RHB Asset Management

FUND FACTSHEET – APRIL 2014

All data expressed as at 31 March 2014 unless otherwise stated

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

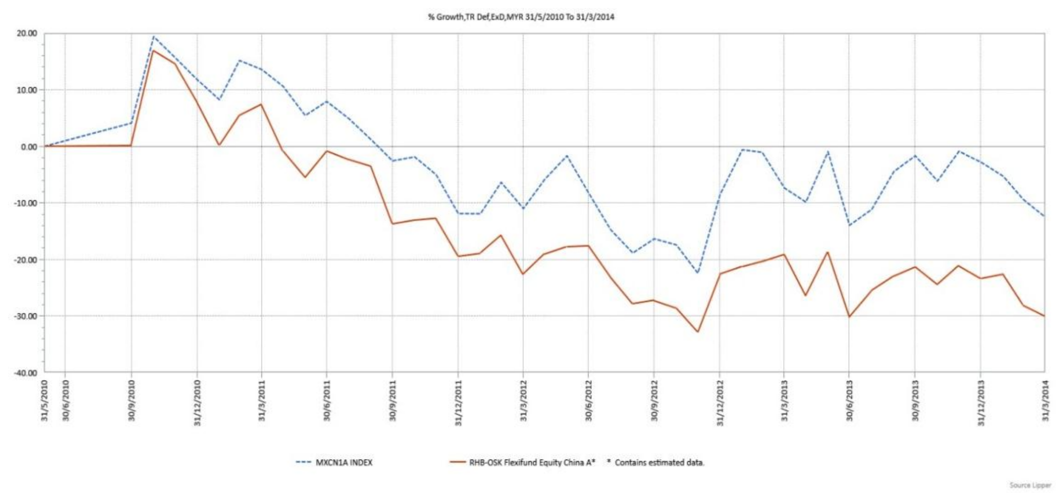
• At least 90% of NAV: Investments in the EURO denominated, Class I shares of the FLEXIFUND Equity China "A".
• Up to 10% of NAV: Investments in liquid assets comprising money market instruments, cash and deposits with financial institutions.

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	**-2.71**	**-8.64**	**-11.02**	**-8.64**
Benchmark	-3.48	-10.01	-11.06	-10.01

	1 Year	3 Years	Since Launch
Fund	**-13.47**	**-34.86**	**-29.99**
Benchmark	-5.60	-22.98	-12.52

Calendar Year Performance (%)*

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

**Source: Lipper IM*

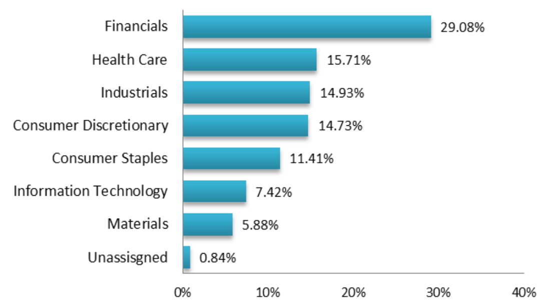
FUND DETAILS

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	RM0.7001
Fund Size (million)	RM4.88
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	4.31
INDUSTRIAL BANK CO	3.80
CHINA VANKE CO	3.58
HENAN SHUANG INVE	3.50
CHINA NATIONAL MED	3.43

**As percentage of NAV*
**Source: BNP Paribas Investment Partners, 31 March 2014. Exposure in Flexifund Equity China A Fund - 98.54%*

FUND STATISTICS

Historical NAV (RM)

	1 Month	12 Months	Since Launch
High	0.7196	0.8134	1.1941
Low	0.7001	0.6988	0.6720

Source: Lipper IM

Historical Distributions (Last 3 Years) (Net)

	Distribution (sen)	Yield (%)
31 May 2013	-	-
31 May 2012	-	-
31 May 2011	-	-

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

Head Office: 19th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur. **General Line: 603-2164 3036** **Fax: 603-2164 4226** **Website: www.rhbgroup.com**

RHB OSK
RHB Asset Management

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3-year Fund Volatility 20.9 Very High Lipper Analytics 14 MARCH 2014

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MANAGER'S COMMENTS

Market review

China A-shares lost 1.83% in local currency terms in March. The onshore market underperformed offshore shares by 1.28% in USD terms, as offshore shares did not suffer from CNY depreciation. The market lost ground in response to the mixed economic data released after the Chinese New Year holidays and in reaction to the first corporate bond default. Small caps underperformed, losing 3.81% in CNY terms. Cyclical sectors rebounded, with financials and materials the best performing sectors as the market anticipates further reforms and investment from the government to support growth this year. The Chinese yuan (CNY) continued to depreciate by 1.14%, finishing the month at 6.2171/USD. The People's Bank of China (PBoC) is letting the renminbi depreciate to curb hot-money flows. In addition, the central bank widened the renminbi's daily trading band from +/-1% of its daily fixing rate to +/-2%, as of 17 March. This latest move underscores the view that the PBoC has shifted its FX policy towards allowing market forces to influence the exchange rate.

China's February macro indicators were mixed. Exports fell by 18.1% YoY compared to a 10.6% YoY rise in January. Meanwhile, imports grew by 10.1% YoY in February, marginally up on the 10.0% YoY rise in January. China's headline CPI inflation slowed to 2.0% YoY in February from its January reading of 2.5% and the consensus forecast of 2.0%. PPI deflation widened to -2.0% YoY, the fastest declining pace since July 2013. Food inflation slid to 2.7% YoY from 3.7% the previous month while non-food inflation softened to 1.6% YoY from its prior reading of 1.9%. The soft inflationary environment creates some room for manoeuvre on monetary policy.

