Breathing space

Strategy

Malaysia Strategy

KLCI 1,655
@ 29 February 2016

POSITIVE (maintain)

KLCI Target: 1,774
Previous target: 1,793

The Malaysian economy went through another global-led stress test right at the start of 2016. Once again, we believe Malaysia has emerged relatively unscathed. The Ringgit has strengthened despite a weaker Brent price, funds are beginning to flow back into Malaysia, MGS yields are down, and the KLCI has rebounded from its lows. While GDP growth is slower, private consumption has rebounded, net exports are stronger, the current account surplus has widened, the portfolio account of the Balance of Payment has turned positive, and the federal government is on track to achieve a lower fiscal deficit. In fact, if we look at all these holistically, we could argue that country risks have dissipated. We remain Positive on the Malaysian market.

Ringgit strengthens
We are pleased that the Ringgit has strengthened to RM4.20 now despite an initial scare as it was sold down to its trough of RM4.41 on 12 January 2016. This was driven by fund flows into Malaysia. We estimate around RM14.5bn of foreign inflows found their way into bonds in the past 4 months (through January 2016), thus lowering the 10-year MGS to 3.92% (vs. 4.37% on 14 December 2015). The latest February figures show net foreign inflows of RM569m into the stock market (RM225m in past week).

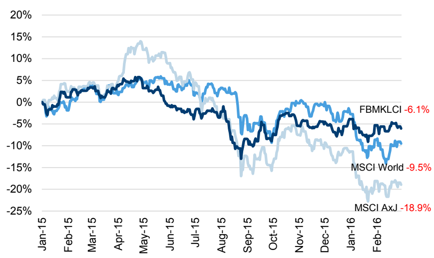
Domestic macro conditions looking better
Although 4Q15 GDP growth slowed to 4.5% (3Q15: 4.7%) with resultant 2015 expansion of 5% (2014: 6%), private consumption rebounded to 4.9% in 4Q15, from a trough of 4.1% in 3Q15. The current account surplus widened to RM11.4bn or 3.9% of GNI (3Q15: 1.8%), bringing the full year to RM34bn, or 3% of GNI. Meanwhile, the portfolio account chalked up RM15.9bn of inflows in 4Q15 (3Q15: peak outflows of RM24.4bn) after 5 consecutive quarters of Ringgit sell down. The recalibrated Budget 2016 means that the government should be able to fulfil its 3.1% fiscal deficit target this year despite a US$30/b Brent price assumption.

Global environment with money sloshing around
At its peak, the Fed was purchasing US$85bn in US treasuries monthly. Though that has stopped, the BoJ is still buying about US$60bn monthly, while the ECB has its own QE program equivalent to US$66bn a month. However, what the Fed did not do was implement negative interest rates. The ECB charges bank deposits 0.3%, while the BoJ has just started by charging 0.1% on financial-institution deposits held in its coffers. We suspect that the yield-compression theme for stocks could re-emerge if global liquidity continues to rise over a prolonged time. In our universe, we have identified 24 stocks with 2016E yields above 3% and Buy ratings.

Breaking the dismal trend
The just-concluded 4Q15 results season delivered marginal 0.2% YoY earnings growth, on our estimates, thus breaking the dismal trend, albeit unconvincingly, after 6 consecutive quarters of contraction. It brought the 2015 net-profit decline to 9.3% YoY, following marginal 0.8% growth in 2014. The full-year net profit made up 98.3% of our full-year forecast.

Reiterate Positive view on Malaysia; new 1,774 KLCI target for 2016
After a 6.2% fully-diluted EPS contraction in 2015, we are forecasting 8.5% YoY growth in 2016. If that materialise, the KLCI would be trading at a 17.1x 2016 P E. We also expect the market to re-rate to its long-term average 17.9x PE in 2016. Thus, by year end we now see the KLCI reaching 1,774 (from 1,793), based on our average 2016-17E fully-diluted EPS. We make 4 changes to our sector positioning and 5 replacements to our top picks and top stocks to avoid list (see adjacent table).

KLCI vs MSCI World vs MSCI AxJ (since 2015)



Source: Bloomberg

Key market statistics

	2015E	2016E
GDP growth (%)	+5.0	+5.0
KLCI EPS growth (%)	+8.5	+4.4

Source: Affin Hwang

Top calls for 2016

Stock/code	Rating	Price (RM)	TP (RM)
Top Buys			
AEON CREDIT (ACSM MK)	BUY	11.92	14.80
AFG (AFG MK)	BUY	3.65	4.50
CIMB (CIMB MK)	BUY	4.52	5.00
E&O (EAST MK)	BUY	1.57	2.40
GAMUDA (GAM MK)	BUY	4.44	5.59
GLOBETRONICS* (GTB MK)	BUY	5.50	6.28
IGB REIT (IGBREIT MK)	BUY	1.52	1.60
INARI (INRI MK)	BUY	3.23	4.12
JAKS RESOURCES (JAK MK)	BUY	1.16	1.60
KPJ (KPJ MK)	BUY	4.36	4.90
PAVILION REIT (PREIT MK)	BUY	1.72	1.90
PETRA ENERGY (PENB MK)	BUY	1.22	1.53
PUBLIC BANK (PBK MK)	BUY	18.48	21.80
SUNWAY (SWB MK)	BUY	3.00	3.90
SUNWAY CONSTRUCTION (SCGB MK)	BUY	1.40	1.76
TA ANN (TAH MK)	BUY	5.14	6.22
TENAGA (TNB MK)	BUY	13.12	15.50
TOP GLOVE* (TOPG MK)	BUY	5.63	7.45
UOA DEVELOPMENT (UOAD MK)	BUY	2.14	2.57
WCT (WCTHG MK)	BUY	1.57	1.82
Stocks to Avoid			
MAHB* (MAHB MK)	SELL	5.85	5.50
MCIL (MCIL MK)	SELL	0.66	0.48
MEDIA PRIMA (MPR MK)	SELL	1.36	1.13
MMHE (MMHE MK)	SELL	1.01	0.83
PCHEM* (PCHEM MK)	SELL	6.75	5.30
STAR* (STAR MK)	SELL	2.41	1.95
UMW-OG (UMWOG MK)	SELL	0.96	0.75
UNISEM (UNI MK)	SELL	2.28	1.76

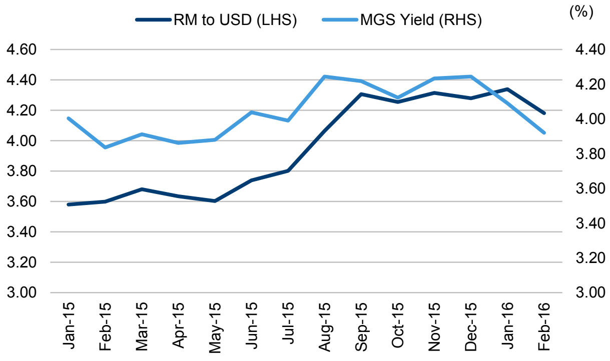
*new addition

Source: Affin Hwang, pricing as of 29 February 2016

Chue Kwok Yan
(603) 2146 7618
kwokyan.chue@affinhwang.com

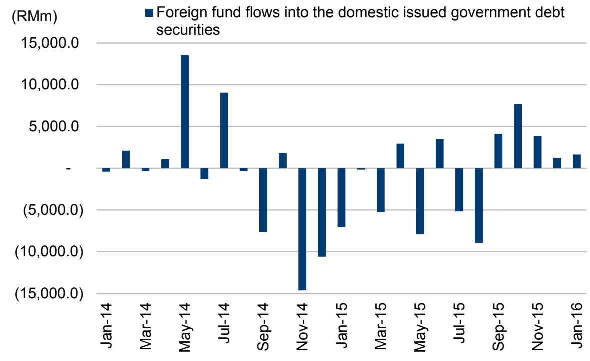
Focus Charts

Fig 1: Closer correlation between Ringgit and 10-year MGS since 2015



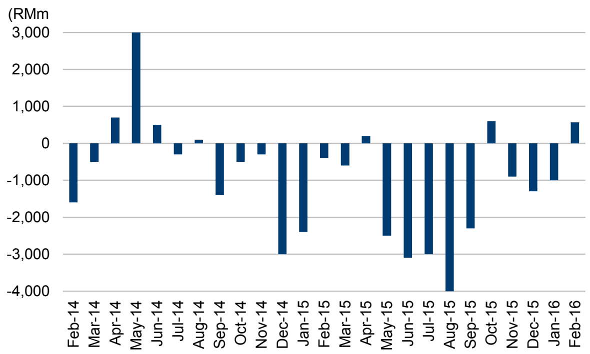
Source: Bloomberg

Fig 2: Monthly foreign flows for domestic government debt issuance



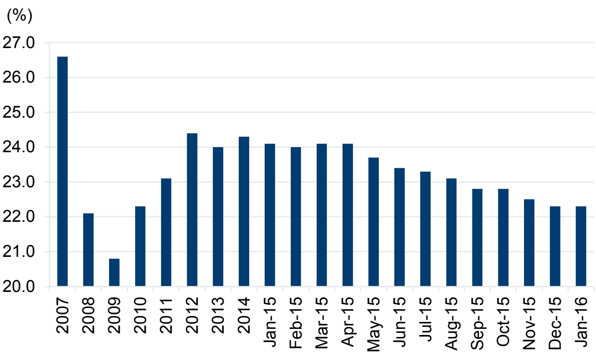
Source: BNM

Fig 3: Monthly foreign fund flows into Bursa Malaysia since 2014



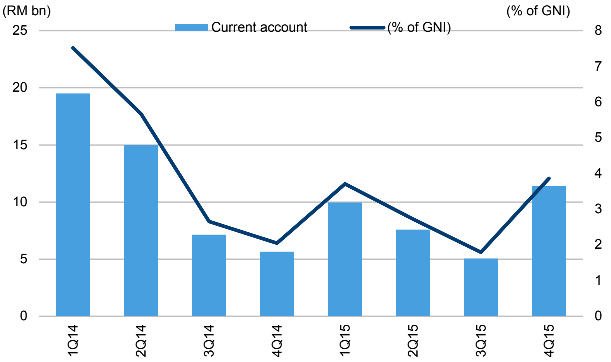
Source: Bursa Malaysia

Fig 4: Foreign shareholding in Bursa Malaysia



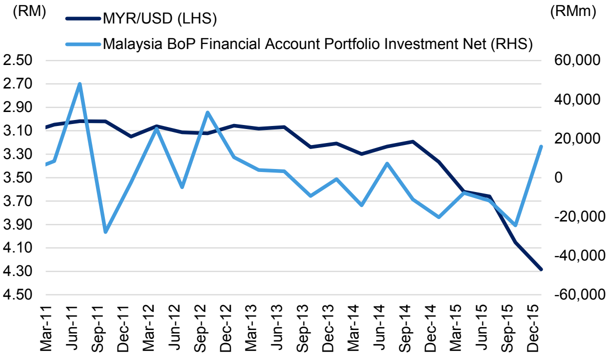
Source: Bursa Malaysia

Fig 5: Current account surplus widened



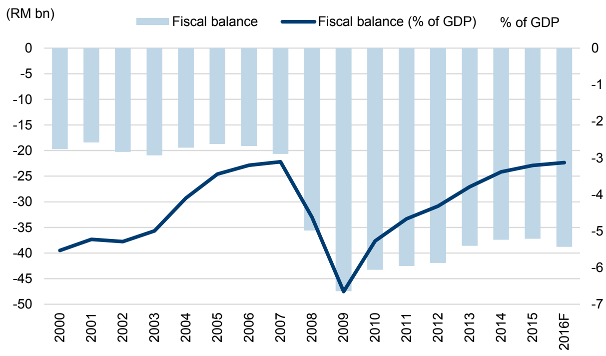
Source: BNM

Fig 6: Portfolio investment swung into an inflow



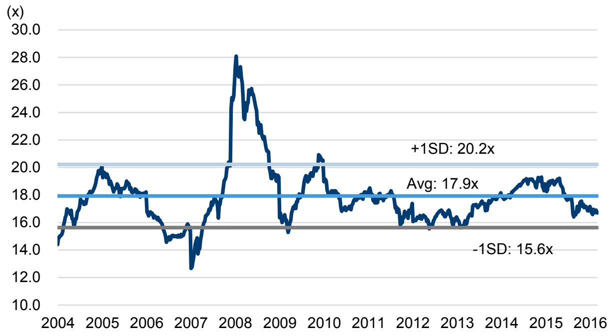
Source: BNM

Fig 7: Declining federal government fiscal deficit



Source: MOF

Fig 8: Overall market fully diluted PE trend



Source: Affin Hwang, Bloomberg

Fig 9: KLCI index target calculation

	2016E	2017E
Current KLCI (pts)	1,654.75	1,654.75
Current market EPS (pts)	96.96	101.25
Fully diluted PE (x)	17.1	16.3
Index target computation		
Average fully diluted PE (x)	17.9	17.9
Current market EPS (pts)	96.96	101.25
Average market EPS (pts)	99.10	
Average KLCI target (pts)	**1,773.98**	
Upside	**7.2%**	
Revision		
Old KLCI target (pts)	1,792.61	
Change	-1.0%	

Source: Affin Hwang forecasts

Fig 10: Malaysia's GDP growth forecasts

	%yoy			% of GDP			% contribution pts to growth		
	2014	2015	2016F	2014	2015	2016F	2014	2015	2016F
GDP by Expenditure Components									
Total Consumption	6.4	5.6	5.0	65.4	65.8	66.2	4.2	3.7	3.3
Private consumption expenditure	7.0	6.0	5.8	51.8	52.4	53.0	3.6	3.1	3.0
Public consumption expenditure	4.4	4.3	2.0	13.6	13.5	13.2	0.6	0.6	0.3
Total Investment	4.8	3.7	3.8	26.1	25.8	25.6	1.3	1.0	1.0
Private investment expenditure	11.0	6.4	6.0	16.6	16.9	17.1	1.8	1.1	1.0
Public investment expenditure	-4.7	-1.0	-0.5	9.5	8.9	8.5	-0.5	-0.1	0.0
Domestic Demand	5.9	5.1	4.7	91.5	91.6	91.8	5.4	4.7	4.3
Net exports	12.8	-3.7	2.2	9.3	8.6	8.4	1.1	-0.3	0.2
Exports	5.1	0.7	3.0	76.1	73.0	72.0	3.9	0.5	2.2
Imports	4.2	1.3	3.1	66.8	64.4	63.6	2.8	0.8	2.0
Changes in inventories	170.6	-76.0	-3.3	-0.8	-0.2	-0.2	-0.6	0.7	0.0
GDP (2010 real prices)	**6.0**	**5.0**	**4.5**	**100.0**	**100.0**	**100.0**	**6.0**	**5.0**	**4.5**
GDP By Kind of Economic Activity									
Agriculture, Forestry and Fishing	2.1	1.0	0.5	9.2	8.8	8.5	0.2	0.1	0.0
Mining and Quarrying	3.3	4.7	3.5	9.0	8.9	8.8	0.3	0.4	0.3
Manufacturing	6.2	4.9	5.0	23.0	23.0	23.1	1.4	1.1	1.1
Construction	11.8	8.2	6.5	4.3	4.4	4.5	0.5	0.4	0.3
Services	6.5	5.1	5.0	53.5	53.5	53.8	3.5	2.8	2.7
Import duties	10.0	18.6	0.3	1.1	1.3	1.2	0.1	0.2	0.0
GDP (2010 real prices)	**6.0**	**5.0**	**4.5**	**100.0**	**100.0**	**100.0**	**6.0**	**5.0**	**4.5**

Source: BNM, Affin Hwang

Table of Contents

Breathing space

Misbehaving markets

In our Malaysia Strategy report, '*The Ringgit Awakens?*', published on 3 December 2015 that wrapped up the 3Q15 results season, the KLCI stood at 1,672.16, the Brent price was at US$44.61/b, the Ringgit was trading at RM4.26 to the USD, and the 10-year Malaysian Government Securities (MGS) yield was 4.2% (all as of close of 30 November 2015).

In our positive outlook for 2016, we have cautiously highlighted that the biggest risk to the KLCI would be if an external-led economic recession were to materialise. Understandably, we were worried in January 2016 given jittery global markets focusing on the root of our fear, triggered by China's stock market plunge.

To our dismay, financial markets weakened with the KLCI hitting a trough of 1,600.92 on 21 January 2016, Brent crude touching a low of US$27.88/b on 20 January 2016, and the Ringgit dived to RM4.41 on 12 January 2016. The 10-year MGS yield rose to 4.37%, albeit a month earlier on 14 December 2015.

Fig 11: Summary of market movements over the past three months

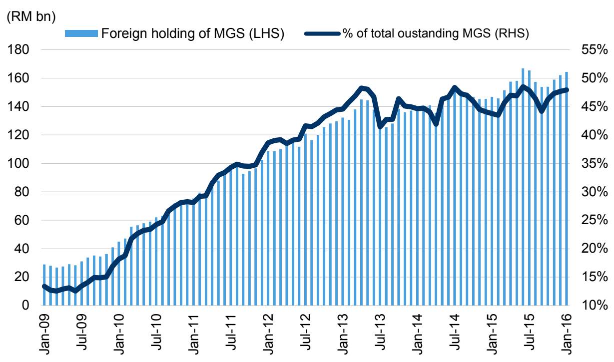
		Three months ago		Trough		High		Now	
	Unit	Value	Date	Value	Date	Value	Date	Value	Date
KLCI	points	1,672.16	30-Nov-15	1,600.92	21-Jan-16	1,692.51	31-Dec-15	1,654.75	29-Feb-16
Brent	US$/b	44.61	30-Nov-15	27.88	20-Jan-16	37.28	31-Dec-15	35.97	29-Feb-16
Ringgit	RM/US$	4.26	30-Nov-15	4.41	12-Jan-16	4.12	10-Feb-16	4.20	29-Feb-16
10Y MGS	%	4.20%	30-Nov-15	4.37%	14-Dec-15	3.84%	2-Feb-16	3.92%	29-Feb-16

Source: Bloomberg

In our latest Malaysia Strategy report, '*De-coupling*', published on 20 January 2016, we presented the case that the Ringgit and KLCI had de-coupled from the Brent price on the downside, but that both would benefit substantially if crude-oil prices were to rise. The de-coupling effect had immediately eased some pressure on the currency and stock market despite the continuous gyrations in crude oil.

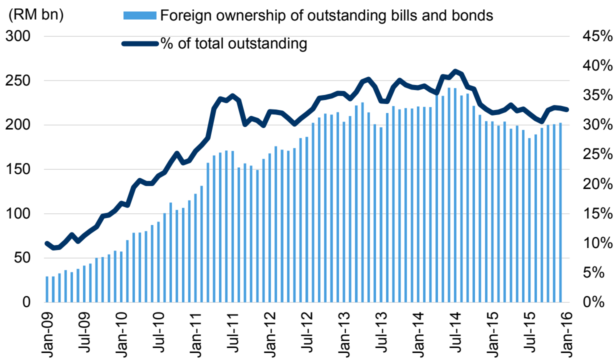
While crude oil is less of a concern now, China remains a major risk to the market. This is because a China-led recession would likely mean a decline in crude-oil demand leading to sharp fall in Brent and palm-oil prices. This would reduce government revenue further, widen the fiscal deficit and Malaysia would potentially become vulnerable to sovereign-debt rating downgrades. If that were to happen, MGS yields would rise due to liquidation by foreigners, causing outflows and Ringgit weakness. As at end-January 2016, we estimate that foreign shareholding of MGS is at 47.9% and foreigners make up 32.6% of total domestic government debt issuance.

Fig 12: Foreign shareholding in MGS



Source: BNM, BPAM

Fig 13: Foreign shareholding in total domestic government securities



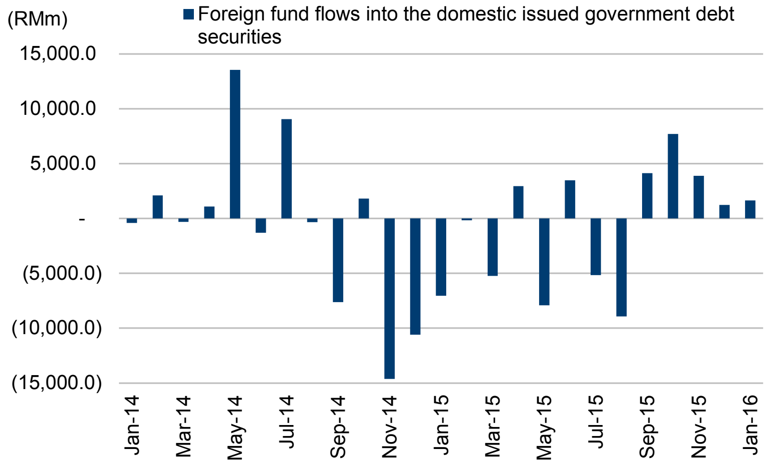
Source: BNM, BPAM

Bond market reigns

To our relief, the situation has improved. The KLCI is at 1,654.75 points (priced as of 29 February 2016) while the Brent price has rebounded to US$35.97/b now, which hopefully, is a signal that the latter has seen the bottom (barring a global economic slowdown/recession). However, we were most delighted with the Ringgit, which strengthened to as much as RM4.12/US$, though this has weakened slightly to RM4.20 now. The strengthening trajectory could have been due to some short covering but the bulk of it is genuine appreciation, in our view. The Ringgit strength coincided with compression of the 10-year MGS to 3.92% now.

For Malaysia, we can see from the following charts that there is quite a strong correlation between the Ringgit and MGS yields, especially over the past 12-15 months. This implies that currency flows into Malaysia have found their way into the bond market over this more recent period. In fact, the foreign shareholding of MGS was 45% at the end of 3Q15 while that of total domestic government securities was at 28%. As we mentioned earlier, these represent increases to an estimated 47.9% and 32.6%, respectively, at the end of January 2016. In absolute terms, we estimate about RM14.5bn of inflows into government securities between end-3Q15 and end-January 2016.

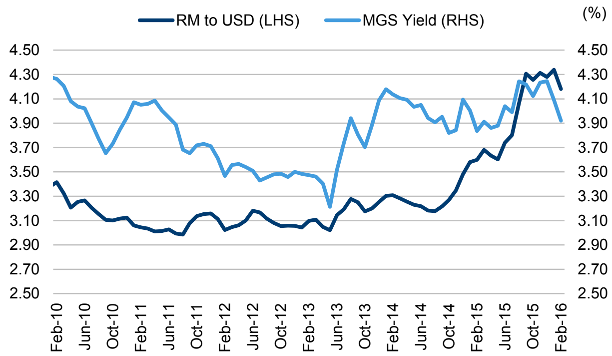
Fig 14: Monthly foreign flows for domestic government debt issuance



Source: BNM

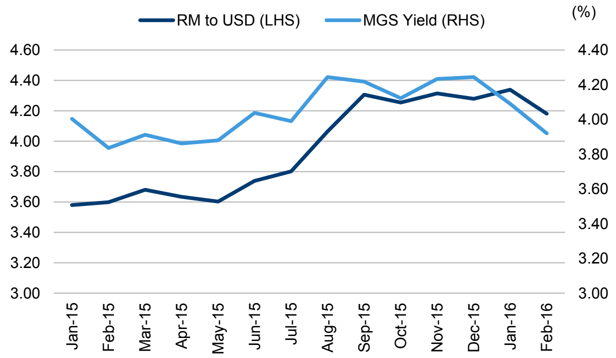
Hence, the current Ringgit strength and corresponding compression in the 10-year MGS are likely due to real fund flows into the Ringgit. This echoes our view that the Ringgit is undervalued.

