

3Q14 Investment Strategy

Calm Before The Storm?

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Although we believe it is still a liquidity driven market supported by the ample underlying financial liquidity, a few negative factors are capping market upside. These negative factors include: (i) indecisive interest direction, (ii) less attractive regional valuations, (iii) historical low volatility, (vi) stretched valuation (as per the historical PER Band and discount between FBMKLCI and its consensus), (vii) weaker seasonal quarter, and (viii) lack of earnings catalysts & lower economic growth in 2H. While we have revised our FBMKLCI target to 1,960 (from 1,930 previously), we are cautious/neutral for 3Q14. We do not rule out a short-term pullback which could probably offer good buying opportunities. In general, we prefer to adopt a Buy On Weakness (B.O.W.) strategy to capitalise on: (i) the broad liquidity and (ii) potentially prolonged low interest rate environment. The ideal B.O.W. level is < 1,835.



Post results & our house-keeping after recent changes in index constituents, our **FY14E & FY15F** core net profit growth rates for FBMKLCI are now **13.0% and 10.5%** (vs. 13.3% & 8.7% previously), respectively. Our earnings estimates are higher than consensus estimates of 6.2% & 9.6%.

Our **end-2014 Index Target is also fine-tuned to 1,960 @ 18.2x FY15 PER**, implying 3.7% upside from here. This index target is backed by (i) Top-Down Target at 1,890 @ 17.6x FY15 PER (vs. 1,885 previously), and (ii) Bottom-Up Estimate of ~2,030 @ 18.8x FY15 PER (vs. 1,970 previously).

Of late, we have **upgraded** our sector rating for (i) Building Material, (ii) MREIT, (iii) Transports & Logistics as well as (iv) Water. On the contrary, we **downgraded** (i) Oil & Gas as well as (ii) Property Developers. In all, we are now **OVERWEIGHT** on (i) Building Material, (ii) Construction, (iii) Gaming, (iv) Gloves, (v) MREIT, (vi) Plantations, (vi) Power Utility, (vii) Water Utility, and (viii) Transports & Logistics. At the same time, we **UNDERWEIGHT** Media sector and are **NEUTRAL** on (i) Auto, (ii) Aviation, (iii) Banking & Non-bank Financial, (iv) Consumer, (v) Healthcare, (vi) Oil & Gas, (vii) Property Developers, (viii) Technology, and (ix) Telco.

Apart from B.O.W. investment strategy, we believe the strategy of Sell On Strength (S.O.S.) could be workable for aggressive traders in 3Q14 due to the emerging signs of “market toppishness” coupled with the weaker seasonal factor. **The ideal S.O.S. level for the quarter would be >1,890** (or 3% discount to 1,950). Besides, as most companies will declare interim/final dividends post results reporting month in August, we believe **DIVIDEND** play could also be a wise move.

As for Top Picks, we are recommending **GAMUDA (OP, TP: RM5.50)** and **SUNWAY (OP, TP: RM3.70)** to capitalise on construction and water sectors which could be hot sectors especially approaching Budget time. We have **HARTA (OP, TP: RM7.48)** and **MAYBULK (OP, TP: RM2.53)** as proxies to export driven sector. While we have downgraded Oil & Gas sector, we still like **SKPETRO (OP, TP: RM5.57)**. We also include **KLCC (OP, TP: RM6.90)** into our list of Top Picks as we have just upgraded the sector. We also like **AFG (OP, TP: RM5.25)**, **TM (OP, TP: RM6.74)** and **TENAGA (OP, TP: RM13.58)**. At the same time, we position **NESTLE (OP, TP: RM76.10)** as a laggard and dividend play.

Apart from these bigger cap stocks, we feature a few smaller cap alternative picks such as **AEONCR (OP, TP: RM17.80)**, **COASTAL (OP, TP: RM5.94)**, **INARI (TB, TP: RM3.15)**, **HARBOUR (OP, TP: RM 2.20)**, **LONBICS (TB, TP: RM1.18)**, **MITRA (TB, TP: RM1.13)**, **PADINI (OP, TP: RM2.13)**, **PESTECH (OP, TP: RM7.27)**, **REDTONE (OP, TP: RM0.81)** and **TSH (OP, TP: RM4.10)**.



3Q14 / 2H14 Market Outlooks

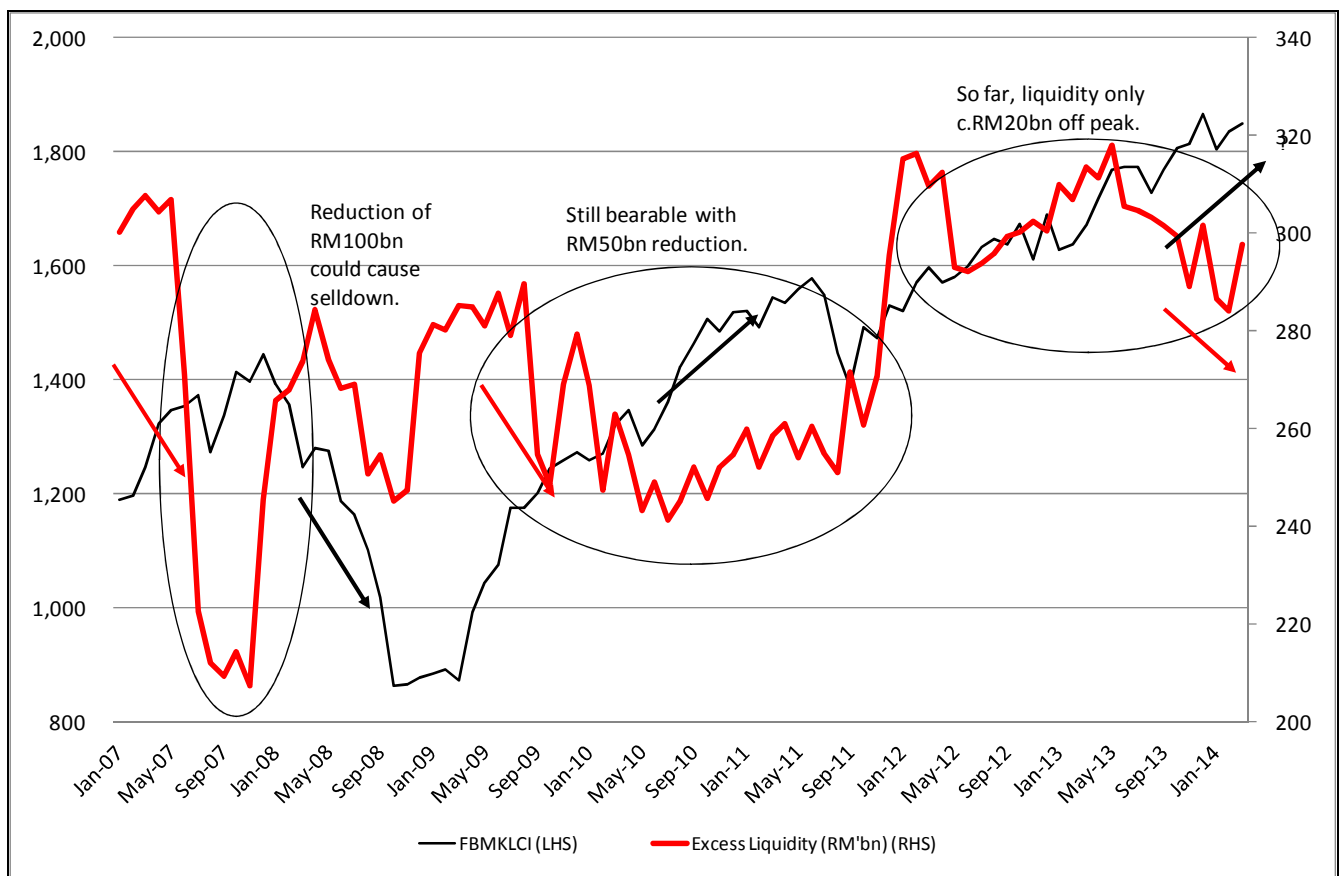
Trend is your friend?

Favourable Liquidity Position

The Malaysian equity market has been well supported and just recently marked a new all-time high of 1891.64. While this move is merely tracking the similarly bullish move of the Dow Jones industrial Average, which has just recorded an all-time high of c.17,000, we believe such bullish tone is due to the underlying ample liquidity condition.

From Figure 1, it is clearly seen that excess liquidity position of the domestic banking system remains near its all-time high at RM300bn as at end-Mar14. While it has retraced approximately RM20bn from the peak of RM320bn, this should not be a major concern as this only represents 0.2% of the total market capitalisation of FBMKLCI of c.RM1.0tn. Based on our study, the excess liquidity is required to contract by >10% to the market of FBMKLCI before seeing any meaningful selling pressure.

Figure 1: Excess Liquidity of Banking System of c.RM300bn Remains Supportive

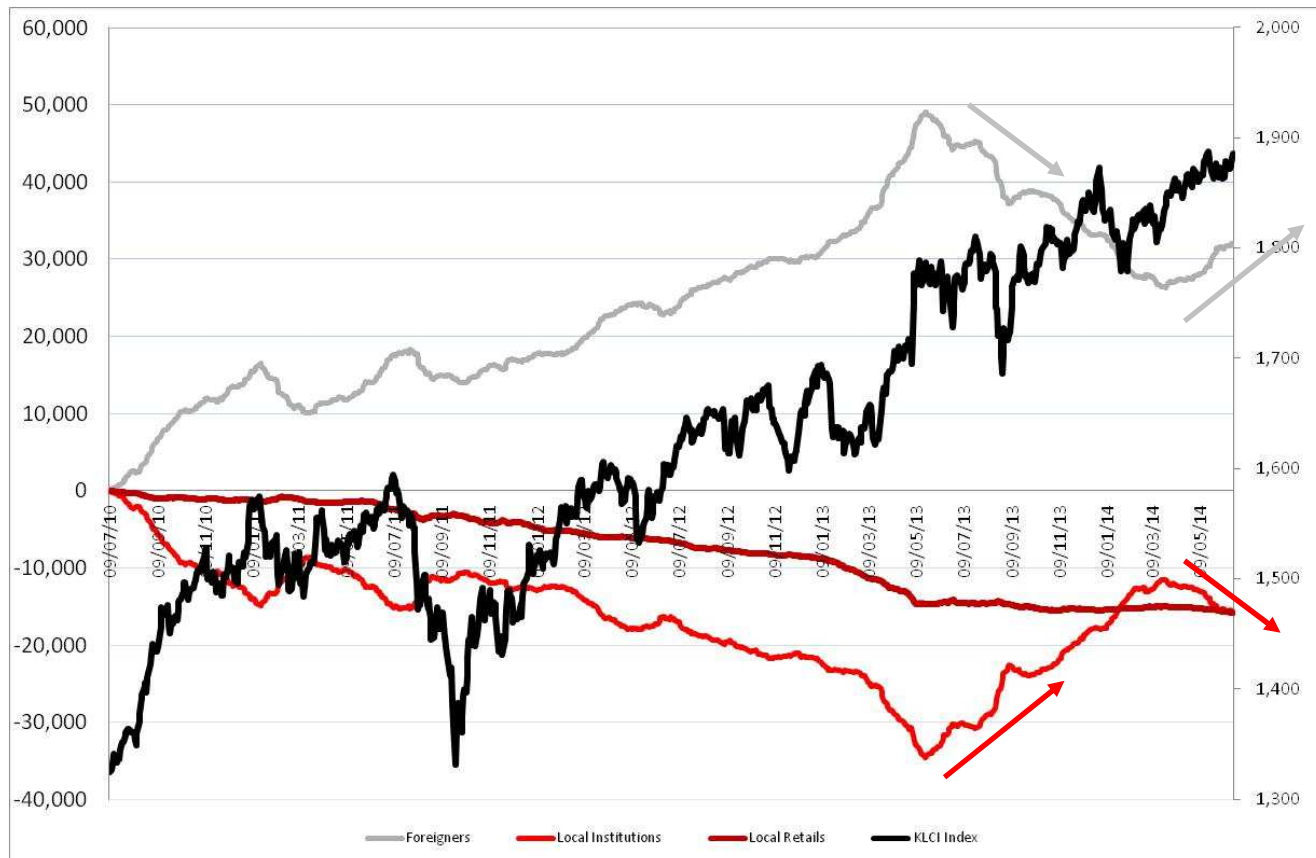


Source: Bloomberg

Foreign Investors Have Turned Buyers

Besides, foreign investors have also turned net buyers since late-Mar14 (see Figure 2) with total inflow of c.RM6bn. As such, we expect the excess liquidity position to further strengthen and to continue supporting the market.

Figure 2: Accumulative Net Foreign Buying Flows/Positions: Foreign Investors Have Turned Net Buyers Since late-Mar14



Source: Bursa Malaysia, The Sun Daily

Technically & Quantitatively Looking Good

Apart from the consideration of liquidity position, the FBMKLCI’s outlook seems to favour the upside as per both our technical and quantitative studies.

Technically speaking, FBMKLCI is trending up within a well-established uptrend channel (see Figure 3). Based on our Elliot Wave count, FBMKLCI could potentially trend up to at least 1,930/35 before the underlying uptrend ends. Nonetheless, this uptrend may not be sustainable as RSI is fast approaching overbought territory.

Our Monte Carlo Simulation (see Figure 4) also reinforced this bullish view with favourable reward-to-risk odds on the upside. Based on the 95% confidence interval, FBMKLCI is expected to fluctuate between 1,800 and 2,000 throughout the remainder of 2014.

Figure 3: Monthly Charting of FBMKLCI: The Underlying Uptrend Remains Unchanged



Source: Bloomberg

Figure 4: Monte Carlo Simulation: Reward-to-Risk Favours Upside

Distribution of Simulated FBMKLCI Till End-2014	1	2	3	4	5	6	7	8	9	10	Average
Mean	1,983.1	1,976.2	1,918.8	1,976.8	1,929.9	1,949.0	1,938.9	1,907.0	1,860.9	1,926.6	1,936.7
Standard Deviation	92.4	92.1	93.8	96.1	74.7	143.4	78.6	99.4	96.3	99.6	96.7
Kurtosis	0.1	(0.3)	0.7	0.2	(0.7)	1.2	0.1	2.6	0.1	0.5	0.4
Skewness	0.6	0.5	0.9	0.6	0.1	1.1	0.5	1.2	0.2	0.9	0.7
Range	507.0	465.8	539.9	541.2	387.6	731.9	420.3	627.7	513.3	523.4	525.8
Minimum	1,790.5	1,795.4	1,720.6	1,773.3	1,754.2	1,688.4	1,749.3	1,671.1	1,647.0	1,705.0	1,729.5
Maximum	2,297.5	2,261.1	2,260.4	2,314.6	2,141.7	2,420.3	2,169.5	2,298.8	2,160.3	2,228.4	2,255.3
Count	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0	1,341.0
At 68% Confidence Level,											
FBMKLCI is expected to oscillate between	1,890.7	1,884.1	1,825.0	1,880.7	1,855.2	1,805.6	1,860.3	1,807.6	1,764.6	1,827.0	1,840.1
and	2,075.5	2,068.3	2,012.6	2,073.0	2,004.5	2,092.4	2,017.5	2,006.4	1,957.2	2,026.3	2,033.4
Probability of KLCI <=	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0
=	2.4%	2.8%	10.3%	3.3%	4.1%	14.9%	3.9%	14.1%	26.4%	10.2%	9.2%
Probability of KLCI <=	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0	1,850.0
=	7.5%	8.5%	23.2%	9.3%	14.2%	24.5%	12.9%	28.3%	45.5%	22.1%	19.6%
Probability of KLCI <=	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0	1,900.0
=	18.4%	20.4%	42.1%	21.2%	34.5%	36.6%	31.0%	47.2%	65.8%	39.5%	35.7%
Probability of KLCI >=	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0	1,950.0
=	64.0%	61.2%	37.0%	61.0%	39.4%	49.7%	44.4%	33.3%	17.7%	40.7%	44.8%
Probability of KLCI >=	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
=	42.7%	39.8%	19.3%	40.5%	17.4%	36.1%	21.8%	17.5%	7.4%	23.1%	26.6%
Probability of KLCI >=	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0	2,050.0
=	23.5%	21.1%	8.1%	22.3%	5.4%	24.1%	7.9%	7.5%	2.5%	10.8%	13.3%

Source: Kenanga Research

... Until It Ends!

