

Tactical Asset Allocation

November 2024

Prepared by the **Investment Team**
Phillip Capital Management Sdn Bhd

Market Review – October 2024

India, HK & China underperformed; Japan, Taiwan & Thailand outperformed

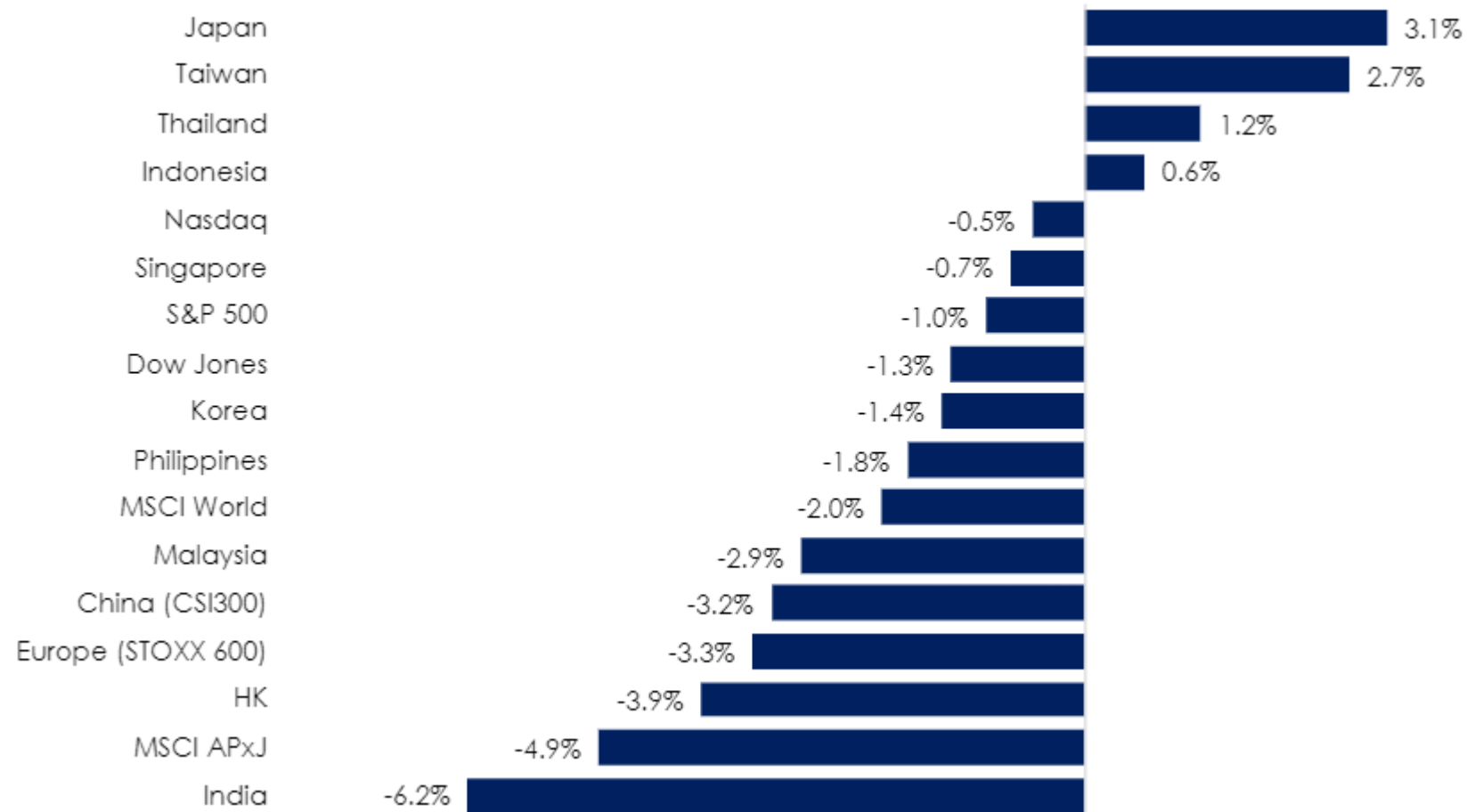
The **MSCI Asia Pacific Ex-Japan Index (-4.9%)** severely underperformed the **MSCI World Index (-2.0%)** in October, as China markets reeled back from their September rally, while a last-day pullback dragged down other regions. **Japan (+3.1%)** managed to close in the green for the month despite the Liberal Democratic Party's (LDP) loss in the recent snap elections, which cost them their outright majority for the first time in 15 years. **Taiwan's (+2.7%)** GDP grew faster than expected at 3.97% in 3Q24 driven by strong demand for smartphone and AI chips. **Thailand (+1.2%)** also managed to outperform most global peers thanks to upbeat growth guidance from government figures. **India (-6.2%)** was the month's biggest loser as foreign funds flowed out of India on account of concerns over high valuations, presumably leading to reallocation into other markets. **HK (-3.9%)** and **China (-3.2%)** stumbled this month after overextending by approximately 20% gain in September, as investors cooled down and scrutinized the efficacy of the latest announced stimulus plans.

In geopolitical developments, North Korea's troop deployment to support Russia in Ukraine complicates regional tensions and poses challenges for China in balancing its alliances with both North Korea and Russia. Meanwhile, on the monetary policy front, the European Central Bank lowered its key interest rate by 0.25 percentage points to 3.25%, while China cut its one-year lending rate to 3.1% and its five-year rate to 3.6%.

