

# JF SAR Global Bond Fund

Audited Annual Report  
30 June 2011

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Investment Report  | 1           |
| Report of the Trustee to the Unitholders                                       | 2           |
| Independent Auditor's Report to the Trustee                                    | 3           |
| Statement of Financial Position  | 4           |
| Statement of Comprehensive Income  | 5           |
| Statement of Changes in Net Assets Attributable to Holders of Redeemable Units | 6           |
| Statement of Cash Flows  | 7           |
| Notes to the Financial Statements  | 8 - 19      |
| Investment Portfolio - Unaudited   | 20 - 22     |
| Statement of Movements in Portfolio Holdings - Unaudited                       | 23          |
| Performance Record - Unaudited   | 24 - 25     |
| Management and Administration  | 26          |

This report does not constitute an offer of any units in the fund forming the subject matter of this document (the "Fund"). Subscriptions are only valid if made on the basis of the current explanatory memorandum (or equivalent), supplemented by the most recent financial report.

**Investment Report**

Investment Policy

The investment policy of the JF SAR Global Bond Fund (the “Fund”) is to provide investors with long-term capital growth in United States dollar terms through a portfolio consisting primarily of international bonds of developed markets.

The proposed allocation of the assets held under the Fund is as follows:

|         |   |
|---------|---|
| 70-100% | non-cash assets in international bonds of developed markets   |
| 0-30%   | non-cash assets in international bonds of developing markets as permitted under the Mandatory Provident Fund Schemes (General) Regulation |

During this financial period, there has been no change in the Fund’s investment policy.

Commentary by the Manager

Market review

Government bond yields have been volatile over the second half of 2010. Bond yields once plunged to record lows before selling off towards the end of year 2010 on the back of improved economic data. In 2011 however, treasuries traded mostly in a range, momentarily breaking lower when nuclear fears in Japan reached a peak in the first quarter and when Peripheral Europe experienced acute stress at the end of the second quarter. The credit sector continued to recover during 2010 and early 2011, however it lost some momentum in the second quarter of 2011. We roughly halved our credit spread duration overweight during the second quarter.

Outlook and Positions

Weak economic data continue to provide evidence for slowing growth in G4 economies. This, allied to the political turmoil in Europe and the uncertain policy response of emerging market countries in the face of inflationary pressures, have served to cement our conviction in our base case ‘anemic’ recovery scenario.

Commentary by the Trustee

Investments made by the Fund during the year are in accordance with the investment policy as described in the Explanatory Memorandum. During the year, there has been no change in the statement of investment policy that will materially affect the risk attached to the investment of the Fund. The trustee would like to highlight that during the year there was one advertent breach which is summarized in the Report of the Trustee.

|   | 2011<br>US\$ | 2010<br>US\$ | 2009<br>US\$ |
|---|--------------|--------------|--------------|
| Decrease in net assets attributable to holders of redeemable units and total comprehensive loss before net gains on investments and forward foreign exchange contracts and net foreign currency exchange gains/(losses) | (977,912)    | (995,157)    | (166,463)    |
| Capital appreciation <sup>1</sup>   | 45,573,679   | 7,840,065    | 89,175,635   |
| Net assets attributable to holders of redeemable units (after fair value adjustment)  | 563,893,267  | 519,297,500  | 512,452,592  |

[<sup>1</sup> Capital appreciation represents the aggregate of net allotment/(redemption) and net gains on investments and forward foreign exchange contracts and net foreign currency exchange gains/(losses)]

**Report of the Trustee to the Unitholders**

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 16 September 1998, as amended, for the year ended 30 June 2011.

We hereby report that, during the year, we became aware of one advertent breach.

**Advertent breach**

The Fund held a long position in Mexican Nuevo Peso currency forward contract which was not for hedging purpose or for the settling of a transaction relating to the acquisition of securities. The breach was rectified on 12 May 2011 by reducing the currency forward exposure of the Fund into compliance. The loss was compensated to the Fund.

Apart from the breach mentioned above, we have not become aware of any failures by the Custodian, the Manager and their delegates to comply with the obligations imposed on them.

We are not aware of any events of a significant nature relating to the Fund that occurred during the year which have not been reported to the Mandatory Provident Fund Schemes Authority (the "MPFA").

We hereby confirm that provisions of the Trust Deed dated 16 September 1998, as amended, the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong, the Mandatory Provident Fund Schemes Ordinance, the Mandatory Provident Fund Schemes (General) Regulation, the Code on MPF Investment Funds and other relevant guidelines issued by the MPFA have been complied with in all material respects during the year.

There are no material changes (including changes of the Custodian, the Manager and delegates of the Manager) which have not been reported to the MPFA during the year.

We declare that we have, during the year, supervised, and exercised proper control over, all persons appointed or engaged for the purposes of the Fund.

For and on behalf of  
Royal Bank of Canada Trust Company (Asia) Limited, Trustee

-----  
Director

-----  
Director

**Independent Auditor's Report**

To the Trustee of JF SAR Global Bond Fund (the "Fund")

**Report on the financial statements**

We have audited the financial statements of the Fund set out on pages 4 to 19, which comprise the Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16 September 1998, as amended (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), the Hong Kong Mandatory Provident Fund Scheme Ordinance (the "Ordinance"), the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), the Code on MPF Investment Funds (the "MPF Code"), and Guideline II.5 issued by the Mandatory Provident Fund Schemes Authority (the "MPF Guideline"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2011, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Report on other legal and regulatory disclosure requirements**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code, the Ordinance, the General Regulation, the MPF Code and the MPF Guideline.

PricewaterhouseCoopers  
Hong Kong,

13 October 2011



Statement of Comprehensive Income  
For the year ended 30 June 2011

|  | 2011<br>US\$      | 2010<br>US\$      |
|--|-------------------|-------------------|
| <b>Income</b>  |                   |                   |
| Net gains on investments and forward foreign exchange contracts [Note 5]                                 | 42,412,795        | 23,604,107        |
| Net foreign currency exchange gains  | 1,077,667         | 22,707            |
| Interest on deposits   | 25,996            | 11,638            |
| Other income   | 7,214             | 4                 |
|  | <u>43,523,672</u> | <u>23,638,456</u> |
|  | -----             | -----             |
| <b>Expenses</b>  |                   |                   |
| Trustee's fee [Note 7(g)]  | 438,232           | 518,852           |
| Registrar's fee [Note 7(h)]  | 82,543            | 81,582            |
| Safe custody and bank charges  | 74,315            | 77,582            |
| Management fee [Note 7(e)]   | 47,603            | 41,964            |
| Auditor's fee  | 29,066            | 20,900            |
| Legal and professional expenses  | 20,728            | 6,767             |
| Valuation fee [Note 7(e)]  | 17,430            | 17,430            |
| Transaction costs  | 5,432             | 682               |
| Printing and publication expenses  | 680               | 573               |
| Other operating expenses   | 1,991             | 831               |
|  | <u>718,020</u>    | <u>767,163</u>    |
|  | -----             | -----             |
| <b>Profit before taxation</b>  | 42,805,652        | 22,871,293        |
| Taxation [Note 6]  | (167,934)         | (92,237)          |
|  | <u>42,637,718</u> | <u>22,779,056</u> |
|  | -----             | -----             |
| Change in cumulative difference arising from the fair value adjustment of units of the Fund              | (125,168)         | (147,399)         |
|  | <u>42,512,550</u> | <u>22,631,657</u> |
|  | =====             | =====             |
| <b>Increase in net assets attributable to holders of redeemable units and total comprehensive income</b> |                   |                   |

The notes on pages 8 to 19 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the year ended 30 June 2011

|  | 2011<br>US\$              | 2010<br>US\$              |
|--|---------------------------|---------------------------|
| Net assets attributable to holders of redeemable units at the beginning of the year                      | 519,297,500               | 512,452,592               |
|  | -----                     | -----                     |
| Allotment of redeemable units [Note 3]   | 58,704,884                | 80,050,596                |
| Redemption of redeemable units [Note 3]  | (56,621,667)              | (95,837,345)              |
| <b>Net allotment/(redemption)</b>  | <u>2,083,217</u>          | <u>(15,786,749)</u>       |
|  | -----                     | -----                     |
|  | 521,380,717               | 496,665,843               |
| <b>Increase in net assets attributable to holders of redeemable units and total comprehensive income</b> | <u>42,512,550</u>         | <u>22,631,657</u>         |
|  | -----                     | -----                     |
| Net assets attributable to holders of redeemable units at the end of the year                            | <u><u>563,893,267</u></u> | <u><u>519,297,500</u></u> |

