

Yearbook



3rd Quarter **Checkpoint**



 **AmWealth**

Group Wealth Management



Market Movers & Insights

(From the desk of the Managing Director)

It is a bit hard to believe that the World Cup was being played only a few months ago, as the world moves on so quickly. Similarly, we saw the Artificial Intelligence (“AI”)-related stocks continue to trade higher as they delivered earnings, even while there were heart-stopping and market circuit breaker events – the **Korean market had 10, yes TEN circuit breakers** in July 2026, due to the drawdowns that occurred with the large technology companies listed there, namely Samsung Electronics and SK Hynix. Even some of the World Cup penalty shootouts were less nerve-racking.

Despite heightened volatility, **the uptrend and broadening of the AI play** is occurring. The announcement by **Apple that they will raise prices immediately** due to higher memory prices was a key indicator that things have really changed. Even the MacBook Neo which was launched in March 2026 had a price increase of US dollar (“USD”)100 (from USD599 to USD699) in a mere 3 months. Apple is such a strong buyer that its suppliers usually never raise prices unless they provide an upgraded component. This price increase illustrates the strong AI related demand for memory chips, even though they are considered as commodities. It also implies that **inflation will remain elevated**. Interestingly, Apple’s share price corrected on the day it announced the price increase, but it has since rebounded and is now the largest stock by market capitalisation in the world, surpassing Nvidia.

Whilst the US-Iran war continues to broaden, the world seems to be less concerned about energy prices due to actions by **central banks in raising rates**. Crude oil has surpassed USD100/barrel, and it is now likely to remain high for the medium term. This implies that **inflation will remain elevated** and together with other price increases, e.g. by Apple, we are in an era where prices will be higher for longer. This was one of the reasons the US Federal Open Market Committee (“FOMC”) raised interest rates in September 2026 after keeping rates unchanged for close to two years. More importantly, **confidence that the US Federal Reserve (“Fed”) would remain independent** was reinforced with this rate hike. Another **25 basis points (“bps”)** hike by the end of this year is likely.

At home, in Malaysia, **Gross Domestic Product (“GDP”) growth has been strong at 6.0%** in the second quarter of 2026 (“2Q2026”), surpassing expectations while inflation has been kept in check, at 1.9% in August 2026, helped by subsidised fuel. We also benefit from the technology boom driven by AI infrastructure spending.

The last quarter of 2026 is where we should look out for **significant events**. With the US-China trade truce expiring, will it be extended? The US Mid-Term elections will be held in early November 2026 and there is a significant chance that the Democrats could have a majority in Congress. China will be having its meeting for its top-level leaders in late October 2026. Locally, Prime Minister Anwar Ibrahim will be announcing Budget 2027 on 9 October 2026.

Rates are expected to be higher for longer. For those with ample liquidity, do begin to lock in higher yields gradually. Specifically for the United States of America (“US”), the higher for longer rates and the affirmation of the independence of the Fed has **strengthened the USD** and such strength is expected to persist in the short term.

Risk assets, particularly **equities, continue to reach new highs** and of note is that there is now **clearly rotational play**, not only by countries but also within sectors. Hence diversification is recommended. **Our preference is for the US**, as its technology sector is well poised to continue to benefit from the AI rollout, especially with widespread adoption by industries and increased usage by individuals. We also expect the two key Asian nations, **Taiwan and Korea** (both of which have had returns of 60% each Year-to-Date (“YTD”)) to continue to perform, albeit at a more moderated rate, on the back of the AI infra buildout.

Closer to home, **China is looking very attractive as valuations are increasingly attractive** with the drawdowns that have occurred. Aside from artificial intelligence (“AI”), China’s 5-year plan will benefit infrastructure players, especially in energy and communications.

For Malaysia, we will continue to reap rewards from our competitive advantage in the technology sector, in which we have an established ecosystem. In addition, we are expecting a rakyat friendly budget.

Diversify your investments. While we remain positive, we also expect **volatility to remain. At AmWealth**, with our continued engagement with you on your investment portfolio, we will **ride this rising but volatile market environment together.**



Goh Wee Peng

Managing Director,
Group Wealth Management
AmBank Group



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GROUP WEALTH MANAGEMENT SOLUTIONS

Reliable Income. Remarkable Possibilities.

Strategy	Design	Solutions
Accumulate Targeted Yield 4-5% p.a.	Designed to preserve and anchor wealth through disciplined allocation and lower volatility investments. Ideal for investors prioritising capital stability while staying invested. Key Focus • Capital Preservation • Portfolio Stability • Defensive Growth	AmBond Fund: Diversified fixed income portfolio focused on steady returns and lower volatility. AmDividend Income Fund: Quality dividend-paying companies providing potential income and stability. TA US Balanced Fund: Balanced exposure to equities and bonds for moderate long-term growth.
Monetise Targeted Yield 6-8% p.a.	Built to turn accumulated wealth into a reliable income engine, combining regular distributions with diversified income sources across asset classes. Key Focus • Income Generation • Cash Flow Consistency • Yield Enhancement	AmGlobal Dividend Fund: A quality tilted strategy seeking to generate consistent cashflows. AHAM WS Income Fund: Global income opportunities across bonds, equities and alternatives. RHB Asian Income Fund: Asian-focused income strategy with diversified yield sources.

Build

Targeted Yield
>10% p.a.

Designed for investors seeking to **grow and compound wealth over the long term** through higher-return opportunities and thematic growth exposure.

Key Focus

- Capital Growth
- Compounding Returns
- Long-Term Wealth Creation

AmChina Enterprises High Income Fund: Higher-yield strategy with growth potential from Chinese markets.

Principal Nasdaq Premium Equity Premium Income: Income overlay on a technology strategy, improving overall risk-reward balance

Structured Investments: Tactical opportunities offering enhanced income, growth participation, or market-entry solutions.

Important: The targeted yield is not guaranteed and may not be achieved. Actual returns may vary, and investors may lose part or all of their invested capital. Investors should carefully consider the basis and assumptions underlying the targeted yield, together with the relevant fees and product-specific risks, before investing.



MACRO DEVELOPMENTS

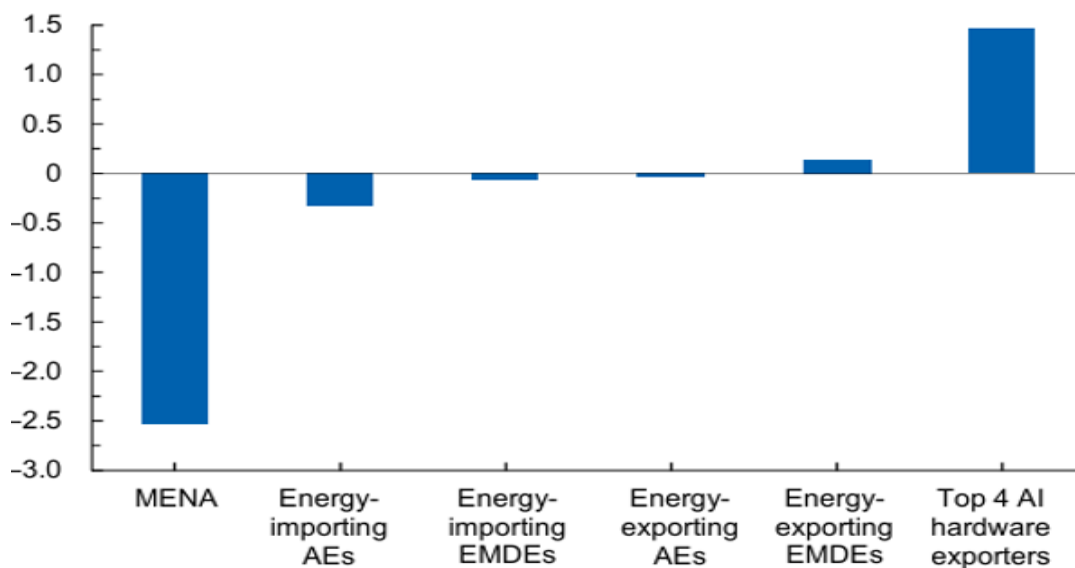
Global

Global Growth



The International Monetary Fund (“IMF”)’s latest July 2026 World Economic Outlook projects global growth at 3.0% for 2026 and 3.4% for 2027, broadly unchanged on a cumulative basis compared to the forecasts in April 2026 of 3.1% for 2026 and 3.2% for 2027. The expected growth remains lower than the average of 3.5% observed in 2024-2025. The modest slowdown versus 2024-2025, reflects the accelerated AI demand-driven momentum in the global technology cycle partly offsetting the negative effects of the war in the Middle East.

IMF Growth Revision in July 2026 from April 2026 by percentage points



Source: IMF World Economic Outlook – July 2026.

Note: MENA = Middle East and North Africa, AEs = advanced economies, EMDEs = emerging market and developing economies, AI = artificial intelligence

The impact is expected to vary widely based on an economy's exposure to the war and its position in the technology value chain. Energy exporters outside the conflict zone benefit from favourable terms of trade, whereas economies plugged into the technology-led upturn experience stronger activity even if they are energy importers. In contrast, activity weakens for energy importers with limited participation in the technology value chain, a group that includes many low-income countries.

Malaysia is relatively well insulated from the current geopolitical backdrop as a net energy exporter, reducing its vulnerability to sharp energy price shocks. In addition, Malaysia is among the world's top AI hardware exporters, alongside Korea, Taiwan, and Thailand, positioning it to benefit from the ongoing AI investment cycle. These factors should support growth, with GDP on track to exceed 5.0% in 2026.

China, which is a major net energy importer, is more exposed to higher global energy prices, which, along with structural headwinds and uncertainty, is expected to weigh on activity in 2026 and beyond. However, China's integration into the global technology value chain and its strong position in AI-related manufacturing provide a significant offsetting boost. China's growth is expected at 4.6% for 2026 and 4.1% for 2027.

The US benefits from higher global energy prices due to its net energy exporter status. GDP growth is supported by fiscal policy, accommodative financial conditions, and continued technology-related investments. The US is a leader in AI-related business investment that has been a strong growth engine this year.