Market Review – October 2024

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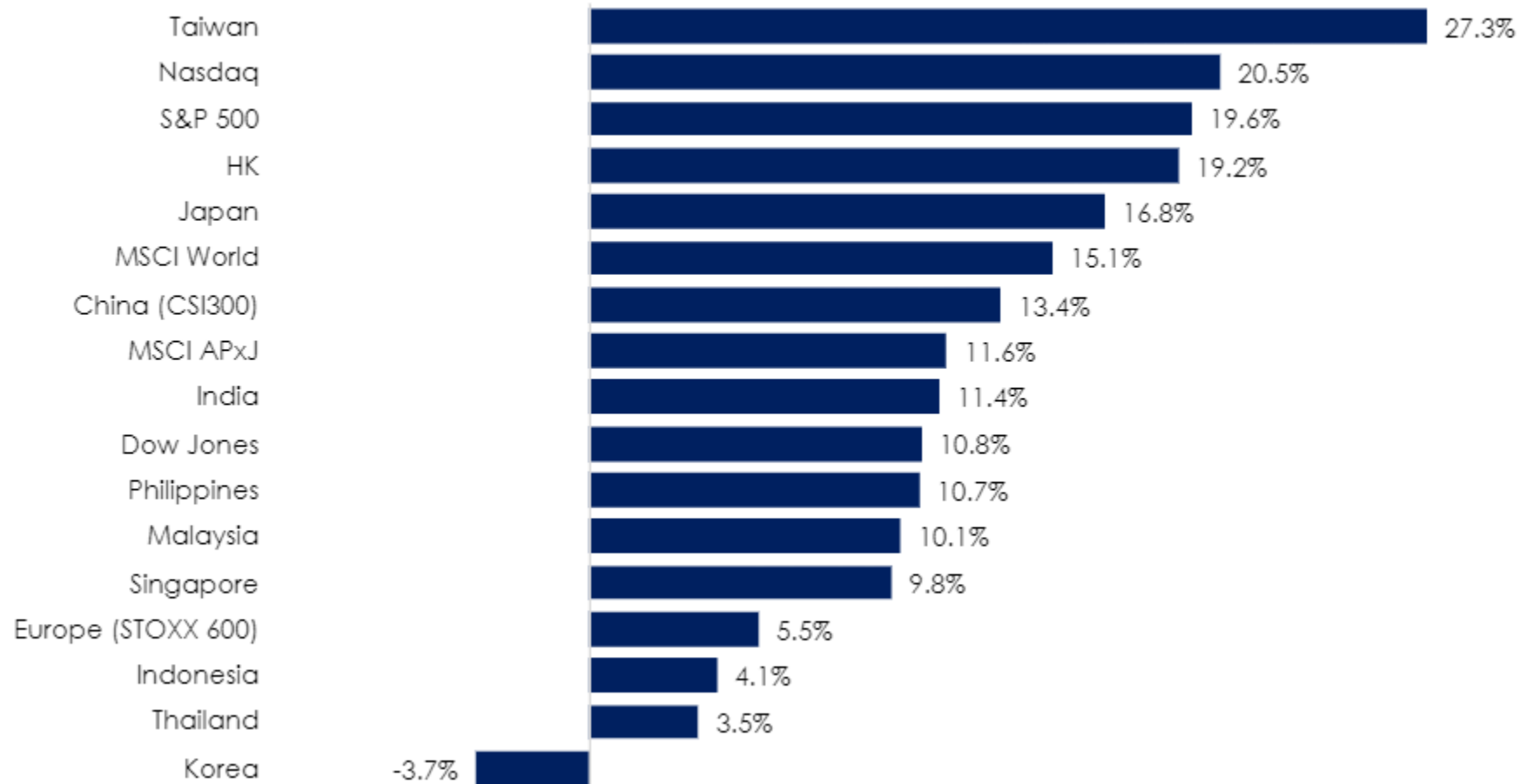
Market Performance October 2024



Market Review – YTD October 2024

Taiwan, US, HK & Japan led; Korea & Thai lagged

Market Performance YTD October 2024



Market Outlook (Global)

What to look ahead?

With Trump's return for a second presidential term, investors should now shift their focus to how to strategically position themselves moving forward. We argue that market performance does not necessarily depend on the outcome of the US presidential election. Notably, "Change Election" has become the new norm in the US Since 2000, 10 out of 12 federal elections—including all of the last five—have led to a change in the party controlling the House, Senate, and/or the White House. This trend significantly exceeds the average from the 1960s to the 1990s, during which only one or two elections per decade resulted in a shift in party control. Despite this, the S&P 500 index has historically returned about 10% per year on average before adjusting for inflation, although the market tends to be more volatile during election years.

Trump's 2024 trade policies are expected to mirror his "America First" approach, aiming to reduce the US trade deficit, protect American jobs, and challenge perceived unfair trade practices, particularly with China. Proposed measures include blanket import duties and a 60% tariff on Chinese goods, likely provoking retaliatory tariffs and raising import costs. This could lead to higher prices for US consumers and reduced demand, slowing global trade. In contrast, Malaysia has benefitted from the US-China trade war, with re-exports growing and foreign direct investment (FDI) surging, especially in sectors like electronics, semiconductors, and green technology. Malaysia's strategic location also supports this trend.

Market Outlook (Local)

What to look ahead?

Budget 2025 exemplifies the current administration's earnest effort to improve the lives of the average Malaysian through shrewd reallocation of subsidy savings to finance wage hikes, larger cash handouts and not to mention an increased emphasis on transportation and social development projects, all initiatives that can be directly felt by the end consumer. We anticipate an uplift in the quality of life for B40 and M40 segments, with the Healthcare, Consumer Discretionary, Construction and Property sectors to be winners of 2025.

