Portfolio Manager's Views

Why we like Dufu Technology Corp?

15 July 2026

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1. Executive Summary

1. **Special Feature: Why do we like Dufu?** (Refer to pages 3-6)

2. **Global equity markets pulled back slightly in Jun-26,** weighed down by a rotation out of tech into defensive sectors. The S&P 500 fell 1.1% MoM and the MSCI World Index fell 0.8% as investors grew cautious on whether US hyperscalers' USD700bn capex guidance will pay off. Macro conditions stayed tight as May CPI rose to 4.2% YoY, its fastest pace in three years, prompting the Fed to hold rates at 3.50%–3.75% while money markets shifted from pricing cuts to pricing a hike over the next 12 months.

3. **The FBMKLCI fell 1.1% MoM to its lowest close this year of 1,664 in Jun-26,** dragged by RM2.4bn in foreign outflows as foreign shareholding hit a new record low of 18.3%. Regional tech weakness and pre-election jitters ahead of the Johor and Negeri Sembilan polls kept investors sidelined. We stay constructive and net buyers on weakness, as global earnings forecasts keep getting upgraded (MSCI World 2026 EPS growth consensus now 19%, up from 12% at end-Mar) and EM equities remain under-owned.

4. FBM KLCI valuations remain undemanding, with FY26 PER of 14.7x (5Y range 12.9x–15.8x), PBR of 1.5x (5Y range 1.2x–1.6x), and a forecast DY of 4.4% (5Y range 3.8%–4.5%) [Source: Bloomberg]. We look to deploy capital opportunistically.

Feature: Dufu Technology Corp

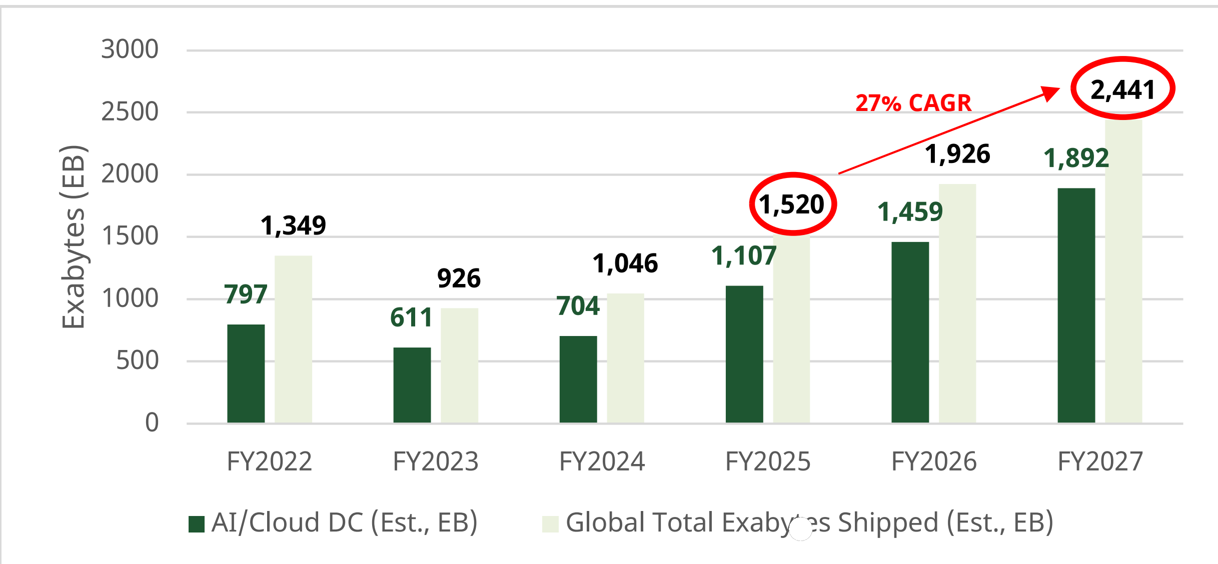
Exhibit 1: HDD

Source: Securis

1 Dufu makes the rings that hold hard disk drives (HDD) together.

Dufu's primary product is the HDD spacer, an important precision-machined metal component inside HDD. This makes Dufu a beneficiary of the increasing demand in storage capacity.

