Portfolio Manager's Views

Investment Team

4 September 2025

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1. Executive Summary

1. **Special Feature: Why are we invested in Mi Tech?**

2. **The Market is expecting a 25 bps on 18 September,** unless the payroll data surprises on the upside. At Jackson Hole, Powell highlighted rising risk to employment and noted that tariff-related inflation pressures should be temporary. This indicates that that current restrictive stance may need to ease.

3. **US Dollar index ("DXY") is expected to remain weak** with rate cuts and tariff legality both looming. A weak USD and lower interest rates are supportive of Emerging Market equities including Malaysia.

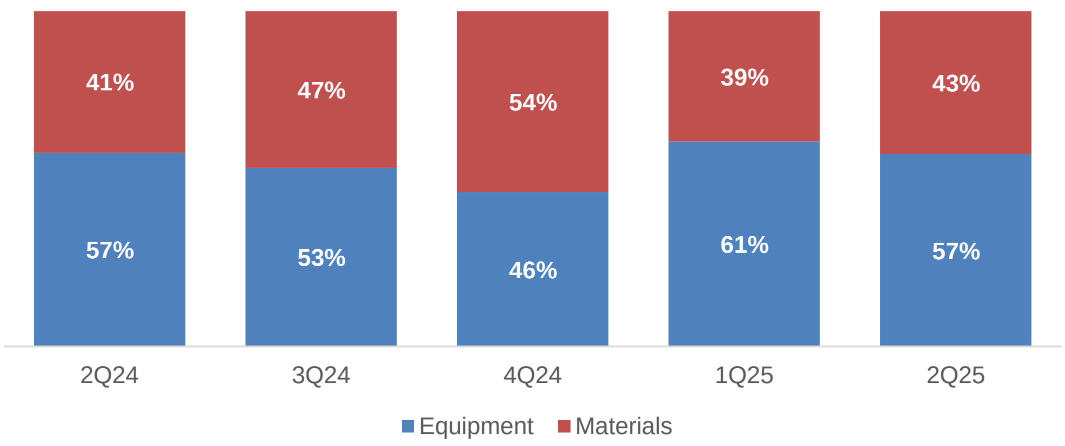
4. **Malaysia's 2Q25 results were broadly in-line**, with FY25 EPS growth forecasted at 2.2%. Optimism is building into 2026, with consensus forecasting 6.4% EPS growth. Multiple research houses have raised year-end KLCI targets to 1,620 – 1,690, suggesting the worst may be behind.

5. **KLCI's valuations are undemanding** ie. FY25 PER of 14.6x (10Y range 12.8x to 21.1x), PBR of 1.6x (10Y range 1.2x to 1.9x) and forecast DY of 4.3% (10Y range 2.9% to 4.5%) [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: Mi Technovation (“Mi Tech”)

