



**Vontobel Fund – Sustainable Asia (ex Japan) Equity**  
**(Performance in %)**

Shareclass/Index	Q1/12	YTD	1 Y. p.a.	3 Y. p.a.
B USD	11.2%	11.2%	-10.4%	21.3%
I USD	11.4%	11.4%	-9.6%	22.3%
Index*	13.7%	13.7%	-7.1%	24.4%

\*MSCI AC ASIA (EX JAPAN) NET TR USD

Source: Bank Vontobel AG. Past performance is not a guide to current or future performance. The performance data do not take account of the commissions and costs incurred on issue and redemption. The return of the fund can be a result of currency fluctuations rise or fall.

## Market Developments

Asian equities rallied during the first quarter of 2012, though the strong momentum seen in January and February moderated somewhat in March. The positive performance was led by cyclicals as investors increased their risk appetite at the beginning of the year. In March sector rotation kicked in which saw the more defensive names making the best gains.

Within the Asian (ex-Japan) region, Thailand and the Philippines had the best performance in the first quarter with 20.4% and 20.2% gain, respectively, closely followed by India (+19.8%), Singapore (+19.1%), Taiwan (+14.5%) and Korea (14.4%). All numbers quoted are in US dollar terms.

Technology sector had the strongest gain in the first quarter (+24.4%), followed by capital goods (+18.0%). On the other hand, defensive sectors such as consumer services (+16.4%) and pharmaceuticals (+12.4%) could also beat the MSCI Asia ex Japan index (+11.9%).

## Portfolio Review

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Top positions in the fund include Taiwan Semiconductor, Samsung Electronics, ICBC, Hutchison Whampoa and CNOOC.

We initiated a position in Bank Mandiri in Indonesia. The financial institution will continue to benefit from stable economic backdrop and strong domestic growth which are supportive of banking business. With low financing costs and a relatively low loan to deposit ratio, Bank Mandiri is well-positioned to exploit potentially a multi-year investment cycle. The bank scores high on social aspects within our sustainability minimum standards framework, with their microfinance operation and supporting domestic economic growth.

We added to our existing positions in Dongfeng Motor, Lotte Shopping and Parkson Retail as their risk/reward profile remains compelling.

We closed our position in Sun Hung Kai Properties as the co-owner Kwok brothers have been detained by Hong Kong authorities. This came as a surprise to the market, as the company was considered a leader both locally and globally. Although no formal charges have been filed, the shares are likely to remain under pressure and trade at a wider discount to net asset value versus history.

We have also sold our position in Keppel Corporation. While we are positive on new order flows, the share price demands continued higher returns and asset growth than we expect.

## Performance Analysis

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In the first quarter of 2012 the fund generated a positive return of 11.2%, against a positive return of 13.7% from the benchmark MSCI Asia (ex-Japan) Index, thereby underperforming 2.5%. The underperformance was attributed to negative stock selection, particularly in consumer discretionary (Parkson Retail) and IT (ZTE). Nevertheless, positive effects from sector allocation mitigated the relative underperformance of the fund.

The best performance contributor was Hutchison Whampoa. The stock benefited from earnings upgrades on the back of reduction in gearing, positive free cash flow development in the 3G business and increased activities in retail. This should all support strong earnings growth in the next couple of years.

A negative contributor was Hyundai Heavy Industries. The stock encountered profit taking after its recent outperformance.

## Outlook

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Asia ex-Japan continues to offer a breadth of equity investment opportunities that provide an attractive and diversified source of returns for capital providers.

Investors continued to focus on China's economic outlook as it has wide implications to the Asian region as well as the rest of the world. The euro-zone debt crisis returns to the front stage yet again with Spain being in the spotlight.

Valuation remains attractive across Asia, with earnings revisions trending up. Coupled with plenty of liquidity, it offers solid support to Asian equity markets going forward.

The portfolio is positioned in stocks that exhibit attractive risk-reward profiles. We have strong confidence in the investment opportunities in the portfolio, and this allows us to take advantage of share price weakness to add to positions where we have the highest conviction, looking through short-term market movements and focusing on long-term value creation.

We also see the nature of investing in Asia ex-Japan is changing, favoring active stock selection and moving away from broad-based sector allocations. Within the overall market and regional context, we believe finding attractive investments lies in identifying individual companies capitalizing on micro-themes and sustainable business practices to deliver long-term earnings growth.

Fund information Vontobel Fund – Sustainable Asia (ex Japan) Equity

Share Class	Currency	ISIN	Inception Date
A	USD	LU0384409180	17.11.2008
B	USD	LU0384409263	
H	EUR	LU0384409693	
HI	EUR	LU0384409933	
I	USD	LU0384410279	

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