

# Portfolio Manager's Views

We turn buyers on weakness

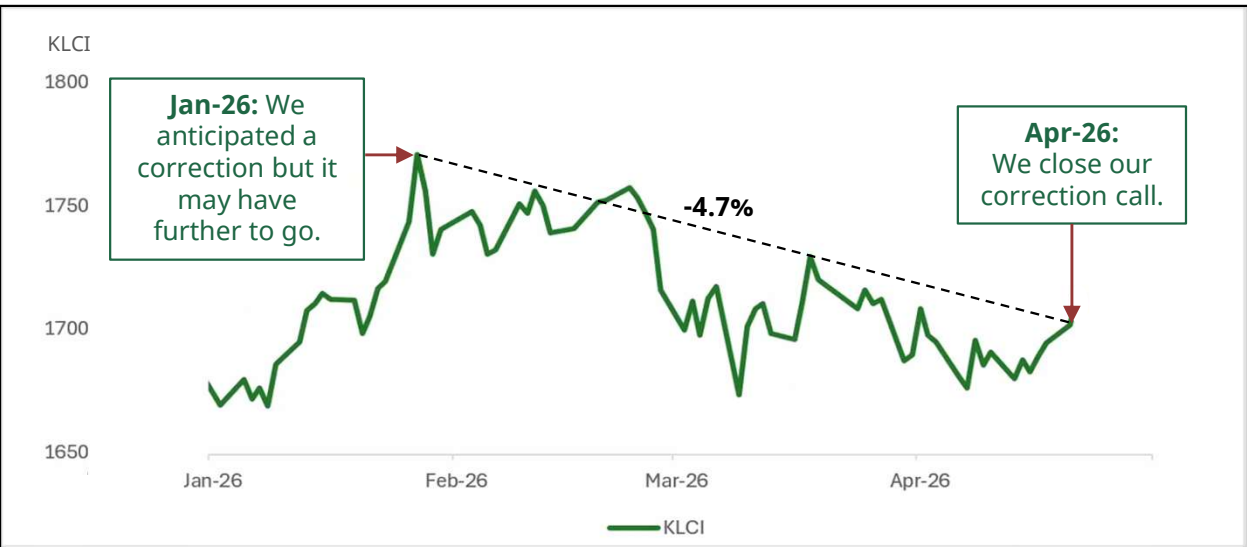


21 April 2026

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# Feature: Correction at tail-end, buy on weakness

Exhibit 1: KLCI



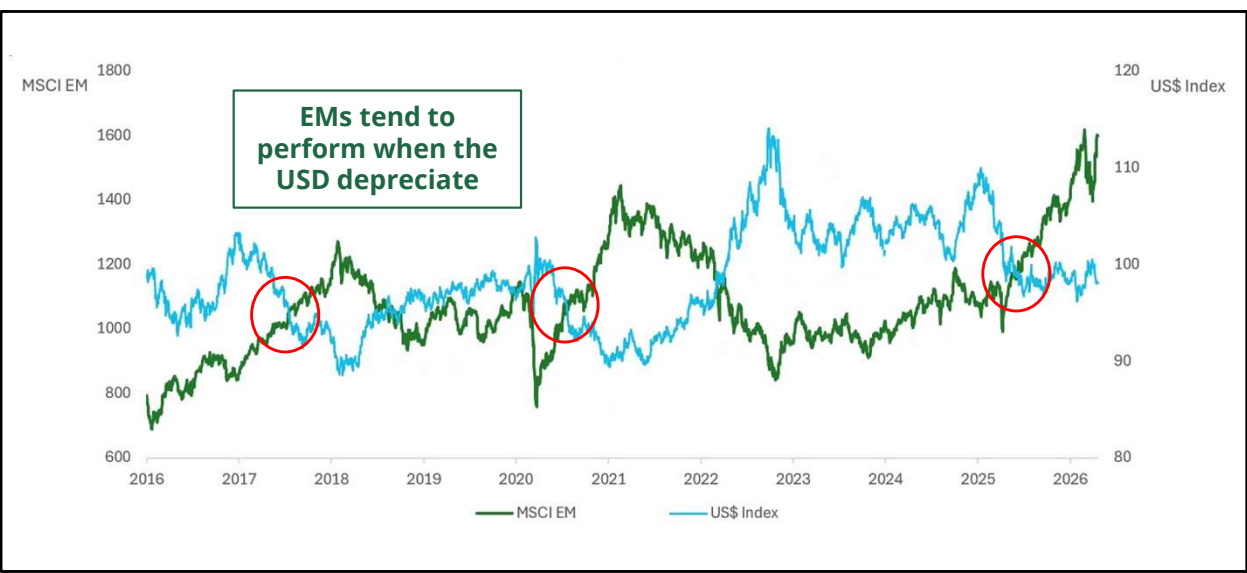
Source: Bloomberg @ 15.4.2026

**1 The KLCI has corrected 4.7% from its peak on 27 Jan 26.**

Since 30 Jan 2026, we have expected a potential correction following an extended market rally since Liberation day on 2 Apr 2025. The expected correction has played out in our view.

We now close our correction call and turn more constructive on the market. We are net buyers on weakness. The rationale is outlined below.

