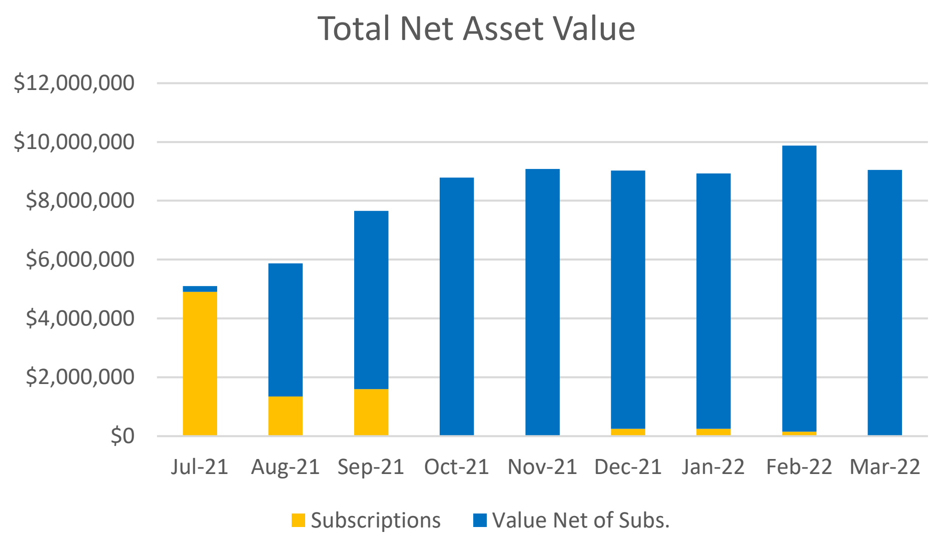
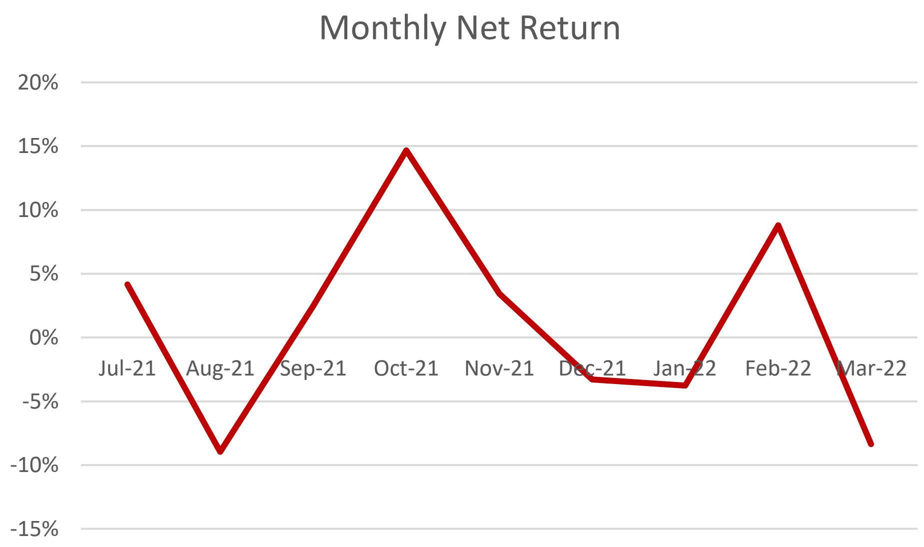
# Jan – Mar 2022 Fund Performance

| AUM Mar 21 | YTD NET RETURN | TOTAL SUBSCRIPTION | CURRENCY | INCEPTION DATE | RETURN SINCE INCEPTION |
|---|---|---|---|---|---|
| $9,051,404 | -4.43% | $8,500,000 | USD | July 2021 | 6.49% |



# Natural Rubber – Q1 2022

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## Price rangebound and volatility low

- Natural rubber price action has remained rangebound despite being dominated by several significant macro events:
  - Ukraine – Russia war and subsequent sanctions on Russia
  - China COVID outbreaks and subsequent targeted “lockdowns”
  - Accelerating inflation leading to repricing of interest rates
- Strong fundamentals for Natural Rubber have helped under pin price at the 170usc level despite the negative macro headwinds.
- Price correction form 180 to 170usc mostly due to onshore China selling as COVID lockdowns affected sentiment and reduced some mobility and factory operating rates.

