

RHB ISLAMIC BOND FUND

An investment for all your needs.

An ideal investment portfolio should comprise of both risky and less risky assets. Bond funds are categorized as lower risk asset class, which helps to balance out the inherent risk in more risky investments, such as equities and currencies. The RHB Islamic Bond Fund essentially reflects this asset class that provides reasonable returns within a relatively low risk environment.

FAILAKA
Best Malaysian Sukuk (10 Year)

3 Year and 5 Year Basis
- as at 31 July 2011

LIPPER
FUND AWARDS 2011
MALAYSIA
Best Bond Malaysia RINGGIT Islamic Fund
(3 Years)

3-year
Fund Volatility
1.6
Very Low
Lipper Analytics
15 Jul 2011

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.

INVESTOR PROFILE

- Want an investment that complies with the principles of Shariah;
- Want to have regular income from their investment;
- Want a professionally managed portfolio of Islamic debt securities and bonds; and
- Require higher returns than Islamic fixed deposits at an acceptable level of risk.

INVESTMENT DETAILS AS AT 31 JULY 2011

Unit NAV (31 July 2011)	RM1.2504	Initial Charge	None
Fund Size (31 July 2011)	RM55.62 million	Redemption Payment Period	10 days
Units in Circulation (31 July 2011)	44.49 million	External Investment Manager	RHB Islamic Asset Management Sdn Bhd
Fund Currency	Ringgit Malaysia	Distribution Policy	Income (if any) will be distributed during the financial year
Fund Inception	25 August 2000	Min Initial Investment	RM1,000
Offer Price at Inception	RM1.00	Min Additional Investment	RM100
Annual Management Fee	Profit Sharing Scheme:15:85 based on Net Investment Income after deduction of Trustee Fee	Bloomberg Ticker	RHBIBND MK
Annual Trustee Fee	0.10% p.a. of the NAV of the Fund subject to a minimum of RM35,000 p.a.		
Exit Fee	Exit <= 1 year: 1% Exit > 1 year: No exit fee		

MARKET BRIEF

US Treasury

The U.S. Treasuries posted strong gain in July with yields falling 10bps to 41bps MoM across the curve. Boosting demand for the safe haven Treasury include fears that the European debt crisis will spread with investors spotted selling Italian debt and Moody's cut Ireland's sovereign credit rating to junk. Prices were further boosted by speculation that the Federal Reserve would provide more monetary stimulus to support economic growth, and after Standard & Poor's placed U.S. rating on negative watch list and warned the government that it risked losing its AAA rating if Congress failed to raise the debt ceiling.

On the economic front, trade deficit worsened to USD50.2 billion in May (June: USD43.6 billion) the highest since Oct 2008, due mainly to the surging oil prices that pushed imports higher. Exports slipped 0.6% to USD174.9b while imports increased 2.6% to USD225.1b in May. Meanwhile, retail sales edged up 0.1% in June after declining 0.1% in May, helped by a rebound in auto sales. Separately, the CPI dropped 0.2% in June, the first decline since June 2010, as a result of a 6.8% decline in gasoline prices. Excluding the volatile food and energy costs, the core CPI increased 0.3%.

On a separate report, industrial production rose a moderate 0.2% in June due mainly to a rebound in utilities. Manufacturing, which accounts for about 12% of the economy, was flat in June attributable to a drop in auto production while overall capacity utilization was unchanged at 76.7%. Meanwhile, confidence among U.S. consumers unexpectedly fell to 63.8 in July, the lowest level since March 2009, on increasing pessimism over job prospects. The U.S. Labor Department data showed that non-farm payrolls increased by 18k in the month of June. This was considerably lower versus the earlier gain of 105k anticipated by economists.

Ringgit Sovereign Bond

Malaysian Government Securities (MGS) yields closed lower in July 2011, as players responded to weak economic data and external debt concerns. For the month, 3-, 5- and 7-year MGS benchmarks shed 3bps MoM to 3.21%, 3.48% and 3.69% whilst 10-year benchmark fell 7bps MoM to 3.86%.

Domestic economic data released during the month showed that industrial output in Malaysia slid 5.1% in May versus a smaller 1.7% decline in April. The June 2011 consumer price index (CPI) quickened its pace to a 3.5% YoY increase, versus the 3.3% increase in May, and marking its fastest pace in 27 months.

Bank Negara's Monetary Policy Committee (MPC) members decided to hold the Overnight Policy Rate (OPR) steady at 3.00% whilst raising banks' Statutory Reserve Requirements (SRR) by another 100bps to 4.00%.

