

Portfolio Manager's Views

Investment Team



December 2025

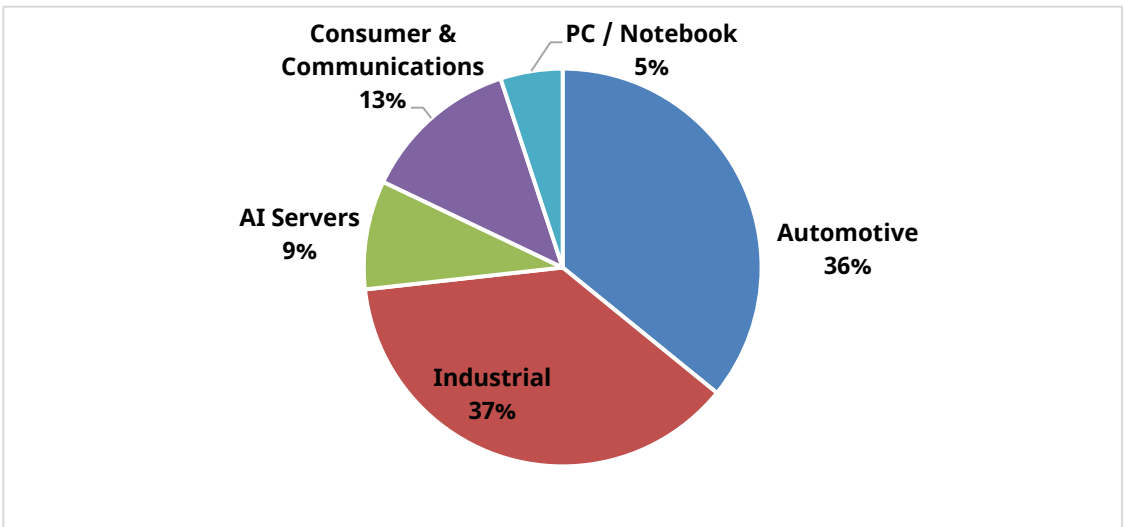
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1. Executive Summary

- 1 **Special Feature: Why are we invested in Malaysian Pacific Industries?**
- 2 **The S&P 500 rose +0.13% in November** as investors reassessed AI-heavy valuations while AI and data-center themes lost momentum amid over-investment concerns; US headline and core CPI both rose +3.0% YoY in Oct-25 (consensus +3.1% YoY), the DXY was down 8.5% YTD, the 10-year yield eased to about 4.18% from 4.57% at end-Dec-2024, the Fed cut rates 25bp in Dec to 3.50%–3.75%, and CME FedWatch shows a 43.2% chance of another 25bp cut in Apr-2026, developments that remain broadly supportive for emerging markets.
- 3 **FBM KLCI fell 0.3% in November to 1,604**; third-quarter results were resilient with the above-to-below ratio rising to 0.77x from 0.62x in Q2, and we expect a 1H26 recovery on stronger 2026 earnings and a softer USD; foreign shareholdings are a record low 19.0% with YTD net outflows of RM20.3bn, the market trades at 14.0x 2026 PER, and the KLCI is 1.0% below MSCI Asia ex-Japan versus a 10-yr premium of 17.9%.
- 4 **The FBM KLCI looks reasonably valued** with FY26 PER 14.0x (10-yr 12.2–15.5x), PBR 1.4x (10-yr 1.2–1.5x) and forecast DY 4.4% (10-yr 3.8–4.8%); we favor domestic-oriented stocks, avoid tariff-exposed names, and see stronger value in the FBM70 given CY26 earnings growth of +12.0% YoY versus +7.4% YoY for the FBM30.

Feature: MPI

We continue to own MPI in our funds. The reasons for holding the stock are outlined here:
Exhibit 1: MPI FY2025 Revenue Breakdown by Segment



