

Malaysia

Malaysia Strategy

Pakatan Harapan wins 14th General Election (GE14)

- Opposition bloc pulled off a surprise win in GE14, with 55% of total Parliament seats.
- Malaysia's former premier Tun Mahathir is likely to be sworn in as the next PM.
- This unexpected election outcome will lead to short-term uncertainties but positive in the long term if the new government carries out institutional and political reforms.
- High-beta, cyclical sectors, and stocks perceived to have strong political connections with the previous BN government will likely be sold down in the near-term.
- We lower our end-2018F KLCI target to 1,820 points as we cut our target P/E to 15.4x or 1 s.d. below its historical average P/E to reflect short-term uncertainties.

Opposition coalition wins GE14 with 55% of parliament seats

Malaysia enters uncharted territory when opposition bloc Pakatan Harapan (PH) led by former Prime Minister Tun Dr Mahathir Mohamad won the 14th General Election. The coalition, plus Parti Warisan in Sabah, secured 121 seats or 54.5% of the total Parliament seats. PH comprises Datuk Seri Anwar Ibrahim's Parti Keadilan Rakyat (PKR), Democratic Action Party (DAP), Mahathir's Parti Pribumi Bersatu Malaysia (Bersatu) and Parti Amanah (Amanah). Barisan Nasional's (BN) share of Parliament seats fell from 60% in GE13 to only 36% in GE14.

Pakatan Harapan also gained control of four states

At the state level, PH retained control of Selangor and Penang, while securing four more states – Johor, Melaka, Negeri Sembilan and Perak. This means that out of the 13 states in the country, six are now under the control of PH. Parti Islam Semalaysia (PAS) retained its stronghold of Kelantan and recaptured the Terengganu state government. BN retained control of Perlis and Pahang but lost control of seven states. At the point of writing, Kedah and Sabah states have hung assemblies.

Tun Mahathir expected to be sworn in as Prime Minister

Former premier Tun Dr Mahathir Mohamed, also Malaysia's longest-serving Prime Minister of 22 years, is likely to be sworn in as the 7th Prime Minister of Malaysia while Datuk Seri Dr Wan Azizah is likely to be appointed Deputy Prime Minister. As for the new cabinet, there will likely be balanced distribution between the parties that are aligned to Pakatan Harapan (PH).

Short-term pain, long-term gain?

This is a surprise to the market which had anticipated a BN win. On top of this, the country has not witnessed any change in government prior to this. This will likely lead to uncertainties in the short term and questions may arise on the stability of the new government. Recall that in the first trading session after the 2008 elections, the KLCI hit its 10% limit-down with circuit breakers kicking in for the first time ever. We expect significant stock market volatility this time round too. In the long term, the new government will be positive for the market, if it takes step to improve institutional and political reforms.

Potential winners and losers in the short term

Foreign investors may reduce their weighting in Malaysia due to short-term uncertainties. As such, banking stocks that have seen foreign inflows in recent months may be negatively impacted. High-beta, cyclical sectors, and stocks perceived to have strong political connections with BN, will likely be sold down on Monday when the market reopens. Construction sector will also be negatively impacted as big projects may be reviewed. Consumer stocks could gain from potential GST abolishment and minimum wage hike. Exporters may gain due to their limited exposure to the domestic market.

Lowering end-2018 KLCI target to 1,820 points

Our sensitivity analysis suggest that should the KLCI correct 1-2 s.d. below its current P/E, its downside would be 70-140 points to 1,706-1,776pts from Tuesday's close. However, should valuations become very attractive, we would advise investors to bottom-fish for stocks that are well-managed and offer strong dividend yields. We lower our KLCI target from 1,880 to 1,820 points as we lower our market P/E to 15.9x from 15.4x to reflect short-term uncertainties. Our key top picks remain Axiata, Dialog and Westports.

Figure 1: Breakdown of Parliament seats by parties in GE14

Parties	No of seats	% of total
BN	79	36%
PH + Warisan	121	55%
PAS	18	8%
Ind and others	4	2%
Total	222	100%

SOURCES: CIMB RESEARCH, Bemama

Highlighted companies

Axiata Group

ADD, TP RM6.10, RM5.29 close

We expect Axiata's core EPS to rebound by a strong 18%/41% in FY18F/19F due to: 1) much higher contributions from XL, 2) net profit breakeven for Airtel by end-2018F, and 3) cessation in equity accounting for Idea's losses post the merger with Vodafone

Dialog Group Bhd

ADD, TP RM4.00, RM3.06 close

Based on our estimates, Dialog's EPS will rise by 58% cumulatively over the next three years, as several of its major projects come onstream. In addition, it still has a significant amount of land at Pengerang for Phase 3 expansion, which we believe will be triggered soon. Dialog has an attractive low-risk business model, is well managed and is expected to deliver robust earnings growth.

Westports Holdings

ADD, TP RM4.23, RM3.26 close

Westports suffered from a decline in throughput in FY17 due to container shipping industry realignments. However, we expect it to resume volume growth in FY18F as we think the negative impact of customer departures was fully reflected in 3Q17. We expect a turnaround in overall container volume.

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Figure 2: Sector Comparisons - Big cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
AirAsia Group Berhad	AAGB MK	Add	3.70	5.31	3,131	9.4	10.1	-11.6%	1.51	1.33	16.6%	15.8%	14.0%	6.1	7.7	8.4%	22.2%
Axiata Group	AXIATA MK	Add	5.29	6.10	12,121	33.4	23.7	13.9%	1.88	1.82	4.7%	5.6%	7.8%	6.0	5.5	1.6%	2.5%
Dialog Group Bhd	DLG MK	Add	3.06	4.00	4,368	41.3	35.2	16.1%	4.85	4.45	11.8%	12.2%	13.2%	37.7	37.0	1.0%	1.1%
Genting Bhd	GENT MK	Add	8.60	10.80	8,343	14.5	12.0	22.5%	0.87	0.82	5.0%	6.0%	7.1%	5.7	4.7	1.4%	1.4%
RHB Bank Bhd	RHBBANK MK	Add	5.27	6.23	5,351	9.6	8.5	11.5%	0.83	0.77	8.2%	8.9%	9.5%	na	na	2.8%	3.0%
Sime Darby Property Berhad	SDPR MK	Add	1.41	1.85	2,428	28.8	33.6	-51.2%	1.01	0.99	15.0%	3.8%	3.0%	27.2	30.4	2.6%	1.4%
Westports Holdings	WPRTS MK	Add	3.26	4.23	2,815	20.8	17.8	-0.4%	4.62	4.50	30.9%	22.9%	25.6%	29.6	26.7	4.4%	3.6%
Gas Malaysia Berhad	GMB MK	Add	2.94	3.30	956	19.3	18.3	5.9%	3.59	3.59	18.5%	18.6%	19.6%	13.4	12.9	5.1%	5.2%
Unisem	UNI MK	Add	1.80	2.50	334	11.1	9.3	0.0%	0.88	0.85	11.0%	7.9%	9.3%	3.3	2.5	6.1%	5.6%
Average						20.9	18.7	0.8%	2.23	2.13	13.5%	11.3%	12.1%	16.1	15.9	3.7%	5.1%

SOURCES: CIMB, BLOOMBERG, COMPANY REPORTS

Figure 3: Sector comparisons – Small cap picks

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
AWC Berhad	AWCF MK	Add	0.75	1.28	51	8.7	8.2	10.8%	1.25	1.14	14.6%	14.9%	14.6%	4.2	3.9	3.0%	3.7%
Bonia Corporation	BON MK	Add	0.41	0.73	83	10.1	9.3	5.3%	0.70	0.67	7.3%	6.9%	7.3%	3.3	2.8	3.1%	3.1%
CCK Consolidated Holdings Bhd	CCK MK	Add	1.45	1.86	115	13.5	11.9	30.6%	1.59	1.46	11.3%	12.3%	12.8%	7.0	6.0	0.0%	2.7%
EITA Resources Bhd	EITA MK	Add	1.40	2.52	46	7.1	6.7	7.3%	1.02	0.92	13.4%	14.6%	14.5%	3.8	3.2	3.8%	4.4%
LBS Bina Group	LBS MK	Add	0.95	1.25	371	11.2	9.9	-18.7%	0.45	0.42	8.3%	9.8%	10.5%	7.7	4.9	6.3%	2.7%
Muhibbah Engineering	MUHI MK	Add	3.04	3.49	370	10.8	10.0	14.8%	1.36	1.30	13.0%	13.3%	14.3%	11.4	3.7	2.0%	2.0%
Average						10.3	9.3	8.3%	1.06	0.98	11.3%	12.0%	12.3%	6.2	4.1	3.0%	3.1%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Pakatan Harapan wins GE14

Opposition wins GE14

14th General Election results >

After more than 61 years in power, Barisan Nasional (BN) has lost the 14th general election to the Pakatan Harapan bloc led by Tun Dr Mahathir.

The Pakatan Harapan bloc consists of Tun Mahathir's Parti Pribumi Bersatu Malaysia (Bersatu), Datuk Seri Anwar Ibrahim's Parti Keadilan Rakyat (PKR), the Chinese-dominated Democratic Action Party (DAP) and Parti Amanah (Amanah), a split-off of Parti Islam Semalaysia (PAS).

Pakatan Harapan (PH), together with Warisan, won 121 or 54.5% of 222 seats in Parliament and increased its control of Malaysia's 13 states from two (Penang and Selangor) to six (Johor, Melaka, Negri Sembilan, Penang, Selangor and Perak).

Malaysia's former premier Tun Mahathir Mohamed is likely to be sworn in as the next Prime Minister while Datuk Seri Dr Wan Azizah is likely to be appointed Deputy Prime Minister. As for the new cabinet, there will likely be balanced distribution between the parties that are aligned to Pakatan Harapan (PH).

Meanwhile, Islamic-centric Parti Islam Semalaysia (PAS) won 18 or 8% of the seats in Parliament, retained its stronghold of Kelantan, and recaptured the Terengganu state government.

