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Expectations of 13MP

Potential Beneficiaries of Possible Announced Measures

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- The 13th Malaysia Plan to be announced today may likely target GDP growth of 4.0–5.0% annually from 2026 to 2030
- Development expenditure is anticipated to be maintained at RM80b annually
- Corporate earnings are projected to grow at a CAGR of 5.0%, with FBM KLCI potentially reaching 2,230 points by 2030
- The construction sector is expected to benefit from major projects
- Consumer spending will be supported by income reforms, targeted subsidies, and food security initiatives
- Healthcare reforms will focus on ageing population needs, digital health, and public-private partnerships
- Industrial property developers are likely to gain from new development zones
- Technology sector may benefit from fiscal support and strategic partnerships, though impact may be gradual
- Stocks mention in this report: SunCon (BUY, TP: RM6.44), IJM (BUY, TP: RM3.74), Gamuda (BUY, TP: RM5.42), MCement (BUY, TP: RM7.49), CMSB (BUY, TP: RM1.57), AEON (BUY, TP: RM1.77), Padini (BUY, TP: RM2.49), F&N (BUY, TP: RM32.68), Life Water (BUY, TP: RM1.00), Eco World (NEUTRAL, TP: RM2.15), Mah Sing (BUY, TP: RM1.49), S P Setia (NEUTRAL, TP: RM1.25), IOI Prop (NEUTRAL, TP: RM2.15), Sunway (NEUTRAL, TP: RM5.01), Matrix Concepts (BUY, TP: RM1.65), KPJ Healthcare (BUY, TP: RM3.00), PetGas (NEUTRAL, TP: RM18.67), Tasco (BUY, TP: RM0.68), Swift Haulage (BUY, TP: RM0.43), Tan Chong (SELL, TP: RM0.34), MBM Resources (NEUTRAL, TP: RM5.36)

BACKGROUND

Tabling of 13MP; our expectations on likely growth target.

YAB PM Anwar Ibrahim will be tabling the 13th Malaysia Plan (13MP) today. Our economics team published our economic and fiscal expectations yesterday ("13MP: Sustaining Growth and Improving People's Livelihood in the Next 5 Years"). We expect the 13MP will likely target sustainable GDP growth of 4.0–5.0% annually from 2026 to 2030, driven by infrastructure development, domestic consumption, and strategic initiatives like the Johor-Singapore Special Economic Zone (JSSEZ). Private consumption, now exceeding 60% of GDP, is expected to remain a key growth engine, supported by rising employment and income levels.

Anticipating DE of circa RM80b annually.

In terms of development expenditure (DE) we anticipate that it will be maintained at around RM80b annually, contributing approximately 3.3% of GDP. We opine that this level of spending is crucial to support multi-year infrastructure projects and public services, while avoiding excessive fiscal tightening that could hinder broader economic growth. The government aims to reduce the fiscal deficit to 3% of GDP by 2030, balancing investment needs with responsible fiscal management.

We expect 13MP will address structural challenges.

Addressing structural challenges is central to 13MP, with reforms planned across public service delivery, education, healthcare, and housing. Labour market transformation includes raising the skilled employment ratio to 35% and tackling underemployment. The plan also emphasises preparing for demographic shifts by developing the silver economy. These efforts aim to build a resilient, inclusive economy that supports long-term prosperity for all Malaysians.

Potential beneficiaries based on expectations of 13MP.

Following from our 13MP expectations for the economy, we lay out our expectations in terms of the market and select potential sectoral beneficiaries. Note that this is based on what we expect the likelihood of broad measures that could be announced in 13MP.

STRATEGY

As earlier stated, we expect 13MP development plans to unveil measures designed to support sustainable annual macro growth of above +4.0%. As a medium-term development document, the growth target can be a bit more ambitious, but we expect that the document may target national GDP to grow around +4.0-5.0% in the coming 5 years by 2030. In tandem, we envisage corporate earnings to likewise trend higher with a CAGR of circa +5.0% from 2026 to 2030.

Expect corporate earnings to potentially achieve a CAGR of +5.0% from 2026 to 2030.

