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:

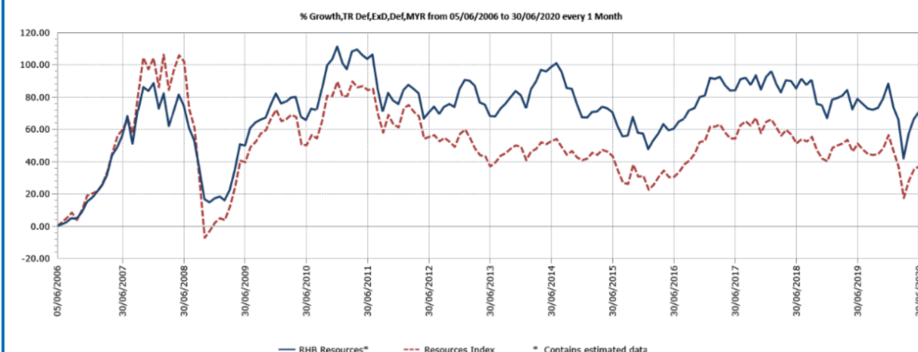
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than income over a long term period.

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	**2.66**	**20.19**	**-9.32**	**-9.32**
Benchmark	1.40	16.60	-12.36	-12.36

	1 Year	3 Years	5 Years	Since Launch
Fund	**-4.54**	**-7.41**	**-0.02**	**70.66**
Benchmark	-9.32	-11.16	-4.42	37.01

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

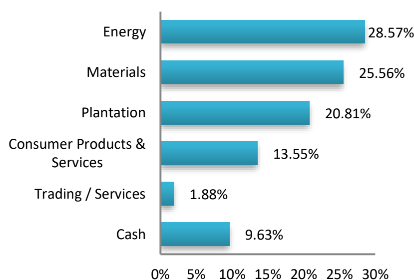
FUND DETAILS

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	RM0.5214
Fund Size (million)	RM21.82
Units In Circulation (million)	41.84
Financial Year End	31 March
MER (as at 31 Mar 2020)	1.67%
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

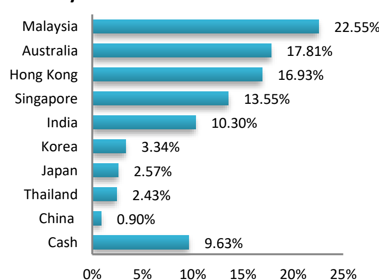
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management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

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

WILMAR INTERNATIONAL LTD	9.35
RELIANCE INDUSTRIES LTD	9.04
KUALA LUMPUR KEPONG BHD	8.17
IOI CORP BHD	7.96
BHP GROUP LTD	7.33

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5331	0.5836	0.8501
Low	0.5053	0.3940	0.3940

Source: Lipper IM

3-year Fund Volatility
16.6
very high
Lipper Analytics
10 JUN 2020

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MANAGER'S COMMENTS

MARKET REVIEW

The global equity markets went from risk-on to risk-off and closed the month of June up by 3.0%, bringing the year to date loss to 7.1%. Sectors that outperformed are information technology (+7.5%), consumer discretionary (5.2%) and materials (+3.8%). On the other side, utilities (-1.5%), healthcare (-0.8%) and energy (-0.5%) registered negative return in June. Within regions, Asia ex Japan (+7.9%), and Europe (+3.7%) outperformed global peers while US (+2.1%), UK (+1.3%) and Japan (-0.1%) underperformed in USD terms.

US's top health official, Dr Anthony Fauci, sounded cautious as numbers worsen in several states – specifically Arizona, Texas, California, and Florida. These 4 states accounted for 30% of US GDP. As the US hits new record for daily coronavirus, the White House Coronavirus Task Force held its first public briefing since April 27 and the governors of Texas and Florida hit pause on their opening plans.

The IMF projected deeper global recession on growing virus threat. The agency now sees a global contraction of -4.9% in 2020, 1.9 percentage points below April's forecast. The pandemic has had a more negative impact on activity in the 1H of 2020 than anticipated and the recovery is projected to be more gradual than previously forecast. Global growth for 2021 is also revised down by 0.4 percentage points to 5.4%. This is closer to the OECD, which sees -6.0% global contraction this year and 5.2% growth next year. IMF Chief Economist Gopinath stressed there is a high degree of uncertainty in both directions and one of fund's key message was that "in the absence of a medical solution, the strength of the recovery is highly uncertain and the impact on sectors and countries uneven."

In June, CPO prices have bounced back 19% since hitting a low in May 2020, suggesting that demand is recovering as the hotel and restaurant industry gradually revives operations. This also supported by the recovery in crude oil prices. The insufficient domestic supplies in India and low palm oil inventory in China necessitate the need for higher demand. Meanwhile, production growth continues to remain subdued (-2% for 2020 and +3% in 2021 vs average annual growth rate of 5%) due to aging trees, labor shortages and a lack of fertilizer application. There is also potential for further contraction if the shortage of workers is worse-than-expected due to the Movement Control Order (MCO) in Malaysia. According to the USDA the palm oil stock-to-use ratio is expected to decline to 13.3% in 2021 from 14.6% in 2020, and thus supporting prices.

