

# JF SAR Global Emerging Markets Fund

Audited Annual Report  
30 June 2011

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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 Emerging Markets Fund (the "Fund") is to provide investors with long-term capital growth in Hong Kong dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in or derive the predominant part of their income from global emerging markets.

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

70-100%	non-cash assets in global emerging markets equities
0-30%	non-cash assets in other equities
0-30%	non-cash assets in bonds*
0-10%	total net assets in cash and cash based instruments*

\* For cash management purpose only. The aggregate investment in bonds, cash and cash based instruments shall not exceed 30% of the total assets of the Fund.

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

### Commentary by the Manager

#### Review

JP Morgan MPF GEM Composite index rose 27.2% in HKD over the 12 months to June 2011, primarily driven by positive returns in the second half of 2010. Emerging markets rebounded in the third quarter 2010 supported by commodity price gains and a fall in the US Dollar. Markets digested conflicting signals, with sovereign debt worries and weaker US consumer data offset by the Eurozone recovery. In September, markets surged when the US Fed hinted at further quantitative easing. The fourth quarter also saw positive returns for the asset class albeit with virtually all these gains witnessed in December driven by Emerging Europe's strong performance. Since the beginning of 2011, returns from emerging markets have been weighed down by inflation worries, tighter monetary policy and concerns over a China growth slowdown. The fund outperformed the benchmark, with class A shares returning 32.8% and class B shares 34.2% over the review period.

By country, markets which are tilted toward global recovery such as Korea and Taiwan posted strong returns. Small Asian Markets such as Thailand and Malaysia also outperformed the overall universe, driven by strong rebound in domestic economic activities. Mexico also slightly outperformed, as the recovery in the US economy which has significant impact on the country gradually unfolded. China and India were notable underperformers, primarily driven by concerns over inflation and policy tightening. The fund benefitted from an overweight position in Thailand and an underweight position in India, as well as off-benchmark investments in Poland and Russia. Stock selection in Korea and Brazil were also very strong. However, off-benchmark investment in Egypt as well as an underweight position in Malaysia and South Africa, as well as stock selection in India detracted.

By sector, Consumer Goods, Consumer Services and Basic Materials outperformed, while Utilities, Oil & Gas and Technology sectors underperformed. The fund benefitted from an overweight position in Consumer Goods and an underweight position in Technology, while underweight positions in Basic Materials and Industrials detracted. Stock selection in Basic Materials, Technology and Oil & Gas also contributed.

By stock, the largest contributors were KGHM Polska Miedz (Polish copper and silver mining company with attractive dividend yields), and Korean Petrochemical names such as Hanwha Chemical and Honam Petrochemical (benefitted from strong earnings momentum and attractive valuations). Kia Motors (enjoying strong sales outlook with rising market share as well as well-positioned new model cycle), as well as Samsung Engineering (gain market shares especially in infrastructure projects) also contributed to returns. China Gas and Chaoda Modern Agriculture were the most significant detractors.

#### Market Outlook

The global environment for emerging markets remains uncertain as developed markets face long-term headwinds from deleveraging. However, we would become more confident in the outlook for the rest of the year if commodities continued to roll over. This would reduce inflationary pressures in the emerging world and allow central bankers to stop tightening policy rates. Although this would be associated with moderating growth it would be positive for EM equities particularly since short term valuation measures look attractive.

Forward price-to-earnings (P/E) multiples for the asset class have been hovering around 11x based on consensus earning, which is slightly below the recent average and comfortably below the 14x P/E level that we view as a fair value multiple for the asset class

There is little consensus among dedicated investors on the major BRIC economies in terms of fund positioning although China looks to be moving towards a soft landing and valuations are attractive whereas India and Brazil need to cool further. In China we are positive on interest rate sensitive sectors like financials which we believe is still a non-consensus view. There are many macro risks to this sector but these have been well flagged to investors and the banks are generally well capitalised and profitable.

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 were some investment-related breaches which were passive in nature. The breaches are summarized in the Report of the Trustee.

	2011 HK\$	2010 HK\$
Increase in net assets attributable to holders of redeemable units and total comprehensive income before net gains/(losses) on investments and forward foreign exchange contracts and net foreign currency exchange losses	11,163,928	750,300
Capital appreciation <sup>1</sup>	130,159,165	647,212,240
Net assets attributable to holders of redeemable units (after fair value adjustment)	789,285,633	647,962,540

[<sup>1</sup>Capital appreciation represents the aggregate of net allotment/(redemption) and net gains/(losses) on investments and forward foreign exchange contracts and net foreign currency exchange 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 17 July 2009, as amended, for the year ended 30 June 2011.

