

Unit Trust

RHB China A Fund

Why this fund?

- Offers exposure to China onshore equities via pure bottom-up strategy
- High conviction fund with small-mid cap bias
- Allocation to 'new economy' sectors driven by quality growth style

What is this fund all about?

- **The Fund aims to provide capital growth over medium to long-term* by investing in one (1) collective investment scheme- Schroder International Selection Fund China A (“Target Fund”)**
- **High conviction, active fundamental strategy investing in China A-shares:** The target fund seeks to outperform the benchmark by 3-4% (gross) over rolling 3-5 year periods, by investing into a concentrated portfolio of 30-60 companies that are well placed to grow and prosper over the longer term under the widest possible range of macroeconomic outcomes.
- **Target fund is managed by an experienced, stable investment team:** Given the extensive depth and breadth of the China A-share universe (>3,300 stocks) - active management is highly relevant, and key to source opportunities beyond the top benchmark names. The on-the-ground investment team is very well-resourced, led by portfolio manager (PM) Jack Lee, a veteran in the China A-share space with over 20 years of investment experience. He is supported by Schroder's experienced and resourceful Greater China team. The team also leverages on Schroders' data scientists to provide a conviction 'edge' to investment decisions.
- **Quality growth style with small-mid cap bias:** The target fund's strategy maintains a high active share (>80%) and has a tilt towards small-mid cap stocks. The PM has a strong emphasis on companies aligned to China's structural growth trends represented by the sector bias towards consumer, technology and healthcare.
- **Strategy with a strong track record in Hong Kong since 2013:** The SICAV vehicle was launched in Dec 2017 to meet the growing demand from investors internationally. The fund has daily liquidity and will replicate the successful strategy of the Hong Kong-domiciled Schroder China Equity Alpha fund, which was inceptioned in March 2013.

What is the key risk?

The target fund invests primarily in equities and it is exposed to issuer, industry, market and general economic related risks that may affect the value of equity securities owned by the fund. The fund is also 1) likely to have higher volatility due to its concentration of investments in a single market and 2) susceptible to sudden changes in flows due to the large retail investor base.

Target fund performance contributors

	MTD contributors	MTD detractors
Sector	<ul style="list-style-type: none"> • IT • Materials • Industrials 	<ul style="list-style-type: none"> • Real Estate • Health Care • Consumer Staples
Stock	<ul style="list-style-type: none"> • Hengli Petrochemical • China Jushi • EVE Energy 	<ul style="list-style-type: none"> • Kweichow Moutai • Ping An Insurance • Goertek

What the target manager says

Chinese equity markets started 2021 very strongly, powered by elevated retail trading and the liquidity coming from the strong mutual fund issuance. After such a strong start, pull-backs were to be expected and this came in the middle of last month. The correction was triggered by the mounting concerns on gradual tightening of financial condition in China. Given the recent spike

in PPI and commodity price, market is worried that such cost increase will feed through to the CPI and eventually lead to more monetary tightening. Also, as the Chinese economy is more or less back to normalcy, it is reasonable for the market to expect the overall policy stance to be less supportive going forward as the authorities will likely shift their priority from stimulating growth to rebalancing growth, enhancing growth quality and sustainability, and more importantly containing systemic risks. Externally, the sharp back-up in US bond yields has deflated investors' risk appetite. Although these yields remain very low by any historical standards and reflect in large part a healthier outlook for the economy, the speed of the rise and the heightened volatility of the fixed income markets generally, has been unnerving for investors. Although the US Fed has reiterated its intention not to hike short rates until the economy and unemployment are fully normalised, this backdrop of higher producer prices and rising bond yields is a new challenge for markets and has triggered profit taking in some of the more extended sectors of the market that have performed best in recent weeks.

PERFORMANCE (%)

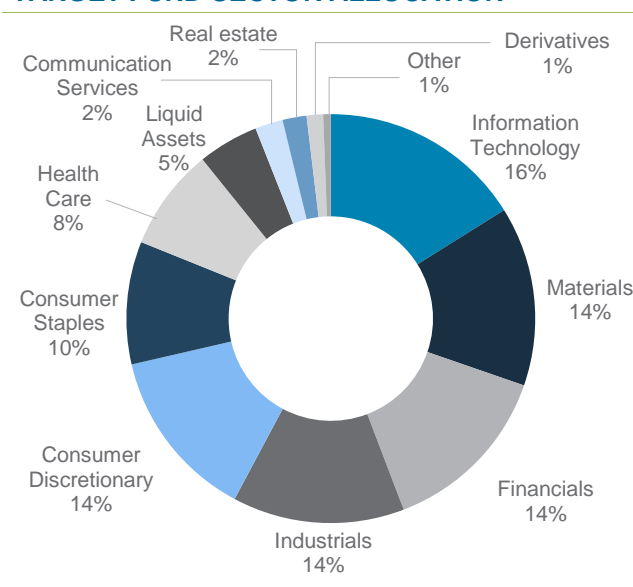
	YTD	2020	2019	2018	3Y (ann.)
RHB China A Fund	-	-	-	-	-
Target Fund Schroder ISF China A Acc	1.06	62.70	37.83	-22.72	20.06

Source: Morningstar. Performance in USD NAV-to-NAV with dividends reinvested as at 20 April 2021. ^Schroder ISF China A Acc is the target fund underlying of RHB China A Fund.

TARGET FUND TOP 10 HOLDINGS

Ping An Insurance Group Co of China Ltd	7.6%
Midea Group Co Ltd	4.0%
Oppein Home Group Inc	3.6%
China Merchants Bank Co Ltd	3.5%
Lomon Billions Group Co Ltd	2.6%
Hongfa Technology Co Ltd	2.3%
China Jushi Co Ltd	2.2%
Mango Excellent Media Co Ltd	2.2%
Shandong Sinocera Functional Material Co Ltd	2.1%
XCMG Construction Machinery Co Ltd	2.1%

TARGET FUND SECTOR ALLOCATION



TARGET FUND KEY FUND CHARACTERISTICS

Target Manager Name	Jack Lee
Benchmark	MSCI China A Onshore NR USD
Standard Deviation (3Yr)	19.55%
Sharpe Ratio (3Yr)	2.70
Product Risk Rating	5

All data are extracted from the target fund as of 28-February-2021 unless otherwise stated.

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