RHB Asset Management

FUND FACTSHEET – SEPTEMBER 2020

All data expressed as at 31 August 2020 unless otherwise stated

3-year Fund Volatility 9.5 Low Lipper Analytics 10 AUG 2020

RHB MUDHARABAH FUND

This Fund aims to provide a balanced mix of income and potential for capital growth by investing in stocks listed on the Bursa Malaysia or on any other stock exchanges, unlisted stocks and Islamic debt securities and other non-interest bearing assets acceptable under principles of Shariah. The Fund's activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

INVESTOR PROFILE

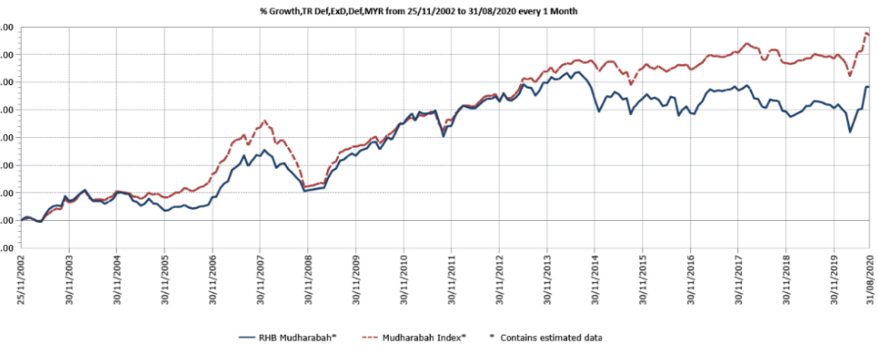
This Fund is suitable for Investors who want:
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage their own portfolio.

INVESTMENT STRATEGY

- Up to 60% of NAV will be invested in Shariah-compliant equities;
- Minimum of 40% of NAV will be invested in Islamic debt securities (Sukuk), Islamic money market instruments and/or liquid assets acceptable under Shariah principles.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-0.11**	**9.23**	**10.66**	**6.92**
Benchmark	-1.00	4.99	9.43	5.91

	1 Year	3 Years	5 Years	Since Launch
Fund	**6.06**	**0.90**	**11.38**	**66.67**
Benchmark	6.61	6.67	18.02	N/A

Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	**5.12**	**-10.64**	**10.31**	**-7.40**	**7.08**
Benchmark	3.55	-5.16	6.92	-1.44	2.79

Source: Lipper IM

FUND DETAILS

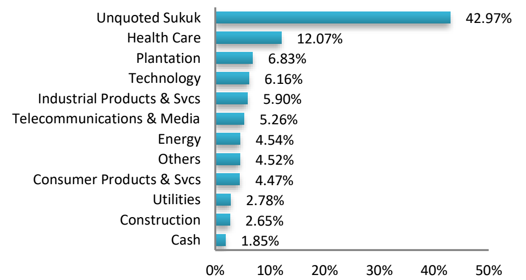
Manager	RHB Asset Management Sdn. Bhd.
Trustee	CIMB Islamic Trustee Bhd
Fund Category	Balanced fund (Shariah-compliant)
Fund Type	Capital Growth and Income Fund
Launch Date	09 May 1996
Unit NAV	RM0.8379
Fund Size (million)	RM18.10
Units In Circulation (million)	21.60
Financial Year End	28 or 29 February
MER (as at 28 Feb 2020)	1.69%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	50%FBM Emas Shariah + 50%Maybank Islamic Bhd's 12 months Islamic FD-i
Sales Charge	Up to 6.00% of NAV per unit*
Redemption Charge	None
Annual Management Fee	Up to 1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.09% p.a. of NAV*
Switching Fee	RM25.00 per switch*
Redemption Period	Within 10 days after receipt the request to repurchase
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

Sector Allocation*



Top Holdings (%)*

RHBA 4.88% (27/04/2027) SERIES 2	5.71
TOP GLOVE CORP BHD	4.02
SPG IMTN** 5.170% (30/04/2030)	3.21
MMC CORP IMTN** 5.700% (24/03/2028)	3.07
YTL POWER INTERNATIONAL BHD 5.050% (03/05/2027)	3.03