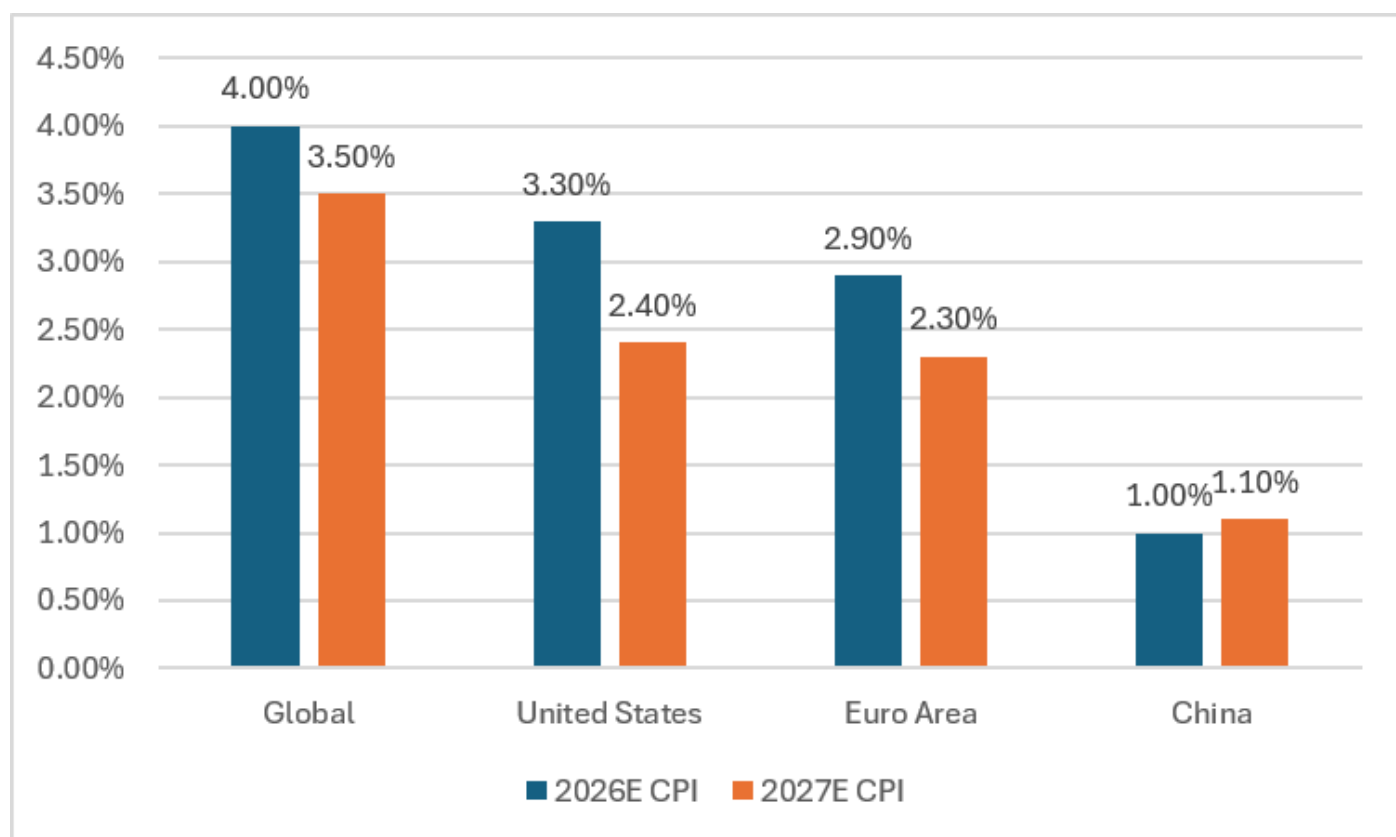
Global Inflation

The global disinflation trend that began in early 2024 has stalled. The IMF revised its global headline Consumer Price Index ("CPI") forecast upward to 4.7% in 2026 from 4.1% in 2025 before an expected easing to 3.9% in 2027, still nearly double most central bank targets. The Middle East conflict, particularly disruptions to the Strait of Hormuz have been the dominant supply-side shock of 2026. Brent crude tested levels above USD125/barrel in late April before easing to a trough of USD72/barrel at the start of July 2026 reflecting the ceasefire diplomacy at the time but prices have since rebounded sharply to above USD100/barrel that is well above pre-war levels of USD65-70/barrel. The IMF's reference forecast assumes Brent averages c. USD82/barrel in 2026 and c. USD75/barrel in 2027.

Global inflation is expected to rise to 4.4% in 2026 before declining to 3.7% in 2027, influenced by renewed commodity price pressures, firmer inflation expectations and tighter financial conditions. This increase is primarily driven by geopolitical and energy-related pressures. 2026 represents a re-acceleration from the 3.43% recorded in 2025, before resuming its downward path in 2027.



Global inflation is expected to rise in 2026 before declining in 2027, but emerging markets to see inflation persistence.



Source: Bloomberg (as of 14 September 2026).

Bloomberg also highlights a scenario of gradual but uneven disinflation, where advanced economies converge toward targets by 2027, while emerging markets remain the key source of global inflation persistence, amplified by energy and geopolitical risks.

Currently, downside risks to growth include prolonged Middle East conflict, deeper geopolitical fragmentation, renewed trade tensions (US tariffs of 10–12.5% on 60 economies) and disappointment over AI-driven productivity gains. Meanwhile, potential upside drivers include de-escalation of the Middle East conflict, faster AI productivity realisation and a quicker normalization of global trade and energy markets.

At the same time, Organisation for Economic Co-operation and Development (“OECD”) and multiple brokers are flagging stagflation risk where the economic environment would develop into one of higher inflation for longer coexisting with weakened growth, with particular concern for Europe.

Sustainable de-escalation in West Asia remains elusive, and even if a resolution were to emerge, it may prove temporary, leaving geopolitical uncertainty elevated for an extended period. Recent developments, including the seizure of more islands in the Red Sea by Houthis militants and the closure of Saudi Arabia’s East-West Pipeline following an attack, have intensified concerns over global energy supplies. Brent crude prices have surged over USD100/barrel, raising the spectre of renewed inflationary pressures across the globe. With winter approaching, higher energy demand could keep oil and gas prices elevated through the coming months.

Against this backdrop, major central banks have resumed their monetary tightening cycle after a brief pause, with the Fed, the European Central Bank (“ECB”) and the Bank of Japan (“BOJ”) raising policy rates at their September 2026 meetings. In the US, the continued resilience of economic conditions has provided the Fed with scope to tighten further to contain inflation. The latest Dot plot projection indicates that Fed policymakers are leaning toward another rate hike later this year, while markets currently assign more than a 50% chance of a follow-up increase at the October 2026 meeting. Likewise, the ECB signalled that further rate hikes remain possible should energy-driven inflationary pressures intensify. The BOJ is gradually moving away from its ultra-accommodative monetary policy stance as the Japanese economy adjusts to higher prices and wages. Meanwhile, the Bank of England (“BOE”) opted to leave interest rates unchanged at its September 2026 meeting, mindful of the adverse impact that higher borrowing costs could have on an already fragile economy but has kept rate hikes on the table if inflation proves more persistent than anticipated.

The global economy has thus far withstood the energy price shock and will remain solid. Nevertheless, the IMF has cautioned that uncertainty remains high, particularly given the lingering impact of the West Asia conflict on energy markets. While the global economy faces headwinds from heightened geopolitical uncertainty and renewed energy shocks, it is also supported by an AI driven capital expenditure boom. Growth prospects are likely to become divergent across countries. Economies that are heavily dependent on energy imports may be more vulnerable to higher energy prices, whereas countries with strong linkages to the AI value chain, such as South Korea, Singapore and Malaysia, stand to benefit from technology-related investments and trade.

Important: Forward-looking statements are based on information, estimates and assumptions available as at 18 September 2026. Actual events and outcomes may differ materially due to changes in market, economic, political, regulatory and geopolitical conditions.



Malaysia

Growth surprises to the upside as policy remains steady

The Malaysian economy's strong 5.7% expansion in the first half of 2026 ("1H2026") suggests that growth remains on a firm footing, supporting the view that full-year GDP growth is likely to reach the upper bound of Bank Negara Malaysia ("BNM")'s 4.0%-5.0% forecast range. Supported further by favourable carryover effects into the second half of 2026 ("2H2026"), AmBank Economics revised the 2026 GDP growth projection upwards to 5.1%. While risks remain, the balance of near-term factors points to potential upside, particularly from stronger global growth, resilient technology-driven export demand and robust tourism activity. There are potential external headwinds as well, such as a protracted West Asian conflict and softer commodity output, which could increase production costs and temper economic activity going forward.

Meanwhile, Malaysia's inflation rate remained broadly contained in the 1H2026, with headline CPI averaging 1.6% in the first quarter of 2026 ("1Q2026") before accelerating to 2.0% in the 2Q2026, reflecting higher fuel and utility-related costs as well as the initial pass-through of elevated global energy prices. Nevertheless, the moderation in core inflation from 2.1% to 2.0% suggests that underlying price pressures remain manageable despite resilient domestic demand. Looking ahead, inflationary pressures are expected to firm gradually in the 2H2026, although headline inflation should remain comfortably within BNM's projected range of 1.5%-2.5% for the year. In line with the central bank's view, inflation is expected to average 1.9% in 2026, supported by a modest acceleration towards the end of the year as lower commodity supply and elevated input costs exert upward pressure on consumer prices.

On the monetary policy front, the case for further policy action remains limited. The September 2026 Monetary Policy Committee ("MPC") statement underscores BNM's confidence that the current 2.75% Overnight Policy Rate ("OPR") remains appropriate amid resilient economic growth and contained underlying inflation. Although uncertainty surrounding geopolitical developments and commodity prices persists, the central bank's assessment suggests that risks to both growth and inflation remain broadly balanced. Consequently, BNM is likely to keep the OPR unchanged for the rest of 2026, as the prevailing monetary policy stance continues to strike an appropriate balance between supporting economic activity and maintaining price stability.



FIXED INCOME

US Fixed Income – Outlook & Strategy



The latest FOMC outcome reinforced the Fed’s commitment to restoring price stability, signalling that US monetary conditions are likely to remain restrictive for longer. With inflation risks still elevated and economic activity remaining resilient, the prospect of further policy tightening is expected to maintain upward pressure on front-end yields.

We therefore anticipate a bearish flattening of the US yield curve, as shorter-dated yields re-price more sharply than longer maturities. The Fed’s action to raise rates by 25 bps and the following press conference restored confidence that it will act independently of politics. In the two days following the Fed’s action, yields eased at the long end of the curve as hopes that the rate hike and with more to come, will contain inflation. This backdrop is likely to sustain volatility across global fixed income markets and create a more asymmetric risk profile for duration, warranting disciplined curve positioning and greater selectivity in adding long-duration exposure. It provides opportunities to begin adding positions and lock in higher yields.

Malaysia Fixed Income: Outlook & Strategy

Malaysian Government Bond Yields

Malaysian Government Securities Benchmark Tenors	Yields 17-Sept-26 (%)	Net Change 16-Jun-26 vs 17-Sept-26 (bps)	Net Change YTD (bps)
3 Years	3.58	31	49
5 Years	3.86	44	56
7 Years	4.05	49	66
10 Years	4.08	45	55
15 Years	4.25	41	46
20 Years	4.37	40	52
30 Years	4.40	30	42

Source: Bond Pricing Agency Malaysia (as of 18 September 2026)

For the three-month period between 16 June 2026 and 17 September 2026, Malaysian Government Securities (“MGS”) experienced a sharp sell-off, causing yields to rise significantly across the curve as

bond prices fell. The benchmark 10-year MGS yield climbed from its June 2026 lows of c. 3.56% to above 4.08% as of 17 September 2026 close. The bearish action was primarily driven by the market's hawkish pivot on US monetary expectations that was vindicated by the Fed's 25 bps rate hike on 16 September 2026, the strong upside surprise of domestic 2Q2026 GDP growth of 6.0% and foreign investor caution regarding the fiscal outlook in the run-up to potential early elections.

