



ASIAN
MASTERS FUND
LIMITED

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE

2016

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CHAIRMAN'S LETTER

OVERVIEW

Welcome to the Annual Report for the Asian Masters Fund Limited (the **Company**), for the financial year ended 30 June 2016 (**FY16**).

After an exceptional FY15, where the Company generated a NTA total return of +42.9%, outperforming the MSCI AC Asia ex Japan Index (the Index) by 15.9%, the Company had a more difficult year in FY16, giving back a little of the prior year's significant outperformance. The Company's NTA fell by 10.5% over FY16 on a total return basis, compared with the Index which fell 8.9% on a total return basis. The Company's long-term performance remains excellent, having generated a NTA total return of +51.1% (including dividends) since launch in December 2007, outperforming the MSCI AC Asia ex Japan Index by over 34%, or 3.1% per annum.

At 30 June 2016, the pre-tax net tangible asset value (**NTA**) of the Company was \$1.24 per share and the post-tax NTA was \$1.16 per share. This compares to the pre-tax NTA of \$1.42 per share and the post-tax NTA of \$1.28 per share at 30 June 2015.

During FY16, the Company paid two dividends of 1.1 cent per share on 23 September 2015 and 30 March 2016, the latter of which was fully franked. The Company had a dividend reinvestment plan in place during the period which raised additional capital of \$633,747.

Subsequent to the year-end, the Company completed a successful share placement which resulted in the issue of 9.75 million new shares, raising additional capital of \$12.7 million. We are very pleased by the support from both existing and new shareholders in the Company.

Asia continues to be the fastest growing region in the world. The transition of Asian economies, China in particular, from industrialisation and urbanisation led growth to consumer demand led growth, continues to open up tremendous investment opportunities in the domestic Asian markets. However this transition will also create increasing headwinds for the Australian economy as growth in Asian demand for commodities continues to diminish. Against this backdrop, the Company believes there is a growing need for Australian investors to look to Asia for growth in their investment portfolio.

The Company is committed to providing Australian investors access to leading global fund managers whose investment vehicles are typically only available to institutional investors. Through the experience, knowledge and contacts of the Board of Directors and investment team of the Investment Manager, the Company is invested in what we believe to be the best managers in the region, with local country expertise. In addition, through an extensive network of investment professionals, the Company has access to information and insights into rapidly changing markets and geopolitical events. The Board and Manager continue to follow a disciplined fund screening and research driven investment approach, researching a wide range of investable funds. The Manager is in regular contact with the managers of our target and invested funds, and the Board also regularly visits the region and participates in meetings with underlying managers.

CHAIRMAN'S LETTER CONT

The Company's multi-manager investment approach is designed to provide investors exposure to the fastest growing region in the world, while enabling investors to enhance diversification, reduce risk and access leading global specialist fund managers, with minimal administrative burden.

We would like to take this opportunity to thank you for your continued support of the Asian Masters Fund.

Yours sincerely



John Holland
CHAIRMAN

MANAGER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

OVERVIEW

After a very strong FY15, when the MSCI AC Asia ex Japan Index returned +27.0%, the region had a more challenging FY16, with the Index retuning -8.9% on a total return basis. While there was significant divergence in performance across Asian markets, concerns over China's slowing economy and faltering global growth were key drivers of the softer investor sentiment.

Performance of Asia (ex-Japan) stock markets continued to be impacted by divergent central bank policies between the major central banks. The United States (**US**) Federal Reserve (**Fed**) eventually raised interest rates by 25 basis points in December 2015, the first rate hike in nine years, on the back of a gradual rebound in the US economy. However the central bank of Japan unexpectedly cut interest rates into negative territory in January, while the European Central Bank expanded its bond buying program and also cut deposit rates to negative levels in March. This divergent monetary policy led to USD strength in the first half of the period, which had a negative impact on Asian asset prices.

Asian equities performed relatively better in the second half, aided by accommodative monetary policy announcements by the Fed, Europe, Japan and other Asian countries, weakness in the USD and a rebound in commodity prices. Market sentiment late in the FY was also boosted by some relative stabilisation in Chinese economic conditions. The end of the FY was marked by volatility arising from Britain's vote to leave the European Union in a referendum held on 23 June, albeit those losses were short-lived, with markets recovering in subsequent days.

There was significant dispersion in performance across Asian markets, with Vietnam being the best performing market. Vietnam generated a return of +10.8%, supported by economic strength and the government's move to eliminate foreign equity ownership caps on certain public companies, which drove foreign investor inflows. South East Asian markets were amongst the best performing markets in Asia, led by Vietnam, with Indonesia (+9.2%) the second best performing market, and Philippines (+4.0%) also generating positive returns. Indonesia was supported by economic stimulus measures, increased government spending and a strengthening currency. The Philippines rallied strongly late in the FY after the election of Rodrigo Duterte in the presidential elections held in May.

Thailand (-1.1%), Malaysia (-2.9%), Korea (-3.1%), India (-3.7%), Taiwan (-3.8%) and Singapore (-8.3%) posted negative returns, but outperformed the Index. Indian equities declined, partly on the back of its currency depreciation [-5.8%] against the USD, and also partly on concerns that Prime Minister Modi's reform agenda had stalled. However, economic growth remained strong, while low crude oil prices aided in lowering inflation and the fiscal deficit during the year.

After a stunning FY15, Chinese equities experienced extreme volatility in FY16. With domestic Chinese equities trading on relatively high valuations and having experienced significant growth in margin lending, July and August 2015 saw significant dislocations in the A-share market. A crackdown on margin lending, and an unexpected devaluation of the Chinese yuan in August, also added to the volatility. Many Chinese companies responded by suspending their stocks from trading, creating further uncertainty in the market. After a recovery late in 2015, domestic Chinese equities once again experienced extreme volatility in January 2016 on fears surrounding China's debt levels and capital outflows, which were exacerbated by the impact of an ill thought-out circuit breaker system implemented by the market regulator. The volatility in domestic Chinese equities flowed over to China H-Shares, which fell 27.6% over the FY, and Hong Kong, where equities declined 14.7%.

¹ All figures in Australian dollars (AUD) unless specified otherwise

MANAGER'S REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

PORTFOLIO POSITIONING

At 30 June 2016, the country allocation of the portfolio was:

| Country | AUF weight | MSCI Asia ex Japan Index weight | Active weight** |
|----------------|---------------|---------------------------------|-----------------|
| China | 34.8% | 30.4% | 4.4% |
| India | 20.8% | 9.9% | 11.0% |
| Korea | 15.4% | 17.2% | -1.8% |
| Taiwan | 12.0% | 14.2% | -2.3% |
| Philippines | 3.6% | 1.9% | 1.7% |
| Hong Kong | 2.9% | 12.2% | -9.3% |
| Vietnam | 2.5% | - | 2.5% |
| Indonesia | 1.6% | 3.2% | -1.6% |
| Thailand | 1.5% | 2.7% | -1.2% |
| Singapore | 0.8% | 5.0% | -4.2% |
| Pakistan | 0.8% | - | 0.8% |
| Malaysia | 0.7% | 3.5% | -2.8% |
| Other | 0.9% | - | 0.9% |
| Cash* | 1.9% | - | 1.9% |
| Total** | 100.0% | 100.0% | - |

* Excludes any cash held by underlying investment managers

**Figures may not reconcile due to rounding

Source: MSCI, Walsh & Company Asset Management Pty Limited

At 30 June 2016, the sector allocation of the portfolio was:

| Sector | AUF Weight | MSCI Asia ex Japan Index Weight | Active Weight** |
|----------------------------|---------------|---------------------------------|-----------------|
| Consumer staples | 20.4% | 5.7% | 14.7% |
| Consumer discretionary | 19.0% | 8.6% | 10.4% |
| Information technology | 18.7% | 25.7% | -7.0% |
| Industrials | 16.0% | 9.4% | 6.6% |
| Financials | 8.7% | 29.2% | -20.6% |
| Health care | 5.9% | 2.6% | 3.3% |
| Materials | 3.9% | 4.2% | -0.3% |
| Utilities | 3.6% | 4.0% | -0.4% |
| Telecommunication services | 1.4% | 6.4% | -5.0% |
| Energy | 0.5% | 4.1% | -3.6% |
| Cash* | 1.9% | - | 1.9% |
| Total** | 100.0% | 100.0% | - |

* Excludes any cash held by underlying investment managers

**Figures may not reconcile due to rounding

Source: MSCI, Walsh & Company Asset Management Pty Limited

At 30 June 2016, the company was 98% invested with positions in 12 investment funds. These investments are presented below:

| Manager | Mandate | Weight at 30/06/2015 |
|--|-----------------------------|----------------------|
| Arisaig Asia Consumer Fund | Asian consumer specialist | 16.6% |
| Steadview Capital Fund | Country specialist – India | 11.6% |
| CK Absolute Return Fund | Country specialist – Korea | 9.6% |
| Asian Opportunities Absolute Return Fund | Asian region | 8.7% |
| Prusik Asian Smaller Companies Fund | Asian small cap specialist | 7.8% |
| JPMorgan Taiwan Fund | Country specialist – Taiwan | 7.4% |
| Cephei QFII China Absolute Return Fund | Country specialist – China | 7.1% |
| NCC China A-Share Fund | Country specialist – China | 6.7% |
| APS China A-Share Fund | Country specialist – China | 6.4% |
| Asia New Stars No.1 Fund | Asian small cap specialist | 6.1% |
| Wells Fargo China Equity Fund | Country specialist – China | 5.8% |
| AllianceBernstein Asia ex Japan Fund | Asian region | 4.1% |
| Cash* | | 1.9% |
| Total** | | 100.0% |

* Excludes any cash held by underlying investment managers

**Figures may not reconcile due to rounding

Source: Walsh & Company Asset Management Pty Limited

During the FY, the Company made total redemptions from four underlying funds, while investing in two new funds.

Having redeemed a majority of the Company's holding in JPMorgan China Pioneer A-Share Fund in FY15, the Company redeemed its remaining position during the period. The Company benefitted greatly from this holding, however the Investment Manager believes the Company's objectives are better met through China A-share managers which have more of an absolute return mindset. This is reflected in the vastly superior returns which have been generated by Cephei, APS and NCC during the volatility of the last year. The Company used the proceeds to make a new investment in Wells Fargo China Equity Fund, a fund which is more focussed on China H-Shares than A-Shares. While the Company retains a strong bias to A-Shares, the investment in the Wells Fargo fund is intended to diversify the Company's Chinese exposure, while also increasing exposure to China H-Shares which are currently trading at very depressed valuations.

The Company also made a complete redemption from Aberdeen India Opportunities Fund, as the Company was offered an additional pro-rata investment in Steadview Capital, the Company's other dedicated India investment fund. Steadview has been closed for new investments for a number of years and has been a wonderful performer for Asian Masters Fund. On this basis, the Company chose to redeem from the Aberdeen fund in order to make the additional investment in Steadview Capital.

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FOR THE YEAR ENDED 30 JUNE 2016

The Company also made complete redemptions from Aberdeen Asian Opportunities Fund and Prusik Asia Fund, which are Asia ex Japan regional funds. We have had some concerns with Aberdeen over recent years, and the Company's exposure to Aberdeen Asian Opportunities has been falling for around three years. Aberdeen has in some ways become a victim of its own success, having performed very well in Asia for many years; the business grew and manages an enormous amount of capital. The fund has experienced a period of weaker performance and Aberdeen's Asia strategies have suffered significant redemptions. While we believe the Aberdeen team remain extremely capable, with a well-defined strategy, we believe the Aberdeen Asia business is challenged and likely to face continued redemptions for a considerable period. On this basis, we believe it will be difficult for Aberdeen Asian Opportunities to generate strong performance.

