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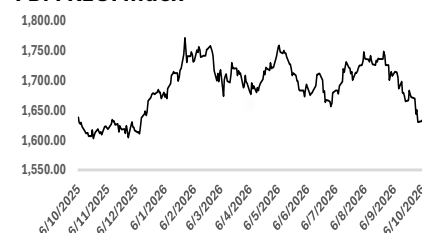
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Research Team

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research.dept@apexsecurities.com.my**FBM KLCI Index****4Q2026 Top Picks Summary**

Stock	Price (RM)*	Target Price (RM)
Tenaga	12.90	16.37
AWC	0.70	1.22
ViTroX^	11.10	11.12
EG	1.74	2.93
QES	0.605	0.75
FRONTKN	5.20	5.86
ISF	0.85	1.03
SSB8	0.65	0.78
MSC	1.68	3.07
Kinergy	0.40	0.67
OHM	0.39	0.64
HSPLANT	2.32	3.31

Source: Apex Securities Berhad

*As of 6 Oct 2026

^Under Review

Economic at a glance

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Market Strategy

Budget 2027 Preview: Supportive, Not Transformational

- **Budget 2027 should be mildly expansionary, but not a broad-based fiscal stimulus. The focus is likely to remain on targeted household support, fiscal discipline and productivity-enhancing investment.**
- **Fiscal consolidation remains intact, with our 2027 fiscal deficit forecast at 3.3% of GDP, keeping the Government on track towards its medium-term 3.0% target by 2028.**
- **Gross development expenditure is expected to rise modestly to RM82.4bn. For construction, the key opportunity is execution of the existing infrastructure pipeline rather than a fresh mega-project cycle.**
- **AI, semiconductors and data-centre infrastructure remain the strongest structural-growth themes. Budget 2027 should reinforce an investment cycle that is already underway rather than initiate it.**
- **Energy transition is increasingly linked to the data-centre boom. Grid investment, storage, LSS6 and CRESS should remain key policy and earnings catalysts.**
- **Household support through STR/SARA and housing measures should cushion domestic demand, but minimum-wage increases, subsidy rationalisation and selected tax measures could offset part of the benefit.**
- **Maintain our end-2026 FBM KLCI target at 1,770. We favour a barbell strategy, combining earnings-resilient companies with structural-growth and selective small-cap alpha opportunities.**

Economics Highlights

A Mildly Expansionary Budget, With Fiscal Discipline Intact

Budget 2027, the fifth MADANI Budget and second under the 13th Malaysia Plan, is expected to balance three objectives: supporting households, strengthening Malaysia's growth capacity and maintaining fiscal discipline. This is consistent with the Ministry of Finance's pre-budget framework, which prioritises productivity and innovation, energy transition, food security, digitalisation and AI, high-skilled talent, social protection and better public-sector delivery.

We expect the Budget to remain mildly expansionary, but measured. Our in-house estimates point to revenue of RM383.3bn in 2027, up 5.5% YoY, while operating expenditure is expected to rise 4.6% to RM378.4bn. Gross development expenditure is projected at RM82.4bn, versus RM80.0bn in 2026E. This should narrow the fiscal deficit to RM76.0bn, or 3.3% of GDP, from 3.5% in 2026E.

The key message for investors is that Budget 2027 is unlikely to change the market's direction by itself. Instead, it should reinforce several investment themes already in place. We expect the earnings impact to be concentrated in infrastructure, energy transition, technology and selected domestic-demand beneficiaries.

Household Support: Cushion, Not Stimulus

The Government is likely to maintain targeted assistance as a key pillar of the Budget. We expect the combined STR/SARA allocation to increase to around RM17bn from RM15bn in 2026. This should provide a direct buffer for lower- and middle-income households and support mass-market consumption. However, the scale of support will be constrained by the higher fiscal burden from energy subsidies.

Wages: Positive for Purchasing Power, Negative for Labour Costs

The current minimum wage of RM1,700 remains below the RM3,100 Living Wage benchmark adopted by GLICs and GLCs. We expect Budget 2027 to potentially signal or announce an incremental increase, with RM1,800–2,000 a reasonable range to watch. For consumers, higher wages should support purchasing power; for labour-intensive sectors such as construction, plantation and parts of consumer, the impact is a direct cost headwind.

