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FUND INFORMATION

Period of Trust	: Subject to occurrence of any events as stated under Clause 11.37 of the Guidelines on Unit Trust Funds
Fund Category	: Equity
Fund Type	: Capital Growth and Income
Relevant Benchmark	: FTSE Bursa Malaysia Kuala Lumpur Composite Index (“FBM KLCI”)
Distribution Policy	: Subject to the availability of income at the end of the financial year

INVESTMENT OBJECTIVE, STRATEGY AND POLICY

Investment Objective

- To provide investors with regular income and capital gain at an acceptable level of risk by investing primarily in Malaysian public listed companies with steady and good growth potential.

Investment Strategy and Policy

- As stipulated in the prospectus, the Fund invests primarily in Malaysian public listed companies with steady income and good growth potential. In analysing companies, the Manager looks for businesses that demonstrate leadership in their respective sectors with strong growth potential coupled with consistent dividend policy.
- The Manager uses fundamental valuation parameters, focusing on several key numbers with respect to the company’s historical price levels and relative value to its peer universe. These numbers include price/earnings multiple of the company, earnings growth rates, relative price earnings to growth, dividend yield, cashflow, balance sheet strength, quality of management, return on assets and return on investments, among others. Quarterly earnings expectations and results are carefully followed, and the Fund’s portfolio manager’s investment strategy could differ if key macro and micro factors materially change.
- In addition to those described above, the Fund may invest in fixed income securities to preserve the value of the Fund.
- For the financial period under review, the strategy adopted by the Fund is in line with the disclosure in the prospectus.

MANAGER’S OVERVIEW

We are pleased to present to you the Interim Report of RHB Dynamic Fund (“the Fund”) incorporating the Unaudited Financial Statements for the Six-Month Financial Period Ended 30 June 2011.

Based on the unaudited financial statements, the Net Asset Value (“NAV”) per unit of the Fund increased by 0.57% from RM1.2015 per unit as at 31 December 2010 to RM1.2083 per unit on 30 June 2011 as the Fund benefited from the positive performance of FBMKLCI during the period under review. The number of units in circulation decreased from 45.60 million units as at 31 December 2010 to 42.50 million units as at 30 June 2011.

During the financial period under review, the Fund registered a gain of 5.03%* as compared to the benchmark, FBM KLCI of 3.96%*. The outperformance was due to stock selection and asset allocation strategy which had performed successfully during the high market volatility in the 1st half of 2011. The total return of the Fund since inception was 251.94%* as opposed to the FBM KLCI’s return of 169.51%*.

A gross distribution of 5.50 sen per unit has been declared and paid to all registered unitholders on 22 February 2011. As a result of the distribution, the NAV per unit has dropped from RM1.2184 to RM1.1666.

* Source: Lipper Hindsight, 9 August 2011

MANAGER'S REPORT

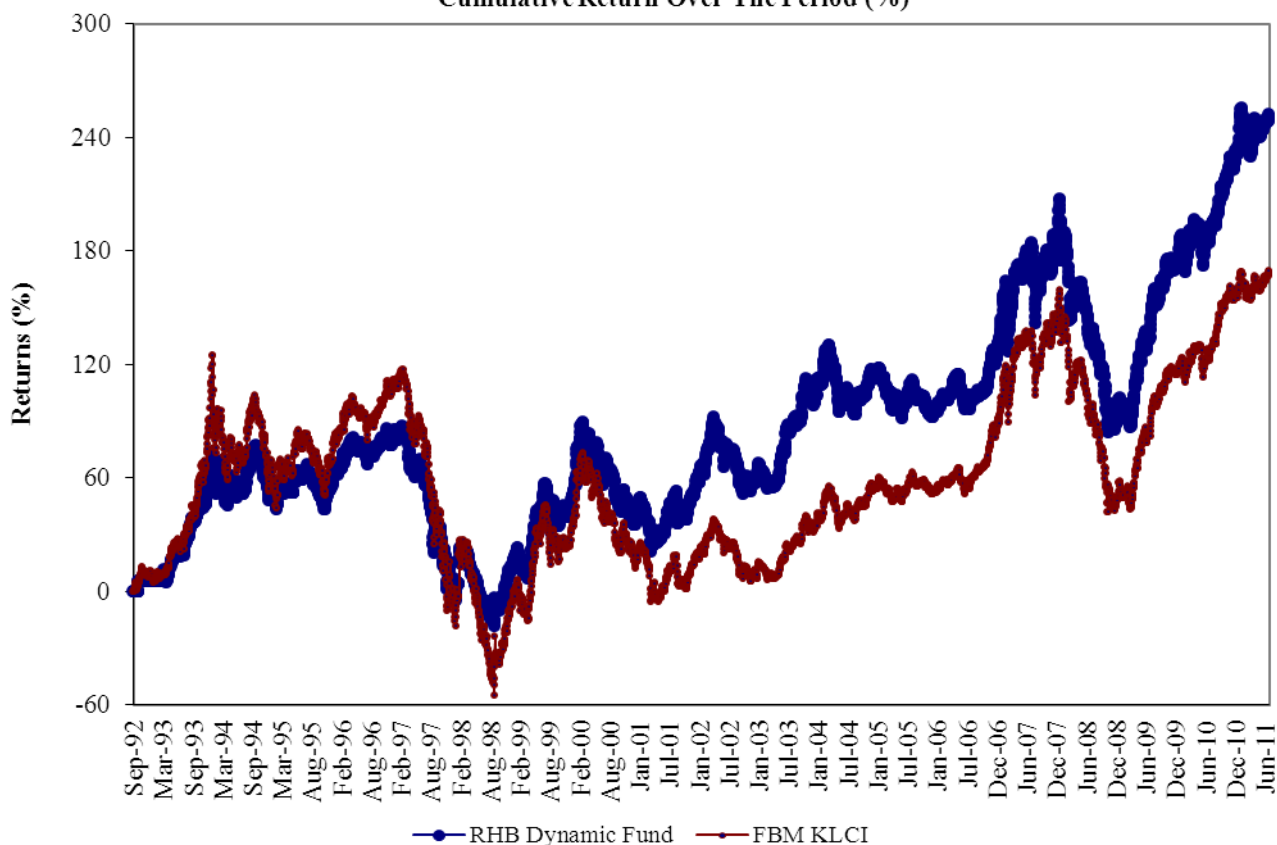
Fund Performance Review

During the period under review, the Fund has registered a gain of 5.03%* as compared to its benchmark of 3.96%*. The outperformance was attributed to the stock selection and asset allocation strategy which had performed successfully during the high market volatility in the 1st half of 2011.

However, the more favourable performance was capped by our considerably high cash position as a defensive strategy against this period of high volatility jolted by the external risks such as Middle East and North Africa region (“MENA”) political uprising, natural disaster in Japan and Asian inflation fears due to spiralling oil prices.

* Source: Lipper Hindsight, 9 August 2011

**Performance of RHB Dynamic Fund for the financial period from 15 September 1992 (Date of Inception) to 30 June 2011
Cumulative Return Over The Period (%)**



Source: Lipper Hindsight, 9 August 2011

The aforesaid information is for the period from 15 September 1992 (Date of Inception) to 30 June 2011 using NAV-NAV prices and assuming reinvestment of distributions (if any) for the Fund, gross investment based in RM.

