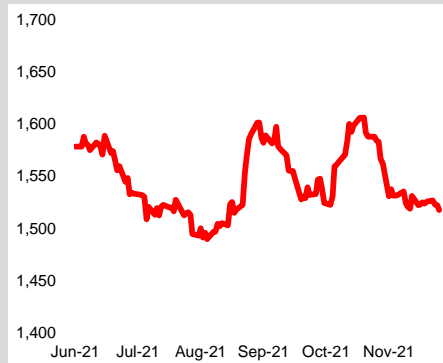




### Shariah-compliant Securities List

#### FBM KLCI CHART



FBM KLCI (current)	1,517.60
FBM KLCI (year-end 2021)	1,590.00
Upside / (Downside)	+4.8%

52 Week Range (RM)	1,483.73 - 1,695.96
3-Month Average Vol ('000)	151,348
YTD returns (%)	-6.7%

#### FBM KLCI PERFORMANCE

	1M	3M	12M
Absolute Returns	-3.9	-0.3	0.7

Sector	Call
Airline	Underweight
Auto	Neutral
Banking	Neutral (p)
Construction	Neutral
Consumer	Overweight
Gaming	Overweight
Gloves	Neutral
Healthcare	Neutral
Logistics	Neutral
Manufacturing	Overweight
Media	Neutral
Oil and Gas	Overweight
Plantation	Neutral
Property	Overweight
Power	Neutral
REITS	Neutral
Technology	Overweight
Telecommunication	Neutral
Timber	Neutral

(p) positive bias (n) negative bias

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### One Notable Exclusion

**Seventeenth review.** The current edition saw a notable exclusion, Yinson Holdings, which counts various institutional funds amongst major shareholders. On a broader scope, inclusions (33) outnumbered the exclusions (25). Of the 33 included, only 4 were new listings, suggesting that companies are seeing the increasing need of being shariah-compliant hence doing the necessary to warrant inclusion. None of the names excluded in the May 2021 review made it back at the first time of asking, though possibly due to timing differences given the need to rely on most-recently audited financial statements which may not have been necessarily available at the time of review. This is reflected by November 2020 dropouts (Advance Information Marketing, SHL Consolidated, TAS Offshore and Turiya) making it back this round.

A marginally higher 751 (May 2021: 746) securities are now classified Shariah-compliant, with the proportion slightly lower at 79.3% (May 2021: 79.7%) on account of the higher number of 948 (May 2021: 936) securities listed on Bursa Malaysia. A complete listing of changes is shown in Appendix 1.

**Impact on our coverage.** Since the last review, we have dropped coverage on CJ Century Logistic and Serba Dinamik Holdings, both of which are shariah-compliant securities. Following this review, I-Berhad has been deemed as shariah non-compliant. With the mentioned changes, the total number of compliant stocks under coverage is now 69 of the total 82 stocks under core coverage, or 84.1% (May 2021: 70 of 84, or 83.3%). The compliance status of our coverage list is in Appendix 3.

**Market impact.** Of all the exclusions in this current review, Yinson Holdings is the most notable one given that it's an institutional fund favorite. A quick glance across the top 30 shareholder does not appear to show any Shariah-based fund holdings however, hence impact of this inclusion likely to be muted. Asia File Corporation counts Amanah Saham Bumiputera as a significant shareholder, though it is not known how it will categorize this particular shareholding. While there is still no compulsion for anyone to sell should investments be out-of-money, past instances have suggested compliance (ie. immediate disposals) by funds regardless.

2022 may be a year of contradictions. While growth in gross domestic product (GDP) is expected to hit a commendable 5.5% to 6.5% which typically raises optimism and brightens investor sentiment owing to expectation of steady earnings growth, investors are likely to also be faced with contemplations on various "negative" prospects – lower earnings and the likelihood of lower dividends from the larger-capitalized higher-income blue chips as a result of Cukai Makmur, heightened transaction costs as a result of the hike in stamp duties which may deter trading activity, and the specter of higher interest rates which may see orientation of funds out of equity markets. In addition, structural issues like ongoing supply chain disruptions (though the expectation is an eventual easing going into 2022) and labour shortages (only industry-specific allowances have been accorded for now) may still cloud sentiment.

