

Post-Earnings Announcement Drift

FBM KLCI: 1,791.01

2017 Year-end Target: 1,830 points

PEAD anomaly... Post-Earnings Announcement Drift (PEAD) is the tendency for a stock's cumulative abnormal returns to drift for several weeks (even months) following positive/negative earnings announcement. It is considered a market anomaly.

...does not exist in a perfectly efficient market. In a perfectly efficient market, news should get discounted immediately and there would be no way to profit from it. Thus when a company releases a significantly better earnings result, and if such earnings outperformance should lead to a doubling of its stock price, then it ought to gap up to the projected price almost instantaneously and there would be no way to profit from the new information.

But in reality, the market is not perfectly efficient... In a real world however, what normally happens is the new surprise gets priced in only over time. This is what the PEAD phenomenon is about. This phenomenon can be explained with a number of hypotheses. The most widely accepted explanation for this effect is investors' under-reaction to earnings announcements due to market inefficiency.

...as market information needs to be interpreted... The conventional assumption is that public information has a one-time impact on expectations and prices. After all, why would they change multiple times once everyone observed the same information? However, what is usually missed is that information needs to be interpreted before it can be used to form a trading decision, and each individual will obviously do it differently.

...and market participants interpret information differently. A common misconception is that interpreting information is a trivial task everyone can perform in the exact same way. In reality, differences in innate ability, in acquired skills, in mood, in the time available to do research (e.g. reading only the executive summary of an earnings report versus the full report) all contribute to differential interpretation of public information.

Recognition of their differences and imperfections... Thus, investors recognize their interpretations (or opinions) are imperfect, and so they have an incentive to look for others' opinions in order to improve their own interpretations. This can be accomplished by observing prices, since prices aggregate the opinions of all market participants.

...has inadvertently given rise to the PEAD anomaly. Therefore, the information contained in the public announcement is gradually incorporated into posterior beliefs and prices, generating a post-announcement drift, i.e. PEAD. The public information becomes fully incorporated into prices only after all market participants completely eliminate their interpretation errors.

Our studies show PEAD-related price movement to be more pronounced after day 10. Based on our empirical findings (a 11-year back testing from 1 January 2005 to 31 December 2015), most stocks movement were usually more pronounced after day 10, arguably when the impact and significance of the announcement have been digested by fund managers and analysts, with day 20 being most of the stocks started moving up or down.

The strategy of buying on +VE surprise is empirically advantageous. The strategy of buying fundamentally sound stocks that show +VE earnings surprise is advantageous due to the earnings announcement drift. The study shows that on the average, out of the 14 stocks that every year show +VE earnings surprise, 8 stocks or 56.8% moved post earnings announcement with an average gain of 45.18%.

RECOMMENDATION

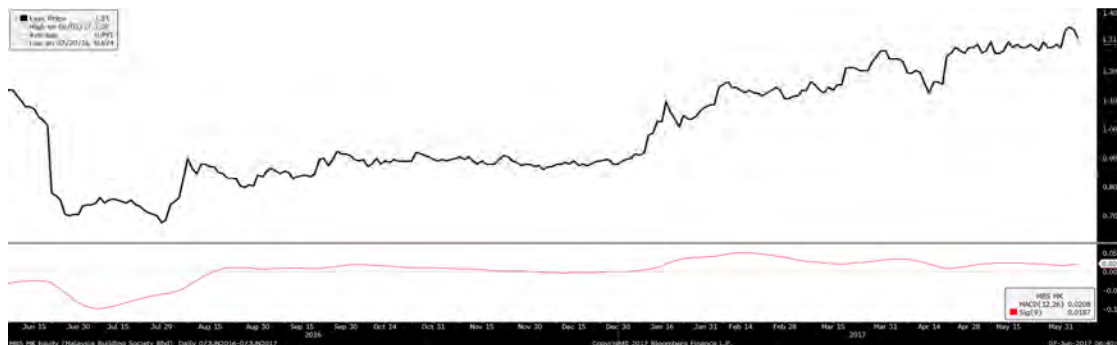
Top 3 picks. Based on (i) earnings outperformers pursuant to recent 1QCY17 reporting season, and (ii) our analysts' fundamental views (i.e. expected share price return of at least 8% and BUY recommendation), we list below our top 3 stock picks to take advantage of the PEAD anomaly:

MIDFR Universe: Earnings Outperformers 1QCY17 Reporting Season

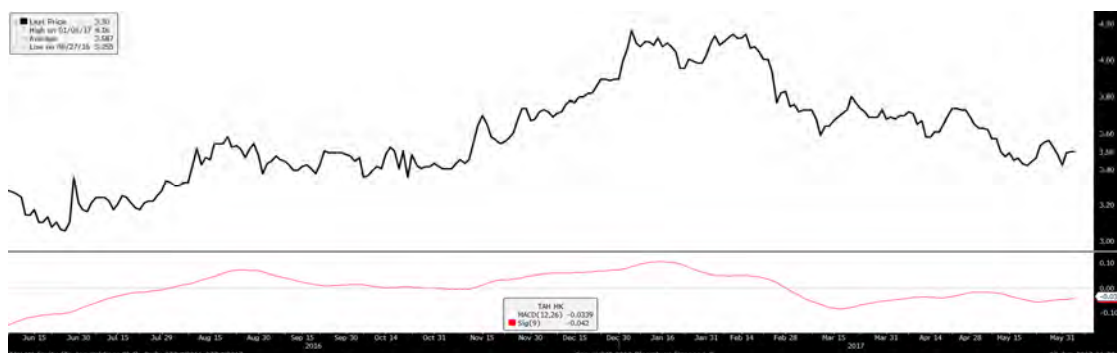
Stock	Reason for outperformance	Current Price (6/6/17) (RM)	Target Price (RM)	Expected Price Return (EPR)	Recommendation
MBSB	Higher gross loans and lower cost of funds	1.31	1.50	14.5%	BUY
Ta Ann	Stellar performance from the plantation division as 1QFY17 FFB production growth came in stronger than expected at 20%yoy to 148,715 MT	3.50	4.30	22.9%	BUY
E&O	Better-than-expected contribution from project in UK and better-than-expected margin in 4QFY17	1.80	2.68	48.9%	BUY

