

# Tactical Asset Allocation

December 2025

Prepared by the **Investment Team**  
Phillip Capital Management Sdn Bhd

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# Market Review – December 2025

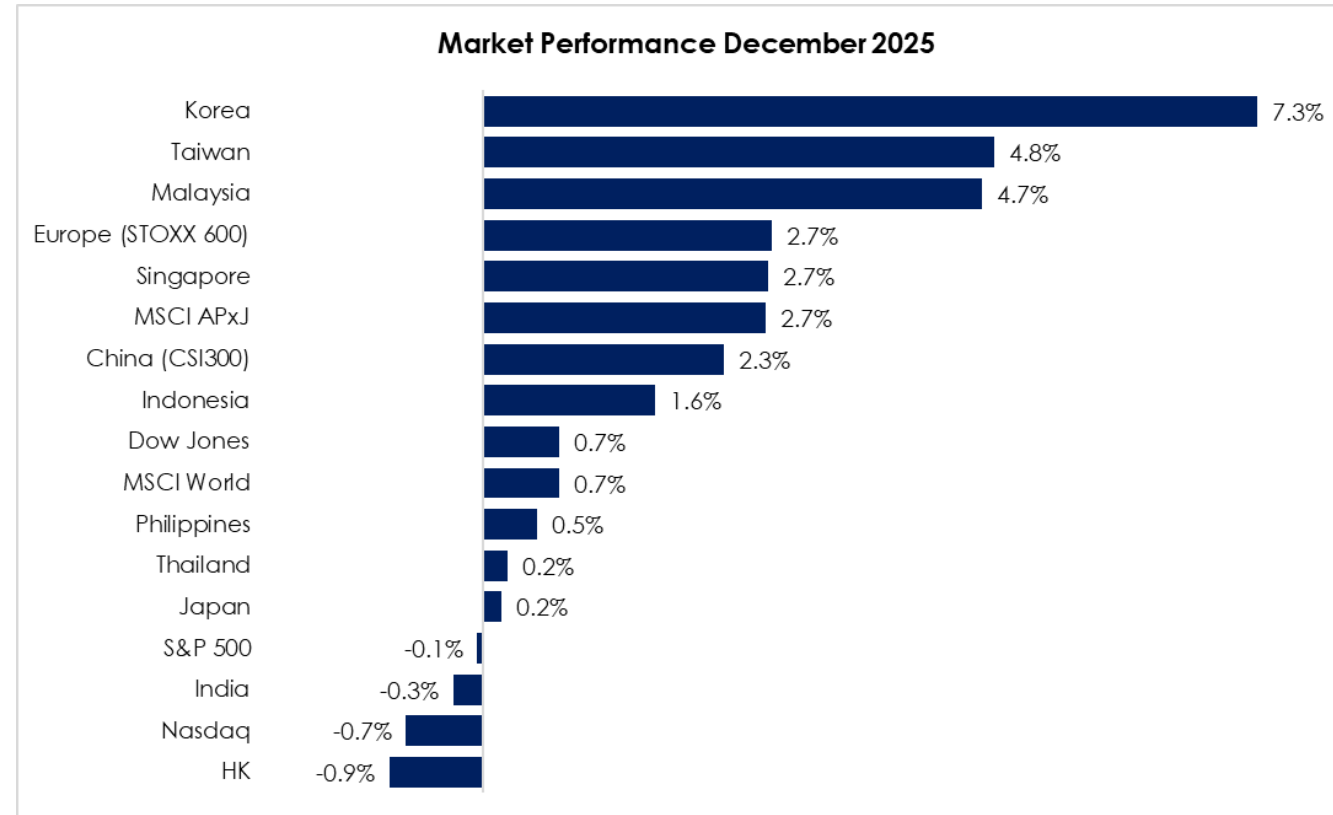
MSCI Asia Pacific Ex-Japan outperformed MSCI World; Korea, Taiwan, Malaysia led

