

- The Asia Pacific Fund Inc. (the "Fund") is a diversified, closed-end management investment company which primarily invest in equity securities of companies in various Asia Pacific countries, excluding Japan.
- Investing in foreign and emerging market securities involve risks related to adverse political and economic developments unique to a country or a region and currency exchange fluctuations.
- The Fund may also invest in products that involve additional risks such as participatory notes which may involve liquidity, tax and counterparty risk and derivative transactions which could expose the Fund to the effects of leverage and magnify potential losses.

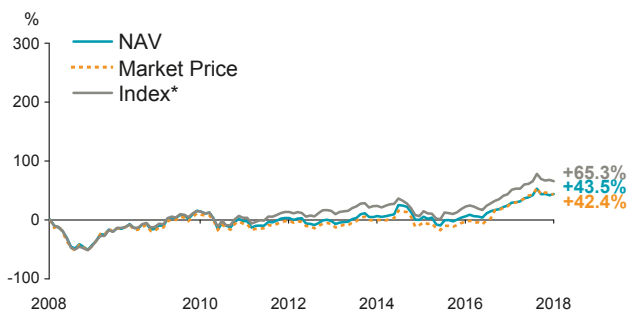
Investment objective

The Fund aims to achieve long-term capital appreciation through investment primarily in equity securities in the Asia Pacific countries (excluding Japan). There is no guarantee the Fund's objective will be achieved.

Fund structure

The Fund is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

Ten years performance¹



Total return performance as of May 31, 2018¹

	NAV	Market Price	Index*
One month	+1.7%	-1.4%	-1.3%
Year-to-date	+1.5%	+0.1%	+0.1%
One year	+18.3%	+18.7%	+17.6%
Three years (p.a.)	+5.1%	+7.7%	+7.7%
Five years (p.a.)	+7.0%	+8.3%	+8.3%
Ten years (p.a.)	+3.7%	+3.6%	+5.2%

Total return performance as of Mar 29, 2018¹

	NAV	Market Price	Index*
Year-to-date	+1.5%	+2.7%	+0.7%
One year	+23.4%	+26.0%	+26.2%
Three years (p.a.)	+9.6%	+12.6%	+9.5%
Five years (p.a.)	+7.6%	+9.0%	+8.5%
Ten years (p.a.)	+3.9%	+4.4%	+5.8%

Calendar year performance¹

Year	NAV	Market Price	Index*
2011	-19.9%	-21.3%	-17.1%
2012	+17.6%	+15.1%	+22.7%
2013	-3.9%	-2.9%	+3.3%
2014	+7.2%	+7.3%	+5.1%
2015	-1.2%	-5.9%	-8.9%
2016	+0.0%	-1.4%	+5.8%
2017	+36.9%	+54.3%	+42.1%
2018 (YTD)	+1.5%	+0.1%	+0.1%

Past performance does not guarantee future results and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and share, when sold, may be worth more or less than the original cost. Index returns do not include the effect of any sales charges, fund operating expenses or taxes. An investment cannot be made directly in an index.

Fund manager commentary

Performance Summary

In May, Asian markets continued to be negatively affected by the uncertainty surrounding US trade policies and dollar strength. The selloff in European peripheral bonds on the back of the latest political developments in Italy and the risk of de-synchronization of global growth created additional pressure. During the month, Korea, India and major ASEAN markets were key performance detractors in Asia.

In South Korea, economic fundamentals remained supportive with exports spiking 13.5%^a during the month compared to a year earlier on the back of price increases for key products and solid global demand for memory chips and petrochemical products. Consumer confidence also rebounded^b in May after five months of decline thanks to improved inter-Korean relations. The Bank of Korea kept interest rates unchanged in view of the moderate inflationary pressures.

Strategy & Outlook

On a portfolio level, our overweight in the Hong Kong and China markets was the key performance contributor as China was the only market in Asia ex-Japan to have returned positively during the month. From a sector perspective, our stock picks in the China consumer and industrial sectors contributed the most to portfolio performance. In particular, the share price of our holdings in a Chinese consumer apparel company rallied on the back of the company's stronger-than-expected growth in orders volume at the recent trade fair. In the industrials space, our investment in a Chinese marine shipping company was among the top contributors. The company continued to benefit from higher volume growth as robust trade activities in Asia provide support for the company's strong free cash flow, which makes the company a favorable investment for dividend investors as strong free cash flow tends to translate into higher payout potential.

On the flip side, our holdings in the financial and technology hardware sectors in Korea and Taiwan were key detractors of portfolio performance. Despite near-term share price weakness, we maintained our positions in the financial sector as gradual rate hikes in the US are expected to drive net interest margin expansion for banks, bolster bond yields for insurance companies and support the positive outlook of the financial sector.

Looking ahead, we maintain our view that US trade policy will present a drag on market sentiment in the near term, but we expect future rounds of negotiations to provide more clarity on the US-China trade dispute and to ease pressure on the market. The valuations of the China market have become more attractive after the mild retreats in recent months. The current 12-month forward price-to-earnings ratio (P/E) of the MSCI China Index is 12.7 times, which is not demanding as the momentum of earnings upward revision remains intact (year to date, the MSCI China Index's 2018 EPS growth revised up by 1.3% to 15.7%^c). We continue to see the prevailing volatility as buy-on-dip opportunities for long-term investors.

