MRCB-Quill REIT

Attractive and Stable Yields

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OUTPERFORM

Price: RM1.28
Target Price: RM1.41

We are initiating coverage on MRCB-Quill REIT (MQREIT)'s with an OUTPERFORM call and TP of RM1.41. MQREIT's earnings prospect appears solid with a stable asset profile on mostly fully-tenanted assets with long-term leases (average: 5 years). Occupancy remains healthy at >97% with minimal lease expiries, while MQREIT is backed by two sponsors for future acquisitions. Our TP is based on FY17E GDPS of 8.4 sen and a +2.40 ppt spread to our 10-year MGS target.

Graduating to a big cap MREIT. Post the placement by 4Q16, MQREIT will move into the large cap MREIT space (>RM1b), increasing its market cap to c.RM1.4b (from RM850m). This implies better trading liquidity and added institutional shareholding from placements to EPF. However, we believe the stock is still trading at a discount to large cap MREITs, at 6.6% on FY17E gross yields vs. 5.1-5.8% for large cap MREITs under our coverage, albeit its stable earnings profile.

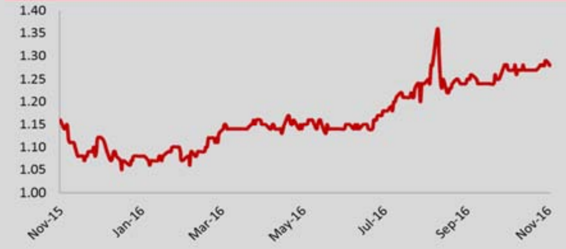
Portfolio occupancy remains healthy at 97% backed by long-term tenants. The Group has a strong portfolio occupancy rate of 97% and had maintained this above 90% historically, which is higher than its small-mid-cap office-based peers of between 65%-96% occupancy rates. This is on the back of **minimal lease expiries in FY16, 17-18E** at 6.7, 13.0- 26.0% of net lettable assets (NLA) vs. most MREITs under our coverage with 27-69.0% in FY16, and 16-39% in FY17, save for KLCC, which is preferable in current times when the office space market is in an oversupply situation.

Visible acquisition pipeline secured from MRCB and Quill Group. MQREIT is backed by two sponsors for acquisitions namely Malaysian Resources Corporation Berhad (MRCB) which owns 31.2% of MQREIT since the injection of Platinum Sentral, and Quill Group owning a 17.7% stake, allowing opportunities for yield accretive acquisitions in the future. MQREIT has the right of first refusal (ROFR) for acquisition of MRCB and Quill Groups investment properties. MRCB targets to dispose at least one asset per year with potential assets being Menara Celcom (est. value RM428m), while other assets include Ascott Sentral (service residence apartment; est. value RM120m), Kompleks Sentral (industrial; NBV: RM29.1m) and Plaza Alam Sentral (7-storey shopping complex; NBV: RM72.3m).

Expecting earnings of RM58.9, 92.0 - 95.5m for FY16, 17-18E, implying core earnings growth of 9%, 56% - 4% in FY16, 17-18E mainly from contributions from Menara Shell, which is expected to fully contribute in FY17 onwards, and Platinum Sentra, and GDPU of 8.4 sen each in FY16, 17-18E suggesting gross yields of 6.6%.

Initiating coverage on MRCB-Quill REIT (MQREIT) with an OUTPERFORM recommendation and TP of RM1.41 based on FY17E GDPS of 8.4 sen, suggesting a 15.7% total returns. Our TP is based on target gross yield of 6.0% on a +2.4ppt spread to our 10-year MGS target of 3.60%. Our applied spread is slightly above large cap MREITs (>RM1b) under our coverage (between +0.8ppt to +2.10ppt) as MQREIT is slightly smaller than large cap REITs, while the office segment may not be perceived as well as retail and industrial due to oversupply issue.

Share Price Performance



KLCI	1,650.59
YTD KLCI chg	-2.5%
YTD stock price chg	18.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MQREIT MK Equity
Market Cap (RM m)	846.6
Issued shares	661.4
52-week range (H)	1.39
52-week range (L)	1.05
3-mth avg daily vol:	443,048
Free Float	44%
Beta	0.6

Major Shareholders

Malaysian Resources Corporation Bhd	31.2%
Capitaland Ltd	17.7%
Quill Land Sdn Bhd	7.4%

Summary Earnings Table

FY Dec (RM'm)	2015A	2016E	2017E
Turnover	115.2	127.7	182.9
EBIT	80.5	88.1	125.5
PBT	60.7	58.9	92.0
Net Profit	**60.7**	**58.9**	**92.0**
Core NP (RNI)	**54.0**	**58.9**	**92.0**
Consensus (CNP)	n.a.	59.6	89.2
Earnings Revision	n.a.	5%	1%
Core EPS (sen)	8.2	8.9	8.6
Core EPS growth (%)	-7	9	-4
GDPS (sen)	8.4	8.4	8.4
BV/Share (RM)	1.37	1.37	1.28
Core PER (x)	15.7	14.4	14.9
ROE (%)	8.4	6.5	8.1
G. Div. Yield (%)	6.5	6.6	6.6

INVESTMENT MERIT

Graduating to a big cap MREIT. Post the placement by 4Q16, MQREIT will move into the large cap MREIT space (>RM1b), increasing its market cap to c.RM1.4b (from RM850m). This implies better trading liquidity and added institutional shareholding from placements to EPF. However, we believe the stock is still trading at a discount to large cap MREITs, at 6.6% on FY17E gross yields vs. 5.1-5.8% for large cap MREITs under our coverage, albeit its stable earnings profile.

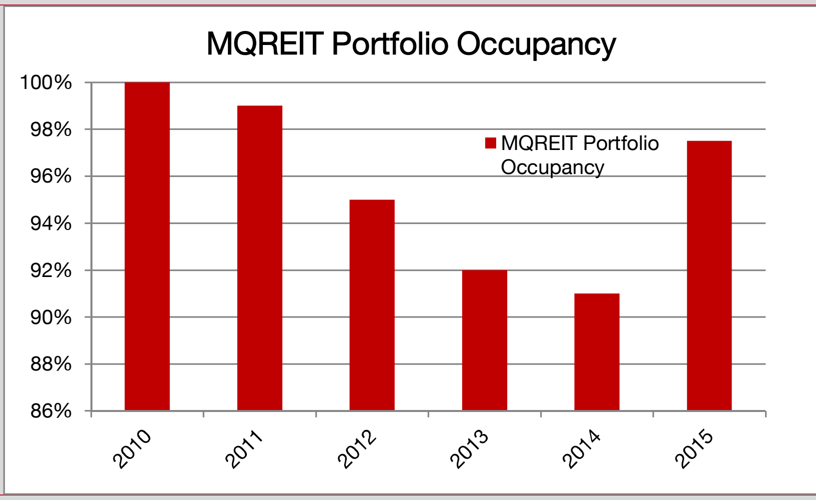
MREITs Market Cap vs. Yields

NAME	Mkt Cap (RM'm)	Gross Dividend Yield (%) FY16/17 1-yr Fwd	FY17/18 2-yr Fwd
KLCCSS *	14082	4.8%	5.1%
PAVREIT	5199	4.9%	5.5%
IGBREIT	5659	5.3%	5.3%
SUNREIT	5360	5.6%	6.0%
CMMT	3189	5.4%	5.7%
AXREIT	1901	4.9%	5.4%
MQREIT (post-placement)	**1375**	**6.6%**	**6.6%**
MQREIT (pre-placement)	**847**		

Source: Kenanga Research

Portfolio occupancy remains healthy at 97% backed by long-term tenants. The Group has a strong occupancy rate of 97% currently, and has maintained above 90% occupancy historically. The portfolio occupancy rate is higher than its small-mid-cap office-based peers between 65%-96% occupancy rates. Notably, 7 out of its 11 assets have full occupancy; this includes the latest asset injections, Platinum Sentral (PS) and Menara Shell, with most tenants locked in for minimum 5 years (vs. retail tenants of 2-3 years), providing long-term stability in rental income, especially in times when the Klang Valley office market is seeing an oversupply of offices spaces. Occupancy rates for office assets are generally more stable than retail given the longer contract period.

