

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Asian Masters Fund (AUF)

September 2016

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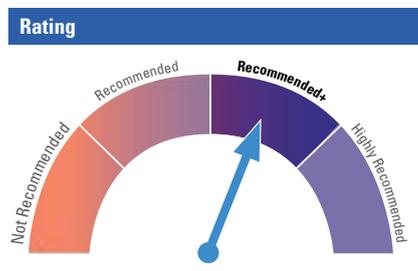
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Note: This report is based on information provided by Asian Masters Fund as at September 2016



Investment Profile

Name of fund:	Asian Masters Fund
Investment Manager:	Walsh & Company Asset Management Pty Limited
Benchmark:	No official benchmark
AUF Listing Date:	4 December 2007
Objective:	High real rate of return
Performance Target	High real rate of return
Tracking Error:	Not applicable
MER	1.0%
Performance Fee	Not applicable
Hurdle	Not applicable
Mkt Cap (12 Sep 2016)	\$173.2M
Share Price (12 Sep 2016)	\$1.32

Fees Commentary

The 1.0% MER is competitive. As a fund of fund structure, investors also incur indirect fees charged by the underlying fund managers.

Key Exposures (as at 30 Jun 2016)

Country	% Portfolio
China	34.8
India	20.8
Korea	15.4
Taiwan	12.0
Philippines	3.6

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT OVERVIEW

The Asian Masters Fund Limited (AUF or the Fund) is a multi-manager investment vehicle that provides exposure to select Asian equities fund managers. The Fund's portfolio typically consists of between 8 to 20 regional and country specific fund managers. The Fund is benchmark unaware, with the Investment Manager, Walsh & Company Asset Management Pty Limited taking distinct country, sector and thematic tilts as expressed by the selection and portfolio weighting of the underlying fund managers. In this regard, the Fund has for some time reflected a strong play on the Asian consumer, particularly the Chinese and Indian consumer, and it has also been materially overweight (relative to the MSCI Asia ex Japan index) the more 'emerging' country end of the spectrum. These tilts are dynamically managed, and there is no structural bias to either sector or country. As a point of difference to many other Asian equities investment vehicles, the Fund invests in China A-Shares managed funds and historically its exposure to this market has been significant. The Fund is managed by a small, albeit proven and well supported, investment team. Performance has been solid relative to the MSCI Asia ex Japan index as well as what we consider an appropriate blended index (85% MSCI Asia ex Japan, 15% CSI 300 Index). AUF was launched in December 2007 and trades on the Australian Securities Exchange (ASX) under the ticker "AUF".

INVESTMENT SUITABILITY

From a portfolio perspective, we see the Fund as having three key points of difference. Firstly, it is effectively a high conviction investment mandate in which the Manager makes strong country and sectoral 'bets', as expressed by the selection and portfolio weighting of underlying managed funds. While the MSCI Asia ex Japan Index serves as a point of reference to country weights, the Manager is in no way constrained by it and the Fund's country allocation and the underlying stocks will look very different to that index. Currently, for example, the Fund is significantly overweight the Chinese and Indian consumer, as expressed by overweight exposures to China, India and the consumer sectors. While the Manager's thematic views and tilts are dynamic they reflect what are typically longer term trends and, as such, we would expect this Asian consumer theme to remain over the foreseeable future. Secondly, the Fund can indirectly invest in China A-Shares through its manager selection. This has the potential to add significantly to the Fund's volatility but we note that the Manager's fund manager selection process has emphasised high quality managers which take a bottom-up approach and invest in high quality Chinese companies, eschewing the more speculative (and volatile) elements of the China A-Shares market. Thirdly, we expect for the foreseeable future the Fund to remain relatively overweight the more 'emerging' end of the MSCI Asia ex Japan spectrum (China and India especially) and, as a corollary, relatively underweight the likes of Taiwan, South Korea, Hong Kong and Singapore).

RECOMMENDATION

The investment process is well established, disciplined and very much consistent with a standard multi-manager research methodology. The Investment Manager research team is on the small and less experienced side but it has proven itself capable and is well supported by senior colleagues and an experienced Board of Directors, which serves as the investment committee. Historic performance has been solid, albeit not spectacular, with the Fund generally outperforming the Blended Index on a risk and return basis. Investment Manager selection has been solid, with the bulk of the current underlying fund managers outperforming their respective benchmarks. This speaks well to the strength of team and process. Furthermore, the Manager's focus on fund managers that utilise a bottom-up, fundamental investment process has served to reduce volatility. The Fund's underlying product philosophy is attractive, with the Manager holding that there are advantages investing in both regional fund managers (benefit from perspective across Asia and able to make relative value trades among countries) as well as single country fund managers (information advantage and skill in their particular country). The Manager also holds that an Asian index aware mandate exposes investors to too many state-run enterprises and cyclical stocks. Overall, IRR rates the Asian Masters Fund RECOMMENDED PLUS.

SWOT ANALYSIS

STRENGTH

- ◆ Historic performance has been solid, with the Fund generally outperforming. There has also been a broad distribution of positive attribution, with the Fund outperforming based on both country tilts and with a broad number of its underlying fund managers.
- ◆ While the Fund invests in China A-Shares, its selection of high quality managers that utilise a fundamental bottom-up investment approach along with some having the ability to be partly invested in cash means it has avoided the more speculative and volatile element of the China A-Shares market.
- ◆ The team has a collegiate and meritocratic culture, where investment ideas and considerations are shared openly. There is a good mix of experience and youthful endeavour and nothing to suggest the team will not be stable. The team is also supported by a very experienced Investment Committee.
- ◆ The Manager has shown a commitment to buy back shares, reducing the risk of AUF trading at a discount to NTA.

