

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:

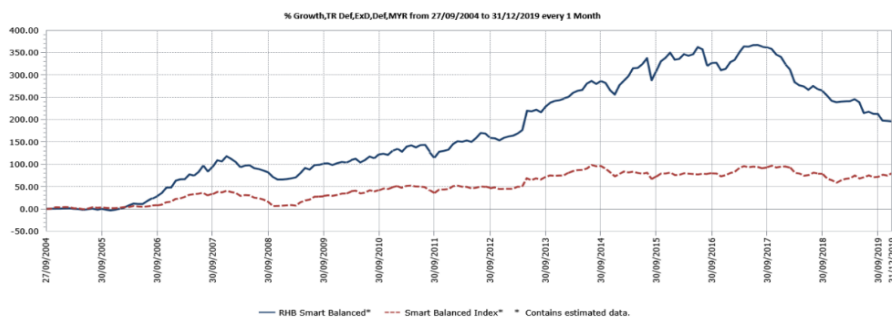
- willing to accept moderate risk in their investments in order to achieve long term capital growth and income.

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	-0.36	-5.33	-5.92	-12.66
Benchmark	3.15	4.90	5.24	13.48

	1 Year	3 Years	5 Years	Since Launch
Fund	-12.66	-28.47	-16.72	196.26
Benchmark	13.48	2.47	4.17	80.69

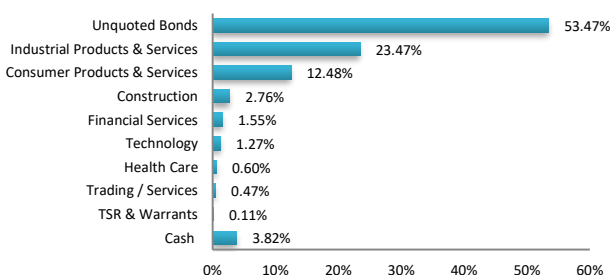
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	-12.66	-22.83	6.13	-7.85	26.34
Benchmark	13.48	-17.95	10.08	-3.04	4.86

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

MEX II SDN BHD 6.0% (29/04/2030)	16.08
MEX II SDN BHD 6.2% (29/04/2032)	15.74
BRIGHT FOCUS BHD 2.5% (22/01/2031)	11.69
BRIGHT FOCUS BHD 2.5% (24/01/2030)	9.95
UMS NEIKEN GROUP BHD	8.08

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7859	0.9124	1.3669
Low	0.7736	0.7720	0.4557

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
Mar 2019	-	-
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

Source: RHB Asset Management Sdn. Bhd.

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.

MANAGER'S COMMENTS

EQUITY MARKET REVIEW

2019 was a good year for global equity market. Global equity markets rallied 24.0% in 2019, to cap off its best year since the Global Financial Crisis in 2009. The performance was primarily driven by Developed Markets (+25.2%). The US (+29.1%) led from the front in Developed Markets, closely followed by Europe (+20.0%) and Japan (+17.1%). Although 2019 predominantly circled around US-China trade tensions, an abundance of liquidity made available by the capitulation of central banks globally played an equally important role. Federal Reserve (Fed) seem to have engineered a soft landing through balance sheet expansion and numerous rate cuts. Markets closed the year on a high as two imminent bottlenecks inched slightly closer to resolution with the progress on the US-China Phase 1 trade deal and the emphatic victory of the Conservatives in the UK elections paving the way to a potential breakthrough in the Brexit impasse. Asia Ex Japan equities advanced 15.4% in 2019, primarily driven by index heavyweights China (+20.9%) and Taiwan (+31.5%), as the markets moved largely in tandem with the progress on the US-China trade talks.

Commodities ended 2019 on a positive note as well. Brent Crude rose 19.0%, driven by the supply cuts by The Organization of the Petroleum Exporting Countries (OPEC) and the US decision to end waivers on Iranian oil imports in April 2019. On 16 September 2019, a drone attack shut down about 5.7 million barrels per day (b/d) of crude production in Saudi Arabia in the single biggest supply disruption ever, but softened subsequently as output was restored and the global growth slowdown weighed in. Similarly, Crude Palm Oil prices shot up to above RM3,000 pmt due to lower production, drought season and B30 bio diesel mandate in Indonesia.