*The notes on pages 8 to 19 form part of these financial statements.*

**Statement of Cash Flows**  
For the year ended 30 June 2011

|  | 2011<br>US\$      | 2010<br>US\$        |
|--|-------------------|---------------------|
| <b>Operating activities</b>  |                   |                     |
| Purchase of investments and forward foreign exchange contracts               | (395,993,965)     | (165,265,541)       |
| Proceeds from disposal of investments and forward foreign exchange contracts | 396,752,828       | 167,181,575         |
| Interest received  | 25,954            | 11,638              |
| Transaction costs paid   | (4,189)           | (702)               |
| Management fee paid  | (46,646)          | (41,846)            |
| Registrar's fee paid   | (80,716)          | (81,226)            |
| Tax paid   | (151,645)         | (67,304)            |
| Trustee's fee paid   | (437,280)         | (526,977)           |
| Others   | 853,323           | (517,464)           |
|  | <u>917,664</u>    | <u>692,153</u>      |
| <b>Net cash inflow from operating activities</b>                             | -----             | -----               |
| <b>Financing activities</b>  |                   |                     |
| Receipts on allotment of redeemable units                                    | 58,347,205        | 82,699,613          |
| Payments on redemption of redeemable units                                   | (56,555,897)      | (95,756,775)        |
|  | <u>1,791,308</u>  | <u>(13,057,162)</u> |
| <b>Net cash inflow/(outflow) from financing activities</b>                   | -----             | -----               |
| <b>Increase/(decrease) in cash and cash equivalents</b>                      | 2,708,972         | (12,365,009)        |
| Cash and cash equivalents at the beginning of the year                       | 19,704,043        | 31,652,734          |
| Exchange gains on cash and cash equivalents                                  | 88,950            | 416,318             |
|  | <u>22,501,965</u> | <u>19,704,043</u>   |
| <b>Cash and cash equivalents at the end of the year</b>                      | =====             | =====               |
| <b>Analysis of balances of cash and cash equivalents:</b>                    |                   |                     |
| Cash at banks  | 1,105,967         | 19,704,043          |
| Short term deposits  | 21,400,000        | -                   |
| Bank overdraft   | (4,002)           | -                   |
|  | <u>22,501,965</u> | <u>19,704,043</u>   |
|  | =====             | =====               |

The notes on pages 8 to 19 form part of these financial statements.

## Notes to the Financial Statements

### 1 The Fund

JF SAR Global Bond Fund (the "Fund") was established under a Trust Deed dated 16 September 1998, as amended, and is governed by the laws of Hong Kong. The Fund is authorized by the Securities and Futures Commission of Hong Kong ("SFC").

The investment policy of the Fund is to provide investors with long-term capital growth in United States dollar terms through a portfolio consisting primarily of international bonds of developed markets.

The Fund has been approved under section 6 of the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation") as an Approved Pooled Investment Fund since 31 October 2000. The Fund is also required to comply with the Schedule of Conditions for Approval of Pooled Investment Funds issued by the Mandatory Provident Fund Schemes Authority (the "MPFA") to the Fund dated 31 October 2000.

The Fund is established with different classes of units to cater for different categories of investors. Currently, the Fund offers two classes of units. The two classes of units are:

Class A - Available to collective investment schemes, pension plans, segregated portfolios or other types of investment vehicles to which units of Class B are not made available.

Class B - Available to any schemes registered under the General Regulation for investment purpose only and collective investment schemes which are authorized by the SFC, pension plans, segregated portfolios or other types of investment vehicles where the Manager or its associated party acts as the manager or the investment manager of such scheme, plan, portfolio or vehicle and a management fee or investment management fee is being charged by them.

All unitholders' rights with regard to the convening, voting or otherwise acting at any meeting of unitholders are the same.

### 2 Summary of principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation of financial statements

The financial statements of the Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Manager and the Trustee (the "Management") to exercise their judgment in the process of applying the Fund's accounting policies.

*New standards and amendments to standards that are not yet effective and have not been early adopted by the Fund*

HKFRS 9, "Financial Instruments" issued in November 2009. This standard is the first step in the process to replace Hong Kong Accounting Standard ("HKAS") 39, "Financial Instruments: Recognition and Measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets. In the fourth quarter of 2010, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has released additions to HKFRS 9 dealing with financial liabilities. The additions, which are part of the HKICPA's plan to replace HKAS 39, retain most of the HKAS 39's requirements for financial liabilities. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income. The standard is not applicable until 1 January 2013 but is available for early adoption. The Management is currently assessing the impact on the Fund's financial statements.

HKFRS 13, "Fair Value Measurement" issued in June 2011. This standard introduces guidance for defining and measuring fair value. It also requires for additional disclosures about fair value measurements so as to enhance the comparability of information reported in the financial statements. The standard is not applicable until 1 January 2013 but is available for early adoption. The Management is currently assessing the impact on the Fund's financial statements.

#### (b) Investments and forward foreign exchange contracts

##### *Classification*

The Fund classifies its investments and forward foreign exchange contracts as financial assets or financial liabilities at fair value through profit or loss. These financial assets or financial liabilities are held-for-trading as they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or short-term profit taking.

All forward foreign exchange contracts are carried in assets when amounts are receivable by the Fund and in liabilities when amounts are payable by the Fund.

*Recognition, derecognition and measurement*

Purchases and sales of investments and forward foreign exchange contracts are accounted for on the trade date basis. Investments and forward foreign exchange contracts are initially recognized at fair value and are subsequently re-measured at fair value. Realized and unrealized gains and losses on investments and forward foreign exchange contracts are recognized in the Statement of Comprehensive Income. Investments and forward foreign exchange contracts are derecognized when the rights to receive cash flows from the investments and forward foreign exchange contracts have expired or the Fund has transferred substantially all risks and rewards of ownership.

*Fair value estimation*

Investments that are listed or traded on an exchange and investments with prices quoted in over-the-counter markets or by market makers, are fair valued based on quoted "bid" prices on long investments and quoted "ask" prices on investments sold short.

Debt securities are fair valued based on quoted prices inclusive of accrued interest.

Forward foreign exchange contracts are valued at the forward rates ruling at the valuation date. The differences between the forward rates and the contract rates are recognized in the Statement of Comprehensive Income.

**(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**(d) Income and expense**

Interest income on investments is accounted for as part of net gains/losses on investments and forward foreign exchange contracts in the Statement of Comprehensive Income.

Interest income on cash at banks and short term deposits is accounted for in the Statement of Comprehensive Income on an effective interest basis.

Expenses are accounted for in the Statement of Comprehensive Income on an accrual basis.

**(e) Foreign currency translation**

*Functional and presentation currency*

The Fund has adopted United States dollar as its functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within "Net foreign currency exchange gains/losses". Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Net gains/losses on investments and forward foreign exchange contracts".

**(f) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at banks and bank deposits with maturity of three months or less from the date of placing the deposits, net of certain short term bank loans which the Fund usually undertakes as overnight bank borrowings.

(g) Amounts due from/to brokers

Amounts due from/to brokers represent receivables for investments and forward foreign exchange contracts sold and payables for investments and forward foreign exchange contracts purchased that have been contracted for but not yet settled by the end of the year.

(h) Proceeds and payments on allotment and redemption of units

The net asset value per unit is computed for each dealing day. The price at which units are allotted or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day in accordance with the provisions of the Fund's Trust Deed dated 16 September 1998, as amended, which may be different from the accounting policies stated in the financial statements.

Units of the Fund are redeemable at the option of the holders of redeemable units and are classified as a financial liability in the Statement of Financial Position which represents the net assets attributable to holders of redeemable units (or "net asset value", "net assets" or "NAV") and is carried at the redemption amount that would be payable at the Statement of Financial Position date if the holders of redeemable units exercised the right to redeem units of the Fund.