Past earnings or the Fund’s distribution record are not a guarantee or reflection of the Fund’s future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up.

Market Review

During the period under review, the market resumed its steady grind upwards in the 1st month of 2011, despite a fresh set of geopolitical and macroeconomic risks on the external front. However, domestically, news flow on the Economic Transformation Program (“ETP”) and potentially early election provided sufficient cushion to keep the market afloat and inched higher into the end of the 1st half of 2011.

The FBM KLCI gained 60.16 points (“pts”) or 3.96% during the period under review. Even though the market recorded a consistent rally at the end of the period, the market was not short of volatility. The index dropped 102.6pts on 28 February 2011 immediately after entering into 2011, spooked by the fresh set of geopolitical and macroeconomic risks. Global markets, particularly those in the Middle East, were shaken by the news of riots and protests in Egypt while oil prices rallied on this perceived threat to energy supplies. Coupled with an ongoing surge in food prices, Emerging Markets fell or remained flat, underperforming their developed market counterparts. Our domestic market was not spared which led to the free fall of the market in February 2011 and traded in a range-bound thereafter in the 1st quarter of 2011.

The domestic market performed better in the 2nd quarter of 2011 although traded in a range-bound trading pattern until the last month of the 2nd quarter of 2011. Adding to the current external headwinds in the 1st quarter of 2011, was the revival of European sovereign debt woes; the inability of the United States (“US”) administration to raise its debt ceiling; the uncertainty of US economy post Quantitative Easing 2 (QE2); and slowing US and China’s economies which has created renewed fears of a “double-dip” recession for the global economy. Malaysian market has a defensive quality and higher-than-average dividend yields to fend off these global headwinds, at least in the short term. Even though the local market was generally stuck in a range-bound trading pattern, it has held up better against its regional peers. The FBM KLCI closed higher at 6-month high of 1,579.07 at the end of June 2011, rebounded by 104.69pts from the intraday bottom in February 2011.

Market Outlook & Strategy

The indices around the world are expected to continue to succumb to volatility despite the increasingly brighter global economic conditions. The debt issues in Europe have yet to be resolved, geo-political unrest in MENA continues to make news and economic recovery continues to be patchy; these could quickly change sentiment and send markets reeling down.

However, domestically, the impending award of various projects under the ETP, corporate mergers and acquisition (M&As), initial public offerings (IPOs) and the possibility of early general elections, is expected to fuel further market upside. The expectation of a stronger Ringgit should still attract inflows from the foreign investors. The combination of ample liquidity and positive newsflow should act as market catalyst. Research is expecting the market to surge and end the calendar year 2011 at 1,700pts based on a price-earning ratio of 15 times to the 2012 earnings.

Overall, our outlook on the economy and the FBM KLCI is positive. We reiterate that the market volatility will remain high and largely dictated by external factors. Hence, our key strategy for the 2nd half of 2011 is to be nimble and take a trading stance. There will be many opportunities arising from volatile market conditions. Therefore, stock selection, asset allocation and timing are keys to better performance. Our stock selection will be stocks with sound fundamental i.e. strong and visible earnings growth as well as attractive dividend yield. The asset allocation will remain high to take advantage of the potential market upside.

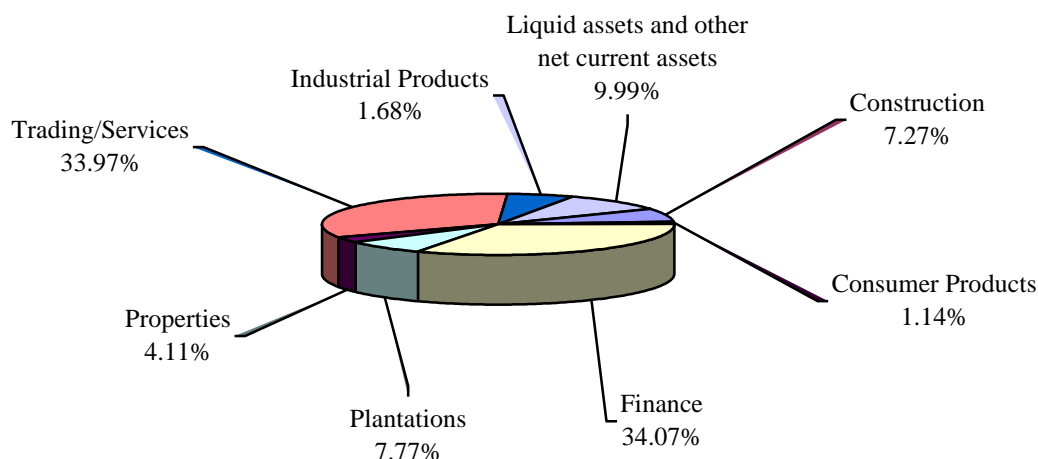
PORTFOLIO STRUCTURE

PORTFOLIO STRUCTURE AS AT 30 JUNE 2011

As at 30 June 2011, 90.01% of the Fund has been invested in equities and the balance of 9.99% in liquid assets and other net current assets.

As compared to 31 December 2010, the Fund has invested 93.28% in equities and the balance of 6.72% in liquid assets and other net current assets.

The Fund's detailed holdings in the various sectors are shown below:-



PERFORMANCE OF FUND AND BENCHMARK

	Average Total Return						
	Six-Month %	2011 %	2010 %	2009 %	2008 %	2007 %	Since Inception (15 Sept 1992) %
RHB Dynamic Fund	5.03	22.77	23.07	(4.91)	(10.10)	34.87	251.94
FBM KLCI	3.96	20.17	22.21	(9.38)	(12.39)	48.07	169.51

	Average Total Return		
	One-Year %	Three-Year %	Five-Year %
RHB Dynamic Fund	22.77	14.56	14.84
FBM KLCI	20.17	11.03	14.53

Source: Lipper Hindsight, 9 August 2011

The above Annual Total Return and Average Total Return are indicative returns based on daily Net Asset Value of a unit (as per Lipper database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

Average Total Return is derived by this formulae:-

$$\frac{\text{Total Return}}{\text{Number of Years Under Review}}$$

Note: Unit prices and returns may fluctuate, past performance figures shown are not necessarily indicative of future performance.

