

**INTRODUCTION TO
FTSE4GOOD BURSA MALAYSIA
INDEX FUTURES
(F4GM)**




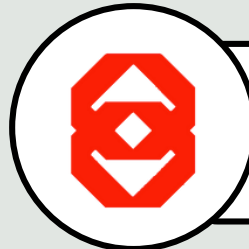
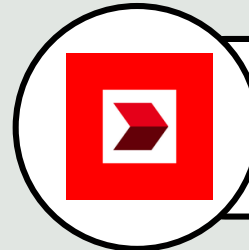

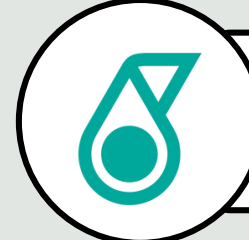
ESG

WHAT IS F4GM?

A Futures contract traded on Bursa Malaysia which underlying is **FTSE4Good Bursa Malaysia Index (F4GBM)** containing 98 public listed companies (PLCs) with strong **Environmental, Social, and Corporate Governance (ESG)** practices.

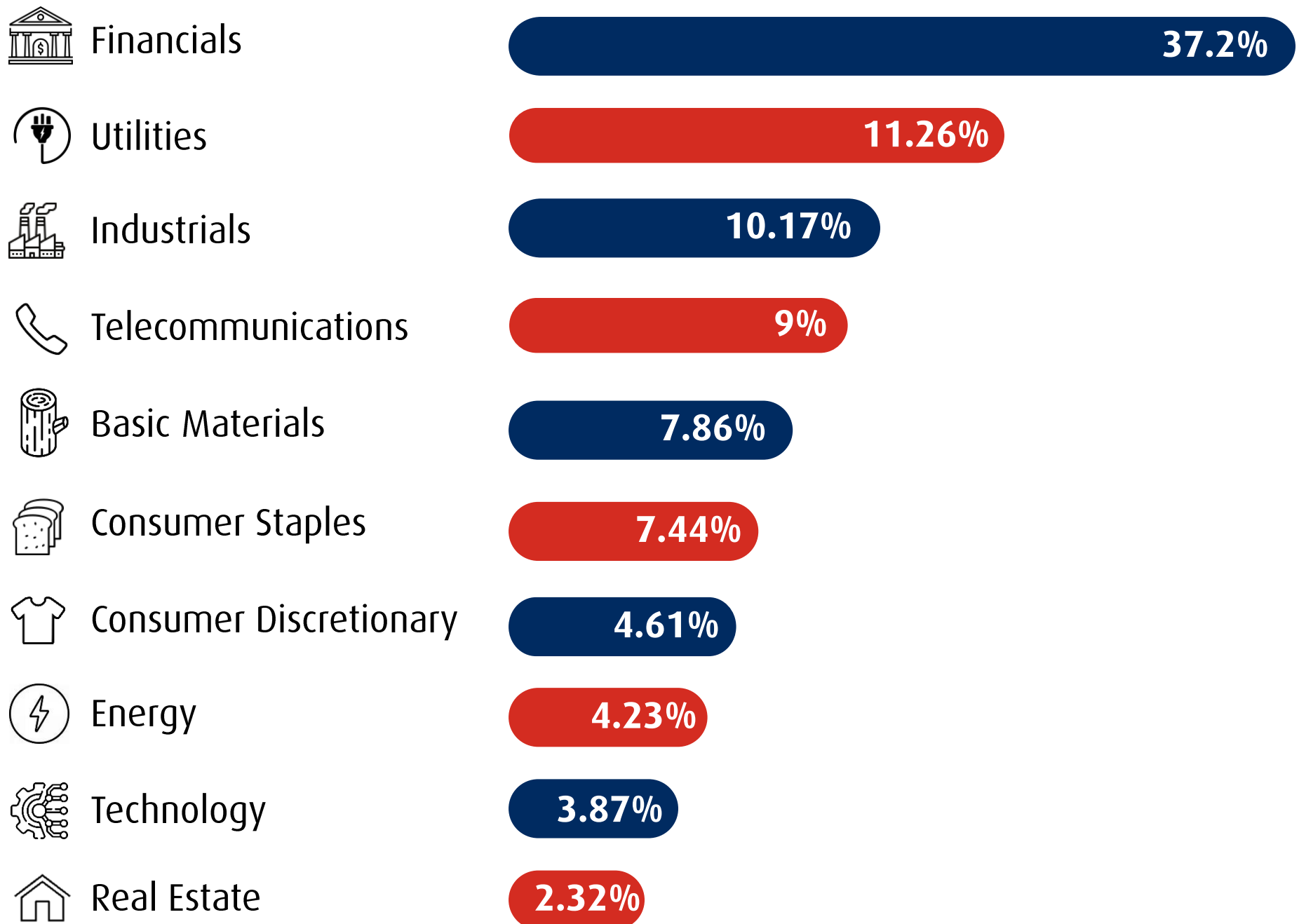


TOP 5 COMPANIES IN F4GBM INDEX*

	Company	Net Market Cap (RM)
	Malayan Banking <i>Banks</i>	71,444
	Public Bank Bhd <i>Banks</i>	59,864
	CIMB Group Holdings <i>Banks</i>	52,562
	Tenaga Nasional <i>Electricity</i>	41,768
	PETRONAS Chemicals Group Bhd <i>Chemicals</i>	18,949

*As of 29 March 2024

TOP 10 INDUSTRIES IN F4GBM INDEX*



*As of 29 March 2024

BENEFITS OF TRADING F4GM



All-in-one

An all-in-one solution to trade 98 ESG companies without having to buy each stock separately.



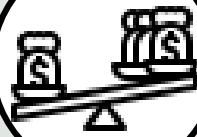
Mandates

Used by fund managers as a financial instrument to fulfill ESG investing mandates.



Exposure

Exposure to different markets like financials, utilities and industrials.



Leverage

Pay a small amount of initial margin to leverage and magnify your returns.

WHY CHOOSE F4GM OVER FKLI?

F4GM



All listed institutions in the F4GBM Index are ESG certified through achieving an ESG score of at least 2.9 out of 4.

FKLI



Not all companies listed in FBM KLCI Index are ESG certified.

The companies may not have the proper detail and content needed for optimal transparency on ESG reporting.

Trading F4GM over FKLI Index Futures will help to:

- ✓ Provide a perfect hedge to your portfolio with ESG requirements
- ✓ Manage the risk in managing ESG portfolio

CONTRACT SPECIFICATIONS

FTSE4Good Bursa Malaysia Index Futures (F4GM)

Contract Code

F4GM

Underlying Instrument

