3Q26 Outlook and Strategy

Positioning Ahead of the Small Cap Recovery

Market Review and Outlook

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Summary

- **US equity markets capped off 2Q26 with one of their strongest quarterly closings in years. Easing Middle East tensions, where a few rounds of ceasefire talks were initiated, which lowered crude oil prices. Meanwhile, surging corporate spending on AI infrastructure allowed investors to brushed off tariff concerns and absorb a notably hawkish Federal Reserve stance.**
- **Locally, a weakening Ringgit provided a tactical boost to exporters. While robust data centre capex and structural blueprints like the 13MP, NETR, and NIMP 2030 underpin a constructive outlook, but emerging GE16 speculation could introduce near-term political noise and temporarily dampen foreign inflows. Nevertheless, we still believe in pockets of growth within the Construction, Consumer, Solar, Industrial Products, Technology, and Telco sectors.**

FBMKLCI	1656.83
Resistance	1700-1720
Support	1600-1620

Indices	**2Q26 (%)**
KLCI	-1.6%
FBMSCAP	5.1%
FBMACE	13.6%
Technology	47.7%
Construction	11.2%
Utilities	5.8%
REITs	1.1%
Property	0.9%
Transport	-0.4%
Ind Products	-1.2%
Plantation	-1.4%
Financial Services	-2.1%
Consumer	-2.3%
Telco & Media	-4.0%
Energy	-5.8%
Healthcare	-7.0%

3Q26 Stock picks	**S1**	**S2**	**R1**	**R2**
99SMART	3.38	3.25	4.00	4.13
CBHB	0.63	0.61	0.76	0.80
KGB	7.78	7.42	9.00	9.50
MNHLDG	2.74	2.59	3.40	3.50
NE	1.02	0.94	1.30	1.40
OSK	1.87	1.80	2.20	2.30
SCGBHD	2.23	2.13	2.60	2.70
SLVEST	2.95	2.88	3.38	3.50
BMGREEN	1.67	1.54	2.15	2.28
EG	1.72	1.60	2.20	2.31
KOBAY	2.33	2.16	3.20	3.50
SPRITZER	2.70	2.50	3.30	3.50
TIMECOM	6.00	5.86	6.80	7.00

Seasonality Analysis

- **FBMKLCI fell marginally in 2Q26.** After a positive start to the year in 1Q26, the FBM KLCI ended slightly lower in the second quarter. Persistent uncertainties surrounding US-Iran tensions weighed on sentiment, though concerns eased somewhat following fluctuating reports regarding the operational status of the Strait of Hormuz. Looking ahead, we anticipate a positive start to 3Q26. Historical seasonality data suggests that July is typically a strong month, yielding a decent average upside of 2.2% with a favourable up/down win ratio of 1.5.

Fig #1 FBM KLCI Heat Map (2001-2026)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Return
2001	7.1%	-2.5%	-8.7%	-9.7%	-2.0%	3.5%	11.2%	4.2%	-10.5%	-2.5%	6.3%	9.1%	2.4%
2002	3.3%	-1.4%	6.7%	5.0%	-6.6%	-2.2%	-0.5%	-1.4%	-10.3%	3.4%	-4.6%	2.7%	-7.1%
2003	2.9%	-2.7%	-1.7%	-0.8%	6.5%	3.1%	4.1%	3.2%	-1.3%	11.4%	-4.6%	1.9%	22.8%
2004	3.1%	7.4%	2.6%	-7.1%	-3.3%	1.1%	1.7%	-0.7%	2.7%	1.3%	6.5%	-1.1%	14.3%
2005	1.0%	-1.0%	-4.0%	0.9%	-2.1%	3.2%	5.5%	-2.5%	1.5%	-1.8%	-1.6%	0.4%	-0.8%
2006	1.6%	1.6%	-0.2%	2.4%	-2.3%	-1.4%	2.3%	2.4%	1.0%	2.1%	9.3%	1.4%	21.8%
2007	8.5%	0.6%	4.2%	6.0%	1.9%	0.6%	1.4%	-7.3%	4.9%	5.8%	-1.2%	3.4%	31.8%
2008	-3.6%	-2.6%	-8.1%	2.6%	-0.3%	-7.0%	-2.0%	-5.4%	-7.4%	-15.2%	0.3%	1.2%	-39.3%
2009	0.9%	0.7%	-2.0%	13.5%	5.4%	3.0%	9.3%	-0.1%	2.4%	3.4%	1.3%	1.1%	45.2%
2010	-1.1%	0.9%	3.9%	2.0%	-4.6%	2.3%	3.6%	4.5%	2.9%	2.9%	-1.4%	2.3%	19.3%
2011	0.1%	-1.9%	3.6%	-0.7%	1.5%	1.3%	-1.9%	-6.6%	-4.2%	7.6%	-1.3%	4.0%	0.8%
2012	-0.6%	3.2%	1.7%	-1.6%	0.6%	1.2%	2.0%	0.9%	-0.6%	2.2%	-3.7%	4.8%	10.3%
2013	-3.6%	0.6%	2.1%	2.8%	3.0%	0.2%	-0.1%	-2.5%	2.4%	2.2%	0.3%	3.0%	10.5%
2014	-3.4%	1.8%	0.7%	1.2%	0.1%	0.5%	-0.6%	-0.3%	-1.1%	0.5%	-1.8%	-3.3%	-5.7%
2015	1.1%	2.2%	0.5%	-0.7%	-3.9%	-2.3%	1.0%	-6.4%	0.5%	2.8%	0.4%	1.2%	-3.9%
2016	-1.5%	-0.8%	3.8%	-2.6%	-2.8%	1.7%	0.0%	1.5%	-1.5%	1.2%	-3.2%	1.4%	-3.0%
2017	1.8%	1.3%	2.7%	1.6%	-0.1%	-0.1%	-0.2%	0.7%	-1.0%	-0.4%	-1.7%	4.6%	9.4%
2018	4.0%	-0.7%	0.4%	0.4%	-6.9%	-2.8%	5.5%	2.0%	-1.5%	-4.7%	-1.7%	0.6%	-5.9%
2019	-0.4%	1.4%	-3.8%	-0.1%	0.5%	1.3%	-2.2%	-1.4%	-1.8%	0.9%	-2.3%	1.7%	-6.0%
2020	-3.6%	-3.2%	-8.9%	4.2%	4.7%	1.9%	6.8%	-4.9%	-1.3%	-2.5%	6.5%	4.1%	2.4%
2021	-3.7%	0.7%	-0.3%	1.8%	-1.1%	-3.2%	-2.5%	7.1%	-4.0%	1.6%	-3.1%	3.5%	-3.7%
2022	-3.5%	6.3%	-1.3%	0.8%	-1.9%	-8.0%	3.3%	1.3%	-7.8%	4.7%	1.9%	0.4%	-4.6%
2023	-0.7%	-2.1%	-2.2%	-0.5%	-2.0%	-0.8%	6.0%	-0.5%	-1.9%	1.3%	0.7%	0.1%	-2.7%
2024	4.0%	2.5%	-1.0%	2.6%	1.3%	-0.4%	2.2%	3.3%	-1.8%	-2.9%	-0.5%	3.0%	12.9%
2025	-5.2%	1.1%	-3.9%	1.8%	-2.1%	1.6%	-1.3%	4.1%	2.3%	-0.2%	-0.3%	4.7%	2.3%
2026	3.6%	-1.4%	-1.5%	1.9%	-2.3%	-1.1%							-1.0%
Avg Monthly Return	0.5%	0.5%	-0.6%	1.1%	-0.7%	-0.1%	2.2%	-0.2%	-1.5%	1.0%	0.0%	2.3%	4.7%
Up	14	15	12	17	10	15	15	12	9	17	10	23	14
Down	12	11	14	9	16	11	10	13	16	8	15	2	12
Up/Down Ratio**	1.2	1.4	0.9	1.9	0.6	1.4	1.5	0.9	0.6	2.1	0.7	11.5	1.2

