

- The Asia Pacific Fund Inc. (the "Fund") is a diversified, closed-end management investment company which primarily invests in equity securities of companies in various Asia Pacific countries, excluding Japan.
- Investing in foreign and emerging market securities involves 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.
- On October 12, 2018, the Fund announced that its stockholders have approved the liquidation and dissolution of the Fund.

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 at September 28, 2018¹

	NAV	Market Price	Index*
One month	-0.8%	-0.7%	-1.4%
Year-to-date	-8.1%	-6.4%	-6.0%
One year	-0.7%	+1.2%	+1.7%
Three years (p.a.)	+9.4%	+13.6%	+13.6%
Five years (p.a.)	+6.7%	+8.4%	+6.9%
Ten years (p.a.)	+6.6%	+7.7%	+8.6%

Total return performance as at June 29, 2018¹

	NAV	Market Price	Index*
Year-to-date	-4.2%	-4.0%	-4.7%
One year	+9.4%	+11.5%	+10.2%
Three years (p.a.)	+3.6%	+6.6%	+7.3%
Five years (p.a.)	+7.8%	+9.0%	+8.5%
Ten years (p.a.)	+4.2%	+4.7%	+5.9%

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)	-8.1%	-6.4%	-6.0%

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

The Asia ex-Japan market continued to be impacted by volatility in September as a result of the escalating US-China trade dispute. The MSCI Asia ex Japan Index was down 1.4%, while the price at which the Fund's shares traded declined by 0.7%.

Markets were hit by the constant back and forth between the two sides and the scope of the trade war is beginning to widen, with US\$78 billion of Chinese consumer goods targeted by the latest round of tariffs. In comparison, only US\$3.7 billion of Chinese consumer goods had duties imposed on them by the US in July. Consequently, stateside consumers could soon be feeling the pinch from the duties imposed on Chinese consumer goods. This could lead to wider repercussions as the higher inflationary pressure could prompt the Fed to quicken the pace of rate hikes. With the uncertainties generated by the US-China trade dispute set to linger, we hold the view that the two sides will gradually come to an agreement as the negative impact begins to surface.

Meanwhile, China has launched a number of support policies such as a 1% cut in RRR, which is expected to inject RMB1.2 trillion of liquidity into the system. Combined with measures to promote infrastructure spending and domestic consumption upgrade, the Chinese authorities are adopting a more flexible policy approach that is dependent on macroeconomic data.

Elsewhere in the region, South Korea remains relatively resilient against the global volatility. After adjusting for the Chuseok holidays, exports increased 10.6%¹ year-on-year in September, accelerating from 8.7% in August. The combination of healthy public finances and a proposed KRW470.5 trillion 2019 budget, which focuses on expansionary fiscal policies, are key positives for the country. It is also estimating a 7.6% increase in revenue for 2019 as a result of higher income as well as corporate taxes.

Strategy & Outlook

Our investments in the Chinese property sector were among the key detractors during the month. This was the result of a weak industry outlook driven by a potential slowdown in the Chinese economy and a tight credit environment for developers. In addition, our exposure to the consumer discretionary sector was also a drag on the Fund's performance.

South Korea, on the other hand, turned in solid performances to hold the Fund up. Our holdings in a Korean sports apparel company continued to generate positive returns, as the stock benefitted from a recovery in sales and margins for its Korea business, while its rapidly growing Mainland China joint venture also boosted sales. Our holdings in a leading Taiwan semiconductor foundry also yielded positively, thanks to solid market share gains and earnings.

Recent market corrections have reflected the pessimism generated by the US-China trade tensions and concerns over China's slowing economy. This prevailing negativity meant the latest round of earnings were largely overlooked and underappreciated. Asia ex-Japan earnings growth in 2Q18 rose 14% year-on-year and the latest 2018 forecasted earnings growth continues to be at double digit level (12.3%). The Asia Pacific ex-Japan 12-month forward P/E is currently trading at 12.1x (One standard deviation below the mean), which is undemanding albeit not at trough-levels yet.

¹ Source: South Korean Ministry of Trade, Industry and Energy

Top 10 securities holdings

Name	Industry ²	%
China Construction Bank	Banks	5.4
Longfor Group Holdings	Real estate	4.3
Ping An Insurance Group Co of China	Insurance	3.6
Taiwan Semiconductor Manufacturing	Semiconductors & semiconductor equipment	3.6
Far East Horizon	Diversified financials	3.2
China Resources Power Holdings	Utilities	2.8
Qingdao Port International	Transportation	2.6
China Yongda Automobiles Services Holdings	Retailing	2.4
Far East Consortium International /HK	Real estate	2.4
Samsung Electronics Co Ltd – Preference Shares	Technology, hardware & equipment	2.4

These stocks constitute 33% of the Fund.

Geographical exposure by listing ³

Hong Kong	33%
H Shares	18%
South Korea	11%
Red Chips	10%
Taiwan	9%
Cash ⁴	6%
Indonesia	5%
China A Shares	2%
Others	2%
Singapore	2%
Thailand	2%

Sector exposure ^{2, 3}

Real estate	17%
Consumer discretionary	15%
Industrials	15%
Banks	11%
Information technology	10%
Cash ⁴	6%
Insurance	6%
Other financials	5%
Communication services	4%
Others	4%
Utilities	4%
Consumer staples	3%

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 Sep 28, 2018	2018 ⁵
Price/earnings ratio	7.5 times
Price/book ratio	1.0 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.