Other Performance Data

Performance Data	31 December 2008	31 December 2009	31 December 2010
Portfolio Composition (%)			
Trading/Services	35.39	40.13	33.37
Consumer Products	3.44	1.12	1.03
Industrial Products	-	4.09	1.07
Construction	3.50	4.50	7.39
Plantations	10.06	12.65	14.03
Properties	0.70	1.55	2.38
Finance	12.75	30.37	33.13
Infrastructure Project Companies	4.12	-	0.88
Warrant/Preference Shares	0.04	-	-
Collective Investment Schemes	7.32	-	-
Liquid assets and other net current assets	22.68	5.59	6.72
Total Portfolio Holdings	100.00	100.00	100.00
Net Asset Value (RM)	44,168,947	57,108,204	54,790,090
Units in Circulation	63,922,000	57,722,000	45,600,000
Net Asset Value per unit (RM)	0.6910	0.9894	1.2015
Net Asset Value per unit – Highest (RM)	1.1000	0.9895	1.2050
Net Asset Value per unit – Lowest (RM)	0.6587	0.6687	0.9632
Management Expense Ratio (%)	1.65	1.65	1.65
Portfolio Turnover (Times)	0.76	0.89	0.62#
Total Return (%)	(33.37)	43.20	21.42*
Return on Capital (%)	(33.37)	43.20	21.42*
Return on Income (%)	-	-	-
FBM KLCI (%)	(39.33)	45.17	19.34*

The Portfolio Turnover of the Fund for the financial year ended 31 December 2010 was slightly lower as compared to that in financial year ended 31 December 2009 as there were less trading activities to take advantage of the rise in the equity market during the financial year ended 31 December 2010.

* Source: Lipper Hindsight, 19 January 2011

BREAKDOWN OF UNITHOLDINGS AS AT 30 JUNE 2011				
Size of Holdings	Unitholders		Unitholdings	
	Number	%	(‘000) units	%
5,000 and below	1,721	52.55	3,881	9.13
5,001 to 10,000	722	22.05	5,187	12.20
10,001 to 50,000	717	21.89	15,519	36.52
50,001 to 500,000	112	3.42	11,516	27.10
500,001 and above	3	0.09	6,398	15.05
Total*	3,275	100.00	42,501	100.00

*Note: Including Manager's Stock

**UNAUDITED FINANCIAL STATEMENTS AND
NOTES TO THE FINANCIAL STATEMENTS**

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	<u>Note</u>	<u>30.06.2011</u> RM	<u>31.12.2010</u> RM
ASSETS			
Financial assets at fair value through profit or loss	4	46,221,387	51,106,344
Deposits with licensed financial institutions	5	4,495,570	3,716,813
Bank balance		12,128	32,405
Amount due from stockbrokers		735,422	-
Dividend receivable		25,553	-
Tax recoverable		86,481	99,894
TOTAL ASSETS		<u>51,576,541</u>	<u>54,955,456</u>
LIABILITIES			
Amount due to stockbrokers		51,312	-
Amount due to Manager		72,413	67,209
Accrued management fee		63,210	69,232
Amount due to Trustee		2,950	3,231
Other payables and accruals	6	34,809	25,694
TOTAL LIABILITIES		<u>224,694</u>	<u>165,366</u>
NET ASSET VALUE		<u>51,351,847</u>	<u>54,790,090</u>
UNITHOLDERS' FUNDS			
Unitholders' capital	7	78,547,271	82,317,601
Accumulated losses		(27,195,424)	(27,527,511)
		<u>51,351,847</u>	<u>54,790,090</u>
UNITS IN CIRCULATION	7	<u>42,501,000</u>	<u>45,600,000</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION*)		<u>1.2083*</u>	<u>1.2015</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2011**

	<u>Note</u>	<u>01.01.2011 to 30.06.2011</u> RM	<u>01.01.2010 to 30.06.2010</u> RM
INVESTMENT INCOME			
Dividend income		825,429	633,763
Interest income from deposits with licensed financial institutions		56,036	57,005
Net realised gain on sale of financial assets at fair value through profit and loss (“FVTPL”)		2,190,681	2,021,059
Net unrealised gain on changes in fair values of financial assets at FVTPL		145,617	174,679
		3,217,763	2,886,506
EXPENSES			
Management fee	8	(392,889)	(411,838)
Trustee’s fee	9	(18,335)	(19,219)
Audit fee		(3,500)	(3,500)
Tax agent’s fee		(2,500)	(2,500)
Transaction costs		(56,002)	(96,719)
Other expenses		(26,100)	(25,217)
		(499,326)	(558,993)
Net income before taxation		2,718,437	2,327,513
Taxation	10	(92,797)	(72,352)
Net income after taxation and total comprehensive income for the financial period		2,625,640	2,255,161
Net income after taxation is made up as follows:			
Realised amount		2,480,023	2,080,482
Unrealised amount		145,617	174,679
		2,625,640	2,255,161
Distribution for the financial period:			
Net distribution	11	2,293,553	-
Gross distribution per unit (sen)	11	5.5000	-
Net distribution per unit (sen)	11	5.1769	-

The notes on pages 10 to 30 form an integral part of these financial statements.

**UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2011**

	Unitholders' capital (Note 7) RM	Accumulated losses RM	Total net asset value RM
At 1 January 2010	95,200,846	(38,092,642)	57,108,204
Movement in net asset value:			
Net income after taxation	-	2,255,161	2,255,161
Amounts on creation of units arising from application	48,033	-	48,033
Amounts on release of units	(6,266,093)	-	(6,266,093)
Balance at 30 June 2010	<u>88,982,786</u>	<u>(35,837,481)</u>	<u>53,145,305</u>
At 1 January 2011	82,317,601	(27,527,511)	54,790,090
Movement in net asset value:			
Net income after taxation	-	2,625,640	2,625,640
Amounts on creation of units arising from distribution	1,572,474	-	1,572,474
Amounts on creation of units arising from application	56,057	-	56,057
Amounts on release of units	(5,398,861)	-	(5,398,861)
Distribution (note 11)	-	(2,293,553)	(2,293,553)
Balance at 30 June 2011	<u>78,547,271</u>	<u>(27,195,424)</u>	<u>51,351,847</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2011**

	<u>Note</u>	<u>01.01.2011 to 30.06.2011</u> RM	<u>01.01.2010 to 30.06.2010</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		12,122,168	20,297,035
Purchase of investments		(5,641,025)	(11,452,315)
Dividends received		696,562	490,836
Interest received from deposits with licensed financial institutions		56,480	65,742
Management fee paid		(398,911)	(418,295)
Trustee's fee paid		(18,616)	(19,520)
Payment for other fees and expenses		(22,985)	(24,461)
Tax refund		23,930	-
Net cash generated from operating activities		<u>6,817,603</u>	<u>8,939,022</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		1,628,531	48,033
Payment for release of units		(5,393,657)	(6,202,486)
Payment for income distribution		(2,293,553)	-
Net cash used in financing activities		<u>(6,058,679)</u>	<u>(6,154,453)</u>
Net increase in cash and cash equivalents		758,924	2,784,569
Cash and cash equivalents at the beginning of the financial period		<u>3,748,335</u>	<u>3,123,094</u>
Cash and cash equivalents at the end of the financial period		<u><u>4,507,259</u></u>	<u><u>5,907,663</u></u>
Cash and cash equivalents comprise:			
Deposits with licensed financial institutions	5	4,495,131	5,886,347
Bank balance		12,128	21,316
		<u>4,507,259</u>	<u>5,907,663</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – 30 JUNE 2011

1 THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Dynamic Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 26 May 1992 and Supplemental Deeds dated 29 August 1994, 18 December 1995, 1 July 1997, 3 September 1998, 10 August 2001 and 25 January 2008, between RHB Investment Management Sdn Bhd (“the Manager”), Mayban Trustees Berhad (“the Trustee”) and the registered Unitholders of the Fund. The Fund is now governed by a Master Deed dated 12 June 2008 and subsequent Supplemental Master Deeds (collectively referred to as “the Deeds”), which shall hereafter supersede all existing deeds relating to the Fund.

