

## La Francaise JKC Asia Equity

NAV per Share:	Class I	Class GP	Class P
	EUR 83.55	EUR 80.79	EUR 88.05
	USD 85.24	USD 81.19	USD 88.73

## Market and management comments

## THE WORD OF THE MANAGER AND MACRO ANALYSIS ACROSS ASIA

We commented that 2015 had been a year of extremes. It turned out that the start of 2016 was even worse, repeating almost all major risks factors highlighted in 2015 in merely a month: investors witnessed yet another slump of the China A share market (SHCOMP index was down 22.7%), a fast RMB depreciation in the first week of the month (down 1.9%) with short selling pressure even spreading to the HKD, a phenomenon last seen back in August 1998 during the Asian Financial crisis, a collapse of oil price to below USD 30 a barrel, and a rapid change of views on the US Fed rate hike outlook reflecting renewed concerns about a possible China hard landing, a less robust recovery of the US economy and a global growth slowdown. As a result, some indices we track recorded their steepest monthly drops since October 2008 and September 2011 respectively (the MSCI China was down 12.3% and the MSCI AC Asia Ex JP index was down 7.7%). The only bright spot was that South East Asian markets proved to be much more resilient during the month both on the equity and the currency front: The Thai index actually gained 1% in January; Indonesian and Malaysian markets were also relatively resilient (up 0.5% and down 1.5% respectively). The worst market was no doubt China, followed by Singapore (-8.8%) and India (-4.8%). Currency wise, the Malaysian Ringgit gained 3.9%, followed by the Thai Bhat and the Indonesian Rupiah (both up 0.9%). The worst performing currency was the Indian Rupee (-2.5%) followed by the Korean Won (-2.6%).

The first thing we want to highlight is that although we understand global investors tend to associate the turmoil in China's financial markets with a real economy crisis, recent macro numbers in China are not particularly bad. If anything, numbers are actually showing that the rebalancing from production to services is continuing and that the inflection point of the downtrend is probably behind us. The unusually strong positive correlation developed between the oil price and equity indices over the past weeks is not only new but also puzzling to us. We tend to believe that too much bearishness is priced in Asia on a low oil price as most Asian economies are net oil importers. As to the RMB and China's capital account opening process, we recognized a step backward in the reform progress with tight controls now in place, particularly on the offshore RMB market, to discourage investors from shorting the Yuan. The RMB now seems to be under control and is expected to gradually depreciate at the pace determined by PBoC to make up for the divergence in Effective Exchange Rate between the RMB and other leading currencies that developed last year. Further easing from Bank of Japan and the European Central Bank and potentially a more dovish than expected Fed rate hike policy should also help ease the downward pressure of the RMB and on other Asian currencies. Another important implication of this trend is that liquidity may flow back into emerging markets should mounting evidence point to a much muted USD upside than previously anticipated.

Elsewhere in Asia, Taiwan held its parliamentary and presidential elections on 16th January with the opposition's Democratic People's Party (DPP) winning not only the presidency, but also gaining control of the legislature for the first time. It should enable newly elected president Tsai Ying-wen to push ahead with her reform agenda. In the past eight years under President Ma Ying-jeou of the Kuomintang cross-strait relations had improved. More turbulence is expected under an "anti-China" DPP government although the economic implications of a deterioration in cross-strait relations may be relatively small as suggested by history. Tsai has pledged big increases in spending on housing and infrastructure; however, due to budget deficit constraints, the economy is unlikely to receive a sudden injection of fiscal stimulus that could have boosted the growth outlook. Economists forecast Taiwan's GDP growth to recover from 0.9% in 2015 to 2% in 2016.

During the month, Bank Indonesia cut its policy rate by 25 basis points to 7.25%, which should provide a long-overdue boost to the struggling economy. Looking ahead, economists expect more loosening with the economy growing at its weakest pace since the global financial crisis, the inflation remaining low and the rupiah appearing to stabilize. Aggressive rate cuts are nevertheless unlikely as it would increase the rupiah's vulnerability to external shocks.

## THE FUND

In December the fund lost 9.3% when MSCI AC Asia ex. Japan benchmark dropped by 7.7%.

The cash position stood at 8.6% at the end of January. The underperformance of the fund in January was largely due to the fund's exposure in China to insurance companies, to property developers and to the largest water treatment company which all dropped very significantly.

