

### 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:

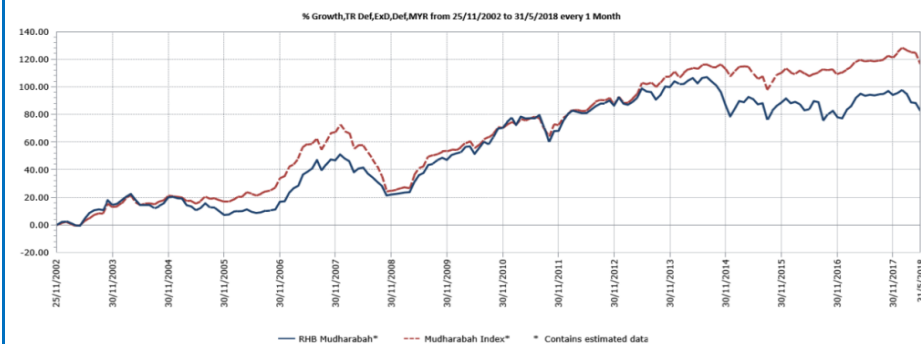
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage 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	-3.02	-6.56	-6.09	-6.74
Benchmark	-3.63	-4.30	-2.05	-3.60

	1 Year	3 Years	5 Years	Since Launch
Fund	-5.79	-4.63	-8.17	54.77
Benchmark	-0.84	3.53	6.84	N/A

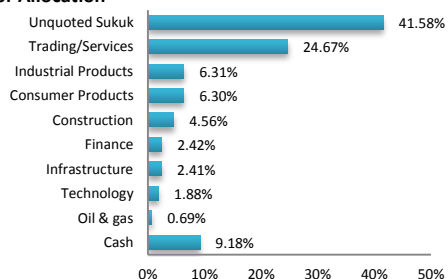
##### Calendar Year Performance (%)\*

	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)	7.00
MEX II (AA-)	3.76
SPG (AA-)	3.52
YTL POWER INTERNATIONAL BHD (AA1)	3.50
KT KIRA SERTIFIKALARI VARLIK KIRALAMA A.S. (AA3)	3.50

\*As percentage of NAV

#### FUND DETAILS

<b>Manager</b>	RHB Asset Management Sdn. Bhd.
<b>Trustee</b>	CIMB Islamic Trustee Bhd
<b>Fund Category</b>	Balanced fund (Shariah-compliant)
<b>Fund Type</b>	Capital Growth and Income Fund
<b>Launch Date</b>	09 May 1996
<b>Unit NAV</b>	RM0.7781
<b>Fund Size (million)</b>	RM14.33
<b>Units In Circulation (million)</b>	18.41
<b>Financial Year End</b>	28 or 29 February
<b>MER (as at 28 Feb 2018)</b>	1.79%
<b>Min. Initial Investment</b>	RM1,000.00
<b>Min. Additional Investment</b>	RM100.00
<b>Benchmark</b>	50%FBM Emas Shariah + 50%MIB12 mths Islamic FD-i
<b>Sales Charge</b>	Up to 6.00% of NAV per unit*
<b>Redemption Charge</b>	None
<b>Annual Management Fee</b>	Up to 1.50% p.a. of NAV*
<b>Annual Trustee Fee</b>	Up to 0.09% p.a. of NAV*
<b>Switching Fee</b>	RM25.00 per switch*
<b>Redemption Period</b>	Within 10 days after receipt the request to repurchase
<b>Distribution Policy</b>	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 STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8071	0.8543	1.0388
Low	0.7756	0.7756	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 equities (-0.2%) ended the month of May 2018 flat, dragging year-to-date (YTD) returns to -0.8%. Developed markets were mostly down with Europe falling 4.0% and Japan 1.1%, as investors responded with a risk-off stance to a host of factors that include the expectations of a growth slowdown outside the United States (US), the political uncertainty in Italy and Turkey, the renewal of sanctions on Iran and the currency crisis in Argentina. The rally in crude oil (Brent: +4.6%) continued in the first half of May 2018 but rolled over later on, as the reversal of prior supply cuts came back into consideration.

Asia Ex Japan equities lost 1.6% in May 2018, dragging YTD returns to -0.6%. China added 1.5% on the basis of the positive impact from the inclusion of A-shares in the MSCI benchmark indices. India (-3.7%) was adversely impacted by foreign outflows as overseas investors worried about the impact of higher oil prices as well as the results of the Karnataka state elections. Korea (-5.2%) had a tumultuous month, as the prospects of the North Korea-US Summit see-sawed. Malaysia (-8.3%) fell prey to foreign outflows on concerns of fiscal discipline following the historic victory of Tun Mahathir Mohamad in the general elections. Indonesia (-1.9%) conducted two rate hikes to arrest the slide in the Rupiah (-2.3% YTD), while the Philippines (-4.9%) hiked once.