Chart 1: FBM KLCI: Ballpark Projections



Source: TradingView, MIDFR

As the local equity benchmark FBM KLCI is estimated to register earnings of 109.4 points in 2025, a CAGR of +5.0% during the next 5 years would push the FBM KLCI earnings to 139.6 points by the end of 2030. During the past 10 years, the PER valuation of FBM KLCI ranged mostly between 18x to 13x with an average of 16x. Based on its historical PER valuations with a high of 18x, a low of 13x, and average of 16x, we therefore make ballpark projections for the FBM KLCI in 2030 with a high (optimistic) target of 2,510 points, a low (pessimistic) target of 1,810 points, and an average (baseline) target of 2,230 points.

FBM KLCI average (baseline) ballpark projection at 2,230 points in 2030.

SECTORAL VIEW

Construction……Maintain POSITIVE

We expect that 13MP may announce DE to remain significant, with allocations anticipated around RM80.0b annually, and this will ensure strong project flow and earnings visibility for construction players. This will reflect the government's commitment to substantial infrastructure investments across railways, highways, airports, and public amenities with a clear intent to drive domestic economic growth, provide regional balance, and foster inclusive development. Notably, key infrastructure projects set to potentially anchor sector growth

Construction sector outlook remains POSITIVE, underpinned by potentially robust infrastructure allocations under 13MP.

include the Mass Rapid Transit 3 (MRT3), Penang LRT, the East Coast Rail Link (ECRL), Pan Borneo Highway, expansions at airports such as Penang and Miri, and various critical road projects nationwide.

We expect Sabah and Sarawak to receive substantial infrastructure funding focused on road network improvements, energy transitions, and logistics infrastructure. Sarawak alone has proposed allocations totalling RM38.4b for new road construction and upgrades to existing roads, RM20.0b to ensure a clean water supply, and RM7.90b for new health facilities. Sabah's infrastructure wishlist includes comprehensive flood mitigation and essential connectivity improvements. Given this robust regional pipeline, **Cahya Mata Sarawak Berhad (BUY; TP: RM1.57)** stands out as the possible primary beneficiary due to its dominant position in Sarawak's construction materials industry. With CMSB's upcoming Clinker Line 2 expected to significantly enhance its cement production capacity, the company is strategically positioned to capture growing demand from increased infrastructure works in East Malaysia.

Regional development initiatives that may be identified in the 13MP will provide extensive opportunities for construction firms to diversify and expand their order books geographically.

Central to Johor's prominence is the Johor-Singapore Special Economic Zone (JS-SEZ), designed to stimulate cross-border trade and investments and position Johor as an attractive investment destination leveraging Singapore's financial and technological ecosystems. Infrastructure plans underpinning JS-SEZ include substantial water treatment infrastructure (RM5.0b) and significant flood mitigation projects (RM1.60b), alongside comprehensive infrastructure support across its flagship zones. The Johor-Singapore Rapid Transit System (RTS) Link will further amplify Johor's attractiveness, significantly enhancing regional connectivity. Given Johor's strategic significance and comprehensive pipeline, construction firms such as Gamuda, IJM Corp, and Sunway Construction (SunCon) are well-placed to secure sizeable projects in this state, which will be a major construction hotspot over the medium term. In the northern region, Penang has requested a list of 128 development projects worth RM17.0b, notably the RM8.90b Pan Island Link 1 highway and healthcare infrastructure such as the RM1.0b multi-storey block at Kepala Batas Hospital. Additionally, Perak has highlighted infrastructure improvements like the proposed upgrade of the East-West Highway between Gerik and Jeli.

Johor, a possible key regional growth hub under the 13MP, will play a pivotal role in driving construction demand through strategic infrastructure initiatives.

We expect that there will be sustained emphasis on Public-Private Partnerships (PPP) in the 13MP, which will be further reinforced by the PPP Master Plan CY30 (PIKAS CY30). This is expected to play a critical role in reducing fiscal pressure and accelerating infrastructure rollout. PIKAS CY30 outlines several notable PPP projects, including the West Ipoh Span Expressway, Putrajaya-Bangi Expressway, KL Sentral Station Redevelopment, Lebuhraya Pantai Timur 3, Kuala Lumpur–Karak Highway Expansion, and expansions at the West Port Container Terminal (CT10-CT17). These projects are expected to substantially increase private-sector participation, driving a steady flow of infrastructure construction jobs for industry players such as Gamuda, IJM Corp, Sunway Construction (SunCon), and MRCB.

Sustained emphasis on Public-Private Partnerships (PPP) is expected to play a critical role.

