RHB Asset Management

RHB SMART BALANCED FUND

SEMI-ANNUAL REPORT 2023

For the financial period ended 30 September 2023

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name - RHB Smart Balanced Fund

Fund Category - Balanced fund

Fund Type - Income and Growth

Investment Objective, Policy and Strategy

Objective of the Fund

This Fund aims to maximise total returns through a combination of long term* growth of capital and current income^ consistent with the preservation of capital# through a combination of investments in companies with market capitalisation of not more than RM1 billion and investments in fixed income securities.

Note: * "long term" in this context refers to a period of between 5 - 7 years.
^ The income is in the form of units.
#Although the Fund aims to achieve preservation of capital, the Fund is not a capital guaranteed fund or a capital protected fund.

Strategy

This Fund seeks to achieve its investment objective through a policy of diversified investment in equities and quality fixed income securities.

This Fund will generally adopt a 50 : 50 blend investment portfolio comprising carefully selected investments in securities of companies with market capitalization of not more than RM1 billion (determined at the point of purchase) and quality fixed income securities (comprising amongst others of convertible debt securities, redeemable debt securities, bonds/securities that are issued and/or guaranteed by the government or quasi-government agencies, corporate bonds carrying at least BBB rating by any Domestic Rating Agencies or its equivalent rating by a reputable rating agency and fixed income collective investment schemes), money market instruments, cash and deposits with financial institutions.

Given this balanced asset mix, the Fund will be very much protected from wild swings in the market while still able to enjoy part of the appreciation from growth in the stock market. However, the actual percentage of assets invested in equities and fixed income securities will vary from time to time, depending on the judgement of the Manager as to the general market and economic conditions, trends and yields, interest rates and changes in fiscal and monetary policies. The Fund's asset mix would range

from 40% - 60% in securities of companies with market capitalisation of not more than RM1 billion and 40% - 60% in fixed income securities, money market instruments, cash and deposits with financial institutions depending on the market conditions but subject always to a minimum allocation of 40% in each category. Although the Fund is actively managed, how active or the frequency of its trading strategy will very much depend on market opportunities.

The risk management strategies and techniques employed by the Manager include diversification of the Fund's investments in terms of its exposure to various industries, sectors and asset classes/type of investments (i.e. equity, fixed income securities and money market instruments). Financial derivatives may also be used for hedging purposes where appropriate. Generally, the assets of the Fund will be invested over a medium to long term period with disposal of the investments when necessary to control risk as well as to optimise capital gains. This is especially so when the full growth potential of the investment is deemed to have been reduced over a prolonged rise in market value of the investments and the other available investments may present cheaper valuations and higher potential returns. The Fund also complies with the permitted investments and restrictions imposed by the Securities Commission. Adherence to these permitted investments and restrictions also helps the Manager to risk-manage the Fund's portfolio in terms of diversification. Moreover, the Manager in making its investment decisions shall at all times comply with the investment restrictions of the Fund and requirements as set out in the Deed.

The Manager may take temporary defensive positions that may be inconsistent with the Fund's principal strategy in attempting to respond to adverse economic, political or any other market conditions. In such circumstances, the Manager may reallocate the Fund's equity investments into other asset classes such as fixed income securities, money market instruments, cash and deposits with financial institutions, which are defensive in nature. In its reallocation, the level of equity investments would not fall below 20% of the Net Asset Value.

Performance Benchmark

Effective from 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Prior to 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.

Permitted Investments

This Fund may invest in securities traded on Bursa Malaysia or any other market considered as an eligible market, unlisted securities, collective investment schemes, financial derivatives, structured products, money market instruments and deposits with any financial institutions and any other investments permitted by the Securities Commission Malaysia from time to time.

Distribution Policy

Consistent with the Fund's objective to achieve long term* growth of capital and current income^, the Fund will distribute a portion of its returns to unit holders. Distributions, if any, after deduction of taxation and expenses, are generally declared annually.

Note: * "long term" in this context refers to a period of between 5 - 7 years.
^ The income is in the form of units.

Notification of Changes

In addition to the changes mentioned in the letter dated 10 July 2023, below are the remaining changes: -

General Amendments

(a) All references to "**interim report(s)**", wherever they appear in the Principal Master Prospectus, are hereby amended to "**semi-annual report(s)**".

(b) All references to "**debenture**", wherever they appear in the Principal Master Prospectus, are hereby amended to "**fixed income securities**".

"DEFINITIONS"

Domestic Rating Agencies	Local credit assessment institutions that are recognised by the Securities Commission Malaysia.
Eligible Market	An exchange, government securities market or an over-the-counter market that is regulated by a regulatory authority of that jurisdiction, that is open to the public or to a substantial number of market participants and on which financial instruments are regularly traded.
EPF-MIS	Employees Provident Fund – Members' Investment Scheme.
financial institution(s)	(a) If the institution is in Malaysia – (i) licensed bank or licensed investment bank as defined under the Financial Services Act 2013; or (ii) licensed Islamic bank as defined under the Islamic Financial Services Act 2013; or (b) If the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised by the relevant banking regulator to provide financial services.
Guidelines	Guidelines on Unit Trust Funds issued by the Securities Commission including all amendments and/or revision thereto issued by the Securities Commission and any other relevant guidelines issued by the Securities Commission.
Repurchase Price	The price (before deducting any repurchase charge) payable by the Manager to a Unit Holder pursuant to the repurchase of a unit. The Repurchase Price shall be the Net Asset Value per unit as at the next valuation point of the Fund's relevant Business Day ("forward pricing") after the complete repurchase request is received by the Manager. A repurchase charge, if any, will be computed separately based on the withdrawal amount/repurchase amount, net of bank charges (if any).

Selling Price	The price (before adding any sales charge) payable by an investor or a Unit Holder for the purchase of a unit. The Selling Price shall be the Net Asset Value per unit as at the next valuation point of the Fund's relevant Business Day ("forward pricing") after the application for units is received by the Manager. A sales charge, if any, will be computed separately based on the investment amount/purchase amount, net of bank charges (if any).
US Person	A US Person as defined in Section 7701 (a) (30) of the Internal Revenue Code and includes an individual who is a citizen or resident of the United States of America.

Chapter 1 – Fund Information, Section 1.2.7 – Collective Investment Schemes

The Manager will only make such investments where the Manager expects those investments to complement the objective and enhance the performance of this Fund, provided always that the Fund does not invest in any of the other Funds under this umbrella fund, i.e., the RHB Smart Series Funds. In addition, the Manager will only make such investments if the collective investment scheme is authorised or recognised by the Securities Commission or is registered or authorised or approved by the relevant regulatory authority in its home jurisdiction as the case may be and which operates within the general investment principles of the Guidelines. The Fund's investments in collective investment schemes (if any) shall always be subject to the restrictions stipulated in Section 1.2.13 (f), (g), (m) and (q).

Chapter 1 – Fund Information, Section 1.2.8 – Financial Derivatives

The Manager may participate in futures contracts and other financial derivatives, when appropriate. The category of financial derivatives to be participated in shall be stock index futures contracts, stock index options contracts, interest rates futures contracts, bonds futures contracts, or any other categories and/or types of futures contracts or financial derivatives that may be allowable by the relevant authorities from time to time. The Fund's participation in financial derivatives is to hedge the portfolio from any unexpected price or interest rate movement in the underlying market as well as to hedge against any opportunity loss arising from uninvested cash. The benefit of any upside of price or interest rate movement in the underlying market is limited as the primary interest is to protect the value of the portfolio. When participating in such financial derivatives, the Manager will monitor the financial derivatives' valuation and credit ratings of the financial institutions as counterparty to the financial derivatives, where applicable and take appropriate actions to mitigate any risk associated with such financial derivatives. This may extend to unwinding of the financial derivatives in the event where there is a need to terminate current position due to reversal in market movement, redemption in units or upon downgrade of the credit ratings of the financial institutions. The Fund's net market exposure owing to its financial derivatives positions must not exceed the Net Asset Value. Commitment approach is used to calculate the Fund's net market exposure. It is calculated as the sum of the (a) absolute value of the exposure of each individual financial derivative not involved in netting or hedging arrangements; (b) absolute value of the net exposure of each individual financial derivative after netting or hedging arrangements; and (c) the values of cash collateral received pursuant to the reduction of exposure to counterparties of OTC financial derivatives. The Fund's holding in financial derivatives (if any) shall always be subject to the restrictions stipulated in Section 1.2.13 (e), (n), (o) and (p).

Chapter 1 – Fund Information, Section 1.2.13 – Permitted Investments and Restrictions

This Fund may invest in securities traded on Bursa Malaysia or any other market considered as an Eligible Market, unlisted securities, collective investment schemes, financial derivatives, structured products, money market instruments and deposits with any financial institutions and any other investments permitted by the Securities Commission from time to time.

