

Tactical Asset Allocation

May 2025

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

Market Review – April 2025

MSCI Asia Pacific Ex-Japan outperformed MSCI World; Indonesia, India and Thai led

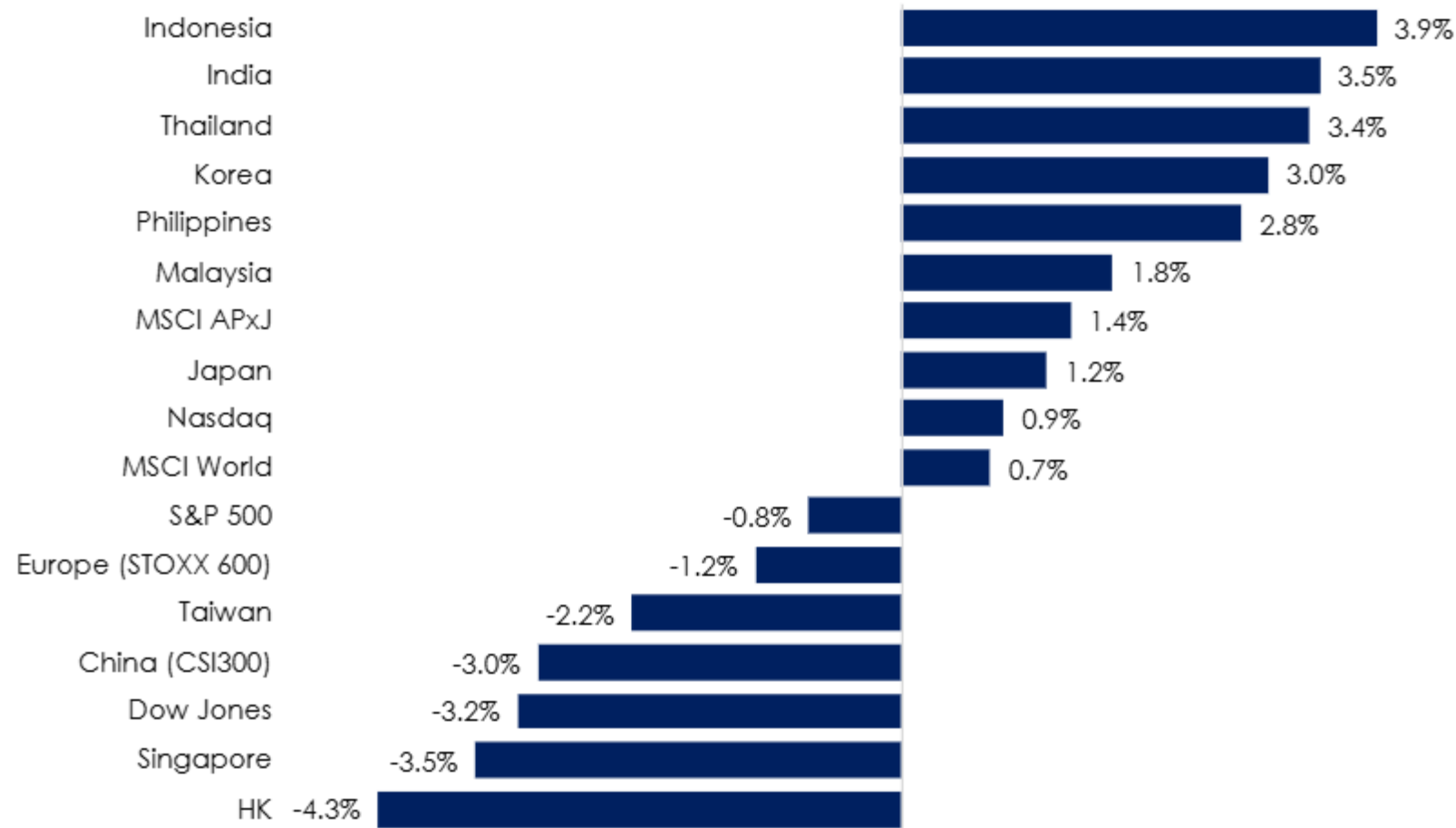
The **MSCI Asia Pacific Ex-Japan Index (+1.4%)** continued to outperform the **MSCI World Index (+0.7%)** for the third month in a row, as US and European markets were still stumbling from the aftereffects of Trump's radical trade protectionism stance. **Indonesia (+3.9%)** continued its strong rally since March, retracing most of the losses from February's political-fuelled selloff. **India (+3.5%)** posted robust gains, driven by renewed foreign investor interest. **Thailand (+3.4%)** rebounded fairly after plunging to near-Covid lows, an indication of severe uncertainty over the structural change threatening Thailand's once-vibrant manufacturing base. On the other side of the trade war, **HK (-4.3%)** and **China (-3.0%)** struggled as foreign funds pulled out heavily on escalating trade war tensions. **Singapore (-3.5%)** was no stranger to Trump's tariff selloff, prompting MAS to ease its monetary policy for the 2nd consecutive time since its January meeting.

