	Current	Last mth	Index Return, Local Curr		Index Return, US$		PER,X		10-yr PER ,X (positive EPS only)		
INDEX	LEVEL	LEVEL	Monthly	Year to Date	Monthly	Year to Date	FY 2026	FY 2027F	-1 std dev	10Y mean	+1 std dev
FTSE Bursa Malaysia KLCI	1,683.07	1722.02	-2.26%	0.18%	-2.08%	2.54%	14.43	13.70	13.7	15.6	17.5
Straits Times Index STI	5,037.86	4912.69	2.55%	8.43%	2.40%	9.34%	15.67	14.67	10.5	12.6	14.7
SHANGHAI SE COMPOSITE	4,068.57	4112.159	-1.06%	2.51%	-0.14%	5.89%	14.15	12.67	11.4	12.8	14.3
CSI 300 INDEX	4,892.12	4807.31	1.76%	5.66%	2.71%	9.15%	15.32	13.39	11.9	13.5	15.1
HANG SENG CHINA AFF.CRP	4,383.76	4390.33	-0.15%	9.17%	-0.19%	8.43%	8.38	5.35	5.4	6.0	6.6
HANG SENG CHINA ENT INDX	8,425.82	8681.83	-2.95%	-5.47%	-2.99%	-6.11%	10.65	7.50	7.5	8.6	9.7
HANG SENG INDEX	25,182.39	25776.53	-2.30%	-1.75%	-2.34%	-2.41%	11.81	9.56	9.59	11.17	12.75
JAKARTA COMPOSITE INDEX	6,127.38	6956.804	-11.92%	-29.14%	-14.30%	-33.45%	9.73	8.64	12.4	15.1	17.9
KOSPI INDEX	8,476.15	6598.87	28.45%	101.13%	26.15%	92.64%	9.95	7.65	8.31	11.31	14.30
PSEi - PHILIPPINE SE IDX	5,768.76	5833.64	-1.11%	-4.69%	-1.38%	-8.81%	8.73	7.96	10.29	14.16	18.04
STOCK EXCH OF THAI INDEX	1,568.37	1493.69	5.00%	24.51%	5.17%	20.37%	16.09	15.24	12.8	14.9	16.9
HO CHI MINH STOCK INDEX	1,863.49	1854.1	0.51%	4.43%	0.64%	4.33%	12.93	11.09	11.9	14.0	16.1
TAIWAN TAIEX INDEX	44,732.94	38926.63	14.92%	54.45%	16.02%	54.71%	22.68	18.47	12.3	15.8	19.2
S&P/ASX 200 INDEX	8,731.65	8665.819	0.76%	0.20%	0.86%	7.96%	17.73	16.22	18.7	21.4	24.2
DOW JONES INDUS. AVG	51,032.46	49652.14	2.78%	6.18%	2.78%	6.18%	23.35	20.58	18.71	21.50	24.28
S&P 500 INDEX	7,580.06	7209.01	5.15%	10.73%	5.15%	10.73%	23.70	20.46	14.7	18.6	22.4
NASDAQ COMPOSITE	26,972.62	24892.31	8.36%	16.05%	8.36%	16.05%	21.14	22.78	21.8	26.7	31.6
MSCI WORLD	4,864.59	4660.7	4.37%	9.80%	4.37%	9.80%	21.47	18.90	0.0	0.0	0.0
STXE 600 (EUR) Pr	626.00	611.28	2.41%	5.71%	1.94%	5.13%	15.82	14.51	0.0	0.0	0.0
NIKKEI 225	66,329.50	59284.92	11.88%	31.76%	10.04%	29.40%	23.63	23.61	14.7	18.6	22.4

Source: Bloomberg

Market Outlook Ex-Japan

Risk assets from most major markets recovered strongly despite considerable geopolitical turbulence in the Middle East region. Latest quarter corporate earnings announcement drove investors risk appetite. Both technology and financial sector earnings were strong. The World Index gained 4.37% in May. The MSCI Far East Ex. Japan index outperformed, gaining 12.88%, driven by North Asia markets, in particular Korea and Taiwan markets which are highly leverage to the positive demand and supply dynamic of the semiconductor industry where AI capex provide strong earnings visibility. Within the Asia region, ASEAN equities lagged with a small gain of 0.23%, led by Thailand (+5.00.%) and Singapore (+2.55%) markets. Regional currencies mostly weakened against the USD. The best performing currencies were Taiwan Dollar (+0.96%) and Chinese Yuan (+0.92%), while the weaker ones were Indonesia Rupiah (-2.99%) and Korean Won (-1.80%).

US indices gained across the board on good earnings announcements amid uncertainty in geopolitical development. For the month, Dow Jones Industrial Average (DJIA), S&P 500 Index and Nasdaq Composite gained 2.78%, 5.15% and 8.36% respectively. The earnings reporting season was notably strong, with 84% of reporting companies beating consensus earnings expectations, well above the historical average of 73%, and earnings coming in 28.6% above those expectations, compared to a long-run average of 6.3%, though this has been skewed by the technology sector.

The Stoxx Europe 600 Index gained 2.41% from the prior month. The Eurozone economy lost momentum in 2Q26 as higher energy prices, geopolitical tensions, and weaker external demand weighed on economic activity. The escalation of conflict in the Middle East led to a sharp increase in oil and gas prices, raising input costs for businesses, particularly in manufacturing and transport-related sectors, while also weakening consumer confidence. Although manufacturing output received a temporary boost from precautionary inventory accumulation and front-loaded orders amid concerns over potential supply disruptions, underlying business sentiment deteriorated and companies became more cautious regarding investment and hiring plans. Domestic consumption remained the primary driver of growth, supported by resilient household spending and government investment programs. However, tighter financial conditions and sluggish export performance continued to limit broader economic expansion.

Hang Seng Index and Hang Seng China Enterprises Index declined 2.30% and 2.95% respectively. China's economy entered 2026 on a relatively strong footing, with real GDP growth accelerating to 5.0% YoY in 1Q26 from 4.5% in 4Q25. Nominal GDP growth also improved to 4.9%, marking its fastest pace in nearly three years as deflationary pressures gradually eased. However, more recent data suggest that economic momentum weakened in 2Q26. Official Purchasing Managers' Index (PMI) readings in May indicated that manufacturing activity remained close to the expansion threshold but continued to lose momentum amid softer external demand and rising input costs linked to geopolitical tensions in the Middle East. While the services sector showed signs of recovery, the improvement has been insufficient to offset weak consumer spending and ongoing challenges in the property market. This slowdown was also reflected in April's macroeconomic indicators, with urban fixed asset investment returning to contraction due to slower fiscal spending (the sharpest decline in six months) while credit growth remained subdued amid continued deleveraging efforts.

South Korea's KOSPI Index staged a remarkable rally, surging 28.45% over the past month. South Korea's trade performance strengthened significantly in May, driven by robust demand for technology-related exports. Semiconductor exports surged 169.4% YoY to a record monthly high of US$37.16 billion, supported by rising memory chip prices and increased investment by U.S. technology firms. Computer exports also recorded exceptional growth of 290.7% amid strong demand for AI servers, while petroleum product exports increased 46.6% due to elevated oil prices. In contrast, automobile exports declined 5.9%, weighed down by supply chain disruptions in the Middle East and the impact of U.S. tariffs. By destination, exports to the United States and China rose 59.1% and 80.9%, respectively, while shipments to the Middle East fell 7.7%. Imports increased 20.8% to US$60.80 billion, marking the strongest growth since August 2022, though it was slightly below economists' expectations. As a result, South Korea recorded a trade surplus of US$26.95 billion, up from US$23.75 billion in the previous month and the highest level on record.

Taiwan's TWSE Index was up strongly, gaining 14.92% following positive sentiment on global technology sector. Taiwan's economy accelerated sharply in 1Q26, with real GDP expanding 14.55% YoY, marking its fastest pace of growth in 44 years. On a seasonally adjusted basis, the economy grew 1.69% QoQ, extending its expansion streak to 12 consecutive quarters. Growth continued to be driven primarily by strong external demand linked to artificial intelligence (AI) and related infrastructure investments, which have also generated positive spillover effects across domestic consumption and capital expenditure. Private consumption strengthened, supported by increased spending on communication services, entertainment, transportation, and outbound tourism, while strong equity market performance helped boost consumer and business sentiment. Gross fixed capital formation remained robust, underpinned by sustained investments in machinery, equipment, and intellectual property. Net exports contributed 10.33 percentage points to overall GDP growth and remained the key growth driver, while contributions from private consumption (+2.16 percentage points), fixed investment (+1.69 percentage points), and government spending (+0.48 percentage points) also improved significantly. Meanwhile, the drag from inventory adjustments narrowed to -0.11 percentage points and is expected to turn positive from 2Q26 onwards following a prolonged inventory drawdown throughout 2025.

