

RHB ASIAN INCOME FUND - SGD

The Fund aims to provide income and capital growth over the medium to long term by investing in one target fund, i.e. the Schroder Asian Income.

INVESTOR PROFILE

This Fund is suitable for:

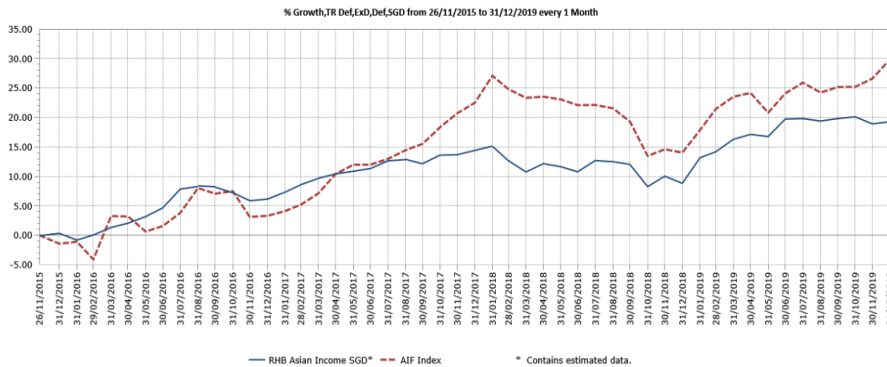
- ‘Sophisticated Investor(s)’ as defined in the Information Memorandum.

INVESTMENT STRATEGY

- At least 95% of NAV: Investments in the class X units of the Target Fund.
- 2% - 5% of NAV: Investments in liquid assets including money market instruments and Placements of Cash.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.31	-0.44	-0.38	9.60
Benchmark	2.57	3.74	4.63	13.88

	1 Year	3 Years	Since Launch
Fund	9.60	12.28	19.23
Benchmark	13.88	25.70	29.82

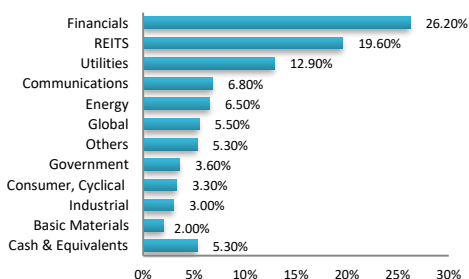
Calendar Year Performance (%)*

	2019	2018	2017	2016
Fund	9.60	-4.88	7.70	5.77
Benchmark	13.88	-6.92	18.59	4.81

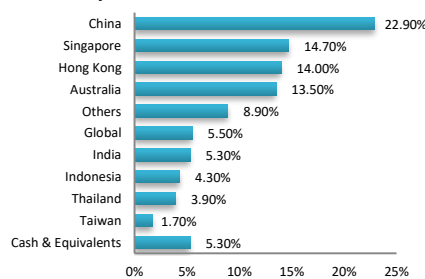
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

MAPLE TREE COMMERCIAL TRUST REIT	2.20
HK ELECTRIC INVESTMENTS	2.00
ASCENDAS REAL ESTATE INVESTMENT TRUST	1.90
POWER ASSETS HOLDINGS LIMITED	1.80
MAPLE TREE INDUSTRIAL TRUST REIT	1.70

*As percentage of NAV

*Source: Schroder, 31 December 2019. Exposure in Schroder Asian Income - 97.69%

FUND STATISTICS

Historical NAV (SGD)

	1 Month	12 Months	Since Launch
High	1.0538	1.0902	1.1023
Low	1.0370	0.9900	0.9738

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
27 Nov 2019	1.1000	1.03
27 Aug 2019	1.1000	1.03
28 May 2019	1.0000	0.95
27 Feb 2019	0.8000	0.79

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET OVERVIEW

Asian equities recorded a strong return in December, aided by the US-China trade progress following a “phase one” trade deal. The improved trade outlook boosted sentiment towards growth and export oriented sectors such as technology and consumer discretionary, while profit-taking pressure continued to see defensive sectors underperforming. In fixed income, government bond yields rose overall, reflecting the better risk sentiment. The US 10-year Treasury yield rose 14 bps.

MARKET STRATEGY AND OUTLOOK

Equity

Over the month, the Target Fund Manager continued to diversify their financial / banking exposures away from Hong Kong to the rest of the region, via a new position in a Korea bank and an existing holdings in Singapore. Valuation of the Korea banking sector is attractive given the expectation of higher pressure on net interest margin amid falling yields, which have stabilised recently and should provide some re-valuation opportunity. For Singapore, despite slower economic growth locally, the Target Fund Manager continues to expect steady earnings supporting a robust level of dividends. The Target Fund Manager also continued adding to a Singapore telecom name. While the development of 5G infrastructure could result in short-term pressure on capex, the network sharing scheme as required by the regulator is likely to help the strong incumbent to regain some pricing power, which could boost earnings in the mid-term after the last few years of margin erosion due to increased competition. On the other hand, the Target Fund Manager closed their position in a China hydropower generator to take profit given its strong performance in 2019. The Target Fund Manager also trimmed their holdings in a Thai utility provider as the Target Fund Manager believes its potential growth has already been priced in.

