

RHB Islamic Bond Fund

RHB
RHB Investment Management Sdn Bhd
April 2011



3 Year Basis
As at 31 March 2011



Best Bond Malaysia Ringgit Islamic Fund
(3 Years)



FUND OBJECTIVE

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

REVIEW & OUTLOOK AS AT END MARCH 2011

US Treasury

The US treasury market was bearish as the 10-year/2-year spread narrowed by 10bps to 265bps. Yield rose 1 to 14bps across all the benchmark papers as funds flew out to equities in response of the encouraging economic data and better corporate earnings. Nevertheless, prices were supported by the continuing turmoil in the Middle East and North Africa (MENA) and also the concerns on radiation contamination in Japan. On the economic front, the U.S economic data remained upbeat, suggesting a firmer economic recovery. The 4Q10 GDP grew by 3.1% compared to 2.6% in the 3Q10. The expansion was primarily a result of higher personal consumption expenditures, non-residential fixed investment and exports. Manufacturing activity in the U.S. continued to expand in February as both the ISM Manufacturing and Non-Manufacturing Index rose to 61.4 and 59.7 respectively, attributed to improvements in employment, new orders and production. Meanwhile, nonfarm payrolls increased by 192k in February, while the unemployment level fell to 8.9%. Separately, the U.S. consumer prices rose 0.5% in February, the highest level since June 2009, driven mainly by rising food prices and fuel costs. The Core CPI which excludes the volatile food and fuel cost, rose 0.2%. The industry production unexpectedly edged down 0.1% in February as warmer weather reduced demand for utilities.

In the Eurozone, debt crisis jitters were felt following rating cuts of Greece and Spain by Moody's in February. Greece's debt rating was dragged deeper into junk-grade territory (downed by three notches to B1) premised on implementation risk to stabilize the country's debt and potential restructuring risk. Meanwhile, Spain's rating was downgraded by one notch to Aa2 on concerns that there may be limitations in the government's ability to shore up the country's financial situation, given the high costs needed to restructure the nation's banking system. While, in the shadow of a renewed flare-up of the sovereign debt crisis, the Eurozone's economic data was marginally positive, showing stable economic activity and consumer sentiment declining less than expected. An index of household sentiment in the Eurozone fell to -10.6 pts from -10pts in February, but was better-than-consensus estimate of -11pts.

Ringgit Sovereign Bond

The Malaysian Government Securities (MGS) weakened especially along the belly curves on a resurgence of equities trading with a more optimistic view on global economic recovery. The 5-year benchmark posted stronger selling pressure as yield surged 20bps MoM to 3.60%. While, the 3- and 10-year benchmark yields surged by 10 and 5bps MoM to close at 3.45% and 4.10%, respectively. Malaysia's industrial production eased to 1.0% YoY in January 2011 versus a prior reading of 4.2% as output by mining companies shrank and manufacturing growth eased. On policy rate decision, BNM kept the Overnight Policy Rate (OPR) unchanged at 2.75% but raised the Statutory Reserve Requirement (SRR) by 100bps to 2.00% as a pre-emptive measure to manage potential build-up in domestic liquidity from large and volatile capital flows. The stance of monetary policy is expected to remain supportive of the economic growth, although the degree of monetary accommodation may be reviewed given the sustained economic growth and inflation risks. In the Asia-Pacific countries, the month witnessed Central Banks in South Korea, Thailand and Vietnam raising rates to tackle rising price pressures. Meanwhile, China's inflation exceeded the government's target for five consecutive months. PBoC signalled that the nation will use interest rates to combat the rising inflation. Philippines and Taiwan's CPI rose more than forecasts, adding the case for policy tightening.