Strategy

We remain cautiously optimistic on equities

TAA SUMMARY		Bearish	Neutral	Bullish
A. Equity - Global				
B. Cash / Fixed Income				
C. Equity - Malaysia (Large Cap)				
D. Equity - Malaysia (Small Cap)				
E. Country call (Most bullish only)			US	
F. Sector call (Msia only)				
		Bull	Consumer	Tech
		Bear	Telco	Plantation

Strategy

We remain cautiously optimistic on equities

In terms of market positioning, our preference in order is: **US** (strong earnings, positive economic data, proposed tax cuts) > **Malaysia** (policy) > **Asia Pacific excluding Japan = Emerging Markets** (benefiting from rate cuts) > **China** (valuation). Following the election, we have become more optimistic about the **US** market this month, as corporate earnings remain strong and economic data continues to show positive trends. Furthermore, Trump's proposal to lower the corporate tax rate to 15% could improve earnings potential for US companies.

In **Malaysia**, we favour large-cap stocks and selected small-cap stocks. Sector-wise, we are optimistic about the **Consumer** sector, driven by pension hikes and EPF Account 3 withdrawals, which are expected to stimulate domestic consumption, and the **Technology** sector as semiconductor stabilization and AI opportunities emerge. Conversely, we continue to hold our underweight stance in **Telco** and **Plantation** sector.

Appendices

Market Performance

Market saw profit taking towards the end of the month

MAJOR INDEX	T12M PE (x)	MTD	YTD
US			
Nasdaq Composite Index	33.75	-0.52%	20.54%
S&P 500 Index	26.06	-0.99%	19.62%
Dow Jones Indus. Avg	22.64	-1.34%	10.81%
Europe			
IBEX 35 Index	11.75	-1.72%	15.55%
DAX Index	15.88	-1.28%	13.88%
EURO Stoxx 50 PR	13.99	-3.46%	6.77%
FTSE 100 Index LSE	14.35	-1.54%	4.87%
CAC 40 Index	14.65	-3.74%	-2.56%
Asia/Pacific			
Taiwan Taiex Index	22.94	2.68%	27.27%
Hang Seng Index	10.86	-3.86%	19.18%
Nikkei 225	23.47	3.10%	16.54%
PSEI Philippine Se Idx	12.89	-1.78%	10.74%
Shanghai SE Composite	12.95	-1.70%	10.25%
FTSE Bursa Malaysia KLCI	14.79	-2.85%	10.12%
Straits Times Index Sti	12.52	-0.74%	9.83%
Jakarta Composite Index	14.34	0.61%	4.14%
Stock Exch of Thai Index	17.78	1.19%	3.54%
Kospi Index	12.81	-1.70%	-4.00%

MALAYSIA	T12M PE (x)	MTD	YTD
Construction	35.66	2.18%	51.02%
Property	13.64	-0.47%	24.00%
Utilities	16.26	-7.21%	22.85%
Mid70	17.45	1.17%	20.46%
Finance	11.44	-1.05%	17.07%
Transport	19.36	0.55%	14.25%
FBM100	15.45	-1.73%	12.67%
FBM Emas	15.59	-1.77%	11.82%
REITs	18.48	1.80%	11.41%
KLCI	14.79	-2.85%	10.12%
Healthcare	35.87	1.29%	8.22%
Small Cap	12.06	-2.34%	3.66%
Plantation	16.78	1.04%	3.51%
Energy	10.66	-1.31%	2.14%
Industrial	27.13	-1.58%	0.68%
Consumer	16.59	-2.53%	0.32%
Telco	16.41	-3.06%	-3.92%
Technology	38.26	-0.36%	-7.52%
Commodities		MTD	YTD
Gold		4.22%	33.10%
CPO		13.82%	27.40%
Brent		3.74%	-0.75%
WTI		1.60%	-3.34%
Soybean		1.55%	-11.34%
Baltic Dry Index		-33.06%	-33.38%

Source: Bloomberg, 31 October 2024

YTD-wise, Ringgit leads regional currency performance

Driven by a weaker dollar, strong earnings, policy support and mean reversion

Ringgit performed fairly strong vs peers YTD, but weakened amid USD strength and disappointing Chinese stimulus.

The dollar weakened from June to September but strengthened in October, supported by cautious Fed easing and political expectations of a second Trump presidency (inflation concerns - higher tariffs and fiscal spending)

Ticker	%YTD	%1M
JPYMYR	+13.23%	+0.72%
KRWMYR	+12.05%	-0.85%
PHPMYR	+10.52%	-1.46%
TWDMYR	+9.88%	-4.54%
IDRMYR	+7.07%	-1.90%
EURMYR	+6.64%	-3.09%
INRMYR	+6.14%	-5.57%
CNYMYR	+5.16%	-4.42%
SGDMYR	+5.04%	-2.45%
USDMYR	+5.01%	-4.98%
HKDMYR	+4.51%	-4.98%
THBMYR	+3.57%	-1.46%
GBPMYR	+3.46%	-1.81%



Selected Market Indices Valuations

As of 31 October 2024,

Summary (5 years)

