ASIA PACIFIC PERFORMANCE SICAV
QUARTERLY REPORTING
September 2011

Introduction

Asian markets released very negative performance in Q3. The MSCI AC Asia ex-Japan (the benchmark) declined 20.9% in Q3, the worst quarterly performance since December 2008. The MSCI World fell 16.6%, outperforming Asian market by 4.3%. On a year-to-date basis, Asian markets also underperformed the MSCI World (-19.9% ytd vs -12.2%). In relative terms, Asian stock markets, however, outperformed their Latam and Eastern Europe counterparts.

The European debt concerns that were heavily weighing on investor confidence last quarter have increased sharply in Q3. In such a context, Asian markets recorded significant outflows. The risk aversion rose to such an extent that even currencies started to tumble.

Asia Pacific Performance (APP) was down 23.0% during the quarter. This is the biggest quarterly drop of the fund since the Asian crisis in 1997. The difference is that today cash is not considered as an active asset class anymore and was limited to 10% for each manager.

The total assets under management are now standing at 299.1 mn USD.

All performances in this report are reported in USD.

Asian Economies

Macro review

The debt ceiling debate in the US and the lack of coordination of European countries regarding the sovereign debt crisis focused all the attention in the last three months. The second bailout package for Greece announced in July already appeared obsolete. The private sector involvement in the deleveraging process would probably be higher than initially estimated while the size of the funds is still too small to solve the Eurozone crisis if Spain and Italy have difficulties to refinance their debt. On the top of that, Italy has been downgraded by Moody's and S&P for its high debt level, its slow growth and its low competitiveness.

These events combined with decelerating growth all over the world strongly affected stock market in the third quarter. Asian economies were not immune to this negative trend. Most small opened economies, particularly exposed to the external demand, released negative quarter-on-quarter (qoq) growth in the second quarter while the "big four" (China, India, Indonesia and South Korea) posted resilient growth figures. Asian economies are still expected to post better growth than developed economies and other emerging areas in the quarters to come. In the current context, the biggest Asian economies should show more resilience given their lower dependence on external demand.

In terms of monetary policy, only three countries (China, India and Thailand) tightened their monetary policy in the third quarter. Despite the still negative real rates for most Asian economies, the rate hikes cycle appears close to an end. The combination of gradually declining inflation and lower macroeconomic momentum should allow Asian central bank to stay on hold before starting their easing cycle in 2012.

Countries and stock market performances

China : Chinese economy grew at 2.2% in the second quarter leaving the year-on-year increase at 9.5%, slightly lower than the figure published in the first quarter (9.7%). Recent figures published pointed to further moderation of the activity but were still in line with a soft and not a hard landing. PMI indices remained above the 50 threshold, industrial production decelerated but still evolved at a resilient level while retail sales increased at a double digit level. CPI (6.2% in August) continued to evolve above the central bank comfort level (4.0%) but have probably peaked. Food prices were still the main culprit but have already started to decline as well as service inflation. Non food inflation remained relatively flat. On the monetary front, the People's Bank of China (PBOC) only hiked one time its lending and deposit rate by 25 bps during the third quarter. For the first time since the third quarter 2010, the PBOC did not increase the reserve requirement rate. Despite still negative real interest rates, the tightening cycle hase come to an end.

Hong Kong : The economy contracted 0.5% on a qoq basis during the second quarter on lower net trade leaving the yoy increase at 5.1%. On the positive side, domestic demand remained resilient: private consumption increased 9.2% yoy and gross domestic fixed capital formation gained 8.1%. The continuing improvement in the unemployment rate should further support consumption in the coming quarters while inflation should remain a source of concern. The country has the advantage to benefit from a fiscal surplus, which should support its economy if the economic environment deteriorates further.

India : The economy slowed down to 7.7% yoy in the second quarter. This was the second consecutive quarter growth came out below 8%. Industrial and agricultural sectors growth softened while services sector recovered after its strong decline in the first quarter. During the third quarter, Indian central bank further hiked its monetary policy to bring its repo rate at 8.25% (the highest benchmark rate within the Asian economy) in order to reduce inflation pressure. The current INR weakness is not a welcome development for inflation but could be partially offset by declining commodity prices. Despite still negative real interest rate, India also appears close to the end of its tightening cycle, especially given the current global macroeconomic environment. On the negative side, India is the only Asian country to have a twin deficit leaving less room to have a proactive fiscal policy if needed.