The Kuala Lumpur Composite Index (KLCI) started the month relatively stable until the 14th General Elections (GE14) results on Wednesday, 9 May 2018 was announced. Against all odds and unforeseen by political analysts, the opposition, Pakatan Harapan won the Elections by a simple majority. Barisan Nasional, which was in power for 61 years, had lost winning only 79 seats vs Pakatan Harapan's 113. It was deemed as a black swan event and nervous investors anticipated a market sell-off. But, the two days holiday and the promise of reform and business-friendly speeches made by the new Prime Minister, Tun Dr Mahathir eased the jitters. The following Monday, the local bourse opened sharply lower, then it swung sharply higher before closing the day at positive territory. The market was relatively stable in the following days on the back of bargain hunting by local funds as foreign investors started exiting the market. Foreign funds have been net sellers every day since GE14. News flow was deemed not to be "market friendly" - which is to be expected. There were cancellations of many mega projects (East Coast Railway Link, High Speed Railway, Mass Rapid Transit 3), the revelation of Malaysia's total debt (on and off balance sheet) which stands at RM1trillion and of course the unravelling of 1Malaysia Development Berhad (1MDB). The "zero-rating" of Goods and Services Tax (GST) as well as the return of fuel subsidies had many expressing concerns on the risks to Malaysia's fiscal deficit reduction targets.

##### FIXED INCOME

Market is expecting US Fed to hike 25 basis points to 1.75% - 2.00% in the coming Federal Open Market Committee meeting mid June 2018. This will be the second rate hike this year and will add an upward pressure to the yield curves. However, overall rise will be capped as there are still concerns on US and global growth prospects. Treasuries rallied in late May 2018 sending yields lowest in 2 months as the 10-year US Treasuries (UST) fell below 2.90% after an initial rise which was consistent with rising odds for a total of four hikes in 2018. Support in UST came in as safe heaven demand as short term risks revolve around US-China trade concerns, fate of US-North Korea arms talks and Italy's domestic politics. At the close, the UST 2-, 5-, 10- and 30-year closed the month at 2.43% (April 2018: 2.49%), 2.70% (2.80%), 2.86% (2.95%) and 3.03% (3.12%) respectively.

Malaysia experienced its first change in the federal government in the May 9th, 2018 general election. Despite the election being held on Wednesday, the turnout ratio was 82.32% or equivalent to 12.3 million voters. The election process went well and the power transition went smoothly and thanks to the 2-days public holidays announced after the election, impact on domestic market once market re-open on May 14th 2018 was manageable. But overall, market remains cautious as players are still debating policy direction of the new government and especially how this affects the sovereign rating. As a result, foreign selling of Malaysian bonds/ sukuk continues with foreign players offloaded RM12.9 billion worth of local debt papers in May 2018, the largest since March 2017. Although the relative calm in Malaysian Ringgit suggests that stabilization measure may be at play as United States Dollar to Malaysian Ringgit (USD/ MYR) only lost 1.4% month-on-month from 3.9235 end of April 2018 to 3.9798 end of May 2018. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year Malaysian Government Securities last traded at 3.75% (April 2018: 3.75%), 3.84% (3.77%), 4.02% (3.96%), 4.18% (4.13%), 4.61% (4.65%), 4.91% (4.78%) and 5.00% (4.85%) respectively. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year Government Investment Issue on the other hand closed at 3.76% (April 2018: 3.79%), 4.03% (3.85%), 4.17% (4.18%), 4.31% (4.30%), 4.73% (4.73%), 4.84% (4.84%) and 5.00% (4.92%) respectively.

On economic data front, Malaysia's Gross Domestic Product (GDP) growth expanded by 5.4% year-on-year (YoY) in 1Q2018, slightly below market expectations of 5.5%. Moderating inflationary pressure, strengthening domestic demand, accommodative economic policies and sturdy external demand are the major anchors driving the GDP performance. Exports surge to new record high at RM84.5 billion driven by higher exports to non-major markets such as Hong Kong and South Africa among others. In contrast, imports continue to fall by 9.6% YoY to RM69.8 billion which widened the trade balance to RM14.7 billion, highest since October 2008. Inflation on the other hand increased marginally as headline inflation rate rose by 1.4% YoY in April 2018, slightly higher than 1.3% YoY registered in the month prior.

#### MARKET OUTLOOK AND STRATEGY

##### Equity

The dollar's recent strengthening against the euro has raised nervousness about emerging markets (EM). A stronger dollar and higher US yields would of course impose pain on EM asset prices, but we do not think EM is primed for any kind of major crisis. That view is reinforced by the fact that EM currencies are not especially expensive by historic standards. While we don't see huge financial vulnerability in EM, a strong dollar will push growth risks to the downside and inflation risks to the upside.

We opined that foreign investors will re-look at Malaysia given better transparency and corporate governance from the new government. Once the new government announce measures to plug in the revenue gap from the removal of GST and efforts to cut unnecessary spending, we believe that the market would stage a strong recovery. In the near term, we believe uncertainty over the state of the nation's fiscal position and external headwinds from the outflow of funds from emerging markets amid rising USD and trade tensions will lead to a choppy domestic equity market.

##### Fixed Income

Malaysian market continued to be supported by local players, a sign that markets remain confident that the change in government regime will unlikely has any significant detrimental impact on the country's economic fundamentals. New policies such as zero percent cut to GST effective June 2018 has yet to materially impact Malaysian assets as investors and rating agencies remain in wait-and-see mode. The new Malaysian government also remains confident to achieve the previous 2.8% fiscal deficit target, eyeing additional revenues from oil prices and Government-Linked Company dividends. With these scenarios, we still have a positive long-term view for Malaysia and remain comfortable in tactically nimble around the duration or buying on dips to the portfolio since we do not expect further rate hikes for this year.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 15 May 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.