

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:

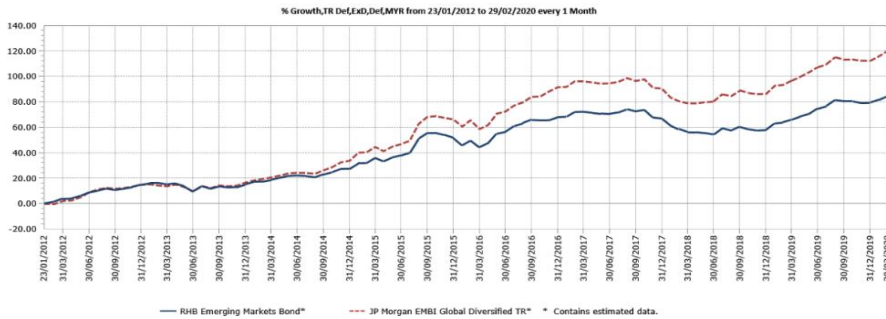
- seek income and potential capital appreciation over the longer term;
- have medium to high risk appetite; and
- seek returns in emerging markets debt investments and products.

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	1.57	2.92	1.68	2.85
Benchmark	1.86	3.51	2.13	3.60

	1 Year	3 Years	5 Years	Since Launch
Fund	12.60	7.17	39.92	84.34
Benchmark	13.68	12.01	56.34	119.55

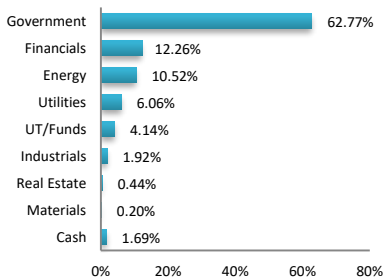
Calendar Year Performance (%)*

	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

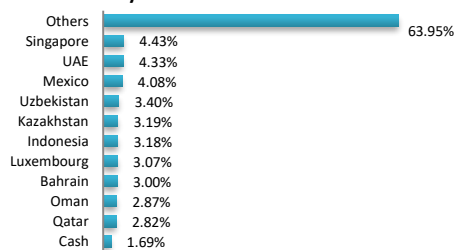
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

UNITED EMERGING MARKETS LOCAL CURRENCY BOND FUND CLASS SGD	4.14
OJSC RUSS AGRIC BK(RSHB) SUBORDINATED REGS 10/23 8.5	3.07
STATE OF QATAR SR UNSECURED REGS 03/49 4.817	1.94
GOVT OF BERMUDA SR UNSECURED REGS 02/29 4.75	1.91
RUSSIAN FEDERATION SR UNSECURED REGS 03/35 5.1	1.83

*As percentage of NAV

*Source: UOBAM, 29 February 2020. Exposure in United Emerging Markets Bond Fund - 95.27%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.6165	0.6165	0.6681
Low	0.5933	0.5532	0.4959

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
25 Feb 2020	0.8000	1.35
27 Nov 2019	0.9000	1.51
28 Aug 2019	0.6500	1.10
28 May 2019	0.6000	1.06

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

Risk aversion stemming from the outbreak of the Novel Coronavirus (COVID-19) induced strong negative market reactions for the month of February. The uptick in the number of global infection cases alongside declarations of new geographical locations raised investor concerns for a prolonged outbreak that would further stifle global demand and growth. This fear then precipitated a sharp dip in US treasury rates with the 10-year rate falling to new lows of 1.15% from 1.51% just the month before. Other risk-off assets like gold also benefited with strong decade-high gains during the month (Gold hit an intra-month high of US\$1,659.12/oz).

On the flip side, Brent struck new lows of US\$49.67/barrel – levels last seen in 2016. Correspondingly, forward-looking implications of the oil price decline lead to sharp sell-offs in the higher-beta, commodity-heavy emerging markets, overturning year-to-date gains made till then.

Overall, the EMBIG index lost 0.97% for the month as the sharp decline in US treasury rates helped to soften a spread widening of 58bps to 373bps (from 315 bps in the previous month). For February, in SGD terms, the GEMs fund returned 1.01% vs 1.27% for benchmark.

POSITIONING IN KEY MARKETS

For the Target Fund Manager's portfolio, overall month-on-month market specific positioning remains relatively unchanged. The Target Fund Manager maintains their overall underweight in Latin America due in part to political risks and growth challenges 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 moves closer to restructuring its debt in a manner that maintains its access to global capital markets. 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, which will also complicate the receipt of its required IMF disbursements.

In Asia, the Target Fund Manager remains overweight Mongolia, as the Target Fund Manager balances its stable technical (anchored by an IMF programme and limited bond supply) against the corresponding negative effects from COVID-19 and its main trading partner of China. 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, COVID-19 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 has deteriorated to the point where a debt restructuring is now inevitable while the latter faces challenges in supporting its weakening fiscal position, which will in turn inhibit its ability to support key quasi-sovereigns like Eskom.

STRATEGY

As the Target Fund Manager had anticipated in their prior month commentary, COVID-19 developments and the corresponding depression of oil prices have served as risk-taking deterrents. Although absolute prices of EM bonds have declined to relatively attractive levels, investors remain wary of re-entering at this juncture given concerns over the potential revision to outlooks of the fiscal health and budget discipline of emerging markets such as those in the Middle East, North Africa (Angola, Nigeria and Ghana), and Latin America (Ecuador).

The Target Fund Manager naturally share similar sentiments, and continue to be mindful that the risk-return profile for spreads remain skewed to the downside should global growth weaken more than expected. Abrupt escalation in geo-political tensions will also add to downside risks. During this time, the Target Fund Manager maintain their advocacy for EM Investment Grade issues over High Yield credits, and the Target Fund Manager will seek out better entry points once spreads and volatility 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 COVID-19 developments.

In terms of US treasury rates, the Target Fund Manager shifts their view to incorporate at least one rate cut from the Federal Reserve given the likely knock-on effect on US growth, which has been factored into the current rates environment. With lower rates sustaining in the foreseeable period ahead, 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 11 February 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.

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