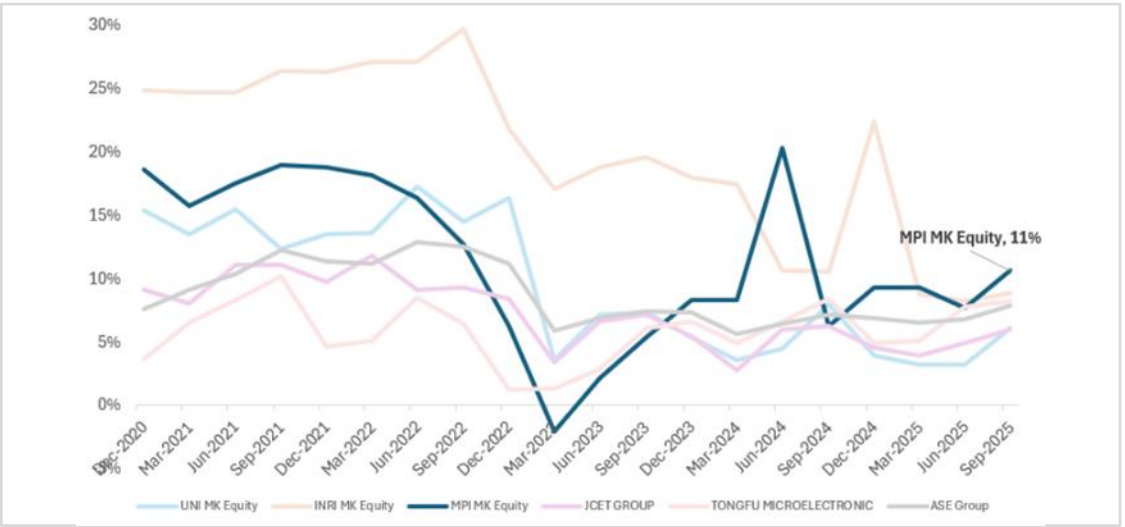
Source: MPI

1 MPI provides essential services for automotive and industrial chips

MPI provides outsourced services for sensors and power modules used within the Industrial and Automotive sectors.

MPI's proven quality and consistency enabled expansion into more complex products such as AI-servers.

Exhibit 2: MPI Operating Margins vs OSAT competitors



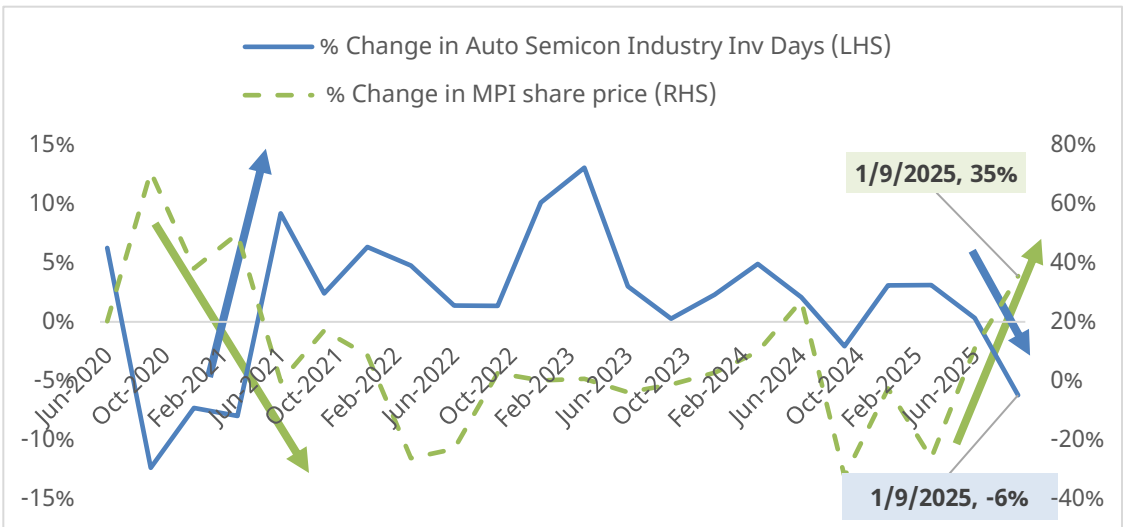
Source: Bloomberg

2 Stronger operating margins allowing higher margin of safety

Since 2023, MPI has improved margins above global competitors by removing low-margin products and expanding into AI-server products.

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Exhibit 3: Quarterly Changes in Automotive Semicon Inventory Days vs. MPI Share Price



Source: Bloomberg, Annual Reports

Exhibit 4: Global Automotive Semiconductor Companies Disrupted by China's low prices

China steps up price-war scrutiny as cars keep getting cheaper

By Linda Lew / Bloomberg

15 Dec 2025, 03:06 pm

Source: Bloomberg

3 Auto semicon market near trough, recovery possible in 2026

Historically, declines in auto semicon inventory days have been associated with stronger MPI share price performance.

