Kenanga Investors

# February 2024
# Market Review and Outlook

**OnePRS Market Review**

In the US, S&P 500, Dow Jones and Nasdaq were up 1.6%, 1.2% and 1.0% month-on-month (MoM) in January respectively. The S&P 500 and Dow Jones propelled to record highs in January, as optimism around a 'soft landing' scenario continued the rally in the 'Magnificent Seven' stocks. A number of data releases including a strong GDP print, robust jobs report, firm wage growth and steady unemployment pointed to the ongoing resilience of the US economy. The Federal Open Market Committee (FOMC) maintained the policy rate at 5.25-5.50% but pushed back against expectations of an imminent rate cut in the upcoming March FOMC meeting.

In Asia, most markets recorded negative returns in January except Malaysia and the Philippines. Chinese equities continued sliding after a record three straight years of declines. Hang Seng Index slumped 9.2% to close at 15,485.07 after China's manufacturing activity shrank for the fourth straight month in January. India has overtaken Hong Kong for the first time as the world's fourth-largest stock market thanks to a rapidly growing retail investor base, strong corporate earnings and policy reforms. Thailand's stock market was down by 3.6% MoM after the government slashed its 2024 growth projections on weaker exports and lower foreign tourist numbers. Indonesia's market was down 0.9% MoM amid signs of concern about the prospect of a drawn-out national election and the possibility of the country's finance minister departing.

Malaysia's KLCI (+4.0%) was the best performing market in Asia in January, outperforming both the MSCI Asean (-3.6%) and MSCI Asia ex-Japan (-5.5%). FBM100, FBM Shariah and FBM Small Cap each registered MoM gains of 4.0%, 2.6% and 2.2% respectively. The top three best-performing sectoral indices MoM were Utilities (+26.8%), Construction (+14.5%) and Property (10.0%). The only sector that experienced a decline at the beginning of 2024 was Tech (-0.5%). Strong interest from foreign investors making Malaysia the second highest net foreign inflow (US$145m) after Indonesia (US$534m).

Locally, the market responded positively to the signing of MOU for the Johor Singapore Special Economic Zone and the decision by Bank Negara Malaysia (BNM) to maintain the Overnight Policy Rate (OPR) rate at 3%. This helped offset concerns related to slower-than-expected GDP growth in 4Q23 and the announcement of increased power and water tariffs. The stellar performance of the KLCI was partly driven by foreign funds buying shares of YTL Power and YTL Corp. Foreign investors were the largest net buyers, marking their third consecutive month as the largest net buyers with a 2.6x MoM increase in net buy to RM679mil. Meanwhile, local institutional investors reversed their trend, becoming net buyers of RM112mil in Malaysian equities in January. On currency, the Ringgit weakened by 3.0% to RM4.73.

In commodities, Brent crude oil prices rebounded strongly, up 6.1% MoM to close the month at USD81.7/bbl as positive US economic growth and signs of Chinese stimulus boosted demand expectations, while Middle East supply concerns added support. Meanwhile, CPO eked out a gain, up 2.1% MoM, ending January at RM3,798/ton given the expectations of low output as well as a rebound in export demand.

On the fixed income front, US Treasuries (UST) kicked off the new year on a cautious note as market participants pushed back rate cut expectations following the healthy jobs report, while the US consumer price index (CPI) ticked up to 3.4% in December (November: 3.1%). Consequently, 10Y UST yields climbed 30bps higher from 3.88% at end-December to 4.18% on 24 January. Nonetheless, demand for UST picked up alongside a rally in European bonds, on growing rate cut expectations from the European Central Bank (ECB), driving the 10Y UST yield back below 4%. Overall for the month, the 2Y UST shed 4bps to 4.21%, while the 10Y UST yield added 3bps to 3.91%.

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Locally, the Malaysian Government Securities (MGS) market was largely steady in January despite the fluctuations in UST. Demand for primary MGS issuances was strong as investors deployed cash in the new year. Of note, the RM5.0bn 5Y Government Investment Issue (GII) auction attracted overwhelming demand of RM22.0bn, with a record high oversubscription rate of 4.4 times. Overall, the MGS yield curve steepened slightly in January, with the 3Y yield edging 9bps lower to 3.39% while the 10Y MGS added 6bps to end the month at 3.79%.

**OnePRS Market Outlook**

Markets expect FOMC to keep rates unchanged and possibly shift to cutting rates in 2Q24, with a similar pattern expected in the Eurozone. Easier monetary conditions globally are expected to support growth and liquidity, thus improving the outlook for equities. However, markets could remain volatile as the growth slowdown takes hold in major regions such as the US, Europe and China. Meanwhile in Asia, China's additional fiscal stimulus has been supportive but further measures are necessary to revive the property market and restore market confidence. We remain optimistic on the ASEAN market as the region benefits from easing global monetary conditions later in the year.

We are positive on the Malaysian equity market going into 2024 as we expect resilient GDP growth of 4-5%, improving momentum of policy execution on construction and infrastructure projects, rising FDI, while valuation and foreign shareholding remains low. Key events to watch in February include Malaysia's 4Q23 earnings reporting throughout the month, the first Parliamentary sitting and the release of Malaysia's 4Q23 GDP on 16 February 2024. Meanwhile, the government's plans to rationalize subsidies and the specifics of the capital gains tax, effective from 1 March 2024 will also be closely monitored.

