RHB Asset Management

FUND FACTSHEET - OCTOBER 2020

All data expressed as at 30 September 2020 unless otherwise stated

3-year Fund Volatility
10.1
moderate
Lipper Analytics
10 SEP 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.

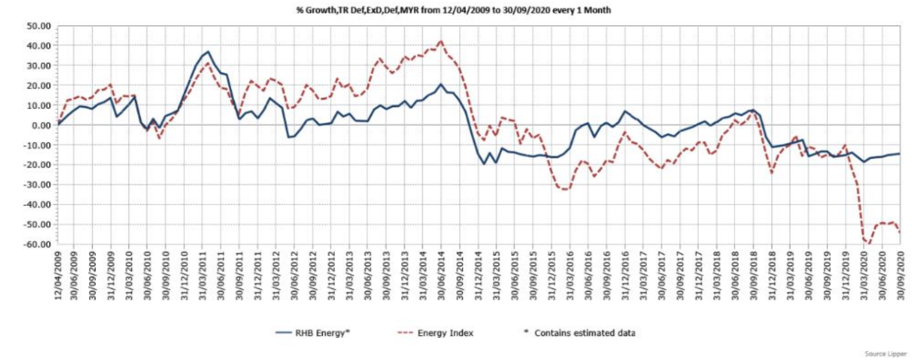
INVESTOR PROFILE

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	**0.45**	**1.98**	**5.21**	**0.91**
Benchmark	-10.70	-10.07	7.27	-49.15

	1 Year	3 Years	5 Years	Since Launch
Fund	**-1.22**	**-11.74**	**1.77**	**-14.40**
Benchmark	-46.20	-46.47	-51.00	-54.32

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

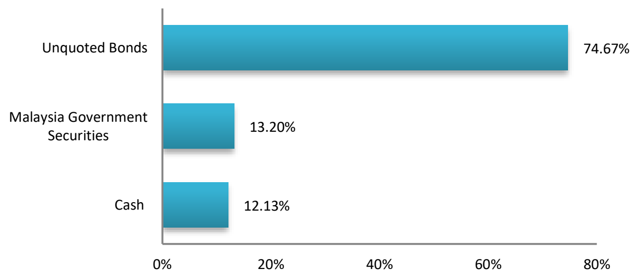
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Fixed Income Fund
Fund Type	Growth Fund
Launch Date	23 March 2009
Unit NAV	RM0.3557
Fund Size (million)	RM8.85
Units In Circulation (million)	24.88
Financial Year End	31 March
MER (as at 31 Mar 2020)	1.64%
Min. Initial 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)	17.85
GII MURABAHAH 4.724% (15/06/2033)	13.20
CIMB GROUP HOLDINGS 5.4% (23/10/2023)	11.98
MEX II SDN BHD 6.4% (28/04/2034)	11.69
MEX I CAPITAL BHD 2.5% (22/01/2031)	9.80

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.3557	0.3652	0.6014
Low	0.3541	0.3344	0.3226

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

Global equity markets retreated for the month of September, weighed down by building risk factors across the globe. These include rising cases in Europe, a spike in hospitalizations in Spain, new lockdown rules in UK and France, weaker PMIs across the globe, as well as US political uncertainty. The global equity markets fell by 3.4% in September, bringing the year to date return flat. No sector registered a positive return. Industrials (-0.9%), utilities (-1.1%) and materials fell the least in the month of September. Energy was the worst performing sector, as it fell -12.4% in the month. Within regions, Japan (+0.3%) registered positive return in USD terms. US (-3.9%), Europe (-3.5%), UK (-5.1%) and Asia ex Japan (-1.7%) positive negative return in USD terms.

US politics is coming in to focus as the election draws near, with current poll seeing support for Biden (Figure 2-4). The death of Supreme Court Justice Ginsburg has introduced a huge element of uncertainty and volatility into the situation. The most direct impact is likely to be further delays in the stimulus package, as markets believe that it is unlikely for a deal to come before the election, as the Republican-led Senate's focus is to push through a replacement for Justice Ginsburg. The US Senate passed a bipartisan spending bill that will keep the government funded through December 11, averting a much-dreaded shutdown. The House of Representatives already passed the stopgap measure by a 359-57 vote. Separately, President Trump's latest comments on the legitimacy of mail-in voting are not new, but reinforces concerns about possible unrest after elections, with VIX futures remain elevated into December.

