

STRATEGY

NEUTRAL

Rationale for report: Market Strategy Update

Analyst (s)

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Save the stories for later

The start of the year exposed the market's core constraint: Funds are structurally underweight on the one sector that's working—Banks. With cash levels low (5.5% of AUM as at Dec 2025), managers can't simply "add" to fix tracking error—they must sell to buy and the path chosen is to rotate out of tech and industrials. Returns are becoming less about "the best stories" and more about forced positioning and liquidity. We moved our weights into banks at the start of the year, which has brought our model port performance in line with the index. And we think the trade still has legs: the underweight is still there, while fundamentals are improving via capital-management catalysts. The opportunity set now sits in the second-order effects—good businesses sold down harder than their fundamentals, simply because they're the funding source for the crowd's catch-up trade.

- **Banks rally - early innings or final stretch?** We think the bank rally is still early and has further room to run. Despite recent repositioning, non-Shariah funds remain meaningfully underweight banks at 20% versus the FBM100's 35% weight, implying continued catch-up demand as managers repair tracking error. Externally, potential MSCI-related concerns around Indonesia and Greece's graduation to Developed Market status, alongside broader EM rotations as Fed rate cuts approach, could redirect flows and rekindle foreign interest in Malaysian equities. Fundamentally, banks also look set for a structural rerating as the capital-management narrative remains relatively nascent, providing a clear catalyst path.
- **Stronger ringgit and renewed small cap stress.** As USD/MYR slipped below RM4, investors raised the probability of near-term earnings misses for exporters. While companies can often reprice to offset FX, the pass-through usually comes with a lag, which is why near-term earnings can still be impacted. Our economics team forecasts year-end 2026F USD/MYR at RM3.94, driven by incoming Fed rate cuts, a gradual appreciation path for the yuan and Malaysia's constructive macro backdrop. In parallel, sharp sell-downs in SMRT and KJTS reignited small-cap liquidity fears, reducing willingness to "buy the dip" and triggering broader risk cuts. Low cash levels across funds amplified the move, with limited buying power to absorb supply once selling starts.
- **Convertible bonds (CB) as a dampener.** Industrials also saw upside partially capped when a convertible bond tied to a large name was issued. Even without dilution, it was read as structured monetisation, which reduces confidence that the stock can re-rate cleanly. On top of that, CB buyers often delta-hedge by shorting the underlying and as the stock rises the hedge ratio can increase, mechanically adding short interest into strength and dampening momentum. We saw a similar pattern last year in a large utilities name.
- **Keeping watch for oversold names.** AmResearch's model portfolio (+3.3%) held up well and is tracking in line with the FBM100 (+3.5%), as our early decision to raise bank exposure is proving to be the right call. With positioning working, we see no need to force changes while flows remain fragile. We think the next opportunity will emerge in quality businesses that have been sold down harder than their fundamentals warrant. Our oversold-quality watchlist remains Greatech, V.S. Industry, Keyfield, Karex and Jati Tinggi.

Top picks

Sorted by market cap

CIMB Group

BUY, TP: RM9.20 (+13%)
 Market cap: RM92.6bil

SD Guthrie

BUY, TP: RM6.90 (+21%)
 Market cap: RM40.4bil

Maxis

BUY, TP: RM4.45 (+21%)
 Market cap: RM29.9bil

Hong Leong Financial Group

BUY, TP: RM31.20 (+43%)
 Market cap: RM25.6bil

Greatech

Buy, TP: RM2.50 (+42%)
 Market cap: RM4.4bil

V.S. Industry

BUY, TP: RM0.85 (+110%)
 Market cap: RM1.7bil

Keyfield

BUY, TP: RM2.10 (+46%)
 Market cap: RM1.2bil

Karex

BUY, TP: RM1.05 (+69%)
 Market cap: RM664mil

Jati Tinggi

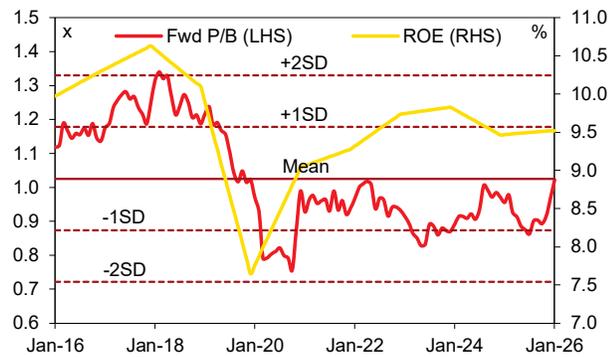
BUY, TP: RM1.00 (+76%)
 Market cap: RM253mil

Banks - Music on, party on

Although the banking sector has rallied 9% YTD, we believe it still has legs. From an indexing perspective, the non-Shariah local funds we track remain underweight on banks at 20% (despite climbing 2ppt MoM in Dec-25) vs FBMKLCI/FBM100 weights of 44%/35%. Hence, with the sector positioning still light, this position banks as catch-up trade since investors are not yet fully committed to the sector; delays in exposure building risk underperformance against benchmarks.

