

### 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:

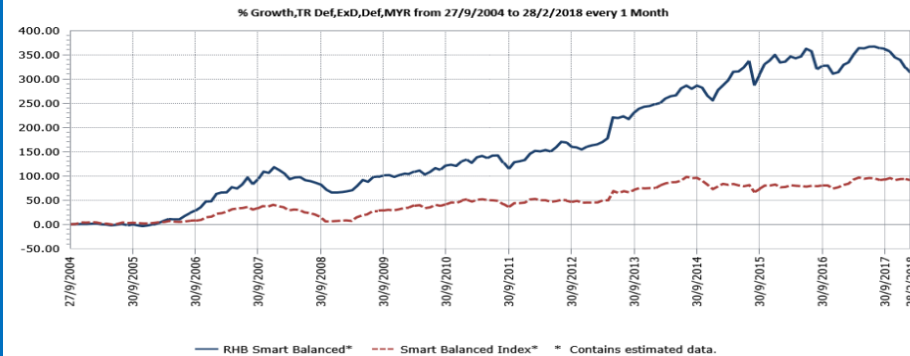
- willing to accept moderate risk in their investments in order to achieve long term capital growth and income.

#### 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      | -2.48   | -7.34    | -10.96   | -6.20 |
| Benchmark | -1.12   | 0.11     | 0.58     | -0.89 |

|           | 1 Year | 3 Years | 5 Years | Since Launch |
|-----------|--------|---------|---------|--------------|
| Fund      | -5.04  | 6.74    | 55.76   | 312.30       |
| Benchmark | 4.79   | 4.43    | 31.96   | 92.39        |

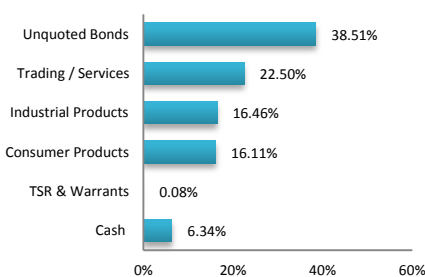
##### Calendar Year Performance (%)\*

|           | 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) | 12.00 |
| ALPHA CIRCLE 5.30% (23/02/2021)  | 10.13 |
| UNITED ULI CORPORATION           | 5.81  |
| MEX II SDN BHD 6.0% (29/04/2030) | 5.40  |
| AJINOMOTO MALAYSIA BHD           | 4.12  |

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

|      | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 1.1676  | 1.2993    | 1.3669       |
| Low  | 1.1233  | 1.1233    | 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.

## RHB SMART BALANCED FUND

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### MANAGER'S COMMENTS

#### MARKET REVIEW

##### Equity

Global equities witnessed a broad-based selloff in February 2018, registering its weakest month in two years despite a partial recovery in the second half of the month. Rising inflation expectations and bond yields in the United States ("U.S.") (10yr U.S. Treasury yields up from 2.7% at the start of the month to 2.9%) wreaked havoc on global equities that had been experiencing lofty sentiments, as volatility skyrocketed. U.S. Federal Reserve Chair Jerome Powell's optimistic views left market participants anticipating a faster pace of rate hikes in the US and debating the possibility of 4 rate hikes during 2018.

The benchmark FTSE Bursa Malaysia Kuala Lumpur Index ("FBMKLCI") started the month on a weak footing as the benchmark index tracked the sell-down in global markets earlier in the month on 5th February 2018. The FBMKLCI dipped -2.2% on the day. However, market recovered steadily, in line with the rebound in global indices. For the remainder of the month, market held steady trading range-bound ending the month in the red, declining by -0.66% in line with most regional markets.

##### Fixed Income

US Treasury ("UST") yields continue to drift higher during the month of February 2018 as market participants were caught surprised by better than expected jobs report at the early part of the month while the affirmation of a hawkish Federal Open Market Committee ("FOMC") minutes further saw the benchmark 10-year UST yield rose to its high of 2.95% for the first time in four years. With market already pricing in the first hike of the year in this upcoming FOMC meeting in March 2018, UST yields curve steepened with the longer curve of 10-year and 30-year closed higher at about 16 basis points and 19 basis points accordingly compared to previous month's closing. At the end of February close, the 2-, 5-, 10- and 30-year UST were last traded at 2.250% (January-2018: 2.141%), 2.640% (2.514%), 2.861% (2.705%) and 3.124% (2.935%) respectively.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") for January 2018 increased by 2.7% as compared to the corresponding month of the preceding year and was slightly below consensus estimate of 2.8%. The increase in the index was due to higher prices in all ten main groups led by the transport group which increased at 5.7% followed by food and non-alcoholic beverages at 3.8% while the other groups recorded around 2%-3% incremental in prices. On a monthly basis, CPI rose by 0.3% as compared to December 2017. As a general observation, retail pump prices rose at a modest 0.5% in January despite higher crude oil prices providing some relief to the household. Aside from energy, other components of the basket were broadly benign although food prices were higher possibly due to season factors ahead of the Lunar New Year. On the other note, Malaysia's trade surplus narrowed more than expected in December 2017 as exports moderated more sharply than imports. The trade surplus recorded RM7.3 billion compared to consensus estimate of RM9.3 billion, the lowest since May 2017. Sequential fall in exports were partly reflecting moderation in electrical and electronics ("E&E") momentum and the impact of stronger Malaysian Ringgit ("MYR"). Going forward, expectation is for the E&E exports to continue to be moderated but not to the sharp slowdown as external demand may remain supportive amidst projected acceleration in global growth.

#### MARKET OUTLOOK AND STRATEGY

##### Equity

We are still positive on the Malaysia equity market outlook due to the following reasons i.e global growth will be sustained in 2018 supported by synchronized expansions in major economies like the United States, European Union, Japan and China. Global monetary policies will still remain accommodative, despite un-synchronized monetary tightening plans in place. Gradual improvement in global growth and trades will benefit The Association of Southeast Asian Nations ("ASEAN") economies, through better exports, and eventually domestic demands.

Domestically, Malaysia's economic growth is expected to be around 5.0%-5.5% supported by resilient domestic demands, investments and external demand. The positive economic backdrop will continue to be supportive of the equity market in 2018. In addition, strong domestic liquidity, stable Ringgit, undemanding valuation and an impending general election are also catalysts for the market to perform better.

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

At the start of the year, we have noted on the upside risks to the global growth, higher market-based inflation expectation and the broader increase in global rates brought about by policy rate hikes. As the year just cruising on its second month of the year, we have seen several upside surprises in term of inflation, rising market interest rates and the first significant correction in equity markets since early 2016. These developments have somewhat indicatively exhibit jittery reaction level of financial markets in adjusting to tighter monetary conditions.

Since the start of the year, the weighted-average Advanced Economy ("AE") 10-year sovereign bond nominal yields have risen by around 45 basis points. The increase in yields across AEs was very broad with US yields rose by almost 60 basis points, Eurozone and United Kingdom ("UK") yields up at around 50 basis points with exception to Japan due to its yield-targeting policy which saw yields rose only by 10 basis points. In most cases, the longer-term yields rose more than the shorter-term with spreads widening since end of November 2017. Several observers have related the recent rise in market interest rates to a rise in inflation. For instances, the Eurozone core inflation appears to have bottomed out as it rose to 1.2% year-over-year in January 2018. Additionally, with the Fed's reduction of its Treasury holdings, the fiscal stimulus will also lead to the additional USD500 billion in net Treasury bills issuance in 2018 which will presumably putting upside pressure on the market interest rate.

Malaysia's fourth-quarter GDP for 2017 registered a solid growth of 5.9%, bringing the full year GDP to 5.9% which is above official forecast of 5.2%-5.7%. The strong GDP number justifies monetary normalization decision by Bank Negara Malaysia ("BNM") in their last Monetary Policy Meeting ("MPC"). Going forward, we foresee Malaysia's growth to remain resilient but may trend lower than last year's sterling growth. While the domestic consumption shall sustain aided by generous cash transfers in the Budget, tech export may moderate lower from a higher base recorded last year. With inflation assessment expected to average lower in 2018 and a stronger MYR supports lower imported inflation, we are in a view that the current policy rate is still accommodative to the economy as MPC continue to assess the balance of risks in growth and inflation.

In term of strategy, we remain neutral on duration while mildly bullish in domestic bonds with the expectation that local demand dynamics to remain healthy and exceeding supply 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 because we see improving credit profile in corporates in certain sectors thanks to sterling GDP performance to date. That said, we continue to be vigilant in monitoring the bond market and any significant sell off could be an opportunity to buy bonds especially government securities as we do not see significant hikes in Overnight Policy Rate (OPR) further from here.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 15 February 2018, the Volatility Factor (VF) for this fund is 12.1 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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