1Q15/2015 Investment Strategy

Patience, Persistence and Perseverance

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The local equity market is expected to remain choppy and volatile for the time being. As such, we are selective and would probably be more trading-oriented in our stock picks. However, as the benchmark index is traded at c.9% discount to the consensus' index target of 1,900 which is fairly close to the -1SD-level, we believe a temporary bottom could form should oil prices stabilise above USD60/barrel. After rounds of revision, our end-2015 Index Target is now pegged at 1,905, implying 17.7x FY16 PER on the back of 1.3%/4.7%/7.4% earnings growth for 2014/15/16. For the short-and-medium term, we like BJAUTO (OP; TP: RM4.29), CIMB (OP; TP: RM6.27), GAMUDA (OP; TP: RM5.29), HARTA (OP; TP: RM7.36), MBSB (AO; TP: RM2.82), MMCCORP (OP; TP: RM3.21), MPI (OP; TP: RM6.80), PHARMA (OP; TP: RM5.03), QL (OP; TP: RM3.86), SKPETRO (OP;TP: RM3.03), SIME (OP; TP: RM9.92), SPSETIA (OP; TP: RM3.95), SUNREIT (OP; TP: RM1.68) and TENAGA (OP; TP: RM14.65). These stocks are picked based on various focused themes such as (i) bottom-fishing, (ii) GST beneficiaries or sectors/stocks those are less sensitive to GST, (iii) optimism over construction sector and (iv) back to basic and other (v) alpha stock selections.

Worst 4Q in the past 5 years. As at 19 December 2014, the YoY and QoQ performances of FBMLKCI were recorded at -7.1% and -7.2%, respectively *(see Figure 1)*. Contrary to our earlier expectation of stronger 4Q as per our seasonal study, the disappointing YoY/QoQ performances were the lowest or the only negative performance in the past 5 years. Apart from the great disappointment in the recent results season, the plunge in crude oil prices coupled with the weakening ringgit (which implies outflow of foreign funds) have seen considerable strong selling pressure in local equity market. Vis-à-vis our selective regional and global equity markets, Malaysia is one of the few worst performing countries *(see Figure 2)*.

Against wind and tide. Of late, Brent Crude prices have fallen by c.50% to USD60.5/barrel from its peak at USD115.7/barrel on 19 June 2014. While this could be a piece of good news for net importers, Malaysia's economy and equity market could face headwinds due to its heavy reliance on Petroliam Nasional Bhd's (Petronas) contributions and capex. As such, these developments have led to expectations of potential downgrade in the country sovereign rating due to lower-than-expected government revenue despite having GST to cushion such short-fall; hence, we saw further weakening in ringgit (see Figure 3-4). To make thing worse, the U.S. dollar has been in an up-trending mode probably due to an expectation of rising interest rate in U.S. after the end of QE in September 2014 (see Figure 5-6). Such strong U.S. dollar has been putting pressure on foreign outflows (see Figure 7). Nonetheless, we still believe there is sufficient liquidity to support the local market as per the underlying excess liquidity condition (see Figure 8).

Not cheap, even after downgrading? Having said that, the underlying investment/market sentiment is weak. While it is approaching the lower-end of its historical range, we have yet to see a climax in selling as per our sentiment analysis (see Figure 9). Part of the reasons for such conclusion could be the market valuation.

Recall that we saw more disappointments in the recently announced corporate results. These results were much weaker-than-expected despite few rounds of downgrades earlier. 40.0% of stocks under our coverage performed weaker-than-expected, resulting in the "disappointment ratio" deteriorating to the "highest" point for the past few quarters (vs. 37.4% in 2QCY14, 32.0% in 1QCY14 and 34.4% in 4QCY13). As such, our FY14E-FY15E core net profit growth estimates for FBMKLCI were revised to 1.3%-4.7% (from 4.9%-11.3%, previously) while our FY16F earnings growth rate was almost unchanged at 7.4% (see Figure 10). Thus, our end-2015 Index Target has also been revised lower to 1,905 (from 1,980/50 previously), implying 17.7x FY16 PER. This Index Target is derived from the blended Top-Down Approach (1,880 @ 17.5x FY16 PER) and Bottom-Up Approach (of 1,930). The target price multiple is still relatively high as per historical PER Band (see Figure 11). As such, we would not be surprised to see further downgrades (by us or consensus) should the Forward PER gradually revert back to its mean level (at ~16x) or even lower (~15x @ -1SD) in view of the weak underlying sentiment.

The above expectation is also reinforced by the widening in discount between FBMKLCI and its consensus target price (The Discount). While consensus target of FBMKLCI has been revised down from the high of 1,955 in end-August14 to ~1,900 recently (see Figure 12), the Discount has widened from 4.5% to 9% for the similar period of time (see Figure 13). We believe this could be partly owed to heightened market volatility (see Figure 14). In the meantime, valuation of FBMKLCI is not as attractive as per its regional peers even after its recent sell down (see Figure 2) and the fact that ringgit has also been relatively weaker vis-à-vis its regional peers (see Figure 15).

Tough going, technically speaking. As such, with the weak underlying sentiment, FBMKLCI could persistently trade at a wide discount, say minimum 5.5%, to its consensus target, in the near future. Technically speaking, long-term up-trend of most of the benchmark indices (i.e. FBMKLCI, FBM70 & FBMSC) have been broken down convincingly. Apart from their respective oversold technical condition, they have yet to show any concrete turnaround sign (see Figure 16-18). Based on our Monte Carlo Simulation (see Figure 19), the FBMKLCI is expected to trade at 1,855 on average in 2015. This represents 3.6% discount to our end-2015 index target. At the same time, within the 1 standard deviation or 68% confidence interval, FBMKLCI could fluctuate between 1,765 and 1,947. Taking this finding into consideration, FBMKLCI may worsen before turning better in later part of 2015.

Risk of further downgrading? Therefore, it is our interest to search for the bottom in the near-term. Nonetheless, such effort is very much dependent on crude oil prices movement. Brent crude oil spot month futures contract (CO1) closed at USD60.5/barrel as of 22/12/14. Based on our simulation study (see Figure 20), CO1 is likely to trade at an average of c.USD70/barrel in 2015. At 68% confident interval, CO1 could oscillate between USD60/barrel and USD79/barrel. Judging from this confidence interval, CO1 is likely to test USD60/barrel before reverting back to the mean again. However, we downplay the probability of CO1 trading below USD50/barrel as this probability is as low as 2.3%. Based on these findings, we can now assess if there is potential further downside risk in Oil & Gas stocks.

From 19 June 2014 (USD115.7/barrel) to 16 December 2014 (USD58.5/barrel), CO1 declined approximately 50% (or 70% on annualised basis) (see Figure 21). Consensus target prices for Oil & Gas stocks under our coverage were cut by c.21% for the similar time period (see Figure 22). Is this sufficient? Recall during the period of July08-Dec08, CO1 fell 76% (or annualised at 95%). Target prices for the similar poll of stocks were cut by ~40%. Applying similar ratio, target prices for these Oil & Gas stocks should be cut by ~26% on average. Hence, **we could be in the tail-end of this round of Oil & Gas sector downgrade,** otherwise we believe there would be another 5% additional downside in a worst-case scenario. Nonetheless, should CO1 dip further to USD60/barrel, the market may expect further cut in target prices up to 25%, implying another 5% in downside from here.

The similar trend could be applied to banking stocks as well. With the expectation of lower oil revenue hence prime priming activities, coupled with weaker consumer sentiment ahead of GST implementation, the market is expecting flatter top-lines growth for all the domestic banks i.e. lower loans growth, narrower net interest margin (↓interest earnings yield, ↑cost of funding) and lower non-interest income due to tougher capital market condition. At the same time, bottom-lines were under-pressured as well.

Recall that most of the banks' results have been driven by linear cost and lower provisioning in the last few years. However, these privileges could be diminished with sticky or higher cost-to-income ratio CIR and higher credit cost especially for those banks have higher exposure in O&G i.e. AFFIN (~4.5% of total loans), CIMB (~3.5%) and MAYBANK (~2.5%). While we believe it is still too preliminary to price in such negative factors as we have factored in more conservative assumptions in our earlier earnings forecasts, we cannot rule out this possibility if both domestic and external market conditions turn more hostile than expected. Should we further price in the above-mentioned assumptions, our FY14E/FY15F/FY16F core net profit growth estimates for FBMKLCI would be revised down to 1.1%/2.1%/7.3% from (1.3%/4.7%/7.4% earlier). Our end-2015 Target is likely to be cut by another 35 index points (to 1,870 from 1,905). However, even with this lower index target, it still implies ~19x and 18x to our FY15F and FY16F earnings estimates.

1Q15/2015 Investment Strategy - Be Selective. All told, the local equity market is expected to remain choppy and volatile for the time being. As such, we have to be very selective and probably be more trading-oriented in our stock picks.

Timing-wise, the benchmark index is traded at c.9% discount to the consensus index target of 1,900. This is fairly close to its 6-Year -1SD-level of 8.5%. In fact, at the recent low of 1,730.77, it was traded at c.10% discount; **hence a temporary bottom could have been seen**. Coupled with the favourable seasonal factor (stronger 4Q & 1Q), the downside could be limited from here. Of course, this anticipation is premised on stable oil price above USD60/barrel. As such, we would a**dvocate a Buy On Weakness (B.O.W.) strategy**.

Focused Theme Plays.

- **Bottom-fishing.** Under the assumption of a stable oil price above USD60/barrel, we would like to bottom-fish stocks especially those heavily sold down stocks i.e. index-linked as well as Oil & Gas stocks in 1Q15 to capitalise on any possible rebounds due to the recent oversold technical condition. Figure 23 clearly list these OUTPERFORM calls that YTD, have way underperformed the FBMKLCI including Oil & Gas stocks. Within this list, we notice **SKPETRO (OP, TP: RM3.03)**, **BARAKAH (OP, TP: RM1.62)**, **UZMA (OP, TP: RM2.02)**, **PERDANA (OP, TP: RM1.61)** and **CIMB (OP, TP: RM6.27)** were the Top few laggards even after the recent downgrades.
- **Natural hedge against oil price weakness.** On the contrary, we believe **AIRASIA (OP, TP: RM3.27)** as well as Plastic Packaging players i.e. **TGUAN (OP, TP: RM3.70)** are likely to get a boost from the lower oil prices. Nonetheless, the recent tragedy of AirAsia Indonesia Flight went missing could be a share price dampener for AIRASIA, at least in the short-term.

- **GST beneficiaries or sectors/stocks those are less sensitive to GST.** As GST will be implemented starting 1 April 2015, consumption driven sectors could turn weaker. Based on other countries' experience, we believe a weaker tone could set in for the next two consecutive quarters after the implementation of this new tax regime. As such, for middle-term investment horizon, we would emphasis on GST beneficiaries, such as **MYEG (TB, TP: RM4.73)**, or sectors/stocks that are less affected by GST such as export-driven sectors i.e. E&E players, OEM and Gloves manufacturers. Coupled with the trend of weaker ringgit and new products launching, we believe **HARTA (OP, TP: RM7.36)**, **MPI (OP, TP: RM6.80)** and **VS (TB, TP: RM3.56)** should act as good proxies under this investment thesis.
- **Construction**, the next major engine of growth apart from export. While some market observers are sceptical over the job flows continuity as: (i) Petronas is likely to cut capex by 15%-20% in 2015, and (ii) lower government revenue arising from lower oil prices, hence, the need of government to cut development expenditure to meet its fiscal deficit target; we beg to differ. We opine that the cut in Petronas capex could translate into an effort to maintain Petronas' dividend to the government. Besides, most of the sizeable projects are under PPP (Public Private Partnership) or PFI (Private Funding Initiative) arrangements. As such, we reckon that the concerns over government fiscal position may be overly magnified. Furthermore, we believe government could still re-prioritise some of the projects instead of cancelling them. Recall that in Budget 2015, the government is expected to focus on transportation infrastructure and affordable housing projects namely: (i) KVMRT2, (ii) urban highways, (iii) TRX, and (iv) PR1MA housing. Our preferred stocks to benefit from news/contract flows in the near-term is **GAMUDA (OP, TP: RM5.29)** (one of the major beneficiaries from KVMRT2 news flows and M&A activities in water).
- **Back to the basic.** In view of the higher market volatility going forth, investors may also consider resilient sectors such as Telco, Sin, REIT, Power, Pharmaceutical and Consumer Staple Food sectors. Within these sectors we like **TENAGA (TP: RM14.65)**, **SUNREIT (OP, TP: RM1.56)**, **PHARMA (OP, TP: RM5.03)** and **QL (OP, TP: RM3.86)**.

Any More Alpha Stocks? We also like stocks/sectors surrounded by corporate exercise newsflow (i.e. M&A, privatization, IPO, restructuring). For instance, …

- We like **MBSB (AO, TP: RM2.82)** as we believe the VGO is likely to go through due to attractive valuation. Hence, at this price level, it offers arbitrage opportunity.
- **SIME (OP, TP: RM10.10)** is likely to be a beneficiary of high corporate newsflow in view of frequent media highlights. It is widely expected that the Group could embark in corporate restructuring exercises that include spinning off its automotive or property business segment.
- We also may see potential corporate exercise in **SPSETIA (OP, TP: RM3.95)**. Besides, the stock has been trading sideways after rebounded from its multi-year low of RM2.95. As such, tactically speaking, any potential news flow in corporate exercise could act as re-rating catalysts.
- Listing of MALAKOFF should benefit **MMCCORP (OP, TP: RM3.21)** as our SOP valuation only factor in 12.3x FY15 PER for MALAKOFF (vs. TENAGA's 14x FY15 PER).
- **BJAUTO (OP, TP: RM4.29)** is a clear beneficiary of weaker Japanese Yen.

1Q15 Top Picks. All told, after taking the above-mentioned thoughts into consideration, we propose the following stocks as our Top Picks. Brief comments for these picks are listed down in Figure 24. While various sector outlooks are featured in Figure 25-27.