Ringgit Corporate Bond

As opposed to the MGS market, the PDS market witnessed a strong rally with mark-to-market yield declining by 1-19 bps MoM across the curves. As usual, the crux of trading involved AAA and AA-segment. Leading the activities in the AAA-segment include Rantau Abang and Cagamas, while on the AA-segment, trades were dominated by YTL Group papers, Bernas and bank's names. There were only selected single-A bonds transacted particularly the bank's names such as RHB Capital, Bank Muamalat, EON Bank and OSK Investment. In the month of March, the issuance for RM600 million of Alliance Bank's 10 year non-call 5-year Sub Debt (A2-rated) was concluded at 4.92% yield-to-maturity with 6.2 times oversubscribed. The bond is expected to be issued on 8 April 2011.

Strategy

The influx of new long-end issues is expected to cause a bearish steepening of the MGS yield moving forward. However, the anticipation of higher interest rates in 2H2011, have largely been priced-in as reflected by the higher short-end yields which are more sensitive towards expectations of BNM's policy decision. In contrast to the MGS, the local PDS market is anticipated to be well supported on the back of flushed liquidity in the system, scarcity of new supply and improving corporate earnings in tandem with more vibrant economic growth. Corporate bid/ask spreads are expected to remain wide due to the lack of new PDS issues, despite the heightened concerns on inflationary pressures.

In light of the above, our strategy is to continue to be overweight on corporate bonds to enable the fixed income portfolios to benefit from the bullish outlook in the PDS market.

FUND MANAGER

The designated fund manager for the Fund is En. Azlan Hussin. En. Azlan Hussin has more than 12 years of experience in fund management. He started his career with SBB Asset Management (SBBAM) as an Investment Analyst and he was later promoted to Vice President of Investments managing a portfolio ranging from unit trust, corporate and government agencies to insurance companies. During his tenure in SBBAM, En. Azlan Hussin was the fund manager responsible for the portfolio of a major statutory body. Subsequently, he left SBBAM to join AmanahRaya-JMF Asset Management as a General Manager for Equity Investment where he managed portfolios worth RM 1 billion ranging from trust funds, state government funds and corporate funds. At AmanahRaya-JMF Asset Management, he also assisted in the drafting the overall investment policies and guidelines for Amanah Raya Berhad.

He graduated with BA (Hons.) in Accounting and Finance from the South Bank University, London and later obtained his ACCA from Emile Woolf College, London.

INVESTMENT STYLE

Conservative Blend Aggressive

	Conservative	Blend	Aggressive
Islamic Bond			

BENCHMARK	%
Maybank's 12 Months General Investment Account Rate	100

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A copy of the Master Prospectus dated 1 July 2010 and the first supplemental master prospectus dated 15 October 2010 have been registered with the Securities Commission, who takes no responsibility for its contents. Investors are advised to read and understand the content of the prospectuses before investing in unit trust funds. Investors should also consider the fees and charges involved before investing in the fund. Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in doubt on the action to be taken should consult professional advice.

Based on the fund's portfolio returns as at 15 March 2011, the Volatility Factor (VF) for this fund is 2.3 and is classified as "Very Low" (source: Lipper). "Very Low" includes funds with VF that are above 0.0 but not more than 4.3 (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.

RHB Islamic Bond Fund

FUND INFORMATION

Launch date	25 August 2000
Fund category (Lipper)	Bond (Islamic)
Fund type	Income
Fund Size in RM	RM52.68 million
Launch price	RM1.00
Initial investment	RM1,000
Subsequent investment	RM100
Sales charge	None
Annual management fee	Profit Sharing Scheme: 15:85 based on the Net Investment Income after deduction of Trustee Fee
Exit fees	Exit <= 1 year: 1% Exit > 1 year: no exit fee
Annual expense ratio as at 30/09/2009	0.75*
EPF investment scheme	Yes
Specific risk	Subject to Credit/Default, Issuer, Interest rate, Liquidity, Shariah specific Risk

* MANAGEMENT EXPENSE RATIO AS PER LATEST AUDITED ANNUAL REPORT.

