

# Wealth Management Digest **February 2025**

Exclusively for AmBank SIGNATURE Priority Banking Customers

# Table of Contents

	<b>Page No.</b>
Market Overview	3
Wealth Pulse	4 - 8
AmBank Economics – Monthly Manifests	9-10
Asset Allocation Strategy	11
Fund of Focus	12
Top 5 Performing Funds	12
Definitions	13
Disclaimer	14

## Market Overview

Total Returns (%) Year-To-Date (At Month End)

	2023	2024	Nov-24	Dec-24	Jan-25
MSCI Global Equities	22.82%	18.03%	20.85%	18.03%	3.38%
MSCI Developed Market Equities	24.44%	19.22%	22.37%	19.22%	3.55%
MSCI Emerging Markets Equities	10.20%	7.97%	8.10%	7.97%	1.81%
MSCI Asia ex Jn Equities	11.98%	10.14%	11.12%	10.14%	1.45%
S&P 500 (US) Equities	26.26%	25.00%	28.06%	25.00%	2.78%
STOXX 600 (EU) Equities	16.63%	9.62%	10.10%	9.62%	6.38%
CSI 300 (China) Equities	-9.14%	18.24%	17.55%	18.24%	-2.78%
HSI (HK) Equities	-10.46%	22.90%	18.99%	22.90%	1.20%
MSCI Malaysia (MY) Equities	0.67%	17.51%	13.69%	17.51%	-5.01%
Bloomberg Global IG Bond	5.72%	-1.69%	0.47%	-1.69%	0.57%
Bloomberg Global HY Bond	14.04%	9.19%	9.80%	9.19%	1.37%

Source: Bloomberg, as of 31 January 2025

### GLOBAL EQUITIES

Global equities closed higher in the first month of 2025, spurred on by positive factors from the prevailing year. Investors continue to expect interest rates cuts to continue, corporate earnings to grow steadily and positive policies from Donald Trump in terms of fiscal and monetary stimulus that can aid recovery.

### ASIA PACIFIC EQUITIES

Asia ex Japan edged higher, supported by rotation away from more expensive markets as investors shift to value oriented investments, regions and assets that can provide better balance in terms of risk reward, boosting investors participation rates. Recovery in China was offset by drop in India, but policy introduced can continue to grease the wheels of the economy.

### MALAYSIAN EQUITIES

Malaysian equities ended in the red as investors continued to pull out funds from the local market. Foreign investors have been key sellers, with only some support from institutional buyers. Weakening outlook for the semiconductor industry also weighed heavy on investors minds.

Source: AmBank Retail Wealth Management Advisory & Research (as at 10 February 2025)

## Wealth Pulse

### DIMINISHING RETURNS IN US EQUITIES

#### THE HIGHLIGHTS:

- US tech firms have benefitted from their bullet-proof balance sheets, ETF fund flows & institutional buying.
- However, economic and fundamental constraints, combined with high valuations can limit returns derived from this space.
- Adjust through this period of diminished returns by diversifying into regions with better return and growth prospects, while also providing a wider margin of safety.

Gordon Moore's principle, known as Moore's Law, predicted that the number of transistors on an integrated circuit would double approximately every two years.

This principle has driven significant advancements in computing technology, leading to the development of personal computers, the internet, smartphones, and the modern digital economy.

However, Moore's Law is facing limitations due to physical and economic constraints. For example, Intel took five years to transition from a 14-nanometer to a 10-nanometer platform, indicating diminishing returns in the semiconductor industry.

Similarly, US equities might be experiencing a "Moore's Law moment" after a decade of exceptional growth fuelled by low interest rates and supportive fiscal policies.

Despite the historical resilience of US equities - especially tech companies, changing market cycles and geopolitical or macroeconomic challenges suggest that further growth may be difficult to sustain.

The focus now is on exploring these limits to determine optimal exposure to US equities and identifying factors that will drive future returns.

#### The Flattened Earnings Trend

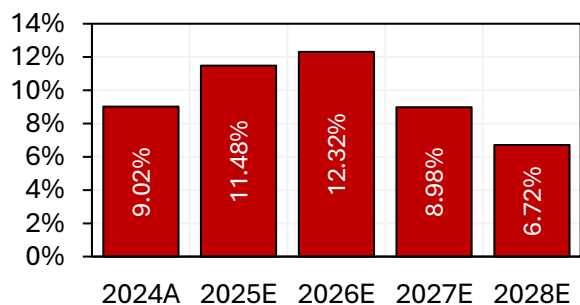
The performance of equities is tied to the earnings outlook of companies.

