Portfolio Manager's Views

Investment Team

January 2026

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1. Executive Summary

1. **Special Feature: Why are we invested in Malayan Cement?**

2. **US markets performed strongly in 2025**, with the S&P 500 rising 13.3% on resilient earnings despite policy uncertainty. The Federal Reserve cut rates three times to 3.75% as growth slowed, contributing to a 10.1% year-on-year weakening of the US dollar. Ongoing supply-chain diversification and a weaker USD are expected to provide a more supportive backdrop for emerging markets in 2026, although geopolitical risks persist.

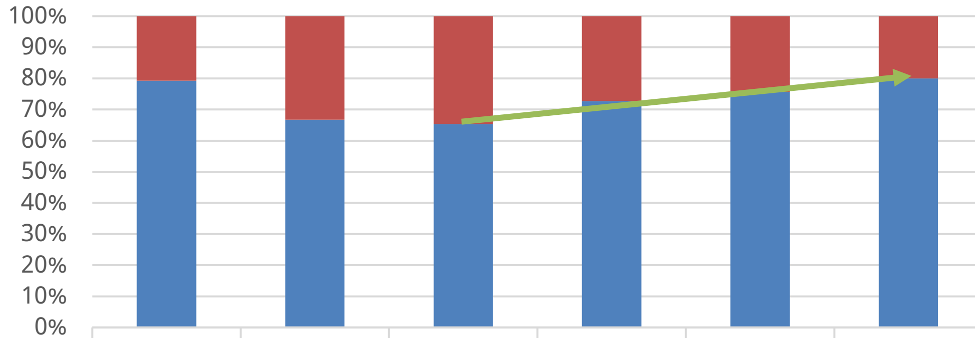
3. Malaysia benefited from **supply-chain shifts** and a **weaker USD**, supporting manufacturing and E&E activity and lifting FDI to RM285.2bn as at 9M25. The KLCI rose 2.3% in 2025 to 1,680 points despite heavy foreign outflows, which pushed foreign shareholding to multi-year lows. Valuations remain attractive, and the market is expected to be supported in 2026 by domestic consumption, tourism under Visit Malaysia 2026, and structural initiatives such as NETR, JSSEZ, NIMP 2030, and the 13th Malaysia Plan.

4. **The FBM KLCI valuations are undemanding** with FY26 PER 14.6x (10-yr 11.2x–17.4x), PBR 1.5x (10-yr 1.2–1.9x), and forecasted DY 4.1% (10-yr 2.7-4.7%). Consensus 2026 KLCI earnings growth is projected at 7.6%. 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: Malayan Cement ("MCement")

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

Exhibit 1: Cement Market Share in Peninsula Malaysia (%).



	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Hume	21%	33%	35%	27%	24%	20%
MCement	79%	67%	65%	73%	76%	80%

Source: Malayan Cement Berhad, Hume Cement Industries Berhad

1

MCement is the market leader of the industry

Malayan Cement was born from the merger between YTL Cement and Lafarge Malaysia. It reduced the price wars within the industry as it now has the ultimate price-setting position.

Exhibit 2: Government infrastructure projects planned

Projects planned	Expected Commencement	Expected Completion
East Coast Rail Link (ECRL) Phase 2	Jan-25	Dec-26
Penang LRT - Mutiara Line	Mar-25	Dec-31
Johor ART	Oct-26	Dec-31
MRT3	Jan-27	-
HSR	-	-

Source: Astute Fund Management Berhad

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Future cement demand will be supported by upcoming government infrastructure projects

Key government projects in the pipeline are expected to commence construction, as outlined in Exhibit 2.

