

RHB INCOME FUND 2

This Fund aims to provide investors with higher than average income returns compared to fixed deposits over a medium to long term period through investments in a portfolio of predominantly quality fixed income securities with minimum risk to capital invested.

INVESTOR PROFILE

This Fund is suitable for investors who:

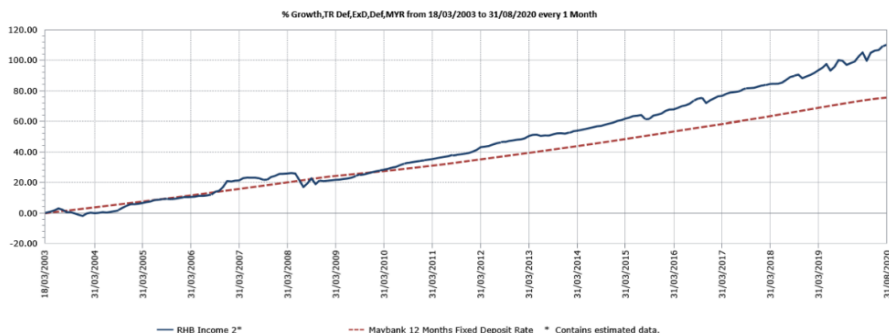
- are conservative;
- seek a steady income stream from their investments; and
- have a low to moderate risk tolerance with a medium to long term investment horizon.

INVESTMENT STRATEGY

- The Fund seeks to achieve its objective by investing substantially all of its assets in fixed income securities, money market instruments, cash and deposits with financial institutions.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.48	1.96	2.55	5.63
Benchmark	0.16	0.49	1.12	1.60

	1 Year	3 Years	5 Years	Since Launch
Fund	5.12	16.49	30.18	110.22
Benchmark	2.63	9.43	16.53	75.50

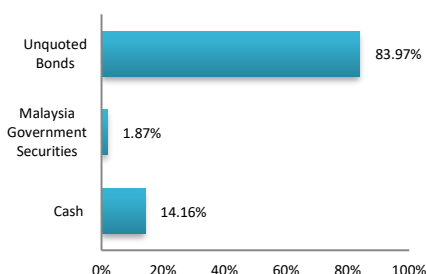
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	5.15	3.71	4.98	5.28	3.74
Benchmark	3.19	3.33	3.09	3.21	3.30

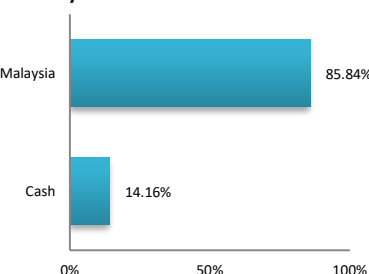
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Asset Allocation*



Country Allocation*



Top Holdings (%)*

WCT HOLDING BHD 6% (28/9/2026)	16.25
MEX I CAPITAL BHD 5.2% (24/01/2024)	8.73
BANK MUAMALAT (M) BHD 5.8% (15/06/2026)	7.33
ALPHA CIRCLE 6.0% (31/05/2023)	6.63
UMW HLDG BHD 6.35% (20/04/2118)	4.57

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.4268	1.4720	1.4720
Low	1.4191	1.3416	0.9812

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
25 Mar 2020	7.2000	5.09
27 Mar 2019	7.1000	5.02
22 Mar 2018	7.0000	4.90
22 Mar 2017	6.5000	4.55
28 Mar 2016	3.2500	2.34

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

On the local rates, both Malaysia's sovereign papers that is Malaysia Government Securities ("MGS") and Government Investment Issues ("GII") started the month with positive vibes that saw yield curve stayed supported on further dovish tone by the United States ("US") Federal Reserve ("Fed") and increased possibility of another rate cut by Bank Negara Malaysia ("BNM") as well as the well-bid GII 7-year auction tendered in late July 2020, giving further boost to the local market sentiments. Nevertheless, the bullish run in Malaysian Ringgit ("MYR") bonds/sukuk came to a halt in mid-August 2020 at the back of selling flows and profit taking activities amid the adjustments of rates outlook by investors after BNM's Governor remarked at the Malaysia's 2nd quarter Growth Domestic Product ("GDP") release that she is 'cautiously optimistic' that the worst has passed and projecting an economic recovery in the second half of the year. Therefore, we sense that the need for rate cut has decreased at this juncture as global economies are reopening gradually and central banks might prefer to leave some policy space for future use. The weak sentiment has further been shown from the subdued bid-to-cover ("BTC") ratio during the month with curve steepening on auction tails for both the 20-year MGS and 15-year GII which garnered a low BTC of 1.47 times and 1.42 times respectively. Nonetheless, we also remain opportunistic as the correction in yields will attracts good entry level as policy remain far from tightening cycle.