As at Sept 2025, destocking-led inventory reductions indicate the cycle is approaching its trough, with recovery possible in 2026.

4 China anti-involution effort is a driver for auto segment

The following automotive semiconductor players are guiding a more stable outlook as China's anti-involution policies are expected to improve order visibility and price stability.

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Exhibit 5: MPI and Infineon Acquisition and Nvidia & Infineon Partnership headlines

Malaysian Pacific Industries to buy Infineon's Thai back-end manufacturing site for US\$77.95m

By theedgemalaysia.com18 Sep 2025, 06:52 pm • Updated - 08:03 pm

Nvidia, Infineon partner for AI data center power overhaul

Source: The Edge, Network World

5

MPI's acquisition exposure to Infineon

strategic support

Infineon Thailand was acquired at a 44% discount to FY24 NAV (RM470.7mn), supporting capacity expansion.

This also strengthens MPI's exposure to Infineon's AI-server growth for Nvidia's next-generation power architecture.

Exhibit 6: MPI and OSAT Peer valuations

		P/E		Net Profit Growth		Share Price	Diluted EPS
Ticker	Company	2025 E	2026 E	2025 E	2026 E	10yr CAGR	10yr CAGR
MY OSATs							
UNI MK Equity	UNISEM (M) BERHAD	98.9x	36.6x	-32%	169%	13%	-12%
GTB MK Equity	GLOBETRONICS TECHNOLOGY BHD	NA	NA	NA	NA	-11%	-15%
MPI MK Equity	MALAYSIAN PACIFIC INDUSTRIES	44.8x	31.1x	-12%	43%	19%	13%
INRI MK Equity	INARI AMERTRON BHD	26.5x	27.3x	-24%	1%	16%	7%
	Average	56.8x	31.7x	-22%	71%	9%	-2%
	Median	44.8x	31.1x	-24%	43%	15%	-2%
CN/TW OSATs:							
600584 CH Equity	JCET GROUP	38.4x	27.1x	-10%	43%	14%	18%
002156 CH Equity	TONGFU MICROELECTRONIC	46.1x	36.2x	38%	27%	17%	12%
3711 TT Equity	ASE TECHNOLOGY HOLDING	26.2x	17.3x	14%	52%	NA	5%
	Average	36.9x	26.9x	14%	41%	15%	12%
	Median	38.4x	27.1x	14%	43%	15%	12%
Total OSAT Average		46.8x	29.3x	-4%	56%	11%	4%
Total OSAT Median		41.6x	29.2x	-11%	43%	15%	7%

Source: Bloomberg

6

Slight 6% PER premium justified by management track record

MPI trades at 31.1x FY26 PE, a slight 6% premium to peers average.

The premium reflects superior long-term execution, with 10-year share price and EPS CAGRs of 19% and 13% versus peers at 11% and 4%.