Fig 15: Correlation between Ringgit and 10-year MGS since 2010



Source: Bloomberg

Fig 16: Closer correlation between Ringgit and 10-year MGS since 2015



Source: Bloomberg

Ringgit strength but not into equities

We are delighted with the Ringgit's strengthening trajectory but less pleased that most of it had gone into the bond market. We would have preferred a larger share of foreign flows finding their way into the equity market. Nonetheless, there have been some encouraging signs. After 4 consecutive years of inflows since 2010, Malaysia saw RM6.9bn in foreign outflows from the KLCI, which accelerated to RM19.5bn in 2015. In January 2016, there was a net outflow of RM1bn on the back of Ringgit weakness.

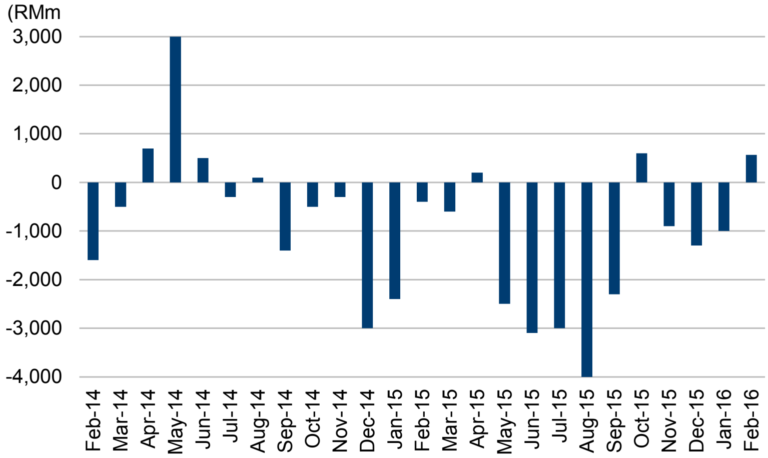
Fig 17: Foreign fund flows into Bursa Malaysia

	Indonesia US$m	India US$m	Korea US$m	Taiwan US$m	Thailand US$m	Philippines US$m	Asia-6 US$m	Malaysia US$m	Malaysia RMm
2010	2,395.5	29,320.8	19,822.7	9,592.6	2,688.9	1,225.0	65,045.6	4,830.8	15,550.9
2011	2,955.6	(511.8)	(8,583.6)	(9,073.8)	(164.1)	1,330.9	(14,046.8)	558.8	1,709.2
2012	1,712.1	24,547.7	15,068.6	4,907.2	2,503.0	2,558.2	51,296.8	4,450.1	13,744.5
2013	(1,806.4)	19,754.3	4,875.1	9,188.0	(6,210.6)	678.4	26,478.8	1,036.8	3,266.0
2014	3,766.1	16,161.9	5,683.9	13,190.3	(1,091.3)	1,256.1	39,138.1	(1,660.7)	(6,900.0)
2015	(1,579.5)	3,274.1	(3,625.8)	3,344.6	(4,371.8)	(1,194.4)	(4,152.8)	(4,451.9)	(19,490.3)
Jan-15	18.5	2,878.8	(1,033.3)	2,143.4	(127.7)	529.3	4,409.1	(670.9)	(2,400.0)
Feb-15	830.4	1,433.9	1,166.2	3,198.8	(213.1)	371.5	6,787.7	(111.1)	(400.0)
Mar-15	(413.1)	1,687.1	2,487.1	(1,113.9)	84.2	167.2	2,898.5	(163.2)	(600.0)
Apr-15	447.7	1,212.4	3,966.3	3,511.8	6.8	(203.1)	8,941.8	55.0	200.0
May-15	(263.5)	(67.1)	1,748.1	1,157.7	93.9	(201.3)	2,467.8	(694.3)	(2,500.0)
Jun-15	(307.4)	(961.0)	(970.9)	(2,619.3)	(311.2)	(258.4)	(5,428.2)	(828.9)	(3,100.0)
Jul-15	10.2	882.4	(1,695.5)	(1,463.9)	(773.2)	(192.8)	(3,232.7)	(789.1)	(3,000.0)
Aug-15	(708.5)	(2,597.6)	(3,626.0)	(1,661.2)	(1,248.0)	(379.7)	(10,221.0)	(988.5)	(4,000.0)
Sep-15	(498.4)	(860.6)	(1,611.3)	(18.3)	(583.9)	(706.1)	(4,278.6)	(534.0)	(2,300.0)
Oct-15	(350.2)	779.9	8.7	2,117.1	5.3	(67.2)	2,493.6	141.0	600.0
Nov-15	(153.9)	(442.3)	(628.6)	(721.7)	(214.1)	(91.4)	(2,251.8)	(211.5)	(900.0)
Dec-15	(101.7)	35.0	(2,601.5)	(822.1)	(901.6)	(85.6)	(4,477.4)	(303.7)	(1,300.0)
Jan-16	**(251.3)**	**(1,488.4)**	**(2,426.2)**	**(2,433.6)**	**(224.3)**	**(6,899.4)**	**(4,307.8)**	**(229.3)**	**(1,000.0)**
1-Jan-16	29.0	304.8	(109.5)	(80.9)	66.5	231.4	231.4	125.2	546.2
8-Jan-16	(44.2)	(383.1)	(516.1)	(1,166.1)	(231.7)	(2,354.7)	(2,354.7)	(139.7)	(613.7)
15-Jan-16	(139.2)	(499.0)	(751.6)	(674.8)	(36.4)	(2,127.2)	(2,127.2)	(173.9)	(762.9)
22-Jan-16	(96.9)	(911.1)	(1,049.0)	(511.9)	(22.7)	(2,648.8)	(57.2)	(200.6)	(833.6)
Feb-16	**282.9**	**(835.9)**	**(42.6)**	**1,562.5**	**16.7**	**911.5**	**(72.1)**	**135.2**	**569.2**
5-Feb-16	200.3	(91.8)	91.2	301.5	(22.7)	489.5	11.0	62.3	259.2
12-Feb-16	81.8	(357.8)	(548.2)	0.0	(163.9)	(1,022.4)	(34.3)	(47.9)	(198.6)
19-Feb-16	23.1	(232.6)	91.3	660.6	173.7	691.6	(24.5)	67.3	283.3
29-Feb-16	(22.3)	(153.8)	323.1	600.4	29.6	752.8	(24.3)	53.5	225.3

NB: 1. Monthly data is an aggregated total of all daily flows for the month.
2 .Weekly data is an aggregated total of all daily flows for the week ending Friday.
3. Monthly data may not tally with the aggregated weekly data as it captures the full month flows.

Source: Bloomberg, Bursa Malaysia

Fig 18: Monthly foreign fund flows into Bursa Malaysia since 2014

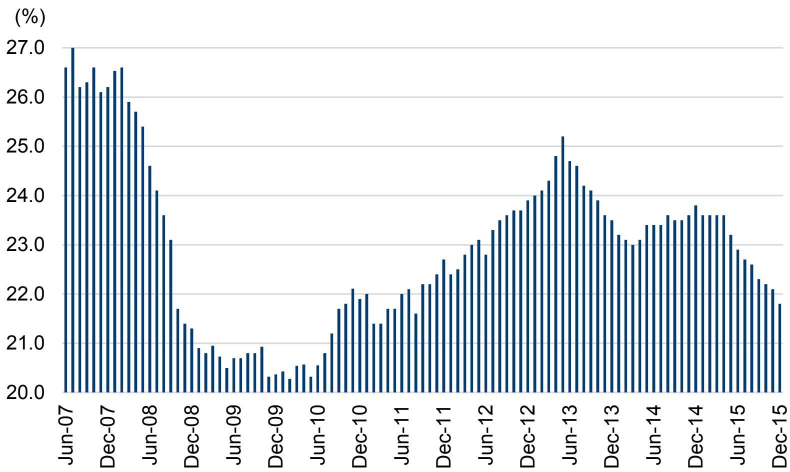


Source: Affin Hwang, Bursa Malaysia

Fund flows are naturally fickle and can change direction quickly but it is worth pointing out that thus far in February there has been a net inflow of RM569m, with the latest week showing an inflow of RM225m. In fact, over the past four weeks there are more incidences of inflows to the stock market than vice versa. Some of these could be due to the play on the Ringgit rebound.

Nonetheless, the foreign equity shareholding in Malaysia continues to fall. The latest available data shows foreign shareholding of 21.8% in December 2015, down from 22.1% in November 2015. This has receded from the post GFC high of 25.2% in May 2013, though it is still above the trough of 20.3% from February 2010.

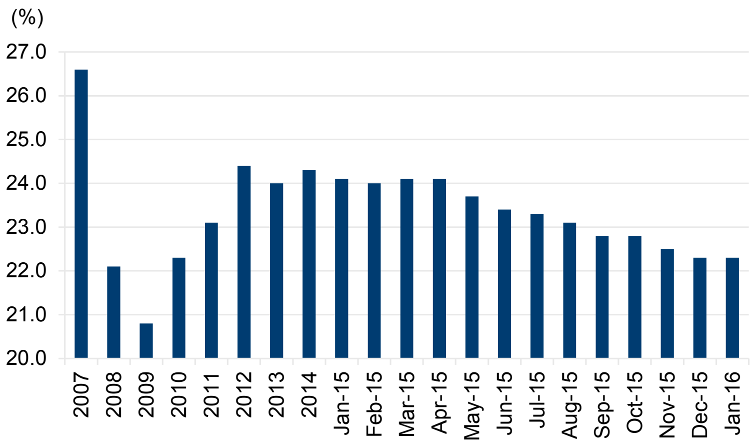
Fig 19: Old classification of foreign shareholding in Bursa Malaysia



Source: Bursa Malaysia

Going forward, Bursa Malaysia has changed its computation of foreign shareholding. Previously, foreign shareholding was determined based on the country of incorporation of the investor but the new definition classifies this based on the nationality of the investor. Under this new classification, the latest January 2016 foreign shareholding stands at 22.3%, with a low of 20.8% in 2009 and a high of 26.6% in 2007. Note that the latter two data are annual figures as there was no historical monthly data given retrospectively.

Fig 20: New definition of foreign shareholding in Bursa Malaysia

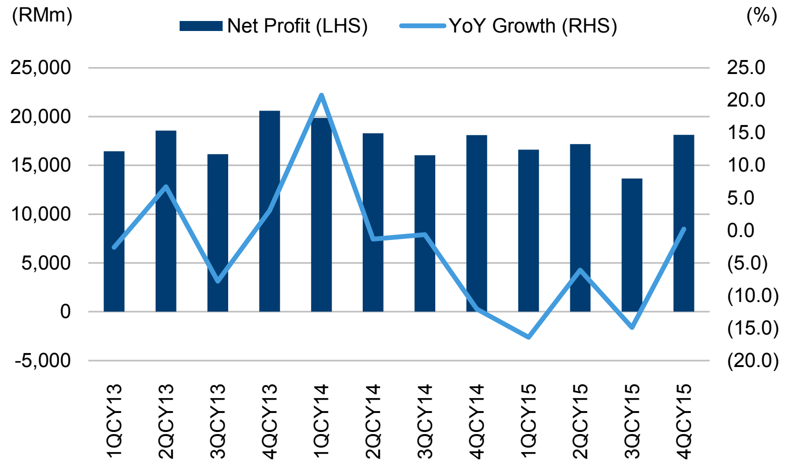


Source: Bursa Malaysia

Arresting the decline

The just concluded 4Q15 results season provides encouragement that corporate earnings could be turning the corner. Net profit in 4Q15 expanded by 0.2% YoY. Although marginal, it broke the dismal run of six consecutive quarter of YoY net-profit decline. Nonetheless, the 2015 net profit still contracted by 9.3%, worsening from the 0.8% decline in 2014. The 2015 full-year net profit made up 98.3% of our full-year forecast.

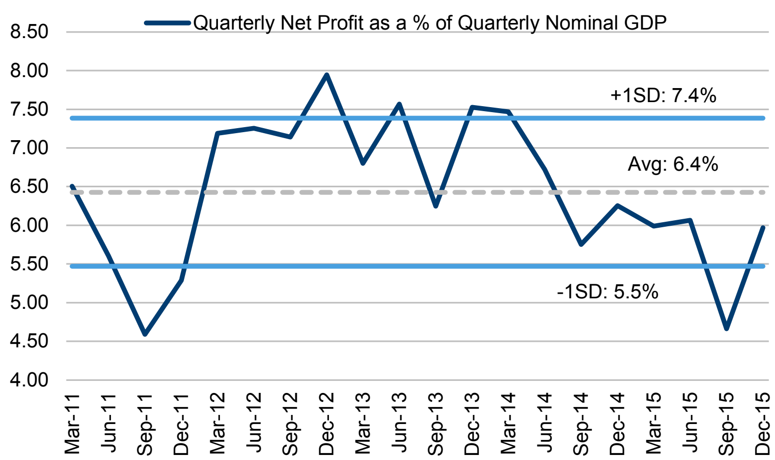
Fig 21: Breaking the dismal run



Source: Companies, Affin Hwang

Meanwhile, the net-profit margin rebounded from 10.2% in 3Q15 to 13.4% in 4Q15. Likewise, the aggregate net profit of all the companies under our coverage rebounded to 6% of quarterly nominal GDP in 4Q15, from 4.7% in 3Q15, though typically fourth quarters are more profitable in terms of absolute net-profit levels due to seasonal reasons.

Fig 22: Net profit of firms as a proportion of GDP still below average



Source: BNM, Affin Hwang

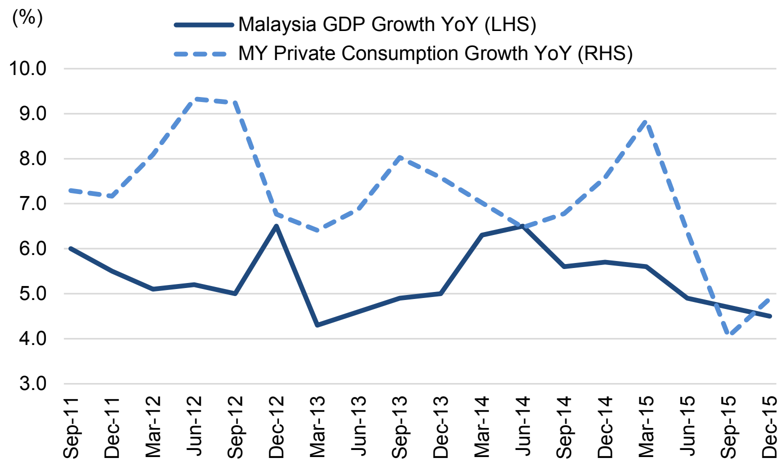
Better macro environment in Malaysia

It may sound strange that we are saying the macro environment in Malaysia has improved when 4Q15 real GDP expanded at its slowest pace for the year. Malaysia's GDP slowed further to 4.5% in 4Q15 (from 4.7% in 3Q15), bringing 2015 annual expansion to 5% (2014: 6%). Growth was uneven throughout 2015 as 1H15 expanded at a more rapid pace of 5.3% yoy in 1H15 before decelerating to 4.6% in 2H15. In fact, we expect GDP to slow further to around 4.3% in 1H16E before recovering to 4.7% in 2H16E, to bring full-year growth of 4.5% for 2016E. This is at the high end of the official government forecast of 4-4.5%.

The good news, though, is that the driver of the economy continues to be the private sector. As a result, the private consumption composition increased to 52.2% of aggregate demand (2014: 51.4%). The total public expenditure share of the economy fell further to 22.4% of GDP (2014: 22.9%).

In addition, private consumption has rebounded to 4.9% in 4Q15 from a trough of 4.1% in 3Q15. We continue to believe that the rebound in private consumption is sustainable given supportive labour conditions. The unemployment rate remained low at 3.3% in December 2015, the labour-force participation rate continues to be healthy at 67.8%, and total employment stood at an all-time high of 13.9m at end-2015. The average payroll continues to expand at 4.6% yoy for 4Q15 and 4% yoy for the entire 2015. Inflation has spiked from 2.7% in December 2015 to 3.5% in January 2016 due to various transport-related price hikes (public-transport tickets, toll rates) but is largely transitional with expected full-year inflation in the range of 2.5-3%.

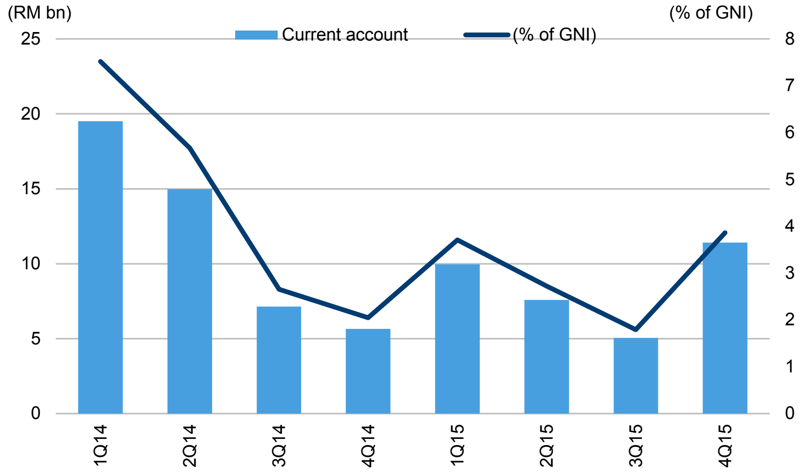
Fig 23: Rebound in private consumption



Source: BNM

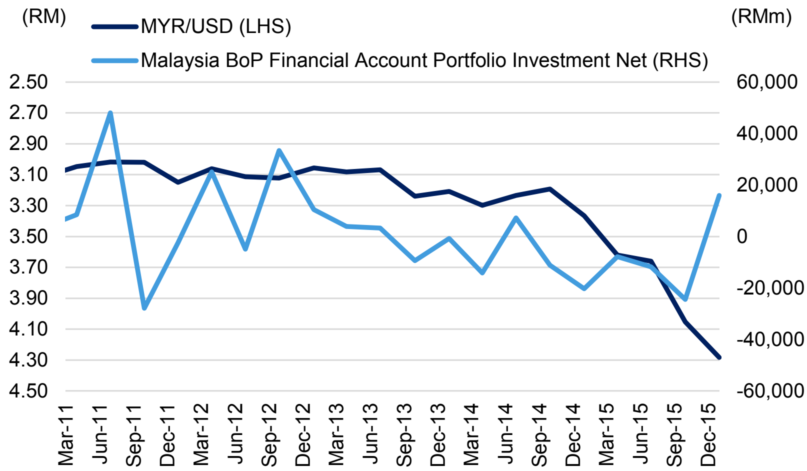
Meanwhile, Malaysia's current account of the Balance of Payment strengthened in 4Q15 to RM11.4bn or 3.9% of GNI (3Q15: 1.8%, 2Q15: 2.7%, 1Q15: 3.7% of GNI) with an overall annual surplus of RM34bn or 3% of GNI and higher than the official forecast of 1.5-2.5% surplus. At the same time, the portfolio account in the Balance of Payment has swung positive after five consecutive quarters of accelerating outflow (3Q15: RM24.4bn outflow) to an inflow of RM15.9bn. Overall, 2015 was still an outflow of RM28.2bn (2014: RM38.5bn outflow).

Fig 24: Current account surplus widens



Source: BNM

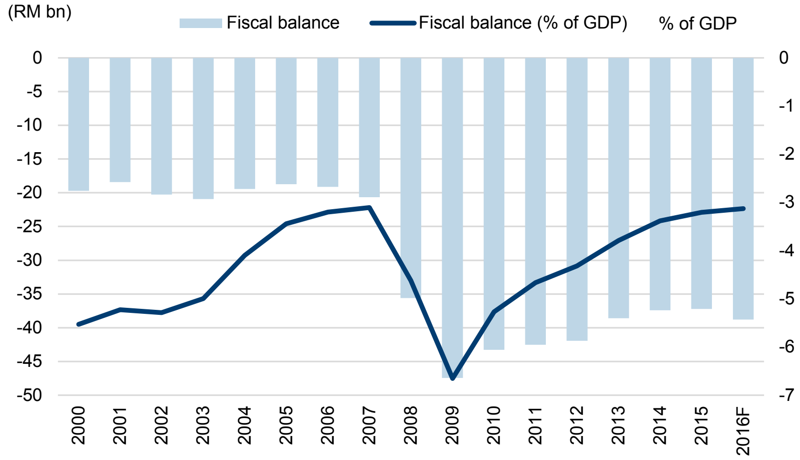
Fig 25: Portfolio investment swung into an inflow



Source: Bloomberg, BNM

The federal government was able to achieve its fiscal position of 3.2% deficit of GDP in 2015 despite revenue falling for the first time since 2010 due to the sharp drop in Brent oil prices. Subsequently, the Brent oil price gapped down again in January 2016, but the 3.1% fiscal deficit target in 2016 is still achievable with the government Budget 2016 recalibration based on a US$30/b Brent oil price, thus substantially removing the risk of a foreign rating agency downgrade of Malaysia's sovereign debt.

Fig 26: Declining federal government fiscal deficit



Source: BNM, MOF

Lastly, in its latest World Economic Update on 19 January 2016, the IMF revised down its global economic growth by 0.2ppts to 3.4% in 2016, but kept 2015 unchanged at 3.1%. If the IMF scenario pans out, we believe that the global environment may be conducive for Malaysia, which has shown encouraging signs via an improving net trade position.

Valuation below long-term average

After the borderline recovery in 4Q15 results, we are hopeful that 1Q16 could see a more convincing rebound, especially considering the strengthening Ringgit and the low base in 1Q15, where 1Q15 net profit contracted by 16.4% YoY. We are forecasting 8.5% fully diluted EPS growth in 2016. Although this seems high, we point out that this is off a lower base subsequent to the 6.2% contraction in 2015.

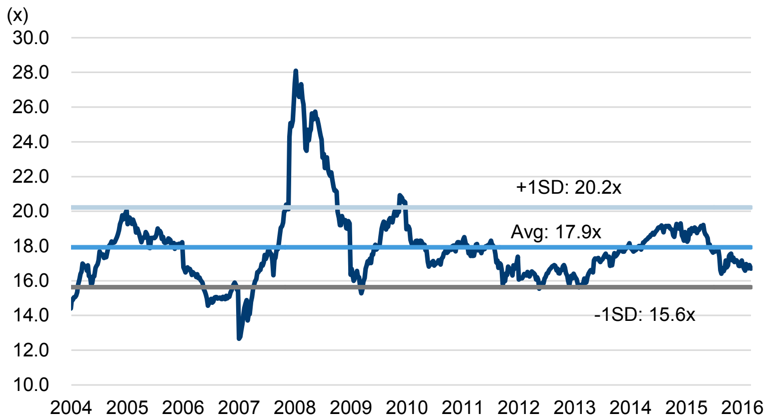
Fig 27: Breakdown of contribution to 2016 growth by sector

Sector	Rating	Market Cap (RMm)	Net profit growth (%)	EPS growth (%)	Sector contribution to EPS growth (%)
Auto & Autoparts	N	10,907.8	>100	>100	0.6
Banks	OW	268,567.3	7.1	4.2	1.4
Building Materials	N	7,707.9	28.2	4.1	0.0
Const & Infra	OW	30,693.4	0.5	(2.1)	(0.0)
Consumer	N	50,367.0	4.8	4.0	0.6
Gaming	N	57,616.8	9.9	3.9	0.1
Healthcare	OW	58,559.9	13.6	9.1	0.1
Media	N	18,523.5	18.0	20.6	0.1
MREIT	OW	23,879.2	21.1	1.6	0.0
Oil & Gas	UW	89,312.3	18.3	5.0	0.2
Plantation	N	120,859.2	46.5	43.1	3.1
Property	OW	29,383.4	(11.9)	(9.6)	(0.1)
Rubber Products	N	29,197.4	40.3	20.3	0.2
Technology	N	10,601.5	5.8	6.4	0.0
Telecoms	N	175,045.5	0.5	1.5	0.1
Timber	OW	3,791.5	8.8	10.5	0.0
Transport	N	55,470.5	24.8	8.6	0.3
Utilities	OW	166,620.5	(2.7)	8.0	1.7
TOTAL		**1,207,104.5**	**9.3**		**8.5**

Source: Affin Hwang

The stock market is currently trading at 17.1x 2016E and 16.3x 2017 PE, based on our forecasts. On a one-year forward moving average basis, the KLCI is trading at 16.7x PE. These are calculated using our stock universe of 98 companies as a proxy for the overall market. The valuations may seem expensive but these are still trading below the long-term average of 17.9x PE.

