

## Mixed Assets Market Review

On equity front, in the US, reported new daily COVID-19 cases have been on a declining trend since the beginning of the month. That being said, the percentage of positive COVID-19 tests remains above the WHO's recommended limit for reopening in 27 US states. Politically, negotiations on a new COVID-19 relief bill continued to stall in Washington while the official nomination of Donald Trump had been announced for the Republican party's Presidential candidacy. Economically, US manufacturing and service PMIs had beaten expectations with IHS market readings of 53.1 and 54.8 respectively. In terms of monetary policy, the Fed announced a shift to average inflation targeting confirming that monetary policy will remain supportive for the foreseeable future. Overall, the S&P 500 and the NASDAQ rallied to new highs exceeding pre COVID-19 levels by rising 7.2% and 9.7% respectively over the month.

Over in Europe, there was a surge in COVID-19 cases in several countries, including France and Spain, tracing close to levels seen at the height of the pandemic in March and April. European risk assets continued to benefit from the European Council agreement in July to establish a €750 billion European Union (EU) recovery fund. Looking into China, negatives were the escalating US-China tension as the US further added 38 Huawei-affiliated companies to the Entity List and tightened the financial scrutiny over ADRs. Nonetheless, China's economic front continued to draw most of the attention with July's activity data confirming continuous economic recovery albeit moderating momentum. The Caixin manufacturing PMI rose to 53.1 reaching a new high since February 2011. On the other hand, non-manufacturing PMI continued rising steadily into August to 55.2. Overall, both the SHCOMP and SHSZ300 rose 4.5% respectively.

On commodities, Brent and WTI crude continued to post their fourth monthly gains of 4.6% and 5.8% respectively with oil demand driven by expected economic activity recovery while OPEC+ continued with their agreed production cuts on the supply side. CPO prices followed in tandem rising 4.1% for the month. Gold prices started the month strong peaking at \$2,063 but then experienced its worst day decline in 7 years plunging 5.7% to \$1,911. The precious metal then traded sideways closing 1% lower over the month at \$1,967.

Locally, it was a down month for Malaysian equities as the FBMKLCI and FBM100 slide 4.9% and 3.3% respectively in local currency effectively wiping out the previous month's gains. This was attributed to a negative month for the gloves sector which could be due to investors locking in gains amidst rising vaccine news flows. Malaysia's June 2020 unemployment rate declined month-on-month to 4.9% from a record-high of 5.3% in May 2020 as more sectors, including the services industry, reopened due to the implementation of the nation's recovery movement control order (RMCO) to revive the country's economy while curbing the COVID-19 pandemic. The trade balance printed a surplus of MYR25.2 billion in July, up from a surplus of MYR20.9 billion in June. Meanwhile, Bank Negara Malaysia's international reserves amounted to US\$104.2 billion as at July 30, 2020, slightly higher compared with US\$104.0 billion as at July 15, 2020.

On fixed income front, in August, US Treasury (UST) yields climbed higher on vaccine hopes and better-than-expected economic data. The US economy added 1.8 million jobs in July after a strong increase of 4.8 million in June, as the unemployment rate continued to decline from 11.1% in June to 10.2% in July. Meanwhile, the US ISM Manufacturing index rose from 52.6 in June to 54.2 in July (highest since March 2019), boosting optimism over the US' economic recovery. Demand for UST was also dampened by the increased supply of government bonds during the month, to fund the US government's fiscal stimulus plans, as 10-year UST yields climbed from 0.53% as at end-July to 0.72% on 13<sup>th</sup> August.

Towards month-end, demand for UST remained supported by the US Fed's minutes for its July monetary policy meeting, which reiterated policymakers' concerns over the highly uncertain path for US economic recovery, as the ongoing public health crisis poses considerable risks to the medium term outlook. The Fed also announced its new approach to monetary policy, which will likely keep interest rates low for the next few years. Month-on-month (M-o-M), the UST yield curve rose across the board, with 2Y and 10Y UST yields ending the month at 0.13% and 0.70% respectively (end-July: 0.11% and 0.53%).

Locally, the Malaysian Government Securities (MGS) market remained active despite the holiday-shortened month. Buying momentum was driven by investors' expectations of an upcoming interest rate cut after the Malaysian economy contracted by -17.1% year-on-year (y-o-y) in 2Q20 as compared to an expansion of +0.7% y-o-y in 1Q20. Nonetheless, MGS yields subsequently trended higher towards month-end, tracking similar movements in global bond yields. Demand for primary government bond issuances remained healthy, as the 15Y Government Investment Issue (GII) and 20Y MGS auctions (issuance size of RM4.0 billion each) were both oversubscribed by around 1.4 times. M-o-M, 3Y MGS yields fell by 10bps to 1.83%, while 10Y MGS yields rose by 7bps to 2.60% as at end-August.

