CI ASIAN TIGER FUND
QUARTERLY COMMENTARY REPORT

Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

For current performance information please refer to the Monthly Performance Report.

DECEMBER 2016

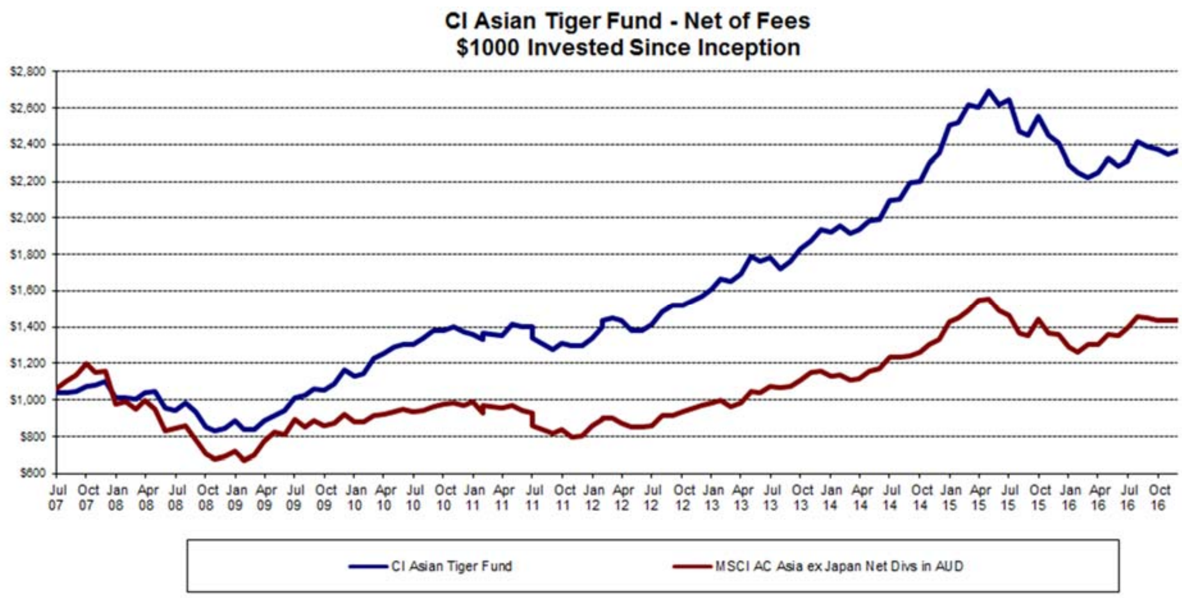
"Sour, sweet, bitter, pungent all must be tasted" …. Chinese proverb

"When you bow, bow low" …. Chinese proverb

"If you are patient in one moment of anger, you will escape 100 days of sorrow" … Chinese proverb.

	****PORTFOLIO**	**#BENCHMARK**	**VALUE ADDED**
ROLLING 3 MONTH	-0.76%	-0.99%	0.23%
ROLLING 1 YEAR	-0.73%	5.94%	-6.67%
ROLLING 2 YEAR	1.63%	4.04%	-2.41%
ROLLING 3 YEAR	8.46%	7.43%	1.03%
ROLLING 5 YEAR	14.56%	12.37%	2.19%
ROLLING 7 YEAR	12.88%	6.51%	6.37%
SINCE INCEPTION*	11.36%	3.90%	7.46%
SINCE INCEPTION^	178.01%	43.83%	134.18%

*Annualised
^Cumulative (2 July 2007)
**Before fees and expenses
MSCI AC Asia ex Japan Net Divs in AUD



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Market and Portfolio Performance

