FBM KLCI Semi-Annual Review

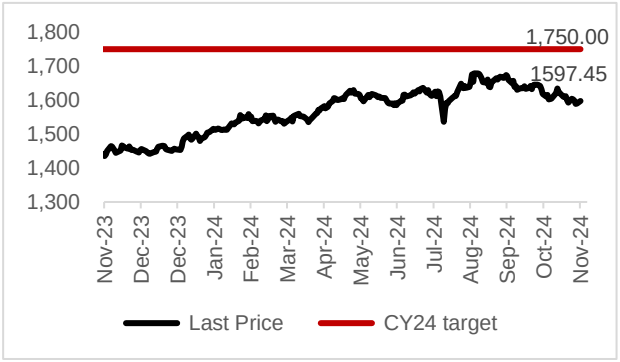
Cut-off date: Nov 25, 2024
FTSE announcement date: Dec 5, 2024
Implementation date: Dec 23, 2024

Return of the construction giant

KEY INVESTMENT HIGHLIGHTS

- **FBM KLCI to undergo semi-annual review on 23rd Dec; data cut-off date on 25th Nov**
- **Gamuda and 99 Speedmart are potential new entrants**
- **Potential removal of Genting Malaysia and Genting**
- **Construction sector to command a weightage of 3.91% in the FBM KLCI**
- **Consumer sector weightage to reduce from 9.43% to 7.46%**

FBM KLCI TARGET



Source: Bloomberg, MIDFR

Upcoming FBM KLCI review. The upcoming semi-annual review of the FTSE Bursa Malaysia (FBM) KLCI is scheduled to be implemented on the 23rd of December. Based on the data from the review cut-off date yesterday, we believe that the inclusion of Gamuda and 99 Speed Mart Retail Holdings is imminent, replacing Genting Malaysia and Genting, as we predicted in Sep-24.

Gamuda makes a comeback. After 13 years, Gamuda is set to make a grand return to the FBM KLCI, after rising to the 16th spot in terms of market capitalisation, which was RM25.76b at yesterday's close. Based on our estimates, Gamuda meets both the free float and liquidity requirements for index inclusion. It has the highest free float at 90.79% and is expected to command a 3.9% weightage in the FBM KLCI. Gamuda has spent about two and half years (five consecutive semi-annual reviews) in the FBM KLCI reserve list. Its previous entry into the index was on 20th September 2010, replacing Tanjong that was taken private. Gamuda was removed from the index in the Dec-11 review alongside MISC to make way for Bumi Armada and AirAsia.

Potential inclusion of 99SMART. In our Sep-24 report, we put forth that 99 Speed Mart Retail Holdings will need to trade at RM2.41 for it to be included in the index. At RM2.38 yesterday, the recently listed minimarket chain sits comfortably in the 25th spot with a market capitalisation of RM19.99b. While its post-IPO shareholding structure has yet to be published, we deem 99 Speed Mart to have met the free float requirement, based on the 17% public shareholding spread for its IPO.

Removal of Genting Malaysia and Genting. With the possible elevation of Gamuda and 99 Speed Mart into the barometer index, this will mark the first time that both Genting Malaysia and Genting are booted out from the FBM KLCI, since its inception in Jul-2009. Gamuda will replace Genting Malaysia (39th) while a 99 Speed Mart entry will replace Genting (34th).

FBM KLCI CONSTITUENTS

Bursa Ticker	Rec.	TP (RM)
Existing		
MAYBANK	BUY	12.11
CIMB	BUY	9.11
PBBANK	BUY	5.16
TENAGA	NEUTRAL	14.20
IHH	BUY	7.35
HLBANK	BUY	22.76
CDB	NEUTRAL	3.53
PCHEM	NEUTRAL	4.89
PMETAL	-	-
PETGAS	BUY	19.23
MISC	BUY	8.95
SDG	BUY	5.43
RHBBANK	BUY	6.60
SUNWAY	NEUTRAL	4.24
MAXIS	BUY	4.47
YTLPOWR	BUY	6.20
TM	NEUTRAL	7.03
KLK	BUY	23.42
IOICORP	BUY	4.50
NESTLE	NEUTRAL	101.90
AXIATA	NEUTRAL	2.56
HLFG	NEUTRAL	23.13
YTL	BUY	4.19
PPB	NEUTRAL	14.47
MRDIY	-	-
QL	NEUTRAL	4.83
PETDAG	BUY	24.63
GENTING	-	-
SIME	-	-
GENM	-	-
Potential Inclusion		
GAMUDA	BUY	9.64
99SMART	-	-
Potential Exclusion		
GENM	-	-
GENTING	-	-

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Table 1: Top 40 stocks by market capitalisation (as of 25 November 2024)