The acquisition of such permitted investments is subject to the following restrictions:

a) The aggregate value of the Fund's investments in transferable securities that are not traded or dealt in or under the rules of an Eligible Market (i.e. unlisted securities) must not exceed fifteen (15) per cent of the Fund's Net Asset Value, subject to a maximum limit of ten (10) per cent of the Fund's Net Asset Value in a single issuer, or any other limit as may be prescribed by the Securities Commission from time to time.

b) The value of the Fund's investments in ordinary shares issued by any single issuer must not exceed ten (10) per cent of the Fund's Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.

c) The value of the Fund's investments in transferable securities (i.e. equities, fixed income securities and warrants) and money market instruments issued by any single issuer must not exceed fifteen (15) per cent of the Fund's Net Asset Value ("single issuer limit"), or any other limit as may be prescribed by the Securities Commission from time to time. In determining the single issuer limit, the value of the Fund's investments in instruments in paragraph (a) issued by the same issuer must be included in the calculation.

d) The value of the Fund's placement in deposits with any single financial institution must not exceed twenty (20) per cent of the Fund's Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.

e) The aggregate value of the Fund's investments in, or exposure to, a single issuer through transferable securities, money market instruments, deposits, underlying assets of financial derivatives and counterparty exposure arising from the use of OTC financial derivatives must not exceed twenty-five (25) per cent of the Fund's Net Asset Value ("single issuer aggregate limit"), or any

other limit as may be prescribed by the Securities Commission from time to time. In determining the single issuer aggregate limit, the value of the Fund's investments in instruments in paragraph (a) issued by the same issuer must be included in the calculation.

f) The value of the Fund's investments in units or shares of a collective investment scheme must not exceed twenty (20) per cent of the Fund's Net Asset Value, provided that the collective investment scheme complies with paragraphs (q)(i), (ii) or (iii), excluding collective investment scheme that invests in real estate, or any other limit as may be prescribed by the Securities Commission from time to time.

g) The value of the Fund's investments in units or shares of a collective investment scheme that invests in real estate pursuant to paragraph (q)(iii) must not exceed fifteen (15) per cent of the Fund's Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.

h) The value of the Fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed twenty (20) per cent of the Fund's Net Asset Value ("group limit"), or any other limit as may be prescribed by the Securities Commission from time to time. In determining the group limit, the value of the Fund's investments in instruments in paragraph (a) issued by the issuers within the same group of companies must be included in the calculation.

i) The single financial institution limit in paragraph (d) does not apply to placements of deposits arising from:
   (i) subscription monies received prior to the commencement of investment by the Fund;
   (ii) liquidation of investments prior to the termination of the Fund, where the placement of deposits with various financial institutions would not be in the best interests of Unit Holders; or
   (iii) monies held for the settlement of redemption or other payment obligations, where the placement of deposits with various financial institutions would not be in the best interest of Unit Holders.

j) The Fund's investments in shares or securities equivalent to shares must not exceed ten (10) per cent of the shares or securities equivalent to shares, as the case may be, issued by any single issuer, or any other limit as may be prescribed by the Securities Commission from time to time.

k) The Fund's investments in fixed income securities must not exceed twenty (20) per cent of the fixed income securities issued by a single issuer, or any other limit as may be prescribed by the Securities Commission from time to time. This limit may be disregarded at the time of acquisition if at that time of acquisition, the gross amount of fixed income securities in issue cannot be determined.

l) The Fund's investments in money market instruments must not exceed ten (10) per cent of the instruments issued by any single issuer, or any other limit as may be prescribed by the Securities Commission from time to time. This limit does not apply to money market instruments that do not have a pre-determined issue size.

m) The Fund's investments in collective investment scheme must not exceed twenty-five (25) per cent of the units or shares in the collective investment scheme, or any other limit as may be prescribed by the Securities Commission from time to time.

n) The counterparty of an OTC financial derivative must be a financial institution with a minimum long-term credit rating of investment grade (including gradation and subcategories). Subject to the aggregate limit as stipulated in the Guidelines, the maximum exposure of the Fund to the counterparty must not exceed ten (10) per cent of the Fund's Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time based on the maximum potential loss that may be incurred by the Fund if the counterparty defaults and not on the basis of the notional value of the OTC financial derivatives. The total exposure to a single counterparty is calculated by summing the exposure arising from all OTC financial derivatives transactions entered into with the same counterparty.

o) The Fund's exposure to the underlying assets (vide the financial derivatives) must not exceed the investment limits and restrictions applicable to such underlying assets as stipulated in the Guidelines, or any other limit as may be prescribed by the Securities Commission from time to time. p) The Fund's global exposure from its financial derivatives positions must not exceed the Fund's Net Asset Value at all times, or any other limit as may be prescribed by the Securities Commission from time to time.

q) The Fund may invest in other collective investment scheme that fall within the following categories:
   (i) a collective investment scheme authorised or recognised by the Securities Commission; or
   (ii) a collective investment scheme that meets the following criteria:
      - the collective investment scheme is constituted and regulated in a jurisdiction where the laws and practices provide the level of investor protection that is at least equivalent to that offered in Malaysia;
      - the rules on investments, borrowing and lending are substantially similar to the requirements in the Guidelines. This would exclude hedge funds;
      - the assets of the collective investment scheme are managed by an entity which is approved, authorised or licensed by a securities regulator to conduct fund management activities; and
      - the business of the collective investment scheme is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; or
   (iii) a collective investment scheme that meets the following criteria:
      - the collective investment scheme invests in permissible investments under the Guidelines, physicallybacked metal exchange traded funds that comply with the Guidelines, or real estate;
      - the collective investment scheme meets the criteria imposed on transferable securities as prescribed under the Guidelines;

- the units or shares in the collective investment scheme are listed for quotation and traded on a stock exchange that is an Eligible Market; and
- the collective investment scheme is not an inverse or leveraged product.

Notwithstanding the limits and restrictions mentioned above which apply to this particular Fund, the investment concentration limits in paragraphs (j), (k), (l) and (m) will apply at the level of the umbrella fund i.e. the total holdings of all the Funds comprising the RHB Smart Series Funds.

The limits and restrictions mentioned herein must be complied with at all times based on the most up-to-date value of the Fund's investments. The Manager must notify the Securities Commission within seven (7) Business Days of any breach of investment limits and restrictions with the steps taken to rectify and prevent such breach from recurring. However, any breach as a result of (a) appreciation or depreciation in value of the Fund's investments; (b) repurchase of units or payment made out of the Fund; (c) change in capital of a corporation in which the Fund has invested in; or (d) downgrade in or cessation of a credit rating, need not be reported to the Securities Commission but must be rectified as soon as practicable within three (3) months from the date of the breach unless otherwise specified in the Guidelines. The three (3) -month period may be extended if it is in the best interest of the Unit Holders and the Trustee's consent is obtained. Such extension must be subject to at least a monthly review by the Trustee. The limits and restrictions in this Section 1.2.13, however, do not apply to securities or instruments that are issued or guaranteed by the Malaysian government or Bank Negara Malaysia.

Note: If the Fund is eligible to be invested via the EPF-MIS and you transfer your moneys from your EPF account to invest in the Fund, the investments made by the Fund as well as your investment in the Fund from your EPF account will be subject to the EPF's requirements. Please refer to the website at http://www.kwsp.gov.my for updated information.

Chapter 2 – Risk Factors, Section 2.1 – General Risks of Investing in Unit Trusts, General Risks

d) Loan / Financing Risk

Investors should assess the inherent risk of investing with borrowed money or financing facility which should include the following:

i) the ability to service the loan repayments or financing instalment and the effect of increase in interest rates or profit rates on the loan repayments or financing instalments; and

ii) (in a case where units of the Fund are used as collateral to the loan or financing facility) the ability to provide additional collateral should the unit prices of the Fund fall beyond a certain level,

failing which, the investors' units may be sold off to realise the proceeds towards settlement of the outstanding loan or financing facility taken.

[Please see Unit Trust Loan Financing Risk Disclosure Statement in the application form]

Chapter 3 – Valuation of Assets

The Funds must be valued at least once every Business Day. However, certain foreign markets in which the SMART TREASURE may invest in have different time zones from that of Malaysia.

Accordingly, the valuation of the respective Funds (except for SMART TREASURE) for a Business Day will be conducted at the close of Bursa Malaysia for that Business Day. Thus, the daily price of the respective Funds (except for SMART TREASURE) for a particular Business Day will be published online on the Manager's website on the next day.

For SMART TREASURE which has investments in foreign markets, the valuation of the Fund for a Business Day will be conducted by 5.00 p.m. (or such other time as may be determined by the Manager from time to time) on the following day on which the Manager is open for business. Accordingly, the price of the Fund for a particular Business Day will not be published online on the Manager's website on the next day but will instead be published the next following day (i.e. price will be two (2) days old). This will be specifically indicated on the Manager's website.

Investors may obtain the most current computed prices by contacting the Manager directly or visiting the Manager's website, www.rhbgroup.com [please refer to section 5.5 (g) (Availability of Information on Investment)].

In undertaking any of the Fund's investments, the Manager will ensure that all the assets of the Fund will be valued at fair value and at all times in compliance with the relevant laws (including approved accounting standards).

Accordingly, where applicable:

(i) Listed securities

Listed securities will be valued daily based on the last done market price or such other basis as may be prescribed by the relevant laws from time to time including approved accounting standards.

However, if: -

(a) a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions; or

no market price is available, including in the event of a suspension in the quotation of securities for a period

(b) exceeding fourteen (14) days, or such shorter period as agreed by the Trustee,

then the securities would be valued at fair value, as determined in good faith by the Manager based on the methods or bases approved by the Trustee after appropriate technical consultation.

(ii) Unlisted fixed income securities

Investments in unlisted fixed income securities denominated in Ringgit Malaysia will be valued on a daily basis by reference to the fair value prices quoted by a bond pricing agency (BPA) registered with the Securities Commission. However, where quotations are not available, such unlisted fixed income securities will be valued at fair value by reference to the average indicative yield quoted by three independent and reputable financial institutions in OTC market at the close of trading. These institutions include investment banks and commercial banks dealing in fixed income securities.

In a case where the Manager is of the view that the price quoted by BPA for a specific unlisted fixed income security differs from the market price (i.e., the Manager's view of the market yield) by more than 20 basis points, the Manager may use the market price, provided that the Manager records its basis for using a non BPA price, obtains necessary internal approvals to use the non BPA price and keeps an audit trail of all decisions and basis for adopting the market price.

However, when the Manager, after taking all reasonable efforts, is unable to obtain quotations from BPA or quotations from three independent and reputable financial institutions due to circumstances such as extreme market conditions, such unlisted fixed income securities will be valued at fair value as determined in good faith by the Manager based on the methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

(iii) Unlisted equity securities

Investment in unlisted equity securities will be valued at fair value as determined in good faith by the Manager based on the methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

(iv) Collective investment schemes

Collective investment schemes which are quoted on an approved exchange shall be valued daily based on the last done market price. When investing in unlisted collective investment schemes, the value shall be determined by reference to the last published repurchase price of a unit of that unlisted collective investment scheme.

(v) Financial derivatives

Financial derivatives positions will be 'marked-to-market' at the close of each trading day.

(vi) Deposits

Deposits placed with financial institutions will be valued each day by reference to the principal value of such investments and the interest accrued thereon for the relevant period.