Exhibit 2: US\$ Index vs MSCI EM



Source: Bloomberg @ 17.4.2026

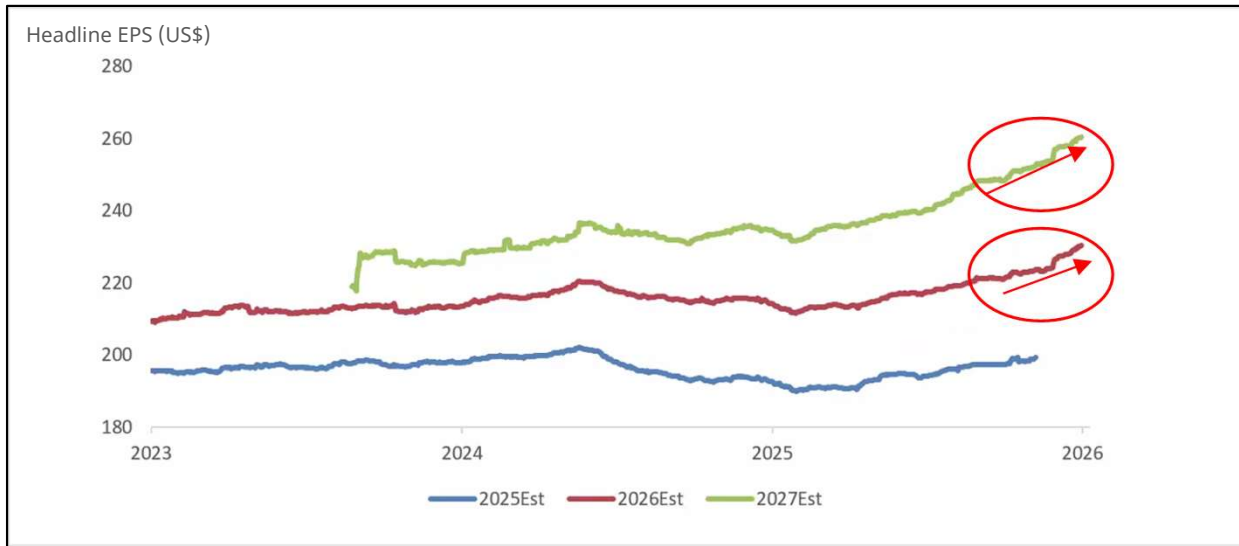
**2 Weaker USD is supportive for EM equities.**

With signs of de-escalation in the Iran conflict, USD weakness can be expected to resume.

A weaker USD is supportive for Emerging Market (EM) equities. It draws inflows into the region and is positive for their currencies and monetary conditions. This supports their equity market performance.

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Exhibit 3: MSCI World 2026 and 2027 EPS estimates in USD



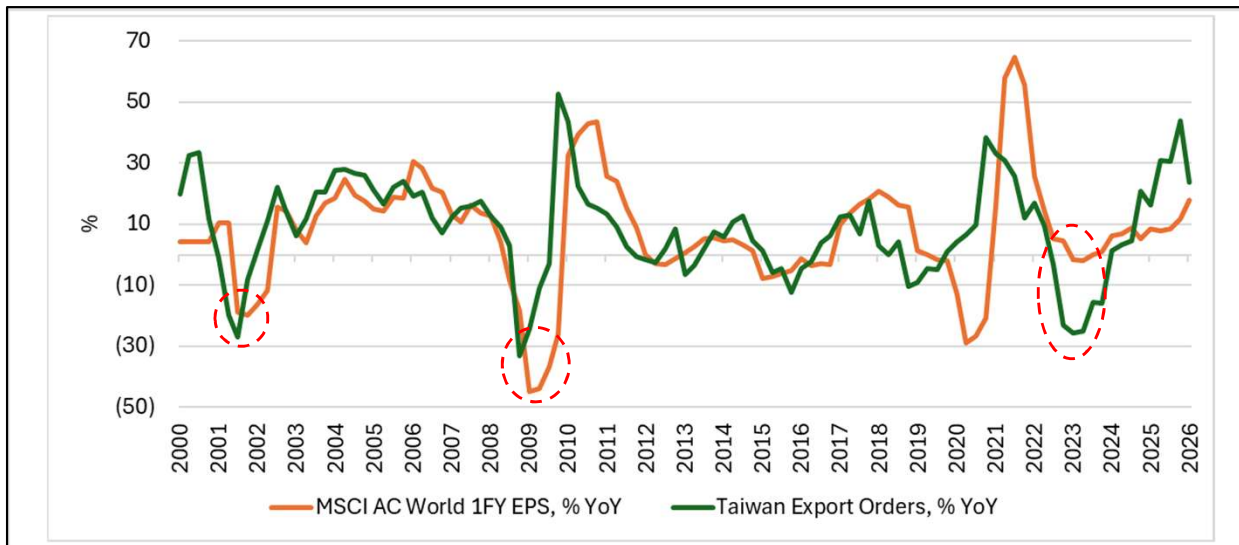
Source: Bloomberg @ 20.4.2026

**3 MSCI World earnings forecasts are being upgraded in spite of the Iran conflict.**

MSCI World 2026 and 2027 EPS have continued to move higher over the past few months.

Consensus estimates for MSCI's 2026 EPS growth stand at 15.5%, up from 12.1% as of end-Feb. Upward revisions in US earnings have supported MSCI World earnings outlook.

