RHB Asset Management

FUND FACTSHEET – OCTOBER 2018

All data expressed as at 30 September 2018 unless otherwise stated

3-year Fund Volatility 1.7 Low
Lipper Analytics 15 SEP 2018

RHB BOND FUND

This Fund aims to provide investors with higher than average income returns compared to fixed deposits over the medium to long term through investments in bonds and other fixed income securities with minimum risk to capital invested.

INVESTOR PROFILE

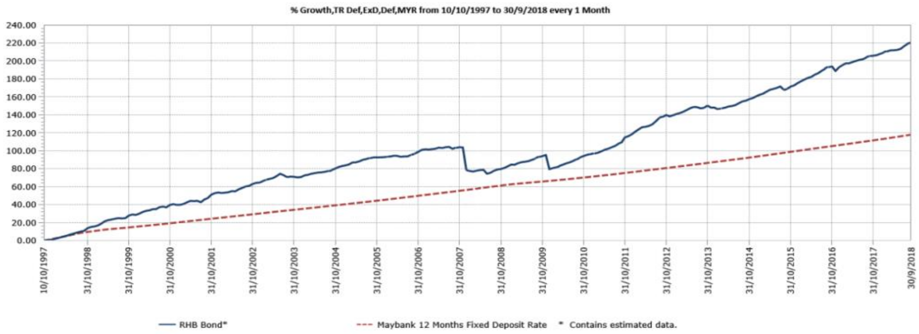
This Fund is suitable for investors who:
- are risk averse;
- want to protect the purchasing power of their wealth against inflation;
- want to enjoy a relatively more predictable income on a yearly basis; and
- want to diversify their overall investment portfolio by including bonds as an asset class.

INVESTMENT STRATEGY

- Up to 95% of NAV will be invested in bonds and other fixed income securities, of which at least 60% of NAV will be invested in bonds.
- Minimum of 5% of NAV will be invested in liquid assets.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**0.36**	**2.13**	**2.70**	**3.87**
Benchmark	0.28	0.84	1.68	2.49

	1 Year	3 Years	5 Years	Since Launch
Fund	**4.71**	**19.04**	**29.07**	**220.10**
Benchmark	3.27	9.94	17.16	117.82

Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	**5.11**	**6.49**	**5.73**	**4.88**	**3.56**
Benchmark	3.09	3.21	3.30	3.20	3.15

Source: Lipper IM

FUND DETAILS

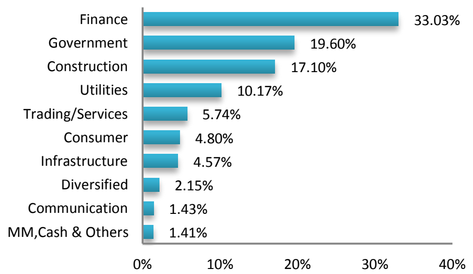
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Bond Fund
Fund Type	Income Fund
Launch Date	10 October 1997
Unit NAV	RM0.9243
Fund Size (million)	RM70.54
Units In Circulation (million)	76.32
Financial Year End	30 September
MER (as at 30 Sep 2017)	1.18%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	Maybank's 12 mths FD Rate
Sales Charge	None
Redemption Charge	Up to 1% of NAV per unit on or before 1st year of investment*
Annual Management Fee	Up to 1.00% p.a. of NAV*
Annual Trustee Fee	0.08% p.a. of NAV*
Switching Fee	RM25.00 per switch*
Redemption Period	Within 10 days after receipt the request to repurchase
Distribution Policy	Annually, if any

**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*

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 (%)*

CIMB GROUP HOLDINGS BHD (A1)	11.29
GII MURABAHAH (GG)	7.16
BANK MUAMALAT MALAYSIA BHD (A3)	7.12
ACSB (AA-)	5.74
BRIGHT FOCUS BHD (AA2)	5.39

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.9909	0.9909	1.1454
Low	0.9232	0.9232	0.8682

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
26 Sep 2018	6.8000	7.05
20 Sep 2017	6.7000	6.79
27 Sep 2016	6.7000	6.72
28 Sep 2015	6.7000	6.59
25 Sep 2014	6.6000	6.52

Source: RHB Asset Management Sdn. Bhd.

