# RHB Asset Management

**FUND FACTSHEET – MARCH 2020**
All data expressed as at 29 February 2020 unless otherwise stated

3-year Fund Volatility 12.3 very high
Lipper Analytics 11 FEB 2020

## 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

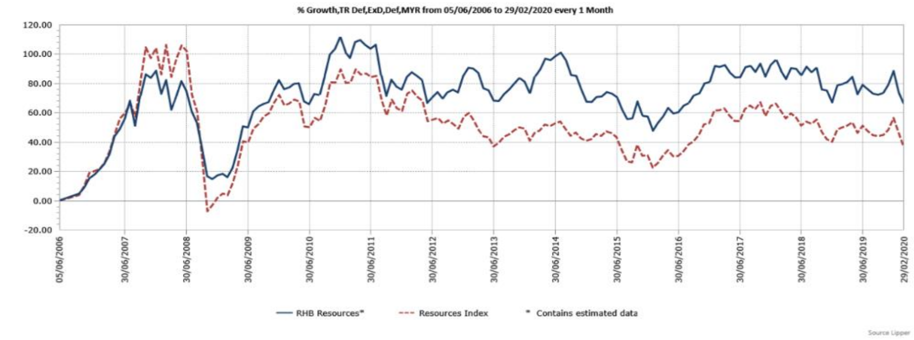
This Fund is suitable for investors who:
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than 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** | **-4.30** | **-7.21** | **-3.92** | **-11.77** |
| Benchmark | -6.38 | -7.84 | -5.46 | -12.55 |

| | 1 Year | 3 Years | 5 Years | Since Launch |
|---|---|---|---|---|
| **Fund** | **-7.38** | **-13.22** | **-2.80** | **66.04** |
| Benchmark | -8.83 | -15.38 | -5.99 | 36.71 |

**Calendar Year Performance (%)***

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Fund** | **12.75** | **-13.27** | **6.27** | **15.01** | **-6.04** |
| Benchmark | 11.49 | -14.80 | 7.73 | 16.58 | -6.98 |

*Source: Lipper IM*

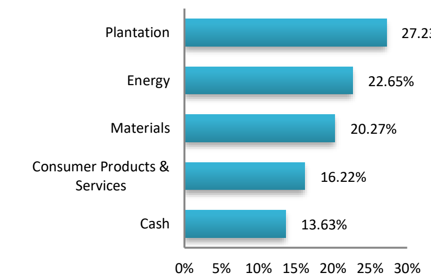
### FUND DETAILS

| | |
|---|---|
| **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** | RM0.5073 |
| **Fund Size (million)** | RM18.91 |
| **Units In Circulation (million)** | 37.28 |
| **Financial Year End** | 31 March |
| **MER (as at 31 Mar 2019)** | 1.92% |
| **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 and will be reinvested |

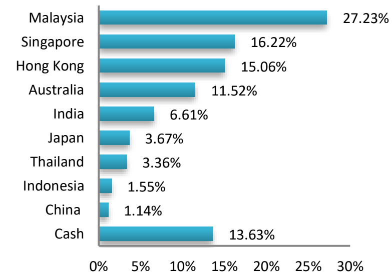
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
*For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the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

### FUND PORTFOLIO ANALYSIS

**Sector Allocation***




**Country Allocation***




**Top Holdings (%)***

| | |
|---|---|
| WILMAR INTERNATIONAL LTD | 11.51 |
| IOI CORP BHD | 8.82 |
| KUALA LUMPUR KEPONG BHD | 8.21 |
| GENTING PLANTATIONS BHD | 5.97 |
| RELIANCE INDUSTRIES LTD | 5.54 |

**As percentage of NAV*

### FUND STATISTICS

**Historical NAV (RM)**

| | 1 Month | 12 Months | Since Launch |
|---|---|---|---|
| High | 0.5470 | 0.5836 | 0.8501 |
| Low | 0.5073 | 0.5073 | 0.3965 |

*Source: Lipper IM*

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# RHB RESOURCES FUND

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## MANAGER'S COMMENTS

**MARKET REVIEW**

The global market fell sharply by 8.2% after a decline of 1.2% in the month of January. Energy (-14.3%) sector continued to be under pressured with WTI oil price sinking below USD 50 per barrel. OPEC have already curbing oil output under a deal that runs to the end of March and they are scheduled to meet on March 5-6 to decide further policy. All sectors registered a drop in February, with cyclical sectors such as materials (-9.8%), industrials (-9.5%) and financial (9.4%) most hit. On the other side, communication services (-5.7%), real estate (-6.6%) and healthcare (-6.8%) outperformed. Within regions, Asia ex Japan (-2.9%) outperformed while UK (-12.6%), Europe (-9.7%), Japan (-9.2%) and United States (-8.3%) underperformed.

