

April 2025 Market Review and Outlook

Mixed Assets Market Review March 2025 was an exceptionally turbulent month with the Dow Jones, S&P 500, and Nasdag plunging 4.2%, 5.8%, and 8.2% month-on-month (MoM). Anticipation of President Trump's aggressive tariff strategy, coupled with mixed economic signals rattled investor confidence. Market participants grew increasingly cautious with consumer sentiment at near 21/2 year lows. The Federal Reserve (Fed) kept rates steady at 4.5% for a second straight month and provided economic projections forecasting slower growth and higher inflation by year end. Fed Chair Powell also highlighted that the economy is progressing at a steady pace with solid labour market conditions, and acknowledged that albeit elevated, inflation has moderated over the past year.

Europe was not immune to tariff concerns, with STOXX slipping 3.9% MoM. Worries over US-driven global economic instability and tariff-induced disruption created heightened volatility. However, by late March, relative stability in defensive sectors provided support to the European markets.

In Asia, MSCI Asia ex-Japan dipped marginally by 0.2% MoM. Gainers were India (SENSEX: +5.8% MoM) and Hong Kong (HSCEI: +1.2% MoM; HIS: +0.8% MoM). China was relatively flattish, with SHCOMP rising 0.5% MoM and SHSZ300 falling 0.1% MoM. Decliners were Taiwan (TWSE: -10.2% MoM), Japan (Nikkei 225: -4.1% MoM), Australia (ASX 200: -4.0% MoM), and Korea (KOSPI: -2.0% MoM). The US-China trade war escalates, as President Trump increased tariffs on all Chinese imports to 20% in retaliation to Beijing for failing to halt shipments of fentanyl to the US, and China responded immediately by announcing additional tariffs of 10%-15% on certain US imports. This led to significant selloffs in export-intensive sectors towards the end of the month.

ASEAN equities grew 1.0% MoM as gains in Indonesia (JCI: +3.8% MoM), Philippines (PCOMP: +3.1% MoM), and Singapore (SST: +2.0% MoM) were offset by declines in Thailand (SET: -3.8% MoM) and Malaysia (KLCI: -3.9% MoM).

Malaysia's equity market remains under pressure, as the FBM KLCI (-3.9% MoM), FBM 100 (-3.4% MoM), FBM Shariah (-2.5% MoM), and FBM Small Cap (-2.1% MoM) continue their downtrend. Energy and Utilities were the only sectors to buck the downtrend, while Telco, Financials, and Healthcare recorded the steepest losses. March also saw foreign outflows every single trading day, totalling RM4.6 billion- the largest since February 2020 at RM5.6 billion which were due to pandemic lockdown. Notable news flow includes USD250 million partnership with ARM Holdings to establish an ASEAN and Oceania base of operations, potential mechanism for the targeted RON95 fuel subsidy rationalisation, and Bank Negara Malaysia (BNM) maintained Overnight Policy Rate (OPR) at 3.0% as widely expected.

Amongst commodities, Brent Crude Oil grew 2.1% MoM to USD74.7 per barrel amid mounting concerns about tighter global supply following US's threat of tariffs on nations buying Venezuelan crude. Anticipation of OPEC+ to unwind voluntary production cuts in April also influenced prices. Meanwhile, crude palm oil (CPO) declined 3.0% MoM to RM4.419 per ton largely attributed to seasonal production recovery from March onwards while major importers were scaling back their orders for palm oil amid trade uncertainties and competition from alternative vegetable oils.

On the fixed income front, US Treasuries (UST) broadly rallied in a volatile month of March amid mixed US economic data, rising economic concerns and escalating geopolitical tensions. US ISM services index was firmer in February, while nonfarm payrolls rebounded slightly to 151,000 (January: 125,000) although unemployment rate surprisingly rose to 4.1% (January: 4.0%). Headline and core inflation came in lower-than-expected in February at 2.8% year-on-year (YoY) and 3.1% YoY respectively (consensus: 2.9% and



April 2025 Market Review and Outlook

3.2%). Meanwhile, more US tariff measures were announced during the month with investors increasingly concerned about potential stagflation. The central bank announced a partial easing in quantitative tightening by slowing the pace of its monthly reduction of Treasuries to USD5 billion from USD25 billion in April while maintaining the reduction of mortgage-backed securities at USD35 billion. There was no change in the latest Fed dot plot projections of 50 basis points (bps) interest rate cuts in 2025 and another 50bps in 2026. Consequently, UST yields tumbled as US consumer confidence continued to plunge, coupled with heightened concerns over a potential trade war ahead of President Trump's reciprocal tariffs announcement in early April. Overall, the UST yield curve bull steepened with the 2Y UST plunged by 11bps to 3.88% while the 10Y UST yield was unchanged at 4.21%.

