

### RHB-OSK MUDHARABAH FUND (formerly known as RHB MUDHARABAH FUND)

This Fund aims to provide a balanced mix of income and potential for capital growth by investing in stocks listed on the Bursa Malaysia or on any other stock exchanges, unlisted stocks and Islamic debt securities and other non-interest bearing assets acceptable under principles of Shariah.

#### INVESTOR PROFILE

**This Fund is suitable for Investors who:**

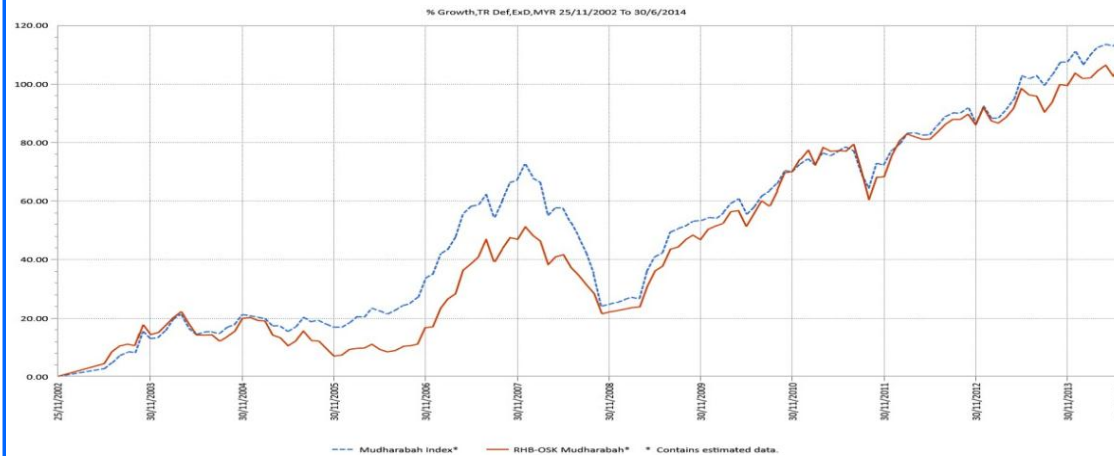
- want an investment that complies with the principles of Shariah;
- want a professionally managed portfolio of Shariah compliant equities, sukuk and Islamic debt securities;
- want to have a balanced portfolio that provides both income and capital growth; and
- want to invest in shares but do not have the time to manage their own portfolio.

#### INVESTMENT STRATEGY

- Up to 60% of NAV: Investments in equities.
- Minimum of 40% of NAV: Investments in sukuk, Islamic debt instruments, Islamic money market instruments and/or liquid assets acceptable under Shariah principle.

#### FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch\*\*



\*\* Source: Lipper IM. Maybank's 12 mths GIA Rate (50%) only available in Lipper IM after November 2002.

Cumulative Performance (%)\*

	1 Month	3 Months	6 Months	YTD
Fund	1.91	0.89	1.39	1.39
Benchmark	1.35	1.48	2.24	2.24

	1 Year	3 Years	5 Years	Since Launch
Fund	5.17	16.62	49.97	75.64
Benchmark	6.91	20.84	51.69	N/A

Calendar Year Performance (%)\*

	2013	2012	2011	2010	2009
Fund	6.06	9.38	0.74	15.91	22.76
Benchmark	9.65	8.57	2.65	11.85	23.12

