

Tactical Asset Allocation

March 2025

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

Market Review – February 2025

MSCI Asia Pacific Ex-Japan outperformed MSCI World; HK/China led

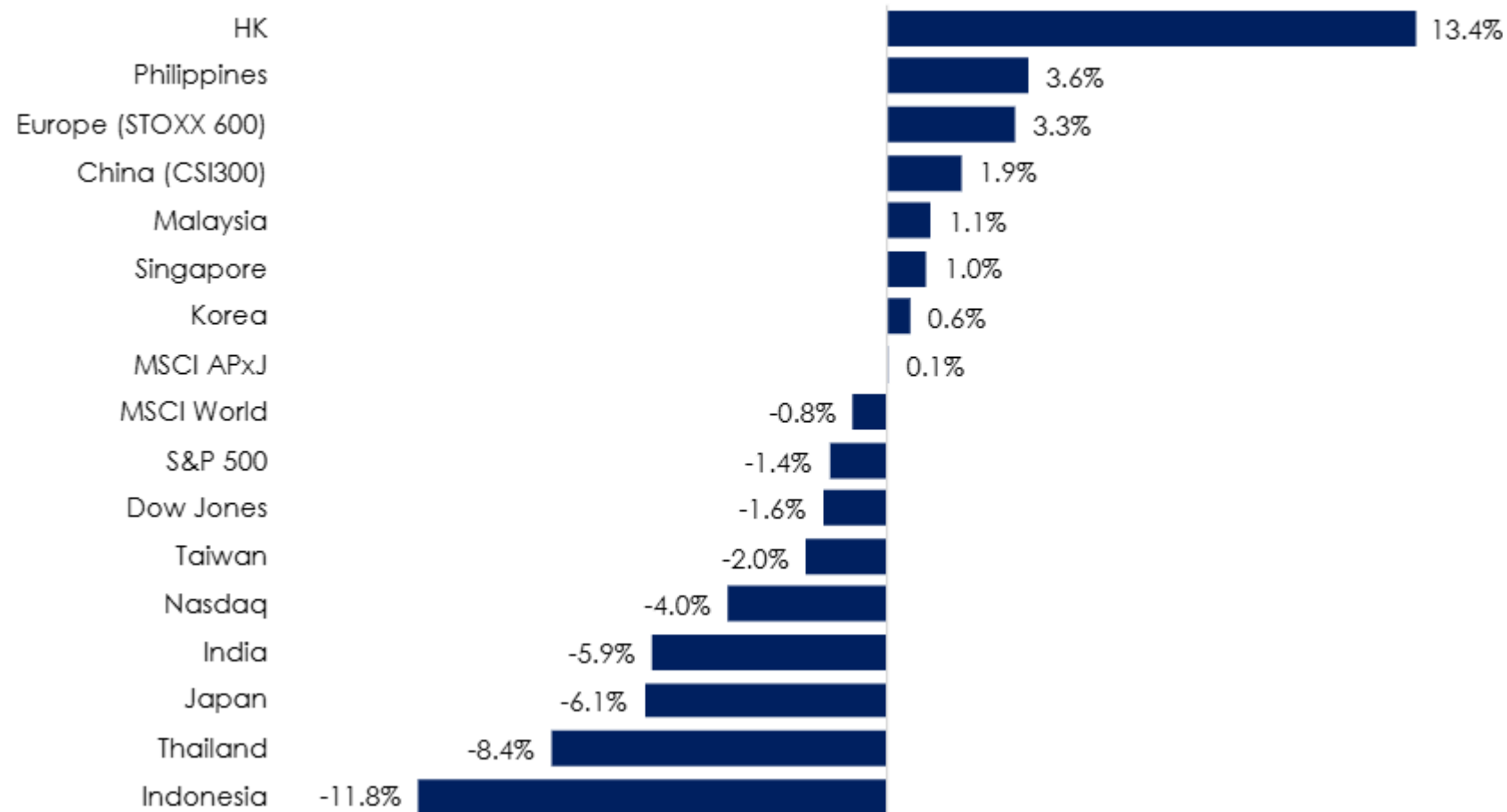
Both the **MSCI Asia Pacific Ex-Japan Index (0.1%)** and **MSCI World Index (-0.8%)** remained flat mom as global markets were largely mixed in February. **Hong Kong (+13.4%)** and **China (+1.9%)** enjoyed a huge rally on the back of DeepSeek, a Chinese AI language model, reigniting massive interest towards China Tech. **Philippines (+3.6%)** finally broke out of its 4-month back-to-back decline thanks to strong earnings results for its local banks as well as an MSCI rebalancing boost. On the other hand, **Indonesia (-11.8%)** suffered a massive market selloff as President Prabowo's radical austerity measures rattled investors' nerves. In the same vein, **Thailand (-8.4%)** faced eroding investor sentiment as increase competition and structural issues threaten its once vibrant industrial scene, prompting the Bank of Thailand to cut its policy rate to 2%. In contrast, **Japan (-6.1%)** equities saw a significant decline despite better-than-expected economic growth at 2.8% for 4Q24 and stable inflation around the target level of 2%.

