Astute
Fund Management

Portfolio Manager's Views

Investment Team

10 February 2025

1. EXECUTIVE SUMMARY

1 **Special Feature: Why do we own ITMAX?** We believe that ITMAX is a unique domestic story and a "smart city" play.

2 **The KLCI retreated on the back of foreign selling** as fears of the US-China trade war, US AI chip ban and DeepSeek implications weigh down on the market. Foreign shareholdings in Malaysia hit a record low of 19.4% as of January 2025.

3 **Asia Pacific ex Japan markets (MXAPJ) have risen by 1.7% in 2025.** On 1 Feb 2025, US President Donald Trump surprised the market with a 25% tariff on imports from Canada and Mexico. However, the initial 10% tariff on imports from China was milder than expected. This was followed by the announcement of a 25% import tax on all steel and aluminium imports on Feb 12. We believe the tariff war will escalate in the coming months as other countries and sectors are likely to be targeted by the US. Tariffs are essentially a supply shock and will lead to higher prices and lower economic growth over time.

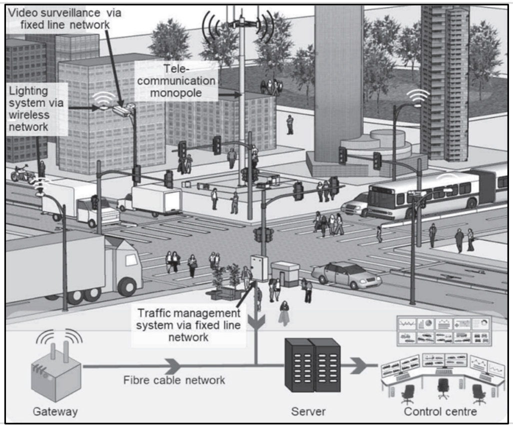
4 **USD "exceptionalism" (strength) expected in 2025 will represent a significant headwind for Asian markets.** Recent US economic data continues to indicate a resilient economy against a backdrop of easing inflation. The US reported non-farm payrolls of 143K for Jan-25 (vs consensus of 169K) while the unemployment rate fell to 4.0% in Jan-25 from 4.1% in Dec-24. Finally, Dec's US core personal consumption expenditure ("PCE") came in at 0.16% QoQ which was "cooler" than consensus expectations of 0.19% QoQ. We believe the USD strength will continue and this is likely to weigh down EM and Asian equity indices.

5 **In Malaysia, corporate earnings growth and government initiatives are key to attract stronger foreign fund inflows.** Bloomberg consensus estimates a YoY EPS growth of 4.6% for the KLCI in 2025 mainly driven by the banking, utilities and construction sector. The Madani government's infrastructure push supported by initiatives such as the launch of the Johor-Singapore Special Economic Zone (JSSEZ), implementation of the National Energy Transition Roadmap (NETR) and Penang Transport Master Plan will drive earnings in these sectors.

6 **KLCI's valuations are undemanding** ie. 12-month forward PER of 13.7x (10Y range 12.2x to 19.3x), PBR of 1.4x (10Y range 1.1x to 2.0x) and forecast DY of 4.2% (10Y range 3.1% to 4.8%) [source: Bloomberg]. Our strategy is biased towards domestic plays which are insulated from some of the external headwinds. We are keeping a higher level of cash in view of the short-term uncertainties and are looking for lower levels to buy.

2. SPECIAL FEATURE: ITMAX - LEADING SMART CITY PLAYER

Exhibit 1: Illustration of ITMAX's solutions

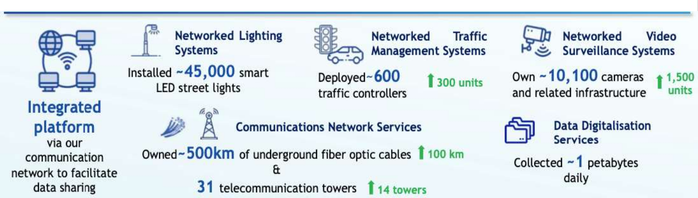


Source: IPO Prospectus

1 ITMAX is a home-grown smart city integrated system and solutions provider.

ITMAX is a domestic smart city player offering a fully integrated suite of services encompassing CCTVs, traffic controllers (TCs), street lighting and automated parking solutions. We see ITMAX as one of our top picks for a domestic secular play, resilient against external headwinds from Trump's tariffs and trade war.

