RHB OSK
RHB Asset Management

FUND FACTSHEET – DECEMBER 2014

All data expressed as at 30 November 2014 unless otherwise stated

3-year Fund Volatility 12.8 very high Lipper Analytics

RHB-OSK BIG CAP CHINA ENTERPRISE FUND

This Fund aims to achieve long term capital appreciation through investments in securities of companies with high growth potential.

INVESTOR PROFILE

This Fund Is Suitable For Investors Who:

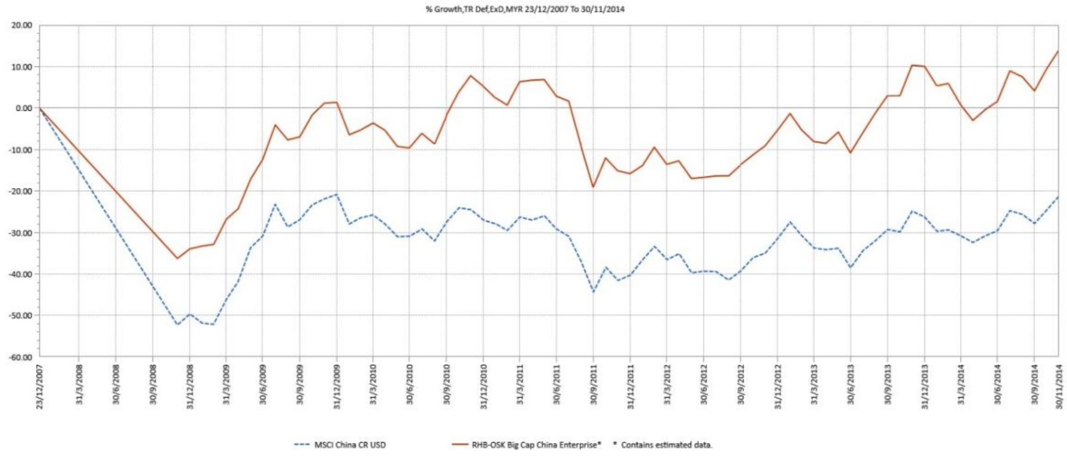
• wish to participate in the potential of the fast growing China economy; and
• are willing to accept higher risk in their investments in order to achieve long term capital growth.

INVESTMENT STRATEGY

• Up to 98% of NAV: Investments in equities and equity-linked securities issued by companies whose businesses are in China and are listed on the China markets and / or other markets.
• 2% - 5% of NAV: Investments in liquid assets including money market instruments and deposits with financial institutions.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**4.07**	**6.05**	**14.43**	**3.58**
Benchmark	4.40	5.95	13.85	6.85

	1 Year	3 Years	5 Years	Since Launch
Fund	**3.35**	**34.43**	**12.67**	**14.02**
Benchmark	4.86	34.76	0.91	-21.14

Calendar Year Performance (%)*

	2013	2012	2011	2010	2009
Fund	**16.36**	**12.46**	**-20.10**	**3.85**	**53.37**
Benchmark	7.54	14.71	-17.42	-9.11	57.83

**Source: Lipper IM*

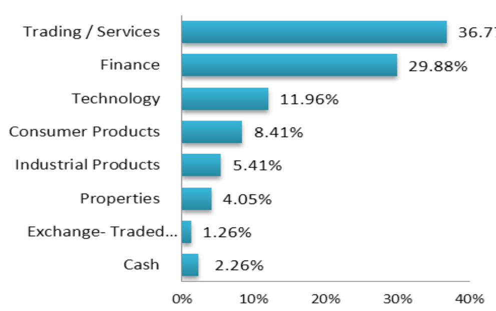
FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Equity Fund
Fund Type	Growth Fund
Launch Date	03 December 2007
Unit NAV	RM0.5701
Fund Size (million)	RM130.98
Units In Circulation (million)	229.77
Financial Year End	31 December
MER (as at 31 Dec 2013)	1.90%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	MSCI China Index (RM)
Sales Charge	Up to 5.50% of investment amount
Redemption Charge	None
Annual Management Fee	1.80% 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

