RHB OSK
RHB Asset Management

FUND FACTSHEET – SEPTEMBER 2014

All data expressed as at 31 August 2014 unless otherwise stated

3-year Fund Volatility 16.3 very high Lipper Analytics 15 AUGUST 2014

RHB-OSK CHINA-INDIA DYNAMIC GROWTH FUND (formerly known as OSK-UOB CHINA-INDIA DYNAMIC GROWTH FUND)

This Fund aims to achieve medium to long term capital appreciation through investing mainly in the securities of corporations in, or corporations listed or to be listed on stock exchanges in, or corporations (wherever located) which, in the opinion of the managers, derive significant revenue or profits from or have significant assets or business interests in, the People's Republic of China ("China") or the Republic of India ("India").

INVESTOR PROFILE

This Fund Is Suitable For Investors Who:

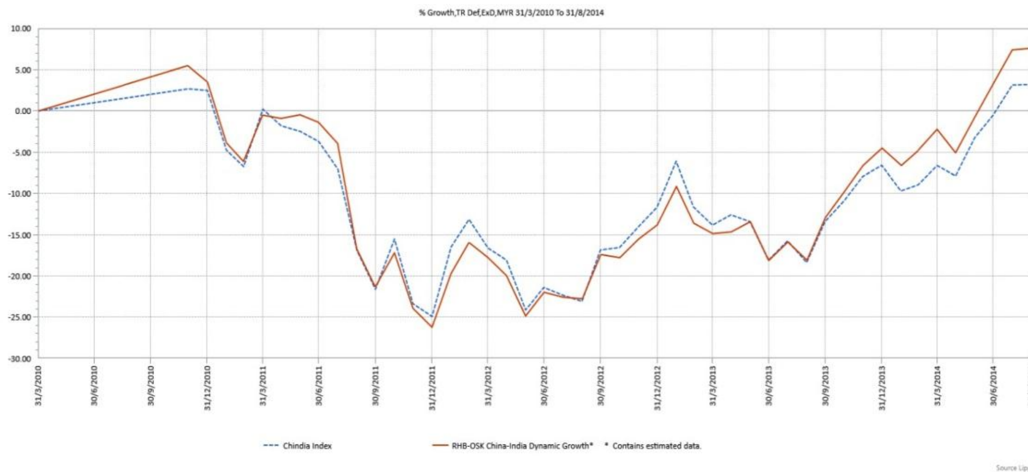
• wish to tap the growth prospects of two emerging growth engines of the world i.e. China and India;
• are willing to accept a higher risk in their investments to obtain potentially higher returns in the medium to long term; and
• seek capital appreciation.

INVESTMENT STRATEGY

• At least 95% of NAV: Investments in the units of United China-India Dynamic Growth Fund.
• 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	**0.19**	**8.45**	**13.00**	**12.72**
Benchmark	0.06	6.68	13.33	10.47

	1 Year	3 Years	Since Launch
Fund	**31.41**	**29.20**	**7.60**
Benchmark	26.39	24.17	3.21

Calendar Year Performance (%)*

	2013	2012	2011
Fund	**10.79**	**16.81**	**-28.79**
Benchmark	5.73	17.62	-26.54

**Source: Lipper IM*

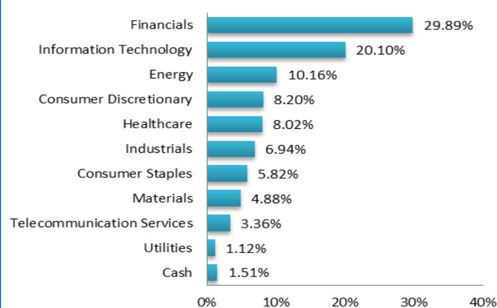
FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)
Trustee	TMF Trustees Malaysia Bhd
Fund Category	Feeder Fund
Fund Type	Growth Fund
Launch Date	11 March 2010
Unit NAV	RM0.5379
Fund Size (million)	RM10.56
Units In Circulation (million)	19.63
Financial Year End	31 July
MER (as at 31 July 2013)	0.45%
Min. Initial Investment	RM1,000.00
Min. Additional Investment	RM100.00
Benchmark	50% MSCI China Index (RM) + 50% MSCI India 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	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	Incidental

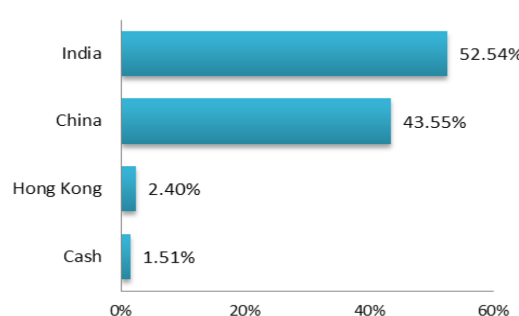
**For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund is exclusive of the management fee and trustee fee for the relevant day.*

FUND PORTFOLIO ANALYSIS

Sector Allocation*



Country Allocation*



Top Holdings (%)*

TENCENT HOLDINGS LIMITED	4.49
INFOSYS LIMITED	4.01
TATA CONSULTANCY SERVICES LTD	3.97
INDUSTRIAL & COMMERCIAL BK OF CHINA - H	3.83
CHINA CONSTRUCTION BANK - H	3.75

**As percentage of NAV*
**Exposure in United China India Dynamic Growth Fund - 98.11%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.5423	0.5423	0.5604
Low	0.5278	0.4069	0.3648

