

JF Asia Absolute Return

Monthly Report as at 30.12.11

This report is updated monthly. The quarterly report in compliance with the hedge fund reporting requirements from Hong Kong Securities and Futures Commission is provided for existing investors only. Investors are advised to read the Information Memorandum before investing.

Investment objective

To provide investors with long-term capital growth in US dollar terms through an aggressively managed portfolio of equities, bonds and currencies, and derivatives of any of these. The Manager will seek to meet the investment objective by primarily investing in the Asia-Pacific region (including Japan).

Portfolio review and outlook

Portfolio Review: December was a volatile month for Asian equities on low turnover volume ahead of the holiday period. ASEAN, Hong Kong and Taiwan led, whilst Korea and India lagged. H-shares got a boost from the RRR cut in China as the inflation print moderated, lending strength to banks and property stocks. Korea continued to see foreign selling, in particular banks, but the focus was the death of North Korean leader Kim Jung-Il. India's loss was exacerbated by INR weakness, while its macro and political environment remained grey. JF Asia Absolute gained 1.1% over the month. Major contributions come from our long positions in Chinese banks and our corporate bond holdings. We have reduced the net long position in China during the recent rally and started shorting Taiwan. The net long equity position is around zero at this moment.

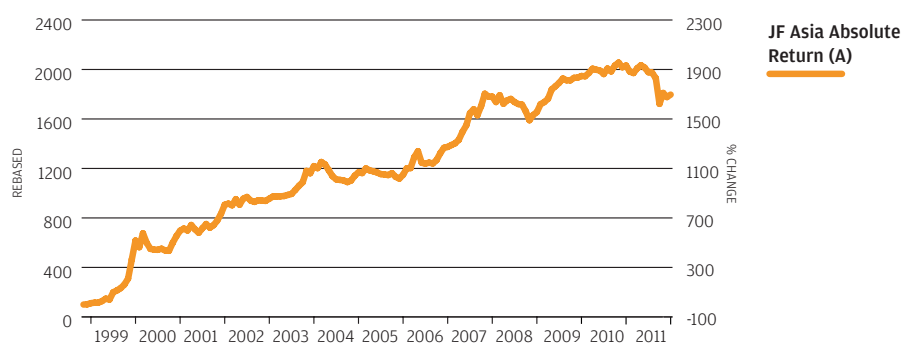
Outlook: CPI growth in China is likely to soften, giving the Chinese government more room for easing. Yield stocks and consumer staple companies have been the star performers over the past one year as investors parked the money in these two sectors for earning security reasons - a trend that may reverse as economic cycle starts to bottom out. Looking into 2012, it is difficult to be optimistic if one is preoccupied with macro events. Within Asia, inflation is under control, opening the door for easier monetary conditions across most countries. Most importantly, valuations are enticing. Current prices discount the ill wind from the West but don't reflect Asia's underlying fundamentals. A rally could erase the valuation argument, but could also signify better global prospects.

Portfolio information

Fund manager	Victor Lee/Jeffrey Roskell/ Patrick Chiu
Total fund size (m)	USD 119.1
Seed money	Nil
Preliminary charge	5% of Subscription Price
Redemption charge	Currently 0% (up to 0.5% of NAV)
Management fee	1.0% of NAV p.a.
Management performance fee	20% of any increase in NAV greater than high water mark[‡] per unit payable annually
Dealing	Monthly (last Business Day of each month)
Redemption notice	By the 7th calendar day of each month
Sedol/Bloomberg codes	6472067/JFFEASI KY

- The Fund is an authorised hedge fund investing primarily in the Asia-Pacific region, including Japan. The Fund uses derivatives for investment purposes and may have a maximum gross equity exposure of up to 250% of Net Asset Value (NAV) and a maximum gross short equity exposure of up to 100% of NAV.
- The Fund's price movement may be subject to significant volatility and relevant counterparty risk and thus may go down or up sharply over a short time span.
- Given the Fund's dealing procedure, investment into this Fund may bear higher liquidity risk.
- Investors may be subject to losing their entire investment.
- Investors should not solely rely on this document to make any investment decision.

Performance since 30.10.98 - Notional Class A



Monthly performance % - Notional Class A

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004	-1.4	4.2	-1.6	-3.8	-4.1	-2.2	-0.4	-0.4	-1.2	1.1	3.6	2.3	-4.1
2005	-0.5	3.3	-1.3	-0.6	-0.8	-1.1	-0.3	-0.4	1.4	-2.6	-1.3	2.8	-1.7
2006	4.6	0.1	7.3	3.8	-7.0	-0.6	0.7	-0.5	2.1	4.5	3.3	0.5	19.6
2007	1.1	1.0	2.0	4.6	3.4	6.4	1.9	-3.5	5.2	5.9	-1.3	-0.0	29.6
2008	-2.5	3.2	-3.9	1.6	0.7	-1.4	-0.9	-0.3	-3.1	-4.4	2.6	1.5	-7.0
2009	3.9	1.0	1.5	4.3	1.3	1.5	1.8	-0.7	-0.0	1.1	0.1	0.6	17.6
2010	-0.1	1.4	1.8	-0.4	-0.4	-1.4	2.3	-1.2	2.4	1.2	-1.8	0.7	4.4
2011	-2.4	-0.6	2.0	1.2	-0.9	-1.9	-0.2	-2.3	-10.8	5.1	-1.8	1.1	-11.6

