

### RHB EMERGING MARKETS BOND FUND

The Fund aims to provide investors with income and potential capital appreciation by investing in one target fund, i.e. the United Emerging Markets Bond Fund.

#### INVESTOR PROFILE

This Fund is suitable for Investors who:

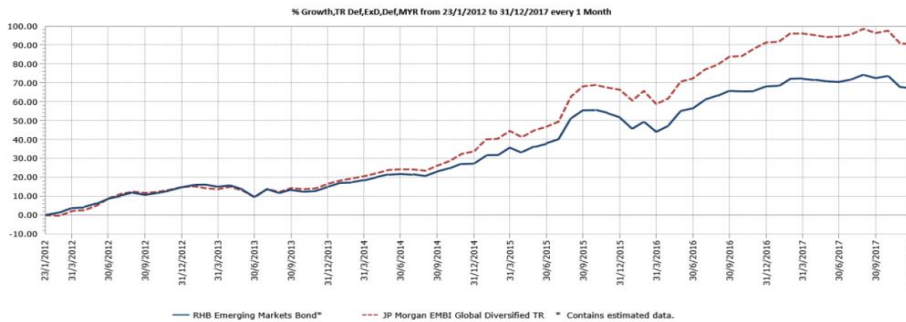
- seek income and potential capital appreciation over the longer term;
- have medium to high risk appetite; and
- seek returns in emerging markets debt investments and products.

#### INVESTMENT STRATEGY

- At least 95% of NAV: Investments in the units of United Emerging Markets Bond Fund.
- 2% - 5% of NAV: Investments in liquid assets including money market instruments and deposits with financial institutions.

#### FUND PERFORMANCE ANALYSIS

##### Performance Chart Since Launch\*



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

	1 Month	3 Months	6 Months	YTD
<b>Fund</b>	<b>-0.41</b>	<b>-3.17</b>	<b>-1.95</b>	<b>-0.60</b>
<b>Benchmark</b>	<b>-0.31</b>	<b>-3.04</b>	<b>-2.12</b>	<b>-0.53</b>

	1 Year	3 Years	5 Years	Since Launch
<b>Fund</b>	<b>-0.60</b>	<b>31.18</b>	<b>45.64</b>	<b>67.01</b>
<b>Benchmark</b>	<b>-0.53</b>	<b>42.23</b>	<b>65.54</b>	<b>90.37</b>

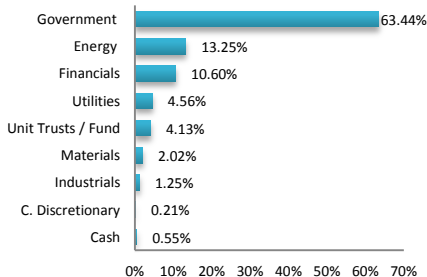
##### Calendar Year Performance (%)\*

	2017	2016	2015	2014	2013
<b>Fund</b>	<b>-0.60</b>	<b>10.71</b>	<b>19.20</b>	<b>10.68</b>	<b>0.31</b>
<b>Benchmark</b>	<b>-0.53</b>	<b>15.09</b>	<b>24.25</b>	<b>14.68</b>	<b>1.84</b>

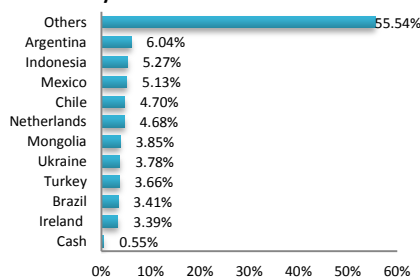
Source: Lipper IM

#### FUND PORTFOLIO ANALYSIS

##### Sector Allocation\*



##### Country Allocation\*



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

MONGOLIA INTL BOND SR UNSECURED REGS 03/24	8.75	2.69
REPUBLIC OF ECUADOR SR UNSECURED REGS 06/23	8.75	2.54
UNITED EMERGING MARKETS LOCAL CURRENCY BOND FUND - CLASS SGD ACC		2.36
REPUBLIC OF ARGENTINA SR UNSECURED REGS 06/49	7.125	2.14
OJSC RUSS AGRIC BK(RSHB) SUBORDINATED REGS 10/23	8.5	2.13

\*As percentage of NAV

\*Source: UOBAM, 31 December 2017. Exposure in United Emerging Markets Bond Fund - 96.69%

#### FUND STATISTICS

##### Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.6089	0.6681	0.6681
Low	0.6031	0.6031	0.4959

Source: Lipper IM

##### Historical Distributions (Last 4 Quarters) (Net)

	Distribution (sen)	Yield (%)
21 Nov 2017	1.0000	1.61
22 Aug 2017	1.0000	1.55
23 May 2017	1.4000	2.15
20 Feb 2017	1.4000	2.10

Source: RHB Asset Management Sdn. Bhd.

## RHB EMERGING MARKETS BOND FUND

The Fund aims to provide investors with income and potential capital appreciation by investing in one target fund, i.e. the United Emerging Markets Bond Fund.

