AFFIN HWANG CAPITAL

Daiwa Capital Markets

Strategy

Malaysia Strategy

The Ringgit awakens?

The Ringgit hit a low against the USD in 3Q15, but over the past month encouraging signs have emerged that the Ringgit may have turned the corner. We continue to believe that the Ringgit is undervalued and its likely appreciation will be a key catalyst for the KLCI in 2016. The recent 3Q15 GDP indicates weakened domestic activity, which we believe had been weighed down by poor consumer sentiment on the back of the devaluing Ringgit. However, we provide evidence that the slowdown in private consumption is likely to be temporary and still envisage 5% GDP growth in 2016E. Meanwhile, we see fully-diluted EPS growth returning next year, pushing valuation back up to the historical mean. We remain Positive on Malaysia.

Key catalyst is the Ringgit

We are encouraged by some positive momentum for the Ringgit in the past month. The sale of Edra is an important step towards the resolution of 1MDB, with the potential removal of its overhang on the market. Moreover, a possible 60% stake divestment in another 1MDB property asset, if to another foreign party, and review of FGV's Indonesian estate purchase, coupled with the money from the disposal of Edra, could see a cumulative RM28bn in potential flows in favour of the Ringgit. In perspective, the sharp 15% devaluation of the Ringgit in 3Q15 corresponded to the RM24.4bn outflow from the Portfolio Account of the Balance of Payment.

Currency weighs on economic activity

Economic activity in Malaysia moderated slightly to 4.7% YoY in 3Q15 from 4.9% in 2Q15. GDP growth for 9M15 stood at 5.1% and is on track to meet our 5% 2015E forecast. However, not all is rosy. In particular, private consumption growth surprisingly decelerated to 4.1% in 3Q15 from 6.4% in 2Q15. We believe the sharp 15% fall in the Ringgit in 3Q15 was the main culprit triggering the consumption pullback and weak sentiment.

Evidence of supportive private-consumption growth

We believe the weakness is temporary. The unexpected slowdown amid a sustained period of resilient private consumption and economic expansion suggests no structural issues. In addition, we see support from a robust labour market with a low unemployment rate of 3.2%, healthy labour-force participation rate of 67.9%, reasonable 3.5% YoY wage growth in 3Q15, and benign inflation of 2.5%. Other factors such as the 13% rise in BR1M, baby boomers, secular consumption trend, consumption credit access, and resilient car sales also point towards a rebound in private consumption.

Results season scorecard for 3Q15

Unfortunately, the weak Ringgit wreaked havoc on corporate net profits, extending the rut to six consecutive quarters of decline; the 13.4% YoY contraction in 3Q15 was the second sharpest decline (1Q15: -16.5%), bringing the aggregate net profit of the 98 companies we cover to the lowest level since 4QCY11 and 32% below the high in 4QCY13. The net profit margin plunged to 10.5%, its lowest level in at least the past 19 quarters. Net profit of corporates fell to 4.8% of GDP (4QCY12: 7.9%). However, the likely improvement in the external environment and domestic economy next year gives reason to believe that the worst is over.

Valuation below historical mean

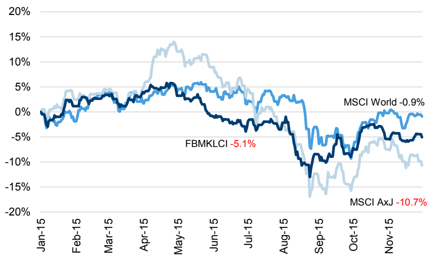
We have cut our net-profit forecasts by 3.1% in CY15 and 2.6% in CY16, and now expect a fully-diluted EPS contraction of 4.1% (-2.7% previously) this year, but a 8.2% (+7.4% previously) growth in 2016. On our estimates, the market is trading at a fully diluted 2016E PE of 16.8x, and we continue to envisage a reversion to mean. There is no change to our 2016 year-end index target of 1,793 points.

KLCI 1,672
@ 30 November 2015

POSITIVE (maintain)

2015 KLCI Target: 1,670
2016 KLCI Target: 1,793

KLCI vs MSCI World vs MSCI AxJ (YTD)



Source: Bloomberg

Key market statistics

	2015E	2016E
GDP growth (%)	+5.0	+5.0
KLCI EPS growth (%)	-4.1	+8.2

Source: Affin Hwang

Top calls for 2016

Stock	Rating	Price (RM)	TP (RM)
Top Buys			
AEON CREDIT	BUY	12.98	14.80
AFG	BUY	3.58	4.50
CIMB	BUY	4.50	5.15
E&O	BUY	1.55	2.54
GAMUDA	BUY	4.54	5.84
GENTING	BUY	7.20	8.40
IGB REIT	BUY	1.29	1.60
IJM CORP	BUY	3.40	3.76
INARI	BUY	4.22	4.28
JAKS RESOURCES	BUY	1.18	1.60
KPJ	BUY	4.26	4.75
PAVILION REIT	BUY	1.53	1.88
PUBLIC BANK	BUY	18.38	21.80
SUNWAY*	BUY	3.02	3.90
TENAGA*	BUY	13.36	15.50
TA ANN	BUY	4.20	5.54
UOA DEVELOPMENT	BUY	2.05	2.43
WCT	BUY	1.45	1.84
WTK	BUY	1.23	1.36
Stocks to Avoid			
FELDA	SELL	1.77	1.26
MAXIS	HOLD	6.56	6.70
MCIL	SELL	0.62	0.48
MEDIA PRIMA	SELL	1.40	1.13
MMHE	SELL	1.07	0.97
TELEKOM	HOLD	6.51	6.50
UMW-OG	SELL	1.16	0.89
UNISEM	SELL	2.30	1.55

*new addition

Source: Affin Hwang, pricing as of 30 November 2015

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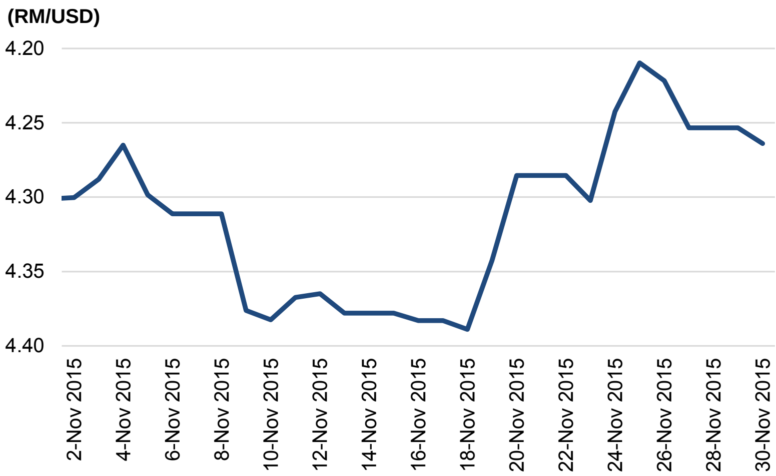
Temporary weakness

Encouraging developments for the Ringgit

In our 2016 Outlook Strategy report, '***Finding a firmer footing***', published on 5 November 2015, we had upgraded our outlook on Malaysia to Positive. We are encouraged by some positive momentum for the Ringgit in the past month. A key event is the apparent step closer to the resolution of the 1Malaysia Development Bhd (1MDB) debt issue. Instead of Tenaga, the power assets under Edra Global Energy Bhd will be sold to China General Nuclear Power Corp for RM9.83bn. In addition, local media outlets are rife with reports of an imminent 60% stake sale of 1MDB Real Estate Sdn Bhd (1MDB RE), which owns 486 acres of contiguous land 3km from the Tun Razak Exchange (TRX), called Bandar Malaysia. This is another property crown jewel of 1MDB. Recall that 1MDB has been a major overhang on the KLCI since news of its debt problems surfaced in the latter part of 2014.

We are more excited about the Ringgit on a fundamental basis. The Ringgit had seemed relatively flat over the past month, going from RM4.30 to the USD to RM4.26 now. However, in the intervening days, the Ringgit had actually weakened to as low as RM4.39 before strengthening to as high as RM4.21. Hence, directionally, it is encouraging, which is the first observation we make. Secondly, the possible winding down of 1MDB is a positive development that could lift some of the overhang on Malaysia in general, as well as on the Ringgit.

Fig 1: Ringgit's movement over the past month



Source: Bloomberg

Thirdly, and perhaps most importantly, the disposal of Edra and potential 60% sale of 1MDB RE would ease the pressure on the Ringgit. The Edra disposal will bring in RM9.83bn in hard currency as well as remove RM8.5bn in debt, of which a portion is foreign currency-denominated. If the 60% divestment of 1MDB RE is to a foreign party, we could see an inflow of at least RM10bn worth of hard currency, assuming that the 486 acres are worth an average of RM1,000 psft. In addition, the just-announced review of Felda Global Ventures' purchase of PT Eagle High Plantations Tbk in Indonesia could save another RM3bn in cash outflow from Malaysia if the deal does not go through.

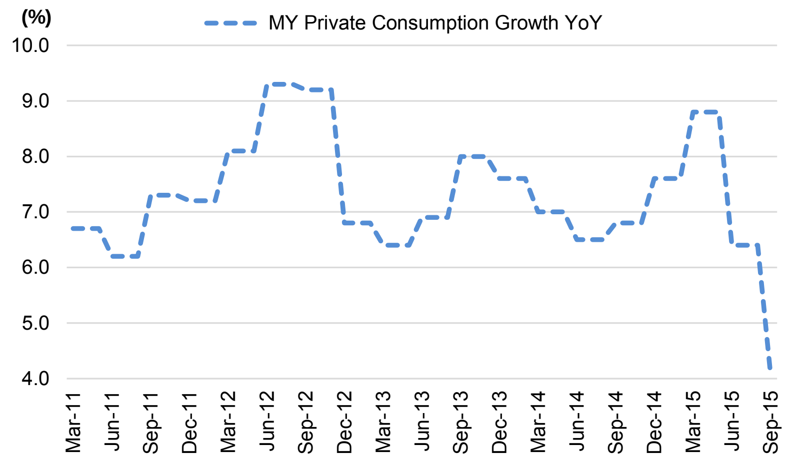
Overall, we believe the Ringgit is undervalued given the sustained GDP growth, current account surplus, and high foreign exchange reserves. In our opinion, the Ringgit should trade at RM3.90 to the US Dollar next year and we see Ringgit strength as a major catalyst for the market in 2016.

Not all rosy

However, not all developments have been rosy for Malaysia over the past month. The key negative surprise was within the 3Q15 GDP figure. Overall economic growth met expectation at 4.7% for 3Q15 and we believe Malaysia is still on track to deliver 5% GDP growth in 2015E and another 5% in 2016E. Yet the composition of the growth was a cause for some concern. In particular, private consumption that has been growing at 6.2-9.3% YoY over the past 18 quarters surprisingly dipped to 4.1% in 3Q15. However, the better external environment supported net trade and overall real GDP growth.

Private consumption is key to Malaysia as it anchors more than half of Malaysia's economy, and is critical to economic growth and central to our 2016 market outlook. Hence we worry about the sharp deceleration in private consumption growth. Upon further examination, we believe that the abrupt decline in growth is caused by poor sentiment related to the sharp plunge in the Ringgit. However, we believe that it is temporary and not a structural problem. This is because the unexpected slowdown is amid a sustained period of resilient private consumption growth and economic expansion.

Fig 2: Abrupt private consumption deceleration seems temporary



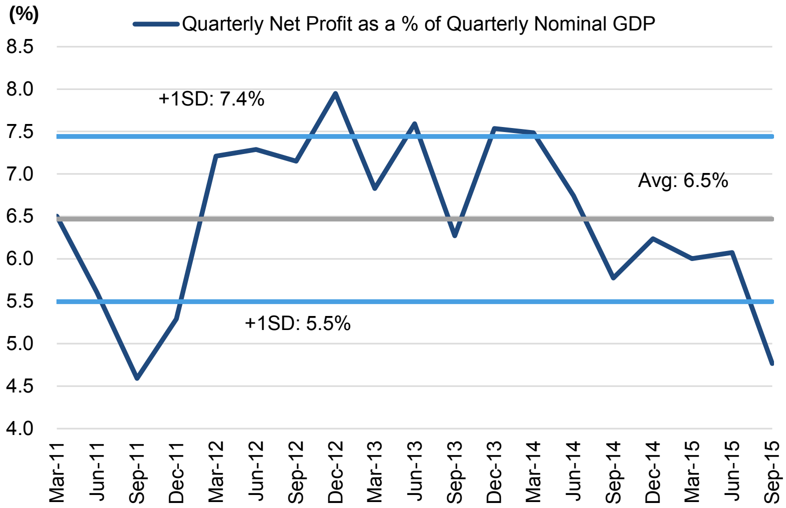
Source: Bloomberg

Our view is supported by evidence of a healthy labour market. Unemployment remains low at just 3.2% while the labour force participation rate is healthy at 67.9% with 13.9m people. Wages are also still growing at a reasonable pace of 3.5% YoY in 3Q15. Moreover, the BR1M government handout to the bottom 40% of households (by income) has been increased by 13% from a total allocation of RM5.2bn in 2015 to RM5.9bn in 2016. There are other overwhelming reasons such as supportive demographics with a youthful population where 63% are below 35 years old and the secular trend of rising private consumption as a proportion of GDP as a hallmark of developed economies. Despite the publicity on poor consumer sentiment, car sales in Malaysia has fallen just 1% ytd. Consumption credit is still readily available with loans to households rising by 8%. Lastly, inflation rate remains benign at just 2.5% in October, though imported inflation is something to monitor.

Market net profit is adjusting to the Ringgit

The just concluded 3QCY15 results season extended the losing streak to six consecutive quarters. Net profit fell 13.4% YoY, worse than the 6.3% YoY drop in 2QCY15, and is the second steepest over the six-quarter period. One of the major culprits is the sharp 15% drop in the Ringgit during 3QCY15. The net profit margin weakened from 13.3% in 2QCY15 to 10.5% in 3QCY15. Firms continued to lose out where their aggregate net profit fell from 6.1% of nominal GDP in 2QCY15 to 4.8% in 3Q15.

Fig 3: Firms have fallen further behind despite resilient GDP growth



Source: Affin Hwang, Bloomberg

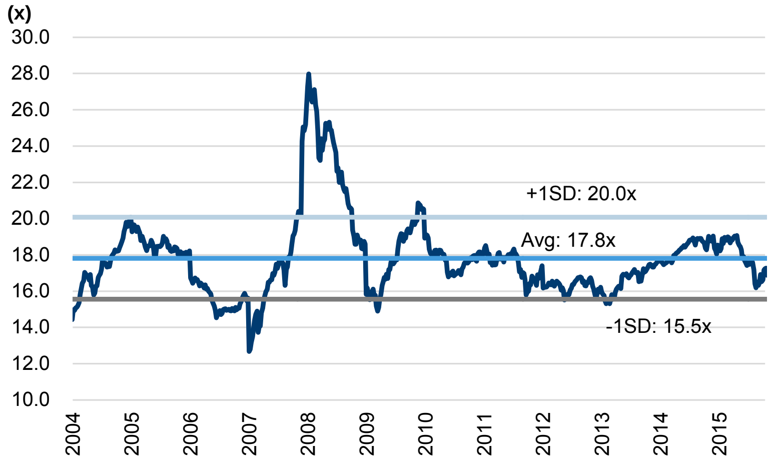
However, we are heartened by the narrowing of the gap bet ween downgrades and upgrades. There is a net downward bias of 7 companies (7% of our stock universe) that saw their CY16 forecasts cut, while the net downward bias was 2 stocks (2% of total) on target price changes and 5 stocks (6% of total) on rating downgrades.

In aggregate, the 3QCY15 net profit made up 20% of our full-year forecast while 9MCY15 constituted 70% of the total. Overall, we have cut our market net profit forecasts by 3.1% for CY15 and by 2.6% for CY16. Post the revisions, we now expect a fully diluted EPS contraction of 4.1% in CY15 with a rebound to 8.2% growth in CY16.

Unchanged index target of 1,793 for end-2016

On our estimates, the KLCI is trading at a 2016E PE of 16.8x. We believe that the rebound in market earnings coupled with a strengthening Ringgit next year should be able to move valuation towards its long-term average of 17.8x PE. Changes in our market fully-diluted EPS have only a marginal impact on our index target. As such, we retain our 2016 year-end KLCI target of 1,793 points based on the assumption of a reversion to mean valuation of 17.8x PE, applied to our 2016E fully diluted EPS forecast. Our 2015E year-end target remains unchanged as well at 1,670 points.

Fig 4: Fully diluted PE trend



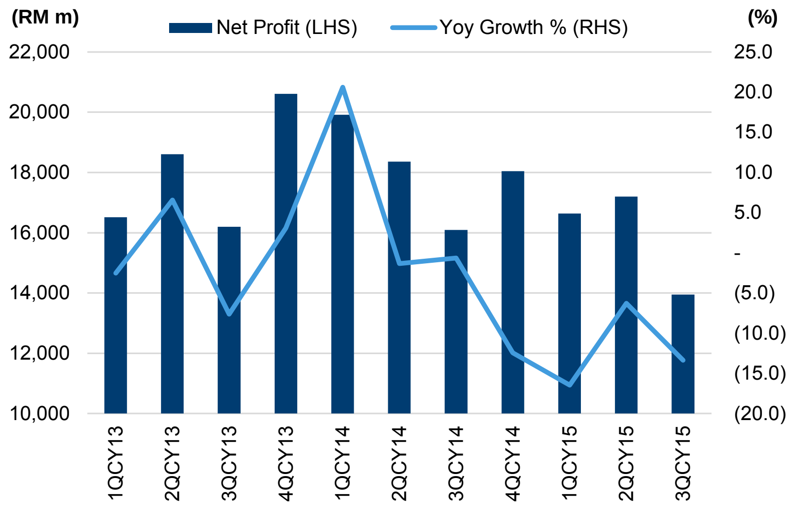
Source: Bloomberg, Affin Hwang

Under the weight of the Ringgit

Extending the dismal run

The recent 3QCY15 results season saw the aggregate net profit of the 98 companies we cover enter its sixth consecutive quarter of decline. Total net profit fell 13.4% YoY in 3QCY15, which accelerated from the 6.3% reduction in 2QCY15 but was better than the 16.5% fall in 1QCY15.