Fig 28: Overall market fully diluted PE trend



Source: Bloomberg

New 2016 index target of 1,774 points

Given the poor 2015 results performance where our preliminary assessment of the fully-diluted EPS contraction worsened to 6.2%, from our earlier anticipation of a 4.1% decline 3 months ago immediately post the 3Q15 results season, the total earnings base of the market has come down. There is a slight increase in the 2016E growth rate at 8.5% fully-diluted EPS, vs. 8.2% previously, but the improvement is not able to offset the lower base in 2015. As a result, the stock market fully-diluted EPS is lower in 2016 than it was 3 months ago.

Consequently, we fine-tune down our KLCI 2016 year-end index target to 1,774 points (from 1,793). A rebound of growth in 2016 should enable the KLCI to trade towards its long term PE average of 17.9x. Our index target of 1,774 points is thus based on the market reaching that valuation this year. One amendment though is that we now use the average of 2016 and 2017 EPS instead of straight 2016 EPS to calculate our index target, simply because we believe that earnings momentum could be stronger than projected. This provides 7.2% upside potential from the current index level.

Fig 29: KLCI index target calculation

	2016E	2017E
Current KLCI (pts)	1,654.75	1,654.75
Current market EPS (pts)	96.96	101.25
Fully diluted PE (x)	17.1	16.3
Index target computation		
Average fully diluted PE (x)	17.9	17.9
Current market EPS (pts)	96.96	101.25
Average market EPS (pts)	99.10	
Average KLCI target (pts)	**1,773.98**	
Upside	**7.2%**	
Revision		
Old KLCI target (pts)	1,792.61	
Change	-1.0%	

Source: Affin Hwang, Bloomberg

Sector and stock strategy

We present our sector positioning for Malaysia with seven Overweights, ten Neutrals, and one Underweight. Our sector positioning is based on secular trends with good growth potential. However, we reconcile the top-down attractiveness with bottom-up stocks recommendation in our coverage universe to come up with the sector positioning for equities.

Note that we have made four changes, namely upgrading Utilities to Overweight (from Neutral), Building Materials to Neutral (from Underweight) and d owngrading both Gaming and Technology to Neutral (from Overweight).

Table 30: Sector positioning

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

Source: Affin Hwang

Similarly, we have a top picks list of 20 companies and top sell list of eight stocks, selected from the 98 companies under our coverage. Note that compared to the 3Q15 post-results wrap Strategy report, we have initiated coverage on Sunway Construction and dropped coverage of Puncak Niaga.

We made changes to our top picks list by including Top Glove and Globetronics and removed Genting Bhd and WTK. As for the top sell list, we have removed Felda, Maxis and Telekom but included Petronas Chemical, MAHB and Star Media.

Table 31: Stock selections

Stock	Rating	Price (RM)	TP (RM)	Upside (%)	Mkt Cap (RMm)
Top Buys					
AEON CREDIT	BUY	11.92	14.80	24.2	1,713.6
AFG	BUY	3.65	4.50	23.3	5,517.1
CIMB	BUY	4.52	5.00	10.6	38,713.8
E&O	BUY	1.57	2.40	52.9	1,837.5
GAMUDA	BUY	4.44	5.59	25.9	11,211.5
GLOBETRONICS	BUY	5.50	6.28	14.2	1,831.2
IGB REIT	BUY	1.52	1.60	5.3	4,652.2
INARI	BUY	3.23	4.12	27.6	3,459.3
JAKS RESOURCES	BUY	1.16	1.60	37.9	543.6
KPJ	BUY	4.36	4.90	12.4	4,450.3
PAVILION REIT	BUY	1.72	1.90	10.5	4,677.7
PETRA ENERGY	BUY	1.22	1.53	25.4	404.4
PUBLIC BANK	BUY	18.48	21.80	18.0	71,897.2
SUNWAY	BUY	3.00	3.90	30.0	5,510.6
SUNWAY CONSTRUCTION	BUY	1.40	1.76	25.7	1,810.1
TA ANN	BUY	5.14	6.22	21.0	1,861.1
TENAGA	BUY	13.12	15.50	18.1	75,172.9
TOP GLOVE	BUY	5.63	7.45	32.3	8,558.6
UOA DEVELOPMENT	BUY	2.14	2.57	20.1	3,132.1
WCT	BUY	1.57	1.82	15.9	1,933.9
Stocks to Avoid					
MAHB	SELL	5.85	5.50	(6.0)	9,308.1
MCIL	SELL	0.66	0.48	(26.7)	1,020.8
MEDIA PRIMA	SELL	1.36	1.13	(16.9)	1,408.7
MMHE	SELL	1.01	0.83	(17.8)	1,600.0
PCHEM	SELL	6.75	5.30	(21.5)	58,160.0
STAR	SELL	2.41	1.95	(19.1)	1,728.2
UMW-OG	SELL	0.96	0.75	(21.9)	2,313.3
UNISEM	SELL	2.28	1.76	(22.8)	1,746.5

Source: Affin Hwang estimates, Bloomberg

Yield compression an emerging theme?

The US Federal Reserve began Quantitative Easing (QE) in November 2008 and ended the program in October 2014. Meanwhile, Bank of Japan started its QE in April 2013 and it is still buying bonds, while the European Central Bank commenced its own QE program from March 2015 and is expected to run through March 2017. At its peak, the Fed was buying US$85bn monthly. Now, BoJ is accumulating government bonds at a rate of US$60bn a month while the ECB is buying equivalent to US$66bn monthly. However, the Fed did not adopt the negative rates policy. The ECB now charges 0.3% for all deposits it receives from banks and the BoJ has a similar 0.1% rate (on a portion of deposits).

As such, there is plenty of liquidity being created in global markets. If this prolongs, we see a potential re-emergence of the yield-compression theme for equities. Our screening using dividend yields of at least 3% and Buy ratings in our stock universe identified 24 companies that could benefit from prolonged QE.

Table 32: Screening based on dividend yield and Buy recommendation

Company	Rating	Current Price	Target Price	Upside/ Downside %	Div Yield 2016
UCHI TECH	BUY	1.66	1.90	14.5	6.6
GUINNESS	BUY	13.88	15.58	12.3	6.5
GLOBETRONICS	BUY	5.50	6.28	14.2	6.4
IGB REIT	BUY	1.52	1.60	5.3	6.1
ASTRO	BUY	2.73	3.35	22.7	5.9
EVERSENDAI	BUY	0.69	0.84	21.7	5.8
CARLSBERG	BUY	12.54	13.60	8.5	5.7
UOA DEVELOPMENT	BUY	2.14	2.57	20.1	5.6
PAVILION REIT	BUY	1.72	1.90	10.5	5.6
AEON CREDIT	BUY	11.92	14.80	24.2	5.3
MALAKOFF	BUY	1.60	1.92	20.0	4.8
AMCORP PROP	BUY	0.88	1.53	74.9	4.7
SP SETIA	BUY	3.00	3.25	8.3	4.7
IOI PROPERTIES	BUY	2.05	2.50	22.0	4.2
AFG	BUY	3.65	4.50	23.3	4.0
TROPICANA	BUY	1.14	1.95	71.1	4.0
SUNWAY CONSTRUCTION	BUY	1.40	1.76	25.7	3.9
TA ANN	BUY	5.14	6.22	21.0	3.9
SCICOM	BUY	2.24	2.58	15.2	3.9
SUNWAY	BUY	3.00	3.90	30.0	3.3
IJM CORP	BUY	3.43	3.76	9.6	3.1
PUBLIC BANK	BUY	18.48	21.80	18.0	3.1
INARI	BUY	3.23	4.12	27.6	3.1
CIMB	BUY	4.52	5.00	10.6	3.1

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016
Note: Top picks shaded in grey

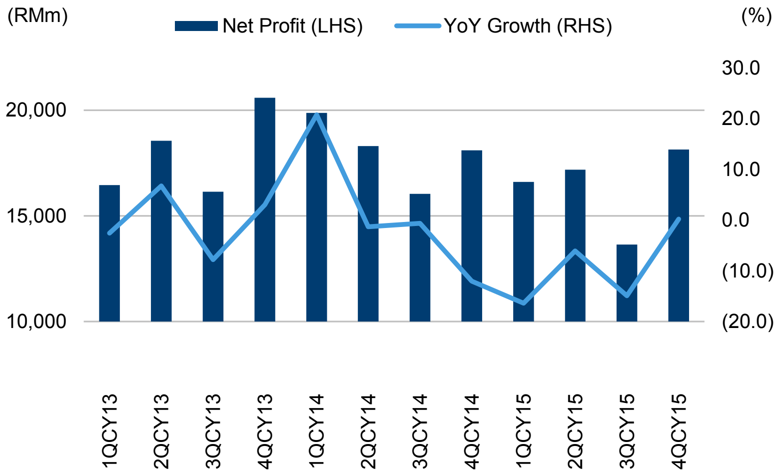
Decline arrested

Halted at six quarters

After six consecutive quarters of YoY net profit decline, the 4Q15 results season provides a glimmer of hope that market earnings is about to turn the corner. Our preliminary estimate indicates that the 98 companies we cover registered a marginal growth of 0.2% YoY in 4Q15 net profit.

This follows a very bad 3Q15 when net profit declined by 14.9% YoY, which was also the second worst on record over the six quarters of dismal run; the notoriety goes to 1Q15 with 16.4% YoY decline. Post the 3Q15 results wrap, we have made two changes to our stock universe i.e. we dropped coverage on Puncak Niaga but initiated coverage on Sunway Construction. Note that our quarterly numbers were adjusted for these changes retrospectively.

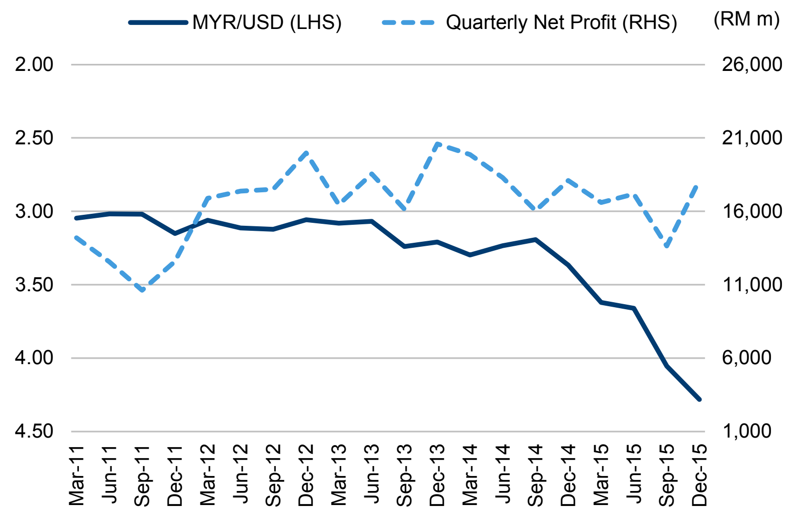
Fig 33: Turning the corner



Source: Affin Hwang

If our preliminary numbers for 4Q15 are correct, it raises our belief that 1Q16 results season should see a more convincing turnaround, especially considering the Ringgit rebound and low base effect. Hopefully, better sentiment thereafter would be able to carry through with the sustained growth in 2016. We believe the continued Ringgit strength in 1Q16 could also support earnings.

Fig 34: Correlation between Ringgit and quarterly net profit

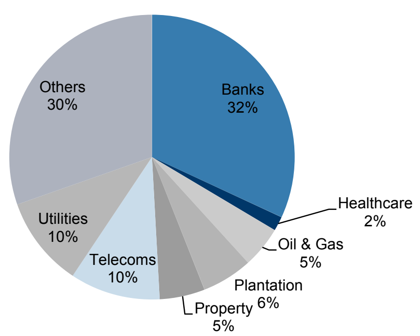


Source: Affin Hwang, Bloomberg

Looking closer at the details suggest that the 4Q15 results season was really quite mixed with ten sectors realising drop in net profit versus 4Q14 with the balance eight recording gains. The top contributors were Plantation (mixture of operational improvement and Ringgit) and Transport (better revenue and lower oil price). On the other hand, 4Q15 net profit was dragged down by Utilities (currency), Autos (Ringgit) and Oil & Gas (operational and impairments).

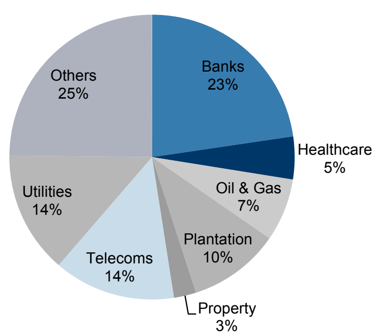
For the full year, we estimate that net profit decline extended to 9.3% in 2015 from the 0.8% rise in 2014. Meanwhile, our preliminary estimate indicates fully diluted EPS contraction of 6.2% in 2015.

Fig 35: Earnings breakdown by sector in 2015



Source: Affin Hwang

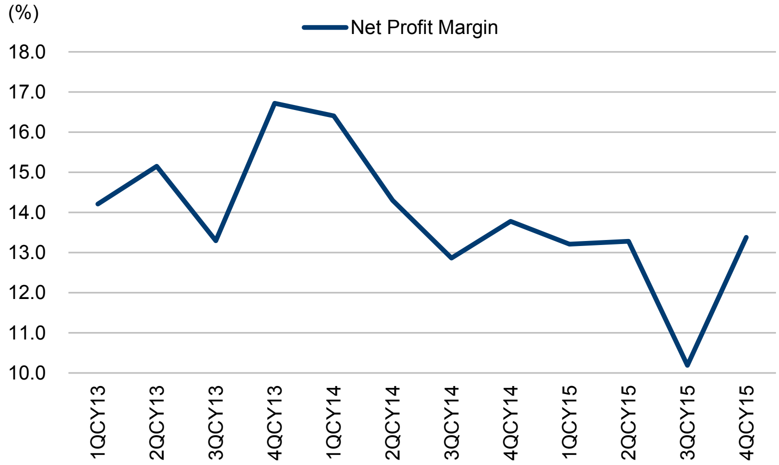
Fig 36: Breakdown of market cap by sector



Source: Bloomberg

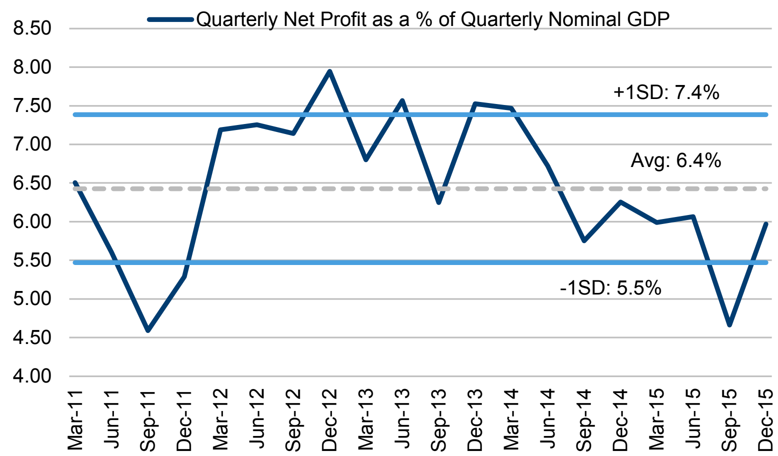
Net profit margin has improved from a low of 10.2% in 3Q15 to 13.4% in 4Q15. Similarly, total net profit of companies under our coverage has rebounded to 6% of quarterly nominal GDP in 4Q15 from 4.7% in 3Q15.

Fig 37: Net profit margin of the listed market



Source: Affin Hwang

Fig 38: Net profit of firms as a proportion of GDP



Source: BNM, Affin Hwang

Increase in number of companies coming in above expectation

Of the 98 companies under coverage, we believe that 29 companies delivered 4Q15 results that were above expectation, 42 were inline and the balance 27 reported profits below expectation. In other words, now there are two more companies that reported above our expectation. This compares with 18, 51 and 29, respectively, in 3Q15 with a w ider net difference of 11 companies that were below.

Fig 39: Company performances relative to our expectations in 4QCY15

Sector	4QCY15 Net Profit		
	Above	In line	Below
Auto & Autoparts		APM	MBM Resources UMW
Banks & Financial Services	Public Bank Maybank	Bursa Malaysia AFG Hong Leong Bank RHBC Aeon Credit	CIMB MBSB AMMB
Building Materials		Choo Bee	Lafarge
Construction & Infrastructure	WCT Gabungan AQRS	IJM Sunway Construction Gamuda	MRCB Benalec Eversendai
Consumer	Guiness CAB	BAT Nestle Aeon Hai-O	Bonia MSM Parkson
Gaming		Genting Malaysia Berjaya Toto	Genting
Healthcare		IHH	KPJ
Media	Star Media MCIL	Astro	Media Prima
MREIT		Pavilion REIT KLCC	Axis REIT IGBREIT
Oil & Gas	MMHE Petra Energy Sapura Kencana Petronas Chemical Bumi Armada	Dialog	UMWOG Alam Maritim
Plantation	Genting Plantation Hap Seng Plt. Felda	IOI Corp KLK	IJM Plantation Sime Darby
Property	IOI Property Sunway Bhd SP Setia UOA Development	Amcorp Prop	Tropicana E&O

Sector	4QCY15 Net Profit		
	Above	In line	Below
Rubber Gloves	Top Glove	Hartalega Kossan Karex Supermax	
Technology	Scicom Unisem	MPI Globetronics Uchi Technology Inari	Aemulus
Telecoms	Telekom	Digi Maxis Axiata	
Timber	WTK	Jaya Tiasa Ta Ann	
Transports & Logistics	MISC AirAsia AirAsia X	MAHB	
Utilities	Jaks Resources	Tenaga Nasional Malakoff Petronas Gas YTL Power	Gas Malaysia MMC Corp YTL Corp
Total	**29**	**42**	**27**

Source: Affin Hwang

Results season momentum

Like previously, we try to measure results season momentum by looking at a few parameters. The first parameter shows (see table above) more companies delivering above expectation performance in 4Q15 than those that fell short.

Another way is to look at earnings revision momentum. On this measure, there are 18 upgrades to CY16 forecasts, 44 are unchanged and the rest 36 witnessed earnings cuts. This gives a net downward bias of 18 companies. The momentum has reversed as measured against 3Q15 that saw 16, 59 and 23, respectively, with a net downward bias of 7 companies.

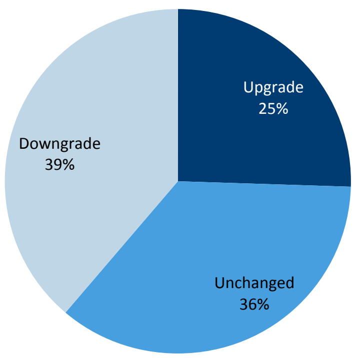
Fig 40: Changes in CY2016 earnings forecasts

Sector	Earnings Changes made on CY16		
	Upgrade	Unchanged	Downgrade
Auto & Autoparts	0	1	2
Banks & Financial Services	1	4	5
Building Materials	0	1	1
Construction & Infrastructure	0	2	6
Consumer	4	3	2
Gaming	1	2	0
Healthcare	0	0	2
Media	0	4	0
MREIT	0	3	1
Oil & Gas	3	1	4
Plantation	0	4	3
Property	2	4	1
Rubber Products	1	3	1
Technology	4	1	2
Telecoms	0	1	3
Timber	0	3	0
Transports & Logistics	2	2	0
Utilities	0	5	3
Total	**18**	**44**	**36**

Source: Affin Hwang

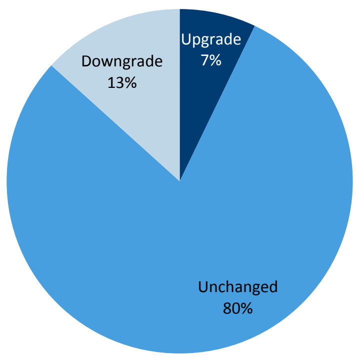
The last two momentum measures are target price and recommendation changes. The bulk of our coverage universe or around 35 (3Q15: 54) companies saw no c hanges in target price with 25 (3Q15: 21) upward revisions and 38 (3Q15: 23) downward revisions giving a net downward bias of 13 (3Q15: 2) companies. Recommendation changes include 7 (3Q15: 6) upgrades, 78 (3Q15: 81) unchanged and 13 (3Q15: 11) downgrades.

Fig 41: Breakdown of changes in target price



Source: Affin Hwang estimates

Fig 42: Breakdown of changes in recommendation



Source: Affin Hwang estimates

Overall, we note that results season momentum is positive on measure of companies performance versus our expectation when compared with 3Q15. However, the momentum has worsened on measures of CY16 earnings revisions, target price and recommendation changes.

Sector specifics

Overall, 2015 results came in at 98.3% of our full year expectation. Eight sectors delivered more than 100% of our forecast, but were outnumbered by ten sectors that fell short of 100%. Please see following table for more details and Fig 43 for details on the sector performances.