#	Stocks	Last Price @ 19 Dec (RM)	FY13/14 Core NP Growth (%)	FY14/15 Core NP Growth (%)	FY15/16 Core NP Growth (%)	FY14/15 Core PER (x)	FY15/16 Core PER (x)	FY14/15 PBV (x)	FY14/15 Net Div Yld (%)	FY14/15 ROE (%)	Target Price (RM)	% of Up /Down-side	Rating
1	BJAUTO	3.25	179.2	45.7	23.7	12.5	10.1	5.6	3.2	44.5	4.29	32.0	OP
2	CIMB	5.54	(3.9)	(5.5)	6.7	11.0	10.6	1.3	3.7	11.6	6.83	23.3	OP
3	GAMUDA	4.95	10.3	1.7	(0.5)	15.3	15.4	2.5	2.4	16.3	5.52	11.5	OP
4	HARTA	6.97	(0.0)	6.6	17.3	20.6	17.6	5.0	2.1	24.1	7.36	5.6	OP
5	MBSB	2.38	41.1	22.1	3.9	9.7	8.6	1.6	3.6	16.2	2.82	18.5	AO
6	MMCCORP	2.31	(75.9)	(7.7)	68.4	33.1	19.5	1.0	-	2.9	3.21	39.0	OP
7	MPI	4.34	212.3	14.7	16.1	11.6	10.0	1.1	4.4	9.7	6.80	56.7	OP
8	PHARMA	4.35	(10.5)	55.4	11.3	14.6	12.6	2.2	4.1	15.0	5.03	15.6	OP
9	QL	3.32	21.3	18.8	13.3	21.8	19.2	3.0	1.3	13.8	3.86	16.3	OP
10	SKPETRO	2.24	115.7	30.5	3.1	10.7	10.3	1.3	1.8	11.9	3.03	35.3	OP
11	SIME*	8.96	0.4	2.7	4.4	18.8	18.0	2.0	3.5	10.5	9.92	10.7	OP
12	SPSETIA	3.28	13.3	(22.2)	55.4	24.8	16.0	1.3	3.1	5.2	3.95	20.4	OP
13	SUNREIT	1.50	4.8	(39.9)	14.2	18.2	15.6	1.1	5.8	6.1	1.68	12.0	OP
14	TENAGA	13.62	12.3	(2.5)	12.0	14.1	14.5	12.9	2.3	11.3	14.65	7.6	OP

*To be upgraded on strategy note

Appendix I

Figure 1: Seasonal Study

QoQ Chg.	Q1	Q2	Q3	Q4
2000	19.9%	-14.5%	-14.4%	-4.7%
2001	-4.7%	-8.4%	3.8%	13.1%
2002	8.6%	-4.1%	-12.1%	1.3%
2003	-1.6%	8.8%	6.0%	8.2%
2004	13.6%	-9.1%	3.7%	6.8%
2005	-4.0%	1.9%	4.4%	-3.0%
2006	3.0%	-1.3%	5.8%	13.3%
2007	13.7%	8.6%	-1.3%	8.1%
2008	-13.7%	-4.9%	-14.1%	-13.9%
2009	-0.5%	23.2%	11.8%	5.9%
2010	3.8%	-0.5%	11.4%	3.8%
2011	1.7%	2.2%	-12.2%	10.4%
2012	4.3%	0.2%	2.3%	3.2%
2013	-1.0%	6.1%	-0.3%	5.6%
Average	**3.1%**	**0.6%**	**-0.4%**	**4.1%**
3-Yr Average	**1.7%**	**2.8%**	**-3.4%**	**6.4%**
5-Yr Average	**1.7%**	**6.2%**	**2.6%**	**5.8%**
10-Yr Average	**2.1%**	**2.7%**	**1.1%**	**4.0%**
2014	**-1.0%**	**2.2%**	**-1.9%**	**-7.2%**

YoY Chg.	Q1	Q2	Q3	Q4
2000	93.8%	2.7%	5.6%	-16.3%
2001	-33.5%	-28.8%	-13.8%	2.4%
2002	16.8%	22.3%	3.7%	-7.1%
2003	-15.9%	-4.6%	15.0%	22.8%
2004	41.9%	18.5%	15.9%	14.3%
2005	-3.4%	8.4%	9.1%	-0.8%
2006	6.3%	3.0%	4.3%	21.8%
2007	34.6%	48.1%	38.1%	31.8%
2008	0.1%	-12.4%	-23.8%	-39.3%
2009	-30.1%	-9.4%	18.0%	45.2%
2010	51.3%	22.2%	21.7%	19.3%
2011	17.0%	20.2%	-5.2%	0.8%
2012	3.3%	1.3%	18.0%	10.3%
2013	4.7%	10.9%	8.1%	10.5%
Average	**13.3%**	**7.3%**	**8.2%**	**8.3%**
3-Yr Average	**8.3%**	**10.8%**	**6.9%**	**7.2%**
5-Yr Average	**9.3%**	**9.0%**	**12.1%**	**17.2%**
10-Yr Average	**12.6%**	**11.1%**	**10.4%**	**11.4%**
2014	**10.6%**	**6.2%**	**4.4%**	**-7.1%**

Source: Kenanga Research

Figure 2: Regional Market Performance (as at 23 Dec 2014)

NAME	Closing Level	Trailing 12-M PER (x)	Consensus TP (RM)	% of Upside	YTD % Chg.
FTSE Bursa Malaysia KLCI	**1,751.41**	**15.69**	**1,892.42**	**8.1%**	**-6.2%**
KOSPI INDEX	1,939.71	32.98	2,409.32	24.2%	-3.6%
FTSE 100 INDEX	6,576.74	18.79	7,084.54	7.7%	-2.6%
CAC 40 INDEX	4,254.43	25.44	4,730.72	11.2%	-1.0%
HANG SENG INDEX	23,447.76	9.92	26,803.51	14.3%	0.6%
DAX INDEX	9,865.76	17.33	10,523.99	6.7%	3.3%
Straits Times Index STI	3,335.96	13.53	3,610.51	8.2%	5.3%
TAIWAN TAIEX INDEX	9,102.00	15.08	9,869.01	8.4%	5.7%
NIKKEI 225	17,635.14	21.62	18,252.37	3.5%	8.2%
DOW JONES INDUS. AVG	17,959.44	16.05	18,656.48	3.9%	8.3%
S&P 500 INDEX	2,078.54	18.38	2,211.74	6.4%	12.5%
NASDAQ COMPOSITE INDEX	4,781.42	44.72	5,275.07	10.3%	14.5%
STOCK EXCH OF THAI INDEX	1,533.79	17.12	1,715.42	11.8%	18.1%
JAKARTA COMPOSITE INDEX	5,146.75	19.92	5,610.49	9.0%	20.4%
PSEi - PHILIPPINE SE IDX	7,178.17	20.68	7,804.86	8.7%	21.9%
SHANGHAI SE COMPOSITE	3,104.48	14.79	2,862.34	-7.8%	46.7%
AVERAGE	**N.A.**	**20.13**	**N.A.**	**8.4%**	**9.5%**

Source: Bloomberg

Figure 3: movement of Ringgit Malaysia – Weakening Trend Remains Intact

Source: Bloomberg

Figure 4: Simulated Paths of MYR/USD for 2015

Distribution of Simulated USDMYR Till End-2015	1	2	3	4	5	6	7	8	9	10	Average
Mean	3.4556	3.4967	3.5050	3.5499	3.4930	3.5541	3.5395	3.5216	3.4979	3.5451	**3.5158**
Standard Deviation	0.1645	0.1216	0.1514	0.1582	0.1363	0.1233	0.1250	0.0969	0.1534	0.1516	**0.1382**
Kurtosis	0.7070	(0.3040)	0.4055	0.0163	0.8671	0.7563	(0.5847)	(0.1379)	0.3230	0.0381	**0.2087**
Skewness	(0.4363)	0.2864	0.6703	0.8031	1.0045	0.6725	0.3831	0.0596	0.7052	0.6355	**0.4784**
Range	1.0031	0.6497	0.9121	0.7793	0.7587	0.6736	0.5981	0.5803	0.8441	0.7301	**0.7529**
Minimum	2.9710	3.1844	3.1478	3.2851	3.2063	3.2717	3.2598	3.2156	3.1926	3.2486	**3.1983**
Maximum	3.9741	3.8341	4.0599	4.0643	3.9649	3.9453	3.8579	3.7959	4.0368	3.9787	**3.9512**
Count	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	**2,791.0**
At 68% Confidence Level,											
USDMYR is expected to oscilate between	3.2911	3.3751	3.3537	3.3917	3.3566	3.4308	3.4145	3.4248	3.3445	3.3936	**3.3776**
and	3.6200	3.6184	3.6564	3.7081	3.6293	3.6774	3.6645	3.6185	3.6513	3.6967	**3.6541**
Probability of USDMYR <=	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	3.2500	**3.2500**
=	10.6%	2.1%	4.6%	2.9%	3.7%	0.7%	1.0%	0.3%	5.3%	2.6%	**3.4%**
Probability of USDMYR <=	3.3000	3.3000	3.3000	3.3000	3.3000	3.3000	3.3000	3.3000	3.3000	3.3000	**3.3000**
=	17.2%	5.3%	8.8%	5.7%	7.8%	2.0%	2.8%	1.1%	9.8%	5.3%	**6.6%**
Probability of USDMYR <=	3.3500	3.3500	3.3500	3.3500	3.3500	3.3500	3.3500	3.3500	3.3500	3.3500	**3.3500**
=	26.1%	11.4%	15.3%	10.3%	14.7%	4.9%	6.5%	3.8%	16.7%	9.9%	**12.0%**
Probability of USDMYR >=	3.5500	3.5500	3.5500	3.5500	3.5500	3.5500	3.5500	3.5500	3.5500	3.5500	**3.5500**
=	28.3%	33.1%	38.3%	50.0%	33.8%	51.3%	46.6%	38.5%	36.7%	48.7%	**40.5%**
Probability of USDMYR >=	3.6000	3.6000	3.6000	3.6000	3.6000	3.6000	3.6000	3.6000	3.6000	3.6000	**3.6000**
=	19.0%	19.8%	26.5%	37.6%	21.6%	35.5%	31.4%	20.9%	25.3%	35.9%	**27.3%**
Probability of USDMYR >=	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500	3.6500	**3.6500**
=	11.9%	10.4%	16.9%	26.3%	12.5%	21.8%	18.8%	9.2%	16.1%	24.5%	**16.8%**

Source: Kenanga Research

Figure 5: Strengthening of U.S. Dollar Index – An Early Sign of Hike in U.S. i_{rate}?

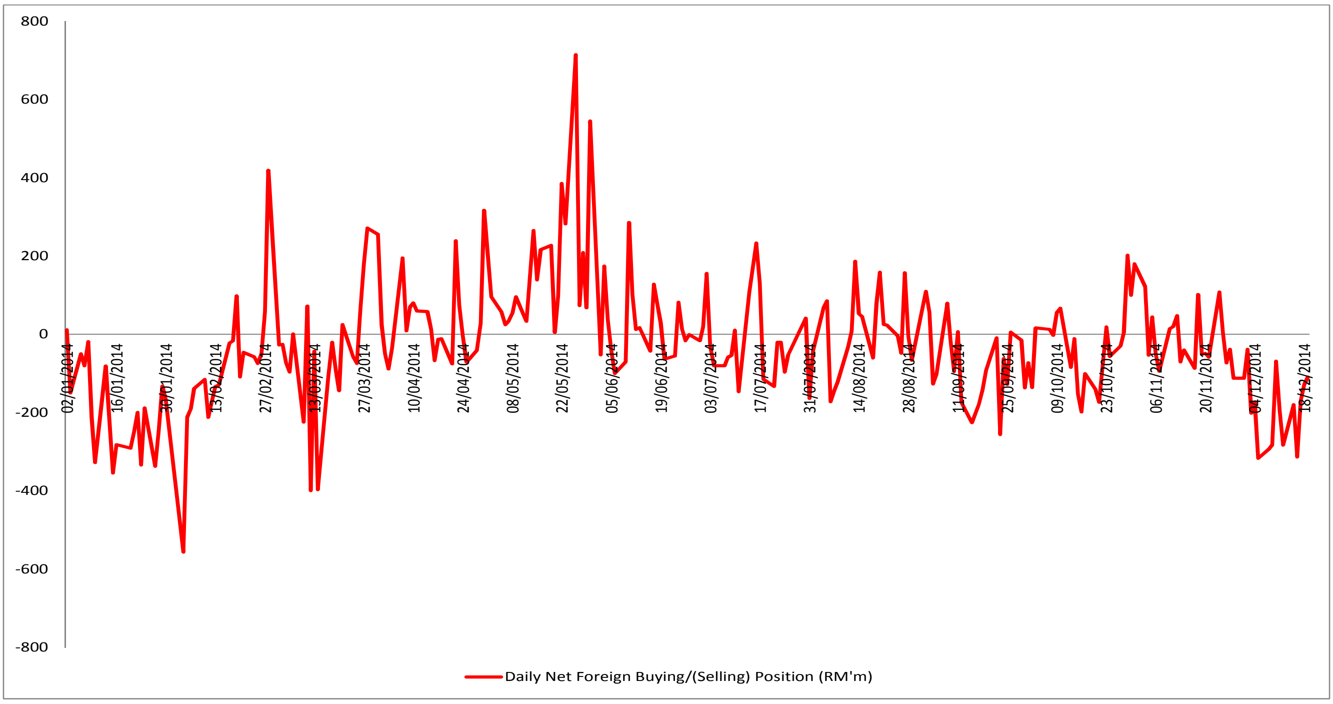
Source: Bloomberg

Figure 6: Simulated Paths of Dollar Index for 2015

Distribution of Simulated DXY Till End-2015	1	2	3	4	5	6	7	8	9	10	Average
Mean	89.5	90.7	90.5	89.0	91.1	89.9	91.7	88.8	88.7	91.2	**90.1**
Standard Deviation	3.7	2.9	2.7	3.5	3.7	3.6	3.5	3.0	2.2	3.0	**3.2**
Kurtosis	(1.1)	0.7	0.3	0.5	(0.1)	4.5	0.7	1.3	1.3	(0.1)	**0.8**
Skewness	0.1	0.8	0.6	(0.6)	0.5	1.6	1.0	0.7	0.1	0.7	**0.6**
Range	15.0	17.0	15.2	19.3	18.6	24.1	16.8	18.2	17.1	14.5	**17.6**
Minimum	82.2	84.9	84.0	78.1	83.8	81.6	86.2	81.3	81.0	85.8	**82.9**
Maximum	97.2	101.9	99.2	97.4	102.4	105.7	103.0	99.5	98.1	100.3	**100.5**
Count	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	2,791.0	**2,791.0**
At 68% Confidence Level,											
DXY is expected to oscilate between	85.8	87.8	87.9	85.6	87.4	86.3	88.2	85.7	86.5	88.1	**86.9**
and	93.2	93.6	93.2	92.5	94.8	93.5	95.2	91.8	90.9	94.2	**93.3**
Probability of DXY <=	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	**85.0**
=	11.3%	2.4%	2.0%	12.3%	4.8%	8.8%	2.7%	10.7%	4.6%	2.1%	**6.2%**
Probability of DXY <=	86.0	86.0	86.0	86.0	86.0	86.0	86.0	86.0	86.0	86.0	**86.0**
=	17.3%	5.2%	4.6%	19.2%	8.2%	14.1%	5.1%	18.0%	10.9%	4.4%	**10.7%**
Probability of DXY <=	87.0	87.0	87.0	87.0	87.0	87.0	87.0	87.0	87.0	87.0	**87.0**
=	25.0%	10.1%	9.4%	28.0%	13.2%	21.3%	8.8%	27.8%	21.8%	8.5%	**17.4%**
Probability of DXY >=	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	**90.0**
=	44.6%	59.5%	58.0%	38.9%	61.8%	48.4%	68.7%	34.6%	28.0%	65.0%	**50.8%**
Probability of DXY >=	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	**91.0**
=	34.2%	45.7%	43.2%	28.5%	51.2%	37.5%	57.9%	23.4%	15.0%	52.3%	**38.9%**
Probability of DXY >=	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	**92.0**
=	25.0%	32.5%	29.4%	19.6%	40.4%	27.6%	46.4%	14.6%	6.8%	39.3%	**28.2%**

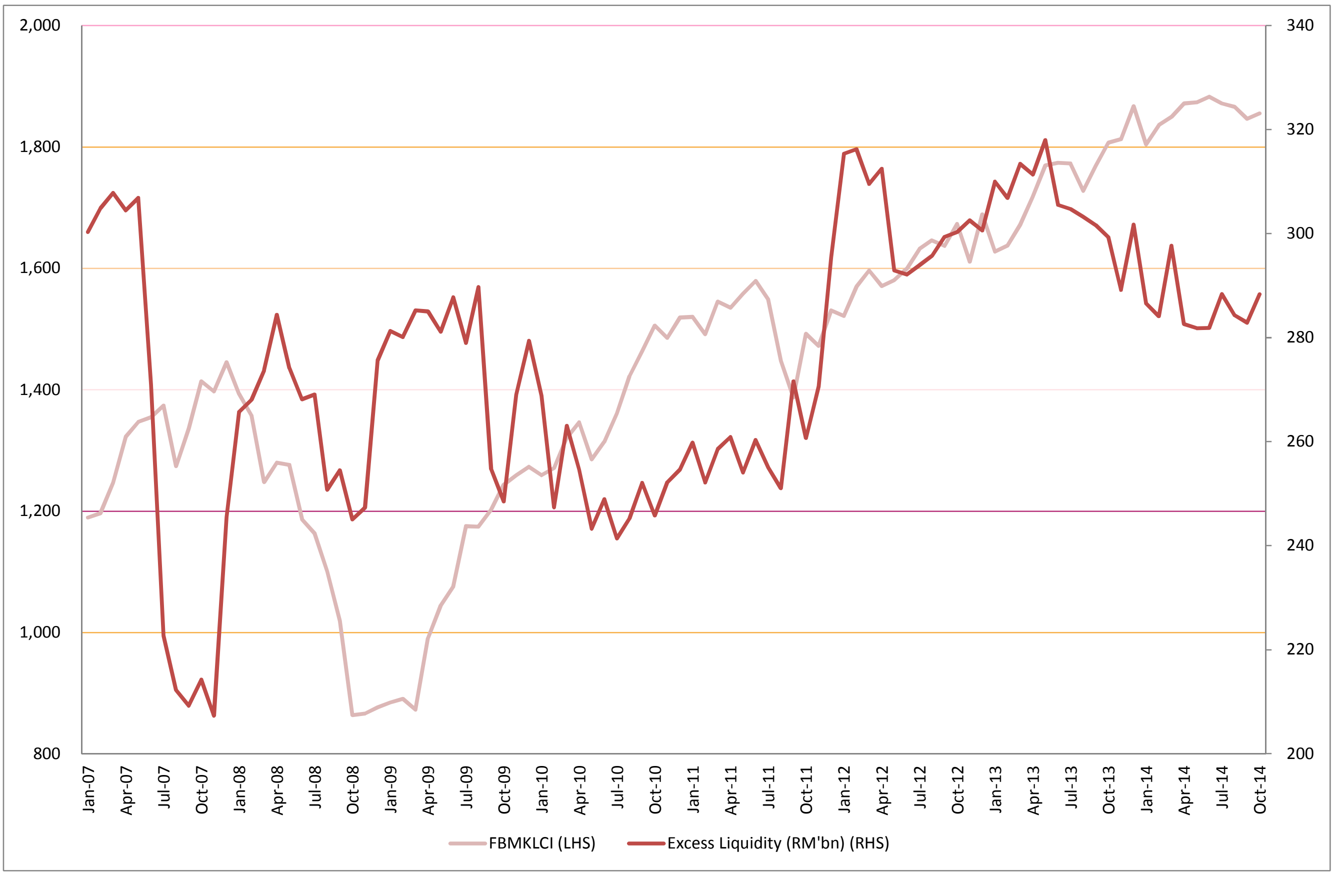
Source: Kenanga Research

Figure 7: Daily Net Foreign Buying/(Selling) Position (RM'm) – Declining Since end-May14



