RHB Asset Management

FUND FACTSHEET – JULY 2020

All data expressed as at 30 June 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

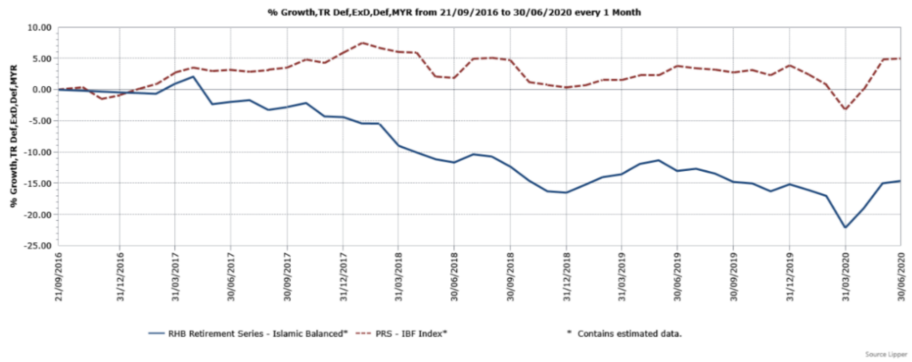
- At least 95% of NAV: Investments in units of RHB Dana Hazeem.
- 1% to 5% of NAV: Investments in liquid assets including Islamic money market instruments and placements of cash.

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	**0.45**	**9.66**	**0.64**	**0.64**
Benchmark	0.14	8.42	1.03	1.03

	1 Year	3 Years	Since Launch
Fund	**-1.84**	**-12.91**	**-14.62**
Benchmark	1.13	1.72	4.94

Calendar Year Performance (%)*

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

Source: Lipper IM

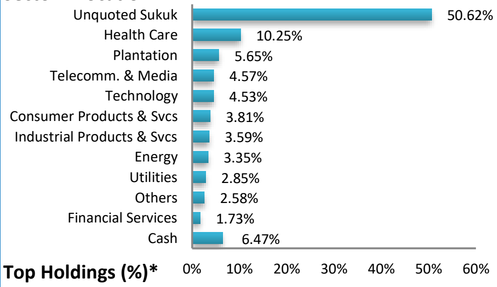
FUND DETAILS

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	RM0.4269
Fund Size (million)	RM0.88
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

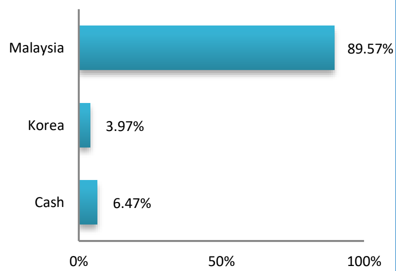
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management 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 (%)*

MEX I CAPITAL BHD 5.0% (20/01/2023)	15.94
MEX I CAPITAL BHD 2.5% (24/01/2030)	11.28
TANJUNG BIN ENERGY 6.2% (16/03/2032)	7.16
BANK MUAMALAT (M) BHD 5.8% (15/06/2026)	5.94
MEX II SDN BHD 6.0% (29/04/2030)	5.64

**As percentage of NAV. Exposure in RHB Dana Hazeem 97.61%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.4336	0.4442	0.5131
Low	0.4231	0.3752	0.3752

Source: Lipper IM

RHB Asset Management Sdn Bhd (174588-x) **Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur** **General Line: 603-9205 8000**

www.rhbgroup.com

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PROVIDER'S COMMENTS

EQUITY MARKET REVIEW

A surge in new cases, especially across large tracts of the United States (US), has raised the spectre of a second wave of Coronavirus Disease 2019 (Covid-19) infections. This looming threat, coupled with an equity market that had largely shrugged off the epidemic, weighed on sentiment towards the end of June 2020. US equity market advanced 2.1% during the month to finish its best quarter (2Q: 21.2%) in 35 years. Europe rose 3.9% in June 2020, Australia 6.8%, while Japan (-0.1%) stayed flat. Asia ex-Japan was up 7.9% in June 2020 (2Q: 15.8%, year-to-date: -5.7%). Technology-heavy countries, Taiwan and Korea (up 7.8%) reflected the sharp rebound in semiconductor trade, while India rose 6.7%. Subpar performance by Singapore (3.5%), Thailand (2.1%) and Malaysia (2.5%) weighed on ASEAN (3.7%).

The FBM KLCI index was struggling to stay above 1500 level during the month of June 2020 due to the absence of positive fresh leads and global negative factors that affected the sentiment of the equity market. With a confluence of negative factors like the uncertain quick global economic recovery, the resurgence of coronavirus infections worldwide, the potential uplifting of short-selling ban domestically post 30 June and possible snap election in 2H20, the index consolidated in June 2020 after touched the high of 1,590. Similarly, the FBM Emas Shariah Index closed largely flat in June at 12,039 points. Meanwhile, S&P downgraded Malaysia outlook to negative from stable, with A- rating.

The FBM KLCI Index was led once again by Top Glove (+21.83%) and Public Bank (+12.55%). On the flipside, Petronas/oil-related names were the key drags with Pet Dagangan (-12.07%), Pet Gas (-10.36%), Dialog (-9.24%) and MISC (-7.71%). Foreigners net sold RM2.98 billion worth of equities in June 2020 (similar pace versus May) bringing year-to-date net outflow to RM16.28 billion. Notably, retail participation continued to climb to 35.9% in June (1Q20: 25.7%, 2Q20: 35.0%), while foreigners' participation dwindled to just 15.5% of market activity (1Q20: 25.1%, 2Q20: 18.3%).

