

## **Global Outlook**

- Markets rallied across board in July 2020 with Asia-Pacific bourses outperforming the developed market. The Shanghai Composite rose 10.9%, Taiwan 9.0%, MSCI Asia ex-Japan Index 7.5% and Malaysia 6.8% compared with 5.5% for the S&P500. The bond market remained positive with increases of 2.9%-3.2%.
- Latest PMI for US and EU went above 50 signalling positive expansion following China which is in its fifth month of growth. The better PMI captured the positive effects of the massive policy support and re-opening for business.
- Remain Positive on Asian equities on a 12-month basis as Asian economies owing to improving macro data, more policy room and still attractive valuations. Have added ASEAN names on anticipation of a broader recovery.

Region		Fixed Income	Equities
Developed economies	<b>\</b>	<ol> <li>PMIs for US and EU went above 50 except for Japan. This is in line with expectations of a recovery for developed economies in 3Q 2020.</li> <li>The aggressive support measures are expected to remain for a longer than expected period.</li> </ol>	Japan. This is line with expectations of a recovery for developed economies in 3Q 2020.  Policy support and re-opening provided the impetus for the recovery process to take place.
Regional (Asia- Pacific ex- Japan)	<b></b>	<ol> <li>Pockets of opportunity in local currency Asian and Chinese credits as yields remained relatively attractive.</li> <li>We forecast Asian bonds to provide a return of 3.5% to 4.5% in 2020.</li> <li>Asian central banks would continue to keep accommodative policies to spur growth.</li> </ol>	continued to post better data which would facilitate further re-opening of the economies  2. Positive on Asia Pacific equities on a 12-month basis as policy focus shift to restarting economic activities. Added ASEAN or
China	<b>\</b>	<ol> <li>In June 2020, net supply of China onshore credit dropped marginally to RMB294 bn from RMB300 bn the month before</li> <li>The default rate in June 2020 improved to 1.49% from 1.52% previously. Private sector credit default was lower at 5.52% from 5.71% the month before while state own enterprises (SOEs) default remained unchanged at 0.63%.</li> </ol>	by strong data, ample liquidity and policies for positive structural changes, e.g. hukou reform  2. China's 2nd quarter GDP came in higher thar expected at 3.2% and the projected full year 2020 GDP will likely be above 2%.
Domestic (Malaysia)	<b>\</b>	Some short-term government bonds are trading at OPR level of 1.75% increasing the odds of monetary easing in September     Portfolio duration is at Neutral to longer. We remain exposed to government bonds and prefer credit with stronger and more resilient metrices	on proxies for post pandemic recovery.  2. Remained Neutral as the local bourse has had a good run with risk-reward currently about



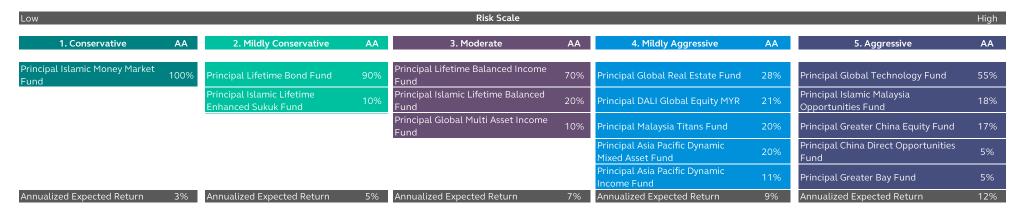
## **Investment Implication:**

- Our preference for equities over fixed income is maintained. We are Positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. Added ASEAN names in anticipation of a broader market recovery going forward.
- For conservative clients, we would recommend Malaysia focus bond funds and balanced funds that are income
  focussed.
- For clients with moderate risk tolerance, we would recommend Regional Asia-Pacific mixed asset funds.
- For clients with higher risk tolerance, we would recommend them to focus on growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN and Malaysian aggressive funds.



## 1. Proposed Fund Allocation - Universal

Recommended Fund Allocation as at August 2020:



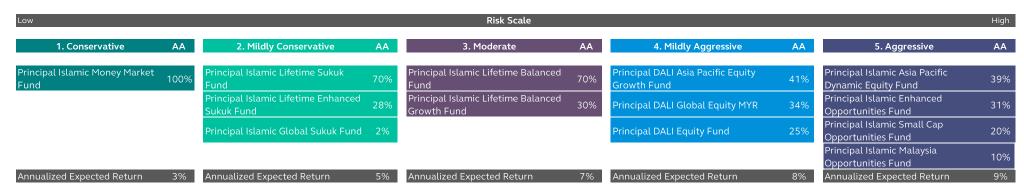
#### **Definition:**

\*AA: Asset Allocation



## 2. Proposed Fund Allocation - Islamic

# Recommended Fund Allocation as at August 2020:



#### Definition:

\*AA: Asset Allocation

#### Disclaimer:

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Expressions of opinion contained herein are those of Principal Asset Management Berhad only and are subject to change without notice. This document should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell Principal Asset Management Berhad's investment products. You are advised to read and understand the relevant Prospectus, Information Memorandum and/or Disclosure Document including any supplemental thereof and the Product Highlight Sheet (if any). The relevant Prospectus, Information Memorandum and/or Disclosure Document including any supplemental thereof and the Product Highlight Sheet (if any) have been registered and/or lodged with Securities Commission Malaysia, who takes no responsibility for the content. A copy of the relevant Prospectus, Information Memorandum and/or Disclosure Document including any supplemental thereof and the Product Highlight Sheet (if any) may be obtained at our offices, distributors or our website at www.principal.com.my. The issuance of any units to which the relevant Prospectus, Information Memorandum and/or Disclosure Document relates will only be made on receipt of an application referred to in and accompanying a copy of the relevant Prospectus, Information Memorandum and/or Disclosure Document. Please be advised that investment in the relevant unit trust funds, wholesale funds and/or private retirement scheme carry risk. An outline of the various risk involved are described in the relevant Prospectus, Information Memorandum and/or Disclosure Document. Securities Commission Malaysia does not review advertisements produced by Principal.