ASIA PACIFIC PERFORMANCE SICAV
QUARTERLY REPORTING
March 2010

Introduction

Asia Pacific Performance celebrated its 15th anniversary in February. Since its inception, the fund has outperformed the benchmark significantly with an annualized performance of 8.6% vs. 3.3% for the benchmark.

This 1st quarter ended with a performance of -0.7% in USD against a rise of 1.3% for the MSCI AC Asia ex-Japan. Markets started with a loss of 9.5% at the beginning of the quarter then bounced back 11.8%. The performance of the benchmark year-on-year remains particularly strong at 73.3%.

Concerns over Europe's sovereign debt issues have prevailed during the quarter. The Greek debt market concerns have highlighted that even sovereign debt can be at risk. This event is a severe warning for countries having high public deficits in Europe and it also put the Euro in a weak position.

In sharp contrast, Asian countries have been running healthy budgets for quite a long time and are now standing in good shape. Some central banks are even turning into tightening mode either to contain growth or slow inflation down.

The assets under management of APP at the end of Q1 reached USD 676.3 millions. There was an increase of 1.0% of the fund's units during the quarter.

The Asian Economies

Macro review

The worst seems to be over for the world economy. Macro figures in the United States are improving gradually while there is still a lot of progress to be done in Europe. There are few indications that autonomous private demand (not policy induced) is taking hold in advance economies. The latest IMF expectations for the world economy for this year were revised upwards at 3.9%.

The picture is different in Asia as exports are picking up and domestic consumption growth remains resilient. Infrastructure spending has been huge in some countries like China last year which helped sustain a high level of GDP but governments must avoid overheating their economies by investing too much. IMF expectations for emerging markets now stand at 6.3% and developing Asia is even forecasted to rise by 8.4%.

The most exporting countries in Asia were badly hit one year ago as they suffered from the collapse of global trade. Those countries should post high macro figures year-on-year but this will be partly explained by base effect. Any strong recovery in global trade will be a major support for such countries.

Countries and stock market performances

India : the government has raised USD 4bn from equity disposals in government-controlled companies during Q1. It is expected that the government may sell other assets to fund its fiscal deficits over the coming months. The Reserve Bank of India has raised rates this quarter and is ready to act again. Inflation in India has been running. The credit expansion will be limited as interest rates rise should put pressure on government's aggressive infrastructure build-out. The MSCI India posted a solid 4.9% growth in Q1

China : the pick-up in exports and continuation of the government-driven infrastructure stimulus will help sustain high level of growth. Wages have increased significantly after the Chinese New Year, especially in the coastal regions. This will help drive consumption higher. Producer price inflation also increased due to higher raw material prices. Growth may slow during 2nd half of the year as the USD 1.5 trn government stimulus program wanes. The MSCI China underperformed the regional index with a loss of 1.6% in USD.

Indonesia posted new positive data's during the quarter with an improvement of the fiscal balance, higher foreign reserves, lower inflation, accelerating consumption and an upgrade in sovereign bonds. Strength in commodity prices and higher auto sales also boosted market sentiment. The government should pass the land-use reform and boost infrastructure and agricultural projects this year. The MSCI Indonesia posted a gain of 10.0% in USD during Q1.

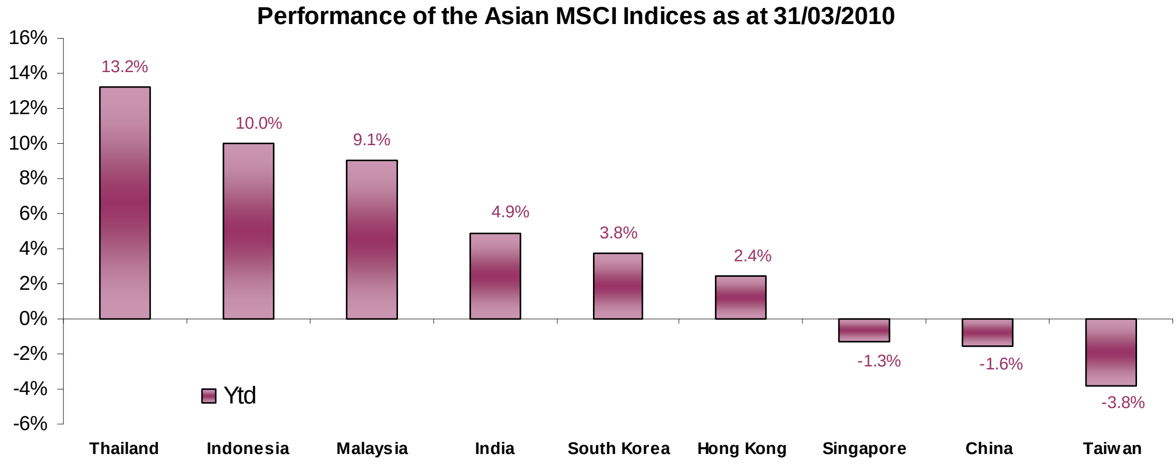
Taiwan GDP came very strong as exports rebounded on the global economic recovery. Rising property prices may lead to increases in interest rates. The technology sector was under pressure over the quarter as there were markets concerns over rising capital expenditure in upstream companies and higher raw material prices or rising labour costs in China where many Taiwanese companies are based. The MSCI Taiwan was the biggest loser in Q1 with a drop of 3.8% in USD.