Variety is the "Spice of Life" and news flow over the last three months has been both varied and substantial. Outcomes are now known for the US Presidential election, the OPEC meeting, the Italian Constitutional Referendum, the Austrian Presidential Election and both the European Central Bank and Federal Reserve meetings. Collectively, these have had widely differing impacts on financial assets. In America, "risk assets" in the form of equities have performed well, while bonds have suffered. Some investors have seemingly reconfigured their portfolios around the "reflation trade theme". This has been based on expectations of tax reform, deregulation and infrastructure expenditure under a Trump Administration. Put into perspective, since Donald Trump was elected on the 8th November 2016, to the end of calendar 2016, the US share market has risen 7.8% and US Treasury bond yields have increased from 1.86% to 2.44%. Does this imply that the era of QE and deflation is over and that the American government will revert to fiscal policies that could very well be inflationary? Recent market movements suggest this is a possibility, but it seems premature to make such a prediction based on available facts, not least elevated global indebtedness. Over the last quarter, the MSCI AC World Index (A$ terms/net dividends) 6.94% compared to 0.99% in the MSCI Asia Ex Japan Index (A$ terms/net dividends). This continues the trend of underperformance of the MSCI Asian Japan Index relative to the MSCI AC World Index, which has been in place for some 7.5 years. Over the quarter the portfolio outperformed its benchmark by 0.23%

President Elect Trump, who is due to be inaugurated on the 20th January 2017, is generally seen as being in favour of growth. This has manifested itself in higher stock and lower bond prices. However, the "devil will be in the detail", of his future policies and their method of funding. As such, much uncertainty still exists. Trump's relationship with Janet Yellen at the Federal Reserve will also be monitored closely. Indeed, with the December rate increase some people are wondering if the USA is near the inflection point in its experiment with quantitative easing. Another outworking of Donald Trump's election victory has been a strong US$. This in turn has put pressure on some Asian countries with weak trade and fiscal positions, resulting in currency depreciation. Asian markets have also been negatively impacted by talk about increased protectionism under a Trump Administration. While this is a possibility, re-negotiating individual trade deals is the more probable outcome. Mexico and China are clearly two markets that would be in the spotlight. Specifically on China, Donald Trump has called China a "currency manipulator", many would argue this is not the case, but news flow will be have to be watched closely. Donald Trump is a political outsider and seems less likely to be bound by 21st century accepted diplomatic protocol, so "expect the unexpected". His call to Taiwan's President Tsai Ing-Wen is proof of this. Nevertheless, in America, President Elect Donald Trump's plans to spend US$1trillion on infrastructure over the next 10 years have helped sentiment towards commodity prices. Comments emanating from CLSA help to put the quantity of this expenditure into some perspective. Indeed, the firm highlighted China spent around USD$1.4trillion on infrastructure in 2014 and USD$1.8trillion in 2015. With China recently spending more in one year than America proposes to spend in 10 years, the main driver of commodity prices will remain unchanged.

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Despite a weak December quarter the gold price still rose 8.5% in US$ terms to US$1,150 an oz over calendar 2016. This was a more subdued performance than copper which increased 17.5% to US$2.50 per lb over the year and oil which bounced 44.8% to US$53.75 per barrel in the same time period (OPECs quota reduction). Despite this we continue to view some exposure to gold as worthwhile insurance, in a world filled with so much political and economic uncertainty. Indeed commodity prices have done well recently in the face of a strong US$. That stated, we believe this relates more to events in China than America. Against this background the A$ ended the year marginally down (72 cents v 73 cents) against the US$ and mixed against Asian currencies. Against Asian currencies, the A$ best performance was against the Chinese Yuan, where it rose over 6.5% in calendar 2016. The disparity of performance in Asian equities markets, as is illustrated in the table below, was again significant over the course of calendar 2016.

MSCI Data with net dividends	Dec Qtr 2016 in A$ terms	Dec Qtr 2016 in local currency terms	12 month to Dec 2016 in A$ terms	12 month to Dec 2016 in local currency terms
AC World	6.9%	4.1%	8.4%	9.0%
AC Asia ex JP	-1.0%	-3.6%	5.9%	6.1%
China	-1.8%	-7.1%	1.4%	1.0%
Hong Kong	-3.8%	-9.0%	2.8%	2.3%
India	-2.8%	-6.2%	-1.0%	1.1%
Indonesia	-2.5%	-4.8%	17.5%	14.3%
Korea	-0.3%	3.5%	9.3%	12.0%
Malaysia	-3.2%	-0.6%	-3.4%	0.4%
Philippines	-7.8%	-10.6%	-6.1%	-1.3%
Singapore	1.8%	2.0%	1.9%	3.3%
Taiwan	3.4%	0.6%	19.1%	16.3%
Thailand	3.8%	1.5%	27.2%	26.0%