	Fwd P/E	S.D.	Fwd P/B	S.D.
MSCI WORLD	19.1x	0.7	3.4x	1.8
MAPXJ	13.5x	-0.2	1.8x	0.8
MSCI EM	12.2x	-0.1	1.7x	0.4
MSCI ASEAN	13.6x	-0.7	1.7x	1.1
US (S&P 500)	21.3x	0.9	4.8x	1.7
EUROPE (STOXX 600)	13.5x	-0.5	1.9x	0.5
CHINA (CSI300)	12.8x	0.2	1.5x	-0.8
HONG KONG (HSI)	9.2x	-0.5	1.1x	0.0
KOREA (KOSPI)	8.5x	-1.9	0.9x	-0.5
TAIWAN (TAIEX)	16.2x	0.5	2.8x	1.8
INDIA (NIFTY 50)	21.8x	1.5	3.7x	1.7
JAPAN (NIKKEI 225)	19.8x	0.2	2.0x	0.8
SPORE (STI)	11.1x	-0.6	1.2x	1.5
INDO (JCI)	13.7x	-0.7	2.0x	0.4
THAI (SET)	14.8x	-0.7	1.5x	-0.6
PHIL (PCOMP)	11.1x	-1.1	1.5x	0.4
VIET (VNINDEX)	10.3x	-0.7	1.8x	-0.5
MALAYSIA (FBMKLCI)	13.8x	-0.4	1.4x	-0.5
MALAYSIA (FBM EMAS)	13.9x	-0.5	1.3x	0.0
MALAYSIA (FBMSC)	10.2x	-0.3	1.0x	0.5
MALAYSIA (FBM70)	15.2x	-0.6	1.4x	1.1

