Yearbook

1st Quarter *Checkpoint*

Group Wealth Management

EXECUTIVE SUMMARY

It is the year of the Fire Horse and fire is very prevalent, with the US-Israel vs Iran war beginning on 28 February 2026, in the second week of the lunar new year.

Markets had generally **expected a short conflict of around two weeks but it has been extended** and some now expect that it could be much longer with asymmetric warfare conducted by Iran and its supporters for months and perhaps even years.

The closure of the Strait of Hormuz and the targeting of oil & gas facilities have resulted in **energy prices skyrocketing and shortages of certain commodities**. It is warranted to stay cautious for the immediate term, although there are opportunities to accumulate risk assets if the conflict is expected to be controlled within 3 months. The development of the situation is extremely fluid, with risk repriced at every news update.

Geopolitical Risk has greatly increased when the US with the world's most advanced military under President Trump **is actively involved in** conflicts and 'taking' countries, which began in early January 2026 with Venezuela, by kidnapping the President and his wife, followed by the conflict with Iran. Also ongoing is the isolation of Cuba. Not only are the gloves off but the stick is now being used.

Diversify, diversify, diversify! Volatility has returned to markets and diversification is of utmost importance. **With elevated geopolitical risk**, diversification would entail **substantial allocation to low-risk assets** while retaining and selectively increasing exposure to the more stable growth regions of the world especially **Asia** which includes **AI beneficiaries, Korea and Taiwan** as well as the second largest economy in the world**, China** which is expected to have GDP growth of around 4.5% per year until 2035**. Within ASEAN, Malaysia and Singapore** are preferred during volatile times.

During periods of increased volatility, bonds are preferred as the drawdown is less compared to most other assets. **MYR bonds are very resilient** as they are anchored by Malaysia's strong fundamentals with robust domestic demand and strong exports. In addition, a vigilant and conservative Bank Negara provides comfort that monetary policy and interest rate decisions are sound – the overnight policy rate has been unchanged at 2.75% since the middle to 2025.

Gold has had a sell down, now at around USD4,500/ounce from above USD5000/ounce before the war began. However, in the **medium and long term, it should continue to perform well.** Central Banks buying of gold remains robust and it is increasingly a strategic allocation in portfolios.

AI and its adoption which we have written quite a bit on for the past year remains a secular investment theme, with the US and China having their own respective ecosystems. **The US' deep liquid capital markets and innovation driven culture will continue to drive the evolution of AI** and more importantly, its adoption across industries. This will translate into continued support of US equity markets as the next industrial revolution is just beginning.

Malaysia stands out as a preferred investment market due to its neutral geopolitical stance and also as a net energy exporter. In addition, the FX markets have also been volatile and exposure to local securities removes the FX risk. Malaysia's fundamentals are strong with 4Q25 Gross Domestic Product ("GDP") growth at +6.3% year-over-year ("yoy"), beating expectations and bringing full year 2025 GDP growth to 5.2%. Last year, 2026 Consumer Price Index ("CPI") was projected to be 1.3%-2.0% and today, even with a prolonged US-Israel vs Iran conflict, CPI could be slightly above 2.0% but it should be well anchored by targeted subsidies as well as the guidance of keeping RON95 petrol at RM1.99 a litre.

EXECUTIVE SUMMARY

(cont.)

The **13th Malaysia Plan which allocates RM430b** in development expenditure for 2026-2030 will be a **boost to the economy and the construction sector.** The rollout for 2026 includes projects such as the Penang LRT and East Coast Rail Link. In addition, **2026 is Visit Malaysia Year**. Whilst there has been a slowdown in air travel with the current conflict, this is expected to be temporary and could be **better for Malaysia as a tourist destination** as some will be very cautious in travelling to or via the Middle-East for quite a while.

China's 2025 GDP growth was spot on at 5.0% as forecast by the government. At its National Party Congress in Mar26, the 15th five-year plan which begins this year was approved. China is seriously committed to **restructuring its economy with a focus on boosting total factor productivity and digitalizing** (including utilising AI) the economy. **2026 GDP growth is forecast to be 4.5%-5.0%.** China's centrally planned economy will usher in its next stage of growth and attain its target of becoming a **Developed Nation by 2035**. As China needs to create wealth for its aging population, its capital markets will continue to be developed. Hence investors should have investments in China as a strategic holding in their portfolios.

Beyond the ongoing conflict in the Middle East, we remain cautiously optimistic and view drawdowns in risk assets as opportunities to accumulate. We reiterate our view from our 2026 Yearbook : "… **diversification is paramount** and vigilance is required to be **swift and nimble in rebalancing portfolios**."

Goh Wee Peng
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AmBank Group

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PORTFOLIO STRATEGY AND SOLUTIONS

Portfolio Strategy

With the ongoing US-Israel vs Iran war which has extended longer than most investors expected, geopolitical risk premium remains very high. During this period, **fixed Income should be the anchor for portfolios as it is less volatile and subject to lower drawdowns compared to equity.** Gold has been sold down substantially, which we believe is partially due to profit taking in light of the large investor buying in 2025. However, in the medium to long term, **demand will remain robust, especially from central banks** which have increased their purchases substantially since 2022.

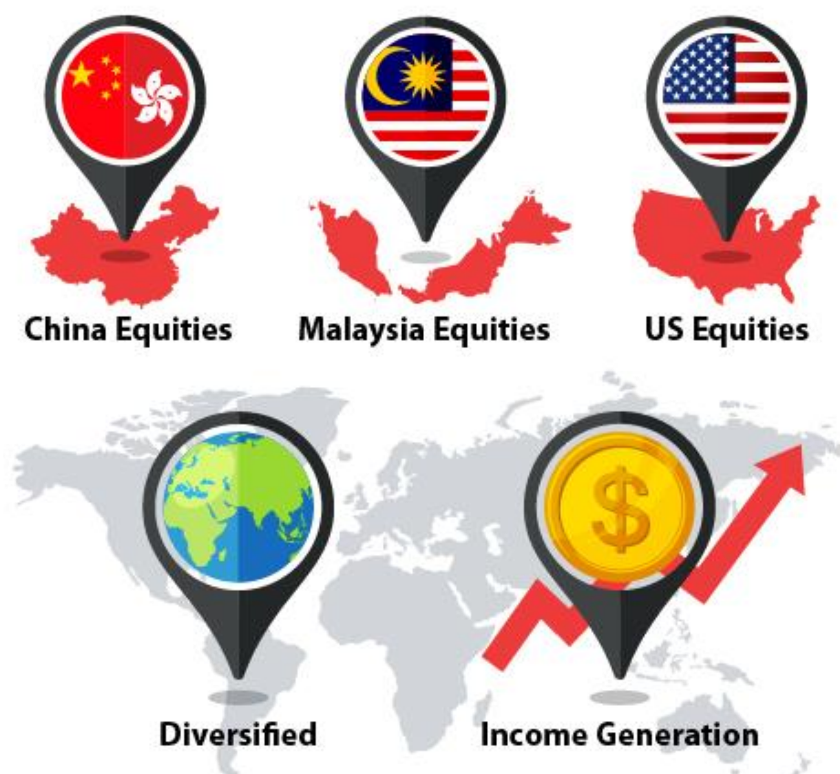
We remain **cautiously optimistic on risk assets and view drawdowns as opportunities to gradually accumulate**. The current US-Israel vs Iran war will have investors and capital allocators reassess investment destinations, especially by geography, which should have **Asia and ASEAN benefitting as monies are diverted from the Middle-east and even away from the USA**. **We favour** Asia especially North Asia - **Taiwan, Korea and China driven by Technology especially AI and its adoption.** Specifically for China, we are positive on their new 5-year plan.