## Mixed Assets Market Outlook

For equity market, equities are expected to remain volatile as the pace of economic recovery remains fragile and uneven, while COVID-19 still poses a risk. Further escalation of US-China geopolitical tensions ahead of the US presidential elections will also continue to weigh on sentiment. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programs. The local market could remain range-bound, with the glove sector continuing its consolidation mode and growth in other sectors being lackluster. That being said, with the gradual reopening in June, outlook for the second half of the year looks to be better for most sectors.

For fixed income market, the outlook for the US economy continues to be clouded by uncertainties stemming from the pandemic and its negative effect on consumer and business activity. The Fed is expected to keep interest rates low for a prolonged period of time to support the US economy. At the same time, ongoing US-China tensions continue to add to the gloomy growth outlook. Over the near term, given the lingering economic uncertainties, demand for safe haven assets (including UST) may continue to be supported by accommodative monetary policies by global central banks.

Locally, the Malaysian economy is expected to recover gradually in the second half of 2020, further supported by a gradual improvement in global growth conditions; however, the pace and strength of the recovery remain subject to downside risks emanating from both domestic and external factors. Meanwhile, domestic headline inflation remained in the negative region for a fifth consecutive month at -1.3% y-o-y in July (June: -1.9%), bringing the year-to-date average to -0.9%. This was largely driven by lower fuel prices compared to last year, and discounts for household electricity bills. For the full year 2020, average headline inflation is likely to be negative, primarily reflecting substantially lower global oil prices. Therefore, given muted inflationary pressures and continued uncertainties ahead, Bank Negara Malaysia (BNM) is widely anticipated to remain accommodative to support domestic growth, with the central bank assuring that it would utilize its policy levers as appropriate to create enabling conditions for sustainable economic recovery.

## Mixed Assets Fund Strategy

On equity side, we continue to remain selective and prefer sectors that see more resilient growth. We maintain an overweight in tech and exporters due to strong earnings growth and also favour cyclicals and commodity stocks that benefit from China's rebound and improving commodity prices.

On fixed income side, the Fund will continue to invest in a diversified portfolio consisting principally of fixed income securities and other permissible investments.

**FUND OBJECTIVE**

Aims to achieve long-term capital growth through diversified investments in equities and bonds.

**Fund Category/Type**

Balanced / Income & Growth

**Launch Date**

23 April 2004

**Trustee**

CIMB Commerce Trustee Berhad

**Benchmark**

FTSE Bursa Malaysia Top 100 Index (50%) & RAM Quantshop MGS All Index (50%)

**Designated Fund Manager**

Lee Sook Yee

**Sales Charge**

Max 6.50%

**Annual Management Fee**

1.55% p.a.

**Annual Trustee Fee**

0.07% p.a.

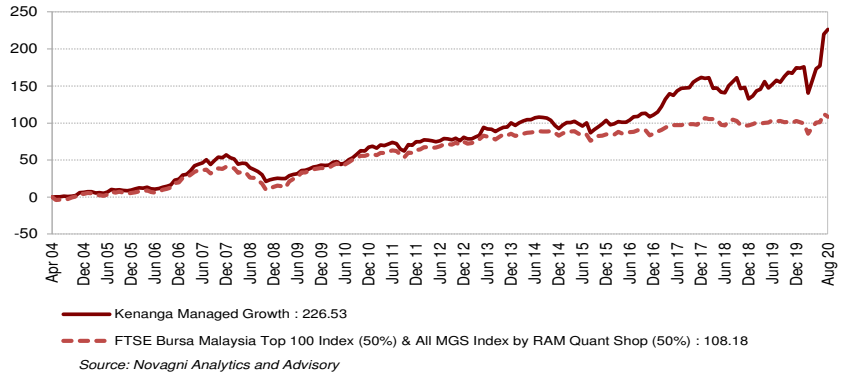
**Redemption Charge**

Nil

All fees and charges payable to the Manager and the Trustee are subject to the goods and services tax /sales and services tax/other taxes of similar nature as may be imposed by the government or other authorities from time to time.