Prusik Asia has also been a strong performer throughout the period the Company has been invested. However Prusik's mandate allows it to invest in Australian equities, and while it has historically had minimal investment in Australia, the exposure to Australia has recently increased, diverging from its previously more pure focus on Asian markets, which initially drove our investment in the fund. The Company retains an investment in Prusik Asia Smaller Companies Fund, which has performed very well relative to the Index over the FY.

Finally, the Company made a new investment in AllianceBernstein Asia ex Japan Fund. This fund is an Asia (ex-Japan) regional fund, which has a value approach, trying to identify companies whose prospects have been overly discounted by the market.

The Investment Manager has access to the very best managers investing in the Asian region. We believe the funds in the Company's portfolio are the best managers in their fields of investment, a number of which are closed for subscriptions by new investors. We remain excited by the prospects for the region as a whole, but we are particularly excited by what we expect the Company's underlying funds will be able to achieve.

TOP 20 HOLDINGS

An indicative look-through of the Company's top 20 stock exposures derived from the portfolio of underlying funds:

| | Company | Country | Weights [%] |
|----|--|----------------|--------------------|
| 1 | Page Industries Ltd | India | 1.7% |
| 2 | ANI Technologies Pvt Ltd | India | 1.6% |
| 3 | Philippine Seven Corp | Philippines | 1.3% |
| 4 | Foshan Haitian Flavouring and Food Co Ltd | China | 1.2% |
| 5 | Eicher Motors Ltd | India | 1.2% |
| 6 | Jiangsu Hengrui Medicine Co Ltd | China | 1.2% |
| 7 | Flipkart Online Services Pvt Ltd | India | 1.1% |
| 8 | Nestle India Ltd | India | 1.1% |
| 9 | Midea Group Co Ltd | China | 1.0% |
| 10 | Godrej Consumer Products Ltd | India | 1.0% |
| 11 | Yes Bank Ltd | India | 0.9% |
| 12 | Samsung Electronics Co Ltd | Korea | 0.9% |
| 13 | Britannia Industries Ltd | India | 0.9% |
| 14 | Taiwan Semiconductor Manufacturing Co Ltd | Taiwan | 0.9% |
| 15 | Marico Ltd | India | 0.8% |
| 16 | Kweichow Moutai Co Ltd | China | 0.8% |
| 17 | Colgate Palmolive India Ltd | India | 0.8% |
| 18 | Vietnam Dairy Products Jsc | Vietnam | 0.8% |
| 19 | Hangzhou Hikvision Digital Technology Co Ltd | China | 0.8% |
| 20 | China Originwater Technology Co Ltd | China | 0.7% |
| | Total | | 20.7% |

PERFORMANCE REVIEW

After an exceptional FY15 where the Company generated a NTA total return of +42.9%, outperforming the Index by 15.9%, the Company had a more difficult year in FY16, giving back a little of the prior year's significant outperformance. The Company's NTA fell by 10.5% over FY16 on a total return basis, compared with the Index which fell 8.9% on a total return basis. The Company's long-term performance remains excellent, having generated a NTA total return of +51.1% (including dividends) since launch in December 2007, outperforming the MSCI AC Asia ex Japan Index by over 34%, or 3.1% per annum.

The biggest drag on the Company's performance was its exposure to China, particularly domestic A-Shares, which experienced extreme volatility over the financial year. The Company benefitted enormously from its exposure to China A-Shares in FY15, and took a significant amount of profits in FY15 through the rally. However a combination of stretched valuations, a clampdown on margin lending, and some questionable policies implemented by the market regulator, saw A-Shares fall 30.8% over the year. Despite being exposed to this

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FOR THE YEAR ENDED 30 JUNE 2016

market, the Company's China A-share exposure performed considerably better than the CSI 300 Index. The three China A-share managers with which the Company has invested returned -8.3% (Cephei QFII China Absolute Return Fund), -12.9% (NCC China A-Share Fund) and -15.7% (APS China A-Share Fund). We continue to believe the domestic Chinese equity market is an attractive investment destination. Whilst the market has been volatile, it is an immature and inefficient market which has allowed the managers we have invested with to take advantage of some of those inefficiencies. Over time we expect domestic Chinese equities to become a larger part of global equity portfolios, and believe the Company's exposure to this market leaves it well-placed to take advantage of this trend over the longer term.

The Company's second largest country weighting is India, with a weighting of 20.8% at 30 June (compared with 9.9% for the Index). India's market performed better than the broad regional index, so this was a positive driver for the Company's relative performance. Furthermore, the Company's exposure to India through Steadview Capital Fund and Arisaig Asia Consumer Fund (which has a large Indian weighting) was also a positive driver of returns, with both funds performing well.

The Investment Manager has two main levers it can use to drive performance, country allocation and manager selection. While country selection was a drag on performance relative to the Index, primarily on account of its exposure to China, manager selection added to relative performance, with a majority of managers in the portfolio outperforming their respective benchmarks. As noted above, each of the China A-Share managers held by the Company throughout the financial year considerably outperformed their respective benchmarks. Other notable performances came from Arisaig Asia Consumer Fund, which returned +2.4% over the FY, and Steadview Capital which returned +5.4% over the year, while key disappointments among underlying managers were Asian Opportunities Absolute Return Fund (-18.9%) and Asia New Stars Fund which fell 17.3%. We retain confidence in the management of these funds, and look forward to seeing improved performance from them over coming periods. We continue to believe the Company is invested with the best managers in each market in which it invests, and believe the outlook for each of our managers is bright.

"Over time we expect domestic Chinese equities to become a larger part of global equity portfolios, and believe the Company's exposure to this market leaves it well-placed to take advantage of this trend over the longer term."

MARKET OUTLOOK

Asia continues to be the fastest growing region in the world. The International Monetary Fund expects Asia to grow at 6.4% in 2016, considerably faster than the forecast global growth rate of 3.1% and also faster than other emerging market regions, which are experiencing their own challenges.

The largest and most important markets in the Asia (ex-Japan) investment universe continue to be China and India, markets in which the Company has over half of its assets invested.

"The largest and most important markets in the Asia (ex-Japan) investment universe continue to be China and India, markets in which the Company has over half of its assets invested."

Despite the significant volatility in Chinese equities over the last year, we continue to hold a constructive view on the long-term opportunities presented by that market. There is no question that China has considerable challenges ahead of it, with its economy slowing and transitioning from investment led growth to growth led by domestic consumption. The growth in China's debt levels since 2007 is also of concern. However, a vast majority of China's

debt is domestic in nature, and we believe the Chinese administration has both the tools and the capacity to resolve the non-performing loan situation. The bigger question in our minds is whether China has the desire to carry out the necessary reforms of its state-owned banking system and reduce over-capacity in heavy industry. As China transitions to a consumer-led economy, this is creating enormous opportunity in China's so-called "new economy", which includes sectors such as health care, education, consumer products, ecommerce and environmental services. McKinsey Global Institute estimates China's middle class will grow from 115 million people today to 315 million in 2030, approximately the entire current US population. This provides tremendous opportunities for companies targeting these consumers and the new economy. Each of the China A-Share managers with which we invest is focussed on domestic consumption and the new economy, and we continue to believe this is a market providing excellent long-term opportunities.

India has also been a very important market for the Company over the last two years, and has been a significant contributor to the Company's strong returns over that period (NTA up 28% on a total return basis). India has recently overtaken China as the fastest growing major economy in the world. While the investor euphoria which followed Modi's election in May 2014 softened over the last year, it continues to be a market exhibiting enormous opportunity. India has a very attractive demographic profile, which should provide a very strong base for solid long-term economic growth. Modi came to power in 2014 with an enormous reform agenda. Whilst he has yet to pass key legislation relating to compulsory land acquisition, and a national goods and service tax, he has implemented considerable smaller incremental reforms which have had a significant impact on reducing the bureaucratic red-tape which has for so long prevented India from achieving its potential. Like in China, our investments in India are very firmly focused on increased consumer spending. The Chairman and Investment Manager recently travelled to India, and remain very excited by the prospects in that market.

"Like in China, our investments in India are very firmly focused on increased consumer spending. The Chairman and Investment Manager recently travelled to India, and remain very excited by the prospects in that market."

Outside of China and India, the Company also has a positive view on the outlook for smaller South East Asian markets of Philippines, Vietnam and Indonesia. Each is exhibiting strong economic growth, while opening up their markets to greater foreign investment, and implementing structural reforms.

As the Chairman noted in his letter, the transition of Asian economies from industrialisation to consumption led growth is one of the major themes and investment opportunities in the region. For this reason, the portfolio is heavily positioned towards consumer exposure. Those underlying managers which have a bias towards consumption (particularly Arisaig Asia Consumer Fund and Steadview Capital), have continued to perform well for the Company, as they have over the longer term. We continue to believe this exposure to the emerging Asian consumer will be one of the dominant drivers of returns over the longer term.

Valuations remain at attractive levels in the Asia ex Japan region. At 30 June, Asian (ex-Japan) equities were trading at a price to book ratio of 1.4 times, compared with a long term average of 1.7 times and 2.1 times for developed markets.

We continue to believe in the strong case for investing in Asia (ex-Japan) equities. Asia remains the fastest growing region in the world, populations are young and growing and urbanisation continues at a rapid rate, creating a growing middle class of consumers. In addition, the prospects of reforms in countries like China and India should be positive for Asian equities.

Through the active selection of underlying managers, the Company is well positioned to benefit from these trends.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

Asian Masters Fund Limited (**the Company**) is a listed investment company whose shares are traded on the Australian Securities Exchange (**ASX**). The Company has no employees and its day-to-day functions and investment activities are managed by Walsh & Company Asset Management Pty Limited (**the Manager**) in accordance with the Management Agreement. The Manager will be responsible for implementing the Company's strategic objectives and operating within the risk appetite as set out within the Investment Guidelines.

The Company's directors and the Manager's directors and senior management recognise the importance of good corporate governance. The Company's corporate governance framework, policies and practices are designed to ensure the effective management and operation of the Company and will remain under regular review.

A description of the Company's practices in respect of the eight Principles and Recommendations from the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) are set out below; all of these practices, unless otherwise stated, were in place for the entire year.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD ROLES AND RESPONSIBILITIES

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Company and, in particular, is responsible for the Company's growth and success. In meeting its responsibilities, the Board undertakes the following functions:

- Providing and implementing the Company's strategic direction,
- Overseeing the Manager's implementation of the Company's strategic objectives and monitoring its performance,
- Reviewing and overseeing the operation of systems of risk management ensuring that any significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with,
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit,
- Ensuring the Board is comprised of individuals who will discharge the responsibilities of directors having regard to the law and the best standards of governance,
- Reviewing and overseeing internal compliance and legal regulatory compliance,
- Ensuring compliance with the Company's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act 2001,
- Overseeing the Company's process for making timely and balanced disclosures of all material information concerning the Company; and,
- Communicating with and protecting the rights and interests of all security holders.

Subject to legal or regulatory requirements and the Company's Constitution, the Board may delegate any of the above powers to individual directors, committees of the Board or the Manager. Any such delegation shall be in compliance with the law and the Company's Constitution.

