

La Francaise JKC Asia Equity

NAV per Share:	Class I	Class GP	Class P
	EUR 87.37	EUR 84.47	EUR 91.91
	USD 89.46	USD 85.19	USD 92.95

Market and management comments

THE WORD OF THE MANAGER AND MACRO ANALYSIS ACROSS ASIA

Politics across the region dominated headlines in April. Starting with Korea, parliamentary elections saw the ruling party of President Park suffer a crushing defeat. She is blamed for not having passed the reforms she had promised, and for not having been able to bring economic growth to 4%. She also failed to pass a labour law that would have made hiring and firing of employees easier. Her Saenuri Party has lost its majority at the parliament, probably turning the next 20 months of her presidency into a side show. Despite this negative news, Korea was our best performance contributor in April with a positive return of 0.36%.

In Malaysia, the 1MDB scandal that exposed the questionable practices of Prime Minister Najib Razak reached a new high with the state-owned fund defaulting on a coupon payment, possibly triggering a review for downgrade of the sovereign rating of Malaysia. Our two investments in Malaysia are completely de-correlated from political events taking place in Kuala Lumpur. In Thailand, a referendum is scheduled to take place on 7th August to approve a new constitution. On one hand the proposal that is tabled provides for the Senate and the Prime Minister to be appointed (as opposed to being elected), in effect strengthening the power of the army. On the other hand, free parliamentary elections could only take place in mid-2017 if the new constitution is voted. The Thai people seem to be so anxious to move away from the current economically-inefficient military regime that the new constitution may well be passed despite its inherent flaws. As investors in Thailand, we are also looking forward to seeing decisions finally being made to reinvigorate an economy that badly needs stimulus. In the Philippines, the presidential campaign has taken a turn that raised quite a few eyebrows, including ours. The candidate leading the polls with a wide margin is now Mr. Duterte, best described as a vigilante who managed to turn his own city of Davao where he has been mayor from one of the most dangerous cities to the safest one, using on-the-ground methods that were not entirely constitutional, to say the least. The Vice-President will also be freely elected on 9th May, and here the leading candidate is no one else than Bongbong Marcos, the grand-son of the worst dictator the Philippines ever had. The perspective of seeing a Duterte/Marcos tandem run the country may well have a negative impact on the positive views we have had over the Philippines for many years. In Indonesia the government has delivered on one of its populist policies by forcing the banks to cut their net interest margins. Indonesian banks are well known for enjoying extremely high net interest margins and for not passing through to clients the cuts to policy rates that the Central bank recently decided. Quite clearly the Central bank and President Widodo were not too happy about it and decided to act. Starting from August, the 7-day repo rate that currently stands at 5.5% will have to be used by banks as a reference rate to price loans and will replace the Central bank's 1-year policy rate of 6.75%. The average lending rate that currently stands at 11.9% will drop to 10.75% by the end of the summer, the banks taking the hit. As a result Indonesian banks are currently going through a de-rating phase. In China, the drop in the dollar index is giving the Central bank significant flexibility to depreciate its currency against the basket of 13 currencies it is now using as a reference (the so-called CFETS basket). It is doing so while its currency is appreciating against the US dollar, inflicting big losses to hedge funds that had been shorting the yuan extensively at the start of the year. The depreciation of the Chinese currency that we are seeing against the CFETS basket will have the consequence of boosting the trade surplus and hopefully replenishing FX reserves that went down by 20% since the peak was reached in mid-2014. The stimulation of the Chinese economy that inevitably results in a higher level of debt will have long-term consequences that will be easier to manage in the context of a weak US dollar.

Looking at the results announced by companies throughout Asia for the first quarter of 2016 and at annual results for Indian companies that have their fiscal year ending in March, the best numbers came out of India where 73% of listed companies beat analysts' estimates, 63% of Singaporean companies, 61% of Korean companies and 58% of Thai companies. At the other end of the spectrum, only 28% of Malaysian companies beat analysts' estimates, 36% of Filipino companies, 36% of Indonesian companies, 39% of Taiwanese companies and 40% of Chinese (including Hong Kong) companies.