Singapore's STI gained 2.55% in May. Singapore's economic growth in 1Q26 was revised significantly higher, with GDP expanding 6.0% YoY and 1.0% QoQ, compared with the advance estimates of 4.6% YoY and a -0.3% QoQ. The upward revision reflected stronger-than-expected performance across all major sectors of the economy. Manufacturing growth was revised up to 7.9% YoY from 5.0%, while construction expanded 11.8% YoY compared with the earlier estimate of 9.0%. The services sector also performed better than initially expected, growing 5.7% YoY versus 4.7% in the advance estimate. Within services, wholesale trade remained a key growth driver, expanding 2.3% QoQ on a seasonally adjusted basis. The sector benefited from robust demand for telecommunications equipment, computers, and electronic components, reflecting continued strength in AI-related investments and technology supply chains.

Malaysia's KLCI declined 2.26%. Real GDP growth moderated to 5.4% YoY in 1Q26, down from 6.2% in 4Q25, although overall economic activity remained supported by strong festive spending during the Lunar New Year and Hari Raya periods, as well as government cash transfers, subsidies, and civil service wage increases. Monthly GDP data, however, pointed to a gradual loss of momentum throughout the quarter, with growth easing from 6.8% in January to 5.2% in February and 4.1% in March. The slowdown coincided with the escalation of geopolitical tensions in the Middle East from late February, which weighed on business sentiment and economic activity.

Thailand's SET Index gained 5.00% in May. Thailand's economy delivered a stronger than expected performance in 1Q26, with real GDP expanding 2.8% YoY and 0.7% QoQ on a seasonally adjusted basis. Growth was supported by increased investment, stronger goods exports, higher government spending, and resilient private consumption. However, the improvement does not yet signal a fundamental shift in the economy's growth trajectory. Beneath the headline figures, economic momentum remained uneven, as imports grew faster than exports, domestic value-added spillovers were limited, and the trade balance recorded its first deficit in 14 quarters. Exports are expected to remain the primary driver of growth in 2026, supported by strong demand for electronics, technology-related products, and automobiles, as well as front-loaded orders stemming from supply chain adjustments and rising production costs. Export growth remained robust in April, rising 23.1% YoY to US$ 31.6 billion and marking the 22nd consecutive month of expansion, while cumulative exports for January to April increased 18.9%. However, the same data also highlighted structural challenges, with imports surging 45.0% YoY in April, resulting in a US$10.0 billion trade deficit. This suggests that while export strength continues to support headline GDP growth, its benefits are not fully translating into a broad-based recovery in domestic income and economic activity.

Jakarta Composite Index continued to weaken declining 11.92% on concerns over potential downgrade by MSCI agency to frontier market status, worries about fiscal and external balances as a result of rising oil prices, and fear of greater State intervention in the commodities sector. Bank Indonesia (BI) raised its benchmark rate by 50bps to 5.25% at its May 2026 policy meeting. The policy move appears primarily aimed at supporting rupiah stability amid persistent pressure from capital outflows and external market volatility. Indonesia's annual inflation accelerated in May, rising to 3.08% YTD from 2.42% in April. Key items driving price increases included fresh fish, rice, red chili, shallots, cooking oil, machine-rolled cigarettes, and gold jewelry. Meanwhile, core inflation remained stable at 2.59% YoY, or 0.22% MoM, indicating that underlying price pressures remained relatively contained despite elevated geopolitical uncertainties. Looking ahead, inflation is expected to average around 2.5% in 2026, although risks are tilted to the upside due to potential disruptions arising from ongoing geopolitical tensions in the Middle East and their impact on global commodity and energy prices.

The Philippines PSE Index declined 1.11%. The slowdown in economic growth reflected a combination of domestic and external challenges, including higher energy costs stemming from the conflict in the Middle East, as well as governance-related issues that weighed on public investment and consumer spending. Growth weakened across all major sectors of the economy, with agriculture contracting 0.2% YoY and construction declining 2.8%, while mining and quarrying, manufacturing, utilities, and services expanded at a slower pace of 3.8%, 0.5%, 0.7%, and 4.5%, respectively. Government expenditure emerged as the key driver of growth, accelerating to 4.8% YoY from 0.7% in 4Q25, helping to offset softer household consumption growth of 3.0% and a 2.7% contraction in investment. Economic activity was also weighed down by negative contributions from net exports (-0.2 percentage point).

Vietnam's VN-Index gained 0.51%. Manufacturing activity showed signs of improvement in May, with the Purchasing Managers' Index (PMI) rising to 52.8 from 50.5 in April and 49.8 a year earlier, indicating a stronger expansion in factory activity. The output index also increased sharply to 55.6, reflecting robust production conditions. However, inflationary pressures continued to build, with headline inflation edging up to 5.6% in May from 5.5% in April and 4.7% in March, reaching its highest level in six years. Despite the stronger PMI readings, manufacturing output growth moderated to 9.0% YoY in May from 10.0% in April, bringing average growth in 2Q26 to 9.5%, compared with 11.0% in 1Q26. External trade momentum also softened, with export growth easing to 18.0% YoY from 21.0% in April, while import growth accelerated to 33.8% from 32.5%. As a result, the cumulative trade balance for January to May recorded a deficit of US$12.7 billion, compared with a US$5.0 billion surplus in the same period of 2025, marking the widest trade gap in nearly three decades.

MARKET OUTLOOK

The shift to a dovish monetary stance in the US at the start of 2026 appears now to have been upended by the war in the Middle East. After an almost 12 months of twist and turns in the US tariff saga, the market is still divided on impact of higher tariffs on macro variables such as inflation and economic activities. Meanwhile, US corporate earnings, especially in the technology sector, continue to be key pillar to hold up risk assets. US market valuations are at historical high, and the high valuation is further driven by strong capital expenditure drive for AI, which has raised questions as to whether the humongous expenditures in AI will generate the anticipated returns. The semiconductor and AI investment cycle may move into a more difficult phase as investors will start to be more discerning with regard to their return on investment. If and when the supply and demand dynamic in the semiconductor cycle should turn, on the margin, with supply capacity expanding at a time when global demand soften on lower GDP growth outlook, headwinds for the industry can be expected.

Geo-political developments as well as policy directions in the major economies, in particular US and in China, remain on our radar screen. The market is still watchful of developments in Trump's tariffs for the key trade partners. The US tariffs scene has been marked by changes, and uncertainties remain. Meanwhile, new geo-political fissures have opened up with the recent US military raid and capture of Venezuela President, Nicolas Maduro Moros, and the repeated utterings by President Trump of his intention to bring Greenland within the US fold, militarily if necessary. Adding to these is the flare up of the military conflict between the US/Israel and Iran that has engulfed the entire Middle East and choked the supply of crude oil and LNG from the region to the world. These developments further heightened tension in global geo-politics. In the near term, the US mid- term election to be held in the later part of 2026 may change the balance of power in the US Congress, and have significant impact on US policies in the remaining years of Trump's term. These developments will create uncertainties for investors. The duration of the Middle East war has added to uncertainty in global growth outlook as supply chain disruptions in energy sources among other things push inflation higher and change macro variables assumption.

In Asia, the focus is on the pace of China's economic recovery which has been weaker than expected. The tariff issues with the US and continuing efforts to broaden restrictions on sales of tech equipment and services to Chinese entities can only exacerbate the economic situation in China. The Chinese property sector continues to face challenges, and any sign of stabilization and growth will have positive catalyst for China's economy and risk assets. The Chinese government continues to bring forth measures to help the economy. The Chinese government remains constructive on policies to spur economic activities to achieve economic growth target. The various measures have boosted market sentiments. However, the longer- term effectiveness on China's economy continues to be closely watched. It may take time for the initiatives to bear fruits. The focus will be on addressing the challenges in the property market, lifting consumer sentiments and consumption, and countering the effects of the new US tariffs.

On external trade, countries with high export dependency for growth in the Asia region including ASEAN will face significant challenges arising from the US tariff policies. The disruption in supply chain realignment may result in temporary mismatch in corporate earnings delivery against market expectation during the initial stage of tariff implementation. To-date, while ASEAN countries' exports to the US have been impacted by the tariffs, these countries have been able to mitigate the impact on the economic growth through trade diversifications. Many of these countries have now to also contend with having to manage disruptions in energy supplies and the ensuing price escalations.

While interest rates have started to be eased, there remains headwind for risk assets, including the impact of the still high interest rate on business and economic activities, uncertainties in US policies, the historically high market valuations in the US, the geo-political tension in various parts of the world and resulting disruptions to energy supplies, as well as the still slower than expected economic growth in China. However, in the investment space we are in, we believe there is room for cautious optimism. After years of prolonged sell down, and despite the upticks in recent months, China equities remain under-owned and their favourable valuation offer potential upside, particularly following the recent rounds of significant policy change initiatives from China.

INVESTMENT STRATEGY

We continue to apply our strategy of focusing on identifying fundamentally healthy companies with low valuations, low leverage, high growth, robust management and a strong track record, and adherence to our investment philosophy of "Never Fully Invest at All Times" which has served us well over the years.