(vii) Money market instruments

Money market instruments that are held for collecting contractual cash flow purpose i.e. money market placements which have a remaining term to maturity of not more than 90 days at the time of acquisition will be measured on an ongoing basis at amortised cost. The risk of using amortised cost accounting is the mismatch between the fair value and book value of a money market instrument. The Manager will monitor closely and consider prompt action to discontinue the use of amortised cost method and adopt the fair value, i.e., the discounted net present value, as the valuation for money market instrument in the event the variance is above 3%.

Money market instruments other than the aforesaid will be valued on a daily basis by reference to the fair value prices quoted by a BPA registered with the Securities Commission.

(viii) Foreign exchange translation

Foreign exchange translation of foreign investments into Ringgit Malaysia for a particular Business Day is determined based on bid rate quoted by Bloomberg or Reuters at 4.00 p.m. (United Kingdom time) or such other time as may be prescribed from time to time by the relevant laws.

(ix) Any other investment

Any other investments as may be held by the Fund will be valued based on fair value as determined in good faith by the Manager, on methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

Chapter 4 – Fees, Charges and Expenses, Section 4.1 (c) – Other Charges

(iv) Any bank charges imposed by the relevant financial institutions will be borne by the Unit Holders.

Chapter 4 – Fees, Charges and Expenses, Section 4.4 – Policy on Rebates and Soft Commissions

SMART TREASURE **SMART BALANCED** **SMART INCOME**

It is the Manager's policy to credit all rebates to the account of the respective Funds.

However, goods and services ("soft commissions") provided by any broker or dealer may be retained by the Manager or the fund manager if:

(a) the soft commissions bring direct benefit or advantage to the management of the Funds and may include research and advisory related services;

(b) any dealing with broker or dealer is executed on terms which are the most favourable for the Funds; and

(c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager must not enter into unnecessary trades to achieve a sufficient volume of transactions to qualify for soft commissions.

Chapter 4 – Fees, Charges and Expenses, Section 4.5 –Tax

SMART TREASURE **SMART BALANCED** **SMART INCOME**

All fees and charges payable to the Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the Malaysian government from time to time.

Based on the Finance Act 2021, income derived by the Fund from foreign sources and received in Malaysia from 1 January 2022 onwards will be subject to Malaysian income tax. A transitional tax rate of 3% is accorded on the gross amount of the foreign income received in Malaysia from 1 January 2022 to 30 June 2022. From 1 July 2022 onwards, the prevailing tax rate of 24% will apply to the chargeable income computed in respect of the foreign source income remitted into Malaysia by the Fund.

Where the same foreign income has been taxed in both Malaysia and the foreign country, a tax credit in the form of bilateral relief under a Double Tax Agreement ("DTA") or unilateral relief under the domestic law (if there is no available DTA or a limited DTA which does not provide such relief) may be given in respect of such income, subject to conditions**.**

There are fees and charges involved and investors are advised to consider them before investing in the Funds.

Chapter 5 – Transaction Information, Section 5.5 (b) – Cooling-off Period

The cooling-off right refers to the right of an individual investor to obtain a refund of his investment if he so requests within the cooling-off period. The cooling-off right is only given to an individual investor, other than those listed below, who is investing in any unit trust funds managed by the Manager for the first time:

(i) a staff of the Manager; and/or
(ii) a person registered with a body approved by the Securities Commission to deal in unit trust funds.

The refund to the investor pursuant to the exercise of his cooling-off right must be as follows:

a) the Net Asset Value per unit at the point of exercise of the cooling-off right ("market price"), if the Net Asset Value per unit on the day the units of the Fund were purchased ("original price") is higher than the market price; or

b) the original price, if the market price is higher than the original price.

If the market price is higher than the original price paid by the investor, the Manager may agree to pay the investor the excess amount, provided that such amount is not paid out of the respective Funds or the assets of the respective Funds.

The Manager must also refund the sales charge originally imposed on the day the units of the Fund were purchased.

The cooling-off period shall be within six (6) Business Days which shall be effective from the date of receipt of the application by the Manager. Where applicable, if you have invested via the EPF-MIS, the cooling-off period shall be subject to EPF's terms and conditions.

The cooling-off right allows investors the opportunity to reverse an investment decision which could have been unduly influenced by certain external elements or factors.

Withdrawal proceeds will only be paid to the investors once the Manager has received cleared funds for the original investment. For investors who paid by cheque, the refund will be made upon clearance of the cheque. The Manager shall refund the investor in cash within seven (7) Business Days of receiving the cooling-off notice. Where applicable, if you have invested via the EPF-MIS, the refund will be credited back into your EPF accounts.

Chapter 5 – Transaction Information, Section 5.5(d) – How to Switch between Funds

Unit Holders may switch between Funds under the umbrella of the RHB Smart Series Funds or with any unit trust fund under the management of the Manager that are of the same currency and that allows for switching by forwarding the completed form of request to switch to the Manager's registered/principal office or any of its branches, or to any of its participating IUTAs and any other authorised distributors before their respective cut-off times on any Business Day. The minimum amount for a switch into another fund is RM100.00 or such other amount as the Manager may from time to time decide. There is no restriction as to the number of switches a Unit Holder may perform or the frequency of switching. The minimum investment balance must be at least one hundred (100) units or such other lower quantity as the Manager may from time to time decide after the switch. Following a switching transaction, if the quantity of units held by a Unit Holder in the Fund falls below its minimum investment balance, the Manager can switch the entire investment and forward the proceeds to the fund that the Unit Holder intends to switch into. The Manager however, reserves the right to vary these terms.

Chapter 5 – Transaction Information, Section 5.5(f) – Unclaimed Monies

All money payable to a Unit Holder may be paid by electronic payments or cheques. However, after the lapse of one (1) year from the date of the cheque or any moneys payable to Unit Holders which remain unclaimed for such period of time, the Manager shall file and pay the unpresented payments to the Registrar of Unclaimed Moneys in accordance with the requirements of the Unclaimed Moneys Act 1965. Thereafter, Unit Holders are to claim such monies from the Registrar of Unclaimed Moneys.

Chapter 5 – Transaction Information, Section 5.5(g) – Availability of Information on Investment

After purchasing units in any of the Funds, the value of the investment can be monitored easily as the unit price of the respective Funds are published online daily on the Manager's website, **www.rhbgroup.com**.

Unit Holders will receive an unaudited semi-annual report and an audited annual report of the Fund from the Manager within two (2) months after the end of the financial period/financial year end that the report covers. The Manager may also issue updates on the performance of the Fund either quarterly or semi-annually, or as and when appropriate.

Customers or investors may call us at 03-9205 8000 at any time during our office hours: Mondays through Fridays from 9.00 a.m. – 5.00 p.m. Alternatively, investors may e-mail their enquiries to **rhbam@rhbgroup.com**.

Investors may also refer to FIMM for any queries and/or concerns regarding their investments in unit trust funds.

Investors must not make payment in cash to any individual agent when purchasing units of a Fund.

The Funds' annual report is available upon request.

Chapter 5 – Transaction Information, Section 5.5(h) – Dealing Hours

9:00 a.m. to 4:00 p.m. (Malaysia time) on any Business Day or such later time as the Manager may determine provided always that complete applications for the Fund are received before the next valuation point. The Manager may also vary the dealing hours as it may deem appropriate. Investors will be notified on the change of dealing hours via email or notification published on the Manager's website.

Chapter 6 – Salient Terms of the Deed, Section 6.1.2 – Rights of Unit Holders

Unit Holders shall have the right in respect of the Fund in which they hold units, amongst others, to the following:

(a) to receive distributions of the Fund (if any), to participate in any increase in the value of the units of the Fund and to enjoy such other rights and privileges as set out in the Deed;
(b) to call for Unit Holders' meetings, and to vote for the removal of the Trustee or the Manager through a special resolution as provided for in the Deed;
(c) to exercise the cooling-off right, if applicable; and
(d) to receive annual reports, semi-annual reports or any other reports of the Funds.

No Unit Holder shall be entitled to require the transfer to him of any assets of the Fund or be entitled to interfere with or question the exercise by the Trustee, or the Manager on the Trustee's behalf, of the rights of the Trustee as the registered owner of such assets.

Note: If your investments are made through an IUTA which adopts the nominee system of ownership, you would not be deemed to be a Unit Holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit Holder (e.g. the right to call for Unit Holders' meetings and the right to vote at a Unit Holders' meeting). Accordingly, the Manager will only recognise the IUTA as a Unit Holder and the IUTA shall be entitled to all the rights conferred to it under the Deed.

Chapter 7 – The Management and Administration of the Funds, Section 7.2 – Board of Directors

The board of directors of the Manager takes an active part in the affairs of the Manager and the unit trust funds under its management. The board of directors of the Manager meets at least once every three (3) months to receive recommendations and reports on investment activities from the committee undertaking the oversight function of the Funds, set policies and guidelines of the Manager and to review performance, financial and audit reports of the Manager. Additional meetings shall also be convened, should the need arise.

The list of board of directors are available on the Manager's website, **www.rhbgroup.com**.

Chapter 7 – The Management and Administration of the Funds, Section 7.4 – The Investment Committee – Functions of the Investment Committee

The paraghraph under above section is hereby deleted.

Chapter 7 – The Management and Administration of the Funds, Section 7.5 – The Investment Team

The investment team is jointly responsible for the overall investment decisions made on behalf of the Funds.

SMART BALANCED SMART INCOME

The designated fund manager of SMART BALANCED and SMART INCOME is Mr Michael Chang Wai Sing.

Michael Chang is the CIO for fixed income in RHBAM and has more than 22 years of fund management experience, specializing in fixed income investments for insurers and asset management companies. Prior to joining RHBAM, he was with MCIS Insurance Bhd (formerly known as MCIS Zurich) for eight years managing both life and general insurance portfolios. As the CIO of fixed income, Michael's primary role is to set the strategic direction for the fixed income investment team in Malaysia and RHBAM's regional offices covering both portfolio managers and credit analysts.

His strong investment acumen is recognized by the market and has been awarded as the Most Astute Investors in Asian Local Currency Bonds by the Asset Benchmark Research, Malaysia ranked no. 1 for four consecutive years from 2014 to 2017. He continued to maintain the Top 10 / Highly Commended ranking for the Most Astute Investors in 2018 and 2019. RHBAM also emerged and maintained its Top 3 ranking from 2017 to 2021 in the Top Fund House for Malaysia by the same research company. In 2022, RHBAM achieved Rank no. 4 for Top Fund House and the RHBAM's fixed income portfolio managers were also ranked yearly as highly commended for one of the most astute investors in local currency bonds.