Exhibit 4: MSCI World EPS and Taiwan Exports, YoY%



Source: Bloomberg @ 20.4.2026

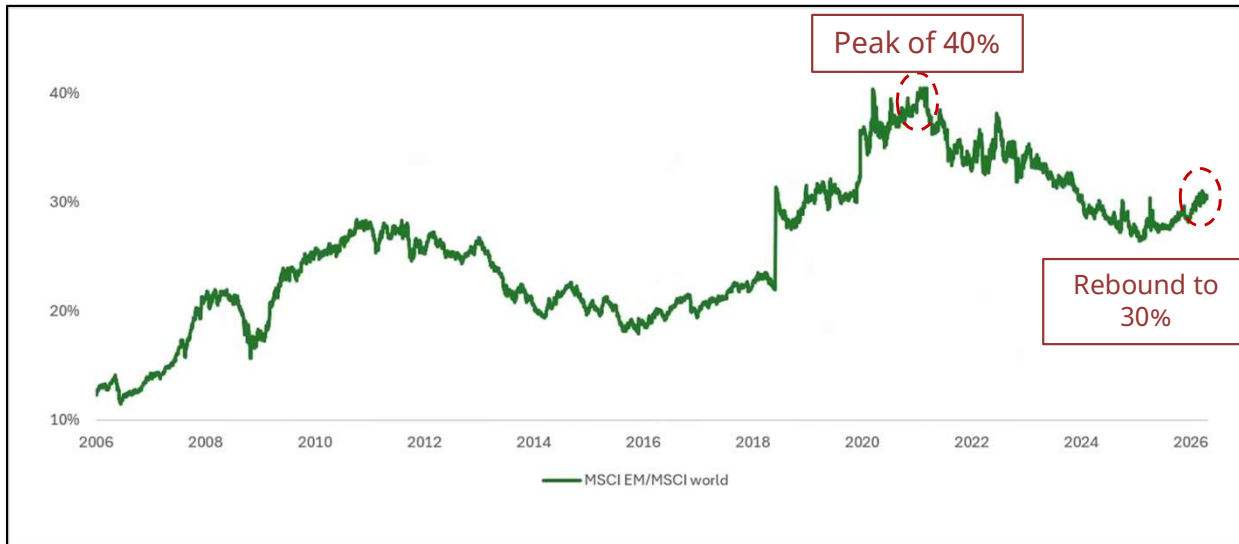
**4 Taiwan exports are correlated with earnings globally.**

Over the past 25 years, Taiwan exports have consistently led MSCI World's earnings growth (see exhibit 4).

Exports have inflected higher from -20% YoY in 2023 to +40% YoY in end-2025. This indicates a recovery ahead for global earnings.

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Exhibit 5: MSCI EM market cap/ MSCI World market cap



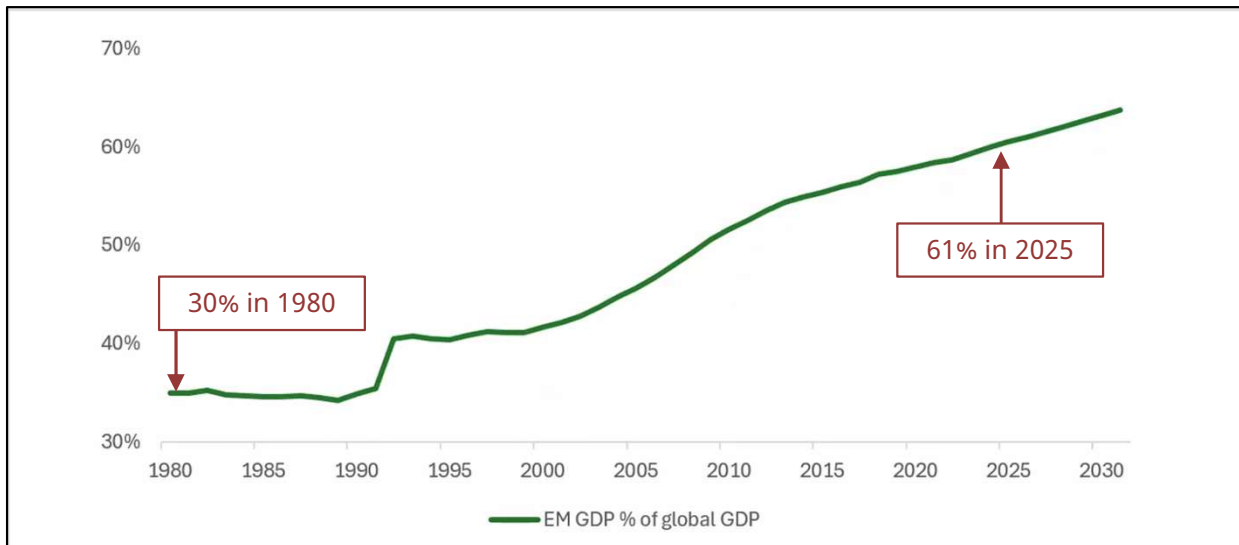
Source: Bloomberg @ 20.4.2026

## 5 EM equities remain under-owned.

EM equities still make up a relatively small share of global equity markets. MSCI EM market cap accounts for only ~30% of MSCI World's market cap.

This is below the ~40% peak seen in 2020. A move back towards these levels could drive renewed investor inflows into EM equities.

