Premier China Enterprise Fund

Fund Webcast Script - July 2010

Fen Sung, Investment Manager

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The Premier China Enterprise Fund celebrated its second year anniversary on 1st June this year. This Fund is structured to benefit from investments in the Greater China Region, which primarily includes China, Taiwan and Hong Kong. Over the two year period since its launch to the end of May 2010, the Fund has returned 17.2%, outperforming its benchmark, the MSCI Golden Dragon index, by 4.3%. Our outperformance can be attributed to asset allocation decisions. Overweight positions in Hong Kong banks and the China healthcare sector contributed to the positive performance.

Over the last two years, Greater China equities have been volatile. The last few months of 2008 saw uncertain times due to the effects of the global financial crisis. 2009 however, saw a much brighter period, with quantitative easing on a global scale helping to support equities, which rallied to regain most of their losses from 2008. As we entered 2010, equities have again turned volatile. This was initially due to monetary tightening in China, and more recently, the concerns over European sovereign debt.

Whilst China's tightening measures led to a short term correction in equities, it is actually beneficial in the long term, as it will promote steadier growth and help avoid overheating in the economy. What concerns us more is the current economic situation in Europe, which has led to a weak euro. Around a quarter of China's exports go to the European Union region, and with strengthening Asian currencies, we feel that exports to this region could be at risk in the short term.

China needs to maintain an annual Gross Domestic Product, or GDP, growth of over 8% in order to support job creation, or rising unemployment will lead to political unrest. 2009 saw the effects of their infrastructure spending plan, supporting growth in the economy to an impressive 8.7%. With the current unstable economic situation in Europe, we believe China will focus more on its domestic consumption, in order to support growth in the near term. We continue to see wage increases in China, which is positive for consumption.

A recent addition to the Fund's portfolio to benefit from this is Zhong Pin, one of the largest pork processors in China. Recent meetings with companies in this sector confirm our view that there will be continued consolation within the meat processing sector, which is necessary for quality control. This will bode well for Zhong Pin, who continue to gain market share.

Despite the current economic uncertainty, mobile phone subscription continues to grow in China, and the usual way to gain exposure to this sector would be to buy the telecom operators. However, the sector has changed over the last couple of years and there are now more operators. This is of course beneficial to the consumer, due to greater subsidies and more choice, but on the flip side, this can only lead to margin erosion for the operators. Another way to gain exposure is through the component suppliers. A recent addition to the fund is Silitech Technology, a Taiwanese company, who are a supplier of keypads for leading mobile phone companies such as Nokia, Blackberry and Samsung. The company has a global market share of over 20%, and is in a net cash position. The recent market volatility has allowed us to buy Silitech's

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shares at an attractive valuation.

Hong Kong has always been a popular destination for shopping due to its low taxes, and has therefore become very popular to the mainland tourist. A company to benefit from this is Lifestyle International, a major department store operator in Hong Kong, where around a third of sales are derived from the mainland tourist. China has been under international pressure to appreciate its currency, and this will be an extra benefit to Lifestyle, due to Hong Kong's currency being pegged to the US dollar.

To conclude, the Fund's portfolio is currently overweight the consumer sectors, and underweight the telecoms and export related sectors.

Deng Xiao Ping once said to his people, 'To get rich is glorious,' and I feel this quote will be used for many years to come, as China achieves its goal of becoming a more balanced economy, where consumption plays a bigger role in its economic growth.

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Performance source: Financial Express Analytics, taken on a bid to bid, total return, UK Sterling basis, from 02.06.2008 to 28.05.2010. Past performance is not a guide to future returns.