RHB Asset Management

FUND FACTSHEET – AUGUST 2014

All data expressed as at 31 July 2014 unless otherwise stated

3-year Fund Volatility **20.1** very high Lipper Analytics 15 JULY 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

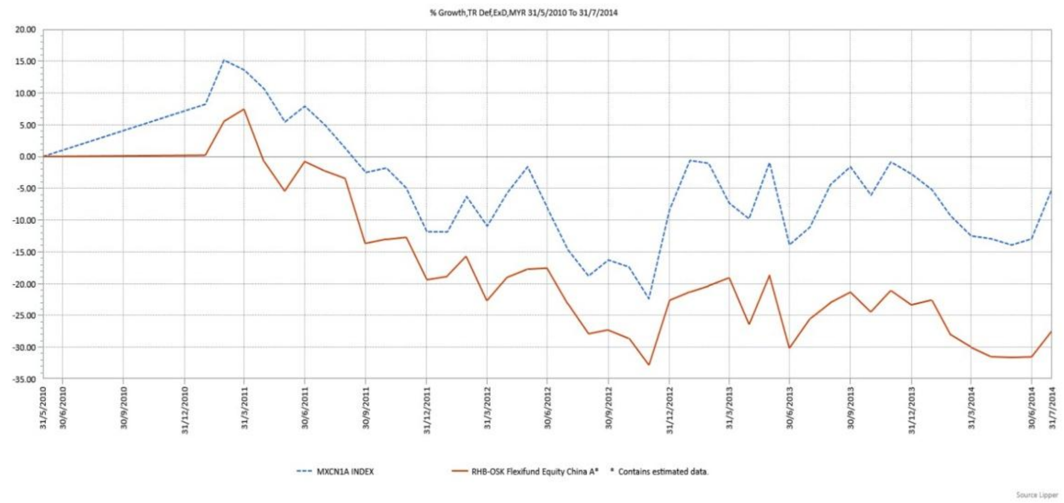
• At least 90% of NAV: Investments in the EURO denominated, Class I shares of the FLEXIFUND Equity China "A".
• Up to 10% of NAV: Investments in liquid assets comprising money market instruments, cash and deposits with financial institutions.

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	**6.04**	**6.00**	**-6.11**	**-5.17**
Benchmark	9.09	9.06	0.19	-2.36

	1 Year	3 Years	Since Launch
Fund	**-2.46**	**-25.60**	**-27.33**
Benchmark	6.81	-9.51	-5.08

Calendar Year Performance (%)*

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

**Source: Lipper IM*

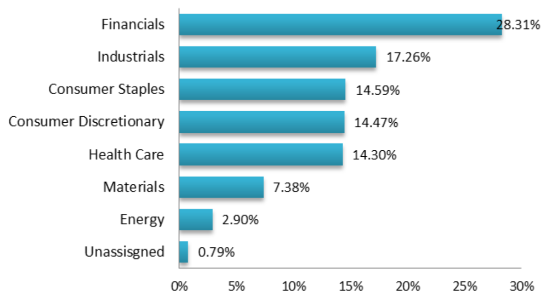
FUND DETAILS

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	RM0.7267
Fund Size (million)	RM4.97
Units In Circulation (million)	6.84
Financial Year End	31 May
MER (as at 31 May 2014)	0.68%
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	4.82
IND BANK CO LTD	4.16
CHINA VANKE CO	4.13
CHINA NATIONAL MED	3.71
CITIC SECURITITES	3.49

**As percentage of NAV*
**Source: BNP Paribas Investment Partners, 31 July 2014. Exposure in Flexifund Equity China A Fund - 98.90%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7267	0.8096	1.1941
Low	0.6846	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.)

3-year Fund Volatility 20.1 very high Lipper Analytics 15 JULY 2014

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MANAGER'S COMMENTS

MARKET REVIEW

China A-shares rose solidly in July by 8.53% in CNY terms. The onshore market outperformed offshore shares by 169bp in USD terms. Stable economic data alongside improving liquidity helped performance to rebound. Investors' momentum greatly improved towards China, as flows into offshore as well onshore markets increased. The Hong-Kong Shanghai Stock Connect is driving local investors to invest in the expectation of more foreign investors entering the market. Global allocation to China has been increasing since April, and this trend continues. The Chinese yuan (CNY) appreciated by 0.50%, closing at 6.17381/USD.