| Q1 2022 vs 2021 Price Comparison (usc/kg) | | |
|---|---|---|
| | 2021 | 2022 |
| Low | 157.7 | 170.6 |
| High | 188.2 | 183.3 |
| Average | 168.6 | 177.6 |
| End | 162.9 | 175.4 |

**SGX TSR20 (usc/kg)**


*Declining price volatility*

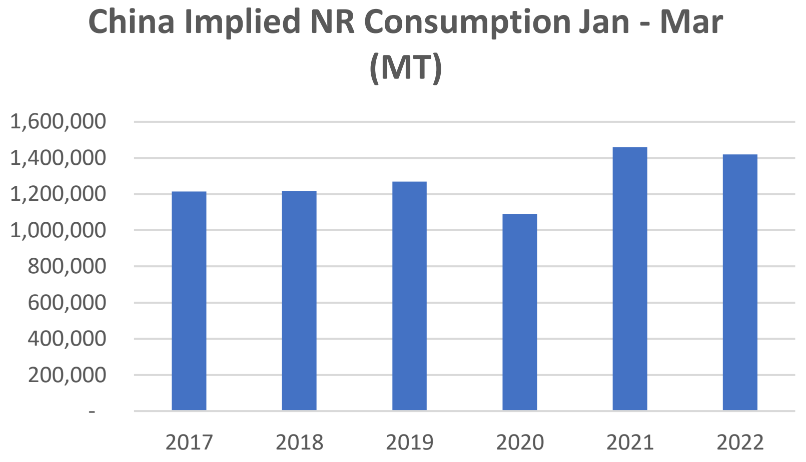
**SGX TSR20 Volatility (%)**


*Source: Bloomberg*

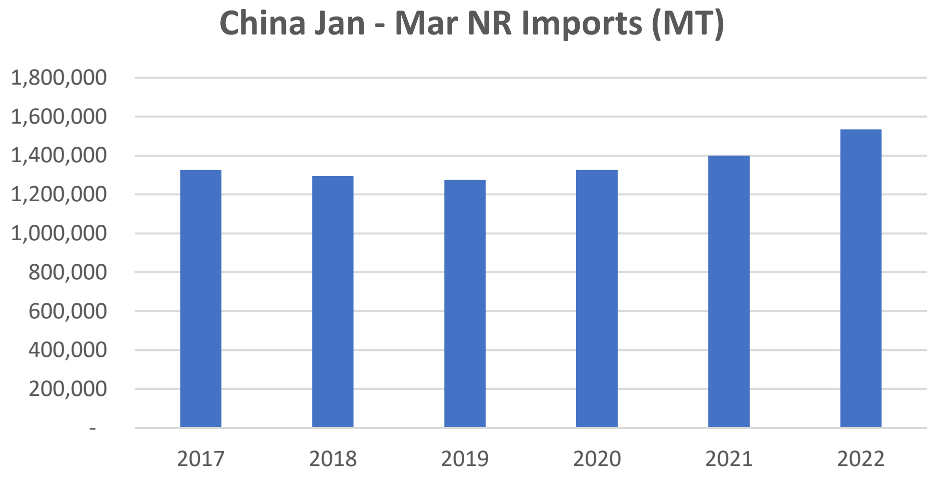
# Natural Rubber – Q1 2022

## China's Natural Rubber Implied demand stable and Imports strong

- China's implied consumption continues at a pace inline with our forecasts for Q1 2022 despite some factory output slowdown due to the Winter Olympics and COVID outbreak in March.
- Q1 imports are up 10% or 135kmt vs 2021
- China needs to import 3% more NR in 2022 just to meet its demand needs, which are forecast at 2.5% lower than 2021.
- Despite this import increase and slightly lower demand, we are forecasting stocks to fall 80kmt vs 2021.




