RHB OSK
RHB Asset Management

FUND FACTSHEET – OCTOBER 2014

All data expressed as at 30 September 2014 unless otherwise stated

3-year Fund Volatility 13.6 very high Lipper Analytics 15 SEPTEMBER 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;

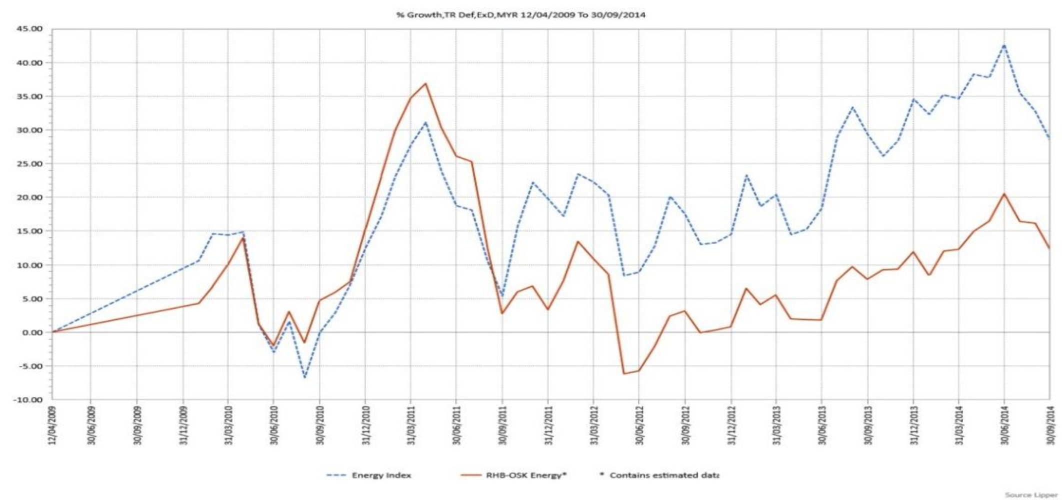
• seek capital growth;

• 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	**-3.42**	**-6.93**	**-0.09**	**0.19**
Benchmark	-3.28	-9.99	-4.61	-4.56

	1 Year	3 Years	5 Years	Since Launch
Fund	**3.97**	**9.26**	**3.73**	**12.19**
Benchmark	-0.70	21.86	12.76	28.42

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*

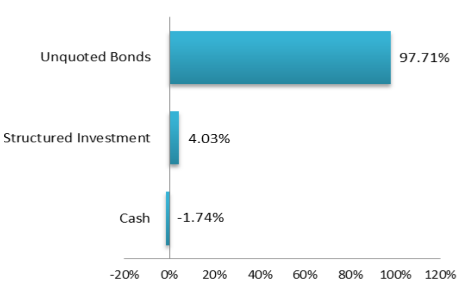
FUND DETAILS

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	RM0.4662
Fund Size (million)	RM47.71
Units In Circulation (million)	102.33
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	Up to 0.08% p.a. of NAV
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)	14.76
UOB (M) BHD-4.88% (27/3/2020)	14.75
SABAH DEVELOPMENT BK-4.45%(10/2/16)	10.49
PROMINIC BHD-5.05%(05/05/2061)	7.39
HONG LEONG BANK BHD-4.85% (10/8/20)	7.38

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.4827	0.5054	0.6014
Low	0.4662	0.4433	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.)

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MANAGER'S COMMENTS

MARKET REVIEW

Brent crude oil prices started the month at $103.19/bbl and ended lower at 94.67$/bbl. Moreover, WTI started the month at $95.96/bbl before ending lower at 91.16$bbl. Oil prices volatility remained high and renewed geopolitical tensions in the Middle East and in Eastern Europe failed to impact positively prices. In fact, Oil prices remain negatively impacted by USD strength and lower demand from EM in general and from China in particular. Therefore, WTI spread to Brent contracted slightly from 7.85USD the previous month to 3.51USD.

On the demand side, the IEA has recently revised global oil demand downward by 150,000 b/d to 92.6 mmb/d in 2014, representing growth of 0.9 mmb/d (1%) over 2013, reflecting weaker demand outlooks in China and Europe. The IEA also lowered its 2015 demand outlook by 165,000 b/d to 93.8 mmb/d, representing growth of 1.2 mmb/d (1.3%), as it anticipates a marginally weaker GDP projection by the IMF in October. On the supply side, Non-OPEC Supply has been revised upward by 90,000 b/d to 56.3 mmb/d in 2014, representing growth of 1.6 mmbbl/d (3.0%) over 2013. The IEA also nudged up its 2015 Non-OPEC supply outlook by 150,000 b/d to 57.6 mmb/d, representing growth of 1.3 mmb/d (2.2%). August OPEC production of 30.3 mmb/d was down roughly 130,000 b/d versus July, reflecting sequentially weaker volumes in Saudi Arabia (-330,000 b/d) and Iraq (-50,000 b/d), offset by higher production from Libya (+110,000 b/d), Kuwait (+50,000 b/d), Iran (+40,000 b/d), and Angola (+30,000 b/d).Recent research shows how rapid Saudi Arabian oil production changes have helped keep prompt Brent crude oil in a $100 to $120/bbl price band. Following three years of steep oil backwardation, Saudi has allowed global stocks to build, pushing Brent and Dubai into contango. In turn, flatter or contango term structure can help reduce upside price risks. This change in price skew for Brent is visible in the term structure but it has also fed into crude oil options despite the growing geopolitical risks in the Middle East. In our view, this paradox could be aptly named “Saudi forward oil price guidance”. With the Islamic State moving into Mosul, we were writing about upside risks to global crude oil prices in June. The threat to take over Baghdad or even sections of the oil-rich South could have sent oil prices spiking to $150/bbl. Instead, a surge in global oil inventories over the following months has pushed Brent into contango, significantly reducing upside oil risks. So now, with an even more complex geopolitical backdrop, the oil market has started to price downside risks. The 300k b/d cut of Saudi’s output in August is insufficient and was simply seasonal.

Although crude demand should rise seasonally and differentials have re-priced to support trade flows to Asia, OPEC will likely need to reduce production further before oil markets are balanced. Until appropriate adjustments are made, crude markets will remain oversupplied and risk selling off into expiry. We continue to believe OPEC will react to price signals, but we see no evidence of larger cuts as of now. OPEC remains complacent in public comments, and OPEC sailings remain elevated. Saudi Arabia should curtail production seasonally, but lower prices (sub-$95/bbl on a sustained basis) may be required to spur faster action. Even then, any recovery should be muted given the inventory overhang and spare capacity.

While non-OPEC production continues to grow structurally, the role of OPEC on the oil market is rising. In fact, without OPEC, oil would perform just like any other commodity, in other words, prices would be more cyclical and need to fall to cash cost (<$50.0/bbl) to shut in production. As long as OPEC is effective, there should be sustainable floor for oil prices. However, the new range for oil prices is likely to be marginally lower than it has been the past few years, with OPEC setting the floor and capping any rally. The key challenge will be OPEC’s timing. If the cartel is too reactive, as has historically been the case, extended periods of weakness could erupt before OPEC responds.

In conclusion, we think that Brent is likely to face further downside risks in heading into Q4 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 $90 per barrel level by the end of 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.

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