

Tactical Asset Allocation

December 2024

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

Market Review – November 2024

Asia underperformed, with Singapore leading while Philippines, Indonesia & HK declined

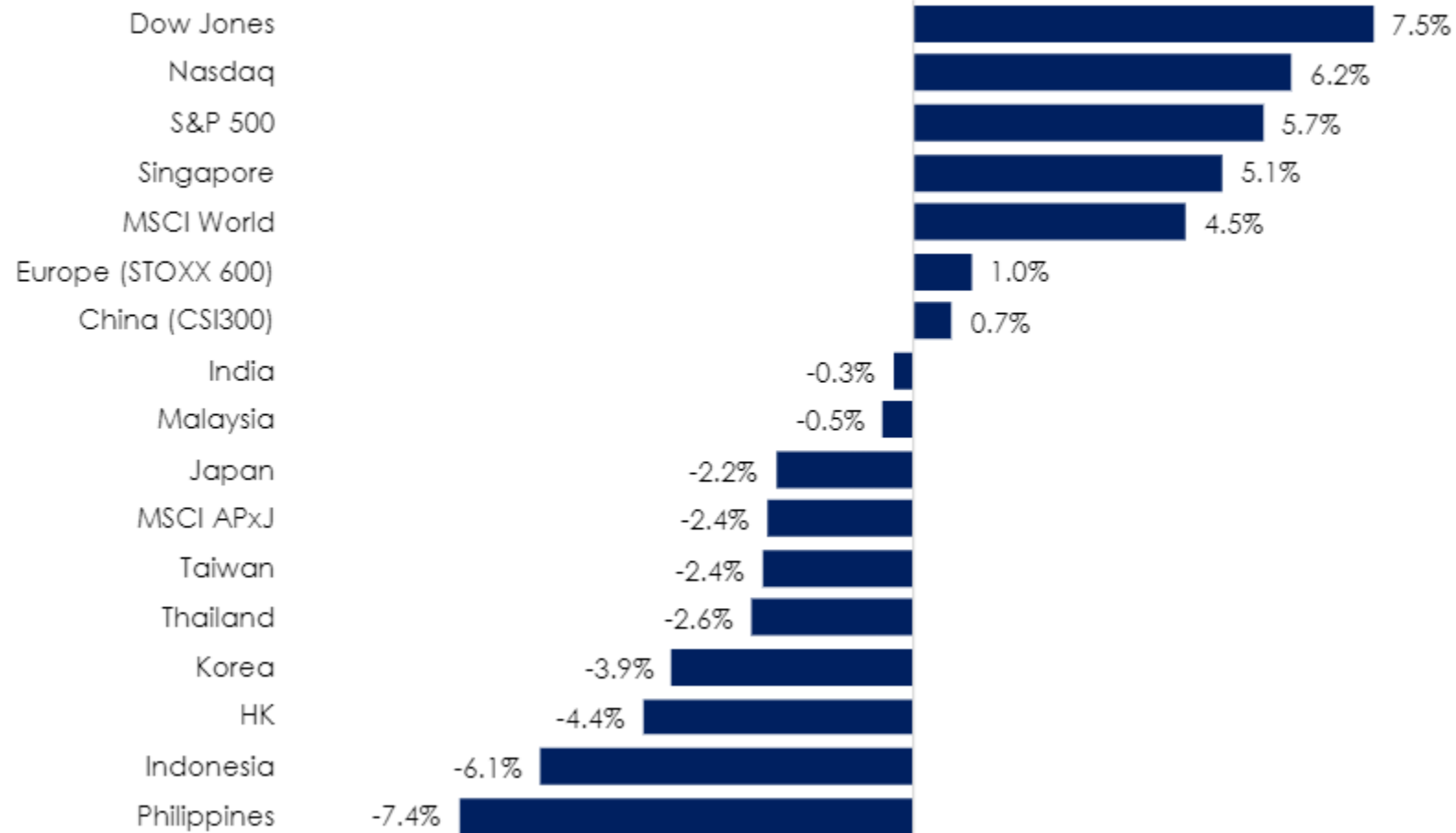
The **MSCI Asia Pacific Ex-Japan Index (-2.4%)** fell behind the **MSCI World Index (+4.5%)** mom in November as US markets raced past all regions after President-elect Donald Trump's decisive win in the 2024 presidential elections. **Singapore (+5.1%)** was the top performing region in Asia Pacific thanks to GDP growing much faster than expected in 3Q24 at 5.4% yoy vs. the Ministry of Trade and Industry's projection of 4.1%. The only other winner in Asia Pacific is **China** but with a paltry gain of **+0.7%**, a slight recovery after last month's pullback on stimulus concerns. **Philippines (-7.4%)** plummeted as devastating typhoons caused severe agricultural damage and threatens economic stagnation for 4Q and onwards. **Indonesia (-6.1%)** also stumbled as the market pulled back from its August rally, likely due to investors' geographic rotation to developed market equities. **HK (-4.4%)** also caught the flu in the market as internet, auto and energy stocks suffered high single digit declines, signalling weakening consumer sentiment.