\*Source: Lipper IM

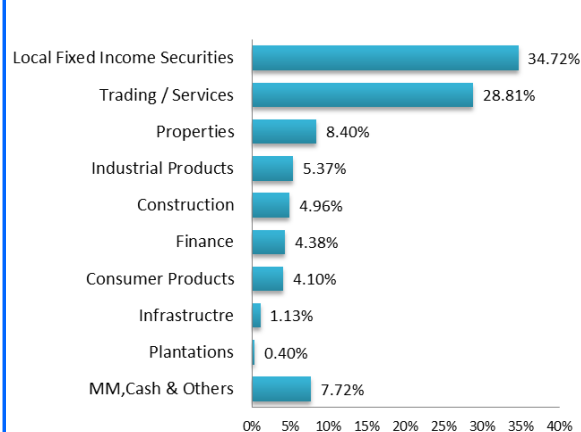
#### FUND DETAILS

<b>Investment Manager</b>	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn Bhd)
<b>Trustee</b>	CIMB Islamic Trustee Bhd
<b>Fund Category</b>	Balanced Fund (Shariah)
<b>Fund Type</b>	Capital Growth and Income Fund
<b>Launch Date</b>	09 May 1996
<b>Unit NAV</b>	RM0.8814
<b>Fund Size (million)</b>	RM14.26
<b>Units In Circulation (million)</b>	16.18
<b>Financial Year End</b>	28 February
<b>MER (as at 28 Feb 2014)</b>	1.69%
<b>Min. Initial Investment</b>	RM1,000.00
<b>Min. Additional Investment</b>	RM100.00
<b>Benchmark</b>	50% FBM Emas Shariah + 50% Maybank's 12 mths GIA Rate
<b>Sales Charge</b>	Up to 6.00% of NAV per unit
<b>Redemption Charge</b>	None
<b>Annual Management Fee</b>	Up to 1.50% p.a. of NAV*
<b>Annual Trustee Fee</b>	0.09% p.a. of NAV*
<b>Switching Fee</b>	RM25.00 per switch
<b>Redemption Period</b>	Within 10 days after receipt the request to repurchase
<b>Cooling-Off Period</b>	Within 6 business days from the date of receipt of application
<b>Distribution Policy</b>	Incidental

\*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 (%)\*

ALPHA CIRCLE SDN BHD (AA-)	10.47
PROJEK LEBUHRAYA USAHASAMA BERHAD (AAA)	10.38
SAPURAKENCANA PETROLEUM BERHAD	6.14
UMW OIL & GAS CORPORATION BERHAD	5.25
GAMUDA BHD	4.96

\*As percentage of NAV

#### FUND STATISTICS

Historical NAV (RM)			
	1 Month	12 Months	Since Launch
High	0.8826	0.9149	1.0388
Low	0.8648	0.8384	0.4095

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
26 Feb 2014	4.0000	4.56
28 Feb 2013	3.5000	N/A
28 Feb 2012	-	N/A
28 Feb 2011	4.8131	N/A
31 Mar 2010	3.2377	N/A

Source: RHB Asset Management Sdn. Bhd. (Formerly known as RHB Investment Management Sdn. Bhd.)

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**MANAGER'S COMMENTS**
**MARKET REVIEW**

June was a decent month as the KLCI again squeezed out several new all-time high days. The annual Invest Malaysia event held on June 9-10 to a record attendance fail to excite the market due to lack of major announcements. The KLCI ended the month 9pts or 0.5% higher to close at 1,882pts. The broader market marginally outperformed the KLCI as the FBM Emas gained 0.6% mom to 13,022pts. Small cap performance outperformed as the FBM Small cap gained 2.7% to 17,932pts.

FOMC statement remained largely similar to April's where Fed kept rates at 0.25% and stuck to its monthly asset purchase reduction of USD10bn, but a notable shift in GDP and inflation forecast to 2.1% and 1.5% (prior: 2.35 and 1.7%) was largely in line with the weak 1Q14. Despite higher median Fed Fund Rate (FFR) for 2015 and 2016 at 1.125% (+12.5bps) and 2.5% (+25bps) but the appropriate timing of the policy firming remains anchored in 2015, similar to ours and general market expectations. Additionally, no surprise was yielded from Yellen's speech post FOMC meeting where she expects interest rate to remain low for a considerable period of time, discounting inflation and recovery in the labour markets. Across the Atlantic, ECB lowered their inflation projection for the year to 0.7% following a cut to the main refinancing rate and the deposit rate by 10bps each to 0.10% and -0.10% as well as the marginal lending facility rate by 35bps to 0.4%. Banks will also, for the first time, be charged for depositing funds overnight at the ECB. In addition, there was also targeted measure to boost lending, most notably the €400bn 4-year LTROs.

