

RHB-OSK ASIA ACTIVE ALLOCATION FUND (formerly known as OSK-UOB ASIA ACTIVE ALLOCATION FUND)

This Fund aims to maximise total returns through a combination of long term growth of capital and current income.

INVESTOR PROFILE

This Fund Is Suitable For Investors Who:

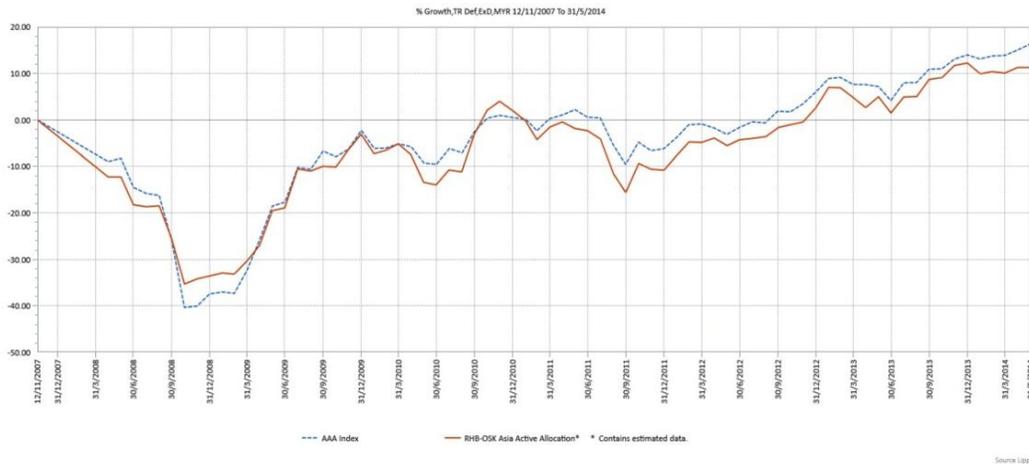
- wish to participate in the fast growing Asian markets;
- seek a flexible investment mandate capable of capitalising and adapting to prevailing market conditions; and
- are willing to accept moderate risk in their investments in order to achieve long term capital growth and income.

INVESTMENT STRATEGY

- 20% - 60% of NAV: Investments in securities of and securities relating to Asian core/large companies.
- Up to 40% of NAV: Investments in securities of and securities relating to Asian small companies.
- 20% - 60% of NAV: Investments in Asian fixed income securities and money market instruments including cash and deposits with financial institutions.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	0.00	0.78	-0.39	-0.86
Benchmark	1.13	2.22	2.83	2.01

	1 Year	3 Years	5 Years	Since Launch
Fund	6.04	13.46	38.16	11.30
Benchmark	8.47	13.77	42.73	16.29

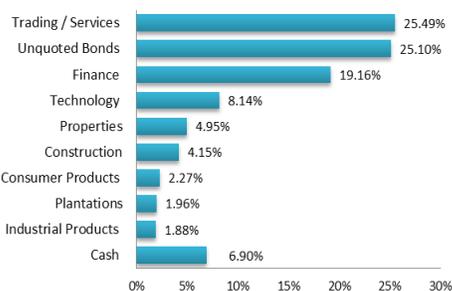
Calendar Year Performance (%)*

	2013	2012	2011	2010	2009
Fund	9.44	15.05	-12.59	5.22	45.77
Benchmark	7.56	12.97	-7.03	3.24	56.20

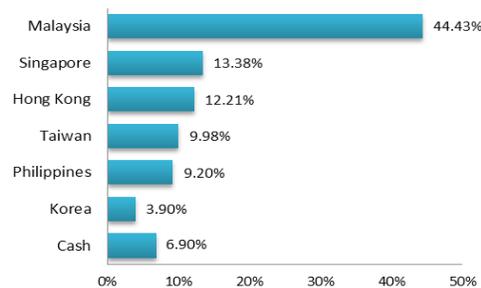
*Source: Lipper IM

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

PUBLIC BANK BHD-6.840%(22/8/36)	8.54
AMBB CAPITAL LTD-6.77% (27/1/16)	8.34
PETRONAS SUKUK 4.25% (12/8/14)	8.23
IJM CORPORATION BHD	4.15
HYUNDAI HOME SHOPPING NETWORK CORP	3.90

