

FBMKLCI

The KLCI has been in a consolidating pattern since mid-Oct, near its year high of 1,280 points. Several research houses have turned bullish on Malaysia, which has underperformed the region this year, to play catch up in 2010.



JP Morgan has a target KLCI level of 1,400 points next year.

UBS has a target of 1,452 points for end 2010.



Our latest batch of Warrants are targeted to obtain maximum upside from potential contract handouts, beneficiaries from Malaysia's economic recovery and USD weakening as well as exposure to commodities.

Below are the parameters of the Call Warrants:

| Stock Name | IJM-CD | IOICORP-CN | TENAGA-CO | AXIATA-CE |
|--------------------|-------------------------------------|------------|-----------|-----------|
| Stock Code | 3336CD | 1961CN | 5347CO | 6888CE |
| Issue Price | RM0.15 | RM0.15 | RM0.15 | RM0.15 |
| Ratio | 5:1 | 5:1 | 7:1 | 4:1 |
| Exercise Price | RM4.40 | RM5.28 | RM8.02 | RM3.06 |
| Gearing | 6.17x | 7.19x | 8.04x | 5.20x |
| Implied Volatility | 33.09% | 32.00% | 26.70% | 43.64% |
| Share Volatility | 36.33% | 31.90% | 25.84% | 43.26% |
| Settlement | Cash | | | |
| Exercise Style | European | | | |
| Listing Date | 14 December 2009 | | | |
| Expiry | 12 months tenure - 11 December 2010 | | | |

Candidate 1: IJM-CD

IJM has strong contributions from its concessionaires with an added boost from its construction arm. Potential new jobs worth RM2 billion are in the pipeline, including the Putrajaya hospital, LCCT runway, LRT extension and the Pahang-Selangor water transfer. Punters keen on riding on the fiscal pump priming theme should purchase this CW



Analyst target prices for IJM are as follows:

| | |
|--------|--------|
| KAF | RM5.12 |
| Nomura | RM5.78 |
| Hwang | RM6.00 |
| CIMB | RM6.00 |

Theoretical call warrant price at the time of writing assuming all things remain constant:

| IJM | IJM-CD |
|---------------|----------------|
| RM6.00 | RM0.361 |
| RM5.50 | RM0.277 |
| RM5.20 | RM0.230 |
| RM5.10 | RM0.214 |
| RM5.00 | RM0.200 |
| RM4.90 | RM0.186 |
| RM4.80 | RM0.172 |
| RM4.70 | RM0.158 |
| RM4.63 | RM0.150 |
| RM4.60 | RM0.145 |
| RM4.50 | RM0.133 |
| RM4.40 | RM0.121 |
| RM4.30 | RM0.110 |
| RM4.20 | RM0.099 |
| RM4.10 | RM0.089 |
| RM4.00 | RM0.079 |
| RM3.50 | RM0.040 |

Candidate 2: IOICORP-CN

The most efficient CPO planter in Malaysia. IOI is poised to benefit from high CPO prices which have recovered strongly after falling to a low of RM2,000 earlier this year. Their development project in Sentosa Cove is also timely, with the Singapore Sentosa IR scheduled to open by Feb 2010.



Target prices for IOI by various analysts are as follows:

| | |
|----------|--------|
| KAF | RM6.50 |
| JPMorgan | RM5.60 |
| CLSA | RM5.80 |
| AMS | RM5.80 |

Theoretical call warrant price at the time of writing assuming all things remain constant.

| IOICOPR | IOICORP-CN |
|---------------|----------------|
| RM6.50 | RM0.305 |
| RM6.00 | RM0.230 |
| RM5.90 | RM0.216 |
| RM5.80 | RM0.202 |
| RM5.70 | RM0.189 |
| RM5.60 | RM0.176 |
| RM5.50 | RM0.163 |
| RM5.40 | RM0.151 |
| RM5.39 | RM0.150 |
| RM5.30 | RM0.139 |
| RM5.28 | RM0.137 |
| RM5.20 | RM0.128 |
| RM5.10 | RM0.117 |
| RM5.00 | RM0.107 |
| RM4.50 | RM0.063 |

Candidate 3: TENAGA-CO

Tenaga Nasional is a strong candidate on the back of improving power demand and potentially higher tariff by next year help to boost stronger earnings in FY10. It is also a prime beneficiary of the weakening US Dollar which forms the bulk of their borrowings. Tenaga is also trading at a very low volatility of only 25% - any price catalyst could trigger the stock to revert to its average of 35%



Target prices for Tenaga from various analysts are as follows:

| | |
|-----------|---------|
| Maybank | RM12.10 |
| KAF | RM12.00 |
| Macquarie | RM10.12 |
| AMS | RM9.90 |

Theoretical call warrant price at the time of writing assuming all things remain constant.

| TENAGA | TENAGA-CO |
|---------------|----------------|
| RM12.00 | RM0.558 |
| RM11.50 | RM0.492 |
| RM11.00 | RM0.429 |
| RM10.50 | RM0.367 |
| RM10.00 | RM0.308 |
| RM9.50 | RM0.253 |
| RM9.00 | RM0.201 |
| RM8.80 | RM0.182 |
| RM8.70 | RM0.173 |
| RM8.60 | RM0.164 |
| RM8.50 | RM0.155 |
| RM8.44 | RM0.150 |
| RM8.40 | RM0.146 |
| RM8.30 | RM0.138 |
| RM8.20 | RM0.130 |
| RM8.10 | RM0.122 |
| RM8.00 | RM0.114 |

Candidate 4: AXIATA-CE

Axiata is an excellent exposure to regional telco exposure in Indonesia, India and Sri Lanka. Despite the saturated local mobile penetration, Celcom continues to enjoy good EBITDA margins on the postpaid and broadband packages. Internal cost saving programs are expected to bear fruit in the next fiscal year.



Target prices from various analysts are as follows:

| | |
|---------|--------|
| CIMB | RM3.86 |
| OSK | RM3.77 |
| Maybank | RM3.25 |
| RHB | RM3.06 |

Theoretical call warrant price at the time of writing assuming all things remain constant.

| AXIATA | AXIATA-CE |
|---------------|----------------|
| RM4.00 | RM0.309 |
| RM3.90 | RM0.289 |
| RM3.80 | RM0.270 |
| RM3.70 | RM0.250 |
| RM3.60 | RM0.232 |
| RM3.50 | RM0.213 |
| RM3.40 | RM0.195 |
| RM3.30 | RM0.178 |
| RM3.20 | RM0.162 |
| RM3.12 | RM0.150 |
| RM3.10 | RM0.146 |
| RM3.00 | RM0.131 |
| RM2.90 | RM0.116 |
| RM2.80 | RM0.103 |
| RM2.70 | RM0.090 |

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If you have any questions regarding the candidates, pricing or trading of the warrants, please call **03 – 2161 4059**.

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