RHB Asset Management

FUND FACTSHEET – AUGUST 2020

All data expressed as at 31 July 2020 unless otherwise stated

3-year Fund Volatility 16.7 very high Lipper Analytics 14 JUL 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:

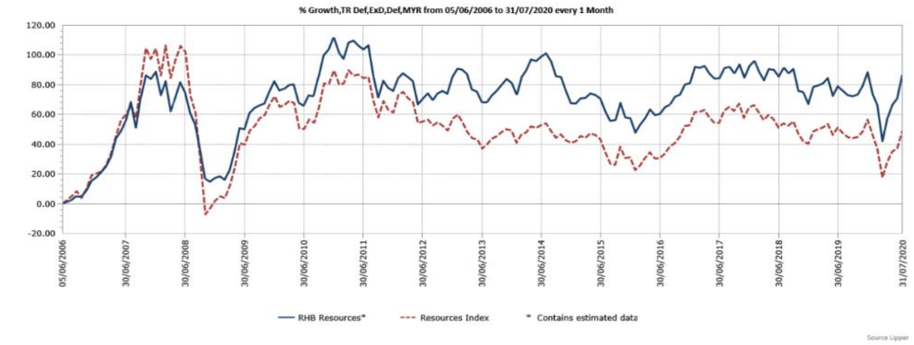
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than income over a long term period.

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	**9.26**	**18.74**	**7.47**	**-0.92**
Benchmark	8.68	16.22	1.98	-4.75

	1 Year	3 Years	5 Years	Since Launch
Fund	**6.09**	**-2.45**	**15.07**	**86.47**
Benchmark	1.01	-8.34	10.68	48.91

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

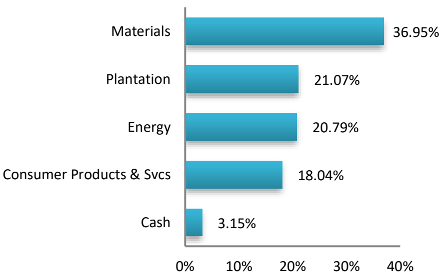
FUND DETAILS

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	RM0.5697
Fund Size (million)	RM22.75
Units In Circulation (million)	39.94
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

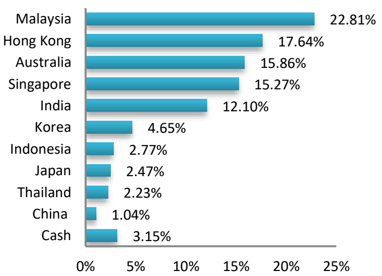
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management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

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

RELIANCE INDUSTRIES LTD	10.71
WILMAR INTERNATIONAL LTD	10.16
KUALA LUMPUR KEPONG BHD	8.26
IOI CORP BHD	8.05
BHP GROUP LTD	7.61

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5742	0.5836	0.8501
Low	0.5214	0.3940	0.3940

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

The global equity markets closed the month of July up by 3.0%, bringing the year to date loss to 2.4%. The top 3 sectors that outperformed in the month of July are consumer discretionary (8.1%), materials (+7.8%) and information technology (+7.0%), unchanged from the month of June. On the other side, only the energy (-2.3%) sector registered negative returns in July. Within regions, Asia ex-Japan (+7.6%) and US (+5.8%) outperformed global peers while the Europe (+3.6%), UK (+1.2%) and Japan (-1.6%) underperformed in USD terms.

The outlook for risk assets remain uncertain. Rising infections may force Hong Kong to delay its Legislative Council elections, while Tokyo numbers may lead to a declaration of emergency, as both countries have increased restrictions. The UK government reinstated stricter lockdown measures in select cities due to weak adherence to social distancing guidelines. On the other hand, big tech, such as Apple, had a better earnings season than expected.