Exhibit 2: Global HDD exabyte shipments: AI/Cloud DC vs. total – FY2022–FY2027E



Source: Bloomberg, Astute Fund Research

2 AI is creating a substantial demand for data storage.

Every AI model requires enormous amounts of data to train on. This is pushing data storage capacity demand to grow at 27% CAGR from 1,520 Exabytes (EB) in 2025 to 2,441 EB in 2027 according to Bloomberg.

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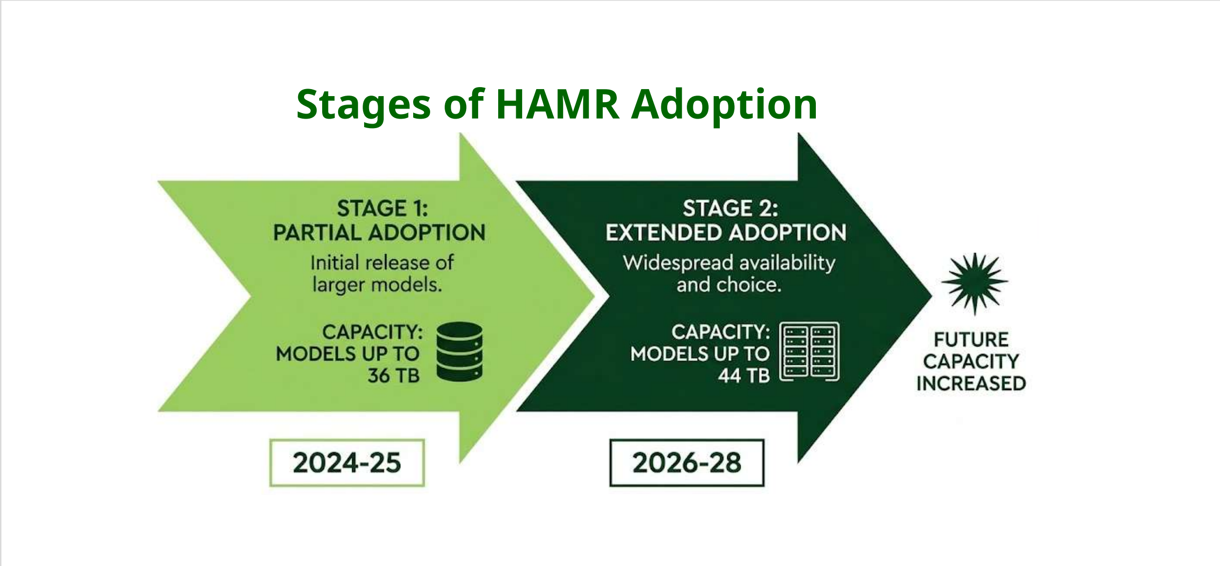
Exhibit 3: HAMR technology expected adoption timeline

