Astute
Fund Management

Portfolio Manager's Views

Investment Team

February 2026

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1. Executive Summary

1 **Special Feature: What is the historical behavior of the KLCI?** (Refer to page 3-4)

2 **Global markets stayed resilient despite Fed uncertainty,** as Kevin Warsh's nomination triggered a reassessment of U.S. policy and lifted short-term volatility, yet markets held firm. The dollar weakened, with the DXY down 1.5% to 97.9, while gold rallied +24.1% MoM after an earlier 9.7% pullback. Global ex-US equity funds saw ~USD 15.4bn of inflows (the largest in over four years), with MSCI EM up 8.9% versus the S&P 500's 0.5%. This EM-driven rotation is constructive for Malaysia as investors diversify away from the U.S.

3 **KLCI began 2026 on firm footing,** rising four weeks to 1,740 (+3.6% MoM) as the ringgit strengthened 2.9% to RM3.94/USD and foreign investors returned with +RM1.06bn inflows in January (vs -RM2.0bn in Dec), lifting foreign shareholding to 19.2%; FBM70, up 4.2% MoM, looks more attractive with projected CY26 earnings growth of 12.0% versus KLCI's 7.3%, supported by resilient domestic consumption, Visit Malaysia 2026, and structural policies NETR, NIMP 2030 and the 13th Malaysia Plan.

4 **The FBM KLCI valuations are undemanding** with FY26 PER 15.2x (10-yr 12.4x–21.7x), PBR 1.5x (10-yr 1.1–1.9x), and forecasted DY 4.1% (10-yr 2.7%-5.3%). Consensus 2026 KLCI earnings growth is projected at 7.3%. We have exposure to domestic-oriented stocks and avoid companies which are at risk from the tariff related uncertainty.

Feature: FBM KLCI Corrections

We examined KLCI performance from 2014–2025 and periods of volatility

Exhibit 1: KLCI index from 2014 to 2025.

Source: Bloomberg

1 KLCI averages 2.4 corrections per year.

The 12-year KLCI review shows the KLCI regularly experiences an average of 2.4 corrections annually.
These recurring downcycles provide useful context for assessing where the market currently sits relative to historical norms.

Exhibit 2: Findings from the KLCI identified corrections

Number of corrections identified	29
Average change (%)	8.2
Average duration (days)	58
Average corrections per year	2.4
Average gap between corrections (days)	90

Source: Astute Fund Management Berhad

2 Corrections averaged 8.2% and typically occur every 5 months.

Historically, each correction had an average magnitude of 8.2% and prevail every five months (12 months/2.4 times = 5). When they set in, the downturn typically develops and persists over a span of two months.

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Exhibit 3: Overview of KLCI major corrections since 2014

Source: Bloomberg

3 Most years experienced significant downcycles exceeding 6%.

In most of the years analyzed, the market experienced at least one correction exceeding 6%. This pattern indicates that pullbacks are rarely mild; most corrections are significant enough to dampen portfolio performance.

Exhibit 4: KLCI current rally

Source: Bloomberg

4 The current rally has extended well beyond than the 5-month gap.

The ongoing uptrend has already run for 10 months, delivering a 22.4% gain. This duration stands well beyond the average 5-month gap between past corrections, which contradicts with the historical behavior.

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Appendix

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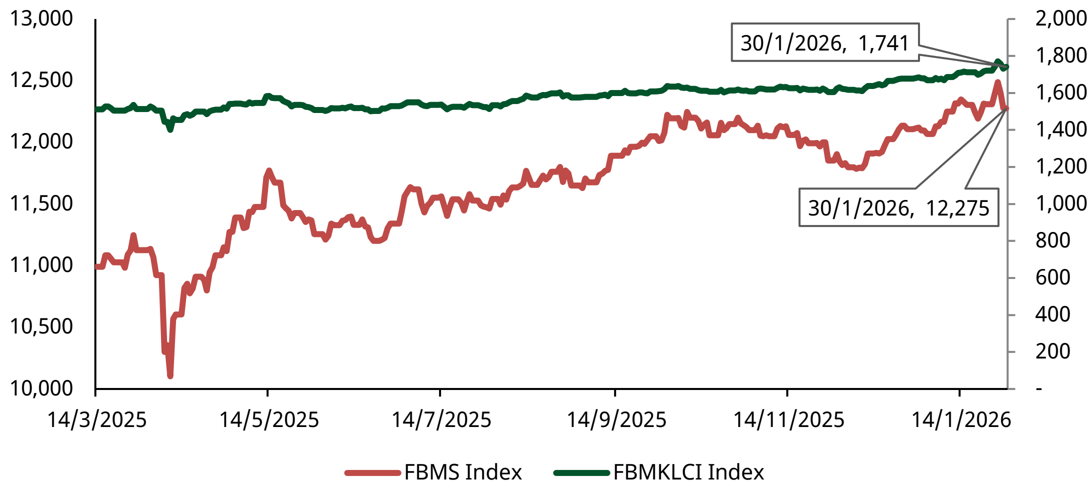
Appendices