BN won 79 seats in parliament against its 2008/2013 achievement of 140/133 seats, which represents 36% of the 222 parliament seats. This is a significant decline from its 60% share of parliament seats in GE13. BN hung on to Perlis and Pahang but lost Johor, Melaka, Negri Sembilan, and Perak

At the point of writing, Kedah and Sabah states have hung assemblies.

Figure 4: Performance of political parties in GE13 and GE14 (Parliament seats)

Party	Leader	GE13	% of total	GE14	% of total
Barisan Nasional	Datuk Seri Najib Tun Razak	133	60%	79	36%
DAP	Lim Kit Siang	38	17%	42	19%
PKR	Datuk Seri Wan Azizah	30	14%	49	22%
Amanah	Mohamad Sabu	Founded in 2015		10	5%
Bersatu	Dr Mahathir Mohamad	Founded in 2016		12	5%
PAS	Datuk Seri Abdul Hadi Awang	21	9%	18	8%
Warisan	Datuk Seri Mohd Shafie Apdal	Founded in 2016		8	4%
Star	Datuk Dr Jeffrey Kitingan			1	0%
Independent				3	1%
Total		222	100%	222	100%

SOURCES: CIMB RESEARCH, Bernama

Figure 5: State seats won by Barisan Nasional and Pakatan Harapan coalitions

	GE13			GE14				Total
	BN	Opposition	Total	BN	PH	PAS	Others	
Perlis	13	2	15	10	3	2	0	15
Kedah	21	15	36	3	18	15	0	36
Kelantan	12	33	45	8	0	37	0	45
Terengganu	17	15	32	10	0	22	0	32
Pulau Pinang	10	30	40	2	37	1	0	40
Perak	31	28	59	27	29	3	0	59
Pahang	30	12	42	25	9	8	0	42
Selangor	12	44	56	4	51	1	0	56
Negeri Sembilan	22	14	36	16	20	0	0	36
Melaka	21	7	28	13	15	0	0	28
Johor	38	18	56	19	36	1	0	56
Sabah	48	12	60	29	8	0	23	60
Sarawak								
Total	275	230	505	166	226	90	23	505

SOURCES: CIMB RESEARCH, Election Commission

Figure 6: General elections results (Parliamentary seats)

Year	1959	1964	1969	1974	1978	1982	1986	1990	1995	1999	2004	2008	2013	2018
BN	74	89	74	135	130	132	148	127	162	148	199	140	133	79
PAS	13	9	12	-	5	5	1	7	7	27	6	23	21	18
Keadilan	-	-	-	-	-	-	-	-	-	5	1	31	30	49
DAP	-	-	13	9	16	9	24	20	9	10	12	28	38	42
Others*	14	6	44	10	1	-	-	22	14	3	-	-	-	31
Independent	3	-	1	-	2	8	4	4	-	-	1	-	-	3
Total	104	104	144	154	154	154	177	180	192	193	219	222	222	222
BN	71.2%	85.6%	51.4%	87.7%	84.4%	85.7%	83.6%	70.6%	84.4%	76.7%	90.9%	63.1%	59.9%	35.6%
PAS	12.5%	8.7%	8.3%	0.0%	3.2%	3.2%	0.6%	3.9%	3.6%	14.0%	2.7%	10.4%	9.5%	8.1%
Keadilan	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%	14.0%	13.5%	22.1%
DAP	0.0%	0.0%	9.0%	5.8%	10.4%	5.8%	13.6%	11.1%	4.7%	5.2%	5.5%	12.6%	17.1%	18.9%
Others	13.5%	5.8%	30.6%	6.5%	0.6%	0.0%	0.0%	12.2%	7.3%	1.6%	0.0%	0.0%	0.0%	14.0%
Independent	2.9%	0.0%	0.7%	0.0%	1.3%	5.2%	2.3%	2.2%	0.0%	0.0%	0.5%	0.0%	0.0%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Others comprises of Pakatan Harapan's Coalition parties, Warisan, Bersatu, Amanah as well as non PH coalition party, STAR

SOURCES: CIMB, ELECTION COMMISSION, PRESS REPORTS

Potential impact on stock market ►

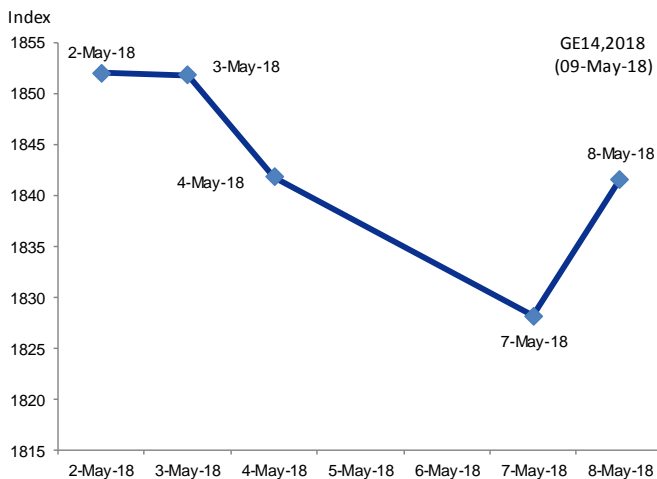
Going into GE14, the market has priced in a BN win. As such, this unexpected election results outcome will likely heighten political uncertainties in the short term. Questions will arise on the stability of the new government as the component parties may have opposing beliefs and might have clashed in the past.

Recall that in the first trading session after the 2008 elections, the KLCI had hit its 10% limit-down, with circuit breakers kicking in for the first time ever. We expect significant stock market volatility this time round too. However, the impact may be partially mitigated by the new government's plans to improve institutional and political reforms.

Investors will ponder on the policies of the new government based on their joint manifesto. As many of the promises made are perceived to be populist, the impact would generally be positive for the average Malaysians but potentially negative for various companies and sectors, at least sentiment-wise.

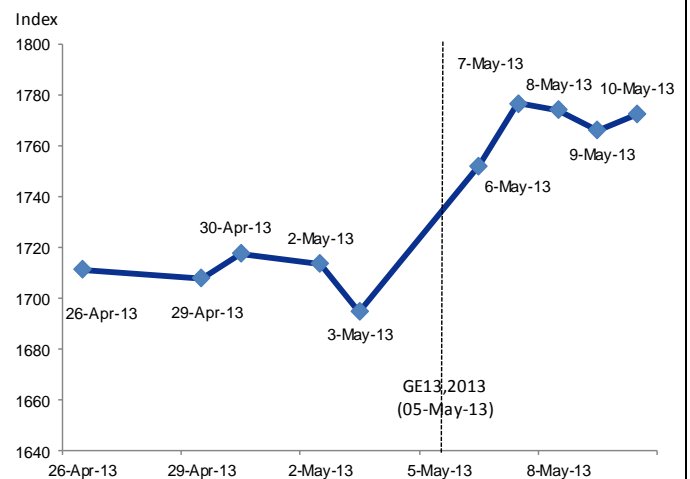
Whether or not these promises would be pursued is uncertain, but the market will likely react to the winning and losing sectors/stocks in the immediate term. In this piece, we analyse PH's policies as highlighted in its manifesto, and the impact on the economy and selected sectors should its policies be implemented.

Figure 7: KLCI - 1 week before GE14



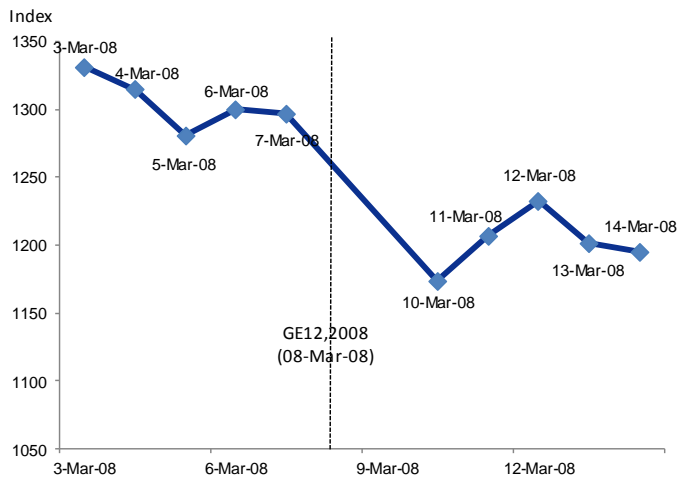
SOURCES: CIMB RESEARCH, ELECTION COMMISSION, BLOOMBERG

Figure 8: KLCI - 1 week before and after GE13



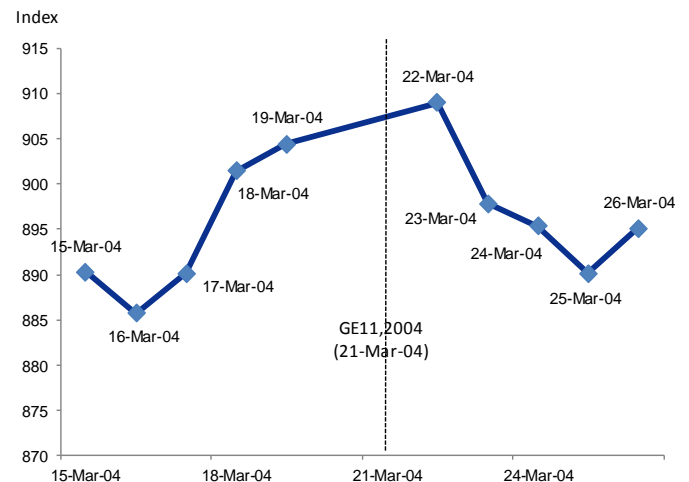
SOURCES: CIMB RESEARCH, ELECTION COMMISSION, BLOOMBERG

Figure 9: KLCI - 1 week before and after GE12



SOURCES: CIMB RESEARCH, ELECTION COMMISSION, BLOOMBERG

Figure 10: 1 week before and after GE11



SOURCES: CIMB RESEARCH, ELECTION COMMISSION, BLOOMBERG

Potential economic impact ►

Pakatan Harapan expects to unveil a comprehensive reform plan within its first 100 days in office which could change the complexion of fiscal policy significantly, as it has campaigned against several cornerstone policies of the outgoing Barisan Nasional administration.

We caution that it remains premature to judge the scale and scope of the eventual fiscal overhauls, given the political and bureaucratic delays likely to accompany Malaysia's first change in government since independence.