Source: MIDFR, Bloomberg

- MBSB (BUY; TP: RM1.50; EPR:14.5%)




- Ta Ann (BUY; TP: RM4.30; EPR: 22.9%)



- Eastern & Oriental (BUY; TP: RM2.68; EPR:48.9%)



FBM KLCI year-end target. We reiterate our year-end 2017 baseline target of 1,830 points which equates to PER17 of 17.1x. 

APPENDIX

- Macro Strategy : Stock Selection
- Strategy Types : Earnings Play Investing
- This Strategy : Post-Earnings Announcement Drift (PEAD)
- Strategy Concept : PEAD is the **tendency for a stock's cumulative abnormal returns to drift for several weeks (even several months) following positive/negative earnings announcement.** It is considered a market anomaly.

In a perfectly efficient market however, news should get discounted immediately and there would be no way to profit from it. Thus when a company releases a significantly better earnings result, and if such earnings outperformance should lead to a doubling of its stock price, then it ought to gap up to the projected price almost instantaneously and there would be no way to profit from the new information.

But in reality, markets are not perfectly efficient. What normally happens is the new surprise gets priced in only over time. This is what the PEAD phenomenon is about. This phenomenon can be explained with a number of hypotheses. The **most widely accepted explanation for this effect is investors' under-reaction to earnings announcements due to market inefficiency.**

- Strategy Studies : PEAD is a 48-year old discovery. It is an academically well-documented anomaly first discovered by Ball and Brown in 1968. Ball and Brown first documented the PEAD anomaly in their ground breaking study that challenged efficient market hypothesis. Since then it has been studied and confirmed by countless academics in many international markets.

The traditional explanation for this phenomenon is that prices are slow to incorporate information, but the reason why prices are slow to incorporate information remains elusive. To a large extent, this elusiveness stems from a **common misconception: that interpreting information is a trivial task everyone can perform in the exact same way.** In reality, though, things are very different. Before investors can use new information to form trading decisions, they need to figure out its implications for the asset's fundamental value. Usually, this involves forecasting a stream of future cash-flows and discount factors, which makes the task far from trivial. But, above all, it makes it a subjective task. **Different people, with different innate abilities, acquired skills, time available to do research, mood, among many other aspects, will naturally reach different conclusions based on the same information.** This is evident, for example, from the dispersion of analyst forecasts.

Thus, **investors recognize their interpretations (or opinions) are imperfect, and so they have an incentive to look for others' opinions in order to improve their own interpretations.** This can be **accomplished by observing prices, since prices aggregate the opinions of all market participants.** However, the information extracted from prices is noisy due to noise/liquidity trading, as in Grossman and Stiglitz (1980). Therefore, investors may learn something about the market consensus interpretation from a single observation of the price, but not everything.

As a result, investors can gradually correct their interpretation error by observing the series of prices following the announcement. In turn, as investors become more confident about their interpretation of the announcement, they put more weight on it relatively to their prior beliefs. Therefore, the information contained in the public announcement is gradually incorporated into

posterior beliefs and prices, **generating a post-announcement drift**. The public information becomes fully incorporated into prices only after all market participants completely eliminate their interpretation errors.

There are two implications here;

1. First, the **drift should last longer for stocks with less analyst coverage**. The idea is that analysts help investors interpret information, thus speeding up the incorporation of information in prices;
2. Second, the **larger the interpretation uncertainty, the larger and longer the drift**, and the smaller the price reaction to the announcement.

Also, other studies show that there are **five main** empirical facts related to the post-announcement drift;

- 2.1 First, **every announcement whose interpretation is non-trivial will generate a drift**, which explains why prices have been found to drift after such a vast and disparate array of announcements (see Daniel et al., 1998 for a comprehensive list with references);
- 2.2 Second, those drifts are long lasting because **noise trading slows down the process of learning the market consensus from prices**;
- 2.3 Third, the **drift is concentrated in the days following the announcement** (Bernard and Thomas, 1989) because that is when investors are more uncertain about their interpretations, and thus more willing to revise them;
- 2.4 Fourth, when investors are positively (negatively) surprised by an announcement, they tend to be positively (negatively) surprised by subsequent announcements; not because they do not understand the relation between those announcements (Bernard and Thomas, 1989), but **because they do not have a full understanding of the first announcement**, thus, the drift;
- 2.5 Fifth, because **arguably institutional investors make smaller interpretation errors** and are less risk averse, they trade more aggressively to exploit the drift. As a result, the drift is attenuated although not completely eliminated when institutional investors trade more actively, which is associated to larger and more liquid stocks, and to positive news.

