

News Release

Maybank Investment Bank expects FBM KLCI to hit 1,800

Kuala Lumpur, 9 September 2017 - Maybank Investment Bank (Maybank IB) expects the FBM KLCI to hit 1,800 by year-end (based on 16.5x one-year forward PER), on the back of stronger domestic macroeconomics and resumption of corporate earnings growth. Corporate earnings are expected to rebound after three years of no growth. Maybank IB forecasts KLCI core earnings to grow 7.3% in 2017 and 7.9% in 2018.

The regional investment bank shared this view with its Retail Brokerage clients at its 2H2017 Market Outlook engagement, held today at JW Marriott Kuala Lumpur.

Maybank IB remains confident on Malaysian equities for the near-term, with a Neutral bias after the KLCI's 8.0% gain in the first eight months of 2017. Positives are GDP growth gaining momentum and market/corporate earnings growth resuming. That said, the investment bank remains mindful of the external headwinds. KLCI's valuations are at about fair, at 16.7x 12M forward PER (+0.5SD) and 1.72x trailing P/B (-0.3SD), and after considering a smaller prospect for any major earnings uplift over the near-term. Upside risk is an early 14GE which could trigger a short rally in equities.

The investment bank has an OVERWEIGHT call on Utilities, Construction, Oil & Gas, Cement and Gaming. The top stock picks are Tenaga, Genting Berhad, IJM Corporation, Sapura Energy, Inari Amertron, Yinson, V.S. Industry and RCE Capital.

On the macroeconomic front, pressures on Malaysia's economy have eased substantially since the beginning of the year, reflecting economic growth recovery, currency and external reserves stabilisation, as well as sustained current account surplus and fiscal consolidation. After registering a strong growth of +5.7% in 1H2017 (1H 2016: +4.0%), Maybank IB expects a full year GDP growth of +5.5% for 2017 (2016: +4.2%) and +5.1% for 2018, underpinned by resilient private consumption, infrastructure-driven investments, firmer external trade growth, and further supported by the expected continuation of BNM's current monetary policy stance.

Other key lookouts in 2H2017 for Malaysia include (i) crude oil price direction, (ii) Bank Negara's FX policy and overnight policy rate (OPR), (iii) 2018 National Budget on 27 Oct, (v) consumer sentiment, (vi) possibility of an early 14th general election (14GE), and (vii) conclusion of major corporate demergers and M&As. With all these factors, Maybank IB expects MYR to remain stable against the USD, ending the year at 4.28.

Held twice a year for its Retail Brokerage clients, the Maybank IB Market Outlook engagement is an annual event where the regional investment bank shares their research ideas and

investment strategies with their valued clients. The 2H2017 Market Outlook roadshow kicked off simultaneously in Johor Bahru and Kota Bahru on 29 July 2017, and went on to various locations across the country namely Ipoh, Taiping, Prai, Kuantan, Kota Kinabalu, Miri, Sibul, Melaka, and Kuching. The event held today in Kuala Lumpur marked the end of the roadshow for the year.

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About Maybank Investment Bank Berhad

Maybank Investment Bank Berhad (“Maybank IB”) is one of Malaysia’s leading investment banks with extensive dealing networks in the country, supported by one of the best research houses. It has been in operation for more than 40 years and has vast experience in undertaking large Initial Public Offerings of both domestic and international firms, executing primary/private placements and share buybacks, and advising on mergers & acquisitions. On the debt financing front, Maybank IB has a proven track record in advising and arranging both Islamic and conventional bond issuance. It also offers financial advisory services, specialising in energy, infrastructure and utilities sectors, as well as policy and strategy advisory services for both public and private sectors. Building up its capability in both equity and commodity solutions, Maybank IB also offers over-the-counter structured products and investment products on exchanges, and futures broking for institutional, corporate and retail investors. Known globally as Maybank Kim Eng, it has presence in 11 countries namely Malaysia, Singapore, Hong Kong, Thailand, Indonesia, Philippines, India, Vietnam, Saudi Arabia, Great Britain and the United States of America.

Maybank Kim Eng is the fully-owned investment banking arm of Maybank, one of Asia’s leading banking groups and South East Asia’s fourth largest bank by assets. The Maybank Group has an international network of 2,400 offices in 19 countries, and over 43,000 employees serving more than 22 million customers worldwide.

For more information, please contact:

Ann Lim: +603 2059 1526

Sharie: +603 2059 1980

E-mail: mkestratcomms@maybank-ib.com