**More than 1 is positive indication that the winning rate is high (example: Dec is 11.0 is super solid month to have success trades)

Source: Bloomberg

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- **The FBM Small Cap bucked the KLCI trend.** Defying the broader market's mild dip, the FBM Small Cap Index rebounded by 5.12% in 2Q26. This resilience was primarily driven by a resurgence in the technology sector as geopolitical tensions subsided, alongside healthy trading flows fuelled by a weakening Ringgit in recent weeks. We expect this upward momentum to carry into July as the seasonality charts point to a further rally, with a historical average monthly return of 3.6% and highly encouraging odds, boasting an up/down win ratio of 4.0.

Fig #2 FBM Small Cap Heat Map (2001-2026)

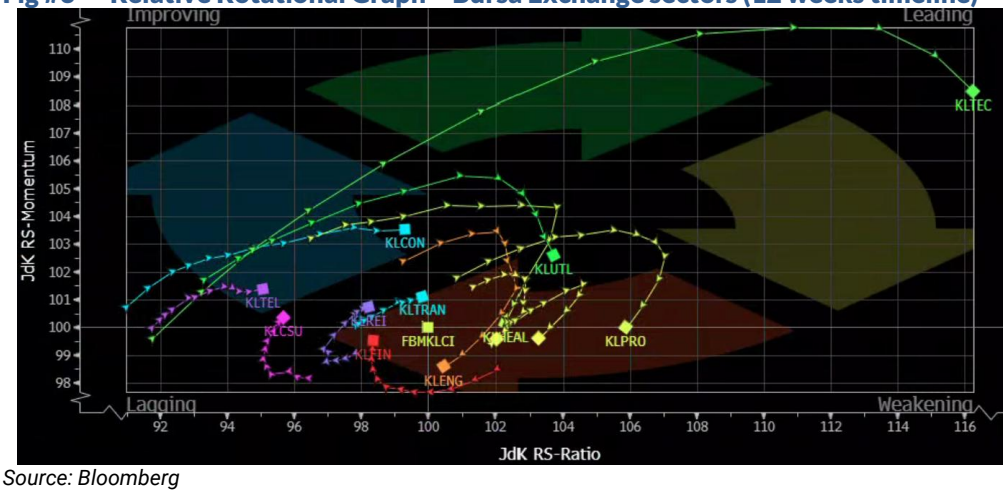
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Return
2001	6.3%	-9.0%	-13.0%	1.5%	3.7%	-0.4%	15.4%	0.4%	-17.1%	3.0%	12.4%	1.5%	-0.4%
2002	4.9%	-4.7%	8.8%	9.1%	-7.7%	-4.6%	-0.7%	-2.2%	-11.1%	1.6%	-2.0%	-1.7%	-11.7%
2003	2.2%	-5.3%	-3.5%	0.9%	9.1%	7.2%	8.7%	4.4%	-0.2%	11.9%	-5.0%	0.0%	32.7%
2004	2.5%	6.8%	-0.8%	-3.1%	-8.5%	-2.2%	0.8%	-4.9%	1.8%	-1.3%	6.2%	-0.3%	-3.9%
2005	-0.3%	-1.6%	-5.1%	-3.6%	-10.1%	2.0%	2.4%	-3.5%	0.3%	-4.1%	-3.3%	-1.0%	-25.0%
2006	5.6%	2.9%	3.1%	7.6%	-4.4%	1.3%	0.2%	0.5%	1.0%	5.1%	8.9%	2.9%	39.8%
2007	9.9%	7.1%	6.4%	12.2%	-2.7%	9.0%	8.8%	-10.5%	5.1%	9.1%	-5.3%	4.0%	63.7%
2008	-7.9%	-3.9%	-7.6%	5.2%	-0.5%	-8.2%	-4.0%	-3.6%	-9.2%	-19.9%	1.9%	-0.9%	-46.6%
2009	0.7%	-1.9%	-2.4%	22.1%	13.0%	4.2%	7.6%	0.4%	0.5%	2.1%	-2.0%	3.0%	55.1%
2010	4.2%	0.4%	6.4%	1.5%	-8.3%	2.2%	7.3%	-3.5%	4.0%	5.1%	-1.5%	5.2%	24.2%
2011	2.9%	-4.4%	4.7%	0.8%	-2.4%	-0.5%	-1.7%	-9.4%	-8.3%	11.1%	-0.2%	1.3%	-7.6%
2012	8.3%	1.0%	-3.1%	-0.5%	-4.4%	1.7%	3.2%	-1.3%	-3.6%	2.6%	-4.9%	0.1%	-1.6%
2013	-0.2%	-0.1%	5.9%	-0.5%	24.1%	-4.5%	4.1%	-2.9%	5.6%	3.5%	-1.0%	0.4%	36.7%
2014	0.0%	5.3%	3.6%	1.8%	0.1%	2.7%	6.3%	-2.4%	0.3%	-5.2%	-7.1%	-8.6%	-4.2%
2015	5.6%	4.7%	-2.0%	1.4%	-2.9%	-1.8%	2.0%	-14.3%	6.6%	6.9%	-0.2%	1.9%	6.0%
2016	-5.7%	0.5%	3.2%	-1.2%	-1.0%	-1.2%	1.6%	-1.1%	1.5%	-0.3%	-6.6%	2.7%	-7.7%
2017	4.8%	2.2%	8.4%	3.4%	-2.3%	1.1%	-1.0%	-3.1%	1.2%	2.8%	-3.7%	1.6%	15.9%
2018	0.2%	-2.1%	-11.1%	-1.9%	-5.3%	1.5%	5.4%	-2.2%	-0.6%	-11.4%	-4.4%	-7.1%	-33.7%
2019	7.2%	3.6%	1.3%	7.2%	-7.9%	3.6%	4.2%	-4.9%	0.8%	5.4%	-2.4%	6.1%	25.4%
2020	-6.3%	-4.1%	-27.7%	20.2%	9.0%	-1.7%	10.1%	5.0%	-6.3%	0.5%	14.2%	5.7%	9.9%
2021	-2.5%	7.9%	2.3%	2.7%	-7.0%	-3.6%	0.0%	3.4%	0.8%	7.0%	-7.7%	-0.7%	1.3%
2022	-1.6%	5.3%	-0.3%	2.9%	-7.0%	-8.8%	0.5%	0.5%	-4.6%	4.2%	4.5%	-0.1%	-5.3%
2023	8.3%	-4.5%	-1.1%	1.5%	-4.2%	0.1%	5.0%	3.1%	0.7%	-2.0%	1.6%	1.5%	9.6%
2024	2.2%	0.4%	3.1%	3.4%	4.1%	3.6%	0.6%	-10.1%	-0.6%	-2.3%	2.0%	3.9%	9.8%
2025	-5.1%	-6.6%	-2.1%	-1.6%	0.7%	-0.9%	2.8%	0.1%	5.8%	-5.6%	0.0%	0.3%	-12.2%
2026	1.5%	-1.5%	-7.1%	6.6%	-1.0%	-0.4%							-2.4%
Avg Monthly Return	1.8%	-0.1%	-1.1%	3.8%	-0.9%	0.1%	3.6%	-2.5%	-1.0%	1.2%	-0.2%	0.9%	6.5%
Up	18	13	12	19	8	13	20	9	15	16	9	16	13
Down	8	13	14	7	18	13	5	16	10	9	16	9	13
Up/Down Ratio**	2.3	1.0	0.9	2.7	0.4	1.0	4.0	0.6	1.5	1.8	0.6	1.8	1.0