WEAKNESS

- ◆ While the Fund may have generally outperformed the Blended Index, the degree to which it has done so over yearly and rolling yearly periods is generally not significant. This applies to measures of risk as well, both volatility and drawdown levels.
- ◆ While we believe the team is more than capable and we acknowledge well supported by the experience of the Investment Committee, the reality is it is less resourced, less dedicated (all members have responsibilities to other products), and less experienced than some peers.

OPPORTUNITIES

- ◆ The Fund provides a differentiated exposure to Asia ex Japan equities and it provides a strong play on the thematically attractive Asian consumer sectors. Most of the Fund's peers do not have exposure to China A-Shares.
- ◆ We view the Fund's index unaware investment approach as a positive, agreeing with the Manager that an Asian index aware mandate exposes investors to too many state-run enterprises and cyclical stocks.
- ◆ As a LIC, the Fund may trade at a discount or premium to NTA. This is both an opportunity and risk. At the date of this report, we note the Fund is trading at a slight premium to NTA, broadly in-line with its historic long-term average. We also note that the Manager has been mindful of managing the discount to NTA risk through a share buy-back program.

THREATS

- ◆ Asian equities markets can be highly volatile as was evident in the recent 3QCY15 period and the Fund has significant exposure to the China A-Shares market, albeit in what can be argued as lower risk sectors.
- ◆ Emerging market managers can be subject to material redemption risk in less favourable market environments, which can adversely impact the performance of such managers. This was evident with Aberdeen over the 2015-16 period, a manager the Fund was invested with (and well monitored and managed by the Manager in regards to those risks). The Manager will monitor such developments as part of its normal portfolio management process.
- ◆ The Fund is exposed to foreign exchange risk. This is both a threat and an opportunity.

PRODUCT OVERVIEW

The Asian Masters Fund invests in both regional funds and single country funds. The Manager's thesis behind this is that the regional funds benefit from an investment perspective across the Asia region and are able to make relative value trades among countries. Investment in regional funds also provides the Manager with information on the country decision making process. The single country fund managers have an information advantage and skill in their particular country and also tend to invest further down the capitalization scale. Country funds also enable the Manager to express particular country views and tilt country weights.

The Fund is in effect a high conviction product. While the MSCI Asia ex Japan Index serves as a point of reference to country weights, the Manager is in no way constrained by it. The Fund's country allocation and the underlying stocks through the constituent fund managers will generally look very different to the Index. This is certainly intended, as the Manager believes the Index has an unattractive bias to State owned enterprises and large cyclical companies.

Country weights are determined by the strength of the Manager's conviction on the market outlook of a particular country. The target country weight is set in consultation with the Investment Committee at quarterly country allocation meetings. The country weight will also depend on whether the country is a core or satellite country. A core country is a country that AUF will always maintain a positive absolute weight in. Even when the investment committee expresses a strong negative country view a core country will still have a positive absolute weight. Core countries are China, Taiwan, India, Korea, and Hong Kong. Non core are Singapore, Thailand, Indonesia, Malaysia, the Philippines, and Vietnam.

The Manager will express strong sectoral and thematic views by way of fund manager selection and portfolio weighting. The Fund's single dominant theme for some time now and, it would appear for the foreseeable future, is the Asian consumer at various levels. This includes not only consumer staples and discretionary sectors but potentially any other sector positively exposed to the Asian consumer, such as insurance, health care, travel and technology sectors. From a performance perspective, a consequence of this sectoral focus and, as a corollary eschewing strongly cyclical sectors, has been a lower degree of volatility.

The investment process is very much based on a standard multi-manager approach. Those managers that pass an initial quantitative and qualitative screen undergo a more detailed review considering a range of factors such as the organisation, quality of the investment team, the robustness of the investment process, risk management and operations. Following peer review of the manager research, funds which are approved by the manager are put on an "Approved list". However prior to any investment in a manager, the Investment Committee will also discuss the merits of any prospective investment with the portfolio manager, prior to approval.

The investment team consists of two members directly engaged in the analysis of fund managers, a supporting analyst, and two senior members that are active in the construction and management of the portfolio. There is also considerable input by a deep and experienced investment committee in relation to fund manager selection, country allocations and sectoral/thematic tilts.

The portfolio manager, James Brown, joined the team in June 2013 while the assistant portfolio manager, Renata Muranaka, joined in July 2012. While both are relatively new hires in the context of the Fund's eight year track-record, senior member Alex MacLachlan has been engaged in the Fund for considerably longer, as have many of the Investment Committee members. In regards to the latter, we believe the degree to which the longer term performance track-record of the Fund, which is solid, is indicative of the team's capabilities moving forward is strong.

The Investment Manager undertook a capital raise in July 2016, raising gross proceeds of \$12.7M raised. The rationale for the raise was that the Investment Manager was aware of some market demand for AUF as well as a desire to invest in a number of identified funds.

The Manager, Walsh & Company Asset Management Pty Limited, is a wholly owned subsidiary of Walsh & Company Group Pty Limited, a specialist global fund manager established in 2007 with assets under management in excess of \$2.5 billion across global equities, residential and commercial property, private equity, fixed income, and sustainable and social investments.

INVESTMENT TEAM

James Brown (Portfolio Manager) and Renata Muranaka (Assistant Portfolio Manager) are responsible for manager research and are assisted by Louis Williams (Analyst) who recently replaced departing supporting analyst Simon Grunstein. Research responsibilities are allocated based on research requirements at any given time. All members of the team are expected to be generalists across all emerging markets and Asia. The team is relatively recently formed; James joined in 2013 while Renata and Loius joined in 2012 and 2015, respectively.

