

### RHB-OSK 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	0.55	0.37	1.63	0.90
Benchmark	0.83	1.97	2.98	4.79

	1 Year	3 Years	5 Years	Since Launch
Fund	3.70	9.18	12.76	9.39
Benchmark	7.40	23.82	34.30	38.52

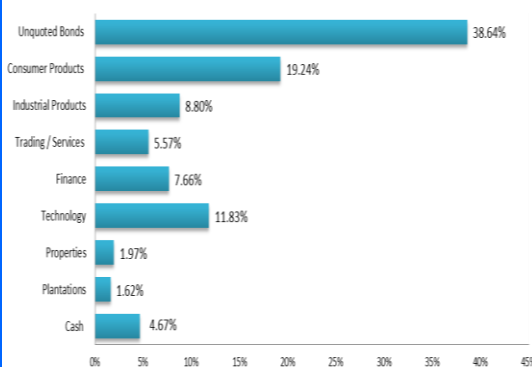
**Calendar Year Performance (%)\***

	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

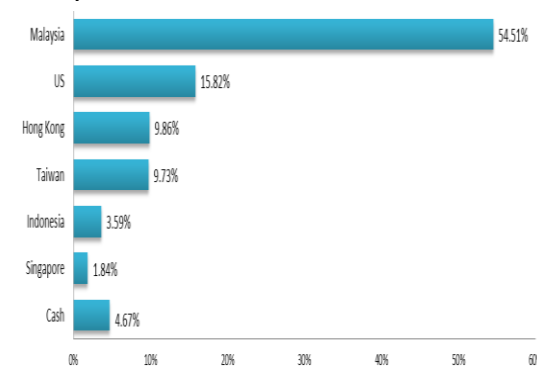
\*Source: Lipper IM

#### FUND PORTFOLIO ANALYSIS

**Sector Allocation\***



**Country Allocation\***



**Top Holdings (%)\***

BGSM MGMT SDN BHD-5.6%(27/12/2023)	19.61
FIRST RESOURCES-4.45%(31/7/2017)	19.03
NIKE INC-CL B	11.70
RHB ISLAMIC BANK B-4.9%(15/05/2024)	7.66
TAIWAN SEMICONDUCTOR MANU CO LTD	6.47

\*As percentage of NAV

#### FUND STATISTICS

**Historical NAV (RM)**

	1 Month	12 Months	Since Launch
High	0.5160	0.5193	0.5193
Low	0.4978	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.

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**MANAGER'S COMMENTS**

**MARKET REVIEW**

**EQUITY**

Global markets regained back to positive territory in the month of October. MSCI Asia Pacific return was 1.12% outperformed the MSCI World Index, which posted return of 0.7%. The return from US S&P500 Composite Index was also positive, outperforming the MSCI World Index, with a 2.4% return for the month.

In Asia, the best performing countries were Hong Kong, Australia, and China. The weakest countries were South Korea, Singapore and Thailand. Currencies in Asia were down against US\$ in October, with NZD\$ and AUD\$ down almost 6%. The only gains against US were China (CNY) and South Korea (KRW). The prices of gold dropped 2.9% while the oil dropped 11.6% and close at US\$80.5/barrel.

Fears of global growth slowdown gripped the world markets for the month of October, led by concerns about Europe. China continued to slow under the weight of its own structural reforms, and commodity prices continue to fall. The fall in oil prices has put a dent on the performance of the oil & gas sector, which posted good returns in the first half of the year. Defensive sectors such as staples and telecommunications were getting more attention again from investors.

**SUKUK**

The Budget 2015 announced in October further emphasized on meeting fiscal deficit target in 2014 (3.50% of GDP) and 2015 (3.00% of GDP), by gradually removing fuel subsidy as well as implementation of Goods and Services Tax ("GST") in April 2015. During the IMF annual meeting in Washington, BNM Governor Dr. Zeti comments were dovish, noting that risks to global growth have increased and domestic growth will moderate closer to 5.00% in 2015 due to some moderation in consumption. While implementation of GST will likely to increase inflation in the short term, BNM still sees long term inflation trend of 3.00% as achievable. Both her comment as well as the temporary fall in September CPI to 2.60% YoY (August: 3.30% YoY) reinforces the rate hike pause in November. The last BNM Monetary Policy Committee meeting for the year is scheduled on 6th November.

As a result, the local government bond market bullish flattened with long-end yields compressed more than short-end yields. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year Malaysia Government Securities ("MGS") were traded at 3.50% (September: 3.47%), 3.63% (3.67%), 3.77% (3.80%), 3.83% (3.89%), 4.15% (4.21%), 4.25% (4.31%) and 4.63% (4.71%) respectively. Likewise, Government Investment Issues ("GI") mirrors the performance of MGS with bullish flattening trend. The 3-, 5-, 7-, 10-, 15-year and 20-year benchmark yields transacted at 3.67% (September: 3.66%), 3.80% (3.80%), 4.00% (4.00%), 4.12% (4.14%), 4.39% (4.42%) and 4.57% (4.62%) respectively.

Trading volume in the Ringgit corporate bond increased moderately in October due to the positive spillover sentiment from strong govies performance. Average daily corporate bond trading volume increased to RM498mil from RM402mil reported a month ago. Longer duration PDS remained the outperformer for October as investors looking for higher yield pickup. On average, the longer end of the curve tightened by 4-5bps.

**OUTLOOK AND STRATEGY**

October saw a positive return in the global market since 2 consecutive months of negative returns. However, the downside risk is still there. Concern of a slowdown in China, and increased deflationary pressure in the Eurozone made investors to be a bit pessimistic on the outlook for the remaining of the years.

The great fall in oil prices causes concerns for investors, as analysts and economies continue to cut their forecasts on the outlook of oil prices. The tapering of QE in the US, while the further monetary easing in Europe and Japan, could cause imbalances in the world financial markets in the future. As such, to invest in such markets requires a careful and selective approach.

Despite, the negative sentiment that exists in the market, the October month showed a bit of optimism from its positive return. On that note, we may continue to overweight our equity portfolio and remain tactically overweight on the duration of our Sukuk Portfolio.

**DISCLAIMER:**

Based on the fund's portfolio returns as at 15 October 2014, the Volatility Factor (VF) for this fund is 4.4 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 26 October 2014 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.