

### RHB-OSK MUHIBBAH INCOME FUND (formerly known as OSK-UOB MUHIBBAH INCOME FUND)

This Fund aims to maximise total returns through a combination of medium to long term growth of capital and current income consistent with the preservation of capital.

#### INVESTOR PROFILE

##### This Fund Is Suitable For Investors Who:

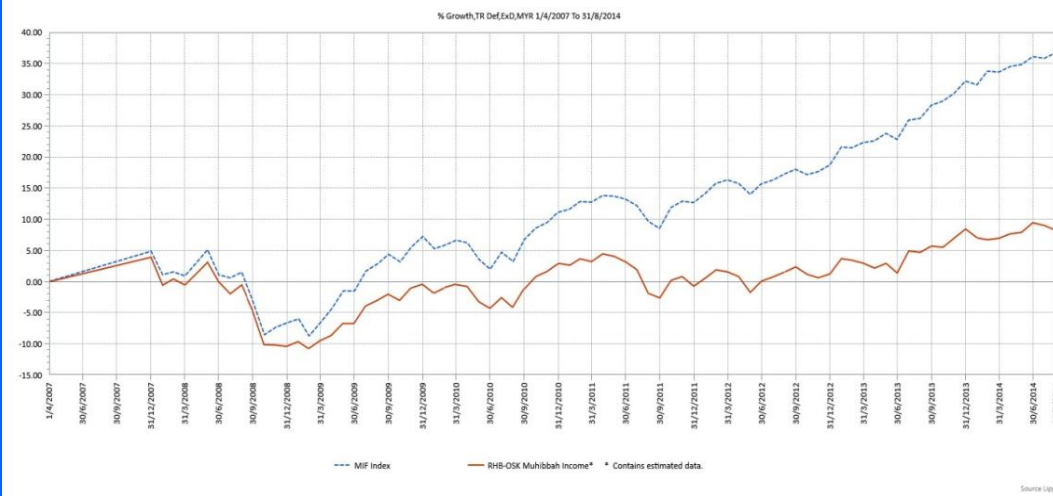
- are conservative and willing to accept moderate risk in their investment;
- wish to have some Shariah-compliant equities exposure in a predominantly sukuk portfolio;
- require investments that comply with Shariah requirements; and
- are concerned with socially responsible investing and ethical issues, such as drugs and tobacco, proliferation of weapons, pollution and fair labour practices.

#### INVESTMENT STRATEGY

- Up to 40% of NAV: Investments in Shariah-compliant securities of and Shariah-compliant securities relating to companies that have dividend and / or growth potential.
- 60% - 100% of NAV: Investments in Malaysian sukuk, Islamic money market instruments, cash and Islamic deposits with financial institutions.

#### FUND PERFORMANCE ANALYSIS

##### Performance Chart Since Launch\*



##### Cumulative Performance (%)\*

	1 Month	3 Months	6 Months	YTD
Fund	-0.70	0.31	1.43	-0.18
Benchmark	0.66	1.40	2.22	3.44

	1 Year	3 Years	5 Years	Since Launch
Fund	3.38	10.38	11.58	8.23
Benchmark	8.35	24.71	33.00	36.74

##### Calendar Year Performance (%)\*

	2013	2012	2011	2010	2009
Fund	7.12	1.96	-3.54	3.32	11.12
Benchmark	11.36	5.37	1.23	3.79	14.84

