

Client Update

Crisis, reform and resilience in Southeast Asia

May 2026

“Bad companies are destroyed by crises. Good companies survive them. Great companies are improved by them.”

Andy Grove, former Intel CEO

Southeast Asia has historically seen more than its fair share of crises. Recent months have brought fresh ones.

In 2025, US reciprocal tariffs prompted significant trade uncertainties – a problem for a region of export-focused economies. In the event, the Association of Southeast Asian Nations (ASEAN) held up well, as policymakers worked quickly to agree bilateral trade deals with the Trump administration, while businesses frontloaded shipments and restructured supply chains.¹

This year, ASEAN faces even sterner tests. The US-Israeli military campaign in Iran has led to rising oil and gas prices and supply disruptions for countries that are heavily reliant on imported energy. Governments have responded with policies to reduce fuel consumption and extend existing subsidies in some cases.²

While crises expose vulnerabilities, they can also act as a catalyst for reform and highlight areas of resilience. Bouts of macro stress typically widen the gap between stronger and weaker businesses, often enabling higher-quality companies to consolidate their competitive advantages. Such periods can also spur a greater focus among both investors and management teams on governance and corporate fundamentals.

Performance review

So it is proving in Southeast Asia. Over the past year, the tough environment has favoured companies with strong balance sheets and disciplined capital allocation.

A good example of a resilient business in uncertain times is Singapore-headquartered **Haw Par**, a top contributor to performance of the ASEAN strategy over the last 12 months. A long-term holding in the portfolio with interests across healthcare, banking, real estate and leisure assets in Singapore, Haw Par is a steady business with predictable, recurring revenues.

Its shares rose thanks to healthy demand for products such as the famous Tiger Balm brand, a pain-relief ointment with a century-long history in Asia. Haw Par also benefited from the growth of the broader Singaporean market, as its investment portfolio – which includes strategic stakes in United Overseas Bank (UOB) and property developer UOL Group – posted improved returns. Sentiment was further supported by a special dividend paid in May 2025.

Jardine Matheson, the Hong Kong-based group with sprawling operations across Southeast Asia, is another example of a conglomerate posting improved performance. Over recent years, the company has redefined itself, with a new focus on professional management across its businesses, which have been exiting non-core ventures to improve returns on invested capital and return cash to shareholders where appropriate. This reform momentum has accelerated under new CEO Lincoln Pan. Joining from private equity group PAG, Pan became the first external *taipan* at the group – itself a significant indication of a shifting culture.

Reflecting these positive changes, our stakes in the company and several of its subsidiaries were among the top contributors to performance over the last 12 months. **DFI Retail Group**, a pan-Asian retail company, rose after its management continued to improve operational efficiencies and optimise capital allocation. Jardines' Southeast Asian holding company **Jardine Cycle & Carriage** also did well, largely thanks to its strategic stake in Indonesian conglomerate **Astra International**, whose portfolio of automotive and financial businesses provided resilient cash flows and steady growth.

¹ Total exports and inward foreign direct investment both rose across ASEAN during the year. See [“Navigating the storm: Southeast Asia and the global trade shocks”, Lowy Institute, December 2025.](#)

² [“Oil-poor Asian countries push 4-day weeks and car pooling”, Financial Times, March 2026.](#)

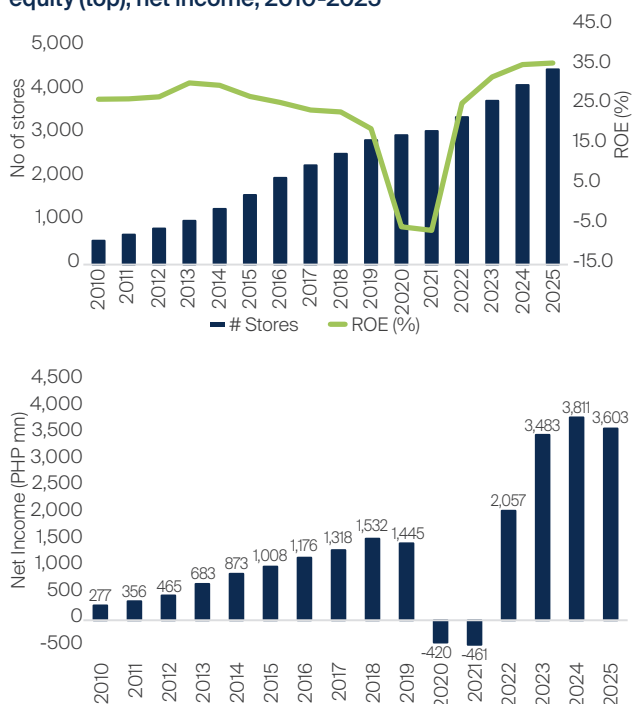
What hurt

While the ASEAN strategy delivered respectable performance in absolute terms over the 12 months to end-March, it lagged the index slightly. The chief reason for this was our relatively large exposure to consumer companies. Many consumer businesses have struggled amid the continuing “K-shaped” economic recovery across the region, which has affected spending among lower-income households.