The Fund was launched on 15 September 1992 and will continue its operations until terminated as provided under Clause 4 of the Master Deed.

The principal activity of the Fund is to invest in ‘Permitted Investments’ as defined under Item 15 of Schedule 1 of the Master Deed, which comprises securities (including unlisted securities in Malaysia), collective investment schemes, futures contracts, securities lending, liquid assets and any other form of investments as may be approved by the relevant authorities from time to time.

All investments will be subject to the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to provide investors with regular income and capital gain at an acceptable level of risk by investing primarily in Malaysian public listed companies with steady and good growth potential.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services to institutions, trust funds, pension and retirement funds, insurance funds, private clients, management of unit trust funds and provision of investment advisory services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Financial Reporting Standards (“FRS”) in Malaysia.

- (a) The new accounting standards that are effective for the Fund’s financial year beginning on or after 1 January 2010 are as follows:
- FRS 7 “Financial instruments: Disclosures” (effective 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the statement of comprehensive income. This standard does not have any impact on the classification and valuation of the Fund’s financial statements.
 - FRS 8 “Operating Segments” (effective 1 July 2009) replaces FRS 114²⁰⁰⁴ Segment Reporting. The new standard requires a ‘management approach’, under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(a) The new accounting standards that are effective for the Fund's financial year beginning on or after 1 January 2010 are as follows: *(continued)*

- The revised FRS 101 "Presentation of financial statements" (effective 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 107 "Statement of cash flows" (effective 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 "Events after the balance sheet date" (effective 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 "Revenue" (effective 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'. This standard does not have any impact on the classification and valuation of the Fund's financial statements.
- The amendments to FRS 132 "Financial instruments: Presentation" and FRS 101(revised) "Presentation of financial statements" - "Puttable financial instruments and obligations arising on liquidation" (effective 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(b) The new accounting standards that are effective for the Fund's financial year beginning on or after 1 January 2011 are as follows:

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

2.2 Investments

Investments are classified and designated as financial assets at fair value through profit or loss ('FVTPL') upon initial recognition. Investments are initially recorded at fair value and subsequently revalued to their fair values as at the date of the statement of financial position.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Fund commits to purchase or sell the asset. Investments are recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Quoted investments in Malaysia are valued at the last done market price quoted on the Bursa Malaysia Securities Berhad ("Bursa Malaysia") at the date of the statement of financial position.

Collective investment schemes are valued based on the last published net asset value per unit or share of such collective investment schemes at the date of the statement of financial position.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the period in which they arise.

2.3 Other assets

Trade receivables and other financial assets are carried at amortised cost.

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2.5 Proceeds and payments on creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the total net asset value with the total number of outstanding units.

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day.

2.6 Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund's Unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved.

2.7 Unitholders' capital

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under the revised FRS 132.

2.8 Income recognition

Interest income from short term deposits is recognised on an accrual basis using the effective interest method.

Dividend income from quoted investments is recognised when the Fund's right to receive payment is established.

Realised gain or loss on sale of quoted investments is arrived at after accounting for cost of investments, determined on the weighted average cost method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income.

2.10 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Amount due from/to stockbrokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of financial position respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.12 Presentation and functional currency

The financial statements are presented in Ringgit Malaysia, which is the Fund's presentation and functional currency.

2.13 Segmental information

For management purposes, the Fund is managed by one portfolio, namely quoted investments, including collective investment schemes. The operating results are regularly reviewed by the Manager and the Investment Committee. The Investment Committee assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to the investment segment based on the recommendation by the Investment Strategic Sub-Committee.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions had been used in deriving the fair values of the Fund's financial instruments as at the date of the statement of financial position. The total fair value of each financial instrument is not materially different from the total carrying value.

The fair values are based on the following methodologies and assumptions:

(a) Deposits with licensed financial institutions

For deposits with licensed financial institutions with maturities of less than three months, the carrying value is a reasonable estimate of fair value. For deposits with maturities of three months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits would be made with financial institutions of similar credit risk and remaining period to maturity.

(b) Quoted investments

The estimated fair value is based on quoted and observable market prices.

(c) Collective investment scheme

The valuation of each unit or share in any collective investment scheme will be based on the last published net asset value per unit or share of such collective investment scheme.

(d) Other short term financial instruments

Other short term financial instruments comprise other receivables, payables and accruals. The carrying value of these assets and liabilities are assumed to approximate their fair value due to short tenure of less than one year.

2.15 Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with the FRS in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial period. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include fund management risk, individual stock risk, stock market risk, liquidity risk, credit risk, interest rate risk and non-compliance risk from the following financial instruments:

	<u>Loans and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>30.06.2011</u>			
Financial assets at fair value through profit or loss	-	46,221,387	46,221,387
Cash and cash equivalents	4,507,698	-	4,507,698
Receivables	847,456	-	847,456
Total	<u>5,355,154</u>	<u>46,221,387</u>	<u>51,576,541</u>

All current liabilities are financial liabilities which are carried at amortised cost.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC Guidelines on Unit Trust Funds.

Fund management risk

The selection of securities which make up the investments of the Fund is subjective and the securities selected may perform better or worse than the overall market. This risk is managed by having a professional and experienced Fund Manager who has access to research materials and independent market analysis to enable fully informed decisions in investments to be made.

Individual stock risk

The performance of each individual stock that a unit trust fund invests is dependent upon the management quality of the particular company and its growth potential. Hence, this would have an impact on the unit trust fund's prices and its dividend income. The Manager aims to reduce all these risks by using diversification that is expected to reduce the volatility as well as the risk for the Fund's portfolio. In addition, the Manager will also perform continuous fundamental research and analysis to aid its active asset allocation management especially in its stock selection process.

Stock market risk

The value of the Fund's investments is subject to the fluctuations of the markets it invests in and the performance of those investments. The very nature of a unit trust fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors that the collapse of any security or any one market sector would not impact too greatly on the value of the Fund.

The following table summarises the sensitivity of the Fund's investments to price movements as at 30 June 2011. The analysis is based on the assumptions that the net asset value of the Fund increased by 5% and decreased by 5% with all other variables held constant.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Stock market risk (continued)

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in NAV</u> %	<u>Impact on profit before tax</u> RM	<u>Impact on net asset value</u> RM
<u>30.06.2011</u>			
Quoted investments	<u>5</u>	<u>2,311,069</u>	<u>2,311,069</u>

Liquidity risk

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's units in circulation (classified as equity instruments) and financial liabilities. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) and equity in order to provide a complete view of the Fund's contractual commitments and liquidity.

