

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	0.3%	3.3%	13.1%	17.0%
S&P 500	USD	0.3%	3.0%	10.2%	23.3%
Nasdaq	USD	1.0%	2.8%	12.6%	24.9%
Russell 2000	USD	1.0%	7.5%	7.2%	10.0%
Stoxx 600-Europe	EUR	-0.2%	1.6%	8.3%	6.0%
Nikkei 225	JPY	0.7%	6.1%	7.8%	19.1%
MSCI Asia Pac ex-Japan	USD	1.1%	2.5%	17.9%	7.6%
ASEAN	USD	1.1%	4.0%	10.9%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.8%	8.2%	13.4%	14.7%
Hang Seng Index	HKD	1.6%	2.4%	27.2%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-1.2%	4.8%	13.8%	12.7%
FBMKLCI	MYR	0.2%	2.6%	-3.9%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.6%	0.9%	7.8%	-1.7%
JPM Asia Credit Index-Core	USD	0.3%	1.2%	6.7%	6.0%
Asia Dollar Index	USD	0.0%	0.2%	3.2%	-4.1%

Top Performing Principal Funds	1-mth as of (31 August 2025)	YTD as of (31 August 2025)
Equities		
Principal China Direct Opportunities USD	12.12	30.34
Principal US High Conviction Equity USD	8.98	8.31
Principal Greater Bay USD	7.43	22.38
Balanced		
Principal Emerging Markets Multi Asset USD	2.59	13.69
Principal Lifetime Balanced	2.45	-4.50
Principal Islamic Lifetime Balanced Growth	2.08	-2.97
Fixed Income		
Principal Islamic Lifetime Sukuk	0.47	4.02
Principal Lifetime Bond	0.46	4.23
Principal Conservative Bond	0.44	4.07

Source: Bloomberg, market data is as of 5 September 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 showed mixed performance. The United States and Japan experienced positive gains, while Europe closed in negative territory.
2. Across Asia, majority of the markets showed mixed performances. Thailand led the way with the largest gains, while the onshore market in China posted the largest decline. Meanwhile, in Malaysia, the FBMKLCI ended the week with a minor loss.
3. In the bond market, the yield on the 10-year US Treasury declined to the 4.10% range, following a key U.S. jobs report showed a slower-than-expected pace of hiring in August. (It’s worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, the economy added just 22K jobs, well below the 75K forecast, while the unemployment rate rose to 4.3%, highlighting a cooling labor market. The ISM US Manufacturing PMI increased to 48.7 in August 2025 from 48.0 in July, though it fell short of market expectations. The index signalled a sixth straight month of contraction, as a sharp drop in production was only partly offset by a rebound in new orders. ²
2. In Europe, the HCOB Eurozone Construction PMI jumped to 46.7 in August 2025, from a five-month low of 44.7 in the previous month. This marked the highest reading since February 2023, as the decline in residential construction was the slowest in four months, while civil engineering activity returned to growth. Regionally, France experienced the mildest decline, whereas the rate of contraction in Germany and Italy intensified marginally. The HCOB Eurozone Composite PMI inched higher to 51 in August of 2025 from 50.9 in the previous month, but remaining ahead of the initial market expectations of 50.7. The result reflected a third consecutive acceleration for the Eurozone's sharpest expansion in private sector activity in one year, with a fresh rebound among manufacturers (50.7 vs 49.8 in July) and slower growth for service providers (50.5).³
3. In China, the stock market staging a strong rebound on Friday from the prior session’s selloff sparked by regulatory concerns regarding stock market overheating. On Thursday, reports indicated that regulators were considering cooling measures to rein in a \$1.2 trillion rally since early August, including loosening short-selling curbs and tightening oversight of speculative trading to shield retail investors from sharp losses. Adding support, the People’s Bank of China said it would inject 1 trillion yuan into the banking system through outright reverse repo operations, a move seen as aimed at calming markets. ⁴
4. In Malaysia, the central bank kept its key interest rate unchanged at 2.75% during its August 2025 policy meeting, aligning with market expectations. The Board reiterated that the decision was appropriate and supportive of the economy amid price stability. Headline inflation averaged 1.4% over the first seven months of the year and is projected to remain moderate through 2025 and 2026, supported by subdued global cost pressures. Core inflation, which averaged 1.9% during the same period, is expected to stay stable and near its historical average. This suggests a steady pace of economic activity without signs of significant demand-driven price pressures. Meanwhile, Malaysia’s economy expanded by 4.4% in the first half of 2025, with full-year growth projected to grow within the 4.0% to 4.8% range. The outlook is underpinned by resilient consumer spending and strong investment momentum. Looking ahead to 2026, domestic demand is anticipated to remain robust and the main driver of growth.⁵

Investment Strategy ⁶

While the Fed has made clear it remains data dependent, market consensus sees the weakening labour market will support a series of rate cuts beginning this month. 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 the US Central Bank will cut rates, and 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 an emphasis on **quality growth and income** to navigate the volatility ahead. Our strategy has also emphasized focusing on companies that demonstrate the attributes of **large-cap defensiveness, with earnings that are more domestically focused**. Additionally, **quality bonds have historically offered portfolio stability**, especially in times of uncertainty.

Sources:

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

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