RHB Asset Management

FUND FACTSHEET - NOVEMBER 2020

All data expressed as at 31 October 2020 unless otherwise stated

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.

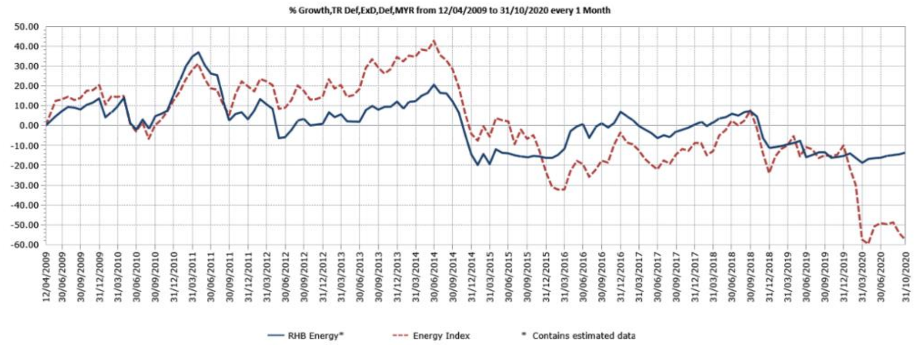
INVESTOR PROFILE

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	**1.01**	**1.87**	**3.78**	**1.93**
Benchmark	-7.52	-15.96	4.75	-52.98

	1 Year	3 Years	5 Years	Since Launch
Fund	**3.04**	**-11.81**	**1.87**	**-13.53**
Benchmark	-50.03	-52.07	-55.59	-57.76

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

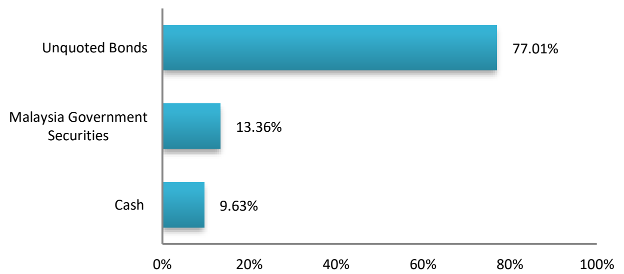
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Fixed Income Fund
Fund Type	Growth Fund
Launch Date	23 March 2009
Unit NAV	RM0.3593
Fund Size (million)	RM8.68
Units In Circulation (million)	24.15
Financial Year End	31 March
MER (as at 31 Mar 2020)	1.64%
Min. Initial 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)	20.95
GII MURABAHAH 4.724% (15/06/2033)	13.36
CIMB GROUP HOLDINGS 5.4% (23/10/2023)	12.20
MEX I CAPITAL BHD 2.5% (22/01/2031)	11.63
MEX II SDN BHD 6.4% (28/04/2034)	9.52

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.3703	0.3703	0.6014
Low	0.3557	0.3344	0.3226

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

With concerns over rising Covid-19 cases and newly implemented mobility restrictions, the global equity markets fell by 2.5% in October, bringing the year to date return to -2.5%.

Increasing Covid-19 numbers have pushed European governments to once again start imposing nation-wide lockdown measures. Until 1 December, people in France will only be allowed to leave their homes to buy essential goods, for medical reasons, or to exercise for an hour a day. Unlike the first lockdown, however, schools and nurseries will remain open. In Germany, Angela Merkel's government will impose a partial lockdown starting 2 November, which will last for four weeks. Spain imposed a national curfew (11 PM-6 AM) since 25 October, while Italy shut down several services and limited operating hours for bars and restaurants for a month since 26 October. England is into a second lockdown on November 2, making the country the latest in Europe to impose new national restrictions. In the US, hospitalizations for Covid-19 have risen at least 10% over the past week. However, this time it's different – the hospitalization trend is flatter than both the initial and summer outbreak. Fiscal stimulus will have to wait until after the election. On the election front, the odds for Biden victory are increasing again. Biden, along with a Democratic Senate, would most likely lead to a more aggressive stimulus. Fed Chair Powell (among others) has been steadfast in his message that there cannot be a sustainable economic recovery until the virus is controlled.

On the positive side, the AstraZenica-University of Oxford vaccine has reportedly shown promising results in treatment for the elderly, but we would need to wait for the phase 3 trial results to get a more conclusive picture about its safety metrics. Separately, J&J's vaccine could be available for emergency use by January, assuming no surprise in the results from its latest trial, expected later this year.

In the month of October, oil prices were relatively muted initially before sliding downwards near the end of the month amid the rise in new coronavirus cases globally and concerns around a return to lockdowns. Germany and France, two of Europe's largest economies, announced lockdown measures to combat the pandemic, eroding demand for fuel and exacerbate the supply glut. Crude inventories were also higher than market expectation despite Hurricane Zeta disrupting US production. Higher Libyan production and fear of demand weakness continue to weigh on oil prices.

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") curve were generally bull-steepened in most part of the month as positive auction of the new MGS 10-year benchmark has drove the short-tenor and up to the belly of the curve to be well demanded. This is on top of gradual market adjustment and expectation for lower policy rate going forward as the surge in number of Covid-19 cases shall warrant dovish monetary policy to curb potential shortfall in growth trajectory as well as to lend further support for domestic economy.

Looking ahead, curve steepening pressure might prevail on supply dynamics point of view as there is now a stronger case for the continuation of expansionary fiscal measures which will reflect in similarly heavy government bond supply profile in 2021. Therefore, we will be closely watched for further details in this upcoming Budget 2021 announcement as government need to find a tight balance between fiscal consolidation and maintaining adequate and sustainable support for the recovery. Nonetheless, we 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 bull-steepened with the front-end yields were well priced-in for another 25 bps OPR reduction. Overall, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.75% (Sept-2020: 2.00%), 2.00% (2.24%), 2.32% (2.42%), 2.61% (2.65%), 3.10% (3.04%), 3.45% (3.37%) and 3.89% (3.84%) 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, investors are barely tipping their toes in the oil market. Most participants are awaiting the elections to be over and re-engage ahead of the next OPEC+ meeting on 1st December 2020. The market expects OPEC+ to exercise caution in bringing 1.9 million barrels per day of oil production back online amid the tepid recovery in the pandemic and dampened end-user demand. Meanwhile positives of trade normalization and stimulus spending could be more meaningful amid a tightening oil market in 2021, but the shift towards renewables may eventually cap some of the upside of oil prices going forward.

Domestically in Malaysian fixed income, at the final BNM Monetary Policy Meeting ("MPC") of the year on 3rd November 2020, BNM has decided to keep its overnight policy rate (OPR) unchanged at a record low of 1.75%. The decision has been expected by 17 out of 22 economists surveyed in Bloomberg. This marked the second straight meeting that BNM held the OPR unchanged after consecutively lowering its benchmark rate by 125 bps from January 2020 to July 2020. BNM in a statement said that the latest indicators pointed towards significant improvement in the economic activity in the third quarter. Nonetheless, growth for the year 2020 is expected to be within the official forecasted range of -5.5% to -3.5% with growth in 2021 projected to improve further. Aside, 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 as downside risks remain from ongoing uncertainties surrounding the pandemic globally and domestically. 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 expectations 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 is 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. 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.