We thank you once again for your continued faith in us, and hope to remain good stewards in our endeavour to protect and grow your capital.

MALAYSIA

Market Summary

The FBMKLCI Index decreased 2.26% month-on-month to close at 1,683 points in May. YTD has increased 0.18%. The RM depreciated 0.17% month-on-month against the USD, and closed at MYR 3.96 for the month of May.

Economic News

Malaysia's S&P Global Manufacturing PMI fell to 49.0 in May 2026 from 51.6 in April, slipping back into contraction territory as weaker domestic and export demand weighed on new orders and output. Export orders declined for a third straight month, while manufacturers

increased raw material purchases and inventories as a hedge against potential supply disruptions and higher input costs stemming from Middle East tensions.
Headline inflation accelerated to 1.9% YoY in April 2026 from 1.7% in March, the highest since October 2024, mainly driven by higher transport, food and communication costs. However, core inflation eased to 2.0% from 2.1%, suggesting underlying price pressures remain manageable.

Malaysia’s trade surplus surged to RM28.8bn in April 2026 (vs RM5.1bn a year ago), the highest since June 2023, supported by record exports of RM182.7bn (+36.9% YoY), led by strong growth in electrical & electronics (+46.4%) and petroleum products (+70.2%). Imports rose 11.2% YoY to RM154bn. Year-to-date, the trade surplus reached RM91.9bn, with exports and imports growing 19.0% and 11.1%, respectively.

Malaysia’s economy expanded 5.4% YoY in 1Q26, driven by resilient household spending and strong E&E exports. To cushion potential global energy-related risks, the government announced RM15bn in MSME financing support and adjusted targeted fuel subsidy measures.

Corporate News

Gamuda Berhad (GAMUDA MK) is a leading Malaysian conglomerate with core expertise spanning infrastructure development, engineering, In 1QFY26, RHB group delivered 14% YoY growth in net profit, underpinned by strong revenue momentum and disciplined cost management. A key highlight was the 45.6% YoY increase in non-trading and investment (non-T&I) income, driven by a 32.1% YoY rise in fee income, largely attributable to bancassurance contributions following partnerships with Tokio Marine Life Insurance Malaysia Bhd and Syarikat Takaful Malaysia Keluarga Berhad, which commenced in August 2025. Margin performance also remained healthy, with RHB recording the highest JAWS ratio among Malaysian banks at +2.7 percentage points in 1Q26, indicating revenue growth significantly outpaced operating expense growth. This enabled the group to maintain a cost-to-income ratio (CIR) within its target range of 46–47%, reflecting ongoing cost optimisation initiatives. Looking ahead, management expects continued earnings support from sustained loan growth, further fee income expansion from its bancassurance partnerships, Islamic banking growth and ongoing efficiency improvements. From a valuation standpoint, RHB trades at 1.05x FY26F P/BV, while offering a dividend yield of around 5.3%. Consequently, despite its solid earnings trajectory and improving operating efficiency, the stock retains a MARKET PERFORM recommendation with a target price of RM8.40.

Inari Amertron is entering a new growth cycle driven by both RF recovery and AI-related optical demand. The group, which derives 60-65% of revenue from its RF segment, secured four new RF circuits for FY27 versus only one in FY26, supporting a recovery in RF utilisation to 70-75% from 55-60% in FY26 and driving an expected 25% rebound in RF sales. Management is targeting revenue to recover to approximately RM1.55bn in FY27 (close to its FY22 peak) and further expand to RM2.0bn in FY28, supported by additional submissions for 8-9 RF circuit designs for FY28. The optoelectronics division is emerging as the key AI growth engine, with fibre-chip fabrication capacity set to double in FY27 and quadruple by FY28 to meet strong AI data centre demand, underpinning projected optoelectronics sales growth of 40% in FY27 and 32% in FY28. The company is also diversifying into power management semiconductors (pilot line commencing Aug 2026) and advanced packaging solutions including FC-HSBGA and 2.5D TCB packaging (pilot line by 4Q26) for AI/HPC applications. Reflecting stronger utilisation and margin assumptions, analysts raised FY27-28 EPS forecasts by 27-52% and increased the target valuation multiple to 34x PE (from 25x), which remains at a 27% discount to regional peers despite Inari's growing AI exposure. Consequently, the target price has been lifted from RM1.40 to RM2.90, implying approximately 31% upside, leading to an upgrade from HOLD to OUTPERFORM from CLSA analyst.

Press Metal Aluminium Holdings delivered a strong 1Q26 with revenue rising to RM4.1bn (+5.2% YoY, +1.5% QoQ) and net profit increasing to RM625m (+35% YoY, +5% QoQ), driven by higher aluminium prices and lower alumina input costs. Net margin expanded significantly to 15.2%, up 3.4ppt YoY and 0.6ppt QoQ, reflecting stronger aluminium spreads. The group's core smelting business, which contributes approximately 85% of revenue, recorded 8% YoY and QoQ sales growth. Looking ahead, Press Metal is well-positioned to benefit from tightening aluminium supply outside China following disruptions affecting around 40% of Gulf Cooperation Council (GCC) aluminium production, with management guiding for Japan MJP premiums of around US$250/tonne in 2Q26 (+31% QoQ), supporting stronger pricing power and export opportunities. Growth catalysts include the commissioning of its 2 million tonnes alumina plant (PT Kan) in early 2027, allowing the group to internally source 1.0–1.5 million tonnes of alumina requirements and potentially boost FY27 EPS by 4-8% through external alumina sales. In addition, higher-margin value-added products (VAP) capacity is on track to expand 17% to 180,000 tonnes by 4Q26, further supporting margin expansion. Reflecting stronger aluminium price assumptions and lower alumina costs, analysts raised FY26-27 EPS forecasts by 10-19% and introduced FY28 estimates. Valuation remains attractive with a revised target price of RM11.00 (22% upside) based on 27x FY27 PE, while the stock continues to offer exposure to favourable aluminium industry fundamentals.

Outlook

Market remains cautiously positive, underpinned by Malaysia’s resilient economic fundamentals, including 1Q26 GDP growth of 5.4%.The ongoing global AI and semiconductor upcycle, coupled with rising investments in data centres, continues to benefit the technology, utilities, construction and industrial property sectors, while banks remain supported by healthy stronger fee income, loan growth, stable asset quality and attractive dividend yields. However, geopolitical tensions in the Middle East and rising energy costs could weigh on business sentiment and profit margins. Nevertheless, Malaysia remains relatively well-positioned compared with regional peers due to its strong domestic demand, export competitiveness and improving investment cycle. We favour a defensive and buy-on-weakness approach. Within this framework, we continue to seek companies with undemanding valuations, low leverage, strong growth potential, sound management, and a proven track record.

INDONESIA

Market Summary

The Jakarta composite Index was down 11.92% month-on-month to close the month of May 2026 at 6,127.38 points. YTD, the index was down 29.14%. The Indonesian Rupiah depreciated 2.99% in May against the USD, and closed at IDR17,881 for the month.

Economic News

Bank Indonesia surprises the market by raised its benchmark interest rate by 50bos to 5.25% at its May 2026 policy meeting. This marked the first rate hike since April 2024, aiming to strengthen the Rupiah, curb imported inflation risk and keep inflation under control within plus minus 1% of 2.5%.

Indonesia's GDP expanded 5.61% in 1Q2026, accelerating from 5.39% in 4Q2025, exceeding market expectation of 5.3%. Private consumption increase 5.52%, government expenditure picked up 21.8% while fixed investment stayed robust +5.96%. On trade, exports slow to 0.9% from 3.25% while import surged 7.18% from 3.96%. Government projected GDP growth at 5.4% this year.

Indonesia's S&P Global Manufacturing PMI edged down to 49.1 in April 2026 from 50.1 in the previous month, marking its lowest level since June 2025 and signaling the first contraction in factory activity in nine months. Employment dropped, and backlogs of work declined. Due to supply constraint, manufacturers drew down inventory to sustain output. New order inched higher driven by advance buying to hedge against price increases and supply disruption.

Indonesia president announced in parliament the establishment of a state owned export enterprise, tasked to manage exports of strategic natural resources commodities, starting with coal, palm oil and ferro alloys (Nickel). This policy framework is to counter the longstanding issues of under-invoicing, fraud, and transfer pricing as major sources of structural leakage in Indonesia's commodity exports, where the government estimates that the cumulative export under-invoicing has reached approximately USD908 billion over the past 34 years.

Corporate News

Bank Rakyat Indonesia earnings grew 6% YoY in 4M26 to Rp15.9tril, in line with expectation, with ROE reaching 15.9%. Loan grew 11% YoY while deposit grew 7% YoY (CASA grew 17% YoY), resulting in loan deposit ratio LDR rose to 91.9% vs 88.5% in April 2025 and CASA ratio improved to 70.8% from 64.8% in April 2025. Net interest income was flat at 6.6% as lower asset yield was offset by lower funding cost. Provision grew 2% YoY and credit cost improved to 3.2% from 3.5% last year, within bank guidance of 2.9% to 3.2%.