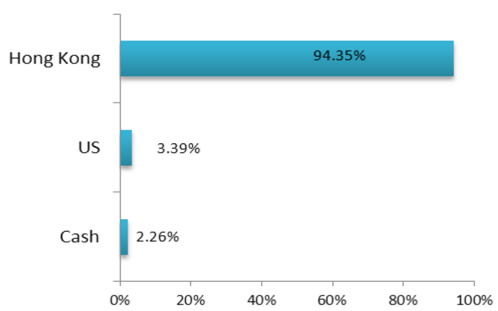
**For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

TENCENT HOLDINGS LIMITED	9.82
IND & COMM BANK OF CHINA-H	7.47
CHINA CONSTRUCTION BANK-H	7.35
CHINA MOBILE LTD	6.07
BANK OF CHINA LTD - H	5.43

**As percentage of NAV*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5701	0.5701	0.5701
Low	0.5409	0.4652	0.2720

Source: Lipper IM

Historical Distributions (Last 5 Years) (Net)

	Distribution (sen)	Yield (%)
31 Dec 2013	-	-
31 Dec 2012	-	-
31 Dec 2011	-	-
31 Dec 2010	-	-
31 Dec 2009	-	-

Source: RHB Asset Management Sdn. Bhd.

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MANAGER'S COMMENTS

MARKET REVIEW

China equities outperformed the broader Asia markets, which eked out slight positive returns in November. The emerging markets as a whole underperformed and posted losses against gains in developed markets. Fixed income market performance was similarly mixed in November with slight gains in JACI while the rest of the G7, Investment Grade and High Yield bonds posted losses. Energy was the worst performer, posting double-digit losses in November and is now the worst-performer year-to-date, while Gold gained in November. The decline in energy prices impacted performance in certain markets, while China's surprise interest rate cut buoyed markets.

The energy sector was the worst performer across all markets as global oil prices plunged. In China, the financials, industrials and materials sectors outperformed while healthcare and consumer staples underperformed.
In terms of macroeconomic data, global leading indicators slipped in most markets in November. The US PMI stayed high at 58.7, though this was a slight dip from 59.0 in October. Japan slipped to 52.0 from 52.4 while the Eurozone dipped to 50.1 from 50.6. China's official PMI softened again to an eight-month low of 50.3 from 50.8 in October, with the private sector HSBC PMI falling to 50.0 from 50.4. Other latest activity indicators dipped across most markets. Industrial production and retail sales in the US, Japan and China dipped in October. Inflation was stable across the various regions.
China market outperformed, led by financials as the central bank surprisingly cut interest rates on 21 November, marking the first rate reduction in more than two years. One-year benchmark lending rate was cut by 40 basis points (bps) to 5.6%, while the deposit rate was cut by 25 bps to 2.75%. The central bank's easing is expected to relax financial conditions for the broad economy and reduce the interest burden on the corporate sector, particularly the small-and-medium enterprises, highly-leveraged industrial and property sectors. However, the asymmetric nature of the rate cut is expected to hurt banks' net interest margins.

MARKET OUTLOOK AND STRATEGY

China has a tough time balancing growth and reforms to resolve structural problems. There are many urgent areas that need to be resolved such as cleaning up the environment, reducing overcapacity; restructuring state owned enterprises (SOEs) and curbing excess credit build up. Most of the proposed reform measures will likely have a dampening effect on growth in the near term.

Hence, the macro challenges of slower growth, rising debt levels and a property slowdown still persist, causing headwinds for the market. The government has adopted some selective targeted stimulus that has helped stabilize growth but activity has still slipped as credit is controlled. Property sales and starts have remained weak through most of the year. Clearly, China's continued rebalancing process will still cause growth headwinds over the medium term.

