

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	0.7%	-3.9%	-0.4%	17.0%
S&P 500	USD	0.5%	-5.7%	-3.6%	23.3%
Nasdaq	USD	0.2%	-8.6%	-6.0%	24.9%
Russell 2000	USD	0.6%	-6.2%	-7.8%	10.0%
Stoxx 600-Europe	EUR	0.6%	-0.6%	8.5%	6.0%
Nikkei 225	JPY	1.7%	-2.8%	-5.6%	19.1%
MSCI Asia Pac ex-Japan	USD	1.2%	-2.0%	3.6%	7.6%
ASEAN	USD	0.2%	-3.2%	-2.9%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-2.3%	-1.7%	-0.6%	14.7%
Hang Seng Index	HKD	-1.1%	1.3%	18.5%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-1.6%	-0.5%	0.3%	12.7%
FBMKLCI	MYR	-0.3%	-4.0%	-7.0%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.2%	0.9%	2.5%	-1.7%
JPM Asia Credit Index-Core	USD	0.3%	1.0%	2.6%	6.0%
Asia Dollar Index	USD	-0.2%	-0.3%	0.6%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	0.8%	1.5%	4.3%
Top Performing Principal Funds					
			1-mth as of (28 February 2025)	YTD as of (28 February 2025)	
Equities					
Principal Greater Bay MYR Hedged			9.56	6.02	
Principal Greater China Equity			6.51	4.82	
Principal Asia Titans MYR			2.51	1.49	
Balanced					
Principal Asia Pacific Dynamic Mixed Asset MYR			2.21	2.17	
Principal Emerging Markets Multi Asset USD			1.01	2.94	
Principal Global Multi Asset Income MYR			0.64	1.83	
Fixed Income					
Principal Global Income USD			0.78	1.88	
Principal Lifetime Bond			0.48	0.83	
Principal Islamic Lifetime Sukuk			0.46	0.80	

Source: Bloomberg, market data is as of 21 March 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, the global financial markets exhibited mixed performance. Among developed markets, Japan experienced the largest positive gains, followed by the United States and Europe.
2. Across Asia, market performance was mixed. India experienced the largest gains, while Indonesia recorded the largest negative return. In Malaysia, the FBMKLCI closed lower, driven by the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield ticked higher in the 4.25% range, as investors assessed ongoing uncertainty looming over the U.S. economy and inflation levels as President Donald Trump presses ahead with his tariff campaign. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., market sentiments remained mixed with the Federal Reserve's decision to keep interest rates unchanged on Wednesday while signaling two potential rate cuts later this year. Fed Chair Jerome Powell sought to reassure markets by calling tariff-driven inflation "transitory," though concerns persisted. Meanwhile, the Fed downgraded its economic growth forecast and raised its inflation outlook, stoking fears of stagflation. Retail sales in the US increased 0.2% mom in February 2025, rebounding from a downwardly revised 1.2% fall in January but well below forecasts of a 0.6% rise. ²
2. In Europe, ECB President Lagarde recently warned of weaker growth but downplayed inflation risks if the EU retaliated against US tariffs, signaling that the ECB would not respond with higher rates. She cautioned that a 25% US tariff on European imports could reduce euro area growth by 0.3 percentage points in the first year, with a counter-tariff deepening the impact to 0.5 percentage points. The sharpest effect would occur in the first year, with lingering impacts on output, though inflationary pressures would fade over time. ³
3. In China, retail sales rose by 4.0% yoy in the first two months of 2025, quickening from a 3.7% growth in December, in line with market forecasts. Industrial production expanded by 5.9% yoy in January-February 2025 combined, faster than market forecasts of a 5.3% rise, but easing from 6.2% growth in December 2024. The PBOC kept its key lending rates unchanged for the fifth consecutive month in March 2025, aligning with market expectations. The one-year loan prime rate stood at 3.1%, while the five-year loan prime rate remained unchanged at 3.6%, with both rates remaining at historic lows following cuts in October and July of 2024. ⁴
4. In Malaysia, trade surplus increased to MYR 12.6 billion in February 2025, up from MYR 11.2 billion in the same month of 2023, surpassing market estimates, as exports grew more than imports. ⁵

Investment Strategy ⁶

Investors should not lose sight of timeless investment principles as we believe **markets are likely to refocus on fundamentals** that should support the equity rally further. We reiterate the importance of to keeping sight of longer-term investing principles that can boost risk-adjusted rates of return **through portfolio diversification** and an emphasis on **quality growth and income** to navigate the volatility ahead. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. **Equities:** We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) selective Chinese domestic consumption which appeared deeply discounted; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. **Fixed Income:** We adopt active approach in anticipation of market volatility by targeting various maturities along the yield curve that could add value. We preferred quality corporate credits with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds. We maintain our overweight duration bias relative to the benchmark as the current market conditions still remains favourable.
3. **Diversification:** We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and tariff uncertainties.

Sources:

- ¹ Bloomberg, 21 March 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 21 March 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 21 March 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 21 March 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 21 March 2025
- ⁶ Principal view, 21 March 2025

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

*NBS PMI refers to official data released by National Bureau of Statistic 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

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