Alex MacLachlan (CEO) and Adam Chandler (Director) participate in a peer review process as part of the manager selection and portfolio management process. Both are senior members of management at Walsh & Company. Alex was appointed as director of Asian Masters Fund on 23 September 2009, and since then has been involved in the approval of all investment decisions and management of the portfolio. He beneficially holds 30,308 shares in the capital of the Fund, so there is very much a direct alignment of interest.

There is a high degree of team interaction. The team has two formal investment meetings each week – a research meeting where research responsibilities are discussed and allocated, and where manager research updates are provided to the team by analysts. The merits of investment decisions, whether relating to the merits of a fund manager, or of a proposed portfolio reweighting, are discussed prior to being put forward to the Investment Committee for discussion and approval. The second weekly meeting is a broader investment meeting which includes those involved in managing other funds and asset classes. At this meeting, broad investment themes and ideas are shared across teams for discussion.

All five team members also have responsibilities outside that of the Fund, with Alex and Adam significantly so. James Brown and Renata Muranaka are also responsible for managing the portfolio of Emerging Markets Masters Fund Limited. We do note, however, this fund has significant overlap with Asian Masters Fund which means their attention and focus on the Fund is less 'diluted' than may otherwise be.

We believe that succession planning for key positions is appropriate and mitigates potential risks. Walsh & Co believes that senior members of the team are appropriately incentivized to encourage them to remain committed to the business and managing the Fund. It also believes it has adequate resources and a succession plan in place. In the case of the sudden departure of the PM, Alex MacLachlan would take over management of the portfolio, with the help of Assistant PM, Renata Muranaka, until a suitable replacement could be identified.

The team has a collegiate and meritocratic culture, where investment ideas and considerations are shared openly. There is a good mix of experience and youthful endeavour and nothing to suggest the team will not be stable.

Key Investment Personnel	
Name, Position	Tenure
James Brown – Portfolio Manager	2013
Renata Muranaka – Assistant Portfolio Manager	2012
Louis Williams – Analyst	2015
Alex MacLachlan – IC Member, CEO	2008
Adam Chandler – Director	2015

The management team also benefits from the five member Board of Directors, who compose the Investment Committee. The Board of Directors meets at least six times per year, and the Portfolio Manager is in contact with the Board on at least a monthly basis. In addition, John Holland, Chairman of the Board, travels with the Portfolio Manager at least twice per year to meet with existing and potential future managers for investment.

A number of the Investment Committee members have significant experience in the Asian markets. For example, John Holland during his time at UBS helped raise the money for Arisaig's and Prusik's first funds. And he knew the Jardine Fleming business, which ultimately became JP Morgan Asset Management in Asia over the last 20 years as well. The Manager states that when a new fund manager is presented to the Investment Committee many members are already quite familiar with the fund manager.

INVESTMENT TEAM PROFILES

James Brown (Portfolio Manager) joined the group in June 2013, and has managed AUF since that time. Since joining, James has developed his portfolio construction skills through regular consultation and interaction with CEO Alex MacLachlan, as well as senior members of the Board of Directors. Prior to joining, James worked at Winterflood Securities, one of London's leading institutional brokers and market makers. As a listed investment companies' analyst, he provided recommendations and research on funds across all asset classes. James was consistently ranked in the top 10 UK investment companies' analysts by Extel Survey from 2008, and he was ranked No. 3 in 2012.

Renata Muranaka (Assistant Portfolio Manager) has been with the team since July 2012. Ms. Muranaka has 8 years experience in investment management including experience in Brazil prior to moving to Australia in 2008. Renata Muranaka assists in managing the portfolios of Asian Masters Fund and Emerging Markets Masters Fund. Renata is involved in recommending changes to the funds' country allocation, researching and selecting appropriate funds for investment and monitoring existing investments. Renata has 8 years experience in investment management, working at a family office and at a venture capital firm in Brazil before moving to Australia in 2008.

Louis Williams (Analyst) joined the Funds Management team in September 2015 after completing a Bachelor of Economics at the University of Sydney. His past industry experience includes working in assistant administration roles in corporate finance and in an editorial and research capacity at The Australian Financial Review.

Alex MacLachlan (CEO) joined the group in 2008 to lead the then Funds Management division. Since joining, Mr. MacLachlan has grown funds under management from \$100m to in excess of \$2.5 billion, with investments spanning across global equities, residential and commercial property, fixed income, private equity, and sustainable and social investments. Prior to joining the group, Mr. MacLachlan worked as an investment banker at UBS, rising to Head of Energy for Australasia. Mr. MacLachlan worked on more than \$100b in mergers and acquisitions and capital market transactions.

Adam Chandler (Director) joined Walsh & Company in December 2015. Adam has more than 15 years' experience in financial markets, across funds management and corporate advisory in Australia and Europe. Before joining Walsh & Company, Adam worked at a London based, multi-strategy hedge fund, focussing on alternatives assets and within UBS's Fundamental Investment Group, both as an investment analyst and portfolio manager. Prior to that he was an investment banker at UBS in Sydney and London, advising on mergers and acquisitions and capital raising.

INVESTMENT PROCESS

Broadly speaking, the investment process is well established, disciplined, proven over a full market cycle and clearly articulated by the Manager. The small team, and long-term tenure of Alex and Adam, ensures consistency of process and, in this regard, we believe the track record of alpha generation that the Fund has recorded is repeatable notwithstanding that both the PM and Assistant PM are more recent hires.

COUNTRY AND SECTOR ALLOCATION

The first step in the investment process is the determination of a country allocation target. This is set by the Investment Committee based on a bi-monthly meeting that involves all IC and investment team members.

