

Portfolio Manager's Views

Investment Team

A short, thick, gold-colored horizontal bar.

13th April 2025

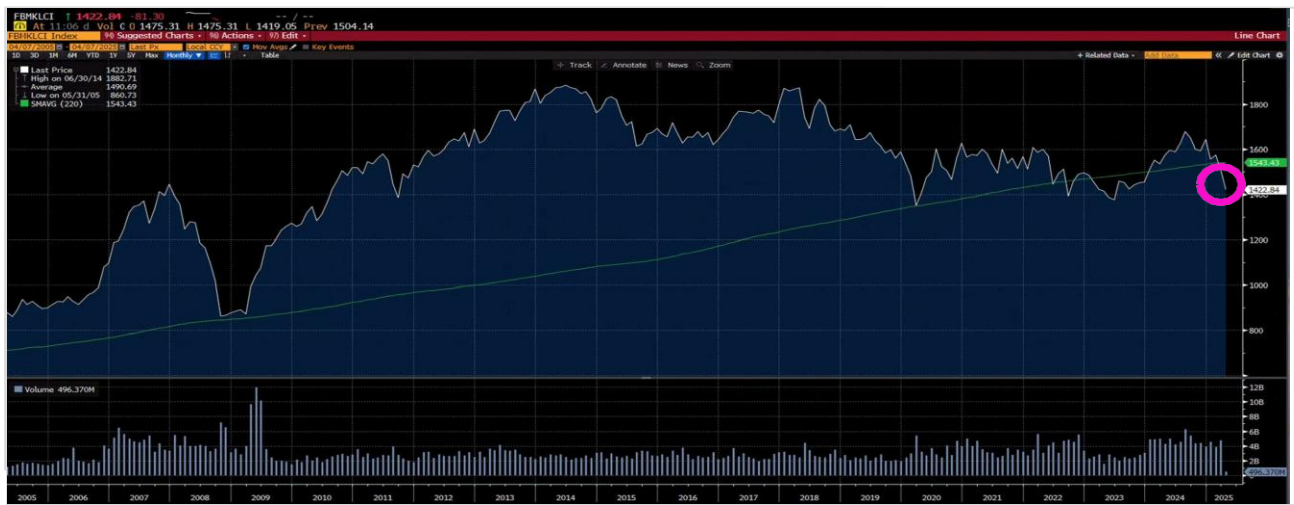
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1. Executive Summary

- 1 **Special Feature: KLCI is bottoming out, but timing is everything.** We highlight 8 reasons why we think the KLCI is bottoming.
- 2 **The KLCI retreated** as Trump's liberation day tariffs sparked a global selloff. Trump initially imposed a 10% baseline tariff combined with a 14% reciprocal tariff (total 24%) on Malaysian imports, before announcing a 90-day pause on the reciprocal tariffs a week later. All countries will now be imposed a baseline 10% tariffs instead except China at 145%.
- 3 **Asia ex Japan declined and is trading below historical averages.** On 2 April 2025 dubbed the "Liberation Day", US President Donald Trump surprised the market with blanket tariffs on all countries the US has a trade deficit with. We believe the tariff war will escalate in the coming months as other countries continue to impose retaliatory tariffs. Tariffs are essentially a supply shock and will lead to higher prices and lower economic growth over time.
- 4 **Geopolitics has taken over as the single most important driver of markets.** On 10th April 2025, US President Donald Trump announced a 90 day pause on tariffs and replaced the reciprocal tariff structure with a 10% universal rate on most countries except China which was hit with a revised tariff rate of 125%. This is a dramatic climb down which has far reaching consequences for the US economy. Meanwhile, with greater uncertainty resulting from the regressive US tariff actions, there has been a flurry of downgrades of US GDP and a growing probability of a US recession in 2025. This is likely to lead to the US FED cutting rates more aggressively than previously expected. Meanwhile, we believe the KLCI has is bottoming or has bottomed at 2025 PER of 13x. The recent market decline was the 4th largest correction (of 4% or more) in the last 10 years. Malaysia's valuations are at 15-year lows and below Tariff 1.0 (Mar 2018 to Oct 2019) when the KLCI's PER bottomed at approx 16x.
- 5 **KLCI's valuations are undemanding** ie. 12-month forward PER of 13x (10Y range 12.2x to 19.3x), PBR of 1.2x (10Y range 1.2x to 1.6x) and forecast DY of 4.9% (10Y range 3.1% to 4.8%) [source: Bloomberg]. Our strategy is biased towards domestic plays which are insulated from some of the external headwinds. We are keeping a higher level of cash in view of the short-term uncertainties and are looking for lower levels to buy.