Tax Policy: Refinement Rather Than a Tax Shock

We do not expect major new broad-based taxes. Instead, the key areas to watch are the incorporation of selected GST features into the SST framework, broader SST exemptions, wider e-invoice adoption and greater clarity on the carbon-tax timetable. The Government's pre-budget statement also emphasises improving tax compliance, reducing leakages and ensuring better value from public spending.

Moving Up the Value Chain

The 'Made by Malaysia' ambition should translate into continued support for home-grown companies, R&D, technology commercialisation, growth-stage financing and local supply-chain development. Strategic sectors identified by the Government include semiconductors, AI, digital services, energy transition, pharmaceuticals, logistics and aerospace.

Figure 1: What We Expect in Budget 2026

Theme	Our expectation	Market implication
Household support	Higher STR/SARA; continued targeted subsidies	Positive for mass-market consumption
Minimum wage	Potential move towards RM1,800–2,000	Positive purchasing power; negative labour margins
Tax measures	No major broad-based tax; SST/e-invoice refinement; carbon-tax clarity	Neutral to mildly positive
Infrastructure	Continued transport, water, East Malaysia and strategic infrastructure funding	Positive for construction
Semiconductors & AI	Support for IC design, advanced packaging, R&D, talent and digital infrastructure	Positive; reinforces existing cycle
Energy transition	Support for storage, grid, renewables and efficiency	Positive for utilities/renewables
Housing	First-home support, SJKP and affordable housing	Positive for selected developers
Social protection	Broader gig, informal and self-employed coverage	Positive for household resilience

Source: Apex Securities

Market Implication

KLCI: Supportive, But Not a Re-rating Event

Budget 2027 should be mildly positive for the FBM KLCI, but we do not expect a broad-based re-rating. Fiscal consolidation remains the policy anchor, while the expected increase in development expenditure is modest. The earnings impact should therefore be concentrated in selected sectors. **We maintain our end-2026 FBM KLCI target of 1,770.**

Domestic Demand: Supported, But Still Selective

Higher STR/SARA allocations should cushion mass-market spending, particularly for essentials and affordable consumption. However, weaker consumer confidence, elevated living costs and potential wage and subsidy changes should keep discretionary spending selective. We therefore remain Neutral on Consumer rather than treating higher cash assistance as a sector-wide earnings catalyst.

Fiscal Consolidation: Quality of Spending Matters

The rise in development expenditure to RM82.4bn is constructive, but the quantum does not point to a new fiscal stimulus cycle. The key market question is how quickly allocations translate into tenders, awards and project execution. This favours contractors with visible order books and strong execution capability.

Structural Growth: Budget Reinforces, Rather Than Creates, the Cycle

The technology and data-centre investment cycle is already underway. Budget support for semiconductors, IC design, advanced packaging, AI adoption and talent would reinforce the

cycle, but the bigger earnings drivers remain customer demand, capacity expansion and order-book conversion. We therefore retain Overweight on Technology.

Energy: The Link Between Data Centres and the Power System

The data-centre boom is increasing the importance of grid capacity, transmission, firm renewable power and storage. We will focus on whether Budget 2027 extends GITA/GITE to storage, continues rooftop-solar support, clarifies the AFA mechanism and provides a path for energy-transition investment. A standalone storage incentive would be a clear upside surprise.

Sector Rotation: From Budget Beta to Earnings Delivery

We expect the Budget to favour companies with visible earnings transmission rather than broad Budget beta. Construction and Energy & Utilities offer the clearest direct policy read-through, while Technology remains the strongest structural-growth theme. Property and Consumer should benefit selectively. Plantation remains primarily a CPO-price and supply-demand story.

Sector Strategy

Consumer | NEUTRAL

STR/SARA support should remain a key consumption buffer, with the combined allocation potentially rising to around RM17bn. However, consumption is likely to remain selective as consumers face higher labour, food, energy and logistics costs. Minimum wage, sin taxes and further subsidy rationalisation remain the main policy risks. We prefer essential and affordable-consumption exposure.