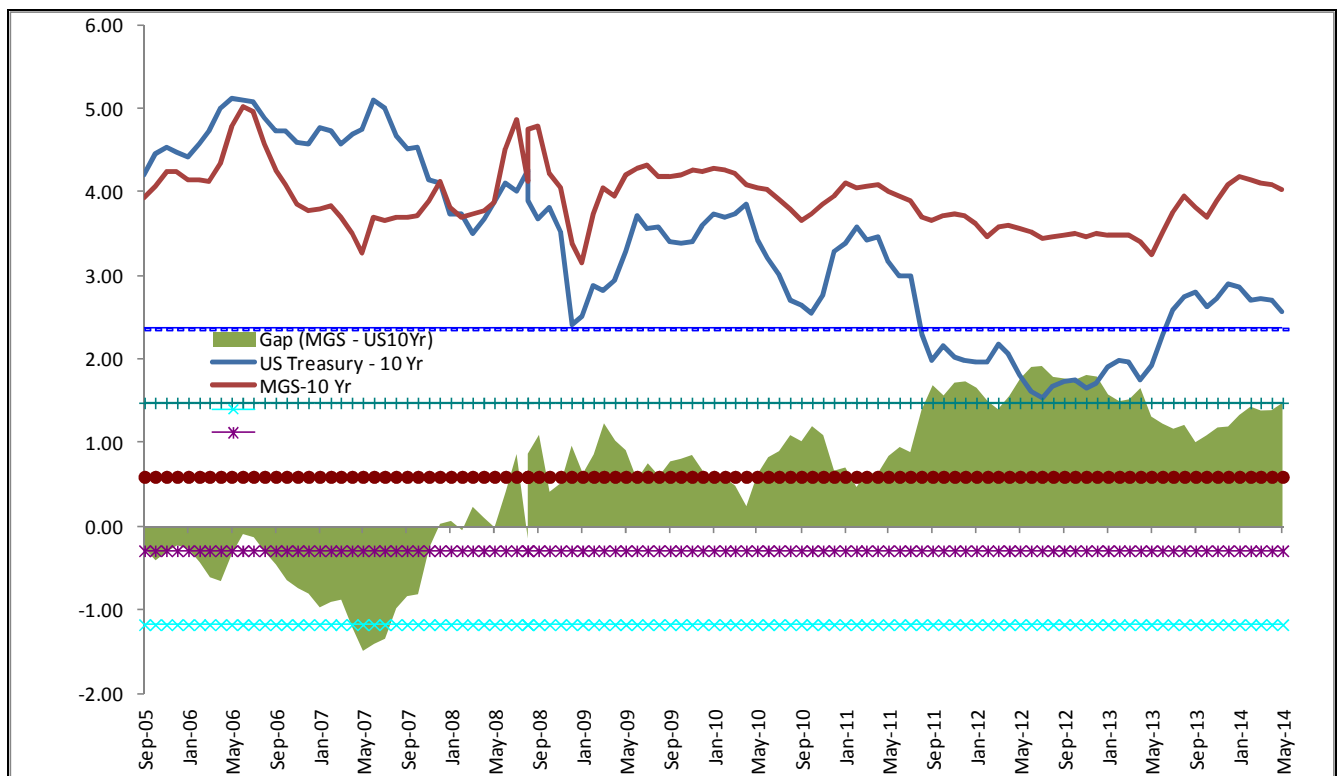
The Wild Card: Indecisive Interest Rate Directions

Note that all the above-mentioned factors are either tactical or technical in nature. We reckon these arguments could be fragile and is **highly dependent on the movement of both domestic and US interest rate directions**. We would not be surprised to see a sudden change in market sentiment and a much stronger outflow of foreign capital, which could probably be triggered by a hike in U.S. interest rate and stronger U.S. Dollar.

Thus far, the interest rate differential between 10-Year MGS and 10-Year US Treasury Bond is fast approaching the +1SD-level (148bps) above its long-term average (of 60bps) (see Figure 5). While this differential is likely to stay high for sometimes judging from past experience (early-2012 to Mid-2013), it will eventually contract given time. It is proven that the differential normally sustain near or above the +1SD-level and tends to revert back to its long-term mean or even swing to test -1SD-level.

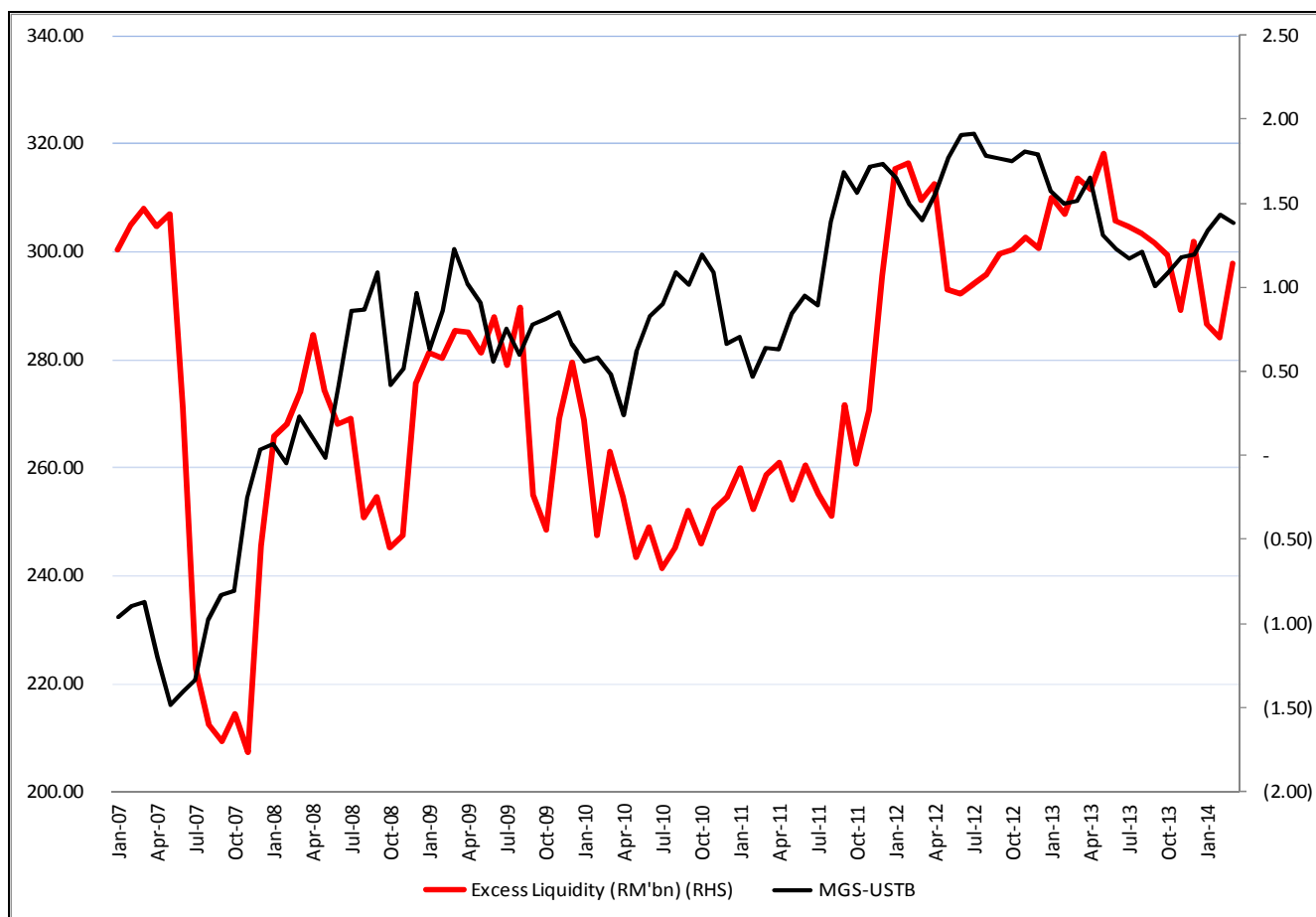
The implication of such contraction in interest differential could be negative. This is because it tends to imply that US interest rate is rising faster than our domestic interest rate, leading to a weaker ringgit against US dollar and eventually outflow of capital. From Figure 6, it is clearly demonstrated that narrower interest differential often leads to reduction in excess liquidity, which will eventually have a negative impact on local equity market.

Figure 5: Interest Rate Differential between 10-Yr MGS and 10-Yr US Treasury Bond: To Contract Soon?



Source: Kenanga Research

Figure 6: Narrower Interest Rate Differential May Lead To Lower Excess Liquidity



Source: Kenanga Research

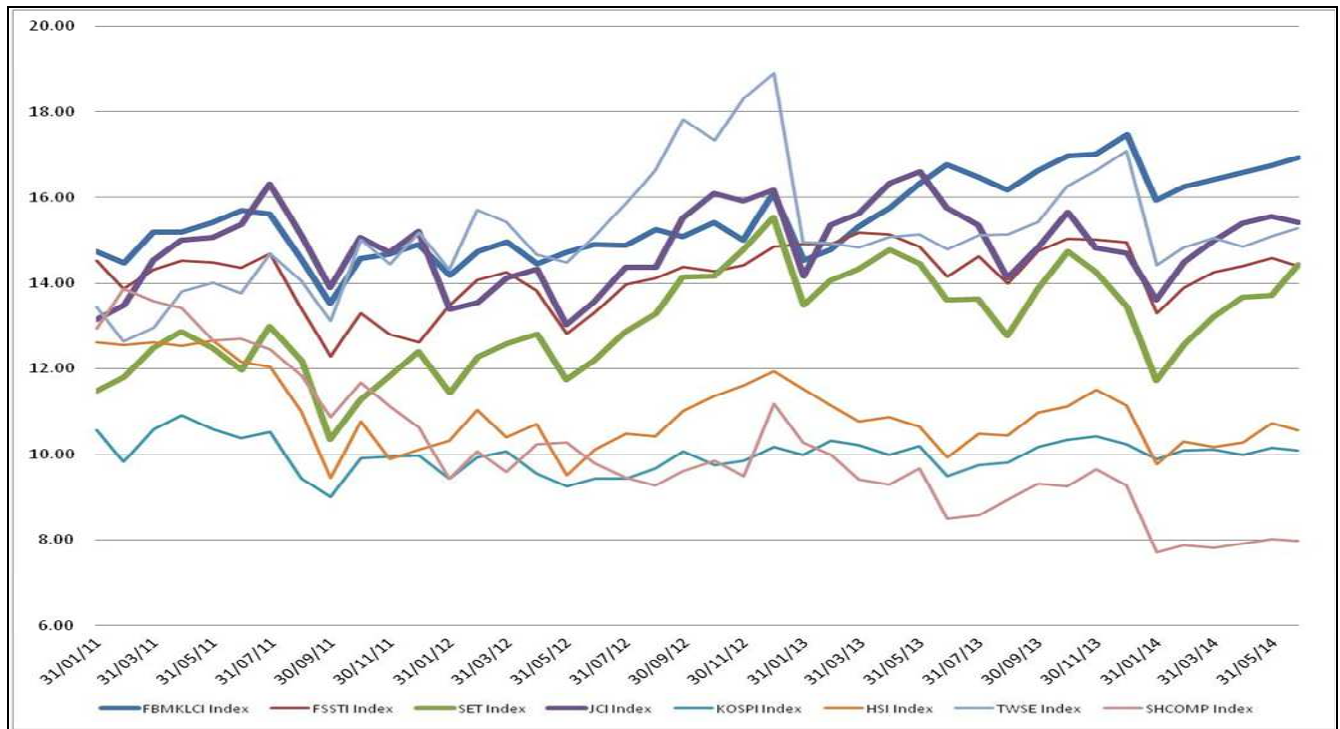
Less Attractive Regional Valuations and Much Higher Premium

Apart from indecisive monetary policy decisions, the less exciting market valuation could potential lead to weaker foreign inflow and upside. Since early-2013, the PER valuation of FBMKLCI has been on a rising trend and is traded higher than regional peers, especially North-East Asia markets (see Figure 7). While we understand that FBMKLCI has always been trading at a premium to its peers, as global investors tend to view the country as a “defensive” bet that holds up well in market downturns, the current premium could be at the higher end of its historical range. From Figure 8, it is clearly seen that North-East markets are now trading at historical discount (since 2011) against FBMKLCI. Such high discount could probably limit FBMKLCI’s upside, we believe.

Historical Low Volatility → Calm Before The Storm?

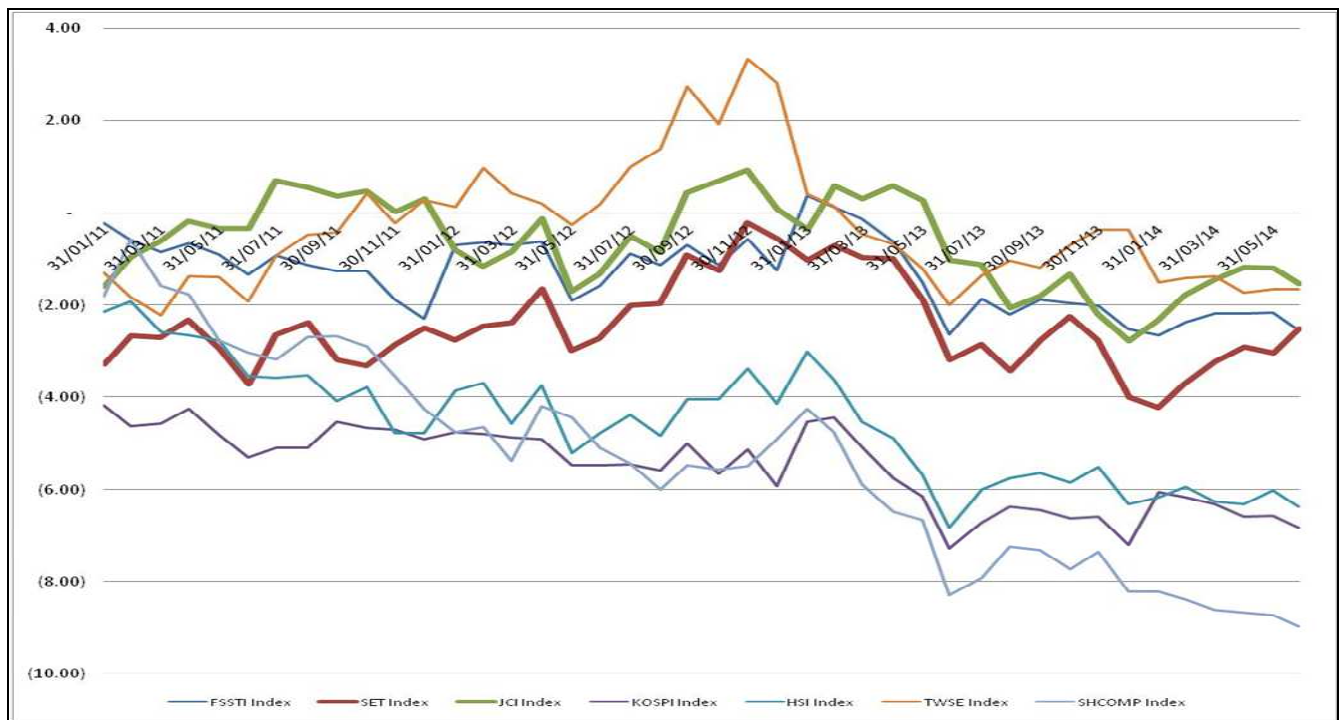
Recall that we mentioned (in our earlier Quarterly Investment Strategy report) that volatilities in the Malaysian and U.S. equity markets were likely to spike given that their respective historical volatilities register at the lower end of their historical ranges (see Figure 9 & 10) although we were not able to pin-point the timing of such spike in volatilities.