Summarised the three best performing markets (A$ terms/net dividends) in Asia over calendar 2016 were Thailand (+27.2%), Taiwan (+19.1%) and Indonesia (+17.5%), with Korea (+9.3%) getting an “honourable mention”. All these markets performed better than the benchmark and also the MSCI AC World index. In contrast the worst performing regional markets (A$ terms/net dividends) over the same period were the Philippines (-6.1%), Malaysia (-3.4%) and India (-1.0%). Interestingly all three of these markets fared particularly poorly in the December quarter.

Having been the worst performer (-14.0% in A$ terms/net dividends) in 2015, Thailand was the best performer last year. There was genuine relief that August’s constitutional referendum and the sad passing of King Bhumibol in October occurred without incident. Furthermore, the military remain firmly in control and seem likely to expedite infrastructure spending going forward. Lastly, agricultural incomes have improved and the outlook for tourism remains positive.

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Despite recording a marginally negative performance in 2015, Taiwan beat the benchmark by a significant margin in 2016. With the domestic economy still very subdued, the main impetus was global institutional investors, increasing exposure to technology companies, involved in the supply of electronic products for existing and new technologies. Indeed, Taiwan Semiconductor which accounts for 28.8% of the MSCI Taiwan performed strongly last year, as did Samsung Electronics, which accounts for 26% of the MSCI Korea market. Perhaps one of the main risks for Taiwan going forward is whether the new government in America will question the One China policy and potentially jeopardise Cross Strait relations. Another concern for Asian export orientated markets like Taiwan and Korea, centres on the new American administration becoming more protectionist. This could be subtle rather than overt and done through taxation imposts (imports) or exemptions (exports) to encourage manufacturing to be done in America. Time will tell.

Indonesia was the third best performing market in Asia during 2016. Sentiment was aided by the ongoing popularity of its President Joko Widodo, the appointment of Finance Minister Ms Mulyani Indrawati, the tax amnesty legislation, higher commodity prices (oil/coal/palm oil), progress on infrastructure initiatives and falling inflation. The latter in turn has allowed interest rates to fall, while the rupiah has remained comparatively resilient. This in turn has led to a market rerating, although growth has yet to pick up materially. As a reminder of the political risks inherent in all emerging markets, it is worth mentioning that Basuki Tjahaja Purnama (known as Ahok) who succeeded Joko Widodo in 2014, as “acting” Governor of Jakarta has been accused of blasphemy. While Ahok is both progressive, anti corruption and has done a good job, he is also a Chinese Christian. This situation has caused quite a stir in Indonesia, making it uncertain if he will be successful in is bid to become Governor next year.

The Philippines was the weakest Asian market in 2016, with most of the decline occurring in the December quarter. While the economic story in the country remains strong, new President Rodrigo Duterte has been very outspoken on a number of subjects. Without casting judgement “one way or another” this has generated much controversy internationally. In particular his crackdown on crime has led to reports of extrajudicial killings of drug dealers, resulting in negative press from Human Rights advocates. President Duterte is closer engagement with China has also unsettled investors. These factors have lead to overseas institutional selling which in turn lead to weakness in equity prices and the currency.

The other two disappointing markets in Asia in 2016 were Malaysia and India, which declined 3.4% and 1.0% (A$ terms/net dividends) respectively. Foreign institutional ownership of the Malaysian market remains low by historical standards. Despite the political fallout from the 1MDB scandal, fiscal austerity, slowing growth and the prospect of an election in 2018, the market is still not cheap, albeit the Malaysian ringgit is. This is because it remains supported by Malaysian institutional investors, many of which are government related/controlled. Higher oil and soft commodity prices may assist the market going forward.

