



# JF Greater China Absolute Return

Monthly Report as at 30.03.12

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 achieve this objective by investing primarily in securities whose performance is linked to the economies of the Mainland China, Hong Kong and Taiwan.

## Portfolio review and outlook

**Portfolio Review:** Greater China markets fell in March. The MSCI China index corrected the most, as mainland macro data indicated a sharper-than-expected deceleration and corporate earnings for 4Q11 were generally lackluster. In addition, rumors of political strife in China surfaced after the Communist Party of China Chongqing Committee Secretary Bo Xilai was removed from his position. The MSCI Hong Kong index followed China, with the election of a more populist new Chief Executive, CY Leung, adding to the profit-taking atmosphere. Leung is perceived as less friendly for the property market than his predecessor. The MSCI Taiwan index outperformed led by technology stocks. The strong outlook for makers of smartphones and tablets, paired with better-than-expected employment data in the US, a key market, kept the electronics stock index flat. This was despite falling regional markets and the Taiwanese government developing a capital gains tax on assets. The Fund posted negative returns given its net exposure.

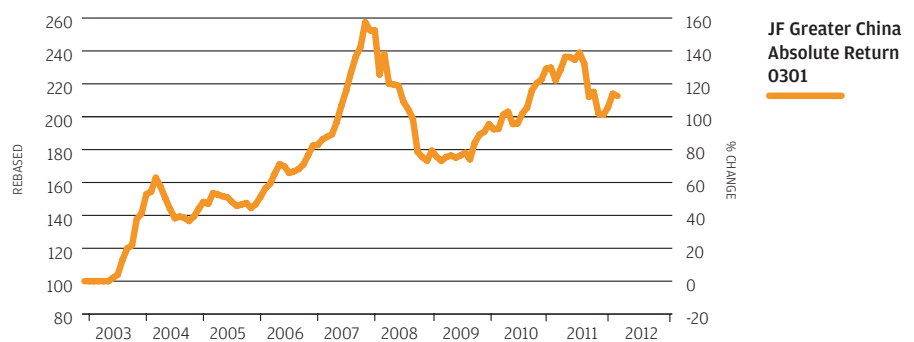
**Outlook:** While the policy environment in all three markets remains in flux, we believe that the global economy will continue its recovery. China has already reached its inflection point in both fiscal and monetary policy. The 'bad news' of earnings season is completed and as a result, we remain constructive on equity markets in Greater China. We have added to our Chinese property and consumption positions during the month while keeping exposures flat.

## Portfolio information

|                            |  |
|----------------------------|--|
| Fund manager               | Howard Wang/Emerson Yip  |
| Launch date                | 11.12.02   |
| Total fund size (m)        | USD 10.1   |
| Seed money                 | Nil  |
| Preliminary charge         | 5% of Subscription Price   |
| Redemption charge          | Currently 0%<br>(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 <sup>‡</sup> 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      | 2169255/JFGCA03 KY   |

- The Fund is an authorised hedge fund investing primarily in securities whose performance is linked to the economies of the Mainland China, Hong Kong and Taiwan, and is therefore subject to emerging markets and liquidity risks. 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 launch - Notional Class 0301



## Monthly performance % - Notional Class 0301

|      | Jan   | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Sep   | Oct  | Nov  | Dec  | YTD   |
|------|-------|------|------|------|------|------|------|------|-------|------|------|------|-------|
| 2003 | -     | -0.3 | 0.2  | 0.4  | 2.1  | 1.9  | 8.0  | 6.3  | 1.7   | 13.2 | 2.4  | 8.3  | -     |
| 2004 | 1.0   | 5.5  | -3.3 | -4.5 | -4.4 | -3.8 | 0.8  | -0.6 | -1.4  | 2.0  | 3.3  | 2.9  | -3.1  |
| 2005 | -0.8  | 4.4  | -0.6 | -0.7 | -0.4 | -1.9 | -1.6 | 0.6  | 0.6   | -2.0 | 1.6  | 3.1  | 2.1   |
| 2006 | 3.4   | 1.7  | 4.0  | 3.4  | -0.7 | -2.4 | 0.6  | 0.9  | 1.6   | 3.4  | 3.3  | 0.2  | 20.8  |
| 2007 | 1.8   | 0.9  | 0.8  | 4.0  | 5.2  | 4.4  | 5.1  | 4.2  | 2.5   | 6.2  | -1.9 | -0.0 | 38.1  |
| 2008 | -10.6 | 6.1  | -8.1 | -0.2 | -0.4 | -4.4 | -2.2 | -2.8 | -10.2 | -1.8 | -1.2 | 3.5  | -29.0 |
| 2009 | -2.1  | -1.4 | 1.3  | 0.5  | -0.7 | 0.7  | 0.9  | -2.2 | 5.8   | 2.7  | 0.9  | 2.4  | 8.9   |
| 2010 | -1.5  | 0.1  | 4.5  | 0.8  | -3.7 | 0.2  | 3.1  | 1.8  | 5.0   | 2.1  | 1.0  | 3.0  | 17.3  |
| 2011 | 0.3   | -3.3 | 2.8  | 3.5  | -0.0 | -0.7 | 1.8  | -2.7 | -8.7  | 1.4  | -6.2 | -0.4 | -12.3 |
| 2012 | 2.3   | 4.0  | -0.6 | -    | -    | -    | -    | -    | -     | -    | -    | -    | 5.8   |

