

RHB ISLAMIC BOND FUND

This Fund aims to provide regular income to investors through investments in Islamic debt securities and bonds which are acceptable investment under the principles of Shariah.

INVESTOR PROFILE

This Fund is suitable for Investors who:

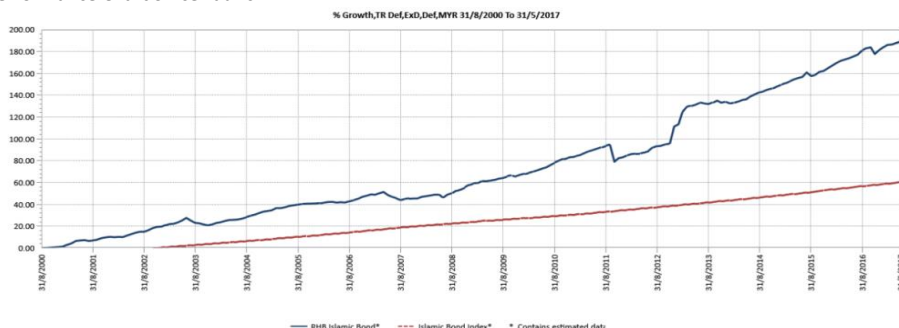
- are risk averse; want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable level of risk.

INVESTMENT STRATEGY

- Up to 95% of NAV: Investments in sukuk and Islamic debt instruments.
- Minimum of 5% of NAV: Investments in liquid assets acceptable under Shariah principle.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.40	0.99	4.03	2.67
Benchmark	0.27	0.79	1.58	1.31

	1 Year	3 Years	5 Years	Since Launch
Fund	5.53	22.31	54.26	189.11
Benchmark	3.21	10.49	17.65	N/A

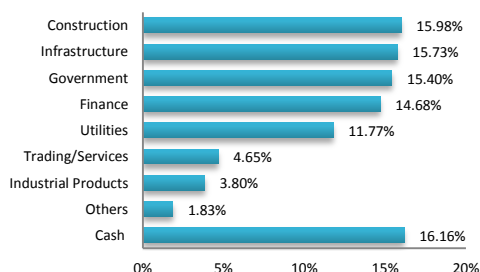
Calendar Year Performance (%)*

	2016	2015	2014	2013	2012
Fund	6.37	6.78	5.91	10.80	15.28
Benchmark	3.33	3.60	3.24	3.19	3.18

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

MUAMALAT (A)	6.10
MEX II (AA-)	6.03
ALPHA CIRCLE SDN BHD (AA-)	5.89
PERBDN TABUNG PENDIDIKAN TINGGI (GG)	5.46
EKVE SDN BHD (AAA)	5.32

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3956	1.4200	1.4200
Low	1.3900	1.3377	0.9901

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
27 Sep 2016	5.4000	4.00
28 Sep 2015	8.9000	6.58
25 Sep 2014	8.8000	6.51
30 Sep 2013	8.0000	N/A
28 Sep 2012	6.0000	N/A

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Malaysia Government Securities (“MGS”) continue to tighten as foreign flow returns to Emerging Market (“EM”), Malaysia included. Ringgit further recover 1.39% against US Dollar, making the YTD recovery at 4.79% on the back of lower expectation on aggressive Fed Fund rate hike. Yield curve tightening extended to the long and ultra-long tenor (i.e 10-year and 20-year above), with yields fell closed to 20bps in May 2017. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.41% (April 2017: 3.23%), 3.58% (3.69%), 3.80% (3.89%), 3.86% (4.05%), 4.24% (4.44%), 4.56% (4.69%) and 4.76% (4.80%) respectively. Similar momentum was also observed in the Government Investment Issue (“GII”) as yields tightened along the long and ultra-long tenors. The 3-, 5-, 7-, 10-, 15-, 20-year GII were last traded at 3.65% (April 2017: 3.67%), 3.73% (3.70%), 3.92% (4.00%), 4.00% (4.12%), 4.41% (4.64%) and 4.64% (4.74%). In May, the first 30-year GII was auctioned, making the GII curve comparable with the MGS curve in terms of availability of data point. There were 3 government bond auctions in May, new issuance of 30-year GII (GII 05/47, RM2bil issuance size, 4.895% average yield), new issuance of 10.5-year MGS (MGS 11/27, RM3bil, 3.899%) and re-opening of 7-year GII (GII 08/24, RM3.0bil, 3.926%) which recorded strong bid-to-cover (“btc”) of 2.393x, 3.340x and 2.481x, respectively.