The **MSCI Asia Pacific Ex-Japan Index (+2.7%)** dashed past the **MSCI World Index (+0.7%)** for a decisive lead to close off 2025, as the Asia Pacific markets gained an impressive 26.8% for the year, outperforming the global index by 7.3%. **South Korea (+7.3%)** was the runaway star for the month and year (+75.6%) as the AI theme boosted DRAM names due to a supply squeeze. **Taiwan (+4.8%)** followed suit, as demand for advanced packaging also surged in tandem with HBM/DRAM demand. **Malaysia (+4.7%)** trailed closely behind, as year-end window dressing helped lift big cap names. Fortunately, even the worst performer in December closed somewhat flattish, with **Hong Kong** dropping only **0.9% mom** as investors flocked towards crowded AI stocks.

On the monetary policy front, the Federal Reserve (Fed) cut its interest rate by 25 bps to 3.50%-3.75% in the December FOMC meeting. The European Central Bank (ECB) held its deposit rate unchanged at 2.0%. The Bank of England cut the Bank Rate by 25 bps to 3.75%. In Asia, the People's Bank of China (PBoC) maintained the one-year LPR at 3.0% and the five-year LPR at 3.5%. Finally, the Bank of Japan (BOJ) hiked interest rates by 25 bps to 0.75%, the highest in 30 years.

# Market Review – December 2025

Korea, Taiwan, Malaysia led; HK, U.S and India lagged



Source: Bloomberg, 31 December 2025

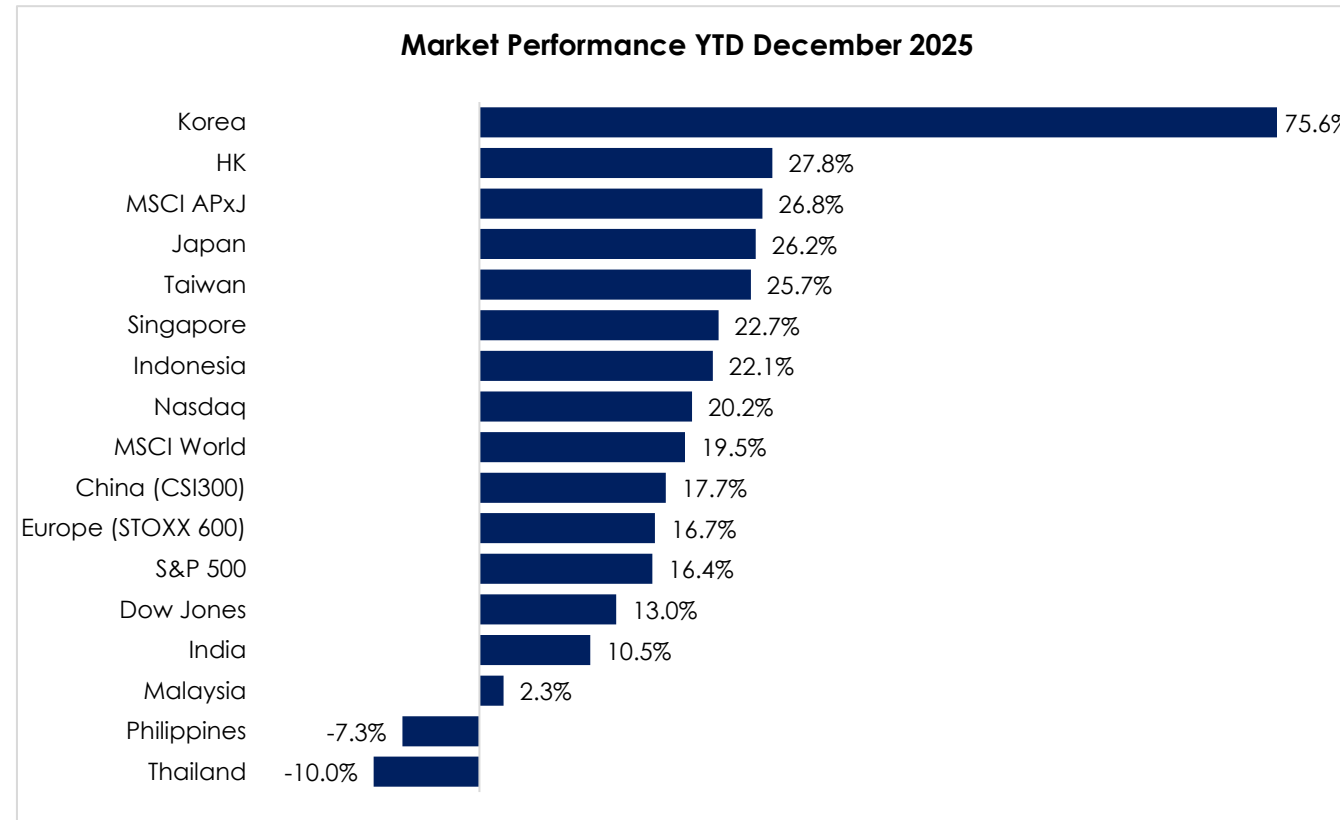
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# Market Review – YTD December 2025