**More than 1 is positive indication that the winning rate is high

Source: Bloomberg

- **Significant jump in the Tech sector.** Over the past 12 weeks, the Technology has been the strongest leader, followed by a catch up in Construction and Utility, and most of the sectors followed into the upper right quadrant, however we noticed the Healthcare and Energy stocks have weakened the most in the recent weeks, as crude oil prices subsided, which impacted the sentiment on both the sectors. Meanwhile, some notables rising momentum sector include, Consumer, Telco, Transportation and REITs.

Fig #3 Relative Rotational Graph – Bursa Exchange sectors (12 weeks timeline)



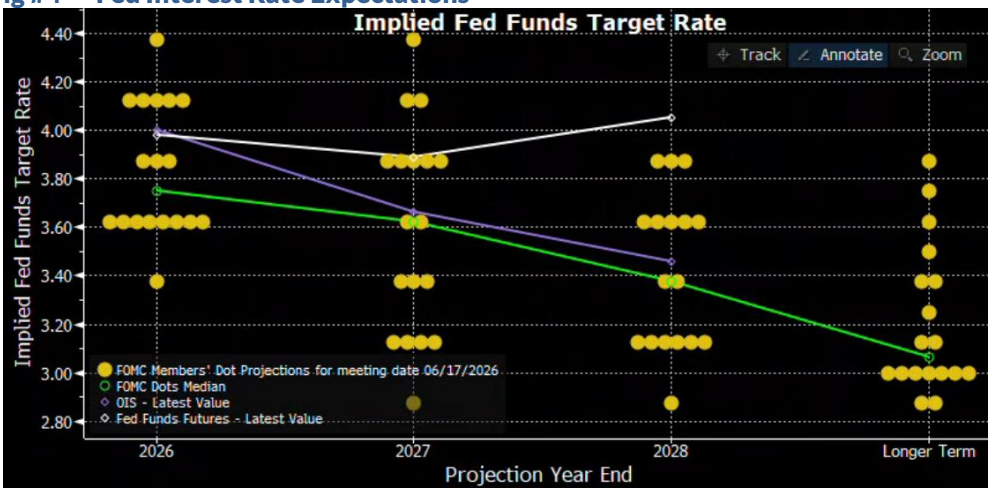
Source: Bloomberg

US Review and Outlook

- **Middle East de-escalation**. The Iran war that began in late February 2026 has moved toward resolution rather than just fading from headlines. Prices pulled back in late May and early June as strategic stock releases and demand weakness eased market tightness, and after the United States and Iran announced an interim agreement to end hostilities. After rising more than 50 percent during the conflict, crude was only about 7 percent above pre-war levels by mid-June, with Brent oil sliding below USD72 (the lowest since the conflict started).

- **The Fed turned genuinely hawkish.** New Federal Reserve Chairman Kevin Warsh's first meeting on June 17 held rates at 3.50%-3.75%, but the accompanying dot plot flipped the narrative entirely as the majority of FOMC members now see rates rising by some 25 basis points in 2026 to a median of 3.8%, up from a March projection of 3.6% and a December 2025 projection of 3.4% that had implied cuts. May CPI rose 4.2% year over year, with core CPI excluding food and energy at 2.9%, and Warsh has been vocal that the committee was "unanimous and unambiguous" in its commitment to moderate the inflationary pressure.