Bank of Central Asia reported 3% YoY growth in net profit to Rp20.8tril in 4M26, in line with consensus estimate. Net interest income was flat while the non interest income grew 8%. Loan grew 5% and deposit grew 9% YoY and loan to deposit ratio was at 77.3% from 80.3% a year ago. Net interest margin declined 5.6% in 4M26 vs 6.1% in 4M25. Provision drop 16% YoY and credit cost improve to 0.3% from 0.4% last year. The ROE is down slightly to 23.4% from 24% last year.

Medilkaloka Hermina 1Q2026 revenue grew 5% YoY, with hospital revenue up 8% YoY. Outpatient (OP) revenue down 1% YoY and inpatient (IP) revenue up 13% YoY, driven by more patient number (OP visits +5% YoY, IP admission +9% YoY). BJPS revenue grew 28% YoY, contributing 54% of total revenue while private revenue contracted 10%, due to lower visit and delay in surgeries/major procedure during festive season. 1Q26 EBITDA declined 6% with EBITDA margin falling 3ppt YoY to 25.8% due to higher salary costs, and net income decreased by 19% YoY in 1Q26.

Indofood ICBP delivered 8% YoY net sales growth in 1Q26, despite lower demand due to full Lebaran holiday in 1Q2026. Domestic sales grew 6% YoY while Middle East, Africa and Asia grew 11% YoY. 1Q26 EBIT however declined 10% YoY due to lower gross margin (-1.3ppt YoY) and FX headwind. Noodle sale grew 8%, with only 3% volume growth due to better product mix. Dairy grew 6% YoY but EBIT grew only 1% YoY, impacted by rising raw material costs. ICBP maintains its FY2026 guidance of 5-7% sales growth and 20-22% EBIT margin.

Outlook

The war between US-Israel and Iran which started on 28th February 2026, is still dragging on. As Indonesia is a net importer of oil, the persistent high oil price has caused concern on government fiscal position. Indonesia government took initiatives to raise revenue through a proposed mining royalty hike, and to plug mining export revenue leakages through a state owned export enterprise. However, investor responded with scepticism due to excessive government intervention. Concern over further sovereign rating downgrade further accelerates the foreign outflow. We view this crisis as a great opportunity to invest in some of the best Indonesia's company at attractive price. The LQ45 index is trading at a P/E ratio of 10.7x, below its 5 year mean of 15.1x.

SINGAPORE

Market Summary

The FSSTI Index increased 2.55% month-on-month to close the month of May 2026 at 5,037.86 points. YTD the index has increased 8.43%.The SGD depreciated 0.27% month-on-month against the USD, and closed at SGD 1.28 for the month of May. YTD the SGD has appreciated 0.68% against the USD.

Economic News

Singapore's non-oil domestic exports (NODX) jumped 24.5% yoy in April 2026, accelerating sharply from a 15.3% rise in March. This marked the eighth consecutive month of expansion and the fastest growth since February 2012, with electronics continuing to grow strongly (66.7% vs 73.9% in March), supported by robust AI-related demand. Electronic exports were driven mainly by disk media products (148.9%), ICs (82.7%), and PCs (35.7%). Meanwhile, non-electronics grew 10.9%, rebounding sharply from a 0.6% fall in March, due to higher shipments of pharmaceuticals (97.1%), measuring instruments (60.5%), and specialised machinery (23.6%).

Retail sales in Singapore rose by 4.8% year-on-year in March 2026, slowing from a 8.3% increase in the previous month. This marked the second consecutive month of growth in retail activity but at a softer pace, largely due to lower sales in department stores (-5.7% vs 18% in February) and food and alcohol (-6% vs 12.7%).

The S&P Global Singapore PMI increased to 57.9 in April 2026 from March's 56.7, signalling a 15th straight month of private sector expansion and marking the second-strongest growth since July 2022. Both output and new orders rose at faster rates, while purchasing activity increased at its fastest pace since the data series began in 2012, and delivery times shortened. However, employment declined for the first time in 2026 so far amid elevated wage inflation and robust recruitment in recent months, while backlogs of work rose at a faster pace.

Corporate News

Thai Beverage (THBEV SP) is a leading consumer staples group and the largest beverage company in Thailand, commanding a diversified portfolio spanning spirits, beer, non-alcoholic beverages, and food services. Despite a softer topline weighed down by tepid regional consumer sentiment, the company is aggressively defending its bottom line through stringent cost management, prompting UOB Kay Hian to upgrade the stock to a "BUY" rating with a target price of S$0.475, offering a 10.5% upside alongside an attractive 5.1% dividend yield. Thai Beverage delivered resilient 1HFY26 results that slightly beat market expectations, generating a net profit of Bt 16.0b (+8.5% YoY). While group revenue experienced a minor 2.5% contraction, margins were heavily cushioned by a broad-based 1.7 percentage point gross profit expansion to 32.3%, driven by low-cost commodity hedges and highly disciplined marketing outlays. Most importantly, Thai Beverage is unleashing a highly favourable secondary catalyst pipeline for 2HFY26. While the evolving Middle East situation poses upside risks for commodity prices, THBEV has secured one-year supply of key raw materials (malts, molasses, aluminium) at favourable pre-war price levels. This would sustain THBEV's strong GPM in 2HFY26 (and potentially extending into 1HFY27). Management is hopeful that alcohol consumption will pick up in the next few months, with the upcoming FIFA World Cup 2026. In addition, Thailand's expansion of alcohol selling hours (temporarily lifting the ban on afternoon alcohol selling on a 180-day trial starting Dec 25) should also help alcohol sales. These are alongside the Thai government's economic stimulating measures aimed at bolstering domestic consumer sentiments.

Frencken Group (FRKN SP) is a global integrated technology solutions provider serving world-class multinational clients across the automotive, healthcare, life sciences, and semiconductor industries. Despite a slowdown in late 2025 due to customer inventory excess, the group is positioned for a strong recovery cycle, prompting RHB to maintain a "BUY" rating with a new target price of SGD3.57, offering a 23.2% upside alongside a c.1% yield. Frencken is expected to deliver an earnings acceleration in 2H26 as key customer inventory clears and restocking for advanced lithography systems begins. While its 2025 recurring net profit saw modest 5.3% growth, future profitability will be heavily supported by a 19.1% projected profit jump in 2026 driven by global AI infrastructure spending. Most importantly, Frencken is riding a massive structural shift in the semiconductor market, which is projected to exceed US$1.6t by 2030, setting the stage for long-term growth as AI and High-Performance Computing become the foundation of industry demand.

AEM Holdings (AEM SP) is a global leader in semiconductor test innovation, specializing in comprehensive solutions for advanced electronics and power-dense AI devices. Despite softer performance in its contract manufacturing segment due to oil and gas weakness , the company is aggressively scaling its high-growth pillars, prompting UOB Kay Hian to maintain a "BUY" rating with a significantly higher target price of S$12.99, offering a 31.1% upside. AEM delivered a massive 1Q26 earnings beat fully in line with—and significantly above—expectations (+329% YoY), generating a reported net profit of S$14m. While contract manufacturing revenue fell 16%, profitability was heavily cushioned by better operating leverage and a 72% YoY revenue surge in the Test Cell Solutions segment. Most importantly, AEM is unleashing a massive strategic pipeline through its proprietary PIXL™ thermal technology to support a fabless AI/HPC customer, setting an aggressive, raised revenue guidance of S$550m-600m for 2026 (from S$399m in 2025).

Outlook

The Singapore equity market is transitioning into a consolidation phase after a stellar 2025, where the EQDP (Equity Market Development Programme) successfully re-rated the STI by 22.67%. Currently trading at a 2026 forward P/E of 15x—slightly above its 10-year median of 14x—the market's valuation reflects a premium for the stability provided by the "Big Three" banks and their attractive dividend yields. However, with GDP growth expected to moderate from a robust 5% in 2025 to a more sustainable 2%–4% in 2026, the focus has shifted from broad-based momentum to selective quality. Given the heightened geopolitical risks in the Middle East and the uncertainty of the US rate cycle, a cautious but opportunistic stance is prudent. The alpha in this environment lies in "deep value" plays: companies with low leverage, resilient earnings growth, and proven management teams that can navigate a cooling macro environment while maintaining solid long-term track records.

THAILAND
Market Summary

The Thai SET Index gained 5.00% month-on-month to close the month of May 2026 at 1568.37 points. YTD the index has gained 24.51%. The Thai baht flat 0.03% month-on-month against the USD, and closed at 32.50 THB for the month of May.

Economic News

Thai April consumer confidence fell to 50.6 in April from 51.8 in March, marking the weakest reading since August. The decline reflects pressure from higher fuel costs, weak agricultural prices, and uncertainty surrounding ongoing Middle East tensions. The economic confidence sub-index also weakened further to 44.1, reinforcing concerns that Thailand's domestic recovery remains uneven despite improving exports.

