RHB Asset Management

FUND FACTSHEET - OCTOBER 2020

All data expressed as at 30 September 2020 unless otherwise stated

3-year Fund Volatility 3.9 Low Lipper Analytics 10 SEP 2020

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:

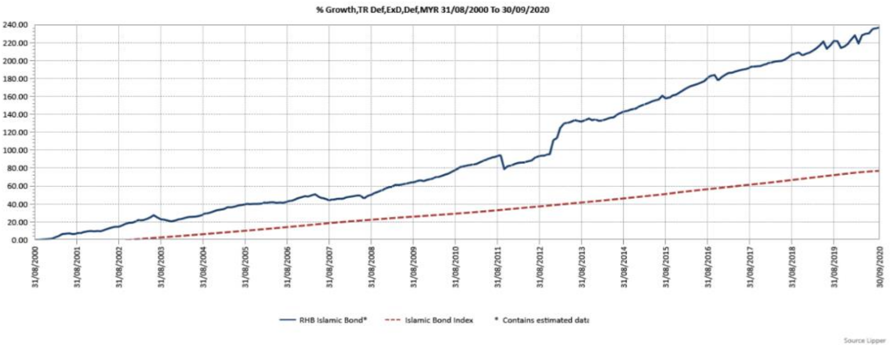
- are risk averse;
- want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable 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	**0.33**	**1.96**	**5.67**	**5.78**
Benchmark	0.15	0.46	1.04	1.75

	1 Year	3 Years	5 Years	Since Launch
Fund	**4.76**	**14.90**	**30.31**	**236.84**
Benchmark	2.53	9.32	16.75	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 DETAILS

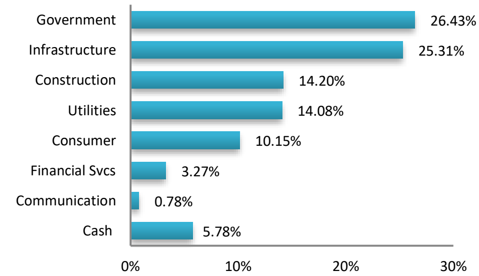
Manager	RHB Asset Management Sdn. Bhd.
Trustee	CIMB Islamic Trustee Bhd
Fund Category	Bond fund (Shariah-compliant)
Fund Type	Income Fund
Launch Date	25 August 2000
Unit NAV	RM1.3450
Fund Size (million)	RM237.78
Units In Circulation (million)	176.79
Financial Year End	30 September
MER (as at 30 Sep 2019)	0.89%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	Maybank Islamic Bhd's 12 mths Islamic FD-i
Sales Charge	None
Redemption Charge	Up to 1% of NAV per unit on or before 1st year of Investment*
Annual Management Fee	Profit Sharing: 15:85 based on Net Investment Income*
Annual Trustee Fee	0.10% p.a. of NAV, subject to a min. of RM35,000 p.a.*
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.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

BRIGHT FOCUS BHD IMTN** 2.50% (24/01/2030)	6.54
MEX II IMTN** 5.80% (28/04/2028) ISSUE NO 8	6.17
ACSB IMTN** 5.70% (18/11/2022)	4.39
MEX II IMTN** 5.70% (29/04/2027) ISSUE NO 7	4.14
GII MURABAHAH 5/2017 4.755% (04/08/2037)	3.65

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

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.4038	1.4038	1.4245
Low	1.3430	1.3075	0.9901

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
25 Sep 2020	6.0000	4.42
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

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") cruised the month with nervous moment as yields seen higher with three of the auctions held during the month ended-up with weak bid-to-cover ("BTC") ratio of circa 1.5 times and lower. Bond market sentiment has been weak since the no Overnight Policy Rate ("OPR") cut decision by Bank Negara Malaysia ("BNM") on 10 September 2020. The weak sentiment has further been shown from the subdued BTC ratio during the month with curve steepened on auction tails for the 30-year GII which garnered low BTC of 1.36 times, with successful yields averaged 4.18% and ended high at around 4.35%. Looking ahead, curve steepening pressure might prevail on supply dynamics point of view following additional MYR10 billion fiscal stimulus from Bantuan Prihatin Nasional 2.0. With that, economists seen revising the budget deficit forecast slightly up to circa -6.7% for 2020 and -6.0% for 2021 from -6.5% and -5.9% respectively previously. Nonetheless, we remain opportunistic as the correction in yields will attracts good entry level as policy remain far from tightening cycle.