On the monetary policy front, the Bank of England cut interest rates from 5.00% to 4.75%, marking the second reduction of 2024. The Fed also lowered its benchmark rate by 0.25% to a range of 4.50% to 4.75%, the lowest level since March 2023. The People's Bank of China maintained the medium-term lending facility rate at 2.0% and kept the 1-year and 5-year loan prime rates unchanged at 3.1% and 3.6%, respectively.

Market Review – November 2024

US, Singapore & Europe led; Philippines, Indonesia & HK lagged

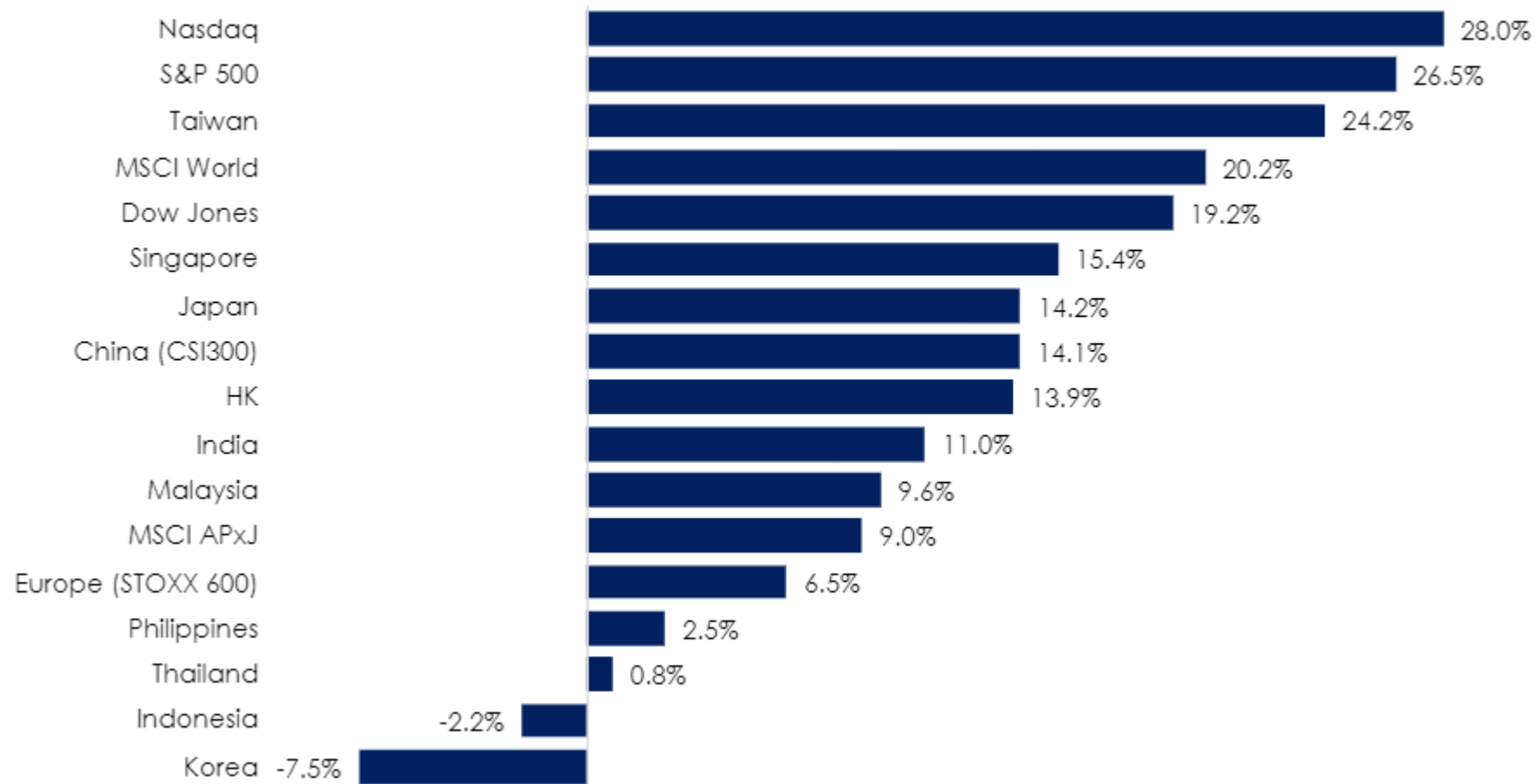
Market Performance November 2024



Market Review – YTD November 2024

US, Taiwan & Singapore led; Korea & Indonesia lagged

Market Performance YTD November 2024



Market Outlook (Global)

What to look ahead?

