

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	0.9%	4.3%	6.2%	21.7%
S&P 500	USD	1.0%	4.8%	7.8%	24.2%
Nasdaq	USD	2.1%	5.6%	8.8%	53.8%
Stoxx 600-Europe	EUR	0.1%	2.9%	4.0%	12.7%
MSCI Asia Pacific-Japan	USD	-0.2%	4.8%	-0.3%	4.5%
ASEAN	USD	-1.2%	1.4%	-1.5%	0.7%
ShanghaiShenzhen CSI300 Index	CNY	1.4%	9.9%	3.0%	-11.4%
Hang Seng Index	HKD	-0.8%	6.6%	-2.8%	-13.7%
ShanghaiStockExchange Composite Index	CNY	0.7%	9.2%	1.7%	-3.7%
FBM KLCI	MYR	-0.8%	1.6%	5.6%	-2.8%
<b>Fixed Income</b>					
Ebony Barclays Global Agg Index	USD	0.3%	-1.3%	-2.4%	5.7%
JPM Asia Credit Index-Corr	USD	0.4%	0.2%	0.6%	9.9%
Asia Dollar Index	USD	0.0%	-0.3%	-1.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.2%	0.7%	6.4%

Top Performing Principal Funds (based on 1 month performance)	1-mth as of (29 Feb 2024)	YTD as of (29 Feb 2024)
<b>Equities</b>		
Principal Biotechnology Discovery Fund -Class USD (as of 28 Feb 2024)	9.76	15.01
Principal Greater China Equity Fund -Class MYR (as of 28 Feb 2024)	7.98	-0.61
Principal China Direct Opportunities Fund -Class MYR (as of 28 Feb 2024)	7.61	-3.40
<b>Fixed Income</b>		
Principal Islamic LifeTime Sukuk Fund	0.52	1.08
Principal LifeTime Bond Fund	0.45	0.97
Principal Sustainable Dynamic Bond Fund -Class MYR	0.41	0.82

Note: Due to data availability, the performance of the feeder fund will be updated as of 29 Feb 2024 in the next sendout.

Source: Bloomberg, market data is as of 1 March 2024.

\*As we emphasise a long-term focus, the top performing funds were selected based on their monthly performance.

\*The numbers may show as negative if there is no positive return for the period under review.

\*The fund performance was referenced from the daily performance report, data was extracted from Lipper.

\*The performance figures are based on the fund's respective currency class.

\*Past performance is not an indication of future performance.

## Market Review<sup>1</sup>

- The global financial markets concluded the week with majority experiencing positive returns. In developed markets, Japan witnessed the largest gains, followed by the United States and Japan.
- Across Asia, overall market performance was mixed, with China onshore leading the gains, while Thailand experienced the largest decline. In Malaysia, the FBMKLCI experienced a marginal decline, driven by the muted sentiment in the regional market.
- Turning to the bond market, the 10-year U.S. Treasury note had a relatively muted return, with yields declining to the 4.1% range. This comes as investors assessed the future path of interest rates following recent economic data releases. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

- In the US, the economy expanded an annualized rate of 3.2% in Q4 2023, slightly below the estimate of 3.3%. This was driven by a weaker private inventory, following a growth rate of 4.9% in Q3. For the full year of 2023, the US economy grew 2.5%, compared to 1.9% in 2022. The core PCE\* prices, which exclude food and energy, rose by 2.8% from the previous year, slowing from December's 2.9%.<sup>2</sup>
- In Europe, the HCOB\* manufacturing PMI\* was revised higher to 46.5 in February from a preliminary estimate of 46.1. Germany was the main driver of the overall deterioration and experienced its most significant contraction in four months. Inflation declined to 2.6% year-on-year in February, down from the previous month's 2.8%, but remain slightly above the European Central Bank's target of 2.0%. Meanwhile, the core rate, which excludes volatile food and energy prices, cooled to 3.1%, reaching its lowest point since March 2022.<sup>3</sup>
- In China, the official NBS\* manufacturing PMI edged down to 49.1 in February from the previous month's 49.2, while the Caixin\* general manufacturing PMI increased to 50.9 from 50.8 in the prior two months. The growth was driven by increased factory activities. The non-manufacturing PMI, reported by the official NBS, increased to 51.4 in February from 50.7 in the previous month, exceeding market forecast. This was the 14th straight month of expansion in services activity and the strongest pace since last September.<sup>4</sup>
- In Malaysia, the S&P Global Manufacturing PMI rose to 49.5 in February from 49.0 in the previous month, driven by moderate improvement in both new orders and output levels. The producer prices decreased by 0.6% year-on-year in January, reflecting a price decline in mining and manufacturing. However, this decline was less severe compared to the 1.3% drop in the previous month.<sup>5</sup>

## Investment Strategy<sup>6</sup>

We advocate a balanced allocation in both equity and fixed income, with a preference for income-focused funds. Our strategy emphasises quality, growth, and income in stocks and credits. We are exercising caution with USD assets and believe that Asian equities and fixed income present more value in the short term.

- We find bonds appealing as we perceive that the central bank's hiking cycle may have reached its peak. We also see potential for capital gains in the event of weaker economic growth. Therefore, we maintain our preference for investment grade bonds with longer durations as our preferred investment choice. For Malaysia, the projected improvement to the budget deficit, provided in the Budget 2024, improved the outlook for domestic bonds.
- On equities, we prefer quality and dividend-paying stocks for their defensive characteristics, which can provide resilience in the face of uncertain macroeconomic and geopolitical conditions. Our positive outlook is focused on Asia and includes strategic positions in various areas: a) the bottoming tech hardware cycle, b) long-term growth potential driven by low penetration rates (such as India), c) recovery plays and structural themes in ASEAN, d) selective sectors benefiting from China's reopening, and e) Malaysia's growing optimism due to political stability and potential gains from the New Energy Transition Roadmap, the New Industrial Master Plan 2030 and projected improvement to the budget deficit detailed in the Budget 2024.
- We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

Sources:

- <sup>1</sup> Bloomberg, 1 March 2024
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 1 March 2024
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 1 March 2024
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 1 March 2024
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 1 March 2024
- <sup>6</sup> Principal view, 1 March 2024

- \*PMI refers to Purchasing Manufacturing Index
- \*HCOB refers to Hamburg Commercial Bank
- \*NBS PMI refers to official data released by National Bureau of Statis in China
- \*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.
- \*ECB refers to European Central Bank
- \*PBOC refers to People's Bank of China
- \*PCE refers to Personal Consumption Expenditure

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