fundsupermart.com

THE RIGHT INVESTMENT ADVICE

2017/18 RECOMMENDED UNIT TRUSTS AWARDS

Organiser's Message:
Asian rally has more room to grow

Dear readers,
The year 2017 has been great for equity investors thus far. Regardless of the region that you have invested, both developed and developing markets have brought handsome returns to investors. Last October, Fundsupermart.com Malaysia (FSM) made a bold call for 40% returns for Asia excluding Japan equities by the end of 2018. It has only been about nine months since our call but we are already more than half way there in terms of returns. The rally has been driven by a rebound in corporate earnings across a variety of sectors.

While many investors (including me) are excited about the returns, as an advocate of value investing, FSM is starting to pay more attention to the valuations of different equity markets. In fact, the continuous record high in the United States and increasing index levels in Europe are giving us some discomfort. The premium valuations suggest that returns may have outpaced earnings revisions. As such, our research team is turning more cautious on developed markets.

Moreover, strength in the ringgit this year has affected overseas equity investments in a negative way, reducing the returns for local investors. Foreign fund inflow is likely to remain strong on the back of improving macroeconomic conditions in Malaysia. As such, we see limited downside for the ringgit in the near term. So, we believe investors in developed market equities should assess their positions and pare down their exposure appropriately.

Within the equities markets, Asia excluding Japan equities remains our choice pick. Although the rally in Asian equities have been even stronger than the developed markets equities, expected earnings growth in this region is stronger and its valuation is lower. While we have recently downgraded the star rating given to Asia excluding Japan, we stand by our bold call made last November and are confident that the rally in this region would have more room to grow.

For readers starting their investment journey with Unit Trusts, we hope that you will find our list of FSM Recommended Unit Trusts helpful. Although we are less sanguine about the investment landscape given the sharp increase in valuations across different equity markets, we are confident that the 36 excellent unit trusts that made it to our Recommended Unit Trusts List would give you a good chance at navigating rocky financial conditions. After all, these 36 unit trusts emerged winners from a stringent assessment process that we applied on more than 270 unit trusts.

Finally, as an online investment platform, Fundsupermart.com celebrates our ninth year of business in Malaysia. Over the years, we have helped more than 18,000 investors invest globally and profitably. This year, we have also expanded our products offering in order to provide our investors with more comprehensive investment solutions.

Aside from more than 400 unit trusts from 30 fund houses, we are now offering direct bonds and managed portfolios, which is a discretionary fund management service especially suitable for those who may not have the time to do-it-yourself.

If you are looking for a one-stop centre for your investment needs, I would encourage you to give www.fundsupermart.com.my a try.

Yours sincerely,
Wong Weiyi
FSM General Manager

Pointing investors in the right direction

Looking in the right places to invest your money may seem like a daunting task today, what with the wide variety of products on offer, not to mention the sometimes conflicting advice from market watchers and analysts to your colleague or next-door neighbour.

And for the investor who has little time to spare to study the market, it helps to be able to get the right advice from a qualified investment planner.

Most investment houses actually offer such advice, but for the majority of investors, the guidance covers a minimum number of funds.

Fundsupermart.com Malaysia has now taken it to another level. It offers advisory services on more than 400 different products in its portfolio.

"These are from a wide range of markets and asset classes," says Wong Weiyi, general manager at Fundsupermart.com.

"Feedback from investors shows that some of them consider it too tedious to properly manage all their investments for a variety of reasons. We now help to fill this gap," he says.

With the wide range of investment products in the market now, many investors find it difficult to keep tabs on all their investments. Fundsupermart.com helps its investors manage theirs through its managed portfolio services.

"Depending on their investments, we give them the latest research views on bonds or equities. And among bonds, we also offer the latest research views on what kind of bonds to invest in. It could be Malaysian, Asian, global or emerging market bonds," Wong tells ***FocusM***.

Those who prefer to invest in equities can find out more on the US, Euro, Japan and Asia-Pacific markets as well as emerging market equities. "Our portfolio managers can help investors with asset allocation and decide on the many choices available to them," he says.

To meet the needs of each investor, Fundsupermart.com offers five different portfolios – conservative, moderately conservative, balanced, aggressive and moderately aggressive – depending on his risk tolerance and expected returns.

"We began offering managed portfolios as a product in May," Wong says.

In July 2016, Fundsupermart.com added life insurance to its range of products. It serves as a financial planner that represents five insurance providers, namely Hong Leong Assurance Bhd, MCIS Insurance Bhd, Zurich Insurance Malaysia Bhd, Manulife Insurance Bhd and Prudential Assurance Malaysia Bhd.

Through Fundsupermart.com, those seeking life insurance can choose from a wide range of products from these five insurers, unlike an insurance agent who normally represents only one insurance company.

"Since our products are available online, it makes the comparison that much easier," Wong points out. "They can easily find out how much they have to pay in premium and what benefits they can derive from each product.

"But for those who prefer face-to-face meetings, they can come and speak with us. We will talk them through all the risks and benefits of each product," he adds.

Wong also cautions against categorising insurance as an investment product. "It is purely coverage against an unfortunate future event. But we do offer investment-linked insurance products. For instance, "Someone who buys a life insurance product from Manulife would see his money invested in Manulife unit trusts," he adds.

The latest addition to its range of products are bonds. It began offering bonds as a new product in March.

The objective is to fill a gap in the Malaysian bond market. "In Malaysia, it is a bit difficult to get information on bonds, i.e. where to buy them. So we decided to offer bonds as an investment product to widen the range of products we already have," Wong says.

Information on bonds – both Malaysian and foreign – is available on the Fundsupermart.com website. "We work with five or six banks to buy and sell bonds for our customers," he adds.

Given that it now offers unit trusts, insurance and bonds, the next logical step for Fundsupermart.com Malaysia is to venture into selling securities.

Fundsupermart.com Hong Kong already has a stockbroking business and Fundsupermart.com Singapore recently announced that it has also received the go-ahead to set up a securities business.

Fundsupermart.com charges commissions that are lower than market rates. It recently dropped its unit trusts' sales charge from 2% to 1.75%, believed to be among the lowest in the market now.

Banks charge from 1% to 5% depending on who the client is, while agents take 5% or more.

Fundsupermart.com has about 18,000 account holders in Malaysia. "The country has a population of 30 million so we believe there still is a lot of room to grow," Wong says.

Currently, iFAST Capital Sdn Bhd, the parent company of Fundsupermart.com, has a portfolio of just over RM1 bil. This includes the funds under Fundsupermart.com and other businesses the group has in Malaysia. The company hopes to raise the number of account holders to 150,000 and assets to RM5 bil in the next five years.

In comparison, about RM390 bil has been invested in unit trusts in Malaysia today.

One key challenge the Fundsupermart.com faces is winning public confidence. "People are more comfortable with visiting the bank or their own unit trust agents to invest their money. They are still not so comfortable with doing all this online," Wong suggests.

To allay public fears, he stresses that the Fundsupermart.com operations are regulated by the Securities Commission and Bank Negara Malaysia.

"We offer a high standard of service, and we treat our clients fairly and many have indirectly begun to do our marketing for us by just talking about how much they have gained from investing in us," Wong adds.

That, ultimately, would be Fundsupermart.com.my's best marketing strategy. ■

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WATCH THE FUNDAMENTALS, INVESTORS URGED

REPEATED warnings of a bear market serve to spook investors. Hillary Clinton's defeat in the US presidential elections and United Kingdom's Brexit are examples of events that have most people, including analysts and fund managers, predicting immediate doom and gloom.

However, the situation on the ground is vastly different, according to Wong Weiyi, General Manager of online investment platform Fundsupermart.com Malaysia.

"In many cases, the market may fall over a few days after a big event, such as Donald Trump's victory in the US presidential elections, but it eventually recovers. There will always be this market noise out there," he points out.

But more important for the investor are the fundamentals – like the PE (price earnings) ratio. "These will ultimately determine the fortunes of investors," Wong adds. (PE ratio is calculated by dividing the current market price of the stock by its earnings per share.)

For instance, he says, the PE ratio is close to 19 times in the US market now, which is above historical average. "It's about whether or not earnings will grow, and whether or not this higher-than-average PE ratio can be sustained."

In Asia, Wong says they expect to see a 40% upside by the end of next year. He points out that some of the forecasts have already materialised but the 40% target has not been reached yet. "There's still a very good chance for us to catch up," he adds.

In Asian markets, the PE ratios are lower while the earnings growth is quite tied to the global economic growth. Hence, if the economic recovery is on track, the market will be able to deliver on earnings growth, Wong reiterates.

The strategy, he says, is to have a sufficiently diversified portfolio. "If it's overall heavier on Asia and there's not too much exposure to the US market, I think you'll be okay," he suggests.

Even seemingly negative developments such as the decline in the value of the ringgit should not be seen as dire for investors. "In fact, many who have invested in US-dollar denominated bonds a few years ago have benefited from higher returns and especially the higher value of the dollar against the ringgit," Wong points out.

For instance, he says "while the fixed returns may have been set at, say, 6%, the depreciation of the ringgit may have added another 4% to 5% to the returns".

"This will be the case if the investments had been made much earlier, before the ringgit began to depreciate against the dollar," he adds.

But Wong also warns that the situation is not likely to last. "Expect the ringgit to strengthen a bit more over the short term," he says.

The bottom line is that investors must realise that the fundamentals of the economy has a greater impact on one's investments rather than political or social events, Wong reiterates.

Fund Selection Methodology

Performance

The most objective way to determine the quality of the fund manager is to assess the fund's historical performance, a factor we weigh heavily in our fund selection exercise. For this, we consider both the magnitude of performance as well as the consistency of returns.

In the case of new funds which feed into their overseas target funds with a longer track record, we may assess the target fund's performance. We recommend funds which have at least a three-year track record.

Expense Ratio

The expense ratio is what investors pay for the management of their fund on an annual basis. This charge is deducted from the value of the unit trust, and it takes into account all the operating expenses that a fund incurs, including its annual management fee, administration costs as well as trustee and custodian fees.

Generally speaking, the lower the expense ratio, the better it is for you, given you are incurring less costs.

Risk

Instead of purely using standard deviation as the measure of risk, we believe that it is more appropriate to focus on how well a fund holds up during periods when the relevant markets saw substantial decline. As such, in our assessment of risk, we focus on the maximum decline of a fund over a given period, and also incorporate a measure of downside volatility, which tells us how volatile a fund is over periods when it is losing value.

Bond Funds

Equity funds usually track well-known stock market benchmarks, making it easier to compare funds invested in a similar region or country. Bond funds are less comparable, given their differentiated focus on credit, country selection, currency and duration. To reflect the emphasis on stability in fixed income investments, we assign different weightings to the three quantitative parameters as shown below.

Other Qualitative Criteria

In addition to looking at the above-mentioned qualitative parameters, we also consider other qualitative factors in our analysis, including the fund manager's consistency in their investment approach, the departure of key personnel as well as the stability of the management team. We also incorporate our outlook on the fixed income market to assess the merits and disadvantages of a bond fund.

As most of the funds which invest in other regions buy companies that predominantly have their assets and earning streams denominated in foreign currencies, there is currency risk involved. A gain in the ringgit against another currency may reduce the returns of the funds exposed to other currencies, while a drop in the ringgit against other currencies would increase the returns. Thus, qualitative analysis is a necessary step to distinguish funds with superior management ability from those which were beneficiaries of strong market or currency movements.