The tighter government bond yields in May 2017 have widened the credit spreads in the corporate bond and Sukuk space, with top rated AAA bonds widened by around 2 - 6bps in the 3 to 10-year maturity bucket, while 5 - 7bps in the AA rated space (similar tenor). In the GG/AAA space, Danainfra 20277 recorded RM260mil trades with yields traded down by 2bps to 4.38%. Genm Capital 2022, the special funding vehicle of Genting Berhad (AAA), also received strong secondary demand with yields traded to 4.70%. The bond was priced at 4.78% in primary market. In the AA space, YTL Power’s Sukuk continue to receive strong bidding interest with yields further down by 4bps to 4.96%. post issuance in May 2017, the Sukuk has traded down by 9bps from 5.05% profit rate. Interestingly, ultra-long Sukuk such as LDF3 regained secondary interest with RM192mil of collective trading interest and yields down by 1bps to 5.07% and 5.05% for the 2033 and 2032 maturity, respectively. As for single-A rated bond, Affinbank’s 10 non-call 5 Basel 3 instrument saw collective of RM153mil of secondary trades with yields ended at 5.11% on standard tradable size

On the local economic front, March 17 trade surplus narrows more than expected on unexpected surge in imports, as exports slowed. In Ringgit terms, Mar 17 imports accelerated more than expected to 39.4% YoY (consensus: 28.6%, Feb 17: 27.7%), while exports slowed less than expected to 24.1% (consensus: 20%, Feb: 26.6%). The fall in exports were broad-based, and sequential fall was led by palm oil, with import surge on lumpy capital goods. April 17 headline Consumer Price Index (“CPI”) moderated to 4.4% YoY, from 5.1% a month ago. Moderation in CPI was led mainly by pump price-related contraction in transport CPI. Food CPI was unchanged. The 1Q2017 GDP growth was released and the country grew by 5.6% YoY (consensus: 4.8%, 4Q2016: 4.5%) on fixed investments and public consumption. Domestic demand growth more than doubled, led by turnaround in public consumption and sharp pick-up in private investments (largely on manufacturing capex). During the May Monetary Policy Committee (“MPC”) meeting, Bank Negara Malaysia (“BNM”) maintains Overnight Policy Rate (“OPR”) at 3.00% as widely expected, marginally more bullish on global growth. Stronger growth is expected in 2017, driven mainly by domestic demand alongside stronger exports. Higher headline inflation in 1Q2017 is expected to moderate in 2H2017, but core yield to rise only modestly.

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 May 2017, the Volatility Factor (VF) for this fund is 2.3 and is classified as “Low”. (source: Lipper) “Low” includes funds with VF that are above 1.8 but not more than 6.0 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund’s portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The VC referred to was dated 31 December 2016 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2017.

A Product Highlights Sheet (“PHS”) highlighting the key features and risks of the Fund is available and investors have the right to request for a PHS. Investors are advised to obtain, read and understand the PHS and the contents of the Master Prospectus dated 15 July 2016 and its supplementary(ies) (if any) (“the Master Prospectus”) before investing. The Master Prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Master Prospectus relates will only be made on receipt of a form of application referred to in the Master Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Master Prospectus or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks of the Fund are credit / default risk, issuer risk, interest rate risk, liquidity risk and shariah specific risk. These risks and other general risks are elaborated in the Master Prospectus.

This factsheet is prepared for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Past performance is not necessarily a guide to future performance. Returns may vary from year to year.