RHB Asset Management

FUND FACTSHEET – APRIL 2020

All data expressed as at 31 March 2020
unless otherwise stated

RHB RETIREMENT SERIES - ISLAMIC BALANCED FUND

The Fund aims to maximise total returns through a combination of long-term^ growth of capital and current income consistent with the preservation of capital by investing in one target Shariah-compliant fund.

^ "long-term" in this context refers to a period between 5 – 7 years.

INVESTMENT STRATEGY

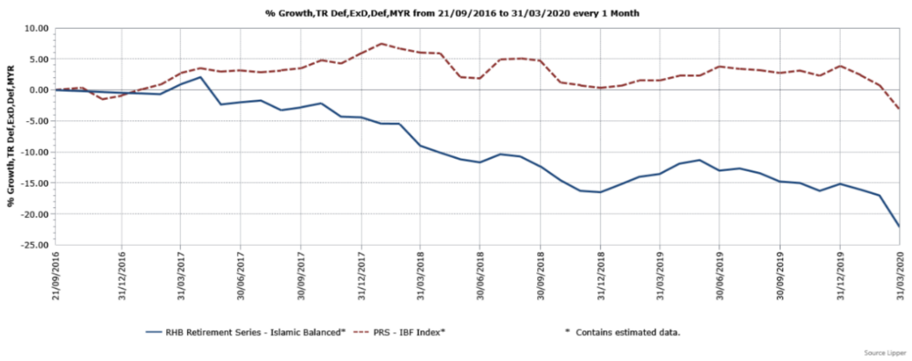
- At least 95% of NAV: Investments in units of RHB Dana Hazeem.
- 1% to 5% of NAV: Investments in liquid assets including Islamic money market instruments and placements of cash.

MEMBER'S PROFILE

The Fund is suitable for Members who require investments that comply with Shariah requirements and are willing to accept moderate risk in their investments in order to achieve long-term growth and income.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-6.17**	**-8.23**	**-8.64**	**-8.23**
Benchmark	-3.96	-6.81	-5.76	-6.81

	1 Year	3 Years	Since Launch
Fund	**-9.93**	**-22.87**	**-22.14**
Benchmark	-4.68	-5.78	-3.21

Calendar Year Performance (%)*

	2019	2018	2017
Fund	**1.60**	**-12.62**	**-4.02**
Benchmark	3.50	-5.22	6.87

Source: Lipper IM

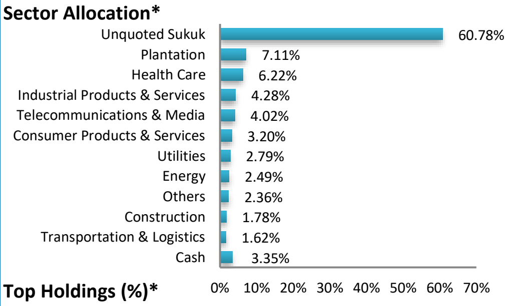
FUND DETAILS

Provider	RHB Asset Management Sdn. Bhd.
Trustee	Deutsche Trustees Malaysia Bhd
Fund Category	Feeder fund – balanced (Shariah-compliant)
Launch Date	01 September 2016
Unit NAV	RM0.3893
Fund Size (million)	RM0.80
Units In Circulation (million)	2.05
Financial Year End	31 May
MER (as at 31 May 2019)	Not available #
Min. Initial Investment	RM100.00
Min. Additional Investment	RM100.00
Benchmark	50% FBM Emas Shariah Index + 50% Maybank 12-month Islamic FD
Sales Charge	Up to 3.00% of NAV per unit*
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.04% p.a. of NAV*
Switching Fee	None
PPA (Private Pension Administrator) Annual Fee	RM8.00*
PPA Pre-retirement Withdrawal Fee	RM25.00 per withdrawal*
PPA Transfer Fee	RM25.00 per transfer*
Annual PPA Administration Fee	0.04% p.a. of NAV*
Distribution Policy	Annually, if any

