

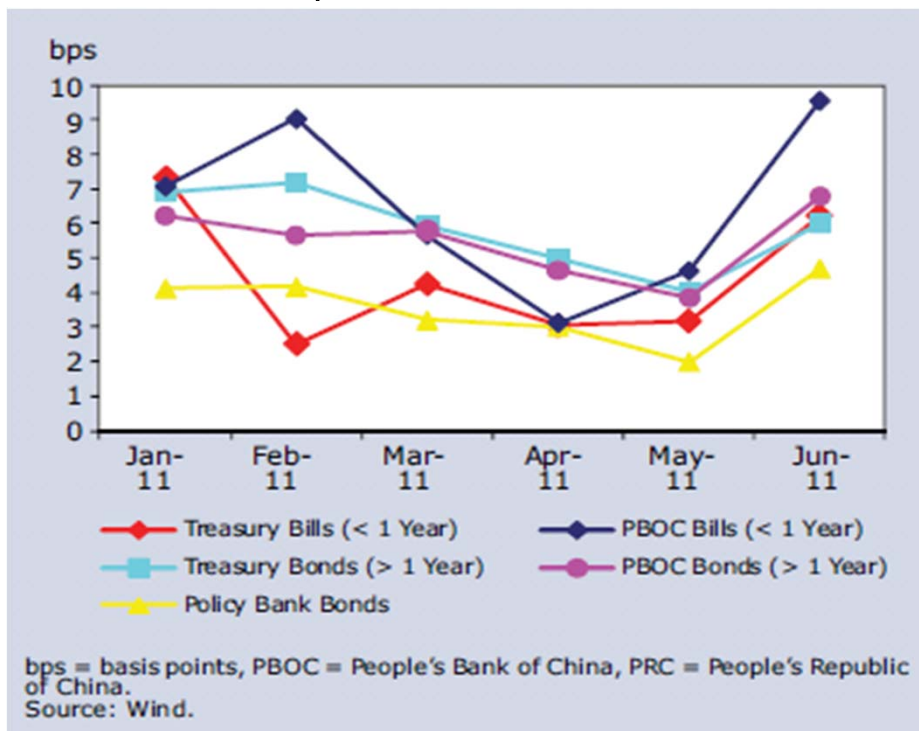


MW GaveKal Quarterly Investor Conference Call
Changes to Asia's Financial Markets
March 2012

Changes to Asia's Financial Markets – The Creation of the Dim Sum Bond market

Why is China opening up its fixed income market to foreigners?
 It is not because of a dearth of domestic savings, nor are borrowing needs surging...

Bid-Ask spread for Chinese bond issues



Growth of LCY Debt markets

Currency	2009	2010	As of 31 July 2011	
	y-o-y	y-o-y	y-o-y	q-o-q
CNY	0.01	3.3	5.1	0.4
HKD	(0.1)	(0.2)	(0.4)	(0.2)
IDR	16.8	4.4	5.1	0.9
KRW	7.9	3.3	11.5	1.3
MYR	1.2	11.2	6.9	1.7
PHP	2.9	5.2	7.8	2.9
SGD	1.8	9.0	12.2	2.0
THB	4.0	10.4	8.0	3.2
VND	(5.5)	(5.4)	(7.6)	(0.05)
JPY	(2.6)	13.7	11.9	4.8

Source: Asia Dev. Bank

The reason has everything to do with trade

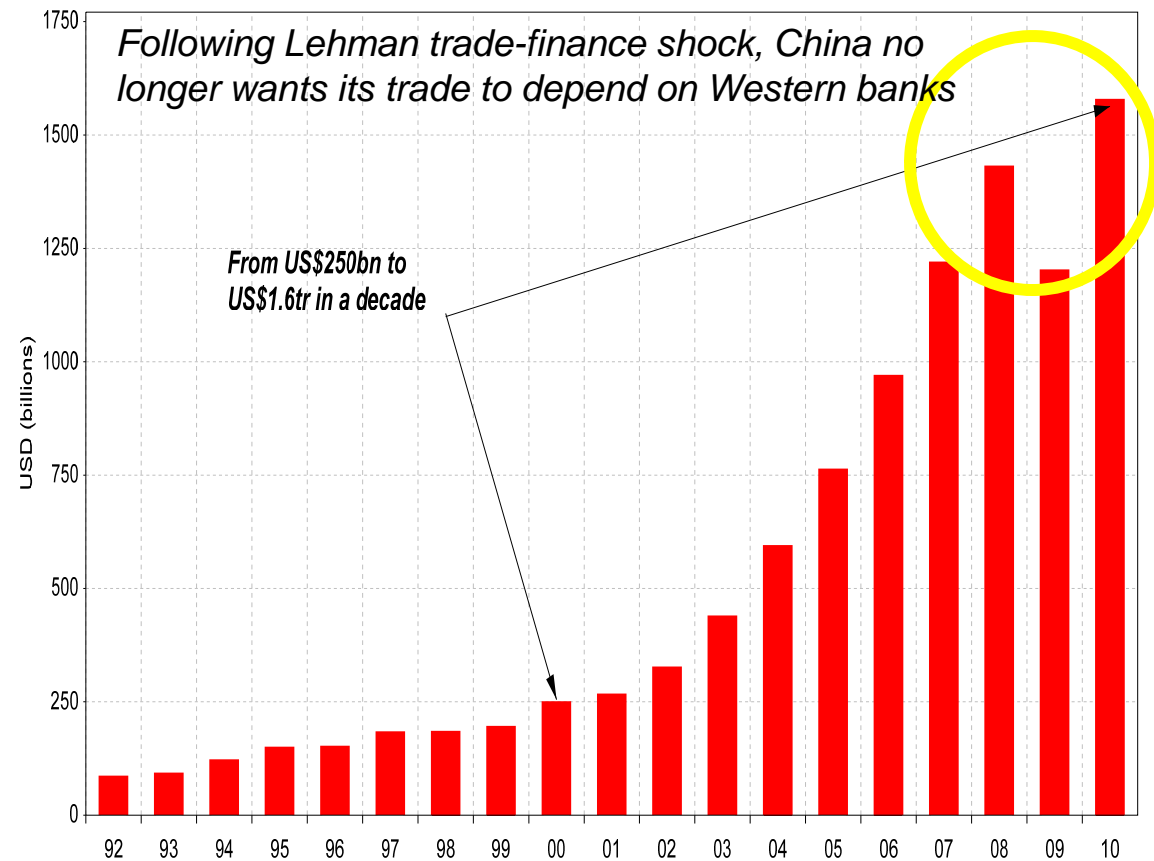
Currency share of global foreign exchange market turnover
% of average daily turnover in April

Rank	Currency	2004	2010
1	US dollar	88.0	84.9
2	Euro	37.4	39.1
3	Japanese yen	20.8	19.0
4	UK pound sterling	16.5	12.9
5	Australian dollar	6.0	7.6
6	Swiss franc	6.0	6.4
7	Canadian dollar	4.2	5.3
8	Hong Kong dollar	1.8	2.4
9	Swedish krone	2.2	2.2
10	New Zealand dollar	1.1	1.6
11	Korean won	1.1	1.5
12	Singapore dollar	0.9	1.4
13	Norwegian krone	1.4	1.3
14	Mexican peso	1.1	1.3
15	Indian rupee	0.3	0.9
16	Russian ruble	0.6	0.9
17	Chinese renminbi	0.1	0.9
18	Polish zloty	0.4	0.8
19	Turkish new lira	0.1	0.7
20	South African rand	0.7	0.7

Note: figures for all countries total 200%, since every transaction involves two currencies

Source: Bank for International Settlements

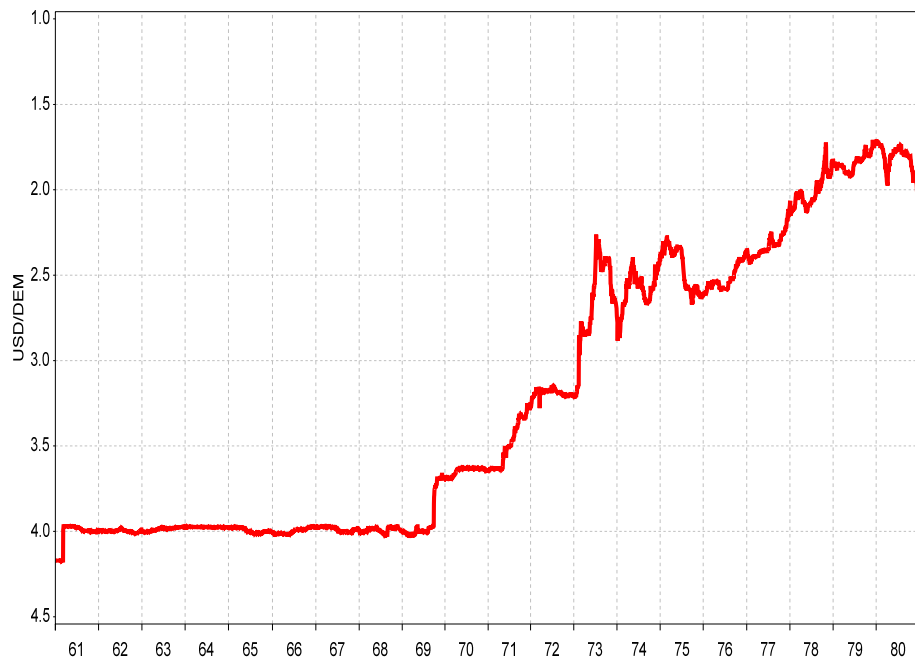
China, Exports, Total, USD



Source: Reuters EcoWin

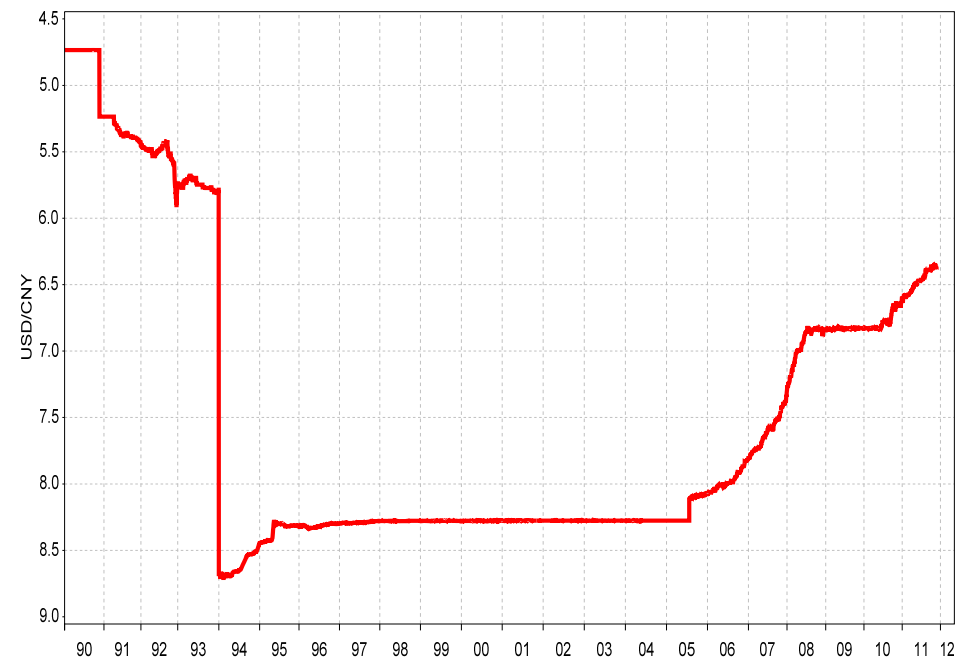
If RMB is to replicate in Asia what DM did in Europe, RMB will need to be structurally strong