The main detractor from performance was one such consumer-focused holding – **Philippine Seven**, the exclusive franchise operator of the 7-Eleven convenience store chain in the Philippines. The company has been affected by the government’s crackdown on Philippine offshore gaming operators (POGOs) – gambling firms that had been significant employers in urban hubs – which led to lower footfall in 7-Eleven stores in Metro Manila.

Nevertheless, we take comfort in Philippine Seven’s strong track record of overcoming difficulties in the past, notably during Covid-19 lockdowns, when management responded decisively to support franchisees and control costs. With convenience-store penetration in the Philippines still far below that of other Asian markets such as Indonesia and Thailand, we believe the company has a long runway for future growth. Recent operational data from the company is encouraging: it continues to add new stores (with attractive payback periods) in less penetrated islands, and same-store sales are growing again after a period of disruption. We also like that Philippine Seven’s majority shareholder, President Chain Stores, recently increased its holding.

Figure 1. Philippine Seven: number of stores and return on equity (top), net income, 2010-2025



Source: Company data and FactSet as at December 2025.

Another detractor was Vietnamese IT services and technology conglomerate **FPT**. The company had to revise downwards its revenue expectations last year as its global clients – especially those in the US – paused spending on IT and digital-transformation projects, partly due to tariff-related uncertainty.

As with other global IT services firms, FPT was also affected by worries over artificial intelligence (AI) disruption. However, FPT’s management believes AI will level the playing field, enabling the company to compete for new contracts with larger rivals in India and elsewhere. In our view, FPT’s strong franchise remains intact, despite the market’s concerns, and we took advantage of share-price weakness to add to our stake. In particular, we very much like its solid presence and long history in the Japanese IT outsourcing industry – it has been a tougher market to crack for global players, and Japanese companies have underinvested in IT services.

Opportunities amid the “Value-Up” drive

Singapore is perhaps the best example of how accelerating reform can unlock shareholder value in ASEAN. Singapore’s continuing ability to attract foreign investment is partly down to its efforts to modernise and improve market structures: in February 2025, the Monetary Authority of Singapore (MAS), the central bank, launched the Equity Market Development Programme, designed to deepen liquidity and broaden investor participation. A related “Value-Unlock” initiative aims to encourage local companies to realise long-term shareholder value, such as through improved capital allocation and investor engagement.

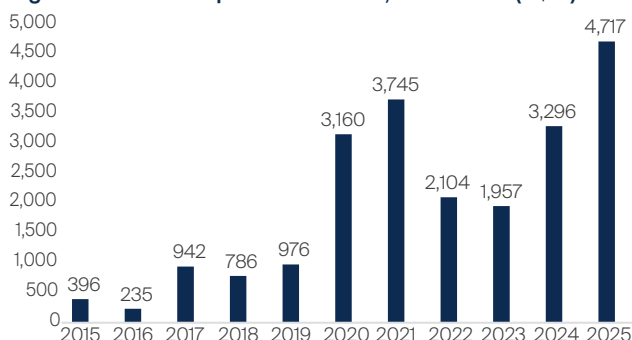
Singaporean banks have been at the forefront of these shareholder-friendly trends, including **OCBC**, a core holding in the ASEAN strategy. The bank has benefited from higher, more normalised interest rates in recent years, which have boosted its net interest margins and return on equity (ROE), while growth in wealth management has increased its fee income. OCBC has also started returning more capital directly to shareholders: in early 2025, it announced a S\$2.5 billion (US\$1.9 billion) capital return plan, combining special dividends and share buybacks over a two-year period.