We hereby report that, during the year, we became aware of some investment-related breaches which were passive in nature. The investment-related breaches had limited impact on unitholders' interests and they were rectified as soon as practicable. Apart from this, 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 17 July 2009, 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

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Director

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Director

**Independent Auditor's Report**

To the Trustee of JF SAR Global Emerging Markets Fund (the "Fund")

**Report on the financial statements**

We have audited the financial statements of the Fund set out on pages 5 to 20, 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 17 July 2009, 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 Schemes 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 Financial Position  
As at 30 June 2011

	2011 HK\$	2010 HK\$
<b>Assets</b>		
Cash at banks	39,481,184	320,783,620
Amounts receivable on allotment	258,155	163,372
Investments [Notes 3, 4(l)(a)]	745,597,717	565,323,466
Dividend and other accounts receivable	3,892,472	660,237
<b>Total assets</b>	<u>789,229,528</u>	<u>886,930,695</u>
<b>Liabilities</b>		
Amounts due to brokers	-	239,385,457
Amounts payable on redemption	736,654	185,531
Forward foreign exchange contracts [Notes 3, 4(l)(a)]	81,414	40,507
Other accounts payable	771,346	510,801
<b>Liabilities (excluding net assets attributable to holders of redeemable units)</b>	<u>1,589,414</u>	<u>240,122,296</u>
<b>Net assets attributable to holders of redeemable units (before fair value adjustment)</b> [Note 3]	787,640,114	646,808,399
Fair value adjustment of units of the Fund [Note 3]	<u>1,645,519</u>	<u>1,154,141</u>
<b>Net assets attributable to holders of redeemable units (after fair value adjustment)</b> [Note 3]	<u><u>789,285,633</u></u>	<u><u>647,962,540</u></u>

Approved by the Trustee and the Manager on 13 October 2011

Signed By:

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

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Director

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Director

For and on behalf of JF Asset Management Limited, Manager

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Director

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Director

Statement of Comprehensive Income  
For the year ended 30 June 2011

	2011 HK\$	17.7.2009 (Date of Trust Deed) to 30.6.2010 HK\$
<b>Income</b>		
Net gains/(losses) on investments and forward foreign exchange contracts [Note 5]	179,906,582	(3,737,899)
Dividend income	24,714,692	2,918,956
Interest on deposits	27,356	7,607
Net foreign currency exchange losses	(500,146)	(685,969)
Other income	-	25,538
	<u>204,148,484</u>	<u>(1,471,767)</u>
	-----	-----
<b>Expenses</b>		
Transaction costs	5,084,847	1,447,176
Management fee [Note 7(e)]	1,710,770	373,441
Trustee's fee [Note 7(g)]	673,793	98,872
Safe custody and bank charges	566,173	84,643
Registrar's fee [Note 7(h)]	234,008	48,613
Legal and professional expenses	181,207	175,101
Valuation fee [Note 7(e)]	135,501	73,472
Auditor's fee	73,978	62,412
Printing and publication expenses	4,503	1,887
Formation expenses [Note 3]	-	140,000
Other operating expenses	7,597	41
	<u>8,672,377</u>	<u>2,505,658</u>
	-----	-----
<b>Profit/(loss) before taxation</b>	195,476,107	(3,977,425)
Taxation [Note 6]	(5,397,121)	(850,284)
	<u>190,078,986</u>	<u>(4,827,709)</u>
	-----	-----
Change in cumulative difference arising from the fair value adjustment of units of the Fund	491,378	1,154,141
	<u>190,570,364</u>	<u>(3,673,568)</u>
	=====	=====
<b>Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)</b>		

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

	2011 HK\$	17.7.2009 (Date of Trust Deed) to 30.6.2010 HK\$
Net assets attributable to holders of redeemable units at the beginning of the year/period	647,962,540	-
Allotment of redeemable units [Note 3]	674,006,195	651,821,639
Redemption of redeemable units [Note 3]	(723,253,466)	(185,531)
<b>Net (redemption)/allotment</b>	<u>(49,247,271)</u>	<u>651,636,108</u>
	598,715,269	651,636,108
<b>Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)</b>	<u>190,570,364</u>	<u>(3,673,568)</u>
Net assets attributable to holders of redeemable units at the end of the year/period	<u><u>789,285,633</u></u>	<u><u>647,962,540</u></u>

