PP14767/09/2012(030761)

Thursday, April 02, 2015

Market Access

"No Change in Landscape; Jitteriness to Prevail"

- The global financial market landscape is still the same, taking over the same cautiousness, uncertainty, jitteriness and skittishness from 1Q15 until the 2Q15, a trend that started in 3Q14. The large overhang, cause by lack of visibility over the US policy path, is the biggest stumbling block to higher risk taking and risk tolerance. Until and unless the visibility is clear and the large overhang has been removed, we maintain our 1H15 FBMKLCI target of 1,840 based on PER of 16x or 1,850 based on Market Cap-to-GDP valuation. At approximately 4.5%-5.0% y-o-y growth, FBMKLCI is a **NEUTRAL**.

- Being coy over policy rate hike does not help. Although we are unperturbed to some extent that the US is heading towards the ultimate normalization of Federal Funds Rate to circa 4%-5% from the current ultra-low of 0.25%, we are not shy to admit that we are more concern on the issue of 'when'. In our view, investors would be able to make informed decision on where to place their money should the US Federal Funds Rate reaches the ultimate ceiling level of 5%++.

- Some regional bourse, given the heavy selling pressure and misalignment of domestic currency, would be able to offer double prosperity, as in a gains in currency and also in bond or equity market. There are plenty of such traits in the region that we see and Bursa Malaysia is one of them. Ringgit is notably undervalued while FBMKLCI is now lean and slender.

- Nonetheless, before that is possible, we predict that Bursa Malaysia and Ringgit would be facing some gyration in momentum. This would give investors the opportunity to bottom fishing as new attractive value is emerging in some fundamentally strong counters. Watch out also for stocks that have not become the casualty of foreign selling pressure. Those that able to maintain high foreign ownership say it all.

NEUTRAL

1H15 KLCI Target:	**1,840**
2014 Year End KLCI:	**1,761**

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Top Picks

Stock Name	Ticker	Target Price
BIMB Holdings	BIMB MK	RM4.84
Digi	DIGI MK	RM7.00
Gamuda	GAM MK	RM5.87
Maybank	MAY MK	RM10.70
MBM Resources	MBM MK	RM3.80
MMC Corp	MMC MK	RM3.00
Public Bank	PBK MK	RM20.60
SAKP	SAKP MK	RM2.93
Supermax	SUCB MK	RM2.30
UMW O&G	UMWOG	RM3.20

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- At this juncture, we have an **Overweight** call on attractive sectors including auto, construction, rubber gloves and telco in 2Q15.

M&A Securities Quick Fact Sheet

Index	1H15	2014	Call	Y-o-y growth	PER 2015	PER 2014
FBMKLCI	1,840	1,761	Neutral	4.5%	16.0x	15.8x

Msian Economy	2014	2015F
GDP	6.0%	5.0%
OPR	3.25%	3.50%
Ringgit/USD	RM3.27	RM3.40-RM3.50
Inflation	3%-4%	3%-4%
Crude Oil (WTI)	USD93.50 per barrel	USD70-USD80 per barrel
CPO	RM2,218 per tonne	RM2,300 per tonne
Loans' growth	9%-10%	9.0%

Sector	Call	Top Pick	Target Price	Call
Auto	Overweight	MBMR	RM3.80	Buy
Construction		Gamuda	RM5.87	Buy
Rubber Gloves		Supermax	RM2.30	Buy
Telco		Digi	RM7.00	Buy

Top Call	TP	CP*	Upside	Call	Catalyst
BIMB Holdings	RM4.84	RM4.10	18%	BUY	• Steady loans and deposit growth
Digi	RM7.00	RM6.30	11%	BUY	• Transformation effort to bear solid fruits
Gamuda	RM5.87	RM5.10	15%	BUY	• KVMRT1,2,3 + PITMP + HSR
Maybank	RM10.70	RM9.33	15%	BUY	• Strong regional presence + steady capital mkt
MBM Resources	RM3.80	RM3.29	16%	BUY	• Strong sales Perodua Axia & Myvi
MMC Corporation	RM3.00	RM2.53	18%	BUY	• MRT + PTP + TNB payment
Public Bank	RM20.60	RM18.88	9%	BUY	• Clean operational metrics to continue in 2015
Sapura Kencana	RM2.93	RM2.36	24%	BUY	• RM26 bln orderbook + >RM20 bln tenderbook
Supermax	RM2.30	RM2.10	10%	BUY	• New capacity + USD strengthening
UMW O&G	RM3.20	RM2.30	39%	BUY	• 8 assets with full to the brim contract

**cutoff date 31st March 2015*

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1Q15 Review: "Macro Issue Mania"

Table 1: World's Major Index Performance 1Q15

No	Index	2014 Closing	1Q15 Closing	YTD Gains	PER (x)
1	DJIA	17,823	17,776	-0.3%	15
2	S&P 500	2,058	2,068	0.5%	18
3	Stoxx 50	3,146	3,697	18%	22
4	FTSE 100	6,566	6,773	3%	23
5	Nikkei 225	17,450	19,207	10%	22
6	Shanghai Index	3,234	3,748	16%	18
7	Hang Seng Index	23,605	24,901	5%	10
8	FBMKLCI	1,761	1,831	4%	17
9	STI	3,365	3,447	2%	14
10	JCI	5,226	5,519	6%	21

Source: Bloomberg, M&A Securities

Overall view: The global equity market gyrated and see-sawed for most part of 1Q15 and that is to be expected. Four crucial developments were affecting equity market sentiment and this is nothing less than tectonic shift. We have seen it coming and foresee 2Q15 will equally face the same momentum now that the US Federal Reserve is about to snap and hatch its policy tightening. Again, we have mentioned it before that lack of visibility to read this has been blamed as the culprit that shot down risk appetite, both on the equity and also bond (also sukuk) market for that matter. Nonetheless, with all the arsenals and ammunitions in hand, Malaysia will be better prepared this time around as we think that Bank Negara Malaysia (BNM) will unleash its conventional monetary toll if need to in order to maintain 1) price stability 2) full employment and also 3) steady economic growth. We think that 2014 financial account net capital outflow of RM76 billion may not hold water anymore due to investors' fatigueness in predicting the rapidly shifting sands.

Notwithstanding that, four issues have hurt risk taking in 1Q15 with no less drama, pushing equity market to reach its peak and trough almost interchangeably. These include 1) US policy tightening 2) the strengthening of USD against major currencies, 3) oil price, the menace and finally 4) China decelerating economic momentum. All these are notably macro issue and hence, micro issue facing each country failed to move the market, not even Malaysia's blazing pace 2014 6% GDP growth. As usual, before we pen down what we think may influence the equity market in 2Q15, we would go down the memory lane on 1Q15. Here goes:

- **US Monetary Step: Facing the Inevitable**
  This is the most contentious issue facing the global financial market, a sense of jitteriness that has plagued and dented sentiment that begun in 3Q14 and set to choke risk taking right until the monetary policy adjustment snaps. The US Federal Reserve (Fed) is dead set to adjust its Federal Funds rate (FFR) this year, almost certainly to tighten in 2H15 but the more important question to ask is 'when'. The inability to predict this with precision and the Fed decision of not giving anymore 'forward guidance' has certainly nervous the market. A lot of things at stake due to this lack of visibility as investing decision will be put on hold, paving the way for rapid capital movement. The thing is while it is predicted that the Fed will adjust its policy rate in June FOMC meeting, there are still 4 remaining FOMC meetings for the rest of the year including in July,

August, September and December, something that is hurtful to know as the FFR can continue to be adjusted continuously and uninterruptedly by then. Hence, 2015 will be known as the year of full of negative surprises.

- **USD Becomes the King: Strengthening at the expense of the world**
  USD has gained strength in 1Q15 with many have been long (buy) on the currency in anticipation of the policy tightening by the Fed. This has been at the expense of the rest of the world, Malaysia included. From the average of RM3.27 in 2014, Ringgit has tumbled further to reach a low of RM3.73 on 20th March with BNM's forex Reserve noticeably lower almost every fortnightly, in an apparent war to defend the Ringgit. The casualties for the USD strength would be those countries that facing 1) trade deficit and hence, current account deficit 2) major oil producer and those that have 3) limited policy space.

  The gradual strength of USD is inevitable given its coming policy steps and we shall see a few more casualties along that way that will definitely rock the global financial market. Out this inevitable, the chaotic situation will get worsen as we predict the US trade imbalance will turn to a new low point, sparking rising geo political risk with its counterpart (i.e. China).

- **Oil price: Slippery all the way in 1Q15**
  Oil price is facing negative prospect of prolong softening no thanks to a host of negativities. For one, supply glut seems to stay especially when major oil producers are reluctant to cut production, Two, USD is set to gain strength and hence, may weigh on global commodity prices and three, China's economic deceleration means demand will turn weak. Lack of catalyst and prospect will continue to weigh on oil price and we think that the potential of oil price to go north is quite slim in 2015.

- **Global commodity prices: Disappointing and frustrating in 1Q15**
  The rest of global commodity prices seems to mirror the movement of oil in 1Q15, starting with CPO that failed to breach even the scared level of RM2,400 per tonne level despite facing debilitating flood situation in January. Coal price was also contained to some extent after contracted by 13% from the low in 1Q15 of USD56.80 per tonne vs. the peak of 4Q14 of USD65.30 per tonne. Lack of spark was also noticeable in rubber, nickel and silver of which its low in 1Q15 was actually 12%, 28% and 14% lower against 4Q14 peak. Gold, as expected, emerged less unscathed, benefitting from its status as safe haven asset. Its price dropped by a mere 4% q-o-q to reach 1Q15 peak against 4Q14 top. We think that this scenario may be repeatedly earnestly in 2Q15 and probably continuing until 3Q15.

- **Malaysia 2014 GDP Growth: No less than blazing pace**
  Stacking against the skeptics, Malaysia hammered impressive 2014 GDP of 6.0%, beating even the most optimistic forecast, benefitting from solid private sector consumption & investment performance and also steady pace of export. Nonetheless, the excitement following this above average achievement had quickly evaporated as most minds were weighed by the challenging prospect of 2015, especially given the uncertainty in US policy movement, challenges in offsetting the prospect of declining oil revenue and also the implementation of GST where cost of living

should elevate correspondingly. In sum, our major bellwether index in Bursa Malaysia did not react excessively, if at all, when the numbers were revealed by the central bank.

- **China: No amount of aspirin can help**
  China, facing with the growth risk emanating from the Eurozone, the US and Japan floundering economic growth, had to face hard reality that its economy urgently needs to re-balance and re-structure and this needs to be done fast. Facing with this negative prospect, China's premier, Li Keqiang, had dropped a bomb in early March, by releasing the much feared lower GDP target in 2015 of 7.0%, the slowest pace since 1996. To the world, China growing at that speed can be considered as 'recession' as it used to grow as steady as 10% annually or a peak of 14% before. China, is essentially having a flu and the rest of ASEAN region will be having a fever, due to the fact that China's it's the biggest importer that supports the region's economy. China much lower pace of growth means that global commodity prices will suffer from anemic demand and hence, prices will inevitably get soften.

- **Equity Market Capital Outflow Analysis: 1Q15**
  The selling pressure by foreigners continued in 1Q15 (refer table 2 below), picking the pace that started in 3Q14, ever since Ben Bernake revealed that the US Federal Reserve will start snapping US policy rate in 2015. Then, the capital outflow begun earnestly, pushing Malaysia to suffer a whopping financial account net outflow of about RM76 billing in 2014 as a whole. This is just what we have been predicting as foreign investors would square their position in the emerging markets (i.e. bond and equity), settle their borrowings in anticipation of potential rate hike in the US, before returning back when the coast is clear.

  At this juncture, we foresee their return will materialize once the US FOMC is clear on its policy path. The country of choice would be the stock or bond market that is lean and light in addition to the undervalued of domestic currency. Malaysia can boast with both traits. As for 1Q15 investing pattern, it was again essentially the local institutional investors that supported the market as the statistics say so. We predict that local institutional investors would unload their position once foreign investors return into the Malaysian shore.

Table 2: Trading Pattern by investors (1Q15)

2014	Local Inst.	Foreign Ins.	Retail
1Q	RM4.9 billion	-RM5.3 billion	RM0.5 billion
2Q	-RM3.6 billion	RM4.5 billion	-RM0.8 billion
3Q	RM2.3 billion	-RM1.3 billion	-RM1.0 billion
4Q	RM3.6 billion	-RM3.8 billion	RM0.2 billion
TOTAL 2014	RM7.3 billion	-RM5.9 billion	-RM1.0 billion
1Q15	RM3.8 billion	-RM3.3 billion	-RM0.5 billion

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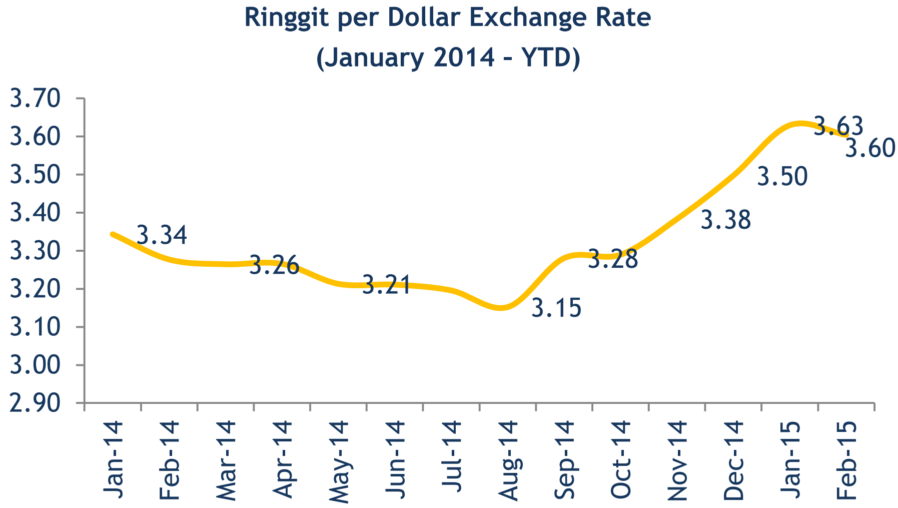

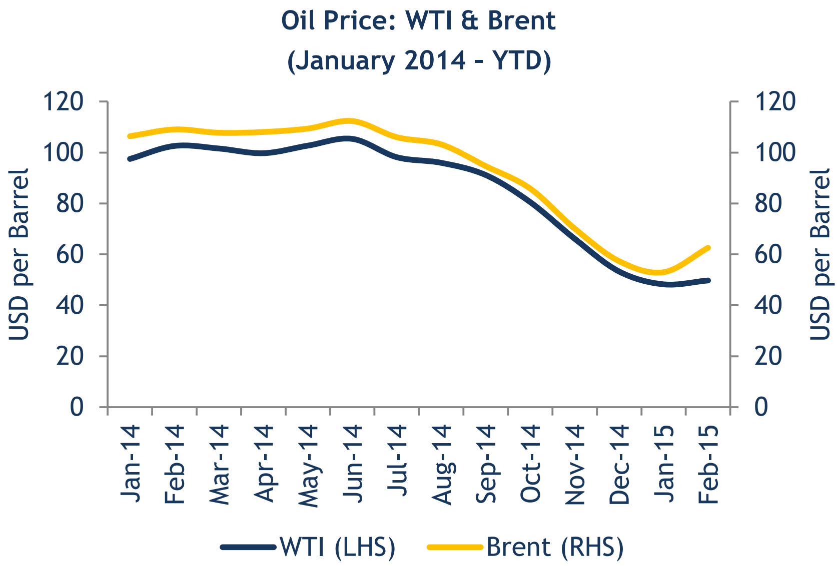

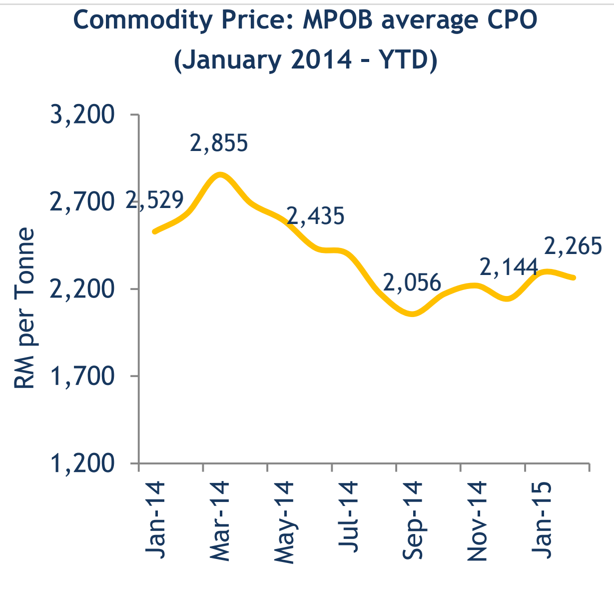

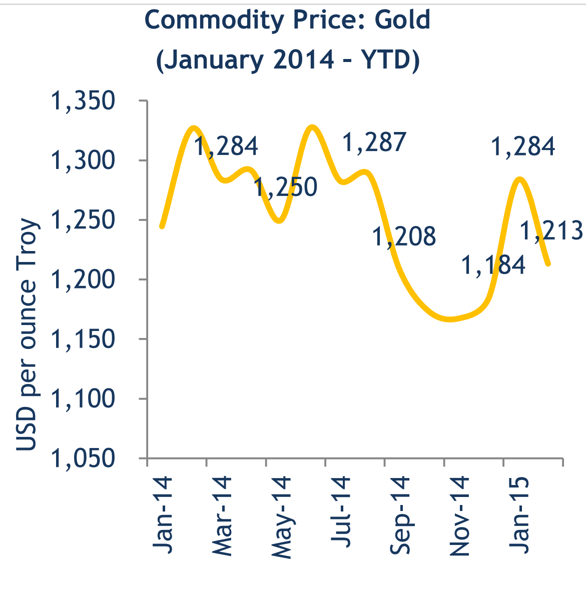

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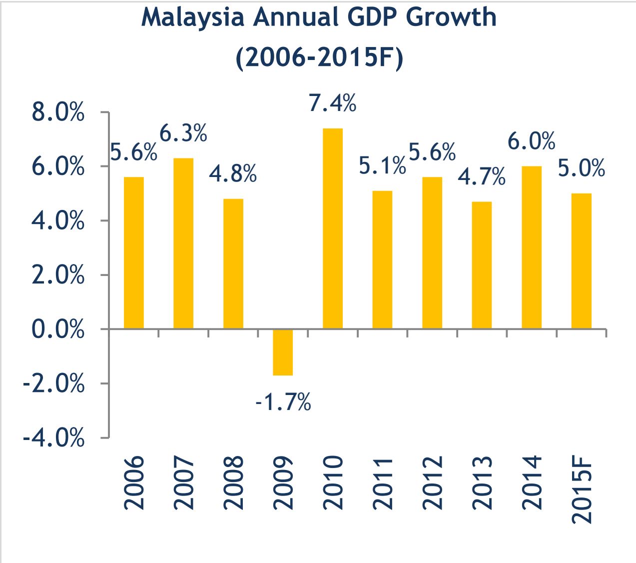
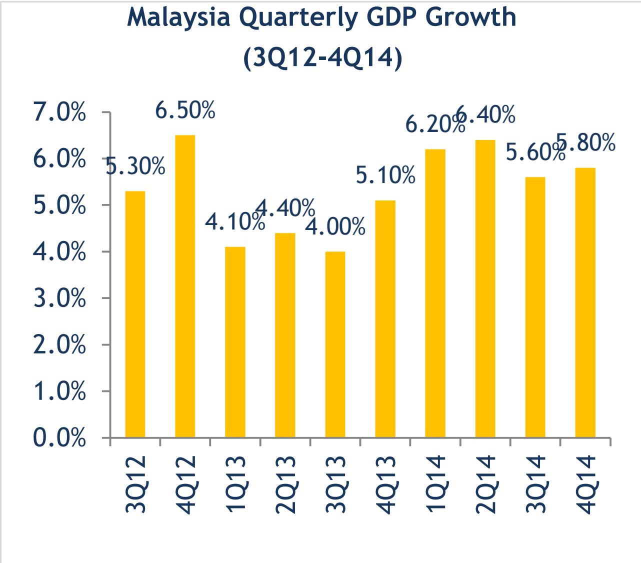


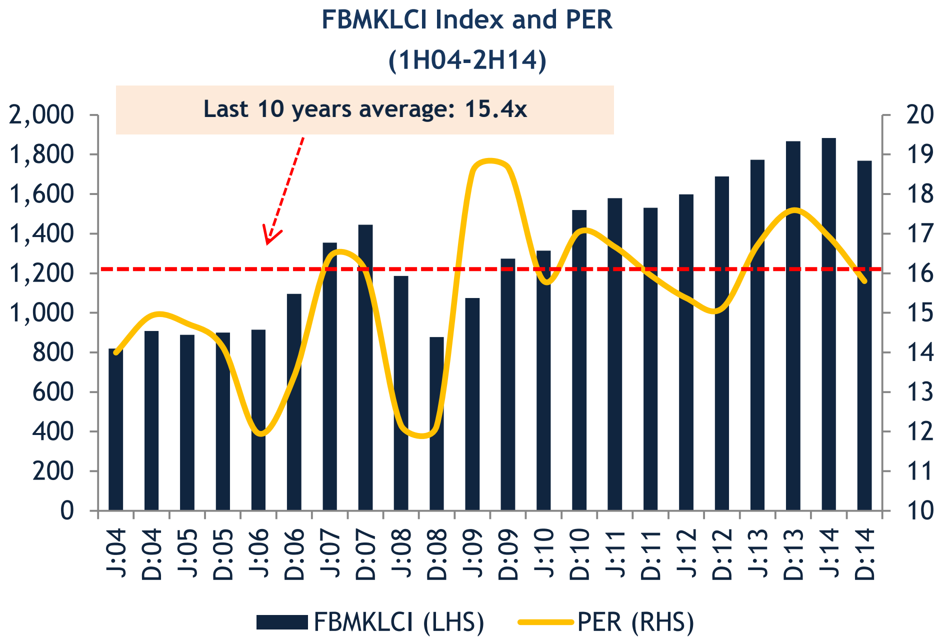


Source: MOS, M&A Securities

Table 3: FBMKLCI Best Performing Stocks (1Q15)

No	Stock	Share Price 2014 (RM)	Share Price 1Q15 (RM)	Gains % (YTD)
1	IHH Healthcare	4.82	6.01	25%
2	MISC	7.22	8.49	18%
3	Petronas Dagangan	17.12	20.00	17%
4	CIMB Group	5.56	6.22	12%
5	PPB Group Berhad	14.30	15.38	8%
6	Telekom Malaysia	6.88	7.27	6%
7	Astro Malaysia	3.03	3.2	6%
8	Brit Amer Tobacc	65.10	68.66	5%
9	YTL Corp	1.59	1.67	5%
10	Maxis	6.85	7.19	5%

Source: Bursa Malaysia, M&A Securities



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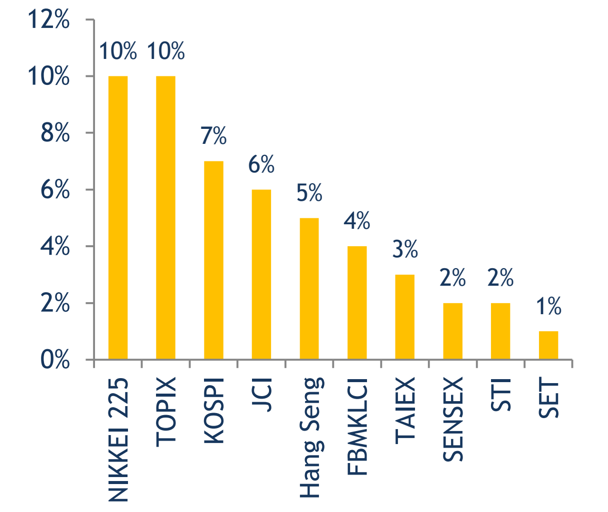
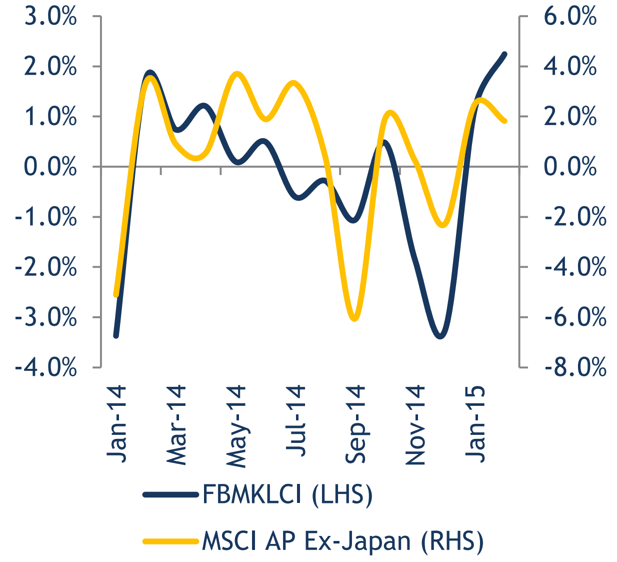
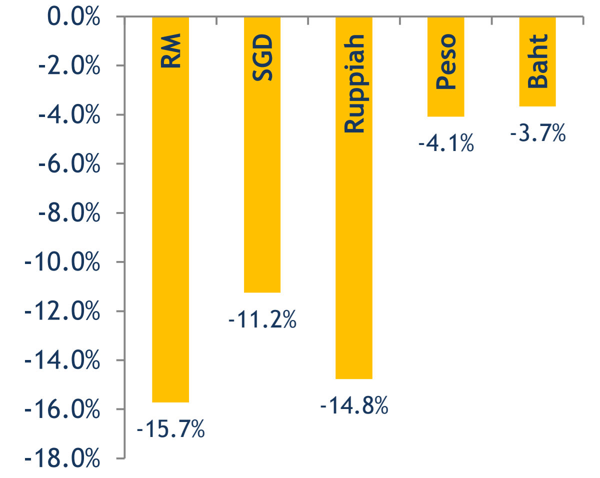
Regional Market Performance (1Q15 Y-o-Y)



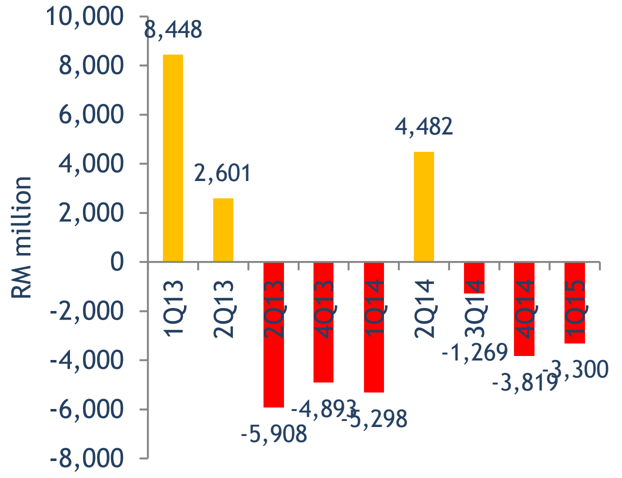
KLCI vs. MSCI Asia Pacific ex-Japan (m-o-m) (January 2014 - YTD)



Regional Currency Performance (2014 High vs. 2015 Low)



Foreign Investors Trading Pattern in Bursa Msia (1Q13-1Q15)



Source: Bloomberg, M&A Securities

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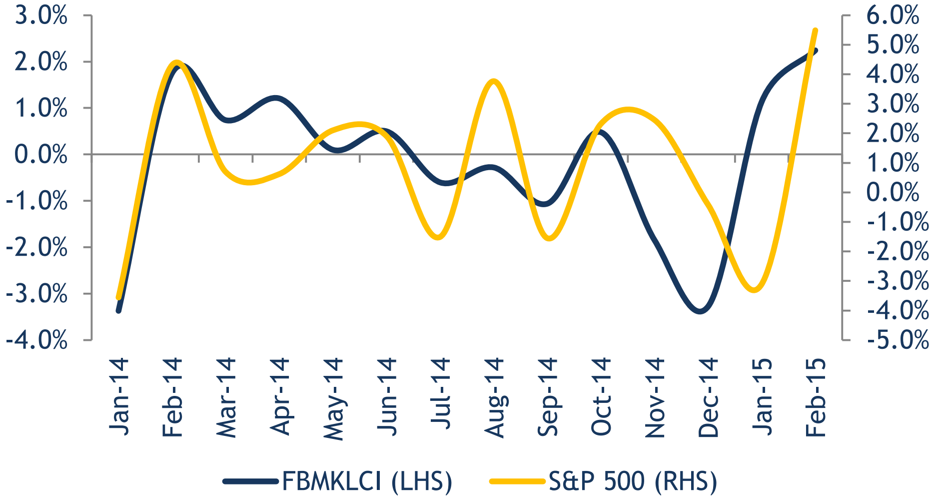
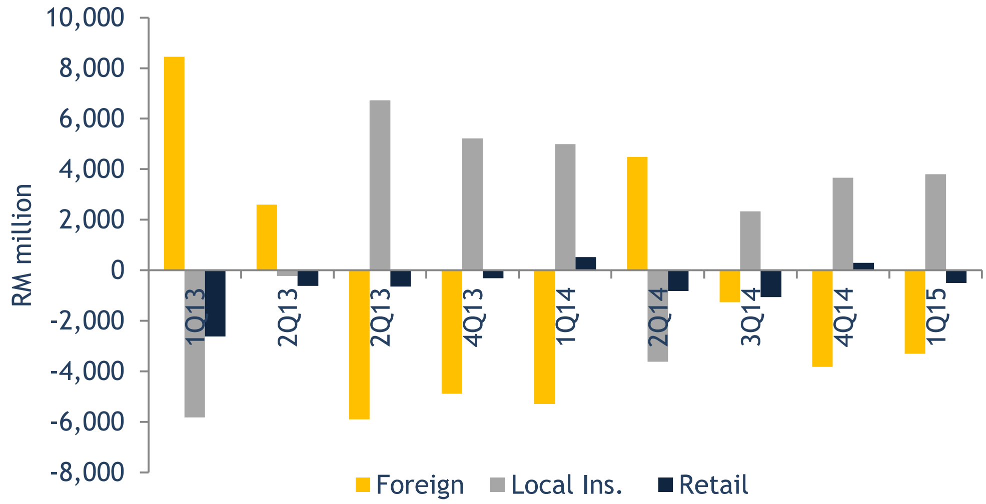
M-o-M Performance: FBMKLCI vs. S&P 500 (January 2014-YTD)



Source: Bloomberg, M&A Securities

Bursa Malaysia Trading Position by Client (1Q13-1Q15)



Source: Bloomberg, M&A Securities

2Q15 Equity Strategy

"No Change in Landscape; Jitteriness to Prevail"

Table 4: FBMKLCI 1H15 Target Based on 2 Valuations

	PER Based Valuation			Market Capitalisation to GDP Valuation		
	Floor	Mean	Ceiling	Floor	Mean	Ceiling
Target	1,665	1,840	2,060	1,659	1,850	2,112
Basis	14.5x	16x	19x	1.22x	1.36	1.48x
Growth % (y-o-y)	-5.4%	4.4%	17%	-5.8%	5.0%	14.3%
FBMKLCI YE: 2014	1,761					

Source: M&A Securities

The backdrop is still the same. The sand has yet to shift. The blue sky scenario has not arrived. In short, there was not much changed in 1Q15 as the macro picture is still the same old same old. In sum, 2Q15 will carry out the legacy of 1Q15, in that uncertainty will prevail as we are still waiting for clearer signals from the US Federal Reserve policy adjustment. Without the timing or perhaps better precision on the quantum of adjustment, the global financial market will continue to be jittery and skittish. With visibility lacking, we think that the conjecturing and speculative activity will take centre stage. Again, we reiterate that we are not too particularly bothered about the quantum of the US policy rate adjustment. We are more concern of 'when'. Investing decision will be much better if one knows the goal post but the goal post keeps shifting.

Previously predicted to be in October, now the US policy adjustment is speculated to be in June and we are not surprised if the expectation shifts again. The US Federal Reserve (Fed) has also sent weak signals in its latest policy statement although it will be quite certain that the US policy adjustment will snap in 2H15. Assuming that the US Federal Funds Rate (FFR) could get adjusted in June but then again there will still be another 4 more US FOMC meetings for the rest of the year. This includes in July, September, November and December, making accuracy in prediction a nightmare. Added to the jitteriness and wariness, the Fed will not issue anymore 'forward guidance', making managing expectation a delicate business. In short, the tumultuous 1Q15 global financial market performance may repeat in 2Q15, until and unless the signals are clear.

