

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:

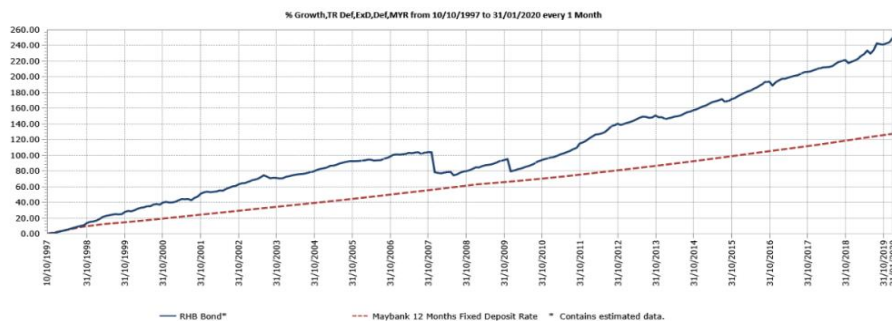
- are risk averse;
- want to protect the purchasing power of their wealth against inflation;
- want to enjoy a relatively more predictable income on a yearly basis; and
- want to diversify their overall investment portfolio by including bonds as an asset class.

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	1.65	2.56	4.63	1.65
Benchmark	0.26	0.77	1.55	0.26

	1 Year	3 Years	5 Years	Since Launch
Fund	8.98	18.20	33.28	249.44
Benchmark	3.17	9.93	17.19	127.24

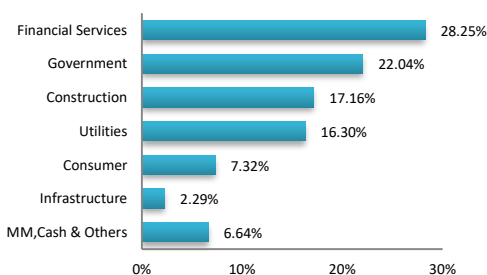
Calendar Year Performance (%)*

	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 PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

WCT IMTN 6.000% (27/09/2119) SERIES 1 TRANCHE 2	7.83
TENAGA IMTN 4.980% (27/08/2038)	6.21
CIMB GROUP HOLDINGS BHD 5.800% (25/05/2116)	6.13
MALYSIAN GOVERNMENT SECURITIES 4.893% (08/06/2038)	5.47
DRB-HICOM IMTN 5.100% (12/12/2029)	4.70

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.9391	0.9910	1.1454
Low	0.9238	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.

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MANAGER'S COMMENTS

MARKET REVIEW

On the local rates, both Malaysia's sovereign papers ie; Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") yield curve bull-flattened at the start of the year with geopolitical tension arising after United States of America ("USA") assassinated top Iranian commander. Iran has retaliated back with an attack that hit bases of housing American troops in Iraq with ballistic missiles which rattled the market for safe haven demand during the first week of the year. After a temporary calm on that front, local market further driven by a surprised pre-emptive 25 basis points ("bps") cut in Overnight Policy Rate ("OPR") by Bank Negara Malaysia ("BNM") on their first Monetary Policy Meeting ("MPC") of the year. Both MGS and GII rallied following the unexpected cut by BNM as the curve bull-flattened with 10-year MGS rallied by 15 bps after the event and broke psychological level of 3.20%. Support in the fixed income space further extended as market's confidence has been somewhat shaky by the spreading of coronavirus which spilling fast into neighbouring countries and as far as in the USA, recorded more than 14,000 infected cases and 305 fatality with 27 countries/regions being affected at the time of writing.

Overall, the MGS and GII yield were strongly supported as the dovishness prevails in the current market environment where downside risks dominated the headlines. Market fears rise for both health and economic reasons as coronavirus spreads into many regional countries especially those with close social and economic ties with China. From bond strategy points of view, we think investors will want to see signs of stabilization first before changing their positioning stances thus we expect further support in fixed income space at current juncture. Month-on-month, MGS space bull-steepened with yields collapsing roughly about 30 bps along the 15-year and 30-year tenor. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.88% (December 2019: 3.00%), 2.96% (3.18%), 3.09% (3.30%), 3.13% (3.30%), 3.26% (3.59%), 3.42% (3.70%) and 3.76% (4.10%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, mirroring the same pattern with investors extended duration on headline risks positioning. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.91% (December 2019: 3.06%), 3.02% (3.19%), 3.11% (3.30%), 3.19% (3.42%), 3.35% (3.72%), 3.49% (3.82%) and 3.74% (4.06%) respectively.

