



MARKET OUTLOOK

- 📍 In the US, recovery manufacturing activity shows promising outlook with both US and China reducing tariffs. Moreover, a strong labour market, solid income growth and healthy consumer balance sheets should continue to support robust personal consumption growth, thus, serve against recession risks. Inflation risk seems modest. We think the US Federal Reserve (Fed) will want to foster a period of "reflation". This is likely to keep interest rates, both short- and long-term, near current levels for some time.
- 📍 Under the new head, Christine Lagarde, market anticipates rates to remain until end-2021 and no change in policy for some time due to latest stimulus package. In the meantime, European Central Bank (ECB) is currently undergoing strategy review which is expected to be completed by mid-2020. The current inflation mandate of "below but close to 2%" is too vague as ECB forecast that Euro region is likely to show subdued inflation that far below the target through 2022. We could see a more generous interpretation of the Stability and Growth Pact by the European Commission, which would allow Italy and other countries to further ease fiscal policy.
- 📍 China and the US agreed to sign a phase-one trade deal of which China has agreed to increase their agricultural purchases from the US, which includes soybean (feed for pigs) and pork. In addition, China has also announced that they will reduce tariff on 850 items starting 1 January 2020 which includes pork. This should stabilize inflation moving forward and allows for more monetary stimulus.
- 📍 Most ASEAN bourses registered positive returns in December 2019 with the exception of Thailand's Stock Exchange Index (SET) which recorded a marginal fall of 0.7%. Jakarta Composite Index (JCI), FTSE Bursa Malaysia KLCI Index (FBMKLCI), Philippine's Stock Exchange Index (PCOMP), and Singapore's Straits Times Index (STI) increased by 4.8%, 1.7%, 1.0%, and 0.9% MoM respectively.
- 📍 As for our funds allocation, we overweight equity for all portfolios (e.g. 70:30 equity/ fixed income portfolio) instead of neutral 60:40 for moderate risk profile as we think that markets will be supported by a variety of expansive fiscal and monetary policies in 2020. Our annual review process resulted in increased in regional funds together with few existing funds being replaced. Other than RHB GS US, RHB Entrepreneur and Manulife India Equity, remaining 14 funds are new. Similarly for shariah portfolio, besides Aberdeen Standard Islamic World Equity A MYR and Affin Hwang Aiman Asia (ex Japan) Growth MYR, the remaining 11 funds are new.

EQUITY

FBMKLCI gained by 1.7% MoM in December 2019 to close at 1,588.76 points. Looking at the trading participants for the month, both local retailers and institutions were net buyers, buying RM179.3mil and RM1,032.8mil worth of shares respectively. On the other hand, foreign investors were net sellers, selling RM1,212.2mil worth of shares. Year-to-date (YTD), local retailers and local institutions were the net buyers, buying RM2,621.7mil and RM8,517.4mil worth of shares respectively while foreign investors were net sellers, selling RM11,139.0mil.

All sectors in Malaysia recorded positive returns in December 2019. Plantation, property, technology, utilities, energy, construction, industrial products, consumer, healthcare, transport, telecom, and finance all gained by 9.4%, 6.6%, 4.7, 4.4%, 3.3%, 3.0%, 2.1%, 1.1%, 1.1%, 1.1%, and 0.9% MoM respectively. The plantation sector bodes well in December 2019 as a result from palm oil prices continuing its rally due to expectations on India cutting their import taxes on crude and refined palm oil from South East countries.

BONDS

In December 2019, the yields for the Malaysian Government Securities (MGS) for the 3-year, 5-year, 7-year and 10-year decreased by 2bps, 3bps, 2bps and 12bps respectively to close at 2.98%, 3.15%, 3.30% and 3.30% respectively.

COMMODITIES

Crude palm oil gained by 16.1% MoM to close at RM3,041MT in December 2019 compared to RM2,620/MT in November 2019 as stockpiles continue to trend lower as output declined faster than exports and consumption. Nymex (WTI) crude oil rose 10.75% MoM in December, closing at \$61.06/barrel from \$55.17/barrel in November. Gold increased by 3.9% MoM to close at \$1,523.1/Oz in December 2019 as oppose to \$1,465.6/Oz in November 2019.



Commentary

All our model portfolios underperformed in December but closed the year 2019 by outperforming their respective benchmark. Top performing funds for December were RHB Entrepreneur fund and Principal Asia Pacific Dynamic Income fund which gained 5.6% and 2.9% MoM respectively.