## Top holdings of longs %<sup>†</sup>

| Sector        | Country/Region | Asset Class | %   |
|---------------|----------------|-------------|-----|
| Managed Funds | China          | Equity      | 5.0 |
| Financials    | China          | Equity      | 3.8 |
| Utilities     | China          | Equity      | 3.5 |
| Financials    | China          | Equity      | 3.2 |
| Energy        | China          | Equity      | 2.9 |

No. of long positions (excl cash\*) 57

## Top holdings of shorts %<sup>†</sup>

| Sector        | Country/Region | Asset Class | %     |
|---------------|----------------|-------------|-------|
| Index Futures | China          | Equity      | -25.8 |
| Index Futures | Taiwan         | Equity      | -9.8  |
| Index Futures | Hong Kong      | Equity      | -5.2  |
| Industrials   | China          | Equity      | -2.4  |
| Financials    | Hong Kong      | Equity      | -1.3  |

No. of short positions (excl cash\*) 8

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 0301 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 % overlay 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 0301 per unit is USD24,2386 for financial year ending 30 September 2012. 1)The Asset Triple A Investment Awards 2011 (reflect fund performance over the 12-month period to the end of June 2011).

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

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## Allocation

### Gross asset breakdown (% of total gross exposure)

|       |                         |
|-------|-------------------------|
| 83.3% | Equities                |
| 16.7% | Cash* & Cash Borrowings |

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

|       |           |
|-------|-----------|
| 60.9% | China     |
| 22.7% | Taiwan    |
| 16.3% | Hong Kong |

### Gross sector breakdown—equity & equity derivatives (ex cash\*) (% of total gross equity & equity derivatives exposure ex cash\*)

|       |                               |
|-------|-------------------------------|
| 31.8% | Index Futures/ Options/ Swaps |
| 24.7% | Financials                    |
| 11.5% | IT                            |
| 7.4%  | Industrials                   |
| 6.4%  | Consumer Discret.             |
| 6.0%  | Energy                        |
| 5.2%  | Others                        |
| 3.9%  | Managed Funds                 |
| 2.9%  | Materials                     |

## Exposure summary (% of NAV)

|                                    | China | Taiwan | Hong Kong | USD  | Total |
|------------------------------------|-------|--------|-----------|------|-------|
| Equity long                        | 46.9  | 19.4   | 14.4      | -    | 80.6  |
| Equity short                       | -31.3 | -9.8   | -6.6      | -    | -47.7 |
| Fixed Income long                  | -     | -      | -         | -    | -     |
| Fixed Income short                 | -     | -      | -         | -    | -     |
| Total long                         | 46.9  | 19.4   | 14.4      | -    | 80.6  |
| Total short                        | -31.3 | -9.8   | -6.6      | -    | -47.7 |
| Net exposure                       | 15.6  | 9.5    | 7.8       | -    | 33.0  |
| Gross exposure                     | 78.2  | 29.2   | 20.9      | -    | 128.3 |
| Cash*                              | -     | 4.8    | 10.5      | 10.5 | 25.8  |
| Cash borrowings and other leverage | 25.8  | 9.8    | 5.2       | -    | 40.9  |
| Long options/warrants              | -     | -      | -         | -    | -     |