Figure 7: Regional Valuation Comparison: Less Attractive



Source: Bloomberg

Figure 8: Narrower Interest Rate Differential May Lead To Lower Excess Liquidity



Source: Bloomberg

Figure 9: FBMKLCI: Historical Volatility Could Spike After Bottoming At The Lower End of Its Historical Range



Source: Bloomberg

Figure 10: DOW: Historical Volatility Has Been In A Declining Trend But Has Yet To Reach It Historical Low



Source: Bloomberg

3Q: Seasonally Weaker

Nonetheless, we may see greater probability for the above-mentioned concern to materialise in 3Q. This is because 3Q is seasonally weaker as opposed to the other three quarters. Based on our seasonal study, 3Q normally exhibits a weaker QoQ performance (see Figure 11).

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Figure 11: Seasonally (QoQ) Weaker in 3Q

QoQ Chg.	Q1	Q2	Q3	Q4
2000	19.9%	-14.5%	-14.4%	-4.7%
2001	-4.7%	-8.4%	3.8%	13.1%
2002	8.6%	-4.1%	-12.1%	1.3%
2003	-1.6%	8.8%	6.0%	8.2%
2004	13.6%	-9.1%	3.7%	6.8%
2005	-4.0%	1.9%	4.4%	-3.0%
2006	3.0%	-1.3%	5.8%	13.3%
2007	13.7%	8.6%	-1.3%	8.1%
2008	-13.7%	-4.9%	-14.1%	-13.9%
2009	-0.5%	23.2%	11.8%	5.9%
2010	3.8%	-0.5%	11.4%	3.8%
2011	1.7%	2.2%	-12.2%	10.4%
2012	4.3%	0.2%	2.3%	3.2%
2013	-1.0%	6.1%	-0.3%	5.6%
Average	3.1%	0.6%	-0.4%	4.1%
3-Yr Average	1.7%	2.8%	-3.4%	6.4%
5-Yr Average	1.7%	6.2%	2.6%	5.8%
10-Yr Average	2.1%	2.7%	1.1%	4.0%
2014	-1.0%	2.2%	?	??

Source: Bloomberg

Fundamentally Speaking ...

Apart from the above-mentioned tactical considerations, we also see higher risk of short-term corrections emerging.

Post results & our house-keeping after recent changes in index constituents our **FY14E & FY15F** core net profit growth rates for FBMKLCI are now estimated at **13.0% and 10.5%** (vs. 13.3% & 8.7% previously), respectively (see Figure 12). Our earnings estimates are higher than consensus estimates of 6.2% & 9.6% (see Figure 13).

These estimates are backed by 5.5% real GDP growth assumptions. We also hold our view that interest rate is likely to stay unchanged throughout 2014 and probably till early-2015. Nonetheless, due to a high likelihood of higher real GDP growth in 1H vs. 2H coupled with GST implementation and interest rate uncertainties, we see risk of downward revisions in earnings in coming months. Should these uncertainties materialise, they could limit the potential upside of FBMKLCI.

Our **end-2014 Index Target is also fine-tuned to 1,960 @ 18.2x FY15 PER** (from 1,930), implying 3.7% upside from here. This index target is backed by...

- Top-Down Target at 1,890 @ 17.6x FY15 PER (vs. 1,885), and
- Bottom-Up Estimate of ~2,030 @ 18.8x FY15 PER (vs. 1,970).

Note that our target PER of 17.6x in Top-Down approach are based on the following regression equation: **1-Year Forward PER (x) = 1.00*Historical PER (x) + 0.80*2-Year Forward Average Earnings Growth** (with R-Square of 95.8% or an Adjusted R-Square of 78.5%). Our index target is also inline with consensus Index Target of 1,950 @ 17.5x next year PER (from 1,940). These index targets represent c.4% upside at our time of writing. While the upside seems decent, the valuation of FBMKLCI seems stretched or uninspiring as the PER multiple of FBMKLCI is traded at the higher end of its historical range but there have not been any increase in earnings outlook. Moreover, with the weaker 2H real GDP forecast, there is risk of earnings downgrade in coming quarters especially our earnings estimates are higher than consensus.

Figure 12: FBMKLCI Earnings Universe of Kenanga Research: Core Earnings Growth & Target Estimates

NAME	Price (RM)	FY13A Core	FY14E Core	FY15F Core	FY14E Div.	Latest P/BV	FY14E ROE	FY13A Core	FY14E Core	FY15F Core	Target Price (RM)	% Up / (Down)-side	Rating / Call
		PER (x)	PER (x)	PER (x)	Yld.	(x)	NP Growth	NP Growth	NP Growth				
Public Bank Bhd	20.02	18.97	18.07	16.34	2.7%	3.78	17.9%	6.2%	5.0%	10.6%	21.90	9.4%	OP
Malayan Banking Bhd	9.83	13.68	13.41	11.89	5.5%	1.86	13.7%	14.0%	2.0%	12.9%	11.20	13.9%	OP
CIMB Group Holdings Bhd	7.30	13.42	12.76	11.86	3.3%	1.71	13.8%	4.5%	5.2%	7.5%	8.00	9.6%	MP
Tenaga Nasional Bhd	12.20	16.73	14.71	13.23	2.3%	1.82	11.7%	-6.6%	13.8%	11.2%	13.58	11.3%	OP
Axiata Group Bhd	7.00	21.71	22.40	20.55	3.3%	2.95	13.0%	9.9%	-3.0%	9.0%	6.96	-0.6%	MP
Sime Darby Bhd	9.65	16.92	19.18	15.96	3.0%	2.12	10.5%	-16.5%	-11.8%	20.2%	10.00	3.6%	MP
Genting Bhd	10.00	21.10	15.33	15.61	0.6%	1.43	8.5%	-58.1%	37.6%	-1.8%	12.50	25.0%	OP
DiGi.Com Bhd	5.72	26.01	23.30	22.37	4.3%	73.76	280.6%	41.6%	11.6%	4.2%	5.40	-5.6%	MP
Petronas Gas Bhd	24.66	32.81	27.17	25.67	2.6%	4.57	16.2%	5.8%	20.8%	5.8%	21.54	-12.7%	UP
Petronas Chemicals Group Bhd	6.77	17.24	14.59	13.91	3.4%	2.52	15.1%	-10.6%	18.2%	4.8%	7.31	8.0%	OP
IOI Corp Bhd	5.27	17.00	22.92	20.59	3.2%	5.88	10.2%	10.1%	-25.8%	11.4%	5.40	2.5%	OP
Maxis Bhd	6.77	24.23	24.19	23.71	5.9%	8.65	41.6%	2.3%	0.2%	2.0%	6.92	2.2%	MP
Sapurakencana Petroleum Bhd	4.36	54.01	28.61	19.84	0.0%	2.56	8.4%	71.3%	88.8%	44.2%	5.57	27.8%	OP
Telekom Malaysia Bhd	6.34	22.97	25.52	24.12	3.6%	3.17	12.6%	-19.9%	-10.0%	5.8%	6.74	6.3%	OP
Kuala Lumpur Kepong Bhd	24.30	28.40	20.00	19.09	3.0%	3.23	15.5%	-24.7%	42.0%	4.8%	27.00	11.1%	OP
Genting Malaysia Bhd	4.23	14.97	15.39	14.96	1.6%	1.53	9.0%	14.3%	-2.7%	2.9%	4.57	8.0%	MP
AMMB Holdings Bhd	7.15	13.18	12.09	11.72	3.4%	1.64	13.0%	10.2%	9.0%	3.2%	7.80	9.1%	MP
IHH Healthcare Bhd	4.35	54.82	46.97	42.74	0.5%	1.94	4.0%	-13.6%	16.7%	9.9%	4.20	-3.4%	MP
MISC Bhd	6.47	19.09	17.02	14.82	0.6%	1.16	6.3%	96.5%	12.1%	14.8%	6.87	6.2%	MP
PPB Group Bhd	14.80	17.86	18.71	18.13	1.6%	1.12	5.6%	16.7%	-4.5%	3.2%	16.55	11.8%	MP
British American Tobacco Malaysia Bhd	66.72	23.13	21.16	20.65	4.6%	37.33	167.9%	3.2%	9.3%	2.5%	63.00	-5.6%	MP
Hong Leong Bank Bhd	13.92	13.49	12.19	11.11	2.6%	1.79	13.5%	6.5%	10.7%	9.7%	15.20	9.2%	MP
Felda Global Ventures Holdings Bhd	4.34	44.10	17.12	16.65	3.7%	2.37	13.0%	-55.5%	157.7%	2.8%	4.75	9.4%	MP
UMW Holdings Bhd	10.86	14.40	13.44	12.97	4.6%	1.98	13.8%	-11.4%	7.2%	3.6%	12.25	12.8%	MP
RHB Capital Bhd	8.54	11.89	10.19	9.17	3.2%	1.27	11.3%	2.6%	16.8%	11.1%	8.75	2.5%	MP
Astro Malaysia Holdings Bhd	3.60	44.77	41.78	32.72	2.5%	30.53	69.8%	-33.0%	7.2%	27.7%	3.14	-12.8%	MP
KLCC Property Holdings Bhd	6.48	14.16	16.34	16.00	4.9%	0.87	16.0%	-43.6%	-13.3%	2.1%	6.55	1.1%	MP
YTL Power International Bhd	1.46	9.25	9.20	8.61	0.7%	0.99	9.3%	-13.0%	0.5%	6.8%	1.77	21.2%	OP
MMC Corp Bhd	2.57	200.66	54.16	21.65	1.9%	1.09	2.0%	-95.8%	270.5%	150.2%	2.77	7.8%	MP
Gas Malaysia Bhd	3.60	26.96	24.15	22.29	3.2%	4.59	17.9%	5.3%	11.6%	8.4%	3.54	-1.7%	UP
Dialog Group BHD	3.70	46.62	38.55	32.08	1.1%	5.90	14.8%	9.2%	21.0%	20.1%	3.92	5.9%	MP
Alliance Financial Group Bhd	4.78	13.75	13.13	11.81	6.2%	1.78	13.1%	7.0%	4.7%	11.2%	5.25	9.8%	OP
BIMB Holdings Bhd	4.16	24.31	12.17	10.96	2.2%	1.96	15.4%	1.3%	99.7%	11.0%	4.55	9.4%	OP
FBMKLCI Index	1,889.0	22.60	19.45	17.54	3.0%	6.56	27.8%	2.5%	13.0%	10.5%	2,027.4	7.3%	NEUTRAL

Source: Kenanga Research

Figure 13: Consensus Earnings Growth & Target Estimates

NAME	Price (RM)	Historical	Est.	Est. Next	Est. Div.	Hist. PBV	Hist. ROE	Last Yr	Cur Yr NP	Nxt Yr NP	Consensus	% Up / (Down)-side
		PER (x)	Current Year PER (x)	Year PER (x)	Yld.	(x)	Growth	Growth	Growth	TP (RM)		
PUBLIC BANK BERHAD	20.02	18.97	16.80	15.34	2.6%	3.55	21.5%	6.2%	13.0%	9.5%	18.77	-6.2%
MALAYAN BANKING BHD	9.83	13.68	12.83	12.02	5.5%	1.81	14.5%	14.0%	6.6%	6.8%	11.17	13.6%
CIMB GROUP HOLDINGS BHD	7.31	13.42	12.67	11.14	3.2%	1.69	12.9%	4.5%	5.9%	13.7%	7.82	7.0%
TENAGA NASIONAL BHD	12.18	14.95	13.73	12.74	2.4%	1.82	14.9%	4.6%	8.8%	7.8%	13.80	13.3%
AXIATA GROUP BERHAD	7.00	23.51	21.88	19.66	3.5%	2.94	12.7%	1.5%	7.5%	11.3%	6.91	-1.3%
SIME DARBY BERHAD	9.65	15.85	18.85	16.44	3.0%	2.11	12.9%	-10.8%	-15.9%	14.6%	10.10	4.7%
GENTING BHD	9.99	17.60	17.78	16.14	0.8%	1.42	8.8%	-49.8%	-1.0%	10.1%	11.17	11.8%
DIGI.COM BHD	5.71	26.02	23.40	22.22	4.2%	73.76	373.4%	41.5%	11.2%	5.3%	5.18	-9.4%
PETRONAS CHEMICALS GROUP BHD	6.78	17.24	15.07	14.24	3.3%	2.52	13.0%	-10.6%	14.4%	5.8%	6.84	0.8%
IOI CORPORATION BHD	5.25	17.00	22.34	21.88	2.8%	5.93	34.1%	10.1%	-23.9%	2.1%	4.81	-8.4%
PETRONAS GAS BHD	24.64	23.45	28.62	27.26	2.4%	4.56	21.1%	48.0%	-18.0%	5.0%	22.83	-7.3%
MAXIS BHD	6.76	28.74	24.67	23.39	5.9%	8.63	27.7%	-4.9%	16.5%	5.5%	6.51	-3.7%
SAPURAKENCANA PETROLEUM BHD	4.35	23.98	17.83	15.37	0.6%	2.45	15.2%	107.2%	34.5%	16.0%	5.49	26.1%
TELEKOM MALAYSIA BHD	6.35	22.97	24.80	23.18	3.8%	3.10	14.0%	-19.9%	-7.4%	7.0%	6.08	-4.2%
KUALA LUMPUR KEPONG BHD	24.30	28.22	21.15	19.92	2.6%	3.22	13.9%	-24.2%	33.4%	6.2%	23.53	-3.2%
GENTING MALAYSIA BHD	4.23	14.97	15.22	14.19	1.8%	1.53	10.4%	14.3%	-1.6%	7.2%	4.68	10.6%
AMMB HOLDINGS BHD	7.16	12.11	11.15	10.16	3.7%	1.64	14.3%	9.0%	8.6%	9.8%	7.99	11.6%
IHH HEALTHCARE BHD	4.36	56.47	45.89	37.91	0.4%	1.94	3.7%	-15.9%	23.0%	21.1%	4.08	-6.4%
BRITISH AMERICAN TOBACCO BHD	66.60	23.13	21.88	21.55	4.5%	37.27	172.8%	3.2%	5.7%	1.5%	60.95	-8.5%
MISC BHD	6.47	13.85	16.81	14.64	1.9%	1.16	9.8%	170.7%	-17.6%	14.8%	7.14	10.3%
PPB GROUP BERHAD	14.82	17.88	17.58	16.47	1.8%	1.12	5.9%	16.7%	1.7%	6.8%	15.48	4.5%
HONG LEONG BANK BERHAD	13.92	13.49	12.41	11.50	2.8%	1.79	14.9%	6.5%	8.7%	7.8%	15.29	9.8%
YTL CORPORATION BERHAD	1.57	12.77	11.38	10.47	2.9%	1.14	11.7%	7.9%	12.2%	8.7%	2.11	34.2%
FELDA GLOBAL VENTURES	4.34	16.12	20.19	17.50	2.6%	2.37	15.3%	21.9%	-20.1%	15.3%	4.60	6.0%
UMW HOLDINGS BHD	10.88	19.47	13.55	12.14	4.5%	1.98	12.1%	-34.3%	43.7%	11.6%	12.07	10.9%
PETRONAS DAGANGAN BHD	24.16	29.57	27.93	23.23	2.7%	5.03	14.9%	-3.0%	5.9%	20.2%	21.16	-12.4%
RHB CAPITAL BHD	8.55	11.89	10.78	9.97	2.7%	1.27	11.8%	2.6%	10.3%	8.2%	8.69	1.6%
ASTRO MALAYSIA HOLDINGS BHD	3.57	41.43	34.00	26.06	2.6%	30.32	81.2%	7.2%	21.8%	30.5%	3.58	0.2%
HONG LEONG FINANCIAL GROUP	16.00	11.32	10.71	9.66	2.3%	1.51	15.6%	20.6%	5.7%	10.8%	17.73	10.8%
KLCC PROPERTY HOLDINGS BHD	6.47	25.44	17.44	16.76	5.1%	2.75	7.2%	-68.6%	45.9%	4.0%	6.60	2.0%
FtSE Bursa Malaysia KLCI	1,888.5	19.67	18.57	16.92	3.1%	6.52	33.4%	8.9%	6.2%	9.6%	1,953.2	3.4%