Fig 43: Net profit performance in 4Q15 and 2015 by sector

Sector	Rating	Net Profit 1QCY14	Net Profit 2QCY14	Net Profit 3QCY14	Net Profit 4QCY14	Net Profit 1QCY15	Net Profit 2QCY15	Net Profit 3QCY15	Net Profit 4QCY15	Net profit CY15	Affin Forecast CY2015E	% of Affin Forecast 4QCY2015	12MCY15
Auto & Autoparts	N	284.4	198.8	245.8	141.3	218.1	116.0	31.8	(263.9)	102.0	661.8	(39.9)	15.4
Banks	OW	5,547.0	5,679.6	5,701.1	5,460.8	5,286.7	5,215.3	5,282.3	5,154.4	20,938.6	20,517.4	25.1	102.1
Building Materials	N	76.9	80.2	58.3	52.7	77.6	67.1	68.1	44.1	256.9	317.7	13.9	80.9
Const & Infra	OW	263.4	497.8	380.7	397.4	580.6	641.0	428.7	578.2	2,228.5	2,232.6	25.9	99.8
Consumer	N	678.8	621.4	634.0	706.7	664.8	430.8	736.7	548.1	2,380.3	2,470.5	22.2	96.3
Gaming	N	1,000.6	780.1	718.5	688.3	1,059.7	371.3	758.0	782.1	2,971.1	3,158.2	24.8	94.1
Healthcare	OW	189.3	242.8	176.0	285.8	205.4	264.1	156.6	440.4	1,066.5	1,090.0	40.4	97.8
Media	N	201.1	239.8	221.8	167.7	222.7	246.9	204.7	253.1	927.3	1,047.3	24.2	88.5
MREIT	OW	207.7	198.5	306.2	684.8	217.2	221.8	184.2	552.5	1,175.7	1,361.3	40.6	86.4
Oil & Gas	UW	1,477.8	1,281.0	1,310.5	754.6	1,098.4	480.7	1,232.1	411.1	3,222.3	4,236.2	9.7	76.1
Plantation	N	3,683.0	2,088.0	958.7	892.1	508.3	1,520.6	(183.9)	2,013.9	3,858.9	4,289.3	47.0	90.0
Property	OW	505.2	905.2	536.7	999.0	684.9	1,073.6	724.8	879.5	3,362.8	2,982.8	29.5	112.7
Rubber Products	N	165.7	173.0	169.1	170.7	196.6	224.5	279.4	317.8	1,018.4	948.7	33.5	107.3
Technology	N	74.9	84.8	116.0	115.9	126.5	150.5	175.9	174.3	627.2	614.7	28.4	102.0
Telecoms	N	1,854.6	1,614.0	1,760.6	1,712.3	1,603.0	1,728.2	1,874.8	1,510.1	6,716.1	6,671.2	22.6	100.7
Timber	OW	52.7	50.1	79.0	18.7	33.1	55.3	112.8	110.7	311.8	280.5	39.5	111.2
Transport	N	743.5	481.8	266.9	1,025.0	528.1	806.9	(184.9)	1,408.0	2,558.1	2,344.3	60.1	109.1
Utilities	OW	2,863.4	3,082.4	2,395.8	3,826.2	3,293.3	3,568.6	1,758.7	3,224.7	11,845.2	11,463.9	28.1	103.3
TOTAL		**19,869.9**	**18,299.3**	**16,035.8**	**18,100.4**	**16,604.9**	**17,183.1**	**13,640.8**	**18,138.9**	**65,567.7**	**66,688.4**	**27.2**	**98.3**
YoY growth %		20.8	(1.3)	(0.7)	(12.1)	(16.4)	(6.1)	(14.9)	0.2				
QoQ growth %		(3.5)	(7.9)	(12.4)	12.9	(8.3)	3.5	(20.6)	33.0				

Source: Affin Hwang

Fig 44: Individual sector performances

Sector	Net Profit 4QCY15 yoy	CY15 yoy	Comments
Auto & Autoparts	-286.8%	-88.3%	Topline growth on higher sales volume. However, for UMW-earnings were dragged down by O&G segment. MBM was dragged down by higher operating costs due to weak RM vs. US$.
Banks	-5.6%	-6.5%	Our 2015 banking and financial sector universe (excluding Bursa Malaysia) reported a 2015 net profit of RM20.7bn (-6.6% yoy) and appeared in-line vs. our 2015E forecast of RM20.3bn. Although the overall sector earnings were in-line, Maybank and Public Bank reported better-than-expected results (and have propped up sector earnings). Meanwhile, CIMB's and MBSB's results were weaker than expected (hence dragged down sector earnings) due to higher allowances and impairments. On a qoq comparison, the banking and financial universe saw a marginal contraction in net profit (-1% qoq) due to weaker profits coming from Maybank, Hong Leong Bank, AMMB and MBSB. The banking sector's rise in overheads (+11% yoy) and allowances/impairments (+89% yoy) have more than offset the operating income generation of the banks, which have been holding up well (+6.8% yoy).
Building Materials	-16.3%	-4.2%	Although revenue improved by 5% yoy, core net profit fell by 13% yoy mainly on higher interest expense and effective tax rate. In 4Q15, Lafarge raised funds to partially fund the acquisition of Holcim Malaysia. EBITDA margin remained relatively stable on cheap coal prices.
Const & Infra	45.5%	44.8%	The sector saw mixed results. 2 companies reported results above expectations, 3 below expectations and 3 in line with estimates. WCT and Gabungan AQRS's earnings were better than expected. Sector earnings growth was strong, boosted by forex and one-off gains in FY15. But there was a partial reversal of forex gains in 4Q15 due to the strengthening of the Ringgit. New contracts secured in FY15 were at record highs for most companies improving earnings visibility in 2016.
Consumer	-22.5%	-9.9%	Overall, the consumer stocks under our coverage saw mixed earnings in CY15. Bonia, Parkson and MSM reported below our expectations whereas BAT, Nestle and AEON reported in line with expectations. However, both our brewery stocks- Guinness and Carlsberg- came above expectations. Generally, consumers continue to be cautious about their spending given the GST implementation and higher costs of living. We see the weakening Ringgit negatively impact the cost of imported goods and retailers giving more discounts and promotions which resulted in margin contraction for some companies. 2016 remains challenging as the industry awaits the recovery of consumer spending, with companies trying to mitigate the impact of a sluggish top line growth by streamlining their processes to increase cost efficiencies.
Gaming	13.6%	-6.8%	Genting Malaysia's domestic operations showed yoy volume growth in the double digits. However, Genting Bhd's results were slightly disappointing due to a net loss booked on disposal of financial assets in 4Q15. Meanwhile, Genting Singapore continued to see sequential decline in the VIP business amid high bad debt provision.
Healthcare	54.1%	19.3%	Healthcare sector net profit grew 54% yoy in 4Q15 mainly driven by one-off forex and FV gains on investment properties. Excluding exceptional items, sector core net profit would have registered a 13% y-o-y decline, on the back of lower patient volume and weaker margins (IHH affected by start-up losses; KPJ saw lower gross margins). But despite the weaker 4Q, 2015 net profit growth was in-line with our forecasts (headline +19% yoy).

Sector	Net Profit 4QCY15 yoy	CY15 yoy	Comments
Media	-50.9%	11.7%	We continue to see a structural decline in print circulation as consumers' preferences are shifting onto digital medium for mobility purposes. Print division, which forms bulk of our media coverage's revenue, was the main drag on earnings as advertisers are cutting down on Adex at times of slowing consumer sentiments. Astro is our only BUY call in the media sector, as it has a more diversified earnings base compared to the traditional newsprint companies which are heavily reliant on Adex.
MREIT	-19.3%	-15.9%	Among the M-REITs under our coverage, Axis REIT's 2015 earnings came in below expectations due to the slow take-up of vacant net-lettable area while the occupancy rate as at Dec15 was below our assumption of 96%. IGB REIT's 2015 r esults were affected by a weaker 4Q15 due to substantially higher interest expense yoy and qoq. Otherwise, IGB REIT's net property income generation was within expectations. Pavilion REIT and mixed-commercial REIT KLCC Property were in-line with our estimates, though we note that there were negative implications of the GST on consumer spending. We believe that retail spending at city-centric malls is likely to remain sustainable underpinned by a diverse upper-middle class income group, despite the challenging environment.
Oil & Gas	-45.5%	-33.2%	Oil & Gas sector earnings continued to decline in 4Q15, dragged by various impairments and other operational challenges such as lower asset utilization, falling activity levels and margin compression. Tough environment is expected to persist with PETRONAS announcing significant cuts in OPEX and CAPEX amid falling crude prices. PETRA remains the only bright spot within our coverage, with near-term earnings buttressed by its Kapal, Banang and Meranti cluster RSC. PCHEM reported decent 4Q15 earnings, but we see significant downside to earnings in 2016 due to margin compression arising from falling petrochemical prices.
Plantation	125.7%	-49.4%	Mixed set of results, with three above our expectation, 2 within and 2 below. 4Q15 profit was generally boosted by higher FFB production (except SIME) but partially offset by lower CPO ASP. SIME's 4Q15 profit was boosted by stronger contributions from Industrial, Motors and E&U.
Property	-12.0%	14.1%	Most earnings for property companies surprised on the upside despite registering lower property sales yoy. Higher earnings were fueled by stronger progress billings (UOA, SP Setia), as well as strong pick up on new launches (Tropicana and IOI Properties). However, Sunway Bhd earnings were lower on few on-going projects under development.
Rubber Products	86.1%	50.1%	Rubber products stocks continued to outperform the broader market owing to (i) lower raw material prices; (ii) USD strength; and (iii) healthy gloves demand. All rubber products companies under our coverage reported earnings in line with expectations, with the exception of Top Glove which came in above expectation. 2016 earnings growth should continue to be underpinned by capacity expansion, and we expect the benefits from Ringgit weakness to normalize. We continue to maintain a HOLD for the sector given that heightened competition is likely to add pressure on ASP growth, and could potentially lead to a risk of margin contraction in case of sharp Ringgit appreciation.
Technology	50.3%	60.6%	Broadly within expectations although Unisem managed to surprise to the upside. Strong earnings growth continues to be driven by revenue growth and margin expansion largely due to the weak RM

Sector	Net Profit 4QCY15 yoy	CY15 yoy	Comments
Telecoms	-11.8%	-3.2%	Earnings for the telcos were generally within expectations. Reported earnings were lower yoy due to a combination of unrealized forex losses and higher IDD costs. TM continues to be bogged down by losses at P1.
Timber	491.1%	55.4%	Earnings for timber companies in 4Q15 and 2015 were higher largely attributable to firm ASPs and higher sales volumes for timber products, stronger US$ as well as higher production of FFB and CPO (and in the case of WTKH, higher O&G profit).
Transport	37.4%	1.6%	Airlines: Earnings surprised on the upside on improving RASK, as well as impact from cheaper fuel costs. MAHB: Strong topline growth on the consolidation of ISGA, however, it remained in the red on high operation cost, interest charges and depreciation charges. MISC earnings improved yoy on strong US$ as well as improvement in petroleum segment.
Utilities	-15.7%	-2.7%	No surprises operationally for most utilities although there were some earnings disappointments. A negative surprise was YTL Corp which booked an impairment charge in relation to an operations & maintenance contract in Lebanon. MMC's earnings were below expectations due to longer-than-expected recognition of land sale in Senai Airport City.

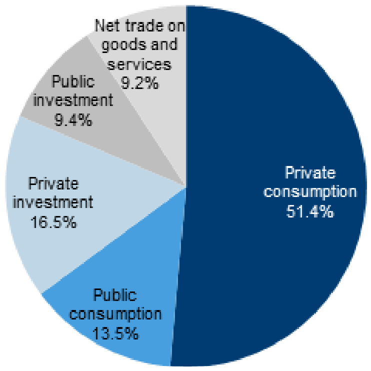
Source: Affin Hwang

Better macro conditions

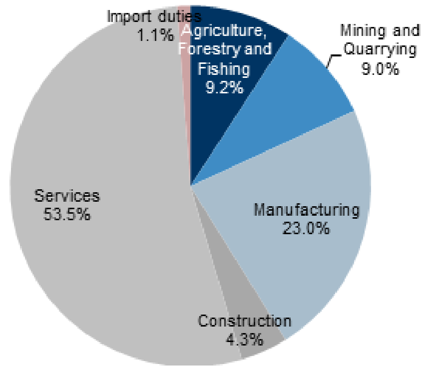
Resilient and broad based economy

The structure of Malaysia's economy has not changed significantly between 2014 and 2015. Despite the unexpected dip in 3Q15 consumer sentiment, private consumption has become a bigger component of real GDP, making up 52.2% of aggregate demand (2014: 51.4%). Meanwhile, total investment, which is the other pillar of the economy, lost 0.2ppts share to make up 25.7% of real GDP, though private investment expanded to 16.8% (2014: 16.5%). Total public expenditure share of the economy fell further to 22.4% of GDP (2014: 22.9%). Malaysia remains a large trading nation with total trade making up 137.4% of GDP in 2015 (2014: 142.9%). However, net trade's share of GDP shrunk 0.7ppts to 8.5% in 2015 due to slower external environment.

Fig 45: Structure of Malaysia's real economy in 2014



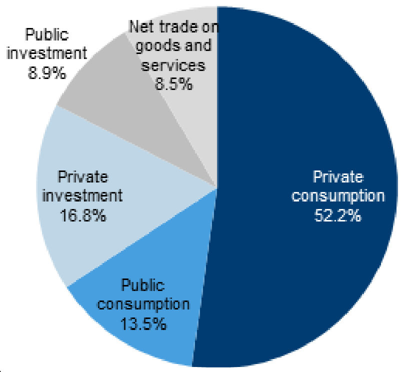
Source: BNM



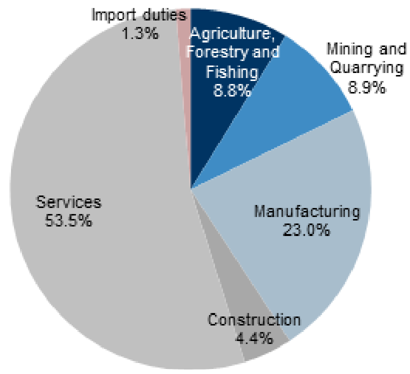
Source: BNM

Meanwhile, services and manufacturing share of the economy remains unchanged at 53.5% and 23%, respectively. Construction ticked up by 0.1ppts to 4.4% in 2015 while agriculture, forestry and fishing fell 0.4ppts to 8.8%. Mining and quarrying also lost ground to make up 8.9% of GDP (2014: 9%).

Fig 46: Structure of Malaysia's real economy in 2015



Source: BNM



Source: BNM

Solid overall 2015 growth

Despite significant external and internal headwinds in 2015, the Malaysian economy still expanded by 5% though it slowed down from the 6% growth in 2014. Just like in the previous year, the private sector remained the key driver. Private consumption grew 6% while private investment was up 6.4% in 2015. However, the culprits for the slowdown in 2015 GDP growth were the same factors. In 2014, private consumption grew 7% while private investment expanded by 11%. These coupled with contraction in net exports partly mitigated by government expenditure contributed to the 1ppt reduction in overall growth.

Fig 47: Malaysia's annual GDP growth

	%yoy			% of GDP			% contribution pts to growth		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
GDP by Expenditure Components									
Total Consumption	7.0	6.4	5.6	65.2	65.4	65.8	4.4	4.2	3.7
Private consumption expenditure	7.2	7.0	6.0	51.4	51.8	52.4	3.6	3.6	3.1
Public consumption expenditure	5.9	4.4	4.3	13.8	13.6	13.5	0.8	0.6	0.6
Total Investment	8.2	4.8	3.7	26.4	26.1	25.8	2.1	1.3	1.0
Private investment expenditure	12.8	11.0	6.4	15.9	16.6	16.9	1.9	1.8	1.1
Public investment expenditure	1.9	-4.7	-1.0	10.5	9.5	8.9	0.2	-0.5	-0.1
Domestic Demand	7.3	5.9	5.1	91.6	91.5	91.6	6.5	5.4	4.7
Net exports	-9.8	12.8	-3.7	8.8	9.3	8.6	-1.0	1.1	-0.3
Exports	0.3	5.1	0.7	76.7	76.1	73.0	0.2	3.9	0.5
Imports	1.7	4.2	1.3	68.0	66.8	64.4	1.2	2.8	0.8
Changes in inventories	-174.1	170.6	-76.0	-0.3	-0.8	-0.2	-0.8	-0.6	0.7
GDP (2010 real prices)	**4.7**	**6.0**	**5.0**	**100.0**	**100.0**	**100.0**	**4.7**	**6.0**	**5.0**
GDP By Kind of Economic Activity									
Agriculture, Forestry and Fishing	1.9	2.1	1.0	9.5	9.2	8.8	0.2	0.2	0.1
Mining and Quarrying	1.2	3.3	4.7	9.2	9.0	8.9	0.1	0.3	0.4
Manufacturing	3.4	6.2	4.9	22.9	23.0	23.0	0.8	1.4	1.1
Construction	10.8	11.8	8.2	4.0	4.3	4.4	0.4	0.5	0.4
Services	6.0	6.5	5.1	53.2	53.5	53.5	3.1	3.5	2.8
Import duties	5.7	10.0	18.6	1.1	1.1	1.3	0.1	0.1	0.2
GDP (2010 real prices)	**4.7**	**6.0**	**5.0**	**100.0**	**100.0**	**100.0**	**4.7**	**6.0**	**5.0**

Source: BNM

Meanwhile, all economic sectors were responsible for the slower growth in 2015, except for mining & quarrying. The biggest culprits were services and manufacturing sectors, by virtue of their large composition in Malaysia's real GDP.

Though further moderation in 4Q15

The 5% 2015 GDP expansion is commendable but it was uneven growth throughout the year. In fact, the trajectory was down with highest growth at the start of the year and falling to the lowest rate of expansion by the close of 2015. Quarterly GDP growth was 5.6% yoy in 1Q15, 4.9% in 2Q15, 4.7% in 3Q15 and 4.5% in 4Q15. Looking at it in two halves, it was 5.3% yoy growth in 1H15 versus 4.6% expansion in 2H15.

Fig 48: Malaysia's quarterly GDP growth

	1Q15	2Q15	3Q15	4Q15	1Q15	2Q15	3Q15	4Q15	1Q15	2Q15	3Q15	4Q15
	%yoy				%qoq				% contribution pts to growth			
GDP by Expenditure												
Total Consumption	7.9	6.5	3.9	4.5	-8.0	0.9	6.1	6.1	5.0	4.0	2.6	3.0
Private consumption	8.8	6.4	4.1	4.9	0.3	-0.4	6.9	-1.8	4.5	3.2	2.2	2.5
Public consumption	4.1	6.8	3.5	3.3	-33.0	6.9	2.8	40.2	0.5	0.8	0.4	0.6
Total Investment	7.9	0.5	4.2	2.8	2.6	3.9	-2.4	-1.2	2.0	0.1	1.1	0.7
Private investment	11.7	3.9	5.5	5.0	37.8	11.3	-10.3	-23.6	2.0	0.8	0.9	0.6
Public investment	0.5	-8.0	1.8	0.4	-34.1	-12.1	19.3	45.3	0.0	-0.6	0.2	0.1
Domestic Demand	7.9	4.6	4.0	4.0	-5.2	1.8	3.6	4.1	7.1	4.2	3.7	3.7
Net exports	-10.2	-10.5	3.3	4.2	5.8	-9.3	10.6	-1.9	-1.1	-1.0	0.3	0.3
Exports	-0.6	-3.7	3.2	3.7	-4.1	-1.2	6.3	2.9	-0.4	-2.9	2.4	2.7
Imports	1.0	-2.8	3.2	3.6	-5.3	-0.1	5.8	3.5	0.6	-1.9	2.1	2.3
Changes in inventories	54.1	-205.9	-87.7	-44.7	-6.4	-187.8	-112.2	454.3	-0.4	1.7	0.7	0.5
GDP (2010 real prices)	**5.6**	**4.9**	**4.7**	**4.5**	-4.3	2.6	3.2	3.1	5.6	4.9	4.7	4.5

Source: BNM

Given the uneven growth in 2015, we believe the annual figure is not the most accurate representation of the current state. For instance, domestic demand came in at 5.1% growth for 2015 but it slowed to 4% in 4Q15. On the other hand, net trade, which contracted 3.7% for the full year, in fact expanded by 4.2% in 4Q15 due to the weaker Ringgit rendering better export competitiveness.

Similarly, mining and quarrying that delivered strong 4.7% expansion in 2015 actually saw 1.4% yoy decline in 4Q15 due to lower production of crude oil and contraction in natural gas. Beyond that, manufacturing in 4Q15 was better with 5% yoy growth (supported by domestic-oriented industries) versus 4.9% for the full year. Meanwhile, services was fairly stable at 5% yoy growth in 4Q15 (underpinned by consumption and trade related activities) versus 5.1% in 2015.

Fig 49: Malaysia's quarterly GDP growth by activity

	1Q15	2Q15	3Q15	4Q15	1Q15	2Q15	3Q15	4Q15	1Q15	2Q15	3Q15	4Q15
	%yoy				%qoq				% contribution pts to growth			
GDP by Economic Activity												
Agriculture, Forestry and Fishing	-4.7	4.6	2.4	1.3	-10.9	11.3	15.8	-11.7	-0.4	0.4	0.2	0.1
Mining and Quarrying	9.6	6.0	5.3	-1.4	1.0	-3.7	-6.5	8.4	0.9	0.5	0.4	-0.1
Manufacturing	5.6	4.2	4.8	5.0	-4.6	5.7	-0.1	4.2	1.3	1.0	1.1	1.1
Construction	9.7	5.6	9.9	7.4	4.5	-6.1	10.7	-1.1	0.4	0.2	0.4	0.3
Services	6.4	5.0	4.4	5.0	-4.8	1.6	3.7	4.7	3.4	2.6	2.3	2.7
Import duties	8.5	9.1	18.6	39.1	4.7	16.2	-0.5	14.9	0.1	0.1	0.2	0.4
GDP (2010 real prices)	**5.6**	**4.9**	**4.7**	**4.5**	**-4.3**	**2.6**	**3.2**	**3.1**	**5.6**	**4.9**	**4.7**	**4.5**

Source: BNM

Our 2016 economic expectations

Going into 2016, we believe Malaysia's real GDP growth will likely slow from 4.6% yoy in 2H15 to around 4.3% in 1H16, before recovering to 4.7% in 2H16, bringing full year growth of 4.5% for 2016, as compared to the official revised forecast of between 4.0% and 4.5%.

Fig 50: Malaysia's GDP growth forecasts

	%yoy			% of GDP			% contribution pts to growth		
	2014	2015	2016F	2014	2015	2016F	2014	2015	2016F
GDP by Expenditure Components									
Total Consumption	6.4	5.6	5.0	65.4	65.8	66.2	4.2	3.7	3.3
Private consumption expenditure	7.0	6.0	5.8	51.8	52.4	53.0	3.6	3.1	3.0
Public consumption expenditure	4.4	4.3	2.0	13.6	13.5	13.2	0.6	0.6	0.3
Total Investment	4.8	3.7	3.8	26.1	25.8	25.6	1.3	1.0	1.0
Private investment expenditure	11.0	6.4	6.0	16.6	16.9	17.1	1.8	1.1	1.0
Public investment expenditure	-4.7	-1.0	-0.5	9.5	8.9	8.5	-0.5	-0.1	0.0
Domestic Demand	5.9	5.1	4.7	91.5	91.6	91.8	5.4	4.7	4.3
Net exports	12.8	-3.7	2.2	9.3	8.6	8.4	1.1	-0.3	0.2
Exports	5.1	0.7	3.0	76.1	73.0	72.0	3.9	0.5	2.2
Imports	4.2	1.3	3.1	66.8	64.4	63.6	2.8	0.8	2.0
Changes in inventories	170.6	-76.0	-3.3	-0.8	-0.2	-0.2	-0.6	0.7	0.0
GDP (2010 real prices)	**6.0**	**5.0**	**4.5**	**100.0**	**100.0**	**100.0**	**6.0**	**5.0**	**4.5**
GDP By Kind of Economic Activity									
Agriculture, Forestry and Fishing	2.1	1.0	0.5	9.2	8.8	8.5	0.2	0.1	0.0
Mining and Quarrying	3.3	4.7	3.5	9.0	8.9	8.8	0.3	0.4	0.3
Manufacturing	6.2	4.9	5.0	23.0	23.0	23.1	1.4	1.1	1.1
Construction	11.8	8.2	6.5	4.3	4.4	4.5	0.5	0.4	0.3
Services	6.5	5.1	5.0	53.5	53.5	53.8	3.5	2.8	2.7
Import duties	10.0	18.6	0.3	1.1	1.3	1.2	0.1	0.2	0.0
GDP (2010 real prices)	**6.0**	**5.0**	**4.5**	**100.0**	**100.0**	**100.0**	**6.0**	**5.0**	**4.5**

Source: BNM, Affin Hwang forecasts

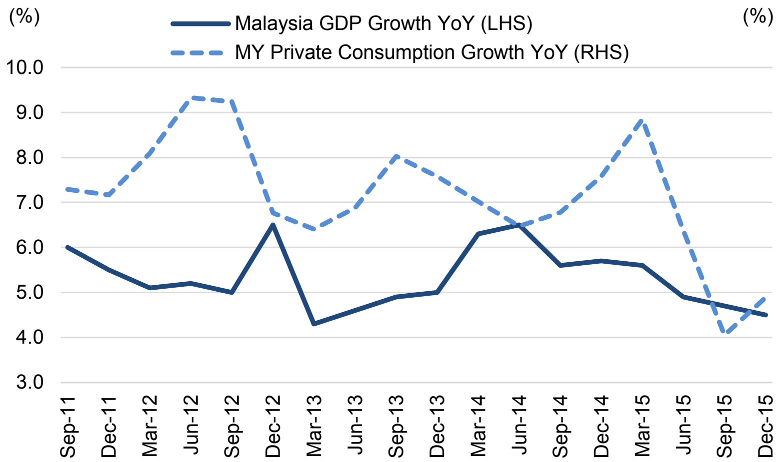
Private consumption rebounds from record low growth

Recap that private consumption has grown at an annual clip of between 6.9% and 8.3% in 2011-2014 while on a quarterly basis it has delivered expansions of between 6.2% and 9.3% yoy since 1Q11. However, it suddenly dropped to 4.1% yoy growth in 3Q15 before rebounding to 4.9% in 4Q15 while 2015 came in at 6%.