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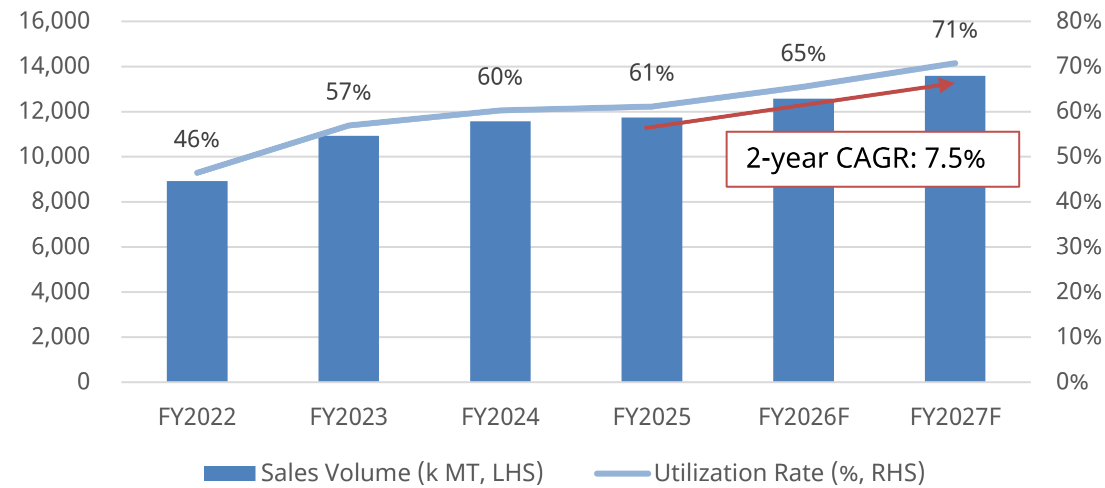
Exhibit 3: Utilization Rate vs Sales Volume

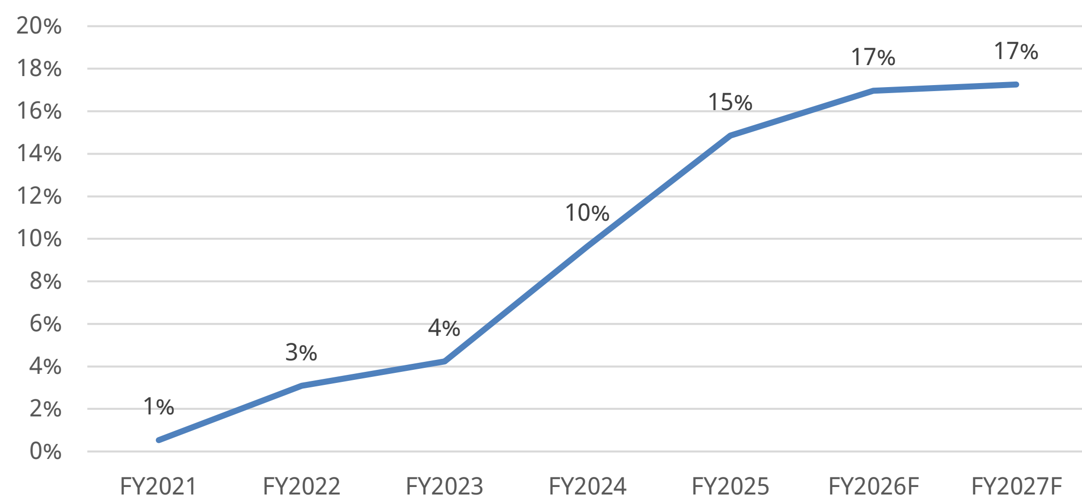


Source: Malayan Cement Berhad, Astute Fund Management Berhad

3 **We expect a 7.5% two-year CAGR for MCement's volume growth.**

This growth is primarily driven by cement demand from government infrastructure projects. With sufficient capacity in place, MCement is well positioned to meet the expected demand uplift when MRT3 enters the construction phase.

Exhibit 4: MCement Net Profit Margin (%)



Source: Malayan Cement Berhad, Astute Fund Management Berhad

4 **We expect the net profit margin to expand to 17% in FY2026F, supported by declining coal costs**

Coal is cement's key raw material. It takes up approximately 50% of the total raw material costs.

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Exhibit 5: Global Coal Prices

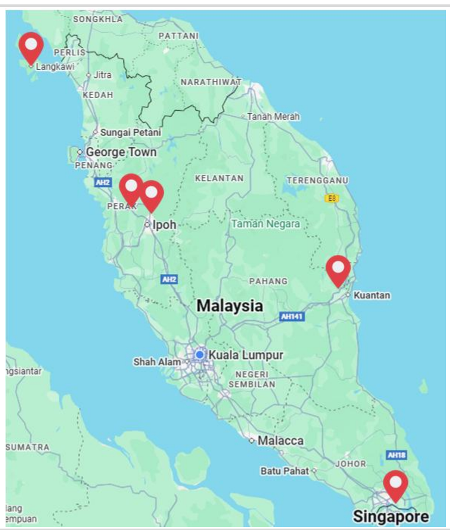
Source: Malayan Cement Berhad, Astute Fund Management Berhad

5

Global coal price has fallen 13% since Jan-2025 to support cement's net profit margin

We expect coal prices to continue declining as coal demand is softening with power generators seek for renewable energy choices.

