# Strategy

Impact Assessment For The FBMKLCI-50 Adoption

## Highlights

- Bursa and FTSE Russell jointly announced yesterday plans to widen the number of constituents for the FBMKLCI index from 30 to 50 constituents, creating a more sectorially diverse and economically representative index.
- Concurrently, the FBM70 will be reduced from 70 to 50 constituents and renamed the FTSE Bursa Malaysia Mid Cap Index from 21 Dec 26, while the FBM100 will remain unchanged.
- Implementation will occur in two phases to facilitate orderly portfolio rebalancing and minimise concentrated trading flows and market impact.
- Our impact assessment suggests only modest impact from Malaysian equity index-linked portfolio fund outflows (negatively impacting incumbent index components) and inflows (positively impacting new entrants).

## Analysis

- **No dramatic impact is expected.** While some sector weightings could fall should FBM50 replace FBMKLCI as Malaysia's equity index benchmark (ie, financials), we estimate that only about US$1b of passive/index funds (representing about 5% of the estimated passive funds invested in Malaysian equities) directly track the FBMKLCI (Bloomberg data suggests that the index equity funds predominantly track MSCI indices).
- **Sector weighting impact.** Based on a simulation using market data as at 20 Aug 26 (see overleaf chart and table), the weighting of financial stocks could fall to 39.4% (from Phase 1 implementation) and 36.5% (upon Phase 2 implementation) from 42.7%, while utilities may decline to 13.7% (upon Phase 2 implementation) from 16.7%. Among the existing KLCI sectors, construction and consumer could gain the most with their weightages rising from 3.7% and 2.6% respectively to 4.8% and 3.6% respectively. Otherwise, technology would be the biggest winner of the new additions, commanding an estimated 3.4% weightage in the expanded index.
- **Sector losers.** Sector-wise, losers are banking (-6.2ppts), utilities (-3.0ppts) and manufacturing (-0.5ppts), potentially prompting passive funds to dilute existing positions.
- **Modest stock losers.** Listed Petronas subsidiaries, Maybank and Axiata would see the most downside as the new additions would dilute their weightage by an estimated 1-3ppts. However, downside is marginal at only 0.2%-0.3% of their respective market capitalisation, based on the assumption that only about US$1b worth of passive funds are linked to the FBMKLCI.
- **Sector winners.** Sectorial representation will widen from 11 sectors to 16 as technology (3.4% weightage), automobiles (1.3%), REITs (1.2%), ports (0.9%), and gaming (0.4%) are included (refer to pie chart below). Besides this, other noteworthy sectors which are currently represented in the FBMKLCI index include construction, consumer and property.
- **Stock inclusion winners.** Noteworthy additions include Westports, Hong Leong Financial Group, United Plantations, KLCCP Stapled Group as well as the large-cap technology names (eg. Vitrox, MPI, Frontken, Inari) which will gain benchmark representation and could attract passive fund inflows from FBMKLCI-linked funds. Meanwhile, the phased inclusion – 50% in Dec 26 and the remainder in Jun 27 – should create two rounds of buying and improve liquidity, institutional visibility and valuation discovery.

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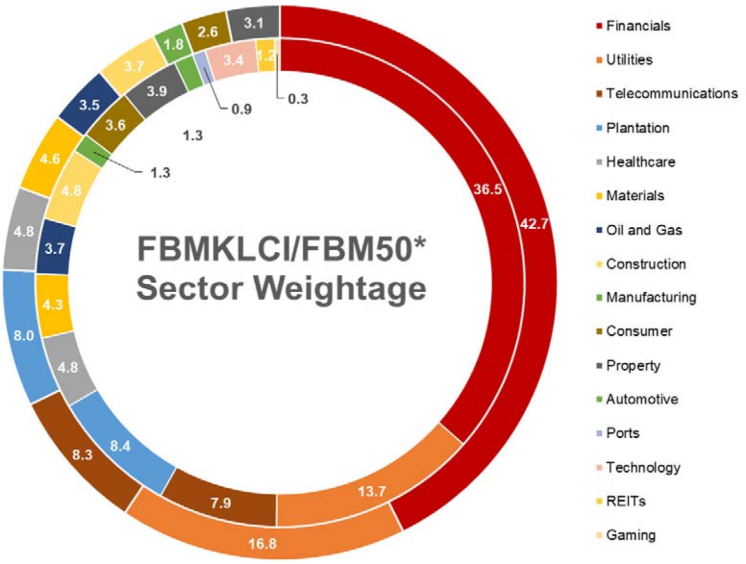
### Key Takeaways

