

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:

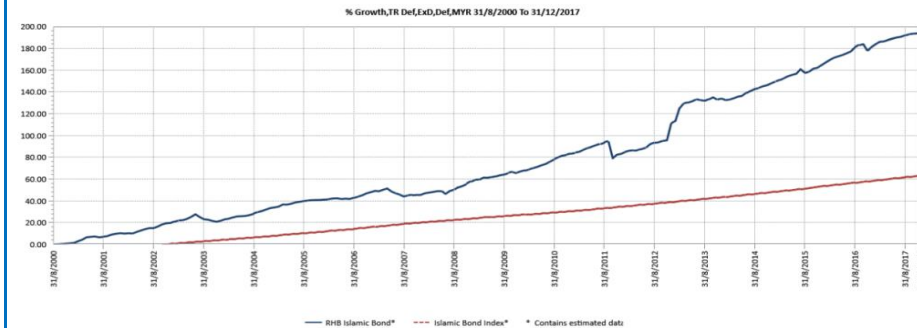
- are risk averse; want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable level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

INVESTMENT STRATEGY

- Minimum of 60% and up to 95% of NAV will be invested in Islamic debt securities and bonds (collectively referred to as “sukuk”).
- Minimum of 5% of NAV will be invested in liquid assets acceptable under Shariah principle.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.54	0.77	1.87	4.92
Benchmark	0.26	0.78	1.57	3.16

	1 Year	3 Years	5 Years	Since Launch
Fund	4.92	19.17	39.86	195.44
Benchmark	3.16	10.41	17.62	N/A

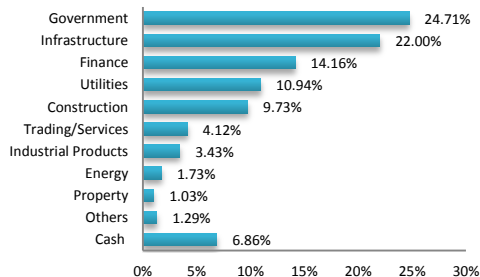
Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	4.92	6.37	6.78	5.91	10.80
Benchmark	3.16	3.33	3.60	3.24	3.19

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

MUAMALAT (A)	5.52
MEX II (AA-)	5.40
ALPHA CIRCLE SDN BHD (A)	5.22
PRASARANA SUKUK MURABAHAH (GG)	5.13
PERBDN TABUNG PENDIDIKAN TINGGI (GG)	4.94

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3697	1.4149	1.4200
Low	1.3624	1.3576	0.9901

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
20 Sep 2017	5.6000	4.05
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

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

USDMYR has continued to strengthen towards the end of December and there were several reasons to it. One of the reasons was Bank Negara Malaysia (“BNM”) to potentially hike interest rates in 2018 on the back of solid Gross Domestic Product (“GDP”) numbers shown in 2017 and at the same time the USD has also lost its luster towards the end of 2017 when US Congress passed and adopted the new tax reform. It was expected that there will be more supply of US Treasuries to hit market in 2018 and that would not bode well to the USD in a short term basis. In summary, the Malaysia Government Securities (“MGS”) yield curve flattened but this was more apparent on the longer end. A rundown of the month-end’s close was as follows: 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were reported at 3.338% (November-2017: 3.406%), 3.531% (3.626%), 3.876% (3.907%), 3.905% (3.890%), 4.401% (4.441%), 4.580% (4.600%) and 4.850% (4.893%) respectively. Contrast to MGS curve movement, Government Investment Issues (“GII”) – Shariah compliant version of MGS, which exhibited negative butterfly twist (i.e. short- and long-end yield curve tightened while intermediate yield curve widened). The 3-, 5-, 7-, 10-, 15-, 20- and 30-year GI were reported at 3.469% (November-2017: 3.462%), 3.791% (3.885%), 4.097% (4.050%), 4.187% (4.272%), 4.683% (4.680%), 4.771% (4.836%) and 4.945% (4.981%) respectively.

On Ringgit corporate bond, average daily volume continues to be lower ahead of the illiquid December month due to the festive seasons. Average daily volume recorded RM325mil in December compared to a slightly higher volume of RM369mil recorded in November with most activities concentrated on AA space which printed about 62% transacted volume followed by Government Guaranteed (“GG”)/AAA space of 31% and single-A or lower by 7.7%. Within GG/AAA, the notable transaction was seen in Danainfra 2039 which traded 10bps lower month-over-month with 100mil changing hands. Cagamas 2020 traded RM190mil with yield unchanged at 4.04%. Long-dated Tenaga bond (2037 maturity) collected RM35mil trades with yield tightened 10bps to 5.08%. On AA rated, YTL Power 2027 traded as much as RM300mil with yield moved up 2bps to 4.89% while the newly issued Gamuda 2022 traded 7bps down to 4.73% with volume of RM55mil.

On the local economic front, Malaysia’s November 2017 Consumer Prices Index (“CPI”) rose 3.4% from a year ago as expected by the consensus due to higher transport and food costs. Based on seasonally adjusted term, the overall CPI for November increased 0.7% as compared to October and core inflation rose 2.2% compared to a year ago. The Statistics Department said among the major groups which recorded increases in November were the indices for transport (+10.8%), food and non-alcoholic beverages (+4.0%), restaurants and hotels (+2.8%), household equipment (+2.5%), health (+2.2%) and housing, water, electricity, gas and other fuels (+2.2%). The average price of one liter of RON95 petrol was RM2.30 in November 2017 compared to RM1.95 a year ago. As for RON97, the average price increased to RM2.59 in November 2017 from RM2.30 a year ago. Nevertheless, the reading bias skewed towards tighter monetary conditions. That said, the government has mooted the idea of mitigating the impact of higher crude oil prices should the RON95 prices rise beyond RM2.50/liter for consecutive three months. If this is implemented, it would suggest some insulation of headline inflation from increases in global fuel prices.

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 December 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 1.9 but not more than 6.2 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund’s portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The VC referred to was dated 30 June 2017 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 2017 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.