

# Tactical Asset Allocation

February 2025

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

# Market Review – January 2025

MSCI Asia Pacific Ex-Japan underperformed MSCI World; Korea, Taiwan led

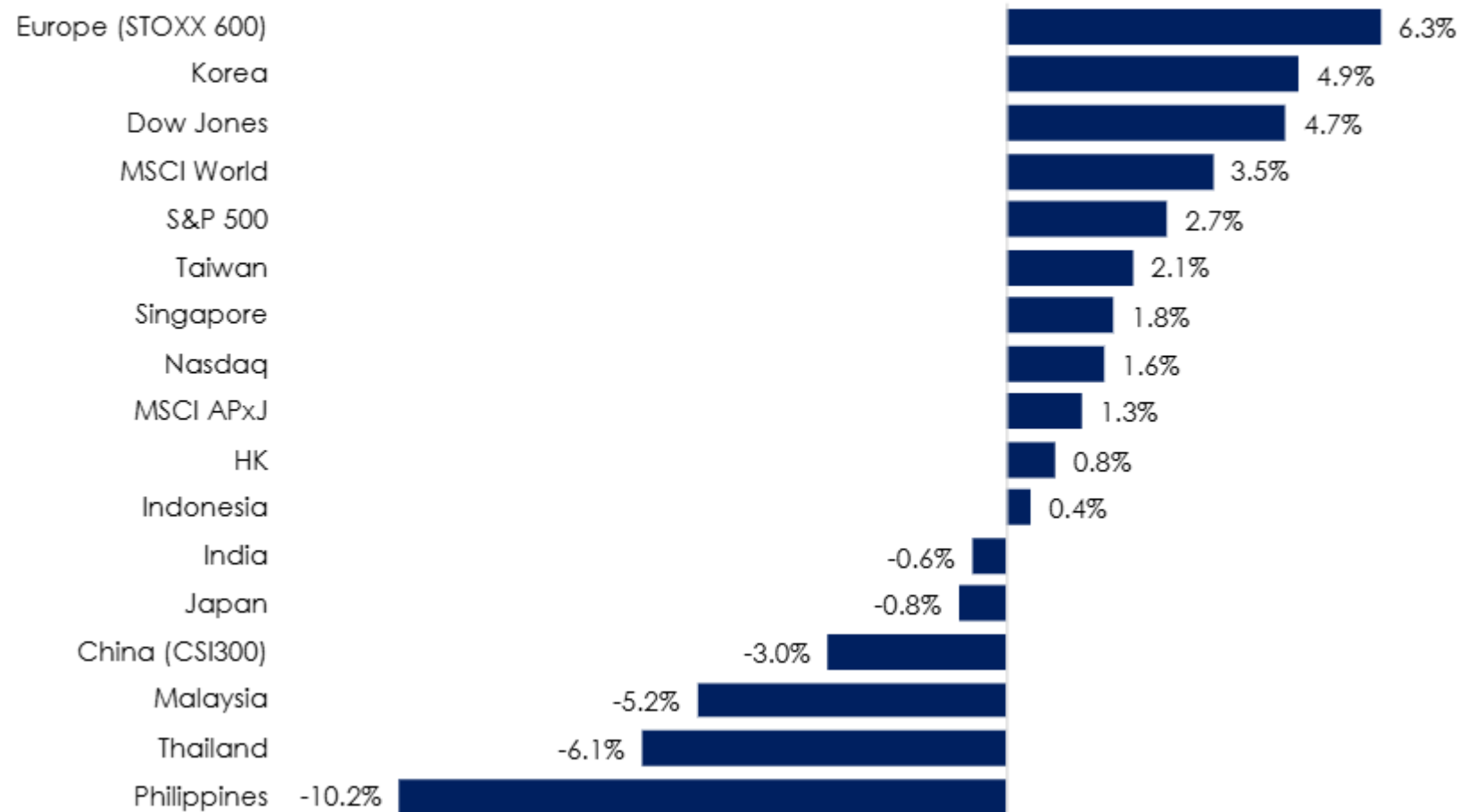
The **MSCI Asia Pacific Ex-Japan Index (1.3%)** trailed the **MSCI World Index (3.5%)** mom following the new year as developed markets such as Europe and US, retraced December pullback due to possible milder Fed Rate cut. **South Korea (+4.9%)** was the region top gainer, breaking its 6-month back-to-back stock market decline on the back of robust overseas demand for the nation's manufactured goods. **Taiwan (+2.1%)** managed to net a handsome gain thanks to TSMC's record quarterly top and bottom-line before closing early for Chinese New Year holidays. Meanwhile, **Singapore (+1.8%)** stocks jumped after the formalisation of the development of the Johor-Singapore Special Economic Zone early in the month. In contrast, **Philippines (-10.2%)** was Asia Pacific's biggest loser as the tropical archipelago failed to meet government GDP growth estimates considerably, at 5.6% yoy vs estimates of 6 - 6.5%. **Thailand (-6.1%)** also suffered heavy losses as automobile production, a huge driver for Thailand economy, saw output decline 21% yoy due to stiff competition from China marques. On the home front, **Malaysia (-5.2%)** saw Data Centre-related stocks stumble after the announcement of new US AI export restrictions as well as the unveiling of innovative programming techniques from OpenAI-competitor, Deepseek, threatening the outlook for huge AI capital expenditures.