3-year Fund Volatility 1.7 Low Lipper Analytics 15 SEP 2018

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MANAGER'S COMMENTS

MARKET REVIEW

Malaysian Ringgit ("MYR") continued to depreciate against the United States Dollar ("USD") in September 2018, the 5th consecutive month since April despite Brent crude continuing to rally. USDMYR climbed from 4.1285 at the start of the month and closed the end of the month above the 4.1383, representing a -0.71% total return, and overall the 5rd worst performing Asian currency after the Japanese Yen ("JPY"), Indian Rupee ("INR"), Indonesia Rupiah ("IDR") and Philippine Peso ("PHP') . Local government bond/sukuk yields appeared to be holding up well as levels continue to be supported during the month. Although the Malaysia Government Securities ("MGS") drifted higher at the early part of the month by 10-15 basis points ("bps") as the fear of contagion risks from the sell-off of Emerging Market ("EM") currencies, local bond/sukuk market remain resilient, anchored by strong domestic support. We believe onshore real money accounts have remained supportive in recent months, reflected by strong bid to cover ("BTC") trends from concluded government bond/sukuk tenders. Overall, the curve has bear-flattened during the month with short-tenor MGS softened about 10 bps while the longer-tenor cheapened just by less than 3 bps as the upward movement in yields at the early part of the month ended with bargain hunting opportunity for some investors. At month-end closed, MGS yields 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were reported at 3.60% (Aug-2018: 3.48%), 3.75% (3.70%), 3.95% (3.94%), 4.07% (4.04%), 4.49% (4.47%), 4.68% (4.68%) and 4.91% (4.90%) respectively. The Government Investment Issues ("GII") – Shariah compliant version of MGS mirrored the same pattern with its MGS counterpart as the short-tenor yield ended higher while the backend of the curve flattened. At month end close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 3.70% (Aug-2018: 3.51%), 3.87% (3.82%), 4.02% (4.00%), 4.14% (4.14%), 4.56% (4.53%), 4.75% (4.75%) and 4.93% (4.92%) respectively.

In the MYR corporate bond/sukuk space, overall monthly trading volume moderated in the month of September 2018 amid higher government bond/sukuk yields as the markets were caught by surprise on the overall contagion risk fears on emerging market currencies. On top of that, lesser trading days also contributed to overall lower trading volume of MYR9.34 billion compared to MYR11.82 billion recorded last month. However, as yields adjusted higher and the emerging market risks look to be contained, liquidity appeared to improve towards the end of the month as quarter-end buying flowed in and the average daily volume managed to close at about MYR550 million in September 2018, which is just slightly lower than the average daily volume recorded in previous month of August 2018 amounted to MYR563 million. Most of the trading activities were highly concentrated in Government Guaranteed ("GG") space. Nevertheless on a monthly basis, AAA space showed better trading activities with longer dated Tenaga and Danga emerged as highly traded names in the space alongside the usual short-dated Cagamas bond. During the month, a combination of Government Guaranteed ("GG") and AAA space witnessed the highest number of trades, changing hands at about 58% followed by AA space by 40% and single-A or lower by 2%.

Within the Government Guaranteed ("GG")/AAA space, Danainfra garnered more than MYR1 billion in transaction volume across the tenors which saw the yield for longer maturity of 2030 and 2033 closing lower by 2 basis points month-over-month. Volume was also seen in Prasarana papers which recorded about MYR900 million in transaction volume across the maturity. The 2024 maturity traded 5 basis points higher for the good amount of MYR410 million. For AAA space, the short-tenor Danga maturing in 2020 saw some MYR230 million changing hands with the yield closed 5 basis points lower compared to previous month. While the newly issued Tenaga assembled some MYR310 million trades for both maturity of 2033 and 2038 and closed 2 basis points lower towards the month end. Elsewhere in AA-rated space, Sarawak Energy Berhad ("SEB") continue to top the trading activities with more than MYR400 million changing hands across the tenor with the 2035 maturity closed at 8 basis points lower compared to last month as demand for the name emerged better after the Rating Agency Malaysia ("RAM") revised SEB's issuer rating to positive outlook in August 2018. For the A-rated universe, Bank Islam sub-ordinated paper printed some RM90 million transaction volume during the month which saw the yield softened by 1 basis point higher. In the primary market space, we witnessed moderate fresh primary issuances in the month of September 2018 with a cumulative issuances of less than MYR2 billion. In the GG space, Prasarana raised a total of RM1 billion in size for the 3-year, 5-year, 7-year and 10-year maturity which closed at a final yield of 3.94%, 4.03%, 4.16% and 4.32% respectively. HSBC Amanah, rated AAA also managed to issue MYR500 million in 5-year maturity at a final yield of 4.30%. On another note, UMW Holdings rated AA2, issued approximately MYR200 million for its 5-year paper at a coupon of 4.65% and privately placed to investors at a final yield of 4.60%. Another AA3 issuer, BGSM Management raised MYR200 million for its 3-year and 5-year maturity with a final yield of 4.55% and 4.65% respectively.

On the local front, BNM at their last Monetary Policy Meeting ("MPC") kept policy rates on hold as widely expected. However, the MPC was seen to be less optimistic on domestic growth as the "ongoing infrastructure projects" are no longer a driver of fixed investments. Therefore, public spending was seen to weigh heavily to support the domestic growth for the time being. We are of the view that the upcoming Budget 2019, scheduled to be on 2nd November 2018, will provide further clarification on the government's efforts and plans to improve domestic growth while being prudent in terms fiscal measures. Despite the downside surprise in the 2nd Quarter 2018 GDP, BNM takes comfort from strength in underlying demand from the local economy which has remained robust despite slight moderation in exports. Notwithstanding, BNM has now lowered their 2018 GDP forecast to 5.0% from their initial range of 5.5%-6.0% previously. With a lower GDP forecast for 2018, BNM is expected to maintain the OPR at 3.25%, signalling its comfort with its current monetary policy stance, as the temporary disinflation weakens the case for rate hikes, balanced against financial stability considerations that may raise the hurdle for rate cuts.

RHB Asset Management Sdn Bhd (174588-x) **Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur** **General Line: 603-9205 8000**

www.rhbgroup.com

RHB Group @RHBGroup RHB Group RHBGroup

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