Active Balanced Fund

Fund Update July 2018

Investment Objective

To provide a steady incomes and capital growth over the medium to long-term period.

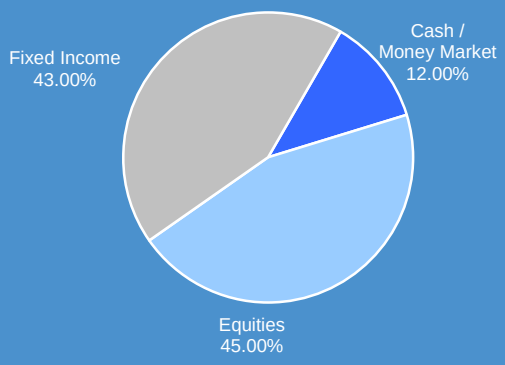
Fund Details

Fund Size	RM72,630,740
Unit NAV @ 31/07/2018	RM2.5162
Valuation Frequency	Daily
Fund Manager	Affin Hwang Asset Management Bhd
Fund Management Fee	1.25% p.a.
Launch Date	25 Sep 2006

Portfolio Composition and Holdings

Top Five Holdings	
Securities	**% Holding**
MGS 3.58% (28.09.2018)	19.3%
MGS 3.757% (20.04.2023)	9.7%
Public Bank Bhd	4.7%
CIMB Group Holdings Bhd	4.6%
Petronas Chemicals Group Bhd	4.2%

Portfolio Composition by Category of Investment



Fund Performance*

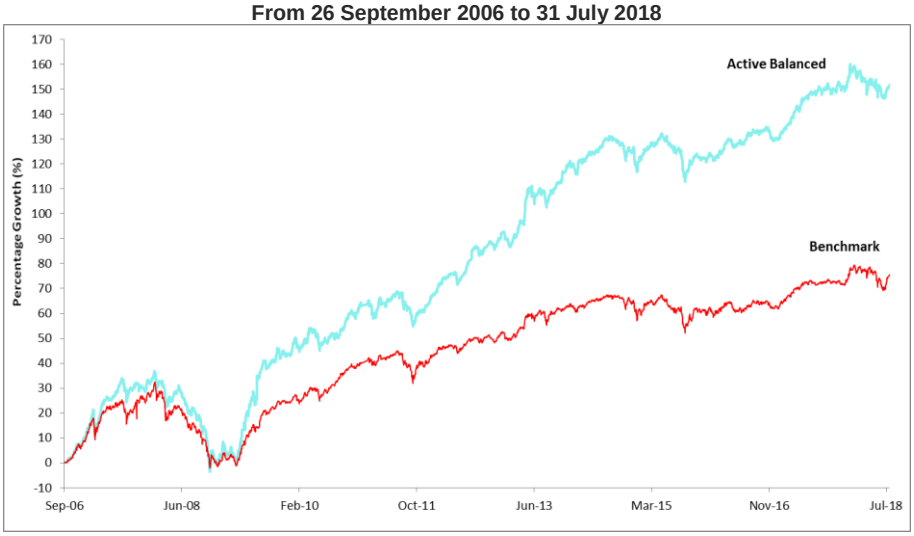
Total Return (%)	1 Month	3 Month	6 Month	1 Year	3 Year	YTD	Since Inception
Fund	1.63	-0.98	-2.69	0.60	11.65	-1.33	151.65
Benchmark	2.93	-1.08	-1.91	2.05	8.39	-0.16	75.49

Annualised Return (%)	1 Year	3 Year	YTD	Since Inception
Fund	0.60	3.74	-2.28	8.10
Benchmark	2.05	2.72	-0.28	4.86

Calendar Year Return (%)	2015	2016	2017
Fund	0.50	2.68	10.75
Benchmark	0.62	0.25	7.92

*Calculation of performance is based on NAV-to-NAV basis including fund distribution(s), if any. Also, performance for 1-, 3-, 6-months and 1-, 3-years is based on the fund's performance for the respective preceding period.

Fund Performance vs Benchmark
From 26 September 2006 to 31 July 2018



Fund Strategy

The Fund intends to keep duration around 2-3 years and invest into liquid government securities and good quality credits. We would participate in primary issuances for better yield pick up when opportunity arises.