All said, the market will continue to be very much a trading-oriented one, though volatility may shrink notably. It is still encouraging to note that foreign investors have been net buyers in recent months, suggesting regional investor flow potentially picking up in momentum as the country's growth prospects continue to strengthen, the above-mentioned "negativities" notwithstanding. We maintain our FBM KLCI year-end 2021 closing at 1,590 points, with the likelihood of a status quo for 2022 as well. Stock suggestions for next year remain a mix of cyclical names to capture upsides from economic re-opening, and stocks likely to see multi-year growth stories, and those from within the smaller-capitalized (likely to earn less than RM100m) and lower-gearred space (not at risk of seeing compressions in valuations owing to rate hikes).

**Appendix 1 – Changes to November 2021 Shariah-Compliant Securities List From May 2021**
**Newly classified Shariah-compliant securities**

Name of securities	Sector
Ace Innovate Asia	LEAP – Industrial
Advance Information Marketing	ACE – Industrial
Benalec Holdings	Property
Carzo Holdings	LEAP – Consumer
CEKD	ACE – Industrial
CTOS Digital	Technology
Ecomate Holdings	ACE – Consumer
ES Ceramics Technology	ACE – Industrial
Farlim Group (M)	Property
Green Packet	Technology
Haily Group	ACE – Construction
ICT Zone Asia	LEAP – Technology
IJM Plantations	Plantation
KNM Group	Energy
Leon Fuat	Industrial
Lysaght Galvanized Steel	Industrial
Nestcon	ACE - Construction

Source: Securities Commission

Name of securities	Sector
NTPM Holdings	Consumer
Parkwood Holdings	Property
Pekat Group	ACE – Industrial
Pensonic Holdings	Consumer
RCE Capital	Financial Services
RTS Technology	LEAP – Technology
SHL Consolidated	Property
Southern Cable Group	Industrial
Tan Chong Motor Holdings	Consumer
TAS Offshore	Transportation
Tasco	Transportation
Techbond Group	Industrial
Tiong Nam Logistics	Transportation
Turiya	Technology
Wang-Zheng	Consumer
YB Ventures	Industrial

**Newly classified Shariah non-compliant securities**

Name of securities	Sector
AppAsia	ACE – Technology
Asia File Corporation	Consumer
Asian Pac Holdings	Property
BCM Alliance	ACE – Industrial
Brem Holdings	Construction
Deleum	Energy
DGB Asia	ACE – Technology
Fast Energy Holdings	
Ge-Shen Corporation	Industrial
HLT Global	ACE – Industrial
I-Berhad	Property
Key Asic	ACE – Technology
Konsortium Transnasional	Consumer

Source: Securities Commission

Name of securities	Sector
LBI Capital	Property
Luster Industries	Industrial
Pansar	Industrial
Parlo	ACE – Consumer
PRG Holdings	Consumer
Reach Energy	Energy
Rubberex Corporation	Industrial
Sanichi Technology	ACE – Industrial
Sunzen Biotech	ACE – Consumer
Teo Seng Capital	Consumer
TFP Solutions	Technology
Yinson Holdings	Energy

**Appendix 2 – Revised Screening Methodology**

The revised screening methodology adopts a two-tier quantitative approach, which applies the business activity benchmarks and the financial ratio benchmarks, in determining the Shariah status of the listed securities. Hence, the securities will be classified as

<b>Quantitative Assessment</b>	<b>Revised Shariah Screening Methodology</b>	<b>Previous Shariah Screening Methodology</b>
(1) Business activity benchmarks	5%, 20%	5%, 10%, 20%, 25% Different threshold for different business activities
(2) Financial ratio benchmarks	33%	Not Applicable

Shariah-compliant if they are within the business activity benchmarks and the financial ratio benchmarks.

**(1) Business Activity Benchmarks**

The contribution of Shariah non-compliant activities to the overall **Group** revenue and **Group** profit before tax will be calculated and compared against the relevant business activity benchmarks.

The 5% benchmark would be applicable to the following business activities:

- § conventional banking;
- § conventional insurance;
- § gambling;
- § liquor and liquor-related activities;
- § pork and pork-related activities;
- § non-halal food and beverages;
- § Shariah non-compliant entertainment;
- § interest income from conventional accounts and instruments;
- § dividends from Shariah non-compliant investments;
- § tobacco and tobacco-related activities; and
- § other activities deemed non-compliant according to Shariah.

