

### RHB ISLAMIC REGIONAL BALANCED FUND - MYR CLASS

The Fund aims to provide regular income\* and capital growth over the medium to long-term\*\* from a diversified portfolio of Shariah-compliant investments.

Note:\* Income is in the form of Units. Please refer to the Fund's distribution mode.

\*\* "medium to long-term" in this context refers to a period of three (3) years or more.

#### INVESTOR PROFILE

This Fund is suitable for investors who:

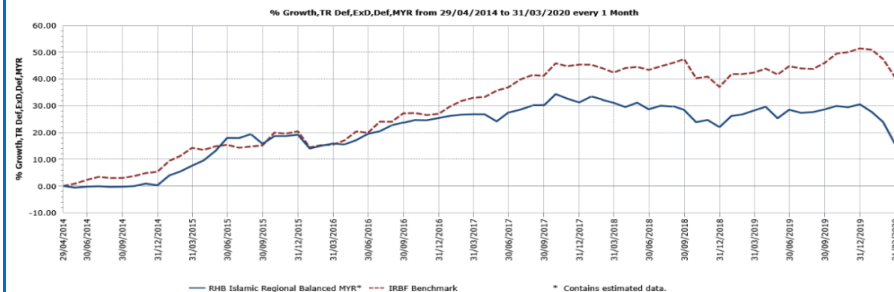
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

#### INVESTMENT STRATEGY

- At least 40% and up to 60% of NAV: Investments in Shariah-compliant equities.
- At least 40% and up to 60% of NAV: Investments in non-equity Shariah-compliant investments.

#### FUND PERFORMANCE ANALYSIS

##### Performance Chart Since Launch\*



RHB Islamic Regional Balanced Fund ("IRBF") Benchmark : Following the change in Shariah screening methodology of the Fund from a combination of screening methodologies to a single FTSE Shariah screening methodology effective from 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% FTSE Shariah Developed Asia Pacific Index. Prior to 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% Dow Jones Islamic Market Asia Pacific Index.

##### Cumulative Performance (%)\*

	1 Month	3 Months	6 Months	YTD
Fund	-6.59	-11.29	-9.98	-11.29
Benchmark	-4.54	-7.04	-3.58	-7.04

	1 Year	3 Years	5 Years	Since Launch
Fund	-9.71	-8.78	7.62	15.74
Benchmark	-1.15	5.84	23.19	40.74

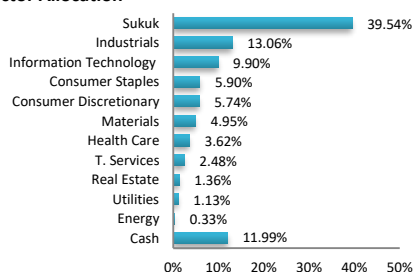
##### Calendar Year Performance (%)\*

	2019	2018	2017	2016	2015
Fund	6.99	-7.11	4.61	5.27	18.90
Benchmark	10.47	-5.70	14.50	5.41	14.33

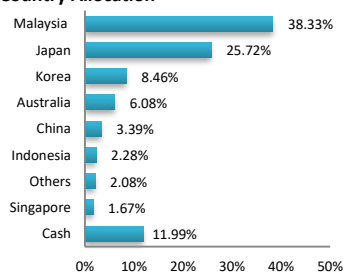
Source: Lipper IM

#### FUND PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Country Allocation\*



##### Top Holdings (%)\*

SAMSUNG ELECTRONICS	4.13
WCT IMTN** 6.00% (27/09/2119)	3.29
YTL POWER IMTN** 5.050% (03/05/2027)	3.22
AFFIN ISLAMIC PERPETUAL AT1 SUKUK WAKALAH (T1)	2.59
JEP IMTN** 6.20% (04/12/2031) Tranche 22	2.56

\*As percentage of NAV, \*\* IMTN: Islamic Medium Term Note

#### FUND DETAILS

<b>Investment Manager</b>	RHB Asset Management Sdn. Bhd.
<b>Trustee</b>	TMF Trustees Malaysia Bhd
<b>Fund Category</b>	Balanced fund (Shariah-compliant)
<b>Fund Type</b>	Income and growth
<b>RM Class Launch Date</b>	08 April 2014
<b>USD Class Launch Date</b>	17 June 2014
<b>Domicile</b>	Malaysia
<b>Base Currency</b>	Malaysian Ringgit (RM)
<b>Unit NAV</b>	RM1.1577
<b>Fund Size (million)</b>	RM177.66
<b>Units In Circulation (million)</b>	153.46
<b>Financial Year End</b>	30 April
<b>MER (as at 30 Apr 2019)</b>	2.01%
<b>Min. Initial Investment</b>	RM1,000.00
<b>Min. Additional Investment</b>	RM100.00
<b>Benchmark</b>	50% RAM QuantShop GII (medium term) Index + 50% FTSE Shariah Developed Asia Pacific Index
<b>Sales Charge</b>	Up to 5.00% of investment amount*
<b>Redemption Charge</b>	None
<b>Annual Management Fee</b>	1.80% p.a. of NAV*
<b>Annual Trustee Fee</b>	Up to 0.06% p.a. of NAV, subject to a min. of RM18,000p.a.*
<b>Switching Fee</b>	RM25.00 per switch*
<b>Distribution Policy</b>	Annually, if any

