RHB Asset Management

FUND FACTSHEET – APRIL 2018

All data expressed as at 31 March 2018 unless otherwise stated

3-year Fund Volatility 12.2 very high — Lipper Analytics 15 MAR 2018

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.

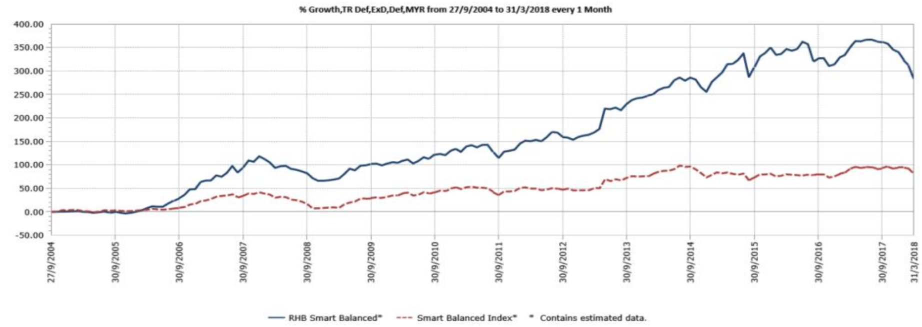
INVESTMENT STRATEGY

• 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	**-6.99**	**-12.76**	**-16.94**	**-12.76**
Benchmark	-6.22	-7.06	-6.44	-7.06

	1 Year	3 Years	5 Years	Since Launch
Fund	**-14.94**	**-3.41**	**42.22**	**283.47**
Benchmark	-6.24	-1.01	19.94	80.41

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 DETAILS

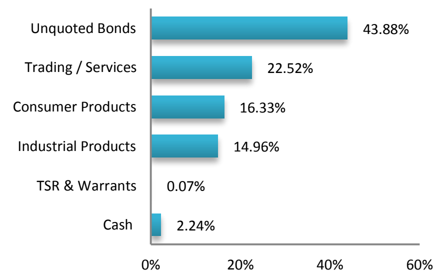
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Balanced Fund
Fund Type	Income and Growth Fund
Launch Date	07 September 2004
Unit NAV	RM1.0043
Fund Size (million)	RM43.01
Units In Circulation (million)	42.83
Financial Year End	31 March
MER (as at 31 Mar 2017)	1.68%
Min. Initial Investment	RM200.00
Min. Additional Investment	Any amount
Benchmark	50% FBM Small Cap Index + 50% 12-month FD rate by Maybank Bhd
Sales Charge	Up to 5.26% of investment amount*
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.07% p.a. of NAV*
Switching Fee	None
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 (%)*

ALPHA CIRCLE 5.30% (23/02/2021)	11.63
MEX II SDN BHD 6.2% (29/04/2032)	8.76
MEX II SDN BHD 6.0% (29/04/2030)	6.19
BANK MUAMALAT (M) BHD 5.8% (15/06/2026)	4.68
GENM CAPITAL BHD 4.98% (31/03/2027)	4.67

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.1386	1.2993	1.3669
Low	1.0019	1.0019	0.4557

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
22 Mar 2018	5.5000	4.43
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

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Equity

Global stock markets came under pressure in March 2018 on fears over escalating trade tensions. The selling has been stirred by the United States ("U.S.") President Trump's announcement that tariffs of United States Dollar ("USD") $60bn would be imposed on Chinese imports. Japan's Nikkei 225 index suffered the steepest declines. Large exporters play a significant part in the Japanese economy and there are concerns that they could be caught up in any U.S.-China trade war. Elsewhere, China and Hong Kong equities have unsurprisingly also borne the brunt of the selling pressure. Eurozone and United Kingdom equities have escaped the worst of the selling. European Union, and others including Canada and Mexico, will be exempt from the new tariffs being applied by the U.S. on steel (25%) and aluminium (10%). The technology supply chain is probably the most global and any trade tariff or restrictive trade practices are likely to be prima facie negative. Hence, for the month of March 2018, technology sector was heavily sold down.

Our local benchmark, FTSE Bursa KLCI ("FBMKLCI") outperformed amid broader market weakness. This was largely driven by bigger capitalisation banks (Public Bank and Maybank) and bigger capitalisation consumer products like Nestle which were sought after by foreigners and locals. The broader smaller and middle capitalisation market has suffered from risk aversion amid risk of trade war and election uncertainty. The FBMKLCI started the month weak, after Donald Trump announced the steel and aluminum import tariff decision but rebounded in 12th March 2018, buoyed by consumer and oil and gas stocks as concerns on trade war waned. However, concerns over increased trade protectionism on the sudden dismissal of U.S. Secretary of State, Rex Tillerson who is a free trade advocate led the local benchmark to decline on 15th March 2018 (-0.63%). The market recovered on continuous foreign buying over the next few days. At the end of the month, the index closed slightly higher by +0.39%.

Fixed Income

US Treasury Bond ("UST") yields whipsawed throughout most of the month of March 2018 before bull flattening toward the month end as market participants were dealing with a stellar non-farm payroll (NFP) report of 313k vs 239k for the previous month, but were buffeted by talks of a possible trade war stemming from the Trump administration's announcement of imposing tariffs of 25% on steel and 10% on aluminum. These coupled with quarter end buying led treasuries to bull flatten massively toward the end of the month. At the end of March close, the 2-, 5-, 10- and 30-year UST were last traded at 2.266% (Feb-2018: 2.25% +1bp), 2.562% (2.64%; -8bps), 2.74% (2.861%; -12bps) and 2.97% (3.124%; -15bps) respectively.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") for February 2018 was flat month on month, printing at 1.4% YoY vs 2.7% previous month and below consensus estimates of 1.9%. The benign inflation reading was reflected in all 10 of the 12 main groups where seasonality factors due to the lunar New Year holiday pass through was less than expected. Transport and Clothing costs led the decline at -0.3% YoY and -0.7%YoY respectively. Alongside a 2.8% fall in RON95 prices in the first 21 days of March, headline inflation could remain modest at 1.5% in March, and stay below 2% in Apr. Assuming relatively stable pump prices, headline inflation could remain below 3% through June. The dovish tone of the March Monetary Policy Committee ("MPC") meeting, alongside the data reiterate our view that there will be no further rate hikes for the rest of this year.

MARKET OUTLOOK AND STRATEGY

Equity

With the U.S. midterm elections scheduled for November 2018, there is an increased incentives for President Trump to deliver on his campaign pledges, therefore, there can be more newsflows to come, which may not be economically driven. Presently, President Trump has ordered the US Trade Representative to propose a list of product tariff increases and to consider further tariffs on goods from China, raising concerns over global trade tensions. In a globalised world, trade tensions will not benefit any nations.

Domestically, the key event in April will be the 14th general election (GE14), and generally polling will take place after two to three weeks once the dissolution of the Parliament happens. In the short term, sentiments can be driven by newsflows, however, most importantly, the economic fundamentals are strong, and will be the catalyst for corporates earnings to improve further in the longer term.

In terms of strategy, stock selections have become more important in the current market condition. The present broad market weakness presents accumulation opportunity but caution and patience are required. 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

On the Malaysian front, there has not been much of a follow through impact from the overall selloff in US treasuries and global government bonds for the past month. Instead, 10 and 15-year MGS were well bid up on several occasions which was in contrast to the price action in US treasuries. 10-year MGS was still trading at 3.90% yield despite US 10-year having reached 2.85% (+51bps for the past 3 months). We believe that the quantum of the overall selloff may not follow the magnitude seen in treasuries as Malaysia there is still ample liquidity within the Malaysia financial system and demand should outweigh supply of domestic bonds. The overnight policy rate (OPR) 25bps hike in January also bodes well for the MYR, We believe the 25bps OPR hike for 2018's first Monetary Policy Committee (MPC) meeting was part of a normalisation of interest rates and is consistent with global central bank moves since global growth picked up. Malaysia's GDP for 2017 full year, printed 5.9%, well above the official forecast of 5.2%-5.7% due to sterling quarters of GDP numbers that we have seen last year. In 2018, the recently published Bank Negara Malaysia's ("BNM") annual report noted modification on the BNM assessment to GDP forecast which has been revised higher to a range of 5.5%-6% from previously 5.0-5.5%, while average inflation is circa 2%-3% which comfortably below the current OPR rate.

Fiscal consolidation is on track to meet 3.0% for 2017 and most likely to achieve 2.8% in 2018. In addition, the supply of domestic government debt would likely be kept manageable with gross supply at MYR107bn and net supply MYR40bn (Gross supply in 2017: MYR107.5b, net supply: MYR40.8b) since the government aspires to tighten fiscal deficit. We believe that given the above reasons, demand for MYR bonds would likely be healthy, much attributed to the ample liquidity within the domestic banking system and investors are still in search of yields. 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 of a view that the current policy rate is still accommodative to the economy as the MPC continues 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 1st Quarter of 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 OPR further from here.

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