- Source: South Korean Ministry of Trade, Industry and Energy
- Source: Bank of Korea
- Source: Goldman Sachs research

Top 10 securities holdings

Name	Industry ²	%
China Construction Bank Corp	Banks	5.7
Longfor Properties Co Ltd	Real estate	5.0
Ping An Insurance Group Co of China Ltd	Insurance	3.1
China Resources Power Holdings Co Ltd	Utilities	2.9
Far East Horizon Ltd	Diversified financials	2.8
Taiwan Semiconductor Manufacturing Co Ltd	Semiconductors & semiconductor equipment	2.8
China Lilang Ltd	Consumer durables & apparel	2.6
China Yongda Automobiles Services Holdings Ltd	Retailing	2.6
Qingdao Port International Co Ltd	Transportation	2.6
Far East Consortium International Ltd	Real estate	2.5

These stocks constitute 33% of the Fund.

Geographical exposure by listing ³

Hong Kong	35%
H Shares	17%
Red Chips	11%
South Korea	9%
Taiwan	8%
Indonesia	6%
Cash ⁴	4%
China A Shares	4%
Others	4%
Singapore	2%

Sector exposure ^{2, 3}

Real estate	18%
Consumer discretionary	17%
Industrials	17%
Information technology	11%
Banks	9%
Insurance	6%
Cash ⁴	4%
Other financials	4%
Others	4%
Telecom services	4%
Utilities	4%
Health care	2%

Holdings and sectors are subject to change. The securities listed is not a recommendation to buy or sell any security listed.

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Portfolio characteristics

As at May 31, 2018	2018 ⁵
Price/earnings ratio	9.2 times
Price/book ratio	1.3 times

Fund facts

Manager:	Value Partners Hong Kong Limited
Fund type:	Closed-end Investment Company (non-UCITS)
Base currency:	US dollars
Fund launch date:	May 1987 (managed by Value Partners Hong Kong Limited since Oct 1, 2013)
Listing:	New York Stock Exchange
Management fee:	1% on the first US\$100 million and 0.7% thereafter
Year end:	Mar 31
ISIN:	US0449011065
Bloomberg code:	APB: UN
Lipper ID:	2500
Benchmark index:	MSCI AC Asia (ex-Japan) Index* (since Apr 1, 2010)

* In view of the growing importance of the Indian economy and stock market in Asia and as part of the Fund's investment portfolio, the Fund has adopted as its reference index as of Apr 1, 2010, the MSCI All Countries Asia ex Japan Index, which includes India. Prior to this the Fund was shown against MSCI AC FE Free Ex-Japan Index Total Gross Return.

Senior investment staff

Chairman & Co-Chief Investment Officer: Cheah Cheng Hye

Deputy Chairman & Co-Chief Investment Officer: Louis So

Deputy Chief Investment Officer: Renee Hung

Senior Investment Director: Norman Ho, CFA

Investment Directors: Chung Man Wing; Kenny Tjan, CFA;

Michelle Yu, CFA; Yu Xiao Bo

Senior Fund Managers: Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho;

Glenda Hsia; Philip Li, CFA; Luo Jing, CFA; Kai Mak; Yu Chen Jun

Recent corporate awards



Manager of the Year - Greater China Equity (Outstanding Award)

Dato' Seri Cheah Cheng Hye and Mr. Louis So (Value Partners' Co-CIOs) ⁶
~ Benchmark Fund of the Year Awards 2017, Hong Kong

Management Firm of the Year ⁷
~ AsiaHedge Awards 2017

Best Fund Provider - Greater China Equity ⁸
~ Asset Management Awards for Excellence 2017

1. Source: Bank of New York Mellon and Reuters. Total return at NAV is based on changes in the NAV of Fund shares and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program. All return data at NAV includes fees charged to the Fund and may reflect fee waivers and/or expense reimbursements. Without such, returns would be lower. Total Return at Market Price is based on changes in the market price at which the Fund's shares traded on the NYSE during the period and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program. Because the Fund's shares trade in the stock market based on investor demand, the Fund may trade at a price higher or lower than its NAV. Therefore, returns are calculated based on both market price and NAV. All returns 1-year or less are cumulative. Returns are shown in USD. 2. Classification is based on Global Industry Classification Standard (GICS). 3. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 4. Cash refers to net cash on hand excluding cash for collaterals and margins. 5. The profile is based on market consensus forecast as derived from S&P Capital IQ and Bloomberg. Harmonic mean methodology is applied to calculate the forecast P/E ratio and P/B ratio. Note that the manager's internal estimates may differ significantly from S&P Capital IQ and Bloomberg estimates. 6. The award recognized individuals who have led his/her team to outstanding performances over the consistency of three-year and five-year performances against the benchmark and their peers up to 30 Sep 2017. 7. The award was based on performance for the full 12-month period, from Sep 2016 to the end of Aug 2017. 8. Based on performance and achievements for 2016.

The views expressed are the views of Value Partners Hong Kong Limited ("VPHK") only and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

An investment in the Fund does not constitute a complete investment program and may involve a substantial degree of risk. Prospective investors should not subscribe for shares of the Fund unless satisfied that he or she and his or her investment representative have asked for and received all information which would enable him or her or both of them to evaluate the merits and risks of the proposed investment. The offering of the shares has not been approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. Investors are advised to carefully consider the Fund's investment objectives, risks, charges and expenses prior investment.