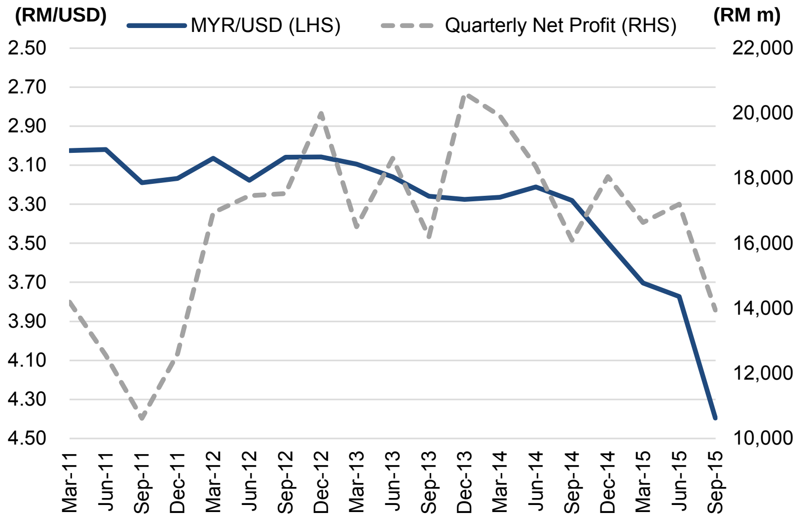
Fig 5: Sixth consecutive quarter of decline



Source: Affin Hwang

A major culprit was the Ringgit. Over 3QCY15, the Ringgit devalued by 15% (measured as USD per RM) from RM3.75 to RM4.40 with an average exchange rate of RM4.05 (2Q15: RM3.66). The weak Ringgit had an outsized impact on the plantation (IOI Corp) and utilities (Tenaga) sectors. The impact was predominantly through foreign exchange and derivative financial losses. Apart from these, the transport (AirAsia) and auto (UMWH) sectors also got hit due to higher operating costs related to the Ringgit, in addition to certain company-specific reasons.

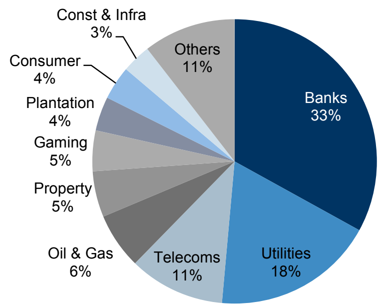
Fig 6: Market net profit falling in tandem with the Ringgit



Source: Affin Hwang, Bloomberg

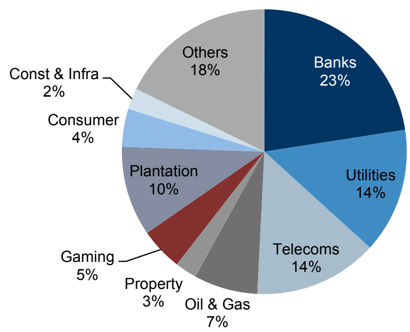
For 9MCY15, the banking sector contributed the largest net profit at 33% (1HCY15: 31%) of the total. This is followed by the utilities sector at 18% (1HCY15: 20%), telcos at 11% (1HCY15: 10%), oil & gas at 6% (1HCY15: 5%) and plantation at 4% (1HCY15: 6%). All in, the top five sectors made up 72% (1HCY15: 72%) of the market's net profit. Similarly, banks formed the largest constituent by market cap at 23% of our coverage, while utilities made up 14%, telcos 14%, plantation 10%, and o il & gas 7%. From a market cap perspective, the top 5 sectors made up 68% of our coverage universe.

Fig 7: Breakdown of 9MCY15 earnings contribution



Source: Affin Hwang

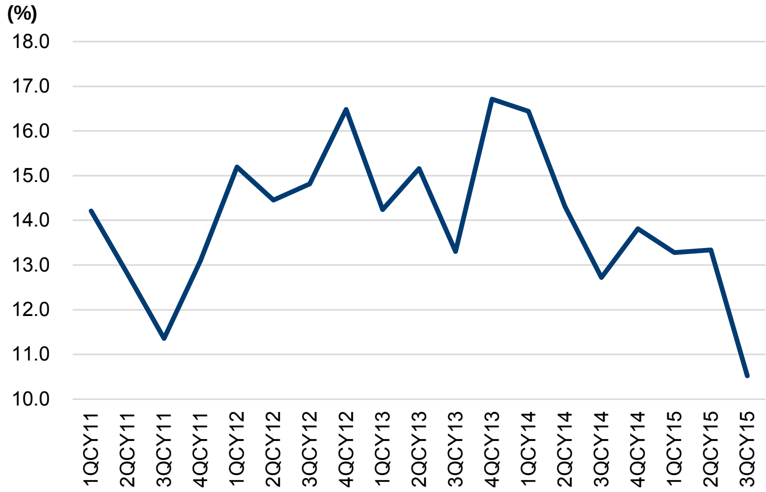
Fig 8: Breakdown of market cap by sector



Source: Bloomberg

Meanwhile, the net profit margin weakened sharply to 10.5% in 3QCY15 from 13.3% in 2QCY15. This is the weakest net profit margin in at least 19 quarters. The adjustment to market earnings is clearly still on-going. In 2H last year, net profit for the stocks under our coverage reacted to the fall in CPO prices. It then underwent an adjustment (still on-going) to the new normal for oil prices this year. As for 3QCY15, it is clear that the Ringgit exchange rate played an important role.

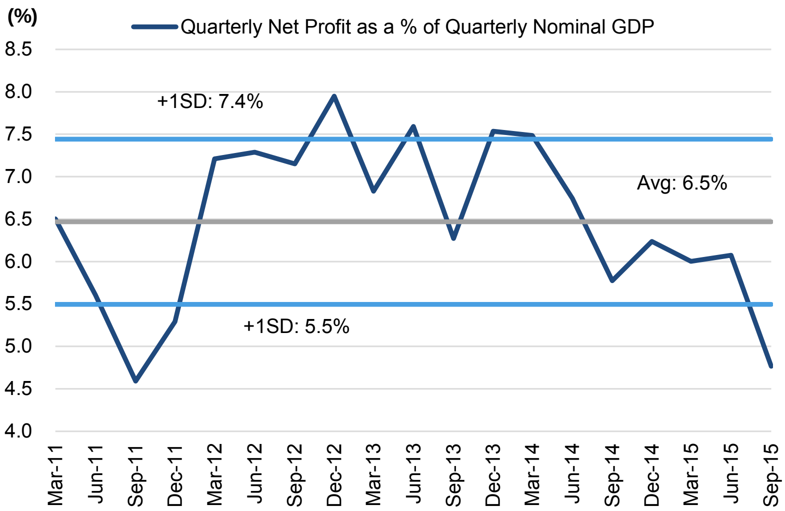
Fig 9: KLCI's net profit margin has fallen sharply



Source: Affin Hwang

Lastly, net profit as a pr oportion of nominal GDP dipped to 4.8% in 3QCY15. This compares to 6.1% in 2QCY15 and the long-term average of 6.5% over the past 19 quarters. Clearly, firms are not doing as well relative to the economy. We have to go back to 3QCY11 for a poorer quarter for firms where aggregate net profit was 4.6% of GDP.

Fig 10: Net profit of firms has fallen further as a proportion of GDP



Source: Affin Hwang, Bloomberg

Results scorecard

Of the 98 companies in our stock universe, 18 companies delivered above-expectation 3QCY15 net profit but they were outnumbered by 29 companies that did not meet expectation, while the remaining 51 companies were in line with expectation. This compares with 13 companies that were above, 25 that were below and 61 that were in line with our expectation in 2QCY15. In figure 11, we provide an easy cross reference of companies in their respective sectors within our coverage universe that delivered net profit that were above, in line with or below expectation in 3QCY15.

Fig 11: Cross referencing company performances in 3QCY15

Sector	Above	In line	Below
Auto & Autoparts			APM MBM UMW
Banks & Financial Services	RHBC	AMMB CIMB Maybank Public Bank Bursa Malaysia AFG	Aeon Credit Hong Leong Bank MBSB
Building Materials		Lafarge	Choo Bee
Construction & Infrastructure	WCT	Gamuda IJM MRCB Eversendai	Benalec Gabungan AQRS
Consumer		BAT Guinness Hai-O Nestle Parkson Carlsberg	Aeon Bonia MSM
Gaming		Genting Malaysia	BJ Toto Genting
Healthcare & Pharma.		KPJ IHH	
Media	Media Prima	Astro MCIL	Star Publications
MREIT		Pavilion REIT KLCC IGB REIT	Axis REIT
Oil & Gas	MMHE Petronas Chemicals Sapura Kencana	Dialog Petra Energy	Alam Maritim Bumi Armada UMW-OG
Plantation	KL Kepong	Hap Seng Plantation IOI Corp	Felda Global Ventures Genting Plantations IJM Plantations Sime Darby
Property	Amcorp Prop UOA Development SP Setia	IOI Properties Sunway Tropicana	E&O
Integrated Rubber Products	Karex	Hartalega Kossan	

Sector	Above	In line	Below
		Supermax Top Glove	
Technology	Uchi Technology MPI Globetronics	Inari Unisem Scicom	Aemulus
Telecoms		Maxis	Digi Telekom Axiata
Timber	Jaya Tiasa Ta Ann WTK		
Transports & Logistics	Air Asia X	Air Asia Malaysia Airports MISC	
Utilities		Gas Malaysia YTL Corp YTL Power Tenaga Nasional Puncak Niaga Petronas Gas MMC Malakoff	JAKS Resources
Total	**18**	**51**	**29**

Source: Affin Hwang

Meanwhile, earnings momentum continues to see a downward bias but seems to be moving closer towards equilibrium. In particular, we measure changes to our CY2016 net profit forecasts (ignoring CY2015 given the near conclusion of the year) and find that a large proportion of our stock universe is unchanged, at 60% of total or equivalent to 59 of the companies. However, there are still 23 downgrades, which are partly mitigated by 16 upgrades, hence giving a net bias of 7 companies.

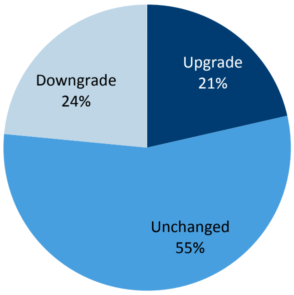
Fig 12: Changes in CY2016 earnings forecasts

Sector	Changes to CY16 net profits forecasts		
	Upgrade	Unchanged	Downgrade
Auto & Autoparts	0	0	3
Banks & Financial Services	1	7	2
Building Materials	0	2	0
Construction & Infrastructure	2	3	2
Consumer	0	6	3
Gaming	0	1	2
Healthcare & Pharma.	0	2	0
Media	1	2	1
MREIT	0	3	1
Oil & Gas	1	5	2
Plantation	0	4	3
Property	1	5	1
Integrated Rubber Products	2	3	0
Technology	4	3	0
Telecoms	0	1	3
Timber	3	0	0
Transports & Logistics	1	3	0
Utilities	0	9	0
Total	**16**	**59**	**23**

Source: Affin Hwang

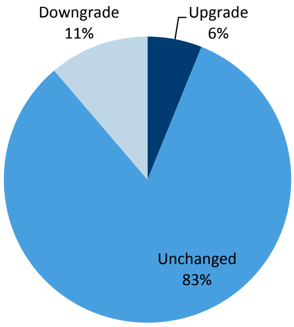
We also look at target price amendments and on this front 54 of the 98 companies that we cover have not seen TP changes. The difference between upgrades and downgrades is also narrower at a net downward bias of just 2 companies (21 upgrades and 23 downgrades). Lastly, we have also tabulated ratings figures and a significant 81 companies are unchanged. Of the balance, there are 6 upgrades and 11 downgrades, with a net downward momentum yet again. What is encouraging though is that the downside bias comprises just 2-7 companies on measurements of CY2016E net profit, target price and recommendation changes.

Fig 13: Breakdown of target price changes



Source: Affin Hwang

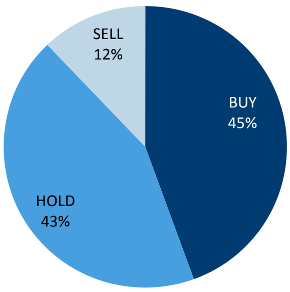
Fig 14: Breakdown of recommendation changes



Source: Affin Hwang

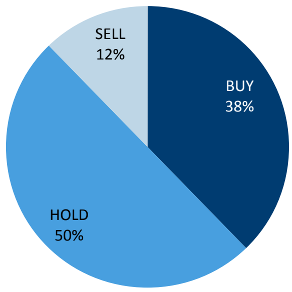
Finally, at the time of our last strategy report on 5 November 2015, we had 44 Buys, 43 Holds and 12 Sells. Post the 3QCY15 results season, the current count is 37, 49, and 12, respectively.

Fig 15: Breakdown of ratings pre-3QCY15 results



Source: Affin Hwang

Fig 16: Current recommendation structure



Source: Affin Hwang

Sector granularity

The 3QCY15 aggregate net profit made up 20% of our previous full-year forecast while the 9MCY15 figure constituted 70% of our previous total. We provide below a s ummary of the sectors and their respective performances relative to our previous full-year forecasts. Subsequently, we also provide better granularity through individual sector narratives on their performances during this results season.

Fig 17: Sector net profit performance in 3QCY15 and 9MCY15

Sector	Net Profit (RM m)								Affin forecast	% of Affin Forecast	
	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	9MCY15	CY2015E	3QCY15E	9MCY15E
Auto & Autoparts	284.4	198.8	245.8	141.3	218.1	116.0	31.8	365.9	787.5	4.0	46.5
Banks	5,547.0	5,679.6	5,701.1	5,460.8	5,286.7	5,215.3	5,282.3	15,784.2	20,860.2	25.3	75.7
Building Materials	76.9	80.2	58.3	52.7	77.6	67.1	68.1	212.8	317.7	21.4	67.0
Const & Infra	263.4	497.8	380.7	368.1	546.3	603.2	427.7	1,577.1	2,060.2	20.8	76.6
Consumer	678.8	621.4	634.0	706.7	664.8	430.8	734.9	1,830.5	2,556.4	28.7	71.6
Gaming	1,000.6	780.1	718.5	688.3	1,059.7	371.3	787.1	2,218.1	3,484.2	22.6	63.7
Healthcare	189.3	242.8	176.0	285.8	205.4	264.1	156.6	626.1	1,096.6	14.3	57.1
Media	201.1	239.8	221.8	167.7	222.7	246.9	212.0	681.5	1,061.1	20.0	64.2
MREIT	207.7	198.5	306.2	684.8	217.2	221.8	184.2	623.2	1,361.3	13.5	45.8
Oil & Gas	1,477.8	1,281.0	1,310.5	754.6	1,098.4	480.7	1,450.7	3,029.8	4,296.4	33.8	70.5
Plantation	3,683.0	2,088.0	958.7	892.1	508.3	1,520.6	-183.9	1,845.0	4,646.5	(4.0)	39.7
Property	505.2	905.2	536.7	999.0	684.9	1,073.6	736.5	2,495.0	2,871.8	25.6	86.9
Integrated Rubber Products	165.7	173.0	169.1	170.7	196.6	224.5	279.4	700.5	827.7	33.8	84.6
Technology	74.9	84.8	116.0	117.8	128.4	150.5	175.9	454.8	572.6	30.7	79.4
Telecoms	1,854.6	1,614.0	1,760.6	1,712.3	1,603.0	1,728.2	1,874.8	5,206.0	7,164.0	26.2	72.7
Timber	52.7	50.1	76.8	18.7	33.1	55.3	112.8	201.1	221.4	50.9	90.9
Transport	743.5	481.8	266.9	1,025.0	528.1	806.9	-184.9	1,150.1	2,281.2	(8.1)	50.4
Utilities	2,909.8	3,142.3	2,456.1	3,800.9	3,359.1	3,628.1	1,798.8	8,786.0	12,338.5	14.6	71.2
Total	19,916.4	18,359.2	16,093.9	18,047.6	16,638.3	17,204.8	13,944.6	47,787.7	68,805.3	20.3	69.5
YoY growth %	20.6	(1.3)	(0.6)	(12.4)	(16.5)	(6.3)	(13.4)				
QoQ growth %	(3.4)	(7.8)	(12.3)	12.1	(7.8)	3.4	(18.9)				

Source: companies, Affin Hwang forecasts

Fig 18: Details on sector performance

Sector	Net Profit 3QCY15 YoY	Net Profit 9MCY15 YoY	Analysts' Comments
Auto & Auto parts	-87.1%	-49.8%	For 9M15, the auto players missed our and market expectations. This was mainly attributed to the general underlying weak consumer spending environment coupled with higher operating costs (as the result of the appreciation of the RM vs. US$).
Banks & Financials	-7.3%	-6.8%	Our banking and financial sector universe reported a 9M15 net profit of RM15.5bn (-6.3% yoy) and this was in-line, representing 75% of our 2015E net profit forecast of RM20.7bn. We have subsequently made an overall earnings adjustment of -1.7% for 2015E, given the downward revision in CIMB's earnings and upward adjustment in Maybank's net profit. For 3Q15 itself, the banking sector in particular saw a marginal 1.8% growth in qoq earnings (propped up by AFG, AMMB, Maybank, CIMB but offset by RHBCap, Hong Leong Bank, Affin). Meanwhile, the non-bank FIs (MBSB and AEON Credit) saw earnings contraction owing to weak topline growth and increase in provisions. Note that our commentary does not take into account Bursa Malaysia, which we have included under this sector, hence the slight discrepancy in the 9M15 aggregate net profit growth mentioned above versus the figure in the column to the left.
Building Materials	16.7%	-1.2%	Lafarge's 3QCY15 net profit improved yoy on margin expansion primarily due to cheaper cost of coal. Sales of cement improved, but partially offset by weaker contribution from concrete and aggregates segment.
Const & Infra	12.3%	38.1%	The sector saw mixed earnings in 3Q15. Contractors with overseas projects such as Eversendai and WCT reported forex gains due to the weak Ringgit relative to the US$. Generally lower domestic earnings from construction and property operations for most companies due to fewer construction activities and slower property sales. For YTD 2015 results, IJM and MRCB benefited from one-off gains from disposal of assets. Benalec and Gabungan AQRS reported disappointing results. WCT's earnings were above our expectation. The results for Eversendai, Gamuda, IJM and MRCB were within our expectations.
Consumer	15.9%	-5.4%	The consumer stocks under our coverage registered a mixed bag of results with 5 coming in line with our expectations while 3 were below (Aeon, Bonia, MSM). The retailers were still affected by the softer domestic consumer sentiment as consumers are still cautious on their spending given the higher costs of living. Other than that, the depreciating RM vs. US$ has also increased import costs and in turn clipped margins.
Gaming	9.5%	-11.3%	Despite absorbing the GST, Genting Malaysia showed surprisingly strong earnings growth yoy due to cost controls and improved productivity. VIP market continues to face headwinds and this is reflected in weak results in the group's Singapore and UK operations. Genting Singapore continues to scale down on VIP business amid high bad debt provision.
Healthcare	-11.0%	3.0%	Results for both IHH and KPJ were in line with expectations despite 3Q being a seasonally weak quarter. Patient volume in Malaysia continued to be soft given the implementation of the GST in 2Q15 but patient volumes are expected to improve moving into 4Q15.

