

RHB ISLAMIC BOND FUND

This Fund aims to provide regular income to investors through investments in Islamic debt securities and Islamic bonds which are acceptable investment under the principles of Shariah.

INVESTOR PROFILE

This Fund is suitable for Investors who:

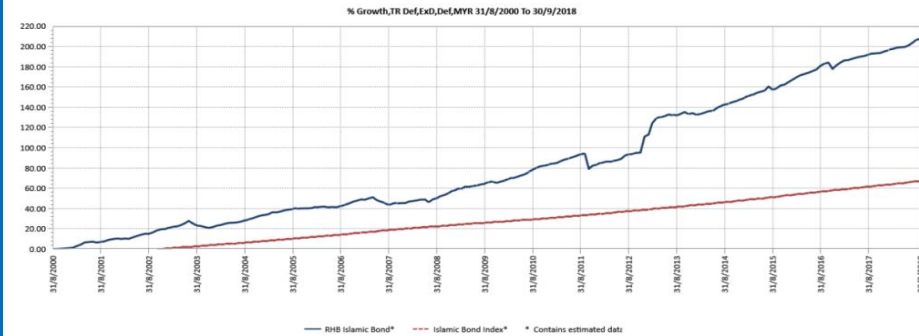
- are risk averse;
- want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable level of risk.

INVESTMENT STRATEGY

- Minimum of 60% and up to 95% of NAV will be invested in Islamic debt securities and Islamic bonds (collectively referred to as “sukuk”).
- Minimum of 5% of NAV will be invested in liquid assets acceptable under Shariah principle.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.36	2.28	3.02	4.14
Benchmark	0.28	0.85	1.69	2.51

	1 Year	3 Years	5 Years	Since Launch
Fund	4.95	19.03	31.88	207.68
Benchmark	3.29	10.31	17.74	N/A

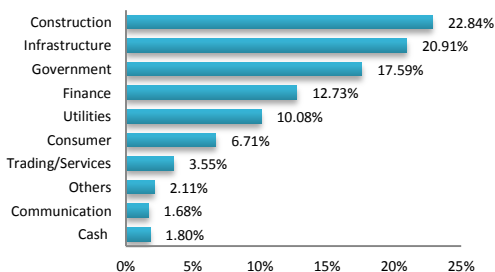
Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	4.92	6.37	6.78	5.91	10.80
Benchmark	3.16	3.33	3.60	3.24	3.19

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

BRIGHT FOCUS BHD (AA)	8.68
MEX II (AA-)	5.60
ALPHA CIRCLE SDN BHD (A)	5.39
PERBDN TABUNG PENDIDIKAN TINGGI (GG)	5.18
MEX II (AA-)	3.78

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.4245	1.4245	1.4245
Low	1.3551	1.3551	0.9901

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
26 Sep 2018	7.0000	5.06
20 Sep 2017	5.6000	4.05
27 Sep 2016	5.4000	4.00
28 Sep 2015	8.9000	6.58
25 Sep 2014	8.8000	6.51

Source: RHB Asset Management Sdn. Bhd.

RHB ISLAMIC BOND FUND

This Fund aims to provide regular income to investors through investments in Islamic debt securities and bonds which are acceptable investment under the principles of Shariah.

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.

DISCLAIMER:

Based on the fund's portfolio returns as at 15 September 2018, the Volatility Factor (VF) for this fund is 2.0 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 1.9 but not more than 6.6 (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 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 credit / default risk, issuer risk, interest rate risk, liquidity 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.