Fig #4 Fed Interest Rate Expectations

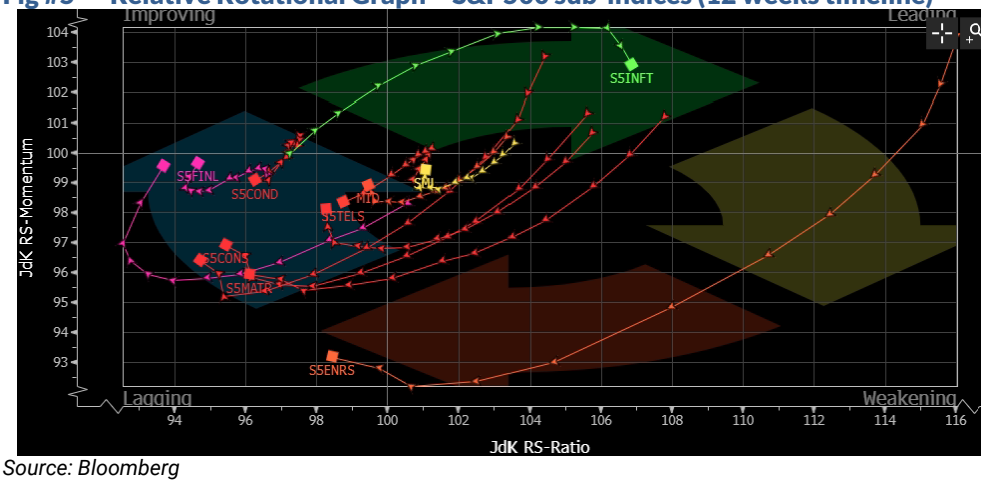


Source: Bloomberg

- **US sector leadership has rotated; relative rotation graph for S&P indices suggests the tech sector remains strong.** Small caps +23% YTD lead all categories, while

large-cap value +15.5% vs. growth +2.1%. The Mag 7 is down 7% YTD even as tech (XLK) is up 27.5%. The rotation isn't narrative, it's visible in real-time relative strength. Information Technology (SSINFT) sits firmly in the Leading quadrant with strong upward momentum, validating the AI infrastructure thesis. Industrials (MID/SOL cluster) are mid-rotation, crossing from Improving toward Leading, which is consistent with the AI power buildout gaining institutional traction. Financials (SSFINL) and Consumer Discretionary (SSCOND) are in Improving with early-stage recovery vectors, while Materials (SSMATR) and Consumer Staples (SSCONS) remain flat.

Fig #5 Relative Rotational Graph – S&P500 sub-indices (12 weeks timeline)



Source: Bloomberg

- **Theme 1: Financials — Higher rates reward quality balance sheets.** In a higher-for-longer rate environment, financials with strong deposit franchises, disciplined underwriting and large investment portfolios are better positioned. The key beneficiaries are companies that can protect margins, reinvest at better yields and maintain earnings resilience.
  - **JPMorgan Chase (JPM) –** In 1Q2026, JPM reported net revenue of USD49.9bn and net interest income of USD25.4bn, showing that its deposit scale and diversified earnings base continue to support resilient profitability.
  - **Progressive (PGR)** – Progressive continues to stand out for underwriting segment. In 1Q2026, it maintained a strong combined ratio of 86.4%, while still growing premiums. The company benefits from both profitable underwriting and higher investment income on its insurance float.

- **Theme 2: AI Infrastructure, Industrials & Power — The physical backbone of AI.** The AI trade is moving from software and chips into real-world infrastructure: power generation, grid equipment, contractors, networking and custom silicon.
  - **GE Vernova (GEV)** – GE Vernova is a direct winner from rising power demand. In 1Q2026, it booked USD2.4bn of data-centre equipment orders in its Electrification segment, already exceeding its total data-centre bookings for all of 2025.
  - **Caterpillar (CAT)** – Caterpillar is gaining AI-infrastructure relevance through power generation. 1Q2026 revenue rose 22% YoY, helped by strong demand across its energy and power systems exposure.
  - **Quanta Services (PWR)** – Quanta is a practical play on grid expansion. In 1Q2026, it delivered USD7.9bn of revenue, supported by demand for infrastructure and electrification work.
  - **Broadcom (AVGO)** – Broadcom is a leader in custom AI silicon and networking. In fiscal 2Q2026, overall revenue rose 48% YoY, driven by custom accelerators and AI networking demand.

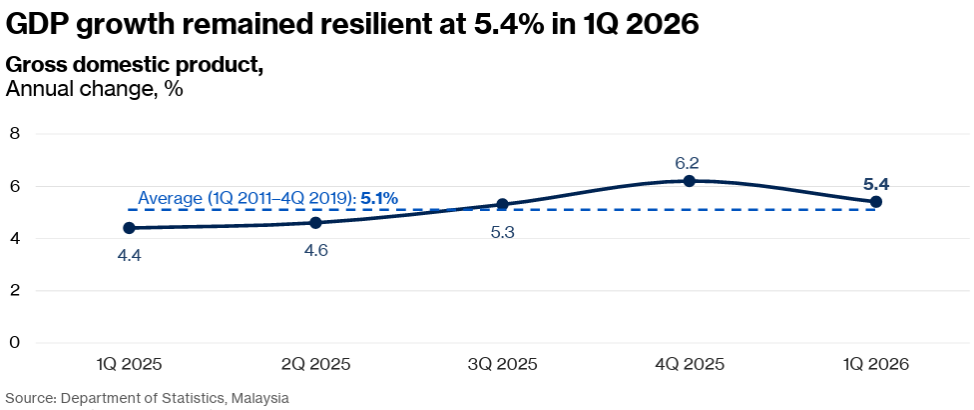
- **Marvell Technology (MRVL)** – Marvell is a higher-beta AI infrastructure name. In 1QFY2027, revenue rose 28% YoY to a record USD2.42bn, supported by data-centre demand.

- **Theme 3: Healthcare — Defensive growth with product-cycle upside.** Healthcare offers defensive earnings, but the strongest names also have clear product momentum and long-term growth drivers.
  - **Eli Lilly (LLY)** – Lilly remains one of the strongest growth stories in healthcare. In 1Q2026, revenue rose 56% YoY, driven by strong demand for Mounjaro and Zepbound. Management also raised full-year revenue guidance.