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

Exhibit 1: Mi Tech Revenue by Segment



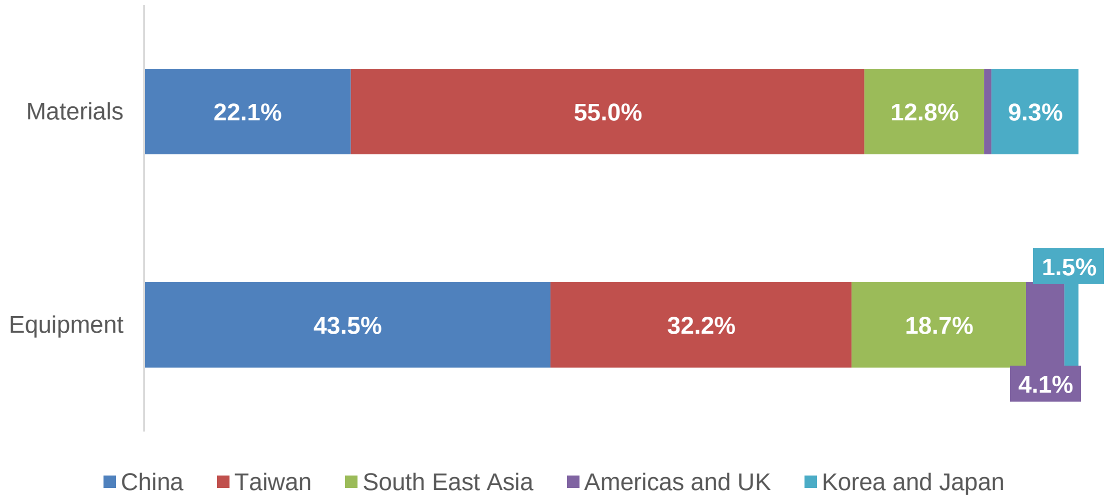
Source: Mi Tech Quarterly Results Note

1 Mi Tech is a beneficiary of AI trends through equipment and materials

Mi tech is a key equipment provider for top 4 Taiwan outsourced services companies (OSATs).

Additionally, Mi Tech are a key material supplier for TSMC and ASC which are used in advanced chip production.

Exhibit 2: Mi Tech Revenue by Geography



Source: Mi Tech quarterly Results Briefing

2 Restriction on Chinese equipment and materials benefits Mi Tech

Mi Tech is a beneficiary of the restriction of Chinese equipment and materials into Taiwan.

Additionally, Mi Tech equipment and material sales benefit from China-for-China policy as they are not aligned with the US.

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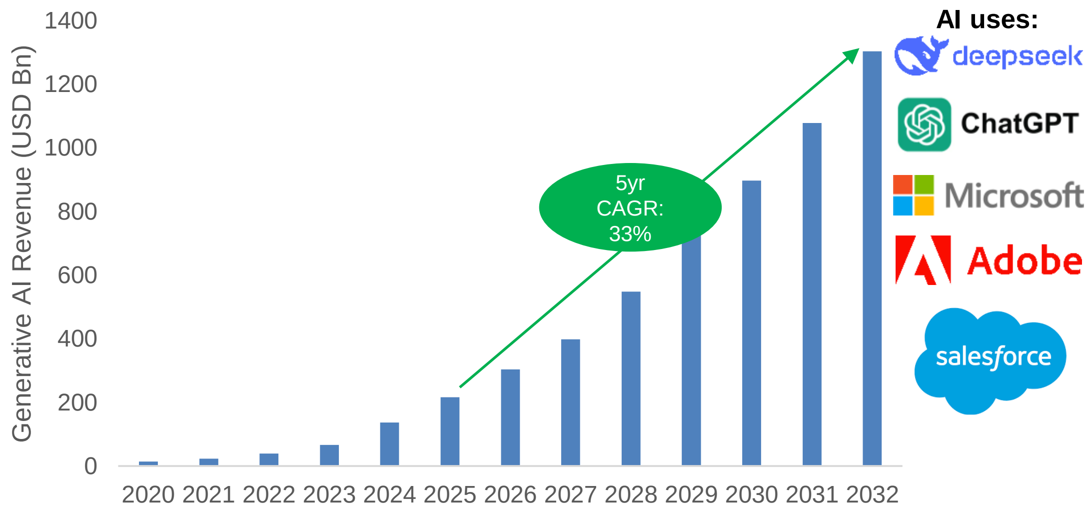
Exhibit 3: Generative AI Revenue Projections

