Astute
Fund Management

Portfolio Manager's Views

Investment Team

8 August 2025

www.astutefm.com.my

1. Executive Summary

1. **Special Feature: Why are we invested in YTL Hospitality REIT?**

2. **In July, global markets were supported by improving macro signals and a less hostile geopolitical environment.** The case for monetary easing in the US has been strengthened by softer inflation data and weaker-than-expected labour market data.

3. **FBMKLCI declined by 1.4% to 1,513 in July.** The US government's decision to impose a 19% tariff on Malaysia vs 24% (2 April) and 25% (7 July) was a reasonable outcome. So far, semiconductor exports remain exempt.

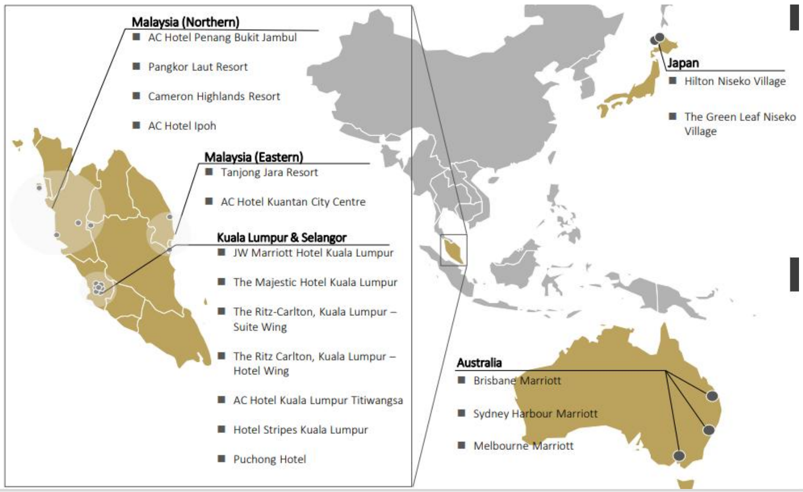
4. **Local sentiment was buoyed by BNM's OPR cut and the 13th Malaysia Plan (13MP)**, which signaled stronger infrastructure spending. Total development expenditure under 13MP stands at RM611 billion (vs. RM400 billion under 12MP), including RM120 billion for the GLC Empowerment Campaign and RM61 billion via Public-Private Partnerships.

5. **We believe the KLCI will be resilient**. Valuations are undemanding i.e. FY25 PER of 14.0x (10Y range 12.5x-21.7x), PBR of 1.5x (10Y range 1.2x-1.9x) and forecast DY of 4.4% (10Y range 2.7%-4.4%) [Source: Bloomberg]. We have holdings in domestic plays and prefer to avoid companies which are at risk from the tariff related uncertainty. Our strategy is to buy on weakness, focusing on fundamentals and a bottom-up investment approach.

2. Feature: YTL Hospitality REIT (YTL REIT)

We continue to own YTL REIT in our funds. The reasons for holding the stock are outlined here:

Exhibit 1: YTL REIT's Luxury Hotels & Serviced Residences in 3 Countries.



Source: YTL REIT

1 **YTL REIT is a high-yield exposure to the tourism boom in Malaysia, Japan and Australia.**

YTL REIT is the only pure hospitality play in the local REIT sector with a portfolio consisting of well-known Malaysian, Japanese and Australian hotels.

Exhibit 2: Selected Bursa REIT Peers Comparison.

