RHB Asset Management

FUND FACTSHEET – JULY 2014

All data expressed as at 30 June 2014 unless otherwise stated

3-year Fund Volatility
14.6
very high
Lipper Analytics 15 JUNE 2014

RHB-OSK ENERGY FUND (formerly known as OSK-UOB ENERGY FUND)

The Fund aims to achieve long term capital appreciation through an investment that is linked to the global energy sector.

INVESTMENT STRATEGY

• 90% to 100% of NAV: Investments in Malaysian bonds, money market instruments, cash and deposits with financial institutions.

• Up to 10% of NAV: As capital payment for exposure to a derivative instrument in the form of a swap agreement that will provide the Fund with exposure to the global energy sector. With this capital payment, the Fund can have a notional amount of up to 100% of its NAV exposed to the Underlying which are linked to the global energy sector.

INVESTOR PROFILE

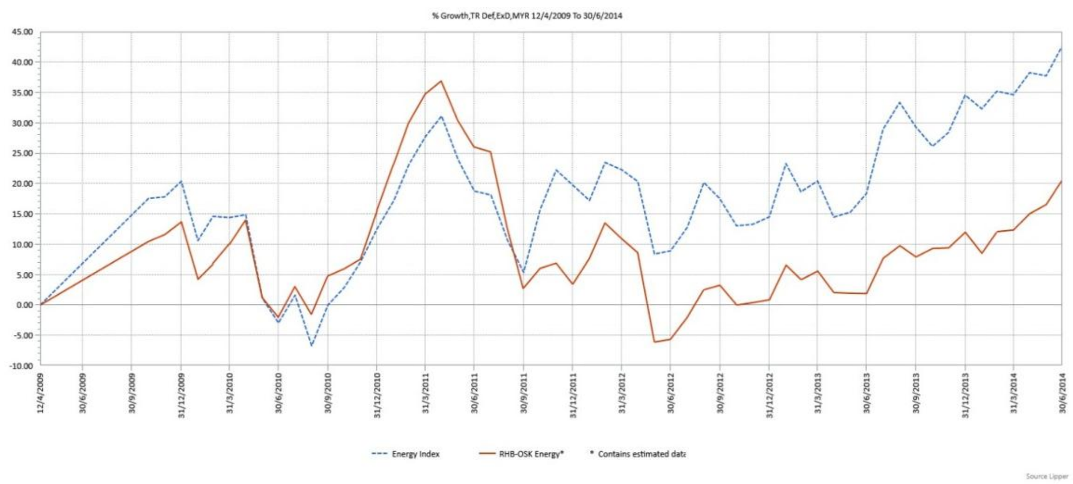
This Fund Is Suitable For Investors Who:

• seek investment opportunities in the global energy sector;

• seek capital growth;
• have a long term investment horizon; and
• have an appetite for risk to gain higher returns.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**3.49**	**7.35**	**7.65**	**7.65**
Benchmark	3.58	5.97	6.03	6.03

	1 Year	3 Years	5 Years	Since Launch
Fund	**18.33**	**-4.39**	**12.39**	**20.54**
Benchmark	20.53	20.12	26.06	42.67

Calendar Year Performance (%)*

	2013	2012	2011	2010
Fund	**11.02**	**-2.40**	**-10.52**	**1.56**
Benchmark	17.49	-4.35	6.75	-6.82

**Source: Lipper IM*

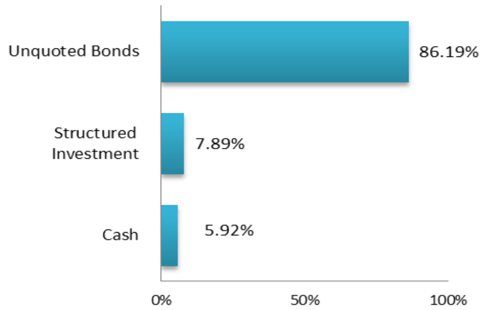
FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Fixed Income Fund
Fund Type	Growth Fund
Launch Date	23 March 2009
Unit NAV	RM0.5009
Fund Size (million)	RM58.23
Units In Circulation (million)	116.26
Financial Year End	31 March
MER (as at 31 Mar 2014)	1.58%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	60% S&P GSCI Energy Official Close Excess Return Index (RM) + 40% MSCI World Energy Index (RM)
Sales Charge	Up to 5.00% of investment amount
Redemption Charge	None
Annual Management Fee	1.50% p.a. of NAV*
Annual Trustee Fee	0.08% p.a. of NAV, subject to a minimum of RM18,000 p.a.*
Switching Fee	RM25.00 per switch
Redemption Period	Within 10 days after receipt the request to repurchase
Cooling-Off Period	Within 6 business days from the date of receipt of application
Distribution Policy	Incidental

**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*



Top Holdings (%)*

EXPORT-IMPORT BK KOREA-4.5%(1/7/15)	12.12
UOB (M) BHD-4.88% (27/3/2020)	12.12
SABAH DEVELOPMENT BK-4.45%(10/2/16)	8.61
JPMCCI ENERGY EXCESS RETURN SWAP	7.89
HONG LEONG BANK BHD-4.85% (10/8/20)	6.06

