

RHB ISLAMIC BOND FUND

This Fund aims to provide regular income to investors through investments in Islamic debt securities and bonds which are acceptable investment under the principles of Shariah.

INVESTOR PROFILE

This Fund is suitable for Investors who:

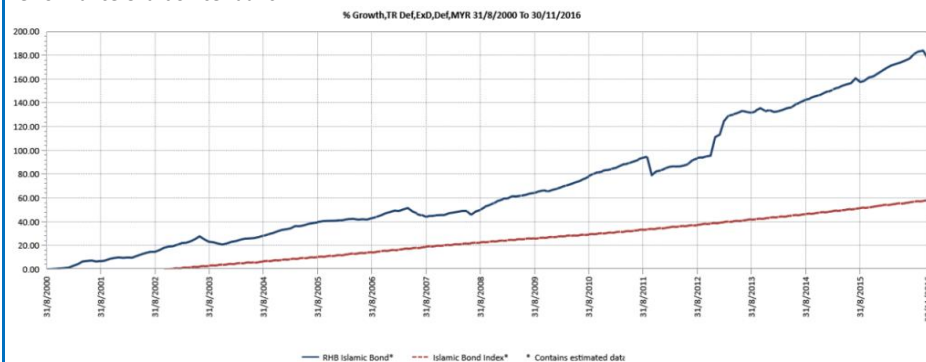
- are risk averse; want an investment that complies with the principles of Shariah;
- want to have regular income from their investment;
- want a professionally managed portfolio of sukuk and Islamic fixed income securities; and
- require higher returns than Islamic fixed deposits at an acceptable level of risk.

INVESTMENT STRATEGY

- Up to 95% of NAV: Investments in sukuk and Islamic debt instruments.
- Minimum of 5% of NAV: Investments in liquid assets acceptable under Shariah principle.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	-2.15	-1.10	1.45	4.99
Benchmark	0.26	0.79	1.62	3.05

	1 Year	3 Years	5 Years	Since Launch
Fund	5.98	19.20	52.35	177.92
Benchmark	3.40	10.51	17.68	N/A

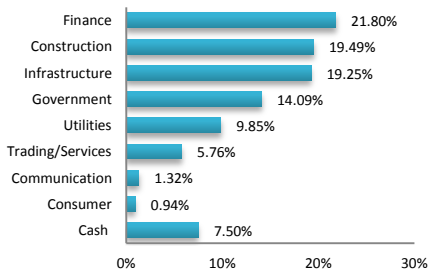
Calendar Year Performance (%)*

	2015	2014	2013	2012	2011
Fund	6.78	5.91	10.80	15.28	-0.06
Benchmark	3.60	3.24	3.19	3.18	3.05

Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Top Holdings (%)*

BANK MUAMALAT MALAYSIA BHD (A3)	11.32
MUAMALAT (A)	7.58
MEX II (AA-)	7.38
PERBDN TABUNG PENDIDIKAN TINGGI (GG)	6.81
EKVE SDN BHD (AAA)	6.40

*As percentage of NAV

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	1.3721	1.4200	1.4200
Low	1.3377	1.3158	0.9901

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
27 Sep 2016	5.4000	4.00
28 Sep 2015	8.9000	6.58
25 Sep 2014	8.8000	6.51
30 Sep 2013	8.0000	N/A
28 Sep 2012	6.0000	N/A

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Tracking US reflationary trades, Malaysia Government Securities (“MGS”) curve steepened substantially in November, alongside with other Emerging Market (“EM”) local currency government bonds. MGS term spreads, a measurement of different in interest rates at two different maturities, also widened above historical average. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.87% (October: 3.03%), 4.06% (3.33%), 4.23% (3.55%), 4.36% (3.64%), 4.79% (4.05%), 5.01% (4.34%) and 5.00% (4.58%) respectively. Similar momentum was also observed in the Government Investment Issue (“GII”) as yields widened moderately on the long-end of the curve. The 3-, 5-, 7-, 10-, 15-, 20-year GII were last traded at 3.95% (October: 3.23%), 4.13% (3.36%), 4.26% (3.60%), 4.41% (3.74%), 4.83% (4.07%) and 5.08% (4.35%). As market turned soft, auctions on Malaysian Government Bond have also reduced in size, with the re-opening of 7-year GII (GII 07/23) issued only RM3bil (against RM3.5bil and RM4bil from the last 2 issuances, respectively) at 4.094% average yield and 2.21x bid-to-cover ratio. The re-opening of 10-year MGS (MGS 11/26) recorded at RM2bil (RM3bil and RM4bil for the last 2 issuances, respectively) with 4.465% average yield. There is only one more auction left in December and market would need BNM’s guidance on auction calendar to position for 2017.

Rise in government bond yield has caused the credit market vulnerable, as credit spreads have not fully adjusted to reflect the underlying credit and liquidity risks. As a comparison, the 3 – 5year government bond has increased by 75 – 85bps while the similar tenor AAA and AA credits merely increased by 50 – 55bps, respectively. The trend is also similar in the 7 – 10 year bucket where government bond yield increased by 65 – 73bps while the AAA and AA only increased by 35 – 45bps. Average daily trading volume also shank as investors are still digesting the sudden change in macro backdrop. Daily trading volume in November averages at RM475mil, substantially below the RM700mil average daily trade for the past 3 months. High grade AAA/GG still dominates the trading space at 58.1%, followed by AA’s 38.6%. The rest of the trades are Single-A and below. Notably, investors are trying to take profit on credits which are still in capital gain position post primary issuance. These credits are the popular Duke3, Jimah Energy Power and Maju Expressway 2. Nonetheless, yields on these credits have also risen by as much as 20 – 30bps since end-October.

On the local economic, September 2016 trade surplus unexpectedly narrows as drop in exports outpace those of imports. Official estimates show that exports fell 0.9% MoM (August 2016: +9.0% MoM) while import rose 1.6% MoM (August 2016: 7.2% MoM). Consequently, trade surplus narrowed to RM7.56bil (consensus: RM8.9bil, August 2016: RM8.51bil). October 2016 CPI unexpectedly slowdown to 1.4% YoY (September 2016: 1.5% YoY, consensus: 1.5% YoY) as food and transport CPI continued to decline. While October CPI print underperformed market expectations, the lookout for upward pressures still persists especially after the rationalization of subsidies in cooking oil and monthly adjustment in pump prices. On GDP front, 3Q2016 GDP picks up to 4.3% YoY (2Q2016: 4.0% YoY) on net exports and inventory destocking. Private consumption are still edging up despite with moderation on public consumption and investment. Lastly, in the final Monetary Policy Committee (“MPC”) meeting, BNM maintains OPR at 3.00% on better global outlook and MYR volatility. MPC now expects 2016 inflation at the floor of the 2 – 2.5% range, not materially different from September’s forecast. 2017 inflation is similarly expected to remain “relatively stable”, unchanged from September 2016.

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 November 2016, the Volatility Factor (VF) for this fund is 1.9 and is classified as “Low”. (source: Lipper) “Low” includes funds with VF that are above 1.3 but not more than 6.5 (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 2016 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 2016.

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 15 July 2016 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 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 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.