To facilitate the informed discussion, the investment team circulates an economic and market data pack which examines valuations on a variety of measures, expected earnings growth and yield and the economic outlook. The information is compiled both from internal research and trusted external emerging markets consultancy groups. Countries are ranked based on their theoretical expected return according to various assumptions. This serves to inform discussions rather than instruct outcomes.

Based on this and the Investment Committee's significant investment experience in Asia and external reading and research a consensus decision is made with respect to target country allocations. As noted above, there are core and non-core countries, with the former having some mandatory degree of portfolio allocation.

The investment team will then seek to identify what it believes are the best managers both from a regional and country level perspective and present those to the IC to set a portfolio that is ultimately in-line with the strategic country allocations. The process in selecting those fund managers is detailed below.

The investment team will also discuss its thematic views in these committee meetings. This is less of a focus though, or less frequently perhaps, as the investment team's thematic views tend to be longer term ones. As noted above, the Fund has had a strong bias to the Asian consumer for quite some time and it would appear that this will continue to be the case over the foreseeable future.

SCREENING THE UNIVERSE

Quantitative Screen

The initial universe of long-only funds currently comprises slightly over 700 investment funds. Of that, roughly 300 are regional funds and slightly in excess of 400 country funds. Data is collected on these investment funds using the Bloomberg universe screening function. Data includes manager performance, fund assets under management and country of domicile. A separate long-short universe of funds is tracked, however Bloomberg typically has limited information on these funds.

The investable universe of funds is run through a number of quantitative performance screens. The screens are run on a quarterly basis and determine the fund manager research list of approximately 60 funds. Funds under US\$50 million are removed. The list is dynamic and changes on a quarterly basis as the screen is re-run. The screens are also employed as a review mechanism for funds in the actual portfolio. The screens are based on a variety of factors, including multiple performance metrics.

The screens are run separately at the regional and country levels. The size of the universe differs from group to group therefore a different number of funds are selected from each group to populate the research list. The smaller the universe, the fewer funds are selected from the universe.

Qualitative Screen

Those managers that pass the quantitative screen are placed on the list which forms the research agenda for the quarter. Initial or updated information is requested from the fund managers including: fund factsheet, investor presentation, due diligence questionnaire, monthly fund performance since inception and if possible fund stock level holdings. Following review of these documents, if a fund still appears attractive, these managers on the research list are candidates for conference calls, site visits and in depth research. A detailed due diligence questionnaire is completed. Once the required level of information is acquired, a qualitative ranking report is written.

The qualitative rank is based on a variety of factors which are relatively standard in the review processes conducted by multi-manager funds. The team closely assesses the organisation, quality of the investment team, the robustness of the investment process, risk management and operations.

Once the team has completed that process and they are comfortable with it as a prospective inclusion into the approved list a meeting with Alex and Adam is organised where the case for the fund is put forward. Alex and Adam's approval is required for a fund to be put on the approved list.

Alex and Adam are required to approve the funds which are then included in the "Approved List". If the Portfolio Manager wants to recommend an investment in one of these funds on the "Approved List" approval to invest will then need to be sought from the IC.

PORTFOLIO MAINTENANCE

The Manager monitors the performance of the funds against their benchmarks on a monthly basis. Portfolio holdings are also provided by each manager on a monthly basis. The funds that are held in the portfolio are reviewed on a quarterly basis. If a fund on the approved list fails to qualify for the research list based on the quantitative scoring system they are also reviewed.

Ad hoc reviews can also be prompted by other events including: change in ownership structure; significant personnel departure in the organisation; change in the investment mandate; significant sudden decrease in the assets under management of the fund, or; style drift. Depending on the outcome, this review process may lead to a decision to reduce a portfolio holding partially or wholly in a particular managed fund.

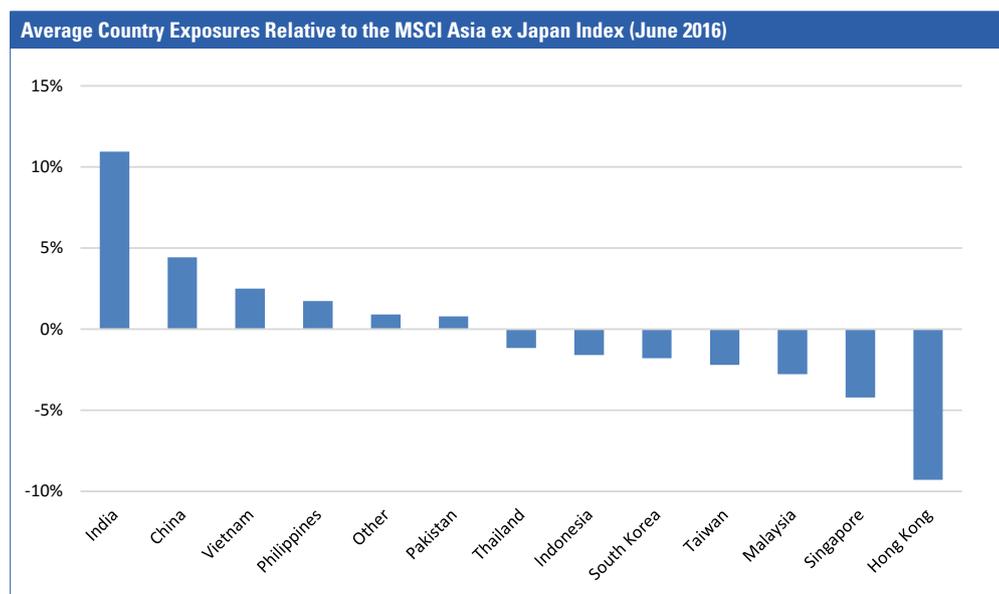
The PM speak with all managers on at least a semi-annual basis, and most are spoken to on a quarterly basis. Managers based in London, Hong Kong and Singapore are met face-to-face on a semi-annual or annual basis.