Overall, recent economic data confirms that China's recovery is gaining traction with investor sentiment improving significantly over the last 1-2 months. The manufacturing PMIs for July (both the Official/NBS and Markit) also came in stronger than expected. The NBS manufacturing PMI rose for the fifth consecutive month to 51.7 (51.0 in June), and showed a noticeable improvement in the performance of small-medium enterprises (SMEs), indicating that recent policy support for this sector is having a positive effect. Industrial production (up 9.2% YoY) and retail sales (up 12.4% YoY) modestly beat market expectations.

China recorded a trade surplus of USD 47.3 billion in July as exports surged by 14.5% YoY, more than double both the consensus estimate of 7.0% YoY and June's 7.2% YoY reading. However, the recovery remains fragile as July's imports dropped 1.6% YoY, missing expectations, and down from the 5.5% YoY recovery that we saw last month. Imports data together with the July Markit Services PMI reading of 50.0 (53.1 in June), reflected continued weak consumer and corporate confidence in China.

China's June credit expansion was stronger than expected, leading some to wonder if Beijing is reversing its disciplined monetary policy. China's M2 money supply expanded much more than anticipated at 14.7% YoY (vs. 13.4% in May), partly due to a low base effect. New loan creation came in at RMB 1.08 trillion in June, notably up on the RMB 871 billion seen in May. Total Social Financing (TSF) for June was RMB 1.97 trillion, also higher than market expectations, albeit less than the RMB 1.4 trillion at the same time on the previous year.

On the policy front, China's State Council released initial plans for Hu-kou reform that could result in an estimated 100 million rural Chinese migrating to cities. Since the average consumption of urban citizens is three times that of rural residents, this should bring significant economic benefits to the overall economy in the coming years. Beijing also released a series of initiatives for reforming state-owned enterprises (SOEs), and introduced a trial, hybrid corporate ownership structure. Other notable reform measures announced include relaxed capital requirement rules for banks and securities companies.

FUND PERFORMANCE

Flexifund Equity China A outperformed its benchmark in July, gaining 13.50% gross of fees in EUR terms, compared with a 12.67% gain in the index. Stock selection contributed 190bp to performance, while stock allocation detracted 65bp.

The major contributors to excess return were Xiamen King Long Motor and Taiji Computer. Xiamen King Long rose 38.22%, with the stock performance mainly driven by government support on clean energy motors. The company has solid experience in this area, especially in developing clean energy plug-in and pure electric buses, which have been running in most pilot cities in China. Taiji Computer rose 11.25% on the company issuing a stock incentive plan for its managers.

Allocation in health care was the main detractor, as investors took profits and re-allocated them to more cyclicals in view of last month's market rally. We remain positive on health care as we believe the sector is well supported by the government's health system reform.

PORTFOLIO ACTIVITY

In July we took profits in various themes as the market rallied. We sold some information technology stocks that seemed too expensive at their then current valuation, and re-allocated the proceeds to cyclicals.

We invested in Xiamen Tungsten, a metal company specialising in metal-cutting tools. We expect demand from the overseas market to recover. The company has exposure to rare earth, and just merged its rare earth operation with Inner Mongolia Baotou Steel Rare-Earth Hi-Tech, in the move to maintain pricing power.

We bought Sichuan Swellfun, a liquor manufacturer, as we think that the earnings within the liquor sector may recover, driven by an improvement in domestic demand. We like Sichuan Swellfun for its good corporate governance, it is the only domestic liquor owned by a foreign company, Diageo. The valuation of the company was also relatively low.

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 this level. The PMI is now at 51.7, suggesting improved production and net exports. 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 2.3% YoY in July and is expected to remain low as food inflation is still subdued. Import data was weak at -1.6% YoY growth, after the rebound in June, which disappointed investors. In its H1 2014 trade review the customs office said the outlook was challenging, noting it could be hard to lift exports given weak global demand. While the market still expects solid exports for the second half, the recovery might be gradual. Investors will particularly look at August data to see if the economy is following a positive trend. Last year's high base for July makes July data more difficult to analyse.

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 9.4x 2014 earnings, which is around 51% 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. 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.