

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

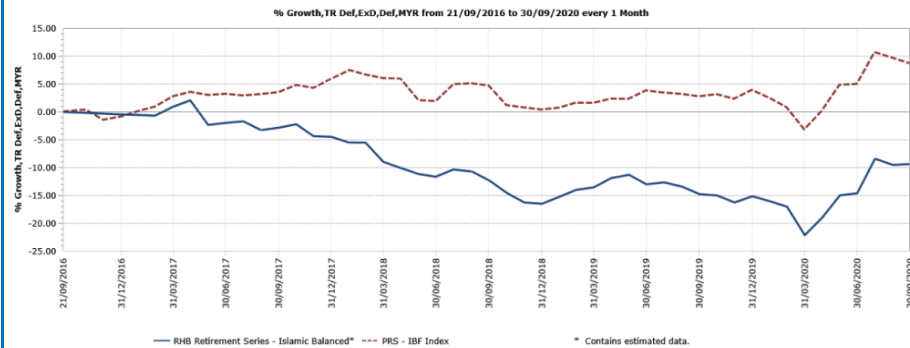
- At least 95% of NAV: Investments in units of RHB Dana Hazeem.
- 1% to 5% of NAV: Investments in liquid assets including Islamic money market instruments and placements of cash.

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 | 0.15 | 6.11 | 16.36 | 6.79 |
| Benchmark | -0.90 | 3.57 | 12.29 | 4.64 |

| | 1 Year | 3 Years | Since Launch |
|-----------|--------|---------|--------------|
| Fund | 6.31 | -6.77 | -9.40 |
| Benchmark | 5.82 | 5.06 | 8.69 |

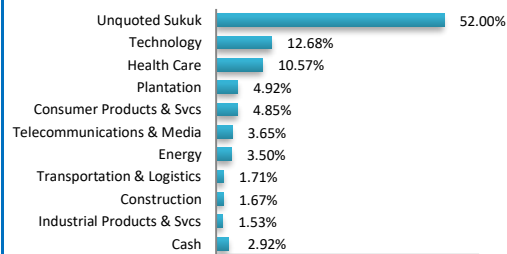
Calendar Year Performance (%)*

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

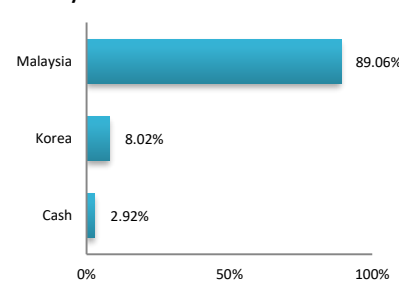
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

| | |
|---|-------|
| MEX I CAPITAL BHD 5.0% (20/01/2023) | 17.68 |
| MEX I CAPITAL BHD 2.5% (24/01/2030) | 12.65 |
| TANJUNG BIN ENERGY 6.2% (16/03/2032) | 7.98 |
| BANK MUAMALAT (M) BHD 5.8% (15/06/2026) | 6.49 |
| SPG IMTN** 5.45% (31/10/2033) | 5.34 |

*As percentage of NAV, ** IMTN: Islamic Medium Term Note. Exposure in RHB Dana Hazeem 97.56%

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 | RM0.4530 |
| Fund Size (million) | RM0.93 |
| Units In Circulation (million) | 2.06 |
| Financial Year End | 31 May |
| MER (as at 31 May 2020) | 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 is not applicable as the expenses are borne by the PRS Provider.

FUND STATISTICS

Historical NAV (RM)

| | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 0.4550 | 0.4621 | 0.5131 |
| Low | 0.4377 | 0.3752 | 0.3752 |

Source: Lipper IM

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.