PORTFOLIO POSITIONING

The Fund's portfolio as at 30 June 2016 is detailed below by country, sector and manager. We would note the following.

Firstly, when compared to the MSCI Asia ex Japan the Fund has invariably (for the historic period of data provided to IIR) been materially overweight the more emerging country end of the spectrum (see chart below). This does not necessarily reflect a view that countries such as South Korea or Taiwan are unattractive but has generally in part been more a reflection that the Manager has adopted strong thematic views that play out more in other countries. The most prominent example of this is the Chinese and Indian consumer (of which some South Korean and Taiwanese companies will also be strong beneficiaries of). Nevertheless, investors should be aware of this portfolio characteristic as it may have distinct risk-return characteristics in certain market environments.

Over the last year, or so, country and sector changes have been tweaks rather than material changes, reflecting a strength of conviction in the Manager's main themes. Where there has been changes then those changes have predominantly mitigated a degree of down-side risk in the Chinese equities market, specifically rotating some funds into H-Shares as well as exposure to some China A-Shares managers that have the ability to be partly invested into cash.



In relation to China, the Fund invested relatively heavily in the China A-Shares market quite early on and currently maintains investments in three China A-Share funds. The Manager states they are high quality managers who take a bottom-up approach and invest in high quality Chinese companies and eschew the more speculative elements of the Chinese market. As such, they have tended to underperform the China A-Share market during periods of excessive speculation in that market but outperformed markedly in a declining market environment.

Additionally, the Manager has also focused on fund managers that they thought would provide better longer term returns through concentrated portfolios with relatively low turnover and based on fundamentally driven, almost private equity style research and due diligence. While there are variations, generally these managers have growth biased portfolios that actually take advantage of the inefficiencies in the China A-Share market. All managers have been very much focussed on private enterprises with very strong growth profiles and often with a consumer sector focus. These fund managers have generally proved less volatile than the China A-Share market as a whole on account of a focus on quality growth companies.

Over the last year, or so, the Manager continues to focus on boutique fund managers that have a long-term capital growth focus but there has been something of an emphasis shift to managers preserving capital, either by way of being invested in long-term quality growth companies and/or having the ability to go materially into cash, such as the Cephei QFII China Absolute Return Fund and NCC China A-Share Fund. The Manager had been redeeming its investment in JP Morgan Pioneer China A-Share Fund over a two year period and completed that redemption in March 2016. Those proceeds have gone to new Chinese equities fund managers that have been much more defensively positioned since the A-Share China correction started in June 2015. More specifically, the proceeds were predominantly invested in the Wells Fargo China Equity Fund. In doing so, the Manager retained China equities exposure but rotated that exposure back via the less volatile H Shares market (which the Manager viewed as cheap on valuation grounds) and via a very experienced manager. The Manager also took the view that H Shares were relatively cheap at that point.

With regards to the heavily overweight India position, while conceding the market is not cheap on valuation grounds, the Manager is confident that the Narendra Modi government can effect significant change in that economy and remains very positive on that market. Another appeal for the Manager is that the Indian market has some very impressive entrepreneurial companies. In terms of the underlying fund managers, the largest exposure is to a consumer focused strategy (Arisaig Asia Consumer Fund) which reflects the Manager's thematic tilt.

From a sector perspective, the Fund is significantly overweight the consumer sectors as well as those that are beneficiaries of a growing consumer and middle class sector.

Portfolio Holdings by Managed Fund (30 June 2016)		
Manager	Mandate	Holding
Arisaig Asia Consumer Fund	Asia consumer specialist	16.6%
Steadview Capital Fund	Country specialist - India	11.6%
CK Absolute Return Fund	Country specialist - Korea	9.6%
Asian Opps Abs Return Fund	Asian region	8.7%
Prusik Asia Smaller Co.s Fund	Asian small cap specialist	7.8%
JPMorgan Taiwan Fund	Country specialist - Taiwan	7.4%
Cephei QFII China Abs Ret Fund	Country specialist - China	7.1%
NCC China A-Share Fund	Country specialist - China	6.7%
APS China A Share Fund	Country specialist - China	6.4%
Macquarie Asia New Stars No.1	Asian small cap specialist	6.1%
Wells Fargo China Equities Fund	Country specialist - China	5.8%
AllianceBernstein Asia ex-Japan Fund	Asia region	4.1%
Cash		1.9%
Total		100%

Portfolio Holdings by Country (30 June 2016)			
Country	AUF	MSCI Asia Ex Jap	Active Weight
China	34.8%	30.4%	4.4%
South Korea	15.4%	17.2%	-1.8%
Taiwan	12.0%	14.2%	-2.2%
India	20.8%	9.9%	10.9%
Hong Kong	2.9%	12.2%	-9.3%
Singapore	0.8%	5.0%	-4.2%
Philippines	3.6%	1.9%	1.7%
Thailand	1.5%	2.7%	-1.2%
Vietnam	2.5%	0.0%	2.5%
Indonesia	1.6%	3.2%	-1.6%
Malaysia	0.7%	3.5%	-2.8%
Pakistan	0.8%	0.0%	0.8%
Other	0.9%	0.0%	0.9%
Cash	1.9%	0.0%	1.9%
Total	100.0%	100.0%	

