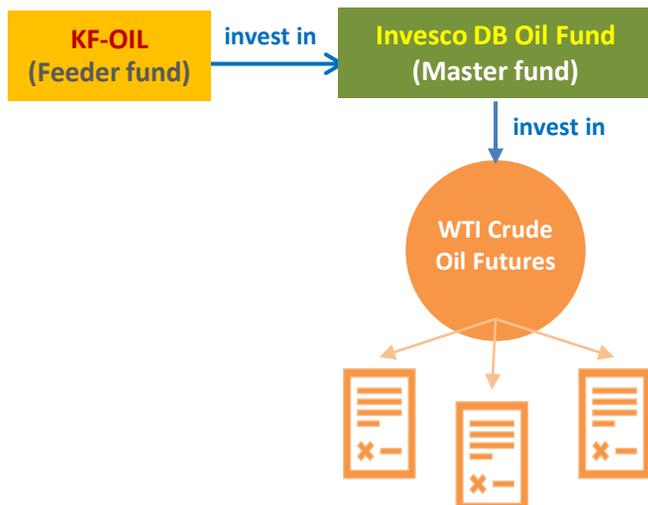


# Krungsri Oil Fund (KF-OIL)

## Investment policy of KF-OIL



## Major Factors Affecting the Returns of Invesco DB Oil Fund

### Oil price movements in the global markets

which are attributable to various factors such as demand-supply, oil reserves, climate conditions, natural disasters and political conflicts. The price of futures contracts with near expiration date will always reflect these factors better than that of futures contracts with long expiration date.

### Return from rolling over a futures contract that is about to expire (Roll yield)

When the invested futures contract is about to expire, the fund will be selling the current soon-to-expire futures contract to invest in a new contract

- If oil prices are in a downward trend, the cost of rolling futures contracts is lower (“buy low and sell high”), resulting in a positive roll yield.
- If oil prices are in an upward trend, the cost of rolling futures contract is higher (“buy high and sell low”), resulting in a negative roll yield.

Normally, the Master Fund will opt for rolling the futures contracts to the contract month that provides the best roll yield.

## Common misconceptions about investing in oil fund that invest in futures contracts

 **Investing in oil fund is similar to investing in gold fund as both are commodities.**

Incorrect. Since The master fund of the gold fund such as SPDR Gold Trust actually invests in physical gold bullion, hence the price of the master fund is in line with the price of gold bullion traded in the physical market.

However, oil fund cannot invest directly in physical crude oil due to high maintenance cost, accordingly, the master fund invests in crude oil through futures contracts instead. As a result, the fund performance cannot be measured directly on the crude oil price movements in the global oil markets.

 **The performance of oil funds should be consistent with the movement of crude oil prices.**

Incorrect. Because the crude oil price announced is the price for immediate delivery whereas the price of futures contracts publicized through various media is the price of crude oil for a shortest delivery period which typically around one month. Since the master fund may invest in the futures contracts with different maturities, the return on investment may differ accordingly.

Moreover, the factors of roll yield should also be simultaneously taken into account.



### **West Texas Intermediate (WTI) Crude Oil**

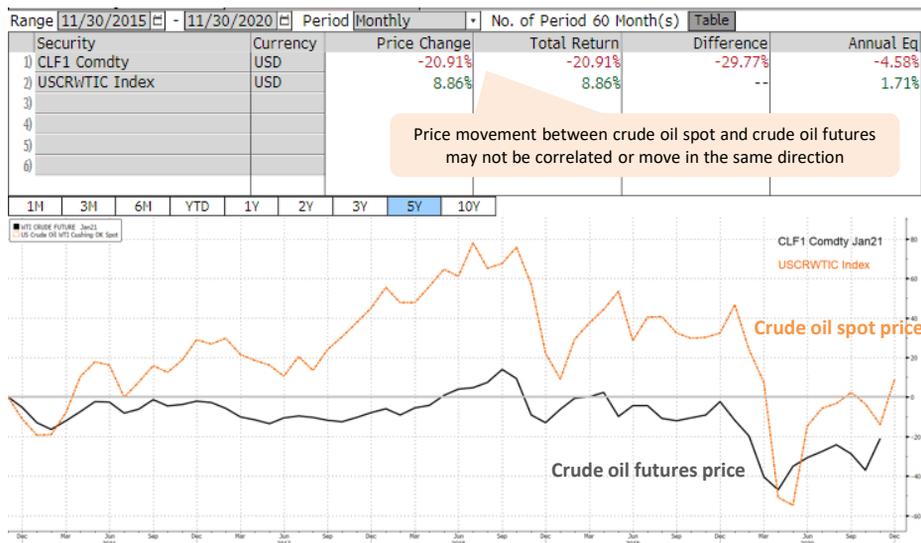
WTI crude oil is the clear and good-quality crude oil traded and delivered at Cushing, Oklahoma. It is a benchmark crude oil serving as a reference price for oil trading in North America and is the underlying commodity for the NYMEX's oil futures contracts.