On the monetary policy front, the Bank of England (BOE) reduced its rate from 4.75% to 4.50%. Meanwhile, in Asia, the Bank of Korea (BOK) decreased its interest rates from 3.00% to 2.75%. The Reserve Bank of India (RBI) cut its key interest rate from 6.50% to 6.25%, for the first time in nearly five years. 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 – February 2025

HK, Philippines and Europe led; Indonesia, Thailand and Japan lagged

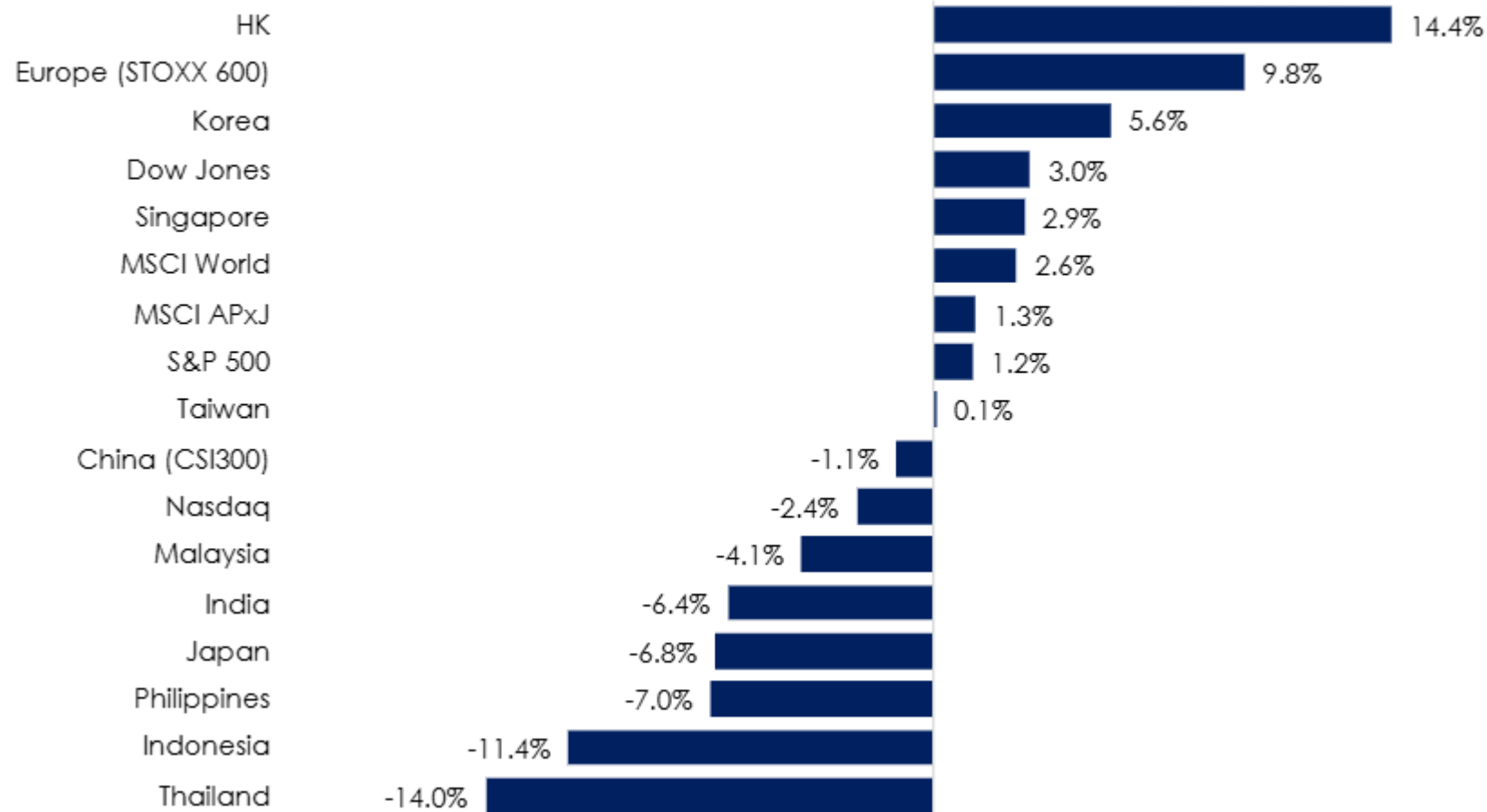
Market Performance February 2025



Market Review – YTD February 2025

HK, Europe and Korea led; Thailand, Indonesia and Philippines lagged

Market Performance YTD February 2025



Market Outlook (Global)

What to look ahead?

Amid growing concerns about potential overcapacity in AI infrastructure and its effect on overall market sentiment, investors are likely to remain on the sidelines. Additionally, ongoing worries about President Trump's tariff plans and measures to limit investments between the US and China will continue to weigh on global trade and economic growth, dampening risk appetite. 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 remained weak throughout the month, with mid and small-cap stocks lagging behind large-cap stocks. The results season was mixed, with sectors like oil & gas, technology, healthcare, rubber products, consumer, and auto underperforming, while plantations, transport, property, and basic materials exceeded expectations. Positive earnings revisions were seen in REITs, plantation, banking, and property. Valuation remains attractive with the KLCI trading at 13.8x P/E, 1 standard deviation below its 10-year mean. FBM Emas which comprises the big, medium and small cap companies in Malaysia now trades at 13.4x P/E, 1.3 standard deviation below its 10-year mean. We remain vigilant in our stock and sector selection against increasing macro risks from trade tensions and geopolitical uncertainties.

We are neutral on equities, with a preference for the Malaysia market, which has fallen more than others during the recent market correction, offering value