\*Source: Lipper IM

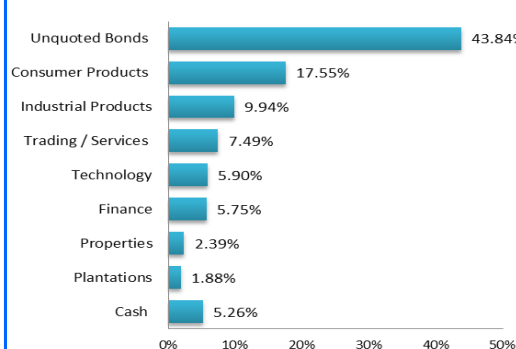
#### FUND DETAILS

<b>Investment Manager</b>	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)
<b>Trustee</b>	HSBC (Malaysia) Trustee Bhd
<b>Fund Category</b>	Balanced Fund (Islamic / Shariah-Compliant Fund)
<b>Fund Type</b>	Income and Growth Fund
<b>Launch Date</b>	12 March 2007
<b>Unit NAV</b>	RM0.5105
<b>Fund Size (million)</b>	RM3.50
<b>Units In Circulation (million)</b>	6.85
<b>Financial Year End</b>	31 March
<b>MER (as at 31 Mar 2014)</b>	1.84%
<b>Min. Initial Investment</b>	RM1,000.00
<b>Min. Additional Investment</b>	RM100.00
<b>Benchmark</b>	40% DJIM + 60% RAM QuantShop GII (medium term) Index
<b>Sales Charge</b>	Up to 6.00% of investment amount
<b>Redemption Charge</b>	None
<b>Annual Management Fee</b>	1.50% p.a. of NAV*
<b>Annual Trustee Fee</b>	Up to 0.08% 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>	Annually, if any

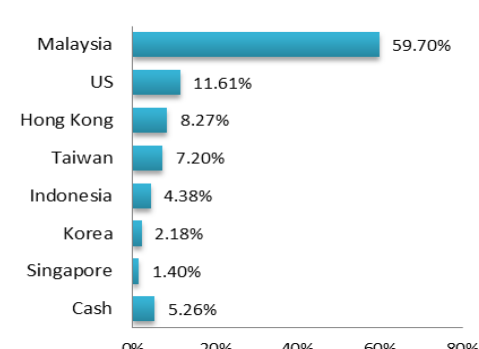
\*For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

#### FUND PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Country Allocation\*



##### Top Holdings (%)\*

SARAWAK ENERGY BHD-5.15%(23/6/2021)	14.83
BGSM MGMT SDN BHD-5.6%(27/12/2023)	14.68
FIRST RESOURCES-4.45%(31/7/2017)	14.32
NIKE INC-CL B	7.10
RHB ISLAMIC BANK B-4.9%(15/05/2024)	5.75

\*As percentage of NAV

#### FUND STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5148	0.5193	0.5193
Low	0.5099	0.4918	0.4084

Source: Lipper IM

##### Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
31 Mar 2014	-	-
31 Mar 2013	-	-
31 Mar 2012	-	-
31 Mar 2011	-	-
31 Mar 2010	-	-

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

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

Global markets were up in August, while Asian markets underperformed. Currencies in Asia were generally mixed against the USD in August. However, Malaysia ringgit was among the strongest currency in the region. MYR rose during the month of August, stronger against JPY (appreciate by 2.59%), IDR (appreciate by 2.30%), SGD (appreciate by 1.45%), Euro (appreciate by 3.27%), GBP (appreciate by 3.05%) and USD (appreciate by 1.35%). The movement of the currency will also depends on the interest rate environment as investors are still looking for clues as to the timing of any interest rates increase in the U.S, and the potential easing effort in Europe.

Locally, the KLCI saw heavy selling pressure early August but slowly clawed back all the losses on the back of Wall Street's strength. Key negative market drivers were - 2Q14 financial results release still saw a significant number of companies reporting below expectations and Petronas' plans to cut back on 2015 capex. Positive headline GDP beat failed to lift the market, dragged down by the plantations sector on lower CPO prices and Indonesia regulatory risk for foreign ownership of plantation land bank. Penny stocks were actively traded with a record 7.67 billion shares traded on Aug 20. The KLCI ended the month 5pts or 0.3% lower to close at 1,866pts. The broader market underperformed the KLCI as the FBM Emas fell 0.7% mom to 12,995pts. Small cap underperformed too as the FBM Small cap fell 2.4% to 18,605pts while the FBM ACE was down 2% to 6,904pts. Average daily value traded on Bursa in Aug increased 19% mom to RM2.52bn.

