Kenanga Investors

April 2017

Market Review and Outlook

OnePRS Review

Most Asian markets continue to rise in March, building on the positive momentum from January and February. In a widely expected move, the Federal Reserve raised interest rate by 25 bps. The Fed statement however was less hawkish and more neutral, pointing towards improving economy and gradual rate hike pace with two more hikes in 2017. Both ECB and BOJ kept monetary policy unchanged. China however raised short term rate for the third straight month after leaders sounded that tackling debt risks would be top policy priority.

The Dow Jones Industrial Index took a breather and corrected 0.7% in March. Trump and Republicans failed to push through the healthcare reform bill as the House could not gather enough votes. Despite the setback, Trump was determined to move ahead with his tax reform plan. Asian markets fared better in March with MSCI Asia ex Japan (USD) gaining 3.1%. In Malaysia, the FBM Small Cap beat the market with 8.4% gain vs broader market index KLCI (+2.7%), FBM100 (3.1%) and FBM Shariah (+3.4%).

Most Asian currencies rose against US dollar following Fed's less hawkish tone. Strongest gain were chalked by Indian Rupee (+2.8%), Thailand Baht (+1.7%), Taiwan dollar (+1.1%) and Korean Won (+1%). Malaysian Ringgit and Indonesia Rupiah recorded smaller gains of 0.3% and 0.1% respectively.

On the commodities front, Brent oil price fell 6.3% to settle at US$50.6/barrel on higher stock level. OPEC and non-OPEC producers has agreed to review a potential extension of production cuts for another six months. Meanwhile, CPO price declined 4.5% to RM2646/tonne on potential production recovery.

On the fixed income side, The 10-year US Treasury (UST) yield fell due to lack of clarity in Trump administration's policies and the proposed tax reforms. At month end, the 2- and 10-year USTs traded at 1.26% (+6 bps) and 2.39% (-6 bps) respectively.

Trading activity improved compared to previous month where the local government bonds registered a trading volume of RM59.34 billion compared to the preceding month's RM53.39 billion. At month-end closing, the 3-, 5-, 7- and 10-year benchmark MGS yields settled at 3.30% (+4 bps), 3.71% (+12 bps), 3.94% (+1 bp) and 4.04% (-10 bps) respectively.

The secondary corporate bonds market trading activities inched higher compared to last month. Month-on-month (m-o-m), total trading volume stood at RM13.38 billion compared to last month's total of RM13.35 billion.

Malaysian unemployment rate remained unchanged in the month of January at 3.5%. Besides, the government tabled a supplementary bill seeking an additional RM3.08 billion. Headline inflation jumped to its highest in more than 8 years in the month of February to 4.5% y-o-y. In Bank Negara Malaysia (BNM) Annual Report 2016, the central bank projects domestic economy and headline inflation to grow around 4.3% - 4.8% and 3.0% - 4.0%, respectively in 2017. The external sector is expected to strengthen underpinned by improved global growth, higher commodity prices and sustained domestic demand. On the supply side, services and manufacturing sectors would be the key contributors to overall growth.

Trading activity was relatively heavier compared to previous month where benchmark local government bonds registered a trading volume of RM85.24 billion compared to preceding month's trading volume of RM59.34 billion. At month end, the 3-, 5-, 7- and 10-year benchmark MGS yields settled at 3.53% (+23 bps), 3.81% (+10 bps), 4.04% (+10 bps) and 4.13% (+9 bps) respectively.

The secondary corporate bonds market also recorded higher trading activities compared to previous month. Total trading volume stood relatively higher at RM21.29 billion while previous month the market recorded a trading volume of RM13.38 billion.

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OnePRS Outlook

Global equity markets have been rising on the back of favourable economic data in 1Q, coupled with the lack of major negative events. The US markets were driven by expectations of higher growth from infrastructure spending and tax reforms while emerging markets were boosted by foreign inflows. With the Fed meeting out of the way, investors are likely to focus on the upcoming meeting between Trump and Xi JinPing on 6-7 April to discuss trade and other diplomatic issues. Trump predicts the meeting to be "very difficult" and is likely to call for review of US trade deficits. Any fallout from the meeting could spill over to the equity markets. With the strong rally in the past three months, investors are more likely to focus on risks and thus markets are more susceptible to corrections.

