



# Active Balanced Fund

Fund Update February 2020

## Investment Objective

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

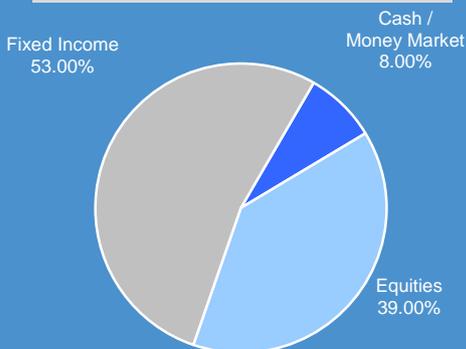
## Fund Details

<b>Fund Size</b>	RM94,205,303
<b>Unit NAV @ 29/02/2020</b>	RM2.4469
<b>Valuation Frequency</b>	Daily
<b>Fund Manager</b>	Affin Hwang Asset Management Berhad
<b>Fund Management Fee</b>	1.25% p.a.
<b>Launch Date</b>	25 Sep 2006

## Portfolio Composition and Holdings

Top Five Holdings	
Securities	% Holding
MGS 4.048% (30.09.2021)	10.9%
GII 3.99% (15.10.2025)	7.4%
GII 3.493% (31.10.2023)	6.6%
Lembaga Pembiayaan Perumah SA 3.83% (21.09.2023)	5.5%
GII 4.39% (07.07.2023)	5.1%

## Portfolio Composition by Category of Investment



## Fund Performance\*

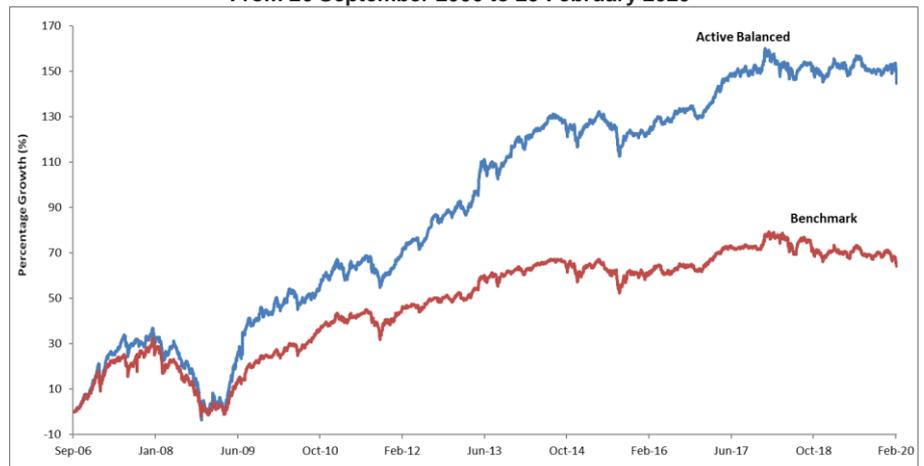
Total Return (%)	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	-1.76	-1.47	-2.73	-3.55	3.67	7.02	-2.78	144.72
Benchmark	-1.78	-2.41	-3.14	-4.32	-1.54	-0.63	-3.54	64.14

Annualised Return (%)	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	-3.54	1.21	1.36	-15.76	6.89
Benchmark	-4.13	-0.52	-0.13	-19.69	3.76

Calendar Year Return (%)	2019	2018	2017	2016
Fund	1.47	-2.73	10.75	2.68
Benchmark	0.75	-3.91	7.92	0.25

\*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-, 5-years is based on the fund's performance for the respective preceding period.

Fund Performance vs Benchmark  
From 26 September 2006 to 29 February 2020



Benchmark : 50% in FTSE Bursa Malaysia Emas Index (FBMEmas) + 50% in 12 month fixed deposit Maybank interest

## Fund Strategy<sup>1</sup>

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

#### Fixed Income

Amidst the ongoing Covid-19 pandemic, the case for global central banks to remain dovish has grown stronger. Markets see an increased chance of further cuts to the FFR this year. BNM cut the OPR by 25bps to 2.50% during the MPC meeting on the 3rd of March in line with market expectations and complementing the newly announced stimulus to shore up the economy.