While various factors like market sentiment and macroeconomic conditions can influence equity volatility, the core driver of price movements is the current and projected future profits of companies.

In 2025, several factors are impacting the robust earnings trend seen in the past decade. These include slowing revenue growth, margin compression, and sectoral disparities.

#### EARNINGS MOMENTUM STARTS TO EASE

S&P 500 EPS GROWTH (%)

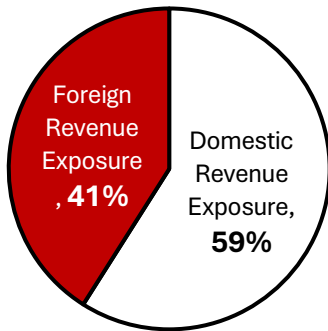


Source: Bloomberg (05 February 2025)

Note: E = Estimates, A = Actual

The era of record low interest rates, fiscal stimulus, and high consumer demand has ended, leading to more moderate spending patterns and a global economic slowdown. This slowdown is affecting US corporations, especially those with significant international exposure.

**US FIRMS ARE EXPOSED GLOBALLY**  
S&P 500 REVENUE EXPOSURE



Source: Citi Global Wealth (2H 2024)

Certain sectors, such as streaming platforms and online retailers, are facing market saturation, making it difficult to achieve the high revenue growth rates of the past. Additionally, rising costs, including higher wages and interest rates, are squeezing profit margins. Supply chain issues, uncovered during the pandemic, continue to elevate costs and competition for goods.

Each sector faces unique challenges:

- 1) technology companies deal with maturing markets and regulatory scrutiny,
- 2) retail companies face shifting consumer needs and higher interest rates,
- 3) and healthcare companies must navigate regulatory complexities despite stable demand.

Analysts project slower earnings growth for the S&P 500, estimated at around 9% annually over the next 5-years, compared to the double-digit growth seen in recent years.

This makes the high valuations of US equities harder to justify.

**Bubbles Forming?**

Valuations of US equities, especially large-cap tech stocks, are near historic highs.

As of January 2025, the S&P 500's price-to-earnings (P/E) ratio stands at 25.7x, significantly above the 10-year average of 17.0x.

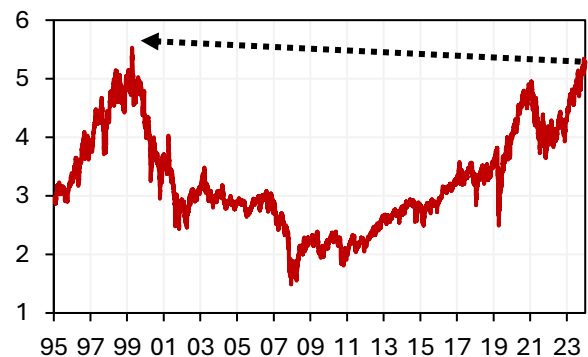
During the zero-interest rate era, high valuations were less concerning as investors sought yield, driving funds into equities.

However, in 2025, the US Federal Reserve has raised interest rates, making risk-free assets like short-term treasuries and money market funds more attractive with yields of 4-5%.

This shift in the equity risk premium makes overvalued stocks less appealing and raises concerns about the sustainability of current market prices.

**VALUATIONS NEAR DOTCOM BUBBLE HIGHS**

12-MONTH FORWARD PRICE-TO-BOOK RATIO [X]



Source: Bloomberg (December 2024)

History tells us that earnings must catch-up to valuations. If corporate profits fail to meet expectations, or if interest rates stay elevated, equities face the prospects of a sharp correction.

## High Spending, Low Returns

The modern economy has seen significant capital expenditure in technology, including AI, cloud infrastructure, 5G, robotics, and cybersecurity, but financial returns have not matched the investment scale.

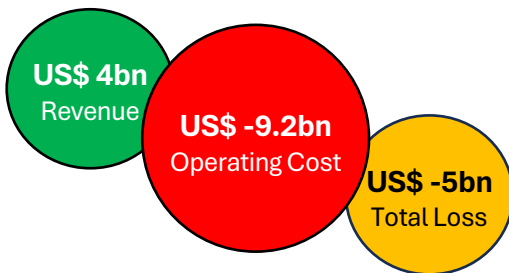
Companies have adopted AI solutions across various sectors, but many projects fail to fully operationalise, leading to underutilised capex.