On the monetary policy front, in April, the European Central Bank (ECB) lowered interest rates by 25 basis points to 2.25%, marking the third cut this year. In Asia, the Reserve Bank of India cut its policy rate by 25 basis points to 6.00%, the second rate cut this year. Within ASEAN, the Philippine central bank lowered its benchmark interest rate by 25 basis points to 5.50%, while the Bank of Thailand reduced its policy rate by 25 basis points to 1.75%. The Monetary Authority of Singapore (MAS) also announced a slight reduction in the rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band. The width of the band and its centre remained unchanged.

Market Review – April 2025

Indonesia, India and Thailand led; HK, Singapore and US lagged

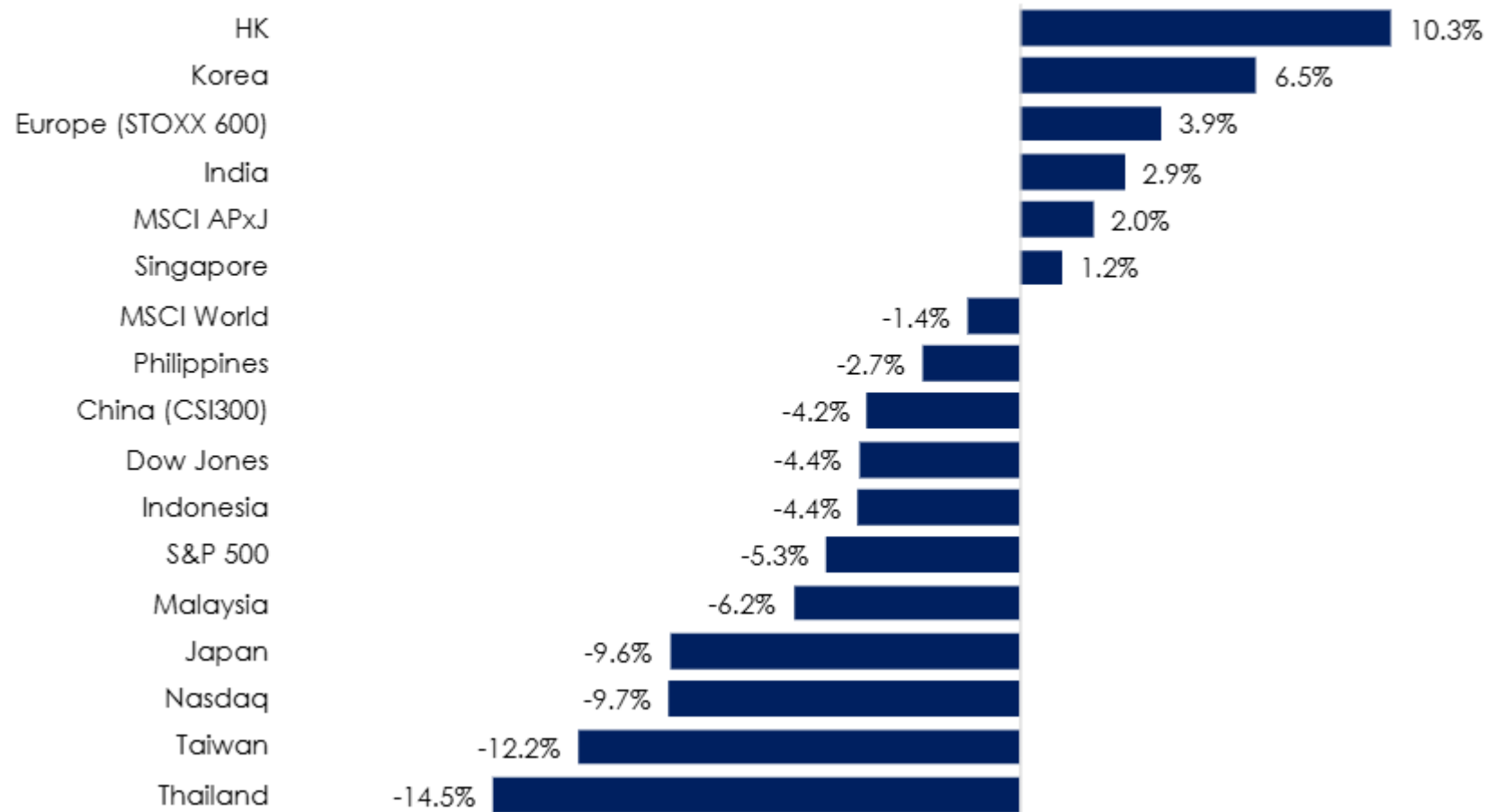
Market Performance April 2025



Market Review – YTD April 2025

HK, Korea and Europe led; Thailand, Taiwan and US lagged

Market Performance YTD April 2025



Strategy

What to look ahead?

MALAYSIA

The present market volatility and uncertainties are not over yet despite the recent positive developments in US-China tariff policies that support a risk-on sentiment. While the market provides investment opportunities for those with cash and holding power, heightened market risk is still ongoing. Near-term market direction remains closely tied to the progress of US tariff negotiations with key trading partners, including Malaysia. Meanwhile, investors face a complex mix of headwinds: US-China tensions, rising recession risks, Fed policy uncertainty, the ongoing US earnings season, and Malaysia's upcoming May reporting cycle. That said, valuations remain attractive, with the KLCI trading at 12.7x P/E—approximately 25% below its 10-year mean of 17x. Additionally, foreign shareholding remains near historic lows at 19.4% (as of April), signalling potential upside from further positioning flows.

REGIONAL