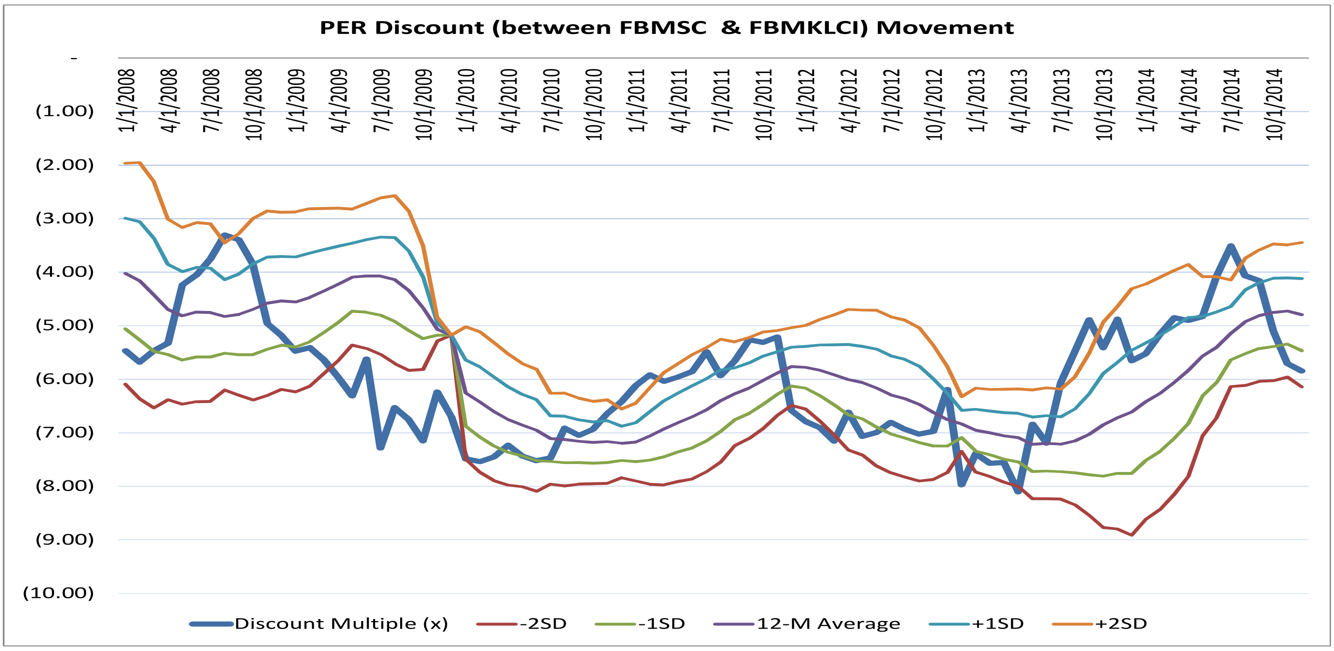
Source: The Sun Daily, Bursa Malaysia

Figure 8: Excess Liquidity of Banking System (as of end-Oct14) - Improving



Source: BNM Monthly Statistics

Figure 9: Market/Investment Sentiment is Weakening but Approaching Trough



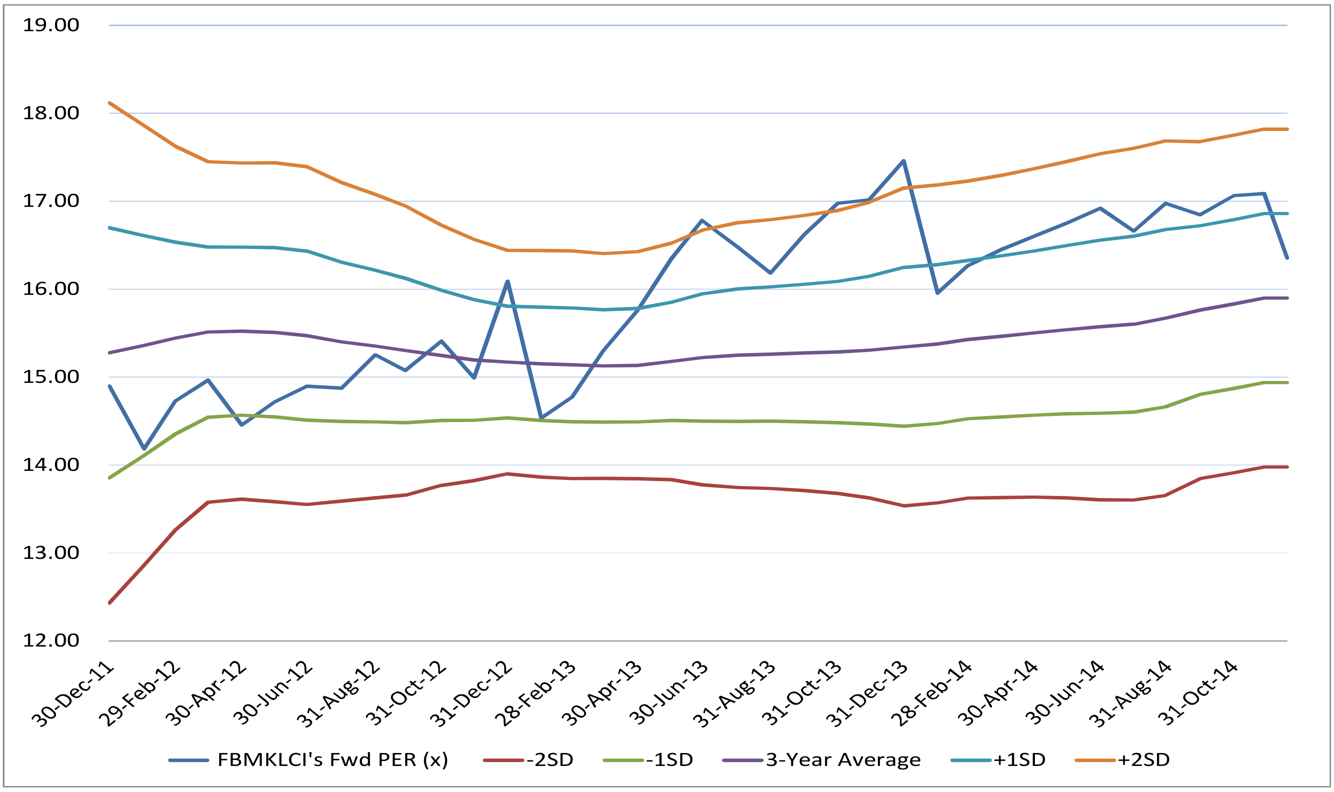
Source: Bloomberg

Figure 10: Kenanga Research's FBMKLCI (or Big Cap) Earnings Universe: Earnings Estimates & Index Target (as of end-Dec14)

Short Name	Last Px (RM)	NPG FY2014	NPG FY2015	PER FY2014	PER FY2015	DY FY2015	Target Px (RM)	% of Upside
PUBLIC BANK BERHAD	18.00	5.0%	10.6%	16.29	14.73	3.1%	18.89	4.9%
MALAYAN BANKING BHD	8.96	2.0%	12.9%	12.50	11.08	6.7%	10.13	13.1%
TENAGA NASIONAL BHD	13.88	20.7%	-18.0%	12.11	14.78	2.3%	14.65	5.5%
AXIATA GROUP BERHAD	6.99	-4.7%	16.3%	24.68	21.21	3.7%	6.88	-1.6%
CIMB GROUP HOLDINGS BHD	5.58	-13.1%	6.7%	11.91	11.16	3.8%	6.27	12.4%
SIME DARBY BERHAD	9.32	-9.4%	-7.9%	16.86	18.31	3.6%	10.10	8.4%
DIGI.COM BHD	6.21	14.9%	3.2%	24.63	23.87	4.2%	5.98	-3.7%
GENTING BHD	8.98	8.4%	10.3%	17.02	15.42	0.7%	11.53	28.4%
IOI CORP BHD	4.69	-29.4%	-1.9%	21.45	21.87	3.9%	4.95	5.5%
MAXIS BHD	6.83	13.6%	4.0%	25.56	24.58	4.4%	7.16	4.8%
PETRONAS GAS BHD	22.18	-17.8%	4.7%	25.68	24.53	2.9%	22.14	-0.2%
PETRONAS CHEMICALS GROUP BHD	5.34	-7.9%	23.0%	14.74	11.98	4.2%	6.68	25.1%
TELEKOM MALAYSIA BHD	6.85	-20.7%	17.1%	31.73	27.10	3.4%	6.92	1.0%
IHH HEALTHCARE BHD	4.71	20.0%	9.9%	50.88	46.30	0.4%	4.20	-10.8%
GENTING MALAYSIA BHD	4.02	-17.8%	12.5%	17.30	15.37	1.7%	4.30	7.0%
KUALA LUMPUR KEPONG BHD	21.70	12.4%	17.2%	22.39	19.10	3.1%	23.80	9.7%
SAPURAKENCANA PETROLEUM BHD	2.38	98.5%	32.0%	13.70	10.38	0.0%	4.24	78.2%
AMMB HOLDINGS BHD	6.45	10.0%	-5.9%	10.91	11.60	3.4%	7.80	20.9%
MISC BHD	7.32	-20.8%	17.3%	19.79	16.87	0.6%	7.49	2.3%
BRITISH AMERICAN TOBACCO BHD	66.12	12.2%	1.5%	20.43	20.14	4.9%	65.70	-0.6%
PPB GROUP BERHAD	14.22	-21.6%	23.2%	21.89	17.76	1.6%	15.60	9.7%
YTL POWER INTERNATIONAL BHD	1.52	-12.9%	17.6%	11.64	9.90	0.7%	1.70	11.8%
MMC CORP BHD	2.41	-6.1%	68.4%	34.18	20.30	0.0%	3.21	33.2%
GAS MALAYSIA BHD	3.10	11.6%	8.4%	20.80	19.19	4.0%	3.54	14.2%
HONG LEONG BANK BERHAD	14.22	13.3%	7.1%	12.17	11.36	2.9%	15.04	5.8%
UMW HOLDINGS BHD	10.72	21.5%	14.0%	15.79	13.85	4.7%	11.70	9.1%
FELDA GLOBAL VENTURES	2.19	-55.9%	64.7%	18.45	11.21	5.6%	4.00	82.6%
RHB CAPITAL BHD	7.40	16.8%	11.1%	8.90	8.02	4.1%	8.75	18.2%
PETRONAS DAGANGAN BHD	17.00	-18.1%	22.0%	25.40	20.82	3.4%	18.54	9.1%
ASTRO MALAYSIA HOLDINGS BHD	3.11	7.2%	13.0%	36.11	31.97	2.8%	2.98	-4.2%
ALLIANCE FINANCIAL GROUP BHD	4.74	4.7%	5.8%	13.02	12.31	4.9%	5.25	10.8%
BIMB HOLDINGS BHD	4.02	82.8%	11.0%	11.76	10.59	5.7%	4.55	13.2%
BURSA MALAYSIA BHD	8.06	13.1%	7.4%	21.96	20.46	4.6%	8.60	6.7%
KLCCP STAPLED GROUP	6.99	15.6%	2.8%	19.78	19.24	4.7%	6.90	-1.3%
FTSE Bursa Malaysia KLCI	**1,752.14**	**1.3%**	**4.7%**	**18.96**	**17.52**	**3.3%**	**1,927.31**	**10.0%**

Source: Kenanga Research

Figure 11: PER Valuation Has Corrected, But Not Attractive Enough



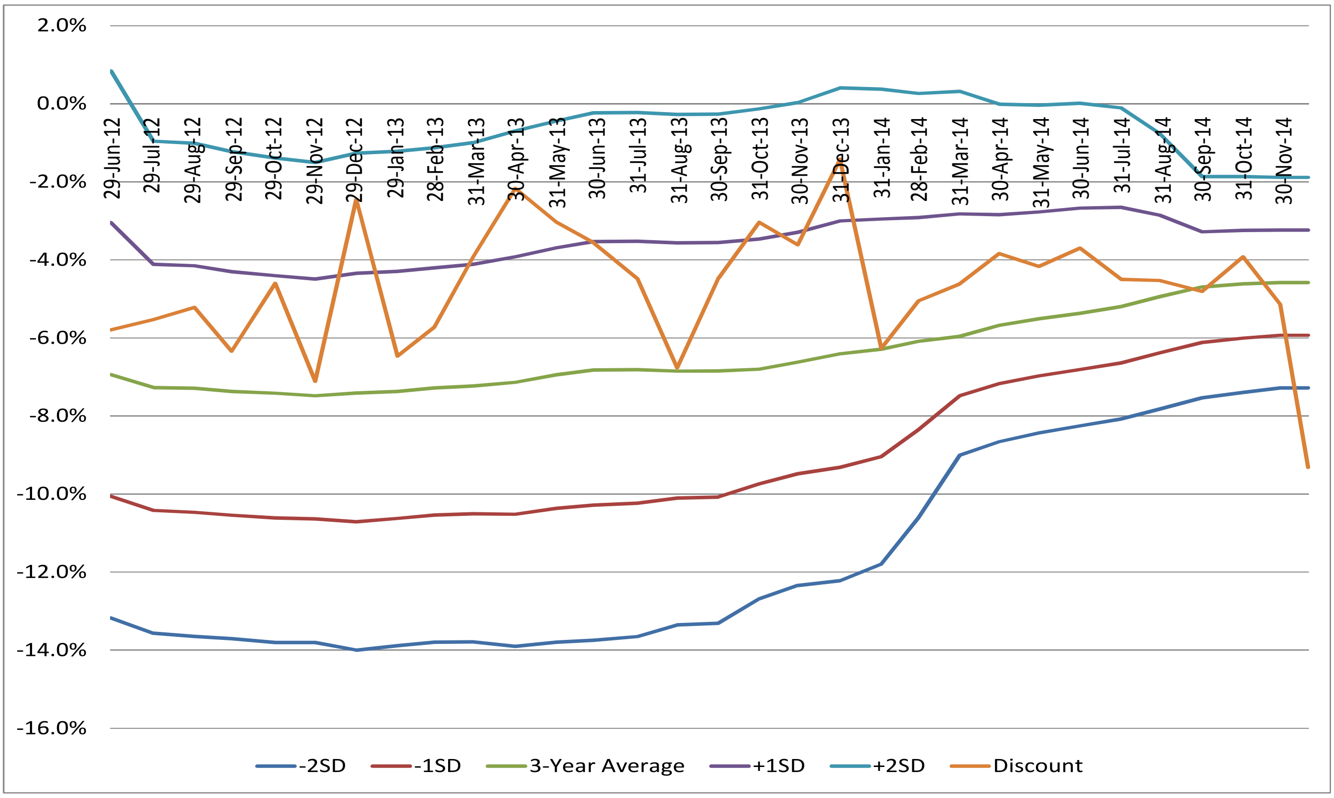
Source: Bloomberg

Figure 12: Consensus Earnings Estimates & Index Target (as of end-Dec14)

