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

October 2024

All data expressed as at 30 September 2024, unless otherwise stated.

RHB Retirement Series Review

The MSCI Asia Pacific ex Japan index improved by 7.53% during the month of September 2024. The Federal Reserve ("US") cut overnight rates by 50 basis points ("bps") on 19 September 2024 which triggered an earlier-than-expected policy pivot in China. The main policy measures released included moderate rate cuts, lending facilities for equity purchases and buybacks, and new relaxation of home purchase restrictions in tier-1 cities. Hence, China/Hong Kong markets soared by 23.8%/17% as the top-two performer in Asia Pacific ("APAC") in September 2024. The top laggard this month was Korea (-3.6%) as Samsung Electronics Co Ltd ("Samsung Electronics") shares fell to March 2023 levels (nearly 30% off its July 2024 peak) on weaker-than-expected memory recovery.

The FBMKLCI index declined by -1.78% in September 2024 from previous month underperforming APAC and Emerging Markets ("EMs"). The softer performance was due to quarter end profit taking, China's market sharp rebound and foreign inflows which redirected flows out of winners in Malaysia. There were a number of developments during the month: 1) United States ("US") finalised tariffs on Chinese gloves, as ASEAN glove makers finally see some relief 2) The Malaysian Ringgit posted its best ever quarterly return 3) YTL Power International Bhd's communications unit was probed by the Malaysian Anti-Corruption Agency.

All three Core Funds performed slightly positive during the month. The main contributor were exposure to China with the main drag coming from Malaysia and South Korea. At security level Alibaba Group Holding Ltd and IHH Healthcare Bhd contributed the most to the funds performances, while Samsung Electronics was the main detractor.

The RHB Retirement Series – i-Allocator Fund recorded a slightly negative performance for the month. The main contributor was RHB Shariah China Focus Fund, while the main drag came from Ishares MSCI Emerging Market Islamic Exchange Traded Fund ("ETF").

Despite the broader market decline, both RHB Islamic PRS funds did well in September 2024. RHB Retirement Series - Islamic Equity Fund saw a Month-on-Month ("MoM") gain of 0.67%, outperformed the benchmark and peers in September 2024 thanks to positive stock selection (+147 basis points ("bps")). As for RHB Retirement Series - Islamic Balanced Fund saw a MoM performance of 3.22%, outperforming benchmark and peers, thanks to positive asset allocation (+315bps) on Sukuk exposure of more than 70%, where one of the key Sukuk holdings saw an upgrade on positive outlook.

Strategy

The PRS Provider believes there is more room for the FBMKLCI to go higher due to a strong currency which is fuelled by robust economy and external factors. Positive economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage foreign exchange flows, will continue to support the ringgit and the index. The economy is likely to show better performance going forward due to the increased investment activities. Investment activities are supported by the ongoing progress of multi-year projects in both the private and public sectors, the implementation of initiatives under the national master plans, as well as the higher realisation of approved investments. In addition, Malaysian companies would likely to benefit from the relocation of manufacturing facilities from China as Chinese companies would try to bypass US tariffs. In addition, Malaysia will likely gain from China's recent stimulus measures, which includes interest rate cuts and property market support measures, as a stronger economy spurs demand for goods and services and more disposable income for the Chinese to travel. Sectors such as Tourism, Manufacturing and Commodities would benefit if China recovers well though it may take a while due to the weaknesses in China real estate markets as bulk of China's citizen wealth resided in the Property sector. The PRS Provider's base case remains for a US soft-landing, and the Federal Reserve would likely to act fast to avoid recession. The PRS Provider reiterates their positive stance on Malaysian equities due to the 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% from a year ago (Year-on-Year ("YoY")) (first quarter 2024: 2.0% YoY). 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. While the demand is increasing globally, possible trade disputes, such as between the US and China, may increase the possibility of trade disruptions. The healthy labour market, alongside supportive domestic policies, will continue to shore up consumer spending and lend support to overall economic growth. The FBMKLCI is currently trading at 14.3 times forward Price-to-Earnings ("PE") ratio which is lower relative to historical PE of 16 times to 18 times. However, the market needs stronger booster in terms of earnings to sustain its uptrend. The PRS Provider believes that corporate earnings are likely to be upgraded in the second half of 2024 as the macro indicators pointing towards better economy in the second half of the year. Liquidity is strong to support the market as foreign investor positioning in Malaysia is still light, at 20.2%, Year-to-Date ("YTD") foreign inflows were RM3.553 billion. Domestic liquidity will likely continue to support stocks, due to relatively larger allocations by local asset owners to Malaysian stocks.

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DISCLAIMER

Source: RHB Asset Management Sdn Bhd ("RHBAM"), 30 September 2024.

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This update has not been reviewed by the SC.