RHB Asset Management

FUND FACTSHEET – JANUARY 2020

All data expressed as at 31 December 2019 unless otherwise stated

3-year Fund Volatility 2.3 Low Lipper Analytics 10 DEC 2019

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:

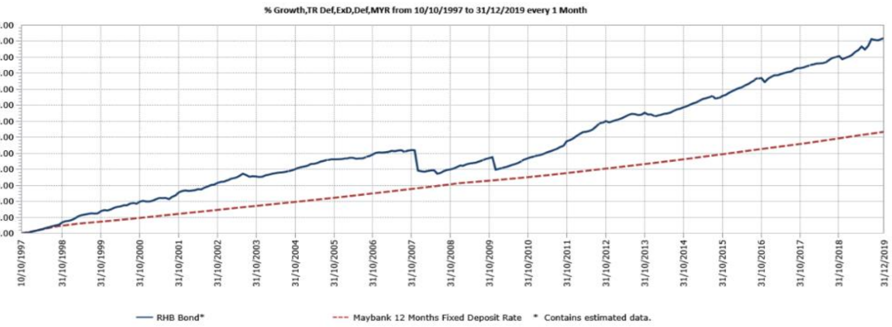
- are risk averse;
- want to protect the purchasing power of their wealth against inflation;
- want to enjoy a relatively more predictable income on a yearly basis; and
- want to diversify their overall investment portfolio by including bonds as an asset class.

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	**0.43**	**0.71**	**4.36**	**7.74**
Benchmark	0.26	0.78	1.56	3.19

	1 Year	3 Years	5 Years	Since Launch
Fund	**7.74**	**17.25**	**32.01**	**243.78**
Benchmark	3.19	9.94	17.21	126.66

Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	**7.74**	**3.54**	**5.11**	**6.49**	**5.73**
Benchmark	3.19	3.33	3.09	3.21	3.30

Source: Lipper IM

FUND DETAILS

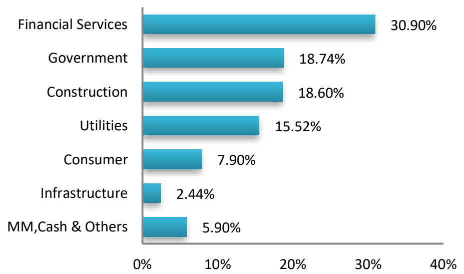
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Bond Fund
Fund Type	Income Fund
Launch Date	10 October 1997
Unit NAV	RM0.9238
Fund Size (million)	RM118.77
Units In Circulation (million)	128.57
Financial Year End	30 September
MER (as at 30 Sep 2019)	1.11%
Min. 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 (%)*

WCT IMTN 6.000% 27/09/2119 (SERIES 1 TRANCHE 2)	8.49
CIMB GROUP HOLDINGS BHD 5.800% (25/05/2116)	6.73
DRB HICOM IMTN 5.100% (12/12/2029)	5.06
TENAGA IMTN 4.980% (27/08/2038)	4.67
MBSBBANK IMTN 5.250% (19/12/2031)	4.21

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.9238	0.9910	1.1454
Low	0.9197	0.9147	0.8682

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
26 Sep 2019	6.8000	7.21
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

Source: RHB Asset Management Sdn. Bhd.

RHB BOND FUND

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MANAGER'S COMMENTS

MARKET REVIEW

On the local rates, both Malaysia's sovereign papers that are Malaysia Government Securities (MGS) and Government Investment Issues (GII) yield curve flattened during the first half of the month as the 5-year yield rose 6 basis points (bps) and the 10-year was flat at around 3.42% to 3.45% level. Local government bonds were less affected by news of a United States (US)-China phase one trade deal in comparison to the Malaysia Ringgit (MYR) as US Dollar (USD)/MYR fell to around 4.14 from 4.16 at the start of the month. Towards the end of the month, the yield from the belly to the longer tenor of the curve lifted positively as buying interest resurfaced despite quiet trading days while MYR closed the year stronger at around 4.09. Overall, the MGS and GII yield remain supported as investors repositioned themselves ahead of holidays and year end with anticipation of seasonally strong first quarter for domestic bond market ahead. In addition, the yields were generally supported after Bank Negara Malaysia (BNM) released the auction calendar for 2020 suggested positive reaction from investors.

BNM has announced the auction calendar for 2020 with reopening auctions to dominate next year. This is a major shift in auction landscape and is a positive catalyst for the local government bond space as this will further enhance liquidity of the existing issuances of MGS and GII. We see this as an additional step taken by BNM toward improving bond liquidity in mind ahead of the FTSE Russell's decision in March 2020. With most benchmarks to be reopened from the existing bonds that is only 4 new issues in 2020 compared to 12 new issues in 2019, this will certainly help enhance the liquidity of off-the run bonds and increase the average tranche size which will complement an extended role for principal dealers to quote all off-the run bonds. Collectively, gross issuances of MGS and GII in 2020 forecasted at around MYR115 billion is to be issued via the domestic bond market after taking into account the second tranche of Samurai bonds which expected to be issued in 2020. On balance, we expect demand and supply dynamics to remain healthy as combined MGS and GII maturities of around MYR70.7 billion to return as reinvestment flows. On the other hand, net issuances of MGS and GII remain manageable at about MYR45 billion which will have an overall neutral impact from a net supply perspective. Month-on-month (MoM), MGS yields bull-steepened with 10-year supported towards the end of the month and grinded 12 bps lower while 30-year saw upward trend in yields by 15 bps. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 3.00% (November 2019: 3.04%), 3.18% (3.18%), 3.30% (3.33%), 3.30% (3.43%), 3.59% (3.68%), 3.70% (3.76%) and 4.10% (3.94%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, was looking more stable with yields seen more defensive and holding well across the tenors during the period. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 3.06% (November 2019: 3.13%), 3.19% (3.26%), 3.30% (3.38%), 3.42% (3.50%), 3.72% (3.78%), 3.82% (3.89%) and 4.06% (4.11%) respectively.

