

OnePRS Review

In September, the local index traded on a narrow band with the FBMKLCI and FBM100 closed lower (mom) by -1.0% and -0.8% respectively, while FBMS was marginally higher by 0.4%. The key sectors that dragged down the FBMKLCI were the finance and technology sectors. Foreigners turned net sellers for the month, reversing earlier buying trend, with a net sold position of RM737 million as geo-political tensions between the US and North Korea dampened investors' sentiment. Average daily value traded on Bursa rose 30% mom to RM2.5bn.

Commodities posted strong performance in September with WTI crude oil hit a new 2017 high, topped US\$52 a barrel for the first time in four months, continuing a rally fueled by improving demand and expectations that producers will extend output cuts. CPO meanwhile was down 0.4% as inventory showed an increase in September.

MYR was weaker against the greenback (-1.2%).

The regional markets were jittery in September as sabre rattling by North Korea sent investors into selling mode while heightened expectations of another US interest rate hike and balance sheet contraction this year following comments from Federal Reserve officials also added to the downbeat sentiment. Fed Reserve Chairwoman Janet Yellen reiterated that the regulator plans to raise interest rates one more time in the upcoming months.

Meanwhile, the Asian Development Bank came out a report and remained confident that the global economic recovery is on a firmer footing this year as controlled growth moderation in China is balanced by expected healthy growth elsewhere. The region is forecasted to expand by 5.7% in 2017 and 2018, nearly the 5.8% growth achieved in 2016. The ADB expects China to grow at 6.7% this year and 6.4% for next year, while India was downgraded to 7.0% for 2017 and 7.4% for 2018 from 7.4% and 7.6% respectively. Growth in Southeast Asia, meanwhile, saw a brighter outlook at 5.0% for 2017 and 5.1% for 2018, from 4.8% and 5.0% respectively, led by rising exports from Singapore and Malaysia.

UST yields rose across the curve for the month of September shrugging off weaker-than-expected economic data as market concerns waned from North Korea's latest missile fire and Hurricane Irma damages estimates came down. Both inflation and core inflation exceeded expectations at 0.4% m-o-m and 1.7% y-o-y respectively, causing increased expectations of another Fed rate hike in 2017. However, Hurricane Harvey caused disappointing growth on retail sales and industrial production as both fell lower-than-expected in August to 3.2% y-o-y and 1.5% y-o-y respectively. The Fed decided to hold rates at the FOMC meeting while signalling a possible rate hike in December 2017. At the same time, the Fed also detailed its plan for balance sheet unwind to begin in October, USD10b reduction for a star. At month end closing, the 2- and 10-year UST traded at 1.48% (+16 bps) and 2.33% (+22 bps) respectively.

Reversing three consecutive months of net sell, foreign investors turned net buyers of domestic debt securities in September with MYR9.3b inflows on a brightened Ringgit outlook. In fact, foreign demand for local bonds has improved since mid-August with real-money interest in both benchmarks and off-the-runs especially in the belly sector, and continued foreign interest was still seen in the 10y benchmark MGS recently. As a result, total foreign holdings was brought back to the MYR200b mark at MYR200.1b (Aug: MYR190.8b). Net gains in foreign holdings were seen across MGS (+MYR5.8b), GII (+MYR2.1b) and discount instruments (+MYR1.4b). Including MYR0.8b foreign net sell in equities, total portfolio flows came in at MYR8.5b in September (Aug: -MYR1.0b), the highest since May and this had apparently given the Ringgit a lift, strengthening against the USD to 4.22 at end-September from 4.27 at end-August. With sustained surpluses from trade flows and improvement in bond flows, Malaysia's external reserves continued to be rebuilt rising for the 9th consecutive months to USD101.2b in September (Aug: USD100.5b). At month-end closing, the 3-, 5-, 7- and 10-year benchmark MGS yields settled at 3.39% (+3 bps), 3.57% (+1 bp), 3.84% (-1 bp) and 3.92% (+3 bps) respectively.

BNM decided to maintain its key policy rate, the OPR, at 3% during its meeting in September. In its statement, BNM said that its current policy stance remains accommodative and it will continue to assess the balance of risks surrounding the outlook of domestic growth and inflation. In elaborating its decision, BNM reviewed both the global economy and Malaysia's economic performance, stressing the fact that stronger spillovers from the external sector will be positive for the domestic economy.

OnePRS Outlook

We expect global markets to remain volatile in the near term due to uncertainty of Trump's policies, tension in the Korean peninsula and other regional geo-political tensions. We continue to advocate a defensive portfolio strategy, amidst what remains a trading market in the short term and continue to remain focus on companies with strong earnings drivers and adopt a buy on weakness strategy, particularly domestic demand-driven sectors which are less exposed to rising US protectionism in the longer term.

