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

January 2025

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

RHB Retirement Series Review

The MSCI Asia Pacific ex Japan index fell by 1.22% during the month of December 2024. In 2024, the MSCI Asia Pacific ex Japan index rose by 7.66%, exceeding its post-Global Financial Crisis (“GFC”) annual total return trend of 5%. The year 2024 saw the largest gap between the best and worst performing major markets since 2009, with MSCI Korea index falling by 24%. Throughout the year, there were three major drawdowns and three rallies. Chinese equities faced considerable volatility early on, but market intervention and foreign buying helped stabilize the market by March 2024. Korea followed a similar pattern due to different reasons, including the Value-up program which boosted Financials and Autos. Momentum built in China, and for a while, all major markets in Asia performed well, with Artificial Intelligence (“AI”) driving Taiwan and small-caps and Industrials driving India into elections. A brief concern over ‘higher for longer’ in April 2024 was quickly resolved, leading to a sustained rally into July 2024. United States (“US”) macro conditions then influenced a ‘Goldilocks’ rotation, causing an unwind of crowded positions across AI, Momentum, and Carry trades. A brief recession scare in early August 2024 was followed by a recovery. In mid-September 2024, a policy shift in China raised stimulus expectations, leading to the biggest one-month rally in MSCI China since 2008. This rally stalled by mid-October 2024 as markets focused on the US election, where a Trump win led to the third drawdown in Asian equities due to anticipated US tariffs on China.

In December 2024, the KLCI rose 3%, closing at 1,642 points, with foreign investors leading net selling for the third consecutive month. Retail investors were the largest net sellers in 2024, marking their largest annual net sell since records of fund flows were made available in 2018. For 2024, the KLCI (12.90%) outperformed both the MSCI Asia ex-Japan Index by 3.2% and MSCI Emerging Markets Index by 7.85%. The top three performers in December 2024 were Technology, Healthcare, and Utilities sectors, while Finance, Consumer, and Real Estate Investment Trusts (“REITs”) sectors lagged. Foreign investors were the sole net buyers in the Property sector, driven by the expected signing of the Johor-Singapore Special Economic Zone (“JS-SEZ”) agreement in January 2025. For 2024, the top three net sell sectors for foreign investors were Consumer Products, Finance, and Plantation, with Malayan Banking Bhd, Kuala Lumpur Kepong Berhad, and RHB Bank Bhd being the leading net sell stocks. Local institutional investors were the largest net buyers, recording a 3.7 times increase in their net buy value to RM11.6 billion. Key net buy sectors for local institutions included Financial Services, Utilities, and Industrial sectors. During the month of December 2024, Gamuda Bhd and 99 Speed Mart Retail Holdings Bhd were added to the FTSE Bursa Malaysia KLCI index.

All three Core funds saw a strong positive performance during the month. The main contributor was exposure to Malaysia while the main drag came from investments in South Korea. At security level MN Holdings Bhd, Tenaga Nasional Bhd and Public Bank Bhd contributed the most to the funds performances, while Northern Star Resources, Hana Financial Group and Samsung Electronics were the main detractors.

The RHB Retirement Series - i-allocator Fund recorded a negative performance for the month. The main contributor was RHB Shariah China Focus Fund, while the main drag came from the Ishares MSCI Emerging Markets Islamic ETF.

The RHB Islamic PRS funds was a mixed performance in the month of December 2024. RHB Retirement Series - Islamic Balanced Fund did well vs peers but underperformed benchmark by 44 basis points (“bps”) Month-on-Month (“MoM”) due to negative sector allocation (-331bps), weakness stemmed from Utilities, Healthcare and Industrials, partly cushioned by Sukuk contribution. As for RHB Retirement Series - Islamic Equity Fund saw a MoM performance of 4.77%, outperforming benchmark of 4.62% (but below peers), largely on stock selection gains, thanks to names including Southern Cable Group Bhd, Sime Darby Property Bhd and Aurelius Technologies Bhd.

Strategy

The PRS Provider expects heightened market volatility in 2025 as investors grapple with the incoming policy risks from Trump’s presidential comeback. However, many experts believe that Trump will take a refined approach on tariffs, targeted manner rather than blanket, as blanket approach would have an inevitable impact on inflation. The market is now expecting a 50bps cuts in 2025 from initial forecast of 100bps cuts. Hence, the USD is likely to strengthen again due to the expectations of lower than previously expected cuts. Exporters are likely to benefit due to the strengthening of the USD. While inflation driven by subsidy rationalization and compliance costs poses a nearterm challenge, a diversified portfolio focusing on defensive sectors, government-supported industries, and inflation-resistant assets can help mitigate risks. Close monitoring of economic policy outcomes and consumer sentiment will be critical for refining investment strategies. With further narrowing of the Federal Fund Rate and Overnight Policy Rate spread, this could provide some appreciation stability to the Ringgit going forward. Malaysia is on steady path of economic growth and subsidy reforms with a robust investment pipeline and a more stable political climate. Foreigners have yet to fully appreciate the country's ongoing rejuvenation given their continued underweight position on Malaysia. The Federal Reserve's on-going rate down-cycle could help risk appetite for emerging markets resurface, particularly in countries such as Malaysia that are not in the tariff spotlight.

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DISCLAIMER

Source: RHB Asset Management Sdn Bhd (“RHBAM”), 31 December 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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This update has not been reviewed by the SC.