

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:

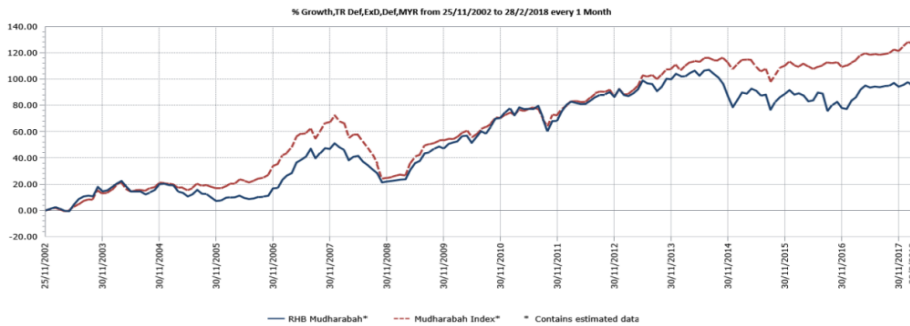
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage 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	-1.35	0.49	0.28	-0.19
Benchmark	-0.74	2.35	3.43	0.73

	1 Year	3 Years	5 Years	Since Launch
Fund	4.85	2.78	4.51	65.63
Benchmark	5.78	5.56	20.18	N/A

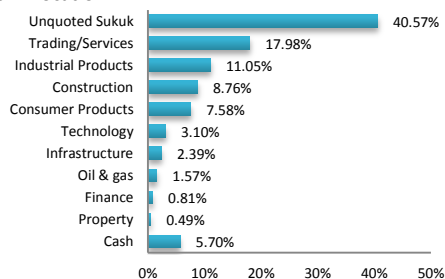
Calendar Year Performance (%)*

	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)	6.25
EKVE SDN BHD (AAA)	3.31
ANIH BHD (AA)	3.30
MEX II (AA- IS)	3.24
SERBA DINAMIK HOLDINGS BHD	3.20

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8441	0.8543	1.0388
Low	0.8213	0.7942	0.4095

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
28 Feb 2018	-	-
28 Feb 2017	-	-
29 Feb 2016	-	-
28 Feb 2015	-	-
26 Feb 2014	4.0000	4.56

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

EQUITY

Global equities witnessed a broad-based sell-off in February 2018, registering its weakest month in two years despite a partial recovery in the second half of the month. Rising inflation expectations and bond yields (10-year treasury yields up from 2.7% at the start of the month to 2.9%) wreaked havoc on global equities that had been experiencing lofty sentiments, as volatility sky-rocketed. The United States ("US") Federal Reserve Chairman Jerome Powell's optimistic views left market participants anticipating a faster pace of rate hikes in the US and debating the possibility of 4 rate hikes during 2018. Asia excluding Japan suffered bigger sell down led by China (-6.4%), India (-6.9%) and Korea (-6.6%). Association of Southeast Asian Nations ("ASEAN") (-1.5%), which underperformed in 2017, fared relatively better.

The FBM KLCI started the month on a weak footing as the index tracked the sell down in global markets earlier in the month on 5th February 2018 which saw the index dipped -2.2% on that day. After buying around RM3.37 billion net in January 2018, foreign investors turned net sellers in the first week of February 2018 with around RM1.98 billion worth of shares sold net. However, market recovered steadily, in line with the rebound in global indices. For the remainder of the month, market held steady trading range-bound ending the month in the red (-0.66%) in line with most regional markets. For the period, the best performing sector for the period was the Consumer Index (+2.4%). Nestle was the biggest mover, after it reported a good set of 4Q17 results despite the challenging environment. Its net profit double to a record high of MYR133.54 million, driven by supply chain efficiency, product portfolio and promotional activities. It also announced a higher dividend of MYR1.35 for the quarter bringing the total dividends for the year to MYR2.75. Worst performing sector was construction which declined by -5.93%. The biggest laggards were IJM (-11.97%) and Gamuda (-3.12%). IJM reported weaker results which missed estimates on the back of lower contribution from the property segment and the manufacturing division.

On the economic front, we saw our 4Q17 gross domestic product slowing down to 5.9% year on year but beating market consensus of a 5.7% year on year growth. January 2018's consumer price index rose to 2.7% year on year after a 3.5% rise in the prior month.

FIXED INCOME

US government passed a budget deal to increase spending by USD300 billion over two years, which ended the short lived shutdown but raised worries of increasing government debt and spending. This has lifted bond yields which closed weaker across the curve. US Treasuries ("UST") 2-, 5-, 10- and 30-year closed the month at 2.25% (January 2018: 2.14%), 2.64% (2.51%), 2.86% (2.71%) and 3.12% (2.93%) respectively. New Fed Chair Jerome Powell in his testimony debut has reignited the expectations of a more aggressive Federal Reserve ("Fed") policy given his upbeat view of the economy as he played down concerns on meeting inflation targets. Fed fund futures pricing for a fourth rate hike rose with a probability for a hike in December 2018 Federal Open Market Committee ("FOMC") rose from 22.0% to 25.2% in response to Powell's remarks. The equities market on the other hand plummeted once again on heightening trade tension after Trump administration announced plan to impose tariffs on aluminum and steel for national security reasons.

