

ASIA PACIFIC PERFORMANCE SICAV

QUARTERLY REPORTING

September 09

Introduction

The return of the MSCI AC Asia ex-Japan in Q3 was 19.0%. This is clearly a strong figure after Q2 which recorded the highest quarterly increase in 10 years (+34.9%). Many investors are still underweighted in equities but when they want to invest, emerging markets is undoubtedly the main growth area.

Economic data are improving all around the world but the crisis is not over yet. Market consolidation like the one we experienced in August is globally welcomed by managers after such a strong rise. Forward earnings are still not expensive but corporate earnings will have to remain robust to fully justify them.

Asia Pacific Performance recorded a performance of 19.5% in USD during the Quarter. This strong performance is 0.5% above the MSCI AC Asia ex-Japan. The assets under management of APP increased by USD 123 millions to USD 644 millions thanks to market performance and a rise of 2.2% of the fund's units.

The Asian Economies

Macro review

Asian economies have benefited from the global economic improvement. Furthermore, risk appetite and financial market sentiment have also rebounded in major markets. Advanced and emerging economies both benefit from strong public policies and exceptionally large interest rate cuts by Central Banks. This sustains global activity and trade after the steepest drop they have experienced since World War II. As the IMF is pointing out in its latest World Economic Outlook, the recovery has started, but the challenge is to sustain it.

Despite huge measures taken everywhere in the world, the global economic recovery is expected to be slow. Credit availability is still a major threat for the global economy next year and investment could be held back as a consequence. Rising unemployment is another concern as it could peak over 10% of the labour force in advanced economies. Countries which have experienced housing bubbles, credit booms and large current account deficits should register weak consumption.

IMF expects the economy to contract by 1% this year followed by an expansion of 3% of world GDP by the end of 2010. The downside risk cannot be ruled out as many developed countries have increased their debt and may run out of steam with fiscal stimulus. Central Banks in advanced economies can afford to maintain accommodative conditions for an extended period (inflation is low and output gap remains wide). On the other side, some emerging economies may remove monetary accommodation sooner as recovery is already on its way.

Countries and stock market performances

India

The latest GDP figure was very positive as the economy has increased by 6.1% yoy vs. 5.8% at end of Q1. The World Bank has approved loans to India (USD 4.3bn) in order to finance infrastructure projects on roads, ports or power supply. Inflation has risen sharply over the last few months and the Reserve Bank of India will have to tighten its monetary policy and allow Rupee appreciation.

Expectations from the World Bank range from 5.5 to 6.5% economic growth next year. But the poor monsoon may be a threat to agriculture which account for 18% of GDP and 60% of the population lives on the agricultural revenues. Drought is therefore expected next year and the resurgence of El Nino near the coasts of South America is another threat to India. Current water problems in Delhi are just an example of the huge difficulties India is facing. Infrastructure projects in this area are more than welcomed.

The MSCI India rose 19.6% in USD during the Quarter. The Indian stock market has registered the second best performance year-to-date at 88.3%.

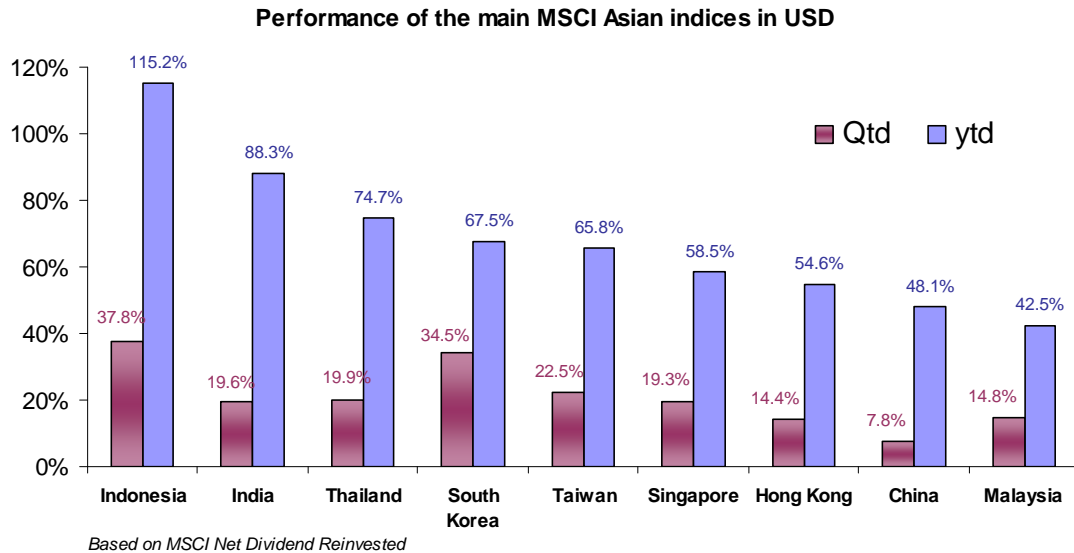
China's manufacturing PMI continued to improve for the 7th consecutive month. All indicators are improving with new orders, output, exports, employment, inventories and input prices. But the external environment remains challenging. Exports were down 23.4% yoy in August and the value of exports is now back to the levels of Q2 07. Exports will not be a driver of economic growth in China but this does not mean growth is at risk. (since China joined WTO in December 2001, the value of exports has increased 20.7% per annum until August 2009).

