

NAV per unit : US\$14.60  
 Market Price : US\$13.88  
 Discount to NAV : -4.93%<sup>1</sup>  
 Fund size : US\$151.0 million

September 29, 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.

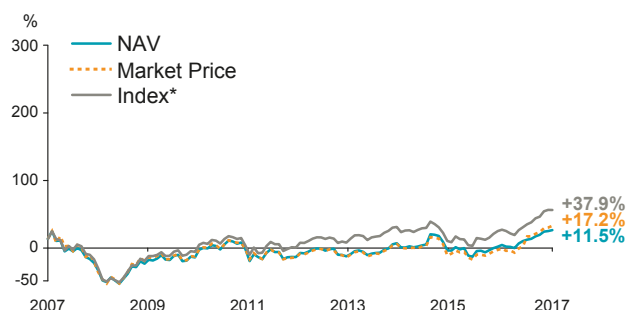
## Investment objective

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 Sep 29, 2017<sup>1</sup>

	NAV	Market Price	Index*
One month	+1.2%	+2.0%	-0.1%
Year-to-date	+26.7%	+42.8%	+31.2%
One year	+21.1%	+34.2%	+23.0%
Three years (p.a.)	+7.8%	+9.8%	+8.2%
Five years (p.a.)	+6.4%	+7.8%	+7.7%
Ten years (p.a.)	+1.1%	+1.6%	+3.3%

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

	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<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)	+26.7%	+42.8%	+31.2%

**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

After a strong market performance year-to-date, Asia ex-Japan equities, as represented by the MSCI Asia ex-Japan Index, was flat at -0.1% in September.

Yet, the China stockmarket extended its uptrend on favourable capital flows and upbeat first-half earnings announcements, which saw the earnings per share (EPS) of the MSCI China Index increasing 22% year-on-year, one of the highest in global emerging markets. Southbound capital remained sanguine in part owing to robust offshore investment demand and the A-H premium, which stood at 41% as at 23 September 2017. In terms of overseas capital flows, foreign investment allocations to China remain subdued as foreign investors are still wary of the Chinese market. However, as China's economy maintains a healthy growth momentum, we expect foreign investors to attach greater importance to the China market, which is favourable for China stocks in the long run.

In South Korea, the ongoing nuclear provocation from North Korea continued to pose threat to the country's financial markets. Yet, South Korea's economic recovery remains intact with the government still forecasting its gross domestic product (GDP) to expand by a healthy 3% this year. Meanwhile, export growth remained strong with the September reading surging 35% year-on-year owing to higher memory chip and steel product sales, representing a ninth consecutive month of double-digit growth.

### Strategy

From a portfolio perspective, we have retained our core exposures in China, Hong Kong and South Korea where the strongest earnings recovery was found in the region thus far in 2017. For sectors, we maintained our exposures in technology hardware companies and real estate developers; our stock picks within these sectors contributed the most to our portfolio performance over the period.

The top sector performer was technology. Among technology names, share prices of a Chinese optical fibre company and a leading South Korea technology hardware company rallied. The share price of our holdings in the China optical fibre company doubled during the period driven by strong first-half 2017 results, while its margin improvement also beat market expectation. Our holding in the largest South Korean technology hardware company was also among the top contributors driven by strong earnings result. The company's operating profit grew 42% in the second quarter to a quarterly record high. In real estate, our key holding in a China developer was another top performance contributor, as supported by its solid results. The company announced strong contract sales in the first half of 2017 and had revised up the sales target by 50% for the year 2017. Both gross margin and profit recorded a solid jump while its recurring income, a key driver to boost earnings and drive stable cashflow, was up 29% year-on-year in the first half of 2017.

### Outlook

Looking forward, we remain constructive on Asia ex-Japan equities despite their strong market performance year-to-date. We expect the region's 2017 earnings growth (forecasted to be 21.9% vs. the forecast of 13.2% in January) will continue to be the fundamental driver, this together with improvement in cashflow generation are 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 13.1 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	8.2
China Construction Bank Corp	Banks	5.2
Longfor Properties Co Ltd	Real estate	4.6
KB Financial Group Inc	Banks	2.8
PetroChina Co Ltd	Energy	2.7
China Resources Power Holdings Co Ltd	Utilities	2.4
Far East Horizon Ltd	Diversified financials	2.2
Ping An Insurance Group Co of China Ltd	Insurance	2.2
Midea Group Co Ltd	Consumer durables & apparel	2.1
Yangtze Optical Fibre and Cable Joint Stock Ltd Co	Technology, hardware & equipment	2.1

These stocks constitute 35% of the fund.

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

Hong Kong	26%
H Shares	19%
South Korea	16%
Red Chips	9%
Taiwan	9%
Indonesia	6%
Others	4%
China A Shares	3%
Cash <sup>4</sup>	2%
India	2%
Singapore	2%
Thailand	2%

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

Information technology	20%
Real estate	16%
Industrials	14%
Banks	13%
Consumer discretionary	12%
Insurance	5%
Utilities	5%
Telecom services	4%
Consumer staples	3%
Energy	3%
Cash <sup>4</sup>	2%
Other financials	2%
Others	1%

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 Sep 29, 2017	2017 <sup>5</sup>
Price/earnings ratio	8.4 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:** Chung Man Wing; 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.

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