Kenanga Investors

June 2025
Market Review and Outlook

Equity 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 reducing 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 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%) rebounding 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 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, Bank Negara 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.

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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, Malaysia 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 capitalisation) 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.

Equity Market Outlook & Fund Strategy

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.

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. 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.

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Kenanga Syariah Growth Fund

June 2025

Kenanga Investors

3-year Fund Volatility
11.4
Moderate
Lipper Analytics
13 May 2025

FUND OBJECTIVE

Aims to provide unit holders with long-term capital growth by investing principally in equities that comply with Shariah requirements.

Fund Category/Type
Equity (Islamic) / Growth

Launch Date
29 January 2002

Trustee
CIMB Islamic Trustee Berhad

Benchmark
FTSE Bursa Malaysia Emas Shariah Index

Designated Fund Manager
Lee Sook Yee

Sales Charge
Max 5.50%

Annual Management Fee
1.50% p.a.

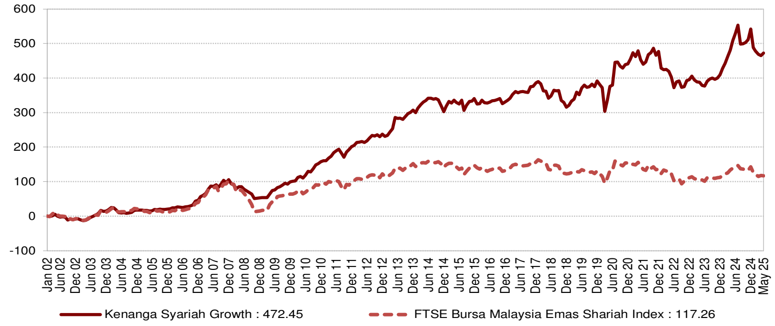
Annual Trustee Fee
0.05% p.a.

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.

FUND PERFORMANCE (%)

% Cumulative Return, Launch to 31/05/2025



Source: Novagni Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%)#

Period	Fund	Benchmark
1 month	1.36	-0.16
6 months	-6.26	-6.47
1 year	-5.92	-9.17
3 years	13.76	-2.20
5 years	20.23	-6.39
Since Launch	472.45	117.26

CALENDAR YEAR FUND PERFORMANCE (%)#

Period	Fund	Benchmark
2024	25.94	14.58
2023	2.78	0.46
2022	-14.20	-10.80
2021	6.75	-6.81
2020	10.10	10.14

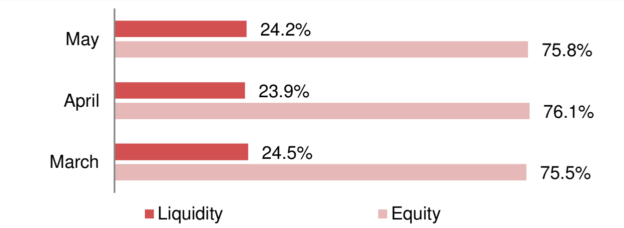
 # Source: Lipper, 31 May 2025

FUND SIZE *	NAV PER UNIT *
RM 1,202.12 million	RM 1.2234

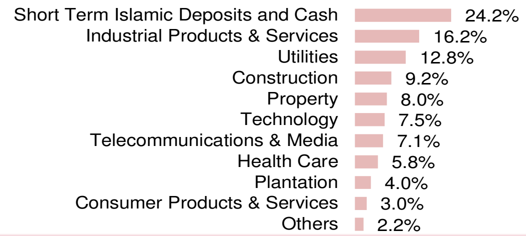
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 3.0262	4-May-12
Lowest	RM 0.8440	19-Mar-20

ASSET ALLOCATION (% NAV) *



SECTOR ALLOCATION (% NAV) *



TOP EQUITY HOLDINGS (% NAV) *

1	TENAGA NASIONAL BHD	7.8%
2	GAMUDA BHD	5.1%
3	TELEKOM MALAYSIA BHD	4.9%
4	SUNWAY BHD	4.1%
5	ITMAX SYSTEM BHD	3.0%

DISTRIBUTION HISTORY *

	Gross Distribution		
Date	RM	Yield (%)	Unit Split
9-Apr-21	10.81 sen	8.00%	-
16-May-16	10.11 sen	9.31%	-
26-Feb-15	10.50 sen	5.98%	-

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

Based on the fund's portfolio returns as at 13 May 2025, the Volatility Factor (VF) for this fund is 11.41 and is classified as "Moderate". (Source: Lipper). "Moderate" includes funds with VF that are above 9.185 and less than or equal to 11.98 (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 equity and equity-