Turning to India, were the ATF is significantly overweight. The Indian Government led by Prime Minister Narendra Modi has now been in Government for over 2.5 years. While much remains to be done, real progress has been made in implementing the Government’s reform agenda. Given the enormity and complexity of the issue, it will be very important the BJP win the next general election, due to be held in 2019. This should enable them to significantly complete the task in hand and start to see some positive results from the reform programme. A litmus test of how Indians are viewing the Modi led BJP government will be reflected in the five state elections due to be held in 2017. The most important of these is Uttar Pradesh with a population of 204.2m (equivalent to the 6th largest country in the world), 80 Lok Sabha seats and 31 Rajya Sabha Seats (source elections.in).

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Narendra Modi's appointment of Dr Urjit Patel as RBI Governor has reinforced perceptions the sound economic policies of his predecessor will be continued. This will be complemented by the continuance of fiscal responsibility, good GDP growth (2017 E 7.2%/source JP Morgan) and lower inflation (2017 E 4.8% /source JP Morgan). The latter in turn is leading to lower interest rates (policy rate 6.25%).

Additional positives include commodity prices that are still materially lower than they were a few years ago and an improved monsoon season. Despite these positives the most important longer term issue is Narendra Modi's reform agenda. This, if successfully implemented, has the potential to reshape India's economy and delivery prosperity in future years.

Narendra Modi was elected because ordinary Indians wanted change and better lives. As part of the reform process, the Government has initiated various policies to try and eradicate corruption. A key part of this has been to give all Indians a Unique Identification Number (UID), based on the Aadhar card. This is then linked to the opening of a bank account which prompts financial inclusion (Pradhan Mantri Jan Dhan Yojana or PMJDY). Once established, a UID and bank account enable the individual to receive social security and subsidy payments by Direct Benefit Transfer (DBT). This is done electronically and reduces the potential for all or part of these payments to be siphoned off by unscrupulous people. Having a bank account enables ordinary Indians to access cheap finance, rather than depending on unscrupulous money lenders and loan sharks. In turn, this whole process allows the Government to save huge quantities of capital which can be used to alleviate poverty and suffering in India. Today as a measure of success, over one billion Indians have an Aadhaar card and around 220million PMJDY Bank accounts have been opened.

Another landmark reform recently introduced in India was aimed at reducing corruption, counterfeiting and black money in the Indian economy. As part of this demonetarisation scheme, notes of Rs500 and Rs1000 have had to be surrendered to banking entities. They are then being replaced as legal tender by new notes of Rs500 and Rs2000. This is significant as around 70% of all transactions in India are done in cash, compared to less than 15% in Australia. As CLSA recently pointed out, "Indian cash on hand is estimated at 3.2% of household assets or US$220billion. Of this cash, 87% is in the form of Rs500 and Rs1000 notes. A large part of the cash on hand is generated by economic transactions that are not reported to tax authorities or government, through corruption". The Government has declared tax amnesty schemes, encouraging "black money" holdings to come clean. Nevertheless, the most recent one still obligates them to pay a tax / surcharge / penalty of 50%. While this is below the rate of 85% if they are caught by authorities, they have to pay an additional 25% of the illegal funds into the Prime Minister's Welfare Scheme for the Poor, on which no interest is paid for four years.

Earlier this year, India passed a constitutional amendment allowing for the introduction of a goods and services tax or GST. The Government is hoping the GST will be introduced by 1st April 2017. However, with a variety of legislative and operational challenges to overcome, some delay seems inevitable. The introduction of GST will have many benefits for India. Most importantly, tax evasion will certainly decline, adding to Government revenues. Having just one tax will reduce costs, such as compliance, inventory and logistics and effectively make India one market, with attendant benefits. In short, commerce will be much easier to transact, and a GST will also boost investment and make Indian manufacturing (Made in India) more competitive, increasing GDP growth potential. The introduction of GST is positive tax reform and as it is replacing a pyramid of existing taxes, the impact on inflation will be limited.

Another initiative announced by Narendra Modi in 2015 was the Pradhan Mantri Awaas Yojanja (PMAY), or Housing for All Scheme. The aim of this is to provide affordable housing to the urban poor via the construction of some 20million houses by 2022. The cost to the Government through various initiatives, such as grants and subsidised loans, is expected to be around US$30billion.

