RHB OSK
RHB Asset Management

FUND FACTSHEET – MAY 2014

All data expressed as at 30 April 2014 unless otherwise stated

3-year Fund Volatility **20.8** very high Lipper Analytics 15 APRIL 2014

RHB-OSK FLEXIFUND EQUITY CHINA "A" (formerly known as OSK-UOB FLEXIFUND EQUITY CHINA "A")

The Fund is to invest in the target fund which aims to provide its investors with the highest possible value for the capital invested at the same time as offering them a broad spread of risks by investing primarily in shares or partnership shares in the capital of companies based in the People's Republic of China, or in divisions of shares, fully or partially paid up, in registered or bearer form, issued by such companies.

INVESTMENT STRATEGY

- At least 90% of NAV: Investments in the EURO denominated, Class I shares of the FLEXIFUND Equity China "A".
- Up to 10% of NAV: Investments in liquid assets comprising money market instruments, cash and deposits with financial institutions.

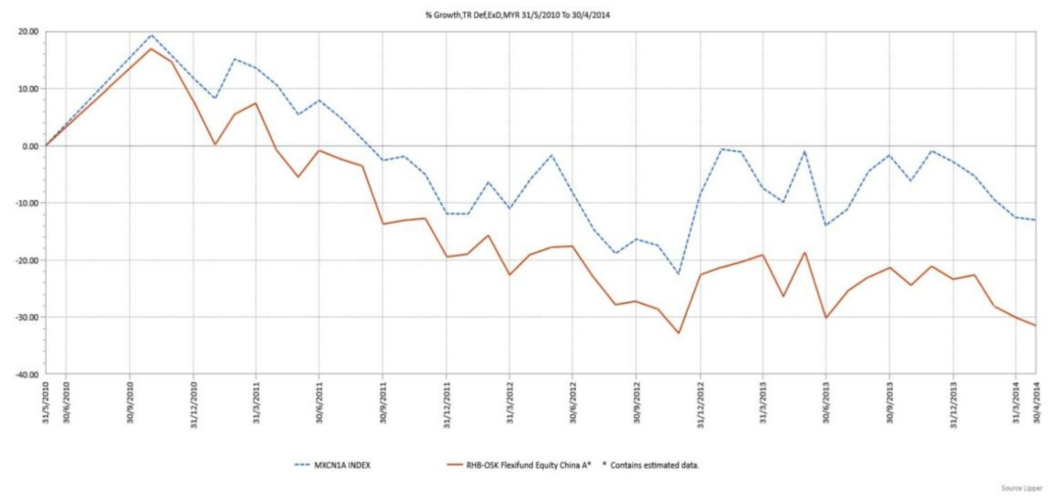
INVESTOR PROFILE

This Fund Is Suitable For Investors Who:

- are "Qualified Investors" as defined in the Information Memorandum.

FUND PERFORMANCE ANALYSIS

Performance Chart Since Launch*



Cumulative Performance (%)*

	1 Month	3 Months	6 Months	YTD
Fund	**-2.08**	**-11.43**	**-9.23**	**-10.54**
Benchmark	-0.51	-8.13	-7.30	-10.47

	1 Year	3 Years	Since Launch
Fund	**-6.79**	**-30.91**	**-31.44**
Benchmark	-3.48	-21.31	-12.96

Calendar Year Performance (%)*

	2013	2012	2011
Fund	**-0.94**	**-4.04**	**-25.25**
Benchmark	6.24	3.83	-19.78

**Source: Lipper IM*

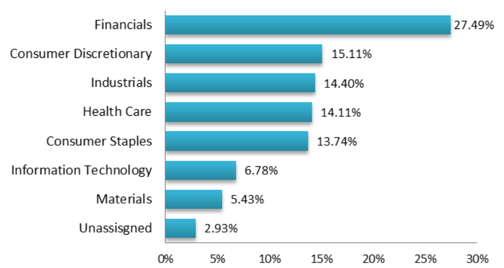
FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd. (formerly known as RHB Investment Management Sdn. Bhd.)
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Wholesale- Feeder Fund (Equity)
Fund Type	Growth Fund
Launch Date	11 May 2010
Unit NAV	RM0.6866
Fund Size (million)	RM4.79
Units In Circulation (million)	6.98
Financial Year End	31 May
MER (as at 31 May 2013)	0.67%
Min. Initial Investment	RM50,000.00
Min. Additional Investment	RM50,000.00
Benchmark	MSCI China "A" Net Return Index (RM)
Sales Charge	Up to 5.00% of investment amount
Redemption Charge	None
Annual Management Fee	0.50% p.a. of NAV*
Annual Trustee Fee	0.08% p.a. of NAV, subject to a minimum of RM18,000 p.a.*
Switching Fee	None
Redemption Period	Maybe from 1week - 6mths or longer if approval from the Chinese authorities for the realisation of FECA investments are not obtained.
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*



