

### 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:

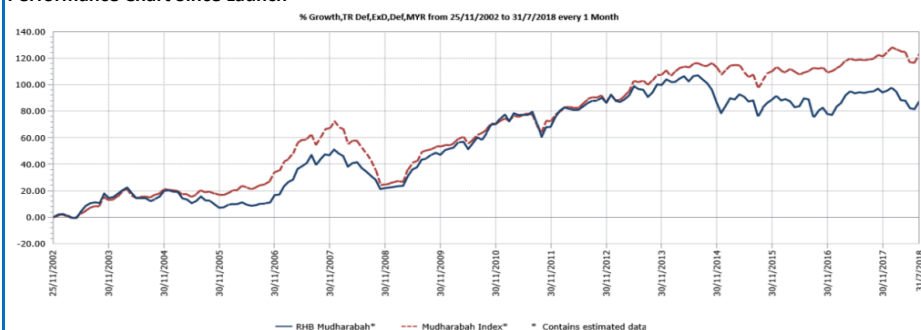
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage 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      | 3.28    | -0.21    | -5.15    | -4.04 |
| Benchmark | 2.98    | -0.94    | -2.35    | -0.91 |

|           | 1 Year | 3 Years | 5 Years | Since Launch |
|-----------|--------|---------|---------|--------------|
| Fund      | -3.22  | -0.35   | -4.22   | 59.25        |
| Benchmark | 2.01   | 7.33    | 9.79    | N/A          |

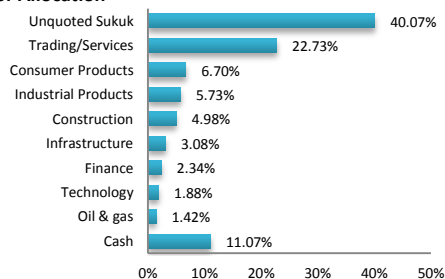
##### Calendar Year Performance (%)\*

|           | 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)                 | 6.74 |
| TENAGA NASIONAL BHD        | 4.52 |
| SERBA DINAMIK HOLDINGS BHD | 3.66 |
| MEX II (AA-)               | 3.63 |
| SPG (AA-)                  | 3.41 |

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

|      | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 0.8006  | 0.8543    | 1.0388       |
| Low  | 0.7752  | 0.7729    | 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

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### MANAGER'S COMMENTS

#### MARKET REVIEW

##### EQUITY

MSCI World Equities rose 2.9% in July 2018, lifting year to date (YTD) returns back to positive territory (+2.4%), as investor sentiment rebounded from panic levels with the gradual dissipation of uncertainties around trade tariffs. The United States (US) (+3.5%) and Europe (+3.3%) led from the front by forging a trade deal, while Japan (+0.4%) stayed flat. This, coupled with strong economic growth in the US and Federal Reserve (the Fed) Governor Jerome Powell's testimony to the Congress, drove 10-year Treasury yields up by 10 basis points (bps) to 2.96%. As a result, Emerging Markets (EMs) (+1.7% in July, -6.1% YTD) breathed a sigh of relief, ending the month on a positive note for the first time since January 2018.

MSCI Asia Ex Japan equities edged up 0.3% in July 2018, with YTD returns at -5.5%, as underperformance by heavyweights China (-3.1%) and Korea (-1.5%) weighed on the otherwise modest gains of the region. Despite reversal to an expansionary policy stance, China continued to languish on the back of the Sino-US trade conflicts as well as from prior tightening. MSCI ASEAN (+4.0%) performed strongly as all countries posted positive returns.

FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI) rose 5.3% month-on-month (MoM) in July 2018, mirroring the strong performance in Association of Southeast Asian Nations (ASEAN) while the FTSE Bursa Malaysia Emas Shariah rose 5.94% driven by mid-size companies. Overnight Policy Rate (OPR) was unchanged, Malaysian Ringgit (MYR) was stable while 10-year Malaysian Government Securities (MGS) fell 4.1% MoM to 4.07%. telecommunications, oil and gas and industrials outperformed while consumer staples underperformed, led by defensive British American Tobacco (BAT) and plantations due to ongoing trade war.

On the corporate front, IHH Healthcare is set to win the bid for Fortis Healthcare after it offered to pay 180 rupees/share, valuing India's second-largest hospitals chain at 93.35 billion rupees.

The highest civil appeal court in Dubai has ruled in favour of WCT in a civil suit brought against it by Dubai-based Meydan Group LLC and the court has dismissed the appeal filed by Meydan. The Penang government will consider requesting RM1 billion soft loan from the federal government to expedite the Penang Transport Master Plan.