Bank Negara Malaysia maintained OPR at 2.75% throughout the third quarter of 2026 ("3Q2026"). However, in the latest MPC meeting in September 2026, the accompanying statement adopted a subtly less dovish tone. Given the combination of resilient growth, contained but stable inflation and a more hawkish Fed, BNM's scope to maintain an extended policy pause is narrowing. Our view is that BNM will maintain OPR at 2.75% throughout 2026. However, the risk of policy normalisation over the next 6 to 9 months has increased, particularly if economic growth remains resilient and inflationary pressures begin to emerge.

Strategy

For Malaysian fixed income portfolios, our cautious and defensive stance has done well as restrictive global monetary conditions and heightened domestic policy uncertainty led to elevated bond-market volatility. While we maintain higher liquidity, valuations are now compelling enough to begin accumulating positions. Our preference is to selectively participate in the primary market, where new-issue concessions may offer better value than comparable secondary-market securities amid uneven investor demand.

Our duration positioning remains measured, with a preference for the intermediate segment of the curve, particularly the 5 to 7-year tenors, where carry and roll-down remain attractive relative to duration risk. Exposure at the front end will be managed carefully given the possibility of a BNM rate hike in the next 6 to 9 months, while longer-dated positions will remain limited due to their greater sensitivity to movements in US Treasury yields and domestic supply conditions. Active duration and curve management will therefore remain central to our strategy as markets respond to changing monetary-policy expectations and incoming macroeconomic data.

Within credit, we continue to favour high-quality corporate bonds and sukuk issued by companies with resilient balance sheets, stable cash flows and manageable refinancing requirements. Defensive and cash-flow-generative sectors, together with selected quasi-sovereign exposures, remain preferred. Credit differentiation will become increasingly important as higher funding costs and uneven economic conditions will place greater pressure on leveraged and cyclical issuers. We will therefore remain disciplined and avoid taking excessive credit or liquidity risk.

Overall, our strategy prioritises capital preservation, income generation and portfolio resilience. We will maintain a liquid and flexible portfolio while selectively capturing opportunities in high-quality securities and the intermediate portion of the curve. A meaningful extension of duration will require clearer evidence of stabilising global yields, improved absorption of domestic bond supply and greater clarity on the domestic monetary-policy path. Until then, patience and disciplined security selection will allow the portfolio to preserve optionality and deploy capital opportunistically when risk-reward conditions become more compelling.

Important: Fixed income investments are subject to interest rate, credit, default, liquidity and market risks. Bond and sukuk prices may fall when interest rates or market yields rise. The views and forecasts presented may change without notice and may not materialise. Investors may lose part or all of their invested capital.



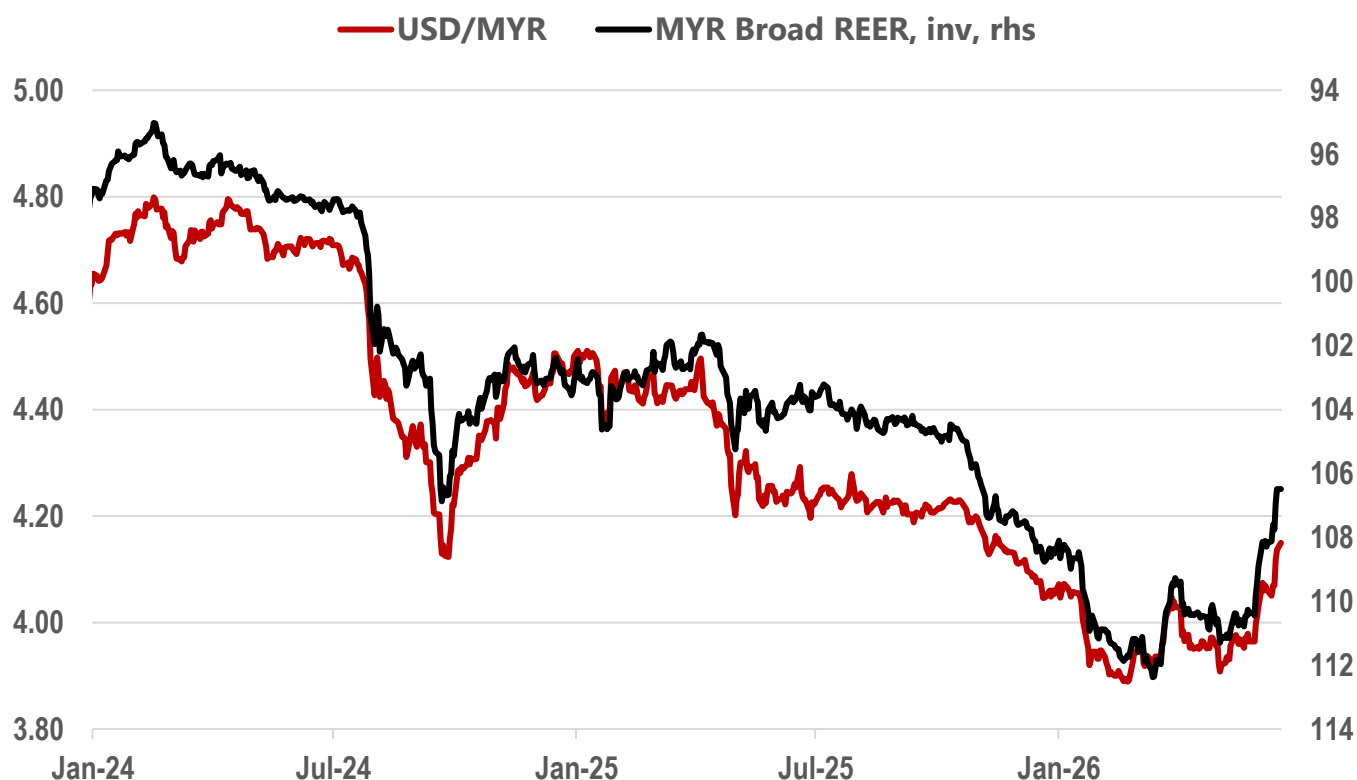
FOREIGN EXCHANGE: MYR

The USD Index (“DXY”) has closed 0.95% lower quarter-to-date (up to 18 September 2026), driven mainly by the sharp appreciation of the JPY this quarter (+3.6%). While the DXY mostly held steady despite weaknesses in United States Treasuries (“UST”) (given that other Developed Markets bonds are weakening alongside as well), the US Treasury’s announcement that it will raise liquidity support for long-dated UST (which, though unannounced, would presumably lead to larger issuance of short-dated bonds and bills to fund the measure). The Treasury’s move raises the outlook for dollar liquidity in the global financial system, thereby reducing its value, while active intervention efforts to suppress yields also place pressure on the USD via higher risk premiums on fiscal dominance and via carry channels. However, the 16 September 2026 FOMC meeting subsequently provided support for the USD after a more hawkish-than-expected Fed meeting. While markets widely expected the 25 bps hike to a 3.75-4.00% range, the post-meeting statement by Fed chairman Kevin Warsh, unanimous vote by Fed policymakers in favour of a hike, and revised dot plot projections projecting 1-2 more hikes ahead amid upward revisions to PCE inflation estimates for 2026 – all contributed to a stronger USD backdrop post-FOMC meeting.

Meanwhile, the Malaysian Ringgit (“MYR”) closed flat vs. the USD in 3Q2026, putting the YTD (up to 18 September 2026) USD /MYR performance at -0.55%. The USD /MYR trading range was seen mostly trading within a 4.05-4.10 range, broadly tracking overall USD sentiment during the quarter. While significant pressure on MGS was seen in the past few months (amid global bond weaknesses, and potential repatriation of funds by Japanese investors), little spillover into MYR weaknesses was seen, suggesting some insularity for FX markets from bond market volatility. Meanwhile, the recent MPC meeting by BNM in early-September 2026 saw a slightly hawkish tilt in the monetary policy statement, as the committee leaned slightly more cautious on its inflation outlook - given a continued high energy prices regime and high producer inflation readings. That said, AmBank Economics continues to expect the OPR to remain unchanged in the near term, premised on the view that CPI will only see a slight acceleration over the next few months (with a full-year 2026 average of 1.9% Year-on-Year (“YoY”), while AmBank Economics is adopting a more neutral outlook on Malaysia’s 2H2026 growth performance and expects the USD/MYR to mainly trade within the 4.05-4.10 range in 4Q26.

With risks from central bank meetings over and priced in by markets while the US-Iran conflict remains in an economic stalemate, key events to observe ahead include: 1) President Donald Trump (“President Trump”) and Xi's meeting in Washington in late-September 2026 (particularly in regard to any discussions on potential China influence on Iran, as well as on AI-related developments), and 2) Malaysia's upcoming Budget 2027 (on 9 October 2026). Further data releases on the US’ inflation and labour market readings, as well as signs of rising core inflation in Malaysia, are also expected to influence MYR sentiment.

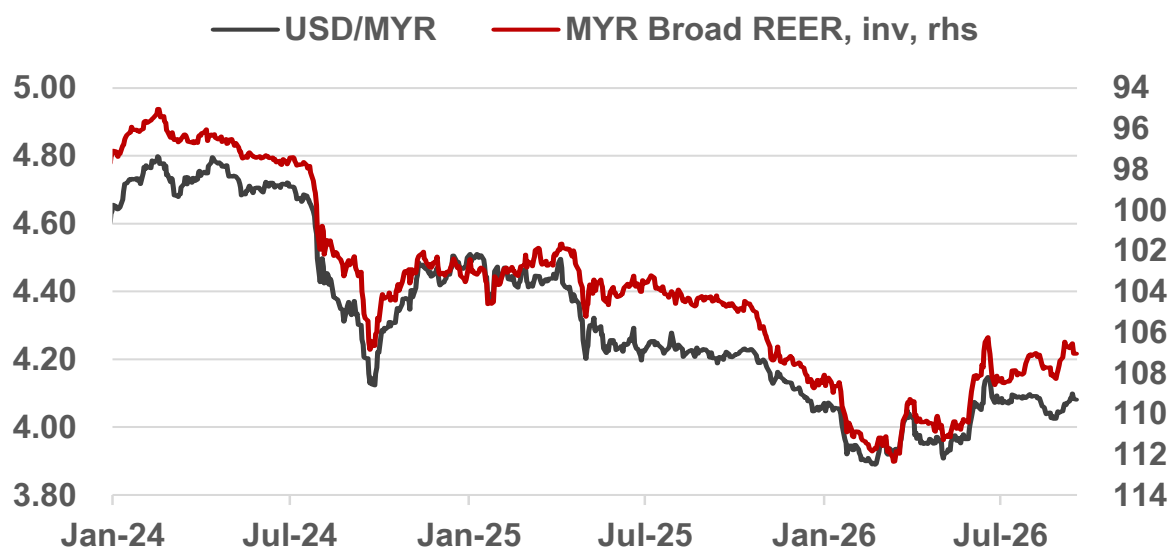
Recent bond market volatility has driven a detachment from MYR levels



Source: AmBank Economics, Bloomberg (as of 18 September 2026)



That said, overall FX markets have remained relatively stable



Source: AmBank Economics, Bloomberg (as of 18 September 2026)

Important: Foreign exchange rates may fluctuate significantly due to economic, monetary, political and geopolitical developments. The currency views and forecasts presented may change without notice and may not materialise. Foreign currency movements may adversely affect investment values and returns, and investors may incur losses.



