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# Investment update

February 2016

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A large, stylized orange fish graphic is positioned in the bottom right corner of the slide, swimming upwards and to the left. The fish is rendered in a simple, bold style with white outlines for its fins and tail.

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# Broad Market Update

- Chinese uncertainty weighing on markets – GDP growth, FX policy, stock market volatility
- Oil price and commodity volatility
- New Year has been marked by extreme stock market volatility



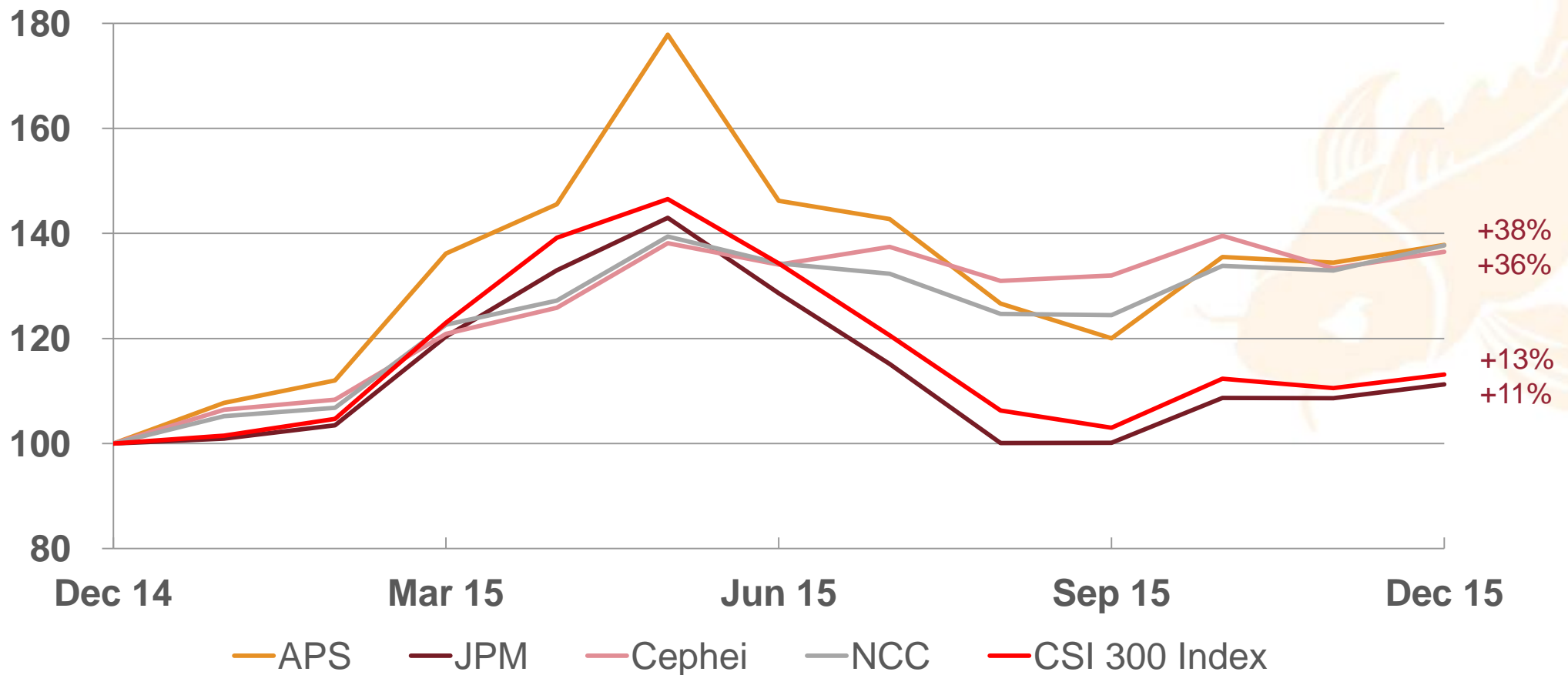
# China update

- FX regime
- Market practices
- Market performance
- Long term outlook



# China Managers in AUF portfolio

Not simply investing in the index



Source: Walsh & Company Asset Management (Walsh & Co AM). Data to 31 December 2015. Performance figures in AUD.