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Strategy

We are neutral on equities, with a preference for the Malaysia market, which has fallen more than others during the recent market correction, offering value

We are **neutral** on **global equities** as geopolitical risks and weak economic data continue to influence market sentiment. Many sell-side brokers now believe that tariffs have increased the likelihood of a U.S. recession. As a result, the MSCI World Index has experienced a correction and is now trading close to its historical average with a P/E ratio of 18.4x, while the S&P 500 stands at 20.1x, also near its historical mean. On a separate note, we are becoming more optimistic about China. During the first week of March, officials set a 5% GDP growth target, 2% CPI, and 5.5% unemployment rate for 2025. Policies include increased government bond issuance, credit expansion, fiscal deficit rise to 4%, and support for innovation, households, and the property market.

Our Tactical Asset Allocation for the month indicates a preference for the Malaysian market, which has experienced a larger decline compared to others in the recent market correction, presenting a value opportunity. We maintain a **neutral** stance on **large-cap stocks** while continuing to **favour** selected **small-cap** stocks which have declined more than the large caps. Sector-wise, we prefer defensive sectors such as **Financials** and **Consumer**. The Financials sector, especially, is a liquid proxy to market performance, benefiting if investor sentiment improves. On the other hand, we turned negative on **Technology** due to the growing uncertainty around trade and industry policy changes under the new US administration, as well as the muted demand recovery for consumer electronics and automotive, both of which could lead to downside risks for sector earnings. Lastly, we maintain an underweight stance on the **Telco** sector.

