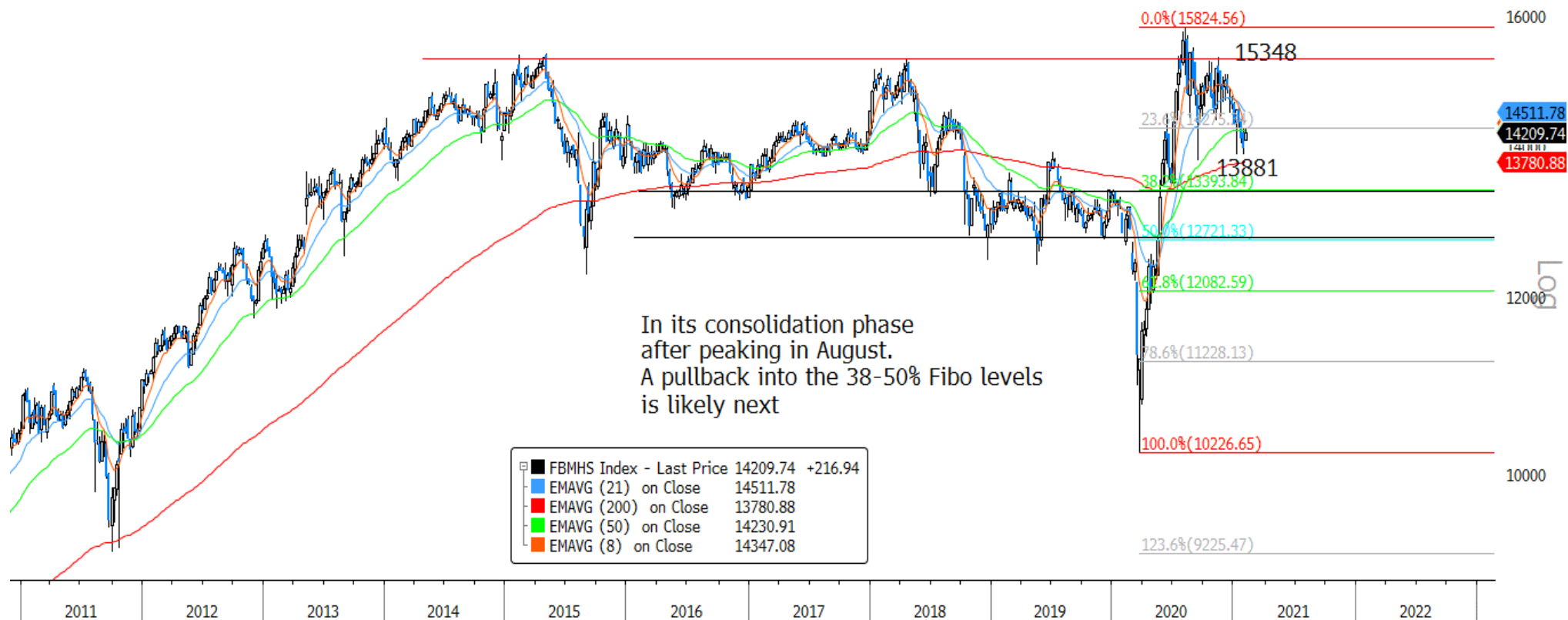
- We had earlier suggested that there was a possible selling capitulation in Mar 20 when the benchmark FBMKLCI (KLCI) hit a low of 1,207 (see Malaysia Strategy: How sustainable is the market rally?). Since then, the market has rallied and tested the 1,618-1,625 critical resistance twice in the space of a few months.
- The breakout of this critical resistance in early-Dec bodes well for the longer term, indicating that a change in trend (from down to up) is taking place right now. The breakout not only confirms that a major low (at 1,207) is in place, following the termination of the downtrend sequence of lower lows and lower highs from the Apr 18 highs, it also gives our long-term bullish view a big boost, confirming that the KLCI's new 126-month cycle is now firmly underway.
- Failure to sustain the breakout move may see the index remaining in its base building phase, above its 200-month EMA (currently at 1,447) again, as it tries to form a firmer base before launching its next move higher. Closing below the said moving average is negative for the index.