# Performance – total return<sup>1</sup>

At 31 December 2015

	3m	6m	1y	3y	5 Y	Since inception <sup>2</sup>
NTA <sup>3</sup>	1.0	-4.6	9.8	51.1	49.8	61.1
AUF Share Price	-1.5	-7.6	14.9	42.9	35.5	48.5
MSCI Asia ex Japan	-0.1	-8.9	1.7	39.7	39.3	15.1
<b>Relative<sup>4</sup>(NTA- Index)</b>	<b>1.1</b>	<b>4.3</b>	<b>8.0</b>	<b>11.4</b>	<b>10.5</b>	<b>46.0</b>

Source: Walsh & Co AM, MSCI, Bloomberg

Notes: 1. Inclusive of dividends reinvested

2. Inception date was 4 December 2007

3. Returns based on pre-tax NTA

4. Some figures may not reconcile due to rounding



# 2015 performance drivers

- Country allocation, manager selection and sector allocation all contributed to strong performance
- Country Allocation
  - Positive
    - Overweight to China A, India, Vietnam. Underweight to Malaysia, Singapore, Korea, Taiwan
  - Negative
    - Underweight to Hong Kong (though this was more than made up for with Chinese exposure)
- Manager selection
  - 9/13 managers outperformed their respective benchmarks.
  - Steadview Capital, Arisaig Asia Consumer and Chinese funds were largest contributors



# Performance<sup>1</sup> – Peer comparison

At 31 December 2015 – ranked by 1 year performance

	AUM (A\$m)	6 M	1 Y	3 Y	5 Y	Since Inception <sup>2</sup>
<b>Asian Masters Fund Limited</b>	<b>169</b>	<b>-4.6</b>	<b>9.8</b>	<b>51.1</b>	<b>49.8</b>	<b>61.1</b>
Schroder Asia Pacific Fund	139	-2.3	6.6	47.9	66.4	35.0
BT Wholesale Asian Share Fund	190	-4.7	6.3	38.8	45.1	28.9
T Rowe Price Asia Ex-Japan Fund	217	-14.3	4.4	38.9	46.1	N/A
Platinum Asia Fund	5,167	-6.8	1.7	56.5	57.4	66.8
Nikko AM New Asia Fund	25	-12.0	1.4	48.9	41.4	5.7
CFS FCWI Asian Share Fund	152	-14.9	1.0	45.8	41.1	25.0
PM Capital Asian Opportunities Fund Ltd	60	1.1	0.0	N/A	N/A	N/A
MBA Asian Investment Trust	59	-8.0	-0.7	42.7	51.4	39.1
Aberdeen Asian Opp Fund	584	-12.3	-2.1	28.6	40.4	52.9
K2 Asian Absolute Return Fund	78	-28.5	-3.3	31.8	26.8	30.8
<b>MSCI AC Asia ex-Japan Index</b>	<b>N/A</b>	<b>-8.9</b>	<b>1.7</b>	<b>39.7</b>	<b>39.3</b>	<b>15.1</b>

Source: Walsh & Co AM, MSCI, Bloomberg

Notes: 1. NTA return inclusive of dividends reinvested, 2. Inception date was 4 December 2007, 3. Some figures may not reconcile due to rounding.