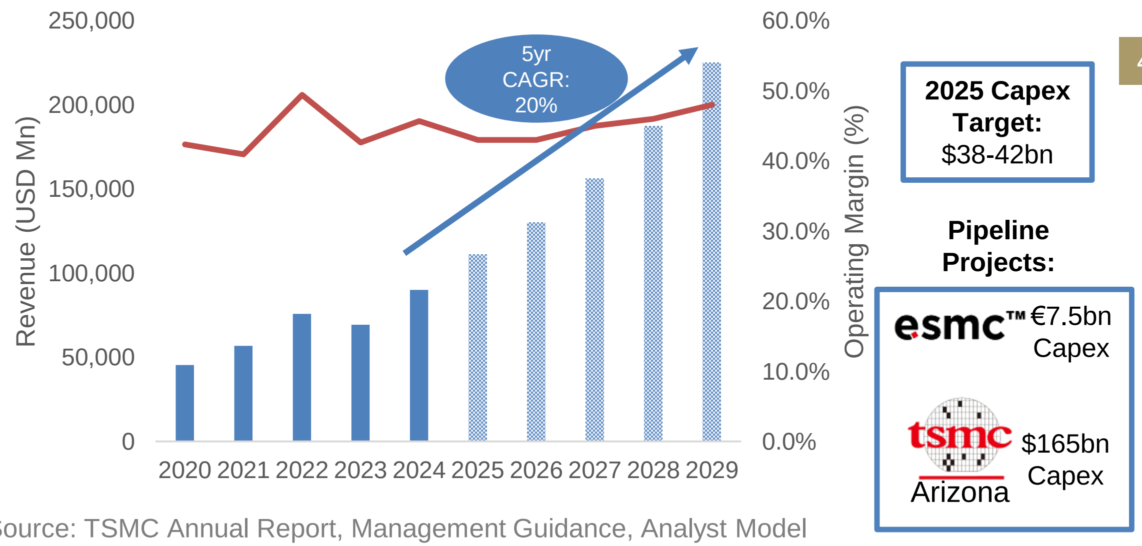


Source: Bloomberg Intelligence

3 **Mi Tech stands to benefit from 33% generative AI revenue CAGR**

Integration of AI features by firms like Adobe and Salesforce is fueling demand for AI chips, which is driving capacity growth and boosting Mi Tech's equipment and material sales.

Exhibit 4: TSMC Revenue and Operating Margin



Source: TSMC Annual Report, Management Guidance, Analyst Model

4 **Mi Tech positioned to ride TSMC guided ~20% revenue CAGR**

TSMC is ramping up spending to meet surging AI demand alongside OSATs partners driving up equipment purchases across the supply chain.

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Exhibit 5: Malaysia ATE Peers Comparison, Share price & EPS CAGR

Ticker	Company	Market Cap	P/E 2025 E	P/E 2026 E	Dividend Yield 2025 E (%)	ROE 10yr CAGR	Net Profit 10yr CAGR	Revenue 10yr CAGR	Net Profit Growth 2025 E	Net Profit Growth 2026 E
ATE:										
VITRO MK Equity	VITROX CORP BHD	1,731	55.80x	42.45x	0.52	-5%	5%	9%	21%	31%
PENT MK Equity	PENTAMASTER CORP BHD	600	36.44x	29.51x	0.61	-8%	26%	19%	-11%	24%
MI MK Equity	MI TECHNOVATION BHD	468	23.68x	21.40x	2.02	NA	NA	NA	19%	11%
	Average	933	38.64x	31.12x	1.05	-6%	15%	14%	10%	22%
	Median	600	36.44x	29.51x	0.61	-6%	15%	14%	19%	24%

	10 yr	5 yr	3 yr	1 yr
Share Price CAGR				
Vitrox	30%	15%	-7%	10%
Pentamaster	48%	7%	-9%	-10%
Mi Technovation	7%*	3%	-13%	22%
Diluted EPS CAGR				
Vitrox	5%	5%	-18%	-29%
Pentamaster	48%	-6%	-3%	-31%
Mi Technovation	2%*	0%	5%	33%

* Note: Mi tech 10 year CAGR unavailable, replaced with 6yr

Source: Bloomberg

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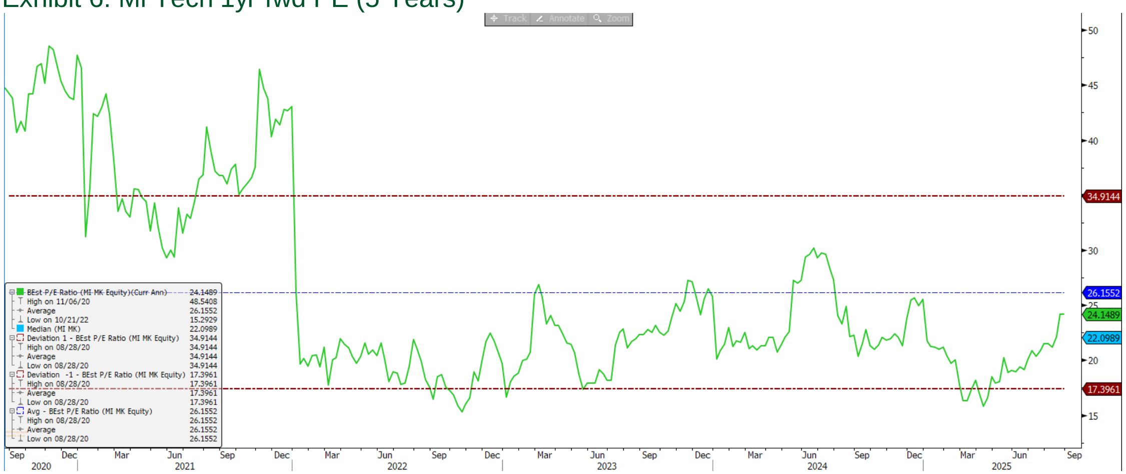
Mi Tech Trading at discount to peers