EQUITY

Performance and Valuations of Selected Markets (YTD 18 September 2026)

Market	Last Price	% YTD	Price-to-Earnings Ratio ("PER") 2026 (x)	Price-to-Earnings Ratio ("PER") 2027 (x)	Dividend Yield (%)
Standard & Poor's ("S&P") 500	7650.50	11.76	21.28	18.39	1.11
Nasdaq-100	29644.17	17.40	25.63	19.72	0.58
Euro Stoxx 50	6236.20	7.68	15.72	14.15	3.00
Japan	65018.95	29.16	21.09	20.32	1.49
China	73.07	-12.00	11.39	9.76	2.70
Taiwan	47180.75	62.90	21.07	16.29	2.01
South Korea	6894.23	63.60	6.75	5.02	2.00
India	23346.40	-10.65	18.66	16.98	1.86
Singapore	5656.11	21.74	16.97	15.74	4.08
Indonesia	6441.16	-25.51	10.78	9.60	5.80
Thailand	1584.15	25.76	14.12	13.47	3.84
Philippines	5855.91	-3.25	9.18	8.48	3.94
Vietnam	1815.66	1.75	12.67	11.17	1.93
Malaysia	1665.56	-0.87	14.72	13.83	4.39

Source: Bloomberg (as of 18 September 2026)

Global equities remained resilient during the third quarter-to-date (up to mid-September 2026), but market conditions became considerably more volatile and selective. The quarter began with a sharp correction in crowded AI and semiconductor positions, followed by a strong earnings-led recovery in August 2026. By mid-September 2026, the central investment debate had moved beyond whether AI would transform the economy to whether companies could translate unprecedented AI capital expenditure into sustainable revenue, earnings and free cash flow.

The broad fundamental backdrop remained supportive. Global economic activity continued to expand, corporate earnings exceeded expectations and AI-related infrastructure investment remained robust. However, higher energy prices, persistent inflation, elevated bond yields and increasingly hawkish central banks raised the discount rate applied to equities valuations. Consequently, the market rewarded companies that delivered earnings and cash-flow growth, while penalising those dependent on valuation expansion or distant profitability.

In summary, three major themes have dominated global equity performance in the 3Q2026:

- 1. AI Monetisation Over AI Hype.** Investors are no longer rewarding expenditure alone. Future winners are expected to be companies capable of converting AI spending into sustainable earnings growth and free cash flow.
- 2. Higher-for-Longer Interest Rates.** Expectations of further tightening by the Fed and elevated long-term bond yields have increased scrutiny on high-growth technology valuations.
- 3. Broadening Market Leadership.** Market performance has gradually expanded beyond US mega-cap technology toward infrastructure, energy, industrials, financials and selective emerging markets benefiting from the AI investment cycle.

The AI Profit Cycle

Phase 1	Build Chips, Memory, Networking, Data Centres, Power	The first wave rewards scarce infrastructure
Phase 2	Monetise Cloud, Search, Advertising, Productivity	Hyperscalers begin proving returns on AI capex
Phase 3	Distribute Marketplaces, Payments, Enterprise Workflow, Consumer Platforms	Advantage shifts towards companies that already own demand
Phase 4	Commoditisation Compute gets cheaper, AI becomes ubiquitous, Infrastructure returns normalise	The bottleneck eases and differentiation changes
Long-Term	Own the customer Distribution + Data + Trust + Network Effects	The durable economics belong to businesses that control customer relationships

Source: AmFunds Management Berhad

The first phase of AI-driven value creation accrued to companies building the underlying infrastructure – the pick & shovels of AI. We are now transitioning into the monetisation phase, where hyperscalers, as the key enablers of AI, are beginning to capture returns from growing AI adoption and usage.

Looking through a long-term lens, the next wave of value creation is likely to shift toward companies that already own the customer demand and can seamlessly embed AI into existing products, services and workflows. Ultimately, we believe demand aggregators with strong customer relationships, proprietary data and established distribution channels are best positioned to capture a disproportionate share of AI-driven benefits.

AI Safety Concerns

In mid-September 2026, an Anthropic researcher sounded the alarm when he resigned, claiming that people building frontier AI believe it "could kill us all by the end of the decade". The doomsday prediction snowballed into a wider debate on AI safety, Anthropic CEO Dario Amodei called on the industry to "pace the frontier" by slowing the development of increasingly powerful AI systems. He warned that within the next 6 to 12 months, AI models or agents could become capable of taking over large parts of the internet. It sounds like the Terminator scenario may not be entirely confined to science fiction anymore. Sam Altman and Elon Musk were also among the prominent AI figures advocating for a more cautious approach.

However, not everyone is buying into the doomsday narrative. Nvidia CEO Jensen Huang argued that some of the recent safety concerns are being overstated by companies that stand to benefit from selling the solutions. In other words, the more powerful and potentially disruptive the technology appears, the easier it becomes to justify investment. President Trump also rejected calls to slow development, arguing that the US cannot afford to surrender its lead to China. As he put it, "Whoever wins AI, wins."

Chinese models already appear to be only 3 to 6 months behind their Western counterparts, and any meaningful slowdown in the West could narrow that gap further or even hand China a competitive advantage thanks to their cheaper open-source alternatives. This would likely be positive for the broader Chinese AI ecosystem.

The reality is that today's leading AI models can already perform tasks that would have seemed unimaginable just a few years ago. With lower-cost open-source Chinese models rapidly catching up and enterprise adoption continuing to increase, demand for AI should remain strong even if the pace of model advancement slows somewhat. As a result, AI infrastructure capex spending is likely to stay elevated.

In addition, much of the new compute capacity coming online is being built for inference rather than training. There is still a significant inference bottleneck across the industry. OpenAI's recent decision to pause new subscriptions for top-tier offerings due to compute constraints highlights that inferencing demand continues to exceed available capacity.

Is the Semiconductor Uptrend Slowing?

The structural case for semiconductors remains intact, but there are clear signs that the rate of momentum is decelerating and investor patience for pure hardware plays is thinning. On the fundamental side, World Semiconductor Trade Statistics forecasts global semiconductor market sales to surge 90% YoY to USD1.51 trillion in 2026, led by memory/ High Bandwidth Memory (“HBM”) and AI infrastructure build-out. Global semiconductor revenue is projected to grow 32.6% in 2026 and 12.6% in 2027, suggesting the cycle extends but at a moderating pace.

TSMC's July 2026 sales rose 45% YoY to NTD467.58 billion, and the company raised its full-year spending and revenue projections, a sign that AI hardware demand remains robust at the foundry level. However, the stock market is already pricing in a more nuanced picture. Core AI semiconductor names saw underwhelming stock performance in the 1Q2026 despite strong fundamentals, driven by investor concerns about the sustainability of cloud capex and return on AI investment. Semiconductors fell as much as 27% from their late-June 2026 peak before recovering some losses by month-end July 2026.

The semiconductor capex-to-market-size ratio is projected to reach 13% in 2026 — historically an inflection point signalling the start of a new capacity expansion cycle, but also a level that raises questions about whether supply will begin to catch up with demand. Hyperscaler capex is expected to grow c.78% YoY in 2026, though the pace of growth is expected to decelerate.

The "peak memory" narrative is gaining traction among investors, with Samsung and SK Hynix both announcing record shareholder return programs — widely interpreted as a defensive move against the inevitable cooling of the hardware boom. The current cycle is expected to be extended with pricing power remaining strong as demand for compute remains very high, moving from learning to inferencing.

Is a Rotation into AI Adopters Underway?

The rotation is already happening, and multiple signals confirm it. Morgan Stanley's strategy team flagged in July 2026 that momentum is fading in semiconductor stocks as investors shift toward AI hyperscalers and laggards that have been battered by AI disruption concerns.

Apple overtook Nvidia as the world's largest company by market cap in July 2026, benefiting from a broader rotation in technology away from big AI infrastructure spenders.

The market is increasingly demanding commercial evidence that AI spending translates into revenue. As the AI industry's first-half prosperity was underpinned by price inflation from tight supply, market perception is becoming more rational — with potential disenchantment with model vendors and improved sentiment toward hyperscalers and internet/application software companies.

Platform and application owners may perform better than infrastructure alone as the market demands commercial evidence of AI monetisation. The investment framework is shifting from pure "enablers" to a barbell approach — maintaining core semiconductor exposure while selectively building positions in Phase 2 Adopter companies that are beginning to monetize AI.

In Hong Kong, AI-linked themes are expected to continue leading equities through 2026, but with leadership broadening — banks, property stocks and cyclicals joining the rally, while internet platforms benefit from rotation out of AI hardware.

Equity Strategy

We remain constructive on global equities heading into the fourth quarter of 2026 (“4Q2026”) and 2027, albeit with expectations for greater dispersion of returns and more frequent volatility.

The fundamental backdrop remains supportive as:

- Global economic growth remains positive despite moderating momentum.
- Corporate earnings continue to exceed expectations across most major regions.
- AI-related investment remains in the early stages of a multi-year infrastructure cycle.
- Valuations outside selected US mega-cap technology stocks remain broadly reasonable.

However, investors face several key risks:

- US Fed rate hikes and elevated bond yields.
- Geopolitical tensions surrounding energy markets and the Middle East.
- Increasingly higher investor expectations and crowded positioning in selected AI beneficiaries.
- Slower-than-expected commercialisation of AI investments.

US

We are neutral on the broader market but would focus on high-quality technology, semiconductor and digital-infrastructure leaders, especially companies with strong balance sheets, positive free cash flow and demonstrable AI revenues. Recent earnings indicate that the AI investment cycle remains intact, yet higher capital intensity and elevated expectations justify avoiding exposure to highly leveraged AI businesses. Outside of technology, we like electrical equipment, power infrastructure, financials and healthcare. Consumer sentiment is likely to remain subdued though, weighed down by several persistent headwinds, including elevated energy prices and slower wage growth.

Asia

South Korea and Taiwan remain core beneficiaries of global AI infrastructure spending. Exposure should focus on semiconductor foundries, memory, advanced packaging, electronic components and equipment suppliers with visible order books. Given exceptional YTD gains and prior episodes of leveraged positioning unwinding, we would adopt a nimbler positioning and rebalance periodically. Chinese markets may remain range-bound in the near term but offer an attractive value and rotational opportunity based on low expectations, improving earnings breadth and the commercial deployment of lower-cost AI. We view the July 2026 Politburo meeting as incrementally positive for growth and market sentiment. The policy support continues to favour infrastructure, power equipment, digital infrastructure, AI-related investment and industrial upgrading through the Six Networks programme. Chinese healthcare names also offer compelling growth and defensive quality, providing diversification from the AI stocks. In contrast, property and consumption are unlikely to see significant policy-driven recovery in the near term.