# Portfolio

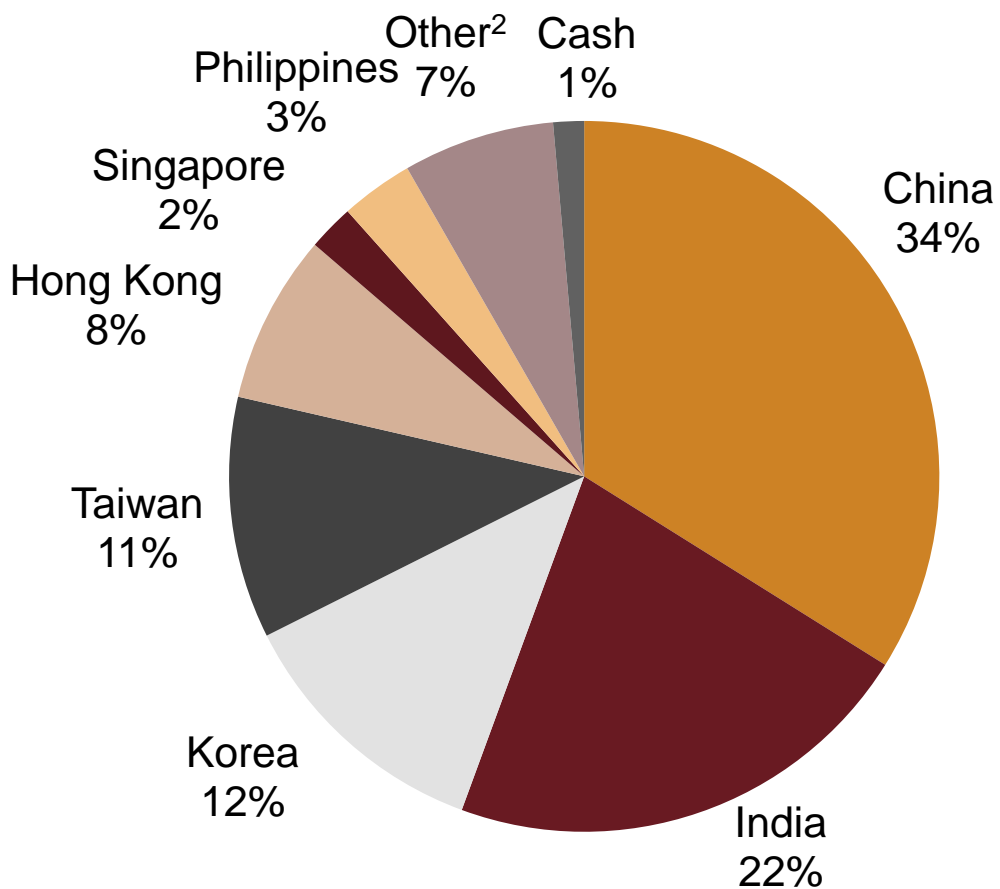
	Fund	31 Dec 2014 Weight (%)	31 Dec 2015 Weight (%)
Regional	Arisaig Asia Consumer Fund	14.2%	15.4%
	Asian Opportunities Absolute Return Fund	3.1%	8.8%
	Macquarie Asia New Stars No.1 Fund	3.0%	6.1%
	Prusik Asia Fund	6.1%	6.0%
	Aberdeen Asian Opportunities Fund	9.1%	5.8%
	Prusik Asia Smaller Companies Fund	5.6%	4.9%
Country	Steadview Capital Fund	7.6%	11.0%
	CK Absolute Return Fund	9.0%	8.9%
	JPMorgan Taiwan Fund	7.6%	7.6%
	NCC China A-Share Fund	-	7.2%
	Cephei QFII China Absolute Return Fund	-	7.0%
	APS China A Share Fund	9.1%	6.5%
	JPMorgan China Pioneer A-Share Fund	19.9%	3.2%
	Aberdeen India Opportunities Fund	1.5%	-
	Total Invested <sup>1</sup>	95.8%	98.6%
	Cash	4.2%	1.4%
	<b>Total<sup>1</sup></b>	<b>100.0%</b>	<b>100.0%</b>

