Kenanga Investors

June 2025
Market Review and Outlook

Mixed Assets Market Review

US equity markets were strong in May recovering from April's weakness. US Nasdaq was up 9.6% month-on-month (MoM), S&P 500 gained 6.2% MoM and Dow Jones rose 3.9% MoM driven by easing of tariff fears following an agreement between the US and China to pause reciprocal tariffs for 90 days. As part of this truce, both nations committed to significantly reduce their tariff rates. The US lowered its tariffs from 145% to 30%, and China reduced its tariffs from 125% to 10%, effective 14 May. The agreement aimed to de-escalate the ongoing trade tensions and provide a window for further negotiations on broader economic issues. Equity markets were also supported by easing concerns of the US recession following the trade truce and some robust 1Q corporate earnings led by the information technology sector and communication services. Towards end of the month on 28 May, the US Court of International Trade froze most of the sweeping 10% tariffs imposed by President Trump on "Liberation Day" on virtually every US trading partner, ruling that the levies exceed the president's legal authority. The court also blocked a separate set of tariffs imposed on China, Mexico and Canada by the Trump administration, which has cited drug trafficking and illegal immigration as reasons for these hikes. The day after, the US Court of Appeals temporarily lifted the lower court's block on the most sweeping of Trump's tariffs, allowing the administration to proceed with certain duties while legal challenges continue. Despite a major court setback, Trump remains committed to imposing tariffs and plans to pursue them through alternative legal channels. Meanwhile at May Federal Open Market Committee (FOMC) meeting, the Federal Reserve (Fed) held its key interest rate unchanged in a range between 4.25%-4.5%, where it has been since December 2024.

Over in Asia, The MSCI Asia ex Japan index rose 5.0% in May, while MSCI Asean increased 3.5% MoM as equity markets continued their upside momentum from the early April lows. In local currency, outperformers were Taiwan and Korea which gained about 5.5% in May. Continued moderation in tariff concerns and resultant US recession risks, as well as renewed optimism around AI capex, were the key drivers. China equity market (+2.1%) also lagged the benchmark's gains. While the delay to tariffs came as a relief for equity investors, China continues to face headwinds from lackluster domestic demand. Within Asean, Indonesia (+6.0%) rebounded significantly due to the tariff truce, while Thailand (-4.0%), Malaysia (-2.1%) and the Philippines (-0.2%) responded more mutedly.

Domestically, Malaysia's economy moderated for the third consecutive quarter, growing 4.4% in 1Q25, as export growth slowed due to a contraction in the mining sector. The Government acknowledges the presence of downside risks to the official 2025 Gross Domestic Product (GDP) growth forecast of 4.5% to 5.5%, owing to tapering global demand, heightened geopolitical tensions, and the rising prevalence of protectionist trade policies, particularly the recent announcement of reciprocal tariffs by the US. A new official forecast will only be released when there is greater clarity on the external outlook. On the monetary policy side, Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) at 3.00% at May Monetary Policy Committee (MPC) meeting as widely expected. This marks the 12th consecutive meeting with no rate changes since a 25-basis-point increase in May 2023. Meanwhile, BNM reduced the Statutory Reserve Requirement (SRR) ratio from 2% to 1%, the lowest rate in 14 years effective 16 May 2025, to release approximately RM19 billion of liquidity into the banking system. This is the first SRR reduction since March 2020 at the start of the COVID-19 pandemic. Malaysia started negotiation with the US on the 6th May with focus of negotiation on reducing US trade deficit, addressing non-tariff barriers, strengthening technological safeguards and explore bilateral trade agreements. On the political front, two Cabinet members under the Anwar administration, Datuk Seri Rafizi Ramli and Nik Nazmi Nik Ahmad announced their resignation after failing to retain key posts in the party leadership.

The FBMKLCI fell 2.1% MoM in May to 1,508 points, its lowest monthly close in 2025. Early gains which were driven by US-China tariff truce and RM1.7 billion foreign net inflow (13 16 May) waned on weak 1Q earnings and poor visibility. Sentiment was further dampened by Malaysia's MSCI weight cut, erasing all mid-month gains. FBM Shariah dropped 0.2% in May while FBM Small Cap gained 0.7%. In May, Malaysian equities saw net foreign inflows of RM1.0 billion, after seven consecutive months of outflows. This narrowed year-to-date (YTD) foreign net sell position to RM10.8 billion. Despite the inflows, foreign shareholding (based on market capitalization) fell by 2bps MoM to 19.2% in May 2025 (vs 19.4% at Apr). The decline was attributable to weaker performance in stocks predominantly held by foreign investors. By sector, the construction, property, and technology were the top gainers, while healthcare, consumer, and telco underperformed.