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

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8543	0.8543	1.0388
Low	0.8203	0.6670	0.4095

Source: Lipper IM

RHB MUDHARABAH FUND

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MANAGER'S COMMENTS

EQUITY MARKET REVIEW

MSCI Asia Ex Japan rallied 3.6% in August 2020, but underperformed World Equity Index which rose 6.0%. Asian equities rallied amidst declining dollar, progress on vaccine development and relaxed stance on United States (US) inflation targeting. Broad-based firming in macro data suggests a demand recovery associated with re-opening in the major economies. US-China tensions broadly remained mixed with commitment towards Phase I deal was a positive, while sanctions on Huawei, export controls and the South China dispute were clear negatives. The commitment of Federal Reserve Chair J. Powell to effectively maintain the fed funds rate at zero over an extended period of time resulted in a weaker US dollar (-1.3%). China equity market was up 5.6% as the economic recovery gathered pace across the manufacturing as well as services industries in the largest economy of the region. Hong Kong (7.6%) sprung back into life, buoyed by the rejuvenation of the gaming industry (15.2%) in Macau as well as a sharp rise in index heavyweight AIA Group Ltd (13.9%).

Oil prices continued to move higher. West Texas Intermediate (WTI) crude and Brent posted their fourth monthly gain, up by 5.8% and 3.7% respectively. Pick-up in oil demand was driven by an expected recovery as economic activity normalizes underpinned by oil prices. On the supply side, The Organization of the Petroleum Exporting Countries Plus (OPEC+) complied with production cuts. Weakness in dollar also supported oil prices. The S&P Industrial Metals index was up 5.5% over the month, as global economies continue to see pick-up in activity post easing lockdowns. Base metal prices surged on stronger than expected demand rebound in China. Gold prices traded sideways (closed at $1968/oz) and lost steam on hopes of Coronavirus Disease 2019 (COVID-19) vaccine and signs of economic recovery.

Over in Malaysia, August 2020 turned out to be a dreadful month for Malaysia equity market. Malaysia is one of the worst performing market for month of August 2020 dragged down by poor earnings particularly banking sector. Except for gloves, insurance, technology and plantations, all other sectors saw a sharp contraction in 2Q20 earnings due to the lockdown. FBM KLCI declined by 78 points during the month of August 2020 to close at 1525.21 points, while FBM Emas Shariah chalked a -2.0% decline month-on-month (MoM) to close at 13,166 points. Apart from poor corporate earnings season, the index was dragged down by declined in glove companies' share price as vaccine discovery continue to steal the limelight.

Malaysia's 2Q 2020 Gross Domestic Product (GDP) contracted 17.1% year-on-year (YoY), falling short of consensus median estimate of -9%. Most sectors suffered a sharp decline, namely services (-16.2% YoY), manufacturing (-18.3%), mining (-20%), construction (-44.5%). Only agriculture sector grew YoY in 2Q20 by 1%. Domestic demand, which accounts for 94% of GDP, was weaker by 18.7% YoY in 2Q 2020 while net exports was sharply lower by 38.6% YoY. 2Q 2020 GDP was hit by the lockdown imposed under the Movement Control Order (MCO) that started on 18 March 2020 and partially relaxed from 4 May to 9 June followed by an almost full relaxation from 10 June to 31 August.

EQUITY MARKET OUTLOOK AND STRATEGY

After the 17.1% contraction of GDP in 2Q20, Malaysia's economy may have bottomed out with the recovery of business activities. However, it is still too early to tell if it is a sustained rebound. We are seeing lower unemployment rate and positive export growth in tandem with the easing of the nationwide lockdown. In addition, market liquidity remained elevated in July 20 as M1 money supply grew by an astounding 15.7% YoY, its highest since 2011. This also marked three consecutive months of double-digit growth in liquidity which explains the buoyant market sentiment with retail participation exceeding 30%, resulting in record market trading volume and value. Malaysia's June 2020 unemployment rate declined month-on-month to 4.9% from a record-high of 5.3% in May 2020 as more sectors, including the services industry, reopened due to the implementation of the nation's Recovery Movement Control Order (RMCO) to revive the country's economy while curbing the COVID-19 pandemic. Earnings risks remain elevated, underscoring our preference for growth stocks and exporters over recovery beta.