Company/Index	Current Price (RM)	Mkt Cap (RM Mil)	DPS (RM Sen)		DPS Growth (%)		P/B(x)		Div Yld (%)		Debt/ Asset (%)
			1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	
Bursa REIT	939.0	56.6	49.6	51.7	3.5	4.1	1.2	1.3	5.3	5.5	34.0
KLCI	1,549.6	1,091.3	67.0	71.4	9.3	6.5	1.5	1.3	4.3	4.6	18.2
Our Holdings											
Axis REIT	2.1	4,263.8	9.7	10.1	16.9	4.1	1.3	1.3	4.6	4.8	33.3
YTL REIT	**1.2**	**2,011.2**	**7.4**	**8.4**	**-23.7**	**13.5**	**0.7**	**0.7**	**6.3**	**7.1**	**42.6**
MEDIAN			**9.7**	**10.1**	**16.9**	**4.1**	**1.3**	**1.3**	**4.6**	**4.8**	**33.3**
Selected Peers Comparison											
KLCCP Stapled	8.6	15,453.7	46.1	47.6	18.8	3.3	1.1	1.1	5.4	5.6	23.1
IGB REIT	2.8	10,147.1	11.9	12.9	13.3	8.4	2.2	2.2	4.3	4.6	21.2
Sunway REIT	2.2	7,568.8	11.1	11.6	16.8	4.5	1.3	1.3	5.0	5.2	41.3
Pavilion REIT	1.7	6,823.5	9.7	9.9	21.3	2.1	1.3	1.3	5.6	5.7	37.2
Capitaland Malaysia	0.6	2,048.7	4.6	4.9	31.4	6.5	0.6	0.6	7.5	8.0	41.2
Al-Aqar Healthcare	1.2	1,041.1	7.3	7.5	- 8.8	2.7			5.9	6.0	41.3
MEDIAN			**10.4**	**10.8**	**17.8**	**3.9**	**1.3**	**1.3**	**5.5**	**5.6**	**39.2**

Source: Bloomberg (1FY = Current Financial Year, 2FY = Next Financial Year)

2 **Higher dividend yield and discount to peers on a price/book basis.**

YTL REIT offers a current dividend yield of 6.3%. This is higher than the Bursa REIT and KLCI index of 5.3% and 4.3% respectively. The REIT currently trades below its book value (net asset) at 0.7x and at a discount to its peers (REIT Index: 1.2x).

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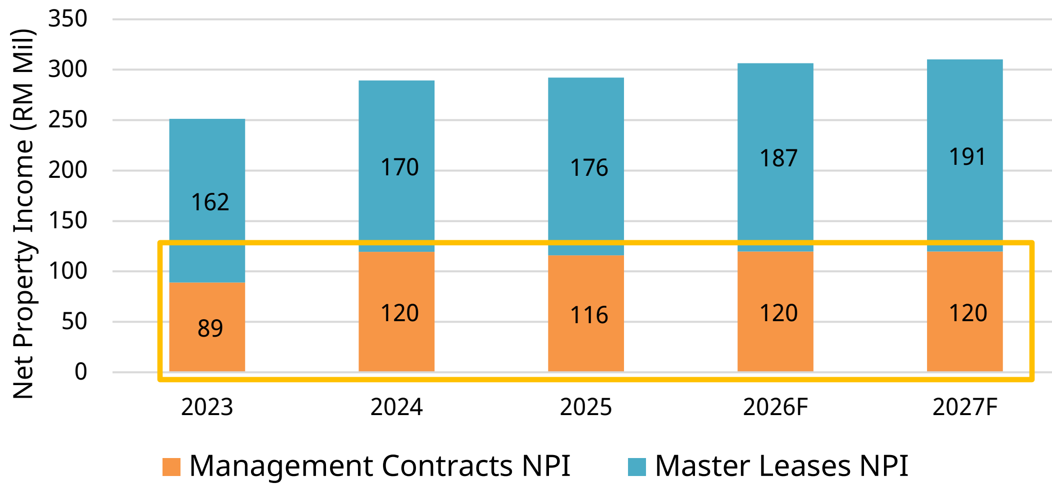
Exhibit 3: YTL REIT’s Net Property Income (NPI) Segmental Breakdown.