Uncertainty during the transition process may weigh on business and market sentiment but we believe the boost to household purchasing power provides a sufficient counterweight. For now, we remain constructive on Malaysia's economic prospects in 2018F, and keep our GDP growth forecast unchanged at 5.2% pending further policy clarity from the incoming government.

Measures proposed to alleviate the rising cost of living, a dominant theme in Pakatan Harapan's campaign, tilt the scales in favour of households and underpin a resilient consumer spending outlook in 2H18F. To this end, Pakatan Harapan has pledged to roll back the Goods and Services Tax (GST) and reintroduce the Sales and Services Tax (SST), which we estimate will reduce the government's fiscal revenues by about RM20bn or 1.6% of GDP.

It is not immediately clear if Pakatan Harapan plans 1) to offset the expected drag to the budget deficit by rationalising other areas of operating expenditure, and/or cutting development expenditure, or 2) to tolerate a wider budget deficit, which is positive for growth prospects but may fan inflationary pressure, raise sovereign bond yields and accelerate the normalisation of monetary policy.

Pakatan Harapan has promised to review major public projects, including those financed outside of the development budget such as the East Coast Rail Link (ECRL) and the Kuala Lumpur-Singapore High Speed Rail (HSR), as well as improve transparency and accountability in government procurement processes, which may slow the pace of investment outlays over the short and medium term. Other key policy goals outlined in the Pakatan Harapan Manifesto and 'First 100 Days Fiscal Reforms' include:

- Reprioritising publicly funded projects
- Stabilising retail petrol prices and introducing targeted petrol subsidies,
- Equalising the minimum wage nationally followed by gradual increases,
- Abolishing debts imposed on Felda settlers,
- Introducing Employees Provident Fund (EPF) contributions for housewives,
- Postponing the repayment of Perbadanan Tabung Pendidikan Tinggi Nasional (PTPN) or National Higher Education Fund Corporation loans for graduates earning below RM4,000/month and abolishing the blacklisting policy.

Figure 11: Pakatan Harapan's first 100 days fiscal reform

PAKATAN HARAPAN MEDIA STATEMENT	
	Federal government budget and finances
Key focus areas	Accrual accounting and asset-liability management Outstanding government debt obligations, including government guaranteed debt and foreign obligations.
Revenue	Assess the entire revenue base of the Federal government to improve its breadth, responsiveness and progressiveness. Improve accountability of state owned enterprises and other public assets to enhance efficiency, accountability and revenue contribution.
Expenditure	Review all major public projects, especially those financed outside of the development budget, and related contingent liabilities. Review incurred future debt-related operating expenditure commitments. Reprioritise publicly funded projects responsibly. Shift expenditure allocations to prioritise general wellbeing, including social protection for the disadvantaged. Ensure government procurement by open tender.
Deficit and Liabilities	Reduce borrowing and restructure liabilities to ensure greater fiscal sustainability. Fully account for federal government liabilities – both direct and contingent liabilities incurred via government guarantees.
Inter-governmental fiscal relations	Restructure federal-state-local government relations to more equitably share revenues and costs of providing public infrastructure and services. In this regard, special consideration will be given in the spirit of the constitutional commitments made in the 1963 Malaysia Agreement to Sabah and Sarawak.
Accrual accounting and asset-liability management	Adopt accrual accounting to better take stock of federal government's assets and improve the asset-liability management framework that would identify mismatches and risk.
Sovereign risk and capital market management	Evaluate and consider better market instruments to manage liquidity and price sovereign risks more effectively. The treasury function of the Federal Treasury will be enhanced and the pricing of government-guaranteed liability improved.

SOURCES: PAKATAN HARAPAN MEDIA STATEMENT

Figure 12: Pakatan Harapan's Manifesto

Theme 1 To ease the cost of living burden of the people	
	<ul style="list-style-type: none"> Remove the 6% GST with the reintroduction of SST Ease cost of living pressure <ul style="list-style-type: none"> Review monopoly position i.e. ASTRO in broadcasting, BERNAS for rice Cooperate with suppliers to ensure adequate goods supply during festive seasons Lower excise duties for imported car with engine capacity <1,600cc for first time buyers (only eligible for one car per household with monthly income <RM8k) Abolish tolls in stages Improve income distribution <ul style="list-style-type: none"> Keep BR1M, but with a new special agency to take over the scheme and introduce a non-partisan cash transfer system Establish an integrated national database of the people's socio-economic information by integrating all available information that is currently located in separate agencies and bodies Raise royalty payments for petroleum and hydrocarbon resources of Sabah and Sarawak from 5% to 20% Affordable housing and rent-to-own (RTO) scheme <ul style="list-style-type: none"> Expand RTO scheme nationwide Encourage banks to roll out RTO scheme with private developers and secondary market Set a time limit within which housing project shall be completed so that no company holds land without developing it Incentives to small- and medium-sized bumiputra developers to compete with large corporations Revamp PR1MA plans to avoid exploitation by developers to obtain lands at the cheap price but build only a small amount of affordable houses Establish a National Affordable Housing Council to oversee the development of affordable housing projects Provide 1m affordable houses in 10 years Reduce cost of living pressure among the young people <ul style="list-style-type: none"> Give priority to young people on affordable housing and RTO scheme Lower excise duties for imported car with engine capacity <1,600cc for first time buyers Allow deferred payment of PTPN for those with a monthly salary below RM4k and repeal the blacklist system. Discount or waiver of PTPN loan will be given to outstanding students or those from low income group Incentives for marriage (currently implemented in Selangor) will be introduced nationwide Tax incentives to companies that help to pay employees' PTPN loan Make Internet connection speeds two times faster at half the price Abolish tolls <ul style="list-style-type: none"> Review all the highway concession agreement and provide compensation to take over the highways with the ultimate aims to abolish toll in stages Introduce targeted fuel subsidy <ul style="list-style-type: none"> Provide appropriate monthly fuel subsidy to eligible group with motorcycles <125cc and cars <1,600cc Integrate the provision of targeted fuel subsidy with identity card Improve quality and coverage of public transportation <ul style="list-style-type: none"> Provide incentives to bus companies to provide service in suburb and rural areas Reduce license fee of school bus Introduce public transport pass in major cities for only RM100 per month Provide an additional 10,000 public bus nationwide in 5 years Improve access and quality of health services <ul style="list-style-type: none"> Increase health allocation to 4% of GDP in government budget (from 2% currently) Introduce health scheme (currently implemented in Selangor) nationwide which provide RM500 a year to B40 households to visit private clinic for primary care Increase service coverage through cooperation between public and private healthcare services Mandatory pneumococcal vaccination for children below 2 years Guarantee basic food needs of the people and farmers' welfare <ul style="list-style-type: none"> Re-evaluate National Food Security policies by leveraging the latest agriculture technology Provide assistance to farmers on the access of technology to increase their income Provision of subsidy will be managed by relevant government agencies Review rice subsidy mechanism to ensure fairness Provide cash assistance to qualified farmers to buy quality seeds and fertilisers Introduce Takaful protection scheme for the protection and welfare of the farmers, fishermen and breeders Provide assistance to those affected by bad weather or disease attack

SOURCES: PAKATAN HARAPAN MANIFESTO

Figure 13: Pakatan Harapan's Manifesto

Theme 2 To reform the nation's administrative institutions and politics
<ul style="list-style-type: none"> ● Restore the dignity of Malays and its institutions <ul style="list-style-type: none"> - Re-establish the Council People's Harmony Consultation, such as the one existed during the administration of the late Tun Abdul Razak - Increase Malay and Bumiputera equity ownership by buying out selected GLCs (management buyout) ● Limit terms of PM and restructure PM department <ul style="list-style-type: none"> - Limit the term of PM to two terms - PM will not be allowed to hold other minister positions, especially finance minister - Reduce the number of ministers at PM's department to 3 (currently 10 ministers and 3 deputy ministers) - Reduce allocation to PM's department to RM8bn (from >RM17bn currently) - Reduce the number of agencies under PM's department to appropriate ministries ● Set up Royal Commissions of Inquiry to investigate institutions such as 1MDB, FELDA, MARA and LTH and to restructure their management ● Reform Suruhanjaya Pencegahan Rasuah Malaysia and empower its role to fight corruption ● Separate the Prosecutor's Office from the Attorney General's Office ● Reinstate the authority of parliament <ul style="list-style-type: none"> - Reintroduce Akta Perkhidmatan Parliamen 1963 ● Ensure transparency and modernise election system <ul style="list-style-type: none"> - Lower legal voting age from 21 to 18 - Implement automatic voter registration upon reaching eligible voting age ● Establish an integrated political funding mechanism <ul style="list-style-type: none"> - Eligible parties will receive funding from government in accordance to transparent the consistent formulae - Set up a special committee to draft Political Financing Control Act - All funding must come from recognised sources - Political parties to submit audited annual financial report - Political parties shall not own assets more than RM1bn - Prohibit GLCs from making contribution ● Restore trust towards judicial and legal institutions <ul style="list-style-type: none"> - Make the Malaysian Armed Forces and the Royal Malaysian Police Force as a respected and respected troops ● Empower public services ● Ensure GLCs administration to be on par with international standard ● Improve efficiency of government procurement system ● Realise the true spirit of the federalism concept ● Strengthen the roles and authority of the local authority ● Make Malaysia a country with world-renowned human rights ● Eliminate tyrant laws ● Build a creative youth generation ● Increase transparency of budgeting process
SOURCES: PAKATAN HARAPAN MANIFESTO

Figure 14: Pakatan Harapan's Manifesto

Theme 3 To shape the nation's economy in a fair and just manner
<ul style="list-style-type: none"> ● Advance the Bumiputera economy and all peoples of all nations ● Stimulate investment and simplify business processes and trade ● Introduce people- and corporate-friendly tax system ● Establish an Opportunity Commission Fair Work ● Increase people's income ● Raise workers' welfare ● Provide EPF for housewives ● Ensure the long-term wellbeing of the people ● Defend the fate of Indigenous People in peninsular Malaysia ● Balance the economic development with environmental protection
SOURCES: PAKATAN HARAPAN MANIFESTO