Against this backdrop, we expect global bond yields, including Malaysia's, to remain low. In addition, the expected decline in deposit rates may lead to more inflows into the bond market. However, lower oil price pose risk to country's fiscal deficit which could affect Malaysia's ratings.

#### Equity

For the month of February, the KLCI was down by 3.13% to close at 1483. Meanwhile, the S&P 500 was down 7.85% and the MSCI Asia ex-Japan was down 2.91%.

**On the economic front,** 1) Malaysia's exports declined 1.5% y-o-y in January 2020. The decline was led by electric and electronic products, LNG and crude petroleum and timber-based products. ; 2) December 2019 IPI increased by 1.3 % y-o-y, from 2.1% in November 2019. ; 3) January 2020 headline inflation rate edged up to 1.6% y-o-y (December: +1.0% y-o-y) and the core inflation rose to 1.7% y-o-y due to higher housing, electricity, gas and other fuel costs. ; 4) BNM has cut the OPR by 25bps to 2.50%. ; 5) BNM's international reserves increased by USD0.1B to US\$104.3bn as at 14 February 2020 from half a month ago. The reserves position is sufficient to finance 7.4 months of retained imports and is 1.1 times the short-term external debt.

**In corporate developments,** 1) MyEG Bhd has developed an artificial intelligence-powered Covid-19 risk profiling system, a tracking system for foreign visitors. ; 2) MRCB-GKENT is aiming to finish 40% of LRT3 line by end 2020, with completion currently stands at 27%. ; 3) Serba Dinamik Holdings Bhd is in talks to take over Sarawak state-owned integrated engineering firm Brooke Dockyard and Engineering Works Corp. ; 4) Ekovest Bhd and a subsidiary are being sued by a former JV partner, Samling Resources Sdn Bhd, in relation to a RM2.11bn work package under the Sarawak portion of the Pan Borneo Highway project.

**In the US,** the four-week moving average of claims, considered a better measure of labour market trends as it strips out week-to-week volatility, declined to 209,000 in February 2020 from 216,250 in January 2020. Unemployment rate rose to 3.6% in January 2020 from 3.5% the previous month. Meanwhile, the US manufacturing sector declined in February 2020, with the seasonally adjusted Markit U.S Manufacturing Purchasing Manager's Index™ (PMI™) registered at 50.7, down from 51.9 in January. US consumer confidence was at 130.7 in February, higher than 130.4 in January. The headline inflation rate came in at +2.5% in January 2020. Core inflation, which strips out food and energy costs, maintained at +2.3% in January, unchanged from the previous month.

Besides escalation of Covid-19 spread, local market was spooked by political mess which resulted in formation of a backdoor government. Key decliners in February were Banks and Gaming stocks.

The spread of Covid-19 outside China took the market by surprise. Initially, there was a ray of hope when cases in China began to recede, but it was quickly wiped out after Korea and Italy reported huge number of new cases, sending fears to financial markets. Despite the more severe spread geographically, the good news is that mortality rate remains low. For now, medical experts still believe that the situation could improve in summer months thanks to rising temperature.

Back to Malaysia, there is a change of government after an intense week of political impasse. While the new Prime Minister has been sworn in, the opposition claims that they have a majority and will be pushing for a vote of no confidence at the next parliament sitting in May20. Unfortunately, political instability is the last thing the country needs amid virus outbreak as it could have broad implication to FDI, economy and fund flows. Ongoing uncertainty will drag on until the next parliament sitting, but the street base case is for current government to continue given its incumbent advantage.

As a result of double black swan events above, we have raised our cash levels to around 20% to protect the portfolio. We will remain defensive and continue to lookout for dividend yielders to generate income for the portfolio. After 7% ytd sell-down, we see value emerging and will be focusing on stocks which are not reliant on government policies.

### Footnote

<sup>1</sup> With effective 1 April 2020, the fund strategy will change to:

*The Fund will focus on achieving its objective by investing in a balanced portfolio consisting fixed income and equities.*

*The Fund's investment in bonds would consist of government and corporate bonds. The selection of bonds will depend largely on but not limited to the credit ratings of issuances and issuers strong creditability in meeting their financial obligations. The fund manager hold the option of investing into other fixed income assets such as money market instruments and/or deposits.*

*For the equity investments, the fund manager is 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.*