Top Holdings (%)*

PING AN INSURANCE	4.69
INDUSTRIAL BANK CO	4.24
CHINA VANKE CO	3.65
CHINA NATIONAL MED	3.56
CHINA MERCHANTS BK	3.46

**As percentage of NAV*
**Source: BNP Paribas Investment Partners, 30 April 2014. Exposure in Flexifund Equity China A Fund - 98.54%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7270	0.8134	1.1941
Low	0.6856	0.6856	0.6720

Source: Lipper IM

Historical Distributions (Last 3 Years) (Net)

	Distribution (sen)	Yield (%)
31 May 2014	-	-
31 May 2013	-	-
31 May 2012	-	-

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

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MANAGER'S COMMENTS

MARKET REVIEW

China A-shares lost 0.04% in local currency terms in April. The onshore market outperformed offshore shares by 1.56% in USD terms. China’s macro indicators for January and February were disappointing, showing weakness in three major growth engines – consumption, investment and exports. Small caps underperformed, losing 1.94% in CNY terms. The insurance and brokers, automotive and food & beverages segments posted solid performances, while machinery and electrical equipment were not favoured by investors. The Chinese yuan (CNY) depreciated 0.68%, closing at 6.2578/USD.

China’s March export data again came in weaker than expected, with exports falling 6.6% YoY after a fall of 18.1% YoY in February. On a more positive note, industrial production rose by 8.8% YoY in March, compared to 8.6% YoY in January-February. Domestic retail sales rose by 12.2% YoY in March compared to 11.8% YoY in January-February. This translates into a seasonally adjusted gain of 1.0% MoM in March, compared to the rise of 1.8% MoM in February and the fall of 1.7% MoM in January.

China’s March CPI inflation increased to 2.4% YoY from 2.0% in February, in line with consensus expectations. The higher YoY inflation figure was due to a high base effect, as the CPI actually fell by 0.5% MoM in March on lower food prices. The current low level of inflation should not prevent monetary policy from being eased. Indeed, the People’s Bank of China (PBoC) lowered the required reserve ratio by 0.5% for county-level rural cooperative banks and commercial banks, to 2%. With the economic slowdown increasing the pressure for monetary easing, investors are expecting more to be done at a national level in the coming months in order to support growth.

China’s official manufacturing PMI inched up to 50.4 in April from 50.3 in March, and thus came in slightly below market expectations of 50.5. The new export order sub-index fell by 1ppt to 49.1 in April, after a temporary rebound in March. The sluggish MoM PMI improvement is consistent with the mild easing since early April but may not be enough to avert a YoY slowdown in Q2 2014 arising mainly from the lagging effect of tight credit conditions in H2 2013. On a positive note, and in contrast to China’s weakening external demand, the country’s new order sub-index rose by 0.6ppt to 51.2 in April. This was its largest gain since last September and its highest reading so far this year, indicating strengthening domestic demand supported by recent targeted investment initiatives in shanty housing improvement, railway projects and advanced fiscal spending.

On the internationalisation of China’s financial markets, a pilot programme was announced in April that allows Shanghai Stock Exchange investors to trade shares on the Hong Kong stock exchange and vice versa. Full implementation of the scheme is expected to be in place in six months’ time. The scheme is already as large as the QFII scheme, indicating a clear acceleration of the RMB internationalisation process.

FUND PERFORMANCE

Flexifund Equity China A underperformed its benchmark in April, losing 2.07% gross of fees in EUR terms compared to a 1.22% fall for the benchmark. Stock selection and stock allocation detracted 81bp and 15bp respectively.

A major detractor from performance was China Merchants Property. The company’s Q1 2014 results came in below expectations due to a fall in its gross margin. However, Q1 sales growth was solid and we believe the company’s valuation is attractive. The company should benefit from continued support from its parent company, China Merchant Group, which should enable it to sustain its growth path even in the face of higher interest rates.

The consumer staples sector detracted from performance as pork manufacturer Henan Shuanghui, its parent company withdrew its Hong Kong initial public offering (IPO), which hit Henan Shuanghui A-shares. The company was supposed to integrate its American subsidiary as part of the IPO. However, the IPO was only 50% subscribed and was thus cancelled. The overvaluation of the IPO was the main cause, but we think the company should continue to benefit from rising demand and prices.