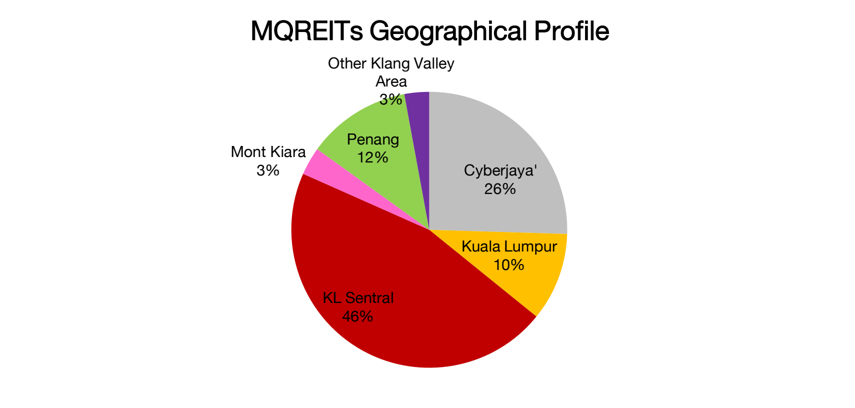
Occupancy Profile



Source: Company

Strategically located assets ensure resilient demand. MQREIT assets are mostly located in prominent locations such as KL Central for Platinum Sentral, and Menara Shell (acquisition to be completed by end-FY16), which is a prominent centre point being the largest transit hub in Malaysia, interconnecting Kuala Lumpur International Airport (KLIA) Transit, KLIA Express, Light Railway Transit, KTM Intercity, KTM Commuter and the KL Monorail. As such, most individuals that rely on public transportation daily would likely pass through KL Sentral. MQREIT's other office assets include QB1 to QB5 and QB8 which are located in Cyberjaya which is ideal for office spaces that do not require being located in Kuala Lumpur as rental rates are considerably cheaper (c. RM4psf/month vs. offices in KL at c. RM6psf/month). Additionally, Platinum Sentral, and Menara Shell as well as all six assets located in Cyberjaya (i.e. QB1 to QB5 and QB8) are in MSC-status areas, giving MQREIT's assets an added advantage as MSC status companies are unlikely to leave at the end of the lease term as they are able to enjoy various financial and non-financial incentives if located in an MSC zone.

Asset Geographical Profile



Source: Kenanga Research, Company
**Note: Asset geographical profile includes the soon to be acquired Menara Shell.*

Minimal lease expiries in FY16, 17-18E suggesting limited downside risk. MQREIT's FY16,17-18E leases up for expiry are minimal at 6.7%, 13.0% - 26.0% of net lettable assets (NLA) vs. most MREITs under our coverage with 27-69% in FY16, and 16-39% in FY17, save for KLCC. We believe low lease expiries are preferable in current times when the office market is facing an oversupply situation, given the risk of attrition of tenants and risk of any significant drops in occupancy rates will be lower. Under such competitive conditions, which are mostly seen as tenants' market; given MQREIT's minimal leases up for expiry, it is less likely to be affected by competition from both existing and new office supply in FY16, 17-18. To date, MQREIT has secured 60% of the 6.7% leases up for expiry in FY16.

Recent sizeable acquisition of Menara Shell and Platinum Sentral increasing earnings stability… MQREIT acquired Platinum Sentral (PS) in Mar 2015 for RM740m with 476k sf NLA (26% of FY17E GRI), and Menara Shell in June 2016 with 557k sf NLA (29% of FY17E GRI). Notably, both assets are sizeable in proportion to MQREIT's portfolio, but most importantly, we like the fact that both assets will help increase the portfolio earnings stability over the next 5 years as; (i) Platinum Sentral (PS) was acquired at 100% occupancy and the asset is leased out to long-term tenants i.e. government-linked companies such as Small and Medium Enterprises Corporation, Malaysia (SME Corp Malaysia), Suruhanjaya Pengangkutan Awam Darat (SPAD), and PEMANDU with MSC status, while, (ii) Menara Shell was acquired on 100% occupancy with a long-term lease of over 15 years for 79% of NLA, ensuring a stable earnings base for MQREIT from FY17 onwards with tenants such as Shell People Services Asia Sdn Bhd, AmGeneral Insurance Bhd, Tradewinds Corp Bhd, and JLT Asia Shared Services Sdn Bhd, and the asset also holding MSC status.

Based on mid-to-single digit rental reversions for Menara Shell and Platinum Sentral which is on par with other office assets under our coverage, we expect strong earnings growth in FY17 (+56% YoY). However, we do not expect the full year contributions of these assets to be DPU accretive in the near-term due to the dilution from the placement of 407m shares in FY17 from Menara Shell's acquisition. As such we expect DPU to be flattish in FY17-18 at 8.4-8.4sen in FY17-18E. The lack of strong DPU accretive acquisitions has been the norm for most MREITs under our coverage (i.e. AXREIT, PAVREIT and CMMT) of late, mostly due to the low cap rate environment with gains on these acquisitions being either diluted by placements exercises or offset by higher borrowing cost.

Able to borrow up to RM500m for new asset acquisition before hitting SC's maximum gearing limit. Post finalisation of Menara Shell acquisition (RM656.0m, including acquisition expenses of RM16.0m), MQREIT's gearing is expected to lower to 0.39x in FY17 from 0.43x in FY16, allowing the Group to borrow an additional RM500m for future asset acquisition before hitting the maximum gearing limit of 0.50x. We expect the placement to raise RM468.5m (406.7m new units based on a 10% discount to the 5-day VWAMP of RM1.28), and as such the remainder of RM187.5m will be raised via borrowings. As the new placement units are relatively huge at c.37% of enlarged unitholders' capital, the group intends to seek waiver from the Securities Commission (SC) as it exceeds the 20% approved fund size for MQREIT. Hence, barring any unforeseen circumstances, we believe that the next placement is unlikely to occur in the next 12 months and the gearing ratio will maintain close to the 0.39x level for now, which is at the higher end of its office-based peers of 0.25x-0.46x, and above MQREIT's internal gearing level of 0.35x. We believe it may take time before MQREIT can revert to its internal gearing target of 0.35x, likely by FY18/19 assuming MQREIT issues another cash call without incurring any additional borrowings for an asset acquisition by end FY17 or early FY18 (12 months post the upcoming placement in 4Q16).