Michael graduated with a bachelor of commerce degree from The University of Western Australia, with double majors in accounting and finance and a minor in business law. He is a Capital Markets Services Representative's License holder for fund management and also a member of ACI-Malaysia – The Financial Markets Association (PPKM). Prior to gaining his PPKM membership, he is a distinction and award recipient of PPKM. Prior to gaining his membership, he was a distinction and award recipient of Pasaran Kewangan Malaysia Certificate (PKMC). He is also a holder of the Capital Market and Financial and Financial Advisory Services to practice fund management in Singapore having successfully completed Module 3 - Rules & Regulations for Fund Management and Representative under the Securities and Futures Act (CAP 289) and/or Financial Advisers Act (CAP 110) licensed by the Monetary Authority of Singapore.

The designated fund managers of the Funds are supported by our investment team comprising a team of experienced fund managers who are responsible to actively manage the Funds in accordance with the investment objective of the respective Funds and the provision of the relevant Deed. The investment team shall have discretionary authority over the investments of the Funds subject to the rules and guidelines issued by the relevant authorities.

Chapter 7 – The Management and Administration of the Funds, Section 7.7 – Other Information

Further information on the Manager is provided on the Manager's website **www.rhbgroup.com**.

Chapter 8 – The Trustee of the Funds

SMART TREASURE SMART BALANCED SMART INCOME

The Trustee is HSBC (Malaysia) Trustee Berhad, a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia.

Chapter 8 – The Trustee of the Funds, Section 8.8 – Trustee's Delegate

The Trustee has appointed The Hongkong And Shanghai Banking Corporation Limited as the custodian of both the local and foreign assets of the Funds. For quoted and unquoted local investments of the Funds, the assets are held through their nominee company, HSBC Nominees (Tempatan) Sdn Bhd and/or HSBC Bank Malaysia Berhad. The Hongkong And Shanghai Banking Corporation Limited is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. The custodian's comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee.

The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository including central securities depositories, or clearing and/or settlement systems and/or authorised depository institutions, where the law or regulations of the relevant jurisdiction requires the Trustee to deal or hold any asset of the Fund through such third parties.

Particulars of the Trustee's Delegate

For foreign asset:
The Hongkong And Shanghai Banking Corporation Limited
6/F, Tower 1,
HSBC Centre,
1 Sham Mong Road, Hong Kong.
Telephone No: (852)2288 1111

For local asset:
The Hongkong And Shanghai Banking Corporation Limited (As Custodian) and assets held through HSBC Nominees (Tempatan) Sdn Bhd (Registration No: 199301004117 (258854-D))
Level 21, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia
Telephone No: (603)2075 3000
Fax No: (603)8894 2588

The Hongkong and Shanghai Banking Corporation Limited (As Custodian) and assets held through HSBC Bank Malaysia Berhad (Registration No.: 198401015221(127776-V))
Level 21, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia
Telephone No: (603)2075 3000
Fax No: (603) 8894 2588

Chapter 9 – Related-Party Transaction and Conflict of Interest, first paragraph

The directors and officers of the Manager, and the person(s) or members of a committee undertaking the oversight function of the Funds should avoid any conflict of interest arising, and if any conflict arises, should ensure that the Funds are not disadvantaged by the transaction concerned. Any transaction carried out by or on behalf of the Funds should be executed on terms which are the best available for the Funds and which are no less favourable to the Funds than an arm's length transaction between independent parties. In the event the interest of any directors and employees of the Manager, and the person(s) or members of a committee undertaking the oversight function of the Funds is directly or indirectly involved, he or she would abstain from being involved with any decision making process of the said transaction.

Chapter 9 – Related-Party Transaction and Conflict of Interest, HSBC (Malaysia) Trustee Berhad, first paragraph

As the trustee for the Funds, there may be related party transaction involving or in connection with the Funds in the following events:-

1) where the Funds invests in instruments offered by the related party of the Trustee (e.g placement of monies, transferable securities, etc);

2) where the Funds are being distributed by the related party of the Trustee as IUTA;

3) where the assets of the Funds are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Funds (Trustee's delegate); and

4) where the Funds obtain financing as permitted under the Guidelines, from the related party of the Trustee.

Chapter 10 - Tax Adviser's Letter on the Taxation of the Funds and Unit Holders

The Tax adviser's letter has been updated.

Chapter 14 – Consent

The Trustee and solicitors have given their consent for the inclusion of their names and statements in the form and context in which they appear in the Prospectuses and this Second Supplementary Master Prospectus and have not withdrawn such consent.

The tax adviser has given its consent for the inclusion of its name and tax adviser's letter in the form and context in which they appear in this Second Supplementary Master Prospectus and has not withdrawn such consent.

Directory of Outlets for Purchase and Sale of Units

For information on the participating distributors, please contact:

RHB Asset Management Sdn Bhd's Registered/Principal Office:
(Kindly refer to the Corporate Directory for details.)

Or call us at 03-9205 8000 at any time during our office hours: Mondays through Fridays from 9.00 a.m. – 5.00 p.m. or e-mail your enquiries to **rhbam@rhbgroup.com**.

MANAGER'S REPORT

EQUITY MARKET REVIEW

Malaysia's Gross Domestic Product ("GDP") growth increased by 5.60% year-on-year ("YoY") in the first quarter of year 2023 ("1Q23") compared with 7.10% in fourth quarter of year 2022 ("4Q22"). On a seasonal quarter-on-quarter ("QoQ") comparison, the economy grew marginally by 0.90% in 1Q23 after contracting by 1.70% in 4Q22. The resilient domestic demand is expected to keep the economy running offsetting a contraction in exports which has been a drag on the economy. Unemployment rate is at 3.50% and income growth though at a slower pace will continue to support growth in consumer spending. However, the near-term outlook for consumer spending would depend on how many households have more cash on hand now as there in no more cash stimulus. Furthermore, the "revenge spending" on travels and consumer services post pandemic has faded and higher interest rates (borrowing costs) would mean higher debt service payments for borrowers. Malaysia ringgit ("MYR") is second worse performing currency. Despite better economic fundamental, Financial Times Stock Exchange ("FTSE") Bursa Malaysia Kuala Lumpur Composite Index ("FBM KLCI") performed worse than other regional markets in the first half of year 2023 ("1H23"). Foreign institutions were the major seller and net sold RM4.192 billion of Malaysian equities. They have been persistently selling Malaysian equities in year 2023 primarily, in our opinion due to the weak MYR. The index is cheap from Price Earnings Valuation. The index has not been able to trade higher than mean valuation since September 2020. The Index is trading at 12.7 times Price-to-Earnings Ratio ("PER") at 1,376 compared with average PER of 14 times past 3 years. It is worth to note that this is the same PER level when the index touched the low of 1,219 when the pandemic hits in March 2020. Corporate earnings have also been downgraded from February 2023.

MALAYSIA FIXED INCOME MARKET REVIEW

Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") yields mostly decreased towards the end of the month of August 2023, moving between -5.90 basis points ("bps") to 3.50bps overall. The 10 years MGS yield fell by 2.80bps to 3.85%, whilst the 3 years MGS yield decreased by 4.20bps to 3.46%. Domestic bonds market was steered by a decline in global bond yields in the second half of the month of August, and demand remained relatively solid for the 20 years GII auction. The Fund Manager also saw a 20 years GII auction drew a healthy bid-to-cover ("BTC") of 1.99 times as expected on RM3 billion auction size. An additional RM2 billion was privately placed. Incoming bid totaled close to RM6 billion, slightly higher than the average of RM5.9 billion for all 20 year to 30 year MGS/GII auctions year-to-date ("YTD"). Like the last 30 years GII auction in early August 2023, higher yields bought out dip buyers. Relative to Government Guaranteed Issuances ("GG"), this 20 years GII offers compelling relative value

giving yields that are very close to the mark-to-market ("MTM") levels of GG bonds of comparable tenor.

ECONOMIC REVIEW AND OUTLOOK

In terms of inflation, Malaysia's rate of inflation in February 2023 remained at 3.70%, led by growing costs in food and hospitality. In the month of February 2023, the Consumer Price Index ("CPI") saw a slower increase in the food away from home component of 8.90% as compared with 9.30% in January 2023. Among the initiatives that were introduced by the government to reduce the cost of living and ease the inflation of food away from home was Menu Rahmah that was announced on 31 January 2023. Also, a continuous heavy rain since the end of December 2022 to February 2023 in several states has led to increases in food prices, especially vegetables. As a result of the transition of the monsoon, the inflation for the vegetables subgroup has recorded a significant increase of 5.80% as compared to 1.00% in January 2023. For year 2023, Bank Negara Malaysia ("BNM") is expecting headline inflation to remain elevated despite moderating in the 4Q22. This is due to strength in domestic demand and improvement in the labour market will similarly keep the core inflation elevated in the near term. The elevated core inflation will trend above headline inflation for a few months in year 2023, but both headline and core inflation are projected to average between 2.80% and 3.80% this year. Overall, our expectation on domestic inflation is to grind lower due to base effects of year 2022. In the month of March 2023, BNM has decided to maintain its Overnight Policy Rate ("OPR") at 2.75%, as inflation is expected to moderate in year 2023 with upward pressures remaining partly contained by price controls and fuel subsidies. The decision is the second consecutive time the central bank maintained its benchmark interest rate after four straight hikes last year by a cumulative 100bps to tame inflation and respond to tightening fiscal policy by the United States ("US") Federal Reserve ("Fed"). BNM has highlighted that although Malaysia's economy has grown strongly by 8.70% last year, the downside risks continue to stem mainly from global developments, including from weaker than expected growth outturns or much tighter and more volatile global financial conditions. Malaysia's inflation rose to 2.80% in June 2023, compared to 3.30% YoY in April 2023 and May 2023. There was a slower increase seen in some groups as compared with the previous months such as food and non-alcoholic beverages, transport and furnishings. Malaysia's inflation has moderated after having peaked at 4.70% last August 2023, with the government having introduced measures such as price controls on certain items. Meanwhile, it said core inflation eased to 3.50% in May 2023 compared to 3.60% in April 2023. As BNM expects the economy to moderate in year 2023 amid a slower global economy, and the growth will remain driven by domestic demand, as household spending will be underpinned by sustained improvement in employment and income prospects.

