RHB Asset Management

FUND FACTSHEET – MAY 2020
All data expressed as at 30 April 2020 unless otherwise stated

3-year Fund Volatility
14.9
very high
Lipper Analytics
10 APR 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

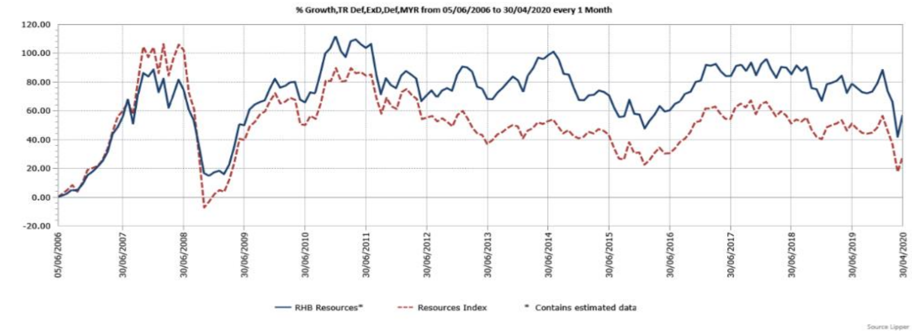
This Fund is suitable for investors who:
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than 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	**10.60**	**-9.49**	**-9.37**	**-16.56**
Benchmark	9.04	-12.26	-11.50	-18.04

	1 Year	3 Years	5 Years	Since Launch
Fund	**-14.76**	**-16.21**	**-9.85**	**57.04**
Benchmark	-16.49	-18.95	-12.98	28.13

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

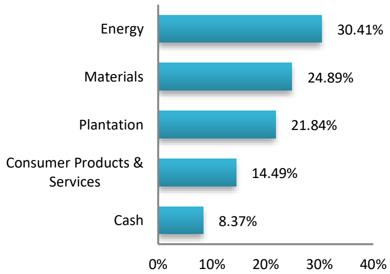
FUND DETAILS

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	RM0.4798
Fund Size (million)	RM18.98
Units In Circulation (million)	39.56
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

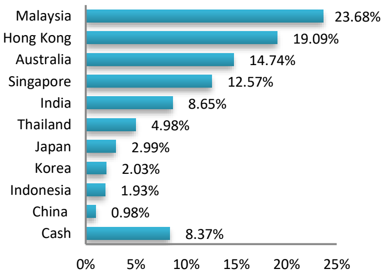
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management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

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

WILMAR INTERNATIONAL LTD	8.85
IOI CORP BHD	8.56
KUALA LUMPUR KEPONG BHD	7.87
RELIANCE INDUSTRIES LTD	7.60
BHP GROUP LTD	7.27

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.4798	0.5836	0.8501
Low	0.4330	0.3940	0.3940

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

The financial market has welcomed the stimulus as the global market rose 10.6% in April, bringing the year to date loss to 13.5%. All sectors registered a gain in April, with cyclical sectors such as energy (+15.7%), consumer discretionary (+15.5%) and materials (+15.1%) outperforming. On the other side, utilities (+3.7%), consumer staples (+5.7%) and financials (+6.8%) underperformed. Within regions, United States (+13.0%) outperformed global peers. Asia ex Japan (+8.9%), Europe (+5.8%), Japan (+5.4%) and UK (+5.3%) underperformed.

The lockdown measures continue to show results as the COVID-19 curve continues to flatten. At the time of writing, total confirmed cases crossed 4 million - an increase from 3.4 million the prior week. Out of the total confirmed cases, around 58.6% still remain active (eased from 61.1% prior week), while 34.5% have recovered with fatality rate hovering around 7.0%. The stages of recovery differ across the world as shown in the table above. We will look forward for the decline in the number of new cases turns, increase in the number of recoveries as well as potential medical response (from treatment care (antiviral) to preventive care (vaccines) while cautious any possible 'second wave'. Indeed, many factors could affect the numbers.