Germany, Spot Rates, USD/DEM, Close



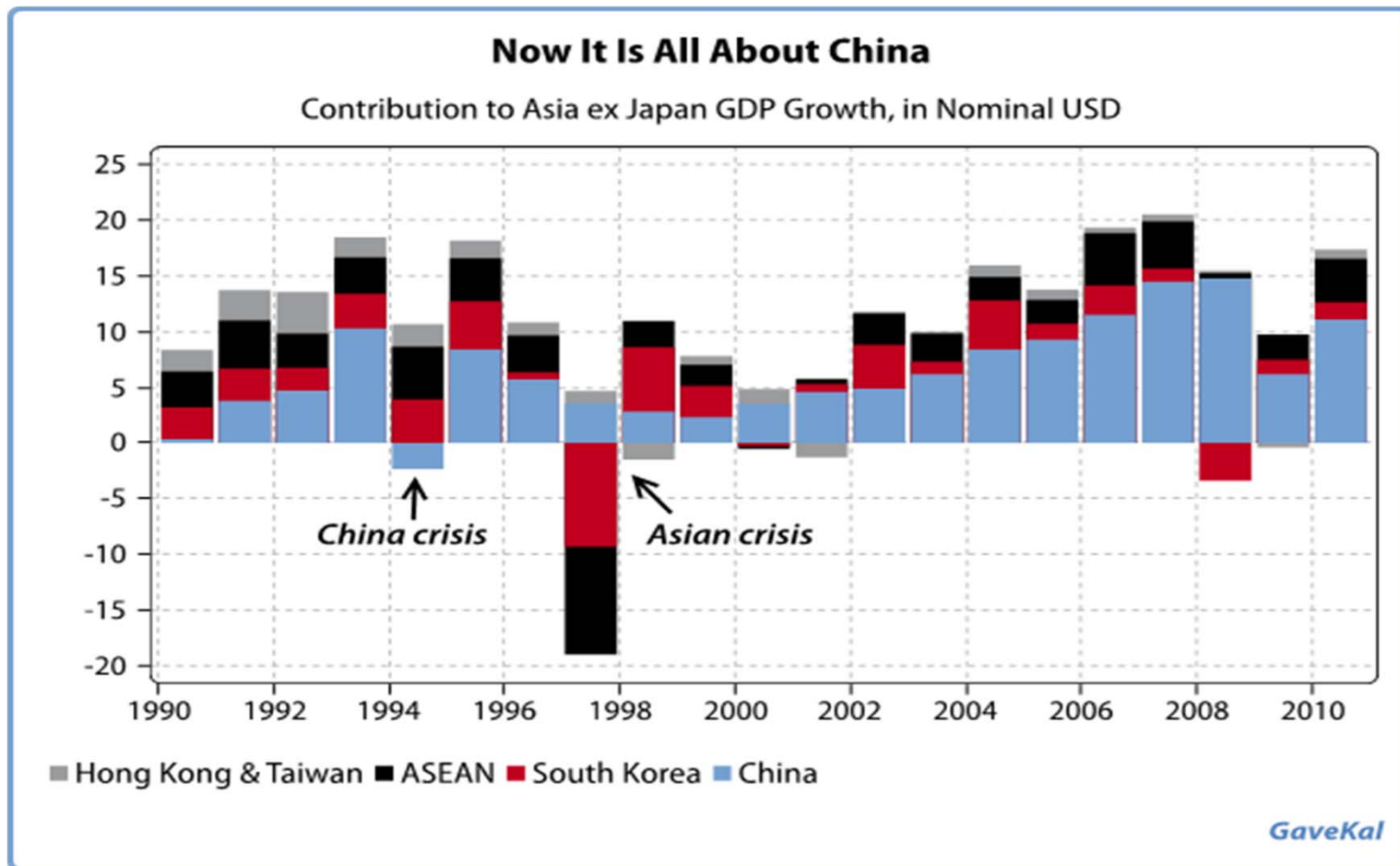
Source: Reuters EcoWin

China, Spot Rates, USD/CNY, Close



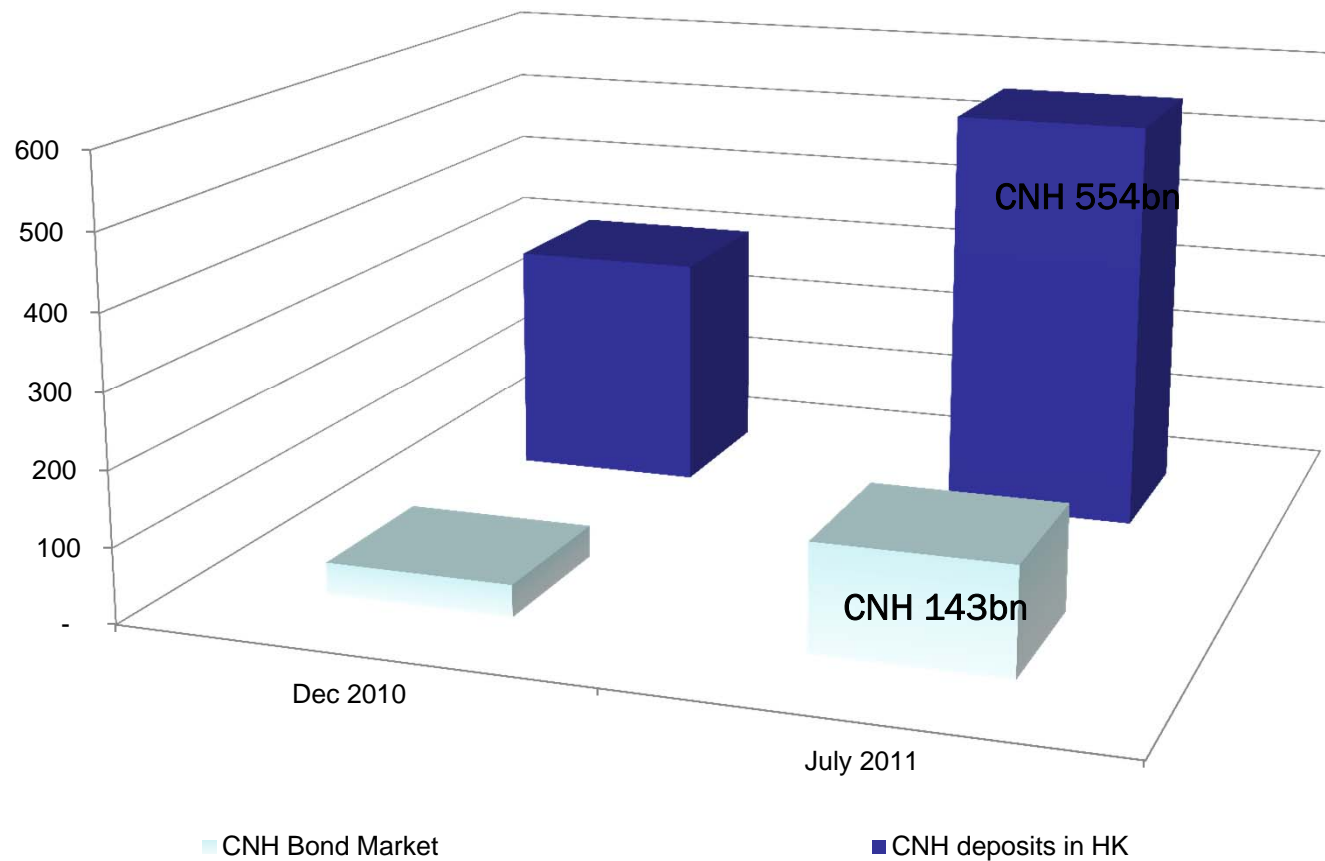
Source: Reuters EcoWin

Asian countries have little choice but to embrace the RMB as a regional currency



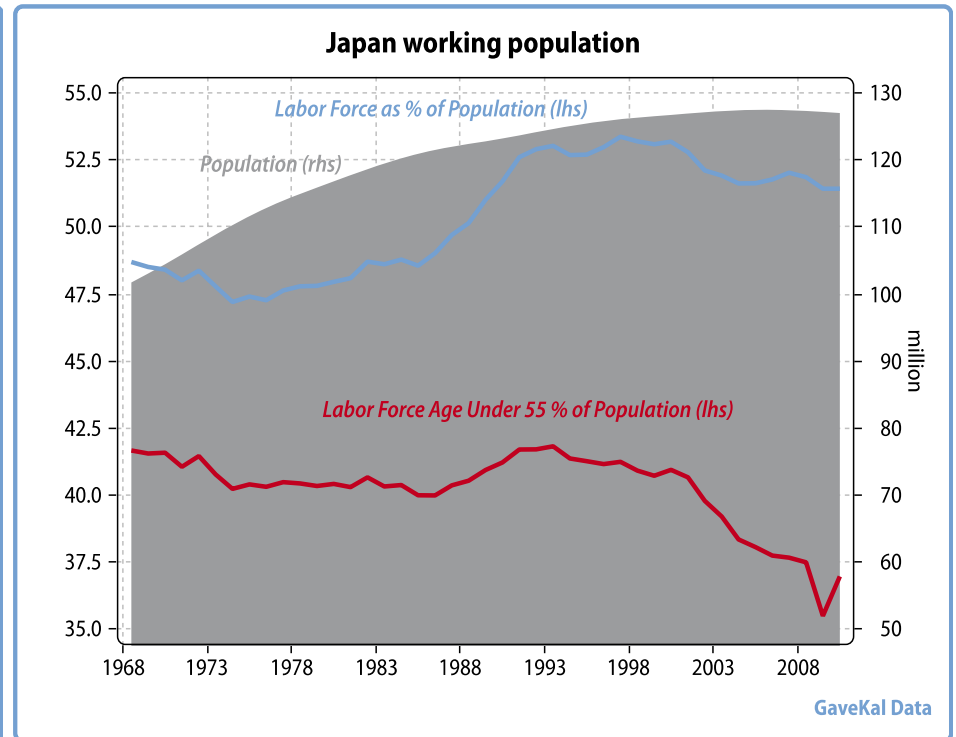
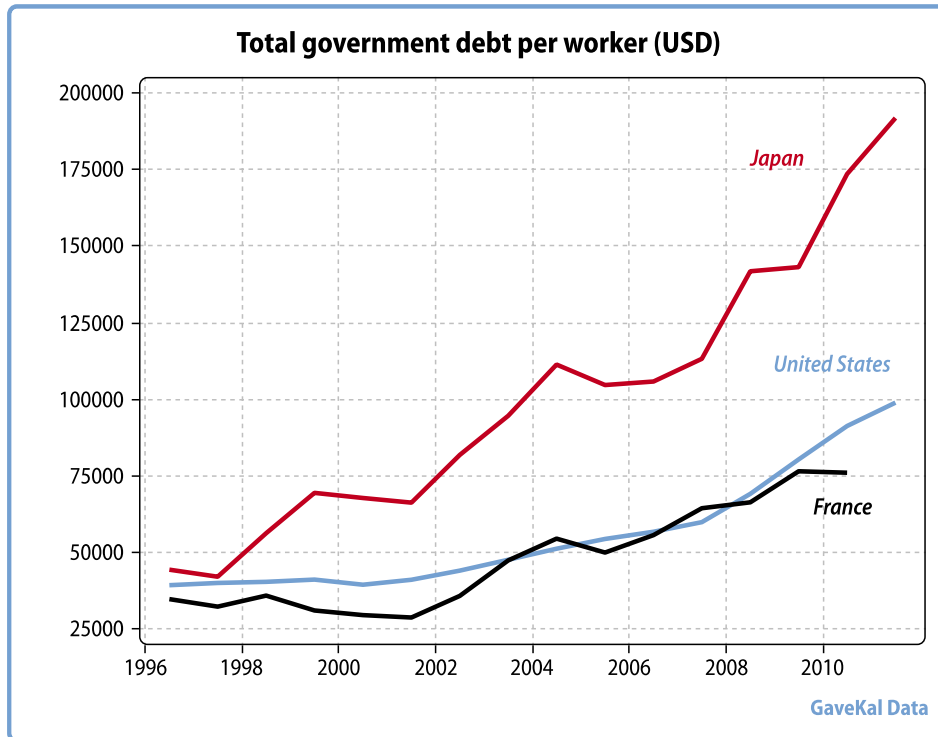
HK will remain the epicentre of China's financial deregulation