On the monetary policy front, January saw a divergence in central bank actions. The Fed kept interest rates unchanged at 4.25-4.50%, while the European Central Bank (ECB) reduced its rate from 3.00% to 2.75%. Meanwhile, in Asia, the Bank of Japan (BOJ) increased its interest rates from 0.25% to 0.50%. Finally, the People's Bank of China held the medium-term lending facility rate at 2.0% and left the 1-year and 5-year loan prime rates unchanged at 3.1% and 3.6%, respectively.

# Market Review – January 2025

Europe, Korea and US led; Philippines, Thailand and Malaysia lagged

Market Performance January 2025



# Market Outlook (Global)

## What to look ahead?

DeepSeek has become a key market concern in January, with its cost-efficient use of lower-tier chips challenging US tech dominance. Our analysis suggests that if this trend persists, it could reshape the global semiconductor industry. We believe it is crucial to monitor responses from major tech firms, which have committed billions to AI infrastructure, as demand for high-end AI chips may decline. Separately, after announcing a 25% tariff on imports from Canada and Mexico, President Donald Trump agreed to delay them for one month. However, the 10% tariff on China remains set to take effect from 4 February onwards. The tariffs are aimed at addressing the fentanyl crisis, protecting US industries, and negotiating better deals. We believe US Treasury yields are likely to stay elevated and the dollar is likely to strengthen amid tariffs. We favour the US over Asia-Pacific for now, as US equities are likely to benefit from tariffs and a stronger dollar. As global markets grapple with heightened uncertainty, we emphasize the importance of diversification and a focus on quality amid volatility.

## Market Outlook (Local)

### What to look ahead?

The Malaysian market saw weak performance in January, primarily due to profit-taking and foreign selling, particularly in AI/DC-related stocks, after news of Deepseek's Large Language Model (LLM) performance dampened sentiment on capex investment. However, we believe that Moody's reaffirmation of Malaysia's sovereign credit rating at 'A3' – an upper-medium grade with low credit risk – highlights the country's continued appeal as an investment destination. On a separate note, Malaysia market has never been this attractive in quite a while, with foreign shareholding hitting a record low of 19.4% in January. The KLCI now trades at 13.6x P/E, 1 standard deviation below its 10-year mean.

# Strategy

We are neutral 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	Tech	Consumer
	Bear	Telco	Plantation

# Strategy

We are neutral on equities

We are **neutral** on **global equities** as geopolitical risks and rising inflation concerns continue to influence market sentiment. However, with the recent ceasefire between Israel and Hamas, the outlook is somewhat more positive, offering a glimmer of stability. In terms of market positioning, we favor the **U.S.** over **Asia-Pacific** for now, as U.S. equities are likely to benefit from tariffs and a stronger dollar. As global markets grapple with heightened uncertainty, we emphasize the importance of diversification and a focus on quality amid volatility. 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.

In Malaysia, we maintain a neutral stance on **large-cap stocks** while continuing to favour selected **small-cap** stocks. Sector-wise, we are positive on the **Technology** sector, with semiconductor stabilization and emerging AI opportunities. We are also optimistic about the **Consumer** sector, supported by civil servant salary hikes and EPF Account 3 withdrawals, which are expected to boost domestic consumption. However, we remain underweight on the **Telco** and **Plantation** sectors.

# Appendices



# Selected Market Indices Valuations

As of 31 December 2024,

Summary (5 years)

	Fwd P/E	S.D.	Fwd P/B	S.D.
MSCI WORLD	19.1x	0.6	3.4x	1.8
MAPXJ	13.2x	-0.5	1.8x	0.5
MSCI EM	11.8x	-0.5	1.7x	0.5
MSCI ASEAN	13.2x	-1.0	1.7x	1.0
CHINA (CSI300)	12.9x	0.2	1.6x	-0.5
HONG KONG (HSI)	9.1x	-0.6	1.1x	0.2
US (S&P 500)	21.6x	1.0	5.0x	1.9
EUROPE (STOXX 600)	13.4x	-0.5	1.9x	0.6
INDIA (NIFTY 50)	19.6x	0.1	3.4x	0.8
JAPAN (NIKKEI 225)	20.0x	0.3	2.1x	1.5
KOREA (KOSPI)	8.0x	-2.1	0.9x	-0.8
TAIWAN (TAIEX)	16.1x	0.5	2.8x	1.8
SPORE (STI)	11.1x	-0.3	1.2x	2.0
INDO (JCI)	11.4x	-1.9	1.8x	0.0
THAI (SET)	14.2x	-1.0	1.4x	-1.1
PHIL (PCOMP)	10.0x	-1.6	1.5x	-0.5
VIET (VNINDEX)	10.2x	-0.7	1.7x	-0.7
MALAYSIA (FBMKLCI)	14.5x	0.1	1.5x	0.7
MALAYSIA (FBM EMAS)	14.4x	0.0	1.4x	1.0
MALAYSIA (FBMSC)	11.3x	-0.2	1.0x	0.5
MALAYSIA (FBM70)	15.3x	-0.5	1.4x	1.0