Mi Tech valuations are below Vitrox and Pentamaster despite strong projected PAT growth during uncertainty.

Relative to peers, their short term EPS and share price performance highlights their position as the sole AI testing equipment play.

Exhibit 6: Mi Tech 1yr fwd PE (5 Years)



Source: Bloomberg

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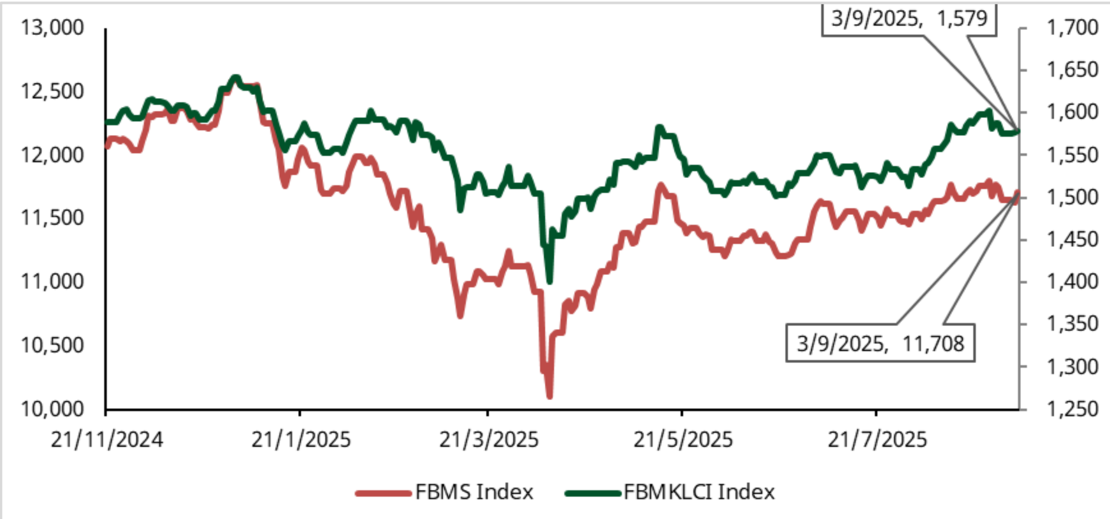
Mi tech to expect PER expansion from AI narrative

Mi Tech is currently trading 24.1x at a 24% discount to the previous semiconductor upcycle of 33.0x. We anticipate Mi Tech rerate from excess demand and limited production capacity.