*As percentage of NAV

FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Equity / Bond Fund
Fund Type	Growth and Income Fund
Launch Date	23 October 2007
Unit NAV	RM0.5565
Fund Size (million)	RM19.68
Units In Circulation (million)	35.36
Financial Year End	31 March
MER (as at 31 Mar 2014)	2.05%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	40% MSCI AC Far East Ex Japan Index (RM) + 20% MSCI AC Asia Pacific ex Japan Mid Cap Index (RM) + 40% JP Morgan Asia Credit Index Total Return (RM)
Sales Charge	Up to 5.00% of investment amount
Redemption Charge	None
Annual Management Fee	1.80% 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	Annually, if any

*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 STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5610	0.5629	0.5629
Low	0.5520	0.4868	0.3095

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
31 Mar 2014	-	-
31 Mar 2013	-	-
31 Mar 2012	-	-
31 Mar 2011	-	-
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**

In May, FBM KLCI remain flattish, +0.1% mom to 1873pt while YTD still recorded negative return, -0.10%. In the meantime, small mid cap stocks performance cool off in May, but YTD is relatively better than big caps, KLCI Fledgling Index +0.66% mom and +16.2% YTD. The KLCI lacklustre trend underperformed ASEAN regional markets but outperformed North Asia peers. Within Asia region, India, Pakistan and Philippines were best performers, advanced circa +17%, +16.8% and 16% YTD respectively while CSI 300, Japan Nikkei 225 and HSCEI were worst performers, fell circa 8%, 7% and 4% YTD. Narendra Modi led BJP won India general election with clear majority, boosted investors confidence and market sentiment towards impending long overdue structural reform and pro business policy to take place in India. On ASEAN front, months long pro and anti-govt protest and unrest in Thailand ended with a military coup. The military govt under Gen. Prayuth Chan-ocha takes swift action to restore peace and order while initiated series of action to jump start the ailing economy – release final tranche of rice subsidy payment circa 90 billion baht to debt stricken farmers, review infra projects (MRT, high speed train) rollout and appointed 6-member Advisory Board to oversee the country. This augur well for Thailand market as it remove potential downside risk of further GDP weakness after 1Q14 contraction of 0.6%.

FIXED INCOME REVIEW & OUTLOOK

US Treasuries (“UST”) continue to rally in May, as the revised 1Q2014 Real GDP was even weaker than previous releases, nudging down by -1% annualized YoY (4Q2013: +2.6% YoY). At close, the 2-, 5-, 10- and 30-year UST were traded at 0.38% (April: 0.41%), 1.54% (1.68%), 2.48% (2.65%) and 3.33% (3.46%) respectively.

The hawkish tone from Bank Negara’s Monetary Policy Committee (“MPC”) meeting, as well as strong 1Q2014 GDP growth has caused the Malaysia Government Securities (“MGS”) yield curve to underperform on the short end. The curve inched up by 10bps on the short end while tightened by 1 – 6bps on the long end, exhibiting a bearish flattening trend in May. At close, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.48% (April: 3.38%), 3.72% (3.62%), 3.94% (3.94%), 4.03% (4.08%), 4.36% (4.42%), 4.59% (4.60%) and 4.89% (4.89%) respectively.

In the US, 1Q2014 GDP was revised down on weaker inventories, the first quarterly contraction since 2011. However, the recent housing data should alleviate Fed’s concern, while labor market, consumption and durable goods numbers point to a rebound in 2Q2014. We do not expect the weather-related softness in 1Q2014 to translate to a one-to-one increase in growth for the rest of the year. This somewhat slower growth profile does not change our view on the Fed, we still expect the interest rate to normalize in 2H2015. The labor market continues to strengthen more quickly than Fed’s forecast, and after the most recent inflation reports, the headline PCE price index is up 1.6% YoY, while core is up 1.4%, very close to the Fed’s year-end forecast of 1.5% YoY. Finally, Fed Presidents Dudley and Williams have both recently indicated that the Fed might not stop re-investing its portfolio run-off after the first rate increase.