- *FBMKLCI will expand from 30 to 50 constituents in two tranches*
- *Phase 1 - effective 21 Dec 26 – 20 newly added FBMKLCI constituents will be included at 50% of their final index weight*
- *Phase 2 – effective 21 Jun 27 – remaining 50% of the final index weight will be implemented reaching 100% of the final index weight*
- *Two phases implementation is a prudent approach – allow market participants to adjust gradually; reduce concentrated trading flows and market impact and; support an orderly portfolio rebalancing process.*
- *No capping applied to FBMKLCI.*
- *Based on data of close business on the Monday four weeks prior to review effective date of Dec 26 index review, ie, 23 Nov 26*
- *Meanwhile new sectors to be included in the FBMKLCI would be energy, REITS and tech sectors*
- *FBMKLCI earnings will be rebalanced following the expansion, not rebased*
- *The standard FBMKLCI screening criteria will apply during the December review for the new additions ie.*

*Source: Bursa Malaysia, FTSE, UOB Kay Hian*

## FBMKLCI/FBM50 Sector Weightage




| Sector | FBMKLCI Weightage (%) | FBM50 Weightage Est. (%) |
|---|---|---|
| Financials | 42.68 | 36.50 |
| Utilities | 16.75 | 13.73 |
| Telecommunications | 8.34 | 7.89 |
| Plantation | 8.00 | 8.44 |
| Healthcare | 4.84 | 4.77 |
| Materials | 4.59 | 4.26 |
| Oil and Gas | 3.54 | 3.68 |
| Construction | 3.70 | 4.82 |
| Manufacturing | 1.80 | 1.29 |
| Consumer | 2.64 | 3.63 |
| Property | 3.12 | 3.88 |
| Automotive | 0.00 | 1.28 |
| Ports | 0.00 | 0.86 |
| Technology | 0.00 | 3.37 |
| REITs | 0.00 | 1.24 |
| Gaming | 0.00 | 0.35 |