## THE PORTFOLIO

The top performers within the fund this month were the South Korean blood glucose meter maker I Sens (+12.6%), followed by South Korean OLED material equipment maker SFA Engineering (+7.2%) and Indian Pharmaceutical company Sun Pharma (+6.4%). On the negative side, the Chinese meltdown had an indiscriminate impact on our Chinese holdings. China Taiping Insurance fell by 32.7% followed by Beijing Enterprise Water (-29.5%) and China Jinmao Group, a property developer (-23.8%). During the month, we trimmed our weighting in China State Construction, Shanghai Fosun Pharmaceutical, Shenzhen International while we added positions in insurance company AIA, in telecom equipment maker ZTE Corp and exited China Merchant bank, Zhuzhou CSR and Xtep International. We increased our weighting to South Korea by increasing our exposure to Samsung Electronics and by adding LG Chemical and SFA Engineering to the portfolio. In the Philippines, we replaced DNL and Universal Robina with GT Capital.

## Performance summary

## Monthly return

<b>Return (3-month)</b>	-7.4%
<b>Return since inception (7/2011)</b>	-14.7%
<b>Compound return (2-years annualized)</b>	-6.4%
<b>Maximum cumulative gains</b>	26.3%
<b>Maximum cumulative losses</b>	-21.7%
<b>Maximum monthly gain</b>	8.4%
<b>Maximum monthly loss</b>	-10.4%
<b>% up months</b>	63.3%
<b>% down months</b>	36.7%
<b>Sharpe ratio (monthly return 2-years annualized)</b>	-0.47

## Risk summary

<b>Standard deviation (monthly return 2-years annualized)</b>	14.2%
<b>VAR % (monthly @ 95% confidence level)</b>	6.8%
<b>Alpha (monthly return for 2-year annualized)</b>	-1.4%
<b>Beta (monthly return 2-year)</b>	0.78
<b>Top 5 stock holdings</b>	22.0%
<b>Top 10 stock holdings</b>	37.2%
<b>Top 20 stock holdings</b>	59.7%
<b>Total net cash position</b>	8.6%

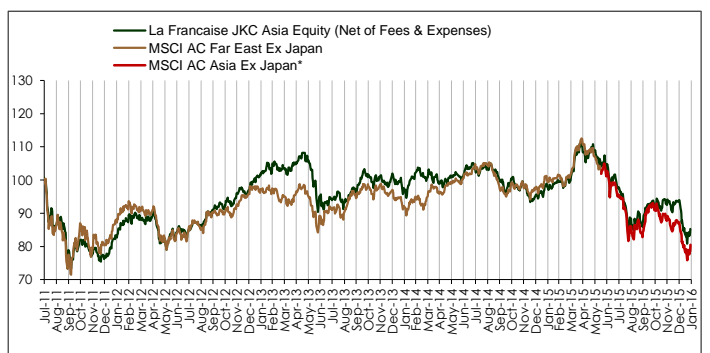
## Top 10 holdings (As at 31st January 2016)

Name	Industry	Country	
Tencent Holdings Ltd	Internet Software & Servic	China	6.8%
Lg Household & Health Care	Household Products	South Korea	4.1%
Taiwan Semiconductor Manufac	Semiconductors	Taiwan	3.9%
Samsung Electronics Co Ltd	Technology Hardware, Stora	South Korea	3.6%
China Overseas Land & Invest	Real Estate Development	Hong Kong	3.6%
Ping An Insurance Group Co-H	Life & Health Insurance	China	3.5%
Nexteer Automotive Group Ltd	Auto Parts & Equipment	China	3.1%
Chongqing Changan Automobi-B	Automobile Manufacturers	China	3.1%
Posiflex Technology Inc	Electronic Equipment & Ins	Taiwan	2.9%
Amorepacific Corp	Personal Products	South Korea	2.7%

## 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	
Mar	-1.0	-0.3	-1.3	1.5	
Apr	0.9	1.8	-1.9	7.3	
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	-9.3

## 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 January 2016

Fund's AUM: USD 29.9 million  
AUM Asia strategy: USD 64.2 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.

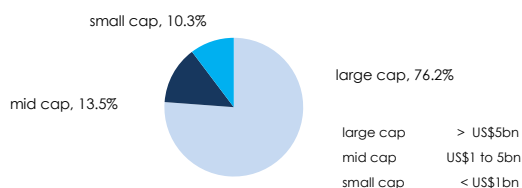
Valuation of the portfolio is performed independently by Banque Degroof Luxembourg.