As we take into account the qualitative factors, the highest-scoring fund based on quantitative assessment in a particular category may not necessarily be the fund we recommend, although fund performance remains a significant factor. ■

Weightage Of Quantitative Parameters

FUND NAME	EQUITY FUND (%)	BALANCED FUND (%)	BOND FUND (%)
Performance	60	60	40
Expense Ratio	20	20	30
Risk	20	20	30

SOURCE: FUNDSUPERMART COMPILATIONS

DISCLAIMER: This article is not to be construed as an offer or solicitation for the subscription, purchase or sale of any fund. No investment decision should be taken without first viewing a fund's prospectus, product highlight sheet (PHS), and if necessary, consulting with financial or other professional advisers. Any advice herein is made on a general basis and does not take into account the specific investment objectives of the specific person or group of persons. Amongst others, investors should consider the fees and charges involved. The relevant prospectuses and PHS have been registered and lodged with the Securities Commission. Past performance and any forecast is not necessarily indicative of the future or likely performance of the fund. The value of units and the income from them may fall as well as rise. 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 be highlighted of the fact that the value of their investment will remain unchanged after the distribution of the additional units. All applications for unit trusts must be made on the application form accompanying the prospectus. The prospectuses and PHS can be obtained from Fundsupermart.com. Opinions expressed herein are subject to change without notice.

Fundsupermart.com Recommended Unit Trusts 2017

ABERDEEN ISLAMIC WORLD EQUITY FUND

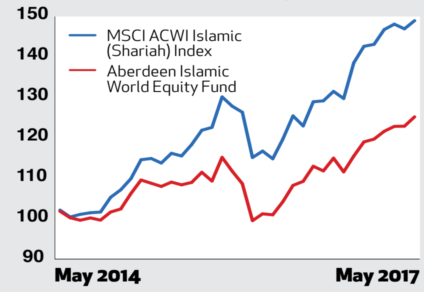
ABERDEEN Islamic World Equity Fund made a return to the Recommended Unit Trusts list for 2017/18 under the Core Equity – Global (Islamic) category because of its continued strong performance. Based on our methodology which assesses the fund's performance (60% weighting), risk and expense ratio (20% weighting each), the fund is better than its only peer – AmOasis Global Islamic Equity.

From a performance perspective, the fund has consistently delivered returns that were in line with its only peer over the past three years. The fund has outperformed its peer in 2016 and also managed to deliver comparable returns to its peer in 2014 and 2015 respectively.

Although the fund has recorded higher expense ratio than its peer, the fund portrayed strong resilience during market downturns as it posted lower downside deviation (7.5%) than that of its peer (9.0%) over the past three years.

In terms of investment strategy, the investment team follows a bottom-up

Price Indexed Performance Over The Last 3 Years As At End May 2017



Source: Fundsupermart and Aberdeen Islamic Asset Management Sdn Bhd

process based on a disciplined evaluation of companies through direct visits.

The major source of alpha is from stock selection, which is backed by meetings with the listed companies' management team together with careful evaluation on the quality aspects of the company. Stock price is then calculated relative to key financial ratios, market, peer group and business prospects.

The portfolio is generally conservatively run, with an emphasis on traditional buy-and-hold, with top-slicing/topping up preferred to outright trades, which results in low portfolio turnover.

The investment manager conducts their own research respectively, and ideas are shared via formal committees and common databases, with desk heads enforcing consistency across the group.

At this juncture, the team opines that the fund will be benefitting from the on-going reforms and strong domestic consumption within the emerging countries, plus possible catalyst coming from re-rating of stocks based on improving fundamentals.

The fund's broad geographical allocation allows investors to attain a degree of diversification while tapping into investment opportunities across the globe. As such, we advise investors to consider including this fund in their core portfolio.

While the fund is denominated in RM, there is foreign currency exposure as the underlying securities that the fund invests are quoted in their respective local currencies. That being said, currency risks are likely to be mitigated due to the diversified nature of the fund.

AFFIN HWANG SELECT BALANCED FUND

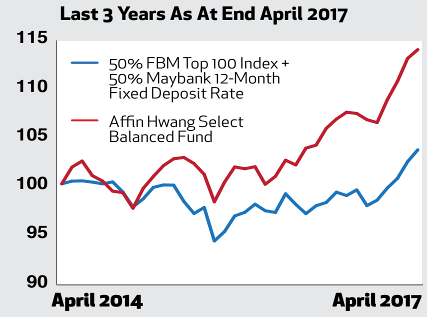
WE recommend Affin Hwang Select Balanced Fund because of its strong resilience and low expense ratio. Based on our methodology which assesses the fund's performance (60% weighting), risk and expense ratio (20% weighting each), the fund scored high, ranking second among 13 funds under the Balanced – Malaysia category.

From a performance perspective, the fund posted an average return on a cumulative basis and also in terms of calendar year returns. However, the fund exhibited strong resilience as compared with its peers during market corrections, posting maximum drawdown of -4.8% over the past three years and 2.7% downside volatility as compared with the peers' average of -9.9% (maximum drawdown) and 7.0% (downside volatility) respectively. In terms of expense ratio, the fund's annual expense ratio was the lowest among its peers.

The fund is actively managed with a focus on securities selection. The fund managers also consistently assesses the changing macro environment. They believe that managing tail risk for fixed income investments is central to their philosophy. As such, they are proud to say that they have had no defaults in any of the fixed income portfolios they managed since inception. Over the past one year (April 2016 - April 2017), the fund had recorded a handsome return of 11.5%, beating the benchmark of 5.7%. Moving forward, the fund managers will employ a similar strategy in managing the fund. At this juncture, the fund managers favour the Banking sector and also the Infrastructure sector. They remain optimistic in the local market, as the local stock market is still attracting foreign inflows.

Investors who are seeking for meaningful long-term returns should

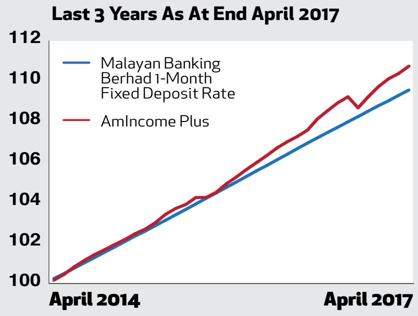
Price Indexed Performance Over The Last 3 Years As At End April 2017



Source: Fundsupermart and Affin Hwang Asset Management Berhad

consider including this fund in their portfolio given its strong resilience and low expense ratio. There is little to no currency risk as the fund is invested mainly in Malaysia capital markets. However, investors should be aware of the risk of being overly concentrated in home country investments.

Price Indexed Performance Over The Last 3 Years As At End April 2017



Source: Fundsupermart and AmFunds Management Berhad

AMINCOME PLUS

BASED on our methodology which assesses the fund's overall ranking based on performance (40% weighting), risk and expense ratio (30% weighting each), we recommend AmIncome Plus for the Fixed Income – Malaysia (Short Duration) category because of it strong resilience and low expense ratio.

From a performance perspective, the fund underperformed its only peer, namely AMB Income Trust Fund.

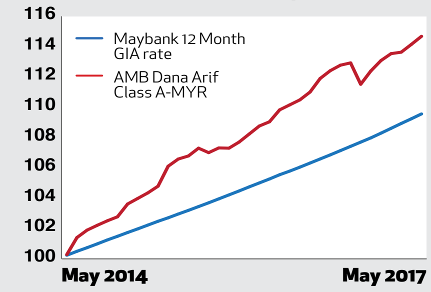
However, the fund exhibited strong resilience as compared with its peer during market corrections, posting maximum drawdown of -0.49% over the past three years and 0% downside deviation, allowing the fund to rank first within the risk criterion. In terms of expense ratio, the fund's annual expense ratio was lower than its only peer.

The fund adopts a top down approach which invests primarily in a portfolio of short- to medium-term fixed income instruments (average duration of not more than two years). In terms of investment strategy, the primary focus of the fund will be on relative valuation and volatility management. The fund manager will also take into consideration of the relative yields between securities when seeking for opportunities.

As at end-April 2017, the fund recorded a yield of 4.46% and an average duration of 1.48 years, with AA-rated fixed income securities accounting for 64.50% of the fund's total net asset value. Investors' exposure to duration risk is largely reduced with the fund's low average portfolio duration and its emphasis on short to medium-term fixed income securities. Going forward, the fund manager believes volatility is likely to persist in the longer term. Therefore, he favours defensive sectors such as toll roads (both green and brown fields), power producers (both green and brown fields) while being selective on construction and plantation.

Malaysian bond funds play an important role in capital preservation and bonds typically have a low correlation with equities. We advise investors to consider including this fund in their portfolio for its low correlation to equities as well as its strong resilience owing to its low average portfolio duration. There is little to no currency risk as the fund is invested wholly in Malaysian bonds.

Price Indexed Performance Over The Last 3 Years As At End May 2017



Source: Fundsupermart and Amanah Mutual Berhad

AMB DANA ARIF

WE recommend AMB Dana Arif because of its consistent performance, low expense ratio and high resiliency. Based on our methodology which assesses the fund's overall ranking based on performance (40% weighting), risk and expense ratio (30% weighting each), the fund ranked third out of eight shariah-compliant funds under the Fixed Income – Malaysia (Islamic) category.

In terms of return performance, the fund ranked third over the past three-year to five-year periods respectively. Although the fund is not ranked first in terms of return, we noted that the fund demonstrated strong resiliency as it posted a significantly lower drawdown (-1.2%) as compared with its peer's average (-1.6%) over the past three years. Together with a low downside volatility of 2.2%, the fund is ranked best among its peers under our risk criterion assessment. Also, the fund's annual expense ratio of 0.64% (as at end-May 2016) was also the lowest among its peers.

The investment team adopts a top-down approach for asset allocation and a bottom-up approach for bond selection. The fund managers depend on macroeconomic factors to formulate an interest rate path during the asset allocation process. On the other hand, the credit strength of bond issuers will remain as the prime factor in the bond selection process.

The investment consideration will also be subject to tactical duration management, securities rating and concentration risk. Apart from asset allocation and bonds selection, the portfolio will be actively monitored for its performance attribution along with risk management. This ensures that there is no excessive risk being undertaken to generate excess returns, and allow the investment team to take pre-emptive steps to mitigate the risks.

Currently, the fund's investment theme scopes on the normalisation of interest rates and its implication to emerging markets investments. The investment team opines that the Ringgit is being undervalued, and the strengthening trend is expected to continue. This will have a positive spill over effects to RM denominated bonds.

Malaysian bond funds play an important role in capital preservation as bonds typically have a low correlation with equities. We advise investors to include bond funds in their portfolio to enhance risk-adjusted returns in the long run. Furthermore, there is little to no currency risk as the fund is invested wholly in Malaysian bonds which are denominated in RM.

Manulife Asset Management

The only

Single Country India Equity Fund in Malaysia

Capitalise on India's unlimited growth potential

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Fundsupermart.com's Recommended Unit Trusts Awards 2017/18
Manulife India Equity Fund
Supplementary Fund : Single Country Equity - India

3-year Fund Volatility 16.8 very high Lipper Analytics 15 May 17

Returns (%)		
1 Year	3 Years	5 Years
26.12	75.72	151.52

Source: The Edge-Lipper Fund Table dated 12 June 2017 (Returns for periods ended 2/6/2017)

Manulife India Equity Fund witnessed the **Largest AUM Growth amongst Single Country Funds** (Year to Date).
Source: Lipper, as at 31 May 2017

LOCAL KNOWLEDGE. GLOBAL EXPERTISE.

- UNIT TRUST
- PRIVATE RETIREMENT SCHEME (PRS)

Disclaimer:
Based on the fund's portfolio returns as at 28 April 2017, the Volatility Factor (VF) for this fund is 16.8 and is classified as "Very High" (source: Lipper). "Very High" includes funds with VF that are above 10.605 (source: FiMM). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC.

