

Basically the fund's underperformance to the benchmark can be attributed to

- 1) high exposure to China (this was in line with our in-house overweight of China)
- 2) some exposure to South Korea and
- 3) some exposure to mining

- Recap of performance: the Fund dropped 2.07% YTD vs benchmark's +6.81%; largely because **benchmark is skewed heavily toward US** (which has 65% weight) and Europe (which has 25% weight). The Fund itself only has 21% of the invested portfolio in US stocks as of 10 April 2013. **US market has out-performed so far this year** (S&P 500 + 10.5% YTD); in contrast, MSCI Asia ex-Japan (MXASJ Index) fell 3.43% YTD in MYR-adjusted terms. **Globalstars is highly Asian-centric**. Hence, if compared with MSCI Asia ex-Japan index, the Fund has out-performed by 1.36% points
- Fund was underweight US: However, in the "global" category, the Fund under-performed due to its low weights in the US and Japan (both these markets out-performed with gains of 10.5% and 9.2 by 1.36% points YTD respectively. The underweight in US was because of demanding valuations; the Fund took profit as the market hit new highs.
- Fund was overweight China; also some exposure to Korea: The Fund was also highly concentrated in China H-shares, which accounted for 28% of its NAV as of 10 April 2013. This exposure dragged down performance as Hang Seng Index dropped 3.6% YTD. Performance drag also came from the Fund's exposure to Korean stocks (5.85% NAV)—the KOSPI dropped 9.8% YTD in MYR-adjusted terms.
- Exposure to mining stocks: Finally, another dampener was the Fund's holdings in mining stocks—i.e. Rio, BHP, Newcrest, Barrick Gold—these dropped by 9.5% to 28.8% YTD due to fears of declining commodities demand amid slower economic growth (especially in China) and operational issues (e.g. mining interruptions at Barrick Gold/Newcrest). Current exposure to mining stocks is 10.8% NAV as of 10 April 2013.
- Strategy: The Fund typically has adopted a value-investing approach. Such an approach tends to out-perform in the long-term but may under-perform in the short term. In the near term, the quantitative easing and monetary expansion by major economies (US, European Central Bank, Japan, UK) have poured a lot of liquidity into the system; this is what fuelling gains in equity markets. In contrast, China has been side-lined as investors are wary of slower growth there and potential tightening by the new leadership. With strong performances YTD, markets look a bit frothy with most markets—except China, Korea and India—trading at 7% (US market) to 19% above average 5-year PE. Hence, the Fund will not be looking to buy aggressively at this point. Despite the under-performance so far, we will retain our overweight stance in China H-shares due to attractive valuations (trading at 9.7x forward PE vs 5-year average of 11.3x) and superior

growth. In a liquidity-driven market, we believe China's turn to shine will come as investors switch out from out-performers to laggards. However, to minimize benchmark risk, we will be buying into US and Japanese stocks but only on weakness.

Finally, the Fund fell 3.8% in that week was in line with the fall of Asia ex-Japan (down circa 3%) and the Fund's overweight in China-H caused the underperformance. We should be looking at measurement for a longer term rather than constantly focusing on short term fluctuations. Hope the above is helpful. Many thanks.