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Finally, it is important to talk about Indian banks and in particular the country's PSU Banks. The whole sector continues to suffer from a massive overhang of Non Performing Loans (NPL's). These have stemmed from a variety of factors some of which are the constraints of government ownership, continually changing management, lack of capital, the burden of social obligations, inappropriate lending practices, and high cost structures. They also lack in the area of information technology and marketing. While the Government is conscious of these things and continues to provide financial support to PSU Banks, substantial structural reform has not yet occurred.

That stated, some initiatives have occurred and more seem likely to take place. Recent examples include:

1. the asset quality review conducted by the RBI which resulted in improved recognition of Non Performing Assets (NPA's) and provisioning in banks;
2. the establishment of the Bank Review Board which is aimed at improving corporate governance in PSU banks. Examples would include the appointment of directors, advising on strategy/capital raisings, industry consolidation, while at the same time assisting in the resolution of bad debt related issues;
3. the recently passed Bankruptcy Law granting power to foreclose on defaulting borrowers.

While further reforms in banking, land acquisition and labour laws are still on the "to do list", Narendra Modi is off to a good start. The reform programme should put India on a much stronger footing to realise its "inclusive "growth potential. Unfortunately, implementing major reforms is never easy and they frequently involve "near term pain for long term gain". This is the case in India today. In this respect, banking is critical, as until PSU banks, accounting for some 70% of system loans, are recapitalised, it will be hard for sustainable investment recovery to occur. Unfortunately the sector is now being negatively impacted by demonetisation, especially in the bank's retail businesses and this will impact bank earnings in the year ending March 2017 and 2018. Demonetisation will also adversely impact India's GDP growth in the two aforementioned years. Narendra Modi appears to be a far sighted politician and to "reap the benefits" of his reform agenda, investors will have to do likewise and take a longer term view.

Lastly given its huge relevance to Asia, emerging markets and the world generally some comments on China are warranted. China adopted its five year plan in March 2016. This outlined China's guiding principles and aims through to 2020. A GDP target of 6.5% per year was set making it likely that circa 15% growth in infrastructure investment will continue during the term of the plan. Urbanisation and the One Belt, One Road (OBOR) initiatives will form important parts of this strategy, as will the continued move towards a "cleaner and greener economy". Infrastructure initiatives will continue to be important, given more moderate income growth (see chart below) and its resultant impact on consumption (see chart below), together with renewed, albeit more "city specific" measures to cool the property market. Nevertheless, while infrastructure is likely to be the strongest part of fixed asset investment, its property and manufacturing components will continue to grow albeit at a slower pace.

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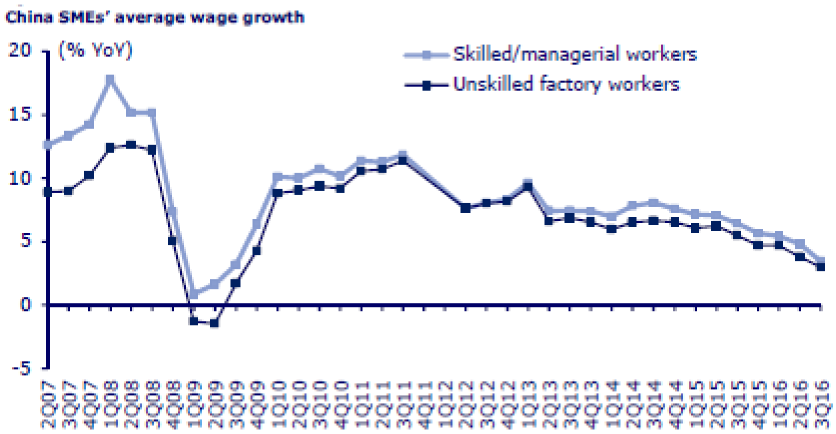
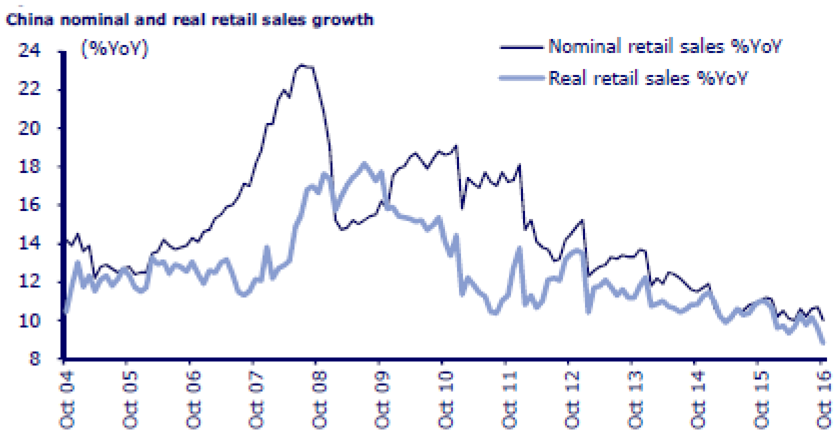