MREITs Gearing

MREIT	Latest Gearing @ 2016 (x)	Total Assets (RM'm)
CMMT	0.32	4,087
IGBREIT	0.24	5,104
KLCC	0.15	17,588
PAVREIT	0.26	5,447
SUNREIT	0.34	6,580
AXREIT	0.34	2,193
MQREIT	0.43	1,610
AMFIRST	0.46	1,672
TWRREIT	0.00	568
ATRIUM	0.25	240
ARREIT	0.27	991
UOAREIT	0.34	1,139
HEKTAR	0.45	1,127
ALAQAR	0.41	1,608
YTLREIT	0.46	3,458
SALAM	0.36	962

Source: Company, Kenanga Research

OUTLOOK

Visible acquisition pipeline secured from MRCB and Quill Group. MQREIT is backed by two sponsors for acquisitions namely Malaysian Resources Corporation Berhad (MRCB) which owns 31.2% of MQREIT since the injection of Platinum Sentral, and Quill Group owning a 17.7% stake, allowing opportunities for acquisitions in the future. MQREIT has the right of first refusal (ROFR) for acquisition of MRCB and Quill Groups investment properties. MRCB is a reputable construction and property player with major shareholders such as the Employees Provident Fund (EPF) with 34.7%, Gapurna Sdn Bhd with 17.2% and Lembaga Tabung Haji with 8.7%. However, MRCB has a heavy balance sheet of 1.09x net gearing and targets to dispose at least one asset per year with potential assets being Menara Celcom (est. value RM428m), while other assets include Ascott Sentral (service residence apartment; est. value RM120m), Kompleks Sentral (industrial; NBV: RM29.1m) and Plaza Alam Sentral (7-storey shopping complex; NBV: RM72.3m). Additionally, there are assets from its original sponsor, the Quill Group which include, Quill Building 6, Lebuh Ampang, Quill Building 9, Section 14, Petaling Jaya, and Quill Building 18, Cyberjaya. Additionally, MQREIT is still open to analysing potential third-party acquisitions.

Targeting office assets with long term tenancies. MQREIT will be targeting stable office assets for upcoming acquisitions as it has a sizeable war chest from both MRCB and Quill Group. Although there remains weakness in the office segment due to the oversupply of office spaces in the Klang Valley, we are confident with MQREIT's ability to source for stable office assets with committed tenants, while office tenants tend to have a longer lease expiry profile of c.5 years vs. retail asset tenants of 2-3 years, providing earnings stability.

Table of asset acquisitions and disposals over last 3 years

Acquisitions			
Date SPA completed	**Asset (Type)**	**Amount (RM'm)**	**Location**
30th Mar-15	Platinum Sentral (Retail)	740	KL Sentral
TBD (likely by 4Q16)	Menara Shell (Office)	640	KL Sentral
Disposals			
Date SPA completed	**Asset (Type)**	**Amount (RM'm)**	**Location**
4th Sept 2015	QB10	27.3	Seksyen 13 PJ

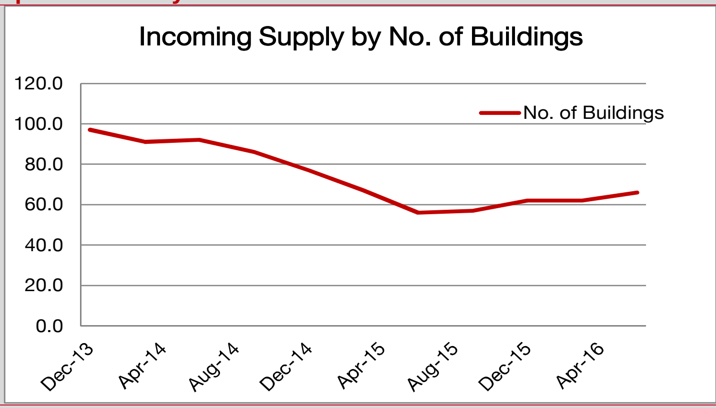
Source: Company, Kenanga Research

No major AEI's in FY17-18E. MQREIT will have minimal capex allocations for asset enhancement initiatives (AEI's) in FY17-18E. The group is only targeting routine AEI for building maintenance (i.e. toilet and lift maintenance, uplifting of major walkway areas). As such, we have allocated minimal capex in FY17-18E of RM10-12m.

INDUSTRY OUTLOOK

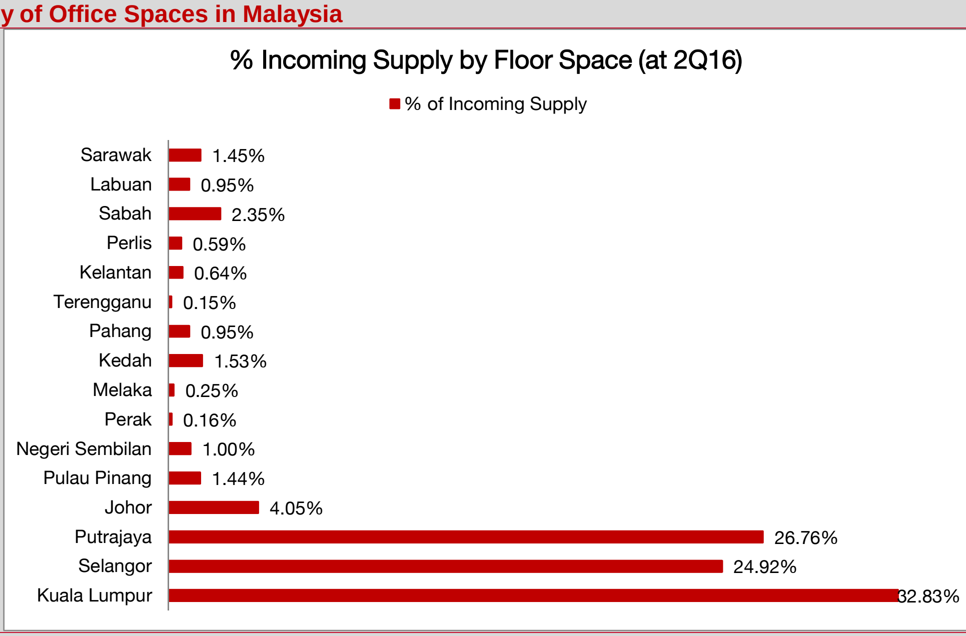
Office sector remains subdued on higher incoming supply. Based on NAPIC data as of June-16, Malaysia's incoming supply has increased slightly since CY15, and the country expects to see 66 new office buildings built, with the majority located in Kuala Lumpur (32%), followed by Selangor (12%). However, based on floor space (sf), Malaysia's incoming supply data suggest an additional 21.8m sf of office space, with the majority of new office spaces to be located in Kuala Lumpur (33%) and Putrajaya (27%), followed by Selangor (25%) and Johor (5%) (refer to tables below). Supporting research by CBRE (report on Office Sector in Klang Valley: Snapshot of Second Quarter 2016) also concludes that as of 2Q16, 2.45m sf of office space in the Klang Valley (Kuala Lumpur and Selangor) is expected to flood the market by end CY16 alone, on top of the vacant 16m sf of space in the Klang Valley, suggesting that the office market will remain a tenant's market, while the **silver lining will be prime offices with high quality specification that will continue to experience stable occupancy and rental.**

Incoming Supply of Office Spaces in Malaysia



Source: CEIC, NAPIC

Incoming Supply of Office Spaces in Malaysia



Source: CEIC, NAPIC

Slight YoY improvements in occupancy. Additionally, research by CBRE for the office sector in 2Q16 also suggested that Klang Valley occupancy rates are seeing slight improvements YoY since the weaker 2015 which was due to the slowdown in oil prices and general global economy. CBRE reported a marginal rebound in occupancy rates in 2Q16 for the Klang Valley at 83.4% (+0.6% YoY), Kuala Lumpur at 86.3% (+0.3% YoY) and outside KL at 76.3% (+0.4% YoY). However, we believe the slight improvements in occupancy YoY may be offset by the additional floor space coming in by end CY16, leaving the outlook for the office segment unexciting.

FINANCIALS

Expecting earnings of RM58.9, 92.0 - 95.5m for FY16, 17-18E, implying core earnings growth of 9%, 56% - 4% in FY16, 17-18E mainly from contributions from Menara Shell which is expected to fully contribute in FY17E, and Platinum Sentral on mid-single digit reversions. As for the other remaining assets, we expect stable occupancy going forward due to minimal lease expiries, on the back of low-to-mid-single-digit reversions on all office assets, and mid-to-high single-digit reversions on retail assets, allowing for solid earnings growth.

