

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:

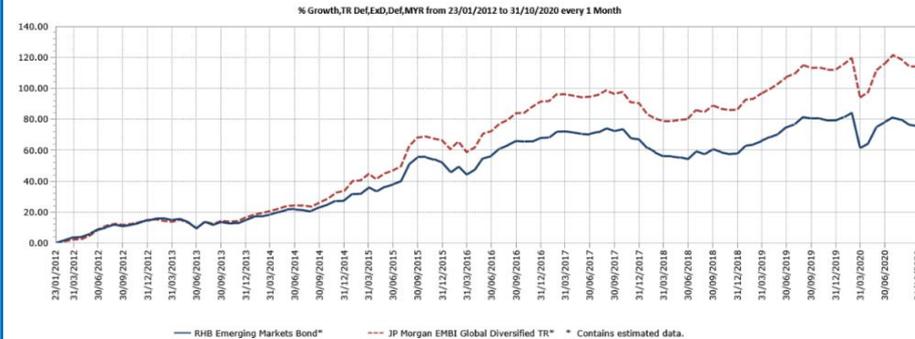
- seek income and potential capital appreciation over the longer term;
- have medium to high risk appetite; and
- seek returns in emerging markets debt investments and products.

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	-0.48	-3.12	6.76	-2.10
Benchmark	-0.04	-3.35	8.52	1.03

	1 Year	3 Years	5 Years	Since Launch
Fund	-2.77	1.02	12.81	75.46
Benchmark	0.41	8.36	26.81	114.10

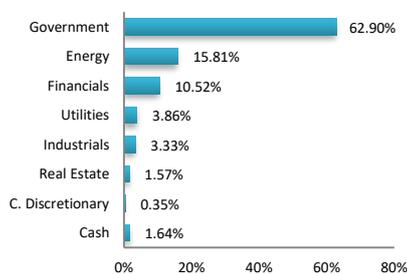
Calendar Year Performance (%)*

	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

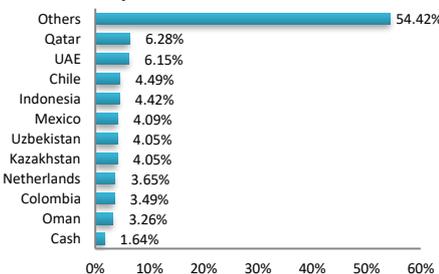
Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

STATE OF QATAR SR UNSECURED REGS 03/49 4.817	2.37
REPUBLIC OF UZBEKISTAN SR UNSECURED REGS 02/29 5.375	2.18
REPUBLIC OF UZBEKISTAN SR UNSECURED REGS 02/24 4.75	1.87
FIRST ABU DHABI BANK PJS JR SUBORDINA REGS 12/99 VAR	1.81
REPUBLICA ORIENT URUGUAY SR UNSECURED 04/55 4.975	1.76

*As percentage of NAV

*Source: UOBAM, 31 October 2020. Exposure in United Emerging Markets Bond Fund - 97.38%

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5669	0.6165	0.6681
Low	0.5573	0.5123	0.4959

Source: Lipper IM

Historical Distributions (Net)

	Distribution (sen)	Yield (%)
26 Aug 2020	0.5500	0.96
28 May 2020	0.3500	0.65
25 Feb 2020	0.8000	1.35
27 Nov 2019	0.9000	1.51

Source: RHB Asset Management Sdn. Bhd.

RHB Asset Management Sdn Bhd (174588-x)

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MANAGER'S COMMENTS

MARKET REVIEW

Risk assets endured another challenging month with most indices and benchmarks posting negative returns. A continued rise in international COVID-19 cases revived concerns over the impact of a second lockdown on global economic growth while the US continued to falter on its ability to implement fiscal stimulus ahead of the US Presidential elections in November. These weakening sentiments correspondingly saw oil prices dip below US\$40/barrel, which worsened the outlook on Emerging Market (EM) economies already suffering from weakening economic data. Surprisingly, in spite of the overall weakness, EM hard currency bonds experienced positive fund inflows for the month, and resulted in a net US\$7.6b inflow on a year-to-date (YTD) basis.

In terms of the overall EMBIG index, spreads narrowed by 12 bps to 420.0 bps versus 431.7 bps versus 421.8 bps in the prior month – boosted by a greater tightening in investment grade (IG) spreads than high yield (HY) spreads. The US Treasury curve bear-steepened with the 2/10 and 5/30 treasury differentials rising to 72.1 bps and 127.6 bps, respectively, from 55.7bps and 117.8 bps, respectively. The US 10 and 30-year Treasury rates rose to 0.87% and 1.66%, respectively, from 0.68% and 1.46%, respectively. For October, in SGD terms, the United Emerging Market Bond fund returned -0.32% vs. 0.11% for the benchmark.