Size of the offshore CNH Bond Market & Deposits, in RMB bn

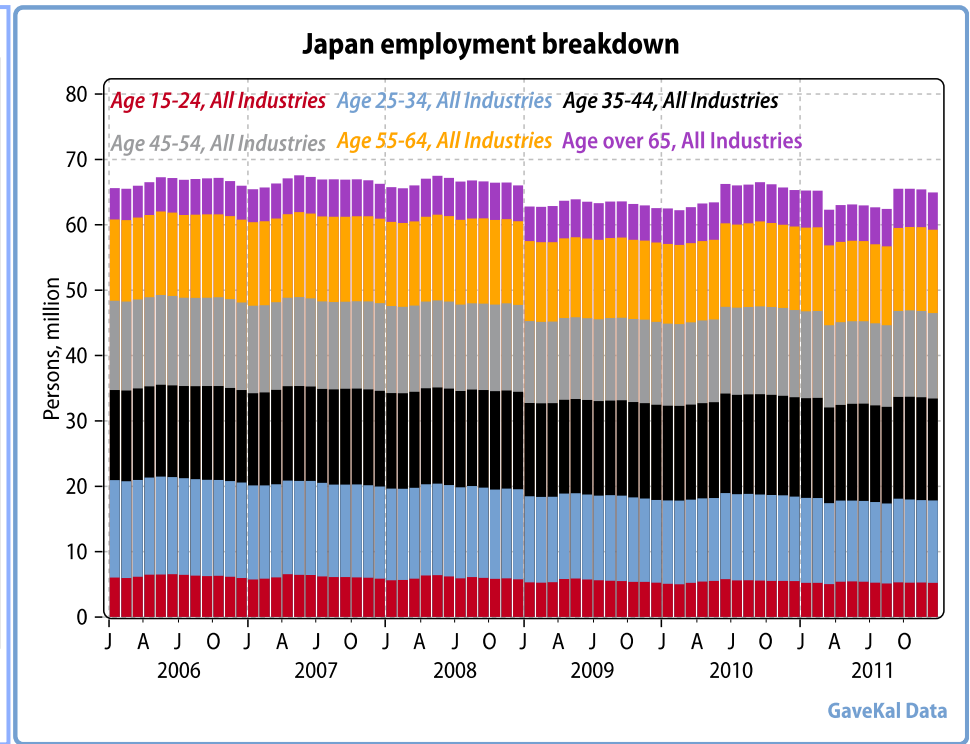
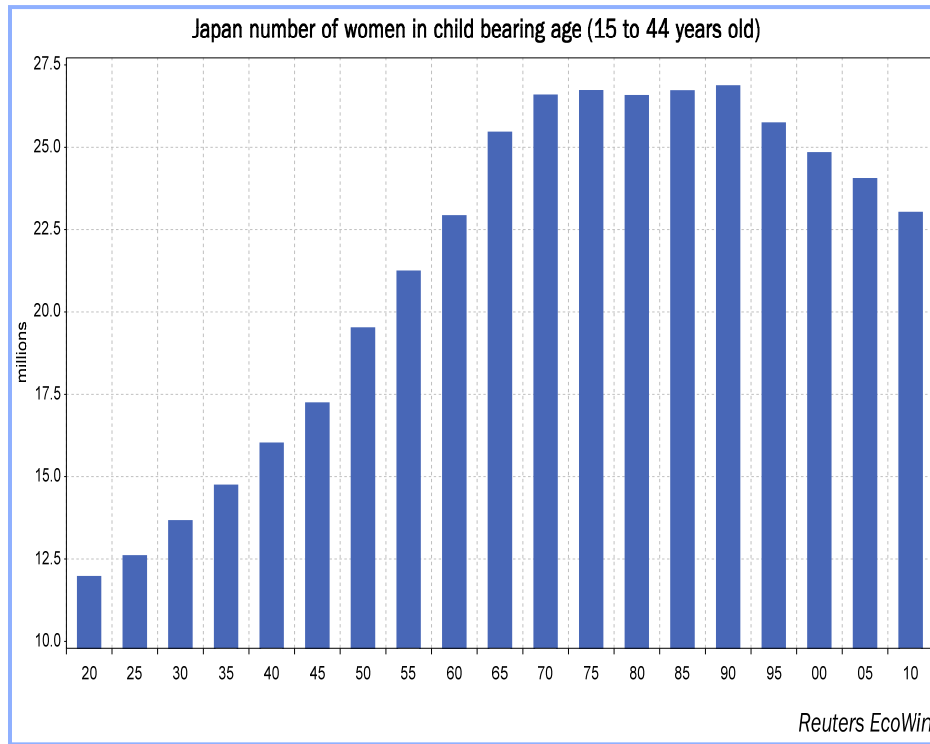


Changes to Asia's Financial Markets – The BoJ Changes Its Stripes

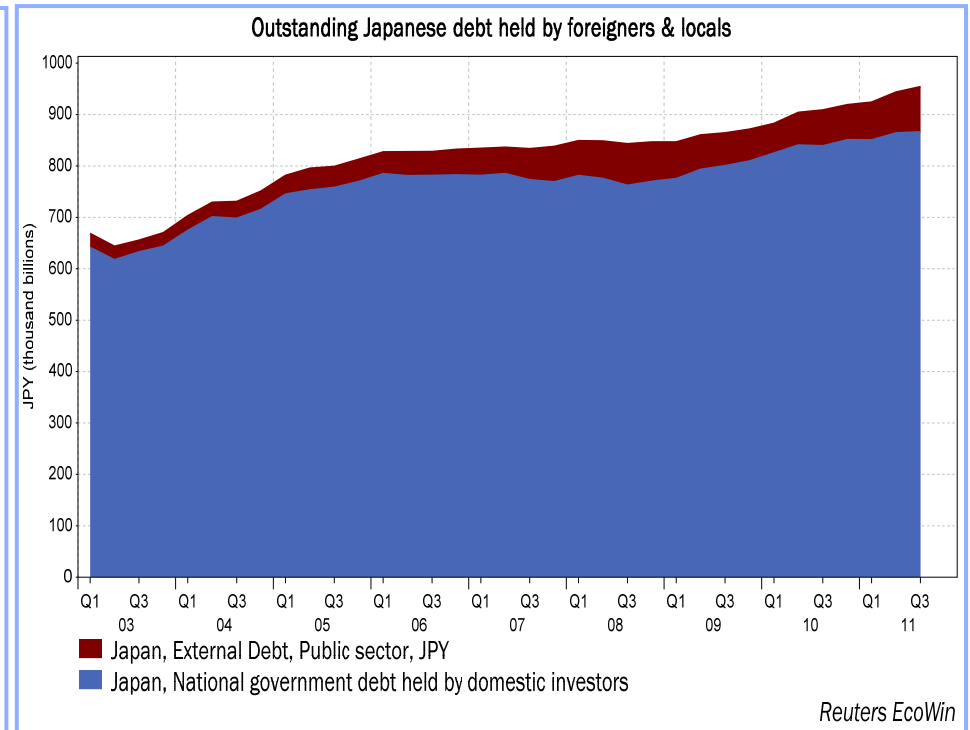
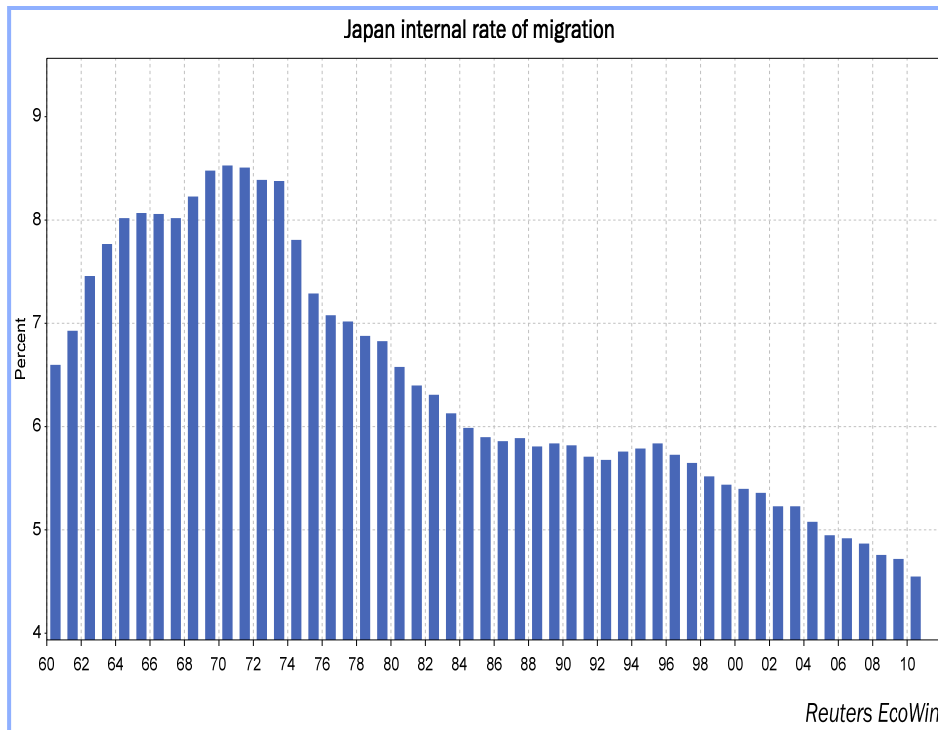
Japan's quandary: is the current pace of debt growth sustainable? It's not just a debt problem...



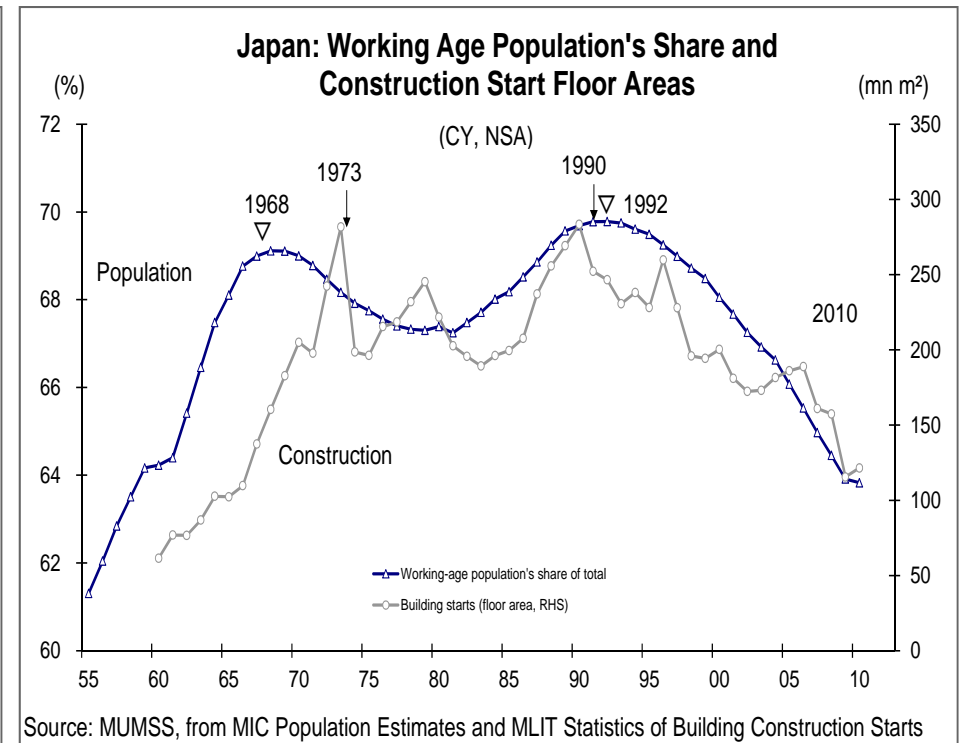
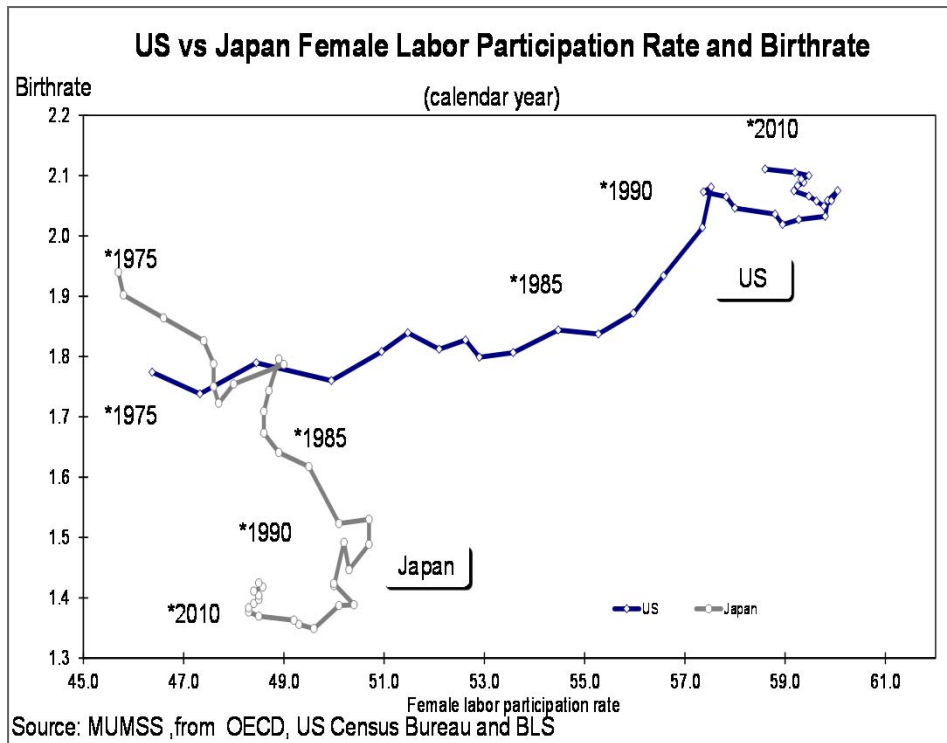
The demographic picture is bound to get worse. In coming decade, up to a third of Japanese workforce may retire!