PROVIDER'S COMMENTS
EQUITY MARKET REVIEW

Global equities market took a beating in the month of September 2020. MSCI World Equity Index declined 3.4% during the month. Year-to-date (YTD) returns was 0.0%, as it witnessed the first monthly loss since bottoming out on 23 March 2020. The sell-off was led by the Developed Markets with the United States (US) declining 3.9% and Europe 3.4% while Japan (0.3%) stayed flat. Investors were concerned over high valuations in particular the technology sector and also partly attributed to the drying up of stimulus in US. In addition, US Presidential elections, as well as the rise in the number of new virus cases in Europe and other parts of the world may dampened global recovery. Commodities plunged on investor concerns over the sustainability of the sharp recovery in economic activity witnessed over the past few months, with the Brent Crude falling 9.6% over the month, Silver 17.4%, Iron Ore 6.3%, Aluminum 1.9%, and even Gold (-4.2%) failing to protect the downside. Asia ex-Japan declined marginally by 1.7% in September (YTD: 3.5%) was the best performing region in emerging market, owing to performances by technology-heavy Korea (2.9%) and Taiwan (1.8%). Despite continued improvement in economic data, China fell 2.9% during the month, as investors anticipate a potential breakdown of the Phase 1 trade deal with regards to an intensification of the US-China rivalry ahead of the US elections. ASEAN (-5.9%) was dragged down by Indonesia (-13.0%) and Thailand (-9.6%).

The FBM KLCI fell for the second consecutive month by 1.3% month-on-month (MoM) in September 2020 due to concerns over political uncertainty, the end of the loan moratorium on 30 September 2020 and rising new Coronavirus Disease 2019 (COVID-19) cases post-Sabah election. Similarly, the FBM Emas Shariah Index also fell 2.0% during the month. Retail participation share of trades fell MoM for the first time since March 2020. Foreign selling pressure continued in September 2020, with a net outflow of RM2.0 billion, bringing YTD net foreign selling to a record RM21.9 billion. Market activity pulled back in September 2020 as market Average Daily Volume (ADV) traded were down 30% MoM to RM4.7 billion.

Malaysia has seen a spike in the number of daily confirmed COVID-19 cases recently, with the seven day average tally reaching 209 as of 4 October 2020 higher than the previous peak of 173 in early April 2020. The recent wave is being driven by clusters in two states in particular Sabah and Kedah. While Sabah had accounted for most of the new cases even prior to the recent surge, several new cases in other states have been traced back to persons who had recently travelled to Sabah for the state elections on 26 September. The authorities have imposed localized lockdowns in the affected areas, while inter-district travel has also been banned in Sabah. The federal government has said it does not see the need to re-impose a nationwide lockdown as the majority of the cases are from previously identified clusters.

EQUITY MARKET OUTLOOK AND STRATEGY

In October, the market will be focusing on political developments after Datuk Seri Anwar Ibrahim claimed he has a "strong, formidable majority" to form a new government as well as how the end of the loan moratorium affects the market. We expect market to be range-bound, with downside risks in October 2020 in view of domestic and external uncertainties. With the end of the loan moratorium on 30 September, we expect deposits growth to slow and this could impact retail participation in the stock market. We maintain our cautious view on the market amid the economic uncertainty arising from COVID-19. We recommend sticking to sectors or stocks with earnings growth in particular exporters. Globally, investor focus remains on what is widely seen as the most important event risk over the rest of the year that is the US elections.

FIXED INCOME MARKET REVIEW

US Treasuries (UST) continued to advance in the early part of the month with yields lowered by a further 3-6 basis points (bps) across the curve as the Federal Reserve (Fed) began its daily bond purchase particularly in the long end bucket. However, yields remained traded within tight range amidst uncertainties surrounding the vaccine hope, US-China relations and US fiscal stimulus impasse. Additionally, the commitment by the Fed to keep the US Fed Fund Rate at near zero for an extended period until 2023 provide support to the overall yield curve.

At the end of September 2020 close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.13% (August 2020: 0.13% +0bps), 0.28% (0.27%; +1bps), 0.68% (0.71%; -3bps) and 1.46% (1.48%; -2bps) respectively.