POSITIONING IN KEY MARKETS

In summary, the Target Fund Manager's relative overweight in Sri Lanka was the main contributor to the drag in performance by the portfolio. Additionally, the increase in treasury rates also formed a drag on the more sensitive investment grade investments, especially on the longer-duration papers. This was fortunately offset by carry, which continued to be a key contributor to return, and helped to mitigate the decline in asset prices.

For Asia, Sri Lanka maintained its place as the worst performer in the EM complex as bond prices continued to languish with the market remaining unconvinced about its ability to arrest the slide in investor confidence. Although there were some positive developments in the form of a stronger political mandate for its existing administration, a visit by the US Secretary of State served to maintain the heavy mood over Sri Lanka as it seemed to force the country to decide between the US and its key patron, China. Over the longer-term, it is also increasingly likely that the assistance of multi-lateral agencies such as the International Monetary Fund (IMF) will be needed, if Sri Lanka is indeed committed to fulfilling its debt obligations over the longer-term. With the culmination of negative news, the Target Fund Manager maintains their view that sell-offs are excessive at this juncture, and it will be prudent not to sell into weakness. The Target Fund Manager awaits further clarity once the country announces its 2021 budget.

In other Asian regions, the oil sensitive Middle East region such as Iraq, Oman and Bahrain experienced some downward pressure on asset prices while the investment grade counterparts such as Emirates of Abu Dhabi (which the Target Fund Manager is overweight in) were impacted by the rise in treasury rates.

In Europe, the Target Fund Manager remained neutral in their positioning ahead of the US Presidential elections on limited upside potential for the rest of the year. The Target Fund Manager also remained underweight in Turkey given the continued pressure on the Lira, geopolitical pressures from its confrontational approach in Armenia/Azerbaijan, and antagonistic use of a Russian air defense system.

Moving to Latin America (LATAM), the Target Fund Manager tempers their underweight in the region whilst maintaining their total avoidance of both Argentina and Ecuador. Argentina has given up all gains obtained from its restructuring exercise on the back of fears over its economic prospects while Ecuador's new papers offer little carry and upside potential at this juncture as it remains heavily oil dependent. On the other hand, prospects for other LATAM cyclicals such as Peru, Chile and Mexico should improve if the US Presidential election yields a full Democratic sweep. As such, the Target Fund Manager has increased their positioning slightly during the month whilst maintaining allocations to the other investment grade sovereigns such as Uruguay and Colombia.

Lastly, for Africa, the Target Fund Manager reduced their relative overweight in Angola following noise over Zambia's restructuring exercise (their portfolio has no position in Zambia). The Target Fund Manager remains optimistic that Angola's debt negotiations with China will prove favourable, which taken alongside debt relief granted by the G20 for repayments due in 2020 and now 2021, will place Angola in a healthier financial position.

STRATEGY

As the Target Fund Manager enters the last two months of the calendar year, a revival of COVID-19 lockdowns and attributed slowdown in economic activity should temper risk-taking, especially as portfolios readjust and reposition for next year. The Target Fund Manager maintains their view that there will be a greater dispersion in the recovery/economic growth paths in EM economies, and expect these realities to become more apparent in the coming months. Even as technical support comes in the form of persistent ETF fund flows, it should serve to support exit prices for active managers such as ourselves in the weaker EM sovereigns so upside potential for weaker EM sovereigns will be limited in such a scenario. To close out the calendar year, the Target Fund Manager maintains their preference towards EM IG bonds for defensive positioning, and view carry as a primary driver of returns. EM HY exposure will continue to be opportunistic in nature as the Target Fund Manager takes advantage of market dislocations to enhance portfolio returns.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 October 2020, the Volatility Factor (VF) for this fund is 10.0 and is classified as "Moderate". (source: Lipper) "Moderate" includes funds with VF that are above 9.6 but not more than 12.8 (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. The VC referred to was dated 30 June 2020 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 contents of the PHS and Master Prospectus dated 6 October 2017 and its supplementary(ies) (if any) ("collectively known as the Master Prospectus") before investing. The Master Prospectus has been registered with the Securities Commission Malaysia ("SC") who takes no responsibility for its contents. The SC's approval or authorization, or the registration of the Master Prospectus should not be taken to indicate that the SC has recommended the fund. 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. If in any doubt, consult your banker, lawyer, stockbroker or an independent financial adviser.

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 Fund 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.

This Fund Factsheet has not been reviewed by the SC.

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