Malaysia Review and Outlook

- **In 1Q2026, Malaysia's GDP grew 5.4% YoY,** hovering above the average of 5.1% for the period of 1Q2011-4Q2019, the growth was driven by three core pillars: (i) sustained household consumption, supported by tight labour market conditions and fiscal policy, (ii) resilient private investment, fuelled by capital expenditure on data centres, structures, and machinery, (iii) and firm external demand, propelled by robust exports of electrical and electronics (E&E) products, travel, and ICT services.

Fig #6 Malaysia Real GDP Quarterly Growth YoY%



Source: Bank Negara Malaysia, DOSM

- **The ringgit started to weaken in 2Q26.** The Ringgit experienced increased volatility in 2Q2026, fluctuating within a range of RM3.90-RM4.15/USD. This weakening trend intensified in June, primarily driven by growing market expectations of a more hawkish Fed and subsequent capital flight toward the USD. From a fundamental perspective, the Ringgit should stabilise above the RM3.80/USD threshold. Given Malaysia's position as a major exporting nation, an overly strong currency could inadvertently hurt trade competitiveness. Therefore, a moderately weaker, stable exchange rate remains fundamentally supportive of the broader economy.

Fig #7 Ringgit trend (2023-2026)



Source: Bloomberg

- **Brent oil collapsed in 2Q26.** Brent crude prices corrected sharply in 2Q 2026, plunging from a peak near USD120 to around USD71-72 per barrel. This collapse was primarily driven by market desensitisation to the fluctuating of operating status of the Strait of Hormuz, effectively erasing the geopolitical risk premium. Looking ahead, we anticipate increased traction for near-term ceasefire and truce negotiations. Furthermore, downside pressure on prices may persist as major consuming nations successfully diversify their supply sources or draw down their strategic petroleum reserves to manage short-term requirements.

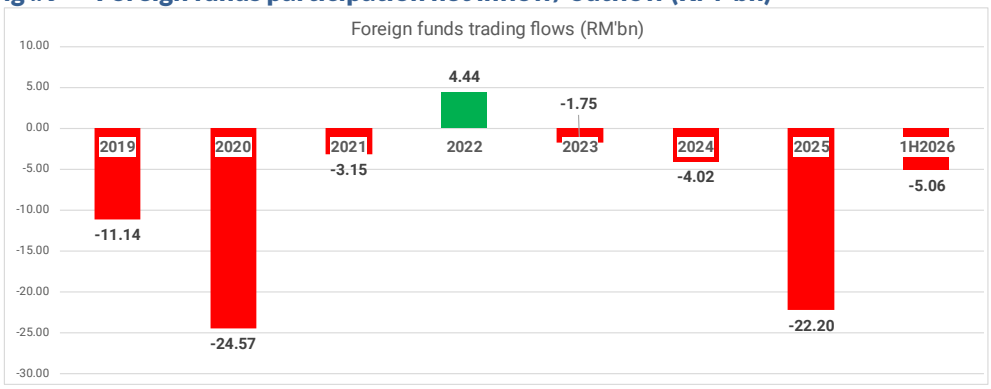
Fig #8 Brent oil Weekly (2023-2026)



Source: Bloomberg

- **Foreign funds outflow in 2Q26.** In 2Q26, foreign funds saw an outflow of RM5.12bn, as compared to an inflow of RM1.07bn in 1Q26. Given this outflow in 2Q26, the FBM KLCI also fell marginally by near to 1.6%, hovering below the 1,700 psychological level. We believe overall sentiment may stay cautious as there are speculations that the upcoming Malaysia general election will be held either later this year or next year. This uncertainty may dampen foreign fund flows, keeping the index below the 1,700 level Furthermore, US markets remain relatively strong at this juncture, allowing global funds to continue leveraging the AI supercycle for the time being.

Fig #9 Foreign funds participation net inflow/ outflow (RM' bn)



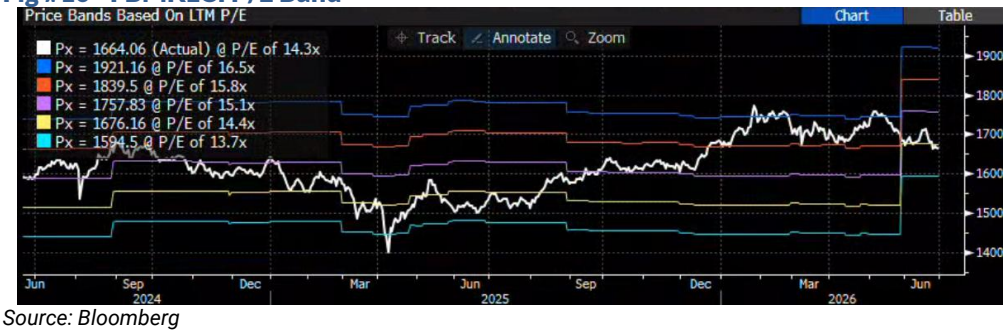
Source: Bursa Market Place (as at end-1H26)

Market performances and review

- **The MSCI World and S&P 500 remain at premiums,** with P/E ratios of 24.5x and 27.6x respectively, compared to their 10-year average P/E ratios of 20.5x and 22.8x. This premium remains well-supported by the ongoing AI secular theme and high expectations surrounding global data centre developments. This is heavily underpinned by an unprecedented USD725bn collective 2026 CAPEX guidance from major US hyperscalers—namely Meta, Google, Microsoft, and Amazon, alongside massive infrastructure demand for Nvidia's next-generation Blackwell architectures.

- **The FBM KLCI is still trading at a discount** with a P/E ratio of 14.3x, which is lower than its 10-year average of 16.8x. The PE has rerated lower after the dissolution of the state government of Johor and Negeri Sembilan, which this may pave way for the GE16 to come about earlier than anticipated. Meanwhile, the KLCI was slightly lower, but the focus was in the Small Caps for 2Q26. We expect this to continue into July 2026.