Sector	Net Profit 3QCY15 YoY	9MCY15 YoY	Analysts' Comments
Media	-4.4%	2.8%	The print division's earnings continued to be weak due to the challenging market environment, poor consumer sentiment, weak Ringgit against the US$ as well as the continuous shift in consumers' preference towards the broadcast segment from print, which have led advertisers to be more cautious on their ad spending. Also, hard copy circulation fell due to the continual shift in preference to reading on mobile devices or over the Internet.
MREIT	-39.8%	-12.5%	Amongst the M-REITs in our universe, Axis REIT's 3Q15 earnings came in below expectations due to the slow take-up of its vacant net-lettable area while the occupancy rate as at Sept15 was below our assumption of 95%. The results of the retail M-REITs, i.e. IGB REIT and Pavilion REIT and mixed-commercial REIT KLCC Property, were in-line with our estimates, though we noted that there were negative implications of the GST on consumer spending. Minus the seasonality effects and on-going refurbishment activities, the prime retail REITs and stable tenancy profile of KLCC Property should continue to underpin steady recurring income.
Oil & Gas	10.7%	-25.5%	We saw lower YTD earnings for most oil & gas companies due to drop in asset utilisation, lower work activities and weaker profit margins, except DLG and PENB whose earnings are backed by long-term projects/contracts, and PCHEM that recorded higher sales volume boosted by higher plant utilisation.
Plantation	Non meaningful (profit to losses)	-72.6%	The drop in YTD earnings was mostly due to lower palm product selling prices and/or lower production, and in the case of SIME, due to weaker performance by the other core divisions. Results of IOI, IJMP and HAPL were below expectations and those of KLK slightly above, on core net profit basis.
Property	37.2%	28.1%	Mixed outlook. While property sales declined yoy, earnings improved on, among others, project completion (UOA, SP Setia), forex gain (E&O and SP Setia), and gain on land sale (Tropicana). Property segment improved for IOIP and Sunway, but Sunway's earnings were dragged down by lower contribution from construction segment.
Integrated Rubber Products	65.2%	38.0%	Most glove companies' results were in-line with forecasts except for Top Glove that continues to exceed expectation. Glove companies continued to benefit on the back of the favorable environment of lower raw material prices and robust demand for medical gloves. Furthermore, the strong US$ against MYR is also benefiting glove companies especially Top Glove given that a bigger portion of its costs are in RM vs its peers.
Technology	51.6%	65.0%	Broadly, results surprised positively due to the sharp depreciation of the RM. In US$ terms, revenue remained weak largely in line with the sector inventory imbalance.
Telecoms	6.5%	-0.4%	A weak operational quarter for the telcos as heightened competition squeezed margins. Weak RM boosted Axiata's yoy earnings but was not enough to prevent earnings disappointment due to lack of growth traction in Celcom. TM faced wider yoy losses at P1 and this may worsen in 2016 when it begins nationwide LTE coverage.
Timber	46.7%	11.9%	Earnings for timber companies were higher largely attributable to the firm timber product ASPs, strong US$ as well as higher production of FFB and CPO in 3Q15.
Transport	Not meaningful (profit to losses)	-22.9%	Airlines: Earnings were primarily affected by the weak RM against US$, which offset the cheaper oil price. For AirAsia, reported losses were magnified by Indonesia AA. However, ex EI, AA reported decent earnings. MAHB's profit was mainly on forex gains, while MISC's

Sector	Net Profit 3QCY15 YoY	9MCY15 YoY	Analysts' Comments
			earnings improved yoy on the strong US$ as well as improvement in the petroleum segment.
Utilities	-26.8%	3.3%	No surprises operationally as most utilities reported results that were within expectations. A negative surprise was YTL Power's wider losses in mobile broadband, which may be attributed to one-off costs related to converting its WiMAX network to LTE. Weak RM has resulted in unrealised forex exchange loss on bor rowings for utilities such as Tenaga with foreign currency-denominated borrowings.

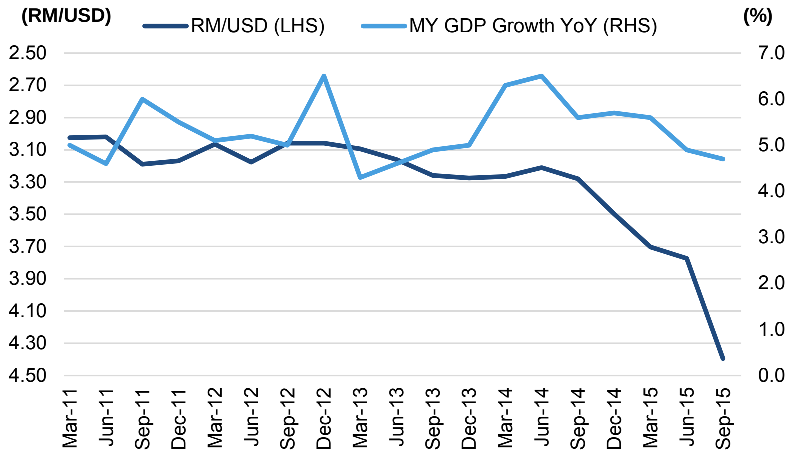
Source: Affin Hwang, Bloomberg

Macro environment

Weaker domestic condition in 3Q15

Growth in the Malaysian economy slowed further to 4.7% YoY in 3Q15 subsequent to 4.9% in 2Q15 and 5.6% in 1Q15. In fact, it represents the slowest quarterly rate of expansion since 2Q13 (4.6%). The lowest recorded rate since 2011 was 4.3% in 1Q13 while the highest level achieved was 6.5% in 2Q14. The average growth for the first nine months of this year is 5.1% versus 6.1% in 9M14 though it is very much on track to meet our 5% full year economic expansion forecast.

Fig 19: Malaysia's economic activities moderated in 3Q15



Source: Bloomberg

Leading the slowdown in 3Q15 is domestic demand at 4% YoY (+4.6% 2Q15). Of this, private consumption growth decelerated to 4.1% YoY (+6.4% in 2Q15). However, total investment rebounded to 5.5% (3.9% in 2Q15), helping to mitigate some of the weakness. Meanwhile, the external environment saw a sharp turnaround with 3.3% improvement in net trade (-10.5% 2Q15) that further helped mitigate the slowdown in overall GDP activity.

Fig 20: GDP by expenditure component

	4Q14	1Q15	2Q15	3Q15	4Q14	1Q15	2Q15	3Q15	4Q14	1Q15	2Q15	3Q15
	% share of GDP				% yoy				% contribution points to GDP growth			
GDP by Expenditure Components												
Total Consumption	67.9	65.2	64.1	66.0	6.3	7.9	6.5	3.9	4.2	5.1	4.1	2.6
Private consumption expenditure	50.8	53.3	51.7	53.5	7.6	8.8	6.4	4.1	3.8	4.6	3.3	2.2
Public consumption expenditure	17.1	12.0	12.5	12.4	2.5	4.1	6.8	3.5	0.4	0.5	0.8	0.4
Total Investment	24.8	26.6	26.9	25.4	4.3	7.9	0.5	4.2	1.1	2.1	0.1	1.1
Private investment expenditure	12.6	18.2	19.7	17.2	11.1	11.7	3.9	5.5	1.3	2.0	0.8	0.9
Public investment expenditure	12.2	8.4	7.2	8.3	-1.9	0.5	-8.0	1.8	-0.3	0.0	-0.7	0.2
Domestic Demand	92.7	91.8	91.0	91.4	5.7	7.9	4.6	4.0	5.3	7.1	4.2	3.7
Net exports	8.3	9.2	8.1	8.7	-4.0	-10.2	-10.5	3.3	-0.4	-1.1	-1.0	0.3
Exports	73.9	74.0	71.2	73.4	1.9	-0.6	-3.7	3.2	1.4	-0.4	-2.9	2.4
Imports	65.6	64.9	63.1	64.7	2.6	1.0	-2.8	3.2	1.8	0.7	-1.9	2.1
Changes in inventories	-1.0	-1.0	0.8	-0.1					0.7	-0.4	1.7	0.7
GDP (2010 real prices)	**100.0**	**100.0**	**100.0**	**100.0**	**5.7**	**5.6**	**4.9**	**4.7**	**5.7**	**5.6**	**4.9**	**4.7**

Source: MOF

In our Economic Update dated 16 November 2015, post the 3Q15 GDP release, we have revised down domestic demand growth to 5.6% in 2015E from our 6% expectation previously. However, this was offset by the better-than-expected external trade, partly helped by the weaker exchange rate. Overall, we made no changes to our 5% GDP growth forecast for this year. This implies GDP growth of 4.7-4.9% in 4Q15 supported by a rebound in domestic demand to 5.3% with sustained investment into the economy.

As for next year, we are still expecting 5% real GDP growth with no changes in the growth rate of the respective components. Crucially, we believe that domestic demand growth will rebound from an anticipated 5.6% this year to 5.8% in 2016E due to the resilient economic structure with diversified areas of growth.

Fig 21: Our GDP growth projections versus MOF

%yoy	2012	2013	2014	2015F	2016F	2015E MOF	2016E MOF
GDP by Expenditure Components							
Total Consumption	7.7	7.0	6.4	5.7	5.8	6.1	5.7
Private consumption expenditure	8.3	7.2	7.0	6.2	6.5	6.8	6.4
Public consumption expenditure	5.4	5.9	4.4	3.8	3.0	3.6	3.0
Total Investment	19.0	8.2	4.8	5.2	5.9	5.2	5.1
Private investment expenditure	21.4	12.8	11.0	8.5	8.0	7.3	6.7
Public investment expenditure	15.9	1.9	-4.7	-0.5	2.0	1.6	2.3
Domestic Demand	10.7	7.3	5.9	5.6	5.8	5.9	5.5
Net exports	-25.1	-9.8	12.8	-6.7	-0.9	-12.3	-4.4
Exports	-1.7	0.3	5.1	-0.2	3.0	-0.8	0.9
Imports	2.9	1.7	4.2	0.7	3.5	0.8	1.5
GDP (2010 real prices)	**5.5**	**4.7**	**6.0**	**5.0**	**5.0**	**4.5-5.5**	**4.0-5.0**
GDP By Kind of Economic Activity							
Agriculture, Forestry and Fishing	1.0	1.9	2.1	1.1	1.0	1.3	1.3
Mining and Quarrying	1.6	1.2	3.3	7.0	4.0	3.5	4.0
Manufacturing	4.4	3.4	6.2	5.0	5.5	4.5	4.3
Construction	18.1	10.8	11.8	8.7	7.5	8.8	8.4
Services	6.5	6.0	6.5	5.1	5.3	5.7	5.4
GDP (2010 real prices)	**5.5**	**4.7**	**6.0**	**5.0**	**5.0**	**4.5-5.5**	**4.0-5.0**

Source: MOF, Affin Hwang

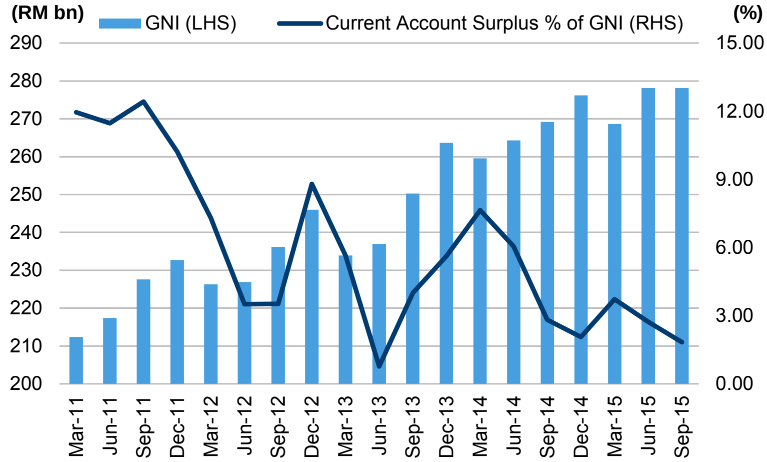
Just to recap, the government's GDP growth target for 2016 is unexciting at 4-5% for 2016, versus 4.5-5.5% for 2015. Hence, our 5% GDP growth target for 2016E is at the highest end of the government's range. However, we provide some context where the government is still anticipating reasonably strong local activities with 5.5% domestic demand growth; we are looking at 5.8%. We believe that the government has built more conservatism into its expectation of the external environment with net trade contracting 4.4% in 2016 v ersus our forecast of -0.9%. Nonetheless, it is worth pointing out that the domestic economy anchors 92% of Malaysia's GDP.

Current account in surplus

The fear about Malaysia potentially sinking into a current account deficit on the back of the sharp decline in crude oil prices since December last year has dissipated with time but there is probably still a lingering overhang. This is because the current account surplus has narrowed further to RM5.1bn in 3Q15 from RM7.6bn in 2Q15. This translates to 1.8% of GNI from 2.7% in the immediate preceding quarter.

In fact, merchandise trade has increased 6.3% yoy and 11.6% qoq in 3Q15, likely assisted by the weakening of the Ringgit to the lowest point in the quarter on 29 September 2015. The lower current account surplus as a proportion of GNI versus 2Q15 was really due to a larger outflow from services trade and primary income flow, which again could have been triggered by the sharp fall in the Ringgit.

Fig 22: Malaysia continues to run a current account surplus



Source: Bloomberg

The drop was not unexpected, however. The government is forecasting a current account surplus in the range of 1.5-2.5% this year and in fact, the official forecast is for it to drop to 0.5-1.5% of GNI in 2016.

Government fiscal position looks on track

Federal government revenue declined RM2.9bn or 4.9% yoy in 3Q15 due to lower collection of corporate and petroleum taxes. This was probably due to the reduced profitability of companies and lower energy prices. However, revenue improved by 1.8% qoq to RM56.3bn in 3Q15 with better GST collection. The good news is that 3Q15 revenue made up 25.3% of the Federal government's RM220.6bn full-year target. The 9M15 revenue constituted 73.3% of the same target (vs. 73% in 9M14). This suggests that revenue collection is on t rack to meet the government's full-year projections.

Of this, it is worth highlighting that GST collection improved by 18% qoq to RM8.9bn, while the cumulative total is RM16.5bn. It implies that GST collection will need to rise by another 18% qoq in 4Q15 to meet the government's RM27bn projection for 2015.

Fig 23: Federal government financial position

	RM bn									
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	9M14	9M15	*2015E
Revenue	49.2	52.7	59.1	59.6	51.5	55.3	56.3	161.0	163.1	222.5
Operating expenditure	55.2	51.7	52.9	59.7	55.4	51.8	52.3	159.9	159.5	213.3
Current balance	(6.0)	0.9	6.2	(0.1)	(3.9)	3.4	4.0	1.1	3.5	9.2
Gross development expenditure	7.1	7.2	8.2	17.0	8.0	7.3	8.8	22.5	24.2	47.4
Less: Loan recoveries	0.2	0.2	0.1	0.6	0.1	0.1	0.1	0.5	0.3	1.0
Net development expenditure	7.0	7.0	8.1	16.4	7.9	7.3	8.7	22.1	23.8	46.4
Overall balance	(13.0)	(6.1)	(1.9)	(16.5)	(11.8)	(3.8)	(4.7)	(20.9)	(20.3)	(37.2)
% of GDP	(4.9)	(2.2)	(0.7)	(5.7)	(4.2)	(1.4)	(1.6)	(2.6)	(2.4)	(3.2)

**MOF estimates*
Source: MOF

Another encouraging sign is the overall fiscal deficit of 2.4% for 9M15. This is an improvement from the 2.6% in 9M14. It looks on track to meet the 2015 government target of 3.2%. Typically, development expenditure peaks in 4Q as the government tries to catch up from lower spending activities at the beginning of the year.