Appendices

Exhibit 9: KLCI & Shariah Index

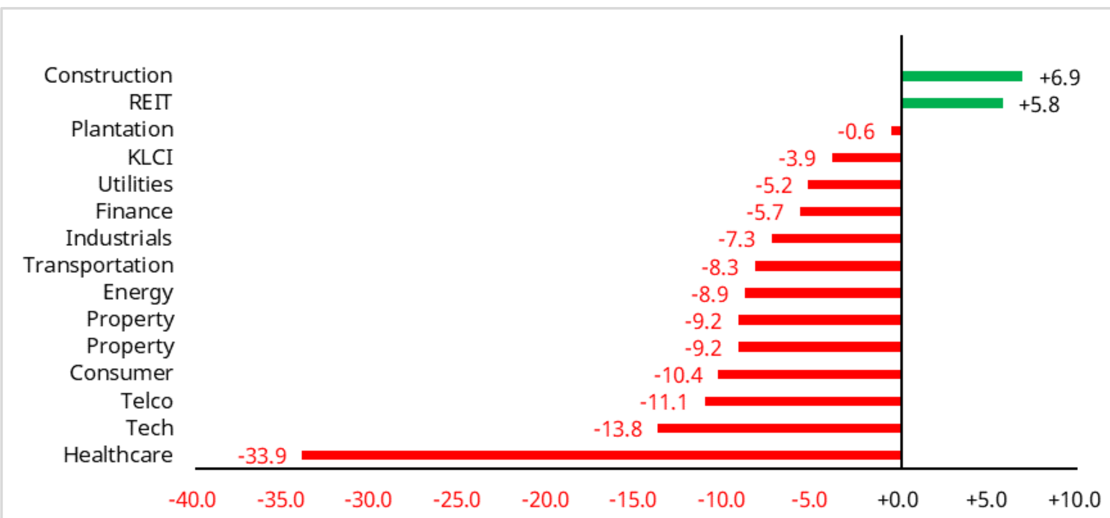


Source: Bloomberg

1 The KLCI has rebounded amid broad base buying.

The KLCI recovered +13% from the trough during Trump's liberation day tariffs, which sparked a global selloff. Recovery has been seen as middle east tensions eased.

Exhibit 10: Sector Performances Year-to-Date (2/1/25 – 31/8/25, %)



Source: Bloomberg

2 KLCI kept in the red due to external pressures.

The healthcare and technology sectors were the top losers. Trump signaled future tariffs on semiconductors despite initial exemptions. Rising costs could reduce Malaysian tech exports' competitiveness in the U.S., negatively impacting the outlook for local technology firms.

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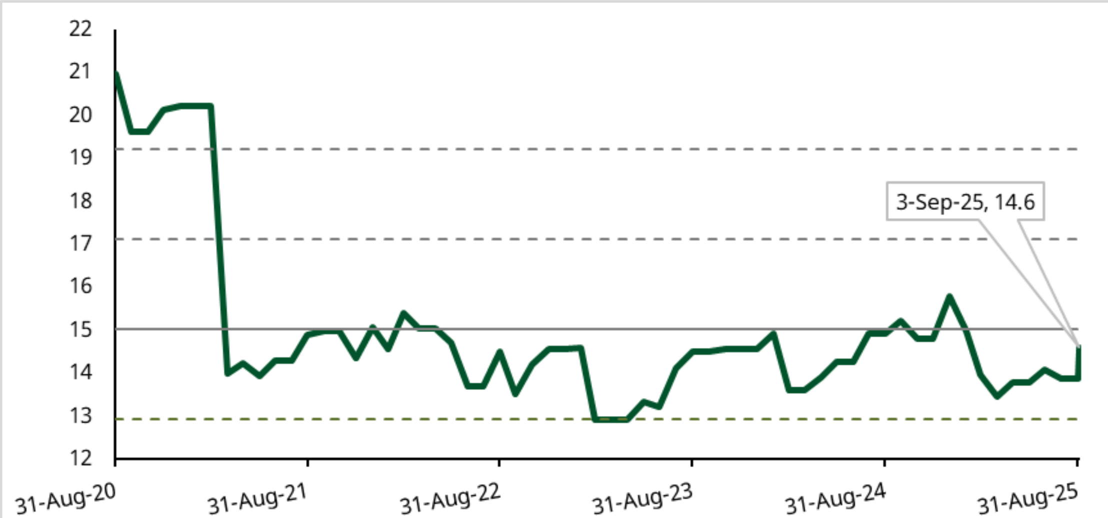
Exhibit 11: KLCI's 12M Forward PER (x)