	<u>Less than 1 month</u> RM	<u>Total</u> RM
<u>30.06.2011</u>		
Financial assets:		
Financial assets held at FVTPL	46,221,387	46,221,387
Deposits with licensed financial institutions	4,495,570	4,495,570
Other assets	859,584	859,584
Total undiscounted financial assets	<u>51,576,541</u>	<u>51,576,541</u>
Financial liabilities:		
Other liabilities	224,694	224,694
Total undiscounted financial liabilities	<u>224,694</u>	<u>224,694</u>
Unitholders' Funds	<u>51,351,847</u>	<u>51,351,847</u>
Liquidity gap	<u>-</u>	<u>-</u>

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Notes:

(a) Financial assets

Analysis of financial assets at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. Quoted equity instruments, including collective investment schemes, have been included in the “Less than 1 month” category on the assumption that these are highly liquid investments which can be realised should all of the Fund’s unitholders’ capital are required to be redeemed. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

(b) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

(c) Unitholders’ Funds

As unitholders can request for redemption on their units at anytime from the Manager, they have been categorised as having a maturity of “Less than 1 month”.

Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

The following table sets out the credit risk concentration of the Fund:

<u>As at 30.06.2011</u>	Bank balance and deposits RM	Other assets RM	<u>Total</u> RM
Finance	4,507,698	-	4,507,698
Others	-	847,456	847,456
	4,507,698	847,456	5,355,154

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Fund is exposed to interest rate risk – changes in interest rates will affect the value of the investments and its returns. To manage the risk investments will be concentrated in investments grade issued by financial institutions and companies determined by the Manager.

The following table analyses the Fund’s interest rate risk exposure. The Fund’s assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

<u>As at 30.06.2011</u>	<u>Up to 1 year RM</u>	<u>Non-interest bearing RM</u>	<u>Total RM</u>	<u>Effective interest rate* %</u>
<u>Assets:</u>				
Financial assets held at FVTPL	-	46,221,387	46,221,387	
Deposits with licensed financial institutions	4,495,570	-	4,495,570	3.03
Other assets	-	859,584	859,584	
	<u>4,495,570</u>	<u>47,080,971</u>	<u>51,576,541</u>	
<u>Liabilities:</u>				
Other liabilities	-	224,694	224,694	
	<u>-</u>	<u>224,694</u>	<u>224,694</u>	
Total interest sensitivity gap	<u>4,495,570</u>	<u>46,856,277</u>	<u>51,351,847</u>	

* Computed based on interest-bearing assets only

Non-compliance risk

The operations and administration of the Fund by the Manager or its delegate are governed by the Fund’s Deeds, all applicable laws and regulations or internal policies and procedures. Risk may arise when compliance with the provisions of the Deeds or the applicable laws is not ensured. The magnitude of such risk and its impact on the Fund and/or unitholders are dependent on the nature and severity of the non-compliance.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>30.06.2011 RM</u>	<u>31.12.2010 RM</u>
Financial assets designated as FVTPL:		
- quoted investments	46,221,251	51,106,209
- collective investment scheme	136	135
	<u>46,221,387</u>	<u>51,106,344</u>

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 30 June 2011 are as follows:

<u>Quantity</u>	<u>Name of Counter</u>	<u>Cost</u> RM	<u>Fair value</u> <u>as at</u> <u>30.06.2011</u> RM	<u>Fair value</u> <u>as at 30.06.2011</u> <u>expressed as a</u> <u>percentage of</u> <u>value of the Fund</u> %
QUOTED INVESTMENTS				
MAIN MARKET				
CONSTRUCTION				
417,000	Benalec Holdings Bhd	565,939	600,480	1.17
282,000	Gamuda Bhd	956,928	1,085,700	2.11
50,000	Kimlun Corporation Bhd	76,328	90,500	0.18
421,000	Malaysian Resources Corporation Bhd	587,936	938,830	1.83
190,000	Ranhill Bhd	167,884	123,500	0.24
226,000	Sunway Holdings Bhd	438,779	614,720	1.20
90,000	WCT Bhd	258,018	278,100	0.54
		<u>3,051,812</u>	<u>3,731,830</u>	<u>7.27</u>
CONSUMER PRODUCTS				
12,500	British American Tobacco (Malaysia) Bhd	526,332	583,750	1.14
FINANCE				
414,000	Alliance Financial Group Bhd	1,206,780	1,316,520	2.56
170,000	AMMB Holdings Bhd	889,120	1,106,700	2.16
580,000	CIMB Group Holdings Bhd	2,629,032	5,179,400	10.09
580,000	Malayan Banking Bhd	3,091,708	5,185,200	10.10
154,613	Public Bank Bhd	1,453,036	2,056,353	4.00
200,000	Public Bank Bhd - Foreign	1,659,156	2,652,000	5.16
		<u>10,928,832</u>	<u>17,496,173</u>	<u>34.07</u>
INDUSTRIAL PRODUCTS				
150,000	Coastal Contracts Bhd	441,315	525,000	1.02
48,000	PETRONAS Chemicals Group Bhd	325,068	340,320	0.66
		<u>766,383</u>	<u>865,320</u>	<u>1.68</u>
PLANTATIONS				
103,000	Boustead Holdings Bhd	592,157	636,540	1.24
64,000	Genting Plantations Bhd	402,807	506,880	0.99
25,000	Hap Seng Plantations Holdings Bhd	73,818	67,750	0.13
75,000	Kuala Lumpur Kepong Bhd	989,151	1,662,000	3.23
315,000	Kulim (Malaysia) Bhd	567,282	1,118,250	2.18
		<u>2,625,215</u>	<u>3,991,420</u>	<u>7.77</u>

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 30 June 2011 are as follows: (continued)

<u>Quantity</u>	<u>Name of Counter</u>	<u>Cost RM</u>	<u>Fair value as at 30.06.2011 RM</u>	<u>Fair value as at 30.06.2011 expressed as a percentage of value of the Fund %</u>
QUOTED INVESTMENTS (CONTINUED)				
MAIN MARKET (CONTINUED)				
PROPERTIES				
200,000	IJM Land Bhd	461,468	568,000	1.11
206,000	Mah Sing Group Bhd	515,845	537,660	1.05
112	SP Setia Bhd – WB 2008/2013	23	127	-
300,000	UEM Land Holdings Bhd	565,563	843,000	1.64
71,000	UOA Development Bhd	184,600	161,170	0.31
		<u>1,727,499</u>	<u>2,109,957</u>	<u>4.11</u>
TRADING/SERVICES				
118,000	AirAsia Bhd	181,094	415,360	0.81
441,000	Axiata Group Bhd	1,291,122	2,209,410	4.30
154,000	Berjaya Sports Toto Bhd	654,449	691,460	1.35
150,000	Genting Bhd	1,117,433	1,683,000	3.28
30,000	Hap Seng Consolidated Bhd	183,000	157,500	0.31
643,000	Kencana Petroleum Bhd	737,937	1,806,830	3.52
47,000	Malaysia Marine and Heavy Engineering Holdings Bhd	178,600	391,510	0.76
208,200	MMC Corporation Bhd	538,642	587,124	1.14
206,000	Multi-Purpose Holdings Bhd	549,934	624,180	1.21
816,180	MY E.G. Services Bhd	359,794	579,488	1.13
531,700	Petra Perdana Bhd	576,299	462,579	0.90
458,000	SapuraCrest Petroleum Bhd	681,896	1,923,600	3.75
512,000	Sime Darby Bhd	4,333,506	4,725,760	9.20
300,000	Telekom Malaysia Bhd	758,128	1,185,000	2.31
		<u>12,141,834</u>	<u>17,442,801</u>	<u>33.97</u>
	TOTAL QUOTED INVESTMENTS	<u>31,767,907</u>	<u>46,221,251</u>	<u>90.01</u>
COLLECTIVE INVESTMENT SCHEME				
136	RHB Islamic Cash Management Fund*	136	136	-
	TOTAL FINANCIAL ASSETS AT FVTPL	<u>31,768,043</u>	<u>46,221,387</u>	<u>90.01</u>
	EXCESS OF FAIR VALUE OVER COST	<u>14,453,344</u>		