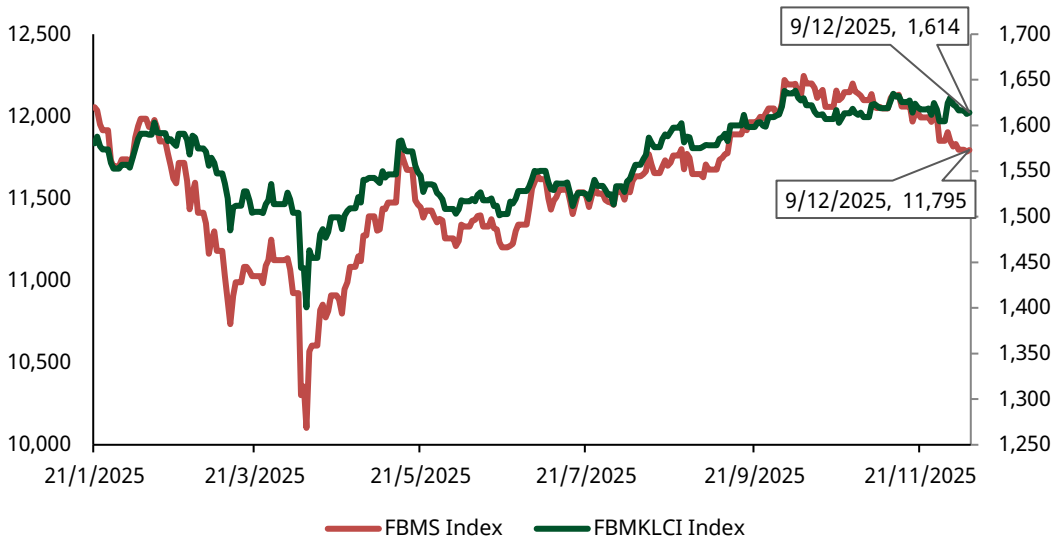
Appendix



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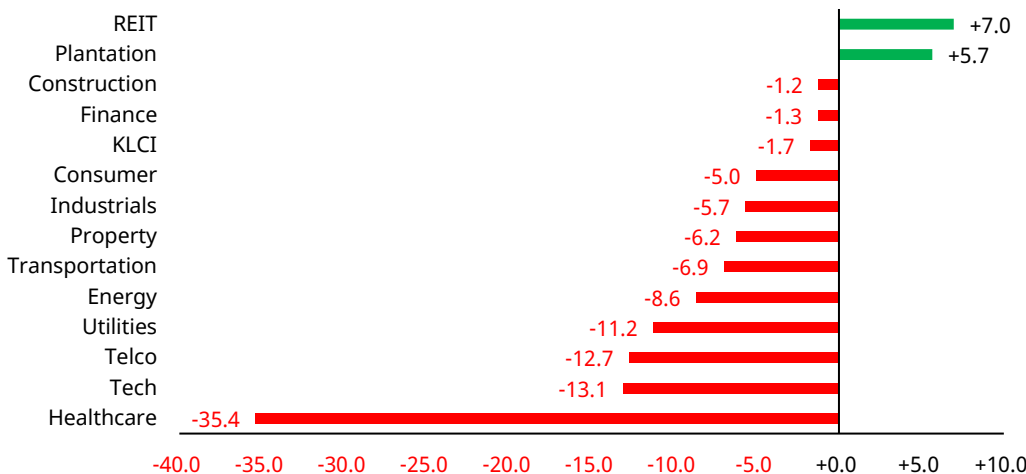
Appendices

Exhibit 7: KLCI & Shariah Index



Source: Bloomberg

Exhibit 8: Sector Performances Year-to-Date (2/1/25 – 9/12/25, %)



Source: Bloomberg

1 Market Recovery Sustained into 4Q25

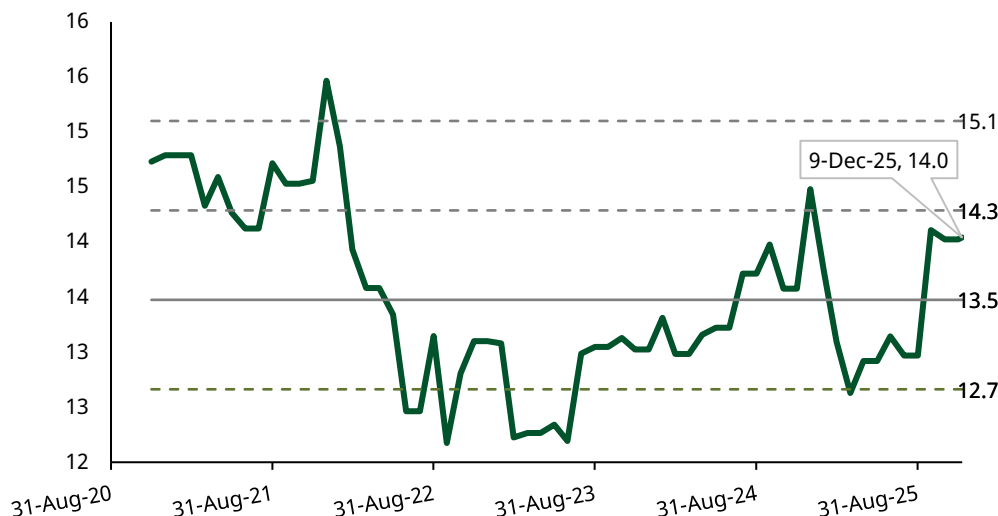
Both FBMKLCI and FBMS rebounded strongly from mid-year lows, supported by improved sentiment and earnings recovery, ending the year near the year-to-date highs.

