

MARKET COMMENTARY

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On May 2017, Securities Commission announced the new Shariah list. It now has 683 Shariah-compliant stocks (which is translate into 74% of companies in Bursa) out of the total 919 Bursa-listed stocks - 23 stocks were added, while 13 were deleted.

This new list of Malaysian equities that qualify for Islamic investment will take effect on 26 May 2017.

OUR HOUSE VIEW

Moving In the Right Direction

- Asian equity markets continued to scale new heights. A rally that has been one year in the making has seen the broadening of interest beyond the typical large cap index names in a number of markets. The breadth of participation is a good sign of the trend though the duration makes the rally susceptible to a short-term correction.
- Second quarter economic growth and earnings reporting season should remain stellar although the second half of the year will see some moderating momentum into a higher base comparison. External events in particular US Fed rate hikes and the unwinding of the US Fed's balance sheet also pose uncertainties. Nonetheless, any profit taking in the equity markets will be opportunities.
- Given the improving ringgit strength and foreign inflows, the FBM KLCI should continue its positive momentum in medium to long terms towards 1,800 level. However, due to external concerns dominated by lower oil prices as the global supply glut persists and renewed uncertainties over the political situation in Britain and Europe, we are maintaining our trading strategy for June to buy on weakness. Any pullbacks below 1,700 towards 1,660 level is a good opportunity to buy.



CARTOON BY: HEDGEGEY

PERFORMANCE OF KEY INDICES

FIGURE 1

	AS AT 31.05.17	1 MTH (% change)	YTD 2017 (% change)	PER 2017
D. JONES	21,008.7	0.3	6.3	18.8
NASDAQ	6,198.5	2.5	15.2	32.7
DAX	12,615.1	1.4	9.9	19.9
KLCI	1,765.9	-0.1	7.6	17.0
USD / MYR	4.28	-1.4	-4.6	-

SOURCE: BLOOMBERG (AS AT 31/05/2017)

THE NEW SHARIAH LIST

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Among the new stocks added to the Shariah list are Yinson, Sunway Construction, Ann Joo, Hibiscus and Daiman. On the other hand, the stocks removed from the Shariah list include GDex, Plenitude and Lion Diversified. We might expect to see some share price strength for the stocks that have been added and vice-versa.

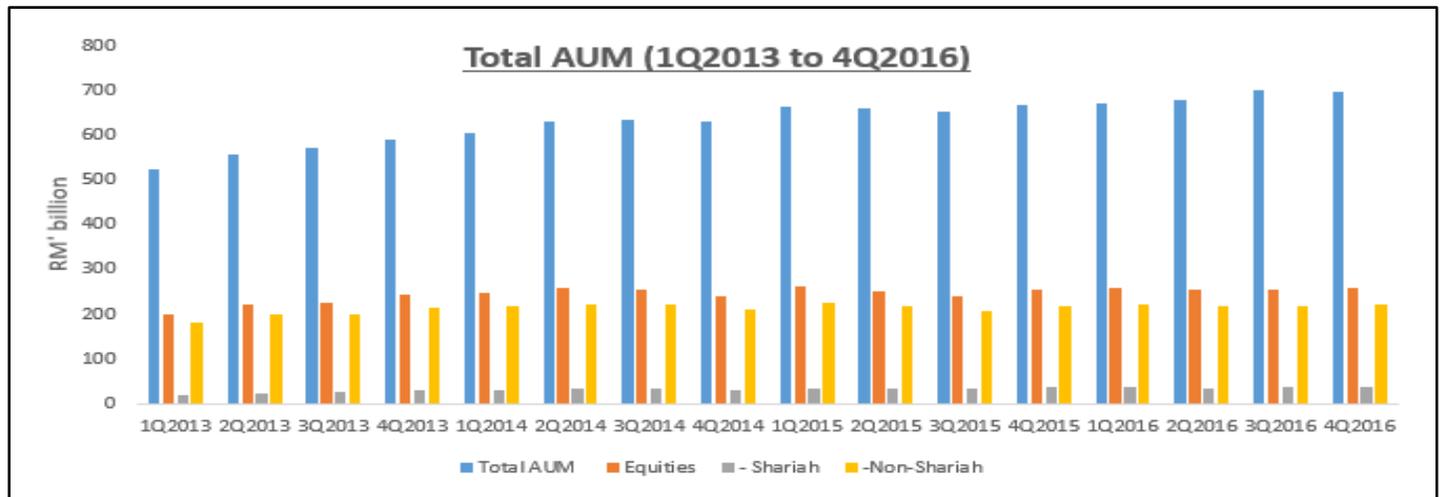
FIGURE 2: TOP 20 COMPANIES (IN TERMS OF MARKET CAP) ADDED TO THE NEW SHARIAH INDEX