Source: Bloomberg, PCM, 31 December 2024

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

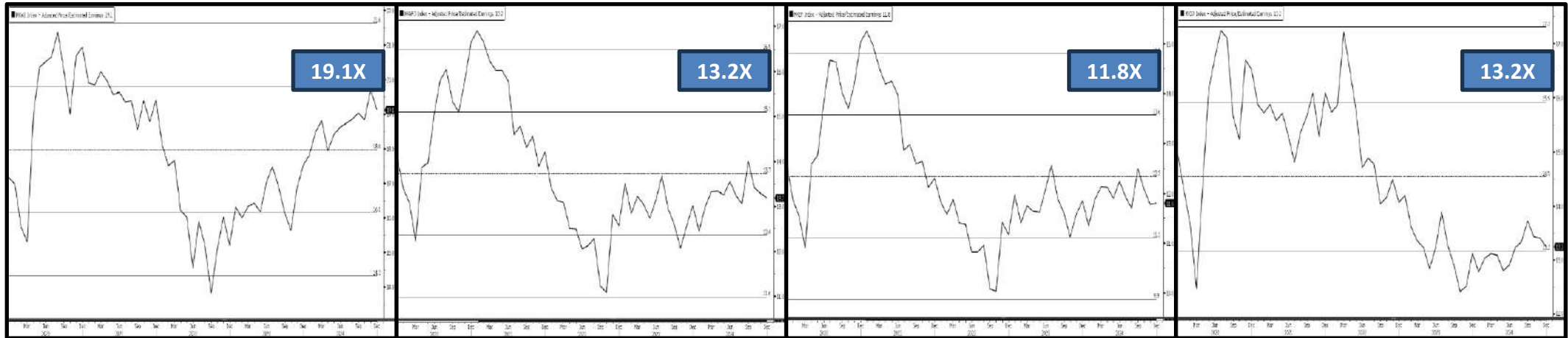
MSCI World

MSCI APxJ

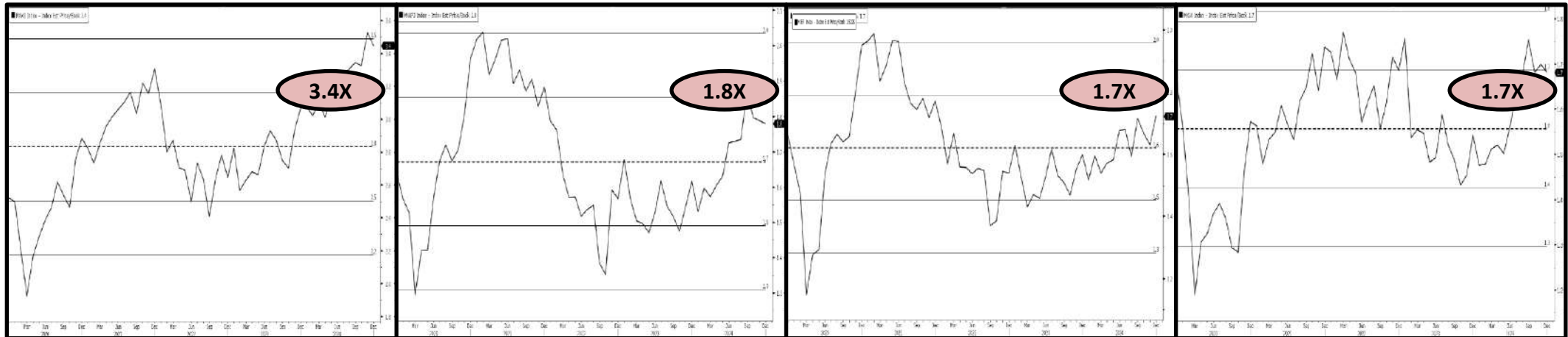
MSCI EM

MSCI ASEAN

P/E



P/B



Source: Bloomberg, PCM, 31 December 2024

# HK valuation looks attractive; while the US trades above the mean

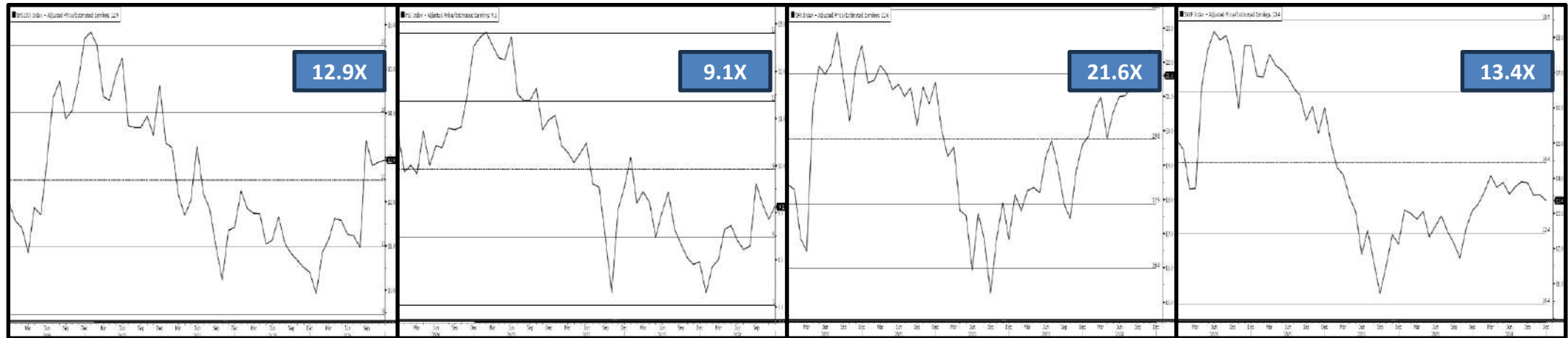