2 Sector Performance YTD - REITs Lead, Healthcare Lags

REITs (+7.0%) and Plantation (+5.7%) outperformed year-to-date, while Healthcare (-35.4%) and Tech (-13.1%) were the weakest sectors, dragging overall market performance lower.

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Exhibit 9: KLCI's 12M Forward PER (x)

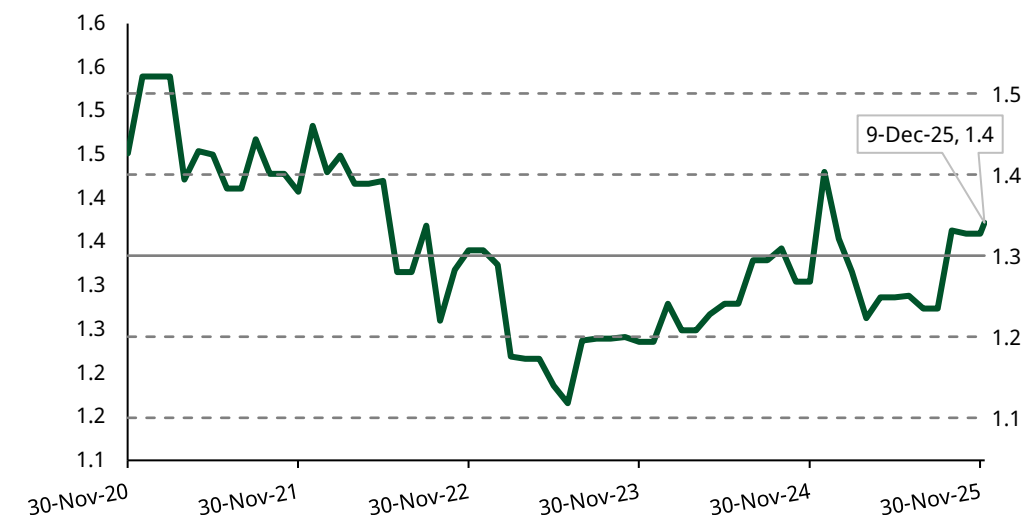


Source: Bloomberg

3 The KLCI's valuation is fairly valued at the 5Y mean.

The KLCI trades at a 12-month forward PER of 14.0x (5Y range 12.2x to 15.5x, 5Y mean of 13.5x).

Exhibit 10: KLCI's 12M Forward PBR (x)



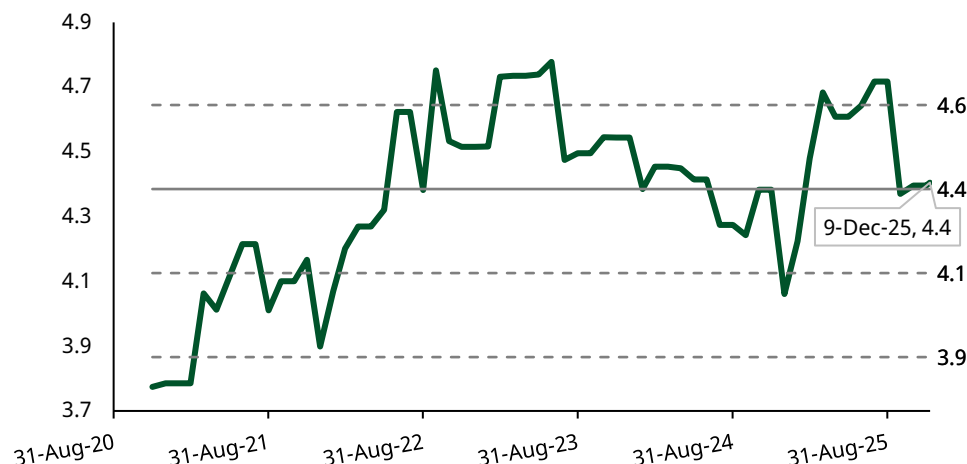
4 This is the same for KLCI's PBR.

The KLCI trades at a 12-month forward PBR of 1.4x (5Y range 1.2x to 1.5x, 5Y mean 1.3x).