THE FUND

In April the fund lost 0.2% when the MSCI AC Asia ex. Japan benchmark lost 1.0%. The cash position stood at 11.4% at the end of April.

THE PORTFOLIO

The outperformance of the fund in April largely comes from South Korea, and more specifically from our holding in preferred shares issued by LG Household and Healthcare, the cosmetics, soft drinks and personal goods conglomerate. The preferred shares we own gained 32% when the common shares we also own "only" gained 6.6% following the release of an excellent set of results. Our Indian exposure contributed almost as much outperformance as Korea with key holdings such as Indusind Bank gaining 8.4%, Zee Entertainment gaining 7.2% and Axis Bank gaining 6.4%. Our Indonesian exposure to the media and television sector also performed well with MNC gaining 7.8% as two of its recent TV shows have allowed the company to gain market share over its main rival Surya Citra Media. China is where the fund's performance was the most disappointing, largely because of Shanghai International Airport, an A share that lost 9.6% over the month as its revenue growth in the first quarter was outpaced by operating expenses. Over the month we decided to sell our exposure to Bank Negara Indonesia as soon as we heard about the government's plan to cut the margin of Indonesian banks, as discussed above. We reduced our exposure to China by selling some of our holdings in Changan Auto and Ping An Insurance, while we increased our exposure to the Korean OLED supply chain by buying into Viatron Technologies, a company that controls almost 80% of the OLED furnace market. Our decision to move deeper into the OLED supply chain is a direct consequence of the decision made by Apple to move from TFT screens to OLED screens, Apple itself being already front-run by the Chinese smartphone makers and of course by Samsung that has already been using OLED display technology for many years.

Performance summary

Monthly return	-0.2%
Return (3-month)	5.0%
Return since inception (7/2011)	-10.5%
Compound return (2-years annualized)	-4.9%
Maximum cumulative gains	26.3%
Maximum cumulative losses	-21.7%
Maximum monthly gain	8.4%
Maximum monthly loss	-10.4%
% up months	61.5%
% down months	38.5%
Sharpe ratio (monthly return 2-years annualized)	-0.35

Risk summary

Standard deviation (monthly return 2-years annualized)	15.1%
VAR % (monthly @ 95% confidence level)	7.2%
Alpha (monthly return for 2-year annualized)	-1.6%
Beta (monthly return 2-year)	0.76
Top 5 stock holdings	20.7%
Top 10 stock holdings	33.3%
Top 20 stock holdings	53.1%
Total net cash position	11.4%

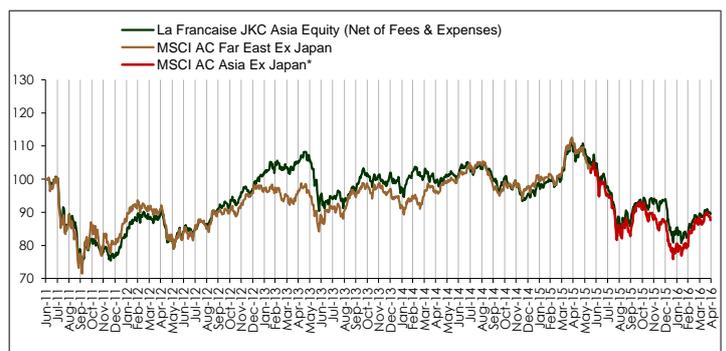
Top 10 holdings (As at 30th April 2016)

Name	Industry	Country	
Tencent Holdings Ltd	Internet Software & Servic	China	6.8%
Samsung Electronics Co Ltd	Technology Hardware, Stora	South Korea	4.6%
Lg Household & Health Care	Personal Products	South Korea	3.7%
Nxteer Automotive Group Ltd	Auto Parts & Equipment	China	2.9%
Taiwan Semiconductor Manufac	Semiconductors	Taiwan	2.8%
China Overseas Land & Invest	Real Estate Development	Hong Kong	2.6%
Amorepacific Corp	Personal Products	South Korea	2.6%
China State Construction Int	Construction & Engineering	Hong Kong	2.5%
Ayala Corporation	Multi-Sector Holdings	Philippines	2.5%
China Mobile Ltd	Wireless Telecommunication	Hong Kong	2.4%