Note: Based on 300 Chinese SMEs tracked by CRR. Source: China Reality Research (CRR)



Source: CLSA, CEIC Data, National Bureau of Statistics

The ongoing contribution that infrastructure spending continues to make to Chinese GDP growth has led to questions about the government's commitment to structural economic reform. Three areas of substantial importance are Financial Sector reform, Land/Hokou reform and State Owned Enterprise (SOE) reform. While some reform has occurred in the first two of these areas, apart from supply side reform, little has occurred in the form of SOE reform. Although this is disappointing, capacity cuts and consolidation have occurred in both the coal and steel industries and more is likely to be forthcoming. More substantial structural economic reform is critical if China is going to transition its economy from investment to consumption and sustain long term growth.

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The fall of US$41bn to USD3.01tr in China's FX reserves for the month of December was the Sixth straight month of declines. Overall in calendar 2016 China's FX reserves fell US$320bn and they were down US$513bn in calendar 2015. The falls have rekindled fears of continued yuan depreciation and China losing control of its capital account. China has ongoing risks and a good example is the continued growth in credit well in excess of nominal GDP. With disclosure still rather opaque (shadow banking) we remain concerned about the potential for bad debts in the banking system. CLSA has recently estimated that China's banks had a bad debt ratio of 15.6%, which was about nine times higher than the official figure of 1.7%. The worst sectors are steel, coal and manufacturing. That stated, we acknowledge that these and other concerns about the Chinese economy have been around for a number of years and so far have failed to materialise. The recent decline in China's currency has been more against the US$ rather than its CFETS currency basket, albeit it seems likely that further modest depreciation will occur in 2017.

The Portfolio

Overall portfolio activity in the quarter was again comparatively modest. The ATF exited a small number of residual holdings and established two new positions. The current portfolio comprises 48 stocks and portfolio turnover was just 2% in the December quarter and 17% "rolling" over calendar 2017.

We initiated exposure to a leading, albeit niche, pharmaceutical company in China during the quarter. The industry has high barriers to entry and is growing strongly at 20% a year. We have substantial knowledge of the industry within the firm and have had exposure for many years via the CI Australian Equities Fund. The company's overall market share is 18% and this continues to expand. Over time the entity will benefit from higher margins (more value added products) and expanded production.

Over the last three months, we have also invested in a Chinese infrastructure stock. The company is a market leader in rail transport, control systems and services. We believe it is a beneficiary of the urbanisation theme in China via new capital investment and replacement trends. As the company supplies safety related products it also enjoys technical barriers to entry and has highly respectable international joint venture partners. Lastly, it has good profit market margins, a sensible valuable and no debt.

During the last quarter the best performing stocks in the portfolio were DBS, China Mengniu, Clear Media and Jardine Strategic. In contrast, the worst performing stocks were AIA Group, Naver, Amara Raja Batteries, Hong Leong Financial and Tencent.

