

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:

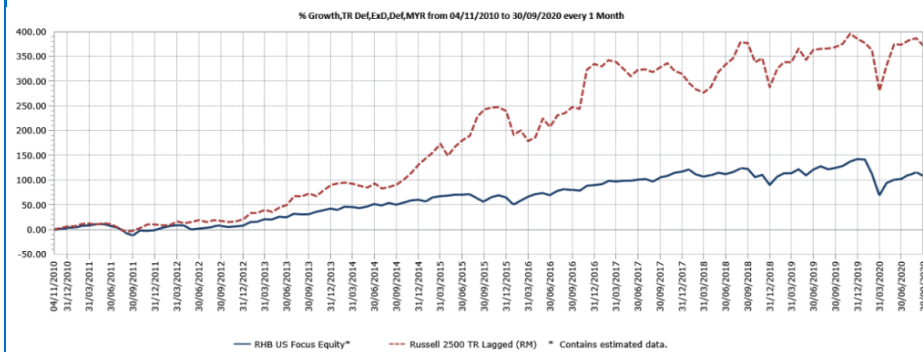
- seek investment opportunities in the US market;
- have medium to high risk appetite; and
- seek capital growth.

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	-3.50	3.44	24.02	-13.73
Benchmark	-3.06	-0.42	24.11	-2.81

	1 Year	3 Years	5 Years	Since Launch
Fund	-6.84	1.73	33.35	108.50
Benchmark	0.63	10.37	37.58	371.54

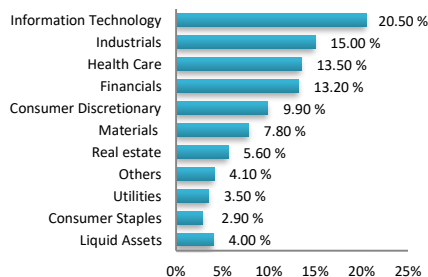
Calendar Year Performance (%)*

	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 (%)*

CATALENT INC	2.20
ASSURANT INC	2.10
ADVANCE AUTO PARTS INC	1.90
ENTEGRIS INC	1.80
MASIMO CORP	1.80

*As percentage of NAV

*Source: Schroder, 30 September 2020. Exposure in Schroder ISF US Small & Mid-Cap Equity - 95.36%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.9974	1.1227	1.1300
Low	0.9218	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 third quarter was strong despite negative returns in September. Quarterly returns were virtually linear with large cap the strongest return down to small cap generating the weakest return for the three months. If not for September's weak market, quarterly returns would have been even higher. Note that on a year-to-date basis only the S&P 500 has been positive for the nine months, driven primarily by Alphabet (Google), Facebook, Netflix et al. Valuations have been virtually irrelevant up to this point.

The market reacted positively to the speed with which pharmaceutical and biotech companies are making progress on developing a Covid-19 vaccine. While some politicians are promising that a vaccine will be ready by the start of November, a year-end availability still appears a stretch. Predictably, the coronavirus topic has been dominating the narrative during the final stages of the US election campaigns. Towards the end of the quarter, the market began to price in a Biden victory. This was evident through a steepening yield curve in response to further deficit spending and an explosive move in alternative energy stocks on the prospects of a "green new deal". While the lead for Biden seems insurmountable, a lot can happen in a short period of time and the surprising outcome of the 2016 election is a reminder that the polls are often wrong.

The trend of non-earning companies' outperformance continued in the third quarter. Companies with negative earnings outperformed companies with positive earnings by a factor of two (+10% versus +5%). Companies with low returns on equity and low profitability also outperformed. The Target Fund Manager's focus on positive earnings, cash flow and high profitability has not been rewarded this year. The quarter has been difficult for active investors in this space. Fewer than 40% outperformed their benchmarks in the small and mid-cap spaces this quarter. Economic data has painted a positive picture but the improvement has been slowing during the quarter. On the positive side unemployment is now in single digits (7.9% for September compared with 10.2% in July), non-farm payroll growth continues to be positive, albeit improving at a slower rate. Areas with noteworthy increases in jobs include services (restaurants, health care, retail) and goods producers (construction, manufacturing) reflecting a reopening economy. Pending home sales have risen, and consumer expectations are rising (with a wide gap in expectations between self-identified Democrats and Republicans). Given the slowing data overall and the end of many stimulus programs there is increasing support for another economic stimulus bill out of Washington.

While the market is pricing in a Biden victory, the odds are also increasing for the possibility of a Democratic majority in the Senate; the Democrats are expected to retain control of the House of Representatives. Democratic control of the presidency and both houses of the Congress would bring about a sharp change in fiscal policy. Current thinking is that it would lead to a roll back of corporate tax cuts (from 21% to 28%) along with roll backs of tax cuts for high income earners (i.e. higher taxes for the highest income group). Additional considerations include a stricter regulatory backdrop for financial institutions and a substantially greater focus on sources of alternative energy. There is also increasing talk of a substantial infrastructure program that has been discussed by both sides for some time. This would be broadly viewed as inflationary, something that has been elusive in the recovery for the last ten years.

MARKET OUTLOOK

The markets are at a critical juncture, with the timing of further fiscal stimulus hanging in the balance of a contentious election cycle. While the Target Fund Manager expects strong earnings to be delivered during the Q3 reporting period, the market response will likely depend on fiscal stimulus progress, greater certainty around an election outcome, and vaccine progress. The signs of a nascent recovery are cautiously encouraging but the Target Fund Manager is not anticipating a straight path to a return to normal. The shorter term views are quite in flux as noted above, and somewhat disconnected from fundamentals in the near term. The Target Fund Manager's longer term view remains as stated in last quarter's report: The Target Fund Manager remains confident in the resilience of the American economy and its ability to adapt to a new normal. The Target Fund Manager continues to look to invest in companies with sound businesses and good long term prospects, confident that highly profitable, cash generative companies will be rewarded as this cycle normalizes.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 September 2020, the Volatility Factor (VF) for this fund is 20.9 and is classified as "Very High". (source: Lipper) "Very High" includes funds with VF that are more than 15.4 (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 2020 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 contents of the PHS and Master Prospectus dated 3 September 2017 and its supplementary(ies) (if any) ("collectively known as the Master Prospectus") before investing. The Master Prospectus has been registered with the Securities Commission Malaysia ("SC") who takes no responsibility for its contents. The SC's approval or authorization, or the registration of the Master Prospectus should not be taken to indicate that the SC has recommended 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. If in any doubt, consult your banker, lawyer, stockbroker or an independent financial adviser.

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 Fund 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.

This Fund Factsheet has not been reviewed by the SC.

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