We **are also positive on Malaysia equities** which has sound fundamentals backed by a fair dividend yield. Although Malaysia is a net oil importer, it is a **net energy exporter (Malaysia exports natural gas)** and with energy prices very high, i.e. Brent above USD100 a barrel ("bbl") its export revenue and trade balance will increase substantially. In addition the USD has been volatile and hence having Malaysian investments will mitigate FX risk of local investors.

Within ASEAN, we **prefer Singapore** due to its solid fundamentals with strong fiscal buffers, a stable government with consistent policies and strong rule of law. **US equity exposure especially in AI and AI adopters is also favoured** as the US remains one of the most innovative countries in the world. as the deepest and most liquid capital markets

Ultimately, **diversification** is crucial to optimise portfolios such that they will mitigate investment risks while delivering appropriate returns in the medium and long term.

AmWealth's 5 Key investment Themes



Group Wealth Management Solutions

Strategy	Focus	Solutions
The Stability Anchor Investment Discipline focused on stability, balance, and capital preservation	**Who is this for?** Clients who value calm consistency, prefer measured risk, and want a portfolio that stays anchored regardless of market noise. This strategy emphasises control, deliberate positioning and a strong long-term foundation. **Strategic Priorities:** ➢ Predictable income generation ➢ Controlled and measured risk exposure ➢ Protection against inflation and market fluctuations	**Precious Metals Allocation:** Diversified physical metals or pure gold exposure for a smoother inflation hedge. **Monthly Income Assets:** Regular distributions that stabilise total returns. **Range Accrual Notes:** Enhanced yields when rates remain within defined ranges, supported by capital-preservation features. **Laddered Investment Grade Bonds:** Staggered maturities designed to manage duration risk and maintain liquidity.
The Adaptive Allocator Investment Discipline focused on responsiveness, transition, and resilience	**Who is this for?** Clients who want progression without unnecessary volatility, preferring a balanced mix of income, growth and adaptability. This strategy enables smooth portfolio transitions and resilient all-weather positioning. **Strategic Priorities:** ➢ Balanced return profile ➢ Regional and sector diversification ➢ Tactical allocation flexibility	**Global Dividend Growth Fund:** Yield-driven equities supporting consistent long-term capital compounding. **Tech Fund:** Innovation-centric exposure with structural growth potential. **Shark Notes:** Capital-protected equity participation designed for controlled and disciplined upside capture.
The Conviction Builder Investment Discipline focused on high conviction opportunities supported by disciplined portfolio construction	**Who is this for?** Clients who want to express their strongest views with structure, buffers and disciplined risk controls. This strategy targets assertive yet controlled growth, using solutions designed for modern market volatility. **Strategic Priorities:** ➢ High growth potential ➢ Tactical participation in emerging opportunities ➢ Volatility-aware portfolio positioning	**Innovation & Technology Leaders**: Access to global chipmakers and emerging disruptors shaping the next wave of technology cycles. **High-Yield Equity Opportunities**: Emerging Markets and small-cap allocations offering stronger upside participation during risk-on market conditions. **Knock-in & Knock-Out Structured Notes:** High-coupon strategies supported by tactical downside buffers for more controlled equity exposure.

From Stillness to Flow to Power, your wealth journey evolves with purpose.

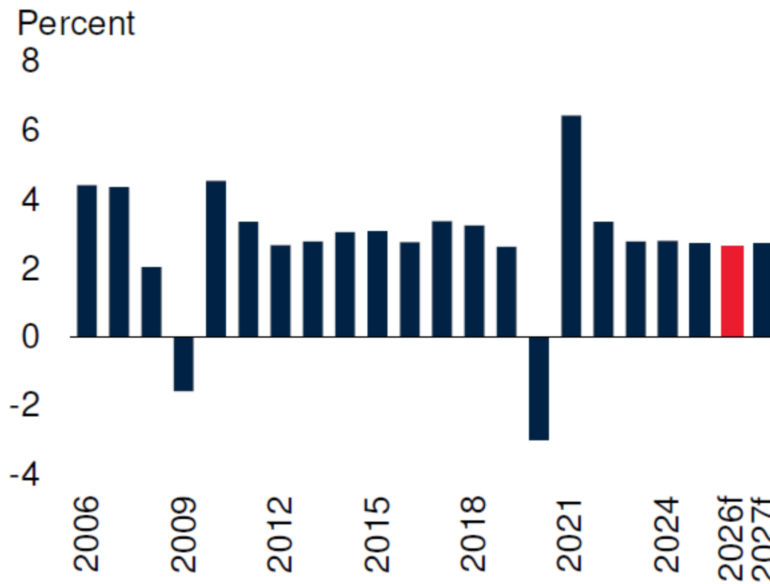
Begin with stability, adapt as the cycle shifts and express conviction when opportunities align. Three disciplines, one seamless path designed to guide you confidently toward long-term financial mastery.

MACRO DEVELOPMENTS

Global

The World Bank's release in January 2026 of its growth projection, sees 2026 global GDP growth "edging down" to 2.6% from 2.7% estimated for 2025, but improving to 2.7% in 2027. The report flags that near-term risks are tilted to the downside from; escalation in trade tensions, further rise in trade barriers, deterioration of financial market sentiment amid asset price declines, fiscal concerns, or inflation surprises. The World Bank also highlights some upsides that could support growth, citing firms' adaptability to new trade conditions, and broadening of AI-related activity.