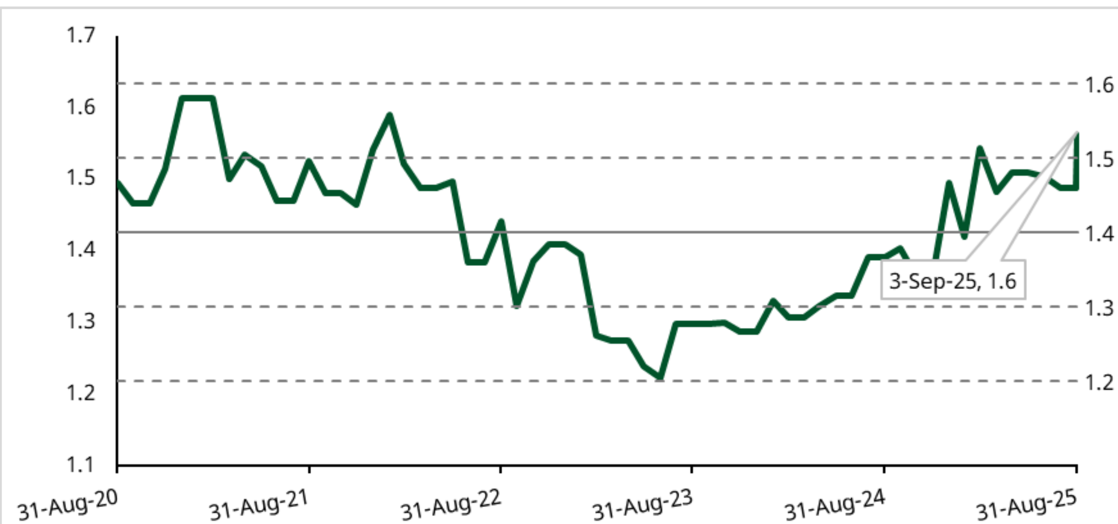


Source: Bloomberg

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

The KLCI trades at a 12-month forward PER of 14.6x (5Y range 12.9x to 21.1x, 5Y mean of 15.0x).

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



Source: Bloomberg

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

The KLCI trades at a 12-month forward PBR of 1.4x (5Y range 1.2x to 1.6x, 5Y mean 1.4x).

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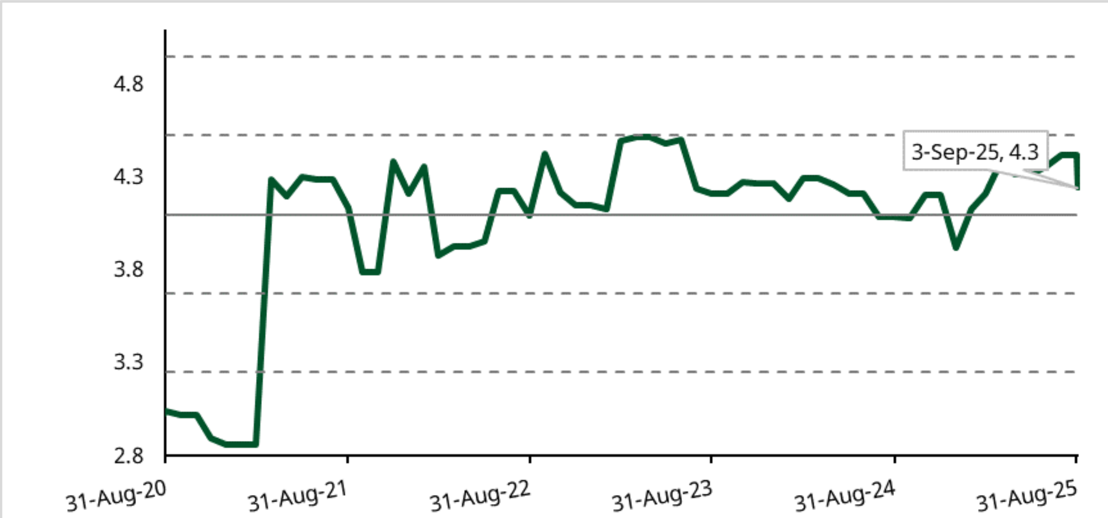
Exhibit 13: KLCI’s 12M Forward DY (%)