Prices for the base metals' complex have reported a volatile, shallow-pitched recovery since Apr's low. While the rally's partly reflected in other market signals, evidence for a similarly sharp recovery in downstream demand is mixed. Robust apparent demand numbers are at odds with bearish feedback from industry players for all metals (in particular, copper, zinc & nickel). Also, demand for China's metal-bearing exports is at risk, with waning ex-China growth. Two supply-side offsets exist for souring demand: slow post-lockdown reactivation of mines worldwide, and the collapse in scrap collection/collation. While scrap flows typically decline in recessions (weak incentive to collect on lower prices), the condition was effectively enhanced by the nature of the lockdown policy.

In the month of June, oil prices had a volatile month but ended higher month-on-month on better recovery momentum on demand and stable supply led by OPEC+ agreement to extend production cuts for one more month. At the start of June, OPEC+ agreed to keep full cuts in place for one more month into July rather than tapering from July as originally planned, hence helped support oil prices. Thereafter, oil prices saw some weakness as IEA's June monthly report was relatively dovish on their estimates and fear on second wave surge. Oil prices then recovered gradually towards the end of the month as demand momentum remain decent and oil inventory level was stable as well. Refining margins remained negative on oil price recovery and weak demand, while the petrochemical space was mixed where certain segments outperformed others on better demand, such as one-time use plastics.

MARKET OUTLOOK AND STRATEGY

We see tailwinds for CPO prices heading into 2021 as demand recovery led by India and China could be in the work. Production growth continues to remain subdued with potential for further contraction if the shortage of workers is worse than expected. We are already seeing early signs of Malaysian export recovery to India despite still being lower by 93% YoY on a YTD basis. The low edible oil inventory level in India suggests a greater need for higher vegetable oil including palm oil. Positively, leading Indian importers recently contracted up to 200,000t of CPO from Malaysia to be shipped in June and July. This is an increase of 32% from the 151,106mt seen in January-May 2020. According to Oil World, soybean stock-to-use ratio is expected to increase to 30.4% in 2021 from 29.2% in 2020. This is led by production recovery in the US and Brazil. Coupled with expectations of only a mild soybean consumption growth, this could result into a production surplus in 2021. Soybean demand is mainly driven by rising Chinese soya meal consumption which require higher Chinese soybean imports and crushing. The downward price pressure on soybean will cap the upside to CPO price.

The macro backdrop continues to favor precious exposure: falling real rates; worldwide adoption of the rate cut cycle by central banks and, of course, universal anxiety about the virus. Biggest cap for gold & silver's upside is perhaps the preference for cash on collapsing inflation expectations. Any price upside depends on rates/stimulus strategies delivering a recovery and a unexpectedly sharp return of inflation risk.

Oil continues to see a quick rebound since mid-April. During the month, we saw positive value-add from our overweight exposure in the upstream players, which benefitted directly from the recovery in oil prices. Going into 2H20, we maintain our view that oil prices would still be dependent on a confluence of factors, including the pace of global economy recovery, potential further oil production curtailments by OPEC+ in the upcoming meetings, as well as being cautious on negative impact from potential rise in the second wave of Covid-19. In 3Q20, the market expects demand to recover as business activities returned post the lockdown period across the globe. However, inventory build-up will continue as some of the rigs resumed operations. As such, oil prices could remain range-bound till 4Q20, but with potential upside should the OPEC+ meeting reached another agreement. Going into 4Q20, the market expects drawdown of oil, which will help support oil prices. On a longer term, current low oil price levels remain unsustainable for most oil companies given that the global average marginal cost is estimated to be around US$50. Hence, we could expect gradual recovery of oil prices in 2021 back to at least the marginal cost levels

In summary, we will be reducing our underweight in CPO companies in light of a gradual recovery as well as a stronger crude oil price. We will also be maintaining our oil positions as we look forward to a gradual recovery.

DISCLAIMER:

Based on the fund's portfolio returns as at 10 June 2020, the Volatility Factor (VF) for this fund is 16.6 and is classified as "Very High". (source: Lipper) "Very High" includes funds with VF that are more than 15.2 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The VC referred to was dated 31 December 2019 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2020.

A Product Highlights Sheet ("PHS") highlighting the key features and risks of the Fund is available and investors have the right to request for a PHS. Investors are advised to obtain, read and understand the PHS and the contents of the Master Prospectus dated 3 September 2017 and its supplementary(ies) (if any) ("the Master Prospectus") before investing. The Master Prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. This update does not amount to indicate that the SC has recommended or endorsed the Fund. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Master Prospectus relates will only be made on receipt of a form of application referred to in the Master Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Master Prospectus or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks of the Fund are price volatility, focus on natural resources sectors, changes in environmental regulations and laws, country risk and currency risk. These risks and other general risks are elaborated in the Master Prospectus.

This factsheet is prepared for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Past performance is not necessarily a guide to future performance. Returns may vary from year to year.