CSI 300

HSI

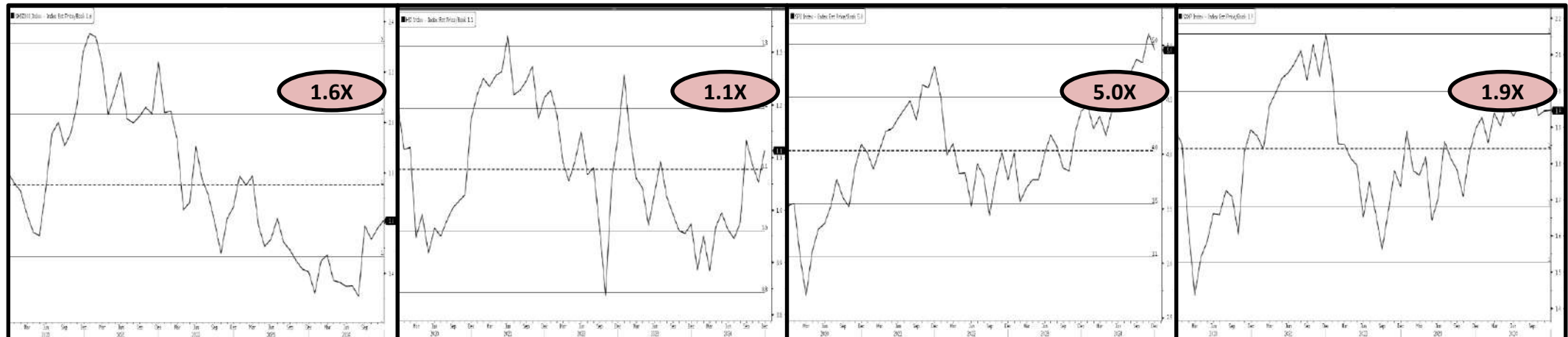
US S&P 500

Europe Stoxx 600

P/E



P/B



Source: Bloomberg, PCM, 31 December 2024

PhillipCapital  
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50  
Years

# India's valuation returns to average; Korea remains cheapest

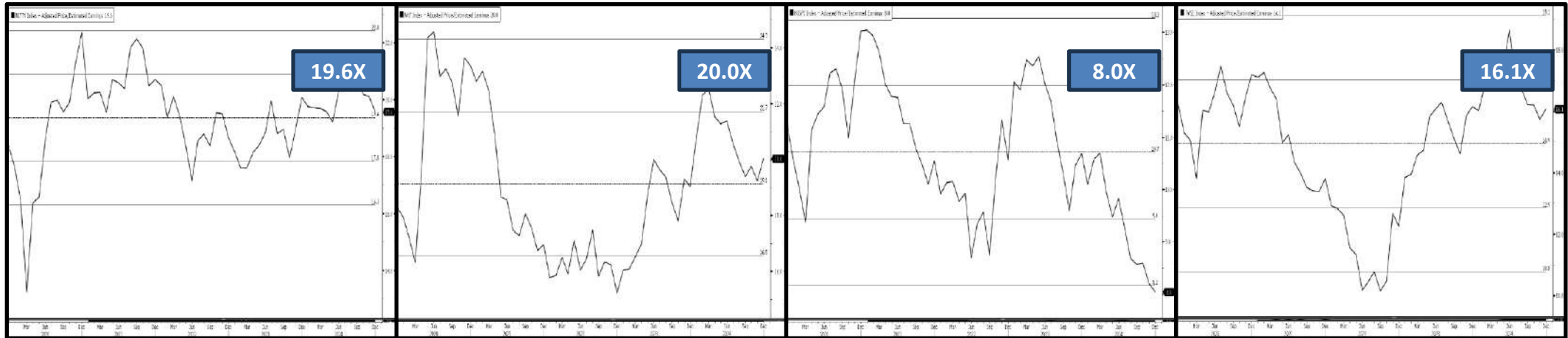