2. KLCI is Bottoming Out - Timing is Key

Exhibit 1: KLCI Price Chart



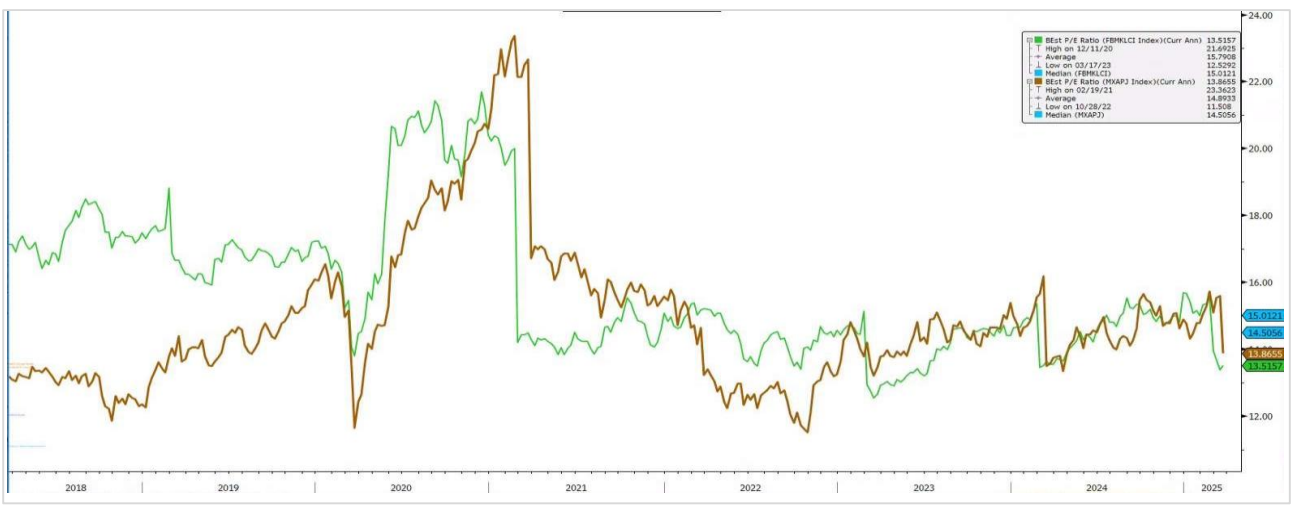
Source: Bloomberg

1

KLCI is oversold.

The market is trading below its 220 moving day average which has been a good support level in the last 20 years.

