



Active Balanced Fund

Fund Update December 2018

Investment Objective

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

Fund Details

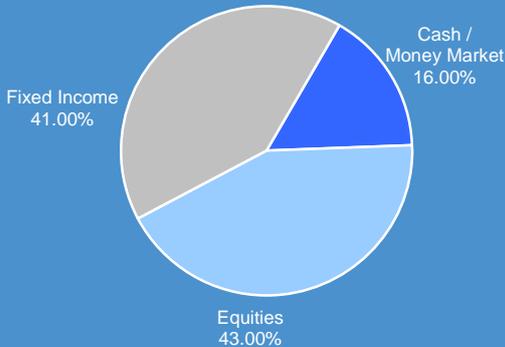
Fund Size	RM77,534,475
Unit NAV @ 31/12/2018	RM2.4804
Valuation Frequency	Daily
Fund Manager	Affin Hwang Asset Management Bhd
Fund Management Fee	1.25% p.a.
Launch Date	25 Sep 2006

Portfolio Composition and Holdings

Top Five Holdings

Securities	% Holding
MGS 4.378% (29.11.2019)	13.0%
GII 4.094% (30.11.2023)	9.8%
GII 3.729% (31.03.2022)	7.8%
Public Bank Bhd	4.6%
Malayan Banking Bhd	3.9%

Portfolio Composition by Category of Investment



Fund Performance*

Total Return (%)	1 Month	3 Month	6 Month	1 Year	3 Year	YTD	Since Inception
Fund	-0.15	-2.23	0.19	-2.73	10.61	-2.73	148.07
Benchmark	-0.18	-3.65	-0.94	-3.91	3.96	-3.91	68.89

Annualised Return (%)	1 Year	3 Year	YTD	Since Inception
Fund	-2.73	3.42	-2.73	7.68
Benchmark	-3.91	1.30	-3.91	4.36

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 December 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 December, the KLCI rose 0.64% to close at 1,690.58. Meanwhile, the S&P500 was down 9.18% and the MSCI Asia ex-Japan fell 2.93%.

On the economic front, 1) Malaysia's exports growth rose +1.6% y-o-y in November 2018. The increase was led by refined petroleum products (+49.0%), LNG (+26.4%), crude petroleum (+17.7%); 3) October 2018 IPI increased by 4.2% y-o-y, up from 2.8% in September; 4) November headline inflation rate increased 0.2% y-o-y (Oct: +0.6% y-o-y) and the core inflation increased by 0.5% y-o-y due to higher housing, electricity, gas and other fuel costs. 5) BNM has maintained the OPR at 3.25%; 6) BNM's international reserves decreased –USD0.7B to US\$101.4bn as at 31 December 2018. The reserves position is sufficient to finance 7.4 months of retained imports and is 1.0 times the short-term external debt.

In corporate developments, 1) Muhibbah Engineering (M) Bhd has bagged two Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) contracts worth a collective RM205m.; 2) My E.G. Services Bhd's Philippine-based joint venture has signed a memorandum of agreement with the country's National Bureau of Investigation (NBI) to implement the agency's electronic payment and collection system (EPCS); 3) AirAsia Group Bhd said its unit Asia Aviation Capital Ltd (AACL) has executed an agreement with CDB Aviation Lease Finance DAC for the acquisition of the entire equity interest of GY Aviation Lease Labuan 1 Ltd to restructure the lease of an Airbus A320-251N aircraft; 4) Malaysian Industrial Development Finance Bhd (MIDF) and Al Rajhi Banking & Investment Corp (M) Bhd (Al Rajhi Malaysia) have taken the next step in trying to merge their businesses. After holding exploratory talks, the parties have now written in to Bank Negara Malaysia (BNM) asking for permission to commence discussions for a potential merger.

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, increased to 219,250 in December from 218,500 in November 2018. Unemployment rate increased to 3.9% in December 2018. Meanwhile, the US manufacturing sector decreased in December 2018, with the seasonally adjusted Markit U.S Manufacturing Purchasing Manager's Index™ (PMI™) registered at 53.8, down from 55.3 in November. US consumer confidence was at 135.7 in November, lower than 137.9 in October. The headline inflation rate came in at +2.2% in November 2018. Core inflation, which strips out food and energy costs, rose by 0.2%.

Overall, FBMKLCI index declined 6% in 2018 dragged by i) policy uncertainty post GE14, ii) US-China trade war affecting global sentiment and iii) US Dollar strength against emerging market currencies. For the full year, net foreign equity outflows amounted to RM12b, the highest in last 3 years. Key losers were gaming and telco companies.

We remain cautious going into 2019 due to lack of domestic catalyst coupled with uncertain outcome of trade negotiation between US-China. In Malaysia, GDP is forecasted to weaken to 4.5%-5.0% as government reduce public infrastructure spending on the back of tight fiscal position. This will soften market earnings growth given its huge multiplier effect. Elsewhere, we will be following Fed rate hike cycle closely. After 4 rate hikes in 2018, Fed has turned more dovish and signaled that further increases will be more gradual.

For the portfolio, we continue to favour dividend stocks for income. We also like Banks which is the only big sector that is posting positive earnings growth underpinned by healthy loan growth. With healthy capital ratios, there's room for banks to raise dividend payout.