Local Govvies succumbed to selling pressure post Bank Negara Malaysia (BNM) decision to stand pat on the Overnight Policy Rate (OPR) at 1.75% during the September's Monetary Policy Committee (MPC) meeting plus weak bidding metrics on the 30-year Government Investment Issue (GII). Yields spiked up by 5-17 bps with the long end suffered the most. Furthermore split market view on FTSE Russell announcement on Malaysia maintained in the index with possible of exclusion in the next review, gave rise to more uncertainties thus dampen the investors' appetite.

MoM, yield curve generally bear flattened as Malaysian government securities (MGS) yields shifted higher by a range of 5-14bps in the belly curve while the long end of the curve rallied by range of 6-19bps. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.99% (August 2020: 1.85%), 2.25% (2.14%), 2.43% (2.29%), 2.67% (2.62%), 3.02% (3.08%), 3.33% (3.52%) and 3.81% (3.62%) respectively. On the other hand, GII yields moved generally higher across the curve with the longer tenure pressured the most with yield jumped by 40bps as a result of tepid demand on new 30 years issue. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.04% (August 2020: 1.85%), 2.21% (2.05%), 2.35% (2.39%), 2.63% (2.67%), 3.15% (3.18%), 3.56% (3.45%) and 4.05% (3.65%) respectively.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

Gradual re-opening of economy globally and concerted monetary easing by major global central Banks should spur recovery prospects in the coming quarters barring further spike in COVID cases and re-establishment of restrictive movement control. The US Fed reiterated to maintain the US Fed Fund Rate at near zero for an extended period until 2023 or until labour market condition have stabilised and reach the target employment level. On a related note, the new policy framework now allows inflation to rise above 2%.

With prospects of allowing inflation rate to rise and also increase in government debt issuance to finance enlarged stimulus packages, we opine that yield may rise gradually premised on better economic numbers as US economy reopens. Nevertheless, yields are not expected to rise at levels prior to the pandemic on views that there will not be hasty decisions to raise rates before 2023.

Despite Malaysia recorded a soft 2Q2020 Gross Domestic Product (GDP) print at -17.1% year-on-year (YoY), the data showed that domestic growth has rebounded since April, implying that domestic growth may have bottomed in 2Q and is poised to recover in 2H2020 with the gradual reopening of economies. 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.

While BNM decided to keep its policy rate unchanged at the current record low of 1.75% following a total of 125bps cut for 2020, we opine the central bank still has policy room to ease further given the benign inflation outlook. The pace of future policy easing remains data dependent. In the September's FTSE Russell review, Malaysia will continue to remain included in FTSE Russell World Government Bond Index (WGBI). The index provider has acknowledged the positive measures introduced by BNM and has decided to maintain Malaysia's continued inclusion in the index.

Going forward, FTSE Russell decision on Malaysia's continued inclusion to infuse further market confidence on Malaysian Ringgit bond/sukuk market and we expect the demand for local govies to garner traction from both local and offshore investors.

We maintain our view that investing in Malaysian Ringgit bonds/sukuk 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.

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 contents of the PHS and Disclosure Document in relation to the RHB Retirement Series dated 2 December 2015 and its supplementary(ies)(if any) ("collectively known as Disclosure Document"), before investing. The Disclosure Document has been registered with the Securities Commission Malaysia ("SC") who takes no responsibility for its contents. The SC's approval or authorization, or the registration of the Disclosure Document should not be taken to indicate that the SC has recommended the fund. 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. If in any doubt, consult your banker, lawyer, stockbroker or an independent financial adviser.

The Provider wishes to highlight the specific risks of the Fund are equity risk, credit risk, interest rate risk, liquidity risk and income distribution risk. These risks and other general risks are elaborated in the Disclosure Document.

This Fund 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.

This Fund Factsheet has not been reviewed by the SC.

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


RHB Asset Management Sdn Bhd (174588-X)