Fig 24: Federal government revenue

	RM bn									
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	9M14	9M15	*2015E
Tax revenue	35.3	39.6	41.9	47.4	37.1	42.0	42.3	116.8	121.3	170.0
Direct tax	27.2	30.4	31.8	37.3	27.6	27.2	28.5	89.4	83.3	116.8
Companies	8.9	12.1	22.6	21.7	14.2	15.9	17.0	43.6	47.1	68.3
PITA	5.2	6.7	6.8	8.2	3.0	3.0	2.9	18.7	8.9	9.5
Individuals	11.1	9.1	(0.4)	4.7	8.0	5.5	6.1	19.7	19.7	28.2
Stamp duties and others	2.1	2.5	2.9	2.7	2.4	2.8	2.5	7.4	7.6	10.8
Indirect tax	8.0	9.2	10.2	10.1	9.5	14.7	13.8	27.4	38.0	53.3
Export duties	0.5	0.6	0.5	0.4	0.3	0.3	0.2	1.5	0.8	1.1
Import duties	0.5	0.6	0.7	0.8	0.6	0.7	0.7	1.9	1.9	2.7
Excise duties	2.8	3.2	3.5	3.4	2.8	3.0	2.9	9.5	8.6	12.2
Sales tax	2.2	2.6	3.0	3.2	3.6	1.3	0.2	7.8	5.1	4.8
GST	-	-	-	-	-	7.6	8.9	-	16.5	27.0
Service tax	1.4	1.5	1.7	1.7	1.5	1.3	0.2	4.6	3.0	2.9
Others	0.7	0.7	0.7	0.7	0.7	0.7	0.7	2.1	2.1	2.6
Non-tax revenue and receipts	13.9	13.1	17.2	12.3	14.5	13.3	14.0	44.1	41.8	52.4
Licenses, permits and petroleum royalty	5.2	1.9	5.1	2.0	4.6	1.9	4.1	12.2	10.6	12.5
Investment income	6.7	9.2	9.7	8.1	7.6	9.6	8.1	25.6	25.4	32.2
Others	2.0	1.9	2.4	2.1	2.3	1.8	1.7	6.3	5.8	7.7
Total revenue	49.2	52.7	59.1	59.6	51.5	55.3	56.3	161.0	163.1	222.5
% of GDP	18.5	19.3	21.2	20.6	18.6	19.5	19.2	19.7	19.1	19.2

**MOF estimates*
Source: MOF

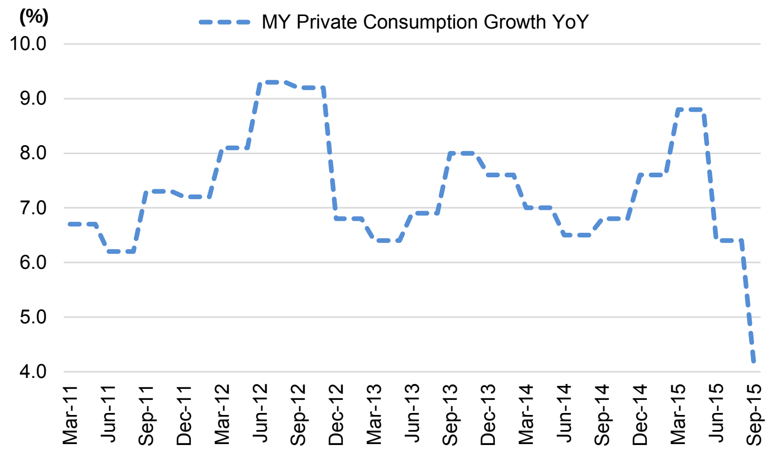
A closer look at private consumption

Private consumption anomaly

Worth particular discussion is the sharp slowdown in private consumption, which anchors 51-52% of Malaysia's real GDP. Traditionally, this segment of the economy provides a stable and dependable growth trajectory for the economy as Malaysia aims to transform itself into a developed nation by 2020. Private consumption grew annually by between 6.9% and 8.3% in 2011-2014. On a quarterly basis, it has chalked up expansion of 6.2-9.3% YoY since 1Q11 (excluding 3Q15).

Hence the slowdown from 8.8% YoY expansion in 1Q15 to 6.4% in 2Q15 and subsequently to 4.1% in 3Q15 is worthy of further examination. We have to go back to 4Q09 to find a weaker private consumption quarter where it grew by just 1.5%, as Malaysia was recovering from the 2009 Global Financial Crisis.

Fig 25: Abrupt 3Q15 slowdown in private consumption



Source: Bloomberg

We understand that the 8.8% YoY rise in 1Q15 was due to stocking-up activities prior to the implementation of the Goods and Services Tax (GST) on 1 A pril 2015, even faster than the 7.6% in 4Q14. However, what we found perplexing was the 6.4% rise in private consumption in 2Q15 despite the full-quarter impact of GST.

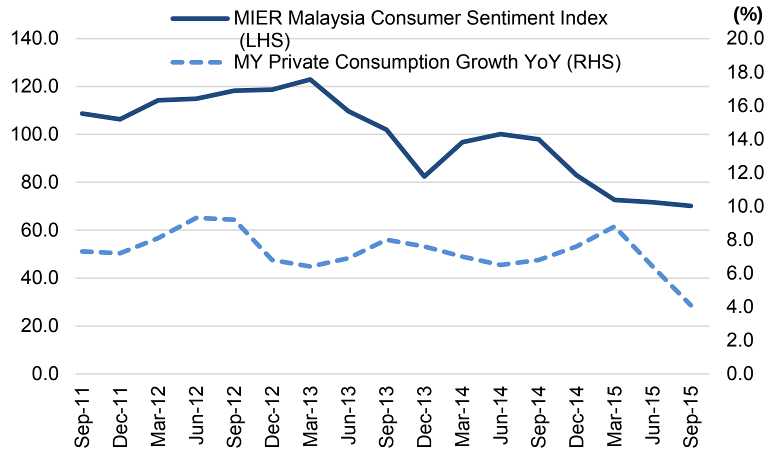
Naturally, we saw the strong growth in 2Q15 despite GST implementation as an endorsement of the structural strength in the domestic economy with diverse growth prospects. However, private consumption moderated sharply to 4.1% and poses a challenge to this hypothesis, and as such, warrants further examination.

MIER consumer sentiment index

The main suspect is the confidence level of the consumer. The MIER consumer sentiment index supports this, hitting an all-time post 2009 Global Financial Crisis low of 70.2 in September 2015.

Yet there are discrepancies between the MIER consumer sentiment index and pr ivate consumption. For instance, private consumption fell from 9.2% in 3Q12 to 6.8% in 4Q12 and 6.4% in 1Q13. However, the consumer sentiment index rose from 114.9 points to a high of 122.9 over this period. Similarly, private consumption rose from 6.8% YoY growth in 3Q14 to 7.6% in 4Q14 but the index fell from 100.1 to 83 over this period.

Fig 26: Correlation of consumer sentiment and private consumption



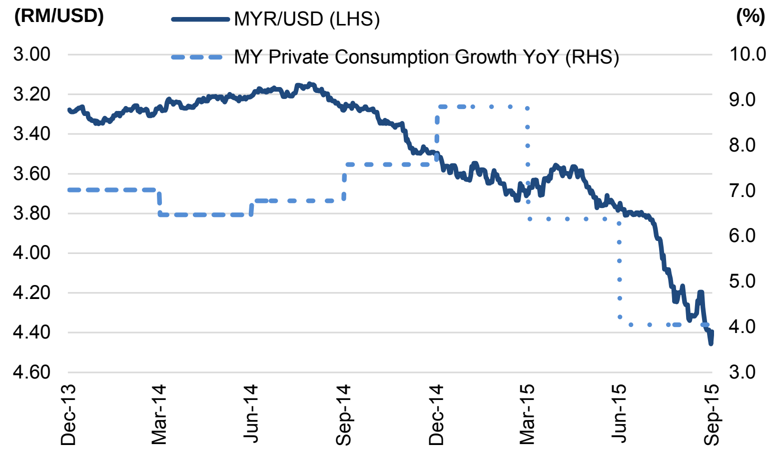
Source: Bloomberg

Nonetheless, the correlation did hold over the immediate past four quarters. The index fell from 100.1 points in 3Q14 to a low of 70.2 in 3Q15, which saw private consumption drop from 6.8% to 4.1%. Over a shorter time period, there was an anomaly throughout 2015 where the consumer sentiment index was stable at 70-72 points but private consumption still plunged sharply between 2Q15 and 3Q15.

The Ringgit played a major role recently

We believe that a b etter explanation of recent events leading to the slowdown in 3Q15 is the Ringgit. Private consumption had been relatively stable throughout 2014 with quarterly growth hovering in the region of 6.5%-7.6%. This was despite a 10% weakening (measured as US Dollar per Ringgit) of the Ringgit from RM3.15 to the US Dollar in late August 2014 to RM3.50 by the end of 2014. Over the same period, Brent crude oil prices fell by a sharp 36% from US$103/b to US$66.

Fig 27: Correlation between the Ringgit and private consumption



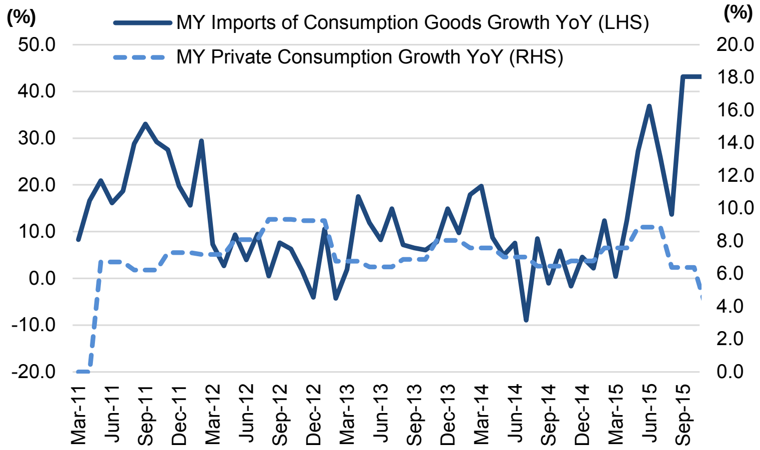
Source: Bloomberg

A few observations can be made. The first is that the gradual weakening of the Ringgit (10% over the last four months of 2014) had a muted impact on private consumption. While the chart shows this, we also believe that the negative sentiment from Ringgit weakness was partly offset by the much sharper fall in crude oil prices, with the result that the positive effect from cheaper pump prices (and secondary effects thereafter) more than offset the negative sentiment over a weaker Ringgit.

The second observation is that the decline in 3Q15 private consumption coincided with the sharp fall in the Ringgit. Over one month (in late July to late August), the Ringgit plunged 11% to RM4.24, which shook consumer confidence and raised prices of imported goods. The losses for the Ringgit widened to a drop of 15% for the whole of 3Q15. Unlike in the latter part of 2014, there were no offsetting factors such as cheaper pump prices to mitigate the poor consumer sentiment. We believe that this was the main reason for the abrupt moderation in private consumption growth in the quarter.

Another supportive reason is in imports of consumption goods. In March 2015, this grew 0.4% YoY but spiked up to 37% YoY in June and remained elevated thereafter. The latest available figure shows a 43% expansion in September, in tandem with another sharp drop of the Ringgit. The sharp rise in imports of consumption goods coincided with the fall in private consumption to 4.1% in 3Q15, which suggests that the rise was not due to a volume increase but more expensive overseas goods on the back of the exchange rate. Hence, imported inflation and a weak Ringgit caused the sharp pull-back in private consumption growth.

Fig 28: Imported consumption goods and private consumption



Source: Bloomberg

Temporary or structural?

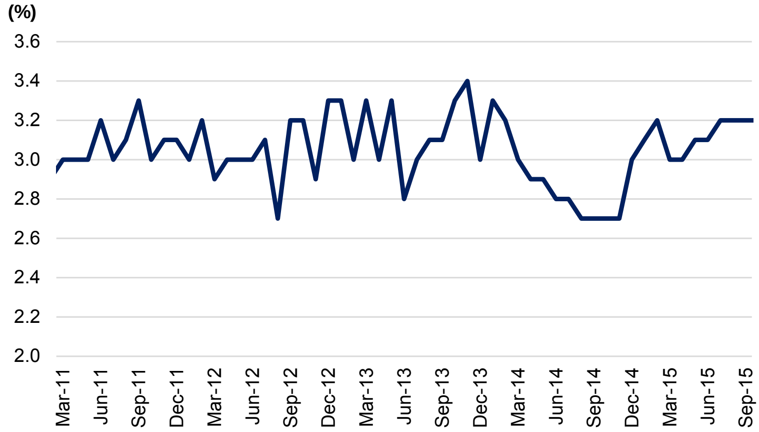
The key issue is whether the 3Q15 development is temporary or structural. We are inclined to think that it is temporary. As we have highlighted before, private consumption has been growing at 6.2% to 9.3%% since 1Q11. Hence it is unusual for a sudden deceleration in growth over one quarter in 3Q15 on the back of a still growing economy. We take the view that it was sentiment due to the Ringgit rather than structural problems with the economy that was the root cause. In fact, the data points thus far do support our view that it is not a structural problem.

Healthy labour market

Firstly, the unemployment rate in Malaysia has risen to 3.2% in September 2015 but it is still a very healthy level and not much higher than the low of 2.7% in November 2014. We acknowledge that there has been plenty of publicity this year on retrenchments in the banking sector.

However, we believe that it is akin to the proverbial ‘the bark is worse than its bite’ given the relative small impact on total employment. For instance, the total employment force in Malaysia is 13.9m people. For the 9M15 period, total layoffs amounted to 10,145 people, less than 0.1% of the total force, and the marginal rise in unemployment rate reflects that. Moreover, there are new additions to the jobs market that offset the retrenchment, as reflected in the total employment force size that has grown to 13.9m in 3Q15 from 13.7m in 3Q14.

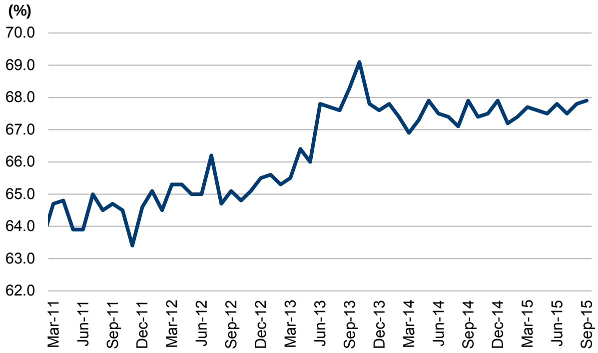
Fig 29: Unemployment rate has ticked up slightly



Source: Bloomberg

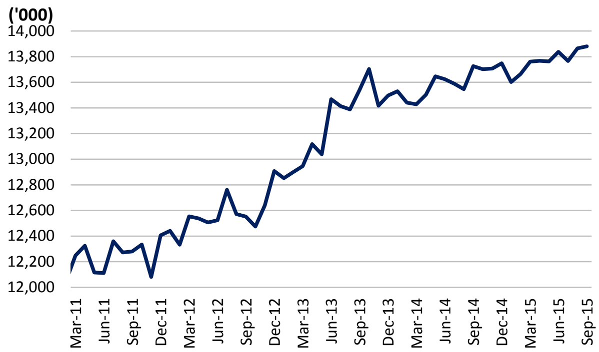
The labour force participation rate in Malaysia also remains high at 67.9%. This has been steady over the past few quarters, thus further proving the health of the labour market in Malaysia. Meanwhile, it is worth highlighting that there are still many sectors that are growing very well, chief among these being the manufacturing segment that makes up 23% of the economy. This is partly due to the weak Ringgit, which buoys exporters, and partly courtesy of the healthy domestic demand condition. Other parts of the economy, such as the plantation industry, are also doing relatively well given the rebound in CPO prices. Lastly, the huge gross fixed capital formation push should continue to support wages for the construction and related industries.

Fig 30: Labour force participation rate



Source: Bloomberg

Fig 31: Employment in Malaysia

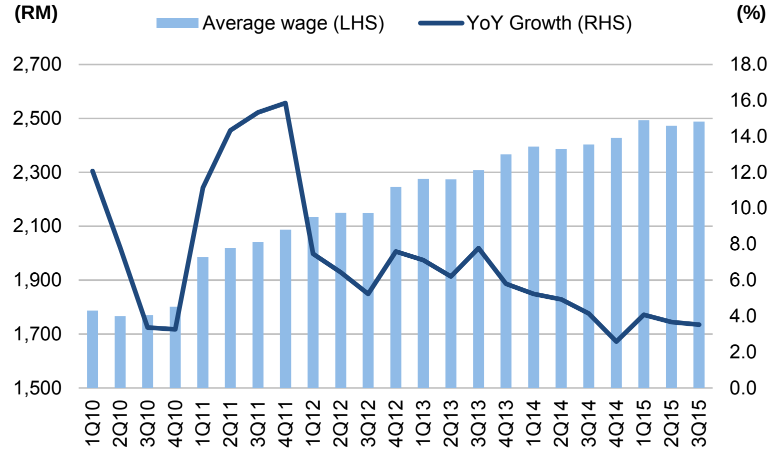


Source: Bloomberg

Reasonable wage growth

Secondly, wages continue to grow at a healthy clip, partly thanks to the still robust labour market. The average wage growth has picked up from 2.6% YoY in 4Q14 to 4.1% in 1Q15, 3.7% in 2Q15 and 3.5% in 3Q15. The rise in wages does jive with the health of the labour market. One observation is that wages for the wholesale and retail segment are slowing (probably due to weaker domestic demand) but wage growth in the manufacturing sector continues to be strong, which once again is in keeping with the health of the manufacturing sector in Malaysia (partly due to the weaker Ringgit).

