

RHB MUDHARABAH FUND

This Fund aims to provide a balanced mix of income and potential for capital growth by investing in stocks listed on the Bursa Malaysia or on any other stock exchanges, unlisted stocks and Islamic debt securities and other non-interest bearing assets acceptable under principles of Shariah. The Fund's activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

INVESTOR PROFILE

This Fund is suitable for Investors who want:

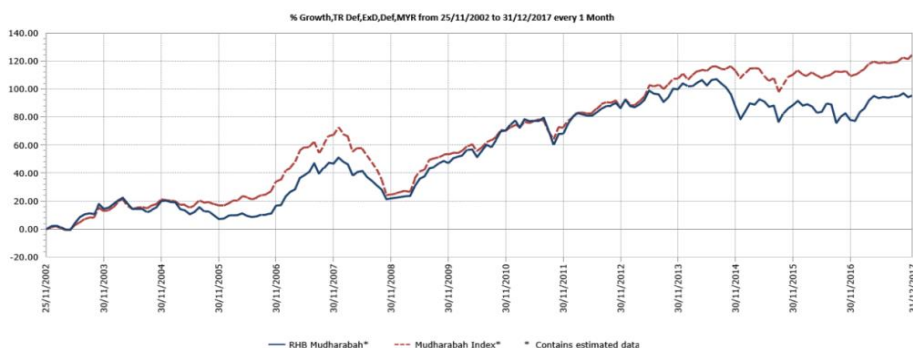
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage their own portfolio.

INVESTMENT STRATEGY

- Up to 60% of NAV will be invested in Shariah-compliant equities;
- Minimum of 40% of NAV will be invested in Islamic debt securities ("sukuk"), Islamic money market instruments and/or liquid assets acceptable under Shariah principles.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.69	0.35	0.62	10.31
Benchmark	1.61	2.36	2.66	6.92

	1 Year	3 Years	5 Years	Since Launch
Fund	10.31	9.39	1.79	65.95
Benchmark	6.92	8.31	16.78	N/A

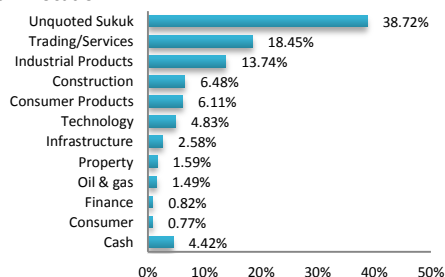
Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	10.31	-7.40	7.08	-12.27	6.06
Benchmark	6.92	-1.44	2.79	-1.66	9.65

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

RHBA (AA3)	6.20
UNITED U-LI CORPORATION BHD	3.57
EKVE SDN BHD (AAA)	3.31
ANIH BHD (AA)	3.29
MEX II (AA-IS)	3.22

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8343	0.8405	1.0388
Low	0.8211	0.7563	0.4095

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
28 Feb 2017	-	-
29 Feb 2016	-	-
28 Feb 2015	-	-
26 Feb 2014	4.0000	4.56
28 Feb 2013	3.5000	-

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

EQUITY

December 2017 was a good month as the KLCI rose to a new high on the last day of 2017, on the back of window dressing activities. For the month, the KLCI rose 4.6% or 79pts to close at 1,796.8pts driven by the finance and technology sectors. The FBMKLCI started the month flat, as the market lacked catalysts. However, after the Federal Reserve announced the widely expected 25bps rate hike on 13 December 2017, this caused the equity market to rally buoyed by banking stocks which was the best performing sub-index in December 2017. Heading towards the end of the month, the index continued its uptrend due to interest in blue-chips as well as continued foreign buying. Foreigners net bought MYR165mn worth of shares during the last trading week of the year. The index ended the month strongly with foreigners net buying MYR912.6mn worth of shares. This brings the total foreign inflows of MYR 10.585bn for the FBMKLCI in 2017 (vs net sell MYR 2.9bn in 2016) driving the index to end the year strong, gaining 9.45% for the year. Best performer sector during the month was Finance (+5.87%) and biggest movers were Maybank (+5.95%), CIMB (+8.1%) and HL Bank (+12.29%). Worst performing sector was construction (-0.02%) There were not much catalysts for the construction sector heading towards year-end, in addition to the currently intense competition within the construction space which failed to boost sentiments.