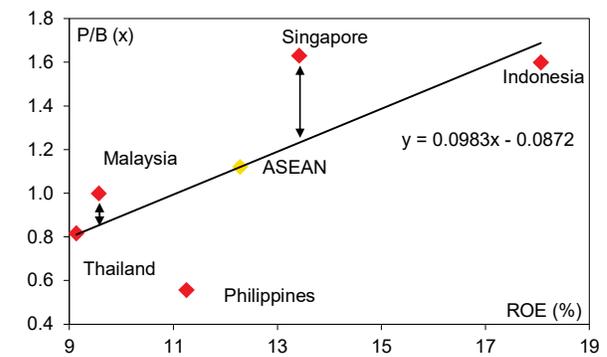
Fundamentally speaking, the sector is still trading at 1.0x P/B, which we find inexpensive relative to Singaporean banks, as the latter continues to trade further away from the regional P/B-ROE regression line (32%) vs Malaysian lenders (17%). As such, we believe there is still scope for local banks to continue to trend higher.

EXHIBIT 1. 10-year forward sector P/B band



Source: AmInvestment Bank, Bloomberg

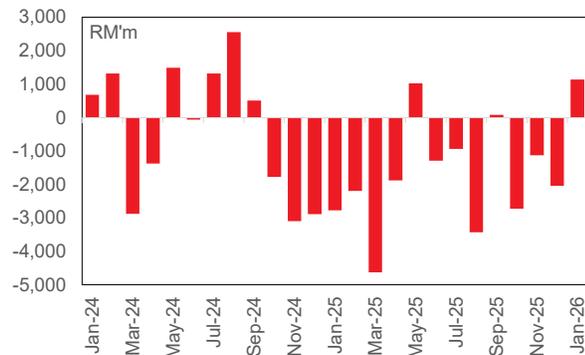
EXHIBIT 2. P/B-ROE regression analysis



Source: AmInvestment Bank, Bloomberg

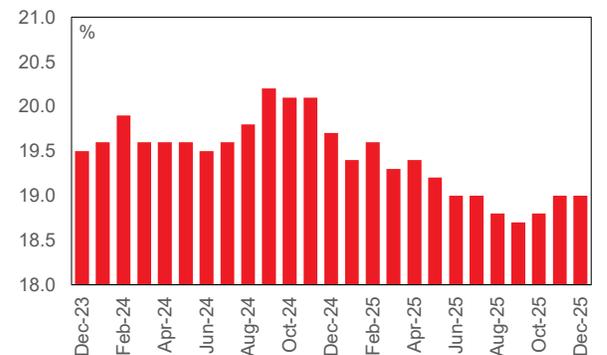
Besides, foreign flows are turning supportive again, with net buying rebounding to +RM1.0bn from -RM5.9bn in 4Q25. Seeing foreigners only just returning after a -RM22bn hiatus in 2025, there is potential for inflows to continue. In addition, MSCI-related concerns in Indonesia and Greece's graduation to DM status, alongside EM rotation amid Fed rate cuts, could further rekindle foreign interest in Malaysian equities, with banks emerging as a key beneficiary. Moreover, the potential introduction of a Value-Up program (similar to those in Korea and Japan) offers an additional catalyst for their comeback.

EXHIBIT 3. Monthly net foreign equity flows



Source: AmInvestment Bank, Bursa Malaysia

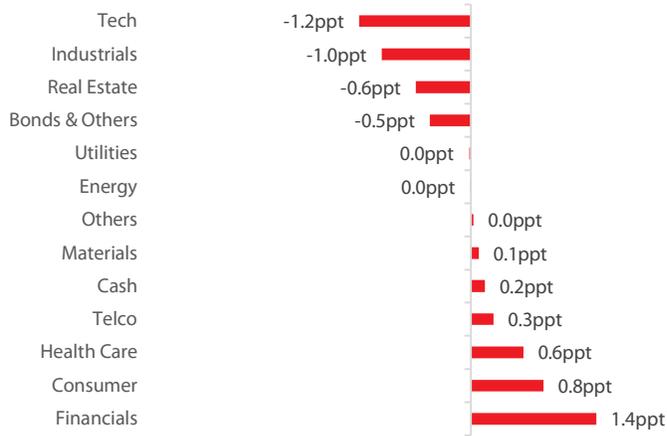
EXHIBIT 4. Foreign ownership of equities market