We estimate DPU of 8.4 sen each in FY16, 17-18E, suggesting gross yields of 6.6% each. We reckon that the Group would pay out close to 95.0% pay-out ratio in FY16, in line with historical trends of between 94.1 - 95.7% since FY11. However, we are forecasting slightly higher pay-out ratios from FY17 of 95, 98-96% in FY16, 17-18E as management would consider higher dividend pay-outs to shareholders to offset the dilution from the placement in FY17. We believe above average pay-outs to shareholders is likely in FY17-18 to ensure at least flattish growth in DPU YoY to maintain consistent pay-outs to shareholders.

Note that we released an On Our Radar report on MQREIT (Trading Buy; TP:RM1.35) on 30th Sept 2016, and we have upgraded our FY16-17E earnings by 5-1% post MQREIT's recent 3Q16 results (on 26th Oct 2016) as the group's earnings came in slightly above our expectations at 82%. We also introduced FY18E numbers. Notably, our DPU estimates have also increased since our previous report from 8.1 sen each in FY16-17E to 8.4 sen each in FY16, 17-18E, in line with our higher earnings and higher dividend pay-out ratios in FY17 of 98% (from 95%).

A re-rating is due for MQREIT. As highlighted, post the placement by 4Q16, MQREIT will move into the large cap MREIT space (>RM1b), increasing its market cap to c.RM1.4b (from RM850m) and as such we believe MQREIT deserves to trade closer to big cap MREITs (>RM1b market cap) and above its small cap peers (<RM1b market cap). However, based on peer comparison, MQREIT appears attractive against both its large cap and small cap peers in terms of dividend yields and PERs, despite the lack of DPU growth which we expect to be flattish due to dilutions from the placement.

In terms of PERs we believe MQREITs valuations are still attractive as 1-2 year fwd. PERs of 14.4-14.9x are well below large cap MREITs at 20.6-19.1x, as well as small cap MREITs. Secondly, MQREIT's dividend yields are attractive with 1-2yr fwd. gross dividend yields of 6.6 - 6.6% for FY16-17E, higher than both large cap and small cap averages. MQREIT's dividend yields is +1.3ppt to +0.9ppt higher than large cap MREITs' gross yields implying that there is more room for share price upsides from current levels. Surprisingly, MQREIT's dividend yield is also above small cap MREITs' average, but this is likely due to the fact that some small cap MREITs are experiencing earnings weakness, resulting in lower forward yields based on consensus estimates.

Lastly, we note that the valuation disparity between large cap MREITs (>RM1b market cap) vs. small cap MREITs (<RM1b market cap) stems from quality of assets, low trading liquidity, and market cap size. However, MQREIT has done well in recent years to improve its earnings stability (i.e. stable occupancy and acquisitions with long term leases) unlike smaller cap MREITs, while we can expect additional trading liquidity post the placement by 4Q16, warranting a re-rating closer to large cap MREITs from current levels.

MREITs Peer Comparison

NAME	Price (05/11/16) (RM)	Mkt Cap (RMm)	PER (x) FY16/17 1-yr Fwd	PER (x) FY17/18 2-yr Fwd	Gross Dividend Yield (%) FY16/17 1-yr Fwd	Gross Dividend Yield (%) FY17/18 2-yr Fwd	DPU Growth (%) FY16/17 1-yr Fwd	DPU Growth (%) FY17/18 2-yr Fwd
MQREIT	1.28	847	14.4	14.9	6.6%	6.6%	0%	0%
Large Cap (>RM1b market cap)								
KLCCSS *	7.80	14082	20.0	18.7	4.8%	5.1%	7%	7%
PAVREIT	1.72	5199	21.2	18.8	4.9%	5.5%	2%	12%
IGBREIT	1.62	5659	21.6	21.4	5.3%	5.3%	2%	1%
SUNREIT	1.82	5360	19.7	18.4	5.6%	6.0%	9%	7%
CMMT	1.57	3189	18.4	17.6	5.4%	5.7%	-1%	5%
AXREIT	1.72	1901	18.6	17.6	4.9%	5.4%	0%	11%
YTL Hospitality REIT	1.23	1629	27.3	23.2	6.2%	6.7%	-4%	9%
Al-'Aqar Healthcare REIT	1.54	1121	17.7	17.5	5.5%	5.5%	9%	1%
Average Large Cap (>RM1b)			**20.6**	**19.1**	**5.3%**	**5.7%**	**3.1%**	**6.6%**
Small Cap MREITs (<RM1b market cap) ***based on Bloomberg consensus***								
AmanahRaya REIT	0.94	536	14.4	14.0	7.1%	6.8%	5%	-3%
AmFIRST REIT	0.85	583	21.3	21.3	4.7%	4.7%	-22%	0%
Hektar REIT	1.70	681	14.8	14.2	6.5%	6.5%	5%	0%
Tower REIT	1.20	337	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
UOA REIT	1.71	723	15.5	15.5	6.4%	6.4%	0%	0%
Atrium REIT	1.11	135	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Al-Salam REIT	1.07	621	20.2	17.0	4.7%	5.3%	n.a.	14%
Average Small Cap (<RM1b)			**17.2**	**16.4**	**5.9%**	**6.0%**	**-3.0%**	**2.2%**

Source: Bloomberg, Kenanga Research

VALUATIONS

Initiating coverage on MRCB-Quill REIT (MQREIT) with an OUTPERFORM (from Trading Buy) recommendation and TP of RM1.41 (from RM1.35) based on FY17E GDPS of 8.4 sen, suggesting a 15.7% total returns *(from our previous On Our Radar report dated 30th Sept 2016).* Our TP is based on target gross yield of 6.0% on a +2.4ppt spread to our 10-year MGS target of 3.60%.

Our applied spread is slightly above large cap MREITs (>RM1b) under our coverage (between +0.8ppt to +2.10ppt) as MQREIT is slightly smaller than large cap REITs, while the office segment may not be perceived as well as retail and industrial due to the oversupply issue. That being said, we like MQREIT for its stable asset profile with minimal leases up for expiry while tenants' long lease terms of c. 5 years on average provide more earnings stability vs. retail assets (2-3 years). However, the icing on the

cake is MQREIT's attractive dividend yield of 6.6% in FY17E vs. its large cap MREITs peers of 5.1%-5.8%. Even on our conservative valuations of applying the widest spread to MQREIT (+2.4ppt) among MREITs under our coverage, MQREIT is still able to command attractive 15.7% total returns.

MREITs Valuations

MREIT	Last Price as at 05/11/16	GDPS (RM)	FY	Gross Yield based on last price	Target Gross Yield	Gross yield spread to 10-yr MGS	10-yr MGS target	TP (RM)	Share price upside	Total Returns
KLCC	7.80	0.40	FYDec17E	5.1%	4.80%	1.20%	3.60%	8.25	5.7%	10.2%
SUNREIT	1.82	0.11	FYJun17/18E	5.8%	5.70%	2.10%	3.60%	1.85	1.8%	7.0%
CMMT	1.57	0.09	FYDec17E	5.7%	5.40%	1.80%	3.60%	1.65	5.3%	10.4%
AXREIT	1.72	0.09	FYDec17E	5.4%	5.45%	1.85%	3.60%	1.71	-0.4%	4.5%
IGBREIT	1.62	0.09	FYDec17E	5.3%	5.20%	1.60%	3.60%	1.66	2.4%	7.2%
PAVREIT	1.72	0.09	FYDec17E	5.5%	4.40%	0.80%	3.60%	2.15	24.8%	29.8%
MQREIT	1.28	0.08	FYDec17E	6.6%	6.00%	2.40%	3.60%	1.41	9.8%	15.7%

Source: Kenanga Research

RISK

Weaker-than-expected rental market in office segment. Existing oversupply of office in KL and Cyberjaya may turn market softer-than-expected. Maintaining occupancy rate may come at the expense of weaker rental reversion.