On commodities, Brent Crude Oil gained 1.2% in May to USD63.9 per barrel on supply concerns as investors await OPEC+ decision on July output. Meanwhile, crude palm oil (CPO) declined 0.8% MoM to RM3,878 per ton, driven by stronger production.

On the fixed income front, US Treasuries (UST) came under pressure in May, with yields rising across the curve amid resilient labour market data, renewed trade policy volatility, and increasing fiscal concerns. April nonfarm payrolls surprised on the upside at 177,000 (consensus: 138,000), triggering a sell-off in USTs early in the month. USTs sell-off intensified following US and China agreeing to temporarily reduce reciprocal tariffs, and including a 90-day pause on other trade barriers, which supported risk-on sentiment across global markets. Market sentiment was further impacted by Moody's downgrade of the US sovereign credit rating from Aaa (Negative) to Aa1 (Stable) on 16 May. The 10Y UST yield touched an intra-month high of 4.60%, while the 30Y yield breached the 5.00%-mark, peaking at 5.09% on 21 May after the US House of Representatives passed substantial tax and spending measures, raising investor concerns over rising federal debt and widening fiscal deficits. Nonetheless, UST yields retreated slightly towards month-end following a downward revision to 1Q25 private consumption data and signs of easing in the core Personal Consumption Expenditure (PCE) price index. Overall, the UST yield curve flattened, with the 2Y UST yield surging 30 basis points (bps) MoM to 3.90% and the 10Y yield increasing by 24bps to 4.40%.

In contrast, Malaysian Government Securities (MGS) extended gains in May, with the 3Y and 10Y MGS yields declined by 9bps and 12bps MoM to 3.15% and 3.53% respectively. The bullish sentiment was supported by a dovish tilt from BNM, as well as SRR reduction. On the macroeconomic front, Malaysia's GDP growth moderated for the third consecutive quarter to 4.4% year-on-year (YoY) in 1Q25, from 4.9% YoY in 4Q24. Headline inflation was unchanged at 1.4% in April, while core inflation edged higher to 2.0% YoY (March: 1.9%). Primary government bond auctions remained well-supported, with an average oversubscription rate of 2.7 times during the month.

Mixed Assets Market Outlook

While the exact tariff policies are still being negotiated, the overall rise in tariffs will be a drag to global trade and growth. Additionally, the uncertainty ahead of actual implementation could cause a slowdown in business activity and spending. The focus in the near term will be on bilateral negotiations and retaliations, with the escalation between the US and China a key factor to watch. In the near-term, the FED is likely to monitor the situation before making any moves as it has to balance between higher inflation in the short term and anticipated weaker growth from the tariff shock. Additionally, a spending bill put forth by the Trump administration; the 'One Big Beautiful Bill' could boost GDP growth via tax cuts and additional spending but also result in a worsening budget deficit for the US government.

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In light of the increased external uncertainties, Malaysia's GDP growth and corporate earnings are also subject to likelihood of downward revision. Particularly, the export-oriented sectors are expected to bear the brunt of the direct US tariffs and stronger Ringgit, as well as the spill over effects from escalating tensions and second-order demand destruction. On the other hand, domestic oriented sectors are relatively more insulated.

Given the tariff uncertainties which could affect global growth and corporate earnings, we maintain a slight defensive positioning on equities. Nonetheless we still remain positive, given structural reforms, catalytic projects (Johor SEZ), FDI and green energy policies boosting sectors such as construction, property, renewables and also semiconductors. Any market weakness hence provides a buying opportunity. We are focused more on stock picking and rotation into laggards. Overall, we still like sectors such as construction, property, new energy, utilities and healthcare.

For fixed income, volatility in UST is likely to remain elevated in the near term, underpinned by ongoing uncertainty over US trade and monetary policy direction, weaker global growth prospects, and heightened geopolitical tensions. Locally, the combination of dovish signals from BNM and the recent SRR cut has reinforced market expectations that an OPR cut is imminent, as the central bank seeks to provide further support to the economy. Against this backdrop, the outlook for the local bond market remains constructive, supported by a dovish monetary policy stance, ample domestic liquidity, and steady reinvestment demand. However, near-term sentiment may continue to be influenced by volatility in global bond markets.

Mixed Assets Fund Strategies

Given the growth outlook, we are focused more on stock picking for 2025. We still like sectors such as financials, construction, property, new energy, utilities and healthcare.

As for fixed income, we will continue to invest in a diversified portfolio of fixed income securities and other permissible investments. Emphasis is placed on credit-worthy issuers of debt and investment-grade fixed income instruments.

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Kenanga OnePRS Growth Fund

June 2025

- **iFAST Awards Malaysia 2025**
  Best Selling Private Retirement Scheme (PRS) 2024

FUND OBJECTIVE
Seeks to provide capital growth.

