

### RHB SMART BALANCED FUND

This Fund aims to maximize total returns through a combination of long term growth of capital and current income consistent with the preservation of capital through a combination of investments in companies with market capitalization of not more than RM1 billion and investments in fixed income securities.

#### INVESTOR PROFILE

This Fund is suitable for Investors who:

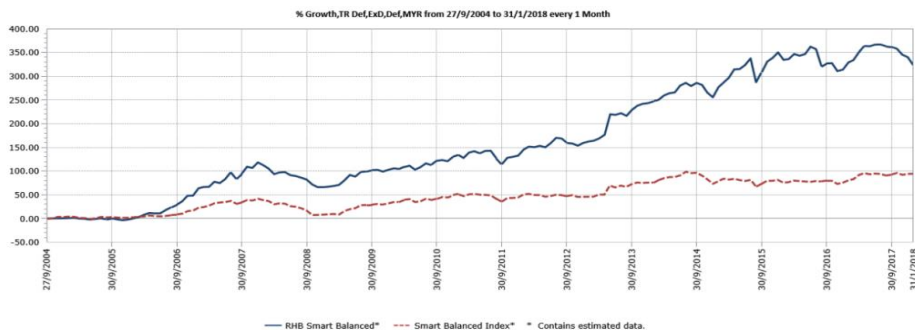
- willing to accept moderate risk in their investments in order to achieve long term capital growth and income.

#### INVESTMENT STRATEGY

- 40% - 60% of NAV: Investments in securities of companies with market capitalization of not more than RM1 billion.
- 40% - 60% of NAV: Investments in fixed income securities, money market instruments, cash and deposits with financial institutions.

#### FUND PERFORMANCE ANALYSIS

##### Performance Chart Since Launch\*



##### Cumulative Performance (%)\*

|           | 1 Month | 3 Months | 6 Months | YTD   |
|-----------|---------|----------|----------|-------|
| Fund      | -3.81   | -7.55    | -9.40    | -3.81 |
| Benchmark | 0.23    | -0.84    | 0.02     | 0.23  |

|           | 1 Year | 3 Years | 5 Years | Since Launch |
|-----------|--------|---------|---------|--------------|
| Fund      | -1.50  | 12.19   | 60.77   | 322.80       |
| Benchmark | 7.37   | 8.60    | 33.51   | 94.56        |

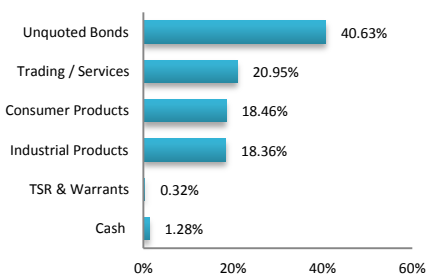
##### Calendar Year Performance (%)\*

|           | 2017  | 2016  | 2015  | 2014  | 2013  |
|-----------|-------|-------|-------|-------|-------|
| Fund      | 6.13  | -7.85 | 26.34 | 3.46  | 32.22 |
| Benchmark | 10.08 | -3.04 | 4.86  | -1.12 | 20.40 |

Source: Lipper IM

#### FUND PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Top Holdings (%)\*

|                                     |       |
|-------------------------------------|-------|
| MEX II SDN BHD 6.2% (29/04/2032)    | 10.69 |
| BAHRAIN MUMTALAKAT 5.35% (30/04/18) | 9.02  |
| ALPHA CIRCLE 5.30% (23/02/2021)     | 9.02  |
| UNITED U LI CORPORATION             | 7.45  |
| MEX II SDN BHD 6.0% (29/04/2030)    | 4.82  |

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

|      | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 1.2153  | 1.2993    | 1.3669       |
| Low  | 1.1676  | 1.1676    | 0.4557       |

Source: Lipper IM

##### Historical Distributions (Last 5 Years) (Net)

|             | Distribution (sen) | Yield (%) |
|-------------|--------------------|-----------|
| 22 Mar 2017 | 3.3500             | 2.71      |
| 28 Mar 2016 | 9.0200             | 6.96      |
| 15 Apr 2015 | 8.0000             | 6.57      |
| 31 Mar 2014 | 7.5000             | 6.63      |
| 31 Mar 2013 | -                  | -         |

Source: RHB Asset Management Sdn. Bhd.

