

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.3%	3.1%	8.6%	21.7%
S&P 500	USD	0.4%	3.0%	10.2%	24.2%
Nasdaq	USD	-0.5%	1.1%	8.5%	53.8%
Stoxx 600-Europe	EUR	0.7%	4.0%	7.5%	12.7%
MSCI Asia Pac ex-Japan	USD	0.4%	2.4%	1.7%	4.5%
ASEAN	USD	-0.2%	1.9%	0.6%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.2%	0.6%	3.0%	-11.4%
Hang Seng Index	HKD	0.3%	0.6%	-2.7%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.2%	0.9%	2.1%	-3.7%
FBMKLCI	MYR	-0.2%	0.6%	7.2%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.2%	0.6%	-2.1%	5.7%
JPM Asia Credit Index-Core	USD	0.2%	1.4%	1.7%	9.9%
Asia Dollar Index	USD	0.0%	-0.6%	-2.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.4%	1.1%	6.4%

Top Performing Principal Funds (1 month return as of 29 February 2024)	1-mth as of (29 Feb 2024)	YTD as of (29 Feb 2024)
Equities		
Principal China Direct Opportunities Fund - Class MYR	10.3%	-1.0%
Principal Biotechnology Discovery Fund - Class USD	8.4%	13.6%
Principal Global Millennial Equity Fund - Class MYR-Hedged	8.1%	11.0%
Balanced		
Principal Asia Pacific Dynamic Mixed Asset Fund - Class MYR	3.0%	4.0%
Principal Lifetime Balanced Fund	2.3%	4.0%
Principal Dynamic Enhanced Malaysia Income Fund	2.3%	3.7%
Fixed Income		
Principal Islamic Lifetime Sukuk Fund	0.5%	1.1%
Principal Lifetime Bond Fund	0.5%	1.0%
Principal Sustainable Dynamic Bond Fund - Class MYR	0.7%	1.4%

Source: Bloomberg, market data is as of 29 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 Review¹

1. The global financial markets wrapped up the week with mixed returns. In developed markets, Europe and the United States witnessed significant gains, while Japan experienced a decline.
2. Across Asia, overall market performance was mixed, with India and Philippines leading in gains, while China onshore and Taiwan were the largest drag. In Malaysia, the FBMKLCI recorded a marginal decline following cautious sentiment in the regional market.
3. Turning to the bond market, the 10-year U.S. Treasury note experienced a positive return, with yields stabilizing around the 4.2% range. This comes as investors assessed the future path of interest rates following recent strong labor and key inflation data. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the economy expanded an annualized rate of 3.4% in Q4, slightly above the previously reported 3.2%, according to the third estimate from the U.S. Bureau of Economic Analysis. The initial jobless claims declined to 210,000 on the week ending March 23rd, beating market expectations of 215,000. The annual personal consumption expenditure (PCE) figure edged up to 2.5% in February, aligning with forecasts but higher than the January's 2.4%. Core PCE, which exclude food and energy, rose by 2.8%, easing slightly from the January's 2.9%.²
2. In Europe, the economic sentiment indicator increased to a three-month high of 96.3 in March, marking an uptick from February's revised figure of 95.5 and aligning with market expectations. In the recent meeting, the ECB committees indicated signaled their views on the disinflationary trend are moving closer to the target, which allows them to start considering interest rate pivot in June.³
3. In China, Premier Li Qiang told participants at the China Development Forum, an annual summit for global business leaders, that the country is open to foreign investment. The government pledged to step up measures to support growth in several sectors, including biological manufacturing, artificial intelligence, and the data economy. In economic news, profits at industrial firms surged 10.2% in the January to February period compared to the previous year, recovering from a 2.3% decline in 2023, aided by policy support and increased overseas demand.⁴
4. In Malaysia, the annual inflation rate unexpectedly rose to 1.8% in February from 1.5% in the prior month, above market forecasts of 1.4%. It was the highest reading since last October, largely driven by price rises in housing and transport. Producer prices figures also advanced by 0.3% year-on-year in February, marking the first increase since last September, rebounding from a 0.6% fall in the previous month. The rebound was attributed to price increases in mining and electricity sectors.⁵

Investment Strategy⁶

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.

1. 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.
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, 29 March 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 29 March 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 29 March 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 29 March 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 29 March 2024
- ⁶ Principal view, 29 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 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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