

Tactical Asset Allocation

February 2026

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

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Market Review – January 2026

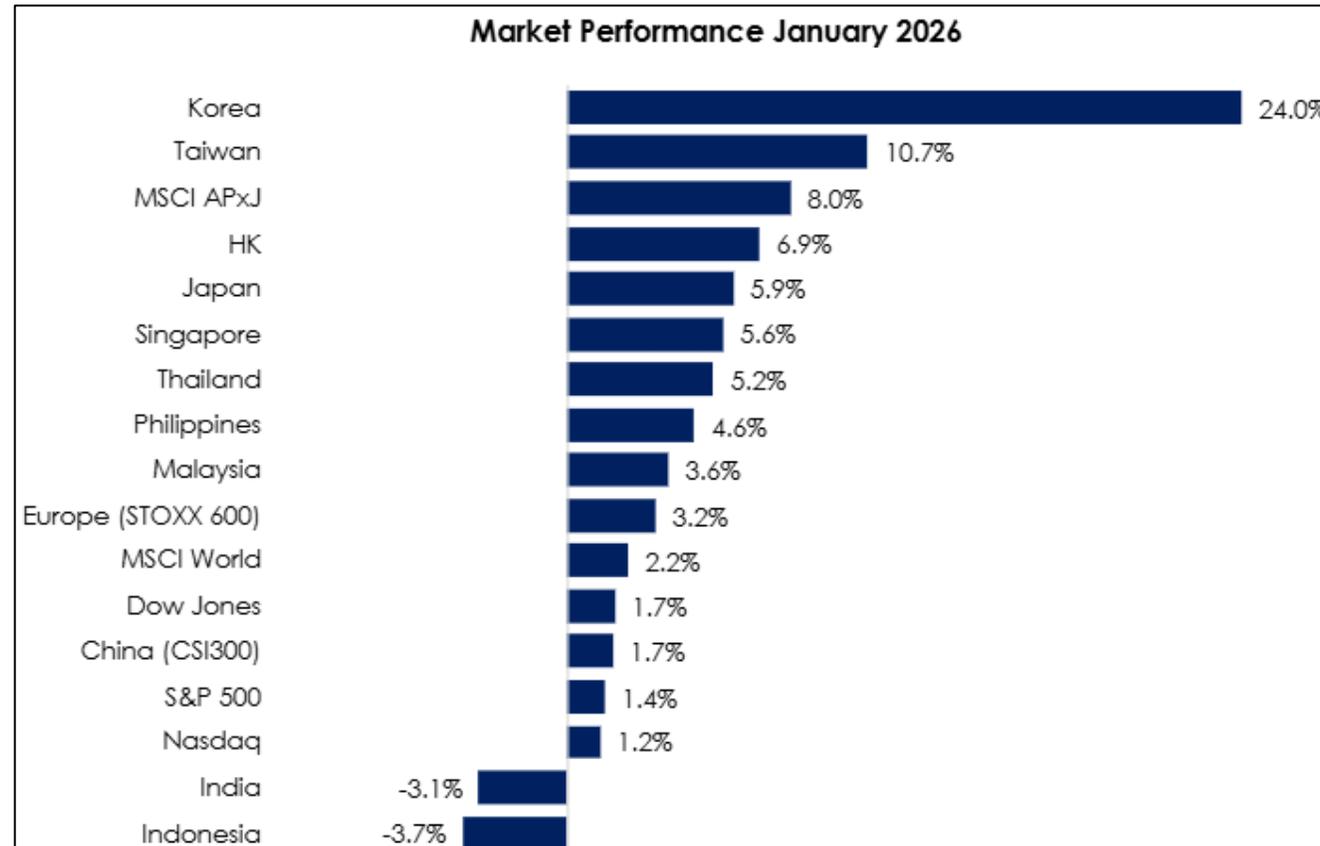
MSCI Asia Pacific Ex-Japan outperformed MSCI World; Korea, Taiwan, HK led