**SUKUK MARKET**

Mixed views of another 25 basis point interest rate hike in the upcoming Monetary Policy Meeting ("MPC") meeting on 18 September seems to create uncertainty among Sukuk investors. Additionally a much stronger 2Q GDP print and higher inflation number provide a much stronger reason for interest rates normalization at least in the first half of 2015. Hence, there were some profit taking activities towards end August after a strong rally in the longer end of the curve by as much as 25bps against early of the month.

The benchmark yields moved slightly higher compared to end-July levels. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.50% (July: 3.47%), 3.68% (3.66%), 3.81% (3.75%), 3.91% (3.89%), 4.21% (4.21%), 4.30% (4.29%) and 4.64% (4.64%) respectively. On the other hand, performance of the Government Investment Issues ("GII") were rather range bound with the 3-, 5-, 7-, 10-, 15-year and 20-year benchmark yields transacted at 3.61% (July: 3.60%), 3.79% (3.78%), 4.00% (4.01%), 4.14% (4.14%), 4.39% (4.40%) and 4.61% (4.58%) respectively.

The 3 auctions in August – reopening of 7-year MGS (MGS 09/21, RM3.5bil, average yield 3.803%), reopening of 10-year SPK (SPK 02/24, RM1.0bil, 4.268%) and reopening of 10-year GII (GII 05/24, RM3bil, 4.140%) received strong to moderate bid-to-cover ratio of 2.00x and 5.59x and 2.60x respectively.

Much smaller Corporate bonds supply in August resulted to compressions in spreads for PDS against MGS. The newly issued Rantau 08/19 topped the total trading chart and saw collective trading volume of RM635mil. The bond was traded 4bps tighter to 4.10% after issuance. Celcom Network Sdn Bhd rating was downgraded to AAA/Negative, the bonds maturing in Aug 2017 and Aug 2019 was traded 3 – 5bps higher to 4.13% and 4.35% respectively.

**OUTLOOK AND STRATEGY**

As August showed the weakness in Asian equities and investors continue to be positive on developed markets, there is still some sense of positive in Asia Pacific region, especially on ASEAN countries. ASEAN continued to post robust growth in second quarter of 2014 (other than Thailand). Growth of ASEAN is expected to accelerate to above 6% in 2015 and will continue to pose a positive outlook in that region. In China, soft numbers has started to come out on its economic activity. However, as the Government continues to pledge to achieve an economic expansion of 7.5% for this year, much stepped up effort will be done by announcing more stimulus measures for the remainder of the year. Stimulus may include a greater re-lending quota from the central bank, and the government has expects that it will keep the economy stable.

The latest MPC statement assessment on inflation is still "above long-run average", though demand pressure is "contained". Consumer prices will increase this year and into 2015 when the government implements a new tax on goods and services. BNM will monitor the degree of second round price effects to the overall growth of the economy. Recent strengthening of Ringgit had evidently increase foreign buying into local MGS market as rates start to rise. All in all, we still see BNM to keep rates steady at 3.25% throughout the year barring any negative surprise in financial imbalances.

Overall, we continue to remain overweight on equities. Although, the currency environment does pose a risk to the regional investments, the outlook of global equities will remain positive. Asia Pacific (including Japan) region has been resilient so far and slowly rising and there will be more upside as the investors starts to shift from developed countries, where the markets valuation are already stretched, into emerging countries.

On that note we may continue to overweight our equity portfolio and remain neutral duration on bond portfolio holdings.

**DISCLAIMER:**

Based on the fund's portfolio returns as at 15 August 2014, the Volatility Factor (VF) for this fund is 5.0 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 1.1 but not more than 7.9 (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 2014 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 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 for the Fund are reclassification of Shariah status risk, interest rate risk, credit/default risk, foreign investment risks such as country risk and currency risk and equity investment risks such as market risk and particular security 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.