

RHB BOND FUND

This Fund aims to provide investors with higher than average income returns compared to fixed deposits over the medium to long term through investments in bonds and other fixed income securities with minimum risk to capital invested.

INVESTOR PROFILE

This Fund is suitable for Investors who:

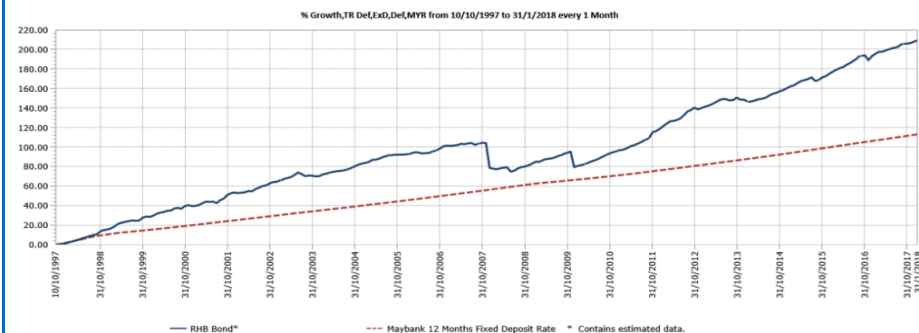
- are risk averse;
- want to protect the purchasing power of their wealth against inflation;
- want to enjoy a relatively more predictable income on a yearly basis; and
- want to diversify their overall investment portfolio by including bonds as an asset class.

INVESTMENT STRATEGY

- Up to 95% of NAV will be invested in bonds and other fixed income securities, of which at least 60% of NAV will be invested in bonds.
- Minimum of 5% of NAV will be invested in liquid assets.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

| | 1 Month | 3 Months | 6 Months | YTD |
|-----------|---------|----------|----------|------|
| Fund | 0.42 | 1.13 | 2.39 | 0.42 |
| Benchmark | 0.26 | 0.78 | 1.56 | 0.26 |

| | 1 Year | 3 Years | 5 Years | Since Launch |
|-----------|--------|---------|---------|--------------|
| Fund | 4.68 | 18.03 | 28.31 | 209.46 |
| Benchmark | 3.09 | 9.90 | 17.00 | 113.12 |

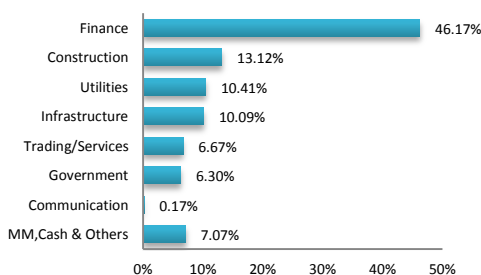
Calendar Year Performance (%)*

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------|------|------|------|------|------|
| Fund | 5.11 | 6.49 | 5.73 | 4.88 | 3.56 |
| Benchmark | 3.09 | 3.21 | 3.30 | 3.20 | 3.15 |

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

| | |
|---------------------------------|-------|
| CIMB GROUP HOLDINGS BHD (A1) | 13.14 |
| AFFINBANK (A1) | 8.30 |
| KT KIRA (AA3) | 8.29 |
| BANK MUAMALAT MALAYSIA BHD (A3) | 8.28 |
| ACSB (AA-) | 6.67 |

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

| | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 0.9592 | 1.0130 | 1.1454 |
| Low | 0.9552 | 0.9463 | 0.8682 |

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

| | Distribution (sen) | Yield (%) |
|-------------|--------------------|-----------|
| 20 Sep 2017 | 6.7000 | 6.79 |
| 27 Sep 2016 | 6.7000 | 6.72 |
| 28 Sep 2015 | 6.7000 | 6.59 |
| 25 Sep 2014 | 6.6000 | 6.52 |
| 30 Sep 2013 | 6.5000 | N/A |