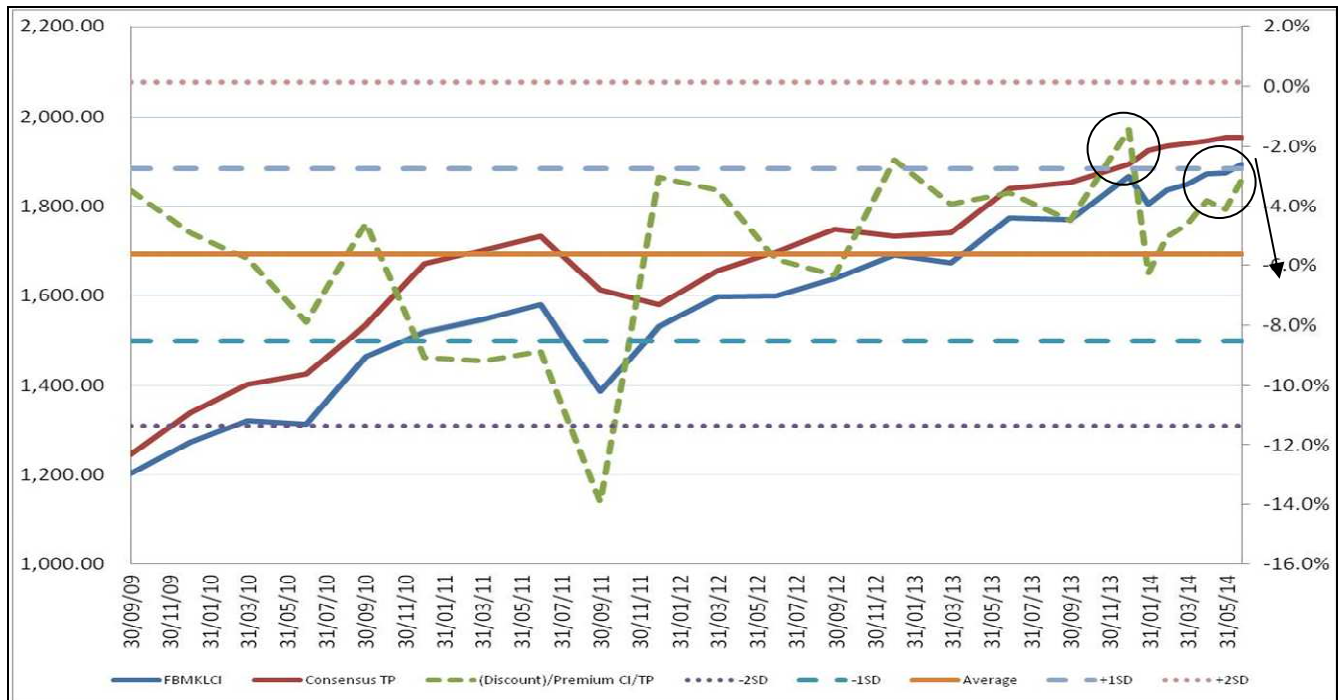
Source: Bloomberg

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As such, we are not surprised to see a short-term correction especially the following 2 toppish signs are seen.

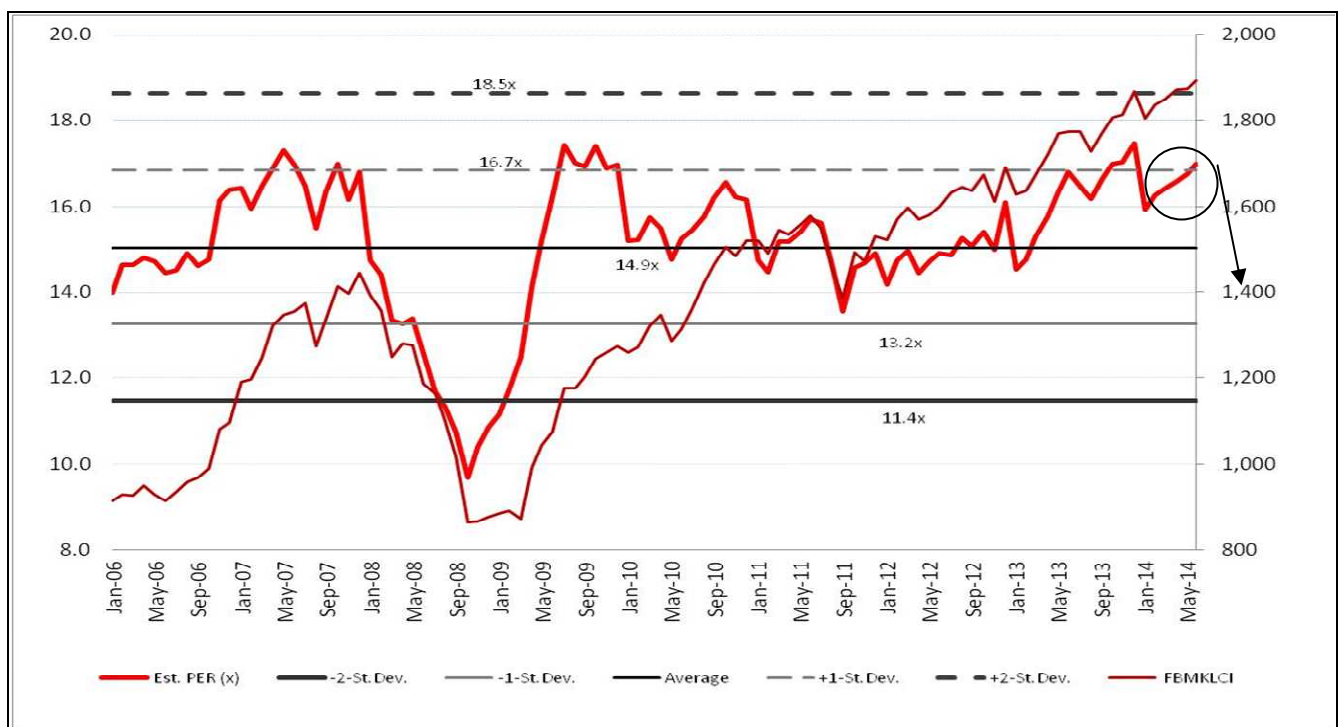
- (i) Discount between FBMKLCI and its consensus Index Target is fast approaching its +1SD-level or <3% (see Figure 14), and
- (ii) Forward PER of FBMKLCI has also surpassed its +1SD or c.17.5x (see Figure 15).

Figure 14: FBMKLCI Turns Toppish When Discount <3%



Source: Bloomberg

Figure 15: Historical Fwd. PER Band (since early-2006) Cap @ ≈17.5x



Source: Bloomberg

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3Q14 Sector Outlook

Due to the less exciting upside of <4%, we try to be very selective in sector targeting and stock picking. This is because the outlook for most of the sectors under our coverages has become less exciting, especially post the recent results reporting season.

Export driven sectors, i.e. E&E, Glove & Sea Transportations & Logistics players delivered reasonable good results in the recent reporting season, as expected, owing to increase in exports number and weaker ringgit. We continue to like these export-oriented industries even as some of the sectors are rated NEUTRAL. Nonetheless, we would review this stance if and when the ringgit starts to appreciate against US dollar in the event Bank Negara Malaysia (BNM) decided to raise the domestic interest rate.

So far, we are OVERWEIGHT on: (i) Building Material, (ii) Construction, (iii) Gaming, (iv) Gloves, (v) MREIT, (vi) Plantations, (vi) Power Utility, (vii) Water Utility, and (viii) Transports & Logistics. At the same time, we are UNDERWEIGHT on Media sector and NEUTRAL on (i) Auto, (ii) Aviation, (iii) Banking & Non-bank Financial, (iv) Consumer, (v) Healthcare, (vi) Oil & Gas, (vii) Property Developers, (viii) Technology, and (ix) Telco (see Appendix I for details).

Major Upgrades

These latest sector ratings represent major upgrades in Building Material, MREIT, Transports & Logistics as well as Water.

- For Building Material Sector, especially steel, our upgrade is underpinned by potential trade action on excessive Chinese steel imports which should improve local steel prices significantly. Besides, valuations of steel companies are near if not at their trough levels. Moreover, their 2QCY14 earnings are likely to benefit from lower input and production costs apart from robust construction demand.
- We upgrade MREIT sector rating as investors appear desensitized by impact from the US QE tapering. Besides, we also see European QE as a potential catalyst as this could put downward pressure on bond yields and exerting a positive effect on demand for MREITs. However, on the flipside, hike in domestic interest could derail this expectation and prompt us to review our sector rating.
- Rating for Transports & Logistics has been upgraded on buoyant shipping data and attractive valuation on big cap MISC following its share price weakness of late.
- We upgrade Water Sector's rating after a series of positive developments in the past three months. Our upgrade is premised mainly on the fact that we are finally going to see the Selangor's water industry consolidation soon.

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Major Downgrades

We have downgraded Oil & Gas as well as Property Developers from Overweight to Neutral.

- Given our overall cautious outlook on the market for 2H14 which could affect high-beta sectors like Oil & Gas, coupled with limited upside of 6% on weighted average for the sector, we have decided to downgrade the sector. Besides, we reckon that new headline contracts (besides OSV and jack-up rig contracts) could only emerge towards 4Q14, keeping news flows muted in the near-term.
- As for Property Sector, we believe most of the stocks had rebounded from their respective lows in 1H14. Coupled with 1QCY14 results that were generally within or below expectations, we see no sufficient catalysts in 3QCY14 and hence decided to downgrade the sector. Furthermore, any hike in interest rate could affect property buying sentiment and affordability of mortgage borrowers. Nonetheless, should Budget-2015 is proven muted to the property sector, we would not be surprised to see a sector re-rating as pre-GST demand and industry newsflow (e.g. HSR, RTS, MRT, landbanking, new launches) begin to dominate investors' sentiment.

3Q14 Investment Strategy

Adopting Philosophy of "Trend is Your Friend"

In general, we prefer to adopt a Buy On Weakness (B.O.W.) strategy to capitalise on: (i) broad liquidity and (ii) potentially prolonged low interest rate environment. **The ideal B.O.W. level is now raised to 1,835 and below** (6% discount to consensus Index Target of 1,950) from below 1,815 previously.

To Capitalise On Potential Hiccups in 3Q

However, for aggressive traders, we believe the strategy of Sell On Strength (S.O.S.) could be workable in 3Q14 due to the emerging signs of "market toppishness" coupled with the weaker seasonal factor. **The ideal S.O.S. level would be >1,890** (or 3% discount to 1,950).

Dividend Play – Simple but Effective for 3Q

In 3Q14, the best investment style/strategy could be DIVIDEND Play. This is because most companies would declare interim/final dividends post the reporting month in August. Should the expectations of short-term market correction materialise (due to the seasonally weaker factor, it could make dividend yields more attractive. FBM100 constituents that are expected to pay dividends in 3Q are shown in Figure 16 & 17.

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Figure 16: FBM100: Dividend Play - Part 1

#	Name	Last Price (RM)	Consensus Est. Div. Payment per share	Est. Next Date of Div. Payment	Est. Yield	YTD % Chg.
1	SIME DARBY BERHAD	9.66	0.24	12/22/2014	2.5%	1.5%
2	AMMB HOLDINGS BHD	7.15	0.17	8/27/2014	2.4%	-1.2%
3	HONG LEONG BANK BERHAD	13.90	0.32	10/24/2014	2.3%	-3.5%
4	MALAYAN BANKING BHD	9.83	0.23	9/23/2014	2.3%	-1.1%
5	BURSA MALAYSIA BHD	7.75	0.18	7/30/2014	2.3%	-5.8%
6	ALLIANCE FINANCIAL GROUP BHD	4.78	0.09	7/24/2014	1.8%	2.7%
7	CIMB GROUP HOLDINGS BHD	7.31	0.12	9/29/2014	1.6%	-4.1%
8	DRB-HICOM BHD	2.25	0.04	9/23/2014	1.6%	-20.2%
9	TELEKOM MALAYSIA BHD	6.35	0.10	9/9/2014	1.5%	14.4%
10	IOI CORPORATION BHD	5.26	0.08	9/4/2014	1.5%	11.7%
11	KLCC PROPERTY HOLDINGS BHD	6.45	0.09	9/2/2014	1.3%	10.3%
12	GAMUDA BHD	4.64	0.06	7/14/2014	1.3%	-3.3%
13	MAXIS BHD	6.76	0.08	9/3/2014	1.2%	-7.0%
14	MEDIA PRIMA BHD	2.54	0.03	9/10/2014	1.2%	-3.1%
15	PUBLIC BANK BERHAD	20.02	0.23	8/5/2014	1.2%	6.5%
16	AXIATA GROUP BERHAD	6.99	0.08	9/26/2014	1.1%	1.3%
17	BRITISH AMERICAN TOBACCO BHD	66.76	0.75	8/13/2014	1.1%	4.1%

Source: Bloomberg

Figure 17: FBM100: Dividend Play - Part 2

#	Name	Last Price (RM)	Consensus Est. Div. Payment per share	Est. Next Date of Div. Payment	Est. Yield	YTD % Chg.
18	DIGI.COM BHD	5.71	0.06	8/6/2014	1.1%	15.1%
19	HONG LEONG FINANCIAL GROUP	16.10	0.15	12/8/2014	0.9%	4.0%
20	UMW HOLDINGS BHD	10.88	0.10	9/23/2014	0.9%	-9.0%
21	LAFARGE MALAYSIA BHD	9.96	0.09	9/22/2014	0.9%	16.2%
22	GENTING MALAYSIA BHD	4.22	0.04	9/25/2014	0.9%	-3.7%
23	IJM CORP BHD	6.69	0.05	12/10/2014	0.7%	15.5%
24	PETRONAS GAS BHD	24.66	0.18	9/5/2014	0.7%	1.6%
25	RHB CAPITAL BHD	8.58	0.06	10/9/2014	0.7%	8.6%
26	HARTALEGA HOLDINGS BHD	6.26	0.04	9/3/2014	0.6%	-13.4%
27	MALAYSIA AIRPORTS HLDGS BHD	7.98	0.05	12/18/2014	0.6%	-11.3%
28	PPB GROUP BERHAD	14.80	0.08	9/5/2014	0.5%	-8.3%
29	PETRONAS DAGANGAN BHD	24.16	0.12	9/3/2014	0.5%	-23.2%
30	KPJ HEALTHCARE BERHAD	3.39	0.01	9/25/2014	0.4%	-12.6%
31	CARLSBERG BREWERY MALAYSIA B	12.00	0.05	9/22/2014	0.4%	-1.5%
32	GENTING BHD	9.99	0.04	9/26/2014	0.4%	-2.6%
33	GENTING PLANTATIONS BHD	11.60	0.04	9/25/2014	0.3%	5.1%

Source: Bloomberg

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3Q14 Top Picks: Big Cap and Mid-&-Small Caps Alternative

All told, based on the aforementioned factors, we have listed down 20 stocks, combining big-, mid- and small-cap stocks; for the considerations of our readers. The short comments and financial highlights of these Top Picks are shown in the following 4 tables (Figure 18-21).

