

RHB MUDHARABAH FUND

This Fund aims to provide a balanced mix of income and potential for capital growth by investing in stocks listed on the Bursa Malaysia or on any other stock exchanges, unlisted stocks and Islamic debt securities and other non-interest bearing assets acceptable under principles of Shariah. The Fund's activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

INVESTOR PROFILE

This Fund is suitable for Investors who want:

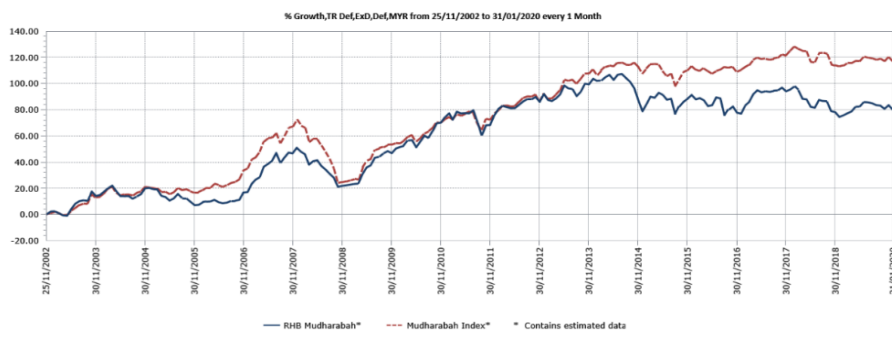
- an investment that complies with the principles of Shariah;
- a professionally managed portfolio of Shariah-compliant equities, sukuk and Islamic debt securities;
- to have a balanced portfolio that provides both income and capital growth; and
- to invest in shares but do not have the time to manage their own portfolio.

INVESTMENT STRATEGY

- Up to 60% of NAV will be invested in Shariah-compliant equities;
- Minimum of 40% of NAV will be invested in Islamic debt securities (Sukuk), Islamic money market instruments and/or liquid assets acceptable under Shariah principles.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	-1.86	-1.69	-3.03	-1.86
Benchmark	-1.53	-0.79	-1.12	-1.53

	1 Year	3 Years	5 Years	Since Launch
Fund	2.41	-1.80	-2.27	52.98
Benchmark	1.62	2.22	2.68	N/A

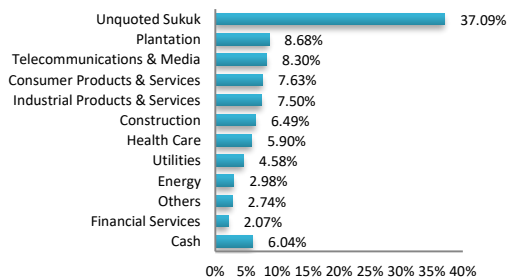
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	5.12	-10.64	10.31	-7.40	7.08
Benchmark	3.55	-5.16	6.92	-1.44	2.79

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

RHBA 4.88% (27/04/2027) SERIES 2	6.51
TENAGA NASIONAL BHD	3.94
SPG IMTN** 5.170% (30/04/2030)	3.54
YTL POWER INTERNATIONAL BHD 5.050% (03/05/2027)	3.42
BGSM MANAGEMENT SDN BHD 5.600% (27/12/2023)	3.39

*As percentage of NAV, ** IMTN: Islamic Medium Term Note

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7901	0.8036	1.0388
Low	0.7691	0.7510	0.4095

Source: Lipper IM

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MANAGER'S COMMENTS

EQUITY MARKET REVIEW

Investor sentiment on global equities was riding high in the beginning of January 2020 before falling prey to the Coronavirus-induced pneumonia outbreak in Wuhan, China. Global equities lost 3.6% in the last two weeks to end the month of January 2020 down 1.2%, as the risk of contagion from the potential epidemic threatens to derail the recovery in global growth. Investors sought refuge in safe havens such as Gold (4.7%) and United States (US) Treasuries (10-year yields down from 1.9% to 1.5%), leading to a sell-off in risky assets. Commodities, too, suffered from concerns over the potential return of global growth slowdown, with Brent crude oil tumbling 11.9%, copper 9.8% and aluminium 4.9%.

While the FBM KLCI index did have a boost at the start of the year, it all went downhill from the second week onwards when the news broke out on Iran hitting a US military base in Iraq in retaliation against US forces for the killing of general Qasem Soleimani in Baghdad. The index hasn't really looked back since with major global news headlines focusing on anything and everything relating to the coronavirus. In line with the global risk off sentiment, the FBM KLCI closed -3.6% for the month of January 2020. Commodities particularly Brent crude oil and crude palm oil were sold down due to fears over softer demand. Concern on demand on Crude Palm Oil (CPO) from China coupled with news on India restricting purchases of refined palm oil from Malaysia led the CPO futures to also fall -15% to RM2,650/metric tonne. Winners to start the year were seen in gloves and healthcare. Major losers for the month were the energy index (as global oil prices tumbled on macro concerns) and plantations.

EQUITY MARKET OUTLOOK AND STRATEGY

Corona virus will have a short term impact on regional Gross Domestic Product (GDP) growth. The stricter quarantines and travel bans issued now will likely hurt consumer and traveler sentiment more than did the efforts to counter Severe Acute Respiratory Syndrome (SARS). Asian economies entered this crisis with much less momentum than during SARS, and we see a risk that macro weakness could persist even after the Corona virus recedes. Hong Kong, Singapore, Thailand and China are the most vulnerable. Indonesia and India the least vulnerable. Among sectors, the virus should not greatly affect global Information Technology demand and could help Internet names with e-commerce businesses.