	Stock name	Share price (RM)	Full Market Cap (RM'b)	Free Float*	Free Float Adjusted Market Cap (RM'b)	Average monthly liquidity**	Current KLCI weightage*	New KLCI weightage*
1	Malayan Banking	10.30	124.29	68.64%	85.32	0.12%	14.58%	14.26%
2	CIMB Group Holdings	8.38	89.83	77.55%	69.66	0.24%	11.90%	11.65%
3	Public Bank	4.45	86.38	74.90%	64.69	0.13%	11.05%	10.82%
4	Tenaga Nasional	14.04	81.61	78.55%	64.11	0.16%	10.95%	10.72%
5	IHH Healthcare	7.00	61.68	34.51%	21.29	0.17%	3.64%	3.56%
6	Hong Leong Bank	20.88	45.26	37.51%	16.98	0.11%	2.90%	2.84%
7	CelcomDigi	3.55	41.65	33.80%	14.08	0.07%	2.41%	2.35%
8	Petronas Chemicals Group	4.80	38.40	34.89%	13.40	0.12%	2.29%	2.24%
9	Press Metal Aluminium Holdings	4.66	38.40	42.64%	16.37	0.19%	2.80%	2.74%
10	Petronas Gas	17.80	35.22	48.60%	17.12	0.07%	2.92%	2.86%
11	MISC	7.56	33.75	46.70%	15.76	0.15%	2.69%	2.63%
12	SD Guthrie	4.77	32.99	53.91%	17.78	0.07%	3.04%	2.97%
13	RHB Bank	6.61	28.82	50.65%	14.60	0.28%	2.49%	2.44%
14	Sunway	5.02	28.56	40.89%	11.68	0.55%	2.00%	1.95%
15	Maxis	3.58	28.04	37.50%	10.52	0.07%	1.80%	1.76%
16	**Gamuda**	9.13	25.76	90.79%	23.39	0.34%		3.91%
17	YTL Power International	3.06	25.13	30.49%	7.66	0.87%	1.31%	1.28%
18	Telekom Malaysia	6.36	24.41	80.35%	19.61	0.20%	3.35%	3.28%
19	Kuala Lumpur Kepong	21.46	23.53	51.52%	12.12	0.13%	2.07%	2.03%
20	IOI Corp	3.79	23.51	49.36%	11.61	0.06%	1.98%	1.94%
21	Nestle (Malaysia)	95.00	22.28	26.85%	5.98	0.11%	1.02%	1.00%
22	Axiata	2.33	21.40	63.26%	13.53	0.09%	2.31%	2.26%
23	Hong Leong Financial Group	18.50	21.19	19.26%	4.08	0.10%	0.70%	0.68%
24	YTL Corp	1.85	20.43	39.85%	8.14	0.54%	1.39%	1.36%
25	**99 Speed Mart Retail Holdings**	2.38	19.99	17.00%	3.40	1.42%		0.57%
26	PPB Group	13.00	18.49	43.82%	8.10	0.09%	1.38%	1.35%
27	AMMB Holdings	5.40	17.88	88.80%	15.87	0.17%		
28	Malaysia Airports Holdings	10.64	17.75	65.10%	11.56	0.23%		
29	Mr DIY Group (M)	1.86	17.59	29.76%	5.24	0.33%	0.89%	0.88%
30	QL Resources	4.80	17.52	33.81%	5.92	0.29%	1.01%	0.99%
31	Petronas Dagangan	17.42	17.31	36.08%	6.24	0.10%	1.07%	1.04%
32	Sime Darby Berhad	2.24	15.27	63.80%	9.74	0.28%	1.66%	1.63%
33	Westports Holdings	4.41	15.04	31.12%	4.68	0.09%		
34	**Genting**	3.83	14.75	54.19%	7.99	0.27%	1.37%	
35	KLCCP Stapled Group	8.00	14.44	35.32%	5.10	0.01%		
36	United Plantations	30.84	12.79	42.64%	5.45	0.21%		
37	IOI Properties Group	2.21	12.17	29.16%	3.55	0.54%		
38	Hartalega Holdings	3.49	11.91	45.59%	5.43	0.35%		
39	**Genting Malaysia**	2.10	11.90	49.98%	5.95	0.27%	1.02%	
40	Inari Amertron	2.93	11.10	82.63%	9.17	0.29%		
				Current	585.26			
				Expected	**598.11**			

Source: Bloomberg, MIDFR
* - MIDF estimates
** - Indicative figure
Highlighted in green - Current KLCI constituents
Green font – potential inclusion
Red font – potential exclusion

Table 2: Reserve list

Current list	Expected new list
Gamuda	AMMB Holdings
Malaysia Airports Holdings	Malaysia Airports Holdings
AMMB Holdings	Westports Holdings
Westports Holdings	Genting
Dialog Group	United Plantations