On the corporate front, IJM Corp and Sunway Construction has entered in a pre-bid agreement with 3 companies to participate in the tender of KL-SG HSR. Pestech has executed a contract agreement worth US\$26 million (RM106.11 million), to develop two substations and double-circuit transmission line in Cambodia. Dutch company Jacobs Douwe Egberts Holdings Asia NL B.V. (JDE) has launched a takeover of OldTown for RM1.47bn or RM3.18 a share. Meanwhile, Eonpile has secured a RM32.8 million contract from Majestic Maxim Sdn Bhd, to undertake piling and related works for a mixed development in Kuala Lumpur. Sapura Energy posted a net loss of RM274.71 mill in its 3QFY18 compared to a net profit of RM158.06 mill a year ago.

FIXED INCOME

The Federal Reserve ("Fed") delivered the third hike for 2017 by raising 25bps to 1.25%-1.50% in December 2017 Federal Open Market Committee ("FOMC") meeting as widely expected on the back of positive economic growth. Although the decision was well telegraphed in advance by various FOMC members and the Republicans' tax reform plans being passed in Congress, USD fell c.1% month-on-month ("M-o-M") on US fiscal concerns, "sell-the-news" momentum alongside thin liquidity conditions during year-end trading. The current Fed median forecasts now suggesting another 3 rate hikes in 2018, but the pace of consolidation is expected to draw the attention of market participants given the slow pickup in inflation level. In summary US Treasuries ("UST") 2-, 5-, 10- and 30-year closed the year 2017 at 1.88% (November 2017: 1.78%), 2.21% (2.14%), 2.41% (2.41%) and 2.74% (2.83%) respectively.

Over in Malaysia, the Malaysian Ringgit ("MYR") climbed more than 1% against the United States Dollar ("USD") while Malaysian Government Securities ("MGS") yields fell M-o-M as foreign and trading sentiment surrounding Malaysian assets continue to improve. MYR closed the year 2017 at 4.0465 to trading below 4.0000 handle in January 2018 (high of 3.9975) on suspected sustained foreign demand. Oil prices also sustained steady recovery for the fifth consecutive month, reaching USD66.9/bbl (+5.2% M-o-M).

On economic data releases, the Nikkei Malaysia manufacturing Purchasing Managers Index ("PMI") was recorded at 52.0 in November 2017 from 48.6 in October 2017. This was the highest PMI number seen since April 2014 and saw it recorded above the 50 level for the first time since August 2017. This increased expectation in the manufacturing sector should bode well for the performance of the sector in the first quarter of 2018. Exports and imports expanded by 18.9% and 20.9% YoY in October 2017 with inflation continued to ease for a second consecutive month to 3.4% in November 2017 YoY from 3.7% in October 2017. Foreigners added RM7.7 billion worth of MGS and Gil for the month of November 2017, bringing the total foreign holdings higher by 1.2% to 28.8%. We reckon that foreigners remain net buyer in December 2017 but with a smaller amount amid thinner liquidity heading into year-end.

Malaysia government bonds improved along with MYR post Bank Negara Malaysia ("BNM") Monetary Policy Meeting ("MPC") in November 2017 despite the falls in UST. The 3y MGS rallied 8bps to 3.32%, with yields rallying -16bps year to date ("YTD") 2017. The 10y benchmark MGS remained unchanged at 3.91% with yields rallying -29bps YTD 2017. The Malaysian bond market saw the year-end return at 4.66% better than 4.25% recorded the year before. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-years MGS last traded at 3.32% (November 2017: 3.40%), 3.53% (3.60%), 3.88% (3.91%), 3.91% (3.91%), 4.39% (4.46%), 4.54% (4.60%) and 4.86% (4.86%) respectively. Government Investment Issue ("GII") also improved in performance mirroring MGS levels with the 3-, 5-, 7-, 10-, 15-, 20- and 30 years closed at 3.43% (November 2017: 3.50%), 3.79% (3.89%), 4.10% (4.06%), 4.19% (4.27%), 4.65% (4.71%), 4.77% (4.79%) and 4.98% (4.98%) respectively.