Short Name	Last Px (RM)	NPG FY2014	NPG FY2015	PER FY2014	PER FY2015	DY FY2015	Target Px (RM)	% of Upside
PUBLIC BANK BERHAD	18.00	7.4%	10.5%	15.92	14.40	3.1%	19.22	6.8%
MALAYAN BANKING BHD	8.96	-0.4%	9.8%	12.79	11.64	6.2%	10.42	16.3%
TENAGA NASIONAL BHD	13.88	20.7%	-9.6%	12.11	13.40	2.3%	15.23	9.7%
AXIATA GROUP BERHAD	6.99	-2.0%	13.3%	24.00	21.19	3.8%	7.20	3.1%
CIMB GROUP HOLDINGS BHD	5.58	-9.8%	14.4%	11.48	10.04	4.2%	6.66	19.3%
SIME DARBY BERHAD	9.32	-9.4%	-8.6%	16.86	18.45	3.6%	9.36	0.5%
DIGI.COM BHD	6.21	15.4%	5.3%	24.52	23.28	4.3%	5.60	-9.7%
GENTING BHD	8.98	-12.4%	14.1%	18.01	15.78	0.9%	10.21	13.6%
IOI CORP BHD	4.69	71.2%	-62.2%	8.84	23.39	3.0%	4.36	-7.0%
MAXIS BHD	6.83	9.2%	5.6%	26.59	25.17	4.5%	6.43	-5.9%
PETRONAS GAS BHD	22.18	-17.7%	5.7%	25.64	24.25	2.8%	22.80	2.8%
PETRONAS CHEMICALS GROUP BHD	5.34	-9.1%	13.7%	14.95	13.15	4.0%	5.73	7.4%
TELEKOM MALAYSIA BHD	6.85	-15.5%	12.1%	29.80	26.59	3.6%	6.96	1.6%
IHH HEALTHCARE BHD	4.71	21.7%	24.1%	50.14	40.41	0.5%	4.66	-1.0%
GENTING MALAYSIA BHD	4.02	-18.2%	13.8%	17.39	15.28	1.9%	4.47	11.3%
KUALA LUMPUR KEPONG BHD	21.70	8.1%	11.9%	23.30	20.83	2.8%	21.46	-1.1%
SAPURAKENCANA PETROLEUM BHD	2.38	107.2%	30.6%	13.12	10.04	0.9%	3.87	62.5%
AMMB HOLDINGS BHD	6.45	10.0%	-0.6%	10.91	10.98	4.1%	7.12	10.4%
MISC BHD	7.32	-11.6%	7.6%	17.72	16.47	1.7%	7.64	4.3%
BRITISH AMERICAN TOBACCO BHD	66.12	12.9%	4.0%	20.31	19.52	4.9%	66.10	0.0%
PPB GROUP BERHAD	14.22	-19.7%	21.7%	21.36	17.55	2.0%	14.70	3.4%
YTL CORP BHD	1.60	22.8%	-8.9%	10.66	11.71	5.8%	1.89	18.4%
HONG LEONG BANK BERHAD	14.22	13.3%	5.6%	12.17	11.53	3.1%	15.63	9.9%
UMW HOLDINGS BHD	10.72	35.0%	14.5%	14.21	12.42	4.9%	11.82	10.3%
FELDA GLOBAL VENTURES	2.19	-52.7%	32.4%	17.21	13.00	4.5%	3.35	53.0%
RHB CAPITAL BHD	7.40	10.6%	7.2%	9.40	8.77	3.2%	9.12	23.3%
PETRONAS DAGANGAN BHD	17.00	-13.5%	20.5%	24.04	19.96	3.3%	17.58	3.4%
ASTRO MALAYSIA HOLDINGS BHD	3.11	7.2%	21.8%	36.11	29.65	3.9%	3.54	13.9%
HONG LEONG FINANCIAL GROUP	16.54	14.7%	3.0%	10.20	9.91	2.7%	20.99	26.9%
KLCCP STAPLED GROUP	6.99	46.8%	4.9%	18.72	17.85	5.0%	6.90	-1.3%
FTSE Bursa Malaysia KLCI	**1,752.14**	**3.9%**	**3.2%**	**18.15**	**17.18**	**3.4%**	**1,899.22**	**8.4%**

Source: Bloomberg

Figure 13: Searching for The "Floor" Discount (FBMKLCI – Consensus)



Source: Bloomberg, Kenanga Research

Figure 14: Market Volatility Increasing

Source: Bloomberg

Figure 15: Malaysian Ringgit Depreciated Faster Against U.S. Dollar

USD-Asian Currency	Last	Appreciation / (Depreciation) vs. USD
Malaysian Ringgit	3.4970	-6.3%
Taiwanese Dollar	31.7550	-6.1%
S. Korea Won	1,102.75	-4.8%
Singapore Dollar	1.3231	-4.5%
Chinese Renminbi	6.2257	-2.8%
Indian Rupee	63.4275	-2.6%
Indonesiia Rupiah	12,483.0	-2.5%
Philippine Peso	44.6950	-0.7%
Thai Bath	32.90	-0.4%
Hong Kong Dollar	7.7579	-0.1%
Average	**N.A.**	**-3.1%**

Source: Bloomberg

Figure 16: Long-term Uptrend of FBMKLCI Broken

Source: Bloomberg

Figure 17: Technical Picture of FBM70 is Weaker than FBMKLCI

Source: Bloomberg

Figure 18: Long-term Uptrend of FBMSC Has Broken and Is Trending Down

Source: Bloomberg

Figure 19: Simulated Paths of FBMKLCI for 2015

Distribution of Simulated FBMKLCI Till End-2015	1	2	3	4	5	6	7	8	9	10	Average
Mean	1,881.1	1,827.8	1,831.2	1,827.4	1,865.3	1,846.7	1,883.8	1,865.7	1,857.4	1,872.2	**1,855.9**
Standard Deviation	113.8	87.3	95.8	99.7	96.2	81.1	74.9	73.7	75.6	113.7	**91.2**
Kurtosis	1.2	1.3	1.0	0.1	0.3	0.4	0.7	0.1	(0.2)	1.9	**0.7**
Skewness	1.2	1.2	0.8	(0.3)	0.7	(0.1)	0.7	0.1	0.1	1.3	**0.6**
Range	595.1	463.3	546.2	540.3	489.7	455.1	413.3	448.5	434.6	657.0	**504.3**
Minimum	1,667.1	1,650.9	1,631.2	1,547.3	1,679.2	1,620.3	1,715.4	1,672.4	1,658.4	1,672.4	**1,651.5**
Maximum	2,262.3	2,114.2	2,177.4	2,087.6	2,169.0	2,075.4	2,128.7	2,120.9	2,093.0	2,329.5	**2,155.8**
Count	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	2,901.0	**2,901.0**
At 68% Confidence Level,											
FBMKLCI is expected to oscilate between	1,767.4	1,740.4	1,735.4	1,727.7	1,769.1	1,765.6	1,808.9	1,792.0	1,781.8	1,758.6	**1,764.7**
and	1,994.9	1,915.1	1,927.0	1,927.2	1,961.5	1,927.8	1,958.8	1,939.3	1,933.0	1,985.9	**1,947.0**
Probability of KLCI <=	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	1,765.0	**1,765.0**
=	15.4%	23.6%	24.5%	26.6%	14.9%	15.7%	5.6%	8.6%	11.1%	17.3%	**16.3%**
Probability of KLCI <=	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	1,795.0	**1,795.0**
=	22.5%	35.4%	35.3%	37.3%	23.2%	26.2%	11.8%	16.9%	20.4%	24.8%	**25.4%**
Probability of KLCI <=	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	1,825.0	**1,825.0**
=	31.1%	48.7%	47.4%	49.0%	33.8%	39.5%	21.6%	29.0%	33.4%	33.9%	**36.7%**
Probability of KLCI >=	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	1,852.5	**1,852.5**
=	59.9%	38.9%	41.2%	40.1%	55.3%	47.1%	66.2%	57.1%	52.6%	56.9%	**51.5%**
Probability of KLCI >=	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	1,880.0	**1,880.0**
=	50.4%	27.5%	30.5%	29.9%	43.9%	34.1%	52.0%	42.3%	38.3%	47.3%	**39.6%**
Probability of KLCI >=	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	1,940.0	**1,940.0**
=	30.2%	9.9%	12.8%	13.0%	21.9%	12.5%	22.7%	15.6%	13.7%	27.5%	**18.0%**

Source: Kenanga Research

Figure 20: Simulated Paths of CO1 for 2015

Distribution of Simulated CO1 Till End-2015	1	2	3	4	5	6	7	8	9	10	Average
Mean	63.9	68.8	74.2	71.5	71.2	67.6	72.2	66.8	74.5	64.8	**69.6**
Standard Deviation	9.2	6.3	9.2	10.1	10.8	10.9	7.2	7.8	12.0	7.8	**9.2**
Kurtosis	(0.5)	(0.3)	3.8	(0.3)	3.1	1.0	(0.4)	0.7	0.2	(0.5)	**0.7**
Skewness	0.0	0.0	1.2	0.1	1.2	0.9	0.1	(0.6)	0.8	(0.6)	**0.3**
Range	44.5	34.5	64.2	47.8	69.6	58.2	37.1	43.4	63.8	39.6	**50.3**
Minimum	44.6	50.3	50.8	48.7	48.9	48.1	53.8	41.3	50.3	44.9	**48.2**
Maximum	89.1	84.8	115.0	96.5	118.5	106.3	90.8	84.7	114.1	84.5	**98.4**
Count	2,790	2,790	2,790	2,790	2,790	2,790	2,790	2,790	2,790	2,790	**2,790**
At 68% Confidence Level,											
CO1 is expected to oscilate between	54.7	62.5	65.0	61.4	60.4	56.7	65.0	59.0	62.5	56.9	**60.4**
and	73.1	75.1	83.4	81.7	82.0	78.5	79.4	74.7	86.5	72.6	**78.7**
Probability of CO1 <=	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	**40.0**
=	0.5%	0.0%	0.0%	0.1%	0.2%	0.6%	0.0%	0.0%	0.2%	0.1%	**0.2%**
Probability of CO1 <=	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	**50.0**
=	6.5%	0.1%	0.4%	1.7%	2.5%	5.3%	0.1%	1.6%	2.1%	3.0%	**2.3%**
Probability of CO1 <=	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	**60.0**
=	33.5%	8.3%	6.1%	12.7%	15.1%	24.2%	4.6%	19.2%	11.4%	27.2%	**16.2%**
Probability of CO1 >=	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	**80.0**
=	4.1%	3.8%	26.5%	20.1%	20.9%	12.8%	14.0%	4.6%	32.3%	2.6%	**14.2%**
Probability of CO1 >=	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	**85.0**
=	1.1%	0.5%	12.1%	9.2%	10.2%	5.6%	3.8%	1.0%	19.1%	0.5%	**6.3%**
Probability of CO1 >=	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	**90.0**
=	0.2%	0.0%	4.3%	3.4%	4.1%	2.0%	0.7%	0.2%	9.8%	0.1%	**2.5%**

Source: Kenanga Research

Figure 21: Have Oil Prices Fully Priced All Negative News Flows?

Source: Bloomberg

Figure 22: O&G Sector Downgrades – Still A Long Way To Go?

Estimates Revision	Range 1				Range 2				Range 3				Range 4			
Field:	BEST_NET_INCOME				BEST_NET_INCOME				BEST_NET_INCOME				BEST_TARGET_PRICE			
Period:	1FY				2FY				3FY				1FY			
Data Source:	BST				BST				BST				BST			
Condolidated or Parent:	C				C				C				C			
Currency:	MYR				MYR				MYR				MYR			
Start Date:	19-Jun-14				19-Jun-14				19-Jun-14				19-Jun-14			
End Date:	16-Dec-14				16-Dec-14				16-Dec-14				16-Dec-14			
	From 06/19/2014 to 12/16/2014				From 06/19/2014 to 12/16/2014				From 06/19/2014 to 12/16/2014				From 06/19/2014 to 12/16/2014			
Name	Start	End	Net Chg	% Chg	Start	End	Net Chg	% Chg	Start	End	Net Chg	% Chg	Start	End	Net Chg	% Chg
Perisai Petroleum Teknologi Bh	72.29	14.40	-57.89	-80.1%	156.00	106.23	-49.77	-31.9%	204.60	170.00	-34.60	-16.9%	1.97	1.11	-0.86	-43.5%
Bumi Armada Bhd	528.53	407.58	-120.95	-22.9%	618.71	521.47	-97.23	-15.7%	730.11	689.94	-40.17	-5.5%	2.67	1.78	-0.90	-33.5%
Alam Maritim Resources Bhd	96.42	79.17	-17.25	-17.9%	115.92	89.20	-26.72	-23.0%	141.00	100.46	-40.54	-28.8%	1.88	0.97	-0.91	-48.3%
TH Heavy Engineering Bhd	48.00	13.30	-34.70	-72.3%	102.00	55.90	-46.10	-45.2%	121.00	47.05	-73.95	-61.1%	1.25	0.54	-0.71	-56.8%
Petronas Dagangan Bhd	867.20	681.83	-185.37	-21.4%	1,029.00	810.50	-218.50	-21.2%	1,037.00	862.50	-174.50	-16.8%	21.16	17.58	-3.58	-16.9%
Malaysia Marine and Heavy Engi	231.29	160.93	-70.35	-30.4%	302.43	187.20	-115.23	-38.1%	302.44	181.83	-120.61	-39.9%	3.90	1.71	-2.19	-56.2%
SapuraKencana Petroleum Bhd	1,460.47	1,405.90	-54.57	-3.7%	1,695.12	1,519.05	-176.07	-10.4%	1,854.57	1,709.00	-145.57	-7.8%	5.54	3.96	-1.59	-28.6%
UMW Oil & Gas Corp Bhd	274.40	256.75	-17.65	-6.4%	421.70	399.33	-22.37	-5.3%	479.78	449.91	-29.87	-6.2%	4.15	3.05	-1.10	-26.4%
Dayang Enterprise Holdings Bhd	210.14	193.56	-16.59	-7.9%	239.14	228.33	-10.81	-4.5%	239.00	251.50	12.50	5.2%	4.32	3.48	-0.84	-19.5%
Barakah Offshore Petroleum Bhd	70.00	81.40	11.40	16.3%	116.33	113.75	-2.58	-2.2%	127.00	118.67	-8.33	-6.6%	1.85	1.28	-0.57	-31.0%
Perdana Petroleum Bhd	96.86	95.69	-1.18	-1.2%	114.13	106.79	-7.34	-6.4%	114.00	123.80	9.80	8.6%	2.30	1.97	-0.33	-14.3%
Uzma Bhd	45.48	41.94	-3.54	-7.8%	55.68	60.07	4.39	7.9%	59.25	71.46	12.21	20.6%	4.04	2.98	-1.06	-26.3%
Dialog Group BHD	293.75	257.64	-36.11	-12.3%	353.46	316.14	-37.31	-10.6%	#N/A N/A	376.08			1.81	1.69	-0.11	-6.3%
Scomi Energy Services Bhd	131.33	100.63	-30.71	-23.4%	185.33	157.25	-28.08	-15.2%	329.00	230.00	-99.00	-30.1%	1.15	0.60	-0.55	-48.0%
Petronas Chemicals Group Bhd	3,578.37	2,838.57	-739.80	-20.7%	3,826.68	3,178.52	-648.16	-16.9%	4,091.50	3,440.45	-651.05	-15.9%	6.84	5.81	-1.03	-15.0%
Coastal Contracts Bhd	197.50	197.75	0.25	0.1%	231.00	221.75	-9.25	-4.0%	275.00	267.33	-7.67	-2.8%	5.94	4.42	-1.51	-25.5%
Pantech Group Holdings Bhd	62.00	59.82	-2.18	-3.5%	69.85	71.36	1.51	2.2%	79.50	87.85	8.35	10.5%	1.21	1.16	-0.05	-3.8%
Gas Malaysia Bhd	191.00	189.67	-1.33	-0.7%	208.83	204.17	-4.67	-2.2%	220.40	217.40	-3.00	-1.4%	3.65	3.70	0.05	1.3%
Petronas Gas Bhd	1,710.11	1,711.70	1.59	0.1%	1,795.89	1,809.70	13.81	0.8%	1,880.17	1,882.40	2.23	0.1%	22.83	22.80	-0.03	-0.1%
Wah Seong Corp Bhd	102.01	114.44	12.43	12.2%	116.25	120.17	3.92	3.4%	129.00	127.33	-1.67	-1.3%	2.13	1.89	-0.23	-10.9%
Petra Energy Bhd	34.97	33.20	-1.77	-5.1%	52.87	54.33	1.46	2.8%	60.90	56.97	-3.93	-6.5%	2.39	1.99	-0.40	-16.9%
Deleum Bhd	55.00	57.00	2.00	3.6%	61.00	68.00	7.00	11.5%	67.00	80.00	13.00	19.4%	2.44	2.15	-0.29	-11.8%
KNM Group Bhd	67.90	64.63	-3.27	-4.8%	120.00	116.67	-3.33	-2.8%	130.00	170.00	40.00	30.8%	1.00	1.06	0.06	6.0%
Yinson Holdings BHD	120.80	119.20	-1.60	-1.3%	142.20	137.00	-5.20	-3.7%	147.50	136.33	-11.17	-7.6%	2.85	2.70	-0.15	-5.2%
MISC Bhd	1,715.08	1,851.08	135.99	7.9%	1,972.31	1,990.85	18.54	0.9%	2,057.56	2,094.00	36.44	1.8%	7.14	7.64	0.50	7.0%
AVERAGE				**-12.1%**				**-9.2%**				**-6.6%**				**-21.2%**