Figure 15: Pakatan Harapan's Manifesto

Theme 4 To reinstate the rights and status in Sabah and Sarawak as enshrined in the Malaysia Declaration 1963
<ul style="list-style-type: none"> ● Establish Special Committee Cabinet to check and implement the Malaysia Agreement 1963 ● Ensure faster expansion of Sabah and Sarawak economy ● Create more high paying job opportunities ● Make Sabah and Sarawak a model of harmony society ● Improve the quality of education and health services ● Defend the fate of rural and indigenous people ● Defend sovereignty and Sabah security ● Decentralization of power to Sabah and Sarawak ● Return and guarantee the rights of customary land of the people of Sabah and Sarawak
SOURCES: PAKATAN HARAPAN MANIFESTO

Figure 16: Pakatan Harapan's Manifesto

Theme 5 To build an inclusive, moderate and bright Malaysia in the international arena
<ul style="list-style-type: none"> • Make government schools the best choice for its people - Provide more assistance to B40 and M40 i.e. quota to enter sekolah berasrama penuh (SBP) and Maktab Rendah Sains MARA (MRSM), especially those in rural area and FELDA - Increase the number of scholarships to B40 and M40 - Reduce teachers' administrative burden i.e. teaching assistant and improve IT system - Set up TVET boarding school for outstanding students
<ul style="list-style-type: none"> • Restore the authority and independence of public universities and institutes of higher learning - Provide free education at public university and public institution of higher learning
<ul style="list-style-type: none"> • Advance the interests of the disabled • Fight crime and social ills • Promote the integrity of family institution and neighbourliness • Empower societal institutions, civil society and social entrepreneurship • Increase the space for and diversify the activities of young people • Establish a Consultative Council for People's Harmony • Make Malaysia a country known for its integrity, not corruption • Defend and protect the country's borders from external invasion, trafficking and smuggling • Lead efforts to resolve the Rohingya and Palestine crises • Promote Malaysia's role in international institutions

SOURCES: PAKATAN HARAPAN MANIFESTO

Figure 17: Pakatan Harapan's 10 promises within 100 days of administration

10 promises within 100 days of administration
1 Remove GST and lower cost of living with various incentives
2 Stabilise petrol price with the introduction of targeted fuel subsidy
3 Abolish the loans of FELDA settlers
4 Introduce an EPF contribution scheme for housewives
5 Equalise minimum wage between Peninsula and Sabah and Sarawak and increase minimum wage
6 Allow deferred payment of PTPTN for those with a monthly salary below RM4k and repeal the blacklist system
7 Set up Royal Commissions of Inquiry to investigate institutions such as 1MDB, FELDA, MARA and LTH and to restructure their management
8 Set up a special Cabinet Committees to return the rights of Sabah and Sarawak under the 1963 Malaysian Agreement
9 Provide assistance RM500 for the B40 group to access basic health treatment at registered private medical institutions
10 Conduct detailed reviews of mega projects in Malaysia with foreign participation

SOURCES: PAKATAN HARAPAN MANIFESTO

Potential impact on KLCI ➤

Quantifying the effects of a PH victory on the market is tricky, given the repercussions not only for individual companies and sectors, but also sentiment and confidence.

We are of the view that foreign investors will be negatively surprised by the election results and may take money off the table in the immediate term due to short-term uncertainties. Furthermore, the KLCI has done well YTD gaining 3% and since the dissolution of Parliament, it has gained 1%, suggesting that the market is not pricing in any surprise GE14 results. The latest foreign shareholding for KLCI was 24.1% as at end-April 2018. The banking stocks that have gained from foreign fund inflows may see some selling pressure when the market reopens.

However, this negative may be partially offset by the PH manifesto to improve institutional and political reforms, which will be viewed positively by the market in the long term. In its manifesto, PH pledges to resolve the mega scandals at 1Malaysia Development Bhd (1MDB), the Federal Land Development Authority (FELDA), Majlis Amanah Rakyat (MARA) and Tabung Haji.

We think a review of FELDA will augur well for Felda Global Ventures Holdings Bhd (FGV), which has seen some selling pressure recently, which we believe was due to concerns over the potential injection of Indonesian assets as reported by International Palm Oil Monitor (IPOM).

We are of the view that market will be closely watching the political transition, which will start off by the swearing in of Tun Dr Mahathir Mohamad as the 7th Prime Minister, followed by the announcement of the new cabinet line-up and the execution of the "10 promises in 100 days" in the PH manifesto which are :

- (1) abolish GST
- (2) stabilise the price of petrol and introduce targeted petrol subsidies
- (3) abolish unnecessary debts that have been imposed on FELDA settlers
- (4) introduce EPF contributions for housewives
- (5) equalise minimum wage nationally and start the process to increase minimum wage

- (6) postpone the repayment of PTPTN to all graduates whose salaries are below RM4,000 per month and abolish all blacklisting policy
- (7) Set up Royal Commission of Inquiry on 1MDB, FELDA, MARA and Tabung Haji and to reform the governance of these bodies
- (8) Set up a Special Cabinet Committee to properly enforce the Malaysia Agreement 1963
- (9) Introduce Skim Peduli Sihat with RM500 worth of funding for the B40 group for basic treatments in registered private clinics
- (10) Initiate a comprehensive review of all megaprojects that have been awarded to foreign countries.

Based on PH's 100 days manifesto, we see very limited impact on KLCI earnings (based purely on the top 30 stocks in KLCI) except in the form of potentially slower loan growth in the near term for banks due to short-term uncertainties.

Construction sector will likely see the biggest short-term negative impact based on the manifesto as the government plans to initiate a comprehensive review of all mega projects that have been awarded to foreign countries. Our construction analyst Sharizan Rosely highlighted that there is potential downside risk to the order book replenishment outlook for contractors across the board.

Using the anecdotal example of 2008 (GE12) when selected mega contracts were cancelled, deferred, or reviewed, we highlighted that three months prior to GE12, the KLCON Index de-rated 16% and declined a further 13% in the three months post-GE12. In all likelihood, there could be more downside to KLCON Index's 11% decline YTD.

Among stocks under our coverage, we believe the top losers are 1) Gamuda – for its extensive tender exposure to MRT 3, HSR and highway concessions, 2) YTL Corp – for its exposure to HSR and Gemas-JB rail double tracking, 3) MRCB – for its exposure to HSR and Eastern Dispersal Link (EDL), 4) Protasco – for its exposure to government road maintenance and housing projects, and 5) IJM Corp – for its exposure to highways and rail contracts.

The abolishment of GST and plans to raise the minimum wage under PH manifesto will help boost consumption and benefit consumer stocks like BAT, F&N, Nestle, CCK, QL Resources, Bonia, Kawan Food as well as tobacco (British American Tobacco) and brewery (Carlsberg and Heineken) counters.

However, this gains could be offset by potential earnings risks in the form of higher labour costs due to plans to raise minimum wage (though Pakatan Harapan has indicated that it will share half of the incremental costs). This will affect industries with high foreign labour as well as labour costs such as the manufacturing and agribusiness sectors.

Other sectors that could be impacted by the new PH policies are Astro as PH plans to review companies with monopolistic holds such as Astro in pay-TV market. Astro's exclusive direct-to-home licence already expired in 2017, which paved the way for new players such as Ansa Broadcast to enter the market. As such, we see downside risk to Astro if the PH government prevents Astro from having exclusive content ownership for popular intellectual properties (IPs) such as English Premier League (EPL) etc.

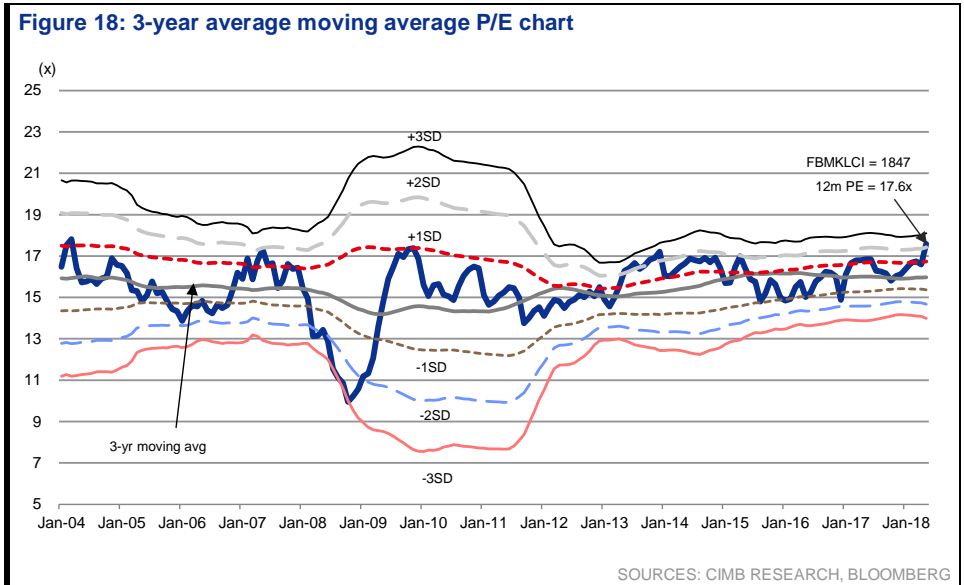
Companies that are perceived to be politically-linked to the previous government like MyEG, Prestariang, Destini, may see selling pressure as well.

In its manifesto, PH revealed that it will instruct government-linked corporations (GLCs) to galvanise the efforts to increase Bumiputera equity holding in the country. PH plans to improve the corporate governance of GLCs at the national and state levels so that they can make a bigger contribution to the country's economic growth. This will be positive for the market in the long term.

Although the election results are a negative surprise for the market due to short-term uncertainties, we view any major sell-off in the market as a buying opportunity for well-managed companies with good dividend yields. How long will the market suffer selling pressure is harder to predict. It could be a matter of days, weeks or months, and will ultimately depend on the severity of the sell-off.

Assuming the market falls by 1-2 standard deviations from Tuesday's close, which we estimate is equivalent to a 4-8% plunge (or 70-140 points), valuations would become very attractive and investors would bottom-fish for bombed-out sectors/stocks.