Construction | OVERWEIGHT

Budget 2027 should be a continuity budget rather than a fresh stimulus cycle. The existing pipeline across Penang LRT, Johor E-ART, MRT3, highways, water and East Malaysia connectivity already provides a multi-year runway. The key catalysts are contract awards, tender outcomes, funding progress and execution. Data centres provide an additional structural demand pool, with 3.8GW of committed capacity still to be built and an estimated RM76–95bn of remaining contract value in the latest sector work.

Technology | OVERWEIGHT

AI-exposed test and equipment names remain the strongest performers, while Penang checks point to strong AI-driven demand into 2027–28. Capacity, inputs and talent are now the key constraints. Budget 2027 should extend targeted semiconductor, AI and talent support, including IC design, advanced packaging, R&D and digital infrastructure. The Budget should reinforce the structural AI/semiconductor cycle rather than initiate it.

Energy & Utilities | OVERWEIGHT

The key Budget watch points are storage incentives, GITA/GITE eligibility, SuRIA Home, the permanent AFA mechanism and carbon-tax timing. We expect support for storage, given LSS6's battery requirement, while carbon-tax implementation could be deferred. The biggest upside surprise would be a standalone storage incentive, which would most directly benefit SLVEST and SAMAIKEN. TENAGA remains a key beneficiary of regulated grid capex and data-centre connections.

Property | OVERWEIGHT

Budget 2027 should focus on implementing existing housing policies rather than introducing a broad new reform package. First-home stamp-duty relief, SJKP, affordable housing and Rent-to-Own/shared-ownership schemes should remain supportive. The National Housing Policy 2026–2035 and RMK13 target of one million affordable homes provide a longer-term framework. Penang LRT, RTS, ECRL, MRT3 and JS-SEZ should provide infrastructure-led demand.

Plantation | OVERWEIGHT

Budget measures are likely to focus on independent smallholders, replanting support and MSPO certification. These are positive for long-term industry productivity but should have limited direct earnings impact on large listed planters. The key near-term earnings risk is minimum wage, given

the sector's high labour intensity, although elevated CPO prices should provide some offset. A review of the WPL threshold or structure could provide additional cost relief. Our core investment thesis remains elevated CPO prices and potentially tighter supply, with CPO price forecasts at RM4,500/tonne for CY26 and RM4,700/tonne for CY27.

Figure 2: Potential Budget 2027 Beneficiaries

Sector	Budget impact	Key catalysts	Stocks to watch*
Construction	Positive	Development expenditure, transport, water infrastructure and project execution	GAMUDA, IJM, SUNCON, ISF, HSS, AWC
Technology	Positive	NSS, IC design, advanced packaging, AI, digitalisation, talent and data-centre infrastructure	VITROX, MI, SKYECHIP, EG, QES, FRONTKEN
Energy & Utilities	Positive	Grid capex, LSS6, storage, GITA/GITE, SuRIA Home, AFA and data-centre power demand	TENAGA, SOLARVEST, SAMAIKEN, PEKAT, NORTHERN SOLAR, YTLPOWER
Property	Positive / Selective	First-home ownership, SJKP, affordable housing, BTS and infrastructure-led development	MAHSING, SPSETIA, IOIPRO, E&O, KERJAYAPRO
Consumer	Selective	STR/SARA and household income support	99SMART, CCK, ORIENTAL KOPI
Plantation	Indirectly Positive	Replanting, MSPO, potential WPL review; offset by minimum-wage risk	HAPL, JPG

Source: Apex Securities

*Some stocks are not under Apex Research coverage.

What Could Move the Market on Budget Night?