RISK AS AT 31 MARCH 2011

3-Year Annualized Volatility	0.66
3-Year Annualized Sharpe Ratio	0.62
HSBC Risk Classification	2

*3-YEAR VOLATILITY AND SHARPE RATIO FIGURES ARE BASED ON BID PRICES, ADJUSTED FOR DIVIDENDS RE-INVESTED AND IN MYR.

FUNDS NAV AS AT 31 MARCH 2011

52-Week High	1.2146
52-Week Low	1.1211

TRAILING RETURNS

	3 MTH	6 MTH	1 YR	2 YR	3 YR	5 YR
Absolute Returns To Date (%)	1.84	3.76	9.75	15.67	25.88	31.57
Annualized Returns To Date (%)	7.59	7.65	9.75	7.55	7.98	5.64

PERFORMANCE FIGURES ARE BASED ON BID-TO-BID PRICES, DIVIDENDS RE-INVESTED IN MYR

CALENDAR YEAR RETURNS

	2006	2007	2008	2009	2010
RHB Islamic Bond Fund (%)	5.21	-1.50	8.33	5.81	9.84
Benchmark (%)	3.71	3.75	3.01	2.67	2.77

PERFORMANCE FIGURES ARE BASED ON BID-TO-BID PRICES, DIVIDENDS RE-INVESTED IN MYR

TOP HOLDINGS AS AT 31 MARCH 2011

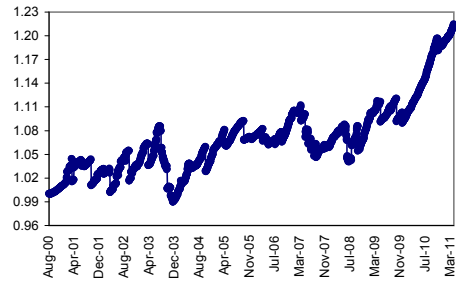
	% OF FUND
9.3000% Ample Zone Berhad	13.91
2.000% PLUS SPV Berhad	8.65
6.600% Binariang GSM Sdn Bhd	8.44
6.100% Maju Expressway Sdn Bhd	8.26
6.182% Malakoff Corporation Berhad	6.07
8.85% Jimah Energy Ventures Sdn Bhd	5.87
5.750% Binariang GSM Sdn Bhd	5.09
5.9830% Malakoff Corporation Berhad	4.99
5.0500% IJN Capital Sdn Bhd	4.87
4.050% Aman Sukuk Berhad	4.76
TOP 10 HOLDINGS % OF NAV	70.92

No of Holdings 15

Source

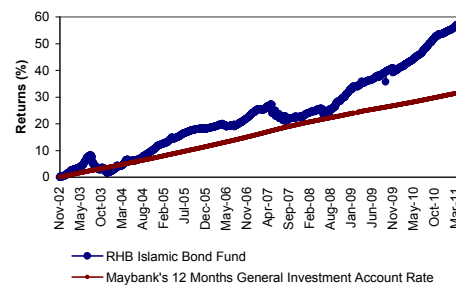
- RHB Investment Management
- Lipper Hindsight

CHART 1: HISTORICAL PRICE FUND OVER THE LAST 11 YEARS



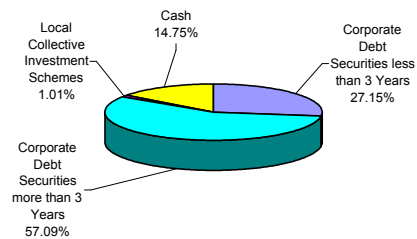
August 2000 to March 2011 NAV-NAV prices & assuming reinvestment of distribution into the Fund, gross investment based in RM. The value of units may go down as well as up. Past performance is not indicative of future results.

CHART 2: PERFORMANCE OF FUND



November 2002 to March 2011 NAV-NAV prices & assuming reinvestment of distribution into the Fund, gross investment based in RM. The value of units may go down as well as up. Past performance is not indicative of future results.

ASSET ALLOCATION AS AT 31 MARCH 2011



* As percentage of NAV. Please note that asset exposure for the Fund is subject for frequent change on a daily basis.