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. Our outlook on global equities remains cautiously optimistic. We favour US equities due to strong corporate earnings and positive economic data. Trump's proposed corporate tax cut to 15% could further enhance earnings potential for US companies, providing additional support to the market. As we approach the tail end of 2024, we anticipate continued market volatility. In this environment, we are maintaining a cautious approach to sector and theme selection, particularly in areas where valuations appear stretched relative to fundamentals.

Market Outlook (Local)

What to look ahead?

We remain focused on the technology and industrial sectors, as Malaysia stands to benefit from the US's planned tariff increases on Chinese imports such as semiconductors, batteries, solar cells and critical minerals. This is expected to attract multinational companies seeking alternative investment destinations, while the strong USD should further boost sector earnings.

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). Following the election, we have become more optimistic about the **US** market, 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 have turned neutral on **large-cap stocks** but continue to favour 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.

We became less optimistic about **Asia Pacific ex-Japan** after Trump's win due to concerns that his trade policies, particularly the "America First" stance, would disrupt trade flows and economic relations in the region. Separately, the potential tariff hikes under the new Trump administration could negatively impact **China's** economy in 2025, though valuations have priced in many risks, and investor positioning in Chinese equities remains light. The net impact ultimately depends on China's policy response.

Appendices

Market Performance

Asia market saw a correction in November amid Trump's tariff threats

Ticker		Monthly	YTD
FBMKLCI Index	FBM KLCI	-0.47%	9.60%
CCMP Index	US	6.21%	28.02%
TWSE Index	Taiwan	-2.44%	24.16%
DJI Index	US	7.54%	19.16%
STI Index	Singapore	5.07%	15.40%
NKY Index	Japan	-2.23%	14.18%
HSI Index	Hong Kong	-4.40%	13.94%
SHCOMP Index	China	1.42%	11.82%
AS51 Index	Australia	3.38%	11.14%
NIFTY Index	India	-0.31%	11.04%
PCOMP Index	Philippines	-7.41%	2.54%
SET Index	Thailand	-2.63%	0.83%
JCI Index	Jakarta	-6.07%	-2.18%
KOSPI Index	Korea	-3.92%	-7.51%

Ticker		Monthly	YTD
FBMKLCI Index	FBM KLCI	-0.47%	9.60%
KLCON Index	Construction	1.72%	53.62%
KLPRP Index	Property	-0.31%	23.61%
FBM70 Index	FBM Mid 70	1.46%	22.22%
KLFIN Index	Financial Services	0.54%	17.71%
FBMEMAS Index	FBM EMAS	0.23%	12.08%
FBMS Index	FBM Shariah	-0.23%	9.52%
KLPLN Index	Plantation	3.83%	7.48%
FBMSC Index	FBM Small Cap	2.01%	5.74%
KLIND Index	Industrial Products &	-2.23%	-1.56%
FBMMES Index	FBM ACE	2.52%	-3.58%
KLTEC Index	Technology	-0.24%	-7.75%

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
KRWMYR	+12.85%	+0.86%
JPYMYR	+9.79%	-3.02%
TWDMYR	+9.56%	--
PHPMYR	+8.78%	-1.70%
EURMYR	+8.51%	+1.89%
IDRMYR	+6.95%	-0.47%
CNYMYR	+5.63%	+0.69%
INRMYR	+5.33%	-0.95%
SGDMYR	+5.11%	+0.36%
GBPMYR	+3.42%	+0.53%
USDMYR	+3.29%	-1.65%
THBMYR	+3.28%	-0.15%
HKDMYR	+2.92%	-1.52%