Source: Bloomberg, PCM, 31 October 2024

Valuation-wise; APxJ, EM & ASEAN lagged behind the world

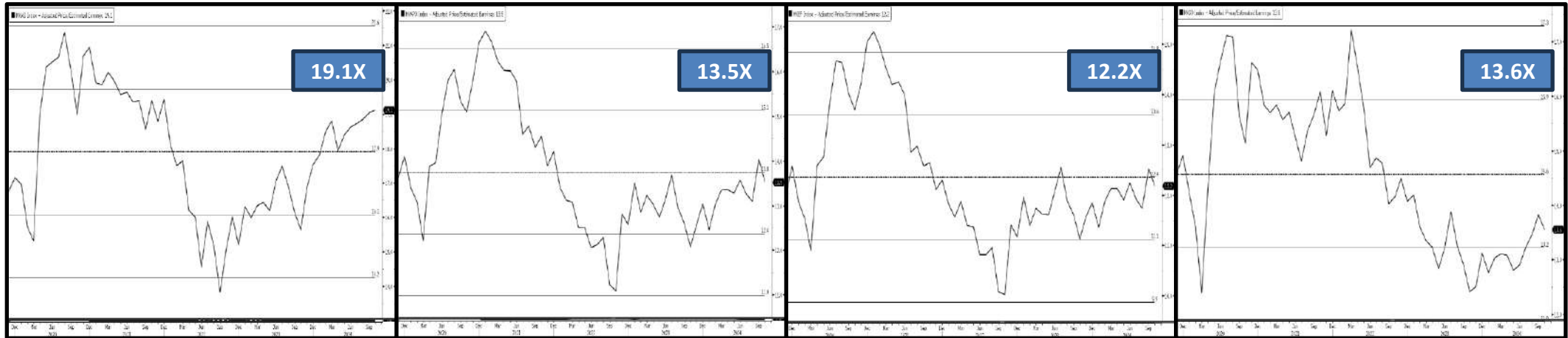
MSCI World

MSCI APxJ

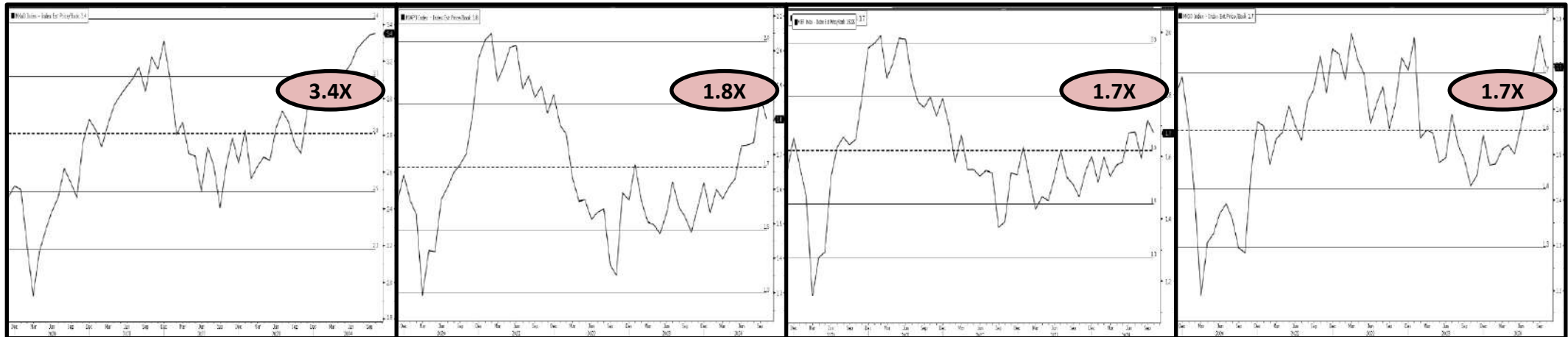
MSCI EM

MSCI ASEAN

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

HK & China remains below historical averages despite rerating

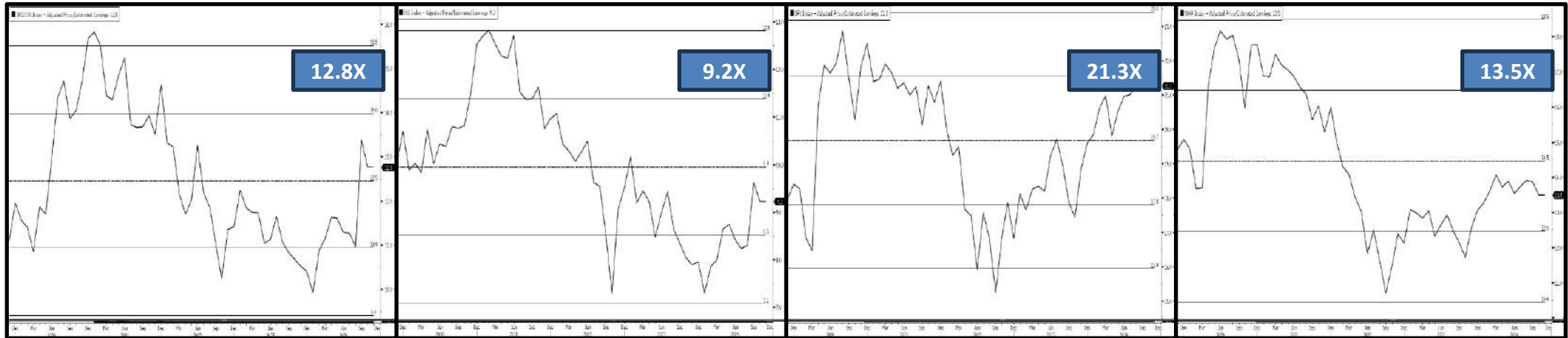
CSI 300

HSI

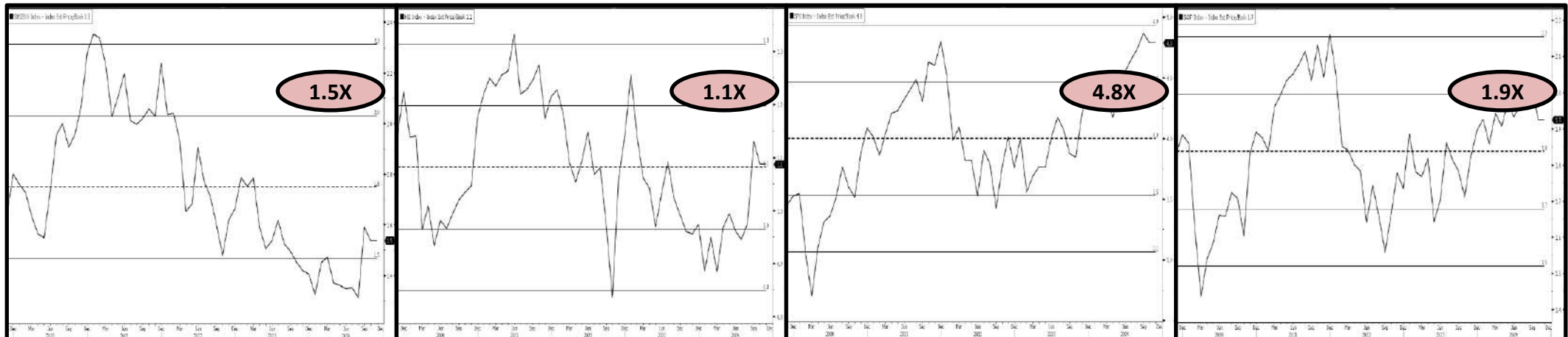
US S&P 500