For fixed income, the US Federal Reserve (Fed) has acknowledged the solid pace of US economic growth and robust labour market, while reiterating its commitment to ensure that inflation eases sustainably towards its 2% target. Therefore, UST yield movements over the near term could be largely data dependent, driven by macroeconomic and geopolitical developments as well as the Fed's policy actions. For Malaysia, BNM is expected to keep interest rates steady for the year, given the moderate outlook for inflation and growth. In the meantime, prospects for the Malaysian bond market remain favourable given the stable interest rate outlook, ample market liquidity and sustained demand from local fixed income investors.

**OnePRS Fund Strategies**

For all PRS funds (except Kenanga OnePRS Growth Fund); please refer to the respective underlying fund(s).

For Kenanga OnePRS Growth Fund, we are positive on sectors such as financials, construction, property, new energy and utilities. Additionally, we continue to like the technology sector as the key beneficiary of long-term growth trends such as AI, EVs and supply chain relocation.

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# Kenanga OnePRS Conservative Fund

## February 2024

Kenanga Investors

**FUND OBJECTIVE**
Seeks income whilst providing capital preservation.

**Fund Category/Type**
Core (Conservative)

**Launch Date**
20 November 2013

**Trustee**
Maybank Trustees Berhad

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

**Designated Fund Manager**
Lee Sook Yee

**Sales Charge**
Up to 1.50%

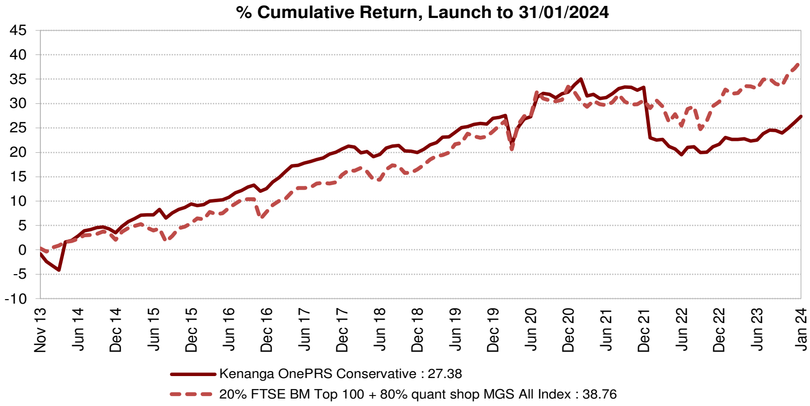
**Annual Management Fee**
1.55% p.a.

**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 (%)




*Source: Novagni Analytics and Advisory*

### CUMULATIVE FUND PERFORMANCE (%)#

| Period | Fund | Benchmark |
|---|---|---|
| 1 month | 1.00 | 1.15 |
| 6 months | 2.84 | 2.85 |
| 1 year | 3.53 | 4.41 |
| 3 years | -4.81 | 4.86 |
| 5 years | 5.60 | 18.18 |
| Since Launch | 27.38 | 38.76 |

*# Source: Novagni Analytics and Advisory ; Lipper, 31 January 2024*

### CALENDAR YEAR FUND PERFORMANCE (%)#

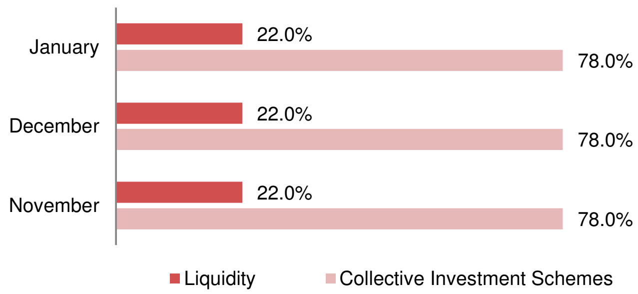
| Period | Fund | Benchmark |
|---|---|---|
| 2023 | 3.53 | 4.41 |
| 2022 | -8.77 | -0.22 |
| 2021 | 0.79 | -2.11 |
| 2020 | 4.22 | 7.39 |
| 2019 | 5.82 | 6.69 |

| FUND SIZE * | NAV PER UNIT * |
|---|---|
| RM 5.22 million | RM 0.6369 |

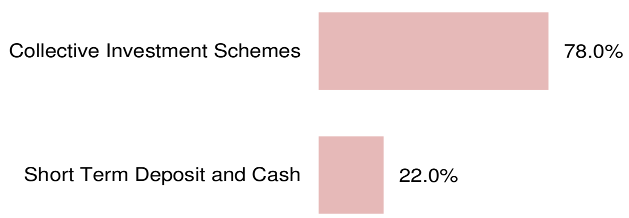
### HISTORICAL FUND PRICE *

| | Since Inception | Date |
|---|---|---|
| Highest | RM 0.6783 | 15-Feb-21 |
| Lowest | RM 0.4756 | 28-Apr-14 |

### ASSET ALLOCATION (% NAV) *




### SECTOR ALLOCATION (% NAV) *




### TOP HOLDINGS (% NAV) *

| | | |
|---|---|---|
| 1 | KENANGA BOND FUND | 60.1% |
| 2 | KENANGA PREMIER FUND | 17.9% |

### DISTRIBUTION HISTORY

Not Applicable

** Source: Kenanga Investors Berhad, 31 January 2024*