Indeed, narrative in the news has shifted from the crisis to recovery. Parts of US states, Europe as well as Asia have started removing mobility restrictions after experiencing slower growth in cases. Mirroring China's process, reopening of economies are anticipated in phases. Analysis of China data shows that it takes longer for the consumer to return to normalcy (get back to play) than for manufacturing to recover ("get back to work"). A major constraint to "back to work" is the high percentage of children affected by school closures. According to UNESCO, as of May 1, there are 1.29 billion or 73.8% of total learners in 186 countries still facing school closures. While a lion's share of students is subjected to national or regional shutdowns complicated parents "back to work" plan, it is an improvement from 1.6 billion or 91.4% in 195 counties on April 1. In gauging a return to play, flight activity between major cities in the greater China area are starting to pick up. The impact of COVID on the Chinese aviation reached a peak in the week starting February 17, with flight numbers down by 70.8% and it is still down by 39.2% in the week starting April 27.

CPO prices have been under pressure in the past few months, hit by double whammy of Covid-19 pandemic and lower crude oil price due to price war between Saudi Arabia and Russia. We believe the downside risk is still high for CPO price as will reflect the anticipated lower PO demand and higher stockpiles, compounded by weak soybean oil (SBO) prices and lower crude oil prices. Supply chain disruptions compounded by the global lockdown or movement restriction have taken a toll on demand as well.

The lockdowns globally have caused a huge loss of wealth from idled businesses, and vastly stretched the ranks of the unemployed. Under this circumstance it appears unreasonable to expect consumption to rebound to previous levels. Many businesses have wound back capex plans and are battening down for tough times ahead. Those actions, while wise for the company, add to the contraction in the global investment spend. Manufacturing PMIs are backward looking so the recent numbers are telling us what we already know, that the contraction caused by country lockdowns has been enormous. An issue affecting commodities demand in global recessions is destocking and restocking cycles. As demand contracts, industries destock raw materials which accentuates the downswing for the raw material producers. We now believe a global recession is starting but don't believe the destocking phase has yet begun.

In the month of April, the energy market saw a historic day as West Texas Oil (WTI) crude oil closed in the negative territory for the first time ever, and posting the largest one-day sell off. While this move is symptomatic of an unprecedented oil surplus testing storage capacity, the dramatic move is entirely attributed to the binding constraints of trading commodity futures into expiration. Negative oil prices means that producers are effectively willing to pay someone to move their crude. While the collapse in prices shocked investors, oil prices quickly rebounded back to near the US$20/bbl level by the end of the month as the market rationalized. After experiencing the historic day, the market now focuses on both demand and storage capacity as the key concerns going forward.

MARKET OUTLOOK AND STRATEGY

CPO prices will continue to be under pressure by slower demand compounded by 1) weak demand of CPO, 2) the narrowing of the price differential between CPO and SBO, and 3) broadening spread between CPO and gas oil. Demand will likely remain under pressure in the short to medium term as Covid-19 pandemic is prolonged with many countries adopt a slow approach in lifting restrictions and borders. We foresee that the drag will likely persist until the end of the 2nd quarter. Remain underweight.

On metals, we are not expecting a V-shaped recovery when the lockdowns end, because consumer confidence has cratered and the ranks of the unemployed have ballooned. These, together with the withdrawal of investment by companies, should create a demand gap when industry restarts. Expecting heavy surpluses for all the metals this year given forecast cuts to demand of 7% for Cu, Ni and Zn, and 6% for Al. This demand destruction far outpaces temporary interruptions to metal mines for COVID-19 isolation measures. We view nickel as the pick of the metals given a minimal stock overhang in 2021, which should allow prices to rise YoY. Conversely, aluminium surpluses look heavy, and its low price and output cuts will weigh on alumina demand, forcing refinery closures.

While the steep collapsed in oil prices spooked investors, it has also created opportunities in the market. We have incrementally turned more positive on the upstream players on attractive valuations as share prices fell in conjunction with the oil prices, as well as we believe that oil prices at below US$20/bbl is unsustainable and short-term. Recovery in oil prices will thus have a direct impact to the upstream players with high correlations. Further, lower oil prices also benefit the refineries. In the oil space, we also looked towards China, being the first to suffer and gradually returning back to normal, we like both the upstream players and selected refineries. We also prefer the Chinese oil services company, given that the major upstream player in China did not cut the domestic capital expenditures. Going forward, we are incrementally more positive on upstream players, oilfield services companies, refiners, but more cautious towards the petrochemical players given the weak supply-demand dynamics.

In summary, we are keeping our underweight in CPO companies in light of demand destruction and continue to favor domestic-centric Chinese plays such as cement to capitalize on the recovery of the Chinese industrial activities, notwithstanding the impact of COVID-19. We have gradually added some positions to selected energy upstream players, oilfield services players, and refineries.