### MANAGER'S COMMENTS

#### MARKET REVIEW

Risk on sentiment dominated in December with US Congress approving a tax cut expected to benefit primarily corporations. The tax cuts will come into force in 2018, contrary to the Senate's original plan to defer tax relief for businesses until 2019. The tax cut is permanent for companies in contrast to the personal income tax cuts which are slated to expire by 2025 the latest.

The US Federal Reserve (Fed) raised its key interest rate by 25 basis points in December, its third increase in 2017 and in line with market expectations. The Fed is widely expected to raise the rate three times in 2018. Despite increasing concern, the impact of these rate hikes on emerging markets has thus far has been limited, partly because the normalisation of monetary policy in the US was anticipated, and also thanks to sound growth and fundamentals in major emerging markets. 10-year US Treasury (UST) yields ended the month unchanged from prior month at 2.41%, while the U.S. treasury curve ended the month 7 bps flatter as short term rates rose amid strong US economic numbers, increasing the probability of two or more rate hikes for 2018.

The extra yield investors demand to own emerging market (EM) sovereign bonds over US Treasuries ended the month 3 bps tighter to 285 bps. Cumulative inflows into EM fixed income increased by US\$6.4 billion to US\$72.2 billion, ending the year at an all-time record for EM inflows.

#### POSITIONING

In Latin America, we maintained our Mexico benchmark on a neutral exposure after the fifth round of North American Free Trade Agreement (NAFTA) talks ended with no major breakthrough. While our base case is a successful conclusion to NAFTA negotiations early next year, NAFTA headlines may lead to more volatile Mexican spreads in the meantime.

We maintain our overweight position in Brazil as we view Brazil's long-term story as positive, and continue to closely monitor Brazil's ongoing fiscal reforms progress. In Colombia we have an underweight position given the country's external vulnerability. We maintained our overweight position in Argentina amid President Macri's stronger than expected victory in October's mid-term elections. Venezuelan bonds continued their decline with rating agencies declaring several bonds in selected default. We do not hold any bonds in Venezuela.

In Asia, our Mongolia overweight position is conditioned on strong progress under a program from the International Monetary Fund (IMF), and expected negligible net new bond issues in 2018. We maintain our overweight on Indonesia as we like its structural growth and reform story. Our key regional underweights are India, China and Malaysia: In India we view valuations as expensive and we await further demonstrated economic reforms. Chinese valuations are expensive and debt levels are elevated while Malaysia's valuations are expensive. Indonesia saw a second sovereign rating upgrade in 2017, by Fitch Ratings, months after S&P's upgrade rating action. Fitch highlighted Indonesia's strengthened resilience to external shocks and positive structural reforms as drivers of the upgrade. We remain overweight on Indonesia.

In Central Eastern Europe, Middle East and Africa region (CEEMEA), our benchmark weight in Turkey is explained by the country's fiscal and current account deficit. We turned neutral on Russia as an ongoing economic recovery may accelerate. We turned neutral from an underweight position in South Africa after Ramaphosa, a hopeful for the African National Congress presidential election, was elected as the new ruling party's chairman.

#### STRATEGY

We continue to prefer highly volatile names such as Latin American and Asian high yielding sovereigns, quasi sovereigns as well as selected African sovereigns. We expect stable EM fundamentals and attractive spreads vis a vis other asset classes to somewhat mitigate potential geopolitical uncertainties. We find a number of positive stories compelling such as those of Argentina and Ukraine.

Low interest rates in developed markets – negative in the case of Europe and Japan and near or at historical lows in other countries are likely to offer support for emerging markets fixed income. However, markets appear complacent about a series of risks emanating either directly or indirectly from the US.

Even as geopolitical tensions between US and North Korea remain high, stronger EM fundamentals now compared to three years ago should provide a buffer that prevents a significant sell-off like the taper tantrum in 2013. We believe that once the initial adjustment to higher core yields and a stronger USD is complete, a more structural view on market volatility will be supported by resumption of the bid for EM. Overall, we continue to like EM bonds, primarily for their carry and for the asset class' favourable risk-adjusted returns over the long run.

#### DISCLAIMER:

Based on the fund's portfolio returns as at 15 December 2017, the Volatility Factor (VF) for this fund is 8.1 and is classified as "Moderate". (source: Lipper) "Moderate" includes funds with VF that are above 6.2 but not more than 8.2 (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 2017 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 2017.

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 6 October 2017 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 management risk and country risk and specific risks of the target fund are market risk, debt securities risk, emerging markets risk, political and economic risks, repatriation of capital, dividends, interest and other income risks, regulatory risk, nature of investments and market risks, lack of market economy, derivatives risk, synthetic product risk, illiquidity of investments, broker risk, settlement risk, custody risk, counterparty risk, possible business failures, accounting practice, quality of information, legal risk, taxation, foreign exchange and currency risks, banking systems, risk of mismanagement by debt issuers, actions of institutional investors, risk of use of rating agencies and other third parties, exceptional market conditions risk, exceptional market conditions risk, liquidity risk of investments, investment management 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.

RHB Asset Management Sdn Bhd (174588-x)

Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur

General Line: 603-9205 8000

[www.rhbgroup.com](http://www.rhbgroup.com)

 RHB Group
  @RHBGroup
  RHB Group
  RHBGroup

RHB Asset Management Sdn Bhd (174588-X)