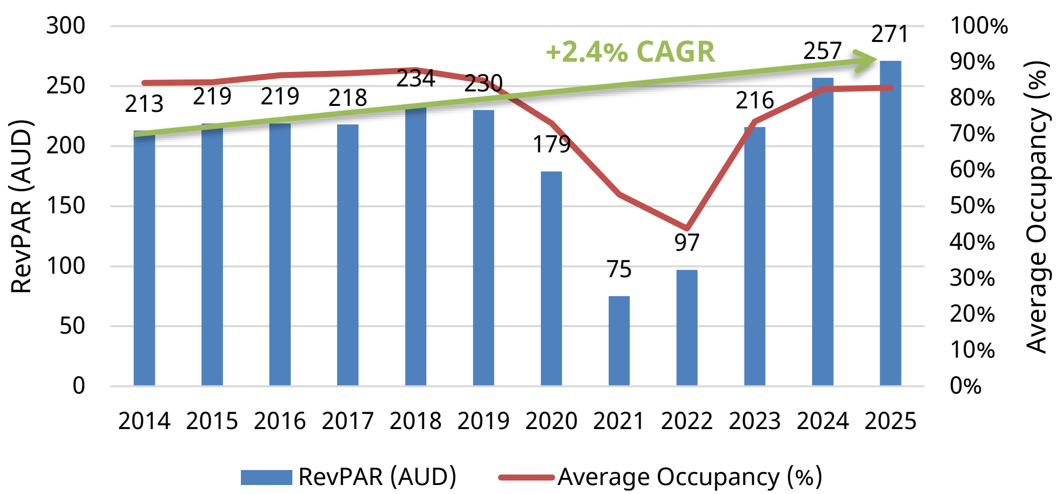


Source: Astute Fund Research

3 Malaysia and Japanese assets (master leases) offer stable and recurring income.

There are 15 Malaysian and Japanese assets on master lease structure. These are long-term lease tenures with rental step-ups every 5 years. This provide a stable and recurring income as well as low occupancy risks.

Exhibit 4: YTL REIT Australia Hotels Revenue per Average Room (RevPAR) vs Average Occupancy.



Source: YTL REIT

4 YTL REIT’s Australian hotels have the potential to uplift earnings.

The Australian hotels are solely managed by YTL REIT under management contracts. With sustained occupancy rates and growth in average room rates, we forecast a 10Y NPI CAGR of +3.3% until 2035 for the segment.

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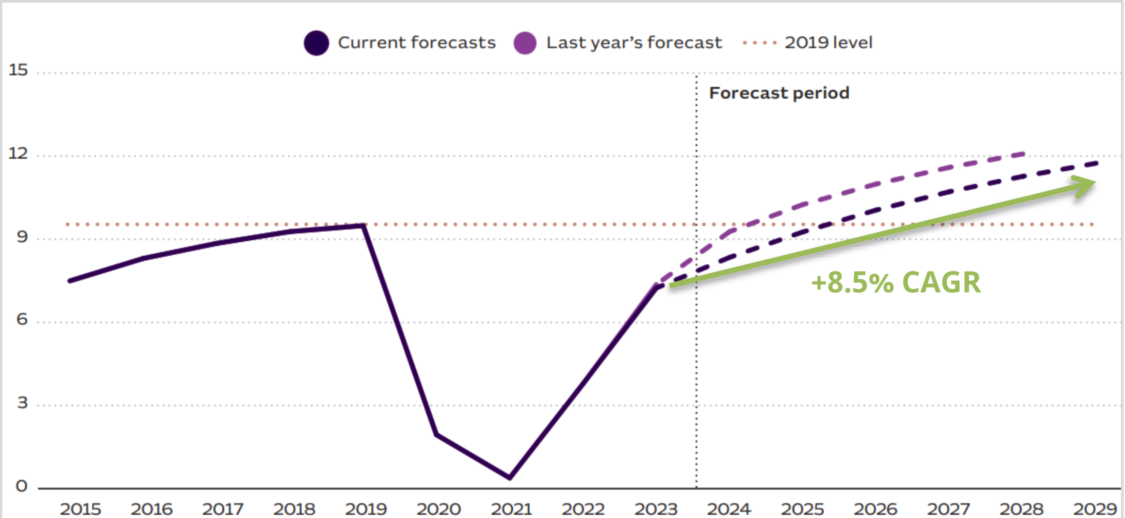
Exhibit 5: Australia International Visitor Arrivals Forecasts by Tourism Research Australia