Figure 18: 2Q14 Top 10 Stock Picks

Top Picks	Comments
AFG (OP, TP: RM5.25)	Apart from undemanding valuation (@ <12x Fy15 PER or <1.7x FY15 PBV) and decent dividend (of 5.0% FY15 dividend yield) on the back of 60% dividend payout ratio, we also like AFG for its clean and lean balance sheet. We also believe that AFG could be the prime beneficiary in the event of interest rate hike given it (i) high variable rate (c.90% of total loans) and (ii) high % of CASA to Total Deposits (c.34%). Asset-liability profile should result in higher NIM should interest rate increase.
GAMUDA (OP, TP: RM5.50)	While GAMUDA's fundamentals are expected to stay intact for the next 3 years on the back of (i) healthy construction orderbook of RM2.0b, (ii) 6% MRT1 PDP fees, and (iii) unbilled property sales of RM2.0b, we understand that the group is currently in the midst of negotiation with federal government (FG) and state government (SSG) to resolve the takeover pricing issues of its 40%-owned SPLASH. We believe that there are only 2 scenarios, which will likely happen after the negotiation: (1) either FG or/and SSG to top up its shortfall of equity value required by SPLASH amounting RM2.0b, or (2) SPLASH will continue its operation. Either one of these scenarios will definitely benefit Gamuda. We think that Scenario (1) (i.e. topping up the equity value of RM2.0b) is likely to pan out given it is line with the proposed National Water Restructuring. Hence, this led us to return to our initial expectation that Gamuda will distribute part of the cash proceeds from sale of its 40%-owned SPLASH to its shareholders as special dividends. Valuation wise, it is currently trading at a fwd-PER of 14.6x FY15E which is substantially cheaper than that of its 5-year average of 16-17x.
HARTA (OP, TP: RM7.48)	We like HARTALEGA for its: (i) highly automated production processes model, (ii) solid improvement in its production capacity and reduction in costs leading to better margins compared to its peers, (iii) innovation in producing superior quality nitrile gloves, and (iv) positioning in a booming nitrile segment with a dominant market position. The stock is expected to be re-rated once commercial production of the first line in its NGC plant is ready by Oct 2014.
KLCCSS (OP, TP: RM6.90)	KLCC has obtained shareholders approval for a 10% placement, which should raise funds of RM1.1b-RM1.2b for a potential acquisition. The REITs effective cap rate are one of the lowest at 5.5%, which is close to current market expected rates for both retail and office assets. KLCC has also been able to combat the rising cost environment as experienced by other MREITs by passing on the cost via Triple-Net-lease arrangements or have a location advantage (e.g. Suria KLCC). Its low net gearing (0.17x) implies less financing costs and greater acquisition power suggest that there may be more earnings excitement for the stock from a potential asset acquisition.
MAYBULK (OP, TP: RM2.53)	Ample potential for upside in earnings if the dry bulk market recovery is sustained. We believe 2014 would a better year for dry bulk shipping and a sustainable recovery may be in the making with narrowing gap between demand and supply of vessels. The company also owns 20.0% in associate POSH which provides exposure to the booming OSV market. Valuation of this stock remains attractive with current PBV of 1.0x, which is at a 23.1% discount to its historical average of 1.3x. Our TP of RM2.53 is pegged to 1.3x PBV.
NESTLE (OP, TP: RM76.10)	In our view, NESTLE is now a laggard play in the Consumer F&B subsector, with YTD performance at -2.4% (against DLADY +0.7%, OLDTOWN +6.3% and QL +13.4% YTD). Its current dividend yield at 3.9% is also at the higher end against 3-year historical range of between 3.3% - 4.2%. We also believe that NESTLE have implemented good strategies to counter GST impact through: (i) ongoing expansion plans in its upcoming Ready-to-Drink (RTD) beverages plant, (ii) its aggressive ongoing marketing of new and existing products, and (iii) strong brand portfolio with entrenched market share. Overall, this should result in FY14E earnings growth of 12.4% to RM 631.2m.

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SKPETRO (OP, TP: RM5.57)	We like SKPETRO as it is Malaysian largest non-Petronas integrated oil and gas company (from exploration to fabrication and installation) which means it will be able to capture opportunities along the whole oil and gas value chain. Furthermore, it has established itself in Brazil - via its pipelay barge contracts and is slowly making headway into West Africa via its drilling fleet. It currently boasts one of the largest order-book (c.RM30b) within our stocks coverage and is still trading an attractive CY14-15 PER of 18.7-15.9x (vis-à-vis other heavyweights such as UMW O&G that trades at CY14-15 PER of 31.8-20.5x).
SUNWAY (OP, TP: RM3.70)	We like the stock for its construction newsflow. SUNWAY could be the potential beneficiary of LRT3 and MRT2 news flow given their strong track records in public infrastructure and also private building projects. Hence, we believe that SUNWAY would be able to meet its 2014 orderbook replenishment target of RM2.5b (70% external). In terms of property development, we expect them to meet their sales target. They are one of the few developers that manages to be on track in terms of 1Q14 sales as some 80% of upcoming properties are priced below RM1m/unit while their Johor property exposure (high-rise office/condo rise office/condo @ Sunway Iskandar) for the year is not significant (17% of FY14 sales target). Maintain OUTPERFORM, with a higher Target Price of RM3.70 (previously, RM3.62).
TM (OP, TP: RM6.74)	We continue to favour TM in the telecommunication sector due to its solid presence in the FTTH and lesser competition in its wholesale and fixed-line segment. The group's near-term catalysts include (i) more traction from HSBB 2 project and (ii) better-than-expected synergies from its recent acquisition of P1. TM's valuation remains attractive where its EV/forward EBITDA is merely trading at 6.8x (vs. 9x-13x in the local celcos). We have a target price of RM6.74 on TM based on a targeted FY15 EV/forward EBITDA of 7.0x, representing 1.0x above its 4-year mean).
TENAGA (OP, TP: RM13.58)	Although TENAGA is one of the top index-stock performers in the past one year, we believe there is still upside potential to its share price given its still compelling valuation relative to FBMKLCI. A partial fuel cost pass-through (FCPT) implemented in Jan-14 could lead to an eventual full FCPT which bodes well for TENAGA as it will cap its earnings volatility. With its earnings quality, we believe our targeted CY15 PER valuation of 14.3x is not excessive vs. the market's 15x-16x. We expect no tariff revision in June-Review given the inflationary pressure, but a tariff adjustment in Dec-Review is possible.

Source: Kenanga Research

Figure 19: Snapshot of 3Q14 Top 10 Big Cap Picks

#	Stocks	Last Price @ 20 June (RM)	FY13 Core NP Growth	FY14 Core NP Growth	FY15 Core NP Growth	FY14 Core PER	FY15 Core PER (x)	Latest Quarter PBV (x)	FY14 Net DivYld	FY14E ROE	Target Price (RM)	% of Up /Down-side
1	AFG	4.79	7.0%	4.7%	11.2%	13.2	11.8	1.8	6.2%	13.8%	5.25	9.6%
2	GAMUDA	4.53	-9.0%	21.0%	9.2%	16.0	14.6	1.6	3.9%	10.1%	5.50	21.4%
3	HARTA	6.18	-2.2%	14.7%	8.6%	16.7	15.4	4.9	2.6%	25.0%	7.48	21.0%
4	KLCCSS	6.45	55.3%	15.5%	2.8%	18.3	17.8	1.0	4.9%	6.1%	6.90	7.0%
5	MAYBULK	1.83	-28.0%	63.5%	38.4%	25.1	18.1	0.9	0.3%	3.8%	2.53	38.3%
6	NESTLE	63.50	11.2%	12.4%	8.3%	24.6	22.7	15.6	3.9%	74.7%	76.10	19.8%
7	SKPETRO	4.47	107.1%	35.3%	18.1%	19.9	16.9	2.5	0.0%	11.7%	5.57	24.6%
8	SUNWAY	3.04	126.0%	11.9%	6.0%	9.7	9.2	1.1	2.6%	9.7%	3.70	21.7%
9	TM	6.24	17.9%	-12.1%	6.4%	24.5	23.0	3.1	3.7%	12.3%	6.74	8.0%
10	TNB	11.88	23.6%	12.9%	10.2%	13.8	12.5	1.8	2.3%	11.0%	13.58	14.3%

Source: Kenanga Research

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Figure 20: Mid-&-Small Caps Alternative

Top Picks	Comments
AEONCR (OP, TP: RM17.80)	While the growth in gross financing receivables will inevitably slow down substantially, it is still believed that AEONCR is still able to expand its financing receivables in high-teen, say 19%, for the next 2 financial years although this represents a sharp decline in growth as opposed to growth of 52.2% in FY14. Besides, we have factored in an aggressive NIM squeeze of ~90bps in FY15. However, net earnings of AEONCR is still expected to grow in excess of 20% for the next 2 financial years owing to (i) improved Cost-to-Income Ratio and (ii) lower credit cost (c.25bps). The stock is only traded at <10x to its FY15 EPS. Its higher FY15 PBV of 3.2x is also backed by 25.3% in FY15 ROE. We value AEONCR at RM17.80, implying a FY15 PBV of 3.7x or a FY15 PER of 10.8x. Our valuation already factored in a potential de-rating trend in its price multiples.
COASTAL (OP, TP: RM5.94)	We favour COASTAL largely as it is currently a laggard in terms of valuations versus small-to-mid-cap peers. It is currently trading at CY15 PER of 13.2x vis-a-vis Yinson that is trading at CY15 PER of 15.8x, and Uzma which is trading at CY15 PER of 16.2x. We believe the company is in the midst of a cyclical shipbuilding uptrend as evidenced by the significant RM1.2-1.3b order book. It has successfully landed a jack-up rig compression contract in Mexico and is seeking contract for its maiden jack-up rig. A contract win will change its business model to asset ownership (from trading previously) which is a re-rating catalyst.
HARBOUR (OP, TP: RM2.20)	A proxy to the SCORE initiative in Sarawak, HARBOUR's logistics and marine segment has been growing steadily over the years with consistent operating margins despite volatility in the shipping market. HARBOUR is believed to be a major beneficiary of SCORE as demand for logistics services may increase in tandem with higher economic activities in the Sarawak. The company has also embarked on its maiden foray into property development in Bintulu, Sarawak with potential GDV of RM1.0b spanning 10 years. Despite earnings recognition from property development being pushed back to FY16 as it will be on completion basis, we believe that the fundamentals of this stock remain intact and we have a TP of RM2.20 on SoP valuation.
INARI (TB, TP: RM 3.15)	A proxy to the high-growth areas such as Smartphone & Tablets (S&T) and LED segments, INARI is backed by the investment merits of (i) earnings stability, which makes it less vulnerable to the semiconductor cyclical volatility, (ii) robust 2-year NP CAGR of 67%, (iii) high exposure to the booming S&T segment amid the tech upcycle and (iv) higher investability following its recent debut in the Main Market listing. At the current valuation, the stock is trading at an undemanding FY15 PER of 13x, a c.18% discount to its closest peers valuation.
LONBISC (TB, TP: RM1.18)	Earnings at its inflection point as FY13 earnings improved 11% after 3 years of decline. Expect FY14 net profit growth of 15% and this is better than other consumer peers average of 8%. Deeply undervalued at 7.5x FY15E PE or 32% against peers average of 11x. Balance sheet is improving.
MITRA (TB, TP: RM1.13)	This under-researched stock is one the quality small-cap contractors that is worth considering given its visible earnings growth prospect. MITRA's earnings reached an inflection point in FY14 as its orderbook reached an all-time high of RM1.2b (3.3x to FY13 revenue), 140% higher than the previous high of RM500m. Based on our conservative analysis, we forecast MITRA's core earnings could at least record high double digit net profit growth of 52% and 31% in FY14 and FY15, respectively. More importantly, valuation wise, we perceive the stock's current price has yet to fully reflect its growth prospects, trading at only 7.2x against peers' average of 9-10x.
PADINI (OP, TP: RM2.13)	We like PADINI for its strong balance sheets and good cost control amid a challenging business environment. Earnings prospect remains promising, backed by its aggressive store expansion plan and its focus towards Brands outlets stores which offer value for-money products which are less discretionary to consumers. FY15 net dividend yield of 6.3% is the highest among our consumer space.
PESTECH (OP, RM7.27)	PESTECH is an alternative play for the power sector with huge market opportunities such as SCORE in Sarawak and RAPID in Pengerang, as well as overseas project especially in Indochina. Its share price has risen >60% since our initiation report in Feb-14 and we believe there is still good upside in its share price as it stands a good chance of securing the RAPID, Track 3B and 4A which worth >RM200m each, given its track record. We raise our FY15 revenue to RM450m from RM335m after we raised new order assumption to RM600m in FY15 from RM400m. Thus, our new TP is now RM7.27/share from RM5.34/share based on CY15 13x PER.
REDTONE (OP, TP: RM0.81)	Near-term key catalysts include (i) synergetic benefits created under the NSA agreement with Maxis; (ii) potential to seal more data projects from the Government. Redtone is scheduled to release its 4QFY14 result by end-July, which we expect the group's full-year net profit to come in at c.RM27.2m (8% YoY) and meet the transfer listing requirements. We understand that Redtone is planning to transfer its listing status to Main board with an aim to rewards shareholders further.
TSH (OP, TP: RM4.10)	We like TSH due to its trees' young age profile of about 6.5 years and superior FFB growth of 18% in FY14E (against peers' average of 10%). Recall that its 1Q14 FFB output growth of 22% YoY to 156,742 MT is the strongest among planters under our coverage.