FIXED INCOME MARKET REVIEW

At the start of the month August, US treasuries continued to advance with overall yields down by 2-7 basis points (bps) across the curve, as patchy economic data continued to stimulate fear of a more fragile recovery in the US economy. However, better-than-expected July jobs data and additional supply of circa USD112billion under the recently announced quarterly refunding exercise by the treasury plus a lesser dovish The Federal Open Market Committee (FOMC) statements set the spike in benchmark yields between 1-23bps with the curve steepening sharply. The selling pressure continued towards end of month as risk sentiments improved from trade optimism and vaccine hope which prompted investors to pare holdings in safer government securities.

Nevertheless, the US Treasury (UST) yields ended the last trading of August lower on the announcement at the Jackson Hole meeting by the Federal Reserve's Chairman in the shift in monetary policy to tolerate higher inflation (letting inflation go above 2%), by not raising interest/profit rates to stem rising inflation. Hence signals its intention of keeping rates low for an extended period of time. At the end of August 2020 close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.13% (July 2020: 0.11% +2bps), 0.27% (0.20%; +7bps), 0.71% (0.53%; +18bps) and 1.48% (1.19%; +29bps) respectively.

Mirroring the UST market, a follow through rally with active trades were seen in the first week of the month for local bond market with Govvies benchmark yields shifted 2-16bps lower across the curve. Much of the rally was attributed to the increase in foreign investors' interests on Malaysian local bonds in search of better yields hence strengthened Ringgit level to a 5 month high. Despite a decline in real yields across Emerging Market, 2-year real yields are highest in Malaysia. Nevertheless, the government's move to raise the country's statutory debt limit to 60% of GDP from 55% presently triggered profit-taking and selling activities in the following week until towards end of month. The overall benchmark Malaysia Government Securities (MGS) and Government Investment Issue (GII) yields closed higher between 0-34bps; as the 7-year to 20-year tenures felt the most pressure.

MoM, yield curve generally bear steepened as Govvies yields spiked by a range of 3 - 34bps with the long end of the curve pressured upward the most. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.85% (July 2020: 1.91%), 2.14% (2.11%), 2.29% (2.25%), 2.62% (2.55%), 3.08% (2.96%), 3.52% (3.18%) and 3.62% (3.52%) respectively. While similar pattern was noted in GII space, with yield sold-off towards the end of the month. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 1.85% (July 2020: 1.97%), 2.05% (2.07%), 2.39% (2.28%), 2.67% (2.56%), 3.18% (3.02%), 3.45% (3.30%) and 3.65% (3.66%) respectively.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

Malaysia's growth slowed and enters into negative territory in the second quarter following the movement control measures introduced by the government to contain the COVID-19 pandemic which consequently resulted to slower economic activities. Domestic growth in 2Q2020 prints -17.1% YoY following a previous print of +0.7% in the 1Q2020. Bank Negara Malaysia (BNM) revised the growth outlook for Malaysia for 2020 to range between -3.5% to -5.5% with prospects of growth recovery to +5.5% to +8.0% in 2021.

Key focus for investors to look out for the month of September include the upcoming BNM Monetary Policy Committee (MPC) meeting in the second week of the month with a prospect of another cut in Overnight Policy Rate (OPR) by BNM following softer 2Q2020 GDP print, while FTSE Russell review for the decision on Malaysia's sovereign bond update scheduled towards late September. We view that demand for the local govvies remained strong with positive foreign inflows seen in the prior months, strengthening our expectation that MGS to remain included in the index.

We maintain our view that investing in Malaysian Ringgit bonds continues to provide positive real yields as inflation is expected to stay negative in 2020. Additionally, prospects of weaker USD outlook given the dovish slant in the US Fed's outlook for an extended period should infuse further catalysts for investors searching for yields to shift interests towards Asian local currency bonds including Malaysia, which continues to offer higher yields in comparison to G3 bonds.