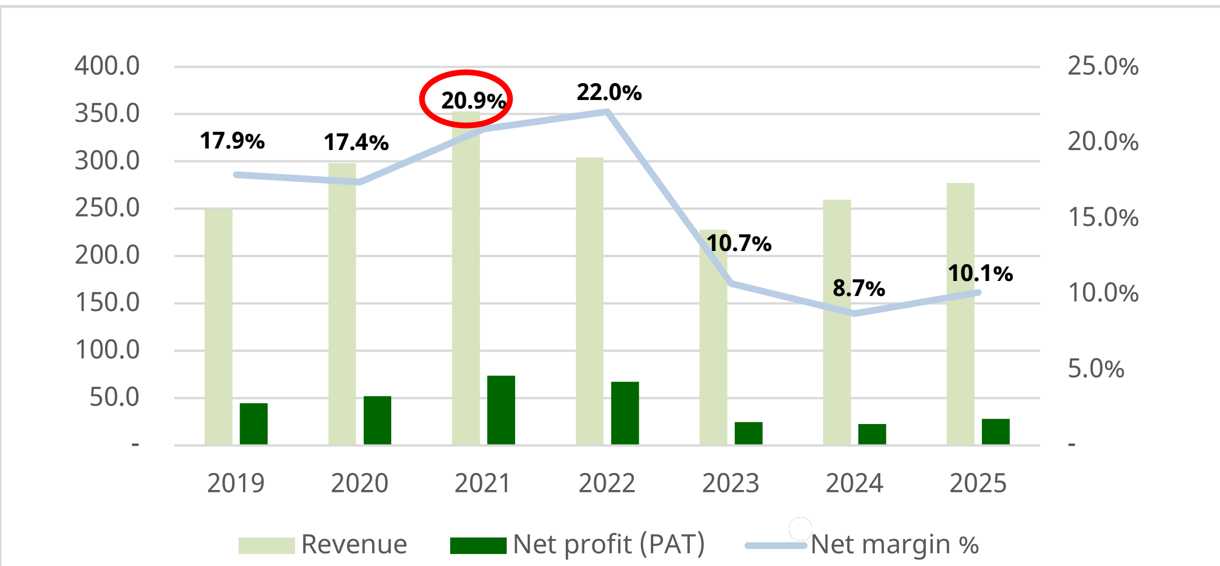


Source: Bloomberg, Astute Fund Research

3 Dufu is about to benefit from the transition to HAMR due to titanium spacers.

HAMR is a new HDD storage technology that allows manufacturers to significantly increase the storage capacity per drive. HAMR requires titanium spacers which sells at higher prices and have better margins.

Exhibit 4: Dufu's historical profitability



Source: Company

4 Earnings surged in FY21 when the industry partially switched to titanium.

Dufu's revenue surged to a record RM352 million and net profit margin hit 20.9% in FY21. We expect Dufu to rebound to these levels as HAMR adoption broadens.

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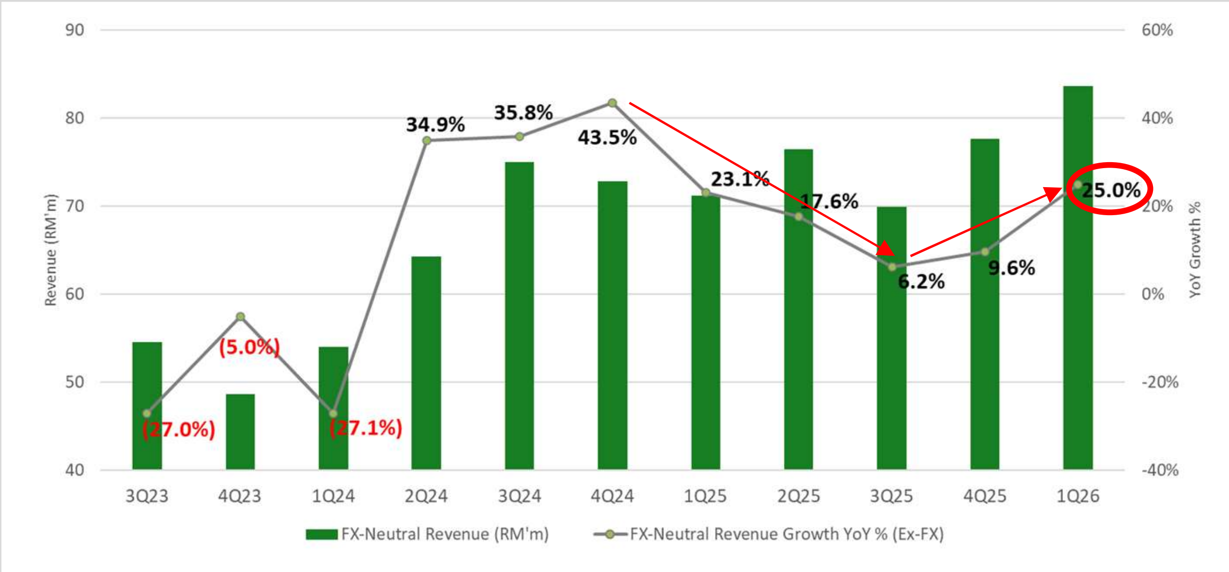
Exhibit 5: Dufu quarterly FX-neutral revenue and growth (%YoY)