Source: Bloomberg

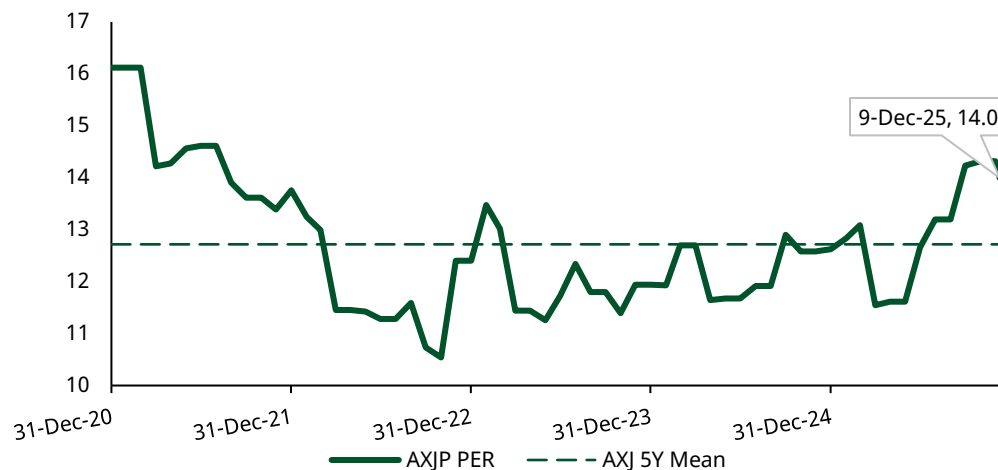
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Exhibit 11: KLCI's 12M Forward DY (%)



Source: Bloomberg

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



Source: Bloomberg

5 The KLCI dividend yield is attractive.

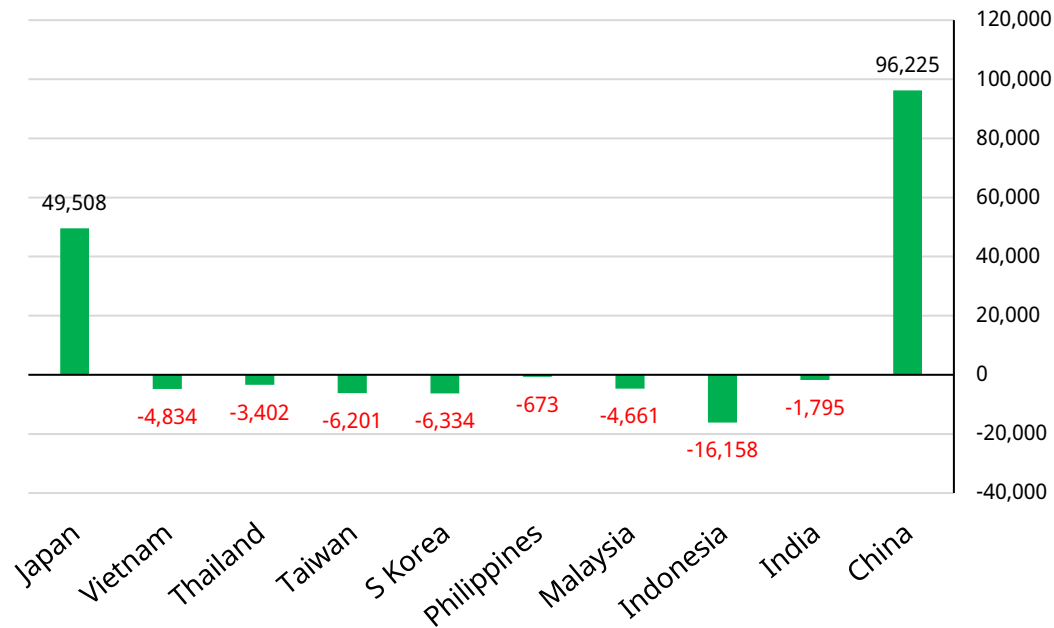
The KLCI trades at a 12-month forward forecast DY of 4.4% (5Y range 3.8% to 4.8%, mean of 4.4%). The appealing dividend yield is likely to support share prices.

6 Asia ex Japan is above historical averages.

The MSCI AC Asia ex Japan index trades at a 12-month forward PER of 14.0x (5Y range 10.5x to 16.1x, mean of 12.7x).

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Exhibit 13: Selected ASEAN Markets (Net USD mil)



7 Inflows were the highest in China and Japan. Southeast Asia sees outflows.

Overseas investors turned net buyers in North Asia countries, while Outflows persisted in ASEAN as global growth concerns and higher U.S. yields weighed on sentiment.

Source: Bloomberg, data as of 28 November 2025, China's data is as of 30 September 2025.

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