The cloud market, dominated by AWS, Azure, and Google Cloud, has matured, resulting in slower growth and reduced margins due to competition.

Digital infrastructure spending has shifted from growth to maintenance, with diminishing returns on new investments.

Consequently, many CFOs in 2025 find that the benefits of new tech investments do not justify the costs as they did in the past.

### AI IS STILL UNPROFITABLE OPENAI ESTIMATED REVENUES & LOSS



Source: The Information (January 2025)

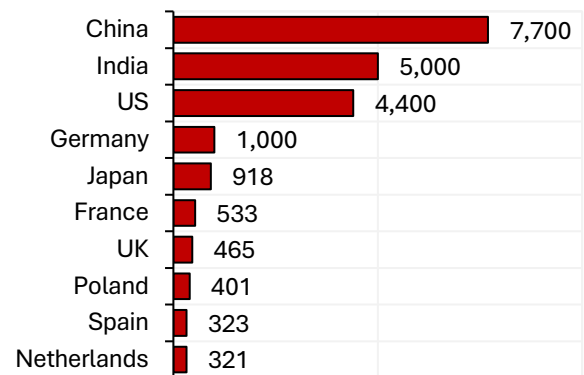
## Emerging Champions?

US companies, long dominant in global tech and innovation, are now facing significant competition from emerging challengers:

- **China's Tech Ecosystem:** Giants like Huawei, Tencent, Alibaba, and BYD are competing directly with US firms in sectors such as 5G, e-commerce, social media, and electric vehicles, particularly in Asia, Europe, and Africa.
- **India's IT and Startup Boom:** With a large English-speaking workforce, cost advantages, and a thriving startup ecosystem, Indian tech companies are moving up the value chain, offering AI solutions, software development, and research, while local consumer apps flourish in a vast domestic market.

### CHINA & INDIA HAVE A LEAD ON AI TALENT

TOTAL SOFTWARE DEVELOPERS ('000)



Source: Bloomberg Intelligence (October 2024)

- **Europe's Regulatory and Niche Innovations:** The EU excels in sustainability initiatives and data privacy regulations, gaining favour among consumers and governments that prioritize these aspects, thus challenging US tech's global advantages.

These challengers are eroding the market share and pricing power of US corporations, potentially reducing long-term earnings growth and necessitates more aggressive spending on R&D or acquisitions, straining profit margins.

### Justified Premium?

Despite headwinds like slowing innovation and flattening earnings, US tech remains expensive.

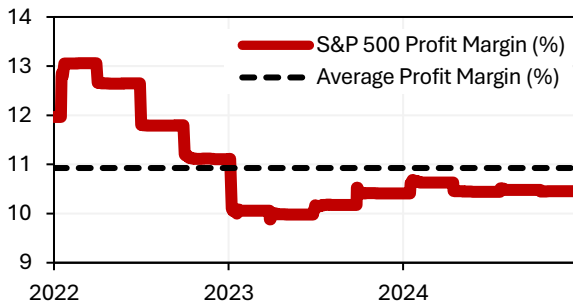
Historically, mega-cap tech companies have built resilient subscription-based revenue models and amassed large cash reserves, making them perceived as low-risk investments.

This perception of growth and stability keeps valuations elevated.

Additionally, the popularity of index funds and ETFs, which are market-cap weighted, creates a self-reinforcing cycle where larger companies receive more investment inflows, further boosting their valuations.

The AI hype cycle has also benefited select tech companies, with investors assigning high multiples to perceived "winners" like Nvidia and Microsoft, despite near-term profit realities.

**S&P 500 PROFIT MARGINS UNDERWHELMING**  
HISTORICAL PROFIT MARGIN VS AVERAGE (%)



Source: Bloomberg (05 February 2025)

Outside of tech, the US stock market's large-cap offerings are less appealing, with sectors like energy, financials, and industrials facing various challenges.

This makes tech stocks the "least bad" option for institutional investors, perpetuating high share prices.

Retail investors, empowered by commission-free trading apps and social media platforms, have also played a significant role in keeping tech stocks expensive.