For the above-mentioned businesses/activities, the contribution of Shariah non-compliant businesses/activities to the overall **Group** revenue or **Group** profit before taxation of the company must be less than five per cent.

The 20% benchmark would be applicable to the following activities:

- § share trading;
- § stockbroking business;
- § rental received from Shariah non-compliant activities; and
- § other activities deemed non-compliant according to Shariah.

For the above-mentioned businesses/activities, the contribution of Shariah non-compliant businesses/activities to the overall **Group** revenue or **Group** profit before taxation of the company must be less than 20 per cent.

**(2) Financial Ratio Benchmarks**

The financial ratios applied are as follows:

**(i) Cash over total assets**

Cash only includes cash placed in conventional accounts and instruments, whereas cash placed in Islamic accounts and instruments is excluded from the calculation.

**(ii) Debt over total assets**

Debt only includes interest-bearing debt whereas Islamic financing or sukuk is excluded from the calculation.

Each ratio, which is intended to measure *riba* and *riba*-based elements within a company's statements of financial position, must be less than 33 per cent.

In addition to the above two-tier quantitative criteria, the SAC also takes into account the qualitative aspect which involves public perception or image of the company's activities from the perspective of Islamic teaching.

Source: Securities Commission

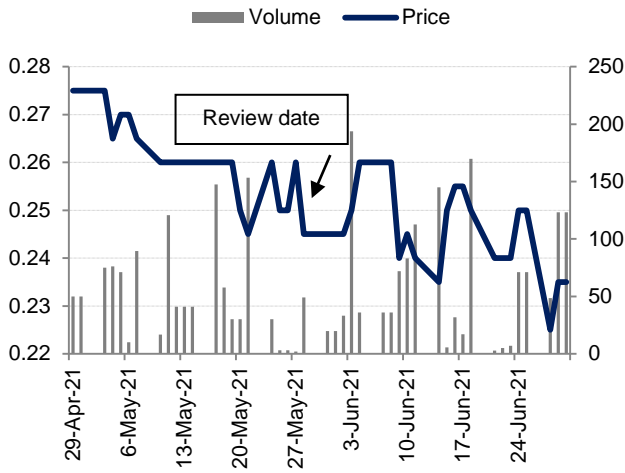
**Appendix 3 – Shariah Compliance of Stocks Under PublicInvest Research Coverage**

	Shariah-compliant under Nov 2021 list	Shariah-compliant under May 2021 list		Shariah-compliant under Nov 2021 list	Shariah-compliant under May 2021 list
3A Resources	Yes	Yes	Inari Corporation	Yes	Yes
Air Asia	Yes	Yes	Johore Tin	Yes	Yes
AirAsia X	Yes	Yes	Kawan Food	Yes	Yes
Alliance Bank	No	No	KL Kepong	Yes	Yes
AMMB Holdings	No	No	Kossan Rubber	Yes	Yes
Apex Healthcare	Yes	Yes	KPJ Healthcare	Yes	Yes
Astro Malaysia	No	No	LBS Bina Group	Yes	Yes
Axiata Group	Yes	Yes	Magni-Tech Industries	Yes	Yes
Axis REIT	Yes	Yes	Malakoff Corporation	Yes	Yes
Bermaz Auto	Yes	Yes	Malayan Banking	No	No
Berjaya Toto	No	No	Maxis	Yes	Yes
Bumi Armada	No	No	Media Prima	No	No
CCK Consolidated	Yes	Yes	Mega First Corporation	Yes	Yes
Chin Hin Group	Yes	Yes	MI Technovation	Yes	Yes
CIMB Group Holdings	No	No	N2N Connect	Yes	Yes
Cypark Resources	Yes	Yes	Petron Malaysia	Yes	Yes
Dayang Enterprise	Yes	Yes	Perak Transit	Yes	Yes
Dialog Group	Yes	Yes	Poh Huat Resources	No	No
DiGi.Com	Yes	Yes	QL Resources	Yes	Yes
DKSH Holdings	Yes	Yes	Sapura Energy	Yes	Yes
DRB-Hicom	Yes	Yes	Sarawak Plantation	Yes	Yes
D&O Green Tech.	Yes	Yes	SCGM	Yes	Yes
Eastern & Oriental	Yes	Yes	Sime Darby	Yes	Yes
EA Technique	Yes	Yes	SKP Resources	Yes	Yes
Felda Global Ventures	Yes	Yes	SP Setia	Yes	Yes
Gamuda	Yes	Yes	Star Media Group	Yes	Yes
Genting	No	No	Sime Darby Prop	Yes	Yes
Genting Malaysia	No	No	Sime Darby Plant	Yes	Yes
Genting Plantations	Yes	Yes	Sunway REIT	No	No
Greatech Technology	Yes	Yes	Ta Ann Holdings	Yes	Yes
Hextar Global (re-named)	Yes	Yes	Telekom Malaysia	Yes	Yes
Hartalega Holdings	Yes	Yes	Tenaga Nasional	Yes	Yes
Hibiscus Petroleum	Yes	Yes	Top Glove Corporation	Yes	Yes
Hock Seng Lee	Yes	Yes	TSH Resources	Yes	Yes
Homeritz Corporation	Yes	Yes	UEM Sunrise	Yes	Yes
I-Berhad	Yes	Yes	Uzma	Yes	Yes
IGB Corporation	No	No	VS Industry	Yes	Yes
IGB REIT	No	No	Wah Seong Corporation	Yes	Yes
IHH Healthcare	Yes	Yes	Wegmans Holdings	Yes	Yes
IJM Corporation	Yes	Yes	WCT Holdings	Yes	Yes
IOI Corporation	Yes	Yes	Yong Tai	Yes	Yes