As of now, everything is guesstimates. Again, a lot will be at stake once the US starts hiking its policy rate and these will be narrated at bullet points below. In sum, we continue to think that 2015 will be a year full of shifting sand and uncertainty. Notwithstanding that, we think that the market will be calmer in 2H15 as the prospect of US adjusting their policy rate will be fully priced in by then, making investing decision easier, accurate and predictable.

That said, FBMKLCI is forecast to end 1H15 at 1,840 pegged at PER of 16x. On the contrary, based on market capitalization to GDP valuation, 1H15 target is set at 1,850 (please refer to table 4 for further details including the floor and ceiling target for FBMKLCI in 1H15). At 4.5%-5.0% growth vis-à-vis end of 2014 level of 1,761, the Bursa Malaysia's bellwether index is a **NEUTRAL.** Thus far, prefer to give only 1H15 FBMKLCI target unless our lens are clear to see what could pans out in 2H15.

Given below are the narrations of key events predicted to be the 'movers and shakers' for 2Q15:

(I) US Policy Rate Hike - Waiting for the Inevitable

We have penned on this extensively and we think that this is one issue, should it is yet to be settled, will be one of major stumbling blocks to global equity market risk appetite, risk taking and risk tolerance. For one, investing cannot be done confidently if the goal post keeps shifting. That's a fact. Hence, unless and until the signals are clear as in when the Fed will adjust its policy rate, the investing fraternity will continue to be excessively bearish or irrationally bullish, leading and pointing to a potential equity market gyrating. At this juncture, we think the FOMC will adjust the rate, at greater probability, either in June or July or the latest in September, at first in small doses (i.e. 25 basis points) before picking up in quantum (i.e. 50 basis points or more) at later FOMC meeting (e.g. FOMC meeting November 2015 onwards). Once the policy path is clear, we think that equity market will get calmer and business will normalize.

(II) USD Strength

The prospect of US Fed adjusting its policy rate means that the USD will gain strength at the expense of the rest of global currencies. This will mean that the US will 1) import more and hence, worsening its trade imbalance which has been in such state since 1976 2) contribute to rising geo-political tension as the US will accuse China and maybe Japan of dumping goods in their country, 3) the strength of US will weigh on their export competitiveness – potentially contributing to further imbalance of the US economy and 4) resulting in greater risk of importation inflation for the US – leading to another series of policy adjustment. We see the spiral to go on and on where the rest of the world will bear the brunt of US ultra low policy strategy. This will be one of the constant headwinds facing the global economy in the short to medium term.

(III) Commodity Prices Prolong Softening

The global commodity market will also bear the brunt out of the US incoming policy hike. Commodity prices will get soften as the USD and commodity prices move in opposite direction. Hence, global commodity producers may experience twin-suffering as in 1) their currency will weaken – at first gyrating and can be quite violent, pushing for central bank intervention and 2) their fiscal position could be at risk as their oil revenue (for example) will tumble. Ostensibly, the equity market of related global commodity countries may suffer some steady selling pressure although no one can be sure how long it will last.

(IV) China's 1Q15 GDP Numbers

Chine premier, Li Keqiang, recent bombshell on lowering China growth prediction to 7.0% from 7.5% previously suggest that China's 1Q15 GDP release in May could rattle the market. Many are fear that China's target of 7.0% may not be even achievable given the lack of punch on some of its indicators namely sharp contraction in import (i.e. February of -19.9%), decelerating export momentum (i.e. February dipped by 3.3%), the weakening of Yuan – although good for export but will weigh on import and hence, may impact economic momentum in addition to below expectation of retail sales of 10.7% in February. All these point to a scary prospect that China's economy will decelerate to below the critical level of 7.0%, a level unheard of. To some, China's growing at 7.0% means a recession. Admittedly, the global commodity will suffer as lower demand from China means prices will be lack of energy and hence, suggesting a prolong supply glut. In short, China could make the global economy envelope in uncertainty given its size and importance, both in economy and size population.

(V) Capital Movement - Outflow from Regional Back to the US

It is almost certain that hedge funds will square their gains after years of liquidity driven rally and bring back profits back into the US. The trend has started in 3Q14 and went on earnestly and strongly in 4Q14 with Malaysia suffered a whopping RM76 billion in financial account net outflow in 2014. Moving forward, we think that the trend may continue albeit in much slower pace as hedge funds may have halved their regional holdings. Key pulling factor to them returning back would be 1) undervalued currency 2) attractive PER level and corporate growth potential and 3) hard-to-ignore risk premium especially those that is attractive regionally. Malaysia has all the three traits and that is why we think hedge funds will return back into our shores once the coast is clear.

(VI) Malaysia's Forex Reserve Movement - Credit Negative Likely

In its quest to defend the Ringgit from weakening further or sharply, BNM is likely to intervene in the currency market, at times could be heavily. Many empirical studies have shown that central bank would suffer depleting forex reserve when their currency is under attack. Note that this has been described as credit negative especially if the nation has low level of forex reserve vis-à-vis GDP. Malaysia's forex reserve-to-GDP of about 50%, although not the prettiest, but in our view is quite sufficient to combat the selling pressure of Ringgit. As of now, the depleting level of Malaysia's forex reserve is under watch and should the level tank to a non compromising level, we opine that foreign investors may avoid the local market until the tide is clear.

Note that Ringgit has been sliding and reached its low level of RM3.72 per Dollar in March, a level last seen in 2009, quite alarming in our view due to 1) our limited policy space and 2) USD may gain strength some more when the US starts its series of rate hiking. In a worst case scenario, Ringgit may reach a low level of RM4.00 per USD if BNM choose to let it slide. As it is BNM's governor has said that Ringgit is undervalued and we share the same opinion with the central bank.

(VII) The shift towards safe haven assets - Yen, USD, US Treasury & gold

In tandem with the past experience, investors would shift to safe haven assets should the financial market starts to gyrate due to macro external factors. Hence, we opine that investors would go long (buy) on the Yen, USD, US Treasury and gold once the US snaps its policy rate adjustment. Basing on this and the inevitable, we suggest investors accumulate these assets at least until the US finishes the mid-way of its policy steps or at least when the FFR reaches 2-3% level. Note that the US FFR normalize level is about 4-5% and hence, we think they have a long way to go.

(VIII) Malaysia 11th Malaysia Plan

The 11th Malaysia Plan (11MP) is due to be rolled out somewhere between May-June 2015. This 5-year plan, the last leg before 2020, is highly crucial as it will detail out how Malaysia is going to sprint the last lap before reaching the finishing line to become a high income nation. Having been trapped in the middle income level for so long, Malaysia is ambitiously and boldly plan to join the elite club by 2020 and the first litmus test will be the GDP per capita. Malaysia has to reach USD12k-15k GDP per capital by 2020 in order to qualify and based on BNM's projection of GDP per capita of USD10k in 2015 and added with 5-6% GDP growth from 2017-2020, we think that Malaysia will reach that coveted status by 2018.

This is not an easy feat as we have started the journey in year 2000 and throughout the journey we faced 3 global crises (namely dot.Com, subprime crisis, Eurozone Sovereign Debt crisis) that threaten to upset and derail our plan to be a developed country by 2020. Hence, the investing fraternity will be waiting anxiously for the mega project and infrastructure roadmap.

Conclusion and Recommendation

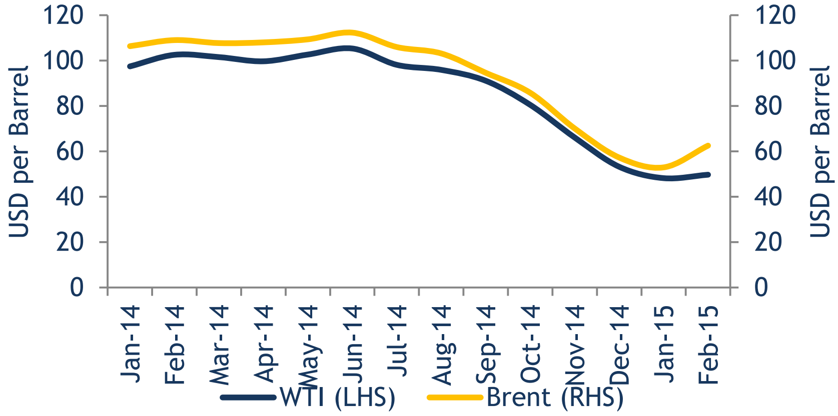
Although the global equity market is likely to gyrate every now and then in 2015 but we think that investors should not take their eyes off the lens as there will always be stocks that are attractive in value, strong fundamentally and solid financially. To begin with, our 10 top pick will help investors cherry picking as these have been meticulously picked and analysed. All boast with steely and solid outlook especially the like of SKP (Buy; TP: RM2.93) which has RM26 billion in orderbook that could last them for the next 5 years, ample time to buy until the next up cycle of oil price.

We also like BIMB Holdings Berhad (Buy; TP: RM4.84) given their aggressive management, solid operational metrics with good asset quality and big potential given their less-pressurized financing-to-deposit ratio of 70%++ level vs. the industry average of 80%++ level. UMW O&G (Buy; TP: RM2.90) will also do good given their asset generating revenue (to the brim), young fleet age (note: the youngest in SEA) apart from the upcoming drive to start another asset building. In sum, the micro prospect in local market is still intact and good stock picking may ensure handsome return.

Macro level wise, we think that FBMKLCI has shed some fats and is now lean and light, a traits that likely to appease investors. The undervalued Ringgit will also be another catalyst for FBMKLCI. At this stage, our 1H15 FBMKLCI target of 1,840 is intact based on PER of 16, a resultant PER that broadly in line with the index last 10 years average. The index is a **NEUTRAL** at this juncture.

Market Access

Oil Price: WTI & Brent
(January 2014 - YTD)



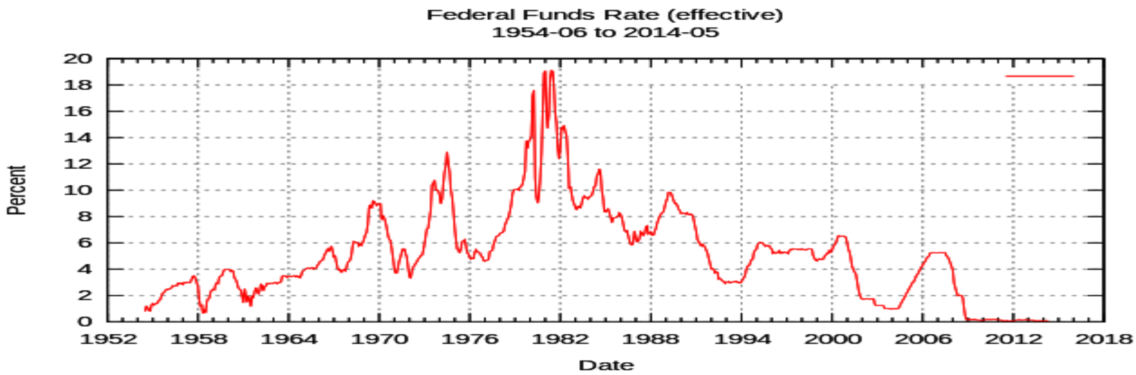
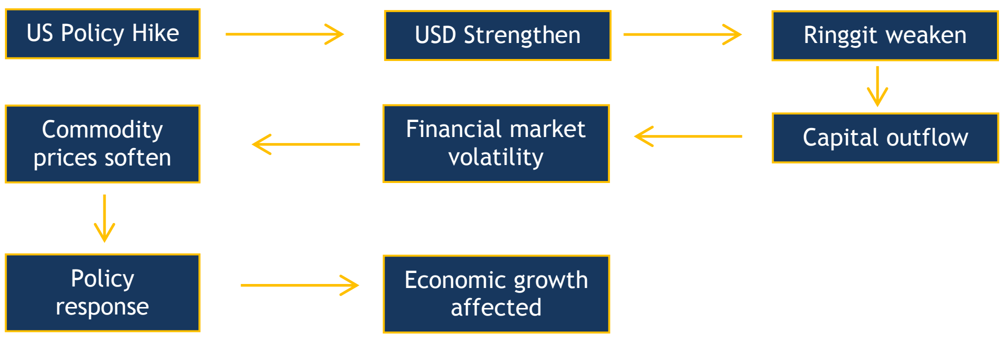


Table 5: US Federal Reserve Historical FFR Monetary Cycle

Economic Cycle	FFR Adjustment	Total quantum of adjustments
July 1990 – Sept 1992	8.00% → 3.00%	500 basis points cut over 2 years
Feb 1995 – Nov 1998	6.00% → 4.75%	125 basis points cut over almost 3 years
May 2000 – June 2003	6.50% → 1.00%	550 basis points cut in 3 years
2004-2006	*1.00% → 5.25%	425 basis points increase in 2 years
June 2006 – Oct 2008	5.25% → 1.00%	425 basis points cut in 2 years plus
Dec, 2008	0.0%-0.25%	75 basis points cut in 3 months

Source: Various, M&A Securities
**17 quarters of increase over 2 years*

Chart 1: Interest Rate Parity and International Fisher Effect Impact in Response to US Policy Rate Hike



Note: The above is not in any particular order

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Table 6: Top BUYs

	31/3/15 SP (RM)	TP (RM)	EPS (Sen)		EPS Growth (%)		PE (x)		P/BV		Div Yield FY15	ROE FY15
			FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16		
Big Caps: Market Capitalisation: > RM4 billion												
BIMB Holdings	4.10	4.84	3	4	15%	33%	11.7	11.3	1.8	2.0	5%	16%
Digi	6.30	7.00	27	28	4%	4%	23.5	22.5	65.3	62.1	4%	301%
Gamuda	5.10	5.87	33	36	6%	9%	15.3	14.4	1.9	1.8	2%	14%
Maybank	9.33	10.70	7	8	-1%	14%	12.6	11.9	1.5	1.5	6%	13%
MMC	2.53	3.00	14	15	7%	7%	18.9	16.1	1.0	0.9	0%	7%
Public Bank	18.88	20.60	120	130	5%	8%	15.3	14.2	2.5	2.8	3%	19%
UMW O&G	2.30	3.20	17	19	42%	12%	16.1	14.4	1.7	1.5	0.4%	11%
SAKP	2.36	2.93	24	27	26%	13%	11.7	10.5	1.4	1.2	1%	16%
Mid Caps: Market Capitalisation: RM1.0-RM4 billion												
MBMR	3.29	3.80	37	42	28%	14%	8.6	7.5	0.8	0.7	2%	8%
Supermax	2.10	2.30	19	21	26%	11%	11.2	9.9	1.4	1.9	2%	11%

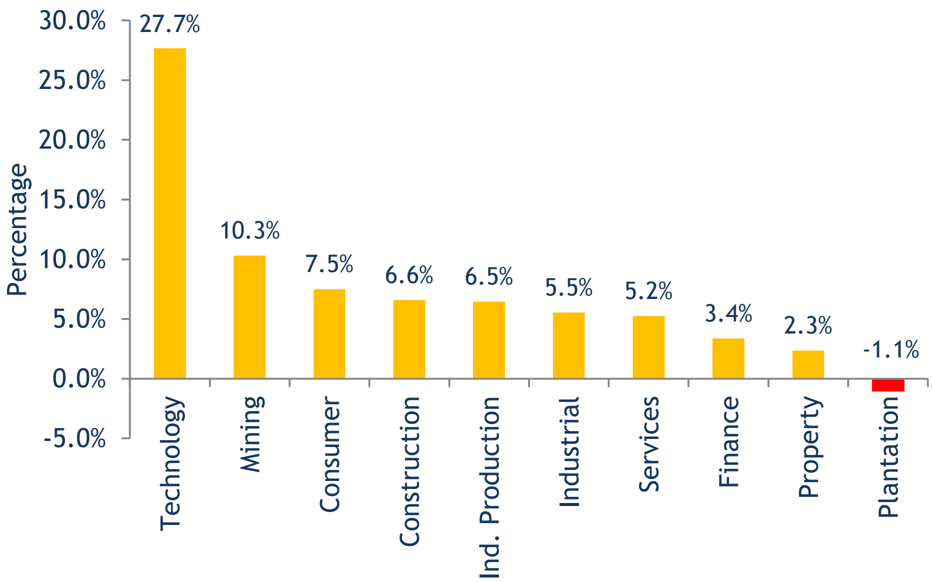
Source: Bloomberg, M&A Securities

Table 7: Selected Regional Market Equity Performance (1Q15)

Index	2014 Closing	2014 Closing	YTD Gains	PER (x)
NIKKEI 225	17,450	19,207	10%	22
TOPIX	1,407	1,543	10%	17
Shanghai Comp	3,234	3,748	16%	18
TAIEX	9,307	9,586	3%	15
FBMKLCI	1,761	1,831	4%	17
SENSEX	27,483	27,957	2%	20
Hang Seng Index	23,605	24,901	5%	10
KOSPI	1,915	2,041	7%	47
STI	3,365	3,447	2%	14
JCI	5,226	5,519	6%	21
SET	1,497	1,506	1%	20

Source: Bloomberg, M&A Securities

Bursa Malaysia Sector Performance
1Q15 (q-o-q)



Source: Bloomberg, M&A Securities

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Market Access

Table 8: FBMKLCI Best Performing Stocks 1Q15

No	Stock	Share Price end 2014 (RM)	31st March 2015 (RM)	Gains % (YTD)
1	IHH Healthcare	4.82	6.01	25%
2	MISC	7.22	8.49	18%
3	Petronas Dagangan	17.12	20.00	17%
4	CIMB Group	5.56	6.22	12%
5	PPB Group Berhad	14.30	15.38	8%
6	Telekom Malaysia	6.88	7.27	6%
7	Astro Malaysia	3.03	3.2	6%
8	Brit Amer Tobacc	65.10	68.66	5%
9	YTL Corp	1.59	1.67	5%
10	Maxis	6.85	7.19	5%
11	KLCCP Stapled	6.71	6.99	4%
12	Tenaga Nasional	13.80	14.36	4%
13	RHB Capital	7.62	7.92	4%
14	Genting Malaysia	4.07	4.23	4%
15	Petronas Gas	22.16	23.02	4%
16	Petronas Chemical	5.45	5.64	3%
17	Public Bank	18.30	18.88	3%
18	Hong Leong Financial	16.52	16.96	3%
19	Digi.Com	6.17	6.3	2%
20	Hong Leong Bank	13.98	14.26	2%
21	Maybank	9.17	9.33	2%
22	Sapurakencana	2.32	2.36	2%
23	Genting	8.87	9.00	1%
24	Sime Darby	9.19	9.27	1%
25	Axiata	7.05	7.08	0%
26	Kuala Lumpur Kepong	22.80	22.78	0%
27	Felda Global Ventures	2.18	2.17	0%
28	UMW Holdings	10.96	10.84	-1%
29	Ambank Holdings	6.60	6.36	-4%
30	IOI Corp	4.80	4.59	-4%

Source: Bloomberg, M&A Securities

Market Access

Table 9: FBM EMAS Best Performing Stocks 2014

No	Stock	Share Price end 2014 (RM)	31st March 2015 (RM)	Gains % (YTD)
1	Wintoni Group	0.065	0.395	508%
2	Cybertowers	0.02	0.07	250%
3	Privasia Technology	0.135	0.39	189%
4	Vsolar Group	0.11	0.28	155%
5	CI Holdings	0.98	2.29	134%
6	Evergreen Fibreboard	0.605	1.2	98%
7	Only World	0.89	1.74	96%
8	Mieco Chipboard	0.375	0.72	92%
9	ETI Tech Corp	0.055	0.105	91%
10	Peter Lab	0.16	0.3	88%
11	Heveaboard	1.66	3.11	87%
12	Lee Swee Kiat	0.165	0.305	85%
13	Diversified Gate	0.06	0.11	83%
14	Prestariang	1.44	2.6	81%
15	XOX Bhd	0.05	0.09	80%
16	SHH Resources	0.79	1.42	80%
17	Opcom Holdings	0.595	1.06	78%
18	Mulpha Land	0.39	0.69	77%
19	Teo Seng Capital	1.21	2.12	75%
20	Latitude Tree	3.65	6.34	74%
21	Mitrajaya	0.98	1.7	73%
22	Spring Gallery	0.33	0.57	73%
23	DGB Asia	0.07	0.125	72%
24	G Neptune	0.035	0.06	71%
25	LCTH Corp	0.255	0.435	71%
26	IQ Group	1.59	2.7	70%
27	VS Industry	2.52	4.25	69%
28	ES Ceramics Tech	0.185	0.31	68%
29	IFCA Msc	0.75	1.24	65%
30	Superlon	0.72	1.19	65%

Source: Bloomberg, M&A Securities

2015 Global Economic Outlook

"Status Quo; No Upside Risk but More Downside Risk"

IMF: Global Economic Statistics

	2013A	2014A	2015F	2016F
World Output	3.0%	3.3%	3.5%	3.7%
- Advanced Economies	1.3%	1.8%	2.4%	2.4%
- Emerging and Developing	4.7%	4.4%	4.3%	4.7%
World Trade Volume	3.4%	3.1%	3.8%	5.3%

Source: IMF, M&A Securities

Positive catalysts:

1) US will grow convincingly (IMF 2015F: 3.6%; IMF 2016F: 3.3%)
2) Sluggish global commodity prices – breathing space for resources deficit country
3) Sluggish global commodity prices – opportunity to correct imbalance and fiscal reforms - a huge opportunity
4) Quantitative easing measures from Japan and potentially the Eurozone

Negative catalysts:

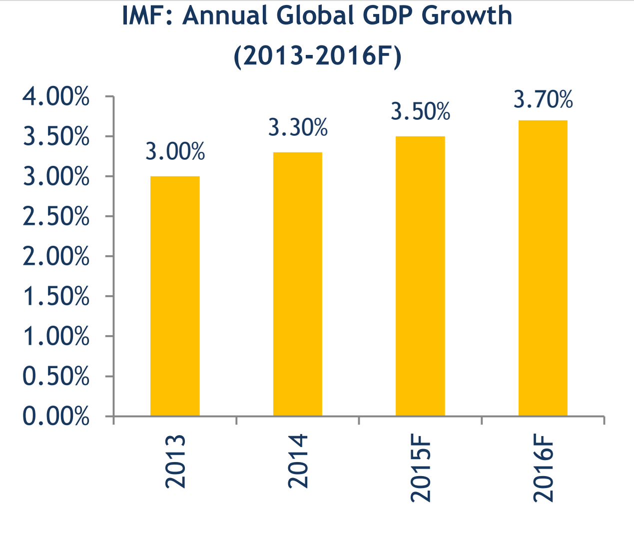
1) Economic challenges of China, Japan, India and the Eurozone
2) Sluggish global commodity prices – rich resources country economy will get pounded
3) US policy rate hike – financial instability and policy response to defend currency
4) Rapid capital movement emanating from the US policy rate hikes

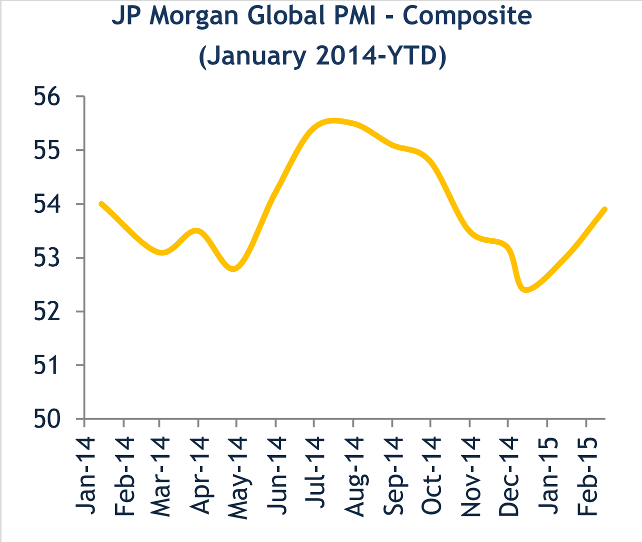
Not much has changed since the fourth quarter of 2014 until the end of first quarter 2015. The world is still hoping for the US (Fed 2014 GDP: 2.4%; Fed 2015F GDP 3.6%:) to use its might to punch above its weight in order to help the world output. Nonetheless, despite the status quo in global economic scene where China is likely to grow slower (PBoC 2014: 7.4%; PBoC 2015F: 7.1%), Japan to continue grappling with deflation despite massive quantitative easing measures and ambitious fiscal plan (BoJ 2014 GDP: 0.1%; BoJ 2015F GDP: 0.6%) while Eurozone has finally unleashed its massive latest quantitative easing measures (ECB 2014 GDP: 0.8%; ECB 2015F GDP: 1.2%), we don't think that the world output is going to surprise on the upside. In fact, there exists a new emerging risk that could derail the world economic performance, in that the rising geo-political risk in the Middle East with Saudi Arabia reportedly has been bombing Yemen in an effort to thwart the rising Shiite dominance.

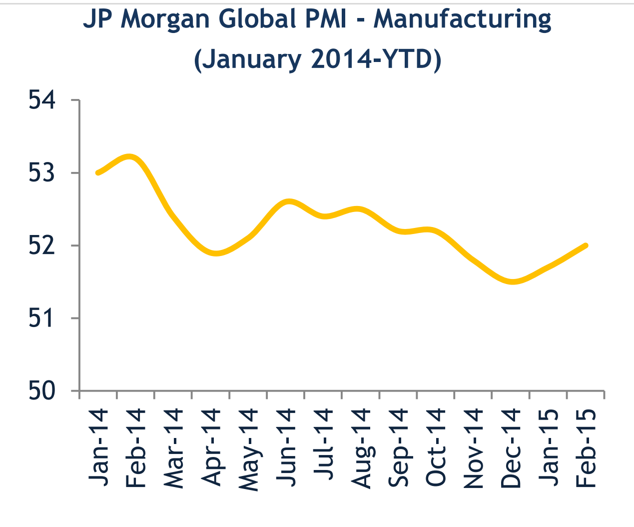
For now, the world can live with less pressurized oil price as the current softness in price could be used by oil importing country to clean its house and rebalance further. Although we don't think that oil price may head north as a result of this seemingly black swans (i.e. easing of Iran sanction, supply glut, tepid demand) but the temporary increase in the value of oil is very much welcome by the struggling oil producing country. Note that oil price had averaged at USD43 per barrel in 1Q15 (WTI) against 4Q14 average of USD67 per barrel and 1Q14 of USD98 per barrel, a situation that is alarming and very worrying to global oil producers. As of now, the best thing to do is to continue pumping more in order to offset the impact of soft oil price, something in the name of defending fiscal revenue but much loath also given that the supply glut will or can get worsen. Hence, we project that the currency of global oil producers to suffer prolong weakness and this is to be made worst with negative prospect arising from the US Federal Reserve policy adjustment soon. As such, global commodity prices will continue to suffer as a result.

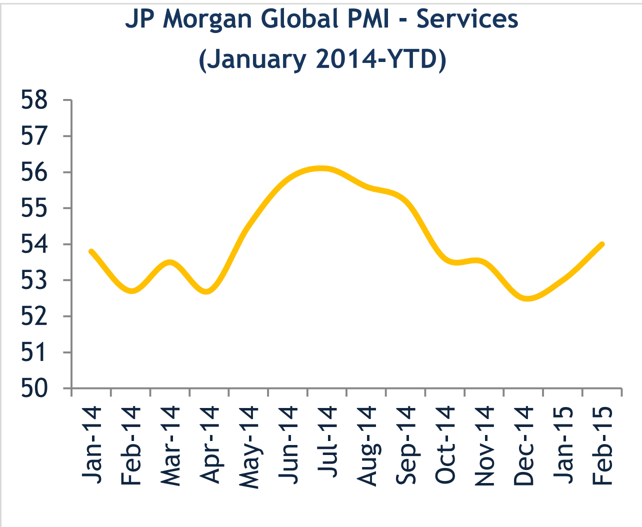
Another downside risk to global growth this year could emanate from the repercussion of rapid capital outflow emanating from the US policy hike. That would suggest that the USD may get strengthen at the expense of the world and this would push for rapid capital movement at the expense of emerging countries. It would, along the way, hammering emerging country currency, pushing for policy intervention where this may choke growth, inevitably. Those that will survive would be the one that manages to re-balance and re-form their economy in addition to having ample policy space in order to stem the decline in domestic currency.

In short, we expect heighten financial market volatility in 2015. As for the anchor to global growth, we are hopeful to see pockets of growth coming from the Eurozone but then again we cannot be too sure on the pact given its debilitating high unemployment level of circa 11%. Only the US will be able to lift the global growth this year but then again it may need to fight the inflationary pressure given that the US has been blessed with full employment in February. At this juncture, we are cautiously positive that the world will be able to grow within its long-term potential this year.









2015 US Economic Outlook

"So Far So Good"

US Economic Forecast

	2012	2013	2014	2015F	2016F
IMF	2.8%	1.9%	2.4%	3.6%	3.3%
US Federal Reserve				2.3%-2.7%	2.3%-2.7%
World Bank				3.2%	3.0%
OECD				3.0%	3.0%
Bloomberg Consensus				3.0%	2.8%

Source: Various, M&A Securities

Positive catalysts:

1) Full employment and robust housing market
2) Appreciation of USD: cheaper importation cost
3) Economic re-acceleration (Fed 2014 GDP: 2.4%; Fed 2015F GDP: 2.3%-2.7%)
4) Sluggish global commodity prices: less pressure on cost of living and inflation

Negative catalysts:

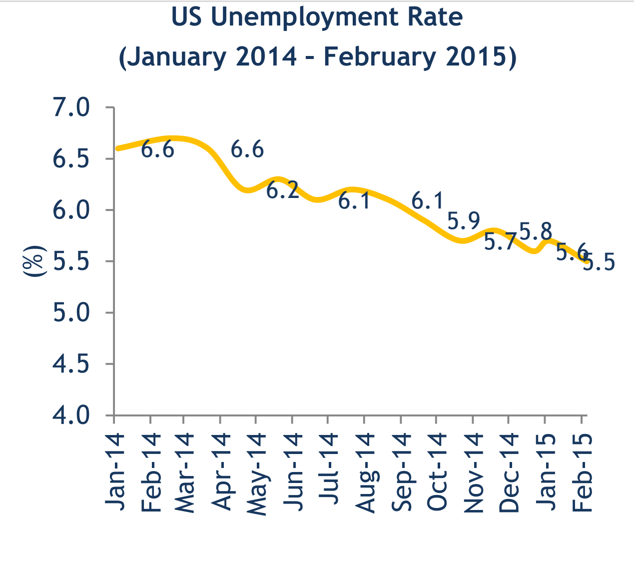
1) A series of policy rate hike
2) BOP imbalance to continue
3) Rapid capital inflow: USD may get too strong

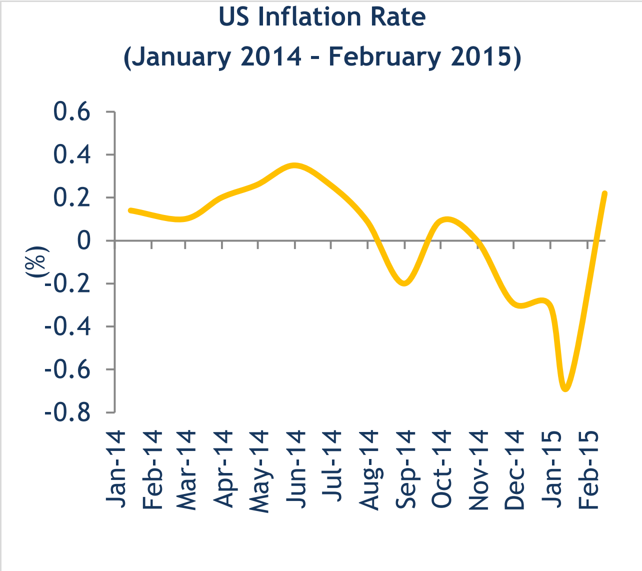
Same old, same old. The US Federal Reserve (Fed) has yet to call the shot on Federal Funds Rate (FFR) although the US have reached the coveted full employment level after February 2015 unemployment reached a strong 5.5%, reaching an alarming rate where the policy rate needs to be adjusted cautiously before inflation becomes a stinging issue. Despite that, the FOMC has yet to give indication on its policy path other than stating that they will take their time before acting swiftly, giving global equity market some breathing space. We think that the US policy hike will continue to be the theme among investors this year especially when the adjustment could stoke many shifting sands including the softening of global commodity prices, the hammering of emerging countries currency value, and of course the rapid capital outflow out of the emerging countries back into the US.

Notwithstanding that, the US is predicted to do well this year especially when oil price has been languishing at a low level. Note that we don't expect oil price to be heading north steadily so soon due to 1) lethargic demand and 2) supply glut, make worst by oil producers hard headed decision of not cutting output while China growing at slower rate this year will make matter worst. Chief of this, we think is the China factor that weighs heavily on oil price. So, as long as China does not grow strongly, oil price may not get any stronger so soon. Other than that, the USD is expected to get stronger as a result of policy rate hike. This will be a boon to spending capability but will only make its economic imbalance worsen. But then again, strong USD means that the US will help its trading countries export, something that is needed at the back of lethargic growth in China, Japan and Eurozone.