Exhibit 6: EMs GDP as a % of global GDP



Source: Bloomberg (IMF data) @ 20.4.2026

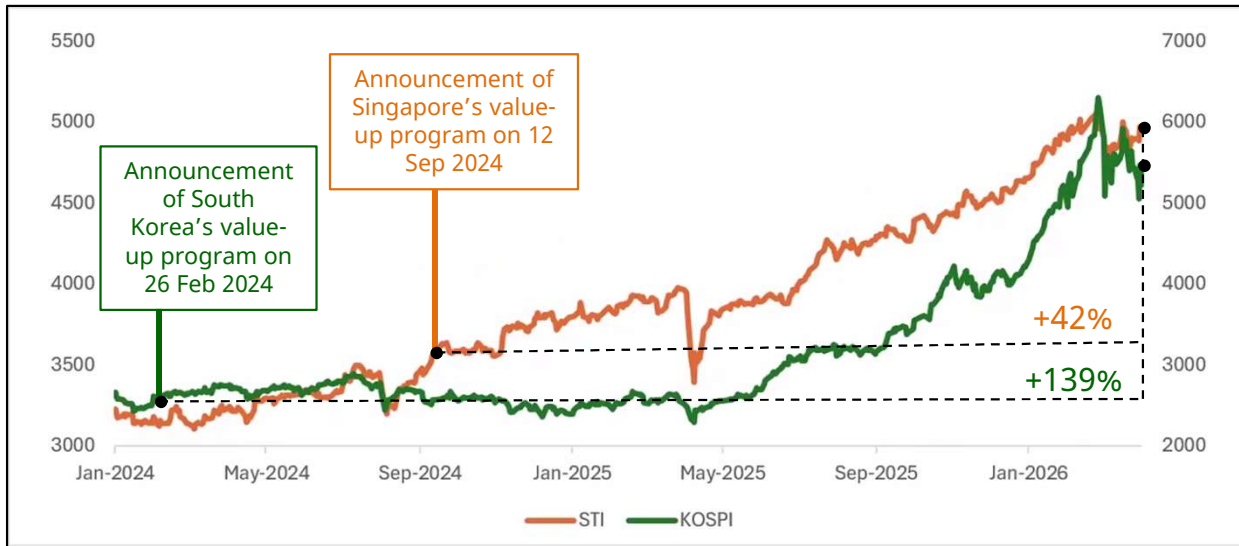
## 6 Increasing EM share of global GDP supports higher allocations.

Emerging markets are accounting for a larger share of the global economy. EM's share has risen from 30% in 1980 to 61% in 2025. IMF projections show their contribution could reach ~64% by 2032.

This reinforces the case for higher portfolio allocation to EM over time.

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Exhibit 7: KOSPI and STI



Source: Bloomberg @ 20.4.2026

## 7 MY Value Up program is a big positive catalyst.

The MY Value-Up program aims to improve governance and lift valuations of Malaysian listed companies.

Regional markets such as Korea (+139%) and Singapore (+42%) have benefited from sustained outperformance due to their government's value-up initiatives.

Exhibit 8: KLCI returns after a military conflict

FBMKLCI Index	FBMKLCI Index Returns (%)							Max Drawdown (+3m)
	Conflict	Start Date	End Date	+1W	+1M	+3M	+6M	
Iranian Revolution	7-Jan-78	11-Feb-79	1.4	2.7	14.3	46.0	43.4	-2.6
Iran-Iraq War	22-Sep-80	20-Aug-88	-10.0	3.2	7.4	33.3	0.6	-11.5
Tanker War (Persian Gulf phase)	13-May-84	20-Aug-88	-2.6	-6.4	-7.8	-24.3	-23.3	-16.9
Iraqi Invasion of Kuwait	2-Aug-90	28-Feb-91	-8.2	-11.5	-21.5	-18.6	-2.0	-25.5
Gulf War (Operation Desert Storm)	17-Jan-91	28-Feb-91	-1.6	8.3	19.0	20.3	16.9	-5.5
Iraq War	20-Mar-03	18-Dec-11	0.1	0.6	8.0	17.7	43.1	-2.5
Libyan Civil War (First)	15-Feb-11	23-Oct-11	0.6	-1.4	2.4	-0.4	3.7	-2.6
Arab Spring (oil disruptions phase)	17-Dec-10	31-Dec-12	0.8	5.0	-0.5	4.2	-2.2	-5.2
ISIS Expansion in Iraq/Syria	10-Jun-14	9-Dec-17	-0.1	0.9	-0.3	-5.9	-7.5	-2.5
Saudi-Iran Proxy Escalations (Yemen War)	19-Mar-15	Ongoing	0.5	2.0	-4.8	-7.7	-5.1	-7.3
Abqaiq-Khuras Attack Crisis	14-Sep-19	30-Sep-19	-0.2	-2.1	-1.9	-16.0	-5.6	-2.9
Russia-Ukraine War (Initial Phase)	20-Feb-14	Ongoing	0.2	-0.5	2.9	2.8	-1.1	-1.7
Russia-Ukraine Full-Scale Invasion	24-Feb-22	Ongoing	2.8	1.6	-2.7	-6.8	-7.4	-4.5
Israel-Hamas War	7-Oct-23	Ongoing	1.9	3.3	5.0	9.8	15.4	-1.6
Red Sea / Houthis Shipping Attacks	19-Oct-23	Ongoing	-0.1	1.2	3.0	7.3	14.1	-1.6
Iran-Israel 12 Day War	13-Jun-25	24-Jun-25	-1.0	1.2	5.4	7.9	12.0	-2.5
2026 Iran War	27-Feb-26	Ongoing	-0.4					
<b>Median</b>			<b>-0.1</b>	<b>1.2</b>	<b>2.6</b>	<b>3.5</b>	<b>-0.2</b>	<b>-2.7</b>
<b>Average</b>			<b>-0.9</b>	<b>0.5</b>	<b>1.7</b>	<b>4.3</b>	<b>5.9</b>	<b>-6.0</b>
<b>% times positive</b>			<b>47</b>	<b>69</b>	<b>56</b>	<b>56</b>	<b>50</b>	<b>0</b>