Source: Company, Astute Fund Research

5 First quarter results marks FY26 as a turning point for Dufu.

Excluding forex changes, Dufu’s FY26 Q1 revenue has rebounded after a period of declining growth. This indicates that the industry is expanding the storage capacity per drive to accommodate demand before adopting HAMR.

Exhibit 6: Astute Fund Research’s financial forecasts (2026-2027)

	2021A	2025A	2026E	2027E
Revenue (RM'm)	352.7	277.0	347.1	437.5
Net profit (RM'm)	73.7	27.9	51.7	83.0
Net margin (%)	20.9%	10.1%	14.9%	19.0%
EPS (sen)	14.00	5.11	9.45	15.18
EPS growth (YoY %)			84.9%	60.6%

Source: Company, Astute Fund Research

6 We forecast Dufu’s FY27 earnings to surpass its FY21 peak.

We forecast Dufu to earn approximately RM51.7 million in core profit for FY26. We estimate net profit margin to expand 19% in FY27 due to the anticipated adoption of titanium spacers in the HDD industry.

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Exhibit 7: Dufu PE valuation

	2025A	2026E	2027E
EPS (sen)	5.11	9.45	15.18
Implied PE at RM2.35 (x)		24.9x	15.5x
Target PE (x)			20.0x
Target price (RM)			3.04
Potential upside / (downside)			29%

Source: Company, Astute Fund Research

7

Dufu’s valuations are undemanding.

Based on our FY27 forecast which captures the titanium transition, Dufu currently (RM2.35) trades at an undemanding valuations of only 15.5x PE.

Appendices

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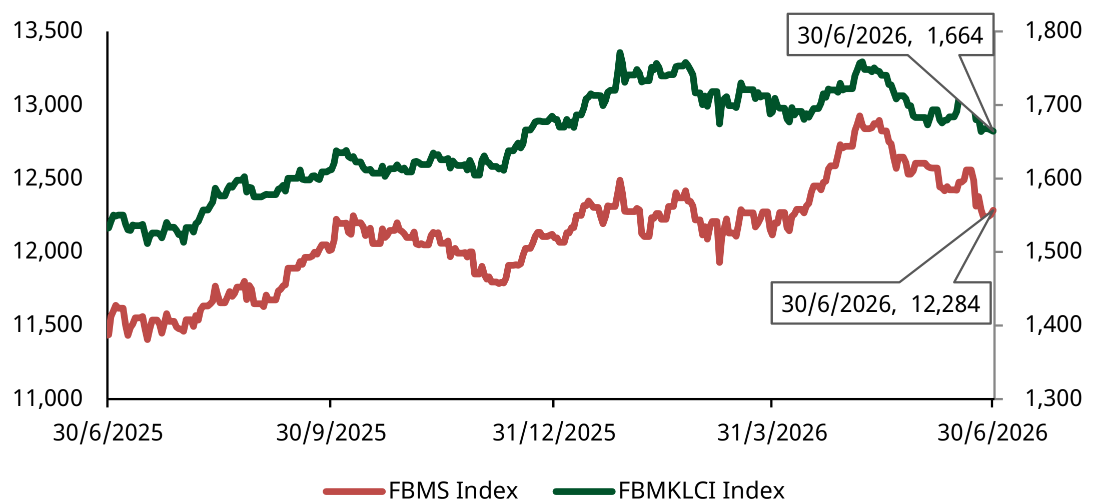
Appendices

Exhibit 8: KLCI & Shariah Index



Source: Bloomberg

KLCI rebounded in April as sentiment recovers on stronger Tech stocks performance.

