

ASIA PACIFIC PERFORMANCE SICAV

QUARTERLY REPORTING

June 09

Introduction

The MSCI AC Asia ex-Japan posted its highest quarterly increase in 10 years during Q2 09. After markets bottomed early in March, investors have turned back to Asian equity markets. There remain a lot of uncertainties on the world economy but it seems that Asian stocks were so undervalued that even with a low level of world growth, they were a bargain.

Asian exporters are still facing a low global demand but signs of improvements are appearing. There is no doubt that Asia is going on with its development and after the current financial crisis, the global importance of Asia in the world will be increasing. The first part of the Macro review here below will focus on what investors should consider if they do not want to miss the train because the world is changing faster than ever.

Asia Pacific Performance recorded a performance of 34.2% in USD during the Quarter. This strong performance is the highest since Q4 99. The MSCI AC Asia ex-Japan was up 34.9%. The assets under management of APP increased by USD 158 millions to USD 521 millions thanks to the quarterly performance of 34.9% and a rise of 5.4% of the fund's units.

The Asian Economies

Macro review

Tuesday June 23rd, the news has not been highlighted in Europe but Airbus has delivered its 1st China-assembled A320 jet to Dragon Aviation Leasing (and operated by Sichuan Airlines). This is the first Airbus assembled outside Europe and 10 other planes should be produced there by the end of the year. Airbus will raise production to four aircraft a month by the end of 2011 at Tianjin's plant. The need for new aircrafts over the next 2 decades is estimated at 3.400 units. China has also announced they will start development and design for the production of the world's largest amphibious aircraft.

Globalization has led to delocalisation of manufacturing production to China which benefited from a huge and cheap labour workforce. Over the years, China has risen the value chain and has turned to more sophisticated production. It can now produce high quality products with added value and can compete with the developed markets. The delivery of the first A320 is just a good example of what China can achieve in a decade.

A few days before, on June 16th, the leaders of Brazil, Russia, India and China (the BRIC) gathered in Yekaterinburg in Russia to discuss the global financial system, the financial crisis, energy cooperation and environmental protection. The BRIC countries account for 42 % of the world's population, 14.6% of global GDP and 12.8% of global trade volume in 2008. Furthermore, they hold 2820 bn USD in foreign reserve (42% of the International reserves in the world).

The four nations ask a greater voice and representation in international financial institutions. They also require a stable, predictable and more diversified international monetary system, sending a warning against the global domination of the USD as the world's standard reserve currency. Each BRIC country has different interests but they are now talking with a same voice on some specific points and the economic order will undoubtedly evolve within the next few years.

Predicting short term is difficult but investors should take those new trends into account as it will drive the world in the future. No matter if exporting countries currently suffer from the economic slump. New alliances, new cooperation between developing countries and domestic consumption growth will be the key elements that will drive the markets in the medium and long run.

Countries and stock market performances

India stole the headlines in May, with a surprise election victory for the Congress-led coalition government. Mr Manmohan Singh became the first Indian Prime Minister since Jawaharlal Nehru in the 1960's to be re-elected after completing a full term in office. With the new government now unfettered by the need to pacify small sectional or regional party interests, a meaningful acceleration in the reform process can be anticipated: rising infrastructure spending, banking sector reform, divestment of state owned enterprises, relaxation of FDI limits in the insurance, retail and aviation sectors, labour market and pension reforms.

Better news on the political front was augmented by strong economic data, with better than expected GDP growth of 5.8% in the March quarter. India's GDP should grow at least by 7-7.5% this fiscal year. The election result and the GDP data generated considerable euphoria amongst domestic and international investors. The MSCI India rallied 59.9% in Q2 in USD.

At the end of May, foreign institutional investors had bought a net \$4.4bn of Indian equity year-to-date, having sold a net \$13bn in 2008. With India's political worries now behind us and the robustness of the domestic economy confirmed, Asia once again has two clear growth poles – China and India - to attract further global fund flows.