3 Net assets attributable to holders of redeemable units and number of units in issue

Fair value adjustment of units of the Fund

As stated in Note 2(h), units of the Fund are redeemable at the option of the holders of redeemable units and are classified as a financial liability in the Statement of Financial Position which represents the net assets attributable to the holders of redeemable units and is carried at the redemption amount that would be payable at the Statement of Financial Position date, if the holders of redeemable units exercised the right to redeem units of the Fund. The redemption amount is determined based on the net assets attributable to holders of redeemable units calculated in accordance with the provisions of the Fund's Trust Deed dated 16 September 1998, as amended ("Trust Deed NAV").

|   | 2011<br>US\$ | 2010<br>US\$ |
|---|--------------|--------------|
| Net assets attributable to holders of redeemable units (before fair value adjustment)                           | 563,419,436  | 518,698,501  |
| Fair value adjustment of units of the Fund:   |              |              |
| Difference between bid/ask prices and last traded prices basis in valuing investments as at 30 June [Note 3(a)] | 473,831      | 598,999      |
| Net assets attributable to holders of redeemable units (after fair value adjustment)                            | 563,893,267  | 519,297,500  |

Note:

- (a) Listed investments and investments with prices quoted in over-the-counter markets or by market makers are stated at the last traded prices for the purpose of the Trust Deed NAV. As stated in Note 2(b), the accounting policy of the Fund for the purpose of compliance with HKAS 39, "Financial Instruments: Recognition and Measurement" and for reporting purposes is to value its investments at fair value based on the relevant bid/ask market prices on the Statement of Financial Position date.

Number of units in issue

|  | 2011               |                       | 2010               |                       |
|--|--------------------|-----------------------|--------------------|-----------------------|
|  | Class A<br>Units   | Class B<br>Units      | Class A<br>Units   | Class B<br>Units      |
| Number of units in issue:  |                    |                       |                    |                       |
| At the beginning of the year   | 305,627.346        | 27,988,496.693        | 286,118.730        | 28,835,940.104        |
| Total allotments   | 92,174.066         | 2,940,826.773         | 92,245.711         | 4,313,757.223         |
| Total redemptions  | (42,355.120)       | (2,919,615.272)       | (72,737.095)       | (5,161,200.634)       |
| At the end of the year   | <u>355,446.292</u> | <u>28,009,708.194</u> | <u>305,627.346</u> | <u>27,988,496.693</u> |
|  | US\$               | US\$                  | US\$               | US\$                  |
| Net assets attributable to holders of redeemable units (after fair value adjustment) | <u>6,657,451</u>   | <u>557,235,816</u>    | <u>5,326,347</u>   | <u>513,971,153</u>    |
| Net assets attributable to holders of redeemable units (per unit)                    | <u>18.73</u>       | <u>19.89</u>          | <u>17.43</u>       | <u>18.36</u>          |

**4 Financial risk management**

**(I) Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

**(a) Market risk**

**(i) Market price risk**

The Fund primarily invests in debt securities which are subject to interest rate risk. Refer to Note 4(I)(a)(ii) for interest rate risk.

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument or future cash flow will fluctuate due to changes in market interest rates. The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its investments and cash deposits.

The table below summarizes the Fund's financial assets and liabilities as at 30 June which expose it to the risk associated with the effects of fluctuations in the prevailing levels of market interest rates, categorized by remaining maturity dates.

|                                | Less than<br>1 year<br>US\$ | 1-5 years<br>US\$  | Over 5 years<br>US\$ | Total<br>US\$      |
|--------------------------------|-----------------------------|--------------------|----------------------|--------------------|
| <u>2011</u>                    |                             |                    |                      |                    |
| Cash at banks                  | 1,105,967                   | -                  | -                    | 1,105,967          |
| Short term deposits            | 21,400,000                  | -                  | -                    | 21,400,000         |
| Investments (Note*)            | 30,591,125                  | 207,891,639        | 312,148,061          | 550,630,825        |
| Total interest sensitivity gap | <u>53,097,092</u>           | <u>207,891,639</u> | <u>312,148,061</u>   | <u>573,136,792</u> |

|                     | Less than<br>1 year<br>US\$ | 1-5 years<br>US\$  | Over 5 years<br>US\$ | Total<br>US\$      |
|---------------------|-----------------------------|--------------------|----------------------|--------------------|
| <u>2010</u>         |                             |                    |                      |                    |
| Cash at banks       | 19,704,043                  | -                  | -                    | 19,704,043         |
| Investments (Note*) | 24,409,134                  | 231,061,860        | 238,766,731          | 494,237,725        |
|                     | <u>44,113,177</u>           | <u>231,061,860</u> | <u>238,766,731</u>   | <u>513,941,768</u> |

Note:

\* The coupon rate of the investments ranged between 1.35% p.a. - 10.00% p.a. (2010: 0.63% p.a. - 9.25% p.a.).

As at 30 June, the Fund's fair value of investments and forward foreign exchange contracts were as follows:

|                                    | <u>2011</u>                          |                       | <u>2010</u>                          |                       |
|------------------------------------|--------------------------------------|-----------------------|--------------------------------------|-----------------------|
| Listed/Quoted Investments          | Fair value of<br>investments<br>US\$ | % of<br>net<br>assets | Fair value of<br>investments<br>US\$ | % of<br>net<br>assets |
| <u>Assets</u>                      |                                      |                       |                                      |                       |
| Debt Securities                    |                                      |                       |                                      |                       |
| - United States Dollar             | 207,164,021                          | 36.7                  | 191,622,753                          | 36.9                  |
| - Euro                             | 152,487,980                          | 27.0                  | 156,702,116                          | 30.2                  |
| - Japanese Yen                     | 113,627,455                          | 20.2                  | 84,396,431                           | 16.2                  |
| - Sterling                         | 36,404,133                           | 6.5                   | 34,820,766                           | 6.7                   |
| - Others                           | 40,947,236                           | 7.3                   | 26,695,659                           | 5.2                   |
|                                    | <u>550,630,825</u>                   | <u>97.7</u>           | <u>494,237,725</u>                   | <u>95.2</u>           |
| Forward foreign exchange contracts | -                                    | -                     | 5,724,477                            | 1.1                   |
|                                    | <u>550,630,825</u>                   | <u>97.7</u>           | <u>499,962,202</u>                   | <u>96.3</u>           |
| <u>Liabilities</u>                 |                                      |                       |                                      |                       |
| Forward foreign exchange contracts | (908,372)                            | (0.2)                 | -                                    | -                     |
|                                    | <u>549,722,453</u>                   | <u>97.5</u>           | <u>499,962,202</u>                   | <u>96.3</u>           |

Also, refer to Note 9 for the exposures on forward foreign exchange contracts.

The Manager monitors the Fund's interest rate risk sensitivity primarily through the modified duration of the Fund on a regular basis. The modified duration measures the sensitivity of the price of a bond relative to the change in interest rate. As at 30 June 2011, the Manager estimates that the Fund has a modified duration of 5.78 (2010: 5.44). For the purpose of disclosing relevant sensitivities, the percentage of reasonable possible change in interest rate adopted is 25 basis points, which is based on the typical possible change of Fed Funds rate and does not include remote or "worst case" scenarios or "stress tests" nor represent the Manager's forecast of the Fund's future returns. If the interest rates were to rise by 25 basis points with all other variables held constant, this would result in a decrease in net asset value of the Fund by approximately US\$8,148,258 (2010: US\$7,062,446). If the interest rates were to fall by 25 basis points, this would result in an increase in the net asset value of the Fund by the same amount.

(iii) Currency risk

The Fund holds assets and liabilities denominated in a number of currencies. HKFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk. The Manager monitors the exposure on all foreign currency denominated assets and liabilities including both monetary and non-monetary assets and liabilities.

The Fund enters in some forward foreign exchange contracts to hedge some of its foreign currency exposures to maintain limited exposure to non-US\$ currencies. The realized profits or losses are normally quoted and settled net in United States dollar. Refer to Note 9 for the outstanding forward foreign exchange contracts as at year end.