Thailand's economy grew 0.7% QoQ in Q1 2026, slowing from 1.9% in Q4 as Middle East tensions pressured private consumption, government spending, and fixed investment. However, this beat market expectations of 0.1%. Conversely, YoY GDP growth accelerated to 2.8% (from 2.5% in Q4), surpassing the 2.2% forecast to mark the strongest expansion since Q3 2025. This annual acceleration was propelled by robust government spending, a 9.9% surge in fixed investment, and a sharp 12.6% jump in exports, alongside stronger industrial, services, and agricultural production. Despite QoQ momentum softening, the overall annual trajectory remains resilient. Consequently, the government maintained its full-year 2026 GDP growth forecast at 1.5%–2.5% and expects annual exports to rise 9.6%.

Thailand's exports surged 23.1% YoY to USD 31.6 billion in April 2026, beating the 16.2% forecast and marking the strongest growth since January. Industrial product sales led the expansion, surging 27.5%, driven by computers and tech components, while agricultural shipments rose 17.9%. Strong demand came from major markets, including the US (+44.2%), China, and Japan.

Conversely, imports soared 45% YoY to a record USD 41.60 billion, far exceeding expectations of 27.2%. This historic spike was fueled by robust domestic demand and rising logistics and energy costs, with crude oil and circuit board purchases skyrocketing. For the first four months of 2026, exports reached USD 127.8 billion (+18.9%), while imports hit USD 147.3 billion (+35.7%).

According to the Federation of Thai Industries (FTI), Thailand's domestic car sales rose 2.54% year-on-year to 48,392 units in April 2026. This marked the second consecutive month of growth, easing from a 7.29% increase in March, and was largely supported by electric vehicle (EV) deliveries booked during the Bangkok International Motor Show. In contrast, vehicle production dipped 0.44% YoY to a near six-year low of 103,794 units, primarily hit by Middle East conflict disruptions that choked off shipping lanes and spiked energy costs. Reflecting this export weakness, vehicle shipments fell 8.43% YoY to 60,190 units. Despite these headwinds, the FTI maintained its full-year 2026 production forecast, targeting a 3% expansion to 1.5 million units.

Corporate News

Thai Union produces & distributes a wide range of seafood products with facilities in Thailand, US and Europe. TU's 1Q26 core profit of THB815m (+29% YoY) slightly beat forecasts, driven by solid 8% sales growth and JV contributions, despite a 10% miss on net profit. While volumes rose 3% following price hikes, GPM faced pressure from US tariffs and a less favourable pet food mix. 2Q26 earnings are expected to soften YoY as raw material costs rise, with margin pressure likely intensifying by 3Q26 as low-cost inventory depletes. Although TU is negotiating further price pass-throughs, the process remains slow compared to peers like ITC. Consequently, Maybank analyst maintain a HOLD rating (TP: THB11.50), viewing US tariff refunds as neutral while remaining cautious of potential downside risks from weaker seafood demand amid persistent cost inflation.

The Kasikorn analyst maintains a neutral view on KTC following the meeting, as the overall earnings direction remains broadly in line with forecasts. They continue to favor KTC for its strong asset quality and attractive dividend yield of around 6%. Card spending remains resilient despite Middle East tensions, and asset quality shows no abnormal downgrades. New ventures, like the insurance brokerage business, expect online licenses in 2H26 to leverage KTC's ecosystem. Furthermore, management maintained guidance for a 15–20bps decline in cost of funds this year, a 36–37% cost-to-income ratio, and a 5–5.5% credit cost for 2026. While IT expenses will ramp up in 3Q26, bad debt recoveries should remain stable, reflecting positive asset quality trends.

HANA is a leading EMS provider specialising in printed circuit board assembly (PCBA), integrated circuit (IC) assembly and testing, and radio-frequency identification (RFID) and micro-displays. HANA has operations in Thailand, China, Cambodia, South Korea, and the US. During HANA's 1Q26 analyst meeting, the analyst confirmed that reported net profit declined sharply (-78% y/y) due to THB appreciation and exceptional provisions, marking 1Q26 as the earnings trough. However, core earnings improved 9% sequentially, signalling an operational recovery driven by strong margin rebounds and higher utilization in the OSAT business. While PCBA operations remained soft, IC assembly continued to recover. Management expects a gradual recovery into 2H26 as Cambodia benefits from production transfers, EMS operations ramp up, and PMS Korea losses narrow. Supported by a strong balance sheet with THB11.6bn in net cash, HANA is well-positioned to fund growth, particularly in its Phononic AI solid-state cooling program, which introduces direct chip-level thermal management within the expanding AI infrastructure ecosystem. DBS analyst maintain buy recommendation with TP of THB44 based on a 30x P/E.

The CLSA analyst maintains an Underperform on carabao, expecting 2026 to remain challenging due to soft overseas sentiment and rising costs. For its 1Q26 financial results, energy drink gross margin (GM) reached 43%, boosted by efficiency gains and lower sugar prices. However, international markets faced mixed results, despite Myanmar growing +49% YoY. Looking ahead to 2Q26, the analyst notes that rising aluminum, natural gas, and petrochemical costs are expected to trim GM by 1–2% QoQ to around 40%. Domestically, management remains upbeat, targeting a 32% market share for Carabao Dang in 2026 (~10% YoY growth) and projecting 20–30% revenue growth for Kao Hom white liquor. While overseas expansion via an asset-light royalty model in the UK and local production in Afghanistan by 2027 offer long-term scale, near-term cost pressures keep the analyst cautious.

Outlook

The outlook for Thailand in 2H2026 turned positive lead by AI Infrastructure themes despite with ongoing geopolitical risks, specifically US-Iran tensions, threaten to spike oil prices, fuel inflation, and weaken the Baht. However, arrival of new government brought some confidence in the investors. The policy environment highly supportive measures like the “Half-half Plus” scheme for domestic stimulus builds, and Mega infrastructure project especially on AI. We prefer on defensive and selective posture that prioritizes high-earnings-visibility and stable yield plays sectors like healthcare, domestic consumption and digital/AI infrastructure to navigate a landscape where external volatility driven by geopolitical tensions and oil price fluctuations is expected to overshadow domestic fundamentals and dominate intraday price action.

PHILIPPINES

Market Summary

The PSE Index declined -1.11% MoM to close the month of May 2026 at 5,768.76 points. YTD the index has decreased to 4.69%. The Peso depreciated 0.20% MoM against the USD, and closed at PHP 61.60. YTD wise Peso declined to 6.25%.

Economic News

The Philippines' political landscape remains in focus as Vice President Sara Duterte's impeachment trial is scheduled to commence on 6 July 2026. Despite the ongoing proceedings, Duterte continues to lead presidential preference surveys ahead of the May 2028 presidential election, with a Stratbase-commissioned survey indicating 51% voter support, compared with 41% for former Vice President Leni Robredo.

On the macroeconomic front, the Bangko Sentral ng Pilipinas (BSP) estimates that inflation accelerated to 7.1%–7.9% in May 2026, from 7.2% in April, remaining significantly above the current 4.5% overnight policy rate. As such, the risk of further monetary tightening remains elevated. Meanwhile, the country's gross international reserves (GIR) stood at US$104.3bn in April 2026, equivalent to 6.9 months of import cover and 3.8x short-term external debt, providing a solid external liquidity buffer despite a 2.2% YoY decline. Over the medium term, a key challenge remains the narrowing of the current account deficit, which reached US$16.5bn or 3.4% of GDP in 2025, highlighting continued reliance on external financing.

Corporate News

Ayala Corporation announced 1Q26 core net profit of PHP11.2bn (+2% YoY), supported by resilient earnings from Bank of the Philippine Islands, Globe Telecom Inc. and ACEN Corporation. The key growth driver is ACMobility, which is benefiting from the Philippines' rapid EV adoption, with industry EV sales surging 136% YoY to 29,700 units in 4M26. BYD maintained its leadership with 12,000 units sold (+109% YoY) and 41% market share, while ACMobility surpassed Toyota in 1Q26 passenger vehicle sales (12,300 vs 12,200 units). Management targets 74,700 vehicle sales in FY26 (+75% YoY), driven by expected BYD sales of 61,600 units (+145% YoY), supported by new model launches and expanding EV penetration. From a valuation perspective, Ayala trades at a 31% discount to NAV, wider than its 5-year average of 24%, while its listed subsidiaries account for 86% of NAV, leaving upside from emerging businesses. With a TP of PHP670.00 (+48% upside), Ayala offers attractive exposure to the Philippines' structural EV growth story through ACMobility while retaining earnings support from its diversified core businesses.