*The notes on pages 9 to 20 form part of these financial statements.*

Statement of Cash Flows  
For the year ended 30 June 2011

	2011 HK\$	17.7.2009 (Date of Trust Deed) to 30.6.2010 HK\$
<b>Operating activities</b>		
Purchase of investments and forward foreign exchange contracts	(1,353,405,689)	(408,378,622)
Proceeds from disposal of investments and forward foreign exchange contracts	1,114,071,082	78,365,609
Dividend received	21,479,306	2,261,867
Interest received	27,356	7,607
Registrar's fee paid	(205,295)	(23,752)
Trustee's fee paid	(649,643)	(72,160)
Management fee paid	(1,896,672)	(181,577)
Tax paid	(5,199,422)	(765,069)
Transaction costs paid	(5,323,829)	(1,053,133)
Others	(3,659,760)	(1,035,417)
	<u>(234,762,566)</u>	<u>(330,874,647)</u>
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<b>Financing activities</b>		
Receipts on allotment of redeemable units	673,911,412	651,658,267
Payments on redemption of redeemable units	(722,702,343)	-
	<u>(48,790,931)</u>	<u>651,658,267</u>
	-----	-----
<b>(Decrease)/increase in cash and cash equivalents</b>	(283,553,497)	320,783,620
Cash and cash equivalents at the beginning of the year/period	320,783,620	-
Exchange gains on cash and cash equivalents	2,251,061	-
	<u>39,481,184</u>	<u>320,783,620</u>
	=====	=====
<b>Cash and cash equivalents at the end of the year/period</b>		
	<u>39,481,184</u>	<u>320,783,620</u>
	=====	=====
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash at banks	<u>39,481,184</u>	<u>320,783,620</u>
	=====	=====

The notes on pages 9 to 20 form part of these financial statements.

## Notes to the Financial Statements

### 1 The Fund

JF SAR Global Emerging Markets Fund (the "Fund") was established under a Trust Deed dated 17 July 2009, as amended, and is governed by the laws of Hong Kong. The Fund commenced operations on 2 September 2009. 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 Hong Kong dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in or derive the predominant part of their income from global emerging 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 20 July 2009. 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 20 July 2009.

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.

Investments in collective investment schemes are stated at fair value based on the net asset value per unit of the respective funds as determined by the administrators of the relevant funds or stated at "bid" prices if the collective investment schemes are listed or traded on an exchange.

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**

Dividend income is recognized on the ex-dividend date with the corresponding foreign withholding tax recorded as an expense and is accounted for in the Statement of Comprehensive Income.

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 Hong Kong 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/period 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/period.

**(h) Formation expenses**

Formation expenses are recognized as an expense in the period in which they are incurred.

**(i) 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 17 July 2009, 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(i), 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 17 July 2009, as amended ("Trust Deed NAV").

	2011 HK\$	2010 HK\$
Net assets attributable to holders of redeemable units (before fair value adjustment)	787,640,114	646,808,399
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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)]	1,595,966	1,055,171
Unamortized formation expenses as at 30 June [Note 3(b)]	49,553	98,970
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	1,645,519	1,154,141
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Net assets attributable to holders of redeemable units (after fair value adjustment)	789,285,633	647,962,540
	=====	=====

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.
- (b) In accordance with the provisions of the Fund's Trust Deed, the formation expenses (including legal, accounting, and other professional fees and expenses) or costs incidental to the establishment of the Fund will be paid out of the assets of the Fund and amortized over the first three financial years. However, as stated in Note 2(h), the accounting policy of the Fund for the purpose of compliance with HKAS 38 "Intangible Assets" and for reporting purposes is to expense the expenditure incurred in the formation of the Fund in the period in which they arose.