**FUND PERFORMANCE (%)**

**% Cumulative Return, Launch to 31/08/2020**



**CUMULATIVE FUND PERFORMANCE (%) #**

Period	Fund	Benchmark
1 month	1.97	-1.93
6 months	18.37	4.42
1 year	28.08	2.67
3 years	32.05	4.77
5 years	74.67	18.14
Since Launch	226.53	108.18

# Source: Novagni Analytics and Advisory ; Lipper, 31 August 2020

**CALENDAR YEAR FUND PERFORMANCE (%) #**

Period	Fund	Benchmark
2019	17.86	3.03
2018	-10.99	-2.89
2017	24.04	9.16
2016	3.59	0.46
2015	5.86	0.99

**DISTRIBUTION HISTORY \***

Date	Gross Distribution		
	RM	Yield (%)	Unit Split
16-May-16	7.92 sen	9.07%	-
30-Mar-06	4.21 sen	8.00%	-

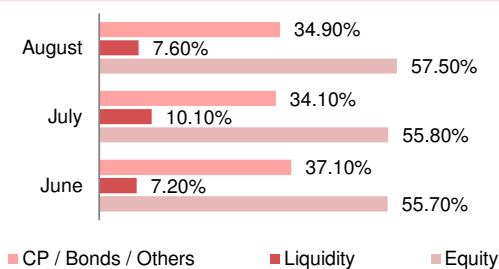
**HISTORICAL FUND PRICE \***

	Since Inception	Date
Highest	RM 1.2955	6-Aug-20
Lowest	RM 0.4677	24-Aug-04

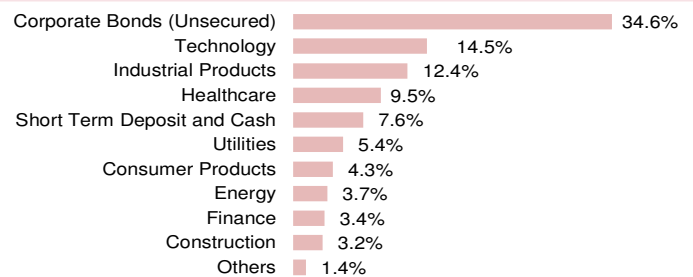
**FUND SIZE \***  
RM 14.85 million

**NAV PER UNIT \***  
RM 1.2881

**ASSET ALLOCATION (% NAV) \***



**SECTOR ALLOCATION (% NAV) \***



**TOP EQUITY HOLDINGS (% NAV) \***

1	KOSSAN RUBBER INDUSTRIES BHD	4.21%
2	FRONTKEN CORP BHD	3.53%
3	PENTAMASTER CORP BHD	3.40%
4	GREATECH TECHNOLOGY BHD	3.24%
5	MEGA FIRST CORP BHD	2.81%

**TOP FIXED INCOME HOLDINGS (% NAV) \***

1	TNB NORTHERN ENERGY BHD 4.72 20341129	7.81%
2	CIMB GROUP HOLDINGS BHD 4.88	7.10%
3	FORTUNE PREMIERE S/B 3.90 20241217	6.99%
4	IJM LAND BHD 5.73	3.92%
5	DRB-HICOM BHD 4.55 20241212	2.75%

\* Source: Kenanga Investors Berhad, 31 August 2020

Based on the fund's portfolio returns as at 10 August 2020, the Volatility Factor (VF) for this fund is 15.29 and is classified as "High". (Source: Lipper). "High" includes funds with VF that are above 13.725 and less than or equal to 16.675 (source: Lipper). 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. The Master Prospectus dated 29 March 2019 and the Supplemental Prospectus (if any), its Product Highlights Sheets ("PHS") or Supplemental Disclosure Document ("SDD") (if any) have been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. The fund fact sheet has not been reviewed by the SC. A copy of the Master Prospectus, Supplemental Prospectus (if any), SDD (if any) and the PHS are obtainable at our offices. Application for Units can only be made on receipt of application form referred to in and accompanying the Master Prospectus and/or Supplemental Prospectus (if any), SDD (if any) and PHS. Investors are advised to read and understand the Master Prospectus, its PHS and any other relevant product disclosure documents involved before investing. Investors are also advised to consider the fees and charges before investing. Unit prices and distributions may go down as well as up. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV. Where a unit split is declared, investors should note that the value of their investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. A Fund's track record does not guarantee its future performance. Investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units. "Cooling-Off Period" or "Cooling-Off Right" is not applicable to EPF Member Investment Scheme (EPF MIS). Kenanga Investors Berhad is committed to preventing Conflict of Interest between its various businesses and activities and between its clients/directors/shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived Conflict of Interest by making disclosures to Clients, where appropriate. The Manager wishes to highlight the specific risks of the Fund are stock specific risk, credit and default risk, interest rate risk, reinvestment risk, counterparty risk and derivative risk.