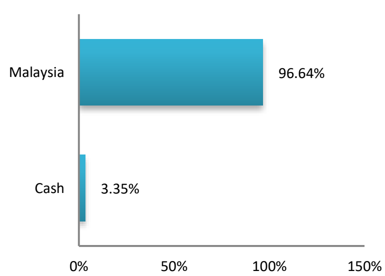
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*
 # The MER for the financial year is not comparable, mainly due to the expenses are borne by the PRS Provider during the financial year.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

BRIGHT FOCUS BHD 5.0% (20/01/2023)	16.14
BANK MUAMALAT (M) BHD 5.8% (15/06/2026)	14.65
BRIGHT FOCUS BHD 2.5% (24/01/2030)	11.26
TANJUNG BIN ENERGY 6.2% (16/03/2032)	7.01
MEX II SDN BHD 6.0% (29/04/2030)	5.65

**As percentage of NAV. Exposure in RHB Dana Hazeem 98.32%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.4157	0.4442	0.5131
Low	0.3752	0.3752	0.3752

Source: Lipper IM

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RHB Asset Management Sdn Bhd (174588-X)

RHB RETIREMENT SERIES - ISLAMIC BALANCED FUND

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PROVIDER'S COMMENTS

EQUITY MARKET REVIEW

The FBM KLCI has fallen significantly over the past 2 months and the index touched its lowest level year to date at 1,207 level but managed to close higher at 1,219 level on 19 March 2020. The index fell by 369 points or 23.2% from 1,588 level as at 31 December 2019. The index has fallen into bear market territory due to the possibility of a global recession in 2020 as a result of the Coronavirus Disease 2019 (Covid-19) outbreak. Malaysia also faced political uncertainties albeit with a relief as Tan Sri Muhyiddin Yassin has been officially sworn in as Malaysia's Prime Minister on 1 March 2020. He leads a new coalition government following the collapse of the Pakatan Harapan government on 24 February 2020.

The demand for commodities products were also affected badly amid oversupply. Industrial commodities were hit hard and oil price tumbled. Brent tumbled 9.4% on 6 March 2020 to USD45 per barrel (bbl), biggest daily drop since Global Financial Crisis (GFC). The oil price continues to drop and is hovering around USD20 to USD28 per barrel. Malaysian Ringgit (MYR) also weakened significantly in the first quarter 2020 due to the abovementioned series of events. Subsequently, corporates are faced with lower profit and cash flow problem. This has resulted in the massive sell down of stock market across the globe which the FBM KLCI also suffers badly. The FBM KLCI index has rebounded slightly and closed at 1,350 level on 31 March 2020. The index was down by 234 points or 15% in the first quarter of 2020. However, the FBM KLCI performed relatively better than other indices in the region which were down more than 20% on the average. The FBM Emas Shariah Index also declined by 15.4% during the period of January to March.

EQUITY MARKET OUTLOOK AND STRATEGY

We are of the opinion that the financial market is still unsettled for now due to the uncertainty of when the Covid-19 pandemic will end. The supply disruptions caused by the lock down globally will result in the slowdown in the global productions and demand. In addition, the hoarding of essential items especially agriculture products by the producing countries to protect internal supply and consumption would have an impact on food inflation. The global lock down will have a negative impact on corporates profitability and cash flow if the lock down continues for long period of time. Hence, both domestic and global production are likely to be impacted badly as well. The world's economy is likely to go into recession.

Equity markets are likely to continue with volatility as new cases are still on the rise globally with United States (US) seeing the largest jump in numbers. Corporate earnings would also be downgraded further and the index might not reach its bottom yet. The turning point would be where the number of reported cases globally recedes and countries starts to lift the lock down globally. The FBM KLCI at 1,350 level still has only factored in 3% drop in corporate earnings which we are of the opinion that it has not factored in recession in Malaysia. We would expect further downward revision in corporate earnings going forward. Hence, we will tread the market cautiously in view of further corporate earnings downgrade.

