RHB Asset Management

FUND FACTSHEET – SEPTEMBER 2018

All data expressed as at 31 August 2018 unless otherwise stated

3-year Fund Volatility 11.5 very high
Lipper Analytics 15 AUG 2018

RHB RESOURCES FUND

This Fund aims to achieve long term capital appreciation through investments in securities of companies whose businesses are in or are substantially related to the natural resources sectors.

INVESTOR PROFILE

This Fund is suitable for investors who:

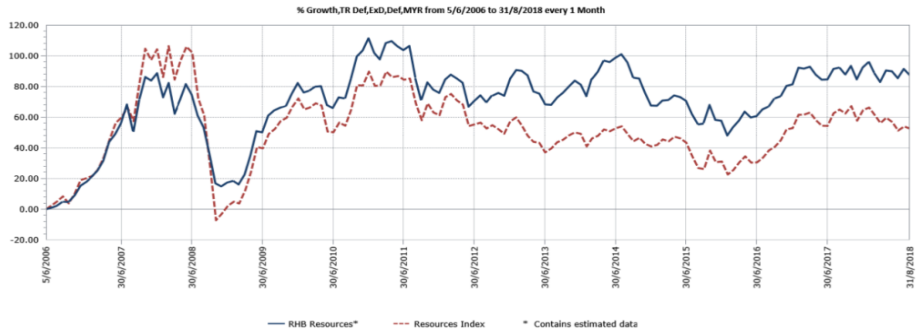
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than income over a long term period.

INVESTMENT STRATEGY

- Up to 98% of NAV: Investments in securities of companies whose businesses are in or are substantially related to the natural resources sectors.
- 2% - 5% of NAV: Investments in liquid assets including bonds, 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	**-2.10**	**-1.31**	**-0.75**	**-2.69**
Benchmark	-0.94	-2.73	-5.60	-7.37

	1 Year	3 Years	5 Years	Since Launch
Fund	**-2.47**	**20.51**	**8.33**	**87.29**
Benchmark	-7.55	20.19	6.16	52.44

Calendar Year Performance (%)*

	2017	2016	2015	2014	2013
Fund	**6.27**	**15.01**	**-6.04**	**-7.55**	**-2.12**
Benchmark	7.73	16.58	-6.98	-5.53	-5.10

Source: Lipper IM

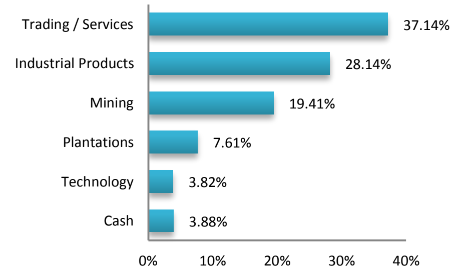
FUND DETAILS

Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Equity Fund
Fund Type	Growth Fund
Launch Date	16 May 2006
Unit NAV	RM0.5722
Fund Size (million)	RM27.18
Units In Circulation (million)	47.50
Financial Year End	31 March
MER (as at 31 Mar 2018)	1.82%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	50% FBM Asian Palm Oil Plantation+25% Bloomberg Asia Pac Mining(RM)+25% MSCI Asia Pac Energy(RM)
Sales Charge	Up to 5.26% of investment amount*
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	Up to 0.07% p.a. of NAV*
Redemption Period	Within 10 days after receipt the request to repurchase
Distribution Policy	Annually, if any

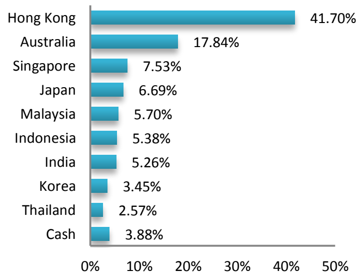
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

CHINA PETROLEUM & CHEMICAL	6.25
PETROCHINA CO LTD	5.73
CNOOC LTD	4.53
ZIJIN MINING GROUP CO LTD	4.41
BHP BILLITON LTD	4.39

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5845	0.6041	0.8501
Low	0.5503	0.5503	0.3965

Source: Lipper IM

3-year Fund Volatility 11.5 very high Lipper Analytics 15 AUG 2018

RHB RESOURCES FUND

This Fund aims to achieve long term capital appreciation through investments in securities of companies whose businesses are in or are substantially related to the natural resources sectors.

MANAGER'S COMMENTS

MARKET REVIEW

In August, Markit Manufacturing PMI remained in expansionary territory, slowing down in US and Europe while improving in Japan and China. US's Markit Manufacturing PMI eased by 0.8pts to 54.5 while Eurozone's manufacturing PMI eased -0.5pts to 54.6 in August. In Asia, China's Caixin PMI improved by 0.1pts at 51.3 and Japan +0.2pts to 52.5 in August.