China's official manufacturing PMI increased in March to 50.3, up from 50.2 in February and coming in slightly better than market expectations. However, the post-holiday improvement paled in comparison with the March rebound in previous years (averaging 2.8ppt from 2005-13, minimum 0.8ppt). Overall demand recovered from eight-month lows with the new orders index creeping up by 0.1ppt to 50.6. In particular, the new export orders index advanced 1.9ppt to 50.1 as the US economy recovered from its winter-related soft patch. Correspondingly, the import index jumped by 2.6ppt to 49.1. The flip side saw sluggish domestic new orders. Under moderately tight credit conditions, weak domestic demand may slow growth further in 2Q14.

Fund performance

Flexifund Equity China A outperformed its benchmark in March, as the fund lost 2.28% gross of fees in EUR terms, compared to a 2.76% fall for the benchmark. Stock selection added 169bp, while allocation detracted 12bp. The valuation snapshot effect, due to the difference between currency rates used for the benchmark and fund prices, detracted 87bp from relative performance.

Stock selection in consumer discretionary added to relative performance, with Midea Group (000333 CH) rebounding from last month to gain 14.65% (we took profit early April).

The major contributors to excess return were China Merchants Property (000024 CH) and BBMG Corporation. (601992 CH) China Merchants Property benefited from the sector rotation into financials. The stock rose by 17.92% due to a valuation revision. The stocks is still trading at low valuation, 4.13x 2014 earnings and we continue to believe it is undervalued for the growth anticipated this year and next (about 8% EPS growth overall). BBMG Corporation is a cement/property company whose stock rose by 19.99% and is benefiting from the proposed Beijing-Tianjin-Hebei integration. Cement manufacturers rose strongly on investor anticipation of greater government infrastructure investment.

The allocation to health care detracted the most given that we are overweight the sector in view of continuing government reforms. Some health care stocks such as Tianjin Tasly Pharmaceutical (600535 CH) and Shenzhen Accord Pharmacy (000028 CH), which fell by 13.96% and 10.54% respectively, were the biggest detractors from performance. Both suffered from the sector rotation as investors took profit following a good rally since the start of the year. Tianjin Tasly Pharma, the largest dripping (slow/extended release) pill producer, is following up the success of its Compound Danshen Dripping Pill by innovating further and improving the supply chain. Certification in the US has strengthened its domestic academic promotion and should enable the company to tap into the international market and exceed its earnings expectations in the long run. Despite the fall in Shenzhen Accord Pharmacy's stock this month, we continue to have a solid earnings growth outlook for the company this year.

Portfolio activity

In March, we bought BBMG Corporation, a cement manufacturer and Beijing local property developer, which we believe will benefit from robust earnings growth this year as environmental protection reforms in Hebei province speed up the elimination of obsolete capacity. In addition, Beijing is pushing for more subsidised housing to be built as the city is accelerating the rezoning of industrial land for housing. BBMG will be the major beneficiary of this. Its valuation has also become attractive as investors have ignored the stock in recent months.

We continue to allocate to information technology. We bought Shenzhen Evenwin Precision Technology (300115 CH), as its valuation is reasonable following a stock price pullback. We expect its earnings growth in 2014 to exceed expectations, driven by product upgrading, capacity expansion and more automation. As mobile phones adopt larger screens and ultra-thin metal parts, Evenwin will likely expand its computer numerical control (CNC) precision processing, die-casting and mid-framing capacity.

We increased our allocation to the consumer discretionary sector as we remain positive on the long-term domestic consumption investment case for China and believe that the current market environment favours cyclicals. We continue to allocate to automotive vehicle and parts manufacturers and vendors, and last month bought Sinomach Automobile (600335 CH)

We sold Xj Electric as we believe the stock had reached full valuation and we anticipated disappointing earnings for the first part of this year.

Outlook & positioning

Economic indicators disappointed investors and most investors downgraded their economic growth forecast for Q1 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, the inflation rate was 2% YoY in February and 2.5% YoY in March. We believe a stable monetary policy will be maintained, with the inflation rate remaining low and the PBoC leaving the required reserve ratio and interest rates unchanged. However, as GDP growth is no longer the focus of local government officials, we believe the active fiscal policies being implemented by Beijing can become more efficient and support the economy better than it has in the past. Such policies will focus more on environmental projects and forcing consolidation in over-capacity industries.

As the 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 70% reduction from their five-year historical average. We believe last year, the market environment favoured overvalued growth stocks. 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 environmental players and stocks in the health care, consumer staples and information technology sectors that are reasonably priced. We closed our holdings in the energy, utilities and telecommunications services sectors.

We are positive on consumer staples as concerns over inflation have eased. We are closely monitoring the rebalancing of the Chinese economy towards consumption and believe that companies well positioned to gain from this will enjoy growth that will outpace that of the overall economy. We are positive toward 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 started to allocate more toward 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 (LED manufacturers). In information technology, our bottom-up stock-picking favours companies benefiting from 4G equipment investment as well as electronics manufacturers. We remain underweight the energy sector due to overcapacity issues. As to 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.