EQUITY MARKET OUTLOOK AND STRATEGY

The Fund Manager are of the view that the local index might consolidate further in the short term as the market is concerned with sticky US core inflation, strong US

macro data and weak Chinese economic data. The Fed might still need to continue hiking interest rates until the inflation numbers come down. The Jackson Hole Meeting reiterated that the interest rate hike might not be finished yet. However, the global interest rates hike cycle may be nearing an end. The Fed is expected to cut the interest rates when the employment rate starts to decline and the US economy goes into recession which would be positive for Malaysia and Asia equities. The expectations that USD is likely to weaken would push investors to lean towards Asia given its cheaper valuation. Fundamentally, there is still room for the FBMKLCI Index to go higher despite the strong rally since touching the low in June 2023. Market sentiments have improved for Malaysia due to the initiatives introduced by the government to spur the economy. In addition, with the removal of the political overhang and earnings downgrade bottoming, The Fund Manager are of the opinion that The Fund Manager have seen the bottom for FBMKLCI Index. However, The Fund Manager also think that corporate earnings upgrade might get delayed since the economy is expected to slow down in the third quarter of year 2023 ("3Q23) and fourth quarter of year 2023 ("4Q23"). Hence, market liquidity is key for the index to sustain its positive momentum. The initiatives announced by the government are expected to benefit technology, energy, property and construction sectors whilst the oil sector could benefit from higher oil prices currently. In addition, the tourism sector is also expected to benefit due to the arrival of Chinese tourists. Plantations and Banking sectors would also benefit as The Fund Manager would expect better earnings going forward. Low foreign holdings coupled with bottoming earnings downward revision would provide the support to the index. The Fund Manager would take the opportunity to position the portfolio on market weakness for decent returns in longer run due to expectations of better corporate earnings in year 2024 and cheap market valuation. However, gradual pace of subsidy rationalisation will start soon. The government has started to implement the targeted subsidy for electricity tariff (medium voltage and high voltage users, including multinational companies) from July 2023 and next in line is targeted subsidies for fuel, including RON95 petrol and diesel. Subsidy rationalization will have an impact on discretionary consumption.

FIXED INCOME OUTLOOK AND STRATEGY

Locally, on 03 May 2023 BNM increased the OPR by 25bps to 3.00% for the first time in year 2023, which was unexpected, as only 3 out of 19 economists surveyed by Bloomberg anticipated this increase in the OPR. The general consensus was for the central bank to stay pat for a third straight meeting. The decision marks the fifth OPR hike over 12 months, and a cumulative 125bps increase in the OPR from 1.75% to 3.00% in May 2022, July 2022, September 2022, November 2022 and May 2023. The decisions were to seek to pre-emptively ward off inflationary pressures amid strong domestic demand. BNM implies that the current monetary policy stance is consistent with the outlook of domestic inflation and growth. BNM also explained that the central bank has withdrawn the monetary stimulus intended to address the COVID-19 crisis in promoting economic recovery. It has also dropped any references on "continue to calibrate monetary policy settings" and "further normalisation". BNM

remains constructive on domestic growth prospects and expects core inflation to remain elevated, with the balance of risks to inflation continuing to tilt to the upside. The additional wordings in the Monetary Policy Committee ("MPC") statement i.e." the monetary stance is slightly accommodative" may seem to suggest the increase has elevated the OPR to a near neutral rate and same level as before the onset of the COVID-19 pandemic. The pressure to increase further from here is probably lower because other regional central banks are likely to stay pat, if not cut, should global growth slowdown exacerbate. The current 3.00% OPR would also mean more room to ease with additional ammunition should the economy in Malaysia slow significantly. However, The Fund Manager are opportunistic on the BNM hike because The Fund Manager are seeing that OPR peaked sooner than expected which also means OPR is likely to stay unchanged for the rest of year 2023 and The Fund Manager should be picking up cheap bonds should market turn risk off. The Fund Manager remain constructive of the bond market as The Fund Manager still see opportunities within the government and corporate credit securities market. The Fund Manager advocate on positioning the bond portfolio to increase investments whenever exacerbated selling occurs, as yield levels are expected to come off on lower year 2023 growth expectations and when market stabilizes. The momentum for bonds to do well in year 2023 has increased because the scale of the interest rate hikes in year 2023 would a lot less hawkish when compared to unprecedented interest rate increases in year 2022 globally. At this juncture, local yields still give a comfortable buffer against fixed deposits ("FD") and The Fund Manager believe the increases in FD rates should taper off this year once the OPR goes unchanged at a certain level. The stance to monetary policy locally by BNM will continue to be determined by new data and its implications on the overall inflation and domestic growth outlook. The Fund Manager will continue to monitor closely market developments both globally and locally.

FUND PERFORMANCE REVIEW

For the financial period under review, the RHB Smart Balanced Fund registered a return of 3.21%* against its benchmark positive return of 3.80%* The fund underperformed its benchmark by 0.59% during the financial period under review. The Net Asset Value per unit of the Fund was RM0.9764 (31 March 2023: RM0.9460) as at 30 September 2023.

The investment strategy and policy employed during the period under review were in line with the investment strategy and policy as stated in the prospectus. The fund has achieved its objective of providing long term wealth accumulation through capital appreciation.

** Source: Lipper Investment Management ("Lipper IM"), 13 October 2023*

PERFORMANCE DATA

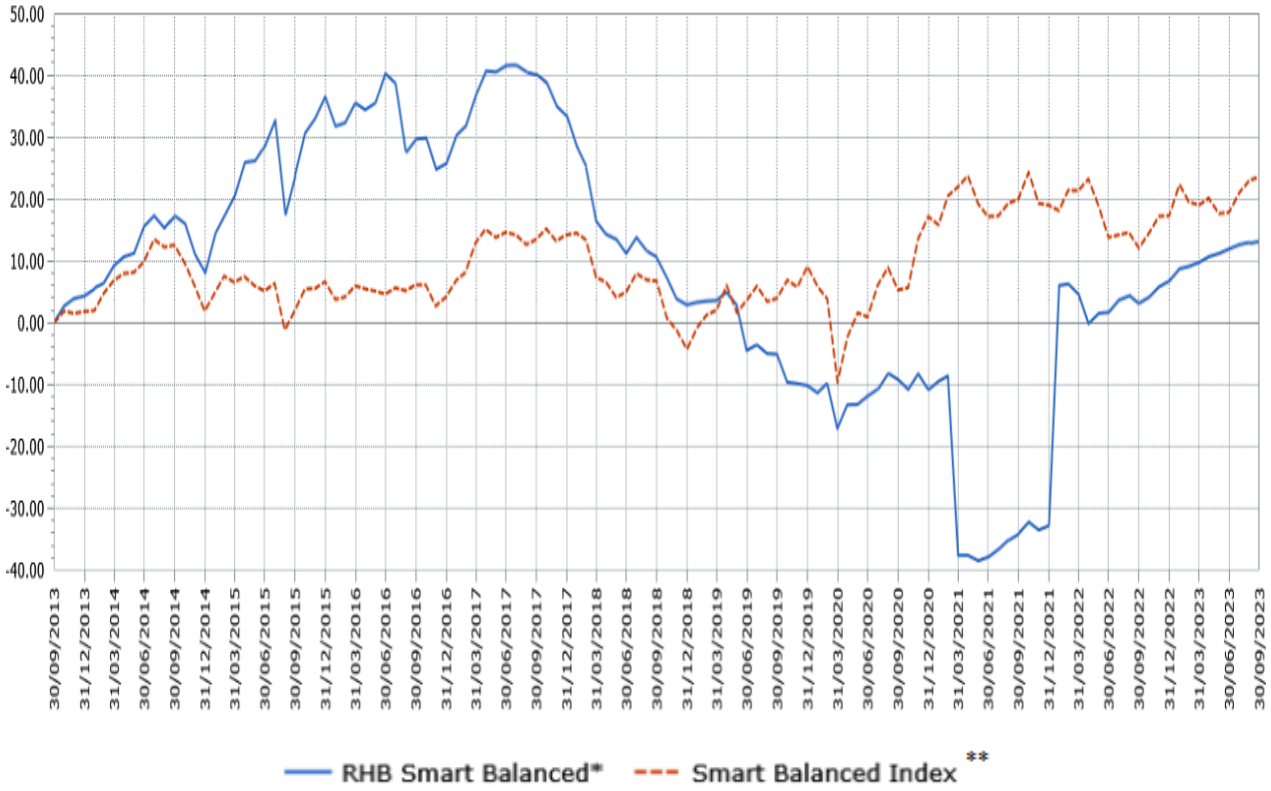
	31.03.2023-30.09.2023 %	Annual Total Returns Financial Year Ended 31 March				
		2023 %	2022 %	2021 %	2020 %	2019 %
RHB Smart Balanced Fund						
- Capital Return	3.21	4.75	67.46	(24.67)	(19.97)	(10.93)
- Income Return	-	-	-	-	-	-
- Total Return	3.21	4.75	67.46	(24.67)	(19.97)	(10.93)
SBF Index **	3.80	(2.24)	(0.66)	34.30	(11.99)	(6.23)

	Average Annual Returns			
	1 Year 30.09.2022–30.09.2023 %	3 Years 30.09.2020–30.09.2023 %	5 Years 30.09.2018–30.09.2023 %	10 Years 30.09.2013–30.09.2023 %
RHB Smart Balanced Fund	9.86	7.57	0.45	1.24
SBF Index **	10.22	5.46	2.96	2.14

** Effective from 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Prior to 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.