Europe Stoxx 600

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

India, Japan, and Taiwan are above average; Korea remains cheapest

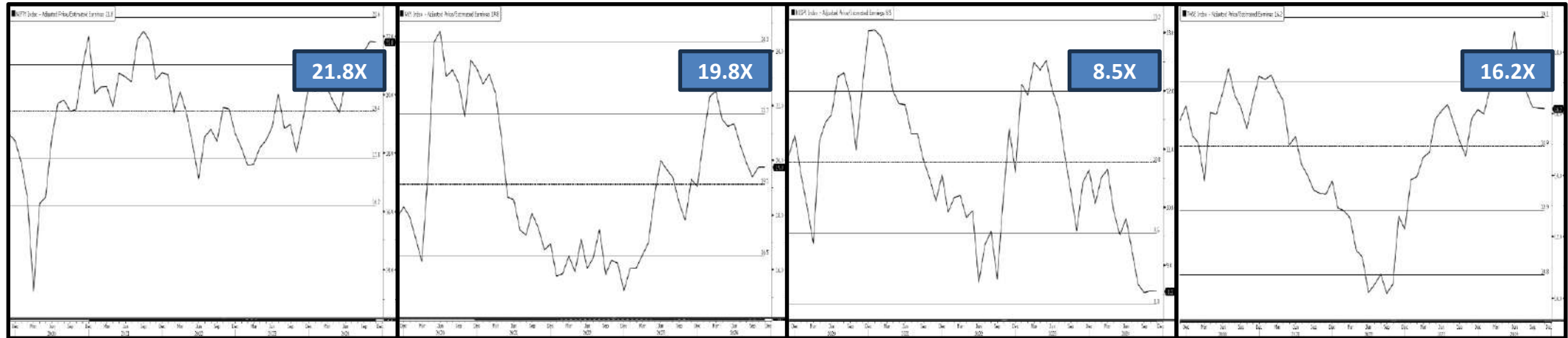
India Nifty

Japan Nikkei 225

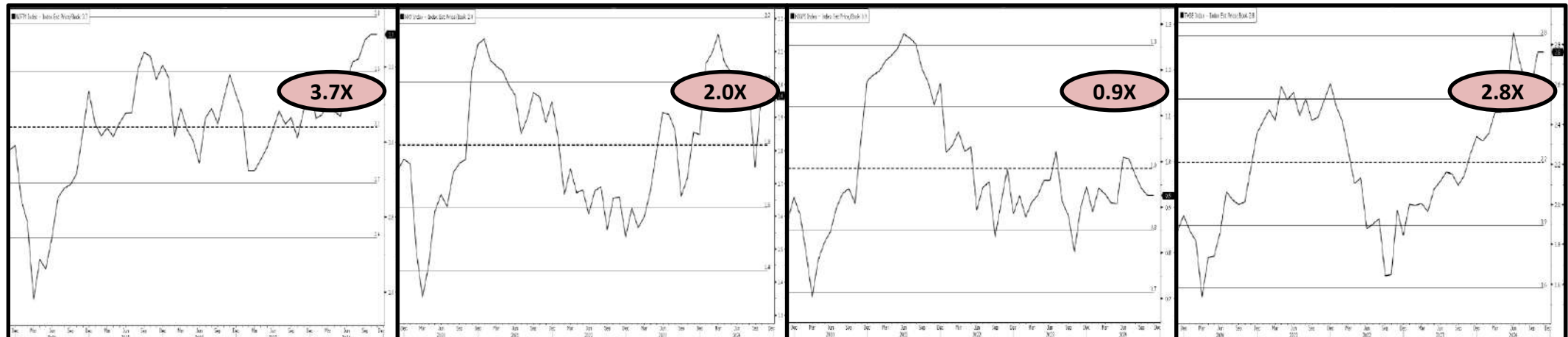
Korea Kospi

Taiwan Taieix

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

Malaysia's valuation has slightly declined amid profit-taking

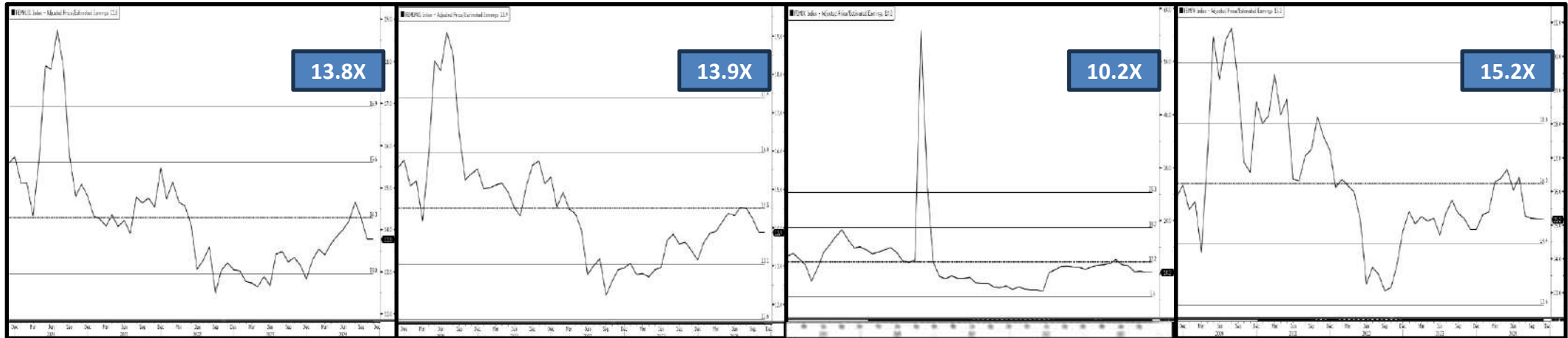
FBM KLCI

FBM Emas