Investors are advised to read and understand the contents of the Master Prospectus dated 29 December 2016 and the Product Highlights Sheet, obtainable at our offices, before investing. The prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Investors should also consider the fees and charges involved. The price of units and investment returns may go down as well as up. Past performances of the Fund are not an indication of the Fund's future performance. Units will only be issued on receipt of the application form accompanying the prospectus. There are risks involved with investing in the Fund. Some of these risks associated with investments in the Fund are management risk, market risk, non-compliance and internal control risks, loan financing risk and inflation risk. For further details on the risk profile of the Fund, please refer to the Risk Factors section of the Master Prospectus.

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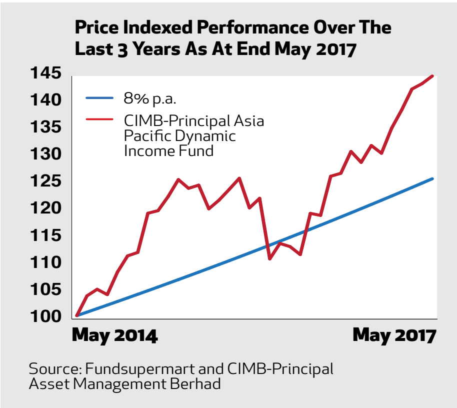
Manulife Asset Management Services Berhad (834424-U)



CIMB-PRINCIPAL ASIA PACIFIC DYNAMIC INCOME FUND

CIMB-PRINCIPAL Asia Pacific Dynamic Income Fund has made it into our Recommended Unit Trusts list yet again as the fund continues to deliver sturdy performance. Based on our methodology which assesses the fund's overall ranking based on performance (60% weighting), risk and expense ratio (20% weighting each), the fund ranked first out of eight funds under the Core Equity – Asia ex-Japan category.

From a performance perspective, taking into account both cumulative and calendar year returns, the fund ranked first under the performance criterion amongst its peers. In terms of risk, it has also posted lower downside deviation and maximum drawdown over the past three years against its peer average. Apart from that, the fund's annual expense ratio is also lower than its peer average of 2.08%.

With regards to investment objective, the investment team strives to deliver consistent risk-adjusted returns over a rolling three-year period from its portfolio to investors. The investment process is fundamental-based and bottom-up driven, and the investment management team is constantly on the hunt for companies that offer attractive yields, sustainable dividend payments and exhibit above average growth potentials than its industry or the overall market.

The fund places its investments primarily in big- and mid-cap stocks, while allocation to small cap stocks is for the purpose of alpha generation. With regards to portfolio allocation, the fund is benchmark agnostic and adopts an absolute return strategy. On average, the fund holds about 40-60 stocks.

The fund manager is currently bullish on the technology sector, and aims to ride on the Fourth Industrial Revolution and strong growth environment. The fund manager also favours the financial sector, which may benefit from margin expansion under a rising interest rate environment.

Going forward, the investment manager's view is that the Fourth Industrial Revolution will be one of the key longer-term investment themes for the fund, and the ameliorating earnings prospects of corporates within the Asian region will continue to drive the fund's performance.

The fund's broad geographical allocation allows investors to tap into investment opportunities that resides within the Asia ex-Japan region while achieving the purpose of diversification.

Together with its consistent performance track record, we opine that investors should consider including this fund as part of their core portfolio. Though the fund is denominated in ringgit, there is foreign currency exposure as the underlying securities are quoted in their respective local currencies.

DANA MAKMUR PHEIM

WE recommend Dana Makmur Pheim because of its exceptional performance and strong resilience. Based on our methodology which assesses the fund's overall ranking based on performance (60% weighting), risk and expense ratio (20% weighting each), the fund ranked first out of 11 funds under the Balanced – Malaysia (Islamic) category.

From a performance perspective, the fund fared better in the long term as it ranked first for the past two-year, three-year as well as four-year periods on a cumulative basis.

In terms of calendar year returns, the fund ranked first in 2013, 2014 and 2015 respectively.

Taking into account both cumulative and calendar year returns, the fund ranked first in the performance criterion.

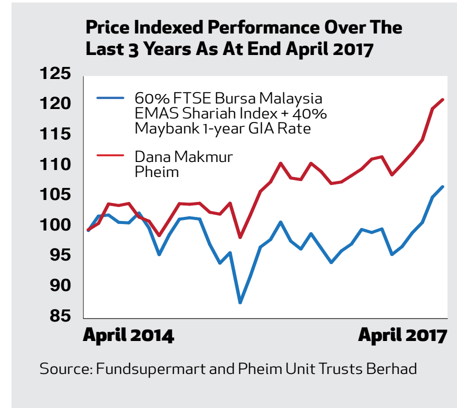
The downside volatility and maximum drawdown recorded by the fund during market downturns were lower than its peer average over the past three years. In terms of expense ratio, the fund's annual expense ratio was the second highest among the 11 funds under this category, which is a drawdown as it might eat into the performance of the fund.

The fund's investment strategy is based on a combination of both growth and value-oriented approaches, investing mainly in undervalued stocks which are expected to outperform the market.

The fund manager will actively employ tactical allocation strategy to adjust their equity exposure based on market conditions.

Currently, the fund is positive on the technology and property sector as the fund manager believes that the former will benefit from the weak ringgit and strong demand while the property sector valuation has become attractive with some stock counters offering good dividend yields at this juncture.

Looking forward, he believes that with the unexpected strong GDP growth in 1Q 2017, Malaysia equity market is likely to benefit from the improving economic condition.



Investors who seek a fund that derives meaningful long-term returns from Malaysia's capital markets can consider this fund given its solid historical performance and strong resilience during market downturns.

However, investors should be aware of the risk of being overly concentrated in home country investments.

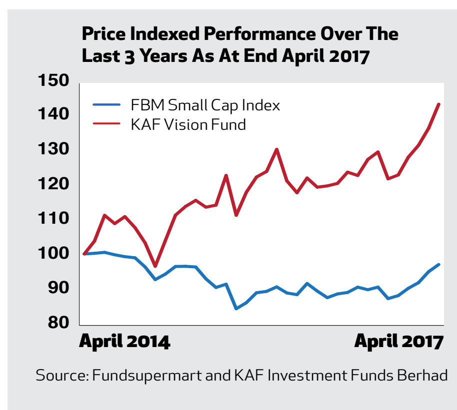
KAF VISION FUND

WE recommend KAF Vision Fund under the Sector Equity – Malaysia Small to Medium Companies category for 2017/18 because of its strong historical track record and resilience. Based on our methodology, which determines the fund's overall ranking by assessing its performance (60% weighting), risk and expense ratio (20% weighting each), the fund ranked second out of 12 funds under its category.

The fund demonstrated a decent performance track record as it ranked second for the past two-year to five-year periods on a cumulative basis. In terms of calendar year returns, the fund ranked first in 2015.

Despite tough market conditions during 2015, the fund managed to outperform most of its peers that year, posting a double digit return of 34.8% as compared with its peers' average return of 13.41%.

The downside volatility and maximum drawdown recorded by the fund over the past three years were 9.3% and -13.2% respectively, significantly lower than the peers' average of 11.1% and -19.45% respectively. In terms of expense ratio, the fund's annual expense ratio was in line with its peers' average over the past three years.



The fund adopts a bottom-up approach in stock selection that invests in companies with market capitalisation of not more than RM1 bil.

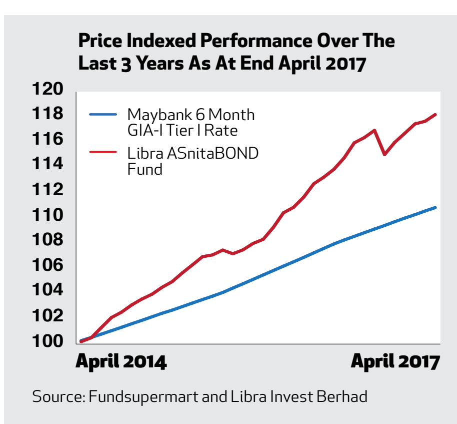
The fund can also invest in companies with market capitalisation of more than RM1 bil, with a maximum limit of 30% of the fund's net asset value. On top of that, the fund manager places a strong emphasis on extensive company visits to identify latest trends and changes in industries.

Currently, the fund manager maintains a favourable view on the financials, construction, and technology as he expects the earnings recovery from these sectors to gain momentum.

With the improving macro outlook, the fund will continue to place emphasis on selecting stocks that are expected to generate additional alpha.

Investors should be cautious that the fund tends to be more volatile compared with the broad-based equity funds as it invests in a relatively narrower investment space that focuses on small to medium companies.

Thus, we advise investors to include this fund in the supplementary portion of their portfolio, with an allocation of not more than 10% of their overall portfolio.



LIBRA ASNITABOND FUND

LIBRA ASnitaBOND Fund ranked second out of eight funds under the Fixed Income – Malaysia (Islamic) category based on our methodology, which assesses the fund's performance (40% weighting), risk and expense ratio (30% weighting each).

We recommend this fund because of its good historical track record and strong resilience. In terms of cumulative returns, the fund ranked within the top three positions for the past one-year to five-year periods respectively.

The maximum drawdown and downside volatility recorded by the fund during market downturns over the past three years were in line with its peer average while the fund's annual expense ratio was well below its peer average.

The fund adopts an active portfolio management approach with the fund manager putting emphasis on liquid high-grade bonds and sukuk (Islamic bond) with strong credit quality and stable long-term cash flows. As a result, over the past five years, the fund has not experienced any default on its bond holdings.

As of end-April 2017, the fund registered a yield of 4.76% and has an average portfolio duration of 5.24 years. The fund invests mainly in investment-grade fixed income securities, with 73.2% of the fund's total net asset value being allocated to AA-rating and AAA-rating debt instruments as of end-April 2017.

Moving forward, the fund manager believes that the prospect for the local bond/sukuk market remains positive, given the expectation that Bank Negara Malaysia will maintain its accommodative monetary policy.

On top of that, the fund manager is of the opinion that the lack of new primary issuances in the corporate bond market, especially within the AAA and AA space, may continue to drive corporate bond prices higher.

Therefore, she will continue to identify investment opportunities within the fixed income space to drive the fund's performance whilst prudently manage the fund's risk exposure.

We advise investors to include bond funds in their portfolios as Malaysian bond funds typically have a low correlation with equities and thus, play an important role in diversification and capital preservation. There is little to no currency risk as the fund is invested wholly in Malaysian bonds.

RHB Asset Management

Delivering solid performances, time and again. Thank you for your trust in us

The Edge | Thomson Reuters Lipper Fund Awards 2017
Group Award:
RHB Asset Management
Best Bond MYR (3Y)
Malaysia Provident Fund
Individual Awards:
RHB Islamic Bond Fund
Best Bond MYR (3Y, 5Y, 10Y)
Malaysia Islamic Fund
RHB Smart Income Fund
Best Mixed Asset MYR Conservative (10Y)
Malaysia Provident Fund
Source: The Edge-Lipper Fund Awards 2017, 27 February 2017

Asia Asset Management Best of the Best Awards
Singapore:
Most Innovative Product
Malaysia:
Most Innovative Product
Source: Asia Asset Management Best of the Best Awards, 30 March 2017

iFAST Awards Night 2017
iFAST Top Fund House
Based on the top AUM Fund House with iFAST Platform
Source: iFAST Awards Night 2017, 7 April 2017

Investor - Infovesta Best Mutual Fund Awards 2017
RHB Sector Alpha Rotation
Indonesia:
Reksa Dana Terbaik 2017
Source: Investor-Infovesta Best Fund Awards 2017, 16 March 2017

Recommended Unit Trusts 2017/18
RHB Asian Income Fund
Balanced – Asia ex-Japan
RHB Bond Fund
Fixed Income – Malaysia
RHB Asian Total Return Fund
Fixed Income – Asia
RHB Emerging Markets Bond Fund
Fixed Income – Emerging Markets
Source: Fundsupermart Recommended Unit Trusts 2017/18, 13 July 2017

RHB Asset Management Sdn Bhd (174588-X)

Our ASEAN expertise and regional insights have proven to deliver results time and again. Today, our achievements have been recognised once more with multiple prestigious awards – a testament to our commitment in providing solutions that help you achieve your financial goals.