Over in the US, the 10-year bond yield has fallen to a historical low of 1.15% as the close of February and the 2-year bond yield has break the 1% level to close the month at 0.91%. Seeing this, the Federal Reserve Chairman Joy Powell signaled in an unscheduled statement saying the Federal Reserve is monitoring the COVID-19 and will act as appropriate to cut rate if necessary despite claiming that fundamentals for the US economy were still intact. The market is pricing expecting a rate cut in 18th March meeting and saw at least 2-3 cut for the year 2020. The current benchmark rate was now at 1.5% - 1.75%. The FOMC is also scheduled to conclude its policy framework review around mid-2020. There is a dovish shift to the statement language suggesting more resolution to the transition to an average inflation target. Super Tuesday comes this week and fourteen states hold primaries with 1338 total pledged delegates up for grabs.

Following a few COVID-19 period surveys on Feb 3 and Feb 17, we can see 1) most companies are reporting sequential downstream demand recovery, up from just 10-30% normal level in the previous survey to 25-40%; 2) inventories are building up for domestic market oriented companies (cement, steel, aluminum) but for those focusing on export (pre-cursor and lithium hydroxide), inventories are low; and 3) most companies are expecting demand normalization in 2Q, but uncertainty remains.

Price of steel fell and the price of iron ore rose. Rebar -5%/ HRC -8% from the pre-holiday period due to delayed demand and soaring inventory pressure. In the first week after the Spring Festival, the price of iron ore dropped, but due to the recent hurricanes and heavy rains in Vale, some mining companies lowered their 1Q production forecasts, making the market worried about short-term ore supply, leading to the recent iron ore price increase.

CPO price has corrected from its 2020 peak of US$700 per MT mainly driven by the reintroduction of US$18 per MT Indonesian export levies and India 44% import tax starting Feb 2020. So far, the global coronavirus outbreak has not affected supply and demand. On the other hand, supply was the key driver of CPO price and helped withstand the soybean oil price correction lately due to coronavirus fears.

Oil continues to fall in the month of February as the COVID-19 situation worsens. The initial decline was mainly attributable to the loss of Chinese and global oil demand from the outbreak. However, the situation quickly escalated as the COVID-19 virus spread globally, turning it into an epidemic as a number of additional countries saw confirmed cases spiked. Oil prices look supported at current levels, but this is mainly buoyed by the expectation of synchronized central bank rate cuts and OPEC+ production cut in 5-6 March 2020.

**MARKET OUTLOOK AND STRATEGY**

On CPO – COVID-19 aside, lower CPO supply due to under-fertilization over the last 12 months and dry weather but the real start of structural supply tightness due to a lack of new plantings since 2015/2016. Also, given the political uncertainties in Malaysia (a major CPO country), we expect the CPO sector to be less affected by local uncertainties and be a safe haven for domestic funds. We are positive on CPO.

We also prefer and have added cement plays, whose producers maintain their supply discipline and close down production lines to maintain a limited level of inventories (less than two weeks). Cement producers will most likely maintain industry profitability at close to historical highs once demand normalizes. Also, given the severity of the virus and the impact to the country's GDP, we think governments esp local governments have no choice to impose more supportive measures ahead. This will certainly support the cement sector.

On oil, we have already reduced our position in oil, especially the refineries, and are nimbly positioned in the upstream players that have better relative fundamentals. The oil market may continue to be in a surplus situation and disappointing global demand readings point to weak growth momentum. We continue to look forward to the OPEC+ meeting in Vienna over 5-6 March, and hope for an effective output reduction agreement.

In summary, we believe CPO plays will still be in favor despite the coronavirus outbreak as supply and inventory continues to trend lower. We also favor the cement sector as we see the sector as beneficiary of stimulus injection by the government. We continue to remain nimble in the oil segment and look to add some value to the fund on positive developments over the next few weeks.



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