Exhibit 2: ITMAX at a glance



Source: Company investor presentation, data as of 2024

2 Being the leader and first mover gives ITMAX a huge competitive advantage.

ITMAX secured their first contract 12 years ago for the installation of traffic control system. Since then, ITMAX has continuously strengthened its competitive edge by expanding its fiber optic infrastructure and CCTV network. Today, ITMAX owns 500km of underground fiber optic cables and 10,100 CCTVs. This has created high barriers to entry against new players and also allows ITMAX to leverage the vast data collected from its CCTV network to improve operations.

2. SPECIAL FEATURE: ITMAX - LEADING SMART CITY PLAYER - CONT'D

Exhibit 3: Surveillance Cameras (CCTV) per capita in SEA cities


Most Surveillance Cameras (CCTV) in Southeast Asian Cities

Country	City	#of CCTV Cameras	#of People (2022)	#of CCTV Cameras per 1,000 People
Singapore	Singapore	108,981	6.04M	18.04
Thailand	Bangkok	77,975	10.9M	7.15
Vietnam	Ho Chi Minh	47,151	9.08M	5.19
Indonesia	Jakarta	8,363	11.07M	0.76
Vietnam	Hanoi	6,218	5.07M	1.23
Malaysia	Kuala Lumpur	5,000	8.42M	0.59
Philippines	Manila	3,405	14.41M	0.24
Myanmar	Yangon	2,995	5.51M	0.54
Indonesia	Bekasi	29	3.62M	0.01

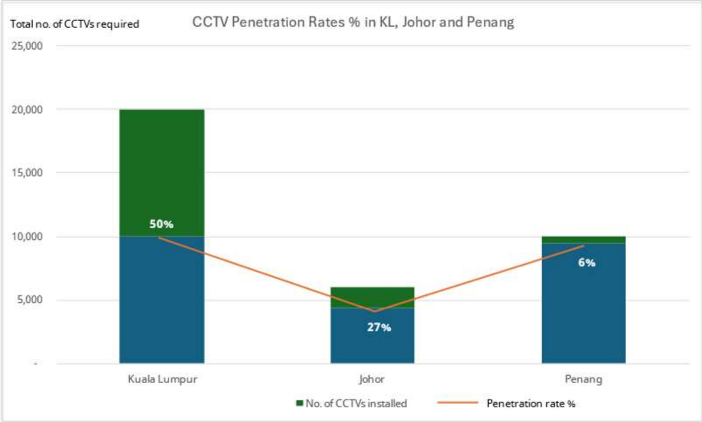
Source: IHS Markit, data as of 2021

3

Plenty of growth potential as Malaysia catches up on surveillance infrastructure.

Based on IHS Markit's latest report, Malaysia is still lagging behind as compared to other Southeast Asian Cities in the number of CCTV cameras per capita. Kuala Lumpur (KL) has a ratio of 0.59 CCTVs per 1,000 people compared to Bangkok (7.15), Ho Chi Minh (5.19) and Jakarta (0.76). ITMAX is well-positioned to tap into the increasing demand for more CCTVs in Malaysia.

Exhibit 4: CCTV penetration rates in KL, Johor and Penang



Source: Astute Research

4

Lots of room for growth in KL, Johor, Penang and other underpenetrated states.

We expect the total number of CCTVs required in KL, Johor and Penang to be 20,000, 6,000 and 10,000 respectively. ITMAX has installed 10,000, 1,640 and 561 number of CCTVs for KL, Johor and Penang respectively (34% blended penetration rate). There is also a potential for ITMAX to secure contracts in other states. This provides significant growth opportunities for ITMAX as it continues to expand its presence.

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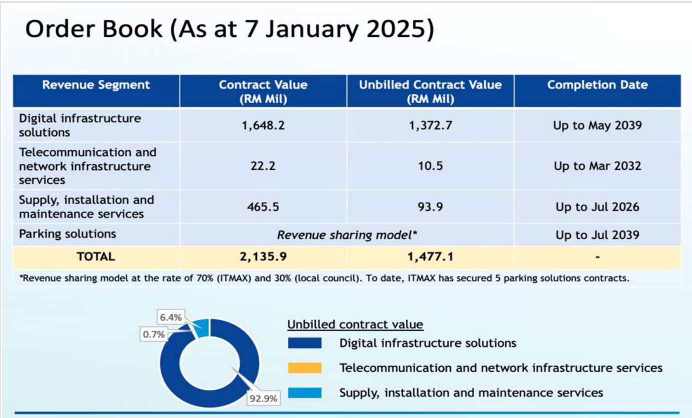
2. SPECIAL FEATURE: ITMAX - LEADING SMART CITY PLAYER - CONT'D