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Strategy wise, in the short term, we advise investors to sell high-beta, cyclical sectors and stocks perceived to have strong political connections. We advise investors to accumulate consumer stocks, selective small cap stocks exposed to the consumer sector, well-managed companies with defensive earnings qualities like utilities and telcos, as well as export-oriented industries as they will be least affected by this development.

We believe many of the final policies by the new government will likely be more moderate than first impressions, and would take into consideration feedback from the corporate sector. This should gradually entice the return of risk appetites.

Historically, the market has done well in the longer term following a general election. Taking a look at the past nine general elections, we found that the market has on average gained 3.7% three months after the general elections and 9% 12 months after.

We lower our end-2018 KLCI target from 1,880 to 1,820 points as we lower our market P/E to 16x from 15.4x to reflect short-term uncertainties but retain our key top picks -- Axiata, Dialog and Westports.

Figure 19: Short-term KLCI performance before and after General Elections (GE)

Date	Election	3 months	1 month	1 week	1 week	1 month	3 months
		before GE	before GE	before GE	after GE	after GE	after GE
22-Apr-82	1982	-11.7%	2.7%	2.7%	1.0%	1.0%	-16.0%
2-Aug-86	1986	23.4%	-2.9%	-2.9%	11.8%	11.8%	28.6%
20-Oct-90	1990	-23.8%	-8.1%	-8.1%	0.0%	0.0%	2.2%
24-Apr-95	1995	14.7%	1.8%	1.8%	5.3%	5.3%	7.2%
29-Nov-99	1999	-2.8%	0.4%	0.4%	7.9%	7.9%	31.9%
21-Mar-04	2004	17.5%	5.0%	5.0%	-4.8%	-4.8%	-9.1%
8-Mar-08	2008	-9.6%	-8.4%	-8.4%	-5.8%	-5.8%	-3.7%
5-May-13	2013	4.1%	0.4%	0.4%	4.8%	4.8%	5.2%
9-May-18	2018	-0.5%	-1.2%	-1.2%	0.0%	0.0%	0.0%
	Average	1.3%	-1.1%	-1.1%	2.5%	2.5%	5.8%
	Median	-0.5%	0.4%	0.4%	2.9%	2.9%	3.7%

SOURCE: CIMB RESEARCH, COMPANY

Figure 20: Long-term KLCI performance before and after General Elections (GE)

Date	Election	12 months	9 months	6 months	3 months	1 month	1 month	3 months	6 months	9 months	12 months
		before GE	before GE	before GE	before GE	before GE	after GE	after GE	after GE	after GE	after GE
22-Apr-82	1982	-35.1%	-25.2%	3.4%	-11.7%	2.7%	1.0%	-16.0%	-11.6%	-5.3%	16.2%
2-Aug-86	1986	-25.9%	-26.8%	0.4%	23.4%	-2.9%	11.8%	28.6%	32.8%	72.5%	114.1%
20-Oct-90	1990	-2.2%	-15.9%	-12.0%	-23.8%	-8.1%	0.0%	2.2%	24.9%	23.0%	8.3%
24-Apr-95	1995	-6.1%	-5.0%	-12.1%	14.7%	1.8%	5.3%	7.2%	-1.6%	8.4%	20.4%
29-Nov-99	1999	49.8%	44.4%	0.4%	-2.8%	0.4%	7.9%	31.9%	21.6%	7.2%	-1.0%
21-Mar-04	2004	43.1%	32.6%	21.5%	17.5%	5.0%	-4.8%	-9.1%	-5.0%	0.0%	-2.1%
8-Mar-08	2008	9.0%	-4.7%	-0.7%	-9.6%	-8.4%	-5.8%	-3.7%	-17.4%	-34.6%	-33.8%
5-May-13	2013	6.5%	3.6%	2.3%	4.1%	0.4%	4.8%	5.2%	6.8%	6.4%	9.8%
9-May-18	2018	4.4%	4.5%	5.5%	1.9%	0.5%	n.a.	n.a.	n.a.	n.a.	n.a.
	Average	4.8%	0.8%	1.0%	1.5%	-1.0%	2.5%	5.8%	6.3%	9.7%	16.5%
	Median	4.4%	-4.7%	0.4%	1.9%	0.4%	2.9%	3.7%	2.6%	6.8%	9.1%

SOURCE: CIMB RESEARCH, ELECTION COMMISSION, BLOOMBERG

Figure 21: Sectoral performance during the GE12, 2008 period when opposition win big

	12mth before	9mth before	6mth before	3mth before	3mth after	6mth after	9mth after	12mth after
	GE	GE	GE	GE	GE	GE	GE	GE
FTSE Bursa Malaysia KLCI	9.2%	-4.1%	-0.7%	-9.6%	-3.7%	-17.0%	-35.3%	-33.8%
FTSE BM Hijrah Shariah	35.9%	11.7%	15.0%	-6.1%	-5.9%	-23.4%	-41.5%	-37.1%
Bursa Malaysia Industria	18.3%	5.3%	9.4%	-6.9%	-5.2%	-18.2%	-27.4%	-25.1%
Bursa Malaysia Technolog	-24.1%	-24.0%	-15.7%	-9.8%	-8.1%	-19.1%	-38.3%	-43.4%
FTSE Bursa Malaysia ACE	n.a	n.a	n.a	-18.7%	-4.7%	-14.7%	-34.8%	-38.1%
FTSE Bursa Mal Mid 70 IX	0.9%	-12.5%	-10.4%	-14.2%	-5.8%	-18.3%	-39.9%	-35.9%
FTSE BURSA MAL TOP 100	10.4%	-3.1%	0.4%	-8.6%	-5.6%	-18.2%	-37.7%	-35.9%
FTSE Bursa Mal Small Cap	20.9%	-2.8%	-6.9%	-13.0%	-1.9%	-16.6%	-37.7%	-40.2%
FTSE BURSA MALAYSIA EMAS	11.6%	-3.0%	-0.5%	-9.2%	-5.1%	-18.1%	-37.7%	-36.3%
FTSE Bursa Mal Fledgling	-0.5%	-10.1%	-15.1%	-15.1%	-2.4%	-13.0%	-29.9%	-32.5%
Bursa Malaysia Construct	3.8%	-14.1%	-11.6%	-16.4%	-13.0%	-25.5%	-40.4%	-37.1%
Bursa Malaysia Finance	-0.2%	-8.5%	-6.9%	-10.6%	-3.9%	-11.0%	-34.0%	-34.1%
Bursa Malaysia Plantatio	67.9%	22.6%	30.2%	1.8%	0.3%	-29.0%	-51.3%	-43.7%
Bursa Malaysia Property	4.2%	-23.4%	-24.7%	-19.6%	-8.1%	-22.4%	-40.3%	-38.4%
Bursa Malaysia Consumer	14.6%	4.2%	1.6%	-6.1%	3.7%	-6.5%	-14.0%	-11.4%
Bursa Malaysia Mining	-19.5%	-24.2%	-16.5%	-15.0%	-1.1%	-12.6%	-33.0%	-34.6%
Bursa Malaysia Trad/Svc	7.5%	-3.6%	-1.7%	-9.9%	-5.3%	-18.1%	-34.8%	-34.7%
FTSE MALAYSIA EMASSHARI	19.3%	0.0%	2.8%	-9.0%	-4.6%	-21.4%	-40.0%	-36.9%

SOURCES: CIMB RESEARCH, BLOOMBERG

Figure 22: Sectoral performance during the GE14, 2018 period

	12mth before	9mth before	6mth before	3mth before	3mth after	6mth after	9mth after	12mth after
	GE14	GE14	GE14	GE14	GE14	GE14	GE14	GE14
FTSE Bursa Malaysia KLCI	3.7%	2.8%	4.4%	-0.5%				
FTSE BM Hijrah Shariah	4.3%	5.5%	4.2%	-0.2%				
Bursa Malaysia Industria	-1.6%	-2.9%	-0.3%	-1.8%				
Bursa Malaysia Technolog	-8.9%	-19.1%	-23.5%	-19.0%				
FTSE Bursa Malaysia ACE	-18.9%	-21.7%	-24.8%	-17.1%				
FTSE Bursa Mal Mid 70 IX	0.7%	1.3%	-2.3%	-5.6%				
FTSE BURSA MAL TOP 100	2.8%	2.3%	2.6%	-1.9%				
FTSE Bursa Mal Small Cap	-18.7%	-16.0%	-17.3%	-11.6%				
FTSE BURSA MALAYSIA EMAS	1.2%	1.0%	1.1%	-2.5%				
FTSE Bursa Mal Fledgling	-16.7%	-13.6%	-15.1%	-8.9%				
Bursa Malaysia Construct	-17.8%	-17.1%	-13.0%	-8.4%				
Bursa Malaysia Finance	9.6%	5.7%	9.0%	1.1%				
Bursa Malaysia Plantatio	-2.8%	-0.4%	-2.1%	-1.6%				
Bursa Malaysia Property	-19.4%	-15.4%	-14.1%	-10.2%				
Bursa Malaysia Consumer	8.3%	7.5%	8.2%	2.6%				
Bursa Malaysia Mining	76.6%	75.2%	50.0%	1.9%				
Bursa Malaysia Trad/Svc	-5.3%	-2.4%	-2.7%	-4.1%				
FTSE MALAYSIA EMASSHARI	0.3%	1.7%	-0.6%	-2.8%				

SOURCES: CIMB RESEARCH, BLOOMBERG

Potential impact on sector

Agribusiness >

Pakatan Harapan plans to raise the minimum wage in Sabah and Sarawak to be equal that of Peninsular. It also plans to raise the minimum wage level to RM1,500 per month nationwide during its first term in power and will review this rate every two years. It plans to reduce the number of foreign workers from 6m to 4m in its first term.

We view this to be negative for planters, as a higher minimum wage will raise their costs of production (COP), unless it is offset by productivity gains. Assuming labour costs form around 50% of the estates' total costs of production and 50% of these labour costs are affected by the minimum wage, we estimate that production costs at the estates could rise 2-5% for pure planters in Malaysia for every RM100 per month change in minimum wage, leading to potential earnings cuts of up to 2-5% per annum.