Global equities may encounter near-term challenges due to escalating geopolitical tensions, persistent inflation, and slower global growth. While some central banks have initiated rate cuts, the U.S. Federal Reserve has yet to follow suit. Markets anticipate a potential rate cut in June to support U.S. growth, especially after the economy contracted at an annualized rate of 0.3% in Q1 2025—the first decline since early 2022. While rate cuts may support valuations, trade uncertainties and uneven growth across regions could weigh on sentiment. As global markets grapple with heightened uncertainty, we emphasize the importance of diversification and a focus on quality amid volatility.

Lowering of the US-China “Tariff Wall”

Uncertainty Remains Despite Positive Developments


Temporary Trade Truce with Tariff Reductions: China has received the same 90-day tariff pause as other countries, though a 10% baseline tariff and an additional 20% on fentanyl-related items still apply. US will be imposed 10% tariff by China. The outcome of the latest US-China trade talks was better than expected, with a sharper-than-anticipated reduction in tariffs, bringing short-term relief to global markets.

Uncertainty Remains Despite Positive Developments: The deal is only a temporary de-escalation, not a return to pre-2017 trade conditions. The tariff cuts also offer immediate relief by allowing US and Chinese companies to increase trading activities, thereby reducing the risk of the US and global economies slipping into recession. Furthermore, reports that India and Pakistan have agreed to a US-backed ceasefire have helped ease broader geopolitical concerns. The 90-day pause does not guarantee long-term resolution, and future tariff levels and trade relations remain unclear. There is still a risk of renewed tensions.

Short-Term Market Optimism but Long-Term Caution: Barbell strategy. Focus on Quality / Dividend amid volatility.