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### MANAGER'S COMMENTS

#### MARKET REVIEW

##### Equity

For the month of January 2018, global equity did well despite 10-year US treasury yields climbing sharply from 2.4% to 2.7% in January 2018. Global equity markets started the year in 2018 rising 5.6% during the month. Rising 2018 EPS growth expectations and synchronized growth are driving a strong risk-on sentiment across the world. Meanwhile, Asia Ex-Japan equities (+7.5%) were primarily driven by the surge in Chinese equities (+12.5%) as Q4 GDP growth of 6.8% YoY as well as the trade surplus beat estimates. Semiconductor foundries, led by index heavyweight TSMC (+13.0%), propelled Taiwan (+7.6%) on anticipation of strong demand for high-end chips from cryptocurrency market players.

The FBMKLCI started the year strong up +3.99% on the back of heightened foreign interest in the market. Foreign investors were net buyers and bought RM3.4bn worth of shares in January 2018. Average market volume for the month surged to RM4b.5n shares/day vs last year's average daily of 2.5bn shares. BNM announced a 25bps OPR hike on 25 January 2018 and banking sector were viewed as the beneficiaries from rising interest rate. Meanwhile, the ringgit hit a new high since April 2016 at 3.8890 while the FBMKLCI reached a near 3-year high of 1,870 points on 29th January 2018. The local bourse rallied in tandem with regional markets which all ended on a strong positive note at month end.

##### Fixed Income

US Treasury ("UST") yields elevated higher during the month of January 2018 as major economic data were stronger than anticipated and these have somewhat resulted in the market re-evaluating the risks ahead by adjusting higher rates as shown in UST yields action. Market is currently pricing in more than 90% probability of the first rate hike of the year in this upcoming Federal Open Market Committee ("FOMC") meeting in March 2018. With inflation expectations adjusting higher, UST yields curve bear-steepened with the longer curve of 10-year and 30-year UST grinding higher at about 30 basis points and 20 basis points accordingly compared to previous month's closing. At the end of January close, the 2-, 5-, 10- and 30-year UST were last traded at 2.141% (December-2017: 1.883%), 2.514% (2.206%), 2.705% (2.405%) and 2.935 (2.739%) respectively

On the local economic data, Malaysia's Consumer Prices Index ("CPI") rose 3.5% in December 2017 from a year ago as expected by the consensus due to higher transport and food costs. CPI changes for the year registered an increase of 3.70% while the core inflation which excludes most volatile items of fresh food recorded 2.60% which is at the higher band of BNM monitoring. The Statistics Department said among the major groups which recorded increases in December were the indices for transport (+11.5%), food and non-alcoholic beverages (+4.1%), restaurants and hotels (+2.6%), household equipment (+2.4%), health (+2.3%) and housing, water, electricity, gas and other fuels (+2.2%). The index of transport group showed a significant increase of 11.5% in December 2017, after rising 10.8% in November 2017. The average price of one litre of RON95 petrol was RM2.27 in December 2017 compared to RM1.90 a year ago. As for RON97, the average price increased to RM2.55 in November 2017 from RM2.25 a year ago. On the other note, Producer Price Index ("PPI") for local production rose by 0.3% on a year-over-year basis in December 2017 compared to the 4.3% increased registered in November 2017. Nonetheless, the average PPI for the year increased by 6.7% as compared to the same period in 2016. The higher PPI was contributed by the increases in index for four sectors namely Mining (+24.7%), Agriculture, forestry and fishing (+7.0%), Manufacturing (+5.3%) and Electricity and gas supply (+1.9%).