Source: Bloomberg

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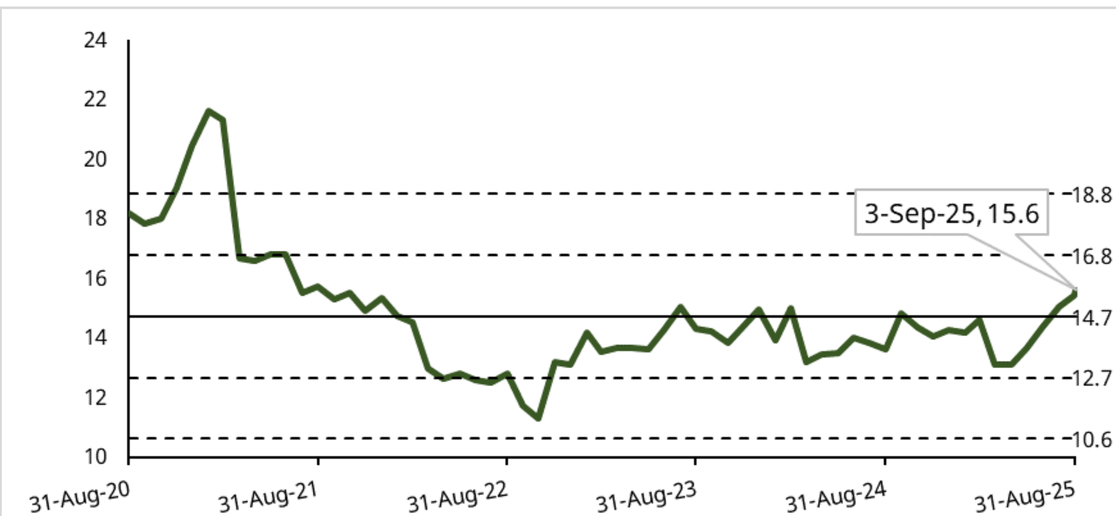
The KLCI dividend yield is still attractive.

The KLCI trades at a 12-month forward forecast DY of 4.3%, above its 5Y mean of 4.1%. The appealing dividend yield is likely to help limit potential losses.

Exhibit 14: MSCI AxJ Index’s 12M Forward PER (x)



Source: Bloomberg

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Asia ex Japan is still trading below historical averages.

The MSCI AC Asia ex Japan index trades at a 12-month forward PER of 15.6x (5Y range 11.3x to 21.6x, mean of 14.7x). Asia ex Japan is also signs of recovery, supported by the easing of uncertainty around US tariffs.

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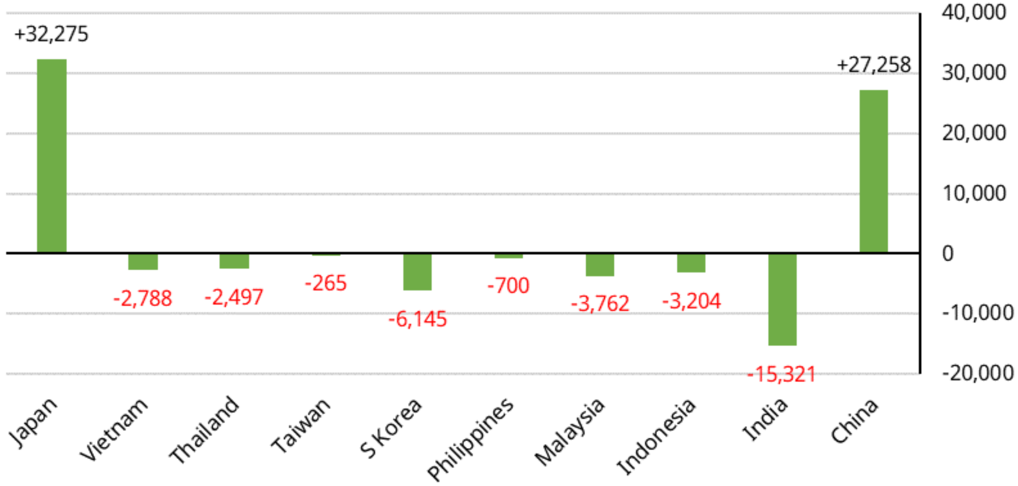
Exhibit 15: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg, data as of 16 June 2025, China's data is as of 31 Dec 2024.

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

Overseas investors turned net sellers of Asian equities except China. Investors are still concern on Trump’s trade policies might hit the Asian economies.

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