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 following the strong rally from the March 2020 lows of 10,607 to the August 2020 highs of 15,824. Since the said high, the index has been in consolidation mode after failing to firmly clear the 15,350 resistance levels.
- The pullback since the high looks a tad short both in terms of time and in magnitude, suggesting that for at least the 1H21, the FBMHS is likely to remain in consolidation. The index may potentially trade sideways in the near term before a leg lower to either 13,393 (the 38% Fibonacci retracement) or 12,721 (the 50% Fibonacci retracement) to complete the correction.
- Once the bulls have regained their strength, we expect the index to start pushing to new highs again, potentially in 2H21 or 1H22.



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)	Upside (%)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)			
							CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2022F	CY2020F	CY2021F	CY2020F	CY2021F		
Axis REIT	AXRB MK	Add	1.93	2.44	27%	684	20.8	20.7	6.4%	1.31	1.32	6.4%	6.4%	7.2%	na	na	4.5%	4.8%		
Dialog Group Bhd	DLG MK	Add	3.16	4.91	55%	4,381	30.7	27.3	10.1%	4.13	3.74	14.2%	14.4%	15.2%	32.4	29.4	1.1%	1.5%		
DRB-Hicom	DRB MK	Add	1.80	2.35	31%	855	na	13.6	-2.6%	0.51	0.49	-2.4%	3.7%	3.2%	7.0	4.8	0.0%	0.0%		
Genting Plantations	GENP MK	Add	9.59	10.90	14%	2,114	36.0	34.2	25.6%	1.71	1.67	4.8%	4.9%	5.5%	16.0	16.1	1.0%	1.4%		
Hartalega Holdings	HART MK	Add	13.24	21.80	65%	11,151	16.4	11.6	79.9%	12.48	8.73	88.5%	87.8%	48.9%	12.7	8.7	3.6%	5.2%		
IJM Corp Bhd	IJM MK	Add	1.51	1.81	20%	1,344	24.2	20.4	8.0%	0.55	0.53	2.3%	2.6%	2.8%	19.6	18.6	1.7%	1.9%		
Inari-Amertron Bhd	INRI MK	Add	3.49	3.70	6%	2,836	49.6	36.2	25.7%	8.71	8.54	17.8%	23.5%	25.6%	31.2	24.2	1.9%	2.5%		
KPJ Healthcare	KPJ MK	Add	0.96	1.15	20%	1,004	30.3	24.1	0.8%	2.10	2.00	7.1%	8.5%	9.7%	12.0	11.0	1.6%	2.1%		
Pentamaster Corp Bhd	PENT MK	Add	6.39	5.60	-12%	1,118	61.6	45.6	12.5%	9.04	7.73	15.7%	18.3%	19.4%	36.7	26.5	0.2%	0.3%		
Sime Darby Bhd	SIME MK	Add	2.21	2.70	22%	3,694	14.0	13.6	4.6%	0.99	0.96	7.1%	7.1%	7.0%	5.9	5.2	5.0%	5.5%		
Sime Darby Property Berhad	SDPR MK	Add	0.58	0.84	45%	969	21.6	14.4	-15.2%	0.40	0.39	1.9%	3.0%	2.3%	18.6	19.4	1.4%	2.1%		
SKP Resources Bhd	SKP MK	Add	2.45	2.35	-4%	752	27.0	20.3	30.5%	4.63	4.16	17.6%	21.4%	22.4%	17.3	12.9	1.9%	2.5%		
Telekom Malaysia	T MK	Add	6.30	7.00	11%	5,842	21.8	18.9	11.3%	3.04	2.86	13.7%	15.7%	15.8%	7.0	6.2	2.7%	3.2%		
Tenaga Nasional	TNB MK	Add	9.70	13.20	36%	13,597	13.4	11.0	1.9%	0.92	0.89	7.0%	8.2%	8.1%	6.7	6.3	4.1%	5.0%		
Top Glove Corporation	TOPG MK	Add	6.61	8.90	35%	13,032	11.5	6.3	76.1%	8.79	5.93	97.5%	111.9%	45.8%	9.0	4.8	5.4%	10.5%		
Yinson Holdings Bhd	YNS MK	Add	5.21	6.80	31%	1,364	15.4	11.7	68.3%	1.55	1.39	10.5%	12.5%	12.1%	8.3	8.8	1.2%	1.2%		
Average									23.5	20.5	16.3%	3.03	2.60	16.3%	17.9%	14.2%	35.0	13.4	2.6%	3.4%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Top picks: Small-cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Upside (%)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)			
							CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2022F	CY2020F	CY2021F	CY2020F	CY2021F		
Bermaz Auto Berhad	BAUTO MK	Add	1.33	1.70	28%	380	14.7	12.5	-2.6%	3.07	2.79	20.7%	23.3%	24.4%	8.8	6.6	5.4%	5.5%		
CCK Consolidated Holdings	CCK MK	Add	0.56	0.80	44%	85	10.6	10.0	5.4%	1.18	1.10	11.6%	11.3%	11.7%	4.9	4.5	3.2%	3.4%		
Daibochi Bhd	DPP MK	Add	2.60	4.04	55%	209	15.5	13.7	29.0%	3.18	2.80	22.2%	21.6%	21.9%	10.0	9.1	2.0%	2.2%		
EITA Resources Bhd	EITA MK	Add	1.15	2.06	79%	73	8.3	7.1	8.4%	0.80	0.75	9.7%	10.8%	12.3%	3.7	2.4	5.4%	6.1%		
Hap Seng Plantations	HAPL MK	Add	1.79	2.30	28%	352	23.1	42.2	16.9%	0.85	0.84	3.7%	2.0%	2.9%	7.1	9.7	3.9%	1.7%		
Kawan Food	KFB MK	Add	1.94	3.58	85%	171	22.1	17.0	66.2%	2.04	1.91	9.4%	11.6%	12.6%	11.6	9.6	2.1%	2.6%		
Lee Swee Kiat Group	LSKG MK	Add	0.93	1.60	72%	37	18.6	12.8	36.3%	2.44	2.14	13.6%	17.8%	25.9%	11.8	8.2	2.7%	3.5%		
Power Root Bhd	PWRT MK	Add	1.90	2.80	47%	197	17.6	15.7	7.7%	2.98	2.92	17.1%	18.7%	21.2%	14.4	12.1	5.2%	5.7%		
Ta Ann	TAH MK	Add	2.75	3.39	23%	298	15.8	16.8	32.3%	0.83	0.81	5.3%	4.9%	5.7%	8.3	8.4	3.6%	3.6%		
Thong Guan Industries	TGI MK	Add	2.53	3.61	43%	236	11.8	11.0	-9.5%	1.53	1.39	13.7%	13.3%	13.4%	7.4	6.7	2.6%	2.7%		
Average									20.0	17.1	29.0%	2.52	2.24	14.1%	15.1%	16.3%	8.8	7.2	3.0%	3.2%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Sector weightings