The table below summarizes the Fund's exposure to currency risk as at 30 June together with the percentage of reasonable possible change in foreign currencies and the estimated impact on net asset value.

| Net currency exposures (Note*) | US\$<br>equivalent | % of<br>reasonable<br>possible<br>change<br>against US\$<br>(Note**) | Estimated<br>impact on<br>net asset<br>value<br>US\$ |
|--------------------------------|--------------------|--|--|
| <u>2011</u>                    |                    |  |  |
| Australian Dollar              | 4,692,091          | +26.8  | 1,257,480  |
| Canadian Dollar                | 11,292,145         | +10.1  | 1,140,507  |
| Euro                           | 114,938,376        | +18.4  | 21,148,661   |
| Hong Kong Dollar               | 835                | +0.1   | 1  |
| Japanese Yen                   | 81,241,064         | +9.6   | 7,799,142  |
| Korean Won                     | 8,604,056          | +14.5  | 1,247,588  |
| Mexican Nuevo Peso             | 8,256,499          | +9.9   | 817,393  |
| Sterling                       | 21,643,055         | +7.3   | 1,579,943  |
| Swedish Kroner                 | 2,480,432          | +23.3  | 577,941  |
|                                | 253,148,553        |  | 35,568,656   |
| <u>2010</u>                    |                    |  |  |
| Australian Dollar              | 2,628,448          | +4.5   | 118,280  |
| Canadian Dollar                | 11,831,192         | +9.3   | 1,100,301  |
| Euro                           | 104,022,229        | -12.7  | (13,210,823)   |
| Hong Kong Dollar               | 10,339             | -0.5   | (52)   |
| Japanese Yen                   | 72,884,302         | +9.0   | 6,559,587  |
| Korean Won                     | 7,370,725          | +4.3   | 316,941  |
| Sterling                       | 19,936,939         | -9.2   | (1,834,198)  |
|                                | 218,684,174        |  | (6,949,964)  |

If the foreign currency fluctuations were to move in the opposite direction, this would result in an opposite movement in the net asset value of the Fund by the same amount, assuming that all other variables are held constant.

Note:

\* Net currency exposures on assets and liabilities include both monetary and non-monetary assets and liabilities.

\*\* % of reasonable possible change is based on the actual historical change in the respective currencies against the functional currency of the Fund in the past 12 months and does not include remote or "worst case" scenarios or "stress tests" nor represent the Manager's forecast of the Fund's future returns. In order to better reflect on the period over which reasonable possible change may take effect, the Manager assessed and revised the calculation of % of reasonable possible change from using the actual historical change in the respective currencies against the functional currency of the Fund from in the past 3 months to 12 months.

(b) Credit risk

Credit risk is the risk that a counterparty will not be able to pay amounts in full when due.

As at 30 June, the Fund's maximum exposure to credit risk before any credit enhancements was as follows:

|  | 2011<br>US\$       | 2010<br>US\$       |
|--|--------------------|--------------------|
| Cash at banks                          | 1,105,967          | 19,704,043         |
| Short term deposits                    | 21,400,000         | -                  |
| Amounts due from brokers               | 5,774,741          | 705,756            |
| Amounts receivable on allotment        | 553,322            | 195,643            |
| Forward foreign exchange contracts     | 154,446            | 5,724,477          |
| Investments                            | 550,630,825        | 494,237,725        |
| Interest and other accounts receivable | 14,262             | 174                |
|  | <u>579,633,563</u> | <u>520,567,818</u> |

All transactions in listed investments are settled on a delivery versus payment basis using approved brokers. The risk of default is considered minimal, as delivery of investments sold is only made when the Fund's custodian bank has received payment. For a purchase, payment is made once the investments have been received by the Fund's custodian bank. The trade will fail if either party fails to meet the obligation.

The Fund's investments are predominantly in debt securities and therefore the Fund is exposed to credit risk that the issuers may not be able to repay the principal amount and interest at maturity.

The table below summarizes the debt securities by credit rating as at 30 June.

|                                  | 2011<br>% of<br>net<br>assets | 2010<br>% of<br>net<br>assets |
|----------------------------------|-------------------------------|-------------------------------|
| S&P(AAA)/Moody's(Aaa)/FITCH(AAA) | 58.6                          | 55.2                          |
| S&P(AA)/Moody's(Aa)/FITCH(AA)    | 23.3                          | 26.7                          |
| S&P(A)/Moody's(A)/FITCH(A)       | 9.2                           | 11.9                          |
| S&P(BBB)/Moody's(Baa)/FITCH(BBB) | 5.7                           | 0.5                           |
| S&P(BB)/Moody's(Ba)/FITCH(BB)    | 0.9                           | 0.5                           |
| S&P(B)/Moody's(B)/FITCH(B)       | -                             | 0.4                           |
|                                  | <u>97.7</u>                   | <u>95.2</u>                   |

The table below summarizes the credit rating of the ultimate holding company of the custodian.

|   | 2011<br>Exposure to<br>counterparties<br>US\$ | 2010<br>Exposure to<br>counterparties<br>US\$ |
|---|---|---|
| Bank balances under the safekeeping of the custodian<br>S&P(AA)/Moody's(Aa)/FITCH(AA) | <u>1,105,967</u>                              | <u>19,704,043</u>                             |

**(c) Liquidity risk**

The Fund is exposed to daily redemption of units, the majority of its assets in investments are traded in an active market which can be readily disposed of. The Manager may also limit the total number of units redeemed on any dealing day to 10% or more of the current units in issue of any one class on any dealing day.

The table below summarizes the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at 30 June to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

|  | 2011<br>Less than 1 month<br>US\$ | 2010<br>Less than 1 month<br>US\$ |
|--|-----------------------------------|-----------------------------------|
| Bank overdraft   | 4,002                             | -                                 |
| Amounts due to brokers                                 | 14,703,096                        | 1,527,792                         |
| Amounts payable on redemption                          | 279,211                           | 213,441                           |
| Forward foreign exchange contracts                     | 1,062,818                         | -                                 |
| Other accounts payable                                 | 165,000                           | 128,084                           |
| Net assets attributable to holders of redeemable units | 563,893,267                       | 519,297,500                       |
| Total financial liabilities                            | <u>580,107,394</u>                | <u>521,166,817</u>                |

The Manager manages the Fund's liquidity risk by investing predominantly in investments that the Manager expects to be able to liquidate within 1 month to meet the total financial liabilities and making short term bank borrowing.

**(II) Capital risk management**

The capital of the Fund is represented by the net assets attributable to holders of redeemable units which is subject to subscriptions and redemptions of redeemable units. The Fund's objective for capital management is to provide returns and long-term capital growth for unitholders.

In order to maintain the capital structure, the Management perform the following:

- Monitor subscriptions and redemptions activities relative to the liquid assets.
- To protect the interest of unitholders and in exceptional circumstances, the Manager may also limit the total number of units redeemed on any dealing day to 10% or more of the current units in issue of any one class on any dealing day.
- Monitor fund investment guidelines and restrictions, in accordance with the constitutional documents, to maintain sufficient liquidity through diversification.

**(III) Fair value estimation**

As at 30 June 2011 and 2010, the Management consider that the carrying values of assets and liabilities were reasonable approximations of their fair value.

HKFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below summarizes the Fund's investments and forward foreign exchange contracts within the fair value hierarchy measured at fair value as at 30 June:

| Listed/Quoted Investments   | Level 1<br>US\$ | Level 2<br>US\$ | Level 3<br>US\$ | Total<br>US\$ |
|---|-----------------|-----------------|-----------------|---------------|
| <u>2011</u>   |                 |                 |                 |               |
| <u>Assets</u>   |                 |                 |                 |               |
| Debt Securities   | -               | 550,630,825     | -               | 550,630,825   |
| Total financial assets at fair value through profit and loss      | -               | 550,630,825     | -               | 550,630,825   |
| <u>Liabilities</u>  |                 |                 |                 |               |
| Forward foreign exchange contracts                                | -               | (908,372)       | -               | (908,372)     |
| Total financial liabilities at fair value through profit and loss | -               | (908,372)       | -               | (908,372)     |
| <u>2010</u>   |                 |                 |                 |               |
| <u>Assets</u>   |                 |                 |                 |               |
| Debt Securities   | -               | 494,237,725     | -               | 494,237,725   |
| Forward foreign exchange contracts                                | -               | 5,724,477       | -               | 5,724,477     |
| Total financial assets at fair value through profit and loss      | -               | 499,962,202     | -               | 499,962,202   |

## 5 Net gains on investments and forward foreign exchange contracts

|  | 2011<br>US\$      | 2010<br>US\$      |
|--|-------------------|-------------------|
| Change in unrealized gains/losses in value of investments and forward foreign exchange contracts | 19,059,378        | 8,422,060         |
| Realized gains on sale of investments and forward foreign exchange contracts                     | 23,353,417        | 15,182,047        |
|  | <u>42,412,795</u> | <u>23,604,107</u> |

## 6 Taxation

No provision for Hong Kong profits tax has been made as the Fund was authorized as a collective investment scheme under Section 104 of the Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance.