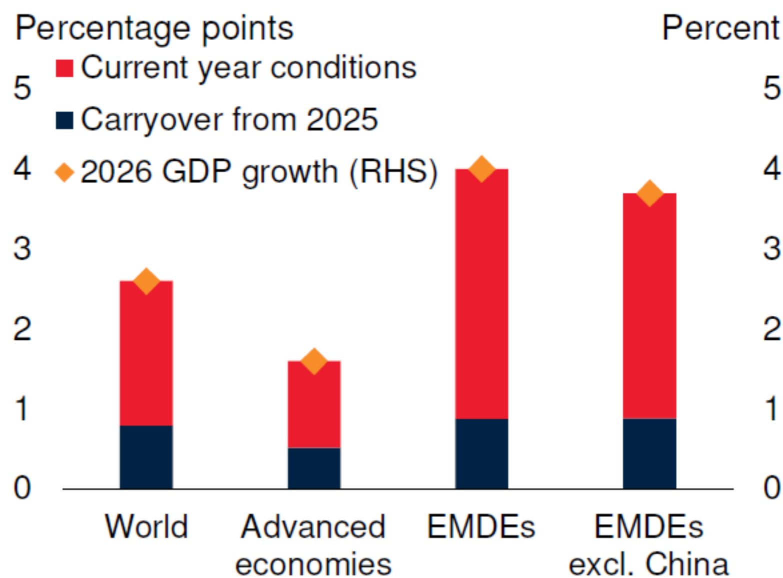
Exhibit 1 : Global GDP growth outlook



Source: World Bank, Global Economic Prospects Report 2026

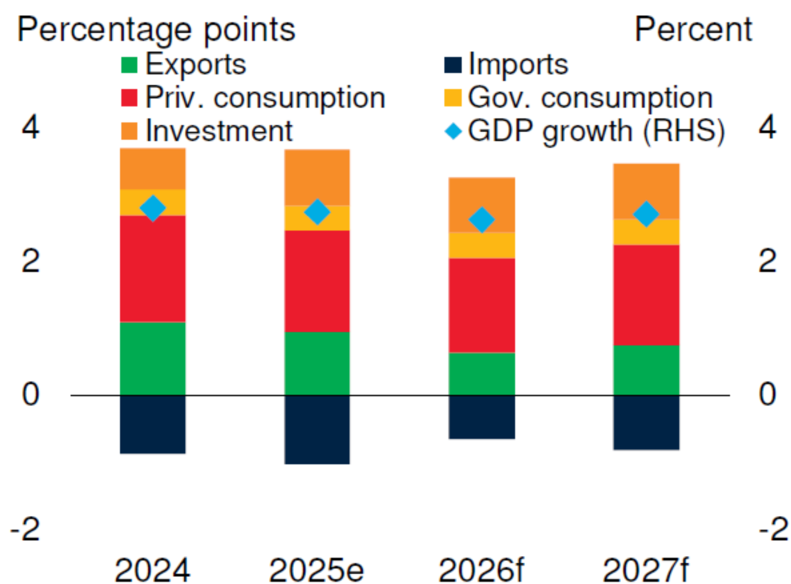
Exhibit 2 : Contributions to forecast growth 2026

Emerging market economies to grow sub-4% while advanced economies to grow at sub-2%.



Source: World Bank, Global Economic Prospects Report 2026

Exhibit 3 : Components of global growth
Trade to be a smaller determinant of growth in 2026 and 2027.



Source: World Bank, Global Economic Prospects Report 2026

IMF view

The International Monetary Fund ("IMF", sister organization to the World Bank) in its finalized report, also released in January 2026, confirmed its global growth projections of 2026 GDP growth of 3.3% running at the same rate as in 2025, but easing to 3.2% in 2027.

The IMF's rationale for this steady performance is based on a balance of divergent forces. In particular, the IMF states that headwinds from shifting trade policies are offset by tailwinds from surging investment related to technology, including artificial intelligence ("AI"), more so in North America and Asia than in other regions, as well as fiscal and monetary support, broadly accommodative financial conditions and adaptability of the private sector.

The IMF flags vulnerability of global growth due to the "narrow base of drivers" given the resilience have so far been exhibited large by a few sectors (such as tech and AI in US and Asia, tourism in Asia Pacific, healthcare in the US) that is often supported by monetary and fiscal accommodation.

Tariffs

The Office of the United States Trade Representative launched **new Section 301 investigations** in March 2026 covering 60 economies for **allegedly failing to impose and enforce bans on imports made with forced labour**. This represents one of the largest and broadest Section 301 actions in history, aimed at building a new trade-enforcement architecture after the U.S. Supreme Court revoked the IEEPA-based reciprocal tariffs imposed previously. Additionally, investigations also target 16 major economies - including China, the EU and most of ASEAN over **policies supporting large-scale industrial overcapacity**. Potential near-term impact are rising compliance costs and heightened scrutiny of manufacturing and supply chains.

THE KEY EVENT THAT WILL AFFECT CAPITAL MARKETS IN 2Q2026: US-ISRAEL vs IRAN WAR

Our Base Case Scenario

A protracted low-intensity conflict, with a regular cycle of missile and drone exchanges followed by tactical pauses, rather than a full-scale regional conflict. Also, a full US land invasion remains a low-probability due to political sensitivities and the impending elections in the US.

Inflationary Pressures

Energy costs are the primary transmission mechanism for inflation in this conflict. Brent crude prices briefly spiked to RM119.5/bbl in intraday trade on 9 March 2026 (10-days into the conflict) and is currently trading above USD100/bbl since 12 March 2022 versus the USD60-65/bbl level prior to the conflict. The USD100/bbl level is in line with analysts pricing for a closure of the Straits of Hormuz for a period of 4-6 weeks. Current estimates suggest a USD10/bbl increase in oil adds roughly 0.3%–0.4% to global headline inflation.

While energy costs hits quite immediately, currently rather visible with the viral videos of 'gasoline' pump price 'shocks' in the US, secondary effects via supply chain lag on manufacturing and retail pricing are expected to manifest within 60 to 90 days, potentially triggering a second wave of global price hikes.

Inflationary impact would differ country with net energy importers (most of Asia and Europe) seeing larger shocks. For China, there would be near term cushioning as energy stockpiles are ample, while prolonged disruption would trigger competition in the market for alternative energy supplies.

Potential of Global Growth Forecasts being reduced

Conflict in the MENA region places downside pressure on global growth. The disruption of shipping through the Straits of Hormuz through which 20-30% of global oil supplies transit would trigger higher headline inflation via supply shock to the energy market. Growth would be impacted via tighter financial conditions across the economy, real income compression of households and margin compression for businesses. Economists have estimated that this could shave-off 0.3% from global annual GDP should the conflict come to an end immediately, to 2.0% should the conflict persist through the year.

Emerging Markets ("EM")

Major economies like China and India are net oil importers. China, despite being a major buyer of Iranian crude, has built substantial strategic buffers in recent years and its dependency on oil as an energy source has reduced over the past decade reflecting a more diversified energy mix and improvements in efficiency. Meanwhile, India faces particular sensitivity due to its high dependence on crude oil and natural gas imports from the Middle East and generally limited storage capacity, amplifying the economic impact of supply shocks.

Meanwhile, resource-rich EM countries like Brazil or Gulf nations (outside the direct conflict zone) may see a temporary boost in export revenues, though this is offset by broader risk-off capital flight. Indonesia, while a net oil importer, is also a net exporter of metals and coal. As a result, the negative pressure from higher oil prices on its trade balance could be partially offset by stronger prices for its key commodity exports.

Developed Markets

While the U.S. is a net energy exporter, the spike in global oil prices threatens to reverse recent progress on inflation, complicating the Federal Reserve's rate-path decisions.

Having largely pivoted away from Russian energy, Europe remains sensitive to Middle Eastern LNG and oil. A sustained price hike could dampen industrial productivity and consumer spending across the Eurozone.

Developed Asian economies such as Japan and South Korea maintain the largest buffers, with crude oil reserves covering about 200–250 days of demand, reflecting long-standing energy security policies.