Source: AmInvestment Bank, Bursa Malaysia

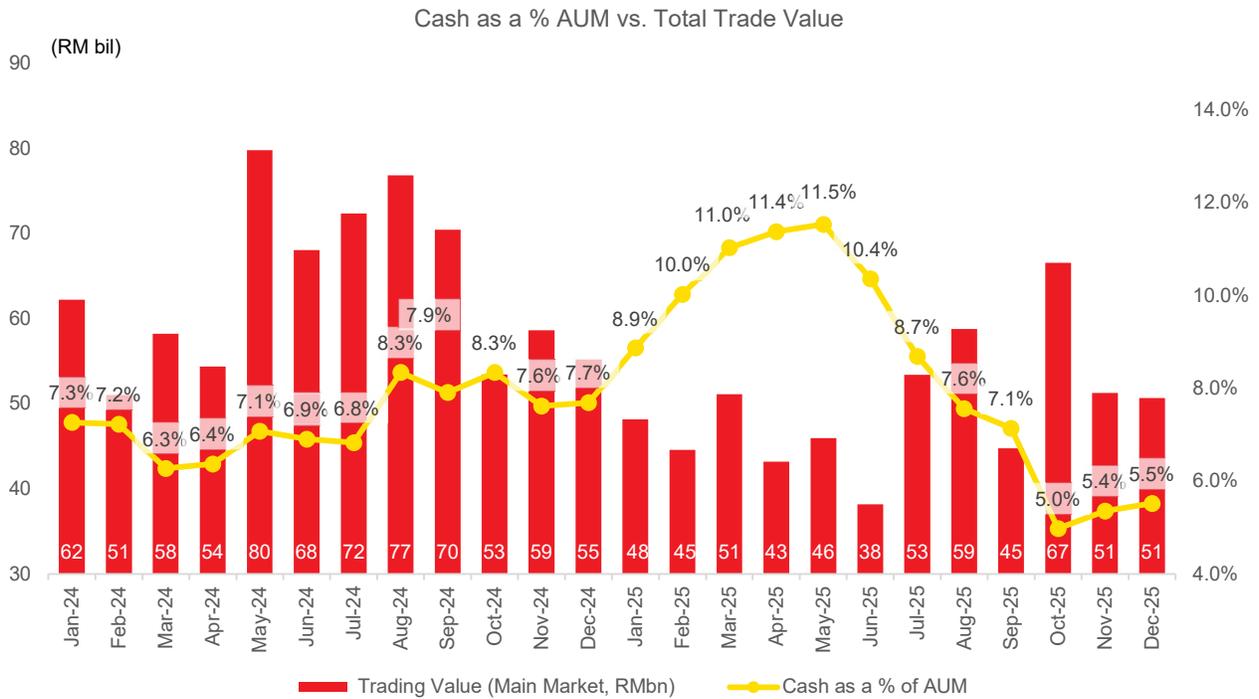
In any case, the capital management story for banks stays relatively nascent, with investors yet to enjoy the potential dividend upside, which suggests meaningful runway for this theme into 2026 and beyond. That said, we are mindful of how quickly the sector has moved (albeit not ahead of fundamentals) and we are turning more selective, focusing on banks that combine: (i) defensiveness, (ii) capital management headroom, and (iii) capacity for incremental foreign buying. HLBG (TP: RM31.20), HLB (TP: RM25.80) and Public (TP: RM5.10) best fit this profile. Separately, CIMB (TP: RM9.20) remains attractive as the cheapest large-cap bank, with further capital management upside.