APPOINTMENT OF DIRECTORS

The Company has adopted a formal process to ensure that appropriate checks are undertaken before appointing a person, or putting forward to security holders a candidate for election as a director. The Company has outsourced part of this function to an external service provider, which specialises in completing background checks, to verify the candidate's experience, education, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company provides security holders with all the relevant material information in its possession to allow security holders to make an informed decision on whether or not to elect or re-elect the candidate. This information will generally include:

- biographical details of the candidate, including their qualifications, experience and skills which may be relevant to the Board of the Company; and
- details of any current or past directorships held by the candidate

Each Director of the Company receives a formal appointment letter outlining their terms of employment, responsibilities, conditions and expectations of their engagement.

ROLE OF THE COMPANY SECRETARY

The Company Secretary of the Company is directly accountable to the Board, through the Board Chairperson on all matters to do with the proper functioning of the Board. This includes:

- advising the Board on governance matters,
- circulating to the Board all board papers in advance of any proposed meeting,
- ensuring that the business at board meetings is accurately captured in the minutes, and
- facilitating the induction and professional development of directors.

DIVERSITY

The Company currently does not have any employees and therefore has adopted a Diversity Policy which is applicable only at the Board Level. A copy of the policy setting out its objectives and reporting practices can be found on the Company's website.

As required by the policy, at the commencement of each financial year, the Board is required to set measurable objectives to allow it to achieve diversity on the board. The measurable objectives for gender diversity, agreed by the Company's Board of Directors for FY2015-16, are set out below:

- Commence the process to establish appropriate gender diversity within the Board; and
- At least one female director representation on the Board by the end of financial year 2016

The outcome for the year, as reported by the Board, is set out below:

- As at 30 June 2016, there were 4 male directors and 1 female director.

CORPORATE GOVERNANCE STATEMENT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

2. STRUCTURE THE BOARD TO ADD VALUE

BOARD COMPOSITION

The Company seeks to maintain a Board of Directors with a broad range of skills. The Company has developed a Skills Matrix below which lists the skills that have been identified as the ideal attributes the Company seeks to achieve across its Board membership:

- Leadership
- Industry Knowledge
- Understanding of the Asian Markets
- Corporate Governance
- Financial & Accounting
- Funds Management
- Risk Based Auditing & Risk Management
- Capital Raising
- Legal.

The composition of the current Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Directors' Report, including the period in office, skills, experience, and expertise relevant to the position of director.

The directors of the Company at the date of this report are:

Mr John Holland – Independent Non-Executive Chairman

Mr Alexander MacLachlan – Non-Executive Director

Mr Maximilian Walsh – Non-Executive Director

Mr Christopher Lee – Independent Non-Executive Director

Ms June Aitken – Independent Non-Executive Director (Appointed on 1 December 2015)

Mr Stuart Nisbett – Independent Non-Executive Director (Retired on 31 March 2016)

The Company's Constitution provides that there must be a minimum of three and a maximum of 10 directors. Having regard to the size of the Company and the nature of its business, the Board has determined that a Board with five members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Company. However, the composition of the Board and its independence will be reviewed periodically.

The Board comprises of three independent non-executive directors, John Holland, June Aitken and Christopher Lee. An independent non-executive director is a non-executive director who is independent of the Manager and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their judgement.

The Company is committed to diversity in the composition of the Board. The current composition is well-balanced in terms of skills, and it remains the Company's objective to increase diversity as well as including members who can further add to the skill set of the Company's Board. The directors will continue to monitor the composition of the Board.

The Company recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size of the Company, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its Committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Company and if required may establish Committees to assist it in carrying out its functions. At that time the Board will adopt a charter for such Committees in accordance with the ASX Recommendations and industry best practices.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Company. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Company.

PERFORMANCE EVALUATION

The Board conducts a review of its collective performance and the performance of its directors annually. This process includes consideration of feedback provided by directors via a questionnaire. The Board and individual directors, including the chairperson, were evaluated during the year to 30 June 2016 in accordance with these processes.

INDUCTION AND ONGOING PROFESSIONAL DEVELOPMENT

On appointment, the Directors are individually briefed by the Fund Manager and the Management team. Directors are entitled to receive appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. The Company's Induction Program is structured to enable a new Director to gain an understanding of; the Company's Investments, the Company's financial, strategic, operational and risk management position, and their rights, duties and responsibilities.

The Company Secretary is responsible for facilitating the induction and ongoing development of all Directors, and where necessary, from time to time, will recommend relevant courses and industry seminars which may assist Directors in discharging their duties.

3. ACT ETHICALLY AND RESPONSIBLY

CODE OF CONDUCT

The Company is committed to maintaining ethical standards in the conduct of its business activities. The Company's reputation as an ethical business organisation is important to its ongoing success and it expects all its officers and employees to be familiar with, and have a personal commitment to meeting these standards. In this regard the directors have adopted a Code of Conduct (**Code**) to define basic principles of business conduct. The Code requires officers and employees to abide by the policies of the Company and the law. The Code is a set of principles giving direction and reflecting the Company's approach to business conduct and is not a prescriptive list of rules for business behaviour. The Code of Conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading.

A copy of the Code of conduct is available on the Company website in the corporate governance section.

CORPORATE GOVERNANCE STATEMENT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

SHARE TRADING POLICY

The Board of the Company has established a Share Trading Policy to apply to trading in the Company's shares on the ASX. This policy outlines the permissible dealing of the Company's shares while in possession of price sensitive information and applies to all directors of the Company.

The Policy places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

A copy of the Company's Share Trading Policy is available on the Company's website.

In addition, the Manager has also established its own Share Trading Policy, which is applicable to its staff in the Funds Management division. This Policy places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT COMMITTEE

The Company recognises the ASX Recommendation with respect to establishing an Audit Committee as part of good corporate governance. However, considering the size of the Company, the functions that would be performed by the Committee are best undertaken by the Board. This is also in line with the ASX Recommendations which recognise that "the ultimate responsibility of the integrity of a company's financial reporting rests with the full board". The Board has adopted a policy to independently verify and safeguard the integrity of its corporate reporting including, but not limited to, the appointment or removal of the external auditor and the rotation of the audit engagement partner.

INVESTMENT COMMITTEE

The Investment Committee of the Company comprises Maximilian Walsh, Alex MacLachlan, John Holland, June Aitken, and Christopher Lee. John Holland, in his capacity as Chairman of the Investment Committee, has a casting vote.

The primary role of the Investment Committee is to:

- Review information, research and analysis compiled by the Manager with respect to Asian economic conditions, Asian equity markets, and Asian fund managers and funds; and
- Determine the allocation of the Company's capital in terms of the investment in various funds.

The Investment Committee meets regularly. Particulars of committee meetings held during the year ended 30 June 2016 and the attendance of each committee member is set out in the accompanying Directors' Report.

5. MAKING TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001*, the ASX Listing Rules, releasing relevant information to the market and security holders in a timely and direct manner and to promoting investor confidence in the Company and its securities.

The Board has adopted a Continuous Disclosure Policy to ensure the Company complies with its continuous disclosure obligations under the *Corporations Act 2001* and the Listing Rules.

This policy is administered by the Board of the Company and the Manager as follows:

- the Board is involved in reviewing significant ASX announcements and ensuring and monitoring compliance with this policy

- the Company Secretary is responsible for the overall administration of this policy and all communications with the ASX
- Senior management of the Manager is responsible for reporting any material price sensitive information to the Company Secretary and observing the Company's no comments policy

6. RESPECT THE RIGHTS OF SECURITY HOLDERS

RIGHTS OF SECURITY HOLDERS

The Company promotes effective communication with security holders. The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure that security holders are informed of all major developments affecting the Company's performance, governance, activities and state of affairs. This includes using a website to facilitate communication with security holders via electronic methods. Each security holder is also provided online access to the Registry to allow them to receive communication from, and send communication to, the Company and the Registry. Information is communicated to security holders through announcements to the ASX, releases to the media and dispatch of financial reports.

Security holders are provided with an opportunity to access such reports and releases electronically; copies of all such ASX announcements are linked to the Company's website at www.asianmastersfund.com.au.

These include:

- monthly net tangible asset backing announcements,
- quarterly investment updates,
- the half-year report,
- the annual report,
- the notice of annual general meeting, explanatory memorandum and the Chairman's address,
- occasional ASX announcements made to comply with the Company's continuous disclosure requirements, and
- occasional correspondence sent to Security holders on matters of significance to the Company.

The Board encourages full participation of security holders at the general meetings to ensure a high level of accountability and identification with the Company's strategy. Security holders who are unable to attend the Annual General Meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting. The external auditor is also invited to attend the annual general meeting of security holders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report.

7. RECOGNISE AND MANAGE RISK

RISK MANAGEMENT

The Board has accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Company and its operations. It has not established a separate committee to deal with these matters as the directors consider the size of the Company and its operations does not warrant a separate committee at this time. The Board liaises with the Manager to identify and manage risk. The Board also monitors and appraises financial performance, including the approval of annual and half year financial reports and liaising with the Company's auditors.

CORPORATE GOVERNANCE STATEMENT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Company has adopted a set of Risk Management Guidelines. The Board will annually review the Company's Risk Management Guideline in the Annual Strategy Meeting to satisfy itself that the Risk Management framework continues to be sound. The last review took place on 18 September 2015.

The Company does not have a material exposure to sustainability risks,

The Board receives a bi-annual letter from the Company's external auditor regarding their procedures and reporting that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

The Manager provides declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that in its opinion the financial records of the Company have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Company, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Company's external auditor.

Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

8. REMUNERATE FAIRLY AND RESPONSIBLY

REMUNERATION POLICIES

Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with the remuneration of the directors.

In accordance with the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from security holders at a general meeting of the Company. Directors will seek approval from time to time as deemed appropriate. The Company does not intend to remunerate its Directors through an equity based remuneration scheme.

The maximum total remuneration of the Directors has been set at \$300,000 per annum. However, Maximilian Walsh and Alexander MacLachlan have agreed not to be remunerated for the services they perform as Directors. Total directors' fees for the year ended 30 June 2016 was \$191,667.

Remuneration of the directors during the year ended 30 June 2016 is set out in the Directors' Report and in the notes to the financial statements.

OTHER INFORMATION

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.asianmastersfund.com.au.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2016.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the year are:

Mr John Holland – Independent Non-Executive Chairman

Mr Christopher Lee – Independent Non-Executive Director

Mrs June Aitken – Independent Non-Executive Director (appointed 1 December 2015)

Mr Maximilian Walsh – Non-Executive Director

Mr Alexander MacLachlan – Non-Executive Director

Mr Stuart Nisbett – Independent Non-Executive Director (retired 31 March 2016)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The name of the Company Secretary in office at the date of this report is Ms Hannah Chan.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activity of the Company during the financial year was to provide Australian investors the opportunity to gain exposure to leading Asian equities fund Managers by investing in managed funds that have a mandate to invest in Asian financial markets.

There were no significant changes in the nature of these activities of the Company that occurred during the year.

RESULTS AND REVIEW OF OPERATIONS

The loss for the Company after providing for income tax amounted to \$1,184,322 (30 June 2015: profit of \$306,379).

The total comprehensive loss for the Company after providing for income tax amounted to \$11,751,521 (2015: income of \$42,841,269). The Company is in a strong position with net assets of \$141,042,477 (2015: \$159,260,529) and no borrowings (2015: \$nil).