For more information, contact us or log on to **www.rhbgroup.com**
Malaysia: RHB Asset Management Sdn Bhd & RHB Islamic International Asset Management Bhd 603 9205 8000
Singapore: RHB Asset Management Pte Ltd 65 6323 2508
Indonesia: PT RHB Asset Management Indonesia 6221 2783 0889
Hong Kong: RHB Asset Management Ltd 852 2525 1118

RHB Group

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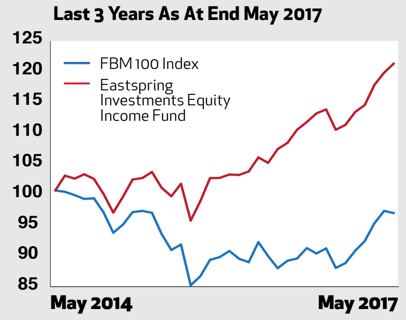
Disclaimer:-
A Product Highlights Sheet ("PHS") highlighting the key features and risks of the fund is available and investors have the right to request for a PHS. Investors are advised to obtain, read and understand the PHS and the contents of the Master Prospectus (Smart) dated 15 June 2017, Master Prospectus (Blue) date 15 July 2016, Master Prospectus (Gold) dated 6 October 2016 and its supplementary(ies) (if any) (collectively known as "Master Prospectuses") before investing. The Master Prospectuses have been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Any issue of units to which the Master Prospectuses relate will only be made on receipt of a form of application referred to in the Master Prospectuses. A copy of the PHS and the Master Prospectuses can be obtained from any RHB Asset Management Sdn Bhd Malaysia offices. The Manager wishes to highlight the specific risks of the funds are elaborated in the respective Master Prospectuses. RHB Smart Income Fund, RHB Bond Fund, RHB Islamic Bond Fund, RHB Asian Income Fund, RHB Asian Total Return Fund, RHB Emerging Markets Bond Fund and RHB Private Equity Opportunity Fund 1 are only available for subscription in Malaysia. RHB Sector Alpha Rotation Fund is only available for subscription in Indonesia. Local terms and conditions apply. Past performance is not an indication of future performance.

Price Indexed Performance Over The Last 3 Years As At End May 2017



Source: Fundsupermart and Eastspring Investments Berhad

EASTSPRING INVESTMENTS EQUITY INCOME FUND

WE recommend Eastspring Investments Equity Income Fund because of its decent performance and high resilience. Based on our methodology which assesses the fund's overall ranking based on performance (60% weighting), risk and expense ratio (20% weighting each), the fund ranked second out of 29 funds under the Core Equity – Malaysia category.

From a performance perspective, the fund ranked fourth amongst its peers, helped by its consistent performance history over the past five years. The investment team has also portrayed commendable efforts in managing its portfolio's downside risks as the fund recorded a significantly lower downside volatility compared with that of its peers. The fund's maximum drawdown over the past three years was the second lowest as well. Its annual expense ratio was also lower than its peer average.

The fund's basis of portfolio allocation is bottom-up approach. The portfolio construction process gives no consideration to benchmark weighting. Stock selection remains as a primary focus of the fund and the investment team employs rigorous valuation approach to determine intrinsic value.

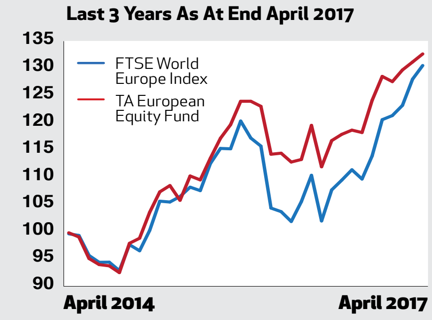
The investment team also places emphasis on the long-term drivers of value of the companies it follows as well as the relevant potential earnings catalyst that could drive valuations further. The fund is more value-oriented with focus on companies with strong cash flow generating capability and currently holds around forty stocks.

The fund manager is currently overweight on the consumer staples sector, as the sector is one of the most robust sectors given the resilient consumer demand coupled with the ability of these companies to manage costs via cost control measures or to pass on cost to consumers.

These companies also generate consistent healthy cash flows, allowing them to pay out sustainable dividends which bode well for the fund. Besides that, the fund manager is also overweight on banking and finance sector, where she foresees better profitability in 2017 after coming off a low base in 2016 due to the provisions some of these banks had to make particularly for the oil and gas companies which were negatively impacted by the plunge in oil price.

Investors who are looking to invest in Malaysian equity funds should consider including this fund into their portfolio because of its outstanding historical performance and high resilience during market downturns. There is little to no currency risk as the fund is invested wholly in Malaysian equities. However, investors should be aware of the risk of being overly concentrated in home country investments.

Price Indexed Performance Over The Last 3 Years As At End April 2017



Source: Fundsupermart and TA Investment Management Berhad

TA EUROPEAN EQUITY FUND

BASED on our methodology, which assesses the fund's performance (60% weighting), risk and expense ratio (20% weighting each), the Recommended Unit Trusts award for the Sub Regional Equity – Europe category goes to TA European Equity Fund as the fund exhibited outstanding ability in managing its downside volatility and maximum drawdown against its only peer, namely AmSchroder European Equity Alpha.

From a performance perspective, the fund outperformed its peer for the past three-year and four-year periods respectively on a cumulative basis. The fund also managed to deliver relatively better returns as compared with its peer in 2014 and 2015 respectively. The fund exhibited relatively strong resilience compared with its peer during market downturns as it posted lower downside volatility (8.0%) than its peer (13.2%) over the past three years. The fund also posted a maximum drawdown of -9.7% as compared with its peer's -14.5%.

In terms of investment strategy, this fund of funds subscribes to a combination of growth and value investing and allocating monies into various collective investment schemes which have the best equity strategies that suit the market condition at the point of investment.

Over the past 12 months, the fund manager has made an effort to significantly hedge its European equity exposure into the USD currency. Since November 2016, the fund manager turned cautious on the European market due to potential political instability in the European countries. As a result, the fund's cash position was raised to as high as 50% as a temporary defensive move. Moving forward, with improving fundamentals of the European economies and diminishing political risk, the fund manager would be looking to increase the fund's equity exposure progressively.

Investors who would like to have exposure in European market can consider this fund as it is structured as a fund of funds that will invest in a broad range of European equity funds, hence it could provide greater resilience.

MANULIFE INDIA EQUITY FUND

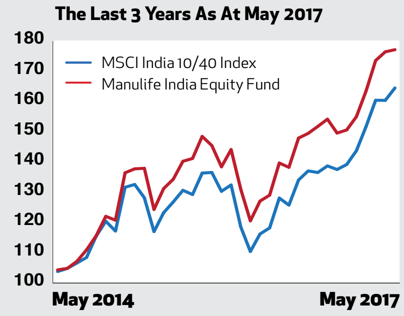
THIS year, we have introduced a new category: Single Country Equity – India. Since there is no peer fund available on our platform, we have compared Manulife India Equity Fund's performance against the Mumbai Sensex Index, which represents the Indian equity market.

The fund has managed to outperform Mumbai Sensex Index over the past three years. Besides, the fund has also consistently outperformed its benchmark, the MSCI India 10/40 Index over the past three to five years in terms of annualised returns.

Apart from that, the fund has also managed to deliver better risk-adjusted return against the benchmark over the past three years, as portrayed by its decent Sharpe ratio of 1.3 against its benchmark's 1.0.

The fund currently invests into Manulife Global Fund – India Equity Fund. The target fund's management team has an average of 18 years of investment experience. At the target fund level, Marco Giubin will be advised by Singapore-based senior portfolio manager and India's specialist Rana Gupta. With 16 years of experience

Price Indexed Performance Over The Last 3 Years As At May 2017



Source: Fundsupermart and Manulife Asset Management Services Berhad

covering the Indian equity market, Gupta is responsible for the research and analysis of Indian equities for all Manulife's regional portfolios.

At the fund level, its manager Goh Yin Foo ensures that the feeder fund stays within the stipulated asset allocation of the invested level with appropriate cash level.

Since Manulife India Equity Fund is a feeder fund, the investment techniques and risk management strategies will be employed at the target fund level. The investment team primarily applies a bottom-up investment process which assesses the market price of a company's securities relative to their valuation of the company's long-term earnings, asset value as well as cash flow potential.

The dedicated India specialists and India analysts focus on research and identify companies appropriate for the fund's universe by considering different selection criteria and market valuations.

Going forward, the investment team opines that the fund will be riding on two major key themes within the India's economy, which are efficiency gains due to formalisation of the economy; and investments by the government funded by higher tax receipts, which would happen as a result of formalisation.

Improved revenue collection and targeted subsidies will strengthen the government's ability to spend. Besides that, infrastructure spending and urbanisation will gradually shift the rural population's income reliance on agriculture sector, driving income growth for the people.

All these positive factors will feed into solid return opportunities on India's economic front.

For investors who would like to have exposure in India, they can consider to include Manulife India Equity Fund as part of their supplementary portfolio.

SINGAPORE DIVIDEND EQUITY FUND

THIS year, we have introduced Single Country Equity – Singapore as one of the new categories on our Recommended Unit Trusts list. Singapore Dividend Equity Fund (ringgit class) was incepted back in March 2016, but the Singapore dollar class of the fund has been managed since 1999 in Singapore. The asset management team of Nikko Asset Management Asia Ltd has brought the fund over to Malaysia through the ASEAN CIS Passport initiative, hoping to broaden the offerings of Singapore equity funds to investors.

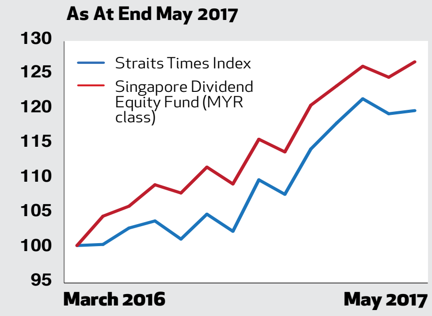
From a performance perspective, both currency classes of the fund has managed to outperform its benchmark, the Straits Times Index, since inception. Apart from its consistent performance, the fund has also exhibited a lower downside volatility against the benchmark, which indicates that the investment team has managed the portfolio's downside risks better.

The portfolio allocation of the fund is driven primarily by bottom-up fundamental analysis of stocks. The investment team believes that Asian markets are inefficient and individual stocks are prone to periodic mispricing.

Hence, their investment process is driven by the belief that highly active management based on thorough fundamental research can take advantage of these mispricing opportunities to deliver strong returns over the long term.

The investment strategy focuses on higher dividend paying sectors where cash flows are also more resilient, and

Price Indexed Performance As At End May 2017



Source: Fundsupermart and Nikko Asset Management Asia Limited

selected lower dividend yielding stocks with prospects of growing its dividends to achieve an element of capital growth in addition to dividend yield on a total return basis. The fund also has the flexibility to invest outside of Singapore, in stocks which meet the investment team's stringent criteria.

At this point of time, where global economic growth has shown signs of pickup and acceleration, the investment team remains convinced about the long-term merits of investing in high dividend stocks.