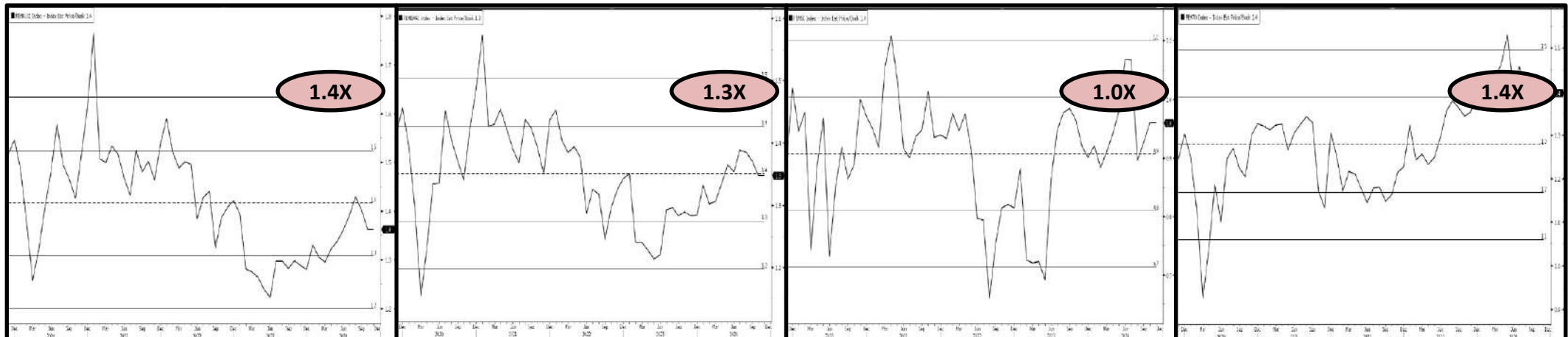
FBMSC

FBM Mid70

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

ASEAN markets trade below mean valuations

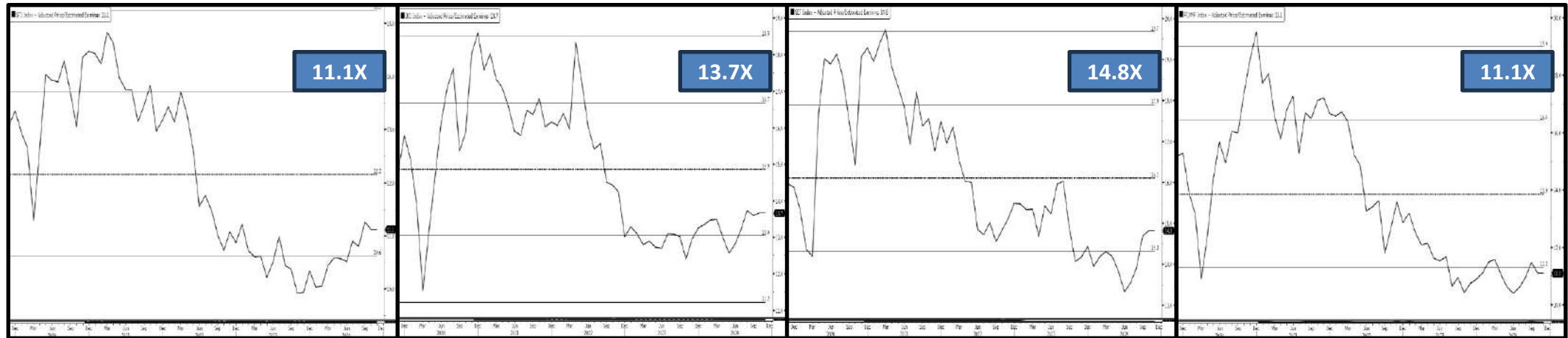
S'pore STI

Indo JCI

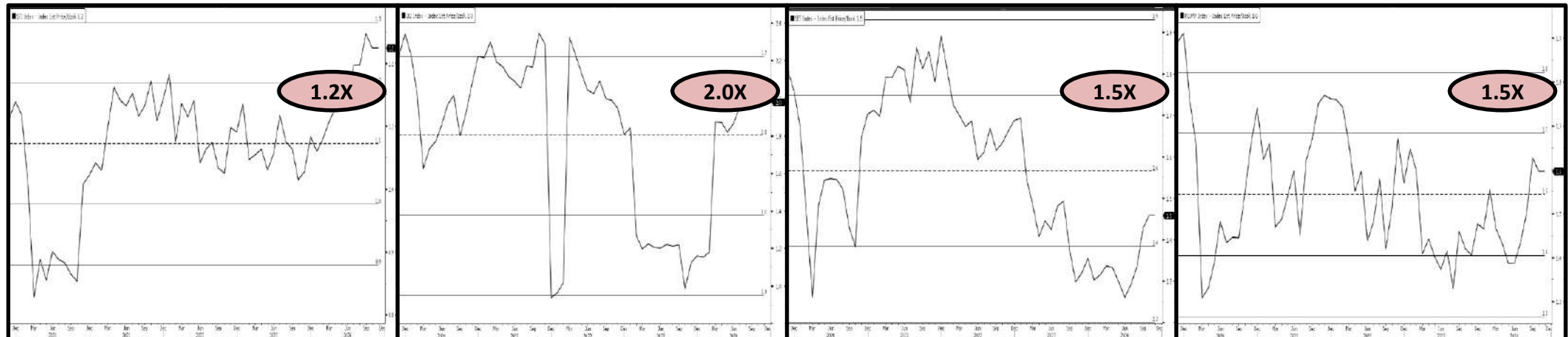
Thai SET

Phil PCOMP

P/E



P/B

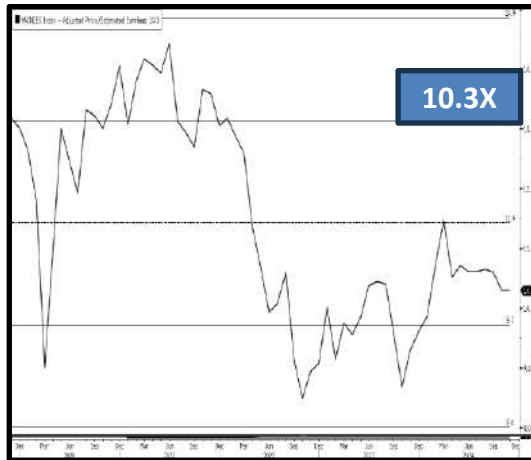


Source: Bloomberg, PCM, 31 October 2024

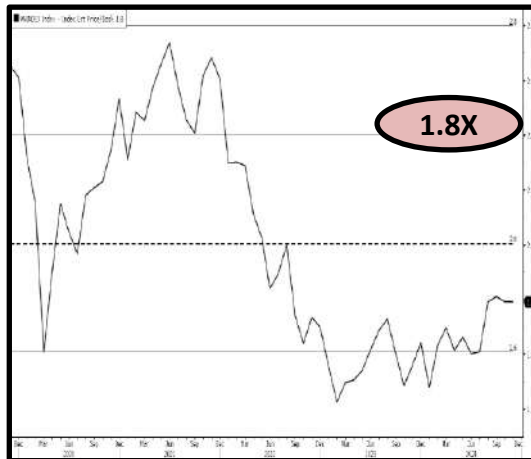
ASEAN markets trade below mean valuations