## 8 KLCI tends to recover within three months post-conflict.

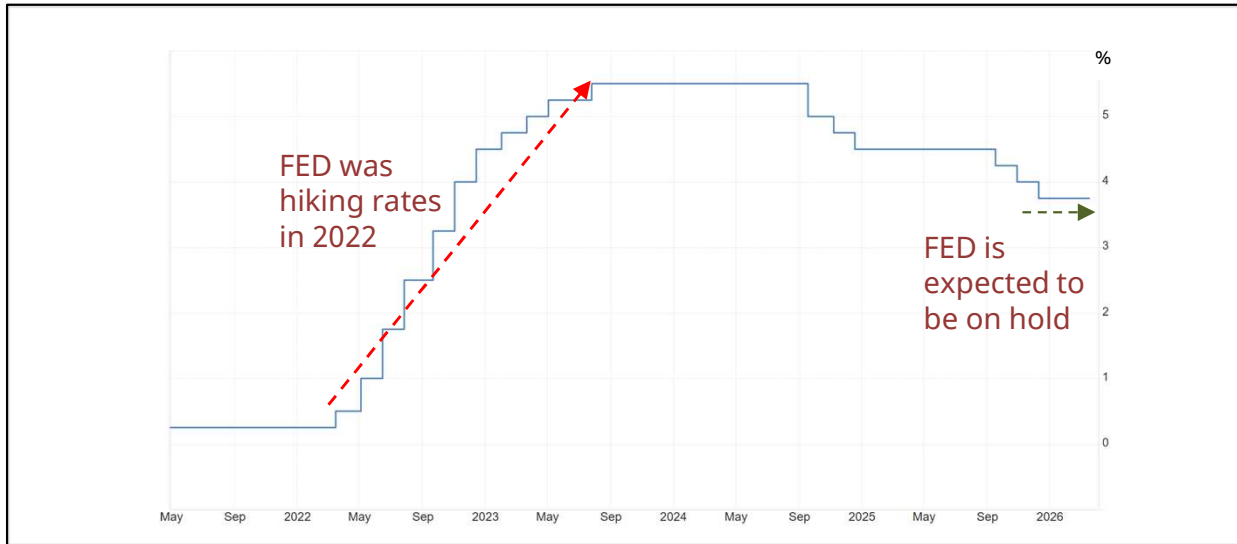
We reviewed 17 global conflicts since 1978. On average the KLCI gains ~1.7% three months after the start of a conflict.

This positions the KLCI as a resilient market to withstand the impact of global geopolitical conflicts.

Source: Bloomberg @ 25.3.2026

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Exhibit 9: US Fed Funds Rate



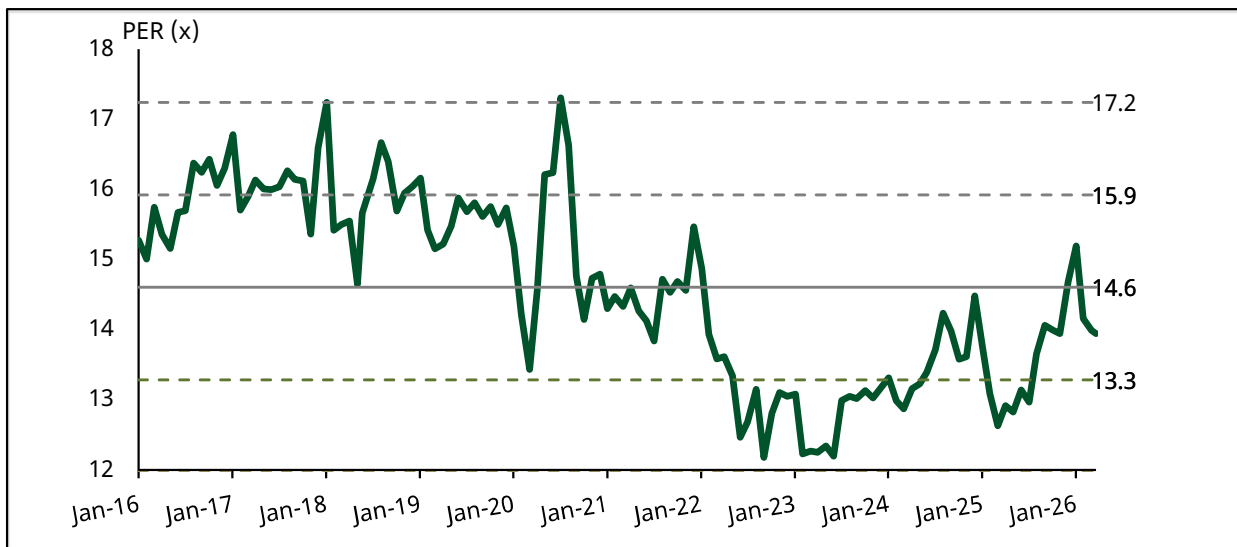
Source: TradingEconomics.com @ 20.4.2026

## 9 Fed rates have peaked relative to the 2022 tightening cycle.

In 2022, the Fed raised interest rates aggressively following the Russia-Ukraine conflict and price pressures after the Covid pandemic. This created tighter financial conditions.

The FED funds rate have since peaked this cycle and appears to be on hold with the weakening of the US labor market.

Exhibit 10: KLCI PER



## 10 The KLCI valuations are undemanding.

KLCI is trading at 14.0x for 2026. This is 4% below its 10-year mean of 14.6x (10Y range 12.2-17.2x).

We believe this is reasonable vis-à-vis market EPS growth of 5.8% and better prospects expected for EM markets in 2026.