Exhibit 5: KLCI & Shariah Index

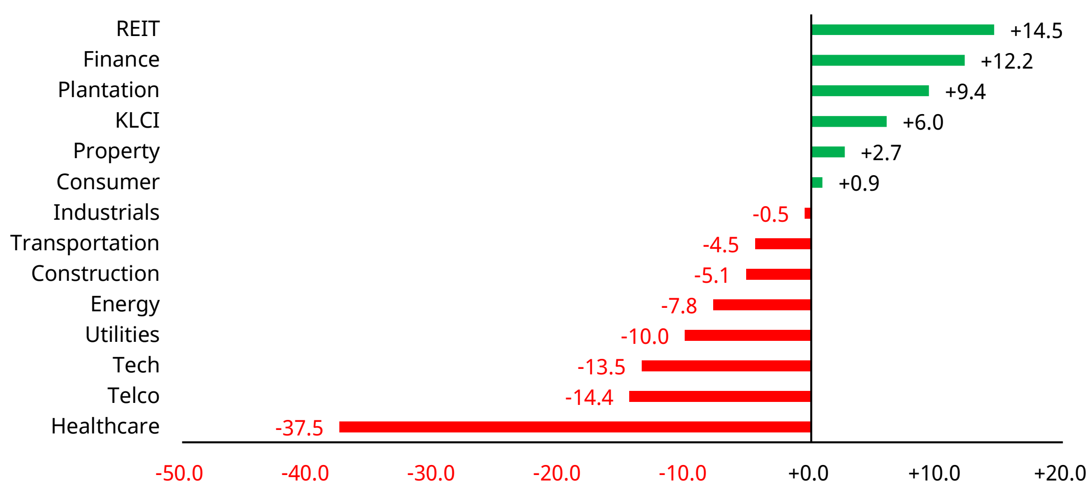


Source: Bloomberg

1 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 6: Sector Performances 2026 (%)



Source: Bloomberg

2 Sector Performance Jan-26 – REITs Lead, Healthcare Lags

REITs (+14.5%), Finance (+12.2%), and Plantation (9.4%) were top performers in Jan-26, while Healthcare (-37.5%) was the main underperformer.

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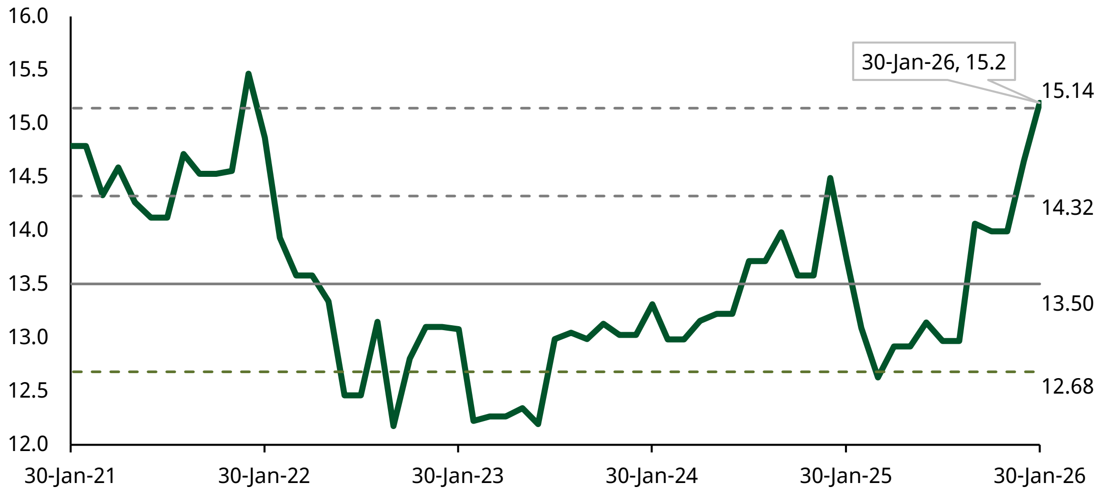
Exhibit 7: KLCI's FY26 PER (x)