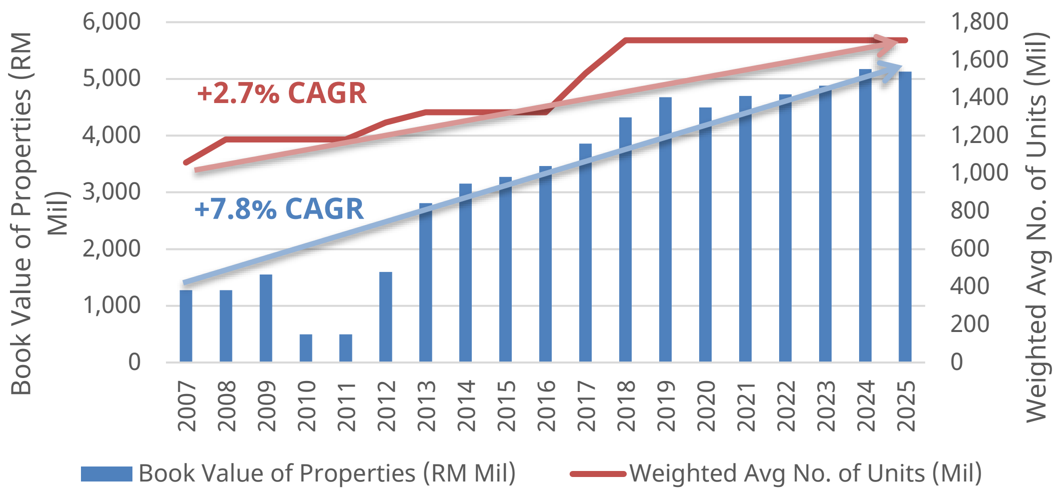


Source: Australian Trade and Investment Commission

5 Australian hotels will ride on the country's tourism prospects.

Australia's international tourist arrivals are set to grow at an 8.5% CAGR from 7.2 million in 2023 to 11.8 million by 2029. YTL REIT is well-positioned with hotels in key cities (Melbourne, Sydney, and Brisbane) under the Marriott brand.

Exhibit 6: Book Value of YTL REIT Properties vs Weighted Average No. of Units



Source: YTL REIT

6 Value driven leadership delivering consistent asset growth with minimal fundraising.

Dato' Mark Yeoh's (Executive Director) strategic asset recycling and disciplined acquisitions with only 2 fundraisings (2012 & 2017) have delivered an 18-year property value CAGR of +7.8% versus unit growth of +2.7%.

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Exhibit 7: Non-exhaustive list of YTL Group’s hospitality assets.

YTL Group's Hospitality Assets	Country	No. of rooms/units
Gaya Island Resort	Malaysia	121
The Majestic Malacca	Malaysia	54
Moxy Kuala Lumpur Chinatown	Malaysia	320
The Surin Phuket	Thailand	103
The Ritz-Carlton, Koh Samui	Thailand	175
Muse Saint Tropez	France	15
Muse Casa Marbella	Spain	2
Higashiyama Niseko Village, A Ritz-Carlton Reserve	Japan	50
Kasara Niseko Village Townhouse	Japan	8 units (3 rooms each)
Hinode Hills Niseko Village	Japan	79
The Westin Perth	Australia	368
The Hague Marriott Hotel	Netherlands	306
The Gainsborough Bath Spa	UK	99
Monkey Island Estate	UK	41 bedrooms + 3 cottages
The Academy	UK	50
Threadneedles	UK	74
The Glasshouse	UK	77