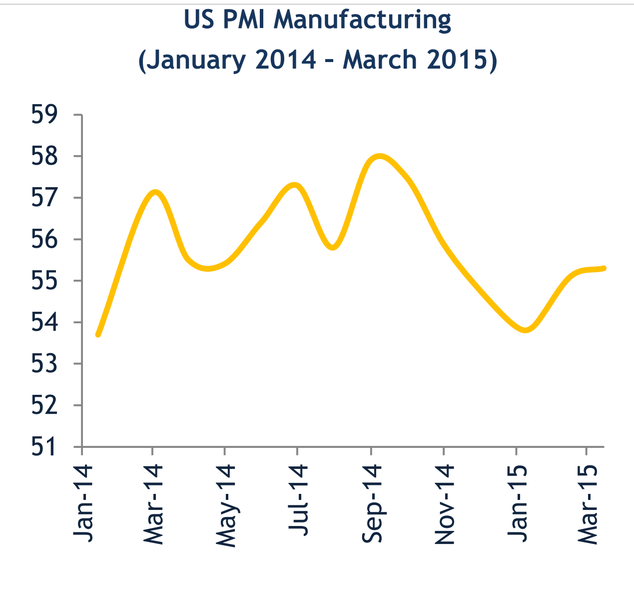
Moving on, we think that the US unemployment level has the potential to get knocked down further which will push the Fed to start snapping its policy rate. Some predict that this may happen in June this year but a more bearish forecast sees it to take place in October. Notwithstanding that, should the US adjust its policy rate in June, we predict it will be in small dose first (e.g. 25-50 basis points) and could get adjusted steadily right until December FOMC meeting. Note that the US normalized policy rate is about 4% plus until 5% which means that the US FOMC has a long way to go given the current FFR of 0.25%.

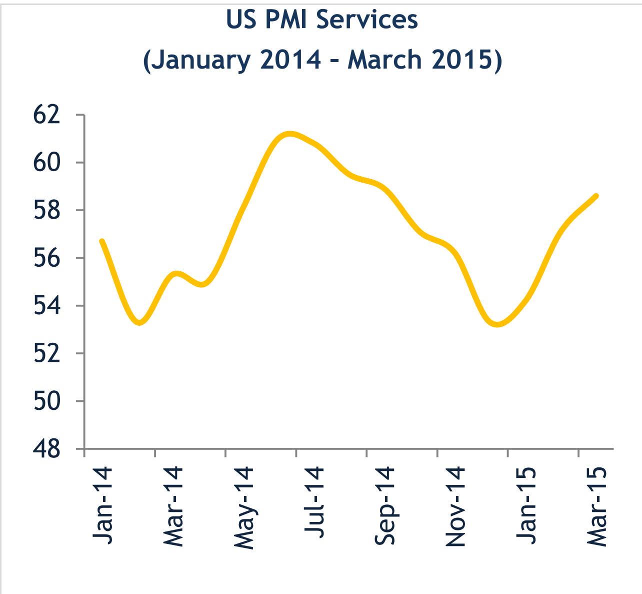
Note that during economic stress or economic prosperity, the US have been known to cut and increase interest rate from a low or high point into the normalised level with a period of 2 years, suggesting a steady 25 basis points in adjustment in each FOMC meeting (note: FOMC hold 8 meetings a year) until it reaches the normalized level. At this juncture, we think that the US will finally grow within its long-term potential and the US is finally out of the woods and comfortably detaching itself from debilitating economic quagmire like in 2009 until 2014.





Source: Bloomberg, M&A Securities





2015 Eurozone Economic Outlook

"Not Yet Out of the Woods"

Euro Area Economic Forecast

	2012	2013	2014	2015F	2015F
IMF	-0.7%	-0.4%	0.8%	1.2%	1.4%
ECB				1.3%	1.9%
World Bank				0.8%	1.1%
OECD				1.0%	1.7%
Bloomberg Consensus				1.3%	1.6%

Source: Various, M&A Securities

Positive catalysts:

1) New quantitative easing measure to shore up growth
2) Sluggish global commodity prices: breathing space and relieve for now

Negative catalysts:

1) The scary prospect of deflation
2) Limited policy space – almost zero
3) Nagging structural problems
4) Fiscal lethargic
5) Germany to oppose kicking start inflationary drive

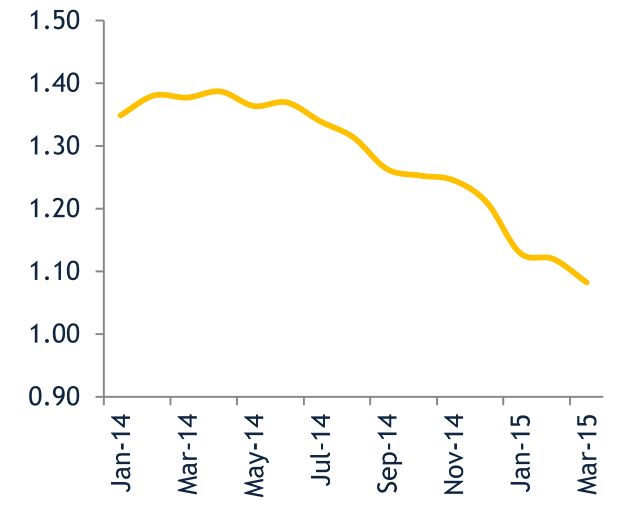
Mario Draghi, ECB's chairman, unleashed the pact's fresh new quantitative easing measures in 1Q15, in an effort to thwart deflation and in its quest to pump up the economy. Reportedly to take about 1 year with the bond purchase programme, valued at about circa USD1 trillion, the pact hopes to turn around its beleaguering fate with prolong debilitating high unemployment situation. It is no longer a secret that the pact has been suffering from high unemployment rate of over 11% ever since the spark of the Eurozone Sovereign Debt crisis in 2009. Note that the US had started its quantitative easing measures much earlier than the pact that have resulted in the USD to lose steam at the expense of the Euro.

Our analysis shows that the Eurozone was unable to kick start its export momentum mainly due to 1) high unit cost – making its products less competitive and also the 2) expensive Euro which weigh on the demand for Eurozone product. Now with a new boss at the helm, Mario Draghi, replacing Jean-Claude Trichet, the pact is hoping to hum its economy again especially after a few series of below expectation performance. Now that the US has totally stopped its quantitative easing measures and the Eurozone has started theirs, the Euro is poised to get knocked down further and hence, may kick start its economy. Note that the pact had grew by 0.8% in 2014 (2013: -0.4%), beating most projection, thanks to lower unit cost which has kick started its economy. Nonetheless, its punishingly high unemployment rate of circa 11% is still pain in the neck as years of limited unemployment has resulted in labor scarring and diminishing set of skill.

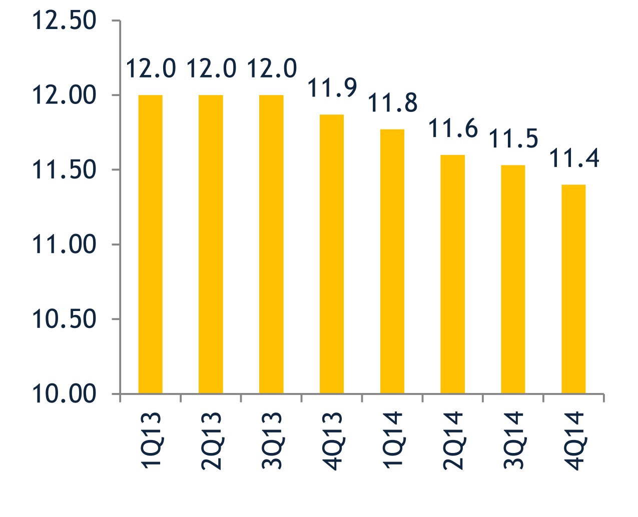
Note that the pact had a scary moment when inflation tumbled by 0.6% in January before dropping further to -0.3% in February, pushing the ECB on a warning alert to do something to jolt the economy. The pact should have a breeze this year thanks to the softening of oil price which should give the fact a fiscal space and room to get its house in order. Nonetheless, the space provided by oil and other global commodity prices may not be that long as we predict that oil should start its north trajectory in 2H15, albeit in slow and steady pace.

2015 should be a better year for the pact as witness in concerted positive projection by all houses including the IMF, World Bank, OECD and also the ECB. The cautiously optimistic projection, is nonetheless, is too minute in our view especially given that the pact has been mired with economic backwardness for so many years. Many painful measures taken have diminished the potential of the pact including choking austerity measures, painful deleveraging and not to mention reducing quality of living. As a disclaimer, we think that the pact is yet to be out of the woods and the nagging problem from Greece will stay which may distract and affect the recovery process of the pact.

Euro to Dollar (January 2104 - March 2015)

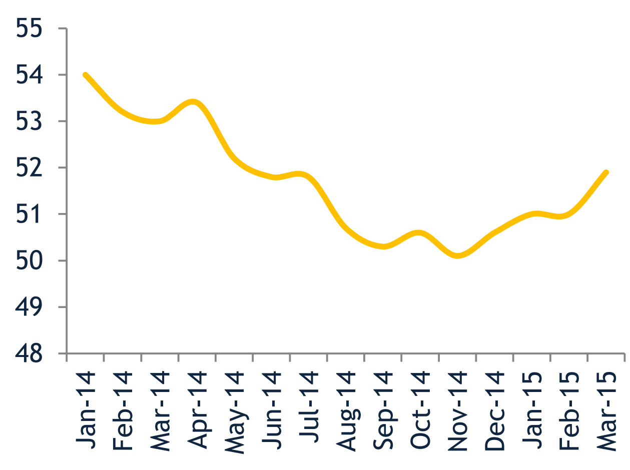


Eurozone Unemployment Rate (1Q13-4Q14)

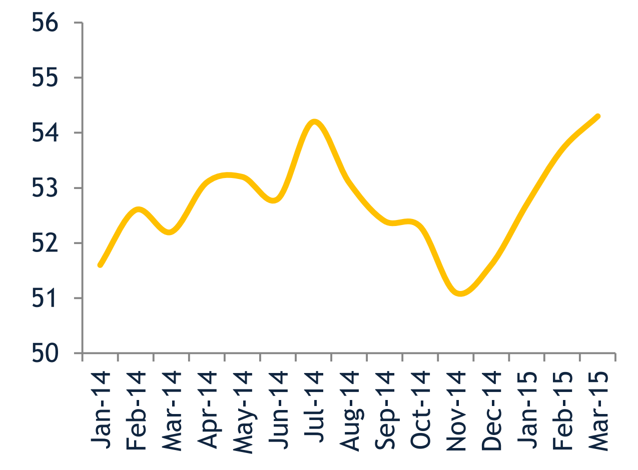


Source: Bloomberg, M&A Securities

Eurozone PMI Manufacturing (January 2104 - March 2015)



Eurozone PMI Services (January 2104 - March 2015)



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2015 Japan Economic Outlook

"Japan's Economy May be Weigh by Yen"

Japan Economic Forecast

	2012	2013	2014	2015F	2016F
BoJ	1.5%	1.5%	0.1%	0.6%	n.a
IMF				0.6%	0.8%
World Bank				1.2%	1.6%
OECD				1.3%	1.3%
Bloomberg Consensus				1.0%	1.4%

Source: Various, M&A Securities

Positive catalysts:

1) Sluggishness in global commodity prices – less pressure on cost and economy
2) Shinzo Abe full mandate and grip to lead Japan

Negative catalysts:

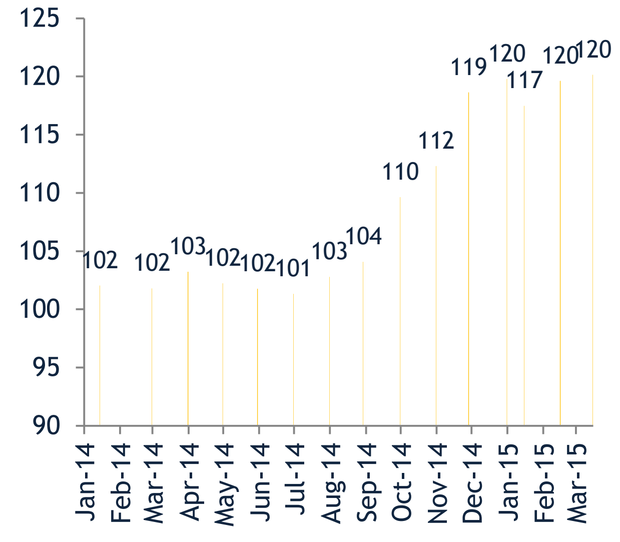
1) Yen may gain strength
2) Disappointing economic prospects
3) Impact of consumption tax increase in 2014 to continue to be felt
4) Dim prospect of inflationary pressure
5) Negligible impact from Abe's 3-arrow reforms

The fact that Yen is one of the world's safe haven asset is actually a bad news for Japan. For one, during heighten global financial market volatility arising from rapid capital outflow, Yen along with the USD, Swiss Franc and the US Treasury will see greater demand due to flight to safety, leading to potential gain in Yen. This means that Shinzo Abe may not be able to count on Yen to help its export revive back, potentially derailing Mr Abe' plan to jack up its economy. Shinzo Abe has been facing one after another stumbling block ever since helming the nation back in 2012. He seems to be running out of ammunition to lift Japan out of economic doldrums.

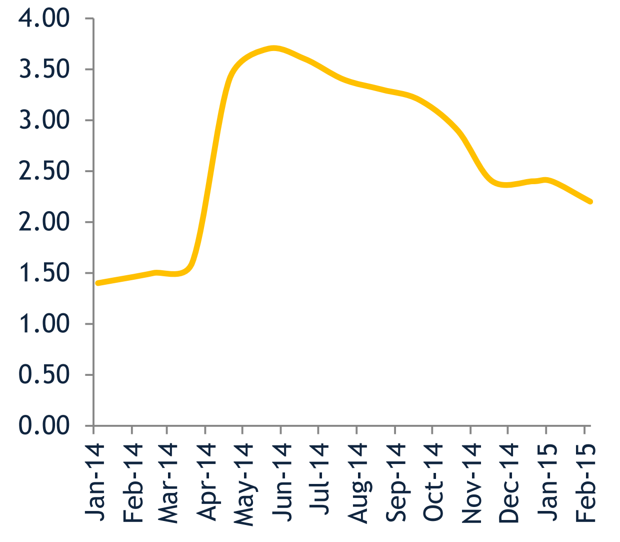
So far, the report card has been dismal to disappointing with 2014 GDP grew at a minute pace of 0.1%, no thanks to the much loathe consumption tax revision in 1st April 2014. Recall that Abe had to raise Japan's consumption tax to 8% from 5% previously in an effort to combat debilitating and high public debt to GDP of over 200%, the highest in the world. As the result, Japan's private consumption and investment tanked alarmingly in 2Q14, dragging the whole year economy to only 0.1% in 2014 from 1.5% in 2013. Abe had earlier wanting to adjust consumption tax further to 10% in 2016 but the plan has been temporary shelve following large public outcry. For now, Japan's prognosis is less than upbeat with weak private consumption prospect especially at the back of soft inflationary trend. Japan's February 2015 inflation decelerated to 2.2%, impacted by weak oil price, from 2.4% in January. This is markedly lower than 2014 average of 2.7%. The outlook is also weak as we predict that oil price will suffer prolong weakness due to the expected hike in US policy rate. Some solace to the economy in 2015, as we see it, is the large spending emanating from Tokyo 2020 Olympic hosting. Japan has yet to embark on this in massive scale spending and we predict it may start in 2015.

Another reprieve to the economy is the languishing oil price which has tanked to circa USD40-USD50 per barrel (WTI) which should be a boon to Japan. Other than that, we foresee a number of stumbling blocks towards Japan’s economy this year although street estimates may be bullish in their projection but below expectation by the Japan that has become a norm since the last few years. Otherwise, unless and until Abe has some magic up his sleeve to rev up Japan’s economy, we think that Japan may still disappoint its advanced economies peers in 2015.

Yen per Dollar (January 2104 - March 2015)

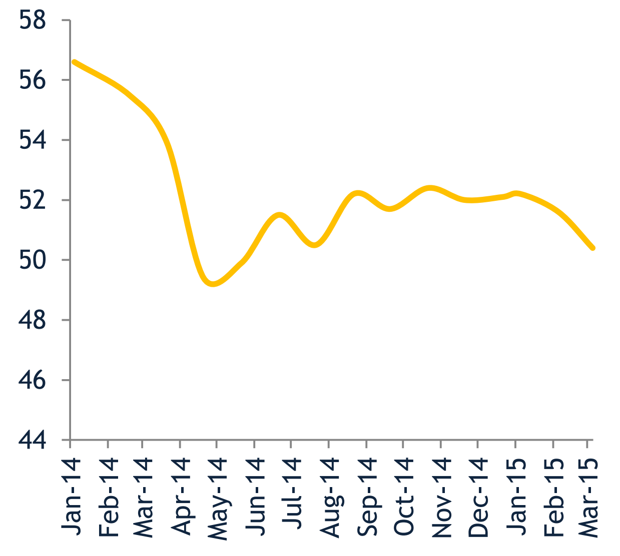


Japan Inflation Rate (%) (January 2104 - February 2015)

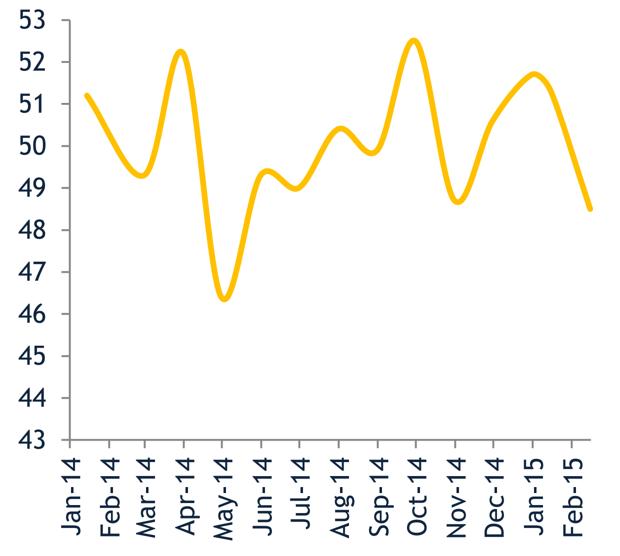


Source: Bloomberg, M&A Securities

Japan PMI Manufacturing (January 2104 - March 2015)



Japan PMI Services (January 2104 - February 2015)



Source: Bloomberg, M&A Securities

2015 China Economic Outlook

"China Needs to Seize the Opportunity to Rebalance - Fast"

China Economic Forecast

	2012	2013	2014	2015F	2016F
PBoC				7.1%	n.a
IMF				6.8%	6.3%
OECD	7.7%	7.7%	7.4%	7.1%	6.9%
World Bank				7.1%	7.0%
Bloomberg Consensus				7.0%	6.7%

Source: Various, M&A Securities

Positive catalysts:

1) Government commitment to intensify rebalancing the economy
2) Sluggish global commodity prices: breathing space to fiscal planning
3) Committed to liberalize financial market
4) USD may gain at the expense of Yuan; currency gains for their huge US Treasury holdings

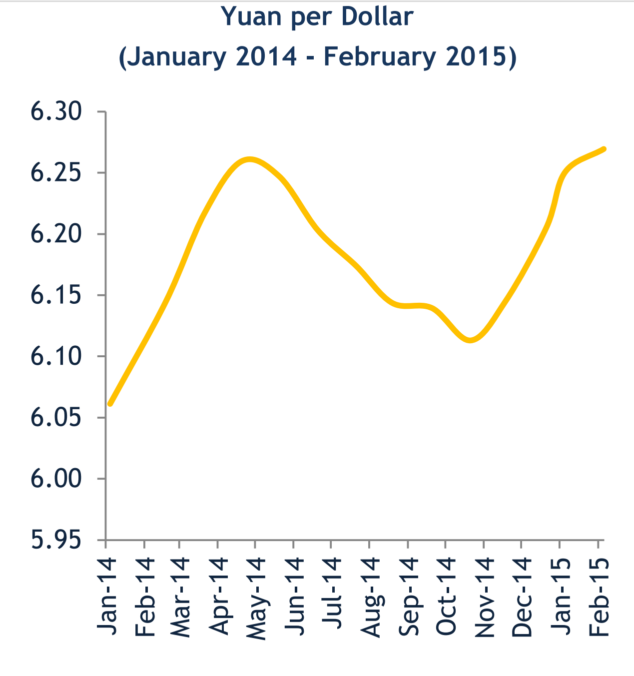
Negative catalysts:

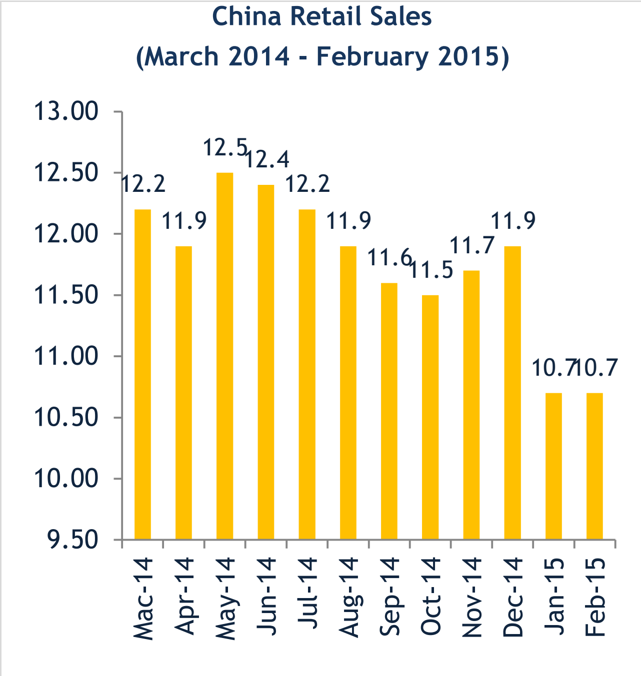
1) May need to cut policy rate before hiking, ahead of the US
2) Rebalancing may take toll on investment and consumption may still be weak
3) China's export may take a hit while import to slow down in an effort to cool economy

China's is heading towards a rough patch ahead. Its economy does not have that silver bullet anymore and it seems re-balancing and reform is the only way out. This includes the plan to unleash the power of its 1.3 billion people and slowly dissolving the role of private investment. Time and again China has been reminded that credit fuelled growth cannot be sustained. This is why China's government has opted to re-balance its economy a few years ago. Nonetheless, the result has been quite dissatisfactory as China is desperate to ensure about 30 million jobs a year and this is a tough call especially if one depends on private consumption to drive growth. More so when export market has been dwindling no thanks to the economic challenges of its trading partners, chiefly Eurozone and Japan. Its dire February trade numbers where export contracted by 3% and import tanked by 19.9% paint a scary picture that China's slow growth is going to drag the whole world with it.

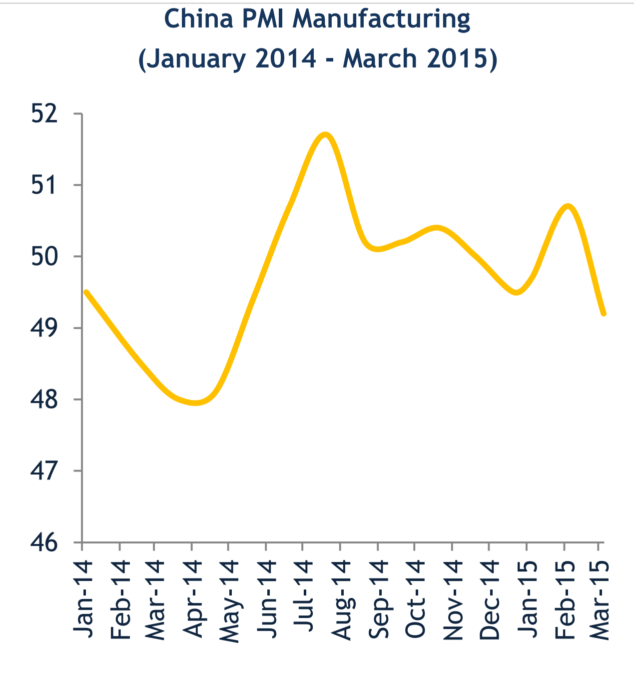
This has pushed China's premier, Li Keqiang, to drop a bombshell in March that China is expected to grow at a slower pace of 7.0% in 2015 from 7.4% in 2014 while keeping intact its plan to re-balance and reform the economy. This is essentially a bad news to global equity market as demand for global commodity prices may surely tumble due to China factor, make worst by the likely strengthening of USD. This is what we are seeing today where the global commodity prices have remain in tatters for quite some time. Weak demand due to China factor and added with supply glut will definitely weigh on global commodity prices outlook.

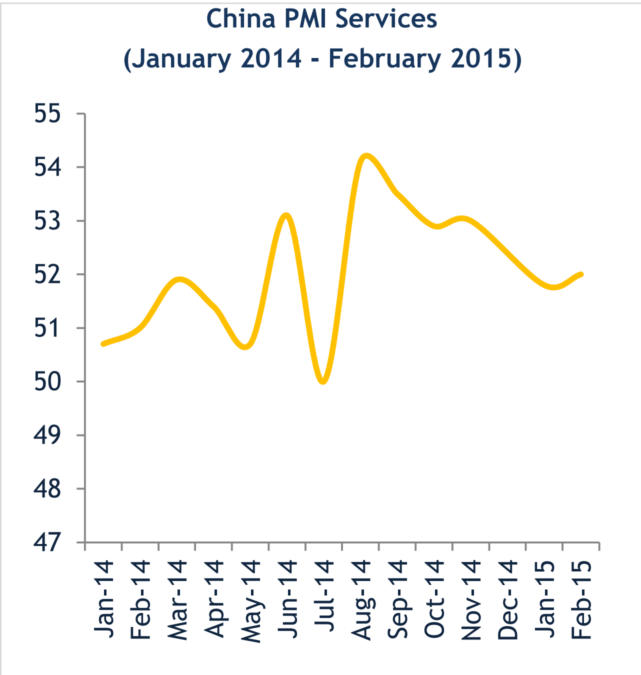
At this juncture, China is fighting many enemies from within and also from outside. Internally, it is facing the rising prospect of deflation due to the softness in global oil prices. Externally, the likely strength of USD means that Yuan may tumble steadily, a prospect that loathe by many emerging economies. Hence, China's hand is tight and 2015 will be a tough year especially when one is desperate to restructure the economy. Thankfully, China is said to have a few weapons in hand to fight economic deceleration this includes unleashing a fresh new stimulus apart from opting for policy rate cut. Although every option has its setback and repercussion but in our view China has no choice but to make choice even if the choice may not be the best choice. We need China and China cannot fail us.





Source: Bloomberg, M&A Securities





Source: Bloomberg, M&A Securities

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2015 Malaysia Economic Outlook

"Nervous Towards GST and 11MP"

Malaysia Economic Forecast

	2012	2013	2014	2015F	2016F
BNM	5.6%	4.7%	6.0%	4.5%-5.5%	4.5%-5.5%
MoF				5.0%-5.5%	n.a
MIER				4.7%	n.a
Bloomberg Consensus				4.7%	5.0%
World Bank				4.7%	n.a
M&A Securities				5.0%	4.5%-5.5%

Source: Various, M&A Securities

Positive catalysts:

1) 2015 economic growth would still be good, albeit slower (2014: 6.0%; 2015F: 5.0%)
2) Bold plan to implement GST, fiscal position to improve subsequently
3) Solid domestic demand
4) Undervalued Ringgit; capital inflow to return with a vengeance
5) Not too vulnerable thanks to current account surplus
6) A fresh round of SRP; weak global commodity prices allow that

Negative catalysts:

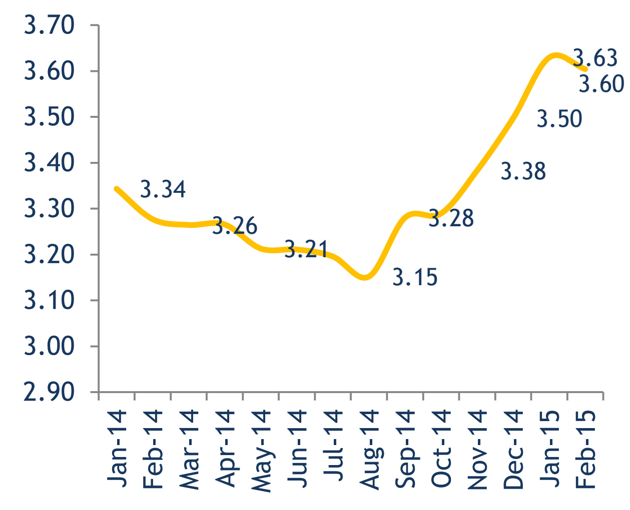
1) Limited policy space
2) Sluggish commodity prices; fiscal position could suffer
3) GST implementation could stoke spending
4) Export growth could slow down while import could become costlier
5) Financial instability; eminent downside risk on Ringgit

Malaysia will be making its fiscal consolidation in earnest come 1st April 2015, thanks to GST adoption. Not only that, a host of other changes will also be made in order to put Malaysia on the right path toward high income nation. For one, Malaysia's 11 Master Plan (11MP) is set to become a showdown to lift Malaysia's competitiveness as it will be the last leg before reaching the ultimate finishing line in 2020. 11MP is speculated to be revealed in May or June of which we predict will be loaded with many big tickets spending including the much touted plan to improve the transportation system in Malaysia. For one, MRT3 and Malaysia-Singapore High Speed Railway will be lumped together in the long term plan that will cover from 2016-2020. With a combined value of RM50 billion (MRT3: RM20 billion; HSR: RM30-40 billion), the 11MP is set to make a splash and lift the country's GDP to a higher level. Watching through our rose tinted glass however, we believe that Malaysia will be able to reach the coveted high income nation status by 2018 at the earliest or by 2019 at the latest. Hence, the government's grand plan under 11MP will be waited anxiously.

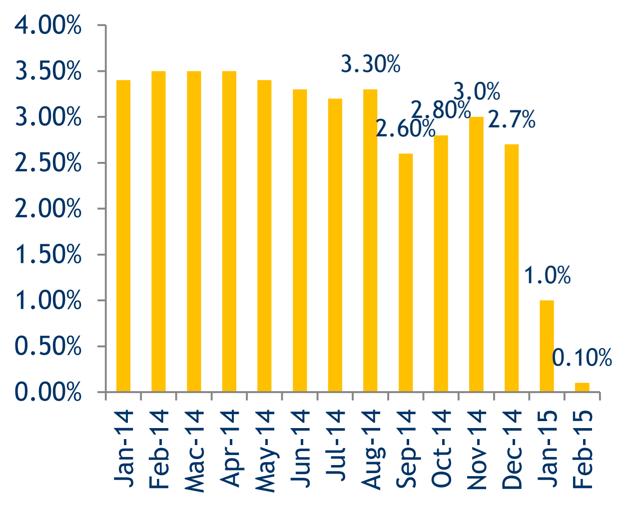
Before that, however, 2015 will be a year of consolidation and tough period in our view. For one, the much loathe GST will get started in April. Secondly, the nation is grappling with huge fiscal risk given the softness in global oil price. As can be witnessed in IPI numbers of late, we can conclude that the government have ramped up the production of oil in an effort to stem the slide in fiscal revenue given that price of oil has tumbled by almost 50% y-o-y. Thirdly, there is a worrying trend that Ringgit has been sliding steadily since early of the year. This is due to the negative outlook of the country as the nation's fiscal revenue gets about 30% contributions from the oil. The tumbling of Ringgit is also due to the strength of the USD given the likely hike of the US policy rate.

Malaysia is also bearing the brunt of rapid capital outflow as a result of the US decision to snap its interest rate. In a nutshell, 2015 is going to be a testy period especially with so many rising challenges, be it monetary or even fiscal. At this stage, we are of the view that the implementation of GST serves a valuable lesson in that we need to expand the sources of our fiscal revenue as oil proves to be our friend only during a good day. Although loathe by many, we are of the view that GST is the painful pill that we need whether we like it or not.