Exhibit 2: KLCI and AxJP PER



Source: Bloomberg

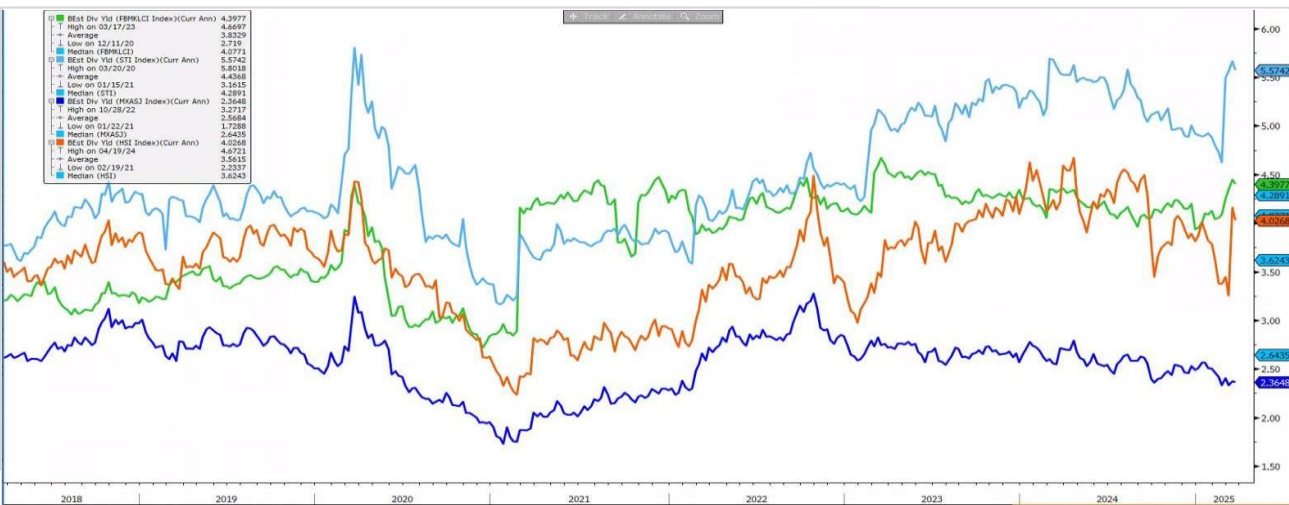
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KLCI PER is at a discount to APxj.

The KLCI PER is trading at a 2.9% discount vs Asia ex Japan (5Y range - 20% to +30%, 5Y mean of 8.0%).

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Exhibit 3: KLCI, HSI, STI, APxJ dividend yield charts



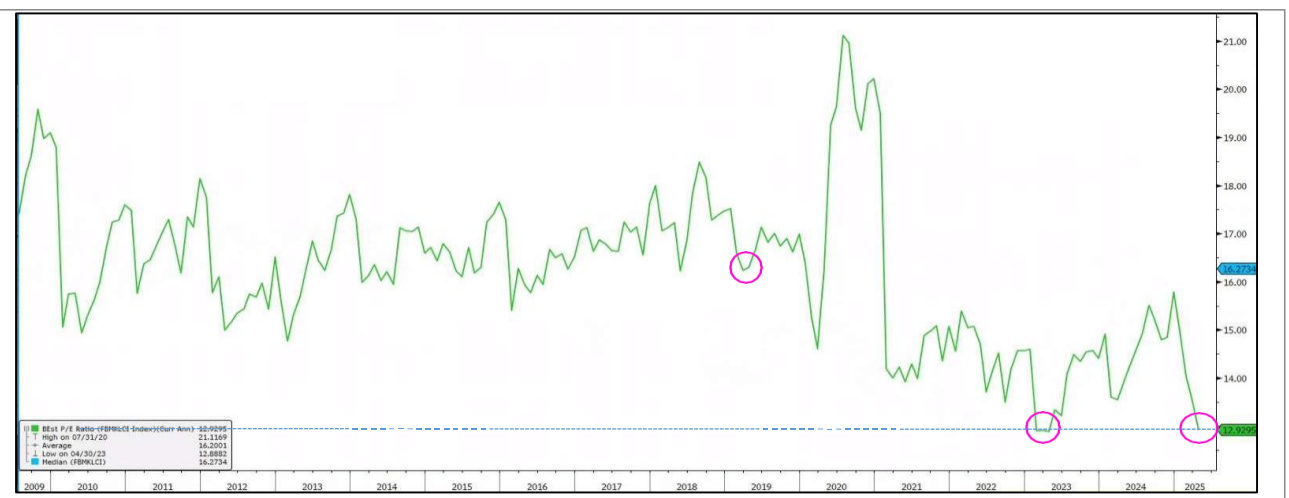
Source: Bloomberg

3

KLCI DY is attractive.