Source: Walsh & Co AM

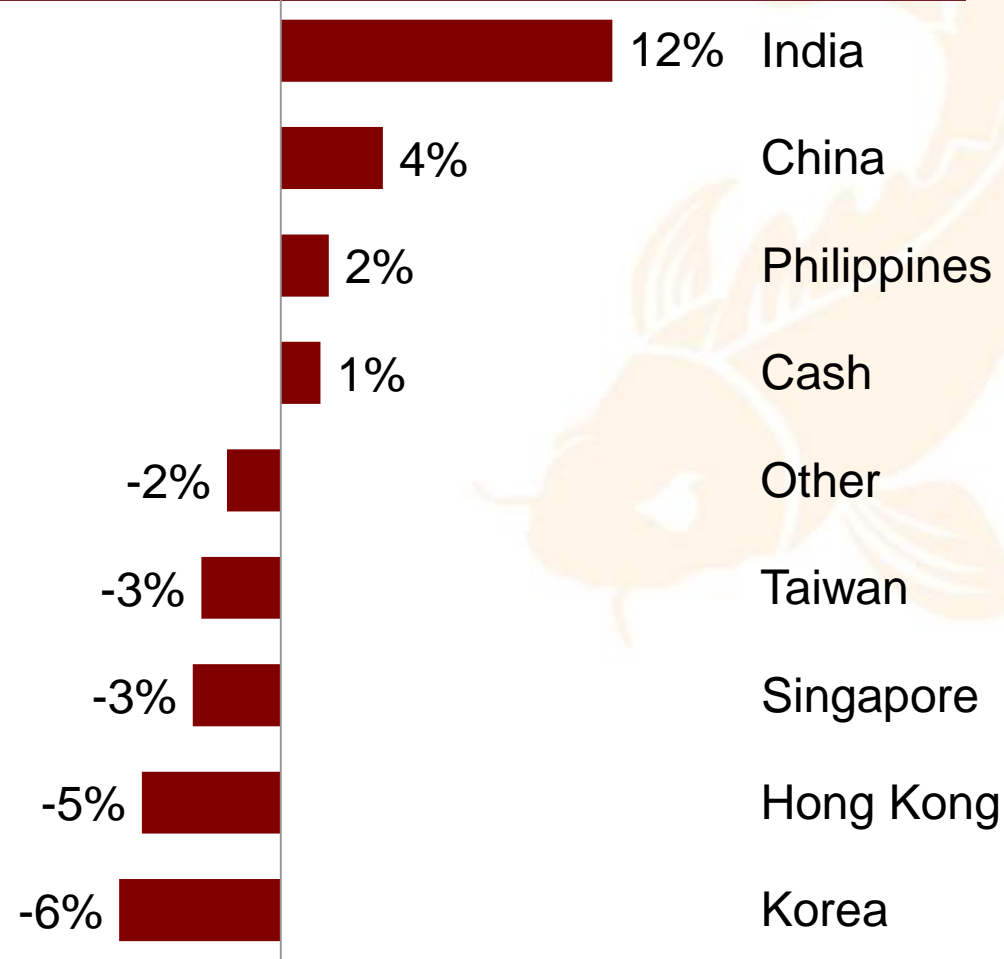
Notes: <sup>1</sup> Some figures may not reconcile due to rounding.

