RHB◆OSK
RHB Asset Management

FUND FACTSHEET – JULY 2014

All data expressed as at 30 June 2014 unless otherwise stated

3-year Fund Volatility 20.3 very high Lipper Analytics 15 JUNE2014

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.

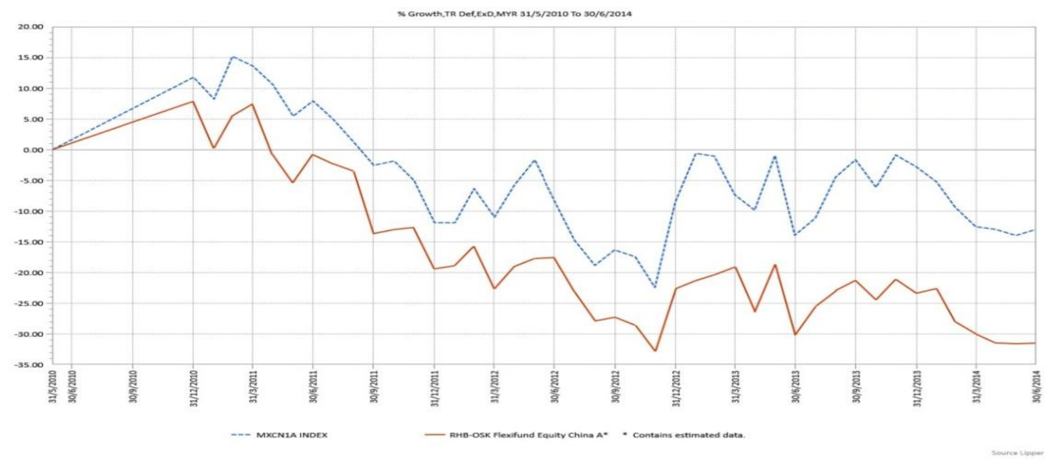
INVESTOR PROFILE

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	**0.13**	**-2.11**	**-10.57**	**-10.57**
Benchmark	1.12	-0.54	-10.50	-10.50

	1 Year	3 Years	Since Launch
Fund	**-1.93**	**-30.91**	**-31.47**
Benchmark	1.08	-19.38	-12.99

Calendar Year Performance (%)*

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

**Source: Lipper IM*

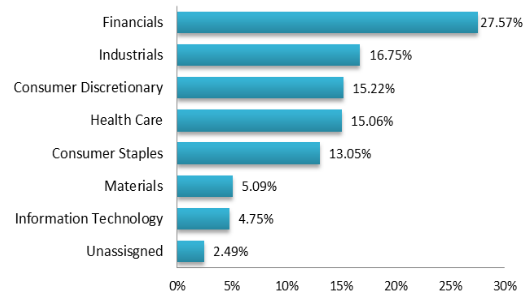
FUND DETAILS

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	RM0.6833
Fund Size (million)	RM4.69
Units In Circulation (million)	6.84
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	4.70
IND BANK CO LTD	4.17
CHINA NATIONAL MED	3.97
CHINA VANKE CO	3.81
CHINA MERCHANTS BK	3.52

**As percentage of NAV*
**Source: BNP Paribas Investment Partners, 30 June 2014. Exposure in Flexifund Equity China A Fund - 98.77%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.6901	0.8096	1.1941
Low	0.6683	0.6633	0.6633

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 gained 0.65% in local currency terms in June. The onshore market underperformed offshore shares by 50bp in USD terms. Stabilising economic data as well as improving liquidity helped performance to rebound at the end of the month. Financial regulators reopened the onshore IPO market after a four-month freeze. As market sentiment improves, Beijing is expected to open the gates wider for new listings. The Chinese yuan (CNY) appreciated by 0.69%, closing at 6.2031/USD.

Macroeconomic data indicated the economy was stabilising, helped by targeted government policies and stimulus. China’s Official PMI rose modestly to 51.0 in June after 50.8 in May. This is the fourth consecutive month of improvement, indicating that early-Q2 may have been the trough in terms of GDP growth. The HSBC June Composite PMI (52.4 in June after 50.2 in May) also signalled an improvement in business activity, showing the rate of expansion had accelerated to its strongest in 15 months.

Industrial production (+8.8% YoY), retail sales (+12.5% YoY) and export (+7.0% YoY) all came in better than expected for May. Meanwhile, imports fell by 1.6% YoY in May. Beijing’s mini-stimulus programmes pushed the infrastructure investment growth rate to a nine-month high of 28% YoY after 21% YoY in April, helping to offset the weakness in manufacturing and property investment. The property sector remains the biggest unknown for most investors. National home prices dropped by 0.2% MoM in May, recording its first fall since 2012. Property FAI growth declined to 10.5% YoY in May from 15.5% in April.