The MRT3 Circle Line, now expected to commence construction in CY27 after the completion of land acquisition by the end of CY26, will anchor infrastructure activities well into the next decade. The retendering process for MRT3's key civil packages is anticipated in mid-CY26, with contract awards by early-to-mid CY27. Given their strong historical performance on MRT1 and MRT2, Gamuda and its joint venture partner MMC Corp remain frontrunners for major underground packages, while IJM Corp, YTL Corp, MRCB, and SunCon are likely bidders for the elevated packages. Completion of ongoing infrastructure projects such as the RTS Link and the

Mega-project execution timelines may be under the 13MP; particularly the MRT3 Circle Line, will provide long-term visibility for construction firms.

Penang International Airport expansion will further support a seamless transition to new projects under 13MP.

The government's finalisation of the AI Technology Action Plan CY26-CY30 under the 13MP framework is expected to stimulate substantial investments in digital infrastructure. Johor, emerging as Malaysia's DC hub, currently has a committed pipeline of approximately 1.5GW, equivalent to around RM30.0b in construction job value. Major construction firms, notably SunCon, Gamuda and IJM Corp, which already have significant DC projects, are well-positioned to capitalise on continued hyperscale demand driven by global tech giants such as Microsoft and Oracle, further bolstered by supportive government policies.

Digital economy and AI-driven infrastructure initiatives will further boost construction activity, especially in the data centre (DC) segment.

The expected rationalisation of the RON95 subsidy in 2HCY25 could improve the government's fiscal capacity, which we opine may pave the way for a robust pump-priming cycle from CY26 onwards. This anticipated fiscal recalibration is likely to accelerate the rollout of key infrastructure projects identified in the 13MP. Data from the Construction Industry Development Board indicates a moderated pace of project awards at RM17.4b in 1HCY25 (vs RM62.7b in CY24), underscoring the need for renewed fiscal space to sustain infrastructure momentum. Should subsidy rationalisation proceed as planned, construction players could witness a marked increase in public infrastructure spending starting from CY26, offering strong medium-term growth opportunities.

The expected rationalisation of the RON95 subsidy could pave the way for a robust pump-priming cycle from CY26 onwards.

An unexpected slowdown in the rollout of government-led projects, prolonged labour shortages, or a significant scale-down in data centre investments arising from geopolitical concerns, notably the potential extension of AI chip export curbs by the US, represent notable sector risks. Effective mitigation of these risks through policy measures, streamlined regulatory approvals, and proactive labour market strategies will be critical in sustaining sector confidence and momentum.

Nonetheless, potential downside risks to the construction sector outlook must be acknowledged.

We reiterate our **POSITIVE** recommendation on the construction sector, underpinned by our expectation of robust government infrastructure commitments, which may be announced in the 13MP, steady project execution, and a conducive policy environment. Our top picks are directly aligned with the strategic objectives outlined in the Plan. **SunCon (BUY, TP: RM6.44)** will benefit from the 13MP's probable emphasis on digital infrastructure and data centre investments supported by the AI Technology Action Plan CY26-CY30. **IJM Corp (BUY, TP: RM3.74**) is strategically positioned to capitalise on regional diversification and infrastructure connectivity projects such as MRT3, Penang LRT, and data centre developments in Johor. **Gamuda (BUY, TP: RM5.42)** remains a prime beneficiary of mega-projects prioritised under 13MP, notably MRT3 and regional infrastructure in Johor's JSSEZ. **Malayan Cement (BUY, TP: RM7.49**), as Malaysia's leading cement supplier, will see direct demand growth driven by sustained infrastructure spending outlined in the 13MP. Meanwhile, **CMSB (BUY, TP: RM1.57)** will significantly benefit from East Malaysia's infrastructure expansion initiatives highlighted in the Plan, particularly given its market dominance and the strategic activation of its Clinker Line 2, enhancing its ability to capture rising cement demand.

Reiterate our POSITIVE recommendation.

We expect the 13MP will target a higher Compensation of Employees (COE)-to-GDP ratio of 40% (2023: 33.1%) through initiatives such as the RM3,100 living wage for GLC/GLIC staff and the rollout of the Progressive Wage Policy (PWP). Coupled with a healthy labour market—anchored by a low unemployment target of 2.8% and an emphasis on expanding skilled employment—these measures are expected to lift household incomes and reinforce private consumption, which already exceeds 60% of GDP. We believe the combination of firm job creation and rising wages will continue to support real purchasing power and broad-based household consumption, sustaining steady demand across both staple and discretionary segments.

