RHB Asset Management

FUND FACTSHEET – DECEMBER 2018

All data expressed as at 30 November 2018 unless otherwise stated

3-year Fund Volatility 11.5 very high Lipper Analytics 15 NOV 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:

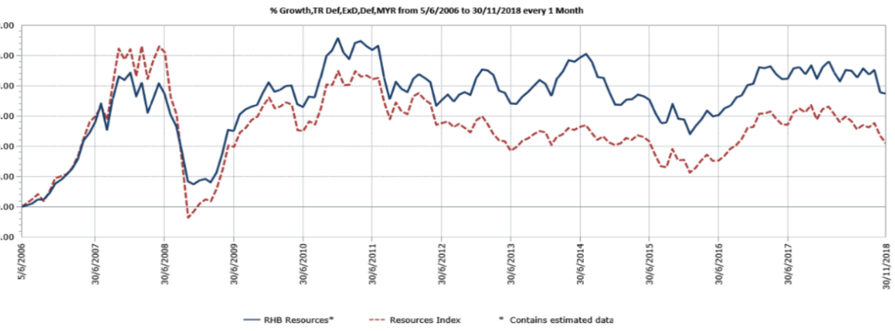
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than income over a long term period.

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	**-0.41**	**-6.61**	**-7.83**	**-9.12**
Benchmark	-3.38	-6.92	-9.46	-13.78

	1 Year	3 Years	5 Years	Since Launch
Fund	**-5.30**	**10.69**	**-4.88**	**74.91**
Benchmark	-10.02	8.60	-5.43	41.88

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

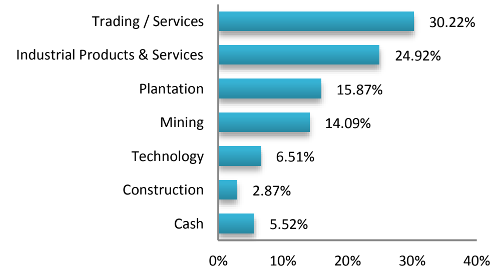
Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Equity Fund
Fund Type	Growth Fund
Launch Date	16 May 2006
Unit NAV	RM0.5344
Fund Size (million)	RM24.37
Units In Circulation (million)	45.60
Financial Year End	31 March
MER (as at 31 Mar 2018)	1.82%
Min. Initial 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.*

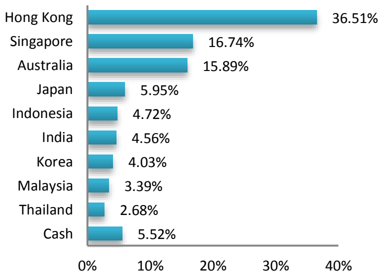
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

WILMAR INTERNATIONAL LTD	7.57
FIRST RESOURCES LTD	6.51
PETROCHINA CO LTD H	4.94
BHP BILLITON LTD	4.54
CHINA GAS HOLDINGS LTD	4.12

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5528	0.6041	0.8501
Low	0.5268	0.5268	0.3965

Source: Lipper IM

RHB Asset Management Sdn Bhd (174588-x) **Head Office: Level 8, Tower 2 & 3, RHB Centre, 50400 Kuala Lumpur** **General Line: 603-9205 8000**

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MANAGER'S COMMENTS

MARKET REVIEW

While the Markit Global Manufacturing PMI remained in expansionary territory and supportive towards 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 1.2pt drop, while US (+0.1pts) and Japan (+0.4pts) gained. China's Caixin increased by 0.1pts to 50.1, and official PMI decreased -0.6pts to 50.2 in October.

Since peaking in early October, WTI came off sharply by -27% in a short span of less than a month. For the first time in history, we saw a volatile daily move of -7% and 12 consecutive days of decline in oil. The upward revision to US supply by EIA, together with an unexpected U-turn on Iran sanctions, added to the initial concerns of slower global demand were key ingredients to this sell-off. US had urged OPEC to pump more before the Iran sanction kicks in on 4 November, but did a policy U-turn right before the US Midterm elections and granted waivers to 8 countries.

Technically, we see a cross asset risk off as well as momentum systematic selling (around WTI US$ 75->65) turning rapidly into short gamma selling (US$65- current price), as oil prices broke through its 200 daily moving average. WTI US$60->65 is the key level of hedging by oil producers, as evident by the big open interest in the option market. Volatility surged, with put skew noticeably higher. The exacerbated selling of crude oil futures by swap dealers, as they manage the risk incurred from existing producer hedging programs as oil hit key strike levels.

While Saudi Arabia stated that it would unilaterally reduce production by 500k bbl/day in December and OPEC+ will evaluate a 1.4m bbl/day cut, the near term risk is the whether or not OPEC+ will act rationally as the world's oil central bank after Trump's tweet to demand for lower oil prices. It was Trump's tweet in April that prompted OPEC to reverse its successful production policy and add production in June.

We skewed our portfolio towards the gas companies in the energy space. On the back of forecast of cold weather in the US, natural gas futures in the key NYMEX market shot to its highest levels since 2014 in November. One of our key holdings, China Gas reported half yearly earnings that were in line with our expectations, on the back of strong natural gas volume growth at 33.1% yoy to 10.98bcm. 1H19 earnings already achieved 53% of consensus forecast. Average gas dollar margin in 1H19 to RMB0.652/cum (-4.4% yoy). Interim DPS is unchanged yoy at HK$0.8 (10% pay out). Net gearing ratio -6.1ppts to 57.6% with FCF turned positive in 1H19.

CPO (-9%) experienced another dreadful month, as the fall in crude oil prices exacerbated palm oil's downward slide. As expected, most pure-play upstream CPO players reported numbers that were below expectations, as a result of lower prices (but offset by higher production). Wilmar, however had another great set of numbers in 3Q, following the strong performance in 2Q.

One of our position, Wilmar, registered YoY and QoQ growth for most of its business segments, particular in its crushing business in China as well as the refining business. Investors typically associate Wilmar's performance with CPO's prices, though it should be the exact opposite as Wilmar uses 100% of its upstream output for its palm oil refining business, thus benefiting from lower CPO prices (contrary to popular opinion). Evidently, we saw it in Wilmar's numbers as its palm oil segment has registered solid growth.

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.

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