In addition to the above, perhaps the greatest obstacle in understanding why prices are slow to fully reflect public information comes from the usual assumption that public information has a one-time impact on expectations and prices. After all, why would anything change once everyone observes the same information?

What is usually missed is that information needs to be interpreted before it can be used to form a trading decision, and each individual will obviously do it differently. As stated earlier, differences in innate ability, in acquired skills, in mood, in the time available to do research (e.g. reading the executive summary of the earnings report vs. the full report) all contribute to differential interpretation of public information. If investors hold to their beliefs dogmatically, the public information still has a one-time impact on beliefs and prices. But if individuals recognize their limited ability to process information, they will look for others' opinions, i.e. the market consensus, to revise their own opinions.

Therefore, prices are slow to fully reflect the public information because investors learn gradually about the market consensus. In other words, the **under reaction appears to result not from barriers to knowing news, but from barriers in understanding it**.

Another potential explanation for the slow incorporation of information is limited attention; understood as limited time to process information. **The lack of time to perform an exhaustive analysis contributes to more heterogeneous interpretations.** Nevertheless, while dedicated financial analysts are less likely to suffer from limited attention, yet their forecasts may vary significantly.

This Study Rationale : The purpose of this study is to examine the profitability of implementing a strategy based on the earnings surprise anomaly. The period covered for Malaysian equities spans Jan 2005 to Dec 2015. It is assumed that as per other global stock market, company stock prices in the Bursa Malaysia stock exchange also do exhibit pronounced delayed reactions to earnings information as per the literature mentioned above.

Data are sourced from Bloomberg. The following selection criteria are used in this study;

1. The company's shares are listed on the Bursa for entire study period;
2. The FBM KLCI constituents were used as they are more stable (i.e. less susceptible to speculation). However, the number of stocks covered was 47 and not 30 as some stocks appears in different time frames due to them being included or excluded as the index was adjusted when particular stocks met or missed the benchmark criteria;
3. The forecast earnings data must be reported for company in every year (2005 – 2015) and are available in Bloomberg;
4. The actual earnings announcement data must be reported for company in every year;
5. Earnings Surprise is the difference between the Actual Earnings per share before extraordinary items and estimated earnings per share;
6. Daily Price must be available to calculate returns;
7. To measure earnings surprise, there are two methods;
 - 7.1 One is a measure that uses historical earnings called Standardized Unexpected Earnings (SUE). SUE is the standardized difference between reported earnings and expected earnings. To use SUE is too tedious and is prone to analyst error in forecast, thus was not used here;
 - 7.2 The other method is called Earnings Announcement Return (EAR). In this method, it is implied that the EAR captures the market reaction to unexpected information contained in the company's earnings release. Besides the actual earnings news, this includes unexpected information about sales, margins, investment, and other less tangible information communicated during or around the earnings announcement. Actual earnings relative to consensus analyst forecasts is used as the principal earnings surprise measure. Mathematically, $EAR = \text{Actual EPS} / \text{Consensus EPS Estimate} - 1$.

There were two periods used to calculate EAR. The 1st period is the pre-announcement period, 7 days (sub-divided into -7, -5, -3 and -1 day) before earnings announcement date. The 2nd period is the post-announcement period up to 30 days after announcement date (sub-divided into +1, +3, +5, +7, +10, +15, +20, +25 and +30 days).

The 1st period was to observe if there was price movement before earnings announcement and the 2nd period was to observe if price moves after post earnings announcement. Stocks were sorted every year based on highest % Earnings Surprise. Stocks price movement was also compared against the FBM KLCI movement from their earnings announcement dates.

Findings Overview	:	PEAD strategy can be used on individual stocks in Bursa for short periods of not more than 2 months. When the price return objective is achieved, profits need to be taken to enhance portfolio value.
Back Test Period	:	11 Years
Rebalanced	:	After price/percentage target achieved
Results Tabled	:	Summary based on 11 Years data
Period Start	:	01-Jan-2005
Period End	:	31-Dec-2015
Index Observed	:	1 – FBM KLCI
Stocks Observed	:	41 – FBM KLCI Constituents
No. of observations	:	71,258
Ave. observation/stock	:	1,697

Findings

Overall : As per the literature above, Malaysian stocks also exhibited the same characteristics. It was observed that after earnings announcement date, while the stocks did move, however the stock movements were usually more pronounced after day 10, arguably when the impact and significance of the announcement have been digested by fund managers and analysts, with day 20 being most of the stocks started moving up or down.

Investors can take advantage of investing in stocks that that have both +VE and -VE earnings surprise. Based on the study, the strategy of buying fundamentally sound stocks that show +VE earnings surprise is advantageous due to the earnings announcement drift. The study shows that **on the average, out of the 14 stocks that every year show +VE earnings surprise, 8 stocks or 56.8% moved post earnings announcement with an average gain of 45.18%.**

Buying –VE earnings surprise stocks can also make investors' money. The study shows that **on the average, out of the 13 stocks that every year show -VE earnings surprise, 6 stocks or 49.2% moved post earnings announcement with an average return of 32.57%.** Among the reason for the positive return despite –VE earnings surprise was due to investors picking up these stocks (which are considered as cheap on a relative basis to peers and historically) after being battered due to –VE earnings surprise.