KLCI DY of 4.9% (mean 4.2%) in 2025 is the second highest in Asia after STI.

Exhibit 4: KLCI PER chart



Source: Bloomberg

4

KLCI is at trough current PER.

KLCI is at rock-bottom PER since 2009. PERs bottomed around 16x during Tariff 1.0 between Mar-2018 and Oct- 2019. KLCI 2025 PER is at 13x vs mean of 14.2x.

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Exhibit 5: DXY Index



Source: Bloomberg

5

USD ("DXY") Index has declined

The DXY has weakened by 6% since 13 January 2025 shortly before the Presidential Inauguration on 20 Jan 2025. A weakening USD is positive for EM Asia.

Exhibit 6: Foreign shareholding in Malaysia



Source: CGSI Research

6

Foreigners have turned net sellers

RM 5.3 bil of foreign outflows YTD- 2025. The foreign inflow in 2024 turned into net selling in Sep-2024. Foreign shareholdings are at its lowest since 2007.

Cont'd

Exhibit 7: KLCI 10Y historical PER chart



Source: Bloomberg

7

Bottom of PER range.

Market has found strong support at 14x historical in the last 10 years. On a conservative scenario ie. if we assume zero market earnings growth in 2025 (EPS integer of 105 vs consensus 113) and assuming a historical PER of 14x, the trough for KLCI is 1,470.

Exhibit 8: KLCI EPS estimates



Source: Bloomberg

8

Consensus is expecting 6- 7% EPS growth in 2025.

Bloomberg consensus estimates a YoY EPS growth of 6-7% in 2025.

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Exhibit 9: KLCI corrections of 4% or more between 2014 and 2024

| | | High | Trough | Days (High to Trough) | % Change |
|--------|---|-----------------------------|--------|-----------------------|------------------------|
| Latest | 4 | Dec-24 | Apr-25 | 97 | -12.1% |
| | | Aug-24 | Nov-24 | 83 | -5.4% |
| | | Jul-24 | Aug-24 | 17 | -6.1% |
| | | Jan-23 | Jun-23 | 139 | -8.4% |
| | 3 | Mar-22 | Oct-22 | 224 | -15.1% |
| | | Oct-21 | Dec-21 | 57 | -7.8% |
| | | Dec-20 | Aug-21 | 238 | -9.4% |
| | | Jul-20 | Nov-20 | 97 | -9.3% |
| | 1 | Dec-19 | Mar-20 | 80 | -24.5% |
| | | Jul-19 | Oct-19 | 99 | -8.3% |
| | | Feb-19 | May-19 | 92 | -7.6% |
| | | Aug-18 | Dec-18 | 112 | -10.5% |
| | | Apr-18 | Jul-18 | 78 | -12.2% |
| | | Jun-17 | Dec-17 | 173 | -4.4% |
| | | Aug-16 | Nov-16 | 90 | -4.9% |
| | | Apr-16 | Jun-16 | 62 | -6.5% |
| | | Dec-15 | Jan-16 | 22 | -5.4% |
| | | Oct-15 | Jan-16 | 85 | -6.8% |
| | 2 | Apr-15 | Aug-15 | 122 | -17.7% |
| | | Sep-14 | Dec-14 | 98 | -10.7% |
| | | Dec-13 | Jan-14 | 28 | -5.0% |
| | | Average Days of Corrections | | 100 | -9.3% |