EQUITY MARKET OUTLOOK AND STRATEGY

In the absence of positive news, the equity market is likely to be volatile in the short term and will be driven by macro-economic data and geopolitical tensions. Rising US-China trade friction, the increase in the coronavirus cases in US and European Union will be the main focus in charting the direction of the equity performance besides the news of the vaccines. Although, both the drop in manufacturing and export will have an implication on Malaysia's overall economy which expected to experience recession in 2020. We are of the opinion that the worst of the economy and equity market are behind us already. The equity market is expected to be in favour due to the expectations of prolong low inflation and low interest rate environment. The gradual recovery in the economy will also support the equity market going forward as investors are pricing in lower risks.

The FBM KLCI expecting to form a base before we see a sustainable rebound in the equity market later. In addition, we are also expecting a shallow consolidation for the index due to ample liquidity in the economy. In addition, the Securities Commission and Bursa Malaysia has also extended the temporary suspension of short selling to 31 December 2020 from 30 June 2020. This is expected to reduce the volatility on stock trading and keep the local market buoyant.

FIXED INCOME MARKET REVIEW

The number of coronavirus infections worldwide topped 10 million, with new infections in US hitting a record of over 42,000 in a single day on the last Friday of the month June. The resurgence in Covid-19 cases remains as a major driver of risk sentiment and support the demand for safe haven assets. On economic data front, US pending home sales fell 5.1% year-on-year in May 2020, but surged 44.3% on a monthly basis, suggesting a turnaround in housing market after being dampened by Covid-19 pandemic.

With slew of issuances particularly on the longer end of the curve resulted to bear steepening in US Treasuries (UST) curve at the early part of the month June. The 30-year UST yield rose by 22 basis points (bps) within the first week of the month. However, yield curve started to gradually flatten as the Federal Reserve (Fed) indicated of maintaining interest rates at current level through 2022 and the pace of asset purchase will remain at USD80.0 billion for UST and USD40 billion for Mortgage Backed Securities. The market further supported as Fed Chairman announced purchases of corporate bonds in the secondary market. The 10-year UST continued to hover around 0.62% to 0.75% and continue ending the month lower amidst lingering concerns over the second wave of Covid-19 and escalated cases in many states in the US. At the end of June 2020 close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.15% (May 2020: 0.17% -2bps), 0.29% (0.34%; -5bps), 0.66% (0.69%; -3bps) and 1.41% (1.45%; -3bps) respectively.

Back to Malaysian market, as the country emerges from months of lockdown and economy slowly reopens, investors were seen unloading positions in the first two weeks of the month. This was mainly due to the announcement of further stimulus package by the Prime Minister which indicated for bigger debt issuances by the government. Yields bear steepened and spiked up by 10bps led by longer dated Govvies. The selling pressure was further amplified by larger issuances from corporates taking advantage of low rates to issue bonds and sukuk. That resulted to pressurized yield movement upward of 15 and 20 year Malaysia Government Securities (MGS) and Government Investment Issue (GII) by 10-15bps.

However, market turned net buyers towards end of the month in view of further rate cut by Bank Negara Malaysia (BNM) in the coming Monetary Policy Committee (MPC) meeting scheduled early July albeit remained higher compared to end May closing. Month-on-month, yields on Govvies space rose by a circa 2 to 23bps with activities centered largely at the short end and belly of the curve. The longer end of the curve closed almost 20bps higher than the previous month. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.25% (May 2020: 2.28%), 2.46% (2.47%), 2.66% (2.64%), 2.88% (2.81%), 3.29% (3.16%), 3.62% (3.42%) and 4.02% (3.80%) respectively. While similar pattern was noted in GII space, 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 2.31% (May 2020: 1.96%), 2.53% (2.47%), 2.74% (2.70%), 2.87% (2.72%), 3.41% (3.25%), 3.73% (3.46%) and 4.03% (3.79%) respectively.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

International Monetary Fund (IMF) projected an even deeper contraction in global growth for 2020. It however expects economic growth to recover to 5.4% moving into 2021, down from previous estimate of 5.8%.

In view of concerted monetary easing approach adopted by global central banks as an effort to support growth recovery, we expect global bond yields to stay low. The US Fed has since ruled out the prospect of negative interest rate but discussion on yield curve control remains open at upcoming Federal Open Market Committee (FOMC) meetings.

BNM cut its Overnight Policy Rate (OPR) by 25bps to 1.75% at its 6-7 July 2020 MPC. This is the fourth consecutive cuts in OPR this year and the lowest ever recorded since the last global financial crisis back in 2008 to 2009. We view the latest cut as a pre-emptive measure ahead of the 2Q2020 Gross Domestic Product (GDP) data which potentially be in contractionary mode due to disruption in economic activities during the pandemic outbreak. In the statement, BNM highlighted that with gradual and progressive reopening of the economy since early May, economic activities in the country have begun to recover. It said it will continue to monitor economic conditions and will use its policy 'levers' appropriately to aid a sustainable economic recovery. The latest reduction provides additional policy stimulus to accelerate the pace of economic recovery.

At this juncture, we do not discount for further monetary easing by BNM which will remain data dependent. Hence, we opine local bond yield is expected to remain supported given the depth and liquidity of the domestic bond/sukuk market as well as better yield spreads relative to developed market bond yields which should enticed foreign investors. Total foreign ownership of Malaysian Ringgit (MYR) government bonds/sukuk had increased to 22.2% in June. The current loose monetary policy landscape and subdued inflation outlook remains supportive for fixed income investments from a real yield perspective.