Another Singaporean company benefiting from market reforms is **iFAST Corp**, a former holding in which we reinitiated a position last summer, during a period of weakness. A leading investment platform in Singapore, Hong Kong and Malaysia, iFAST holds a dominant position among independent financial advisers (IFAs) in its home market, where it has a 60% share. Advisers are drawn to the platform because it offers a wide range of products – including bonds, unit trusts and exchange traded funds (ETFs) – and provides good service. IFA customers tend to be “sticky”, as they need to use a licensed operator to manage clients’ wealth and switching platforms can be a laborious process.

We sold our original stake in the company in 2022 as its valuation rose due to a sharp increase in net inflows during Covid-19. We also questioned the company's decision to buy BFC Bank (now iFAST Global Bank), a small UK digital lender. But since then, the British operation has turned profitable, and management has continued to execute effectively across different business lines, convincing us to revisit the investment case.

iFAST has scope to grow overseas, particularly in Hong Kong, Malaysia and the UK, and to further build iFAST's core business in Singapore. Overall mutual fund assets in the city-state total around S\$200bn, and iFAST only accounts for around 6% of this figure, implying room to increase its share over time. With its diverse product range and strong domestic presence, iFAST should be well positioned to benefit if, as expected, the ongoing MAS reforms are a catalyst for greater capital market activity.

Figure 2. iFAST: net platform inflows, 2015-2025 (S\$m)



Source: iFAST, February 2026.

While Singapore is leading the way, it is not the only Southeast Asian market benefiting from moves to deliver more shareholder value. We are seeing early signs of similar trends playing out among financial companies in Thailand.

Despite the difficult macroeconomic context – stubbornly high credit costs, the low policy rate and lack of loan growth are key issues – **Kasikornbank** is continuing to return capital to shareholders through dividends and buybacks. The bank's management has confirmed it will maintain a 50-60% payout ratio; it also announced a 2% share buyback last year and is committing to raising capital returns.

At a recent meeting, we asked the CEO Kattiya Indaravijaya about the legacy she wants to leave at the bank, and she gave an endearing answer. Having taken the position during the Covid-19 period, she said she wants to ensure the next senior management team inherits a more sustainable business. She also commented that she wants investors who have invested in Kasikornbank over the last decade to have made a reasonable return.

We appreciated this mixture of long-term thinking and shareholder focus, and it goes to show shareholder value is part of the conversation even in some of the region's weaker

economies. This is also true of Indonesia and the Philippines – the two worst-performing markets in 2025 and the two most exposed to macroeconomic headwinds in 2026. Our recent trips to these countries have confirmed our impression that, beneath weak sentiment and difficult headlines, company behaviour is starting to shift.

Indonesia: the view from the ground

At the political level, it is hard not to feel a sense of frustration about where things stand in Indonesia today. This is a country with enormous scale and some genuinely world-class businesses. Yet once again, poor policy choices and controversy risk undermining the long-term investment case.

Civil unrest erupted throughout 2025 over issues such as generous housing allowances for MPs. Discontent was also fuelled by cost-of-living pressures, amid rising inflation – the price of rice hit a record high in August – and high unemployment.³

When we visited Jakarta last September, the protests had largely subsided, but their after-effects remained visible – not least in burnt-out petrol stations on the outskirts of the city. More striking than the physical damage, however, was the mood. Nearly every company we met used the same phrase to describe the conditions: “The environment is tough”. We have travelled to Indonesia for more than a decade, and it is rare to hear such pessimism from management teams.

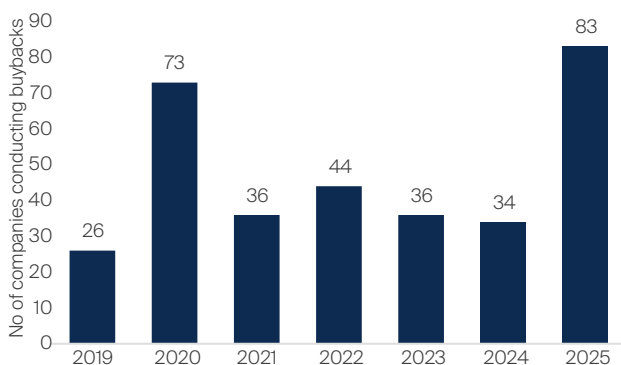
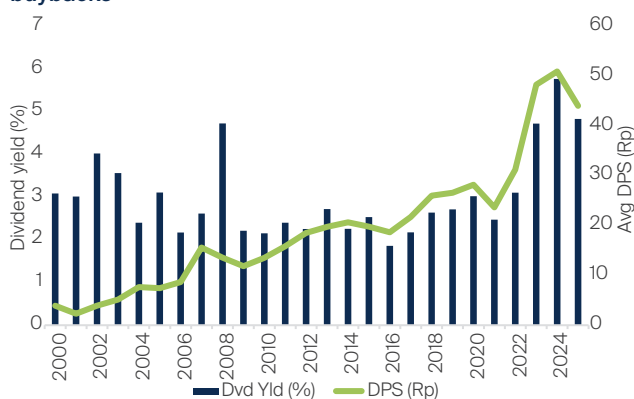
The immediate pressures are clear. A shrinking middle class and the K-shaped recovery have weighed heavily on consumption, hurting staples companies and exposing weaker banks. Governance missteps and mixed signals from the government have compounded these economic strains, culminating earlier this year in MSCI's warning that Indonesia could face a downgrade due to limited transparency and free-float concerns.

