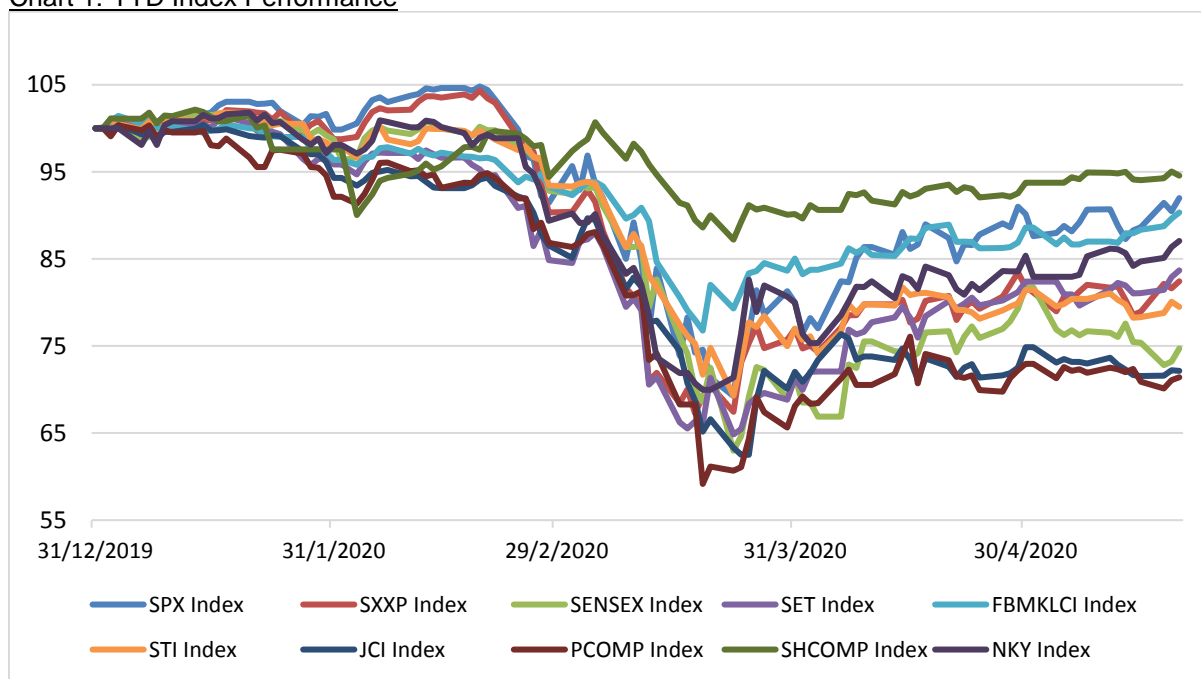


Will Outperformance Continue?

In the past month, the world witnessed a historic fall in global stock markets as countries are battling to curb the spreading of Covid-19 pandemic. Besides the tragic human impact, the implication of such unknown pandemic runs deeply into economic growth. The lockdown imposed has put an abrupt end to the longest economic expansion in US and expected to push the world economy into deepest downturn since the Great Depression of the 1930s. Global pharmaceutical players are rushing to undergo clinical trials in order to expedite vaccine. Markets run on narratives. On Monday (18 May), most of the major markets have temporarily rejoiced after a positive early results for an experimental vaccine in which S&P 500 climbed 3.2%, its best day since early April but later sank 1.1% after a report questioned on the promising results in a virus vaccine study. Most major markets have been trading sideways for about four weeks as investors have been whipsawed by conflicting news regarding possible treatment or vaccine for the virus and respective governments guidance to ease lockdowns (refer chart 1).

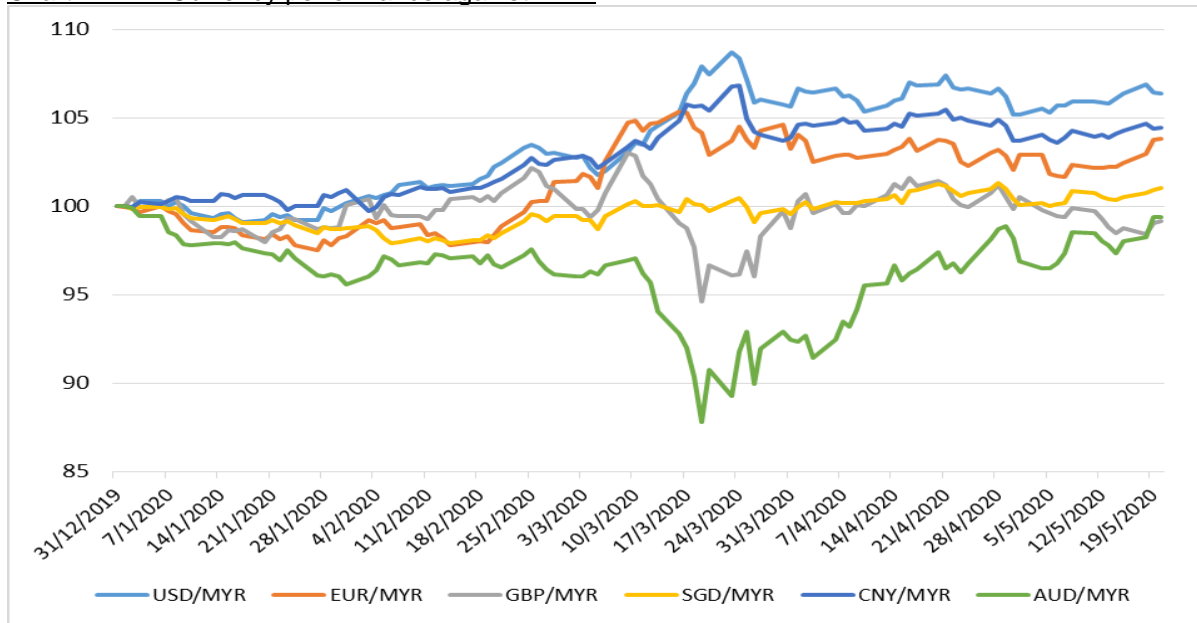
History repeated itself, US Dollar stood out as the currency strengthening amid global economic crisis that led investors to seek safe haven assets over market uncertainties (refer chart 2). Demand for the greenback escalated which propelled the U.S. Federal Reserve to set up new swap lines to lend dollars to other countries' central banks. Such moves are driven by the large amount of dollar-denominated debts that needs to be serviced. As such, we expect the US Dollar to remain strong against Ringgit for the remaining of the year. Other major currencies also strengthened against Ringgit except for British Pound and Australian Dollar.