Korea, Taiwan, Malaysia led; HK, U.S and India lagged



Source: Bloomberg, 31 December 2025

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# Strategy

## What to look ahead?

### MALAYSIA

Following robust gains in December, we do not rule out the possibility of profit-taking, as investors continue to digest heightened geopolitical risks. These include the reported capture of Venezuelan President Maduro by the US, the potential for US intervention in Iran should civil unrest escalate, and ongoing tensions between China and Japan. That said, Malaysia's fundamentals remain supportive, underpinned by solid GDP growth (2025/26: 4.7%/4.3%), undemanding valuations (2026F P/E: 14.5x vs 5-year mean of 17.2x), a strengthening ringgit (+9.3% vs end-2024), and healthy core earnings growth of 6-8% in CY26. Private consumption is set to remain the main growth driver in 2026, supported by a tight labour market, steady wage growth, and strong household confidence, with high-value sectors like AI, data centres, and advanced manufacturing further boosting growth.

# Strategy

## What to look ahead?

### REGIONAL

As we move through 2026, global equities are expected to post moderate gains, supported by solid earnings growth, though valuation concerns persist. For investors, geopolitical developments, AI-related capital expenditure monetization, and concentration risks are key factors. The current Fed rate-cut cycle should support equities, with Asian markets potentially able to ease further given elevated real rates. In this environment, we recommend a barbell strategy focused on quality growth and income to navigate potential volatility.



# Strategy

We remain constructive on Asia Pacific ex-Japan equities, particularly in North Asia, supported by a weaker US dollar and a more dovish Federal Reserve

TAA SUMMARY		Bearish	Neutral	Bullish
A.	Equity - Global			
B.	Cash / Fixed Income			
C.	Equity - Malaysia (Large Cap)			
D.	Equity - Malaysia (Small Cap)			
E.	Country call (Most bullish only)	Asia Pacific ex Japan		
F.	Sector call (Msia only)	Bull	Property	Tech
		Bear	Auto	Telco

# Strategy

## We remain neutral on equities for the next six months

We remain **neutral on global equities**, mainly the US, as elevated valuations and heavy concentration in a few mega-cap technology names limit broad market upside despite still-robust earnings growth. However, we remain **constructive** on **Asia Pacific ex-Japan equities**, particularly in North Asia, supported by a weaker US dollar and a more dovish Federal Reserve. Further easing by the Fed would give Asian central banks greater flexibility to lower interest rates, which in turn could further support regional market sentiment.

In Malaysia, we are maintaining our **bullish** view on **large-cap** equities and remain neutral on **small-cap** equities. Sector-wise, we overweight **Property** and **Technology** sectors, supported by resilient domestic demand, strong earnings visibility, and structural growth trends, which position these sectors to benefit from both cyclical recovery and long-term market opportunities. Meanwhile, we remain underweight on the **Auto** and **Telco** sectors.

The underweight stance reflects continued margin pressure in the **Auto** sector, driven by weak consumer demand, lower total industry volumes (TIV), and elevated inventory levels. Limited pricing flexibility, higher input costs, and increased promotional activity to clear excess stock are weighing on profitability, while visibility on a near-term demand recovery remains low.