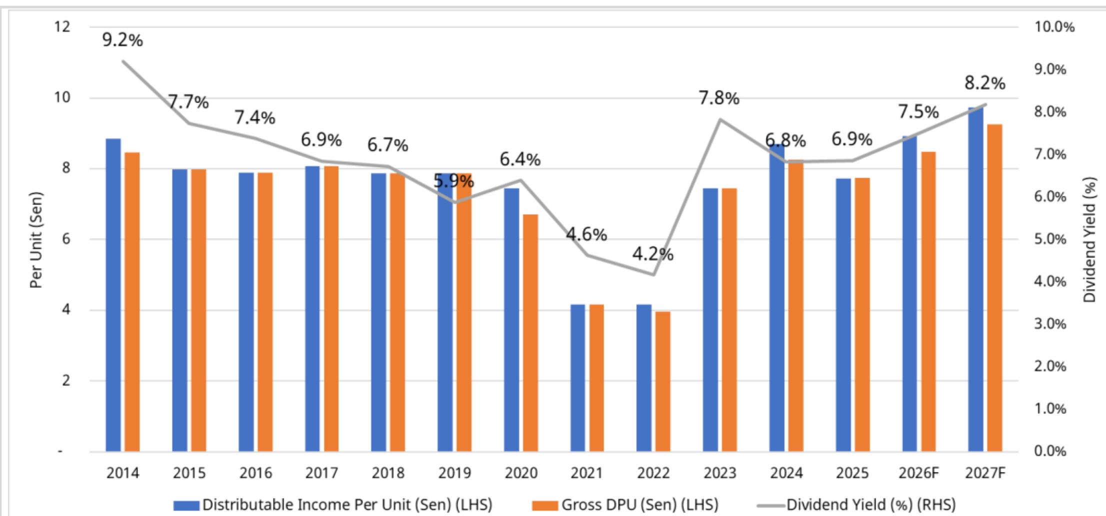
Source: YTL Group

7

Strong potential asset pipeline from its sponsor, YTL Corp Bhd.

YTL Group owns a portfolio of high-quality hospitality assets across multiple countries that could be injected into YTL REIT. The REIT has capacity for acquisition with an estimated debt headroom of ~RM621 million as of end-FY25.

Exhibit 8: Distributable Income Per Unit (Sen) vs Gross Dividend Per Unit (DPU) vs Dividend Yield.



Source: Astute Fund Research

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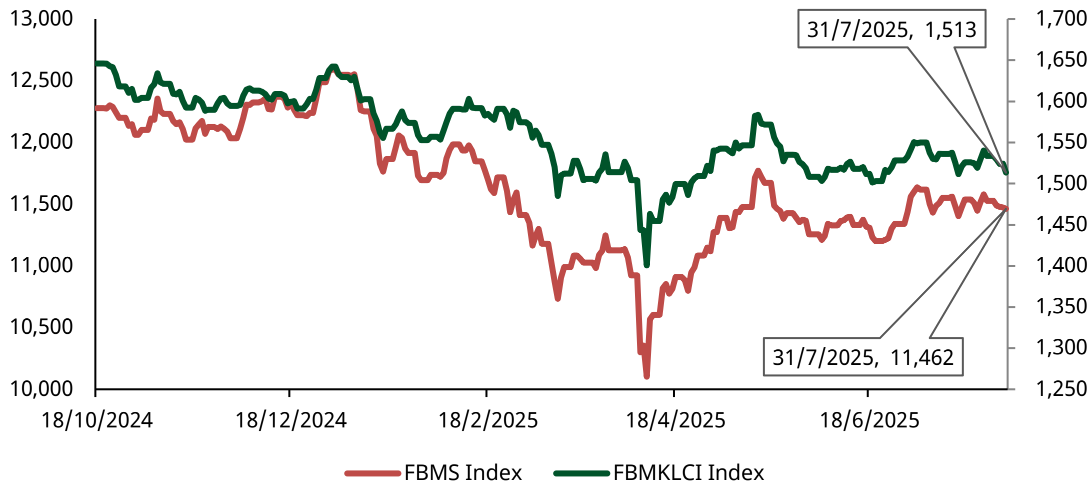
We forecast a dividend yield of 7.5% for FY26 and 8.2% for FY27.

Excluding 2020–2023, YTL REIT has maintained a dividend per unit (DPU) of 7.7–8.5 sen over the past decade. We project 8.5 sen for FY26 and 9.2 sen for FY27, driven by stable lease income and improving RevPAR in Australia.

