# Asian Masters Fund Limited
# Annual General Meeting – 17 November 2015
# Chairman's Address

Welcome to the annual meeting of the Asian Masters Fund Limited (the **Company** or **AUF**).

**Performance Overview**

At 30 June 2015, the pre-tax net tangible asset (NTA) value of the Company was $1.42 per share and the post-tax NTA was $1.28 per share. This compares to the pre-tax NTA of $1.01 per share and the post-tax NTA of $0.96 per share at 30 June 2014.

FY15 was an excellent year for the Asian Masters Fund. Including dividends, the Company generated a total return of +42.9% to investors, comfortably outperforming the MSCI Asia ex Japan Index's 27.0% return. From 30 June 2015 to 31 October 2015, the Company's NTA has provided a total return of -1.3%.

The main contribution to the strong performance in FY15 was the overweight position in China, in particular the exposure to China A-Shares, which are not included in the MSCI Asia ex Japan Index and returned +158.2% in AUD terms during the year. We have been positive on the outlook for Chinese equities for some time, driven by our views on economic fundamentals, company valuations, and market dynamics (the A-Share market is dominated by retail investors, and as a result is not always very efficient). For this reason, the Company has had a significant position in China A-Shares for over three years, anticipating a positive re-rating to the market. While we were somewhat early in our timing, leading to a drag on performance for a period, it ensured AUF did not miss the rally in Chinese equities. As a result, the Company has benefited handsomely over the last year from this position in Chinese A-Shares, more than making up for our early call on the market. Following the enormous gains during the year, we have taken the opportunity to take some profits in China more recently.

More broadly, the Investment Manager has two main levers it can use to drive performance: country allocation, and manager selection. Pleasingly, both country allocation and manager selection contributed to the Company's strong performance in FY15.

The countries in which AUF has an overweight position (China, India, Vietnam and the Philippines) outperformed the MSCI Asia ex Japan Index, and countries in which the Company is underweight (Korea, Taiwan, Singapore, Malaysia and Indonesia) underperformed. The only countries where country allocation decisions detracted from relative performance were Hong Kong (which was more than made up for by the China A-Share exposure) and Thailand.

On the manager selection front, a number of managers made excellent contributions. Standout performers over the year were Arisaig Asia Consumer Fund and Steadview Capital, both of which performed superbly relative to the markets in which they invest.

**Asian market performance**

In FY15, all Asia ex Japan markets, except Malaysia, posted positive returns in local currency terms. The MSCI Asia ex Japan Index returned 27.0% in Australian dollar (AUD) terms, but increased 3.8% in US dollar terms. The Australian dollar depreciated sharply in FY15, resulting in higher gains in AUD terms.

During the first half of FY15, equities remained subdued amid uncertainty over the timing of US interest rate hikes after the US Federal Reserve ended its quantitative easing programme in October 2014. Equities performed better in the second half of FY15, aided by accommodative monetary policy implemented by several Asian central banks against a backdrop of easing inflation and lower commodity prices, particularly crude oil.

As noted earlier, the stand-out performer in FY15 was China, with China A-Shares at one point tripling before pulling back in June to finish the year up an enormous 158.2% in Australian dollar terms, while China H-Shares rose 59.8%. Hong Kong (+43.5%) also performed strongly largely due to the spill over effect from China.

**Investment activity**

During the financial year the Manager identified two new China A-Share funds, Cephei QFII China Absolute Return Fund and NCC China A-Share Fund. The Company made new investments in each of the funds funded with redemptions from JPMorgan China Pioneer A-Share Fund. The Company also made a partial redemption from APS China A-Share Fund to take profits from its investments in China. In total, the Company made net redemptions of approximately $20 million on its Chinese exposure over the year, while retaining a similar portfolio weight to China. The proceeds from these redemptions were reinvested into other parts of the portfolio. Each of the new China funds we have invested in takes a truly fundamental bottom-up approach to investing in domestic Chinese equities. Each holds a concentrated portfolio of 20-30 stocks, with a focus on generating absolute returns for investors.

The Company made new investments in Asian Opportunities Absolute Return Fund, a long-short Far East Asia ex Japan fund managed by Rays Capital, the Asia New Stars No.1 Fund, an Asia ex Japan small and mid cap fund, and Aberdeen India Opportunities Fund.

Pleasingly, each of the new investments initiated by the Company has generated excellent returns to date.

During the year, the Company sold its investment in JPMorgan Korea Fund and invested the proceeds in CK Absolute Return Fund, another Korean equities specialist. The Company also made partial redemptions from Prusik Asia Fund, Prusik Asia Smaller Companies Fund and Arisaig Asia Consumer Fund. While we still rate each of these managers highly, these redemptions were for the purpose of reducing the concentration of the portfolio to individual managers. The Company also made a small redemption from Aberdeen Asian Opportunities Fund for the purposes of liquidity provision, and added to its investment in JPMorgan Taiwan Fund.

**Distributions and capital management**

During FY15, the Company paid two unfranked dividends of 1 cent per share on 2 October 2014 and 24 March 2015. AUF also raised $610,160 through the Company's dividend reinvestment plan.

The Company announced two buyback programs on 6 August 2014 and 16 October 2014. The buybacks were undertaken as an active capital management tool to provide liquidity to existing shareholders should they seek to exit their investment at, or near, net tangible asset value.

Subsequent to the end of the financial year the Company announced an unfranked dividend of 1.1 cents per share, paid on 23 September 2015.

That concludes the Chairman's address.

We will now open up for questions.

We will now move into the formal part of the meeting.