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

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

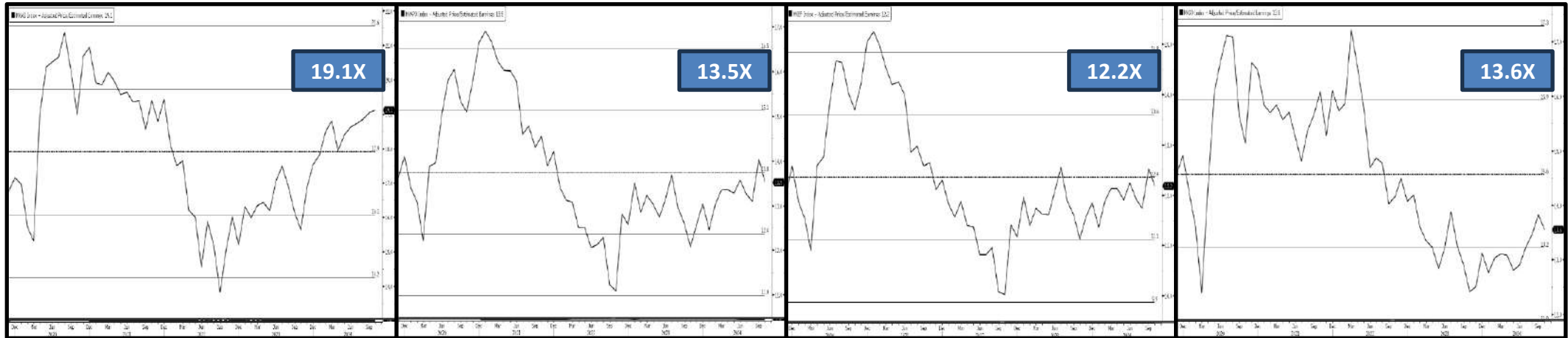
MSCI World

MSCI APxJ

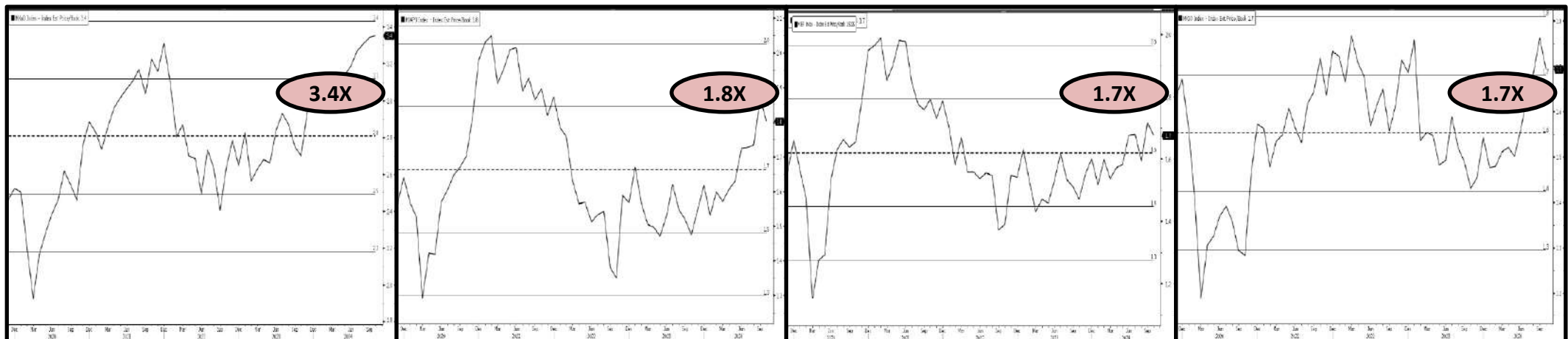
MSCI EM

MSCI ASEAN

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

HK & China remains below historical averages despite rerating

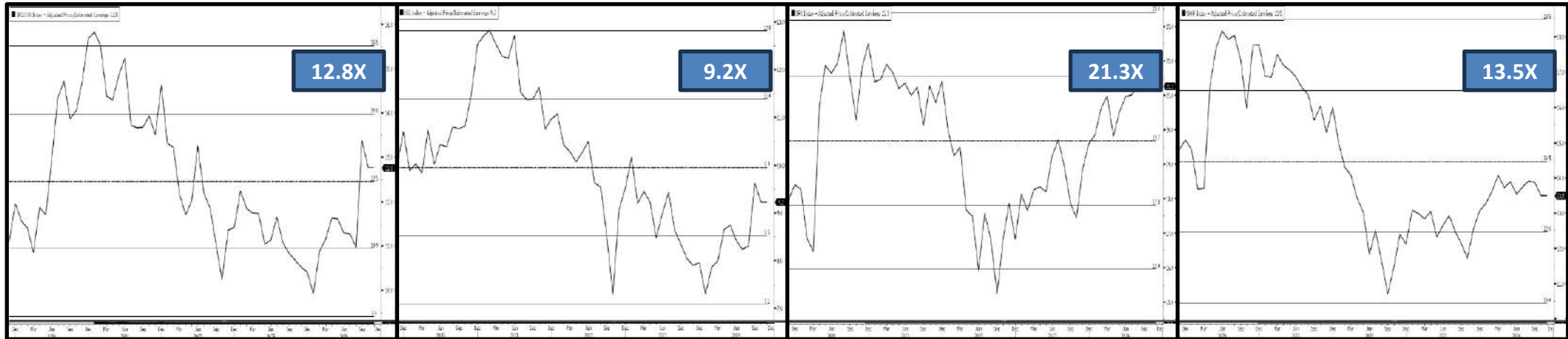
CSI 300

HSI

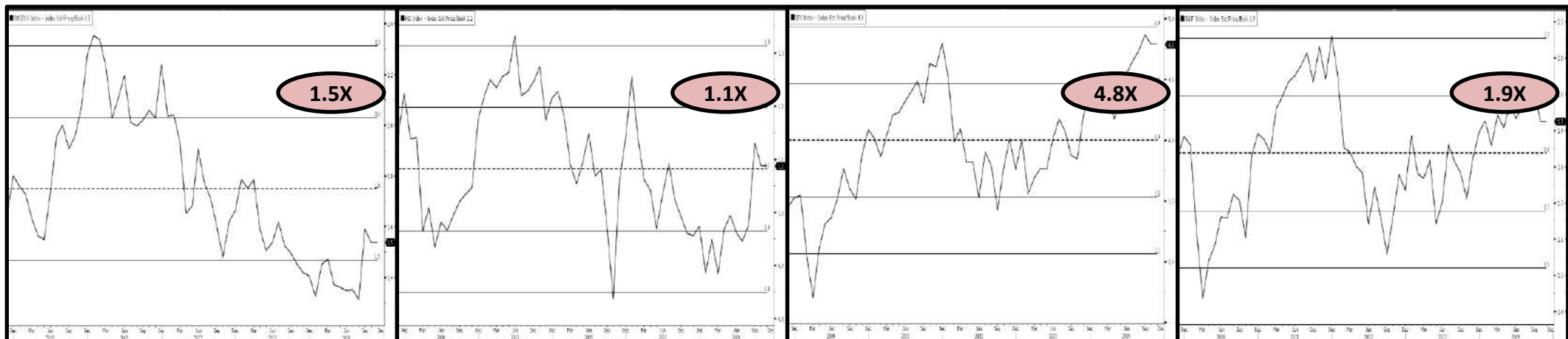
US S&P 500

Europe Stoxx 600

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

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

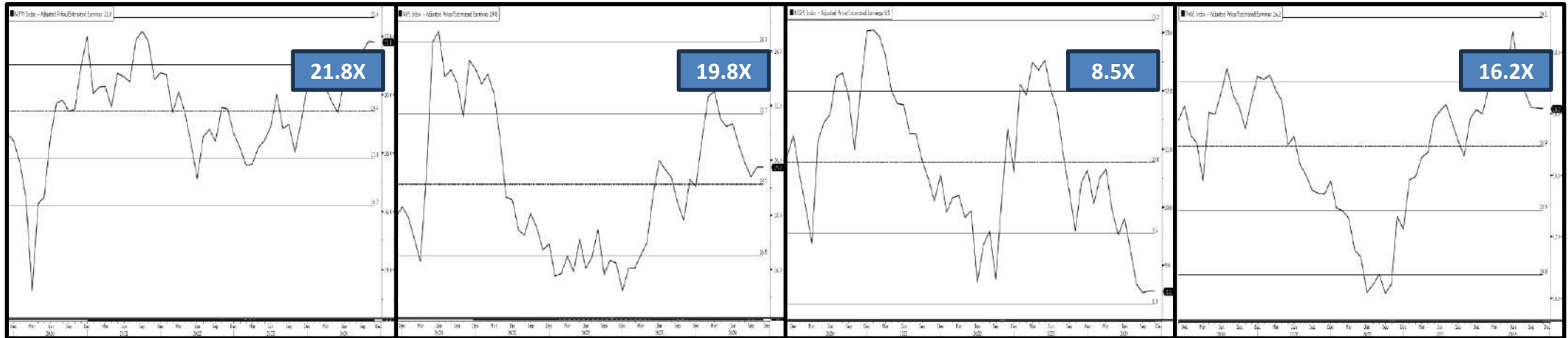
India Nifty

Japan Nikkei 225

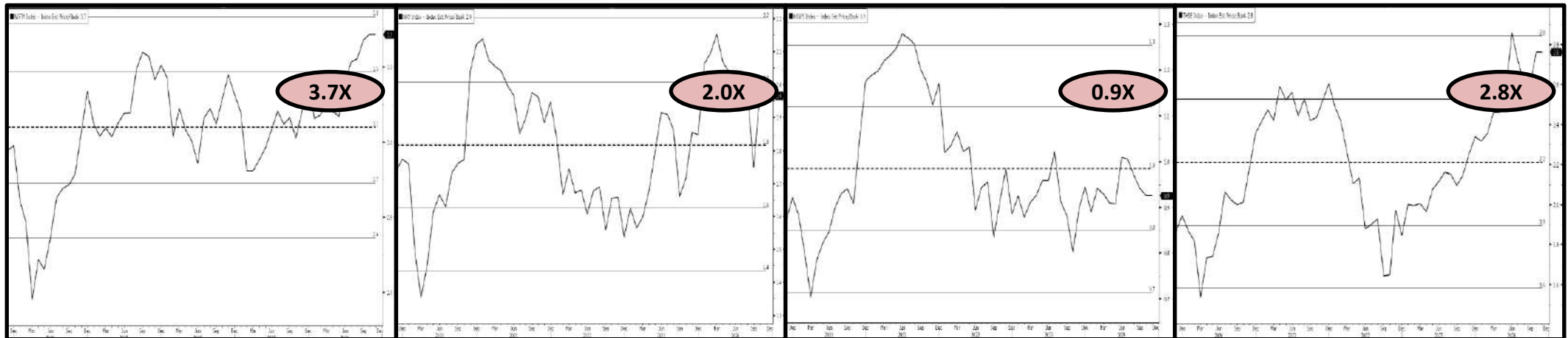
Korea Kospi

Taiwan Taiex

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