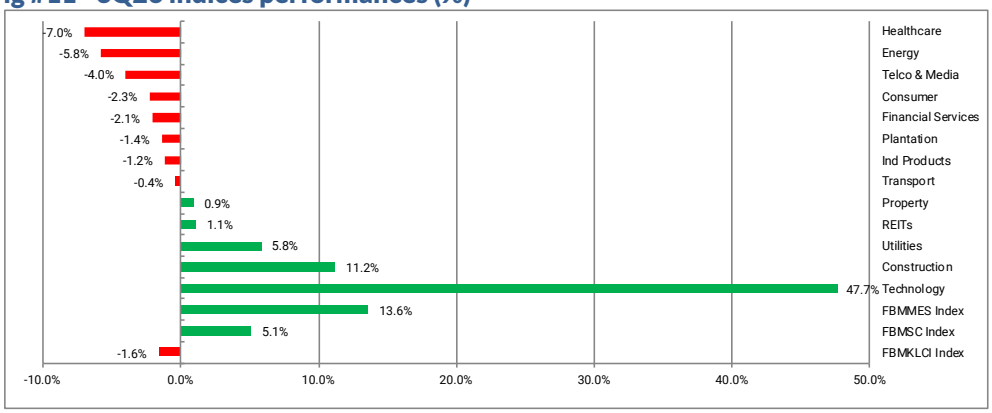
Fig #10 FBMKLCI P/E Band



Source: Bloomberg

- **KLSE ended 2Q on a mixed note.** In 2Q26, the FBM KLCI inched lower by 1.6%, but both the FBM Small Cap and FBM ACE increased 5.1% and 13.6%, respectively. Sector-wise, the strongest sector was the Technology sector with 47.7%, followed by Construction and Utilities with 11.2% and 5.8%, respectively. On the other hand, Healthcare (-7.0%), Energy (-5.8%), and Telco & Media (-4.0%) were the laggards.

Fig #11 3Q26 indices performances (%)



Source: Bloomberg, M+ Global

3Q26 Strategy – Selective Conviction Amid Global Uncertainty

- **Broadly weak, but with pockets of growth.** The global macro environment remains fragile, as reflected by the FBM KLCI slipping below the 1,700 psychological level. However, this headline weakness does not show the full story. Domestic policy tailwinds, a political stability premium, and strong sector-specific earnings momentum continue to offer compelling entry points for investors willing to look past the index noise. Concentrated conviction in structural growth pockets remains the key focus in 3Q26.

- **GE16, where policy continuity could overcome political noise.** Foreign flows have been cautious in 2Q26, but local institutional money is holding its ground. GE16 has not been called, though the window is widely expected within the next 12 months. We believe the market is largely immune to the electoral outcome. The structural pillars that matter most would be NETR, NIMP, the AI supercycle, and the long-term data centre and power infrastructure buildout which are multi-year, non-partisan commitments with allocated budgets, tendered projects, and execution already underway. Whoever wins, the capex pipeline does not change. GE16 introduces short-term noise but no structural discontinuity. Investors are advised to stay focused on earnings, not the election.

- **Ringgit on a weakening bias, and export names stand to gain.** The Ringgit has softened to RM4.06–4.15/USD as of end-June 2026, down around 3% over the past month. Having peaked at RM3.88/USD in February, the currency has surrendered those gains as the Fed under new chair Kevin Warsh holds firm, where May 2026 US CPI came in at 4.2% YoY, leaving no room for rate cuts, with the funds rate anchored at 3.5%–3.75%. BNM, meanwhile, held the OPR at 2.75% in May, and the differential stays structurally unfavourable for the Ringgit. As an export-oriented economy, a strong Ringgit was never the right environment for Malaysia's technology sector to thrive, the weakening bias is a tailwind, not a threat. More importantly, the conversation has shifted. Malaysia's tech sector is no longer just about assembly and low-cost EMS. The SkyeChip IPO is a signal of that evolution, where domestic semiconductor design capability is real, investable, and drawing market attention. Our tech names are gradually moving up the value chain, and earnings leverage from a weaker Ringgit compound that re-rating story.

- **Data centre & AI supercycle undergoing the execution phase.** Malaysia has moved from positioning to delivery. MDEC secured RM87.4bn in approved digital investments in 2025, driven by AI, data centres, and cloud services, and the buildout is accelerating visibly on the ground. JLL's 2Q2026 report confirms DC capacity is

on track to more than double to 2,055MW by end-2026, with Johor alone carrying 850MW completed, 1,800MW under construction, and 2,700MW in the pipeline. TNB has committed 6.4GW to data centres via signed Electricity Supply Agreements, with regulated capex rising 108% to RM42.82bn for the current period, effectively placing TNB at the centre of the infrastructure supercycle. The most recent signal came on June 9, 2026, when DayOne Data Centres signed a 1.5GWp solar and 2.2GWh BESS agreement with TNB under CRESS, with PM Anwar in attendance, underscoring that this is a highest-level national priority, not merely a market theme. Demand for enabling infrastructure continues to outpace supply. Our picks: **TIMECOM** (fibre, wholesale connectivity), **EG** (optical modules, AI hardware EMS), and **NE.**

- **Picks-and-shovels trade - Power infrastructure and MEP.** Behind every data centre is a power cable, a chiller, and a clean pipe. The M&E, plumbing, and water sub-sectors are seeing a structurally elevated order pipeline with no signs of cooling, fuelled by robust market demand. **CBHB** is direct M&E proxies, while **SCGBHD** covers building materials. **KOBAY**, pivoting from precision metalwork into high-specification semiconductor components, is emerging as a compelling proxy for the industrial upgrade cycle.

- **Renewable and sustainable energy.** Solar ATAP replaced NEM 3.0 on January 1, 2026, with year-round open applications. Combined with TNB's mid-2026 tariff adjustment, solar has crossed from ESG preference to economic necessity for commercial and industrial users. The order pipeline is structural with strong visibility under the NETR roadmap. **SLVEST** and **BMGREEN** (Plus XNergy acquisition, BESS-Sungrow partnership) are the clearest beneficiaries. Alternative energy is no longer a luxury, it is a necessity for energy security, and earnings visibility across this sector is decently stable in the market.