EXHIBIT 5. MoM Change



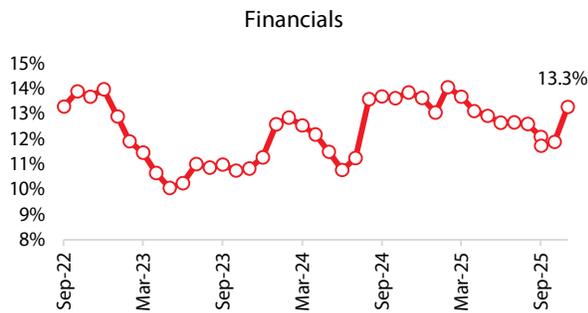
Source: AmInvestment Bank Bhd

EXHIBIT 6. Cash as a % of AUM against Total Trade Value



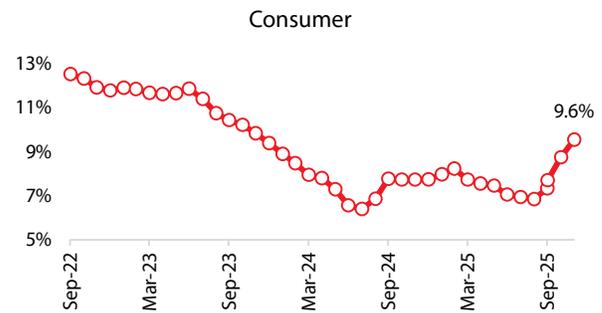
Source: AmInvestment Bank Bhd

EXHIBIT 7. Financials as a % of AUM



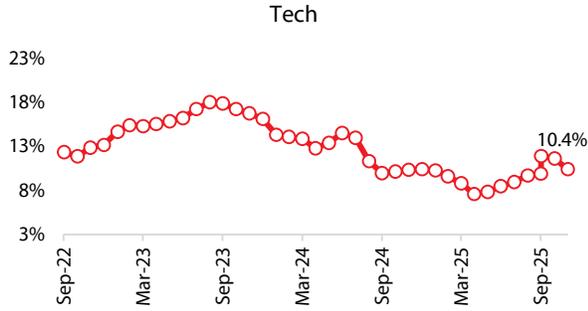
Source: AmInvestment Bank Bhd

EXHIBIT 8. Consumer as a % of AUM



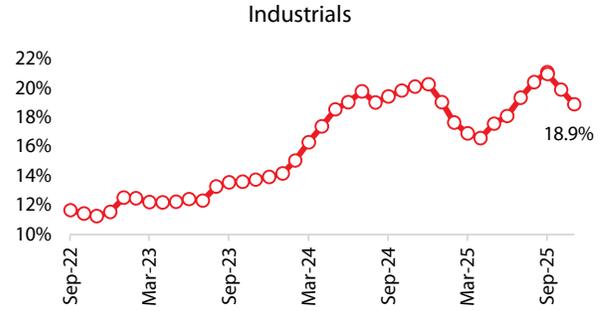
Source: AmInvestment Bank Bhd

EXHIBIT 9. Tech as a % of AUM



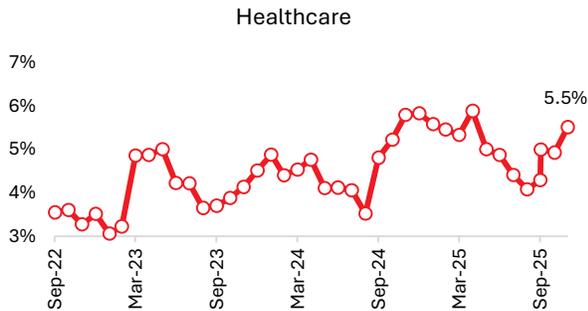
Source: AmInvestment Bank Bhd

EXHIBIT 10. Industrials as a % of AUM



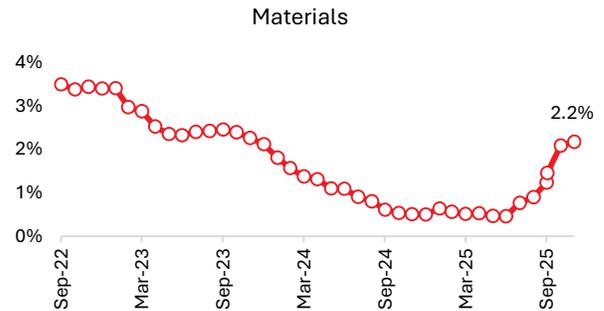
Source: AmInvestment Bank Bhd

EXHIBIT 11. Healthcare as a % of AUM



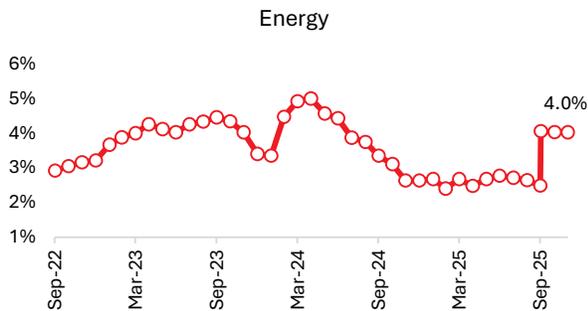
Source: AmInvestment Bank Bhd

EXHIBIT 12. Materials as a % of AUM



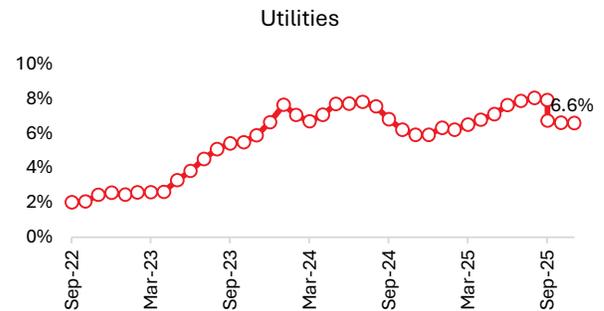
Source: AmInvestment Bank Bhd

EXHIBIT 13. Energy as a % of AUM



