

**RHB ISLAMIC REGIONAL BALANCED FUND - MYR CLASS**

The Fund aims to provide regular income\* and capital growth over the medium to long-term\*\* from a diversified portfolio of Shariah-compliant investments.

Note:\* Income is in the form of Units. Please refer to the Fund's distribution mode.

\*\* "medium to long-term" in this context refers to a period of three (3) years or more.

**INVESTOR PROFILE**

This Fund is suitable for investors who:

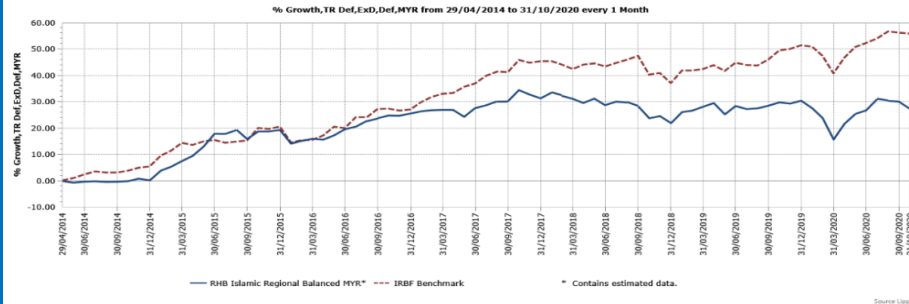
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

**INVESTMENT STRATEGY**

- At least 40% and up to 60% of NAV: Investments in Shariah-compliant equities.
- At least 40% and up to 60% of NAV: Investments in non-equity Shariah-compliant investments.

**FUND PERFORMANCE ANALYSIS**

**Performance Chart Since Launch\***



RHB Islamic Regional Balanced Fund ("IRBF") Benchmark : Following the change in Shariah screening methodology of the Fund from a combination of screening methodologies to a single FTSE Shariah screening methodology effective from 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% FTSE Shariah Developed Asia Pacific Index. Prior to 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% Dow Jones Islamic Market Asia Pacific Index.

**Cumulative Performance (%)\***

	1 Month	3 Months	6 Months	YTD
Fund	-2.14	-2.83	4.68	-2.40
Benchmark	-0.26	1.18	6.24	2.89

	1 Year	3 Years	5 Years	Since Launch
Fund	-1.92	-5.24	7.31	27.33
Benchmark	4.23	6.83	29.91	55.78

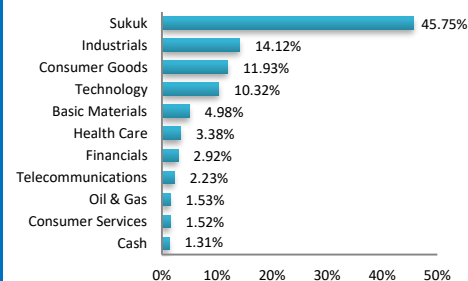
**Calendar Year Performance (%)\***

	2019	2018	2017	2016	2015
Fund	6.99	-7.11	4.61	5.27	18.90
Benchmark	10.47	-5.70	14.50	5.41	14.33

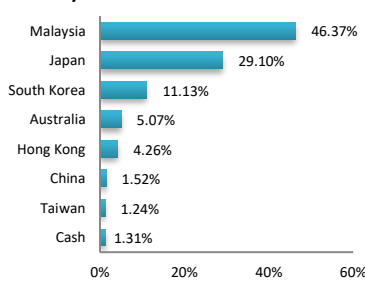
Source: Lipper IM

**FUND PORTFOLIO ANALYSIS**

**Sector Allocation\***



**Country Allocation\***



**Top Holdings (%)\***

SAMSUNG ELECTRONICS CO LTD	4.93
BANK MUAMALAT MALAYSIA 5.05% (25/11/2021)	4.95
YTL POWER INTERNATIONAL 5.05% (03/05/2027)	3.76
WCT HOLDINGS BHD 6.0% PERPETUAL	3.73
AFFIN ISLAMIC BANK BHD 5.65% PERPETUAL	3.38

\*As percentage of NAV

**FUND STATISTICS**

**Historical NAV (RM)**

	1 Month	12 Months	Since Launch
High	1.3271	1.3271	1.3616
Low	1.2737	1.0692	0.9739

Source: Lipper IM

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### MANAGER'S COMMENTS

#### MARKET REVIEW

##### Equity

World equity markets started off strongly in the month of October 2020 on the back of continued improvement in economic data. However, the resurgence of new Coronavirus Disease 2019 (COVID-19) cases particularly in United States (US) and Europe resulted most equity markets ended the month on the red. So far, the second wave of COVID-19 has been more pronounced in Europe and the US, forcing some countries to re-enact partial to complete shutdowns in select regions. The spurt in new cases cast doubts over the growth momentum in the near term. For the month, we saw US declining 2.7%, Europe 5.7%, Japan 1.6%. Asia ex-Japan (+2.8% in October 2020, year-to-date: 6.4%) was the stand-out performer in October 2020 as it was the only region in the world to register an advance. China (5.3%) rode on rising investor optimism, as it unveiled the 14th Five Year Plan to set out on becoming an advanced socialist country with leading global influence by 2049. ASEAN advanced 0.4% after two consecutive down months, driven by Indonesia (8.6%) and the Philippines (7.9%), while political uncertainties weighed on Thai stocks (-2.3%). Meanwhile, Brent crude oil declined -8.5% in October 2020 due to continued demand concerns while Crude Palm Oil (CPO) futures traded higher to RM3,252, +14.5% month-on-month (MoM) on the back of potential decline in production due to shortage of workers in the sector.

##### Sukuk

Despite of the rapid rising COVID-19 cases in US and dwindling hopes for fiscal stimulus package, the country recorded a record jump in 3Q Gross Domestic Product (GDP) at annualized 33.1% quarter-on-quarter (QoQ), beating consensus expectation of a 31% surge. It is the largest expansion ever following a record 31.4% plunge in 2Q as government injected more than USD3 trillion worth of pandemic relief to fuel consumer spending. However, the GDP is still 3.5% below its level at the end of 2019 and the outlook for 4Q remain uncertain in view of the second wave of coronavirus pandemic.

US Treasuries (UST) yield traded largely higher in the month of October as political uncertainties loomed in the wake of the US presidential election in early November. Longer dated UST curve rose faster than the shorter end portion hence causing further steepening of the UST curve, with the 10-year/2-year and 30-year/2-year spread hovering around 69 basis points (bps) and 146 bps respectively.

At the month end of October 2020, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.15% (September 2020: 0.13% +2bps), 0.36% (0.28%; +8bps), 0.82% (0.68%; +14bps) and 1.60% (1.46%; +14bps) respectively.

On the local front, demand for govies remained supported as investors stay defensive amid concern over downside risk to growth following the resurgence of COVID-19 cases and prospect of further monetary easing by Bank Negara Malaysia (BNM) in the upcoming Monetary Policy Committee (MPC) meeting scheduled on 3rd November. Yields of the Malaysian Government Securities (MGS) and Government Investment Issue (GI) ended tightened across the curve following positive vibes emerging from the well-supported 5-year GI 3/26 reopening tender. Despite slow of issuances in govies bond supply in October, they were well received by market players. Auctions featuring MYR4.5 billion 3-year GI, MYR5.0 billion new 10-year MGS and MYR5.0 billion 5-year GI printed solid bid to cover ratios at 3.093x, 1.994x and 1.996x respectively. Yield of the MGS and GI tightened lower across the curve led by the shorter end portion, the 3-year and 5-year MGS benchmark yield eases more than 20 bps lower month-on-month to settle around unprecedented low level of 1.75% and 2.01% on 30th October 2020.

Month-on-month, yield curve generally flattened as MGS yields were pushed lower on the shorter end up till 5 years 8 to 20bps while the long end of the curve shifted higher by range of 3-12bps. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.75% (September 2020: 1.99%), 2.00% (2.25%), 2.34% (2.43%), 2.62% (2.67%), 3.10% (3.02%), 3.45% (3.33%) and 3.85% (3.81%) respectively. Similarly, shorter tenure 3-year GI yield moved lower by 20bps while the longer tenure inched higher by an average of 5-6bps. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GI were reported at 1.79% (September 2020: 2.04%), 2.17% (2.21%), 2.37% (2.35%), 2.59% (2.63%), 3.21% (3.15%), 3.53% (3.56%) and 4.10% (4.05%) respectively.

#### MARKET OUTLOOK AND STRATEGY

##### Equity

The resurgence of COVID-19 infections has resulted in lockdown measures of varying degrees being imposed which has raised concerns of a slower-than-expected global economic recovery. This implies that the prevailing coordinated efforts by governments to stimulate economies via both fiscal and monetary policies will stay for a prolonged period. Therefore, the flush of liquidity will continue to be positive for the equity market, while economic recovery slowly makes its way back to normalcy. Over the longer term, we are positive on the equity market as normalisation post a vaccine would likely further support GDP and top-line recovery. In the short term, we expect the volatility in the regional/global markets to continue. Hence, we continue to stay Overweight in the cyclical sectors such as technology and Industrial. As for country allocation, we continue to Overweight South Korea and Hong Kong/China.

##### Sukuk

Gradual re-opening of economy globally and concerted monetary easing by major global central Banks should spur recovery prospects in the coming quarters after improvements shown in 3Q prints. However, there are lingering concern for a resurgence of new COVID-19 waves in the northern hemisphere as these countries entering into winter season. At the time of writing, Europe and the UK have reported increasing number of new COVID-19 cases which appears to be derailing growth prospects as Governments called for another lockdown or partial lockdown.

Notwithstanding the above, the US recorded a hefty jump in its 3Q GDP despite of the rapid rising COVID-19 new cases. It is among the earliest countries with second wave of infections following the reopening of economic activities. Amid the concern over downside risk to growth, the US Federal Reserve (Fed) continues to pledge its ultra-low monetary policy path, likely to keep the benchmark interest/profit rate at near zero level until the earliest 2023.

Nonetheless, market is deeply concern on supply pressure to the bond market from fiscal stimulus as well as prospect of greater fiscal spending with Joe Biden's leading the polls in the US Presidential election.

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.

As for Malaysia, despite it recorded a soft 2Q2020 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.

Growth in the 3Q is likely to print a lesser contraction (scheduled for release on 13th November) following relaxation of movement controls and reopening of economic activities since May/June periods. However recent resurgence of COVID-19 cases on the domestic and global front could pave the way for further monetary policy and fiscal responses to ensure recovery traction will not be derailed significantly. Recent movement control orders are likely to mirror further downside risks to 4Q growth expectations.

Nevertheless, BNM has decided to maintain the Overnight Policy Rate (OPR) at 1.75% at the final MPC for this year held on 3 November 2020, citing projected further improvement on the country's economic activity and inflation to remain subdued as the world economy contends with the resurgence in COVID-19 cases. In a statement post MPC, BNM was confident on the continued recovery in the global economy, led by improvements in manufacturing and export activity although the resurgence in COVID-19 cases suggests that the global economic recovery will likely remain uneven in the near term. As for Malaysia, the latest indicators point towards significant improvement in economic activity in the third quarter. BNM acknowledged, the introduction of targeted measures to contain COVID-19 in several states could affect the momentum of the recovery in the fourth quarter. Nonetheless, growth for the year 2020 is expected to be within the earlier forecasted range. On Malaysia's inflation, BNM said that in line with earlier assessments, headline inflation is likely to average negative this year given the substantially lower global crude oil prices. For 2021, headline inflation is projected to average higher. The country's inflation outlook will continue to be significantly affected by global oil and commodity prices. Focus will also be on the tabling of Budget 2021 on Friday, 6 November, which is expected to provide sufficient support to keep the economy afloat until a more definite medical solution for the pandemic is found. We view that the central bank still has room for further policy easing in 2021 if needed, with prospects of further easing remain data dependent.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 10 October 2020, the Volatility Factor (VF) for this fund is 8.0 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 3.3 but not more than 9.6 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The VC referred to was dated 30 June 2020 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 2020.

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 Prospectus dated 3 November 2017 and its supplementary(ies) (if any) ("collectively known as the Prospectus") before investing. The Prospectus 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 Prospectus 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 Prospectus relates will only be made on receipt of a form of application referred to in the Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Prospectus 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 Manager wishes to highlight the specific risks for the Fund are equity risk, currency risk, country risk, interest rate risk, liquidity risk, regulatory risk, credit downgrade and credit/default risk, reclassification of shariah status risk, market risk in emerging and less developed markets, unrated securities risk and risk of use of rating agencies. These risks and other general risks are elaborated in the Prospectus.

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.

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