Source: Bloomberg

Figure 23: Laggard Plays (Stocks that Have YTD underperformed FBMKLCI with OP-rating)

NAME	Last Price (RM	YTD % Ch	Target Price (RM	Up/(Down)-sid
SAPURAKENCANA PETROLEUM BHD	2.35	-51.9%	3.03	28.9%
BARAKAH OFFSHORE PETROLEUM BHD	0.84	-45.1%	1.62	92.9%
SUPERMAX CORP BHD	1.65	-40.4%	3.06	85.5%
DRB-HICOM BHD	1.69	-40.1%	2.30	36.1%
MALAYSIAN BULK CARRIERS BHD	1.14	-35.6%	2.50	119.3%
UZMA BHD	1.83	-34.1%	2.02	10.4%
BENALEC HOLDINGS BHD	0.59	-30.6%	1.25	111.9%
PERDANA PETROLEUM BHD	1.12	-29.6%	1.61	43.8%
CIMB GROUP HOLDINGS BHD	5.58	-26.8%	6.83	22.4%
CRESCENDO CORPORATION BHD	2.43	-24.1%	2.95	21.4%
PANTECH GROUP HOLDINGS BHD	0.75	-23.6%	1.23	65.1%
PETRONAS CHEMICALS GROUP BHD	5.35	-22.7%	6.68	24.9%
PUNCAK NIAGA HOLDINGS BHD	2.52	-22.5%	3.99	58.3%
CREST BUILDER HOLDINGS BHD	1.22	-21.8%	1.52	24.6%
MALAYSIA STEEL WORKS KL BHD	0.80	-21.6%	1.20	50.0%
AEON CREDIT SERVICE M BHD	11.58	-21.3%	12.45	7.5%
NAIM HOLDINGS BERHAD	2.96	-18.9%	4.18	41.2%
PADINI HOLDINGS BHD	1.51	-16.6%	1.78	17.9%
COASTAL CONTRACTS BHD	2.88	-16.0%	4.67	62.2%
MMC CORP BHD	2.42	-16.0%	3.21	32.6%
MUHIBBAH ENGINEERING (M) BHD	1.93	-15.4%	3.63	88.1%
MAGNUM BERHAD	2.70	-14.6%	3.31	22.6%
DIALOG GROUP BHD	1.54	-13.3%	1.67	8.4%
SURIA CAPITAL HOLDINGS	2.30	-13.2%	3.41	48.3%
GENTING BHD	8.91	-13.2%	11.53	29.4%
BIMB HOLDINGS BHD	3.99	-12.1%	4.86	21.8%
BERJAYA SPORTS TOTO BHD	3.49	-11.8%	4.25	21.8%
THONG GUAN INDUSTRIES BHD	1.89	-10.4%	3.70	95.8%
MALAYAN BANKING BHD	8.96	-9.9%	11.20	25.0%
HOCK SENG LEE BHD	1.74	-7.0%	2.20	26.4%
BINTULU PORT HOLDINGS BHD	7.00	-6.7%	8.08	15.4%

Source: Kenanga Research

Figure 24: 1Q15 Top Picks

Top Picks	Comments
BJAUTO (OP; TP: RM4.29)	Backed by its: (i) superior growth prospect from low base (+24-46% bottom-line growth in FY15-FY16) on the back of strong pipeline of exciting models, (ii) margin expansion on the back of favourable exchange rate (with huge exposure in Yen) as well as lower import duties, and (iii) targeted dividend payout policy (DPR) of up to 40% or which could translate into a c.4% dividend yield. Our TP of RM4.29 is based on a targeted 13x FY16 PER; a valuation which is broadly in line with peers.
CIMB (OP; TP: RM6.27)	For the past 6 months, CIMB has seen its share price decline by more than 20% compared to its local peers (-10%). We opine that the steep sell-down on the stock was an exaggerated act. To note, CIMB's foreign shareholding of 33.9% as at end-Oct14 is already near its low (31.6% as at end-Mar09). Back then, it was traded at 1.2x P/B and now it is being valued at similar multiple in the market. Coincidentally, if we run a regression analysis on P/B vs. ROE for the sector, CIMB should trade at 1.2x P/B as well. Hence, we reckon that CIMB's share price may have found a bottom and value has started to emerge amid uncertainties surrounding the company. Our GGM-TP of RM6.83 is based on 1.46x FY15 P/B (COE: 8.9%, FY15 ROE: 11.7%, TG: 3%). This is conservatively priced at -2SD.
GAMUDA (OP; TP: RM5.29)	Maintain Gamuda as our top pick for 2015 as we believe Gamuda will be the biggest beneficiary of MRT2 developing news flows. In fact, Gamuda-MMC JV has already been appointed as PDP for MRT2. The MRT projects will continue to provide earnings visibility for the group over short-to-long-term. We also expect Gamuda to dispose its 40%-owned SPLASH (worth c.RM1.0b) to Selangor State Government as the group is currently in negotiation to resolve the water asset's valuation. The proceeds of disposal may be channelled to special dividend of 32 sen/share or funding new project namely Penang ITMP. Valuation-wise, Gamuda is trading at fwd-PER of 15.5x FY16E, cheaper than its 5-year mean of 17x. Risks to our call (which we think is remote now) includes: (i) delay in construction progress, (ii) delay in MRT2 progress, (iii) lower-than-expected pricing for SPLASH disposal, (iv) lower-than-expected margins for both construction and property margins, and (v) lower-than-expected property sales.
HARTA (OP; TP: RM7.36)	We like Hartalega for its: (i) highly automated production processes model, (ii) solid improvement in its production capacity and reduction in costs leading to better margins, which are head and shoulders above its peers, (iii) innovation in producing superior quality nitrile gloves, and (iv) positioning in a booming nitrile segment with a dominant market position. Key catalyst is the commercial production of NGC with the first two lines already commission should contribute to subsequent quarterly earnings growth.
MBSB (AO; TP: RM2.82)	After months of closed-door deliberations, the parties to the proposed CIMB-RHBCAP-MBSB merger have submitted a proposal to Bank Negara Malaysia which involved, inter alia, the proposed acquisition of MBSB at a fair value of RM2.82. The offer price values MBSB at an attractive FY15 PB ratio of 1.56x, a 6.8% premium to our previous valuation of 1.46x FY15 PB ratio. This leads us to believe that the proposed acquisition will likely go through. Hence, we recommend existing investors to ACCEPT OFFER.
MMCCORP (OP; TP: RM3.21)	**We are bullish on MMC's near-medium-term outlook** on the followings: (i) the group announced the Malakoff's pre-IPO process recently which indicates that the IPO will happen in 2Q15. Post-Malakoff IPO, MMC's net gearing will substantially be reduced and earnings will improve as a result of interest savings, (ii) there could be more upside for our TP for MMC as we only valued Malakoff at RM6.9b, implying 12.3x FY15 PER. If we were

	to value Malakoff based on 15x (in line with our in-house TNB's ascribed FY15 PER of 15x), our valuation for Malakoff would be revised upwards to RM8.4b, resulting in upwards revision in our MMC's TP to RM3.42 from currently RM3.21, (iii) MMC could be a laggard play, especially after they have been appointed as PDP for MRT2. It would be timely for investors to appreciate MMC if it is to list Malakoff in 2Q15 as we expect MRT2 to start its tendering process by 2H15. MMC is our top pick for 2015 and we rate the stock OUTPERFORM with TP of RM3.21.
MPI (OP; TP: RM6.80)	We like MPI for its: (i) technical edges and product exposures that augur well for the current tech upcycle as well as the upcoming tech wave, (ii) strategic product mix which gives a balanced exposure of cyclical segments and defensive segments, (iii) ability to react timely ahead of the tech upcycle curve as well as (iv) streamlined affirmative action strategy for profitable growth. Valuation-wise, MPI is trading at 9.7x FY16 PER (where peers are broadly trading at 14.1x forward PER) which we deem to be still undemanding given its resilient earnings outlook as well as its attractive potential net dividend yield of c.4.6% in FY16. Our TP of RM6.80 is based on a targeted forward PER of 14.7x (with a rolled-over valuation base year of FY16), a valuation which is broadly in line with the OSAT players in Malaysia.
PHARMA (OP; TP: RM5.03)	We like Pharmaniaga for: (i) its defensive earnings being a prime beneficiary being the sole concession holder to purchase, store, supplies and distribute approved drugs and medical products to Government hospitals and clinics nationwide, (ii) its growth exposure in the healthcare and pharmaceuticals industry supported by an ageing population, and (iii) decent dividend yield of >5%.
QL (OP; TP: RM3.86)	Steady and sustainable earnings growth, driven by the robust demand of the surimi-based product and the higher margin in poultry business with low feed costs and favorable egg prices. Defensive and resilient in the consumer space against the soft consumer sentiments.
SKPETRO (OP;TP: RM3.03)	We currently favour the stock because of its improved risk-to-rewards dynamics. Its service range straddles the entire value chain making it a proxy to the domestic oil and gas scene. It is also non-dependent on the domestic contract flows being exposed to emerging hotspots. We deem it a laggard play given it currently trades at a CY15 PER of 10.9x (close to the valuations for small-mid cap stocks at 9x; and at a discount to other larger cap peers like UMW O&G that is currently trading at 13x and YINSON at 19.7x). The company has been besieged by "syariah-compliant" issues; which should dissipate once it returns to the list in May-15.
SIME (OP; TP: RM9.92)	SIME valuation should rerate higher due to potential spin-off exercise within its business divisions. As it is, it has been reported by the media quoting Tan Sri Mohd Bakke Salleh (SIME's CEO) specifying that the listing of its motor unit is set to be executed by July-2015 subject to market conditions.
SPSETIA (OP; TP: RM3.95)	While we know that the company is likely to see YoY declines in sales post its high sales base effect and a more challenging local landscape, its earnings resiliency is much better than other developers, thanks to their overseas drivers, which will start bullet delivery in earnings between FY15-FY18, which should keep earnings growth in relatively better position than its peers. Cash calls are also unlikely at this juncture given its strong shareholders backing. The company has started to open its doors to investors while they expect PNB to make up the majority of the Board of Directors by May 2015. After more than a 3-year lull in SPSETIA's share price albeit the sterling performance from local and overseas sales, we reckon that resolution of SETIA's permanent management team and direction will be a re-rating on its own. We upgrade our CALL and TP to OUTPERFORM and RM3.95 (from MP; TP: RM3.30). We raised the TP due to updating of FD RNAV. Furthermore, we are pegging our TP to the takeover offer price back in Jan-2012 on the back of potential M&As with PNB property units.

SUNREIT (OP; TP: RM1.68)	SUNREIT as our top pick for 1Q15 as: (i) we believe SUNREIT will see strong earnings growth in FY16E (+15.9%) from value accretion mainly from Sunway Putra Place (SPP) which is expected to come online in 1QCY15, and (ii) slight accretion (+0.8%) to earnings from SUNREITs recent acquisitions of Wisma Sunway and Sunway Georgetown hotel. As a result, we have rolled forward SUNREIT's valuation to FY16 (from FY15F/16F) to better encapsulate the earnings from SPP and the 2 new acquisitions. Valuation-wise, SUNREIT is commanding decent yields of 6.8% (net: 6.1%) vs. other sizeable MREITs of 5.2%-6.6% (net: 4.8%-6.0%). We also like to note that our valuation is conservative as we have assumed a +2.3ppt spread vs. other heavy retail MREITs of +1.2ppt to +2.1ppt.
TENAGA (OP; TP: RM14.65)	Despite having defensive earnings profile and high index-weighting, valuation remains compelling at 14x. It should at least trade at par with index if not better. Declining fuel costs on generation mix with lesser consumption on expensive gas/LNG and falling coal price augur well for earnings.

Source: Kenanga Research

Figure 25: Overweight Sectors

Sectors	Brief Comments	Calls/Ratings
Building Materials	• **3QCY14 results mixed.** ANNJOO exceeded expectations; PMETAL within; MASTEEL & LAFMSIA below expectations. • **Infrastructure growth to augment existing demand.** 9.6% construction sector GDP growth in 3Q14 bodes well for FY15 demand growth, driven by major infrastructure projects & resilient residential demand. • **Near-term catalyst from pre-GST stocking up.** We expect a one-off boost in sales volume as stockists and manufacturers may start loading up on durable goods in the 3-6 months prior to GST implementation. • **Steel sector likely to see price improvement from trade actions** against Chinese steel dumping by 1Q15. Possible actions include anti-dumping duties, import licensing and export restrictions on scrap. • **Bright aluminum price outlook to USD2100/MT (+11%) in FY15E** due to growing use in auto sector and supply deficits as global consumption outstrips existing production. • **Maintain OVERWEIGHT with positive outlook on Steel and Aluminium.** Upside remains due to buoyant demand and price growth from aluminium deficits and potential trade remedies on steel imports. Neutral on cement due to rising competition as local capacity growth comes into play. • **Preferred pick: PMETAL** due to i) positive aluminium price outlook, ii) globally competitive margins at 10% vs. global average at 5.7% iii) 320k MT/yr (+73%) capacity growth to be completed in stages by 2018.	**OP:** ANNJOO (TP: RM1.47); MASTEEL (TP: RM1.20); PMETAL (TP: RM4.99) **MP:** LAFMSIA (TP: RM10.00)
Construction	• **The KL Construction Index (-4.6% YTD) has continued outperforming the FBMKLCI (-10.3% YTD).** • **Major news/events in 4Q14 vs expectations.** Some were within our expectations such as appointment of PDP for MRT2, big-ticket building jobs award from private GLCs i.e. IKANO building in Jalan Cochrane. Those that missed expectations include TRX works, RAPID sub-contract works, Phase 2 of Kuching Wastewater Treatment Plant. Nonetheless, we expect these projects and contract flows to happen in 1Q15. • **What to expect in 2015? (**i) Continuity of MRT2 news flows and LRT3 news flows (appointment of PDP), (ii) Contract flows from Sarawak namely road and water infrastructure works in Kuching (Phase 2 of Kuching Wastewater treatment plant (RM700m)), Pan Borneo highways (RM27b), SCORE (Samalaju, Tanjung Manis, Mukah) infra-related works, (iii) Contract flows from GLCs i.e. PNB namely KL118 Menara Warisan (RM2.0b), tendering process of SUKE highway (RM2.0b) and DASH	**OP:** BENALEC (TP: RM0.83) GAMUDA (TP: RM5.29) IJM (TP: RM7.66) MUHIBBAH (TP: RM3.63) NAIM (TP: RM3.62) **MP:** WCT (TP: RM2.02) **UP:** KIMLUN (TP:

