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SURROUNDING IMDB**

Impact of fund's problems has been priced into market, says Affin Hwang Asset Management. And it is now time to buy into Malaysian equities. Billy Toh has the story on **Page 4**.

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Global investors have moved past negativity surrounding 1MDB

It is now time to buy into Malaysian equities, says Affin Hwang Asset Management

BY BILLY TOH

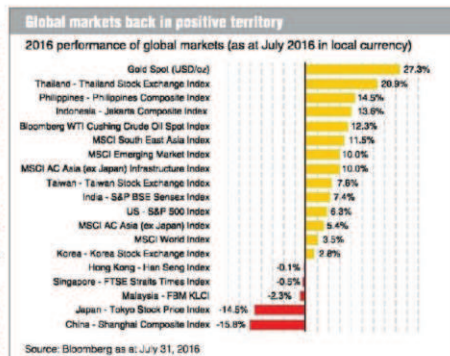
KUALALUMPUR: The height of negativity surrounding 1Malaysia Development Bhd (1MDB), as well as the US Department of Justice's (DoJ) kleptocracy case to recover funds it alleged were stolen from 1MDB, is over, according to Affin Hwang Asset Management Bhd.

The impact of the problems surrounding the state-owned strategic investment fund issue has already been priced into the market and investors have moved beyond that, said the asset management firm's chief investment officer David Ng (*pic*).

"It's a question that we always ponder over. I think investors and global investors may take a different perspective. I think the peak of that negative news about what you are referring to (DoJ's complaint related to 1MDB) is already known.

"Everything is out there and people [have] moved beyond that. I don't think there is anything else that investors do not already know," Ng told reporters after a press briefing on the firm's global market outlook on the second half of 2016 (2H16).

On July 20, the US government filed lawsuits to seize US\$1 billion (RM3.99 billion) in assets bought with money it said was stolen from 1MDB. The civil lawsuits said a total of US\$3.5 billion was misappropriated from 1MDB, a fund which Prime Min-



ister Datuk Seri Najib Razak oversaw.

The US government is also trying to seize proceeds from the 2013 film *The Wolf of Wall Street*. Riza Aziz, Najib's stepson and co-founder of Red Granite Pictures, which produced the movie, was named in the lawsuit.

Ng cited neighbouring countries like Thailand, which went through a military coup, and the Philippines, where its president faced strong criticisms, as examples of how previous flow of negative news had had little impact on the countries' performance.

"I think we need to disassociate

the issues surrounding the DoJ report from the market," Ng said.

Ng also said now is the right time to buy into Malaysia's equity market, which has been lagging behind in terms of equities recovery when compared with its regional peers, and recommends specific themes like construction and infrastructure to follow, besides yield play.

"If you look at foreign [investors] position in Malaysia's stock market, foreigners have not been investing in Malaysia. On a rolling 12-month basis, foreigners have

been net sellers of Malaysia.

"[But] technically, it's a good thing. If we can demonstrate some growth as we move into the second half of next year, foreigners will come back," said Ng.

When asked if one should buy Malaysia now, Ng said: "We are [buying]." Aside from the construction and infrastructure theme, which would benefit construction companies and steel and cement makers, he said dividend income features prominently in the firm's strategy in the current low-inflation environment.

Meanwhile, amid slower global growth and low inflation and interest rate, yield stocks like real estate investment trusts (REITs) here have done very well, said Ng. Among them is IGB REIT, he said. As for good yield stocks, Fraser & Neave Holdings Bhd and Classic Scenic Bhd were cited as examples.

"Investors are also looking at reforms and restructuring that are taking place in [certain] companies, like the appointment of former cabinet minister Tan Sri Abdul Wahid Omar as the new chairman of Permodalan Nasional Bhd, which could

be potentially value-unlocking," he said.

He also noted a rise in activity in the market in the last two weeks, which saw counters like Felda Global Ventures Holdings Bhd (FGV) and SapuraKencana Petroleum Bhd climbing. This, he said, shows there is some return of appetite for risks.

"That means investors are prepared to take on more risk. For SapuraKencana, it is suitable if you are looking for exposure to oil ... as for FGV, the new leadership that has come on board has said the right things, such as no more acquisitions."

Among Ng's top picks for 2H16 are Tenaga Nasional Bhd (TNB) and CIMB Group Holdings Bhd.

"In terms of large caps, we like TNB. I think TNB gives you that combination of earnings certainty and some earnings growth, as well as potential for higher dividend," he said.

"Another stock in the large caps that we think has come down to levels that make it attractive is CIMB.

I think a lot of banks still need to run through issues that all banks are facing which is rising non-performing loans, slowing credit or loan growth. But we think these are already priced in for CIMB. Its trading at 0.8 times its book.

Its subsidiary in Indonesia is also recovering very well," Ng added.