Source: Kenanga Research

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Figure 21: Snapshot of 3Q14 Top 10 Mid & Small Cap Alternatives

#	Stocks	Last Price @ 20 June (RM)	FY13 Core NP Growth	FY14 Core NP Growth	FY15 Core NP Growth	FY14 Core PER	FY15 Core PER (x)	Latest Quarter PBV (x)	FY14 Net DivYld	FY14E ROE	Target Price (RM)	% of Up /Down- side
1	AEONCR	15.36	40.3%	30.7%	34.9%	12.6	9.3	3.7	3.0%	3263.1%	17.80	15.9%
2	COASTAL	4.80	27.8%	30.7%	13.8%	12.9	11.3	2.1	1.6%	14.3%	5.94	23.8%
3	HARBOUR	1.81	12.9%	-1.4%	14.8%	10.2	9.5	1.7	1.1%	13.2%	2.20	21.5%
4	INARI	2.99	111.3%	132.2%	19.4%	13.6	11.4	6.4	3.5%	62.5%	3.15	5.4%
5	LONBISC	0.88	11.5%	14.8%	18.3%	8.8	7.5	0.4	1.7%	4.6%	1.18	34.1%
6	MITRA	0.91	40.1%	52.3%	30.5%	9.4	7.2	0.9	4.4%	9.7%	1.13	24.2%
7	PADINI	1.92	-11.1%	15.7%	10.1%	12.9	11.7	3.2	5.2%	26.0%	2.13	10.9%
8	PESTECH	5.62	21.8%	40.9%	41.3%	19.4	13.8	4.8	2.1%	28.2%	7.27	29.4%
9	REDTONE	0.74	388.5%	7.9%	3.6%	14.9	13.7	2.7	2.2%	21.8%	0.81	10.2%
10	TSH	3.58	59.5%	43.1%	4.9%	15.7	15.0	2.8	1.6%	15.9%	4.10	14.5%

Source: Kenanga Research

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Appendix I

Sector Outlook

Figure 22: Overweight Sectors

Sectors	Brief Comments	Calls/Ratings
Building materials	<ul style="list-style-type: none"> 1Q14 result within expectations for ANNJOO, MASTEEL and LAFMSIA. Main catalyst is potential trade action on excessive Chinese steel imports which should improve local steel prices significantly. As news flow regarding this catalyst will be more visible towards the end of the year, we expect investors to start positioning themselves in 4Q14. Valuations of steel companies at their trough levels – current market valuation of ANNJOO at -1.3SD to 5-year historical PB and MASTEEL at -0.8SD to 5-yr historical PB. Limited downside as recent negativity has been fully priced into steel stocks. 2Q14 earnings to benefit from lower input and production costs – coal, iron ore and scrap prices are all lower YoY. Better production methods have increased efficiencies. Hence, 2Q14 earnings are likely to improve YoY. QoQ, we expect 2Q14 & 3Q14 growth to be stronger post-festive season as construction activities go full swing. Good construction demand driving volume growth – The construction sector's 1Q14 GDP grew +18.9% YoY. In-house forecast for full-year is +11.5% to be supported by healthy orderbooks & major infrastructure projects. Upgrade to OVERWEIGHT on favorable risk reward profile. Risk is limited as steel players' valuation is almost at historical low while earnings risks are minimal given lower raw material cost environment. Reward might be substantial towards 4Q14 as we expect the problem on excessive Chinese steel imports to be resolved by 1Q15. Our preferred pick is ANNJOO, due to its highest operating margin in steel sector @ 4%, attractive valuation (0.6x PB or -1.3SD to 5-yr historical PB) and better cost structure (via blast furnace production which is more energy-efficient and uses cheaper raw materials). 	<p>OP: ANNJOO (TP: RM1.31), MASTEEL (TP: RM1.14).</p> <p>MP: LAFMSIA (TP: RM9.50).</p>
Con- struction	<ul style="list-style-type: none"> KL Construction index (+7.9% YTD) outperformed FBMKLCI (+0.5% YTD) which was partly contributed by some of our OUTPERFORM stocks under our coverage namely BENALEC (+32.9%), MUHIBAH (+30.7%), and IJM (+15.6%). Earnings wise, majority of stocks in our coverage came in within expectations (6 within, 2 below) in 1QCY14. Few mega projects dished out in 2Q14 and expect more news and contract flows in 3Q14. We gather that 3 key big-ticket projects have been awarded to contractors i.e. RM5.0b WCE highway, RM1.0b Langat 2 WTP, RM3.5b RAPID Co-Gen plant. This is in line with our 2Q14 expectations. As for 3Q14, we expect: (i) more RAPID's infra jobs to be dished and worth more than RM1.0b, (ii) RM25b MRT2 alignment will be finalised and the government will make it public, (iii) some open tender jobs worth about RM2.2b for WCE highway to be awarded, (iv) new power plant projects worth more than RM5.0b to be awarded, and (v) more Borneo infra-related jobs (water, access roads) worth more than RM500m to be announced. Maintain OVERWEIGHT, as we expect more news and contract flows in 3Q14. KL Construction index is currently trading at slightly above its 5-year mean which we think is too low judging from the sector's upcycle (double-digit growth) and the industry's healthy fundamentals. While we still like IJM for its long-term prospects, we switch our top pick to GAMUDA for 3Q14 due to the expectation of positive outcome (potential special dividend) from negotiation between its 40%-owned SPLASH with Selangor and Federal governments. We also like SUNWAY as we believe they are the beneficiaries for the news and contract flows in 2H14 such as MRT2 and other infrastructure and building projects. 	<p>OP: BENALEC (TP: RM1.25), GAMUDA (TP: RM5.50), IJM (TP: RM7.57), MUHIBAH (TP: RM3.30), NAIM (TP: RM4.27), SENDAI (TP: RM1.18), SUNWAY (TP: RM3.70).</p> <p>MP: WCT (TP: RM2.32).</p> <p>UP: KIMLUN (TP: RM1.60).</p>

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Gaming

- **Casino: the heat continues.** Japan may miss passing the Casino Introduction Bill this year but new casinos are still able to be ready for the 2020 Tokyo Olympic. Jeju venture should get building permit by end-Jun, paving the way for a soft opening in early-2017; GENTING doubled its capex for RWLV to USD4b with ground breaking in 2H14 and to be completed 2-3 years later.
- **NFO: still good for yields.** After the completion/aborting of corporate exercises by MAGNUM/BJTOTO, the focus for the NFO players is mainly on dividend income, yielding c.6-7%. They also came under selling pressure which sent share prices to multiple-year low. But this is unwarranted given their earnings profile and highly regulated industry profile which is backed by attractive dividend yields.
- **Overall sector still OVERWEIGHT.** Casino operators are still our preferred choices over NFO players for the former's expansion story. GENTING remains as our TOP PICK. For NFO, we prefer BJTOTO over MAGNUM for its less-volatile quarterly earnings.

MREITs

- **MREITs' 1Q14 results were mostly inline**, with the exception of SUNREIT which exceeded our expectations due to our aggressive cost assumptions.
- **Rising cost may mute strong rental reversions** in the short to medium term. The lack of asset acquisitions due to the low cap rate environment implies less excitement. However, most of these negatives has been priced-in.
- **Investors appear desensitized by impact from the US QE tapering** as bond yields have plateaued at 4.0% despite the last few rounds of QE tapering.
- **Catalyst to the sector include a potential European QE which would put downward pressure on bond yields** (10-yr MGS) and exerting a positive effect on share prices. We have already rebased our MREIT valuation basis i.e. target 10-year MGS yield at 3.80% or 20bps lower than current levels.
- **Risks to our call include:** (i) worse-than-expected rising cost and weak rental reversions which would bite into earnings and dividends, and (ii) the US Fed increasing interest rates post QE tapering which will put upward pressure on the 10-year MGS yields.
- **Maintain OVERWEIGHT on MREITs.** The broad market is expected to weaken in 3QCY14 and we reckon that defensive stocks like MREITs will gain traction.

Plantation

- **1Q14 result mostly within expectation** with seven in line, one above (IOICORP) and two below (SIME, PPB).
- **Catalyst = El Nino in 2H14 with 70% occurrence chance currently.** This should support share prices of planters.
- **Positive outlook for plantation sector even without El Nino.** Expect 2Q14 earnings growth of +15% YoY due to 11% gains in CPO prices YoY to RM2583/MT and 17% CPO production increase YoY.
- **Slow inventory rise is not a major concern.** Jun-14 inventory to rise by 5% to 1.93m MT but the downside in CPO prices should be limited to RM2350/MT (assuming Brent @ USD110/barrel).
- Top Picks are KLK (TP: RM27.00) and TSH (TP: RM4.10).

OP:

GENTING (TP: RM12.50),

BJTOTO (TP: RM4.25), MAGNUM (TP: RM3.59).

MP:

GENM (TP: RM4.57).

OP:

KLCC (TP: RM6.90),

SUNREIT (TP: RM1.56),

CMMT (TP: RM1.59),

IGBREIT (TP: RM1.35).

UP:

AXREIT (TP: 3.08).

OP:

CBIP (TP: RM4.90),

KLK (TP: RM27.00),

IOICORP (TP: RM5.40),

TAANN (TP: RM5.00),

TSH (TP: RM4.10).

MP:

FGV (TP: RM4.75),

IJMP (TP: RM3.80),

SIME (TP: RM10),

PPB (TP: RM16.55),

UMCCA (TP: RM7.50).

**Rubber
Gloves**

- **Rubber gloves stocks under our coverage have retraced 15%-20% YTD; providing buying opportunity in our view.** Our investment case is based on : (i) our analysis that the new capacity expansion is slower-than-expected, which should help maintain the supply-demand equilibrium, (ii) earnings growth to resume in subsequent quarters underpinned by new capacity expansion and fueled by sustained demand for rubber gloves, led by nitrile gloves, and (iii) the sustained low raw material prices.
- **Demand for gloves still intact, growth led by nitrile gloves in 2013 and should continue to lead in coming years.** According to the MREPC in 2013, the combined total exports of rubber gloves, synthetic rubber (SR) and natural rubber (NR) rose 9% YoY. Specifically, nitrile gloves rose 19% YoY. Latex-based gloves or NR gloves and SR gloves volume ratio are 50:50 in 2013 compared to 61:39 in 201.
- **We select HARTA (Hartalega Holdings) as TOP PICK** for its: (i) highly automated production processes model, (ii) solid improvement in its production capacity and reduction in costs leading to better margins compared to its peers, (iii) innovation in producing superior quality nitrile gloves, and (iv) positioning in a booming nitrile segment with a dominant market position. Re-rating catalyst would come from the maiden commercial operations of its NGC plant with first line expected in 3Q14.
- **We also like Kossan** because: (i) of its superior net profit growths of 26% and 16% in FY14E and FY15E, compared to the average of 6.9% and 9.4% for Top Glove and Hartalega, respectively, (ii) Kossan's unprecedented earnings growth over the next two years underpinned by rapid capacity expansion, and (iii) it is not just a play on rubber glove but also a bet on its TRP division.

**Transport
and logistics**

- **Positive on the overall shipping segment** particularly in the dry bulk and large-sized petroleum segment. However, outlook for LNG shipping remains negative in the medium-term.
- **Dry Bulk and Petroleum tanker segment improved especially for bigger-sized vessels in 1Q14 on narrowed demand-supply gap** amid improved global economy. This should continue in the near-term while chemical tanker rates are seen remaining flattish.
- **LNG rates continued its downtrend** on oversupply concerns of LNG vessels. Heavy deliveries of LNG vessels are expected in 2014 to 2017.
- **Upgrade sector to OVERWEIGHT (from NEUTRAL) on buoyant shipping data and attractive valuation** on big cap MISC following its share price weakness of late.
- **Top picks** for the sector are: (i) MAYBULK for its exposure to the recovering dry bulk shipping and booming OSV segment and (ii) HARBOUR as a proxy to SCORE initiative in Sarawak and its steady growing logistics division and maiden venture into property development in Bintulu, Sarawak.

**Utility -
Power**

- **Still OVERWEIGHT the Power Utility with TENAGA as TOP PICK for its compelling valuation while PESTECH is an alternative small cap play.**
- **The direct award of Track 4A is not healthy for sector reform** although this IPP is unlikely to be a lopsided one. We maintain our stand for fair and transparent competitive bid. With YTLPOWER already pulled out from the project, EC may open it for competitive tender.
- **The two problematic coal-fired IPPs expected to stabilise in 2H14** but still need to go on staggered planned outages for ratification works. The issues should be permanently resolved for Jimah by end-2014 and Tg Bin by mid-2015.

UP:

GENP (TP: RM10.85).

OP:

HARTA (TP: RM7.48),

KOSSAN (TP: RM5.13),

SUPERMX (TP: RM3.23).

MP:

TOPGLOV (TP: RM4.92).

OP:

HARBOUR (TP: RM2.20),

MAYBULK (TP: RM2.53),

WPRTS (TP: RM 3.13).

MP:

BIPORT (TP: RM7.91),

INTEGRA (TP: RM2.32),

MISC (TP: RM6.87).

OP:

PESTECH (TP: RM7.27),

TENAGA (TP: RM13.58),

YTLPOWER (TP: RM1.77).



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Utility -
Water

- **Expect no tariff revision in Jun-Review** due to inflationary pressure, but a tariff hike in Dec-Review is possible.
- **3 major positive developments in 2Q14:** (i) The water industry consolidation will take place without SPLASH, (ii) PUNCAK finally accepted the SSG's offer to take over the former's concessions assets at RM1.56b, and (iii) the main package of the Langat 2 Water Treatment Plant (WTP) had finally been awarded.
- **Special dividend soon?** We believe part of the Puncak's cash proceeds will be distributed to shareholders as special dividend. We also advocate investors to focus on SPLASH's shareholder, GAMUDA as we believe that if FG or/and SSG top up the RM2.0b to meet the required consideration by SPLASH shareholders, part or bulk of the proceeds will be distributed to GAMUDA's shareholders.
- **More Langat 2 and other water-related projects** will benefit small and mid cap water players. We also understand that some of these stocks are featured in our "On our Radar" product i.e. ENGTEX (TAKE PROFIT; FV: RM1.68) and SALCON (TRADING BUY; FV: RM0.75). These stocks are likely to benefit from more packages in Langat 2 and other water-related projects.
- **Upgrade to OVERWEIGHT from NEUTRAL.** After a series of positive developments in the past three months, we upgrade the Water sector's rating to OVERWEIGHT from NEUTRAL. Our upgrade is premised mainly on the fact that we are finally going to see the Selangor's water industry consolidation soon.

MP:MMCCORP (TP:
RM2.77).**OP:**PUNCAK (TP:
RM4.30).

Source: Kenanga Research

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Figure 23: Underweight Sectors

Sectors	Brief Comments	Calls/Ratings
Media	<ul style="list-style-type: none"> Although the YTD-May gross adex recorded a strong growth of +13.6% YoY (or +7.7% after stripping-off the Pay-TV segment), the growth rate appear somewhat exaggerated due to different gross adex computation, especially in the Newspaper segment. Te DTTB rollout is not expected to pose any immediate threat to MEDIA's TV segment. MEDIA believes rich local contents are still the key to success in the local FTA TV segment playing field. Newsprint price is expected to remain firm at the current USD580-USD620/MT range in view of steady global demand supply balance. Based on our observations, the sector incumbents have further widened the discounted rates to advertisers to boost gross adex. These, however, have not translate into better net adex revenue. We leave our CY14 total gross adex growth forecast unchanged at 6.8% YoY (or 2.9% after stripping off the Pay-TV segment contribution). Muted view on the sector remains unchanged. Although we believe the FIFA World Cup and Visit Malaysia 2014 may provide some positive lift to consumer sentiment, these feel-good factors could potentially be offset by: (i) the escalating cost of living (spurred mainly by the on-going subsidies' rationalisation plan) and (ii) potential slower property projects launches, and hence lower ads spend. 	<p>MP: MEDIA (TP: RM2.75), MEDIAC (TP: RM0.92).</p> <p>UP: ASTRO (TP: RM3.10), STAR (TP: RM2.37).</p>

Source: Kenanga Research

Figure 24: Neutral Sectors

Sectors	Brief Comments	Calls/Ratings
Auto	<ul style="list-style-type: none"> We are maintaining our NEUTRAL rating on the Automotive sector with moderate sales growth expectations. Although we see more attractive new models launches in the pipeline, we are keeping our conservative forecast of 668,900 units, which implies a targeted 2% YoY growth. Sales momentum is anticipated to slow down from 2H14 onwards due to the high base in 2H13 (pick-up in sales post election) as well as slower consumer spending amid rising living costs. On the earnings side, with the on-going stiff competition (which triggered more aggressive discount and higher marketing costs) as well as the unfavourable exchange rate, we believe the earnings growth for most of the automotive companies this year could be kept in check. We like BJAUTO, which we have a TRADING BUY call (TP: RM2.82) for our retail product segment with investment merits backed by its: (i) superior growth prospects from low base (+19% bottomline growth in FY15) on the back of strong pipeline of exciting models, (ii) sustainable EBIT margin of 11.2%, and (iii) targeted DPR of up to 40% or 8.7 sen based on our FY15E NP of RM168m, which could translate into a c.4% dividend yield. 	<p>OP/TB: BJAUTO (TP: RM2.82).</p> <p>MP: DRBHCOM (TP: RM2.49), TCHONG (TP: RM5.38), UMW (TP: RM12.25).</p> <p>UP: MBMR (TP: RM2.92).</p>
Aviation	<ul style="list-style-type: none"> 1QCY14 results inline. Generally, the results for the aviation stocks under our coverage like AIRASIA and AIRPORT were within expectations, except for MAS, which saw bigger losses due to lower-than-expected yields arising from the decline in fuel surcharges and other income. Recap of 1H14. 1H14 marks a series of events for the aviation sector such as the MH370 incident, active capacity management strategy adopted by airlines, opening of KLIA2, AirAsia moving into KLIA2 and MAHB's acquisition of 40% in Sabiha Gocken Airport and etc. 	<p>OP: AIRASIA (TP: RM3.01), MAHB (TP: RM9.44).</p> <p>UP: MAS (TP: RM0.14).</p>

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- **Slow and quiet 3QCY14?** Following the heavy news flow in 1H14, we expect minimal news flow for the sector as we move into 3QCY14. This means a lack of near-term catalyst for the sector to re-rate in a seasonally slow quarter for the sector, except that we might expect more news flow on MAS' restructuring plan.
- **Risks.** Sharp devaluation on the Ringgit due to interest rate hikes in U.S. and Europe, Middle East political unrest leading to higher fuel price, could potentially hurt airlines profitability.
- **Outlook.** While we deem that 3QCY14 would be slightly quieter as compared to other quarters, we believe that the demand for travel remains resilient for FY14 driven by reasonably cheap airfares arising from the heated competition between airlines.
- **Maintain NEUTRAL.** We maintain our NEUTRAL call on the sector due to lack of near-term excitement and the potential operational risk of KLIA2 as it is still under a gestation period given that it started operations in May-14. However, we still prefer AIRASIA given that the stock has corrected from its recent high of RM2.59 to RM2.30 in tandem with its foreign shareholding levels, which declined to a recent low of 47%, coupled with their ability to minimise currency and fuel price risk through active hedging management and procurement power.