Detail Findings

From the study, it was observed that for Bursa Malaysia stock exchange, there were four outcomes based on positive and negative earnings surprises (before and after earnings announcements). They are as follows:-

1. Positive earnings surprise & price moved up,
2. Positive earnings surprise & price moved down,
3. Negative earnings surprise & price moved down,
4. Negative earnings surprise & price moved up.

The results obtained were divided into the 4 categories above.

For the period covered from 2005 to 2015, out of the 30 FBM KLCI stocks, it was observed that:-

1. PRE and POST earnings announcement stock movements

a. On the average:-

Description	Stocks Moved PRE	Stocks Moved POST	Stocks Moved Both Periods
Max - No. Stks	20	20	12
Max - %	66.7%	66.7%	40.0%
Avg - No. Stks	17	15	9
Average %	55.3%	51.0%	29.0%
Min - No. Stks	12	12	5
Min - %	40.0%	40.0%	16.7%
Mean	18	17	11
Mode	18	15	9

- i. 17 stocks (55.3%) every year move PRE earnings announcement, with 15 stocks (51%) moving POST earnings announcement and 9 stocks (29%) moved in both periods;

Description	+ VE EPS Surp No. Stks	+ VE EPS No. Stks MOVED PRE	+ VE EPS No. Stks MOVED Post	+ VE EPS No. Stks MOVED BOTH Periods
Max - No. Stks	17	11	11	7
Max - %	56.7%	66.7%	84.6%	46.7%
Avg - No. Stks	14	8	8	5
Average %	48.0%	58.2%	56.8%	35.6%
Min - No. Stks	11	6	6	2
Min - %	36.7%	43.8%	37.5%	11.8%
Mean	15	7	7	5
Mode	15	9	8	5

- ii. 14 stocks (48%) every year have +VE earnings surprises, of these 8 (58.2%) of these stocks moved PRE earnings announcement, 8 stocks (56.8%) moving POST earnings announcement and 5 stocks (35.6%) moved in both periods;

Description	- VE EPS Surp No. Stks	- VE EPS No. Stks MOVED PRE	- VE EPS No. Stks MOVED Post	- VE EPS No. Stks MOVED BOTH Periods
Max - No. Stks	18	10	9	5
Max - %	60.0%	64.3%	72.7%	36.4%
Avg - No. Stks	13	7	6	3
Average %	44.3%	52.1%	49.2%	24.3%
Min - No. Stks	8	3	4	1
Min - %	26.7%	30.8%	27.8%	7.7%
Mean	14	8	5	4
Mode	14	8	7	4

- iii. 13 stocks (44.3%) every year have -VE earnings surprises, of these 7 (52.1%) of these stocks moved PRE earnings announcement, 6 stocks (49.2%) moving POST earnings announcement and only 3 stocks (24.3%) moved in both periods.

2. Stock performance against FBM KLCI during PRE earnings announcement

	Table 1D		PRE EPS Announcement	
Description	+ VE EPS Surp No. Stks	- VE EPS Surp No. Stks	+ VE EPS O/P No. Stks	- VE EPS O/P No. Stks
Max - No. Stks	17	18	10	9
Max - %	56.7%	60.0%	66.7%	56.3%
Avg - No. Stks	14	13	7	6
Average %	48.0%	44.3%	45.2%	41.2%
Min - No. Stks	11	8	4	3
Min - %	36.7%	26.7%	29.4%	27.3%
Mean	15	14	7	7
Mode	15	14	7	7

a. On the average:-

- i. Of the 14 (48%) stocks every year that have +VE earnings surprises, 7 stocks (45.2%) outperformed the benchmark
- ii. Of the 13 (44%) stocks every year that have -VE earnings surprises, 6 stocks (41.2%) outperformed the benchmark

3. Stock performance against FBM KLCI during POST earnings announcement

	Table 1E		POST EPS Announcement	
Description	+ VE EPS Surp No. Stks	- VE EPS Surp No. Stks	+ VE EPS O/P No. Stks	- VE EPS O/P No. Stks
Max - No. Stks	17	18	11	9
Max - %	56.7%	60.0%	84.6%	72.7%
Avg - No. Stks	14	13	8	6
Average %	48.0%	44.3%	58.2%	46.7%
Min - No. Stks	11	8	6	4
Min - %	36.7%	26.7%	35.3%	30.8%
Mean	15	14	8	5
Mode	15	14	8	6

a. On the average:-

- i. Of the 14 (48%) stocks every year that have +VE earnings surprises, 8 stocks (58.2%) outperformed the benchmark;
- ii. Of the 13 (44%) stocks every year that have -VE earnings surprises, 6 stocks (46.7%) outperformed the benchmark

4. +VE EPS Stock Returns vs. -VE Stock Returns against FBM KLCI during PRE earnings announcement