Ringgit per Dollar (January 2014 - February 2015)

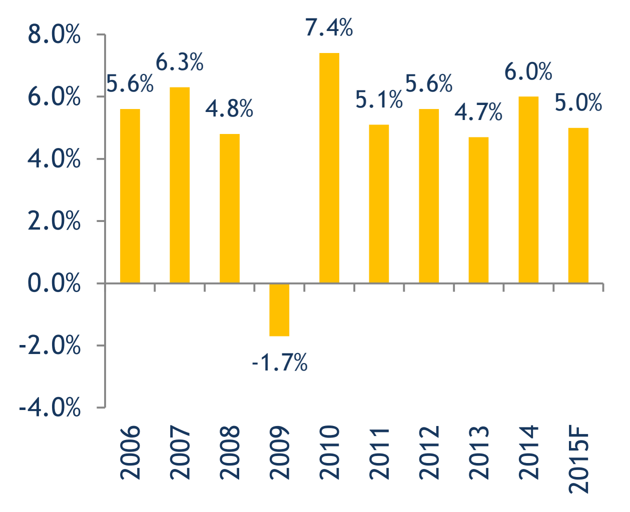


Malaysia CPI Trend (January 2014 - February 2015)

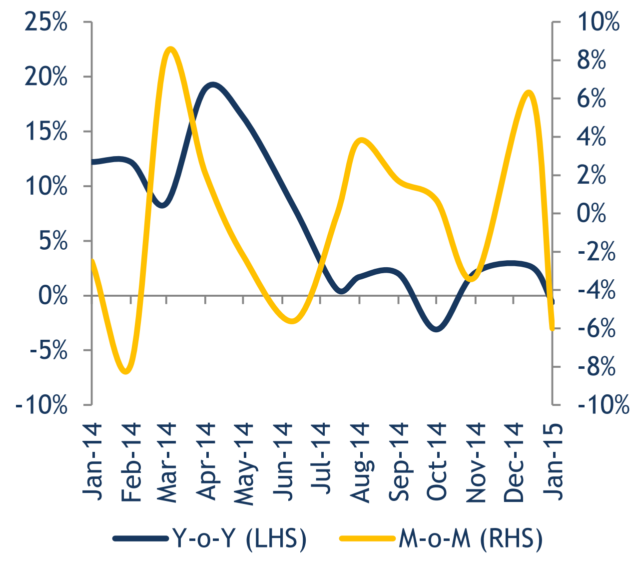


Source: Bloomberg, M&A Securities

Malaysia Annual GDP Growth (2006-2015F)



Malaysia Export Growth (January 2014 - February 2015)



Source: Bloomberg, M&A Securities

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Market Access

Auto Sector

(Overweight)

"Not yet to Drop Gear"

Table 1: Auto Sector Operational Metrics Target

	2014	2015F
TIV (units)	666k	667k
OPR	3.25%	3.50%
Inflation rate	3.16%	3%-4%
Crude oil (WTI)	USD53-USD105 p.b.	USD70-USD80 p.b.
Ringgit per Dollar	RM3.15-RM3.49	RM3.40-RM3.50
GDP	6%	5.0%
2015 Top Pick	• MBMR (BUY; TP: RM3.80) • Berjaya Auto (BUY; TP: 4.30)	

Source: M&A Securities

We expect Malaysia's 2015 TIV to remain flat at 667k units (2014: 666K) due to cautious sentiment on consumer's purchasing power ahead of the implementation of GST and margin pressure on some auto players including UMW (Toyota) and TCM (Nissan), hammered by intense competition in the B-Segment market. We have an Overweight call on the sector supported by 1) steady roll out of volume selling models in 2015 including Perodua Axia, Perodua Myvi facelift, Proton Iriz and Honda City; 2) muted impact on potential OPR hike and; 3) potential implementation of cash for clunkers scheme. MBMR (BUY; TP: RM3.80) and Berjaya Auto (BUY; TP: RM4.30) emerge as our top call in the automotive sector space.

Financial review. In our FY14 results wrap-up analysis, MBMR (FY14) and Berjaya Auto (9MFY15) core net profit met our projection, accounting 102% and 75% of our full year net profit forecast. MBM's FY14 earnings improved due to higher associates' contribution from Perodua, subsequent to the launch of Perodua Axia in September 2014 while Berjaya Auto's positive momentum in 9MFY15 was lifted by higher Mazda's domestic sales volume (+30% y-o-y). Nonetheless, the stiff competition in the B-Segment has put pressure on TCM and UMW earnings in FY14 coupled with the impact of strengthening of USD against Ringgit. Moving forward, we expect MBMR and Berjaya Auto to register better earnings in 1QFY15 and 4QFY15 respectively underpinned by strong deliveries of Perodua Axia and the new launch of Myvi facelift as well as the introduction of the all new Mazda 2. On the other hand, we expect UMW and TCM earnings will slightly get impacted by continuous weakening in Ringgit against USD as well as lack of new launches in the B-Segment market.

New Launches to spur Perodua and Mazda growth. We foresee 2015 to be a great year for Perodua due to the strong demand of Perodua Axia whose booking numbers has reached a respectable 82k units as at February 2015. Interestingly, Perodua has launched the new Perodua Myvi facelift on 15 January 2015 with price range from RM41k-RM58k. The new Perodua Myvi came out with six different choice of colours and available in six variants consisting of; i) 1.3 Standard G MT, ii) 1.3 Standard G AT, iii) 1.3 Premuim X AT, iv) 1.5 SE MT, v) 1.5 SE AT and vi) 1.5 Advance AT.

Hence, we remain optimistic that the two key models would drive Perodua to achieve its 2015 sales target of 208k units (+6% y-o-y).

BAuto has launched the all new Mazda 2 in January 2015 which is expected to enhance Mazda's vehicles sales in 2015 and give intense competition in the B-Segment market. Based on our pricing analysis, the price of the new Mazda 2 of RM85k is at the mid-range compared to Honda City (RM73k-RM88k), Toyota Vios (RM71k-RM90k), Ford Fiesta (RM84k-RM93k) and slightly higher than Nissan Almera (RM64k-77k) and Honda Jazz (RM70k-RM85k). Notwithstanding that, we remain optimistic that the new Mazda 2 will receive a good response by the market driven by impressive track record of Mazda's vehicle sales in recent years (FY12: +22% y-o-y, FY13: +38% y-o-y, FY14: +17% y-o-y).

Cash for clunkers. The Malaysian Automotive Institute (MAI) has proposed the 'cash for clunkers' scheme to the government agencies and original equipment manufacturers (OEMs) where car owners may turn in their old car of above 10 years age for cash rebate RM5,000 to buy a new car. MAI projects 2015 TIV could reach 750k units, exceeding its initial 2015 forecast of 700k if the scheme being implemented this year. We expect this could be a positive catalyst for the national car player such as Perodua and Proton to ramp-up their sales volume. Based on our channel check, Proton has already introduced similar scheme called 'Proton XChange Programme' from March-October 2009 where the outcome was quite impressive. Proton registered a commendable growth of 4% y-o-y in 2009 and managed to outperform the industry's TIV (-2% y-o-y) and other players' including Perodua (-1%) and Toyota (-20%). The scheme is still pending approval from the government and manufacturers.

Muted impact on the hike in OPR. Bank Negara Malaysia (BNM) has maintained its policy rate at 3.25% in its 2nd policy meeting of the year. Note that BNM has increased OPR by 25 basis points to 3.25% in July 2014 mainly to mitigate the risk of broader economic and financial imbalance and to combat further rise in inflation. Worst case scenario, we opine that any adjustment in OPR later, possibly in 2H15 onwards (by 25 basis point, reaching ceiling set by BNM), will have no material impact on Malaysia's TIV. Based on the previous OPR adjustment in 2011 (+25 basis point to 3.00%), our TIV continued to accelerate in 2012 (+5% y-o-y), 2013 (+4% y-o-y) and 2014 (+2% y-o-y) respectively.

The introduction of GST by April 2015. The implementation of goods and services tax (GST) in April 2015 will result in the replacement of existing 10% sales tax with 6% GST. We expect the impact on car prices will remain uncertain whether it could be a slight reduction or no change. According to MAI, the average car prices are expected to be reduced between 1% to 3% post-GST depending on the final selling price by car producing companies. Note that GST will be charged to the whole value chain system from manufacturers to the dealers while the current sales tax structure is only imposed at one stage of supply chain which is at the manufacturer level. On the other side, we expect the possibility of lower car prices which is a feel-good-factor for the consumers in buying a cheaper car, but it may be offset by higher cost of living upon the implementation of GST.

Ringgit movement against USD and Yen. Ringgit continued its downtrend performance since November 2014, tumbling to RM3.60/USD in February 2015 compared to 2014 average of between RM3.15/USD-RM3.49/USD. We expect the automotive player which has large exposure in USD (TCM: 55%, UMW: 42%) will be slightly impacted on higher imported component cost if Ringgit continues to weaken against the USD in the near term. On the flip side, Ringgit has been softening against the Yen, hovering between RM3.09/Yen to RM3.01/Yen (January-February 2015) compared to 2014 average of between RM2.85/Yen-RM3.27/Yen. Note that Berjaya Auto has the largest exposure in Yen with approximately 45% of its component costs are denoted in Yen and hence, may be at disadvantage on costlier imported component costs which may crimp their profit margin going forward.

YTD TIV Analysis. January 2015 TIV registered weaker numbers of 50,602 units (+1% y-o-y, -22% m-o-m) as huge m-o-m dropped was injured by aggressive year end promotional campaign in December 2014 coupled with consumer uncertainties ahead of the implementation of GST by in April 2015. On national car marques, Perodua vehicle sales stood at 16,067 units (+33% y-o-y, -16% m-o-m) banking on the strong demand of Perodua Axia while Proton posted convincing sales volumes of 8,900 units (-9% y-o-y, +2% m-o-m) just when the sales of Perodua Iriz has started to pick-up after weaker deliveries in the past three months. On non-national car marques, Honda, Nissan and Berjaya Auto has outperformed Toyota sales performance after registering a commendable growth of 2% y-o-y (Honda), 4% y-o-y (Nissan) and 10% y-o-y (Mazda) respectively. Overall, Perodua maintained its top spot with higher market share of 32% as at 1M15 (1M14: 24%) followed by Proton 18% (1M14: 19%), Honda 13% (1M14: 13%), Nissan 9% (1M14: 9%), Toyota 8% (1M14: 13%) and Mazda 2% (1M14: 2%).

Conclusion and Recommendation. 2015 TIV is estimated to stay flat at 667K units (2014: 666k units) due to cautious sentiment on consumer's purchasing power ahead of the implementation of GST and margin pressure on some auto players including UMW (Toyota) and TCM (Nissan) hammered by the intense competition in the B-Segment market. We have an **Overweight** call on the sector in 2015 supported by 1) steady roll out of volume selling models in 2015 including Perodua Axia, Perodua Myvi facelift, Proton Iriz and Honda City; 2) muted impact on the potential hike in OPR and; 3) potential implementation of 'cash-for-clunkers' scheme. The key risks to our call are 1) tightening of bank lending rules; 2) slower Malaysia 2015 GDP growth of 5.0% and 3) weakening of Ringgit against USD. **MBMR (BUY; TP: RM3.80)** and **Berjaya Auto (BUY; TP: RM4.30)** emerge as our top call in the automotive sector space.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.84	85	92	12.9	11.9	1.8	1.7	12	3	11.57	Hold
Tan Chong	Dec	3.03	27	35	12.4	9.5	0.8	0.7	7	3	3.13	Hold
MBM Resources	Dec	3.29	37	42	8.6	7.5	0.8	0.7	8	2	3.80	Buy
Berjaya Auto	Apr	3.78	31	36	10.8	9.2	4.6	3.6	52	3	4.30	Buy
APM Automotive	Dec	4.65	59	62	8.4	8.0	1.0	0.9	11	4	NR	NR
Average					10.6	9.2	1.8	1.5				

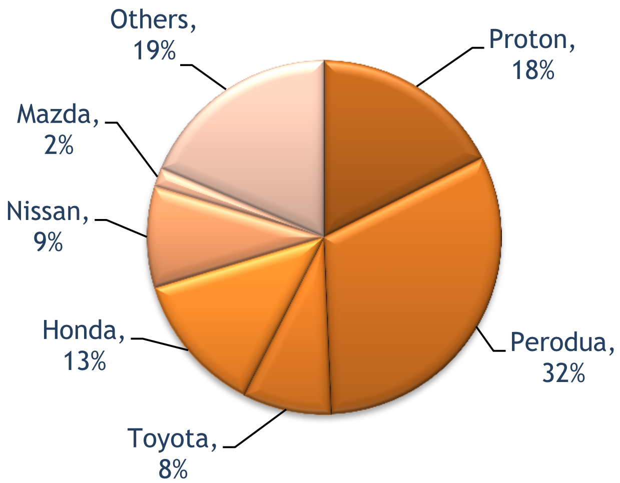
Source: Bloomberg, M&A Securities

Table 2: YTD 2014 TIV

Marque	Jan-14	Dec-14	Jan-15	m-o-m	y-o-y	YTD14	YTD15	Y-o-Y
Proton	9,735	8,701	8,900	2%	-9%	9,735	8,900	-9%
Perodua	12,091	19,048	16,067	-16%	33%	12,091	16,067	33%
Toyota	6,687	11,258	4,109	-64%	-39%	6,687	4,109	-39%
Honda	6,393	8,280	6,522	-21%	2%	6,393	6,522	2%
Nissan	4,508	5,473	4,706	-14%	4%	4,508	4,706	4%
Mazda	797	868	875	1%	10%	797	875	10%
Others	10,062	11,032	9,423	-15%	-6%	10,062	9,423	-6%
TIV	50,273	64,660	50,602	-22%	1%	50,273	50,602	1%
Passenger	44,702	55,523	44,697	-19%	0%	44,702	44,697	0%
Commercial	5,571	9,137	5,905	-35%	6%	5,571	5,905	6%

Source: MAA, M&A Securities

TIV Market Share
(YTD 2015)



Source: MAA, M&A Securities

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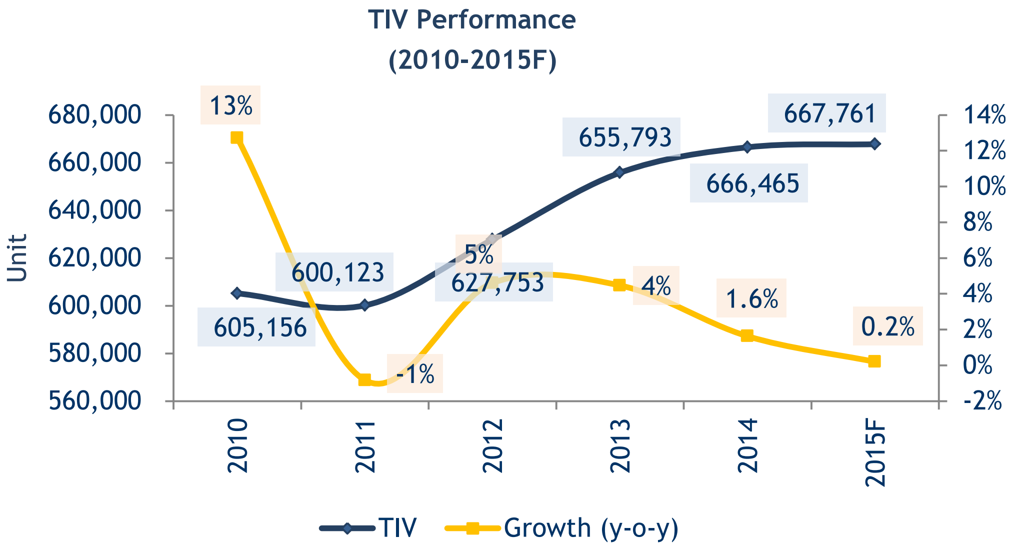
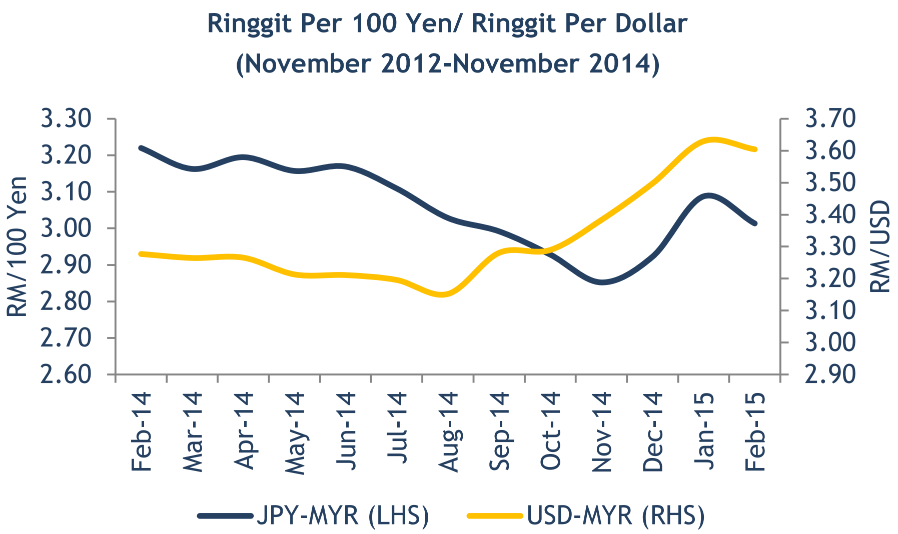


Source: MAA, M&A Securities



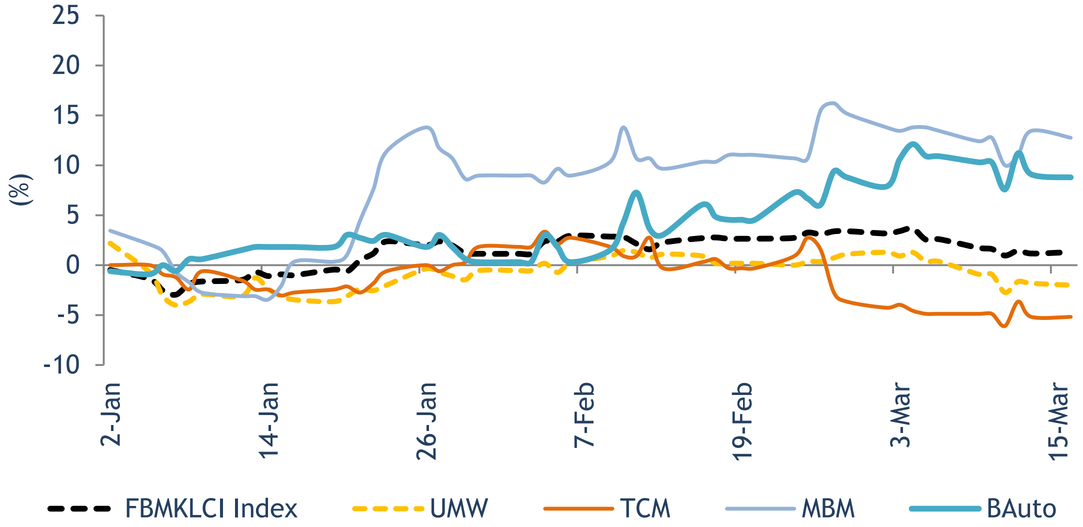
Source: Bloomberg, M&A Securities

Table 3: Selected New Launches 2014/2015

Model	Launch	Segment	OTR price (RM)
Perodua Myvi Facelift	Jan-15	B	42k-59k
Mazda 2	Jan-15	B	88k
Nissan X-Trail	Jan-15	SUV	142k-165k
Perodua Axia	Sep-14	A	24K-42K
Proton Iriz	Sep-14	B	42k-62k
Honda Jazz	Jul-14	B	73k-88k
Nissan Teana	Jun-14	D	140k-170k
Mazda 5	May-14	MPV	157k
Perodua Myvi XT	Apr-14	B	41k - 44k
Nissan Sylphy	Apr-14	C	112k - 122k
Honda City	Mar-14	B	76k - 90k
Mazda 3	Mar-14	C	139k
Nissan X-Gear	Mar-14	SUV	89k
Toyota Previa	Feb-14	MPV	258k
Perodua Alza Facelift	Jan-14	MPV	52k-64k
Toyota Corolla Altis	Jan-14	C	115k - 137k

Source: Company, M&A Securities

YTD Performance: Automotive Players Share Price vs. FBMKLCI
(January 2015-YTD March 2015)



Source: Bloomberg

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Construction Sector

(Overweight)

"Still Robust and Energetic"

Table 1: Construction Sector Operational Metrics

Purpose (RM billion)	2014	2015F
GDP	6.0%	5.0%
Big Ticket Project 2015	• KVMRT2 (RM23 billion) • Pan Borneo Highway (RM27 billion) • LRT3 (RM9 billion) • WCE (RM5 billion) • PITMP (RM27 billion) • HSR (RM30-RM40 billion)	
2015 Top Pick	• Gamuda (BUY; TP: RM5.87)	

Source: M&A Securities

Construction sector prospects remain bullish in 2015 in line with our Prime Minister which stated its stance in the revised Budget 2015 to proceed with the projects which have been highlighted in previous Budget 2015 including big ticket projects such as KVMRT2, LRT3 and KL-Singapore HSR. This will be the earnings catalyst to propel the order book replenishment for construction players which will keep them busy until 2020. In tandem with this, we reiterate our Overweight call on the sector with Gamuda (BUY, TP: RM5.87) emerges as our top pick.

Financial overview. In our FY14 results wrap-up analysis, WCT (FY14) and IJM Corp (9MFY15) core net profit came in below our estimates, accounting 66% and 67% of our full year net profit forecast. WCT's FY14 earnings was impacted by lower contribution from construction (-27% y-o-y) and property development (-21% y-o-y) due to slower billings from both Malaysia and the Middle-East projects as well as weaker property billings from the group's project in Iskandar/Johor. IJM Corp's lower-than-expected 9MFY15 earnings was hammered by disappointing contribution from industry (-15% y-o-y) and infrastructure (-90% y-o-y) due to lower deliveries of higher margin marine piles and higher cost of opening the Besraya tollway's eastern extension. Meanwhile, Gamuda's 1QFY15 net profit came in line with our estimates, accounting 25% of our full year net profit forecast. The improvement in 1QFY15 earnings was energised by the healthy contribution from concession segment (+234% y-o-y) due to the full consolidation of Kesas (70%-subsidiary) as well as commendable contribution from property segments (+13% y-o-y) that offset the weaker margins from construction segment. Moving forwards, we expect slight improvement for the upcoming results in 1Q2015 (end of March 2015) lifted by lower raw material cost as a result of lower commodity prices and recovery in construction margin on better orderbook replenishment (WCT: RM2.8 billion, +42% q-o-q, IJM Corp: RM6.0 billion, +10% q-o-q)

Revised Budget 2015 - positive for construction sector. Prime Minister, Datuk Seri Najib Tun Abdul Razak announced, on a special occasion of revised Budget 2015 in January 2015, that the government will maintain its development expenditure for 2015 of RM48.5 billion which includes projects such as public housing, flood mitigation, water supply, electricity and public transport infrastructure. Besides, the government also gave the 'green light' for projects such as KVMRT2, LRT3 and KL-Singapore HSR to be continued. The clear indication by the government will ensure the positive momentum on construction sector supported by various projects under Budget 2015 including Eastern Klang Valley Expressway, Damansara-Shah Alam Highway, Sungai Besi-Ulu Klang Expressway, upgrading the East Coast railway, West Coast Expressway and Pan-Borneo Highway. Moreover, with the aim to develop efficient and integrated public transportation in Malaysia, the government is estimated to spend big to the tune of RM160 billion on railway related projects until 2020. We strongly believe that this will be key catalyst for the listed construction players including Gamuda, IJM corp, Gadang, Mudajaya and Sunway to emerge as a potential beneficiary of major public transportation projects.

KVMRT Line 2. MRT Corp has appointed Gamuda-MMC to be the project delivery partner (PDP) for KVMRT2 which is within our expectation based on their excellent track record in developing KVMRT1 and their investment in related machinery such as Tunnel Boring Machine (TBM). The tendering is expected to be called by 2H15 with initial contract awards could be expected by 1H16 onwards. MRT Corp has hinted that the award for KVMRT2 may be skewed towards existing players in KVMRT1 such as IJM Corp, Gadang, Mudajaya, Sunway, Ahmad Zaki Resources and Naim Holdings. Therefore, we believe this will be the earnings catalyst to boost their construction order book which may keep them busy until 2020. KVMRT2 is estimated to cost RM23 billion which is higher than KVMRT1 (RM22.2 billion) due to the longer distance and more stations to be developed. It will cover several key areas including Damansara, Damai-Kepong-Kg. Baru-Tun Razak, and Exchange-Pandan-Serdang-Putrajaya.

Penang Transport Master Plan. Penang Transport Master Plan (PTMP) is estimated to cost approximately RM27 billion comprising RM16.4 billion for highway construction, RM9.7 billion for public transport and RM0.9 billion for institutional costs. Note that the state government has already awarded RM6.3 billion contracts to Consortium Zenith BUCG in October 2013 consisting of the construction of three highways and the undersea tunnel. The construction works are expected to commence in 2016 and be completed by 2030. The remaining RM20 billion will be executed using the PDP model. According to the news report, Penang's state government has called-up the tender for the Request for Proposal (RFP) in August 2014 to assign the PDP role to implement the PTMP and the tender has been closed in February 2015. The results are expected to be announced in September 2015 and the front runner for the PDP role could be Gamuda, IJM Corp, MMC Corp, Scomi Group and WCT.

LRT 3 update. We are positive on the recent development of the rail transit line (LRT 3) extension project as revealed in Budget 2015. Syarikat Prasarana Negara Bhd has completed the feasibility study on LRT3 covering 36km from Bandar Utama in Damansara to Klang, estimated to cost approximately RM9 billion. The project now is waiting for approval from the Land Public Transport

Commission (SPAD). Among the potential beneficiary for the propose LRT 3 project include Sunway, MRCB, Trans Resources Corp, UEM Builders and Intria Bina which currently have secured major contract packages in the on-going RM7 billion Kelana Jaya and Ampang Lines LRT extension projects.

West Coast Expressway. The awards for the construction of Sections 1,2,6,7,10 and 11 of the West Coast Expressway (WCE) worth RM2.2 billion is expected to be materialised sooner-than-later through open tender. Among the potential beneficiary for the open tender contract include IJM, WCT, Muhibbah and Gadang, the specialist in the area of highway building. Note that the government has appointed the consortium of IJM Construction and KEURO (IJMC-KEURO) in May 2014 as the Turnkey/Engineering and Procurement Contractor for the construction of the WCE project for a fixed sum contract of approximately RM5.0 billion. IJM has been directly awarded to undertake Sections 3,4,5,8 and 9 of the highway project out of total 11 packages valued at RM2.8 billion. The construction works has begun in 4Q14 and the entire project will take about five years to complete.

RAPID – Infrastructure related jobs. The construction sector has benefited from the development of Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor following the Petronas' approval on final investment decision (FID) in April 2014. Construction players which have been awarded some initial package of RAPID's related infrastructure project include Gadang (RM350 million-Site preparation work phase 2), WCT (RM342 million-Construction access and permanent roads) and Zelan (RM248-Material offloading facilities jetty). Hence, we firmly expect that there will be more large scale infrastructure works to be awarded sooner. Despite the sluggish and murky oil price outlook, this mega plan has yet to be chopped off from Petronas' radar.

KL-Singapore HSR. Among the railway related project which could provide re-rating catalyst for construction players is KL-Singapore High Speed Rail (KL-Singapore HSR). The 330km KL-Singapore HSR project may worth about RM30 billion to RM40 billion. According to government sources, HSR project would consist of two services comprising of; i) an express city-to-city service (connecting KL to Singapore directly) and ii) a transit service. Seven stations have been identified in Malaysia namely Kuala Lumpur, Putrajaya, Seremban, Ayer Keroh, Muar, Batu Pahat and Nusajaya. This service would cut the land travelling time between Malaysia and Singapore from 5 hours to just 90 minutes, in an ideal case scenario. SPAD has completed the feasibility study on the project and is now waiting for the final decision from Malaysian and Singaporean governments and this is expected to be announced in 2015.

China's companies to bid for KL-Singapore HSR. Meanwhile, China's Premier, Li Keqiang has reiterated China's interest in participating in the KL-Singapore HSR project on his recent meeting with our Prime Minister, Dato' Sri Najib Tun Razak in Beijing. According to the news report in March 2015, two China's rail companies, China Railway Construction Corp and China Southern Railway are preparing to bid for the construction of KL-Singapore HSR. This is within our expectation given that China has the longest HSR network in the world covering a distance of approximately 10,463KM, surpassing Spain (3,100KM) and Japan (2,664KM). China is also home to the world's longest single line, Beijing-Guangzhou HSR which covers the distance of 2,298 km.

Market Access

Overweight on Construction. We have an **Overweight** call on construction sector underpinned by its vigorous long-term outlook via mega infrastructure projects which will be strongly backed by the government and private sector. There are oasis of opportunities for players like Gamuda (BUY, TP: RM5.87) to grab some goodies from the upcoming mega infrastructure project. These players order book could swell up until 2020 and hence, our conviction on the call.

Table 2: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	7.20	48	54	14.6	12.9	1.3	1.3	12	2	7.50	Hold
GAMUDA	Jul	5.10	33	36	15.3	14.4	1.9	1.8	14	2	5.87	Buy
WCT	Dec	1.54	15	18	10.6	9.1	0.8	0.7	7	3	1.76	Buy
BENALEC	Jun	0.78	7	9	12.3	10.4	1.0	0.9	4	0	NR	NR
CREST BUILDER	Dec	1.17	11	NA	10.4	NA	0.4	NA	6	3	NR	NR
EVERSENDAI	Dec	0.79	7	10	9.0	6.4	0.5	0.5	1	2	NR	NR
KIMLUN	Dec	1.28	16	16	8.5	8.1	0.9	0.8	15	2	NR	NR
MRCB	Dec	1.25	7	10	19.7	13.8	1.2	1.1	9	1	NR	NR
AZRB	Dec	0.70	6	7	11.8	10.1	NA	NA	4	NA	NR	NR
YTL CORP	Jun	1.67	14	14	13.0	12.3	1.2	1.1	9	5	NR	NR
Average					**12.5**	**10.8**	**1.0**	**1.0**				

Source: Bloomberg, M&A Securities

Table 3: Comparison KVMRT 1 vs. KVMRT 2

	KVMRT 1	KVMRT 2
Coverage	Sg. Buloh-Kajang	Sg. Buloh-Serdang-Putrajaya
Total Length	**51km**	**56km**
Underground	10km	11km
Elevated	41km	45km
Stations	**31**	**35**
Underground	7	8
Elevated	24	27
Estimated Cost (RM bil)	22.2	23.0

Source: MRT Corp

Table 4: Budget 2015 Major Project Announcement

	RM (bil)
Railway	
KVMRT2 (56km)	23.0
LRT3	9.0
Upgrading East Coast Railway	0.2
Highway	
Sungai Besi-Ulu Klang Expressway (59km)	5.3
Damansara-Shah Alam Highway (47km)	4.2
Eastern Klang Valley Highway (36km)	1.6
West Coast Expressway (276km)	5.0
Pan Borneo Highway (1,663km)	27.0

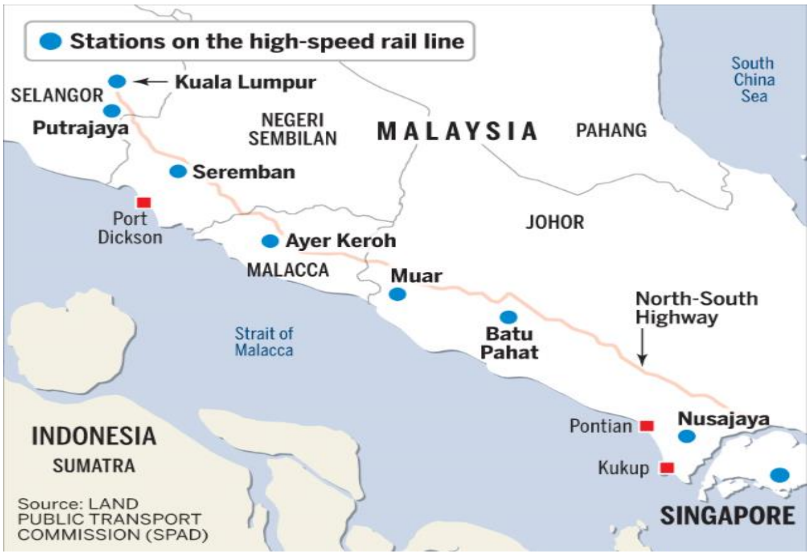
Source: 2015 Budget Speech

Table 5: Selected Construction Awards from RAPID

Company	Work Scope	Value (RM mil)	Stake
Gadang	Site preparation works phase 2	350	100%
WCT	Construction access and permanent roads	342	100%
Zelan	Material offloading facilities jetty	248	100%

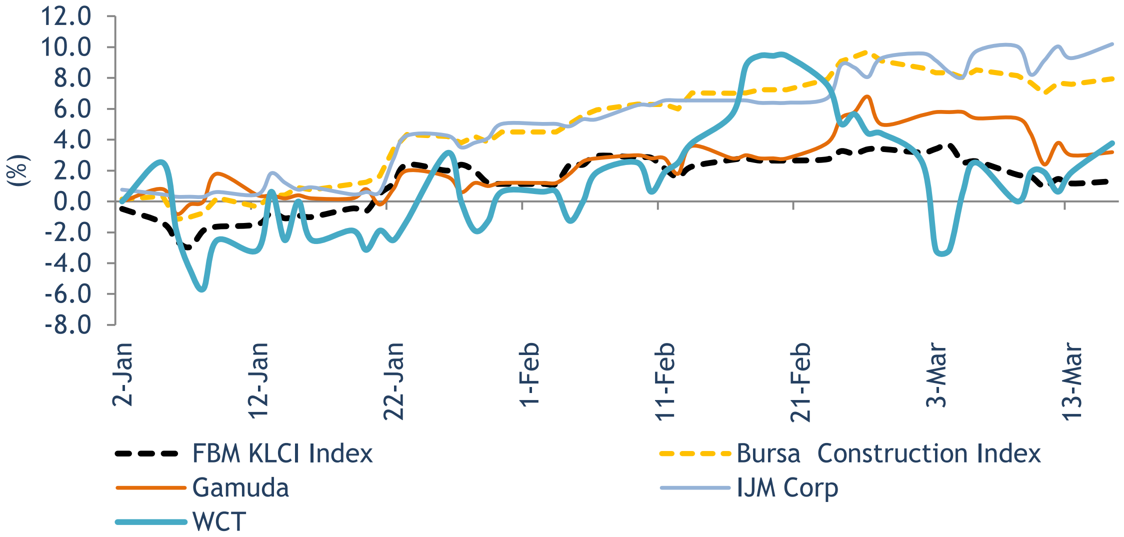
Source: Various sources

Seven Station of KL-Singapore HSR



Source: Straits Times Singapore

YTD Performance: Construction Players Share Price vs. FBMKLCI and KLCON Index (January 2015- March 2015)



Source: Bloomberg

Rubber Gloves Sector

(Overweight)

"Rubber Demand to Grow in 2015"

Table 1: Rubber Gloves Sector Operational Metrics Forecast

	2014	2015F
GDP	6.0%	5.0%
RM per USD	RM3.27	RM3.40-RM3.50
Inflation	3%	3%-4%
Capacity (billion pcs)	94	101 (7%)
Average Natural Rubber (RM)	4.37	3.63
Average Nitrile (USD)	1.09	To decline in line with the strengthening of USD
Top Pick	Supermax (BUY; TP: RM2.30)	

Source: M&A Securities

We have an Overweight call on the sector driven by 1) steady demand from advanced countries, 2) potential strengthening of USD 3) neutral impact of GST and 4) cost easing emanating from global commodity price softness. Our top pick for rubber glove sector is Supermax with a BUY call and TP of RM2.30

Catalysts:

1) Strengthening of USD
2) Rising demand from advanced countries due to hygiene concerns
3) Soft commodity prices
4) Capacity expansion

Negative Catalysts:

1) Stiff competition in the nitrile segment
2) Lower average selling price

2014 Earnings Review. The recent results season reported a mixed performance, which 2/4 of rubber glove companies under our coverage earnings came in line with our expectation. Top line and bottom line performance decline y-o-y as most players suffered from the drop in average selling price due to the down trend of raw material prices, high start-up costs for new factories and stiff competition. Overall performance, we estimate that it would be an unsteady performance of the rubber glove players throughout the year. Nevertheless, with few catalysts favouring the rubber glove sector, we are optimistic that it could be a good opportunity for the glove sector to bloom in 2015.