Inflation is expected to moderate and core inflation is expected to be contained. BNM views that domestic demand will remain the key driver of economic growth in the near term. All in all, we feel that the third quarter economic performance will be the key to BNM's future rate hike decision. If the economy's performance continues to beat expectations in the rest of the year, the chances of a rate hike will be higher. However, we believe BNM will also take into account rising geopolitical risks before making its decision.

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OnePRS Fund Strategy

For all PRS funds; refer to the respective underlying fund(s).

FUND OBJECTIVE

Seeks to provide capital growth.

Fund Category/Type

Core (Growth)

Launch Date

20 November 2013

Trustee

Maybank Trustees Berhad

Benchmark

Composite of All MGS Index (30%) and FBM 100 (70%)

Designated Fund Manager

Lee Sook Yee

Sales Charge

Up to 1.50%

Annual Management Fee

1.55% p.a.

Annual Trustee Fee

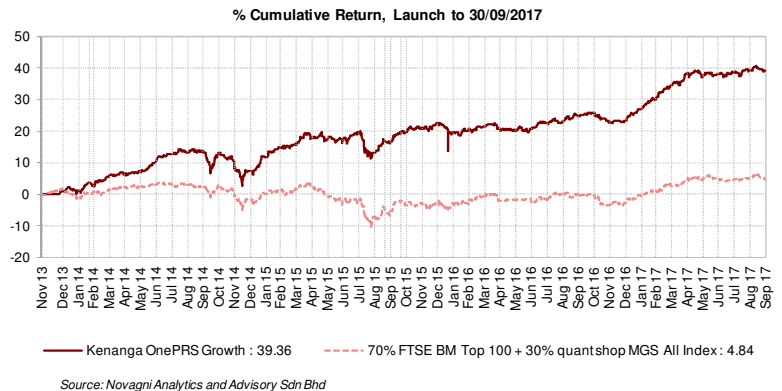
0.015% p.a.

Redemption Charge

Nil

All fees and charges payable to the Manager and the Trustee are subject to GST as may be imposed by the government or other authorities from time to time.

FUND PERFORMANCE (%)



CUMULATIVE FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
1 month	0.11	-0.43
6 months	3.66	2.06
1 year	11.70	5.55
3 years	22.53	2.20
5 years	-	-
Since Launch	39.36	4.84

[#] Source: Novagmi Analytics and Advisory Sdn Bhd ; Lipper, 30 September 2017

CALENDAR YEAR FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
2016	0.56	-0.69
2015	14.15	-0.53
2014	5.88	-3.22
2013	-	-
2012	-	-

FUND SIZE *

RM43.34 million

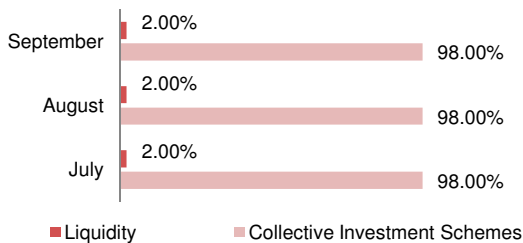
NAV PER UNIT *

RM0.6968

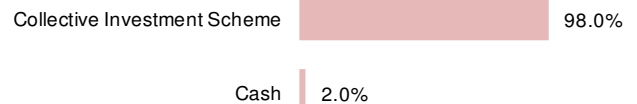
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.7027	12-Sep-17
Lowest	RM 0.4998	16-Dec-13

ASSET ALLOCATION *



SECTOR ALLOCATION (% NAV) *



TOP HOLDINGS (% NAV) *

1	KENANGA GROWTH FUND	69.09%
2	KENANGA BOND FUND	28.92%

DISTRIBUTION HISTORY

Not Applicable

* Source: Kenanga Investors Berhad, 30 September 2017

The Kenanga First Replacement Disclosure Document ("DD") in relation to the OnePRS Scheme dated 28 October 2014, its Product Highlights Sheets ("PHS") or Supplemental Disclosure Document ("SDD") (if any) have been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. A copy of the Master Prospectus, Supplemental Prospectus (if any), SDD (if any) and the PHS are obtainable at our offices. Application for Units can only be made on receipt of application form referred to in and accompanying the Master Prospectus and/or Supplemental Prospectus (if any), SDD (if any) and PHS. Investors are advised to read and understand the Master Prospectus, its PHS and any other relevant product disclosure documents involved before investing. Investors are also advised to consider the fees and charges before investing. Unit prices and distributions may go down as well as up. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV. Where a unit split is declared, investors should note that the value of their investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. A Fund's track record does not guarantee its future performance. Investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units. Kenanga Investors Berhad is committed to preventing Conflict of Interest between its various businesses and activities and between its clients/directors/shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived Conflict of Interest by making disclosures to Clients, where appropriate. The Manager wishes to highlight the specific risks of the Fund are interest rate risk, liquidity risk, credit/default risk, stock-specific risk, derivatives risk and collective investment scheme risk.