In the **Telco** sector, the underweight position is driven by sustained pressure from elevated capital expenditure requirements related to network expansion and spectrum investments. At the same time, intense competition and regulatory constraints are limiting pricing power, resulting in muted revenue growth and constrained free cash flow generation in the near term.

Source: PCM, the stocks/sectors listed here are not to be interpreted as recommendations

# Appendices

# PMART Performance

	FBM KLCI	EPF	EPF Opp		EPF Blue Chip	EPF Dividend		EPF	EPF UT FLEXI		EPF ETF*	EPF ESG
		Adv	Conv	Sya		Conv	Sya	UT	Conv*	Sya*		
2023	-2.7	6.3	5.5	4.7	1.2	7.2	14.1	3.1	N/A	N/A	12.3	9.7
2024	12.9	10.5	1.5	9.2	11.2	11.3	15.3	4.2	12.1	9.2	4.4	11.0
2025	2.3	-4.5	-4.9	-5.5	-5.9	11.7	-2.6	3.3	-7.2	2.2	4.1	-6.5
Jan-25	-5.20	-4.45	-6.23	-5.35	-4.96	-0.91	-3.00	-2.22	-2.60	-2.64	-1.36	-3.01
Feb-25	1.14	-2.53	-5.62	-4.85	-3.17	1.03	-2.72	-1.16	-3.82	-1.55	0.39	-4.39
Mar-25	-3.88	-1.59	-1.23	-0.78	-0.95	-0.79	-0.94	-0.72	-2.10	-2.11	-1.31	-0.63
Apr-25	1.76	-0.49	-3.19	-2.49	-2.05	1.46	-0.82	-1.95	-3.53	-0.99	-2.82	0.16
May-25	-2.07	-0.63	2.65	2.14	-1.02	-0.17	-0.89	1.14	1.32	2.40	4.58	0.49
Jun-25	1.63	0.39	0.69	0.52	-0.66	1.43	-3.27	2.20	1.17	1.63	-0.96	-0.02
Jul-25	-1.29	0.43	0.65	0.00	-1.26	1.24	0.48	1.71	1.46	1.65	3.41	1.41
Aug-25	4.09	0.40	1.73	1.53	2.19	1.55	4.55	1.29	0.81	0.54	1.15	2.17
Sep-25	2.33	3.12	3.00	3.24	4.10	2.98	2.95	3.24	2.40	2.50	2.85	2.39
Oct-25	-0.17	1.28	1.78	2.89	-0.28	1.07	0.11	2.44	0.94	2.90	0.48	0.38
Nov-25	-0.29	-1.86	-1.61	-2.68	0.37	1.08	0.79	-2.89	-2.98	-2.12	-0.72	-3.68
Dec-25	4.71	1.60	1.81	0.70	1.89	1.18	0.44	0.35	-0.26	0.13	-1.41	-1.72
YTD	2.30	-4.47	-4.85	-5.48	-5.94	11.67	-2.58	3.25	-7.22	2.15	4.10	-6.52

Note: Composite returns on all accounts, including new injections, as provided by IT Dept