China's manufacturing PMI data for May is above the 50 level for the third month in a row. Industrial production is up 8.9% yoy and benefits from the stimulus program which should produce further positive effects for the next quarters. Monthly exports had overpassed 120bn USD per month between May and October 2008. They are now standing at 88bn USD (-26.4% yoy), still above their average since China joined the WTO in 2003. Base effects means we can expect other negative growth data's within the next 5 months. The impact on the trade balance remains limited because imports have also dropped (-25.2% yoy). Investment which still represents a large part of the GDP suffered from lower Foreign Direct Investment (-17.8%) as companies have lowered their spending but the stimulus plan will boost the Fixed Asset Investments. Electricity usage is also pointing upwards.

The challenge for the Chinese government is to develop domestic consumption. It has always been difficult in the country as people wanted to save money because of the lack of social security system. Now that China wants to develop social security, they have more room to spend. Retail sales are still rising at a high pace at 15.2% but one of the most surprising data is the robust auto sales. More than 1.1 million automobiles are sold each month and it is interesting to see that luxury cars which do not benefit from government tax incentive are highly demanded.

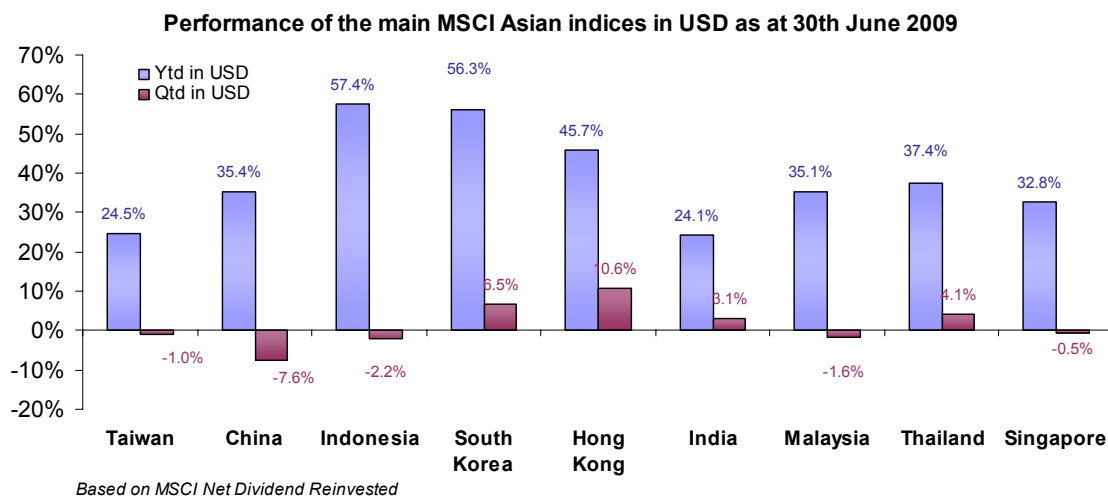
The MSCI China posted a performance of 35.6% in USD, close to the regional index.

Indonesia also posted a strong performance during Q2 (56.8%). Short term rates were decreased by 1.8% to 7.5% thanks to the lower inflation rate (which also lost 1.9% at 6.0% this quarter). Indonesian growth should reach 4 to 4.5%. This will be the fastest pace of growth within South East Asia but Indonesia is less export reliant than its neighbours.

Export-reliant countries like **Malaysia, Singapore and Hong Kong** are facing a strong contraction of their relative GDP but nevertheless their stock market performance in USD was still impressive (respectively 28.1%, 46.0%, 35.7%) as investors now expect they will rebound quickly once the global economy improves.

Taiwan and South Korea (25.0%, 23.7%) were lagging the regional index this quarter. Taiwan's export orders fell again for the 8th consecutive month in May but things could get better as Chinese demand is improving. Taiwanese industrial production has hit the bottom but it will take a while to recover completely. In South Korea, investors may have feared the nuclear threat of North Korea which tested a nuclear weapon but despite those political concerns, consumer confidence has recovered and sales in department stores are rising.

