RHB Asset Management

FUND FACTSHEET – MARCH 2020

All data expressed as at 29 February 2020 unless otherwise stated

3-year Fund Volatility 10.1 high Lipper Analytics 11 FEB 2020

RHB ENERGY FUND

The Fund aims to achieve long term capital appreciation through an investment that is linked to the global energy sector.

INVESTMENT STRATEGY

- 90% to 100% of NAV: Investments in Malaysian bonds, money market instruments, cash and deposits with financial institutions.
- Up to 10% of NAV: As capital payment for exposure to a derivative instrument in the form of a swap agreement that will provide the Fund with exposure to the global energy sector. With this capital payment, the Fund can have a notional amount of up to 100% of its NAV exposed to the Underlying which are linked to the global energy sector.

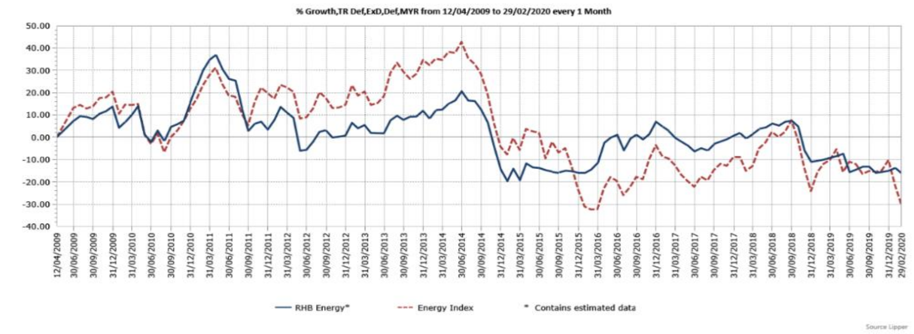
INVESTOR PROFILE

This Fund is suitable for investors who:

- seek investment opportunities in the global energy sector;
- seek capital growth;
- have a long term investment horizon; and
- have an appetite for risk to gain higher returns.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-2.71**	**-0.63**	**-3.31**	**-1.25**
Benchmark	-10.77	-17.82	-16.19	-22.02

	1 Year	3 Years	5 Years	Since Launch
Fund	**-6.73**	**-18.57**	**-2.30**	**-16.23**
Benchmark	-20.46	-22.62	-29.71	-29.95

Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	**-4.52**	**-11.72**	**-5.85**	**27.42**	**-1.89**
Benchmark	18.32	-16.73	-5.48	25.72	-19.93

Source: Lipper IM

FUND DETAILS

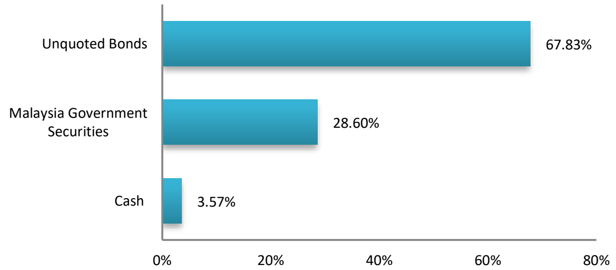
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Fixed Income Fund
Fund Type	Growth Fund
Launch Date	23 March 2009
Unit NAV	RM0.3481
Fund Size (million)	RM11.16
Units In Circulation (million)	32.06
Financial Year End	31 March
MER (as at 31 Mar 2019)	1.65%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	60% S&P GSCI Energy Official Close Excess Return Index (RM) + 40% MSCI World Energy Index (RM)
Sales Charge	Up to 5.00% of investment amount*
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.08% p.a. of NAV*
Switching Fee	RM25.00 per switch*
Distribution Policy	Incidental

**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*

For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Asset Allocation*



Top Holdings (%)*

GII MURABAHAH 4.724% (15/06/2033)	15.87
BRIGHT FOCUS BHD 2.5% (24/01/2030)	13.48
MALAYSIAN GOVT SEC 3.733% (15/06/2028)	9.57
CIMB GROUP HOLDINGS 5.4% (23/10/2023)	9.45
MEX II SDN BHD 6.4% (28/04/2034)	9.44

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.3652	0.3845	0.6014
Low	0.3477	0.3477	0.3226

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

The global market fell sharply by 8.2% after a decline of 1.2% in the month of January. Energy (-14.3%) sector continued to be under pressured with WTI oil price sinking below USD 50 per barrel. OPEC have already curbing oil output under a deal that runs to the end of March and they are scheduled to meet on March 5-6 to decide further policy.

Over in the US, the 10-year bond yield has fallen to a historical low of 1.15% as the close of February and the 2-year bond yield has break the 1% level to close the month at 0.91%. Seeing this, the Federal Reserve Chairman Joy Powell signaled in an unscheduled statement saying the Federal Reserve is monitoring the COVID-19 and will act as appropriate to cut rate if necessary despite claiming that fundamentals for the US economy were still intact. The market is pricing expecting a rate cut in 18th March meeting and saw at least 2-3 cut for the year 2020. The current benchmark rate was now at 1.5% - 1.75%. The FOMC is also scheduled to conclude its policy framework review around mid-2020. There is a dovish shift to the statement language suggesting more resolution to the transition to an average inflation target. Super Tuesday comes this week and fourteen states hold primaries with 1338 total pledged delegates up for grabs.