Performance of RHB Smart Balanced Fund
for the period from 30 September 2013 to 30 September 2023
Cumulative Return Over The Period (%)



Source: Lipper IM, 13 October 2023

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

Note : Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

**A combination of benchmark/composite benchmark has been used for the performance computation as follows:

From 30 September 2013 to 06 August 2023	50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.
07 August 2023 onwards	50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Fund Size	As at 30 September 2023	As at 31 March		
		2023	2022	2021
Net Asset Value (RM million)	7.79	7.55	7.56	7.14
Units In Circulation (million)	7.98	7.98	8.37	13.24
Net Asset Value Per Unit (RM)	0.9764	0.9460	0.9031	0.5393

Historical Data	01.04.2023-30.09.20223	Financial Year Ended 31 March		
		2023	2022	2021
Unit Prices				
NAV - Highest (RM)	0.9768	0.9460	0.9233	0.8201
- Lowest (RM)	0.9463	0.8584	0.4023	0.5393
Distribution and Unit Split	-	-	-	-
Others				
Total Expense Ratio (TER) (%) #	0.86	1.74	1.75	1.66
Portfolio Turnover Ratio (PTR) (times) ##	-	-	0.27	0.40

\# The TER for the financial period was consistent with the previous financial period.

\## The PTR for the financial period was consistent with the previous financial period.

DISTRIBUTION

For the financial period under review, no distribution has been proposed by the Fund.

PORTFOLIO STRUCTURE

The asset allocations of the Fund as at reporting date were as follows:

	As at 30 September	As at 31 March		
	2023	2023	2022	2021
Sectors	%	%	%	%
Equities				
Construction	-	-	-	3.64
Consumer Products	-	-	-	15.75
Energy	-	-	-	2.35
Industrial Products	-	-	-	8.40
Property	-	-	-	1.12
Technology	-	-	-	8.69
TSR & Warrants	-	-	-	0.15
	-	-	-	40.10
Unquoted fixed income securities	98.41	99.81	96.09	50.41
Liquid assets and other net current (liabilities)/assets	1.59	0.19	3.91	9.49
	100.00	100.00	100.00	100.00

The asset allocation of the Fund reflects the Manager's stance to risk manage the portfolio in the volatile markets.

SECURITIES FINANCING TRANSACTIONS

The Fund has not undertaken any securities lending or repurchase transactions for the financial period under review.

CROSS TRADE

The Fund has not carried out any cross trade transactions for the financial period under review.

SOFT COMMISSION

There were no soft commissions received by the management company for the financial period under review.

RHB SMART BALANCED FUND
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	30.09.2023	31.03.2023
		RM	RM
ASSETS			
Bank balances	5	52,230	88,585
Deposits with licensed financial institutions	5	166,211	-
Investments	6	7,668,251	7,535,136
TOTAL ASSETS		7,886,692	7,623,721
LIABILITIES			
Accrued management fee		85,880	64,002
Amount due to Trustee		383	390
Other payables and accruals		7,981	9,800
TOTAL LIABILITIES		94,244	74,192
NET ASSET VALUE		7,792,448	7,549,529
EQUITY			
Unit holders' capital		19,664,014	19,664,014
Accumulated losses		(11,871,566)	(12,114,485)
		7,792,448	7,549,529
UNITS IN CIRCULATION (UNITS)	7	7,980,529	7,980,529
NET ASSET VALUE PER UNIT (RM)		0.9764	0.9460

The accompanying notes form an integral part of the financial statements.

RHB SMART BALANCED FUND
UNAUDITED STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	Note	01.04.2022-30.09.2022 RM	01.04.2022-30.09.2022 RM
INCOME/(LOSS)			
Interest income from deposits with licensed financial institutions		1,253	537
Interest income from unquoted fixed income securities		206,412	124,290
Net unrealised gain/(loss) on changes in fair value		102,191	(182,661)
		309,856	(57,834)
EXPENSES			
Management fee	8	(58,055)	(54,934)
Trustee's fee	9	(2,322)	(2,198)
Audit fee		(3,457)	(3,237)
Tax agent's fee		(1,524)	(1,530)
Other expenses		(1,579)	(962)
		(66,937)	(62,861)
Net income/(loss) before taxation		242,919	(120,695)
Taxation	10	-	-
Net income/(loss) after taxation		242,919	(120,695)
Net income/(loss)after taxation is made up as follows:			
Realised amount		115,753	32,023
Unrealised amount		127,166	(152,718)
		242,919	(120,695)

The accompanying notes form an integral part of the financial statements.

RHB SMART BALANCED FUND
UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	Unit holders' capital RM	Accumulated losses RM	Total net asset value RM
Balance as at 1 April 2022	20,008,966	(12,450,503)	7,558,463
Movement in net asset value:			
Net loss after taxation	-	(120,695)	(120,695)
Cancellation of units	(344,952)	-	(344,952)
Balance as at 30 September 2022	19,664,014	(12,571,198)	7,092,816
Balance as at 1 April 2023	19,664,014	(12,114,485)	7,549,529
Movement in net asset value:			
Net income after taxation	-	242,919	242,919
Balance as at 30 September 2023	19,664,014	(11,871,566)	7,792,448

The accompanying notes form an integral part of the financial statements.

RHB SMART BALANCED FUND
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	01.04.2023-30.09.2023 RM	01.04.2022-30.09.2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received from deposits with licensed financial institutions	1,253	537
Interest received from unquoted fixed income securities	175,488	93,317
Management fee paid	(36,177)	(56,395)
Trustee's fee paid	(2,329)	(2,256)
Payment for other fees and expenses	(8,379)	(962)
Net cash generated from operating activities	129,856	34,241
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for cancellation units	-	(380,993)
Net cash used in financing activities	-	(380,993)
Net increase/(decrease) in cash and cash equivalents	129,856	(346,752)
Cash and cash equivalents at the beginning of the financial period	88,585	351,993
Cash and cash equivalents at the end of the financial period	218,441	5,241

The accompanying notes form an integral part of the financial statements.

RHB SMART BALANCED FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Smart Balanced Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Master Deed dated 27 April 2004 as modified by the First Supplemental Master Deed dated 8 June 2004, Second Supplemental Master Deed dated 19 October 2005, Third Supplemental Master Deed dated 8 December 2005, Fourth Supplemental Master Deed dated 28 February 2006, Fifth Supplemental Master Deed dated 9 March 2006, Sixth Supplemental Master Deed dated 22 September 2006, Seventh Supplemental Master Deed dated 15 December 2006, Eighth Supplemental Master Deed dated 30 January 2007, Ninth Supplemental Master Deed dated 9 April 2007, Tenth Supplemental Master Deed dated 14 May 2007, Eleventh Supplemental Master Deed dated 15 May 2007, Twelfth Supplemental Master Deed dated 27 June 2007, Thirteenth Supplemental Master Deed dated 24 December 2007, Fourteenth Supplemental Master Deed dated 28 February 2013, Fifteenth Supplemental Master Deed dated 4 September 2013, Sixteenth Supplemental Master Deed dated 2 March 2015, Seventeenth Supplemental Master Deed dated 8 May 2015, Eighteenth Supplemental Master Deed dated 25 May 2015, Nineteenth Supplemental Master Deed dated 3 June 2015, Twentieth Supplemental Master Deed dated 11 December 2018 and Twenty-First Supplemental Master Deed dated 7 February 2023 (collectively referred to as "the Deeds") between RHB Asset Management Sdn Bhd ("the Manager") and HSBC (Malaysia) Trustee Berhad ("the Trustee").

The Fund was launched on 7 September 2004 and will continue its operations until terminated according to the conditions provided in the Deeds.

The principal activity of the Fund is to invest in Permitted Investments as set out in the Deed. All investments will be subject to the Securities Commission Malaysia ("SC")'s Guidelines on Unit Trust Funds, SC's requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to maximise total returns through a combination of long term growth of capital and current income consistent with the preservation of capital through a combination of investments in companies with market capitalisation of not more than RM1 billion and investments in fixed income securities.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services. These financial statements were authorised for issue by the Manager on 22 November 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those as disclosed in the summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial period. It also requires the Manager to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ. There were no areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Standards and amendments to existing standards effective 1 April 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2023 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 April 2023 and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 April 2023. None of these is expected to have a significant effect on the financial statements of the Fund, except the following set out below:

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The amendment is effective for the annual financial reporting period beginning on or after 1 January 2024.

The amendment shall be applied retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

Regular purchases and sales of financial assets are recognised on the trade date-the date on which the Fund commits to purchase or sell the asset. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of income and expenses.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of income and expenses within net gain or losses on investments in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement

Interest on debt securities at fair value through profit or loss is recognised in the statement of income and expenses.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with SC as per the SC Guidelines on Unit Trust Funds.

Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

(i) Records its basis for using a non-BPA price;
(ii) Obtains necessary internal approvals to use the non-BPA price; and
(iii) Keeps an audit trail of all decisions and basis for adopting the market price.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of the statement of financial position, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on the unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial period.

2.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities which include amount due to Manager, accrued management fee, amount due to Trustee and other payables and accruals are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Unit holders' capital

The unit holders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". These criteria include:

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the statement of income and expenses of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if the unit holders exercise the right to put the units back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

2.5 Income recognition

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on an accrual basis using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Realised gain or loss on sale of quoted investments is arrived at after accounting for cost of investments, determined on the weighted average cost method.

Realised gain or loss on sale of unquoted fixed income securities are measured by the difference between disposal proceeds and the carrying amount of investments (adjusted for accretion of discount or amortisation of premium).

Net income or loss is the total of income less expenses.

2.6 Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income earned during the financial period.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2.8 Presentation and functional currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's presentation and functional currency.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include price risk, interest rate risk, credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC Guidelines on Unit Trust Funds.

Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to price risk arising from interest rate risk in relation to its investments of RM7,668,251 (31.03.2023: RM7,535,136) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate risk and the related sensitivity analysis are disclosed in "Interest rate risk" below.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the net asset value of the Fund may also tend to fall when interest rates rise or are expected to rise. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

The table below summarises the sensitivity of the Fund's profit or loss and net asset value as at reporting date to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate fluctuation by +/(-) 1% with all other variables held constant.