The current geographical weightings of the portfolio relative to its benchmark are as follows:

Risk	Initial Portfolio	Benchmark	Initial Benchmark
Market Weights			
HK/China Total	42.6	42.9	-0.3
Indonesia	4.1	3.1	1.0
India	16.5	9.9	6.6
South Korea	4.7	17.2	-12.5
Malaysia	2.2	3.0	-0.8
Philippines	6.5	1.4	5.1
Singapore	8.3	5.2	3.1
Thailand	2.8	2.8	0.0
Taiwan	5.3	14.5	-9.2

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From the standpoint of strategy the portfolio remains focused on the Asian consumer and domestic demand trends in the region. This has remained unaltered since the funds inception, nearly a decade ago. The portfolio retains a cash position of circa 7%.

International Trips – Observations and Comments

During November we visited a number of countries in Asia, including China, Hong Kong, Vietnam and Cambodia.

Kerry Logistics (KL) - we toured some of the company's integrated logistics (IL) facilities and met with management in Hong Kong. This business segment, being 60% of company earnings, provides highly customised sophisticated supply chain solutions, which serve fashion and F&B customers, amongst others. Due to legal and tax reasons, Hong Kong remains the pre-eminent regional distribution hub in and out of Asia. Prospects for KL's IL segment appear sound, reflecting a mix of customer wins, first time outsourcing clients, and additional work with existing ones. KL has essentially filled out its international freight forwarding network now and should be well-placed to leverage group synergies, including cross-selling integrated logistics services in Asia. Whilst 2016 profit growth for the group is likely to be subdued due to a mix of adverse currency movements and lower freight rates, volume growth, which reflects the underlying movement of goods, is growing at a more robust low to mid-teens. We expect this to continue into 2017. The company's core competency lies in inventory management, analytics and routing, and scale/network is a formidable competitive advantage. Despite the anti-China trade rhetoric emanating from the US, KL should be able to benefit from the development of new supply chains. The plan to recycle up to 10% of the company's asset base over a 5 year period seems sensible, and provides additional balance sheet (and dividend) optionality.

Shenzhou – we visited the company's Vietnam and Cambodian operations, including interactions with management who are long-standing, experienced textile industry professionals. Human resources is an important area of focus for the company. For example, Shenzhou has a 75% management localisation target in Vietnam by 2018, as well as performance linked bonuses for a broad range of staff. Shenzhou's Vietnam operations commenced in 2015 and have been ramping up nicely since then. Vietnam continues the company's strategy of diversifying production away from China, as the latter faces rising costs and environmental related imposts. Vietnam is expected to contribute 40% of fabric and 15% of garment production for the group in 2017. Order visibility is high, in part reflecting the company's critical role during the brand owners' design process. Shenzhou is winning market share because of its quick turnaround and fulfilment time, with vertical integration and scale being competitive advantages. We expect earnings to continue to grow strongly in 2017 and 2018 and with capex continuing to decline each year, a dividend payout of >50% appears sustainable.

Infrastructure & Utilities – Hong Kong utility assets are well-regulated and provide stable returns. Owning such assets provide Hong Kong listed companies, who are generally, regarded as good operators, with a competitive advantage when diversifying regionally or internationally. Generally speaking, the price of utilities (e.g. water, electricity) in HK/China is low, which arguably should underpin the returns these assets generate over the long-term. Management, at least for the companies we visited, take an extraordinarily long-term view ("we think of short term as less than 10 years"). Notwithstanding many positive attributes, the biggest impediment to the sector is the negative share price correlation with interest rates. Nevertheless we continue to monitor a number of companies in this space.

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Telecoms – Industry cash flow, returns and dividends appear likely to increase for the next couple of years, following the (costly) roll out of 4G in China. Technology, regulatory and governance remain longer-term issues. Data and video are the most attractive segments within telecoms which our portfolio has (direct) exposure to.

Consumer – Luxury brands have completed inventory adjustments and appear to be adopting a profit / margin first approach having raised prices in Q3. On the other hand, bricks & mortar retailing remains a tough slog (for e.g. SSSg for Sun Art, arguably the best operator in China, has finally stabilised in 2016, after declining for 6 straight years). Logistics, infrastructure, scale and purchasing power, which are touted as competitive advantages, does not seem to differentiate between offline and online retailers. Continued industry consolidation therefore seems likely. In the interim, we remain wary of the retail industry.