Malaysia
Malaysia's position as a net energy exporter provides a degree of buffer against spillovers from the war. In 2024, Malaysia's net crude oil imports was approximately 81.9m barrels (exported 79.6 million and imported 161.5 million barrels). Conversely, for natural gas, Malaysia was a net exporter of around 1.26 billion MMBtu (exported 1.43 billion MMBtu and imported 0.17 billion MMBtu). Hence, on a total energy basis (using 5.8 MMBtu per barrel of oil equivalent), this was about 135 million barrels in 2024.

Referring to Malaysia's Department of Statistics Malaysia's external trade data for 2025, Malaysia exported RM19.42 billion of crude petroleum and imported RM53.56 billion; for LNG, Malaysia exported RM51.63 billion and imported RM6.27 billion. In total, net energy exports was RM11.22 billion. Higher energy prices will be **positive for Malaysia's trade balance**.

However, due to fuel subsidies, currently, **every USD10 a barrel ("bbl") increase in Brent crude price**, relative to the 2026 Budget's assumed Brent crude range of USD60–65/bbl, is estimated to **widen the fiscal deficit** by roughly RM3b, or about 0.141% of estimated 2026 nominal GDP. As such, Brent crude price averaging USD80/bbl and USD100/bbl would potentially widen fiscal deficit to 3.8% and 4.1% versus 2026 Budget's estimate of 3.5% (20255: 3.8%). Nonetheless, this could be **mitigated by expected higher petroleum revenue and higher dividends from Petronas** to help keep the fiscal balance contained at around the 3.7% level achieved in 2025.

Malaysia ended 2025 with a stronger-than-expected 6.3% YoY GDP growth in 4Q2025, reinforcing momentum heading into early 2026. Full-year 2025 GDP rose 5.2%, slightly above 2024's 5.1%, driven by domestic demand as well as favorable export performance. Meanwhile, Malaysia's inflation remained benign with headline inflation of 1.4% in 2025.

Bank Negara Malaysia ("BNM") in their Economic and Monetary Review 2025 had a section on the Outlook and Policy in 2026 and on 31 March 2026 also held its Annual Dialogue. BNM has projected the Malaysia economy to grow 4%-5% in 2026 with inflation of 1.5%-2.5%. These projections were made after the US-Israel vs Iran war began. In their outlook there is mention about both downside and upside risks. Of note is the statement 'Externally, downside risks stem from slower-than-expected global trade due to geopolitical conflict in the Middle East and tariffs.'

In the current fluid situation, it is highly likely that the war can persist for half a year and in such a scenario, Brent will remain elevated perhaps averaging around USD100/bbl. In a more extreme but still possible scenario is that the conflict will extend beyond 6 months and the Strait of Hormuz remains closed for the entire duration of the conflict. This may have Brent shooting beyond USD110/bbl. Both scenarios will result in downside risk to GDP growth and inflation to be higher.

If the war is contained within 6 months, it is highly likely that both Malaysia's GDP growth and inflation will remain within the projected 4%-5% and 1.5%-2.5% respectively. However, should the war be a long one, that stretches more than 6 months, perhaps beyond a year, the downside risk to growth can be severe.

Malaysia's National Economic Action Council meets weekly and of late evaluates energy security and supportive policies. The Government of Malaysia and its agencies including Bank Negara Malaysia will be proactive and if they think necessary even implement preemptive measures as have been done in the past. Targeted monetary measures could also be implemented.

All in, we expect Malaysia's sovereign credit to remain stable. We will remain vigilant and continue to monitor the ongoing US-Israel vs Iran war and its implications.

Our Worst Case Scenario

An escalation to a regional conflict which is prolonged, together with a US land invasion. Negotiations for a 'Deal' is put off indefinitely.

Inflationary Pressures (Worst Case Scenario)

A prolonged conflict, with an indefinite closure of the Straits of Hormuz throughout 2026 and into 2027 suggests **crude oil price is likely to peak at close to the recent historical high of USD150/bbl** and average for 2026 at just under the ceiling set by demand destruction of USD120/bbl. Current estimates suggest a USD10/bbl increase in crude oil price adds roughly 0.3%–0.4% to global headline inflation. Given the estimated 2026 average level of USD60-65/bbl prior to the conflict, **global inflation would see upward pressure of 1.8%-2.4% to 2026 global headline inflation forecasts of around 2.9%** prior to the conflict (S&P Global Market Intelligence, 2026 estimate: 2.9%). **Potential of Global Growth Forecasts being reduced (Worst Case Scenario)**

Economists have estimated that the current conflict in MENA could **cut 2.0% from global annual growth** should the conflict persist through the year. Estimates of 2026 global growth prior to the conflict were 2.6% by the World Bank and 3.3% by the IMF. Thus, a **prolonged conflict could drag global growth to an anemic 0.6%** based on the more conservative World Bank estimate.

Equities View (Worst Case Scenario)

A sustained disruption in oil supply will worsen the impact on inflation and increases the risk of a global economic downturn. It will also have central banks be less willing to cut rates. In this scenario, we would **turn even more defensive and advocate a higher cash allocation** for a portfolio strategy.

We would be **Neutral on the US** as higher interest rate expectations may weigh on the US equities particularly the small caps. However current flows to USD assets may provide some support for the market. We prefer exposure in AI-focused technology companies in the US. We would turn more **bearish on the European and Japanese** markets as they are vulnerable to elevated energy costs, which could weaken consumer confidence. The **South Korea and Taiwan** markets were the huge beneficiaries of the technology sector rally since 2025 and hence may continue to face further **headwinds from profit-taking activities** if the risk-off sentiment intensifies. The optimism that fueled interest in cyclical assets and non-US dollar assets earlier in the year was premised on the outlook of continued central bank easing and US dollar weakening. If the outlook reverses, which will be likely in our worst case scenario, **emerging markets especially those with weak fiscal balances like India, Indonesia and Philippines**, will have **limited room to provide stimulus** to support their economies.

Meanwhile the **China and Hong Kong** markets will likely be **more resilient**. The Chinese government's focus is clear: **domestic demand will be the primary engine of growth** if the external factors worsen. Structural reforms such as improved social welfare, pension reform, and urbanisation are also in the pipeline to boost disposable income and raise the share of consumption in GDP over the medium term. While downside risk on global trade and financial markets can have knock-on effects for Hong Kong's economy, there are some silver linings for **capital and talent flows looking for alternative regions amidst the uncertainties**, which could benefit Hong Kong as a regional financial hub.

In ASEAN, **Singapore as a safe and open economy** will benefit from capital inflows while **Malaysia** being a **net energy exporter**, coupled with **strong local institutional support and low foreign shareholding**, should be able to weather the high energy prices better than its Asian peers.

Gold has so far failed to act as a diversifier on global growth concerns, but the price may recover once growth fears subside. Of note is that **central banks continue to increase gold reserves** over the longer term.