% Change in interest rate	**Impact on profit or loss and net asset value**	
	30.09.2023	**31.03.2023**
	RM	**RM**
+1%	(36,550)	(37,911)
-1%	36,775	38,158

The Fund's exposure to interest rate risk arising from investment in money market instruments is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. For investments in fixed income securities, risk is minimised by spreading its maturity profile. The credit risk arising from cash and cash equivalents is managed by ensuring that the Fund will only maintain cash balances and place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

The following table sets out the credit risk concentration of the Fund:

	Investments RM	Cash and cash equivalents RM	Total RM
30.09.2023			
AAA	-	218,441	218,441
A2	7,668,251	-	7,668,251
	7,668,251	218,441	7,886,692
31.03.2023			
AAA	-	88,585	88,585
A2	7,535,136	-	7,535,136
	7,535,136	88,585	7,623,721

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

Liquidity risk exists when particular investments are difficult to sell. As such, the Fund may not be able to sell such illiquid investments at an advantageous time or price to meet its liquidity requirements. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	Between 1 month to 1 year
	RM	RM
30.09.2023		
Accrued management fee	85,880	-
Amount due to Trustee	383	-
Other payables and accruals	-	7,981
	86,263	7,981
31.03.2023		
Accrued management fee	64,002	-
Amount due to Trustee	390	-
Other payables and accruals	-	9,800
	64,392	9,800

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM19,664,014 (31.03.2023: RM19,664,014) and accumulated losses of RM11,871,566 (31.03.2023: RM12,114,485). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. FAIR VALUE ESTIMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets and liabilities traded in an active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial period end date.

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair values are based on the following methodologies and assumptions:

(i) For bank balances and deposits with licensed financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.

(ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy

The Fund adopted MFRS 13 "Fair Value Measurement" in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs)

The following table analyses within the fair value hierarchy the Fund's financial assets at fair value through profit or loss (by class) measured at fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
30.09.2023				
Financial assets at FVTPL:				
- Unquoted fixed income securities	-	7,668,251	-	7,668,251
31.03.2023				
Financial assets at FVTPL:				
- Unquoted fixed income securities	-	7,535,136	-	7,535,136

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2.2.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30.09.2023 RM	31.03.2023 RM
Bank balances	52,230	88,585
Deposits with licensed financial institutions	166,211	-
	218,441	88,585

6. INVESTMENTS

	30.09.2023 RM	31.03.2023 RM
Investments:		
- Unquoted fixed income securities	7,668,251	7,535,136

Investments as at 30 September 2023 are as follows:

Name of Counter	Rating	Nominal Value RM	Cost RM	Fair Value RM	% of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES					
5.00% MEX I Capital Bhd 21/01/2037	A2*	829,376	690,038	872,796	11.20
5.00% MEX I Capital Bhd 21/01/2038	A2*	2,180,769	1,811,697	2,303,880	29.57
5.00% MEX I Capital Bhd 22/01/2039	A2*	2,122,813	1,740,258	2,252,417	28.91
5.00% MEX I Capital Bhd 23/01/2040	A2*	2,104,703	1,721,367	2,239,158	28.73
6.00% MEX II Sdn Bhd 29/04/2030	D**	1,700,000	1,799,835	-	-
6.20% MEX II Sdn Bhd 29/04/2032	D**	2,500,000	2,541,022	-	-
TOTAL UNQUOTED FIXED INCOME SECURITIES			**10,304,217**	**7,668,251**	**98.41**
TOTAL INVESTMENTS			**10,304,217**	**7,668,251**	**98.41**

6. INVESTMENTS (CONTINUED)

Investments as at 31 March 2023 are as follows:

Name of Counter	Rating	Nominal Value RM	Cost RM	Fair Value RM	% of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES					
5.00% MEX I Capital Bhd 21/01/2037	A2*	829,376	686,058	858,919	11.38
5.00% MEX I Capital Bhd 21/01/2038	A2*	2,180,769	1,802,052	2,265,516	30.01
5.00% MEX I Capital Bhd 22/01/2039	A2*	2,122,813	1,731,263	2,212,547	29.31
5.00% MEX I Capital Bhd 23/01/2040	A2*	2,104,703	1,713,063	2,198,154	29.11
6.00% MEX II Sdn Bhd 29/04/2030	D**	1,700,000	1,799,835	-	-
6.20% MEX II Sdn Bhd 29/04/2032	D**	2,500,000	2,541,022	-	-
TOTAL UNQUOTED FIXED INCOME SECURITIES			**10,273,293**	**7,535,136**	**99.81**
TOTAL INVESTMENTS			**10,273,293**	**7,535,136**	**99.81**

6. INVESTMENTS (CONTINUED)

*MEX I Capital Berhad ("MEX I Capital") (formerly known as Bright Focus Berhad) RM1.126 billion Sukuk Musharakah

The restructuring of the Sukuk Musharakah ("Existing Sukuk") involving its redemption via an exchange with a new Sukuk Musharakah of RM1.126 billion in nominal value ("New Sukuk"), was completed on 21 January 2022.

RAM Ratings has assigned a rating of A2 to the New Sukuk on 19 January 2022, with a stable outlook premised on the cash flow generation of the Expressway vis-à-vis Sukuk payment obligations and the more restrictive covenants in place to govern the transaction.

In approving the restructuring on 13 October 2021, Sukukholders had agreed that any prevailing claims against the Issuer, Maju Expressway Sdn Bhd ("MESB") and/or Maju Holdings Sdn Bhd ("Maju Holdings") shall be nullified once the Existing Sukuk is exchanged with the New Sukuk. Upon the completion of the restructuring, the Sukukholders via the Trustee have withdrawn the notice of appeal for the claims on 18 February 2022.

** MEX II Sdn Bhd ("MEX II")RM1.30 billion Sukuk Murabahah Programme

On 18 October 2019, MARC had downgraded the rating of MEX II Sdn Bhd's ("MEX II") RM1.3 billion Sukuk Murabahah Programme from AA- to A whilst maintaining the rating on a negative outlook premised on rising completion risk and increased uncertainty with regard to completion and associated tolling date of the 16.8-km Lebuhraya KLIA (MEX Extension) project. MARC further placed MEX II's ratings on MARCWatch Negative on 22 May 2020 due to the lack of construction progress at the Expressway.

On 30 October 2020, MEX II fulfilled its obligation on the Sukuk with a full and timely profit payment of circa RM39 million from monies previously ring-fenced for the sole benefit of Sukukholders in a reserve account.

On 18 November 2020, MARC downgraded MEX II's ratings to BBB from A and the rating remained on MARCWatch Negative following concerns on MEX II's timely ability to obtain additional financing to meet its debt obligations in April 2021 and complete a sukuk restructuring exercise.

On 9 February 2021, MARC further downgraded the rating to BB from BBB while maintaining the rating on MARCWatch Negative due to escalating risk that MEX II may not be able to obtain a liquidity line in time to meet Sukuk principal and profit payments of RM68.7 million due on 29 April 2021.

6. INVESTMENTS (CONTINUED)

** MEX II Sdn Bhd ("MEX II")RM1.30 billion Sukuk Murabahah Programme (continued)

On 26 March 2021, MARC downgraded MEX II's rating to C from BB while maintaining the rating on MARCWatch Negative due to mounting liquidity pressure and the risk of missing the upcoming Sukuk payments on 29 April 2021, further

highlighting that MEX II's viability rests on a successful Sukuk restructuring through which additional funding will be available to complete the Expressway.

On 26 April 2021, Sukukholders holding in aggregate not less than 75% of the nominal value of the Sukuk had consented to the deferment of Sukuk principal and profit amounting to RM68.7 million originally due on (i) 28 April 2021 (i.e., principal repayment of RM30 million and the profit payment in respect of this tranche only) and (ii) 30 April 2021 (i.e., profit payments in respect of the other tranches) for 4 months until 27 August 2021.

On 24 August 2021, Sukukholders voted to approve the deferment of Sukuk obligations falling due on 27 August 2021 and 29 October 2021 to 31 December 2021 to buy more time for the proposed restructuring. On 3 January 2022, the Trustee formally declared an Event of Default when MEX II failed to remit the deferred amount on due date of 31 December 2021 upon which the Dissolution Amount of RM1,378,113,337.59 became immediately due and payable to Sukukholders. Resolutions for the Trustee to declare an Event of Default and to subsequently appoint a receiver were passed by Sukukholders earlier. Sukukholders had also earlier formally rejected MEX II's request to extend the deferment period beyond 31 December 2021 as well as rejected the company's restructuring proposal.

On 5 January 2022, MEX II applied for a Judicial Management Order ("JM Application"), resulting in an automatic moratorium against enforcement and such other creditor action. The Court had earlier fixed a Hearing on 23 February 2022 for the JM Application as well as for the Trustee (acting for and behalf of the Sukukholders) to seek leave of Court to proceed with enforcement/appointment of a receiver during the automatic moratorium period.

The Court Hearing, however, was postponed several times due to adjournments sought by the legal representative of MEX II and allowed by the Court for the parties to file further documents, from originally 23 February 2022 to 28 February 2022 then to 4 March 2022 and subsequently continued on 8 March 2022. The Judge then decided to reserve his decision to 26 April 2022.

On 26 April 2022, the Court dismissed the Issuer's application for JM order and further allowed the Trustee's Leave Application. Pursuant to the favorable outcome, Ernst & Young (EY) was appointed as the Receiver and Manager (R&M) of the secured property via Extraordinary Resolutions in Writing on 29 April 2022.

6. INVESTMENTS (CONTINUED)

** MEX II Sdn Bhd ("MEX II")RM1.30 billion Sukuk Murabahah Programme (continued)

On 29 April 2022, Notice of Appeals (Appeals) were filed by the Issuer against the High Court's decision and pursuant to case management on 1 September 2022, the High Court has fixed the cases to be heard on 15 May 2023.

On 10 May 2022, the Issuer served Notices of Motion (NOM) to preserve its assets until full and final dispose of the Appeal. On 12 August 2022, the Court of Appeal ruled in favour of Sukukholders by dismissing the NOMs.

EY had resigned on 13 February 2023, and BDO Consulting Sdn Bhd (BDO) has been appointed to replace EY as the R&M with effect from 27 February 2023. BDO will work with Sukukholders as well as the relevant government authorities and parties to expedite the restructuring of the Sukuk.

On 15 May 2023, the Court of Appeal has ruled in favour of the Sukukholders whereby the appeal sought by MEX II has been unsuccessful. On 15 Jun 2023, MEX II filed Motions to Appeal to Federal Court. A hearing took place on 26 Sep 2023, where the Appeal by MEX II was dismissed, exhausting all legal options for MEX II. The R&M continues to work on a restructuring proposal for MEX II.