CPI inflation edged up in May, though it still remains comfortable at 2.5% YoY (1.8% YoY in April). Food prices stopped declining as prices of pork and vegetables starting ticking back up. PPI eased by 1.4% YoY in May, the 27th-month of deflation, although the year-on-year decline is becoming smaller.

On the policy front, the People’s Bank of China (PBoC) announced another 50bp RRR cut to support small-medium enterprises (SMEs). Credit conditions eased slightly as Total Social Financing (excluding equity) growth edged up to 16.4% YoY thanks to robust renminbi lending and bond issuance. Interbank rates are lower now than they were earlier this year, although the benchmark money market rate faced upward pressure as banks hoarded cash to meet quarter-end requirements.

FUND PERFORMANCE

Flexifund Equity China A underperformed its benchmark in June, gaining 0.57% gross of fees in EUR terms, compared with a 1.78% gain for the index. Stock selection contributed 18bp to performance, while stock allocation detracted 105bp.

The consumer staples stocks selected were the main drag on performance. Shandong Denghai Seeds lost 17.57% as investors had worried about its first-half results. The company produces vegetable seeds, and after local media reported one of the seed might be affected by a recall, shares dropped. However, we had already discounted the fact that the company is adjusting its sales channels. It is proactively addressing this efficiency issue. We are positive about the company’s research capability, expecting it to support sustainable growth over the medium term.

China Merchants Property detracted from performance as investors worried about the property market. We remain positive on this sector, in the belief that coming reforms and the economic recovery will support a re-rating of valuations, although only selectively. China Merchants Property’s sales growth for the first quarter was solid and we view its current valuation as low.

Our underweight allocation to financials was the main contributor to performance. The market was supported by health care and consumers this month, especially after the door to IPOs was opened again. Investors rotated towards smaller capitalisations and avoided large caps (heavily represented in the financials sector).

Health care remained a key contributor to excess returns. China National Medicines Corp rose by 15.32% and Tiangjin Tasly Pharma gained 4.71%. For China National Medicines Corp, we expect more catalysts in the future: the company could integrate downstream and upstream production and distribution, which have high barriers to entry. For Tiangjin Tasly Pharma, the new private placement proposal should improve its capital structure and to enable the company to acquire peers amid a wave of consolidation in the pharmaceuticals industry.

PORTFOLIO ACTIVITY

In June, we build a tactical allocation into the aviation theme.

OUTLOOK & POSITIONING

Chinese data improved in the second quarter. The economy grew by 7.5% YoY, slightly better than the consensus forecast of 7.4%. For the rest of the year, we believe that more stimuli will be needed to maintain GDP growth at 7.5%. The PMI is now at 51.0, suggesting improved production and net export orders. Industrial output continued to rebound, supported by increasing coal consumption. Accelerated fiscal spending and infrastructure investment boosted domestic demand, but the weak property market and slowing real estate investment remained a drag. CPI was relatively low at 2.4% YoY at the end of the quarter and is expected to remain low as food inflation is still subdued. Meanwhile, import data for June showed a rebound at 5.5% YoY versus -1.6% in May as stronger volumes partly offset falling prices. In its first-half trade review, the customs office said the outlook was challenging, noting that exports could be hard to increase amid weak global demand. However, the market still expects solid exports for the second half, although the recovery might actually be more gradual.

In the third quarter, the China A shares market could be supported by improved data as well as better sentiment on the back of flows from international investors through the Hong Kong/Shanghai stock exchanges connection. More retail accounts are being opened, which should lift sentiment further, just like themes such as environmental and health care, which are backed by government investment. Market valuations remain at historic lows and Chinese A shares are now trading at 9.3x 2014 earnings, which is around 60% below their five-year average. As the reforms and policy changes begin to be implemented, we believe there will be selective investment opportunities over the coming years.

We are positive towards health care on the back of the reforms outlined by the government. We are increasing our holdings not only in drugs manufacturers, but also private hospitals. We overweight as well consumer staples and added positions recently as they are likely to benefit from low valuations and stable earnings growth. We are closely monitoring the rebalancing of the economy towards consumption and believe that companies well positioned to gain from this can enjoy growth that should outpace that of the overall economy. We slightly overweight industrials and favour exposure only to environmental names (e.g.4 LED manufacturers). 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 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.