As at 30 June 2016, the Net Asset Value (**NAV**) of the Company was \$1.16 per ordinary share after unrealised losses and adjustment for tax. This compares to the NAV of \$1.28 per ordinary share after unrealised gains and adjustment for tax as at 30 June 2015.

The Company's Investment Committee has selected and invested in 12 investment funds that provide exposure across a number of Asian markets. As at 30 June 2016, the Company invested approximately 98% of its total assets.

Further details are included in the Chairman's Letter and Manager's Report which forms part of this report.

DIRECTORS' REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

DIVIDENDS PAID OR RECOMMENDED

The Company paid an unfranked dividend of 1.1 cent per share on 23 September 2015 and a fully franked dividend of 1.1 cent per share on 30 March 2016. This amounted to \$2,698,490 of which \$633,747 was reinvested as part of the Company's Dividend Reinvestment Plan.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year ended 30 June 2016, the Company had an additional 518,029 ordinary shares issued as part of the Company's Dividend Reinvestment Plan amounting to \$633,747.

During the year, a total of 3,404,919 ordinary shares were bought back by the Company from shareholders for a total consideration of \$4,392,536.

There were no other significant changes in the state of affairs of the Company during the financial year.

AFTER BALANCE DATE EVENTS

Between the end of the financial year and the date of this report, the Company bought back no further ordinary shares.

On 18 July 2016, the Company announced a capital raising of a placement of up to 18.0 million shares at \$1.30 to raise up to approximately \$23.4 million. On 3 August 2016, 9,754,994 Shares were allotted with a value of \$12.68 million. The proceeds of the Placement will be used to gain further access to leading investment managers specialising in Asian securities.

On 22 August 2016, the Company announced a fully franked dividend of \$0.011 per share which is anticipated to be paid to shareholders on, or around, 22 September 2016. The record date for determining entitlement to the dividend is 29 August 2016.

Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company will continue to undertake its activities described in this report. The Chairman's Letter which forms part of this financial report includes details of the outlook for the Asian markets in which the Company invests. Further details are included in the Chairman's Letter and Manager's Report which forms part of this financial report.

ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

OPTIONS

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INDEMNIFYING OFFICERS OR AUDITORS

Indemnities have been given and insurance premiums paid, during or since the end of the financial year, for all of the Directors of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

INFORMATION ON DIRECTORS



JOHN HOLLAND BA HONS (OXFORD) INDEPENDENT

Independent Non-Executive Chairman of Directors and Member of the Investment Committee

John commenced his career in 1985 at SG Warburg & Co (now UBS AG) as an Asian equities specialist, where he led UBS' early expansion into Korea, Taiwan, Thailand and India, before rising to become Global Head of Asian Equities at UBS. During John's tenure as Global Head of Asian Equities, UBS achieved the number one ranking for primary Asian equities distribution and held number one non-local market share positions in all key Asian equity markets, including Hong Kong, Korea and Taiwan. John was also instrumental in UBS' successful drive to become the first foreign investor into and foreign distributor of China A-shares.

John left UBS after 24 years of continuous service in 2009, having latterly served as Joint Head of European Prime Broking and COO of Global Cash equities. He was for many years Managing Director and a member of UBS Investment Bank's Board. In addition to his notable achievements at UBS, John has had substantial regulatory experience, including as a member of the European Securities Markets Expert Group advising the European Commission, where he was Rapporteur (Chair) for the Subcommittees on Non-Equities Market Transparency and Credit Rating Agencies. John has also worked closely over many years with the central bank and regulatory authorities of many Asian countries, such as Korea, Taiwan, India and China, particularly in relation to the opening of their markets to foreign portfolio investment.

John currently holds a range of complementary non-executive roles: he chairs the Advisory Board of ASX-listed Emerging Markets Masters Fund (ASX: EMF), he also chairs the Boards of KCG Europe Limited (the European arm of NYSE-listed KCG Holdings) and Open Door Capital Management (a Greater China Asset Management Company). Finally, John is non-executive Director of a UK and African payments business, sQuidcard Limited, in which he was a founder investor from 2006 onwards.

John holds a Bachelor of Arts with honours from Oriel College Oxford University, majoring in Philosophy, Politics and Economics.

John has been an Independent Non-Executive Director since 20 July 2010 and was appointed Non-Executive Chairman since 25 February 2015. He holds no shares in the capital of the Company. During the past three years John has not acted as director of any other Australian listed public company.

DIRECTORS' REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016



MAXIMILIAN WALSH AM, BEC

Non-Executive Director and Member of the Investment Committee

Max is regarded as one of Australia's leading economists and business journalists. He has specialised experience in the areas of business, economics and politics in a journalistic career spanning decades. Amongst numerous previous executive roles, Max was editor and managing editor of *The Australian Financial Review* and Editor-in-Chief of *The Bulletin*. He also served on the board of Northern Star TV (predecessor to Channel Ten).

Max is currently Deputy Chairman of Dixon Advisory Group. He is co-founder & Chairman of the Advisory Board of Walsh & Company. He is also a director of Australian Governance Masters Index Fund Limited and sits on the advisory board of Emerging Markets Masters Fund and US Select Private Opportunities Fund II.

Max was appointed as Non-Executive Director on 10 October 2007, and he directly holds 1 and beneficially holds 170,000 fully paid ordinary shares in the capital of the Company.

During the past three years, Max has acted and is currently a Non-Executive Director or a director of the responsible entity of the following Australian listed public entities:

- Australian Governance Masters Index Fund Limited (since 2009)
- Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
- Global Resource Masters Fund Limited (since 2008, delisted 11 March 2016)
- Australian Masters Yield Fund No 1 Limited (since 2010 until 25 November 2015)
- Australian Masters Yield Fund No 2 Limited (since 2010 until 25 November 2015)
- Australian Masters Yield Fund No 3 Limited (since 2011 until 25 November 2015)
- US Masters Residential Property Fund (since 2008 until 22 June 2015)
- US Select Private Opportunities Fund (since 2008 until 23 April 2014).



ALEXANDER MACLACHLAN BA (CORNELL), MBA (WHARTON)

Non-Executive Director and Member of the Investment Committee

Alex is currently a Director of the Company and Chairman of the Investment Manager of the Company. Alex is also the Chairman of the responsible entity of Emerging Markets Masters Fund, Australian Property Opportunities Fund I and II, US Masters Residential Property Fund, New Energy Solar Fund and US Select Private Opportunities Fund I, II and III and Managing Director of Australian Governance Masters Index Fund Limited. Alex also serves as a director of the Australian Masters Yield Fund Series, New Energy Solar Limited and the Australian Masters Corporate Bond Fund Series.

Before joining Walsh & Co, Alex was an investment banker specialising in the natural resources sector, most recently serving as Head of Energy, Australasia, for UBS AG in Sydney and prior to that as an investment banker at Credit Suisse First Boston. During his career as an investment banker, Alex advised many of Australia's and the world's leading natural resources companies, working with over 30 companies on more than \$100 billion in announced mergers and acquisitions and capital markets transactions. Before specialising in natural resources investment banking, Alex worked in the Japanese Government Bond derivatives markets in London, New York and Sydney.

Alex has a Bachelor of Arts from Cornell University and a Master of Business Administration from The Wharton School, University of Pennsylvania.

Alex was appointed as Non-Executive Director on 23 September 2009, and beneficially holds 30,308 fully paid ordinary shares in the capital of the Company.

During the past three years, Alex has acted and is currently a Non-Executive Director or a director of the responsible entity of the following Australian listed public entities:

- Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
- Australian Masters Yield Fund No 1 Limited (since 2010)
- Australian Masters Yield Fund No 2 Limited (since 2010)
- Australian Masters Yield Fund No 3 Limited (since 2011)
- Australian Masters Yield Fund No 4 Limited (since 2011)
- Australian Masters Yield Fund No 5 Limited (since 2012)
- Global Resource Masters Fund Limited (since 2008, delisted 11 March 2016)
- Emerging Markets Masters Fund (since 2012)
- US Masters Residential Property Fund (since 2011)
- US Select Private Opportunities Fund (since 2011)
- US Select Private Opportunities Fund II (since 2012)
- US Select Private Opportunities Fund III (since 2016).

DIRECTORS' REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016



STUART NISBETT BCOM, MCOM, CA

Independent Non-Executive Director and Member of the Investment Committee

Stuart has more than 25 years experience in property development, property funds management, equity and debt raising, corporate advisory and project finance. He is currently on the Advisory Board for the US Masters Residential Property Fund and is also the Managing Director and Principal at Archerfield Capital Partners, which he established in 2008.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Under his leadership, the property banking business grew into the largest business unit within the company. In July 2005, reflecting the growth and increased scope of the property banking business activities under Stuart's guidance, N M Rothschild & Sons established an additional property division to focus on investment banking opportunities in advisory and equity. Stuart has also held multiple senior roles at Macquarie Bank and Lend Lease.

Stuart is also Chairman of the Investment Committee for Australian Property Opportunities Fund I and II.

Stuart was appointed as Independent Non-Executive Director on 28 November 2011 and resigned as a Director on 31 March 2016. He holds no shares in the capital of the Company.

During the past three years Stuart has not acted as director of any other Australian listed public company.



CHRISTOPHER LEE BS, MBA (UC BERKELEY)

Independent Non-Executive Director and Member of the Investment Committee

Christopher has over 20 years of global financial markets experience, managing derivative product development and providing equity sales and trading functions to institutional clients in 10 Asian countries with a focus on Hong Kong, Singapore and China. Currently, he is a partner at FAA Investments and co-founder at Star Magnolia Capital (Hong Kong) Ltd, private investment firms (family offices) focusing in real estate and alternative investments.

Previously, Chris held senior positions as managing director (since 2005) and a member of management and executive committees. Under his leadership at Deutsche Bank (2010-12), the Global Markets Investment Products and db-X teams customised financial solutions and products for many Asian insurance companies, banks, and asset managers and securities brokerage firms. At UBS AG, Investment Bank (2002-10), he was Head of Equity Derivatives Intermediary Sales in Asia (ex-Japan). Chris began his investment banking career at Merrill Lynch & Co. (now Bank of America) in New York in 1995.

Chris has a Bachelor of Science in Mechanical Engineering and a Master of Business Administration from the University of California, Berkeley, and has completed the Advanced Management Program at Harvard Business School. He is a native of Hong Kong, where he currently resides, and speaks fluent English and Chinese.

Chris was appointed as Independent Non-Executive Director on 26 November 2013, and he holds no shares in the capital of the Company.

During the past three years Chris has not acted as director of any other Australian listed public company.



JUNE AITKEN BA HONS (OXFORD)

Independent Non-Executive Director

June has over 30 years' experience in Asian Equity markets. She was a founding partner and investor of Osmosis Investment Management LLP, a company established in 2009, that uses quantitative methodology which utilises environmental information to identify resource efficient companies.

Prior to this, June held numerous senior roles at HSBC Bank plc, London, where she was Global Head of Emerging Market Equity Distribution from 2004 to 2006 and Head of Strategy Management for two years after that. June previously worked at UBS AG, where she was Managing Director, Head of Global Equity Production, Global Head of Asian Equities and a director of Asian Equity Sales for 12 years. She also has experience at various London-based Asian equity sales firms, gaining early experience at Montagu Loeb Stanley and Partners, Wi Carr Securities and County Natwest Securities between 1983 and 1991.