The **MSCI Asia Pacific Ex-Japan Index (+8.0%)** skyrocketed in January to kickstart 2026, while the **MSCI World Index (+2.2%)** was dragged down by underperforming US equities. **South Korea (+24.0%)** tripled the performance of the regional index, no doubt thanks to attention shifting toward memory players in the latest phase of the AI boom. **Taiwan (+10.7%)** was no slouch either, as memory manufacturers depended on its cutting-edge wafers. **Hong Kong's (+6.9%)** GDP grew at its fastest pace since 2021 as exports and capital investments surged, reinvigorating investor sentiment for the new year. On the flipside, **Indonesia (-3.7%)** experienced a drastic sell-off as MSCI paused index changes related to Indonesian stocks and warned of a downgrade to "Frontier" status if ownership transparency issues were not addressed. **India (-3.1%)** also fell during the month as the US slapped an additional punitive tariff of 25% on Indian exports due to its purchase of Russian oil.

On the monetary policy front, the Federal Reserve (Fed) held the federal funds rate steady at 3.50%–3.75% at its January 2026 FOMC meeting. The European Central Bank (ECB) kept its deposit rate unchanged at 2.0%, while the Bank of England maintained the Bank Rate at 3.75%. In Asia, the People's Bank of China left its 1-year and 5-year loan prime rates unchanged at 3.0% and 3.5%, respectively. Finally, the Bank of Japan (BOJ) maintained its key short-term interest rate at 0.75%, the highest level in 30 years.

Market Review – January 2026

Korea, Taiwan, HK led; Indonesia and India lagged



Source: Bloomberg, PCM, 31 January 2026

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Strategy

What to look ahead?

MALAYSIA

After hitting a multi-year high in late January from a three-month low in late November, the KLCI's recent slide appears to be a profit-taking pullback rather than a trend reversal. We view the pullback as temporary, supported by resilient GDP growth, undemanding valuations alongside stronger earnings growth, a firm ringgit, and renewed foreign inflows, aided by narrowing US–Malaysia rate differentials and foreign shareholding near record lows. Private consumption is expected to drive Malaysia's economic growth in 2026, supported by a tight labour market, steady wages, strong household confidence, and growth in high value sectors like AI, data centres, and advanced manufacturing. Key supports include the SSPA Phase 2 rollout, the “Visit Malaysia 2026” campaign, and government programs such as STR and Budi Madani. Finally, the upcoming focus is on 4Q2025 earnings releases.

Strategy

What to look ahead?

REGIONAL

Equity markets are poised for moderate, selective gains in 2026, as resilient earnings help offset elevated valuations and concentrated leadership. Investors remain attentive to geopolitical risks, the payoff from sustained AI investment, and policy uncertainties, particularly in the U.S. With the Fed well into an easing cycle, liquidity conditions are supportive, while parts of Asia still have room to ease amid high real rates. A barbell strategy balancing high-quality growth with income-oriented assets remains well suited to navigating 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	Finance	REIT
	Bear	Construction	Energy

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 maintain an overweight position in the **Finance** and **REITs** sectors due to their defensive characteristics, underpinned by resilient domestic demand, strong earnings visibility, and consistent dividend yields. Furthermore, as we remain bullish on the Malaysian market, large-cap stocks are expected to outperform and attract stronger foreign fund inflows. Meanwhile, we turned bearish for **Construction** (muted near-term construction billings) and **Energy** sector ((the ongoing Petronas-Petros dispute remains unresolved).

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

Appendices

PMART Performance

	FBM KLCI	EPF Adv	EPF Opp		EPF Blue Chip	EPF Dividend		EPF UT	EPF UT FLEXI		EPF ETF*	EPF ESG
			Conv	Sya		Conv	Sya		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
Jan-26	3.62	2.85	2.66	0.83	1.94	4.43	4.43	3.89	2.25	2.69	-0.81	4.30
YTD	3.62	2.85	2.66	0.83	1.94	4.43	4.43	3.89	2.25	2.69	-0.81	4.30

