RHB Asset Management

FUND FACTSHEET – APRIL 2018

All data expressed as at 31 March 2018
unless otherwise stated

3-year Fund Volatility 8.1 high Lipper Analytics 15 MAR 2018

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:

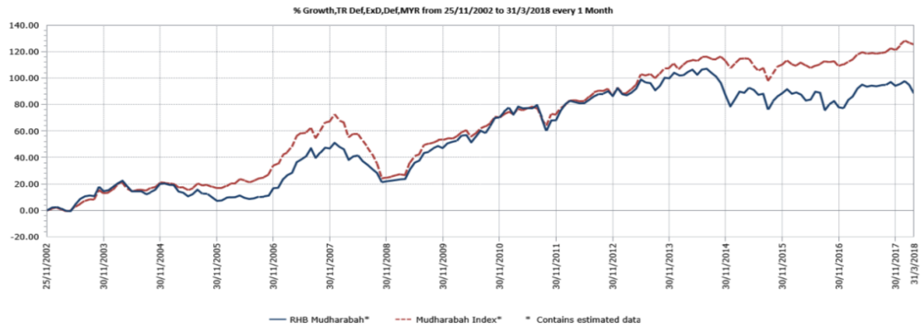
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage 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	**-3.42**	**-3.61**	**-3.27**	**-3.61**
Benchmark	-0.60	0.13	2.49	0.13

	1 Year	3 Years	5 Years	Since Launch
Fund	**-1.89**	**-0.30**	**-0.14**	**59.97**
Benchmark	3.23	4.82	17.67	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

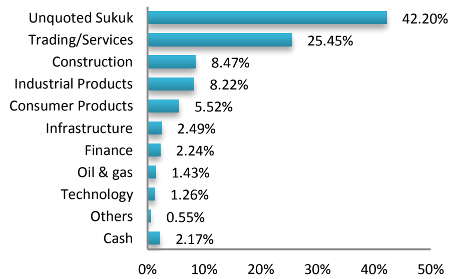
FUND DETAILS

Manager	RHB Asset Management Sdn. Bhd.
Trustee	CIMB Islamic Trustee Bhd
Fund Category	Balanced fund (Shariah-compliant)
Fund Type	Capital Growth and Income Fund
Launch Date	09 May 1996
Unit NAV	RM0.8042
Fund Size (million)	RM15.48
Units In Circulation (million)	19.24
Financial Year End	28 or 29 February
MER (as at 28 Feb 2017)	1.80%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	50%FBM Emas Shariah + 50%MIB12 mths Islamic FD-i
Sales Charge	Up to 6.00% of NAV per unit*
Redemption Charge	None
Annual Management Fee	Up to 1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.09% p.a. of NAV*
Switching Fee	RM25.00 per switch*
Redemption Period	Within 10 days after receipt the request to repurchase
Distribution Policy	Incidental

**The implementation of GST will be effective from 1 April 2015 at the rate of 6% and the fees or charges payable is exclusive of GST.*
**For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

RHBA (AA3)	6.51
EKVE SDN BHD (AAA)	3.45
ANIH BHD (AA)	3.43
MEX II (AA-IS)	3.37
SPG (AA-)	3.27

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8327	0.8543	1.0388
Low	0.8042	0.8042	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.

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.

MANAGER'S COMMENTS

MARKET REVIEW

EQUITY

Global stock markets came under pressure in March 2018 on fears over escalating trade tensions. The selling has been most marked in the last 24 hours following President Trump's announcement that tariffs of United States Dollar ("USD") $60 billion ("bn") would be imposed on Chinese imports. Japan's Nikkei 225 index suffered the steepest declines. Large exporters play a significant part in the Japanese economy and there are concerns that they could be caught up in any United States ("US")-China trade war. Elsewhere, China and Hong Kong equities have unsurprisingly also borne the brunt of the selling pressure. Eurozone and United Kingdom equities have escaped the worst of the selling. European Union, and others including Canada and Mexico, will be exempt from the new tariffs being applied by the US on steel (25%) and aluminium (10%). The technology supply chain is probably the most global and any trade tariff or restrictive trade practices are likely to be prima facie negative. Hence, for the month of March 2018, technology sector was heavily sold down.