Robinsons Land Corporation delivered 1Q26 net profit of PHP3.54bn (+2% YoY), broadly in line with expectations, with stronger underlying earnings growth of 9% YoY before higher minority interests. Growth was driven by its residential segment, where EBIT surged 58% YoY to PHP715m on a 39% YoY increase in revenue to PHP2.72bn, supported by strong Ready-for-Occupancy (RFO) unit sales. Meanwhile, its malls and office segments continued to provide earnings stability, contributing 71% of total EBIT, with EBIT growing 2% YoY and 6% YoY, respectively. Looking ahead, RLC's 5-25-50 Plan targets PHP125bn capex over five years, a 50% increase in mall and office GLA, 25% growth in hotel room keys, a doubling of logistics capacity, and 12% annual profit growth, with a goal of reaching PHP25bn net profit by 2030. Valuation remains highly attractive, with the stock trading at just 5.4x FY26F PER, 0.40x PBV, and offering a 2027 dividend yield of 6.6%, all below sector averages. Notably, RLC's market capitalisation of PHP79.7bn is below its total current assets of PHP82.0bn, implying investors are effectively getting its substantial mall and office investment property portfolio for free. Trading at a 56% discount to RNAV, the stock offers compelling value, supporting the BUY recommendation and TP of PHP38.11.

Converge ICT Solutions reported 1Q26 net profit of PHP3.2bn (flat YoY) and revenue of PHP11.2bn (+4% YoY), marking its slowest revenue growth since listing, as residential revenue grew only 1% YoY while enterprise revenue rose 16% YoY. Despite near-term earnings pressure from expansion-related costs, the company is transforming from a pure broadband provider into a technology and digital infrastructure player. Key growth catalysts include its newly launched Tier III-certified Angeles Data Center with 12MW initial capacity expandable to 36MW, support from the Bifrost and SEA-H2X subsea cable systems, expansion into 600–700 underserved municipalities across Visayas and Mindanao, and the development of a 200-hectare Pampanga Tech City focused on AI and software development. These investments position Converge to capitalise on growing demand for cloud services, AI workloads and enterprise connectivity, with earnings benefits expected from H2-2026 onwards. While the share price has been pressured by concerns over a potential PSEi exclusion and flat earnings growth, management continues to deliver strong returns on capital metrics. Valuation remains highly attractive, with the stock trading at only 6.6x FY26F PER, a significant discount to the Services Index's 15.7x PER, while offering a 2027 dividend yield of 4.4%. At PHP11.12, the stock trades at a 49% discount to its TP of PHP21.65 (+95% upside), supporting the STRONG BUY recommendation.

Outlook

Political developments surrounding Sara Duterte and the lead-up to the 2028 presidential election are likely to remain key sentiment drivers but are not expected to materially affect economic activity in the near term. Overall, while higher inflation and potential monetary tightening may cap market upside, attractive valuations across selected large-cap stocks, improving corporate earnings and strong domestic demand should provide support for the PCOMP index over the medium term. We will continue to favouring defensive and fundamentally strong companies with rising profits, good management and low gearing levels amid ongoing global uncertainty.

SOUTH KOREA

Market Summary

The KOSPI index closed the month of May at 8,476.15 points, gaining 28.45% m.o.m.

Economic News

South Korea's industrial output and weakened in April amid global supply disruptions and elevated fuel costs stemming from the US-Iran conflict. Industrial production slipped 0.6% from the previous month, according to data from the Ministry of Data and Statistics. Mining and manufacturing output slid 0.7%, while construction fell 1.4%. The service sector also declined 1%, with finance and insurance dropping 7.7%. The information and telecommunications segment bucked the trend, rising 4.3%. Within manufacturing, semiconductor output rose 3.1%. Automobile production, however, fell 10%, and petroleum output plunged 19.4%, the steepest drop in decades, reflecting supply disruptions tied to the US-Iran conflict. The finance ministry, in a separate statement, attributed part of the decline to production disruptions caused by a fire at an auto parts supplier.

The April retail sales contracted 3.6% from the prior month but rose 1.6% year on year. Sales of semi-durable goods were flat, while durable goods, including telecommunications equipment and computers, slumped 11.1%. Non-durable goods such as fuel edged down 1.1%. The government said it will continue fuel price relief measures and other steps to minimize the economic fallout from the conflict. The outlook for this year's economy was also revised upward, with the Bank of Korea (BoK) raising its growth forecast to 2.6% from 2% and the Korea Development Institute lifting its projection to 2.5% from 1.9%. The BoK held its benchmark interest rate at 2.5% amid ongoing uncertainties surrounding the war, but signaled a more hawkish stance later in the year.

Corporate News

Hyundai Heavy Industries reported 1Q26 sales W5.9tn (+54.8% y-y/+13.9% q-q) and operating profit (OP) W905bn (+108.8% y-y/+57.5% q-q), the latter beat consensus by +13.6% with no particular one-off gains despite booking in 2026 bonus in 1Q26 and the proportion of FX hedging was also higher than expected. The operating profit margin (OPM) at all business divisions improved y-y / q-q. OPM at commercial vessel division improved y-y / q-q (OPM 15.6%), despite the impact of HD Hyundai Mipo merger. For reference, some investors have been concerned about the possibility of a slowdown in overall OPM as sales of low-margin mid-sized vessels are reflected following the HD Hyundai Mipo merger. The offshore division also saw a significant y-y increase in sales and OP as construction on major projects began in earnest. The OPM of the engine division also improved. 1Q26 earnings proved the company's superior cost structure, while further profitability improvements are expected as sales recognition of high margin orders expands. The company's net cash neared W3.7tn as of end-1Q26, while additional cash inflow is expected if the sales of the Gunsan shipyard is successful. Order book performance is also strong. The company has secured 60% of last year's annual new orders so far this year. The engine division has also secured orders for power generation engines for North American data centres.

Korea Aerospace Industries (KAI) reported 1Q26 sales W1.09tn (+56.3% y-y) and operating profit (OP) W67bn (+43.4% y-y), the latter missed consensus by 15.4% with slower than expected profitability improvement. This is because the estimated costs for some export projects were adjusted higher due to the weakened won. As the company main products are so-called high tech weapons and relies on imports for some core components, there were some FX impact on its earnings. This year's earnings forecast was adjusted lower. The number of aircraft delivered this year is expected to increase significantly to 60 units vs last year (15 units), mass production of KF-12 should begin in earnest, and the sales contribution from export projects is expected to grow in 2H26. Also, reflecting the increased valuations of domestic competitors and expectation that the company's earnings should show higher growth amid base effects, Hanwha Group's increase stake in KAI should be positive sentiment for share price. Although the purpose is not clear, continuous purchase by Hanwha Group could have a positive impact on investor sentiment considering that Hanwha Group has great understanding of the defense industry.

Outlook

Korea remains on our watch list as a potentially attractive investment destination. The focus will remain on stock selection. We continue to look for opportunities in the region, favouring companies which demonstrate low valuations, low leverage, high growth, robust management and a strong track record. At present, we like the memory, renewable energy and domestic consumption industry.

HONG KONG & CHINA

Market Summary

The CSI-300 Index gained 1.76% in May to close at 4,892.12 points.
The Hang Seng Index declined 2.30% in May to close at 25,182.39 points.

Economic News

China's economic growth weakened dramatically in April as the growth of value-added industrial output (VAIO) and service output slowed from 5.7% YoY and 5.0% YoY in March to 4.1% and 4.3%, respectively. The estimate GDP growth has slid from 5.0% in 1Q26 to around 4% in April. The domestic goods consumption and investment dampened sharply, with growth of fixed-asset investment (FAI) reversing from 1.6% in March to -9.4% in April, while the growth of goods retail sales reversed from 1.5% to -0.1%. Service consumption and high-tech service industry investment showed stronger growth momentum in April. The service consumption picked up the growth from 5.5% in 1Q26 to 5.6% in 4M26, reflecting the stimulus effect of holidays while the IP investment expanded 8.9% in 4M26, up 1ppt from 1Q26. The growth engine of the economy is the robust exports. The exports orders and AI related demand boosted the expansion of related industrial products output. In April, the exports delivery orders expanded 10.6% after rising 8.7% in March. Driven by the exports orders, the VAIO of automobile industry, other transportation equipment industry and communication industry expanded 9.2%, 8.2% and 15.6% in April, compared with rising 7.5%, 13.3% and 12.5% in March, respectively.

The new household loans remained sluggish. Overall, new household loans dropped significantly to -RMB787bn in April, down RMB265bn YoY. In 4M26, total new household loans were -RMB490bn, compared with RMB518bn in 4M25. Specifically, new medium-and long-term household loans were -RMB341bn in April, down RMB218bn YoY, while new short-term household loans were -RMB446bn, decreasing RMB48bn from last April. In 4M26, new medium-and long-term household loans were only RMB120bn, dropping 84.2% YoY while new short-term household loans were RMB610bn, expanding the decline from -RMB242bn in 4M25. The household sector is reluctant about increasing leverage ratio.