Source: Lipper IM

Historical Distributions (Last 3 Years) (Net)

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

Source: RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)

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MANAGER'S COMMENTS

ASSET ALLOCATION

Our official asset allocation remains 50 China: 50 India. China continues to face macro challenges of slowing growth and rising debt levels and financial risks. However, we are seeing improving corporate profitability from cost discipline and SOE reform momentum will give this further impetus. Valuations are very attractive, versus the region and its history too. In India, the market has enjoyed a strong re-rating on the BJP's decisive election victory and the prospect of a multi-year investment cycle acceleration. We have also seen improvement in the current account deficit and growth looks to have bottomed out. However, new government will have to execute well in order to deliver the accelerating growth and profits the market is expecting now. Valuations have reflected the optimism of the new government to some extent with MSCI India trading above its historical mean valuation

CHINA MARKET COMMENTARY

MSCI China gained 1.34% (JPY terms) in the month of August 2014.

The China market gained in August which was in line with the broader Asia equities market, though it lagged the global equity markets in August. A dip in China's purchasing managers' index (PMI) renewed doubts about the country's economic momentum, causing the market to underperform.

In China, telecommunications, healthcare and energy outperformed, while consumer staples, materials and financials underperformed. In terms of the macroeconomic backdrop, global leading indicators were mostly stable in August. In the developed markets, the US PMI rose to 59.0 from 57.1 and Japan PMI improved to 52.2 from 50.5 while Europe and the UK PMI dipped. China's official PMI fell back to 51.1 from 51.7 in August, with the private sector HSBC PMI similarly declining to 50.2 from 51.7 in July. Inflation continued to remain stable across most markets though Eurozone inflation continued to slip.

The China market was dragged down by the weaker-than-expected economic and monetary data. Besides a decline in the PMI, the fixed asset investment growth, industrial production and retail sales all came in below expectations. The drop in total social financing (TSF) and bank loans was particularly significant. TSF in July fell to RMB273bn from RMB1970bn in June while new bank loans slowed to RMB385.2bn in July from RMB1.08 trillion in June. On the easing of the August PMI, the national bureau of statistics commented that this reflected softer demand conditions and business operation activity. Investors also became increasingly focused on the Shanghai-Hong Kong Stock Connect scheme which is expected to further open up the A-share domestic market to global investors.

CHINA 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 persists, causing headwinds for the market. The government has adopted some selective targeted stimulus that has helped stabilize growth and Premier Li has come forward to re-iterate China's 7.5% growth this year, hence improving sentiment. However, the 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 controlled capital expenditure and cutting costs over this period. A further impetus to corporate profitability will come from State owned enterprises (SOE) reforms. The government is introducing a series of measures including private ownership is 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 has been lower than the private sector. The energy sector with Sinopec inviting private bidders for a stake in its marketing division is a case in point.

The HSBC PMI surged in June and July, before dipping back in August, though still above the 50 level. Other activity indicators such as retail sales, industrial production, had registered improvement in the 2nd quarter but softened in August. New credit unexpectedly dipped sharply in July, although it is seeing some normalization in August. The main risk remains the property sector, where we have been seeing a slowdown in property sales, starts and price cuts. The government has already eased home purchase restrictions across many cities. However, the oversupply in tier 3 cities is still very significant. If the property sector continued to topple, there is more downside to economic growth and repercussions in financial risks.

We believe that the current environment of stable growth, policy easing and improving corporate profits should support the market. Nonetheless, 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 230% of GDP at end 2013 from less than 150% in 2008, even as growth has slowed from over 10% to 7.5% 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, but 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. While the property market slowdown and shadow banking product defaults are still current major headwinds, there hasn't been any undue stress in cost of funding. China's macro challenges remain, but it looks to be well reflected in the price. China's valuations are still very cheap, well below its 10 year mean on price to earnings, and in the case of price to book, already at 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 resolving its macro challenges and things stabilize, the market should rerate given its current cheap valuations.

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 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 RRR cuts, relaxation of LDR limits and stabilizing growth. However, we recognize they still face structural challenges - pressures of contracting profit and net interest margins with interest rate liberalization, non-bank disintermediation and rising NPLs. We like technology, from social media to component suppliers of smartphones, which are facilitating a sea change in consumer spending patterns.

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.

INDIA MARKET COMMENTARY

MSCI India gained 4.05% (JPY terms), Sensex gained 1.58% (MYR terms) and Nifty gained 1.73% (MYR terms) in August 2014. Sensex started the month at 25,895 and closed at 26,638 up 2.9% over the month. Nifty started at 7,721 and closed at 7,954 also up 3%. As per latest data, FIIs continued to be net buyers in with inflow of USD 1.1 Bn vs. an inflow of USD 1.6 Bn last month, in Indian Equity markets. FIIs invested USD 2.8 Bn into Indian debt vs. an inflow of USD 3.7 Bn last month. Domestic Mutual Funds were net buyers in equities with net purchase of USD 970 Mn in the month.

DISCLAIMER:

Based on the fund's portfolio returns as at 15 August 2014, the Volatility Factor (VF) for this fund is 16.3 and is classified as "Very High". (source: Lipper) "Very High" includes funds with VF that are above 13.0 (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 30 June 2014 which is calculated once every six months and is valid until its next calculation date, i.e. 31 December 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 15 March 2014 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 management risk and foreign investment risks such as currency risk and country risk and the specific risks of the target fund are equity risk, country concentration risk, small and medium capitalisation companies risk, repatriation risk, regulatory risk, taxation risk and political 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.