FTSE Bursa Malaysia KLCI ("FBMKLCI") outperformed amid broader market weakness. This was largely driven by big-cap banks (Public Bank and Maybank) and big cap consumer products like Nestle which were sought after by foreigners and locals. The broader small and medium capitalisation stocks have suffered from risk aversion amid risk of trade war and election uncertainty. The FBMKLCI started the month weak, after President Trump announced the steel and aluminium import tariff decision. The FBMKLCI rebounded, closing the day positively (+0.9%) on 12 March 2018, buoyed by consumer and oil and gas stocks as concerns on trade war waned. However, concerns over increased trade protectionism on the sudden dismissal of US Secretary of State, Rex Tillerson who is a free trade advocate led the index to decline on 15 March 2018 (-0.63%). The market recovered on continuous foreign buying over the next few days. On a month-on-month ("MoM") basis, the index closed slightly higher by +0.39%. Year-to-date ("YTD"), the FBMKLCI is the best performing index.

On the economic front, the headline inflation rate slowed to 1.4% year-on-year ("YoY") in February 2018 (+2.7% in January 18) – the lowest in 16 months. Additionally, Bank Negara Malaysia ("BNM") raises 2018 growth forecast to 6% from 5.5%.

FIXED INCOME

In March 2018 Federal Open Market Committee ("FOMC") meeting, the Federal Reserve ("Fed") delivered a no surprise hike as it raised Fed funds rate by a quarter-point to a target of 1.5% to 1.75%, maintaining the expectation for a total of three hikes this year. The Fed also upgraded its economic assessment forecasting higher Growth Domestic Product ("GDP") growth this year with little change on the inflation expectations. Dominating investor concerns for the month however was the stability of global trade and its possible repercussions on global trade and markets. This started in the beginning of the month when United States ("US") President signing an order imposing tariffs on aluminium and steel imports to the US and few weeks later announced plan of 25% tariffs on Chinese imports in response to the US Trade Representative's report that concluded China's unfair trade practices pressured transfer of technology to China. Concerns on trade wars led to a flight to safe heaven and eventual rally in United State Treasuries ("UST") especially on the long-end. UST 2-, 5-, 10- and 30-year closed the month at 2.27% (February 2018: 2.25%), 2.56% (2.64%), 2.74% (2.86%) and 2.97% (3.12%) respectively.

Over in Malaysia, Bank Negara Malaysia ("BNM") maintained Overnight Policy Rate ("OPR") at 3.25% in its March 2018 Monetary Policy Committee ("MPC") meeting as it sees the current degree of monetary accommodativeness is consistent with its policy stance. Headline Consumer Price Index ("CPI") slowed in February 2018 to 1.4% YoY, lower than estimates of 1.9% (January 2018: 2.7%), the lowest seen in 16 months as transport, communication and clothing prices declined. Malaysian Government Securities ("MGS") rallied supported by the rally in UST and a stronger Malaysian Ringgit ("MYR") performance as the MYR gained +1.37% closing the month at 3.8635/USD. The 3-, 5-, 7-, 10-,15-, 20- and 30-years MGS last traded at 3.43% (February 2018: 3.40%), 3.54% (3.62%), 3.83% (3.95%), 3.94% (4.03%), 4.41% (4.46%), 4.54% (4.61%) and 4.79% (4.81%) respectively. Government Investment Issue ("GII") followed the same trend with the 3-, 5-, 7-, 10-, 15-, 20- and 30 years closed at 3.61% (February 2018: 3.59%), 3.82% (3.88%), 4.00% (4.08%), 4.15% (4.17%), 4.55% (4.53%), 4.77% (4.78%) and 4.90% (4.95%) respectively.