Top holdings of longs %[†]

Sector	Country/Region	Asset Class	%
Chinese Yuan Forward FX	-	Currency	19.8
US Dollar Forward FX	-	Currency	4.4
Indonesian Rupiah Forward FX	-	Currency	3.6
Financials	China	Fixed Income	3.1
Financials	Hong Kong	Equity	3.0
No. of long positions (excl cash*)			53

Top holdings of shorts %[†]

Sector	Country/Region	Asset Class	%
Fixed Income Futures	Japan	Fixed Income	-38.8
Korean Won Forward FX	-	Currency	-14.4
Japanese Yen Forward FX	-	Currency	-13.1
Index Futures	Korea	Equity	-11.3
Index Futures	Japan	Equity	-10.3
No. of short positions (excl cash*)			19

Please refer to the Information Memorandum for further details of fees and charges. Source: JPMAM (NAV to NAV in USD) All performance data provided refers to Notional Class A after deducting all fees and charges borne by the Fund. All exposure is calculated before deducting the management performance fee. The categorisation of units into notional classes on different dealing days is only for the purposes of calculating their respective net asset value and the amount payable to a unitholder upon redemption of his units and the amount of management performance fee payable in respect of individual units. In all other respects units are the same. Please refer to the Cumulative Performance % overleaf for the performance statistics of other notional classes. †Market values as percentages of total NAV before deducting management performance fee. ‡The high water mark of Notional Class A per unit is USD65,9985 for financial year ending 30 September 2012. 1)AsiaHedge Awards 2008 (reflect fund performance over the 12-month period to the end of August 2008) 2)The Asset Triple A Investment Awards 2010 (reflect fund performance over the 12-month period to the end of June 2010).

For more information, please contact your bank, financial adviser or call us directly.

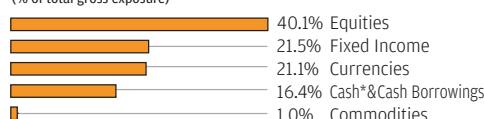
J.P. Morgan Investment Centres ♦ 1/F, Jardine House, Central, Hong Kong ♦ G62, E Plaza, Legend Tower, 7 Shing Yip Street, Kwun Tong, Hong Kong

Tel: (852) 2265 1188

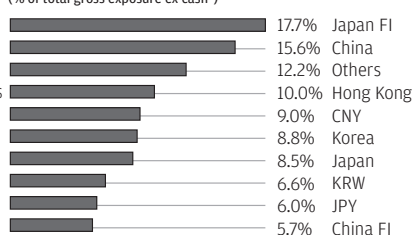
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Allocation

Gross asset breakdown (% of total gross exposure)



Gross geographical & currency breakdown (ex cash*) (% of total gross exposure ex cash*)



Exposure summary (% of NAV)

	Japan	China	Korea	Hong Kong	Australia	USD	Malaysia	IDR	Others	Total
Equity long	8.3	20.4	7.9	15.5	-	-	-	-	2.4	54.4
Equity short	-10.3	-13.9	-11.3	-6.4	-7.3	-	-	-	-1.4	-50.6
Fixed Income long	-	12.5	-	0.8	-	-	4.1	-	-	17.4
Fixed Income short	-38.8	-	-	-	-	-	-	-	-	-38.8
Commodity long	-	-	-	-	-	-	-	-	-	-
Commodity short	-	-	-	-	-	-	-	-	-2.7	-2.7
Currency long	-	19.8	-	-	-	4.4	-	3.6	-	27.8
Currency short	-13.1	-	-14.4	-	-	-	-	-	-	-27.5
Total long	8.3	52.6	7.9	16.3	-	4.4	4.1	3.6	2.4	99.6
Total short	-62.3	-13.9	-25.7	-6.4	-7.3	-	-	-	-4.1	-119.7
Net exposure	-54.0	38.7	-17.8	10.0	-7.3	4.4	4.1	3.6	-1.8	-20.1
Gross exposure	70.6	66.5	33.6	22.7	7.3	4.4	4.1	3.6	6.5	219.3
Cash*	0.4	-	2.8	2.5	0.3	37.0	-	-	-0.1	42.9
Cash borrowings and other leverage	62.3	29.5	25.7	-	4.3	4.4	-	3.6	2.7	132.5
Long options/warrants	-	-	-	-	-	-	-	-	-	-

Performance statistics - Notional Class A

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Since 30.10.98 (annualised)
Annual return %	-11.6	4.4	17.6	-7.0	29.6	19.6	-1.7	-4.1	27.6	5.4	30.1	12.8	455.7	24.5
Annual volatility %	12.5	4.8	4.9	8.4	10.0	12.1	5.7	8.9	9.0	10.1	15.9	30.6	56.2	24.8
Sharpe ratio (risk free rate = 0%)	-	0.90	3.59	-	2.97	1.62	-	-	3.08	0.54	1.89	0.42	8.10	0.99

