

# JF SAR Hong Kong

January 2012

## Objective

To provide investors with long term capital growth in HK dollar terms through a portfolio consisting primarily of securities of companies either listed, based or operating principally in Hong Kong.

## Fund Manager's report

**Portfolio Review:** The year ended up on a slightly positive note as Hong Kong equities eked out a small gain in December against a flat regional Asian market. The market started the month on a high note, spurred by coordinated central bank action around the world as well as an unexpected cut in the reserve requirement ratio in China, but gave back most of the gains due to continued concerns over the European debt problem and slowing global economic growth. Despite low secondary market volumes and weak land auction results, Hong Kong property stocks outperformed due to low valuation and resilient primary sales volumes. November retail sales growth surprised on the upside at 23.5% year-over-year growth, exceeding both consensus estimate (21.6%) and October's figure (23.1%).

**Outlook:** Given attractive current valuations, especially for China-related companies, as well as incremental positive economic data, we are constructive towards the market in the near term. We remain more cautious regarding Hong Kong stocks given the potential impact of negative wealth effect, especially with on-going weakness in the financial sector. In contrast, China counters should benefit from marginal policy easing or fine-tuning, enabled by continuously falling inflation.

## Portfolio information

|                      |   |                     |
|----------------------|---|---------------------|
| Fund manager         | <b>Emerson Yip/Howard Wang,<br/>Hong Kong</b>       |                     |
| Launch date          | <b>17.09.98</b>                                     |                     |
| Fund size (m)        | <b>HKD 2,768.3</b>                                  |                     |
| Denominated currency | <b>HKD</b>  |                     |
| NAV per unit:        | Class A   | <b>HKD 35.87</b>    |
|                      | Class B   | <b>HKD 38.90</b>    |
| Trustee / Custodian  | <b>Royal Bank of Canada<br/>Trust Co (Asia) Ltd</b> |                     |
| Dealing              | <b>Daily</b>  |                     |
| Year End             | <b>30 June</b>                                      |                     |
| ISIN code:           | Class A   | <b>HK0000013836</b> |
|                      | Class B   | <b>HK0000013844</b> |
| Bloomberg code:      | Class A   | <b>JFSRHKG HK</b>   |
|                      | Class B   | <b>JFSRHOB HK</b>   |

For more information, please contact

### JPM Pension Services

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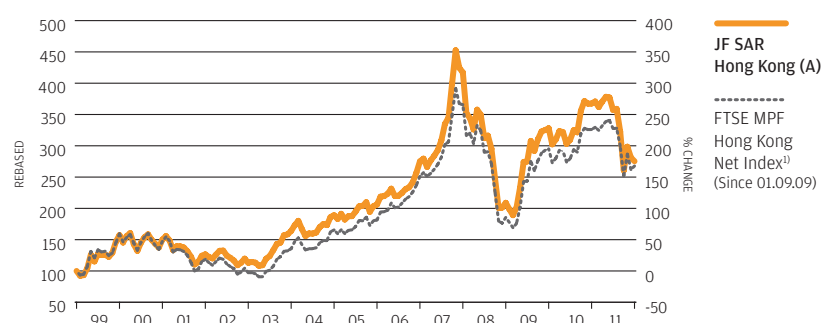
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- The Fund invests in a single market and is therefore subject to greater concentration and liquidity risk than a more diversified investment. The Fund's price movement may go down or up sharply over a short time span.
- Investors may be subject to substantial losses.
- Investors should not solely rely on this document to make any investment decision.

## Performance from 31.12.98 to 30.12.11



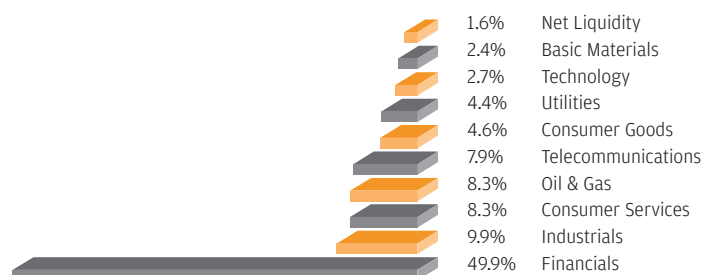
## Cumulative performance %

|                         | 1 month     | 1 year       | 3 years      | 5 years     | Since launch  |
|-------------------------|-------------|--------------|--------------|-------------|---------------|
| <b>Class A</b>          | <b>-2.1</b> | <b>-25.1</b> | <b>+31.7</b> | <b>+0.1</b> | <b>+258.7</b> |
| Benchmark <sup>1)</sup> | +2.1        | -17.9        | +44.6        | +6.8        | +262.8        |

## Calendar Year performance %

|                         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011YTD      |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Class A</b>          | <b>+33.4</b> | <b>+51.7</b> | <b>-49.9</b> | <b>+57.0</b> | <b>+12.0</b> | <b>-25.1</b> |
| Benchmark <sup>1)</sup> | +38.0        | +45.7        | -49.3        | +59.4        | +10.5        | -17.9        |

## Portfolio analysis



## Top five holdings as at end November 2011

| Holding  | Sector             | %   |
|--|--------------------|-----|
| <b>HSBC Holdings plc</b>                         | Financials         | 7.9 |
| <b>China Construction Bank Corp</b>              | Financials         | 7.5 |
| <b>China Mobile</b>                              | Telecommunications | 5.9 |
| <b>CNOOC</b>                                     | Oil & Gas          | 4.0 |
| <b>Industrial &amp; Commercial Bank of China</b> | Financials         | 4.0 |

Unless stated otherwise, all information as at the last valuation date of the previous month. Source: JPMAM/Thomson Reuters Datastream (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). <sup>1)</sup>Dividends reinvested after deduction of withholding tax. Prior to 01.09.09, 90% FTSE World Hong Kong Total and 10% HSBC Share (price).

**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.