RHB Asset Management

FUND FACTSHEET – SEPTEMBER 2020

All data expressed as at 31 August 2020 unless otherwise stated

3-year Fund Volatility **10.1** moderate Lipper Analytics 10 AUG 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

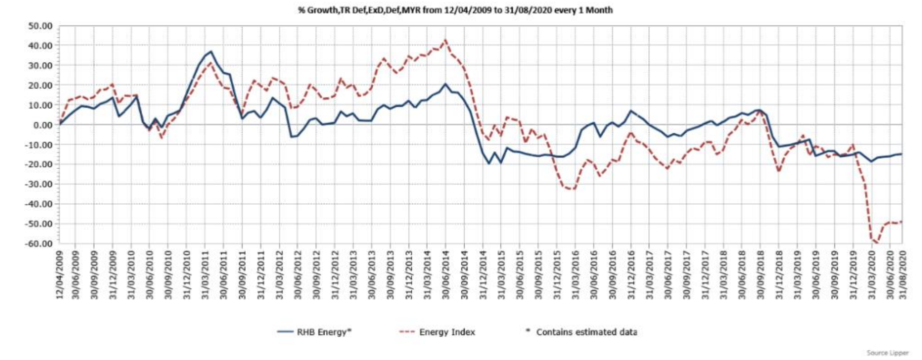
• 90% to 100% of NAV: Investments in Malaysian bonds, money market instruments, cash and deposits with financial institutions.
• Up to 10% of NAV: As capital payment for exposure to a derivative instrument in the form of a swap agreement that will provide the Fund with exposure to the global energy sector. 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	**0.40**	**1.78**	**1.72**	**0.45**
Benchmark	1.77	4.01	-26.99	-43.06

	1 Year	3 Years	5 Years	Since Launch
Fund	**-1.64**	**-9.51**	**0.85**	**-14.78**
Benchmark	-38.81	-36.62	-47.78	-48.85

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

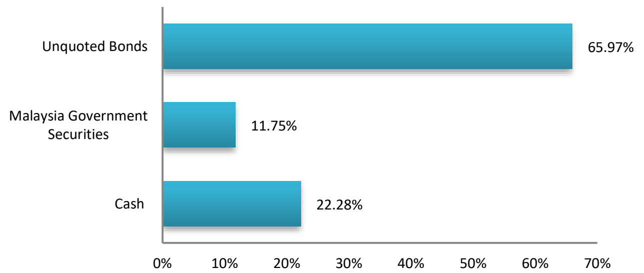
FUND DETAILS

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	RM0.3541
Fund Size (million)	RM9.99
Units In Circulation (million)	28.20
Financial Year End	31 March
MER (as at 31 Mar 2020)	1.64%
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 (%)*

MEX I CAPITAL BHD 2.5% (24/01/2030)	15.70
GII MURABAHAH 4.724% (15/06/2033)	11.75
CIMB GROUP HOLDINGS 5.4% (23/10/2023)	10.61
MEX II SDN BHD 6.4% (28/04/2034)	10.34
MEX I CAPITAL BHD 2.5% (22/01/2031)	8.63

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.3544	0.3652	0.6014
Low	0.3527	0.3344	0.3226

Source: Lipper IM

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3-year Fund Volatility 10.1 moderate Lipper Analytics 10 AUG 2020

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MANAGER'S COMMENTS

MARKET REVIEW

The global equity markets gained a strong 6.0% in August, bringing the year to date loss back to a positive return of 3.5%. Stocks climbed, led by consumer discretionary (12.1%), information technology (+9.1%) and industrial (+8.1%), after economic data bolstered optimism that a recovery from a pandemic-induced recession is on track. On the other side, only the utilities sector (-2.0%) sector registered negative returns in August. Within regions, Japan (+7.6%) and US (+7.3%) outperformed global peers while the Europe (+3.8%), UK (+2.8%) and Asia ex Japan (3.4%) underperformed in USD terms.

