

OnePRS Review

Global equity markets started the month with three days of intense sell-offs. Fears of rising interest rates in the US, due to measures aimed at controlling inflation, resulted in heightened volatility. Regional stock markets tumbled after Wall Street plummeted, as investors fled to safe havens in a highly volatile global market. Although the market did stage a mild rebound thereafter, it weakened again on news that the US would impose import tariffs on steel and aluminum, raising concern of higher prices and trade war.

The FBMKLCI started the month on a weak footing as the index tracked the sell-down in global markets. The FBMKLCI and FBMS was down by 0.7% and 1.7%, respectively tracking regional markets performance. Small cap stock fared worse, with the FBMSC falling 2.1% MoM. Foreigners turned net sellers in February (RM-1.2 bln) after net buys in January (+RM3.3bln) and December (+RM1.blm). YTD, foreigners net bought MYR2.26bn.

Malaysia GDP report was announced in February, which saw the economy growing by healthy pace of 5.9% yoy in 4Q17, albeit slowing from 6.2% in 3Q17, on account of a slowdown in exports, while domestic demand remained resilient. For the full year, Malaysia recorded a strong GDP growth of 5.9%, the fastest in three years, just behind China (+6.8%) and the Philippines (+6.6%), mainly due to the surge in exports and subsequent pick-up in domestic demand.

Three key events to look out in March: 1) BNM MPC meeting where we do not expect any interest rate hikes, 2) BNM annual report release on 28 March and 3) Further indicators of election timing and dissolution of the Parliament

Domestically, the local market strength is likely to persist up until election is called, driven by the 'feel good' factor and as risk appetite for growth stocks have remained strong. In previous election, the KLCI moved up +3.0% a month pre-parliament dissolution. So far, in the first two months of 2018, the KLCI has gained +3.3% (and 6.8% in USD).

The 2-year US Treasury yields increased by 11 bps over the past month to 2.25% while the 10-year yield increased by 15 bps to 2.86%. The second US government shutdown for the year – albeit short-lived - had also contributed to the widespread capital market volatility.

10-year Malaysian Government Securities yield posted the biggest rise imitating the surge in 10-year US yield. At month end closing, the 3-, 5-, 7- and 10-year benchmark MGS yields settled at 3.40% (unchanged), 3.62% (-2 bps), 3.95% (+2 bps) and 4.03% (+8 bps) respectively.

In January, foreign share of Malaysian Government Securities increased to 45.7% (December 2017: 45.1%), the highest since January 2017. The RM4.2 billion inflows were mainly driven by market optimism on a stronger Ringgit.

Meanwhile, the secondary corporate bonds market saw lower volume from RM7.9 billion to RM6.0 billion due to the holiday break in February compared to the previous month.

To recap, BNM raised the OPR from 3.00% to 3.25% at its January MPC meeting but shifted to a neutral tone, with policy accommodative and growth expected to be strong for 2018. It also said it is necessary to prevent the build-up of risks from interest rates being too low for a prolonged period of time.

OnePRS Outlook

We maintain a positive bias for equity markets in 1H2018. Global economic outlook remains favourable, with key markets including US, Europe, Japan and China expanding at encouraging rates. Moreover, global trade momentum remains strong, with potential boost from US progressive fiscal spending sustaining exports prospects with Malaysia among the beneficiaries. Election fever is expected to pick up as the country expects the PM to call for dissolution of parliament in coming weeks. We expect market to tone down in the run up to the election date as investors wait for the outcome of the fiercely contested battle to run the government for the next 5 years.

The 2T continued leading the Fed Funds Rate upper bound near 70bps. Despite outlook for four rate hikes this year, we expect upside for UST yields to be capped in the near term period, in conjunction with safe haven demand (fears over Trump's tariff threat, for one) especially as recent economic data had been less than impressive. For instance, the second reading of 4Q17 GDP was +2.5% qoq compared with 2.6% prior estimate.

With UST retreating from January lows, MYR looking stable, and supportive macro data, we think MYR bonds should see support in the short term period. On top of that, there had been some buying interest particularly on shorter and longer curve papers. In our opinion, the buying interest may persist at the bellies of the curve, buoyed by anticipation of no rush in rate hike by BNM after recent hike early this year.

Following Bank Negara Malaysia's move to raise the overnight policy rate (OPR) by 25 bps to 3.25% in January, we expect it to remain at this level through the rest of this year. This is guided by our expectations of more moderate GDP growth and inflation of a respective 5.2% and 2.5% in 2018.

Although monetary tightening risk still remains, BNM's future actions on OPR are envisaged to be data-dependent going forward. Another rate hike may be warranted if GDP growth surprises on the upside and inflationary risk heightens.

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

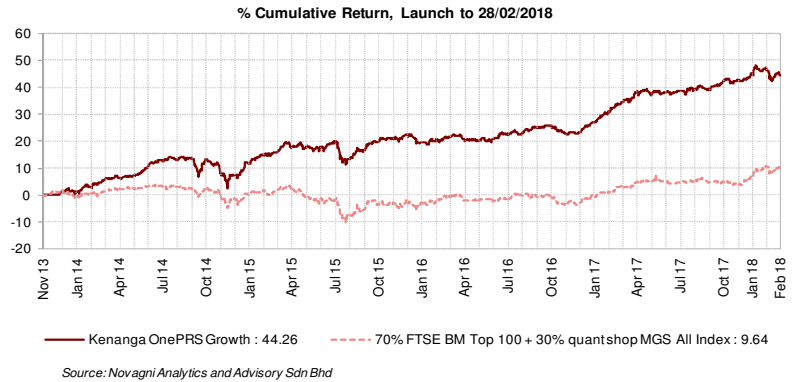
0.015% p.a.

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	-1.39	-0.70
6 months	3.64	4.13
1 year	11.09	8.98
3 years	25.51	7.86
5 years	-	-
Since Launch	44.26	9.64

CALENDAR YEAR FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
2017	17.83	10.58
2016	0.56	-0.69
2015	14.15	-0.53
2014	5.88	-3.22
2013	-	-

[#] Source: Novagni Analytics and Advisory Sdn Bhd ; Lipper, 28 February 2018

FUND SIZE *

RM 59.31 million

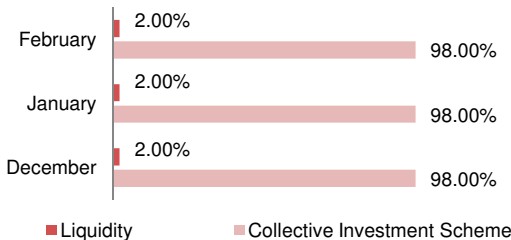
NAV PER UNIT *

RM 0.7213

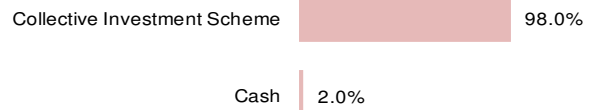
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.7413	8-Jan-18
Lowest	RM 0.4998	16-Dec-13

ASSET ALLOCATION *



SECTOR ALLOCATION (% NAV) *



TOP HOLDINGS (% NAV) *

1 KENANGA GROWTH FUND	68.77%
2 KENANGA BOND FUND	29.23%

DISTRIBUTION HISTORY

Not Applicable

* Source: Kenanga Investors Berhad, 28 February 2018

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