The major contributors to excess return were Shenzhen Desay Battery Technology and Yinzuobohai Group. Shenzhen Desay Battery rose 12.57% on the back of better-than-expected Q1 results, including sales rising by 43%. Department storeYinzuobohai Group rose by 8.06%, also on Q1 results that were better than expected, with earnings up 24%. We think the company’s valuation remains low and that it may seek other catalysts for expansion such as a business transformation towards internet in the future.

PORTFOLIO ACTIVITY

In April, we bought Bright Dairy And Food. With the recent consolidation of the dairy industry, we expect the company to achieve more sustained margins on the back of a healthier competitive environment. The company delivered solid, better-than-expected results in Q1 and we believe a tighter cost structure should also improve future margins.

We took profit on Midea as we believe its valuation was too rich. We invested in Hisense Electric, one of the largest TV makers in China. Hisense is gaining market share over TCL and Skyworth. Undervalued, this is a company that has accelerated the launch of new products such as VIDDA TV and is continuing to upgrade its overall product range. The football world cup should also support sales over the next quarter.

OUTLOOK & POSITIONING

Economic indicators disappointed investors and most investors downgraded their economic growth forecast for 2014. In early April, the Chinese government came up with a mini-stimulus package, focusing on investment in railways (planning to build 6 600 km of railways in 2014) and social housing. We see this as a positive move but have some concerns in terms of the funding and execution of the package. Beijing reiterated its annual growth forecast of 7.2% and we believe more stimulus will be needed to reach this target. These stimulus initiatives focus more on rebalancing the economy towards western areas (around 80% of the new railway lines will be in the mid-west region) than on achieving more sustainable economic growth by taking environmental issues and innovation into account.

In China, inflation remains low. We believe a stable monetary policy will be maintained. We might see small changes in the required reserve ratio, but no change in interest rates. However, as GDP growth is no longer the focus of local government officials, we believe the Beijing’s fiscal policies should be more efficient and support the economy better than they have in the past. Such policies are likely to focus mainly on environmental projects and forcing consolidation in overcapacity industries.

As reforms and policy changes begin to be implemented, we believe there will be selective investment opportunities over the coming years. Market valuations remain at historical lows and Chinese A-shares are now trading at 9.5x 2014 earnings, which is around a 60% reduction from their five-year historical average. We believe the market environment favoured overvalued growth stocks last year. Looking ahead, we believe value plays that should provide reasonable earnings growth and that are leaders in their industry will be the outperformers. With this in mind, we continue to favour reasonably-priced environmental players and stocks in the health care, consumer staples and information technology sectors. We closed our holdings in the energy, utilities and telecommunications services sectors.

We are positive on consumer staples and recently added some names to benefit from cheap valuations and stable earnings growth. We are closely monitoring the rebalancing of the Chinese economy towards consumption and believe that companies well positioned to gain from this should enjoy faster growth than that of the overall economy. We are positive towards health care on the back of the reforms outlined by the government. We are increasing our holdings not only in drug manufacturers but also private hospitals. We are overweight consumer staples but allocate as well towards consumer discretionary. Within financials, we are overweight real estate in the belief that the coming reforms and the economic rebound will support a re-rating of valuations. We reduced our allocation to banks and are now underweight, holding only well-managed national banks, with our favourite picks benefiting from credit-card growth and SME exposure. We are underweight industrials and favour exposure only to environmental names (e.g. LED manufacturers). We remain underweight the energy sector due to overcapacity issues. As for materials, we are underweight the sector overall but are becoming more neutral on industries that have a better outlook on the back of the government’s push for consolidation. We remain selective, however, and prefer companies with sustainable margins.

DISCLAIMER:

Based on the fund’s portfolio returns as at 15 April 2014, the Volatility Factor (VF) for this fund is 20.8 and is classified as “Very High”. (source: Lipper) “Very High” includes funds with VF that are above 13.1 (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 Information Memorandum dated 1 December 2013 and its supplementary(ies) (if any) (“the Information Memorandum”) before investing. The Information Memorandum 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 Information Memorandum relates will only be made on receipt of a form of application referred to in the Information Memorandum. The sub-funds are only offered to “qualified investors” as defined in the Information Memorandum. For more details, please call 1-800-88-3175 for a copy of the PHS and the Information Memorandum or collect one from any of our branches or authorised distributors.
The Manager wishes to highlight the specific risks of the sub-funds are management risk, liquidity risk, currency risk, country risk and the specific risks of the target fund are tax risks, market risks, investment and repatriation risks, liquidation and custody risks, currency fluctuation risks, volatility risks and liquidity risks. These risks and other general risks are elaborated in the Information Memorandum.
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.