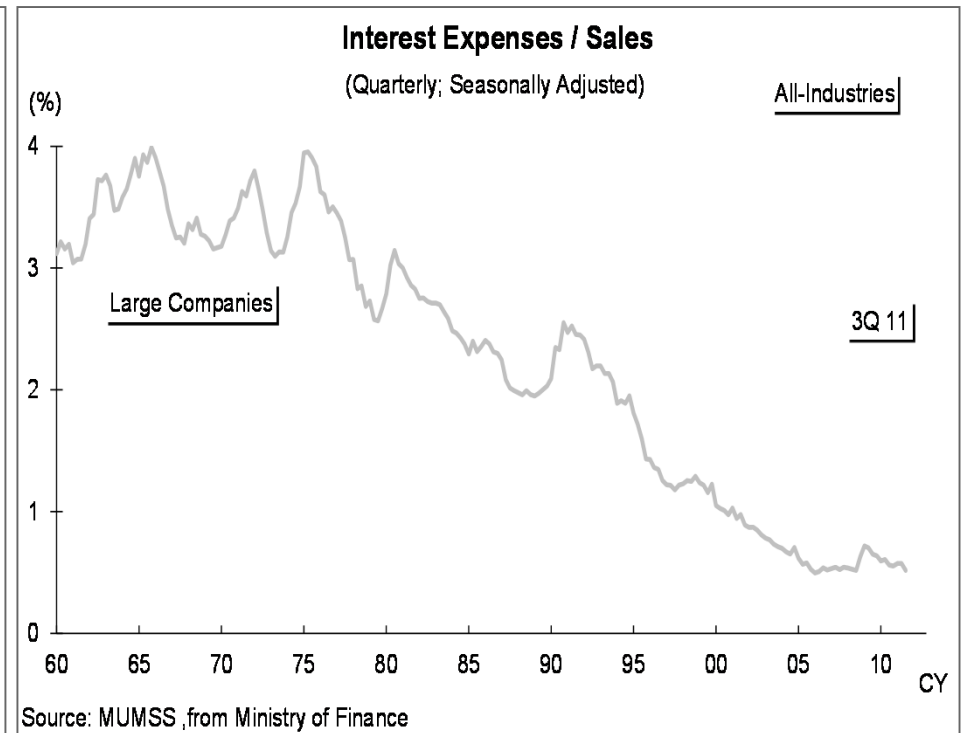
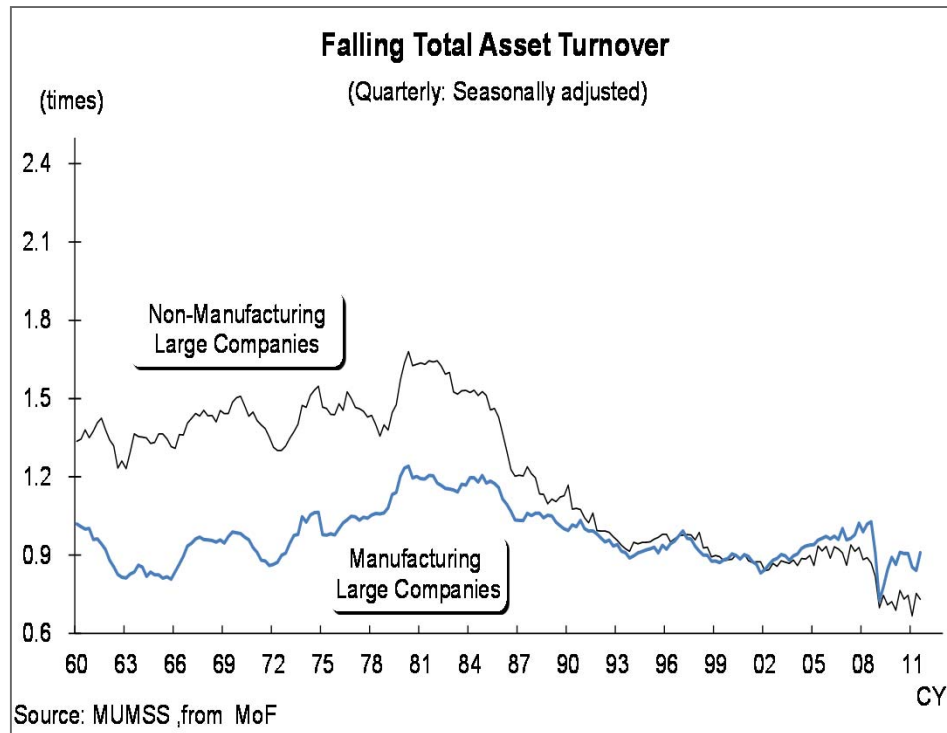
The years of easy labor productivity gains are long gone. Still, a bankruptcy is a low odds scenario.



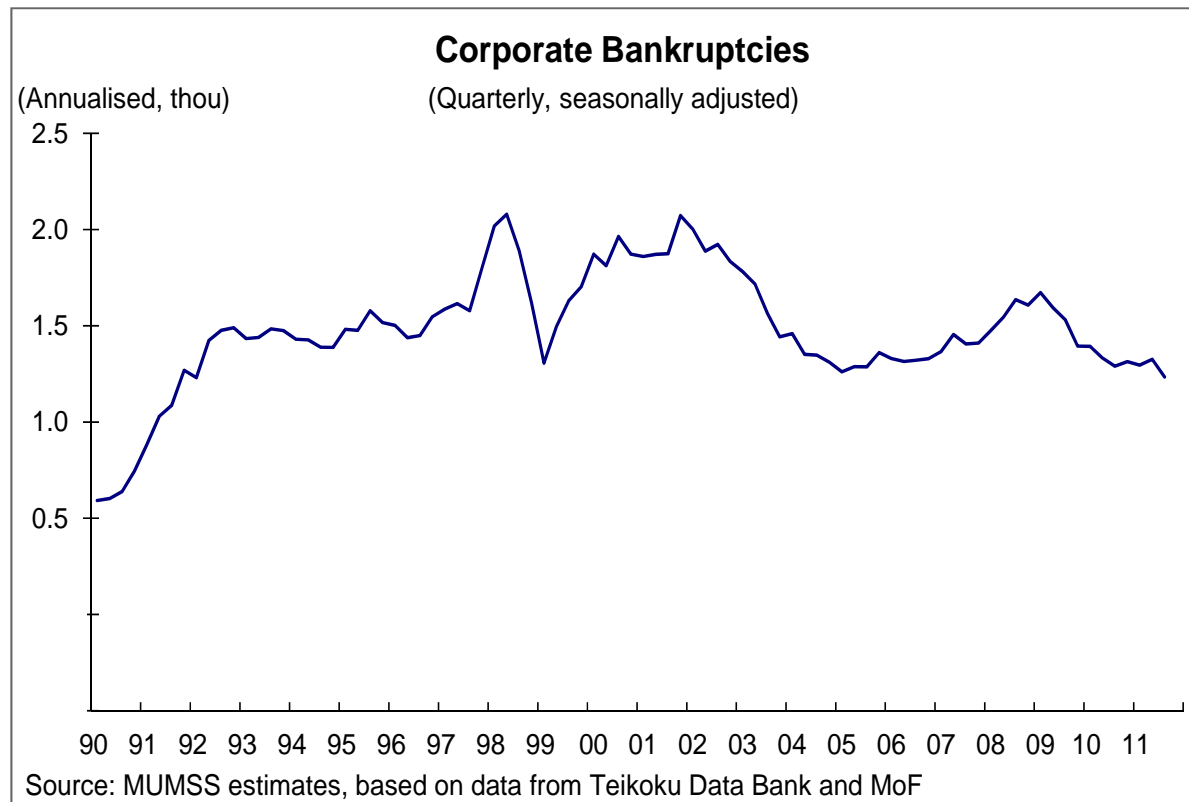
Women not joining the workforce or having babies. Fixed asset investment led growth seems unlikely.



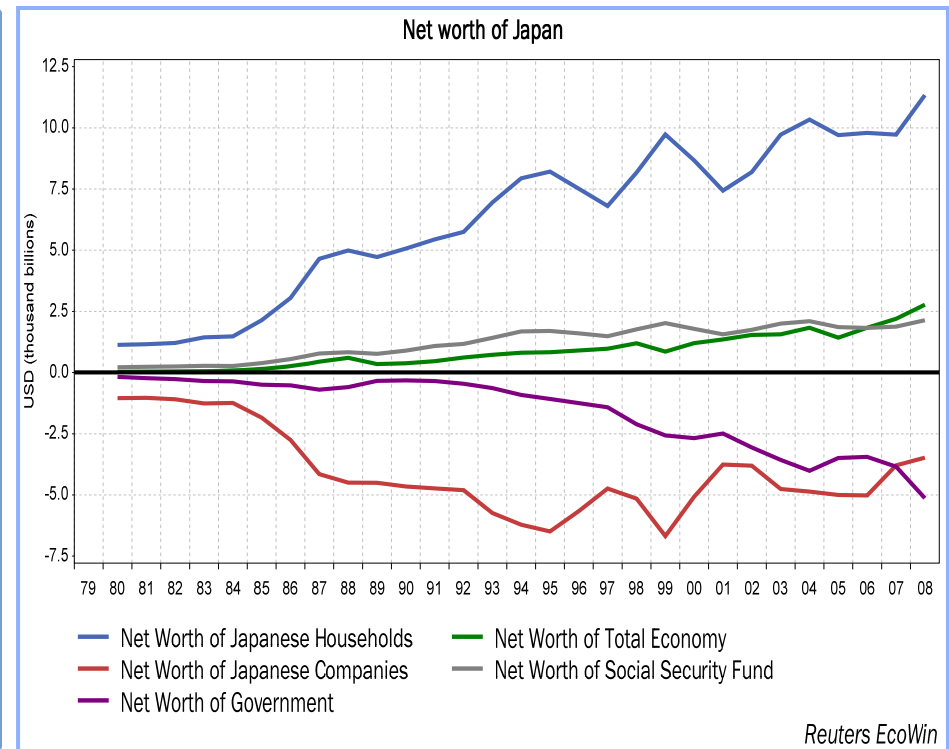
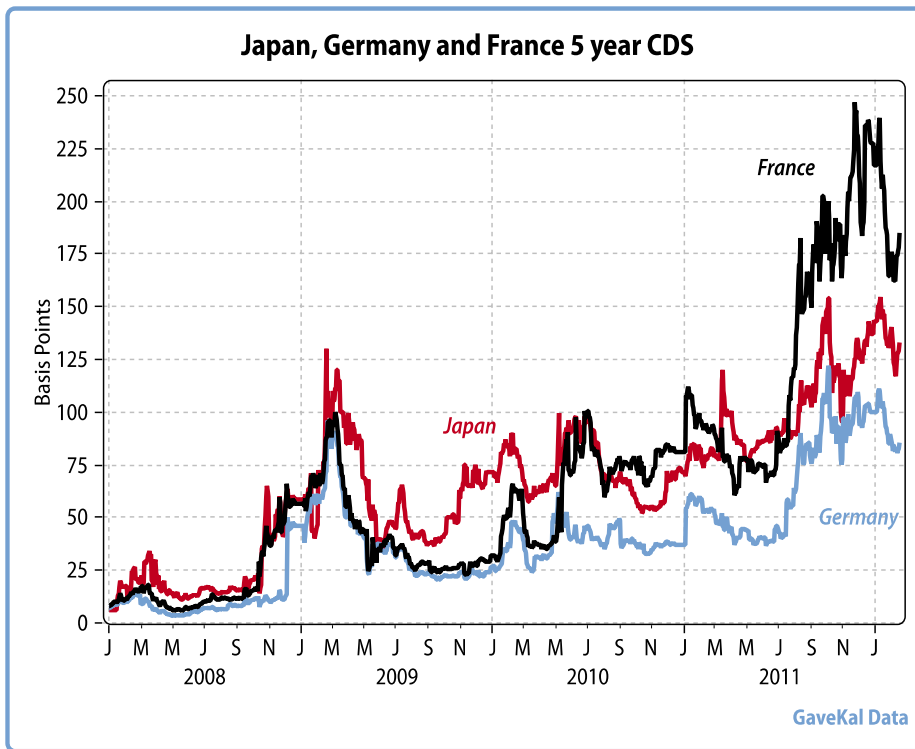
Implications for equities: falling asset turnover, especially for non-manufacturing sector. Bad assets linger amidst low interest rates.