Number of units in issue

	2011		2010	
	Class A Units	Class B Units	Class A Units	Class B Units
Number of units in issue:				
At the beginning of the year/period	19,922,797.048	34,992,239.182	-	-
Total allotments	27,912,133.702	18,686,352.682	19,922,797.048	35,007,741.758
Total redemptions	(47,348,456.787)	(2,974,680.602)	-	(15,502.576)
At the end of the year/period	<u>486,473.963</u>	<u>50,703,911.262</u>	<u>19,922,797.048</u>	<u>34,992,239.182</u>
	HK\$	HK\$	HK\$	HK\$
Net assets attributable to holders of redeemable units (after fair value adjustment)	<u>7,366,200</u>	<u>781,919,433</u>	<u>233,838,332</u>	<u>414,124,208</u>
Net assets attributable to holders of redeemable units (per unit)	<u>15.14</u>	<u>15.42</u>	<u>11.74</u>	<u>11.83</u>

#### 4 Financial risk management

##### (l) 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

The Fund's investments and forward foreign exchange contracts are subject to the market price risk inherent in all investments and forward foreign exchange contracts i.e. the value of holdings may fall as well as rise. The Fund's market risk is managed through (i) deliberate stocks selection, and (ii) diversification of the investment portfolio in accordance with specific investment restrictions and guidelines.

The Manager monitors the Fund's market price sensitivity primarily through the Beta of the Fund on a regular basis. Beta measures the statistical relationship between the return of the Fund and the relevant benchmark index chosen by the Manager.

As at 30 June, the fair value of investments and forward foreign exchange contracts and its estimated market sensitivity were as follows:

	2011		2010	
	Fair value of investments HK\$	% of net assets	Fair value of investments HK\$	% of net assets
Listed/Quoted Investments				
<u>Assets</u>				
Equities and Warrants				
- Brazil	154,457,951	19.6	101,373,611	15.6
- Hong Kong	150,994,865	19.1	96,128,152	14.8
- Korea	145,175,453	18.4	124,825,197	19.3
- Taiwan	90,871,800	11.5	47,007,560	7.2
- India	55,491,811	7.0	38,117,106	5.9
- South Africa	54,893,334	7.0	55,654,958	8.6
- Others	93,712,503	11.9	102,216,882	15.8
	<u>745,597,717</u>	<u>94.5</u>	<u>565,323,466</u>	<u>87.2</u>
<u>Liabilities</u>				
Forward foreign exchange contracts	(81,414)	(0.0)	(40,507)	(0.0)
Total Listed/Quoted Investments	<u>745,516,303</u>	<u>94.5</u>	<u>565,282,959</u>	<u>87.2</u>

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

	Net asset value HK\$	Relevant benchmark index for the Fund (Note*)	Beta (Note**)	% of reasonable possible change of the relevant benchmark index (Note***)	Estimated impact on net asset value (Note****) HK\$
As at 30 June 2011	<u>789,285,633</u>	J.P. Morgan MPF GEM Composite Index	1.06	+25.6	<u>214,180,549</u>
As at 30 June 2010	<u>647,962,540</u>	J.P. Morgan MPF GEM Composite Index	1.04	+11.6	<u>78,170,201</u>

If the relevant benchmark index return was 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.

Note:

\* Relevant benchmark index for the Fund represents the relevant market index used by the Manager in monitoring the market price risk of the Fund.

\*\* Beta measures the statistical relationship between the return of the Fund and the respective benchmark index over the maximum of past 36 months, or the number of months since portfolio inception. For funds launched within a period of less than 12 months, weekly returns of the Fund are used for calculating the Beta.

\*\*\* % of reasonable possible change is based on the actual historical change in the benchmark index 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 benchmark index from in the past 3 months to 12 months. For funds launched within a period of less than 12 months, actual historical change in the benchmark index return since the commencement of operations will be used to calculate the % of reasonable possible change.

\*\*\*\* Estimated impact on net asset value of the Fund is calculated by applying the relevant Beta against the net asset value of the Fund multiplied by the % of reasonable possible change of the relevant benchmark index, assuming that all other variables are held constant.

(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 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.

	2011 Less than 1 month HK\$	2010 Less than 1 month HK\$
Cash at banks	39,481,184	320,783,620
Total interest sensitivity gap	39,481,184	320,783,620

Any cash and cash equivalents are placed/borrowed at short term market interest rates and the Manager considers that the Fund is not subject to significant amount of risk due to the stable and low fluctuation in the prevailing levels of market interest rates.

(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-HK\$ currencies. The realized profits or losses are normally quoted and settled net in Hong Kong 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.