Overseas withholding tax was charged on certain interest income received during the year.

**7 Transactions with the Trustee, the Manager and their Associates/ Connected Persons**

The following is a summary of transactions entered into during the year between the Fund and the Trustee, the Manager and their Associates/Connected Persons. Associates and Connected Persons of the Trustee and the Manager are those as defined in the Mandatory Provident Fund Schemes Ordinance and the Code on Unit Trusts and Mutual Funds established by the SFC respectively. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Investment transactions with Associates/Connected Persons of the Trustee and the Manager are set out below:

| Name of company                     | Aggregate value of purchases and sales of investments US\$ | % of the Fund's total aggregate value of transactions | Commission paid US\$ | % of the Fund's total commission paid in the year (Note) | Average commission rate % |
|-------------------------------------|--|---|----------------------|--|---------------------------|
| <u>2011</u>                         |  |   |                      |  |                           |
| J.P. Morgan Securities Ltd London   | 7,207,806  | 0.94  | -                    | -  | -                         |
| RBC Dominion Securities Inc Toronto | 4,364,522  | 0.57  | -                    | -  | -                         |
| RBC Dominion Securities Incorporate | 25,834,921   | 3.38  | -                    | -  | -                         |
| <u>2010</u>                         |  |   |                      |  |                           |
| J.P. Morgan Securities Ltd London   | 3,675,728  | 1.30  | -                    | -  | -                         |
| RBC Dominion Securities Inc Toronto | 2,149,759  | 0.76  | -                    | -  | -                         |

Note: The Fund did not pay any commission with respect to purchases and sales of securities during the year (2010: nil).

(b) Balances with the Trustee, the Manager and their Associates/Connected Persons as at year end:

|                    | 2011<br>US\$ | 2010<br>US\$ |
|--------------------|--------------|--------------|
| Cash at banks      | 1,105,967    | 19,704,043   |
| Amounts receivable | 7,208        | -            |
| Bank overdraft     | (4,002)      | -            |
| Amounts payable    | (84,667)     | (66,564)     |

As at 30 June 2011, the Fund's investment balances of nil (2010: US\$5,724,477) represents the forward foreign exchange contracts entered with Connected Persons of the Manager while US\$6,124,278 (2010: US\$5,377,895) represents the investments in the debt securities issued by an Associate of the Trustee.

(c) The Fund may utilize the brokerage, custodian, agency and banking services of the Trustee, the Manager and their Associates/Connected Persons.

(d) For the year ended 30 June 2011, there was no income accruing to the Manager relating to allotments and redemptions in the Fund (2010: nil). As at 30 June 2011, the Fund's investment balances of nil (2010: US\$5,724,477) represents the forward foreign exchange contracts entered with Connected Persons of the Manager while US\$6,124,278 (2010: US\$5,377,895) represents the investments in the debt securities issued by an Associate of the Trustee.

(e) Management fee for Class A of 0.8% per annum and Class B of 0% per annum of the net asset value of the Fund is paid to JF Asset Management Limited. Management fee is accrued based on the net asset value attributable to each class of units on each dealing day and is payable monthly in arrears.

The Manager also receives a valuation fee of US\$40 per valuation if the Fund's net asset value is larger than US\$10 million but smaller than US\$20 million, or US\$70 per valuation if the Fund's net asset value is larger than US\$20 million.

(f) The Fund allows the Manager and its Connected Persons to subscribe for, and redeem, units of the Fund. All such transactions are entered into in the ordinary course of business and are on normal commercial terms.

- (g) Trustee's fee for Class A of 0.08% (before 1 July 2010: 0.085%) per annum and Class B of 0.08% (before 1 July 2010: 0.085%) per annum of the net asset value of the Fund is paid to the Trustee. Trustee's fee is accrued based on the net asset value attributable to each class of units on each dealing day and is payable monthly in arrears.
- (h) JPMorgan Funds (Asia) Limited, the registrar agent and also a subsidiary of the Manager, receives a fee which will vary depending on the number of unitholders in the Fund and the number of transactions which occur. The range agreed with the Trustee is between 0.015% and 0.5% per annum of the Fund's net asset value. The fee is payable quarterly in arrears.
- (i) The retirement schemes of the employees of the Manager and its Connected Persons may subscribe to the Class B units of the Fund.

## 8 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services must be of demonstrable benefit to the Fund and may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services, computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications.

## 9 Forward foreign exchange contracts

Outstanding forward foreign exchange contracts as at year end were as follows:

| Contract to deliver | In exchange for | Settlement date         | Unrealized gains/(losses) US\$ |
|---------------------|-----------------|-------------------------|--------------------------------|
| <u>2011</u>         |                 |                         |                                |
| Open contracts:     |                 |                         |                                |
| US\$866,874         | EUR610,997      | 29 July 2011            | 18,352                         |
| US\$1,686,540       | EUR1,186,835    | 29 July 2011            | 32,970                         |
| US\$711,171         | GBP443,836      | 29 July 2011            | 1,186                          |
| JPY2,258,496,312    | US\$27,986,670  | 29 July 2011            | 18,472                         |
| US\$5,029,436       | EUR3,527,567    | 29 July 2011            | 81,362                         |
| US\$677,520         | JPY54,747,105   | 29 July 2011            | 444                            |
| US\$843,926         | GBP526,845      | 29 July 2011            | 1,660                          |
|                     |                 | Total unrealized gains  | 154,446                        |
| A\$1,309,661        | US\$1,363,301   | 29 July 2011            | (34,500)                       |
| C\$3,145,323        | US\$3,180,219   | 29 July 2011            | (76,820)                       |
| EUR797,176          | US\$1,129,671   | 29 July 2011            | (25,277)                       |
| EUR30,404,185       | US\$43,188,598  | 29 July 2011            | (860,985)                      |
| GBP9,566,249        | US\$15,294,729  | 29 July 2011            | (59,100)                       |
| GBP601,366          | US\$961,417     | 29 July 2011            | (3,775)                        |
| JPY141,784,904      | US\$1,754,049   | 29 July 2011            | (1,750)                        |
| C\$934,331          | US\$966,906     | 29 July 2011            | (611)                          |
|                     |                 | Total unrealized losses | (1,062,818)                    |
|                     |                 | Net unrealized losses   | (908,372)                      |

| Contract to deliver | In exchange for | Settlement date         | Unrealized gains/(losses)<br>US\$ |
|---------------------|-----------------|-------------------------|-----------------------------------|
| <u>2010</u>         |                 |                         |                                   |
| Open contracts:     |                 |                         |                                   |
| A\$4,200,000        | US\$3,848,880   | 15 July 2010*           | 306,600                           |
| C\$6,000,000        | US\$5,976,096   | 15 July 2010*           | 330,100                           |
| EUR39,250,000       | US\$53,315,238  | 15 July 2010*           | 5,233,988                         |
| GBP10,863,000       | US\$16,668,730  | 15 July 2010*           | 416,596                           |
| EUR1,000,000        | US\$1,323,600   | 15 July 2010*           | 98,600                            |
| EUR2,000,000        | US\$2,539,080   | 15 July 2010*           | 89,080                            |
| EUR4,500,000        | US\$5,556,600   | 15 July 2010*           | 44,100                            |
| EUR6,399,642        | US\$8,000,000   | 15 July 2010*           | 160,439                           |
| US\$2,899,900       | GBP2,000,000    | 15 July 2010*           | 92,300                            |
| US\$5,544,620       | JPY500,000,000  | 15 July 2010*           | 106,788                           |
|                     |                 | Total unrealized gains  | 6,878,591                         |
|                     |                 |                         | -----                             |
| JPY1,655,300        | US\$17,849,787  | 15 July 2010*           | (859,834)                         |
| GBP2,000,000        | US\$2,969,580   | 15 July 2010*           | (22,620)                          |
| EUR5,200,000        | US\$6,334,120   | 15 July 2010*           | (35,880)                          |
| JPY361,000,000      | US\$4,000,000   | 15 July 2010*           | (80,332)                          |
| US\$18,440,175      | EUR15,000,000   | 15 July 2010*           | (65,170)                          |
| EUR2,300,000        | US\$2,749,420   | 15 July 2010*           | (68,080)                          |
| US\$2,472,200       | EUR2,000,000    | 15 July 2010*           | (22,198)                          |
|                     |                 | Total unrealized losses | (1,154,114)                       |
|                     |                 |                         | -----                             |
|                     |                 | Net unrealized gains    | 5,724,477                         |
|                     |                 |                         | =====                             |

\* Contracted with an Associated/Connected Person of the Trustee and the Manager (refer to Note 7 for the definition of Associates/Connected Persons)

## 10 Distribution

No distribution was made during the year (2010: nil).