Appendices

Exhibit 9: KLCI & Shariah Index

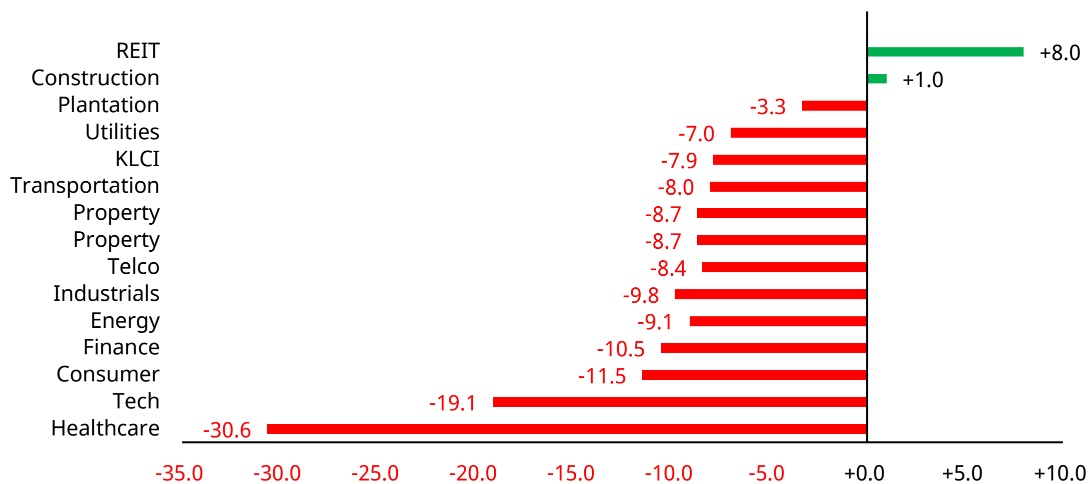


Source: Bloomberg

1 **The KLCI has rebounded amid broad base buying.**

The KLCI recovered +8% from the trough during Trump's liberation day tariffs, which sparked a global selloff. Recovery has been seen as improving macro signals and a less hostile geopolitical environment

Exhibit 10: Sector Performances Year-to-Date (%)



Source: Bloomberg

2 **KLCI kept in the red due to external pressures.**

The healthcare and technology sectors were the top losers. Rising costs could reduce Malaysian tech exports' competitiveness in the U.S., negatively impacting the outlook for local technology firms.

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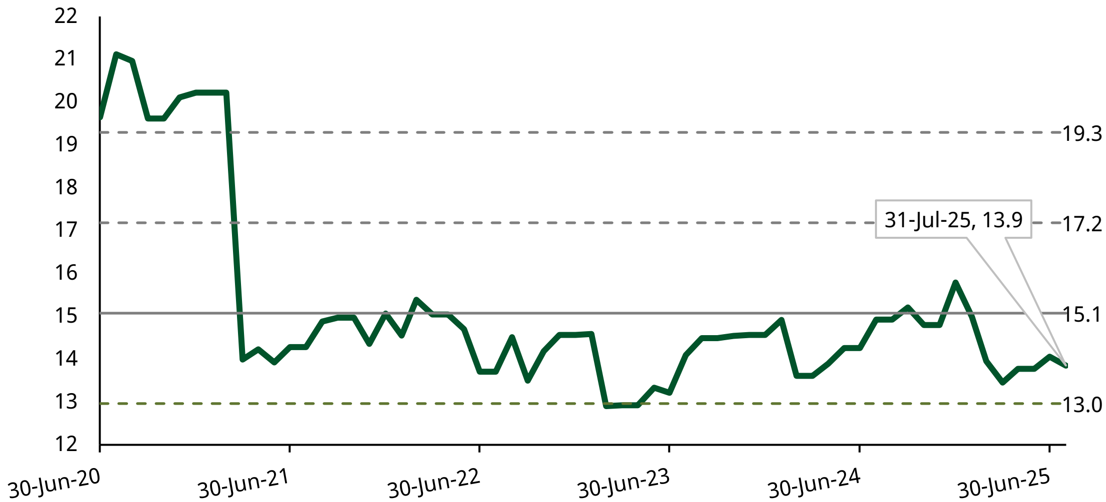
Exhibit 11: KLCI's 2025 PER (x)