		Table 2A				
	Results Description	Period Before Earnings Announcement				
		7 Days Before	5 Days Before	3 Days Before	1 Days Before	Average Rtn
MAX Avg	+VE EPS Surp +VE Rtns	20.0%	19.1%	14.0%	11.2%	16.1%
MAX Avg	-VE EPS Surp +VE Rtns	14.7%	10.7%	9.5%	7.7%	10.6%
Min Avg	+VE EPS Surp -VE Rtns	(18.6%)	(18.3%)	(16.2%)	(8.3%)	(15.3%)
Min Avg	-VE EPS Surp -VE Rtns	(19.2%)	(16.3%)	(14.4%)	(9.0%)	(14.7%)
MAX	+VE EPS Surp +VE Rtns	32.3%	35.9%	21.2%	20.6%	27.5%
MAX	-VE EPS Surp +VE Rtns	40.9%	18.6%	19.5%	13.6%	23.2%
Min	+VE EPS Surp -VE Rtns	(36.7%)	(42.6%)	(32.4%)	(23.8%)	(33.9%)
Min	-VE EPS Surp -VE Rtns	(45.9%)	(37.5%)	(36.2%)	(15.8%)	(33.8%)

- a. On the average, for periods covered, it is observed that the stock returns from +VE earning surprise for next 7 days outweigh the stock returns from -VE earnings surprise versus FBM KLCI.
 - i. Stock with +VE EPS surprise AVERAGE maximum returns versus FBM KLCI were 16.1% compared to Stock with -VE EPS surprise AVERAGE maximum returns of 10.6% (huge variance of 5.5%). All 4 PRE earnings announcement period (7, 5, 3 and 1 day) with +VE EPS surprise outperformed the -VE EPS surprise periods versus FBM KLCI.
 - ii. Stock with +VE EPS surprise MAXIMUM returns were 27.5% compared to Stock with -VE EPS surprise MAXIMUM returns of 23.2% (huge variance of 4.3%). It is noted that outperformance was consistent in this part as well as 3 (75%) of the 4 PRE earnings announcement period (7, 5, 3 and 1 day) with +VE EPS surprise outperformed the -VE EPS surprise periods versus FBM KLCI.

		Table 2B									
	Results Description	Period After Earnings Announcement									
		1 Days After	3 Days After	5 Days After	7 Days After	10 Days After	15 Days After	20 Days After	25 Days After	30 Days After	Average Rtn
MAX Avg	+VE EPS Surp +VE Rtns	16.5%	23.4%	30.4%	34.8%	40.3%	43.8%	59.1%	71.3%	87.0%	45.2%
MAX Avg	-VE EPS Surp +VE Rtns	11.6%	15.8%	19.8%	23.9%	29.6%	31.4%	41.7%	50.8%	68.5%	32.6%
Min Avg	+VE EPS Surp -VE Rtns	(10.0%)	(15.0%)	(20.6%)	(24.3%)	(26.1%)	(26.3%)	(30.1%)	(26.5%)	(30.7%)	(23.3%)
Min Avg	-VE EPS Surp -VE Rtns	(11.9%)	(21.3%)	(24.4%)	(24.0%)	(34.6%)	(37.4%)	(33.1%)	(29.6%)	(30.1%)	(27.4%)
MAX	+VE EPS Surp +VE Rtns	28.8%	37.0%	39.6%	63.7%	76.5%	64.7%	86.0%	116.9%	130.6%	71.5%
MAX	-VE EPS Surp +VE Rtns	22.3%	38.7%	60.3%	59.0%	94.4%	100.0%	139.3%	122.7%	172.1%	89.9%
Min	+VE EPS Surp -VE Rtns	(27.2%)	(35.8%)	(54.2%)	(81.1%)	(90.2%)	(67.1%)	(79.9%)	(87.7%)	(75.9%)	(66.5%)
Min	-VE EPS Surp -VE Rtns	(21.3%)	(44.2%)	(55.0%)	(57.5%)	(97.2%)	(100.4%)	(87.3%)	(72.8%)	(79.3%)	(68.3%)

5. +VE EPS Stock Returns vs. -VE Stock Returns against FBM KLCI during POST earnings announcement

- a. On the average, for periods covered, it is observed that the stock returns from +VE earning surprise for next 30 days outweigh the stock returns from -VE earnings surprise versus FBM KLCI.
 - i. Stock with +VE EPS surprise AVERAGE maximum returns were 45.2% compared to Stock with -VE EPS surprise AVERAGE maximum returns of 32.6% (huge variance of 12.6%). All 9 POST earnings announcement period (1, 3, 5,7,10,15,20,25, and 30 days) with +VE EPS surprise outperformed the -VE EPS surprise periods.
 - ii. Stock with +VE EPS surprise MAXIMUM returns however under performed at 71.5% compared to Stock with -VE EPS surprise MAXIMUM returns of 89.9% (variance of -18.33%). The probable reason was due to investors picking up

these stocks as considered cheap on a relative basis to peers and historically after being battered due to –VE earnings surprise.