Investment Portfolio  
As at 30 June 2011 (Unaudited)

|  | Holding          | Fair<br>value<br>US\$ | % of<br>net<br>assets |
|--|------------------|-----------------------|-----------------------|
| <b>Listed/Quoted Investments (97.5%)</b> |                  |                       |                       |
| <b>(I) Debt Securities (97.7%)</b>       |                  |                       |                       |
| <b>Australian Dollar (1.1%)</b>          |                  |                       |                       |
| Commonwealth Bk Aust 5.75% 17/12/13      | AUD3,000,000     | 3,262,497             | 0.6                   |
| NSW Treasury No19 6% 01/04/19            | AUD2,500,000     | 2,827,395             | 0.5                   |
| <b>Canadian Dollar (2.8%)</b>            |                  |                       |                       |
| Canada Govt Of 3.75% 01/06/19            | CAD4,000,000     | 4,412,319             | 0.8                   |
| Canada Govt Of 5% 01/06/14               | CAD5,500,000     | 6,230,083             | 1.1                   |
| Canada Govt Of 5.75% 01/06/29            | CAD3,600,000     | 4,873,955             | 0.9                   |
| <b>Euro (27.0%)</b>                      |                  |                       |                       |
| ABN Amro Bank 4.25% 11/04/16             | EUR600,000       | 882,790               | 0.2                   |
| ABN Amro Bank 6.375% 27/04/21            | EUR338,000       | 496,578               | 0.1                   |
| Allianz Fin II VRN 5.75% 08/07/41        | EUR1,000,000     | 1,406,000             | 0.2                   |
| Austria Rep Of 3.5% 15/09/21             | EUR1,800,000     | 2,681,008             | 0.5                   |
| Autoroutes Paris-Rhin 5% 12/01/17        | EUR1,800,000     | 2,734,443             | 0.5                   |
| AXA VRN 5.25% 16/04/40                   | EUR550,000       | 736,815               | 0.1                   |
| Barclays Bank 4% 20/01/17                | EUR1,600,000     | 2,328,699             | 0.4                   |
| BBVA Senior Finance 4.875% 15/04/16      | EUR400,000       | 583,220               | 0.1                   |
| Belgium Kingdom Of No58 3.75% 09/20      | EUR2,500,000     | 3,663,250             | 0.6                   |
| BMW US Capital 5% 28/05/15               | EUR1,000,000     | 1,555,464             | 0.3                   |
| Bundesobl No150 4% 13/04/12              | EUR1,000,000     | 1,491,075             | 0.3                   |
| Bundesrep Deut 2.5% 04/01/21             | EUR7,050,000     | 10,008,458            | 1.8                   |
| Bundesrep Deut 4.25% 04/07/17            | EUR10,000,000    | 16,508,726            | 2.9                   |
| Bundesrep Deut 4.5% 04/01/13             | EUR3,700,000     | 5,719,277             | 1.0                   |
| Bundesrep Deut 4.75% 04/07/34            | EUR7,250,000     | 12,538,114            | 2.2                   |
| Bundesrep Deut No5 3.25% 04/07/15        | EUR4,000,000     | 6,243,825             | 1.1                   |
| Credit Suisse Grp VRN 3.625%14/9/20      | EUR900,000       | 1,276,812             | 0.2                   |
| France OAT 3.25% 25/04/16                | EUR9,300,000     | 13,930,579            | 2.5                   |
| France OAT 4% 25/04/13                   | EUR2,200,000     | 3,345,078             | 0.6                   |
| France OAT 4.75% 25/04/35                | EUR2,000,000     | 3,184,147             | 0.6                   |
| GAS Natural Capital 5.625% 09/02/17      | EUR1,000,000     | 1,496,221             | 0.3                   |
| HIT Finance 5.75% 09/03/18               | EUR700,000       | 1,052,094             | 0.2                   |
| Hutchison Wham Fin(09) 4.75% 11/16       | EUR750,000       | 1,157,091             | 0.2                   |
| ING Bank 3.375% 03/03/14                 | EUR6,000,000     | 9,056,334             | 1.6                   |
| Italy Rep Of (BTP) 3.75% 15/12/13        | EUR3,500,000     | 5,127,957             | 0.9                   |
| Italy Rep Of (BTP) 4.5% 01/03/19         | EUR10,000,000    | 14,671,300            | 2.6                   |
| Linde Finance 3.875% 01/06/21            | EUR400,000       | 577,664               | 0.1                   |
| Lloyds TSB Bank 6.375% 17/06/16          | EUR950,000       | 1,463,909             | 0.3                   |
| Merck Financial Serv 4.5% 24/03/20       | EUR500,000       | 743,898               | 0.1                   |
| Metro AG 7.625% 05/03/15                 | EUR1,300,000     | 2,206,698             | 0.4                   |
| Netherlands Govt 3.5% 15/07/20           | EUR2,400,000     | 3,670,524             | 0.6                   |
| RCI Banque 4.375% 27/01/15               | EUR1,000,000     | 1,487,805             | 0.3                   |
| Royal Bk Of Canada 5.75% 25/07/11 *      | EUR4,000,000     | 6,124,278             | 1.1                   |
| Royal Bk of Scotland 3.75% 14/11/11      | EUR800,000       | 1,195,868             | 0.2                   |
| Santander Intl Debt 4.25% 07/04/14       | EUR600,000       | 875,712               | 0.1                   |
| SES Global Americas 4.875% 09/07/14      | EUR1,750,000     | 2,789,392             | 0.5                   |
| Spain Kingdom Of 4.25% 31/01/14          | EUR1,600,000     | 2,379,337             | 0.4                   |
| Spain Kingdom Of 4.6% 30/07/19           | EUR3,500,000     | 5,097,540             | 0.9                   |
| <b>Japanese Yen (20.2%)</b>              |                  |                       |                       |
| Dev Bank Of Japan 1.6% 20/6/14-Intl      | JPY1,110,000,000 | 14,259,599            | 2.5                   |
| Dev Bank Of Japan 1.75% 17/03/17         | JPY320,000,000   | 4,236,086             | 0.8                   |
| Dev Bank Of Japan 2.3% 19/3/26-Intl      | JPY990,000,000   | 13,265,625            | 2.4                   |
| European Inv Bk 1.4% 20/06/17            | JPY1,350,000,000 | 17,497,208            | 3.1                   |
| Italy Rep Of (BTP) 4.5% 08/06/15         | JPY456,000,000   | 6,267,318             | 1.1                   |
| Japan Fin Org 1.9% 22/06/18-Intl         | JPY1,750,000,000 | 23,332,650            | 4.1                   |