South Korea growth was in line with expectations. Projected manufacturing output was offset by stronger consumer spending. The South Korean budget will be boosted by 3% this year to maintain the recovery. Samsung Electronics announced it should post double-digit growth in sales and will have a higher operating profit than last year. The MSCI South Korea in USD gained 3.8% this quarter.

Malaysia : Domestic economy grew ahead of expectations, partly helped by the implementation of stimulus measures. Reflecting improvements in the Malaysian and external sector, the central bank raised the overnight policy interest rate for the first time this year. Prime Minister Najib is willing to put an ambitious reform program in place targeting to double the income level. The MSCI Malaysia posted a strong performance of 9.1% in USD.

Hong Kong and **Singapore** are both developed markets but are included in the MSCI AC Asia ex-Japan. Those two economies are highly geared towards global trade. Both are experiencing strong consumption growth. The MSCI Hong Kong Index rose 2.4% while MSCI Singapore was down 1.3%.

The performance of the different markets in Q1 is expressed in the graph below in USD.



These performances can also partly be explained by currency appreciation during the quarter: Malaysian Ringgit (+4.8%), Indonesian Rupee (+3.2%), Korean Won (+2.8%), Indian Rupee (+43.5%) and Thai Baht (+3.1%).

Asset Managers of Asia Pacific Performance

Asia Pacific Performance sticks to its goal of achieving diversification through the use of different and complementary investment strategies.
Here is the current breakdown of the portfolio between the different managers.

	Weight as at 31/12/09	**Weight as at 31/03/10**
Sloane Robinson	*38.5%*	*37.5%*
Hamon	*22.3%*	*21.9%*
Comgest	*19.2%*	*19.6%*
Lloyd George	*8.7%*	*7.8%*
Atlantis	*10.0%*	*10.4%*
Farm Team	*1.1%*	*2.0%*

The only significant change in the allocation between managers was the higher weighting of the Farm Team to 2.0%. The aim of the Farm Team is either to invest in very specific funds that give us a better knowledge of specific themes or countries. The other goal is to invest in specific boutiques which will manage a limited amount of money and build a track record with those managers. Once there is a willingness to change one of the core managers of Asia Pacific Performance, it will be possible to use the manager who best fulfils our expectations based on the track record build with him. This increases the flexibility into the fund.

Stock markets were difficult during the quarter. Asia Pacific Performance ended with an absolute performance of -0.7%. There was still a widespread performance between the managers with Atlantis up 3.2% and Hamon down 4.0% while the benchmark rose 1.3%

Gross Performance	**2009**	**Yoy**	**Ytd**
Sloane Robinson	*55.8%*	*66.6%*	*0.6%*
Atlantis	*97.5%*	*107.1%*	*3.2%*
Comgest	*45.4%*	*54.0%*	*1.5%*
Hamon	*89.8%*	*79.9%*	*-4.0%*
Lloyd George	*50.5%*	*54.4%*	*-1.6%*
ASIA Pacific Performance	**58.2%**	**64.1%**	**-0.7%**
MSCI AC Asia ex-Japan	72.1%	73.3%	1.3%

Asia Pacific Performance lost some ground against the benchmark in March last year when markets rebounded suddenly. The year-on-year under performance at the end of this quarter has been reduced from 13.9 to 8.8%. Since the market peaked in October 2007, Asia Pacific Performance is still performing better than the benchmark (-24.3% for APP against -25.8% for the benchmark).