The improved backdrop has seen an upward re-rating of the cyclical / growth oriented sectors, in particular for exporters which have been hampered by trade tensions, while defensive and high dividend names have been under profit-taking pressure. The Target Fund Manager believes the strong momentum of the growth sectors is likely to continue given the optimism around the trade-deal between US & China, as well as the bottoming out of the technology cycle. However, the Target Fund Manager must also not forget that the valuation of growth stocks, while cheap in Q4 last year, is no longer as attractive any more after the rally. Therefore, the upside potential is now less than before. On the other hand, although generally the investment environment is brighter for 2020, the market is still faced with a number of risk factors, including the situation in the Middle-east and Democratic primary elections (starting in Feb), which could trigger volatility and defensive dividend stocks would be in favour again. Therefore, balancing the upside potential and the risks, the Target Fund Manager has decided to incrementally add to some dividend growers in the cyclical sectors (such as tech, energy and materials) in order to allow to portfolio to increase participation in the upside. At the same time, the Target Fund Manager would still like to preserve the overall defensive nature of their Target Fund to ensure style consistency and will continue to actively manage downside risks through equity hedges if needed.

Fixed Income

Overall, the Target Fund Manager continued to trim their high yield exposures to reduce risk and portfolio vulnerability. The Target Fund Manager then took part in a new issue of a perpetual note by a mega-cap China property developer. The Target Fund Manager believes contracted sales of the sector continue to post robust growth, while lower overall funding rate has also alleviated refinancing concerns, despite the ongoing potential of tightening of policy on the sector. The Target Fund Manager also added to a Macau gaming name, as gaming revenue in Macau has continued its downtrend in December but is expected to stabilise. The other issue that the Target Fund Manager added to is a perpetual green bond issued by a Philippine energy company, which is well-bid by investors amid the growing demand for green bonds in the region. Elsewhere, the Target Fund Manager took profit on their position in a Japan railway company and exited Sri Lanka government bond, which have outperformed recently. The overall portfolio duration is at 1.5 years.

With economic growth moderating, most Asian central banks have eased more than expected in 2019, creating a lower rate environment that is generally supportive for Asian credit. However, looking ahead, the Target Fund Manager believes 2020 will be a more challenging year for credit investors as the tailwind of monetary easing is likely to wane. At the same time, in some areas such as China, default risks are likely to rise while growth momentum is expected to remain weak. That said, the Target Fund Manager believes fiscal and monetary response by the authorities should remain supportive, thus the Target Fund Manager certainly do not see growth collapsing as infrastructure investment should pick up against a backdrop of a still resilient services sector. As such, the Target Fund Manager remains concerned about highly leveraged companies in the region and hence the Target Fund Manager is happy to reduce their market exposure to high yield companies with weaker financials. The Target Fund Manager maintains a relatively cautious stance in managing the portfolio to ensure quality and income stability.

DISCLAIMER:

Based on the fund’s portfolio returns as at 10 December 2019, the Volatility Factor (VF) for this fund is 4.6 and is classified as “Low”. (source: Lipper) “Low” includes funds with VF that are above 1.9 but not more than 6.5 (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 VC referred to was dated 30 June 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 2019.

A Product Highlights Sheet (“PHS”) highlighting the key features and risks of the Fund is available and investors have the right to request for a PHS. Investors are advised to obtain, read and understand the PHS and the contents of the Information Memorandum dated 5 November 2015 and its supplementary(ies) (if any) (“the Information Memorandum”) before investing. The Information Memorandum has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Information Memorandum relates will only be made on receipt of a form of application referred to in the Information Memorandum. The Fund are only offered to “sophisticated investor” as defined in the Information Memorandum. For more details, please call 1-800-88-3175 for a copy of the PHS and the Information Memorandum or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks of the Fund are management risk, liquidity risk and foreign investment risks such as currency risk and country risk and the specific risks of the target fund are market risk in Asia, credit risk, investment grade, below investment grade and unrated debt securities risk, risks relating to distributions, emerging markets and frontier risk and derivatives risk. These risks and other general risks are elaborated in the Information Memorandum.

This factsheet is prepared for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Past performance is not necessarily a guide to future performance. Returns may vary from year to year.

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