

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

February 2025

All data expressed as at 31 January 2025, unless otherwise stated.

RHB Retirement Series Review

The MSCI Asia Pacific ex Japan index improved by 1.27% during the month of January 2025. The month began with drawdowns in China equities due to tariff concerns, strength in United States Dollar (“USD”) due to tariff risks and higher rates, and recovery in United States (“US”)-oriented Artificial Intelligence (“AI”) supply chains in Asia. However, these reversed at various points, with China hitting oversold conditions mid-January 2025 and a softer US tariff tone on China. The US Dollar index hit a high of 110 after a strong labor market data, but easing thereafter. The US outlined 25% tariffs on Mexico and Canada, causing renewed dollar strength late-month and into early February 2025. AI sentiment saw a significant realignment as investors familiarized with DeepSeek's R1 model launch. Korea's Technology and Materials sector lagged, while Australia (+5.5%) reached new all-time highs. Japan rose 1.8% in USD terms due to continued bond yield upside and Japanese Yen (“JPY”) strength. China (1%) and Taiwan (3.5%) registered positive returns, but both markets face challenges after re-opening in February 2025 due to tariffs and DeepSeek shock.

The Kuala Lumpur Composite Index (“KLCI”) experienced a 5% decline in January 2025, closing at 1,556 points, due to sell-offs in AI and data centre-related proxies. The decline was triggered by tighter US restrictions on AI chips and the launch of Chinese AI chatbot DeepSeek. The KLCI's steepest January 2025 decline since 1995 was driven by persistent net selling by foreign investors, who offloaded RM3.1 billion worth of equities in January 2025, marking the highest monthly net sell since 2020. The Real Estate Investment Trusts (“REITs”) sector was the best performer, while the Construction sector was the worst. Key events to watch in February 2025 include the 15th Parliament sitting, fourth quarter 2024 (“4Q24”) Gross Domestic Product (“GDP”) release, 4Q24 corporate earnings season, US trade policy updates, and MSCI index review decision.

All three Core Funds saw a negative performance during the month as the Malaysia equities market experienced a strong decline. The main drag came from investments in Malaysia. At security level SK Hynix Inc, Taiwan Semiconductor Manufacturing Co Ltd and Northern Star Resources Ltd contributed the most to the funds performances, while Malaysia construction names were the main detractors.

The RHB Retirement Series - i-allocator Fund recorded a positive performance for the month. The main contributor was RHB Global Shariah Dynamic Income Fund, while the main drag came from the RHB Islamic Asean Megatrend Fund.

Similarly, the RHB Islamic PRS Funds also saw negative performance in January 2025, but both have done well vs benchmark, thanks to positive asset and sector allocation. For RHB Retirement Series – Islamic Balanced Fund, the outperformance was thanks to overweight in Sukuk and contribution from Utilities sector. RHB Retirement Series – Islamic Equities Fund also saw better performance vs benchmark thanks to positive stock selection in names like Genetec Technology Bhd, SK Hynix Inc and PT Bank Syariah Indonesia Tbk respectively.

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 50 basis points (“bps”) 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 near-term 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 Reserve (“Fed”) 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 Fed'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 January 2025.

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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, collective investment scheme 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, collective investment scheme 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, collective investment scheme 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.



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