In its release of annual report, Bank Negara expects stronger 2017 growth at 4.3%-4.8% vs 4.2% growth in 2016. Better growth will be supported by higher crude oil and CPO price, sustained infrastructure spending and higher exports. Bank Negara also projects 3%-4% inflation mainly due to higher commodities price. The central bank does not expect large fund outflows and Ringgit has been stable for the past few months after the implementation of measures to stabilise Ringgit in December 2016.

On the fixed income side, we anticipate MGS and corporate bond yields in the secondary market to trend higher in 2017 as the Ringgit remains volatile due to, among other things, a stronger greenback. The Malaysian bond market ended 2016 on a negative note with benchmark yields for local government bonds rising between 3 bps to 27 bps from 2015 across all maturities. As a result, yield curves for both local government bonds and corporates steepened sharply. Going forward, we are of the view that the 10-year MGS yield will remain on the uptrend, ranging between 4.0% and 4.5%, as the Malaysian bond market continues to be closely monitored due to a high proportion of foreign holdings in the region. However, some stabilization will emerge in the medium term after there is greater clarity over Trump's future economic plans. On the domestic front, Malaysian bond yields would also be pressured by higher inflation expectations and limited prospects of a rate cut by BNM. In its base case scenario, we expect the OPR to be left unchanged at the current level (3%). Should it be necessary for BNM to trim the policy rate, the rate cut would likely be limited to 25 bps, in our view.

OnePRS Fund Strategy

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

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Kenanga OnePRS Growth Fund

April 2017

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.

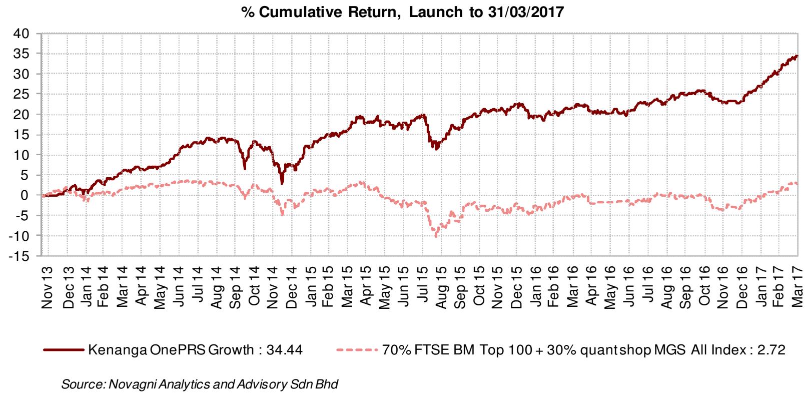
Annual Trustee Fee
0.015% p.a. of the Fund's NAV, subject to a minimum of RM6,000 p.a.

Redemption Charge
Nil

Initial Offer Price
RM 0.5000

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	3.53	2.11
6 months	7.76	3.42
1 year	10.58	3.06
3 years	27.26	1.27
5 years	-	-
Since Launch	34.44	2.72

 # Source: Novagni Analytics and Advisory Sdn Bhd ; Lipper, 31 March 2017

CALENDAR YEAR FUND PERFORMANCE (%)

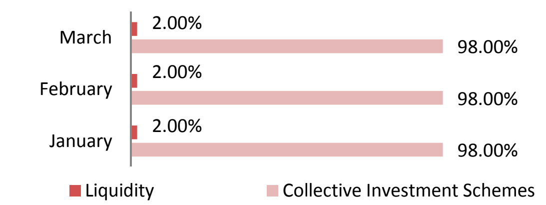
Period	Fund	Benchmark
2016	0.56	-0.69
2015	14.15	-0.53
2014	5.88	-3.22
2013	-	-
2012	-	-

FUND SIZE *	NAV PER UNIT *
RM36.73 million	RM0.6722

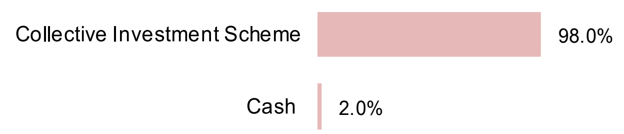
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.6722	31-Mar-17
Lowest	RM 0.4998	16-Dec-13

ASSET ALLOCATION *



SECTOR ALLOCATION (% NAV) *



TOP HOLDINGS (% NAV) *

1	Kenanga Growth Fund	69.02%
2	Kenanga Bond Fund	28.98%

DISTRIBUTION HISTORY

Not Applicable

** Source: Kenanga Investors Berhad, 31 March 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.