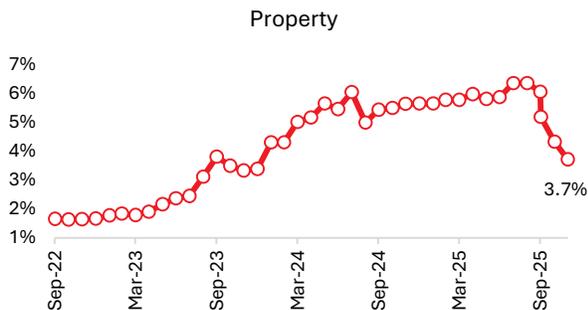
Source: AmInvestment Bank Bhd

EXHIBIT 14. Utilities as a % of AUM



Source: AmInvestment Bank Bhd

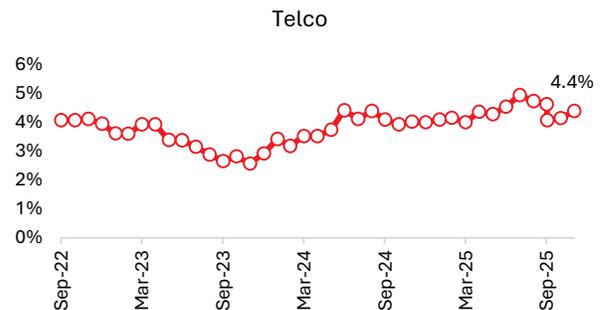
EXHIBIT 15. Property as a % of AUM



¹⁾ Inclusive of REITs

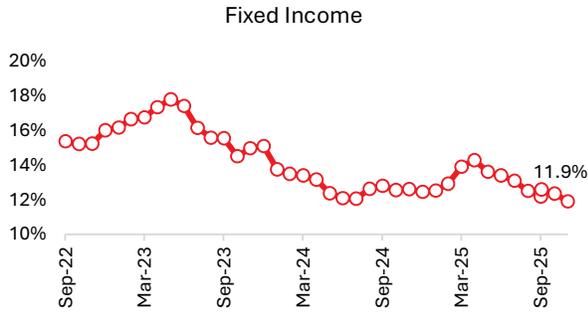
Source: AmInvestment Bank Bhd

EXHIBIT 16. Telco as a % of AUM



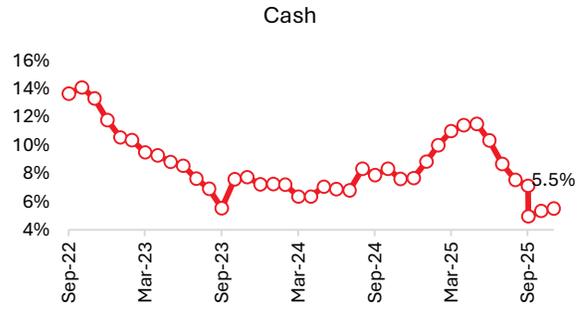
Source: AmInvestment Bank Bhd

EXHIBIT 17. Fixed income as a % of AUM



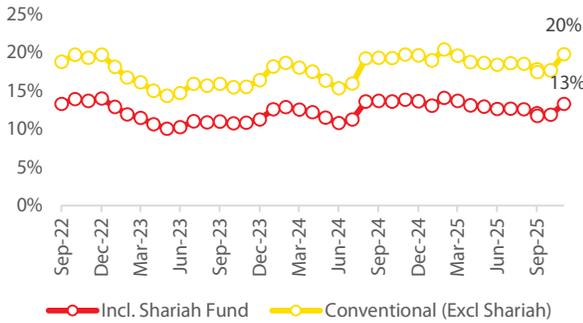
Source: AmInvestment Bank Bhd

EXHIBIT 18. Cash as a % of AUM



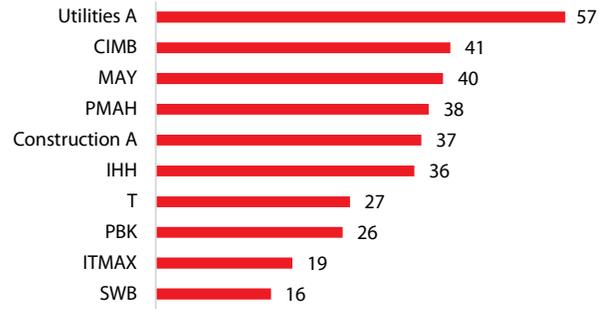
Source: AmInvestment Bank Bhd

EXHIBIT 19. Financials as a % of AUM (Shariah vs non-Shariah)



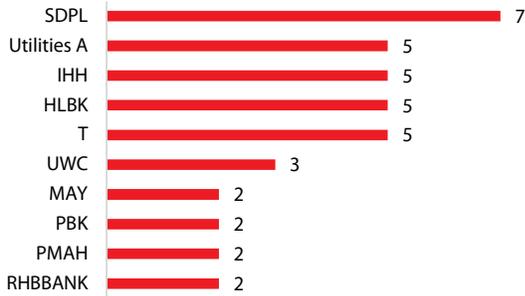
Source: AmInvestment Bank Bhd

EXHIBIT 20. Top stock count



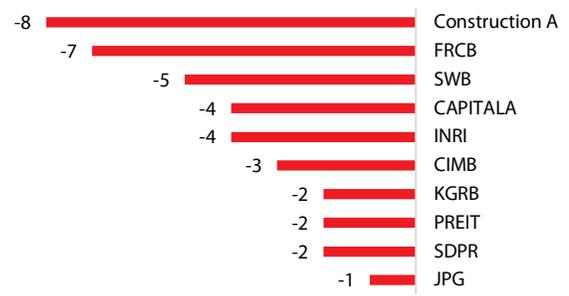
Source: AmInvestment Bank Bhd

EXHIBIT 21. Stock count (MoM addition)



