

### RHB BIG CAP CHINA ENTERPRISE FUND

This Fund aims to achieve long term capital appreciation through investments in securities of companies with high growth potential.

#### INVESTOR PROFILE

This Fund is suitable for investors who:

- wish to participate in the potential of the fast growing China economy; and
- are willing to accept higher risk in their investments in order to achieve long term capital growth.

#### INVESTMENT STRATEGY

- Up to 98% of NAV: Investments in equities & equity-linked securities issued by companies whose businesses are in China and are listed on the China markets and/or other markets.
- 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	-0.54	4.55	12.30	5.99
Benchmark	0.28	1.57	6.68	0.58

	1 Year	3 Years	5 Years	Since Launch
Fund	23.49	17.31	27.69	92.39
Benchmark	14.18	14.75	19.37	25.10

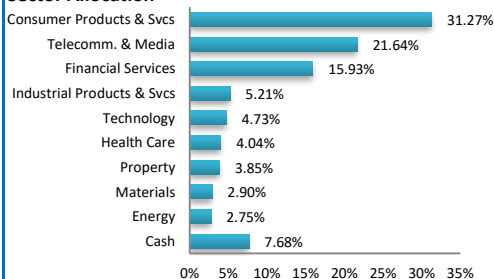
##### Calendar Year Performance (%)\*

	2019	2018	2017	2016	2015
Fund	20.47	-18.35	27.98	4.06	16.01
Benchmark	19.71	-18.75	36.32	2.99	10.47

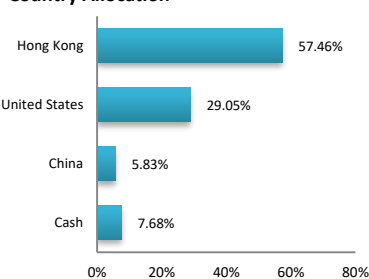
Source: Lipper IM

#### FUND PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Country Allocation\*



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

TENCENT HOLDINGS LTD	10.53
ALIBABA GROUP HOLDING LTD	10.12
JD.COM INC	6.90
CHINA CONSTRUCTION BANK CORP	6.30
PING AN INSURANCE GROUP CO OF CHINA	4.99

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7224	0.7224	0.7715
Low	0.6673	0.5633	0.2720

Source: Lipper IM

##### Historical Distributions (Net)

	Distribution (sen)	Yield (%)
Dec 2019	-	-
Dec 2018	-	-
20 Dec 2017	7.0000	10.28
28 Dec 2016	5.0000	8.90
16 Dec 2015	5.2600	7.81

Source: RHB Asset Management Sdn. Bhd.

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### MANAGER'S COMMENTS

#### MARKET REVIEW

MSCI China declined 0.84% in May, lagging EM and World by 1.4% and 5.46%, respectively. While the high frequency and monthly data show the domestic recovery is on track (link), escalating US-China tensions triggered a fresh sell-off in late May. In particular, the confrontation has spilled over into technology, financial and geopolitical issues. Over the past month, the US has: i) prevented the Federal pension fund from investing in China equities and the Senate passed legislation to increase scrutiny of Chinese ADRs, ii) tightened restrictions on the sale of US technology and software to Huawei, and iii) announced to begin the process of stripping Hong Kong SAR's special status due to the introduction of the National Security Law. Nonetheless, on the HKSAR geopolitical issue, Trump's latest announcement lacked details of implementation and left out mentions of the Phase One trade deal, which was a relief for markets. On the domestic policy front, the annual NPC meeting delivered moderately higher-than-expected fiscal support while abandoning economic growth targets for the year. The headline fiscal package announced was 8.51 trillion yuan (8.4% of GDP) with higher fiscal deficit and local govt special bond quotas. Sector-wise, consumer discretionary outperformed over the past month driven by continued signs of consumption demand recovery as well as strong earnings results and positive guidance by e-commerce names. Meanwhile, defensive sectors such as consumer staples and healthcare (which have outperformed throughout the COVID-19 outbreak) also picked up some momentum towards the end of May, given rising external headwinds.