The performance of the different markets in Q2 and ytd is expressed in the graph below in USD.



Almost all Asian currencies appreciated vs. the USD during the Quarter. The Indian Rupee has risen the most at 5.57% vs. USD.

Asset Managers of Asia Pacific Performance

Asia Pacific Performance sticks to its goal of achieving diversification through the use of different strategies of investment.

Here is the current breakdown of the portfolio between the different managers.

	Weight as at 31/03/09	Weight as at 30/06/09
<i>Sloane Robinson</i>	43.6%	39.4%
<i>Comgest</i>	21.1%	19.6%
<i>Hamon</i>	17.2%	22.3%
<i>Lloyd George</i>	10.5%	9.3%
<i>Atlantis</i>	5.7%	7.1%

The inflows in Asia Pacific Performance during the Quarter were attributed mainly to Hamon whose portfolio is still ideally positioned to benefit from the economic recovery. The performances between the managers varied a lot during Q2 which explains the dilution of the weighting of some managers like Sloane, Lloyd George or Comgest to a lesser extent.

Asia Pacific Performance managers had adopted a cautious approach towards the markets at the beginning of the year. As reported in our previous report, the level of cash at the end of Q1 was 31.0%, it is now 9.1%.

Having lagged the benchmark in March and April created a relative underperformance ytd but we noticed that once investors focus on the quality of the stocks (instead of quickly allocating flow of funds to large cap stocks), Asia Pacific Performance does outperform.

Gross Performance	Q2	Excess Q2	One year	Excess One year
<i>Hamon</i>	55.8%	0.9%	-10.2%	7.8%
<i>Atlantis</i>	60.0%	25.1%	-29.8%	-11.7%
<i>Lloyd George</i>	27.3%	-7.6%	-11.0%	7.0%
<i>Comgest</i>	27.3%	-7.6%	-20.0%	-2.0%
<i>Sloane</i>	29.1%	-5.8%	-21.5%	-3.5%
MSCI AC Asia ex-Japan	34.9%		-18.0%	

Sloane Robinson benefited from his overweight exposures on India and Indonesia. The manager was optimist towards the Indian elections. The results of the vote was even more surprising as the Congress Party returns to power with a clear and broader mandate. This is a real positive for investors in India as it removes a serious uncertainty and it allows the government to settle down and implement some of the necessary reforms with a decent political mandate. Although the Indian market rose sharply as a result of the election, the longer term outlook has substantially improved and the market is expected to continue to make progress after a consolidation.

It is difficult to say how long the rally will last. Nevertheless, Sloane thinks the positive trend is likely to continue over the rest of the year (with some pullbacks).

There is no major selling pressure on the market as a critical mass of investors have not repositioned their portfolios into risk assets yet (a correction would then occur). Given the uncertain outlook for global growth over the next two years, it is likely that Asian equities will continue to outperform the developed markets as investors are prepared to pay up for superior growth prospects.

Sloane Robinson decreased his cash level by 10.0% in June at 12.6%.

Lloyd George : Asian equities have recovered to a mid-cycle valuation level in 3 months. The speed of the rally was impressive and the compression of the discounting process was unprecedented. Fund flows into Asian emerging markets appear to be losing some momentum now as valuations are less compelling. Rotation away from Q2 winners can be expected, Chinese property and consumption stocks expected. Laggard cyclicals should now perform well on a relative basis. A validation of the recovery scenario (i.e. earnings upgrades) would be required to support further market moves. Visibility for 2010 remains poor but early indications suggest an equally positive trend.

Markets geared to the global cycle like Korea, Singapore or Taiwan could benefit from re-stocking in the short term. Lloyd George expects markets to be range bound for Q3, with better earnings visibility supporting a more positive tone in Q4.