As such, the fund will remain anchored in stocks which pay an attractive and predictable dividend yield, particularly those which also offer steady growth. The current holdings of the fund include key convictions in the technology, financial and real estate sectors, plus selected positions in overseas names (Hong Kong only at this point of time), where the companies abide to the stock quality criteria and also offer a healthy dividend yield.

An award-winning global portfolio

Brought to you by Aberdeen Islamic Asset Management Sdn Bhd

The Aberdeen Islamic World Equity Fund has won Fundsupermart's Recommended Unit Trust Awards in its Core Global (Islamic) Equity category for two consecutive years (2016 and 2017). Here we share four key strengths of the fund.

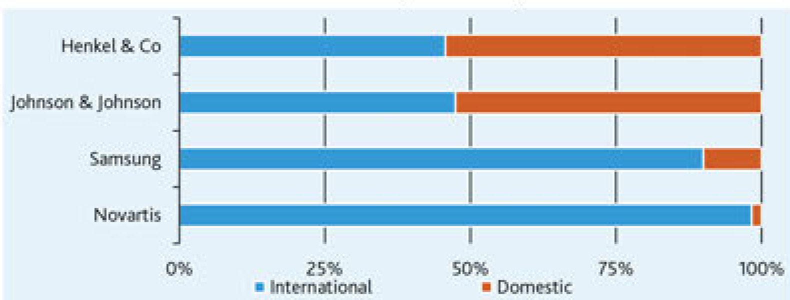
#1 A truly global portfolio

- **A portfolio of industry leaders**
  We run a high conviction portfolio of 46 companies that have solid global franchises, well diversified across countries and sectors, not just in US and Europe.

Companies	Headquartered in	Sector
Samsung Electronic	South Korea	Technology and Hardware & Equipment
Novartis	Switzerland	Pharmaceuticals
Johnson & Johnson	United States	Diversified healthcare
Henkel AG & Co. KGaA	Germany	Household & Personal Products
EOG	United States	Energy

Source: Aberdeen Asset Management, 31 May 2017

- **Companies with international revenue streams**
  Domestic and international sales (% of total)



Source: Bloomberg, December 2016

#2 Benefits of being Shariah-compliant

- **Shariah-compliant funds have proven to be more resilient during times of crisis or financial downturn**
  When bank stocks do well Shariah indices (which are banned from owning banks) tend to do badly and vice versa. Shariah-compliant funds have in fact outperformed conventional ones from 2007-10. Given how large banks are in conventional indices, Shariah funds therefore allow one to take a view on the sector. They may well offer the best hedge against the next financial crisis.
- **Suitable for all kinds of investors, not only the religious**
  It is a common misunderstanding that Shariah law determines how and where a Shariah-compliant fund should invest, and that such products are only for Muslims. Shariah law only stipulates where investments cannot be made. These strictures speak to the importance of an individual's responsibility to society and the notion of the common good, similar to socially responsible investment (SRI) that has grown in popularity and significance in the West.

#3 Proven equity investment process

- **True long-term investors**
  A good company is one that we can in theory hold forever. At Aberdeen we believe that, over the long-term, share prices reflect underlying business fundamentals.
- **Actively managed – not just buy-and-hold**
  As active investors, we make use of market movements to top-up or top-slice.
  Share price chart of representative stock – 2012 to 2017 (MYR)

Source: Bloomberg, 22 February 2017. This security has been used for illustrative purposes only to demonstrate the investment management style and should not be considered as a solicitation or recommendation of the security.

- **Bottom-up approach**
  We identify 'best ideas' at reasonable or cheap valuations via company visits. Risk is investing in a poor quality company and/or overpaying.

#4 Consistent track record

- The Aberdeen Islamic World Equity Fund has won Fundsupermart's Recommended Unit Trust Awards in the Core Equity - Global (Islamic) Category for two consecutive years (2016 and 2017).

  The methodology behind Fundsupermart research team's selection of recommended funds is based on several criteria including having a track record of at least three years, returns of unit trusts compared against benchmarks and peers within similar sectors and regions, performance, expense ratio, risk and other qualitative factors across various time periods, to check for performance consistency.
- The Aberdeen Islamic World Equity Fund has achieved more than 10% annualised returns (as of 31 May 2017) since its launch on 6 February 2013.

Visit aberdeen-asset.com.my/islamic to find out more about us and the fund.

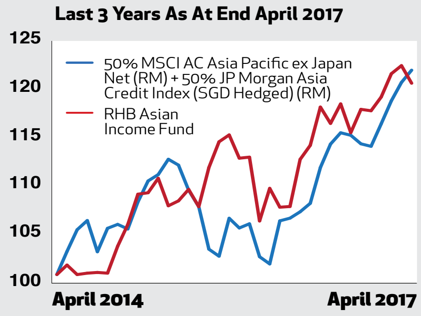
Promotional sales charge of 0.8% when you invest in Aberdeen Islamic World Equity Fund

Valid till 3 August 2017. Terms & Conditions apply. Visit fundsupermart.com.my

Aberdeen
Simply asset management.

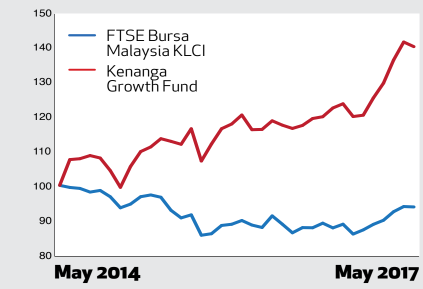
Investors should read and understand the prospectus dated 17 January 2016 in respect of Aberdeen Islamic World Equity Fund ("AIWEF"), as well as the Product Highlights Sheet in respect AIWEF which can be obtained at our office or from any of our approved distributors, or seek relevant professional investment advice, before making any investment decision. A copy of the Prospectus has been registered with the Securities Commission of Malaysia. Investors should consider the fees and charges involved before investing. Investments in the unit trusts are not deposits in, obligations of, or guaranteed or insured by Aberdeen Islamic Asset Management Sdn. Bhd. (the "Manager"), and are subject to investment risks, including the possible loss of the principal amount invested. Unit values and income therefrom may fall or rise. Past performance is not indicative of future performance. Units will only be issued on receipt of the application form referred to in and accompanying the relevant Prospectus, subject to the terms and conditions therein. Investors are advised to read and understand the contents of the unit trust loan financing risk statement before deciding to borrow/seek financing facility to purchase units. The information herein shall not be disclosed, used or disseminated, in whole or part, and shall not be reproduced, copied or made available to others. The Manager reserves the right to make changes and corrections to the information, including any opinions or forecasts expressed herein at any time, without notice. **Aberdeen Islamic Asset Management Sdn. Bhd. (827342-W)**

Price Indexed Performance Over The Last 3 Years As At End April 2017



Source: Fundsupermart and RHB Asset Management Sdn Bhd

Price Indexed Performance Over The Last 3 Years As At End May 2017



Source: Fundsupermart and Kenanga Investors Berhad

RHB ASIAN INCOME FUND

WE recommend RHB Asian Income Fund because of its outstanding performance and strong resilience. Based on our methodology which assesses the fund's overall ranking based on performance (60% weighting), risk and expense ratio (20% weighting each), the fund ranked first under the Balanced - Asia ex-Japan category.

From a performance perspective, the fund performed well as it ranked first for the past one-year to three-year periods on a cumulative basis. In terms of calendar year returns, the fund ranked within the top three positions in 2013, 2014 and 2015 respectively.

The fund exhibited strong resilience, with the losses and annualised volatility recorded by the fund during market downturns over the past three years being significantly lower than the peer average. In terms of expense ratio, the fund's expense ratio is the second highest among its peers.

The fund seeks to add value through diversified sources of returns, adopting an active management investment style that aims to deliver outperformance through dynamic asset allocation and security selection within the equity and fixed income space.

With regards to equity selection, the fund managers believe in companies that pay stable and increasing dividend stream as this is an indication of good future prospect, improving corporate governance and prudent capital management skills. As for bond selection, they focus on relative value and identify securities with strong credit fundamentals and with consideration being put on the credit issuers' profile.

Looking ahead, the fund managers foresee that economic growth is likely to be lower for years to come as the world continues to deleverage and population continues to age.

As a result, they believe that income will continue to be an integral part of total returns for investors and the greater demand for high dividend-paying assets will provide support for dividend paying securities and corporate credits.

Investors who are looking to include a well-diversified fund should consider RHB Asian Income Fund as it is broadly diversified across asset classes (equity, fixed incomes, money market, etc) in Asia.

While the fund is denominated in ringgit, investors need to take note that there is foreign currency exposure as the underlying securities that the fund invests are quoted in their respective local currencies. That said, currency risks are likely to be mitigated owing to the broad-based geographical allocation of the fund.

KENANGA GROWTH FUND

SINCE 2010/2011, Kenanga Growth Fund has been featured on our list of Recommended Unit Trusts under the Core Equity – Malaysia category. This year, the fund continued to hold its position in the Recommended Unit Trusts list due to its good historical track record. Based on our methodology which determines the fund's overall ranking by assessing its performance (60% weighting), risk and expense ratio (20% weighting each), the fund once again topped the list, ranking first out of 29 funds in this category.

From a performance point of view, the fund registered a remarkable long-term performance track record as it ranked first for the past two-year as well as three-year period and second for the past four-year to five-year periods respectively on a cumulative basis. The fund has also posted lower downside deviation and lower maximum drawdown against its peer average over the past three years.

Kenanga Growth Fund is managed via a bottom-up approach, which adopts fundamental research of individual stocks together with a "relative value approach" investment style. The investment management team believes that this investment strategy is able to create consistent superior risk-adjusted returns as the stocks identified through its screening criteria are generally undervalued relative to their intrinsic value, or are clearly undervalued relative to their peers and the overall market valuation.

The investment team does not see benchmarking as meaningful in determining of investment choices and has no constraints or bias towards any market capitalisation or sector. At a fund size of nearing a billion ringgit (largest amongst its peers), the fund manager remains confident that the fund's strategy will continue to contribute positively to the fund's performance.

At this juncture, the fund manager is still overweight on construction sector as she foresees successful tenders for those upcoming government projects in the pipeline to improve earnings visibility of construction players for the coming years.

Apart from that, the fund manager is also in favour of trading and services sector, particularly export-oriented companies that source inputs domestically, which could have benefitted from the weak ringgit.

Investors who would like to invest in Malaysia can consider this fund as it has a remarkable historical performance. While there is minimal currency risk when investing in this fund, investors should be aware of the risk of being overly concentrated in home country investments.

▶ All fund commentaries are courtesy of the Fundsupermart Research Team. *Commentary is based on data as of end-March 2017, unless stated otherwise. All returns are based on NAV prices, adjusted for dividends re-invested and in RM terms.*

New strategy to promote growth of unit trust industry

The unit trust industry in Malaysia will see its role as an economic driver enhanced under several key initiatives over the next five years.

These initiatives will reinforce investor confidence by promoting innovation, growth, efficiency and use of technology.

Nik Mohd Hasyudeen Yusoff, chairman of the Industry Development Committee at the Federation of Investment Managers Malaysia (FIMM), says the initiatives will include the introduction of a Five-Year Strategic Blueprint, a revision of the Code of Ethics and Rules of Professional Conduct and upgrading professional standards.

Nik Mohd Hasyudeen says that since it became a self-regulatory organisation in January 2011, the FIMM had been focusing on immediate problems and reacting to unanticipated changes in the market.

"FIMM took cognisance of the situation and has identified the development of a blueprint as critical in providing its management and board a common sense of direction, continuity of purpose and vision to develop organisational excellence and competent leadership," he says.