Appendices

MSCI World is trading close to the average after the sell-off

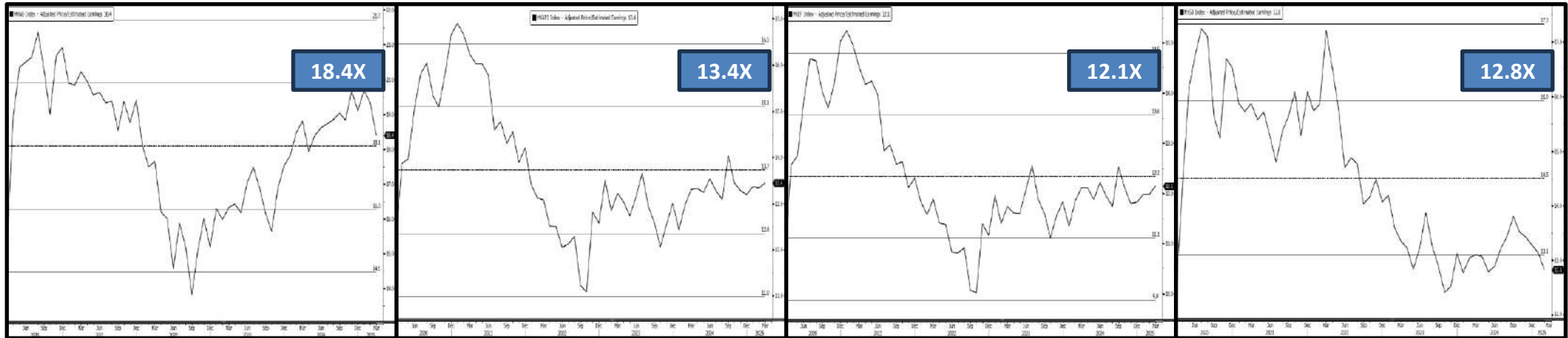
MSCI World

MSCI APxJ

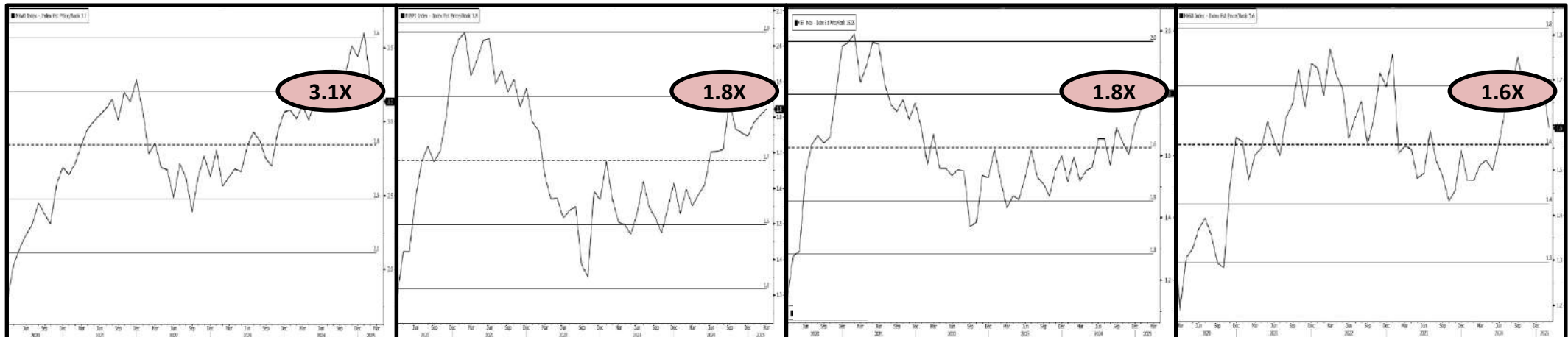
MSCI EM

MSCI ASEAN

P/E



P/B



Source: Bloomberg, PCM, 12 March 2025

HK & China re-rated, while the US is trading at the mean

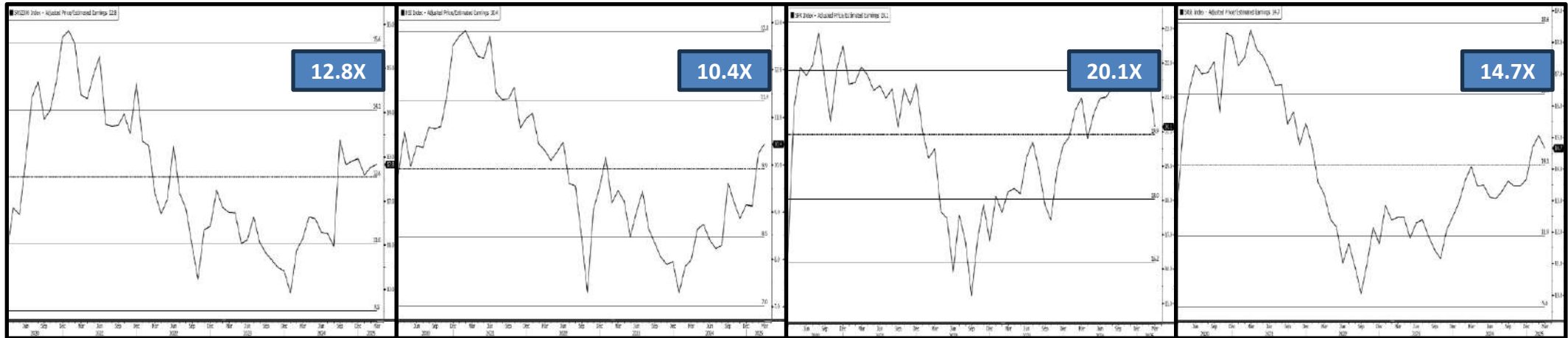
CSI 300

HSI

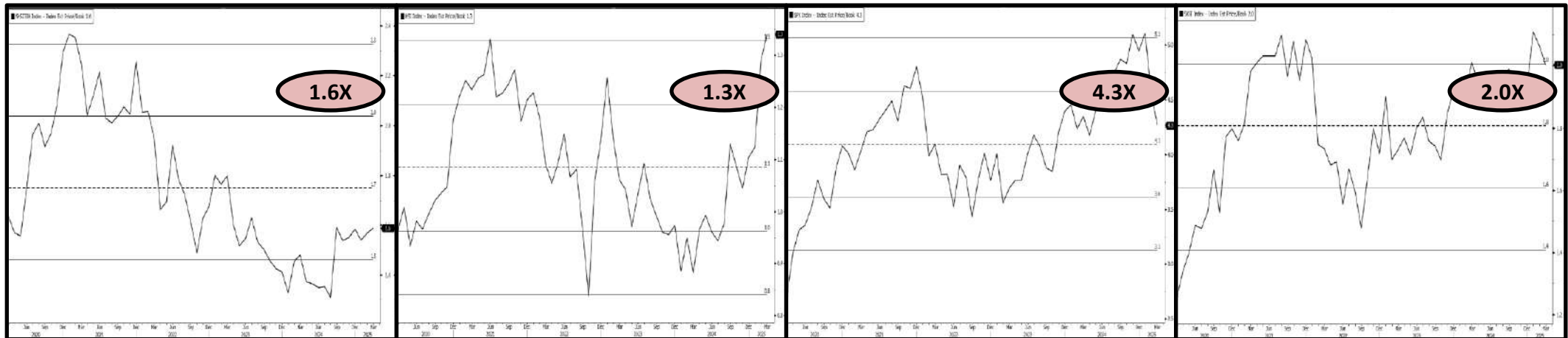
US S&P 500

Europe Stoxx 50

P/E



P/B



Source: Bloomberg, PCM, 12 March 2025

India is trading below mean; Korea remains cheapest

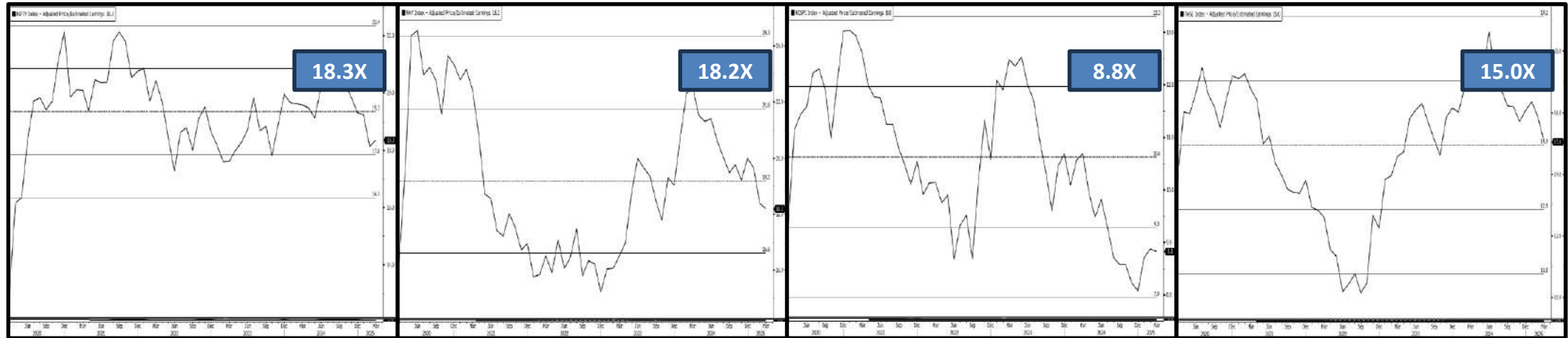
India Nifty

Japan Nikkei 225

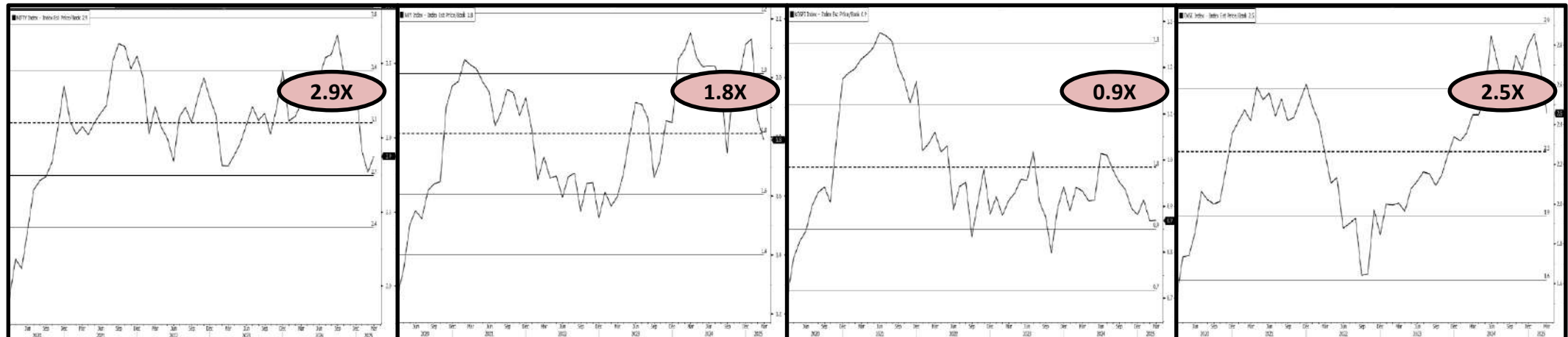
Korea Kospi

Taiwan TaieX

P/E



P/B



Source: Bloomberg, PCM, 12 March 2025

Malaysia's sharp correction makes valuation attractive