Hence in just two quarters, private consumption growth range has been dragged lower to between 6% and 8.3% for 2011-2015 and between 4.1% and 9.3% for 1Q11-4Q15.

We were relieved that 4Q15 delivered a rebound in private consumption growth to 4.9%. The BNM attributed the stronger demand to spending in the transport category with household frontloading on vehicle purchases in 4Q15. This raises the question if private consumption growth could dip once again in 1Q16 without the support of vehicle purchases, which is bound to fall post frontloading activities.

Fig 51: Rebound in private consumption



Source: DOS

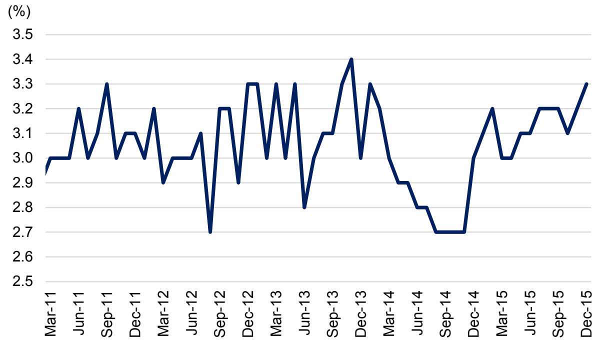
While that remains at the back of our mind, the Central Bank also indicated stable labour market conditions and wage growth as supportive factors for private consumption. We believe this is true as the macro indicators are still favourable.

Unemployment rate remained healthy at 3.2% as of 4Q15. Labour force participation rate continues to hover not far below its record high at 68% while total employment has reached an all-time high of 13.9m people.

Inflation has spiked to 3.5% in January from 2.7% in December and 2.1% for the whole of 2015, driven by higher transport costs despite lower petrol prices at the pump. This was mainly due to higher motor vehicle prices as well as toll rates and public transport fare hikes. Part of this is due to a low base as CPI in fact fell 0.3% mom.

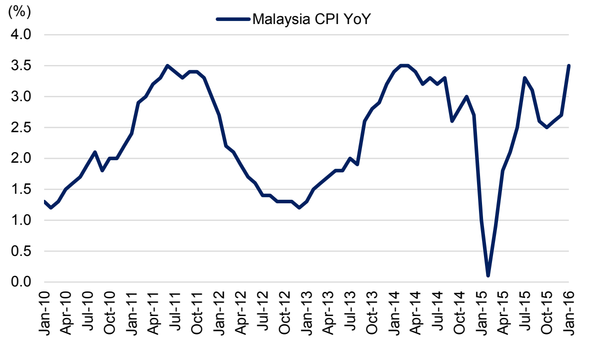
While inflation is likely to peak at 3.5-4.0% in 1Q16, we believe it would subsequently slow to 2.5% range thereafter, still coming in between 2.5% and 3% for the full year. The official government forecast is 2.5% to 3.5% range.

Fig 52: Unemployment rate



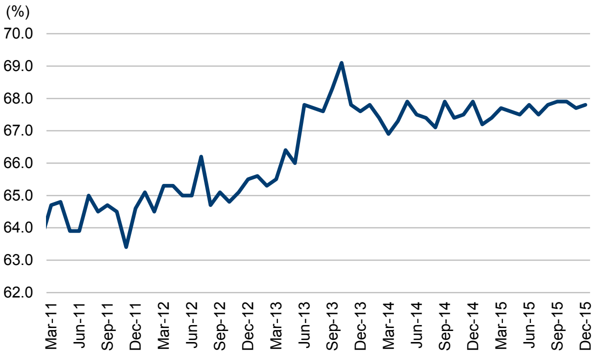
Source: Bloomberg

Fig 53: Inflation



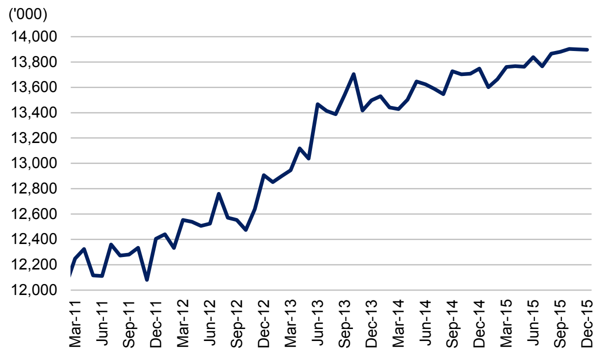
Source: Bloomberg

Fig 54: Labour force participation rate



Source: Bloomberg

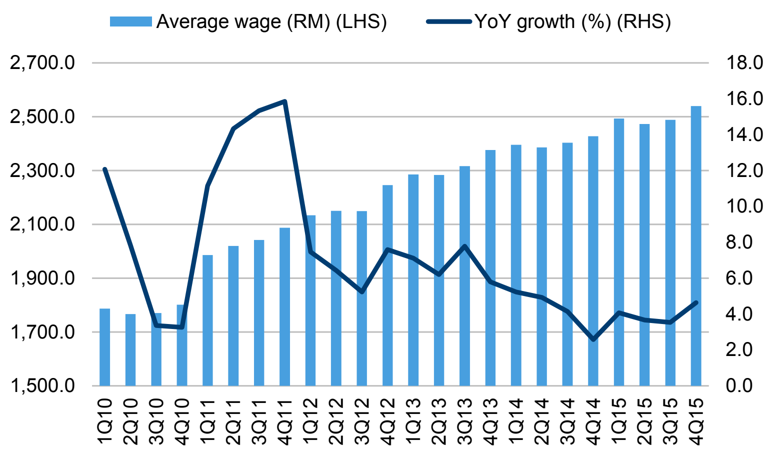
Fig 55: Total employment



Source: Bloomberg

Meanwhile, payroll continues to expand with average wages of 4.6% yoy in 4Q15 and 4% for 2015. High employment coupled with wage growth should be supportive of consumption activity once consumer sentiment improves.

Fig 56: Average payroll has been expanding



Source: Affin Hwang, DOS

Current account is healthy

The current account of the balance of payment strengthened in 4Q15, further dissipating the fear of a deficit due to fall in petroleum prices. The current account surplus widened to RM11.4bn or 3.9% of GNI from 1.8% in the immediate preceding quarter, 2.7% in 2Q15 and 3.7% in 1Q15. This brings overall current account surplus of RM34bn for 2015 or equivalent to 3% of GNI. This beats the official government forecast of 1.5-2.5% surplus in 2015.

Fig 57: Balance of payment

	2014					2015				
Balance of Payments (RMbn)	1Q14	2Q14	3Q14	4Q14	Year	1Q15	2Q15	3Q15	4Q15	Year
Current account	**19.5**	**15.0**	**7.1**	**5.7**	**47.3**	**10.0**	**7.6**	**5.1**	**11.4**	**34.0**
(% of GNI)	**7.5**	**5.7**	**2.7**	**2.1**	**4.4**	**3.7**	**2.7**	**1.8**	**3.9**	**3.0**
Goods	31.2	27.3	25.5	29.4	113.4	27.5	23.3	27.1	30.9	108.9
Services	-0.5	-1.6	-3.6	-5.5	-11.2	-3.8	-4.6	-5.9	-6.2	-20.5
Income	-6.6	-8.0	-9.6	-13.2	-37.3	-8.5	-5.1	-10.3	-8.2	-32.2
Current transfers	-4.6	-2.8	-5.2	-5.0	-17.6	-5.3	-6.0	-5.9	-5.0	-22.2
Financial account	**-38.2**	**-11.0**	**-5.8**	**-26.6**	**-81.6**	**-29.7**	**2.3**	**-31.2**	**5.3**	**-53.3**
Direct investment	-14.4	-3.8	2.3	-2.5	-18.5	-1.2	-3.9	-0.3	5.7	0.2
Assets	-20.6	-16.5	-6.1	-9.9	-53.1	-9.8	-17.8	-7.0	-2.8	-37.4
Liabilities	6.1	12.7	8.3	7.5	34.6	8.6	13.9	6.7	8.5	37.6
Portfolio investment	-14.2	7.2	-11.2	-20.3	-38.5	-7.9	-11.8	-24.4	15.9	-28.2
Assets	-7.6	-10.4	-10.4	0.3	-28.1	-7.4	-8.1	0.6	5.6	-9.2
Liabilities	-6.6	17.6	-0.7	-20.6	-10.4	-0.5	-3.7	-25.0	10.3	-19.0
Financial derivatives	-1.5	0.2	0.0	0.2	-1.0	0.0	-0.4	-0.1	0.1	-0.5
Other investments	-8.1	-14.5	3.0	-4.0	-23.6	-20.6	18.4	-6.4	-16.4	-24.9
Errors and omissions	**1.4**	**-5.0**	**-8.0**	**9.1**	**-2.5**	**4.0**	**-0.3**	**43.1**	**-22.7**	**24.1**
Overall balance	**-17.3**	**-1.0**	**-6.7**	**-11.5**	**-36.5**	**-15.7**	**8.4**	**17.0**	**-6.0**	**3.7**

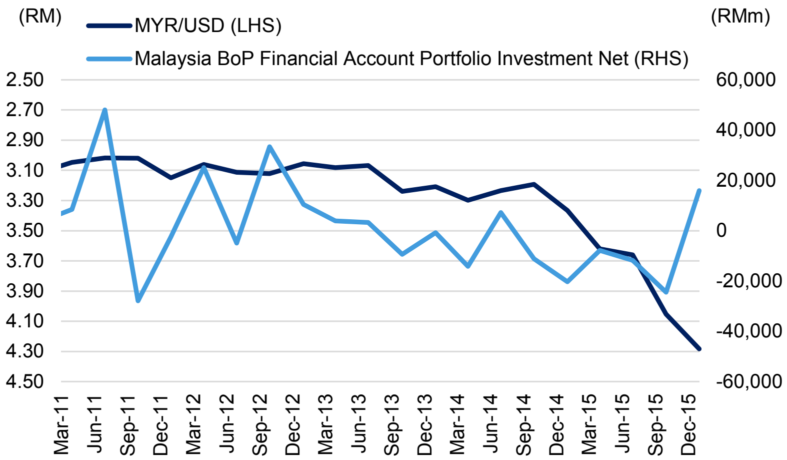
Source: MOF

Driving the better performance in 4Q15 was combination of stronger goods account and reduction in primary and secondary outflows. For the full year, goods and services saw lower surplus while secondary income witnessed larger outflow but was offset to an e xtent by lower primary income deficit, hence bringing a smaller surplus of 3% in 2015 versus 4.4% of GNI in 2014.

Portfolio investment of the balance of payment

After five quarters of accelerating outflow since 3Q14 to a peak of RM24.4bn in 3Q15, the portfolio investment account finally swung into an inflow of RM15.9m in 4Q15, though 2015 still saw an overall outflow of RM28.2bn. According to BNM, net inflows by non-residents amounted to RM10.3bn due to better investor sentiment while portfolio investment by residents expanded to RM5.6bn from RM0.6bn in 3Q15.

Fig 58: Portfolio investment swung into an inflow



Source: Bloomberg

Federal government finance position

As expected, the government was successful at achieving a reduction in fiscal deficit from 3.4% of GDP in 2014 to its target of 3.2% of GDP in 2015. However, 2015 federal government revenue fell for the first time since 2010 by 0.7% to RM219.1bn (2014: RM220.6bn). This was slightly short of its RM222.5bn revenue collection target.

Yet the government was able to temper with operating expenditure with a 1.2% reduction to RM217bn (2014: RM219.6bn) while development expenditure was up 2.2% to RM39.3bn (2014: RM38.5bn).

Table 59: Federal government fiscal position

	2014					2015				
	1Q14	2Q14	3Q14	4Q14	Year	1Q15	2Q15	3Q15	4Q15	Year
Revenue	49.2	52.7	59.1	59.6	220.6	51.5	55.3	56.3	56.0	219.1
% of annual growth	12.4	2.1	3.8	-2.3	3.4	4.8	4.9	-4.9	-6.1	-0.7
Operating expenditure	55.2	51.7	52.9	59.7	219.6	55.4	51.8	52.3	57.5	217.0
% of annual growth	10.6	5.2	-0.9	1.6	3.9	0.4	0.2	-1.2	-3.7	-1.2
Current balance	-6.0	0.9	6.2	-0.1	1.0	-3.9	3.4	4.0	-1.5	2.1
% of GDP	-2.3	0.3	2.2	0.0	0.1	-1.4	1.2	1.4	-0.5	0.2
Net development expenditure	-20.9	2.7	-10.3	2.2	38.5	7.9	7.3	8.7	15.5	39.3
% of annual growth	2.6	2.6	2.9	5.7	-5.5	13.2	3.5	7.5	-5.6	2.2
Overall balance	-13.0	-6.1	-1.9	-16.5	-37.4	-11.8	-3.8	-4.7	-17.0	-37.2
% of GDP	-4.9	-2.2	-0.7	-5.7	-3.4	-4.2	-1.4	-1.6	-5.6	-3.2

Source: MOF

Recalibrated Budget 2016

On 28 January 2016, the government announced a recalibrated Budget 2016 in view of the sharp decline in Brent price since its tabling of the original Budget 2016 on 23 October 2015. In it, the Brent price assumption was changed from US$48/b to US$30/b, which would see a second consecutive year of revenue decline of 1.3% to RM216.3bn in 2016.

Fig 60: Revised Government's finance

RM bn (unless stated otherwise)	2015 Actual	2016 Budget	2016 Revised budget	
Brent (US$/bbl)	**52.0**	**48.0**	**35.0**	**30.0**
Revenue	219.1	225.7	217.9	216.3
Operating expenditure	217.0	215.2	211.2	210.7
Current balance	2.1	10.4	6.7	5.6
Development expenditure	40.8	50.0	46.0	45.0
loan recoveries	-1.5	-0.8	-0.8	-0.8
Overall balance	-37.2	-38.8	-38.5	-38.7
% of GDP	-3.2	-3.1	-3.1	-3.1
Federal Government debt (% of GDP)	54.3	52.2	52.5	52.7

Source: Revised budget 2016, MOF

While revenue is down, the government foresees more prudent spending to cut operating expenditure by 2.9% to RM210.7bn while net development expenditure is budgeted to grow by 12.5% to RM44.2bn in 2016. If these are achievable, the federal government fiscal deficit should narrow, albeit slightly, to 3.1% of GDP in 2016 from 3.2% in 2015.

Global growth still conducive

In its World Economic Outlook update on 19 January 2016, the International Monetary Fund (IMF) revised down global economic growth for 2016 from 3.6% to 3.4% and kept the estimate for 2015 growth unchanged at 3.1%. While there is a cut in growth rate, we note that if 2016 economic activity pans out as the IMF sees it, then it still represents an acceleration of growth in 2016.

Table 61: IMF's growth projection

	IMF				World Bank				ADB			
	Forecasts		*Change		Forecasts		*Change		Forecasts		*Change	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Global	**3.1**	**3.4**	**0.0**	**-0.2**	**2.4**	**2.9**	**-0.4**	**-0.4**	-	-	-	-
Advanced economies	**1.9**	**2.1**	**-0.1**	**-0.1**	**1.6**	**2.1**	**-0.3**	**-0.2**	**1.8**	**2.0**	**-0.1**	**-0.3**
US	2.5	2.6	-0.1	-0.2	2.5	2.7	-0.2	-0.1	2.6	2.6	-0.1	-0.3
Euro Area	1.5	1.7	0.0	0.1	1.5	1.7	0.0	-0.1	1.5	1.6	0.0	0.0
Japan	0.6	1.0	0.0	0.0	0.8	1.3	-0.3	-0.4	0.5	0.8	-0.2	-0.6
Developing economies	**4.0**	**4.3**	**0.0**	**-0.2**	**4.3**	**4.8**	**-0.4**	**-0.6**	-	-	-	-
China	6.9	6.3	0.1	0.0	6.9	6.7	-0.3	-0.4	6.9	6.7	0.1	0.0
India	7.3	7.5	0.0	0.0	7.3	7.8	-0.2	-0.1	7.4	7.8	0.0	0.0
Asean-5	**4.7**	**4.8**	**0.1**	**-0.1**	**4.3**	**4.7**	**-0.6**	**-0.4**	**4.4**	**4.9**	**0.0**	**0.0**
Indonesia	4.7	5.1	0.0	0.0	4.7	5.3	0.0	-0.2	4.8	5.3	-0.1	-0.1
Malaysia	4.7	4.5	0.0	0.0	4.7	4.7	0.0	-0.5	4.7	4.9	0.0	0.0
Philippines	6.0	6.3	0.0	0.0	5.8	6.4	-0.7	-0.1	5.9	6.3	-0.1	0.0
Singapore	2.2	2.9	0.0	0.0	-	-	-	-	2.0	2.3	-0.1	-0.2
Thailand	2.5	3.2	0.0	0.0	2.5	2.0	-1.0	-2.0	2.7	3.8	0.0	0.0

Source: IMF World Economic Outlook (January 2016), World Bank Global Economic Prospects (January 2016), ADB Asian Development Outlook Supplement (December 2015)

The 0.2ppts cut in global growth was largely due to downgrade in the US economic expansion prospects by 0.2ppts to 2.6% in 2016 and 2.5ppts reduction in Brazil's GDP to a deeper recession of 3.5% for 2016. Note that there is no change in IMF's projection for China growth of 6.3% in 2016. This is despite the sharp plunge in China's stock market since the start of 2016, the Renminbi gyrations and global fears of a significant China economic slowdown.

Earnings growth

2016 growth expectation

In our Strategy report, '***Finding a firmer footing***', published on 5 November 2015 when we turned Positive on Malaysia, we were expecting 2.7% fully diluted EPS contraction in 2015E rebounding to 7.4% growth in 2016E. Since then, post 3Q15 results season has seen that tempered to 4.1% fully diluted EPS contraction in 2015E and still rebounding but to a higher growth of 8.5% in 2016E, partly due to the lower base.

As we conclude 2015 results season, our preliminary estimate is that fully diluted EPS contracted by a worse-than-expected 6.2% in 2015 and we are expecting 8.5% growth in 2016E. Hence fully-diluted EPS growth has been reduced slightly from three months ago despite the lower base in 2015. Overall, we have cut our 2016E fully diluted EPS by 2.2%.

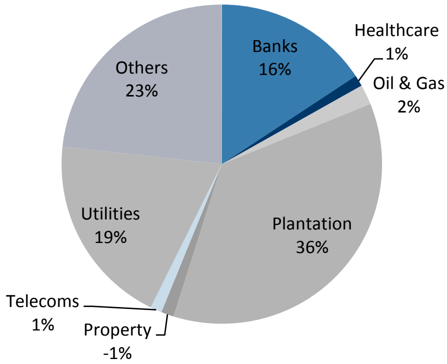
We are currently expecting 4.4% fully diluted EPS growth in 2017. It is less relevant now given that the bulk of focus should be on 2016 forecast. However, it is an interesting discussion point because it probably gives a glimpse into the state of mind of the analysts that influence the assumptions that have gone into the growth forecasts. Just from the numbers, it does seem that the mind-set is still somewhat cautious due to poor sentiment, despite coming off a stronger growth in 2016.

We are fully cognizant and have been reminded on various occasions that the typical trajectory for earnings forecasts, at least over the past two years, is for high growth projections at the start of the year, only to see steadfast cuts as the year progressed. Of course, the same situation could repeat in 2016 despite two consecutive years of disappointing earnings.

As such, we provide a bit more granularity on the areas of earnings growth contribution to our 8.5% forecast. Of that, the top five sectors contribute 6.5 ppts or substantially 76% of the growth.

Plantation sector is by far the largest contributor to growth. It makes up 3.1 ppts or 36% of the growth with a higher average CPO price of RM2,400/tonne from RM2,150 in 2015 coupled with better productivity. Utilities sector is the second largest with 1.7 ppts contribution or 19% of total growth courtesy of Tenaga (Ringgit strength) and Malakoff (new coal-fired generation capacity). Lastly, the Banking sector contributes 1.4 ppts of the 8.5% or 16% of growth though sector growth is still below market average due to its high weighting, making up 23% of total stock universe market cap.

Fig 62: Summary of breakdown in 2016E growth contribution



Source: Affin Hwang

Lastly, we provide a detailed breakdown for the contributions to growth by sector below.

Fig 63: Breakdown of contribution to 2016E growth by sector

Sector	Rating	Market Cap (RMm)	Net profit growth (%)	EPS growth (%)	Sector contribution to EPS growth (%)
Auto & Autoparts	N	10,907.8	>100	>100	0.6
Banks	OW	268,567.3	7.1	4.2	1.4
Building Materials	N	7,707.9	28.2	4.1	0.0
Const & Infra	OW	30,693.4	0.5	(2.1)	(0.0)
Consumer	N	50,367.0	4.8	4.0	0.6
Gaming	N	57,616.8	9.9	3.9	0.1
Healthcare	OW	58,559.9	13.6	9.1	0.1
Media	N	18,523.5	18.0	20.6	0.1
MREIT	OW	23,879.2	21.1	1.6	0.0
Oil & Gas	UW	89,312.3	18.3	5.0	0.2
Plantation	N	120,859.2	46.5	43.1	3.1
Property	OW	29,383.4	(11.9)	(9.6)	(0.1)
Rubber Products	N	29,197.4	40.3	20.3	0.2
Technology	N	10,601.5	5.8	6.4	0.0
Telecoms	N	175,045.5	0.5	1.5	0.1
Timber	OW	3,791.5	8.8	10.5	0.0
Transport	N	55,470.5	24.8	8.6	0.3
Utilities	OW	166,620.5	(2.7)	8.0	1.7
TOTAL		**1,207,104.5**	**9.2**		**8.5**

Source: Affin Hwang

Sector and stock strategy

Clarifying our methodology

Our approach in our sector positioning has always been one based on fundamentals that look past short term distortions or noises. We like sectors that we can identify secular trends with structural growth potential. However, a key challenge is the need to reconcile that with bottom up stock selection as ultimately this is an equity strategy positioning exercise.

One major consideration in the reconciliation exercise between top-down and bottom-up is the weight of stock recommendations in each sector. For instance, we could like the dynamics of a particular sector very much but most of the stocks in the sector are Hold due to very expensive valuation hence we would rate the sector a Neutral. Ultimately, the decision is qualitative, depending on our stock coverage as well as involving some degree of discretion.

For transparency, we have provided the breakdown of our stock recommendations by sector, giving the proportion of companies that are Buy, Hold and Sell by number of companies and by market cap as a proportion of sector total. Our stock universe encompasses 98 companies. The only change since our 3Q15 results wrap strategy report is initiation of coverage on Sunway Construction, classified under Construction sector and cessation of coverage for Puncak Niaga under Utilities. Please see page 58 for our entire stock universe.