*Source: ANRO Analysis*




*Source: GTT*

*YTD China imports up 10% vs 2021*

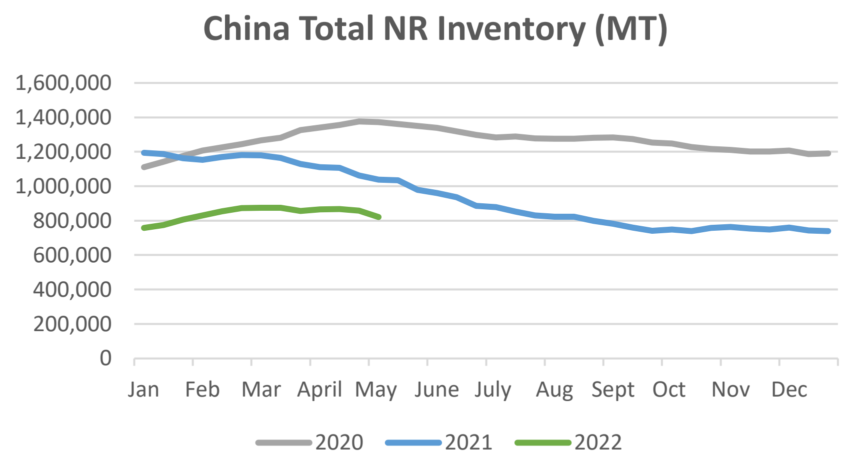
# Natural Rubber – Q1 2022

## China's Natural Rubber Inventory and Demand

- China's Natural Rubber inventory beginning 2022 was **450kmt or 40% lower than beginning 2021.**
- China's demand underpinned by the tire export sector, which continues to remain strong despite logistical constraints.
- There are some demand headwinds developing as China's PMI's have dipped below 50 in March, mostly attributed to China's COVID zero policy and ongoing lockdowns.
- We believe China's COVID zero policy is not sustainable and in-order to achieve GDP growth targets further monetary and fiscal stimulus will be forthcoming.
- Q1 2022 has seen stocks rebuild slightly due to the seasonal increase in imports, namely from Thailand.