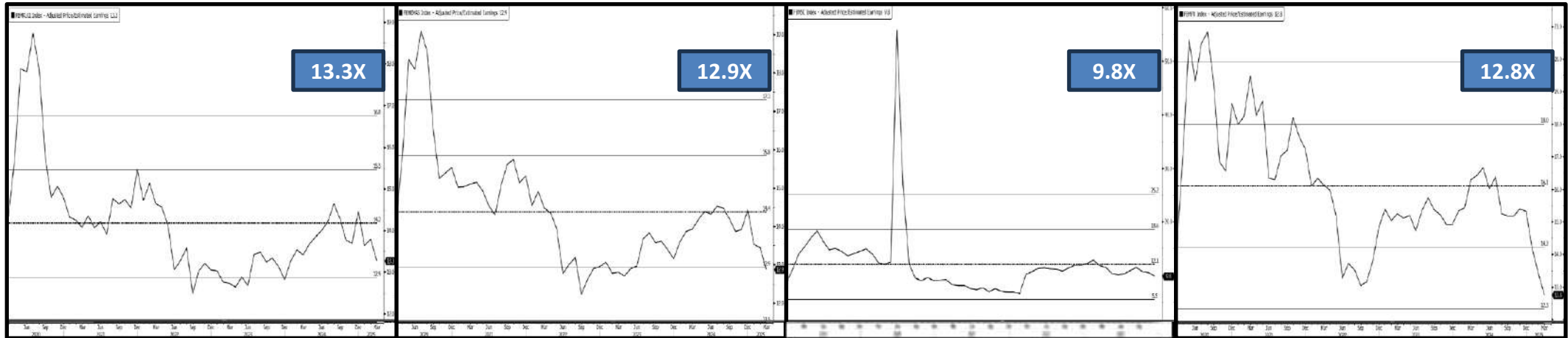
FBM KLCI

FBM Emas

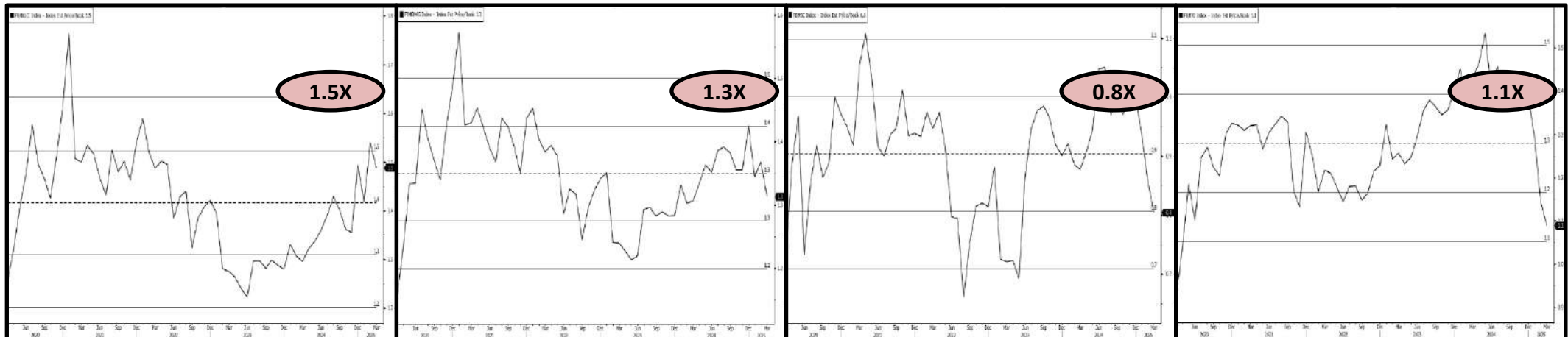
FBMSC

FBM Mid70

P/E



P/B



Source: Bloomberg, PCM, 12 March 2025

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
2024	12.9	10.5	1.5	9.2	11.2	13.7	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	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
Dec-24	3.01	2.65	4.29	4.16	2.93	-1.69	0.89	1.50	0.75	1.77	-0.01	-2.71	-3.17
Jan-25	-5.20	-4.45	-6.23	-5.35	-4.96	-1.92	-2.22	-2.60	-2.64	-1.36	-3.01	2.65	4.39
Feb-25	1.14	-2.53	-5.62	-4.85	-3.17	-0.79	-1.16	-3.82	-1.55	0.39	-4.39	-0.38	-4.92
YTD	-4.12	-6.87	-11.49	-9.93	-7.97	-2.69	-3.35	-6.32	-4.15	-0.97	-7.27	2.26	-0.75

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 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
