

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:

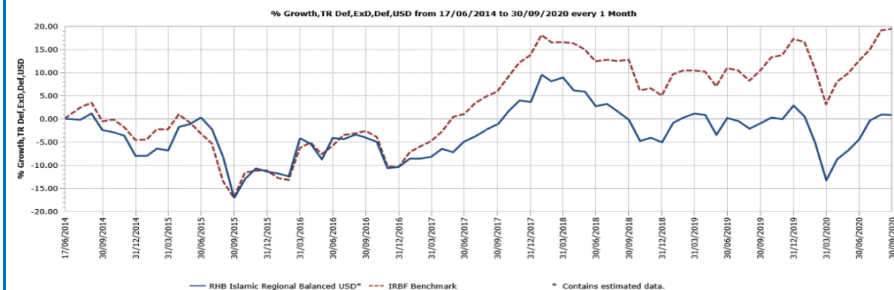
- want to have a balanced portfolio that provides both income and capital growth, and at the same time complies with the principles of Shariah; and
- are willing to accept moderate risk in their investments.

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 | -0.10 | 5.62 | 16.35 | -1.90 |
| Benchmark | 0.29 | 6.15 | 15.76 | 1.89 |

| | 1 Year | 3 Years | 5 Years | Since Launch |
|-----------|--------|---------|---------|--------------|
| Fund | 1.90 | 2.14 | 21.59 | 0.86 |
| Benchmark | 8.18 | 12.78 | 43.97 | 19.43 |

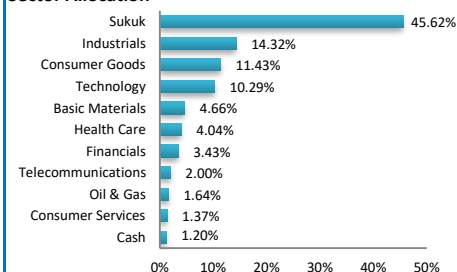
Calendar Year Performance (%)*

| | 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 |

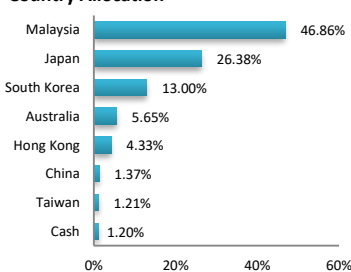
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

| | |
|--|------|
| SAMSUNG ELECTRONICS CO LTD | 6.17 |
| BANK MUAMALAT MALAYSIA 5.05% (25/11/2021) | 5.08 |
| YTL POWER INTERNATIONAL 5.05% (03/05/2027) | 3.54 |
| WCT HOLDINGS BHD 6.0% PERPETUAL | 3.5 |
| AFFIN ISLAMIC BANK BHD 5.65% PERPETUAL | 3.28 |

*As percentage of NAV

FUND STATISTICS

Historical NAV (USD)

| | 1 Month | 12 Months | Since Launch |
|------|---------|-----------|--------------|
| High | 1.0277 | 1.0421 | 1.1106 |
| Low | 0.9999 | 0.7754 | 0.7754 |

Source: Lipper IM

FUND DETAILS

| | |
|--------------------------------|---|
| Investment Manager | RHB Asset Management Sdn. Bhd. |
| Trustee | TMF Trustees Malaysia Bhd |
| Fund Category | Balanced fund (Shariah-compliant) |
| Fund Type | Income and growth |
| RM Class Launch Date | 08 April 2014 |
| USD Class Launch Date | 17 June 2014 |
| Domicile | Malaysia |
| Base Currency | Malaysian Ringgit (RM) |
| Unit NAV | USD 1.0086 |
| Fund Size (million) | USD 0.54 |
| Units In Circulation (million) | 0.54 |
| Financial Year End | 30 April |
| MER (as at 30 Apr 2020) | 2.00% |
| Min. Initial Investment | USD 1,000.00 |
| Min. Additional Investment | USD 100.00 |
| Benchmark | 50% RAM QuantShop GII (medium term) Index + 50% FTSE Shariah Developed Asia Pacific Index |
| Sales Charge | Up to 5.00% of investment amount* |
| Redemption Charge | None |
| Annual Management Fee | 1.80% p.a. of NAV* |
| Annual Trustee Fee | Up to 0.06% p.a. of NAV, subject to a min. of RM18,000p.a.* |
| Switching Fee | USD 10.00 per switch* |
| Distribution Policy | Annually, if any |

*All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.

For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

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MANAGER'S COMMENTS

MARKET REVIEW

Equity

Global equities market took a beating in the month of September 2020 with MSCI World Equity Index declined 3.4% during the month. The sell-off was led by the Developed Markets with the United States (US) declining 3.9% and Europe 3.4% while Japan stayed flat. Investors were concern over high valuation in particular the technology sector and also partly attributed to the drying up of stimulus in US. In addition, US Presidential elections, as well as the rise in the number of new virus cases in Europe and other parts of the world may dampened global recovery. Commodities plunged on investor concerns over the sustainability of the sharp recovery in economic activity witnessed over the past few months, with the Brent Crude falling 9.6% over the month, Silver 17.4%, Iron Ore 6.3%, Aluminum 1.9%, and even Gold failing to protect the downside.