Fund statistics - Notional Class A

	2011YTD	2010	2009	2008	2007	2006	Since 30.10.98
Highest NAV per unit (USD)	66.0774	66.7783	63.2508	58.2096	58.6015	44.6288	66.7783
Lowest NAV per unit (USD)	55.9285	63.1857	55.8587	51.6279	45.1227	39.0284	3.2482
Maximum drawdown %	-15.4	-2.2	-0.8	-11.3	-3.5	-7.5	-21.0
Total no. of positive months	4	6	10	5	9	9	92
Total no. of negative months	8	6	2	7	3	3	66

Cumulative performance % - All Notional Classes

Class	Issue date	NAV per unit	Current bid price	YTD	1 month	1 year	3 years	Since launch** (Since 30.10.98)
A	30.10.98	58.3610	58.36	-11.6	1.1	-11.6	8.5	1,696.7
1009	30.09.10	8.8428	8.84	-11.6	1.1	-11.6	-	-11.6
1010	29.10.10	8.7141	8.71	-11.6	1.1	-11.6	-	-12.9
1011	30.11.10	8.9031	8.90	-11.5	1.1	-11.5	-	-11.0
1012	31.12.10	8.8413	8.84	-11.6	1.1	-11.6	-	-11.6
1101	31.01.11	9.0623	9.06	-	1.1	-	-	-9.4
1102	28.02.11	9.1160	9.11	-	1.1	-	-	-8.8
1103	31.03.11	8.9409	8.94	-	1.1	-	-	-10.6
1104	29.04.11	8.8296	8.82	-	1.1	-	-	-11.7
1105	31.05.11	8.9147	8.91	-	1.1	-	-	-10.9
1106	30.06.11	9.0841	9.08	-	1.1	-	-	-9.2
1107	29.07.11	9.1016	9.10	-	-	-	-	-
1108	31.08.11	9.3118	9.31	-	-	-	-	-
1110	31.10.11	9.9261	9.92	-	-	-	-	-

Source: JPMAM (NAV to NAV in USD net of all fees and charges borne by the Fund). 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). *Cash and cash equivalents are netted off with accrued expenses. If applicable, cash borrowings are also excluded. **Performance data to be provided once the notional class has been in existence for six months.

Note: Effective 30 June 2010, Victor Lee managed this Fund together with Jeffrey Roskell. Patrick Chiu became the co-manager of this Fund since 31 May 2011. During the reporting period of the Fund, there were no lawsuits instigated.

JPMorgan Funds (Asia) Limited accepts responsibility for the accuracy of the information contained in this report as at the date of issue. Past performance is not indicative of future performance. Investment involves risk. Investors are advised to read the Information Memorandum, including the risk factors before subscribing to this Fund. If you are in any doubt about contents of the Memorandum, please consult your usual financial adviser and obtain professional advice. This Fund uses alternative investment strategies and the risks inherent in this Fund are not typically encountered in traditional funds. This Fund undertakes special risks that may lead to a substantial or total loss of capital and there is no guarantee that its investment objective can be achieved. Therefore, investment in this Fund is only suitable for sophisticated investors who can afford the risks. Investors are also advised to consider their own financial circumstances and the suitability of this Fund as part of their investment portfolio.

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

Correlations (3 years)

MSCI AC Asia Pacific Net	0.55
S&P 500 Total	0.48
Nasdaq Price	0.54
Topix Total	0.15
MSCI World Net	0.52
JPM Global Govt Bond Total	0.09

Glossary of terms

Annual volatility % (Annualised standard deviation)

Volatility is one measure used to assess the risk of a fund as it helps to describe the likely range of returns achieved. In statistical terms, it is the standard deviation of the return distribution. Greater volatility of monthly fund returns means that there is a wider range of likely returns in future, or greater uncertainty regarding the fund return. Most investors would equate this greater uncertainty with greater risk.

Sharpe ratio (risk free rate = 0%)

Annual return divided by the annual volatility (ie, risk free rate is taken as 0%). The higher the Sharpe Ratio, the higher the return earned per unit of risk taken. Negative Sharpe Ratio is not shown as it may be misleading.

Maximum drawdown %

The maximum decline in percentage terms of the NAV over any number of months during the period concerned.

Net exposure

The total value of all long and short positions excluding cash, with derivatives' leverage taken into account (except for CBs and long positions in options and warrants), divided by the fund's total net asset value before deducting management performance fee.

Gross exposure

The sum of the absolute value of all long and short positions excluding cash, with derivatives' leverage taken into account (except for CBs and long positions in options and warrants), divided by the fund's total net asset value before deducting management performance fee.

Cash borrowings and other leverage

The sum of the absolute value of cash borrowings and the absolute gross notional value/exposure of derivative positions, except CBs and long positions in options and warrants, irrespective of whether such positions are covered or uncovered, divided by the fund's total NAV before deducting management performance fee. The market value of derivatives other than options/warrants is determined via marking to market. The exposure of short positions in options/warrants is determined via commonly used option valuation models.

Long options/warrants

The total market value of long positions in options and warrants.