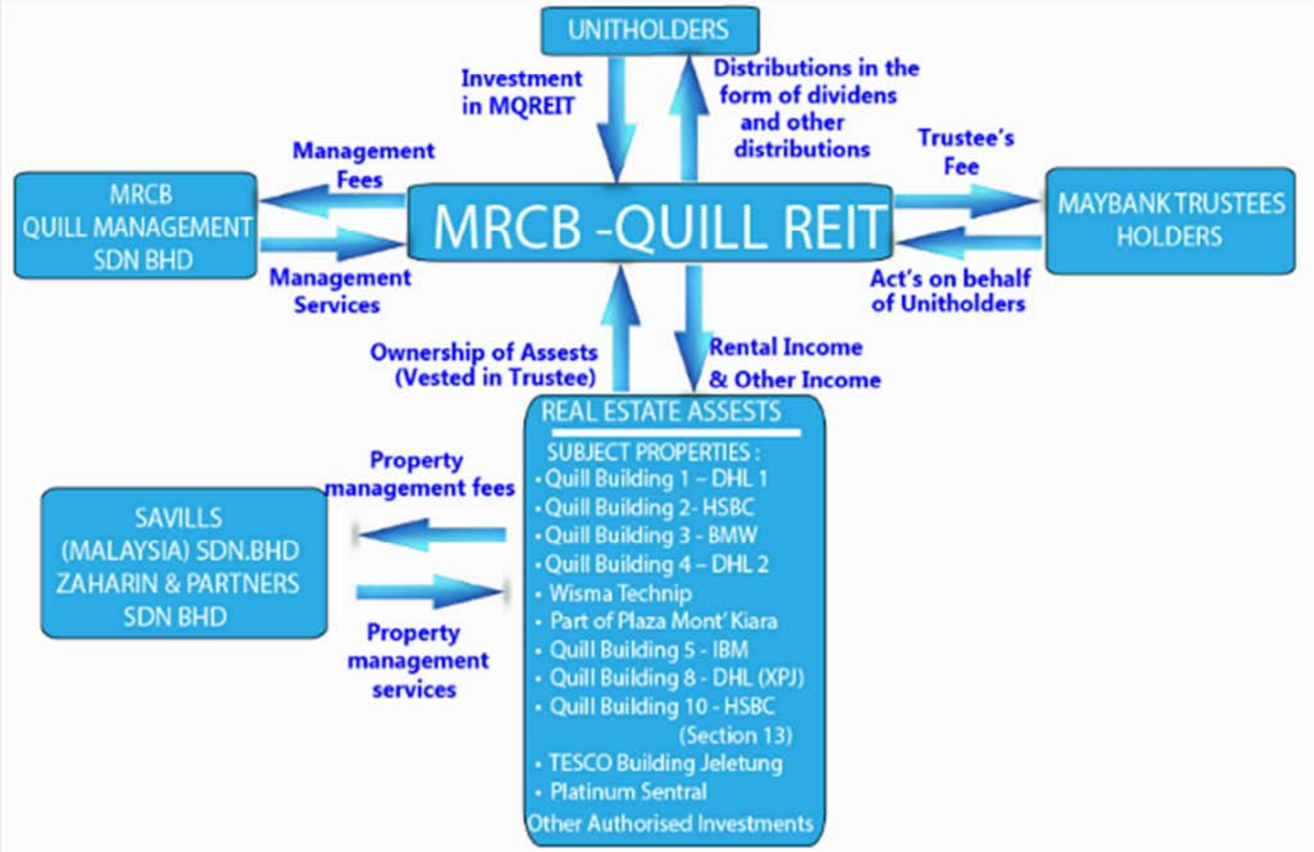
High gearing and higher-than-expected finance cost. Gearing ratio will be at 0.40x post the acquisition of Menara Shell, which is high compared to other MREITs under our coverage, while additional borrowings for future acquisitions or capex would increase financing cost further. We expect finance cost to increase in tandem with borrowings as all borrowings are set on a fixed rate.

Expanding bond yields. Uncertainty in the bond market may have a negative effect on MREITs as liquidity and share price appreciation strongly hinges on the REITs' attractiveness vs. the risk free return rate (10-year MGS). Assuming markets have not fully priced in the effects of US interest rate hike or should there be accelerated interest rate hikes in the near term, investors should be weary of an expansion in bond yields, which will put downward pressure on MREITs' share prices.

APPENDIX

MQREIT was listed on main board of Bursa Malaysia as Quill Capita Trust on 8-Jan-2007, which was subsequently changed to MQREIT on 15-Apr-2015. The group has 10 assets with total NLA of 1.70m sf and portfolio occupancy rate of 97.1%. The main focus of the portfolio is office properties, while the remaining assets are commercial buildings. The largest asset is Platinum Sentral with 476k sf NLA in KL Sentral transport hub, which contributes c.30% of FY16E RNI. The other assets are : 5 office assets in Cyberjaya, a retail/commercial asset in Mont' Kiara, an office building in Shah Alam and Kuala Lumpur, and a hypermarket in Penang.

MQREIT Structure



Source: Company

Quill Building 1 – DHL 1

	Quill Building 1 – DHL 1
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	52.1
Appraised Value	126*
NLA (m' sf)	0.092
Occupancy rate (%)	100
Number of tenant(s)	One
Name of tenant(s)	Asia Pacific Information Services Sdn Bhd, a wholly owned subsidiary of DHL Worldwide Express B.V.
Address	3509 & 3511, Jalan Teknokrat 5, 63000, Cyberjaya, Selangor

Source: Kenanga Research, Company

***On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 are situated have been amalgamated pursuant to the condition imposed by the Securities Commission Malaysia ("SC") during the initial Public Offering of MQREIT. As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM126,000,000.*

Quill Building 1 - DHL 1 is a four-storey office building with a sub-basement and basement carpark. It is located about 40 kilometres by road to the south of Kuala Lumpur City Centre. The building is accessible from Kuala Lumpur City Centre via the North-South Expressway heading to Seremban, exiting at either UPM (University Putra Malaysia) / Serdang / Kajang toll and thereafter onto highway showing directional signs towards Cyberjaya. Surrounding the subject property are the offices of BMW, EDS, FUJITSU, HSBC and the Headquarters of Multimedia Super Corridor. Other office developments in the vicinity include the Ericsson, Wisma Shell Malaysia as well as the Malaysian Communications and Multimedia Commission. Cyberview Lodge is located to the east of the building.

Quill Building 4 – DHL 2

	Quill Building 4 – DHL 2
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	57.7
Appraised Value*	126*
NLA (m' sf)	0.099
Occupancy rate (%)	100
Number of tenant(s)	One
Name of tenant(s)	Asia Pacific Information Services Sdn Bhd, a wholly owned subsidiary of DHL Worldwide Express B.V.
Address	3509 & 3511, Jalan Teknokrat 5, 63000, Cyberjaya, Selangor.