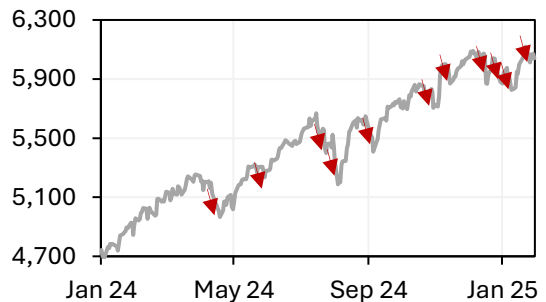
Options trading, online hype, and the availability of fractional shares have driven speculative frenzies around certain tech stocks, leading to valuations that are often not justified by fundamental analysis alone.

### Sayonara US Equities?

Given the broad headwinds facing US equities in 2025, investors should consider diversifying across regions and asset classes.

#### MORE FREQUENT CORRECTIONS

S&P 500 DIPS MORE OFTEN



Source: Bloomberg (05 February 2025)

International equities in emerging markets like Vietnam, Indonesia, and India may offer more attractive valuations and growth trajectories.

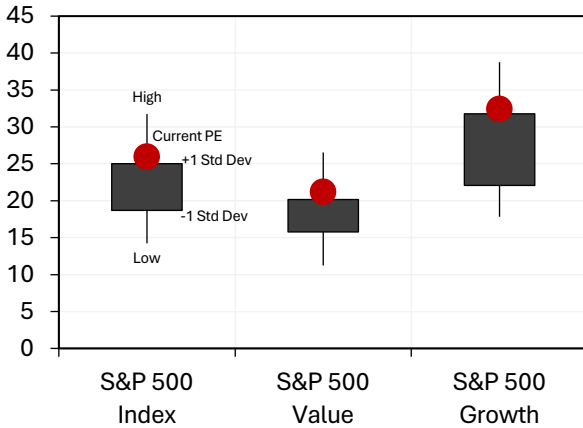
Fixed income investments, such as US Treasuries, have regained appeal with higher yields, providing safe and predictable income streams.

Additionally, alternatives like private equity, hedge funds, and real assets can offer unique return profiles uncorrelated to public equities.

Emphasising value and income can also be beneficial. Value stocks, which trade at lower multiples and offer stable or growing dividends, can hedge against market volatility.

**GROWTH VS VALUE**

12-MONTH FORWARD PRICE-TO-EARNINGS [x]

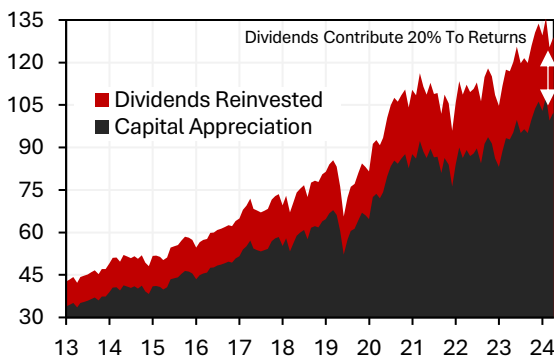


Source: Bloomberg (05 February 2025)

Compounders, companies with a history of consistent dividend payouts, become more attractive in a low-growth environment as dividends contribute significantly to total returns.

**DIVIDENDS ENHANCE RETURNS**

S&P 500 TOTAL RETURNS



Source: Bloomberg (05 February 2025)

Sector rotation can also be advantageous, with potential opportunities in cyclical sectors like materials, industrials, and certain financials, especially if economic conditions stabilize.

The healthcare sector, traditionally seen as defensive, may benefit from demographic shifts but requires careful selection due to regulatory complexities.

While the technology sector faces challenges, it is not uninvestable. Investors should consider maintaining a lower exposure to tech stocks, focusing on selective opportunities within the sector.

Investors should manage downside risk through active management and options strategies, such as covered calls or protective puts, can help cushion against sudden market downturns.



## AmBank Economics – Monthly Manifests

### Malaysia Economic Growth in 2025: Steady but Slower

In January, the Department of Statistics Malaysia (DOSM) released advance estimates for the fourth quarter of 2024, showing a GDP growth of 4.8% year-on-year (y/y), down from 5.3% in the previous quarter.

This results in a full-year GDP growth of 5.1% for 2024. Our forecast predicts a growth rate of 5.0% for 2025, slightly below the advance estimate but an improvement from the 3.6% recorded in 2023.

The projection for 2025 remains at 4.6%. We believe Malaysia's economic performance will be driven by strong domestic factors, including favourable labour market conditions, a minimum wage increase to RM1,700 (from RM1,500), and improving trade dynamics due to a global semiconductor recovery.