On the other hand at the micro-level, we see encouraging signs of improved corporate profitability. Despite a slowing economy and falling topline growth in the last two years, corporate profits in general have held up well in China. Data shows that they have been more disciplined in controlling capital expenditure and cutting costs. In the third quarter, Chinese corporates also improved the cashflow significantly. A further impetus to corporate profitability should come from State owned enterprises (SOE) reforms. The government is introducing a series of measures including private ownership in traditionally monopolistic industries and tightening cost control after a series of anti-corruption investigations. This should help improve the efficiency and profitability of the SOEs which have historically lagged the private sector.

After a brief surge in the middle of the year, the HSBC PMI has dipped back and lies right smack at the 50 level. Other activity indicators such as retail sales, industrial production, have also remained soft compared to earlier in the year. Property continued to be the main risk as there is a lot of oversupply especially in many tier 2 and 3 cities. A lot of developers are also highly levered through the shadow banking system and facing cash flow problems as sales have slowed down. The government has already eased home purchase restrictions across many cities and allowed wider availability of mortgages. September to November sales have already picked up sequentially as sentiment improved, though still remain below levels a year ago. Notwithstanding, the oversupply situation is still very significant especially in tier 2-3 cities. If the property sector rolls over, there is more downside to economic growth and greater financial risks.

China's macro challenges and restructuring process still has some way to go. Maintaining stable growth while keeping credit growth in check will be particularly difficult. China's debt to GDP has burgeoned to over 240% of GDP as of mid 2014 from less than 150% in 2008, even as growth has slowed from over 10% to 7% now. While the Central government balance sheet is still healthy, local government and SOE corporate balance sheets are stretched. Financial risks are rising as seen in the escalation of shadow banking and the acceleration of non-performing loans. We believe there are still very good investment opportunities in China, and we see improvements at the micro level in corporate profitability. However, there will be huge dispersions between the winners and losers in China's re-structuring process. Picking the right stocks in this challenging macro-environment will be very important.

We are positive on China. Policy easing, improving corporate profits and SOE reform momentum should help support the markets. China's macro challenges remain, but it looks to be well reflected in the price. China's valuations are very cheap, well below its 10 year mean on price to earnings, and in the case of price to book, close to levels during the 2008 global financial crisis. Within the regional Asian markets, China also stands out as the cheapest. History shows that if we buy markets at such valuation levels, we will very likely be rewarded with strong positive returns over the medium to long term. We believe that China will likely muddle through its problems. They have ample resources to cover its financial liabilities and cushion a potential hard landing if necessary. It's a matter of policy coordination. When China's shows progress in rebalancing its economy and resolving its macro challenges, the market should rerate given its current cheap valuations. However, this may take some time given the current macro headwinds and concerns.

We remain vigilant in tracking operating conditions across China given the slowdown in growth and the government's policy initiatives having uneven impact across industries. We look for opportunities to invest in companies that are benefitting from the rising purchasing power of the region's consumers or have technologies causing disruptive innovation to lifestyles and consumer spending patterns. However, stock selection is critical, given slowing growth and high competitive pressures.

We continue to underweight deep cyclical sectors such as energy and materials in the face of China's slower growth over the medium term and general over-supply conditions. We are neutral on Financials given the tailwinds of monetary easing after the PBOC cuts interest rates in late November. However, we are cognizant that the banks still face structural challenges - pressures of contracting profit and net interest margins with interest rate liberalization, non-bank disintermediation and rising NPLs. Within Financials, we are more overweight the insurance and securities companies relative to the banks. We like technology, particularly the internet – social media and ecommerce, which are facilitating a sea change in consumer spending patterns. We are also positioned in selected Industrials which are gaining in competitiveness against international peers, are leveraged to structurally positive trends such as travel and benefit from lower energy prices.

In the long term, the China economy continues to be supported by high savings and wage gains, which provide an attractive backdrop for consumption growth. Rising purchasing power of the middle and lower income population is a very supportive backdrop for investors. When China gets through the current necessary painful transition, reforms and rebalances its economy towards a more sustainable growth path, these positive fundamentals should reassert themselves. The China market should then enjoy a sustained re-rating, with high rewards for long term investors now.

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