* This collective investment scheme is managed by the Manager of the Fund.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 December 2010 are as follows:

<u>Quantity</u>	<u>Name of Counter</u>	<u>Cost</u> RM	<u>Fair value</u> as at <u>31.12.2010</u> RM	<u>Fair value</u> as at 31.12.2010 expressed as a percentage of <u>value of the Fund</u> %
QUOTED INVESTMENTS				
MAIN MARKET				
CONSTRUCTION				
282,000	Gamuda Bhd	956,928	1,074,420	1.96
168,600	Kimlun Corporation Bhd	257,377	263,016	0.48
421,000	Malaysian Resources Corporation Bhd	587,936	837,790	1.53
190,000	Ranhill Bhd	167,884	166,250	0.30
420,000	Sunway Holdings Bhd	815,430	940,800	1.72
240,000	WCT Bhd	688,048	765,600	1.40
		<u>3,473,603</u>	<u>4,047,876</u>	<u>7.39</u>
CONSUMER PRODUCTS				
12,500	British American Tobacco (Malaysia) Bhd	526,332	562,500	1.03
FINANCE				
485,000	Alliance Financial Group Bhd	1,413,740	1,474,400	2.69
200,000	AMMB Holdings Bhd	1,046,023	1,406,000	2.57
613,000	CIMB Group Holdings Bhd	2,778,615	5,210,500	9.51
641,038	Malayan Banking Bhd	3,381,566	5,448,823	9.94
154,613	Public Bank Bhd	1,453,036	2,013,061	3.67
200,000	Public Bank Bhd - Foreign	1,659,157	2,600,000	4.75
		<u>11,732,137</u>	<u>18,152,784</u>	<u>33.13</u>
INDUSTRIAL PRODUCTS				
212,000	DRB-HICOM Bhd	268,456	411,280	0.75
482,000	Scomi Group Bhd	202,670	175,930	0.32
		<u>471,126</u>	<u>587,210</u>	<u>1.07</u>
INFRASTRUCTURE PROJECT COMPANY				
605,000	TIME dotCom Bhd	419,766	480,975	0.88
PLANTATIONS				
64,000	Genting Plantations Bhd	402,807	563,200	1.03
118,000	Hap Seng Plantations Holdings Bhd	348,422	395,300	0.72
633,000	IOI Corporation Bhd	3,316,778	3,677,730	6.71
63,000	Kuala Lumpur Kepong Bhd	726,669	1,392,300	2.54
130,000	Kulim (Malaysia) Bhd	936,466	1,656,200	3.03
		<u>5,731,142</u>	<u>7,684,730</u>	<u>14.03</u>

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets designated as FVTPL as at 31 December 2010 are as follows: (continued)

<u>Quantity</u>	<u>Name of Counter</u>	<u>Cost RM</u>	<u>Fair value as at 31.12.2010 RM</u>	<u>Fair value as at 31.12.2010 expressed as a percentage of value of the Fund %</u>
QUOTED INVESTMENTS (CONTINUED)				
MAIN MARKET (CONTINUED)				
PROPERTIES				
200,000	IJM Land Bhd	461,468	572,000	1.04
75	SP Setia Bhd - WB 2008/2013	23	125	-
300,000	UEM Land Holdings Bhd	529,520	732,000	1.34
		<u>991,011</u>	<u>1,304,125</u>	<u>2.38</u>
TRADING/SERVICES				
250,200	AirAsia Bhd	383,981	633,006	1.15
642,000	Axiata Group Bhd	1,879,593	3,049,500	5.57
154,000	Berjaya Sports Toto Bhd	654,449	693,000	1.26
226,000	Genting Bhd	1,683,599	2,526,680	4.61
236,000	Genting Malaysia Bhd	834,114	800,040	1.46
656,000	Kencana Petroleum Bhd	752,856	1,580,960	2.89
47,000	Malaysia Marine and Heavy Engineering Holdings Bhd	178,600	277,300	0.51
190,000	MMC Corporation Bhd	487,500	528,200	0.96
816,180	MY E.G. Services Bhd	359,794	648,863	1.18
185,000	Petra Perdana Bhd	168,368	196,100	0.36
500,000	SapuraCrest Petroleum Bhd	744,428	1,550,000	2.83
539,700	Sime Darby Bhd	4,567,955	4,749,360	8.67
300,000	Telekom Malaysia Bhd	758,128	1,053,000	1.92
		<u>13,453,365</u>	<u>18,286,009</u>	<u>33.37</u>
	TOTAL QUOTED INVESTMENTS	<u>36,798,482</u>	<u>51,106,209</u>	<u>93.28</u>
COLLECTIVE INVESTMENT SCHEME				
135	RHB Islamic Cash Management Fund*	135	135	-
	TOTAL FINANCIAL ASSETS AT FVTPL	<u>36,798,617</u>	<u>51,106,344</u>	<u>93.28</u>
	EXCESS OF FAIR VALUE OVER COST	<u>14,307,727</u>		

* This collective investment scheme is managed by the Manager of the Fund.

5 DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	<u>30.06.2011</u> RM	<u>31.12.2010</u> RM
Deposits with licensed financial institutions:		
- commercial bank	810,262	3,716,813
- investment bank	3,685,308	-
	<u>4,495,570</u>	<u>3,716,813</u>

Deposits with licensed financial institutions include interest receivable of RM439 (31.12.2010: RM883).

	<u>30.06.2011</u> %	<u>31.12.2010</u> %
Weighted average effective interest rate	<u>3.03</u>	<u>2.74</u>

	<u>30.06.2011</u>	<u>31.12.2010</u>
Average maturity	<u>3 days</u>	<u>3 days</u>

6 OTHER PAYABLES AND ACCRUALS

	<u>30.06.2011</u> RM	<u>31.12.2010</u> RM
Audit fee payable	3,500	7,000
Tax agent's fee payable	8,500	6,000
Sundry payables and accruals	22,809	12,694
	<u>34,809</u>	<u>25,694</u>

7 NUMBER OF UNITS IN CIRCULATION AND UNITHOLDERS' CAPITAL

	<u>30.06.2011</u>		<u>31.12.2010</u>	
	Units	RM	Units	RM
At the beginning of the financial period/year	45,600,000	82,317,601	57,722,000	95,200,846
Creation arising from distribution	1,379,000	1,572,474	-	-
Creation arising from application	47,000	56,057	94,000	102,947
Release of units	(4,525,000)	(5,398,861)	(12,216,000)	(12,986,192)
At the end of the financial period/year	<u>42,501,000</u>	<u>78,547,271</u>	<u>45,600,000</u>	<u>82,317,601</u>
Approved size of the Fund	<u>750,000,000</u>		<u>750,000,000</u>	

The maximum number of units that can be issued out for circulation is 750,000,000. As at 30 June 2011, the number of units yet to be issued is 707,499,000 (31.12.2010: 704,400,000).