Source: Bloomberg @ 17.4.2026

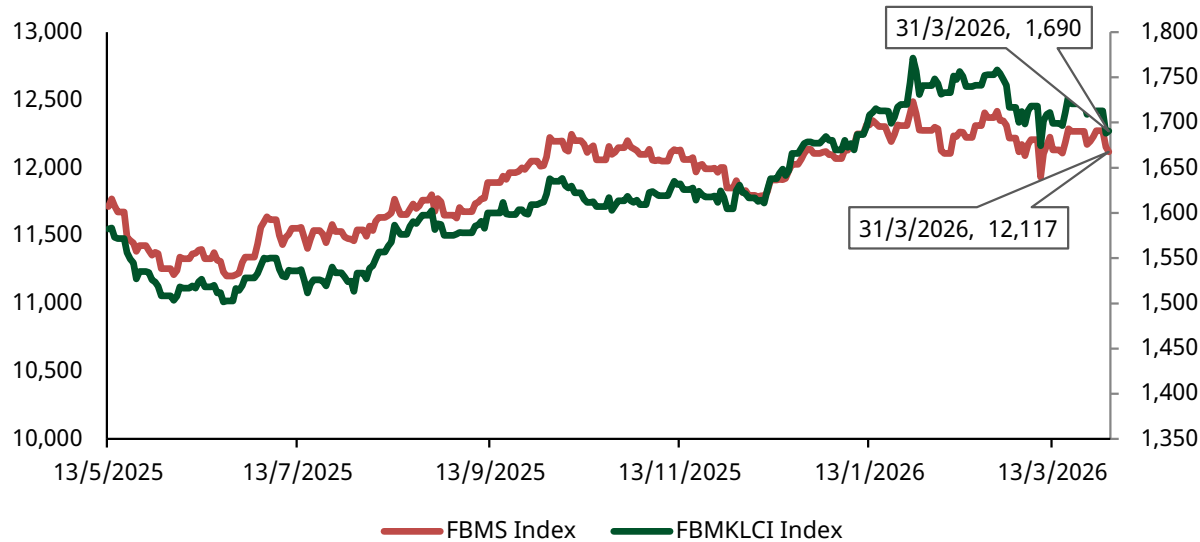
# Appendices



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# Appendices

Exhibit 11: KLCI & Shariah Index

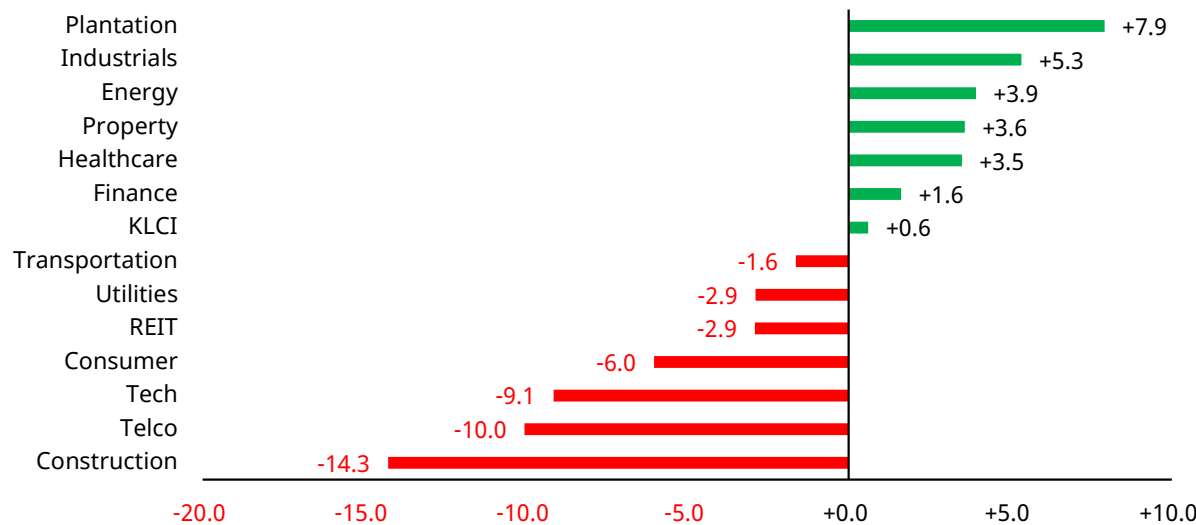


**1 KLCI started March 2025 with weak performance**

Both FBMKLCI and FBMS started weak in March 2026. Sentiment worsen as US-Iran conflict escalates.

Source: Bloomberg

Exhibit 12: Sector Performances 2026 (%)



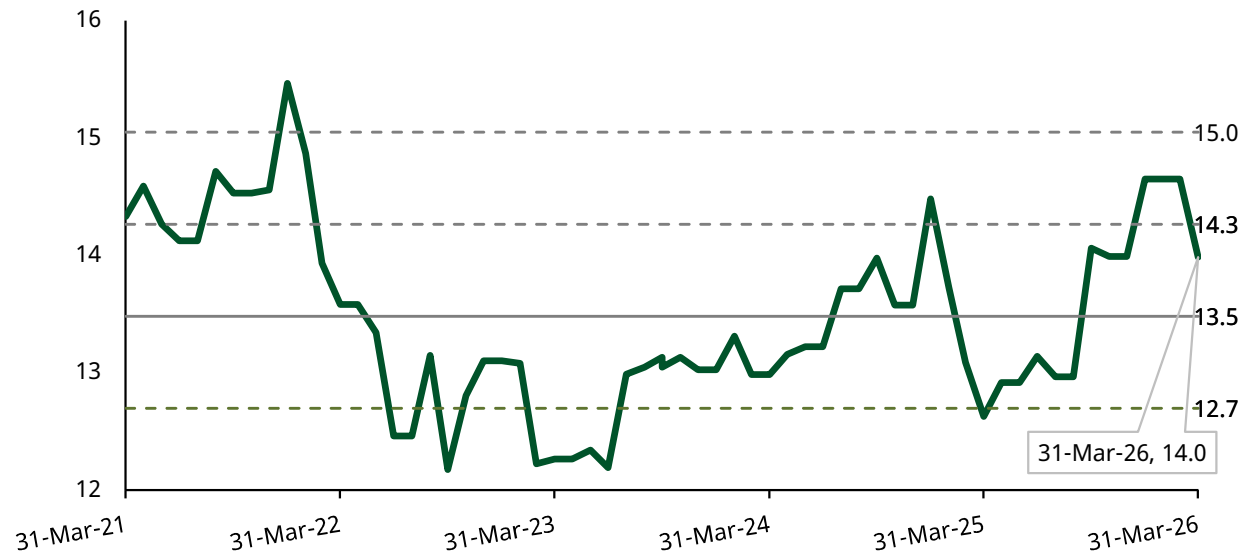
**2 Sector Performance YTD-26 - Plantation Leads, Construction Lags**

