

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:

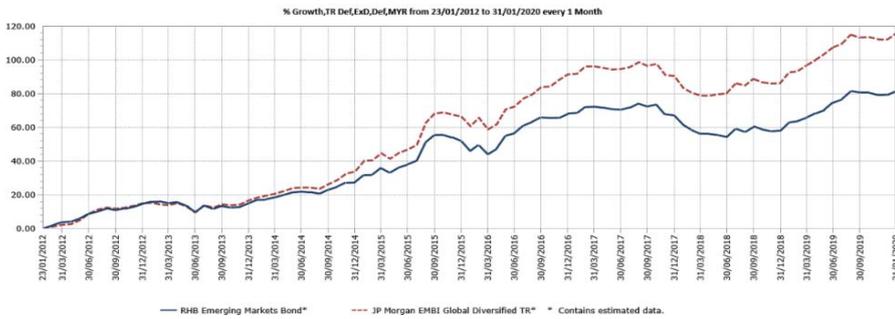
- seek income and potential capital appreciation over the longer term;
- have medium to high risk appetite; and
- seek returns in emerging markets debt investments and products.

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
Fund	1.26	0.57	2.76	1.26
Benchmark	1.71	1.09	2.94	1.71

	1 Year	3 Years	5 Years	Since Launch
Fund	11.31	7.82	37.84	81.49
Benchmark	11.91	12.43	53.77	115.54

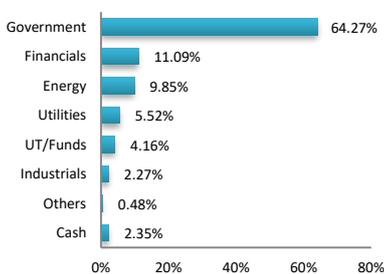
Calendar Year Performance (%)*

	2019	2018	2017	2016	2015
Fund	13.54	-5.48	-0.60	10.71	19.20
Benchmark	13.87	-2.24	-0.53	15.09	24.25

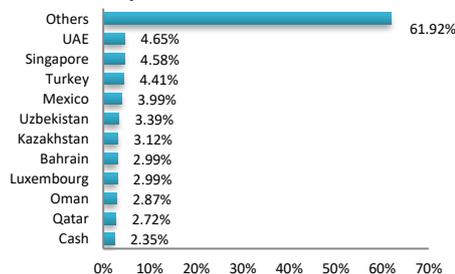
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

UNITED EMERGING MARKETS LOCAL CURRENCY BOND FUND, CLASS SGD ACC	4.16
OJSC RUSS AGRIC BK(RSHB) SUBORDINATED REGS 10/23 8.5	2.99
REPUBLIC OF TURKEY SR UNSECURED 08/24 6.35	2.84
STATE OF QATAR SR UNSECURED REGS 03/49 4.817	1.88
GOVT OF BERMUDA SR UNSECURED REGS 02/29 4.75	1.87

*As percentage of NAV

*Source: UOBAM, 31 January 2020. Exposure in United Emerging Markets Bond Fund - 96.94%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5933	0.6058	0.6681
Low	0.5848	0.5532	0.4959

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
27 Nov 2019	0.9000	1.51
28 Aug 2019	0.6500	1.10
28 May 2019	0.6000	1.06
27 Feb 2019	0.7000	1.28

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Geopolitical tensions kick-started the year after the US killed an Iranian military commander, which necessitated an Iran retaliation on a US army base in Iraq. Fortunately, the conflict de-escalated within the week as both parties were wary of the consequences of further provocation, and this allowed markets to recover from risk-off declines. However, risk aversion took hold following the outbreak of the Novel Coronavirus (nCoV) in Wuhan.

Fears of a swift viral outbreak and knock-on effects on global demand and growth quickly reverberated globally, and caused treasury rates to decline sharply on the flight-to-safety. Correspondingly, higher-beta emerging markets sold off with spreads of sovereigns heavy in oil/commodities widening sharply.

Overall, the EMBIG index posted gains of 1.5% for the month as lower US treasury rates (10-year US Treasury yields fell to 1.51% from 1.92% for the prior month) helped to offset spread widening of 24 bps to 315 bps (from 291 bps in the previous month). For January, in SGD terms, the GEMs fund returned 2.74% vs 3.05% for benchmark.

POSITIONING IN KEY MARKETS

Although the demand for yield remains favourable in the Target Fund Manager's view, current developments surrounding nCoV will likely serve as a deterrent for risk-taking at this juncture. The corresponding depression of oil prices will also affect the fiscal and budget assumptions of emerging markets in the Middle East, North Africa (Angola and Ghana), and Latin America (Ecuador), which may result in larger-than-expected bond issuances and exert downward pressure on spreads.

In terms of market specific positioning, the Target Fund Manager maintains their overall underweight in Latin America due in part to political risks associated with newly elected governments as well as countries with upcoming presidential elections over the next 18-24 months. For Argentina, the Target Fund Manager retains their underweight as the government works out its debt servicing plans and addresses the debt issues faced by its provincial governments as well. Similarly, the Target Fund Manager retains their underweight in Ecuador as lower oil prices will widen its deficit, and affect its oil revenues especially if sustained over a longer-than-expected period. Political posturing by its political parties also present some risks as it seeks to implement IMF required reforms.

In Asia, the Target Fund Manager remains overweight Mongolia, as its stable fundamentals are anchored by an IMF programme and technicals remain favorable due to limited bond supply. The Target Fund Manager is neutral in Indonesia from a valuations perspective though its fundamental metrics remain favourable with high real rates, supportive policy dynamics, which should support its performance in 2020. Lastly, nCoV developments in China will continue to limit the Target Fund Manager's investments to the country (maintain underweight) even as the US-China continue to work out a sustainable resolution to its trade dispute. A likely decline in domestic consumption will impact its 2020 GDP adversely, and the Target Fund Manager remains mindful on credit concerns following the series of corporate defaults in 2019.

Lastly for CEEMEA, Lebanon and South Africa are still key underweights. The former's situation remains fluid even as expectations for a full repayment for its March 2020 bonds continue to rise. As for the latter, the Target Fund Manager remains concerned over the potential for further deteriorations in its fundamentals, and its weakening fiscal position, which will inhibit its ability to support key quasi-sovereigns like Eskom.

STRATEGY

In light of the recent developments, the Target Fund Manager is mindful that the risk-return profile for spreads remain skewed to the downside should global growth weaken more than expected, and from escalation in geo-political tensions and developments. During this time, the Target Fund Manager maintains their advocacy for EM Investment Grade issues over High Yield credits, and the Target Fund Manager will seek out better entry points once spreads have adjusted to latent risks, and supply expectations in 2020. In the interim, the Target Fund Manager views carry as the primary return driver until sustained positive developments over nCoV.

In terms of US treasury rates, the Target Fund Manager maintains their view that the US Fed will likely to hold firm on rate cuts over the near-term – barring any unexpected deterioration in US economic conditions – which will result in range-bound movements in US interest rates at current levels. As such, EM bond spreads will be more significant in determining investment performance.

Overall on a relative basis, the Target Fund Manager continues to like emerging market bonds over the medium to long-term, primarily due to their high carry and strong risk adjusted returns over the long term.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 January 2020, the Volatility Factor (VF) for this fund is 5.5 and is classified as "Low". (source: Lipper) "Low" includes funds with VF that are above 1.8 but not more than 6.1 (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 31 December 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2020.

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.