Indonesia : Real GDP rose 6.5% on a yoy basis due to a positive contribution of investment and net exports. Private consumption remained relatively flat versus prior quarter (4.6% yoy vs 4.5%). The central bank has until now only hiked one time in 2010 and is not in a hurry to further tighten its monetary policy given its positive real rates and declining inflation. Central Bank in Indonesia has often been blamed to be behind the curve but it now seems it acted exactly as it should.

Malaysia : Malaysian economy surprised positively in the second quarter and expanded 4% on a yoy basis while most small opened economies recorded negative qoq growth. Growth was driven by private consumption and net exports while fixed investment grew modestly. The central bank is on hold since April 2011 when it made its last 25 bps hike to 3.0%. With inflation slightly above 3.0%, the tightening cycle is probably over for Malaysia.

Singapore : Real GDP contracted 6.5% on a qoq annualized basis but remained slightly positive on a yoy basis (0.9%). Singapore has still the lowest unemployment rate (2.1%) within the Asian economies with Thailand. This tight labour market is however a bad news for inflation as it pushes wages pressure on the upside. Singapore has the third Asian highest CPI after India and China.

South Korea : The economy grew at 3.4% yoy in the second quarter. Consumption, government, gross capital formation and net trade all contributed positively to growth. Bank of Korea made its last hike in June and has already tightened its monetary policy by 125 bps to 3.25% since June 2010. Despite its recent decline, inflation remained high and real rates are still in negative territory.

Taiwan : Real GDP increased 5% yoy mainly due to strong gain in private consumption. Given the uncertain global environment, the government has recently revised down its growth forecast for this year. The central bank has already hiked five times its benchmark rate (each time by 12.5 bps) to 1.875% since the beginning of the tightening cycle. The country benefits from the lowest inflation rate within the Asian economies, which leaves real rates in slightly positive territory.

Thailand : Real GDP contracted 0.2% on a qoq annualized basis due to lower exports and government expenditures. On a year-on-year basis, growth declined from 3.2% to 2.6%. All GDP components recorded lower growth. The Central Bank has once again increased its benchmark rate to 3.25% in August to bring the total hike to 225 bps. Negative real rates were the main argument behind this hike. Real rates are now neutral meaning the tightening cycle is probably over.

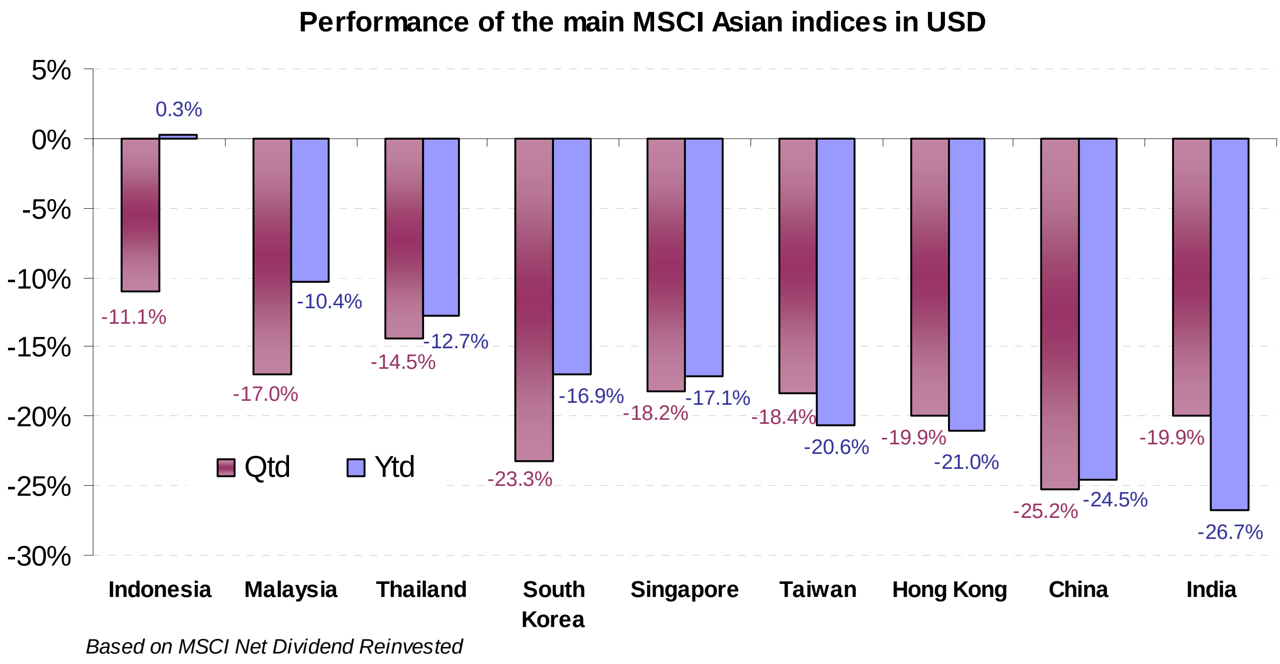
The stock markets

Performances dropped sharply during the quarter. China lost the (-25.2%) and South Korea was also badly hit (-23.3%). Those two markets are considered to be the most sensitive to a slowdown in the US and to a recession in the EU (if Europe cannot solve its debt problems).