Banking and Non-bank Financial

- **Post results, our NEUTRAL view remains unchanged** as most of the banks' quarterly results were pretty much within expectations as we have factored in the underlying trends of (i) moderating in loans growth, (ii) structural NIM compression and (iii) rising credit cost.
- Nonetheless, we still notice some banks were boosted by lower credit cost (i.e. MBSB & RHBCAP) and writebacks in investment assets (i.e. MAYBANK). Without these, their results would have been lower. Again, we concern over the sustainability of their earnings growth as we strongly believe that normalisation in credit cost is well on the cards.
- **All told, we do not see much rerating catalysts to the sector in the short-term.**
- **However, any hikes in domestic interest should be positive to banking stocks in the near term** due to (i) faster re-pricing of loan as opposed to deposits and (ii) concern over rising credit cost could be overplayed should the rate hike is merely 25-50bps as our economist reckons that the country's neutral rate is approximately 3.25%-3.50% (vs. the current OPR of 3.00%).
- **To position for the potential rate hike, we select AFG as our Top Pick** due to its high proportion of variable rate loans and higher-than-industry % of CASA (to Total Deposits).
- **As for AEONCR,** we like its undemanding valuation apart from sounds fundamental. We are not overly concern over the deterioration in asset quality and rising credit cost as its much higher than banks' NIM should be able to cushion such concerns.

Consumer

- **1Q14 results for the sector were mixed-to-negative** with nine in line and five below expectations (AEON, ASIABRN, DLADY, HAI0, and PARKSON). Retailers were the clear cut losers for the reporting quarter.
- **No major excitement/catalyst expected in the forthcoming 2Q14 results.** We expect a flattish/lower QoQ earnings growth in the 2QCY14 reporting season, due to the absence of festivities. Consumer is still feeling the pinch of the subsidy rationalisation with another round of penny-pinching when the GST implemented in April 2015.
- **Maintain NEUTRAL.** While we maintained neutral on the overall consumer sector, we are more cautious in terms of valuations. As we rolled over our valuation base year to FY15 in the current strategy report,

OP:

AFG (TP: RM5.25),
 BIMB (TP: RM4.55),
 MAYBANK (TP: RM11.20),
 PBBANK (TP: RM21.90),
 AEONCR (TP: RM17.80),
 BURSA (TP: RM8.10),
 LPI (TP: RM18.75),
 MBSB (TP: RM2.65).

MP:

AFFIN (TP: RM4.00),
 AMMB (TP: RM7.80),
 CIMB (TP: RM8.00),
 HLBANK (TP: RM15.20),
 RHBCAP (TP: RM8.75).

OP:

NESTLE (TP: RM76.10),
 PADINI (TP: RM2.13),
 QL (TP: RM3.51).

MP:

AMWAY (TP: RM12.50),



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we have also lowered our targeted PER on selective stocks amid more uncertainties in the macro environment (e.g. possible interest rate hikes, further subsidy reduction, and economic growth uncertainties in China, Japan and Europe). Consumer sector average dividend yield of c.4% is currently trading near its 3-years historical average-to-trough levels. At the current yield level, investors might find the consumer sector unappealing vis-à-vis the 10-year MGS of 4.07%.

- **Selective bright spots.** Amid a challenging business environment, we favour companies with strong balance sheet and good cost control. Preferred picks are: (i) Nestle for its ongoing expansion plans and the current 4.4% dividend yield which is at the peak of 3-years historical average levels, (ii) Padini for its strong earnings growth potential backed by its aggressive store expansion plan and 6.3% yield which is the highest among our consumer space.

Healthcare

- **Both IHH and KPJ are currently trading at lofty valuations** relative to their net profit growth potentials for FY14 and FY15.
- **Budget 2014 an impetus for growth in the Healthcare industry.** The Government allocated RM22.1b (+13% Y-o-Y) for the health sector under operating and development expenditure. The allocation includes the construction of Hospital Tanjung Karang and additional blocks for Hospital Jeli, as well as the upgrading of Hospital Kuala Lipis and 30 rural clinics.
- **We maintain KPJ Healthcare as Underperform** (Underperform; TP = RM2.89) because of (i) rich valuations compared to its pedestrian net profit growth over the next two years. The stock is currently trading at PERs of 29x for FY14E and 27x for FY15E, which appears rich as compared to its expected average net profit growth of 11% p.a. over FY14 and FY15. and (ii) start-up costs and losses from its new hospitals in Sabah, Muar and Rawang scheduled in FY14, which could negate earnings upside due to higher operating costs.
- **IHH Healthcare (Market Perform; TP = RM4.20) are now trading at rich valuations and offer only low dividend yields** at their current market prices. The stock is currently trading at 45x and 41x on FY14E and FY15E earnings compared to its average net profit growth of 15% p.a. over the next two years.

Oil and gas

- Given our overall cautious outlook on the market for 2H14 which could affect high-beta sectors like oil & gas, coupled with limited upside of 6% on weighted average for the sector, we downgrade the oil & gas sector to NEUTRAL from OVERWEIGHT.
- New headline contracts (besides OSV, jack-up rig, fabrication contracts) could only emerge towards 4Q14, keeping news flows muted in the near-term.
- We advocate investors to continue being stock-selective; and focus on laggards that have strong order-book to back up earnings visibility.
- Our Top Picks are still SKPETRO and COASTAL. On the downstream segment, the RAPID project could buoy interest for PANTECH.

ASIABRN (TP: RM4.10),

CARLSBG (TP: RM12.21),

DLADY (TP: RM47.20),

HAIO (TP: RM2.47),

OLDTOWN (TP: RM2.25),

ZHULIAN (TP: RM3.08)

UP:

AEON (TP: RM3.44),

BAT (TP: RM64.50),

GAB (TP: RM12.93),

PARKSON (TP: RM2.48).

MP:

IHH (TP: RM4.20).

UP:

KPJ (TP: RM2.89)

OP:

ALAM (TP: RM1.86),

COASTAL (TP: RM5.94),

DAYANG (TP: RM4.82),

PANTECH (TP: RM1.23),

PCHEM (TP: RM7.31),

PERDANA (TP: RM2.47),

Property developers

- **Already rebounded from lows in 1H14.** 1QCY14 results were within to below expectations. Most property stocks rebounded from their trough valuations earlier this year (excl. MAHSING, UEMS, IOIPG, SPSETIA) with KLPRP YTD returns of 10% and average property share price YTD returns of 15%. More are now closer to average valuations.
- **Not enough catalysts in 3QCY14...** Not expecting any major positive newsflow, save for monitoring progress of new launches and take-up rates.
- **...but more risks, including potential interest rate hike** which could imply a series of rate hikes which affects property sentiment and higher AVL. If there is no rate hike, Budget-2015 (Oct) could be negative if government/BNM are not satisfied with Budget-2014 results on the sector. Broad market is expected to correct as well which does not bode well for high-betas.
- **A better 4QCY14?** If Budget-2015 is quiet, the sector will re-rate. Pre-GST demand and industry newsflow (e.g. HSR, RTS, MRT, landbanking, new launches) will also be more obvious.
- **Downgrade to NEUTRAL from OW.** Given the rebounds in 1H14, the risk-reward ratio is no longer favourable while 3QCY14 could be clouded by the mentioned issues. Laggards may not even be appealing during this period.
- **Adopt selective or TRADING BUY strategies.** Our Top Pick is SUNWAY for its strong construction orderbook replenishments while MATRIX is a preferred pick for its affordable housing exposure and decent dividend yields. Investors should be selective i.e. aim for those with specific newsflow (RNAV plays, new landbanking, undiscovered gems) in the small/mid cap space: Trading BUY calls from our OR products: Global Oriental (FV: RM1.23), SBC Corp (FV: RM3.24), SUNSURIA (ex-all FV: RM1.22 / cum-FV: RM2.93), and TTJY (FV range: RM2.95-RM3.32).

PERISAI (TP: RM2.22),
 SKPETRO (TP: RM5.57),
 UZMA (TP: RM4.33).

MP:

BARAKAH (TP: RM1.74),
 DIALOG (TP: RM3.92),
 WASEONG (TP: RM2.00).

UP:

GASMSIA (TP: RM3.54),
 MHB (TP: RM3.60),
 PETGAS (TP: RM21.54),
 YINSON (TP: RM2.31).

OP:

CRESNDO (TP: 3.15)
 IOIPG (TP: 2.95),
 MAHSING (TP: 2.45),
 MATRIX (TP: 4.80),
 SUNWAY (TP: 3.70),
 UEMS (TP: 2.40).

MP:

HUAYANG (TP: 2.15),
 SPSETIA (TP: 3.03),
 TROP (TP: 1.65),
 UOADEV (TP: 2.13).

ACCEPT OFFER (AO):

IJMLAND (TP: 3.55).

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Technology

- **We maintain our NEUTRAL** call on the technology sector. The solid sales growth in the global semiconductor market as well as the favourable exchange rates are expected to continue to lend strength to the earnings of local semiconductor companies given their export-oriented earnings profile. These, however, are not expected to benefit all the companies under our coverage due to their respective different product mix profile.
- **Our preference picks are still with companies having high exposure in the stronger growth areas such as S&T segment and Automotive segment.**
- **On the HDD front**, we believe the industry growth will likely remain flat in 2014 in light of the overall slower consumer spending in Desktop HDD and Mobile HDD, which mimicked the weaker PC demand (commanding c.76% of the total market share for total HDD shipments).
- **MPI remains our TOP PICK** in the sector due to its resilient earnings outlook as well as its attractive potential net dividend yield of c.4% in FY14.

OP:

MPI (TP: RM5.23).

MP:

SAM (TP: RM3.41).

UP:

NOTION (TP: RM0.58);

UNISEM (TP: RM0.86).

Telco

- **Finding ways to drive data revenue.** The recent launch of several entry-level bundling packages suggest that Celcos have started to adopt more aggressive market approaches to spur data usage and more importantly, data revenue, going forward.
- **A new integrated communications services provider in the making?** The recent partnership and collaboration between TM, Green Packet and SK Telecom is expected to enable TM to offer a full-suite integrated communications service in Malaysia should the fixed-line giant received the green-light on its new business plan for P1 by 3Q14.
- **Potential tax allowance from P1?** P1 has yet to receive any response from the authorities with regards to its tax allowance application (related to qualifying last mile broadband assets). Should any tax allowance is granted in the future, it will help to reduce TM investment cost in P1.
- **Threat from TM wireless ambition?** Mobile incumbents are generally not overly concerned on the partnership and collaboration agreement between TM, Green Packet and Korea-based SK Telecom. Celcos believe that TM's strength lies in the fixed-line services and thus, the company would likely to leverage its strength and competitiveness in the mobile segment targeted towards certain sectors as well as geographical areas.
- **TM is our top pick in the big cap telco.** The stock's near-term catalysts include: (i) more traction from HSBB 2 project and (ii) potential better-than-expected synergies from its recent acquisition in P1.

OP:

TM (TP: RM6.74),

REDTONE (TP: RM0.81).

MP:

AXIATA (TP: RM6.96),

DIGI (TP: RM5.40),

MAXIS (TP: RM6.92).

