

### 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:

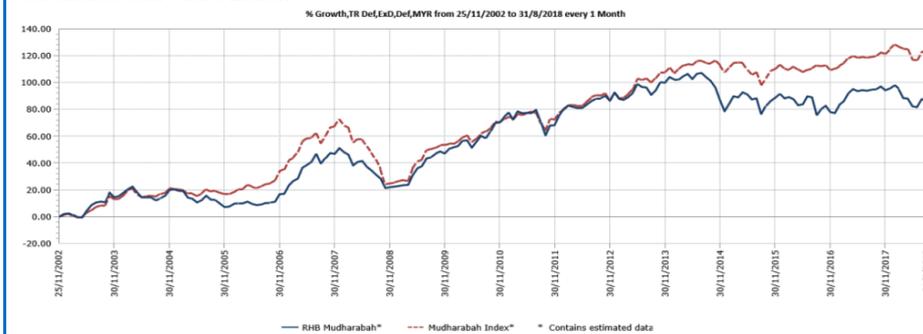
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage 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	-0.49	2.39	-4.32	-4.51
Benchmark	0.13	2.93	-1.50	-0.78

	1 Year	3 Years	5 Years	Since Launch
Fund	-4.06	5.90	-1.99	58.47
Benchmark	1.88	12.73	11.76	N/A

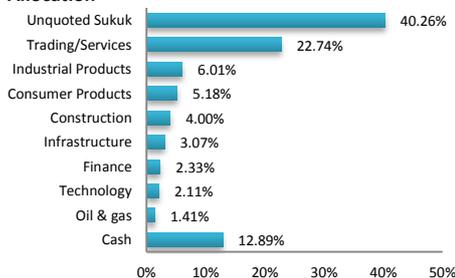
##### Calendar Year Performance (%)\*

	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	4.51
MEX II (AA-)	3.69
SERBA DINAMIK HOLDINGS BHD	3.61
SPG (AA-)	3.45

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8015	0.8543	1.0388
Low	0.7954	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 Asset Management Sdn Bhd (174588-x)

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RHB Asset Management Sdn Bhd (174588-X)



## RHB MUDHARABAH FUND

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### MANAGER'S COMMENTS

#### MARKET REVIEW

##### EQUITY

For the month of August 2018, global equity market continued to rise. MSCI World Equities was up 0.6% during the month (year-to-date: +1.9%), riding on the strength of United States (US) equities (+3.1%) although investors were concern over high valuation in US market. Developed Markets (DM) outside US failed to provide respite to investors with Europe falling 3.1% and Australia 2.6%, while Japan (+0.2%) stayed flat. MSCI Asia Ex Japan declined 1.2% in August 2018, with year-to-date returns at -6.6%, as underperformance by China (-3.9%) and Hong Kong (-2.6%) weighed on the region. China continued on its downturn as the US upped the ante in the Sino-US trade conflict by preparing to impose harsher tariffs on an additional US Dollar 200 billion worth of Chinese imports.

The FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI) started the month relatively stable, before turning positive in the second week of the month supported foreign inflows. The index later declined on 13 August 2018 on selling pressure due to the issue with the Turkey crisis. The Lira crumbled after Trump approved of higher tariffs and threat of sanctions. The index staged a recovery on the 20th of August 2018, on optimism over US-China trade talks which boosted sentiments. This buoyed the index to close at an intraday high on 23 August 2018, lifted by index heavyweights. The positive momentum continued; with the index then closed at its three-month high on news of the new North American Free Trade Agreement (NAFTA) deal which improved investors risk appetite. Foreigners net sold Malaysian Ringgit MYR 98.9 million worth of shares, bringing the total year-to-date net selling to MYR8.6 billion. Best performer sector was Industrial Production (+3.72%) with the biggest movers being Petronas Chemicals (PChem) (+7.49%), Hartalega (+15.45%), and TOP Glove (+9.86%). Worst performer sector was Construction (-5.76%) being dragged down by Gamuda (-4.39%) and IJM (-4.59%). The FTSE Bursa Malaysia Emas Shariah Index lost 3.68 points or -0.03% for the month of August.

On the economic front, Malaysia's 2Q2018 Gross Domestic Product (GDP) growth of only 4.5% year-on-year (YoY) was a sharp miss of the Bloomberg consensus for 5.2% YoY. However, the underlying data are better than the headline implies. Domestic demand growth accelerated to 5.6% YoY from 4.1% YoY driven by consumption. The miss in the overall number came from shocks to the mining and agriculture sector that seem to be reversing.

##### FIXED INCOME

Emerging market sell-off drove safe haven demand sending US Treasuries (UST) yields and the USD higher month-on-month. At the close, the UST 2-, 5-, 10- and 30-year closed the month 4 to 11 basis points lower at 2.63% (July 2018: 2.67%), 2.74% (2.85%), 2.86% (2.96%) and 3.02% (3.08%) respectively. Federal Reserve (the Fed) chairperson, Jerome Powell stuck to his usual rhetoric in his Jackson Hole speech, mildly disappointing hawkish speculators eyeing for a more aggressive stance. The Fed remains on track to deliver 2 more rate hikes this year, supported by a stronger than expected 2Q 2018 revised GDP print (4.2% quarter-on-quarter Seasonally Adjusted Annual Rate) while core Personal Consumption Expenditure (PCE) is expected to print 2.0% YoY, in line with the Fed's target although it is drawing the ire of President Trump who wished for a greater policy support. However the outburst failed to dampen the strength on the Greenback, with investors remaining confident towards Fed's independence.