South East Asia performed relatively better than North East Asia. Indonesia, Malaysia and Thailand have very limited trade relationship with EU or US and should not be impacted by any slowdown in the developed markets.

One of the main detractor of performance was currency depreciation in all countries (except Chinese Yuan which was up 1.3% in Q3). Compared to the USD, Korean Won lost 10.4%, Indian Rupee lost 9.6% and Taiwanese Dollar lost 6.1%. South East Asian currencies also depreciated vs. USD but to a lesser extent (Malaysian Ringgit down 5.6%, Indonesian Rupie down 4.3% and Thai Bhat down 1.5%). Most of the depreciation occurred in September at the peak of risk aversion on the markets.

Year-to-date, the performance of the MSCI indices in USD shows India and China are still lagging the most at respectively -26.7% and -24.5%. Those two countries faced significant monetary tightening for some time as inflation has risen. Investors feared uncontrolled inflation and massively sold Chinese and Indian stocks.



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 31/12/10	Weight as at 30/06/11	Weight as at 30/09/11
Sloane Robinson	*32.3%*	*29.2%*	*27.4%*
ARN	*10.6%*	*15.4%*	*20.1%*
Hamon	*22.7%*	*18.9%*	*19.6%*
Atlantis	*13.4%*	*14.9%*	*17.6%*
JO Hambro (Silver Metis)	*1.9%*	*2.7%*	*15.9%*
Comgest	*17.8%*	*17.3%*	*0.0%*

Some outflows occurred during the quarter, as the asset class was sold down. The allocation to the different managers has been adapted in consequence.

The mandate with Comgest has ended in August. Comgest has been included as a core manager of APP in 2003. Their performance was the best in 2004 and 2006. Since the financial crisis in 2008, it was more difficult for Comgest to add value. The top down expectations of Comgest were bearish but this was not really translated into the portfolio. This inadequacy and the lack of catalyst on their ability to outperform other managers again in the future has driven us to the conclusion that we should stop the mandate and avoid any risk of entering structural underperformance.

The development of the Farm Team concept at the early days of 2010 has been really helpful. In February 2010, Silver Metis was appointed as advisor for one specific account of APP. They started managing 10mn USD as other core managers. The target of the Farm Team was to get flexible and be able to switch assets from one manager to another very quickly. This is exactly what happened.

Silver Metis was a small management company based in Singapore (former managers of APP at the time they were working at Lloyd George). In May, Silver Metis was acquired by the UK group JO Hambro (8bn £ under management). The team of Silver Metis will then be strengthened and managers will have more time to focus on pure asset management. Silver Metis is now rebranded as JO Hambro and their office in Singapore will become the Asian branch of JO Hambro. A very positive move.

Since their inclusion as an advisor in APP, Silver Metis had produced the best returns of all managers. It was then decided that Silver Metis / JO Hambro would get the assets of Comgest. Degroof Gestion Institutionnelle Luxembourg, the management company of APP, has transferred Comgest's assets to Silver Metis / JO Hambro. This transfer was done in one day, showing how flexibile the system can be when a change of manager is requested.

It has recently been approved that the Farm Team concept should be enlarged up to 10% maximum of the total assets. Two managers should be included within the next few months in the Farm Team. Contracts between parties should be finalized soon. This means that at any time, there would be two possibilities if we need to change one core manager.

Performance

Asia Pacific Performance ended the quarter with a negative performance at -23.0% which is 2.1% below the benchmark. The overweight on China and India detracted performance on the whole portfolio.

Silver Metis / JO Hambro and ARN were both outperforming the benchmark in Q3, respectively up by 3.1% and 0.3%. Sloane Robinson was almost in line with the benchmark (-0.4%) while Hamon was lagging by 2.8%. Atlantis posted the biggest decline vs the benchmark at -8.2% in Q3. At the worst of the financial crisis (Q4 2008), Atlantis had posted approximately the same underperformance but was able to add the most value over the next two years.