Exhibit 5: Company orderbook



Order Book (As at 7 January 2025)

Revenue Segment	Contract Value (RM Mil)	Unbilled Contract Value (RM Mil)	Completion Date
Digital infrastructure solutions	1,648.2	1,372.7	Up to May 2039
Telecommunication and network infrastructure services	22.2	10.5	Up to Mar 2032
Supply, installation and maintenance services	465.5	93.9	Up to Jul 2026
Parking solutions	*Revenue sharing model**		Up to Jul 2039
TOTAL	**2,135.9**	**1,477.1**	-

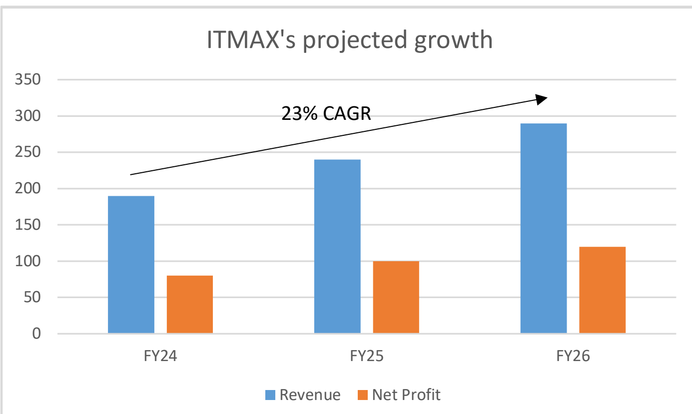
*Revenue sharing model at the rate of 70% (ITMAX) and 30% (local council). To date, ITMAX has secured 5 parking solutions contracts.

Source: Company investor presentation

5 Healthy order book provides long term recurring earnings.

As of Jan 2025, ITMAX has a total unbilled order book of RM1.47b which is comprised of the provision of networked CCTV facilities. The remaining portion of its order book will be recognised progressively up to May 2039.

Exhibit 6: ITMAX's projected growth



Source: Astute Research

6 Valuations

In our base case, we project ITMAX’s turnover to expand at a CAGR of 23% over the next 2 years supported by their current order book. There is a good chance that ITMAX will secure new contracts which will lift its revenue further. At the current share price of RM3.60, ITMAX is trading at 30x FY26 P/E based on our base case scenario. We think there is further upside to the share price as ITMAX only has an existing coverage of 34% in the 3 states they operate in.

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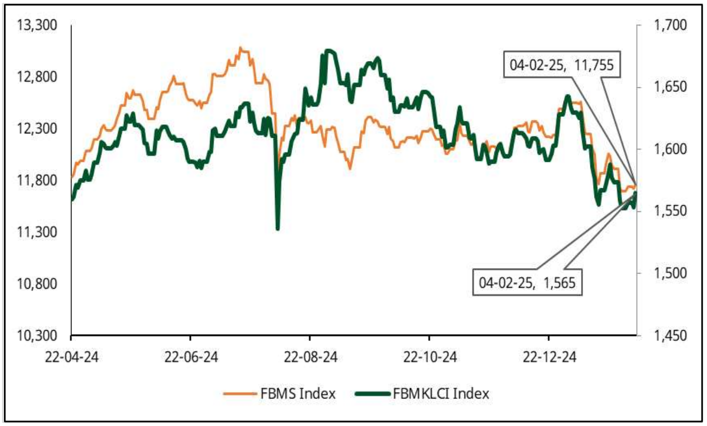
3. MALAYSIA MARKET REVIEW