The labour market has been steadily improving, with the unemployment rate returning to a pre-pandemic low of 3.2% as of November 2024.

The labour participation rate stands at 70.5%, indicating strong labour demand driven by business expansion and higher investment and trade activities.

We expect the labour market to remain healthy, with our year-end forecast for the unemployment rate at 3.2%, slightly lower than the 3.3% in 2024

In its first meeting of the year, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00%, as expected. This marks the tenth consecutive meeting with no change in the rate, reflecting robust economic growth and well-contained inflationary pressures. We believe BNM will maintain the OPR as long as labour market conditions and inflation levels remain stable and manageable.

#### Plantation Sector

The palm oil sector is expected to see higher prices in 2025 due to lower production and increased demand from Indonesia's biodiesel program. Malaysia's palm oil inventory dropped to 1.7 million tonnes in December 2024, with crude palm oil production decreasing by 4.1% year-on-year.

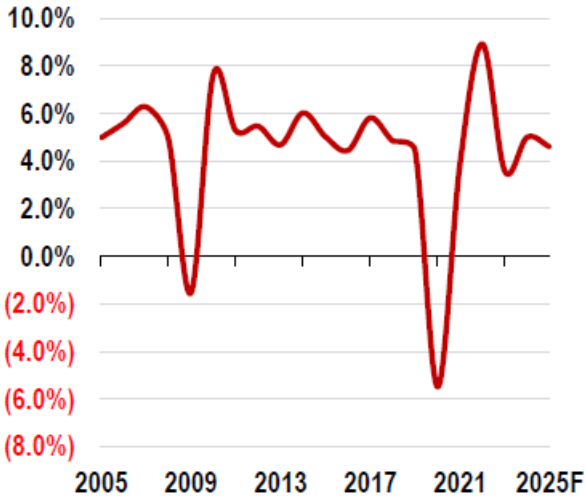
#### Real Estate Sector

High vacancy rates are expected to persist in the non-residential real estate market in 2025, particularly in the office sector. However, shopping complexes have shown improved occupancy rates, and the retail trade sub-sector grew by 5.8% year-on-year in November 2024, supported by increased tourist arrivals and higher sales in non-specialized stores.

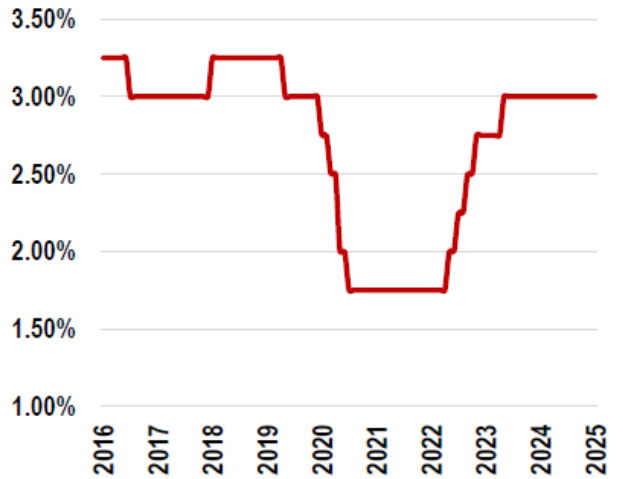
Source: AmBank Economics (Feb 2025)