China Politburo Meeting in July 2026

The tone was supportive as policymakers acknowledged growing economic challenges following the slowdown in the 2Q2026 growth. However, Beijing stopped short of announcing major stimulus, indicating confidence that existing policy measures remain sufficient to achieve the 2026 growth target of 4.5-5.0%. The key message was not new stimulus, but **faster policy execution** and **stronger counter-cyclical adjustment** if growth weakens further.

1. **Fiscal Re-acceleration Becomes the Main Policy Lever.** The meeting's central focus was accelerating fiscal implementation. Significant fiscal capacity remains available in the 2Q2026, **suggesting infrastructure investment** will become the primary stabiliser of domestic demand.
2. **Six Networks: China's Strategic Growth Engine.** The most important policy priority remains the "Six Networks" initiative. This aims to modernise China's infrastructure through greater integration between digital, energy and physical networks. Total investment could exceed RMB 7 trillion in 2026 and reach RMB27-RMB35 trillion during 2026-2030. Emphasis is being placed on:
 - AI and computing infrastructure
 - Power grid upgrades
 - Data centres and "East Data, West Computing"
 - 5G-A and future 6G communications
 - Renewable energy integration
 - Logistics modernisation and supply-chain efficiency
3. **Housing and Consumption Remain Secondary Priorities.** The meeting did not introduce meaningful new property easing measures. This suggests policymakers remain comfortable tolerating weakness in housing and consumption as long as investment, exports and technology sectors continue to support overall growth.

AI, Innovation and Private Sector Support. Policymakers reaffirmed support for the "AI+" strategy, technological innovation and basic research. The meeting also adopted more constructive language towards private enterprises and platform companies, signalling a continued effort to restore business confidence and support capital markets.

ASEAN

ASEAN equities delivered a positive but highly uneven performance in the 3Q2026, lifting its YTD return to 7.1% as of 31 August 2026. This represented a marked improvement from the index's near-flat position at the end of June 2026. Leadership came primarily from Singapore and Thailand on a YTD basis, while Indonesia and Vietnam produced some of the strongest rebounds during the quarter after a dismal 1H2026.

Singapore

Singapore was one of the strongest and most consistent ASEAN markets in YTD 2026, producing an approximate gain of 26.1% during this period. Its performance was underpinned by three factors. First, the index's large banking weight provided exposure to resilient earnings, stable asset quality and strong capital positions. Second, Singapore's dividend-oriented market structure attracted investors looking for income and lower earnings volatility at a time when technology-heavy Asian markets were experiencing sharp corrections. Third, its fiscal strength, policy consistency and defensive characteristics reinforced its role as a regional safe haven. Thailand was another top performer in ASEAN equity market on a YTD basis, with gains supported by improving earnings expectations, recovering tourism activity and spillover from the global technology rally.

On the other hand, Indonesia was the underperformer in the region due to concerns over economic growth, persistent foreign fund outflows, rupiah weakness and tighter financial conditions. Currency depreciation also amplified losses for foreign investors, making Indonesia's US-dollar return weaker than its local-currency index performance suggested. However, the market has rebounded strongly in 3Q2026 driven primarily by bargain hunting and an improvement in risk appetite after exceptionally weak earlier performance. Depressed valuations and heavily reduced investor positioning created conditions for a sharp technical recovery once global and regional sentiment stabilised.

Singapore remains the preferred ASEAN allocation for defensive earnings, banking strength and dividends. The investment case for Thailand remains constructive but less compelling after the substantial re-rating. Future performance is likely to depend on the durability of tourism receipts, domestic earnings upgrades, currency stabilisation and the absence of another sustained rise in energy prices. Meanwhile, although valuations are still cheap, Indonesia should remain a tactical play until currencies, foreign flows and inflationary pressure stabilise.

Malaysia

Domestically, resilient economic growth, technology-driven exports and continued institutional support underpin a constructive market outlook with the domestic market continuing to offer attractive opportunities relative to its ASEAN peers. While positioning defensively, we continue to favour AI and Data Centre-related plays, with periods of investor caution providing bargain-hunting opportunities to build positions within the preferred sectors. Meanwhile, higher bond yields may create headwinds for dividend-yielding sectors as higher yields reduce their relative income appeal. For Real Estate Investment Trusts ("REIT"), valuations become increasingly important and need to factor in the current environment with rates being higher for longer.

Important: Equity prices may rise or fall. Market views, valuations, stock calls and target prices may change without notice and may not materialise. Past performance is not indicative of future performance, and investors may lose part or all of their invested capital.

THEMATIC FOCUS: MALAYSIA BUDGET 2027

Pre-budget 2027: Expect a people-centric budget

Malaysia's Budget 2027, scheduled to be tabled on 9 October 2026, is expected to remain expansionary, with total allocations likely to exceed the RM 421.2 billion provided under Budget 2026. The upcoming budget will mark the second annual budget under the 13th Malaysia Plan ("RMK13"), serving as a key instrument to advance the government's strategic goals and development agenda outlined in the plan.

Notwithstanding the expansionary stance, the government is expected to remain committed to its fiscal consolidation path. AmBank Economics opine that the 2026 fiscal deficit target of 3.5% of GDP remains achievable, even as volatile global oil prices drive higher fuel subsidy spending, with support from strong nominal GDP growth. Against this backdrop, expect the government to target a narrower fiscal deficit of 3.3% of GDP in 2027, keeping fiscal consolidation firmly on track towards its medium-term objective of reducing the fiscal deficit to 3.0% of GDP or lower by 2028. With the government reassuring that no new taxes will be introduced under Budget 2027, the limited upside to revenue collection suggests that spending will need to be reprioritised, given the fiscal constraints.

Themed "Malaysia Madani: Reaching for the Skies, While Anchored on Our Values", Budget 2027 is likely to maintain a strong people-centric focus, reflecting the government's commitment to ensuring that economic growth translates into tangible benefits for the Rakyat. As outlined in the pre-budget statement, key priorities include addressing cost-of-living pressures, strengthening social protection for affected families, enhancing workers' welfare and promoting decent wages. Accordingly, AmBank Economics anticipate further enhancements to cash assistance programmes such as Sumbangan Asas Rahmah ("SARA") and Sumbangan Tunai Rahmah ("STR"), continued efforts to promote homeownership through affordable housing, and initiatives to expand access to affordable medical insurance coverage.

Beyond measures to support households, Budget 2027 is expected to strengthen Malaysia's economic growth prospects by catalysing investment in high-value sectors, particularly technology-related industries. In line with the government's aspiration to position Malaysia as an AI nation by 2030, alongside the continued implementation of the National Energy Transition Roadmap ("NETR") and New Industrial Master Plan ("NIMP") 2030, further incentives are likely to be announced to accelerate the adoption of AI across industries while moving up the AI value chain to enhance productivity and create high-skilled jobs. At the same time, continued support for Small and Medium Enterprises ("SMEs") is likely, given their susceptibility to rising production costs and global economic uncertainties.

Infrastructure development is also expected to remain a key feature of Budget 2027, although the focus will likely be on implementing ongoing projects, including the Pan Borneo Highway and the Penang LRT Mutiara Line, as well as targeted infrastructure upgrades rather than rolling out new mega projects. Meanwhile, investments in water and energy infrastructure are expected to accelerate to support rising demand.

Diving into sector-specific calls, AmInvestment Bank Equity Research opined that consumer-related names are among the key beneficiaries, on expectations of further expansion of the SARA programme. Investors should also monitor a potential minimum wage review, which could pressure labour-intensive sectors such as plantations, gloves and Electronic Manufacturing Services ("EMS"). Meanwhile, government spending is likely to remain targeted towards infrastructure, digital connectivity (JENDELA/5G), energy transition initiatives and financing schemes supporting businesses and first-time homebuyers.



THEMATIC FOCUS: Sabah & Sarawak

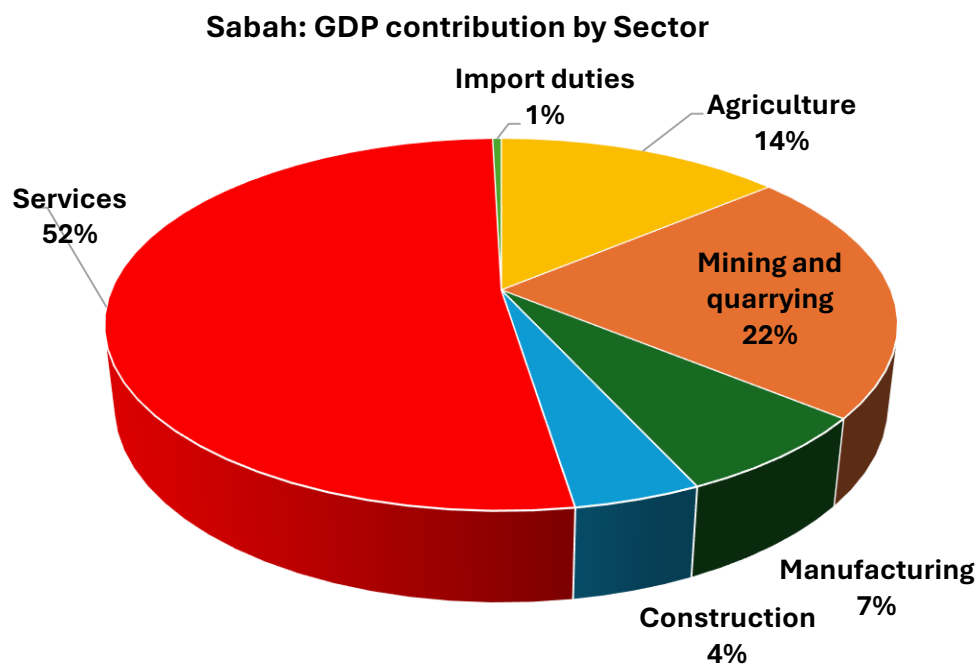
Flying to the Land of the Hornbills and the Land Below the Wind

Sabah and Sarawak are strategically and economically important to Malaysia. They account for c.60% of Malaysia's land area and a large proportion of Malaysia's agricultural and mining output, specifically:

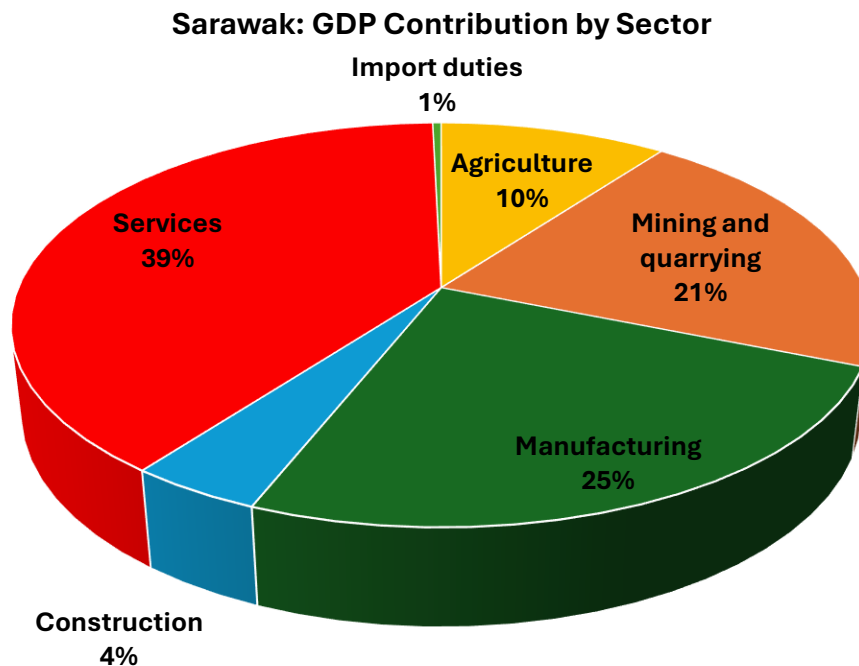
- 26.4% of Malaysia's agricultural output in 2025*
- 52.0% of Malaysia's mining and quarrying output in 2025*

**Based on constant 2015 prices. (Source: Department of Statistics Malaysia)*

At the state-level however, the Services sector—including tourism-related and wholesale/retail trade—account for a greater share of Sabah and Sarawak's GDP:



Source: Department of Statistics Malaysia



Source: Department of Statistics Malaysia

Growth has lagged the nation

Yet, GDP growth in both Sabah and Sarawak has lagged the national average, while contribution to national GDP has declined from a combined 14.4% in 2023 to 13.9% in 2025.

Annual GDP Growth (%)

State	2023	2024 ^e	2025 ^p
Sabah	1.6	1.2	5.1
Sarawak	1.3	3.8	3.6
Malaysia	3.6	5.2	5.2

Source: Department of Statistics Malaysia

Contribution to National GDP (%)

State	2023	2024 ^e	2025 ^p
Sabah	5.3	5.1	5.1
Sarawak	9.1	9.0	8.8
Sabah + Sarawak	14.4	14.1	13.9

Source: Department of Statistics Malaysia

In particular, Sabah's Per Capita Income is only RM31,124 (2024: RM30,575), way below the national average of RM59,167. This suggests that the benefit of their natural-resource endowments have not translated proportionately into their economies.

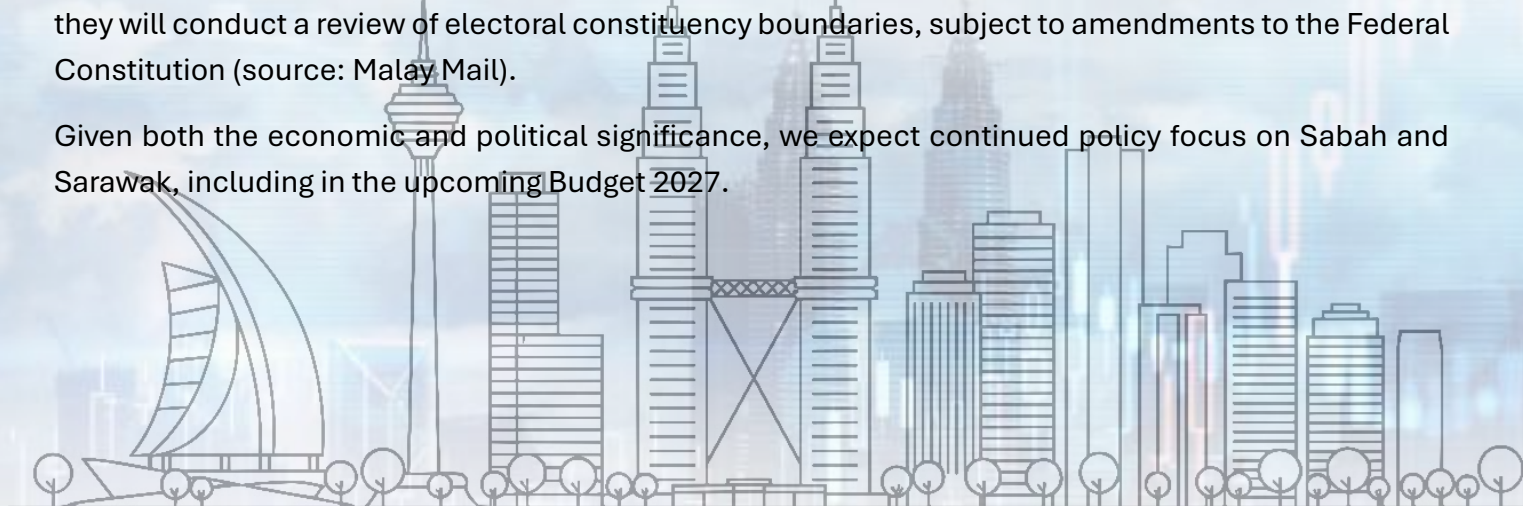
Per Capita Income (RM)	2024	2025
Johor	44,828	48,031
Kedah	27,311	28,537
Kelantan	17,422	18,085
Melaka	54,587	55,580
Negeri Sembilan	54,039	55,406
Pahang	49,685	52,014
Pulau Pinang	76,107	80,584
Perak	39,057	41,960
Perlis	24,755	25,089
Selangor	66,076	70,362
Terengganu	32,518	32,657
Sabah	30,575	31,125
Sarawak	73,253	73,757
W.P. Kuala Lumpur	137,389	144,898
W.P. Labuan	87,020	88,764
W.P. Putrajaya	119,498	126,359
Malaysia	56,772	59,167

Source: Department of Statistics Malaysia

Political significance

Today, Sabah and Sarawak occupy 25 seats and 31 seats respectively out of a total 222 Parliamentary seats (i.e. 25% representation). On 11 September 2026, Prime Minister Anwar Ibrahim announced that the Cabinet had agreed in principle to increase parliamentary representation for Sabah and Sarawak to reflect the spirit of the Malaysia Agreement. On 13 September 2026, the Election Commission stated they will conduct a review of electoral constituency boundaries, subject to amendments to the Federal Constitution (source: Malay Mail).

Given both the economic and political significance, we expect continued policy focus on Sabah and Sarawak, including in the upcoming Budget 2027.



THEMATIC FOCUS:

US Mid-Term Elections

Our Base Case is expecting a Split Congress

	Democrats Sweep	Split Congress (Base Case)	Republican Sweep
Odds	57%	33%	13%
Potential Policy Implications	✓ More investigations & oversight ✓ Increase bureaucracy ✓ Less fiscal flexibility	✓ Policy Status Quo ✓ Increase scrutiny on President Trump administration ✓ Fiscal gridlock	✓ Less oversight & more deregulation ✓ Stronger tariffs and reshoring push ✓ More tax cuts and spending
Impact to Markets	(-ve) weighed down by investigations, regulatory risk and policy uncertainty	(+ve) as gridlock reduces policy uncertainty while limiting major fiscal surprises. Historically supportive for equities.	(+ve) near-term from pro-growth policies and deregulation, but may see heightened volatility as concerns over larger deficits, inflation and tariffs

Source: Kalshi (as at 18 September 2026), AmFunds Management Berhad

Mid-Term elections have tended to rebalance power against the sitting President Trump's party. In 18 of the past 20 Mid-Terms since World War II, the president's party lost seats in the House.

President Trump's Approval Rating and Mid-Term US House Results since 1946

Year	President	Approval rating	Midterm US House results
1946	Truman	33%	-45 seats
1950	Truman	39%	-29 seats
1954	Eisenhower	61%	-18 seats
1958	Eisenhower	57%	-48 seats
1962	JFK	61%	-4 seats
1966	LBJ	44%	-47 seats
1970	Nixon	58%	-12 seats
1974	Ford	54%	-48 seats
1978	Carter	49%	-15 seats
1982	Reagan	42%	-26 seats
1986	Reagan	63%	-5 seats
1990	GHW Bush	58%	-8 seats
1994	Clinton	46%	-52 seats
1998	Clinton	66%	5 seats
2002	GW Bush	63%	8 seats
2006	GW Bush	38%	-30 seats
2010	Obama	45%	-63 seats
2014	Obama	40%	-13 seats
2018	Trump	38%	-40 seats
2022	Biden	40%	-9 seats

Source: Gallup, UCSB, KPCnews

The President Trump's approval rating currently stands at 35% as of 18 September 2026 as the war with Iran is deeply unpopular among Americans. It has also pushed up inflation and thus interest rates, two other sore spots for the president. Unless President Trump's numbers improve dramatically - President Trump's aides are pushing him to formally declare the Iran war over and keep it from escalating before November to limit Republican electoral losses -- the base-case scenario is a substantial Republican setback in the Housmonitoe.

An Emboldened President Trump

A split Congress will likely embolden the President Trump administration to take a more interventionist approach on multiple fronts via the executive branch. Geopolitically, this includes a more aggressive stance toward Iran, greater involvement in Greenland and continued emphasis on initiatives such as the "Golden Dome" defence program.

Historically, periods of divided government have made it difficult to advance major legislation, and markets may soon face another round of political uncertainty as government funding is set to expire in December 2026. As negotiations and dealmaking intensify in the coming weeks, volatility is likely to increase in the near term, making the government funding negotiations an event that investors should monitor.