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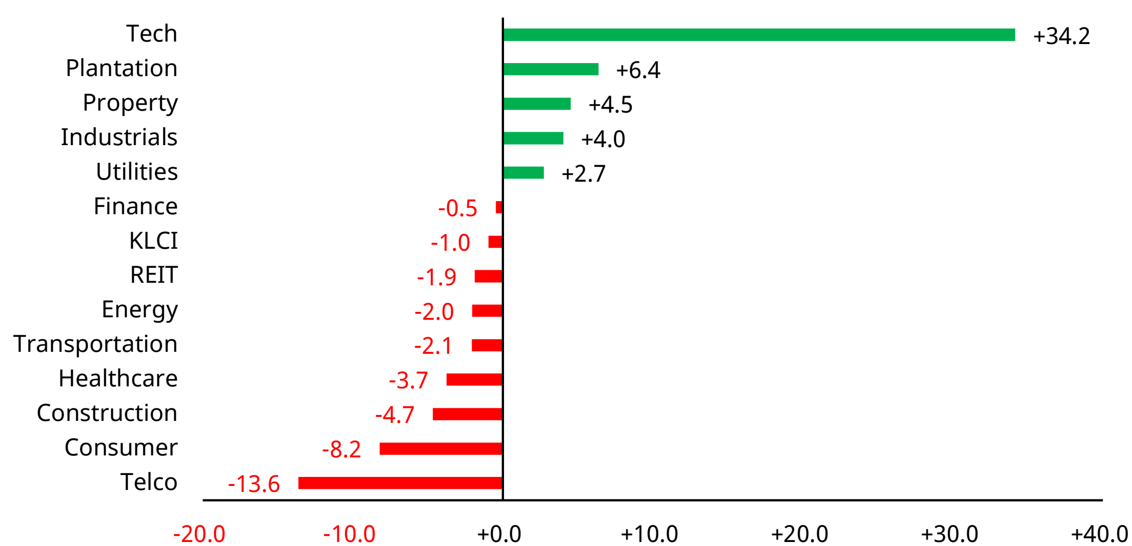
The KLCI was down 1.1% in June 2026, while the FBM Shariah stabilized on the back of tech outperformance.

Exhibit 9: Sector Performances 2026 (%)



Source: Bloomberg

Sector Performance YTD-26 – Tech Leads, Telco Lags

2

Tech (+34.2%) was the clear standout YTD-26 followed by Plantation (+6.4%), Property (+4.5%), and industrials (+4.0%). Telco on the other hand (-13.6%) was the top underperformer.