Source: Kenanga Research, Company

******On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 are situated have been amalgamated pursuant to the condition imposed by the Securities Commission Malaysia ("SC") during the initial Public Offering of MQREIT. As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM126,000,000.*

Quill Building 4- DHL 2 is a four-storey office building with a sub-basement and two level basement carparks. It is located about 40 kilometres by road to the south of Kuala Lumpur City Centre. The building is accessible from Kuala Lumpur City Centre via the North-South Expressway heading to Seremban, exiting at either UPM (Universiti Putra Malaysia) / Serdang / Kajang toll and thereafter onto the highway showing directional signs towards Cyberjaya. Surrounding the building are the offices of BMW, EDS, FUJITSU, DHL Express, HSBC and the Headquarters of Multimedia Super Corridor. Other office developments in the vicinity include the Ericsson, Wisma Shell Malaysia as well as the Malaysian Communications and Multimedia Commission. Cyberview Lodge is located to the east of the building.

Quill Building 2 – HSBC

	Quill Building 2 – HSBC
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	107.5
Appraised Value	120.7
NLA (m' sf)	0.184
Occupancy rate (%)	100
Number of tenant(s)	One
Name of tenant(s)	HSBC Electronic Data Processing (Malaysia) Sdn Bhd, a wholly owned subsidiary of HSBC Overseas Holdings (UK) Ltd.
Address	3500, Jalan Teknokrat 3, 63000, Cyberjaya, Selangor.

Source: Kenanga Research, Company

Quill Building 2 – HSBC is a four-storey office building with a sub-basement carpark. It is located about 40 kilometres by road to the south of Kuala Lumpur City Centre. The building is accessible from Kuala Lumpur City Centre via the North-South Expressway heading to Seremban, exiting at either UPM (University Putra Malaysia) / Serdang / Kajang toll and thereafter onto highway showing directional signs towards Cyberjaya. Located to the immediate south and south-east of the subject property are the offices of BMW, EDS, FUJITSU, DHL Express and the Headquarters of Multimedia Super Corridor. Other office developments in the vicinity include the Ericsson, Wisma Shell Malaysia as well as the Malaysian Communications and Multimedia Commission. Cyberview Lodge is located to the east of the building.

Quill Building 3 – BMW

	Quill Building 3 – BMW
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	59.4
Appraised Value	75.5
NLA (m' sf)	0.117
Occupancy rate (%)	80
Number of tenant(s)	Five
Name of tenant(s)	BMW Malaysia Sdn Bhd; BMW Asia Technology Centre Sdn Bhd; PGS Data Processing & Technology Sdn Bhd and Agensi Innovasi Huawei Technologies (M) Sdn Bhd
Address	3501, Jalan Teknokrat 5, 63000, Cyberjaya, Selangor.

Source: Kenanga Research, Company

Quill Building 3 - BMW is a four-storey building together with one level of sub-basement and one level of basement carpark. It is located about 40 kilometres by road to the south of Kuala Lumpur City Centre. The building is accessible from Kuala Lumpur City Centre via the North-South Expressway heading to Seremban, exiting at either UPM (University Putra Malaysia) / Serdang / Kajang toll and thereafter onto highway showing directional signs towards Cyberjaya. Located to the immediate north and south-east of the building are the offices of HSBC, EDS, FUJITSU, DHL Express and the Headquarters of Multimedia Super Corridor. Other office developments in the vicinity include the Ericsson, Wisma Shell Malaysia as well as the Malaysian Communications and Multimedia Commission. Cyberview Lodge is located to the east of the building.

Quill Building 5 – IBM

	Quill Building 5 – IBM
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	43
Appraised Value	45.2
NLA (m' sf)	0.082
Occupancy rate (%)	91
Number of tenant(s)	One
Name of tenant(s)	IBM Malaysia Sdn Bhd
Address	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor.

Source: Kenanga Research, Company

Quill Building 5 - IBM is a 5-storey office building with 1 level of sub-basement and 1 ½ level of a basement car park. It has a net lettable area of 80,000 sq ft and is prominently tenanted by IBM Malaysia Sdn Bhd. The building is accessible from Kuala Lumpur City Centre via the North-South Expressway heading to Seremban, exiting at either UPM (University Putra Malaysia) / Serdang / Kajang toll and thereafter onto highway showing directional signs towards Cyberjaya. Located to the immediate south and south-east of the subject property are the offices of BMW, EDS, FUJITSU, DHL Express and the Headquarters of Multimedia Super Corridor. Other office developments in the vicinity include the Ericsson, Wisma Shell Malaysia as well as the Malaysian Communications and Multimedia Commission. Cyberview Lodge is located to the east of the building.

Quill Building 8 – DHL XPJ

	Quill Building 8 – DHL XPJ
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	28.8
Appraised Value	26.4
NLA (m' sf)	0.065
Occupancy rate (%)	92
Number of tenant(s)	One
Name of tenant(s)	DHL Express (Malaysia) Sdn Bhd
Address	8, Jalan Pemaju U 1/15, Section U1, 40150 Shah Alam, Selangor.

Source: Kenanga Research, Company

Quill Building 8 – DHL (XPJ) is a 3-storey office with annexed single storey attached a net lettable area of 65,205 sq ft and is tenanted by DHL Express (Malaysia) Sdn Bhd. Quill Building 8 - DHL XPJ is located about 5 kilometers by road to the east of Shah Alam City Centre and about 15 kilometers by road to the south-west of Petaling Jaya City Centre. Alternative access from the New Klang Valley Expressway (NKVE) is via the Shah Alam/Bukit Jelutong interchange, Jalan Batu Tiga-Sungai Buloh or Subang Toll Plaza, Jalan Lapangan Terbang Subang and thereafter onto Persiaran Kerjaya, Jalan Hakim U1/24 and Jalan Pemaju U1/15 leading to the subject property.

Wisma Technip

	Wisma Technip
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	125
Appraised Value	172
NLA (m' sf)	0.233
Occupancy rate (%)	100
Number of tenant(s)	One
Name of tenant(s)	Technip Geoproduction (M) Sdn Bhd
Address	241, Jalan Tun Razak, 50400 Kuala Lumpur.

Source: Kenanga Research, Company

Wisma Technip is a 12-storey office building with a mezzanine floor and 3 level of basement carpark. It is located at the fringe of the 'Golden Triangle' of Kuala Lumpur, a term coined for the city's central business district which comprises prime office buildings, international class hotels and shopping complexes. The building has dual road frontage onto Jalan Tun Razak and Jalan Inai and is accessible from Kuala Lumpur City Centre via Jalan Hishamuddin, Jalan Raja Laut, Jalan Sultan Ismail, Jalan Ampang, Jalan Tun Razak, U-turn back at the Kampung Pandan roundabout onto the opposite direction of Jalan Tun Razak. Alternatively, it is accessible via Jalan Hishamuddin, Jalan Raja Laut, Jalan Tun Perak, Jalan Raja Chulan, Jalan Bukit Bintang, Jalan Delima and Jalan Inai. It is located about 6 kilometres by road to the east of Kuala Lumpur City Centre. Kuala Lumpur City Centre is within the vicinity and KL Pavillion is located to the north-west of Wisma Technip.

Part of Plaza Mont' Kiara

	Part of Plaza Mont' Kiara
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	90
Appraised Value	114
NLA (m' sf)	0.0734
Occupancy rate (%)	92
Number of tenant(s)	One
Name of tenant(s)	Multi Tenanted retail tenants i.e. banks, F&B, fashion, beauty, and convenient stores
Address	Plaza Mont'Kiara, No 2, Jalan Kiara, Mont'Kiara, 50480 Kuala Lumpur.