The FBM KLCI rose 1.7% MoM (or 27 points) to close at 1,588 points at end December 2019. As a result, the benchmark index narrowed its 2019 losses to 6%. The FBM KLCI rose steadily in December 2019 and peaked at 1,615 points on 30 December. However, it succumbed to profit-taking and lost 26.9 points on the last trading day to close at 1,588.7 points. Against regional/global peers, Malaysia was the worst-performing Asian market. Through 2019, heavyweights Public Bank and PChem accounted for the decline while MISC was the top performer by far. Foreigners net sold RM1.22bn worth of equities in December 2019, bringing 2019 net sell to RM11.14bn.

EQUITY MARKET OUTLOOK AND STRATEGY

On the local front, the key events to watch out for are how the new minimum wage and smoking ban will impact consumption patterns, Monetary Policy Committee (MPC) meeting on 22 January to decide on OPR rate and update on government plans to acquire highway concessionaires and toll roads. On the external front, investors will be following up on the Fed policy meeting on 29 January 2020, signing of US-China Phase one trade deal on 15 January 2020 and Brexit day on 31 January 2020.

Malaysian equities are set for a better year in 2020 with the resumption of earnings growth after a 2-year hiatus thanks firstly, to subsiding external risks; secondly, to recovering commodity prices; thirdly, to the anticipated revival of mega infrastructure projects and finally, to the positive impact of trade diversion on investments and exports.

We are overweight on oil & gas and plantation sectors as we believe these two sectors will continue to offer growth and are still in early stage. The latter being that CPO prices rose to above RM3000 pmt and this will help drive earnings growth for 2020 among the planters.

FIXED INCOME MARKET REVIEW

US Treasuries

US Treasury (UST) 10-year yields started out the month of December 2019 at 1.82% and rose steadily through the month to close at 1.92%, after the initial market fears about the Phase 1 deal postponement was offset by the US pushing through a Phase 1 deal at the 11th hour, and indefinitely suspending further planned tariffs which were set to be announced and effected on 15 December 2019 on nearly \$160 billion worth of Chinese goods, including cell phones, laptop computers, toys and clothing.

Malaysian Ringgit Sovereign Bond

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities (MGS) and Government Investment Issues (GII) yield curve flattened during the first half of the month as the 5-year yield rose 6 bps and the 10-year was flat at around 3.42% to 3.45% level. Local government bonds were less affected by news of a US-China phase one trade deal in comparison to the Malaysian Ringgit as USD/MYR fell to around 4.14 from 4.16 at the start of the month.

Malaysian Ringgit Corporate Bond

In the Malaysian Ringgit corporate bond/sukuk space, overall monthly trading volumes were surprisingly higher compared to previous month despite being a seasonally illiquid month going into year-end. As a result of recent upward movement in yields, investors seen to be selectively buying and switching for next year positioning, given further support to the corporate bond yields.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

In the local fixed income market, we sense that local factors are still looking supportive given the easing bias towards monetary policy, a neutral supply profile and resilient domestic demand for bonds given surplus liquidity in the domestic space. With 1st Quarter usually a seasonally strong quarter for domestic bond market, we think the curve will be supportive particularly if there is an explicit dovish shift in the MPC language and OPR cut materialises during the period on the back of slower economic activities and optimistic growth forecast. Nonetheless, we remain vigilant on external factors as the Fed's mid-cycle easing could prolong US expansion mode while the US-China partial deal may revive global growth outlook hence may pose upside risk to yields. Additionally, the upcoming decision of FTSE Russell index may result in additional volatility to the market, and hence will also be another risk factor to eye by 1Q2020.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 December 2019, the Volatility Factor (VF) for this fund is 8.5 and is classified as "High". (source: Lipper) "High" includes funds with VF that are above 8.8 but not more than 11.2 (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 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 2019.

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.

RHB Asset Management Sdn Bhd (174588-x)
Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur
General Line: 603-9205 8000