Any income reform will drive sustained consumption.

Despite the government's fiscal consolidation efforts, the 13MP reaffirms its commitment to protecting household spending through targeted assistance and price controls. Programs such as STR (Sumbangan Tunai Rahmah), SARA (Sumbangan Asas Rahmah), and ongoing subsidies aim to cushion inflationary pressures, particularly for B40 and M40 groups. These measures ensure a baseline for essential spending while also freeing up disposable income for non-essential items. In our view, the preservation of household liquidity—together with rising income and employment—will support recovery in discretionary spending, particularly in fashion, F&B dining, personal care, and home-related categories. Retailers and F&B operators with mass and mid-tier positioning, such as **AEON (BUY, TP: RM1.77), Padini (BUY, TP: RM2.49),** and **Oriental Kopi (NEUTRAL, TP: RM0.83)** are well-positioned to benefit from this trend.

Social protection measures to preserve spending power.

We anticipate the 13MP will reinforce the National Agrofood Policy (NAP 2.0), placing greater emphasis on domestic food production via smart farming, mechanisation, and youth agri-entrepreneurship. These initiatives aim to reduce import dependency and improve supply chain resilience, particularly for key staples such as rice, poultry, and vegetables. Over time, this should lead to more predictable and stable input costs for F&B manufacturers.

Food security agenda to stabilise input cost volatility.

We view the 13MP will structurally be supportive of Malaysia's consumer sector over the medium term. Key policy drivers —including income uplift, social protection, and food security—are well-aligned to sustain household spending and enhance cost stability for producers. The policy direction reinforces a positive long-term trajectory for private consumption. We maintain our **POSITIVE** stance on the sector with *unchanged* top picks: **F&N (BUY, TP: RM32.68), AEON (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.00)**—all well-positioned to capitalise on rising income levels, resilient mass-market demand, and expanding addressable markets through regional growth corridors.

Maintain POSITIVE on the consumer sector – structural upcycle underway.

Property……Maintain POSITIVE

Development of industrial development projects that may be announced in 13MP is expected to benefit property developers that have exposure to industrial development in Malaysia. Property developers that have exposure to industrial development projects in Malaysia are Eco World Development Group, Mah Sing Group, S P Setia, IOI Properties Group, Sunway Berhad and Sime Darby Property.

Any development of industrial development projects under 13MP is expected to benefit property developers.

- **Eco World Development Group (NEUTRAL, TP: RM2.15)** – Developing several Eco Business Parks in Johor and Klang Valley. Ventured into the data centre space to generate recurring income.
- **Mah Sing Group (BUY, TP: RM1.49)** - The MSS Business Park of Mah Sing in Sepang is well-positioned to capture higher demand for industrial property
- **S P Setia (NEUTRAL, TP: RM1.25)** - S P Setia is expanding its industrial property segment by setting up industrial development at its Setia Fontaines township in Penang, in addition to industrial parks at Setia Alaman in Shah Alam and Tanjung Kupang in Johor.
- **IOI Properties Group (NEUTRAL, TP: RM2.15)** - IOI Industrial Park series in Iskandar Malaysia, Banting and Melaka.
- **Sunway Berhad (NEUTRAL, TP: RM5.01)** – Growing exposure to industrial development in Malaysia, as it acquired a total of 344.6 acres of land in Rawang for industrial development.
- **Matrix Concepts (BUY, TP: RM1.65)** – Matrix Concepts has exposure to MVV 2.0 as it earmarked 1,000 acres of land for industrial property development in MVV City.
- **Sime Darby Property (Non-rated)** – Strong exposure to industrial property development in Malaysia through its projects, namely Bandar Bukit Raja, Serenia Industrial Park, Elmina Business Park & Nilai Impian's SME Business Park.

Affordable house scheme to increase Rumah Mampu Milik is neutral.

Affordable house scheme to increase Rumah Mampu Milik is neutral to developers, as most of the listed property companies are focused on private property development. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.49), UOA Development (BUY, TP: 2.04) and Matrix Concepts (BUY, TP: RM1.65)**.

Healthcare……Maintain POSITIVE

The rising ageing population is a major driver.