	HK\$ equivalent	% of reasonable possible change against HK\$ (Note**)	Estimated impact on net asset value HK\$
<u>2011</u>			
Brazilian Rial	72,730,010	+15.3	11,127,692
Chinese Yuan	198,010	+4.8	9,504
Egyptian Pound	2,929,631	-4.6	(134,763)
Indian Rupee	39,305,802	+3.8	1,493,620
Korean Won	114,301,429	+14.4	16,459,406
Mexican Nuevo Peso	13,799,494	+9.8	1,352,350
Polish Zloty	10,084,808	+22.9	2,309,421
South African Rand	59,503,538	+13.0	7,735,460
Taiwan Dollar	58,615,150	+11.8	6,916,588
Thai Baht	32,523,435	+5.3	1,723,742
Turkish Lira	16,057,852	-2.6	(417,504)
United States Dollar	112,342,872	-0.1	(112,343)
	532,392,031		48,463,173

Net currency exposures (Note*)	HK\$ equivalent	% of reasonable possible change against HK\$ (Note**)	Estimated impact on net asset value HK\$
<u>2010</u>			
Brazilian Rial	20,681,155	+9.2	1,902,666
Canadian Dollar	2,551,495	+9.8	250,047
Egyptian Pound	3,626,717	-1.3	(47,147)
Indian Rupee	25,051,735	+3.6	901,862
Indonesian Rupiah	4,436,419	+13.1	581,171
Korean Won	46,671,488	+4.8	2,240,231
Mexican Nuevo Peso	8,701,587	+2.7	234,943
Polish Zloty	5,854,770	-5.3	(310,303)
South African Rand	32,246,044	+1.2	386,953
Sterling	2,991,840	-8.7	(260,290)
Taiwan Dollar	32,459,567	+2.6	843,949
Thai Baht	14,385,319	+5.7	819,963
Turkish Lira	15,497,303	-2.5	(387,433)
United States Dollar	223,491,668	+0.5	1,117,458
	438,647,107		8,274,070

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 HK\$	2010 HK\$
Cash at banks	39,481,184	320,783,620
Amounts receivable on allotment	258,155	163,372
Forward Foreign Exchange Contract	33,843	-
Dividend and other accounts receivable	3,892,472	660,237
	43,665,654	321,607,229

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

	2011 Exposure to counterparties HK\$	2010 Exposure to counterparties HK\$
Bank balances under the safekeeping of the custodian S&P(AA)/Moody's(Aa)/FITCH(AA)	39,481,184	320,783,620

**(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 Less than 1 month HK\$	2010 Less than 1 month HK\$
Amounts due to brokers	-	239,385,457
Amounts payable on redemption	736,654	185,531
Forward foreign exchange contracts	115,257	40,507
Other accounts payable	771,346	510,801
Net assets attributable to holders of redeemable units	789,285,633	647,962,540
Total financial liabilities	790,908,890	888,084,836

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 2011:

Listed/Quoted Investments	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<u>2011</u>				
<u>Assets</u>				
Equities	741,355,514	4,242,203	-	745,597,717
Total financial assets at fair value through profit and loss	<u>741,355,514</u>	<u>4,242,203</u>	<u>-</u>	<u>745,597,717</u>
<u>Liabilities</u>				
Forward foreign exchange contracts	-	(81,414)	-	(81,414)
Total financial liabilities at fair value through profit and loss	<u>-</u>	<u>(81,414)</u>	<u>-</u>	<u>(81,414)</u>
<u>2010</u>				
<u>Assets</u>				
Equities and Warrants	556,724,218	8,599,248	-	565,323,466
Total financial assets at fair value through profit and loss	<u>556,724,218</u>	<u>8,599,248</u>	<u>-</u>	<u>565,323,466</u>
<u>Liabilities</u>				
Forward foreign exchange contracts	-	(40,507)	-	(40,507)
Total financial liabilities at fair value through profit and loss	<u>-</u>	<u>(40,507)</u>	<u>-</u>	<u>(40,507)</u>

**5 Net gains/(losses) on investments and forward foreign exchange contracts**

	2011 HK\$	17.7.2009 (Date of Trust Deed) to 30.6.2010 HK\$
Change in unrealized gains/losses in value of investments and forward foreign exchange contracts	60,522,523	(7,558,996)
Realized gains on sale of investments and forward foreign exchange contracts	119,384,059	3,821,097
	<u>179,906,582</u>	<u>(3,737,899)</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 dividend income received and capital gains derived during the year.