Notwithstanding the drop in average selling price, rubber gloves' players cost strategy remain largely intact as the pressure to cost has been alleviated even for a temporary period. Added with the

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softening of global commodity prices, the outlook for the sector remains solid. In a nutshell, the following is the clear catalyst for the sector:

1) Soft Raw Material Prices

The average rubber latex price has fallen by 17% in February to RM3.98 per kg vs. RM4.78 in the previous corresponding year due to weakening of crude oil prices, coupled with weakening Ringgit and the slower-moving of the tyre industry, which is the largest rubber consumer. Note that nitrile price has dropped in February, trading at around USD0.89 (RM3.20) per kg (1Q14: USD1.11 (RM3.64) per kg). Furthermore, the delay of electricity and gas price hike would also coincide as a catalyst, which is to reduce the cost of doing business and to support the local players in trading business. We are positive that cheaper input cost would be a plus point for rubber gloves players as the bottom line would be less pressurised.

Similarly, rubber price has dropped significantly for the first two months of 2015, pushing down further production costs as producers struggle to lift prices, which could lead them to draw away from natural rubber especially to the rubber smallholders. Hence, we believe the rubber price would remain soft due external forces.

2) Undervalued Ringgit against USD.

Weakening of Ringgit against the USD would be a favourable condition in the rubber gloves industry as export receipt would improve and so do revenues as most sales are in USD and expecting a downward margin pressure. Note that ringgit has depreciated to RM3.70 on 10th March 2015, the lowest in 6 years against RM3.15 per USD in August 2014. Bank Negara governor, Tan Sri Dr Zeti Akhtar Aziz mentioned that the central bank would not defend ringgit but would only intervene to maintain 'orderly market conditions'. The strengthening of the USD will weigh on commodity prices, which will be good in lowering its unit cost. Our economist is not surprise if Ringgit would touch RM4.00 given the likely prospect of US Federal Funds Rate adjustment, which may take place either in June, July, September or even October.

3) Capacity Expansion.

Generally, all rubber glove players have ramped up their production capacity, especially in the nitrile segment. Top Glove and Hartalega are the leading players in the nitrile segment with production capacity of 10 billion and 14 billion pieces per annum. Kossan is expected to rise up its nitrile capacity by 70% in FY15 compared to approximately 60% currently. In tandem with the expansion of nitrile gloves, Supermax has also replicated this strategy from other glove makers to increase its nitrile capacity by 12.3 billion pieces per annum (+71% y-o-y) from 6.9 billion pieces per annum.

Our Call, Overweight. We have an **Overweight** call on the sector driven by 1) steady demand from advanced countries, 2) potential strengthening of the USD 3) neutral impact of the GST and 4) cost easing emanating from global commodity price softness as alluded before. We have a **BUY** call on Supermax (TP: RM2.30), and a **HOLD** call for Hartalega (TP: RM7.20), Kossan Rubbers (TP: RM5.06) and Top Gloves (TP: RM5.61).

Market Access

Table 2: Peers Comparison

Company	Year Ended	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	Div Yield (%)	Target Price	Call
			FY14	FY15	FY14	FY15	FY14	FY15				
Top Glove	Aug	5.47	32	34	16	15	2.2	2.5	12.5	3.1	5.61	**Hold**
Supermax	Dec	2.10	19	21	11	10	1.4	1.9	10.8	2.4	2.30	**Buy**
Kossan	Dec	5.67	31	35	18	16	4.4	4.1	19.0	1.3	5.06	**Buy**
Hartalega	Mar	8.67	28	36	29	23	5.3	5.8	19.3	1.7	7.20	**Hold**
Average					**18**	**16**	**3.3**	**3.5**				

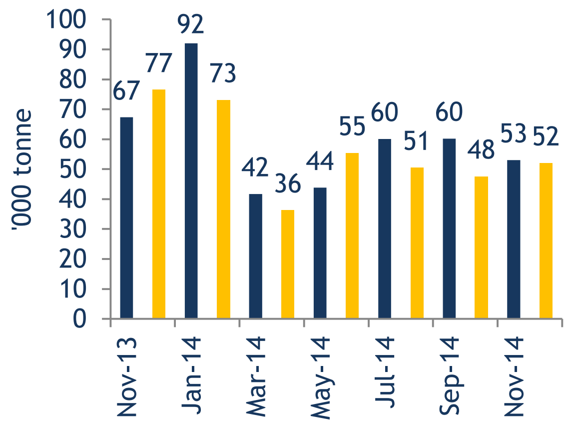
Source: Bloomberg, M&A Securities

Table 3: Rubber Gloves Capacity by Player (2014-2016)

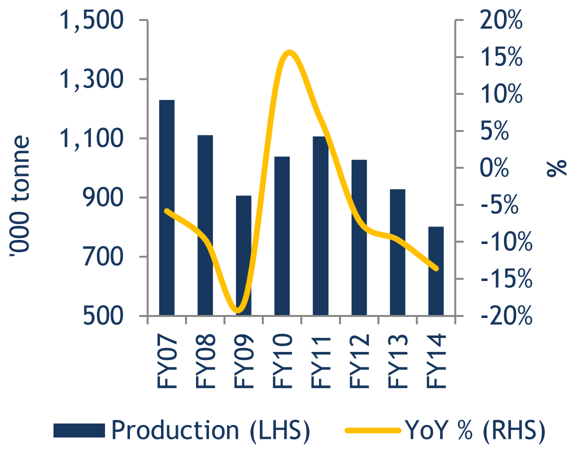
Billion Pcs	2014	2015	2016	Growth (Y-o-Y)
Hartalega	13	14	18	28%
Kossan	16	18	24	33%
Supermax	22	24	26	8%
Top Glove	43	45	50	11%
Total	94	101	118	17%

Source: M&A Securities

Production of Natural Rubber (Nov FY13 - Dec FY14)



Malaysia Total Rubber Production (FY07 - F14)



Source: Malaysian Rubber Export Promotion Council, Malaysian Rubber Board, M&A Securities

Telco Sector

(Overweight)

"Better Choice for Now"

We maintain our Overweight sector call on telecommunication in view of i) stable dividend; ii) steady net addition in both prepaid and postpaid segment; iii) potential wider margin on 4G's impact; and iv) goodies from Budget 2014, HSBB 2.0. Our top pick for telecommunication sector is Digi with a BUY call and TP of RM7.00 based pegged at EV/EBITDA of 14.2x.

Catalysts:
1) Implementation of GST - telcos are able to pass 6% tax to subscribers
2) Rising affordable smart phones in the market may spur further data revenue
3) The full impact of LTE
4) The introduction of TM's wireless product
5) HSBB2 implementation
6) Stable dividend payment

Negative Catalysts:
1) Competition in data offering may bite telcos' margin
2) High cost to build LTE network/infrastructures
3) Declining SMS revenue

Table 1: Subscribers Overview (2014)

Million	Total Subs	Postpaid		Prepaid		Broadband	
		Subs	% of Subs	Subs	% of Subs	Subs	% of Subs
Celcom	14,458	2,804	19%	10,165	70%	1,489	10%
Maxis	12,553	2,489	20%	9,624	77%	440	4%
Digi	11,662	1,721	15%	9,700	83%	241	2%
	Total Subs	Streamyx		Unifi		Fixed Line	
		Subs	% of Subs	Subs	% of Subs	Subs	% of Subs
Telekom	6,487	1,502	23%	729	11%	4,256	66%

Source: Company: M&A Securities

Table 2: Revenue Segmentation (2014)

(Million)	Voice	y-o-y Chg	Data	y-o-y Chg	% of Voice	% of Data
Celcom	9,415	-2%	3,586	32%	50%	19%
Maxis	4,371	-4%	3,467	-4%	52%	42%
Digi	3,883	-4%	2,450	14%	55%	35%
Telekom	3,469	-4%	5,601	7%	31%	50%

Source: Company: M&A Securities

Outstanding year. 2014 was indeed an outstanding year for telco sector, proven to be investor's safe heaven, despite chanllenging economic environment that dampened the average return for FBMKLCI. Apparently, telcos' share price under our coverage has appreciated by 50.5% y-o-y with TM leading the performance by 27.4% y-o-y gain followed by Digi by 25.4% y-o-y.

2014 earnings wrap. Despite outperforming FBMKLCI, earnings for telco sector dipped marginally by 1.5% y-o-y. TM led the underperformance in earnings but the weaker earnings was due to tax incentives incurred in FY13 which was absent in FY14. Operationally, Axiata paid the price for weaker Celcom and XL performance as its earnings tumbled 8% y-o-y. For Maxis, its weaker earnings have slowed down to only 3% y-o-y, pointing to positive transformation signs. The star performer for 2014 was Digi as it was able to eat into competitors market share, capitalizing on its modernized network with 19% y-o-y surged in earnings

Spectrum issue. Of late, telcos were badgering about Malaysian Communication and Mutimedia Commission (MCMC)'s intention to re-assess spectrum allocations awarded to various telcos. The two spectrums are 900MHz and 1,800 MHz that continued to be prize target among telcos as both spectrums provide better network coverage for Long Term Evolution (LTE) network. Digi is the most impacted in term of spectrum as Digi is lacking spectrum allocation in 900MHz band and seeks to be treated equally with competitors. We have yet to hear from MCMC regarding this issue, but we expect the decision should be heard soon as telcos are close to realise the potential impact from LTE network.

Data revenue continues to be a battle ground. The deterioration in traditional communication e.g. SMS and voice is not a worrying trend and data revenue managed to offset the weaknesses in traditional communication revenue. We note that to be the front liner, the efficiency in network coverage plays an important part. At this level before LTE comes in full effect, wider 3G network will significantly translates into the higher subscribers and hence, translating into higher revenue for data usage. Looking at trend, Digi's growth in data revenue has been growing at faster rate since 2013 attributing to its modernized network that was completed recently. However, Maxis is still controlling the data revenue market share, but the latter's market share has deteriorated due to its ignorance in marketing spending.

HSBB2 finally. After hanging for several months, finally TM cleared the air by announcing the acceptance of the Letter of Award (LoA) from the government of Malaysia for the implementation of High-Speed Broadband Phase 2 (HSBB 2) and Sub Urban Broadband (SUBB) project to deploy the access and domestic core networks to deliver end-to-end HSBB infrastructure. The investment cost for the HSBB 2 and SUBB project will be RM1.8 billion and RM1.6 billion respectively for a period of ten years. However the details of the projects have yet to be disclosed, but we believe the target area should be in suburban in contrast to HSBB1.

TM poses a threat? At this stage, nothing can be offered other than the P1's products will be launched at the end of FY15, citing that it is still too early to heat up competition in broadband space. Nevertheless we expect unexciting near term outlook for TM as the latter had to consolidate P1's loss into its balance sheet and hence, may drag TM's performance. Additionally, TM had to incur heavy capex to launch P1's broadband in addition to the bond issuance to finance P1 new products into the market.

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Recommendation. We maintain our **Overweight** call on telecommunication sector as fund managers looking for safe haven investment can re-rebalance their portfolios into telco amid challenging equity market outlook. We note that telcos valuations are not cheap, however in view of solid dividend payment in current negative environment will offset againt the lofty valuation. Attractions on the sector include 1) attractive dividend stream; 2) strong broadband initiatives and take up rate; and 3) steady postpaid and prepaid net addition. **Digi** is our top pick with a TP of RM7.00 and a **BUY** call pegged EV/EBITDA of 14.2x.

Table 3: Peers Comparison

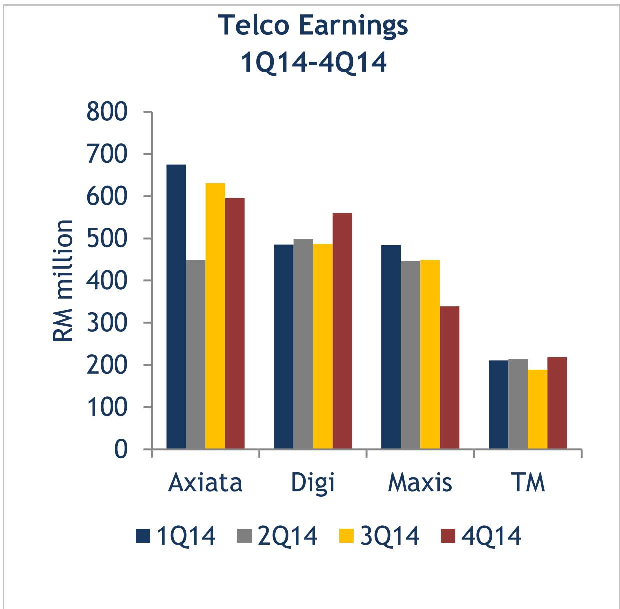
Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	TP	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Axiata	Dec	7.09	0.31	0.34	23	21	2.8	2.8	11.6	3.1	7.40	Hold
Maxis	Dec	7.19	0.27	0.28	27	25	12.0	12.6	32.1	4.5	7.10	Hold
Digi	Dec	6.30	0.27	0.28	23	22	65.3	62.1	301.5	4.2	7.00	Buy
Telekom	Dec	7.27	0.27	0.29	27	25	3.4	3.4	11.3	3.6	6.95	Hold
Time DotCom	Dec	5.92	0.28	0.32	21	18	1.3	1.2	8.0	1.0	NR	NR
Average					24	22	17.0	16.4				

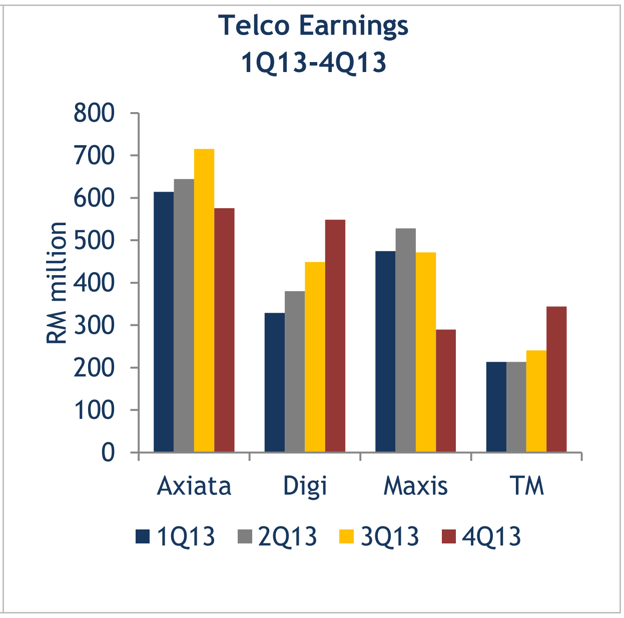
Source: Bloomberg, M&A Securities

Table 4: Capex Guidance

	FY14 Capex			FY15 Capex
(Million)	Guidance	Spent	Details	
Axiata	RM4.4 bil	RM4.0 bil	Network modernization, IT Initiatives	RM3.85 bil
Maxis	RM1.1 bil	RM1.14 bil	Network modernisation and improvement in customer experience.	RM900 mil
Digi	RM900 mil	RM904	Modernize network equipment	RM750 mil
Telekom	18% of revenue	RM946 mil	Refreshed CDMA with LTE over 850MHz under TMgo, launch 280 sites nationwide by year end.	20% of revenue

Source: Company: M&A Securities





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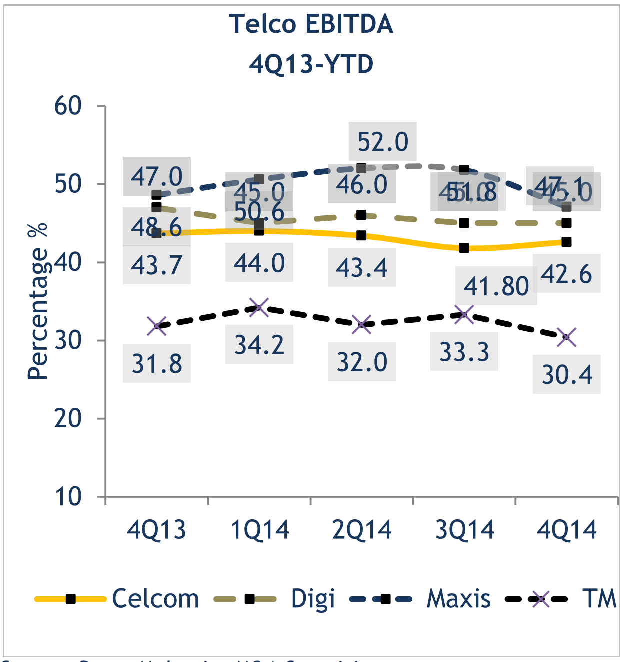
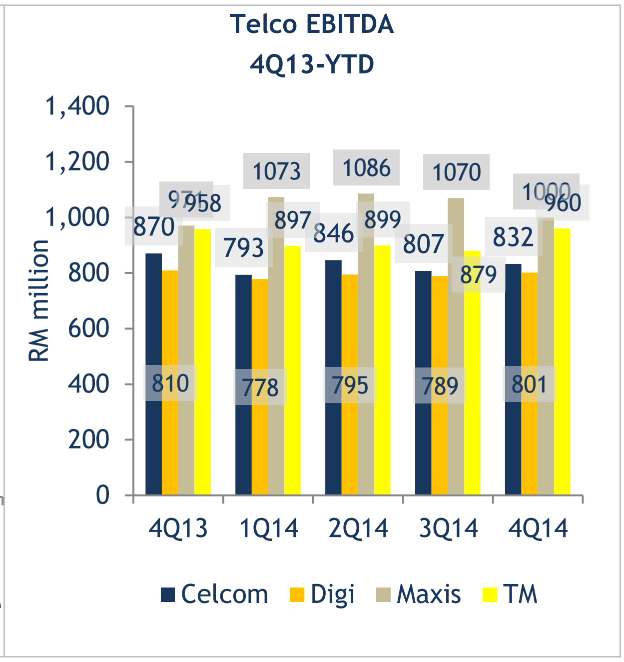
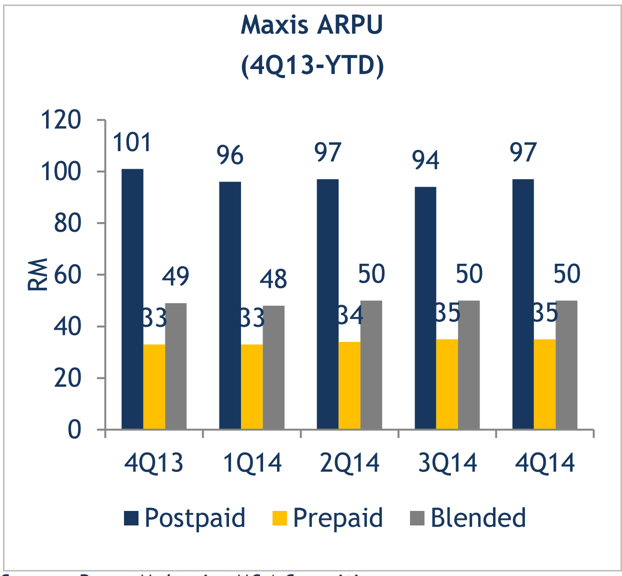
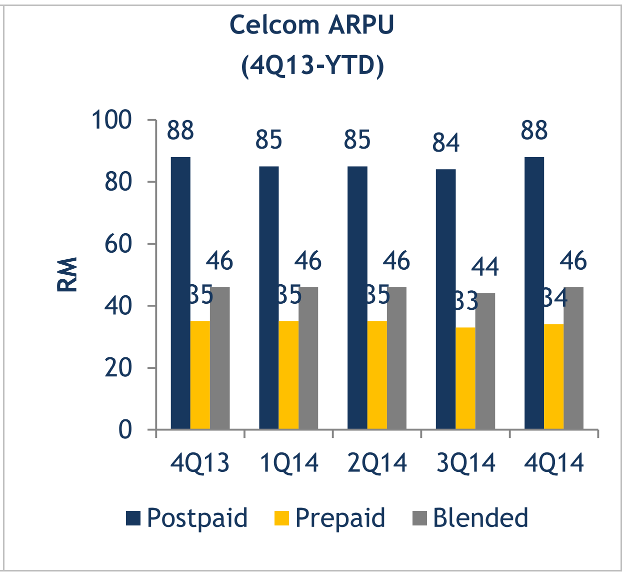




Source: Bursa Malaysia, M&A Securities





Source: Bursa Malaysia, M&A Securities

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BIMB Holdings Berhad

"Entering Defensive Mode"

We like BIMB Holdings Berhad (BIMB) as its subsidiary, Bank Islam, is one of the Islamic bank sector's strong anchors. Its rebalancing financing efforts into more of floating and secured based will be enduring traits in sluggish economic environment. We advise to accumulate BIMB based on 1) affiliation with Lembaga Tabung Haji and GLCs, suggesting cross dealing and support 2) number 3 positions in Islamic bank ranking and growing fast 3) reaping positive result from phase 3 transformation journey. The stock is a BUY with a target price of RM4.84 a piece.

Gross impaired financing (GIF) an exciting story. One of the issues beleaguering Bank Islam pre-crisis in 2006 was its huge delinquent portfolio in consumer financing, especially in automobile and house financing, leading to sky rocketing GIF of 22% against the industry average of 2.0%. When a new team brought by new the MD, they made massive write off and steep balance sheet clean-up. Currently, Bank Islam's GIF sat at respectable 1.14% in FY14 driven by its non-risky concentration and secured financing strategy. Entering into FY15, we sense that Bank Islam's GIF could deteriorate marginally on the back of weakening household (HH) segment and possibly minimal further recovery/writebacks that could potentially hurt its asset quality.

Strong CASA composition. Bank Islam's CASA ratios of 37%-47% have been consistently above the industry average of only 25%. The key strength lies on its affiliation with government bodies/agencies and religious associations through parent, Lembaga Tabung Haji (LTH), connections that contribute to high CASA composition. Attractively, the high CASA composition has pushed Bank Islam to have among the highest Net Financing Margin (NFM) between banks and have greater access pricing to its personal financing (PF).

BUY (TP:RM4.84)

Current Price (RM)	RM4.10
New Fair Value (RM)	**RM4.84**
Previous Fair Value (RM)	RM4.40
Previous Recommend.	BUY
Upside To Fair Value	**18%**
Dividend Yield (FY15)	**4.3%**

Stock Code	
Bloomberg	BIMB MK

Stock & Market Data		
Listing		MAIN MARKET
Sector		Banking
Shariah Compliance		Yes
Issued Shares (mn)		1,542
Market Cap (RM mn)		6,323
YTD Chg In Share Price		0.74%
Beta (x)		0.94
52-week Hi/Lo (RM)	RM4.44	RM3.70
3M Average Volume (shrs)		695k
Estimated Free Float		25.8%

Major Shareholders	
Lembaga Tabung Haji	55.1%
EPF	9.93%
KWAP	5.8%

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Financing growth on the top of industry. In the wake of hard times ahead, many banks are lowering their financing growth target in 2015. Bank Islam is not alone in downgrading its outlook on financing growth to 15% vs. 24% in FY14 given rising inflation due to Government Services Tax (GST) implementation. Given this, Bank Islam target is still very much ahead of others, no thanks to rising awareness of Islamic products among Malaysians which will be supported by better rate offering.

To take advantage on interest rates policy. To compete against conventional banking, Bank Islam is now able to take advantage against possible adjustment in policy rate by Bank Negara Malaysia (BNM). The bank is now pushing its financing composition towards more floating based financing and aims to tweak it to get close to 80%. This is impressive given the industry's average of 73%.

Less reliance on high risk financing. We notice that Bank Islam is trimming its financing exposure in PF (personal financing) segment from 33% in FY13 to 31% in FY14. However this is not a security case as Bank Islam customer profiling is regarded as good paymaster due to job profiling from higher level executive and government payroll.

To raise financing-to-deposits (FTD) ratio. We like the idea of slowing down financing growth in FY15 and at the same time ramping up FTD. This will give FTD to stand at similar level with other banks. Even with the slowdown in financing application, Bank Islam is also able to disburse higher financing due to its below average FTD. For FY15, Bank Islam is aiming to disburse as much as 80% FTD vs. 72.6% in FY14.

NFM to compress further. Moving forward, we foresee escalating NFM pressure given stiff price-based competition for financing and deposits in the market. Additionally, the new ruling to reclassify its Mudarabah and Wakalah based demand deposit to investment account may backfire NFM as customers and financier are required to predetermine the profit rate for every investment/savings and hence, the margin spread may become thinner.

Earnings projection. FY15 and FY16 earnings are projected to grow by 2% y-o-y and 7% y-o-y underpinned by i) market leader in family takaful industry ii) securing more corporate loans underpinned by GLC affiliation iii) focusing on growing Bank Islam's non-financing income.

Outlook. Bank Islam is now lean and light to reap greater market share now that its house is in order. Penetrating into regional market is one of urgent options and we are not surprise if Bank Islam moves into Indonesia, given its huge captive market. The future is bright and Bank Islam is expected to seize all opportunity there is, in our view.

Valuation & recommendation. We value BIMB at RM4.84 based on 10% premium to average 3-year P/BV of 1.7x and thus, we maintain our **BUY** call on the stock. Re-rating catalyst on the stock could emanate from 1) exceeding its key target for turnaround plan phase 2) M&A expansion in Indonesia and regional neighbours.

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Table 1: Peers Comparison

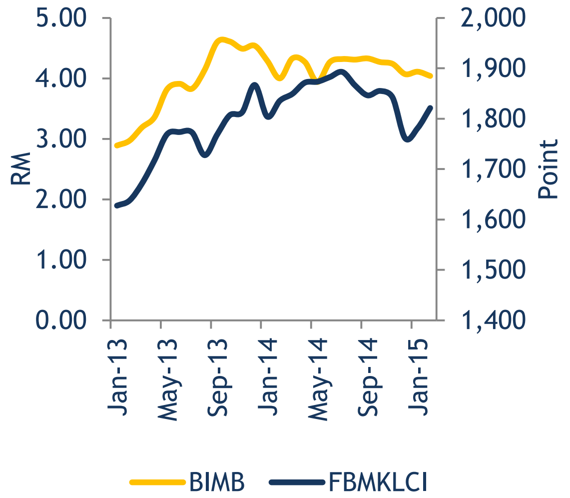
Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.79	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Hold
AMMB	March	6.36	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	7.00	Hold
BIMB	Dec	4.10	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	6.22	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Hold
Maybank	Dec	9.33	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.97	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	7.00	Hold
PBB	Dec	18.88	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	20.60	Buy
Affin	Dec	2.95	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	2.19	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	12.96	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	14.26	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities

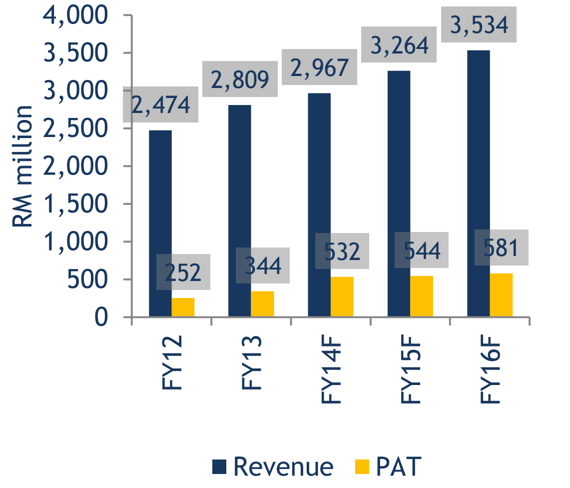
Table 2: Financial Forecast

Y/E: Dec (RM'mil)	FY12	FY13	FY14	FY15F	FY16F
Income from depositors funds	1,651	1,851	2,032	2,296	2,503
Income from s/h funds	351	405	393	428	458
IDD	(591)	(773)	(845)	(972)	(1,098)
Net income from takaful	472	553	543	540	573
Operating income	1,883	2,037	2,122	2,293	2,436
Staff costs	(525)	(594)	(599)	(653)	(699)
Other operating expenses	(566)	(634)	(652)	(704)	(736)
Operating expenses	(1,091)	(1,228)	(1,251)	(1,357)	(1,435)
Pre-provision profit	793	808	872	936	1,001
Loan impairment allowance	(66)	15	(60)	(92)	(105)
PBT	717	819	815	839	891
Taxation	(220)	(256)	(228)	(235)	(250)
Minorities	(245)	(284)	(55)	(60)	(60)
PATAMI	252	279	532	544	581

BIMB Share Price vs. KLCI (Jan13-YTD)



Revenue and Net Profit (FY11-FY15F)



Source: Bloomberg, M&A Securities

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Digi.Com Berhad

"Delivering Well"

We continue to like Digi for its transformation journey as the Group managed to beef up its network service while successfully delivering stable network coverage. Its focus on internet plan will effectively shore up its efforts in monetizing data. We introduce our new TP of RM7.00 on Digi based on EV/EBITDA of 14.2x, pegged at 15% premium over its last 3 years average. The stock is a BUY.

Strong end. Digi delivered impressive results in FY14 with both prepaid and postpaid subscribers expanded, which was aided with stable ARPUs, increase in service revenue as the company benefitted from enlarge 3G coverage while margin was stable in spite of competition.

Service revenue looks promising. Despite intense competitions, Digi's segmented internet and marketing efforts successfully grew service revenue at 3.3% y-o-y growth in FY14, in contrast to other telcos where they were struggling to grow their service revenue to advance level due to intense competitions. Nevertheless, what we observed, Digi has effectively guarded its messaging and voice revenue from falling further as the quantum of drop was not noticeable as it capitalized on attractive bundled offerings.