**Blue** - Out-performed KLCI \* Typical Account

Source: PCM, 31 December 2025

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# PMA Performance

	FBM KLCI	PMA	Mini PMA	PMA Dividend		PMA 4%	PMA 8%	PMA IPO	PMA Sya	Mgt UT	PMEGF
				Conv	Sya						
<b>2023</b>	<b>-2.7</b>	<b>7.3</b>	<b>2.7</b>	<b>6.1</b>	<b>13.9</b>	<b>12.5</b>	<b>11.8</b>	<b>6.0</b>	<b>7.6</b>	<b>7.4</b>	<b>1.3</b>
<b>2024</b>	<b>12.9</b>	8.6	5.2	11.1	<b>17.9</b>	7.0	<b>17.2</b>	12.5	<b>14.5</b>	5.4	<b>13.6</b>
<b>2025</b>	<b>2.3</b>	-9.7	-8.4	<b>10.6</b>	-1.9	-5.2	-17.0	-20.5	-16.6	<b>4.5</b>	-12.4
Jan-25	-5.20	<b>-4.68</b>	<b>-4.57</b>	<b>-1.16</b>	<b>-3.07</b>	<b>-2.18</b>	<b>-4.93</b>	-6.04	-7.65	<b>-1.10</b>	-8.96
Feb-25	1.14	-2.86	-3.99	0.94	-2.81	-3.61	-3.47	-4.37	-7.33	0.07	-4.90
Mar-25	-3.88	<b>-2.23</b>	-4.36	<b>-0.85</b>	<b>-0.91</b>	<b>-1.89</b>	-4.94	-4.60	<b>-1.39</b>	<b>-2.05</b>	<b>-1.66</b>
Apr-25	1.76	-1.28	-2.89	<b>1.96</b>	-0.90	-0.87	-1.29	-3.55	-2.40	-3.26	-3.04
May-25	-2.07	<b>-0.03</b>	<b>-1.46</b>	<b>-0.17</b>	<b>-0.84</b>	<b>-0.90</b>	-2.90	<b>-1.00</b>	<b>1.93</b>	<b>2.48</b>	<b>0.81</b>
Jun-25	1.63	-1.38	-1.57	<b>1.66</b>	-2.89	-0.93	-2.20	-3.31	0.12	1.29	0.58
Jul-25	-1.29	<b>0.67</b>	<b>-0.01</b>	<b>0.06</b>	<b>0.08</b>	<b>-0.19</b>	<b>0.11</b>	<b>1.96</b>	<b>1.34</b>	<b>2.84</b>	<b>1.37</b>
Aug-25	4.09	1.93	<b>6.26</b>	1.65	<b>4.78</b>	1.17	2.77	3.27	0.01	2.47	2.17
Sep-25	2.33	<b>4.38</b>	<b>4.51</b>	<b>2.85</b>	<b>3.16</b>	<b>3.75</b>	<b>6.15</b>	<b>5.74</b>	<b>4.02</b>	<b>2.94</b>	<b>3.46</b>
Oct-25	-0.17	-1.55	-0.25	<b>0.77</b>	<b>0.09</b>	<b>0.26</b>	-2.44	-3.56	<b>1.91</b>	<b>0.90</b>	-0.55
Nov-25	-0.29	-2.03	-1.05	<b>0.76</b>	<b>0.62</b>	<b>-0.15</b>	-4.02	-4.60	-4.77	-1.84	-3.37
Dec-25	4.71	-0.80	1.27	1.68	1.08	0.38	-0.69	-1.91	-2.99	-0.05	1.69
<b>YTD</b>	2.30	-9.70	-8.38	<b>10.55</b>	-1.90	-5.22	-16.95	-20.48	-16.57	<b>4.54</b>	-12.36

Note: Composite returns on all accounts, including new injections, as provided by IT Dept