Source: Securities Commission, PublicInvest Research

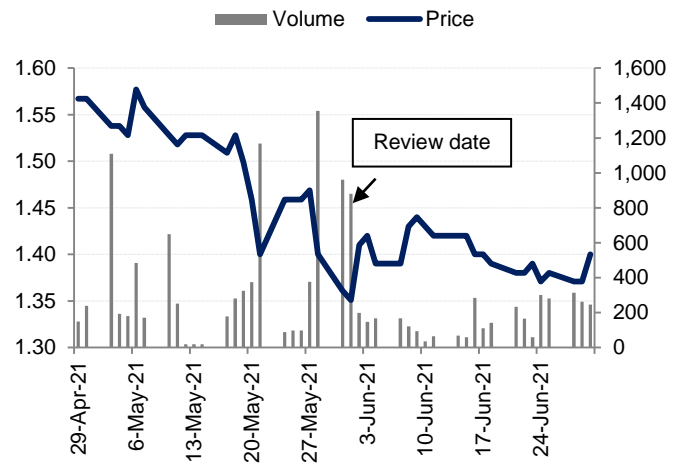
**Appendix 4 – Share Price Movements post-Review (Exclusions)**

**Khee San**



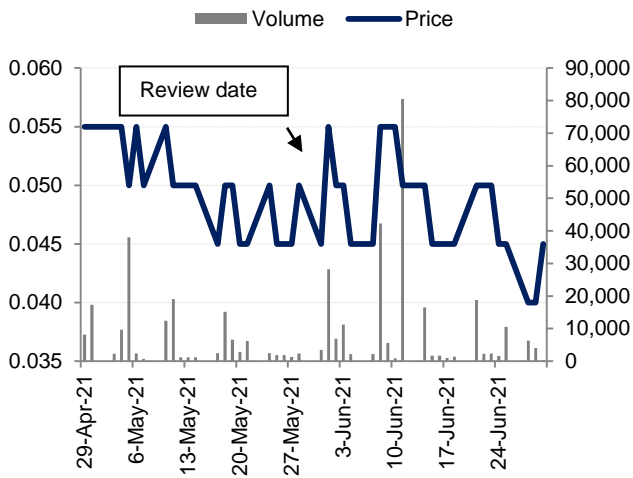
Note: Noticeable impact, share price fell after