In the Malaysian Ringgit (MYR) corporate bond/sukuk space, overall monthly trading volumes were surprisingly lower compared to previous month amid supportive domestic bond market as headline risks dominated. From our observation, the lower trading volume was due to less papers being offered in the market as investors prefer to hold the corporate bond for their portfolio yield preservation despite unclear primary issuance pipelines going forward. Therefore, excess money has seen buying the front-end of the curve ie; government securities and government guaranteed bonds while waiting for the incoming pipelines announcement. Overall secondary corporates trading volume recorded MYR10.85 billion, declined slightly compared to MYR11.05 billion recorded in previous month. The average daily volume recorded at approximately MYR517 million in January 2020, compared to MYR526 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 85% followed by AA space by 14% and single-A or lower by 1%.

Within the GG/AAA space, Danainfra Nasional Berhad top the transaction volume with over MYR2.06 billion recorded across the tenors which saw the yield closed a whopping 30 bps to 40 bps lower month-over-month especially on the longer-tenor maturity (more than 15-year). Prasarana Malaysia Berhad recorded the second highest transaction volume in GG category with over MYR800 million changing hands across the tenors. On average, the yield closed more than 25 bps downwards compared to the prior month with 15-year to 20-year bucket saw higher demand. In AAA space, Sarawak Energy Berhad successfully garnered secondary market interest with over MYR560 million transaction volumes for an average moved of 25 bps lower up to 15-year tenor. Elsewhere in AA-rated space, YTL Power International Berhad ("YTL") top the trading activities with MYR280 million transacted across the tenor with yield averagely lower by 30 bps in 2027 maturity. In A-rated space, KT Kira, with an extraordinary support from Kuwait Finance House attracted some MYR30 million transaction activity during the month. The yields transacted tighter by 10 bps understandable due to higher yield with less than a year maturity.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") report for December 2019 increased 1.0% compared to a reading of 0.9% in the prior month. However, the CPI for the whole year of 2019 registered 0.7% which was at the lower range of official target for the 2019. In a statement by the Statistic Department, the increased in December 2019 CPI was driven by the index of miscellaneous goods and services (2.4%), food and non-alcoholic beverages (1.7%), housing, water, electricity, gas and other fuels (1.7%), education (1.7%), communication (1.5%), furnishings, household equipment and routine household maintenance (1.4%) and health (1.4%). The inflation reading of 2019 is in line with BNM projection of 0.7% to 1.7%. Nevertheless, inflation is seen to trend higher in 2020 but staying modest, which we likely expect to remain within 1% to 2% range given lower headline inflation of 0.7% in 2019. Earlier, 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. However, 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, December's Producer Price Index ("PPI") which measures the average change over time in selling prices received by domestic producers of goods and services rose for the second straight month to 3.5% compared to a reading of 1.2% recorded in November 2019. It was due to broad-based gains from all the sub-components. As a result of two consecutive months of positive growth, it will provide some cushion to the full-year average growth which fell by 1.3% in 2019 from -1.1% in 2018. Going forward, the PPI is likely to remain moderate. While the low base will influence the potential incoming data, some upwards pressure will also been seen from higher input costs. Thus, the PPI for 2020 could turn positive with the full-year average of around 0.3% to 0.5%. On the Malaysia unemployment rate, November 2019 data remained at 3.2% for the second straight month and is at its 48-month low. Based on the labour market data, private consumption will be the anchor for the economic growth in 2019 and 2020. However, consumer sentiment is sliding based on Malaysian Institute of Economic Research ("MIER") survey which showed a lowest reading since 2017. Besides, the retrenchment has picking up and the number of people laid off in 2019 is estimated at around 37,260 compared to 23,697 in 2018. Expectation of more downsizing and more people seeking opportunities in the informal sector could pick up. The unemployment rate in 2020 could reach 3.4% to 3.6% from 3.3% in 2019.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 January 2020, the Volatility Factor (VF) for this fund is 2.2 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 1.8 but not more than 6.1 (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 31 December 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2020.

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 interest rate risk, credit / default risk, liquidity risk and issuer 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.