

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	2.5%	-2.3%	5.4%	21.7%
S&P 500	USD	2.7%	-2.0%	6.9%	24.2%
Nasdaq	USD	4.0%	-2.8%	5.3%	53.8%
Stoxx 600-Europe	EUR	1.9%	-0.4%	6.7%	12.7%
MSCI Asia Pac ex-Japan	USD	4.1%	-0.3%	1.2%	4.5%
ASEAN	USD	1.4%	-4.0%	-2.6%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.2%	1.2%	4.4%	-11.4%
Hang Seng Index	HKD	8.8%	5.8%	3.5%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	0.8%	1.9%	3.8%	-3.7%
FBMKLCI	MYR	1.6%	1.2%	8.5%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.3%	-2.3%	-4.6%	5.7%
JPM Asia Credit Index-Core	USD	-0.4%	-1.7%	-0.2%	9.9%
Asia Dollar Index	USD	0.0%	-1.0%	-3.1%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.2%	-0.6%	0.6%	6.4%

Top Performing Principal Funds (1 month return as of 31 March 2024)

	1-mth as of (31 March 2024)	YTD as of (31 March 2024)
Equities		
Principal Islamic Malaysia Opportunities Fund	8.7%	14.8%
Principal Islamic Small Cap Opportunities Fund	8.2%	15.9%
Principal Islamic Enhanced Opportunities Fund	8.0%	13.6%
Balanced		
Principal Islamic Lifetime Balanced Growth Fund	4.0%	8.2%
Principal Lifetime Balanced Fund	3.9%	8.0%
Principal Lifetime Balanced Income Fund	3.5%	7.9%
Fixed Income		
Principal Islamic Lifetime Sukuk Fund	0.4%	1.5%
Principal Lifetime Bond Fund	0.4%	1.4%
Principal Islamic Lifetime Enhanced Sukuk Fund	0.4%	1.3%

Source: Bloomberg, market data is as of 26th April 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 Review¹

1. Global financial markets were mostly positive this week. In developed market, the largest gains were led by the United States, followed by Japan and Europe.
2. Across Asia, performance was largely positive, with Hang Seng experiencing the largest gain, followed by Taiwan and South Korea. In Malaysia, the FBMKLCI also closed positively, supported by the positive sentiment in the regional market.
3. In bond market, US 10-year Treasury yields remained largely unchanged in the 4.6% range as investors re-evaluate future interest rate trajectories. The latest persistent inflation data suggests that fewer than two rate cuts are now anticipated.

Macro Factors

1. In the US, the economy expanded an annualized 1.6% in first quarter, compared to 3.4% in the previous quarter and below forecasts of 2.5%. The deceleration figures were attributed to the decline in consumer spending and government spending. The S&P Global Composite PMI declined to 50.9 in April from 52.1 in the previous month, signaling only a slight expansion in the country's private sector, a preliminary estimate showed. The annual PCE* inflation accelerated to 2.7% in March, compared to 2.5% in February. Core PCE, which excludes volatile food and energy items, rose by 2.8%, remaining unchanged from last month.²
2. In Europe, the government debt to GDP ratio decreased to 88.6% at the end of 2023 from a revised 90.8% at the end of 2022, marking its lowest level in four years. The HCOB Composite PMI rose to 51.4 in April, up from 50.3 in the previous month, a preliminary estimate showed. The latest reading signals a second successive month of rising output, with service sector output increasing the most in 11 months. On the other hand, manufacturing production continued to contract, although at the slowest rate in one year.³
3. In China, the People's Bank of China left key lending rates unchanged at the April fixing, in line with market expectations. Monday's decision came after the economy grew more than expected in Q1 of 2024 while the yuan faced renewed depreciation pressure. The 1-year loan prime rate (LPR), the benchmark for most corporate and household loans, was maintained at 3.45%. Meanwhile, the 5-year rate, a reference for property mortgages, was retained at 3.95% following a record reduction of 25bps in February.⁴
4. In Malaysia, the annual inflation rate held steady at 1.8% in March, remaining unchanged for the second straight month and falling below market forecasts of 2%. The figure represents the highest reading since October 2023 and is attributed to price increases in food, transportation, and housing.⁵

Investment Strategy⁶

The recent rise in volatility, attributed to geopolitical risk and markets adjusting to a likely delay in the start of US rate cuts, highlights the importance of diversification and the need to focus on quality. We advocate for a balanced allocation in both equity and fixed income, with a preference for quality and income attributes to enhance portfolio resilience. We are exercising caution with USD assets and believe that Asian equities and fixed income offer more value in the short term.

1. We find bonds appealing as we perceive that the central bank's hiking cycle 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.
2. 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.
3. We also favor income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

- ¹ Bloomberg, 26th April 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 26th April 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 26th April 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 26th April 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 26th April 2024
- ⁶ Principal view, 26th April 2024

*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

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