EQUITY STRATEGY

Exhibit 4: Performance and Valuations of Selected Markets (YTD 13 March 2026)

Market	Last Price	% Year-to-date	Price-to-Earnings Ratio ("PER") 2026 (x)	Price-to-Earnings Ratio ("PER") 2027 (x)	Dividend Yield (%)
S&P 500	6632.19	-3.12	20.94	18.16	1.29
Nasdaq-100	24380.73	-3.44	24.37	20.70	0.72
Euro Stoxx 50	5716.61	-1.29	15.63	14.04	3.11
Japan	53819.61	6.91	21.58	21.05	1.69
China	80.19	-3.42	13.10	11.69	2.16
Taiwan	33400.32	15.32	17.98	15.00	2.45
South Korea	5487.24	30.21	8.89	7.46	1.37
India	23151.1	-11.40	18.36	15.92	1.64
Singapore	4842.27	4.22	14.78	13.80	4.65
Indonesia	7137.212	-17.46	14.19	11.34	4.33
Thailand	1409.35	11.88	14.89	13.81	3.93
Philippines	6058.94	0.10	9.49	9.23	3.43
Vietnam	1696.24	-4.95	12.58	10.46	2.21
Malaysia	1698.85	1.12	14.94	14.02	4.31

Source: Bloomberg16 March 2026

Asia

The **South Korean and Taiwan equities have continued its strong momentum** in 1Q26 from last year, with the markets rallying 48% and 22% respectively in the first two months of 2026 and were the top performers in region. The rally was underpinned by continued strength in **global AI-hardware demand**, which has materially supported semiconductor and hardware manufacturers in both markets, reflecting their **critical roles within the global technology supply chain** and reinforcing the structural growth trajectory of the sector.

The Korean market sentiment was further strengthened after the government passed the third revision of the Commercial Act, requiring companies to cancel newly acquired treasury shares within one year and grant existing treasury shares a six-month grace period.

However, both markets corrected in early March following the US–Israel vs Iran war, as **the closure of the Strait of Hormuz affected imports** like LNG and helium into this region. While Korea maintains a large buffer of energy reserves, Taiwan is relatively more at risk from the supply shock although some relief may come from alternative supply arrangements.

Notwithstanding the short-term volatility, **valuations are attractive now** in these two markets after the pullback, given the medium-term outlook of **improving semiconductor fundamentals** and **favourable policy support**.

Asia (Specifically China)

China's exposure to Middle Eastern crude creates near-term energy security risks but its dependence has structurally declined as oil now accounts for a smaller share of its energy mix. **Rising oil prices and inflation may dampen exports**, increasing the **likelihood of more forceful fiscal support** to stimulate domestic consumption. We view **any corrections as opportunities to accumulate**, preferring domestic consumption, infrastructure and deep-tech themes (AI, robotics, EV autonomy).

China's 15th Five Year Plan (2026–2030), formally approved by the National People's Congress on 12 March 2026, establishes the strategic framework for achieving "basic socialist modernization" **by 2035, including raising GDP per capita to the level of a moderately developed economy, around US$20,000**. Consistent with recent planning practice, the plan does not set a binding five year GDP growth target, instead emphasizing growth "within a reasonable range" and a shift **toward high quality development, defined by productivity improvements, technological advancement**, environmental sustainability and better livelihood outcomes. Macro policy calibration is left to annual Government Work Reports, with **the 2026 growth target set at 4.5–5.0%**, reflecting a pragmatic assessment of near term growth potential amid structural headwinds rather than a commitment for the full plan period.

Beyond the growth framework, the approved plan places greater weight on strengthening total factor productivity through **deepened market oriented reforms**, including **nationwide implementation of a unified national market**, improved factor mobility across land, labour, capital, technology and data. There will also be enhanced competition policy enforcement to reduce fragmentation and misallocation. Industrial policy is broadened beyond headline innovation objectives to **include the systematic upgrading of traditional industries, the scaling up of strategic emerging and future industries, and the expansion of high value services**, supported by continued infrastructure investment in **transport, energy, digital networks, and logistics** to reinforce supply chain resilience. The plan also **embeds digitalisation** more explicitly as a cross cutting growth enabler, accelerating the **"Digital China" and "AI+" agendas** through investments in computing power, data infrastructure and governance frameworks, while tightening regulatory oversight to ensure orderly development.

On the macro stability front, the blueprint elevates financial, property sector and local government risk management as integral to sustainable growth, alongside a more institutionalised approach to **fiscal discipline and medium term debt managemen**t. At the same time, the plan strengthens commitments to green transition and **energy security**, including carbon intensity reduction, expansion of non fossil energy capacity, and the **development of new energy systems**, while integrating these objectives with industrial upgrading. Taken together, the NPC approved 15th Five Year Plan formalises a shift toward a more rules based, productivity driven and resilience focused growth model, with medium term outcomes increasingly dependent on **reform execution, technological diffusion and domestic demand** expansion rather than cyclical stimulus.

Malaysia: Truly Asia, Truly Defensive

In Asia, Malaysia **entered 2026 on a position of relative strength,** with 2025 GDP growth of 5.2%, having exceeded expectations at 4.9%. With the US-Israel vs Iran war, it stands out as relatively defensive in terms of impact to trade balance and economic growth, as it is a net energy exporter.

Sustaining Growth via Madani Policies

The government's Budget 2026, tabled on 10 Oct 2025 prioritised housing, healthcare, and education reforms, consistent with the longer-term 13th Malaysia Plan ("13MP"). These measures, together with substantial development expenditure of RM81 billion (2025) and the Johor-Singapore Special Economic Zone ("JS-SEZ"), are expected to sustain private-sector investment and medium-term growth.

Other incentives proposed in Budget 2026 and in PM Anwar Ibrahim's New Year address will continue to ease cost of living pressures and sustain private consumption spending. These include:

- Targeted assistance such as Sumbangan Tunai Rahmah ("STR"), Sumbangan Asas Rahmah ("SARA"—monthly portion and universal portion), Early Schooling Aid

- Cost-of-living assistance such as Jualan Rahmah Madani where essential goods are sold at discounts

- Civil servants pay hike

Other growth catalysts

- Visit Malaysia Year: As highlighted in our Yearbook, 2026 is also **Visit Malaysia Year 2026 and Year of Medical Tourism**. With the tourism industry contributing circa 15.1% to GDP in 2024, the targeted increase in foreign visitors to 47 million is a boon not just to economic growth but also employment and foreign exchange.

Tariff reprieve

On 20 February 2026, the US Supreme Court ruled against President Trump's International Emergency Economic Powers Act ("IEEPA") tariffs. However, President Trump promptly pivoted to other legal tools, namely Section 122 and imposed a 15% global tariff, valid for 150 days. **This provides a "tariff relief" for Malaysia, as previously the reciprocal tariff rate was at 19%.** US subsequently announced a Section 301 investigation into multiple countries including Malaysia, over alleged excess manufacturing capacity that could lead to new tariffs. Yet the investigative process, including public comments, hearing and determination is expected to take many months.

Given the above, we are positive on selected Consumer stocks, Construction, Upstream Plantations and Utilities. We are adopting a short-term opportunistic stance on oil and gas stocks and remain vigilant on the fluidity of the conflict as it could be extended or end within the next few weeks. This is because the rally in crude oil prices is driven by geopolitical conflict (i.e. a "war premium") and can sharply decline should tensions de-escalate.