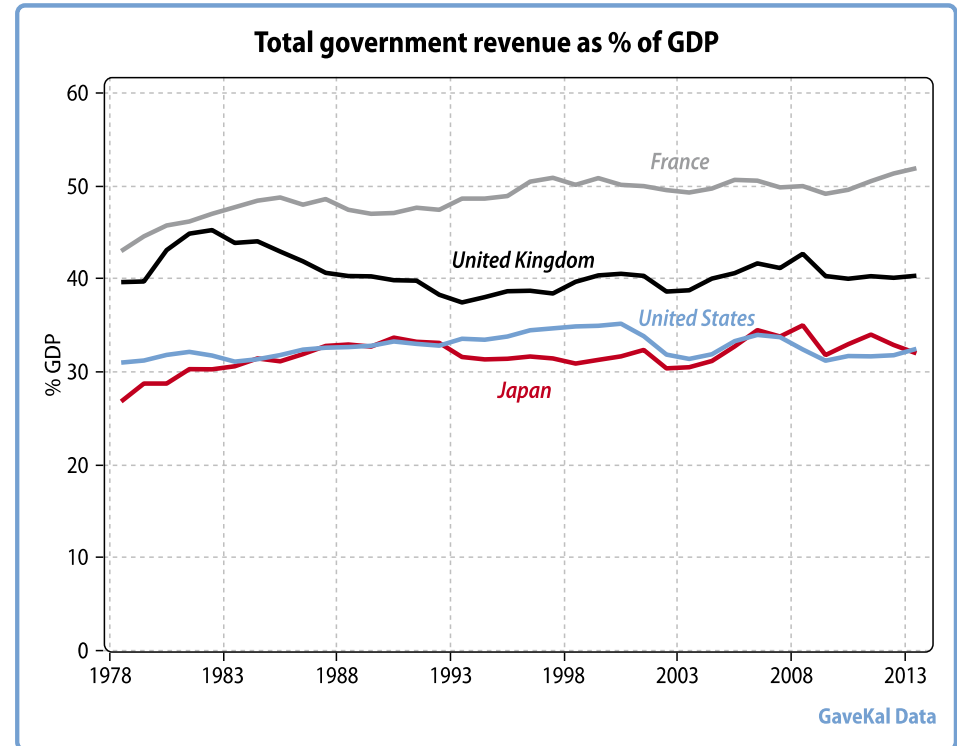
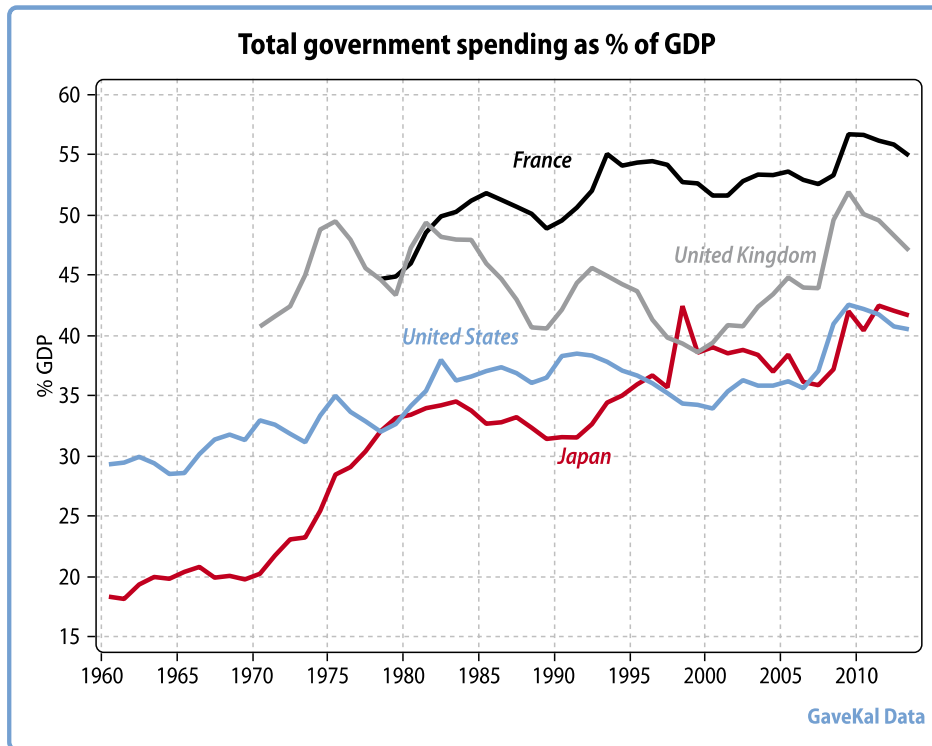
Creative destruction has been on hold



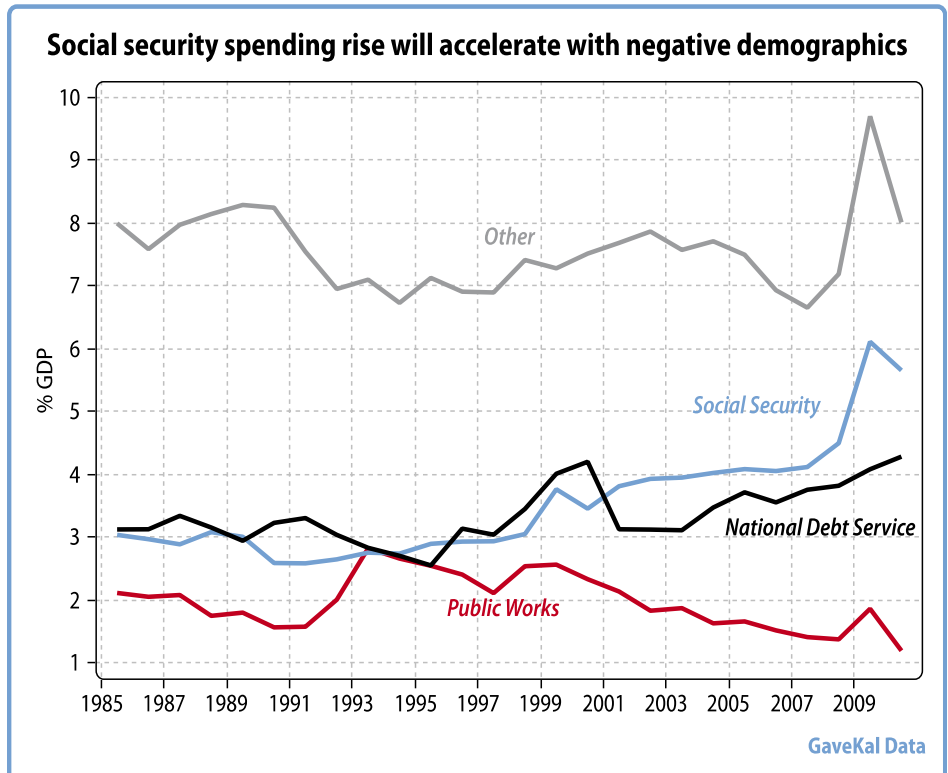
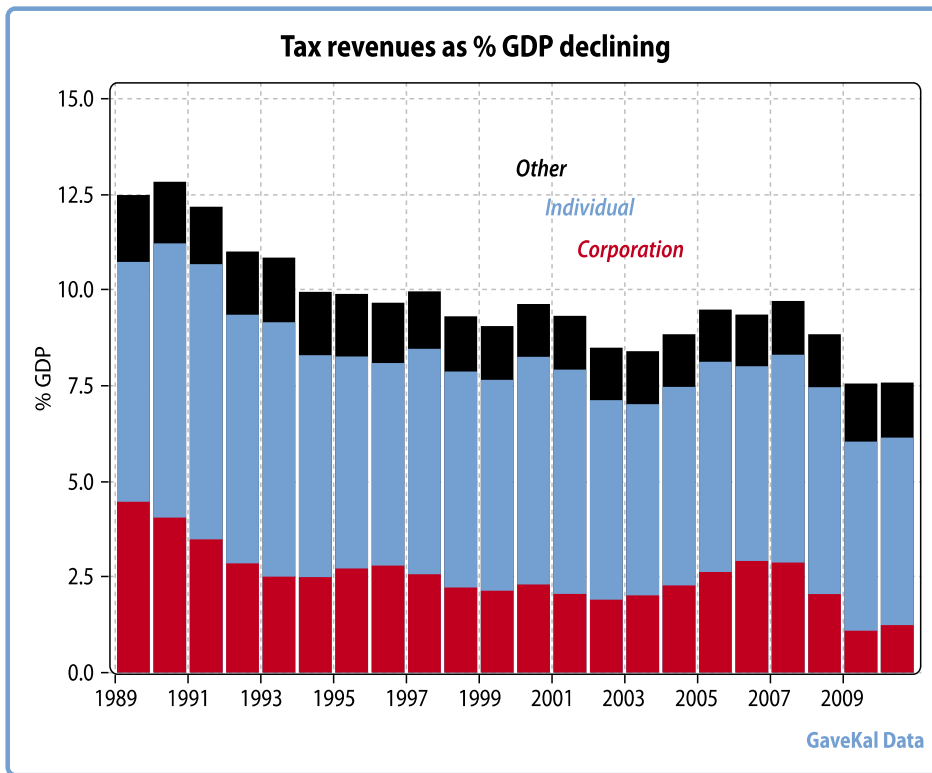
CDS have not been a good bet, perhaps because Japan remains a very rich country



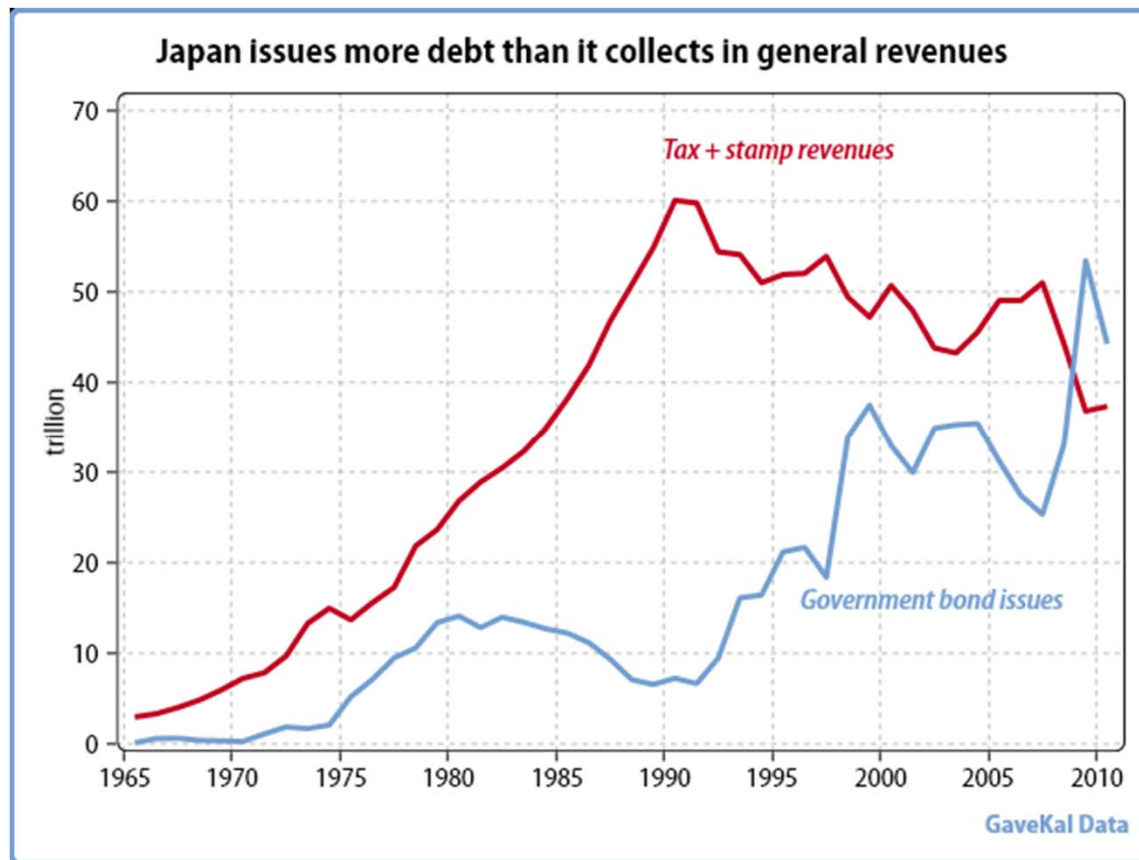
It is important to note that Japan does not have a spending problem...Japan has a tax receipt problem.



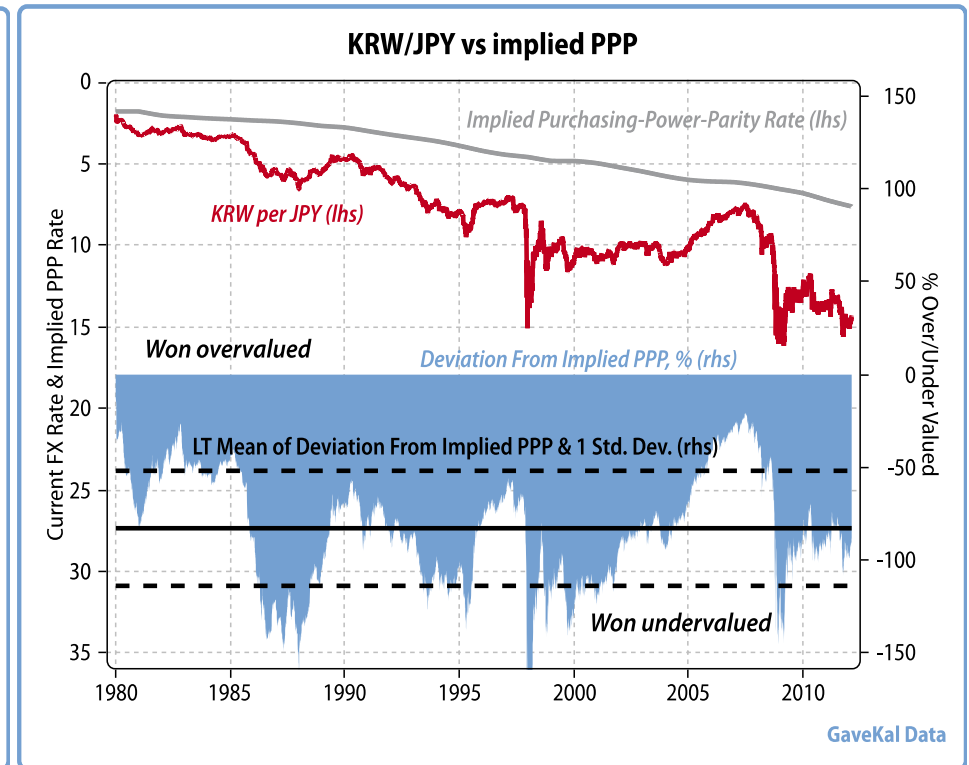
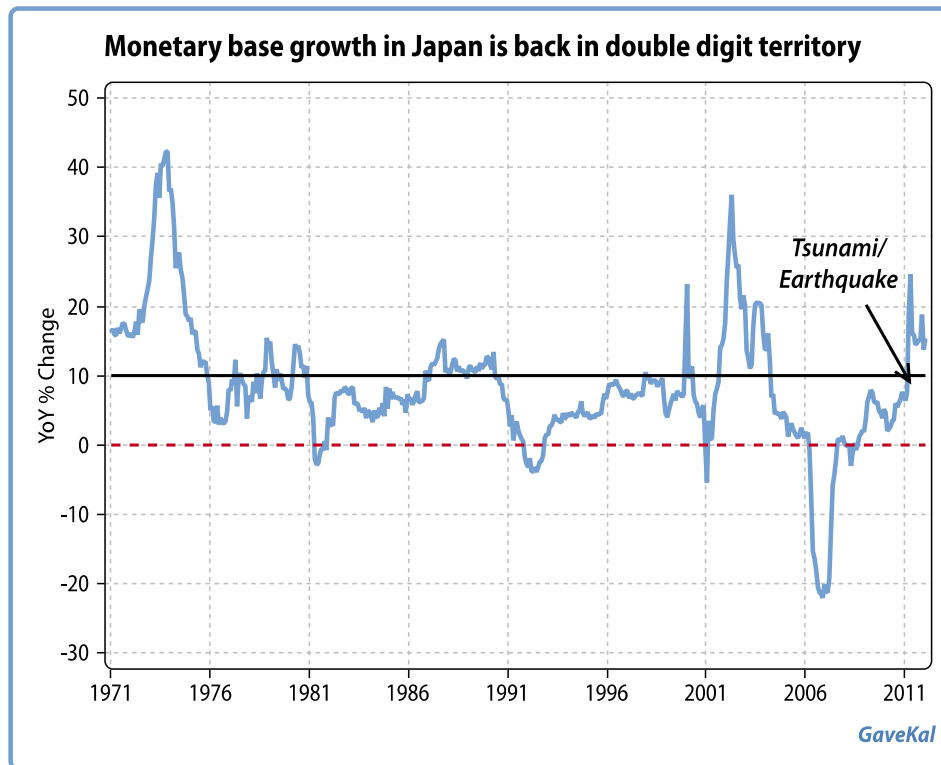
Japan will have to fundamentally change its revenue model. There is little room (or political will) for reform on the spending side.