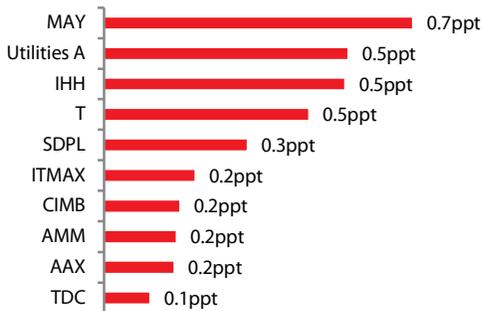
Source: AmInvestment Bank Bhd

EXHIBIT 22. Stock count (MoM reuction)



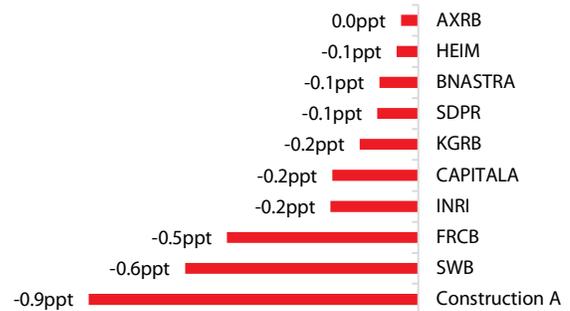
Source: AmInvestment Bank Bhd

EXHIBIT 23. MoM inflows



Source: AmInvestment Bank Bhd

EXHIBIT 24. MoM outflows



Source: AmInvestment Bank Bhd

EXHIBIT 25. Local Institutions' Fund Flow

Net Flows by Sector (RMmn)		Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Local Insti	Banks	1,100.23	1,298.58	(164.10)	394.60	2,268.00	903.30	(744.00)	(27.50)	(65.90)	1,100.10	1,299.60	1,869.60	(348.80)	955.60
	Utilities	1,110.70	1,261.23	115.49	505.55	618.48	241.86	(376.91)	(8.79)	(210.40)	848.21	355.41	465.08	700.82	1,395.31
	Telcos	304.64	172.38	177.20	(17.90)	91.00	(78.30)	(252.30)	(6.03)	395.30	503.00	152.90	283.50	73.20	(131.50)
	Tech	137.82	218.44	16.09	(113.44)	(31.51)	75.93	94.90	363.10	107.06	242.54	(75.09)	(355.14)	141.18	(63.83)
	Construction	157.54	318.92	(16.20)	(11.34)	(92.20)	126.70	30.60	150.50	(11.40)	109.00	(281.60)	70.60	154.20	(14.10)
	Commodities	206.27	187.80	231.50	113.30	238.50	86.10	173.30	530.48	67.90	88.01	(69.00)	20.30	85.20	(149.50)
	Software	(46.49)	44.54	(31.04)	25.83	76.22	8.15	(36.46)	26.40	90.44	48.61	22.10	(57.82)	(60.88)	(141.79)
	Consumer	138.77	105.15	76.61	(3.83)	91.10	28.68	62.47	221.67	67.25	32.00	(51.42)	66.19	162.40	(25.56)
	Travel	35.82	(7.09)	(4.50)	0.57	(4.70)	(1.10)	4.60	135.70	2.00	14.90	13.92	23.45	(26.46)	6.10
	Gaming	(48.56)	(27.85)	15.60	2.71	(22.95)	(3.48)	1.26	102.58	(9.59)	6.34	9.42	(4.44)	56.67	129.26
	EMS	(59.38)	42.27	(120.87)	(78.39)	(49.75)	29.52	(3.39)	77.21	55.32	(23.15)	(46.24)	(155.49)	(91.53)	(106.88)
	REITs	(64.15)	(13.48)	6.41	(42.52)	48.35	32.87	(10.67)	66.70	(126.59)	(34.56)	(41.33)	245.64	109.12	103.90
	Property	(22.25)	(21.12)	312.19	35.76	160.10	(25.30)	(49.93)	(4.00)	(62.48)	(67.79)	(143.50)	(10.70)	78.01	(70.41)
	Plantations	(28.97)	64.99	122.23	55.97	45.26	116.89	(42.60)	20.92	23.67	(129.10)	(194.30)	(158.00)	(298.90)	113.45