Month-on-month, MGS space was bear-steepened with yields roughly being well supported at the shorter-tenor up to 5-year while the longer-tenor impacted on overall repositioning of the curve after BNM seems upbeat on the economic recovery for the second half of the year. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.83% (July 2020: 1.93%), 2.08% (2.11%), 2.30% (2.23%), 2.59% (2.53%), 3.08% (2.96%), 3.48% (3.19%) and 3.75% (3.56%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, appeared to also been mirroring the bear-steepened curve as the MGS counterpart. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 1.84% (July 2020: 1.97%), 2.06% (2.07%), 2.35% (2.28%), 2.58% (2.56%), 3.14% (3.02%), 3.37% (3.31%) and 3.73% (3.66%) respectively.

In the MYR corporate bond/sukuk space, overall monthly trading volumes stayed around the previous month as investors switching on their exposure as lower cost of funding after consecutive Overnight Policy Rate (OPR) cut attracts corporates to tap in the primary issuances space. Investors were seen to selectively buying and rotating their position in the secondary market space to participate for the upcoming pipelines for better yield enhancement. We believe that investors are still skewed to prefer selective credit and trades done have been mainly concentrated on higher graded credit especially in AAA segment. Additionally, the increased trading volume in AAA and AA spaces suggested that investors are rotating into higher investment grade credits while at the same time for yield preservation amid current low yield environment. Overall, secondary corporates trading volume recorded MYR10.40 billion, almost no changes if compared to MYR10.91 billion recorded in previous month. The average daily volume recorded approximately around MYR578 million in August 2020, compared to MYR496 average daily volume recorded in corresponding month due to shorter trading days. Overall during the month, a combination of Government Guaranteed ("GG") and AAA space top the transaction activities at 66% followed by AA space by 28% and single-A or lower by 6%.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") for July 2020 showed the economy was still in deflation, but at a lower rate of -1.3%, following a reading of -1.9% in June 2020. CPI dropped for the fifth consecutive month in July 2020 since March 2020's 0.2% decline. The decrease in the overall index was due to lower fuel prices and in line with the Bloomberg forecast. The decrease in the overall index was attributed by the decline in transport (-10.3%); housing, water, electricity, gas & other fuels (-2.6%); clothing & footwear (-0.6%) and furnishings, household equipment & routine household maintenance (-0.1%) which contributed 45.7% to overall weight. However, food prices continued their upward trend with Food & non-alcoholic beverages increased by 1.4% to 135.0 from 133.2 a year ago. This group contributes 29.5% of CPI weight. On top of that, low electricity prices will be the other driver for low inflation in 2020. Headline CPI could turn less negative in coming month with oil price trajectory pointing to further recovery in RON95 prices through year-end. Nevertheless, demand-pull pressures should remain muted given headwinds to consumer recovery from the continuing social distancing and further weakness in the labour market. Currently the average year-to-date Brent oil price is still hovering about USD46/barrel which is above the Government's assumption for average oil price at around USD35/barrel, indicated during the release of the recent stimulus package. We opine the Government's medium-term fiscal consolidation roadmap remains on track although the self-imposed ceiling of debt to GDP ratio of 55% to breach slightly above on temporarily basis. BNM's inflation rate forecast remains at -1.5% to 0.5% for 2020 and see the inflation could pick-up to 1.0% to 3.0% in 2021.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 August 2020, the Volatility Factor (VF) for this fund is 3.6 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 3.3 but not more than 9.6 (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 2020 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 contents of the PHS and Master Prospectus dated 3 August 2017 and its supplementary(ies) (if any) ("collectively known as the Master Prospectus") before investing. The Master Prospectus has been registered with the Securities Commission Malaysia ("SC") who takes no responsibility for its contents. The SC's approval or authorization, or the registration of the Prospectus should not be taken to indicate that the SC has recommended the fund. 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. If in any doubt, consult your banker, lawyer, stockbroker or an independent financial adviser.

The Manager wishes to highlight the specific risks of the Fund are interest rate risk, credit/default risk, liquidity risk and inflation/purchasing power risk. These risks and other general risks are elaborated in the Master Prospectus.

This Fund 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.

This Fund Factsheet has not been reviewed by the SC.

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