Monetizing data works well. Data revenue was well up by 16.5% y-o-y to RM2.45 billion, notably in internet segment with revenue surging by 40% y-o-y as result of various initiatives to grow data usage as well as solid distribution networks that currently reached more than 10k distribution touch points to drive internet campaign.

Upgrading network. Digi has been surprisingly aggressive with its Long Term Evolution Network (LTE) rollout with 32% population coverage in FY14 (almost similar to Maxis) and targeting 50% population coverage LTE roll out by end-FY15F. Currently, its LTE network is available in main cities namely Klang Valley, Penang, Kampar, Johor Bahru, Kuching, Miri, Kota Kinabalu, Tawau and Labuan.

BUY (TP:RM7.00)

Current Price (RM)	RM6.30
New Fair Value (RM)	**RM7.00**
Previous Fair Value (RM)	RM7.20
Previous Recommend.	BUY
Upside To Fair Value	**11%**
Dividend Yield (FY15)	**4.2%**

Stock Code

Bloomberg	DIGI MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Telco
Shariah Compliance	Yes
Issued Shares (mn)	7,775.0
Market Cap (RM mn)	48982
YTD Chg In Share Price	2.11%
Beta (x)	0.83
52-week Hi/Lo (RM)	RM6.65 /RM5.18
3M Average Volume (shrs)	9.57mn
Estimated Free Float	34.90%

Major Shareholders

Telenor	49.00%
EPF	16.14%

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FY15 guidance. We feel that Digi's KPI guidance for FY15F is slightly optimistic vs. peers where Digi is guiding for low to mid-single digit revenue growth and sustained EBITDA margins at 45%. This is more or less in line with our projections which have partly factored in the impact of prepaid GST pass through. At this juncture, the management is divided on the impacts given rising inflation pressures that will slowdown subscribers spending.

Bracing for GST implementation. The 6% GST implementation from 1 April 2015 onwards will allow operators to pass tax subsidy for the prepaid subscribers. This could potentially benefit all telcos as prepaid subscribers' forms a large part of its total subscribers. For Digi, prepaid subscribers forms 85% of its total subscribers and hence, we project that should Digi pass the 6% tax to its subscribers where this will be able to boost earnings by 2%-4% in FY15. However, at some point we are cautious about the move as prepaid subscribers are typically more price sensitive, and hence, the prolong extra cost absorb by prepaid subscribers may result in a backlash, e.g. quit from using cell-phone/smartphone in a worst case. To offset this situation, we believe some mechanism such as telco absorbing some of the 6% cost may offer some comfort to the subscribers and hence, reducing the possibility of losing subscribers.

New CEO to helm Digi. In a surprise move, its parent company Telenor has replaced its CEO seat, Lars-Ake Norling, with Digi's long serving senior member since 2002, Mr Albern Murthy, who currently serves as COO. This was largely unexpected given Mr Lars was only appointed to the role on 1st August 2014. Mr Lars will now lead Telenor's Total Access Communication PCL (dtac) in Thailand starting 1st April 2015. However we largely understand Telenor's policy of rotating its top performers to lead its operating companies in foreign countries.

About new CEO. The replacement for the CEO this time came from Digi's interbal talent, Mr Albern Murthy, the first Malaysian appointed to lead Digi and has been serving Digi for about 13 years. Previously, he sat on various senior positions in Digi, and the last 2 positions as senior personnel including chief marketing officer and chief operating officer. We are optimistic with Mr Albern's appointment as he has been involved in Digi's transformation journey and his rich experiences will ensure Digi to keep its foot well grounded.

Outlook. Digi managed to conclude FY14 with robust show despite stiff competition in internet segment. However we foresee Digi managed to beat it peers by offering effective data monetization plan via more relevant products offerings, smartphones bundles and targeted channel activities. Additionally, we also see that Digi will be the biggest winner under GST implementation as prepaid segment contribution is massive to its earnings. However, on conservative view, we are of the view that Digi may absorb roughly the 6% levied cost due to price sensitivity of some of its subscribers and hence, the full impact of 6% levied pass to consumer will not be materialized.

Valuation. Digi is valued at RM7.00 as we change our valuation methodology to EV/EBITDA. Pegging a resultant EV/EBITDA of 16.3x, a 15% premium of its last 3-year average, Digi is essentially a **BUY**. Digi's strong operational metrics and nimble marketing strategy apart from a very attractive dividend payout ratio will push investors to shift its holding into the stocks. Rerating catalyst on the stock will be underpinned by 1) new spectrum award from MCMC 2) completion of its 3G and LTE network expansion

Table 1: Peers Comparison

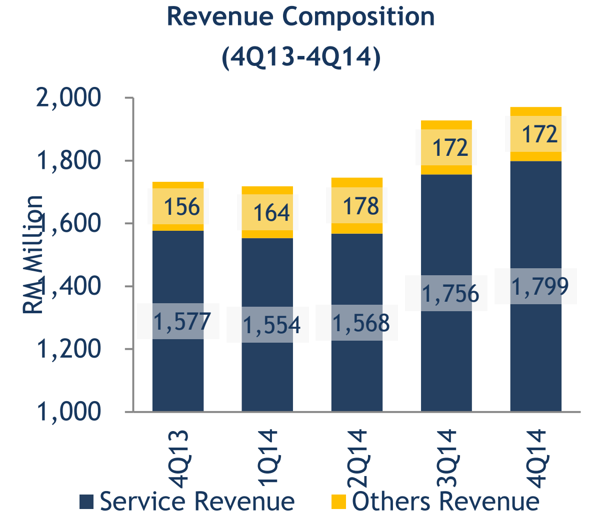
Company	FYE	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	Div Yield (%)	TP	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Axiata	Dec	7.09	0.31	0.34	23	21	2.8	2.8	11.6	3.1	7.40	Hold
Maxis	Dec	7.19	0.27	0.28	27	25	12.0	12.6	32.1	4.5	7.10	Hold
Digi	Dec	6.30	0.27	0.28	23	22	65.3	62.1	301.5	4.2	6.60	Hold
Telekom	Dec	7.27	0.27	0.29	27	25	3.4	3.4	11.3	3.6	6.95	Hold
Time DotCom	Dec	5.92	0.28	0.32	21	18	1.3	1.2	8.0	1.0	NR	NR
Average					24	22	17.0	16.4				

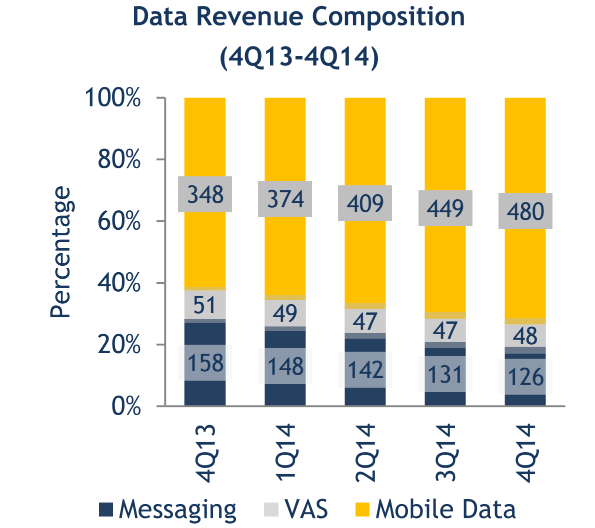
Source: Bloomberg, M&A Securities

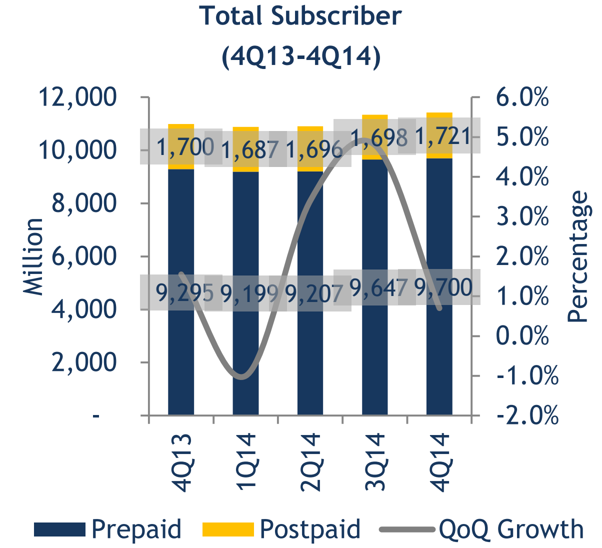
Table 2: Financial Forecast

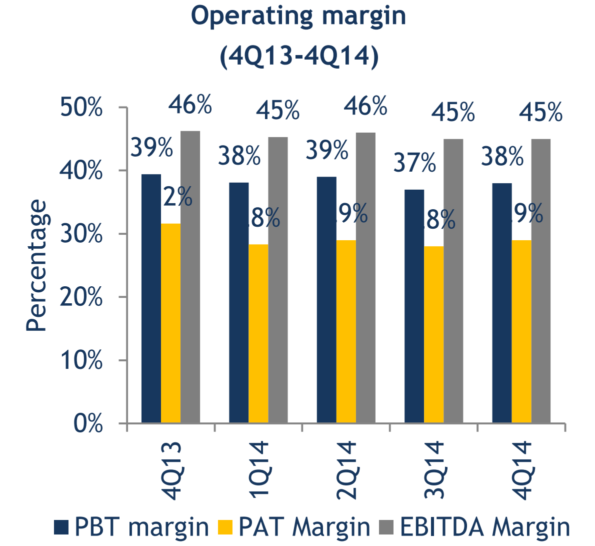
YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	6,361	6,733	7,019	7,317	7,508
Expenses	(3,455)	(3,714)	(3,868)	(4,021)	(4,058)
EBITDA	2973	3061	3180	3327	3414
Depreciation & Amortisation	(1,330)	(878)	(492)	(542)	(519)
EBIT	1,643	2,183	2,688	2,785	2,895
Finance cost	(52)	(43)	(39)	(29)	(24)
PBT	1,591	2,140	2,649	2,757	2,871
Taxation	(385)	(434)	(614)	(662)	(689)
PAT	1,206	1,705	2,035	2,095	2,182
EPS (RM)	0.16	0.22	0.26	0.27	0.28
EBITDA Margin	47%	45%	45%	45%	45%
PBT Margin	25%	32%	38%	38%	38%
PAT Margin	19%	25%	29%	29%	29%
PER (x)	34.1	22.6	23.6	19.9	13.6
P/BV (x)	157.4	58.3	86.6	24.9	24.9
EV/EBITDA	14.2	12.8	15.3	15.0	14.3

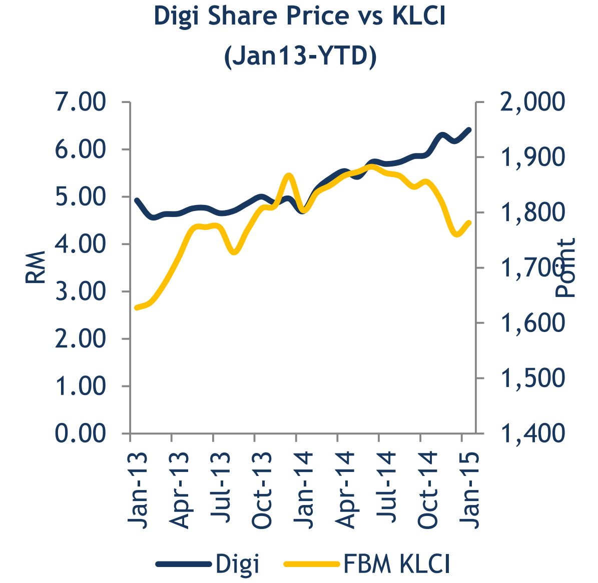
Source: Bursa Malaysia, M&A Securities

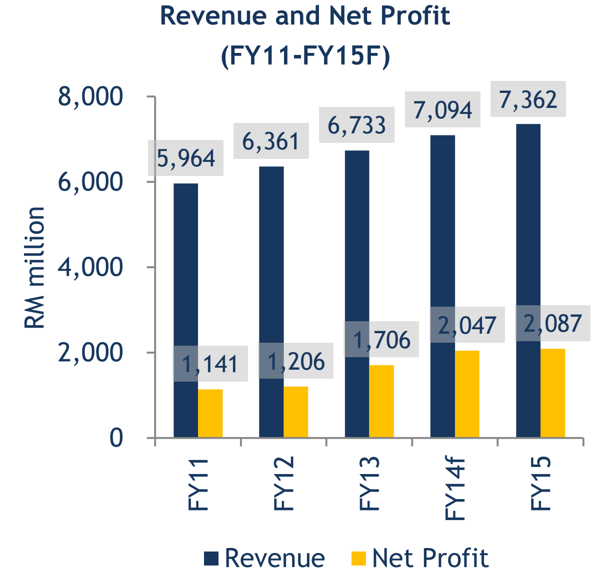












Source: Bloomberg, M&A Securities

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Market Access

Gamuda Berhad

"Build-up the Catalyst"

The long-term outlook on Gamuda remains intact, lifted by several key catalysts including the PDP role of KVMRT2 and likely for KVMRT3, apart from Penang Transport Master Plan (PTMP) as well as aggressive land banking acquisition within the next two years. We call Gamuda a BUY with target price at RM5.87. We believe its solid fundamentals will continue to put the stock as one of the jewels among local construction players.

KVMRT2. MMC-Gamuda has been appointed as the 'project delivery partner' (PDP) for KVMRT2 and hence, the biggest beneficiary for this project. KVMRT2 is estimated to cost approximately RM23 billion which is higher than KVMRT1 (RM22.2 billion) due to the longer distance and more stations to be developed. It covers several key areas including Damansara Damai-Kepong-Kg. Baru-Tun Razak Exchange-Pandan-Serdang-Putrajaya. The PDP agreement is expected to be signed by 2Q2015 and the negotiation is progressing smoothly. Meanwhile, the project tendering is expected to be called by 3Q2015 with initial contract awards could be expected by 1H16.

Penang Transport Master Plan. Gamuda has submitted the bids for the PDP role of PTMP which estimated to cost approximately RM27 billion comprising the development of integrated public transportation system and highway network. Penang's state government is expected to announce the winning bid by 3Q2015. We expect Gamuda to emerge as the front runner for the project based on their expertise as the current PDP role for KVMRT1 and KVMRT2 projects.

Progress of KVMRT1. The financial progress of PDP scope and underground works remained steady at 42% and 58% respectively as at 1Q15. On the underground works, two tunnel boring machines (TBM) are still grinding steadily and both are expected to be completed by the end of March 2015 while eight other TBMs have been decommissioned

BUY (TP: RM5.87)

Current Price (RM)	RM5.10
New Target Price (RM)	**RM5.87**
Previous Target Price (RM)	RM5.28
Previous Recommend.	BUY
Upside To Target Price	**15%**
Dividend Yield (FY16)	**2%**

Stock Code

Bloomberg	GAM MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	2,349
Market Cap (RM mn)	11,982
YTD Chg In Share Price	2%
Beta (x)	1.22
52-week Hi/Lo (RM)	5.36 | 4.40
3M Average Volume (shrs)	5.45mn
Estimated Free Float	50%

Major Shareholders

EPF	9%
Skim ASB	9%
KWAP	8%

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and currently undergoing refurbishment in Ipoh for upcoming project.

Property outlook. Despite a weaker outlook on property market throughout FY15, Gamuda is now turning its focus to further build-up its new landbank. Recently, Gamuda has entered into a sale and purchase agreement (SPA) with Bukit Melati Sdn Bhd (Bukit Melati) in December 2014 to acquire a piece of leasehold land measuring approximately 104.1 hectares (257.2 acres) in Mukim Tanjong 12, Kuala Langat, Selangor, for a total cash consideration of RM392 million (RM35 per sq. ft.). The new land acquisition has added approximately 8% to Gamuda's total landbanks size in Malaysia to 3,402 acres from 3,145 acres previously and hence, replenishing its total remaining GDV by approximately 9% to RM38 billion from RM35 billion.

Property update. Gamuda achieved a lower property sales of RM535 million in 6M15 (-45% y-o-y) due to the lethargic property market in Klang Valley and Johor as a results of tightening measures imposed by Bank Negara Malaysia (BNM). The management guided that FY15 sales project of RM1.8 billion has been revised downwards to RM1.2 billion (-34%) due to subdued local property market predicted in 2015. The group's unbilled sales stood at RM1.5 billion in 6M15.

Water concession update. Gamuda remain hopeful to conclude the disposal of SPLASH by 2015 and current still in negotiation with Selangor's state government in order to reach a fair solution for both parties. To recap, Gamuda announced in March 2014 that SPLASH was unable to accept the offer by Kumpulan Darul Ehsan Bhd (KDEB) to buyout SPLASH for RM251 million. The net offer of RM251 million for SPLASH is compared to the net asset value (NAV) of SPLASH amounting to RM2.54 billion as at 31 December 2013. This may result in a huge divestment loss of RM920 million for Gamuda.

Valuation & recommendation. We value Gamuda at RM5.87, pegging to the group's average 3-years PER of 16x and the stock is a **BUY**. Gamuda will be the main beneficiary of steady flow of government construction project from now until 2020. Re-rating catalyst on Gamuda may come from i) government's mega spending railway project expansion and ii) front runner of KVMRT 3 and iii) aggressive landbanking expansion.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	7.20	48	54	14.6	12.9	1.3	1.3	12	2	7.50	Hold
GAMUDA	Jul	5.10	33	36	15.3	14.4	1.9	1.8	14	2	5.87	Buy
WCT	Dec	1.54	15	18	10.6	9.1	0.8	0.7	7	3	1.76	Buy
BENALEC	Jun	0.78	7	9	12.3	10.4	1.0	0.9	4	0	NR	NR
CREST BUILDER	Dec	1.17	11	NA	10.4	NA	0.4	NA	6	3	NR	NR
EVERSENDAI	Dec	0.79	7	10	9.0	6.4	0.5	0.5	1	2	NR	NR
KIMLUN	Dec	1.28	16	16	8.5	8.1	0.9	0.8	15	2	NR	NR
MRCB	Dec	1.25	7	10	19.7	13.8	1.2	1.1	9	1	NR	NR
AZRB	Dec	0.70	6	7	11.8	10.1	NA	NA	4	NA	NR	NR
YTL CORP	Jun	1.67	14	14	13.0	12.3	1.2	1.1	9	5	NR	NR
Average					12.5	10.8	1.0	1.0				

Source: Bloomberg, M&A Securities

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Market Access

Table 2: Financial Forecast

YE: Jul (RM million)	FY12	FY13	FY14*	FY15F	FY16F
Revenue	3,087	3,883	2,230	4,445	5,112
EBIT	585	512	488	756	869
Finance costs	(62)	(61)	(66)	(111)	(153)
Associates	206	241	430	293	358
PBT	728	693	852	938.0	1073.5
Net profit	547	541	719	740	849
EPS (sen)	26	25	32	32	37
EBIT margin	19%	13%	22%	17%	17%
PBT margin	24%	18%	38%	21%	21%
Net profit margin	18%	14%	32%	17%	17%
PER (x)	13.3	18.9	15.4	15.0	13.1
P/BV (x)	1.8	2.0	NA	1.9	1.7
DPS (sen)	16	12	12	12	12
Dividend Yield	3%	2%	2%	2%	2%

**Based on FRS 11 accounting standard*
Source: Bursa Malaysia, M&A Securities

Table 3: Landbanks and GDV

Projects	Area Unsold (acres)	Remaining GDV (RM mil)
MALAYSIA		
1. Kota Kemuning (50%)	10	230
2. Valencia	-	20
3. Bandar Botanic	60	2,150
4. Jade Hills	190	1,100
5. Horizon Hills (50%)	490	4,100
6. Madge Mansions	-	120
7. The Robertson	-	530
8. HighPark Residences	5	630
9. Serai	770	6,600
10. Kundang	90	520
11. Tanjong 12	1,530	19,000
12. KK17	257	3,000
TOTAL (MALAYSIA)	**3,402**	**38,000**
VIETNAM		
11. Gamuda City (Hanoi)	420	8,500
12. Celadon City (HCMC)	180	2,000
TOTAL (VIETNAM)	**600**	**10,500**
TOTAL GROUP	4,002	48,500

Source: Gamuda, M&A Securities

Table 4: Construction Order Book (1Q15)

Projects	Value (RM bil)	Progress	Completion Date
MRT Line 1, Tunneling (50% share)	1.8	58%	2017
Northern Double Tracking Railway (50% share)	-	100%	2014
Total	1.8		

Source: Gamuda, M&A Securities

Market Access

Maybank Bhd

"Advantage over Peers"

We advise investors to accumulate Maybank Berhad (Maybank) given its (1) good longer-term growth prospects in Indonesia, (2) the regional expansion of its investment banking business, and (3) the benefits from the implementation of the projects under the Economic Transformation Programme (ETP) in Malaysia. We value Maybank at RM10.70 based P/BV of 1.9x, equivalent to last 3-year average. The stock is a BUY.

Met KPI guidance in FY14. Maybank proves to be a bell weather stock in financial sector industry proven by its success in managing the challenging economic environment in 2014. Bottom-line grew by 2.5% y-o-y and lifting ROE to 13.8%, ahead of 13%-14% guidance despite new shares issuance in meeting capital requirements. Domestic and Singapore operations supported Maybank's loans growth with 9% y-o-y and 13.3% y-o-y growth in financing. In contrast, the weak economic conditions in Indonesia have again dragged Maybank's performance with only 5.4% y-o-y loans growth behind its 16%-17% target. Deposit growth remained an important themes as OPR hike in July 2014 has spiked cost of funding for industry. Maybank's deposits growth recovered well in 2H14 after lifting its rates for fixed deposits.

Lower KPI guidance in FY15. Challenging economic environment in FY14 may continue into FY15. Hence, Maybank has introduced lower keys guidance including ROE of 13%-14% and loans growth of 9%-10% as well as deposits growth of 9%-10%. Similarly, lower guidance has been placed for individual country including Malaysia, Singapore and Indonesia given various issue such as moderating household segment in Malaysia, property cooling measures in Singapore and escalating interest rate trend in Indonesia.

Resilient asset quality. Despite slight deterioration in gross impaired loan by 4bps to 1.52%, we foresee asset quality to remains resilient, guided by no further lumpy corporate

BUY (TP: RM10.70)

Current Price (RM)	RM9.33
New Fair Value (RM)	**RM10.70**
Previous Fair Value (RM)	RM10.70
Previous Recommend.	BUY
Upside To Fair Value	**15%**
Dividend Yield (FY15F)	**5.8%**

Stock Code

Bloomberg	MAY MK

Stock & Market Data

Listing		MAIN MARKET
Sector		Finance
Shariah Compliance		No
Issued Shares (mn)		9,321
Market Cap (RM mn)		86,967
YTD Chg In Share Price		1.74%
Beta (x)		1.08
52-week Hi/Lo (RM)	RM10.20	RM8.25
3M Average Volume (shrs)		13.7mn
Estimated Free Float		40.5%%

Major Shareholders

ASB	38%
EPF	12.5%
PNB	5.7%

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account like in 3Q14. Worryingly, the weak commodity market took investors away from Maybank due to its exposure in selected commodities sector. However we foresee this as an isolated case as Maybank's exposure in some commodities products are relatively small with 1.7% for agriculture, 2.7% for energy and 3% for metals and mining of total loans.

Less optimistic in Indonesia. The operating environment in Indonesia proves to be challenging in 2014, plagued by higher inflation, tighter liquidity and deterioration in asset quality. This has affected the financial performance of Maybank's unit in Indonesia (i.e. Bank Internasional Indonesia – BII). Judging from BII's results recently, we anticipate BII to focus on selected segments given the uncertainty in regulatory policy that would shy corporate segment away. In contrast, business banking will continue its strong traction assisted by SME loans offering through some campaigns implemented.

Reviving non-interest income. 2014 saws bleak capital market activities which many companies held back their fundraising activities. In 2015, we foresee that a big name coming back into IPO market namely Malakoff, 1MDB, Iskandar Waterfront and Sunway Construction and hence, we anticipate Maybank to get some slice of the deal at least. Nevertheless, contribution from Maybank Kim Eng is still healthy despite market challenges in 2014 where Maybank Kim Eng maintained its no. 2 position in Asean Domestic Bonds Issuer.

Maybank Islamic leading positions. Maybank Islamic's (MIB) remains the leading Islamic banks in ASEAN and surpassed its target to contribute one-third financing contribution to Maybank's total domestic loans in FY14 with PBT of RM1.61 billion in FY14. Notably, despite surpassing its target, MIB is nowhere to stop as its growth strategy saw its financing market share leapt to 32.7% vs. 30.5% in FY13. We foresee Maybank to leverage its well proven business model as customers would be able to select Islamic products at conventional branches network.

NIM compression not over. Maybank further guided that there will be net interest margin (NIM) compression in FY15 as competitions for deposits are far from over. We foresee the quantum of the compression from mid to high single digit vs. 12bps in FY14 given protracted higher costs of deposits and cost of funding, particularly in Malaysia and Indonesia of which uncertainty in interest rates hikes that troubles deposits rates.

Earnings projection. FY15 and FY16 earnings are expected to grow by 5.5 y-o-y and 1.6% y-o-y respectively driven by i) Singapore's unit solid growth; ii) steady performance in both household and business segment in Malaysia; and iii) cost containment as well as overhead expenses trending lower.

Outlook. Stay invested in Maybank in order to capitalise on its regional network, which could benefit from the increasing trade in the Asean region. In Malaysia, Maybank, being one of the banking sector bellweather companies, is expected to be the least vulnerable with the slowing down in household segment thanks to its solid risk management practise that has proven not effecting credit growth. Additionally its positions in investment banking will recover in FY15 due to number of capital market activities such as big ticket IPOs to be listed in FY15.

Valuation & recommendation. We reiterate our fair value of RM10.70 on Maybank based on P/BV of 1.9x (3-year average) and the stock is **BUY**. Re-rating catalyst for Maybank could emanate from i) the recovery of Indonesia operating environment; ii) gaining strength in investment banking business; and iii) listing of insurance arm.

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.79	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Hold
AMMB	March	6.36	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	7.00	Hold
BIMB	Dec	4.10	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.40	Hold
CIMB	Dec	6.22	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Hold
Maybank	Dec	9.33	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.92	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.30	Hold
PBB	Dec	18.88	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	20.60	Buy
Affin	Dec	2.95	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	2.19	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	12.96	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	14.26	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities

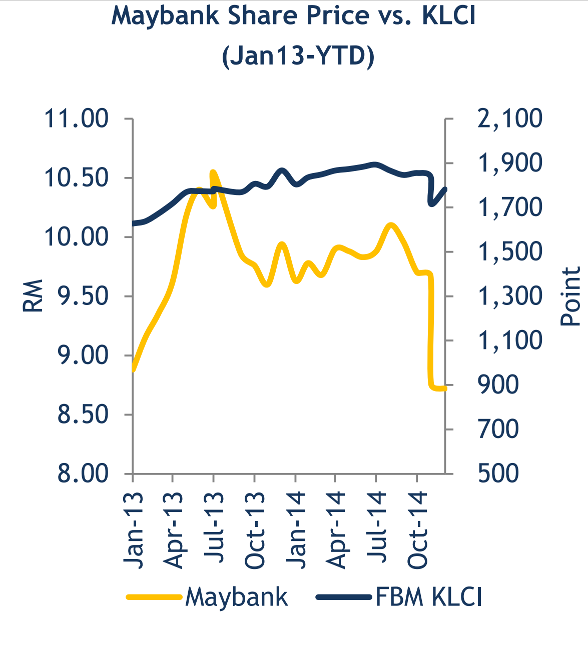
Table 2: Financial Forecast

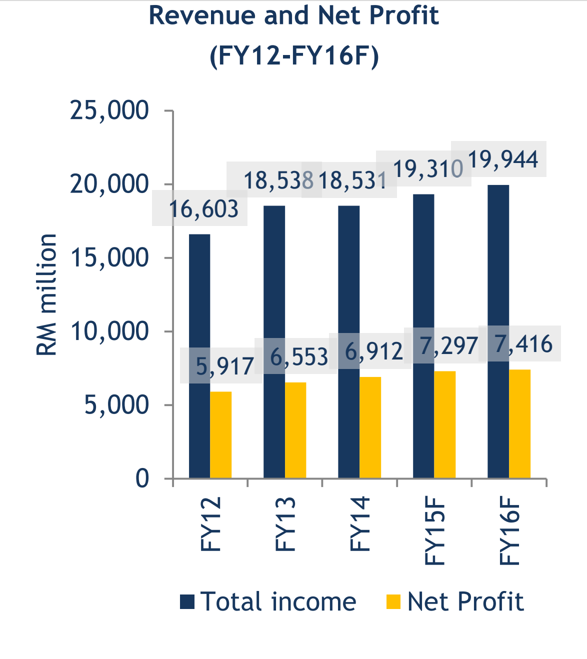
YE: Dec (RM million)	FY13	FY14	FY15F	FY16F
Net interest income	9,585	9,704	9,898	10,145
Non-Interest Income	6,143	5,556	5,945	6,123
Islamic banking income	2,810	3,271	3,467	3,675
Total income	18,538	18,531	19,310	19,944
Overhead expenses	(8,928)	(9,111)	(9,430)	(9,713)
Pre-provision income	9,611	9,420	9,880	10,231
Loan loss allowance	(730)	(400)	(320)	(453)
Operating profit	8,730	8,950	9,558	9,698
Associates	139	163	171	190
PBT	8,870	9,113	9,729	9,888
PAT	6,553	6,912	7,297	7,416
EPS (sen)	74	74	78	80
Op. profit margin	47%	48%	49%	49%
PBT Margin	48%	49%	50%	50%
PAT Margin	35%	37%	38%	37%
PER (x)	12.9	12.8	11.9	10.8
P/BV (x)	1.89	1.74	1.64	1.54

Source: Bursa Malaysia, M&A Securities

Table 3: Financial Ratios

	FY11	FY12	FY13	12M14
ASSET QUALITY				
Gross Impairment	2.42%	1.8%	1.48	1.52
Allowance Coverage	104.70%	106.0%	107.5%	106.3
PROFITABILITY				
ROA	1.09%	1.2%	1.1%	1.2%
ROE	16.30%	15.9%	15.1	13.8%
Cost to income	48.90%	51.0%	47.8%	48.9%
LENDING AND DEPOSIT				
Loan Growth	12.30%	12.2%	14.0%	13.4%
Deposit Growth	38.53%	10.3%	14.0%	11.1%
Loan-to-Deposit Ratio	90.00%	89.8%	89.9%	91.8%
MARGIN				
Net interest margin	2.42%	2.4%	2.33	2.31
CAPITAL STRENGTH				
Core Capital	12.96%	14.1%	15.4%	15.8%
Risk Weighted Capital	16.71%	17.9%	14.8%	11.4%





Source: Bloomberg, M&A Securities

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Market Access

MBM Resources Berhad

"Axia to Accelerate Earnings"

MBM Resources Berhad (MBMR) long-term outlook remains promising as it will continue to gain traction from its associate, Perodua, following the roll-out of Perodua Axia (September 2014) and the new Myvi facelift (January 2015), which is expected to boost Perodua sales volume in 2015. Besides, the losses from OMI alloy wheel plant is expected to narrow in 2015 with additional new orders from car manufacturers. We value MBMR at RM3.80 and the stock is a BUY. The recent sell down by the broader market and also on auto players provides a good opportunity for the investors to make good returns following our attractive fair value on the stock.

FY14 financial review. MBMR FY14 net profit of RM114 million (-18% y-o-y) came in line with ours and consensus estimates respectively, accounting 102% and 97% of both estimates full year net profit forecast. MBMR gained immensely from its associates, Perodua (20%-stake), subsequent to the launch of Perodua Axia in September 2014 which has boosted its 4Q14 sales volume by 6% y-o-y and 12% q-o-q. Overall, Perodua's vehicle sales stood at 195k units as at FY14, delightfully surpassing Perodua's FY14 sales target of 193,000 units, even at the back of challenging and tough operating environment.

We estimate MBMR 1QFY15 earnings from motor trading division to remain flat compared to 4QFY14 as consumers are expected to adopt a 'wait-and-see' approach ahead of the implementation of GST by April 2015. Nonetheless, we expect earnings contribution from its associates, Perodua as well as MBMR's Perodua dealership, DMMS, to improve significantly due to the strong demand of Perodua Axia and the new Myvi facelift. Note that Perodua's vehicle sales growth of 33% y-o-y in January 2015 has outperformed the total TIV growth of 0.7%. However, we foresee earnings contribution from its FAHB dealership will continue to get softer in 1QFY15 largely impacted by lack of new launches from Mitsubishi and Volkswagen.