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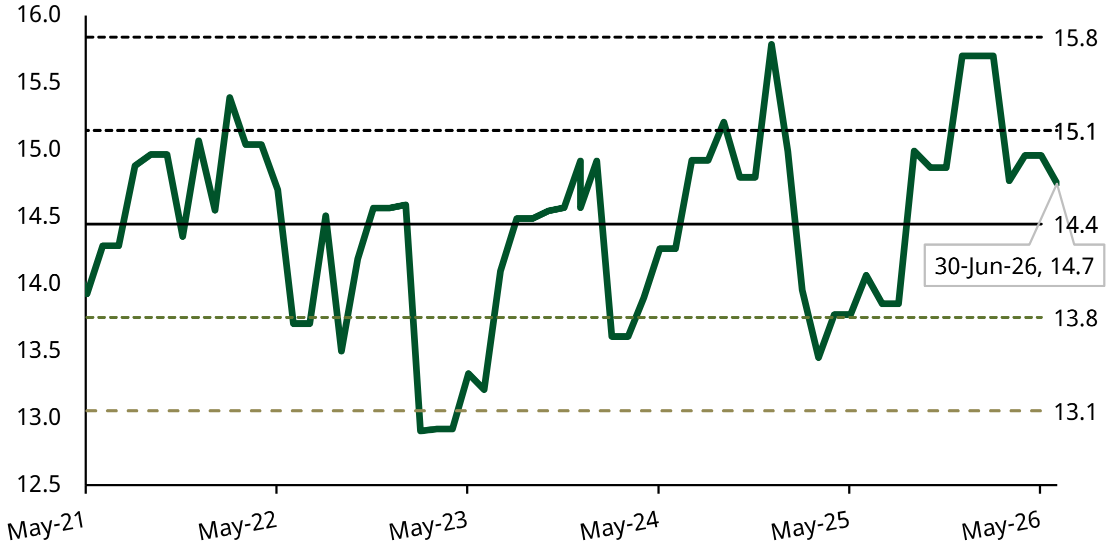
Exhibit 10: KLCI's FY26 PER (x)

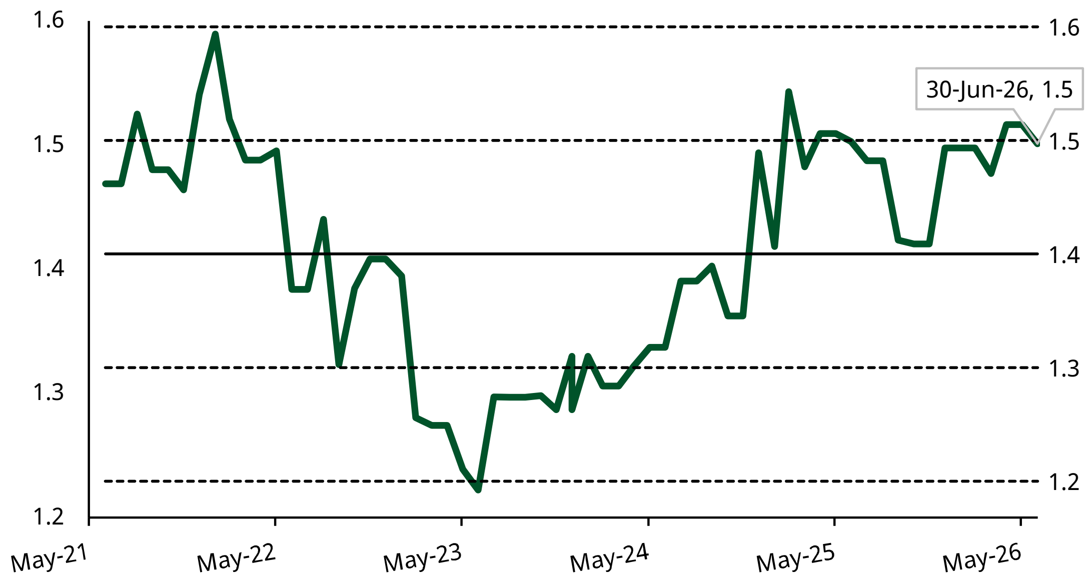


Source: Bloomberg

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

The KLCI trades at a FY26 PER of 14.7x (5Y range 12.9x to 15.8x, 5Y mean of 14.4x).

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 1.5x (5Y range 1.2x to 1.6x, 5Y mean 1.4x).