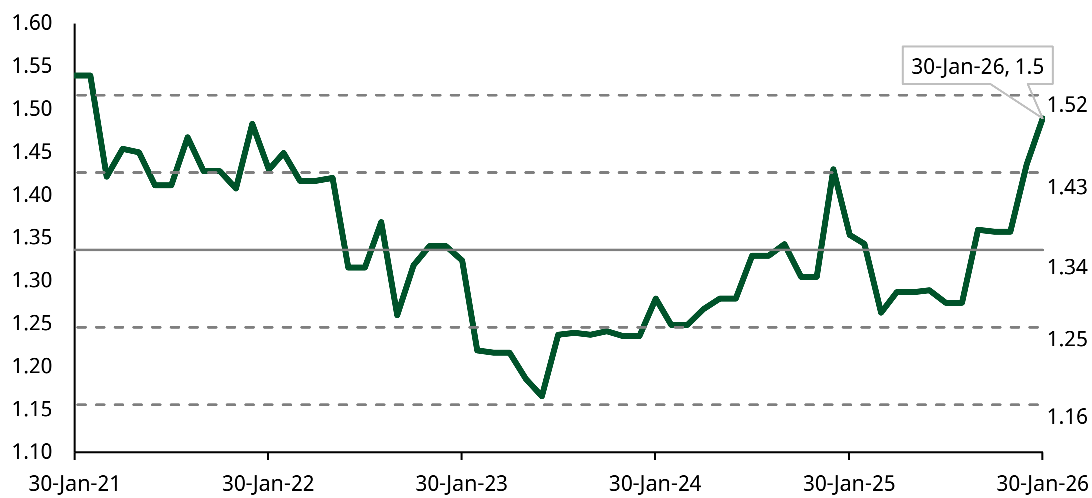


Source: Bloomberg

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

The KLCI trades at a FY26 PER of 15.2x (5Y range 12.2x to 15.5x, 5Y mean of 13.5x).

Exhibit 8: KLCI's FY26 PBR (x)



Source: Bloomberg

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

The KLCI trades at a FY26 PBR of 1.5 (5Y range 1.2x to 1.5x, 5Y mean 1.3x).

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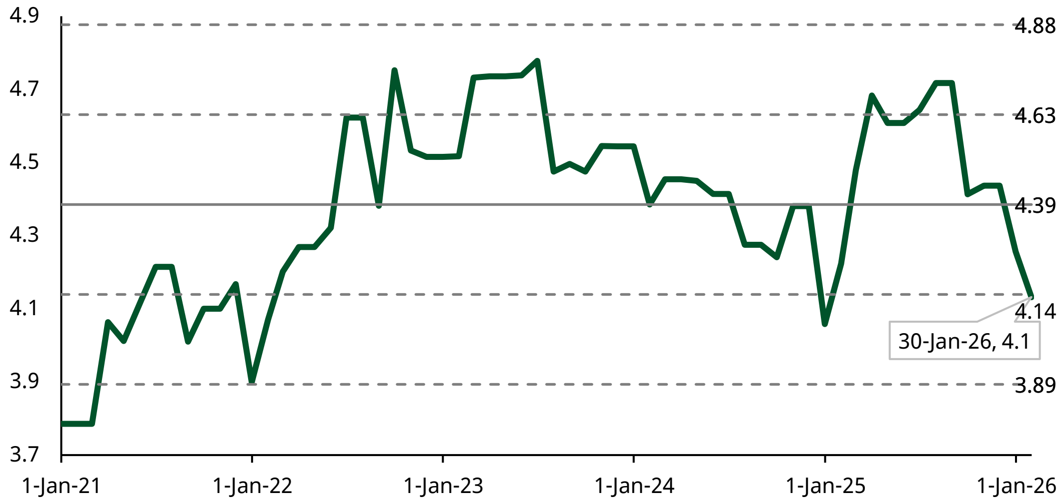
Exhibit 9: KLCI's FY26 DY (%)