Malaysia's valuation has slightly declined amid profit-taking

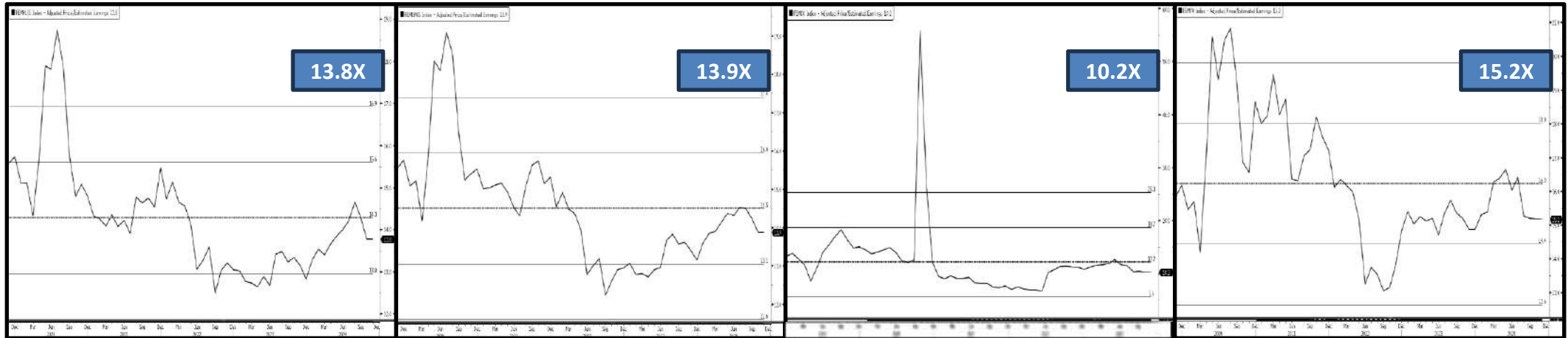
FBM KLCI

FBM Emas

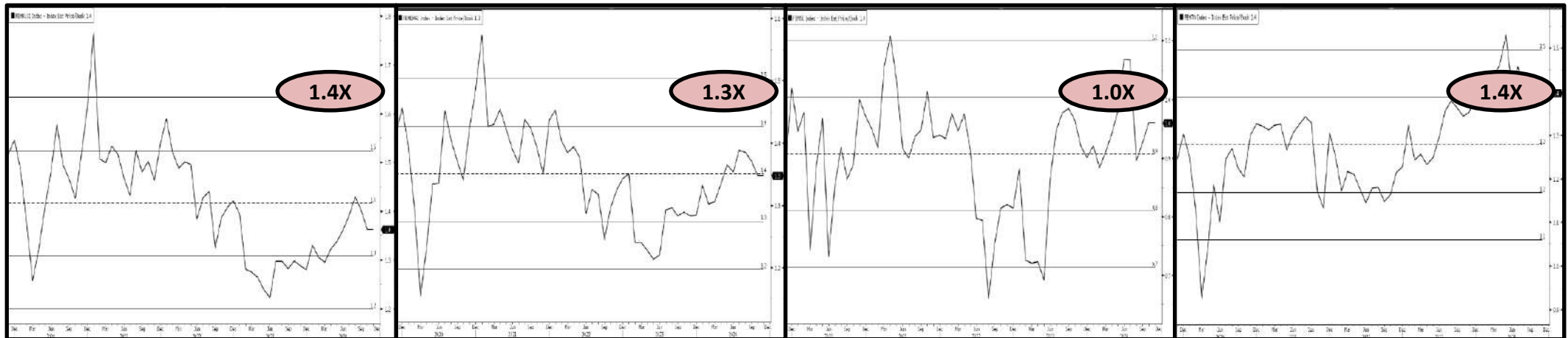
FBMSC

FBM Mid70

P/E



P/B



Source: Bloomberg, PCM, 31 October 2024

ASEAN markets trade below mean valuations

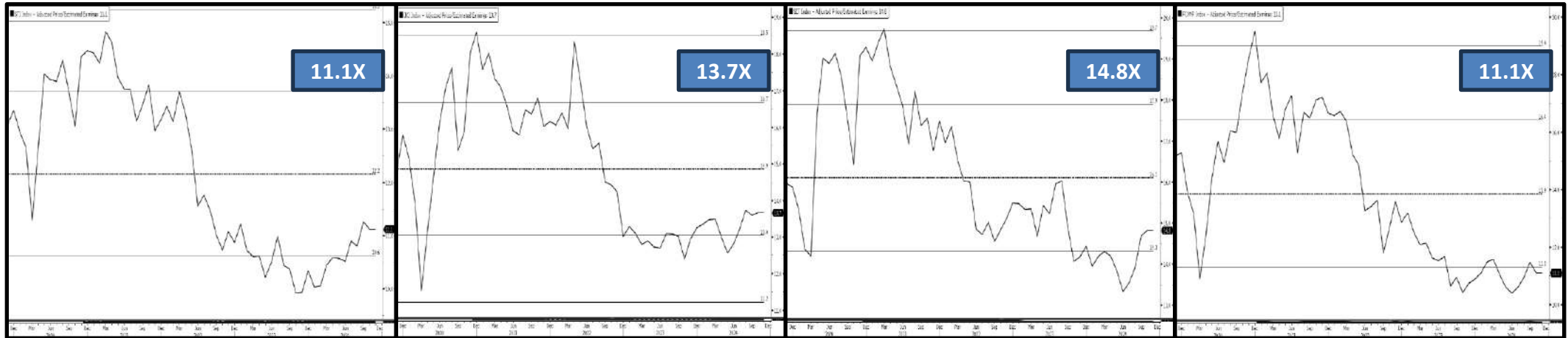
S'pore STI

Indo JCI

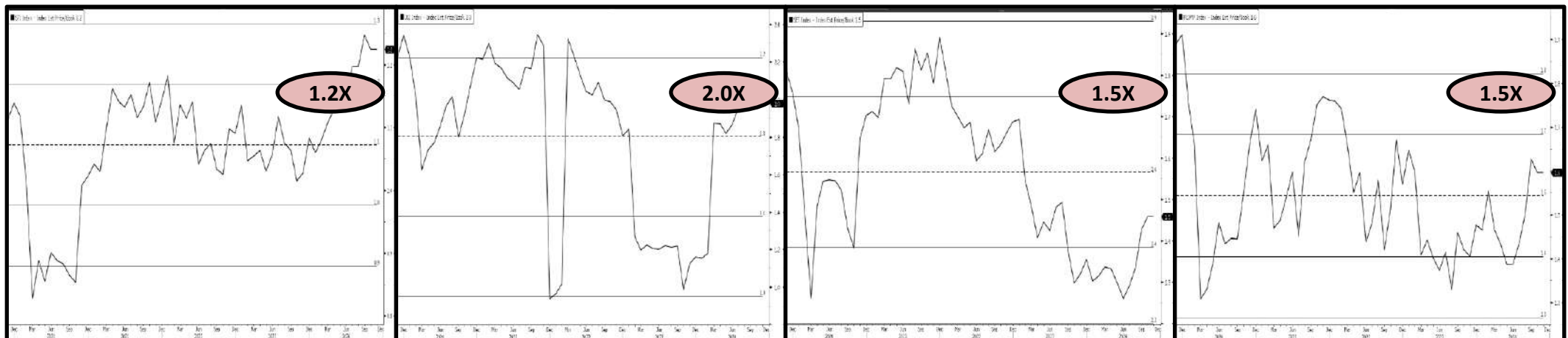
Thai SET

Phil PCOMP

P/E



P/B

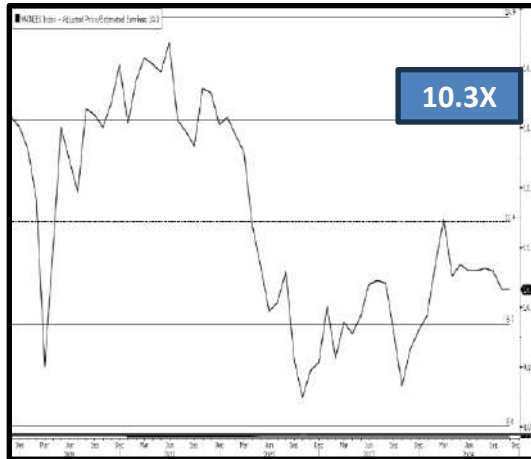


Source: Bloomberg, PCM, 31 October 2024

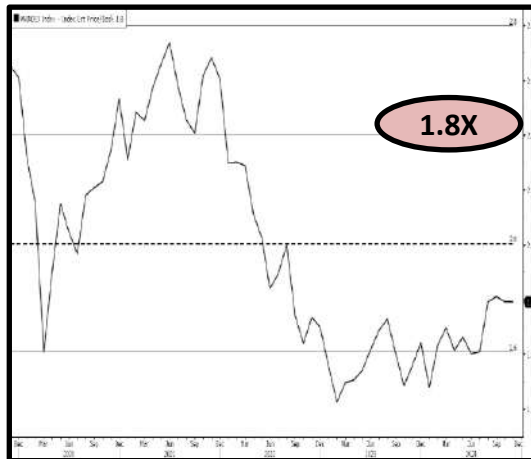
ASEAN markets trade below mean valuations

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
Nov-24	-0.47	0.45	-0.19	0.50	0.25	1.23	-1.08	1.34	0.76	-0.91	1.43	4.96	1.20
YTD'24	9.60	7.67	-2.67	4.82	8.07	15.65	3.27	10.41	8.36	2.61	11.04	3.99	-15.13