Fig 64: Breakdown of our sector coverage by recommendation

Sector	Rating	Total mkt cap (RMbn)	Rating				% of rating				Rating as a % of mkt cap			
			Buy	Hold	Sell	Total	Buy	Hold	Sell	Total	Buy	Hold	Sell	Total
Auto & Autoparts	N	10,908	-	3	-	3	-	100	-	100	-	100	-	100
Banks & Financial Services	OW	268,567	4	6	-	10	40	60	-	100	44	56	-	100
Building Materials	N	7,708	-	1	1	2	-	50	50	100	-	98	2	100
Construction & Infrastructure	OW	30,693	6	1	1	8	75	13	13	100	98	1	1	100
Consumer	N	50,367	2	5	2	9	22	56	22	100	16	81	3	100
Gaming	N	57,617	-	3	-	3	-	100	-	100	-	100	-	100
Healthcare	OW	58,560	1	1	-	2	50	50	-	100	8	92	-	100
Media	N	18,524	1	-	3	4	25	-	75	100	76	-	24	100
MREIT	OW	23,879	2	2	-	4	50	50	-	100	42	58	-	100
Oil & Gas	UW	89,312	2	2	4	8	25	25	50	100	14	10	76	100
Plantation	N	120,859	-	4	3	7	-	57	43	100	-	64	36	100
Property	OW	29,383	7	-	-	7	100	-	-	100	100	-	-	100
Rubber Products	N	29,197	3	2	-	5	60	40	-	100	55	45	-	100
Technology	N	10,602	4	-	3	7	57	-	43	100	63	-	37	100
Telecoms	N	175,046	-	4	-	4	-	100	-	100	-	100	-	100
Timber	OW	3,792	2	1	-	3	67	33	-	100	66	34	-	100
Transports & Logistics	N	55,471	1	1	2	4	25	25	50	100	8	72	20	100
Utilities	OW	166,621	4	4	-	8	50	50	-	100	54	46	-	100

Source: Affin Hwang

New sector positioning

Our stock universe is clustered into eighteen sectors. Of this eighteen, we Overweight seven sectors, we are Neutral on ten sectors and we Underweight one sector.

Fig 65: Positioning for the eighteen sectors under coverage

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

Source: Affin Hwang note: sectors upgraded (↑), sectors downgraded (↓)

Our current sector positioning involves four changes. These include an upgrade of Utilities to Overweight (from Neutral), Building Materials to Neutral (from Underweight), and downgrade of Gaming to Neutral (from Overweight) and Technology to Neutral (from Overweight).

Utilities. The upgrade to Overweight is in view of the high dividend yield accorded by some of the stocks in the sector, as we are beginning to see yield compression as a potential theme for 2016 in view of continued quantitative easing measures and negative interest rates environment (European Central Bank and Bank of Japan). Moreover, we have no Sell recommendations in the sector while stocks with Buy recommendation make up 54% of total sector market cap.

Building Materials. The Neutral rating is due to our expectation of significant news flow on infrastructure project awards throughout the year. Hence volume of building materials, especially cement, could see better demand. In addition, the market cap of our stock coverage is skewed towards Hold at 98% of total.

Gaming. From a top down perspective, we believe the sector remains very attractive as a play on private consumption and tourism. The investment at Genting Highlands encompassing a brand new theme park among others, in our opinion, would be a key leisure attraction in Malaysia. Hence the sector downgrade to Neutral is solely due to strong share price performance of Genting Bhd prompting us to cut our recommendation to Hold. Currently, 100% of market cap is in the Hold category. This highlights the common problem we face in the trade-off between attractive top-down and the struggle to find appropriate bottom-up stock selections.

Technology. While we still like key companies in the sector (Inari, Globetronics, Scicom), we have now four companies as Buy, zero Hold and three companies rated Sell. Given some signs of softening of the global technology sector with lower demand and still relatively high inventories, we downgrade the sector to Neutral, though we do see some interesting bottom up stock picks.

Fig 66: Summary of sector valuation

Sector	Rating	Market Cap (RMm)	EPS Growth (%) 2014	EPS Growth (%) 2015E	EPS Growth (%) 2016E	EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Banks & Financial Services	OW	268,567.3	2.3	(6.0)	4.2	6.4	13.0	12.2			3.9	4.0	1.5	1.4	10.8	10.7
Auto & Autoparts	N	10,907.8	(2.9)	(97.4)	2,732.1	30.7	18.4	14.1	10.0	9.2	2.6	3.9	1.1	1.3	6.0	8.7
Building Materials	N	7,707.9	(30.3)	19.4	4.1	0.9	23.6	23.4	11.4	11.1	3.9	3.9	2.2	2.2	8.8	8.6
Construction & Infrastructure	OW	30,693.4	2.8	0.9	(2.1)	1.2	15.4	15.2	12.4	6.3	2.8	2.8	1.3	1.2	8.9	8.2
Consumer	N	50,367.0	8.2	3.7	4.0	3.2	21.8	21.1	11.5	10.2	4.6	4.6	17.4	18.6	24.8	33.9
Gaming	N	57,616.8	(21.6)	1.8	3.9	5.0	17.4	16.6	5.9	5.2	1.1	1.1	0.6	0.6	4.3	4.2
Healthcare & Pharma.	OW	58,559.9	21.4	23.6	9.1	14.8	49.3	42.9	22.1	18.2	0.6	0.7	2.5	2.4	5.2	5.6
Media	N	18,523.5	(15.7)	30.6	20.6	11.5	16.2	14.5	7.3	1.5	6.0	6.7	5.4	4.9	24.9	25.0
MREIT	OW	23,879.2	(4.7)	33.4	1.6	2.0	16.6	16.2	14.6	14.3	5.5	5.8	1.1	1.1	6.8	7.1
Oil & Gas	UW	89,312.3	(6.9)	11.3	5.0	3.5	19.9	19.2	10.7	7.9	2.6	2.7	1.9	1.8	7.7	7.5
Plantation	N	120,859.2	(13.1)	(17.5)	43.1	2.3	17.6	17.2	12.7	7.2	2.7	3.0	2.2	2.3	10.3	11.4
Property	OW	29,383.4	(33.6)	1.0	(9.6)	12.0	11.0	9.8	10.0	6.7	4.0	4.2	0.9	0.9	7.7	8.4
Rubber Products	N	29,197.4	(2.4)	40.0	20.3	9.1	24.6	22.5	16.2	8.9	2.0	2.1	5.0	4.5	19.5	19.1
Technology	N	10,601.5	124.8	43.0	6.4	(0.1)	16.6	16.7	8.9	6.0	3.4	3.6	3.0	2.8	19.4	18.8
Telecoms	N	175,045.5	(2.7)	(4.6)	1.5	1.8	25.9	25.4	10.7	10.5	3.3	3.3	4.8	4.7	19.2	19.2
Timber	OW	3,791.5	24.0	61.7	10.5	10.0	11.0	10.0	6.7	4.7	3.5	3.5	1.1	1.1	7.5	8.0
Transports & Logistics	N	55,470.5	16.8	1.8	8.6	5.7	17.7	16.7	0.4	11.1	1.5	1.5	1.3	1.2	7.3	7.6
Utilities	OW	166,620.5	7.5	(2.7)	8.0	2.3	14.4	14.1	8.8	6.4	2.6	2.7	1.9	1.8	10.6	10.0
Coverage		**1,207,104.5**	**0.1**	**(6.2)**	**8.5**	**4.4**	**17.1**	**16.3**	**4.4**	**9.1**	**3.3**	**3.4**	**2.1**	**2.0**	**9.8**	**9.9**

Source: Bloomberg, Affin Hwang forecasts

Stock picks

We have made four changes to our top picks list, two of which are deletion of existing picks and the balance two are new additions. The two removals are Genting Bhd and WTK, both of which have delivered strong share price performances in the past 3 months. Note that we still like the business fundamentals of the companies. We have replaced them with Top Glove and Globetronics. Our top picks list still consists of 20 stocks.

Top Glove. The share price has corrected by 19% since our previous strategy report (priced as of close of 18 January 2016) on the back of Ringgit strength and probably expectation of its gradual appreciation. As such, valuation has turned more attractive at 16x FY16 (August) earnings, the cheapest among the larger cap glove makers. We like the structural growth in global glove demand with Malaysia constituting 63% of global market share. In addition, Top Glove is continuously investing to cater for future demand. Currently, it has a production capacity of 44bn pieces annually and it is expanding capacity at an average rate of 2bn pieces yearly.

Globetronics. The current stock price pullback appears to have already fully priced in a weak 1Q16 in our view and we anticipate an earnings recovery in 2Q16. We remain upbeat on 2016 prospects as we understand that a number of new products are under development with its Swiss customer. With a strong product pipeline in place, we forecast a 3-year EPS CAGR of 27% and stock is backed by attractive dividend yields of c. 7%.

Meanwhile, we have made six changes to our list of stocks to avoid. These are the removals of Felda, Maxis and Telekom. Deletion of Felda is in view of firmer CPO prices. In fact, Felda should be one of the bigger beneficiaries of higher CPO prices given that it has an elevated production cost hence the impact on earnings would be greater as average selling prices trend higher. As for Maxis, its share price has retraced by 7.5% since the news on potential spectrum auction during the government Budget 2016 recalibration on 28 January 2016. However, we believe that the actual mechanics of the bidding process would not be too detrimental to the cellular operators. Lastly, we remove Telekom given its better position in the event of a more concerted push to market P1 as a full mobility provider causing price competition, since there should no disruption in its dominant fixed line operations. Our stocks to avoid list remains at 8 companies.

We have replaced these three stocks with Petronas Chemical, Malaysia Airports (MAHB) and Star Media.

Petronas Chemical. Despite beating our estimates in the 4Q15 earnings season, we are not sanguine on PCHEM's earnings prospect in 2016E, and think profits may have peaked in 2015. Ethane feedstock is expected to grow 5% y-o-y in 2016 which would enable PCHEM to achieve higher plant utilisation, but the benign impact from this will likely be outweighed by falling petrochemical product prices in East Asian markets (Olefins fell 4% y-o-y; aromatics fell 14% y-o-y; polymers fell 12% y-o-y in 2M16). Unlike naphtha-based petrochemical producers, the lower ASP f or PCHEM's petrochemical products is expected to lead to margin compression for PCHEM, as its ethane feedstock cost is fixed for the long-term. It is unlikely for petrochemical prices to rebound if crude prices remain weak, while economic slowdown in the Far East (China, Korea, Japan) could further dampen demand for petrochemical products, thereby causing crack spreads to further narrow (i.e. petrochemical prices could fall further even if feedstock costs are unchanged). Meanwhile, an ethane gas feedstock supply agreement with PETRONAS is set to expire in 2016, and the revised tariffs will likely be higher in keeping with the Government of Malaysia's overall policy to phase out gas subsidies to various sectors. As such, we see significant earnings downside to our and consensus forecasts.

MAHB. We see MAHB's expensive valuation not being justified by its fundamentals. Although it has good infrastructure assets, we believe that growth potential is limited. MAHB's KLIA is sandwiched between an established regional hub (Singapore's Changi) and an emerging regional hub (Thailand's Suvarnabhumi). Hence we believe that competition would erode its aspirations to be a serious regional hub. Meanwhile, one important characteristic of infrastructure assets is the capital cost of the assets. In this aspect, the development cost of KLIA2, the lost cost carrier terminal, may not commensurate with the return. Competition from Indonesia as an emerging LCCT base is also a threat. Another important characteristic of infrastructure assets relate to brownfield acquisitions. In this instance, the ability to buy cheaply could boost returns substantially. However, we view the completed acquisition of Sabiha Gokcen in Turkey as ambitious. These assets are weighing on MAHB's earnings and will likely continue to do so unless there are substantial improvements in asset yields. Stock is expensive trading at 75x 2017E PE, 1.3x book, 1.8% ROE and with marginal dividend yield of 0.3%.

Star Media. The inclusion of Star as a top sell is a function of the challenging media industry, as we see a structural shift in the way people advertise. Hence, its important print segment continues to see revenue decline despite GDP growth. Its valuation is also more expensive relative to its other media peers (except for Astro, though worth pointing out that Astro is winning adex market share and is delivering on earnings growth). Hence there is a risk of a further de-rating of the stock.

Fig 67: List of our top buys and stocks to avoid

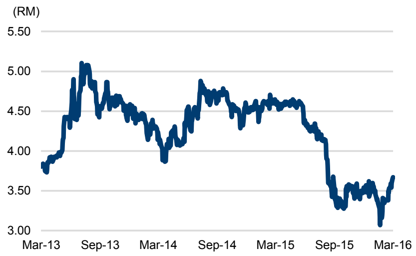
Stock	Rating	Price (RM)	TP (RM)	Upside (%)	Mkt Cap (RMm)	Core PE (x) CY15	Core PE (x) CY16	Core PE (x) CY17	Core EPS CY16	Core EPS CY17	Core EPS Growth (%) CY16	Core EPS Growth (%) CY17	PBV CY16	PBV CY17	DPS(sen) FY16	DPS(sen) FY17	Div. Yield (%) FY16	Div. Yield (%) FY17	ROE (%) FY16	ROE (%) FY17
Top Buys																				
AEON CREDIT	BUY	11.92	14.80	24.2	1,713.6	8.1	7.9	7.2	1.6	1.8	10.0	11.3	2.2	1.8	62.6	69.7	4.8	5.3	29.4	27.4
AFG	BUY	3.65	4.50	23.3	5,517.1	13.3	10.6	10.3	0.3	0.4	3.1	5.9	1.2	1.1	14.8	15.8	3.9	4.0	11.2	10.7
CIMB	BUY	4.52	5.00	10.6	38,713.8	14.4	10.3	9.8	0.5	0.5	5.2	5.8	1.0	0.9	13.8	14.6	3.2	3.1	7.2	9.4
E&O	BUY	1.57	2.40	52.9	1,837.5	19.0	26.6	28.7	0.0	0.1	(7.4)	46.7	1.2	1.1	3.0	3.0	1.4	1.9	5.5	3.7
GAMUDA	BUY	4.44	5.59	25.9	11,211.5	16.5	17.6	18.9	0.2	0.3	(7.3)	11.6	1.6	1.6	12.0	12.0	2.7	2.7	10.3	9.9
GLOBETRONICS	BUY	5.50	6.28	14.2	1,831.2	18.1	24.7	46.1	0.1	0.1	(46.4)	(7.1)	5.3	5.1	35.3	37.9	4.3	6.4	25.8	36.5
IGB REIT	BUY	1.52	1.60	5.3	4,652.2	13.0	16.3	15.5	0.1	0.1	5.2	7.8	1.4	1.4	9.3	10.0	5.9	6.1	6.9	8.0
INARI	BUY	3.23	4.12	27.6	3,459.3	12.5	18.6	15.0	0.2	0.3	24.1	22.9	5.1	4.1	9.9	12.1	2.6	3.1	30.2	31.4
JAKS RESOURCES	BUY	1.16	1.60	37.9	543.6	14.5	28.8	8.1	0.2	0.2	258.1	1.9	0.9	0.7	-	-	-	-	7.0	9.4
KPJ	BUY	4.36	4.90	12.4	4,450.3	28.0	27.8	29.9	0.1	0.2	(7.2)	7.1	3.1	2.8	7.8	8.3	1.4	1.8	9.0	9.4
PAVILION REIT	BUY	1.72	1.90	10.5	4,677.7	8.0	18.9	17.0	0.1	0.1	11.3	6.7	1.4	1.4	9.5	10.9	4.8	5.5	7.4	7.0
PETRA ENERGY	BUY	1.22	1.53	25.4	404.4	15.2	14.3	9.3	0.1	0.1	54.5	2.2	0.7	0.7	2.7	2.8	4.9	2.2	9.5	7.6
PUBLIC BANK	BUY	18.48	21.80	18.0	71,897.2	14.1	15.6	15.0	1.2	1.3	4.1	6.1	2.3	2.2	57.0	59.0	3.0	3.1	16.7	14.3
SUNWAY	BUY	3.00	3.90	30.0	5,510.6	6.9	10.6	9.8	0.3	0.4	7.9	12.1	0.8	0.8	10.0	11.0	3.0	3.3	11.5	8.0
SUNWAY CONSTRUC	BUY	1.40	1.76	25.7	1,810.1	-	13.5	12.8	0.1	0.1	4.8	22.9	3.9	3.4	5.5	6.5	3.6	3.9	27.7	26.7
TA ANN	BUY	5.14	6.22	21.0	1,861.1	11.0	11.5	10.8	0.5	0.5	5.9	8.2	1.6	1.5	20.0	20.0	3.9	3.9	15.8	13.9
TENAGA	BUY	13.12	15.50	18.1	75,172.9	11.6	10.6	10.1	1.3	1.4	5.4	3.2	1.5	1.3	33.4	36.2	2.3	2.5	13.2	13.5
TOP GLOVE	BUY	5.63	7.45	32.3	8,558.6	12.2	25.5	20.7	0.3	0.3	22.9	3.0	4.2	3.8	16.7	17.0	2.3	3.0	19.0	21.4
UOA DEVELOPMENT	BUY	2.14	2.57	20.1	3,132.1	9.6	8.1	9.3	0.2	0.3	(12.9)	19.8	1.1	1.1	12.0	14.0	6.1	5.6	14.2	
WCT	BUY	1.57	1.82	15.9	1,933.9	11.5	50.3	16.6	0.1	0.1	203.1	48.5	0.8	0.8	3.7	5.0	3.8	2.4	9.4	14.2
Stocks to Avoid																				
MAHB	SELL	5.85	5.50	(6.0)	9,308.1	nm	nm	71.9	0.1	0.1	nm	(10.3)	1.3	1.3	1.5	1.3	0.1	0.3	(0.3)	1.8
MCIL	SELL	0.66	0.48	(26.7)	1,020.8	8.8	7.8	7.5	0.1	0.1	3.9	2.8	1.3	1.2	3.6	3.8	5.3	5.5	12.6	14.4
MEDIA PRIMA	SELL	1.36	1.13	(16.9)	1,408.7	24.3	9.6	10.2	0.1	0.1	(5.3)	(3.2)	0.9	0.9	8.3	8.1	6.5	6.1	8.4	8.0
MMHE	SELL	1.01	0.83	(17.8)	1,600.0	21.2	34.5	nm	(0.0)	-	(135.2)	(100.0)	0.6	0.6	-	-	-	-	1.6	(0.7)
PCHEM	SELL	6.75	5.30	(21.5)	58,160.0	15.5	22.1	20.5	0.4	0.4	7.9	3.1	2.1	2.0	20.0	20.0	2.7	3.0	10.8	10.4
STAR	SELL	2.41	1.95	(19.1)	1,728.2	13.1	15.5	14.4	0.2	0.2	7.9	9.8	1.5	1.5	18.0	18.0	7.5	7.5	11.5	10.2
UMW-OG	SELL	0.96	0.75	(21.9)	2,313.3	20.2	76.4	(6.0)	(0.2)	(0.2)	(1,364.3)	39.0	0.6	0.6	-	-	-	-	(11.3)	(3.8)
UNISEM	SELL	2.28	1.76	(22.8)	1,746.5	16.7	11.9	16.5	0.1	0.1	(28.0)	2.1	1.5	1.5	8.7	8.8	5.1	3.8	14.3	9.5

Source: Affin Hwang forecasts, Bloomberg

Note: In our top Buys, we have added Globetronics and Top Glove, and removed Genting and WTK. In our Stocks to Avoid, we have removed Felda, Maxis, Telekom and replaced with PCHEM, MAHB and Star

Please find below more details for our top buys and top sells.

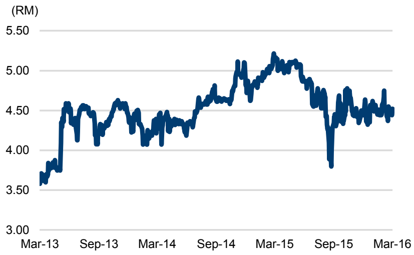
Table 68: Individual top buys and top sells

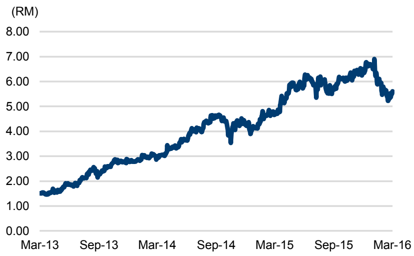
Top BUY	Rating	Analysts' Comments
AEON CREDIT (ACSM MK) Target Price : RM14.80 Share Price as at : RM11.92 29 February 2016 	BUY	Our BUY rating on AEONCS, with a 12-month TP of RM14.80, is based on a 9x CY16E EPS. 2016-17E ROEs are expected to stay above 20%, underpinned by a high effective interest rate of 15-17% on its robust receivable portfolio growth (above 20-21% p.a.), which we expect to 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.
AFG (AFG MK) Target Price : RM4.50 Share Price as at : RM3.65 29 February 2016 	BUY	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 (consumers 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 1.1% while loan loss cover at 125.4%.
CIMB Group (CIMB MK) Target Price : RM5.00 Share Price as at : RM4.52 29 February 2016 	BUY	We maintain a BUY rating on CIMB Group, with a 12-month target price of RM5.00 (based on an implied 2016E P/BV target of 1.0x and ROE of 9.8%). 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.

<table>
<tr><th>Top BUY</th><th>Rating</th><th>Analysts' Comments</th></tr>
<tr><td>E&O (EAST MK)

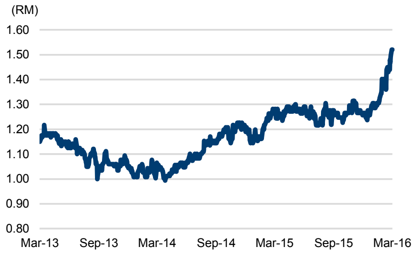
Target Price : RM2.40
Share Price as at 29 February 2016 : RM1.57

</td><td>BUY</td><td>E&O is one of our top BUYs among the Malaysian property stocks with a 12-month target price of RM2.40. 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.</td></tr>
<tr><td>GAMUDA (GAM MK)

Target Price : RM5.59
Share Price as at 29 February 2016 : RM4.44

</td><td>BUY</td><td>Gamuda is our top BUY among the Malaysian construction stocks with an RNAV-based 12-month target price of RM5.59. 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.</td></tr>
<tr><td>Globetronic (GTB MK)*

Target Price : RM6.28
Share Price as at 29 February 2016 : RM5.50


*new addition to our top BUY list</td><td>BUY</td><td>The current stock price pullback appears to have already fully priced in a weak 1Q16 in our view and we anticipate an earnings recovery in 2Q16. We remain upbeat on 2016 prospects as we understand that a number of new products are under development with its Swiss customer. With a strong product pipeline in place, we forecast a 3-year forward EPS CAGR of 27% and stock is backed by attractive dividend yields of c. 7%</td></tr>
</table>

Top BUY	Rating	Analysts' Comments
IGB REIT (IGBREIT MK) Target Price : RM1.60 Share Price as at : RM1.52 29 February 2016 	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 potential asset injections, such as the Southkey Megamall and 18@Medini (in IDR) by 2020.
INARI AMERTRON (INRI MK) Target Price : RM4.12 Share Price as at : RM3.23 29 February 2016 	BUY	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 Broadcom, also a leader in the RF industry. We project that Inari will achieve a 3-year forward net profit CAGR of 33% 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 12x 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.
JAKS RESOURCES (JAK MK) Target Price : RM1.60 Share Price as at : RM1.16 29 February 2016 	BUY	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. We gather that mobilisation work has begun on certain infrastructure related works such as the jetty and worker's living quarters. Additional water-related infrastructure project wins and positive earnings surprises from the construction of non-technical works on the Vietnam project are key rerating catalysts for JAKS.