	Highway (RM2.5b), (iv) TRX basic infra works, and (v) sub-contract works in RAPID and Pengerang. • **Cautious on earnings risk.** 3Q14 results saw most contractors (5 out of 9 companies we cover) registering numbers below expectations namely: Eversendai, Kimlun, IJM, WCT and HSL. We noticed that they were hit by low margins aggravated by: (i) their poor property division's performance, (ii) higher input costs namely material and labor costs. Despite robust prospects in construction industry next year, this situation may still persist. • **Reiterate OVERWEIGHT with cautious tone.** All in, we opt to be "cautiously optimistic" on the sector in 2015. **We advocate investors to be selective, i.e. pick contractors that: (i) has strong orderbook, (ii) minimal earnings risk i.e. high probability of meeting new orderbook replenishment expectations and sustainable margins, (iii) will benefit from the news/contract flows in 2015, and (v) have compelling valuations**. • Hence, we **maintain our top pick of GAMUDA for 2015 outlook.** For small-cap pick, we found that **HSL and MUHIBAH fit the above-mentioned criteria.** Valuation-wise, the sector is currently trading right at the mean level, i.e. Fwd. PER of 13.6x, which we believe is still cheap as compared to that of 2009-2010 valuation levels of 15-17x.	RM1.28) SENDAI (TP: RM0.60)
Gaming	• **Casino: not a smooth sailing.** GENM's bid for new casino in New York State is not successful while the snap election in mid-Dec 2014 is likely to delay the progress of casino legalisation in Japan. • **NFO: limited growth but it is about valuation.** Earnings prospects remain less-exciting given the expected 2%-3% topline growth. However, valuations look fairly attractive as valuations are traded near multiple-year lows of 12x-13x PER with 6%-7% yields. • **GST the wildcard?** GST is vulnerable to earnings if the players are unable to pass on to punter. We believe the likely case is one of the existing taxes will replace by GST since the operators are charged with multiple taxes currently. • **Overall sector still OVERWEIGHT.** Casino operators are still our PREFERRED choice over NFO plays for the former's expansion story. GENTING remains as our TOP PICK. For NFO, we prefer BJTOTO over MAGNUM for its less volatile quarterly earnings.	**OP:** GENTING (TP: RM11.53) BJTOTO (TP: RM4.25) MAGNUM (TP: RM3.31) **MP:** GENM (TP: RM4.30
Plastics & Packaging	• Industry players are set to benefit from plunging oil prices and this trend is likely to continue into 2015. In fact, raw materials resin prices, like LLDPE, LPDE & HDPE posted both QoQ and YoY decline in the latest 3QCY14 results. • While it might not have an immediate impact, M&A activities is a step in the right direction for local players to garner greater global plastic market share in the longer-run. • Still reiterate OVERWEIGHT call on the Plastics and Packaging sector for 1Q15 underpinned by: (i) better profit margin on lower raw material prices, and (ii) sustained demand for plastic products due to its positive correlation to F&B and FMCG sectors, which are relatively resilient to economic downturns.	**OP:** TGUAN (RM3.28) **UP:** SCIENTX (RM5.49)
Rubber Gloves	• The sector is expected to re-rate, underpinned by new in-coming production capacity, gradually starting in 4QCY2014 and the weaker Ringgit vs USD. Our investment case is based on: (i) earnings growth seen resuming in subsequent quarters, underpinned by new capacity expansion fueled by sustained demand for rubber gloves, led by nitrile gloves, (ii) our analysis that the new capacity expansion is slower-than-expected, which should help maintain the supply-demand equilibrium in the short to medium term, and (iii) the deterioration of Ringgit vs the US Dollar. • **Our TOP PICK is HARTALEGA**. We like Hartalega for its: (i) highly automated production processes model, (ii) solid improvement in its production capacity and reduction in costs leading to better margins compared to its peers, (iii) innovation in superior quality nitrile gloves production process, and (iv) positioning in a booming nitrile segment with a dominant market position.	**OP:** HARTALEGA (TP: RM7.36) KOSSAN (TP: RM5.23) SUPERMX (TP: RM3.06) **MP:** TOPGLOV (TP: RM4.92)

Sector	Comments	Picks
	• **We like Kossan for the following factors:** (i) its superior net profit growth of 38% and 13% in FY15E and FY16E, compared to peers average of 10-12%, respectively, (ii) the unprecedented earnings growth over the next two years underpinned by rapid capacity expansion, and (iii) the fact that Kossan is not just a rubber glove play but also a bet on its TRP division, which has grown steadily over the past few quarters.	
Technology	• We upgraded the sector to **OVERWEIGHT** as we believe it will stay resilient (i) with the global semiconductor sales continue to show healthy momentum, (ii) as it is least affected by GST given the export-oriented earnings profile of the semiconductor companies under our coverage (thus are to be zero-rated), and (iii) as the net beneficiaries of stronger USD vs MYR. • Our preference picks are still companies with high exposure in the high growth area such as Smartphone/Tablets (S/T) segment and Automotive segment. While both MPI (OP, TP: RM6.80) and Unisem (MP, TP: RM2.00) have relatively high exposure to these segments (c.55% and c.46% respectively), our Top Pick remained with MPI due to its undemanding valuation, which is currently trading at 9.7x FY16 PER, a 27% discount to its peers. We deem the valuation is unjustified given its resilient earnings prospect as well as its potential net dividend yield of c.4.6% in FY16. Qualitative-wise, we also like the management's ability to react timely ahead of the curve as well as streamlining affirmative action strategy for profitable growth. • Meanwhile for our retail research, we also like VS (TB, TP: RM3.56) with investment merit backed by its (i) resilient earnings outlook which will be mainly driven by its new coffee brewing machine production ramp-up (+55%), also being the fat margin products driving up the group's profitability and (ii) decent net dividend yield of 5.9% in FY15 on the back of min.40% dividend payout ratio.	**OP/TB:** MPI (TP: RM6.80) VS (TP: RM3.56) UNISEM (TP: RM2.00) **MP:** NOTION (TP: RM0.46)
Utility – Power	• Upcoming Tariff Review in June 2015 is a tough call given the planned GST implementation in April 2015. Any tariff hike could be lower than the previous one due to the PPA savings from GEN1 renegotiation and weakening of fuel prices. • Every USD1/mt drop in coal price, TENAGA's earnings would increase 1.2% while for every RM1/mmbtu reduction in LNG price, earnings would rise by 1.5%. • The much-anticipated listing of 1MDB and Malakoff are scheduled for mid-2015. IPO pricing is crucial and heavily dependent on general market underlying performance. • Still **OVERWEIGHT the Power Utility** with **TENAGA as TOP PICK** for its still-compelling valuation while **PESTECH is an alternative small cap play.**	**OP:** TENAGA (TP: RM14.65) PESTECH (TP: RM4.36) YTLPOWR (TP: RM1.70) **MP:** MMCCORP (TP: RM3.21)
Utility – Water	• **Major news/events in 4Q14 vs expectations.** Earnings-wise, there were no surprises as Puncak's 3Q14 earnings came in within expectations. Furthermore, as expected, Puncak finally signed the SPA with SSG (via PASB) to take over the former's water assets, i.e. PNSB and 70%-owned SYABAS in November. This effectively ended the 6-year deadlock between Puncak and SSG. • **As for SPLASH (the only concessionaire that has not signed SPA with SSG),** we understand SSG is currently in active negotiation with the concessionaire to resolve the pricing issues. We expect a final conclusion in the next 3-6 months. • **Maintain OVERWEIGHT and expect special dividends in the next 3-6 months.** All in, we maintain our Overweight rating on the water sector. We reiterate our view that these M&A activities may lead to special dividends for shareholders (of Puncak and Gamuda) in the near-medium-term. In fact, as for Puncak, the company has already agreed to distribute RM1.00/share to the shareholders as special dividends. This implies a huge 30% yield! As for SPLASH, Gamuda has indicated that almost all proceeds (32 sen/ share) from the sale of SPLASH will be distributed to shareholders. This implies 6.4% yield.	**OP:** PUNCAK (OP; TP: RM3.99) GAMUDA (TP: RM5.29)

	• We also noticed that **Puncak has been removed from the Syariah index.** We saw the stock price reacting negatively to the news. We gather that the only reason the stock became non-syariah was because the group has accrued interest income in its 70%-owned SYABAS. Hence, once SYABAS is sold to SSG (3-6 months henceforth), we believe Puncak will be back to the syariah index.	

Source: Kenanga Research

Figure 26: Underweight Sectors

Sectors	Brief Comments	Calls/Ratings
Media	• **YTD-November total gross adex growth narrowed to 6.0% to RM12.8b** vs. our 6.8% YoY forecast for the full-year. • **Advertisers' ad spend behaviour** shifting to the segment leader rather than the alternative players in respective segments. • **Sector dividend yield** remains the sector only attractive investment angle given the gloomy adex oulook. • **Newsprint prices are expected to remain soft** due to cheap supply (from Russian producers) and slower demand. We have lowered STAR and MEDIA's FY15 newsprint cost assumptions to USD600/MT (from USD630/MT previously). • **Ringgit remains feeble against USD**, prompting us to review our USD/RM forecast to RM3.4321 (from RM3.2247 previously) to align with our in-house economist team forecast. • **The abovementioned positive catalysts, however, are expected to be neutralising** by (i) persistence weak Ringgit, and higher newsprint cost after shifting to 42g (from 45g currently). • **Overall adex sentiment remains cloudy,** overshadowed by: (i) persistently high inflation rate, and (ii) on-going subsidies rationalisation plans, which could continue dampening the already weak ad spend.	**MP:** MEDIA (TP: RM1.80); STAR (TP: RM2.29); **UP:** ASTRO (TP: RM3.10); MEDIAC (TP: RM0.68)
Healthcare	• Growth in healthcare supported by ageing population. It is estimated that during the period of 2010-2040, Malaysia's population aged 65 and over is projected to increase more than three folds of the 2010 population. The increase will lead Malaysia to become an aging population in 2021 when the population aged 65 years and over reach 7.1%. • We prefer **Pharmaniaga** for: (i) its defensive earnings being a prime beneficiary being the sole concession holder to purchase, store, supplies and distribute approved drugs and medical products to Government hospitals and clinics nationwide, (ii) its growth exposure in the healthcare and pharmaceuticals industry supported by an ageing population, and (iii) decent dividend yield of 4.8%. • We maintain KPJ Healthcare as Underperform (UP; TP: RM3.31) because of (i) rich valuations compared to its pedestrian net profit growth over the next two years. The stock is currently trading at PERs of 31.4x for FY15E and 30x for FY16E, which appears rich as compared to its expected average net profit growth of 13% p.a. over FY15 and FY16 and (ii) start-up costs and losses from its new hospitals in Sabah, Muar and Rawang, which could negate earnings upside due to higher operating costs. • IHH Healthcare (UP; TP: RM4.20) are now trading at rich valuations and offer only low dividend yields at their current market prices. The stock is currently trading at 48x and 47x on FY15E and FY16E earnings compared to its average net profit growth of 15% p.a. over the next two years.	**OP:** PHARMA (TP: RM5.03) **UP:** IHH (TP: RM4.20) KPJ (TP: RM3.31)

Source: Kenanga Research

Figure 27: Neutral Sectors

Sectors	Brief Comments	Calls/Ratings
Auto	• We are maintaining our **NEUTRAL** rating on the Automotive sector and expecting 2014 TIV to record at 661,900 units (+1% YoY). • For 2015, although we see headwinds ahead amidst consumer's lower disposable income as a result of the GST implementation and rising cost of living, we are still expecting TIV to stay flat at 662,000 units, mainly underpinned by (i) resilient Malaysia's economy on the back of our in-house real GDP growth forecast of 5.1% YoY, and (ii) the normal vehicle replacement for old cars (with the current five million cars on the road aged between 10 and 15 years). • For the upcoming GST that will be implemented in April 2015, we believe that the slightly cheaper car prices (with potential savings of c.1-3%) may just be a mild positive catalyst as this could easily be offset by the tighter credit for hire-purchase as well as the rising cost of living. • Currency fluctuation-wise, we view BJAUTO as the apparent winner to the weakening of JPY (as c.50% of its total costs are exposed to the currency) while TCHONG will be negatively impacted the most under the weak MYR vs. USD scenario (as 1/3 of the group's costs exposed to USD). • Our Top Pick for the sector is BJAUTO (OP, TP: RM4.39) for investment merits backed by its: (i) superior growth prospect from low-base on the back of strong pipeline of exciting models, (ii) margins expansion on the back of favourable exchange rate (with huge exposure in Yen) as well as lower import duties, and (iii) potential dividend payout of 40% which could translate into a c.4.1% dividend yield.	**OP/TB:** BJAUTO (TP: RM4.39) DRBHCOM (TP: RM2.30 **MP:** UMW (TP: RM11.70). MBMR (TP: RM3.06) **UP:** TCHONG (TP: RM3.00)
Aviation	• **9MCY14 results inline.** In the recently concluded 9MCY14 results, both aviation stocks under coverage like AIRASIA and AIRPORT results' were within expectation. • **Moderate passenger traffic growth.** Year-to-date from Jan-Nov, AIRPORT's passenger traffic growth moderated at 5.2%, YoY, handling c.75.1m passenger traffic as compared to a double-digit growth of 15.3% YoY for the same period last year. The moderation in growth was within expectations due to the recent incidents like MH370 and MH17 that had cast a negative impact on the overall travel sentiment. • **Jet fuel price trending down.** Jet fuel prices had been relatively steady, trading at an average price of USD121.5/bbl in 1Q14, USD120.6/bbl in 2Q14 and further it went down to a low of USD85/bbl recently. Based on our sensitivity analysis, every USD1.0/bbl drop in fuel price pegged to USDMYR rate of RM3.43, could translate to approximately RM10.5m to AIRASIA's bottom line assuming yield remains constant. • **NEUTRAL maintained.** We are reiterating NEUTRAL on the Aviation Sector as we believe that passenger traffic will grow at a more moderate pace. The global landscape is volatile given heighten geopolitical risks arising from the Middle East and Hong Kong, coupled with the slowdown in China. This would hamper recovery in passenger traffics that might not bode well for AIRPORT (UP; TP: RM6.77). On the contrary, we believe AIRASIA (OP, TP: RM3.27) is likely to get a boost from the lower oil prices. Nonetheless, the recent tragedy of AirAsia Indonesia Flight went missing could be a share price dampener for AIRASIA, at least in the short-term.	**OP:** AIRASIA (TP: RM3.27), **MP:** AIRPORT (TP: RM6.77)
Consumer	• **We reiterate our NEUTRAL stance** on the consumer sector as we expect the stronger sales driven by aggressive promotional and marketing activities to be offset by margin compression with consumer sentiment and actual spending not expected to see any significant improvement due	**OP:** NESTLE (TP: RM76.10)