In his keynote address at the Recommended Unit Trusts Awards 2017/2018 hosted by Fundsupermart Malaysia on July 5, he says the revision of its code of ethics is to strengthen ethical and professional standards of unit trust and private retirement scheme funds distributors and consultants.

Nik Mohd Hasyudeen Yusoff, FIMM Industry Development Committee Chairman

At the same time, FIMM will continue to upgrade investment planning skills as well as streamline the registration and examination process for consultants.

Outlining FIMM's achievements in 2016, Nik Mohd Hasyudeen says the federation had contributed to a number of industry-related policy decisions.

Among other things, it has played a role in liberalising the overseas investments and local investment in Employees Provident Fund warrants. Nik Mohd Hasyudeen says the relaxation of the limits on overseas investments gives Institusi Pengurusan Dana (Institution of Appointed Fund Managers) more options to capture potential growth from overseas markets. "The investment in warrants also enable these fund managers to invest in a wider range of warrants listed on Bursa Malaysia in a more cost effective way," he explains.

He further notes that FIMM also worked with the Securities Commission (SC) to engage the Finance Ministry to clarify the implementation of provisions in the Finance Bill 2016 on wholesale money market funds. This led the SC to issue guidelines on tax exemption, providing greater clarity on the effective date for the removal of tax exemptions on interest income earned by wholesale money market funds.

FIMM also issued a set of rules that distributors and consultants have to comply with when marketing unit trust and private retirement funds.

Despite the many challenges, the unit trust industry has seen significant growth in the past year. Overall, the net asset value (NAV) of unit trust funds rose 4.2% to RM449.31 bil in 2016 compared with the previous year. That represented 40.6% of the gross domestic product (GDP), according to Nik Mohd Hasyudeen.

Malaysia's GDP also recorded a 4.2% growth last year.

Nik Mohd Hasyudeen says private unit trust funds – excluding federal and state funds – saw NAV rise 7.6% to RM203.8 bil last year from 2015. At the same time, equity and money market funds, including Islamic funds, saw growth of 38.8% and 34.7% respectively. Collectively, both accounted for the biggest portion of NAV.

The NAV of Islamic funds rose 13.7% to RM79.1 bil last year compared with 2015 but that for conventional funds declined RM200 mil to RM40.5 bil.

Other areas that recorded growth were conventional bond funds (up RM2.1 bil to RM20.7 bil), and conventional money market funds (up RM1.1 bil to RM42.4 bil) as a result of investors shifting to safer assets for more stable returns in the wake of global political and financial uncertainties. ■

1 | Daniel Choong, Managing Director, Aberdeen Asset Management Sdn Bhd

2 | Edwin Lee, Vice President, Head of Partnership & Private Retirement Scheme (PRS) of Manulife Asset Management Services Bhd

3 | Elyzza Syazreen Zailan, Head of Fixed Income, Libra Invest Bhd

4 | Munirah Khairuddin, CEO of CIMB-Principal Asset Management Bhd

5 | Goh Wee Peng, Acting CEO from AmFunds Management Bhd

6 | Dennis Tan, Managing Director of iFAST Capital Sdn Bhd (left) and Terence Bong, Head, Intermediary Business Development, Nikko Asset Management Asia Ltd

7 | Ho Seng Yee, CEO of Malaysia, Group Asset Management of RHB Asset Management Sdn Bhd

8 | Fundsupermart General Manager Wong Weiyi (centre), flanked by Research Analysts Tan Wei Yine (left) and Jerry Lee

9 | Dennis Tan, Managing Director of iFAST Capital Sdn Bhd (left) and Lee Shi Chuan, Regional Manager (Central Region), TA Investment Management Bhd

10 | Ismitz Matthew De Alwis, Executive Director/CEO from Kenanga Investors Bhd

11 | Mohd Irhzan Mohd Nor, Deputy Chief Executive Officer, KAF Investment Funds Bhd

12 | Dennis Tan, Managing Director of iFAST Capital Sdn Bhd (left) and Dr Tan Chong Koay, Founder, Executive Chairman and Chief Strategist of Pheim Asset Management Sdn Bhd

13 | Rudie Chan, Chief Investment Officer of Eastspring Investments Bhd

14 | Sheila Halim, CEO of Amanah Mutual Bhd

15 | Fundsupermart General Manager Wong Weiyi (left) and Jonathan Ng Wen Kai, Head, Partnership Business of Affin Hwang Asset Management Bhd

Expect opportunities in these uncertain times

Be prepared for a lot of uncertainty this year. Expect to see funds flee to safe havens.

These are dire forecasts, but it's not all bad news. There will be opportunities to profit, if investors know where to look, says Rudie Chan, chief investment officer at Eastspring Investments Bhd.

Chan acknowledges that recent global events have brought some level of uncertainty for investors. For instance, he says, the Trans-Pacific Partnership Agreement has been rendered meaningless now that the United States has opted out.

"The elections in Britain, which ended in a hung parliament, have raised the level of uncertainty for investors in Europe. The questions now is whether it will be a hard or soft Brexit," he says.

Rudie Chan
chief investment officer, Eastspring Investments Bhd

Other new developments, such as the build-up of tension in the Gulf, North Korea's missile tests and China's ambitions in the South China Sea all add to the insecurity. "As a result, the flight to safety may just accelerate, whichever the asset class," Chan adds.

Even so, it's not all negative. The macro environment seems to have improved at the global level, and Malaysia has benefited from this positive development.

Chan points out that commodity prices have firmed up, thus helping to improve the economy and to provide the government with the Gross Domestic Product (GDP) growth that is necessary to help meet fiscal deficit targets.

"The ringgit has stabilised thanks to various measures taken by Bank Negara Malaysia and the inflow of investments for both equities and bonds have resumed," he says.

The bond market is another place investors should look for opportunities. The market has rallied since the start of this year as the Malaysian government securities yield curve continues to flatten, Chan says.

"The decrease in yield this year can be attributed to strong buying interest from local and foreign investors. The ringgit corporate bond market is likely to see a continuously decent supply in the coming months and potential issuers are expected to tap the market as yields have fallen slightly," he adds.

One area that still offers great opportunities for growth is the Islamic market, and Eastspring has begun to meet the needs of investors in this segment with the launch of its Islamic Small-Cap Fund launch May 2017.

"There is a gap in the shariah mid-to-small cap fund market and we believe this is the right product to help meet the needs of investors," Chan says.

Eastspring has performed relatively well over the past year. For instance, its Global Target Income Fund (GTIF) has yielded returns of 3.02% as of May 31 this year. It was launched on July 18, 2016.

Chan says the fund offers a potential steady income stream from the "maturity bucketing approach". He explains that most close-ended bond funds can target a fixed income distribution during their tenure. This is when fund managers lock in the coupon rates of the bonds in the portfolio based on the fund's tenure.

However, he adds, the GTIF differs from others in the sense that it adopts a unique "maturity bucketing approach" as part of its investment strategy. "This means that the fund maintains a portfolio of fixed income securities with staggered maturity," he explains.

"This enables a portion of the fixed income to mature at regular intervals and the cash proceeds from the matured fixed income to be available for reinvestment or to meet liquidity needs. This approach will help to build a more stable income and reduce the impact from subscription or redemption flow," he adds.

The fund is not constrained by a lock-in period so it is able to provide a stable income stream over time. Investors can redeem their investments anytime and there is no penalty. "The maturity bucketing approach enables the fund to target its investment yield with the flexibility to trade for potential higher yield," Chan says.

The GTIF is managed by Eastspring Investments (Singapore) Ltd, which had US$146 bil (RM625 bil) of assets under management as at Dec 31, 2016. Eastspring Singapore also manages a series of close-ended global bond funds for Eastspring Malaysia.

Chan says there are a few more funds in the pipeline and "we are monitoring the market for a suitable time to launch these new offerings". He advises potential investors to take into account their objectives, risk tolerance and time horizon to ensure that the fund's objectives are aligned with theirs before making any investment commitments. ■

Focus on companies, not markets

In an environment where it is impossible for the investor to foresee what will happen tomorrow, it becomes more essential to focus on what businesses do today.

There is now a high level of uncertainty in the economy, thanks to various developments around the world. The evidence is everywhere, according to Gerald Ambrose, chief executive officer of Aberdeen Islamic Asset Management Sdn Bhd.

Gerald Ambrose
CEO, Aberdeen Islamic Asset Management Sdn Bhd

Trade, he observes, is rebounding, yet a sustained pick-up in private investment remains elusive. "Oil prices remain volatile, and while recovery is broadening in Europe, growth has begun to moderate across the Atlantic," he says.

Other areas of concern are potential trade restrictions under US President Donald Trump's administration and the expected leadership reshuffle in China that will likely see President Xi Jin Ping consolidate his power base.

Given those uncertainties, Aberdeen will focus on interacting with the companies it invests in to gain a better understanding of their business strategies. "We place great emphasis on corporate engagement, not just to understand how the company makes money but also to learn its attitude towards and compliance with international standards of environmental, social and corporate governance," Ambrose says.

"Good governance and stewardship are vital to ensure it operates responsibly in relation to its customers, employees, shareholders and the wider community. We believe that markets and companies that adopt best practices in corporate governance are more likely to deliver sustainable, long-term investment performance," he says.

The Aberdeen Islamic World Equity Fund is one example of how this strategy plays out. As bottom-up stock pickers with strong on-the-ground resources, its asset allocation is the sum of many individual companies. "We choose the best corporate ideas rather than invest by region or sector," Ambrose says.

More than that, Aberdeen chooses to champion a collective decision-making approach that emphasises teamwork and co-operation rather than relying on a handful of "rock star" fund managers.

Going by the performance of the Aberdeen Islamic World Equity Fund, the strategy has paid off. Based on Lipper, the fund saw a gain of 5.21% this year, in-line with the benchmark year-to-date as at end May this year.

While it has not done as well over other periods versus the benchmarks, it has consistently grown total returns since its inception in 2013. Samsung Electronics is one stock that has helped to support the fund. Despite low oil prices, the fund's investments in energy-related businesses such as Exxon Mobil and EOG Resources have also helped to boost performance.

Ambrose explains that the fund invests in more than 45 shariah-compliant equities. "Our fundamentals-focused process has helped to sustain long-term capital growth and we use periods of volatility as opportunities to add to the portfolio's quality and diversity," he says.

Aberdeen focuses on the consumer staples and healthcare sectors. "We like companies such as L'Oreal, Nestlé and Proctor & Gamble because of their exposure to a growing domestic demand in emerging markets," Ambrose says. He sees long-term potential in healthcare as populations in Asia and elsewhere age.

Discipline, Ambrose says, is essential. Investors should not initiate or add to their positions unless valuations turn supportive. This also applies when reducing their holdings or exiting altogether.

Such strategy holds true across its portfolio of stocks.

To investors who remain apprehensive, he stresses that despite the uncertainty, "there's ground for optimism".

He points out that political risks have yet to translate into market turmoil. "Investor sentiments have not been this good for many years, and Trump's worst instincts may end up being constrained by the realities of running a country," he adds.

Ambrose says Aberdeen is looking into the possibility of launching a global fixed income/bond fund to give investors a chance to diversify. This is part of an effort to leverage the group's wider capabilities in other asset classes. It already has three equity funds in Malaysia.

He advises investors against opting for a one-size-fits-all solution. "Passive investing has become popular and we acknowledge that it can play in a well-diversified portfolio," he says.

However, he reiterates that a deep understanding of the market and the companies one invests in is essential. "There are markets where the free flow of information is restricted, where standards of corporate governance are poor, or where government interference means market forces are curtailed," he explains.