2024	12.9	8.6	5.2	16.1	7.0	17.2	12.5	14.5	5.4	13.6	6.4	23.8	9.5
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
Dec-24	3.01	2.05	3.61	-1.72	0.84	1.98	1.36	6.23	0.21	4.74	0.27	1.35	-2.99
Jan-25	-5.20	-4.68	-4.57	-2.19	-2.18	-4.93	-6.04	-7.65	-1.10	-8.96	1.85	-2.27	1.39
Feb-25	1.14	-2.86	-3.99	-1.15	-3.61	-3.47	-4.37	-7.33	0.07	-4.90	-2.46	4.22	-2.07
YTD	-4.12	-7.41	-8.38	-3.31	-5.71	-8.23	-10.15	-14.42	-1.03	-13.42	-0.66	1.86	-0.71

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 Return (%)	2025 Return (%)
Local						
Phillip Dana Aman *	Equity Malaysia	16/4/1998	30.69	+4.09	+13.38	-8.34
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	27.86	+0.95	+10.93	-4.59
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	53.99	+1.34	+13.59	-13.42
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	38.58	+3.72	+20.44	-19.79
Phillip Recovery Fund	Equity Malaysia	15/4/1999	15.62	+4.03	+16.30	-5.77
Phillip Dana Murni *	Bond MYR	25/3/2003	18.81	+5.50	+3.43	+0.71
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	27.65	+5.17	+14.27	-6.29
Foreign						
Phillip Dana Dividen *	Equity Global Income	26/7/2007	2.96	+20.30	+6.88	-3.09
Phillip Global Disruptive Innovation MYR H Fund	Equity Global	22/4/2019	4.95	+9.15	+6.54	-1.00
Phillip Global Stars Fund	Equity Global	20/7/2006	4.25	+26.60	+9.06	+3.34
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	7.19	-0.49	+7.52	+4.92
Phillip Focus China Fund	Equity Greater China	19/5/2009	10.89	-16.41	+16.67	+9.12

Note: * denotes Shariah funds

Source: Lipper, PCM, 28 February 2025

Thank you!

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