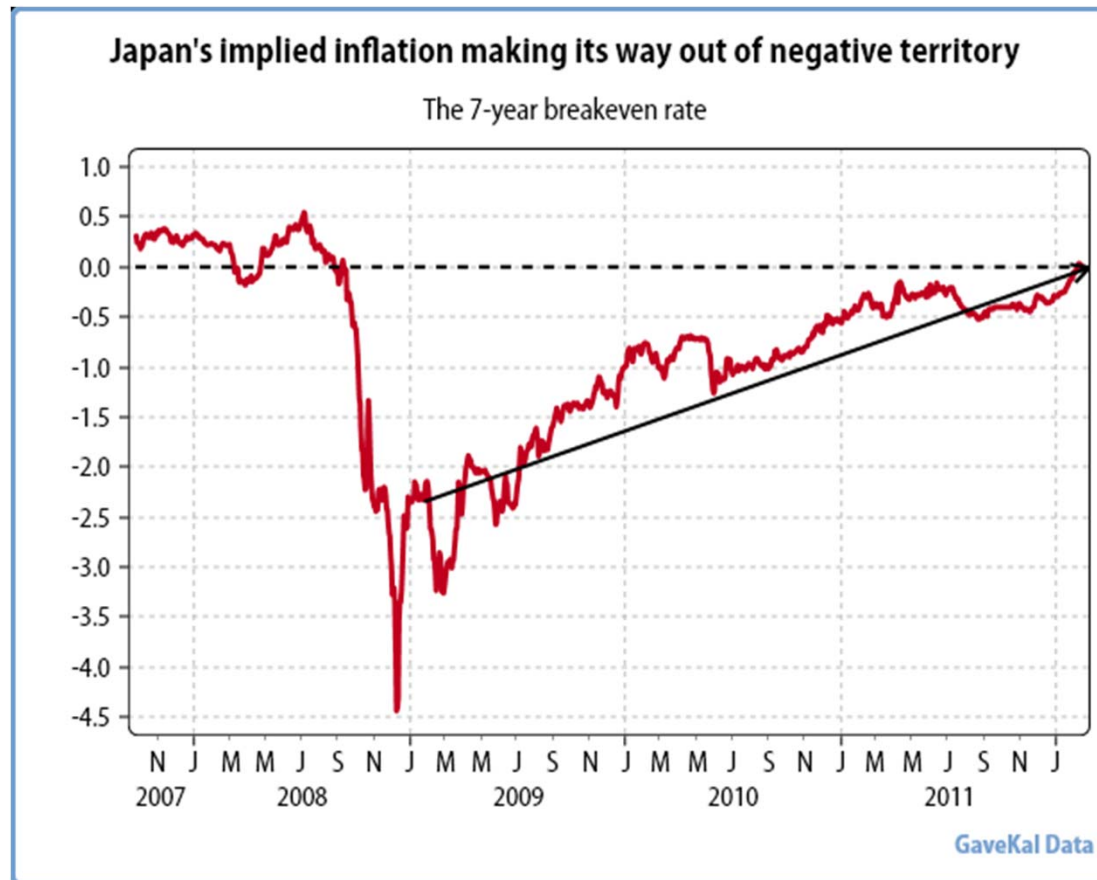
Japan now issues more in debt than it takes in in taxes.



Moving towards debt monetization? If so, will the yen remain overvalued?

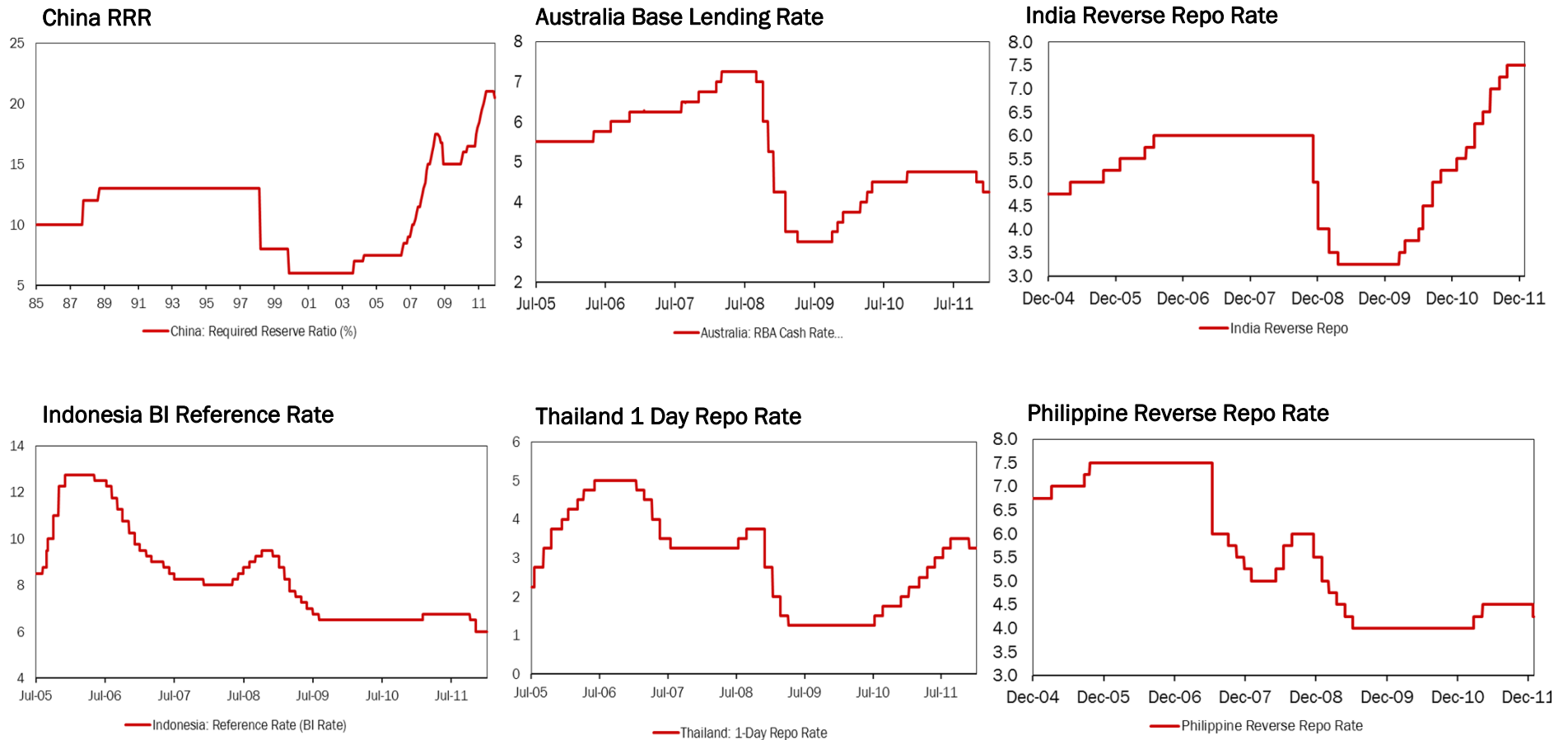


Is the move back towards inflation a game-changer?