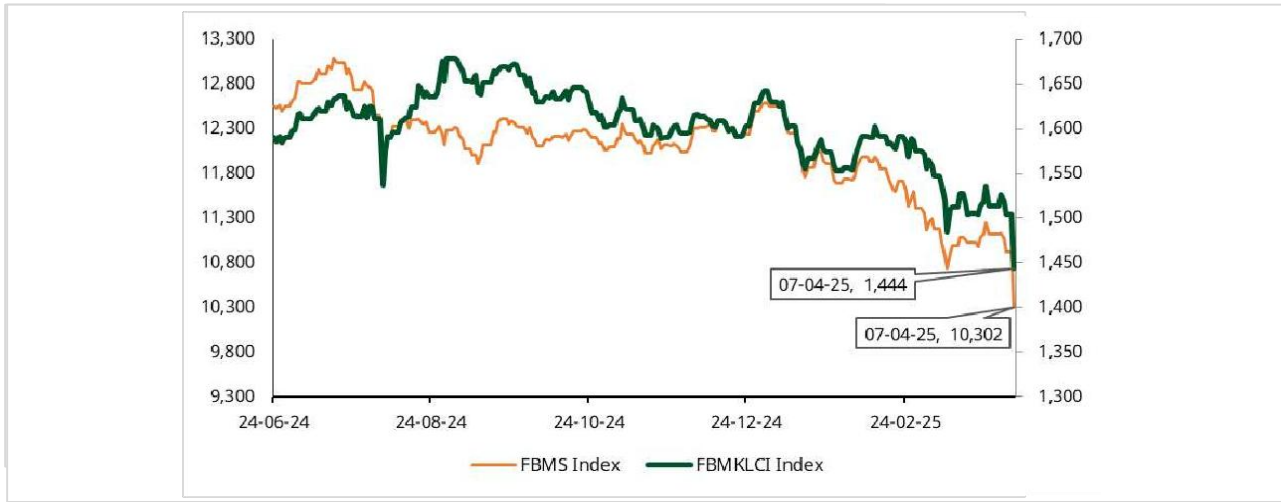
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Market is bottom trawling we look for levels to buy.

1. In the last 11 years, there were 21 occasions when the KLCI corrected by 4% or more.
2. The average decline was 9.3%; while the duration of the correction from peak to trough was 100 days on average (3.3 months).
3. In this Trump led tariff 2.0 correction, the KLCI has declined by 12.1% over 97 days.
4. This is the 4th worst correction in the 11 years after - 2019 (-25%), 2015 (-18%) & 2022 (-15%).
5. In this particular correction, the prospective PER of 13x for 2025 is the lowest PER the KLCI has fallen vs the 3 large corrections in 2020, 2015 & 2022.