**China Manufacturing PMI**


*Source: Bloomberg*



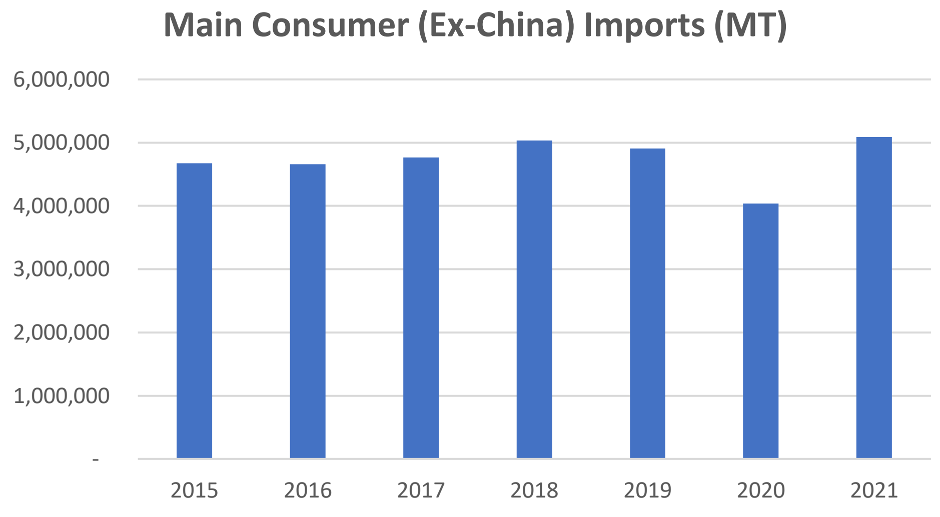

*Source: ANRO Analysis*


*Source: GTT*

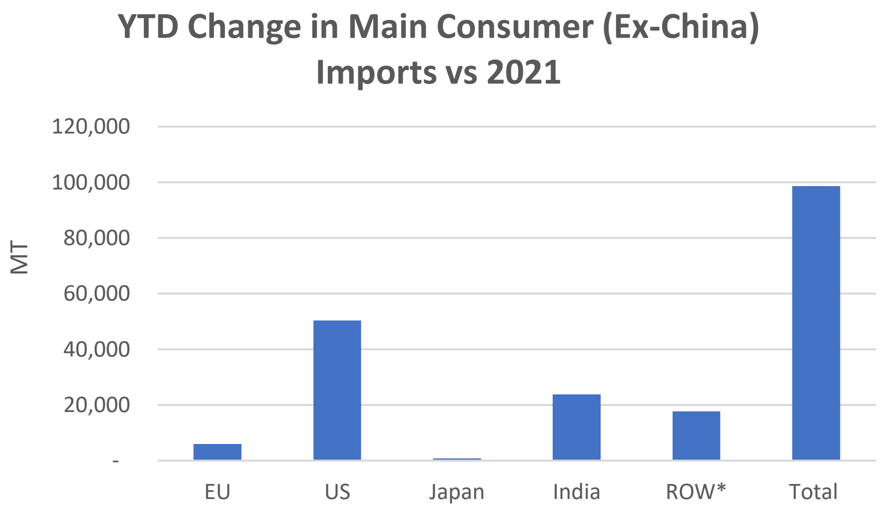
# Natural Rubber – Q1 2022

## Non-China Demand Continues to Outperform

- Strong recovery in 2021 for non-China demand, exceeding our model forecast.
- 2021 saw a full year increase in demand of over 1mmt or 26% vs 2020 and 189kmt or 3.6% vs 2019.
- Early data suggests the start of 2022 is showing a further increase in demand vs 2021 by 13%.
- Demand is particularly strong in Jan-Feb 2022 for India (+28%), the US (+35%) and Turkey (+29%) vs 2021, which are all ahead of expectations.




*Source: GTT*




*Source: ANRO Analysis and GTT*

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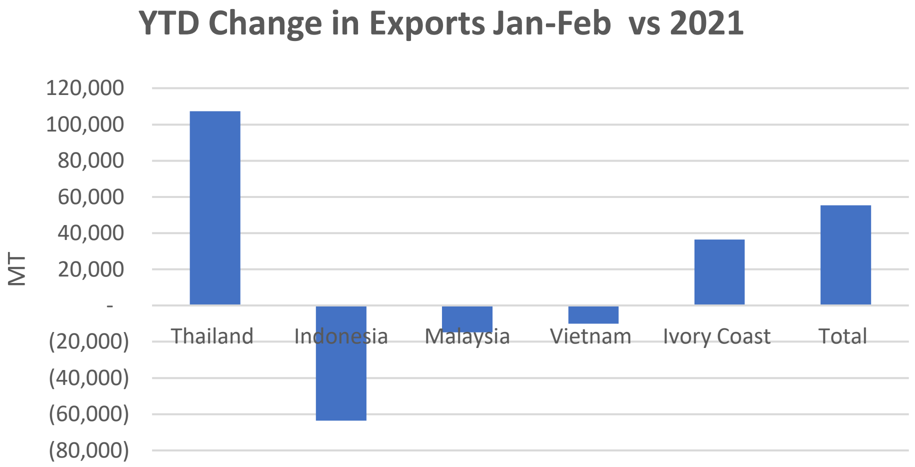
# Natural Rubber – Q1 2022

## Origin Supply

- Indonesia, the worlds second largest NR supplier, continues to see production disappoint and elevated raw material costs squeezing processor margins. Indonesia’s exportable surplus continues to decline since the 2017 peak. Early data for Jan-Feb 2022 show further declines in export availability, down 15% vs last year.
- Malaysia is also experiencing disappointing local production and relies heavily on imports to meet their processing needs, which are becoming increasingly difficult to obtain.
- Thailand released 100kmt of government reserves in 2021 for export. Given recent economics and Jan-Feb export pace we anticipate upside to Thai supply/exports this year.
- Overall we see moderate growth in supply/exportable surplus this year with declines in Indonesia and Malaysia offset by increases in Thailand and Ivory Coast.