We expect that the 13MP will elaborate on several crucial drivers for the future economy, including aspects of the healthcare sector. This is largely aligned with the Health White Paper (Kertas Putih Kesihatan) in addressing the mega trends in the rising ageing population and consequent increasing NCD prevalence. We anticipate several initiatives that could be introduced in 13MP for the sector, including: (i) a comprehensive health system reforms that strengthen delivery, optimise care and adapt digital health, (ii) effective public-private partnerships (PPPs) notably in AI and Big Data for healthcare, (iii) expansion of aged care facilities and geriatric treatments, and (iv) improvements in workforce development and medical financing. Primary healthcare will be a major focus, likely in terms of increased investment, resource allocation and demand for more person-centred care. This aligns with the ageing population growth by over 5% CAGR (2024-2030), and subsequent a precursor to the silver age economy.

Key Initiatives: Health Reforms and Silver Age Economy.

Reforms through the Health White Paper (HWP). HWP encompassed key elements which include: (i) transformation of service delivery, (ii) advancement of health promotion and disease prevention, and (iii) sustainable and equitable health financing. We anticipate that 13MP will highlight key initiatives that involve primary healthcare, digital health transformation and PPPs. 13MP is also expected to reform financing models to ensure long-term sustainability at all levels of the sector. In addition to these reforms, we anticipate a subsequent focus on the Silver Age Economy concept. This includes: (i) expanding aged care

infrastructure, (ii) developing age-friendly cities and communities, and (iii) promoting community-based care programs.

Spillover: AI-based healthcare and enhanced skilled workers.

With an ageing population as a catalyst, we noted that specialised geriatric care may be a priority. We expect 13MP to address the shortage of specialists and improve services for age-related conditions, including mental health for older adults. Strategies for financial protection for the elderly will also be explored to ensure adequate support for healthcare and living expenses. Meanwhile, research and innovation will be outlined in their role to strengthen and foster new technologies to not only ensure a higher quality of care, but also to improve treatments and lessen NCD prevalence. The additional utilisation of AI-based and robotics technologies in healthcare opens opportunities to new industries (assistive robotics, specialised AI for aged care) and services (home-based care and treatment, aged care insurance).

Challenges: Asset, workforce and cost management.

The largest hurdle that we expected for such reforms and initiatives would be their long-term financial sustainability. While HWP and the upcoming National Ageing Action Framework (2025-2045) propose new and improved funding mechanisms, the risk of rising healthcare costs and a wider digital divide could deter the success of these initiatives. With the encouragement for digital healthcare services and equipment, not only are patients and practitioners expected to upgrade their knowledge and skills to fully utilise these tools, but infrastructures must also be expanded and improved to cater for this transformation. With advanced technologies and innovative treatments, the next big challenge would be the cost. Medical inflation has been a continuous burden for the government and patients, and it is an issue that needs to be addressed within the health reforms to ensure that the silver age economy can be implemented efficiently within the next 20-30 years.

Maintain POSITIVE.

We are optimistic about 13MP's possibility to initiate health reforms and incentives to focus on the growing ageing population and address the ageing economy. 13MP's elaboration on the healthcare sector is expected to move Malaysia towards a proactive, preventive, patient-centred, technologically advanced, and financially sustainable healthcare system, in both public and private sectors. HWP provides a clear roadmap, and 13MP will likely provide the specific policy sequencing, budgetary allocations, and implementation plans to bring these reforms to fruition. Our TOP PICK is **KPJ Healthcare (BUY, TP: RM3.00)** for its robust PPPs initiatives and strong primary healthcare, which aligns well with community-based care. KPJ is also heavily invested in digital health transformation (HER, telemedicine) and human capital development (strategic affiliation with medical universities and nursing schools). The group's position as a domestic-focused private hospital network gives it the leverage to expand into aged care solutions best catered to local patients, which directly addresses the possibility of 13MP's Silver Age Economy initiatives.

Automotive……Maintain NEUTRAL

Potential measures to accelerate Malaysia's transition toward electric vehicles (EVs) and next-generation vehicles (NxGVs).

We expect that 13MP will announce measures to chart a course that accelerates Malaysia's transition toward electric vehicles (EVs) and next-generation vehicles (NxGVs). The government has signalled its intent to strengthen domestic EV manufacturing, provide consistent incentives for EV adoption, and support nationwide infrastructure development, particularly the target of installing 10,000 EV charging stations by CY25, as previously

announced. A key initiative likely to feature prominently in RMK-13 is the continued development of the Automotive High-Tech Valley (AHTV), which is positioned to serve as a regional hub for EV assembly, components production, and R&D activities.

13MP is likely to provide policy continuity and funding mechanisms to sustain the EV ecosystem.