Here are the performances of the different managers as at September 30st, 2011

Performance in USD	**Q3 2011**	**Ytd**
Silver Metis / JO Hambro	*-17.8%*	-18.1%
ARN	*-20.6%*	*-22.5%*
Sloane Robinson	*-21.3%*	*-25.1%*
Hamon	*-23.7%*	*-29.8%*
Atlantis	*-29.1%*	*-37.2%*
ASIA Pacific Performance	**-23.0%**	**-27.0%**
MSCI AC Asia ex-Japan	-20.9%	-19.9%

Based on the experience of March and April 2009, cash as an asset class has been limited to 10% for each manager (since end of Q2). This decision was taken in order to avoid missing the train once financial markets will become reasonable again.

Sloane Robinson : Developed economies are struggling badly despite all the money printing. Even the Fed acknowledges that monetary measures alone were limited in the absence of effective policy response from government. We are entering a period of considerable uncertainty, where the profitability for certain businesses will be questioned. Revenues and margins for many Asian companies are likely to face increasing pressures in light of a clear slowdown in growth in the OECD. Despite a more robust economic backdrop in Asia, identification and avoidance of the more vulnerable companies to this unfolding scenario is key for managers. Turnover was higher than usual and affected mostly Korean stocks, exiting banks and more cyclical stocks, in favour of domestic consumption oriented ones.

Indonesia and India were the two biggest overweight in Q3. Thailand was also overweighted and contributed the most to the global performance. Holding 5.3% of cash in such bad circumstances also contributed 0.7% to the return. Detractors of performance were stock selection in Hong Kong and the huge underweight on Taiwan (12.6% underweight vs. benchmark). The currency effect is also very important as all Asian currencies dropped (except HKD which is pegged to USD). Sloane gained 0.6% both on KRW and TWD but the currency impact of the overweight on India and Indonesia was respectively -0.9% and -0.5%.

Sloane Robinson remains very active and can quickly rebalance his portfolio when necessary.

ARN Investment Partners: European debt is a main concern in the financial markets. The obvious solution to Europe's problems is a willingness to absorb pain in the form of austerity. Sentiment has escalated to extreme velocity over the quarter while real economies can only move at a certain constant speed. There is room for absolute return if one can see a way out from the current European stalemate, which is the source behind today's loss of confidence. Holding inexpensive business franchises in Asia is attractive for those who look beyond short term volatility.

The latest wave of Asian selling came from renewed talk of hard landing in China. ARN thinks the Chinese economy is more attuned to soft landing rather than hard landing.

ARN is partly focusing on Chinese stocks listed in Hong Kong with earnings in Renminbi and which are valued in HKD (linked to the USD). Companies with strong cash flows in Renminbi (like China Mobile) or airlines companies which have local currency earnings and costs in USD, will benefit from the inevitable appreciation of the Renminbi. The pace of appreciation is not known but the trend is there.

Strong overweights on Thailand, China and cash exposure contributed positively to the performance, as well as Chinese stock selection. South Korea and Hong Kong stock selection was the biggest detractor of performance in Q3. Strong underweights on Taiwan and India resulted in currency gains of 0.7% for both markets.

ARN's portfolio remains linked to larger cap stocks. The weighting of the less liquid markets have been reduced as the manager wants to focus on very low P/E stocks with high dividend yield. The average PE of the portfolio is 9.5 with 3.7% dividend yield.

ARN focuses on larger cap stocks with strong visibility and able to generate strong cash flows on the long run.

Hamon: Global de-risking, switching out of emerging market equities, due to European sovereign debt crisis, weakened Asian currencies. Market liquidity conditions became very tight and the fear of global recession intensified. Small and mid cap stocks were the major victims of this liquidity outflow and de-risking selling. Hamon's investment thesis relies on the ending of the tightening cycle in major Asian economies by the end of the year.

Current valuation levels in China are extremely cheap despite all the concerns of local government debt financing, economic hard landing fears and potential earnings downgrades on the slower economy. The Chinese government has substantial monetary and fiscal policy flexibility to ensure a soft landing in the economy in 2012, despite the external weakness.

Both country allocation and stock selection on China detracted performance in Q3. Most of the Chinese stocks in the portfolio are not large caps and suffered most from equity outflows. The exposure to Indonesia was a positive contributor. Hamon reduced that overweight at the end of the quarter by taking profits. Underweighting South Korea added 1.0% in performance just because of the weakness of the Korean Won vs the US Dollar.

Positioning the strategy ahead of the policy change may create short term underperformance but should be the most profitable strategy on the medium term.

Atlantis: Europe's unresolved sovereign debt issues and mixed data's in the US pushed stocks price lower. US will be stuck in a period of very slow growth for the next few years but should avoid a double-dip recession. US still benefits from reasonable support from emerging market growth, zero interest rates environment and a strong corporate sector.