Portfolio Holdings by Sector (30 June 2016)			
Sector	AUF	MSCI Asia Ex Jap	Active Weight
Cons Staples	20.4%	5.7%	14.7%
Cons Disc	19.0%	8.6%	10.4%
IT	18.7%	25.7%	-7.0%
Industrials	16.0%	9.4%	6.6%
Financials	8.7%	29.2%	-20.6%
Health Care	5.9%	2.6%	3.3%
Materials	3.9%	4.2%	-0.3%
Utilities	3.6%	4.0%	-0.4%
Telco Services	1.4%	6.4%	-5.0%
Energy	0.5%	4.1%	-3.6%
Cash	1.9%	0.0%	1.9%
Total	100.0%	100.0%	-

RISK MANAGEMENT

The Manager uses the Style Research system to monitor portfolio risk, as well as conduct scenario analysis to determine pro-forma risk impacts of potential trades. Key metrics monitored include active country and sector weights relative to MSCI Asia ex Japan Index, ex-ante tracking error, volatility and beta. The composition of the tracking error is also monitored to determine the key contributors to the risk budget. The Style Research system also allows the Manager to monitor style characteristics of underlying managers, as well as the consolidated fund of funds. When a new investment is considered, the trade's impact on the style factors and other key risk factors is considered.

Risk Limits	
Invested in:	Portfolio limit
Single fund and funds managed by a single funds management group	Maximum of 33%
Single country exposure	Maximum 40%
Underlying funds where the notice period for the withdrawal of invested capital >30 days	No more than 20%
Outside the following countries: China, India, HK, Singapore, Thailand, South Korea, Indonesia, Malaysia, Taiwan, the Philippines, Vietnam.	No more than 5%
Track record	Minimum 5 years

PERFORMANCE ANALYTICS

HISTORIC PERFORMANCE

Since inception the Fund has outperformed the Blended Index on both a returns and risk basis, specifically generating total returns of 4.9% p.a. vs 1.8% p.a. on lower volatility.

The above is a solid performance, however IIR believes the performance since inception figures do not provide the best guide to the strategy's relative performance track-record. This is on account of the fact that the Board opted to go materially into cash during the GFC. While this was clearly a good call in preserving capital to do so is not core to the Fund's investment strategy, which is what IIR is assessing. As such, we believe assessing the historic performance of the Fund post this anomalous GFC period provides a more valid indication of the relative strength of the the Fund's investment strategy.

Examining relative performance over a rolling 3-year basis to remove the GFC period as well as end point biases, we can say that for the majority of the period the Fund has broadly performed in-line with the Blended Index from a returns, volatility, and drawdown perspective (see charts below. Calendar year 2014 and 2015 did see material divergences though. This could be largely put down to the Fund's material China A-Shares exposure over this period and the remarkable relative performance of that market. Additionally, the large exposure to India and very strong manager performances from Steadview and Arisaig were also meaningful contributors.

Conversely, over the 2016 to date period, China has been the largest driver of relative under-performance over the last six months. The Fund has also been underweight the more developed Asian markets (intentionally so), which has also been a source of relative underperformance as these markets have performed relatively stronger over this period.

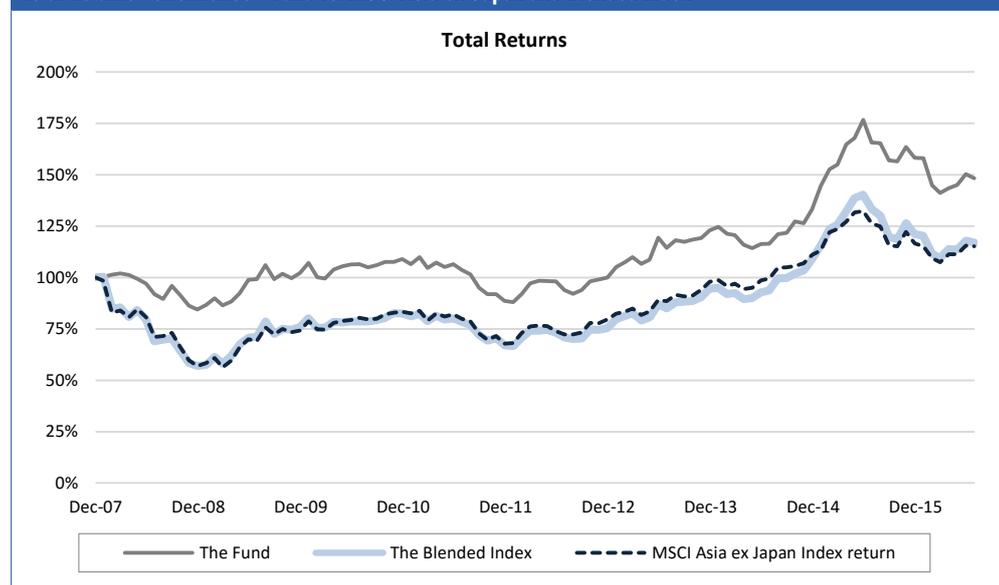
Certainly one thing we can draw from this is the Fund has the potential to provide a differentiated exposure to many other regional Asia investment vehicles. It also highlights that, notwithstanding the Fund eschewing the more speculative end of the market, the China A-Shares market has the potential to be high risk, high return.