7 Transactions with the Trustee and its affiliates and the Manager and its 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 HK\$	% of the Fund's total aggregate value of transactions	Commission paid HK\$	% of the Fund's total commission paid in the year/period (Note)	Average commission rate %
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2011

There were no investment transactions with Associates/Connected Persons of the Trustee and the Manager during the year.

2010

J.P. Morgan Securities (Asia Pacific) Limited	3,020,306	0.42	5,627	0.72	0.19
J.P. Morgan Securities (Far East) Limited Seoul	1,924,528	0.27	4,330	0.55	0.22

Note: Total commission paid by the Fund during the year amounted to HK\$0 (2010: HK\$785,596).

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

	2011 HK\$	2010 HK\$
Cash at banks	39,481,184	320,783,620
Amounts payable	(414,454)	(289,618)

As at 30 June 2011, the Fund's investment balance of HK\$5,208 (2010: HK\$(2,793)) represents the forward foreign exchange contracts entered with 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).

(e) Management fee for Class A of 1% 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% per annum and Class B of 0.08% 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

- (a) Outstanding forward foreign exchange contracts as at year end were as follows:

Contract to deliver	In exchange for	Settlement date	Unrealized gains/(losses) HK\$
<u>2011</u>			
Open contracts:			
HK\$10,500,000	US\$1,349,424	8 July 2011	0
HK\$15,472,248	US\$1,988,784	8 July 2011	2,677
US\$1,286,444	HK\$10,013,089	8 July 2011	3,140
HK\$9,000,000	US\$1,157,318	8 July 2011*	5,208
US\$13,904,652	HK\$108,195,452	9 August 2011	22,818
		Total unrealized gains	33,843
			-----
US\$18,398,744	HK\$143,071,709	8 July 2011	(90,761)
HK\$10,000,000	US\$1,285,010	8 July 2011	(1,205)
HK\$108,216,781	US\$13,904,652	8 July 2011	(23,291)
		Total unrealized losses	(115,257)
			-----
		Net unrealized losses	(81,414)
			=====

Contract to deliver	In exchange for	Settlement date	Unrealized gains/(losses) HK\$
<u>2010</u>			
Open contracts:			
HK\$3,377,485	US\$433,961	6 August 2010	1,595
		Total unrealized gains	1,595
US\$7,345,706	HK\$57,125,205	6 August 2010	(72,869)
US\$4,110,986	HK\$32,000,000	6 August 2010	(10,602)
		Total unrealized losses	(83,471)
			(81,876)
Closed but not yet settled contracts:			
US\$6,496,431	HK\$50,585,760	6 July 2010	
HK\$50,530,866	US\$6,496,431	6 July 2010	54,894
US\$413,285	HK\$3,216,938	6 July 2010	
HK\$3,214,635	US\$413,285	6 July 2010	2,303
		Total unrealized gains	57,197
HK\$7,867,440	US\$1,009,257	6 July 2010	
US\$1,009,257	HK\$7,858,782	6 July 2010	(8,658)
US\$281,971	HK\$2,195,623	6 July 2010	
HK\$2,200,000	US\$281,971	6 July 2010	(4,377)
US\$435,990	HK\$3,388,445	6 July 2010	
HK\$3,391,238	US\$435,990	6 July 2010*	(2,793)
		Total unrealized losses	(15,828)
			41,369
		Net unrealized losses	(40,507)

\* Contracted with an Associate of the Trustee (refer to Note 7 for the definition of Associate)