- **Visit Malaysia 2026.** Arrivals reached 17.5 million through May, with the full-year forecast at 27.97 million. Chinese arrivals surged 21% YoY on extended visa-free access, and a seasonal pick-up is expected June–August. Middle East disruptions remain a near-term drag on premium segments, though a diversion of tourist flows toward ASEAN destinations could provide an offsetting tailwind. Broad-based beneficiaries include **99SMART, SPRITZER and LWSABAH** as both the water bottled producers stand to gain from easing resin costs as softer Brent oil prices cool plastic input costs, adding a margin tailwind on top of the volume story.

- **Cash, dividends, and solid balance sheet.** In a risk-off environment, we anchor around net-cash companies with visible and sustainable yields. **TIMECOM** offers projected dividend yields of 4.9%–5.3% through FY29. **KGB and OSK** offers recurring cash generation and dividend yield support. Clean balance sheets, pricing power, recurring income, that is where investors want to be.

Fig #12 2Q26 stock picks performances

2Q26 Stock Picks										
No.	Companies	Report Date	Report Date Share Price (RM)	Resistance 1 (RM)	Resistance 2 (RM)	Support 1 (RM)	Support 2 (RM)	Cut Loss (RM)	Last Price (RM)	Change in Share Price (%)	Comments
1	BETA	7/4/2026	0.5	0.700	0.740	0.530	0.500	0.490	0.6	13.8%	Initiated on 7-Apr-2026
2	PMETAL	7/4/2026	7.9	8.500	8.740	7.500	7.250	7.110	7.6	-3.4%	Initiated on 7-Apr-2026
3	SCGBHD	7/4/2026	1.9	2.000	2.180	1.770	1.600	1.570	2.4	25.5%	Initiated on 7-Apr-2026
4	MNHLDG	7/4/2026	1.8	2.150	2.250	1.500	1.400	1.370	2.9	62.2%	Initiated on 7-Apr-2026
5	CBHB	7/4/2026	0.5	0.640	0.700	0.460	0.420	0.410	0.7	38.4%	Initiated on 7-Apr-2026
6	99SMART	7/4/2026	3.4	4.030	4.200	3.200	2.990	2.930	3.6	6.3%	Initiated on 7-Apr-2026
7	ARMADA	7/4/2026	0.4	0.440	0.470	0.330	0.310	0.300	0.3	-5.5%	Initiated on 7-Apr-2026
8	DIALOG	7/4/2026	2.3	2.550	2.720	2.250	2.110	2.070	1.9	-17.8%	Initiated on 7-Apr-2026
9	OSK	7/4/2026	1.6	1.900	2.000	1.500	1.400	1.370	2.0	21.1%	Initiated on 7-Apr-2026
10	SLVEST	7/4/2026	2.3	2.660	2.860	1.970	1.810	1.770	3.2	35.0%	Initiated on 7-Apr-2026
11	SCICOM	7/4/2026	1.4	1.750	1.840	1.400	1.320	1.290	1.7	22.9%	Initiated on 7-Apr-2026
12	NE	7/4/2026	0.7	0.950	1.000	0.650	0.570	0.560	1.2	55.4%	Initiated on 7-Apr-2026
13	KGB	7/4/2026	4.9	5.270	5.530	4.090	3.750	3.680	8.3	69.3%	Initiated on 7-Apr-2026
	Average Return									24.9%	

Source: M+ Global

- **2Q26 Performance review.** Our 2Q26 stock selections yielded a total return of 24.9%. Performance was primarily driven by MNHLDG, NE, and KGB, all of which cleared the 55% return threshold individually. On the flip side, gains were partially capped by laggards PMETAL, ARMADA, and DIALOG.

Fig #13 Factors/ Elements/ Theme for 3Q26 sectors and stock picks

Companies	Sector	AI/ Data Center	Power/ Electricity/ NETR/ Infrastructure	VMY2026	Net cash/ Dividend Yield	Quality scoring	Momentum Scoring	Combined Scoring
CBHB	Construction	✓	✓		✓	B	A	A
MNHLDG	Construction	✓	✓	✓	✓	B	A	A
99SMART	Consumer			✓	✓	A	B	A
SPRITZER	Consumer			✓	✓	B	B	A
SLVEST	Solar		✓		✓	C	B	B
BMGREEN	Solar		✓		✓	C	C	C
OSK	Financial			✓	✓	C	A	A
SCGBHD	Industrial Products	✓	✓		✓	A	B	A
KGB	Technology	✓			✓	A	A	A
NE	Technology	✓			✓	C	A	A
EG	Technology	✓				A	A	A
KOBAY	Technology	✓				D	A	B
TIMECOM	Telco	✓	✓		✓	B	A	A

Source: M+ Global

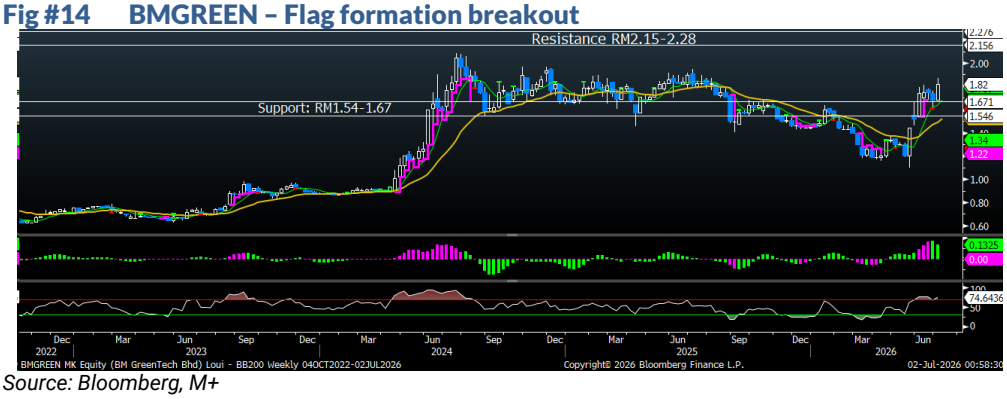
- **3Q26 Stock Picks.** For 3Q26, we are executing a partial rebalancing of the simulated portfolio to proactively capture emerging structural tailwinds while retaining our highest-conviction momentum runners. To capitalize on accelerating capital expenditure cycles across our preferred sectors, namely technology, building materials, renewable energy, power infrastructure, consumer, and telecommunications. We are introducing **BMGREEN, EG, KOBAY, SPRITZER, and TIMECOM** into the portfolio. Also, we maintain a strong core exposure to structural themes by retaining **99SMART, CBHB, KGB, MNHLDG, NE, OSK, SCGBHD, and SLVEST.** This tactical shift preserves our active momentum exposure while broadening our diversification across structural proxies poised for sustained growth.

