

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:

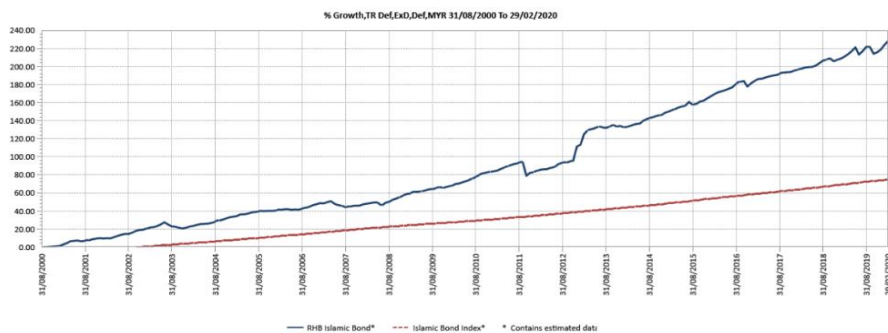
- are risk averse;
- want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable 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	1.27	4.01	1.94	3.01
Benchmark	0.23	0.74	1.50	0.48

	1 Year	3 Years	5 Years	Since Launch
Fund	5.58	14.58	30.72	228.02
Benchmark	3.13	9.93	17.64	N/A

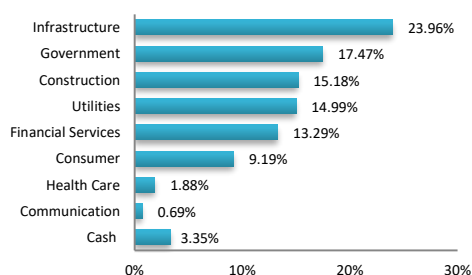
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	3.63	4.01	4.92	6.37	6.78
Benchmark	3.19	3.35	3.16	3.33	3.60

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

MEX II IMTN** 5.800% (28/04/2028) ISSUE NO 8	5.62
BRIGHT FOCUS BHD IMTN** 2.500% (24/01/2030)	5.56
ACSB IMTN** 5.700% (18/11/2022)	3.90
MEX II IMTN** 5.700% (29/04/2027) ISSUE NO 7	3.76
ALPHA CIRCLE SDN BHD 6.000% (31/05/2023)	3.19

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

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3683	1.4212	1.4245
Low	1.3512	1.3075	0.9901

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
26 Sep 2019	7.6000	5.52
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

Source: RHB Asset Management Sdn. Bhd.

RHB Asset Management Sdn Bhd (174588-x)

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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") extended rally during the month as anxiety over the spread of coronavirus deepened. According to the head of the World Health Organisation ("WHO"), the outbreak has the potential to become a pandemic and is at a decisive stage currently as it spreads highly outside China which has claimed increase cases of fatality as well. With further concern on the coronavirus threatening to disrupt supply chains and impact to the overall growth globally, market is expecting central bankers to skew towards easing bias to support growth. With lower Growth Domestic Product ("GDP") print of 4.3% for 2019, at a lower range of Bank Negara Malaysia ("BNM") forecast of 4.3%-4.8%, Governor Nor Shamsiah was quoted to have indicated that there is ample room to adjust Overnight Policy Rate ("OPR") as low inflation shall provide policy space for the action. The growth disappointment alongside dovish remark by the Governor has reaffirmed market's view of another 25 basis points ("bps") cut and justified safe haven bid that lending further supports to local government bonds. Yields seen collapsing by 20bps to 30bps during the month. On top of that, further developments on Federal Reserve (Fed)'s assessment of the impact of coronavirus on their policy outlook shall lend support to fixed income space as yields in emerging market looks to be attractive.

Overall, the MGS and GII yield were strongly supported during the month 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 countries and across continents thus will have a larger impact towards global growth going forward. Month-on-month (MoM), MGS space bull-steepened with yields collapsing roughly about 30bps along the 3-year to 10-year tenor in anticipating another the rate cut by BNM. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.60% (January 2020: 2.88%), 2.63% (2.96%), 2.77% (3.09%), 2.81% (3.13%), 3.05% (3.26%), 3.22% (3.42%) and 3.58% (3.76%) 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 2.65% (January 2020: 2.91%), 2.67% (3.02%), 2.76% (3.11%), 2.86% (3.19%), 3.06% (3.35%), 3.26% (3.49%) and 3.61% (3.74%) respectively.

In the Malaysian Ringgit (MYR) corporate bond/sukuk space, overall monthly trading volumes were a tad higher as compared to previous month amid supportive domestic bond market as headline risks dominated and as local investors pricing in another rate cut by BNM. With further rally seen in government securities space, demand for corporate bonds emerged especially in government guaranteed bonds category as investor selectively buying for yield enhancement and preservation of portfolios. Overall secondary corporates trading volume recorded MYR12.07 billion, improved compared to MYR10.85 billion recorded in previous month. The average daily volume recorded at approximately MYR604 million in February 2020, compared to MYR517 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 81% followed by AA space by 16% and single-A or lower by 3%.

Within the GG/AAA space, Danainfra Nasional Berhad top the transaction volume with over MYR2.01 billion recorded across the tenors which saw the yield closed a whopping 26 bps to 33 bps lower month-over-month. Prasarana Malaysia Berhad recorded the second highest transaction volume in GG category with over MYR1.35 billion changing hands across the tenors. On average, the yield closed more than 28 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 MYR950 million transaction volumes for an average moved of 30 bps lower up to 12-year tenor. Elsewhere in AA-rated space, Lebuhraya Duke Fasa 3 Sdn. Bhd. top the trading activities with MYR280 million transacted on the longer-end space with yield averagely lower by 10 bps. In A-rated space, UMW Perpetual Sukuk Musharakah attracted some MYR360 million transaction activity during the month. The yields transacted tighter by 18 bps.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") report for January 2020 was lower than expected, recorded an increase of 1.6% compared to a reading of 1.0% in the prior month, consensus at 1.7%. Subsequently, CPI rose by 0.1% on monthly basis from December 2019 with increase in food prices though were weaker than seasonal trends. Higher prices also coming from education and miscellaneous goods and services particularly jewellery and stones which rose by 0.4%. Going forward, February 2020 inflation could remain stable at around 1.5% to 1.6% factoring in RON95 prices which has fallen by around 1% since early part of the month. Assuming that RON95 prices possibly staying below RM2.08/litre through the 3rd quarter of 2020 and taking into account the likelihood of softer domestic demand-pull pressures, inflation of 2020 could average lower to around 1.7% with downside risks to the forecast. 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 official 2020 inflation forecast.

DISCLAIMER:

Based on the fund's portfolio returns as at 11 February 2020, the Volatility Factor (VF) for this fund is 2.9 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 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.