# Portfolio – Country Allocation

Country allocation<sup>1</sup>



Relative weights<sup>3</sup>

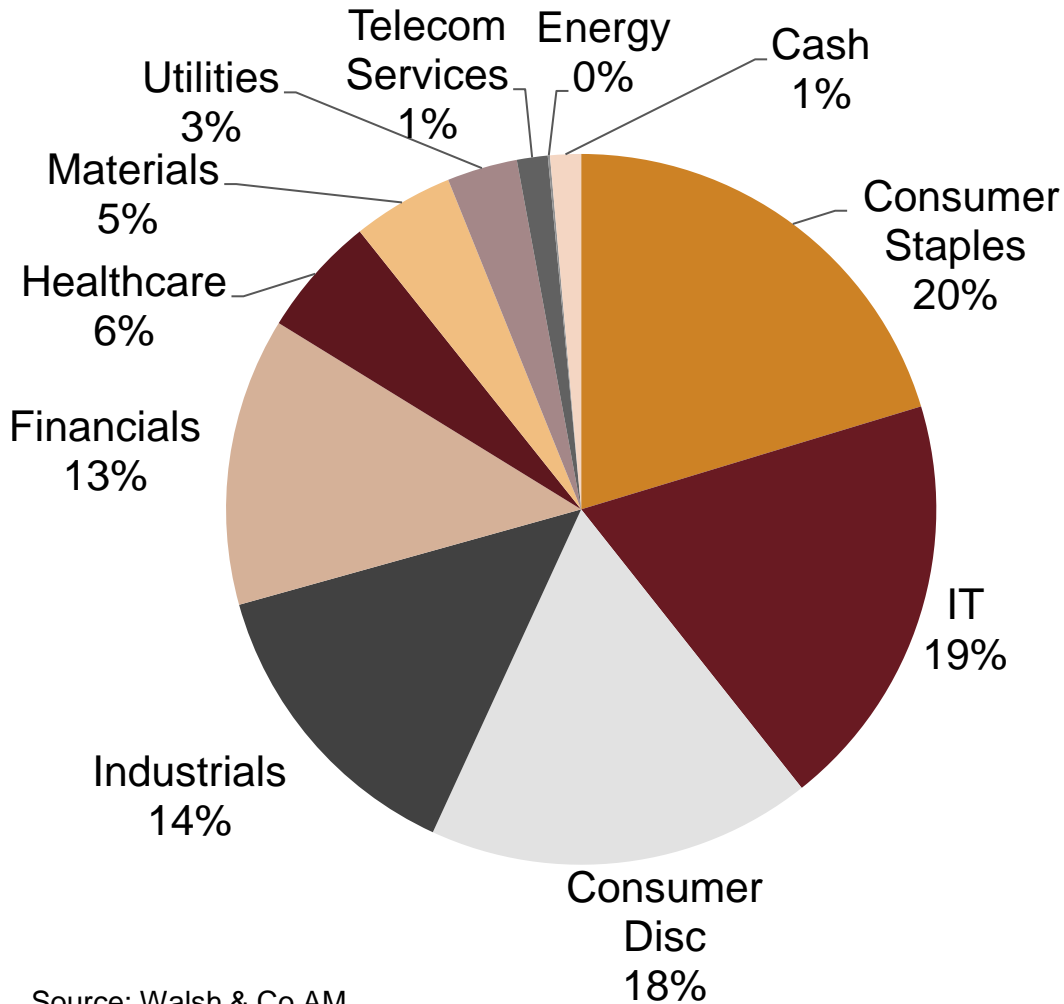


Source: Walsh & Co AM

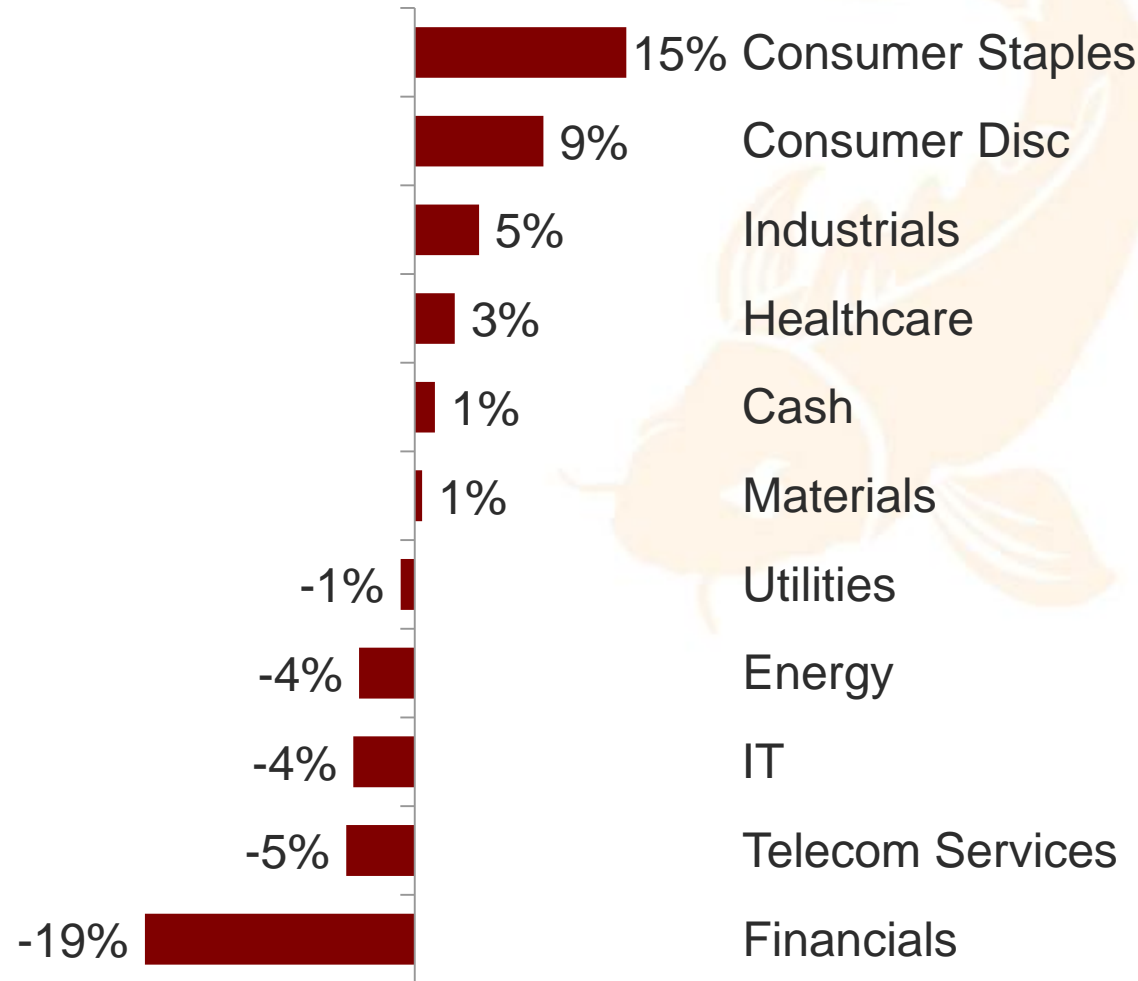
Notes: 1. Some figures may not reconcile due to rounding; 2. 'Other' includes, but is not limited to, Vietnam, Thailand, Indonesia, Pakistan and Malaysia; 3. Relative to MSCI Asia ex Japan Index