Model Portfolio

Portfolio	Asset Allocation	Performance from 18 Apr 2011 to 31 Dec 2019																																																												
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Source : Lipper



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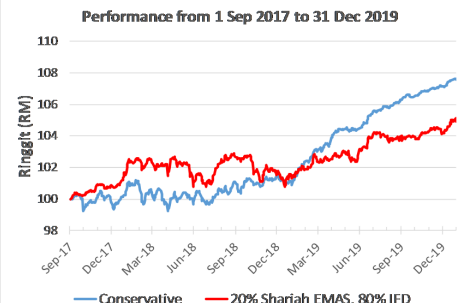
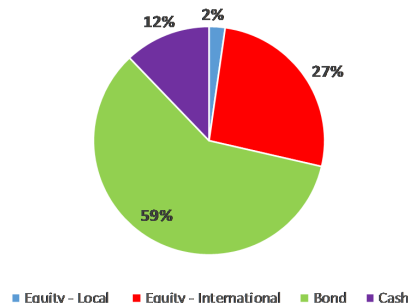
Commentary

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Shariah Model Portfolio

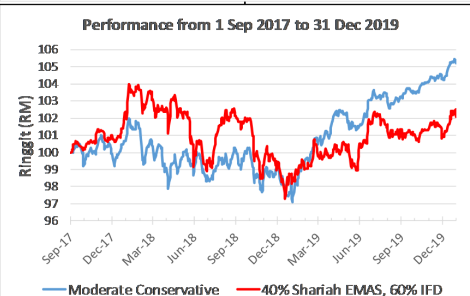
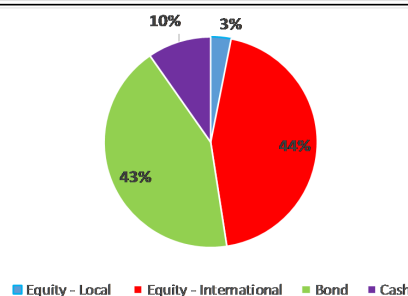
Conservative Portfolio

RHB Islamic Global Developed Markets MYR	5.00%
Aberdeen Standard Islamic World Equity A MYR	7.00%
Eastspring Investment Dinasti Equity	3.00%
Manulife Investment Shariah Asia-Pacific	5.00%
Affin Hwang Aiiman Asia (ex Japan) Growth MYR	4.00%
ASEAN Equity (Satuma)	4.00%
Manulife Shariah Global REITs MYR	2.00%
Amanah Raya Syariah Trust	20.00%
Affin Hwang Aiiman Global Sukuk MYR	20.00%
Maybank Malaysia Sukuk	15.00%
MAMG Global Shariah Income	10.00%
Phillip Master Islamic Cash Fund	5.00%
Total	100.00%



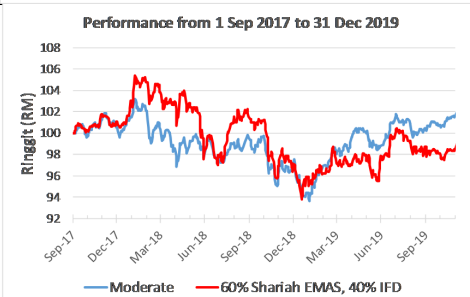
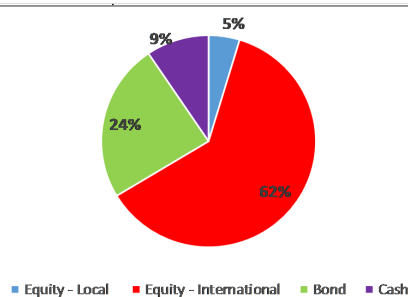
Moderate Conservative Portfolio

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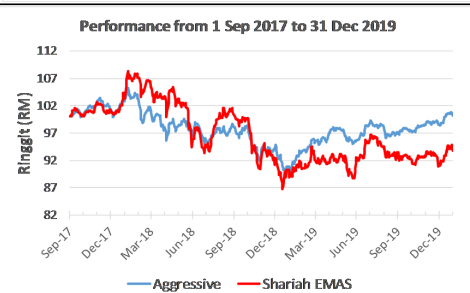
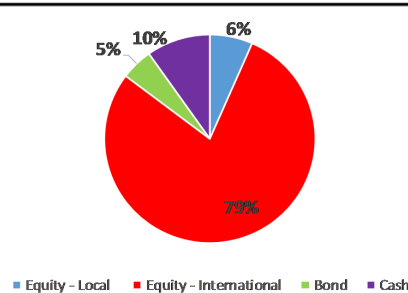
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Moderate Conservative	0.9%	2.0%	7.7%	7.7%	5.2%	Aggressive Portfolio	1.7%	1.8%	10.4%	10.4%	0.2%
Benchmark	1.3%	0.4%	3.4%	3.4%	2.1%	Benchmark	3.1%	-1.5%	3.9%	3.9%	-6.3%

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