India Nifty

Japan Nikkei 225

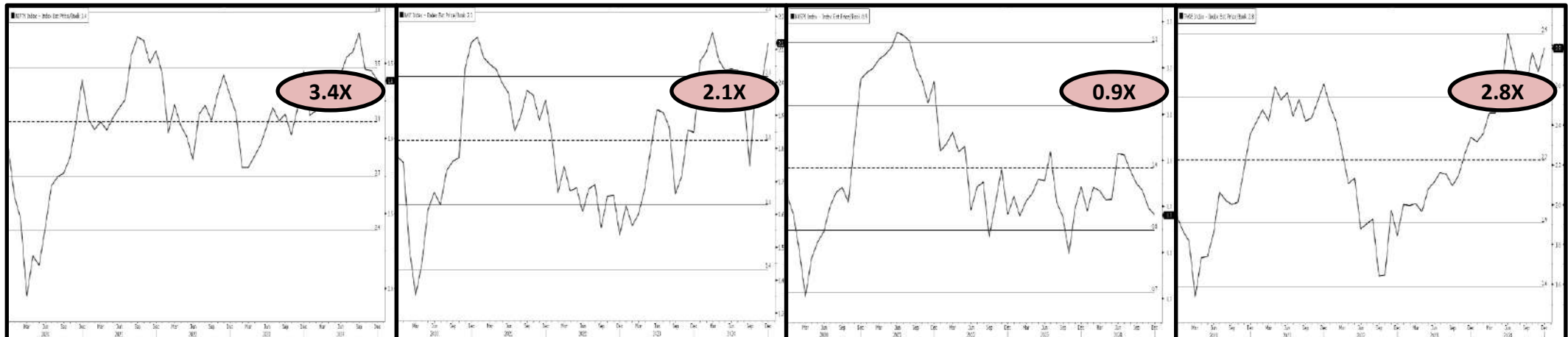
Korea Kospi

Taiwan Taieix

P/E



P/B



Source: Bloomberg, PCM, 31 December 2024

# KLCI trades at mean, while small and mid caps trade below mean

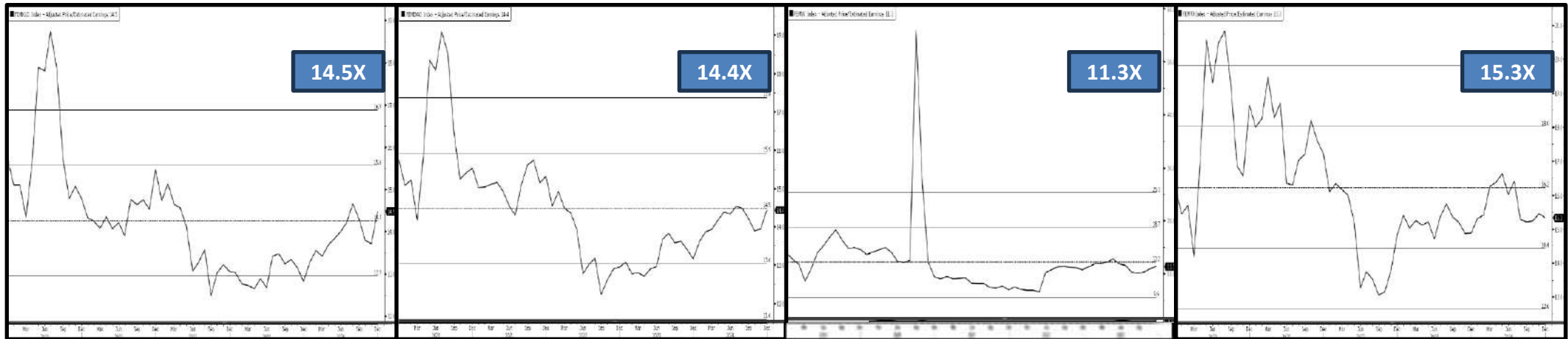
FBM KLCI

FBM Emas

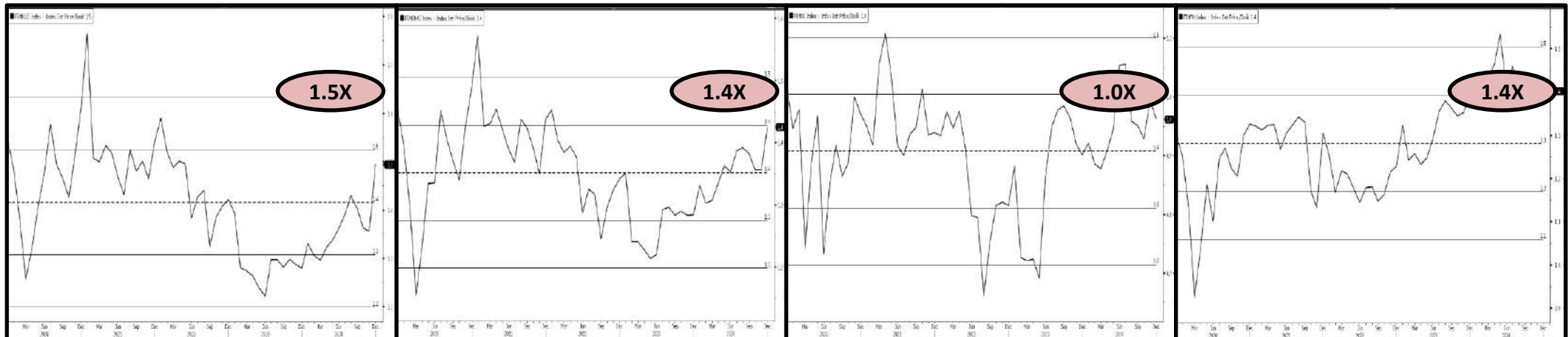