The Hang Seng Index fell 6.8% m/m or 1,682 points. MSCI HK plunged 9%, due to the intensifying US-China confrontation, which expanded from trade to tech, financial and geopolitical tension, weighed on Hong Kong market sentiment in May. Meanwhile, China's move to impose the Hong Kong national security law triggered a fresh round of local social protests and negative responses from foreign governments. In particular, President Trump announced the US would revoke Hong Kong's special status as a separate customs territory, although details are yet to be released. On the positive side, the virus outbreak situation was largely contained, and the government has loosened some of the related restriction measures, which include gradual resumption of the airport transit from June 1.

Both epidemiological and economic aspects of the COVID-19 global pandemic evolved materially over the past months. Although numerical growth target for 2020 was abandoned, NPC meeting introduced 8.51 trillion yuan (8.4% of GDP) headline fiscal package, confirming upside risk to our baseline forecast (7.7% GDP). Specifically, the 2020 fiscal budget deficit target is set at 3.76 trillion yuan (3.6% of GDP), along with 3.75 trillion yuan (3.6% GDP) special local government bonds and 1 trillion yuan special COVID-19 government bonds. On the monetary side, the government stressed "prudent" monetary policy should be more flexible and appropriate, with M2 and TSF growth to be meaningfully higher than last year.

The May PMIs pointed to stable recovery. The NBS manufacturing PMI eased modestly by 0.2pt to 50.6, in part dragged by export orders while domestic demand held up well, especially the new order component. Meanwhile, service PMI rose 0.4pt to 53.6, reflecting domestic consumption recovery. On the other hand, the Caixin manufacturing PMI rose 1.3pt to 50.7. Given that Caixin tends to tilt towards the private and export sector, the uptick suggest the normalization of manufacturing activity is broadening out.

China legislature passed the Hong Kong national security law on May 28, which as per the authorities aims to establish and improve the legal system and enforcement mechanisms for HKSAR to safeguard national security. This has triggered an escalation in US-China tension, with President Trump announcing the US would revoke Hong Kong's special status as a separate customs territory, although details are yet to be released. While the direct trade impact would tend to be limited, as HK's direct exports to the US only accounted for 1.2% of total exports in 2019, indirect impact on the capital market and financial system is more difficult to gauge. The re-emergence of geopolitical risk and local social unrest add downward pressure on the domestic economic outlook. On the macro activities side, retail sales volume contracted 43.8% yoy in March, following the notable decline of 46.7% in February, which largely reflects the hit to tourism and consumption-related activities amid COVID-19. Sales of luxury goods and clothing/footwear dropped sharply by 77% and 64.9% respectively, while grocery sales (+7.3%) held up well. The government has loosened some of the social-distancing measures as the outbreak situation was largely contained, which include relaxation of border restrictions to some mainlanders and gradual resumption of the airport transit from June 1. Nonetheless, removing the COVID-19 related restrictions is a double-edged sword for retailers given the re-emergence of the social protest recently.

#### MARKET OUTLOOK AND STRATEGY

The re-emergence of a more antagonistic US/China relationship has further raised market worries about the geopolitical risk. The COVID-19 outbreak should intensify the confrontation over 5G, robotics and AI, as the stakes have increased given that the lockdown is revealing that we are more dependent than ever on these sectors. Going forward, we look to rotate into cyclical sectors over defensives as the economic recovery takes hold, led by domestic consumption, real estate and infra-FAI; ii) focus on domestic-oriented sectors as external headwinds and geopolitical tensions rise; concerns rising for ADRs and tech supply chain; iii) sectors that could benefit from the change in consumer behavior due to the outbreak including healthcare/grocery retailers/online gaming/e-commerce.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 10 May 2020, the Volatility Factor (VF) for this fund is 16.9 and is classified as "Very High". (source: Lipper) "Very High" includes funds with VF that are more than 14.9 (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. This update does not amount to indicate that the SC has recommended or endorsed the Fund. 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 restrictive geographical market, equities investment risks such as market risk and particular security risk and foreign investments risks such as country risk and currency 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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