

JF SAR HK\$ Bond

January 2012

Objective

To provide investors with long term capital growth in HK dollar terms through a portfolio consisting primarily of Hong Kong dollar denominated bonds.

Fund Manager's report

Portfolio Review: Hong Kong dollar yields moved higher during December due to a funding squeeze, while US Treasury yields moved lower. US economic data was generally positive as the labor market continued to show signs of recovering and housing data appeared to stabilize. However, concerns remain about the lack of fiscal support to protect the economy from the external slowdown. Also, headlines from the European debt crisis continue to weigh on investors' sentiment. Domestic Hong Kong economic data was generally robust as retail sales remained strong and unemployment stayed low. Nevertheless, exports slowed sharply and industrial production also declined. Finally, inflation remains high and sticky.

Outlook: With the Fed promising to keep rates low until 2013, we expect that both US and Hong Kong short-term yields will remain low and range-bound. In addition, the curves should remain relatively flat because the Fed is purchasing longer-term bonds. While domestic economic data remains reasonably robust, average broker forecasts for 2012 expect a slowdown in both GDP and inflation in Hong Kong, due to that declining demand for exports from the developed world. During the month, we maintained a small long duration position versus the benchmark.

Portfolio information

Fund manager	Stephen Chang/Shaw Yann Ho, Hong Kong	
Launch date	17.09.98	
Fund size (m)	HKD 921.6	
Denominated currency	HKD	
NAV per unit:	Class A	HKD 19.21
	Class B	HKD 20.49
Trustee / Custodian	Royal Bank of Canada Trust Co (Asia) Ltd	
Dealing	Daily	
Year End	30 June	
ISIN code:	Class A	HK0000013810
	Class B	HK0000013828
Bloomberg code:	Class A	JFSRHKD HK
	Class B	JFSRHKB HK

For more information, please contact

JPM Pension Services

21/F Chater House

8 Connaught Road Central Hong Kong

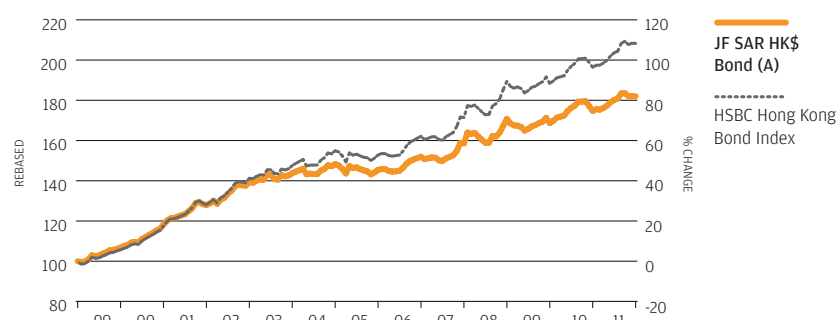
Tel: 2978 7588 Fax: 2868 4409

Email: jpm.pension@jpmorgan.com

www.jpmorganam.com.hk

- The Fund invests in fixed income instruments and is exposed to interest rate, currency and credit risk.
- Investors may be subject to substantial losses.
- Investors should not solely rely on this document to make any investment decision.

Performance from 31.12.98 to 30.12.11



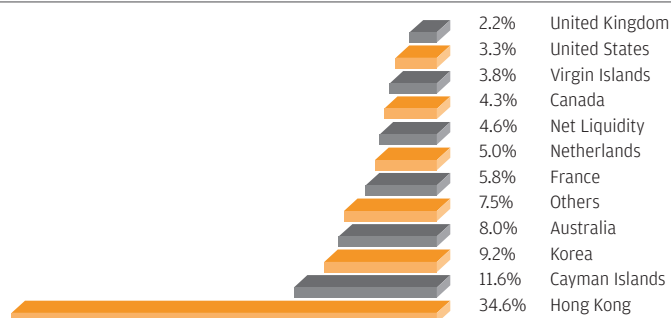
Cumulative performance %

	1 month	1 year	3 years	5 years	Since launch
Class A	+0.0	+4.2	+6.6	+19.8	+92.1
Benchmark ¹⁾	-0.1	+6.1	+10.0	+28.5	+124.5

Calendar Year performance %

	2006	2007	2008	2009	2010	2011YTD
Class A	+4.5	+4.4	+7.6	-1.2	+3.6	+4.2
Benchmark	+6.1	+5.8	+10.5	-0.5	+4.3	+6.1

Portfolio analysis



Top five holdings as at end November 2011

Holding	%
HK Govt Bd 2.93% 13/1/20-10GB2001	4.9
HK Exchange Fund 2.31% 21/06/21	2.9
HK Exchange Fund 2.07% 26/08/26	2.9
HK Exchange Fund 3.56% 25/06/18	2.5
HK Exchange Fund 1.18% 21/09/15	2.1

Unless stated otherwise, all information as at the last valuation date of the previous month. Source: JPMAM/Bloomberg (NAV to NAV in base currency with income reinvested). Any overweight in any investment holding exceeding the limit set out in the Investment Restrictions was due to market movements and will be rectified shortly. It should be noted that due to the difference of the fund domiciles the valuation points used by the JF Funds and JPMorgan series of funds for fair valuation (where applied) may vary. For details please refer to the respective offering document(s). ¹⁾The "Since launch" performance is calculated from 30.09.98 as data not available on launch date.

Investment involves risk. Past performance is not indicative of future performance. Funds which are invested in emerging markets and smaller companies may also involve a higher degree of risk and are usually more sensitive to price movements. Please refer to the offering document(s) for details, including the risk factors.

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