NO	COUNTER	PRICE (RM)	MKT CAP (RM'mil)	YTD (%)	PER (x)	P/BV (x)
1	YINSON HLDGS BHD	3.38	3,688.97	17.30	18.7	1.53
2	SERBA DINAMIK HO	2.04	2,723.40	NA	NA	2.68
3	SUNWAY CONSTRUCT	2.00	2,676.30	21.76	20.9	5.24
4	ANN JOO RESOURCE	3.30	1,659.07	51.15	9.9	1.45
5	CAN-ONE BHD	3.35	649.48	1.81	7.5	0.85
6	HIBISCS	0.45	678.61	14.63	(8.0)	0.86
7	CAN-ONE BHD	3.35	649.48	1.81	7.5	0.85
8	DAIMAN DEVELOP	2.34	490.64	7.87	26.0	0.43
9	CAN-ONE BHD	3.35	649.48	1.81	7.5	0.85
10	FOUNDPAC GROUP	0.91	336.70	35.82	18.1	NA
11	MUI PROPERTIES	0.30	229.68	16.98	19.9	0.84
12	AEMULUS HOLDINGS	0.52	217.23	135.71	(83.1)	3.45
13	PAN MALAYSIA HLD	0.17	157.91	17.24	(170.0)	2.80
14	IMASPRO CORP BHD	1.80	150.40	(7.84)	15.5	1.12
15	HLT GLOBAL BHD	0.44	116.13	NA	16.7	2.78
16	SEAL INC BERHAD	0.50	114.97	27.63	29.9	0.45
17	LEWEKO RESOURCES	0.32	104.62	195.45	(12.0)	0.99
18	EVERSAFE RUBBER	0.42	99.85	NA	NA	NA
19	CABNET HOLDINGS	0.72	92.95	NA	NA	NA
20	VSOLAR GROUP BHD	0.11	30.02	0.00	(4.0)	2.75
21	VSOLAR GROUP BHD	0.11	30.02	0.00	(4.0)	2.75
22	AMTEL HLDGS BHD	0.63	31.04	5.00	121.2	0.71

SOURCE: AISB

As per our April report, the Shariah AUM will continue to see strong growth over the next few years due as more GLCs allocate more funds into Shariah stocks. EPF alone has indicated that it expected to increase its Shariah assets by RM25 bn every year, subject to members' demand and asset availability.

FIGURE 3: EPF'S TOTAL AUM (1Q2013 TO 4Q2016)



SOURCE: EPF

Top 5 Stocks In Terms Of Market Cap In The Shariah Index

Among the top five stocks in terms of market cap in the Shariah index are **Tenaga Nasional Berhad, Sime Darby Berhad, Petronas Chemical Berhad, Maxis Bhd and IHH Berhad**. However, among these five companies, we foresee the prospect in Sime Darby Berhad as the group's undertake demerger exercise to create 3 pure play companies namely plantation, property and industrial. In term of Price to Book (P/B) basis, Sime Darby is currently trading at P/B of 1.8x which is relatively lower as compared to IOI Berhad (4.0x), KLK Berhad (2.5x) and Genting Plantation Berhad (1.9x). In addition, Sime Darby's hidden value lies in the undervalued landbank, which the company has been able to accumulate over the past 100 years. Re-rating of this stock will come from the group ability to extract value from its vast landbank and this is possible with the appointment of Tan Sri Abdul Wahib Omar as the new Chairman of Perbandanan Nasional Berhad. Sime's other catalysts are its landbank along the Singapore-KL High Speed Rail, and the potential deep-sea port on Carey island.

FIGURE 4: SHARIAH INDEX HEAVYWEIGHT STOCKS

COUNTER	PRICE (RM)	MKT CAP (RM'mil)	YTD (%)	RELATIVE PRICE PERFORMANCE (%)					EPS (\$EN)			PER (x)			P/BV (X)	DY (%)
				1-D	1-M	3-M	6-M	YTD	17 (A)	18(F)	19(F)	17 (A)	18(F)	19(F)		
TENAGA NASIONAL	14.40	80,358	2.16	0.3	1.0	0.2	(7.2)	(6.6)	1.31	1.34	1.33	11.0	10.7	10.8	1.49	2.22
SIME DARBY	9.59	65,084	18.15	0.3	1.7	1.7	8.9	9.4	0.38	0.35	0.38	25.0	27.4	25.0	1.75	2.82
PCHEM	7.20	57,600	3.15	0.3	(0.3)	(6.7)	(4.3)	(5.6)	0.37	0.44	0.45	19.6	16.3	16.0	2.12	2.64
MAXIS BHD	6.19	46,565	3.68	0.4	(6.2)	(6.6)	(6.2)	(5.1)	0.27	0.25	0.25	23.1	24.4	24.5	10.41	3.23
IHH HEALTHCARE B	6.08	49,747	(4.88)	0.3	(2.8)	(2.8)	(14.3)	(13.7)	0.07	0.12	0.15	81.7	50.7	39.7	2.23	0.49

SOURCE: AISB

FIGURE 5: FBM KLCI vs SIME DARBY vs TENAGA NASIONAL



SOURCE: BLOOMBERG

SELECTED HOLDINGS

FIGURE 6

STOCKS	BLOOMBERG TICKER	PRICE (RM)	PER 2017	EPS 2017	GROWTH (%) 2017	P/BVPS 2017	DY (%) 2017
SIME DARBY	SIME MK EQUITY	9.61	27.30	0.35	-8.30	1.80	2.81
TENAGA NASIONAL	TNB MK EQUITY	14.42	10.75	1.34	2.29	1.41	2.70

SOURCE: BLOOMBERG CONSENSUS DATA (AS AT 15/06/2017)

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