Fig 32: Average payroll

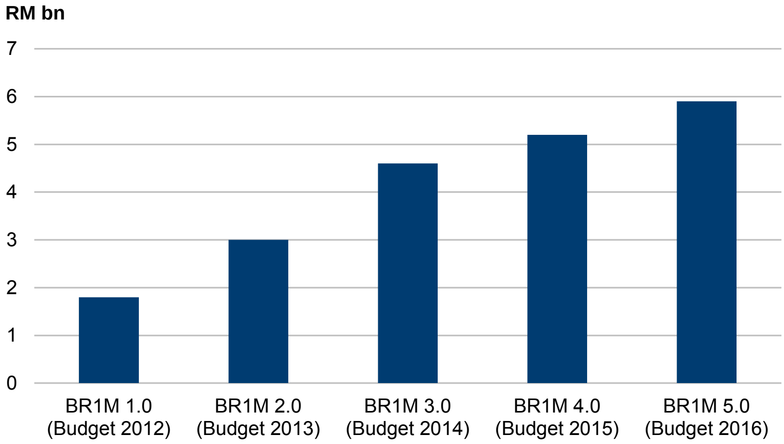


Source: Department of Statistics Malaysia

Handouts to continue

Thirdly, the government continues to redirect cash hand-outs to the bottom 40% of households (by income). The budgeted amount has gone up from RM1.8bn in Budget 2012 to RM5.9bn in Budget 2016, the latter being 13% higher than the Budget 2015 allocation. This should continue to support private consumption.

Fig 33: Cash hand-outs via BR1M have been increasing

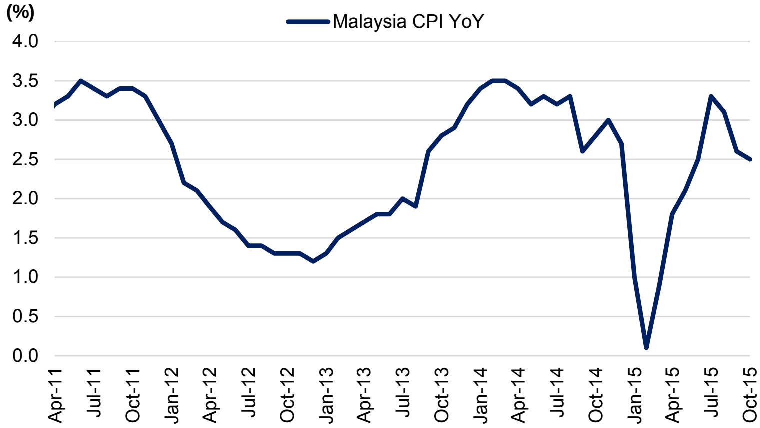


Source: MOF

Inflation remains benign but keep an eye on imported inflation

Fourthly, inflation hit a high of 3.3% in July 2015 but has moderated to 2.5% YoY in October. This was despite the GST implementation on 1 April 2015, and was helped by plunging crude oil prices with noticeable secondary effects on prices.

Fig 34: Inflation trend



Source: Bloomberg

However, we train a keen eye on imported inflation due to the recent sharp fall in the Ringgit. While the weightage of imported items in the CPI basket is not large, it has a more pronounced impact on urban and suburban dwellers, as many are consumers of imported goods. This in turn affects sentiment and private consumption. That is why we believe that the Ringgit level is key going forward, and we continue to take the view that the Ringgit is undervalued.

Fig 35: Inflation is under control

			% yoy		% yoy			% mom		
Weights		Weights	2013	2014	Aug-15	Sep-15	Oct-15	Aug-15	Sep-15	Oct-15
0.3	Food & Non-alcoholic Beverages	30.3	3.6	3.3	4.2	4.3	4.7	0.5	0.2	0.2
0.0	Alcoholic Beverages & Tobacco	2.2	6.0	11.6	13.4	9.8	13.3	0.1	0.0	0.0
0.0	Clothing & Footwear	3.4	-0.6	-0.2	0.7	0.7	0.7	-0.2	0.2	-0.1
0.2	Housing, Water, Electricity & Gas & Other Fuels	22.6	1.7	3.4	2.7	2.7	2.7	0.7	0.0	0.0
0.0	Furnishings, Household Equipment	4.1	1.5	1.0	3.7	3.7	3.8	0.3	0.0	-0.1
0.0	Health	1.3	1.9	2.9	4.7	4.6	4.7	0.1	0.3	0.2
0.1	Transport	14.9	2.0	4.9	-1.2	-3.8	-5.7	-2.7	-2.8	3.0
0.1	Communication	5.7	-0.7	-0.7	3.0	3.2	3.3	0.1	0.1	0.0
0.0	Recreation Services & Culture	4.6	0.1	1.5	2.1	2.3	2.4	0.2	0.2	0.0
0.0	Education	1.4	2.4	2.4	2.5	2.5	2.5	0.3	0.0	0.0
0.0	Restaurant & Hotels	3.2	2.5	4.7	4.5	4.6	4.7	0.2	0.2	0.2
0.1	Miscellaneous Goods & Services	6.3	0.3	0.7	4.5	5.6	5.8	0.0	1.0	-0.1
0.7	**Core CPI**	**69.7**	**1.5**	**3.1**	**2.5**	**1.8**	**1.5**	**-0.2**	**-0.5**	**0.6**
100.0	**TOTAL CPI**	**100.0**	**2.1**	**3.2**	**3.1**	**2.6**	**2.5**	**0.0**	**-0.3**	**0.4**

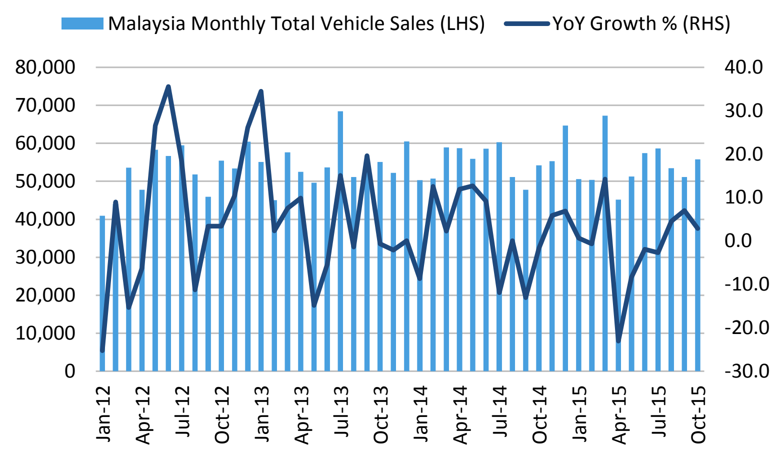
Source: Department of Statistics Malaysia

Affordability versus sentiment

As we said earlier, we do not believe that the sudden 3Q15 deceleration in private consumption growth is structural. It is more likely than not to be temporary given the sudden deviation from the private consumption growth range. Furthermore, the economy is still growing at a healthy clip. Hence we believe that the drop-off in growth is likely due to sentiment given the sharp devaluation of the Ringgit over a short one-month period.

Take car sales as an example. Total industry volume is down just 1% for the first ten months of this year. This is despite the sharp plunge in the MIER consumer sentiment index, which has also remained at record low levels for most of the year. Nevertheless, the point that we are trying to make is that car sales figures suggest that affordability is still there though sentiment is weak.

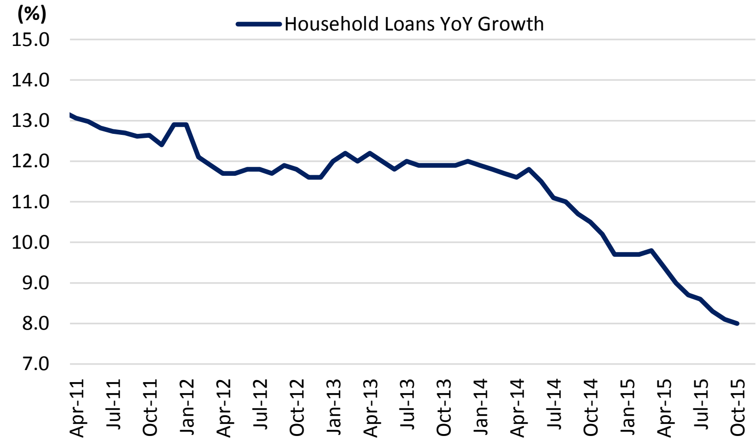
Fig 36: Car sales in Malaysia down just 1% ytd



Source: Bloomberg

At the same time, access to consumption credit remains good. The latest household loans still showed an 8% YoY expansion in October 2015. However, we acknowledge that this has slowed from between 9.7% and 11.9% throughout 2014. Part of the slowdown was due to poorer consumer sentiment while there was also an e lement of banks being more stringent in their lending criteria. The point though is that access to consumption credit is still available and that affordability is reasonable, especially if applications still meet the tighter loans approval conditions.

Fig 37: Consumption credit is growing albeit at a slower pace

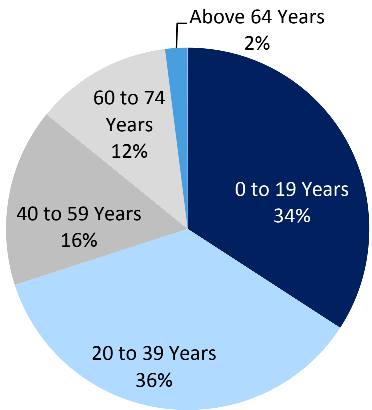


Source: BNM

Young population

Finally, there is a secular growth trend in private consumption due to the young population base. Of Malaysia's 31m people, 63% are below 35 years old and 70% are under 40 years. The baby boomers would provide significant support to private consumption when they join the workforce. In addition, their wage growth would be the quickest, albeit from a low base, and the propensity to spend would be the highest.

Fig 38: Malaysia's young population



Source: Department of Statistics Malaysia

Beside the baby boomers, it is also worth noting that higher private consumption is a h allmark of advanced economies. We believe that Malaysia will be no different as it aims to achieve developed nation status with a high middle-income population base by 2020.

Sector and stock strategy

Sector positioning for 2016

We have made no changes to our sector positioning for next year. There are eight sectors that we overweight, another eight sectors on which we are neutral, while we are underweight on the remaining two sectors.

Fig 39: Positioning for the eighteen sectors under coverage

Overweight	Neutral	Underweight
Banks	Auto& Autoparts	Building Materials
Construction	Consumer	Oil & Gas
Gaming	Media	
Healthcare	Plantation	
MREIT	Integrated Rubber Products	
Property	Telecommunications	
Technology	Transport & Logistics	
Timber	Utilities	

Source: Affin Hwang

Fig 40: Summary of sector valuation

Sector	Rating	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Banks & Financial Services	OW	267,764.0	(4.1)	5.8	13.3	12.5			3.7	4.0	1.8	1.7	10.7	11.0
Auto & Autoparts	N	11,165.0	(23.6)	21.5	17.6	14.5	8.2	8.9	4.5	5.7	1.1	1.1	5.9	7.5
Building Materials	UW	8,091.0	22.0	6.6	25.1	23.6	12.8	11.0	3.3	3.4	1.0	1.0	7.2	9.0
Construction & Infrastructure	OW	28,497.3	5.9	(3.4)	14.8	15.3	14.1	12.9	2.5	2.9	1.1	1.0	9.1	7.7
Consumer	N	51,156.6	3.9	2.9	23.0	22.3	12.1	11.6	3.9	4.1	8.1	7.7	24.8	24.8
Gaming	OW	57,260.5	1.5	3.8	17.9	17.3	6.2	5.9	3.1	3.1	2.7	2.5	4.4	4.3
Healthcare & Pharma.	OW	56,627.7	23.8	18.0	51.8	43.9	24.0	21.1	1.0	1.2	2.9	2.7	5.0	5.6
Media	N	19,132.0	30.6	20.6	20.2	16.7	7.9	7.6	6.0	6.3	5.2	4.3	23.1	24.7
MREIT	OW	23,497.0	32.8	2.6	17.1	16.6	15.2	14.7	5.8	6.3	1.4	1.2	6.5	6.8
Oil & Gas	UW	86,421.2	3.0	11.3	20.6	18.5	11.0	10.9	1.1	1.4	1.3	1.3	7.7	8.4
Plantation	N	121,165.6	(20.4)	33.1	26.3	19.8	16.7	13.6	2.1	3.2	2.2	2.1	7.4	10.1
Property	OW	29,306.1	2.5	(8.1)	9.7	10.6	9.8	10.1	3.7	4.2	0.9	0.9	8.8	7.9
Rubber Gloves	N	24,282.0	43.1	15.4	25.1	21.7	16.8	14.1	1.7	2.1	4.6	4.0	17.3	18.3
Technology	OW	9,853.3	45.8	10.3	16.2	14.7	8.3	7.9	3.1	3.6	4.6	4.2	19.4	19.6
Telecoms	N	166,645.5	(4.5)	2.3	25.2	24.7	10.4	10.2	3.7	3.8	18.2	18.3	19.5	19.7
Timber	OW	3,364.4	58.0	10.7	10.4	9.4	6.9	6.2	2.6	2.7	0.8	0.8	6.5	7.5
Transports & Logistics	N	54,769.8	1.7	8.1	19.1	17.6	12.4	12.4	1.1	1.2	2.0	0.2	5.5	6.0
Utilities	N	168,910.3	(2.8)	9.8	15.6	14.2	8.7	8.5	3.6	3.8	1.5	1.4	10.5	10.7
Coverage		**1,187,909.1**	**(4.1)**	**8.2**	**18.2**	**16.8**	**12.9**	**12.1**	**3.2**	**3.4**	**2.2**	**2.1**	**9.4**	**9.8**

Source: Bloomberg, Affin Hwang

Top picks and stocks to avoid

We have expanded our recommended list to 19 stocks (from 18 previously) as our top picks for 2016. We have introduced Tenaga as the additional top pick. Its inclusion is subsequent to the removal of the Edra purchase overhang. Our conviction on Tenaga stems from its cheap valuation and capacity expansion at its power-generation segment.

Another amendment to the list is the removal of MBM Resources due to the recent weak results on the back of extended losses at the Hirotako joint venture, which continues to be a drag while its turnaround lacks clarity. In its place, we have added Sunway Bhd. The original inclusion of MBM Resources had the broader appeal of playing the middle-income segment as Malaysia pushes towards developed nation status in 2020. While there are no suitable automakers, we use Sunway Bhd to gain exposure to this segment though via the property segment. In addition, Sunway Bhd complements our property recommendation of UOA Development and E&O. We like the former for its profitable niche in the Klang Valley mixed-development segment, while the latter provides a value-unlocking play in Penang. As such, we now have Sunway Bhd to plug the lack of exposure in the mass-market property category.

