RHB Asset Management

FUND FACTSHEET - SEPTEMBER 2020

All data expressed as at 31 August 2020 unless otherwise stated

3-year Fund Volatility 20.9 very high
Lipper Analytics 10 AUG 2020

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

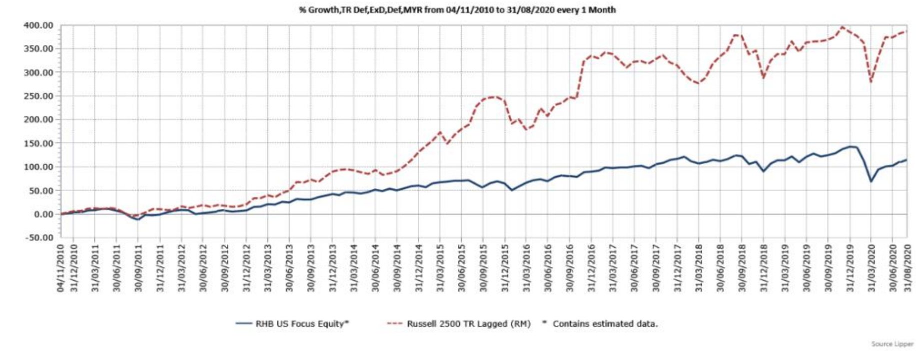
This Fund is suitable for Investors who:
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

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	**2.79**	**8.12**	**1.99**	**-10.60**
Benchmark	0.90	2.59	5.19	0.26

	1 Year	3 Years	5 Years	Since Launch
Fund	**-2.24**	**9.66**	**31.77**	**116.05**
Benchmark	4.47	16.36	48.33	386.44

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

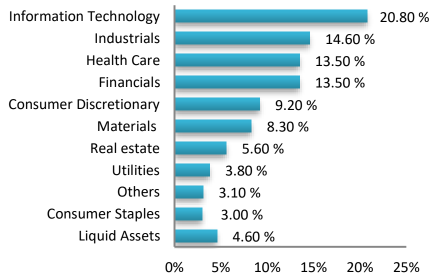
Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Feeder Fund
Fund Type	Growth Fund
Launch Date	15 October 2010
Unit NAV	RM0.9812
Fund Size (million)	RM73.90
Units In Circulation (million)	75.33
Financial Year End	31 October
MER (as at 31 Oct 2019)	0.89%
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 (%)*

CATALENT INC	2.30
ASSURANT INC	2.20
MASIMO CORP	1.80
BERRY GLOBAL GROUP INC	1.80
PENTAIR PLC	1.70

**As percentage of NAV*

**Source: Schroder, 31 August 2020. Exposure in Schroder ISF US Small & Mid-Cap Equity - 96.01%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.0037	1.1227	1.1300
Low	0.9546	0.6423	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 market rebound continued in August as US equities delivered a fifth consecutive month of positive returns. This is an impressive run following the extreme market collapse which bottomed in early April. Performance was good across the capitalisation spectrum with US large cap leading the rest of the US equity market by solid margins – 156 basis points (bps) versus small cap 266 bps versus smid and 367 bps versus mid. Mid cap was the relative "weak" spot as this group lagged large, smid and small caps. Note that large cap is the only US equity category with positive year to date (YTD) returns through the end of August.

An interesting dynamic was at work underneath all of this. There was a noteworthy divergence between growth and value, but that was really only in large cap. Large growth outperformed large value by approximately 600 bps (varying slightly depending on which index series one uses). This was far less true down the capitalisation scale. In mid cap, value stocks outperformed growth by 124 bps. In smid cap, growth led value by only 4 bps. In small cap, growth led by 48 bps (all according to the Russell indices). Given the strong outperformance of growth versus value over the trailing five, 10 and 15 years could this be a harbinger of a change? That remains to be seen.

From a factor perspective, high beta clearly outperformed. Another notable trend in the month of August was the continued outperformance of companies with negative earnings. Companies in the Russell 2500 with negative earnings were up 9%, while those with positive earnings were up less than 5%. YTD, this spread is over 20%.

Regarding the November election, the Target Fund Manager continues to feel it is too soon to call. There is some tightening in the polls with Biden maintaining an edge, but it can by no means be called a sure thing. Everyone remembers the surprising ending to the 2016 election when Trump trailed until the very end and won because of the peculiarities of the Electoral College. If one or two key states (such a Pennsylvania or Michigan) swing into the Trump column, even if by the narrowest of margins, the outcome could once again run counter to the polling results. The Target Fund Manager also encourage their readers to focus beyond the Presidential contest. Control of the US Senate could change from Republicans to Democrats in this election which would have serious implications for the direction of government policy. The Federal Reserve (Fed) issued an important statement late in the month indicating that they would allow the economy to "overshoot" their inflation target (currently 2%). One practical implication is if the levels of unemployment fall below a predetermined level the Fed would not automatically raise rates (in response to inflation concerns). This indicates a change from a policy the Fed has followed since the 1970s. Former Fed chair Ben Bernanke commented for the Wall Street Journal: "They believe, and I agree, that there are substantial social benefits from a strong labor market. Under this strategy, they will not take any steps to cool the labor market unless there is clear evidence of inflationary pressure."

Revised estimates for 2Q GDP were slightly improved at -31.7% compared with an initial estimate of -32.9% annualized. The improvement on the employment front is modest but steady. During the month the number of unemployed declined from 17.0 million to 14.8 million, a decline of almost 2.2 million. Initial unemployment claims also declined from 1.2 million to 1.0 million. The unemployment rate for August declined to 8.4% from July's number of 10.2%. The numbers are still very high by historic standards but the improvement is positive.

MARKET OUTLOOK

Unprecedented has been an overused word of late for understandable reasons. The Target Fund Manager is certainly living through a time with few comparisons. The deliberate shutting down of national economies is an extreme, and dare they say it, unprecedented measure. Maybe this time it really is different. Some days it certainly feels that way, and they suspect that is true for most.

From an investment viewpoint the forced shut down of the economy has never been contemplated before. Business models are not built with the assumption that an operating company will have to go through an extended period of no revenues. The economic crisis was a deliberate attempt to contain a health crisis. Navigating these uncharted waters has been treacherous at times, as historically defensive businesses were caught in the crosshairs of the shutdown.

Investors are not focusing on 2020 earnings, and many are looking to 2022 earnings estimates to support current valuations. Discounting an earnings and cash flow scenario that far out is fraught with risks. How long can the government continue to shoulder the burden of support for families and individuals? How long can the Fed keep the financial system awash in liquidity? How will businesses need to adapt to new (and as yet unclear) patterns of consumption and distribution? How will a changed administration in Washington D.C. impact companies' ability to generate earnings and cashflow? In the background is the vaccine question – when will we get one? How effective will it be?

While there is a high level of uncertainty, the Target Fund Manager is beginning to see the US economy starting to emerge from the crisis. On the surface, the economic data will continue to look abysmal. Broadly speaking, the sequential rate of change for economic improvement will determine if the market is overly aggressive in discounting a recovery. This "second derivative" will remain the Target Fund Manager's focus as they navigate through the volatile markets.

Last quarter the Target Fund Manager ended their outlook with the assertion that they remain confident in the resilience of the American economy and its ability to adapt to a new normal. That remains the Target Fund Manager's view today.