\*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 STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.2526	1.3146	1.3616
Low	1.0692	1.0692	0.9739

Source: Lipper IM



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**MANAGER’S COMMENTS**

**MARKET OUTLOOK AND STRATEGY**

**Equity**

Global equity market will likely remain volatile in the short term. We expect the market to stabilize once cases of Coronavirus Disease 2019 (Covid-19) virus peaking globally and Global Purchasing Managers’ Index (PMI) reaching its trough. With the recent correction in equity market, market has priced in more than 20% earnings cut. At this juncture, we are unable to quantify the potential damage to corporate earnings but we expect earnings to find some support from monetary easing and huge fiscal stimulus globally. In other words, our base case is that corporate earnings will not fall off the cliff. However, when the recovery takes place, it will likely be a U-shape rather than V-shape as lockdown from the virus could be extended and impact from the fiscal stimulus will likely take effect 6 months to 8 months before it flows into the actual economy. In terms of country allocation, we prefer China/Hong Kong and Korea at this juncture as both countries managed to keep the virus well contained. In terms of sectors, we prefer companies that are domestic based in consumer/materials sector, pharmaceuticals and selected technology stocks that are in the server, 5G and memory space.

**Sukuk**

In addressing the market liquidity, Bank Negara Malaysia (BNM)’s decided to reduce the statutory reserve requirement ratio by 100 basis points to 2% from 3% which augurs well for the Malaysian Ringgit (MYR) bond/sukuk market. The central bank will allow principal dealers to use government bonds/sukuk and Islamic notes of up to MYR1.0 billion as part of reserve requirement compliance which is expected to release MYR30 billion of liquidity into the banking system. We view this as a positive catalyst for the MYR bond/sukuk market, boosting liquidity given the additional demand from local banking institutions for Malaysia Government Securities (MGS)/ Government Investment Issue (GII), however we must also be cognizant of potential further foreign capital outflows in the months ahead which may affect market liquidity.

Malaysia’s economic environment took a turn for the worst in 1Q20 with the onset of Covid-19. Domestic economic activity is facing an abrupt stop due to the Movement Control Order (MCO) while the country’s external sector is set to weaken further as the virus extends its global reach.

Despite the calamity, government support during these times is extensive. Malaysia has pushed a substantial stimulus package amounting to RM250.0 billion representing a 17.6% of Gross Domestic Product (GDP) of 2019 in order to address the impact of Covid-19. Weakening global demand, disruption in supply chain, low crude oil prices arising from pandemic global lockdown, have impacted the fundamental of our economy which is increasingly tilted towards a recession. The Government’s push for an aggressive stimulus fiscal and BNM’s ease in monetary policies should provide a degree of respite and mitigation to the economic stress.

Weaker aggregate demand, coupled with low commodity prices, should see inflation to moderate further. With lesser inflationary pressure and weak growth environment, we anticipate BNM to cut its Overnight Policy Rate (OPR) by 50 basis points in 2020 to complement the fiscal stimulus spending.

In view of a recessionary period in the coming months ahead, we opine that the current bond/sukuk yields versus deposit rates are at levels which had not been seen before whereby a 10 year GII yields at more than 100 basis points higher than the deposit rates. In anticipation of further OPR cut by BNM, hence deposit rates are expected to be much lower thus create value in bond/sukuk investing.

Other factor worth considering, FTSE Russel in its latest interim report has maintained Malaysia in the watch-list for possible downgrade or exclusion from its World Government Bond Index as per its earlier stance last April 2019. We opine that initial fears are overblown over the reduction in weightage or even removal of Malaysia entirely from the FTSE Fixed Income Country Classification March 2020 Interim Update. This would mean that the FTSE Russell team is confident that the Malaysian government is still in the midst of taking strong initiatives and measures to ensure it remains anchored in the index by September 2020.

In conclusion, we opine under such dislocation in bond/sukuk prices attracts opportunities to accumulate and increase bond/sukuk investment and duration positioning in the medium term whereby MYR bond/sukuk yields much more favorable comparative to regional valuation. Nevertheless, in the short term horizon, we feel that the market will still remain uncertain hence we shall take a more cautious stance in portfolio duration.

**DISCLAIMER:**

Based on the fund’s portfolio returns as at 10 March 2020, the Volatility Factor (VF) for this fund is 6.0 and is classified as “Low”. (source: Lipper) “Low” includes funds with VF that are above 1.8 but not more than 6.1 (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 31 December 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2020.

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 Prospectus dated 3 November 2017 and its supplementary(ies) (if any) (“the Prospectus”) before investing. The Prospectus 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 Prospectus relates will only be made on receipt of a form of application referred to in the Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Prospectus or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks for the Fund are equity risk, currency risk, country risk, interest rate risk, liquidity risk, regulatory risk, credit downgrade and credit/default risk, reclassification of shariah status risk, market risk in emerging and less developed markets, unrated securities risk and risk of use of rating agencies. These risks and other general risks are elaborated in the Prospectus.

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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