In Malaysia, 2Q 2018 GDP slowed to 4.5% YoY (consensus: 5.2%; 1Q 2018: 5.4%), reinforcing views of dimmer Overnight Policy Rate (OPR) hike prospects. MYR traded softer, weakening 1.08% in August 2018 to close at 4.1090 against USD impacted by rebound of USD strength although Malaysian Government Securities (MGS) yields ticked lower as foreign investors return to the bond markets. Bank Negara Malaysia (BNM) also remained committed towards financial markets developments and capabilities, offering greater flexibility in Foreign Exchange (FX) hedging and interest rate derivatives, which goes a way to reap dividends over the medium term. These recent amendments to the Foreign Exchange Administration (FEA) regulations are market friendly measures which may narrow the perceived risk premium of Malaysian assets and improve market liquidity. Foreign funds turned net buyers in July 2018 registering RM4.0 billion inflows to our domestic market, ending the three consecutive months of foreign outflows. The foreign share of MGS+ Government Investment Issue (GII) increased to 24.8% from 24.7% in June 2018. The return of foreign demand is in sync with the flows pattern observed in emerging markets. With foreign inflows coming back to our bond market, MGS benchmark issues ended the month better closing the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS at 3.53% (July 2018: 3.57%), 3.70% (3.75%), 3.93% (3.97%), 4.04% (4.07%), 4.47% (4.53%), 4.67% (4.77%) and 4.90% (4.92%) respectively. The 3-, 5-, 7-, 10-, 15-, 20- and 30 years GII followed suit closing at 3.51% (July 2018: 3.55%), 3.82% (3.86%), 4.01% (4.05%), 4.14% (4.19%), 4.54% (4.61%), 4.75% (5.00%) and 4.92% (4.94%) respectively.

On economic data front, headline inflation rate up 0.9% in July 2018, matched market expectations. The inflation rate remains below 1% as it is the second month during tax holiday period. On the other hand, core inflation went down to deflationary level of 0.2% YoY for the first time. Malaysia's current account surplus narrowed sharply to RM3.9 billion in 2Q 2018 compared to RM15 billion in the previous quarter, making it the smallest surplus since 3Q16. Exports growth expanded by 7.6% YoY in June 2018, improved from 3.4% YoY gain registered in the preceding month. In the upcoming month, we foresee Malaysia's exports to remain positive on the back of zero-rated GST, tax holiday period and stable retail fuel price. Nevertheless, protectionism and trade tension remain a concern to the economy.

KLIBOR 1-, 3-, 6-, and 12-months closed unchanged at 3.43% (July 2018: 3.43%), 3.69% (3.69%), 3.80% (3.80%) and 3.90% (3.90%) as liquidity remained ample.

#### MARKET OUTLOOK AND STRATEGY

##### Equity

The market has over this period suffered due to a combination of external and domestic factors such as trade-related tensions, slowdown in global growth momentum, worsening China growth amidst deleveraging, unwinding of central bank liquidity, MYR weakness and uncertainties over the policies of the new government. Foreign equity outflows from ASEAN, including Malaysia, during this sell-off have been intense, and we believe the bulk of the sell-off may have already occurred. However, we believe near-term uncertainty, especially around Malaysia's fiscal deficit situation after the withdrawal of Goods and Services Tax (GST), could remain a sticking point especially for foreign investors. That said, we are reluctant to be underweight on the market and would still like to give the benefit of the doubt to the new government as they come out with policies and direction to deliver on their promise of reforms over medium-term. We believe an economy with less leakages will likely be able to fully realise its growth potential and investors may be more willing to give a higher valuation premium eventually. With this in mind, we see value emerging for investors with medium-term investment horizon and investing opportunities in selected themes/sectors/stocks at more palatable valuations.

##### Fixed Income

In early September 2018, Malaysia's Ringgit drop to the lowest level in more than 9 months as a selloff in emerging markets fuels contagion fears. USD/MYR is likely to rise to 4.20 by year end as the dollar continues to strengthen on higher US rates and global trade tensions. BNM maintained OPR at 3.25% as expected in 5th September 2018 Monetary Policy Committee meeting. We see the central bank to maintain a stable monetary policy through 2019 while allowing the Malaysian Ringgit to weaken further as risks to growth increase and inflation remains muted.

Domestic macro conditions are still supportive for Malaysia's bond market. Headline Consumer Price Index (CPI) remained weak at +0.9% YoY in July 2018, while core CPI went into negative territory at -0.2% YoY. Though the re-introduction of Sales and Services Tax (SST) in September 2018 is expected to induce upward revision of prices, inflation is likely to remain muted. 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 August 2018, the Volatility Factor (VF) for this fund is 8.6 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.