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

Blue - Out-performed KLCI * Typical Account

PMA Performance

	FBM KLCI	PMA	Mini PMA	PMA DIV	PMA 4%	PMA 8%	PMA IPO	PMA SyA	Mgt UT	PME GF	PGWA		
											*New Front	*Asia Focus	*World Leader
2023	-2.7	7.3	2.7	11.8	12.5	11.8	6.0	7.6	7.4	1.3	7.3	N/A	14.2
Jan-24	4.01	3.39	1.37	3.33	2.35	5.72	4.36	0.46	-1.57	4.82	-0.39	-18.04	2.43
Feb-24	2.54	1.32	3.48	0.96	0.40	1.79	0.92	4.20	6.50	1.07	4.48	12.72	7.33
Mar-24	-0.99	0.64	1.73	1.03	2.38	3.74	0.95	2.49	1.55	3.79	1.30	-0.95	4.31
Apr-24	2.60	4.42	2.84	3.62	2.44	10.98	8.64	2.41	-0.52	3.94	-0.47	6.42	0.35
May-24	1.31	1.19	4.50	2.23	0.35	-0.14	1.13	5.73	1.77	4.21	0.52	2.54	3.37
Jun-24	-0.41	1.93	1.70	-0.99	-0.15	1.97	3.33	3.73	1.99	1.43	2.31	-1.62	5.21