**Investment Portfolio** (Continued)  
As at 30 June 2011 *(Unaudited)*

|                                     | Holding          | Fair<br>value<br>US\$ | % of<br>net<br>assets |
|-------------------------------------|------------------|-----------------------|-----------------------|
| <b>Japanese Yen</b> (Continued)     |                  |                       |                       |
| Kredit fuer Wied 1.35% 20/01/14     | JPY1,000,000,000 | 12,810,696            | 2.3                   |
| Kredit fuer Wied 2.05% 16/02/26     | JPY1,180,000,000 | 15,551,894            | 2.8                   |
| Landw Rentenbank 1.5% 20/06/14      | JPY500,000,000   | 6,406,379             | 1.1                   |
| <b>Korean Won</b> (1.5%)            |                  |                       |                       |
| Korea Try No1409 4.25% 10/09/14     | KRW9,000,000,000 | 8,604,056             | 1.5                   |
| <b>Mexican Nuevo Peso</b> (1.5%)    |                  |                       |                       |
| Mexican Bds Desarr Fix 10% 05/12/24 | MXN780,000       | 8,256,499             | 1.5                   |
| <b>Sterling</b> (6.5%)              |                  |                       |                       |
| Aegon NV 6.625% 16/12/39            | GBP600,000       | 947,872               | 0.2                   |
| Anglo American Cap 6.875% 01/05/18  | GBP500,000       | 913,147               | 0.2                   |
| Anheuser-Busch InBev 9.75% 30/07/24 | GBP500,000       | 1,196,745             | 0.2                   |
| Aviva plc VRN 6.625% 03/06/41       | GBP480,000       | 753,078               | 0.1                   |
| BAA Funding 6.75% 03/12/26          | GBP1,300,000     | 2,342,619             | 0.4                   |
| BAT Intl Finance 6.375% 12/12/19    | GBP650,000       | 1,210,203             | 0.2                   |
| Eversholt Funding 6.359% 02/12/25   | GBP700,000       | 1,131,051             | 0.2                   |
| ING Bank VRN 6.875% 29/05/23        | GBP600,000       | 1,003,534             | 0.2                   |
| Intesa Sanpaolo 5.25% 28/01/22      | GBP550,000       | 863,528               | 0.1                   |
| Lloyds TSB Bank 2.75% 16/03/12      | GBP4,000,000     | 6,550,490             | 1.2                   |
| Royal Bk Of Scotland 7.5% 29/04/24  | GBP450,000       | 783,796               | 0.1                   |
| UK Treasury 4.25% 07/06/32          | GBP2,500,000     | 4,042,430             | 0.7                   |
| UK Treasury 4.25% 07/12/46          | GBP760,000       | 1,225,251             | 0.2                   |
| UK Treasury 4.5% 07/03/13           | GBP1,500,000     | 2,590,196             | 0.5                   |
| UK Treasury 4.75% 07/09/15          | GBP4,000,000     | 7,267,312             | 1.3                   |
| UK Treasury 6% 07/12/28             | GBP1,330,000     | 2,650,985             | 0.5                   |
| Xstrata Canada Fin 7.375% 27/05/20  | GBP510,000       | 931,896               | 0.2                   |
| <b>Swedish Kroner</b> (0.4%)        |                  |                       |                       |
| Sweden Kingdom Of No1049 4.5% 08/15 | SEK14,000,000    | 2,480,432             | 0.4                   |
| <b>United States Dollar</b> (36.7%) |                  |                       |                       |
| Abbott Laboratories 5.3% 27/05/40   | USD700,000       | 709,475               | 0.1                   |
| Altria Group 4.75% 05/05/21         | USD880,000       | 887,206               | 0.2                   |
| America Movil 5% 30/03/20           | USD1,000,000     | 1,056,579             | 0.2                   |
| American Intl Group 6.4% 15/12/20   | USD1,150,000     | 1,234,082             | 0.2                   |
| Apache Corp 5.1% 01/09/40           | USD910,000       | 897,481               | 0.2                   |
| ArcelorMittal SA 6.75% 01/03/41     | USD915,000       | 908,023               | 0.2                   |
| AT&T 4.45% 15/05/21                 | USD980,000       | 1,006,964             | 0.2                   |
| AT&T 6.3% 15/01/38                  | USD750,000       | 812,393               | 0.1                   |
| Bank Of America 5.625% 14/10/16     | USD3,000,000     | 3,234,094             | 0.6                   |
| Bank Of England 2.375% 3/12-RegS    | USD5,300,000     | 5,411,455             | 1.0                   |
| Barrick NA Fin 5.7% 30/05/41-144A   | USD835,000       | 819,064               | 0.1                   |
| BNP Paribas 3.6% 23/02/16           | USD1,720,000     | 1,742,188             | 0.3                   |
| CFG Investment 9.25% 19/12/13-RegS  | USD2,000,000     | 2,056,167             | 0.4                   |
| Citigroup Inc 2.125% 30/04/12       | USD1,600,000     | 1,630,145             | 0.3                   |
| Citigroup Inc 5.375% 09/08/20       | USD2,800,000     | 2,985,112             | 0.5                   |
| Comcast Corp 6.4% 01/03/40          | USD1,150,000     | 1,264,079             | 0.2                   |
| Conocophillips 4.75% 01/02/14       | USD4,000,000     | 4,443,407             | 0.8                   |
| Encana Corp 6.625% 15/08/37         | USD850,000       | 951,607               | 0.2                   |
| Fannie Mae 7.25% 15/05/30           | USD6,000,000     | 8,144,018             | 1.4                   |
| Freddie Mac 5.5% 23/08/17           | USD4,000,000     | 4,761,022             | 0.8                   |
| General Elec Cap 3% 09/12/11        | USD3,000,000     | 3,042,700             | 0.5                   |
| General Elec Cap 3.75% 11/14-Ser A  | USD2,900,000     | 3,103,945             | 0.6                   |
| General Elec Cap 4.375% 16/09/20    | USD1,500,000     | 1,495,291             | 0.3                   |
| Georgia Power No07-A 5.65% 01/03/37 | USD445,000       | 470,753               | 0.1                   |
| Goldman Sachs 3.25% 15/06/12        | USD2,500,000     | 2,573,161             | 0.5                   |
| Goldman Sachs 6.25% 01/02/41        | USD535,000       | 558,044               | 0.1                   |

Investment Portfolio (Continued)  
As at 30 June 2011 (Unaudited)

|   | Holding       | Fair<br>value<br>US\$ | % of<br>net<br>assets |
|---|---------------|-----------------------|-----------------------|
| <b>United States Dollar</b> (Continued)                                       |               |                       |                       |
| HCP Inc 5.375% 01/02/21   | USD735,000    | 773,948               | 0.1                   |
| HK Airport Auth 5% 16/9/13  | USD2,000,000  | 2,177,367             | 0.4                   |
| HK Mortgage 3.5% 04/08/14   | USD3,200,000  | 3,393,893             | 0.6                   |
| Home Depot 5.95% 01/04/41   | USD645,000    | 675,047               | 0.1                   |
| HSBC Hldgs 5.1% 05/04/21  | USD1,265,000  | 1,320,525             | 0.2                   |
| HSBC Hldgs 5.25% 12/12/12   | USD1,710,000  | 1,804,342             | 0.3                   |
| Hut Wham Int09 7.625% 4/19-RegS   | USD1,100,000  | 1,327,225             | 0.2                   |
| Kinder Morgan Energy 6.375% 1/3/41  | USD925,000    | 973,589               | 0.2                   |
| Korea Expressway 4.5% 23/03/15-RegS   | USD900,000    | 954,765               | 0.2                   |
| Kraft Foods 5.375% 10/02/20   | USD1,400,000  | 1,558,678             | 0.3                   |
| Mack-Cali Realty 7.75% 15/08/19   | USD750,000    | 924,205               | 0.2                   |
| Metlife Inc 6.75% 01/06/16  | USD2,000,000  | 2,376,250             | 0.4                   |
| Morgan Stanley 5.75% 25/01/21   | USD1,440,000  | 1,526,035             | 0.3                   |
| Oneok Partners 6.125% 01/02/41  | USD1,000,000  | 1,061,252             | 0.2                   |
| Parkson Retail 7.875% 14/11/11  | USD2,500,000  | 2,571,953             | 0.5                   |
| Prudential Financial 7.375% 15/6/19   | USD2,100,000  | 2,492,609             | 0.4                   |
| RCI Banque 4.6% 12/04/16-144A   | USD870,000    | 901,693               | 0.2                   |
| SFEF 3.375% 05/05/14-RegS   | USD3,800,000  | 4,048,330             | 0.7                   |
| Societe Generale 5.2% 15/04/21-144A   | USD1,675,000  | 1,635,511             | 0.3                   |
| Standard Chart plc 5.5% 11/14-RegS  | USD2,250,000  | 2,477,181             | 0.4                   |
| Suncor Energy 6.1% 01/06/18   | USD1,550,000  | 1,808,220             | 0.3                   |
| Telecom Italia Cap 7.721% 04/06/38  | USD685,000    | 683,966               | 0.1                   |
| Telefonica Emis 5.462% 16/02/21   | USD1,100,000  | 1,143,794             | 0.2                   |
| Time Warner 6.25% 29/03/41  | USD930,000    | 989,673               | 0.2                   |
| Time Warner Cable 5.875% 15/11/40   | USD640,000    | 641,822               | 0.1                   |
| US Treasury 2.125% 31/12/15   | USD31,500,000 | 32,311,466            | 5.7                   |
| US Treasury 2.625% 15/11/20   | USD23,270,000 | 22,475,389            | 4.0                   |
| US Treasury 3.125% 15/05/21   | USD5,300,000  | 5,302,934             | 0.9                   |
| US Treasury 3.5% 15/02/18   | USD7,100,000  | 7,707,000             | 1.4                   |
| US Treasury 4.5% 15/02/16   | USD14,000,000 | 16,067,622            | 2.8                   |
| US Treasury 4.625% 15/11/16   | USD17,200,000 | 19,736,473            | 3.5                   |
| US Treasury 5.375% 15/02/31   | USD1,175,000  | 1,401,965             | 0.2                   |
| Vale Overseas 4.625% 15/09/20   | USD1,000,000  | 1,002,318             | 0.2                   |
| Verizon Communications 4.6% 1/04/21   | USD1,850,000  | 1,935,735             | 0.3                   |
| Wachovia Bank 5.6% 15/03/16   | USD2,000,000  | 2,207,078             | 0.4                   |
| Watson Pharm 6.125% 15/08/19  | USD500,000    | 575,713               | 0.1                   |
|   |               | 550,630,825           | 97.7                  |
| <b>Forward foreign exchange contracts</b> (-0.2%)                             |               | (908,372)             | (0.2)                 |
| <b>Total Listed/Quoted Investments</b>  |               | 549,722,453           | 97.5                  |
| <b>Other net assets</b>   |               | 14,170,814            | 2.5                   |
| <b>Net assets attributable to holders of redeemable units at 30 June 2011</b> |               | 563,893,267           | 100.0                 |
| <b>Total investments, at cost</b>   |               | 500,463,289           |                       |