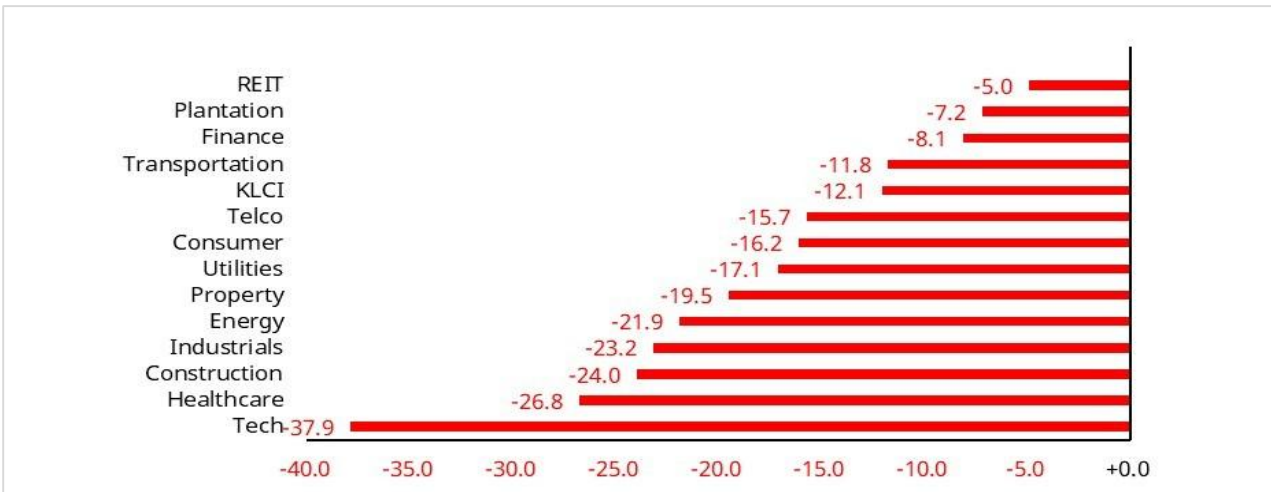
Appendices

Exhibit 10: KLCI & Shariah Index



Source: Bloomberg

Exhibit 11: Sector Performances Year-to-Date 2025 (%)



Source: Bloomberg

1 The KLCI has declined amid broad based selling.

The KLCI is down 12.1% YTD-25 as Trump's liberation day tariffs sparked a global selloff. Trump is imposing a 24% tariff on Malaysian imports as part of his push to reduce US' trade deficit.

2 External pressures kept KLCI in the red.

The technology, healthcare and construction sector were the top losers. Semiconductors are exempt under the initial round of reciprocal tariffs but Trump has suggested he may tariff semiconductor imports at some point. The competitiveness of Malaysian tech exports to the US market could decline due to higher costs. This has hurt the prospects of local technology companies.

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Exhibit 12: KLCI's 12M Forward PER (x)

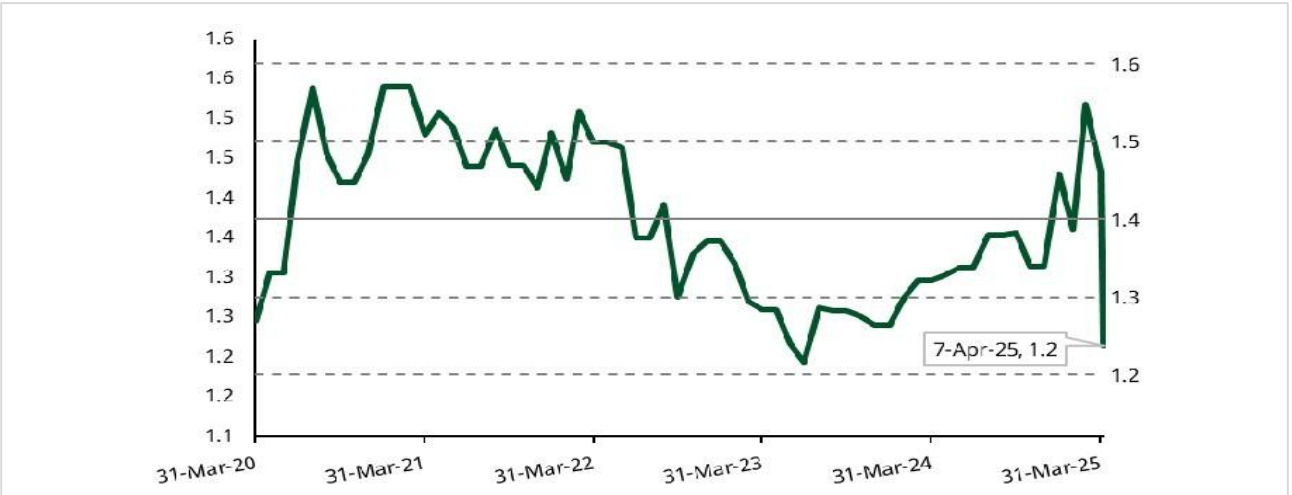


Source: Bloomberg

3 The KLCI's valuation is now undervalued at -1 standard deviation.

The KLCI trades at a 2025 PER of 13x (5Y range 12.2x to 19.3x, 5Y mean of 14.2x). The continued uncertainties surrounding future US trade policies has created a challenging environment for investors.