Source: Bloomberg, MIDFR

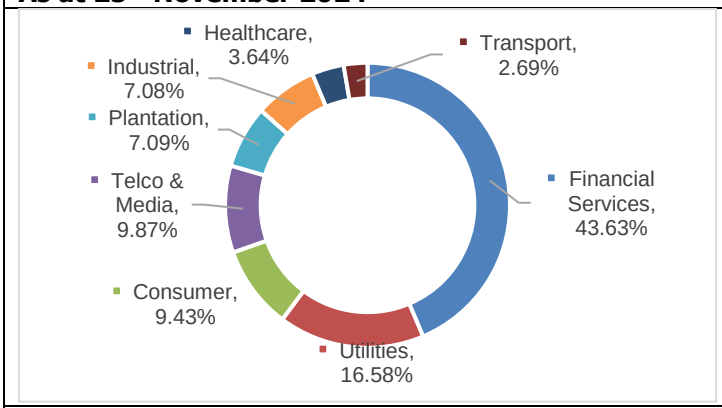
Free float. All the top 40 shares met the free float requirement of more than 15%, according to our estimates.

Liquidity estimates. The average monthly liquidity figures shown in Table 1 are indicative figures. The way liquidity is observed as per the ground rules of the FTSE Bursa Malaysia Index Series is via the median trading volume each month where there must be a minimum of five trading days, with a monthly turnover of at least 0.05% (0.04% for existing constituents) of its issued shares after adjusting for free float for at least 10 out of 12 months (eight out of 12 months for existing constituents). Of the top 40, only KLCCP Stapled Group did not meet the liquidity requirement.

A shift in sector weightages. With the expected inclusion of Gamuda into the FBM KLCI, the Construction sector reemerges again in the index with an estimated weightage of 3.91%. The most significant reduction would be Consumer Products & Services sector will see its weightage decline from 9.43% to 7.46% with the potential removal of Genting Malaysia and Genting. Financial Services will remain the anchor sector of the index with a weightage of 43.63%.

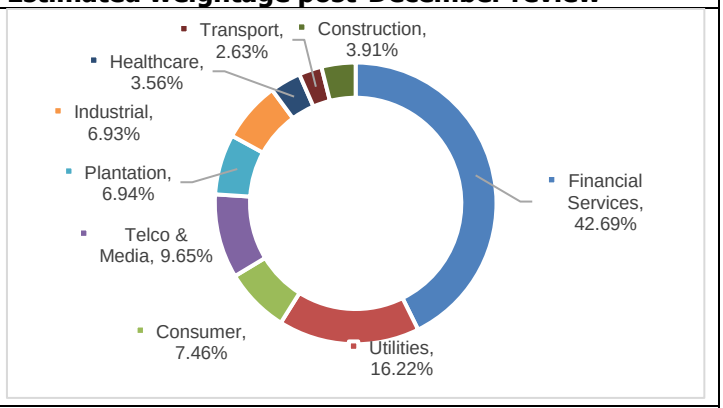
Figure 1: FBM KLCI sector weightages

As at 25th November 2024



Source: Bloomberg, Bursa, MIDFR

Estimated weightage post-December review



Source: Bloomberg, Bursa, MIDFR

Table 3: FBM KLCI semi-annual review dates

Review period	Cut-off date	Preliminary announcement date	Official announcement date	Change implementation date	Effective date
Jun-24	27th May	5th June	6th June	21st June	24th June
Dec-24	25th November	4th December	5th December	20th December	23rd December
Jun-25	26th May	4th June	5th June	20th June	23rd June

Source: LSEG/FTSE Russell & MIDFR

Table 4: FBM KLCI semi-annual review dates

Review period	Inclusion(s)	Exclusion(s)
Dec-14	-	-
Jun-15	Westports Holdings	Felda Global Ventures Holdings
Dec-15	-	-
Jun-16	Hap Seng Consolidated	UMW Holdings
Dec-16	IJM Corp	SapuraKencana Petroleum
Jun-17	-	-
Dec-17	Nestle (Malaysia), Press Metal Aluminium Holdings	British American Tobacco (Malaysia), IJM Corp
Jun-18	Hartalega Holdings, Dialog Group, Malaysia Airports Holdings	YTL Corp, AMMB Holdings, Astro Malaysia Holdings
Dec-18	Top Glove Corp, AMMB Holdings	KLCCP Stapled Group, Telekom Malaysia
Jun-19	-	-
Dec-19	-	-
Jun-20	Telekom Malaysia, KLCCP Stapled Group	AMMB Holdings, Malaysia Airports Holdings
Dec-20	Supermax	KLCCP Stapled Group
Jun-21	Mr DIY Group (M)	Supermax Corp
Dec-21	Inari Amertron	Hap Seng Consolidated
Jun-22	-	-
Dec-22	AMMB Holdings, QL Resources	Hartalega Holdings, Top Glove Corp
Jun-23	Westports Holdings	Inari Amertron
Dec-23	YTL Corp, YTL Power International	Dialog Group, Westports Holdings
Jun-24	Sunway	AMMB Holdings
*Dec-24**	*Gamuda, 99 Speed Mart Retail Holdings*	*Genting Malaysia, Genting*

