RHB OSK
RHB Asset Management

FUND FACTSHEET – NOVEMBER 2014
All data expressed as at 31 October 2014
unless otherwise stated

3-year Fund Volatility 19.9 very high Lipper Analytics 15 OCTOBER 2014

RHB-OSK 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

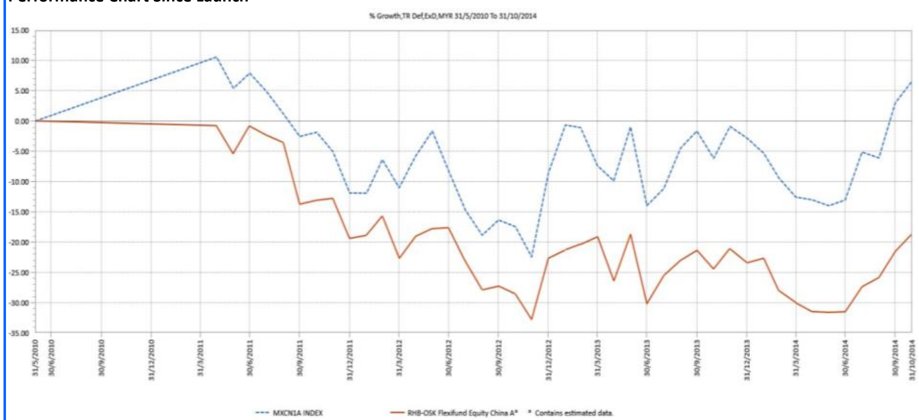
• At least 90% of NAV: Investments in the EURO denominated, Class I shares of the FLEXIFUND Equity China "A".
• Up to 10% of NAV: Investments in liquid assets comprising money market instruments, cash and deposits with financial institutions.

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	**3.73**	**12.03**	**18.75**	**6.24**
Benchmark	3.52	12.33	22.50	9.67

	1 Year	3 Years	Since Launch
Fund	**7.78**	**-6.38**	**-18.59**
Benchmark	13.56	8.61	6.62

Calendar Year Performance (%)*

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

**Source: Lipper IM*

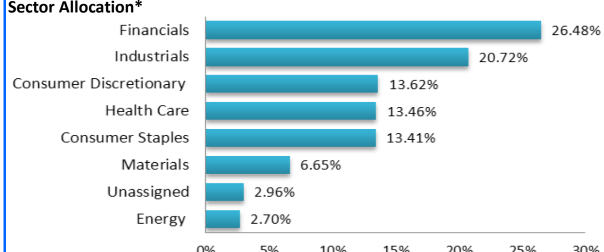
FUND DETAILS

Investment Manager	RHB Asset Management Sdn. Bhd.
Trustee	HSBC (Malaysia) Trustee Bhd
Fund Category	Wholesale- Feeder Fund (Equity)
Fund Type	Growth Fund
Launch Date	11 May 2010
Unit NAV	RM0.8141
Fund Size (million)	RM5.32
Units In Circulation (million)	6.53
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	Up to 0.08% p.a. of NAV*
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	4.01
CHINA NATIONAL MED	3.68
IND BANK CO LTD	3.52
CHINA VANKE CO	3.38
CITIC SECURITIES	3.03

**As percentage of NAV*
**Source: BNP Paribas Investment Partners, 31 October 2014. Exposure in Flexifund Equity China A Fund - 96.43%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.8141	0.8141	1.1941
Low	0.7773	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.

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MANAGER'S COMMENTS

MARKET REVIEW

The MSCI China A index returned 2.2% in CNY terms in October. In USD terms, it outperformed MSCI Asia ex Japan by 0.7% and MSCI Emerging Markets by 1.6%. Offshore shares (MSCI China) recovered 4.3% from last month's disappointing performance in USD terms, while MSCI China A shares rose by 2.6% in USD terms. The continued good performance of the A-share market was mainly due to the good momentum around the impending launch of Hong-Kong Shanghai Stock Connect, which triggered more flows toward the onshore market and helped performance. Railway-related stocks rallied strongly, supported by news of accelerated project approvals and increased railway investment by Beijing, along with news of a proposed merger between CSR Corporation and China CNR, two leading railway equipment manufacturers in China. The share price performance of utilities stocks was also strong, supported by private asset injection expectations and better Q3 2014 earnings results.

On the macroeconomic front, China's recovery remains volatile, but continues to point to a stabilising economy. GDP growth in Q3 came in stronger than the market expected. It rose by 7.3% YoY, but was below the 7.5% YoY growth seen in Q2 due to a high base in Q3 2013. Industrial production grew 8.0% YoY in September, an improvement over August (up 6.9% YoY). China's October Official/NBS PMI eased to 50.8, compared to 51.1 in September, but remains in expansion territory. The final reading for the October Markit manufacturing PMI improved slightly to 50.4 from the 50.2 reading in September.

Export growth moderated in October to 11.6% YoY, down from the very strong September reading, but beating consensus estimates. The slowdown in exports to the EU and Japan reflected the weakness in those economies and the rapid appreciation of the renminbi against the euro and the yen. In October, import growth was 4.6% YoY, weighed down by weak imports in the materials sector and falling commodity prices. China's trade surplus increased to USD 45.4 billion (versus USD 31 billion in September). Environmental protection continues to gain attention from Beijing. Premier Li Keqiang reiterated that China needs to quickly develop and implement environmental protection and pollution prevention projects. There is talk that the new Budget Law will include policies for levying an environmental tax on industries.