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

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

Source: PCM, 31 January 2026

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PMA Performance

	FBM KLCI	PMA	Mini PMA	PMA Dividend		PMA 4%	PMA 8%	PMA IPO	PMA Sya	Mgt UT	PMEGF	PGWA	
				Conv	Sya							*New Front	*World Leader
2023	-2.7	7.3	2.7	6.1	13.9	12.5	11.8	6.0	7.6	7.4	1.3	7.3	14.2
2024	12.9	8.6	5.2	11.1	17.9	7.0	17.2	12.5	14.5	5.4	13.6	6.4	9.5
2025	2.3	-9.7	-8.4	10.6	-1.9	-5.2	-17.0	-20.5	-16.6	4.5	-12.4	-5.6	17.9
Jan-25	-5.20	-4.68	-4.57	-1.16	-3.07	-2.18	-4.93	-6.04	-7.65	-1.10	-8.96	1.85	1.39
Feb-25	1.14	-2.86	-3.99	0.94	-2.81	-3.61	-3.47	-4.37	-7.33	0.07	-4.90	-2.46	-2.07
Mar-25	-3.88	-2.23	-4.36	-0.85	-0.91	-1.89	-4.94	-4.60	-1.39	-2.05	-1.66	-8.33	-9.29
Apr-25	1.76	-1.28	-2.89	1.96	-0.90	-0.87	-1.29	-3.55	-2.40	-3.26	-3.04	-4.11	-3.18
May-25	-2.07	-0.03	-1.46	-0.17	-0.84	-0.90	-2.90	-1.00	1.93	2.48	0.81	4.95	11.17
Jun-25	1.63	-1.38	-1.57	1.66	-2.89	-0.93	-2.20	-3.31	0.12	1.29	0.58	0.98	9.73
Jul-25	-1.29	0.67	-0.01	0.06	0.08	-0.19	0.11	1.96	1.34	2.84	1.37	1.33	-1.93
Aug-25	4.09	1.93	6.26	1.65	4.78	1.17	2.77	3.27	0.01	2.47	2.17	2.19	1.99
Sep-25	2.33	4.38	4.51	2.85	3.16	3.75	6.15	5.74	4.02	2.94	3.46	4.89	7.64
Oct-25	-0.17	-1.55	-0.25	0.77	0.09	0.26	-2.44	-3.56	1.91	0.90	-0.55	-1.30	1.05
Nov-25	-0.29	-2.03	-1.05	0.76	0.62	-0.15	-4.02	-4.60	-4.77	-1.84	-3.37	-3.15	0.34
Dec-25	4.71	-0.80	1.27	1.68	1.08	0.38	-0.69	-1.91	-2.99	-0.05	1.69	-1.80	1.16
Jan-26	3.62	1.61	3.30	3.93	6.43	5.26	1.25	-0.67	0.41	1.61	3.00	-2.83	2.40
YTD	3.62	1.61	3.30	3.93	6.43	5.26	1.25	-0.67	0.41	1.61	3.60	-2.83	2.40

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 January 2026

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PMB Unit Trust Fund Performance

Fund	Type	Launch Date	Fund Size (in RM'm)	2023 Return (%)	2024 Return (%)	2025 Return (%)	2026 YTD (%)
Local							
Phillip Dana Aman *	Equity Malaysia	16/4/1998	31	+4.09	+13.38	-1.71	+3.07
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	26	+0.95	+10.93	+1.39	+3.09
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	50	+1.34	+13.59	-12.36	+3.00
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	41	+3.72	+20.44	-14.49	+0.85
Phillip Recovery Fund	Equity Malaysia	15/4/1999	15	+4.03	+16.30	+1.53	+5.42
Phillip Dana Murni *	Bond MYR	25/3/2003	17	+5.50	+3.43	+3.95	+0.28
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	25	+5.17	+14.27	-2.29	+0.73
Foreign							
Phillip Dana Dividen *	Equity Global Income	26/7/2007	3	+20.30	+6.88	+3.40	+9.14
Phillip Global Disruptive Innovation Fund	Equity Global	22/4/2019	6	+9.15	+6.54	+12.68	-3.11
Phillip Global Stars Fund	Equity Global	20/7/2006	5	+26.60	+9.06	+14.68	+0.96
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	7	-0.49	+7.52	+8.27	+0.86
Phillip Focus China Fund	Equity Greater China	19/5/2009	11	-16.41	+16.67	+16.40	-0.87

Note: * denotes Shariah funds, Source: Lipper, PCM, PCM, 31 January 2026

Thank you!

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