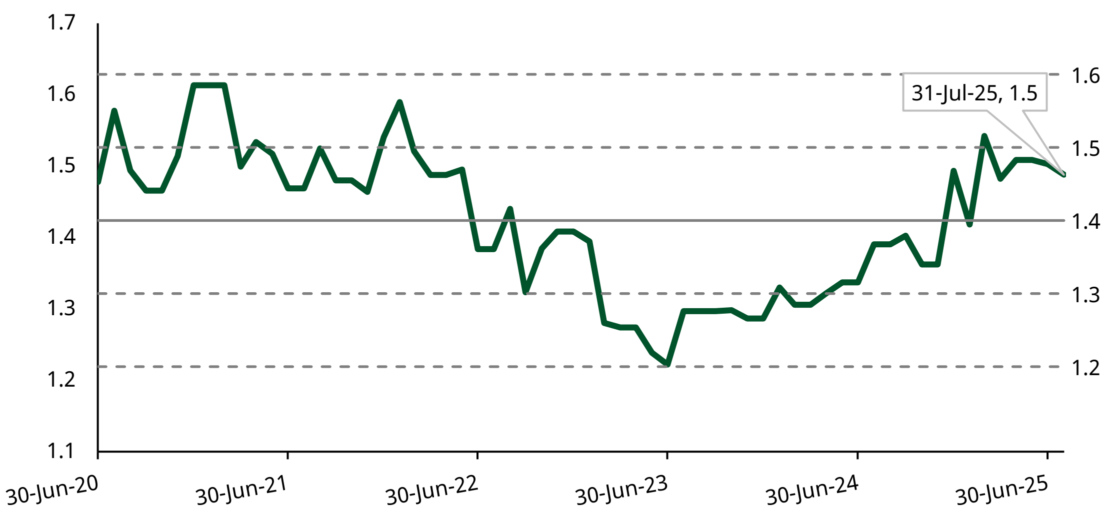


Source: Bloomberg

3 **The KLCI's valuation is undervalued below the 5Y mean.**

The KLCI trades at a 2025 PER of 14.0x (5Y range 13.0x to 21.7x, 5Y mean of 15.1x).

Exhibit 12: KLCI's 2025 PBR (x)



Source: Bloomberg

4 **This is the same for KLCI's PBR.**

The KLCI trades at a 2025 PBR of 1.3x (5Y range 1.2x to 1.6x, 5Y mean 1.4x).

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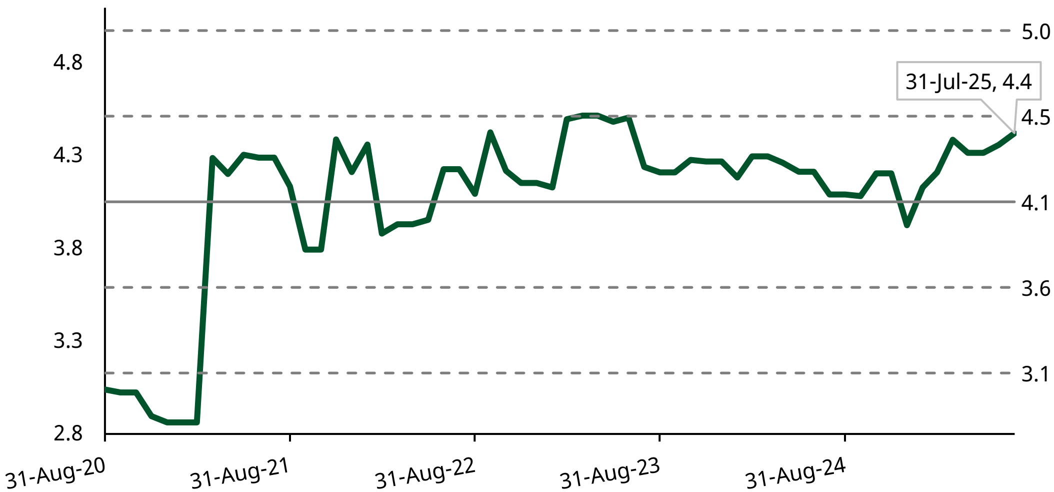
Exhibit 13: KLCI's 2025 DY (%)