The market's negative reaction was swift, and, in our view, justified. But MSCI's intervention has served as a necessary wake-up call. The subsequent response – including regulatory engagement ahead of the June deadline – suggests the authorities understand what is at stake. Our base case is that policymakers will respect foreign capital and refrain from resource nationalism and other damaging initiatives. Indonesia can ill afford to repeat the mistakes that have deterred investment and weakened capital markets in the past.

For now, however, this combination of political noise and indiscriminate selling has created one of the most interesting valuation backdrops we have seen in Indonesia in many years. Dividends are high and buybacks are on the rise (see Figure 3). Meanwhile, several of the country's best businesses are trading at levels that already discount a very pessimistic future.

³ [“High rice prices jolt Indonesia's consumers despite good crop, hefty stocks”, Reuters, September 2025.](#)

Figure 3. Indonesia: higher dividends (top) and share buybacks



Source: Mandiri Securities. Dividend data LQ45; buybacks IDX Composite, December 2025.

Take **Bank Central Asia (BCA)**, which continues to stand out from its peers, posting stable net interest margins and robust asset quality, superior to its state-owned rivals and smaller banks. BCA's customer base has doubled over the last five years, and in our meeting its leadership team expressed confidence about opportunities for future growth, especially in the small-and-medium-sized enterprises (SME) segment. They spoke of their excitement about the potential of AI to improve productivity and efficiency at BCA's call centres and middle-office functions.

We also met several subsidiaries of **Astra International** and its competitors and customers, as part of a deep-dive into the company's various business segments. (We have exposure both through our Astra stake and via our investment in Jardine Cycle & Carriage.) This enabled us to gauge how the positive changes at the Jardines group are filtering through into businesses such as Astra Honda Motor, a leading two-wheel vehicle franchise; retail financing firm **Federal International Finance Group (FIF)**; automotive financing business **Astra Credit Companies (ACC)**; and **United Tractors (UT)**.

The meetings reinforced our view that Astra has assembled a collection of defensive, cash-generative businesses led by able and, increasingly, well-aligned management teams.

Astra Honda Motor remains the market leader, gaining share even as overall industry volumes remain flat. In the financing category, both FIF and ACC continue to deliver high ROE and return on assets (ROA), thanks to their conservative approach to credit underwriting and large customer databases, including repeat borrowers.

The discipline shown by businesses such as Astra stands in contrast to the turbulence at the political level in Indonesia, but it is precisely this disconnect that creates interest for long-term investors. While the market is not yet willing to credit it, the behaviour we are seeing on the ground suggests that parts of Indonesia's corporate sector are adapting sensibly to stress, even as confidence in the wider system remains fragile.

Philippines: weak sentiment, improving fundamentals

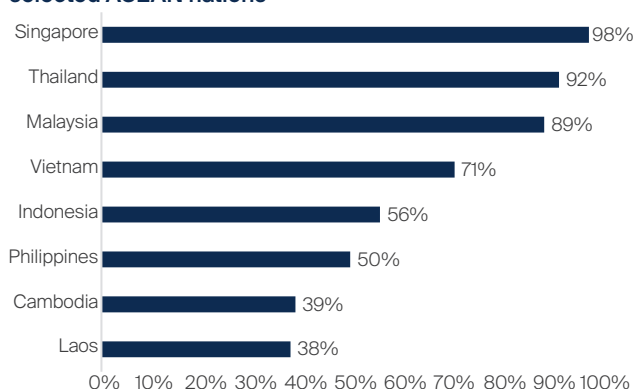
Like Indonesia, the Philippines faced widespread unrest in 2025, with the proximate cause being corruption in the awarding of multi-billion-dollar flood-control contracts. Reduced public spending in the wake of the scandal contributed to a slowdown in GDP growth.