# Portfolio – Sector allocation

Sector allocation<sup>1</sup>



Relative weights<sup>2</sup>

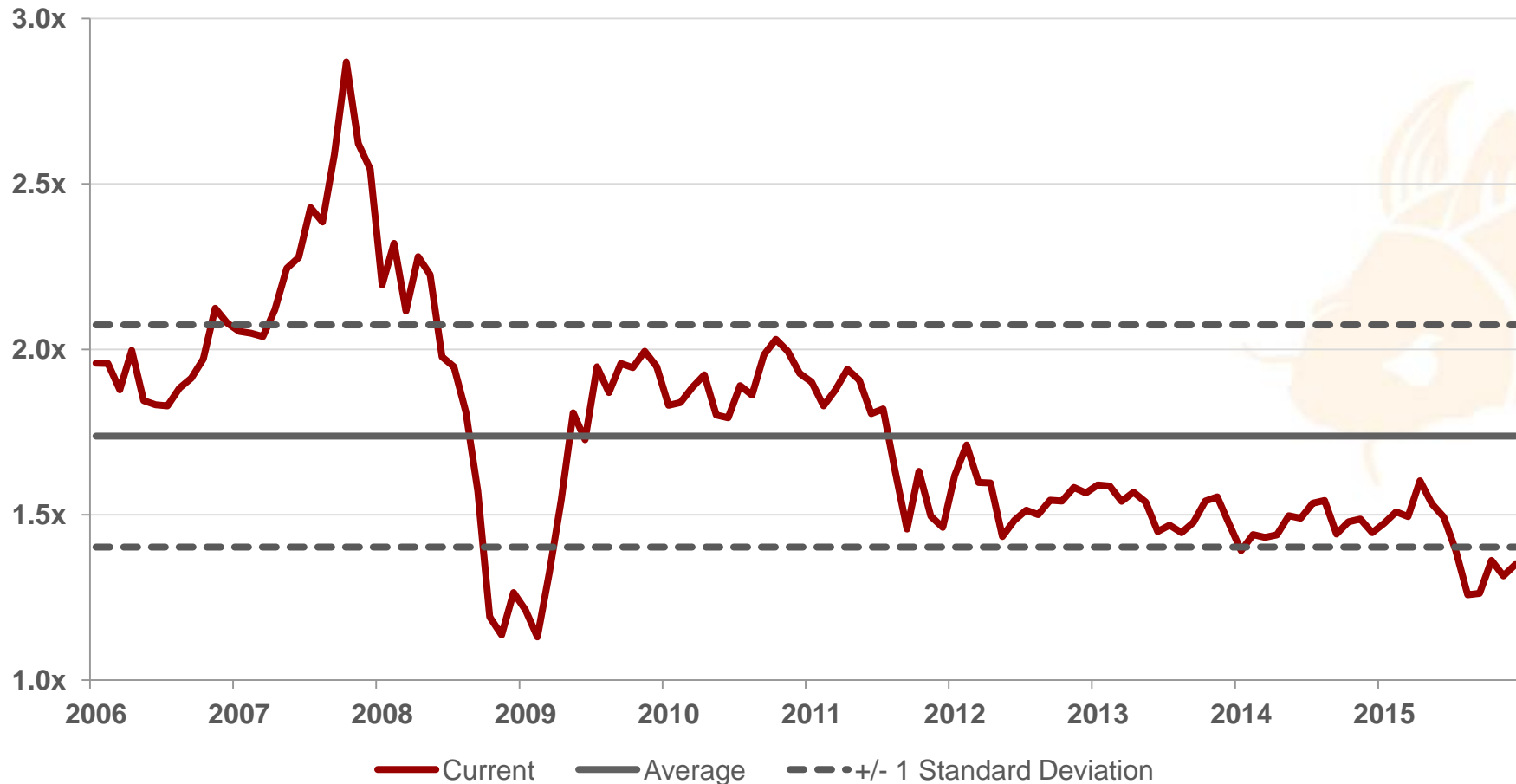


Source: Walsh & Co AM

Notes: 1. Some figures may not reconcile due to rounding; 2. Relative to MSCI Asia ex Japan Index

