

### 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:

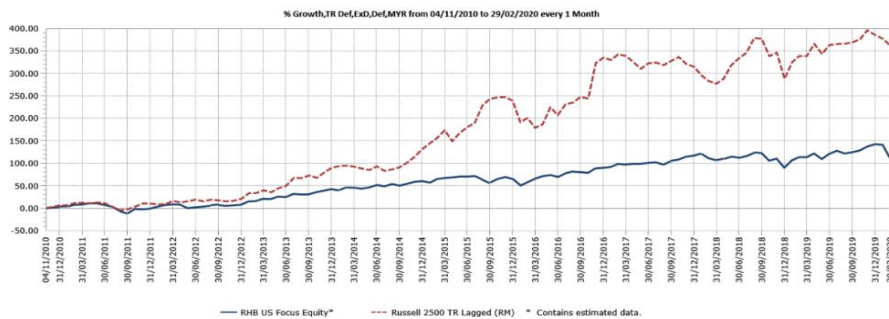
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

#### 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	-11.93	-10.41	-4.14	-12.35
Benchmark	-3.02	-6.67	-0.68	-4.69

	1 Year	3 Years	5 Years	Since Launch
Fund	-0.48	6.73	28.11	111.85
Benchmark	5.53	4.65	80.73	362.46

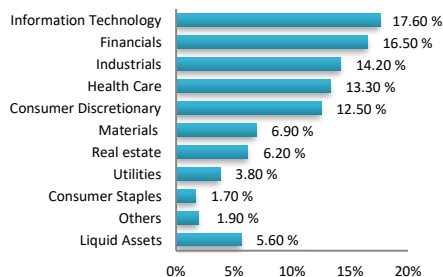
##### Calendar Year Performance (%)\*

	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 PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Top Holdings (%)\*

ASSURANT	2.10
ENCOMPASS HEALTH	2.10
ENTEGRIS	1.80
BRUNSWICK	1.70
DOLBY LABORATORIES	1.60

\*As percentage of NAV

\*Source: Schroder, 29 February 2020. Exposure in Schroder ISF US Small & Mid-Cap Equity - 99.54%

#### FUND STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.1227	1.1227	1.1300
Low	0.9621	0.9621	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

The month ended dramatically with a collapse in the price of risk assets in response to the spread of the coronavirus. There was little differentiation in returns across the equity indices. In a crisis, correlations tend to go to 1.00. Put differently, at the beginning of a dramatic sell-off, there was nowhere to hide. That was certainly borne out in the February equity returns.

The spread of the coronavirus globally has driven these extreme negative returns, particularly over the past week when US equity markets all suffered losses in excess of 10%. In other words, the broad US equity market fell into correction territory over five consecutive days. This was the steepest/quickest loss on record for that market.

The concerns beyond the obvious health issues are the disruption of supply chains and an ensuing shock to growth. As at the time of writing, this seems unavoidable for at least one to two quarters. Supply chains originating in China are being significantly disrupted. There are cases where parts made in China are critical to the final product manufactured and cannot be easily replicated. The halt of manufacturing in China then has a knock-on effect causing a manufacturing halt elsewhere.

Factors the Target Fund Manager is monitoring to assess the depth and potential length of a slowdown include business confidence, capital expenditure and hiring plans. Declines in these indicators can be expected to lead to a slowdown in the US economy.

In the race for US president, the Democratic race achieved some clarity after the South Carolina primary on 29 February. Three candidates have withdrawn from the race – Pete Buttigieg, Amy Klobuchar and Tom Steyer – leaving Bernie Sanders and Joe Biden. The increased clarity on the Democratic ticket has yet to provide any comfort to the markets.

Earnings estimates for 2020 are being lowered by sell side analysts due to the anticipated impact of the coronavirus on economic activity. The Target Fund Manager is beginning to see slowdowns in travel and restaurants, conferences are being cancelled and/or postponed due to the health concerns.

At the index level, depending on the source, forward earnings expectations have dropped from low double digits to low to zero for 2020. Uncertainty is ruling the day.

#### 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 cyclical” 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.

#### DISCLAIMER:

Based on the fund’s portfolio returns as at 11 February 2020, the Volatility Factor (VF) for this fund is 12.4 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 31 December 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2020.

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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