Strategy

We remain neutral on equities, with a preference for the Malaysian market—particularly small caps—amid recent positive developments in US-China tariff policies that support a risk-on sentiment

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)				
		Malaysia		
F. Sector call (Msia only)		Bull	Tech	Consumer
		Bear	Telco	Plantation

Strategy

We remain neutral on equities, with a preference for the Malaysian market

We remain **neutral** on **global equities** as geopolitical risks and soft economic data continue to weigh on market sentiment in the near to medium term, though we note positive signs of easing US–China trade tensions. We turned more **constructive** on **Asia Pacific ex-Japan equities** as export-driven countries may benefit short term from easing tariff tensions, with North Asia likely to gain momentum.

We continue to prefer **Malaysia**, supported by its highly domestically oriented economy, attractive valuations, and low levels of foreign shareholding. We maintain a **neutral** view on **large-cap stocks** due to balanced risk-reward and have shifted to **bullish** on **small-caps** amid recent positive developments in US-China tariff policies that support a risk-on sentiment. Sector-wise, we turn **bullish** on **Technology** for the same reason, while continue to prefer selected **Consumer** stocks for their defensive earnings, easing margin pressures amid a stronger ringgit and lower commodity prices. On the other hand, we maintain an **underweight** stance on the **Telco** and **Plantation** sectors given the lack of catalysts.

Appendices

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*
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-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
Mar-25	-3.88	-1.59	-1.23	-0.78	-0.95	-0.88	-0.72	-2.10	-2.11	-1.31	-0.63	-5.61	-2.46
Apr-25	1.76	-0.49	-3.19	-2.49	-2.05	0.30	-1.95	-3.53	-0.99	-2.82	0.16	-6.84	-6.36
YTD	-6.22	-8.80	-15.38	-12.86	-10.70	-3.26	-5.92	-11.53	-7.10	-5.02	-7.70	-10.09	-9.35

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
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-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
Mar-25	-3.88	-2.23	-4.36	-0.90	-1.89	-4.94	-4.60	-1.39	-2.05	-1.66	-8.33	-0.93	-9.29
Apr-25	1.76	-1.28	-2.89	0.34	-0.87	-1.29	-3.55	-2.40	-3.26	-3.04	-4.11	-2.35	-3.18
YTD	-6.22	-10.63	-14.90	-3.86	-8.30	-13.89	-17.32	-17.63	-6.22	-17.45	-12.7	-8.04	-12.80

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 YTD Return (%)
Local						
Phillip Dana Aman *	Equity Malaysia	16/4/1998	30.26	+4.09	+13.38	-8.92
Phillip Dividend Fund	Equity Malaysia Income	18/11/2003	27.16	+0.95	+10.93	-6.34
Phillip Master Equity Growth Fund	Equity Malaysia	18/6/2003	50.36	+1.34	+13.59	-17.45
Phillip Pearl Fund	Equity Malaysia Sm&Mid Cap	6/1/1997	37.19	+3.72	+20.44	-21.48
Phillip Recovery Fund	Equity Malaysia	15/4/1999	15.08	+4.03	+16.30	-7.54
Phillip Dana Murni *	Bond MYR	25/3/2003	17.17	+5.50	+3.43	+1.48
Phillip SELECT Balance Fund	Mixed Asset MYR Bal - Malaysia	11/8/2003	27.01	+5.17	+14.27	-7.80
Foreign						
Phillip Dana Dividen *	Equity Global Income	26/7/2007	2.84	+20.30	+6.88	-6.46
Phillip Global Disruptive Innovation MYR H Fund	Equity Global	22/4/2019	4.52	+9.15	+6.54	-8.92
Phillip Global Stars Fund	Equity Global	20/7/2006	4.03	+26.60	+9.06	-3.93
Phillip AsiaPac Income Fund	Mixed Asset MYR Bal - Global	28/11/2006	6.99	-0.49	+7.52	+2.59
Phillip Focus China Fund	Equity Greater China	19/5/2009	9.99	-16.41	+16.67	+0.59

Note: * denotes Shariah funds

Source: Lipper, PCM, 30 April 2025

Thank you!

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