#### MARKET OUTLOOK AND STRATEGY

##### Equity

The synchronised growth in the major developed countries will continue to support global growth, which will eventually flows to Asia as well, in the form of export growth. Monetary policy will remain in accommodative mode to support growth amidst the unsynchronised monetary policy stance by the developed economies. The United States of America ("U.S.") economy continued to show strength, with growing employment and wages. The sharp increase in the 10-year US Treasury yield created fear among investors on the pace and quantum of the US interest rate hike. European Union economic growth has been broad based, with low unemployment rate, while its monetary policies remains accommodative. Japan's growth continued to be supported by financial stimulus, while China's growth remains resilient.

Domestically, Malaysia's economic growth will remain robust supported by improving global growth and domestic demands. The positive economic backdrop will provide support for the equity market going forward, in addition to its undemanding valuation. In addition, the improvement of corporate earnings from its last two years of negative growth, strong domestic liquidity, stable Ringgit and an impending general election would continue to be supportive of the equity market.

In terms of strategy, stock selections have become more important in the current market condition. We will continue to focus in value investing. Some of the factors that we look for in companies includes long term earnings visibility, derived from unique product offerings, capacity expansion or new market expansions, besides of their strong balance sheet, cashflows and attractive valuations that will benefit the fund in the longer term.

##### Fixed Income

As the year started, we continue to see a strong momentum in equity markets, rising energy and commodity prices, continuation of dollar weakness, broader increase in global rates and higher market-based inflation expectations. With improving financial conditions, expectation is for the investment and productivity growth could prove stronger than what is currently being anticipated and consequently the risks to near-term global growth, inflation and monetary policy rates appearing to be tilted slightly to the upside.

On the other hands, financial markets also somewhat being seen to be pricing in higher monetary policy rates for this year which is in line with rising inflation expectations and some hawkish commentary from the European Central Bank ("ECB"), Riksbank and Reserve Bank of Australia ("RBA"). We continue to expect a more broad-based monetary tightening across Advanced Economy ("AE") with modest policy changes for Bank of Japan ("BOJ") and ECB as these two central banks remain more focused on the downside risks for inflation.

Back home in Malaysia, BNM's 25 basis points increment in OPR to 3.25% in the last MPC meeting in January was widely expected by economists and market participants. The MPC suggests it acknowledged a more entrenched and synchronized global growth which appears to be more balanced compared to the previous MPC meeting. In term of inflation assessment, BNM is expecting the headline to average lower in 2018 from 3.70% recorded in year 2017. A stronger MYR will lend support to mitigate import costs and hence imported inflation. Overall, we believe the MPC's decision to hike a 25 basis points as accommodative and more in tune of normalizing monetary conditions rather than a start of tightening interest rates. Therefore, future policy action will broadly depending on the incoming data as well as trajectory of global monetary conditions as MPC continue to assess the balance of risks of growth and inflation.

In term of strategy, we are neutral on duration with mildly bullish on domestic space with the expectation that local demand dynamics tend to prevail in 1Q 2018. As part of asset allocation strategy, we continue to overweight credit over government bonds for yield pick-up despite higher risk free rates as corporate credits should have better credit strength given better GDP rates. Nonetheless, we will continue to advocate on dip buying of government securities should the opportunity arises.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 15 January 2018, the Volatility Factor (VF) for this fund is 12.3 and is classified as "Very High". (source: Lipper) "Very High" includes funds with VF that are more than 10.6 (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 VC referred to was dated 31 December 2017 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2018.

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 dated 15 June 2017 and its supplementary(ies) (if any) ("the Master Prospectus") before investing. The Master Prospectus has 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. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Master Prospectus relates will only be made on receipt of a form of application referred to in the Master Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Master Prospectus or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks of the Fund are liquidity risk of underlying investments, credit risk and inflation/purchasing power risk. These risks and other general risks are elaborated in the Master Prospectus.

This factsheet is prepared for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Past performance is not necessarily a guide to future performance. Returns may vary from year to year.

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