June is currently a member of the advisory board of ASX-listed Emerging Markets Masters Fund (ASX: EMF) and is a partner in a private consultancy business advising asset managers. She was also previously on the board of HSBC Bank Japan, Aquarius Fund, an Asian fixed income fund, Erudine Holdings Ltd, a financial software consultancy firm, and the Shepherds Bush Housing Group.

June holds a Bachelor of Arts (with honours) from Oxford University, majoring in Philosophy, Politics and Economics.

June was appointed as Independent Non-Executive Director on 1 December 2015, and she holds no shares in the capital of the Company.

During the past three years June has not acted as director of any other Australian listed public company.

INFORMATION ON COMPANY SECRETARY

HANNAH CHAN BCOM, MCOM, CA

Company Secretary

Hannah has a Bachelor of Commerce degree in Finance from the University of NSW and a Master of Commerce degree in Accounting from the University of Sydney. She is also a Chartered Accountant with the Institute of Chartered Accountants in Australia. Prior to joining Walsh & Company Asset Management Pty Limited (**the Manager**), Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young.

Hannah is also the Company Secretary of Australian Masters Corporate Bond Fund 5 Limited, Australian Masters Yield Fund Series, Australian Governance Masters Index Fund Limited and joint Company Secretary of New Energy Solar Limited, Walsh & Company Investments Limited and Walsh and Company Asset Management Pty Limited. Hannah is a director of Australian Fund Accounting Services Pty Limited.

Hannah was appointed as Company Secretary on 4 December 2009.

DIRECTORS' REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' MEETINGS

The number of meetings of the company's Board of Directors (**the Board**) and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

| Directors | Board meetings | | Investment committee meetings | |
|----------------------|--------------------------|----------------------|-------------------------------|----------------------|
| | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held |
| John Holland | 6 | 6 | 6 | 6 |
| Christopher Lee | 6 | 6 | 6 | 6 |
| June Aitken | 3 | 3 | 3 | 3 |
| Maximilian Walsh | 6 | 6 | 6 | 6 |
| Alexander MacLachlan | 5 | 6 | 5 | 6 |
| Stuart Nisbett | 3 | 3 | 3 | 3 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT

(A) REMUNERATION POLICY

Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from the Company in general meeting. Directors will seek approval from time to time as deemed appropriate.

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Maximilian Walsh and Alexander MacLachlan have agreed not to be paid any remuneration for the services they performed as directors from 1 July 2009. Mr Maximilian Walsh and Mr Alexander MacLachlan are also Directors of the Manager.

The independent directors, Christopher Lee, Stuart Nisbett and June Aitken each received \$50,000, \$37,500 and \$29,167 respectively during the year ended 30 June 2016. As an independent chairperson from 25 February 2015, John Holland received \$75,000 for the year ended 30 June 2016.

These fees exclude any additional fee for any service-based agreement which may be agreed upon from time to time and also excludes reimbursement of out of pocket expenses. These fees are inclusive of statutory superannuation.

(B) KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel include the directors who have authority and responsibility for planning, directing and controlling the activities of the Company. No other executive personnel are employed or remunerated by the Company.

Details of remuneration paid during the year to key management personnel are set out in the table below.

2016

| Directors | Salary, fees & commission | Superannuation contributions | Cash bonus | Non-cash benefits | Other | Total |
|------------------|--------------------------------------|-------------------------------------|-------------------|--------------------------|--------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| John Holland | 75,000 | - | - | - | - | 75,000 |
| Christopher Lee | 50,000 | - | - | - | - | 50,000 |
| June Aitken | 29,167 | - | - | - | - | 29,167 |
| Stuart Nisbett | 34,247 | 3,253 | - | - | - | 37,500 |
| Total | 188,414 | 3,253 | - | - | - | 191,667 |

2015

| Directors | Salary, fees & commission | Superannuation contributions | Cash bonus | Non-cash benefits | Other | Total |
|------------------|--------------------------------------|-------------------------------------|-------------------|--------------------------|--------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| John Holland | 58,476 | - | - | - | - | 58,476 |
| Christopher Lee | 50,000 | - | - | - | - | 50,000 |
| Stuart Nisbett | 45,662 | 4,338 | - | - | - | 50,000 |
| Total | 154,138 | 4,338 | - | - | - | 158,476 |

Maximilian Walsh and Alexander MacLachlan did not receive remuneration during the year (2015: \$nil).

(C) SERVICE AGREEMENTS

The Company does not presently have formal service agreements or employment contracts with any key management personnel.

(D) DIRECTORS' PROTECTION DEEDS

The Company has agreed to provide access to board papers and minutes to current and former directors of the Company while they are directors and for a period of 7 years after they cease to be directors. The Company has agreed to indemnify, to the extent permitted by the Corporations Act 2001, each officer in respect of certain liabilities, which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each director a directors' and officers' policy of insurance for the period that he or she is a director and for a period of 7 years after the officer ceases to be a director.

(E) BENEFICIAL AND RELEVANT INTEREST OF DIRECTORS IN SHARES

As at the date of this report, details of directors who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

DIRECTORS' REPORT CONT.

FOR THE YEAR ENDED 30 JUNE 2016

| Director | No. of shares |
|----------------------|---------------|
| John Holland | - |
| Christopher Lee | - |
| June Aitken | - |
| Maximilian Walsh | 170,001 |
| Alexander MacLachlan | 30,308 |
| Stuart Nisbett | - |

(F) RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated and are as follows:

WALSH & COMPANY ASSET MANAGEMENT PTY LIMITED

Mr Maximilian Walsh and Mr Alexander MacLachlan are Directors of the Company and Directors of the Manager.

(i) Management Fee

The Manager is entitled to receive a management fee of 0.08334% of the pre tax value of the Portfolio at the close of the first Business Day of each month (equating to an annualised management fee of 1%, excluding GST).

Management fees paid or payable for the year ended 30 June 2016 were \$1,811,184 (2015: \$1,665,174), inclusive of GST, and the management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2016 was \$140,109 (2015: \$172,018), inclusive of GST.

(ii) Brokerage

Dixon Advisory & Superannuation Services Limited, as broker acting on behalf of the Company, receives brokerage of 0.25% on all transactions undertaken as part of the Company's buy-back program. During the year, total brokerage paid or payable was \$12,079 (2015: \$11,570), inclusive of GST.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the year ended 30 June 2016 as required under section 307C of the Corporations Act 2001 is set out on the following page. Made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the directors



John Holland
CHAIRMAN
22 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Asian Masters Fund Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

22 August 2016

Dear Board Members

Asian Masters Fund Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Asian Masters Fund Limited.

As lead audit partner for the audit of the financial statements of Asian Masters Fund Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|------|---------------------|-------------------|
| | | \$ | \$ |
| Revenue | 4 | 516,085 | 1,984,722 |
| Net foreign currency exchange gain | | 271,258 | 835,978 |
| Expenses | | | |
| Auditor's remuneration | 5 | (39,050) | (38,000) |
| Directors' fees | | (191,667) | (158,476) |
| Legal and advisory costs | | (16,648) | (59,284) |
| Listing and registry fees | | (101,393) | (91,312) |
| Management fees | 19 | (1,802,730) | (1,657,447) |
| Due diligence expense | | (259,147) | (155,289) |
| Other expenses | | (111,791) | (190,170) |
| (Loss)/profit before income tax benefit/(expense) | | (1,735,083) | 470,722 |
| Income tax benefit/(expense) | 6 | 550,761 | (164,343) |
| (Loss)/profit after income tax benefit/(expense) for the year attributable to the owners of Asian Masters Fund Limited | | (1,184,322) | 306,379 |
| Other comprehensive (loss)/income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| (Loss)/gain on revaluation of investments | | (15,095,999) | 60,764,128 |
| Tax benefit/(expense) on the above | | 4,528,800 | (18,229,238) |
| Other comprehensive (loss)/income for the year, net of tax | | (10,567,199) | 42,534,890 |
| Total comprehensive (loss)/income for the year attributable to the owners of Asian Masters Fund Limited | | (11,751,521) | 42,841,269 |
| | | Cents | Cents |
| Basic (loss)/earnings per share | 15 | (0.97) | 0.24 |
| Diluted (loss)/earnings per share | 15 | (0.97) | 0.24 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|------|--------------------|--------------------|
| | | \$ | \$ |
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | 7 | 2,909,577 | 1,181,558 |
| Trade and other receivables | 8 | 40,789 | 3,034,512 |
| Prepayments | | 18,822 | 18,814 |
| Other assets - financial asset prepayment | | - | 2,595,043 |
| Total current assets | | 2,969,188 | 6,829,927 |
| <i>Non-current assets</i> | | | |
| Financial assets | 9 | 150,336,336 | 173,089,819 |
| Total non-current assets | | 150,336,336 | 173,089,819 |
| Total assets | | 153,305,524 | 179,919,746 |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 10 | 245,608 | 478,536 |
| Current tax liabilities | 11 | 2,559,024 | 3,109,995 |
| Total current liabilities | | 2,804,632 | 3,588,531 |
| <i>Non-current liabilities</i> | | | |
| Deferred tax | 12 | 9,458,415 | 17,070,686 |
| Total non-current liabilities | | 9,458,415 | 17,070,686 |
| Total liabilities | | 12,263,047 | 20,659,217 |
| Net assets | | 141,042,477 | 159,260,529 |
| Equity | | | |
| Issued capital | 13 | 113,652,588 | 117,420,629 |
| Reserves | 14 | 48,812,030 | 59,379,229 |
| Accumulated losses | | (21,422,141) | (17,539,329) |
| Total equity | | 141,042,477 | 159,260,529 |

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

| | Issued capital | Asset revaluation reserve | Capital profits reserve | Accumulated losses | Total equity |
|---|--------------------|---------------------------------|-------------------------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 121,028,889 | 11,959,848 | 4,884,491 | (15,338,529) | 122,534,699 |
| Profit after income tax expense for the year | - | - | - | 306,379 | 306,379 |
| <i>Other comprehensive (loss)/ income for the year, net of tax</i> | - | 42,534,890 | - | - | 42,534,890 |
| Total comprehensive income for the year | - | 42,534,890 | - | 306,379 | 42,841,269 |
| Transfer to Capital Profits Reserve of cumulative realised gain on disposal of investments, net of tax (note 14) | - | (15,696,890) | 15,696,890 | - | - |
| Shares issued (note 13) | 610,160 | - | - | - | 610,160 |
| Shares buyback (note 13) | (4,207,211) | - | - | - | (4,207,211) |
| Issue and buyback costs (net of tax) (note 13) | (11,209) | - | - | - | (11,209) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Dividends paid (note 16) | - | - | - | (2,507,179) | (2,507,179) |
| Balance at 30 June 2015 | 117,420,629 | 38,797,848 | 20,581,381 | (17,539,329) | 159,260,529 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

