

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:

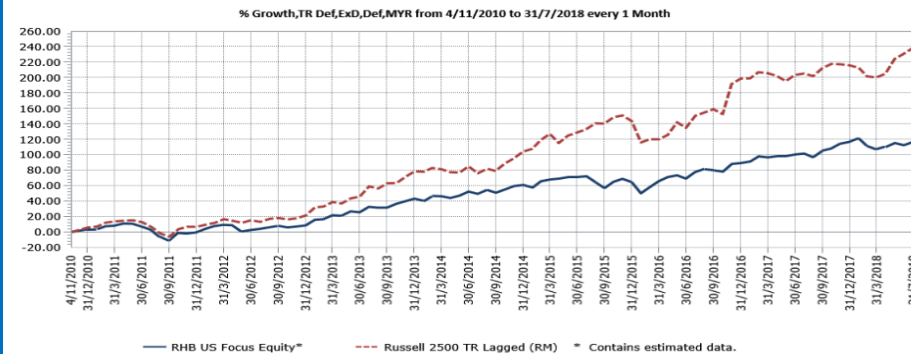
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

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	1.99	3.14	-2.00	0.16
Benchmark	2.26	10.87	8.17	7.05

	1 Year	3 Years	5 Years	Since Launch
Fund	7.31	26.16	63.94	116.80
Benchmark	10.79	45.03	112.44	238.04

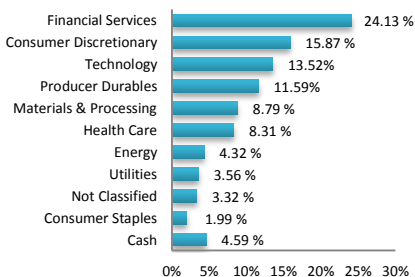
Calendar Year Performance (%)*

	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

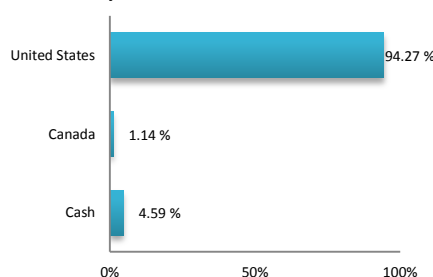
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

SCHRODER ISF US DOLLAR LIQUIDITY	3.32
ADVANCE AUTO PARTS	2.36
ARAMARK	2.15
FORTUNE BRANDS HOME & SECURITY	1.65
HEXCEL	1.51

*As percentage of NAV

*Source: Schroder, 31 July 2018. Exposure in Schroder ISF US Small & Mid-Cap Equity - 98.16%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.0972	1.1196	1.1196
Low	1.0606	0.9729	0.4185

Source: Lipper IM

FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Feeder Fund
Fund Type	Growth Fund
Launch Date	15 October 2010
Unit NAV	RM1.0840
Fund Size (million)	RM123.59
Units In Circulation (million)	114.01
Financial Year End	31 October
MER (as at 31 Oct 2017)	1.04%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	Russell 2500 TR Lagged (RM)
Sales Charge	Up to 5.50% of investment amount*
Redemption Charge	None
Annual Management Fee	1.80% p.a. of NAV*
Annual Trustee Fee	Up to 0.08% p.a. of NAV*
Switching Fee	RM25.00 per switch*
Redemption Period	Within 10 days after receipt the request to repurchase
Distribution Policy	Incidental

*All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.

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.

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MANAGER'S COMMENTS

WHAT HAPPENED IN THE MARKET

Let the headlines roll! Never a dull moment from Washington (although mostly shrugged off by the market) as the “tariff tantrum” dominated headlines in July. The tit-for-tat tariffs between the US and China (along with the rest of the world) continued to escalate. The month began with the implementation of US tariffs on \$34 billion of Chinese exports, which was immediately matched by \$34 billion of Chinese tariffs on US exports. Mid-month, trade tensions eased a bit as there had seemingly been some trade progress (particularly in the auto sector) with Mexico and the EU.

Despite the drama in Washington and growing trade concerns, the underlying US economy remains strong with Q2 GDP of 4.1% the best number since 2014. June’s non-farm payrolls report was also better-than-expected, although the unemployment rate ticked up from 3.8% to 4.0% it was a result of an increase in the labour force participation rate. Average hourly earnings also ticked up. The June ISM manufacturing index came in above consensus, however respondent commentary expressing concerns around labour tightness, higher transportation costs and rising raw materials costs could be a negative indicator for the future.

Mid-month investors turned their focus to the upcoming earnings season. Expectations coming into Q2 earnings were high and two weeks into earnings season, companies have been meeting and exceeding. According to RBC Capital Markets, the percent of US companies beating earnings per share expectations remains at all-time highs and growth expectations continue to move up. There are some rumbles around the sustainability of current operating margins (and expectations) for the back half of the year. The aforementioned trade concerns, rising raw material costs, foreign exchange, transportation costs as well as labour tightness have all been topics of discussion on company earnings calls.

July saw factor rotation as the smallest market capitalisation names as well as non-earnings underperformed. Interestingly, those factors are still strong performers on a year-to-date basis, but peaked in late June in line with small cap exchange traded fund flows.

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 (Smid 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 July 2018, the Volatility Factor (VF) for this fund is 11.3 and is classified as “Very High”. (source: Lipper) “Very High” includes funds with VF that are more than 11.1 (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 30 June 2018 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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.

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