

Headline	Interest in small- and mid-cap stocks to make the cut
MediaTitle	The Malaysian Reserve
Date	03 Nov 2016



Interest in small- and mid-cap stocks to make the cut

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by ALEXANDER WINIFRED

INTEREST in small- and mid-cap firms on Bursa Malaysia has increased following the RM3 billion

fund announcement to invest in these stocks while punters are lining up the beneficiaries of the stock market boosting initiative.

Small- and mid-cap companies, which have lagged against their larger counterparts, will be included in the basket of 300 companies for government-linked investments (GLIs) firms to invest.

Bursa Malaysia and the Securities Commission Malaysia will select and assign the 300 companies for

coverage, Finance Minister II Datuk Johari Abdul Ghani told *The Malaysian Reserve* (TMR) recently.

Out of the more than 900 firms listed on the Bursa Malaysia, about 700 are considered small to mid-cap stocks.

According to sources, the tech-heavy ACE Market, which trades about 110 companies, is expected to miss the cut for the coverage, leaving the potential firms to be covered to less than 700.

"Small- and mid-caps will continue to be the highlight of the market," said Lee Tien Xiang, a senior research analyst at *FundsSupermart.com*, an investment advisory firm with offices in Hong Kong, India and Singapore.

TMR reported about the small- and mid-cap public-listed companies research scheme on Oct 19, before the budget announcement.

According to sources, companies

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TH, EPF expected to participate in the fund

FROM P1 Small- and mid-cap

with strong cashflow, consistent dividend policies and expansion programmes could make the 300 small- and mid-cap list.

Among the companies that could fulfil the requirements are Pestech International Bhd, SCGM Bhd, Luxchem Corp Bhd, Kawan Food Bhd, Magni-tech Industries Bhd and Kerjaya Prospek Group Bhd.

Pestech, which has a market capitalisation of RM1.26 billion, is an electrical equipment and supply trader. Its shares, which were traded at RM1.69 yesterday, have appreciated 8.65% over the last 12 months.

Construction firm Kerjaya Prospek has posted a 52.29% return over the same period.

The company is "packed with prospects", Kenanga Investment Bank Bhd researchers said in an Oct 14 research note.

Kerjaya Prospek secured new contracts worth RM485 million this year with an outstanding orderbook of RM2.9 billion as of August 2016.

The company's earnings are more comparable to that of its large-cap peers, said a local analyst.

Luxchem, a polyester resin manufacturer with a market capitalisation of RM426.6 million, has attracted a coverage from Inter-Pacific Securities

Sdn Bhd.

"Luxchem has a diverse range of manufacturing customers, a market leader in industrial chemicals which has a steady earnings growth, as well as healthy cashflows and balance sheet," said Brian Yeoh, an analyst at Inter-Pacific.

Kawan Food's shares, which has already risen by 43.34% over the last 12 months, is worth about RM1.1 billion in market capitalisation. It has manufacturing facilities in several countries, including China and derives 60% of its revenues from overseas markets.

Magni-tech, a garment manufacturer, has gained 15.37% during the past year and saw profit shoot up by 51% in the third-quarter of 2016.

The company has a factory in Vietnam and sells its products to the US, China, Europe and South America.

Lembaga Tabung Haji (TH), the Employees Provident Fund (EPF), Khazanah Nasional Bhd, Retirement Fund Inc and Permodalan Nasional Bhd are expected to participate in the RM3 billion investment scheme.

The funds will "focus on illiquid public-listed companies, small- and mid-cap companies that have the potential to become the next regional champions," said Johari.