Performance (to 30 June 2016)

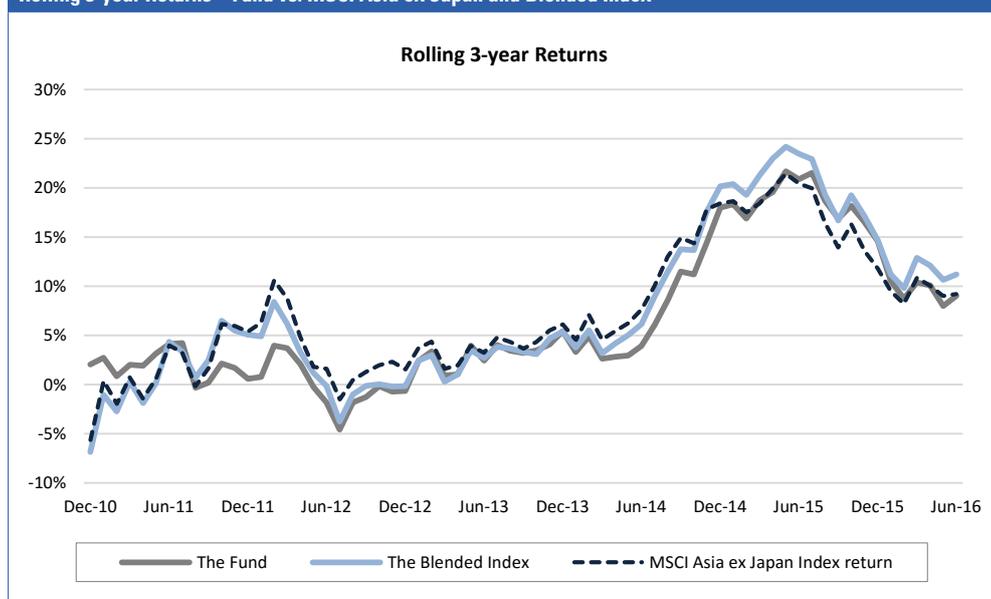
Period	AUF	MSCI Asia ex Japan	Blended Index*	Rel Perform MSCI Asia ex Japan	Rel Perform Blended Index
1-yr	-10.5%	-8.9%	-12.3%	-1.6%	1.8%
2-yr	13.1%	7.5%	11.7%	5.5%	1.4%
3-yr	9.2%	9.2%	11.2%	0.0%	-2.0%
5-yr	7.5%	7.6%	8.3%	-0.1%	-0.8%
Incept	4.9%	1.8%	1.8%	3.1%	3.1%

* 85% MSCI Asia ex Japan, 15% CSI 300 Index

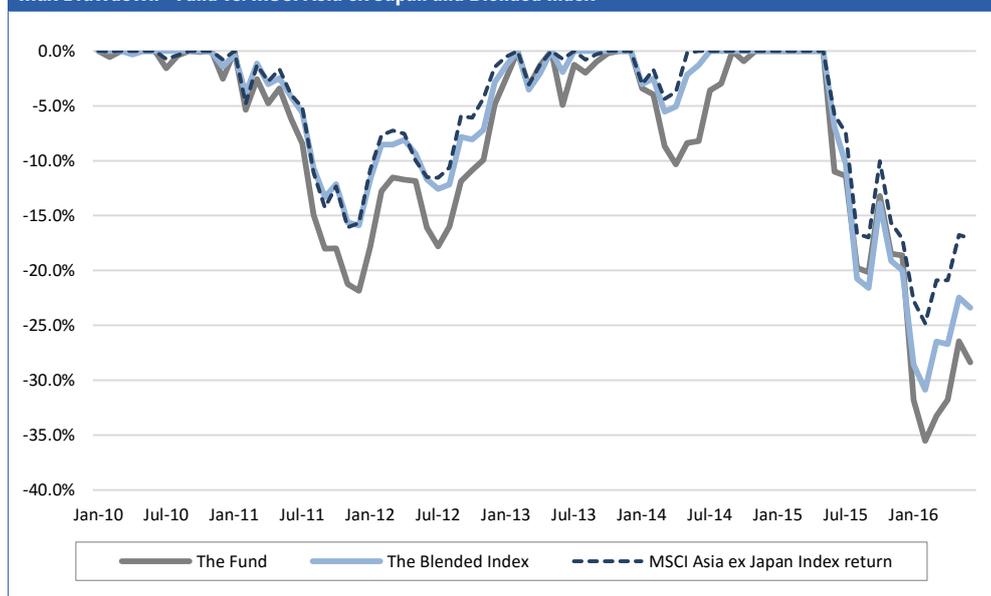
Total Returns Performance – Fund vs. MSCI Asia ex Japan and Blended Index



Rolling 3-year Returns – Fund vs. MSCI Asia ex Japan and Blended Index



Max Drawdown - Fund vs. MSCI Asia ex Japan and Blended Index



Performance by Underlying Fund Managers to June 2016 (since AUF investment date)

