RHB Asset Management

FUND FACTSHEET - OCTOBER 2020
All data expressed as at 30 September 2020
unless otherwise stated

3-year Fund Volatility
17.4
very high
Lipper Analytics
10 SEP 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

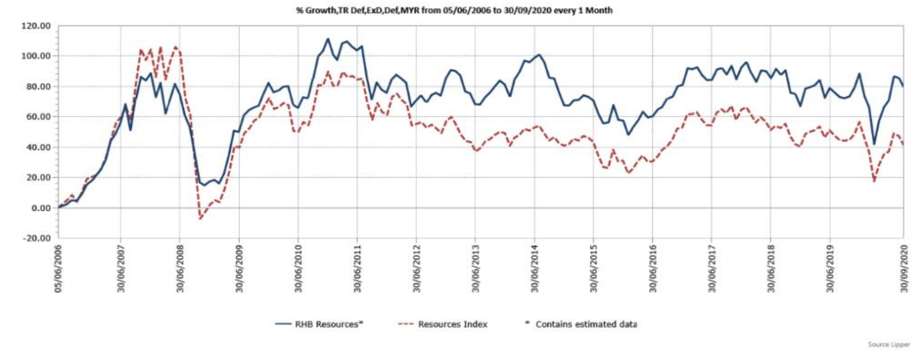
This Fund is suitable for investors who:
- wish to capitalise on the opportunities offered by the natural resources sectors;
- seek an investment well-diversified across the Asia Pacific markets;
- are willing to accept moderate to high risk in their investments; and
- prefer capital growth rather than 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	**-3.34**	**5.01**	**26.21**	**-4.78**
Benchmark	-4.07	3.07	20.17	-9.67

	1 Year	3 Years	5 Years	Since Launch
Fund	**4.13**	**-4.42**	**14.92**	**79.20**
Benchmark	-1.98	-13.00	11.93	41.21

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

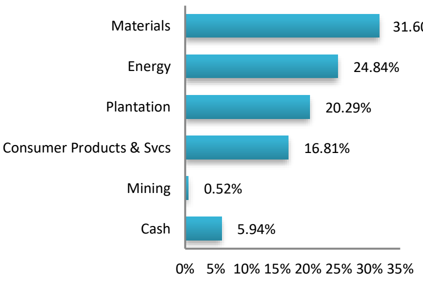
FUND DETAILS

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	RM0.5475
Fund Size (million)	RM19.77
Units In Circulation (million)	36.11
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

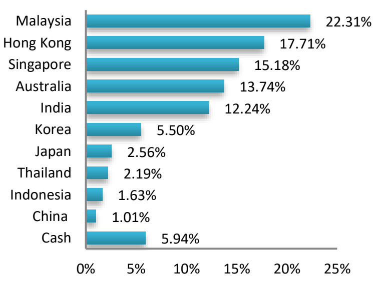
**All fees and charges payable to Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time.*
For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management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

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

RELIANCE INDUSTRIES LTD	11.80
WILMAR INTERNATIONAL LTD	11.02
IOI CORP BHD	7.92
KUALA LUMPUR KEPONG BHD	7.06
ZIJIN MINING GROUP CO LTD	5.81

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5724	0.5874	0.8501
Low	0.5457	0.3940	0.3940

Source: Lipper IM

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MANAGER'S COMMENTS

MARKET REVIEW

Global equity markets retreated for the month of September, weighed down by building risk factors across the globe. These include rising cases in Europe, a spike in hospitalizations in Spain, new lockdown rules in UK and France, weaker PMIs across the globe, as well as US political uncertainty. The global equity markets fell by 3.4% in September, bringing the year to date return flat. No sector registered a positive return. Industrials (-0.9%), utilities (-1.1%) and materials fell the least in the month of September. Energy was the worst performing sector, as it fell -12.4% in the month. Within regions, Japan (+0.3%) registered positive return in USD terms. US (-3.9%), Europe (-3.5%), UK (-5.1%) and Asia ex Japan (-1.7%) positive negative return in USD terms.

