

RHB ISLAMIC REGIONAL BALANCED FUND - USD CLASS

The Fund aims to provide regular income* and capital growth over the medium to long-term** from a diversified portfolio of Shariah-compliant investments.

Note:* Income is in the form of Units. Please refer to the Fund's distribution mode.

** "medium to long-term" in this context refers to a period of three (3) years or more.

INVESTOR PROFILE

This Fund is suitable for investors who:

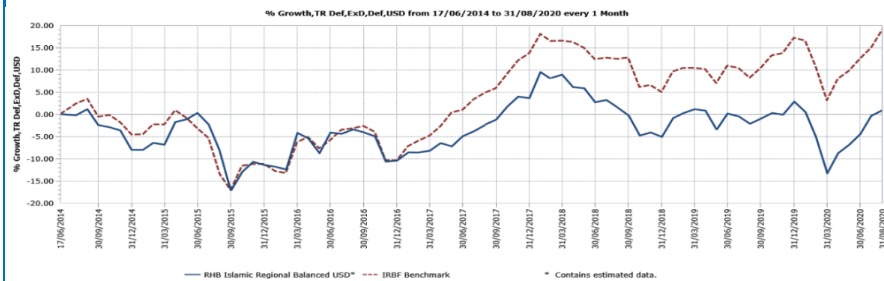
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

INVESTMENT STRATEGY

- At least 40% and up to 60% of NAV: Investments in Shariah-compliant equities.
- At least 40% and up to 60% of NAV: Investments in non-equity Shariah-compliant investments.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



RHB Islamic Regional Balanced Fund ("IRBF") Benchmark : Following the change in Shariah screening methodology of the Fund from a combination of screening methodologies to a single FTSE Shariah screening methodology effective from 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% FTSE Shariah Developed Asia Pacific Index. Prior to 3 December 2017, the performance of this Fund is benchmarked against a composite benchmark comprising 50% RAM QuantShop GII (medium term) Index and 50% Dow Jones Islamic Market Asia Pacific Index.

Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	1.25	8.40	6.48	-1.80
Benchmark	3.56	8.45	7.51	1.60

	1 Year	3 Years	5 Years	Since Launch
Fund	3.21	3.39	10.12	0.96
Benchmark	10.03	13.57	37.66	19.09

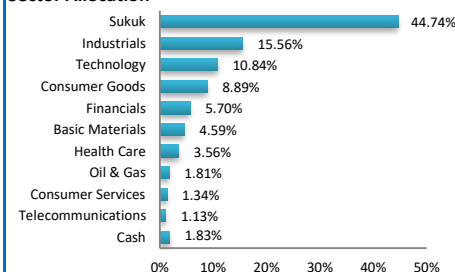
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	8.36	-8.44	15.58	1.11	-3.58
Benchmark	11.60	-7.65	26.92	0.88	-6.90

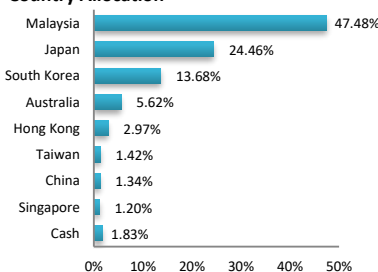
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

SAMSUNG ELECTRONICS CO LTD	5.49
BANK MUAMALAT MALAYSIA 5.05% (25/11/2021)	4.79
WCT HOLDINGS BHD 6.0% PERPETUAL	3.39
YTL POWER INTERNATIONAL 5.05% (03/05/2027)	3.34
AFFIN ISLAMIC BANK BHD 5.65% PERPETUAL	3.09

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

FUND STATISTICS

Historical NAV (USD)

	1 Month	12 Months	Since Launch
High	1.0131	1.0421	1.1106
Low	0.9918	0.7754	0.7754

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

Equity

World Equity Index and FTSE Shariah Asia Pacific Developed Index rallied 6% and 5.2% in August 2020 respectively. Asian equities rallied amidst declining dollar, progress on vaccine development and relaxed stance on United States (US) inflation targeting. Broad-based firming in macro data suggests a demand recovery associated with re-opening in the major economies. US-China tensions broadly remained mixed with commitment towards Phase I deal was a positive, while sanctions on Huawei, export controls and the South China dispute were clear negatives. The commitment of Federal Reserve Chair J. Powell to effectively maintain the fed funds rate at zero over an extended period of time resulted in a weaker US dollar.

Oil prices continued to move higher. West Texas Intermediate (WTI) crude and Brent posted their fourth monthly gain, up by 5.8% and 3.7% respectively. Pick-up in oil demand was driven by an expected recovery as economic activity normalizes underpinned by oil prices. The S&P Industrial Metals index was up 5.5% over the month, as global economies continue to see pick-up in activity post easing lockdowns.

Sukuk

At the start of the month August, US treasuries continued to advance with overall yields down by 2-7 basis points (bps) across the curve, as patchy economic data continued to stimulate fear of a more fragile recovery in the US economy. However, better-than-expected July jobs data and additional supply of circa USD112 billion under the recently announced quarterly refunding exercise by the treasury plus a lesser dovish The Federal Open Market Committee (FOMC) statements set the spike in benchmark yields between 1-23bps with the curve steepening sharply. The selling pressure continued towards end of month as risk sentiments improved from trade optimism and vaccine hope which prompted investors to pare holdings in safer government securities.