##### FIXED INCOME

Trade war escalation with both US and China having locked in a trade tariffs on \$34 billion of each other's goods earlier this month and market await the potential impact on further increase of tariffs from 10% to 25% on another \$200 billion in Chinese imports. Global growth is expected to be constrained by i) persistent and rising trade protectionism risks, ii) shifting expectations of monetary policy normalization in advanced economies, iii) deleveraging cycle in China and iv) geopolitical tensions. The escalation of a tit-for-tat trade dispute grew as China and European Union have said they would retaliate against the planned tariffs by the US. Should the tariff dispute involve more major economies on a larger scale, the impact to global growth will be more significant. Based on an International Monetary Fund (IMF) study, protectionism in the global arena that raises tariff by 10% on imports would lead to lower global Gross Domestic Product (GDP) by approximately 1.75%. At the close, the US Treasury 2-, 5-, 10- and 30-year closed the month weaker at 2.67% (June 2018: 2.53%), 2.85% (2.74%), 2.96% (2.86%) and 3.08% (2.99%) respectively.

In Malaysia, MYR weaker by 0.7% versus the greenback MoM while 3-year and 10-year MGS yields tightened 5-13 bps. Bank Negara Malaysia (BNM) kept its OPR unchanged at 3.25% in July 2018 Monetary Policy Committee (MPC) but warned of increasing downside risks due to global developments. Outflows from Malaysian assets appear to set to continue, given various risk-off events over the month with foreign investors pulled RM6.0 billion out of Malaysian Government Securities (MGS) in the month of June 2018. But local govies seemed supported mainly by local demand and we have also seen foreign investors started to come back to our shore. MGS benchmark issues ended the month better closing the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS at 3.57% (June 2018: 3.62%), 3.75% (3.85%), 3.97% (4.05%), 4.07% (4.20%), 4.53% (4.63%), 4.77% (4.87%) and 4.92% (4.95%) respectively. The 3-, 5-, 7-, 10-, 15-, 20- and 30 years Government Investment Issue (GI) followed suit closing at 3.55% (June 2018: 3.60%), 3.86% (4.00%), 4.05% (4.18%), 4.19% (4.31%), 4.61% (4.73%), 5.00% (5.00%) and 4.94% (4.98%) respectively.

On economic data front, consumer sentiment turns optimistic post the 14th General Election as the new government cancelled the Goods and Services Tax (GST) effective 1st June 2018 along with sound macroeconomic environment push up the sentiment to optimistic level at 132.9 point, highest in 21-year. Apart from GST, stable retail fuel prices will keep inflationary pressure at low level and thus supporting domestic demand. External reserve fell marginally by United States Dollar (USD) 0.1 billion to USD104.6 billion as at mid July 2018 from USD104.7 billion at end-June 2018, amid continued net foreign sells in Malaysian equities and bonds/sukuk. The latest external reserves figure is equivalent to 7.5 months of retained imports and 1.1 times of short-term external debt. 2Q 2018 recorded net foreign selling in the bond market (-RM24.3 billion), however the dips in MGS yields so far this month suggest some stabilization in the local bond market on easing foreign selling pressure plus local buying interest.

#### MARKET OUTLOOK AND STRATEGY

##### Equity

We continue to expect the OPR to stay unchanged at 3.25% for the rest of this year. The tone of the latest MPC statement was expectedly more dovish, and we think BNM is likely in a wait-and-see mode. Lower headline inflation gives BNM room to ease monetary policy if needed. But for now, a steady growth path supported by sustained domestic demand and net exports should keep the policy rate flat.

FBMKLCI likely to continue in consolidation mode as investors stay on the sidelines awaiting second quarter corporate results. We expect June export growth numbers to rebound boosted by MYR depreciation and a favourable base effect. We believe a similar base effect and a likely pick-up in private consumption after the zero-rating of the goods and services tax may have led to even stronger import growth, narrowing the trade surplus.

Investors will be closely tracking development regarding policy and leadership changes at the Government-linked Investment Companies. Investors will be also keeping close tabs on developments relating to the restructuring and takeover of Syarikat Pengeluaran Air Selangor Sdn Bhd (SPLASH), developments on the fate of the Kuala Lumpur-Singapore High Speed Rail and East Coast Rail Link projects, as well as fulfillment of Pakatan Harapan's 10 promises in its manifesto as it approaches the 100 days anniversary on 18 August 2018.

##### Fixed Income

A few central banks meeting in the last week of July and early August 2018 – the Bank of Japan (BOJ) left rate unchanged offering some minor tweaks to its monetary policy, the Fed held fed fund rate steady and is expected to hike next month while the Bank of England (BOE) raised interest rate for the first time this year.

For Malaysian market, GST zerorisation and fixed fuel prices can be offset by Sales and Services Tax (SST) reintroduction, higher oil revenue, higher dividends from Government-Linked Companies (GLCs) and expenditure cuts to meet government's unchanged 2018 budget deficit to GDP target of 2.8%. With inflation rate remaining below BNM forecast of 2-3%, we expect the central bank to leave OPR unchanged at 3.25% for the rest of 2018. With all these factors, we still have a positive long-term view for Malaysia and remain comfortable in tactically nimble around duration or buying on dips to the portfolio. We also remain overweight corporate bond on healthy credit spreads and yield premium.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 15 July 2018, the Volatility Factor (VF) for this fund is 8.3 and is classified as "Moderate". (source: Lipper) "Moderate" includes funds with VF that are above 6.6 but not more than 8.7 (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 2018 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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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