## 10 Distribution

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

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

	Holding	Fair value HK\$	% of net assets
<b>Listed/Quoted Investments (94.5%)</b>			
<b>(I) Equities (94.5%)</b>			
<b>Argentina (0.8%)</b>			
Telecom Argentina ADR	29,800	6,042,825	0.8
<b>Brazil (19.6%)</b>			
Banco Do Brasil	73,314	10,122,295	1.3
BRF-Brasil Foods	56,100	7,404,702	0.9
CEMIG-CIA Energetica Minas Ger ADR	23,895	3,835,797	0.5
CIA de Bebidas das Amer Pref ADR	64,475	16,917,192	2.2
CIA Energetica de Minas Gerais Pref	42,139	6,615,600	0.8
CIA Saneamento Basico Est Sao Paulo	31,000	7,176,731	0.9
Itau Unibanco Hldg ADR	39,039	7,147,760	0.9
Itausa-Investimentos Itau Pref	144,226	8,562,856	1.1
Petroleo Brasileiro ADR	84,929	22,363,291	2.8
Souza Cruz	110,125	10,893,414	1.4
Telecom de Sao Paulo ADR	51,297	11,834,939	1.5
Ultrapar Participacoes Pref	64,500	8,882,878	1.1
Vale SA ADR	131,574	32,700,496	4.2
<b>Egypt (0.4%)</b>			
Commercial Intl Bank	76,174	2,929,631	0.4
<b>Hong Kong (19.1%)</b>			
Bank of China 'H'	3,905,300	14,801,087	1.9
Chaoda Modern Agriculture	770,000	2,579,500	0.3
China CITIC Bank 'H'	1,510,000	7,308,400	0.9
China Citic Bk 'H' Rts (13-20/7/11)	302,000	250,660	0.0
China Construction Bank 'H'	2,991,000	19,291,949	2.5
China Merchants Bank 'H'	601,730	11,312,524	1.4
China Mobile	43,500	3,129,825	0.4
China Railway Construction 'H'	643,500	4,189,185	0.5
China Shenhua Energy 'H'	307,000	11,389,700	1.4
CNOOC Ltd	895,000	16,253,200	2.1
Great Wall Motor 'H'	472,000	6,022,720	0.8
Hengan Intl Group	123,500	8,577,075	1.1
Jardine Matheson Hldgs (CDP)	19,401	8,604,950	1.1
Kingboard Chemical Hldgs	161,500	5,781,700	0.7
PetroChina Co 'H'	1,358,000	15,399,720	2.0
Soho China	1,180,500	8,192,670	1.0
Weichai Power 'H'	175,000	7,910,000	1.0
<b>India (7.0%)</b>			
Bank Of Baroda (DEMAT)	27,308	4,242,203	0.5
Canara Bank (DEMAT)	43,354	3,961,923	0.5
Housing Development Fin (DEMAT)	103,493	12,649,966	1.6
Infosys Ltd ADR	32,378	16,426,574	2.1
Oil and Natural Gas (DEMAT)	135,132	6,445,051	0.8
Tata Motors (DEMAT)	40,200	6,931,035	0.9
United Spirits	28,495	4,835,059	0.6
<b>Kazakhstan (0.5%)</b>			
KazMunaiGas Exploration GDR (RegS)	23,636	3,659,961	0.5

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

	Holding	Fair value HK\$	% of net assets
<b>Korea (18.4%)</b>			
Dongbu Insurance	14,929	5,995,188	0.8
GS Engineering & Construction	11,600	10,948,339	1.4
Halla Climate Control	47,810	8,955,139	1.1
Hana Financial Group	35,990	9,770,766	1.2
Hynix Semiconductor	50,470	9,195,890	1.2
Hyundai Mipo Dockyard	5,100	6,300,287	0.8
Hyundai Motor	6,649	11,484,845	1.4
KIA Motors	14,602	7,683,693	1.0
Korea Zinc Co	2,300	6,856,013	0.9
KT & G	12,528	6,062,759	0.8
LG Display ADR	59,029	6,444,251	0.8
Samsung Electronics	2,722	16,366,753	2.1
Samsung Electronics GDR-RegS&144A	4,969	14,955,634	1.9
Samsung Engineering	2,241	4,164,880	0.5
SK Hldgs	7,800	10,516,877	1.3
SK Telecom ADR	65,145	9,474,139	1.2
<b>Mexico (1.7%)</b>			
Compartamos SAB	414,724	5,792,652	0.7
Grupo Financiero Banorte 'O'	227,242	8,006,621	1.0
<b>Poland (1.3%)</b>			
KGHM Polska Miedz	18,061	10,084,807	1.3
<b>Russia (1.1%)</b>			
Lukoil Sponsored ADR-LI Listing	7,300	3,606,998	0.5
Tatneft ADR-RegS	14,934	5,008,444	0.6
<b>South Africa (7.0%)</b>			
African Bank Investments	222,343	8,720,717	1.1
Bidvest Group	34,400	5,935,127	0.8
Exxaro Resources	49,200	10,037,695	1.3
Kumba Iron Ore	20,454	11,343,419	1.4
Sanlam Ltd	264,200	8,354,840	1.1
Shoprite Hldgs	90,066	10,501,536	1.3
<b>Taiwan (11.5%)</b>			
Advanced Semiconductor Eng	807,000	6,864,599	0.9
Chunghwa Telecom ADR	31,263	8,399,948	1.1
Formosa Chemicals & Fibre	377,000	10,876,846	1.4
Hon Hai Precision GDR-RegS	272,301	14,397,532	1.8
Macronix Intl	819,000	3,893,795	0.5
Taiwan Semiconductor Mfg	546,000	10,649,695	1.3
Taiwan Semiconductor Mfg ADR	103,964	10,184,931	1.3
Teco Electric & Machinery	1,242,000	6,947,902	0.9
Tripod Technology	155,000	4,975,790	0.6
U-Ming Marine Transport	362,000	6,001,669	0.7
Wistron Corp	558,000	7,679,093	1.0
<b>Thailand (4.1%)</b>			
Charoen Pokphand Foods (F)	934,300	6,921,014	0.9
Kasikornbank Public Co NVDR	297,200	9,220,243	1.2
PTT Aromatics & Refining (F)	662,500	6,291,796	0.8
PTT Public Co (F)	118,300	10,006,650	1.2
Thai Airways Intl (F)	11,500	83,732	0.0