Corporate News

Hua Hong delivered mixed 1Q26 results, with revenue slightly beating guidance driven by 18% YoY wafer shipment growth and a 4% YoY blended average selling price (ASP) increase. However, gross profit margin (GPM) remained flat QoQ at 13%, as price increases will only take effect in the following quarters. Management guided 2Q26 revenue to be US$690-700m (up 5% QoQ at the midpoint), with GPM expanding to 14-16% and a full-year blended ASP raise of 10-15% amid robust demand from AI and memory products. Domestic GPUs and the computing power supply chain generally closed weak due to market concerns that China-US talks might favor the sale of NVIDIA's H200 and other AI chips in China, thereby impacting the demand for domestic AI chips. US has approved the release of H200 sales to ten Chinese companies (including Alibaba, ByteDance, Tencent, JD.com, Lenovo, etc.). However, the core bottleneck for the H200 currently lies in the strict import approval process intended to support domestic computing power. The progress on the issue of AI chip sales in China is expected to take time. Cultivating domestic computing power remains a policy priority, and we continue to be optimistic about the domestic computing power supply chain.

Xiaomi reported a weaker-than-expected 1Q26 revenue of RMB99.1bn (-11% YoY/-15% QoQ). Despite group gross profit margin (GPM) showing resilience at 22% and beating expectations, net profit plummeted to RMB4.7bn (-57% YoY/-28% QoQ), missing consensus of RMB5.4bn, as consumer electronics cyclicality continued to weigh on performance as well as the temporary production halt of the EV segment. Smartphone segment revenue stood at RMB44.3bn (-13% YoY/0% QoQ) below market consensus of RMB44.5bn, accounting for 45% of total revenue. Shipments dropped to 37.7mn units (-19% YoY/ -10% QoQ), driven by a 35% plunge in China, where Xiaomi's market share dropped to 12.6% amid intensified competition from Apple (which recorded a shipment growth of 30% YoY in China). Overseas market shares also slipped to 11.3% with shipments down 12% YoY (compared to a 6% global market contraction). IoT & lifestyle segment: Overseas surge mitigates domestic weakness. Segment revenue came in at RMB24.7bn (-24% YoY, 0% QoQ) and the revenue share rose 4ppts QoQ to 25%. The decline mainly stemmed from a high base effect from last year's government subsidies in China, but partially offset by overseas channel expansion, where revenue grew at a double-digit YoY to a record high and accounted for 40% of total IoT revenue. Segment GPM reached 25%, with the segment's gross profit contribution rising QoQ to 28%. Resilient internet services segment: Segment revenue stood at RMB9.5bn (+4% YoY/ -4% QoQ), accounting for 10% of total revenue. Growth was driven by a 7% YoY increase in advertising revenue to RMB7.1bn, though the pace moderated due to lower smartphone shipments weighing on APP pre-installation income. The Smart EV and AI/new initiatives: Profit contribution shrink: Segment revenue came in at RMB37.2bn (+7% YoY/ -47% QoQ), with its revenue share falling to 20% from 32% in 4Q25. EV sales stood at 81k units (+6% YoY/ -44% QoQ), primarily due to a two-month halt in production of the older SU7 model. ASP edged down to RMB235k (-1% YoY/ -6% QoQ), pressured by a higher mix of lower-priced models and purchase tax subsidies. Segment GPM fell both YoY and QoQ to 20.1%, with its gross profit contribution dropping to 18%. Consequently, the segment swung to a RMB3.1bn operating loss from a RMB1bn profit in 4Q25.

Outlook

We remain constructive on China's economy given policies support to maintain growth and stability. The current challenges to revive economic activities and investors' confidence are facing headwinds. Valuation is also becoming more attraction. We think it is necessary for the Chinese government to address the structure imbalances for a more balance and sustainable recovery. At present, the regulatory environment focuses on social stability over growth. We continue to favour companies with robust fundamentals, low valuations, good management, and low leverage.

TAIWAN

Market Summary

The TWSE index closed the month of May at 44,732.94 points, gaining 14.92% m.o.m.

Economic News

Taiwan export orders reached US$87.45bn in April, down 4.0% MoM (down 4.1% MoM seasonally-adjusted) and up 48.1% YoY, exceeding consensus estimate of 45.0%. Order growth was strongest in US & ASEAN, followed by China & Europe. Orders from the US increased 62.6% YoY, with ICT products contributing the largest increase during January-April, up 134.0%, or US$27.23bn. Orders from China and Hong Kong grew 29.0% YoY on electronics orders, which rose 52.1% (or US$12.48bn) over the first four months of the year. Orders from Europe increased 21.8% YoY, with ICT products posting the strongest growth, up 47.9% YoY during January-April. Meanwhile, orders from ASEAN and Japan rose 61.7% YoY and 33.3% YoY, respectively led by ICT; traditional goods improved on AI demand, equipment investment and higher raw material prices. Among major products, ICT export orders reached US$31.47bn, down 8.2% MoM but up 89.7% YoY, driven by continued growth in AI and cloud data center demand, which lifted orders for server and networking equipment. Electronics orders totaled US$35.94bn, down 2.1% MoM but up 45.9% YoY, supported by sustained strength in AI and high-performance computing (HPC), fueling order growth across IC manufacturing, chip distribution, and memory. Optical instrument orders were US$1.9bn, down 6.4% MoM but up 5.8% YoY, mainly on sustained demand for optical inspection and metrology equipment as well as optical lenses, though weaker panel orders partially offset the upside.

Taiwan's unemployment rate fell to 3.3% in April, down 0.04 percentage points from the previous month, according to data released by the Directorate General of Budget, Accounting and Statistics. The seasonally adjusted unemployment rate also eased to 3.34% from 3.35% in March. The number of unemployed people stood at 397,000, decreasing by 5,000 from the previous month and by 2,000 from a year earlier. The labor force participation rate slipped to 59.52%, down 0.05 percentage points from March but up 0.25 percentage points year on year. Total employment declined by 6,000 to 11.6 million in April, down 0.05% from the previous month, though it increased 0.23% compared with a year earlier, the data showed.

Corporate News

Winbond Electronics: 1Q26 revenue reached NT$38.3bn, up 43.7% QoQ, with gross margin at 53.4%. The upside was driven by flash average selling price (ASP) per Gb rising by a more than 30% QoQ, exceeding our expectation of 25%. The earning per share (EPS) reached NT$2.25, beating expectation of NT$1.94 resulted in 2026F EPS being revised up to NT$25.5. Looking ahead to 2026F, management indicates that DRAM price increases are likely to accelerate in 2Q26F, while pricing in 2H26F is expected to track overall market trends. As three major suppliers exit the consumer DDR4 market, the company is expected to follow Nanya Technology's pricing for DDR4 8Gb/ 16Gb dies, where prices still have upside potential in 2H26F. For low-density DDR4/ LPDDR4, DDR3, DDR2, and SDRAM, Winbond enjoys strong pricing power, and expect price increases in these product lines to persist into 2H26F. Supported by ample inventory on hand (approximately 100k wafers), the bit shipments to grow sequentially in each quarter of 2026F. On the flash side, management noted that 2Q26F price increases will lag peers' 100% hikes. However, given Winbond's position as a leading NOR flash supplier, and the firm's steadily rising market share in SLC NAND, flash pricing to catch up in 2H26F. Looking into 2027F, amid a backdrop of structural supply tightness, we expect DRAM and flash prices to remain elevated. The firm's DRAM bit shipments are projected to grow by 61.3% YoY, driven by increased wafer starts at the Kaohsiung fab, expanding from 15k in 3Q26F to 24k in 1Q27F, with all capacity additions based on advanced 16nm process technology. Flash bit shipments are expected to grow by 22.7% YoY in 2027F, supported by a 10k expansion in wafer starts at the Taichung fab.

Zhen Ding Technology (ZDT): 1Q26 gross margin a major beat on improving product mix despite appreciation of the renminbi. The server and optical communication sales doubled YoY to 10.1% of consolidated sales (2-3% from optical module) while IC substrate sales grew 60% YoY to 9.6% of 1Q26 sales (ABF contributed 3.8%). Opex ratio edged up to 15.5%, but given a lower tax rate of 14.7%, net profit beat exceed expectation by 39.6%. Capex to remain high in 2026-27F. The management guides 2026F capex of NT$80bn, of which 60-70% will be spent on rigid PCB (HDI, MSAP) capacity expansion, while the rest will go equally (i.e. 10-20% each) to substrate and FPCB capacity. The company maintains the target of increasing the number of factories from the current 28 to 40, and notes that 2027F capex will remain at a high level of NT$70-80bn. 2026F depreciation could rise by 10% YoY to NT$21bn. Market revise up 2026-27F earnings on tailwinds from substrate, optical module & AI server businesses. In 2H26F, shipments to global clients (e.g. ASIC server makers) will begin to pick up. The substrate business to contribute 8.9% and 9.8% of 2026-27F consolidated sales amid new capacity ramp-up and price hikes; The growing shipments to Nvidia (US), AWS (US) and Google (US) will push up the server sales weighting to 7.7% and 11.3%, respectively, in 2026-27F, while optical module looks to account for 4.6% and 8.0% of sales, driven by robust demand from 800GbE and 1.6TbE optical module makers.