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

Target Price : RM4.90
Share Price as at : RM4.36
29 February 2016

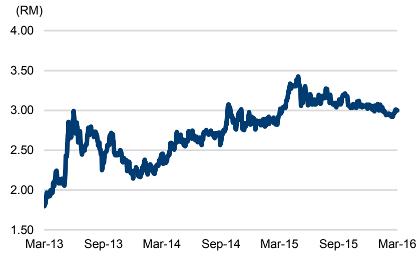
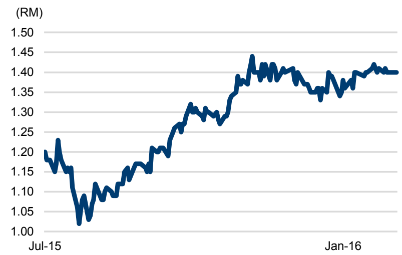
</td><td>BUY</td><td>KPJ's core net profit grew 17% y-o-y to RM145.0m in 2015, below our forecast but in line with consensus. This was driven by a lower-than-expected gross margin, which fell by 5.5ppts y-o-y in 4Q15. We expect earnings growth to moderate in 2016-18E (+1%/+7%/+4%) due to start-up losses from the new incoming hospitals; one in 2016, and four in 2017. Maintain BUY with a TP of RM4.90, based on SOTP valuation.</td></tr>
<tr><td>Pavilion REIT (PREIT MK)

Target Price : RM1.90
Share Price as at : RM1.72
29 February 2016

</td><td>BUY</td><td>We have a BUY rating on PavREIT with a 12-month target price of RM1.90 (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 i ii) high occupancy rates, ability to attract new tenants and sustainability of existing tenancies.</td></tr>
<tr><td>Petra Energy (PENB MK)

Target Price : RM1.53
Share Price as at : RM1.22
29 February 2016

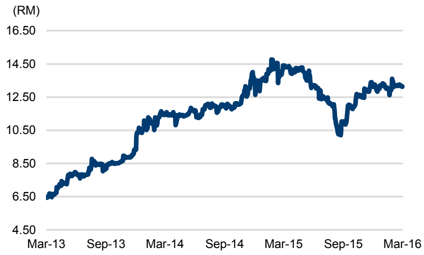
</td><td>BUY</td><td>Low financial leverage coupled with relatively resilient demand for PENB's services should help the group survive the trying times ahead. Order book for PENB's services segment is backed by a 5-year Pan-Malaysia contract, which should be enough to tide the group through 2018. Fees from the KBM cluster RSC started kicking in, and we estimate these would bring in RM40m/year to the bottom line. Valuation looks attractive, presenting investors with an opportunity to position for an upturn. We have a BUY rating on PENB with a TP of RM1.53.</td></tr>
</table>

Top BUY	Rating	Analysts' Comments
Public Bank (PBK MK) Target Price : RM21.80 Share Price as at : RM18.48 29 February 2016 	BUY	Our BUY rating on PBB is based on a 12-month target price of RM21.80 at a 2. 5x P/BV target on a 2016E ROE of 14.5%. 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, in our view, 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 10.9%) and well-contained overheads, with the lowest CIR at 30.5% vs. industry at 51%.
Sunway Berhad (SWB MK) Target Price : RM3.90 Share Price as at : RM3.00 29 February 2016 	BUY	We like Sunway not only as a proxy to an integrated township developer, but also as a di versified player with exposure in construction sector as well as investment properties. It has a total landbank of more than 3,000 acres with a po tential effective GDV of RM32.5bn. Currently, its recently listed Sunway Construction has an ou tstanding order book 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.
Sunway Construction (SCGB MK) Target Price : RM1.74 Share Price as at : RM1.40 29 February 2016 	BUY	SCGB is our top BUY among the mid-cap Malaysian construction stocks. Prospects to win new infrastructure projects are good, in our view, as a preferred contractor for Klang Valley MRT Line 2, LRT Line 3 Pan-Borneo Highway (Sarawak stretch), SUKE and DASH expressways to be rolled out this year. SCGB provides a pure construction exposure to the cyclical upturn for the sector. Its precast concrete division benefits from the weak Ringgit as it derives SGD revenue. Its strong net cash position should support a hi gh dividend payout and at tractive net yield of about 4% in FY16E. Ex-cash PER of 11x is attractive compared to peers.

<table>
<tr><th>Top BUY</th><th>Rating</th><th>Analysts' Comments</th></tr>
<tr><td>Ta Ann (TAH MK)

Target Price : RM6.22
Share Price as at : RM5.14
29 February 2016

</td><td>BUY</td><td>Our BUY rating on Ta Ann is based on an SOTP-derived 12-month target price of RM6.22 pegged to 10x 2016E EPS for its timber division, 15x for its plantation division, and 1x BV for its forest plantation. We continue to like Ta Ann for: (i) the steady profits from timber products; (ii) rising plantation profits as more areas coming into maturity and reach prime age boost FFB production; and (iii) still high dividend yield of 3.5%.</td></tr>
<tr><td>Tenaga (TNB MK)

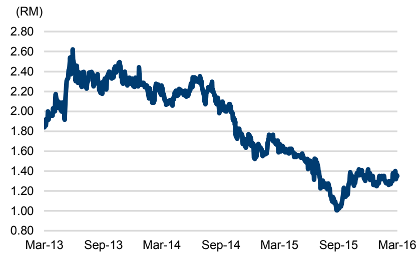
Target Price : RM15.50
Share Price as at : RM13.12
29 February 2016

</td><td>BUY</td><td>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.</td></tr>
<tr><td>Top Glove (TOPG MK)*

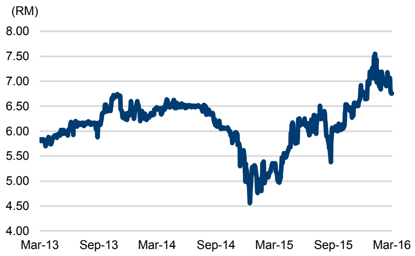
Target Price : RM7.45
Share Price as at : RM5.63
29 February 2016

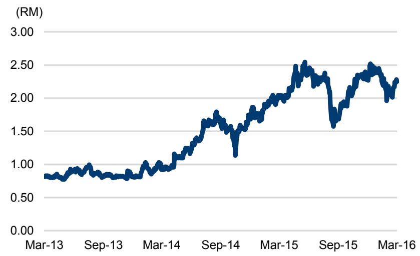

*new addition to our top BUY list</td><td>BUY</td><td>We like Top Glove for its undemanding valuation and improving margins on the back of better operational efficiency. Top Glove remains the world's largest glove manufacturers with a latex centric business model (60% product mix) at 44bn pieces total installed capacity, amid aggressive expansion into nitrile gloves by other peers which led to pricing pressure in the nitrile segment. Lower raw material prices bodes well for Top Glove's outlook, and it's expected to stay soft in 2016 as slump in commodity drove latex prices to record low. The ongoing revamp of older production lines should sustain margin improvement (22% EBITDA margin), closing the gap with sector leader Hartalega (27% EBITDA margin) in profitability terms. Top Glove's valuations are attractive at 17x PE CY16E, still at a discount to sector average of 19x.</td></tr>
</table>

Top BUY	Rating	Analysts' Comments
UOA Development (UOAD MK) Target Price : RM2.57 Share Price as at : RM2.14 29 February 2016  	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.
WCT (WCTHG MK) Target Price : RM1.82 Share Price as at : RM1.57 29 February 2016  	BUY	WCT is our top BUY among the mid-cap construction stocks with a 12-month target price of RM1.82, 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.

Source: Bloomberg, Affin Hwang

Key Stocks To Avoid	Rating	Comments
Malaysian Airports (MAHB MK)* Target Price : RM5.50 Share Price as at : RM5.85 29 February 2016  *new addition to our stocks to avoid list	SELL	We are less upbeat on Malaysia Airports premised on; (i) high operational costs (namely staff salary, maintenance and utilities) of KLIA2, (ii) high depreciation and interest expenses which translated into net losses for Istanbul Sabiha Gocken airport (ISGA) and (iii) less buoyant passenger movements for the overall local operations due to anticipated softer consumer spending. However, upside risks to our recommendation include; (iv) strong rebound in passenger traffic and revision to KLIA2's passenger service charge.
MCIL (MCIL MK) Target Price : RM0.48 Share Price as at : RM0.66 29 February 2016  	SELL	We remain cautious on Media Chinese International Limited (MCIL) largely due to: (i) weakness in its core print division; (ii) potentially cautious ad spending for the Malaysia operations given the GST implementation, poor consumer sentiment and uncertainties in the market; (iii) 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 (iv) negative effects on hard copy circulation due to the continual shift in readers' 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).
Media Prima (MPR MK) Target Price : RM1.13 Share Price as at : RM1.36 29 February 2016  	SELL	We still do not like Media Prima (12-month TP: RM1.13) due to: (i) the unfavourable shift in broadcast adex towards the pay TV segment; (ii) potentially cautious ad spending given the GST implementation and uncertainties in the market; (iii) rising competition from other broadcasters; (iv) negative effects on adex due to declining TV viewership; and (v) negative effects on hard copy circulation due to the continual shift in readers' preference for reading on mobile devices or over the Internet.
MMHE (MMHE MK) Target Price : RM0.83 Share Price as at : RM1.01 29 February 2016  	SELL	MMHE's 4Q15 results were admirable, but we do not expect this to recur in coming quarters. Order book levels remain low at RM1,121m (vs RM1,995m of offshore revenue in FY15), while potential wins of more RAPID-related contracts remain a distant affair. Revenue is not likely to flow in a big way this year, even if new contracts were awarded in 2Q/3Q16. As such, we expect MMHE to book a net loss in 2016E, before reporting a small profit in 2017E. Maintain SELL with RM0.83 TP, based on 0.5x 2016 BVPS.

Key Stocks To Avoid	Rating	Comments
Petronas Chemical (PCHEM MK)* Target Price : RM5.30 Share Price as at : RM6.75 29 February 2016  *new addition to our stocks to avoid list	SELL	Despite 4Q15 results beating our forecasts, we see substantial downside risks to our 2016-17E earnings due to potential margin compressions from falling petrochemical prices amid a fixed cost base. Forex tailwinds and higher utilisation will likely cease to provide a boost to margins in 2016E, which would allow pain from the falling ASPs to finally set in. Reiterate SELL with a TP of RM5.30 (15x 2016E EPS).
Star (STAR MK)* Target Price : RM1.95 Share Price as at : RM2.41 29 February 2016  *new addition to our stocks to avoid list	SELL	Star's FY15 core net profit declined by 12%yoy to RM 127.7m after stripping out the Voluntary Separation Scheme (VSS) in 2014. We see a top line decline in the print, digital and radio segments, with only a spike in the event and exhibition segment. Star is being adversely affected by 1) the shift in adex revenue towards the broadcast segment from print; 2) potentially cautious ad spending given the GST implementation, uncertainties in the market and poor business and consumer sentiment; and 3) negative effects on hard copy circulation due to the continuous shift in preference for reading on mobile/Internet. Our SELL call with a 12-month target price of RM1.95 is based on a 12x 2016E PER.
UMWOG (UMWOG MK) Target Price : RM0.75 Share Price as at : RM0.96 29 February 2016 	SELL	Heavy impairment charges featured prominently in the 4Q15 results, which led to a headline net loss of RM409.1m. But even excluding exceptional items, UMWOG's core net loss continued to widen, by 38% q-q to RM60.0m in 4Q15, as utilization and charter rates for the group's jack-up rigs deteriorated further. We expect the tough operating environment to persist for UMWOG even if crude prices stabilise at US$40-50/bbl, as greenfield exploratory activities would remain weak given oilfield operators' focus on brownfields. Maintain SELL with a lower TP of RM0.75.

Key Stocks To Avoid	Rating	Comments
UNISEM (UNI MK) Target Price : RM1.76 Share Price as at : RM2.28 29 February 2016 	SELL	We are contrarian on Unisem as we hold the view that its earnings cycle peaked 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.

Source: Affin Hwang

Yield-compression theme?

Beyond our top picks list, we believe that a potential emerging theme for 2016 and further afield is yield compression. Prompting our suspicion is if the global monetary base continues to increase. The US Federal Reserve embarked on Quantitative Easing (QE) in November 2008 as it battled the US Financial Crisis. At its peak, the US was buying US$85bn per month in bonds. However, it began the tapering in Dec 2013, which ended in October 2014. Despite this, the Fed is not reducing the US$3.7tn addition in liquidity, meaning that money continues to slosh around the global economy.

Meanwhile, the Bank of Japan, which began its own QE programme in April 2013, is still buying 80 trillion yen annually, which is equivalent to about US$60bn per month. At the same time, the European Central Bank embarked on its own QE program in March 2015 and it is making 60bn Euro per month of purchases at least until March 2017.

However, what the Fed did not do but is being done first by the ECB and then by the BoJ is the introduction of negative deposit rates, interest rates charged on banks that deposit money with their central banks. Currently, the ECB has a -0.3% deposit rate while the BoJ has just taken the dive to -0.1% rate. These are the two major central banks that have adopted negative rates, in addition to smaller ones in Denmark, Sweden and Switzerland.

As such, we have drawn up a list of stocks in our universe that have at least 3% dividend yield in 2016 and with Buy ratings. There are 24 such companies, of which 12 are captured in our top buy list.

Table 69: Screening based on dividend yield and Buy recommendation

Company	Rating	Current Price	Target Price	Upside/ Downside %	Div Yield 2016
UCHI TECH	BUY	1.66	1.90	14.5	6.6
GUINNESS	BUY	13.88	15.58	12.3	6.5
GLOBETRONICS	BUY	5.50	6.28	14.2	6.4
IGB REIT	BUY	1.52	1.60	5.3	6.1
ASTRO	BUY	2.73	3.35	22.7	5.9
EVERSENDAI	BUY	0.69	0.84	21.7	5.8
CARLSBERG	BUY	12.54	13.60	8.5	5.7
UOA DEVELOPMENT	BUY	2.14	2.57	20.1	5.6
PAVILION REIT	BUY	1.72	1.90	10.5	5.6
AEON CREDIT	BUY	11.92	14.80	24.2	5.3
MALAKOFF	BUY	1.60	1.92	20.0	4.8
AMCORP PROP	BUY	0.88	1.53	74.9	4.7
SP SETIA	BUY	3.00	3.25	8.3	4.7
IOI PROPERTIES	BUY	2.05	2.50	22.0	4.2
AFG	BUY	3.65	4.50	23.3	4.0
TROPICANA	BUY	1.14	1.95	71.1	4.0
SUNWAY CONSTRUCTION	BUY	1.40	1.76	25.7	3.9
TA ANN	BUY	5.14	6.22	21.0	3.9
SCICOM	BUY	2.24	2.58	15.2	3.9
SUNWAY	BUY	3.00	3.90	30.0	3.3
IJM CORP	BUY	3.43	3.76	9.6	3.1
PUBLIC BANK	BUY	18.48	21.80	18.0	3.1
INARI	BUY	3.23	4.12	27.6	3.1
CIMB	BUY	4.52	5.00	10.6	3.1

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016
Note: Top picks shaded in grey

Fig 70: Affin Hwang's stock universe

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2016E	EPS Growth (%) 2017E	Core EPS Growth (%) 2016E	Core EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Auto & Autoparts					**10,908**	**2,732.1**	**30.7**	**101.1**	**27.0**	**18.4**	**14.1**	**10.0**	**9.2**	**2.6**	**3.9**	**1.1**	**1.3**	**6.0**	**8.7**
APM AUTOMOTIVE	HOLD	4.04	3.56	(11.88)	775.59	29.5	12.2	29.8	11.9	10.2	9.1	2.8	2.2	4.8	4.9	0.8	0.7	7.7	8.1
MBMR	HOLD	2.27	2.47	8.81	937.71	19.6	9.1	19.6	9.1	8.3	7.6	40.7	26.7	3.1	3.5	0.4	0.5	4.9	6.4
UMW	HOLD	7.08	6.95	(1.84)	9,194.47	(1,303.0)	33.8	170.1	33.8	17.8	13.3	10.3	9.4	2.8	4.2	1.1	1.3	6.1	9.5
Banks & Financial Services					**268,567**	**4.2**	**6.4**	**7.5**	**7.2**	**13.0**	**12.2**			**3.9**	**4.0**	**1.5**	**1.4**	**10.8**	**10.7**
AEON CREDIT	BUY	11.92	14.80	24.16	1,713.60	10.7	10.5	10.0	11.3	6.7	6.1	0	0	5.3	5.8	1.8	1.6	27.4	25.6
AFG	BUY	3.65	4.50	23.29	5,517.07	2.7	5.8	3.1	5.9	10.5	9.9	0	0	4.0	4.3	1.1	1.0	10.7	10.6
AMMB	HOLD	4.33	4.75	9.70	13,654.26	(5.7)	8.5	(1.0)	8.5	9.4	8.6	0	0	5.9	6.2	0.8	0.7	8.5	8.5
BURSA M'SIA	HOLD	8.60	8.60	-	4,464.03	11.3	7.7	11.3	7.7	21.8	20.2	12.6	11.6	3.7	3.7	5.8	5.4	26.5	26.6
CIMB	BUY	4.52	5.00	10.62	38,713.82	27.2	5.8	5.2	5.8	9.8	9.2	0	0	3.1	3.2	0.9	0.9	9.4	9.5
HONG LEONG BANK	HOLD	13.14	12.00	(8.68)	29,172.97	(4.7)	16.8	(3.5)	12.8	12.8	11.0	0	0	2.6	3.0	1.4	1.3	11.2	12.0
MAYBANK	HOLD	8.51	8.00	(5.99)	81,998.71	1.5	1.6	4.0	1.6	12.6	12.4	0	0	6.5	6.5	1.3	1.2	10.8	10.5
MBSB	HOLD	1.33	1.38	3.76	4,002.28	3.2	0.6	3.8	0.6	8.2	8.2	0	0	3.7	3.7	0.7	0.7	9.0	8.3
PUBLIC BANK	BUY	18.48	21.80	17.97	71,897.20	4.1	6.1	4.1	6.1	15.2	14.3	0	0	3.1	3.2	2.2	2.0	14.3	14.0
RHB CAPITAL	HOLD	5.30	5.54	4.53	17,433.41	20.0	3.6	20.0	3.6	8.0	7.7	0	0	-	-	0.7	0.7	8.9	8.6
Building Materials					**7,708**	**4.1**	**0.9**	**5.1**	**1.4**	**23.6**	**23.4**	**11.4**	**11.1**	**3.9**	**3.9**	**2.2**	**2.2**	**8.8**	**8.6**
CHOO BEE	SELL	1.34	0.94	(29.85)	162.65	51.6	19.6	51.6	19.6	13.8	11.6	7.5	6.6	4.5	4.5	0.3	0.3	2.4	2.9
LAFARGE	HOLD	9.08	8.60	(5.29)	7,545.29	3.9	0.8	3.9	0.8	24.2	24.0	11.5	11.3	3.9	3.9	2.3	2.3	9.6	9.4
Construction & Infrastructur					**30,693**	**(2.1)**	**1.2**	**24.6**	**17.5**	**15.4**	**15.2**	**12.4**	**6.3**	**2.8**	**2.8**	**1.3**	**1.2**	**8.9**	**8.2**
BENALEC	HOLD	0.51	0.56	9.80	450.54	5.8	(13.6)	27.1	19.7	9.3	10.7	5.9	2.8	4.9	5.9	0.7	0.7	8.8	9.8
EVERSENDAI	BUY	0.69	0.84	21.74	592.03	(5.6)	15.5	(5.6)	15.5	8.2	7.1	6.3	5.8	5.8	5.8	0.5	0.5	6.6	7.1
GABUNGAN AQRS	SELL	0.82	0.70	(14.11)	326.18	1,066.7	18.6	(1,266.7)	18.6	11.6	9.8	7.1	5.6	1.8	2.5	0.8	0.7	7.7	8.6
GAMUDA	BUY	4.44	5.59	25.90	11,211.52	(3.7)	10.8	(7.3)	11.6	17.1	15.4	20.5	10.8	2.7	2.7	1.6	1.5	9.9	10.3
IJM CORP	BUY	3.43	3.76	9.62	12,082.32	(1.3)	(4.1)	18.3	22.4	14.5	15.1	9.1	2.0	3.1	2.9	1.1	1.0	7.4	6.8
MRCB	BUY	1.13	1.46	29.20	2,286.84	(67.4)	(10.5)	90.0	(10.5)	19.8	22.2	18.9	16.2	2.2	2.2	1.0	0.9	5.0	4.2
SUNWAY CONSTRUCTION	BUY	1.40	1.76	25.71	1,810.06	9.0	22.9	4.8	22.9	12.8	10.4	7.2	5.4	3.9	4.6	3.4	2.9	26.7	27.8
WCT	BUY	1.57	1.82	15.92	1,933.91	122.8	(36.0)	203.1	48.5	7.0	10.9	15.4	11.8	2.4	3.2	0.8	0.8	14.2	7.9