On economic data front, export growth in MYR terms jumped to 17.9% YoY in January 2018 while import accelerated to 11.6% YoY. This resulted in the widening of the trade balance to RM9.7 billion for January 2018. Malaysia's international reserves as at end February 2018 was reported at USD103.7 billion, unchanged from its level the previous month. This is sufficient to finance 7.2 months of retained imports and 1.1 times short term debt. The foreign holdings of Malaysian bonds/sukuk market saw outflows of –RM3.9 billion for the month of February 2018 (inflows of +RM4.5 billion in January 2018). This brings the total foreign holdings in MGS to 45.4% (January 2018: 45.7%) and total foreign holdings of government bonds/sukuk at 27.5% (January 2018: 28%). The government of Malaysia has tabled a supplementary budget with additional allocations of RM7.12 billion in addition to the RM260.8 billion allocated for Budget 2017. Despite the supplementary budget, we opine this would not add to the overall budget deficit of RM39.9 billion (3% of GDP) on possible upsides to the revenue in 2017.

We saw a combined issuances of RM13.1 billion in January 2018 bringing primary issuances total of RM29.6 billion in the first quarter of 2018. Among the primaries is Prasarana Malaysia Berhad (GG) issuing a further RM3.0 billion in 5 tranches with maturities of 7, 10, 15, 20 and 25 years with coupons of 4.39%, 4.62%, 4.94%, 5.12% and 5.25% respectively. This coupons spread between 53-70 bps over corresponding MGS benchmarks. Fortune Premier Sdn Berhad (AA) issued additional RM250 million from its RM3 billion programme guaranteed by IOI Properties Group Berhad. The 5 year sukuk was issued at coupon of 4.80%, +122 bps over MGS benchmark. Al-Dzahab Assets Berhad issued 3 tranches from its AAA Class A sukuk murabahah programme, 1 tranche from its AA3 Class B programme and a final tranche from its unrated Class C programme with a total issuance of RM206.5 million. Gamuda Berhad (AA3) also tapped the market for a further RM400 million 5 year sukuk at 4.785%, a 139.5bps spread against MGS benchmark. Over in AAA space, Danga Capital Berhad issued RM2 billions of 15.5 year sukuk with coupon of 5.02%. Another AAA issuance was Putrajaya Bina Sdn Bhd (PBSB) issuing RM600 million sukuk in 4 tranches of 3, 5, 7 and 10-year at 4.34%, 4.50%, 4.56% and 4.77% respectively. MMC Corporation (AA-) also issued RM1 billion IMTN with a coupon rate of 5.70%, 215 bps spread over the corresponding MGS benchmark.

MARKET OUTLOOK AND STRATEGY

Equity

With US midterm elections scheduled for November 2018, there is increased incentive for President Trump to deliver on campaign pledges. There is therefore more to come. President Trump has ordered the US Trade Representative to propose a list of product tariff increases and to consider further tariffs on goods from China.

Malaysia is vulnerable in the event of a protracted trade war. Gross export accounts for approximately 73% of the Malaysian Gross Domestic Product ("GDP") in 2017. Meanwhile, electronics and electrical ("E&E") goods account for 37% of Malaysia's export. In the event of a full-blown trade war between the US and China, Malaysia would likely be adversely affected, particularly the E&E sector.

As for small and medium capitalisation stocks, present broad market weakness presents accumulation opportunity but caution and patience are required. Amid trade war uncertainty and rising interest rate, equity risk premium is unlikely to get any lower. As such, the days of buying high and selling higher on valuation expansion are over. We will continue to focus on fundamentals and valuation.

Fixed Income

External factors will continue to drive bond yields higher in the near term but we see support for local bond markets as BNM kept rates steady at 3.25% and we reckon policymakers will not rush for another rate hike this year unless global conditions improve or domestic price conditions improve. On top of that, Malaysian bond/sukuk market is in a better position to withstand outflow risks as it is one of the deepest in the region with support of strong onshore real money interest.

On that note, we are still comfortable to tactically add portfolio duration as we see foreign and local confidence towards MYR assets remain robust alongside steadily higher oil prices.