Source: Kenanga Research, Company

Part of Plaza Mont'Kiara refers to the commercial shop lots located within the ground floors of Block A & B and Block C & D and the basement and ground floor of Block E and two level basement carparks. It is located in the Mont'Kiara suburb about 10 kilometres away from the Kuala Lumpur City Centre area. The Sprint Highway connects the township to all other major arterial roads spanning the Klang Valley and the country. The Mont'Kiara suburb is a well-established township with a large local and expatriate population. There are three international schools in the vicinity of Mont'Kiara, namely the Mont'Kiara International School, Garden International School and the French International School of Kuala Lumpur.

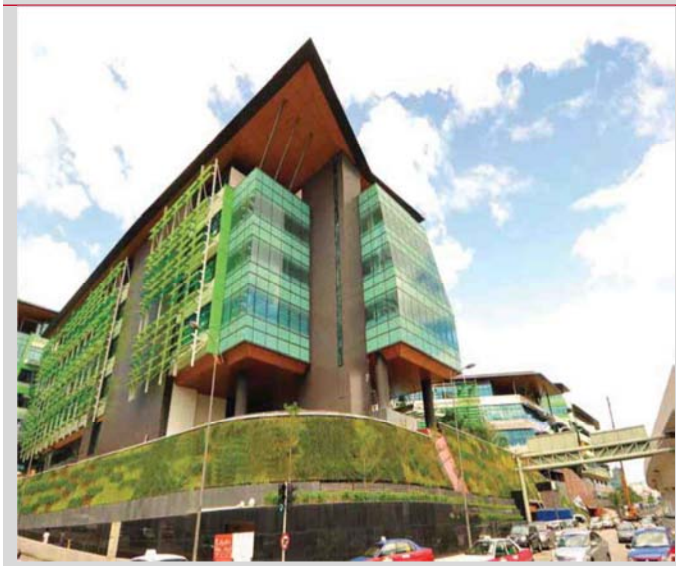
Tesco Building, Penang

	Tesco Building, Penang
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	132
Appraised Value	140
NLA (m' sf)	0.275
Occupancy rate (%)	100
Number of tenant(s)	One
Name of tenant(s)	Tesco Stores (Malaysia) Sdn Bhd
Address	1, Lebuh Tengku Kudin 1, 11700 Penang

Source: Kenanga Research, Company

Tesco Building is a 3-storey commercial building accommodating the Tesco Hypermarket, retail lots and car parking areas, erected on Lot no. 778, Section 4, Town of Jelutong, North East District, Penang. TESCO Building is located along Lebuh Tengku Kudin 1, off the southern side of Jalan Tengku Kudin and off the western side of the section expressway connecting to the Penang Bridge and the Bayan Lepas Expressway at the south and the Jelutong Expressway at the north. It is located within the locality of Gelugor, approximately 6 kilometers south of Komtar in Georgetown, approximately 500 meters north of the Penang Bridge Interchange and approximately 8 kilometers north of the Penang International Airport. It enjoys frontages onto Lebuh Tengku Kudin 1 along its southern boundary and a service road parallel to Jalan Tengku Kudin along its eastern boundary.

Platinum Sentral



	Platinum Sentral
Tenure	Term in Perpetuity
Acquisition Price (RM'm)	740
Appraised Value	750
NLA (m' sf)	0.476
Occupancy rate (%)	100
Number of tenant(s)	Multiple
Name of tenant(s)	SME Corp Malaysia); SBM Malaysia Sdn Bhd; Suruhanjaya Pengangkutan Awam Darat (SPAD); The ICLIF Leadership and Governance Centre; PEMANDU; MyHSR;
Address	Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur

Source: Kenanga Research, Company

Platinum Sentral is a commercial development consisting of 5 blocks of 4- to 7- storey commercial building comprising office-cum-retail space, a multi-purpose hall and 2 levels of car park together with 637 car parking bays. It is constructed on a parcel of freehold land together with the deck structure comprising the piling foundations, columns, walls, plinths and full transfer deck ("Deck") including the road(s) constructed on part of the Deck and held under GRN 46222, Lot 73, Seksyen 0070, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur. Platinum Sentral is located within the Kuala Lumpur Sentral development and approximately 2 kilometres by road to the southwest of Kuala Lumpur city centre.

Kuala Lumpur Sentral is an exclusive urban centre built around Malaysia's largest transit hub interconnecting Kuala Lumpur International Airport (KLIA) Transit, KLIA Express, Light Railway Transit, KTM Intercity, KTM Commuter and the KL Monorail. Kuala Lumpur Sentral is demarcated by four major arterial roads, namely, Jalan Damansara to the north-east, Jalan Tun Sambanthan to the south, the viaduct from Jalan Istana to the south-east and Jalan Travers to the north/south-west. The Property is sited at the south-western portion of the Kuala Lumpur Sentral development and within the Multimedia Super Corridor Malaysia Cybercentre @ Kuala Lumpur Sentral. The Land is near triangular in shape. It is bounded by Jalan Stesen Sentral at its southern boundary, Jalan Stesen Sentral 2 at its northern boundary and Jalan Stesen Sentral 4 at its eastern boundary, and is accessible via Jalan Damansara as well as the internal roads within the Kuala Lumpur Sentral development.

MQREIT Fee Structure

Management Fee:
(i) Base Fee of 0.4% p.a. of the Gross Asset Value, payable monthly in arrears.
(ii) Performance Fee of 3% p.a. on the Net Investment Income, payable semi-annually in arrears.
(iii) Acquisition Fee of 1% of the acquisition value of any asset, being authorised investments, acquired by MQREIT.
(iv) Divestment Fee of 0.5% of the disposal value of any asset divested by MQREIT.

Trustee's Fee:
Up to 0.03% p.a. on first RM2.5b of the Gross Asset Value and 0.02% on the Gross Asset Value in excess of RM2.5b, payable monthly in arrears.

Other Fees:
Valuation fee, Tax agent's fee, Auditor's remuneration, Administrative expenses, Finance costs.

Source: Company

Income Statement

FY Dec (RM m)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	70.2	115.2	127.7	182.9	193.7
EBITDA	33.4	80.5	88.1	125.5	133.5
Depreciation	0.0	0.0	0.0	0.0	0.0
EBIT	33.4	80.5	88.1	125.5	133.5
Interest Income	0.7	0.9	1.7	1.7	1.8
Interest Expense	-14.1	-28.0	-30.8	-35.2	-39.8
Others	-5.8	-9.8	-10.7	-15.0	-15.4
Exceptionals/FV	6.1	6.7	0.0	0.0	0.0
PBT	40.3	60.7	58.9	92.0	95.5
Taxation	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	1.0
Net Profit	40.3	60.7	58.9	92.0	95.5
RNI	34.2	54.0	58.9	92.0	95.5
Dist. Income	32.7	50.9	58.9	92.0	95.5

Balance Sheet

FY Dec (RM m)	FY14A	FY15A	FY16E	FY17E	FY18E
Fixed Assets	1	2	2	2	2
Intangibles	0	0	0	0	0
Other FA	838	1572	1582	2248	2260
Inventories	0	1	0	0	0
Receivables	6	6	6	9	10
Other CA	0	0	0	0	0
Cash	23	45	40	45	48
Total Assets	**868**	**1625**	**1630**	**2304**	**2320**
Payables	12	14	16	23	16
ST Borrowings	0	189	188	188	188
Other ST Liability	0	0	0	0	0
LT Borrowings	305	501	506	700	710
Other LT Liability	8	16	16	16	16
Minority Int.	0	0	0	0	0
Net Assets	**541**	**904**	**904**	**1376**	**1389**
Share Capital	412	751	751	1224	1237
Reserves	0	0	0	0	0
Shareholders Equity	**541**	**904**	**904**	**1376**	**1389**