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Malaysian Ringgit (“MYR”) has continued to strengthen against United States Dollar (“USD”) amid anticipation for the rate hike by Bank Negara Malaysia (“BNM”) on its recent Monetary Policy Committee (“MPC”) meeting held in January. While the sell-off has been exhibited in US Treasury (“UST”) yields curve together with other global government bonds/ sukuk during the month, there has not been much of a follow through impact to the local bond/ sukuk markets. Instead, the 10-year and 15-year Malaysia Government Securities (“MGS”) yield curve were well bid up on several occasions which seemed contrasting to what we have seen in UST yield. On top of that, the auctions were well received during the month. MGS curve bear-flattened but this is more apparent on the shorter-end of the curve as BNM delivered its 25 basis points hike. At closed, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were reported at 3.398% (December-2017: 3.338%), 3.638% (3.531%), 3.929% (3.876%), 3.948% (3.905%), 4.408% (4.401%), 4.615% (4.580%) and 4.860% (4.850%) respectively. The Government Investment Issues (“GII”) – Shariah-compliant version of MGS exhibited the same pattern with its MGS counterpart which saw the higher yield more pronounced on the shorter-end part of the curve. However, we noted that the 15-year GII rallied more than 10 basis points month-over-month. At closed, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 3.568% (December-2017: 3.469%), 3.884% (3.791%), 4.080% (4.097%), 4.174% (4.187%), 4.555% (4.685%), 4.780% (4.771%) and 4.937% (4.945%) respectively.

On the Malaysian Ringgit corporate bond/ sukuk, average daily volume continues to be muted as market participants seem to be sideline ahead of the economic events throughout the end of the month. Average daily volume recorded RM320mil in January which is around the same volumes transacted in previous month. Most activities concentrated on AA space which printed about 55% of the transacted volume followed by GG/AAA space of 39% and single-A or lower by 6%. Within Government Guaranteed (“GG”) /AAA space, Cagamas 2020 garnered RM280 million transaction volume with the yield higher by 2 basis points to 4.06%. There were also short tenor GG maturing 2022 and 2024 that surpassed Rm100 million volume mark namely Prasarana and Govco which ended 2 basis points higher. In AA rated, Sarawak Energy Berhad (2032 maturity) saw RM170 million transacted lower by 1 basis point to closed at 5.24%. YTL Power 2027 also traded as much as RM110mil with yield moved up slightly by 1 basis point to 4.90% while the newly issued Gamuda 2022 traded 2 basis points down to 4.71% with volume of RM105 million. During the month, some of the issuances were seen tapping the market with Danga Capital, rated AAA issued RM1.5 billion in 15-year space that yielded 4.94%. On the AA space, Segi Astana which is the operator of KLIA2 Getaway issued RM415 million for 1-year to 10-year bucket with yields closed at around 4.60% to 5.60% while Syarikat Air Johor (“SAJ”) issued a total of RM650 million for 2-year to 12-year tenors, with the yields ranging from 5.07% to 5.67% respectively.

On the local economic data, Malaysia’s Consumer Prices Index (“CPI”) rose 3.5% in December 2017 from a year ago as expected by the consensus due to higher transport and food costs. CPI changes for the year registered an increase of 3.70% while the core inflation which excludes most volatile items of fresh food recorded 2.60% which is at the higher band of BNM monitoring. The Statistics Department said among the major groups which recorded increases in December were the indices for transport (+11.5%), food and non-alcoholic beverages (+4.1%), restaurants and hotels (+2.6%), household equipment (+2.4%), health (+2.3%) and housing, water, electricity, gas and other fuels (+2.2%). The index of transport group showed a significant increase of 11.5% in December 2017, after rising 10.8% in November 2017. The average price of one litre of RON95 petrol was RM2.27 in December 2017 compared to RM1.90 a year ago. As for RON97, the average price increased to RM2.55 in November 2017 from RM2.25 a year ago. On the other note, Producer Price Index (“PPI”) for local production rose by 0.3% on a year-over-year basis in December 2017 compared to the 4.3% increased registered in November 2017. Nonetheless, the average PPI for the year increased by 6.7% as compared to the same period in 2016. The higher PPI was contributed by the increases in index for four sectors namely Mining (+24.7%), Agriculture, forestry and fishing (+7.0%), Manufacturing (+5.3%) and Electricity and gas supply (+1.9%).

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 January 2018, the Volatility Factor (VF) for this fund is 2.0 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 2017 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2018.

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 interest rate risk, credit / default risk, liquidity risk and issuer 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.