Exhibit 13: KLCI's 12M Forward PBR (x)



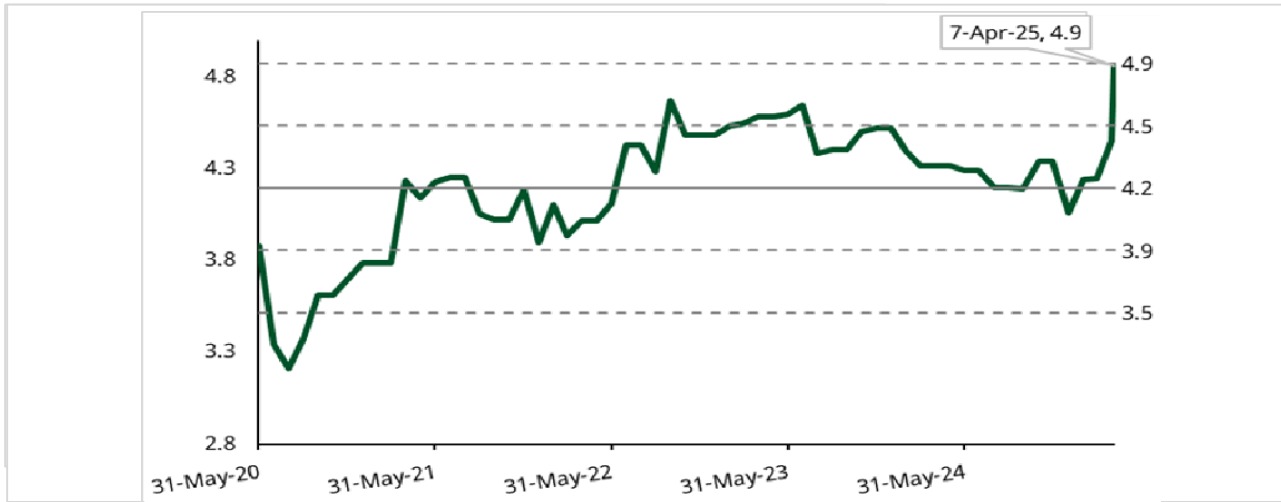
Source: Bloomberg

4 This is the same for KLCI's PBR.

The KLCI trades at a PBR of 1.2x (5Y range 1.2x to 1.6x, 5Y mean 1.4x).

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Exhibit 14: KLCI's 12M Forward DY (%)