Cashflow Statement

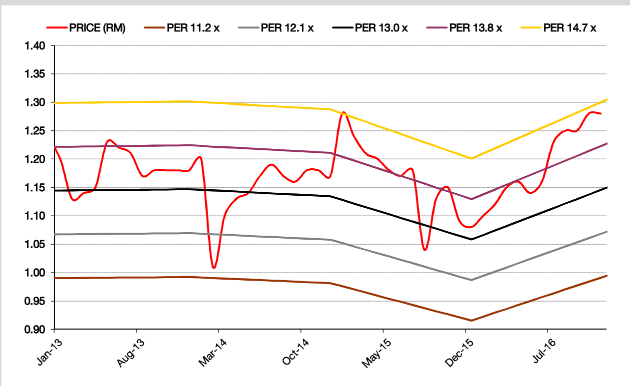
FY Dec (RM m)	FY14A	FY15A	FY16E	FY17E	FY18E
Operating CF	44	87	90	130	126
Investing CF	-5	-726	0	-659	4
Financing CF	-46	665	-86	530	-132
Net Change in Cash	-7	26	4	1	-2
Free Cash Flow	22	74	90	-526	129

Financial Data & Ratios

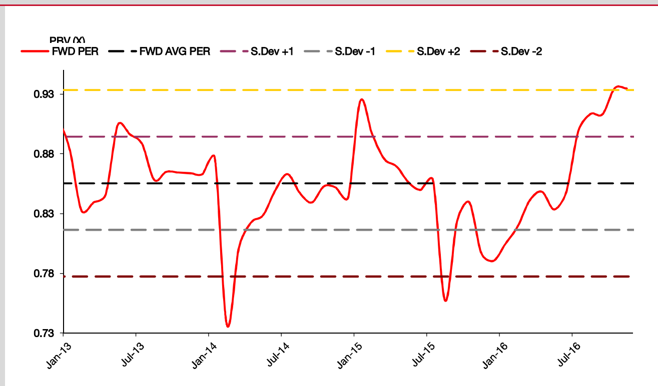
FY Dec (RM m)	FY14A	FY15A	FY16E	FY17E	FY18E
Growth (%)					
Revenue	1.9	64.0	10.9	43.1	5.9
EBITDA	(0.9)	140.7	9.4	42.6	6.4
Op. Income	(0.9)	140.7	9.4	42.6	6.4
Pre-tax Income	9.9	50.7	(3.0)	56.3	3.8
Net Income	9.9	50.7	(3.0)	56.3	3.8
RNI	(1.1)	58.1	9.0	56.3	3.8
Dist Income	0.0	55.8	15.6	56.3	3.8
Profitability (%)					
EBITDA Margin	47.6	69.9	68.9	68.7	68.9
Op. Margin	47.6	69.9	68.9	68.6	68.9
PBT Margin	57.3	52.7	46.1	50.3	49.3
Net Margin	48.6	46.9	46.1	50.3	49.3
Effct. Tax Rate	0.0	0.0	0.0	0.0	0.0
ROE	7.5	8.4	6.5	8.1	6.9
ROA	4.7	4.9	3.6	4.7	4.1
DuPont Analysis					
Net margin (%)	48.6	46.9	46.1	50.3	49.3
Assets T/O (x)	0.1	0.1	0.1	0.1	0.1
Lev. Factor (x)	1.6	1.7	1.8	1.7	1.7
ROE (%)	7.5	8.4	6.5	8.1	6.9
Leverage					
Debt/Asset (x)	0.35	0.42	0.43	0.39	0.39
Debt/Equity (x)	0.56	0.76	0.77	0.64	0.65
Net Debt/(Cash)	282	456	466	655	662
Net Debt/Eq. (x)	0.52	0.50	0.52	0.48	0.48
Valuations					
Core EPS (sen)	8.8	8.2	8.9	8.6	8.8
GDPS (sen)	8.4	8.4	8.4	8.4	8.4
BV/share (RM)	1.39	1.37	1.37	1.28	1.28
Core PER (x)	14.6	15.7	14.4	14.9	14.5
G. Dividend Yield (%)	6.5	6.5	6.6	6.6	6.6
PBV (x)	0.9	0.9	0.9	1.0	1.0
EV/EBITDA (x)	23.4	16.2	14.9	16.2	15.3

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

Peer Comparison

NAME	Price (7/11/16) (RM)	Mkt Cap (RMm)	PER (x) FY15/16	PER (x) FY16/17	PER (x) FY17/18	Est. NDiv. Yld. ** (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm) FY15/16	Net Profit (RMm) FY16/17	Net Profit (RMm) FY17/18	FY16/17 NP Growth (%)	FY17/18 NP Growth (%)	Target Price (RM)	Rating
M-REIT & PROPERTY INVESTMENT UNDER COVERAGE															
KLCCSS *	7.80	14,082	22.0	20.0	18.7	4.5	9.2	1.1	641.3	705.2	752.2	10.0	6.7	8.25	OUTPERFORM
Pavilion REIT	1.72	5,199	21.5	21.2	18.8	4.4	7.4	1.3	241.3	244.8	276.6	1.5	13.0	2.15	OUTPERFORM
IGB REIT*	1.62	5,659	22.1	21.6	21.4	4.8	6.9	1.5	254.0	261.3	266.3	2.9	1.9	1.66	MARKET PERFORM
Sunway REIT*	1.82	5,360	20.3	19.7	18.4	5.1	8.0	1.2	262.5	270.3	289.1	3.0	6.9	1.85	OUTPERFORM
CapitaMalls (M) Trust*	1.57	3,189	19.2	18.4	17.6	4.9	10.5	1.3	163.0	173.1	181.3	6.2	4.8	1.65	OUTPERFORM
Axis REIT*	1.72	1,901	20.7	18.6	17.6	4.8	7.2	1.4	91.5	93.2	103.2	1.8	10.8	1.71	MARKET PERFORM
MRCB-Quill REIT	1.28	847	15.6	14.4	14.9	5.9	8.4	0.9	54.0	58.9	92.0	9.1	56.2	1.41	OUTPERFORM
** Core NP and Core PER*															
*** KLCCSS, CMMT, AXREIT, PAVREIT and IGBREIT based on FYDec16E and SUNREIT on FYJun16E/FY17E*															
CONSENSUS NUMBERS															
YTL Hospitality REIT	1.23	1,629	n.a.	27.33	23.21	0.06	0.00	0.85	92.05	98.95	38.60	0.07	-0.61	1.60	BUY
Al-'Aqar Healthcare REIT	1.54	1,121	15.81	17.70	17.50	0.06	0.08	1.25	62.55	64.05	67.60	0.02	0.06	1.80	BUY
AmanahRaya REIT	0.94	536	8.86	14.38	13.96	0.07	0.09	0.79	37.00	38.50	n.a.	0.04	n.a.	n.a.	BUY
AmFIRST REIT	0.85	583	8.64	21.25	21.25	0.05	0.08	0.68	30.10	24.80	24.80	-0.18	0.00	n.a.	SELL
Hektar REIT	1.70	681	232.88	14.78	14.17	0.06	0.00	1.17	46.45	47.10	48.30	0.01	0.03	1.57	BUY
Tower REIT	1.20	337	12.16	n.a.	n.a.	n.a.	0.05	0.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
UOA REIT	1.71	723	6.57	15.55	15.55	0.06	0.16	1.03	48.00	48.50	49.00	0.01	0.01	n.a.	BUY
Atrium REIT	1.11	135	12.08	n.a.	n.a.	n.a.	0.07	0.78	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	BUY
Al-Salam REIT	1.07	621	20.70	20.19	16.98	0.05	n.a.	1.04	31.50	35.50	37.00	0.13	0.04	1.15	BUY

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	:A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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