Comgest : Markets went up so quickly that many investors have not been able to catch the rally on time. Euphoria was amplified by strong flows in specialized funds. In such a context, managers have aggressively bought the more cyclical and high beta stocks. Developed countries are facing rising unemployment and skyrocketing debt. It makes it difficult to expect them to sustain Asian exports in the future.

Within the next 5 to 10 years, domestic consumption and infrastructure spending in China, India and Indonesia offer great opportunities. But in the meantime (2 to 3 years), things can be more difficult. The portfolio is therefore managed like an industrial holding structured around a limited number of companies considered of high quality and managed by skilled people.

After the strong rebound, markets are not cheaply valued anymore. A consolidation phase can be expected in the next few weeks but major institutional investors will reallocate money to the Asian region so better be invested...

Comgest invests in companies for the long term whatever the economic context and is usually fully invested. In Asia Pacific Performance, they take the ability to use cash as an asset class. Their cash exposure is now 9.6% which would not happen in their own funds.

Hamon: The manager had believed market sentiment was too pessimistic in February despite a lot of subtle changes including improvement in the credit markets and strong lending in China. The portfolio significantly outperformed, driven by real estate, banking, alternative energy and infrastructure. The fund was able to capture the strong rebound from the market from oversold level to a more reasonable one as signs of recovery emerged.

The manager keeps a positive view especially on the domestic spending area. Minor corrections cannot be ruled out but the long term trend is intact with China and India making significant new policy initiatives. Company earnings for the current and the next fiscal year should be revised upwards. Consolidation could go on in Q3 09 than market liquidity will return in Q4.

Hamon favours the domestic property sector in China as property companies are experiencing strong sales. Loosening bank lending restrictions allow cheaper financing to become available, helping to revitalize the property sector throughout 2H09. Retail and health care should also be beneficiaries of the USD 120 bn stimulus plan.

The conviction on the infrastructure play in India in the 1H 09 was rewarding. After the re-election of Prime Minister Manmohan Singh, the Union Budget of India (which will be released in July) should allow more room to cut rates and take proactive fiscal policies to stimulate the economy towards 8-9% growth.

Atlantis is oriented towards mid and small caps. After a sharp recovery on the Asian equity markets, the consolidation in June is healthy. The economic news are less negative: PMI in China and leading economic indicator in the US are both showing the world's largest economy is finally bottoming out. Asian exports could therefore recover in the next 3 to 6 months (but the base effect will be important). Atlantis currently targets investments into ports, selected exporters/technology companies and possibly container shippers. Infrastructure is a theme that is well played and valuations are no longer cheap. Fund inflows ytd (USD 17.5 bn) are far below the outflows of last year (USD 70 bn). There will be a continued shift of money flows into the region which will support the market. The main risk is inflation due to the loose monetary policy.

Market perspective

Asia Pacific Performance has missed the beginning of the rally which started in March and was driven by fund flows. But once investors focus on quality, the portfolio outperforms again.

Long term trends are positive for Asia. Investors looking for growth will focus again on the region. Major inflows can be expected further to the region as only a quarter of the outflows of H2 08 returned to the market.

The managers are more optimistic but expect short term consolidation. The level of cash in Asia Pacific Performance has been reduced to 9.6%. Any correction should be taken as an opportunity for those who are underweight on Asia.

Details and statistics about the fund have been added in Annex I (next page).