**Bold** - Out-performed KLCI \* Typical Account, Moderate Risk # Less than one year

Source: PCM, 31 December 2025

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# PGWA Performance

	FBM KLCI	EPF Quant US		QUANT Asia Pac Conv	QUANT Asia Pac Shariah	QUANT Global Conv	QUANT Global Shariah	*New Frontier	*Asia Focus	*World Leader
		Conv*	Sya*							
<b>2023</b>	<b>-2.7</b>	N/A	N/A	<b>7.5</b>	-6.9	<b>3.3</b>	-15.8	<b>7.3</b>	N/A	<b>14.2</b>
<b>2024</b>	<b>12.9</b>	1.2	-17.8	11.7	11.5	1.9	-4.0	6.4	<b>23.8</b>	9.5
<b>2025</b>	<b>2.3</b>	<b>34.1</b>	<b>26.2</b>	0.4	<b>15.6</b>	-1.0	<b>12.5</b>	-5.6	N/A	<b>17.9</b>
Jan-25	-5.2	<b>2.65</b>	<b>4.39</b>	<b>-2.35</b>	<b>0.68</b>	<b>0.04</b>	<b>0.90</b>	<b>1.85</b>	<b>-2.27</b>	<b>1.39</b>
Feb-25	1.14	-0.38	-4.92	-4.28	-2.26	-2.66	-2.78	-2.46	<b>4.22</b>	-2.07
Mar-25	-3.88	-5.61	<b>-2.46</b>	<b>3.20</b>	<b>2.65</b>	-4.25	<b>-3.17</b>	-8.33	<b>-0.93</b>	-9.29
Apr-25	1.76	-6.84	-6.36	-4.12	-1.96	-3.10	-2.55	-4.11	-2.35	-3.18
May-25	-2.07	<b>2.84</b>	<b>3.45</b>	<b>0.97</b>	<b>2.65</b>	<b>1.79</b>	<b>3.58</b>	<b>4.95</b>	<b>0.09</b>	<b>11.17</b>
Jun-25	1.63	<b>4.28</b>	<b>2.99</b>	-1.18	-0.97	<b>2.54</b>	<b>4.08</b>	0.98	0.13	<b>9.73</b>
Jul-25	-1.29	<b>5.75</b>	<b>2.46</b>	<b>2.53</b>	<b>1.86</b>	-2.73	<b>0.52</b>	<b>1.33</b>	N/A	-1.93
Aug-25	4.09	<b>4.32</b>	3.31	3.36	<b>5.52</b>	2.18	3.04	2.19	N/A	1.99
Sep-25	2.33	<b>18.11</b>	<b>17.67</b>	<b>3.44</b>	<b>6.99</b>	<b>2.75</b>	<b>7.70</b>	<b>4.89</b>	N/A	<b>7.64</b>
Oct-25	-0.17	<b>9.81</b>	<b>8.71</b>	-1.60	<b>1.16</b>	<b>1.68</b>	<b>3.89</b>	-1.30	N/A	<b>1.05</b>
Nov-25	-0.29	<b>1.39</b>	<b>0.23</b>	-2.74	-2.97	<b>0.03</b>	-3.50	-3.15	N/A	<b>0.34</b>
Dec-25	4.71	-4.13	-3.71	3.67	1.75	1.08	0.79	-1.80	N/A	1.16
<b>YTD</b>	<b>2.30</b>	<b>34.10</b>	<b>26.21</b>	0.36	<b>15.61</b>	-1.00	<b>12.5</b>	-5.56	N/A	<b>17.85</b>

Note: Composite returns on all accounts, including new injections, as provided by IT Dept

**Bold** - Out-performed KLCI \* Typical Account, Moderate Risk # Less than one year

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# PMB Unit Trust Fund Performance

Fund	Type	Launch Date	Fund Size (in RM'm)	2023 Return (%)	2024 Return (%)	2025 Return (%)
<b>Local</b>						
Phillip Dana Aman *	Equity Malaysia	16/4/1998	31	+4.09	+13.38	-1.71
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	26	+0.95	+10.93	+1.39
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	50	+1.34	+13.59	-12.36
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	41	+3.72	+20.44	-14.49
Phillip Recovery Fund	Equity Malaysia	15/4/1999	15	+4.03	+16.30	+1.53
Phillip Dana Murni *	Bond MYR	25/3/2003	17	+5.50	+3.43	+3.95
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	25	+5.17	+14.27	-2.29
<b>Foreign</b>						
Phillip Dana Dividen *	Equity Global Income	26/7/2007	3	+20.30	+6.88	+3.40
Phillip Global Disruptive Innovation Fund	Equity Global	22/4/2019	6	+9.15	+6.54	+12.68
Phillip Global Stars Fund	Equity Global	20/7/2006	5	+26.60	+9.06	+14.68
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	7	-0.49	+7.52	+8.27
Phillip Focus China Fund	Equity Greater China	19/5/2009	11	-16.41	+16.67	+16.40

Note: \* denotes Shariah funds, Source: Lipper, PCM, 31 December 2025

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