	to inflationary pressure. We prefer the F&B subsector over the others due to its more resilient nature (necessity consumer products) vis-a-vis discretionary consumer products (retail and MLM subsectors). • We expect the stronger sales momentum to be sustained moving forward, underpinned by the marketing and promotional activities in conjunction with the year-end festivals as well as school holidays. However, we expect the consumer sentiment to stay subdued in view of the latest round of the subsidy rationalization program, which in turn is further undermining the spending power of local consumers. Similarly, for the private consumption, we are also foreseeing slower growth in light of the inflationary pressure and soft consumer sentiment on the back of higher living cost environment. • Both our top pick of the sector were staple food counters in the F&B space, namely **QL (OP, TP: RM3.86)** for its sustainable earnings growth, supported by the robust demand of its surimi-based products exports and higher margin in the poultry segment with steady egg prices and lower feedstock costs; and **NESTLE (OP, TP: RM76.10)** as its new manufacturing plant is expected to drive earnings growth with additional capacity, and we also like its strong brand portfolio with entrenched market share.	QL (TP: RM3.86) **MP:** AMWAY (TP: RM11.42) ASIABRN (TP: RM3.44) PADINI (TP: RM1.78) PARKSON (TP: RM2.63) OLDTOWN (TP: RM1.79) **UP:** AEON (TP: RM3.10) HAIO (TP: RM2.29) DLADY (TP: RM44.22) ZHULIAN (TP: RM2.00)
Banks & Non-bank Financial Institutions	• The sharp 12% de-rating of the banking sector over the past 6 months has brought valuations to 2 years low. Accordingly, the risk-to-reward profile now favours on the upside. • For investors with a longer-term horizon, the “fear-led” valuations offer an excellent opportunity to enter into selective banking stocks. • Headwinds in the industry, i.e. (i) tapering loans growth, (ii) margin pressure, (iii) weak capital market activities and (iv) rising credit costs have all been built into our models. • When stacked against regional peers, most Malaysian banks trade beneath the P/B vs. ROE linear regression line for FY15. Furthermore, they offer the highest yields in ASEAN. • Top pick is CIMB (TP: RM6.27). • For the past 6 months, CIMB has seen its share price decline by more than 20% compared to its local peers (-10%). We opine that the steep selldown on the stock was an exaggerated act. Hence, value has started to emerge amid uncertainties surrounding the company. • Apart from CIMB, we also like MBSB. Since the merger between CIMB-RHBCAP-MBSB is not interdependent of each other, we see arbitrage opportunity by investing in the latter.	**OP:** AEONCR (TP: RM17.80) BIMB (TP: RM4.72) CIMB (TP: RM6.27) LPI (TP: RM19.10) MAYBANK (TP:RM10.13) **MP:** AFFIN (TP: RM2.79) AFG (TP: RM4.97) AMMB (TP: RM6.75) BURSA (TP: RM8.60) HLBANK (TP: RM15.04) PBBANK (TP: RM18.89) RHBCAP (TP: RM9.45) **AO:** MBSB (TP: RM2.82)
MREITs	• **3Q14 results were mostly inline,** with the exception of AXREIT (lower than ours and consensus expectations) due to lower occupancy rates and softer-than-expected rental reversions. AXREIT has completed 4 assets acquisitions to date with another one in Prai by early 1Q15, and announced a private placement, while SUNREIT proposed two asset acquisitions. We believe asset acquisitions may pick up towards end 2015 to 2016 as our channel checks indicate that prime retail asset valuations are trending closer to more realistic cap rate values of 6.0% from 5.5% • **GST will not have a direct material impact on MREITs** as GST replaces the current 6% sales tax. Expect strong pre-GST rally in retail	**OP:** SUNREIT (TP: RM1.57) CMMT (TP: RM1.47) **MP:** IGBREIT (TP: RM1.26) **UP:**

	sales in 1Q15 but retail sales may slow 6 months after GST (1st April 2015) as consumers acclimatize themselves. We do expect more of an indirect impact from GST as consumer spending will weaken, which would mean softer rental reversion rates. IGB REIT has the highest turnover rent portion under our coverage. • **Already accounted for earnings risks** arising from weaker consumer spending. Currently FY15 earnings growth is less bullish in FY15 between 2.8% to 6.4% for most MREITs under our coverage, compared to the last two years between 3.5% to 15.5% as; (i) many of the MREITs will not see any major lease expires in FY15 and, (ii) rental reversions are expected to be softer in FY15. • **Risks on valuations is more apparent** – as bond yields are on the rise (from 3.9% in Nov to 4.2% in Dec) due to or drop in oil prices, weaker RM against the USD and widening deficits, which may lead to a de-rating of sovereign risk rating, while 2H15 may see the US Fed increasing interest rates. On a brighter note, bond yield expansions may be tamed by the highly likely European QEs and a possible Japanese QE, but these may not be as impactful as the US QE's. All in, we expect the Malaysian bond yields to be more volatile in CY15 compared to CY14. Additionally, bond yield expansion could lead to higher MREIT yield spreads which will add downward pressure on MREITs share prices. • **Risks to our call include:** Positive factors that will cause us to alter our call are (i) Potential Japanese QE, (ii) better than expected consumer spending in 2Q15 and 3Q15 post GST implementation. Negative factors include: (i) cost-push factors which may result in weak rental reversions (ii) the US Fed increasing interest rates in 2H15, and post QE tapering, (iii) European QE fails to materialize, (iv) BNM increases interest rates and (v) further decline in oil prices which would put increased pressure on the 10-yr MGS • **Downgrade MREITs to UNDERWEIGHT from NEUTRAL.** As a result of a higher 10-yr MGS target, we have lowered our Call for KLCC to UNDERPERFORM (from MP) and downgraded the TP's by 6.0%-7.4% for all MREITs based on a higher 10-yr MGS target of 4.2% (from 3.8%) due to a more volatile bond yield environment. Our Call and TP's are ; KLCC (UP; TP: RM6.39), SUNREIT (OP; TP: RM1.57), CMMT (OP; TP: RM1.47), IGBREIT (MP; TP: RM1.26), PAVREIT (UP; TP:RM1.31), and AXREIT (UP; TP: RM3.27) • **What should investors do?** We believe investors should sell in 1Q15 as we expect to see a rebound due to; (i) post entitlement of FY14 full year dividends, (ii) repositioning of portfolios (iii) news flow of pre-GST rally in retail spending (iv) less earnings risks during reporting of 4Q14 results as the quarter is usually seasonally stronger for retail and hospitality. We think investors should come back in early 3Q15 for bottom fishing to reposition for a better 4Q15 as; (i) the oil crisis and the 10-yr MGS would have preferably stabilised, (ii) retail spending would have picked up post the negative sentiment from GST which should provide a better outlook for rental reversions. However, investors should also watch out for the US Fed increasing interest rates during this period (2H15which could have a negative impact on valuations. • **SUNREIT our Top Pick due to strong DPU growth** prospects mainly from value accretion at Sunway Putra Place (SPP) which is expected to come online in 1QCY15. We have recently rolled forward SUNREIT's valuation to FY16 (from FY15F/16F) to better encapsulate these earnings. Valuation-wise, SUNREIT is commanding decent yields of 6.8% (net: 6.1%) vs. other sizeable MREITs of 5.0%-6.6% (net: 4.6%-6.0%).	KLCC (TP: RM6.39) PAVREIT (TP:RM1.31) AXREIT (TP: 3.27)
Oil & Gas	• **A weak start for December.** Last week, the sector faced a bloodbath on the back of: (i) OPEC's decision to maintain its production level, (iii) Petronas stating that it will cut 2015's capex by 10-15%, (iii) a weak 3Q14 results season, and lastly (iv) Saudi Arabia cutting January oil prices to U.S. and Asian buyers.	**OP:** SKPETRO (TP: RM3.03) BARAKAH (TP: RM1.34)

	• **Uninspiring crude oil price trend expected for 2015, implying another sector de-rating.** Our Monte Carlo Simulation Study suggests a high chance that the ICE Brent Futures (spot month contract) could trade at an average of USD70/bbl for 2015; implying that oil and gas stocks could trade at an average forward PER of c.13x. • **We maintain our NEUTRAL call for the sector.** Despite valuations de-rating, we believe the underlying environment remains unsupportive of a meaningful near-term rebound. This is premised on: (i) flat crude oil price trend expectations, and (ii) sluggish contract award flows with Petronas cutting capex. • **Re-jigging sector valuations.** In lieu of our neutral outlook, we cut our CY15 target PER on large cap stocks to 12-13x and small-mid cap stocks to 7-10x. • **Stay with brownfield and strong order-book-centric stocks.** We might sound like broken records but we still favour companies with: i) strong existing order-book as they provide some form of earnings certainty over the next 1-2 years; and/or ii) companies that have exposure to the brownfield/rejuvenation segment which will be relatively unscathed from capex-cut impacts. • **Top Picks for 1QCY15 are Sapurakencana Petroleum ("SKPETRO"); and Perdana Petroleum ("PERDANA").**	COASTAL (TP: RM3.42) DIALOG (TP: RM1.62) PANTECH (TP: RM0.86) PCHEM (TP: RM5.79) UZMA (TP: RM1.94) **MP:** DAYANG (TP: RM2.23) GASMSIA (TP: RM3.54) PERDANA (TP: RM1.19) PETGAS (TP: RM22.14) WASEONG (TP: RM1.55) **UP:** ALAM (TP: RM0.59) MHB (TP: RM1.38) PERISAI (TP: RM0.44) PETDAG (TP: RM15.93) YINSON (TP: RM2.31)
Plantation	• **3Q14 result is below expectations** with five below (SIME, IOICORP, KLK, FGV and UMCCA) and only three above (PPB, IJMPLNT and TAANN). Other three met expectation. Key reason behind the miss is lower than expected CPO price. Post 3Q14, 2014 CPO prices reduced to RM2400 (from RM2500) after reducing Soybean Oil (SBO) price estimate. • **2015 Avg. CPO prices for 2015 cut to RM2200/MT (from RM2500/MT) due to:** • **Lower Brent crude oil assumption.** • **Lower Soybean Oil (SBO) assumption.** • **Stronger USD Index assumption.** • **But we believe cost of production is likely to decline for most planters due to lower fertilizer prices and cost saving measures. Hence, we maintain NEUTRAL view** as earnings cut is limited to average 10% despite 12% cut in CPO prices assumption. All TP is lowered in line with lower earnings estimate. • **Downgrade IOICORP to UNDERPERFORM with TP of RM4.50 (from MP with TP RM4.95). Upstream earning is likely to be affected by low CPO price. Downstream also suffered due to removal of export tax for CPO.** • **Top Pick is SIME (New TP: RM9.92; Old TP: RM10.10)** due to expectation of its motor business division IPO by July-2015. Beyond 2015, we believe that there is potential spin-off exercise within other non-plantation business divisions.	**OP:** SIME (New TP: RM9.92; Old TP: RM10.10) **MP:** KLK (New RM22.35; Old TP: RM23.80), FGV (New TP: RM3.15; Old TP: RM4.00), PPB (Same TP: RM15.60), IJMP (New TP: RM3.40; Old TP: RM3.50); TSH (New TP: RM2.18; Old TP: RM2.27), TAANN (New TP: RM4.05; Old TP: RM4.55),

	• **UPGRADE only if CPO > RM2500/MT possibly due to El Nino. US weather forecaster - 65% of El Nino to happen in 2015.** To be conservative, we assume NORMAL weather in our model due to high occurrence of "FALSE ALARM" historically.	UMCCA (New TP: RM6.85; Old TP: RM7.15). CBIP (New TP: RM2.25; Old TP: RM2.43) **UP:** IOICORP (New TP: RM4.50; Old TP: RM4.95), GENP (New TP: RM9.15; Old TP: RM9.55)
Property Developers	• **3QCY14 developers results saw more misses than hits**. Out of 13 property companies under our coverage, 7 disappointed, 5 was inline and only MRCB beat expectations. Most developers are lagging behind current year's sales estimates or company targets or have lowered targets. • **Property stocks has OUTPERFORM the FBMKLCI over 2014**. The KLPRP (+8% YTD) outpaced the FBMKLCI by 10% in terms of YTD gains. Small-mid caps were in the lime light while only selective big caps (e.g. IJMLAND, SUNWAY) saw big run-ups due to M&A activities. (Chart 1a & Chart 1b) • **Signs of sectorial down-cycle are more evident**. Developer's sales are either just meeting or lagging targets while there are relatively fewer earnings downward revisions. Developers have also trimmed some of their current year sales targets as well. So, current year sales trend could be flat to declining, YoY. (Chart 2a & Chart 2b) • **Valuations have broken past their means.** In terms of Fwd PER/PBV, most developers have broken its historical means and are heading towards trough levels; mainly dragged down by small-mid cap players as big caps has not move much this year…until the recent sell down. (Chart 3c) • **Historical RNAV discounts has widen** to 51% (from 42% last quarter) vs. historical highs of 54%. (Refer to Appendix) (Chart 3a) • **Is the 2-yr mini bull property cycle over**? If the cycles prevail, expect the KLPRP Index to UNDERPERFORM the FBMKLCI in 2015. (Refer to Appendix). (Chart 5)	**OP:** SPSETIA (TP: RM3.95) SUNWAY (TP: RM3.65) MATRIX (TP: RM3.05) HUAYANG (TP: RM2.20) **AO:** IJML (TP: RM3.55) **MP:** UEMS (TP: RM1.60) IOIPG (TP: RM2.45) MAHSING (TP: RM2.38) UOADEV (TP: RM2.00) CRESNDO (TP: RM2.50) CRESBLD (TP: RM1.30) MRCB (TP: RM1.27) **UP:** TROP (TP: RM1.00) **TB:** KSL (TP: RM2.57)
Sin	• We upgrade the sector to **NEUTRAL** from **UNDERWEIGHT**, as we see greater value in the sector; (1) it could provide a safe shelter for investors in weathering the market volatility, (2) dividend play with yields >5%, (3) better coming quarter foreseen in view of the festivities and pre-GST stocking up activities, (4) the successful illegal trading clamp down efforts by the authorities. • For the brewers, we **upgraded GAB to MP from UP after raising its Target Price to RM13.56 (from RM12.88)** by ascribing a higher PER of 20x (from 19x), in line with -0.5SD 3-year mean, to its FY15E earnings following the sector upgrade. However, we maintain both our call and TP	**MP:** CARLSBG (TP:RM12.21) GAB (TP:RM13.56) BAT (TP:RM69.40)

	for **CARLSBG at MP, RM12.21** (18.5x PER FY15E, -0.5SD 3-year mean) as we stay conservative on our valuation to take the downside risk of tax dispute amounting to RM56m into account. Meanwhile, BAT was **upgraded to MP from UP after its TP was nudged higher to RM69.40 (from RM65.70)** correspondingly with the earnings upgrade post the latest round of price hike. The valuation remained unchanged at 20x PER FY15E, +0.5SD 5-year mean as we think the valuation premium is justified but sufficient enough to reflect its earnings growth potential as well as the dominant market share and larger market capitalization.	
Telco	• **Incumbents' service revenues are under pressure,** no thanks to the intensifying competition from tier-2 mobile players (i.e. U-Mobile and etc.) and the increasing popularity of OTT (Over-The-Top) applications. The top three mobile incumbents' aggregate service revenue has slipped 1.1% YoY to RM16.3b in 9M14 vs. -0.6% YoY in 1H14 and -0.5% in 3M14. Moving into CY15, we expect the mobile players' service revenue annual growth rate lowered to 3.8% YoY (vs. 5.1% YoY previously) after reducing our voice and SMS growth assumptions in both Digi and Maxis. • **Partnering with OTT players trend** will continue but risk may be higher in the future. • **Smartphone trend in 2015** is expected to see more advanced chips, faster performance, refined looks, bigger display, and longer-lasting batteries from high to lower end range. These much better hardware is expected to boost data demand further and ultimately benefit the back haul providers. • **GST implementation** will allow cellcos to remove their tax subsidy for the prepaid subscribers and benefit all players should subscribers' usage behaviour remains unchanged. Top winner will be Digi, followed by Maxis and Axiata. • **Telekom Malaysia** continues to be our favourite name in the sector. The stock's near-term catalysts include: (i) more traction from HSBB 2 project, and (ii) potential better-than-expected synergies from its recent acquisition in P1. Meanwhile, **Digi** remains as our preferred pick among the Cellcos due to its: (i) higher operational efficiency, (ii) better competency in monetizing data, and (iii) superior earnings growth among its peers.	**MP:** TM (TP: RM6.92); DIGI (TP: RM5.98); AXIATA (TP: RM6.88); MAXIS (TP: RM7.16) REDTONE (TP: RM0.77)
Transport & Logistics	• Downgrade the sector call to NEUTRAL from OVERWEIGHT due to: (i) persistent uncertainty in the shipping market, (ii) unexciting throughput growth in 2015 amid GST implementation, and (iii) fair value already being reflected in big caps like MISC and WPRTS. • **Shipping -** Petroleum and dry bulk tanker segments continued to see positive hike in rates while LNG tanker rates continued to decline. As expected, shipping rates were generally seasonally stronger during 3Q14. 2015 would be a better year for shipping as excess supply is continually absorbed by the market amidst low ship orderbooks. • **Ports & Logistics –** While transshipment throughput is expected to maintain its strong growth, import/export throughput could see slight slowdown in growth as GST kicks in which could hamper import volume. Meanwhile, port operators are not seeing gains in export volume due to weakening of MYR against USD. Maintain our throughput growth assumptions for now as it is already on the conservative side.	**OP:** HARBOUR (TP: RM2.20) MAYBULK (TP: RM2.53) BIPORT (TP: RM8.08) SURIA (TP: RM3.41) **MP:** INTEGRA (TP: RM2.42) WPRTS (TP: RM3.13) **UP:** NCB (TP: RM1.83) MISC (TP: RM7.49)

Source: Kenanga Research

Appendix II - Model Portfolio

After recording a consecutive 14th quarters of outperforming, our outstanding quarterly model portfolio has finally come in disappointed where its total return (as of end 22nd of December) has lowered the FBMKLCI by 290bps in 4Q14 (-7.75% vs. -4.85% in the benchmarked index).