Nevertheless, the US Treasury (UST) yields ended the last trading of August lower on the announcement at the Jackson Hole meeting by the Federal Reserve's Chairman in the shift in monetary policy to tolerate higher inflation (letting inflation go above 2%), by not raising interest/profit rates to stem rising inflation. Hence signals its intention of keeping rates low for an extended period of time. At the end of August 2020 close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.13% (July 2020: 0.11% +2bps), 0.27% (0.20%; +7bps), 0.71% (0.53%; +18bps) and 1.48% (1.19%; +29bps) respectively.

Mirroring the UST market, a follow through rally with active trades were seen in the first week of the month for local bond/sukuk market with Govvies benchmark yields shifted 2-16bps lower across the curve. Much of the rally was attributed to the increase in foreign investors' interests on Malaysian local bonds/sukuk in search of better yields hence strengthened Ringgit level to a 5 month high. Despite a decline in real yields across Emerging Market, 2-year real yields are highest in Malaysia. Nevertheless, the government's move to raise the country's statutory debt limit to 60% of GDP from 55% presently triggered profit-taking and selling activities in the following week until towards end of month. The overall benchmark Malaysia Government Securities (MGS) and Government Investment Issue (GII) yields closed higher between 0-34bps; as the 7-year to 20-year tenures felt the most pressure.

Month-on-month (MoM), yield curve generally bear steepened as Govvies yields spiked by a range of 3 - 34bps with the long end of the curve pressured upward the most. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.85% (July 2020: 1.91%), 2.14% (2.11%), 2.29% (2.25%), 2.62% (2.55%), 3.08% (2.96%), 3.52% (3.18%) and 3.62% (3.52%) respectively. While similar pattern was noted in GII space, with yield sold-off towards the end of the month. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 1.85% (July 2020: 1.97%), 2.05% (2.07%), 2.39% (2.28%), 2.67% (2.56%), 3.18% (3.02%), 3.45% (3.30%) and 3.65% (3.66%) respectively.

MARKET OUTLOOK AND STRATEGY

Equity

After a strong rebound in the equity market since end March, we expect to see some form of consolidation or correction in the equity market. Over the longer term, we remain positive on the market as economic recovery, even though uneven, is gradually gathering pace. Due to extended loose monetary policy and continued support from governments through fiscal stimulus, there should be ample liquidity to support the equity market. Furthermore, more positive news flows on the potential development of the Coronavirus Disease 2019 (COVID-19) vaccine could likely be another catalyst for the equity market. Hence, we continue to stay invested in market and we will likely take the opportunity to buy into companies with strong fundamentals if there is a significant pullback in the market. We remain overweight in South Korea and Hong Kong/China and stay invested in the cyclical sectors that are industrial, commodities, consumer discretionary.

Sukuk

Malaysia's growth slowed and enters into negative territory in the second quarter following the movement control measures introduced by the government to contain the COVID-19 pandemic which consequently resulted to slower economic activities. Domestic growth in 2Q2020 prints -17.1% YoY following a previous print of +0.7% in the 1Q2020. Bank Negara Malaysia (BNM) revised the growth outlook for Malaysia for 2020 to range between -3.5% to -5.5% with prospects of growth recovery to +5.5% to +8.0% in 2021.

Key focus for investors to look out for the month of September include the upcoming BNM Monetary Policy Committee (MPC) meeting in the second week of the month with a prospect of another cut in Overnight Policy Rate (OPR) by BNM following softer 2Q2020 GDP print, while FTSE Russell review for the decision on Malaysia's sovereign bond update scheduled towards late September. We view that demand for the local govvies remained strong with positive foreign inflows seen in the prior months, strengthening our expectation that MGS to remain included in the index.

We maintain our view that investing in Malaysian Ringgit bonds/sukuk continues to provide positive real yields as inflation is expected to stay negative in 2020. Additionally, prospects of weaker USD outlook given the dovish slant in the US Fed's outlook for an extended period should infuse further catalysts for investors searching for yields to shift interests towards Asian local currency bonds/sukuk including Malaysia, which continues to offer higher yields in comparison to G3 bonds.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 August 2020, the Volatility Factor (VF) for this fund is 10.7 and is classified as "Moderate". (source: Lipper) "Moderate" includes funds with VF that are above 9.6 but not more than 12.8 (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 Prospectus dated 3 November 2017 and its supplementary(ies) (if any) ("collectively known as the Prospectus") before investing. The 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 Prospectus relates will only be made on receipt of a form of application referred to in the Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the 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 for the Fund are equity risk, currency risk, country risk, interest rate risk, liquidity risk, regulatory risk, credit downgrade and credit/default risk, reclassification of shariah status risk, market risk in emerging and less developed markets, unrated securities risk and risk of use of rating agencies. These risks and other general risks are elaborated in the 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.

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