

Navigate Market Volatility through a Conservative Mixed Asset Portfolio Approach

Public e-Ataraxia Mixed Asset Fund (PeAXMAF) is a mixed asset fund which aims to achieve capital growth over the long term through a conservative mixed asset allocation strategy. The Fund will invest 60% to 75% of its net asset value (NAV) in bonds or other forms of securitised debt and up to 35% of its NAV in shares or securities equivalent to shares. The balance of the Fund's NAV will be invested in money market instruments and deposits. The Fund also has the flexibility to invest a maximum of 35% of its NAV in foreign assets, including global equities.

The Fund's bond portfolio will invest primarily in domestic corporate bonds with sound credit fundamentals as well as government debt securities, while the Fund's equity portfolio will invest primarily in stocks of companies which may stand to benefit from prevailing economic conditions and/or changes in the economic cycles in both the domestic and foreign markets.

PeAXMAF is the first mixed asset (conservative) fund offered under the Public e-Series of Funds, which provides investors with the convenience of making their investments through the Public Mutual Online (PMO) platform with a minimum initial investment amount of RM100.

Key Benefits of Investing in PeAXMAF

Investing in PeAXMAF provides numerous benefits such as a portfolio that is diversified, as well as less volatile returns (as compared to conventional equity funds) in pursuit of capital growth over the long term.

The overall portfolio risk of PeAXMAF is reduced as the Fund invests primarily in fixed income securities and may diversify up to 35% of its NAV in equities. If the outlook for the respective asset classes is unfavourable, the Fund's exposure to bonds (or other forms of debt securities) and/or shares (or securities equivalent to shares) may be reduced to below the range indicated, while the exposure to money market instruments and deposits may be increased as a temporary defensive strategy.



The returns of PeAXMAF are likely to be less volatile compared to a conventional equity fund as the potentially higher but more volatile returns from equity investments are moderated by the lower and more stable returns of the Fund's investment in fixed income securities, of which returns are comprised primarily of coupon income.

Despite a lower volatility of returns, PeAXMAF still allows investors to participate in the long-term capital growth of the equity markets as up to 35% of PeAXMAF's NAV can be invested in equities, including global equities.

PeAXMAF's flexibility to diversify up to 35% of its NAV to the foreign markets allows the Fund to tap into the broader array of investment opportunities available globally.

Interest Rate Outlook

The U.S. Federal funds rate (FFR) has been raised to a target range of 5.00%-5.25% as at May 2023 following a cumulative increase of 500 basis points (bps) since the liftoff in March 2022 as fighting inflation remains top priority for the Federal Reserve (Fed). However, following the collapse of Silicon Valley Bank and subsequent turmoil in the banking sector in the U.S. and Europe, the Fed held its projection for its terminal FFR at 5.1%. Nevertheless, given that the inflation rate remains above the Fed's 2% target, Fed officials have pushed back on the prospect of any rate cuts this year and reiterated that the central bank could raise rates by more than expected if needed. Market participants, however, are generally anticipating the FFR to peak in the first half of 2023, followed by rate cuts towards the end of 2023.

On the domestic front, after keeping the Overnight Policy Rate (OPR) unchanged in the first two Monetary Policy Committee (MPC) meetings this year, Bank Negara Malaysia (BNM) unexpectedly raised the OPR by 25 bps to 3.00% at the May 2023 MPC meeting, noting that risks to the domestic growth outlook are relatively balanced, with stronger tourism activities and the implementation of Budget 2023-related projects offsetting the downside risks arising from weakening external demand. Despite global headwinds, Malaysia's economy is projected to grow at 4%-5% this year, while domestic inflation is expected to moderate in 2023, with upward pressures partly contained by price controls and fuel subsidies. A further normalisation in the domestic monetary policy will likely be guided by evolving conditions and its implications to the local inflation and growth outlook. Market participants are generally expecting BNM to stand pat on the interest rate front in the upcoming MPC meetings.

Looking ahead, given the higher domestic bond yields amid the prospect of slower U.S. economic growth, lower U.S. inflation and a potential peaking in global interest rates, PeAXMAF has the opportunity to capitalise on selected domestic bonds that are attractively-priced to generate potentially better returns over the long run.

Sectors which PeAXMAF's Equity Portfolio May Invest in

PeAXMAF may invest in stocks of companies listed on the global markets that offer attractive growth prospects such as selected counters within the consumer, communications and technology sectors.

The consumer sector is anticipated to benefit from the resilient consumer demand over the long term, driven by the enlarging global population, rising disposable income and increasing urbanisation. The Fund may focus on investing in quality consumer companies with geographically-diversified revenue streams and stable growth profiles.

Meanwhile, the outlook for the communications sector will continue to be bolstered by the increasing adoption of Internet- and 5G-connected devices and services as more consumers resort to online activities, from online shopping and home entertainment to social media and gaming.

The Fund may also look to invest in technology companies within the software, hardware and semiconductor segments with fundamentals that are driven by structural growth areas such as automation, digitalisation, electrification (automotive), autonomous driving, artificial intelligence (AI) and cloud computing.

The Fund's Benchmark

PeAXMAF's benchmark is a composite index comprising 70% 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) and 30% S&P Global LargeCap Index.

For the 3-year, 5-year and 10-year periods ended 28 April 2023, the Fund's benchmark generated total returns of +16.32%, +25.68% and +69.68% respectively. The historical and annualised returns of the benchmark are stated in Table 1 below.

Table 1: Historical Returns of PeAXMAF's Benchmark

Benchmark	Performance in MYR (%)*		
	3-Year	5-Year	10-Year
Total Return	16.32	25.68	69.68
Annualised Return	5.18	4.68	5.43

* Data as at 28 April 2023

Sources: Lipper and Bank Negara Malaysia

Note: Past performance of the benchmark is not a reliable indicator of the fund's future performance.

Investors are advised to read and understand the contents of the Prospectus of Public e-Ataraxia Mixed Asset Fund dated 23 May 2023 and the fund's Product Highlights Sheet (PHS) before investing. Investors should understand the risks of the fund and compare and consider the fees, charges and costs involved in investing in the fund. A copy of the Prospectus and PHS can be viewed at our website www.publicmutual.com.my. Investors should make their own assessment of the merits and risks of the investment. If in doubt, investors should seek professional advice. Please refer to www.publicmutual.com.my for our investment disclaimer.