Economic Events – Commentary & Charts

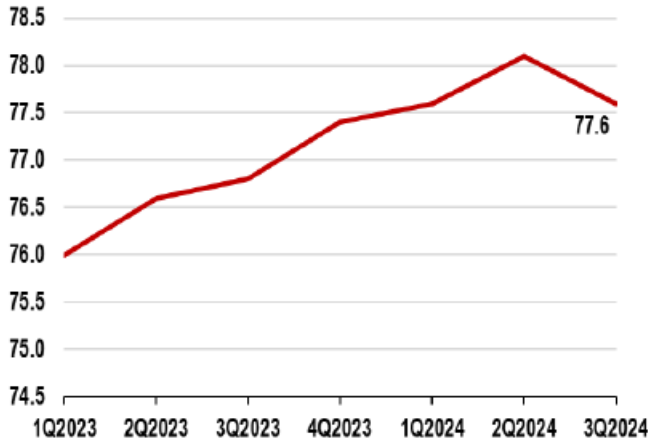
Malaysia Annual GDP Growth, Y/Y%



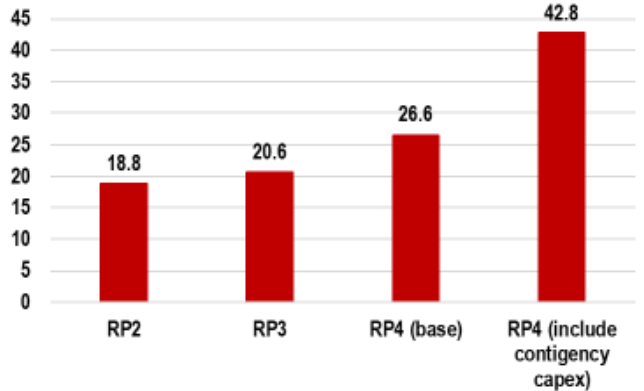
Overnight Policy Rate (%)



Malaysia Shopping Complex Occupancy Rate (%)



Capex Trend of RP (Rm Billion)



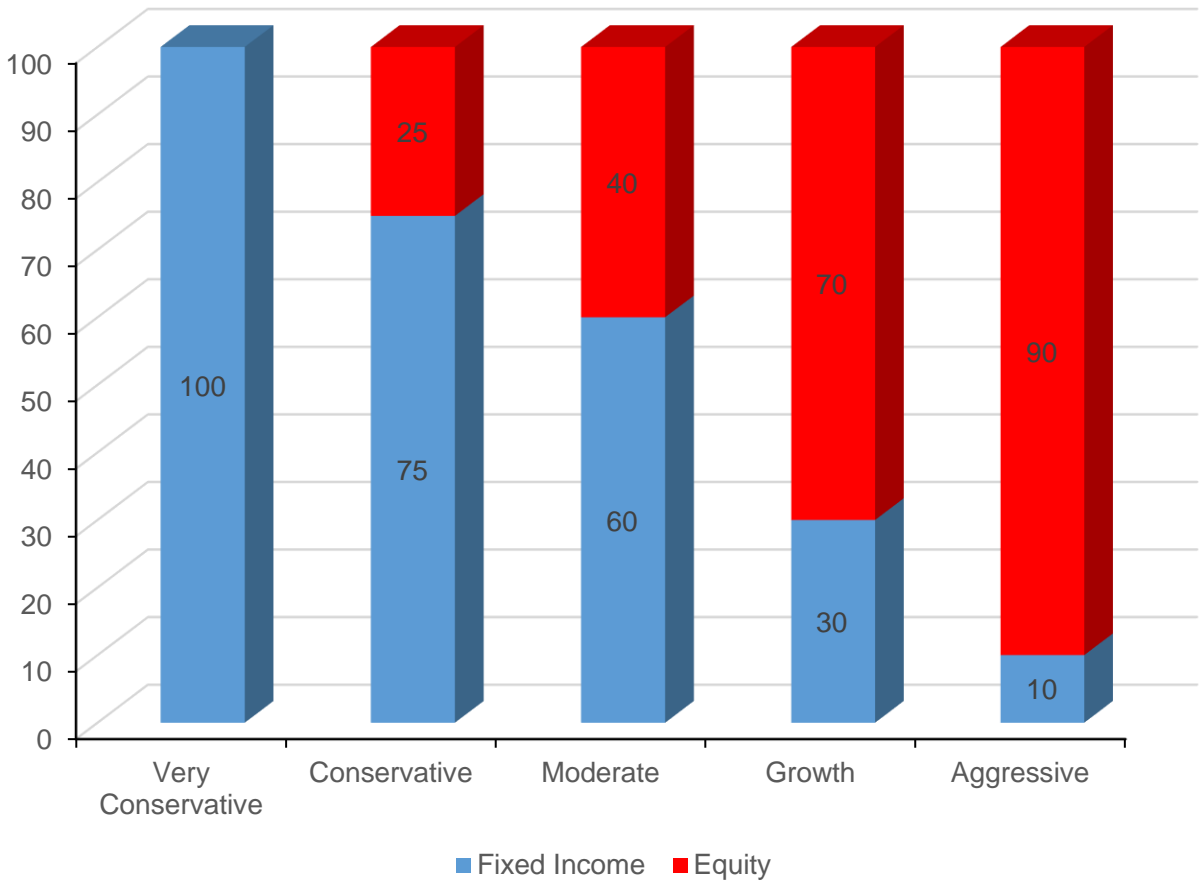
AmBank Economics' Projections (%)

