

NAV per unit : US\$13.80  
 Market Price : US\$12.92  
 Discount to NAV : -6.38%<sup>1</sup>  
 Fund size : US\$142.8 million

June 30, 2017

- 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.

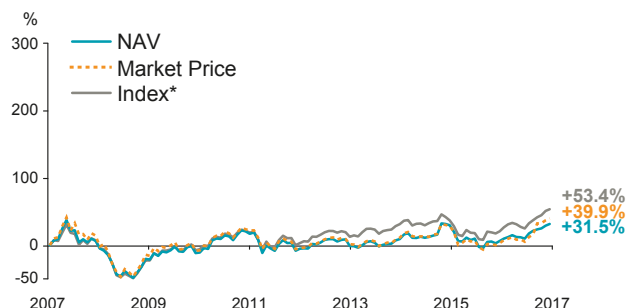
## Investment objective

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 performance<sup>1</sup>



## Total return performance as of Jun 30, 2017<sup>1</sup>

	NAV	Market Price	Index*
One month	+2.0%	+2.1%	+1.7%
Year-to-date	+19.8%	+32.9%	+22.9%
One year	+23.7%	+35.4%	+27.1%
Three years (p.a.)	+6.4%	+8.0%	+5.3%
Five years (p.a.)	+6.8%	+7.8%	+8.3%
Ten years (p.a.)	+2.8%	+3.4%	+4.4%

## Total return performance as of Mar 31, 2017<sup>1</sup>

	NAV	Market Price	Index*
Year-to-date	+12.5%	+25.8%	+13.4%
One year	+17.7%	+30.0%	+17.8%
Three years (p.a.)	+6.7%	+8.4%	+5.0%
Five years (p.a.)	+3.6%	+4.5%	+5.1%
Ten years (p.a.)	+4.0%	+4.7%	+5.0%

## Calendar year performance<sup>1</sup>

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 (YTD)	+19.8%	+32.9%	+22.9%

**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

Asia ex Japan market extended its strength in June with a 1.7% return in the MSCI Asia ex Japan Index ("the Index"). Year-to-date, the Index gained 22.9%, which is the best first-six-month performance since 2009. The strong performance was underpinned by broad-based earnings upward revision and external demand recovery within the region.

A series of encouraging macro data signalled further stabilization in China's economy. The official manufacturing Purchasing Managers' Index stayed in expansionary territory in June for the 11th consecutive month while export surprised on the upside on the back of global trade recovery, rising 8.7% in May in USD terms. Meanwhile, China's retail sales grew 10.7% from a year earlier in May, reflecting the continuous progress in China's shift towards a consumption-driven economy.

Robust fundamentals in the first half of 2017 highlighted the strength in China's economy, providing a window of opportunity for the policy makers to tackle deep-seated structural issues. In fact, such structural issues, including climbing debt levels and shadow banking, were cited as major reasons in Moody's downgrade of China and Hong Kong's sovereign credit ratings in late May. In light of the government's policy bias tilts towards tightening to rein in leverage and financial risks, a modest moderation in growth is expected later this year. However, it is believed that a sharp deceleration in growth is unlikely given a managed pace of tightening and the government's policy priority to maintain growth at 6.5% this year.

In South Korea, stockmarket bounced to fresh record highs in the second quarter amid a recovering economic cycle, robust exports and better sentiment at households and businesses. On the macro front, the Nikkei South Korea Manufacturing Purchasing Managers' Index (PMI) entered expansionary territory for the first time in 11 months in June while export extended an uptrend for the eighth month in a row by expanding 13.7% year-on-year. During the quarter, Samsung Electronics has announced a positive shareholder return policy, which further supported its rating potential in addition to its strong fundamentals. In the medium term, other Korean corporations may follow this positive exemplary change and potentially narrow the valuation discount in the Korea market within the region.

Taiwan market remained resilient in June and climbed 4.1% further in USD term. The market was supported by continued strength in external demand recovery and positive sentiment in technology sectors. On the macro front, Taiwan's economy remained in expansionary mode with the Nikkei Taiwan Manufacturing Purchasing Managers' Index (PMI) recording 53.3 in June. During the month, export growth continued to be strong, increasing 13% year-on-year versus the consensus of 8.8%. In particular, the growth was largely driven by export of electronic parts as positive sentiments persisted due to ramp-up of smart devices for internet of things (IoT).

### Strategy

In June, our holding in a leading Chinese property developer was the top performance contributor. Despite continued tightening measures in the property space, the company exhibited strong sales (200% year-on-year sales growth for the month of May 2017) and balance sheet management with a below-industry average net gearing of 54% as of end 2016. In Korea, our position in a leading technology hardware company continued to be one of the key contributors supported by significant earnings upward revision in 2017. We continue to hold the position as we believe its leading position in dynamic random-access memory (DRAM), negative-AND (NAND) and organic light-emitting diode (OLED) products offer strong growth drivers for the company's revenue.

On the flip side, our holdings in the Chinese energy and Korean utilities sectors were the major detractors during the month. The retreat in oil prices and higher fuel cost dragged both of our holdings respectively amid concerns on their earnings recovery. We maintain our positions as they are currently trading at attractive valuations.

### Outlook

Looking forward to the second half of the year, we remain constructive on Asia ex Japan equities despite the strong market performance in the first half. With the latest consensus 2017 estimated earnings growth of 18.1% for the MSCI Asia ex Japan Index (versus 13.2% in January), we expect the region's earnings growth will continue to be the fundamental driver. This, together with improvement in cashflow generation, is supportive for dividend growth within the region. Although the 12-month forward price-to-earnings (P/E) ratio of the MSCI Asia ex Japan Index has normalized to 12.9 times, it is still trading at an attractive level relative to developed markets and most emerging countries.

## Top 10 securities holdings

Name	Industry <sup>2</sup>	%
Samsung Electronics Co Ltd	Technology, hardware & equipment	5.5
China Construction Bank Corp	Banks	4.6
Longfor Properties Co Ltd	Real estate	4.3
PetroChina Co Ltd	Energy	2.7
Midea Group Co Ltd	Consumer durables & apparel	2.2
China Resources Power Holdings Co Ltd	Utilities	2.0
China State Construction International Holdings Ltd	Capital goods	2.0
iShares MSCI India ETF	Others	2.0
Ping An Insurance Group Co. of China Ltd	Insurance	2.0
Samsung Fire & Marine Insurance Co Ltd	Insurance	2.0

These stocks constitute 29% of the fund.

Geographical exposure by listing <sup>3</sup>

Hong Kong	24%
H Shares	16%
South Korea	15%
Red Chips	9%
Taiwan	9%
Indonesia	5%
Others	5%
Cash <sup>4</sup>	4%
Singapore	4%
China A Shares	3%
India	2%
Malaysia	2%
Thailand	2%

Sector exposure <sup>2, 3</sup>

Information technology	19%
Real estate	17%
Industrials	13%
Consumer discretionary	12%
Banks	11%
Utilities	7%
Insurance	5%
Cash <sup>4</sup>	4%
Energy	3%
Telecom services	3%
Consumer staples	2%
Other financials	2%
Others	2%

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

## Portfolio characteristics

As at Jun 30, 2017	2017 <sup>5</sup>
Price/earnings ratio	9.4 times
Price/book ratio	1.1 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:** Gordon Ip, CFA; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo

**Senior Fund Managers:** Kelly Chung, CFA; Doris Ho; Glenda Hsia;

Philip Li, CFA; Kai Mak

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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.

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