*Source: ANRO Analysis and GTT*

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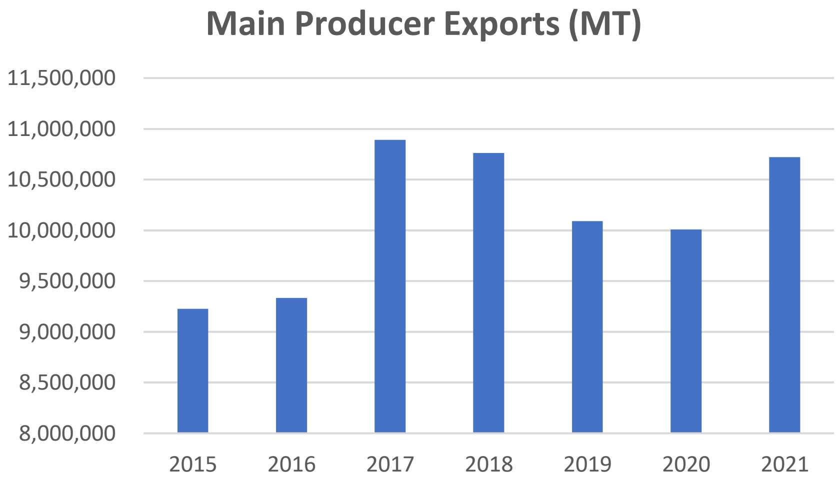


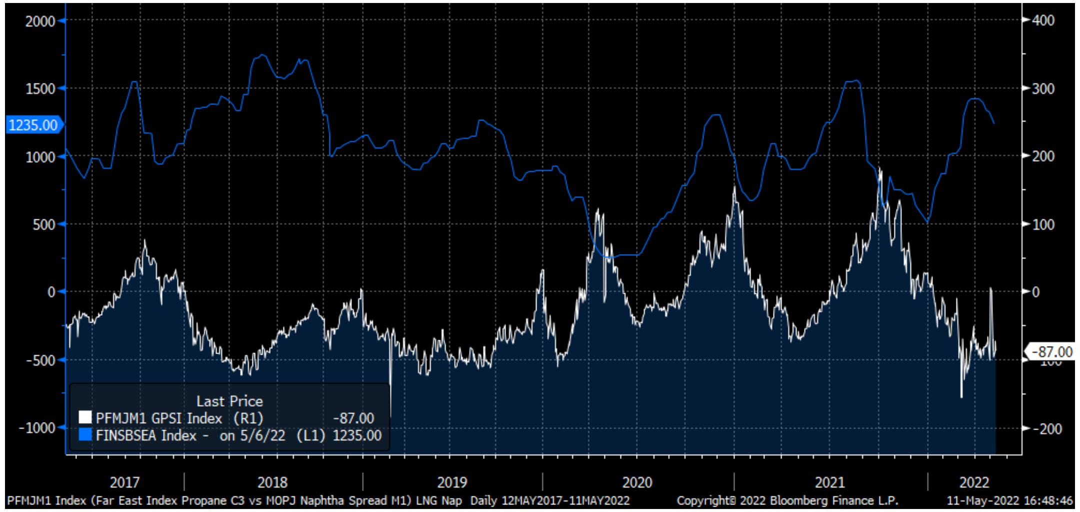

*Source: ANRO Analysis and GTT*

# Natural Rubber – Q1 2022

## Ukraine – Russia War / Sanctions and elevated crude oil

- 30-40% EU’s synthetic rubber comes from Russia, resulting in SBR supply squeeze.
- Automotive (car and tire) sector output halted in Russia/Belarus.
- Rising crude price is driving up synthetic rubber feedstock (butadiene) costs
- Asia refineries are switching to Nat Gas as feedstock away from Naphtha as margins are squeezed, resulting in less Butadiene supply.
- There is potential demand switch to NR as SBR prices increase.

**Nat Gas / Naphtha Spread and Butadiene**




*Source: Bloomberg*

**Container Freight Index**


*Source: Bloomberg*

*Container freight cost have retreated from record highs*

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# Natural Rubber – Q1 2022

## Outlook

- Macro risks are on going and will continue dominating markets.
- Downside demand risk persist with China's COVID zero strategy. This will result in the need for stimulus to achieve growth targets and more optimistic demand in 2H 2022.
- Fed tightening fully priced and given the Fed is late in the inflation cycle there is increased recession risk should rates move too high.
- Higher synthetic rubber prices could potentially see demand switch to natural rubber given ongoing conflict in the Ukraine.
- Premiums for physical tire grade rubber remain elevated which reflect origin tightness and strong non-China demand.
- China's import requirement elevated just to meet modest demand in 2022 and still be drawing down stocks as the year progresses.
- Overall fundamental situation remains supportive.