"Therefore, a portfolio based on something as random as market capitalisation misallocates capital and concentrates risk in undeserving companies. Regardless of asset class, a low-cost index tracker cannot be the only solution for investors," Ambrose adds. ■

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Positive outlook for equities

There's good news for investors. After three years of decline, the equities market seems to have turned the corner, and there is room for optimism going forward.

Exports have recovered and spending on infrastructure development has risen. With the general election expected to be called soon, more pump-priming by the government is on the cards.

"These are all positive signs for the equity market, and hopefully we'll see a rebound in corporate earnings," says Ismitz Matthew De Alwis, executive director and chief executive officer at Kenanga Investors Bhd.

Nonetheless, there still are hurdles to clear this year and investors are advised to look towards the longer term in order to ride out short-term volatility, he adds.

On the global front, Kenanga remains positive on Asia as a pick-up in global demand has boosted corporate earnings.

Ismitz Matthew De Alwis

Executive director and CEO, Kenanga Investors Bhd

De Alwis points out that a strong improvement in corporate earnings driven by an uptick in the global semiconductor cycle, stabilising commodity prices and an improving outlook in China have helped to moderate any negative impact of the US pullout from the Trans Pacific Partnership Agreement and the results of the recent UK elections.

However, he cautions that there is still a chance of a "minor pull-back on negative news flows" given the current volatile geopolitical landscape and elevated valuations.

Kenanga will continue to focus on in-depth research, with portfolio management backed by its risk management measures, says the CEO of the asset manager. He points out that Kenanga's call to be positive on Asia "has played out well", with sectors such as the internet and technology outperforming the market.

He says that as short-term growth normalises, Kenanga will progressively turn towards "good quality stocks that offer stock specific catalysts".

On the outlook for Asia, De Alwis is upbeat on South Korea, given its environment of improving shareholder returns. "We see evidence of restructuring at large Korean corporates, with management focusing on returning cash to shareholders and improving corporate governance," he says.

He expects ASEAN economies, particularly Malaysia, to benefit from China's One Belt One Road initiative.

The outlook in Indonesia has also turned positive, as its economic fundamentals improved and inflation has stabilised at around 3% to 4%, down from high single-digit levels. He notes that the rupiah remains stable, a recent upgrade by S&P has helped to drive inflows and "there is already some evidence of reform in terms of revenue collection and budget execution".

On its investment strategy, De Alwis says Kenanga will continue with its "bottom-up stock selection" approach. "We believe that fundamental research combined with a 'relative value approach' investment style can create consistent superior risk-adjusted returns," he explains.

He points out that consistent outperformance over an economic cycle of three to five years can be consistently replicated by applying its bottom-up stock-picking strategies.

"These stocks are generally undervalued relative to their intrinsic value, or are clearly undervalued relative to their peers and the overall market valuation," he says. "Therefore portfolio allocation is the by-product of our bottom-up stock selection."

This strategy has helped Kenanga record quite impressive returns on its funds. As at the end of May 2017, the Kenanga Growth Fund has returned 16.4% on its investments while the Kenanga Syariah Growth Fund saw returns of 6.18%.

De Alwis sees this as a "significant" improvement over the previous year's performance. That year, the returns from these two funds were either flat or slightly negative.

In the longer term, both funds have outperformed the market with "good absolute returns over the past five years".

De Alwis reminds investors that all unit trust and private retirement scheme funds do show positive and negative performances over the short term periods. Hence, investors will have to be aware that unit trust and retirement funds are both middle-to-long-term investments and savings vehicles.

As such, investors have an equally important role to play in determining their own fortunes. De Alwis advises investors to select only those investment opportunities that are compatible with their own objectives and risk tolerance.

"Given that investing in unit trusts is also a long-term commitment, investors should not be swayed by a sudden movement or change in the market," he says. "By riding out the wave, they will be able to see the fruits of their labour at the end of their investment horizon."

On its part, Kenanga will continue to prioritise the meeting of their clients' investment objectives. ■

Capital market seeing a turnaround

Foreign investors are coming back to Malaysia! This development in 2017 is seen as significant given that market had experienced negative outflows in the previous three years.

"This is a positive development, and very encouraging number" says Sheila Halim, Chief Executive Officer at Amanah Mutual Bhd. She says the Malaysian capital market received as much as US$1.5 bil (RM6.4 bil) in new investments during the first five months of this year.

On the other hand, foreign investors cashed out the equivalent of US$7.7 bil from 2014 to 2016. "While still small relatively, this turnaround is significant if you look at how much had left the country in 2014, 2015 & 2016," she points out.

Sheila Halim

CEO, Amanah Mutual Bhd

The worst year we've seen was in 2015 when US$5.1 bil was withdrawn, compared with US$2 bil the previous year. Last year, the outflow was much smaller, at US$600 mil.

"I'm certainly glad that we're done with the negative trend in the past three years," Sheila says.

In her view, this is a good time for investors to enter the Malaysian capital market. "When your overall capital market is at relatively low point, (which is where we were at the beginning of the year) people should consider investing again because it is an attractive proposition," she adds.

"And right enough, foreign fund managers are taking another look at Malaysia for the portfolio exposure. Our fundamentals foothold are stronger now."

Sheila points out that for a developing economy like Malaysia, foreign participation is essential for growth in the capital market. "This will provide the necessary momentum for the market to continue to have that necessary drive. Currently, foreign holding in Bursa Malaysia stands within a range 23 – 23.5%," she says.

The FBM KLCI is now hovering in the range of 1,760 to 1,780 points. This, she says, is supported by fundamentals, especially stronger corporate earnings in various sector of the business and economy. She points out that some companies have begun to produce better than expected results.

Sheila says this can be seen in companies that Permodalan Nasional Bhd (PNB) invests in strategically as core company, i.e. PNB is a major shareholder. Overall, their market capitalisation has improved by double digits since early of the year. "This is important as most of these companies are blue chips," she stresses.

She says PNB as a key capital market player is leading the government-linked companies transformation, which is essential to enhance its strategic investment corporate fundamentals. "The market has reacted positively to these developments," she adds.

Sheila says even the retail investors are returning to the market, as evident in the increased interest in small-cap and mid-cap stocks.

The retail investors, she says, are savvier now. "They are participating in the market. At the same time, we are raising awareness about investing through mutual funds and unit trusts for consistent and long term returns. Many have responded by coming onboard with us. This makes a healthy investment eco-system."

Apart from improved corporate earnings, a recovery in the macro economy is another factor that has led to an increase in investments in the capital market. In the first quarter of 2017, the economy grew by 5.6%. Sheila expresses hope that overall, the economy will see at least a 4.3 - 4.8% growth this year.

"A stronger economy is an indication that the country is moving in the right direction. This will provide the necessary support to the capital market to move forward," Sheila says.

She sees the growing influence of China and its interest in investing across Asia as a positive development.

"China has the capabilities, the depth of wealth and the liberty to choose many partners. They see some Asian countries (including Malaysia) as attractive to them," she says.

"Given the current uncertainties in the United States," she says, "it makes sense to look for better reward. China is one country that can yield many benefits to Malaysia."

"Thanks to our diversity, Malaysia is an ideal partner for China," she adds.

Amanah Mutual currently has 15 funds – one ethical fund, five shariah funds and nine conventional funds. It has about RM2 bil asset under management in unit trust funds – equally distributed between equity and fixed income investments.

Sheila says collectively, equity funds have yielded an average returns of 10% per annum over the past five years with annual dividend payouts from the cumulative total return.

While retail investors are free to decide where they want to put their money, Amanah Mutual offers advice based on their priorities and risk profile.

"We should not be taken in by the hype. We are not in the business of selling what is sexy now but may become stale three years down the road; a good product is a fund that can deliver consistent return and possess a stable volatility. This is what we call a bellwether fund," she adds. ■

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Eastspring Investments Bond Fund: Credit or default risk and interest rate risk	**Eastspring Investments Dynamic Fund:** Security risk, credit or default risk and interest rate risk	**Eastspring Investments Dana Dinamik:** Security risk, credit or default risk, interest rate risk and reclassification of Shariah status risk	

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Expect returns from new infrastructure projects

Investors can look forward to better times ahead, particularly in the construction sector. A string of infrastructure projects – some that have already taken off and others still in the pipeline – will give the sector a much-needed boost.

Spending on public transport will see a lot of new investments, with several projects already launched. Among them are the MRT (Mass Rapid Transit), one of several projects under the Economic Transformation Programme (ETP), as well as the Pan-Borneo Highway.

Thanks to the renewed vigour in infrastructure development, the construction sector is emerging as a favourite for investors. "This is one sector that we like," says Tock Chin Hui, head of equities at Manulife Asset Management Services Bhd.

Spending on the MRT project is expected to top RM50 bil when it is completed. Meanwhile, the Pan-Borneo Highway, which will stretch over 1,089km, is estimated to cost RM16.4 bil.

On the international front, Tock says, rising trade protectionism still poses a risk for investors. In fact, it will continue to be one of the most significant economic threats to emerging economies that are more reliant on trade, including Malaysia, she opines.

She notes that the decision by President Donald Trump to pull the United States out of the Trans-Pacific Partnership Agreement (TPPA) has led many countries to pursue other bilateral trade agreements and arrangements such as the Regional Comprehensive Economic Partnership (RCEP) that is led by China.

She advises investors to be mindful of such developments as external factors can also cause volatility in the equity market.

On the bright side, she adds, Malaysia has mostly done better than its peers in times of uncertainty. "We are traditionally viewed as a defensive market," she adds.

However, Tock remains positive about other economic issues such as the declining value of the ringgit and the unemployment rate.

She points out that although the value of the ringgit declined most significantly in mid-2015, it has remained quite stable this year. "I think Malaysians have most likely adjusted to the weaker ringgit so its impact would already have been priced in to the equity market," she says.

The ringgit began its decline in late 2014. On Dec 1 that year, it fell 2.4% to RM3.43 to the US dollar. On March 11, 2015, it closed at RM3.71, but fell further to RM3.81 on July 6. The ringgit is now trading at about RM4.30 to the dollar.

While there has been a number of layoffs in 2015 and 2016 – several financial institutions and the national flag carrier Malaysia Airlines collectively shed several thousand workers – Tock points out that the unemployment rate has largely remained stable. In the past year, it has hovered between 3.4% and 3.5%.

"Hence we do not foresee any significant impact on the market at this time," she adds.

Tock Chin Hui
Head of equities, Manulife Asset Management Services Bhd

Nonetheless, Tock says Manulife will continue with its current investment strategy under the prevailing economic climate. "It does not change the way we work. Our stock selection is driven by strong fundamental research," she stresses.

"We focus on each company's attributes such as its earnings and cash generation capabilities, growth drivers, opportunities, scalability of business model, strength of its management, its track record and valuation gap.

"These factors will have been factored into our research evaluation processes," she adds.

Tock says Manulife's "rigorous research and investment philosophy, supported by our comprehensive investment capabilities and extensive footprint across 10 markets in Asia enables us to benefit from shared resources".

For the investor, Tock recommends REITs. "This is one of the few sectors that are still giving decent yields," she suggests.

On the other hand, sectors that have traditionally been offering high returns such as telcos may now see pay-out pressure as a result of rising competition.

Among the big players in the telecommunications sector are Telekom Malaysia, Maxis, Celcom and Digi. However, a large number of new players are also fighting for space in the same sector, leading to stiff competition for new subscribers.

On the performance of Manulife's funds, Tock says both its equity and mixed asset (flexi) funds have done "quite well" on a year-to-date basis. "For instance, the Manulife Equity Plus Fund returned 13.33% at the end of May 2017.

Another fund that has done well is the Manulife Flexi Growth and Income Fund, which yielded 12.28% returns. ■

Time now to invest in Malaysia

Things are looking up for the Malaysian economy this year. Commodity prices have improved, the value of the ringgit has strengthened and foreign funds are returning to the local market.