Chart 1: YTD Index Performance



Source: Bloomberg

Chart 2: YTD Currency performance against MYR



Source: Bloomberg

During these unprecedented times, funds with gold-related exposure dominated the top list as fears and uncertainties of an economic recession due to Covid-19 scare pushed the gold price to surge by 14.4%, reaching more than seven-year high on last Friday (15 May). Refer to table 1, Precious Metals Securities, RHB Gold and General and RHB Gold RM Fund went up by 21.0%, 20.4% and 16.4% respectively on year-to-date (YTD) basis.

China funds also gained traction as the country is expected to spearhead economic recovery in the regional markets as business activities resumed after the lockdown was lifted and aided by responsive policymakers. RHB Shariah China Focus MYR Fund recorded 17.2% growth for YTD. We believe China will be the first country to start to recover as the government managed to tamper down the number of new infected cases significantly while other countries are battling to curb the rising infectious cases. While the virus still raging globally, China will resume their annual 'two sessions' on Friday, 22 May after a two-month delayed which ought to set the tone for policy making that will affect the country's spending and growth. Historically, China has been adamant to achieve its targeted level of growth.

Amid Covid-19 outbreak, technology funds are expected to recover more quickly from other sectors as the funds could ride on the ramping up of industrial revolution to cater to the 'new normal'. Companies are weathering the storm by adopting more agile model which will be the key to ensure business sustainability. On YTD, the best performing technology fund was RHB Global Artificial Intelligence USD Fund which gained by 17.5%. We expect technology-themed funds could be a long-term winner as teleconferencing, teleworking and other technology driven workstyles will become the norm once the pandemic is over. On the manufacturing side as well, companies would need to relocate and onshore some of their facilities strategically through automation.

On the other hand, US dollar credit market could potentially benefit from broaden Federal Reserve's corporate debt-buying program in order to inject more liquidity into the market. Within the fixed income space, this bodes well for Opus USD Fixed Income Fund which rose by 5.6% YTD. We foresee US market will continue to be supported through unprecedented stimulus by the Federal Reserve and policymakers amidst global slowdown.

Meanwhile, post-vaccine economy could lead to a more localised economy amid supply chain reshoring, rise in protectionism as well as higher and new forms of taxation. Some could lead to a new impetus towards alternative energy, renewing infrastructure and accelerated technological change. While markets will continue to examine how the pandemic will affect the longer term outlook for the world economy, we hold our view to remain positive on US and China as well as thematic funds namely gold and technology as per Allocator May Issue. Refer to the table below for the top 5 performing funds across equity, foreign currency denominated, mixed asset and fixed income funds based on Lipper YTD performance. Note that some of the funds mentioned appear lower in our ranking due to higher volatility.

Table 1: YTD Top 5 Performers

Equity Funds				
No	Fund Name	YTD % Growth	PRSB Ranking	PRSB Category
1	Precious Metals Securities	20.96	11/170	Global Equity
2	RHB Gold and General	20.35	3/170	Global Equity
3	RHB Shariah China Focus MYR	17.22	7/22	China Equity
4	United Global Technology MYR	17.16	1/15	Technology
5	RHB Gold RM	16.38	22/170	Global Equity

Foreign Currency Denominated Funds				
No	Fund Name	YTD % Growth	PRSB Ranking	PRSB Category
1	PMB Shariah ASEAN Stars Equity USD	28.85	125/131	Asia Equity
2	RHB Global Artificial Intelligence USD	17.52	8/15	Technology
3	United Global Technology USD	17.17	3/15	Technology
4	United Global Technology SGD H	16.64	6/15	Technology
5	Principal Global Technology USD	16.30	4/15	Technology

Mixed Asset Funds				
No	Fund Name	YTD % Growth	PRSB Ranking	PRSB Category
1	InterPac Dana Safi	10.49	19/124	Malaysia Mixed Asset
2	Affin Hwang Aiiman Balanced	6.12	22/124	Malaysia Mixed Asset
3	Affin Hwang World Series-China Allocation Opp MYR	4.55	11/55	Global Mixed Asset
4	RHB Golden Dragon	4.13	18/124	Malaysia Mixed Asset
5	RHB Smart Income	3.63	80/124	Malaysia Mixed Asset

Fixed Income Funds				
No	Fund Name	YTD % Growth	PRSB Ranking	PRSB Category
1	Affin Hwang Aiiman Global Sukuk MYR	5.90	93/156	Fixed Income
2	Opus USD Fixed Income	5.64	96/156	Fixed Income
3	AmanahRaya Syariah Trust	4.86	2/156	Fixed Income
4	Nomura i-Income	4.77	61/156	Fixed Income
5	RHB China Bond MYR	4.24	105/156	Fixed Income

Source: Lipper and PRSB, as 15th May 2020. In Local Currency.

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