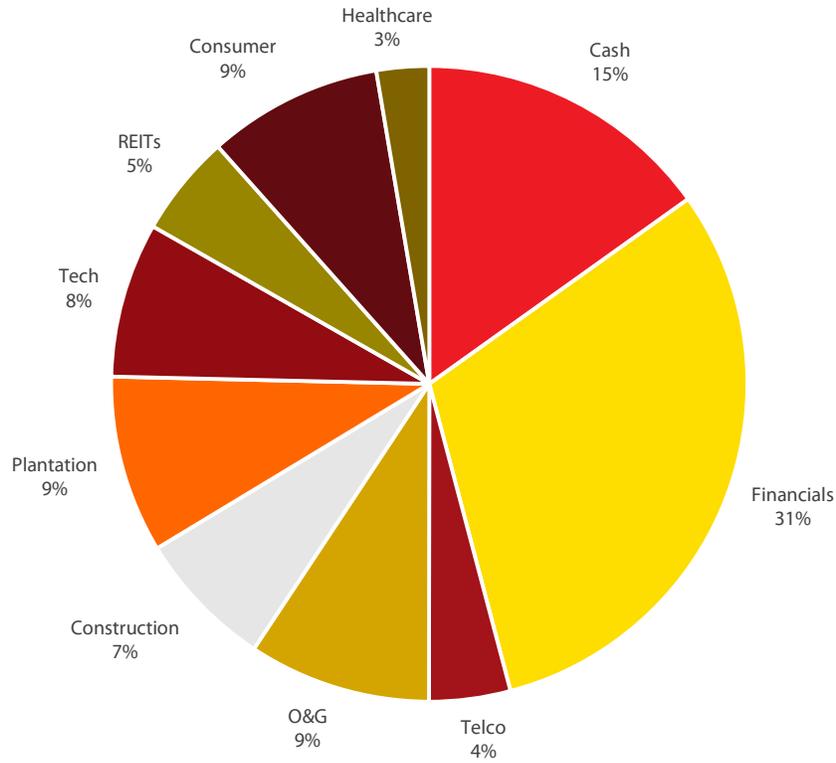
Source: AmInvestment Bank Bhd, Dibots

EXHIBIT 26. Foreign Institutions' Fund Flow

Net Flows by Sector (RMmn)		Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Foreign Insti	Commodities	(337.15)	(128.37)	(232.60)	(187.50)	(202.60)	(134.70)	(105.50)	(1,111.60)	55.00	173.80	128.90	49.40	(137.80)	318.80
	Construction	(95.93)	(190.36)	(203.40)	17.68	143.40	(121.80)	252.70	93.46	192.10	155.60	232.10	(177.00)	(103.20)	(6.50)
	Plantations	78.47	(40.33)	(156.75)	(35.91)	(36.16)	(119.61)	51.60	50.80	(16.38)	127.90	202.70	177.10	332.20	(99.10)
	Property	59.62	201.05	(300.30)	6.36	(140.70)	67.19	128.02	84.24	206.03	49.72	133.60	(159.15)	(140.30)	9.90
	REITs	69.94	22.11	3.80	32.90	(13.43)	12.42	37.15	(9.63)	228.45	12.34	61.40	(237.02)	(95.61)	(105.33)
	Travel	6.98	(43.44)	(5.80)	4.20	(8.90)	(11.60)	7.60	(24.82)	(13.20)	(21.90)	(22.80)	9.40	(27.00)	(6.80)
	EMS	80.21	123.84	(17.36)	46.42	(99.08)	(47.80)	(49.05)	(138.40)	(86.59)	(37.45)	52.72	1.42	63.84	67.68
	Consumer	(107.41)	(58.31)	(14.32)	(4.09)	(80.94)	70.85	(29.76)	(33.80)	(51.01)	(97.21)	179.61	16.78	(109.48)	62.37
	Software	65.23	61.93	32.14	48.67	(48.60)	6.58	25.10	(22.70)	(182.38)	(104.52)	(51.08)	34.18	(20.80)	10.21
	Tech	(59.70)	(28.78)	(66.79)	(99.07)	13.58	(204.96)	(37.68)	(122.39)	(37.67)	(130.30)	120.24	798.17	(140.63)	54.87
	Gaming	(91.06)	(203.45)	(82.60)	(3.70)	(288.70)	2.20	50.70	17.80	31.86	(158.10)	13.97	636.62	470.00	(132.95)
	Telcos	(249.48)	(119.72)	(143.50)	80.10	(15.60)	219.10	326.20	112.90	(326.90)	(439.40)	(92.80)	(242.30)	(21.60)	202.30
	Utilities	(1,098.85)	(937.43)	(607.15)	(262.09)	(314.33)	8.09	688.24	129.13	412.43	(620.38)	(196.28)	(405.28)	(914.29)	(1,540.03)
	Banks	(918.06)	#####	100.80	(99.40)	(2,228.80)	(795.40)	295.70	111.80	(1,163.20)	(1,006.20)	(1,159.00)	(1,787.60)	552.30	369.40

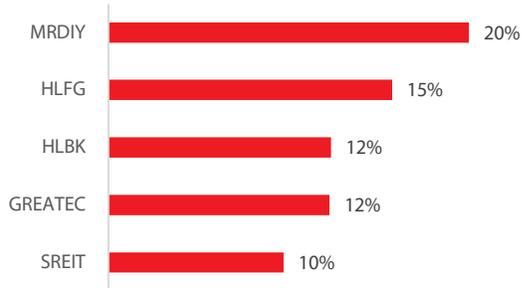
Source: AmInvestment Bank Bhd, Dibots

EXHIBIT 27. Model Port sector allocation



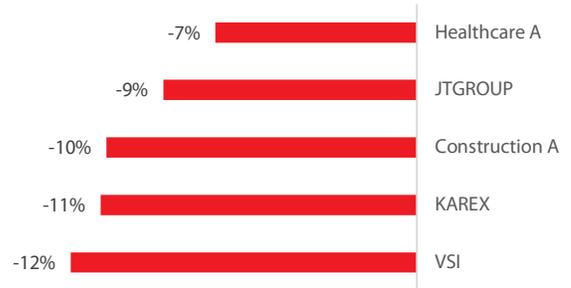
Source: AmInvestment Bank Bhd

EXHIBIT 28. Top 5 best performing holdings (YTD)