Frederic ADAM
Degroof Gestion Institutionnelle-Luxembourg

ANNEX I

- Geographical breakdown by manager as at 30th June 09

	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
China	7.0%	19.2%	25.1%	9.8%	8.6%	12.7%	26.1%
Hong Kong	12.3%	18.3%	18.2%	25.1%	30.1%	17.7%	12.5%
India	21.2%	9.2%	16.2%	6.1%	7.9%	14.6%	11.1%
Indonesia	17.5%	3.4%	4.0%	4.6%	4.6%	9.3%	2.2%
Korea	7.7%	16.0%	13.0%	9.7%	14.3%	10.3%	17.9%
Malaysia	0.0%	3.5%	1.7%	4.2%	2.7%	1.7%	3.9%
Philippines	1.0%	1.7%	0.0%	3.5%	2.5%	1.4%	0.7%
Singapore	6.8%	9.0%	2.0%	13.2%	10.3%	7.3%	6.8%
Taiwan	6.7%	14.9%	17.1%	12.8%	13.5%	11.3%	16.9%
Thailand	6.5%	1.4%	0.0%	0.3%	3.3%	3.0%	1.9%
Others	0.7%	0.0%	0.0%	1.3%	0.0%	0.5%	0.0%
Cash	12.6%	3.6%	2.8%	9.4%	2.2%	10.2%	100.0%

Internal data as at 30/06/09

- Sectorial breakdown (without taking cash allocation for subscription/redemption)

ICB Industries	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
Basic Materials	7.5%	2.4%	13.9%	0.0%	5.8%	6.7%	7.7%
Cash	12.7%	3.6%	2.8%	9.4%	2.2%	8.0%	0.0%
Consumer Goods	12.4%	4.1%	8.2%	2.4%	12.0%	8.4%	7.5%
Consumer Service:	7.3%	5.2%	5.7%	10.5%	2.8%	6.9%	3.9%
Financials	26.5%	28.3%	29.7%	21.6%	26.6%	25.8%	31.4%
Health Care	4.2%	1.5%	0.1%	1.9%	2.0%	2.3%	0.5%
Industrials	17.3%	19.3%	16.8%	19.0%	35.6%	18.6%	14.5%
Oil & Gas	1.7%	4.6%	2.6%	1.3%	1.2%	2.0%	7.7%
Technology	6.0%	15.4%	17.7%	12.2%	9.5%	10.8%	14.2%
Telecom	0.0%	15.6%	0.0%	18.1%	2.2%	5.2%	8.4%
Utilities	4.4%	0.0%	2.6%	3.6%	0.0%	3.0%	4.1%

Internal data as at 30/06/09

- Overlap : 40 stocks (283 stocks in the portfolio)
- Top 10 concentration APP : 15.4% vs Benchmark 20.3% (3 stocks in common in both Top 10 holdings)
- Other statistics :

Risk Measures	APP	MSCI Asia ex-Jpn
Percentage of gaining periods	59.0%	53.6%
Percentage of losing periods	40.4%	46.4%

Tracking Measures			
Beta	0.77	R-Square	0.79
Alpha	0.51%	Alpha P-value	4%
Tracking Error	12.54%	Information Ratio	0.47
Bull Beta	0.71	Up Participation	95.5%
Bear Beta	0.75	Down Participation	81.8%

Monthly Value at Risk	APP	MSCI Asia ex-Jpn
At 95%	13.5%	15.6%
At 99%	17.8%	20.6%

Disclaimer

The information contained in this document provides information about Asia Pacific Performance SICAV. Asia Pacific Performance SICAV is a Luxembourg-based SICAV, and authorised for distribution in the following European countries: Luxembourg, Belgium, France, Switzerland, Netherlands, Italy and Spain. The information available in this document is directed only to citizens / residents of the above-listed countries and to institutional investors. Asia Pacific Performance SICAV is not sold or offered in the United States of America or to United States persons. This document contains only general information about Asia Pacific Performance SICAV, which may not be considered as a solicitation of offer, or recommendation, to acquire shares of the SICAV. Any investment decision should be made on the basis of the Prospectus and the Simplified Prospectus, as well as the most recent Annual Report and of the Semi-annual Report where this is subsequent to the former. These reports are available upon request from the Management Company. Investors should be aware that past performance is no guarantee of future performance. The information available in this document, as well as any information or opinion which appears here, may change without prior notice. The Management Company bases the information available in this document on sources it considers reliable, but cannot guarantee that such information is correct.