Sloane Robinson remains cautious on the markets as long as key questions are not answered. One of the question arising is whether China will tighten its monetary policy harder than expected by the markets as inflation could turn more problematic. India is one of his favourite markets even if tightening is also expected there. But the Indian budget was encouraging as it does not focus on short term measures but on a significant commitment to longer term investment in infrastructure with specific aim of raising the long term growth rate. Sloane Robinson considers any meaningful corrections to be an opportunity and not a risk. The cash level in the portfolio was still higher than average during the quarter. It was 24.6% at the end of Q1. Sloane Robinson's view remains that 2010 will see markets fluctuate within a wide range. They will continue to exercise caution given the headwinds from withdrawal of monetary stimulus and anaemic consumer demand in the developed world. But there remains considerable excess liquidity and strong demand in many of the developing markets. Sloane Robinson therefore intends to increase the equity exposure in these markets on any price weakness.

Hamon suffered year-to-date because of poor stock picking and his higher exposure on the Chinese market. The manager has noticed strong recovery in the tech sector throughout the region, particularly in DRAM and LED. Chinese companies globally announced decent earnings growth but markets were concerned by a possible trade war and the rise of raw material prices and wages. Taiwan unveiled guidelines to permit Chinese financial companies to invest and open branches on the island. Under the rule, single Chinese financial institutions will be allowed to own as much as 5% of a Taiwanese bank. Hamon has increased exposure to niche manufacturers, driven by expanding domestic Chinese sales and a nascent recovery in developed markets. Production shortages in LED, DRAM and other smaller component makers should support share prices while positive first quarter earnings announcements provide upbeat guidance for the second quarter.

Comgest is less optimistic than other managers for Asian markets which are expected to consolidate in a near future as they highly depend on investment flows from developed markets. Valuations rose to levels which cannot be considered to be cheap and the credit explosion in China last year could create industrial overcapacities. Chinese growth is too dependent on investment and exports which raises concerns on the quality of the growth of China. Foreign reserves are huge in China but this will not prevent the economy from being hurt. World growth and commodity prices are in the hands of the couple China – US and it is not rational to make macro forecasts as long as geopolitics and nationalism are concerned. Fund managers which have a high rotation of the portfolios may performed well in the short term but Comgest prefers focussing on defensive companies with cheap valuations like telecom stocks.

Atlantis : the negative sentiment over policy tightening and European debt that carried over at the beginning of the year reversed as streams of positive news hit the market. Asian growth is still impressively ahead of consensus and it should go on thanks to higher consumption (on increased wages) and renewed corporate spending. Technology companies revise their Q1 shipment forecasts up a notch post Chinese New Year as consumption of PCs and handsets sustained momentum. Airlines in Asia adjusted business airfares in their favour, while increased order flow for IT services and hardware were flagged by technology companies. Atlantis expects a consolidation of markets during the next few months as we face tightening headwinds and a peaking in OECD leading indicators. Asian markets are trading at a P/B of around 1.8 similar to the 2004 soft landing scenario of 1.7 and much cheaper than the 2007 hard landing valuaton of 3.1. Asian central banks have an additional policy tool to deal with the threat of inflation as well, by revaluing its undervalued currency to war off imported inflation.

Lloyd George : Macro data continues to improve, companies are generally delivering good earnings numbers, valuations are full but not demanding and liquidity is abundant. Rising input costs are potential problems and margin pressures may increasingly temper the benefits of strong top-line growth. Lloyd George appreciated the announcement of the Indian budget (which maintain a pro-growth stance via infrastructure spending and rural income support) and Chinese government willingness to shift from infrastructure to consumption. China may also focus more on healthcare reform and property taxes together with a greater focus on environment issues and carbon emission controls. Lloyd George expects significant sector rotation and profit taking in many markets over the coming months.

Market perspective

Asian markets paused after their highest yearly performance of 72.1% in 2009. To reach their historical high of October 2007, markets should rise another 32.3%.

Asia will undoubtedly remain the region with the highest economic growth in the world. China is leading the way and India is also performing well. Other countries like Indonesia or Malaysia can benefit from a more stable political environment which should favour reforming some parts of the economy. Thailand is the exception as political problems seem difficult to resolve and this could threaten growth.