Fig 41: List of our top buys and stocks to avoid

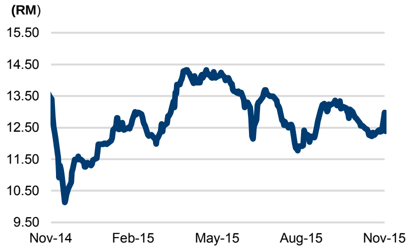
Stock	Rating	Price (RM)	TP (RM)	Upside (%)	Mkt Cap (RMm)	Core PE (x) CY15	Core PE (x) CY16	Core EPS Growth (%) CY15	Core EPS Growth (%) CY16	PBV CY15	PBV CY16	DPS(sen) FY15	DPS(sen) FY16	Div. Yield (%) FY15	Div. Yield (%) FY16	ROE (%) FY15	ROE (%) FY16
Top Buys																	
AEON CREDIT	BUY	12.98	14.80	14.0	1,869.1	8.7	7.9	5.8	10.0	2.4	2.0	57.2	62.6	4.4	4.8	29.4	27.4
AFG	BUY	3.58	4.50	25.7	5,548.1	10.6	10.3	(1.2)	3.1	1.2	1.1	14.4	14.8	4.0	4.1	11.2	10.7
CIMB	BUY	4.50	5.15	14.4	38,372.7	10.2	9.2	15.5	11.1	1.0	0.9	14.6	19.5	3.2	4.3	7.8	9.7
E&O	BUY	1.55	2.54	63.9	1,987.1	21.6	19.1	(32.2)	13.2	1.3	1.3	2.3	3.0	1.5	1.9	7.3	6.3
GAMUDA	BUY	4.54	5.84	28.6	10,922.8	16.3	16.0	(6.3)	1.9	1.7	1.6	12.0	12.0	2.6	2.6	10.3	9.9
GENTING	BUY	7.20	8.40	16.7	26,943.5	17.9	17.1	(6.8)	4.5	0.5	0.5	8.0	8.8	1.1	1.2	2.8	2.7
IGB REIT	BUY	1.29	1.60	24.0	4,478.6	16.1	15.3	17.9	5.2	1.2	1.2	8.9	9.3	6.9	7.2	7.6	8.0
IJM CORP	BUY	3.40	3.76	10.6	12,149.0	22.6	19.1	(22.4)	18.3	1.1	1.1	11.3	10.6	3.3	3.1	7.9	7.4
INARI	BUY	4.22	4.28	1.4	3,099.3	18.5	14.1	36.7	30.9	5.2	4.3	9.8	12.1	2.3	2.9	30.0	30.5
JAKS RESOURCES	BUY	1.18	1.60	35.6	517.3	27.4	7.7	41.9	258.1	0.9	0.7	-	-	-	-	3.2	9.4
KPJ	BUY	4.26	4.75	11.5	4,491.7	28.0	25.4	17.4	10.5	3.2	3.0	5.9	7.6	1.4	1.8	10.9	11.0
PAVILION REIT	BUY	1.53	1.88	22.9	4,617.3	19.0	17.6	4.4	8.1	1.2	1.2	8.6	9.3	5.6	6.1	6.4	6.8
PUBLIC BANK	BUY	18.38	21.80	18.6	71,353.7	15.7	15.1	(5.5)	4.1	2.3	2.2	55.0	57.0	3.0	3.1	14.9	14.3
SUNWAY	BUY	3.02	3.90	29.1	5,429.4	10.1	9.1	(27.5)	11.0	0.9	0.8	9.0	10.0	3.0	3.3	9.8	8.6
TA ANN	BUY	4.20	5.54	31.9	1,594.2	9.6	9.1	30.4	5.9	1.3	1.3	20.0	20.0	4.8	4.8	13.8	13.9
TENAGA	BUY	13.36	15.50	16.0	75,398.6	10.7	10.1	7.4	5.4	1.5	1.4	30.2	33.4	2.3	2.5	13.2	13.5
UOA DEVELOPMENT	BUY	2.05	2.43	18.5	3,116.9	7.9	7.8	26.2	1.1	1.2	1.1	11.0	13.0	5.4	6.3	12.9	12.3
WCT	BUY	1.45	1.84	26.9	1,754.0	40.3	14.1	(72.4)	186.1	1.1	1.0	6.0	6.0	4.1	4.1	6.8	6.1
WTK	BUY	1.23	1.36	10.6	592.0	11.1	9.8	21.0	13.5	0.4	0.4	1.8	2.1	1.5	1.7	3.9	4.3
Stocks to Avoid																	
FELDA	SELL	1.77	1.26	(28.8)	6,457.2	nm	16.9	nm	nm	1.0	1.0	2.0	8.0	1.1	4.5	1.8	5.9
MAXIS	HOLD	6.56	6.70	2.1	49,264.8	25.9	25.6	10.6	1.2	10.5	10.7	24.0	24.0	3.7	3.7	40.5	41.9
MCIL	SELL	0.62	0.48	(22.6)	1,046.1	8.0	7.7	(3.0)	3.9	1.2	1.1	3.5	3.6	5.6	5.8	15.1	14.4
MEDIA PRIMA	SELL	1.40	1.13	(19.3)	1,552.9	10.6	11.2	101.3	(5.3)	0.9	0.9	8.8	8.3	6.3	5.9	8.9	8.0
MMHE	SELL	1.07	0.97	(9.3)	1,712.0	36.9	13.2	(65.5)	179.3	0.6	0.6	-	1.8	-	1.7	3.2	4.5
TELEKOM	HOLD	6.51	6.50	(0.2)	24,464.2	29.7	28.3	(3.4)	5.0	3.2	3.2	21.9	23.0	3.4	3.5	10.8	11.3
UMW-OG	SELL	1.16	0.89	(23.3)	2,507.9	82.9	18.1	(88.0)	357.1	0.8	0.7	-	-	-	-	1.6	4.0
UNISEM	SELL	2.30	1.55	(32.6)	1,687.8	11.5	16.0	96.2	(28.0)	1.6	1.5	11.6	8.6	5.0	3.7	13.0	9.5

Source: Affin Hwang forecasts, Bloomberg; note: in our top Buys, we have added Sunway and Tenaga, and removed MBM Resources

We have also detailed below for each company the reasons behind our top buys and key stocks to avoid.

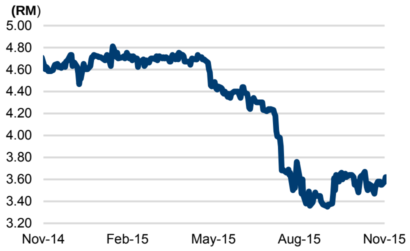
<table>
<tr><th>Top BUY</th><th>Rating</th><th>Analysts' Comments</th></tr>
<tr><td>
AEON CREDIT (ACSM MK)

Target Price : RM14.80
Share Price as at 30 November 2015 : RM12.98



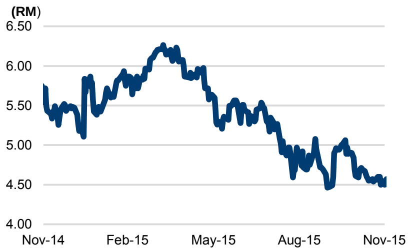
</td><td>BUY</td><td>Our BUY rating on AEONCS, with a 12-month TP of RM14.80, is based on a 9x CY16E EPS. 2015-17E ROEs are expected to stay above 20%, underpinned by a high effective interest rate of 15-17% on i ts robust receivable portfolio growth (above 20-21% p.a.), which will be funded by a low cost of debt averaging 4.2%. Despite concerns of slower business volumes, we see various growth opportunities as the company diversifies and expands from the low- to middle-income and small-business segments. NPLs are expected to remain manageable - NPL ratio may stabilize at around 2.5-2.6% given management's tight credit-screening policy and increased collection efforts.</td></tr>
<tr><td>
AFG (AFG MK)

Target Price : RM4.50
Share Price as at 30 November 2015 : RM3.58

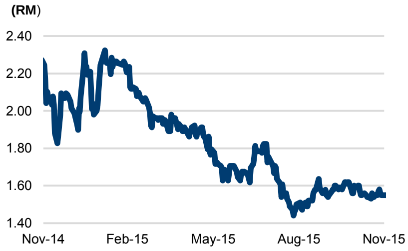
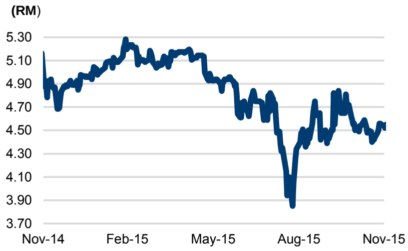
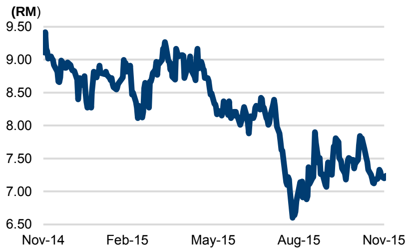
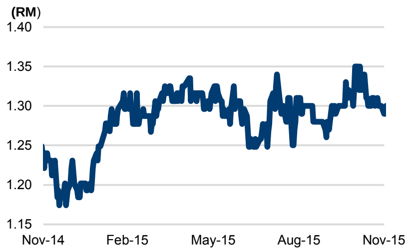


</td><td>BUY</td><td>Our BUY rating on AFG, with a 12-month TP of RM4.50, is based on a 1.36x CY16E P/BV target on CY16E ROE of 11%. Being the smallest anchor bank, AFG does not need to compete on volume with the big banks. Its key competitive edge is in focusing on being a niche retail-banking (consumer and SMEs) solutions provider. Given its size, management is able to leverage on the 'risk-adjusted return' model to improve its margins and ROE by focusing more on SMEs, commercial, personal loans, credit cards and share-margin financing rather than relying entirely on volume growth. Risk of Basel-3 equity capital-raising is not foreseen in the near term given its compliance. Asset quality intact – gross impaired loan ratio at 1.0% while loan loss cover at 105.4%.</td></tr>
<tr><td>
CIMB Group (CIMB MK)

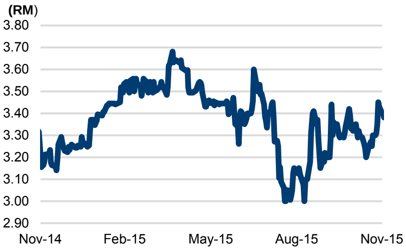
Target Price : RM5.15
Share Price as at 30 November 2015 : RM4.50

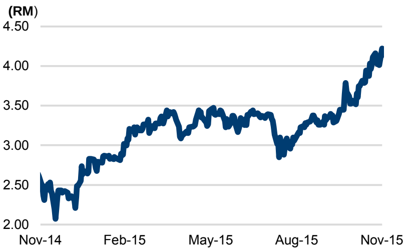


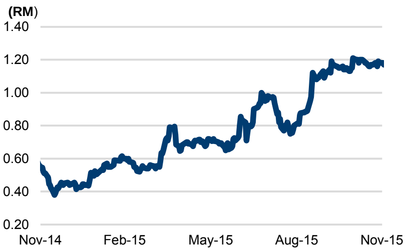
</td><td>BUY</td><td>We maintain a BUY rating on CIMB Group, at a 12-month target price of RM5.15 (based on an implied 2016E P/BV target of 1.06x and ROE of 10.2%). Taking a 12-month view of the stock, we believe that the current share price weakness is unjustified. In our view, CIMB has the potential to outperform, as we expect a gradual recovery in group earnings from 2016 onwards, driven by: (i) a normalized level of credit provisioning given the absence of hefty provisions at CIMB Niaga; (ii) cost synergies arising from the staff MSS (mutual separation scheme) exercise, with cost savings of RM500m p.a.; and (iii) initiatives under Target18 (T18) to reposition the CIMB Group in the face of increased challenges.</td></tr>
</table>

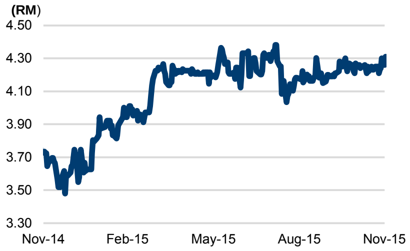
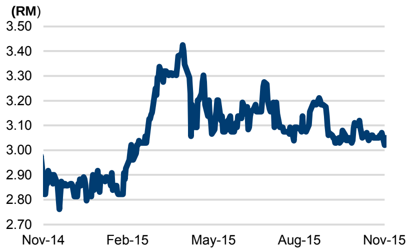
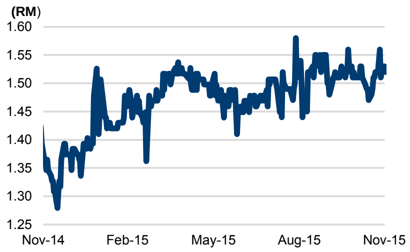
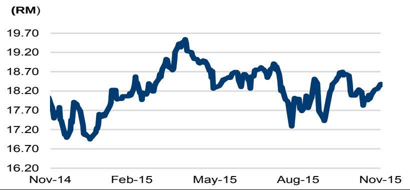
Top BUY	Rating	Analysts' Comments
E&O (EAST MK) Target Price : RM2.54 Share Price as at 30 November 2015 : RM1.55 	BUY	E&O is one of our top BUYs among the Malaysian property stocks with a 12-month target price of RM2.54. The appointment of reputable China Communications & Construction Co. as the reclamation contractor for its Seri Tanjung Pinang Phase 2 (STP2) project will kick-start its largest property development project with potential gross development value of RM25bn. This locks in the land reclamation cost at about RM110 psf, substantially lower than the developed land price of over RM500 psf. We believe the current share price does not give any value to its STP2 project. E&O is targeting to secure a strategic financial partner to jointly develop the first 253-acre package of STP2. This will partially unlock the value of STP2 land reclamation rights.
GAMUDA (GAM MK) Target Price : RM5.84 Share Price as at 30 November 2015 : RM4.54 	BUY	Gamuda is our top BUY among the Malaysian construction stocks with a RNAV-based 12-month target price of RM5.84. Gamuda together with its partners have been appointed as the project delivery partner for the RM28bn Klang Valley Mass Rapid Transit Line 2 (MRT2) and RM27bn Penang Transport Master Plan (PTMP). It is also the frontrunner to be appointed the main contractor for the underground portion of MRT2 by mid-2016. The two projects will likely spur long-term growth of its construction division. The potential sale of its 40% stake in the Splash water supply concession will provide the funding for its PTMP project.
GENTING (GENT MK) Target Price : RM8.40 Share Price as at 30 November 2015 : RM7.20 	BUY	Our BUY rating on Genting with a 12-month TP of RM8.40 is based on RNAV valuation. While earnings growth is lacking in 2015, we still like Genting for a potential turnaround should consumer sentiment and commodity prices recover. We see potential signs of bottoming out for its subsidiary Genting Singapore (GENS), which is still seeing sequential growth in the mass market and is largely mitigating the underperformance at the VIP segment. We note that there are persistently high bad debts at the VIP market, but management expects these provisions to taper off in 1H16.
IGB REIT (IGBREIT MK) Target Price : RM1.60 Share Price as at 2 November 2015 : RM1.29 	BUY	We have a BUY rating on IGB REIT with a DDM-derived 12-month target price of RM1.60 (based on 8.2% cost of equity, 6% equity risk premium and 3.0% terminal growth rate). In our view, despite weaker consumer sentiment (due to repercussions of the GST and higher cost of living), IGBREIT's earnings are expected to remain resilient on the back of: (i) stable occupancy rates of c. 100%; (ii) an additional 40,000 sq ft in Net Lettable Area in 2015; and (iii) more efficient cost management. 2015-17E DPU yields remain attractive at 6.8-7.7%. Longer-term key catalysts include asset injections, such as the Southkey Megamall and 18@Medini (in IDR) by 2020.

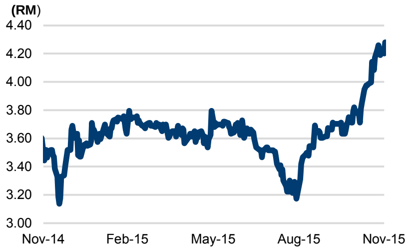
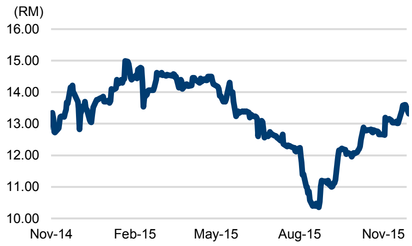
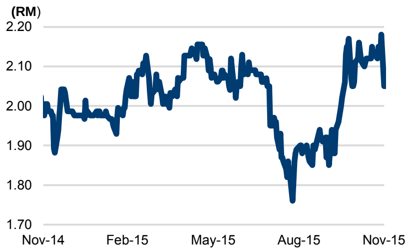
<table>
<tr><th>Top BUY</th><th>Rating</th><th>Analysts’ Comments</th></tr>
<tr><td>IJM (IJM MK)

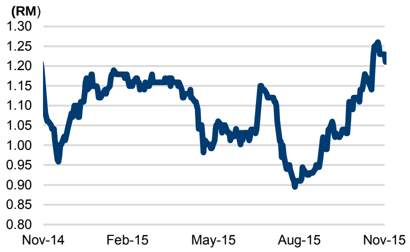
Target Price : RM3.76
Share Price as at 30 November 2015 : RM3.40

</td><td>BUY</td><td>IJM Corp is one of our top BUYs with a RNAV-based 12-month target price of RM3.76. IJM has a record construction order book of RM7bn. We believe it has good prospects for replenishing its order book as it is in a strong position to bid for the remaining works for the RM5bn West Coast Expressway and above-ground packages for the MRT2. The sale of its Indian highways should lift its earnings and it could pay a special dividend to reward shareholders. Our FY16 DPS forecast of RM0.125 (net yield of 3.7%) is attractive for a growth stock.</td></tr>
<tr><td>INARI AMERTRON (INRI MK)

Target Price : RM4.28
Share Price as at 30 November 2015 : RM4.22

</td><td>BUY</td><td>Inari is a leading RF test house in the region and is poised to further consolidate its position given its solid working relationship with its key customer Avago, also a leader in the RF industry. We project that Inari will achieve a 3-year forward net profit CAGR of 25% over 2015-18E, which we believe will continue to be driven by RF expansion in the near term. Longer-term, Inari is well positioned to benefit from the Internet of Things, through its fiber-optic division. Trading at 14x 2016E EPS, we believe valuations are attractive considering its growth prospects and given that it is still one of the cheapest semiconductor stocks on the FBMKLCI.</td></tr>
<tr><td>JAKS RESOURCES (JAK MK)

Target Price : RM1.60
Share Price as at 30 November 2015 : RM1.18

</td><td>BUY</td><td>Our BUY rating on JAKS Resources with a 12-month TP of RM1.60 is based on a discount of 20% to our RNAV (realisable net asset value) valuation of RM2.00. We remain positive on JAKS’ US$1.87bn coal-fired power plant in Vietnam despite some loose ends to tie up in relation to the project’s financial close, and still expect construction of the project to begin in 1Q16. Additional water-related infrastructure project wins and positive earnings surprises from the construction of non-technical work on the Vietnam project are key rerating catalysts for JAKS.</td></tr>
</table>

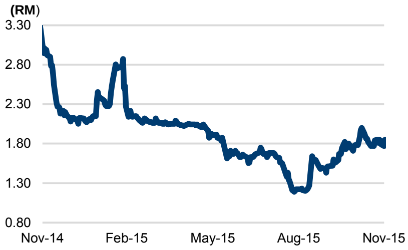
Top BUY	Rating	Analysts' Comments
KPJ (KPJ MK) Target Price : RM4.75 Share Price as at 30 November 2015 : RM4.26 	BUY	Given that we expect demand for private healthcare in Malaysia to continue being robust, we believe that KPJ is set to capitalise on this demand with its ongoing expansion plans. We understand that the group is looking to open two new hospitals every year. Furthermore, KPJ's valuations are attractive vs. its peers given the unwarranted discount, in our view, as the group's earnings and margins have shown a good turnaround. Maintain BUY rating on KPJ with 12-month TP of RM 4.75.
Sunway Berhad (SWB MK)* Target Price : RM3.90 Share Price as at 30 November 2015 : RM3.02 	BUY	We like Sunway as not only a proxy to an integrated township developer, but also as a diversified player with exposure in construction sector as well as investment properties. It has a total landbank of more than 3,000 acres with a potential effective GDV of RM32.5bn. Currently, its recently listed Sunway Construction has an outstanding orderbook at a high of RM4.3bn. Given its diversified exposure, we believe that any slowdown in one of the segments can be cushioned by other segments. However, key risk is the vast exposure in Iskandar Johor – which may see a prolong oversupply situation. Our 12-month target price is based on a 30% discount to RNAV. *new addition to our top BUY list
Pavilion REIT (PREIT MK) Target Price : RM1.88 Share Price as at 30 November 2015 : RM1.51 	BUY	We have a BUY rating on PavREIT with a 12-month target price of RM1.88 (based on 8.14% cost of equity, 6% equity risk premium and 3% terminal growth rate). We expect a continual rerating of the stock, driven by PavREIT's asset injection pipeline and the sustainability of its yields at 5.6-6.9% for 2015-17E. Our conviction on PavREIT is based on its dominance in the upmarket retail sector, underpinned by its: i) strategically located prime assets (malls and office towers) in Bukit Bintang (the heart of KL's shopping district); ii) robust organic and inorganic growth plans, with a pipeline of asset injection totalling approximately 700,000 sq ft in NLA; and iii) high occupancy rates, ability to attract new tenants and sustainability of existing tenancies.
Public Bank (PBK MK) Target Price : RM21.80 Share Price as at 30 November 2015 : RM18.38 	BUY	Our BUY rating on PBB is based on a 12-month target price of RM21.80 at a 2.6x P/BV target on a 2016E ROE of 14.9%. Public Bank's operations remained intact throughout 3Q15 and we do not believe that its share price weakness is an indication of a potential deterioration in earnings quality. This is a highly defensive stock in nature, supported by a well-established franchise in the retail market, above-industry loan and deposit growth track records, sound asset quality (backed by lowest GIL of 0.53% and high LLC of 130.8%), a well-capitalised balance sheet (CET 1 at 10.2%) and well-contained overheads, with the lowest CIR at 30.7% vs. industry at 51%.