\* Issued by an Associated/ Connected Person of the Trustee and the Manager (refer to Note 7 for the definition of Associates/ Connected Persons)

Statement of Movements in Portfolio Holdings  
For the year ended 30 June 2011 (*Unaudited*)

|  | % holdings<br>of net assets |                     |
|--|-----------------------------|---------------------|
|  | 2011                        | 2010                |
| <b>Listed/Quoted Investments</b>   |                             |                     |
| <b>Debt Securities</b>   |                             |                     |
| United States Dollar   | 36.7                        | 36.9                |
| Euro   | 27.0                        | 30.2                |
| Japanese Yen   | 20.2                        | 16.2                |
| Sterling   | 6.5                         | 6.7                 |
| Canadian Dollar  | 2.8                         | 2.6                 |
| Korean Won   | 1.5                         | 1.4                 |
| Mexican Nuevo Peso   | 1.5                         | -                   |
| Australian Dollar  | 1.1                         | 1.2                 |
| Swedish Kroner   | 0.4                         | -                   |
| Forward foreign exchange contracts                                       | (0.2)                       | 1.1                 |
| <b>Total Listed/Quoted Investments</b>                                   | <u>97.5</u>                 | <u>96.3</u>         |
| <b>Other net assets</b>  | <u>2.5</u>                  | <u>3.7</u>          |
| <b>Net assets attributable to holders of redeemable units at 30 June</b> | <u><u>100.0</u></u>         | <u><u>100.0</u></u> |

**Performance Record - Unaudited**

**Net Asset Values**

| At financial period ended | Net asset value<br>of the Fund<br>US\$ | Net asset value<br>per Class A unit<br>US\$ | Net asset value<br>per Class B unit<br>US\$ |
|---------------------------|--|---|---|
| 30/6/11                   | 563,893,267                            | 18.73                                       | 19.89                                       |
| 30/6/10                   | 519,297,500                            | 17.43                                       | 18.36                                       |
| 30/6/09                   | 512,452,592                            | 16.84                                       | 17.60                                       |

**Fund Expense Ratio**

|   | Class A | Class B |
|---|---------|---------|
| 30/6/11   | 0.92% * | 0.12% * |
|   | US\$    | US\$    |
| Transaction cost for the period from<br>1 July 2010 to 30 June 2011 | 59      | 5,373   |

**\* Basis of calculation and assumptions used by the Manager**

1. The **Fund Expense Ratio** (FER) for the Fund has been calculated to two decimal places.

$$\text{FER} = \text{Total Expenses} / \text{Average Net Asset Value}$$

2. **Total Expenses** represent the total expenses as set out in the Statement of Comprehensive Income of the Fund for the year ended 30 June 2011 but excluding transaction costs in arriving at total expenses.
3. **Average Net Asset Value** is the sum of the net asset value (NAV) of the Fund at each of the pricing points divided by the number of pricing points. The NAV at each pricing point is directly extracted from the accounting and valuation system used by JF Asset Management Limited and is unaudited.
4. Pricing points represent relevant valuation dates for the Fund which are currently performed on a daily basis by the Manager.

Performance Record - Unaudited (Continued)

Net annualized investment returns, highest offer and lowest bid prices

| <u>Financial period ended</u> | <u>Net annualized<br/>investment return<br/>(Note)</u> | <u>Highest offer<br/>US\$</u> | <u>Lowest bid<br/>US\$</u> |
|-------------------------------|--|-------------------------------|----------------------------|
| Class A unit                  |  |                               |                            |
| 30/6/11                       | +7.5%  | 18.89                         | 17.53                      |
| 30/6/10                       | +3.5%  | 17.99                         | 16.88                      |
| 30/6/09                       | +5.5%  | 17.06                         | 15.34                      |
| 30/6/08                       | +10.1%   | 16.72                         | 14.49                      |
| 30/6/07                       | +3.1%  | 14.75                         | 13.97                      |
| 30/6/06                       | -1.1%  | 14.43                         | 13.75                      |
| 30/6/05                       | +6.0%  | 14.44                         | 13.34                      |
| 30/6/04                       | +2.7% <sup>1</sup>                                     | 13.80                         | 12.57                      |
| 30/6/03                       | +14.0%   | 13.42                         | 11.42                      |
| 30/6/02                       | +10.5%   | 11.51                         | 10.35                      |
| Class B unit                  |  |                               |                            |
| 30/6/11                       | +8.3%  | 21.11                         | 18.48                      |
| 30/6/10                       | +4.3%  | 19.87                         | 17.64                      |
| 30/6/09                       | +6.3%  | 18.70                         | 15.95                      |
| 30/6/08                       | +10.9%   | 18.20                         | 14.90                      |
| 30/6/07                       | +3.9%  | 15.95                         | 14.27                      |
| 30/6/06                       | -0.2%  | 15.40                         | 13.98                      |
| 30/6/05                       | +6.8%  | 15.37                         | 13.41                      |
| 30/6/04                       | +3.4% <sup>1</sup>                                     | 14.56                         | 12.54                      |
| 30/6/03                       | +13.8%   | 14.09                         | 11.40                      |
| 30/6/02                       | +10.4%   | 12.10                         | 10.34                      |

<sup>1</sup> Certain changes were made to the categorization of Class A and Class B effective 1 August 2003. To accommodate the above change, there were switches between Class A and Class B units on 31 July 2003. The data as at 30 June 2004 shown above had already reflected such switch.

Note: Net annualized investment return is calculated by the percentage change in unit prices.

## Management and Administration

### Manager

JF Asset Management Limited  
21/F, Chater House  
8 Connaught Road Central  
Hong Kong

### Administrator

JPMorgan Funds (Asia) Limited  
21/F, Chater House  
8 Connaught Road Central  
Hong Kong

### Sub-Manager

Effective from 1 December 2010  
JPMorgan Asset Management (UK) Limited  
125 London Wall  
London  
EC2Y 5AJ  
United Kingdom

### Directors of the Manager

as at 13 October 2011  
Clive Stuart Brown  
Eddie Chung Shun Fong  
Edwin Tsun Kay Chan  
Roger Anthony Hepper  
Ken Wai Ming Tam  
Lily Suet Lai Lau  
Piers Aidan Litherland  
Terry San Kong Pan

### Trustee and Registrar

Royal Bank of Canada Trust Company  
(Asia) Limited  
1702A, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

### Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
22/F, Prince's Building  
1 Des Voeux Road Central  
Hong Kong

[www.jpmorganam.com.hk](http://www.jpmorganam.com.hk)