Exhibit 6: MCement's Plant Locations



Source: Malayan Cement Berhad, Astute Fund Management Berhad

6

MCement's plants are strategically located across region

MCement has a total of 5 plants across the Peninsula, while Hume Cement only has 1 major plant in Gopeng, Perak. This is a sustainable competitive advantage for lower transportation costs.

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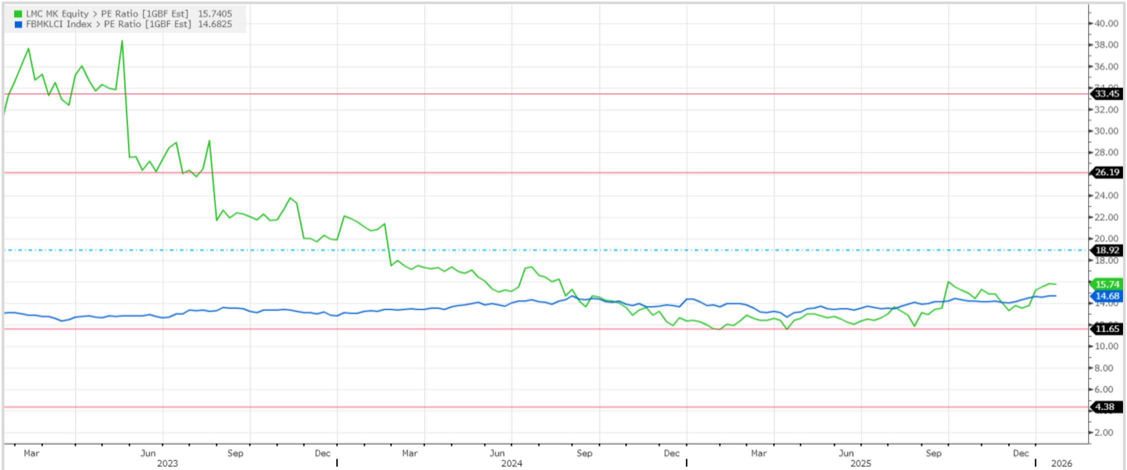
Exhibit 7: MCement’s vs KLCI 3-year PE chart



Source: Bloomberg
*We use 3-year PE as a reference because the cement players’ earnings were normalised in 2023.

7 **Valuation is undemanding with the company trading below the 3-year mean PE.**

MCement trades at 15.7x FY26 PE, a 17% discount to its 3-year mean PE of 18.9x.

We are bullish on its future earnings outlook, supported by strong cement demand.

Appendix

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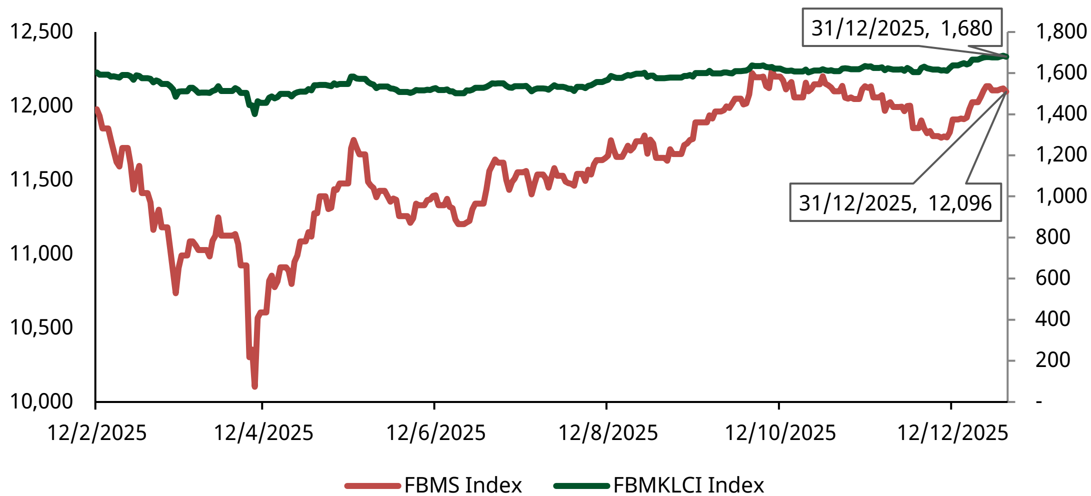
Appendices