## Currency hedging

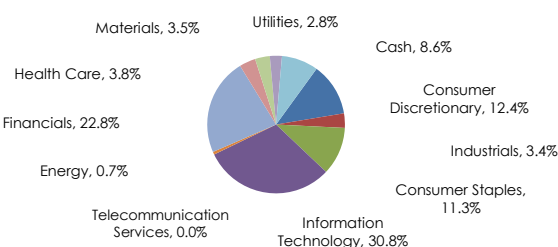
Euro-denominated shares in the fund are hedged against fluctuations in the Euro/USD exchange rate to give the opportunity to Euro-based investors to avoid any unwanted currency risk exposure. As a result, performances of Euro and USD classes of shares are very similar (however not identical due to the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

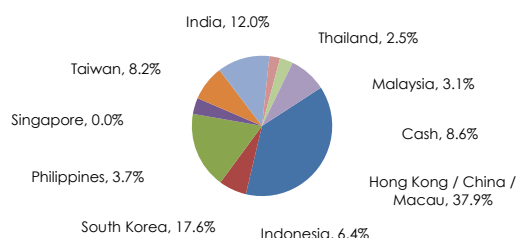
## Breakdown by company size



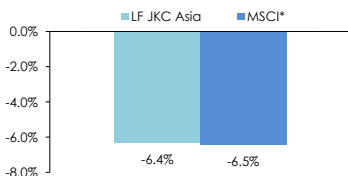
## Industry breakdown



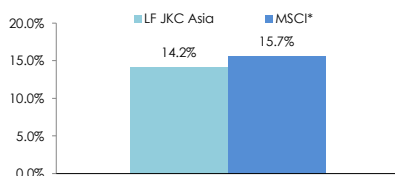
## Geographic breakdown



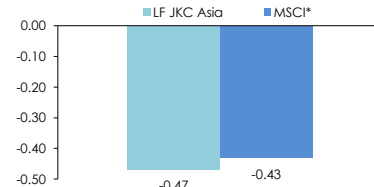
## Compound return (2-years annualized)\*



## Standard deviation (monthly return 2 yrs ann.)\*



## Sharpe ratio over 2 years\*



\*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.

## Contact details

**JK CAPITAL MANAGEMENT LTD.**

**Address** Suite 1101 Chinachem Tower, 34-37 Connaught Road Central, Hong Kong

**Phone** +852 2523 8020

**Fax** +852 2523 4142

**Email** info@jkcapiatmanagement.com

An affiliate of



**LA FRANÇAISE**  
investing together

Visit us at [www.jkcapiatmanagement.com](http://www.jkcapiatmanagement.com)

The information contained herein is issued by JK Capital Management Limited. To the best of its knowledge and belief, JK Capital Management Limited considers the information contained herein is accurate as at the date of publication. However, no warranty is given on the accuracy, adequacy or completeness of the information. Neither JK Capital Management Limited, nor its affiliates, directors and employees assumes any liabilities (including any third party liability) in respect of any errors or omissions on this report. Under no circumstances should this information or any part of it be copied, reproduced or redistributed. The price of units or shares of funds and the income from them may go down as well as up and any past performance figures are not indicative of future performance. (c) Copyright JK Capital Management Limited 2016

## Portfolio valuation

2016 (e) PE	12.7
2016 (e) Profit Growth	16.6%
PE to Growth	0.76
Dividend Yield (ex-cash)	1.71

## Portfolio breakdown

Equities	91.4%
Cash	8.6%
Number of holdings	47

## La Francaise JKC Asia Equity - Product features

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

## Listed on the Luxembourg Stock Exchange

## Comparison with reference index

	LF JKC Asia	MSCI*
Jan-16	-9.3%	-7.7%
3 months	-7.4%	-11.5%
YTD 2016	-9.3%	-7.7%
2015	-1.6%	-10.7%
1 Year	-13.1%	-19.5%
3 Years	-16.1%	-17.0%
Since inception (7/2011)	-14.7%	-19.5%
Compound return (2-years annualized)	-6.4%	-6.5%
Sharpe ratio over 2 years	-0.47	-0.43
Standard deviation (monthly return 2 yrs ann.)	14.2%	15.7%

## Fund's Identification Codes:

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

This document is marketing information. The elements contained in this document have been prepared solely for the purpose of information and do not constitute an offer, or any invitation, to buy or sell any financial instrument or to participate in any trading strategy. While particular attention was paid to the content of this document, no guarantee, warranty or representation, express or implied, is given as to the accuracy, correctness or completeness thereof.

Please note that the value of investments may rise or fall and that past performance results are no indication of future results. Investors may not receive the amounts invested upon redemption.

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.