Exhibit 7: KLCI & Shariah Index

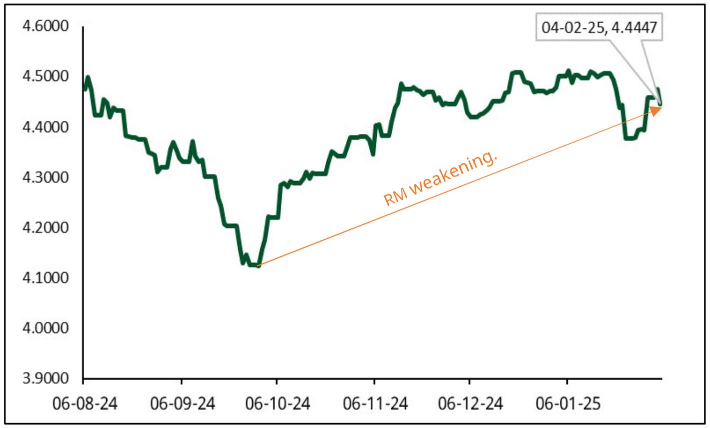


Source: Bloomberg

1 The KLCI has declined amid foreign selling.

The KLCI is down 4.7% Ytd-25 following the US government's export restrictions on AI chips. The decline was compounded by the emergence of Chinese AI startup Deepseek's large language model (LLM). The latter was said to be developed at 5% of the cost of its US counterpart OpenAI.

Exhibit 8: USDMYR



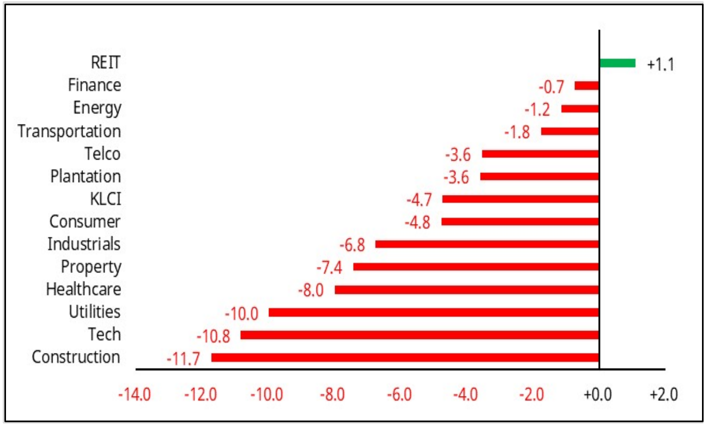
Source: Bloomberg

2 Ringgit's strength has reversed since Oct 24.

Strong US economic data, a rebound of US 10Y bond yields and threats of tariffs led to a resurgent USD which resulted in the weakening of Asian currencies.

3. MALAYSIA MARKET REVIEW - CONT'D

Exhibit 9: Sector Performances Year-to-Date 2025 (%)

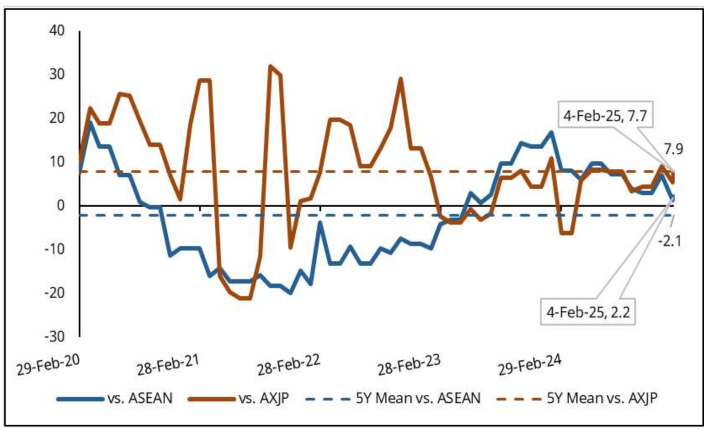


Source: Bloomberg

3 External pressures kept KLCI in the red.

The construction, technology and utilities sector were the top losers. In addition to concerns over the AI chip restriction implemented by the Biden administration, DeepSeek demonstrated that heavy optimization can produce remarkable results on significantly lower capex and power demand. This has hurt the prospects of data center and power-related companies.