China's credit situation continued to loosen in September. Total social financing (TSF) rose by RMB 1 050 billion and new loan creation came in at RMB 857 billion. China's M2 money supply growth crept up to 12.9% YoY from 12.8% YoY in August). The People's Bank of China (PBoC) is continuing to pump short-term liquidity into the system, injecting RMB 769 billion to commercial banks over the past two months through a new policy tool called the Medium-term Lending Facility (MLF). The injection has a three-month term at an interest rate of 3.5%, estimated to be equivalent to a 75 basis point RRR cut. Beijing is also continuing to implement fiscal measures to support the economy. In addition to the National Development and Reform Commission approving over USD 110 billion of spending on infrastructure projects since early October, President Xi announced that China has pledged USD 40 billion to set up a Silk Road Fund (dubbed by the press as "China's Marshall Plan") to finance the construction of infrastructure to link markets across Asia. The construction of the "One Belt + One Road" project is another step in China bolstering its domestic industries by opening its borders and linking infrastructures with its Asia-Pacific neighbours. China's infrastructure, transportation and transport equipment, power equipment, and tourism sectors will be key beneficiaries.

FUND PERFORMANCE

Flexifund Equity China A slightly underperformed its benchmark in October by 0.10%, gross of fees in EUR terms. The fund gained 3.42% whereas the index rose by 3.52%. Stock selection added 4bp to the performance while stock allocation detracted 20bp.

Stock allocation and stock selection in consumer staples detracted 0.44% and 0.65% respectively from the fund's performance. Henan Shuanghui Investment dropped 14.01% in October due to poor Q3 2014 result. Its net profit fell by 15.68% YoY and its net profit margin fell by 1.3%. The pork product consumption reduction and product reform delay impacted on the company's revenues. Nevertheless, we remain positive on the food manufacturing sector as we believe that valuations are attractive and positioned to benefit from the rebalancing of the Chinese economy toward consumption. The food industry is going through a phase of consolidation and we believe the leading companies will outperform. Stock selection in financials added to relative performance. Guoyuan Securities' share price rocketed by 22.72% in October on positive financial reports for Q3 2014. The company's Q3 revenue rose by 57.3% YoY thanks to the significant increase in investment banking services and the company's good investments. We remain positive as the broker should also soon be one of the main beneficiaries of the Hong-Kong Shanghai Stock Connect.

Stock selections in industrials also contributed to performance. Xiamen C&D rose by 21.44% in October on its satisfactory Q3 earnings results. Its Q3 revenue grew by 26.3% YoY while net profit rose 9.6% YoY as the company started to develop new customers and revamp its business structure. China CNR Corp increased 23.93% in October, thanks to its potential merger with China CSR Corp. The 99% YoY surge in its Q3 net profit also lifted the performance. China Railway Construction also gained 24.87% in October on news of accelerated project approvals and increased railway investment by Beijing

PORTFOLIO ACTIVITY

In October we bought Guoyuan Securities as we believe the stock will benefit from the Hong-Kong Shanghai Stock Connect. We sold Guangshen Railway on macro weakness and the risk of further traffic diversions from high speed rail (HSR) services.

OUTLOOK & POSITIONING

China's economy grew by 7.3% YoY over the third quarter, ahead of the consensus expectation. We believe the economy is at its bottom and expect to see a rebound in Q4 2014. In September, the PBoC and the Chinese Banking Regulatory Commission jointly announced an easing on mortgage lending restrictions for the first time since the global financial crisis. The central bank and the banking regulator also urged banks to take adequate steps to meet property developers' loan demands. We should see an increase in volume for first-time buyers and Chinese trying to upgrade their current property, which would further stabilise the real estate sector and help economic recovery. The fourth Plenum outlined the focus and belief that more stimuli will be needed to maintain GDP growth. The PBoC is expected to maintain an accommodative policy through targeted easing measures, and the government continues to reiterate that no significant easing will be adopted.

Recent trade data was quite positive, and we expect exports recovery to be gradual. Industrial output and retail sales data improved in real terms in October. The anti-corruption campaign has been extended to officials' family members and this should continue to impact consumption data. However, we continue to expect the middle class to drive consumption growth, and hence future growth should be healthier and more stable, even if it is in a lower level. In the coming months, the China A-shares market could be supported by improved data as well as better sentiment after flows from international investors through Stock Connect – the Hong Kong-Shanghai stock exchange connection due to be launched on 17 November 2014. More retail accounts are being opened which should lift sentiment further, as should also be the case with sectors such as the environment and health care, which are backed by government investment. Market valuations remain at historical lows, with Chinese A-shares now trading at 10.9 times the earnings recorded in October 2014, which is around 33% below their five-year average.

We are positive on health care after reforms outlined by the government that favour drugs manufacturers allowed us to take profit on private hospitals. Recently, we moved overweight consumer staples, as the sector is 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 favour dairy and meat producers as we believe consolidation should benefit those market leaders in which we are invested. We slightly increased our positions in industrials and favour exposure only to environmental names (e.g. in electric car manufacture). Within financials, we are overweight in real estate, in the anticipation that the coming reforms and 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 information technology for valuation reasons. We remain underweight in the energy sector due to overcapacity issues. As for materials, we are underweight in 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.

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