## Performance statistics - Notional Class O301

|                                    | 2011  | 2010 | 2009 | 2008  | 2007 | 2006 | 2005 | 2004 | 2003 | Since launch<br>(annualised) |
|------------------------------------|-------|------|------|-------|------|------|------|------|------|------------------------------|
| Annual return %                    | -12.3 | 17.3 | 8.9  | -29.0 | 38.1 | 20.8 | 2.1  | -3.1 | 52.8 | 8.4                          |
| Annual volatility %                | 12.1  | 8.2  | 7.5  | 16.8  | 8.2  | 6.6  | 6.6  | 11.1 | 14.3 | 12.4                         |
| Sharpe ratio (risk free rate = 0%) | -     | 2.11 | 1.19 | -     | 4.65 | 3.17 | 0.32 | -    | 3.70 | 0.68                         |

## Fund statistics - Notional Class O301

|                              | 2012YTD | 2011    | 2010    | 2009    | 2008    | 2007    | Since launch |
|------------------------------|---------|---------|---------|---------|---------|---------|--------------|
| Highest NAV per unit (USD)   | 21.3965 | 23.8909 | 22.9164 | 19.5385 | 23.9420 | 25.7431 | 25.7431      |
| Lowest NAV per unit (USD)    | 20.5746 | 20.1049 | 19.2384 | 17.3172 | 17.3282 | 18.6169 | 9.9679       |
| Maximum drawdown %           | -0.6    | -15.8   | -3.7    | -3.5    | -31.4   | -1.9    | -32.7        |
| Total no. of positive months | 2       | 5       | 10      | 8       | 2       | 10      | 68           |
| Total no. of negative months | 1       | 7       | 2       | 4       | 10      | 2       | 42           |

## Cumulative performance % - All Notional Classes

| Class | Issue date | NAV per unit | Current bid price | YTD | 1 month | 1 year | 3 years | Since launch** |
|-------|------------|--------------|-------------------|-----|---------|--------|---------|----------------|
| 0301  | 11.12.02   | 21.2635      | 21.26             | 5.8 | -0.6    | -6.9   | 21.2    | 112.6          |
| 0710  | 31.10.07   | 8.1409       | 8.14              | 5.8 | -0.6    | -6.9   | 21.2    | -18.6          |
| 0711  | 30.11.07   | 8.3360       | 8.33              | 5.8 | -0.6    | -6.9   | 21.2    | -16.6          |
| 0801  | 31.01.08   | 9.4257       | 9.42              | 5.8 | -0.6    | -6.7   | 21.2    | -5.7           |
| 0804  | 30.04.08   | 9.6840       | 9.68              | 5.8 | -0.6    | -6.2   | 21.2    | -3.2           |
| 0906  | 30.06.09   | 11.6012      | 11.60             | 5.8 | -0.6    | -5.9   | -       | 16.0           |
| 1010  | 29.10.10   | 9.6482       | 9.64              | 5.8 | -0.6    | -6.3   | -       | -3.5           |
| 1011  | 30.11.10   | 9.5552       | 9.55              | 5.8 | -0.6    | -6.4   | -       | -4.4           |
| 1101  | 31.01.11   | 9.2516       | 9.25              | 5.8 | -0.6    | -6.9   | -       | -7.5           |
| 1102  | 28.02.11   | 9.5721       | 9.57              | 5.8 | -0.6    | -6.4   | -       | -4.3           |
| 1103  | 31.03.11   | 9.3084       | 9.30              | 5.8 | -0.6    | -6.9   | -       | -6.9           |
| 1105  | 31.05.11   | 8.9978       | 8.99              | 5.8 | -0.6    | -      | -       | -10.0          |
| 1106  | 30.06.11   | 9.0640       | 9.06              | 5.8 | -0.6    | -      | -       | -9.4           |
| 1202  | 29.02.12   | 9.9378       | 9.93              | -   | -       | -      | -       | -              |

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: Howard Wang, together with the Greater China Team, has been managing this Fund since July 2005. From September 2009, Emerson Yip has returned as deputy manager, replacing Kevin Chan. 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.

## Betas (equity & equity derivatives)

| Country/Region | Index (Gross)  | Long | Short |
|----------------|----------------|------|-------|
| Taiwan         | MSCI Taiwan    | 1.18 | -1.00 |
| Hong Kong      | MSCI Hong Kong | 1.16 | -0.88 |
| China          | MSCI China     | 0.99 | -1.08 |
| China          | MSCI China A   | 0.83 | -     |

Source: Factset (Estimated over 60 weekdays with local holidays excluded. Based in USD with dividends reinvested.) Stocks with insufficient history are excluded. Underlying stock data used when holdings' data not available.

### 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.

#### Betas (equity & equity derivatives)

Weighted average of individual holdings' betas. Cash index returns used for index futures.