Table 1													PRE EPS Announcement		POST EPS Announcement	
Description	Stocks Moved PRE	Stocks Moved POST	Socks Moved Both Periods	+VE EPS Surp No. Stks	+VE EPS No. Stks MOVED PRE	+VE EPS No. Stks MOVED Post	+VE EPS No. Stks MOVED BOTH Periods	-VE EPS Surp No. Stks	-VE EPS No. Stks MOVED PRE	-VE EPS No. Stks MOVED Post	-VE EPS No. Stks MOVED BOTH Periods	+VE EPS O/P No. Stks	-VE EPS O/P No. Stks	+VE EPS O/P No. Stks	-VE EPS O/P No. Stks	
Max - No. Stks	20	20	12	17	11	11	7	18	10	9	5	10	9	11	9	
Max - %	66.7%	66.7%	40.0%	56.7%	66.7%	84.6%	46.7%	60.0%	64.3%	72.7%	36.4%	66.7%	56.3%	84.6%	72.7%	
Avg - No. Stks	17	15	9	14	8	8	5	13	7	6	3	7	6	8	6	
Average %	55.3%	51.0%	29.0%	48.0%	58.2%	56.8%	35.6%	44.3%	52.1%	49.2%	24.3%	45.2%	41.2%	58.2%	46.7%	
Min - No. Stks	12	12	5	11	6	6	2	8	3	4	1	4	3	6	4	
Min - %	40.0%	40.0%	16.7%	36.7%	43.8%	37.5%	11.8%	26.7%	30.8%	27.8%	7.7%	29.4%	27.3%	35.3%	30.8%	
Mean	18	17	11	15	7	7	5	14	8	5	4	7	7	8	5	
Mode	18	15	9	15	9	8	5	14	8	7	4	7	7	8	6	

													PRE EPS Announcement		POST EPS Announcement		
Year	Item	Total	Stocks Moved PRE	Stocks Moved POST	Socks Moved Both Periods	+VE EPS Surp No. Stks	+VE EPS No. Stks MOVED PRE	+VE EPS No. Stks MOVED Post	+VE EPS No. Stks MOVED BOTH Periods	-VE EPS Surp No. Stks	-VE EPS No. Stks MOVED PRE	-VE EPS No. Stks MOVED Post	-VE EPS No. Stks MOVED BOTH Periods	+VE EPS O/P No. Stks	-VE EPS O/P No. Stks	+VE EPS O/P No. Stks	-VE EPS O/P No. Stks
2015	No. Stks	30	18	14	9	15	10	7	6	15	8	7	3	10	6	9	7
	% Of		60.0%	46.7%	30.0%	50.0%	66.7%	46.7%	40.0%	50.0%	53.3%	46.7%	20.0%	66.7%	40.0%	60.0%	46.7%
2014	No. Stks	30	18	20	11	14	8	11	6	16	10	9	5	7	9	11	9
	% Of		60.0%	66.7%	36.7%	46.7%	57.1%	78.6%	42.9%	53.3%	62.5%	56.3%	31.3%	50.0%	56.3%	78.6%	56.3%
2013	No. Stks	30	15	13	7	11	6	8	5	18	8	5	2	5	7	8	6
	% Of		50.0%	43.3%	23.3%	36.7%	54.5%	72.7%	45.5%	60.0%	44.4%	27.8%	11.1%	45.5%	38.9%	72.7%	33.3%
2012	No. Stks	30	20	17	12	15	10	8	7	14	9	8	4	7	7	8	8
	% Of		66.7%	56.7%	40.0%	50.0%	66.7%	53.3%	46.7%	46.7%	64.3%	57.1%	28.6%	46.7%	50.0%	53.3%	57.1%
2011	No. Stks	30	14	15	8	16	7	6	3	11	5	8	4	7	3	7	8
	% Of		46.7%	50.0%	26.7%	53.3%	43.8%	37.5%	18.8%	36.7%	45.5%	72.7%	36.4%	43.8%	27.3%	43.8%	72.7%
2010	No. Stks	30	18	12	8	15	9	7	5	13	8	5	3	7	7	7	5
	% Of		60.0%	40.0%	26.7%	50.0%	60.0%	46.7%	33.3%	43.3%	61.5%	38.5%	23.1%	46.7%	53.8%	46.7%	38.5%
2009	No. Stks	30	12	12	6	14	7	7	5	13	4	5	1	6	4	7	4
	% Of		40.0%	40.0%	20.0%	46.7%	50.0%	50.0%	35.7%	43.3%	30.8%	38.5%	7.7%	42.9%	30.8%	50.0%	30.8%
2008	No. Stks	30	16	18	11	13	7	11	6	14	8	7	5	4	7	11	5
	% Of		53.3%	60.0%	36.7%	43.3%	53.8%	84.6%	46.2%	46.7%	57.1%	50.0%	35.7%	30.8%	50.0%	84.6%	35.7%
2007	No. Stks	30	17	15	5	17	11	7	2	8	3	4	1	5	3	6	4
	% Of		56.7%	50.0%	16.7%	56.7%	64.7%	41.2%	11.8%	26.7%	37.5%	50.0%	12.5%	29.4%	37.5%	35.3%	50.0%
2006	No. Stks	30	18	17	10	14	9	8	5	11	7	6	4	7	3	8	5
	% Of		60.0%	56.7%	33.3%	46.7%	64.3%	57.1%	35.7%	36.7%	63.6%	54.5%	36.4%	50.0%	27.3%	57.1%	45.5%