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2016E	EPS Growth (%) 2017E	Core EPS Growth (%) 2016E	Core EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Consumer					**50,367**	**4.0**	**3.2**	**3.3**	**3.5**	**21.8**	**21.1**	**11.5**	**10.2**	**4.6**	**4.6**	**17.4**	**18.6**	**24.8**	**33.9**
AEON CO	HOLD	2.58	2.60	0.78	3,832.92	21.9	7.0	21.9	7.0	20.2	18.8	7.5	6.9	1.7	1.8	1.7	#DIV/0!	8.3	0
BAT	HOLD	56.02	57.70	3.00	16,012.52	(0.7)	(2.4)	(0.7)	(2.4)	18.0	18.4	13.1	13.4	5.5	5.3	28.0	27.1	156.2	147.1
BONIA	SELL	0.66	0.55	(16.03)	568.43	(4.3)	28.9	(6.3)	28.9	14.6	11.3	5.5	2.2	1.8	2.3	1.0	0.9	6.9	8.3
CARLSBERG	BUY	12.54	13.60	8.45	3,626.43	6.2	3.9	6.2	3.9	17.4	16.8	11.0	10.9	5.7	6.0	4.7	12.4	27.1	73.6
GUINNESS	BUY	13.88	15.58	12.25	3,999.78	9.5	5.4	9.5	5.4	16.7	15.8	10.0	4.8	6.5	5.7	9.5	9.7	56.8	61.2
HAI-O	HOLD	2.39	2.02	(15.48)	468.82	9.6	8.0	9.6	8.0	13.6	12.6	8.4	2.6	4.8	5.1	1.5	1.6	11.3	12.9
MSM	HOLD	4.71	4.98	5.73	3,486.78	3.6	2.0	3.6	2.0	11.8	11.6	6.1	6.3	5.5	5.6	1.4	1.5	11.9	12.7
NESTLE	HOLD	74.20	77.20	4.04	17,212.30	8.7	8.8	8.7	8.9	27.2	25.0	17.8	16.5	3.8	3.9	20.3	19.6	74.6	78.5
PARKSON	SELL	0.90	0.81	(9.50)	1,158.98	34.0	14.2	(1.5)	14.2	13.4	11.7	6.7	2.8	2.2	2.2	0.4	0.4	2.9	3.2
Gaming					**57,617**	**3.9**	**5.0**	**3.5**	**4.4**	**17.4**	**16.6**	**5.9**	**5.2**	**1.1**	**1.1**	**0.6**	**0.6**	**4.3**	**4.2**
BTOTO	HOLD	3.20	3.05	(4.69)	4,134.97	(4.5)	1.1	(4.1)	1.1	13.8	13.6	7.6	2.5	6.3	6.3	5.8	5.3	41.6	38.9
GENTING	HOLD	7.88	8.40	6.60	27,475.43	4.7	5.9	4.7	5.9	18.7	17.6	4.9	4.5	0.4	0.4	0.5	0.5	2.7	2.7
GENTING MALAYSIA	HOLD	4.13	4.30	4.12	26,006.44	3.9	3.7	3.9	3.7	17.1	16.5	8.6	8.0	1.7	1.8	1.4	1.3	8.0	7.8
Healthcare & Pharma.					**58,560**	**9.1**	**14.8**	**11.7**	**14.1**	**49.3**	**42.9**	**22.1**	**18.2**	**0.6**	**0.7**	**2.5**	**2.4**	**5.2**	**5.6**
IHH	HOLD	6.40	6.16	(3.75)	54,109.62	11.2	15.5	11.2	15.5	49.6	43.0	23.5	19.3	0.5	0.6	2.4	2.3	4.9	5.4
KPJ	BUY	4.36	4.90	12.39	4,450.26	(10.2)	7.1	(7.2)	7.1	30.9	28.9	13.7	11.7	1.8	1.9	2.8	2.6	9.4	9.2
Media					**18,524**	**20.6**	**11.5**	**16.4**	**10.1**	**16.2**	**14.5**	**7.3**	**1.5**	**6.0**	**6.7**	**5.4**	**4.9**	**24.9**	**25.0**
ASTRO	BUY	2.73	3.35	22.71	14,365.84	25.7	13.2	25.0	13.2	17.0	15.1	8.3	0.7	5.9	6.6	13.2	10.8	77.3	71.9
MCIL	SELL	0.66	0.48	(26.72)	1,020.78	5.9	2.8	3.9	2.8	8.2	7.9	4.1	1.0	5.5	5.7	1.2	1.1	14.4	13.6
MEDIA PRIMA	SELL	1.36	1.13	(16.91)	1,408.68	(5.3)	(3.2)	(5.3)	(3.2)	10.9	11.2	4.1	3.8	6.1	6.0	0.9	0.8	8.0	7.3
STAR	SELL	2.41	1.95	(19.09)	1,728.24	7.9	9.8	7.9	9.8	14.8	13.5	6.7	6.3	7.5	7.5	1.5	1.5	10.2	10.9
MREIT					**23,879**	**1.6**	**2.0**	**5.3**	**3.9**	**16.6**	**16.2**	**14.6**	**14.3**	**5.5**	**5.8**	**1.1**	**1.1**	**6.8**	**7.1**
AXIS REIT	HOLD	1.55	1.65	6.45	1,803.66	9.1	3.1	9.1	3.1	16.1	15.7	17.2	16.6	6.3	6.4	1.3	1.3	7.9	8.2
IGB REIT	BUY	1.52	1.60	5.26	4,652.20	5.2	7.8	5.2	7.8	18.0	16.7	15.0	14.0	6.1	6.6	1.4	1.4	8.0	8.7
KLCC	HOLD	7.00	7.50	7.14	12,745.65	1.7	1.2	1.7	1.2	16.7	16.5	13.5	13.6	5.3	5.5	1.0	1.0	6.3	6.3
PAVILION REIT	BUY	1.72	1.90	10.47	4,677.66	(5.3)	6.7	11.3	6.7	19.3	18.1	16.6	15.5	5.5	6.3	1.4	1.4	7.0	7.5

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2016E	EPS Growth (%) 2017E	Core EPS Growth (%) 2016E	Core EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Oil & Gas					**89,312**	**5.0**	**3.5**	**0.6**	**3.7**	**19.9**	**19.2**	**10.7**	**7.9**	**2.6**	**2.7**	**1.9**	**1.8**	**7.7**	**7.5**
ALAM MARITIM	HOLD	0.36	0.37	2.78	392.90	(181.8)	11.1	(181.8)	11.1	(20.0)	(18.0)	13.6	13.0	-	-	0.4	0.4	(1.8)	(2.0)
BUMI ARMADA	SELL	0.97	1.00	3.63	5,983.60	42.2	(28.1)	42.2	(28.1)	15.1	21.0	12.0	13.3	1.0	7.3	0.7	0.7	4.9	3.3
DIALOG	HOLD	1.57	1.51	(3.82)	8,312.82	12.6	20.8	17.9	20.8	25.1	20.8	19.5	9.2	1.6	1.9	3.5	3.2	13.8	15.0
MMHE	SELL	1.01	0.83	(17.82)	1,600.00	(118.5)	(100.0)	(135.2)	(100.0)	(99.0)	#DIV/0!	21.6	12.1	-	-	0.6	0.5	(0.7)	0.0
PCHEM	SELL	6.75	5.30	(21.48)	58,160.00	7.9	3.1	7.9	3.1	19.0	18.4	10.8	10.6	3.0	3.0	2.0	1.9	10.4	10.1
PETRA ENERGY	BUY	1.22	1.53	25.41	404.39	(12.8)	2.2	54.5	2.2	9.0	8.8	10.1	9.5	2.2	2.3	0.7	0.6	7.6	7.1
SAPURA KENCANA	BUY	1.90	2.05	7.89	12,145.28	(9.5)	5.6	(7.8)	5.6	10.2	9.6	8.3	0.7	1.6	1.7	0.8	0.8	8.2	8.1
UMW-OG	SELL	0.96	0.75	(21.88)	2,313.34	(350.0)	(28.3)	(1,364.3)	39.0	(16.0)	(22.3)	20.9	18.0	-	-	0.6	0.6	(3.8)	(2.6)
Plantation					**120,859**	**43.1**	**2.3**	**38.9**	**20.1**	**17.6**	**17.2**	**12.7**	**7.2**	**2.7**	**3.0**	**2.2**	**2.3**	**10.3**	**11.4**
FELDA	SELL	1.53	1.29	(15.69)	6,238.34	169.2	31.4	(2,557.1)	31.4	17.8	13.5	11.7	12.3	5.2	5.2	0.9	0.8	4.8	6.2
GENTING PLANT	SELL	10.84	9.33	(13.93)	8,296.29	79.2	15.5	98.8	15.5	22.1	19.1	14.6	12.8	1.1	1.1	1.9	1.8	8.7	9.2
HAP SENG PLANT	HOLD	2.41	2.45	1.66	1,919.99	66.7	6.3	66.7	6.3	13.8	13.0	8.2	7.8	5.4	5.4	1.0	0.9	7.0	7.2
IJM PLANT	HOLD	3.69	3.61	(2.17)	3,126.06	224.3	39.6	63.3	27.3	21.3	15.2	12.0	2.5	2.4	2.7	1.8	1.7	8.7	11.3
IOI CORP	SELL	4.70	4.24	(9.79)	28,717.49	86.9	7.7	20.4	7.7	22.8	21.1	17.3	8.0	2.6	2.6	4.7	4.2	21.2	20.7
KUALA LUMPUR KEPONG	HOLD	23.80	22.39	(5.92)	24,424.51	50.0	(15.7)	24.6	8.7	15.7	18.6	10.9	8.7	2.2	2.5	3.1	4.0	19.8	21.4
SIME DARBY	HOLD	7.47	7.43	(0.54)	48,136.47	14.2	32.9	30.6	32.9	20.1	15.2	11.9	5.1	3.7	4.0	1.5	1.4	7.3	9.2
Property					**29,383**	**(9.6)**	**12.0**	**1.5**	**12.6**	**11.0**	**9.8**	**10.0**	**6.7**	**4.0**	**4.2**	**0.9**	**0.9**	**7.7**	**8.4**
AMCORP PROP	BUY	0.88	1.53	74.86	532.10	43.6	45.3	43.6	45.3	5.3	3.6	7.9	2.8	4.7	6.8	0.5	0.4	9.1	11.9
E&O	BUY	1.57	2.40	52.87	1,837.51	(26.4)	29.2	(7.4)	46.7	27.8	21.5	47.1	6.5	1.9	1.9	1.1	1.0	3.7	4.7
IOI PROPERTIES	BUY	2.05	2.50	21.95	8,501.61	(2.3)	22.2	20.6	22.2	9.5	7.8	9.5	3.8	4.1	4.4	0.7	0.7	6.5	7.5
SP SETIA	BUY	3.00	3.25	8.33	8,410.74	(15.7)	2.5	(15.0)	2.4	12.2	11.9	10.2	8.5	4.7	4.7	1.1	1.2	8.6	10.1
SUNWAY	BUY	3.00	3.90	30.00	5,510.60	(9.8)	12.1	7.9	12.1	9.6	8.5	9.2	8.1	3.3	3.7	0.8	0.7	8.0	8.5
TROPICANA	BUY	1.14	1.95	71.05	1,458.72	6.5	(28.2)	6.5	(28.2)	7.0	9.7	9.6	11.3	3.9	3.9	0.6	0.6	9.3	6.4
UOA DEVELOPMENT	BUY	2.14	2.57	20.09	3,132.09	(12.9)	19.8	(12.9)	19.8	9.6	8.0	6.2	5.8	5.6	6.5	1.1	1.0	10.4	11.6

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2016E	EPS Growth (%) 2017E	Core EPS Growth (%) 2016E	Core EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Rubber Products					**29,197**	**20.3**	**9.1**	**20.4**	**10.0**	**24.6**	**22.5**	**16.2**	**8.9**	**2.0**	**2.1**	**5.0**	**4.5**	**19.5**	**19.1**
HARTALEGA	HOLD	4.90	5.16	5.31	9,746.97	24.8	15.3	24.8	15.3	25.0	21.7	19.9	4.3	2.0	2.2	5.1	4.5	20.5	20.8
KAREX	HOLD	3.91	4.05	3.58	2,759.87	36.0	18.6	36.0	18.6	25.5	21.5	19.1	8.0	1.0	1.2	4.9	4.2	19.0	19.5
KOSSAN	BUY	6.50	8.50	30.77	5,947.05	9.2	8.7	9.2	8.7	18.2	16.8	16.4	15.0	2.8	3.0	4.0	3.5	22.0	21.0
SUPERMAX	BUY	2.87	3.40	18.47	2,184.95	n/a	n/a	14.3	13.4	13.3	11.7	11.5	10.3	2.2	2.5	1.7	1.5	12.8	13.2
TOP GLOVE	BUY	5.63	7.45	32.33	8,558.55	25.9	3.0	22.9	3.0	17.4	16.9	14.0	8.9	3.0	3.0	3.8	3.4	21.4	19.9
Technology					**10,602**	**6.4**	**(0.1)**	**8.6**	**3.6**	**16.6**	**16.7**	**8.9**	**6.0**	**3.4**	**3.6**	**3.0**	**2.8**	**19.4**	**18.8**
AEMULUS	SELL	0.43	0.34	(20.93)	223.81	(11.0)	4.5	(5.3)	4.5	19.3	18.5	23.3	15.6	-	-	2.1	1.8	11.2	9.6
GLOBETRONICS	BUY	5.50	6.28	14.18	1,831.24	49.0	7.4	(46.4)	(7.1)	14.0	13.1	11.1	9.7	6.4	6.9	5.1	4.9	36.5	37.7
INARI	BUY	3.23	4.12	27.55	3,459.27	16.0	22.1	24.1	22.9	13.1	10.7	11.8	4.8	3.1	3.7	4.1	3.3	31.4	30.8
MPI	SELL	7.93	7.74	(2.40)	1,954.01	(10.4)	(25.4)	(10.0)	(32.9)	15.9	21.4	5.8	3.5	2.5	2.6	1.8	1.8	12.2	8.7
SCICOM	BUY	2.24	2.58	15.18	703.80	18.3	(0.4)	20.1	-	17.4	17.4	12.6	5.6	3.9	3.7	8.0	7.0	46.0	40.1
UCHI TECH	BUY	1.66	1.90	14.46	682.86	11.5	(3.7)	(2.2)	127.9	12.2	12.7	10.2	10.8	6.6	6.6	3.3	3.3	26.0	25.0
UNISEM	SELL	2.28	1.76	(22.81)	1,746.52	(25.4)	2.1	(28.0)	2.1	15.8	15.5	6.5	6.3	-	-	1.5	1.5	9.5	9.4
Telecoms					**175,045**	**1.5**	**1.8**	**1.2**	**1.7**	**25.9**	**25.4**	**10.7**	**10.5**	**3.3**	**3.3**	**4.8**	**4.7**	**19.2**	**19.2**
AXIATA	HOLD	5.92	6.25	5.57	56,514.05	2.1	-	2.1	-	24.2	24.2	9.2	9.2	3.4	3.4	2.4	2.3	9.9	9.7
DIGI	HOLD	4.93	5.25	6.49	41,985.00	(3.8)	0.9	(3.8)	0.9	21.7	21.5	14.5	14.2	4.6	4.6	55.9	55.9	256.9	259.9
MAXIS	HOLD	6.12	6.35	3.76	51,067.61	3.6	2.7	3.6	2.7	23.4	22.8	13.1	13.0	3.3	3.3	9.3	9.1	39.6	39.9
TELEKOM	HOLD	6.60	6.85	3.79	25,478.80	5.0	5.7	5.0	5.7	28.7	27.2	7.7	7.3	3.1	3.3	3.3	3.3	11.3	11.9
Timber					**3,791**	**10.5**	**10.0**	**17.5**	**12.4**	**11.0**	**10.0**	**6.7**	**4.7**	**3.5**	**3.5**	**1.1**	**1.1**	**7.5**	**8.0**
JAYA TIASA	HOLD	1.35	1.51	11.85	1,295.04	46.6	15.7	46.6	15.7	12.4	10.8	8.1	3.8	1.6	1.9	0.7	0.7	5.6	6.2
TA ANN	BUY	5.14	6.22	21.01	1,861.10	5.9	8.2	5.9	8.2	11.1	10.2	5.8	5.1	3.9	3.9	1.5	1.4	13.9	14.1
WTK	BUY	1.39	1.58	13.67	635.35	13.5	19.0	13.5	19.0	11.0	9.3	5.8	5.4	1.8	1.8	0.5	0.5	4.3	4.9

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016

Company name	Rec	Price Current (RM)	Price Target (RM)	Upside /Downside (%)	Market Cap (RMm)	EPS Growth (%) 2016E	EPS Growth (%) 2017E	Core EPS Growth (%) 2016E	Core EPS Growth (%) 2017E	PE (x) 2016E	PE (x) 2017E	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Yield (%) 2016E	Yield (%) 2017E	P/BV (x) 2016E	P/BV (x) 2017E	ROE (%) 2016E	ROE (%) 2017E
Transports & Logistics					**55,471**	**8.6**	**5.7**	**34.8**	**8.8**	**17.7**	**16.7**	**0.4**	**11.1**	**1.5**	**1.5**	**1.3**	**1.2**	**7.3**	**7.6**
AIRASIA	BUY	1.47	1.81	23.13	3,590.04	4.6	26.0	4.6	26.0	8.1	6.4	0.1	9.5	2.4	3.1	0.7	0.7	9.0	10.2
AIRASIA X	SELL	0.25	0.18	(28.00)	746.67	(121.3)	24.1	(129.0)	24.1	8.6	6.9	38.1	9.2	-	-	(3.0)	(1.4)	(34.8)	(19.8)
MAHB	SELL	5.85	5.50	(5.98)	9,308.07	169.0	(10.3)	(966.7)	(10.3)	75.0	83.6	14.2	15.3	0.3	0.2	1.3	1.3	1.8	1.6
MISC	HOLD	8.75	8.60	(1.71)	41,825.74	6.2	5.6	6.2	5.6	15.4	14.6	11.9	11.2	1.7	1.7	1.2	1.1	7.8	7.8
Utilities					**166,620**	**8.0**	**2.3**	**3.4**	**3.0**	**14.4**	**14.1**	**8.8**	**6.4**	**2.6**	**2.7**	**1.9**	**1.8**	**10.6**	**10.0**
GAS MALAYSIA	HOLD	2.36	2.37	0.42	3,081.60	(1.9)	7.8	(1.9)	7.8	23.1	21.5	11.5	10.5	4.3	4.7	2.9	2.9	12.4	13.4
JAKS RESOURCES	BUY	1.16	1.60	37.93	543.57	258.1	1.9	258.1	1.9	7.5	7.4	5.8	5.4	-	-	0.7	0.6	9.4	8.1
MALAKOFF	BUY	1.60	1.92	20.00	8,000.00	25.3	-	25.3	-	14.7	14.7	7.8	7.4	4.8	4.8	1.0	0.8	6.7	5.5
MMC	BUY	1.63	2.40	47.24	5,968.32	6.0	4.9	6.0	4.9	11.5	10.9	14.5	14.3	2.5	2.5	0.4	0.4	3.8	3.8
PETRONAS GAS	HOLD	22.04	20.99	(4.76)	44,917.22	(4.0)	(0.2)	(4.0)	(0.2)	24.3	24.4	14.3	14.2	2.5	2.5	3.6	3.4	14.6	13.9
TENAGA	BUY	13.12	15.50	18.14	75,172.90	14.2	3.2	5.4	3.2	9.9	9.6	6.7	4.3	2.5	2.8	1.3	1.2	13.5	12.6
YTL CORP	HOLD	1.57	1.52	(3.18)	16,946.57	(7.8)	4.0	(7.8)	4.0	15.6	15.0	9.2	4.5	7.6	7.6	1.0	0.9	5.9	5.9
YTL POWER	HOLD	1.46	1.52	4.11	11,990.33	0.8	7.1	0.9	7.3	11.6	10.8	9.5	4.8	6.8	6.8	1.0	1.0	8.2	8.6
Market Total					**1,207,105**	**8.5**	**4.4**	**6.1**	**5.6**	**17.1**	**16.3**	**4.4**	**9.1**	**3.3**	**3.4**	**2.1**	**2.0**	**9.8**	**9.9**

Source: Bloomberg, Affin Hwang forecasts; note: prices as of close on 29 February 2016

Important Disclosures and Disclaimer

This publication is prepared by Affin Hwang Investment Bank Berhad ("Affin Hwang") and reviewed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates (collectively, "Daiwa"), and is distributed and/or originated from outside Malaysia by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. The role of Daiwa Securities Group Inc. and/or its non-U.S. affiliates in connection with this publication is solely limited to the review and distribution of this publication ; and Daiwa Securities Group Inc. and/or its non-U.S. affiliates are not involved in the preparation of this publication in any other way. This research is for Daiwa clients only and the publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Other than disclosures relating to Daiwa, this research is based on current public information that Affin Hwang and Daiwa consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

The analysts named in this report may have from time to time discussed with clients, including Daiwa's salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Affin Hwang ,Daiwa Securities Group Inc. nor any of its or their respective parent, holding, subsidiaries or affiliates, nor any of its or their respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction where such an offer or solicitation would be illegal nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication constitutes the views of the analyst(s) named herein and does not necessarily reflect those of Affin Hwang, Daiwa Securities Group Inc. and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents in relation to such investments.

All research reports are disseminated and available to our clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Daiwa and Affin Hwang responsible for the redistribution of our research by third party aggregators.

Affin Hwang, Daiwa Securities Group Inc., its subsidiaries and affiliates, and its or their respective directors, officers and employees, from time to time may have trades as principals, or may have positions in, or have other interests in the securities of the company under research including market making activities, derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. The following are additional disclosures.

Ownership of Securities
For "Ownership of Securities" information, please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.
Investment Banking Relationship
For "Investment Banking Relationship", please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Japan

Disclosure of Interest of Daiwa Securities Group Inc.

Investment Banking Relationship

Within the preceding 12 months, the subsidiaries and/or affiliates of Daiwa Securities Group Inc. * has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Modern Land (China) Co. Ltd (1107 HK); econtext Asia Ltd (1390 HK); GF Securities Co Ltd (1776 HK); Mirae Asset Life Insurance Co Ltd (085620 KS); China Reinsurance Group Corporation (1508 HK).

*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司), Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa Capital Markets India Private Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

This research may only be distributed in Japan to "qualified institutional investors", as defined in the Financial Instruments and Exchange Act (Article 2 (3) (i)), as amended from time to time.

Disclosure of Interest of Affin Hwang Investment Bank

-

Hong Kong

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司) ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.
Relevant Relationship (DHK)
DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

Singapore

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

Australia

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

India

This research is distributed in India to Institutional Clients only by Daiwa Capital Markets India Private Limited (Daiwa India) which is an intermediary registered with Securities & Exchange Board of India as a Stock Broker, Merchant Bank and Research Analyst. Daiwa India, its Research Analyst and their family members and its associates do not have any financial interest save as disclosed or other undisclosed material conflict of interest in the securities or derivatives of any companies under coverage. Daiwa India and its associates may have received compensation for any products other than Investment Banking (as disclosed) or brokerage services from the subject company in this report during the past 12 months. Unless otherwise stated in BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action, Daiwa India and its associates do not hold more than 1% of any companies covered in this research report.

There is no material disciplinary action against Daiwa India by any regulatory authority impacting equity research analysis activities as of the date of this report.

Taiwan

This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd and it may only be distributed in Taiwan to institutional investors or specific investors who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd in respect of any matter arising from or in connection with the research.

Philippines

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities.

For relevant securities and trading rules please visit SEC and PSE link at http://www.sec.gov.ph/irr/AmendedIRRfinalversion.pdf and http://www.pse.com.ph/ respectively.

United Kingdom

This research report is produced by Daiwa Securities Co. Ltd. and/or its affiliates and is distributed in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange and Eurex. This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory.

Germany

This document is distributed in Germany by Daiwa Capital Markets Europe Limited, Niederlassung Frankfurt which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

Bahrain

This research material is distributed in Bahrain by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

United States

This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer's views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect DCMA's views at any time. Neither DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation it makes is risky and appropriate only for sophisticated speculative investors able to incur significant losses. Readers should consult their financial advisors to determine whether any such recommendation is consistent with their own investment objectives, financial situation and needs. This report does not recommend to U.S. recipients the use of any of DCMA's non-U.S. affiliates to effect trades in any security and is not supplied with any understanding that U.S. recipients of this report will direct commission business to such non-U.S. entities. Unless applicable law permits otherwise, non-U.S. customers wishing to effect a transaction in any securities referenced in this material should contact a Daiwa entity in their local jurisdiction. Most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as a process for doing so. As a result, the securities discussed in this report may not be eligible for sales in some jurisdictions. Customers wishing to obtain further information about this report should contact DCMA: Daiwa Capital Markets America Inc., Financial Square, 32 Old Slip, New York, New York 10005 (Tel no. 212-612-7000).

Ownership of Securities
For "Ownership of Securities" information please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Investment Banking Relationships
For "Investment Banking Relationships" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

DCMA Market Making
For "DCMA Market Making" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Research Analyst Conflicts
For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

Research Analyst Certification
For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analysts[s] is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst[s)] is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

For stocks and sectors in Malaysia covered by Affin Hwang, the following rating system is in effect:

Stocks:

BUY: Total return is expected to exceed +10% over a 12-month period

HOLD: Total return is expected to be between -5% and +10% over a 12-month period

SELL: Total return is expected to be below -5% over a 12-month period

NOT RATED: Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

Sectors:

OVERWEIGHT: Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months

NEUTRAL: Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months

UNDERWEIGHT: Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

Conflict of Interest Disclosure

Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Investment Banking Relationships

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Relevant Relationships

Affin Hwang may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

Affin Hwang market making

Affin Hwang may from time to time make a market in securities covered by this research.

Additional information may be available upon request.

Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law
(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
  *The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name:	Daiwa Securities Co. Ltd.
	Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan
	Japan Investment Advisers Association
	Type II Financial Instruments Firms Association