On the local front, the Malaysian Government Securities (MGS) exhibited resilience amid global economic uncertainties as the positive sentiment in UST spilled over into the local bond market. BNM acknowledged the considerable uncertainties from tariffs and key policies by major economies as well as geopolitical developments that could weigh on the global growth outlook but anticipates a resilient domestic demand to help anchor external headwinds. Headline inflation eased to 1.5% YoY (January: 1.7%) in February, while core inflation climbed slightly to 1.9% YoY (January: 1.8%). Primary government bond issuances continued to garner healthy demand with an average oversubscription rate of 2.6 times for auctions held during the month. The 3Y MGS yield shed 6bps to 3.38% while the 10Y MGS closed the month 1 basis point lower at 3.78%.

Mixed Assets Market Outlook The new tariff policies, if sustained, represent a blow to global trade and a significant risk to the global outlook, with many economists raising their probability of a global economic recession by year end to >50%. Additionally, the impact of the proposed tariffs to US GDP is estimated at a reduction of about 100bps while core PCE could rise by 100bps-150bps to nearly 5% in 2025 and 4.2% in 2026.

The focus in the near term will shift to 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.

In light of the increased external uncertainties, Malaysia's GDP growth and corporate earnings are subject to likelihood of downward revision. Particularly, the export-oriented sectors are expected to bear the brunt of the direct US tariffs, 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.

For fixed income, UST recorded steep rally on flight to safe haven demand as investors weigh US recession risk and slowing global growth from the impact of a potential global trade war, following President Trump's announcement of a significantly larger-thanexpected reciprocal tariffs on nearly all the US trading partners on 2 April. UST yields could remain volatile over the near term as the developments and uncertainties surrounding tariffs unfold, which leads to reassessment of recession and monetary policy expectations.

Similarly, the domestic bond market also reacted in a dovish manner in tandem with global bond markets on fears of slower economic growth from the impact of US tariffs and escalating global trade tensions that sparked expectations of BNM to ease monetary policy. In BNM's latest Annual Report 2024, Malaysia's economy is projected to expand at 4.5%-5.5% in 2025, driven by sustained domestic demand despite heightened external uncertainties that could lead to a more moderate expansion of exports while inflation should remain manageable between 2.0%-3.5%. For local monetary policy, it is crucial



April 2025 Market Review and Outlook

to watch the language of the Monetary Policy Committee (MPC) statement in the upcoming meeting. BNM may adjust its monetary policy should downside risks to growth continue to linger. Prospects for the local bond market should remain favourable given the risk-off sentiment, ample market liquidity and steady demand from long-term fixed income investors.

Mixed Assets Fund 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.

kenanga

Kenanga Islamic Balanced Fund April 2025

FUND OBJECTIVE

Kenanga Inv

Aims to achieve steady capital growth and income distribution (if any) over the medium to long-term period by investing in a diversified portfolio in accordance with Shariah requirements.

Fund Category/Type

Balanced (Islamic) / Growth & Income

Launch Date

06 December 2004

Trustee

CIMB Islamic Trustee Berhad

Benchmark

60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate

Designated Fund Manager

Lee Sook Yee

Sales Charge Max 5.50%

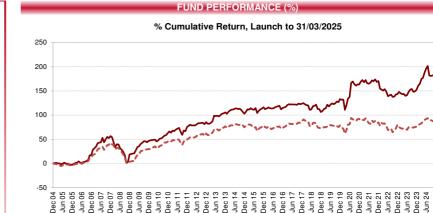
Annual Management Fee 1.50% p.a.

