RHB Asset Management

FUND FACTSHEET – NOVEMBER 2018

All data expressed as at 31 October 2018 unless otherwise stated

3-year Fund Volatility 11.3 very high Lipper Analytics 15 OCT 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:

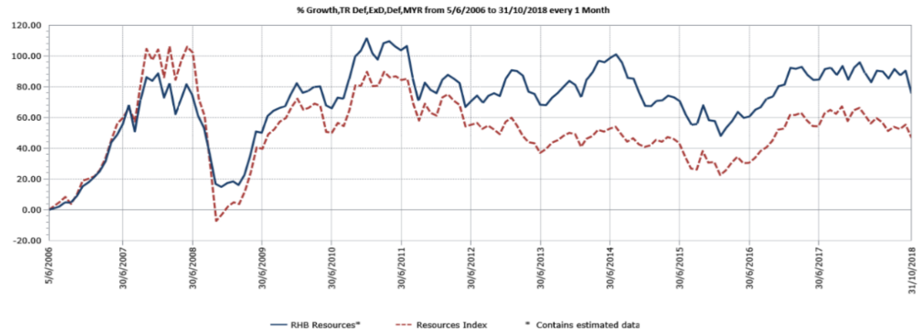
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than income over a long term period.

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	**-7.83**	**-8.20**	**-7.71**	**-8.74**
Benchmark	-5.42	-4.58	-7.97	-10.77

	1 Year	3 Years	5 Years	Since Launch
Fund	**-9.20**	**4.74**	**-2.47**	**75.63**
Benchmark	-12.11	6.31	-0.82	46.84

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

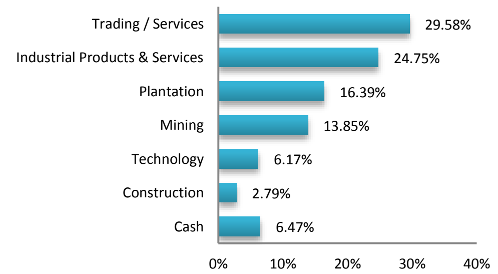
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Equity Fund
Fund Type	Growth Fund
Launch Date	16 May 2006
Unit NAV	RM0.5366
Fund Size (million)	RM24.82
Units In Circulation (million)	46.26
Financial Year End	31 March
MER (as at 31 Mar 2018)	1.82%
Min. Initial 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.*

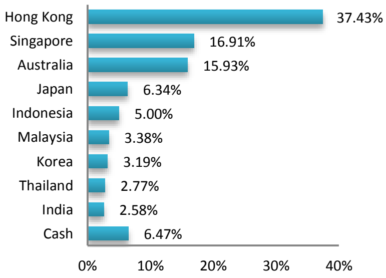
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

WILMAR INTERNATIONAL LTD	8.04
FIRST RESOURCES LTD	6.17
PETROCHINA CO LTD H	6.05
CHINA GAS HOLDINGS LTD	4.69
BHP BILLITON LTD	4.54

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5822	0.6041	0.8501
Low	0.5288	0.5288	0.3965

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

In October, Markit Global Manufacturing PMI remained in expansionary territory and remain supportive for the global trend growth, it has eased by 0.1pts to 52.1 in October – a 23-month low. In October, Eurozone Manufacturing PMI saw a sharp 1.2pts drop while U.S. (+0.1pts) and Japan (+0.4pts) gained. China's Caixin gained +0.1pts to 50.1, and official PMI dropped by -0.6pts to 50.2.

In October, oil prices lost all its gains from the previous month, with Brent and WTI closing into the lower end of our range of U$75.47/bbl and US$65.31/bbl respectively. The fears of a supply shock from loss in Iran crude changed U.S. decisions, and the U.Ss decided to grant waivers to 8 countries before sanction takes place on 3 November. Following Korea and Japan, the top 2 buyers India and China have shunned the cargoes, which could potentially remove 500k to 1m bbl/day off the seaborne market. While we did not assume a collapse of exports out of Iran, as Iran has been using the same trick of front loading their VLCC and sending them into storage in Dalian port, the drastic price action suggests that most are expecting waivers to come true as midterm approaches. We also witnessed the weakening of the time-spreads in Brent and WTI this month as a result of sharp reduction on CTA's positioning, such as the net long position reduced back to 2017 levels. Furthermore, adding to the price weakness, we saw strong crude production numbers out of OPEC+ and U.S. OPEC+ production climbed to the highest since 2016, while U.S. overtook Russia's crude production. In conclusion, we expect Saudi Arabia to play an increasingly important role as a key swing producer to keep oil prices within our range in 2019.

Chinese basic material companies delivered a stellar set of 3Q results on the back of better pricing and margins. In China, nationwide residential property sales volume and sales value increased by 3.3% and 15.6% year-on-year respectively during the first nine months of 2018. However, the concerns on housing slowdown/new starts as well as the under delivery of promise of order flow from the infrastructure sectors have caused pain to this sector this month. There has been significant pick up in bond raisings by the local government in recent months, and we expect these funds to be converted into order wins by 1Q19. Furthermore, backed by support from winter supply curtailment, we remain comfortable with our weights in the cement and steel sector.

Contrary to previous expectation that CPO prices will bottom and subsequently rebound in 4Q18, CPO price has dropped another 5% in October, and is currently trading at RM1975/ton at the time of writing. This is the result of a higher-than-expected increase in the Malaysian inventory (2.86m ton in October, an increase from September's 2.54m) as well as a similar situation in Indonesia (Oct numbers yet to be disclosed).

As such, we expect the CPO players to report flat to single digit growth in profit in the coming 3rd quarter, and possibly in the 4th quarter as well, despite an increase in production (expecting double-digit growth in volume for players with younger plantations such as First Resources & Genting Plantation) which is offset by depressed prices (8% fall in price between July and end September).

MARKET OUTLOOK AND STRATEGY

During a risk off month like October, even though we outperformed the general market (MSCI Asia Pacific -10% vs Resources Fund -7%), the skewness of the benchmark weight to CPO hurt us. We remain relatively underweight in CPOs as we do not see any near term catalysts.

In the soft commodity complex, we prefer mid-stream processors that can arbitrage on the low agricultural prices near term. As for CPO, we do expect to see a rebound, which would likely take place in 1Q19 now, compared to 4Q18 as previously expected. Additionally, the magnitude of rebound should be weaker than earlier projections, due to the weaker soybean oil prices (a result of record harvest and supply from South America). Our view on 2019's prices of RM2400 – 2500/ton remain unchanged. We are still positive on the longer term with fewer replanting and maturing acreage, but strong supplies from both CPO and soybean is proving to be a strong deterrent to prices in the shorter term.

Like what we have highlighted in our previous newsletters, we continue to be positive on oil prices and the E&P sector. We believe capex spending is starting to show sign of recovery. "Higher for longer" oil prices will be beneficiary for E&P companies. The capex related sector recovery is expected to be broader in 2019 than 2017-18. We would keep our overweight in gas-related companies as well. As for the material sector, we are warming up to the potential upside in minor metals on the back of the growth in demand for Electric Vehicles.