FIXED INCOME MARKET REVIEW

Amid massive selloff in the global financial markets arising from heightened concerns over negative impact from Covid-19, global central banks have since swiftly responded with well synchronized quantitative easing measures and stimulus to boost liquidity as responses to ensure financial markets remain well supported. Apart from a total of 150 basis points (bps) cut in Fed Fund Rate within a span of 1 week, the US Federal Reserve also pledged to bring back asset purchases (bond buying) with a combined size of USD700 billion while the Federal Government had announced USD2 Trillion in stimulus package. The European Central Bank (ECB) announced additional bond-buying programme worth EUR750 billion, to buy public and private sector securities running until at least end of 2020. While the Bank of England announced it will increase the bond buying programme with additional GBP200 billion as well as cutting its key interest rate to a record low of 0.10%.

10-year US Treasury (UST) yields rallied further in March 2020, from 1.16% at the start of the month to eventually close the month at 0.67%. UST yields swung in a 60 bps range throughout the month, as illiquidity began to set in. It traded above 1.2% and below 1% intraday at one point amidst continued flight to safe haven as the Covid-19 pandemic cases appeared outside China. At the close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.2455% (February 2020: 0.91% -66bps), 0.38% (0.94%; -56bps), 0.67% (1.15%; -48bps) and 1.32% (1.675%; -35.5bps) respectively.

Malaysia's financial markets were not spared from the heavy selling pressure as investors clamored to sell all financial assets in all emerging markets in order to raise cash. According to the Bank Negara Malaysia (BNM) Annual Report released last Friday, shown a total of RM18 billion worth of capital outflows for the month of March alone. As foreign net sell in equities amounted to MYR5.6 billion, hence the foreign holdings of MYR bonds/sukuk might have declined by MYR12.4 billion in March. On a year to date basis, total foreign outflows for MYR bonds/sukuk amounting to RM17.0 billion.

The extent of foreign capital outflows resulted to the onslaught of selling pressure to the MYR bond/sukuk market in the month of March. Yields jumped to a high of 80 bps before settling lower by 15- 20 bps across the curve towards end of the month. Month-on-month, Malaysia Government Securities (MGS) space bear-steepened with yields collapsing roughly about 40 bps to 60 bps across the tenors after some stabilizing towards the month end. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.74% (February 2020: 2.60%), 3.07% (2.63%), 3.22% (2.77%), 3.37% (2.81%), 3.62% (3.05%), 3.71% (3.22%) and 4.00% (3.58%) respectively. On the other hand, action on the Government Investment Issue (GII) – the Shariah compliant version of MGS, mirroring the same pattern with yield sold-off before stabilizing towards the end of the month. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.88% February 2020: 2.65%), 2.99% (2.67%), 3.31% (2.76%), 3.37% (2.86%), 3.72% (3.06%), 3.77% (3.27%) and 4.07% (3.61%) respectively.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

In addressing the market liquidity, BNM's decided to reduce the statutory reserve requirement ratio by 100 bps to 2% from 3% which augurs well for the 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 MGS/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 bps 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 bps 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:

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 Disclosure Document in relation to the RHB Retirement Series dated 2 December 2015 and its supplementary(ies)(if any) ("Disclosure Document"), before investing. The Disclosure Document 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 Disclosure Document relates will only be made on receipt of a form of application referred to in the Disclosure Document. For more details, please call 1-800-88-3175 for a copy of the PHS and the Disclosure Document or collect one from any of our branches or authorised distributors. The Provider wishes to highlight the specific risks of the Fund is management risk and specific risks of the target Fund are market risk, particular security risk, reclassification of Shariah status risk, interest rate risk and credit/default risk. These risks and other general risks are elaborated in the Disclosure Document. 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.