

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:

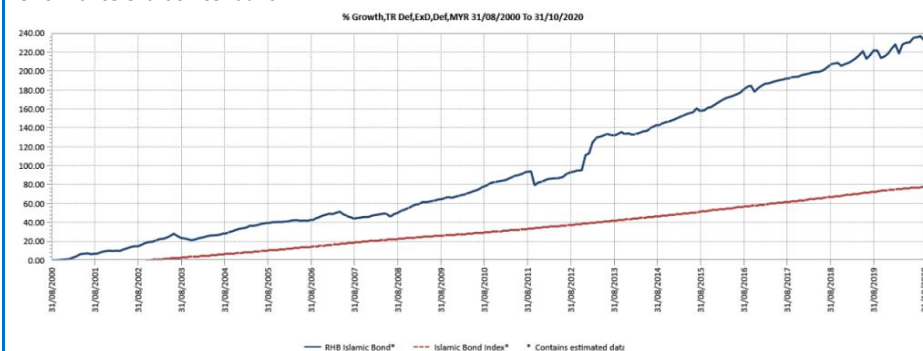
- are risk averse;
- want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable 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	-1.25	-0.71	1.38	4.46
Benchmark	0.15	0.46	0.98	1.91

	1 Year	3 Years	5 Years	Since Launch
Fund	5.99	13.29	27.29	232.64
Benchmark	2.42	9.21	16.54	N/A

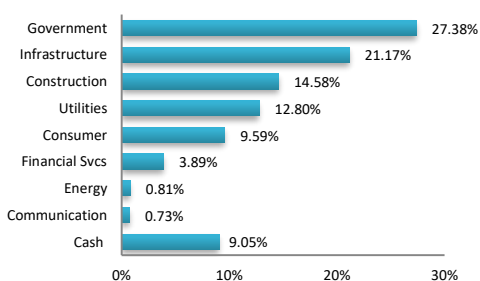
Calendar Year Performance (%)*

	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 (%)*

BRIGHT FOCUS BHD IMTN** 2.50% (24/01/2030)	7.10
MEX II IMTN** 5.80% (28/04/2028) ISSUE NO 8	4.95
ACSB IMTN** 5.70% (18/11/2022)	4.13
GII MURABAHAH 2/2019 4.467% (15/09/2039)	4.04
GII MURABAHAH 5/2017 4.755% (04/08/2037)	3.42

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

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3595	1.4038	1.4245
Low	1.3282	1.3091	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") curve were generally bull-steepened in most part of the month as positive auction of the new MGS 10-year benchmark has drove the short-tenor and up to the belly of the curve to be well demanded. This is on top of gradual market adjustment and expectation for lower policy rate going forward as the surge in number of Coronavirus Disease 019 (COVID-19) cases shall warrant dovish monetary policy to curb potential shortfall in growth trajectory as well as to lend further support for domestic economy.

Looking ahead, curve steepening pressure might prevail on supply dynamics point of view as there is now a stronger case for the continuation of expansionary fiscal measures which will reflect in similarly heavy government bond/sukuk supply profile in 2021. Therefore, we will be closely watched for further details in this upcoming Budget 2021 announcement as government need to find a tight balance between fiscal consolidation and maintaining adequate and sustainable support for the recovery. Nonetheless, we 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 bull-steepened with the front-end yields were well priced-in for another 25 basis points (bps) Overnight Policy Rate (OPR) reduction. Overall, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS closed the month at 1.75% (September 2020: 2.00%), 2.00% (2.24%), 2.32% (2.42%), 2.61% (2.65%), 3.10% (3.04%), 3.45% (3.37%) and 3.89% (3.84%) respectively. On the other hand, action on the GII – the Shariah compliant version of MGS, appeared to also been in a same trend of well-demanded shorter-tenor which has moved closed to 25 bps lower during the month. At month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII were reported at 1.79% (September 2020: 2.04%), 1.96% (2.22%), 2.34% (2.37%), 2.59% (2.64%), 3.21% (3.15%), 3.51% (3.57%) and 4.00% (4.05%) 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 cuts attract 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 and A space which was about 6% and 10% higher respectively, suggested that investors are starting to switch for a higher yielded asset for portfolio's yield preservation. Overall, secondary corporates trading volume recorded MYR7.94 billion, trending down if compared to MYR9.91 billion recorded in previous month.

The average daily volume recorded approximately around MYR378 million in October 2020, compared to MYR472 average daily volume recorded in corresponding month. In summary, during the month, a combination of GG and AAA space top the transaction activities at 46% followed by AA space by 41% and single-A or lower by 13%.

On the local economic front, Malaysia's Consumer Prices Index ("CPI") report for September 2020 was still in deflationary mode at a lower rate of -1.4%, following the same reading of -1.4% in August 2020. CPI dropped for the eight-consecutive month in September 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 41.6% of overall weight in CPI basket. The CPI's transport segment declined on cheaper petrol and diesel retail price. In the statement, the Department of Statistic Malaysia ("DOSM") said the average price of unleaded petrol RON95 decreased to RM1.68 per litre compared to RM2.08 in September 2019 amid persistently soft global crude oil prices. For now, headline CPI is 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 USD42/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, Bank Negara Malaysia (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 October 2020, the Volatility Factor (VF) for this fund is 3.9 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 15 July 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 Master 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 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 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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