8 MANAGEMENT FEE

Item 10 of Schedule 1 of the Master Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 1.50% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 1.50% (2010: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period. As the Fund invests in collective investment schemes, the management fee charged by the collective investment schemes to the Fund is fully refunded in units. In accordance with the SC Guidelines on Unit Trust Funds, there is no double charging of management fee to the Fund.

9 TRUSTEE'S FEE

Item 11 of Schedule 1 of the Master Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.1% per annum of the net asset value of the Fund, calculated on a daily basis.

The Trustee's fee provided in the financial statements is 0.07% (2010: 0.07%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

10 TAXATION

(a) Tax charge for the financial period

	<u>01.01.2011</u> <u>to 30.06.2011</u>	<u>01.01.2010</u> <u>to 30.06.2010</u>
	RM	RM
Current taxation	92,797	72,352
	<u> </u>	<u> </u>

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the net income before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	<u>01.01.2011</u> <u>to 30.06.2011</u>	<u>01.01.2010</u> <u>to 30.06.2010</u>
	RM	RM
Net income before taxation	2,718,437	2,327,513
	<u> </u>	<u> </u>
Tax calculated at a tax rate of 25%	679,609	581,878
Tax effects of:		
- Income not subject to tax	(701,127)	(614,129)
- Expenses not deductible for tax purposes	19,662	5,917
- Restriction on tax deductible expenses for unit trust funds	94,653	98,686
	<u> </u>	<u> </u>
Tax expense	92,797	72,352
	<u> </u>	<u> </u>

11 DISTRIBUTION

Distribution to unitholders is from the following sources:

	<u>01.01.2011</u> <u>to 30.06.2011</u>	<u>01.01.2010</u> <u>to 30.06.2010</u>
	RM	RM
Previous financial year:		
Dividend income	1,358,673	-
Interest income from deposits with licensed financial institutions	125,828	-
Net realised gain on sale of investments	2,072,039	-
	<hr/>	<hr/>
	3,556,540	-
Less:		
Expenses	(1,119,820)	-
Taxation	(143,167)	-
	<hr/>	<hr/>
Net distribution amount	<u>2,293,553</u>	<u>-</u>
 <u>Distribution on 22 February 2011</u>		
Gross distribution per unit (sen)	5.5000	-
Net distribution per unit (sen)	<u>5.1769</u>	<u>-</u>

Included in the above distribution was an amount of RM3,556,540 (30.06.2010: Nil) made from previous year's realised income.

Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

11 MANAGEMENT EXPENSE RATIO ("MER")

	<u>01.01.2011</u> <u>to 30.06.2011</u>	<u>01.01.2010</u> <u>to 30.06.2010</u>
	%	%
MER	<u>0.84</u>	<u>0.83</u>

Management expense ratio includes management fee, Trustee's fee, audit fee, tax agent's fee and other administrative expenses which is calculated as follows:

$$\text{MER} = \frac{(A + B + C + D + E)}{F} \times 100$$

- A = Management fee
- B = Trustee's fee
- C = Audit fee
- D = Tax agent's fee
- E = Other expenses
- F = Average net asset value of the Fund for the financial period, calculated on a daily basis

The average net asset value of the Fund for the financial period, calculated on a daily basis is RM52,818,536 (30.06.2010: RM55,364,471).

12 PORTFOLIO TURNOVER

	<u>01.01.2011</u> <u>to 30.06.2011</u>	<u>01.01.2010</u> <u>to 30.06.2010</u>
The portfolio turnover for the financial period (times)	0.16	0.27

The portfolio turnover is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average net asset value of the Fund for the financial period calculated on a daily basis}}$$

where:

total acquisition for the financial period = RM5,674,255 (30.06.2010: RM11,532,078)
 total disposal for the financial period = RM10,704,830 (30.06.2010: RM18,243,025)

13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
RHB Investment Management Sdn Bhd	The Manager
RHB Investment Bank Bhd	Holding company of the Manager
RHB Capital Bhd	Ultimate holding company of the Manager

The number of units held by the Manager is as follows:

	<u>30.06.2011</u>		<u>31.12.2010</u>	
	No. of units	RM	No. of units	RM
The Manager	1,494	1,805	1,575	1,892

The units are held beneficially by the Manager for booking purposes.

Other than the above, there were no units held by Directors or parties related to the Manager.

14 TRANSACTIONS BY THE FUND

Details of transactions with brokers and financial institutions by the Fund for the financial period ended 30 June 2011 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
RHB Investment Bank Bhd*	8,325,009	27.73	16,392	45.16
Affin Bank Bhd	6,747,254	22.48	-	-
KAF Investment Bank Bhd	4,731,439	15.76	-	-
Macquarie Capital Securities (Malaysia) Sdn Bhd	2,583,007	8.61	5,166	14.23
Maybank Investment Bank Bhd	1,904,215	6.34	3,808	10.49
Kenanga Investment Bank Bhd	1,705,447	5.68	3,411	9.40
HwangDBS Investment Bank Bhd	973,970	3.25	1,948	5.37
AmInvestment Bank Bhd	697,585	2.32	1,395	3.84
CIMB Investment Bank Bhd	678,428	2.26	1,357	3.74
Affin Investment Bank Bhd	652,755	2.18	1,306	3.60
Others	1,018,005	3.39	1,516	4.17
	<u>30,017,114</u>	<u>100.00</u>	<u>36,299</u>	<u>100.00</u>

Details of transactions with brokers and financial institutions by the Fund for the financial year ended 31 December 2010 are as follows:

<u>Broker/Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
RHB Investment Bank Bhd*	39,200,449	35.65	66,882	42.29
Affin Bank Bhd	28,678,952	26.08	-	-
Macquarie Capital Securities (Malaysia) Sdn Bhd	9,309,514	8.47	19,736	12.48
Kenanga Investment Bank Bhd	7,124,959	6.48	14,071	8.90
Maybank Investment Bank Bhd	6,659,320	6.06	13,668	8.64
Affin Investment Bank Bhd	4,015,798	3.65	8,032	5.08
HwangDBS Investment Bank Bhd	3,406,857	3.10	6,823	4.31
AmBank Bhd	2,523,495	2.29	-	-
CIMB Investment Bank Bhd	1,791,080	1.63	14,052	8.88
Hong Leong Investment Bank Bhd	1,769,704	1.61	3,539	2.24
Others	5,474,201	4.98	11,364	7.18
	<u>109,954,329</u>	<u>100.00</u>	<u>158,167</u>	<u>100.00</u>

* Included in transactions by the Fund are trades conducted on normal terms in the stockbroking industry with RHB Investment Bank Bhd, a company related to the Manager.