The FTSE Shariah Developed Asia Shariah Index held up well, increasing marginally by 0.03% in September was the best performing region in equity market, owing to performances by Japan and technology-heavy Korea. Despite continued improvement in economic data, China fell 2.9% during the month, as investors anticipate a potential breakdown of the Phase 1 trade deal with regards to an intensification of the US-China rivalry ahead of the US elections.

Sukuk

United States Treasuries (UST) continued to advance in the early part of the month with yields lowered by a further 3-6 basis points (bps) across the curve as the Federal Reserve (Fed) began its daily bond purchase particularly in the long end bucket. However, yields remained traded within tight range amidst uncertainties surrounding the vaccine hope, US-China relations and US fiscal stimulus impasse. Additionally, the commitment by the Fed to keep the US Fed Fund Rate at near zero for an extended period until 2023 provide support to the overall yield curve.

At the end of September 2020 close, the benchmark 2-, 5-, 10- and 30-year UST were last traded at 0.13% (August 2020: 0.13% +0bps), 0.28% (0.27%; +1bps), 0.68% (0.71%; -3bps) and 1.46% (1.48%; -2bps) respectively.

Local Govvies succumbed to selling pressure post Bank Negara Malaysia (BNM) decision to stand pat on the Overnight Policy Rate (OPR) at 1.75% during the September's Monetary Policy Committee (MPC) meeting plus weak bidding metrics on the 30-year Government Investment Issue (GII). Yields spiked up by 5-17 bps with the long end suffered the most. Furthermore split market view on FTSE Russell announcement on Malaysia maintained in the index with possible of exclusion in the next review, gave rise to more uncertainties thus dampen the investors' appetite.

Month-on-month (MoM), yield curve generally bear flattened as Malaysian government securities (MGS) yields shifted higher by a range of 5-14bps in the belly curve while the long end of the curve rallied by range of 6-19bps. At the close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.99% (August 2020: 1.85%), 2.25% (2.14%), 2.43% (2.29%), 2.67% (2.62%), 3.02% (3.08%), 3.33% (3.52%) and 3.81% (3.62%) respectively. On the other hand, GII yields moved generally higher across the curve with the longer tenure pressured the most with yield jumped by 40bps as a result of tepid demand on new 30 years issue. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.04% (August 2020: 1.85%), 2.21% (2.05%), 2.35% (2.39%), 2.63% (2.67%), 3.15% (3.18%), 3.56% (3.45%) and 4.05% (3.65%) respectively.

MARKET OUTLOOK AND STRATEGY

Equity

In October 2020, we expect market to be range-bound in the short term pending 3Q20 corporate results announcement from end September and the tension between US and China as President Donald Trump administration keep on expanding the number of blacklist sectors and companies which may prolong until the conclusion of US presidential election in November 2020. In addition, investors are also waiting for US election results as this will have an impact on US's foreign policies going forward.

On a positive side, we continue to see improvement in terms of manufacturing data and trade numbers especially in the Asian region. Furthermore, even though Coronavirus Disease 2019 (COVID-19) cases has been on an increasing trend, we take comfort that the timeline to find a vaccine is drawing closer. We continue to be invested in the market but we add more consumer staples and defensive stocks to buffer the portfolio in anticipation of higher market volatility. We are overweight in the healthcare, technology and consumer staple sector.

Sukuk

Gradual re-opening of economy globally and concerted monetary easing by major global central Banks should spur recovery prospects in the coming quarters barring further spike in COVID cases and re-establishment of restrictive movement control. The US Fed reiterated to maintain the US Fed Fund Rate at near zero for an extended period until 2023 or until labour market condition have stabilised and reach the target employment level. On a related note, the new policy framework now allows inflation to rise above 2%.

With prospects of allowing inflation rate to rise and also increase in government debt issuance to finance enlarged stimulus packages, we opine that yield may rise gradually premised on better economic numbers as US economy reopens. Nevertheless, yields are not expected to rise at levels prior to the pandemic on views that there will not be hasty decisions to raise rates before 2023.

Despite Malaysia recorded a soft 2Q2020 Gross Domestic Product (GDP) print at -17.1% year-on-year (YoY), the data showed that domestic growth has rebounded since April, implying that domestic growth may have bottomed in 2Q and is poised to recover in 2H2020 with the gradual reopening of economies. 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.

While BNM decided to keep its policy rate unchanged at the current record low of 1.75% following a total of 125bps cut for 2020, we opine the central bank still has policy room to ease further given the benign inflation outlook. The pace of future policy easing remains data dependent. In the September's FTSE Russell review, Malaysia will continue to remain included in FTSE Russell World Government Bond Index (WGBI). The index provider has acknowledged the positive measures introduced by BNM and has decided to maintain Malaysia's continued inclusion in the index.

Going forward, FTSE Russell decision on Malaysia's continued inclusion to infuse further market confidence on Malaysian Ringgit bond/sukuk market and we expect the demand for local govvies to garner traction from both local and offshore investors.

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 including Malaysia, which continues to offer higher yields in comparison to G3 bonds.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 September 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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