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5054	0.5054	0.6014
Low	0.4833	0.4233	0.3726

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
31 Mar 2014	-	-
31 Mar 2013	-	-
31 Mar 2012	-	-
31 Mar 2011	4.7357	9.43
31 Mar 2010	-	-

Source: RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)

Head Office: 19th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur. **General Line: 603-2164 3036** **Fax: 603-2164 4226** **Website: www.rhbgroup.com**

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MANAGER'S COMMENTS

MARKET REVIEW

Brent crude oil prices started the month at $109.41/bbl and ended higher at $112.36/bbl. Moreover, WTI started the month at $102.71/bbl before ending higher at $105.37/bbl. Oil prices volatility increased sharply during the period under review as geopolitical tension in Iraq emerged after the Islamic State of Iraq and Syria (ISIS) has unexpectedly seized control of a number of cities in Northern Iraq. While the impact of rising Iraq violence on the physical global oil market has been modest given that any export from the north of the country has been shut down since March 2014, the market was overly worried of potential supply disruption from the South of the country which produces 2.6 million barrels per day. However, the immediate risk to production from Southern Iraq seems limited, there are risks of protracted civil war as it was the case previously in Libya. In our view, the two most likely scenarios of the Iraq crisis are a stalemate or a limited retrenchment of ISIS as the Iraqi army fights back. In both instances, we see Brent in a $105-$115/bbl range. In the unlikely scenario where ISIS temporarily enters Baghdad, Brent could head $10-15/bbl higher. In the highly unlikely scenario where 2.6 mn b/d of Iraqi exports are disrupted, the impact would be quite severe, with Brent rising as much as $40-50/bbl. A swift peaceful resolution would likely take Brent $5 to $10/bbl lower.

In the US, the US Department of Commerce Bureau of Industry and Security allowed 2 companies to export “minimally processed super light oils” known as condensates. While this doesn’t change the current ban of crude oil export from the US, this decision could open the door of further change in the US oil policy in the coming years. In fact, since the 1970s energy crisis, US companies are prohibited from exporting crude oil except under a special license but are able to export refined fuels. Although the shipments by the two companies are likely to be small, the new ruling interprets ultralight oil that has been minimally processed as fuel oil meaning that it could be eligible for export. Therefore, WTI spread to Brent widened slightly from 6.70USD the previous month to 6.99USD.

Brent Price moved recently back into backwardation and is expected to remain in a structural backwardation for some time to come. In fact, the term structure for Brent is likely to be supported by 3 elements which are the most common for commodity market: supply, demand and inventories. First, OECD oil and petroleum product inventory levels outside the US remain exceptionally low, and will likely take a long time to rebuild, fostering backwardation. Second, we believe that Brent prices below $100/bbl would likely elicit a strong demand response, allowing for a rapid absorption of any surplus. Third, the long-term cost of oil extraction has been anchored in a $70 to $90/bbl band for some time, a figure that allows for investment in Canadian Sands and US shale. These are all strong arguments for backwardation. Yet, after several quarters of underperformance, long-dated oil prices (i.e. the “back” of the futures price curve) have outperformed near-dated prices. On the other hand, while the WTI has recently moved into backwardation, mainly due to lower inventories at Cushing after new pipelines came on stream and debottleneck Cushing inventories, we don’t see this as a sustainable situation.

In fact, while we believe the term structure of the Brent market will remain in backwardation for some time, we are more concerned about the pricing structure for WTI for a number of reasons. First and foremost, WTI backwardation seems extreme over the next 18 months, averaging $0.71/bbl per month from July 2014 to January 2016. The ongoing ramp up in crude oil production in the United States into the second half of the year could ultimately result in higher inventories at Cushing and therefore pressure WTI prices.

We maintain a cautious bias on Brent due to a robust USD, fast non-OPEC supply growth, and a muted EM demand picture. We also retain a much more cautious stance on WTI due to high levels of US crude oil stocks and a firm domestic production outlook. We still see meaningful downside risks and project next year prices to average $90bbl. Structurally, WTI prices are likely to see their discount to Brent to increase as the US domestic production will continue to rise and pipeline debottlenecking by H2 2014 should increase flow to Cushing, pressuring structurally prices downward.

In conclusion, we think that Brent is likely to face some downside risks in heading into H2 2014 on returning supply and weaker crude demand. Moreover, the earlier than expected QE tapering by the FED and its direct effect on continued pressure on EM Currencies and yields could keep energy prices in local currencies in major EM exceedingly high, putting downward pressure on demand growth which will already be impacted by slower GDP growth. Therefore, we can’t rule out that Brent prices will revisit the $100 per barrel level in 2014. In the US, the WTI could face additional downward pressures from potential transportation, storage, and refining bottlenecks. With US domestic production ramps up seasonally in the second half of the year and some refiners in the GOM shut down for maintenance in Q3, WTI could move back into contango, pushing prices downward. Therefore, we still see a risk of $80/bbl or lower for the Oklahoma grade at some point over the next 12-24 months on the back of potential midstream and downstream bottlenecks.