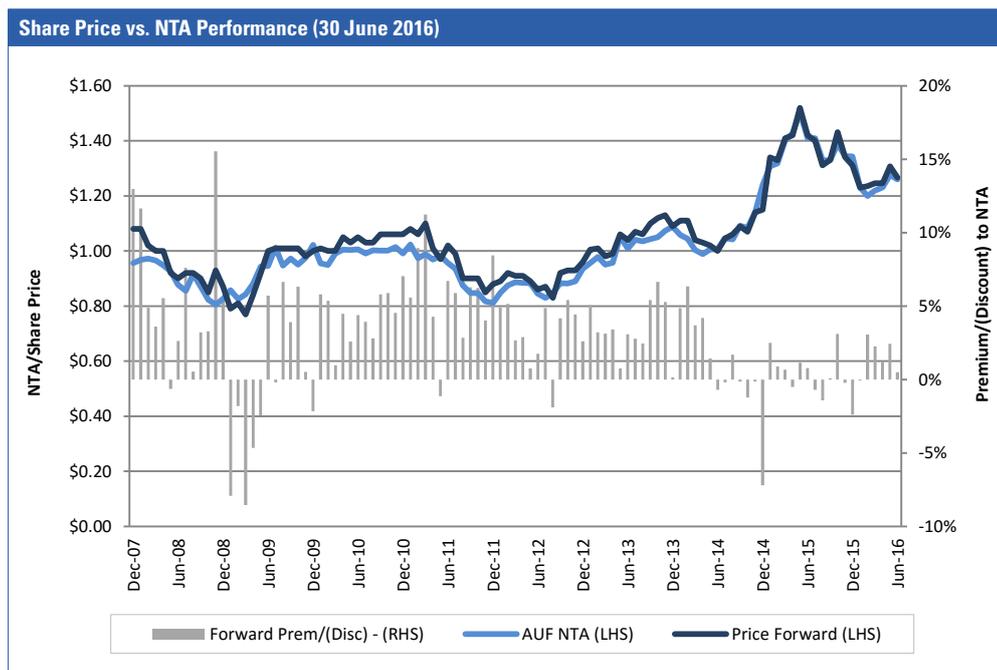
Regional Funds	Invest Date	Returns	B'Mark	Index Return	Fund Rel Perf	Rel Perf%pa
AB Asia ex Japan Equity	Apr-16	1.7%	*	3.2%	-1.5%	-9.5%
Arisaig Asia Consumer	Jul-11	113.5%	**	71.9%	41.6%	5.0%
Asian Opps Abs Return	Nov-14	3.6%	***	7.2%	-3.7%	-2.2%
Prusik Asia Smaller Co.s	Dec-10	46.9%	****	36.5%	10.3%	1.5%
Macquarie Asia New Stars #1	Nov-14	8.4%	****	7.8%	0.6%	0.3%
Country Funds						
Wells Fargo China Fund	Dec-11	4.9%	*****	6.8%	-1.9%	-5.6%
APS China A-Share	Oct-12	125.9%	*****	98.6%	27.4%	4.3%
NCC China A-Share	Jan-15	16.7%	*****	-9.8%	26.5%	17.7%
Cephei QFII China Abs Return	Feb-15	16.1%	*****	-4.9%	20.9%	14.6%
CK Absolute Return	Dec-13	1.0%	#	13.6%	-12.6%	-4.7%
JPMorgan Taiwan Fund	Jul-11	52.7%	##	52.5%	0.2%	0.0%
Steadview Capital Fund	Nov-12	155.8%	###	70.7%	85.0%	13.5%

* MSCI Asia ex Japan; ** MSCI Asia ex Japan – Consumer Staples; *** MSCI Far East ex Japan; **** MSCI Asia ex Japan – Small Cap; ***** CSI 300 Index; #Kospi Index; ## Taiex Index; ### Sensex Index

Assessing the performance of the constituent fund managers in the portfolio relative to the Index provides a sense of the strength of the investment process. The table above details the performance track-record of constituent fund managers since the period of inclusion into the portfolio. The bulk of these managers have outperformed their respective benchmarks, which speaks well to the strength of the Manager's investment process.

The chart below details AUF's share price versus NTA performance trackrecord and, on this basis, the premium / discount to NTA. The Manager has been mindful of managing discount to NTA risk through its commitment to buy back shares. As evident in the chart below, AUF has never traded at a significant discount to NTA.

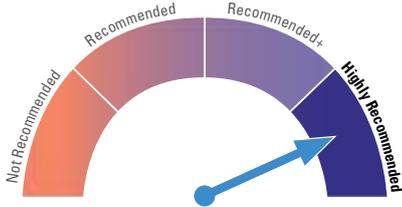
On a month end basis, AUF has traded at an average premium of 2.8% since launch. The Manager will step in and buy shares when there is selling pressure on the stock at a very small discount to NTA. The Manager will typically run between 1-3% cash to fund this, or use more liquid underlying managed funds if necessary.



APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

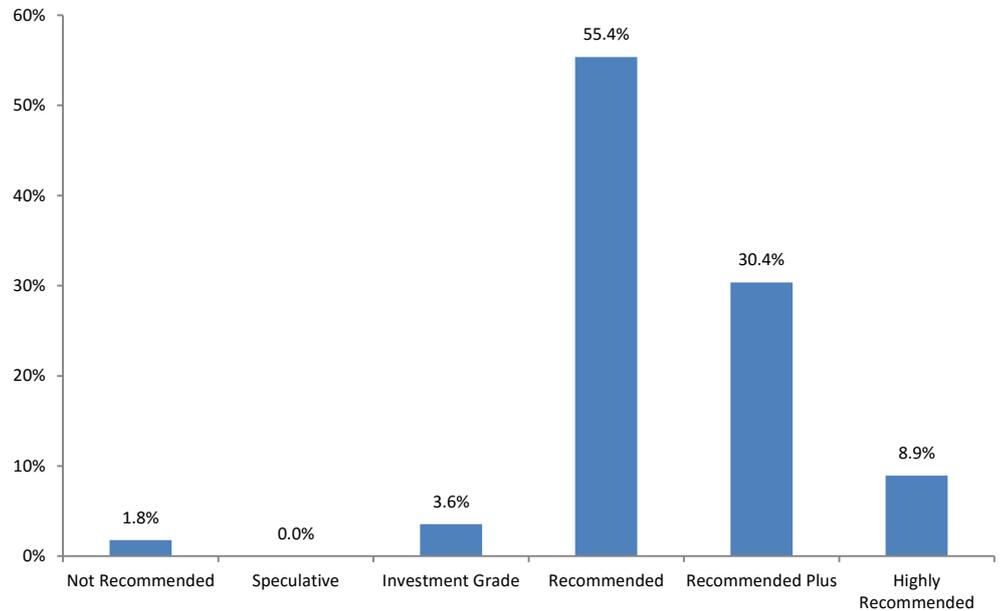
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
	83 and above <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
	79–82 <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
	60–78 <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
	<60 <p>This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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