Monthly Performances (% net of fees)

Year	2012	2013	2014	2015	2016
Jan	8.4	4.8	-4.6	2.5	-9.3
Feb	7.2	2.2	5.1	1.6	-3.0
Mar	-1.0	-0.3	-1.3	1.5	8.4
Apr	0.9	1.8	-1.9	7.3	-0.2
May	-7.9	0.5	1.8	0.1	
Jun	2.3	-10.4	0.4	-4.0	
Jul	1.3	-1.1	1.6	-6.0	
Aug	0.3	-0.6	0.4	-9.7	
Sep	6.3	3.0	-2.9	-0.8	
Oct	1.7	5.5	0.3	5.1	
Nov	3.9	-0.4	-0.9	0.4	
Dec	0.9	0.8	-4.2	1.6	
Year	26.0	5.1	-6.3	-1.6	-4.8

Cumulative performance (since inception) Class I USD



*MSCI AC Asia ex Japan became the reference index with the addition of India to the investment universe on 16/06/15, prior to that the reference index was the MSCI AC Far East ex Japan. The charts and numbers reflect this change and display the MSCI AC Far East ex Japan prior to 16/06/15 and MSCI AC Asia ex Japan from that date onwards.

La Francaise JKC Asia Equity

Monthly Report April 2016

Fund's AUM: USD 33 million

AUM Asia strategy: USD 68.3 million

Fund description and manager's strategy

The fund's objective is to provide investors with exposure to the Asian continent through investments in companies operating predominantly in Asia excluding Japan. The fund aims at providing above-average returns with a lower-than-average volatility by implementing a bottom-up value approach investment methodology combined with a top-down macro-driven country allocation.

Countries of registration

La Francaise JKC Asia Equity is a UCITS IV SICAV authorised for retail distribution in France, Italy, Switzerland, Luxembourg, Belgium, Sweden, Finland, Spain, Austria, Singapore and Peru.*

* Not all share classes are authorised in every jurisdiction, specifically: - In Luxembourg, France, Switzerland, Italy and Singapore all share classes are authorised (in Singapore all classes are only available to institutional investors). - In Spain, Italy, Belgium and Sweden the I EUR, I USD, P Eur and P USD share classes are authorised - In Finland and Austria the I EUR and P Eur share classes are authorised for both funds - In Peru, the I USD share class is authorised

Risk management

Risk is assessed and monitored on a permanent basis by JK Capital Management and Degroof Gestion Institutionnelle-Luxembourg.

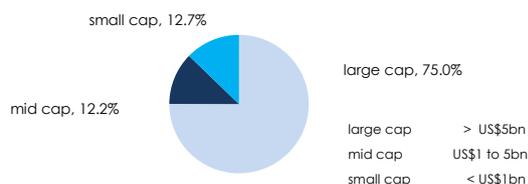
Valuation of the portfolio is performed independently by Banque Degroof Luxembourg.

Currency hedging

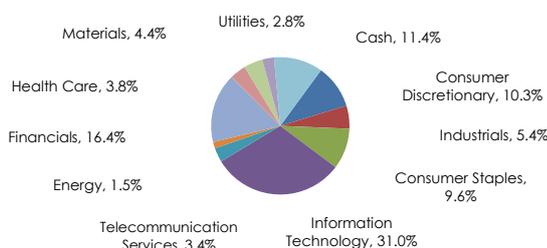
Euro-denominated shares in the fund are hedged against fluctuations in the Euro/USD exchange rate to give the opportunity to Euro-based investors to avoid any unwanted currency risk exposure. As a result, performances of Euro and USD classes of shares are very similar (however not identical due to the cost of hedging and to tracking errors) whatever the volatility of the Euro/USD exchange rate.