Plantation (+7.9%) and Industrials (+5.3%) were top performers YTD-26, while Construction (-14.3%) continues to underperform.

Source: Bloomberg

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Exhibit 13: KLCI's FY26 PER (x)

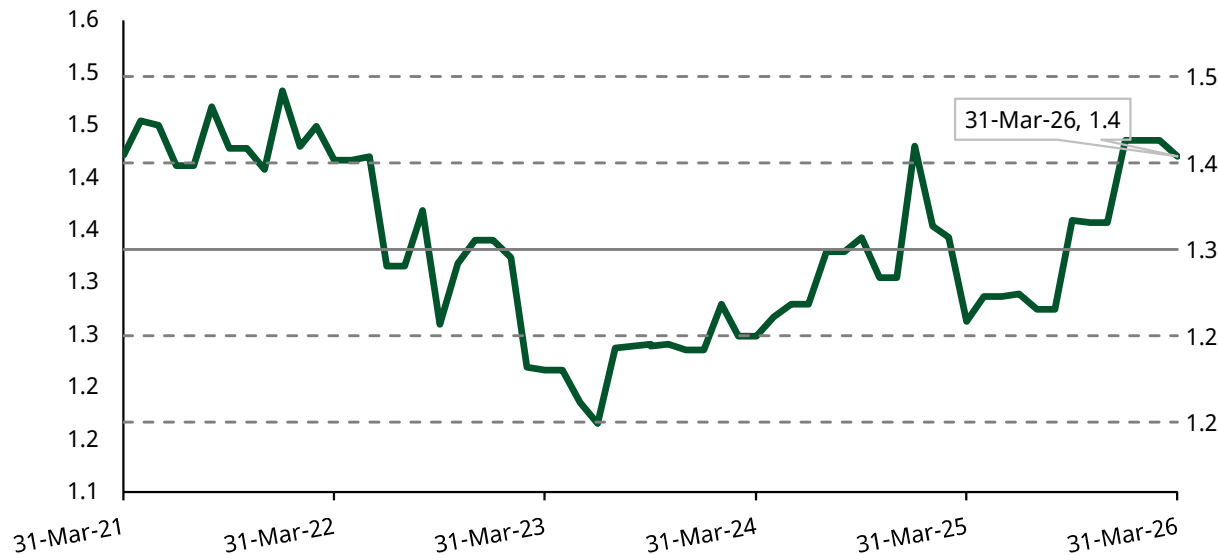


Source: Bloomberg

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

The KLCI trades at a FY26 PER of 14.0x (5Y range 12.2x to 15.5x, 5Y mean of 13.5x).

Exhibit 14: KLCI's FY26 PBR (x)



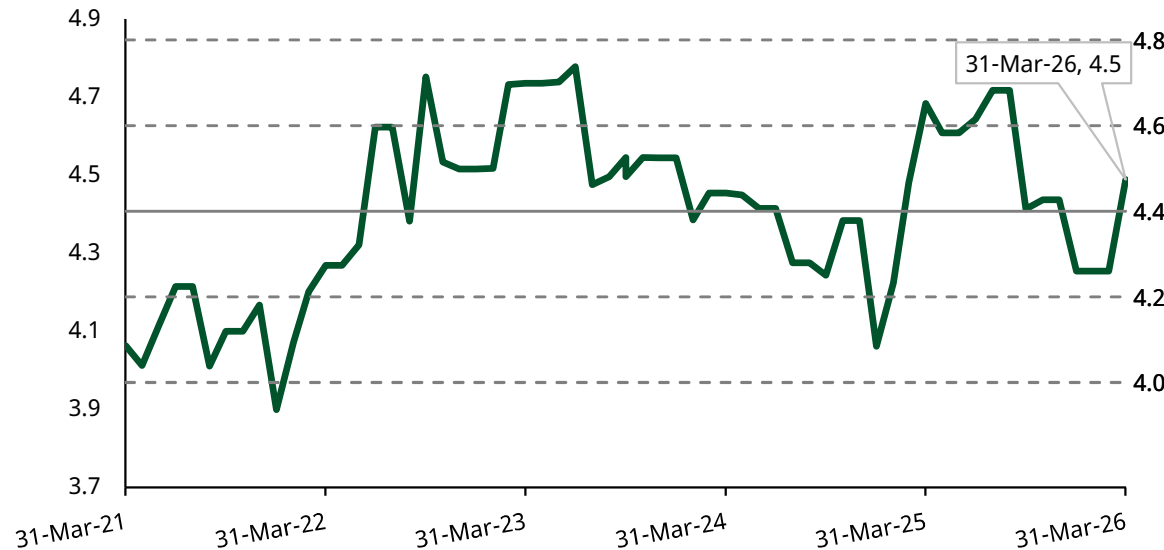
Source: Bloomberg

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

The KLCI trades at a FY26 PBR of 1.4 (5Y range 1.2x to 1.5x, 5Y mean 1.3x).

