Top 10 stocks for 1H20

Top 10 stock picks for 1H20

SECTOR	COMPANY	MARKET CAP (RM BIL)	LAST PRICE (RM)	ONE-YEAR CHANGE* (%)	ONE-YEAR TOTAL RETURN (%)	TTM PER (TIMES)	INDICATED DIVIDEND YIELD (%)	CALLS		
								BUY	HOLD	SELL
Finance	Malayan Banking Bhd	97.24	8.65	-8.47	-2.48	11.90	6.59	10	10	1
Technology	Pentamaster Corp Bhd	2.23	4.69	151.25	151.25	28.06	N/A	1	1	1
Construction	Sunway Construction Group Bhd	2.39	1.85	23.33	27.95	17.79	3.78	7	4	3
REIT	Sunway REIT	5.42	1.84	6.98	12.61	14.42	5.43	8	6	1
Renewable energy	Cypark Resources Bhd	0.70	1.49	-9.15	-6.88	7.25	2.62	-	3	-
Logistics	Pos Malaysia Bhd	1.14	1.46	-21.08	-19.17	N/A	2.74	-	1	5
Healthcare	Duopharma Biotech Bhd	1.10	1.61	61.00	66.97	18.66	3.11	5	-	-
Healthcare	KPJ Healthcare Bhd	4.06	0.95	-5.94	-4.00	22.05	2.11	13	4	1
O&G	Velesto Energy Bhd	3.25	0.395	83.72	83.72	84.04	N/A	8	1	-
Plantation	Sarawak Plantation Bhd	0.53	1.91	17.18	20.62	39.70	2.62	1	1	-

*Based on unadjusted price Data compiled as at Jan 10, 2020 Source: Bloomberg

The start of 2020 was not an encouraging one for the local stock market. Though it closed above the psychological 1,600 level on the first day of trading at 1,602.5, it saw a sharp dip last Wednesday amid growing US-Iran tensions, and ended last Friday at 1,591.46. The general sentiment is definitely cautious, what more after the Malaysian stock exchange ended the previous year being one of the worst-performing bourses in Asia. That, too, was after a near 11% contraction in the local stock market in 2018. Still, there are opportunities to be found — whether they be battered-down stocks that are now at attractive valuations, steady dividend stocks, or potentially strong growth stocks. Here, *The Edge Financial Daily* has picked 10 stocks — categorised by theme based on one's investment appetite — that it believes could provide good returns for the first half of the year (1H20). — ***Stories by Tan Xue Ying & Wong Ee Lin***

DEFENSIVE PLAY

Sunway Real Estate Investment Trust

Real estate investment trusts (REITs) are often considered defensive stocks and Sunway REIT appears to be a good addition to one's strategy portfolio in 2020. This is especially as Sunway REIT's management is targeting to grow its property value to between RM13 billion and RM15 billion by the financial year ending June 30, 2025 (FY25), from RM8 billion at end-FY19, and diversify its asset base by increasing allocation for service and industrial assets.

"Broadly, we like the management's plan so long as acquisitions are earnings-accretive. A diversified asset base should lower earnings risks, while a larger market capitalisation should increase the REIT's liquidity (if acquisitions are partly funded by equity).

"While the management has yet to share its acquisition targets, we believe the asset pipelines of its sponsor (comprising retail, office, education and medical assets) are good candidates for future acquisitions," wrote Affin Hwang Capital in a note.

The research house said despite lowering FY20 to FY22 earnings per unit forecasts due to soft property market conditions, it is still expecting Sunway REIT to report higher earnings for FY20, up by 3.4% y-o-y, driven by contributions from Sunway University, a strong performance of Sunway Pyramid, and a recovery in revenue from Sunway Resort Hotel & Spa coming from a low base.

MIDF Research too said it continues to prefer Sunway REIT among the REITs it covers for its stable income growth from Sunway Pyramid shopping mall and a balanced asset portfolio. The research firm's "buy" call on Sunway REIT is assigned with a target price of RM2.02, versus the consensus RM1.98 across 15 brokers. The stock closed at RM1.84 last Friday, generating a total return of 12.61% over the past one year.

For FY19, Sunway REIT delivered a distribution per unit of 9.59 sen, versus 9.57 sen for FY18. Distribution yield compressed from 5.4% to 5.1% on the back of appreciation in unit price.

During the year, Sunway REIT posted a 4.7% growth in net property income (NPI) to RM439.7 million, while net realised income was up marginally by 0.1% to RM282.34 million. Revenue rose 3.5% to RM580.3 million.

For 1QFY20, the trust saw its NPI grow 7.7% to RM119.07 million, from RM110.51 million a year earlier, as revenue expanded 8.1% to RM155.35 million from RM143.74 million.