In the current context of uncertainty and extreme volatility, stock selection must be very selective as macro-events rather then fundamentals will remain the key driving force for share prices. The portfolio would become more aggressive once decisive actions are taken in Europe to avoid contagion. Some stocks in the portfolio are now trading at the same kind of valuations as at end of 2008 (which was a screaming Buy)…

Stock selection in China and South Korea is the main explanation of the underperformance this quarter. The higher allocation towards smaller cap vs benchmark was clearly the main detractor of performance.

Once investors will come back, Atlantis' portfolio should offer strong opportunities

Silver Metis / JO Hambro : Euroepan debt markets have raised global risk aversion and Asian markets dropped consequently. Inflation in Asia was one main concern earlier in the year. The manager thinks the peak of inflation has been reached but it could stay structurally higher than in the past. In China, wages have grown very fast over the last few years, well above inflation. India is the less attractive market and Reserve Bank of India may have to intervene again to contain inflation. It is currently difficult to estimate earnings so the manager prefers focussing on Price to Book instead of Price to Earnings ratio.

Stock selection in Korea has contributed very strongly to the outperformance of Silver Metis. Underweighting India and Taiwan also had a positive currency impact on the account.

The manager remains optimist for the end of the year. Many companies now trade at discounted levels which seem very attractive but selectivity is key.

Market perspective

Return for Asian equities have been very poor during last quarter and investors can be disappointed. The sentiment in Asia is mixed because most of the countries in the region have healthy balance sheets, corporate are still posting profits and domestic consumption is still rising but Europe is the main concern.

Managers of APP agree that current valuations are very attractive, close to the market lows of 2008. But for liquidity to come back to the Asian markets, Europe must take significant steps to resolve the crisis. The PBOC (Chinese Central Bank) has another key in its hands as it has a lot of scope to release its monetary policy (US and EU don't have this possibility) if needed. Even if a recapitalization of the financial sector was requested, it could be done at a much lower price than they did 5 years ago through the use of foreign reserves. Beijing will do what is necessary in due time but their decision will never be driven by stock market peformance.

The shift in sentiment will drive markets. Based on the 2009 experience, once markets recover, the move can be very strong. Some managers have anticipated that scenario. Others are ready to make the changes to rebalance the portfolio when catalysts will be in place.

Some changes have been implemented into APP in order to outperform significantly again in the future. Cash has been limited to avoid a repetition of 2009 and the diversification between the different investment strategies is still high after the manager change that was done in Q3. Recent relative performance has been disappointing but it is time to stop looking in the mirror and see the potential growth that lies ahead.

Frederic Adam

ANNEX

- Geographical breakdown by manager as at 30st September 2011

	Sloane	ARN	Hamon	Silver Metis	Atlantis	APP	Bench
HK / China	25.5%	51.0%	37.6%	50.6%	34.9%	39.3%	34.6%
India	26.8%	0.7%	18.8%	0.0%	2.8%	12.0%	10.1%
Indonesia	13.5%	2.3%	8.0%	5.3%	6.7%	7.9%	4.0%
Korea	15.2%	20.2%	7.1%	15.6%	18.6%	15.6%	20.3%
Malaysia	1.2%	0.0%	2.6%	5.2%	2.1%	2.1%	4.7%
Philippines	0.0%	0.0%	3.4%	0.0%	0.0%	0.8%	0.9%
Singapore	5.0%	11.7%	0.0%	7.7%	10.9%	6.9%	7.1%
Taiwan	3.8%	0.0%	13.8%	6.8%	18.5%	8.3%	15.8%
Thailand	6.5%	8.4%	5.2%	8.7%	4.0%	6.6%	2.5%
Others	1.6%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%
Cash	0.9%	5.7%	3.5%	0.3%	1.5%	-0.1%	0.0%

Internal data as at 30/09/11

- Overlap : 26 stocks (271 stocks in the portfolio of core managers)

- Other statistics :

Risk Measures	APP	MSCI Asia ex-Jpn
Percentage of gaining periods	58.0%	53.9%
Percentage of losing periods	41.5%	46.1%

Tracking Measures			
Beta	0.79	R-Square	0.81
Alpha	0.36%	Alpha P-value	10%
Tracking Error	11.79%	Information Ratio	0.33
Bull Beta	0.73	Up Participation	95.2%
Bear Beta	0.76	Down Participation	84.3%

Monthly Value at Risk	APP	MSCI Asia ex-Jpn
At 95%	13.3%	15.2%
At 99%	17.5%	20.0%

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