Source: Kenanga Research

Appendix II

Model Portfolio

Figure 24: Model Portfolio for 2Q14

No	Industry / Company	12Mths ADJ Beta	No of Shares	Cost @ 31/3/2014	Avg Cost/Share	Previous Month's Share Price	Value	Share Price @ 26-Jun-14	Value	Unrealised Profit/(Loss) Q-to-Date	% Change Q-t-D	Weighting (as % of NAV)	Latest Dividend Ex-Date	Gross Dividend	Consensus 12M Div Yield				
																RM	RM	RM	RM
I CONSUMER																			
1	SUPERMAX CORP BHD	SUCB MK EC	1.00	297,600	773,760	2.60	2.37	705,312	2.11	627,936	(145,824)	-18.85%	2.00%	6/10/2014	0.03	2.37			
2	BRITISH AMERICAN TOBACCO	ROTH MK EQ	1.02	13,088	773,760	59.12	62.50	817,997	66.76	873,752	99,992	12.92%	2.00%	5/9/2014	0.75	4.33			
II CONSTRUCTION/PROPERTY																			
3	IJM CORP BHD	IJM MK Equity	0.77	63,010	386,880	6.14	6.60	415,864	6.69	421,535	34,655	8.96%	1.00%	6/10/2014	0.11	3.74			
III FINANCIAL SERVICES																			
4	CIMB GROUP HOLDINGS BHD	CIMB MK Equ	1.26	459,927	3,288,479	7.15	7.33	3,371,266	7.31	3,362,067	73,588	2.24%	8.50%	3/24/2014	0.103	3.17			
5	MALAYAN BANKING BHD	MAY MK Equ	0.87	319,735	3,095,039	9.68	9.94	3,178,170	9.83	3,142,999	47,960	1.55%	8.00%	4/29/2014	0.310	5.44			
6	PUBLIC BANK BERHAD	PBK MK Equ	0.65	239,625	4,449,119	18.57	19.44	4,658,072	20.02	4,797,294	348,175	7.83%	11.50%	2/18/2014	0.291	2.52			
7	BIMB HOLDINGS BHD	BIMB MK Equ	1.40	178,697	773,760	4.33	4.01	716,577	4.16	743,381	(30,379)	-3.93%	2.00%	5/5/2014	0.085	4.09			
8	RHB CAPITAL BHD	RHBC MK EC	0.85	91,895	773,760	8.42	8.25	758,138	8.58	788,463	14,703	1.90%	2.00%	6/19/2014	0.103	1.90			
IV GAMING																			
9	BERJAYA SPORTS TOTO BHD	BST MK Equity	0.42	249,278	967,200	3.88	3.86	962,214	3.82	952,243	(14,957)	-1.55%	2.50%	7/16/2014	0.070	3.58			
10	GENTING BHD	GENT MK Equ	0.77	135,408	1,354,080	10.00	9.78	1,324,290	9.99	1,352,726	(1,354)	-0.10%	3.50%	11/20/2013	0.500	5.46			
IV OIL & GAS																			
11	COASTAL CONTRACTS BHD	COCO MK EC	0.82	114,915	580,320	5.05	4.85	557,337	5.05	580,320	0	0.00%	1.50%	3/11/2014	0.034	1.27			
12	PETRONAS CHEMICALS GROU	PICHEM MK E	0.88	223,954	1,547,520	6.91	6.79	1,520,845	6.78	1,518,406	(29,114)	-1.88%	4.00%	2/21/2014	0.120	2.95			
13	DIALOG GROUP BHD	DLG MK Equ	0.72	431,064	1,547,520	3.59	3.74	1,612,179	3.70	1,594,937	47,417	3.06%	4.00%	6/10/2014	0.011	0.89			
14	SAPURAKENCANA PETROLEUM	SAKP MK Equ	1.42	300,907	1,354,080	4.50	4.10	1,233,717	4.36	1,311,953	(42,127)	-3.11%	3.50%	7/2/2014	0.000	0.00			
V PLANTATION																			
15	SIME DARBY BERHAD	SIME MK Equ	1.03	290,887	2,708,159	9.31	9.47	2,754,701	9.66	2,809,970	101,810	3.76%	7.00%	4/22/2014	0.060	3.42			
16	IOI CORPORATION BHD	IOI MK Equity	1.20	362,700	1,740,960	4.80	4.95	1,795,364	5.26	1,907,801	166,842	9.58%	4.50%	3/10/2014	0.080	3.14			
17	KUALA LUMPUR KEPONG BHD	KLK MK Equity	0.88	47,960	1,160,640	24.20	24.20	1,160,640	24.30	1,165,436	4,796	0.41%	3.00%	7/17/2014	0.150	2.06			
18	TSH RESOURCES BHD	TSH MK Equity	1.43	306,076	967,200	3.16	3.43	1,049,840	3.66	1,120,238	153,038	15.82%	2.50%	6/2/2014	0.035	0.96			
VI POWER																			
19	TENAGA NASIONAL BHD	TNB MK Equity	0.89	258,783	3,095,039	11.96	12.16	3,146,796	12.20	3,157,147	62,108	2.01%	8.00%	5/15/2014	0.100	2.05			
20	PESTECH INTERNATIONAL BHC	PEST MK Equ	0.64	138,501	580,320	4.19	4.87	674,501	5.64	781,147	200,827	34.61%	1.50%	1/29/2014	0.040	1.60			
VII TELECOMMUNICATION																			
21	AXIATA GROUP BERHAD	AXIATA MK E	1.27	377,019	2,514,719	6.67	6.89	2,597,664	6.99	2,635,365	120,646	4.80%	6.50%	6/2/2014	0.140	3.15			
22	TELEKOM MALAYSIA BHD	T MK Equity	1.36	262,737	1,547,520	5.89	6.35	1,668,378	6.35	1,668,378	120,859	7.81%	4.00%	5/22/2014	0.163	4.11			
23	REDTONE INTERNATIONAL BHC	RIB MK Equity	0.81	533,627	386,880	0.73	0.74	394,884	0.740	394,884	8,004	2.07%	1.00%	10/9/2013	0.015	2.07			
24	DIGI.COM BHD	DIGI MK Equity	1.36	287,109	1,547,520	5.39	5.50	1,579,102	5.71	1,639,395	91,875	5.94%	4.00%	5/9/2014	0.062	4.15			
VIII OTHERS																			
25	MALAYSIAN PACIFIC INDUSTRI	MPI MK Equity	0.67	92,114	386,880	4.20	4.66	429,252	5.12	471,625	84,745	21.90%	1.00%	5/15/2014	0.100	2.93			
26	MALAYSIAN BULK CARRIERS B	MBC MK Equ	0.91	188,722	386,880	2.05	1.76	332,151	1.81	341,587	(45,293)	-11.71%	1.00%	5/26/2014	0.030	1.66			
										0.98	38,687,989		39,415,850	1,472,995	3.81%	100.00%			
Total Dividend Received in 1Q14										357,529	0.92%								
Total Return										1,830,524	4.73%								
KLCI										1,889,555	2.18%								
KLCI - TOTAL RETURN										40,34	3.05%					3.07			
														KLCI Sector Weighting Covered	99.03%				
														KLCI Stock Weighting Covered	72.91				

Source: Kenanga Research

Figure 25: Track Records of Kenanga Research Model Portfolio Return

	Initial Capital	Capital Invested	Unutilised cash	Capital Gain	Dividend Received	Total Gain	Capital Gain (based on initial cap)	Capital Gain (based on cap invested)	Total Return (based on initial capital)	KLCI Return	OP/(UP) (vs KLCI)
	RM										
2Q11	25,000,000	24,562,500	437,500	470,815	360,606	25,831,421	1.88%	1.92%	3.33%	3.11%	0.22%
3Q11	25,831,421	25,235,032	596,389	(2,882,853)	242,681	23,191,250	-11.16%	-11.42%	-10.22%	-11.23%	1.01%
4Q11	23,191,250	22,999,232	192,018	3,112,904	186,868	26,491,022	13.42%	13.53%	14.23%	11.42%	2.81%
1Q12	26,491,022	26,491,022	-	1,217,337	168,843	27,877,202	4.60%	4.60%	5.23%	4.96%	0.27%
2Q12	27,877,202	27,877,202	-	(1,771)	403,846	28,279,278	-0.01%	-0.01%	1.44%	1.42%	0.02%
3Q12	28,279,278	28,279,278	-	749,917	275,492	29,304,687	2.65%	2.65%	3.63%	3.39%	0.24%
4Q12	29,304,687	29,304,687	-	1,016,154	270,543	30,591,385	3.47%	3.47%	4.39%	3.95%	0.44%
1Q13	30,591,385	30,591,385	-	(22,393)	136,028	30,705,020	-0.07%	-0.07%	0.37%	-0.56%	0.93%
2Q13	30,705,020	30,705,020	-	3,497,282	548,180	34,750,482	11.39%	11.39%	13.18%	7.55%	5.63%
3Q13	34,750,482	34,750,482	-	220,246	589,624	35,560,352	0.63%	0.63%	2.33%	0.73%	1.60%
4Q13	35,560,352	35,560,352	-	2,592,450	158,196	38,310,998	7.29%	7.29%	7.74%	5.83%	1.91%
1Q14	38,310,998	38,310,998	-	150,896	226,095	38,687,989	0.39%	0.39%	0.98%	0.40%	0.58%
2Q14	38,687,989	38,687,989	-	1,472,995	357,529	40,518,513	3.81%	3.81%	4.73%	3.05%	1.68%

Source: Kenanga Research

Our 2Q14 Model Portfolio has OUTPERFORMED the benchmark index, FBMKLCI, again, by another 168bps.

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Our 2Q14 Model Portfolio total return of +4.73% (as of 25th of June) marked the 13th consecutive quarter of outperforming the benchmark index, where the index merely recorded a +3.05% increase during the period. Delving deeper, the gain was mainly contributed by the capital gain from our stock selections, which contributed a handsome return of 3.81% (vs. 2.18% in the 30-index stocks). Dividend-wise, our 2Q14 model portfolio received a total RM357k or 0.92% during the quarter, 5bps higher than the FBMKLCI. This was a pleasant surprise given that the model portfolio only consists of 72.9% coverage on the index link stocks. The top three outperformers in 2Q4 were PESTECH (+34.6%); MPI (+21.9%); and TSH (+15.8%) while the under-performers were SUPERMAX (-18.8%); MAYBULK (-11.7%) and BIMB (-3.9%).

Moving into 3Q14, we have assigned a NEUTRAL weighting (or equal index link weighting) to most of the sectors to align with our strategy. We prefer to stay long and pick companies that are likely to announce dividends during the quarter.

A part of the usual stock weighting rebalancing, we have also included all our top 10 stock picks (for the 3Q14) and some mid-to-small cap picks into the model portfolio. The newly added stocks for the 3Q4 model portfolio include (i) HARTALEGA; (ii) NESTLE; (III) SUNWAY; (IV) GAMUDA; (V) AFG; (VI) AEON CREDIT; (VII) PANTECH; and (VIII) PUNCAK. These stock selections are to replace companies removed from the 2Q14 model portfolio (i.e. SUPERMAX; IJM; BIMB; RHBCAP; DIALOG; and MPI).

Figure 26: Model Portfolio for 3Q14

No	Industry / Company	12Mths ADJ Beta	No of Shares	Cost @ 26/6/2014	Avg Cost/Share	Previous Month's Share Price	Value	Share Price @ 26-Jun-14	Value	Unrealised Profit/(Loss)	% Change Q1-D	Weighting (as % of NAV)	Latest Dividend Ex-Date	Gross Dividend	Consensus 12M Div
				RM	RM	RM	RM	RM	RM	RM	%	X		RM	%
I	CONSUMER			2,025,926					2,025,926	0	0.00%	5.00%			
1	HARTALEGA HOLDINGS BHD HART MK EQ	1.00	129,452	810,370	6.26	5.92	766,357	6.26	810,370	0	0.00%	2.00%	5/26/2014	0.04	2.32
2	NESTLE (MALAYSIA) BERHAD NESZ MK EQ	1.05	9,159	607,778	66.36	67.78	620,783	66.36	607,778	0	0.00%	1.50%	5/12/2014	1.75	3.54
3	BRITISH AMERICAN TOBACCO B ROTH MK EC	1.02	9,104	607,778	66.76	62.50	568,995	66.76	607,778	0	0.00%	1.50%	5/9/2014	0.75	4.33
II	CONSTRUCTION/PROPERTY			607,778					607,778	0	0.00%	2.50%			
4	GAMUDA BHD GAM MK Equ	0.96	130,987	607,778	4.64	4.49	588,130	4.64	607,778	0	0.00%	1.50%	1/9/2014	0.06	2.59
5	SUNWAY BHD SWB MK Equ	1.23	131,554	405,185	3.08	3.12	410,447	3.08	405,185	0	0.00%	1.00%	3/28/2014	0.05	3.25
III	FINANCIAL SERVICES			12,965,924					12,965,924	0	0.00%	32.00%			
6	CIMB GROUP HOLDINGS BHD CIMB MK Equ	1.26	443,431	3,241,481	7.31	7.33	3,250,350	7.31	3,241,481	0	0.00%	8.00%	3/24/2014	0.103	3.17
7	MALAYAN BANKING BHD MAY MK Equ	0.87	350,364	3,444,074	9.83	9.94	3,482,614	9.83	3,444,074	0	0.00%	8.50%	4/29/2014	0.310	5.44
8	PUBLIC BANK BERHAD PBK MK Equ	0.65	232,749	4,659,629	20.02	19.44	4,524,402	20.02	4,659,629	0	0.00%	11.50%	2/18/2014	0.291	2.52
9	ALLIANCE FINANCIAL GROUP B AFG MK Equ	0.95	169,534	810,370	4.78	4.74	803,589	4.78	810,370	0	0.00%	2.00%	6/9/2014	0.105	6.17
10	AEON CREDIT SERVICE M BHD ACSM MK EC	1.01	52,417	810,370	15.46	14.92	782,065	15.46	810,370	0	0.00%	2.00%	6/30/2014	0.240	2.70
IV	GAMING			2,228,518					2,228,518	0	0.00%	5.50%			
11	BERJAYA SPORTS TOTO BHD BST MK Equ	0.42	212,139	810,370	3.82	3.86	818,856	3.82	810,370	0	0.00%	2.00%	7/16/2014	0.070	3.58
12	GENTING BHD GENT MK Equ	0.77	141,957	1,418,148	9.99	9.78	1,388,337	9.99	1,418,148	0	0.00%	3.50%	11/20/2013	0.500	5.46
IV	OIL & GAS			5,064,814					5,064,814	0	0.00%	12.50%			
13	COASTAL CONTRACTS BHD COCO MK Ec	0.82	160,469	810,370	5.05	4.85	778,276	5.05	810,370	0	0.00%	2.00%	3/11/2014	0.034	1.27
14	PETRONAS CHEMICALS GROUP POCHEM MK E	0.88	239,047	1,620,741	6.78	6.79	1,623,131	6.78	1,620,741	0	0.00%	4.00%	2/21/2014	0.120	2.95
15	PANTECH GROUP HOLDINGS BH PGHB MK Equ	0.84	764,500	810,370	1.06	1.00	764,500	1.06	810,370	0	0.00%	2.00%	3/17/2014	0.010	4.34
16	SAPURAKENCANA PETROLEUM SAKP MK Equ	1.42	418,196	1,823,333	4.36	4.10	1,714,602	4.36	1,823,333	0	0.00%	4.50%	7/2/2014	0.000	0.00
V	PLANTATION			6,482,962					6,482,962	0	0.00%	16.00%			
17	SIME DARBY BERHAD SIME MK Equ	1.03	251,668	2,431,111	9.66	9.47	2,383,294	9.66	2,431,111	0	0.00%	6.00%	4/22/2014	0.060	3.42
18	IOI CORPORATION BHD IOI MK Equity	1.20	346,641	1,823,333	5.26	4.95	1,715,874	5.26	1,823,333	0	0.00%	4.50%	3/10/2014	0.080	3.14
19	KUALA LUMPUR KEPONG BHD KLK MK Equ	0.88	50,023	1,215,555	24.30	24.20	1,210,553	24.30	1,215,555	0	0.00%	3.00%	7/17/2014	0.150	2.06
20	TSH RESOURCES BHD TSH MK Equ	1.43	276,766	1,012,963	3.66	3.43	949,307	3.66	1,012,963	0	0.00%	2.50%	6/2/2014	0.035	0.96
VI	POWER			3,646,666					3,646,666	0	0.00%	9.00%			
21	TENAGA NASIONAL BHD TNB MK Equ	0.89	249,089	3,038,888	12.20	12.16	3,028,925	12.20	3,038,888	0	0.00%	7.50%	5/15/2014	0.100	2.05
22	PESTECH INTERNATIONAL BHD PEST MK Equ	0.64	107,762	607,778	5.64	4.87	524,801	5.64	607,778	0	0.00%	1.50%	1/29/2014	0.040	1.60
VII	TELECOMMUNICATION			6,280,370					6,280,370	0	0.00%	15.50%			
23	AXIATA GROUP BERHAD AXIATA MK E	1.27	376,782	2,633,703	6.99	6.89	2,596,025	6.99	2,633,703	0	0.00%	6.50%	6/2/2014	0.140	3.15
24	TELEKOM MALAYSIA BHD T MK Equity	1.36	255,235	1,620,741	6.35	6.35	1,620,741	6.35	1,620,741	0	0.00%	4.00%	5/22/2014	0.163	4.11
25	REDTONE INTERNATIONAL BHD RIB MK Equ	0.81	547,547	405,185	0.74	0.74	405,185	0.740	405,185	0	0.00%	1.00%	10/9/2013	0.015	2.03
26	DIGI.COM BHD DIGI MK Equ	1.36	283,842	1,620,741	5.71	5.50	1,581,134	5.71	1,620,741	0	0.00%	4.00%	5/9/2014	0.062	4.15
VIII	OTHERS			810,370					810,370	0	0.00%	2.00%			
27	PUNCAK NIAGA HOLDINGS BHD PNH MK Equ	0.99	111,621	405,185	3.63	3.00	334,864	3.63	405,185	0	0.00%	1.00%	7/11/2013	0.050	1.38
28	MALAYSIAN BULK CARRIERS BH MBC MK Equ	0.91	223,859	405,185	1.81	1.76	393,992	1.81	405,185	0	0.00%	1.00%	5/26/2014	0.030	1.66
		0.97		40,315,920			39,610,128		40,315,920	0	0.00%	100.00%			2.99
	Total Dividend Received in 1Q14									0	0.00%				
	Total Return									0	0.00%				
	KLCI			1,889.55			1,867.57		1,889.55	0.00	0.00%				3.07
	KLCI - TOTAL RETURN									0.00%	0.00%				
												KLCI Sector Weighting Covered		98.96%	
												KLCI Stock Weighting Covered		71.79	

Source: Kenanga Research

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