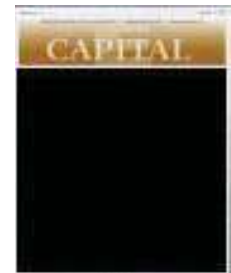


Headline	THE UNLOVED STOCKS of the KLCI		
MediaTitle	The Edge		
Date	20 Jul 2020	Language	English
Circulation	25,910	Readership	77,730
Section	Corporate	Page No	25
ArticleSize	780 cm ²	Journalist	Esther Lee
PR Value	RM 40,600		



THE UNLOVED STOCKS of the KLCI

With many component stocks now cheaper than at the start of the year, it could be a good time to take a look at some of them

STORIES BY ESTHER LEE

After an arduous six months, the FBM KLCI is now a whisker below its starting point this year, having received a huge boost from glove stocks in a time of pandemic and great uncertainty.

Closing at 1,573.48 points as at July 16, the benchmark has shed a marginal 0.9% from its 1,588.76 close on Dec 31, 2019.

But a closer look at the index reveals an obvious bias: Nearly three-quarters of the KLCI constituent stocks are still trading below water over the same period and seem to have fallen out of favour with investors.

While especially true for finance stocks, those related to hospitality as well as consumer products and services have also received little love, judging by their share price performance to date.

Diversified Genting Bhd leads the underperformers, having lost nearly a third of its value, or 30.87%, to RM4.09 from the start of the year. It is followed closely by CIMB Group Holdings Bhd, down 28.35% to RM3.69. In third place is Genting Malaysia Bhd, the gaming and hospitality subsidiary of Genting, which has shed 20.98% to RM2.51.

Market experts attribute the sell-down in many component stocks to cashing out by foreign institutional investors. Net foreign outflows from the equity market amount to RM17.3 billion to date — the largest since 2015's RM19 billion.

"Foreign institutional investors are usually invested in the component stocks, so whether they pare down their stake or switch to other stocks, it will affect the component index," says Areca Capital CEO Danny Wong.

Rakuten Trade Research vice-president Vincent Lau observes a similar trend in the region as foreign investors have been net sellers to date.

He sees the current market trading environment to be sentiment-driven, with valuations taking a backseat.

"Almost every day, we have research houses upgrading the target price of the glove stocks because the average selling price keeps increasing. The market is now investing based on themes, with the healthcare and related sectors as well as the technology sector very much in demand," says Lau.

But with many component stocks now cheaper than at the start of the year, they could be worth considering, although Lau suggests investors see beyond the financial performance of the companies this year as

YTD share price performance of KLCI component stocks

COMPANY	PRICE AS AT JULY 15 (RM)	PRICE CHANGE YTD (%)	MARKET CAP (RM BIL)	FORWARD PER (X)	DIVIDEND YIELD (%)
Genting Bhd	4.09	-30.87	15.74	20.05	2.83
CIMB Group Holdings Bhd	3.69	-28.35	36.62	12.72	6.57
Genting Malaysia Bhd	2.51	-20.98	14.19	-	4.38
Axiata Group Bhd	3.37	-18.49	30.89	34.39	2.67
Hong Leong Financial Group	13.98	-17.28	16.01	9.47	3.00
Petronas Chemicals Group Bhd	6.24	-15.10	49.92	26.11	2.88
RHB Bank Bhd	5.01	-13.32	20.09	9.75	6.19
Hong Leong Bank Bhd	15.06	-12.95	32.65	12.80	3.32
Hap Seng Consolidated	8.75	-12.32	2178	-	3.43
Tenaga Nasional Bhd	11.42	-10.20	65.15	12.85	4.38
Malayan Banking Bhd	7.87	-8.91	88.46	14.13	8.13
Kuala Lumpur Kepong Bhd	22.64	-8.71	24.42	30.31	2.21
Petronas Dagangan Bhd	20.98	-8.51	20.84	44.45	2.86
MISC Bhd	7.84	-5.72	34.99	17.46	3.82
Sime Darby Plantation Bhd	5.14	-5.69	35.39	60.47	0.19
Public Bank Bhd	18.46	-5.04	71.66	15.14	3.95
Nestlé (Malaysia) Bhd	140.20	-4.63	32.87	51.04	2.00
Sime Darby Bhd	2.13	-4.05	14.49	15.43	4.23
DiGi.Com Bhd	4.35	-2.47	33.82	25.74	3.86
IHH Healthcare Bhd	5.34	-2.38	46.87	70.26	0.75
PPB Group Bhd	18.46	-2.02	26.26	26.95	1.68
IOI Corp Bhd	4.52	-1.95	28.33	37.98	1.88
Petronas Gas Bhd	16.48	-0.23	32.61	17.70	4.37
KLCCP Stapled Group	7.95	0.63	14.35	20.76	4.72
Maxis Bhd	5.36	0.75	41.93	28.66	3.54
Press Metal Aluminium Holdings Bhd	4.76	2.37	19.22	56.00	1.00
Telekom Malaysia Bhd	4.06	6.28	15.28	18.45	2.46
Dialog Group Bhd	3.85	11.59	21.71	37.75	0.91
Hartalega Holdings Bhd	15.86	189.42	53.73	47.06	0.48
Top Glove Corp Bhd	21.24	351.91	57.28	40.92	0.60
Dropped from index in June					
Malaysia Airports Holdings Bhd	5.04	-33.68	8.36	NA	2.98
AMMB Holdings Bhd	3.14	-19.69	9.45	8.31	4.24

FBM KLCI



it is expected to "not look good".

Wong describes the sell-down in component stocks as somewhat "irrational", but says this has resulted in the emergence of value in some of the counters.

"If you have a three- to five-year investment horizon, it would be a good time to pick up some of these stocks. Pick stocks that have enough cash to survive the impact of the pandemic," he advises.

Certain sectors, such as consumer products and services and energy, where the risk has been fully priced in, could also be worth a look, he says. He is cautious on industries such as finance, where there is still much uncertainty.

"For the finance sector, the concern is about what will happen after the moratorium period as there are still a lot of unknowns. While net interest margins will continue to be affected by the lower interest rate environment, it is less of a concern compared with the asset quality of banks," he says.

As to when the battered component stocks will find favour again, Lau says to keep an eye on foreign outflows. A reduction of outflows on a day-to-day basis is a sign that foreign investors are moving back into the stocks.

In the June semi-annual review by FTSE Russell, there was an adjustment of membership as Malaysia Airports Holdings Bhd and AMMB Holdings Bhd were replaced by Telekom Malaysia Bhd and KLCCP Stapled Group Holdings Bhd as KLCI constituent members. MAHB's share price had fallen 33.68% and AMMB Holdings' share price had dropped 19.69% since the start of the year.

For more on the 10 worst performers, see next page



The current market trading environment seems to be sentiment-driven, with valuations taking a backseat