The Fed delivered a dovish hold with no surprises, with all policy settings left unchanged and a sober outlook was presented. The bank warned that the pandemic still poses considerable risks, noting that there are signs that the recent surge in the infections is weighing on the economy. Chairman Powell said the path forward is extraordinarily uncertain, with a full recovery unlikely until people feel safe. He said the Fed has ways to further support the economy, emphasizing again that the Fed is “not even thinking about thinking about raising rates.” Powell also said that the Fed is wrapping up its framework review in the near future. If the Fed is preparing to introduce some sort of target-based forward guidance, it would make sense to do it at a time when its macro forecasts and Dot Plots are updated at the next meeting on September 16. The centerpiece of this review will be an average inflation target, allowing the Fed to overshoot the 2.0% level to make up for below target periods.

During 2Q20, the CPO price fell 12% QoQ to average at RM2,275/t, though still 15% higher YoY. It is likely that the Malaysian planters post a satisfactory 2Q20 financial performance, as the higher production (+35% QoQ) should more than offset the drop in the average price. China purchased its largest quantity of palm oil in June with 351k t (+226% YoY and 56% MoM), while India stepped up on its palm oil purchases (+348%) on the back of the easing lockdowns. While we take this to be a positive sign, India's palm oil purchases have yet to fully normalize. Its June purchase remains 42% lower than the year before, and on a YTD basis, its palm oil imports from Malaysia stands 85% lower YoY. Note that the EU continues to purchase less palm oil (-16% MoM/-30% YoY). It is likely that the drop in demand is in the non-food category, as approximately half of the EU's palm oil usage is in the biofuels industry. On the supply side, FFB yields continued to accelerate and hit a peak of 1.66 t/ha in June. Based on past trends, 1H typically makes up ~45% of the year's production.

PMI globally continue to show signs of improvements. July PMI's were much improved for most major economies with the Eurozone (51.8, prior: 47.4) joining China (51.1, prior: 50.9) and the US (54.2, prior: 52.6) in expansionary territory (>50) though recoveries for some of the other major countries were not as pronounced with India (46.0, prior: 47.2), Japan (45.2, prior: 40.1), and S. Korea (46.9, prior: 43.4) still lagging. We caution against assuming the trend to continue with many countries still grappling with COVID-19 and complicating efforts in continuing to lift mobility restrictions. This has bode well for metal prices.

In the month of July, oil prices remain stable through the month. Oil prices were supported by demand recovery as economies gradually open up and transportation demand returns. While demand continues to recover, especially in China, it remains well below normal levels and improvements are slowing notably. On the other hand, supply remains stable – in the US, oil rig count decline has stabilized and on the OPEC+ front, they have agreed to taper the cuts from 9.6million barrels per day to 7.7 million barrels per day starting August. An additional 1.2 million barrels per day of bonus cuts by Saudi Arabia, Kuwait, and UAE will also ceased by end July. Crude oil prices continue to bounce from current levels but the surging coronavirus infections globally continue to threaten to jeopardize a recovery in fuel demand.

MARKET OUTLOOK AND STRATEGY

Post lockdowns, large markets like China and India have begun restocking, which has helped CPO prices to recover to RM2400/t. We expect China's demand for soybean meal and veg oil to be strong in 2020/21, sustaining crush volumes and margins at very healthy levels. Impact for palm oil prices is mixed: strong crushing volumes should lead to higher soybean oil supply but underlying veg oil demand growth and stockpiling for food security reasons may keep China's veg oil market tight. Crush margins are at their highest in 10 years and the expert expects margins to remain healthy. With strong production outlook from both the US and Brazil, he believes global soybean prices will remain depressed. Meanwhile, he expects China prices for soybean products to remain strong due to good demand growth and a political risk premium (supply uncertainty amid trade tensions). That said, we remain cautious on the sector, as the PO-GO spread remains unattractive, despite recovering food demand post the easing
lockdowns.

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 an unexpectedly sharp return of inflation risk.

While we continue to see recovery in fuel demand as economies reopen, the tapering of supply reduction and US production continues to keep oil prices in check. As such, during the month, we took some profits off the upstream names to reduce our exposure as we believe that most of the upside have been priced in in the near term. Looking ahead, we maintain our stance of a stable oil prices at current levels going into 3Q20 and remain aware of potential upside should OPEC+ extends their production cuts. 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 amid 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.

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