Source: AmInvestment Bank Bhd

EXHIBIT 29. Top 5 worst performing holdings (YTD)



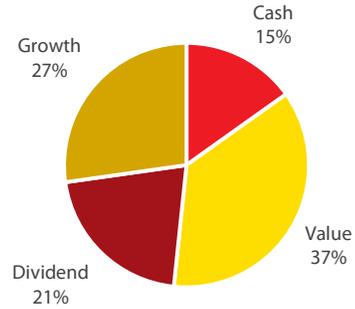
Source: AmInvestment Bank Bhd

EXHIBIT 30. Fund performance (since inception)



Source: AmInvestment Bank Bhd

EXHIBIT 31. Portfolio allocation



Source: AmInvestment Bank Bhd

EXHIBIT 32. Model Port

Companies	No. of shares (mil)	Base Price (RM)	Last Price as of 30 Jan 2026	Actual Value (RMmil)	%	Target Weight	Sector	Type
Cash (incl. Dividend)				46.2	15.1%	14.3%	Cash	Cash
Hong Leong Financi	1.2	18.66	22.00	27.3	9.0%	8.0%	Financials	Value
Hong Leong Bank Bl	0.8	20.64	24.82	20.5	6.7%	6.0%	Financials	Value
CIMB Group Holding	2.2	8.11	8.61	18.5	6.1%	6.0%	Financials	Dividend
Public Bank Berhad	3.3	4.38	4.90	16.1	5.3%	5.0%	Financials	Value
Maxis Bhd	3.3	3.54	3.80	12.6	4.1%	4.6%	Telco	Value
MISC Bhd	1.6	7.41	7.95	12.6	4.1%	4.2%	O&G	Dividend
RHB Bank Bhd	1.4	6.51	8.21	11.4	3.7%	3.4%	Financials	Dividend
Sunway Constructio	1.9	4.56	5.90	11.3	3.7%	3.9%	Construction	Growth
Johor Plantations Gr	6.7	1.33	1.52	10.2	3.3%	3.6%	Plantation	Value
Keyfield Internation	6.2	2.02	1.50	9.3	3.0%	4.0%	O&G	Growth
SD Guthrie Bhd	1.6	5.51	5.85	9.2	3.0%	3.0%	Plantation	Value
Kelington Group Bei	1.7	3.83	5.31	9.0	2.9%	3.0%	Tech	Growth
VS Industry Bhd	20.2	0.73	0.43	8.6	2.8%	3.1%	Tech	Growth
Sunway Real Estate	3.2	1.83	2.53	8.2	2.7%	2.6%	REITs	Dividend
99 Speed Mart Retail	1.9	2.27	4.00	7.8	2.5%	2.0%	Consumer	Growth
Pavilion Real Estate	3.9	1.49	1.95	7.6	2.5%	2.4%	REITs	Dividend
Construction A	1.7	4.77	4.46	7.5	2.5%	2.9%	Construction	Growth
IHH Healthcare Bhd	0.8	7.19	8.84	7.4	2.4%	2.4%	Healthcare	Value
Karex Berhad	10.9	0.95	0.63	6.9	2.2%	2.8%	Consumer	Growth
MR DIY Group M Bhd	3.7	1.77	1.83	6.8	2.2%	2.0%	Consumer	Growth
Greotech Technolog	3.7	1.89	1.77	6.5	2.1%	2.0%	Tech	Growth
Petronas Gas Bhd	0.3	17.49	18.22	6.1	2.0%	2.0%	O&G	Dividend
Spritzer BHD	2.0	1.47	2.92	5.7	1.9%	2.0%	Consumer	Growth
IOI Corp Bhd	1.1	3.86	3.99	4.3	1.4%	1.5%	Plantation	Value
Kuala Lumpur Kepoi	0.2	21.47	19.50	3.7	1.2%	1.3%	Plantation	Value
Jati Tinggi Bhd	4.6	0.67	0.59	2.7	0.9%	2.0%	Construction	Growth
Healthcare A	2.8	0.33	0.28	0.8	0.3%	0.0%	Healthcare	Growth
Deleum Bhd	0.3	1.36	1.28	0.4	0.1%	0.0%	O&G	Growth
Total Portfolio Value				305.5	1.00	100.0%		
			Value at 31 Dec 25	295.8				
			YTD Return	3.26%				
			FBM100 YTD	3.51%				

Source: AmInvestment Bank Bhd

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