- Development expenditure materially above RM82.4bn: Positive for construction and infrastructure-linked names, particularly if accompanied by clearer project funding and award timelines.
- Stronger-than-expected storage and grid support: A clear positive for solar EPCC, storage and grid-related companies.
- New semiconductor and AI incentives: Positive if targeted at IC design, advanced packaging, R&D, talent and local technology ownership rather than broad untargeted grants.
- Larger household support: Positive for mass-market consumption, but the earnings impact should be assessed against labour and operating-cost inflation.
- Minimum wage above RM2,000: Negative surprise for labour-intensive sectors and consumer operators with limited pricing power.
- Broad new taxes or aggressive subsidy rationalisation: Negative surprise for domestic demand and corporate margins.
- Clearer tax/refund mechanisms: Measures that reduce the cascading burden under SST or improve business compliance efficiency could be mildly positive for corporate sentiment.

Strategy

Entering 4Q26, we expect **volatility to remain elevated**, with markets facing a challenging external backdrop of higher oil prices, persistent Middle East geopolitical risks and a higher-for-longer interest-rate environment. Domestically, political uncertainty ahead of GE16 and the potential KLCI expansion could add to near-term positioning and index-related overhang.

Against this backdrop, we maintain a **barbell strategy**, balancing structural-growth themes such as **AI, semiconductors, data centres and energy infrastructure** with earnings-resilient companies that can withstand macro volatility and benefit from targeted domestic support.

We believe **stock selection will remain key**, rather than taking broad exposure to Budget beneficiaries. Construction and Energy & Utilities offer the clearest policy read-through, Technology remains our preferred structural-growth theme, while Property and Consumer offer selective opportunities. Plantation remains primarily a CPO-price story. We maintain our **end-2026 FBM KLCI target of 1,770**.

4Q2026 Top Picks

Company	FYE	Market Cap (RM m)	Rec.	Price (RM)	TP	Potential	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)		ESG Rating
				as at 6 Oct 2026	(RM)	Upside	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	
Tenaga Nasional Berhad	Dec	75,195.9	BUY	12.90	16.37	26.9%	16.0	13.1	1.4	1.4	8.6%	10.2%	4.0%	4.2%	★★★★
AWCBerhad	Jun	233.9	BUY	0.70	1.22	75.5%	8.1	6.5	0.7	0.6	10.7%	12.1%	2.0%	2.8%	★★★★
ViTrox Corporation*	Dec	21,033.4	BUY	11.10	11.12	0.2%	58.1	51.6	6.2	5.1	22.2%	20.9%	0.3%	0.4%	★★★★
EG Industries	Jun	1,654.0	BUY	1.74	2.93	68.4%	10.1	8.6	2.1	1.8	19.0%	18.2%	N/A	N/A	★★★★
QES Group Berhad	Dec	554.2	BUY	0.605	0.75	24.0%	16.1	12.8	1.8	1.7	12.2%	14.0%	2.5%	3.1%	★★★★
Frontken Corporation Berhad	Dec	9,427.3	BUY	5.20	5.86	12.7%	40.9	39.1	0.4	0.4	16.4%	15.1%	0.6%	0.7%	★★★★
ISF Group Berhad	Dec	845.0	BUY	0.85	1.03	21.9%	19.7	17.2	4.6	3.6	22.7%	20.3%	2.0%	2.4%	★★★★
Southern Score Builders	Jun	1,465.8	BUY	0.65	0.78	20.9%	14.7	13.4	3.9	2.8	27.0%	21.6%	1.6%	1.6%	★★★★
Malaysia Smelting Corporation Berhad	Dec	1,411.2	BUY	1.68	3.07	82.7%	7.1	5.2	2.7	2.3	19.7%	22.8%	6.3%	6.8%	★★★★
Kinergy Advancement Berhad	Dec	863.1	BUY	0.40	0.67	69.6%	18.0	13.6	2.5	2.2	13.2%	15.1%	N/A	N/A	★★★★
Oasis Home Holding Berhad	Jun	192.5	BUY	0.39	0.64	66.2%	11.3	8.6	0.9	0.8	20.2%	22.7%	2.6%	3.6%	★★★★
Hap Seng Plantations	Dec	1,855.3	BUY	2.32	3.31	42.7%	8.8	7.7	0.9	0.9	9.3%	10.1%	6.9%	7.8%	★★★★

Source: Apex Securities Berhad

*Under Review

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