Governments around the world are still balancing between easing coronavirus lockdowns to revive economic growth and controlling any resurgence of new cases. Cases reached 25 million worldwide with numbers in India and Brazil still concerning. As long as infections don't escalate to the point in which countries start considering national-level measures, economy should be fine. But with no medical solution yet, the improvement in mobility data may be limited and PMI normalization is largely completed. Globally, seven vaccines are now in phase 3 clinical stage according to WHO. Evidence so far suggests that the Covid-19 "Second Wave" has been far more benign comparing infections rates and deaths rates. Countries where the infections had troughed around June and are now increasing have not seen a corresponding increase in deaths. There are several reasons for this, including more widespread testing that catches less severe case, better treatments, preparedness of national health systems, and protection for the most vulnerable population.

In US, attention was focused on Chairman Jay Powell's speech at Jackson Hole Symposium on August 27th 2020 on "Navigating the Decade Ahead: Implications for Monetary Policy". The new approach of the Fed's Policy Framework could be viewed as a flexible form of average inflation targeting, allowing inflation to run moderately above or below the Fed's 2% target for some time. This means that interest rates could be left lower for a longer period despite a rise in inflation. Regarding employment, the revised statement reflects the Fed's view that a robust job market can be sustained without causing an outbreak of inflation and the maximum level of employment is a broad-based and inclusive goal. If the FOMC changes its communications tools (say, in September) to reinforce these changes, it may be an "enhanced guidance" that refers to an inflation goal that is higher than it otherwise would be, or an unemployment goal that is lower than it otherwise would be. In turn, that would imply "lower for longer" policy rates. That said, recent moves in the market (i.e., higher inflation breakeven) suggest that part of the new framework and the new 'tools' are largely priced in.

In the month of August, oil prices saw one of the most unexciting months and closed only slightly higher for the period. Oil market rebalancing slowed sharply as demand gains stalled amid the continuous spread of the virus. Chinese imports also slowed during the month. On the supply side, shut-in production restarted in North America while OPEC+ quotas resumed higher from the month of August – where OPEC+ agreed to taper the cuts from 9.6million barrels per day to 7.7 million barrels per day starting August and the additional 1.2 million barrels per day of bonus cuts by Saudi Arabia, Kuwait, and UAE ceased by end July. As such, the market saw only modest draw in inventories.

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") started the month with positive vibes that saw yield curve stayed supported on further dovish tone by the US Fed and increased possibility of another rate cut by BNM as well as the well-bid GII 7-year auction tendered in late July 2020, giving further boost to the local market sentiments. Nevertheless, the bullish run in Ringgit bonds came to a halt in mid-August 2020 at the back of selling flows and profit taking activities amid the adjustments of rates outlook by investors after BNM's Governor remarked at the Malaysia's 2nd Quarter Growth Domestic Product ("GDP") release that she is 'cautiously optimistic' that the worst has passed and projecting an economic recovery in the second half of the year. Therefore, we sense that the need for rate cut has decreased at this juncture as global economies are reopening gradually and central banks might prefer to leave some policy space for future use. The weak sentiment has further been shown from the subdued bid-to-cover ("BTC") ratio during the month with curve steepening on auction tails for both the 20-year MGS and 15-year GII which garnered a low BTC of 1.47 times and 1.42 times respectively. Nonetheless, we also remain opportunistic as the correction in yields will attracts good entry level as policy remain far from tightening cycle.

Month-on-month, MGS space was bear-steepened with yields roughly being well supported at the shorter-tenor up to 5-year while the longer-tenor impacted on overall repositioning of the curve after BNM seems upbeat on the economic recovery for the second half of the year. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.83% (July-2020: 1.93%), 2.08% (2.11%), 2.30% (2.23%), 2.59% (2.53%), 3.08% (2.96%), 3.48% (3.19%) and 3.75% (3.56%) respectively.