Table 2																	
Results Description		Period Before Earnings Announcement				Average	Period After Earnings Announcement										Average
MAX Avg	+VE EPS Surp +VE Rtns	19.99%	19.10%	14.00%	11.20%	16.07%	16.47%	23.41%	30.41%	34.78%	40.33%	43.77%	59.14%	71.34%	86.98%	45.18%	
Min Avg	+VE EPS Surp -VE Rtns	(18.62%)	(18.27%)	(16.22%)	(8.27%)	(15.34%)	(10.00%)	(14.96%)	(20.58%)	(24.26%)	(26.09%)	(26.32%)	(30.09%)	(26.50%)	(30.72%)	(23.28%)	
MAX Avg	-VE EPS Surp +VE Rtns	14.73%	10.69%	9.50%	7.65%	10.64%	11.57%	15.80%	19.78%	23.88%	29.60%	31.45%	41.73%	50.80%	68.49%	32.57%	
Min Avg	-VE EPS Surp -VE Rtns	(19.18%)	(16.30%)	(14.37%)	(8.96%)	(14.70%)	(11.88%)	(21.29%)	(24.39%)	(23.98%)	(34.58%)	(37.42%)	(33.11%)	(29.60%)	(30.06%)	(27.37%)	
MAX	+VE EPS Surp +VE Rtns	32.32%	35.91%	21.16%	20.56%	27.49%	28.83%	37.03%	39.56%	63.67%	76.52%	64.66%	86.04%	116.94%	130.63%	71.54%	
Min	+VE EPS Surp -VE Rtns	(36.72%)	(42.61%)	(32.41%)	(23.75%)	(33.87%)	(27.17%)	(35.77%)	(54.16%)	(81.06%)	(90.16%)	(67.08%)	(79.88%)	(87.68%)	(75.92%)	(66.54%)	
MAX	-VE EPS Surp +VE Rtns	40.93%	18.63%	19.50%	13.61%	23.17%	22.29%	38.68%	60.32%	59.04%	94.38%	100.03%	139.29%	122.70%	172.11%	89.87%	
Min	-VE EPS Surp -VE Rtns	(45.85%)	(37.51%)	(36.18%)	(15.82%)	(33.84%)	(21.33%)	(44.21%)	(54.99%)	(57.47%)	(97.21%)	(100.39%)	(87.30%)	(72.76%)	(79.25%)	(68.32%)	
Year	Results Description	Period Before Earnings Announcement				Average	Period After Earnings Announcement										Average
		7 Days Before	5 Days Before	3 Days Before	1 Days Before		1 Days After	3 Days After	5 Days After	7 Days After	10 Days After	15 Days After	20 Days After	25 Days After	30 Days After		
2015	+VE EPS Surp +VE Rtns	11.35%	11.18%	9.63%	12.35%	11.13%	8.15%	8.59%	17.28%	18.72%	31.23%	34.49%	36.69%	35.99%	64.67%	28.42%	
	+VE EPS Surp -VE Rtns	(19.03%)	(18.23%)	(11.37%)	(6.98%)	(13.90%)	(9.55%)	(10.36%)	(10.52%)	(8.68%)	(9.35%)	(9.42%)	(17.32%)	(9.23%)	(11.44%)	(10.65%)	
	-VE EPS Surp +VE Rtns	15.59%	8.77%	7.73%	8.19%	10.07%	22.29%	38.68%	60.32%	59.04%	94.38%	100.03%	139.29%	122.70%	172.11%	89.87%	
2014	+VE EPS Surp +VE Rtns	13.25%	10.24%	7.94%	10.82%	10.56%	23.53%	22.63%	26.13%	30.05%	36.61%	51.28%	70.99%	68.23%	79.15%	45.40%	
	+VE EPS Surp -VE Rtns	(7.05%)	(4.97%)	(4.84%)	(1.13%)	(4.50%)	(14.04%)	(23.65%)	(30.47%)	(29.80%)	(38.53%)	(33.67%)	(31.13%)	(31.89%)	(33.96%)	(29.68%)	
	-VE EPS Surp +VE Rtns	40.93%	18.63%	19.50%	13.61%	23.17%	14.01%	24.84%	10.92%	22.01%	22.00%	34.06%	30.28%	50.07%	68.17%	30.71%	
2013	+VE EPS Surp +VE Rtns	18.93%	15.25%	10.02%	14.00%	14.55%	11.72%	21.08%	25.33%	30.42%	35.61%	44.76%	58.60%	76.72%	86.83%	43.45%	
	+VE EPS Surp -VE Rtns	(19.01%)	(18.11%)	(12.62%)	(4.13%)	(13.47%)	(7.95%)	(8.40%)	(7.03%)	(10.38%)	(13.14%)	(10.24%)	(4.44%)	(4.41%)	(4.68%)	(7.85%)	
	-VE EPS Surp +VE Rtns	12.34%	9.31%	13.09%	7.10%	10.46%	14.37%	16.08%	22.38%	28.66%	37.44%	50.90%	48.84%	51.26%	56.15%	36.23%	
2012	+VE EPS Surp +VE Rtns	23.76%	24.69%	16.06%	8.14%	18.16%	12.83%	29.83%	35.94%	63.67%	76.52%	64.03%	86.04%	116.94%	130.63%	68.49%	
	+VE EPS Surp -VE Rtns	(8.46%)	(5.03%)	(12.36%)	(6.91%)	(8.19%)	(5.21%)	(1.37%)	(6.05%)	(13.32%)	(20.20%)	(20.66%)	(22.85%)	(26.50%)	(23.94%)	(15.57%)	