Market Outlook

Governments and central bankers, despite substantial loss of credibility in the eyes of general electorates, continue to pursue QE related monetary policies, in an attempt to tackle the deflation, that continues to grip the world. The election of Donald Trump in America raises the possibility that things may be different in that country (albeit not in Japan and Europe) and that the focus moves from monetary policy to fiscal policy. Nevertheless how this and proposed tax cuts are financed and the consequent impact on economic activity remain unclear. Furthermore we remain wary of the elevated political risks in Europe, associated with its “economic union”, which is looking increasingly precarious. Global indebtedness does not give countries around the world, the same level of financial flexibility they have had in the past and remains a key factor behind deflation. Going forward, all countries will realize that they have to live within their means, even if it ultimately sets off a panic, to trigger this reality.

Markets in Asia have similar challenges albeit that debt levels are not generally as great as in the West. They also have much higher savings rates, although this partially compensates for lack of welfare entitlement programmes. In addition, they have not pursued QE policies, have more favourable growth outlooks and selectively (India) are pursuing genuine reform. As the major emerging market and the most important in our benchmark, China faces its own unresolved issues at the moment. Undoubtedly the most significant of these currently relate to controlling capital outflows and excessive credit growth, on which comments were made before. The 19th National Congress of the Communist Party held in the autumn of 2017 will be closely watched. This only occurs twice in a decade and is the most important event from the standpoint of leadership transition in the country. Particularly relevant this time, is that as many as 5 out of 7 members of the Politburo Standing Committee, could retire. From this General Secretary XI Jinping seems likely to further consolidate his power and this may further assist the reform process, in areas where it has been comparatively slow to materialise (SOE sector). This would be a positive; although a near term cost is likely to be some negative impact on growth. Lastly, while there are risks the overall valuation of the MSCI China index does not look unreasonable, as is illustrated in the chart below (source: CLSA). Indeed China has gone from being one of the more expensive markets in our benchmark to one of the cheapest and we continue to selectively find companies with valuation support and good growth prospects that interest us.

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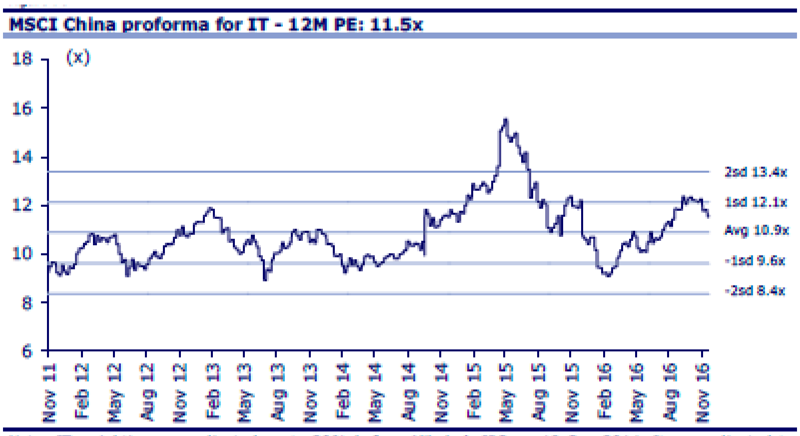

Note: IT weighting was adjusted up to 20% before Alibaba's IPO on 19 Sep 2014. It was adjusted to current weighting of 32% since the IPO date to 1 Dec 2015. Source: CLSA, Datastream

Portfolio Characteristics

	Portfolio	Benchmark	Variance
Number of stocks	49	626	-577
Beta	0.89	1.00	-0.11
P/E (x)	15.27	12.37	2.90
Yield (%)	2.10	2.76	-0.66
P/B (x)	2.30	1.44	0.86
Historical EPSg (%)	11.19	8.99	2.21
Forecast EPSg (%)	10.93	11.68	-0.75
Return on Equity (%)	14.46	11.62	2.83
Dividend Cover (x)	3.12	2.93	0.19
Net Debt/Equity (%)	-3.89	22.54	-26.43

Source: UBS PAS

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