MARKET OUTLOOK AND STRATEGY

The macro backdrop continues to favor precious exposure: falling real rates; worldwide adoption of the rate cut cycle by central banks and, of course, universal anxiety about the virus. Biggest cap for gold & silver's upside is perhaps the preference for cash on collapsing inflation expectations. Any price upside depends on rates/stimulus strategies delivering a recovery and an unexpectedly sharp return of inflation risk.

On the oil front, despite the headwinds of higher production coming through and still challenging year-end demand outlook, prices have continued to grind higher as the world recovers from the pandemic and the rising likelihood of widely availability vaccines. We maintain our stance that in 3Q20, the oil prices will continue to trend higher albeit slower, supported by demand recovery as business activities resumed but offset by rigs operation resumption in the US. And going into 4Q20, the market expectations of a higher drawdown of oil, which will help support oil prices. In the longer run, oil prices will continue to trend higher as current oil price levels still remain unsustainable for some of the oil companies in terms of average marginal cost. The shift towards renewables will also help to ensure major oil upstream capex spending remain in check.

Domestically in Malaysian fixed income, the upcoming BNM Monetary Policy Meeting ("MPC") on 10th September 2020 will be closely watched for further monetary policy stance on supporting domestic growth as well as financial stability going forward. To recap, at the last MPC meeting on 7th July 2020, the central bank has cut the OPR by another 25 bps and noted that with the cut, the OPR has been reduced by a total of 125 bps since the start of the year, complementing the other monetary and financial measures it has made as well as fiscal measures announced by the government this year. With the easing movement control orders and prospects of growth recovery in 2H2020, BNM has projected a stronger recovery in 2021. Although the 2Q2020 GDP print was in a contraction mode of -17.1% year-on-year, recent monthly data showed that domestic growth has rebounded since April 2020 to a lesser negative on monthly basis implying that domestic growth may have bottomed in 2Q2020 and is poise for recovery in second half of the year on gradual re-opening of economic activities. Recent indicators also shown that the key economic pointers such as manufacturing, external trade, the retail trade volume as well as mobility indicators have improved and will lead to further recovery in the 2H2020. Meanwhile, BNM's real GDP forecast for 2020 is revised to -3.5% to -5.5% from -2% to 0.5% previously set in April 2020. For 2021, BNM expects the economy to bounce back with real GDP growth of 5.5% to 8.0%. In term of inflation trajectory, BNM forecasted it to be muted this year with average headline inflation to be negative on account of substantially lower global oil prices. To recap, BNM has guided that inflation to be around -1.5% to +0.5% in 2020. That said, given the lower inflation trajectory amid a weaker growth backdrop, economists continue to expect a further cut in the policy rate although the hurdle has increase for such action. Nevertheless, we opine that even easing cycle might enter it tail end, it is still far for BNM as well as other central bankers to embark on tightening cycle.

We are still maintaining our expectation that the local government space to stay supported on widening yield differential versus the UST. We opine that investing in MYR bonds is attractive from a real yield perspective given the benign outlook on growth, moderate inflation prospects and higher liquidity globally searching for better yield. With subdued inflation which will likely be in negative territory in 2020, we view it will further boost the attractiveness of MYR bond market, thus keeping real yields attractive. On top of that, with The Fed pledging for interest rates to remain unchanged at current level at least until 2022, we see the increase of attractiveness towards emerging market yields which are still decent compared to develop nation. Therefore, the prospect of lower global interest rates for longer also may increase the appeal for yield hunting strategies which may potentially see foreign inflows. Despite that, we continue to foresee decent demand on the back of stable MYR level and comparable emerging market relative values which can attract sporadic interest from offshore banking institution. Nevertheless, we will continue to monitor the market situation given cautious investors' sentiment due to higher supply going forward as well as market adjustment on their interest rate expectation as hurdle for further rate cut has increased. We agree that the need for easing has decreased at this juncture and central banks might prefer to monitor and leave the policy space for future use. Nevertheless, the policy rates are expected to remain low and held flat with no threat of a tightening cycle at this juncture.