	Actual Data		Forecast	
	2022	2023	2024F	2025F
GDP, y/y%	8.9	3.6	5.0	4.6
Inflation rate	3.4	2.5	1.8	2.5 – 3.0
Unemployment rate	3.8	3.3	3.2*	3.2*
OPR	2.75	3.00	3.00	3.00

Source: AmBank Economic Research

# Asset Allocation Strategy

Reference Portfolio (Based on Investor's Risk Profile)  
(% Allocation for Equity and Fixed Income)



Source: AmBank

Fund of Focus – 1<sup>st</sup> Quarter 2025

	Retail (21 Funds)	Wholesale (14 Funds)
<b>Shield &amp; Yields</b>	AHAM Wld Ser Income AmDynamic Bond AmTactical Bond B Maybank Global Mixed Assets-I Principal Islamic Lifetime Balanced TA Total Return Income United Golden Opportunity	AmFunds Glb Agribusiness AmFunds Income and Growth
<b>Enduring Giants</b>	Manulife Global Perspective A Principal Global Titans	AmFunds Global Dividend RHB Global Equity Premium Income
<b>Malaysia's Reformed Future</b>	AHAM Select Opportunity Fund	Eastspring Investments Small Cap
<b>Global Champions</b>	TA Global Select Equity Maybank Global Sustainable Equity-i	AHAM Aiiman Glb Mlt Thmtc
<b>Asia's Resurgence</b>	Maybank Asiapac Ex-Japan Equity-i Principal Asia Pacific Dynamic Inc RHB Asian Income	MAMG Sys AsiaPac Eq Abs Ret
<b>Ai Capex Supercycle</b>	RHB i-Sustainable Future Tech TA Global Technology	Principal Global Technology Principal Islamic Global Tech United Global Transformation
<b>Small Cap's Risk Buffer</b>		AmFunds Global Smaller Companies Principal US High Conviction
<b>Twin-Economic Drivers</b>	AmFunds India Growth Manulife India Equity Principal Greater China Equity RHB Shariah China Focus	AmChina A-Shares Hong Kong Tech Index

Note: Funds are selected using a quantitative filter. Best scoring funds across key categories have shortlisted to be in the fund of focus. Based on Wealth Advisory & Research and Wealth Product Managers PM discretion & experience, new funds and tactical ideas may be added as required to capture fast moving market trends.

Source: AmBank as of January 2025

## Top 5 Best Performing Funds YTD 2025

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Opportunity Fund	Equity - Malaysia	Retail	26.2	30.11	9.06
Eastspring Inv Islamic Small-cap	Equity - Malaysia	Retail	24.08	26.13	8.78
Principal Global Technology MYR H	Equity - Global	Retail	23.01	28.27	-0.63
TA Global Technology MYR	Equity - Global	Retail	27.04	31.29	10.65
United Golden Opportunity MYR hedged	Other - Global	Retail	23.14	26.09	10.24

## Top 5 Worst Performing Funds YTD 2025

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Asia (ex Jpn) Qtm Fd	Equity - Asia ex Japan	Retail	-10.76	-11.13	-5.81
AmAsia Pacific REITs B MYR	Equity - Asia ex Japan	Retail	-9.46	-4.27	-7.4
Maybank Singapore REITs MYR	Equity - Developed Market	Retail	-11.3	-7.59	-3.54
Principal Islamic Asia Pacific Dyn Eq	Equity - Asia ex Japan	Retail	-9.96	-6.1	-6.75
RHB Resources	Equity - Asia ex Japan	Retail	-8.49	-5.43	2.91

Source: Lipper fund performance as at 31 January 2025, applicable to funds distributed by AmBank  
Past performance does not indicate future returns