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

Top three picks

Inari-Amertron Bhd (Add, TP: RM3.70)

- We expect Inari's earnings growth momentum to continue on the back of new systems in package (SiP) line capacity expansion, and robust demand for new 5G smartphones.
- We project a robust 3-year EPS CAGR of 30% for FY20-23F.

Top Glove Corp (Add, TP: RM8.90)

- We like TOPG, as it is the key beneficiary of the global shortage of gloves driven by Covid-19 given its position as the largest glove maker globally (90 bn pieces p.a.).
- Backed by its strong earnings prospects, we believe that TOPG is undervalued at 6.2x CY21F P/E, discounts of 65.8% and 34.3% to its 5-year mean (18x) and the sector's average CY21F P/E, respectively.

Telekom Malaysia (Add, TP: RM7.00)

- TM is our top Malaysia telco pick due to its robust FY21/22F core EPS growth (+15%/+8% yoy), driven by higher Internet and data services revenue, plus cost containment.
- Its FY21F EV/OpFCF is also at 0.5 s.d. below its 13-year mean and 15% discount to the average for Maxis and Digi.

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2020		
688 companies under coverage for quarter ended on 31 December 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.0%	0.9%
Hold	21.7%	0.0%
Reduce	11.3%	0.3%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

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1 CG Score 2020 from Thai Institute of Directors Association (IOD)

2 AGM Level 2019 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2019" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

xx

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.