The European Central Bank (“ECB”) meeting in early June along with coming US payroll data should remain as the markets’ main focus. While we expect the ECB to cut rates and announce a new lending scheme, we do not expect a large-scale asset purchases at this juncture. Separately, we now expect the Bank of Japan (“BoJ”) to remain on the sidelines for the rest of 2014, unless output gap widens again.

Back home in Malaysia, following the MPC meeting on 8th May, markets have increasingly raised their expectation that the next policy move is just around the corner. While markets are digesting this new set of information, we argue that the rate hike expectation is yet to be fully priced in. Previous study shows that bulk of the adjustment usually takes place a month prior to the rate hike. As such we expect a near term bear flattening trend with an upward pressure on the front end of the curve depending on the subsequent inflation expectations and build up in financial imbalances. Subsequently, yield curve should bear steepen in the long term to reflect higher inflation and underlying interest rate risk. Overall, we still favor neutral duration with overweight in PDS over MGS/GII for better yield pick-up.

MARKET OUTLOOK AND STRATEGY

Despite lacklustre May performance on local bourse due to lack of positive catalyst, we maintain our positive view on equity market and envisage bottoming of corporate earnings downgrade and expect gradual recovery in 2H 2014. Nevertheless, Malaysia economy is expected to remain resilient. 1Q14 GDP +6.2% yoy, better than consensus of 5.8% and 4Q13 +5.1%. The key growth come from net export +7.9% yoy while govt consumption +11.2% yoy vs +5.2% in previous quarter. From valuation perspective, KLCI currently trade at 16x P/E vs FBM SmallCap Index at 11x P/E, both trade above 10-year historical average P/E but below +1SD.

On regional front, latest HSBC China manufacturing PMI came in improve to 49.7 in May vs 48.1 in Apr, a 5-month high PMI reading. We envisage China macro data continue to be mixed with soft patch due to Chinese govt determination to rebalance the economy. We expect the Chinese govt will react with selective/targeted easing should cyclical weakness threaten GDP growth and unemployment. EM reliance on China growth for commodities export may face headwinds in 2014. We envisage commodity producing countries equities performance to continue lag the Developed Market equities.

On sector basis, we continue to favour consumer, tech, healthcare, industrial and telco while selectively bullish bias on infra related construction stocks. We foresee 2014 to be a reform year for regional economies and Malaysia govt to rollout targeted infra projects to spearhead the economy and continue its reform agenda including subsidy rationalization which augur well for the economy. Increase market volatility globally will create capital misallocation and outflow of funds from emerging markets, thus misprice securities from fundamental. We remain cognizant of prevalent risks but look into adding bombed-out good fundamental stocks to enhance alpha.

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 May 2014, the Volatility Factor (VF) for this fund is 9.4 and is classified as “Moderate”. (source: Lipper) “Moderate” includes funds with VF that are above 7.9 but not more than 10.6 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund’s portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The VC referred to was dated 31 December 2013 which is calculated once every six months and is valid until its next calculation date, i.e. 30 June 2014.

A Product Highlights Sheet (“PHS”) highlighting the key features and risks of the Fund is available and investors have the right to request for a PHS. Investors are advised to obtain, read and understand the PHS and the contents of the Master Prospectus dated 1 December 2013 and its supplementary(ies) (if any) (“the Master Prospectus”) before investing. The Master Prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Amongst others, investors should consider the fees and charges involved. Investors should also note that the price of units and distributions payable, if any, may go down as well as up. Where a distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV to ex-distribution NAV. Any issue of units to which the Master Prospectus relates will only be made on receipt of a form of application referred to in the Master Prospectus. For more details, please call 1-800-88-3175 for a copy of the PHS and the Master Prospectus or collect one from any of our branches or authorised distributors.

The Manager wishes to highlight the specific risks of the Fund are liquidity risk, small capitalisation companies risk, equities investment risks such as market risk and particular security risk, interest rate risk, credit / default risk and foreign investment risks such as country risk and currency risk. These risks and other general risks are elaborated in the Master Prospectus.

This factsheet is prepared for information purposes only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Past performance is not necessarily a guide to future performance. Returns may vary from year to year.