Annual Trustee Fee 0.05% 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



Source: Novagni Analytics and Advisory

Kenanga Islamic Balanced : 169.98

CUMULATIVE F	UND PERFO	DRMANCE (%) [#]	CALENDAR YEAR FUND PERFORMANCE (%)#				
Period	Fund	Benchmark	Period	Fund	Benchmark		
1 month	-1.08	-1.40	2024	17.16	9.88		
6 months	-3.92	-5.11	2023	3.72	1.26		
1 year	-1.74	-1.66	2022	-10.13	-5.97		
3 years	7.74	-1.39	2021	2.73	-3.74		
5 years	27.98	10.91	2020	13.09	7.34		
Since Launch	169.98	79.54					

Source: Lipper, 31 March 2025

DISTRIBUTION HISTORY *				HISTORICAL FUND PRICE *			
Gross Distribution					Since Inception	Date	
Date	RM	Yield (%)	Unit Split	Highest	RM 0.6885	11-Jan-08	
15-Apr-22	3.50 sen	8.29%	-	Lowest	RM 0.3567	15-Jul-22	
9-Apr-21	5.05 sen	9.97%	-				
16-May-16	2.79 sen	6.62%	-	FUND SIZE * NAV PER UN		PER UNIT *	

RM 276.39 million

60% FTSE Bursa Malaysia Emas Shariah Index and 40% Maybank 12-month GIA Rate : 79.54

RM 0.4122

ASSET ALLOCATION (% NAV) *					SECTOR ALLOCATION (% NAV) *				
		21.6%			Sh	Sukuk ort Term Islamic Deposits and Cash		21.6%	34.2%
	March				OII	Industrial Products & Services	10.5%	21.070	
		19.7%				Property	6.5%		
F۵	bruary					Construction	6.4%		
10	Sidaly	13.178		45.6%		Technology	5.8%		
						Health Care	4.1%		
lonus	anuary 14.5%	33.7%				Telecommunications & Media	3.7%		
Ja	anuary 14.5%		51	51.8%		Utilities	2.3%		
			01.070		Islamic Commercial Paper	1.8%			
	CP / Sukuk / Others	Liquidity	Equity			Other	3.1%		
	TOP EQUITY HOLDINGS (% NAV) *					TOP FIXED INCOME HO	LDINGS (% NAV)	*	
1	GAMUDA BHD		:	3.6%	1	GII MURABAHAH 5/2013 4.582% 30.	08.2033		3.8%
2	MAH SING GROUP BHD		:	3.0%	2	GII MURABAHAH 2/2024 3.804 2031	1008		3.7%
3 TELEKOM MALAYSIA BHD 2.9		2.9%	3 AVALAND IMTN 07.08.2029			3.7%			
4	ITMAX SYSTEM BHD			2.3%	4	GII MURABAHAH 1/2024 4.280% 23.	03.2054		2.8%
5	5 IHH HEALTHCARE BHD 2.2%		2.2%	5	GII MURABAHAH 2/2023 4.291% 14.	08.2043		2.5%	
* Source: I	* Source: Kenanga Investors Berhad, 31 March 2025								

Based on the fund's portfolio returns as at 10 March 2025, the Volatility Factor (VF) for this fund is 8.54 and is classified as "Low". (Source: Lipper). "Low" includes funds with VF that are above 4.915 and less than or equal to 9.075 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The Master Prospectus dated 29 March 2019 and the Supplemental Prospectus (if any), its Product Highlights Sheets ("PHS") or Supplemental Disclosure Document ("SDD") (if any) have been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. The fund fact sheet has not been reviewed by the SC. A copy of the Master Prospectus, Supplemental Prospectus (if any), SDD (if any) and the PHS are obtainable at our offices. Application for Units can only be made on receipt of application form referred to in and accompanying the Master Prospectus and/or Supplemental Prospectus (if any), SDD (if any) and PHS. Investors are advised to read and understand the Master Prospectus, its PHS and any other relevant product disclosure documents involved before investing. Investors are also advised to consider the fees and charges before investing. Unit prices and distributions may go down as well as up. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV. Where a unit split is declared, investors should note that the value of their investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. A Fund's track record does not guarantee its future performance. Investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units. For investors who invest via the EPF Member Investment Scheme ("EPF MIS"), the cooling-off period shall be subject to EPF's terms and conditions, and any refund pursuant to the exercise of the cooling-off right will be credited back into your EPF accounts. Kenanga Investors Berhad is committed to preventing Conflict of Interest between its various businesses and activities and between its clients/directors/shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived Conflict of Interest by making disclosures to Clients, where appropriate. The Manager wishes to highlight the specific risks of the Fund are stock specific risk, currency risk, country risk, credit and default risk, interest rate risk and reclassification of Shariah status risk. Kenanga Investors Berhad 199501024358 (353563-P)