2017 ended with a month of strong primaries. We saw a combined RM13.45 billion of primaries for the month, bringing total issuances for the year to RM121.8 billion. Government Guaranteed ("GG") issuers made up 33.35% (RM37.6 billion) of YTD issuances. Among the names that tapped the market in December 2017 is Sarawak Energy Berhad (AA1) issuing RM1 billion of 15 year sukuk with a coupon of 5.32%, 90 bps over the corresponding benchmark MGS. Northport (Malaysia) Berhad (AA-) printed RM100 million of 5 year bond at 5%, 141 bps over 5 year MGS. UEM Sunrise Berhad (AA-) issued RM600 million IMTN in 3 tranches of 3-, 5- and 7- years with coupons of 4.80%, 5.06% and 5.32% respectively. Lafarge Cement Sdn Bhd (AA2) printed RM100 million 3 year sukuk at 5.00%, 161.7 bps above benchmark. Westports Malaysia Sdn Bhd (AA+) issued RM150 million sukuk in 3 tranches of 4-, 5- and 10 year with profit rates of 4.53%, 4.58% and 4.90% respectively. Fortune Premier Sdn Bhd (AA) came to market with RM100 million issuances from its RM3 billion IMTN Programme guaranteed by IOI Properties Group Berhad. The 5 year sukuk were issued at 4.65%, 104.5 bps above the 5 year MGS benchmark at issuance. In the GG space, Prasarana Malaysia Berhad issued an additional RM4.0 billion bringing total issuance for 2017 at RM6.0 billion. The sukuks were issued in 3 tranches of 4-, 10- and 15- year at profit rates of 4.05%, 4.53% and 4.93% with spreads of 52-72 bps over the corresponding MGS at issuance

KLIBOR 1-, 3-, 6-, and 12-months closed mostly unchanged at 3.18% (November 2017: 3.18%), 3.44% (3.43%), 3.56% (3.56%) and 3.64% (3.63%) as liquidity remained ample.

MARKET OUTLOOK AND STRATEGY

Equity

We expect the general elections to be held soon between March to May 2018 (ie after festive holidays CNY and before Ramadan fasting month). In view of this, political stocks may stole the lime light in the 1Q2018. While the Malaysian market was among the worst performing emerging markets last year in 2017, it is worth pointing out that there have been a series of positive developments lately that would increase investors' sentiments. Positive developments worth highlighting are currency strengthened with a favourable outlook and 3Q17 GDP beat street estimates again. Commodities prices in particular oil prices has recovered and stabilized above USD60 per barrel. We remain invested in equity market to take advantage of the strong macroeconomic numbers which will eventually translate into better consumption demand. We do not expect any drastic sell down in the market given that current valuation are not that expensive. A strong macro print, and gradual appreciation of the MYR will likely sustain foreign inflows into equities.

Fixed Income

We reckon that MYR bonds will be still remain supported in the near term as foreign demand coming back to our shore on the back of stronger Ringgit. But ahead of a rising interest rate environment both local and the global front, we stay vigilant and remain defensive hence positioning an overall neutral duration portfolio strategy for Money Market and Sukuk.

DISCLAIMER:

Based on the fund's portfolio returns as at 15 December 2017, the Volatility Factor (VF) for this fund is 8.8 and is classified as "High". (source: Lipper) "High" includes funds with VF that are above 8.2 but not more than 10.7 (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 stock market risk, individual stock risk, liquidity risk, issuer risk, interest rate risk, credit / default 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.

RHB Asset Management Sdn Bhd (174588-x)

Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur

General Line: 603-9205 8000

www.rhbgroup.com


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