

# Unit Trust

## RHB China High Yield Fund

### Why this fund?

- Invests in one of the highest yielding asset classes within Asia fixed income
- Provides higher levels of yield at lower levels of interest rate risk

### What is this fund all about?

- **High income:** This fund mainly invests in China-related sub-investment grade bonds. Such bonds are higher yielding relative to both Asian and Developed market high yield credits. This is an interesting proposition for investors seeking high income solutions.
- **Expanding opportunity set:** The China high yield bond universe is expanding rapidly as there are emerging opportunities along China's path to liberalisation and reform. The fund has the flexibility to invest in both onshore/offshore bonds to capitalise on the best opportunities, although it is predominantly invested in the China USD high yield space at present.
- **Lower duration:** The China high yield universe has a structurally lower duration relative to other fixed income assets, including US and European high yield bonds. Investors can benefit from high income at lower levels of duration risk.
- **Proven strategy:** The fund is using the same investment process and strategy as the highly successful RHB Asian High Yield fund that is currently facing capacity constraints.

### What is the key risk?

The fund is exposed to credit risk, as well as interest rate risk, liquidity risk and general market risk. In addition, relative to other strategies this fund has a higher-level country-specific risk (China) and sector-specific risk (real estate).

### Performance contributors

	MTD contributors	MTD detractors
<b>Sector</b>	<ul style="list-style-type: none"> <li>• Property</li> <li>• Consumer Cyclical</li> <li>• Basic Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Government Related</li> <li>• Transportation</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Kaisa</li> <li>• China Evergrande</li> <li>• Yuzhou Properties</li> </ul>	<ul style="list-style-type: none"> <li>• Unigroup International</li> <li>• Blue Skyview</li> <li>• JPM 0.13 01/01/2023</li> </ul>

### What the target manager says

The fund holds a cautiously constructive view on the China High Yield market. Post COVID-19 outbreak, China is expected to recover relatively faster than the rest of world, being "First in, first out". However, the damage caused by the pandemic to the global supply chain and economic activity will continue to restrain growth going into 2021. The recent progress in vaccine development has opened the doors for further recovery in economic activity and release of precautionary savings - key medium-term drivers for risk assets in the fund's view. That said, the managers remain cognizant of risk factors that include vaccine safety, adoption and administration. Other key risk to watch out is the possibility of reduction in policy support going ahead. In the fund's view, governments are not likely to shift from their supportive stance in near-term as the economic recovery in many regions remain fragile while the risk from second wave of virus outbreak still exists. Acknowledging potential volatility and risks, the fund will continue to selectively and passively add risk, given current valuations seem attractive relative to other regions and the fund's assessment of global macroeconomic situation – offering attractive potential total return driven by high income over next 12-15 months. The portfolio's US dollar duration exposure is 3.0 years. The fund has around 15-20% market weight in short dated (<1year)/near-term callable bonds and cash to ensure a robust liquidity profile and maintain high natural income. This also keeps the fund's overall volatility relatively low.

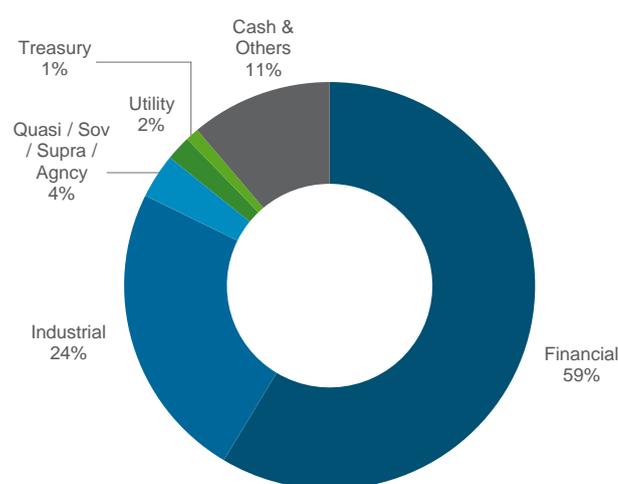
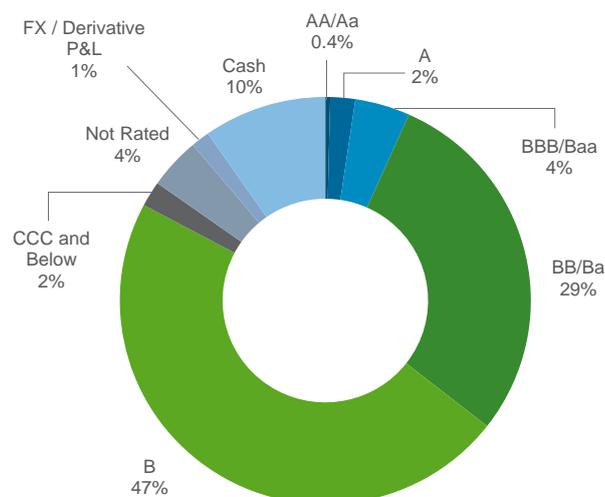
**PERFORMANCE (%)**

	2020	2019	2018	2017	2016	3Y (ann.)
<b>RHB China High Yield Fund</b>	-	-	-	-	-	-
<b>Fidelity China High Yield Fund</b>	8.41	12.91	-5.13	7.46	11.36	5.11

Source: Morningstar. Performance in USD NAV-to-NAV with dividends reinvested. ^Fidelity China High Yield is the target fund underlying of RHB China High Yield Fund.

**PORTFOLIO CHARACTERISTICS**

	Fund
<b>Duration (Yrs)</b>	3.10
<b>YTM (%)</b>	9.20
<b>Average Quality</b>	BB

**SECTOR ALLOCATION****CREDIT QUALITY ALLOCATION****KEY FUND CHARACTERISTICS**

<b>Target Manager Name</b>	Peter Khan, Tae Ho Ryu, Terrence Pang
<b>Benchmark</b>	No Benchmark
<b>Standard Deviation (3Yr)</b>	10.29%
<b>Sharpe Ratio (3Yr)</b>	0.26
<b>Product Risk Rating</b>	3

All data are extracted from the target fund as of 31-December-2020 unless otherwise stated.

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