On top of that, investors were also seen positioning defensively ahead of FTSE Russell decision towards the end of the month. In its most recent September annual review, FTSE Russell has maintained Malaysia in the World Government Bond Index ("WGBI") but remaining on watch-list for possible exclusion from the index. Even with recent measures placed by BNM to boost liquidity and accessibility in the Malaysia's bond market, FTSE Russell would likely want to see longer term impact of the measures before its next course of action. We view this as positive development as it reflects the willingness of the index provider to further evaluate potential positive impact on the measures implemented by BNM. We expect lesser impact on local government space as investors weigh on attractive safe-haven and risk-free yield-carry options compared to the low and to some extent negative-yielding global debt rate.

Month-on-month, MGS space was bear-steepened with yields roughly being corrected higher along the curve with exception of 20-year space that closed the month lower by 11 basis points ("bps"). Overall, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 2.00% (August 2020: 1.83%), 2.24% (2.08%), 2.42% (2.30%), 2.65% (2.59%), 3.04% (3.08%), 3.37% (3.48%) and 3.84% (3.75%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, appeared to also been in a same trend of higher yields during the month especially on the 30-year space that closed around 32 bps higher. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 2.04% (August 2020: 1.84%), 2.22% (2.06%), 2.37% (2.35%), 2.64% (2.58%), 3.15% (3.14%), 3.57% (3.37%) and 4.05% (3.73%) respectively.

In the Malaysian Ringgit ("MYR") corporate bond/sukuk space, overall monthly trading volumes in secondary market space was lower on the back of pent-up demand to raise funds in primary issuances as lower cost of funding after consecutive OPR cut attracts corporates to tap in the market. Investors remained side-lined in the secondary market space to participate for noticeable upcoming primary issuances for better yield enhancement amidst at low interest/profit rate environment. We believe that investors are still skewed to prefer selective credit and trades done have been mainly concentrated on higher graded credit especially in Government Guaranteed ("GG") and AAA segment. Additionally, we noticed improvement in trading volume towards the AA space suggested that investors are starting to switch for a higher yielded asset for portfolio's yield preservation. Overall, secondary corporates trading volume recorded MYR9.91 billion, slightly down if compared to MYR10.91 billion recorded in previous month. The average daily volume recorded approximately around MYR472 million in September 2020, compared to MYR496 average daily volume recorded in corresponding month. In summary, during the month, a combination of 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") report for August 2020 was still in deflationary mode at a lower rate of -1.4%, following a reading of -1.3% in July 2020. CPI dropped for the sixth consecutive month in August 2020 since March 2020's 0.2% decline. The decrease in the overall index was attributed to declines in transport (-9.9%), housing, water, electricity, gas and other fuels (-3.0%), clothing and footwear (-0.6%), and furnishing and household equipment (-0.1%) which overall contributed about 45.7% of overall weight in CPI basket. For now, headline CPI forecasted to be staying in negative territory for the rest of the year and only rising through for the first half of 2021 on base effects. 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 previous stimulus package. To recap, 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.

On the other note, Malaysia reported a narrower trade surplus of MYR13.2 billion in August 2020 as exports unexpectedly fell 2.9% year-over-year against +4.9% consensus and +3.1% in July 2020, contrary to expectations for an increase, as shipments to key markets tumbled and demand for manufacturing, agriculture and mining goods dropped. Imports fell for the sixth straight month, at -6.5% though smaller than -8.7% in August 2020. The drop in exports number for the period was mainly contributed by worse off performance in LNG exports (-49.1%), manufactured goods of metals (-30.8%) and petroleum products (-15.9%). We expect Malaysia's exports to continue to struggle for the rest of the year given slowdown in overall global growth though seem to pick-up recently by the improvement in key indicator numbers.

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