BMGREEN – Renewable Energy Integrator

- **BMGREEN is a renewable energy and green technology player** that is expanding beyond its traditional boiler and biomass energy roots into integrated solar solutions through Plus Xnergy, with additional growth optionality from battery energy storage systems.
- **Solar platform expansion.** The acquisition of Plus Xnergy strengthens BMGREEN's position in integrated solar and renewable energy solutions, while QL Resources' anchor shareholder support adds strategic backing.
- **Battery storage growth driver**. The Sungrow partnership gives BMGREEN exposure

to battery energy storage systems, which could become a meaningful earnings contributor from FY27 onwards.

Fig #14 BMGREEN – Flag formation breakout



Source: Bloomberg, M+

EG – AI Optical Module EMS Play

- **EG is an electronics manufacturing services provider** with exposure to consumer electronics, ICT, medical, automotive and telecommunications, while its move into 800G optical modules positions the group as a beneficiary of AI and data centre infrastructure demand.
- **AI infrastructure exposure.** EG is positioned to benefit from rising AI and data centre networking demand through its 800G optical-module manufacturing capabilities.
- **Move up the value chain with expansionary margins.** Its pipeline exposure to next-generation optical modules, including 1.6T technology, supports EG's transition from traditional EMS into higher-value photonics manufacturing.

Fig #15 EG – Awaiting flag formation breakout



Source: Bloomberg, M+

KOBAY – Semiconductor Precision Engineering Recovery

- **KOBAY is a precision engineering and manufacturing group** that produces higher-spec metal and industrial components, with its earnings recovery increasingly supported by semiconductor-linked demand and advanced manufacturing exposure
- **Semiconductor-led turnaround.** KOBAY earnings recovery is being driven by stronger demand for higher-value manufacturing and semiconductor-related precision components, as the group gradually moves beyond basic metal fabrication into more advanced engineering parts for industrial and semiconductor applications.
- **Strong earnings momentum.** 3Q2026 earnings rose around 20.2% QoQ, highlighting the strength of the manufacturing recovery.

Fig #16 KOBAY – Flag formation in the making

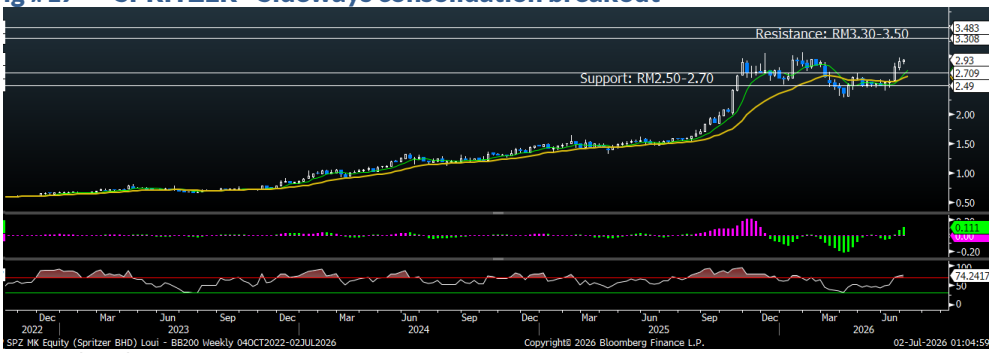


Source: Bloomberg, M+

SPRITZER – Defensive Tourism Water Play

- **SPRITZER is Malaysia's leading packaged drinking water producer**, with a defensive consumer staple profile, strong bottled water brand presence and potential demand uplift from tourism and on-the-go consumption.
- **Tourism-driven defensive staple.** Spritzer stands to benefit from Visit Malaysia 2026, as higher tourist arrivals could lift bottled water demand across retail, hotels, restaurants and travel-related channels, while the resilient nature of packaged water consumption gives the group a stable and defensive earnings profile.
- **Consistent growth and dividends.** FY2025 net profit grew 27.6% to RM90.8m, while the group's higher dividend reinforces its shareholder-return appeal.

Fig #17 SPRITZER– Sideways consolidation breakout

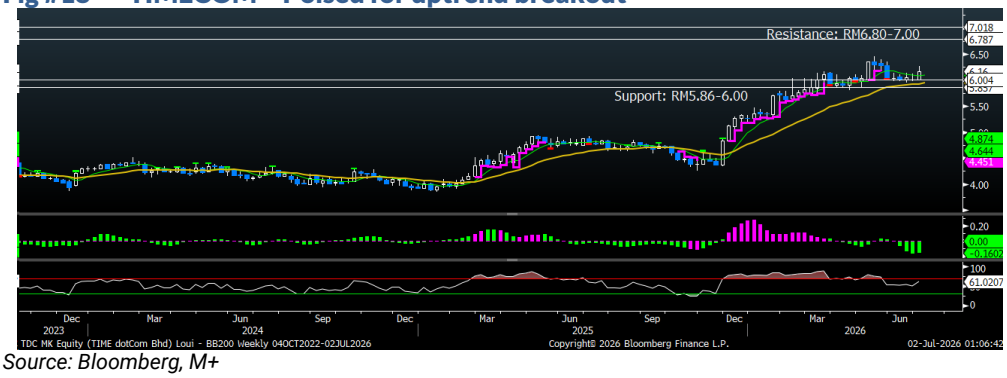


Source: Bloomberg, M+

TIMECOM – Data Centre Connectivity Proxy

- **TIMECOM is a fibre broadband and enterprise connectivity provider**, positioned to benefit from rising data centre, wholesale bandwidth and high-speed network demand in Malaysia
- **Data cente connectivity moat.** Malaysia's growing data centre industry should drive stronger demand for enterprise and wholesale bandwidth, while TIME's continued investment in high-speed broadband, enterprise connectivity and data centre-related infrastructure strengthens its long-term fibre network advantage.
- **Attractive dividend profile.** Projected 12-month indicated yield of 2.81% provide a clear shareholder-return angle.

Fig #18 TIMECOM – Poised for uptrend breakout



Source: Bloomberg, M+

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nil.

Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned