RHB Asset Management

FUND FACTSHEET – OCTOBER 2018

All data expressed as at 30 September 2018 unless otherwise stated

3-year Fund Volatility **10.9** very high
Lipper Analytics 15 SEP 2018

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:

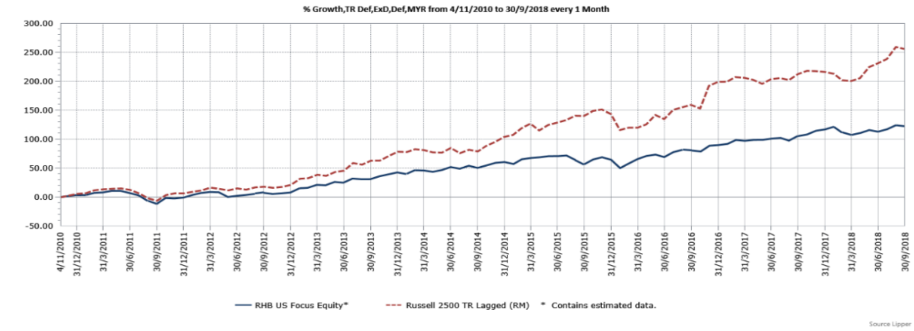
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

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	**-0.76**	**4.57**	**7.45**	**2.69**
Benchmark	-1.00	7.47	18.37	12.50

	1 Year	3 Years	5 Years	Since Launch
Fund	**8.45**	**42.16**	**69.37**	**122.28**
Benchmark	13.88	47.79	117.65	255.26

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 DETAILS

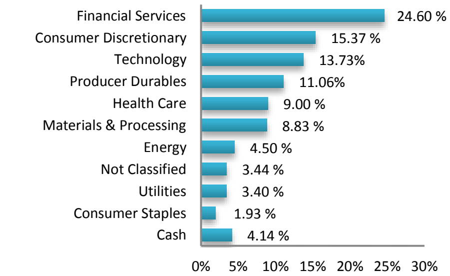
Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Feeder Fund
Fund Type	Growth Fund
Launch Date	15 October 2010
Unit NAV	RM1.1114
Fund Size (million)	RM125.59
Units In Circulation (million)	113.02
Financial Year End	31 October
MER (as at 31 Oct 2017)	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.*

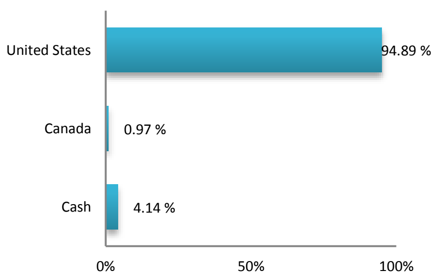
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

SCHRODER ISF US DOLLAR LIQUIDITY	3.44
ARAMARK	2.40
ADVANCE AUTO PARTS	1.77
FORTUNE BRANDS HOME & SECURITY	1.61
CATALENT	1.53

**As percentage of NAV*

**Source: Schroder, 30 September 2018. Exposure in Schroder ISF US Small & Mid-Cap Equity - 98.48%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.1300	1.1300	1.1300
Low	1.1093	1.0247	0.4185

Source: Lipper IM

3-year Fund Volatility 10.9 very high Lipper Analytics 15 SEP 2018

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MANAGER'S COMMENTS

WHAT HAPPENED IN THE MARKET

"…and all at once, summer collapsed into fall." – Oscar Wilde. While US small caps sizzled all summer, the fall equinox brought both cooler temperatures and returns.

Trade tensions with China escalated in September as the Trump administration implemented 10% tariffs on an additional $200 billion of Chinese imports. This move resulted in China cancelling all trade negotiations and announcing another round of 5-10% tariffs on an additional $60 billion of US goods. There does not seem to be any prospect of a near-term solution with China. There was, however, some positive news on the trade front as President Trump and EU President Juncker announced progress on a "new phase" in their trade agreement and on the last day of the quarter, a deal was reached between US and Canada to restructure NAFTA.

The #metoo movement dominated headlines this month as Supreme Court justice nominee Brett Kavanaugh was accused of sexual misconduct during his high school and college years. In an already polarised nation, the result of both the investigation and confirmation hearing could have a significant impact on the looming November mid-term elections.

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. Also, both business and consumer confidence has been strong. The NFIB's August small business optimism index surpassed the previous record high from July 1983. The report highlighted the change in the tax and regulatory landscape as the big driver. In addition, the Conference Board's consumer confidence index hit a new cycle high in September.

The Target Fund Manager believes the Federal Reserve (Fed) has been able to manage monetary policy such that it is staying ahead of inflation so far. As expected, the Fed raised rates by another 25 basis points in September and left intact the projections for four rate hikes in 2018 (one more to go), three in 2019 and one in 2020.

The highest growth, lowest return on equity continued to outperform in September as the market remains indifferent to valuation. According to investment bank Jefferies, the highest price-to-earnings (P/E) names are beating the lowest P/E names by the widest annual margin since 1999! Larger cap outperformed and within the small cap space momentum took a pause.

LOOKING AHEAD

The Target Fund Manager recently spent a week in Europe and the UK meeting with clients. The Target Fund Manager was asked regularly about the state of the US economy, risks the Target Fund Manager sees in the system, where the Target Fund Manager is in the cycle, when the next recession will occur and whether the Target Fund Manager is more cautious now. Taking those in order:

US economy - The US economy is in good shape: GDP growth and job creation remain strong and unemployment is low. Capital expenditure is rising, as are wages – although they are only just now being reflected in US government data (the Target Fund Manager has been hearing about it from the corporate world for the last three years). The Target Fund Manager views valuations through the lens of interest rates, and from that perspective valuations in their space are not cheap but manageable. Relative to the Russell 1000 index (large cap), the relative valuations are near the long-term average so there are no warning signs here. Finally, the bond market is not showing any signs of serious stress.

A conundrum the Target Fund Manager faces is the divergence of policies between the Fed and the US government. The Fed is on a tightening regime – modest and well telegraphed but restrictive nonetheless. In the meantime, the government is embarking on stimulative activities such as lowering taxes and thereby accruing larger budget deficits. In their view, the government is effectively building more runway and extending the cycle but one can see how this could all end in inflation.

US equity market - So far this year the equity market has been characterised by several unsustainable trends. In particular, companies without earnings have outperformed companies with earnings. This is counterintuitive and unlikely to continue. It has been driven in part by the high proportion of initial public offerings which do not have any earnings. Biotechnology companies are heavily represented in this list.

Another quality measure which has lagged this year is companies with stable cashflows. Companies in the most volatile quintile of cashflows have been the best performers to this point. The Target Fund Manager also view this as unsustainable.

Risks - Debt: debt levels amongst companies are high, particularly in their space. While the S&P 500 has a debt/earnings-before-interest-tax-depreciation-and-amortisation (EBITDA) ratio of 2.32x the Russell 2000 ratio is 4.37x. EBITDA is cyclical, debt is not. The Target Fund Manager is concerned that these ratios will rise further when EBITDA starts to falter and interest rates continue to grind higher. The solution is for companies to pay down debt.

Floating rate debt: Companies with higher percentages of floating rate debt are more likely to have problems as interest rates rise and earnings falter. In the US small cap space a significant proportion (in excess of 40%) of total debt is floating, in contrast with large cap companies (17%). The Target Fund Manager has made a concerted effort to make sure their companies have lower levels of floating rate debt than their peers.

Trade wars - Much has been written and said, and what the Target Fund Manager has seen to date is that the US has taken an initially aggressive bargaining position and then moved back during negotiations. The conclusion of recent trade agreements with Mexico and Canada (their two largest trading partners) is an example. China is the key exception. The administration continues to advance a hard line against the Chinese. If it continues on this path the Target Fund Manager can expect to see some effect on US, Chinese and global GDP. The Target Fund Manager suspects this will not be enough to trigger a recession however.

Where is the Target Fund Manager in the cycle?

This question was asked at almost every meeting. Their view is that the Target Fund Manager is late but not at the end of the economic cycle. Credit markets typically display distress at that point and the Target Fund Manager is not seeing that.

Overall, the market backdrop is encouraging and the Target Fund Manager remains reasonably positive for the intermediate term on US equities.

DISCLAIMER:

Based on the fund's portfolio returns as at 15 September 2018, the Volatility Factor (VF) for this fund is 10.9 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.