In the statement accompanying the rate decision, policymakers said latest economic indicators point to a moderation in growth, whilst the short term outlook is clouded by heightened external risks. Notwithstanding risks to growth, policymakers expect domestic demand factors will still exert upward pressure on inflation in 2H2011.

Ringgit Corporate Bond

Meantime, with MGS yields grinding lower, we noted corporate bond yield mostly falling as well with mark-to-market yields rallied up to 9bps MoM as investors picking up bargains across the AAA and AA rating segments. In general, the credit spreads have been narrowing marginally by 2 to 7bps across the curves, save for the 10- and 15-year yield curves which saw the credit spread widening marginally by 1-2bps for lower credit segment at AA and A.

Along the high grade AAA segment, the Khazanah-related name Rantau and Danga Capital were actively transacted. Down along the AA segment, the new Sarawak Energy Berhad bonds remained actively traded with yield shed 21bps to 57bps across the tenure from its primary level. As for banking names, leading the activities were Prominic Berhad and CIMB Group related papers.

Along the primary segment, a few issuances were concluded in July with overwhelming response, namely Gulf Investment Corporation, Besraya, Public Bank Sub Debt and Prasarana.

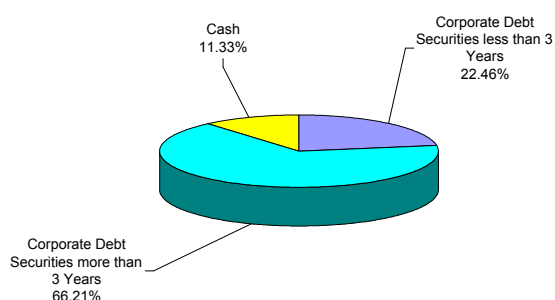
Strategy

The latest pause in rate normalisation move by BNM shows the primary policy aim of the policy makers is more for sustainable growth, rather than fighting and containing inflationary pressure. Going forward, any future move in monetary policy would very much be "data-dependant" again as BNM reassesses local growth momentum taking into account development in the global markets.

Locally, the still abundant liquidity in the financial system, weaker than expected economic data releases, foreign investors' continuous bet on Asian currencies, the diminishing duration supply in the MGS/GII market in 2H11, an expected less active PDS primary market in 3Q11 shall see overall yield levels remain fairly range bound, despite the fair to expensive valuation on MGS. Any potential reversals in the capital flows shall make the MGS market vulnerable to selling pressure, nevertheless, we do not foresee massive exodus of foreign funds in 3Q11 at this juncture.

In light of the above, we are tactically overweight PDS over MGS to enable the fixed income portfolios to benefit from the bullish outlook in the PDS market.

SECTORIAL COMPOSITION AS AT 31 JULY 2011



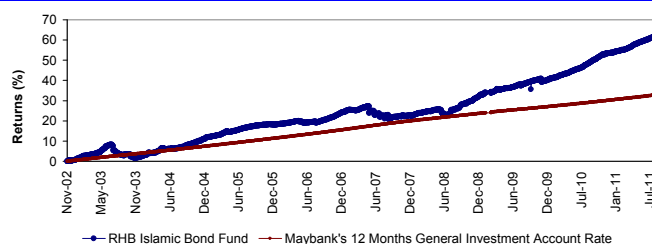
Duration as at 31 July 2011: 3.56

THE FUND PERFORMANCE TABLE AS AT 31 JULY 2011 (%)

	1 month	6 months	1 year	3 years	5 years	Since Inception
Fund	0.69	4.34	9.16	29.19	35.81	92.18
Maybank's 12 Months GIA Rate	0.25	1.46	2.90	8.65	16.55	N/A

Source: Lipper Hindsight

NAV-NAV Prices Cumulative Return Over The Period (%)



25 November 2002 to 31 July 2011 NAV-NAV prices & assuming reinvestment of distributions for the fund, gross investment based in RM.

Source: Lipper Hindsight

Maybank's 12 Months General Investment Account Rate is only available in Lipper Hindsight after November 2002.

The value of units may go down as well as up. Past performance is not an indication of future results.

TOP 5 HOLDINGS AS AT 31 JULY 2011 (%)*

9.3000% Ample Zone Berhad	13.69
2.000% PLUS SPV Berhad	8.26
6.600% Binariang GSM Sdn Bhd	8.11
6.100% Maju Expressway Sdn Bhd	7.86
7.800% Mukah Power Generation Sdn Bhd	7.74

* as percentage of NAV

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A copy of the Master Prospectus dated 1 July 2011 has 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 July 2011, the Volatility Factor (VF) for this fund is 1.6 and is classified as "Very Low" (source: Lipper). "Very Low" includes funds with VF that are above 0.0 but not more than 3.8 (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.