However, our meetings with our holdings in the country last October were constructive. In addition to Philippine Seven, we met **Bank of the Philippine Islands (BPI)**, which continues to improve under CEO TG Limcaoco. Since he took over in 2021, BPI has successfully scaled its consumer and SME franchise. Higher-yielding retail loans now account for around 30% of the bank's overall book – up from 24% pre-Covid – with expansion supported by BPI's vast customer base of 17 million people.

We questioned the company about consumer loan quality, as it is growing faster than other segments, and came away feeling that management are taking a measured approach in this area. Over 80% of new loans are provided to customers BPI already knows, which means it can use its data to assess and manage the risk. Over the longer term, we like BPI's prospects: its early investments in technology have given it a competitive advantage over its rivals, while financial penetration in the Philippines remains low (see Figure 4), opening the possibility of long-term growth.

In Manila we also visited the offices of BPI's parent group, **Ayala Corp**, and liked the appreciable shift in mindset since our last meeting in 2023. Much like Jardine Matheson, the management team is now showing more deliberate capital allocation and a willingness to exit unprofitable segments. While they are not micromanaging the subsidiaries, they are certainly asking more questions of their CEOs and taking a closer look at return on capital across the group.

Figure 4. Percentage of adults with a bank account in selected ASEAN nations

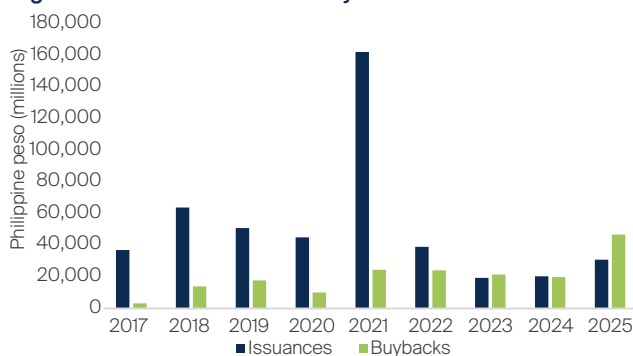


Source: World Bank Global Findex Database, FSSA, based on data from 2024.

Progress will inevitably take time – not least given the challenging property cycle facing Ayala Land – but the direction of travel is encouraging. BPI remains the jewel of the portfolio, and the leadership team also sees opportunities for growth in its healthcare and electric-vehicle-related businesses. Encouraged by the changes within the group and the attractive valuation – at 6x price to 2025 earnings, and 0.6x price to book value, for a ROE of 12%⁴ – we initiated a stake following the visit.

Encouragingly, Ayala’s greater shareholder focus was evident among many other companies we visited. Ayala Land is not alone in launching a buyback programme – across the market, capital is being returned rather than raised, in contrast with the IPO boom of 2021 (see Figure 5). For example, SM Investments announced its first ever buyback in 2025. This shift does not eliminate the near-term risks facing the Philippines, particularly given elevated energy prices and a more uncertain global backdrop. But with investor sentiment still subdued, it suggests parts of the market are quietly adjusting to a tougher environment in a way that creates selective opportunities for bottom-up stock-picking.

Figure 5. Share issuances vs buybacks



Source: Regis, Bloomberg, April 2026.

Conclusion and outlook

What has struck us over the past year in Southeast Asia – and particularly on our recent trips to Jakarta and Manila – is the widening gap between lack of investor interest and positive changes happening at the company level, including a greater focus on shareholder return. The businesses we hold are, for the most part, staying more resilient than share prices suggest, and the current environment is creating fresh opportunities.

We do not underestimate the difficulties ASEAN economies face in the fallout from the Middle East conflict. But these countries have historically experienced periods of elevated inflation, and we have taken this into consideration in our stock selection. We expect our holdings to remain robust and, possibly, improve their competitive positions over the coming months.

Over the longer term, the growth backdrop is supported by structural drivers such as deepening financialisation and favourable demographics. We continue to believe ASEAN’s combination of attractive entry prices, high-quality business models and growth prospects forms a compelling environment for our bottom-up investment approach.

Thank you as always for your continued support.

⁴ FactSet, as of December 2025.

Source: All company data herein retrieved from company annual reports or other such investor reports. Financial metrics and valuations are from FactSet and Bloomberg. As at 31 December 2025 or otherwise noted.

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