Exhibit 10: MY's PER Premium/Discount (%) to ASEAN & APxJ



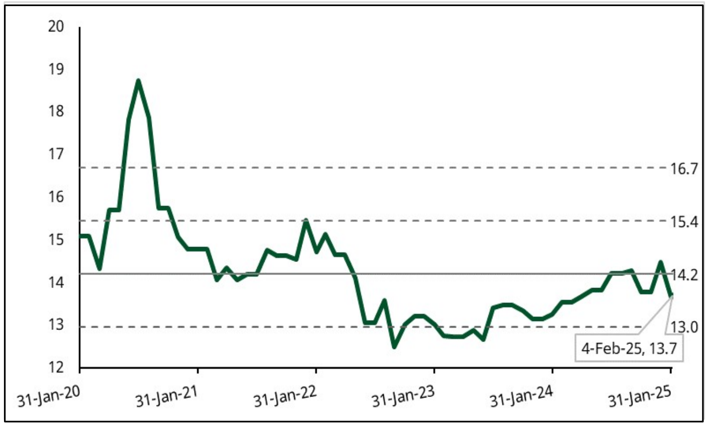
Source: Bloomberg

4 The KLCI is trading at mean valuations against ASEAN and Asia Pacific Ex Japan (APxJ).

Despite the decline, Malaysia is still trading at a 2.2% premium vs ASEAN (5Y range -20% to 20%, 5Y mean -2.1%) and a 7.7% premium vs Asia Pacific ex Japan (5Y range -20% to 30%, 5Y mean 7.9%). However, the spread has narrowed over the last month.

4. MALAYSIA VALUATIONS

Exhibit 11: KLCI's 12M Forward PER (x)

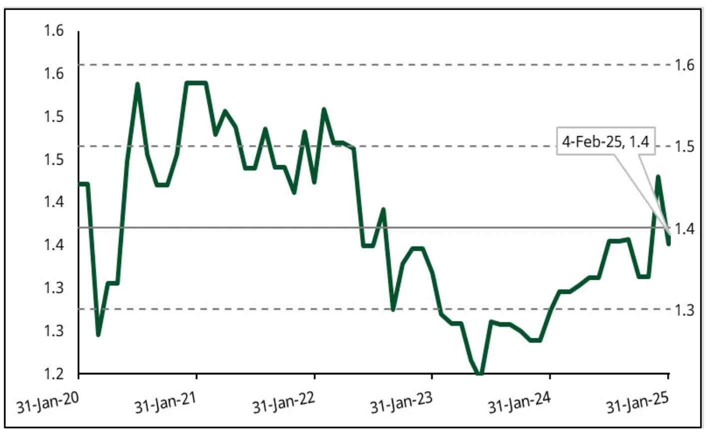


Source: Bloomberg

5 KLCI's valuations are still reasonable.

The KLCI trades at a 2025 PER of 13.7x (5Y range 12.5x to 19x, 5Y mean of 14.2x). The uncertainties surrounding future US trade policies has created a challenging environment for investors.

Exhibit 12: KLCI's 12M Forward PBR (x)



Source: Bloomberg

6 KLCI's PBR is not excessive.

The KLCI trades at a PBR of 1.4x (5Y range 1.2x to 1.55x, 5Y mean 1.4x).

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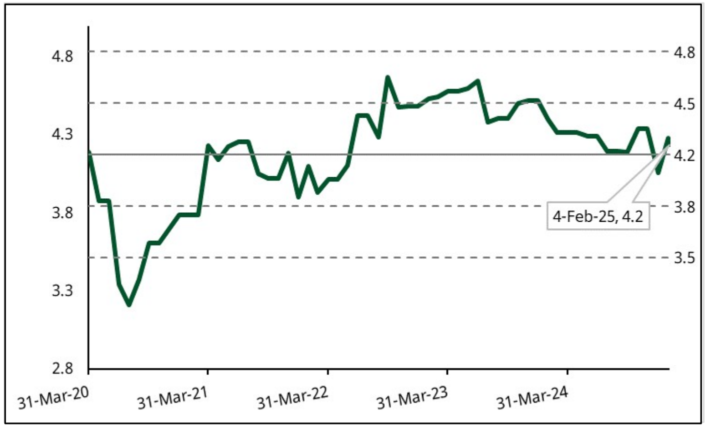
4. MALAYSIA VALUATIONS - CONT'D

Exhibit 13: KLCI's 12M Forward DY (%)

