

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	0.31	1.68	3.18	4.47
Benchmark	0.28	0.84	1.68	2.78

	1 Year	3 Years	5 Years	Since Launch
Fund	5.12	18.11	31.21	208.63
Benchmark	3.30	10.23	17.74	N/A

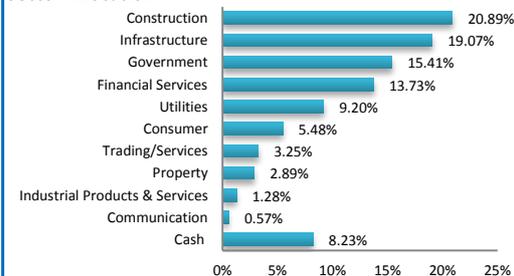
Calendar Year Performance (%)*

	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 ISLAMIC MEDIUM TERM NOTE (AA2)	7.95
MEX II ISLAMIC MEDIUM TERM NOTE (AA-)	5.11
ALPHA CIRCLE SDN BHD (A)	4.93
PERBDN TABUNG PENDIDIKAN TINGGI (GG)	4.71
MEX II ISLAMIC MEDIUM TERM NOTE (AA-)	3.45

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3606	1.4245	1.4245
Low	1.3564	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.

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MANAGER'S COMMENTS

MARKET REVIEW

Malaysian Ringgit ("MYR") continued to depreciate against the United States Dollar ("USD") in October 2018, the 6th consecutive month since April. USDMYR climbed from 4.1405 at the start of the month and closed the end of the month above the 4.1842, representing a -1.10% total return, although this was in line with the overall depreciation in Emerging Market ("EM") currencies and the 5th best performing Asian currency after the Japanese Yen ("JPY"), Singapore Dollar ("SGD"), Hong Kong Dollar ("HKD") and Philippine Peso ("PHP"). On the local rates, Malaysia Government Securities ("MGS") started the month on a stable ground despite risk-off sentiments surrounding the external front. Nevertheless, the yield has inched higher towards the end of the month as investors stayed sideline in anticipating further details of Budget 2019 with some concerns on wider fiscal deficit and the impact on sovereign Malaysia rating. The benchmark 10-year MGS has shoot up to as high as 4.20%, only to see it closed the month pretty unchanged at 4.09% level. Apart from the index rebalancing activities, this is again showing that the local government bond/sukuk yields appeared to be holding up well as levels continue to be supported during the month and 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 trends from concluded government bond/sukuk tenders. Overall, the curve has bear-steepened during the month with long-tenor MGS adjusted higher on thin liquidity. At month-end closed, MGS yields 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were reported at 3.66% (September-2018: 3.60%), 3.79% (3.75%), 4.01% (3.95%), 4.09% (4.07%), 4.60% (4.49%), 4.78% (4.68%) and 4.95% (4.91%) 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 3.74% (September-2018: 3.70%), 3.91% (3.87%), 4.11% (4.02%), 4.25% (4.14%), 4.59% (4.56%), 4.78% (4.75%) and 4.94% (4.93%) respectively.

In the MYR corporate bond/sukuk space, overall monthly trading volume improved during the month of October 2018 amid higher government bond/sukuk yields as investor switched to corporate space for yield preservation. Overall trading volume recorded MYR12.32 billion compared to MYR9.34 billion recorded last month. The average daily volume managed to close at about MYR536 million in October 2018, which is just slightly lower than the average daily volume recorded in previous month amounted to MYR550 million. However, as the government yields adjusted higher and in anticipating further clarification pending from the Budget 2019, liquidity appeared to deteriorate towards the end of the month for corporate bond/sukuk as investor prefer to stay sideline. Most of the trading activities were highly concentrated in Government Guaranteed ("GG") space. Nevertheless on a monthly basis, AA space showed better trading activities with longer dated Southern Power Generation ("SPG") and Sarawak Energy Berhad ("SEB") emerged as highly traded names in the space. During the month, a combination of Government Guaranteed ("GG") and AAA space witnessed the highest number of trades, changing hands at about 54% followed by AA space by 38% and single-A or lower by 8%.

Within the Government Guaranteed ("GG")/AAA space, Danainfra garnered more than MYR1 billion in transaction volume across the tenors which saw the yield closing higher by 2-3 basis points (bps) month-over-month. Volume was also seen in Prasarana papers which recorded around MYR850 million in transaction volume across the maturity. On average, the yield closed higher by 4 bps at month-end. For AAA space, Danga saw some MYR400 million changing hands with the yield closed 1 bps higher compared to previous month. Elsewhere in AA-rated space, SPG top the trading activities with more than MYR560 million changing hands across the tenor and closed the month at about 2-3 bps lower compared to last month. For the A-rated universe, CIMB Group Holdings newly issued Additional Tier 1 ("AT1") paper printed some RM200 million secondary transaction volume during the month which saw the yield closed more than 40 bps lower post issuances.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") for September 2018 remains soft despite the implementation of Sales and Services Tax ("SST") which started at the start of the month. The CPI recorded an increase of 0.3%, lower than consensus of 0.6%, however slightly higher compared to August's reading of 0.2%. According to Department of Statistics of Malaysia, the impact of SST were reflected in only four sectors (communications, recreational, household equipment as well as hotels and restaurants) while the impact on the rest of the sectors were muted. On the other note, Malaysia's August 2018 trade surplus narrowed to a lowest level since October 2014 as exports surprisingly fell 0.3% while import rose more than expected by 11.2%. The trade surplus recorded MYR1.6 billion compared to consensus estimate of MYR9 billion and previous month's figure of MYR8.3 billion. Sequential rose in import were partly due to a surged in importing capital goods (+20.1%) and the impact of weaker MYR. Going forward, expectation is for the trade balance to remain supported through year-end as we anticipate consumption and capital goods import may soften after the SST implementation and the deferment of infrastructure projects.

DISCLAIMER:

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