Following a few COVID-19 period surveys on February 3 and February 17, we can see 1) most companies are reporting sequential downstream demand recovery, up from just 10-30% normal level in the previous survey to 25-40%; 2) inventories are building up for domestic market oriented companies (cement, steel, aluminum) but for those focusing on export (pre-cursor and lithium hydroxide), inventories are low; and 3) most companies are expecting demand normalization in 2Q, but uncertainty remains.

Oil continues to fall in the month of February as the COVID-19 situation worsens. The initial decline was mainly attributable to the loss of Chinese and global oil demand from the outbreak. However, the situation quickly escalated as the COVID-19 virus spread globally, turning it into an epidemic as a number of additional countries saw confirmed cases spiked. Oil prices look supported at current levels, but this is mainly buoyed by the expectation of synchronized central bank rate cuts and OPEC+ production cut in 5-6 March 2020.

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") extended rally during the month as anxiety over the spread of coronavirus deepened. According to the head of the World Health Organisation ("WHO"), the outbreak has the potential to become a pandemic and is at a decisive stage currently as it spreads highly outside China which has claimed increase cases of fatality as well. With further concern on the coronavirus threatening to disrupt supply chains and impact to the overall growth globally, market is expecting central bankers to skew towards easing bias to support growth. With lower Growth Domestic Product ("GDP") print of 4.3% for 2019, at a lower range of Bank Negara Malaysia ("BNM") forecast of 4.3%-4.8%, Governor Nor Shamsiah was quoted to have indicated that there is ample room to adjust Overnight Policy Rate ("OPR") as low inflation shall provide policy space for the action. The growth disappointment alongside dovish remark by the Governor has reaffirmed market's view of another 25bps cut and justified safe haven bid that lending further supports to local government bonds. Yields seen collapsing by 20bps to 30bps during the month. On top of that, further developments on Fed's assessment of the impact of coronavirus on their policy outlook shall lend support to fixed income space as yields in emerging market looks to be attractive.

Overall, the MGS and GII yield were strongly supported during the month as the dovishness prevails in the current market environment where downside risks dominated the headlines. Market fears rise for both health and economic reasons as coronavirus spreads into many countries and across continents thus will have a larger impact towards global growth going forward. Month-on-month, MGS space bull-steepened with yields collapsing roughly about 30 bps along the 3-year to 10-year tenor in anticipating another the rate cut by BNM. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.60% (January 2020: 2.88%), 2.63% (2.96%), 2.77% (3.09%), 2.81% (3.13%), 3.05% (3.26%), 3.22% (3.42%) and 3.58% (3.76%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, mirroring the same pattern with investors extended duration on headline risks positioning. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.65% (January 2020: 2.91%), 2.67% (3.02%), 2.76% (3.11%), 2.86% (3.19%), 3.06% (3.35%), 3.26% (3.49%) and 3.61% (3.74%) respectively.

MARKET OUTLOOK AND STRATEGY

On oil, the market has already priced in a significant demand shock as reflected by the decline in oil prices. However, recovery in demand remains challenging given the uncertain trade-off between aggressive policy response to curb supply and increase demand, versus the duration of the coronavirus outbreak. Refining and petrochemical spaces were hit as well given the weak demand. As such, the market could expect a slower recovery in the refining and petrochemical space and may drag longer than expected given the virus outbreak. Key drivers to watch would be on extend of the outbreak, potential OPEC response, as well as the OPEC+ meeting in Vienna over 5-6 March, and hope for an effective output reduction agreement.

BNM at its second MPC meeting of the year has cut its overnight policy rate by another 25 bps this year, bringing the OPR to 2.50% from previously 2.75%. The decision has been expected by 15 out of 24 economists and largely has been price in by the market. This marked a second consecutive reduction in OPR by BNM as growth particularly in the first quarter will be affected by the Covid-19 outbreak, primarily in the tourism-related and manufacturing sectors. While two consecutive policy rate cuts are rare for BNM, the move is nonetheless in line with the more forward-looking approach that the central bank has adopted in recent meetings. With an anticipated weakening towards global growth, BNM is also hoping that the 2020 stimulus package unveiled last week can drive economic activity to improve in the second half of this year. That said, they are still mindful of the developing risk of COVID-19 outbreak. With these developments, BNM's is aware of the potential downside risks to the Malaysian economy arising from COVID-19 and also continued weakness in commodity-related sectors. Therefore, we expect BNM to remain dovish towards local interest rates since inflation is also under control. To recap, the government has on 30 December 2019 announced a delay in the implementation of the targeted fuel subsidy programme which was supposed to kick off on 1 January 2020. In our opinion, with this delay in implementation, we anticipate that the domestic inflation could edge lower than earlier target of 2% for the year reaffirming that interest rates in Malaysia can remain low for a longer period.

In the local fixed income market, local factors are still looking supportive given the easing bias towards monetary policy, a neutral supply profile and resilient domestic demand for bonds given surplus liquidity in the domestic space. Aside from domestic development, the rally seen in major bond markets especially in US where it's 10-year yield compressed lower recently would support local buying of local bond market as it appears attractive in absolute yield basis. While there could be a knee jerk reaction by foreign investors to sell government bonds (as their holdings increased for the past months), we believe local investors would look to add and buy on dips as near-term growth concern persists. We remain positioned to capture opportunities to actively trade in the government securities space as volatility is expected to present value from a risk-reward perspective. In the corporate space, we will remain selectively invested and participate in the primary issuances where yield premium is compensated. In summary, we will maintain our active management strategy where we will be deploying cash into undervalued government bonds and selective credits where we are comfortable at with higher secondary trading prospect and liquidity potential for the flexibility of the portfolios.