Figure 28: Model Portfolio for 4Q14

No	Industry / Company	12Mths ADJ Beta	Cost @ 30/9/2014	Value	Unrealised Profit/(Loss) Q-to-Date	% Change Q-t-D	Weighting (as % of NAV)	Latest Dividend Ex-Date	Gross Dividend	Consensus 12M Div
			RM	RM	RM	%	X		RM	%
I	**CONSUMER**		**2,013,215**	**1,771,337**	**(241,878)**	**-12.01%**	**5.00%**			
1	SUPERMAX CORP BHD	1.00	1,006,607	754,956	(251,652)	-25.00%	2.50%	12/26/2014	0.02	3.03
2	V.S. INDUSTRY BERHAD	0.75	402,643	393,315	(9,328)	-2.32%	1.00%	1/8/2015	0.04	3.24
3	NESTLE (MALAYSIA) BERHAD	1.05	603,964	623,066	19,101	3.16%	1.50%	8/29/2014	0.60	3.43
II	**CONSTRUCTION/PROPERTY**		**2,013,215**	**1,682,716**	**(330,499)**	**-16.42%**	**5.00%**			
4	GAMUDA BHD	0.96	805,286	835,359	30,073	3.73%	2.00%	1/12/2015	0.06	2.39
5	MUHIBBAH ENGINEERING (M) BHD	1.49	805,286	510,101	(295,185)	-36.66%	2.00%	8/13/2014	0.05	2.32
6	KSL HOLDINGS BHD	0.71	402,643	337,256	(65,386)	-16.24%	1.00%	#N/A N/A	0.05	0.00
III	**FINANCIAL SERVICES**		**13,689,861**	**12,214,614**	**(1,475,246)**	**-10.78%**	**34.00%**			
7	CIMB GROUP HOLDINGS BHD	1.26	2,818,501	2,245,178	(573,322)	-20.34%	7.00%	9/26/2014	0.100	3.65
8	MALAYAN BANKING BHD	0.87	3,623,787	3,216,293	(407,494)	-11.24%	9.00%	9/25/2014	0.240	6.12
9	PUBLIC BANK BERHAD	0.65	4,630,394	4,336,401	(293,993)	-6.35%	11.50%	8/8/2014	0.230	2.93
10	RHB CAPITAL BHD	0.85	603,964	499,314	(104,651)	-17.33%	1.50%	10/10/2014	ield Not App	1.41
11	MALAYSIA BUILDING SOCIETY	1.20	805,286	792,138	(13,148)	-1.63%	2.00%	5/6/2014	0.050	2.07
12	AMMB HOLDINGS BHD	0.77	1,207,929	1,125,290	(82,639)	-6.84%	3.00%	12/2/2014	0.120	4.48
IV	**GAMING**		**2,013,215**	**1,882,336**	**(130,879)**	**-6.50%**	**5.00%**			
13	BERJAYA SPORTS TOTO BHD	0.42	603,964	551,790	(52,175)	-8.64%	1.50%	1/28/2015	0.060	5.23
14	GENTING BHD	0.77	1,409,250	1,330,546	(78,704)	-5.58%	3.50%	9/26/2014	0.010	0.11
IV	**OIL & GAS**		**4,831,716**	**3,342,167**	**(1,489,548)**	**-30.83%**	**12.00%**			
15	COASTAL CONTRACTS BHD	0.82	1,006,607	620,568	(386,039)	-38.35%	2.50%	9/5/2014	0.034	2.39
16	PETRONAS CHEMICALS GROUP BHD	0.88	1,610,572	1,401,507	(209,065)	-12.98%	4.00%	8/22/2014	0.080	2.96
17	BARAKAH OFFSHORE PETROLEUM	66.19	805,286	502,590	(302,696)	-37.59%	2.00%	8/13/2009	0.010	0.00
18	SAPURAKENCANA PETROLEUM BHD	1.42	1,409,250	817,502	(591,748)	-41.99%	3.50%	1/12/2015	0.020	0.00
V	**PLANTATION**		**5,234,358**	**5,232,358**	**(2,001)**	**-0.04%**	**13.00%**			
19	SIME DARBY BERHAD	1.03	2,617,179	2,662,944	45,765	1.75%	6.50%	12/8/2014	0.300	3.88
20	IOI CORP BHD	1.20	805,286	781,847	(23,439)	-2.91%	2.00%	7/14/2014	0.120	4.27
21	KUALA LUMPUR KEPONG BHD	0.88	1,207,929	1,186,154	(21,775)	-1.80%	3.00%	2/17/2015	0.400	2.40
22	PPB GROUP BERHAD	1.02	603,964	601,412	(2,552)	-0.42%	1.50%	9/9/2014	0.070	1.70
VI	**POWER**		**3,422,465**	**3,701,785**	**279,319**	**8.16%**	**8.50%**			
23	TENAGA NASIONAL BHD	0.89	3,019,822	3,371,078	351,256	11.63%	7.50%	12/17/2014	0.190	2.08
24	PESTECH INTERNATIONAL BHD	0.64	402,643	330,707	(71,936)	-17.87%	1.00%	10/23/2014	0.020	2.43
VII	**TELECOMMUNICATION**		**6,240,966**	**6,382,135**	**141,169**	**2.26%**	**15.50%**			
25	AXIATA GROUP BERHAD	1.27	2,617,179	2,617,179	0	0.00%	6.50%	10/7/2014	0.080	3.12
26	TELEKOM MALAYSIA BHD	1.36	1,610,572	1,671,578	61,007	3.79%	4.00%	9/25/2014	0.095	3.76
27	REDTONE INTERNATIONAL BHD	0.81	402,643	369,928	(32,715)	-8.13%	1.00%	1/22/2015	0.011	1.38
28	DIGI.COM BHD	1.36	1,610,572	1,723,450	112,878	7.01%	4.00%	11/5/2014	0.062	4.12
VIII	**OTHERS**		**805,286**	**707,895**	**(97,391)**	**-12.09%**	**2.00%**			
29	MALAYSIA STEEL WORKS KL BHD	0.61	402,643	323,693	(78,950)	-19.61%	1.00%	7/8/2014	0.005	0.49
30	IOI PROPERTIES GROUP BHD	1.00	402,643	384,201	(18,442)	-4.58%	1.00%	9/26/2014	0.080	3.27
		2.29	**40,264,296**	**36,917,342**	**(3,346,954)**	**-8.31%**	**100.00%**			**2.97**
	Total Dividend Received in 4Q14				**226,835**	**0.56%**				
	Total Return				**(3,120,119)**	**-7.75%**				
	KLCI		**1,846.31**	**1,744.05**	**(102.26)**	**-5.54%**				**3.27**
	KLCI - TOTAL RETURN					**-4.85%**				

Source: Kenanga Research

A part of the challenging macro factors coupled with the weak crude oil prices, the roller coaster performance in the US market during the late 4QCY14 also pushing up the volatility of the global and local equity market. The disappointed 4Q14 performance was mainly dragged by the sharper-than-expected correction in the Oil & Gas and construction sectors, where our stock selections have plunged by 30.8% and 16.4%, respectively.

Dividend-wise, our 4Q14 model portfolio received a total RM227k or 0.56% during the quarter, a 13bps lower than the FBMKLCI given the model portfolio was only consisted of 74.4% coverage on the index-link stocks. The top three outperformers in the 4Q14 were TNB (+11.6%); DIGI (+7.0%); and TM (+3.8%) while the underperformers came from COASTAL (-38.4%); BARAKAH (-37.6%) and MUHIBAH (-36.7%).
Moving into the 1Q15, while we continued to assign NEUTRAL weightings (or equal index link weighting) to most of the sectors and align with our strategy, a defined stock picking remains a key factor to outperformance. A part of the usual stock weighting rebalancing, we have also included most of our top picks (for the 1Q15). The newly added stocks for the 1Q15 model portfolio include (a) HARTALEGA; (b) QL; (c) BERJAYA AUTO; (d) HL BANK; (e) PETGAS; (f) AIRASIA; (g) MPI; (h) MMCCORP; and (i) SUNREIT. These stock selections were to replace those companies that removed from the 4Q14 model portfolio (i.e. SUPERMAX, VSI, MUHIBAH, KSL, RHBCAP, AMMB, COASTAL, PESTECH, MSTEEL AND IOIPG).

Figure 29: Track Records of Kenanga Research Model Portfolio Return

	Initial Capital RM	Capital Invest	Unutilised	Capital Gain	Total Return (based on initial capital)	KLCI Return	OP/(UP) (vs KLCI)
2Q11	25,000,000	24,562,500	437,500	470,815	3.33%	3.11%	0.22%
3Q11	25,831,421	25,235,032	596,389	(2,882,853)	-10.22%	-11.23%	1.01%
4Q11	23,191,250	22,999,232	192,018	3,112,904	14.23%	11.42%	2.81%
1Q12	26,491,022	26,491,022	-	1,217,337	5.23%	4.96%	0.27%
2Q12	27,877,202	27,877,202	-	(1,771)	1.44%	1.42%	0.02%
3Q12	28,279,278	28,279,278	-	749,917	3.63%	3.39%	0.24%
4Q12	29,304,687	29,304,687	-	1,016,154	4.39%	3.95%	0.44%
1Q13	30,591,385	30,591,385	-	(22,393)	0.37%	-0.56%	0.93%
2Q13	30,705,020	30,705,020	-	3,497,282	13.18%	7.55%	5.63%
3Q13	34,750,482	34,750,482	-	220,246	2.33%	0.73%	1.60%
4Q13	35,560,352	35,560,352	-	2,592,450	7.74%	5.83%	1.91%
1Q14	38,310,998	38,310,998	-	150,896	0.98%	0.40%	0.58%
2Q14	38,687,989	38,687,989	-	1,453,097	4.68%	2.75%	1.93%
3Q14	40,498,955	40,498,955	-	(608,326)	-0.58%	-1.02%	0.44%
4Q14	40,264,296	40,264,296	-	(3,346,954)	-7.75%	-4.85%	-2.90%

Source: Kenanga Research

Figure 30: Model Portfolio for 1Q15

No	Industry / Company	12Mths ADJ Beta	No of Shares	Value	Value	Unrealised Profit/(Lo	% Change Q-t-D	Weighting (as % of NAV)	Latest Dividend Ex-Date	Gross Dividend	Consensus 12M
				RM	RM	RM	%	x		RM	%
I	**CONSUMER**				**2,228,651**	**0**	**0.00%**	**6.00%**			
1	HARTALEGA HOLDINGS BHD	1.21	132,658	888,807	928,604	0	0.00%	2.50%	12/3/2014	0.03	2.00
2	QL RESOURCES BHD	0.88	111,544	385,943	371,442	0	0.00%	1.00%	8/28/2014	0.04	1.05
3	BERJAYA AUTO BHD	1.00	114,290	387,442	371,442	0	0.00%	1.00%	1/2/2015	0.03	3.23
4	NESTLE (MALAYSIA) BERHAD	1.05	8,134	557,976	557,163	0	0.00%	1.50%	8/29/2014	0.60	3.43
II	**CONSTRUCTION/PROPERTY**				**742,884**	**0**	**0.00%**	**2.00%**			
5	GAMUDA BHD	0.96	148,577	762,199	742,884	0	0.00%	2.00%	1/12/2015	0.06	2.39
III	**FINANCIAL SERVICES**				**12,629,020**	**0**	**0.00%**	**34.00%**			
6	CIMB GROUP HOLDINGS BHD	1.26	497,467	2,855,459	2,785,813	0	0.00%	7.50%	9/26/2014	0.100	3.68
7	MALAYAN BANKING BHD	0.87	420,183	4,000,142	3,714,418	0	0.00%	10.00%	9/25/2014	0.240	6.13
8	PUBLIC BANK BERHAD	0.65	251,825	4,608,396	4,457,301	0	0.00%	12.00%	8/8/2014	0.230	2.93
9	HONG LEONG BANK BERHAD	0.69	65,765	939,127	928,604	0	0.00%	2.50%	10/29/2014	0.260	2.93
10	MALAYSIA BUILDING SOCIETY	1.20	308,250	792,204	742,884	0	0.00%	2.00%	5/6/2014	0.050	2.07
IV	**GAMING**				**1,857,209**	**0**	**0.00%**	**5.00%**			
11	BERJAYA SPORTS TOTO BHD	0.42	159,645	558,759	557,163	0	0.00%	1.50%	1/28/2015	0.060	5.19
12	GENTING BHD	0.77	145,094	1,363,888	1,300,046	0	0.00%	3.50%	9/26/2014	0.010	0.11
IV	**OIL & GAS**				**4,457,301**	**0**	**0.00%**	**12.00%**			
13	PETRONAS CHEMICALS GROUI	0.88	273,622	1,526,810	1,485,767	0	0.00%	4.00%	8/22/2014	0.080	2.97
14	PETRONAS GAS BHD	1.09	33,615	726,076	742,884	0	0.00%	2.00%	11/18/2014	0.200	1.81
15	BARAKAH OFFSHORE PETROLE	66.19	1,055,232	1,424,564	928,604	0	0.00%	2.50%	8/13/2009	0.010	1.00
16	SAPURAKENCANA PETROLEUN	1.42	543,952	1,691,692	1,300,046	0	0.00%	3.50%	1/12/2015	0.020	1.00
V	**PLANTATION**				**4,828,743**	**0**	**0.00%**	**13.00%**			
17	SIME DARBY BERHAD	1.03	259,331	2,502,544	2,414,372	0	0.00%	6.50%	12/8/2014	0.300	3.87
18	IOI CORP BHD	1.20	198,845	914,685	928,604	0	0.00%	2.50%	7/14/2014	0.120	4.29
19	KUALA LUMPUR KEPONG BHD	0.88	44,860	994,997	928,604	0	0.00%	2.50%	2/17/2015	0.400	2.40
20	PPB GROUP BERHAD	1.02	39,403	601,294	557,163	0	0.00%	1.50%	9/9/2014	0.070	1.73
VI	**POWER**				**3,157,255**	**0**	**0.00%**	**8.50%**			
21	TENAGA NASIONAL BHD	0.89	228,456	3,184,670	3,157,255	0	0.00%	8.50%	12/17/2014	0.190	2.09
VII	**TELECOMMUNICATION**				**5,757,347**	**0**	**0.00%**	**15.50%**			
21	AXIATA GROUP BERHAD	1.27	344,910	2,448,863	2,414,372	0	0.00%	6.50%	10/7/2014	0.080	3.13
22	TELEKOM MALAYSIA BHD	1.36	216,900	1,557,344	1,485,767	0	0.00%	4.00%	9/25/2014	0.095	3.77
23	REDTONE INTERNATIONAL BH	0.81	505,363	368,915	371,442	0	0.00%	1.00%	1/22/2015	0.011	0.00
24	DIGI.COM BHD	1.36	237,343	1,435,925	1,485,767	0	0.00%	4.00%	11/5/2014	0.062	4.14
VIII	**OTHERS**				**1,485,767**	**0**	**0.00%**	**4.00%**			
25	AIRASIA BHD	1.15	128,973	310,825	371,442	0	0.00%	1.00%	6/2/2014	0.040	1.39
26	MALAYSIAN PACIFIC INDUSTR	0.67	84,037	420,183	371,442	0	0.00%	1.00%	11/26/2014	0.070	1.58
27	MMC CORP BHD	1.23	157,391	382,459	371,442	0	0.00%	1.00%	5/29/2014	0.030	1.27
28	SUNWAY REAL ESTATE INVEST	1.00	244,370	359,223	371,442	0	0.00%	1.00%	11/19/2014	0.023	5.65
		2.63		**38,951,410**	**37,144,177**	**0**	**0.00%**	**100.00%**			**2.95**
	Total Dividend Received in 4Q14					**0**	**0.00%**				
	Total Return					**0**	**0.00%**				
	KLCI			**1,809.13**	**1,744.05**	**0.00**	**0.00%**				**3.28**
	KLCI - TOTAL RETURN						**0.00%**				

Source: Kenanga Research

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