Asia Pacific Fund, Inc.

NAV per unit : US$14.34
Market Price : US$13.49
Discount to NAV : -5.93% [1]
Fund size : US$148.3 million

Value Partners
Investing through discipline

July 31, 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.

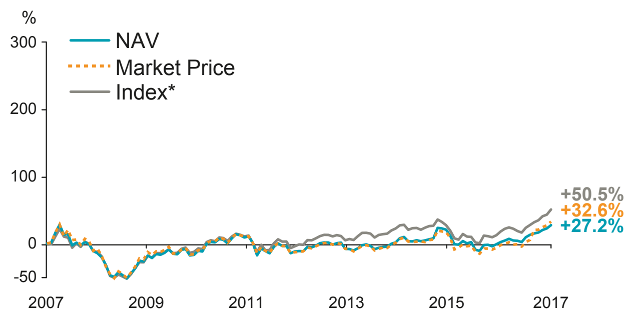
Investment objective

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 [1]



Total return performance as of Jul 31, 2017 [1]

	NAV	Market Price	Index *
One month	+3.9%	+4.4%	+5.4%
Year-to-date	+24.5%	+38.8%	+29.6%
One year	+24.5%	+35.8%	+27.7%
Three years (p.a.)	+5.7%	+7.5%	+5.8%
Five years (p.a.)	+7.5%	+8.7%	+8.8%
Ten years (p.a.)	+2.4%	+2.9%	+4.2%

Total return performance as of Jun 30, 2017 [1]

	NAV	Market Price	Index *
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%

Calendar year performance [1]

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)	+24.5%	+38.8%	+29.6%

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 was the best performing region among global emerging markets in July, with the MSCI Asia ex-Japan Index climbing 5.4% (in USD). In the region, China was the best performer during the month, thanks to solid macro data as the nation's second-quarter gross domestic product (GDP) growth surpassed market expectation.

Contrary to the usually quiet summer season, market sentiment stayed positive on the back of stable macro data. With another round of upbeat growth data, we maintain our view that the government will continue to focus on risk-containing measures to be in line with the growth stability objective in China. The once-in-five-year Central Financial Work Conference held in mid-July affirmed such view as it highlighted preventing financial system risk as the core focus for the next five years.

In terms of fundamentals, China's corporates are heading into the second-quarter earnings season in August. We expect upward re-rating to continue in selective sectors after a broad-based consensus earnings upgrade in the first half of the year. The improvement in profits of state-owned enterprises (SOE) and industrial enterprises (up 26% and 23% year-on-year, respectively, as of May 2017) is encouraging for the "old economy" sectors, which helped to improve Chinese banks' asset quality and generated re-rating opportunities.

In South Korea, the KOSPI broke a new record high of 2,452 in July albeit relatively quiet market movements during the month. The strong net buying trend among foreign investors was discontinued as they took profit from technology stocks, which had rallied for more than a year. On the macro front, Korea's economy continued a recovery trend with second-quarter GDP expanding 2.7% from a year earlier, which is in line with market expectation. Meanwhile, the official 2017 growth forecast was adjusted upward from 2.6% to 3%, as supported by the parliament's decision to spend an additional 11 trillion Won for job creation and stimulating the economy.

Strategy

During the month, our greater China and South Korea exposures continued to lead portfolio performance. From a sector perspective, our holdings in the real estate, technology and financial sectors were the key contributors. In the real estate sector, our core holding in a Chinese property developer continued its share price rally on the back of the sector's M&A news flow, as well as better-than-expected sales volume (+18% year-on-year in June) in the sector. Our Chinese financial holdings, which included one of the leading banks and Chinese insurers, also contributed positively. Our Chinese bank holding was supported by improving asset quality and Net Interest Margin (NIM) as profits of industrial enterprises continued to recover. With respect to the insurer, our holding also found support as the sector's New Business Value (NBV) growth ranged between 20%-45% in the first half of 2017, driven by agent growth, productivity improvement and margin enhancement. Lastly, our holding in a Korean electronic technology company also contributed positively, as supported by solid second-quarter in-line results and its strength in memory component business.

On the flip side, the Chinese consumer discretionary sector detracted portfolio performance the most. Our holding in a TV manufacturer detracted due to inventory destocking while on the home appliance side, the share price of a leading home appliance manufacturer retreated after a strong rally year-to-date. We maintain the positions as the sales growth in the sector remains robust, mainly attributable to the continued consumption-upgrade demand on the back of wage growth and urbanization.

Outlook

Valuation of the MSCI China Index has normalized to above the 10-year average level (12.1 times) and is currently trading at 13.5 times 12-month forward price-to-earnings (P/E). Although its valuations no longer appear attractive, we believe Southbound flows and earnings strengths in our selective favourite convictions, such as consumption-upgrade beneficiaries, technology leaders and quality exporters would provide value opportunities in the second half of the year.

9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong
Investor hotline: (852) 2143 0688 Email: fis@vp.com.hk www.valuepartners-group.com

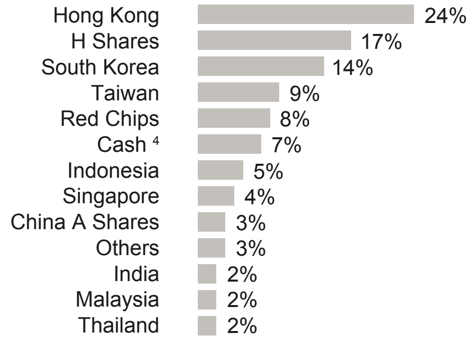
Follow us on in 惠理投资

Top 10 securities holdings

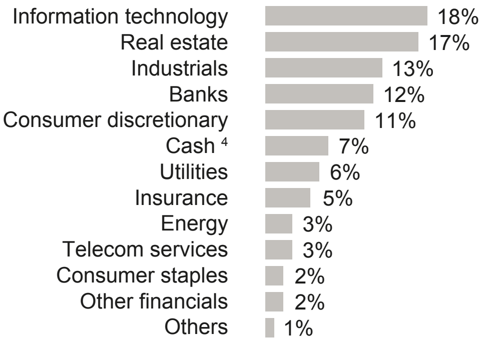
Name	Industry [2]	%
Samsung Electronics Co Ltd	Technology, hardware & equipment	5.6
China Construction Bank Corp	Banks	5.2
Longfor Properties Co Ltd	Real estate	4.6
PetroChina Co Ltd	Energy	2.8
China Resources Power Holdings Co Ltd	Utilities	2.1
Midea Group Co Ltd	Consumer durables & apparel	2.0
Samsung Fire & Marine Insurance Co Ltd	Insurance	2.0
Samsung Electronics Co Ltd	Technology, hardware & equipment	1.8
Ping An Insurance Group Co of China Ltd	Insurance	1.8
Yangtze Optical Fibre and Cable Joint Stock Ltd Co	Technology, hardware & equipment	1.8

These stocks constitute 30% of the fund.

Geographical exposure by listing [3]



Sector exposure [2, 3]



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 Jul 31, 2017	2017 [5]
Price/earnings ratio	9.5 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

Value Partners Hong Kong Limited

9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong
Email : vpl@vp.com.hk
Website : www.valuepartners-group.com

CONTACT US:
Fund Services Centre: 1-888-4-ASIA-PAC
Telephone calls may be recorded and monitored
www.asiapacificfund.com

*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.*