**Outer ring – FBMKLCI Weightage, Inner Ring – FBM50 Estimated Weightage*
*Source: Bloomberg, UOB Kay Hian*

## Potential FBM50 Inclusions Ranked By Market Cap

| No. | Ticker | Name | Market Cap (RMm) | Free Float (%) | KLCI Weightage (%) | Est FBM50 Weightage (%) | Potential Investment/Divestment of Passive Funds (% of Mkt Cap) |
|---|---|---|---|---|---|---|---|
| 1 | MAY MK Equity | MALAYAN BANKING BHD | 127,971.3 | 57.7 | 13.2 | 10.3 | -0.09 |
| 2 | PBK MK Equity | PUBLIC BANK BERHAD | 99,382.7 | 72.2 | 11.4 | 10.0 | -0.05 |
| 3 | TNB MK Equity | TENAGA NASIONAL BHD | 84,522.6 | 70.1 | 10.8 | 8.3 | -0.12 |
| 4 | CIMB MK Equity | CIMB GROUP HOLDINGS BHD | 86,259.0 | 69.5 | 10.0 | 8.4 | -0.08 |
| 5 | PMAH MK Equity | PRESS METAL ALUMINIUM HOLDIN | 64,763.4 | 41.9 | 4.6 | 3.8 | -0.05 |
| 6 | IHH MK Equity | IHH HEALTHCARE BHD | 73,693.5 | 28.9 | 4.2 | 3.0 | -0.07 |
| 7 | GAM MK Equity | GAMUDA BHD | 26,415.4 | 85.1 | 3.7 | 3.1 | -0.09 |
| 8 | T MK Equity | TELEKOM MALAYSIA BHD | 31,085.7 | 77.1 | 3.6 | 3.3 | -0.03 |
| 9 | SDG MK Equity | SD GUTHRIE BHD | 45,782.0 | 55.9 | 3.5 | 3.6 | 0.01 |
| 10 | RHBBANK MK Equity | RHB BANK BHD | 37,363.5 | 47.3 | 3.0 | 2.5 | -0.06 |
| 11 | AMM MK Equity | AMMB HOLDINGS BHD | 23,524.0 | 74.8 | 2.9 | 2.5 | -0.08 |
| 12 | PTG MK Equity | PETRONAS GAS BHD | 34,588.2 | 38.7 | 2.7 | 1.9 | -0.10 |
| 13 | MISC MK Equity | MISC BHD | 36,111.7 | 36.3 | 2.5 | 1.8 | -0.08 |
| 14 | HLBK MK Equity | HONG LEONG BANK BERHAD | 49,424.0 | 34.7 | 2.2 | 2.4 | 0.02 |
| 15 | SWB MK Equity | SUNWAY BHD | 34,342.9 | 48.4 | 2.2 | 2.3 | 0.02 |
| 16 | IOI MK Equity | IOI CORP BHD | 28,911.9 | 35.0 | 1.9 | 1.4 | -0.07 |
| 17 | YTLP MK Equity | YTL POWER INTERNATIONAL BHD | 45,015.2 | 32.9 | 1.9 | 2.1 | 0.02 |
| 18 | PCHEM MK Equity | PETRONAS CHEMICALS GROUP BHD | 34,960.0 | 26.4 | 1.8 | 1.3 | -0.06 |
| 19 | KLK MK Equity | KUALA LUMPUR KEPONG BHD | 23,876.9 | 45.0 | 1.7 | 1.5 | -0.04 |
| 20 | CDB MK Equity | CELCOMDIGI BHD | 34,017.4 | 25.7 | 1.7 | 1.2 | -0.05 |
| 21 | MAXIS MK Equity | MAXIS BHD | 29,407.1 | 25.1 | 1.6 | 1.0 | -0.07 |
| 22 | AXIATA MK Equity | AXIATA GROUP BERHAD | 17,641.4 | 47.1 | 1.5 | 1.2 | -0.09 |
| 23 | YTL MK Equity | YTL CORP BHD | 28,276.5 | 38.6 | 1.4 | 1.5 | 0.02 |
| 24 | PETD MK Equity | PETRONAS DAGANGAN BHD | 19,491.6 | 24.8 | 1.0 | 0.7 | -0.08 |
| 25 | IOIPG MK Equity | IOI PROPERTIES GROUP BHD | 22,189.8 | 30.4 | 1.0 | 0.9 | 0.00 |
| 26 | NESZ MK Equity | NESTLE (MALAYSIA) BERHAD | 24,575.6 | 26.6 | 0.9 | 0.9 | 0.00 |
| 27 | MRDIY MK Equity | MR DIY GROUP M BHD | 14,026.7 | 36.5 | 0.9 | 0.7 | -0.05 |
| 28 | PEP MK Equity | PPB GROUP BERHAD | 14,069.8 | 41.7 | 0.9 | 0.8 | -0.01 |
| 29 | 99SMART MK Equity | 99 SPEED MART RETAIL HOLDING | 29,232.0 | 17.0 | 0.8 | 0.7 | -0.02 |
| 30 | SUNMED MK Equity | SUNWAY HEALTHCARE HOLDINGS B | 24,156.7 | 27.6 | 0.7 | 0.9 | 0.05 |
| 31 | WPRTS MK Equity | WESTPORTS HOLDINGS BHD | 24,055.3 | 25.6 | n.a. | 0.9 | 0.15 |
| 32 | HLFG MK Equity | HONG LEONG FINANCIAL GROUP | 21,370.3 | 16.1 | n.a. | 0.5 | 0.09 |