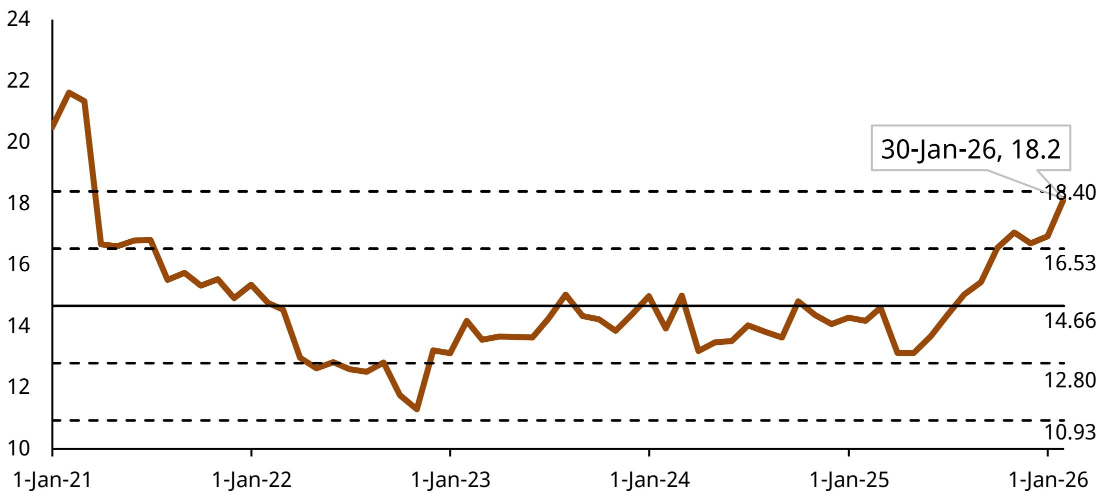


Source: Bloomberg

5 The KLCI dividend yield is attractive.

The KLCI trades at a FY26 DY of 4.1% (5Y range 3.8% to 4.8%, mean of 4.4%). The appealing dividend yield is likely to support share prices.

Exhibit 10: 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 18.2x (5Y range 10.9x to 21.6x, mean of 14.7x).

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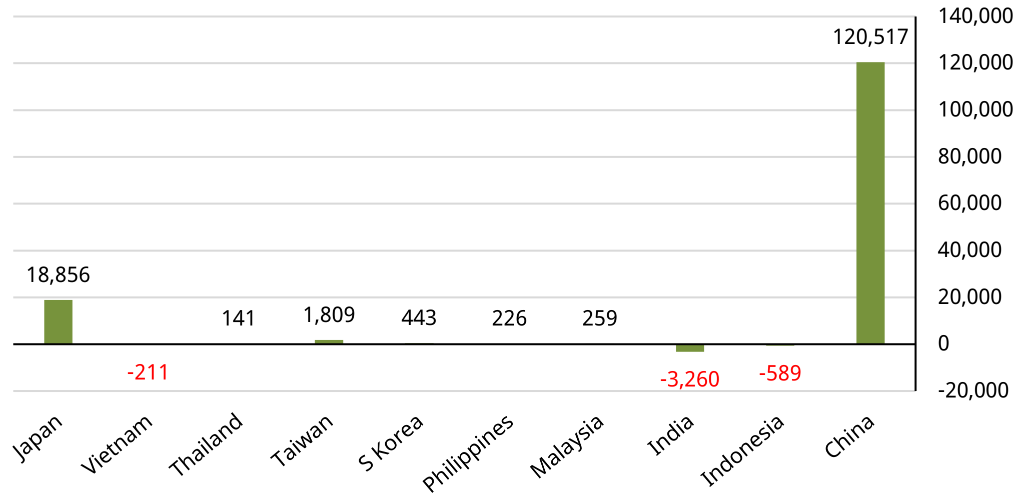
Exhibit 11: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg, data as of 30 January 2026, China's data is as of 31 December 2025.

7

Inflows were the highest in China and Japan.

Overseas investors turned net buyers in most Asian countries focusing manly on China (US$120.5b) and Japan (US$18.9b), while Outflows persisted in India, Indonesia, and Vietnam.

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