Any improvement in developed markets would reinforce the good prospects of Asian economies. The stimulus plans that were put in place have produced positive effects. Central Banks are already in a tightening mode to prevent inflation from rising and keep growth at reasonable levels. Asian Central Banks and governments have gained a lot of credibility since the crisis started. With their low level of debt to GDP, they are obviously in a far better shape than developed markets.

Markets have been difficult during the quarter and the managers of Asia Pacific Performance are moderately optimist for the remaining of the year (except Comgest). Market corrections, if any, will be considered as an opportunity to re enter the market. This should limit the downside for Asian stocks.

The multi manager approach of Asia Pacific Performance targets to broaden diversification. The setup of the Farm Team approach during Q1 will also improve our investment process as it gives a better understanding and knowledge of potential new core managers.

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

Frederic ADAM
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ANNEX I

- Geographical breakdown by manager as at 31st March 2010

	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
China	9.1%	32.6%	33.6%	15.6%	12.1%	17.6%	26.6%
Hong Kong	7.6%	10.6%	14.6%	18.2%	24.6%	13.0%	11.1%
India	17.7%	10.7%	17.2%	6.2%	3.9%	12.9%	11.2%
Indonesia	13.1%	4.4%	2.2%	4.9%	5.6%	7.3%	2.8%
Korea	9.2%	13.8%	14.5%	10.6%	17.1%	11.5%	18.6%
Malaysia	0.0%	1.5%	0.0%	7.8%	1.2%	1.8%	4.1%
Philippines	1.5%	0.0%	0.0%	2.6%	0.0%	1.1%	0.6%
Singapore	2.1%	7.1%	4.7%	6.9%	13.0%	5.1%	6.8%
Taiwan	6.0%	14.8%	12.6%	17.3%	16.0%	11.2%	16.0%
Thailand	8.3%	1.3%	0.0%	3.4%	3.2%	4.2%	2.1%
Others	0.8%	0.0%	0.0%	0.8%	0.0%	2.4%	0.0%
Cash	24.6%	3.2%	0.6%	5.6%	3.3%	11.8%	0.0%

Internal data as at 31/03/10

Sectorial breakdown as at 31st March 2010

GICS	Sloane	Lloyd	Hamon	Comgest	Atlantis	APP	Bench
Materials	1.9%	8.9%	6.3%	0.0%	7.8%	3.6%	8.0%
Cash	24.6%	3.2%	0.6%	5.6%	3.3%	11.8%	0.0%
Consumer Discretionary	13.0%	9.7%	12.9%	13.7%	1.1%	11.2%	7.3%
Consumer Staples	4.6%	1.5%	8.5%	8.0%	5.3%	5.8%	4.6%
Financials	19.3%	24.5%	22.1%	20.2%	18.1%	19.8%	31.3%
Health Care	3.5%	1.6%	2.0%	2.4%	0.0%	2.3%	0.7%
Industrials	11.4%	8.7%	15.5%	12.5%	42.6%	15.2%	10.3%
Energy	7.7%	10.4%	4.2%	0.0%	1.1%	4.7%	8.2%
Information Technology	8.2%	25.6%	24.7%	16.9%	17.4%	15.6%	19.0%
Telecom	0.0%	3.2%	0.0%	17.4%	0.9%	3.8%	6.7%
Utilities	6.0%	2.7%	3.2%	3.4%	2.6%	4.1%	4.0%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%

Internal data as at 31/03/10

- Overlap : 30 stocks (251 stocks in the portfolio)

- Top 10 concentration APP : 12.9% vs Benchmark 18.7% (2 stocks in common in both Top 10 holdings)

- Other statistics :

Risk Measures	APP	MSCI Asia ex-Jpn
Percentage of gaining periods	58.9%	54.3%
Percentage of losing periods	40.6%	45.7%

Tracking Measures			
Beta	0.78	R-Square	0.80
Alpha	0.49%	Alpha P-value	4%
Tracking Error	12.26%	Information Ratio	0.43
Bull Beta	0.72	Up Participation	94.7%
Bear Beta	0.75	Down Participation	82.5%

Monthly Value at Risk	APP	MSCI Asia ex-Jpn
At 95%	13.4%	15.5%
At 99%	17.7%	20.4%

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