**Poh Huat Resources**



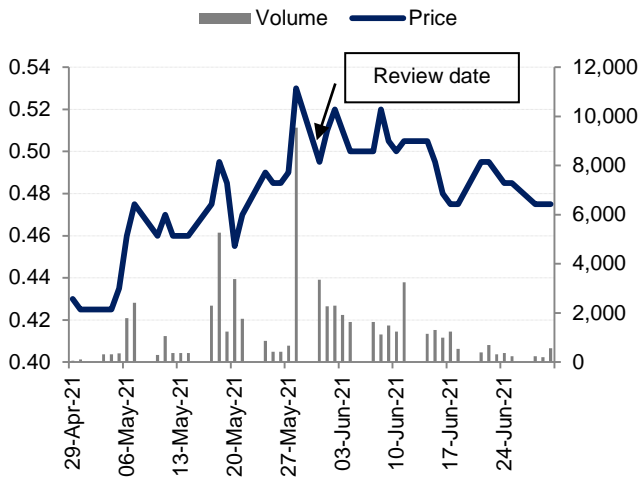
Note: Noticeable impact, share price fell after

**Scomi Group**

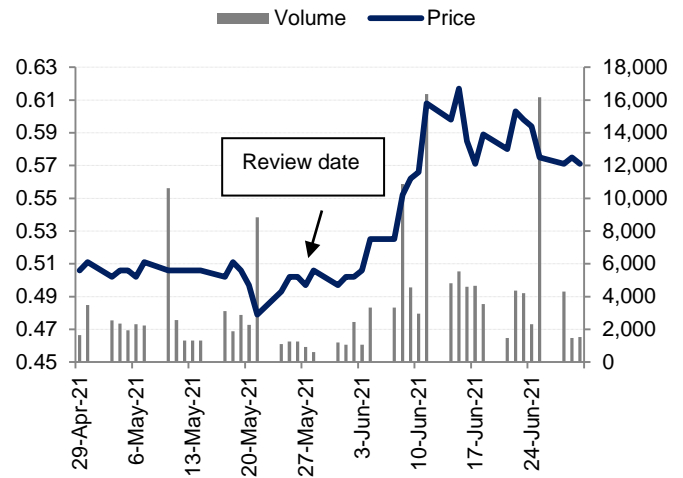


Note: No noticeable impact, share price only saw marginal drop

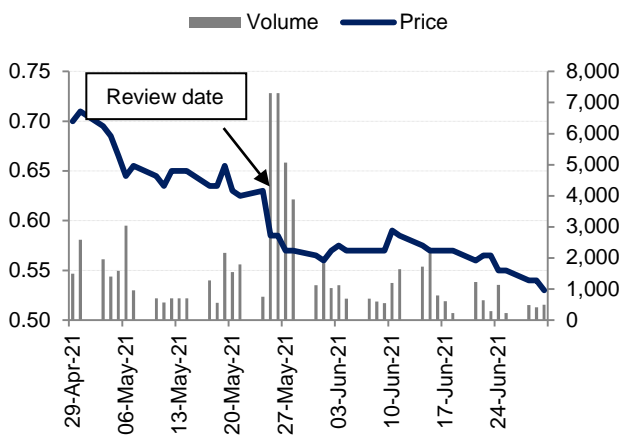
Source: Bloomberg, PublicInvest Research

**Appendix 5 – Share Price Movements post-Review (Inclusion)**
**CAB Cakaran**


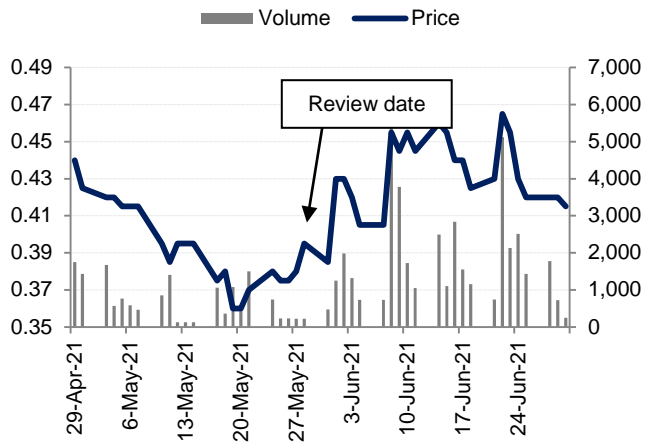
Note: No apparent benefit, share price weakened

**EcoWorld International**


Note: Benefitted from inclusion, share price gained

**Karex**


Note: No apparent benefit, share price weakened

**Only World Group**


Note: Inclusion much welcomed

Source: Bloomberg, PublicInvest Research

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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### **Published and printed by:**

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