In line with the National Automotive Policy 2020 and broader national goals, 13MP is expected to promote the adoption of Industry 4.0 technologies, encourage R&D in battery and mobility systems, and elevate the role of local vendors and skilled workers. Electrification of the automotive sector is not just seen as an industrial upgrade but also as a key lever in Malaysia's decarbonisation efforts under the net-zero 2050 ambition. As such, 13MP is likely to provide policy continuity and funding mechanisms to sustain EV ecosystem development and attract long-term investments into the automotive value chain.

Among the key auto players, Sime Darby (Non-rated) stands out with the most expansive EV lineup.

Among the key auto players, **Sime Darby (Non-rated)** stands out with the most expansive EV lineup, supported by its multi-brand portfolio that includes BMW (and MINI), BYD, Porsche, and Hyundai, covering both premium and mass-market segments. The group has actively invested in EV infrastructure, assembly, and aftersales support, positioning itself as a frontrunner in Malaysia's EV landscape and across regional markets. **Tan Chong (SELL, TP: RM0.34)** is beginning to re-enter the EV space through its recent tie-up with TQ Wuling, targeting affordable city EVs for the local market. Meanwhile, although Perodua is also developing its first EV, we understand that the initial rollout may not involve its traditional dealership network, which limits the near-term EV exposure for **MBM Resources (NEUTRAL, TP: RM5.36)**.

Plantation……Maintain NEUTRAL

Previously, under the 12MP, the government focused on strengthening sustainability.

Previously, under the 12MP, the government focused on strengthening sustainability through mandatory MSPO certification, improving ESG compliance, and enhancing supply chain traceability. Efforts to boost productivity, support replanting, and expand downstream activities showed moderate progress, with export revenue from PO and derivatives rising from RM 73.3b in 2020 to RM 109.4b in 2024. Export diversification to Asia and Africa gained traction, while other markets remain key drivers of sustainable growth for the sector.

Moving on to 13MP, we expect the government to maintain a strong commitment to reinforcing MSPO and ESG compliance policies.

We expect the government to maintain a strong commitment to reinforcing MSPO and ESG compliance policies, with greater emphasis on enforcement and transparency. This may include continued focus on anti-deforestation efforts, enhanced land and polygon mapping, foreign workforce welfare, and full supply chain visibility - critical elements in addressing ongoing trade barriers, particularly from the EU and US. This is especially important given past actions by the US Customs and Border Protection (CBP), which issued Withhold Release Orders (WROs) against SD Guthrie and FGV over allegations of forced labour, underscoring the urgent need for stricter enforcement to safeguard market access and uphold Malaysia's global credibility. Such measures would likely bring MSPO standards closer to RSPO equivalence, supporting better compliance with the EU Deforestation Regulation (EUDR) implementation in December.

BRICS, to set the stage for a value-added growth export pivot.

Amid growing uncertainty over potential US tariffs, Malaysia's status as a BRICS "partner country" recently aligns well with the export diversification strategy as outlined under the 12MP, which saw increasing trade momentum in Asia, Africa, and the Middle East. Although

the status does not yet grant full membership or decision-making authority, it facilitates engagement within a stable multilateral framework - particularly in the context of vegetable oil markets and global agricultural policy coordination - thereby contributing to enhanced trade resilience in the face of external policy shocks. Considering the growth of the BRICS coalition, we hope that under the 13MP, the government will continue to leverage this platform - or consider applying for full membership - as it presents an opportunity to reduce reliance on Western economies (e.g. the U.S. and EU) and diversify trade and investment partnerships. Additionally, BRICS supports de-dollarisation by promoting the use of local currencies in trade and financing, which can help reduce exposure to USD volatility and sanctions-related risks.

Oil & Gas……Maintain NEUTRAL

Sustainable, high-value mining to take centre stage.

While we anticipate that not much will be discussed in 13MP for the oil and gas (O&G) sector, we believe that more effort will be placed on sustainable, high-tech, and value-driven operations in the mining industry, which will include O&G as well. 13MP will likely emphasise: (i) decarbonization in line with Malaysia's commitment to achieving Net Zero Carbon Emissions by 2050, (ii) expansion into renewable energy (RE) and biofuels, (iii) advanced technology adoption, and (iv) high-value mining industries such as rare earth minerals. Consequently, these priority areas are likely to lead to upgrades in policies and regulations, in an attempt to align NIMP 2030 plans with mining operations and industrial needs.