| | Issued capital | Asset revaluation reserve | Capital profits reserve | Accumulated losses | Total equity |
|--|--------------------|---------------------------|-------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 117,420,629 | 38,797,848 | 20,581,381 | (17,539,329) | 159,260,529 |
| Loss after income tax benefit for the year | - | - | - | (1,184,322) | (1,184,322) |
| <i>Other comprehensive (loss)/ income for the year, net of tax</i> | - | (10,567,199) | - | - | (10,567,199) |
| Total comprehensive (loss) for the year | - | (10,567,199) | - | (1,184,322) | (11,751,521) |
| Transfer to Capital Profits Reserve of cumulative realised gain on disposal of investments, net of tax (note 14) | - | (6,208,958) | 6,208,958 | - | - |
| Shares issued (note 13) | 633,747 | - | - | - | 633,747 |
| Shares buyback (note 13) | (4,392,536) | - | - | - | (4,392,536) |
| Issue and buyback costs (net of tax) (note 13) | (9,252) | - | - | - | (9,252) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Dividends paid (note 16) | - | - | - | (2,698,490) | (2,698,490) |
| Balance at 30 June 2016 | 113,652,588 | 22,021,691 | 26,790,339 | (21,422,141) | 141,042,477 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|----------|------------------|------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers | | (2,910,701) | (2,239,309) |
| Interest received | | 29,491 | 31,317 |
| Dividends received | | 1,046,004 | - |
| Other income received | | 718 | 1,497 |
| Net tax (paid)/received | | (2,917,695) | 133,745 |
| Net cash used in operating activities | 17 | (4,752,183) | (2,072,750) |
| Cash flows from investing activities | | | |
| Payments for purchase of investments | | (25,065,955) | (47,952,393) |
| Proceeds from sale of investments | | 38,115,481 | 55,912,491 |
| Net cash from investing activities | | 13,049,526 | 7,960,098 |
| Cash flows from financing activities | | | |
| Payments for share buy-backs | | (4,392,536) | (4,207,211) |
| Payment of issue and buyback costs | | (13,970) | (16,013) |
| Dividends paid | 16 | (2,064,744) | (1,897,019) |
| Net cash used in financing activities | | (6,471,250) | (6,120,243) |
| Net increase/(decrease) in cash and cash equivalents | | 1,826,093 | (232,895) |
| Cash and cash equivalents at the beginning of the financial year | | 1,181,558 | 1,339,974 |
| Effects of exchange rate changes on cash and cash equivalents | | (98,074) | 74,479 |
| Cash and cash equivalents at the end of the financial year | 7 | 2,909,577 | 1,181,558 |

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. GENERAL INFORMATION

The financial statements covers Asian Masters Fund Limited (**Company**) as an individual entity. Asian Masters Fund Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

The financial report has been approved for issue in accordance with a resolution of the directors on 22 August 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

In the current year, the Company has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (**AASB**) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 'Materiality''

The adoption of the above standards had no material impact on the financial statements.

BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The comparative period of this report is from 1 July 2014 to 30 June 2015.

FOREIGN CURRENCY TRANSLATION

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined, being year end date.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (**GST**).

INCOME TAX

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, at the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted, or substantively enacted, at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off of current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL INSTRUMENTS

Financial Instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within time frames established by market place convention.

The Company has elected to early adopt "AASB 9 Financial Instruments", which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. The Company has not early adopted subsequent amendments to AASB 9 issued in 2010 and 2013.

FINANCIAL ASSETS

Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition.

Subsequent measurement

The Company has irrevocably elected to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve, after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instruments.

Gains and losses on all other financial assets at fair value are recognised in profit or loss.

DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified as derivative and non-derivative instruments, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Subsequent Measurement

Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on the bid price for all quoted investments in an active market.

Fair value is determined as the redemption value for investments. When the redemption price is not available, alternative techniques are applied to determine the fair value of these investments, including recent arm's length transactions, reference to similar instruments and option pricing models.

OTHER RECEIVABLES

Other receivables are recorded at amounts due less any allowance for impairment.

IMPAIRMENT

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

PROVISIONS

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing the profit/(loss) after income tax excluding any cost of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is the same because there are no dilutive potential ordinary shares.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

In most cases, the Company qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75%; hence listing fees, registry fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office.

The net amount of GST recoverable from the Australian Taxation Office is included in Other Receivables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company.

KEY ESTIMATES AND JUDGEMENTS

Fair value of investments

Fair value of investments in equity instruments are determined based on year end published redemption prices of the investments on the basis that the prices reflect the fair value at which the investments could be sold at balance date.

New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

AASB 9 Financial Instruments and the relevant amending standards

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Company will adopt the relevant amending standards from 1 January 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'

These amendments are applicable to annual reporting periods beginning on or after 1 July 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the company.

AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

These amendments are applicable to annual reporting periods beginning on or after 1 January 2018. The adoption of these amendments from 1 January 2018 will not have a material impact on the Company.

AASB 14 Regulatory Deferral Accounts

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of this standard from 1 January 2016 will not have a material impact on the Company.

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the Company.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the Company.

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Company will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the Company.

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the Company.

AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments from 1 January 2016 will not have a material impact on the Company.

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses and AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

These amendments are applicable to annual reporting periods beginning on or after 1 January 2017. The Company will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the Company.

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company.

Fair value of investments

Fair value of investments in equity instruments are determined based on year end published redemption prices of the investments on the basis that the prices reflect the fair value at which the investments could be sold at balance date.

4. REVENUE

| | 2016 | 2015 |
|-------------------------------|----------------|------------------|
| | \$ | \$ |
| Dividend revenue | 470,363 | 1,960,241 |
| Interest revenue | 45,722 | 24,481 |
| Revenue | 516,085 | 1,984,722 |
| Dividend revenue from: | | |
| Investment funds | 470,363 | 1,960,241 |
| Interest revenue from: | | |
| Cash at bank | 45,722 | 24,481 |

5. AUDITOR'S REMUNERATION

| | 2016 | 2015 |
|--|--------|--------|
| | \$ | \$ |
| Audit and review of the financial statements | 39,050 | 38,000 |

The auditor of the Company is Deloitte Touche Tohmatsu.

6. INCOME TAX (BENEFIT)/EXPENSE

| | 2016 | 2015 |
|---|------------------|---------------------|
| | \$ | \$ |
| Income tax (benefit)/expense | | |
| Deferred tax (benefit)/expense | (550,761) | 164,343 |
| Aggregate income tax (benefit)/expense | (550,761) | 164,343 |
| Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate | | |
| (Loss)/profit before income tax benefit/(expense) | (1,735,083) | 470,722 |
| Tax at the statutory tax rate of 30% | (520,525) | 141,217 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| (over)/under statement of income tax provision | (30,236) | 3,589 |
| Foreign tax credits | - | 19,537 |
| Income tax (benefit)/expense | (550,761) | 164,343 |
| Income tax recognised in other comprehensive income | | |
| Deferred tax - Fair value movement of equity investments | 4,528,800 | (18,229,238) |
| Total | 4,528,800 | (18,229,238) |

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|--------------|-----------|-----------|
| | \$ | \$ |
| Cash at bank | 2,909,577 | 1,181,558 |

The effective interest rate on short term bank deposits was 1.77% (2015: 2.16%).

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | 2016 | 2015 |
|---------------------|---------------|------------------|
| | \$ | \$ |
| Deposits paid | 560 | 560 |
| GST refundable | 35,938 | 41,869 |
| Unsettled trades | - | 1,946,283 |
| Other receivables | - | 1,044,519 |
| Interest receivable | 4,291 | 1,281 |
| | 40,789 | 3,034,512 |

9. NON-CURRENT ASSETS - FINANCIAL ASSETS

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Equity Investments - at fair value | | |
| AllianceBernstein Asia ex Japan Fund | 6,242,724 | - |
| Aberdeen Asian Opportunities Fund | - | 15,031,838 |
| Aberdeen India Opportunities Fund | - | 2,424,425 |
| APS China A-Share Fund | 9,885,656 | 16,256,053 |
| Arisaig Asia Consumer Fund | 25,517,138 | 24,928,704 |
| Asian Opportunities Absolute Return Fund | 13,265,409 | 10,219,005 |
| Cephei QFII China Absolute Return Fund | 10,870,633 | 11,593,093 |
| CK Absolute Return Fund | 14,743,822 | 16,101,002 |
| JPMorgan China Pioneer A-Share Fund | - | 6,258,216 |
| JPMorgan Taiwan Fund | 11,338,728 | 14,013,870 |
| Macquarie Asia New Stars No.1 Fund | 9,382,751 | 11,333,751 |
| NCC China A-Share Fund | 10,318,451 | 11,862,179 |
| Prusik Asia Fund | - | 10,382,041 |
| Prusik Asian Smaller Companies Fund | 12,019,509 | 9,149,139 |
| Steadview Capital Fund | 17,847,519 | 13,536,503 |
| Wells Fargo China Equity Fund | 8,903,996 | - |
| Investments at fair value | 150,336,336 | 173,089,819 |

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Reconciliation | | |
| Carrying amount at the beginning of the year | 173,089,819 | 123,151,391 |
| Additions - cost | 28,249,560 | 46,599,420 |
| Revaluation to fair value | (15,055,999) | 60,764,128 |
| Disposals | (35,947,044) | (57,425,120) |
| | 150,336,336 | 173,089,819 |

Financial assets comprise equity investments in the ordinary issued capital of various unlisted funds.

There are no fixed returns or fixed maturity dates attached to these investments.

Disposal of investments

During the year ended 30 June 2016, the fair value of disposal equity investments at disposal date was \$15,055,999 (2015: \$57,425,120), and the total realised gain on disposals transferred to capital profits reserve was \$6,208,958 (2015: \$15,696,890).

Disposals occurred in the normal course of the Company's operations as a listed investment company.

10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|------------------|---------|---------|
| | \$ | \$ |
| Accrued expenses | 245,608 | 478,536 |

Trade payables are unsecured, non-interest bearing and payable on 30 day terms.

11. CURRENT LIABILITIES - CURRENT TAX LIABILITIES

| | 2016 | 2015 |
|--------------------------|-----------|-----------|
| | \$ | \$ |
| Provision for income tax | 2,559,024 | 3,109,995 |

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

12. NON-CURRENT LIABILITIES - DEFERRED TAX

| | 2016 | 2015 |
|--|------------------|-------------------|
| | \$ | \$ |
| <i>Deferred tax liability comprises temporary differences attributable to:</i> | | |
| Deferred tax liabilities/(assets) comprise: | | |
| Unrealised fair value adjustments | 9,437,868 | 17,098,853 |
| Unrealised foreign currency gain | 38,169 | 67,592 |
| Provisions | (7,560) | (7,351) |
| Transaction costs on equity issue and buybacks | (11,348) | (88,792) |
| Interest receivable | 1,286 | 384 |
| Deferred tax liability | 9,458,415 | 17,070,686 |
| <i>Movements:</i> | | |
| Opening balance | 17,070,686 | 1,791,902 |
| (Credited)/charged to profit or loss (note 6) | (550,761) | 164,343 |
| (Credited)/charged to equity | (4,528,800) | 18,229,238 |
| Transfer to provision for income tax | (2,532,710) | (3,114,797) |
| Closing balance | 9,458,415 | 17,070,686 |

13. EQUITY - ISSUED CAPITAL

| | 2016 Shares | 2015 Shares | 2016 \$ | 2015 \$ |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| Ordinary shares - fully paid | 121,442,386 | 124,329,276 | 113,652,588 | 117,420,629 |

| Details | Date | Shares | \$ |
|--|-------------------|--------------------|--------------------|
| Balance | 1 July 2014 | 127,545,154 | 121,028,889 |
| (i) 318,704 fully paid ordinary shares | 2 October 2014 | 318,704 | 309,143 |
| (ii) 259,497 fully paid ordinary shares | 24 March 2015 | 259,497 | 301,017 |
| Share buybacks | | (3,794,079) | (4,207,211) |
| Issue and buyback costs | | - | (16,013) |
| Tax effect on the above | | - | 4,804 |
| Balance | 30 June 2015 | 124,329,276 | 117,420,629 |
| (iii) 251,390 fully paid ordinary shares of \$1.28 | 23 September 2015 | 251,390 | 321,779 |
| (iv) 266,639 fully paid ordinary shares of \$1.17 | 30 March 2016 | 266,639 | 311,968 |
| Share buybacks | | (3,404,919) | (4,392,536) |
| Issue and buyback costs | | - | (13,970) |
| Tax effect on the above | | - | 4,718 |
| Balance | 30 June 2016 | 121,442,386 | 113,652,588 |

- (i) In respect of the dividend paid on 2 October 2014, 318,704 ordinary shares were issued at \$0.97 per share.
- (ii) In respect of the dividend paid on 24 March 2015, 259,497 ordinary shares were issued at \$1.16 per share.
- (iii) In respect of the dividend paid on 23 September 2015, 251,390 ordinary shares were issued at \$1.28 per share.
- (iv) In respect of the dividend paid on 30 March 2016, 266,639 ordinary shares were issued at \$1.17 per share.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

ORDINARY SHARES

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the Company in proportion to the numbers of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have par value.