Outlook

Taiwan remains a key market for AI supply chain investment, the depth of the electronics supply chain present opportunities to identify good companies that are less well-owned compared to the semiconductor sector. We are also exploring investment into non-electronics sector that will benefit from global structural trend. We continue to favour companies which demonstrate low valuations, low leverage, high growth, robust management and a strong track record.

VIETNAM

Market Summary

The Vietnam Ho Chi Minh Stock Index (VNI) rose 0.51% month-on-month to close the month of May at 1,863.49 points. The Vietnamese Dong appreciated 0.3% month-on-month against the USD, and closed at 38,005 for the month of May.

Economic News

Vietnam’s annual inflation rate increased to 5.60% in May 2026 from 5.46% in the previous month. This was the highest reading since January 2020, driven primarily by faster price growth in transport (12.48% vs 11.08% in April), reflecting elevated energy costs linked to ongoing conflict in the Middle East.

Vietnam recorded a trade deficit of USD 5.21 billion in May 2026, shifting from a surplus of USD 0.62 billion in the same month a year earlier and marking the largest trade deficit since records began in 1990. Exports grew 18.0% yoy to a record peak of USD 46.93 billion, while imports rose at a faster pace of 33.8% to a record high of USD 52.14 billion.

International arrivals to Vietnam rose 16.5% year-on-year to a seven-month low of 1.78 million in May 2026, following a 22.8% surge in the previous month. Despite the moderation, growth remained broad-based across key source markets.

Retail sales in Vietnam rose by 11.8% year-on-year in May 2026, following a 12.1% increase in the previous month. Growth remained broadly based across key categories, with retail sales of goods, accounting for 75.9% of total activity, rising 11.3% (vs 12.2% in April).

Corporate News

Hoa Phat Group (HPG) is Vietnam's largest private steel producer, with principal products spanning construction steel,hot-rolled coil, galvanized steel sheet, and steel pipe. Q1 2026 delivered a powerful earnings beat driven by a confluence of volume growth, conflict-induced steel price inflation, and a material one-off divestment gain. Construction steel volume surged 20% year-on-year in Q1 and 30% year-on-year over the first two months of 2026, supported by record-high infrastructure disbursement from both the public and private sectors. The Middle East conflict drove cost-push inflation across global steel input and output markets, with HPG's construction steel prices rising approximately 9–10% year-to-date and its June 2026-shipment HRC price surging 9% month-on-month following a 7% increase in May, reaching its highest level since early 2024. Separately, HPG booked a one-off pre-tax gain of approximately VND4.9 trillion (after-tax: VND4.0 trillion) from the divestment of its entire stake in the Pho Noi Hung Yen residential project in Q1. Combined, these factors lifted 2026F reported NPAT-MI to VND25.9 trillion, representing 68% year-on-year growth, while core NPAT-MI (excluding the real estate gain) is forecast at VND21.9 trillion, +42% year-on-year. Looking ahead, Q2 core earnings are expected to improve sequentially, supported by continued infrastructure disbursement, the new anti-dumping tariff on wide-width Chinese HRC imports, and positive steel price momentum as Middle East disruptions continue to support flat steel prices. For the full year, domestically, record infrastructure spending is expected to sustain construction steel demand, while HRC growth should be underpinned by DQSC2 ramp-up and tariff protection. HPG is currently trading at a 2026F reported P/E of 8.2x and a core P/E of 9.7x, representing a meaningful discount to its ten-year average P/E of 10.5x, and a P/B of 1.4x.

Military Bank (MBB) is the fourth-largest bank in Vietnam by total assets as of December 2025, with a 36.2 million customer ecosystem, an extensive digital banking platform, and a growing franchise that is increasingly converging toward state-owned enterprise (SOE) bank scale and asset quality while retaining private-bank operational agility. In Q1 2026, NIM compressed 26 basis points quarter-on-quarter to 3.80% amid rising funding costs as interbank and deposit rates remained elevated. Despite this, MBB retained the second-highest NIM in the sector and the pressure is expected to moderate in the second half of 2026 as current rate levels are already elevated and macro conditions are forecast to improve on stronger exports and fiscal disbursement. 2026F NIM is expected to peak at 3.76%, with NPAT-MI growing 20.3% year-on-year to VND32.2 trillion, underpinned by a sector-leading credit growth CAGR of 28% over 2025–2028F and credit costs staying contained below 1.6% on average. The bank's strong CASA franchise (CASA ratio of 34.0% in 2026F) provides a structural funding cost advantage. MBB's FY2026 management guidance called for PBT growth of 15% year-on-year, which is notable given MBB's consistent track record of outperforming its own guidance. Moody's upgraded Vietnam's sovereign rating to Ba2 in May 2026, a positive credit signal for the country's banking system broadly. MBB is currently trading at a 2026F P/B of 1.23x, a 5% discount to the peer median, despite carrying the third-highest forecast ROE in the sector at 21.4% for FY26F (versus peer median of 17.2%). The FY26F P/E stands at 6.3x.

VPBank (VPB) is a Vietnam-based private commercial bank operating a diversified financial services ecosystem that spans consumer finance through FE Credit, brokerage through VPBank Securities (VPX), non-life insurance through OPES, and is building new growth pillars in crypto-asset exchange, asset management, and gold trading. With total assets approaching VND1 quadrillion, VPB is on a regulatory trajectory to become the second-largest private bank in Vietnam by assets, supported by a preferential SBV credit quota of up to 35% for

2025–2027 and 25% for 2028, which is the highest regulatory allocation in the sector. Q1 2026 NIM compressed to 5.27% amid higher funding costs and slower asset repricing, though this is viewed as manageable. The SBV's 50-basis point reserve ratio cut in February 2026 and VPB's improving lending mix should support gradual NIM recovery over the course of the year. Consolidated credit growth guidance for FY2026 stands at 34% year-on-year, with parent-bank credit growth of 10% in Q1 already completing nearly one-third of the annual plan. FY2026F NPAT-MI is expected to rise to VND30.9 trillion (+28.9% year-on-year) and consensus revisions of its consolidated NIM modestly lower to 5.29%/5.24%/4.98% for 2026F/2027F/2028F respectively, reflecting the near-term funding cost headwinds. On capital and funding, VPB secured an additional USD320 million in offshore funding in May 2026 (adding to USD2.36 billion raised with SMBC in 2025), and has proposed a 5.8% post-deal foreign private placement of 624.4 million shares targeted for Q3–Q4 2026, pending regulatory approval. The implied deal price would be approximately VND39,000 per share. The bank also plans to complete a 100:26.04 stock dividend in H1 2026 as part of its capital management programme. In the fintech space, VPB's crypto-asset exchange venture CAEX raised VND10 trillion (approximately USD378 million) with OKX Ventures and HashKey Capital as strategic investors in Q2 2026, targeting final regulatory approval for Vietnam's pilot regulated crypto-asset trading programme around June 2026. VPB is currently trading at a 2026F P/B of 1.1x and a 2026F P/E of 7.0x, with ROE forecast to expand from 14.6% in 2025 to 16.0% in 2026F and 16.8% in 2027F.

Outlook

The VNIndex closed May at 1,863.49 points, up a modest 0.51% month-on-month, a considerable deceleration from April's 10.73% surge and a sign that the market is consolidating after its sharp recovery from the March lows. At current levels the index is trading at a trailing P/E of approximately 15x. A level that is no longer cheap and which leaves limited margin of safety if the macro picture deteriorates. The dominant risk remains inflation: April CPI at 5.46% year-on-year is the highest reading since January 2020, and with the four-month average now running well above the government's 4.5% full-year ceiling, the SBV faces a difficult balancing act between supporting credit growth and containing price pressures that are increasingly broad-based beyond energy. Moody's upgrade of Vietnam's sovereign outlook to positive (May 4th) provides a credit tailwind for the banking sector and modestly reduces offshore funding costs, but does not in itself resolve the domestic rate environment, where interbank and deposit rates remain elevated and are compressing NIMs sector-wide.

The most compelling investable themes remain those with structural earnings drivers that are either positively correlated with the prevailing macro environment or insulated from it. Steel names benefit directly from conflict-induced output price inflation and record infrastructure disbursement, with Q2 margins expected to expand further quarter-on-quarter as selling price increases continue to run ahead of input cost pass-through. Banks with preferential credit quotas and strong funding franchises offer re-rating potential as the FTSE Russell September 2026 rebalancing approaches. The FTSE upgrade, confirmed for the September rebalancing, represents the most significant structural foreign flow catalyst the market has seen in years; names with available foreign room and sufficient liquidity are the natural beneficiaries as passive and semi-active funds begin pre-positioning through June and July.