## Definitions

<b>AAA/BBB</b>	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
<b>AUD</b>	Australian Dollar
<b>Bosvepa</b>	Brazil Stock Index
<b>CAD</b>	Canadian Dollar
<b>CHF</b>	Swiss Franc
<b>CNY</b>	Chinese Renminbi
<b>CPI</b>	Consumer Price Index
<b>DAX</b>	German Stock Index
<b>DJIA</b>	Dow Jones Industrial Average
<b>EPFR Global</b>	Emerging Portfolio Fund Research, Inc.
<b>ETF</b>	Exchange Traded Funds
<b>EUR</b>	Euro
<b>FocusEconomics</b>	FocusEconomics is a leading provider of economic analysis and forecasts for 127 countries in Africa, Asia, Europe and the Americas, as well as price forecasts for 33 key commodities.
<b>GBP</b>	UK Pound Sterling
<b>GDP</b>	Gross Domestic Product
<b>German IFO</b>	German Information and <b>F</b> orschung (research).
<b>HSI</b>	Hong Kong's Hang Seng Index
<b>IIF</b>	Institute of International Finance
<b>IHS</b>	Information Handling Services is a company based in London, United Kingdom. IHS provides information and analysis to support the decision-making process of businesses and governments.
<b>IHS Markit</b>	A merger between IHS and Markit Ltd.
<b>Indonesia's JSX</b>	Indonesia's Jakarta Stock Exchange
<b>I/B/E/S</b>	'Institutional Brokers' Estimate System
<b>INR</b>	Indian Rupee
<b>JPY</b>	Japanese Yen
<b>KOSPI</b>	South Korea's Stock Index
<b>Malaysia's KLCI</b>	FTSE Bursa Malaysia Index
<b>Markit Ltd</b>	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
<b>MICEX</b>	Russian Stock Index
<b>MYR</b>	Malaysian Ringgit
<b>Philippines PSE</b>	Philippines' Stock Index
<b>PSEi</b>	The Philippine Stock Exchange, Inc
<b>PMI</b>	Purchasing Managers' Index
<b>PRC</b>	People's Republic of China
<b>Q1,Q2,Q3,Q4</b>	Quarter 1, Quarter 2, Quarter 3, Quarter 4
<b>SCI</b>	China's Shanghai Composite Index
<b>SGD</b>	Singapore Dollar
<b>Singapore STI</b>	Singapore's Strait Times Index
<b>TAIEX</b>	Taiwan's Stock Index
<b>Thailand's SET</b>	Thailand's Stock Index
<b>U.K.</b>	United Kingdom
<b>U.S.</b>	United States of America
<b>U.S. Fed</b>	United States Federal Reserve
<b>USD</b>	U.S. Dollar
<b>YOY</b>	Year-on-year
<b>YTD / y-t-d</b>	Year to date

## Disclaimer

### **Important Information for Customers:**

WARNING: THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN MALAYSIA OR ANY OTHER JURISDICTION. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD IMMEDIATELY OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

This document is strictly confidential and is issued by AmBank (M) Berhad (“AmBank”) on the basis that it is only for the information of the particular person to whom it was provided. This document may not be copied, reproduced, distributed or published by any recipient for any other purpose unless AmBank’s prior written consent is obtained.

The information, statement and/or descriptions contained in this report has been prepared strictly as general information for quick reference and illustration purposes only and is not intended to be the complete description of any products mentioned or as an offer to sell or a solicitation to buy any securities, foreign exchange or other product. In providing this report AmBank is not making any recommendation to buy any securities or other product and the information provided should not be taken as investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. AmBank has no obligation to update its opinion or the information in this report and you should independently evaluate particular investments and strategies and seek the advice of a financial adviser prior to entering into any transaction.

The information herein was obtained or derived from sources that AmBank believes are reliable, but while all reasonable care has been taken to ensure that stated facts are accurate and opinions fair and reasonable, we make no representation or warranties, express or implied, as to the accuracy or completeness of the information herein and expressly disclaims any liability for any loss (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) that you or your advisors may suffer as a result of your reliance upon the whole or any part of the contents of this report or for any loss that may arise from the use of this report or reliance by any person upon such information or opinions provided in this report.

Members of the AmBank Group, AmBank Group affiliates and each of their directors, officers employees and agents (“Relevant Persons”) may provide services to any company and affiliates of such companies whose securities or other products are mentioned herein, may from time to time have a position in or related to the securities or products mentioned herein and may trade or otherwise effect transactions for their own account or the accounts of customers. You should assume that the Relevant Persons may provide or may seek investment banking or other services to or from the companies in which have an interest in the securities or products discussed / covered in this report or previous reports by AmBank. You should further be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

AmBank is not acting as your advisor and does not owe any fiduciary duties to you in connection with this report and no reliance may be placed on AmBank or this report in evaluating your investment objectives, financial situation and particular needs and decisions.

Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

This information herein is not intended to constitute “research” as it is defined by applicable laws. This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.