

RHB US FOCUS EQUITY FUND

The Fund will invest in a target fund which aims to provide capital growth primarily through investment in equity securities of smaller and medium-sized US companies. Smaller and medium-sized US companies are considered companies which, at the time of purchase, form the bottom 40% by market capitalisation of the US market.

INVESTOR PROFILE

This Fund is suitable for Investors who:

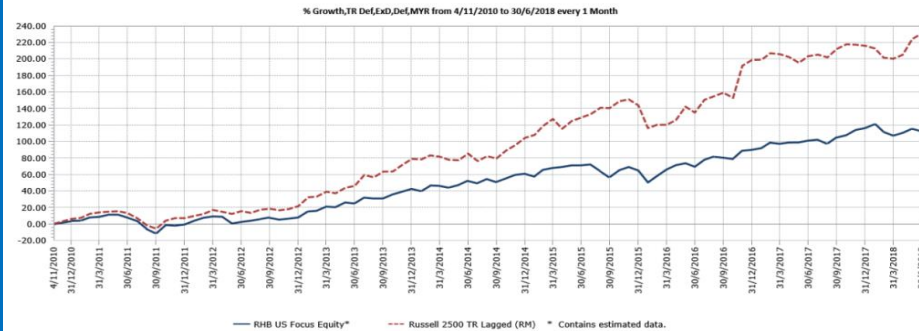
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

INVESTMENT STRATEGY

- At least 95% of NAV: Investments in the X Accumulation Shares of Schroder ISF USSME.
- 2% - 5% of NAV: Investments in liquid assets including money market instruments and deposits with financial institutions.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	-1.32	2.76	-1.80	-1.80
Benchmark	2.03	10.14	4.68	4.68

	1 Year	3 Years	5 Years	Since Launch
Fund	5.82	24.45	69.80	112.56
Benchmark	9.03	44.49	126.50	230.56

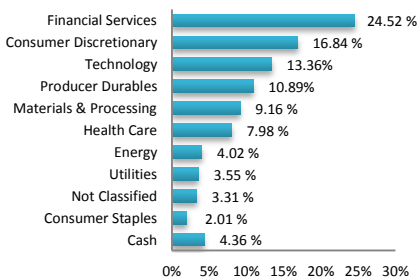
Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	14.06	15.41	2.40	12.44	32.00
Benchmark	5.73	22.58	19.36	14.25	47.04

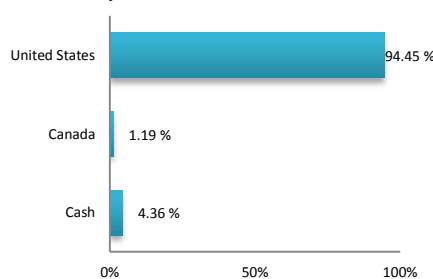
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

SCHRODER ISF US DOLLAR LIQUIDITY	3.31
ADVANCE AUTO PARTS	2.27
ARAMARK	2.12
KAR AUCTION SERVICES	1.77
FORTUNE BRANDS HOME & SECURITY	1.56

*As percentage of NAV

*Source: Schroder, 30 June 2018. Exposure in Schroder ISF US Small & Mid-Cap Equity - 96.40%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.0898	1.1196	1.1196
Low	1.0609	0.9729	0.4185

Source: Lipper IM

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MANAGER'S COMMENTS

WHAT HAPPENED IN THE MARKET

While the US economy continues to strengthen, there are storm clouds on the horizon on the protectionist front. The US and China have raised the level of tariffs they will be imposing on each other. The same is true for the US and the European Union (EU). Canada has announced tariffs on a variety of US goods including ballpoint pens for “national security” reasons. Perhaps symbolically, the iconic US motorcycle manufacturer Harley Davidson has announced it will move some production abroad to mitigate the effect of EU tariffs on US products. The president was not pleased. Nevertheless US growth is holding up very well. Job openings now slightly exceed the number of job seekers which is a very unusual situation. Consumer and business sentiment is quite good, and trade concerns favour small and mid caps due to their lower exposure to foreign revenues. Inflation remains a primary concern. At the moment it is a lingering risk as the official data shows at best modest wage increases. However, the Target Fund Manager is hearing from their companies that they are experiencing rising wage costs in various industries that have yet to be reflected in the US government data (one such example is trucking). The Target Fund Manager thinks that increases will appear in the data before too long. The Target Fund Manager is carefully reviewing debt levels and coverage ratios for their companies. Rising interest rates can be expected to create a headwind for companies with higher debt levels. The Target Fund Manager believes the Federal Reserve (Fed) has been able to manage monetary policy such that they are staying ahead of inflation so far. The latest dot plot suggests that four rate rises in total are now expected for the year. This is up from three earlier in the year. As noted above the Target Fund Manager feels that inflationary pressures will slowly emerge in the US with the Fed remaining the key. During the quarter, returns fell in line by capitalisation group with microcap leading everyone and large cap bringing in the rear. Within the Russell 2000 and 2500 indexes the largest capitalisation quintiles lagged smaller capitalisation quintiles for the quarter.

MARKET OUTLOOK AND STRATEGY

As noted last quarter the tax bill has had an important impact on American business, with smaller companies experiencing a larger positive effect due to their higher level of effective taxes relative to large cap. Combined with the good economy, earnings expectations are quite robust.

According to RBC Capital Markets (citing Thomson Reuters) expectations for small cap earnings in calendar year 2018 are now 26.8%, compared with 21.0% for large cap. Expectations for 2019 also favour small over large: 20.5% vs. 10.0%. The combination of tax relief, a strong economy and the lowering of regulations has had a salutary effect on American business.

Unfortunately valuations have been creeping up, with small caps looking more expensive relative to history on forward earnings, although they still appear to be fairly valued versus large cap.

Trade wars?

The developing “tit for tat” tariff spat between the US and China, US and Canada, US and the EU, etc... is gathering an unsettling momentum. The Target Fund Manager is not quite at the point where they are willing to describe this as a trade war, but if it continues on this path then they will approach the point where they will have to do so. This could be expected to be a problem for the US economy, as well as most economies around the world.

In the medium-term, tariffs and trade wars can be expected to have a larger negative impact on US large cap stocks. A greater percentage of their revenues come from non-US sources (36%) than small-cap companies (18%).

A rise in the dollar expected

The Target Fund Manager continues to keep a close eye on the US dollar. The Target Fund Manager still anticipates the Federal Reserve will continue on its path of steady rate rises. All things being equal the dollar should rise in value as rates rise. This can be expected to create problems in particular for emerging market currencies and economies. China has effectively devalued the yuan to mitigate the impact of dollar strength.

Final note to the Target Fund Manager's readers

As you may know, Russell performs an annual review and reconstitution of their indices. What may be surprising to some is that the new maximum capitalisation (as of the 22 June reconstitution) in the Russell 2000 Small Cap index is \$6.6 billion (the Target Fund Manager's upper limit at purchase is \$4 billion). For the Russell 2500 (Mid Cap) the biggest stock is now \$15.3 billion (the Target Fund Manager's limit at time of purchase is \$10 billion).

DISCLAIMER:

Based on the fund's portfolio returns as at 15 June 2018, the Volatility Factor (VF) for this fund is 11.2 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 3 September 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 management risk and foreign investment risks such as currency risk and country risk and the specific risks of the target fund are general risks, investment objective risk, regulatory risk, risk of suspension of share dealings, liquidity risk, financial derivative instrument risk, warrants risk, counterparty risk, custody risk, smaller companies risk, initial public offerings risk, emerging and less developed markets securities risk, specific risks linked to securities lending and repurchase transactions and potential conflict of interest 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.

RHB Asset Management Sdn Bhd (174588-X)

Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur

General Line: 603-9205 8000

www.rhbgroup.com


RHB Asset Management Sdn Bhd (174588-X)