Exhibit 8: KLCI & Shariah Index



Source: Bloomberg

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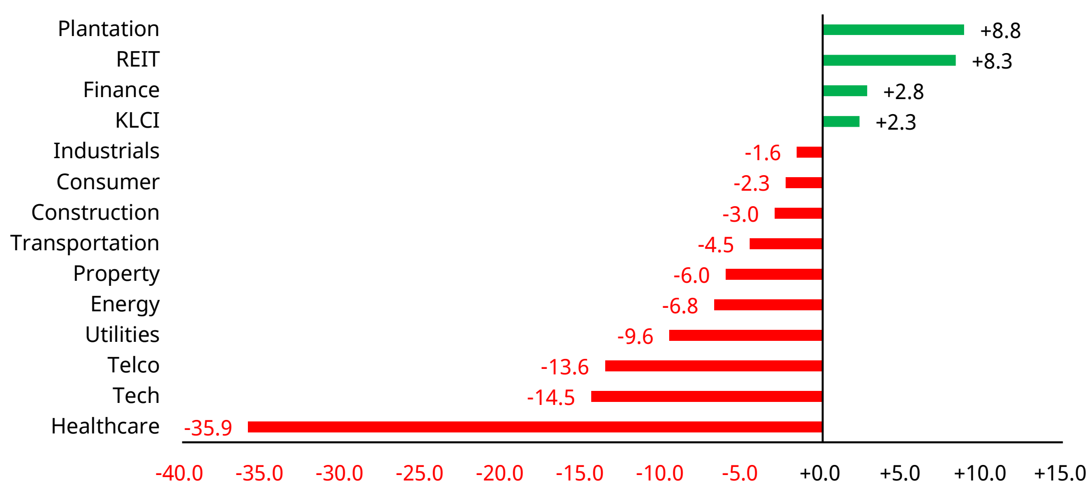
KLCI ended the year with positive return

Both FBMKLCI and FBMS rebounded strongly from mid-year lows, supported by improved sentiment and earnings recovery, ending the year with positive return.

Exhibit 9: Sector Performances 2025 (%)



Source: Bloomberg

2

Sector Performance 2025 – Plantation Lead, Healthcare Lags

Plantation (+8.8%) and REITs (+7.0%) outperformed in 2025, while Healthcare (-35.9%) and Tech (-14.5%) were the weakest sectors, dragging overall market performance lower.

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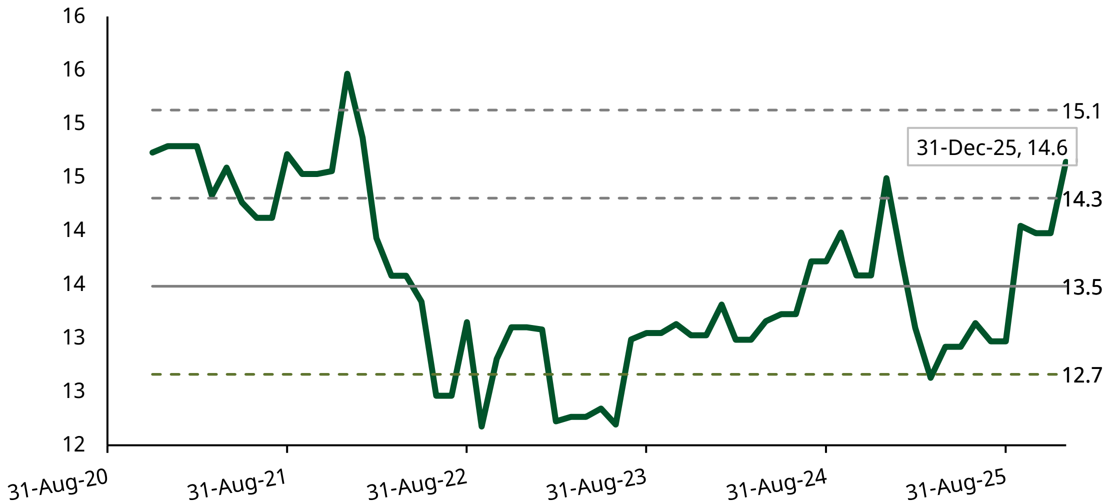
Exhibit 10: KLCI's FY26 PER (x)