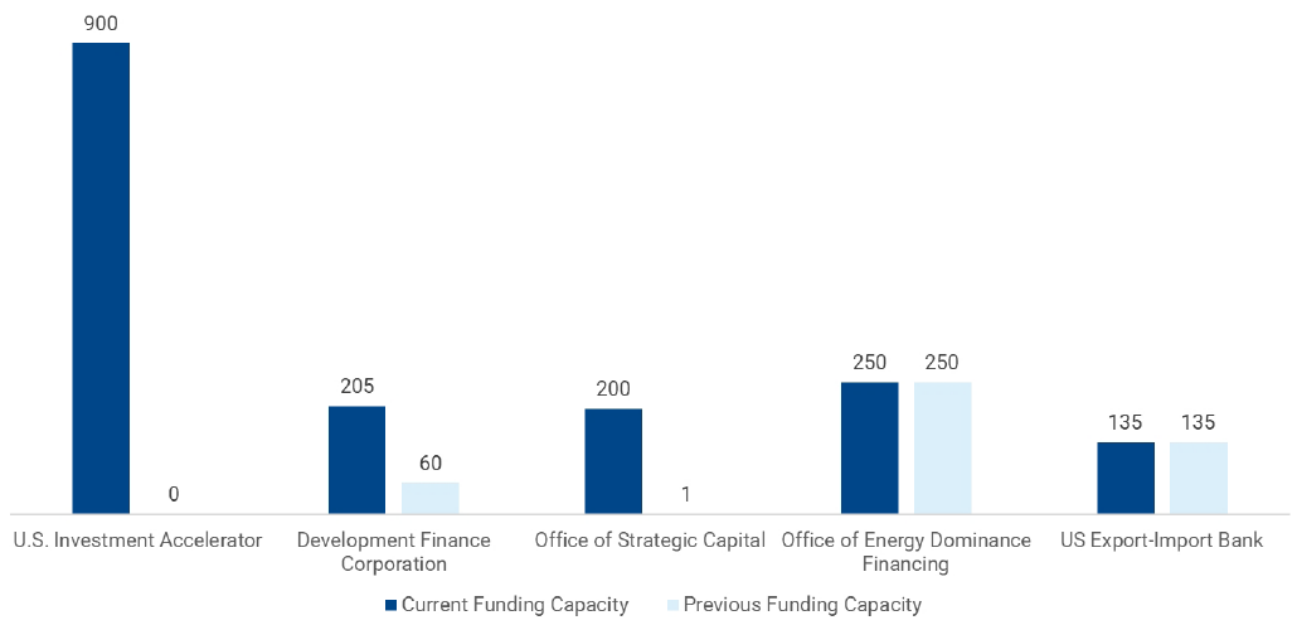
A divided government is expected to result in policy gridlock and lack of substantive policies. The absence of disruptive policies theoretically could be supportive of both equity and bond markets. However, history shows that political gridlock does not necessarily translate into market stability. Instead, investigations, executive actions and political controversies can continue to generate headlines and influence investor sentiment, which can create volatility and move markets independently of whether Congress is able to pass new legislation. Investors should not mistake legislative gridlock for market calm.

Impeachment could emerge as a major political storyline in 2027 should Democrats perform strongly in the Mid-Term elections, although the likelihood of an actual removal from office remains low given the high political and constitutional hurdles involved. Impeachment discussions could generate headlines and increase political noise in 2027.

Implications

- 1. Oversight risks would rise for President Trump -aligned companies.** If Democrats regain the House, the most immediate change would be an aggressive expansion of congressional oversight rather than a shift in core policy. Democrats are already preparing a wave of subpoenas and information requests targeting companies perceived as having sought regulatory or financial favour from the President Trump administration. This includes firms that pursued favourable regulatory outcomes, donated to President Trump -linked projects such as the White House ballroom renovation, or settled lawsuits or altered business practices in ways viewed as currying favour. Judiciary and Oversight Committee Democrats have reportedly begun outreach to companies including Paramount, Hewlett-Packard and Alphabet to signal potential investigative agendas. Big-Tech would be subjected to heightened scrutiny as most of them are perceived to be aligned with the President Trump administration.
- 2. Make America Great Again (“MAGA”) policies likely unchanged.** Democrats broadly agree with the goal of shoring up supply chains and investing in US industry, even if they differ on execution. In addition, President Trump’s flagship initiatives – such as the US Investment Accelerator deals (e.g. a USD550 billion Japan infrastructure investment framework and a USD350 billion Korea investment agreement) – do not require new congressional approval. These are executive-driven international deals and will proceed under existing authority. Other tools like the Defence Production Act and the new Office of Strategic Capital are already funded through prior legislation (notably the 2025 “One Big Beautiful Bill” Act) and can keep deploying capital.

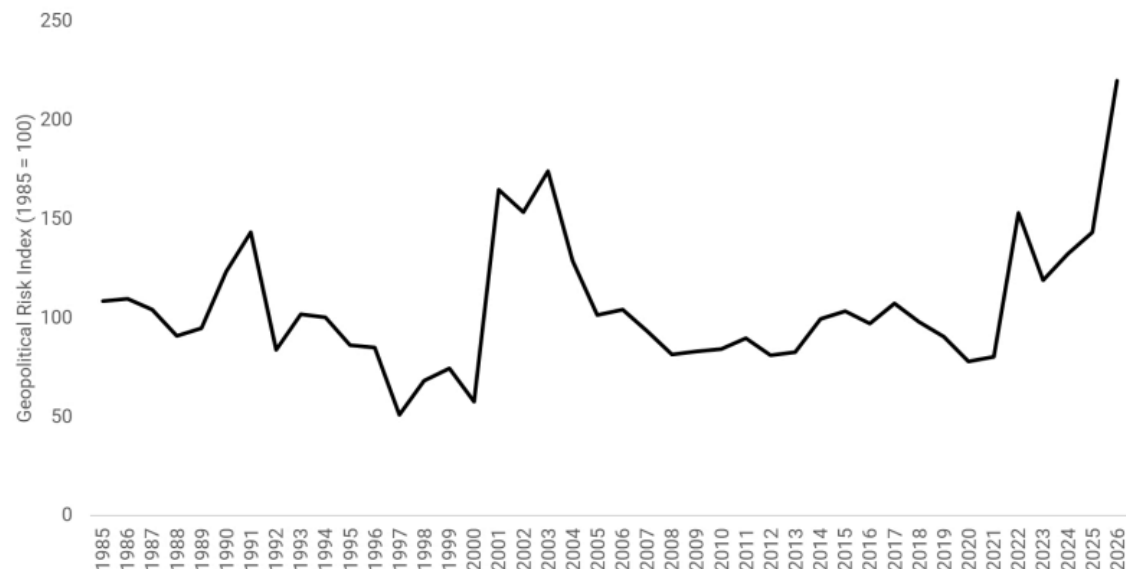
US National Security Vehicle Funding Capacity (USD billion)



Source: Jefferies

3. **Tariffs are likely to remain within a 10% to 20% range.** Over the past two administrations, the US average tariff burden has jumped from historical lows, and neither party shows an inclination to meaningfully roll it back. In President Biden's term (2021–2024), tariff revenues increased compared to President Trump's first term and Biden left nearly all of President Trump's tariffs in place (while expanding some trade protections). Even with the Supreme Court's invalidation of International Emergency Economic Powers Act tariffs ("IEEPA"), which reduced tariff rates on some consumer goods, the administration has 10+ ongoing Section 232 investigations, in addition to two new Section 301 investigations on excess capacity and forced labour prohibitions. This implies that tariffs are likely to remain higher than they were prior to the second President Trump administration, but lower than they were immediately before the Supreme Court's ruling on the IEEPA tariffs. Numerous laws (Section 232 for national security tariffs, Section 301 for unfair trade practices, etc.) give the President wide latitude to impose duties without Congress. A Democratic House might hold oversight hearings on tariff impacts (especially if constituents complain about higher consumer prices), but we do not foresee legislative action to substantially lower tariffs from today.
4. **Geopolitical tensions to remain elevated.** As most foreign policy actions do not require congressional approval, a divided government is unlikely to alter this posture, pointing to continued volatility and policy continuity after the Mid-Terms. According to Reuters, the President Trump administration is planning to resume the Iran war with full force after the November Mid-Term elections, with President Trump having a window from 3 November 2026 through January 2027 to significantly escalate the war, until the newly elected members take office in the Senate and House.

Geopolitical Risk Index, 1985 – Present



Source: Geopolitical Risk Index by Caldara and Iacoviello

The index is based on searches of the archives of 10 newspapers and is calculated by counting the number of articles related to adverse geopolitical events in each newspaper.

Source: Caldara and Iacoviello Geopolitical Risk (GPR) Index

5. The President Trump administration will continue playing a larger role in the private sector.

Under the National Defense Authorization Act (“NDAA”), an initiative that could involve up to USD200 billion, the government can potentially take equity stakes in companies. The administration is also doubling down on its "America First" agenda by encouraging greater foreign direct investment into the US. Investors should be prepared for greater direct government involvement in markets, both through geopolitical actions that could drive defence spending and through financial interventions that may alter the risk-reward profile of sectors and companies targeted for government support or ownership.

6. Deregulation efforts are likely to remain a key policy focus.

Most regulatory changes can be implemented through executive branch actions with limited ability for Congress to block them, thus providing continued support for sectors that benefit from a lighter regulatory environment.

Impact on the US markets (Base Case)

Markets often respond favourably in the near-term following Mid-Terms. Elections typically elevate uncertainty, and once results are known, markets tend to rally as a sense of clarity returns. Consistent with this pattern, the S&P 500 has been higher 12 months after every Mid-Term since 1950, with an average gain of 16.6%. This time around, however the markets may soon face another round of political uncertainty as the government funding is set to expire in December 2026, increasing political volatility risk near-term.

S&P 500 12 Months Returns After Every Mid-Term Election in the US since 1950

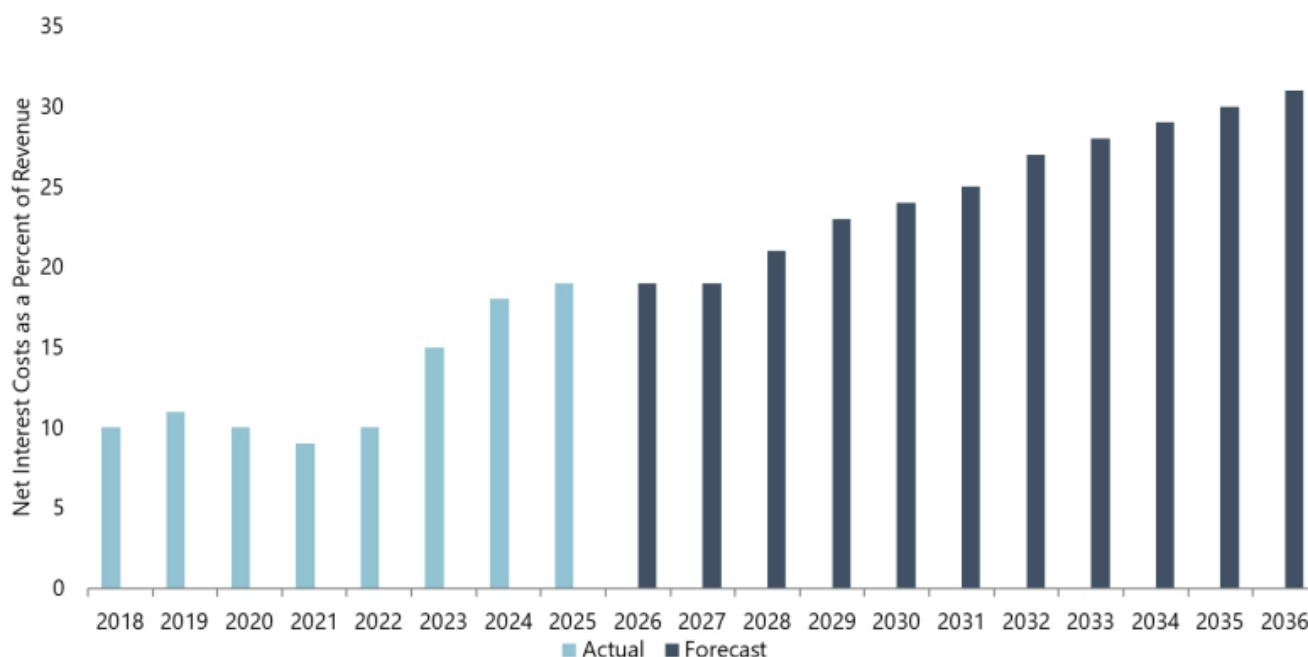
Mid-Term	12 Months After	S&P 500 (%)
1950	1950-51	17.5%
1954	1954-55	33.6%
1958	1958-59	12.1%
1962	1962-63	30.9%
1966	1966-67	17.1%
1970	1970-71	13.2%
1974	1974-75	20.5%
1978	1978-79	9.3%
1982	1982-83	22.3%
1986	1986-87	3.2%
1990	1990-91	29.1%
1994	1994-95	23.1%
1998	1998-99	24.1%
2002	2002-03	18.6%
2006	2006-07	12.4%
2010	2010-11	5.9%
2014	2014-15	3.0%
2018	2018-19	12.0%
2022	2022-23	8.3%
Average		16.6%