This bodes well for an economy that has taken a beating in the past three years.

The first piece of good news is the appreciation in the value of the ringgit since the beginning of 2017. In May, the ringgit was trading at RM4.29 to the US dollar, compared with RM4.50 early in the year. That is a 4.6% improvement, says Ho Seng Yee, CEO at RHB Asset Management Sdn Bhd.

Ho Seng Yee
CEO at RHB Asset Management Sdn Bhd

Ho attributes the improved performance of the ringgit to several factors, among which is a rise in commodity prices and better economic outlook.

He points out that prices of crude oil and crude palm oil (CPO) have recovered. Oil price stood at just over US$46 (RM197.7) at the end of June compared with less than US$40 per barrel in January last year.

CPO was trading at about RM2,600 per tonne at the end of June, up 9% from last year.

Apart from the economic factors, a more stable political climate compared to previous years has also helped to improve sentiments, and that has helped to provide support for the ringgit.

A stronger ringgit brings with it several advantages. For the general population, imported goods will come cheaper, and for those with children studying overseas, especially in the United States, the costs will come down.

The strengthening of the ringgit has also resulted in better performance of the FBM KLCI, which was among the seven best performing markets in US dollar terms as at May 30, 2017. The index was up 12.5% on that date.

Ho attributes the stronger performance of the KLCI to the return of both local and foreign funds. Foreign investors have found renewed confidence in the Malaysian market, and they have started to invest here again. This is a reversal from the past three years when more than RM30 bil of funds was taken out of the Malaysian equity market from 2014 to 2016.

Ho says the renewed confidence in the ringgit has brought about RM10.5 bil back into the local market.

Based on these developments, RHB Asset Management is upbeat about the future. It singles out several sectors where it expects to see growth in the longer term.

"The recovery in CPO and crude oil prices has helped to boost the government's coffers and we expect the government to kick start infrastructure projects," Ho says.

RHB Asset Management is also overweight on sectors such as consumer staples, financials, tourism and logistics.

"A spill over from an expected increase in government spending will benefit the consumer staples sector. In financials, the valuation is still decent from the price-to-book angle, coupled with the recovery in loan growth and NIM (net interest margin)," Ho says.

While the weak ringgit has boosted tourist arrivals in the past three years, he expects locals to spend more holiday time visiting local destinations now.

Finally, Ho expects players in logistics to benefit from an expected recovery in global trade.

However, he warns that external factors such as the ongoing trade dispute between China and the United States can roll back the gains. US President Donald Trump has threatened to impose a 45% tariff on imports from China.

"The trade war between the world's two largest economies will not benefit either side. In the US, manufacturers will suffer from higher import costs while the export dependent Chinese economy will be weakened by an imposition of tariffs. Consequently, the global supply chain will be disrupted," Ho says.

On RHB Asset Management's investment strategy, he expects to continue with the same formula. "We remain positive on the direction of the Asia equity market in general and the Malaysian equity market in particular," he says.

"The major risks to our positive outlook on equity are the withdrawal of the liquidity that has been supporting the equity market and the risk of a derailment in the recovery of the US economy," he adds.

RHB Asset Management has a total of 142 unit trust funds of different classes to meet the needs of investors with different risk profiles.

It has investments in equities, mixed assets, multi-assets, bonds and alternatives such as private equity. There are conventional and shariah-compliant funds that have invested in Malaysia as well as regional and global markets. ■

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Better times ahead for investors

Economic uncertainties continue to prevail, thanks to doubts surrounding US President Donald Trump's ability to implement his many policies.

However, there is a silver lining to this cloud of uncertainty – the economy is recovering at the global level – and this bodes well for investors.

Southeast Asia's economic fortunes are highly dependent on global trade, and this positive development bodes well for the region, including Malaysia.

"We are generally positive on the global outlook," says Fu Yew Sun, chief investment officer at AmFunds Management Bhd, which carries the AmInvest brand for its business.

Fu Yew Sun
chief investment officer, AmFunds Management Bhd

He points out that the Malaysian gross domestic product (GDP) has already risen to 5.6% in the first quarter of 2017 from 4.5% in the last quarter of last year.

The domestic demand has also expanded strongly to 7.7%, up from 3.2% the quarter before. To top that off, exports have more than quadrupled from 2.2% to 9.8% in the first quarter of 2017 compared with the previous quarter, thanks to a strong global demand.

Fu says the uncertainties surrounding the Trump administration does not necessarily spell doom either. Fears over the possibility that he may not deliver on his promises will drive treasury yields down, which benefit emerging market assets and currencies.

"Malaysia has already benefited from this flow of funds into emerging market," Fu points out. Since April, local government bonds have attracted a lot of foreign interest, driven also by an expected appreciation of the ringgit and favourable results from the next general elections. The elections are not due until August 2018 but there is widespread speculation that election will be called earlier.

Foreign holdings in Malaysian government securities (MGS) rose RM5.7 billion to RM141.6 billion in April. "The recent (Bank Negara Malaysia) announcement on forex hedging flexibility and short-selling of bonds are signs of the regulator's push to promote market growth and efficiency for the ringgit and local bond market," Fu adds.

Nonetheless, AmInvest continues to look within the Asia-Pacific region for growth. On equities, Fu says the focus is on investments that deliver growth that is higher than the prevailing rate of inflation of the countries which we have invested into.

Its AmAsia Pacific REITs have delivered on this promise. Apart from retail and office REITs (real estate investment trusts), the fund also invests in childcare centres REITs, health-related REITs and data centres REITs across Asia Pacific.

Apart from quality, AmAsia Pacific REITs also look for investments that can "optimise value via organic growth (through rental rate growth) and inorganic growth (asset enhancement initiatives or acquisitions).

In the fixed income segment, AmInvest has done equally well with its AmDynamic* Bond fund. Over three years to May 31, 2017, it has generated 17.4% in returns – working out to 5.5% annually. Fu attributes this to its "higher conviction on our house strategy to seek higher returns".

Going forward, Fu advises investors to go for higher yielding instruments that are trading at a good spread above US treasuries such as emerging market local currency bonds and REITs.

Apart from higher yields, he expects investors to also benefit from potential appreciation of these local currencies.

He says investors should also look for pockets of opportunities or bright spots as well as spread their investments from the local market to the global market.

He recommends a number of funds to take investors to the next level. For investments in the Asia-Pacific, Fu recommends the Asia Pacific Equity Income, AmAsia Pacific REITs, AmDynamic* Bond, AmTactical Bond and AmDynamic* Sukuk.

For those who seek to spread their investments beyond Asia Pacific region, the recommended funds, which are our feeder funds are AmSchroder European Equity Alpha, Global Dividend, US-Canada Income and Growth, Global Multi-Asset Income, Advantage Global Equity Volatility and Precious Metals Securities.

AmInvest is expected to launch at least eight new funds this year. Fu says they cover both global and emerging markets equity and bonds. "These funds will provide useful diversification for investors who are overly exposed to a single market," he says.

Of these, six are fixed income or money market funds in search of income. Earlier in May this year, AmIncome Regular 3 fund was launched. This is a close-ended fund which offers potentially higher returns than fixed deposit rate. Others in the pipeline are Islamic money market funds and wholesale bond funds.

In addition, there will be two new equity funds for diversification – an emerging markets equity fund and a global equity fund.

There is much to look forward to. ■

**The word "Dynamic" in this context refers to the Fund's investment strategy which is active management, not buy-and-hold strategy.*

Brighter outlook for investments in Singapore

Recent data from Singapore shows that its economic performance has improved from the end of 2016, a factor that is expected to boost corporate earnings.

The better outlook can be attributed to a number of factors, including an uptick in global trade and an increasingly buoyant property sector.

External factors seem to feature significantly in this sunny outlook. A "synchronised upturn in economic activity" in the United States, the Eurozone and China has helped to boost Singapore's recovery, according to Lai Yeu Huan, senior portfolio manager at Nikko Asset Management's Asian equity team. Lai is based in Singapore.

"We are optimistic on the Singapore economy," he says.

Lai attributes his optimism to a number of factors, including an improvement in global trade, particularly in the electronics sector.

Lai Yeu Huan
Senior portfolio manager at Nikko Asset Management based in Singapore

"The improvement has so far been largely focused on export-related sectors but we do expect it to broaden out to domestic sectors," he adds. On the domestic front, property transactions have picked up, signalling a more confident outlook on the economy.

Improvements in economic activity have traditionally helped to boost business performance and signs of such improvements are beginning to show. "Earnings expectations for 2017 started off on a low base, and already, we are seeing upgrades following the first quarter results season," Lai says.

Valuations for the Singapore market are still within reasonably low levels. "On a price-to-earnings basis, they are closer to historical average. However, we would still consider this not to be demanding as earnings estimates are on an uptrend," he suggests.

Nikko manages the Singapore Equity Dividend Fund.

The asset manager focuses on three categories of companies when selecting stocks for investments. "First, we want companies that are well-placed to become leaders in the future economic landscape," Lai explains. "They embody what we call the 'New Singapore'."

These are businesses that tend to be in the growth sectors such as logistics, healthcare, food, data and technology.

He says Nikko also likes exporters, especially "those that leverage on the external growth environment". Among those in this category are companies in the technology, industrial and consumer staples sectors.

Companies that are primed for corporate restructuring are also in Nikko's crosshairs. "We believe such exercises will gather pace in 2017 as companies try to capitalise on the improving economic conditions," he says.

Lai also makes it a point to allay concerns arising from rising interest rates. "There are long-term merits in investing in high-dividend stocks," he adds.

On the whole, a rising interest rate is usually seen as a threat to dividend stocks but for Nikko, knowing the reason for such increases is more important.

"In an environment where interest rates are rising because of firmer economic activity, we are less concerned, as stronger economic growth would mean better prospects for earnings and dividends for the stocks that we invest in," Lai expounds.

Over the long term, the Singapore dollar has appreciated against the ringgit, which would have benefited Malaysians who have invested in Singapore. "I would take any weakness in the Singapore dollar against the ringgit as an opportunity to invest in Singapore," he points out.

On Nikko's Singapore Dividend Equity Fund, Lai says the focus is on 'total return'. "To achieve this investment objective, we invest mainly in what we call 'Dividend Anchors' – stocks that not only offer attractive dividend yields but are also likely to be able to repeat these dividends year after year due to their resilient business model and reliable management."

A smaller proportion of the fund is invested in 'Dividend Growers'. These are stocks that are likely to see strong growth in their dividend payments in the near term, thanks to improving earnings and cash flow. ■

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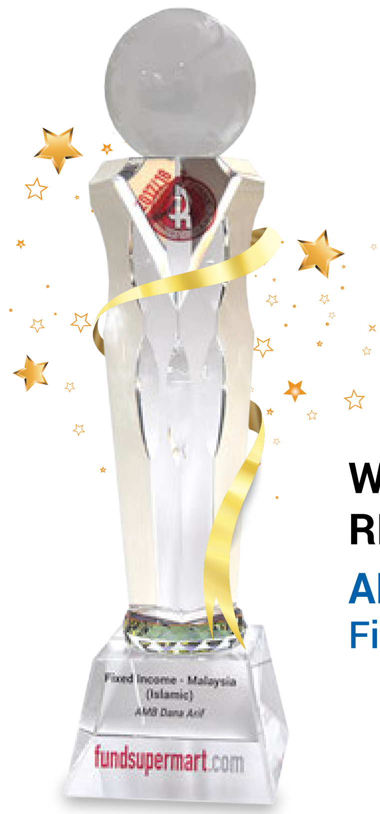

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