Positive on the energy transition goal.

13MP is expected to move the O&G and mining sectors toward a more sustainable, technologically advanced, and diversified future. While the values will stretch for O&G, the sector still has a crucial role to play in decarbonisation efforts and green fuel. Although we maintain a NEUTRAL stance for O&G, we noted opportunities that could be undertaken by the O&G players. We favour **Petronas Gas (NEUTRAL, TP: RM18.67)** for its involvement in LNG, and to an extent, CCUS. Despite our neutral call, the group is well poised to benefit from green energy initiatives in the long run, with 13MP to likely accelerate these projects and open new opportunities for energy transition through LNG as a transitional fuel.

Technology……Maintain NEUTRAL

Invigorating the semiconductor sector.

When the National Semiconductor Strategy (NSS) was launched in May 2024, the Government is said to allocate at least RM25b in fiscal support to operationalise the NSS. We believe that this fiscal support should be included in 13MP to position Malaysia as a vibrant hub for semiconductor research, development, commercialisation, and innovation (RDCI). Taking a cue from the recent partnership with ARM, we view that a notable portion of the fiscal support could be channelled to build up Malaysia’s presence in the front-end semiconductor manufacturing, at least toward the early part of 13MP. Thus, this could mean that local IC design companies such as Oppstar and Skyechip could be the main beneficiaries.

Measures to further drive the semiconductor sector in the country.

On a more recent note, the Government also announced measures to further drive the semiconductor sector in the country. This includes: i) unlocking more catalytic capital to support early-stage R&D, product development, and ecosystem scaling, ii) seeking deeper G2G cooperation via the creation of ASEAN Framework for Integrated Semiconductor Supply Chain

(AFISS), and iii) driving stronger collaboration across public, private, and academic institutions to drive R&D initiatives and create the necessary talent pool. We expect the measures would also be incorporated into 13MP.

That being said, such broad-based developments will take some time to be realised. As such, we are keeping our **NEUTRAL** stance on the sector at this juncture.

Transport (Ports & Logistics)……Maintain NEUTRAL

Expected to place strong emphasis on strengthening Malaysia's logistics and port infrastructure.

The upcoming 13MP, alongside the ongoing National Transport Policy (NTP) 2019–2030, is expected to place strong emphasis on strengthening Malaysia's logistics and port infrastructure in support of its ambitions to become a regional trade and transhipment hub. While the full details of RMK-13 are yet to be announced, early signals suggested a continuous focus on expanding key ports such as Sapangar Bay and Port Klang, advancing the development of smart and AI-enabled port systems, and enhancing multimodal connectivity through projects like the East Coast Rail Link. These infrastructure efforts are likely to be accompanied by digital upgrades, including enhancements to the Malaysia Maritime Single Window and broader integration of port community systems to improve customs processes and trade efficiency.

13MP may build on the institutional frameworks already set under the NTP.

At the policy level, 13MP may build on the institutional frameworks already set under the NTP, such as the National Logistics Task Force and National Transport Council, to improve regulatory coordination and encourage more agile, industry-led solutions to long-standing bottlenecks. Sustainability is also expected to feature prominently, with ports continuing to adopt green initiatives and logistics operators being encouraged to shift towards lower-emission modes and smarter scheduling practices. For East Malaysia, greater support for cold-chain logistics and rural connectivity may be introduced to promote more inclusive trade. While many of these initiatives remain subject to refinement and funding decisions under RMK-13, the direction points toward a more modern, digitally connected, and environmentally sustainable logistics ecosystem that could enhance Malaysia's competitiveness within ASEAN.

Tasco (BUY, TP: RM0.68) and Swift Haulage (BUY, TP: RM0.43) could benefit.

Tasco (BUY, TP: RM0.68) and **Swift Haulage (BUY, TP: RM0.43)** could benefit from 13MP's broader focus on industry modernisation, which is likely to encourage greater adoption of automation, integrated fleet management, and value-added logistics services. For Tasco, this may open up more opportunities to offer end-to-end solutions for clients looking to outsource increasingly complex supply chains, particularly as manufacturers seek more resilient domestic and regional distribution networks. Swift Haulage, with its extensive asset-based fleet and established presence in land transport, may gain from policy shifts that promote consolidation within the fragmented haulage sector and stricter enforcement of logistics standards, creating a more level playing field for organised operators with scale and compliance capabilities.

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
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