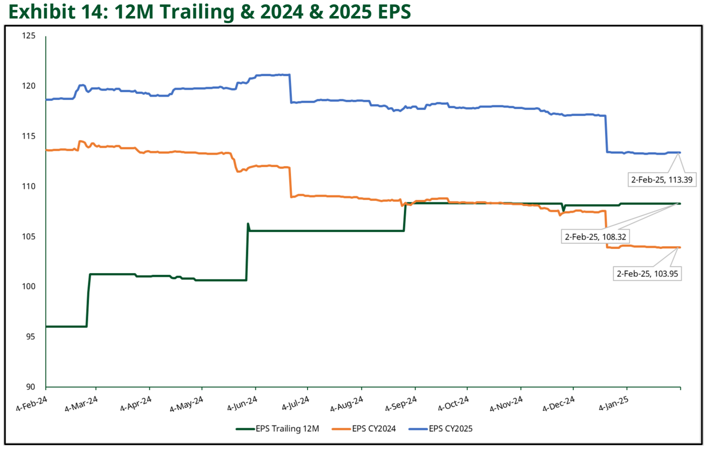


Source: Bloomberg

7 The KLCI dividend yield remains attractive.

The KLCI trades at a 2025 forecast DY of 4.2%, in line with its 5Y mean of 4.2%. The attractive dividend yield should moderate downside risks.

Exhibit 14: 12M Trailing & 2024 & 2025 EPS



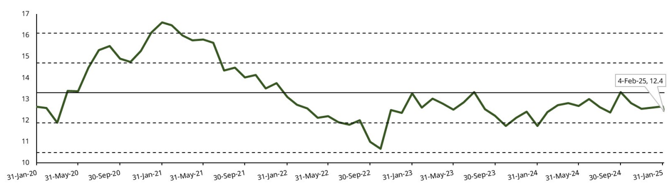
Source: Bloomberg

8 2025 KLCI earnings have edged lower.

All eyes will be on the reported 2025 EPS numbers as corporate earnings are the key to sustaining the market rally. Bloomberg consensus estimates a YoY EPS growth of 4.6% in 2025.

5. MSCI AC ASIA PACIFIC EX JAPAN

Exhibit 15: MSCI APxJ Index's 12M Forward PER (x)

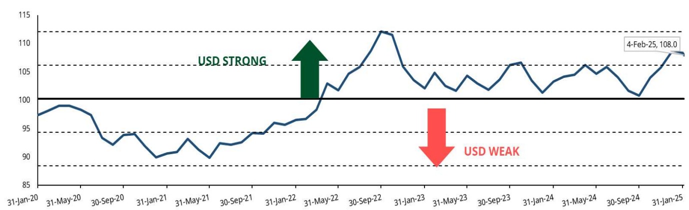


Source: Bloomberg

9 Asia Pacific ex Japan is trading below historical averages.

The MSCI AC Asia Pacific ex Japan index trades at a 2025 PER of 12.4x (5Y range 10.5x to 16.5x, mean of 13.3x). Asia ex Japan faces economic headwind in 2025 as slow Chinese economic growth and the possibility of a global trade conflict under the Trump administration pose risks to GDP and corporate earnings.

Exhibit 16: DXY Index



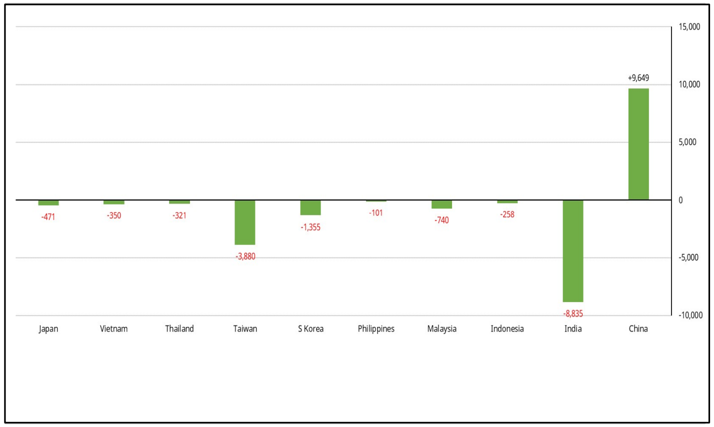
Source: Bloomberg

10 Fed sees fewer cuts in 2025, dollar strength will continue.

The Fed is cautious about further rate cuts due to the resilient labour market. The Trump administration's policies adds uncertainty to equity markets but is positive for the dollar.

6. FUND FLOWS YTD-25

Exhibit 17: Selected ASEAN Markets (Net USD mil)



Source: Bloomberg, data as of 10 January 2025

11

Outflows were the highest in India, Taiwan, South Korea & Malaysia.

Overseas investors turned net sellers of Asian equities except China on concerns that Trump's trade policies might hit Asian economies. China has seen consistent net inflows, highlighting global investors' optimism about the Chinese market and their government's commitment to stimulate the economy.

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