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Automotive >

Pakatan Harapan plans to reduce excise duty on imported cars below 1,600cc for the first car. This will enable the purchase of a first car at lower price. To avoid abuse, only one car will be allowed for every family with household income below RM8,000 month.

The reduction in excise duties would be good for consumers and it could help to boost the total industry volume (TIV). Currently the total excise duties for passenger cars below 1,800cc stands at 75%, while the excise duty for other segments below 1,500cc such as multi-purpose vehicle (MPV), sports utility vehicle (SUV) and van stands at 60%. We think the exercise will potentially boost the sales for non-national brands such as Honda, Toyota and Nissan due to their mass market appeal, but could be negative for domestic players such as Proton and Perodua due to increasing competition.

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Banking & Finance >

Under its manifesto, Pakatan Harapan plans to widen the rent-to-own housing scheme nationally. It will cooperate with commercial banks so that rent-to-own schemes can be introduced by private developers as well in the secondary market.

This plan could be positive for banks as it could increase growth in the residential mortgages of banks. However, we think that the size of the new housing loans from this would be small relative to the total residential mortgages in the banking industry. However, this positive is more than offset by the short-term uncertainties due to the change in government, which may lead some businesses to temporarily hold back their investment plans. This could be detrimental for banks' loan growth in the short term.

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Construction and building materials >

Under PH's manifesto, it promised to initiate a comprehensive review of all mega projects awarded to foreign contractors within 100 days of coming to power.

Under a review of procurement process, PH targets to ensure that the government procurement process results in the best value for taxpayers' money. It also proposes that the Public-Private Partnership (PPP) Unit or Unit Kerjasama Awam Swasta (UKAS) be transferred from the Prime Minister's Department (PMD) to the Ministry of Finance (MOF), "to check the powers of the Minister and to eliminate corruption."

The only project that is off the reform agenda is the Pan Borneo Highway projects (Sarawak and Sabah). The completion of the two highways will be prioritised.

Key initiatives under PH's manifesto include:

- a) To assess whether China-funded contracts really benefit Bumiputera and SMEs.
- b) Transfer of UKAS from the Prime Minister's Office (PMO) to the Ministry of Finance (MOF).
- c) Review all highway concession agreements (CAs) with the aim of ceasing toll collection gradually.
- d) Acquisition of highways via expropriation clause.
- e) Elimination of politically-driven decision making in contract procurement.

Pakatan Harapan has mooted the idea of taking over highway concessions via expropriation clause, which is available in all highway concession agreements. The government may exercise the clause at any time with a three-month notice, should the government see that the expropriation is "in the national interest".

PH had earlier estimated that the takeover of all highways via expropriation clause would cost the government c.RM50bn vs. the estimated RM338bn estimated by the Barisan National (BN) government. Under PH, the takeover of highways will use a compensation formula based on the following:

- a) Value of construction works, plus capitalised interest costs.
- b) Interest of 12% to any loan extended by the shareholders of the concession, net interest or dividends which have already been paid.
- c) From our channel checks, we gathered that it also takes into account the deduction of loans to be assumed by the government, and grants already given by the government.

Under fiscal management, PH will conduct and publish forensic audits on the government's financials and off-balance sheet items. The Klang Valley Mass Rapid Transit (MRT), Light Rail Transit (LRT) Extension, LRT Line 3, the East Coast Rail Link (ECRL), the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Pan Borneo Highway were mentioned as part of the government's hidden expenses.

Figure 23: Pakatan Harapan's manifesto on construction sector

<u>Opposition's (PH) stance on construction contracts</u>	<u>Comments/Impact</u>
1) Initiate comprehensive review of all mega jobs awarded to foreign contractors	: ECRL - may impact outstanding tenders
2) To initiate reform on government tenders and procurement process	: Could impact all major rail contracts currently in tender phase
3) All announced mega projects to be reviewed in detail	: Potential delay in all new rail contracts
4) To re-assess whether China-funded contracts really benefit Bumiputera and SMEs	: Existing tenders and project structure could be reviewed
5) Transfer Public-Private Partnership Unit (UKAS) from PMD to MOF	: Phasing out of direct negotiated contracts
6) MOF to review all foreign-funded contracts - Eliminate politically-driven decision making	: Phasing out of direct negotiated contracts
7) Forensic audit on government's off-balance sheet items	: Reconstruction of funding structure/delay in financial close
8) KVMRT, LRT, ECRL, Pan Borneo Highway and HSR are deemed as "hidden expenses"	: Project cost/feasibility studies could be reviewed
9) Prioritising completion of Pan Borneo Highway (Sabah and Sarawak)	: The only two projects likely unaffected by a change in govt
10) Review all highway concession agreements (CA)	: Could be negative for highway concessions
11) Renegotiate all highway CA in view of ceasing toll charges gradually	: Could be negative for highway concessions
12) To grant "fair compensation" to toll concessionaires	: Could impact existing compensation granted to highways
13) Abolishment of tolls and takeover of highways via expropriation clause	: Takeover value less dividends and grants by government

SOURCES: CIMB, COMPANY REPORTS

Though it remains too early to assess the actual impact on construction contracts (new and ongoing) under PH, its manifesto, if put into effect, would pose uncertainties on the outlook of job flows, cause delay risks to all the high economic impact contracts which have crossed critical stages of approvals and tenders, and cast a negative sentiment on the sector. Our view is that a review of all mega projects and a reform on the existing construction tender and procurement process could, at the very least, result in contract delays.

There could be downside risks to contractors' order book replenishment across the board. YTD, several high-economic impact projects have crossed the critical stage of approvals with most in the execution stage. This is particularly so for the 1) RM55bn ECRL -- 13% completed; and 2) the RM50bn-60bn KL-Singapore HSR -- awarded two project delivery partner (PDP) contracts worth a combined RM30bn-40bn. The RM40bn-45bn MRT 3 (Circle Line) and RM12.9bn Gemas-JB rail double tracking have been approved but not officially awarded. Overall, the continuity of contract awards could be affected.

Figure 24: Status of large-scale projects in the pipeline as at end-Apr 2018

Projects	Value RM m	Category	Next milestone	Timeline for milestone	Funding	Led by
East Coast Rail Line (ECRL) - phases 1 & 2	55,000	Rail (non-urban)	Awards	1H18	Exim Bank of China	CCCC
KL-Singapore high speed rail (HSR)	60,000	Rail (urban)	AssetsCo & PDP awards	Mid/end-2018	Unknown	MyHSR
Klang Valley MRT 3 (KVMRT 3) - CIMB estimate	40,000	Rail (urban)	Cabinet approval	2H18	Foreign EPCC	MRT Corp
Gemas-JB double tracking	9,400	Rail (non-urban)	Awards	1H18	China/GoVt	China-led JV
JB-Singapore RTS Link (4km)	2,000	Rail (cross border)	Tenders	2H18	Unknown	Prasarana/S'pore SMRT
Sarawak (Kuching) LRT; 3 lines	10,800	Rail (urban)	Tenders	2019	GoVt	Unknown
Putrajaya Tram system	2,000	Rail (urban)	Request for proposal (RFP)	2019	GoVt	Unknown
Sabah rail upgrade for all ports	2,000	Rail (non-urban)	Cabinet approval	2018	GoVt	Rail Co.
Bandar Malaysia phase 1 (TOD)	10,000	Rail/commercial	Tenders	2018	Private sector	Unknown
Penang Transport Master Plan (phase 1) - LRT	5,000	Rail (urban)	Approvals & EIA	2H18	Private sector	PDP
Bus Rapid Transit (BRT): Kota Kinabalu	2,000	Bus	Approval	2H18	PPP/PFI/Concession	Prasarana
Bus Rapid Transit (BRT): Kuching, Sarawak	2,000	Bus	Approval	2H18	PPP/PFI/Concession	Prasarana
Pan-Borneo Highway (Sabah)	12,900	Highway (non-tolled)	Awards	2H18	GoVt/Bonds	PDP
Kota Kinabalu Water Supply Scheme	4,000	Water	Approval/awards	2H18	PPP	Unknown
Affordable housing/Government housing	2,984	Housing	Tenders	2H18	GoVt	Government
Rural infrastructure - Peninsular & East Malaysia	2,420	Roads, bridges etc	Tenders	2H18	GoVt	Government
Non-revenue water (NRW) - water supply and distribution	1,400	Water	Tenders	2H18	GoVt	PAAB
Roads (non-tolled)	1,274	Non-tolled	Tenders	2019	GoVt	Government
Total	225,178					

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 25: Large-scale projects in the pipeline for 2018 and location by state

Projects	Value RM m	Category	Next milestone	Location (by state)
East Coast Rail Line (ECRL) - phases 1 & 2	55,000	Rail (non-urban)	Awards	Kelantan
				Terengganu
				Pahang
				Selangor
KL-Singapore high speed rail (HSR)	60,000	Rail (urban)	AssetsCo & PDP awards	Kuala Lumpur
				Selangor
				Putrajaya
				Negeri Sembilan
				Melaka
Klang Valley MRT 3 (KVMRT 3) - CIMB estimate	40,000	Rail (urban)	Cabinet approval	Kuala Lumpur
				Johor
Gemas-JB double tracking	9,400	Rail (non-urban)	Awards	Negeri Sembilan
JB-Singapore RTS Link (4km)	2,000	Rail (cross border)	Tenders	Johor
Sarawak (Kuching) LRT; 3 lines	10,800	Rail (urban)	Tenders	Sarawak
Putrajaya Tram system	2,000	Rail (urban)	Request for proposal (RFP)	Putrajaya
Sabah rail upgrade for all ports	2,000	Rail (non-urban)	Cabinet approval	Sabah
Bandar Malaysia phase 1 (TOD)	10,000	Rail/commercial	Tenders	Kuala Lumpur
Penang Transport Master Plan (phase 1) - LRT	5,000	Rail (urban)	Approvals & EIA	Penang
Bus Rapid Transit (BRT): Kota Kinabalu	2,000	Bus	Approval	Sabah
Bus Rapid Transit (BRT): Kuching, Sarawak	2,000	Bus	Approval	Sarawak
Pan-Borneo Highway (Sabah)	12,900	Highway (non-tolled)	Awards	Sabah
Kota Kinabalu Water Supply Scheme	4,000	Water	Approval/awards	Sabah
Affordable housing/Government housing	2,984	Housing	Tenders	Various
Rural infrastructure - Peninsular & East Malaysia	2,420	Roads, bridges etc	Tenders	Various
Non-revenue water (NRW) - water supply and distribution	1,400	Water	Tenders	Various
Roads (non-tolled)	1,274	Non-tolled	Tenders	Various
Total	225,178			

SOURCES: CIMB RESEARCH, PRESS REPORTS

Overall sentiment on the sector could also deteriorate. Using the anecdotal example of 2008 (GE12) when selected mega contracts were cancelled, deferred, or reviewed, we highlighted that three months prior to GE12, the KLCON Index de-rated 16% and declined a further 13% in the three months post-GE12. In all likelihood, there could be more downside to KLCON Index's 11% decline YTD.