Construction

We remain **positive on the construction sector** supported primarily by large-scale public infrastructure spending under the 13th Malaysia Plan which allocates RM430 billion in development expenditure for 2026-2030 and RM81 billion for 2026 alone. Key rollouts in 2026 include the Penang LRT, Pan Island Link 1, the Penang-mainland rail bridge, East Coast Rail Link, Johor Autonomous Rapid Transit, and MRT 3 groundwork.

Beyond traditional infrastructure, **industrial and digital infrastructure demand is now a major catalyst**, driven by hyperscale data centre expansion, logistics hubs, advanced manufacturing facilities and sustainability-driven commercial development standards. Analysts expect data centre contracts alone to rise substantially, with at least 13 tenders anticipated, contributing meaningfully to sector orderbooks through 2026. Additionally, Budget 2026 includes RM3.4 billion for the Johor–Singapore SEZ, strengthening cross-border development activity.

As shown in Exhibit 5 below, the sector is trading at below mean valuations.

Exhibit 5 : Bursa Construction Index 3year PE Graph

Source: Bloomberg 27 March 2026

Consumer

Consumer stocks rallied into the New Year but investors re-assessed their positions following underwhelming results and pricey valuations (prior to the sell-off). Management guidance across the board was generally neutral to positive, with some discretionary names seeing some acceleration in early 2026. **Following the sell-off, many consumer stocks are looking attractive with several stocks trading at relatively low PE (low teens) yet offer good dividend yields.** The key drivers of the sector including targeted subsidies and Visit Malaysia Year remain intact.

Plantations:

Upstream producers are beneficiaries of higher Crude Palm Oil ("CPO") prices, which positively correlate with crude oil prices. The surge in crude oil prices has lowered the Palm Oil-Gas Oil spread, improving Indonesia's ability to finance its B50 biodiesel plan. This is supportive of CPO prices as its implementation is estimated to take away an additional 4m MT of palm oil.

Although fertilizer costs have also risen due to supply chain disruption (one-third of the world's fertilizer trade passes through the Strait of Hormuz), **most planters have secured their fertilizer requirements for 1H2026**.

Utilities:

The recent escalation of the Iran war has driven a sharp increase in global energy prices, primarily due to production disruptions and the effective closure of the Strait of Hormuz, a key chokepoint in the Gulf region. Brent crude has surpassed USD100 per barrel from USD72 per barrel at the end of February 2026, while European natural gas prices have climbed to approximately EUR55/MWh, up from EUR30/MWh. At the same time, Australian coal prices have risen to about USD130/mt year-to-date, versus USD110/mt previously. These prices reflect **heightened concerns over supply security in one of the world's most critical energy corridors.**

Malaysia's power asset players are not expected to be materially affected by the recent spike in global fuel costs, given the lagged pass-through mechanism for actual coal and natural gas prices. In addition, those with the Automatic Fuel Adjustment will be cushioned against especially elevated energy prices.

Malaysia's largest gas distributor is also expected to benefit as higher natural gas prices support stronger profitability, as approximately 40% of its net profit is derived from supplying natural gas to industrial customers. As this supply is sold on a cost-plus-margin basis, higher natural gas prices directly translate to improved profitability.

While we see minimal earnings impact on renewable energy players in the near term, the **sharp rise in crude oil prices is expected to accelerate renewable energy adoption** and will hence be positive for solar and renewable energy players in the medium term.

ASEAN

Within ASEAN, we like **Singapore, for its strong fiscal** buffer that will allow it to weather energy volatility better than regional peers. It will benefit from **investors' safe-haven allocation flows**. Singapore's position as a mature financial hub, supported by its stable government is poised to attract increasing private-wealth inflows in the coming years. Shifting geopolitical dynamics in the Middle East is prompting ultra-high-net-worth families to reassess capital safety. Wealth managers in Singapore report incremental inflows from the Middle East as ultra-rich clients diversify, **seeking more neutral jurisdictions which have lower geopolitical risk such as Singapore**, where its banking and family-office ecosystem has grown and is capturing rising global wealth flows.

US

Exhibit 6: Hyperscalers Capex and Valuations

US$ 'bil	2025	Capex 2026E*	*YoY (%)*	Cloud Growth 4QCY25 (%)	CAPEX/ CFO	P/E	PEG	YTD Returns (%)	TP (Internal)
Meta	72	125	*73%*		62%	20.5	1.2	1.5	1,000
Google	92	180	*97%*	48%	56%	28.1	2.8	5.6	346
Amazon	131	200	*53%*	24%	94%	23.4	1.2	-3.5	276
Apple						32.6	2.4	1.5	
Microsoft	118	177	*50%*	39%	74%	23.6	1.7	-18.6	469
Total	**413**	**682**	*65%*						

**Company guidance*

Source: Respective Company Websites, 16 March 2026

The core economic loop for AI **remains intact**: **higher demand** → **higher capex** → **stronger earnings** for AI infra players & that dynamic should continue into 2026 especially after Nvidia's GTC event where CEO, Jensen Huang stated that Nvidia is now seeing at least USD1 trillion of cumulative orders until end 2027 (compared to USD500b until end 2026 a year ago). However, with the stellar performance of AI stocks in the past few years, some Investors are rotating away from Tech despite solid earnings due to scepticism that the capital expenditures will not generate fair returns. **Projected 2026 Capex is now some USD682b (+65% YoY).** As with previous industrial revolutions there will be winners and losers but **the contribution to the economy will be substantial and multi-year** with the enablers generating supernormal profits for an extended period of time, perhaps even decades.

With the ongoing US-Israel vs Iran war, we remain defensively positioned for now but geopolitical conflicts have historically created valuable buying opportunities. **Fundamentally strong companies continue to look attractive for long term accumulation.**

Europe

Europe is **showing signs of improvement**, with GDP and PMI data trending higher, supported by rising consumer confidence and **increased fiscal spending in Germany**. Coupled with EPS growth in 4Q25 returning to positive territory, this provides constructive momentum, particularly as the "Made in Europe" initiative under the proposed Industrial Acceleration Act which aims to raise the manufacturing share of GDP to 20% by 2035, up from 14.3% of the EU's total GDP. However, we maintain a **neutral view on European equities**, as the region remains vulnerable to elevated energy costs, which could reignite inflationary pressures and weaken consumer confidence.

FIXED INCOME STRATEGY

US

In February 2026, the U.S. Supreme Court ruled by a 6–3 majority that **President Trump had exceeded his statutory authority under the International Emergency Economic Powers Act ("IEEPA")** when imposing tariffs on dozens of countries. While the decision challenges the legal basis of those tariffs, the Supreme Court **refrained from ruling on whether the federal government is required to refund** the approximately USD160 billion in duties collected. Any mandated reimbursement could widen the U.S. fiscal deficit, complicate U.S. Treasury ("UST") supply dynamics, and potentially add volatility to the UST market.