FBMSC

FBM Mid70

P/E



P/B



Source: Bloomberg, PCM, 31 December 2024

# ASEAN markets trade below mean valuations

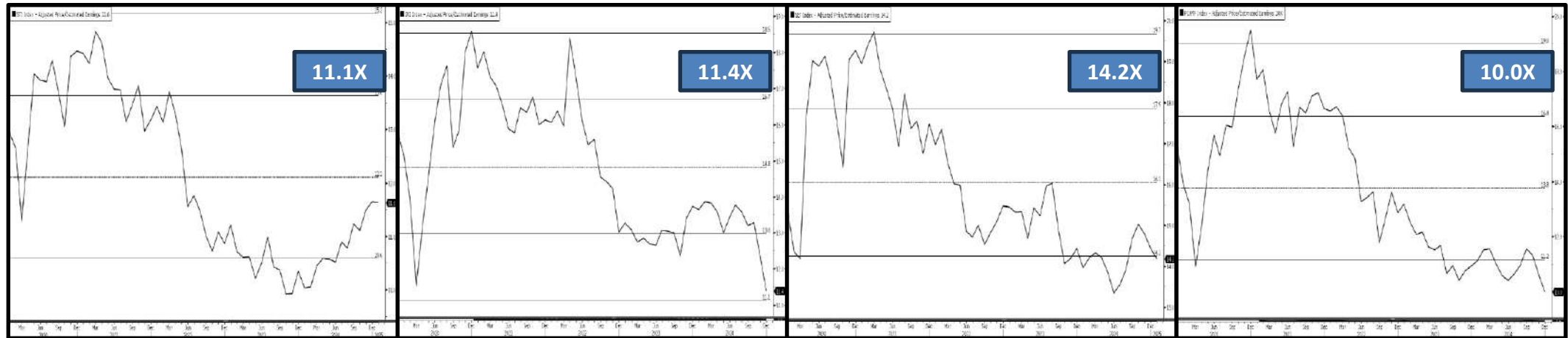
S'pore STI

Indo JCI

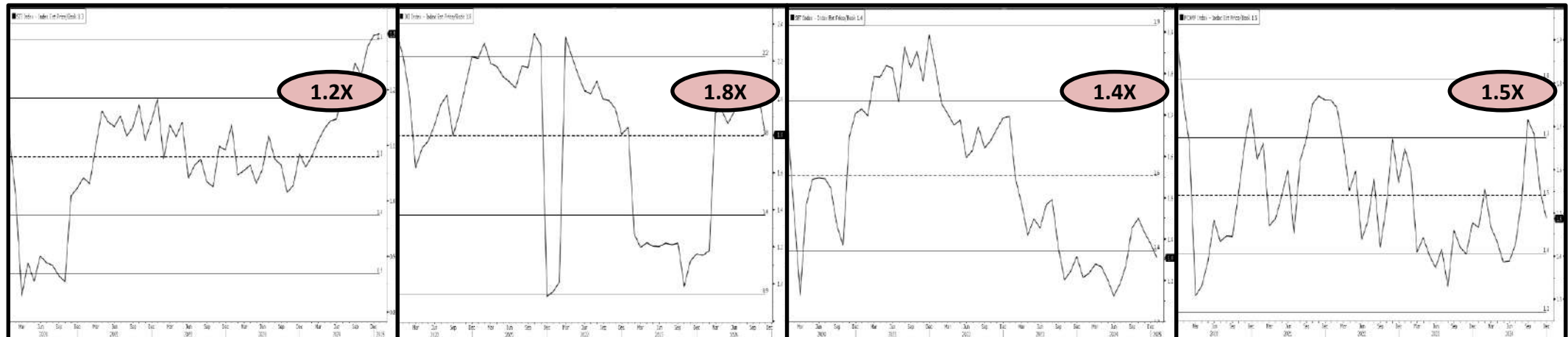
Thai SET

Phil PCOMP

P/E



P/B



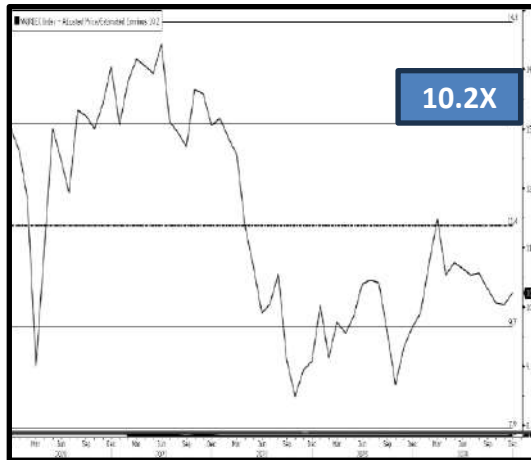
Source: Bloomberg, PCM, 31 December 2024