BUY (TP: RM3.80)

Current Price (RM)	RM3.29
New Target Price (RM)	**RM3.80**
Previous Target Price (RM)	RM3.30
Previous Recommend.	BUY
Upside To Target Price	**16%**
Dividend Yield (FY15)	**3%**

Stock Code

Bloomberg	MBM MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	391
Market Cap (RM mn)	1,285
YTD Chg In Share Price	13%
Beta (x)	0.81
52-week Hi/Lo (RM)	3.39 | 2.60
3M Average Volume (shrs)	0.26mn
Estimated Free Float	19%

Major Shareholders

Med-Bumikar Mara	50%
EPF	14%
LTH	9%

Note

DMSB: Daihatsu (Malaysia) Sdn Bhd
DMMS: Daihatsu (Malaysia) Sales Sdn Bhd
FAHB: Federal Auto Holdings Bhd

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Influence on Perodua. MBMR will continue to gain traction from Perodua due to the strong demand of Perodua Axia whose booking numbers have reached a respectable 82k units as at February 2015. Interestingly, Perodua has launched the new Perodua Myvi facelift on 15 January 2015 with price range from RM41k-RM58k, potentially maintaining its strong grip in the A and B class segment. The new Perodua Myvi comes with six different choice of colours and available in six variants consisting of; i) 1.3 Standard G MT, ii) 1.3 Standard G AT, iii) 1.3 Premuim X AT, iv) 1.5 SE MT, v) 1.5 SE AT and vi) 1.5 Advance AT. Hence, we remain optimistic that the two key models would drive Perodua to achieve its 2015 sales target of 208k units (+6% y-o-y).

OMI alloy wheel plant. The management expects the losses from OMI's alloy wheel plant to narrow in FY15 (FY14 losses of RM25 million) supported by higher production ramps driven by more orders from car manufacturers. Note that the sales volume has increased to 34k units (+209% y-o-y) as OMI has started to supply alloy wheels to Perodua since March 2014. The management is planning to upsurge the plant capacity by another 250k units by 4Q15 to bring the total capacity to 750k units per annum.

Cash for clunkers. The Malaysian Automotive Institute (MAI) has proposed the 'cash for clunkers' scheme to the government agencies and original equipment manufacturers (OEMs) which may potentially introduce in March 2015. Car owners may turn in their old car above 10 years age car for cash rebate RM5,000 to buy a new car. MAI projects 2015 TIV could reach 750k units as a result, exceeding its initial 2015 forecast of 700k if the scheme is being implemented this year. We expect this could be a positive catalyst for the national car player such as Perodua and Proton to ramp-up their sales volume.

Valuation & recommendation. We value MBMR at RM3.80 based on 9x PER pegged (3-year average) to FY16 EPS of 43sen and the stock is a **BUY** powered by i) strengthening of the group's auto part manufacturing division and ii) leveraging on higher vehicles sales of Perodua and 3) steady sales from other stable notably Hino, Daihatsu, Mitsubishi, Volvo and VW.

Table 1: Peers Comparison (Calenderised)

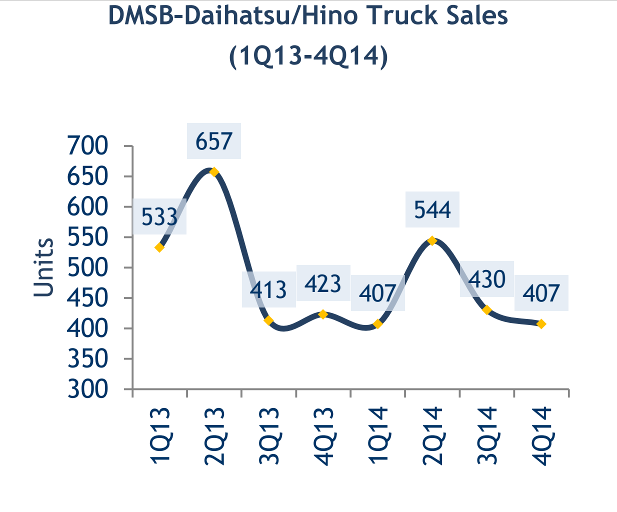
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.84	85	92	12.9	11.9	1.8	1.7	12	3	11.57	Hold
Tan Chong	Dec	3.03	27	35	12.4	9.5	0.8	0.7	7	3	3.13	Hold
MBM Resources	Dec	3.29	37	42	8.6	7.5	0.8	0.7	8	2	3.80	Buy
Berjaya Auto	Apr	3.78	31	36	10.8	9.2	4.6	3.6	52	3	4.30	Buy
APM Automotive	Dec	4.65	59	62	8.4	8.0	1.0	0.9	11	4	NR	NR
Average					10.6	9.2	1.8	1.5				

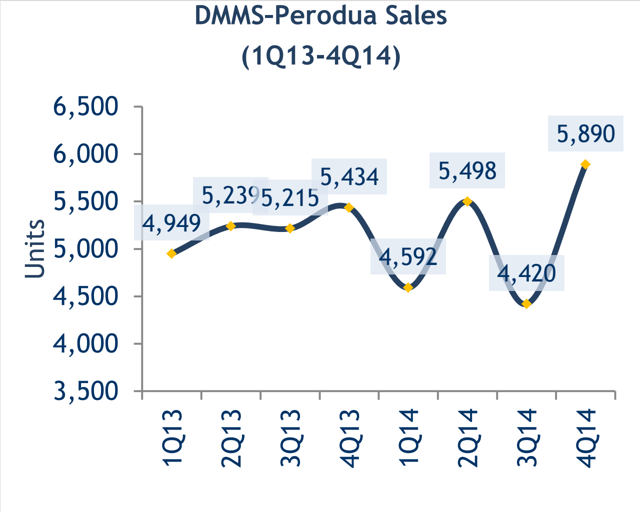
Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

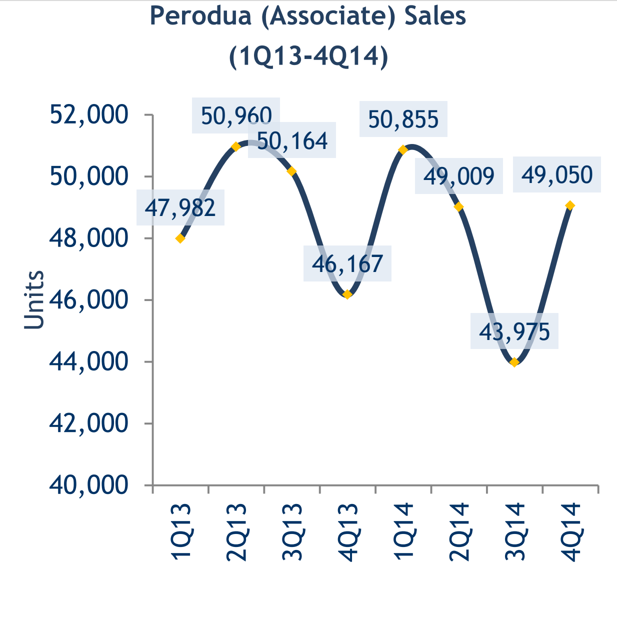
YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	2,268	2,267	1,780	2,398	2,422
EBIT	92	70	121	72	85
Finance costs	(25)	(23)	(21)	-24	-24
Interest Income	5	9	1	7	7
Associates	125	140	125	168	170
PBT	197	196	132	223	237
Net profit	136	139	114	159	169
EPS (sen)	38	36	29	41	43
PBT margin	9%	9%	7%	9%	10%
Net profit margin	6%	6%	6%	7%	7%
PER (x)	8.3	8.3	8.3	7.9	7.4
P/BV (x)	0.9	0.9	0.8	0.8	0.7
DPS (sen)	6	6	6	8	9
Dividend yield	2%	2%	2%	3%	3%

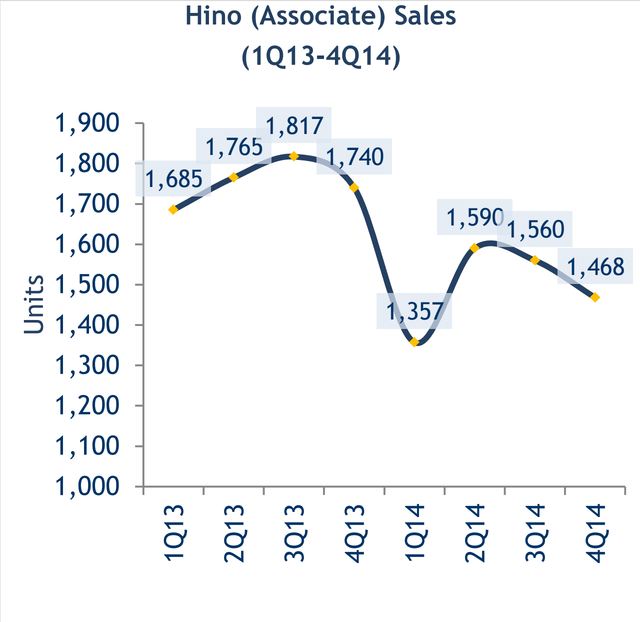
Source: Bursa Malaysia, M&A Securities





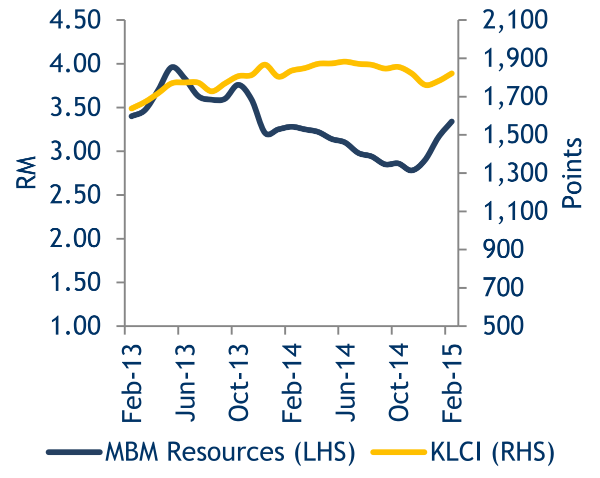
Source: MBMR, M&A Securities



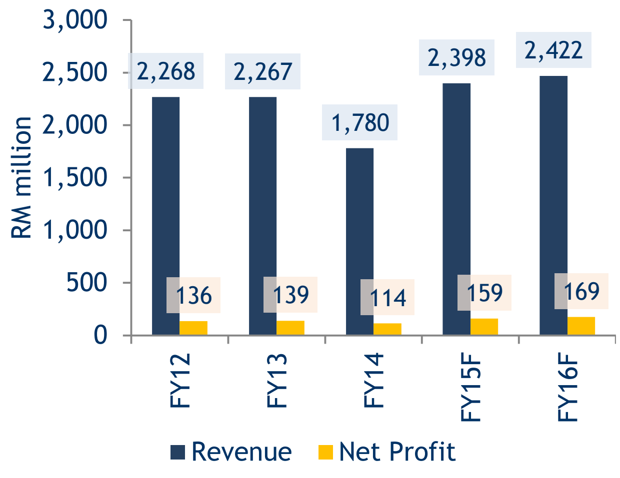


Source: MBMR, M&A Securities

MBM Resources Share Price vs. KLCI (February 2013-February 2015)

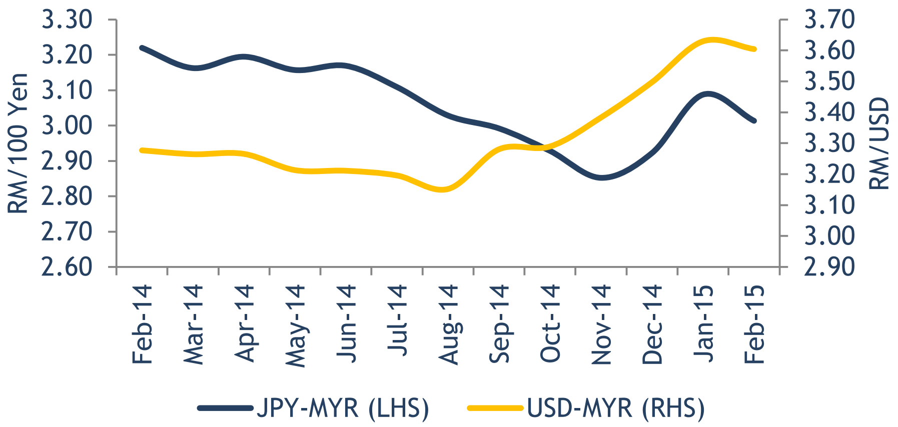


Revenue and Net Profit (FY12-FY16F)



Source: Bloomberg, M&A Securities

Ringgit Per 100 Yen/ Ringgit Per Dollar (November 2012-November 2014)



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Market Access

MMC Corporation Bhd

"Free-Up Malakoff"

We are positive on MMC Corporation Berhad's (MMC) bright outlook, and we advise investors to continue investing in with MMC underpinned by 1) steady contribution from KVMRT project 2) higher contribution from PTP due to expanding capacity; and 3) higher energy payment from TNB. We value MMC at RM3.00 and the stock is a BUY

Listing of Malakoff. MMC received the nod from Securities Commission (SC) to list Malakoff in 2Q15 with a initial public offering price of RM1.80 per share. The listing of Malakoff is expected to reduce further its debt burden, and knock its debt-to-equity ratio and thus, will give room to raise fresh capital. This suggests detaching RM16 billion of Malakoff's debt from MMC balance sheet. We see that Malakoff's listing in Bursa Malaysia is well-timed given IPO market has been lack of big ticket listing since last year, and hence, presents a good opportunity for investors looking to invest.

Growing of port division. To cater its growing volume, Pelabuhan Tanjung Pelepas (PTP) has completed its second phase expansion plan in 2014 and hence, raise its annual handling capacity by 25% to 10.5 million TEU. The expansion includes increasing number of berths - two new berths and three blocks of container yards as well as purchase of new cranes, electrifying existing rubber-tyred gantries crane (E-RTGS). Moving forward, PTP is looking to increase in annual handling capacity to 12.5 million TEU in third phase expansion plan that will be running until 2019 to accommodate additional volumes projection.

Focus shifting to grow construction arm. Post free-up its balance sheet, the primary focus is to ramp-up its construction arm as MMC is left with only three major businesses namely construction, airport and ports. MMC

BUY (TP:RM3.00)

Current Price (RM)	RM2.53
New Fair Value (RM)	**RM3.00**
Previous Fair Value (RM)	RM3.00
Previous Recommend.	BUY
Upside To Fair Value	**18%**
Dividend Yield (FY15)	**-**

Stock Code

Bloomberg	MMC MK

Stock & Market Data

Listing		MAIN MARKET
Sector		Diversified
Shariah Compliance		Yes
Issued Shares (mn)		3,045.1
Market Cap (RM mn)		7,704
YTD Chg In Share Price		5.86%
Beta (x)		1.06
52-week Hi/Lo (RM)	RM2.88	RM2.16
3M Average Volume (shrs)		1.12mn
Estimated Free Float		22%

Major Shareholders

Seaport Terminal	51.7%
ASB	20.2%
Tabung Haji	6.0%
EPF	5.6%

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is poised to benefit from the spurring of infrastructure spending by the government. With the approval of KVMRT line 2 by government, there is strong opportunity that MMC-Gamuda to secure the project delivery partnership (PDP) at back of the project that will cost of RM25 billion. Additionally we are upbeat on MMC-Gamuda partnership to secure more construction projects namely KL-Singapore High Speed Rail, Gemas-JB Electrified Double Track Rail and East Coast Rail Route. But we note that all the projects mentioned have attracted several local and foreign firms to bid and hence, the competition to secure the projects is heating up. Nevertheless we are positive with the partnership as both have shown tremendous track record in several domestic multibillion projects.

Possibility to list ports? In March 2015, MMC acquired 15.73% stake in NCB Holding, a port operator in the Northport and Southport in the Port Klang and thus, emerged as the second biggest shareholder in NCB. Though the stake is relatively small as NCB only rewarded with prospective 0.3% dividend yield, we think that there is big possibility MMC may use NCB as a vehicle to list both MMC's port asset namely PTP and Johor Port.

Construction orderbok still solid. The management re-iterated its positive view on the group's outlook over the medium term despite facing competitions to secure high profile projects. Excluding KVMRT1, MMC's orderbook is left with 3 major projects valued at RM2.13 billion with the biggest coming from Langat Centralized Sewerage Treatment Plant worth approximately RM1.5 billion for six-year contract. Second project is Langat 2 Water Treatment Plant worth RM994 million where has MMC's stake of 34% together with Salcon and AZRB for 3 years contract and the least contributor to the orderbook is JV with Siemens worth RM300 million to construct Pengerang coal generation power plant where MMC responsible in preparing the earth works.

Outlook. MMC's outlook should remain bright even without potential Malakoff listing given the full functional of Tanjung Bin Power Plant that promise steady capacity payment from TNB couple with weakness in coal price. For construction segment, MMC is expected to leverage on its domestic construction experience to tender for more jobs given the government plan to step-up infrastructure spending boom. Additionally the listing plan of Malakof is well on track in 2Q15 which may ease further MMC's gearing to 1.1x level vs. 2.1x currently as proceeds from IPO are proposed to be utilised to repay debts and business expansion. Hence, after the listing of Malakoff, we are positive that MMC will concentrate to grow its engineering division through KVMRT project which is entering its second year.

Earnings projection. FY15 and FY16 earnings are projected to grow by 1.3% y-o-y and 14% y-o-y driven by 1) steady contribution from KVMRT project; 2) higher contribution from PTP due to expanding capacity; and 3) higher energy payment from TNB.

Valuation. We maintain our TP of RM3.00 on MMC, hence maintaining our **BUY** call with 24% upside potential. Rerating catalyst on MMC could emanate from 1) potential spin off from Malakoff listing; 2) securing new contract to build new power plant; and 3) securing more construction and engineering contract from government.

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Table 1: Peers Comparison

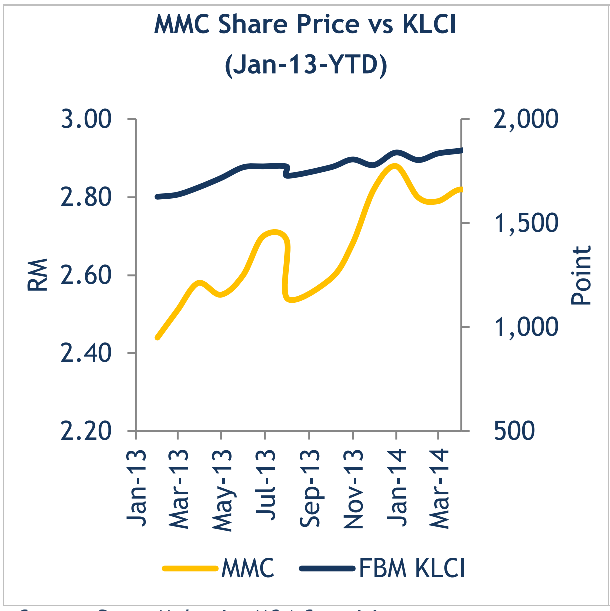
Company	Y/E Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (x)		ROE (%)	FV	Call
			FY15	FY16	FY15	FY16	FY15	FY16			
MMC Corp	Dec	2.53	0.13	0.15	18.91	16.13	0.98	0.95	3.21	3.00	Buy
TNB	Aug	14.36	1.16	1.20	12.66	12.23	1.76	1.61	14.06	15.20	Hold
Gas Malaysia	Dec	2.59	0.10	0.13	25.05	20.64	3.27	3.22	17.04	3.90	Buy
Petronas Gas	Dec	23.02	0.91	0.94	25.04	24.29	3.95	3.74	21.40	23.20	Hold
Petronas Chemical	Dec	5.64	0.34	0.38	15.10	13.42	1.67	1.57	14.97	5.80	Buy
YTL Power	June	1.50	0.14	0.13	11.19	11.80	1.08	1.04	12.11	NA	NA
Average					19.35	17.34	2.33	2.22			

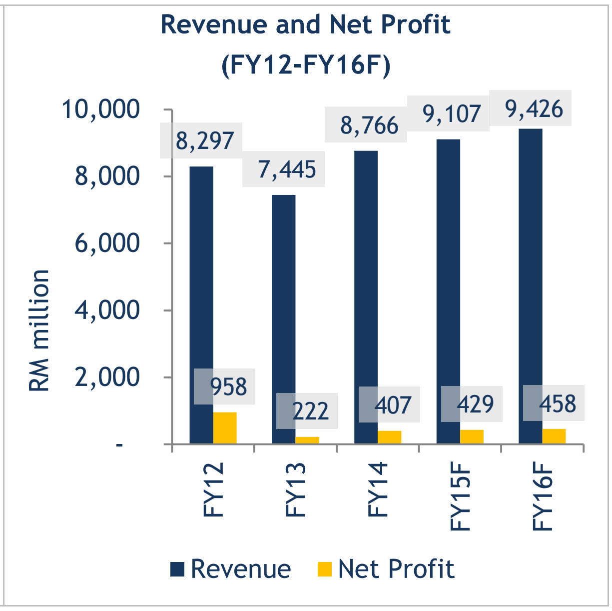
Source: Bursa Malaysia. M&A Securities

Table 2: Financial Summary

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	8,297	7,445	8,766	9,107	9,426
Cost of Sales	(5,859)	(5,302)	(6,006)	(6,156)	(6,372)
Gross Profit	2,438	2,144	2,759	2,951	3,054
Other income	1,350	305	389	424	435
Expenses	(742)	(770)	(770)	(794)	(770)
Associates/jointly controlled entity	246	193	180	240	300
PBT	1,809	261	886	1,159	1,239
PAT	1,546	450	804	877	929
Minorities	588	222	407	429	458
Core PAT	958	230	383	393	402
EPS (Sen)	30.3	13.4	13	14	15
PBT Margin	21.8%	3.5%	10.1%	12.7%	13.1%
PAT Margin	18.6%	6.0%	9.2%	8.9%	9.9%
PER (x)	83	9	38	21	21
P/BV (x)	1.4	1.1	1.17	1.12	1.07

Source: Bursa Malaysia. M&A Securities





Source: Bursa Malaysia. M&A Securities

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Market Access

Public Bank Berhad

"Resilient Show to Continue in Slow Pace"

We advise investors to accumulate on Public Bank Berhad (PBB) given (1) above average ROE for banking industry; (2) dominance in domestic household loans; and (3) impressive asset quality and cost control. We value PBB at RM20.60 based on 2.6x P/BV and the stock is a BUY.

FY14 performance. Public Bank Berhad (PBB) concluded FY14 with resilient performance amid challenging economic outlook. Top-line and bottom-line grew by 16% y-o-y and 11% y-o-y while its ROE was still the best in industry at 18.63%. The resilient performance was supported by its lion share in household domestic segment namely residential and commercial properties as well as in auto loans segment. Non-interest income contribution leapt stronger as it fund management business maintained market leadership status with a share of 39.4% while bancassurrance's premium surged by 42.1% y-o-y in FY14.

High level ROE. Generally, banks in Malaysia enjoyed mid-teen ROE, making banking sector one of the most attractive investments. For many years PBB has enjoyed ROE of above 20%. However, its attractive ROE dipped to 18.63% in FY14 impacted by recent rights issue. Moving forward, we foresee its FY15's ROE to be lower than FY14 but targeted to be above 16% in view of the full impact of its recently completed rights issue

The best in retail segment. The cooling measure is unlikely to bring greater impact to PBB given its market share in residential property of circa 19%. Additionally, GST impact to auto sector remains uncertain at this juncture, however transport vehicles loans in 2015 is projected to grow at similar level in 2014 of 19% y-o-y due to moderate growth vehicles sales projected by Malaysia Automotive Institute. As such we foresee PBB

BUY (Target Price: RM20.60)

Current Price (RM)	RM18.88
New Fair Value (RM)	**RM20.60**
Previous Fair Value (RM)	RM20.60
Previous Recommend.	BUY
Upside To Fair Value	**9%**
Dividend Yield (FY15F)	**2.6%**

Stock Code	
Bloomberg	PBK MK

Stock & Market Data		
Listing		MAIN MARKET
Sector		Finance
Shariah Compliance		No
Issued Shares (mn)		3,861.5
Market Cap (RM mn)		72,905
YTD Chg In Share Price		3.17%
Beta (x)		0.84
52-week Hi/Lo (RM)	RM20.93	RM17.40
3M Average Volume (shrs)		5.187mn
Estimated Free Float		52.7%

Major Shareholders	
EPF	14%
Sekuriti Pejal	5%
Teh Holdings	22%

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to sustain its market share of circa 28% in auto loans. However, loan approvals could be more selective amid rising absolute gross impaired loans from 2Q14-3Q14. Meanwhile, increased focus could be directed towards winning over mid-market SMEs and micro enterprises, as well as growing the Group's fee-based income (e.g. unit trust, bancassurance, banking fees).

Succession risk. Despite of all catalysts in PBB but the succession issue for PBB remains uncertain as its most top position in board of directors are above 70 years age. Additionally current CEO and MD of the bank, Tay Ah Lek, who is also above 70 years old with both Tan Sri The Hong Piow children have thus far not displayed any interest in taking over. In FY14, PBB appointed two new independent non-executive directors namely Lai Wan, 70 and Lai Wai Keen, 59 and redesign Quah Poh Keat as the PBB's deputy CEO. Many see that Quah's appointment as a move towards younger blood helming PBB. Although the succession planning may pose any risk to the operations but we see the early planning is positive guidance for investor as it removes a big uncertainty over the bank's direction.

Moderating loss in net interest margin (NIM). NIM is expected to decline by 8-10bps in FY15 on the back of continued portfolio rebalancing and the recent intensified competition for deposits which resulted in higher cost of fund. We expect, the impact of portfolio rebalancing will continue for another three years before stabilizing.

Loans growth and deposits view. Loans growth in FY15 is targeted at 9-10% vs. 9% expected for the industry. This is premised on stable loans applications and note that PBB still has sizeable yet to be approved loans in its stable. PBB's move to focus on the mass affordable housing segment and rising demand from SME will ensure steady loans growth rate. We are of the view that deposits growth to track at similar pace as loans growth of 9-10% in FY15. We believe this is to ensure that its LDR does not exceed 90%.

Outlook. Stay invested in PBB in order to capitalize on its leading position in domestic retail segment loans and impressive cost containment as well as attractive ROE to investors. Despite its pole position in household segment, PBB aims to grow its non-interest income contribution. This effort has started years ago and now its fund management maintains its market leadership in the unit trust industry with market share of 39.4% as at FY14. We predict PBB will be able to safely pass through the sluggish banking environment in FY15 thanks to its sound risk management and careful selective loans portfolio.

Earnings projection. PBB's PAT for FY15 and FY16 is expected to grow by 5% and 4.8% respectively assisted by 1) dominance in domestic loans; 2) initiatives to rebalance loans book; and 3) prudent asset quality management.

Valuation & recommendation. We maintain our fair value on PBB at RM20.60 based on 2.6x P/BV and sustained our **BUY** call. Re-rating catalyst for PBB could emanate from 1) tie partnership to boost bancassurance products; 2) listing of unit trust division; and 3) swift succession planning.

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Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.79	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Hold
AMMB	March	6.36	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	7.00	Hold
BIMB	Dec	4.10	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	6.22	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Hold
Maybank	Dec	9.33	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.92	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.30	Hold
PBB	Dec	18.88	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	20.60	Buy
Affin	Dec	2.95	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	2.19	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	12.96	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	14.26	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average					11.5	10.8	1.5	1.5				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Interest Income	10,404	11,366	12,636	14,728	15,906.31
Interest expense	(5,150)	(5,796)	(6,706)	(7,975)	(8,772.54)
Net Interest Income (RM'mn)	5,255	5,571	5,930	6,753	7,134
Islamic Banking Income (RM'mn)	844	837	831	970	1,067
Net insurance income	-	-	-	-	-
Net fees and commission	1,165	1,275	1,381	1,525	1,636
Other income	483	475	333	386	388.6
Total non-interest income	1,648	1,751	2,213	1,911	2,025
Operating income	7,747	8,158	8,143	9,633	10,225
Staff costs	(1,668)	(1,745)	(1,878)	(2,092)	(2,259)
Other expenses	(750)	(759)	(727)	(813)	(829)
Pre-provision income	5,329	5,655	5,537	6,729	7,138
Loan impairment allowance	(279)	(351)	(259)	(508)	(609)
Other allowance	(7)	0	1	0	0.1
Associates/joint venture	4	6	5	9	10
PBT	5,047	5,310	5,814	6,230	6,539
Taxation	(1,178)	(1,204)	(1,251)	(1,433)	(1,504)
Minority Interest	(43)	(41)	(45)	(52)	(59)
Net Profit (RM'mn)	3,827	4,065	4,519	4,745	4,976
EPS (sen)	109.3	116.1	123.7	126.5	131.8
PER (x)	12.7	14.7	15.6	14.3	14.5
P/BV (x)	3.0	3.1	3.2	2.1	2.8

Source: Bursa Malaysia, M&A Securities

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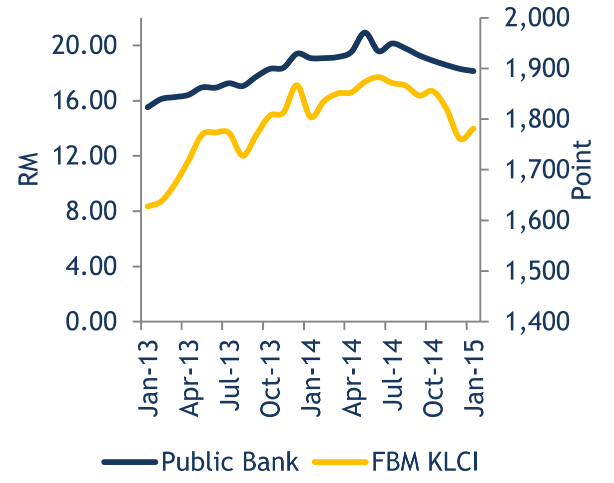
Table 3: Operational Ratio

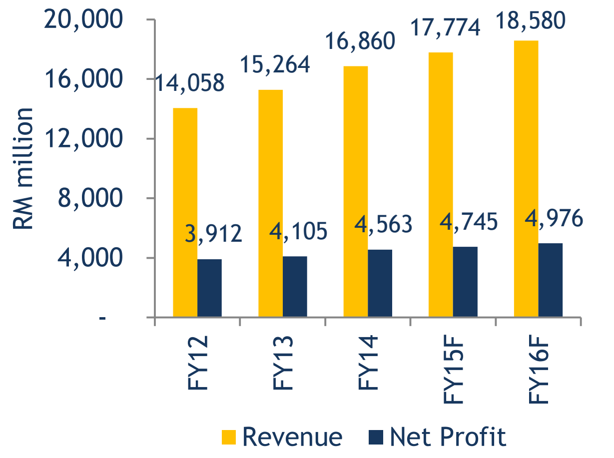
YE: Dec (RM million)	FY11	FY12	FY13	FY14
Asset Quality				
Gross Impairment (%)	0.9	0.7	0.7	0.6
Allowance/loan loss Coverage (%)	113.8	126	118.5	122.4
Profitability				
ROA (%)	2.0	1.9	1.8	1.8
ROE (%)	25.6	22.9	22.4	19.9
Cost to income (%)	-	31.2	30.7	30
Lending and Deposit				
Loan Growth (%)	13.6	13.5	11.8	10.8%
Deposit Growth (%)	13.3	12.3	11.6	10.2%
Loan-to-Deposit Ratio (%)	88.68	87.89	87.5	88
Capital Strength				
CET1	-	-	8.8	10.8
Tier 1	10.6	10.8	10.5	12.2
Total Capital	15.0	14.1	13.8	15.8

Source: Bursa Malaysia, M&A Securities

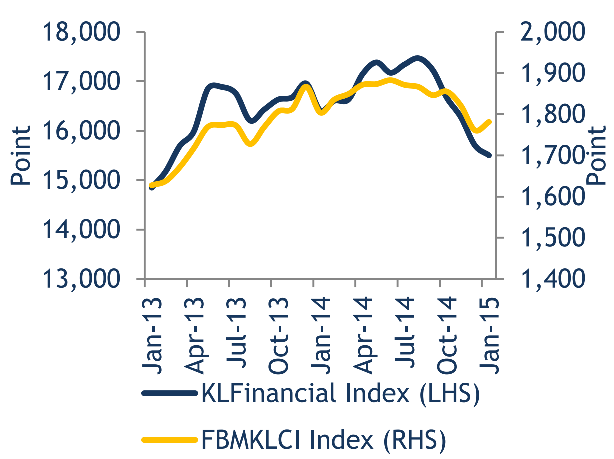
Public Bank Share Price vs. KLCI
(Jan13 -YTD)



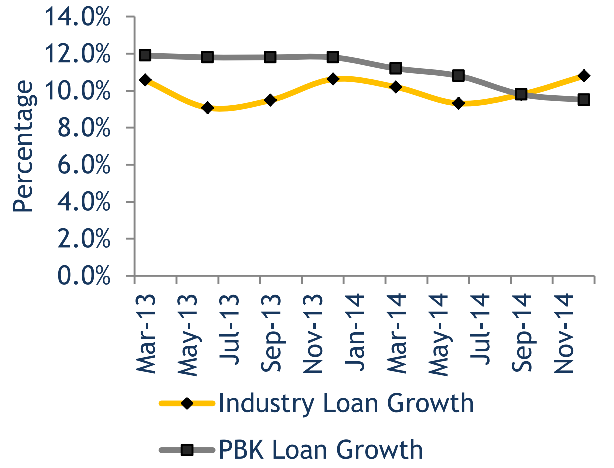
Revenue and Net Profit
(FY12-FY15F)



FBM KLCI vs Financial Index
(Jan13 -YTD)



Industry Loan Growth vs PBB Loan Growth
(Jan13-YTD)



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Market Access

Source: Bloomberg, M&A Securities

SapuraKencana Petroleum Berhad

"Solid Fundamental to Fuel Growth"

SapuraKencana Petroleum Berhad (SapuraKencana) outlook is crystal clear, supported by healthy contract flow which lifted its order book to reach approximately RM26 billion currently. The group is set to carve a new future which is not only exciting but also challenging due recent slump in global crude oil price. We value SapuraKencana at RM2.93 and the stock is a BUY. The sharp selling pressure on the stock recently offers a golden opportunity for investors to bottom fishing given the emergence of new value on the stock.