Fund Category/Type
Core (Growth)

Launch Date
20 November 2013

Trustee
Maybank Trustees Berhad

Benchmark
Composite of All MGS Index (20%) and FBM 100 (80%)

Designated Fund Manager
Lee Sook Yee

Sales Charge
Up to 1.50%

Annual Management Fee
1.55% p.a.

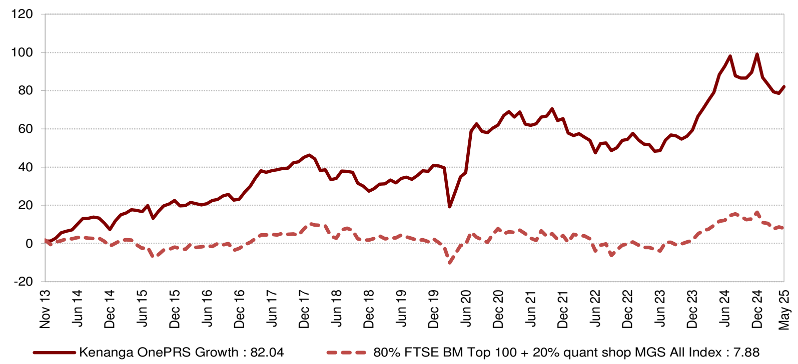
Annual Trustee Fee
0.015% p.a.

Redemption Charge
Nil

All fees and charges payable to the Manager and the Trustee are subject to the goods and services tax /sales and services tax/other taxes of similar nature as may be imposed by the government or other authorities from time to time.

FUND PERFORMANCE (%)

% Cumulative Return, Launch to 31/05/2025



Source: Novagni Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%)#

Period	Fund	Benchmark
1 month	1.98	-0.66
6 months	-4.01	-4.36
1 year	-3.37	-3.46
3 years	18.21	5.34
5 years	34.94	9.12
Since Launch	82.04	7.88

 # Source: Novagni Analytics and Advisory ; Lipper
31 May 2025

CALENDAR YEAR FUND PERFORMANCE (%)#

Period	Fund	Benchmark
2024	25.03	14.36
2023	3.05	1.79
2022	-6.52	-4.05
2021	2.11	-3.48
2020	14.84	5.22

DISTRIBUTION HISTORY

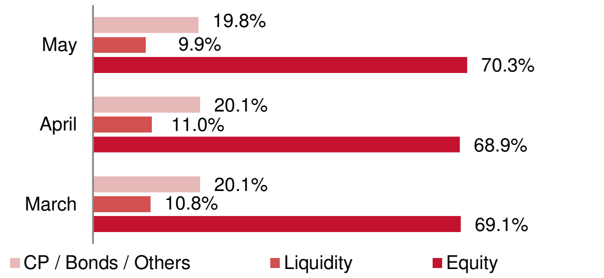
Not Applicable

HISTORICAL FUND PRICE *

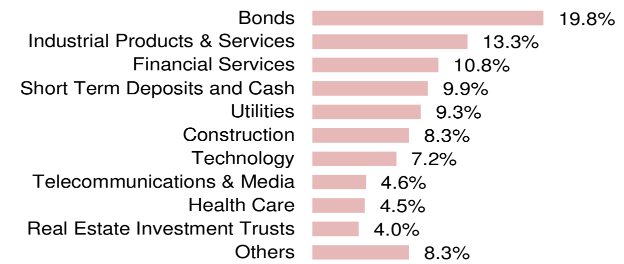
	Since Inception	Date
Highest	RM 1.0092	17-Jul-24
Lowest	RM 0.4998	16-Dec-13

FUND SIZE *	NAV PER UNIT *
RM 229.21 million	RM 0.9102

ASSET ALLOCATION (% NAV) *



SECTOR ALLOCATION (% NAV) *



TOP EQUITY HOLDINGS (% NAV) *

1	TENAGA NASIONAL BHD	2.7%
2	CIMB GROUP HOLDINGS BHD	2.6%
3	FRONTKEN CORPORATION BHD	2.5%
4	GAMUDA BHD	2.4%
5	WCT HOLDINGS BHD	2.3%

TOP FIXED INCOME HOLDINGS (% NAV) *

1	PRESS METAL IMTN 4.020% 19.03.2032	3.1%
2	YTL POWER IMTN 4.21 20370318	1.8%
3	RHBBANK MTN 3653D 28.9.2032	1.3%
4	MGS 1/2022 3.582% 15.07.2032	1.1%
5	MAYBANK IMTN 4.710% 31.01.2031	1.0%

** Source: Kenanga Investors Berhad, 31 May 2025*