In response, President Trump **signaled plans to introduce a 15% global tariff** on top of existing U.S. levies, utilising Section 122 of the Trade Act of 1974, which permits the president to **impose temporary import restrictions for up to 150 days**. The renewed tariff uncertainty weighed on market sentiment, contributing to a decline in the 10-year UST yield as investors reassessed the implications for global trade and growth.

Geopolitical risks escalated sharply after the U.S. strike on Iran on 28 February 2026, which **intensified concerns about regional stability, energy supply disruptions, and the potential for a broader geopolitical confrontation**. These developments have heightened risk aversion globally, prompting investors and policymakers to brace for further market volatility.

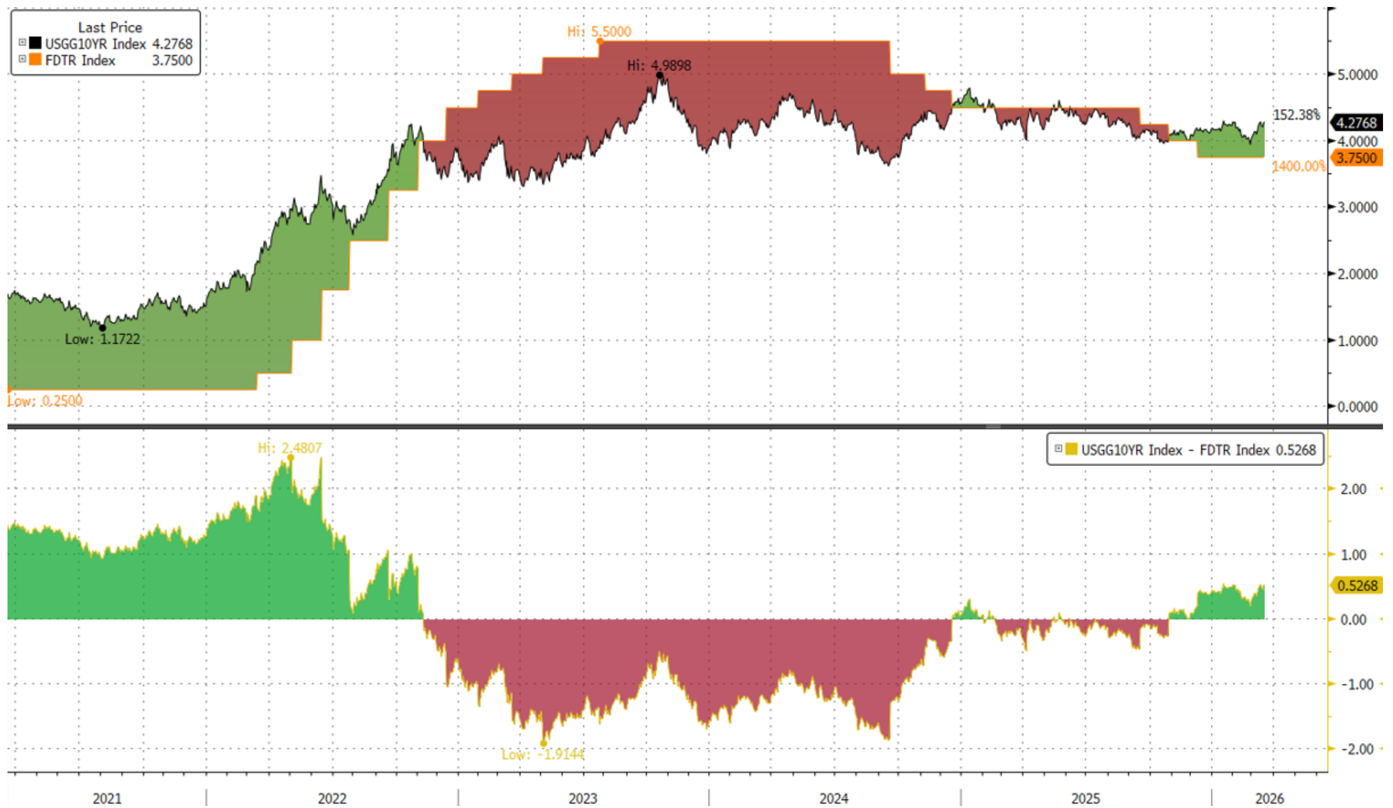
On the economic data front, latest non-farm payrolls surprised to the downside at -92k jobs in February 2026 disappointing consensus expectation of 55k (January 2026: 126k). The weak job numbers cannot be linked to the somewhat one-off event of Federal government shutdown. However, February's drop is still due to a combination of temporary factors, including labour strike at Kaiser Permanente, payback from good weather in early January, drag from storms in early-February.

U.S. inflation eased more than expected at the start of the year. Both headline and core Consumer Price Index ("CPI") moderated to 2.4% YoY and 2.5% YoY respectively in January 2026 (December 2025: 2.7% and 2.6%). The slowdown was largely driven by lower energy prices, particularly declines in gasoline and fuel oil. Latest **February inflation remained unseasonally soft,** unchanged with the headline number at 2.4% YoY and core at 2.5% YoY, as disinflationary impulse from heavily weighted items like rent and cars offsetting inflationary effects in other consumer items in the economy.

As widely anticipated, the **US Fed left policy rate unchanged at 3.50-3.75%** at its meeting on 19 March 2026. More significantly, Fed guidance has turned technically somewhat hawkish raising the Neutral interest rate to 3.1% versus 3.0% prior, with a **suggestion that AI will boost productivity growth**. This is underpinned by Fed Governors' Summary of Economic Projections ("SEP") **upward revisions of growth outlook projections** across the forecast horizon 2.4%, 2.3% and 2.1% for 2026. 2027 and 2028 (versus prior forecasts of 2.3%, 2.0% and 2.5%). This was unexpected, given market caution of downside risks from the current war in MENA and questions on the sustainability of AI investment.

At the same time, the SEP has also raised headline PCE inflation forecast for 2026 to 2.7% (prior: 2.4%) while core PCE inflation forecast has been raised to 2.7% (prior: 2.5%). Despite the higher inflation forecasts, **the Fed dot plot maintains one 25 basis point cut this year and another cut in 2027**, with the policy rate steady after that.

