

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-2.3%	0.3%	14.3%	17.0%
S&P 500	USD	-2.4%	0.3%	11.4%	23.3%
Nasdaq	USD	-2.3%	1.5%	15.3%	24.9%
Russell 2000	USD	-3.3%	0.7%	7.4%	10.0%
Stoxx 600-Europe	EUR	-1.1%	2.1%	11.2%	6.0%
Nikkei 225	JPY	5.1%	10.3%	21.1%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.7%	3.2%	24.9%	7.6%
ASEAN	USD	-0.6%	-0.5%	10.6%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.5%	3.8%	17.3%	14.7%
Hang Seng Index	HKD	-3.3%	0.0%	31.2%	17.5%
Shanghai Stock Exchange Composite Index	CNY	0.3%	2.3%	16.3%	12.7%
FBMKLCI	MYR	-0.7%	3.5%	0.3%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.5%	-0.5%	7.5%	-1.7%
JPM Asia Credit Index-Core	USD	0.0%	0.7%	7.9%	6.0%
Asia Dollar Index	USD	-0.3%	-0.8%	2.7%	-4.1%

Top Performing Principal Funds	1-mth as of (30 September 2025)	YTD as of (30 September 2025)
Equities		
Principal Biotechnology Discovery USD	10.88	22.30
Principal Next-G Connectivity USD	10.43	33.83
Principal Greater China Equity	9.86	27.71
Balanced		
Principal Emerging Markets Multi Asset USD	4.24	17.89
Principal Heritage Balanced SGD	3.07	9.14
Principal World Selection Moderate Aggressive USD	2.84	13.75
Fixed Income		
Principal Conservative Bond	0.07	4.17
Principal Islamic Malaysia Government Sukuk C	0.05	3.27
Principal Lifetime Bond	0.01	4.27

Source: Bloomberg, market data is as of 10 October 2025.

*As we emphasise a long-term focus, the top performing funds were selected based on 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 ¹

1. This week, global financial markets showed mixed performance. Japan led with the largest positive gains, while the United States and Europe closed in the red.
2. Across Asia, markets exhibited mixed performances. Taiwan region led the way with the largest gains, while Hong Kong SAR experienced the largest decline. In Malaysia, the FBMKLCI ended the week with a marginal decline.
3. In the bond market, the yield on the 10-year US Treasury declined to the 4.05% range, as investors ran for safety following a threat from President Donald Trump on higher tariffs targeting Chinese goods. (It’s worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, the market sentiment pulled back from recent high after President Donald Trump rattled markets with threats of a “massive” tariff hike on Chinese goods and suggested he might cancel his upcoming meeting with President Xi Jinping. Trump accused China of using rare earths to dominate global markets and criticized Beijing’s new export controls, prompting concerns about renewed US-China trade tensions. ²
2. In Europe, ECB September policy meeting showed officials broadly agreed the current policy stance remains consistent with the 2% medium-term inflation target. Meanwhile, participants noted that the euro area economy remains relatively strong, but growth is weak and faces several risks, with officials expressing concerns about rising geopolitical tensions and the potential effects of higher defense spending on fiscal policy. Between June 2024 and June 2025, the ECB cut borrowing costs by 200 bps, pausing in July after inflation reached its target. Investors now expect rates to stay unchanged in the near term, with the possibility of a return to tightening in late 2026.³
3. In China, a recent report indicated the economy recorded total spending of CNY 809 billion during the eight-day Golden Week holiday that combined the Mid-Autumn Festival and National Day celebrations, according to the Ministry of Culture and Tourism. Retail and catering sales rose 2.7% from a year earlier, while revenue in key business districts and pedestrian streets climbed 6%. The film industry was a standout performer, with the holiday box office surpassing CNY 1.79 billion, driven by strong domestic releases. On trade front, China has ramped up enforcement of its import restrictions on U.S. semiconductors, including Nvidia’s AI chips, as it pushes for domestic chip development. The government also announced export curbs on certain artificial diamonds, set to take effect just before the U.S.-China tariff truce expires.⁴
4. In Malaysia Prime Minister and Finance Minister Anwar Ibrahim tabled the Budget 2026 (or Supply Bill 2026) on October 10, 2025, with a total projected public expenditure of RM470 billion (a slight increase from the previous year). The budget is the first under the 13th Malaysia Plan (13MP 2026-2030) and is anchored on the three pillars of the MADANI Economy Framework: raising the ceiling of national growth, raising the floor of living standards, and driving good governance and public service reform. Resilient domestic demand is projected to anchor GDP growth, forecasted at 4.0% to 4.5% in 2026. The government also projects the fiscal deficit to continue its downward trajectory, with forecasts generally ranging between 3.4% and 3.8% of GDP for 2026, compared to an estimated 3.8%–4.0% for 2025. This shows a commitment to fiscal consolidation despite global economic uncertainties. Total revenue is projected to rise slightly to RM343.1 billion. ⁵

Investment Strategy ⁶

Market volatility may be expected in the coming days and weeks. **But the macroeconomic effects of shutdowns have historically been minimal, and the renewed US-China trade tension are not unfamiliar to the market.** With the Fed now resuming rate cuts and cash returns are set to fall further, we believe it remains a good time to put cash to work. We maintain the rational for investing in both Equity and Fixed Income remains strong, and we still foresee additional growth in the coming years. Our base case remains that rate cuts have typically been supportive for stock markets during non-recession periods, as well as further benefits for fixed income.

Investors are advised to keep sight of longer-term investing principles that can boost risk-adjusted rates of return **through portfolio diversification and a phased-in strategy.** This can help to manage the risk of poor timing, reduce the influence of emotion, and provide more opportunities to benefit from market dips and rebounds. Our strategy emphasized focusing on companies that demonstrate the attributes of **quality growth, with earnings that are more domestically focused.** Additionally, **quality bonds have historically offered portfolio stability,** especially in times of uncertainty.

10 October 2025

Weekly Market Recap

Sources:

¹ Bloomberg, 10 October 2025

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 10 October 2025

³ S&P Global, ECB, Factset, Bank of England (BoE), 10 October 2025

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 10 October 2025

⁵ Department of Statistic Malaysia, S&P Global, 10 October 2025

⁶ Principal view, 10 October 2025

*SEZ refers to Special Economic Zone

*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

*FOMC: Federal Open Market Committee

*y-o-y refers to year on year

*m-o-m refers to month on month

*UST refers to United States Treasury

*BNM refers to Bank Negara Malaysia

* Caixin decided to end its title sponsorship of the S&P Global China Purchasing Managers' Index (PMI) as of July 2025. This decision was part of a "strategic adjustment" for Caixin, aligning with its long-term development needs. Caixin had been the title sponsor since 2015, using it as a way to expand into the data sector and analyze China's economic transformation. Following Caixin's departure, RatingDog (Shenzhen) Information Technology Co., Ltd., a Chinese credit research and bond rating company, successfully acquired the exclusive naming rights for the "S&P Global China PMI". Starting with the August 2025 data release, the index was officially renamed the "RatingDog China PMI". S&P Global continues to be responsible for compiling and releasing the monthly report.

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