CAPITAL MANAGEMENT

The Company's objectives in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital may fluctuate with prevailing market movements and it may undertake a buyback of its shares.

The Company's capital consists of shareholders' equity plus financial liabilities. The movement in equity is shown in the Statement of Changes in Equity. At 30 June 2016, financial liabilities were \$241,941 (2015: \$478,536). There are no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

During the year ended 30 June 2016, the Company raised \$633,747 through the dividend reinvestment plan in September 2015 and March 2016.

The Company announced a buyback program on 16 October 2015. 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. During the year ended 30 June 2016, 3,404,919 shares worth \$4,392,536 were purchased by the Company from shareholders as part of the buyback programs announced on 16 October 2016. The Company remains committed to active capital management to provide liquidity for investors as well as enhancing shareholder returns.

14. EQUITY - RESERVES

| | 2016 | 2015 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Asset revaluation reserve | 22,021,691 | 38,797,848 |
| Capital profit reserve | 26,790,339 | 20,581,381 |
| | 48,812,030 | 59,379,229 |

ASSET REVALUATION RESERVE

Increments and decrements on the revaluation of long term investments after provision for deferred tax are recorded in this reserve. When an investment has been sold or de-recognised, realised gains or losses (after tax) are transferred from the asset revaluation reserve to the capital profits reserve.

CAPITAL PROFITS RESERVE

The capital profits reserve records realised gains and losses (after tax) from sale of investments which are transferred from Asset Revaluation Reserve.

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous financial year are set out below:

| | Asset revaluation reserve | Capital profits reserve | Total |
|-------------------------------------|------------------------------|----------------------------|-------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2014 | 11,959,848 | 4,884,491 | 16,844,339 |
| Gain on investment revaluations | 60,764,128 | - | 60,764,128 |
| Tax on the above | (18,229,238) | - | (18,229,238) |
| Transfer to capital profits reserve | (22,424,128) | 22,424,128 | - |
| Tax on the above | 6,727,238 | (6,727,238) | - |
| Balance at 30 June 2015 | 38,797,848 | 20,581,381 | 59,379,229 |
| (Loss) on investment revaluations | (15,095,999) | - | (15,095,999) |
| Tax on the above | 4,528,800 | - | 4,528,800 |
| Transfer to capital profits reserve | (8,869,939) | 8,869,939 | - |
| Tax on the above | 2,660,981 | (2,660,981) | - |
| Balance at 30 June 2016 | 22,021,691 | 26,790,339 | 48,812,030 |

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

15. EARNINGS PER SHARE

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| (Loss)/profit after income tax attributable to the owners of Asian Masters Fund Limited | (1,184,322) | 306,379 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 122,710,910 | 125,202,966 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 122,710,910 | 125,202,966 |
| | Cents | Cents |
| Basic (loss)/earnings per share | (0.97) | 0.24 |
| Diluted (loss)/earnings per share | (0.97) | 0.24 |

16. EQUITY - DIVIDENDS

Dividends paid during the financial year were as follows:

| | 2016 | 2015 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Dividends | | |
| Dividends of 2.0 cents per share | - | 2,507,179 |
| Dividends of 2.2 cents per share | 2,698,490 | - |
| | 2,698,490 | 2,507,179 |

Dividends of 2.2 cents paid during the 2016 financial year were comprised of:

- Unfranked dividend of 1.1 cent per share paid on 23 September 2015
- Franked dividend of 1.1 cent per share paid on 30 March 2016

Dividends of 2.0 cents paid during the 2015 financial year were comprised of:

- Unfranked dividend of 1.0 cent per share paid on 2 October 2014
- Unfranked dividend of 1.0 cent per share paid on 24 March 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Franking credits | | |
| Franking credits available at the reporting date based on a tax rate of 30% | 2,641,704 | 134,345 |
| Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30% | 2,559,024 | 3,109,995 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 5,200,728 | 3,244,340 |

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

17. RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| (Loss)/profit after income tax benefit/(expense) for the year | (1,184,322) | 306,379 |
| Adjustments for: | | |
| Distribution income reinvested | (468,162) | (914,225) |
| Loss on foreign currency | (271,258) | (835,978) |
| Change in operating assets and liabilities: | | |
| (Decrease) in receivables | 1,034,220 | (1,038,837) |
| (Decrease)/Increase in prepayments | (8) | 15,761 |
| (Decrease)/Increase in income tax payable | (550,971) | 3,109,995 |
| (Decrease)/Increase in in trade payables and accruals | (232,929) | 229,806 |
| (Increase) in deferred tax | (3,078,753) | (2,945,651) |
| Net cash used in operating activities | (4,752,183) | (2,072,750) |

18. KEY MANAGEMENT PERSONNEL

DIRECTORS

The following persons were directors of Asian Masters Fund Limited during the financial year:

Mr John Holland – Independent Non-Executive Chairman

Mr Christopher Lee – Independent Non-Executive Director

Mrs June Aitken – Independent Non-Executive Director (appointed 1 December 2015)

Mr Maximilian Walsh – Non-Executive Director

Mr Alexander MacLachlan – Non-Executive Director

Mr Stuart Nisbett – Independent Non-Executive Director (retired 31 March 2016)

KEY MANAGEMENT PERSONNEL REMUNERATION

| | 2016 | 2015 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Salary, fees and commission | | |
| John Holland | 75,000 | 58,476 |
| Christopher Lee | 50,000 | 50,000 |
| June Aitken | 29,167 | - |
| Stuart Nisbett | 37,500 | 50,000 |
| | 191,667 | 158,476 |

Maximilian Walsh and Alexander MacLachlan have agreed not to be paid any remuneration for the services they performed as directors from 1 July 2009.

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

19. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated and are as follows:

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

Walsh & Company Asset Management Pty Limited

Mr Maximilian Walsh and Mr Alexander MacLachlan are Directors of the Company and Directors of the Manager.

A) MANAGEMENT FEE

The Manager is entitled to receive a management fee of 0.08334% of the pre tax value of the Portfolio at the close of the first Business Day of each month (equating to an annualised management fee of 1%).

Management fees paid or payable for the year ended 30 June 2016 were \$1,811,184 (2015: \$1,665,174), inclusive of GST, and the management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2016 was \$140,109 (2015: \$172,018), inclusive of GST.

B) BROKERAGE

Dixon Advisory & Superannuation Services Limited, as broker acting on behalf of the Company, receives brokerage of 0.25% on all transactions undertaken as part of the Company's buy-back program. During the year, total brokerage paid or payable was \$12,079 (2015: \$11,570), inclusive of GST.

C) FUND ADMINISTRATION FEE

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Dixon Advisory Group Limited, the parent of the Manager, provides fund administration services under an agreement with the Manager consistent with the terms of the existing management agreement with the Company. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the year was \$120,000 (2015: \$120,000), exclusive of GST.

20. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial instruments consist mainly of deposits with banks and unlisted investments. The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk, foreign exchange risk and market price risk.

MARKET RISK

a) Foreign exchange risk

The Company invests internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company does not undertake hedging of its foreign currency exchange risk exposure arising from commercial transactions.

If the currency in which the Company's investments are denominated changes in value relative to the Australian dollar, the Australian dollar value of the investment will change. For example, a rise in Australian dollar relative to other currencies may negatively impact investment value or returns. Conversely, a decline in Australian dollar relative to other currencies may positively impact investment value or returns.

The Company's exposure to foreign currency exchange risk at reporting date is as follows:

Cash

- US Dollar (USD) \$103,625

Investments

- South Korean Won (KRW) ₩12,665,314,670

- US Dollar (USD) \$94,038,894

The Company has performed sensitivity analysis relating to its exposure to its foreign exchange risk at balance date. This sensitivity analysis demonstrates the effect on the current year profit or loss and equity (including tax impact) which would result from a change in these risks on financial assets.

At 30 June 2016, the effect on profit before tax and equity as a result of changes in the foreign exchange risk, with all other variables remaining constant would be as follows, 10% is the level at which the board monitors foreign exchange risk.

| 2016 | % change | Effect on | Effect on | % change | Effect on | Effect on |
|------|----------|----------------------|---------------------------|----------|---------------|-------------------|
| | | profit before tax | equity (including tax) | | | |
| | | \$ | \$ | | | |
| USD | 10% | (12,643) | (8,031,530) | (10%) | 15,453 | 9,816,315 |
| KRW | 10% | - | (938,243) | (10%) | - | 1,146,742 |
| | | (12,643) | (8,969,773) | | 15,453 | 10,963,057 |

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

| 2015 | % change | Effect on profit before tax | | Effect on equity (including tax) | | % change | Effect on profit before tax | Effect on equity |
|------|----------|-----------------------------|--------------------|----------------------------------|------------|-------------------|-----------------------------|------------------|
| | | \$ | \$ | \$ | \$ | | | |
| USD | 10% | (473) | (7,651,712) | (10%) | 578 | 9,352,092 | | |
| GBP | 10% | - | (660,675) | (10%) | - | 807,492 | | |
| KRW | 10% | - | (1,024,609) | (10%) | - | 1,252,300 | | |
| | | (473) | (9,336,996) | | 578 | 11,411,884 | | |

b) Market price risk

Market price risk is the risk that changes in market prices such as equity prices will affect the Company's income and the value of its holdings of financial instruments.

Inherently, the Company is exposed to market price risk as it invests its capital in securities whose market prices can fluctuate.

Market risk is moderated by ensuring that the Company's investment portfolio is not overexposed to one company or one particular sector. The relative weightings of the individual funds are reviewed by the Investment Committee frequently.

The Company has performed sensitivity analysis relating to its exposure to its market price risk at balance date. This sensitivity analysis demonstrates the effect on equity which would result from a change in these risks on financial assets.

At 30 June 2016, the effect on equity as a result of changes in the market value of equity investments, with all other variables remaining constant would be as follows:

| 2016 | % change | Effect on equity (including tax impact) | | % change | Effect on equity (including tax impact) | |
|--------------------|----------|---|--------------------------------------|----------|---|--------------------------------------|
| | | \$ | NTA per Share (including tax impact) | | \$ | NTA per Share (including tax impact) |
| Equity Investments | 5% | 5,261,772 | 4 | (5%) | (5,261,772) | (4) |

| | | Effect on equity (including tax impact) | Effect on NTA per Share (including tax impact) | | Effect on equity (including tax impact) | Effect on NTA per Share (including tax impact) |
|-------------|----------|--|---|----------|--|---|
| 2015 | % change | \$ | cents | % change | \$ | cents |
| Equity | | | | | | |
| Investments | 5% | 6,058,144 | 5 | (5%) | (6,058,144) | (5) |

c) Interest rate risk

Exposure to interest rate risk arises on financial assets recognised at reporting date whereby a future change in interest rates will affect future cash flows. Any variation in short and long term interest rates, particularly in Australia and Asia, could affect the operating results of the Company.