Source: Bloomberg

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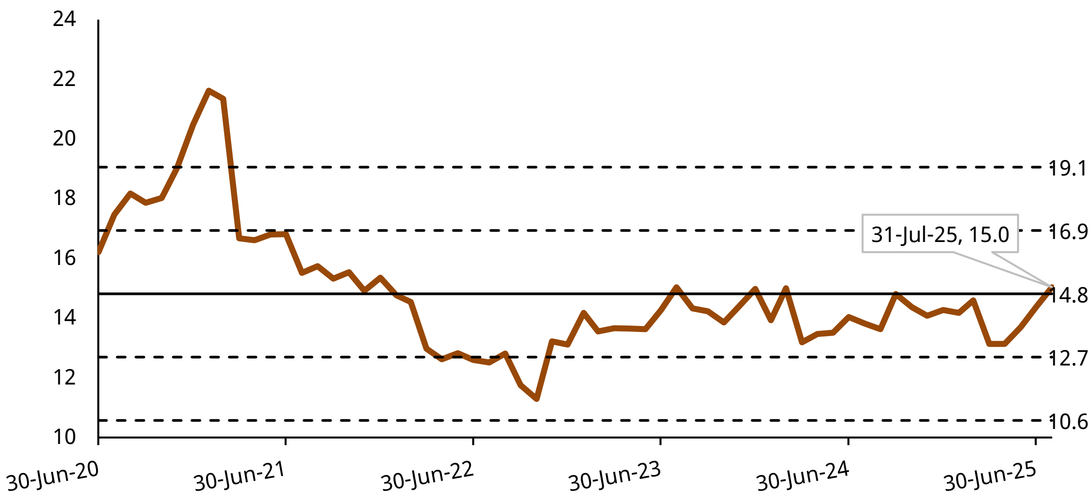
The KLCI dividend yield is still attractive.

The KLCI trades at a 2025 DY of 4.4%, above its 5Y mean of 4.1%. The appealing dividend yield is likely to help limit potential losses.

Exhibit 14: MSCI AxJ Index's 2025 PER (x)



Source: Bloomberg

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Asia ex Japan is trading near its 5Y mean.

The MSCI AC Asia ex Japan index trades at a 2025 PER of 15.0x (5Y range 11.3x to 21.6x, mean of 14.8x). Asia ex Japan is also seeing recoveries as Trump's tariff eases and US-China tariff war de-escalate.

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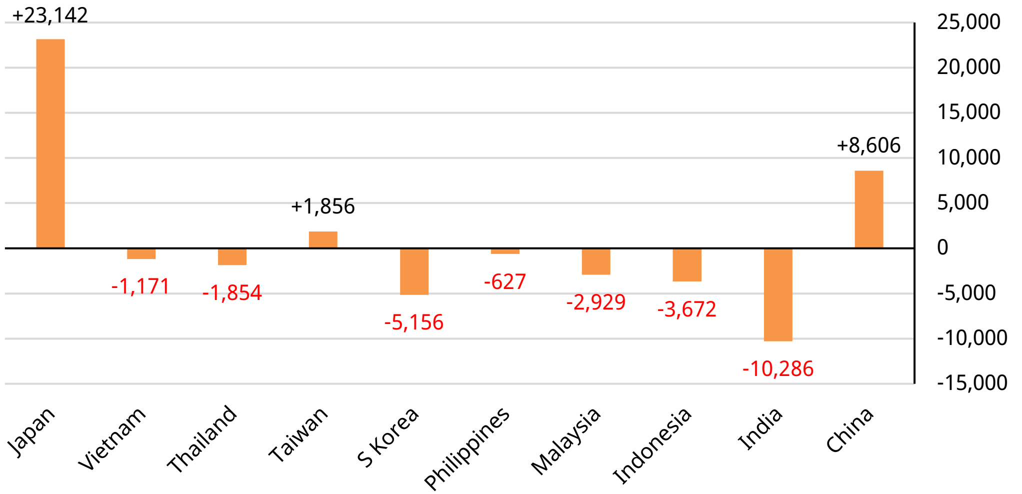
Exhibit 15: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg, data as of 31 July 2025, China's data is as of 30 June 2025.

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Outflows were the highest in India and South Korea. Southeast Asia sees outflows as well.

Overseas investors turned net sellers of Asian equities except China, Taiwan and Japan. Investors are still concern on the impact of Trump's trade policies on Asian economies.

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