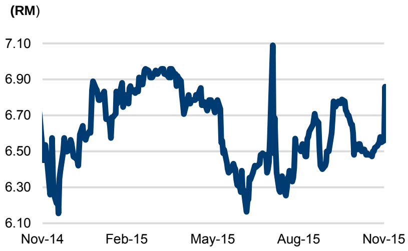
Top BUY	Rating	Analysts' Comments
Ta Ann (TAH MK) Target Price : RM5.54 Share Price as at 30 November 2015 : RM4.20 	BUY	Our BUY rating on Ta Ann, with a SOTP-derived 12-month target price of RM5.54 is based on a 10x 2016E EPS for its timber division, 12x for its plantation division, and 1x BV for its forest plantation. We continue to like Ta Ann for: 1) its decent growth of 6-8% in 2016-17E on the back of firm timber product ASPs coupled with improving plantation earnings given the rising matured areas, increasing FFB and CPO production; and 2) its ~5% 2016E dividend yield.
Tenaga (TNB MK)* Target Price : RM15.50 Share Price as at 30 November 2015 : RM13.36  *new addition to our top BUY list	BUY	We believe TNB is undervalued as its share price is not fully reflecting the removal of the overhang from the sale of Edra by 1MDB to a foreign party. We see that the market has yet to fully reflect the positive news last month that TNB had reportedly put in the lowest bid for Edra's assets and lost out to China General Nuclear Power Corporation (CGN). At TNB's current share price, its market cap stands at RM75.6bn and this still implies RM9bn in value destruction from its peak in Jan15. Even without Edra's assets, TNB would see its domestic power generation capacity market share increase due to new hydro and gas power plants that are on track for commissioning by 2016. We have a BUY call on TNB and 12-month TP of RM15.50, translating to an 11.9x target FY16E PE, which we deem relatively undemanding as TNB's forward PE was within an estimated range of 13-16x prior to the gas shortage issues in FY11-13.
UOA Development (UOAD MK) Target Price : RM2.43 Share Price as at 30 November 2015 : RM2.05 	BUY	We like UOA Development for its strong management, good product branding as well as net cash position. As at end-Sept 2015, it is at a net cash position of RM530m. Being a niche property player focusing on the greater KL segment as well as mid-to-high income products, it is partially sheltered from the slowdown in the Johor property segment, as well as the tight credit approval process. Next key catalyst will be its Jalan Ipoh development, which is expected to mirror success of Bangsar South Development. Our 12-month target price is based on a 30% discount to RNAV.

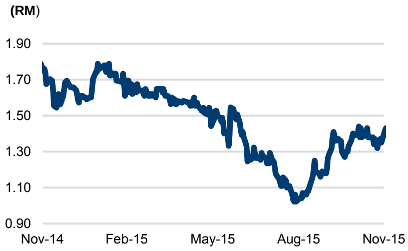
Top BUY	Rating	Analysts' Comments
WCT (WCTHG MK) Target Price : RM1.84 Share Price as at 30 November 2015 : RM1.45 	BUY	WCT is our top BUY among the mid-cap construction stocks with a 12-month target price of RM1.84, based on a 20 % discount to RNAV. After a slow start, WCT has clinched RM2.8bn new contracts YTD to expand its order book to RM5bn. WCT's prospects to secure more local contracts have improved after it was pre-qualified to bid for the MRT2 above-ground packages. It is also in the running for additional infrastructure work packages for the WCE and RAPID. The potential REIT listing of its retail mall assets in 2016 should unlock values and reduce its gearing. Its FY16E PER of 14x is attractive considering its 2-year EPS CAGR of 15% and core EPS CAGR of 96% in FY16-17E.
WTK (WTKH MK) Target Price : RM1.36 Share Price as at 30 November 2015 : RM1.23 	BUY	We maintain our BUY recommendation on WTK, with a SOTP-derived 12-month target price of RM1.36. This is based on a 10x 2016E EPS for WTK's timber division, and a 1x BV for its forest plantation and palm oil. We like the stock on the back of our 2015-17E EPS CAGR of 16.3%, based on firm timber product ASPs, a favourable US$ against the RM and rising palm-oil plantation matured areas.

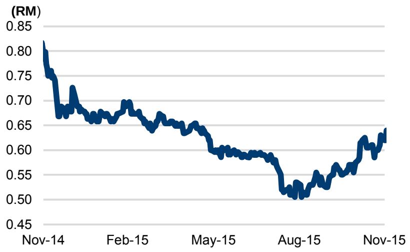
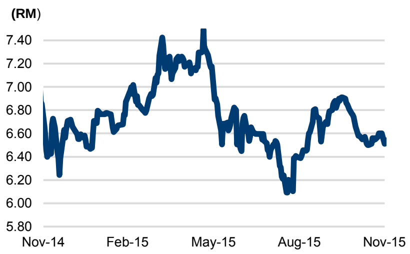
Source: Bloomberg, Affin Hwang

<table>
<tr><th>Key Stocks To Avoid</th><th>Rating</th><th>Comments</th></tr>
<tr><td>FELDA GLOBAL (FGV MK)

Target Price : RM1.26
Share Price as at 30 November 2015 : RM1.77
</td><td>SELL</td><td>The 3Q15 core net loss came as a s urprise even though CPO ASP was lower. Possible different mode of investment in PT Eagle High, including potential joint venture, off take agreement or other form of mutually agreed collaborations, would have to address concerns on valuation, potential rise in financial leverage, dilution in EPS and management control. Pending further details, the possible mode of investment in Eagle High will continue to be an overhang.</td></tr>
<tr><td>MAXIS (MAXIS MK)

Target Price : RM6.70
Share Price as at 30 November 2015 : RM6.56
</td><td>HOLD</td><td>Our HOLD rating on Maxis is based on a DCF-derived 12-month TP of RM6.70 (WACC: 6.0%, LT growth: 1.0%). While we see positives in Maxis' turnaround efforts, in particular with prepaid, the ongoing intense competitive environment suggests that positive earnings surprises are unlikely. We also note that competition remains very stiff in postpaid given the very aggressive short-term promotional data-led pricing in the market. Besides that, Maxis' higher capex guidance for 2015 would likely dampen how much management may declare in special dividends.</td></tr>
<tr><td>Media Prima (MPR MK)

Target Price : RM1.13
Share Price as at 30 November 2015 : RM1.40
</td><td>SELL</td><td>We still do not like Media Prima (12-month TP: RM1.13) due to: 1) the unfavourable shift in broadcast adex towards the pay TV segment; 2) potentially cautious ad spending given the GST implementation and uncertainties in the market; 3) rising competition from other broadcasters; 4) negative effects on adex due to declining TV viewership; and 5) negative effects on hard copy circulation due to the continual shift in reader's preference for reading on mobile devices or over the Internet.</td></tr>
</table>

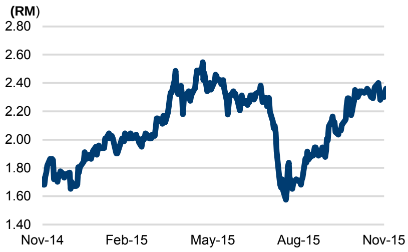
Key Stocks To Avoid	Rating	Comments
MCIL (MCIL MK) Target Price : RM0.48 Share Price as at 30 November 2015 : RM0.62 	SELL	We remain cautious on Media Chinese International Limited (MCIL) largely due to: 1) weakness in its core print division; 2) potentially cautious ad spending in the Malaysia operations given the GST implementation, poor consumer sentiment and uncertainties in the market; 3) potential ad spending slowdown in the HK/China segment as advertisers cut their ad budgets in view of the slow property market as well as the slumping luxury retail sales; and 4) negative effects on hard copy circulation due to the continual shift in reader's preference for reading on mobile devices or over the Internet. Our SELL call on MCIL, with a 12-month target price of RM0.48, is based on 6x 2016E EPS (1 SD below the 5-year average).
MMHE (MMHE MK) Target Price : RM0.97 Share Price as at 30 November 2015 : RM1.07 	SELL	3Q15 core net loss of RM26.5m cut 9M15 core net profit to RM29.9m. With crude oil prices hovering just above the August 2015 lows, services and EPCC providers will continue to be impacted by cutbacks in capital expenditures and risks of order cancellation. MMHE's order backlog as at end-September 2015 remained low at RM955m.
TM (T MK) Target Price : RM6.50 Share Price as at 30 November 2015 : RM6.51 	HOLD	Our HOLD rating on T M is based on a D CF-derived 12-month TP of RM6.50 (WACC: 7.6%, LT growth: 0.5%). We remain cautious over TM's move to embark on nationwide coverage of LTE, as there are still no material updates on TM's hunt for a domestic roaming arrangement with a mobile operator. Nonetheless, TM would push ahead with investments into P1 which suggests that 2016 will be a year of gestation and thus losses are unlikely to narrow. There is upside risk to capex if TM is unable to strike a deal for a domestic roaming arrangement.

Source: Affin Hwang

<table>
<tr><th>Key Stocks To Avoid</th><th>Rating</th><th>Comments</th></tr>
<tr><td>UMWOG (UMWOG MK)

Target Price : RM0.89
Share Price as at 30 November 2015 : RM1.16

</td><td>SELL</td><td>3Q15 core net loss of RM23.8m and low 9M15 core net profit of RM15.0m were due mainly to lower rig charter and utilisation rates. The drilling and o ilfield services are expected to remain challenging but recent award from the SapuraKencana Group will help to cushion downside risks to 2016E-17E forecasts. Our valuation multiple of 0.5x price to book reflects our expectation that the downturn in the regional jack-up rig market will be prolonged.</td></tr>
<tr><td>UNISEM (UNI MK)

Target Price : RM1.55
Share Price as at 30 November 2015 : RM2.30

</td><td>SELL</td><td>We are contrarian on Unisem as we hold the view that its earnings cycle will peak in 2015. The company has been plagued by inventory problems and has benefited predominantly from a strong US$. With weak underlying demand and possibly a stronger RM in the year ahead, we think that earnings risk is to the downside. Target price is based on mid-cycle valuations and at 1x book value.</td></tr>
</table>

Source: Bloomberg, Affin Hwang

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Auto & Autoparts					**11,165**	**(23.6)**	**21.5**	**17.6**	**14.5**	**8.2**	**8.9**	**4.5**	**5.7**	**1.1**	**1.1**	**5.9**	**7.5**
APM AUTOMOTIVE	HOLD	3.81	3.56	(6.56)	767.53	(39.4)	29.5	12.5	9.6	3.7	2.7	4.9	5.1	0.8	0.7	6.3	7.7
MBMR	HOLD	2.75	2.90	5.45	1,074.46	(19.9)	39.6	12.0	8.6	39.0	34.3	4.4	4.0	0.5	0.5	4.5	5.8
UMW	HOLD	7.98	7.80	(2.26)	9,322.99	(21.7)	19.9	18.3	15.2	8.1	9.0	4.5	5.8	1.1	1.2	6.2	8.0
Banks & Financial Servic					**267,764**	**(4.1)**	**5.8**	**13.3**	**12.5**			**3.7**	**4.0**	**1.8**	**1.7**	**10.7**	**11.0**
AEON CREDIT	BUY	12.98	14.80	14.02	1,869.12	10.9	10.7	8.1	7.3	0	0	4.4	4.8	2.4	2.0	29.4	27.4
AFG	BUY	3.58	4.50	25.70	5,548.06	(0.7)	2.7	10.6	10.3	0	0	4.0	4.1	1.2	1.1	11.2	10.7
AMMB	HOLD	4.59	5.10	11.11	13,835.11	(16.9)	(3.2)	8.8	9.1	0	0	6.4	7.2	0.9	0.8	10.3	9.2
BURSA MSIA	HOLD	8.35	8.60	2.99	4,464.03	(4.2)	11.3	23.6	21.2	14.1	12.6	3.8	3.8	5.9	5.6	25.1	26.5
CIMB	BUY	4.50	5.15	14.44	38,372.73	(2.9)	34.3	12.4	9.2	0	0	3.2	4.3	1.0	0.9	7.8	9.7
HONG LEONG BANK	BUY	13.56	16.20	19.47	29,433.44	1.1	2.9	10.9	10.6	0	0	3.0	3.1	1.4	1.3	12.5	11.8
MAYBANK	HOLD	8.32	8.00	(3.85)	81,217.77	(10.5)	1.2	12.5	12.4	0	0	5.9	6.0	1.4	1.3	11.1	10.7
MBSB	HOLD	1.55	1.80	16.13	4,399.67	(59.7)	15.9	9.9	8.5	0	0	3.0	3.5	0.9	0.9	8.5	9.2
PUBLIC BANK	BUY	18.38	21.80	18.61	71,353.70	(5.5)	4.1	15.7	15.1	0	0	3.0	3.1	2.3	2.2	14.9	14.3
RHB CAPITAL	HOLD	5.56	5.54	(0.36)	17,270.35	(30.5)	18.8	10.0	8.4	0	0	-	-	0.7	0.6	7.0	8.9
Building Materials					**8,091**	**22.0**	**6.6**	**25.1**	**23.6**	**12.8**	**11.0**	**3.3**	**3.4**	**1.0**	**1.0**	**7.2**	**9.0**
CHOO BEE	HOLD	1.50	1.61	7.33	164.85	(9.9)	40.0	15.0	10.7	9.4	8.1	4.0	4.0	0.4	0.4	2.7	3.7
HIAP TECK	SELL	0.27	0.38	40.74	193.97	(30.6)	136.7	9.4	4.0	16.3	6.1	2.2	2.2	0.2	0.3	1.6	8.0
LAFARGE	HOLD	9.10	8.80	(3.30)	7,732.22	19.8	6.1	25.2	23.8	12.6	11.8	3.6	3.8	2.4	2.3	9.5	9.8
Construction & Infrastru					**28,497**	**5.9**	**(3.4)**	**14.8**	**15.3**	**14.1**	**12.9**	**2.5**	**2.9**	**1.1**	**1.0**	**9.1**	**7.7**
BENALEC	HOLD	0.55	0.61	10.91	446.48	(28.6)	411.3	86.6	16.9	18.7	9.8	0.5	2.1	0.8	0.8	0.9	4.6
EVERSENDAI	BUY	0.86	1.18	38.01	661.68	85.4	11.2	9.6	8.6	8.0	7.1	4.7	4.7	0.7	0.7	7.3	7.7
GABUNGAN AQRS	SELL	0.84	0.70	(16.67)	330.15	(94.0)	1,066.7	140.0	12.0	(61.9)	7.2	-	1.8	0.9	0.8	(3.1)	7.7
GAMUDA	BUY	4.54	5.84	28.63	10,922.81	(6.5)	1.3	16.3	16.1	17.6	20.2	2.6	2.6	1.7	1.6	10.3	9.9
IJM CORP	BUY	3.40	3.76	10.59	12,148.97	21.1	(1.3)	14.2	14.3	10.8	9.1	3.3	3.1	1.1	1.1	7.9	7.4
MRCB	BUY	1.25	1.60	28.00	2,233.23	96.0	(67.4)	7.1	21.9	17.6	19.1	2.0	2.0	1.1	1.1	18.8	5.0
WCT	BUY	1.45	1.84	26.90	1,753.96	(2.1)	(1.9)	13.8	14.1	23.9	15.1	4.1	4.1	1.1	1.0	6.8	6.1

