RHB Asset Management

FUND FACTSHEET – FEBRUARY 2018

All data expressed as at 31 January 2018 unless otherwise stated

3-year Fund Volatility 7.3 moderate Lipper Analytics 15 JAN 2018

RHB SMART INCOME FUND

This Fund aims to provide investors with higher than average income returns compared to fixed deposits over the medium to long term period through an investment blend comprising primarily of quality fixed income securities and with the remaining investments in a strategically selected portfolio of companies with market capitalisation of not more than RM1 billion.

INVESTOR PROFILE

This Fund is suitable for Investors who:

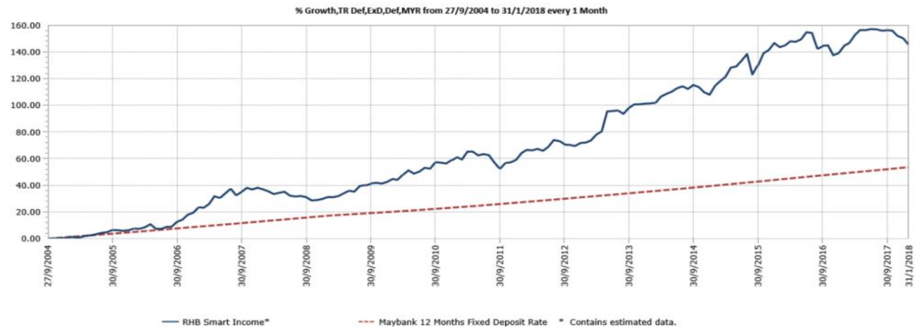
- are conservative;
- seek a steady income stream from their investments; and
- have a low to moderate risk tolerance with a medium to long term investment horizon.

INVESTMENT STRATEGY

- 70% - 100% of NAV: Investments in fixed income securities, money market instruments, cash and deposits with financial institutions.
- 0% - 30% of NAV: Investments in securities of companies with market capitalization of not more than RM1 billion.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-1.92**	**-4.20**	**-4.58**	**-1.92**
Benchmark	0.26	0.78	1.56	0.26

	1 Year	3 Years	5 Years	Since Launch
Fund	**0.32**	**14.22**	**42.33**	**145.19**
Benchmark	3.09	9.90	17.00	53.58

Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	**4.63**	**-3.12**	**18.55**	**3.29**	**17.16**
Benchmark	3.09	3.21	3.30	3.20	3.15

Source: Lipper IM

FUND DETAILS

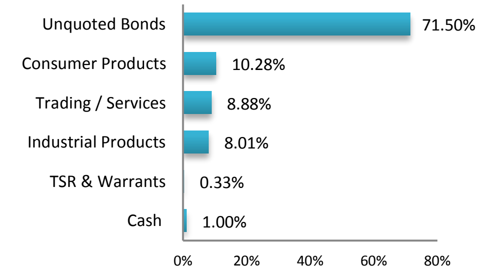
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Bond Fund
Fund Type	Income Fund
Launch Date	07 September 2004
Unit NAV	RM0.6798
Fund Size (million)	RM58.00
Units In Circulation (million)	85.31
Financial Year End	31 March
MER (as at 31 Mar 2017)	1.68%
Min. Initial Investment	RM200.00
Min. Additional Investment	Any amount
Benchmark	12-month FD rate by Maybank Bhd
Sales Charge	Up to 2.00% of investment amount*
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	0.07% p.a. of NAV*
Switching Fee	3% of redemption proceeds*
Redemption Period	Within 10 days after receipt the request to repurchase
Distribution Policy	Annually, if any

**The implementation of GST will be effective from 1 April 2015 at the rate of 6% and the fees or charges payable is exclusive of GST.*

**For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

BRIGHT FOCUS BHD 2.5% (24/01/2030)	15.05
MEX II SDN BHD 6.0% (29/04/2030)	13.80
MUAMALAT IMTN 5.50% (25/11/2021)	9.59
ALPHA CIRCLE 5.30% (23/02/2021)	8.62
UNITED U LI CORPORATION	4.94

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.6931	0.7221	0.7571
Low	0.6798	0.6798	0.4902

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
20 Apr 2017	1.4000	1.95
28 Mar 2016	5.7100	7.88
15 Apr 2015	5.2000	7.41
31 Mar 2014	5.0000	7.18
31 Mar 2013	3.9000	6.00

Source: RHB Asset Management Sdn. Bhd.

RHB SMART INCOME FUND

This Fund aims to provide investors with higher than average income returns compared to fixed deposits over the medium to long term period through an investment blend comprising primarily of quality fixed income securities and with the remaining investments in a strategically selected portfolio of companies with market capitalisation of not more than RM1 billion.

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.

RHB Asset Management Sdn Bhd (174588-x) **Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur** **General Line: 603-9205 8000**