The Shanghai A share market had risen sharply until July, as some local investors used available credit facilities to invest on the stock market (but the target of low rate is to stimulate consumption). Chinese Government has therefore decided to limit credit availability and the A shares dropped dramatically in August (-21.8%). This market lost 6.1% during Q3 while foreign investors investing on MSCI China had gains of 7.3% during the period.

Indonesia is still the strongest performer of the year thanks to a rise of 37.8% in Q3 (+115.2% ytd). The market has benefited from several rate cuts since the beginning of the year as inflation has eased to 2.8%. But the Central Bank has now decided to keep rates on hold and prevent lowering them again as inflation could come back quicker than previously expected. The GDP has dropped to its lowest level in Q2 at 4.0% as the agriculture component decrease the most.

Exporting countries including **Taiwan, South Korea, Malaysia, Singapore and Hong Kong** are recovering thanks to the sustained Chinese growth. Industrial production is recovering and monetary policy should remain accommodative for a while in those countries.

The performance of the different markets in Q3 and ytd is expressed in the graph below in 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 30/06/09	Weight as at 30/09/09
<i>Sloane Robinson</i>	39.4%	39.4%
<i>Hamon</i>	22.3%	22.1%
<i>Comgest</i>	19.6%	19.7%
<i>Lloyd George</i>	9.3%	8.7%
<i>Atlantis</i>	7.1%	8.3%

The allocations between managers were mostly unchanged except the higher weighting to Atlantis. The mid and small cap strategy of Atlantis should reach 10% of total assets.

The level of cash at the end of Q2 was 9.1%, it is now 3.1% as most managers remain optimistic for the remaining of the year.

The year-to-date excess performance of Asia Pacific Performance is negative because of the cautious stance that the managers adopted in February. We have missed part of the March and April rally. But since then, Asia Pacific Performance is outperforming again. Atlantis which is still underperforming yoy has posted the highest return year-to-date with a rise of 91.9% (30.5% against the benchmark). This reflect the complete reversal that we experienced on the markets.

Gross Performance	Q3	Excess Q3	One year	Excess One year
<i>Sloane Robinson</i>	24.7%	5.7%	29.2%	2.5%
<i>Atlantis</i>	21.9%	2.9%	-2.7%	-24.1%
<i>Comgest</i>	17.9%	-1.1%	18.8%	-7.9%
<i>Hamon</i>	17.0%	-2.0%	47.0%	20.3%
<i>Lloyd George</i>	16.1%	-2.9%	8.2%	-18.5%
MSCI AC Asia ex-Japan	19.5%		-18.0%	

Sloane Robinson benefited from his overweight exposures on India and Indonesia which both accounts for 45.3% of the assets (vs 13.5% for both countries in the benchmark MSCI AC Asia ex-Japan). He had 14.4% cash at the beginning of the quarter but ended with 4.4%. Sloane Robinson expects some consolidation in a number of equity markets around the world. Monetary policy should remain supportive as long as the private sector has not recovered. Main beneficiaries of this trend should be emerging markets where banking systems were not much impaired by the global credit crunch. Investors who believed in a W or L shape recovery (who are highly underinvested) should ultimately capitulate and give further support for equity prices, somewhat irrespective of fundamentals. The manager expects quality large-cap growth stocks to do relatively better going forward than they have in the last six months. Furthermore, we can expect Asian currencies will strengthen against the USD.

Hamon thinks Central banks in Asia will likely decelerate loan momentum while maintaining adequate levels of liquidity to fuel economic growth. Domestic and private consumption remains an important staple for Asian economies as low interest rates and tax breaks continue to persuade away from high savings behaviour. Hamon has maintained its position within environmental protection sectors as Asian economies continue to develop green economic growth.

Comgest is the less optimist manager. The world economic growth is still at risk and structural reforms are needed instead of providing liquidities as done now by Central Banks right now. Comgest therefore remains focus on growth quality companies with strong balance sheet and pricing power. Comgest is not sector focussed but the underweight on the financial sector has detracted performance. As a long term investor, Comgest is usually fully invested but they currently have the highest cash level between the managers of APP at 5.5%.