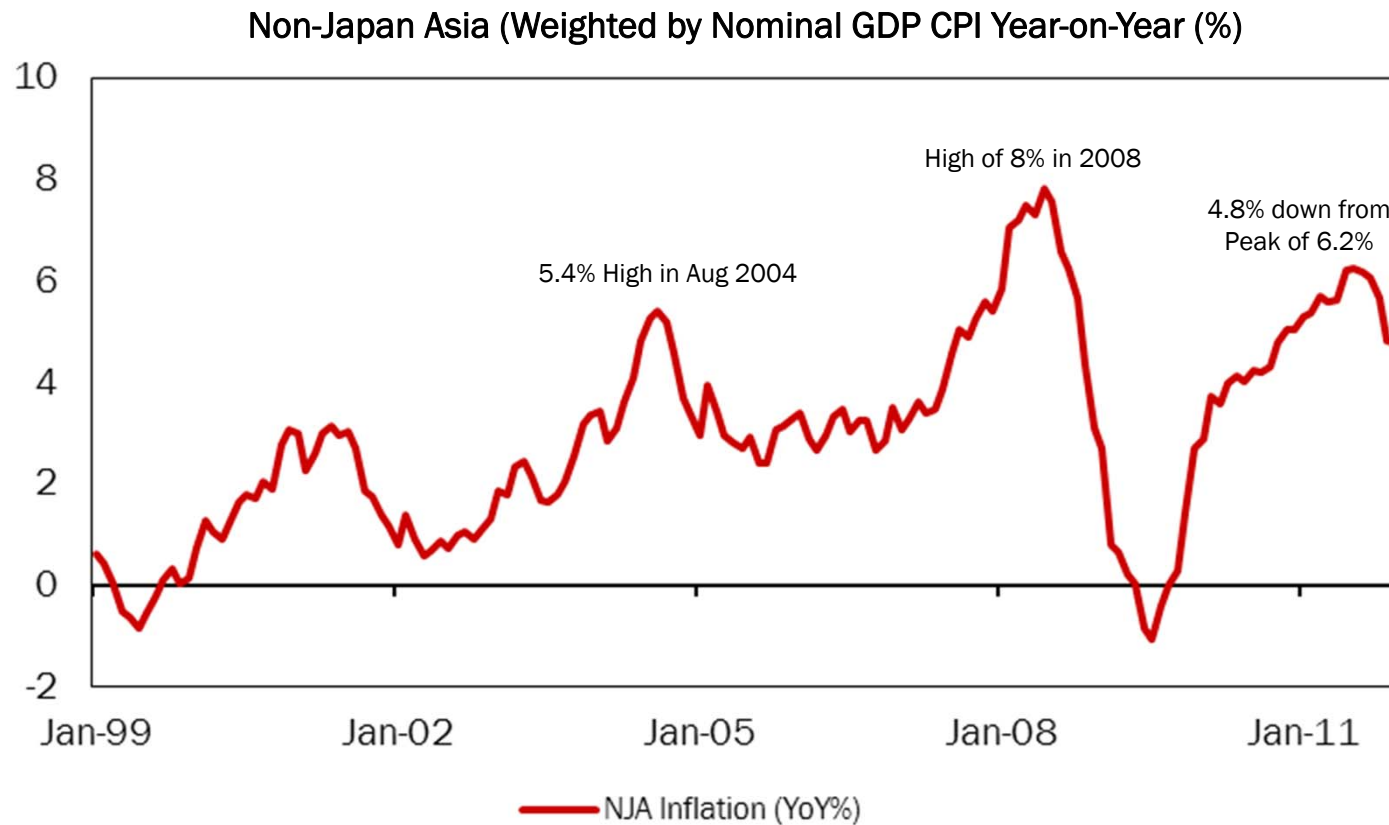


Changes to Asia's Financial Markets – An Evolving Landscape

Easing Cycle in Asia has Begun and More to Come

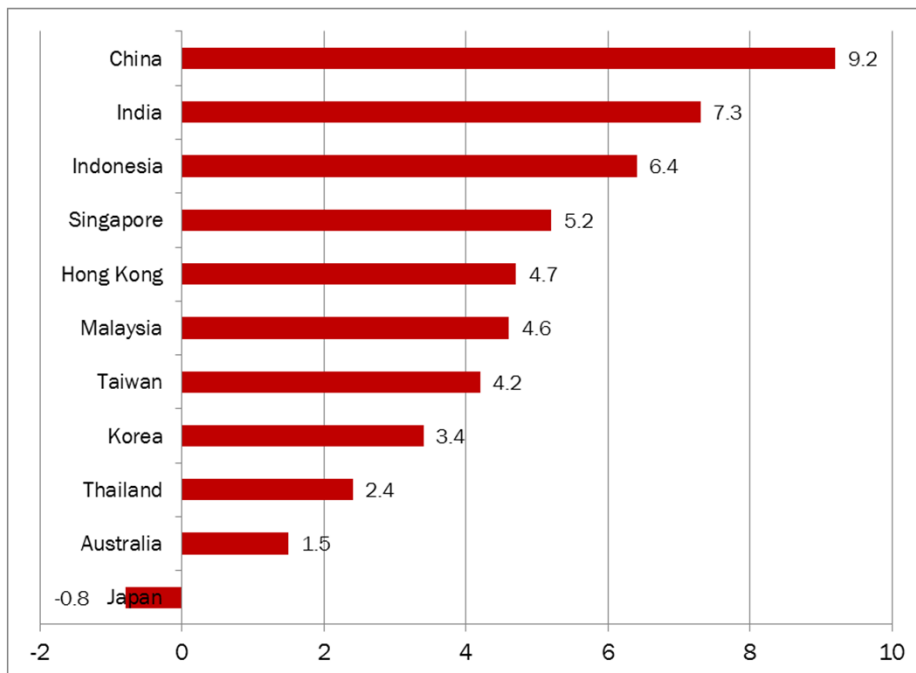


Inflation has Peaked Cyclically

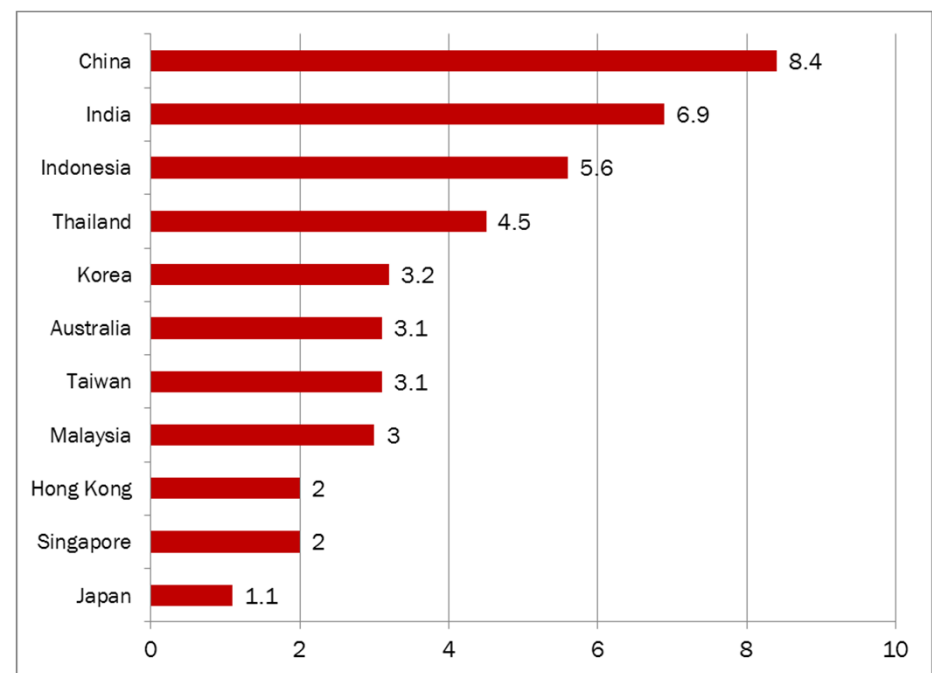


No Hard-Landing in Asia

Real GDP Growth Estimate - 2011

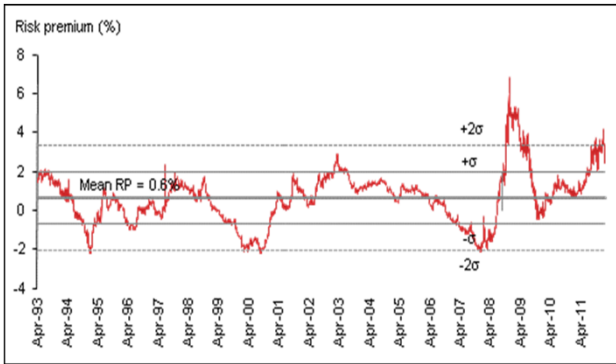


Real GDP Growth Estimate - 2012

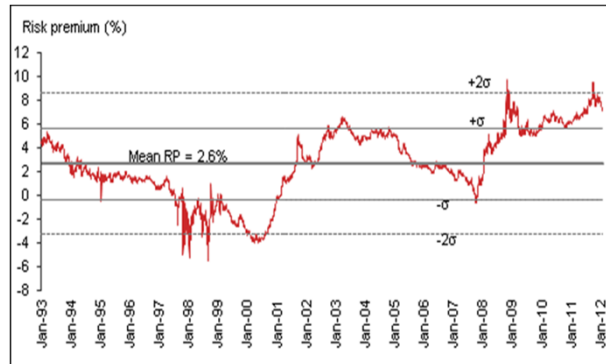


Valuation Remains Attractive

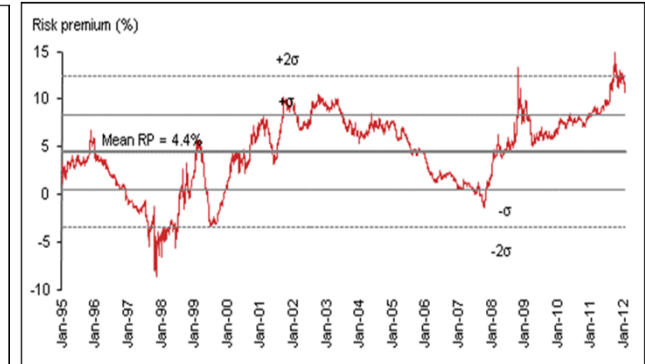
Australia AOI – Implied Risk Premium



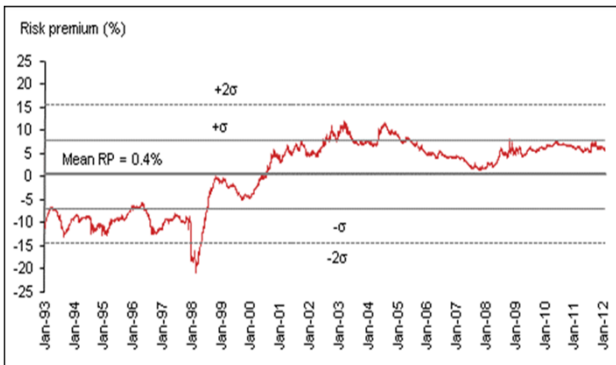
Hong Kong HSI – Implied Risk Premium



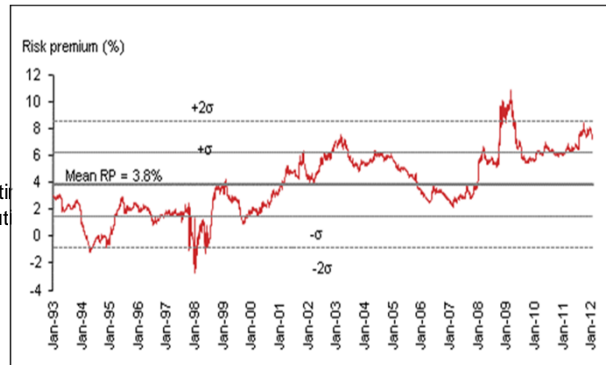
China H Shares – Implied Risk Premium



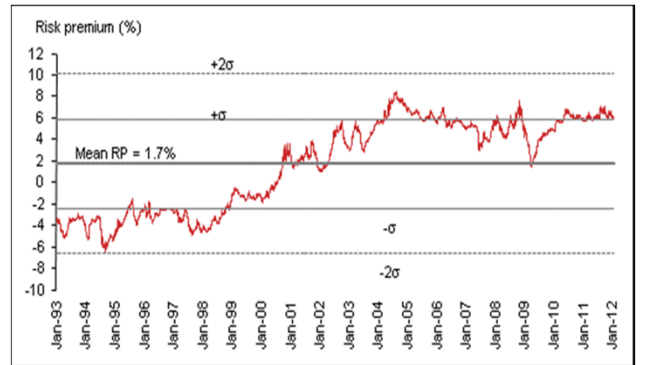
Korea KOSPI – Implied Risk Premium



Singapore FSTAS – Implied Risk Premium

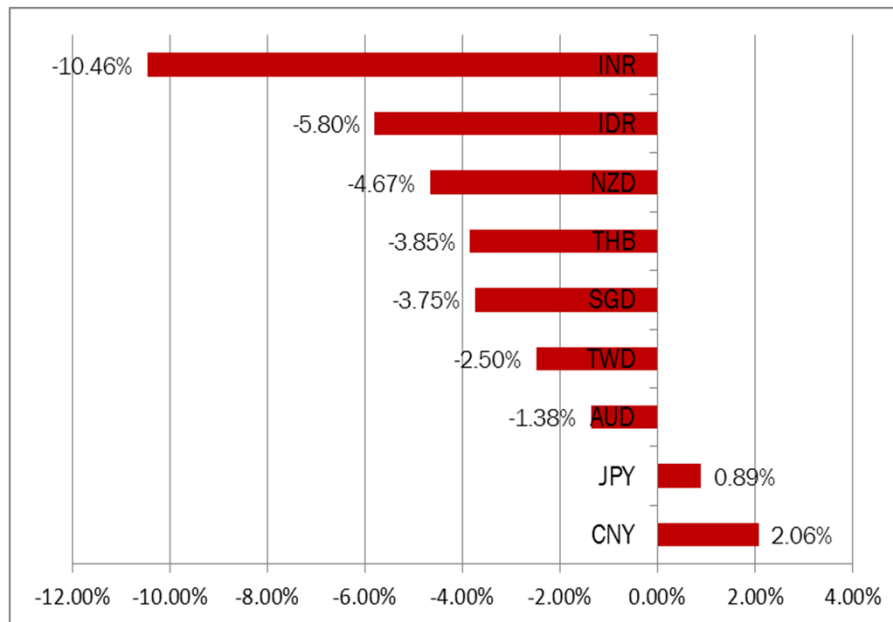


Taiwan TWSE – Implied Risk Premium



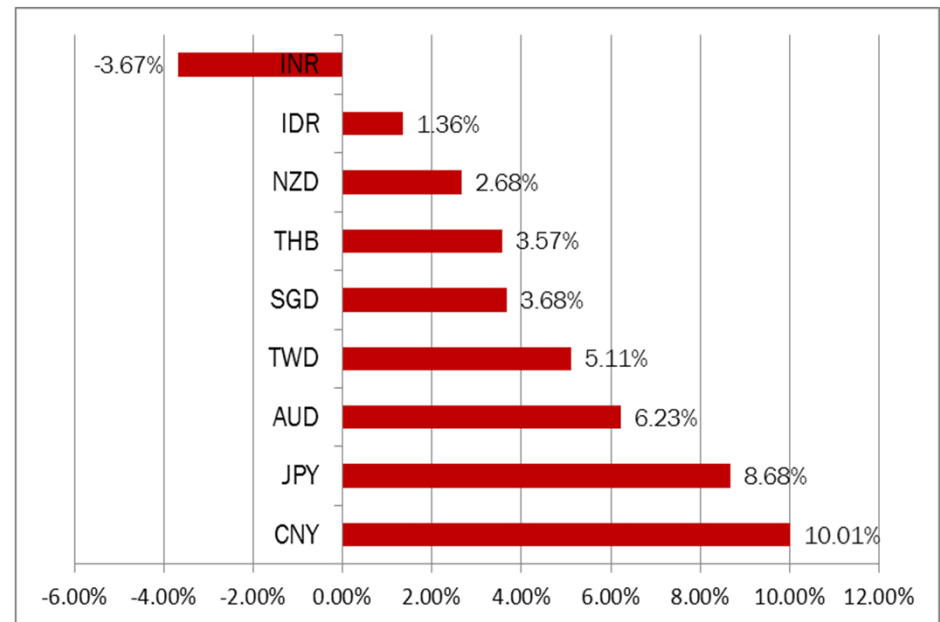
Asian Currencies Remain Cheap

Asian Currencies 6 Month Performance Against USD

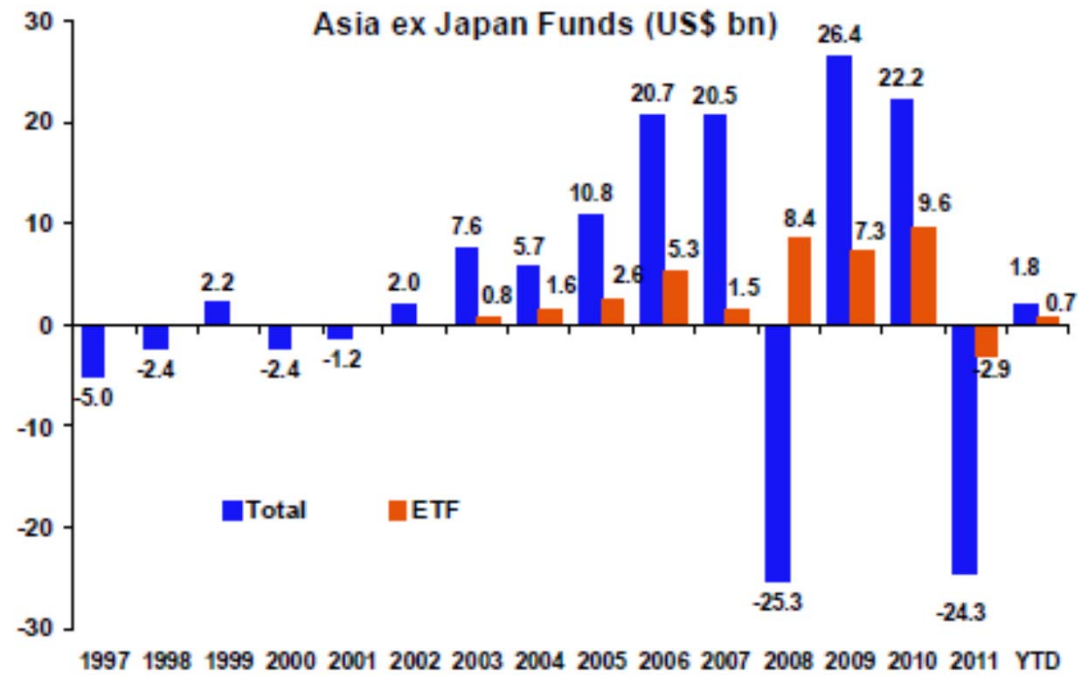


Data as of 31 Jan 2012

Asian Currencies 6 Month Performance Against EUR

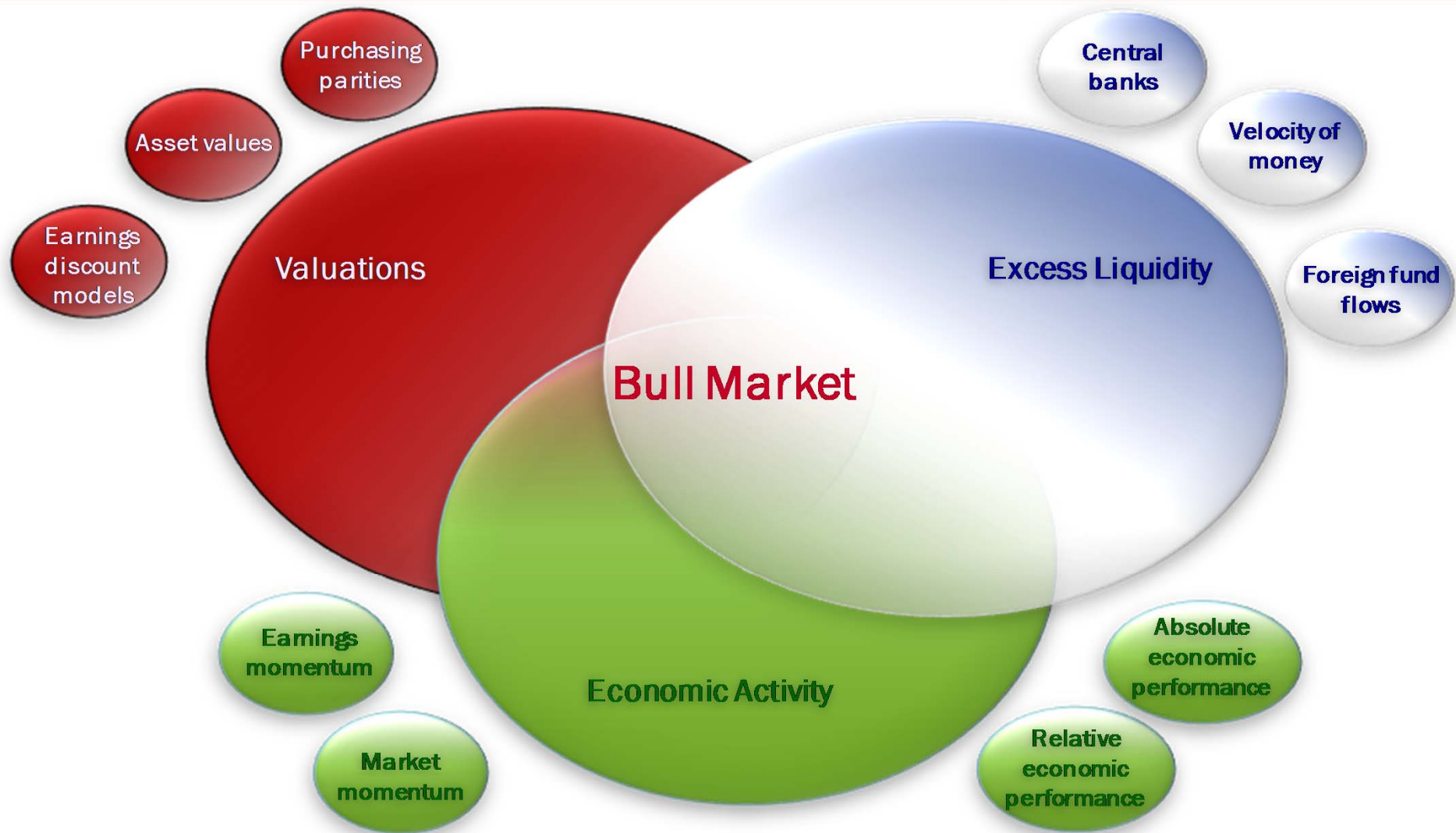


Fund Flows Are Turning Positive



MW GaveKal / EPFR Global, Fund Flows Database, Morgan Stanley Research

Asia entering the sweet spot?



Appendix



Key Personnel of the MW GaveKal

- **Alfred Ho:** Chief Investment Officer

Alfred Ho has over sixteen years of experience in investing in Asian markets. Before joining MW-GaveKal in July 2008, Alfred Ho managed the GaveKal Asian Absolute Return Funds and was GaveKal CIO from 2006 to 2008. Before that, Alfred Ho was the Chief Investment Officer for INVESCO Asia and was responsible for managing large retail and institutional portfolios. Alfred was the lead manager for the INVESCO GT Asia Enterprise Fund which received best performing fund awards by SCMP/Micropal in 1992, 1995, 1998 and 2001. Alfred Ho initiated the launch of the first absolute-return driven product for the company - INVESCO Asia Alpha Fund in 1999. Prior to joining INVESCO, Alfred worked as an analyst with W.I. Carr in Hong Kong. Alfred graduated from the University of Wisconsin-Madison with a Bachelor of Science degree in Economics, and a Master of Science degree in Finance where he was enrolled in the Applied Security Analysis Program at the School of Business. He is a holder of the Chartered Financial Analyst designation.

- **Louis-Vincent Gave:** Chief Executive Officer

Louis-Vincent Gave joined MW-GaveKal at its inception in July 2008. Prior to this, Louis-Vincent Gave worked for GaveKal, an independent research firm which he co-founded in 1999. Before GaveKal, Louis-Vincent Gave worked for Paribas Capital Markets where he was an equity research analyst from 1997 to 1999. In 1996 and 1997, Louis-Vincent served in the French Mountain Infantry Division as a second lieutenant. Louis-Vincent Gave studied Economics, History and Chinese at Duke University and Nanjing University. Louis-Vincent Gave has written three books (Our Brave New World, The End is Not Nigh and A Roadmap for Troubling Times).

- **Eric Wong:** Senior Analyst

Eric graduated from Queen's University, Canada, with a Bachelor of Commerce (Honours) in 2004 and spent a year studying Mandarin at Beijing Normal University. Moving back to his native Hong Kong in 2005, he joined AIG Global Investments as an investment analyst and became an assistant portfolio manager, managing a HK/China fund with AUM of US\$120m. He then left to join the equity team at Income Partners Asset Management in 2009, where he was responsible for performing fundamental analysis and generating long-short ideas within the Asia Ex-Japan Industrials space. Eric speaks English, Cantonese and Mandarin.

- **Daniel Fields:** Analyst

Dan graduated from the University of Idaho in 2006 with a Bachelor's degree in Finance where he was a member of a student led trading and asset allocation group. After graduation he went to work for Fisher Investments in the trading department, later joining the research team where he was responsible for providing both industry and stock specific analysis. In 2009 he moved to Hong Kong and joined GaveKal Research as an analyst responsible for macroeconomic research of commodity producing countries. Dan joined MW GaveKal in May 2010.

- **Stephanie Woo:** Analyst

Stephanie graduated from the University of Toronto in 2004 with a Bachelor's degree in Commerce and Finance. After graduation, she worked for consulting company Intercedent Asia as a Research Associate. There she was responsible for doing field research to provide strategic market analysis, industry and competitive intelligence to corporate clients. Stephanie joined GaveKal in March 2008 and has contributed in the team's macroeconomic and stock specific research with focus on Asia. In November 2010 she joined MW GaveKal.

- **Victor Luk:** Quant Analyst

Victor graduated from the Chinese University of Hong Kong in 2005 with a Bachelor of Science. He joined GaveKal immediately afterwards (Victor had been working at GaveKal part time for a year before that).