Financial review. SapuraKencana 9MFY15 core net profit of RM1.03 billion (+52% y-o-y), excluding exceptional item, came in below our estimates but slightly in line with consensus estimates, accounting 62% and 73% of ours and consensus full year net profit forecast. 9MFY15 PBT gained by 69% y-o-y to RM1.6 billion energised by its DES segment which recorded higher PBT of RM1.1 billion (+94% y-o-y). The OCSS segment also posted a strong PBT contribution at RM531 million (+29% y-o-y) lifted by higher contracts executed during the current financial period.

For the upcoming 4QFY15 results, we estimate SapuraKencana's full year FY15 PBT margin to stay higher at between 21%-23% (FY14: 14%) anchored by higher contribution from the DES segment due the inclusion of Seadrill tender rigs business which was completed in April 2013 as well as the successful acquisition of SapuraKencana Energy Inc. Group (SKEI), previously known as Newfield Malaysia Holdings Inc., which was completed in February 2014.

Long-term outlook still intact. We remain positive on the long-term outlook of SapuraKencana under the leadership of Tan Sri Shahril Samsuddin despite facing downside risk of challenging oil and gas period including Petronas' decision to cut capex by 10% in 2015. SapuraKencana's fundamentals remain intact with positive contract flow so far including the series of contract wins worth RM1.58

BUY (TP: RM2.93)

Current Price (RM)	RM2.36
New Target Price (RM)	**RM2.93**
Previous Target Price (RM)	RM3.90
Previous Recommend.	BUY
Upside To Target Price	**24%**
Dividend Yield (FY16)	**1%**

Stock Code

Bloomberg	SAKP MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	No
Issued Shares (mn)	5,992
Market Cap (RM mn)	13,902
YTD Chg In Share Price	0%
Beta (x)	1.93
52-week Hi/Lo (RM)	4.79 | 2.02
3M Average Volume (shrs)	17.41mn
Estimated Free Float	22%

Major Shareholders

Sapura Holdings	17%
STSB	16%
EPF	15%
Khasera Baru	9%

Note

OCSS - Offshore Construction & Subsea Services
DES - Drilling and Energy Services
Fab & HUC - Fabrication, Hook-up Commissioning & Offshore Vessel Support

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billion (December 2014), OCSS contracts worth RM392 million (August 2014), EPCIC contracts worth RM1.3 billion (June 2014) and bundle of drilling contracts worth RM2.3 billion (June 2014). The management has guided that the current order book stands at approximately RM26.2 billion and the size of their tender book is shoulder-to-shoulder with the current order book value.

PSC awards in Sabah. SapuraKencana has entered into two Production Sharing Contracts (PSCs) for Blocks SB 331 and SB 332 with Petronas on 20 November 2014 for period of twenty seven years. SapuraKencana (participating interest of 70%) will partner with Petronas and M3nergy Bhd. Blocks SB 331 and SB 332 are situated in the eastern and southern part of Sabah covering about 31,047 square kilometres. The Parties under PSC are committed to drill two wildcat wells and acquire 500 line km of new 2D seismic data in Block SB331 and to drill one wildcat well and acquire 100 line km of new 2D seismic data in Block SB332.

Asset expansion in Vietnam. SapuraKencana announced its wholly owned subsidiaries; SapuraKencana Energy Vietnam (Cuu Long) Inc., SapuraKencana Energy Vietnam (Nam Con Son) Inc. and SapuraKencana Energy Vietnam (Cai Nuoc) Inc. have entered into three conditional sale and purchase agreements (SPA) in November 2014 to acquire interest in Petronas Carigali Overseas' and PC Vietnam's assets in Vietnam for USD400 million (RM1.3 billion). The three field consist of; i) Blocks 01/97 and 02/97 (50% interest), ii) Blocks 10 and 11.1 (40% interest) and Block 46-Cai Nuoc (36.8% interest).

Departure of Tan Sri Mokhzani. Tan Sri Mokhzani Mahathir, a vice-chairman of SapuraKencana and his close associate, Yeow Kheng Chew, the company's non-executive director, both had resigned from the board of SapuraKencana on 5th March 2014 due to personal reasons. Nonetheless, Tan Sri Mokhzani and Yeow Kheng Chew have no intention to sell their 9.1% stake in SapuraKencana via private vehicle, Khasera Baru. We foresee the departure of Tan Sri Mokhzani may eliminate the conflict of interest in the group as Tan Sri Mokhzani also own approximately 18.55% stake in another oil and gas company, Yinson Holdings Bhd via Kencana Capital Sdn Bhd.

Expect to re-join Syariah List by May 2015. SapuraKencana has signed a USD2.3 billion or RM8.2 billion equivalent Islamic facility agreements with 11 local, regional and international banks to refinance and convert its current conventional borrowings. Based on management guidance, we estimate that the conversion of RM8.2 billion out of RM15.3 billion borrowings as at July 2014 to Islamic financial instrument could potentially reduce the group's total conventional borrowings over total assets to 23% from 49%. This is set to meet SC's Syariah requirement of below 33% threshold. Note that all of the group's borrowings were previously on conventional basis.

Valuation & recommendation. We value SapuraKencana at RM2.93 based on 16x PER (35% discount to last 3-years low PER average) pegged to FY16 EPS of 25sen and reiterate our **BUY** call underpinned by i) solid order book of approximately RM26 billion, which one of the largest in our oil and gas space and ii) healthy contract wins moving forwards.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.36	24	27	11.7	10.5	1.4	1.2	16	0.7	3.90	Buy
Wah Seong	Dec	1.24	16	17	8.5	8.0	0.9	0.9	11	3	1.38	Hold
Bumi Armada	Dec	1.03	9	11	14.5	11.1	1.1	1.0	8	2	1.17	Hold
Dialog Group	Jun	1.58	5	6	31.7	26.6	4.8	4.3	14	1	1.66	Hold
Alam Maritim	Dec	0.67	8	9	8.7	7.8	0.8	0.6	9	NA	0.72	Hold
MMHE	Dec	1.21	11	10	14.3	15.4	0.9	0.9	8	3	1.33	Hold
PetDag	Dec	20.00	81	85	22.2	21.0	3.3	3.1	13	3	14.40	Sell
Dayang	Dec	2.33	27	30	10.5	9.5	2.3	1.8	24	2	2.95	Hold
UMW-OG	Dec	2.30	17	19	16.1	14.4	1.7	1.5	11	0.4	3.20	Buy
Perisai	Dec	0.54	7	10	7.1	4.9	0.6	0.5	0	NA	NR	NR
Perdana Petroleum	Dec	1.24	14	16	8.6	7.5	1.2	1.1	16	2	NR	NR
TH Heavy	Dec	0.34	5	4	7.1	10.1	0.9	0.8	(9)	NA	NR	NR
Petra Energy	Dec	1.39	16	18	8.6	7.7	0.8	0.8	5	0.7	NR	NR
Deleum	Dec	1.53	17	19	10.7	9.3	2.2	NA	24	4	NR	NR
Uzma	Dec	2.08	21	24	9.5	8.4	1.3	0.9	19	2	NR	NR
KNM	Dec	0.64	7	9	8.8	7.1	0.4	0.4	2	NA	NR	NR
Average					12.4	11.2	1.5	1.3				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Jan (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	4,673	6,912	8,379	10,172	10,782
EBIT	647	922	1,846	2,339	2,588
Net interest	(61)	(227)	(444)	(538)	(647)
Pre-tax profit	688	830	1,208	1,760	1,887
Taxation	(90)	(166)	(84)	(350)	(400)
Net Profit	455	525	1,087	1,410	1,487
EPS (sen)	9	10	19	24	25
EBIT Margin	14%	13%	22%	23%	24%
Pre-tax margin	15%	12%	14%	17%	18%
PER (x)	NA	27.9	22.7	10.4	9.9
P/BV (x)	NA	2.3	1.4	1.3	1.1
DPS (sen)	NA	NA	NA	2	2
Dividend Yield	NA	NA	NA	1%	1%

Source: Bursa Malaysia, M&A Securities

SapuraKencana's Energy Assets

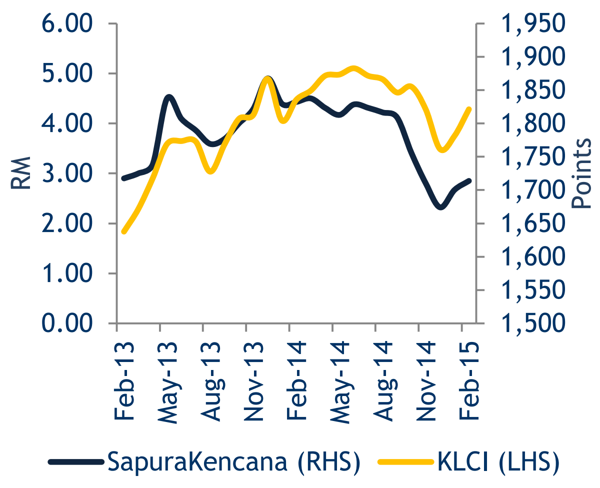
Source: SapuraKencana

Table 2: SapuraKencana's Energy Asset

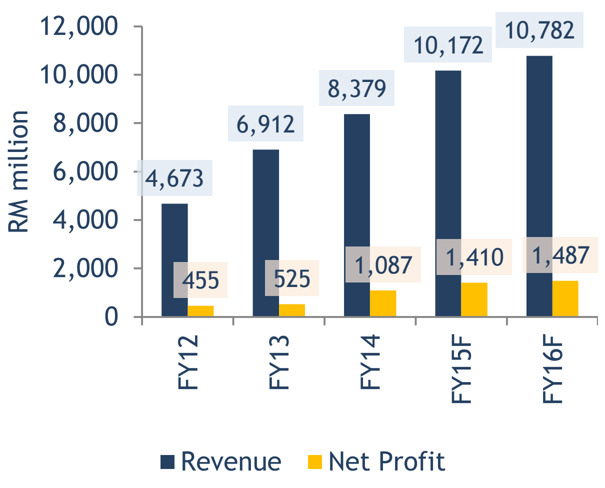
Field	Stage
Vietnam	
01/97 & 02/97	Production
46 Cai Nuoc	Production
10-11.1	Exploration
Malaysia	
PM 323	Production
PM 329	Production
PM 318	Production
AAKBNLP	Production
Berantai RSC	Production
SK 310	Development
SK 408	Exploration & Development
SK 319	Exploration
DW2C	Exploration
Tembungo	Alliance
SB 331	Exploration (New PSC)
SB 332	Exploration (New PSC)

Source: SapuraKencana

SapuraKencana Share Price vs. KLCI (February 2013-February 2015)



Revenue and Net Profit (FY12-FY16F)



Source: Bloomberg, M&A Securities

Supermax Corporation Bhd

"In line with the Industry Outlook"

Supermax Berhad (Supermax) outlook is intact given its steady expansion plans, strengthening of US Dollar and the construction of Supermax Business Park that would be the stock's catalysts despite a weaker average selling price due to the drop in raw material prices. Supermax is valued at RM2.30 and we reiterate our BUY call on the stock.

We are optimistic that Supermax's business would spur moving forward with the strengthening of USD supported by the development of Supermax Business Park and expansion plan into emerging countries. However, Supermax recorded a less encouraging performance due to uncontrollable factors such as water rationing in April, the burned down factory in Alor Gajah and the heavy flood occurred in December. However, without these factors, the Group would record resilient earnings throughout the year.

Expanding in the regional (China, India, Japan) market. Supermax's CEO, Datuk Seri Stanley Thai mentioned that the Group would like to expand its market share in India, China and Japan with its own brand manufacturing (OBM). The group intention is to increase its gloves share in the region as Japan is the world's third largest economy. Furthermore, the Group is planning to build a headquarters in London to commute activities in the UK, Ireland and other Europe countries. Note that, Supermax has established its business across the U.S. in Chicago where the Group is voted the top 2 most popular brand in the dental industry and laboratory market. In Brazil, Supermax market share stands at 35% to 40%.

Rubber Price Trending Down. As predicted, the average rubber latex price has fallen by 17% in February to RM3.98 per kg vs. RM4.78 in the previous corresponding year, due the further weakening of crude

BUY (TP: RM 2.30)

Current Price (RM)	RM2.10
New Target Price (RM)	RM2.30
Previous Target Price (RM)	-
Previous Recomm.	HOLD
Upside to the Target Price	**10%**
Dividend Yield (FY15)	**3%**

Stock Code

Bloomberg	SUCB MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Rubber
Shariah Compliance	Yes
Issued Shares	677.1mn
Market Cap	1,421mn
YTD Chg In Share Price	25%
Beta (x)	0.98
52-week Hi/Lo (RM)	2.68 | 2.10
6M Average Volume (shares)	1.584mn
Estimated Free Float	51%

Major Shareholders

Kim Sim Thai	20.54%
Bee Geok Tan	15.20%
EPF	4.98%

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oil prices, coupled with softening of Ringgit and the slower-moving tyre industry, which is the largest rubber consumer and lesser raw material supply. In addition, the nitrile price movement remained soft in February, trading at around USD0.89 (RM3.20) per kg (1Q14: USD1.11 (RM3.64) per kg). Given the upcoming US Federal Reserve policy tightening, we expect global commodity price to remain soft for a prolong period of time which would be a boon to rubber glove player.

Cheering USD, Unfavourable Ringgit. Weakening of Ringgit against the USD would be a favourable sentiment in the rubber gloves industry as its export receipt will improve and so do revenues as most sales are in USD. Note that ringgit has depreciated to RM3.71 on 10th March 2015, which is the lowest in 6 years from a high of RM3.15 per USD in August 2014. The strengthening of the USD will weigh on commodity prices, which will be good in lowering its unit cost. Our economist is not surprise if Ringgit would touch RM4.00 given the certain prospect of US Federal Funds Rate adjustment, which may take place in either in June, July, September or even October.

Capacity Expansion. Capacities from the 2 new plants have already started in 3Q14 that would increase the Group's nitrile glove capacity by 6.9 billion gloves to 12.3 billion pieces per annum. The increment in production capacity could form 47% in NR Latex Gloves and 53% in Nitrile Gloves. Hence, the group expects the capacity expansion would result into an increase in profit margins between 9%-11% in FY15. 40 production lines will be installed with an approximate production capacity of 15.5 billion pieces per annum. Phase 1 will be built within a period from FY14-FY18, installing 28 lines of 10.85 pieces of gloves and Phase 2 will be from FY19-FY22 installing another 12 lines of 4.65 billion pieces of gloves. The remainder of the land will be offered to glove supporting industries such as chemical suppliers, packaging suppliers, and engineering and automation companies to set up their operations. This may help to increase the reliability and efficiency of its supply and delivery chains in addition to minimizing its logistics costs. The management is optimistic that gloves production to remain robust as most gloves players are producing nitrile gloves coinciding with the current market demand.

Diversifying Revenue Stream. Rumours revealed that Supermax would diversify into the contact lens business, according to sources. The group had incorporated a 98%-owned subsidiary identified as SuperVision Optimax Sdn. Bhd. and the remaining 2% held by Ting Chong Chai, head of engineering and technical development at Clearlab. The management believes that by developing multiple revenue streams will be a key factor in Supermax's ongoing success. Furthermore, the management is optimistic as they see potential in the business as there is high demand in the market. The Supervision Optimax core intention is to carry out the business of related healthcare product to the global market by manufacturing sales, marketing and distribution from the group's existing market share. Hence, we foresee that the business segment could be profitable with a gross profit margin of up to 60% but we believe that the main revenue contributor would be rubber gloves. The manufacturing of contact lens would be operated in one of the group's existing plants in Sungai Buloh, with a land area approximately 5.6 acres and the management estimates that the production line would be ready for commissioning in June or July 2015.

Valuation. We value Supermax at **RM2.30** based on average 5-years PER multiple of 12x and the stock is a **BUY**. Catalyst may come from i) the strong USD which will be a positive sentiment to the glove makers and ii) the robust demand of nitrile gloves in the Eurozone and U.S..

Table 1: Peers Comparison

	Year End	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	Div Yield (%)	Target Price	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
Top Glove	Aug	5.47	32	34	16	15	2.2	2.5	12.5	3.1	5.61	**Hold**
Supermax	Dec	2.10	19	21	11	10	1.4	1.9	10.8	2.4	2.30	**Buy**
Kossan	Dec	5.67	31	35	18	16	4.4	4.1	19.0	1.3	5.06	**Hold**
Hartalega	Mar	8.67	28	36	29	23	5.3	5.8	19.3	1.7	7.92	**Hold**
Average					18	16	3.3	3.5				

Source: Bloomberg, M&A Securities

Table 2: Earnings Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	997	1,048	1,008	1,235	1,376
EBIT	171	139	130	161	179
PBT	137	148	129	179	193
Net profit	121	119	101	125	140
EPS (sen)	18	18	15	19	21
Pre-tax margin	14%	14%	13%	14%	14%
Net profit margin	12%	11%	10%	10%	10%
PER (x)	11	13	11	12	12
P/BV (x)	1.6	1.9	1.6	1.4	1.5

Source: Company, M&A Securities

Table 3: Segmental

	12M14	12M13	YoY
Revenue			
Manufacturing	179	421	-58%
Trading	827	707	17%
PAT			
Manufacturing	107	140	-24%
Trading	31	10	219%

Source: Bloomberg, M&A Securities

Table 4: Natural Rubber and Nitrile Price Movement

	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15F
Natural Rubber						
USD	1.64	1.46	1.44	1.33	1.13	1.10
RM	5.26	4.81	4.65	4.25	3.77	3.79
MYR/USD	3.21	3.29	3.23	3.19	3.28	3.58
Nitrile						
USD	1.14	1.11	1.05	1.12	1.09	0.92
RM	3.65	3.64	3.40	3.56	3.50	3.28
MYR/USD	3.21	3.29	3.23	3.19	3.28	3.58

Source: Company, M&A Securities

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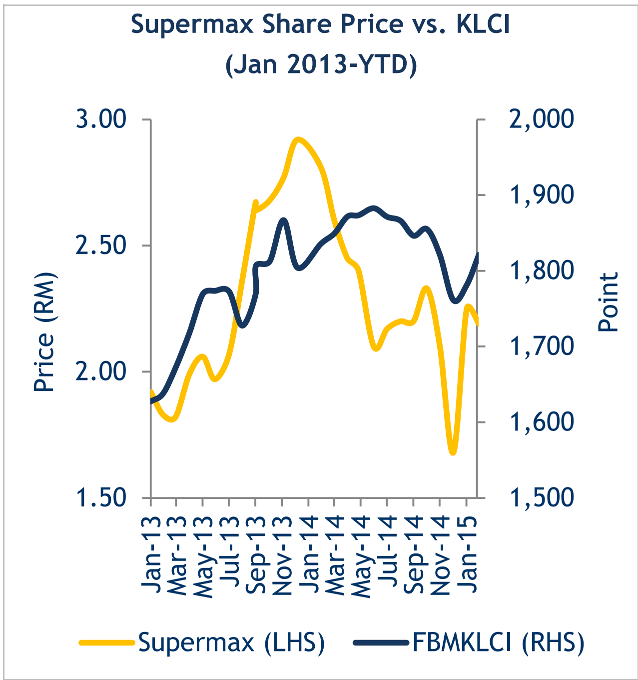

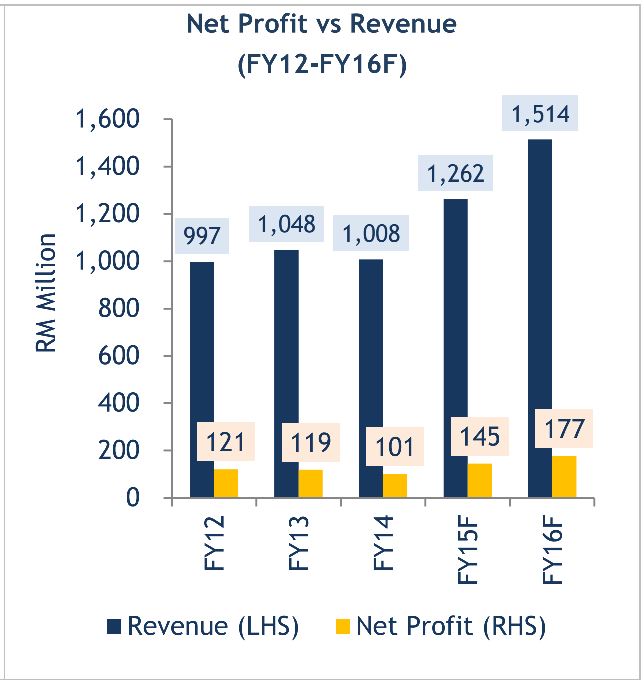

Source: Bloomberg, M&A Securities

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Market Access

UMW Oil and Gas Corporation Bhd

"Enthusiastic Outlook on Jack-up rigs"

UMW Oil and Gas Corporation Bhd (UMW-OG) outlook remain intact boosted by high demand and replacement cycle of jack-up rigs despite the downside risk of soft global oil prices. Unperturbed by the changes in global oil landscape, the group maintain its plans to add one new rig per year starting from 2016 onwards. Added with tender pipeline contract worth RM5.9 billion backed by RM1.8 billion in orderbook, we reiterate our BUY call on UMW-OG with a target price of RM3.20.

FY14 financial review. UMW-OG fired FY14 net profit of RM251 million (+33% y-o-y), which came in line with ours and consensus estimates respectively, accounting 95% and 98% of both estimates full year net profit forecast. As expected, FY14 was a record breaking year for UMW-OG powered by strong contribution from the drilling services segment, thanks to additional contribution from the delivery of NAGA 5 and NAGA 6 in the said period. Drilling service segment posted an impressive PBT of RM276 million in FY14 that grew solidly by 45% y-o-y. Nonetheless, PBT margin for FY14 remained flat at 28%, more or less the same against FY13.

We expect 1QFY15 to be a promising quarter for UMW-OG on better earnings prospect, despite facing a challenging period of declining global oil price, underpinned by additional contribution from the delivery of NAGA 7 in January 2015. NAGA 7 has now operated in KJF Field SC50 Block offshore Palawan, Philippines, executing a contract from Frontier Oil Corp. The contract period is for 120 days with an option to extend for another 180 days.

Robust outlook on jack-up rigs business. The management remains upbeat on the outlook of the jack-up rigs due to high replacement cycle and demand globally. 67% out of 794 jack-up rigs worldwide are more than 30 years old which have entered the stage of replacement while only 26% below 10 years old while in Southeast Asia market, 22% out

BUY (TP: RM3.20)

Current Price (RM)	RM2.30
New Target Price (RM)	**RM3.20**
Previous Target Price (RM)	RM2.88
Previous Recommend.	BUY
Upside To Target Price	**39%**
Dividend Yield (FY16)	**1%**

Stock Code

Bloomberg	UMWOG MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	2,162
Market Cap (RM mn)	4,799
YTD Chg In Share Price	-6%
Beta (x)	NA
52-week Hi/Lo (RM)	4.27 | 1.91
3M Average Volume (shrs)	3.04mn
Estimated Free Float	20%

Major Shareholders

UMW Holdings	56%
Skim ASB	8%
EPF	6%

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of 60 jack-up rigs are more than 30 years old. This is an advantage for UMW-OG in that it has young age profile fleet which come in high specification and equipped with higher drilling efficiency.

Aiming to add one new rig per year by 2016. The management still maintain its plan to add one new rig per year starting from 2016 onwards. The management highlighted that there are 58 new rigs being fabricated in Asia Pacific yard consisting of 29 new rigs each built by operators and speculators. The management does not rule out the opportunity to acquire new rigs at a good price especially from the non-operators in line with the weak market condition.

NAGA 8 - 76% completed. NAGA 8 has achieved a 76% completion stage and on track to be delivered in September 2015. The group has received the delivery of NAGA 5 (2Q14), NAGA 6 (3Q14) and NAGA 7 (January 2015) respectively. Note that seven out of its eight rigs have been successfully contracted out except for NAGA 8.

Order book at RM1.8 billion. UMW-OG's orderbook is currently stood at RM1.8 billion until December 2014 (October 2014: RM1.9 billion) and expected to last them until 2018. The group is now bidding for 22 rig contracts worth approximately RM5.4 billion consisting 8 from Malaysia and 14 from overseas where 36% comprise of long-term contract and 64% short-term contract. The group prefers to secure a short-term contract basis rather than long-term contract underpinned by the current situation of softness in global oil prices which may dent daily charter rate by 6%-7% in 2015.

Middle East expansion. UMW-OG is planning to penetrate the Middle East market in the future after building a strong reputation in Southeast Asia including Malaysia, Vietnam, Myanmar and the Philippines. The Middle East market, which holds 49% of global oil reserve, offers a solid opportunity for the group to strengthen its global business presence driven by OPEC decision to continue their production activities even if the oil price settles at USD20 per barrel.

Net gearing at 0.3x. UMW-OG's net gearing as at December 2014 was maintained at 0.3x (September 2014: 0.3x) with net debt stood at RM1.1 billion (September 2014: RM934 million). To recap, the group's net gearing has surged to 0.3x from 0.1x as at June 2014 as the group has taken additional borrowing subsequent to the delivery of NAGA 5 and NAGA 6. Meanwhile, the management stated that the timeframe of utilisation of its IPO proceed has been extended up to another 18 month. The group has utilised 65% (RM1.1 billion) out of its RM1.7 billion IPO proceeds as at February 2015.

Downside risk of weakening global oil prices. The management gave indication that daily charter rate may soften by 6%-7% in 2015 for the new contract award in line with the weakening in oil prices which currently hover around USD48-USD52 per barrel as at January 2015 (2014: USD91-USD98 per barrel). Besides, Petronas' decision to cut operating expenditure by 25%-30% will continue to put pressure on the daily charter rate of new tenders and possibility not exercising the optional contract.

Valuation & recommendation. We value UMW-OG at RM3.20 based on 16x PER (sector average for big cap) pegged to FY16 EPS of 20sen and the stock is a BUY underpinned by i) clear earnings visibility from the offshore drilling segment and ii) powered by robust prospects of jack up drilling activities in the SEA market.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.36	24	27	11.7	10.5	1.4	1.2	16	0.7	2.93	Buy
Wah Seong	Dec	1.24	16	17	8.5	8.0	0.9	0.9	11	3	1.38	Buy
Bumi Armada	Dec	1.03	9	11	14.5	11.1	1.1	1.0	8	2	1.17	Buy
Dialog Group	Jun	1.58	5	6	31.7	26.6	4.8	4.3	14	1	1.66	Hold
Alam Maritim	Dec	0.67	8	9	8.7	7.8	0.8	0.6	9	NA	0.72	Hold
MMHE	Dec	1.21	11	10	14.3	15.4	0.9	0.9	8	3	1.33	Hold
PetDag	Dec	20.00	81	85	22.2	21.0	3.3	3.1	13	3	14.40	Sell
Dayang	Dec	2.33	27	30	10.5	9.5	2.3	1.8	24	2	2.95	Buy
UMW-OG	Dec	2.30	17	19	16.1	14.4	1.7	1.5	11	0.4	3.20	Buy
Perisai	Dec	0.54	7	10	7.1	4.9	0.6	0.5	0	NA	NR	NR
Perdana Petroleum	Dec	1.24	14	16	8.6	7.5	1.2	1.1	16	2	NR	NR
TH Heavy	Dec	0.34	5	4	7.1	10.1	0.9	0.8	(9)	NA	NR	NR
Petra Energy	Dec	1.39	16	18	8.6	7.7	0.8	0.8	5	0.7	NR	NR
Deleum	Dec	1.53	17	19	10.7	9.3	2.2	NA	24	4	NR	NR
Uzma	Dec	2.08	21	24	9.5	8.4	1.3	0.9	19	2	NR	NR
KNM	Dec	0.64	7	9	8.8	7.1	0.4	0.4	2	NA	NR	NR
Average					12.4	11.2	1.5	1.3				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Jan (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	6,912	8,379	9,943	10,241	10,753
EBIT	922	1,846	3,107	1,639	1,828
Net interest	(227)	(444)	(651)	(666)	(699)
Pre-tax profit	830	1,208	1,616	1,639	1,774
Taxation	(166)	(84)	(183)	(360)	(390)
Net Profit	525	1,087	1,433	1,278	1,384
EPS (sen)	10	19	24	21	23.10
EBIT Margin	13%	22%	31%	16%	17%
Pre-tax margin	12%	14%	16%	16%	17%
PER (x)	27.9	22.7	9.6	10.8	10.0
P/BV (x)	2.3	1.4	1.2	1.1	1.0
DPS (sen)	NA	NA	4	3	3
Dividend Yield	NA	NA	2%	1%	1%

Source: Company, M&A Securities

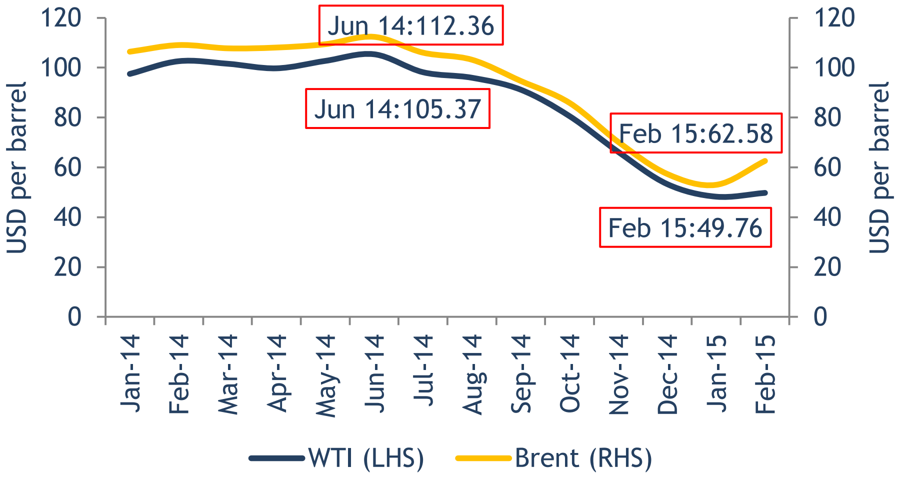
Table 3: Drilling Rigs Assets

	NAGA 1	NAGA 2	NAGA 3	NAGA 4
				
Type	Semi-Submersible	Jack-Up	Jack-Up	Jack-Up
Ownership	50%	100%	100%	100%
Delivery Year	1974	2009	2010	2013
Water Depth	1,000ft	350ft	350ft	400ft
Drilling Depth	30,000ft	30,000ft	30,000ft	30,000ft

	NAGA 5	NAGA 6	NAGA 7	*NAGA 8
				
Type	Jack-Up	Jack-Up	Jack-Up	Jack-Up
Ownership	100%	100%	100%	100%
Delivery Year	2Q14	3Q14	1Q15	3Q15
Water Depth	400ft	400ft	400ft	400ft
Drilling Depth	30,000ft	30,000ft	30,000ft	30,000ft

**Pending for delivery; Source: UMW-OG*

WTI vs. Brent Crude Oil Price (January 2014-January 2015)



Source: Bloomberg

Market Access

M&A Securities

STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+10% within 3-months due to positive newsflow.*
HOLD	*Share price is expected to be between -10% and +10% over the next 12 months.*
SELL	*Share price is expected to be ≥-10% over the next 12 months.*

SECTOR RECOMMENDATIONS

OVERWEIGHT	*The sector is expected to outperform the FBM KLCI over the next 12 months.*
NEUTRAL	*The sector is expected to perform in line with the FBM KLCI over the next 12 months.*
UNDERWEIGHT	*The sector is expected to underperform the FBM KLCI over the next 12 months.*

DISCLOSURES AND DISCLAIMER

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