7. UNITS IN CIRCULATION

	30.09.2023 Units	31.03.2023 Units
At beginning of the financial period/year	7,980,529	8,369,529
Cancellation of units during the financial period/year	-	(389,000)
At end of the financial period/year	7,980,529	7,980,529

8. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 1.50% (01.04.2023-30.09.2023: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

9. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.06% (01.04.2023-30.09.2023: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

10. TAXATION

(a) Tax charge for the financial period

	01.04.2023-30.09.2023 RM	01.04.2021-30.09.2021 RM
Current taxation	-	-

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the net income before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	01.04.2023-30.09.2023 RM	01.04.2021-30.09.2021 RM
Net income before taxation	242,919	(120,694)
Tax calculated at statutory income tax rate 24%	58,301	(28,967)
Tax effects of:		
- Income not subject to tax	(74,366)	13,880
- Expenses not deductible for tax purposes	1,123	945
- Restriction on tax deductible expenses	14,942	14,142
Tax expense	-	-

11. TOTAL EXPENSE RATIO ("TER")

	01.04.2023-30.09.2023 %	01.04.2022-30.09.2022 %
TER	0.86	0.86

The TER ratio is calculated based on total expenses excluding investment transaction related costs of the Fund to the average net asset value of the Fund calculated on a daily basis.

12. PORTFOLIO TURNOVER RATIO ("PTR")

	01.04.2023-30.09.2023	01.04.2022-30.09.2022
PTR (times)	-	-

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial period to the average net asset value of the Fund calculated on a daily basis.

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The number of units held by the Manager and related parties are as follows:

	30.09.2023		31.03.2023	
	Units	**RM**	**Units**	**RM**
The Manager	1,401,662	1,368,583	714,860	676,258
RHB Capital Nominees (Tempatan) Sdn Bhd	374,543	365,704	478,969	453,105

The units are held beneficially by the Manager for booking purposes. The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

The units held by RHB Capital Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of ultimate holding company of the Manager, are under nominees structure.

Other than the above, there were no units held by Directors or parties related to the Manager.

The holding company and the ultimate holding company of the Manager is RHB Investment Bank Berhad and RHB Bank Berhad respectively. The Manager treats RHB Bank Berhad group of companies including RHB Investment Bank Berhad and its subsidiaries as related parties.

14. TRANSACTIONS BY THE FUND

There were no transactions by the Fund for the financial period/year ended 30 September 2023 and 31 March 2023.

15. FINANCIAL INSTRUMENTS BY CATEGORIES

	31.09.2023 RM	31.03.2023 RM
Financial assets		
Financial assets at FVTPL		
• Unquoted fixed income investments	7,668,251	7,535,136
Financial assets at amortised cost		
• Bank balances	52,230	88,585
• Deposits with licensed financial institutions	166,211	-
	218,441	88,585
Financial liabilities		
Financial liabilities at amortised cost		
• Accrued management fee	85,880	64,002
• Amount due to Trustee	383	390
• Other payables and accruals	7,981	9,800
	94,244	74,192

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STATEMENT BY MANAGER
RHB SMART BALANCED FUND

We, Dato' Darawati Hussain and Syed Ahmad Taufik Albar, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying unaudited statement of financial position, unaudited statement of income and expenses, unaudited statement of changes in net asset value, unaudited statement of cash flows and the accompanying notes are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 30 September 2023 and of its financial performance and cash flows for the financial period then ended and comply with the provisions of the Deeds.

On behalf of the Manager,

Dato' Darawati Hussain
Director

Syed Ahmad Taufik Albar
Director

22 November 2023

TRUSTEE'S REPORT

To the unit holders of RHB Smart Balanced Fund ("Fund")

We have acted as Trustee of the Fund for the financial period ended 30 September 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, RHB Asset Management Sdn Bhd has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unit Trust Funds;

2. Valuation and pricing is carried out in accordance with the Deeds; and

3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

Notwithstanding the above, the value of investment in the debenture of MEX I Capital Berhad amounting to 98.41% of the Fund's NAV (as at 30 September 2023) and total value of investment in Maju Holdings Sdn Bhd (comprises of MEX II Sdn Bhd and MEX I Capital Berhad) amounting to 98.41% have inadvertently exceeded the investment spread limits as prescribed in paragraph (5), (7) and (10) respectively under Schedule B* of SC Guidelines on Unit Trust Funds. The Management Company will continue to monitor the position until rectified.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
22 November 2023

*Paragraph (5) The value of a fund's investments in (a) transferable securities; and (b) money market instruments, issued by any single issuer must not exceed 15% of the fund's NAV; Paragraph (7) The aggregate value of a fund's investments in, or exposure to, a single issuer through (a) transferable securities; (b) money market instruments; (c) deposits; (d) underlying assets of derivatives; and (e) counterparty exposure arising from the use of OTC derivatives, must not exceed 25% of the fund's NAV; Paragraph (10) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 20% of the fund's NAV.

CORPORATE INFORMATION

MANAGER
RHB Asset Management Sdn Bhd

REGISTERED OFFICE
Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

PRINCIPAL AND BUSINESS OFFICE
Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: rhbam@rhbgroup.com
Tel: 03 - 9205 8000
Fax: 03 - 9205 8100
Website: www.rhbgroup.com

BOARD OF DIRECTORS
Mr Yap Chee Meng *(Independent Non-Executive Chairman)*
(Resigned with effect from 22 May 2023)
Mr Chin Yoong Kheong *(Independent Non-Executive Chairman)*
(Redesignated with effect from 22 May 2023)
YBhg Dato' Darawati Hussain *(Senior Independent Non-Executive Director)*
(Redesignated with effect from 22 May 2023)
Tuan Syed Ahmad Taufik Albar *(Non-Independent Non-Executive Director)*
Mohd Farid Bin Kamarudin *(Chief Executive Officer / Managing Director)*
(Appointed with effect from 1 August 2023)
Puan Hijah Arifakh Binti Othman *(Independent Non-Executive Director)*
(Resigned with effect from 1 June 2023)
Puan Sharizad Binti Juma'at *(Independent Non-Executive Director)*
(Appointed with effect from 22 May 2023)

INVESTMENT COMMITTEE MEMBERS
Mr Yap Chee Meng *(Independent Chairman)*
(Resigned with effect from 22 May 2023)
YBhg Dato' Darawati Hussain *(Independent Chairperson)*
(Redesignated with effect from 22 May 2023)
Puan Hijah Arifakh Binti Othman
(Resigned with effect from 1 June 2023)
Mr Chin Yoong Kheong *(Appointed with effect from 22 May 2023)*
Puan Sharizad Binti Juma'at *(Appointed with effect from 22 May 2023)*

CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR
Mohd Farid Bin Kamarudin *(Appointed with effect from 1 August 2023)*

SECRETARIES
Encik Azman Shah Md Yaman (LS No. 0006901)
Izafaniz Binti Abdullah Kamir (MACS01851)
Filza Zainal Abidin (LS No. 0008413)

BRANCH OFFICE

Shah Alam Office	B-3-1, 1st Floor Jalan Serai Wangi G16/G, Alam Avenue Persiaran Selangor, Section 16 40200 Shah Alam Tel: 03-5523 1909 Fax: 03-5524 3471
Sri Petaling Office	Level 1 & 2, No 53 Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel: 03-9054 2470 Fax: 03-9054 0934
Ipoh Office	No.7A, Persiaran Greentown 9 Pusat Perdagangan Greentown 30450 Ipoh, Perak Tel: 05-242 4311 Fax: 05-242 4312
Johor Bahru Office	No 34 Jalan Kebun Teh 1 Pusat Perdagangan Kebun Teh 80250 Johor Bahru, Johor Tel: 07-221 0129 Fax: 07-221 0291 2nd Floor, 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru, Johor Tel: 07-358 3587 Fax: 07-358 3581
Kuantan Office	1st Floor, Lot 10, Jalan Putra Square 1 Putra Square 25300 Kuantan, Pahang Tel: 09-517 3611/ 09-517 3612/ 09-531 6213 Fax: 09-517 3615
Kuching Office	Lot 133, Section 20, Sublot 2 & 3 1st Floor, Jalan Tun Ahmad Zaidi Adruce 93200 Kuching, Sarawak Tel: 082-550 838 Fax: 082-550 508 Yung Kong Abell, Units 1-10 2nd Floor Lot 365 Section 50 Jalan Abell 93100 Kuching, Sarawak Tel: 082-245 611 Fax: 082-230 326

Kota Bharu Office	Ground Floor, No 3486-G Jalan Sultan Ibrahim 15050 Kota Bharu, Kelantan Tel: 09-740 6891 Fax: 09-740 6890
Kota Kinabalu Office	Lot No. C-02-04, 2nd Floor Block C, Warisan Square Jalan Tun Fuad Stephens 88000 Kota Kinabalu Sabah Tel: 088-528 686/ 088-528 692 Fax: 088-528 685
Melaka Office	581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211/ 06-281 4110 Fax: 06-292 2212
Penang Office	3rd Floor, 44 Lebuh Pantai Georgetown, 10300 Penang Tel: 04-264 5639 Fax: 04-264 5640
Prai Office	No 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528

TRUSTEE	HSBC (Malaysia) Trustee Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	RHB Asset Management Sdn Bhd RHB Bank Berhad RHB Investment Bank Berhad Affin Bank Berhad AmBank (M) Berhad AmInvestment Bank Berhad Astute Fund Management Berhad (APEX) Areca Capital Sdn Bhd CIMB Private Banking CIMB Wealth Advisor Berhad Citibank Berhad Genexus Advisory Sdn Bhd Hong Leong Bank Berhad iFAST Capital Sdn Bhd Kenanga Investors Berhad Maybank Berhad Manulife Asset Management Service Berhad OCBC Bank (Malaysia) Berhad Phillip Mutual Berhad Standard Chartered Bank (Malaysia) Berhad Standard Financial Adviser Sdn Bhd United Overseas Bank (Malaysia) Berhad UOB Kay Hian Securities (M) Sdn Bhd

RHB Asset Management

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