Vietnam VNIndex

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

PMART Performance

	FBM KLCI	EPF Adv	EPF Opp		EPF Blue Chip	EPF Div	EPF UT	EPF UT FLEXI		EPF ETF*	EPF ESG	EPF Quant US	
			Con*	Sya*				Con*	Sya*			Con*	Sya*
2023	-2.7	6.3	5.5	4.7	1.2	9.5	3.1	N/A	N/A	12.3	9.7	N/A	N/A
Jan-24	4.01	2.84	1.05	1.67	2.92	2.41	-1.24	4.37	1.79	-2.72	3.36	0.37	1.37
Feb-24	2.54	1.22	3.33	4.34	2.72	0.78	4.75	1.89	4.11	2.33	2.02	0.83	1.50
Mar-24	-0.99	1.36	1.30	2.08	0.06	0.54	2.30	2.55	1.86	0.68	0.15	3.17	2.97
Apr-24	2.60	1.86	1.66	2.69	2.72	4.09	1.55	1.87	0.54	-1.08	1.11	-3.69	-6.85
May-24	1.31	3.62	3.08	3.35	2.47	3.03	1.33	2.22	2.90	3.35	5.42	5.58	5.02
Jun-24	-0.41	0.29	0.14	0.57	-0.05	-1.52	2.48	2.30	2.72	0.45	2.72	-4.20	-5.20
Jul-24	2.23	0.55	-0.63	0.87	1.63	2.60	-1.51	-0.39	-1.45	-1.76	-0.14	-1.58	-4.23
Aug-24	3.27	-2.71	-7.62	-7.16	-1.20	2.66	-5.39	-5.59	-5.05	-2.49	-3.51	-7.18	-10.69
Sep-24	-1.78	-0.72	-4.07	-3.52	-1.73	-0.67	-1.61	-1.47	-1.43	3.01	-3.21	-0.26	-2.65
Oct-24	-2.85	-1.18	-0.25	-0.12	-1.83	-0.36	2.03	1.22	1.64	1.97	1.52	6.91	2.50
YTD	10.12	7.19	-2.49	4.30	7.80	14.25	4.39	8.95	7.55	3.55	9.48	-0.92	-16.13

Note: Composite returns on all accounts, including new injections, as provided by IT Dept

Bold - Out-performed KLCI * Typical Account

PMA Performance

	FBM KLCI	PMA	Mini PMA	PMA Sya	PMA DIV	PMA 4%	PMA 8%	PMA IPO	Mgt UT	PME GF	PGWA		
											*New Front	*Asia Focus	*World Leader
2023	-2.7	7.3	2.7	7.6	11.8	12.5	11.8	6.0	7.4	1.3	7.3	N/A	14.2
Jan-24	4.01	3.39	1.37	0.46	3.33	2.35	5.72	4.36	-1.57	4.82	-0.39	-18.04	2.43
Feb-24	2.54	1.32	3.48	4.20	0.96	0.40	1.79	0.92	6.50	1.07	4.48	12.72	7.33
Mar-24	-0.99	0.64	1.73	2.49	1.03	2.38	3.74	0.95	1.55	3.79	1.30	-0.95	4.31
Apr-24	2.60	4.42	2.84	2.41	3.62	2.44	10.98	8.64	-0.52	3.94	-0.47	6.42	0.35
May-24	1.31	1.19	4.50	5.73	2.23	0.35	-0.14	1.13	1.77	4.21	0.52	2.54	3.37
Jun-24	-0.41	1.93	1.70	3.73	-0.99	-0.15	1.97	3.33	1.99	1.43	2.31	-1.62	5.21
Jul-24	2.23	1.05	-2.18	1.30	2.82	1.61	-1.03	1.08	-3.18	-0.77	-3.56	-2.72	-7.66
Aug-24	3.27	-6.32	-10.05	-8.13	2.96	-1.97	-8.57	-9.94	-4.19	-8.64	-4.80	0.01	-2.75
Sep-24	-1.78	-0.88	-2.37	-3.97	-0.47	-0.36	-1.62	-1.07	0.81	-0.89	0.84	27.06	-4.64
Oct-24	-2.85	-1.07	0.43	1.01	-0.54	-0.63	-0.48	0.06	2.29	-0.26	1.02	1.46	-1.18
YTD	10.12	5.40	0.62	8.55	15.84	6.50	11.77	8.77	5.14	8.27	-0.15	23.20	11.79

Note: Composite returns on all accounts, including new injections, as provided by IT Dept

Blue - Out-performed KLCI * Typical Account, Moderate Risk # Less than one year

PMB Unit Trust Fund Performance

Fund	Type	Launch Date	Fund Size (in RM'm)	2023 return (%)	2024 YTD (up to 31 Oct)
Local					
Phillip Dana Aman *	Equity Malaysia	16/4/1998	33.50	+4.09	+9.74
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	30.82	+0.95	+7.48
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	60.12	+1.34	+8.27
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	47.52	+3.72	+11.56
Phillip Recovery Fund	Equity Malaysia	15/4/1999	17.27	+4.03	+12.86
Phillip Dana Murni *	Bond MYR	25/3/2003	18.32	+5.50	+2.90
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	29.07	+5.17	+9.34
Foreign					
Phillip Dana Dividen *	Equity Global Income	26/7/2007	3.23	+20.30	+6.17
Phillip Global Disruptive Innovation MYR H Fund	Equity Global	22/4/2019	5.61	+9.15	+8.19
Phillip Global Stars Fund	Equity Global	20/7/2006	3.30	+26.60	+3.51
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	7.32	-0.49	+5.96
Phillip Focus China Fund	Equity Greater China	19/5/2009	9.17	-16.41	+14.02

Note: * denotes Shariah funds

Source: Lipper, PCM, 31 October 2024

Thank you!

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