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

	Holding	Fair value HK\$	% of net assets
<b>Turkey (2.0%)</b>			
Arcelik AS	83,193	3,300,506	0.4
KOC Hldg	71,546	2,392,787	0.3
Tupras-Turkiye Petrol Rafinerileri	21,625	4,103,124	0.5
Turk Hava Yollari Anonim Ortakligi	185,037	3,759,134	0.5
Turkiye Garanti Bankasi	70,937	2,501,578	0.3
		<hr/>	<hr/>
		745,597,717	94.5
<b>(II) Forward foreign exchange contracts (-0.0%)</b>		(81,414)	(0.0)
		<hr/>	<hr/>
<b>Total Listed/Quoted Investments</b>		745,516,303	94.5
<b>Other net assets</b>		43,769,330	5.5
		<hr/>	<hr/>
<b>Net assets attributable to holders of redeemable units at 30 June 2011</b>		789,285,633	100.0
		<hr/> <hr/>	<hr/> <hr/>
<b>Total investments, at cost</b>		692,552,776	
		<hr/> <hr/>	

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

	% holdings of net assets	
	2011	2010
<b>Listed/Quoted Investments</b>		
<b>Equities and Warrants</b>		
Brazil	19.6	15.6
Hong Kong	19.1	14.8
Korea	18.4	19.3
Taiwan	11.5	7.2
India	7.0	5.9
South Africa	7.0	8.6
Thailand	4.1	4.3
Turkey	2.0	2.4
Mexico	1.7	3.7
Poland	1.3	0.9
Russia	1.1	1.6
Argentina	0.8	0.3
Kazakhstan	0.5	-
Egypt	0.4	0.6
Indonesia	-	1.1
United Kingdom	-	0.5
Canada	-	0.4
<b>Forward foreign exchange contracts</b>	(0.0)	(0.0)
<b>Total Listed/Quoted Investments</b>	94.5	87.2
<b>Other net assets</b>	5.5	12.8
	100.0	100.0
<b>Net assets attributable to holders of redeemable units at 30 June</b>	100.0	100.0

**Performance Record - Unaudited**

**Net Asset Values**

At financial period ended	Net asset value of the Fund HK\$	Net asset value per Class A unit HK\$	Net asset value per Class B unit HK\$
30/6/11	789,285,633	15.14	15.42
30/6/10	647,962,540	11.74	11.83

**Fund Expense Ratio**

	Class A	Class B
30/6/11	1.23% *	0.22% *
	HK\$	HK\$
Transaction cost for the period from 1 July 2010 to 30 June 2011	1,027,580	4,057,267

**\* 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 investment return (Note)</u>	<u>Highest offer HK\$</u>	<u>Lowest bid HK\$</u>
Class A unit			
30/6/11	+29.0%	15.82	11.71
30/6/10 (Since inception)	+17.4% <sup>1</sup>	12.84	10.00
Class B unit			
30/6/11	+30.3%	16.93	11.81
30/6/10 (Since inception)	+18.3% <sup>1</sup>	13.59	10.00

<sup>1</sup> Return less than 1 year is shown without being annualized.

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

J.P. Morgan Investment Management Inc.  
270 Park Avenue  
New York, NY10017-2070  
United States of America

### 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

### Auditor

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