Over in Malaysia, government bonds/ sukuk yield curve remained well supported in February 2018 post Overnight Policy Rate ("OPR") hike and a spike in global yields although closing the month generally weaker amid easing in Malaysian Ringgit ("MYR") to 3.9170 per USD as at month end compared to 3.8985 the month before. The 3-, 5-, 7-, 10-, 15-, 20- and 30-years Malaysia Government Securities ("MGS") last traded at 3.40% (January 2018: 3.35%), 3.62% (3.64%), 3.95% (3.93%), 4.03% (3.96%), 4.46% (4.40%), 4.61% (4.61%) and 4.81% (4.86%) respectively. Government Investment Issue ("GII") followed the same trend with the 3-, 5-, 7-, 10-, 15-, 20- and 30 years closed at 3.59% (January 2018: 3.57%), 3.89% (3.88%), 4.10% (4.08%), 4.23% (4.17%), 4.59% (4.53%), 4.78% (4.78%) and 4.96% (4.95%) respectively. The hike in yields was capped by foreigner entering our market with latest report on foreign holdings in Malaysian bonds/ sukuk showed foreign inflows of RM4.5 billion for the month of January 2018 which brings total foreign holdings in MGS to 45.7% (January 2018: 45.1%) and total holdings of govies to 28% (January 2018: 27.7%).

On economic data front, Malaysia January 2018 headline Consumer Price Index ("CPI") moderated to 2.7% year-on-year ("YoY") (December 2017:+3.5%) on the back of a slower rise in Food and Beverages ("F&B") and transportation costs. Nikkei Malaysia Purchasing Managers Index ("PMI") February 2018 fell to 49.9 compared to 50.5 recorded in January 2018. Foreign reserves of Malaysia as at end January 2018 amounted to USD103.7 billion from USD102.4 billion the previous month. The reserves position is sufficient to finance 7.2 months of retained imports and covers 1.1x of the short term external debt. Malaysia's export growth slowed down to 4.7% YoY December 2017, its slowest pace since October 2016. This was due to a broad-based slowdown in exports and MYR appreciation. In USD terms, exports grew 14.5%. Imports slowed to 7.9% YoY December 2017, from 15.2% November 2017. Besides that, trade balance narrowed to RM7.3 billion from RM9.9 billion November 2017. The industrial production index ("IPI") grew 2.9% YoY December 2017 (+5.0% November 2017) resulting in a slower 3.7% YoY in 4Q17 from +5.8% in 3Q17. This growth was driven by increases in the manufacturing index (+5.3% YoY) and electricity index (+3.9%) while the mining index declined -4.1% YoY. Malaysia's real GDP grew at a healthy pace of 5.9% YoY in 4Q17, albeit slowing from +6.2% in 3Q17, on account of a slowdown in exports, while domestic demand remained resilient. For the whole year, Malaysia recorded a stellar GDP growth of 5.9%, the fastest in three years, mainly due to a surge in exports and subsequent pick-up in domestic demand.

Primary issuances remain strong with a combined RM6.9 billion primaries for the month compared to a strong RM9.6 billion in January 2018. Danainfra, government guaranteed issued another RM4.0 billion sukuk of 7,15,20,25 and 30 years with a spread of +39 to +49 basis points ("bps") over the corresponding benchmarks at the point of issuance. Another government guaranteed name was MKD Kencana RM1.2 billion issuance of 5 and 7 years at 4.23% (+63 bps) and 4.43% (+42 bps) respectively. Then Sinar Kamiri Sdn Bhd (AA3) issued RM245 million Green SRI sukuk in 17 tranches of maturities between 1.5 to 18 years with coupons range between 4.96% to 6.35%. WCT Holdings also tapped the market with RM100 million 7 years sukuk at 5.55%, 154 bps over the benchmark.

MARKET OUTLOOK AND STRATEGY

Equity

We are still positive on the Malaysia equity market outlook due to the following reasons; global growth will be sustained in 2018 supported by synchronized expansions in major economies like the US, Europe, Japan and China. Global monetary policies will still remain accommodative, despite un-synchronized monetary tightening plans in place. Gradual improvement in global growth and trades will benefit ASEAN economies through better exports, and eventually domestic demands. Malaysia healthy economic growth of 5.0%-5.5%, supported by resilient domestic demands & investments and external demand, will be supportive of the equity market in 2018.

Export growth in MYR terms jumped to 17.9% year on year in January 2018, on account of a broad based surge in shipment of Electrical & Electronics (E&E), non-E&E and commodity products. The strong trade numbers in January 2018 point to a sustained global demand. Looking forward, we believe there is sustained momentum in external activity and we expect exports to grow at a healthy pace albeit slowing from 18.9% recorded in 2017. This is on account of a higher base in 2017, a slowdown in China's demand for the country's exports, but partly mitigated by the resilient external of E&E shipments and higher commodity prices.

We continue to look for stocks with strong fundamentals and decent valuation to add into our portfolio.

Fixed Income

Despite some expectation for four rate hikes in the US this year, we see the higher UST yields to be capped in the near term by safe heaven demand (amid Trump tariff threat) and policymakers are still eyeing for a gradual tightening pace.

In Malaysia, investors will be monitoring the upcoming Bank Negara Malaysia ("BNM") Monetary Policy Meeting ("MPC") which we think will remain status quo but the tone of the monetary statement will be a key focus. We see support in MYR bonds/ sukuk with the spike in UST yields capped, stable Malaysian Ringgit, supportive macro data and foreign buying interest in our market. On that note, we are still comfortable to tactically add portfolio duration as we don't see any rush in another rate hike by BNM.

DISCLAIMER:

Based on the fund's portfolio returns as at 15 February 2018, the Volatility Factor (VF) for this fund is 8.2 and is classified as "High". (source: Lipper) "High" includes funds with VF that are above 8.0 but not more than 10.6 (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 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.

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