FTSE4Good Bursa Malaysia Index (F4GBM)

Contract Size

F4GBM multiplied by MYR50.00

Minimum Price Fluctuation

0.5 index point valued at MYR25.00

Contract Month

Spot month, the next month and the next two calendar quarterly months. The calendar quarterly months are March, June, September, and December.

Trading Hours

08:45 - 12:45, 14:30 - 17:15
21:00 - 02:30 (T+1 Session)

HEDGING SCENARIO

Let's say Company H Asset Management has a mandate which requires the company to have at least 90% of ESG counter in their portfolio. The company now has RM500,000 of total portfolio.

Note:

The contract size of F4GM = RM50

The price of F4GM = RM865

The value of the portfolio that needs to be ESG:
 $RM500,000 \times 90\% = RM450,000$

The no. of F4GM contracts required to hedge the portfolio:

No. of contracts required
= Portfolio value \div Contract size \div Price
= $RM450,000 \div RM50 \div RM865$
= **10 contracts (approx.)**



TRADING EXAMPLE 1

Gain a Profit from the **Bullish Market**



You think the price of F4GM Futures will go up due to a newly implemented ESG mandate and buy 1 lot F4GM @875.5



The price of F4GM increased. You close your position and sell 1 lot F4GM @890.5

Gross Profit
= Price Difference x Contract Size x No. of Contracts
= (890.5 - 875.5) x RM50 x 1 lot
= RM750

TRADING EXAMPLE 2

Gain a Profit from the **Bearish Market**



A new economic data just released and you think it will decrease the F4GM price. You decided to sell 1 lot F4GM @881.5



Eventually, the price of F4GM went down. You close your position and buy 1 lot F4GM @867.0

Gross Profit

= Price Difference x Contract Size x No. of Contracts

= (881.5 - 867.0) x RM50 x 1 lot

= RM725

FACTORS AFFECTING PRICES OF F4GM

Government Policy



When the government increases the ESG mandate, the stock prices of the listed ESG companies will increase as there is a higher demand for ESG stocks.