In the month of September, oil prices were once again unexciting and closed slightly lower for the period. Earlier in the month, oil prices came off amid the general sell-off throughout the markets and the US dollar strengthened. Although prices were supported in the mid-week on higher-than-expected drawdown of inventory, the positive news were quickly dissipated by the supply concerns across various nations which could potentially cap the upside potential of oil prices. Higher Russian oil production above quota in September 2020 stoked concerns about ongoing OPEC+ cut compliance and Libya's crude oil production soared during the period. Positively, US oil balances continue to tighten and oil rig counts remain stable.

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") cruised the month with nervous moment as yields seen higher with three of the auctions held during the month ended-up with weak bid-to-cover ("BTC") ratio of circa 1.5 times and lower. Bond market sentiment has been weak since Bank Negara Malaysia ("BNM") held the Overnight Policy Rate ("OPR") unchanged at 1.75% on 10 September 2020. The weak sentiment has further been shown from the subdued bid-to-cover ("BTC") ratio during the month with curve steepened on auction tails for the 30-year GII which garnered low BTC of 1.36 times, with successful yields averaged 4.18% and ended high at around 4.35%. Looking ahead, curve steepening pressure might prevail on supply dynamics point of view following additional MYR10 billion fiscal stimulus from Bantuan Prihatin Nasional 2.0. With that, economists seen revising the budget deficit forecast slightly up to circa -6.7% for 2020 and -6.0% for 2021 from -6.5% and -5.9% respectively previously. Nonetheless, we remain opportunistic as the correction in yields will attracts good entry level as policy remain far from tightening cycle.

On top of that, investors were also seen positioning defensively ahead of FTSE Russell decision towards the end of the month. In its most recent September annual review, FTSE Russell has maintained Malaysia in the World Government bond Index ("WGBI") but remaining on watch-list for possible exclusion from the index. Even with recent measures placed by BNM to boost liquidity and accessibility in the Malaysia's bond market, FTSE Russell would likely want to see longer term impact of the measures before its next course of action. We view this as positive development as it reflects the willingness of the index provider to further evaluate potential positive impact on the measures implemented by BNM. We expect lesser impact on local government space as investors weigh on attractive safe-haven and risk-free yield-carry options compared to the low and to some extent negative-yielding global debt rate.

Month-on-month, MGS curve bear-steepened,with yields roughly being corrected higher along the curve with exception of 20-year space that closed the month lower by 11 basis points ("bps"). Overall, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.00% (Aug-2020: 1.83%), 2.24% (2.08%), 2.42% (2.30%), 2.65% (2.59%), 3.04% (3.08%), 3.37% (3.48%) and 3.84% (3.75%) 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. Going into 4Q20, the market continue to expect higher drawdown of oil, which will help support oil prices. OPEC will meet again in November, but till then production compliance remains a concern. 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. However, the shift towards renewables may eventually cap some of the upside of oil prices going forward.

Domestically in Malaysian fixed income, at the recent BNM Monetary Policy Meeting ("MPC") on 10th September 2020, BNM kept its overnight policy rate unchanged at a record low of 1.75%, ending its streak of four straight easing decisions as the reopening of economy shows sign of recovery. Nevertheless, BNM in a statement noted that the pace of recovery will be uneven across sectors where economic activity in some industries remaining below pre-pandemic levels on top of slower improvement in the labour market. The central bank's statement suggested that the door remains open for easing in the future if necessary. As of now, BNM believe that previous cuts were enough to support domestic growth and could wait to gauge on incoming risks to the growth outlook. Overall, BNM policymakers were angled towards a balanced stance in its latest MPC statement as it remained wary of the Covid-19 fallout though acknowledging recent signs of improvements on the growth side. To recap, 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 between 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. On official forecast, 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, 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 thus will leave the interest rate low for longer at this juncture.

We are still maintaining our expectation that the local government space will 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 and moderate inflation prospects globally. 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. Nevertheless, we will continue to monitor the market situation given cautious investors' sentiment due to higher supply going forward in both government securities and corporate space as well as heightened policy and political uncertainty domestically. We remain constructive on the local bond market as the current macro backdrop continues to provide support for fixed income investments. With these views, we remain positioned to capture opportunities to actively trade in the government securities space as volatility is expected to present value from a risk-reward perspective especially on recent yields' correction which deemed healthy and more attractive compared to couple of months before. In the corporate space, we will remain selectively invested for portfolio yield preservation, amidst historical low yield environment. While cognizant of higher supply of bond issuances ahead, we are holding on towards our higher yielding bonds for income accrual of the portfolio going forward. In summary, we will maintain our active management strategy where we will be deploying cash into undervalued government bonds and selective credits where we are comfortable with; focusing those that has higher secondary trading prospects and relatively liquid potentials to enable the portfolio to remain flexible as we navigate challenging market times.