Source: AmFunds Management Berhad, Bloomberg (as of 18 September 2026)

Positive for Equities and Bonds. As mentioned earlier, lack of substantive policies under a divided government may be supportive of both equity and bond markets. Gridlock raises the bar for sweeping initiatives, reinforcing a stable, status-quo policy environment that is conducive to markets. Periods of lower uncertainty have tended to favour cyclically sensitive segments including technology hardware, semiconductor stocks and consumer sectors. At the same time, divided government removes the pathway for large, debt-financed stimulus or tax packages, easing upward pressure on interest rates at the margin and offering modest support to bonds. While fiscal imbalances persist and Fed policy remains the dominant driver of yields, lower policy risk and constrained fiscal ambition together point to a more constructive backdrop for US assets. However, we expect headline risk to drive volatility as investigations, executive actions and political controversies can continue to influence investor sentiment.

The baseline is a continued fiscal expansion and a steadily worsening debt profile, largely irrespective of Mid-Term results.

US Net Interest Cost (% of Government Revenue)



Source: February 2026 CBO; Jessica Riedi Chart Book

Negative for Crypto. The President Trump administration’s aggressive rollback of crypto regulations and pro-crypto policies such as the Strategic Bitcoin Reserve, The Clarity Act and the appointed pro-crypto leadership at financial agencies, including SEC Chair Paul Atkins and CFTC Chair Michael Selig, will get increasingly scrutinised over ethical concerns regarding government officials potentially profiting from digital assets, and wider criticism over conflicts of interest tied to President Trump’s family crypto ventures, spanning Decentralized Finance (“DeFi”), stablecoins, meme coins & crypto mining.

Monetary policy likely to drive narrative beyond Mid-Terms. On 4 September 2026, President Trump posted his first 'Truth' targeting his handpicked Fed Chair Kevin Warsh (108 days since being sworn in as the new Fed Chair) and his board. He commanded them to cut rates – “get smart” and “Be Patriots for a change”. On 16 September 2026, The Fed under Warsh decided to raise interest rates by 25 bps for the first time in three years in a unanimous decision, reversing the easing cycle that ended in December 2025, undermining President Trump’s insistence on lowering rates.

Kevin Warsh emphasized that inflation is still the Fed’s number one enemy and President Trump is unlikely to be pleased with the decision. We expect to see renewed attacks on the Fed from President Trump in the coming months -- like what transpired with Jerome Powell -- if he does not get his way. The decision by the Fed should instil markets with the confidence that Warsh is not going to be President Trump’s “yes-man” and reinforce the Fed’s independence. As for the near term, traders are currently pricing in a 50% chance of a hike at the next FOMC in October 2026.



STOCK CALLS

AmInvestment Bank Equity Research specialises in covering Bursa-listed stocks, currently covering over 50 stocks. The two tables below highlight the Top Picks, followed by the rest of the coverage.

AmInvestment Bank Equity Research Top Picks

Company	Target Price (RM)	Catalysts
CIMB Group Holdings	9.80	Most inexpensive large-cap bank Attractive 6-7% yield Scope for further capital management
Hong Leong Bank	28.00	Becoming a respectable yielder Scope for incremental foreign buying Flexible balance sheet
Hong Leong Financial Group	33.00	Cash accretion at holding co Value unlocking optionality Wide SOP discount of >30%
Greotech Technology	3.60	RM 1 billion+ orderbook visibility Data centre-led order wins Margin recovery from scale
Keyfield International	1.76	Access to firm Middle East market Modern fleet advantage Active capital recycling, with 6% yield
VS Industry	0.70	Customer X volume recovery 13 new models by end-2026 Distressed valuation re-rating
Karex	0.60	Synthetic condom expansion Up to 15% average selling price ("ASP") repricing Earnings rebound from normalization

AmInvestment Bank Equity Research Stock Coverage (other than Top Picks)

Company	Call	Target Price (RM)
YTL Power	Buy	6.86
CELCOMDIGI	Buy	3.55
99 Speedmart	Buy	4.25
Sunway Healthcare Holdings	Buy	2.40
ViTrox Corp Bhd	Buy	10.25
IGB REIT	Buy	3.05
Dialog	Buy	2.40
Inari Amertron	Buy	3.25
Sunway Construction	Buy	9.50
Eco-Shop	Buy	1.80
Alliance Bank	Buy	5.50
Kelington Group	Buy	12.30
Sunway REIT	Buy	2.65
Pavilion REIT	Buy	2.10
Gent Plant	Buy	7.00
Johor Plantations	Buy	2.30
Binastra	Buy	3.10
Mega First	Buy	3.84
Kim Loong	Buy	3.30
Spritzer	Buy	4.00
Dayang Enterprise	Buy	2.00
VSTECS	Buy	2.40
Hibiscus Petroleum	Buy	2.80
Infomina	Buy	1.85
Jati Tinggi	Buy	1.00
Deleum	Buy	1.30
Malayan Banking	Hold	11.20
Public Bank	Hold	5.60
Petronas Chemicals	Hold	4.80
Petronas Gas	Hold	18.10
RHB Bank Bhd	Hold	8.70
IOI Corp	Hold	5.00
Telekom Malaysia	Hold	6.85

Company	Call	Target Price (RM)
Gamuda	Hold	4.10
KL Kepong	Hold	23.60
MR.DIY	Hold	1.60
Bursa Malaysia	Hold	8.20
Bank Islam Malaysia	Hold	2.25
MBSB	Hold	0.60
Malakoff	Hold	0.90
Pentamaster Corp	Hold	4.85
Solarvest	Hold	3.36
TSH	Hold	1.32
Al-'Aqar Healthcare REIT	Hold	1.25
UOA REIT	Hold	0.82
Hektar Real Estate Investment	Hold	0.50
Sunview	Sell	0.20

Source: AmlInvestment Bank Equity Research

Important: The market views, strategy observations, stock calls and target prices presented in this document constitute general market commentary and research views based on information and assumptions available as at the stated date and may change without notice. They have not been prepared having regard to the investment objectives, financial situation or particular needs of any individual investor and should not be treated as personalised investment recommendations or advice. Investors should consider their own investment objectives, financial circumstances and risk tolerance, and seek professional advice where necessary.





AWARDS AND ACCOLADES

AmWealth (Funds Management)*

Awards

Asset Publishing & Research Limited

The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF, and Asset Servicing Providers 2026

- Best ETF Provider, Malaysia (5 consecutive years)

Alpha Southeast Asia

17th Annual Fund Management Awards 2026

- Best Fund with the Optimal Sharpe Ratio (3 consecutive years)
- Best Fund with the Optimal Information Ratio (3 consecutive years)
- Best Asset Manager (Money Market Fund) (2 consecutive years)
- Best Asset Manager (Sukuk Fund) (2 consecutive years)

InsuranceAsia News

Institutional Asset Management Awards 2026

- Insurance Fund House of the Year, Malaysia (9 consecutive years)
- Best Islamic Fund Manager (4 consecutive years)
- Best ETF Manager - Local
- Best ESG Index Product

FinanceAsia

FinanceAsia Awards 2026

- Biggest ESG Impact - Nonbank Financial Institutions (Domestic) (3 consecutive years)

Asia Asset Management

Best of The Best Awards 2026

- Best Pension Fund Manager, Malaysia (8 consecutive years)
- Best Bond Manager, Malaysia (6 consecutive years)
- Best Sukuk Manager, Malaysia (5 consecutive years)
- Best Performance Awards – Fixed Income: Asian Bonds, Local Currency (3 Years)
- Best ASEAN Awards: Best Application of ESG (3 consecutive years)
- Best ESG Manager, Malaysia
- Best Institutional Asset Manager, Malaysia (2 consecutive years)
- Most Improved Asset Management Company, Malaysia

Awards

Asia Asset Management ETF Awards 2026

- Most Innovative Passive ETF of the Year: FTSE4Good Bursa Malaysia etf
- Passive Fixed Income ETF Manager of the Year, Malaysia
- ETF Launch of the Year: FTSE4Good Bursa Malaysia etf
- ETF Manager of the Year, Malaysia

Cambridge Islamic Funds Awards Cambridge Islamic Funds Awards 2026

- Best Islamic Fund Manager in Malaysia 2026 (2 consecutive years)

LSEG LSEG Lipper Fund Awards Malaysia 2026

- Malaysia Provident Fund Awards: Bond MYR (10 Years) AmDynamic Bond

PPA Private Pension Administrator Malaysia 2026

- Top Performing Fund For Growth Strategy 2025 - AmPRS Growth Fund (Bronze)

iFAST Capital iFAST Awards 2026

- Best Selling Unit Trust 2025 - AmIncome (2 consecutive years)

Citywire Citywire ASEAN Awards 2024/2025

- Best CIO Office - Malaysia
- Best Sustainable Investments - Malaysia

CorporateTreasurer CorporateTreasurer Awards 2025

- Best ESG Initiative (2 consecutive years)

The Asset The Asset Triple A Islamic Finance Awards 2026

- Islamic Asset Manager of the Year – Fixed Income

FSMOne Malaysia FSMOne Recommended Unit Trust Awards 2026/27

- AmGlobal Emerging Market Opportunities (Core Equity - Global Emerging Markets) (2 consecutive years)
- AmEuropean Equity Alpha (Core Equity - Global Emerging Markets)
- AmBond (Core Fixed Income - Malaysia) (4 consecutive years)

CorporateTreasurer CorporateTreasurer Awards 2026

- Best ESG Service Provider (APAC)

AmInvestment Bank Equity Research

Awards

The Edge Best Call Awards 2025

**Note: The recipients of the above awards comprise AmFunds Management Berhad and/or AmIslamic Funds Management Sdn. Bhd., as applicable. Past performance is not an indication of future performance. The fund(s)' unit prices as well as investment returns and income distribution payable, if any, may rise or fall. Investments in the fund(s) involves risks including the risk of total capital loss and no income distribution. The grantors of the above-mentioned awards are not related to AmFunds Management Berhad and AmIslamic Funds Management Sdn. Bhd. Source: AmFunds Management Berhad, from 1 September 2025 to 30 September 2026.*

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