The Company's exposure to interest rate risk is minimal. At 30 June 2016, approximately 98% of the financial assets are non interest bearing and 2% of the financial assets are at a floating rate.

At 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| 2016 | % change | Effect on profit before tax | Effect on equity | % change | Effect on profit before tax | Effect on equity |
|--------------|----------|-----------------------------------|---------------------|----------|-----------------------------------|---------------------|
| Cash at bank | 1 | 29,289 | 29,289 | (1) | (29,289) | (29,289) |

| 2015 | % change | Effect on profit before tax | Effect on equity | % change | Effect on profit before tax | Effect on equity |
|--------------|----------|-----------------------------------|---------------------|----------|-----------------------------------|---------------------|
| Cash at bank | 1 | 11,961 | 11,961 | (1) | (11,961) | (11,961) |

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to a single receivable or group of debtors under financial instruments entered into by the Company.

There are no amounts of collateral held as security at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

LIQUIDITY RISK

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Company's exposure to liquidity risk is minimal. However, to the extent that the underlying funds are invested in illiquid securities that may be difficult to sell at short notice or at desired prices, this can result in diminished redemption prices for the Company, or in declining markets, loss of capital through a decline in the value of the investment in the underlying fund.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

21. FAIR VALUE MEASUREMENT

NET FAIR VALUES

The net fair values of:

- Term receivables and fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Unlisted investments have been valued at the redemption price at balance date. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets of the investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the statement of financial position and in the notes to the financial statements.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in valuing the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (as price) or indirectly (derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of these financial assets are determined (in particular the valuation techniques and inputs used).

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|--------------------|---------|--------------------|
| 2016 | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Equity investments - unlisted | - | 150,336,336 | - | 150,336,336 |
| Total assets | - | 150,336,336 | - | 150,336,336 |

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------|--------------------|---------|--------------------|
| 2015 | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Equity investments - unlisted | - | 173,089,819 | - | 173,089,819 |
| Total assets | - | 173,089,819 | - | 173,089,819 |

NOTES TO THE FINANCIAL STATEMENTS CONT.

FOR THE YEAR ENDED 30 JUNE 2016

VALUATION TECHNIQUES AND KEY INPUT FOR FAIR VALUE MEASUREMENTS CATEGORISED WITHIN LEVEL 2

The valuation of unlisted investments included in level 2 is based on the redemption price at balance date, which generally reflects the underlying net asset value per unit held.

22. SEGMENT REPORTING

The Company operates in Australia and has one business segment, that being investing in managed funds that have a mandate to invest in Asian financial markets.

23. CONTINGENT LIABILITIES

The directors are not aware of any potential liabilities or claims against the Company as at the balance date.

24. CAPITAL COMMITMENTS

The Company has no capital commitments at balance date.

25. EVENTS AFTER THE REPORTING PERIOD

Between the end of the financial year and the date of this report, the Company bought back no further ordinary shares.

On 18 July 2016, the Company announced a capital raising of a placement of up to 18.0 million shares at \$1.30 to raise up to approximately \$23.4 million. On 3 August 2016, 9,754,994 Shares were allotted with a value of \$12.68 million. The proceeds of the Placement will be used to gain further access to leading investment managers specialising in Asian securities.

On 22 August 2016, the Company announced a fully franked dividend of \$0.011 per share which is anticipated to be paid to shareholders on, or around, 22 September 2016. The record date for determining entitlement to the dividend is 29 August 2016.

Apart from the dividend declared as disclosed in note 16, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

26. COMPANY DETAILS

The registered office of the Company is:

Asian Masters Fund Limited

Level 15, 100 Pacific Highway North Sydney NSW 2060

The principal place of business is:

Asian Masters Fund Limited

Level 15, 100 Pacific Highway North Sydney NSW 2060



DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

In the opinion of the directors:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

The directors of the Manager, Walsh & Company Asset Management Pty Limited have declared that:

- the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- the financial statements and notes for the financial year comply with the Accounting Standards; and
- the financial statements and notes for the financial year give a true and fair view.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Holland
CHAIRMAN

22 August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASIAN MASTERS FUND LIMITED



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Asian Masters Fund Limited

Report on the Financial Report

We have audited the accompanying financial report of Asian Masters Fund Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 28 to 59.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Asian Masters Fund Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Asian Masters Fund Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 26 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Asian Masters Fund Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants
Sydney, 22 August 2016

SHAREHOLDER INFORMATION

AT 31 JULY 2016

The shareholder information set out below was applicable as at 31 July 2016.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

| | Number of shareholders |
|--|------------------------|
| 1 to 1,000 | 37 |
| 1,001 to 5,000 | 76 |
| 5,001 to 10,000 | 260 |
| 10,001 to 100,000 | 2,663 |
| 100,001 and over | 190 |
| | 3,226 |
| Holding less than a marketable parcel | 14 |

EQUITY SECURITY HOLDERS

TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number of shares held | % of total |
|------------------------------|-----------------------|-------------|
| P S COCKS PRACTICE S/F A/C | 677,362 | 0.56 |
| VONWILLER SUPER FUND A/C | 539,657 | 0.44 |
| DIXON FAMILY S/F A/C | 520,000 | 0.43 |
| ROSEBANK STAFF S/FUND A/C | 484,635 | 0.40 |
| JOHN G KING S/F A/C | 403,636 | 0.33 |
| ROSENSHUL S/F A/C | 347,568 | 0.29 |
| KE DOWNES PROVIDENT FUND A/C | 271,702 | 0.22 |
| M & R KEATING SUPER FUND A/C | 269,566 | 0.22 |
| H & R ALLNUTT SUPER FUND A/C | 261,722 | 0.22 |
| THE A & RV DUBS S/F A/C | 260,106 | 0.21 |
| DEVABALINI SUPER FUND A/C | 239,800 | 0.20 |
| AM AND YC THOMSON S/F A/C | 238,500 | 0.20 |
| BLIGH FAMILY S/F A/C | 231,086 | 0.19 |
| WHALAN FAMILY SUPER FUND A/C | 226,254 | 0.19 |
| HAWES FAMILY SUPER FUND A/C | 225,000 | 0.19 |
| DOWJEN SUPER FUND A/C | 225,000 | 0.19 |
| JM & JE MCKENNA S/FUND A/C | 225,000 | 0.19 |
| J & J KRUGER SUPER FUND A/C | 224,562 | 0.18 |
| ISS SUPERANNUATION FUND A/C | 214,011 | 0.18 |
| FUTURESHIFT SUPER FUND A/C | 213,814 | 0.18 |
| Total | 6,298,981 | 5.21 |

SHAREHOLDER INFORMATION CONT.

AT 31 JULY 2016

| Investments at 30 June 2016 | Net Market Value | % |
|--|-------------------------|------------|
| Arisaig Asia Consumer Fund | 25,517,138 | 17 |
| Steadview Capital Fund | 17,847,519 | 12 |
| CK Absolute Return Fund | 14,743,822 | 10 |
| Asian Opportunities Absolute Return Fund | 13,265,409 | 9 |
| Prusik Asia Smaller Companies Fund | 12,019,509 | 8 |
| JPMorgan Taiwan Fund | 11,338,728 | 7 |
| Cephei QFII China Absolute Return Fund | 10,870,633 | 7 |
| NCC China A-Share Fund | 10,318,451 | 7 |
| APS China A-Share Fund | 9,885,656 | 7 |
| Asia New Stars No.1 Fund | 9,382,751 | 6 |
| Wells Fargo China Equity Fund | 8,903,996 | 6 |
| AllianceBernstein Asia ex Japan Fund | 6,242,724 | 4 |
| Total Portfolio Value | 150,336,336 | 100 |

SUBSTANTIAL SHAREHOLDINGS

There are no substantial shareholders pursuant to the provisions of Section 671B of the Corporations Act 2001.

TRANSACTIONS

The total number of transactions in securities during the reporting period was 31.

There are no other classes of equity securities.

MANAGEMENT AGREEMENT

The Company's investment activities are managed on an exclusive basis by the Manager. The management agreement is dated 8 December 2014 (Management Agreement).

Subject to any applicable regulations, the Company's investment policies and any written guidelines issued by the Company from time to time, the Manager will manage the portfolio and has discretion to acquire, hold and dispose of investments on behalf of the Company.

The term of the Management Agreement is five years expiring on 8 December 2019 (Initial Term) with a further term of five years if approved by the board of the Company.

The Manager is entitled to receive an annualised management fee of 1% (plus GST) of the value of the portfolio, payable monthly, calculated on the first business date of each month. The Manager is not entitled to a performance fee.

The Manager is also entitled to be reimbursed by the Company for fees, costs and expenses when properly incurred in connection with the investment and management of the portfolio, the acquisition, disposal or maintenance of any investment or performance of the Manager's obligations under the Management Agreement, including costs of convening and holding a general meeting of the Company, any reasonable travelling costs and expenses incurred by the representatives of the Manager and software licensing or software subscription fees in connection with monitoring and investment research specifically in relation to the portfolio.

The Manager may terminate the Management Agreement at any time by giving to the Company at least six months' written notice.

The Management Agreement gives the Company certain termination rights including the right to immediately terminate the Management Agreement if the Manager:

- a) becomes insolvent; or
- b) materially breaches its obligations and such breach cannot be rectified; or
- c) breaches its obligations and does not remedy that breach within 30 days after the Company has notified the Manager in writing to remedy the breach; or
- d) persistently fails to ensure that investments made on behalf of the Company are consistent with the Company's investment strategy.

The Company may also terminate the Management Agreement if the licence under which the Manager performs its obligations is suspended for a period of one month or more or is cancelled at any time and the Manager fails to maintain an authorisation enabling it to perform its obligations under the Agreement from a third party holder of a licence.

The Company may also terminate the Management Agreement after the expiration of the Initial Term on delivery of three months' prior written notice after an ordinary resolution of members of the Company is passed to terminate the Management Agreement.

A copy of the Management Agreement can be obtained from the Company's website (www.asianmastersfund.com.au).

CORPORATE DIRECTORY

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited (**ASX**).
ASX Code is AUF.

DIRECTORS

Mr John Holland

(Non-Executive Chairman)

Mr Maximilian Walsh

(Non-Executive Director)

Mr Alexander MacLachlan

(Non-Executive Director)

Mr Christopher Lee

(Non-Executive Director)

Ms June Aitken

(Non-Executive Director)

Mr Stuart Nisbett

(Non-Executive Director – resigned 31 March 2016)

COMPANY SECRETARY

Ms Hannah Chan

REGISTERED OFFICE

Level 15, 100 Pacific Highway
North Sydney NSW 2060

T 1300 454 801

F 1300 457 349

PRINCIPAL OFFICE

Level 15, 100 Pacific Highway
North Sydney NSW 2060

T 1300 454 801

F 1300 457 349

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SHARE REGISTER

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SOLICITOR

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BANKERS

Macquarie Bank

ANZ Bank

UBS