15 SEGMENT INFORMATION

The Investment Strategic Sub-Committee of the Manager recommends strategic resource allocations of the Fund to the Investment Committee of the Manager (collectively referred to as "Committee"). The Investment Committee of the Manager will then endorse the strategic decision recommended by the Investment Strategic Sub-Committee for adoption on behalf of the Fund. The operating segments are determined based on the recommendation by the Investment Strategic Sub-Committee and reviewed by the Investment Committee.

The Committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment located in Malaysia. The Committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments.

There were no changes in the reportable segments during the financial period.

The segment information provided to the Committee for the reportable segments is as follows:

For the financial period ended 30 June 2011:

	<u>Quoted investments</u> RM	<u>Total</u> RM
Dividend income	825,429	825,429
Net realised gain on sale of financial assets at FVTPL	2,190,681	2,190,681
Net unrealised gain on changes in fair values of financial assets at FVTPL	145,617	145,617
Total segment income	<u>3,161,727</u>	<u>3,161,727</u>
Financial assets at FVTPL	<u>46,221,387</u>	<u>46,221,387</u>
Total segment assets	<u>46,221,387</u>	<u>46,221,387</u>

For the financial year ended 31 December 2010:

Dividend income	1,500,759	1,500,759
Net realised gain on sale of financial assets at FVTPL	5,691,229	5,691,229
Net unrealised gain on changes in fair values of financial assets at FVTPL	4,510,302	4,510,302
Total segment income	<u>11,702,290</u>	<u>11,702,290</u>
Financial assets at FVTPL	<u>51,106,344</u>	<u>51,106,344</u>
Total segment assets	<u>51,106,344</u>	<u>51,106,344</u>

15 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total net segmental income to operating profit is provided as follows:

	<u>30.06.2011</u> RM	<u>31.12.2010</u> RM
Total net segment income	3,161,727	11,702,290
Interest income from deposits with licensed financial institutions	56,036	125,828
Other fees and expenses	(499,326)	(1,119,820)
	<hr/>	<hr/>
Net income before taxation	2,718,437	10,708,298
Taxation	(92,797)	(143,167)
	<hr/>	<hr/>
Net income after taxation for the financial period/year	<u>2,625,640</u>	<u>10,565,131</u>

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	<u>30.06.2011</u> RM	<u>31.12.2010</u> RM
Total segment assets	46,221,387	51,106,344
Deposits with licensed financial institutions	4,495,570	3,716,813
Bank balance	12,128	32,405
Other receivables	847,456	99,894
	<hr/>	<hr/>
Total assets	<u>51,576,541</u>	<u>54,955,456</u>
Total segment liabilities	-	-
Other payables and accrued expenses	224,694	165,366
	<hr/>	<hr/>
Total liabilities	<u>224,694</u>	<u>165,366</u>

REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial period under review, the soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unitholders of the scheme as per the requirements of Clause 11.34 of the Securities Commission's Guidelines on Unit Trust Funds.

STATEMENT BY MANAGER

We, Patrick Chin Yoke Chung and Sharifatul Hanizah Said Ali, two of the Directors of RHB Investment Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying unaudited financial statements set out on pages 6 to 30 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2011 and of its results, changes in net asset value and cash flows of the Fund for the financial period ended on that date in accordance with the Financial Reporting Standards in Malaysia.

On behalf of the Manager

PATRICK CHIN YOKE CHUNG
DIRECTOR

Kuala Lumpur
19 August 2011

SHARIFATUL HANIZAH SAID ALI
DIRECTOR

Kuala Lumpur
19 August 2011

TRUSTEE'S REPORT

We have acted as Trustee of RHB Dynamic Fund for the financial period ended 30 June 2011. In our opinion, RHB Investment Management Sdn Bhd ("the Manager" or "the Management Company") has managed the Fund in the financial period under review in accordance with the following:

- (a) the limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) the valuation or pricing of the Fund is carried out in accordance with the Deeds and any regulatory requirements;
- (c) the creation and cancellation of units of the Fund are carried out in accordance with the Deeds and any regulatory requirements; and
- (d) the distribution of 5.50 sen (gross) per unit to the unitholders of the Fund during the financial period ended 30 June 2011 is consistent with the objectives of the Fund.

MAYBAN TRUSTEES BERHAD
(Company No: 5004P)

JENNIFER WONG
HEAD, OPERATIONS

Kuala Lumpur
19 August 2011

CORPORATE INFORMATION
(WITH EFFECT FROM 4 MAY 2011)

MANAGER

RHB Investment Management Sdn Bhd

REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

BUSINESS OFFICE AND OFFICE OF THE REGISTRAR

Level 7, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

BOARD OF DIRECTORS

Patrick Chin Yoke Chung (*Chairman*)

Haji Khairuddin bin Ahmad (*Senior Independent Non-Executive Director*)

Dato' Mohamed Khadar Merican (*Independent Non-Executive Director*)

Dato' Othman Jusoh (*Independent Non-Executive Director*)

Renzo Christopher Viegas (*Non-Independent Non-Executive Director*)

Sharifatul Hanizah Said Ali (*Managing Director*)

INVESTMENT COMMITTEE MEMBERS

Haji Khairuddin bin Ahmad (*Independent Chairman*)

Dato' Othman Jusoh (*Independent Member*)

Lim Chee Sing (*Non-Independent Member*)

Sharifatul Hanizah Said Ali (*Non-Independent Member*)

MANAGING DIRECTOR

Sharifatul Hanizah Said Ali

SECRETARY

Azman Shah Md Yaman (LS No. 0006901)

BRANCHES

• **Northern Regional Office**

Level 3A, 44 Lebuhr Pantai
Georgetown, 10300 Penang

• **Sabah Regional Office**

Lot No. C-02-04, 2nd Floor, Block C,
Warisan Square, Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah

• **Sarawak Regional Office**

Lot 7418, 1st Floor, Jalan Simpang Tiga
93300 Kuching, Sarawak

TRUSTEE

Mayban Trustees Berhad
34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

AUDITOR & REPORTING ACCOUNTANT

PricewaterhouseCoopers
10th Floor, 1 Sentral, Jalan Travers, KL Sentral
50706 Kuala Lumpur

TAX ADVISER

PricewaterhouseCoopers
Taxation Services Sdn Bhd
15th Floor, 1 Sentral, Jalan Travers, KL Sentral
50706 Kuala Lumpur

BANKERS

RHB Bank Berhad
KL Main Office, RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur

Malayan Banking Berhad
KL Main Office, Menara Maybank,
100, Jalan Tun Perak, 50050 Kuala Lumpur

SOLICITOR

Soon Gan Dion & Partners
1st Floor, No. 73, Jalan SS21/1A, Damansara Utama
47400 Petaling Jaya, Selangor Darul Ehsan

INSTITUTIONAL UNIT TRUST ADVISERS

RHB Bank Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad
iFast Service Centre Sendirian Berhad