**Please study fund features, return conditions and risk before investing.**

**Past performance is not an indicative of future performance.**

**This fund is a risky / complex fund, investor should seek an additional advice before investing.**

## An example of the difference between price movement of crude oil futures and crude oil spot price



Source: Bloomberg as of 8 Dec 20

## An example of crude oil futures price at different maturities

**Crude oil futures price publicly announced on the website (referring from the shortest maturity futures contract)**

Real Time Streaming Futures Quotes (CFDs)					
Commodity	Month	Last	Prev.	High	Low
Brent Oil	Feb 21	48.89	49.25	49.22	48.40
Carbon Emissions	Dec 20	29.83	30.27	30.15	29.70
Crude Oil WTI	Jan 21	45.89	46.26	46.25	45.36
Gasoline RBOB	Jan 21	1.2565	1.2685	1.2675	1.2439
Heating Oil	Jan 21	1.3971	1.4030	1.4040	1.3820
London Gas Oil	Dec 20	399.50	398.38	399.75	393.63
Natural Gas	Jan 21	2.425	2.575	2.482	2.410

Source: www.investing.com as of 7 Dec 20

**Crude oil futures price with longer maturity**

MONTH	OPEN	HIGH	LOW
JUN 2021	46.54	46.55	45.86
JUL 2021	46.37	46.41	45.86
AUG 2021	46.33	46.33	45.88
SEP 2021	46.16	46.16	45.73
OCT 2021	45.89	45.89	45.52

Source: www.cmegroup.com as of 7 Dec 20

## An example of return from roll yield in different scenarios

**Futures prices are in an upward-trend**

Maturity period	Price
Jan 21 (Investing contract)	100
Apr 23 (New contract)	150

So, when the investing contract is about to mature, the fund manager will sell the existing contract to buy the new one at **higher price**, resulting in a **loss** of 50 baht from rolling the contract.

**Futures price is in a downward-trend**

Maturity period	Price
Jan 21 (Investing contract)	180
Apr 23 (New contract)	120

So, when the investing contract is about to mature, the fund manager will sell the existing contract to buy the new one at **lower price**, resulting in a **gain** of 60 baht from rolling the contract.

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## KEY FACT

Details	Krungsri Oil Fund (KF-OIL)
<b>Investment Policy</b>	Minimum 80% of NAV in average of fund accounting year are invested in the master fund named, Invesco DB Oil
<b>Risk level</b>	Level 8
<b>FX Hedging Policy</b>	Hedge against currency risk upon fund manager's discretion Generally, The fund is hedged against foreign exchange rate risk, on average, at least 90% of foreign investment value.
<b>Dealing Date</b>	T+3 (3 working days after the execution day excluding relevant Master Fund's holidays)
<b>Minimum Investment Amount</b>	2,000 Baht
<b>Target investors</b>	<b>Suitable for:</b> Investors who expect better return from investment in futures contracts on light sweet crude oil (WTI) ■ Investors who can accept fluctuation of prices of crude oil futures contracts in which the Fund invests, which may increase or decrease to the level below the initial investment, resulting in a loss ■ Investors who would like to allocate assets to alternative investment. <b>Not suitable for:</b> Investors who prefer fixed rate of return or preserve full amount of principal.
<b>Fee charge to the fund (% of NAV p.a.)</b>	Management fee : Not more than 2.1400% p.a. (Actual Charge: 1.0700%) Trustee fee : Not more than 0.1605% p.a. (Actual Charge: 0.0375%) Registrar fee : Not more than 0.5350% p.a. (Actual Charge: 0.1605%)
<b>Fee charge to investor (% of NAV per unit)</b>	Front end fee or Switching-in fee : Not more than 1.50% p.a. (Actual Charge: Waived) Redemption fee or Switching-out fee : Not more than 1.50% p.a. (Actual Charge: Waived)

All above mentioned fees include Value Added Tax or Specific Business Tax or other taxes ● The fund may enter into a currency swap within discretion of fund manager which may incur exchange rate risk and investors may lose or gain from foreign exchange or receive lower return than the amount initially invested.

**Please study fund features, return conditions and risk before investing.**

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## Disclaimers

1. The information contained in this document is accurate at the time of publication but does not provide any warranty of its accuracy. Similarly, any opinions or estimates included herein constitute a judgment as of the time of publication. All information, opinions and estimates are subject to change without notice.
2. The return on investment related to volatility of crude-oil price in the spot market and futures market. There are instances where the price of the crude-oil futures contract does not move in the same magnitude or even the same direction as the price movement in real crude-oil.
3. The fund may invest in forward contract to enhance portfolio efficiency and may invest in structured note. This may contain higher risks than investing directly in underlying securities.
4. The fund and/or master fund may invest in or make available a forward contract to enhance efficiency in investment management. This means the fund may contain higher risks than other funds and therefore the fund is suitable for investors who prefer higher return with higher risk tolerance than general investors. Investors should make investment only when they understand the risks of the contract by considering their investment experience, investment objectives and financial status.
5. Please study fund features, return conditions and risk before investing. Past performance is not an indicative of future performance.
6. This fund is a risky / complex fund, investor should seek an additional advice before investing.

For more details or to request for the Fund Prospectus, please contact:

**Krungsri Asset Management Co., Ltd.**

**1<sup>st</sup> -2<sup>nd</sup> Zone A, 12<sup>th</sup> Floor, Ploenchit Tower 898, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330**

**Tel: 02-657-5757 | Fax 02-657-5777**

**E-mail: [krungsriasset.mktg@krungsri.com](mailto:krungsriasset.mktg@krungsri.com) | Website: [www.krungsriasset.com](http://www.krungsriasset.com)**