	-VE EPS Surp +VE Rtns	16.02%	15.45%	11.76%	11.81%	13.76%	11.11%	20.59%	25.23%	26.28%	26.89%	23.93%	36.60%	51.00%	63.25%	31.65%	
2011	+VE EPS Surp +VE Rtns	26.12%	27.07%	19.84%	3.78%	19.20%	12.01%	21.07%	38.71%	39.30%	44.14%	39.97%	53.88%	57.62%	61.75%	40.94%	
	+VE EPS Surp -VE Rtns	(36.72%)	(34.05%)	(21.64%)	(10.49%)	(25.72%)	(11.35%)	(16.51%)	(13.46%)	(24.24%)	(32.51%)	(42.14%)	(79.88%)	(46.59%)	(56.63%)	(35.92%)	
	-VE EPS Surp +VE Rtns	9.15%	8.43%	7.37%	10.09%	8.76%	6.56%	10.80%	17.38%	14.26%	21.81%	19.55%	30.28%	39.94%	45.62%	22.91%	
2010	+VE EPS Surp +VE Rtns	19.85%	22.79%	12.11%	17.80%	18.14%	18.90%	32.95%	35.34%	41.31%	40.36%	41.03%	65.99%	89.46%	96.28%	51.29%	
	+VE EPS Surp -VE Rtns	(26.98%)	(42.61%)	(32.41%)	(8.73%)	(27.68%)	(6.02%)	(18.29%)	(23.26%)	(36.73%)	(24.16%)	(22.36%)	(18.16%)	(15.73%)	(17.15%)	(20.21%)	
	-VE EPS Surp +VE Rtns	14.63%	6.84%	4.01%	6.24%	7.93%	5.05%	7.83%	18.58%	18.24%	16.01%	12.94%	25.43%	35.18%	49.24%	20.95%	
2009	+VE EPS Surp +VE Rtns	27.28%	20.24%	15.84%	9.94%	18.32%	20.86%	25.48%	39.56%	46.45%	57.26%	64.66%	66.77%	76.26%	117.29%	57.18%	
	+VE EPS Surp -VE Rtns	(6.06%)	(4.78%)	(7.61%)	(4.21%)	(5.66%)	(5.80%)	(5.90%)	(9.69%)	(13.66%)	(8.60%)	(17.86%)	(17.82%)	(7.50%)	(16.65%)	(11.50%)	
	-VE EPS Surp +VE Rtns	7.26%	8.18%	11.39%	10.75%	9.39%	19.26%	17.81%	38.21%	56.03%	64.85%	54.16%	66.48%	90.53%	91.29%	55.40%	
2008	+VE EPS Surp +VE Rtns	8.48%	4.90%	9.73%	2.36%	6.37%	28.83%	37.03%	39.41%	31.95%	26.18%	31.20%	52.38%	61.19%	63.78%	41.33%	
	+VE EPS Surp -VE Rtns	(32.52%)	(34.29%)	(22.55%)	(10.76%)	(25.03%)	(5.35%)	(13.70%)	(17.03%)	(14.86%)	(15.67%)	(30.90%)	(34.80%)	(28.45%)	(60.84%)	(24.62%)	
	-VE EPS Surp +VE Rtns	12.57%	16.12%	9.03%	5.61%	10.83%	17.86%	9.45%	13.96%	14.25%	18.77%	11.61%	30.77%	47.98%	103.87%	29.84%	
2007	+VE EPS Surp +VE Rtns	19.73%	35.91%	20.52%	20.56%	24.18%	7.25%	13.27%	11.96%	17.95%	25.76%	21.44%	37.28%	37.25%	42.45%	23.84%	
	+VE EPS Surp -VE Rtns	(25.38%)	(15.83%)	(16.81%)	(12.23%)	(17.56%)	(27.17%)	(29.34%)	(54.16%)	(81.06%)	(90.16%)	(67.08%)	(74.64%)	(87.68%)	(75.92%)	(65.24%)	
	-VE EPS Surp +VE Rtns	17.33%	11.51%	10.13%	3.11%	10.52%	4.33%	14.57%	7.10%	11.99%	13.90%	24.55%	24.10%	25.79%	18.54%	16.10%	
2006	+VE EPS Surp +VE Rtns	32.32%	25.97%	21.16%	13.73%	23.30%	20.39%	15.24%	30.34%	33.86%	39.22%	48.17%	62.98%	91.98%	127.99%	52.24%	
	+VE EPS Surp -VE Rtns	(17.35%)	(18.05%)	(27.10%)	(23.75%)	(21.56%)	(13.97%)	(35.77%)	(40.06%)	(19.58%)	(17.91%)	(22.08%)	(14.02%)	(15.83%)	(15.35%)	(21.62%)	
	-VE EPS Surp +VE Rtns	13.50%	11.18%	9.13%	4.74%	9.64%	11.59%	10.46%	3.07%	8.02%	7.72%	4.99%	16.12%	32.34%	83.87%	19.80%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	
2005	+VE EPS Surp +VE Rtns	18.85%	11.91%	11.11%	9.76%	12.91%	16.71%	30.36%	34.48%	28.93%	30.74%	40.47%	58.94%	73.06%	85.97%	44.41%	
	+VE EPS Surp -VE Rtns	(6.21%)	(5.05%)	(9.09%)	(1.59%)	(5.48%)	(3.63%)	(1.32%)	(14.61%)	(14.52%)	(16.80%)	(13.16%)	(15.87%)	(17.72%)	(21.36%)	(13.22%)	
	-VE EPS Surp +VE Rtns	2.72%	3.20%	1.41%	2.91%	2.56%	0.84%	2.68%	0.48%	3.97%	1.77%	9.20%	10.81%	12.04%	1.27%	4.78%	

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.