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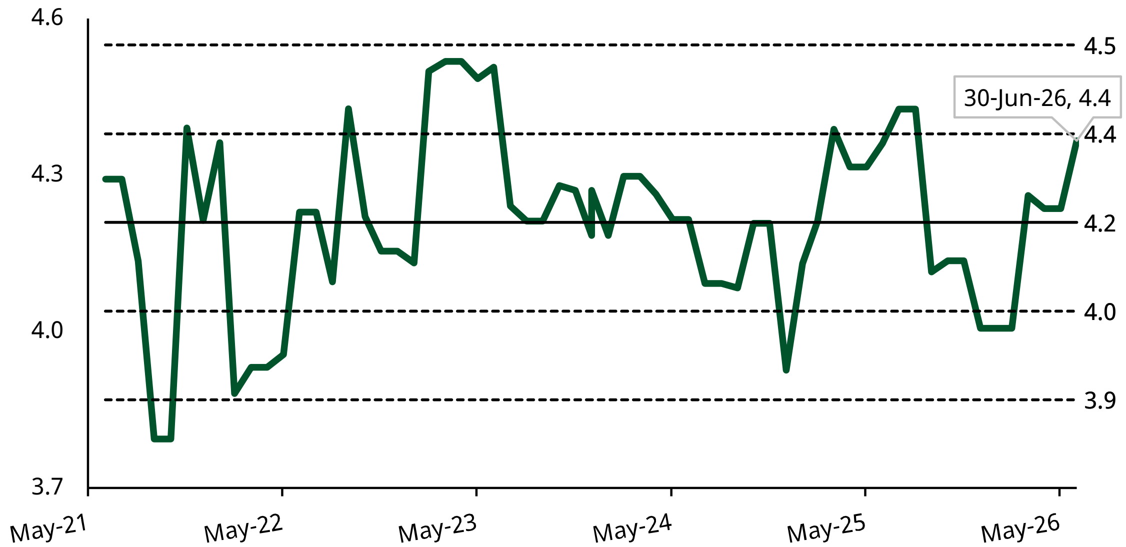
Exhibit 12: KLCI's FY26 DY (%)

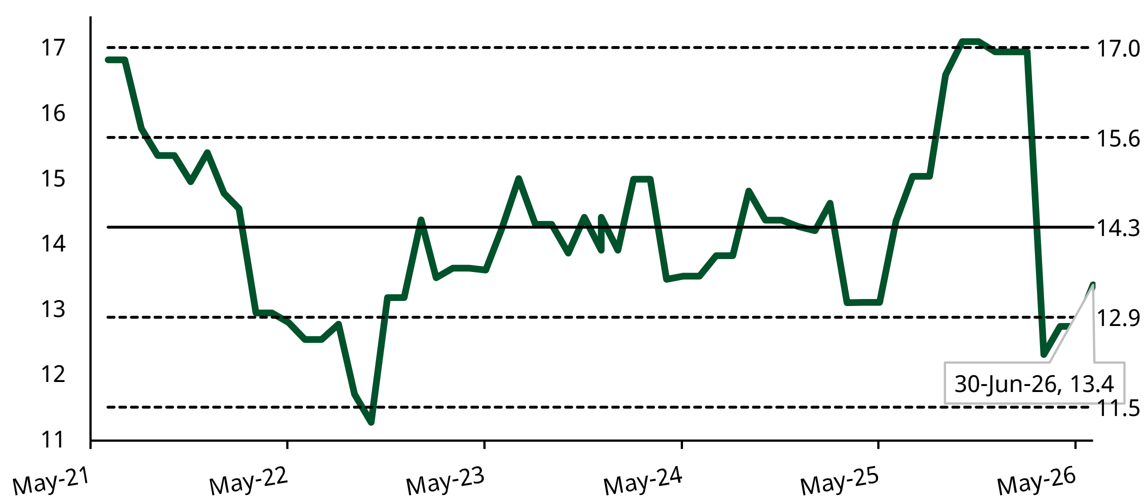


Source: Bloomberg

5 The KLCI dividend yield is attractive.

The KLCI trades at a FY26 DY of 4.4% (5Y range 3.8% to 4.5%, mean of 4.2%). 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 has corrected below historical averages.

The MSCI AC Asia ex Japan index trades at a FY26 PE of 13.4x (5Y range 17.0x to 11.3x, mean of 14.3x).

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