

# JF China New Generation

January 2012

## Fund objective

To provide investors with long-term capital growth by investing primarily in PRC securities, including but not limited to A-Shares, of companies whose predominant business will benefit from, or is related to, growth of the domestic consumption sector in the PRC. The Fund may also invest in fixed income instruments denominated in Renminbi issued or listed in or outside the PRC, including debt securities issued by the central government of the PRC, any public or local authorities in the PRC, any quasi-governmental organizations or any corporates.

## Fund Manager's report

**Portfolio Review:** Hong Kong-listed Chinese equities (MSCI China) rose in December, as coordinated central bank easing led to a strong rally on the first trading day of the month. The MSCI China, however, subsequently corrected while the domestic A-share market continued to weaken as local investors were disappointed with a lack of accelerated policy easing amid economic growth slowdown. The financial and utility sectors outperformed while consumer staples and pharmaceutical sectors faced strong profit taking pressure after their previous outperformance. The Fund outperformed modestly this month.

**Outlook:** We expect a brighter outlook for markets in the near term as global economic fears ease with brighter macro data and more steps towards a liquidity response to the European Debt Crisis. We continue to expect inflation to ease in China, paving the way for a looser policy environment. While we expect a continued slowdown in 1Q12 and subsequent downward earnings revisions, we believe the share prices have well priced in the weak macro environment. Most importantly, valuations are attractive for most Chinese equities, with many stocks touching at/below Global Financial Crisis levels and we see even more attractive investment opportunities after this recent correction. Our core strategies remain unchanged and we continued to add stocks which were sold off on near-term concerns in spite of proven business models and execution track records.

## Portfolio information

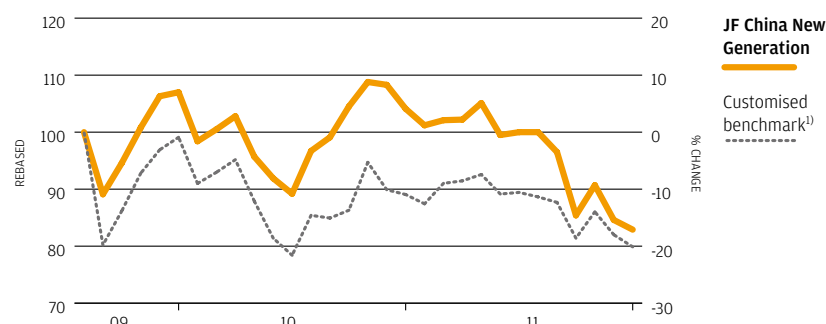
Fund manager	<b>Shumin Huang/Stephen Chang, Hong Kong</b>	
Launch date	<b>22.06.09</b>	
Fund size (m)	<b>USD 69.9</b>	
Base currency and NAV per unit	<b>USD 8.29</b>	
12 month NAV:	High	<b>USD 10.51 (29.04.11)</b>
	Low	<b>USD 8.29 (30.12.11)</b>
Charges:	Initial	<b>5.0% of NAV</b>
	Redemption	<b>0.5% of NAV</b>
	Management fee	<b>1.75% p.a.</b>
Last distribution (xd date)	<b>N/A</b>	
SEDOL/ISIN codes	<b>B52YQ95/HK0000053956</b>	
Bloomberg code	<b>CHNWGEN HK</b>	

## Statistical analysis

	3 years	5 years	Since launch <sup>2)</sup>
Correlation	-	-	0.89
Alpha %	-	-	-0.07
Beta	-	-	0.76
Annual volatility %	-	-	18.03
Sharpe ratio	-	-	-
Annual tracking error %	-	-	9.74
Average annual return %	-	-	-7.47

- The Fund may invest in emerging and developing markets, primarily in China A-Shares and fixed income instruments denominated in Renminbi, therefore the Fund may have significant exposure to liquidity and the relevant currency risk. The Fund's price movement may go down or up sharply over a short time span.
- The Fund has exposure to PRC securities via a QFII license. Investors will be subject to the associated regulatory and concentration risk.
- Investors may be subject to substantial losses.
- Investors should not solely rely on this document to make any investment decision.

## Performance from 31.07.09 to 30.12.11



## Cumulative performance %

	1 month	1 year	3 years	5 years	Since 31.07.09
<b>Fund</b>	<b>-2.0</b>	<b>-20.4</b>	<b>-</b>	<b>-</b>	<b>-17.1</b>
Benchmark <sup>1)</sup>	-2.6	-10.3	-	-	-20.1

## Calendar Year performance %

	2006	2007	2008	2009*	2010	2011YTD
<b>Fund</b>	-	-	-	<b>+7.0</b>	<b>-2.7</b>	<b>-20.4</b>
Benchmark <sup>1)</sup>	-	-	-	-0.9	-10.2	-10.3

## Portfolio analysis

### By fixed income

China Equities	78.8%
CNY Bonds	14.7%
Net Liquidity	5.3%
Hong Kong Equities	1.1%

### By sector

0.1%	Energy
4.4%	Health Care
4.7%	Managed Funds
5.3%	Net Liquidity
14.5%	Fixed Interest
14.7%	Consumer Staples
25.4%	Consumer Discretionary
30.8%	Financials

## Top five holdings (as at end November 2011)

Holding	Sector	%
<b>CITIC Securities Co. Ltd.</b>	Financials	9.2
<b>Luzhou Lao Jiao Co. Ltd.</b>	Consumer Staples	6.2
<b>db x-trackers CSI300 Banks ETF 1D</b>	Managed Funds	5.2
<b>Huayu Automotive Systems Co. Ltd.</b>	Consumer Discretionary	4.9
<b>Shenzhen Development Bank Co. Ltd.</b>	Financials	4.6

**For more information, please contact your bank, financial adviser or visit**  
**[www.jpmorganam.com.hk](http://www.jpmorganam.com.hk)**

Unless stated otherwise, all information as at the last valuation date of the previous month. Source: JPMAM/Bloomberg/CSI (NAV to NAV in USD with income reinvested). Source of star rating: Morningstar, Inc. Risk ratings (if any) are based on JPMAM's assessment of relative risk by asset class and is subject to change. This is for reference only. Any overweight in any investment holding exceeding the limit set out in the Investment Restrictions was due to market movements and will be rectified shortly. Top ten holdings is available upon request. \*Since launch to end of year. It should be noted that due to the difference of the fund domiciles the valuation points used by the JF funds and JPMorgan series of funds for fair valuation (where applied) may vary. For details please refer to the respective offering document(s). 1) Customised Benchmark: 80% CSI 300 ex-Energy, Materials, Industrials, Utilities Total (Customised) + 20% Shanghai Stock Exchange Government Bond Index. 2) With the exception of the "Average annual return" figure, all data are calculated from the month end after inception. 3) The Asset Triple A Investment Awards. For 2011, the award is 'Asset Management Company of the Year, Asia - Retail'.

**Investment involves risk. Past performance is not indicative of future performance. Please refer to the offering document(s) for details, including the risk factors.**

This document has not been reviewed by the SFC. Issued by JPMorgan Funds (Asia) Limited.