Investment Risks

Investments are not guaranteed by any entity and investment losses may occur. Investment in the Funds carries substantial risk. There can be no assurance that the investment objectives of the Funds will be achieved and investment results may vary substantially over time. Investment in the Funds are not intended to be a complete investment programme for any investor. Investment in the Funds are intended for experienced investors who are able to understand and accept the risks involved.

The value of all investments and the income derived there from can decrease as well as increase. This may be due, in part, to exchange rate fluctuations in investments that have an exposure to currencies other than the base currency of the Funds. Past performance is no guide to or guarantee of future performance. The value of commodity and derivative investments such as options and futures can be extremely volatile. The Funds may invest in securities of distressed companies, illiquid securities and non-publicly traded securities. Persons considering investing in the Funds should read the risk disclosure in the Prospectus.

MW Gavekal Asia Limited has in place internal policies and controls designed to prevent market abuse.

Risk Framework

The Investment Manager has prepared a Risk Framework Document summarising the framework it employs to manage risk. Furthermore, the Investment Manager has provided the Directors with a Risk Policy Document which sets out, inter alia: (i) guidelines for the setting and changing of risk limits; (ii) routines for risk monitoring, reporting, exceptions reporting and escalation procedures; (iii) routines for reviewing and testing the risk measurement framework; (iv) guidelines for risk monitoring and risk measurement during normal and stressed periods; and (v) routines for communicating the above information to all relevant persons within the Investment Manager.

Portfolio Risk

The Investment Manager has apportioned risk management responsibilities among its partners and senior managers. Moreover, the governance arrangements of the Investment Manager functionally separate risk management from portfolio management.

In this context, and in addition to the specific investment restrictions applicable to the Fund, the Investment Manager applies internal risk limits which are reviewed on at least a quarterly basis. Currently, two risk engines are used to generate raw data output from two models; a principal components factor model and a fundamental factor model. The output generated is adapted and analysed by proprietary models to produce information that is used both in portfolio construction and risk monitoring. The Investment Manager assesses market risk through an analysis of volatility measures and portfolio concentration measures. Furthermore, a series of stresses are applied to its base analysis to estimate their impact on the portfolios. These stresses, which are applied on a daily basis, include large equity market, commodity, currency, macroeconomic and technical factor shocks. Internal exposure levels are set for each type of risk and if a level is reached, the system generates an automated alert that is sent to the portfolio fund manager and the risk manager, who will assess the level or exposure and take such corrective action as may be required. Nonetheless, the Chief Risk Officer has authority to override decisions made by portfolio managers, if he deems this appropriate.

The Investment Manager monitors the Funds' liquidity profile to ensure it is aligned with the Funds' redemption obligations to Shareholders.

Operational and Outsourcing Risk

Operational and outsourcing risks identified by the Investment Manager are managed separately from investment risk management. For operational matters, it is noteworthy that an Operations Control function has been created which is separated not only from the Investment Manager's portfolio management activities but also from the Investment Manager's Operations activities and which reports directly to the firm's Chief Operating Officer.

The Investment Manager's operational risk framework includes risks faced in relation to people and governance (including key-man risk), trading and execution procedures (to limit trading and execution failures), fraud and anti-financial crime risk, disaster recovery (so that the Investment Manager can continue to function in the event of an unforeseen interruption), IT security (to protect integrity of data and systems), legal and regulatory risk and third party service providers.



Responsibility for matters related to valuation lies with the Administrator, which is wholly independent of the Investment Manager. However, the Fund has established a Valuation Committee and one of its three members is a representative of the Investment Manager (its Chief Financial Officer, who has no portfolio management responsibilities) along with a representative from the Administrator and a Director.

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