Figure 26: Share price and KLCON Index 3 months before and after General Elections

	1990		1995		1999		2004		2008		2013	
	3m before	3m after	3m before	3m after	3m before	3m after	3m before	3m after	3m before	3m after	3m before	3m after
	22-Jul-90	18-Jan-91	24-Jan-95	23-Jul-95	31-Aug-99	27-Feb-00	22-Dec-03	19-Jun-04	9-Dec-07	6-Jun-08	4-Feb-13	3-Aug-13
Gamuda	-	-	33.7%	41.4%	7.5%	44.9%	2.2%	-11.7%	-15.9%	-25.4%	9.2%	19.0%
IJM Corp Bhd	-8.7%	1.5%	9.6%	17.7%	-7.9%	51.1%	12.2%	-6.2%	-15.7%	-23.8%	7.2%	6.1%
Malaysian Resources Corp	-34.8%	-1.8%	14.5%	2.3%	-22.4%	89.4%	16.5%	-30.7%	-26.1%	-31.1%	5.1%	8.3%
Muhibbah Engineering	-	-	4.0%	16.7%	-12.1%	33.2%	32.7%	-29.4%	-24.7%	-12.5%	29.4%	128.3%
Protasco	-	-	-	-	-	-	6.8%	-31.5%	-7.1%	1.1%	4.7%	34.5%
Salcon	-	-	-20.5%	28.6%	-	-	15.9%	-29.2%	-26.9%	-30.9%	17.1%	39.5%
Sunway Bhd	-	-	-	-	-	-	-	-	-	-	22.7%	28.2%
Taliworks Corporation	-	-	8.1%	46.2%	-3.4%	88.1%	2.6%	0.0%	-11.5%	7.8%	-2.4%	23.1%
WCT Holdings	-	-	-	26.6%	-0.9%	48.8%	10.8%	-14.2%	-13.2%	-9.9%	9.4%	5.1%
YTL Corporation	-25.5%	0.0%	18.6%	18.4%	-2.4%	13.0%	15.6%	-1.7%	-5.1%	-1.0%	-0.9%	3.7%
KLCON Index	-	-	30.1%	17.1%	-6.6%	36.5%	11.6%	-15.6%	-16.4%	-13.0%	5.0%	18.3%

SOURCES: CIMB RESEARCH, BLOOMBERG

For stocks under our coverage, we believe the top losers are 1) Gamuda – for its extensive tender exposure to MRT 3, HSR and highway concessions, 2) YTL Corp – for its exposure to HSR and Gemas-JB rail double tracking, 3) MRCB – for its exposure to HSR and Eastern Dispersal Link (EDL), 4) Protasco – for its exposure to government road maintenance and housing projects, and 5) IJM Corp – for its exposure to highways and rail contracts.

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Consumer ►

Abolish GST; reduce the pressures causing burdensome price increases; increase the number of affordable housing for purchase and rental; reduce the burdens faced by young people; abolish tolls; and provide targeted toll subsidies.

Pakatan Harapan targets to reduce the burden of the Rakyat through various initiatives. An overall increase in disposal household income by way of abolishing GST and reducing the pressures of inflation would translate positively to consumer spending and sentiment in the domestic market. Given that the benefits will mostly be felt by the lower- to middle-income earners, we think the companies that stand to benefit the most would be Nestle, F&N and QL Resources.

Additionally, this could also spell good news for the brewery (Carlsberg and Heineken) and tobacco (British American Tobacco) sectors as it would potentially spell a decrease in illegal trade which would bring back volumes to the legal market. Consumers would become less price-sensitive and have less reason to turn to the illegal market and contrabands.

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Media ►

Reduce the pressure causing burdensome price increases “...PH government will ensure big companies cannot monopolise the market. For example, Astro in broadcasting.”

PH plans to review companies within a monopolistic environment such as Astro in the pay-TV market. We understand that Astro's exclusivity for direct-to-home satellite licence expired in 2017, which paved the way for new players such

Ansa Broadcast to enter the market. Nevertheless, Astro remains the dominant player partly due to its strength in content ownership. Hence, we see downside risks for Astro if Pakatan Harapan prevents it from having exclusivity to content ownership on popular IPs such as Barclays Premier League etc.

Repeal of Printing Presses and Publications Act 1984 (PPPA)

PH has listed PPPA as one of the “oppressive laws” that it plans to revoke. We view this as a positive for media incumbents with news operations, as the Act’s repeal is intended to encourage more political discourse and freedom of news coverage.

The changing political landscape has lent credibility to blogs and news portals that are perceived to have no affiliation with the BN caretaker government. The 13th General Election was the first one in Malaysian history where BN had fewer popular votes than the opposition parties, at 47% against Pakatan Rakyat’s 51%. BN component party Malaysian Chinese Association (MCA) directly owns 42.5% of Star, while another BN component party United Malays National Organisation (UMNO) is reportedly linked to Altima Inc, which holds an 8% stake in Media Prima.

Reuters Institute’s Digital News Report 2017 survey found that a mere 16% of respondents believed that the media is “free from political influence”, making Malaysians the eighth most sceptical among 36 countries surveyed. The most visited online news site, according to the study, was independent outlet Malaysiakini.

Halving broadband prices, for twice the speed

Both PH and BN have promised that under their respective governments, Internet access would be cheaper and faster. For listed media groups, this can be a double-edged sword that expedite the deterioration of their traditional print and broadcast businesses, but expand the reach of their digital media initiatives.

According to an Oct 2017 report by Malaysian Digest, a survey by Kantar TNS Malaysia and Google Malaysia found that Malaysians spend 1.8 hours every day watching online video content, lower than 2.2 hours on television. While no reason was stated, we believe the high data fees can act as a barrier for a large segment of Malaysians to consume more video on the Internet.

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Oil & Gas ➤

Stabilise the price of petrol and introduce targeted petrol subsidies. The Pakatan Harapan Government intends to provide targeted petrol subsidies at a suitable monthly rate to those who qualify. This will be targeted to those who use motorcycles below 125 cc and cars below 1,300 cc. A quota will be devised to prevent abuse. “Today, there are technologies that will allow our identity cards to be used at petrol pump kiosks. We will devise a mechanism that will enable the targeted subsidy to be allocated using data on the identity cards. This will ensure only those who qualify will be able to access it.”

Pakatan Harapan’s proposal to stabilise petrol price and introduce targeted petrol subsidies will reverse the managed float mechanism which is currently used to determine pump prices, which are no longer subsidised. Petronas Dagangan Bhd (PDB) should not be negatively impacted by the proposal on two conditions: (1) that the existing Automatic Pricing Mechanism (APM) continues to protect PDB by entitling it to claim compensation from the government in the event pump prices are set at levels below what it is entitled to receive under the APM, and (2) the government will bear the entire cost of the subsidies. However, the reintroduction of petrol price subsidies means that PDB’s cash collection would be delayed, as it would have to wait for the government to reimburse it for the subsidies provided to the public. In the unlikely event that PDB is asked by the Pakatan Harapan government to bear a portion of the petrol subsidies, the company will suffer a negative earnings impact. Conversely, the reintroduction of targeted subsidies may help lift PDB’s sales volumes.

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Property >

PH's manifesto proposes to increase the number of affordable housing for purchase and rental, give tax incentives for companies that focus on affordable housing, and set up National Affordable Housing Council to bring together the work of the various agencies under one roof. The PH government will set a time limit within which the companies must complete their constructions so that no corporate giants can hoard land banks without developing them.

The increase in affordable housing, RTO schemes and tax incentives will likely benefit the developers focusing on products priced below RM500,000, such as LBS Bina and Mah Sing. The widened rent-to-own scheme will also lower the barrier to own a house, which should spur demand for property in the affordable range. However, the construction time limit could have a negative impact on the big developers, especially those with a huge land banks such as Sime Darby Property and SP Setia.

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Semiconductor >

Pakatan Harapan government plans to raise the minimum wage in Sabah and Sarawak to be equal to that of Peninsular. It also plans to raise the minimum age level to RM1,500 per month nationwide during its first term in power and will review this rate every two years. Pakatan Harapan plans to reduce the number of foreign workers from 6m to 4m in its first term.

This will be negative on the semiconductor sector given as it may have to incur higher operating expenditure, but Pakatan Harapan plans to share the 50% increment in the minimum wage. Hence, this will reduce the immediate impact, but will still be negative for sector profitability.

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Telecommunications >

Included in its GE14 manifesto, PH said it will take the necessary steps to halve the price of broadband internet while doubling the speed.

We believe there could be greater market concerns that the newly-elected PH government may directly require Telekom Malaysia (TM) to halve broadband prices across the board or indirectly review the access pricing for high-speed broadband (HSBB). The latter may result in the reduction of wholesale prices charged by TM to HSBB access seekers (e.g. Maxis), which would in turn allow them to offer cheaper fibre broadband packages and put pressure on TM's Unifi pricing.

Despite the doubling of speeds for free in 2017, TM's retail broadband prices remain high by regional standards. Several factors need to be taken into account for a fair comparison, which are: a) it is more cost-efficient to serve Singapore's largely high-rise households, b) broadband players in Thailand/Indonesia roll out network coverage to selective economically-feasible areas, whereas TM is mandated to roll out nationwide, and c) TM's cost of rolling out the HSBB network is partly funded by government grants (Phase 1: 20%, Phase 2: 32%).

