

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.4%	0.7%	15.9%	17.0%
S&P 500	USD	1.7%	0.9%	13.3%	23.3%
Nasdaq	USD	2.4%	2.4%	18.1%	24.9%
Russell 2000	USD	2.4%	1.8%	9.9%	10.0%
Stoxx 600-Europe	EUR	0.4%	2.9%	11.6%	6.0%
Nikkei 225	JPY	-1.1%	6.8%	19.8%	19.1%
MSCI Asia Pac ex -Japan	USD	-0.8%	-0.2%	23.8%	7.6%
ASEAN	USD	-2.7%	-4.2%	7.7%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-2.2%	-0.8%	14.7%	14.7%
Hang Seng Index	HKD	-4.1%	-6.6%	25.9%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-1.5%	-1.0%	14.5%	12.7%
FBMKLCI	MYR	-1.8%	-0.6%	-1.5%	12.8%
Fixed Income					
Bberg Bardays Global Agg Index	USD	0.8%	-0.3%	8.3%	-1.7%
JPM Asia Credit Index-Core	USD	0.5%	0.6%	8.4%	6.0%
Asia Dollar Index	USD	0.0%	-1.2%	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 17 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. In develop market, Europe and the United States closed with positive gains, while Japan closed in the red.
2. Across Asia, markets exhibited mixed performances. South Korea led way with the largest gains, while both onshore and offshore markets in China 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 4.00% range, with investors initially reacting over a potential credit crisis in the private banking sector. Nevertheless, sentiment appears to be shifting, viewing the loan losses as a manageable situation rather than the start of a broader crisis. (It's worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, Treasury Secretary Scott Bessent suggested the U.S. might extend a pause on import duties on Chinese goods beyond three months if Beijing cancels plans for strict new export controls on rare-earth elements. Tensions have risen recently after Washington expanded tech restrictions and proposed levies on Chinese ships, prompting China to respond with parallel measures. Meanwhile, the government shutdown entered its third week, delaying key economic data releases that could inform policy decisions. Fed Chair Powell highlighted signs of labor market weakness in the recent speech, reinforcing market bets on rate cut in the upcoming FOMC meeting. ²
2. In Europe, investors welcomed signs of political stabilization in France and assessed rising expectations of US interest rate cuts. Market sentiments were largely boosted by the positive performance in the luxury sector, with a significant surge in LVMH shares after the company's revenues exceeded forecasts. On macro, industrial production slipped 1.2% month-over-month in August 2025, reversing an upwardly revised 0.5% gain in July and narrowly beating market expectations of a 1.6% drop. ³
3. In China, trade surplus came in at USD 90.45 billion in September, below expectations of USD 98.96 billion but above the USD 81.69 billion recorded in the same month last year, as exports continued to outpace imports. Sentiments turned better amid bets that Beijing would introduce new stimulus to combat deflationary pressures and the impact of higher US tariffs. Premier Li Qiang urged stronger policy efforts to spur consumption and curb unfair market practices. Meanwhile, PBoC is expected to keep rates steady this month, signs of a slowing economy have reinforced expectations for policy easing later this year. ⁴
4. In Malaysia Prime Minister Anwar Ibrahim announced a budget of MYR 470 billion for 2026, the largest on record, including investments from state-linked companies. Anwar said the government aims to boost tax collection and strengthen social protection while maintaining fiscal discipline amid global uncertainties. Malaysia targets MYR 15.5 billion in annual savings from subsidy reforms and plans to focus on chips, digital, and energy transition industries, including MYR 5.9 billion for AI R&D. The fiscal deficit is projected to narrow to 3.5% of GDP in 2026, with growth seen at 4–4.5% and inflation at 1.3–2%. 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.

Sources:

- ¹ Bloomberg, 17 October 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 17 October 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 17 October 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 17 October 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 17 October 2025
- ⁶ Principal view, 17 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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