UST yield curve closed flatter with the 2-, 5-, 10- and 30-year UST were traded at 0.46% (May: 0.38%), 1.63% (1.54%), 2.53% (2.48%) and 3.36% (3.33%) respectively.

On to the domestic bond market, despite anticipation of a possible OPR hike in the next MPC meeting in July, low volatility and heavy foreign inflows created strong buying interest on the local Govvies. The MGS yield curve inched up by 5bps on the short end while tightened by 2 – 15bps on the long end of the curve. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.50% (May: 3.45%), 3.73% (3.72%), 3.92% (3.94%), 4.03% (4.03%), 4.30% (4.37%), 4.44% (4.59%) and 4.74% (4.89%) respectively. Similarly, the Government Investment Issues ("GI") also traded the same trend as MGS curve, with 3-, 5-, 7-, 10-, 15-year and 20-year benchmark yields transacted at 3.65% (May: 3.67%), 3.88% (3.85%), 4.10% (4.12%), 4.24% (4.21%), 4.53% (4.50%) and 4.70% (4.85%) respectively.

Buying interest filtered through the PDS market as buying interest centered on the very short end and longer end of the curve. The market saw activities on selective PDS with average daily trading volume further increased to RM408mil, from RM370mil reported last month. AA rated trades were more popular in June, with 55.8% of registered trades, followed by GG/AAA trades of reduced to 43.71% against 48.23% recorded in previous month.

TNB Western 2030 narrowed by 7bps to 5.18%, mirroring the strong performance on the long end of the govies. In the primary space, total issuance recorded at RM5.1bil as at end-June as companies lock-in borrowing costs ahead of MPC meeting. Largest new issuance came from Banks mainly for Basel III requirement..

**OUTLOOK AND STRATEGY**

July has historically been a moderate month for the KLCI with the index up by an average 0.5%. In the last 10 years KLCI gained 7 times versus 3 losses with average gains of 3.69% and average losses of 1.0%. So far 6 months into 2014, KLCI has lagged its regional peers and traditionally starts to play catch up when that happens. In a random unofficial survey done by a Broking firm it mentioned that foreign firms are relatively underweighted in Malaysia as most have chased after performance in better performing regional markets. The KLCI had squeezed out new all-time highs on selective days in June and this may occur again July.

The latest MPC statement confirms that "there are signs of the continued buildup of financial imbalances" and that "current monetary and financial conditions could lead to a broader buildup in economic and financial imbalances." With private consumption growth exceeding the 7% threshold in the surprisingly strong 1Q GDP outturn, and inflation remained manageable, there is likely little room to further delay rate hikes. Current low interest rates environment should not continue for much longer as the resultant negative real interest rates will hurt savers. We opine that BNM will hike the OPR by 25bp in July at the earliest or latest by September this year.

On that note, we continue to have a neutral portfolio duration to brace for any potential risk in upward shift in yield curves. .

**DISCLAIMER:**

Based on the fund's portfolio returns as at 15 June 2014, the Volatility Factor (VF) for this fund is 7.9 and is classified as "Moderate". (source: Lipper) "Moderate" includes funds with VF that are above 7.9 but not more than 10.6 (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 31 December 2013 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2014.

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 PHS and the contents of the Replacement Master Prospectus dated 1 December 2013 and its supplementary(ies) (if any) ("the Master Prospectus") before investing. The Master Prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. 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.

The Manager wishes to highlight the specific risks of the Fund are stock market risk, individual stock risk, liquidity risk, issuer risk, interest rate risk, credit / default risk and shariah specific risk. These risks and other general risks are elaborated in the Master Prospectus.

This 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.