Crude oil remained unfazed by market risk off sentiment and kept its +4.4% gains in August. Oil remained within our US$65-75 WTI range despite market volatility. The additional production coming from OPEC and Russia have been well absorbed by the strong underlying demand. Russia is pumping oil near records level at 11.21m bbl per day in August, while Libyan crude outputs seem to be finding its level around the 1m bbl per day mark. OPEC production in August hit year to date high with 32.8m bbl per day. All eyes are on Iranian oil exports with US sanctions drawing near. The nation shipped its lowest level of crude and condensates in August since March 2016, as Japanese and Korean buyers backed away.

Higher oil prices and strong demands from China are key ingredients for tightness in global LNG market. Due to political pressure to control air pollution, China has rapidly increased its share of natural gas consumption. City-gas distributors recorded better-than-expected results, supported by strong volume growth (+23% YoY) and strong dollar margins. For 2H18E, most companies expect dollar margins to drop HoH given the winter cost hikes, but they should be higher than 2H17 figures, due to more supply preparations this year. ENN Energy expects its dollar margins to recover in 2H18E due to its imported LNG business, which is unique amongst peers.

CPO's decline halted in August (flat MoM, trading at MYR 2,258/ton at the time of writing), due to the positive development in the Indonesian biodiesel space detailed below:

- Indonesia president Joko Widodo has signing a decree to expand the use of B20 biodiesel mandate (specifically, to the non-PSO (Public Service Obligation) on August 15, stressing that more B20 diesel blending was needed to help the country import less of the expensive gas and oil;
- Non-PSO sectors include mining industry, railways and power plants;
- Following the signing of the decree, the Indonesian government announced an additional biodiesel allocation for the Sep-Dec 2018 period. This confirms B20 has indeed been extended into non-PSO sector, as the Sep-Dec period is a new allocation period (since there has always been only 2 allocation periods, Nov-Apr and May-Oct);
- Allocation in Nov 2017 – Apr 2018: 1.408mn kilolitres, May 2018 – Oct 2018: 1.457mn kilolitres, Sep 2018 – Dec 2018: 0.94mn kilolitres. In total, 3.8mn kilolitres of biodiesel will be subsidized for 2018. This translates to 3.31mn ton of CPO. Every 1mn kl of biodiesel = 0.87mn ton of CPO;
- Indonesia targets domestic bio-diesel consumption to be around 6.0-6.2mn kilolitres in 2019. Realistically, we believe this is achievable if oil prices remain at an average at $70/bbl in 2019.The incremental demand of around 2.2-2.4mn kilolitres from 2018 will amount to 9.75% of 2018E CPO stock and 10% of Indonesia's 2018E production;
- Going forward, there is also a possibility for Indonesia to announce a 12-month bio-diesel volume contract award for 2019 (as opposed to 3 fragmented ones in 2018), thus providing more certainty in terms of program implementation;

MARKET OUTLOOK AND STRATEGY

It has been a great month for Energy-related equities. The market is starting to appreciate the delivery of good results on the back of higher energy prices. Energy companies added 3.7% this month, outperforming the market nicely year to date. On the other hand, natural gas related companies succumbed to profit taking this month (-5.3%). Concerns on cancellation of connection fees and margin squeeze on the Chinese pipeline operators have been cited as reasons for its dismal performance. Based on our channel checks, these reasons are unfounded as the Chinese government remains supportive of the coal to gas switch for the country. With its strong structural story intact, this may open up good buying opportunities for the fund.

We see commodities on a recovery mode and to provide good inflation coverage. Furthermore, a cleaner balance sheet and inexpensive valuation are supportive elements for its performance. Hence we remain long-term positive in the resources sector. However, we are closely monitoring the trade dispute and its impact on demand.

We turned slightly more constructive on CPO. We think that the recent depreciation of the IDR makes a strong case for proper implementation of the mandate, as gasoil imports become more expensive for Indonesia (Indonesia imports a large portion of its crude oil requirements). Specifically, the palm oil to gas oil (POGO) spread is now at a discount of US$100-US$130/ton vs the long term historical mean premium spread of US$30/ton, making discretionary blending attractive even without a B20 mandate. Assuming an average brent crude oil price of $70/bbl and 78% of CPO fund proceeds used to subsidize biodiesel, CPO may be able to hit MYR 2,400- 2,500 in 2019. However, with soybean oil prices at a multi-year low (MYR 2,611/ton), there will be a cap on how much palm oil prices can go up, given their strong positive correlation. Moreover, CPO's current discount to soybean oil of MYR 353 (historical mean is MYR 549), there is still room for CPO prices to fall by around MYR 200. We will continue to monitor the trade war development as well as soybean oil prices.