| No. | Ticker | Name | Market Cap (RMm) | Free Float (%) | KLCI Weightage (%) | Est FBM50 Weightage (%) | Potential Investment/Divestment of Passive Funds (% of Mkt Cap) |
|---|---|---|---|---|---|---|---|
| 33 | UPL MK Equity | UNITED PLANTATIONS BHD | 19,835.0 | 41.2 | n.a. | 1.1 | 0.23 |
| 34 | VITRO MK Equity | VITROX CORP BHD | 17,546.0 | 34.9 | n.a. | 0.9 | 0.20 |
| 35 | KLCCSS MK Equity | KLCCP STAPLED GROUP | 15,616.1 | 23.7 | n.a. | 0.5 | 0.13 |
| 36 | SIME MK Equity | SIME DARBY BERHAD | 15,675.9 | 58.7 | n.a. | 1.3 | 0.33 |
| 37 | QLG MK Equity | QL RESOURCES BHD | 14,419.0 | 42.8 | n.a. | 0.9 | 0.24 |
| 38 | KPJ MK Equity | KPJ HEALTHCARE BERHAD | 13,855.5 | 45.4 | n.a. | 0.9 | 0.26 |
| 39 | IGBREIT MK Equity | IGB REAL ESTATE INVESTMENT T | 11,912.5 | 43.7 | n.a. | 0.7 | 0.25 |
| 40 | DLG MK Equity | DIALOG GROUP BHD | 11,059.7 | 76.3 | n.a. | 1.2 | 0.43 |
| 41 | TDC MK Equity | TIME DOTCOM BHD | 11,092.9 | 73.6 | n.a. | 1.1 | 0.42 |
| 42 | SCGB MK Equity | SUNWAY CONSTRUCTION GROUP BH | 10,856.4 | 38.1 | n.a. | 0.6 | 0.22 |
| 43 | GENM MK Equity | GENTING MALAYSIA BHD | 9,805.2 | 25.3 | n.a. | 0.3 | 0.14 |
| 44 | FNH MK Equity | FRASER & NEAVE HOLDINGS BHD | 9,609.6 | 33.9 | n.a. | 0.5 | 0.19 |
| 45 | IJM MK Equity | IJM CORP BHD | 9,814.5 | 80.5 | n.a. | 1.1 | 0.46 |
| 46 | LMC MK Equity | MALAYAN CEMENT BHD | 9,387.3 | 36.1 | n.a. | 0.5 | 0.21 |
| 47 | FRCB MK Equity | FRONTKEN CORP BHD | 9,282.2 | 88.9 | n.a. | 1.2 | 0.51 |
| 48 | MPI MK Equity | MALAYSIAN PACIFIC INDUSTRIES | 9,032.7 | 37.7 | n.a. | 0.5 | 0.21 |
| 49 | INRI MK Equity | INARI AMERTRON BHD | 8,525.8 | 74.8 | n.a. | 0.9 | 0.42 |
| 50 | SDPR MK Equity | SIME DARBY PROPERTY BHD | 8,841.1 | 49.8 | n.a. | 0.6 | 0.28 |
| 51 | GENT MK Equity | GENTING BHD | 8,625.3 | 53.2 | n.a. | n.a. | n.a. |
| 52 | ABMB MK Equity | ALLIANCE BANK MALAYSIA BHD | 8,218.6 | 60.2 | n.a. | n.a. | n.a. |
| 53 | ECOSHOP MK Equity | ECO-SHOP MARKETING BHD | 8,175.7 | 17.0 | n.a. | n.a. | n.a. |
| 54 | BAK MK Equity | BATU KAWAN BHD | 8,133.9 | 30.8 | n.a. | n.a. | n.a. |
| 55 | KGRB MK Equity | KELINGTON GROUP BHD | 7,923.5 | 68.7 | n.a. | n.a. | n.a. |
| 56 | UWC MK Equity | UWC BHD | 7,605.3 | 40.4 | n.a. | n.a. | n.a. |
| 57 | SREIT MK Equity | SUNWAY REAL ESTATE INVESTMEN | 7,534.6 | 52.3 | n.a. | n.a. | n.a. |
| 58 | CHIN MK Equity | CHIN HIN GROUP BHD | 7,394.2 | 30.8 | n.a. | n.a. | n.a. |
| 59 | UNI MK Equity | UNISEM (M) BERHAD | 7,270.4 | 24.6 | n.a. | n.a. | n.a. |
| 60 | GREATEC MK Equity | GREATECH TECHNOLOGY BHD | 6,789.3 | 28.2 | n.a. | n.a. | n.a. |
| 61 | HAP MK Equity | HAP SENG CONSOLIDATED | 6,821.7 | 25.8 | n.a. | n.a. | n.a. |
| 62 | BURSA MK Equity | BURSA MALAYSIA BHD | 6,838.6 | 73.8 | n.a. | n.a. | n.a. |
| 63 | ECW MK Equity | ECO WORLD DEVELOPMENT GROUP | 6,689.5 | 39.5 | n.a. | n.a. | n.a. |
| 64 | GMB MK Equity | GAS MALAYSIA BHD | 6,407.2 | 20.4 | n.a. | n.a. | n.a. |
| 65 | PREIT MK Equity | PAVILION REAL ESTATE INVEST | 6,565.5 | 41.4 | n.a. | n.a. | n.a. |
| 66 | OSK MK Equity | O.S.K. HOLDINGS BHD | 6,341.0 | 34.5 | n.a. | n.a. | n.a. |
| 67 | YNS MK Equity | YINSON HOLDINGS BHD | 5,903.2 | 54.0 | n.a. | n.a. | n.a. |
| 68 | LPI MK Equity | LPI CAPITAL BERHAD | 5,896.1 | 37.2 | n.a. | n.a. | n.a. |
| 69 | SCI MK Equity | SCIENTEX BHD | 5,789.4 | 33.2 | n.a. | n.a. | n.a. |
| 70 | HLI MK Equity | HONG LEONG INDUSTRIES BHD | 5,616.3 | 18.8 | n.a. | n.a. | n.a. |

*Current KLCI constituents*
*Potential FBM50 inclusions*
*Source: Bloomberg, UOB Kay Hian*