RHB Asset Management

FUND FACTSHEET – JANUARY 2020

All data expressed as at 31 December 2019
unless otherwise stated

3-year Fund Volatility 12.4 very high
Lipper Analytics 10 DEC 2019

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

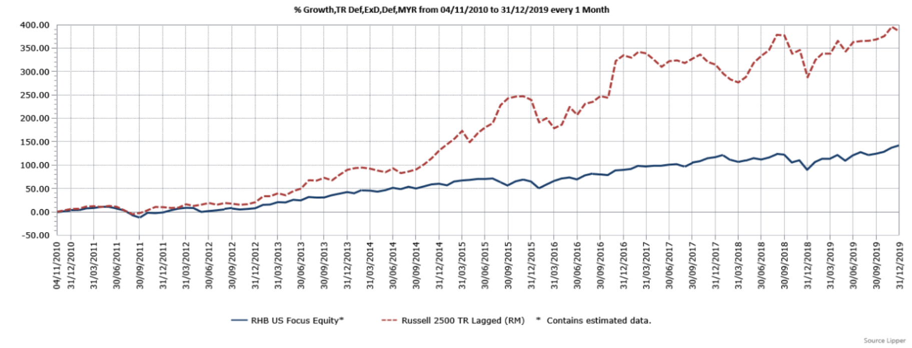
This Fund is suitable for Investors who:
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

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	**2.21**	**7.99**	**9.73**	**27.59**
Benchmark	-2.08	3.54	4.86	25.14

	1 Year	3 Years	5 Years	Since Launch
Fund	**27.59**	**27.35**	**50.51**	**141.68**
Benchmark	25.14	11.65	109.59	385.20

Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	**27.59**	**-12.49**	**14.06**	**15.41**	**2.40**
Benchmark	25.14	-6.46	5.73	22.58	19.36

Source: Lipper IM

FUND DETAILS

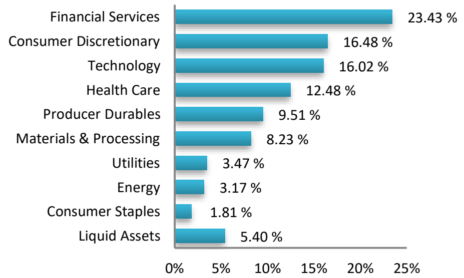
Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Feeder Fund
Fund Type	Growth Fund
Launch Date	15 October 2010
Unit NAV	RM1.0976
Fund Size (million)	RM63.38
Units In Circulation (million)	57.74
Financial Year End	31 October
MER (as at 31 Oct 2019)	0.89%
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*



Top Holdings (%)*

ASSURANT	2.04
FORTUNE BRANDS HOME & SECURITY	1.98
ENCOMPASS HEALTH	1.70
BRUNSWICK	1.67
CATALENT	1.67

**As percentage of NAV*

**Source: Schroder, 31 December 2019. Exposure in Schroder ISF US Small & Mid-Cap Equity - 95.33%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.1041	1.1041	1.1300
Low	1.0506	0.8851	0.4185

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
29 Oct 2019	4.2000	4.15
25 Oct 2018	5.5000	5.12

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

It was another good month for US equities, with strong returns across the capitalisation spectrum. Key headline items for the month included US-China trade negotiations, domestic economic data such as the ISM manufacturing PMI (soft), labour data (strong) and the Federal Reserve (Fed) holding rates steady and expanding their balance sheet. Oil prices rose by over 10% (WTI) during the month. As the Target Fund Manager approached Christmas and New Year's eve trading levels became predictably slow. The strongest sector in the Russell 2500 was energy (driven by higher oil prices). Consumer staples and materials & processing also outperformed. REITs were the laggard for the month followed by technology, producer durables and healthcare. Smaller cap and higher beta outperformed for the month.

MARKET OUTLOOK

The market volatility experienced in 2019 can be mostly attributed to the ups and downs of the US-China trade dispute and the changing message from the Fed. Regarding the latter, monetary policy (which includes the setting of interest rates) has slowly transitioned from the driver of risk appetite to the stabiliser of risk appetite. After a muddled communication at the start to the year (also known as "the pivot"), the Fed's path has been fairly stable throughout 2019. In fact, with market expectations of Fed Funds Futures now more aligned with the Fed's expectations, the Target Fund Manager believes the opportunity for the Fed to disappoint the market in 2020 is greatly diminished.

That said, the market should still be on the lookout for disappointment, especially in relation to any potential resolution of the US-China trade dispute. It seems to us unlikely that there will be any meaningful agreement on the trade front. While the politics may be interesting, one side of the negotiating team is positioning for the presidential election in November 2020, while the other is positioning for the next 25 years. How the equity market will absorb a likely disappointment largely depends on the economic growth developments over the next few quarters.

A year ago, the Target Fund Manager said that the US economy would avoid a recession in 2020 and that market participants would continue to favour larger companies, secular growers and bond proxies. The extremes of the latter reached a breaking point in early September. The significance of that shift is noteworthy as the market has been reminded of the excruciating pain that occurs when everyone tries to exit the "popular" trade at once.

This leads us to the precarious questions of where the Target Fund Manager is now and what to expect in 2020. In a period of political and economic uncertainty, fixed capital investment is clearly being deferred. Regardless, the market is currently discounting a bottom in the manufacturing economy as cyclical companies look past bad news in anticipation of a recovery ahead. Given that central bank easing actions typically take a few quarters to impact the economy, some of this optimism seems warranted. However, the Target Fund Manager is surprised at how quickly the market rotated back into "ugly cyclicals" despite any evidence of improving fundamentals.

What has not surprised us is the health of the US consumer. An extended period of improving employment, modest wage increases, and healthy balance sheets coupled with declining interest rates has provided a very favourable backdrop for the US consumer (who still represents about 70% of the domestic economy, according to data from 2019 provided by the US Bureau of Economic Analysis). To ensure that the economy remains on a solid footing, it is critical that consumer confidence remains unwavering.

The small and mid-cap segment of the market is poised to achieve superior earnings growth in 2020, the eighth time in ten years that small cap earnings have outperformed their larger cap brethren. However, for eight of the last ten years small cap stocks have underperformed. This conundrum has left us with some of the most attractive valuations in small cap versus large cap since the financial crisis. The Target Fund Manager is excited about the prospects that lie ahead. In terms of what could turn that excitement into fear? That's easy… a polarising presidential election that places capitalism on trial.