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Consumer					**51,157**	**3.9**	**2.9**	**23.0**	**22.3**	**12.1**	**11.6**	**3.9**	**4.1**	**8.1**	**7.7**	**24.8**	**24.8**
AEON CO	HOLD	2.69	2.60	(3.35)	3,776.76	(30.7)	23.8	25.6	20.7	8.6	7.2	1.3	1.6	1.9	1.7	7.4	8.4
BAT	HOLD	57.86	62.20	7.50	16,520.77	(0.5)	(2.3)	18.4	18.8	13.4	13.7	5.3	5.2	30.1	29.0	163.4	153.7
BONIA	HOLD	0.71	0.66	(6.38)	568.43	45.7	1.9	13.1	12.8	5.2	4.3	2.1	2.3	1.5	1.3	11.1	9.9
CARLSBERG	BUY	11.44	13.10	14.51	3,545.84	(2.2)	3.4	16.9	16.3	11.4	11.0	5.9	6.1	4.6	4.3	27.1	26.4
GUINNESS	HOLD	14.50	14.05	(3.10)	4,380.42	5.8	3.7	20.1	19.4	12.2	12.0	4.7	4.6	9.8	9.9	48.7	51.0
HAI-O	HOLD	2.31	2.02	(12.55)	465.46	(4.1)	9.6	14.4	13.2	8.9	8.3	5.3	4.9	1.5	1.4	11.2	11.3
MSM	HOLD	4.94	4.85	(1.82)	3,472.72	5.0	1.0	12.9	12.7	7.0	6.5	5.1	5.1	1.6	1.5	12.4	11.6
NESTLE	HOLD	73.50	77.20	5.03	17,235.75	6.6	8.7	29.3	27.0	19.1	17.8	3.5	3.9	21.2	20.1	72.2	74.6
PARKSON	HOLD	1.03	0.95	(7.77)	1,190.42	(20.0)	49.2	17.2	11.5	5.4	5.5	1.5	2.9	0.4	0.5	2.6	3.9
Gaming					**57,261**	**1.5**	**3.8**	**17.9**	**17.3**	**6.2**	**5.9**	**3.1**	**3.1**	**2.7**	**2.5**	**4.4**	**4.3**
BTOTO	HOLD	3.09	3.05	(1.29)	4,191.88	(6.7)	(4.5)	12.7	13.3	7.5	7.8	6.6	6.5	6.0	5.6	47.3	41.6
GENTING	BUY	7.20	8.40	16.67	26,943.45	3.9	4.5	17.9	17.1	5.1	4.8	1.1	1.2	0.5	0.5	2.8	2.7
GENTING MALAYSIA	HOLD	4.40	4.30	(2.27)	26,125.20	10.7	3.9	19.0	18.3	9.2	8.6	1.5	1.6	1.5	1.4	8.2	8.0
Healthcare & Pharma.					**56,628**	**23.8**	**18.0**	**51.8**	**43.9**	**24.0**	**21.1**	**1.0**	**1.2**	**2.9**	**2.7**	**5.0**	**5.6**
IHH	HOLD	6.34	6.71	5.84	52,136.01	26.0	19.0	54.7	45.9	25.2	22.1	0.6	0.6	2.6	2.4	4.6	5.2
KPJ	BUY	4.26	4.75	11.50	4,491.69	11.8	10.2	27.1	24.6	16.0	14.3	1.4	1.8	3.2	3.0	10.9	11.0
Media					**19,132**	**30.6**	**20.6**	**20.2**	**16.7**	**7.9**	**7.6**	**6.0**	**6.3**	**5.2**	**4.3**	**23.1**	**24.7**
ASTRO	BUY	2.85	3.35	17.54	14,834.30	29.0	25.7	22.4	17.8	8.9	8.6	4.5	5.6	17.1	13.8	76.4	77.3
MCIL	SELL	0.62	0.48	(22.58)	1,046.09	0.9	5.9	8.2	7.7	4.8	4.2	5.6	5.8	1.2	1.1	15.1	14.4
MEDIA PRIMA	SELL	1.40	1.13	(19.29)	1,552.88	96.1	(5.3)	10.6	11.2	4.9	4.6	6.3	5.9	0.9	0.9	8.9	8.0
STAR	SELL	2.30	1.95	(15.22)	1,698.70	-	7.9	15.2	14.1	7.2	6.3	7.8	7.8	1.4	1.4	9.4	9.8
MREIT					**23,497**	**32.8**	**2.6**	**17.1**	**16.6**	**15.2**	**14.7**	**5.8**	**6.3**	**1.4**	**1.2**	**6.5**	**6.8**
AXIS REIT	BUY	1.61	1.95	21.12	1,763.78	(30.4)	14.4	17.9	15.6	17.9	16.0	5.5	6.5	2.2	1.3	7.5	8.5
IGB REIT	BUY	1.29	1.60	24.03	4,478.61	(13.1)	5.2	16.1	15.3	16.8	16.0	6.9	7.2	1.2	1.2	7.6	8.0
KLCC	HOLD	7.00	7.50	7.14	12,637.33	62.2	1.7	17.0	16.7	13.8	13.4	5.1	5.3	1.1	1.0	6.2	6.3
PAVILION REIT	BUY	1.53	1.88	22.88	4,617.30	(52.5)	8.1	19.0	17.6	17.5	16.7	5.6	6.1	1.2	1.2	6.4	6.8

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Oil & Gas					**86,421**	**3.0**	**11.3**	**20.6**	**18.5**	**11.0**	**10.9**	**1.1**	**1.4**	**1.3**	**1.3**	**7.7**	**8.4**
ALAM MARITIM	BUY	0.47	0.57	22.58	429.87	(68.1)	50.0	21.1	14.1	9.9	7.8	-	-	0.5	0.5	2.4	3.5
BUMI ARMADA	SELL	1.04	0.91	(12.50)	6,100.92	(116.2)	(957.1)	(148.6)	17.3	12.4	13.2	1.4	1.4	0.9	0.9	(0.7)	5.2
DIALOG	HOLD	1.63	1.65	1.23	8,424.51	46.3	10.9	29.6	26.7	24.1	26.3	1.4	1.4	4.0	3.6	13.5	13.5
MMHE	SELL	1.07	0.97	(9.35)	1,712.00	(32.3)	47.3	19.5	13.2	8.7	5.1	-	1.7	0.6	0.6	3.2	4.5
PCHEM	SELL	6.74	5.30	(21.36)	53,920.00	6.1	7.9	20.5	19.0	10.4	9.9	2.7	3.0	2.1	2.0	10.2	10.4
PETRA ENERGY	BUY	1.43	1.50	4.90	459.17	28.7	10.1	10.3	9.3	5.9	4.7	1.4	1.4	0.9	0.8	8.3	8.5
SAPURA KENCANA	HOLD	2.14	2.00	(6.54)	12,866.78	(39.6)	15.1	15.1	13.1	10.0	10.9	2.1	2.1	1.0	0.9	9.1	7.4
UMW-OG	SELL	1.16	0.89	(23.28)	2,507.92	(79.4)	166.7	48.3	18.1	14.3	9.1	-	-	0.8	0.7	1.6	4.0
Plantation					**121,166**	**(20.4)**	**33.1**	**26.3**	**19.8**	**16.7**	**13.6**	**2.1**	**3.2**	**2.2**	**2.1**	**7.4**	**10.1**
FELDA	SELL	1.77	1.26	(28.81)	6,457.23	(64.1)	228.6	55.4	16.9	20.8	10.9	1.1	4.5	1.0	1.0	1.8	5.9
GENTING PLANT	SELL	10.26	9.15	(10.82)	7,999.98	(41.9)	85.4	37.4	20.2	22.0	13.7	1.0	1.2	2.0	1.8	5.2	9.0
HAP SENG PLANT	HOLD	2.45	2.28	(6.94)	1,959.99	(34.5)	66.7	23.3	14.0	12.8	8.4	2.9	5.3	1.0	1.0	4.3	7.0
IJM PLANT	HOLD	3.55	3.34	(5.92)	3,126.06	(25.7)	134.2	45.8	19.6	16.6	11.7	1.7	2.5	1.9	1.8	3.7	8.9
IOI CORP	HOLD	4.35	4.02	(7.59)	28,003.47	(60.1)	86.9	39.4	21.1	26.2	16.9	2.4	2.8	4.8	4.3	12.4	21.2
KUALA LUMPUR KEPONG	HOLD	22.94	21.21	(7.54)	24,488.56	(0.3)	31.0	25.5	19.5	16.0	12.9	2.0	2.3	3.1	3.0	12.3	15.4
SIME DARBY	HOLD	7.91	7.60	(3.92)	49,130.26	(25.7)	14.9	23.0	20.0	13.7	13.6	3.5	3.8	1.6	1.5	7.0	7.8
Property					**29,306**	**2.5**	**(8.1)**	**9.7**	**10.6**	**9.8**	**10.1**	**3.7**	**4.2**	**0.9**	**0.9**	**8.8**	**7.9**
AMCORP PROP	BUY	0.91	1.53	68.13	539.99	16.4	25.6	6.6	5.3	5.1	7.8	4.2	4.8	0.5	0.5	8.2	9.5
E&O	BUY	1.55	2.54	63.87	1,987.06	(14.8)	(8.5)	16.0	17.5	30.5	27.4	1.5	1.9	1.3	1.3	7.3	6.3
IOI PROPERTIES	BUY	2.20	2.50	13.64	8,312.69	(18.9)	(2.3)	9.9	10.2	11.3	9.3	3.2	3.9	0.6	0.7	6.5	6.5
SP SETIA	HOLD	3.23	3.25	0.62	8,489.59	57.5	(15.7)	11.1	13.1	8.9	10.3	4.3	4.3	1.2	1.2	10.8	8.6
SUNWAY	BUY	3.02	3.90	29.14	5,429.35	(12.6)	(6.7)	8.5	9.1	9.9	9.3	3.0	3.3	0.9	0.8	9.8	8.6
TROPICANA	BUY	0.98	1.95	98.98	1,430.56	(32.8)	(28.2)	6.0	8.4	9.3	12.0	4.6	4.6	0.6	0.6	9.9	6.7
UOA DEVELOPMENT	BUY	2.05	2.43	18.54	3,116.88	13.5	1.1	7.9	7.8	6.3	7.0	5.4	6.3	1.2	1.1	12.9	12.3

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Integrated Rubber Prod					**24,282**	**43.1**	**15.4**	**25.1**	**21.7**	**16.8**	**14.1**	**1.7**	**2.1**	**4.6**	**4.0**	**17.3**	**18.3**
HARTALEGA	HOLD	5.40	5.16	(4.44)	8,860.69	17.6	24.8	34.3	27.5	22.6	18.1	1.4	1.8	6.4	5.6	18.7	20.5
KAREX	HOLD	3.93	4.05	3.05	2,626.22	36.4	36.0	34.8	25.6	24.6	18.1	0.7	1.0	5.6	4.9	16.2	19.0
KOSSAN	HOLD	8.00	9.15	14.38	5,115.74	43.6	15.0	24.5	21.3	15.4	13.5	1.8	2.4	5.6	4.9	22.7	23.1
SUPERMAX	HOLD	2.40	2.20	(8.33)	1,618.48	147.9	n/a	n/a	10.6	10.7	8.8	2.2	2.9	1.5	1.4	11.3	13.0
TOP GLOVE	HOLD	9.71	8.95	(7.83)	6,060.83	34.7	7.3	21.0	19.5	13.6	12.0	2.2	2.6	3.6	3.3	17.3	17.0
Technology					**9,853**	**45.8**	**10.3**	**16.2**	**14.7**	**8.3**	**7.9**	**3.1**	**3.6**	**4.6**	**4.2**	**19.4**	**19.6**
AEMULUS	HOLD	0.46	0.56	21.74	201.87	334.6	30.1	16.3	12.5	16.1	13.4	-	-	2.8	2.3	14.7	18.2
GLOBETRONICS	BUY	6.38	6.28	(1.57)	1,797.18	14.6	49.0	24.3	16.3	13.5	9.8	3.7	5.5	6.2	5.9	25.3	36.4
INARI	BUY	4.22	4.28	1.42	3,099.26	35.0	23.1	17.3	14.0	13.8	10.5	2.3	2.9	5.2	4.3	30.0	30.5
MPI	HOLD	7.89	7.84	(0.63)	1,672.77	60.0	(6.3)	13.1	13.9	4.5	4.7	2.5	2.5	1.9	1.8	15.0	13.9
SCICOM	BUY	2.09	2.39	14.35	742.90	28.0	13.9	20.0	17.6	16.8	14.3	3.7	3.9	8.6	7.5	43.0	42.6
UCHI TECH	HOLD	1.66	1.90	14.46	651.46	13.3	10.7	13.6	12.3	9.4	9.5	6.6	6.6	3.2	3.2	23.6	25.9
UNISEM	SELL	2.30	1.55	(32.61)	1,687.81	90.1	(25.4)	11.9	16.0	5.5	6.2						
Telecoms					**166,645**	**(4.5)**	**2.3**	**25.2**	**24.7**	**10.4**	**10.2**	**3.7**	**3.8**	**18.2**	**18.3**	**19.5**	**19.7**
AXIATA	HOLD	6.13	6.25	1.96	54,041.47	(11.8)	2.1	25.5	25.0	9.2	8.9	3.2	3.3	2.5	2.4	9.9	9.9
DIGI	BUY	5.00	6.30	26.00	38,875.00	(9.6)	2.5	21.2	20.7	13.1	12.8	4.7	4.8	56.7	56.7	268.0	274.3
MAXIS	HOLD	6.56	6.70	2.13	49,264.84	10.6	1.2	25.9	25.6	13.1	12.9	3.7	3.7	10.5	10.7	40.5	41.9
TELEKOM	HOLD	6.51	6.50	(0.15)	24,464.16	(4.4)	5.0	29.7	28.3	7.5	7.5	3.4	3.5	3.2	3.2	10.8	11.3
Timber					**3,364**	**58.0**	**10.7**	**10.4**	**9.4**	**6.9**	**6.2**	**2.6**	**2.7**	**0.8**	**0.8**	**6.5**	**7.5**
JAYA TIASA	HOLD	1.21	1.33	9.92	1,178.20	43.8	46.6	16.4	11.2	9.1	7.7	1.4	1.8	0.7	0.6	3.6	5.6
TA ANN	BUY	4.20	5.54	31.90	1,594.17	31.3	5.9	9.6	9.1	5.7	5.2	4.8	4.8	1.3	1.3	13.8	13.9
WTK	BUY	1.23	1.36	10.57	592.03	21.6	13.5	11.1	9.8	5.7	5.5	1.5	1.7	0.4	0.4	3.9	4.3

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PE (x) 2015E	PE (x) 2016E	EV/EBITDA (x) 2015E	EV/EBITDA (x) 2016E	Yield (%) 2015E	Yield (%) 2016E	P/BV (x) 2015E	P/BV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E
Transports & Logistics					**54,770**	**1.7**	**8.1**	**19.1**	**17.6**	**12.4**	**12.4**	**1.1**	**1.2**	**2.0**	**0.2**	**5.5**	**6.0**
AIRASIA	BUY	1.36	1.85	36.03	3,784.84	476.7	6.4	7.9	7.4	9.4	10.0	2.6	2.7	0.8	0.7	9.5	9.2
AIRASIA X	SELL	0.18	0.14	(22.22)	746.67	(22.8)	(12.5)	(1.3)	(1.5)	(208.0)	(63.1)	-	-	4.8	(2.2)	(364.6)	145.4
MAHB	HOLD	5.42	5.40	(0.37)	8,992.82	(94.8)	177.8	200.7	72.3	13.6	13.9	0.1	0.3	1.2	1.2	0.6	1.7
MISC	HOLD	9.24	8.60	(6.93)	41,245.45	8.1	6.2	17.3	16.3	12.5	11.8	1.6	1.6	1.4	1.3	7.8	7.8
Utilities					**168,910**	**(2.8)**	**9.8**	**15.6**	**14.2**	**8.9**	**8.7**	**3.6**	**3.8**	**1.5**	**1.4**	**10.7**	**10.8**
GAS MALAYSIA	BUY	2.19	2.58	17.81	2,811.96	(20.0)	12.5	21.1	18.7	11.1	10.1	4.7	5.3	2.7	2.7	12.6	14.3
JAKS RESOURCES	BUY	1.18	1.60	35.59	517.27	34.4	258.1	27.4	7.7	17.2	5.7	-	-	0.9	0.7	3.2	9.4
MALAKOFF	BUY	1.57	1.92	22.29	7,850.00	(90.0)	25.3	18.0	14.4	8.4	7.7	3.9	4.8	1.2	1.0	6.9	6.7
MMC	BUY	2.04	2.60	27.45	6,211.92	(17.3)	6.0	15.2	14.4	14.6	14.6	2.0	2.0	0.6	0.5	3.6	3.8
PETRONAS GAS	HOLD	22.92	20.80	(9.25)	45,352.54	1.5	1.4	24.3	23.9	14.0	13.8	2.6	2.6	3.9	3.7	16.0	15.4
PUNCAK NIAGA	HOLD	2.72	2.90	6.62	1,156.05	(12.1)	4.5	5.1	4.9	13.3	11.4	2.8	2.8	0.5	0.5	9.7	9.3
TENAGA	BUY	13.36	15.50	16.02	75,398.64	2.9	14.2	11.5	10.1	7.0	6.7	2.3	2.5	1.5	1.4	13.2	13.5
YTL CORP	HOLD	1.58	1.54	(2.53)	17,054.51	(12.3)	1.3	13.4	13.3	8.6	8.7	7.6	7.6	1.0	1.0	7.1	6.9
YTL POWER	HOLD	1.55	1.52	(1.94)	12,557.44	(16.2)	0.8	12.4	12.3	9.2	9.7	6.5	6.5	1.0	1.0	8.3	8.2
Market Total					**1,187,909**	**(4.1)**	**8.2**	**18.2**	**16.8**	**13.0**	**12.2**	**3.2**	**3.4**	**2.2**	**2.1**	**9.5**	**9.9**

Source: Affin Hwang forecasts, Bloomberg

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