# RHB Asset Management

**FUND FACTSHEET – APRIL 2020**

All data expressed as at 31 March 2020 unless otherwise stated

3-year Fund Volatility 8.6 moderate Lipper Analytics 10 MAR 2020

# RHB ISLAMIC REGIONAL BALANCED FUND - USD 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:

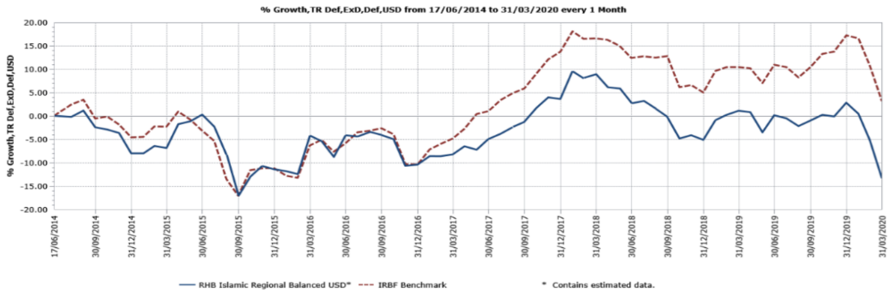
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

## 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** | **-8.57** | **-15.68** | **-12.42** | **-15.68** |
| Benchmark | -6.86 | -11.98 | -6.55 | -11.98 |

| | 1 Year | 3 Years | 5 Years | Since Launch |
|---|---|---|---|---|
| **Fund** | **-14.24** | **-5.61** | **-6.92** | **-13.31** |
| Benchmark | -6.58 | 8.42 | 5.61 | 3.17 |

**Calendar Year Performance (%)***

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Fund** | **8.36** | **-8.44** | **15.58** | **1.11** | **-3.58** |
| Benchmark | 11.60 | -7.65 | 26.92 | 0.88 | -6.90 |

*Source: Lipper IM*

## FUND DETAILS

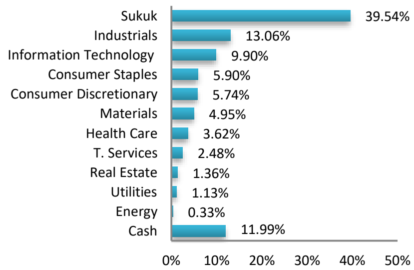
| | |
|---|---|
| **Investment Manager** | RHB Asset Management Sdn. Bhd. |
| **Trustee** | TMF Trustees Malaysia Bhd |
| **Fund Category** | Balanced fund (Shariah-compliant) |
| **Fund Type** | Income and growth |
| **RM Class Launch Date** | 08 April 2014 |
| **USD Class Launch Date** | 17 June 2014 |
| **Domicile** | Malaysia |
| **Base Currency** | Malaysian Ringgit (RM) |
| **Unit NAV** | USD 0.8669 |
| **Fund Size (million)** | USD 0.51 |
| **Units In Circulation (million)** | 0.59 |
| **Financial Year End** | 30 April |
| **MER (as at 30 Apr 2019)** | 2.01% |
| **Min. Initial Investment** | USD 1,000.00 |
| **Min. Additional Investment** | USD 100.00 |
| **Benchmark** | 50% RAM QuantShop GII (medium term) Index + 50% FTSE Shariah Developed Asia Pacific Index |
| **Sales Charge** | Up to 5.00% of investment amount* |
| **Redemption Charge** | None |
| **Annual Management Fee** | 1.80% p.a. of NAV* |
| **Annual Trustee Fee** | Up to 0.06% p.a. of NAV, subject to a min. of RM18,000p.a.* |
| **Switching Fee** | USD 10.00 per switch* |
| **Distribution Policy** | 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.*

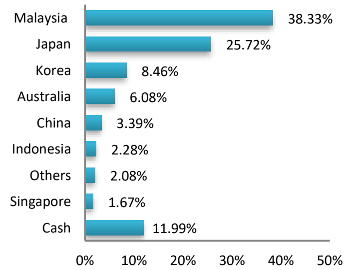
*For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*

## FUND 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 STATISTICS

**Historical NAV (USD)**

| | 1 Month | 12 Months | Since Launch |
|---|---|---|---|
| High | 0.9708 | 1.0421 | 1.1106 |
| Low | 0.7754 | 0.7754 | 0.7754 |

*Source: Lipper IM*

3-year Fund Volatility
8.6
moderate
Lipper Analytics
10 MAR 2020

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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.