US politics is coming in to focus as the election draws near, with current poll seeing support for Biden (Figure 2-4). The death of Supreme Court Justice Ginsburg has introduced a huge element of uncertainty and volatility into the situation. The most direct impact is likely to be further delays in the stimulus package, as markets believe that it is unlikely for a deal to come before the election, as the Republican-led Senate's focus is to push through a replacement for Justice Ginsburg. The US Senate passed a bipartisan spending bill that will keep the government funded through December 11, averting a much-dreaded shutdown. The House of Representatives already passed the stopgap measure by a 359-57 vote. Separately, President Trump's latest comments on the legitimacy of mail-in voting are not new, but reinforces concerns about possible unrest after elections, with VIX futures remain elevated into December.

The FOMC delivered no surprise (0.0-0.25%; USD 80 billion per month) and the overall message remain dovish. The FOMC committee gave its first forward guidance by the new principles agreed to at the end of its recent framework review (flexible average inflation targeting). Under this new framework, the Fed will have much more discretion to allow higher inflation and tighter labor markets, with an underlying message of lower for longer rates. The BOJ adopted an inflation-overshoot strategy back in 2016. According to the updated Summary of Economic Projections as the FOMC rolls forward the end of its forecast horizon by one year to 2023, rates remain low at least until 2023.

Markets are digesting the rising infection rates across Europe. France and the UK are seeing record daily infection rates, while the number of hospitalizations are increasing as well (especially in Spain). The good news is that deaths are nowhere near the first wave of the pandemic. The bad news is that limited lockdowns and self-imposed lockdowns will still have a chilling effect on economic activity, and September flash PMIs across Europe are already reflecting this. However, Europe successfully crushed the curve in the first wave and we are confident that it can be done for this second wave, albeit at the cost of slower growth in Q4. Indeed, business confidence in Italy saw a surprising strong reading, reinforcing that it is dealing with the second wave far better than it dealt with the first. US virus numbers are also rising again, but as the US has not crushed the "first" wave in the first place and so the US is starting from an already weakened position. With stimulus running out, the US economy may underperform in Q4.

August MPOB stats reported a 25% y-y decline in inventory to 1.8mn MT, hovering at the lowest level since the El Niño in June-17. August exports declined sequentially by -11% m-m (-9% y-y), exports YTD declined 11% y-y but came in above consensus expectations by 3%. Production was also slightly ahead of expectations at 1.8 6mn mt (+3% m-m, +2% y-y) but -5% y-y YTD. Overall, the MPOB S/U ratio was stable at 8.2%. Exports to India declined 28% m-m (YTD: -67% y-y).

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 bodes well for metal prices.

In the month of September, oil prices once again was unexciting and closed slightly lower for the period. Earlier in the month, oil prices came off amid the general sell-off throughout the markets and the US dollar strengthened. Although prices were supported in the mid-week on higher-than-expected drawdown of inventory, the positive news were quickly dissipated by the supply concerns across various nations which could potentially cap the upside potential of oil prices. Higher Russian oil production above quota in September 2020 stoked concerns about ongoing OPEC+ cut compliance and Libya's crude oil production soared during the period. Positively, US oil balances continue to tighten and oil rig counts remain stable.

MARKET OUTLOOK AND STRATEGY

On CPO, we expect that 2H20 to be be an anomaly year for India whereby we expect India to buy more CPO in 2H vs. 1H, driven by i) pent-up CPO demand from lack of purchases in 1H20; and ii) floods in India damaging groundnut and soybean crops – hence a push for substitutes. Meanwhile, exports to China were marginally higher by +2% m-m (-1% y-y) and we expect purchases from China to continue in 2H20 with upside risk given a potential drought in the US and South America which could cause serious soybeans shortage, prompting China to seek substitutes. We expect the global CPO stock-to-usage (S/U) ratio to tighten to 15.3% in CY21E from 17% in CY20E, before loosening to 16.1% in CY22E as supply and demand reach normalcy.

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.

On the oil front, despite the headwinds of higher production coming through and still challenging year-end demand outlook, prices have continued to grind higher as the world recovers from the pandemic and the rising likelihood of widely availability vaccines. Going into 4Q20, the market continue to expect higher drawdown of oil, which will help support oil prices. OPEC will meet again in November, but till then production compliance remains a concern. In the longer run, oil prices will continue to trend higher as current oil price levels still remain unsustainable for some of the oil companies in terms of average marginal cost. However, the shift towards renewables may eventually cap some of the upside of oil prices going forward.

In summary, we will be going OW 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.