Lloyd George has increased its exposure to cyclical growth stocks over the quarter. The uplift to 2009 estimates is coming chiefly from better margin expectations, whereas 2010 upgrades have been driven by sales growth. In Asia, demand for all products and commodities is back to normal. The middle class is still growing rapidly and sustains global demand. The government is planning several infrastructure projects in 60 cities, building subways or new airports, high speed rail systems and energy plants. Based on the enormous increase in money supply in major countries over the past 18 months, a resurgence of inflation can be expected by the middle of 2010.

Atlantis thinks the rally will continue into 2010. Cyclical stocks have outperformed defensive stocks by over 30% since the trough of OECD leading indicators in March but they still have not recovered to pre-trough levels. Earnings upgrade in July and August were the strongest upgrades seen since 2001. In September, four of the five strongest sectors for upgrades continue to be the cyclical sector. On the other hand, three of the four weakest sectors for upgrades continue to be the defensive sectors. The strategy of this manager is mostly focused on mid and small caps. Despite a recent run-up in small caps, the price-to-book discount to large caps still looks attractive (35% discount). Industrials and Singapore are highly over weighted in the portfolio.

Market perspective

Asia Pacific Performance has underperformed year-to-date because it had a cautious stance in March when markets suddenly rose. The 3rd Quarter was much better for Asia Pacific Performance as some of the managers quickly adapted the portfolio as soon as it appeared that the recovery was based on earnings upgrade and was really sustainable.

Long term trends are positive for Asia. Investors looking for growth will focus again on the region, even those who are mainly in cash or in bonds. Managers globally think the downside risk is limited and at this stage, not being invested is the risk. Markets can consolidate for a while but there is still much room for appreciation until the middle of next year.

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 September 09

	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
China	4.7%	19.7%	27.5%	8.7%	12.2%	12.4%	25.3%
Hong Kong	11.2%	16.7%	11.4%	26.8%	21.4%	15.4%	11.4%
India	30.3%	6.7%	15.3%	5.3%	5.2%	17.4%	10.8%
Indonesia	15.7%	3.7%	6.4%	4.8%	5.3%	9.3%	2.7%
Korea	8.2%	19.2%	14.6%	12.5%	17.6%	12.1%	19.9%
Malaysia	0.0%	1.2%	0.0%	4.5%	1.9%	1.1%	3.9%
Philippines	1.9%	0.0%	0.0%	3.2%	2.6%	1.6%	0.6%
Singapore	5.9%	9.6%	4.1%	11.9%	13.1%	7.5%	6.6%
Taiwan	8.5%	15.8%	19.9%	14.1%	15.4%	13.1%	16.9%
Thailand	10.9%	1.0%	0.0%	0.5%	4.5%	4.9%	2.0%
Others	0.7%	0.0%	0.0%	4.6%	0.0%	2.1%	0.0%
Cash	2.1%	6.4%	1.0%	3.1%	0.8%	3.1%	0.0%

Internal data as at 30/09/09

- Sectorial breakdown (average sector breakdown in September)

GICS	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
Materials	6.0%	5.5%	6.3%	0.0%	9.3%	5.0%	7.6%
Cash	1.3%	6.6%	0.4%	4.8%	1.0%	3.1%	0.0%
Consumer Discretionary	9.2%	6.2%	14.2%	9.0%	4.5%	9.4%	6.8%
Consumer Staples	6.9%	4.2%	4.6%	5.3%	2.0%	5.3%	4.1%
Financials	29.3%	31.4%	24.0%	19.4%	26.0%	25.6%	32.1%
Health Care	5.7%	1.5%	1.0%	1.7%	0.0%	2.9%	0.5%
Industrials	15.5%	10.1%	14.7%	22.8%	40.0%	18.1%	10.5%
Energy	7.2%	5.6%	5.3%	0.0%	0.0%	4.5%	8.2%
Information Technology	12.9%	8.6%	24.4%	15.8%	14.5%	15.5%	18.8%
Telecom	0.0%	19.0%	1.7%	16.0%	1.5%	5.3%	7.4%
Utilities	6.2%	1.3%	3.3%	3.4%	1.1%	4.1%	4.0%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.0%

Internal data as at 30/09/09

- Overlap : 38 stocks (268 stocks in the portfolio)
- Top 10 concentration APP : 17.1% vs Benchmark 20.0% (2 stocks in common in both Top 10 holdings)

- Other statistics :

Risk Measures	APP	MSCI Asia ex-Jpn
Percentage of gaining periods	59.2%	53.8%
Percentage of losing periods	40.2%	46.2%

Tracking Measures			
Beta	0.78	R-Square	0.80
Alpha	0.52%	Alpha P-value	3%
Tracking Error	12.44%	Information Ratio	0.47
Bull Beta	0.72	Up Participation	95.6%
Bear Beta	0.75	Down Participation	82.1%

Monthly Value at Risk	APP	MSCI Asia ex-Jpn
At 95%	13.6%	15.7%
At 99%	17.9%	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.