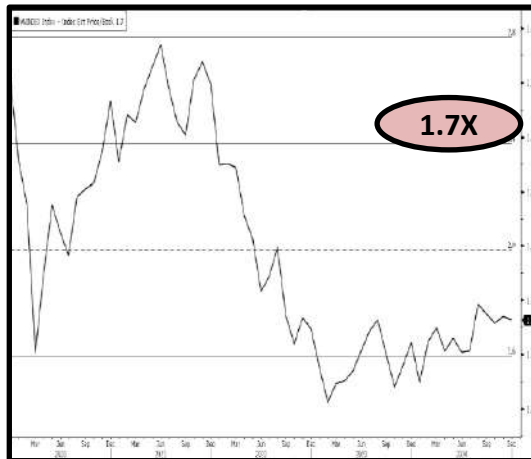
# ASEAN markets trade below mean valuations

## Vietnam VNIndex

P/E



P/B



Source: Bloomberg, PCM, 31 December 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*
<b>2023</b>	<b>-2.7</b>	<b>6.3</b>	<b>5.5</b>	<b>4.7</b>	<b>1.2</b>	<b>9.5</b>	<b>3.1</b>	N/A	N/A	<b>12.3</b>	<b>9.7</b>	N/A	N/A
<b>2024</b>	<b>12.9</b>	10.5	1.5	9.2	11.2	<b>13.7</b>	4.2	12.1	9.2	4.4	11.0	1.2	-17.8
Jan-24	4.01	2.84	1.05	1.67	2.92	2.41	-1.24	<b>4.37</b>	1.79	-2.72	3.36	0.37	1.37
Feb-24	2.54	1.22	<b>3.33</b>	<b>4.34</b>	<b>2.72</b>	0.78	<b>4.75</b>	1.89	<b>4.11</b>	2.33	2.02	0.83	1.50
Mar-24	-0.99	<b>1.36</b>	<b>1.30</b>	<b>2.08</b>	<b>0.06</b>	<b>0.54</b>	<b>2.30</b>	<b>2.55</b>	<b>1.86</b>	<b>0.68</b>	<b>0.15</b>	<b>3.17</b>	<b>2.97</b>
Apr-24	2.60	1.86	1.66	<b>2.69</b>	<b>2.72</b>	<b>4.09</b>	1.55	1.87	0.54	-1.08	1.11	-3.69	-6.85
May-24	1.31	<b>3.62</b>	<b>3.08</b>	<b>3.35</b>	<b>2.47</b>	<b>3.03</b>	<b>1.33</b>	<b>2.22</b>	<b>2.90</b>	<b>3.35</b>	<b>5.42</b>	<b>5.58</b>	<b>5.02</b>
Jun-24	-0.41	<b>0.29</b>	<b>0.14</b>	<b>0.57</b>	<b>-0.05</b>	-1.52	<b>2.48</b>	<b>2.30</b>	<b>2.72</b>	<b>0.45</b>	<b>2.72</b>	-4.20	-5.20
Jul-24	2.23	0.55	-0.63	0.87	1.63	<b>2.60</b>	-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	<b>-0.72</b>	-4.07	-3.52	<b>-1.73</b>	<b>-0.67</b>	<b>-1.61</b>	<b>-1.47</b>	<b>-1.43</b>	<b>3.01</b>	-3.21	<b>-0.26</b>	-2.65
Oct-24	-2.85	<b>-1.18</b>	<b>-0.25</b>	<b>-0.12</b>	<b>-1.83</b>	<b>-0.36</b>	<b>2.03</b>	<b>1.22</b>	<b>1.64</b>	<b>1.97</b>	<b>1.52</b>	<b>6.91</b>	<b>2.50</b>
Nov-24	-0.47	<b>0.45</b>	<b>-0.19</b>	<b>0.50</b>	<b>0.25</b>	<b>1.23</b>	-1.08	<b>1.34</b>	<b>0.76</b>	-0.91	<b>1.43</b>	<b>4.96</b>	<b>1.20</b>
Dec-24	3.01	2.65	<b>4.29</b>	<b>4.16</b>	2.93	-1.69	0.89	1.50	0.75	1.77	-0.01	-2.71	-3.17
Jan-25	-5.20	<b>-4.45</b>	-6.23	-5.35	<b>-4.96</b>	<b>-1.92</b>	<b>-2.22</b>	<b>-2.60</b>	<b>-2.64</b>	<b>-1.36</b>	<b>-3.01</b>	<b>2.65</b>	<b>4.39</b>
<b>YTD</b>	<b>-5.20</b>	<b>-4.45</b>	-6.23	-5.35	<b>-4.96</b>	<b>-1.92</b>	<b>-2.22</b>	<b>-2.60</b>	<b>-2.64</b>	<b>-1.36</b>	<b>-3.01</b>	<b>2.65</b>	<b>4.39</b>

