

Market Data

| Asset Class                                    | Currency | 1-wk  | 1-mth                          | YTD                          | 2024  |
|--|----------|-------|--------------------------------|------------------------------|-------|
| <b>Equities</b>                                |          |       |                                |                              |       |
| MSCI World                                     | USD      | -0.3% | 7.1%                           | 0.2%                         | 17.0% |
| S&P 500  | USD      | -0.5% | 3.7%                           | -3.8%                        | 23.3% |
| Nasdaq   | USD      | -0.2% | 4.7%                           | -4.6%                        | 24.9% |
| Russell 2000                                   | USD      | 0.1%  | 5.6%                           | -9.4%                        | 10.0% |
| Stoxx 600-Europe                               | EUR      | 0.5%  | 15.0%                          | 6.9%                         | 6.0%  |
| Nikkei 225                                     | JPY      | 1.8%  | 17.2%                          | -6.1%                        | 19.1% |
| MSCI Asia Pac ex-Japan                         | USD      | 0.2%  | 15.9%                          | 4.6%                         | 7.6%  |
| ASEAN  | USD      | 0.1%  | 16.8%                          | 2.7%                         | 7.7%  |
| Shanghai Shenzhen CSI 300 Index                | CNY      | 2.0%  | 4.5%                           | -2.2%                        | 14.7% |
| Hang Seng Index                                | HKD      | 1.6%  | 13.1%                          | 14.4%                        | 17.5% |
| Shanghai Stock Exchange Composite Index        | CNY      | 1.9%  | 5.0%                           | -0.3%                        | 12.7% |
| FBMKLCI  | MYR      | 0.3%  | 8.8%                           | -5.8%                        | 12.8% |
| <b>Fixed Income</b>                            |          |       |                                |                              |       |
| Bberg Barclays Global Agg Index                | USD      | -0.5% | 1.6%                           | 4.7%                         | -1.7% |
| JPM Asia Credit Index-Core                     | USD      | -0.2% | 2.4%                           | 1.6%                         | 6.0%  |
| Asia Dollar Index                              | USD      | 0.1%  | 3.2%                           | 2.7%                         | -4.1% |
| Bloomberg Malaysia Treasury -10 Years          | MYR      | 0.6%  | 1.3%                           | 3.2%                         | 4.3%  |
| <b>Top Performing Principal Funds</b>          |          |       |                                |                              |       |
|  |          |       | 1-mth as of<br>(30 April 2025) | YTD as of<br>(30 April 2025) |       |
| <b>Equities</b>                                |          |       |                                |                              |       |
| Principal Global Technology USD                |          |       | 2.08                           | -10.06                       |       |
| Principal Islamic Global Technology USD        |          |       | 2.02                           | -0.45                        |       |
| Principal Next-G Connectivity USD              |          |       | 1.34                           | -8.14                        |       |
| <b>Balanced</b>                                |          |       |                                |                              |       |
| Principal Islamic Lifetime Balanced Growth MYR |          |       | 0.39                           | -7.05                        |       |
| Principal Dynamic Enhanced Malaysia Income     |          |       | -0.25                          | -7.51                        |       |
| Principal Lifetime Balanced Income MYR         |          |       | -0.25                          | -7.75                        |       |
| <b>Fixed Income</b>                            |          |       |                                |                              |       |
| Principal Islamic Lifetime Sukuk MYR           |          |       | 0.65                           | 1.88                         |       |
| Principal Lifetime Bond MYR                    |          |       | 0.78                           | 2.06                         |       |
| Principal Conservative Bond C                  |          |       | 0.77                           | 1.99                         |       |

Source: Bloomberg, market data is as of 9th May 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 <sup>1</sup>

1. This week, the global financial markets exhibited mixed performance. Among developed markets, Japan and Europe experienced positive gains, while the United States experienced marginal decline.
2. Across Asia, market performance was largely positive. Both onshore and offshore markets of China experienced the largest gains, while India experienced the largest decline. In Malaysia, the FBMKLCI closed the week in the green.
3. In the bond market, the US 10-year Treasury yield hold steady at the 4.3% range as investors remained optimistic about the U.S. striking more trade deals on tariffs with international trade partners. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., President Donald Trump announced a trade deal framework with the United Kingdom, the first major agreement since the US imposed sweeping tariffs earlier this year. He also hinted that tariffs on China could come down depending on the outcome of trade talks this weekend in Switzerland, where US officials will meet their Chinese counterparts. The ISM Services PMI unexpectedly jumped to 51.6 in April 2025 from a nine-month low of 50.8 in March and above forecasts of 50.6. <sup>2</sup>
2. In Europe, the stock market held on to gains in most sectors as markets assessed the latest developments in Europe's trade and monetary policy. Eurozone retail trade declined by 0.1% month-over-month in March 2025, following a downwardly revised 0.2% increase in February and falling short of market expectations for flat growth. The HCOB Eurozone Construction PMI rose to 46 in April 2025 from 44.8 in March, indicating a continued decline in construction activity across the bloc, though at the slowest pace since February 2023. <sup>3</sup>
3. In China, the PBOC injected CNY 158.6 billion into the banking system via seven-day reverse repos at a reduced 1.4%, as part of broader monetary easing to stabilize growth amid external pressures. China's industrial production rose by 7.7% yoy in March 2025, beating market expectations and accelerating from the 5.9% growth recorded in the January–February period. China's retail sales increased by 5.9% year-on-year in March 2025, from 4% in the January–February period, exceeding market expectations. Investor sentiment was further lifted after China confirmed that Vice Premier He Lifeng will meet with US Treasury Secretary Scott Bessent in Switzerland this week for high-level talks aimed at addressing tariff tensions. <sup>4</sup>
4. In Malaysia, BNM held its benchmark interest rate steady at 3% during its May 2025 meeting, marking the eleventh consecutive period of unchanged rates and aligning with market expectations. The central bank reiterated its supportive stance on economic growth, noting that the current policy setting remains appropriate in light of its latest assessment of inflation and growth prospects. Headline and core inflation averaged 1.5% and 1.9%, respectively, in the first quarter of 2025, with overall inflation expected to remain manageable for the rest of the year amid moderate global costs and subdued domestic demand pressures. Meanwhile, preliminary estimates showed Malaysia's annual GDP growth slowed to a one-year low of 4.4% from 5% gain in the previous quarter. Looking ahead, although growth is expected to be anchored by resilient domestic demand, escalating trade tensions and heightened global policy uncertainties are likely to weigh on the external sector. <sup>5</sup>

Investment Strategy <sup>6</sup>

Market volatility is likely to remain elevated in the weeks ahead as investors assess rapidly shifting tariff developments and consider the potential implications for growth, inflation, central bank policy, and financial markets. Nevertheless, we believe incremental news flow could become more supportive as we approach the second half of the year, as clarity emerge with countries beginning negotiation and offering concessions.

Investors should not lose sight of timeless investment principles as we believe **markets are likely to refocus on fundamentals** that should support the equity market 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. In response to the tariff developments, our strategy has also emphasized focusing on companies that demonstrate the attributes of **large-cap defensiveness, with earnings that are more domestically focused**.

We remain a slight preference for 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; and iii) the influence of tariffs and geopolitical risks on asset prices.

Sources:

- <sup>1</sup> Bloomberg, 9th May 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 9th May 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 9th May 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 9th May 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 9th May 2025
- <sup>6</sup> Principal view, 9th May 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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