In the MYR corporate bond/sukuk space, overall monthly trading volumes were surprisingly higher compared to previous month despite being a seasonally illiquid month going into year-end. As a result of recent upward movement in yields, investors seen to be selectively buying and switching for next year positioning, given further support to the corporate bond yields. Overall secondary corporates trading volume recorded MYR11.05 billion, improved significantly compared to MYR8.25 billion recorded in previous month. The average daily volume recorded higher to approximately MYR526 million in December 2019, compared to MYR393 average daily volume recorded in corresponding month. Overall during the month, a combination of Government Guaranteed (GG) and AAA space top the transaction activities at 69% followed by AA space by 25% and single-A or lower by 6%.

Within the GG/AAA space, Danainfra Nasional Berhad top the transaction volume with MYR1.63 billion recorded across the tenors which saw the yield closed more than 5 bps lower month-over-month especially on the longer-tenor maturity (more than 15-year). Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) recorded the second highest transaction volume in GG category with MYR1.55 billion changing hands across the tenors. On average, the yield closed 8 bps downwards compared to the prior month with 15-year to 20-year bucket saw higher demand. In AAA space, Sarawak Hidro successfully garnered secondary market interest with MYR790 million transaction volumes for an average moved of 4 bps lower up to 10-year tenor. Elsewhere in AA-rated space, YTL Power International Berhad (YTLP) top the trading activities with MYR240 million transacted across the tenor with yield averagely lower by 3 bps. In A-rated space, Affin Bank Berhad paper of both the perpetual and sub-ordinated attracted some MYR180 million transaction activity during the month. The yields transacted tighter by 1 bps.

In the primary issuance space, total issuances in December 2019 have been stable as issuers tapped the market before year-end at favourable financing rate, raising a total issue size of MYR7.6 billion compared to MYR6.5 billion issued in previous month. DRB Hicom Berhad rated A+/positive by MARC, raised a total of MYR1.3 billion from its 3-year, 5-year, 7-year and 10-year Sukuk at 4.15%, 4.55%, 4.85% and 5.10% respectively. On the other note, MBSB Bank Berhad which rated A3 by RAM, raised MYR1.3 billion from its MYR10 billion Sukuk Programme. In its maiden debut, the bank successfully garnered strong investor interest from its two-tranche issuance; MYR650 million each of non-callable 5-year and non-callable 7-year at 5.05% and 5.25% respectively. Finally, Penang Port Sdn Bhd capitalised its MYR1 billion Islamic Medium Term Notes Programme by issuing three-tranche issuance of 7-year (MYR200 million), 10-year (MYR300 million) and 15-year (MYR500 million) with final yield of 4.30%, 4.48% and 4.68% respectively.

On the local economic front, Malaysia's Consumer Prices Index (CPI) report for November 2019 came out subdued at 0.9% compared to a reading of 1.1% in the prior month. However, on a year-on-year (YoY) basis, the CPI index has increased in November 2019 to 122.1 against 121.0 in the same month of preceding year. The increase in the overall index was driven by the index of Miscellaneous Goods & Services (2.5%), Housing, Water, Electricity, Gas & Other Fuels (1.7%), Education (1.6%), Food & Non-Alcoholic Beverages (1.5%), Communication (1.5%) and Furnishings, Household Equipment & Routine Household Maintenance (1.5%). On a monthly basis, CPI rose 0.1% as compared to October 2019. It was mainly supported by the index of Housing, Water, Electricity and Gas (0.4%), Miscellaneous Goods & Services (0.4%) and Health (0.2%). Meanwhile, the CPI for the period of January 2019 to November 2019 registered an increase of 0.7% as compared to the same period last year. Forecasted 2019 inflation is expected to be lower at around 0.7% to 1.0% which is in line with BNM projection of 0.7% to 1.7%. Nevertheless, inflation is expected to rise from January 2020 due to the targeted fuel subsidy implementation that corresponded to the official inflation forecast of 2% next year. Nevertheless, the execution risk remains a concern as recent announcement by Government to postpone the targeted fuel subsidy will further derailed 2020 inflation forecast.

In other economic data, Malaysia's Industrial Production Index (IPI) rose by 0.3% YoY in October 2019, slowing from 1.7% gain in the previous month. This was the weakest yearly increase in industrial output since a decline in December 2015 as manufacturing output growth slowed to 2.2% from 2.5% recorded in September 2019 mainly due to transport equipment and other manufactures (4.3 percent), non-metallic mineral products, basic metal & fabricated metal products (3.1%) and electrical and electronic products (2.4%). In addition, electricity production increased much less (0.5% vs 4.1%). At the same time, mining output declined faster (-5.8% versus -1.6%), led by crude oil and condensate index (-5.1%) and natural gas (-6.3%). On a monthly basis industrial output fell by 1% in October, after a 0.3% drop in September 2019. Industrial Production in Malaysia averaged 2.42% from 2007 until 2019, reaching an all-time high of 12.80% in March of 2010 and a record low of -17.60% in January of 2009. With slower growth in IPI, expectation is for weaker growth in 4Q19 as the data remain soft and maintained 4.5%-4.6% forecast for full year of 2019.