The issuer of this document is JK Capital Management Ltd, a Hong Kong Limited Company, located at Suite 1101, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong, Phone: +852 2523 8020 – Fax: +852 2523 4142. JK Capital Management Ltd is regulated by the SFC as an investment management company with registration number AEP547. This presentation must not be copied, reproduced, distributed or passed on to any person at any time without the prior consent of JK Capital Management Ltd.

The tax treatment of the fund depends on the personal circumstances of each client and can be subject to future changes. You should consult your financial advisor before investing.

The fund may not be offered, sold or delivered within the United States. This product may be subject to restrictions with regard to certain persons or in certain countries under national regulations applicable to such persons or countries. Notably, this presentation is exclusively intended for persons who are not US persons, as such term is defined in regulations of the US Securities Act of 1933, as amended (the Securities Act) and who are not physically present in the United States.

For more detailed information on the investment fund, please refer to the prospectus and the Key Investor Information Document ("KIID") which should be read before any investment. In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports have been published containing all the necessary information about the product, the costs and the risks attached to any investment. The latest versions are available at [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaisegroup.com](http://www.lafrancaisegroup.com) or upon request to either JK Capital Management Ltd, Suite 1101, Chinachem Tower, 34-37 Connaught Road Central, Hong Kong, contact: [info@jkcapitalmanagement.com](mailto:info@jkcapitalmanagement.com); or La Française AM, 173 boulevard Haussmann, 75008 Paris – France, contact-[valeurmobilières@lafrancaise-group.com](mailto:valeurmobilières@lafrancaise-group.com). Do not take unnecessary risks.

The distribution and the offering of funds in certain jurisdictions may be restricted by law. Persons into whose possession of this document may come are required to inform themselves about and to comply with any relevant restrictions.

## For Switzerland

Funds authorized by the Swiss Financial Market Supervisory Authority (FINMA) for public distribution in Switzerland: for interested parties, fund regulations or the articles of incorporation, the key investor information document (KIID) and the full prospectus, in their current versions, as well as the annual and semi-annual reports are provided free of charge at the representative office in Switzerland (ACOLIN Fund Services AG, Stadelhoferstrasse 18, CH- 8001 Zurich, [www.acolin.ch](http://www.acolin.ch)). Paying agent in Switzerland is NPB Neue Privat Bank AG, Limmatquai 1, 8022 Zurich.

## For Finland

Funds registered in Finland have been authorized for public distribution in Finland by the Financial Supervisory Authority (FIN-FSA).

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com)) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.

## For Germany

Funds registered in Germany have been authorized for public distribution in Germany by the Federal Financial Supervisory Authority (BaFin).

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com) or upon request to [info@jkcapitalmanagement.com](mailto:info@jkcapitalmanagement.com) or [contact-valeurmobilières@lafrancaise-group.com](mailto:contact-valeurmobilières@lafrancaise-group.com)) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.

## For Luxembourg

Funds registered in Luxembourg have been authorized for public distribution in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF").

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com) or upon request to [info@jkcapitalmanagement.com](mailto:info@jkcapitalmanagement.com) or [contact-valeurmobilières@lafrancaise-group.com](mailto:contact-valeurmobilières@lafrancaise-group.com)) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.

## For Sweden

Funds registered in Sweden have been authorized for public distribution in Sweden by the Swedish Financial Supervisory Authority (Fiansinspektionen).

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com) or [www.morningstar.se](http://www.morningstar.se) or from our Paying Agent BNP PARIBAS Securities Services, Via Ansperto no. 5 20123 Milan, Italy) Stockholm, Sweden) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.

## For Italy

Funds registered in Italy have been authorized for public distribution in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB).

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com), or [www.fundinfo.com](http://www.fundinfo.com) or from our Paying Agent BNP PARIBAS Securities Services, Via Ansperto no. 5 20123 Milan, Italy) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.

## For Spain

Funds registered in Spain have been authorized for public distribution in Spain by the Comision Nacional del Mercado de valores (CNMV)

In relation to the investment fund and share classes mentioned in this document, the latest prospectus, the KIID and the annual and semi-annual reports (whose latest versions are available on [www.jkcapitalmanagement.com](http://www.jkcapitalmanagement.com) or [www.lafrancaise-group.com](http://www.lafrancaise-group.com) or can be obtained from Alfunds Bank SA Calle Estafeta 6- Complejo Plaza de la Fuente, Edificio 3, La Moraleja, Spain) have been published containing all the necessary information about the product, the costs and the risks which may occur. Do not take unnecessary risk.