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
<b>2023</b>	<b>-2.7</b>	<b>7.3</b>	<b>2.7</b>	<b>11.8</b>	<b>12.5</b>	<b>11.8</b>	<b>6.0</b>	<b>7.6</b>	<b>7.4</b>	<b>1.3</b>	<b>7.3</b>	N/A	<b>14.2</b>
<b>2024</b>	<b>12.9</b>	8.6	5.2	<b>16.1</b>	7.0	<b>17.2</b>	12.5	<b>14.5</b>	5.4	<b>13.6</b>	6.4	<b>23.8</b>	9.5
Jan-24	4.01	3.39	1.37	3.33	2.35	<b>5.72</b>	<b>4.36</b>	0.46	-1.57	<b>4.82</b>	-0.39	-18.04	2.43
Feb-24	2.54	1.32	<b>3.48</b>	0.96	0.40	1.79	0.92	<b>4.20</b>	<b>6.50</b>	1.07	<b>4.48</b>	<b>12.72</b>	<b>7.33</b>
Mar-24	-0.99	<b>0.64</b>	<b>1.73</b>	<b>1.03</b>	<b>2.38</b>	<b>3.74</b>	<b>0.95</b>	<b>2.49</b>	<b>1.55</b>	<b>3.79</b>	<b>1.30</b>	<b>-0.95</b>	<b>4.31</b>
Apr-24	2.60	<b>4.42</b>	<b>2.84</b>	<b>3.62</b>	2.44	<b>10.98</b>	<b>8.64</b>	2.41	-0.52	<b>3.94</b>	-0.47	<b>6.42</b>	0.35
May-24	1.31	1.19	<b>4.50</b>	<b>2.23</b>	0.35	-0.14	1.13	<b>5.73</b>	<b>1.77</b>	<b>4.21</b>	0.52	<b>2.54</b>	<b>3.37</b>
Jun-24	-0.41	<b>1.93</b>	<b>1.70</b>	-0.99	<b>-0.15</b>	<b>1.97</b>	<b>3.33</b>	<b>3.73</b>	<b>1.99</b>	<b>1.43</b>	<b>2.31</b>	-1.62	<b>5.21</b>
Jul-24	2.23	1.05	-2.18	<b>2.82</b>	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	<b>-0.88</b>	-2.37	<b>-0.47</b>	<b>-0.36</b>	<b>-1.62</b>	<b>-1.07</b>	-3.97	<b>0.81</b>	<b>-0.89</b>	<b>0.84</b>	<b>27.06</b>	-4.64
Oct-24	-2.85	<b>-1.07</b>	<b>0.43</b>	<b>-0.54</b>	<b>-0.63</b>	<b>-0.48</b>	<b>0.06</b>	<b>1.01</b>	<b>2.29</b>	<b>-0.26</b>	<b>1.02</b>	<b>1.46</b>	<b>-1.18</b>
Nov-24	-0.47	<b>0.93</b>	<b>0.92</b>	<b>1.97</b>	<b>-0.41</b>	<b>2.86</b>	<b>2.07</b>	-0.73	<b>0.05</b>	<b>0.16</b>	<b>6.20</b>	-0.82	<b>1.00</b>
Dec-24	3.01	2.05	<b>3.61</b>	-1.72	0.84	1.98	1.36	<b>6.23</b>	0.21	<b>4.74</b>	0.27	1.35	-2.99
Jan-25	-5.20	<b>-4.68</b>	<b>-4.57</b>	<b>-2.19</b>	<b>-2.18</b>	<b>-4.93</b>	-6.04	-7.65	<b>-1.10</b>	-8.96	<b>1.85</b>	<b>-2.27</b>	<b>1.55</b>
<b>YTD</b>	<b>-5.20</b>	<b>-4.68</b>	<b>-4.57</b>	<b>-2.19</b>	<b>-2.18</b>	<b>-4.93</b>	-6.04	-7.65	<b>-1.10</b>	-8.96	<b>1.85</b>	<b>-2.27</b>	<b>1.55</b>

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 Return (%)	2025 Return (%)
<b>Local</b>						
Phillip Dana Aman *	Equity Malaysia	16/4/1998	31.41	+4.09	+13.38	-6.49
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	29.17	+0.95	+10.93	-1.93
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	57.02	+1.34	+13.59	-8.96
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	43.39	+3.72	+20.44	-10.32
Phillip Recovery Fund	Equity Malaysia	15/4/1999	16.19	+4.03	+16.30	-4.03
Phillip Dana Murni *	Bond MYR	25/3/2003	18.67	+5.50	+3.43	+0.31
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	27.83	+5.17	+14.27	-4.72
<b>Foreign</b>						
Phillip Dana Dividen *	Equity Global Income	26/7/2007	3.03	+20.30	+6.88	-0.96
Phillip Global Disruptive Innovation MYR H Fund	Equity Global	22/4/2019	5.18	+9.15	+6.54	+1.76
Phillip Global Stars Fund	Equity Global	20/7/2006	4.19	+26.60	+9.06	+1.40
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	7.58	-0.49	+7.52	-0.30
Phillip Focus China Fund	Equity Greater China	19/5/2009	9.97	-16.41	+16.67	-0.82

Note: \* denotes Shariah funds

Source: Lipper, PCM, 31 January 2025

**Thank you!**

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