For the equity investments, the Fund Manager will continue to be selective in its strategy by focusing on quality stocks with strong cash flows, and stocks giving attractive dividend yields or the potential to do so. The Fund Manager will also take tactical investments in selected situational stocks with strong fundamentals.

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Market Outlook

For the month of July, the KLCI gained 5.3% to close at 1,784.25. Meanwhile, the S&P500 and the MSCI Asia ex-Japan gained 3.60% and 0.34% respectively.

On the economic front, 1) Malaysia's exports growth grew +7.6% y-o-y in June from +3.4% y-o-y in May. The growth was led by higher shipments of manufactured goods, particularly electrical and electric products (+6.9% y-o-y) , refined petroleum (+40.6%) and crude petroleum (+25.3%); 2) June trade surplus narrowed to RM6bn (vs RM8.4bn in May 2018); 3) May IPI rose 3% y-o-y, pointing to some stabilization in sequential trends, driven by a rise in manufacturing output; 4) June CPI came in at 0.8% y-o-y, reflecting the zero-rating of the GST; 5) BNM maintained OPR at 3.25%; 6) BNM's international reserves was marginally lower at USD104.6bn (Jul 13) vs USD104.7bn in June. The reserves position is sufficient to finance 7.5 months of retained imports and is 1.1 times the short-term external debt; 7) The SST will be reintroduced on Sept 1 with proposed sales tax at 5% and 10% while service tax will be at a fixed rate of 6%.

In corporate developments, 1) The ECRL, Multi Product Pipeline and Trans Sabah Gas Pipeline projects has been suspended; 2)The Penang government will consider requesting RM1bn soft loan from the federal government to expedite the Penang Transport Master Plan; 3) MRT Corp is conducting an analysis to reduce the construction cost for MRT2; 4) The government will announce implementation of the B10 blending programme in the transport sector by year end; 5) The Naational Housing Policy 2.0 is scheduled to be unveiled by Sept; 6) IHH has submitted a new binding offer for the acquisition of Fortis Healthcare; awaiting shareholders' approval on Aug 13; 7) TopGlove has filed a law suit against Adventa Capital; 8) Telekom and TNB have terminated MoU to deliver the government's Nationwide Fiberisation Plan.

In the U.S, the four-week moving average of claims, considered a better measure of labor market trends as it strips out week-to-week volatility, shrunk 1,750 to 223,000 in mid July 2018. Unemployment rate fell to 3.9% in July, the lowest level in nearly 50 years (vs 4.4% in June 2018).

Meanwhile, the US manufacturing firms signaled a strong improvement in operating condition in July, with the seasonally adjusted Markit U.S Manufacturing Purchasing Manager's Index™ (PMI™) registered at 55.3 in July, down slightly from 55.4 in June. US consumer confidence rose to 127.4 in July from 127.1 in June. The headline inflation rate rose to 2.9% in June (vs 2.8% in May). Core inflation, which strips out food and energy costs, accelerated to 2.3% in June (vs 2.2% in May).

July was a good month for KLCI as the market rebounded in line with other emerging markets. The KLCI gained 5% largely led by Banks and Tenaga. In the final week of July, we saw net foreign inflow of RM300m, the first positive week since GE14. Although the quantum is small relative to ytd net outflow of RM8b, it indicates foreign investors' growing confidence on reform initiatives implemented by the new government.

During the month, the Finance Minister also announced the introduction of Sales and Services Tax of 6-10% effective September 2018 to replace GST. This timely announcement will address investors' concerns as GST was a major revenue contributor to the government. While we acknowledge that SST collection will be lower, the revenue gap can be covered through higher dividends from GLCs, higher oil revenue from rising oil price and reduction in Prime Minister's Office expenditure.

Another major event was the en bloc resignation of Khazanah directors in late July. It caused a kneejerk reaction to market because Khazanah is widely seen to be well run and delivered strong results since inception. While we lament the loss of talented management, we welcome the swift appointment of Dato Sharil from EPF to helm the sovereign wealth fund.

In August, we will be closely watching the 100-day report card as well as 2Q18 reporting season. We think that results may be lackluster as economic activities slowed down due to distraction from GE14. Overall, we think that market may have bottomed out in July and expect sideway movements due to lack of catalysts. We continue to be defensively positioned holding comfortable cash buffer. We remain positive on Consumer and REIT sectors navigating through this challenging period.