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Exhibit 15: KLCI's FY26 DY (%)

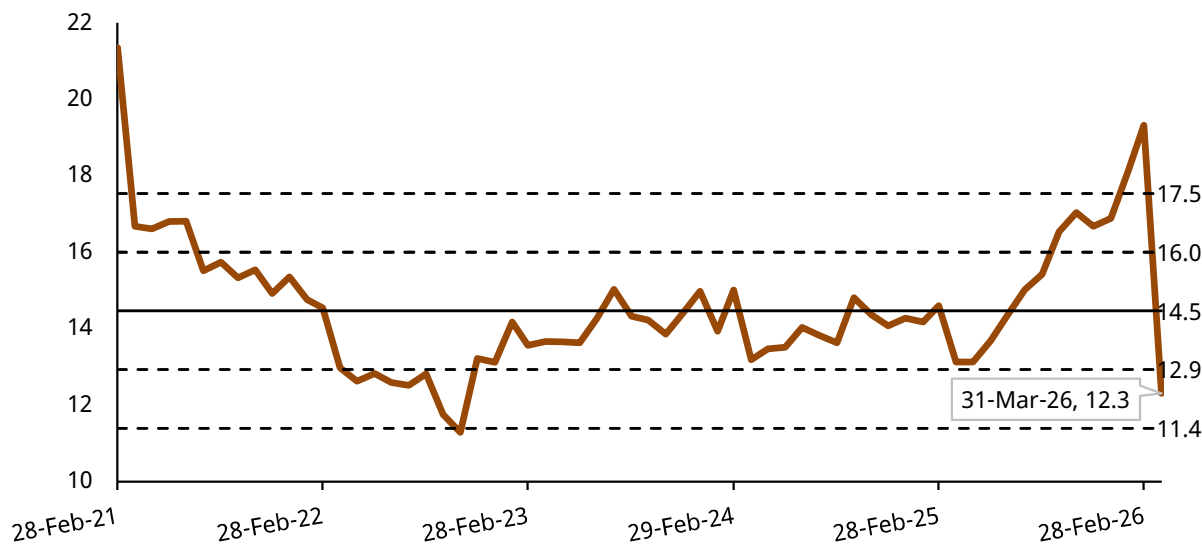


Source: Bloomberg

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

The KLCI trades at a FY26 DY of 4.5% (5Y range 3.9% to 4.8%, mean of 4.4%). The appealing dividend yield is likely to support share prices.

Exhibit 16: MSCI AxJ Index's FY26 PER (x)



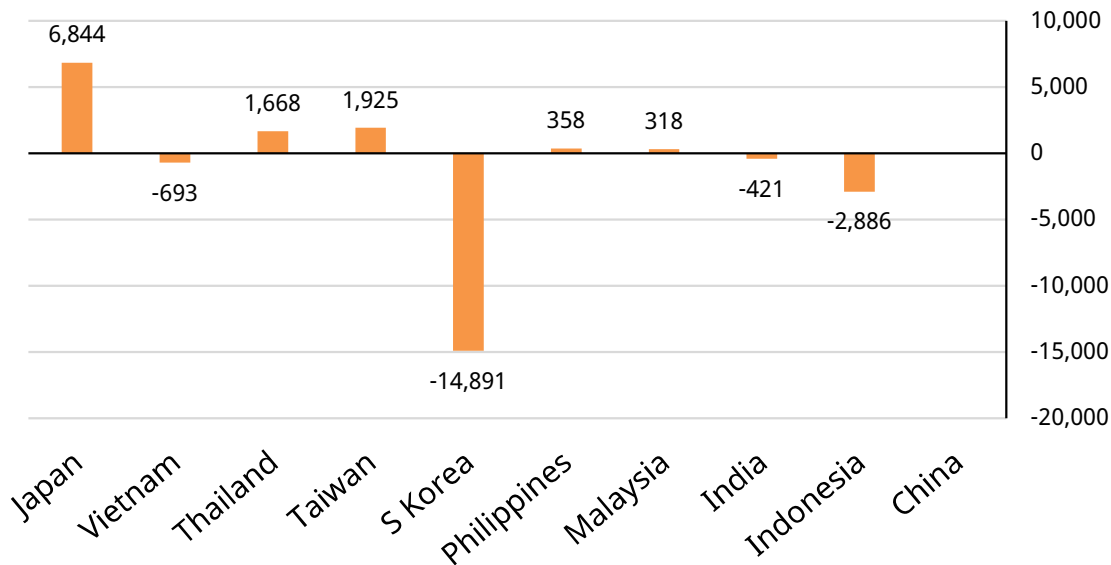
Source: Bloomberg

**6 Asia ex Japan has corrected below historical averages.**

The MSCI AC Asia ex Japan index trades at a FY26 PE of 12.3x (5Y range 11.4x to 21.3x, mean of 14.5x) amid the ongoing Middle East war.

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Exhibit 17: Selected ASEAN Markets (Net USD mil)



**7 Inflows were the highest in China and Japan.**

Overseas investors turned net sellers in most Asian countries focusing mainly in South Korea (US\$34.2b), while inflows persisted in Japan, Thailand, Taiwan, Philippines, and Malaysia.

Source: Bloomberg, data as of 9 April 2026. China's 2026 data is not available.

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