Source: LSEG/FTSE Russell & MIDFR

* - MIDF estimates

Table 5: Changes to the FBM KLCI that were out of the review period

Date	Inclusion	Exclusion	Reason
20th Nov-09	Maxis	Malaysian Airline System	Fast entry of Maxis following listing
26th May-10	Hong Leong Financial	Astro All Asia Networks	Unconditional takeover on Astro All Asia Networks
20th Sep-10	Gamuda	Tanjong	Unconditional takeover of Tanjong by Tanjong Capital
26th Nov-10	Petronas Chemicals Group	Berjaya Sports Toto	Fast entry of Petronas Chemicals Group following listing
13th Dec-11	UEM Land Holdings	PLUS Expressways	Cash acquisition for Plus Expressways by multiple acquirers
1st Aug-12	IHH Healthcare	MMC	Fast entry of IHH following listing
21st Jan-14	IOI Properties Group	UEM Sunrise	Demerger and listing of IOI Properties Group

Source: LSEG/FTSE Russell & MIDFR

Appendix

FTSE Bursa Malaysia Index Series v6.0 - Ground Rules

Section 4 - Index Construction

4.2 A	Free float will be calculated using available published information rounded to 12 decimal places. Companies with a free float of 15% or below are excluded from the index
4.3.3 (excerpts)	– Each security will be tested for liquidity semi-annually in June and December by calculation of its monthly median of daily trading volume – A minimum of five trading days in that month must exist, otherwise the month will be excluded from the test – The daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut-off date
4.3.3 A	A non-constituent that does not turnover at least 0.05% of their shares in issue (after the application of any Investability weightings) based on their median daily trading volume per month for at least 10 of the 12 months prior to the semi-annual review will not be eligible for inclusion in the index.
4.3.3 B	An existing constituent that does not turnover at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trading volume per month for at least eight of the 12 months prior to the semi-annual review will be removed.
4.3.3 C	At the sole discretion of FTSE Russell, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in FTSE Russell's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

Section 5 - Periodic review of constituent companies

5.1.1	The semi-annual review of the FTSE Bursa Malaysia Index Series constituents takes place in June and December using data from the close of business on the Monday four weeks prior to the review effective date. Any constituent changes will be implemented after close of business on the third Friday (i.e. effective Monday) of June and December
5.3.3	A security will be inserted at the periodic review if it rises to 25th or above when the eligible Main Market securities are ranked by full market value
5.3.4	A security will be deleted at the periodic review if it falls to 36th or below when the eligible main market securities are ranked by full market value
5.7.1	FTSE Russell will be responsible for publishing the five highest-ranking non-constituents of the FTSE Bursa Malaysia KLCI at the time of the periodic review. The appropriate reserve list will be used if one or more constituents are deleted from the FTSE Bursa Malaysia KLCI during the period up to the next semi-annual review

Section 6 - Changes to constituent companies

6.3.1	If a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the full capitalisation of the FTSE Bursa Malaysia EMAS Index) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the new issue will be included as a constituent of the FTSE Bursa Malaysia KLCI and the remaining FTSE Bursa Malaysia Indices that it qualifies for after the close of business on the fifth day of trading and eligibility will be determined using the closing price on the first day of trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.

Source: LSEG/FTSE Russell

Free Float Restrictions v2.9

1 *Free float restrictions include:*

– Shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension schemes for governments)

– Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated

– Shares held within employee share plans

– Shares held by public companies or by non-listed subsidiaries of public companies

– All shares where the holder is subject to a lock-in clause (for the duration of that clause)

– All shares where the holder has a stated incentive to retain the shares (e.g. bonus shares paid if holding is retained for a set period of time)

– Shares held by an investor, investment company or an investment fund for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, has an employee on the board of directors of a company, has a shareholder agreement, has successfully placed a current member to the board of directors or has nominated a current member to the board of directors alongside a shareholder agreement with the company

– Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted

2 *Free float restrictions where holding is 10% or greater*

– Shares that are held by sovereign wealth funds

– Shares held by founders, promoters, former directors, venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert

3 *Free float restrictions where holding is 30% or greater*

For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However, where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%

Source: LSEG/FTSE Russell

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology