

RHB RETIREMENT SERIES – CORE AND NON-CORE PRIVATE RETIREMENT SCHEMES (“PRS”) UPDATE

September 2024

All data expressed as at 31 August 2024, unless otherwise stated.

RHB Retirement Series Review

The MSCI Asia Pacific ex Japan index improved by 2.09% during the month of August 2024. Markets recovered from steep losses in the first week of the month which was triggered by JPY carry unwind and United States (“US”) recession fears after weaker than expected unemployment data. At Jackson Hole the Federal Reserve (“Fed”) indicated to adjust the restrictive policy soon. This statement benefitted Emerging Markets (“EM”) especially ASEAN markets which outperformed North Asia including China. Although technology stocks rebounded after the plunge in the first week, but still ended the month below the previous month.

August 2024 was a volatile month as the Kuala Lumpur Composite Index (“KLCI”) plunged 4.6% to 1,536 points on 5 August 2024 due to the unwinding of the JPY carry-trade and concerns over the US economy. However, it quickly recouped all the losses within the next few days and rallied towards the end of the month to close at 1,678 points, a nearly 4-year high. The FBMKLCI index ultimately improved by 3.27% in August 2024 from previous month outperforming Asia Pacific and EM markets. However, this gain was mainly led by the Financials sector with all other sectors showing negative performance. There were a number of developments during the month: 1) Malaysia reported a second quarter 2024 Gross Domestic Product (“GDP”) of 5.9% 2) the Ringgit had its best run against the USD in 14 years making it the best performing Asian Currencies Year to Date (“YTD”) 3) the official signing of the Johor-Singapore Special Economic Zone (“JSSEZ”) was moved to November 2024 and Amazon.com Inc announced to commit USD6.2 billion into Data Centre development in Malaysia.

Only the RHB Retirement Series – Conservative Fund performed slightly positive during the month. Both the RHB Retirement Series – Moderate Fund and RHB Retirement Series - Growth Fund performed negatively mainly due to negative performance of local Technology and Construction sectors and exposures to North Asia markets including Korea and Taiwan. The only positive contributors were Malaysia Financials.

The RHB Retirement Series – i-Allocator Fund recorded a negative performance for the month. The main contributor as the exposure to RHB Global Shariah Dynamic Income Fund, while the main drag came from iShares MSCI EM Islamic Fund.

The Islamic Funds were unable to capitalize on the Finance sector rally, but was crippled by the shocks experienced in the Technology and Industrial sectors. The RHB Retirement Series – Islamic Equity Fund underperformed benchmark and peers in August 2024, due to negative sector allocation, namely in Industrial (-2.47%), Information Technology (-0.98%), Healthcare (-0.75%) and negative stock selection in names ie Econpile Holdings Bhd, Hartalega Holdings Bhd, Guan Chong Berhad. While the RHB Retirement Series – Islamic Balanced Fund did well vs peers but it also underperformed benchmark due to negative sector allocation (-1.49%) Industrial (-0.76%), Real Estate (-0.37%) and Information Technology (-0.30%). As the equity market is heading towards a more palatable valuation territory, we are encouraged (and remain broadly invested) in Malaysia’s economic fundamentals solid earnings growth remain healthy given the favourable thematic plays over medium term trajectory.

Strategy

Our base case remains for a US soft-landing, and the Fed would likely to act fast to avoid recession. We reiterate our positive stance on Malaysian equities for the following reasons:

- Improving domestic economy.
- Execution of catalyst projects in line with national masterplans (New Industrial Masterplan 2030, National Energy Transition Roadmap, 12th Malaysia Plan) and the significant interest in Malaysia as a global supply chain realignment alternative should encourage investment activity. The Prime Minister announced that the government has approved investment inflows into the country from January 2024 to June 2024 increased to RM160 billion, representing 18% growth compared to the same period last year.
- Meanwhile, the rebound in external demand has aided in the expansion of the economy following second quarter 2024 export growth of 5.8% Year-on-Year (first quarter 2024: 2.0%). Malaysia’s exports are likely to progressively increase for the rest of 2024 amid better international trade conditions and improved demand for Electrical and Electronics (“E&E”). While the demand is increasing globally, possible trade disputes, such as between the US and China, may increase the possibility of trade disruptions.



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- The healthier labour market, alongside supportive domestic policies, will continue to shore up consumer spending and lend support to overall economic growth.
- Stable politics.
- Expectations of better corporate earnings due to better economic outlook. 2024 is the first year where Malaysia corporates deliver positive earnings growth since many years ago.
- Current FBMKLCI's valuation of 15.3 times Price-Earnings ratio (“PE”) which is lower relative to historical PE of 16 times to 18 times.
- Foreign investor positioning in Malaysia is still light, at 19.8%, YTD foreign inflows were RM3.043 billion and MYR is undervalued. Domestic liquidity will likely continue to support stocks, due to relatively larger allocations by local asset owners to Malaysian stocks. In 8-months 2024, net local and foreign institutional liquidity was RM4.8 billion. Furthermore, MYR is undervalued at the moment.

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DISCLAIMER

Source: RHB Asset Management Sdn Bhd (“RHBAM”), 31 August 2024.

RHBAM is the Private Retirement Scheme (“PRS”) Provider of the RHB Retirement Series – Core PRS (consist of RHB Retirement Series-Growth Fund, RHB Retirement Series-Moderate Fund and RHB Retirement Series-Conservative Fund) and RHB Retirement Series – Non-Core PRS (consist of RHB Retirement Series-Islamic Equity Fund, RHB Retirement Series-Islamic Balanced Fund and RHB Retirement Series-i-Allocator Fund).

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The Private Retirement Series Provider wishes to highlight the specific risks of RHB Retirement Series-Growth Fund are equity risk, credit risk, interest rate risk, liquidity risk, income distribution risk, derivatives risk, currency risk and country risk. The specific risks of RHB Retirement Series-Moderate Fund are equity risk, credit risk, interest rate risk, liquidity risk, income distribution risk, derivatives risk, currency risk and country risk. The specific risks of RHB Retirement Series-Conservative Fund are equity risk, credit risk, interest rate risk, liquidity risk, income distribution risk, currency risk and country risk. The specific risks of RHB Retirement Series-Islamic Equity Fund are management risk and the specific risks of the Target Fund are reclassification of shariah status risk, market risk and particular security risk. The specific risks of RHB Retirement Series-Islamic Balanced Fund are management risk and the specific risks of the Target Fund are reclassification of shariah status risk, market risk, particular security risk, interest rate risk and credit/default risk. The specific risks of RHB Retirement Series-i-Allocator Fund are liquidity risk, country risk, currency risk, Islamic collective investment schemes risk, profit rate risk, credit/default risk and reclassification of shariah status risk. These risks and other general risks are elaborated in the Disclosure Document.

This update has not been reviewed by the SC.