# Asia (ex-Japan) valuations

## Asia (ex-Japan) Index- Price to Book Ratio

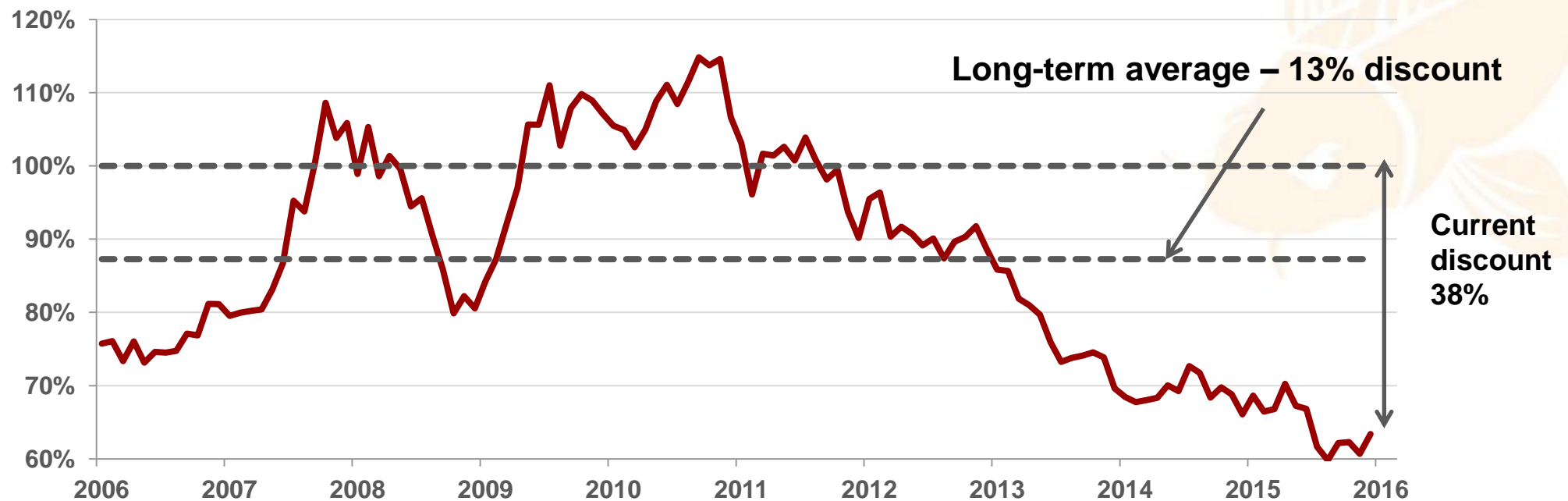


Source: Bloomberg, MSCI, data to 31 January 2016

# Asia (ex-Japan) valuations

- Valuations are supportive
- Asia's Price to Book trades at a discount of 38% to MSCI World

## MSCI Asia ex-Japan – Price to Book Ratio relative to MSCI World



Source: Bloomberg, MSCI, data to 31 January 2016

# Asian Market outlook

- Expect volatility to continue
- Theme of growing consumption remains intact
- India remains a bright spot
- Benefits of low oil price yet to be recognised
- Major risk is China policy errors
  - We believe that China can achieve a transition to consumption driven economy, but there will be bumps in that road.
- **Active management is key!**





# Asian Masters Fund

- Diversified underlying portfolio through Fund-of-Funds approach
- Portfolio of top quality managers
- Access to local insights – local managers is key
- Targeting returns through country allocation and manager selection
- Index agnostic – 2/3 of holdings not represented in index
- Strong performance
  - Top performing all-cap Asia ex Japan fund<sup>1</sup> in 2015 calendar year, outperforming the MSCI Asia ex Japan index by 8%
- Governance
  - Oversight by highly experienced, majority independent board of directors, including independent Chairman

1 – Note: All-cap Asia ex Japan funds with assets >A\$20m. Source: Morningstar Direct