Hedging is implemented by Degroof Gestion Institutionnelle-Luxembourg, the risk manager of the fund, using monthly forward EUR/USD contracts, daily checks and adjustments and using a tracking error objective, calculated over a period of 52 weeks and accounting for new subscriptions or share sale, of 0.8%.

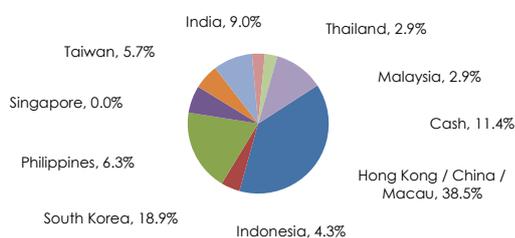
Breakdown by company size



Industry breakdown



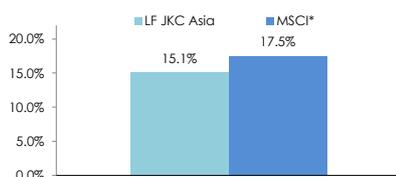
Geographic breakdown



Compound return (2-years annualized)*



Standard deviation (monthly return 2 yrs ann.)*



Sharpe ratio over 2 years*



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Portfolio valuation

2016 (e) PE	14.5
2016 (e) Profit Growth	15.9%
PE to Growth	0.92
Dividend Yield (ex-cash)	1.78

Portfolio breakdown

Equities	88.6%
Cash	11.4%
Number of holdings	49

La Francaise JKC Asia Equity - Product features

Portfolio Managers	Fabrice Jacob / Sabrina Ren
Launch Date	Jul-11
Reference index	MSCI AC Asia Ex Japan ("MSCI")
Investment Manager	JK Capital Management Limited based in Hong Kong
Entry/Exit	Daily, with a 2-day notice
Management Fees	1.5% per annum (2.2% for Class P) plus performance incentive of 15% subject to high-water mark
Management company	La Francaise AM International
Custodian	Banque Degroof Luxembourg
Administrator	Banque Degroof Luxembourg
Auditor	KPMG
Tranches	Class I EUR- Institutional EUR Class I USD- Institutional USD Class GP EUR- Private Banking EUR Class GP USD- Private Banking USD Class P EUR- Retail EUR Class P USD- Retail USD
Minimum investments	Class I- EUR 150,000/USD 200,000 Class GP- EUR 5,000/USD 6,000 Class P- EUR 500/USD 500
Legal Structure	SICAV-UCITS IV
Domicile	Luxembourg

Listed on the Luxembourg Stock Exchange

Comparison with reference index

	LF JKC Asia	MSCI*
Apr-16	-0.2%	-1.0%
3 months	5.0%	8.8%
YTD 2016	-4.8%	0.5%
2015	-1.6%	-10.7%
1 Year	-18.5%	-21.5%
3 Years	-15.1%	-9.3%
Since inception (7/2011)	-10.5%	-12.4%
Compound return (2-years annualized)	-4.9%	-4.4%
Sharpe ratio over 2 years	-0.35	-0.27
Standard deviation (monthly return 2 yrs ann.)	15.1%	17.5%

Fund's Identification Codes:

Bloomberg Ticker	LFPVU LX Equity
ISIN code Class I EUR Institutional	LU0611874057
ISIN code Class I USD Institutional	LU0611874131
ISIN code Class GP EUR Private Banking	LU0611874214
ISIN code Class GP USD Private Banking	LU0611874305
ISIN code Class P EUR Retail	LU0611874487
ISIN code Class P USD Retail	LU0611874560

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Investments in foreign currencies may generate a currency risk, and the return in any reference currency may increase or decrease as a result of currency fluctuations. The fund is exposed to several types of risks which are listed in the fund's KIID.

The fund is a UCITS (Undertakings for Collective Investment in Transferable Securities).

Source for performance figures: JK Capital Management Ltd, Bloomberg. Issuance and redemption commissions and taxation on capital gains, if any, are not included in the performance figures.

Figures presented are for the GP USD share class (LU0415808285) and are based on net performance, ie after deduction of management fees and performance fees. Performance may differ for other share classes.

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