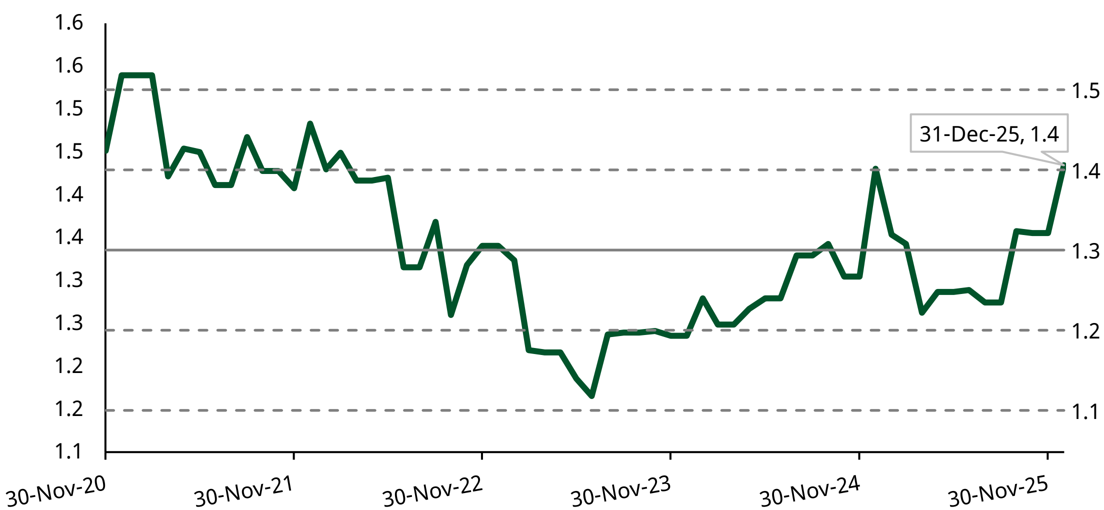


Source: Bloomberg

3 **The KLCI's valuation is valued above the 5Y mean.**

The KLCI trades at a FY26 PER of 14.6x (5Y range 11.2x to 17.4x, 5Y mean of 13.5x).

Exhibit 11: KLCI's FY26 PBR (x)



Source: Bloomberg

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

The KLCI trades at a FY26 PBR of 1.4x (5Y range 1.2x to 1.9x, 5Y mean 1.3x).

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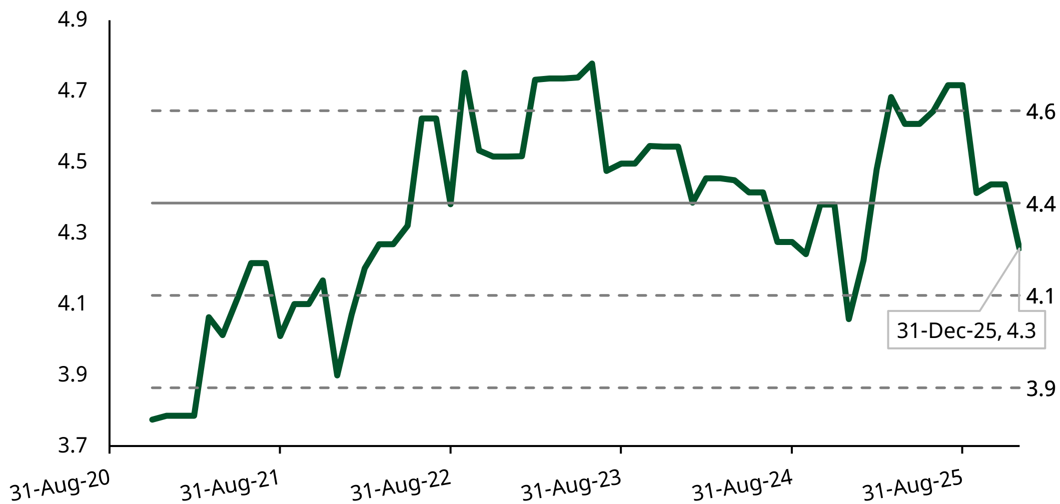
Exhibit 12: KLCI's FY26 DY (%)