Main Index Performance



Since most companies in F4GBM Index are also listed in KLCI Index, the performance of latter will significantly impact the price of F4GM.

E.g., The price of F4GM rises when FKLI's price increases.

FACTORS AFFECTING PRICES OF F4GM

Economic Data

Economic data like GDP and inflation will have an impact on F4GM prices. For instance, a high inflation rate will reduce consumer spending and harm the stock index.



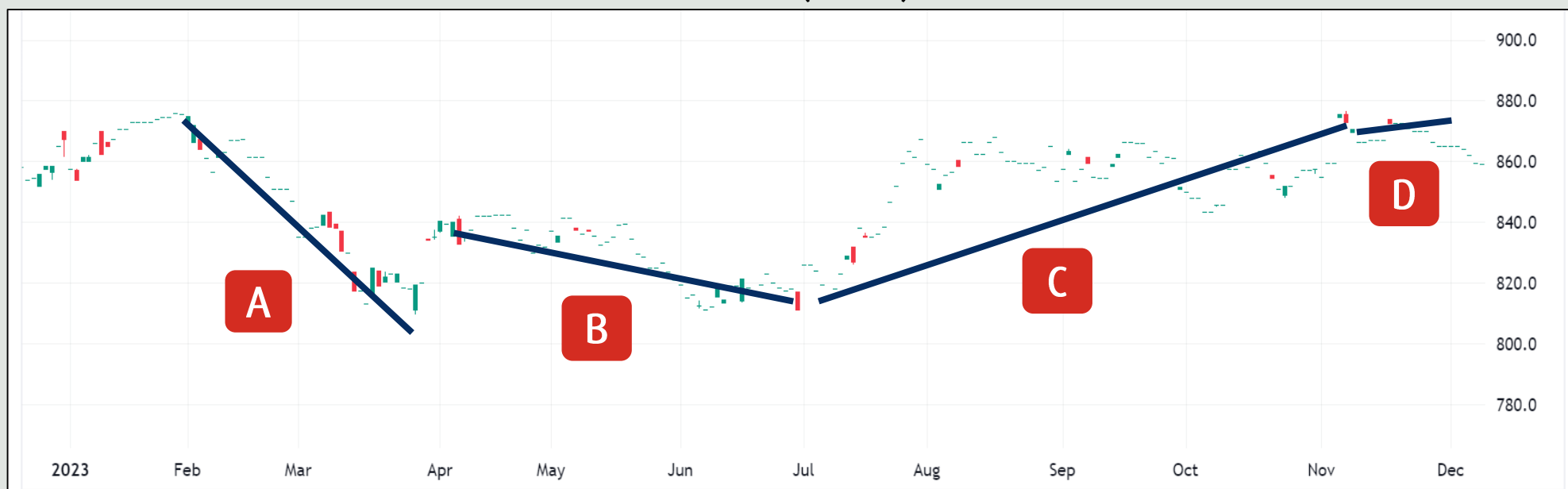
Corporate Earnings

When the listed ESG companies report better-than-expected earnings, it will drive the stock prices up and increase the F4GM prices.



OVERVIEW IN 2023

FTSE4GOOD BURSA MALAYSIA INDEX FUTURES (F4GM)



Source: Bursa Malaysia, FTSE Russell, The Edge, 123 Futures

A) Jan - Mar (-6.45%)

The market declined sharply due to the significant selling pressure across global markets arising from the jeopardised U.S. banking sector.

B) Apr - Jul (-3.69%)

The market rebounded slightly and dropped again due to the indication of U.S. rate hikes and concerns about the U.S. debt ceiling potentially leading to default.

C) Jul - Nov (+8.04%)

The launch of National Energy Transition Roadmap shifting to renewable energy and the unchanged Overnight Policy Rate (OPR) caused the market to rebounded sharply.

D) Nov - Dec (+0.23%)

The market surged higher when the National Industry Environmental, Social, and Governance (i-ESG) Framework was introduced to the manufacturing sector.

Source: Bursa Malaysia, Business Times, Investopedia, The Edge, The Star



Mezzanine Floor, Block B, Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur



+603-2080 8678



helpdeskfutures@hlib.hongleong.com.my



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