Exhibit 7: No longer in Negative Carry – US Treasury yield vs Fed Fund Rate



Source: Bloomberg, 19 March 2026

Malaysia

On 5 March 2026, Bank Negara Malaysia ("BNM", "the Central Bank") **kept the Overnight Policy Rate ("OPR") unchanged at the 2.75% level** as widely expected. The Central Bank acknowledged that downside risk to global growth had increased, noting that the extent of impact would depend on the length and severity of the US-Israel vs Iran war, as well as renewed tariff uncertainty. Subsequently with the release of the Economic and Monetary Review 2025 which contained the Outlook and Policy in 2026 and at its Annual Dialogue on 31 March 2026, BNM projected GDP growth of 4%-5% with inflation at 1.5%-2.5%. Due to the uncertainties of the War, there could be downside risks to GDP projections and inflation may be higher than expected. (refer to Page 13)

MALAYSIAN BOND MARKET

MGS Benchmark Tenors	Yields 13-Mar-26 (%)	Net Change end Dec vs 13-Mar-26 (bps)	Net Change YTD (bps)
3Y	3.21	0.11	0.11
5Y	3.37	0.06	0.06
7Y	3.49	0.09	0.09
10Y	3.63	0.07	0.07
15Y	3.92	0.04	0.04
20Y	4.06	0.12	0.12
30Y	4.13	0.01	0.01

Source: Bond Pricing Agency Malaysia

Malaysia's fixed income market traded mixed in January and February 2026 though sentiment firmed up over the second month with the with the Malaysian Government Securities ("MGS") yield curve saw a steepening twist. For the two month period to end-February 2026, the yield on the 7Y and 10Y MGS fell, -5.55bps and -4.15bps respectively reflecting positive flows and sentiment on a stronger ringgit and relatively positive and stable GDP outlook. Meanwhile 15Y, 20Y and 30Y rose 1.84bps, 5.45bps and 4.40bps respectively reflecting inflation pressures. Subsequently, up to 13 March 2026, the curve has bearish flattened since end-February 2026, with 3Y yield up 0.087bps and 15Y yield up 0.058bps while the 30Y yield was mildly bullish falling -0.036bps.

The first bond auction of the year, the 5Y MGII reopening on 7 January 2026 saw better than expected demand with bid-to-cover ("BTC") ratio of 2.296x at size of RM5 billion (without private placement). However, the following 2 bond auctions of the month, the new 15Y MGS (RM 3.5 billion + RM 1.5 billion private placement) and the new 30Y MGII (RM 3 billion + RM 2 billion private placement) came in at a bid-to-cover of 1.94x and 2x respectively.

There were three sovereign bond and sukuk auctions in February 2026 with a combined issuance size of RM15.0 billion, comprising the reopening of the 10-year MGS, 20-year Malaysian Government Investment Issue ("MGII"), and 5-year MGS, each sized at RM5.0 billion. The first auction of the month registered relatively soft demand with a BTC ratio of 1.603x. However, market appetite improved significantly mid-month, with the subsequent two auctions attracting robust BTC ratios of 2.896x and 2.921x, respectively.

The two sovereign bond and sukuk auctions in March 2026 so far has seen healthy interest from domestic real money amid choppy foreign demand with the RM5 billion 3Y MGS new issue on 10 March drawing 2.218x BTC, the RM5 billion 15Y GII reopening on 9 March drawing 2.3x BTC.

In terms of latest flows data, foreign interest in the ringgit bond market remained strong. YTD February 2026 continued to record a net foreign inflow of RM1.3 billion. The sizeable foreign interest in local bonds was underpinned by growing conviction over the Fed's easing trajectory.

Strategy

Following the March 2026 FOMC meeting, the US Federal Reserve left policy rates unchanged while reinforcing a cautious and highly data-dependent approach, with a **continued bias toward a "higher-for-longer" rate environment**. Recent developments, particularly escalating tensions in the US-Israel vs Iran conflict and the resulting surge in global oil prices, have introduced additional inflationary risks and heightened volatility across global fixed income markets.

Rising geopolitical tensions have driven crude oil prices higher, reinforcing upside risks to global inflation. For Malaysia, this presents a mixed dynamic: while higher oil prices **support fiscal revenues and external balances** (given Malaysia's status as a net energy exporter), they may also **contribute to domestic inflation pressures** and delay potential monetary easing. As such, Bank Negara Malaysia is likely to maintain a cautious stance, prioritizing price stability amid external uncertainties.

In the current environment, a **balanced and flexible approach is essential.** While Malaysia's **macro fundamentals remain relatively resilient, external shocks**—particularly from geopolitical tensions and commodity price swings—necessitate a **disciplined focus on duration management, credit quality, and liquidity**.

Our current view is to be **neutral duration**, shifting from a slight overweight previously, to better balance risk and return in an environment of uncertain rate direction. We continue to favour **the intermediate segment of the curve (5–7 years)**, where valuations remain relatively attractive and less exposed to volatility compared to longer tenors. Positioning will remain tactical, allowing flexibility to respond to further shifts in global rates and geopolitical developments.

High-quality corporate bonds and sukuk are preferred as they are supported by resilient credit fundamentals and relatively attractive risk-adjusted yields. Elevated oil prices will benefit some sectors such as energy and selected government-linked entities, while more cyclical sectors should be approached with caution given potential margin pressures from higher input costs.

Our fixed income portfolios are positioned such that there are **adequate liquidity buffers to capitalize on market dislocations and trading opportunities** arising from heightened volatility. This flexibility is critical as markets react to evolving geopolitical risks, inflation trajectories and central bank policy signals.

Key Risks to Monitor

The current elevated geo-political risks with the US-Israel vs Iran conflicts brings to fore investment risk management, events and news flow which requires vigilant monitoring and active portfolio management. Among the key risks which we are concerned about are:

- Further escalation in US–Israel vs Iran conflict resulting in **sustained higher prices of energy**
- Re-acceleration of **global inflation delaying rate cuts**
- Sharp movements in **US Treasury yields affecting EM bond flows**
- Domestic **inflation surprises** impacting Bank Negara Malaysia policy stance

AWARDS AND ACCOLADES

Awards

Asia Asset Management - Best of The Best Awards 2026

Asia Asset Management - ETF Awards 2026

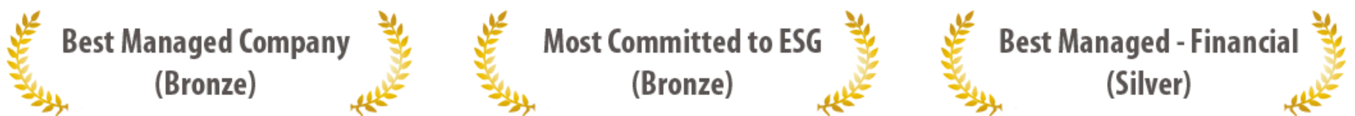
Cambridge Islamic Funds Awards - Cambridge Islamic Funds Awards 2025

LSEG - LSEG Lipper Fund Awards Malaysia 2026

Awards

InsuranceAsia News - Institutional Asset Management Awards 2025

FinanceAsia - FinanceAsia Asia's Best Companies 2025



FinanceAsia - FinanceAsia Awards 2025

Alpha Southeast Asia - 16th Annual Fund Management Awards 2025

FSMOne Recommended Unit Trust Awards 2025/26 - iFAST Capital Sdn. Bhd.

Citywire - Citywire ASEAN Awards 2024/2025

Awards

Asset Publishing & Research Limited - The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF, and Asset Servicing Providers 2025

Best ETF Provider, Malaysia (4 consecutive years)

CorporateTreasurer - CorporateTreasurer Awards 2025

Best ESG Initiative (2 consecutive years)

The Asset - The Asset Triple A Islamic Finance Awards 2025

Islamic Asset Manager of the Year - Multi Asset

AsianInvestor - AsianInvestor Asset Management Awards 2025

Best Sustainable Investments - Nature Based Solutions

Market Awards Malaysia - Highly Commended

LSEG - Global Islamic 2025 Lipper Fund Awards

AmDynamic Sukuk, Best Fund Over 3 Years

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