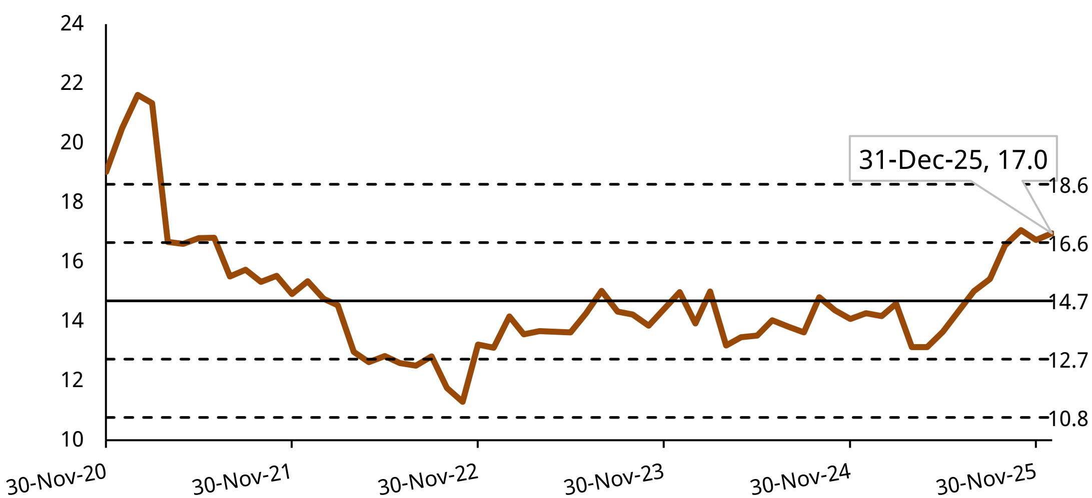


Source: Bloomberg

5 **The KLCI dividend yield is attractive.**

The KLCI trades at a FY26 DY of 4.3% (5Y range 2.1% to 4.7%, mean of 4.4%). The appealing dividend yield is likely to support share prices.

Exhibit 13: MSCI AxJ Index's FY26 PER (x)



Source: Bloomberg

6 **Asia ex Japan is above historical averages.**

The MSCI AC Asia ex Japan index trades at a FY26 PE of 17.0x (5Y range 11.3x to 21.6x, mean of 14.7x).

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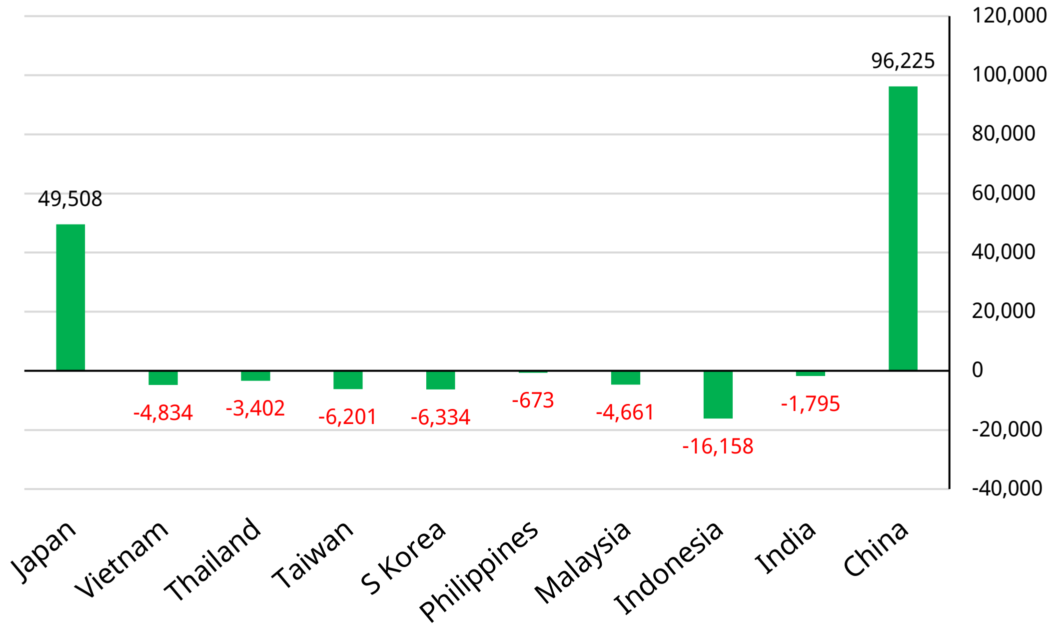
Exhibit 14: Selected ASEAN Markets (Net USD mil)



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

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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.

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