Jul-24	2.23	1.05	-2.18	2.82	1.61	-1.03	1.08	1.30	-3.18	-0.77	-3.56	-2.72	-7.66
Aug-24	3.27	-6.32	-10.05	2.96	-1.97	-8.57	-9.94	-8.13	-4.19	-8.64	-4.80	0.01	-2.75
Sep-24	-1.78	-0.88	-2.37	-0.47	-0.36	-1.62	-1.07	-3.97	0.81	-0.89	0.84	27.06	-4.64
Oct-24	-2.85	-1.07	0.43	-0.54	-0.63	-0.48	0.06	1.01	2.29	-0.26	1.02	1.46	-1.18
Nov-24	-0.47	0.93	0.92	1.97	-0.41	2.86	2.07	-0.73	0.05	0.16	6.20	-0.82	1.00
YTD24	9.60	6.38	1.55	18.13	6.06	14.97	11.02	7.76	5.20	8.45	6.04	22.19	12.91

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

Bold - 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 30 Nov)
Local					
Phillip Dana Aman *	Equity Malaysia	16/4/1998	33.31	+4.09	+11.61
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	29.81	+0.95	+8.49
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	59.97	+1.34	+8.45
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	45.40	+3.72	+10.60
Phillip Recovery Fund	Equity Malaysia	15/4/1999	16.97	+4.03	+14.74
Phillip Dana Murni *	Bond MYR	25/3/2003	18.46	+5.50	+3.20
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	28.62	+5.17	+10.83
Foreign					
Phillip Dana Dividen *	Equity Global Income	26/7/2007	3.16	+20.30	+7.32
Phillip Global Disruptive Innovation MYR H Fund	Equity Global	22/4/2019	5.14	+9.15	+7.21
Phillip Global Stars Fund	Equity Global	20/7/2006	4.02	+26.60	+6.09
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	6.66	-0.49	+5.28
Phillip Focus China Fund	Equity Greater China	19/5/2009	9.65	-16.41	+11.51

Note: * denotes Shariah funds

Source: Lipper, PCM, 30 November 2024

Thank you!

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