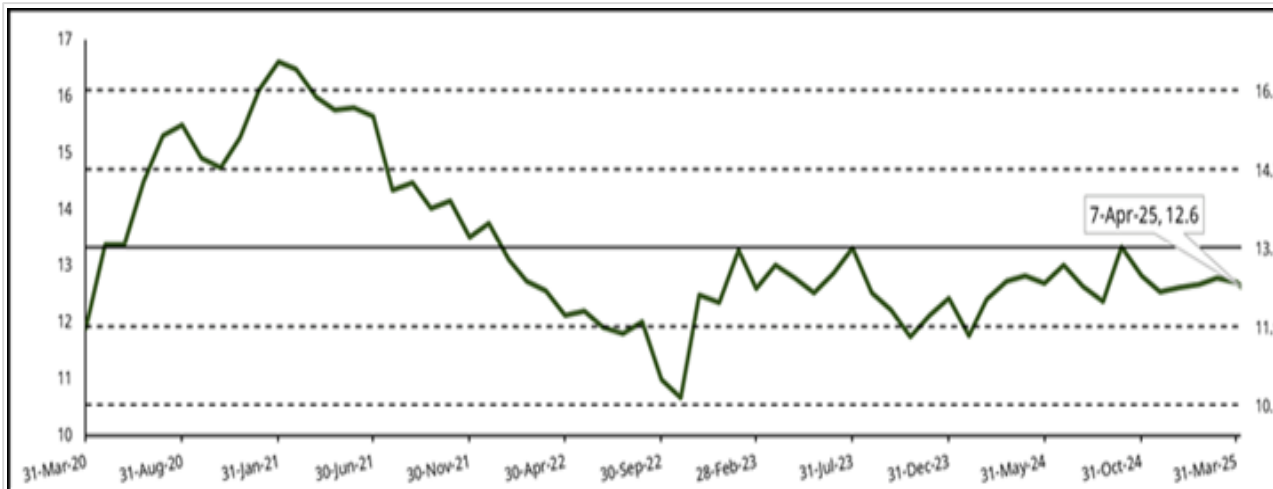


Source: Bloomberg

5 The KLCI dividend yield remains attractive.

The KLCI trades at a 2025 forecast DY of 4.9%, above its 5Y mean of 4.2%. The attractive dividend yield should moderate downside risks.

Exhibit 15: MSCI AxJ Index's 12M Forward PER (x)



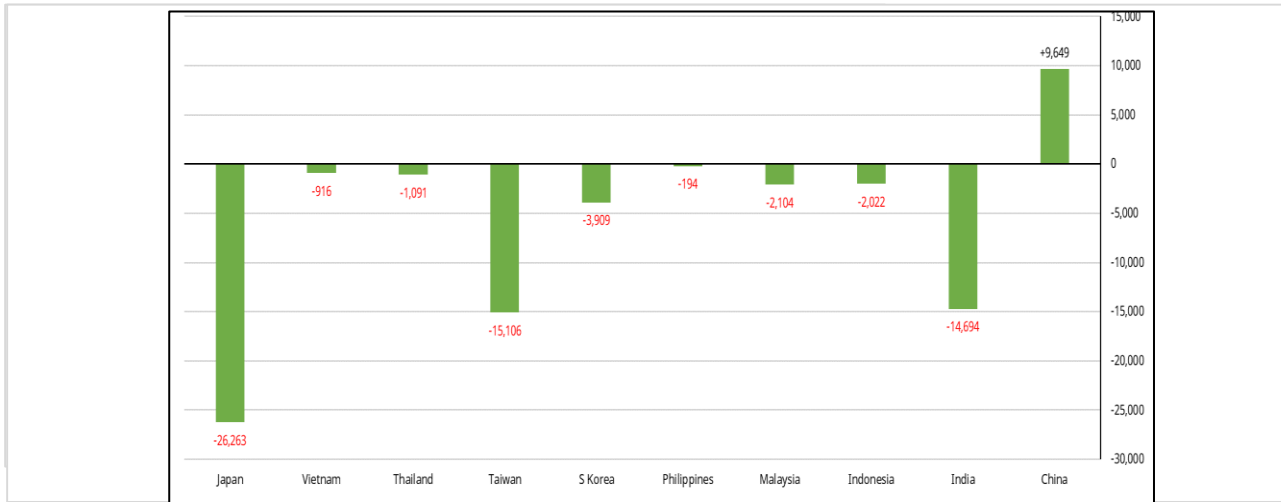
Source: Bloomberg

6 Asia ex Japan is trading below historical averages.

The MSCI AC Asia ex Japan index trades at a 2025 PER of 12.6x (5Y range 10.4x to 17.9x, mean of 13.3x). Asia ex Japan faces economic headwind in 2025 as slow Chinese economic growth and the possibility of an escalating global trade conflict under the Trump administration pose risks to GDP and corporate earnings.

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Exhibit 16: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg, data as of 30 March 2025, China's data is as of 31 Dec 2024.

5

Outflows were the highest in Japan, Taiwan, India. Rest of Asia see outflows as well.

Overseas investors turned net sellers of Asian equities except China on concerns that Trump's trade policies might hit Asian economies. China has seen consistent net inflows, highlighting global investors' optimism about the Chinese market and their government's commitment to stimulate the economy.

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