We remain constructive on plantation sector and would look for buying opportunities given weakness in current share price. CPO price corrected by -13.4% from RM3,052/metric tonne levels end-2019, and similarly share prices of the Malaysian planters by 8-9%. The weakness was initially due to concerns on India's imposing restrictions on imports of refined palm oil ban from Malaysia and exacerbated by concerns on China's demand due to coronavirus. We reckon that fundamentals remain intact with a tight stock-to-usage ratio which will be more apparent towards the end of March 2020. In our view, India's restrictions on Malaysia CPO is expected to be temporary as China and Pakistan may source more CPO from Malaysia.

FIXED INCOME MARKET REVIEW

The new year was jolted by the surprised air strike by US Government in Baghdad that killed the top Iranian military official on 6 January, further ignite the US Iran tensions, thus boosting demand on US Treasuries (UST) as safe haven instrument. In retaliation, the Iranian Government targeted the US air base in Baghdad but with no casualties reported. The 10-year UST benchmark yields have dropped from a peak of 1.9460% beginning of the year to as low as 1.7050%, (a drop by almost 24 basis points). While gold has spiked up from US Dollar (USD) 1,517 to as high USD1,610.0. The Japanese Yen (JPY) has dipped to as low as 107.63 and the Swiss Francs towards 0.9663 to the USD. The Dollar index itself has been steady at 96.93 showing no signs of a retracement. The geopolitical risks has also sent the oil price higher with Brent crude surged near 6% to trade above \$70 per barrel. 5 days later, the US Senate House of Representatives voted to stop President Donald Trump from further military action against Iran, hence ending further escalation in tensions on the two nations.

The Phase 1 trade deal between the US and China was finally signed on January 15, but the two nations have not yet finalized details of the agreement. The UST yields reacted negatively hence pushing yields circa 5 basis points higher. Event risk is getting more fluid which in turn prove more difficult in making decisions particularly on currency and interest rates movement. On one side we thought that the world economies should be in better footing for a recovery when the whole trade war conundrum in 2019 finally ended but we are once again stunned by another event risk, Coronavirus, that had erupted in Wuhan China, the epicenter of the lethal virus epidemic. Market immediately turned bullish on sovereign bonds across the globe led by UST. In addition, The Federal Open Market Committee (FOMC) meeting voted for a no action on its monetary policy with a more dovish statement cautiously citing potential negative impact of coronavirus to the economy going forward. The Federal Reserve (Fed) have agreed to keep their target policy rate in the current range of 1.50% and 1.75% until there is some significant change in the economic outlook.

At the close, the benchmark UST 2-, 5-, 10- and 30-year were last traded at 1.43% (December-2019: 1.58%; -15 basis points), 1.41% (1.68%; -27 basis points), 1.59% (1.92%; -33 basis points) and 2.05% (2.21%; -16 basis points) respectively.

On the local front, Bank Negara Malaysia (BNM) made a surprised move in its monetary policy by cutting Overnight Policy Rate (OPR) rate by 25 basis points to 2.75%. The move is seen as rather pre-emptive, taking into account uncertainty from various trade negotiations, geopolitical risks, weaker than expected growth of major trade partners, heightened volatility in financial markets, and weakness in commodity related sectors and delays in implementation of projects. The communicate is leaning towards a cautious stance with the cut in policy rates being to secure improving growth trajectory alongside price stability.

Month-on-month (MoM), the Malaysia Government Securities (MGS) yields were bull-flattened with 20-year and 30-year yields rallied the most amidst panic and fear of coronavirus that potentially impacting negatively to the local economy. Investors scrambled in chasing yields as market pricing for another cut by BNM. Both MGS and Government Investment Issues (GI) rallied about 20-34 basis points at the longest end of the curve. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.87% (December 2019: 2.98%), 2.95% (3.15%), 3.03% (3.30%), 3.13% (3.30%), 3.23% (3.60%), 3.38% (3.74%) and 3.75% (4.09%) respectively. On the other hand, action on the GI was mirroring the same yields movement as MGS with the longer-tenor bucket lowered by 25 basis points to 35 basis points during the period. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GI were reported at 2.89% (December 2019: 3.05%), 3.01% (3.19%), 3.10% (3.30%), 3.19% (3.42%), 3.33% (3.72%), 3.47% (3.83%) and 3.75% (4.00%) respectively.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

The International Monetary Fund (IMF) trimmed back its 2020 global growth forecasts due to sharper-than-expected slowdowns in India and other emerging markets but said a US-China trade deal was another sign that trade and manufacturing activity may soon bottom out. The IMF said global growth would reach 3.3% in 2020, compared to 2.9% in 2019, which was the slowest pace since the financial crisis a decade ago. Estimates for both years were cut by 0.1% from forecasts made in October. Growth will improve slightly to 3.4% in 2021, but that estimate, too, was cut by 0.2% from its October outlook.

On the domestic front, Malaysia's domestic growth prospect will continue to be anchored by domestic demand, coupled with improvement in private investments. However, domestic demand is expected to dampen amidst the current coronavirus scare which has already stoke fears of slowing global growth particularly due to the fast spreading virus which is likely to cause a prolonged disruption to China's economic activities that represent a third of the global growth and our biggest trade partner.

Other key risk area of focus is the FTSE Russell's review in March 2020. Recent market liberalization measures introduced by the central bank and acknowledgment by the index provider shows good progress as efforts to maintain Malaysia's continued inclusion in the World Government Bond Index (WGBI). Liquidity was addressed as the key parameter for continued inclusion of MGS in accordance to the index provider. We remain positioned to opportunistically trade in government securities and corporate sukuk for total return.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 January 2020, the Volatility Factor (VF) for this fund is 5.9 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 stock market risk, individual stock risk, liquidity risk, issuer risk, interest rate risk, credit / default 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.