One issue that also needs to be considered by the new government before pushing for lower broadband prices is that TM's EBITDA margins (c.29-30%) are not high by regional standards (typically 50-60% for pure broadband players). This is mainly due to TM's high staff cost (c.21% of revenue), given its 26,407 employees at end-2017 (Maxis: c.3,000, Digi: c.2,000, Celcom: c.3,700). We do not expect TM to embark on a major rationalisation exercise of its staff force, under the newly elected PH-government.

Due to the above factors, we believe it is still too early to tell exactly what would happen when TM engages with the new government. Below is our scenario analysis, starting from FY19F, if the new government instructs TM to:

a) directly cut the price on the broadband-component of the residential package by 50%, i.e. resulting in an effective 20% cut in headline prices. We estimate TM's FY19F/20F core net profit would be 24.8%/23.8% lower than our existing forecasts (assuming it is not able to rationalise its staff cost). Our DCF-based fair value for TM would drop from RM6.10 to RM4.93.

b) directly cut headline residential package prices by 50%. We estimate TM's FY19F/20F core net profit would be 61.9%/59.5% lower than our existing forecasts (assuming it is not able to rationalise its staff cost). Our DCF-based fair value for TM would drop from RM6.10 to RM3.13.

c) directly cut the price on all existing unifi packages (including for businesses) by 50%. We estimate TM's FY19F/20F core net profit would be 87.7%/84.5% lower than our existing forecasts (assuming it is not able to rationalise its staff cost). Our DCF-based fair value for TM would drop from RM6.10 to RM1.84.

Given the uncertainties, we maintain our Hold rating until further clarity emerges.

Figure 27: Comparison of Residential Broadband packages in ASEAN

Companies	TM			Singtel			Telkom Indonesia				True Corp			
Speed (Mbps)	10	30	100	1000	2000	10000	10	20	30	40	30	50	100	
Price (local curr)	129	179	329	44.9	62.9	189	285	385	545	645	599	799	1,099	
Price/Mbps (local curr)	12.9	5.97	3.29	0.04	0.03	0.02	29	19	18	16	20	16	11	
Price/Mbps (US\$)	3.27	1.51	0.83	0.03	0.02	0.01	2.03	1.37	1.29	1.15	0.62	0.5	0.34	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 28: Sensitivity of revenue and earnings to unifi price cuts

FYE 31 Dec (RM m)	Existing		Broadband-only		50% cut Home Unifi		50% cut ALL Unifi	
	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Revenue	12,858	13,160	12,393	12,650	11,696	11,885	11,221	11,358
EBITDA	3,880	4,037	3,582	3,727	3,136	3,263	2,826	2,938
Core net profit	977	1,089	735	830	372	441	120	169
Fair value (RM)	6.10		4.93		3.13		1.84	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Figure 29: Foreign shareholdings under CIMB's coverage

Company	As at Jun-17	As at Dec-17	Company	As at Jun-17	As at Dec-17
Felda Global Ventures	11.3%	11.8%	Syarikat Takaful Malaysia	9.6%	9.5%
Genting Plantations	8.4%	8.7%	Tune Protect Group	21.6%	19.9%
Hap Seng Plantations	1.4%	1.4%	Insurance	31.2%	29.4%
IOI Corporation	13.9%	10.7%			
Jaya Tiasa Holdings	19.7%	18.8%	Astro Malaysia	48.7%	48.3%
Kuala Lumpur Kepong	15.0%	16.3%	Media Chinese Int'l	17.9%	18.6%
Ta Ann	7.3%	7.0%	Media Prima	28.2%	29.1%
Agribusiness	77.0%	74.6%	Star Media Group	3.6%	2.4%
			Media	98.3%	98.4%
Bermaz Auto	19.7%	17.8%			
Tan Chong Motor Holdings	12.0%	11.6%	Bumi Armada	10.9%	12.4%
UMW Holdings	11.1%	11.1%	Dialog Group	22.3%	24.8%
Automotive	42.8%	40.6%	Petronas Dagangan	7.5%	8.9%
			Sapura Energy	32.3%	22.6%
AirAsia	43.9%	44.4%	UMW Oil & Gas	3.2%	5.3%
AirAsia X	15.7%	12.3%	Yinson Holdings	10.7%	9.8%
Aviation	59.6%	56.7%	Oil and Gas	86.9%	83.8%
Affin Holdings	26.9%	26.8%	Axis REIT	11.9%	10.8%
Alliance Financial Group	30.1%	30.5%	CMMT	45.0%	44.9%
AMMB Holdings	50.9%	48.1%	Eastern & Oriental	21.0%	20.9%
BIMB Holdings	2.0%	1.6%	Eco World Development	4.1%	3.5%
Bursa Malaysia	26.9%	25.2%	Eco World International	27.9%	27.9%
Hong Leong Bank	11.2%	12.1%	IGB REIT	7.7%	8.0%
Maybank	20.8%	20.7%	KLCCP Stapled Group	2.5%	2.4%
Public Bank	37.2%	38.1%	LBS Bina Group	5.5%	4.9%
RHB Bank	27.7%	27.4%	Mah Sing Group	24.6%	24.9%
Banking & Finance	233.6%	230.4%	MRCB-Quill REIT	11.8%	11.8%
			Pavilion REIT	41.8%	41.7%
Lotte Chemical Titan	0.0%	81.1%	Selangor Properties	9.0%	9.0%
Petronas Chemicals Group	9.5%	8.5%	SP Setia	14.3%	15.1%
Chemicals	9.5%	89.5%	Sunway REIT	22.7%	22.9%
			UEM Sunrise	9.0%	7.9%
DRB-Hicom	9.0%	8.2%	UOA Development	12.1%	11.9%
Destini Berhad	6.2%	6.1%	Property & REITs	270.7%	268.5%
Sime Darby	15.3%	18.8%			
YTL Corporation	26.5%	24.7%	Prestariang	5.5%	7.3%
Conglomerates	57.0%	57.8%	Sasbadi Holdings	5.2%	2.9%
			Services	10.7%	10.2%
EITA Resources	3.4%	3.0%			
Gamuda	31.5%	31.0%	MISC	8.6%	8.8%
IJM Corporation	28.6%	27.0%	Shipping		
Lafarge Malaysia	60.6%	60.7%			
MRCB	9.3%	8.6%	Aemulus Holdings Bhd	0.5%	3.1%
Muhibbah Engineering	14.4%	15.7%	Dagang NeXchange	6.2%	4.9%
Protasco	6.6%	6.7%	GHL Systems Bhd	54.5%	56.0%
Salcon	6.1%	3.8%	IFCA MSC	3.0%	3.8%
Signature International	5.9%	1.8%	Inari-Amertron Bhd	30.4%	31.5%
Sunway Bhd	8.3%	9.4%	KESM Industries	56.2%	55.4%
WCT Holdings	10.2%	8.2%	Malaysian Pacific Industries	17.6%	14.3%
Construction and Materials	184.8%	176.0%	MY E.G. Services	27.6%	26.6%
			Uchi Technologies	38.1%	41.1%
			Unisem	34.8%	31.8%
			Technology	268.8%	268.5%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 30: Foreign shareholdings under CIMB's coverage (continued)

Company	As at Jun-17	As at Dec-17	Company	As at Jun-17	As at Dec-17
7-Eleven Malaysia	29.7%	26.8%	Axiata Group	10.4%	10.0%
Berjaya Food	22.4%	18.8%	DiGi.com	58.6%	58.1%
Bioalpha Holdings	5.0%	4.5%	Maxis	7.6%	6.4%
Bonia Corporation	24.9%	25.6%	Telekom Malaysia	12.2%	11.3%
BAT	86.4%	87.0%	Telecommunications	88.8%	85.7%
Carlsberg Brewery	68.1%	68.6%	Malaysia Airports Holdings	33.0%	39.3%
CCK Consolidated Holdings	1.4%	0.2%	Westports Holdings	34.0%	33.8%
Fraser & Neave Holdings	58.2%	58.2%	Transport Infrastructure	67.0%	73.0%
Heineken Malaysia Bhd	74.5%	74.5%			
Kawan Food	30.7%	31.0%	Berjaya Sports Toto	16.2%	13.6%
MSM Malaysia	0.1%	0.1%	Genting Bhd	45.1%	45.5%
Mynews Holdings Berhad	7.5%	10.0%	Genting Malaysia	40.1%	40.0%
Nestle (M)	73.9%	77.5%	Magnum	26.5%	26.0%
Only World Group Holdings	2.0%	1.9%	Travel & Leisure	127.8%	125.1%
Panasonic Malaysia	60.9%	59.9%			
QL Resources	6.8%	6.6%	Cypark Resources	5.9%	5.4%
Consumer	552.4%	551.2%	Gas Malaysia	20.2%	19.4%
IHH Healthcare Bhd	38.8%	38.5%	Malakoff	3.7%	4.1%
KPJ Healthcare	8.4%	7.4%	Petronas Gas	8.4%	8.5%
Pharmaniaga Bhd	2.5%	1.8%	Taliworks Corporation	12.8%	12.8%
YSP Southeast Asia Holdings	54.2%	54.2%	Tenaga	24.8%	24.1%
Healthcare	103.9%	102.0%	YTL Power	11.4%	11.3%
			Utilities	87.2%	85.5%
AWC Berhad	13.2%	9.8%			
Daibochi Plastic & Packaging	26.0%	29.6%			
Hartalega Holdings	14.2%	15.2%			
Karex Berhad	56.2%	55.7%			
Kossan Rubber Industries	7.3%	6.8%			
Lee Swee Kiat Group	0.5%	0.5%			
Oceancash Pacific Bhd	5.4%	0.3%			
Supermax Corp	17.9%	19.3%			
Thong Guan	4.0%	3.2%			
Tomypak	23.4%	23.1%			
Top Glove	31.6%	34.3%			
Wellcall Holdings	39.4%	37.9%			
Industrial Goods and Services	238.9%	235.7%			

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Reduce	8.9%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add The stock's total return is expected to exceed 10% over the next 12 months.
- Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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