

CI ASIAN TIGER FUND QUARTERLY REPORT



Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

SEPTEMBER 2009

"A theory must be tempered with reality" ... Jawaharlal Nehru.

"All difficult things have their origins in that which is easy and great things in that which is small" ... Lao-Tzu.

"Success is more a function of consistent common sense than is of genius" ... An Wang.

"He who merely knows the right principles is not equal to him who loves them" ... Confucious.

Fund Performance

	**FUND	BENCHMARK	VALUE ADDED
ROLLING 3 MONTHS	13.11%	12.45%	0.66%
ROLLING 6 MONTHS	27.10%	28.60%	-1.50%
ROLLING 1 YEAR	13.82%	12.34%	1.48%
ROLLING 2 YEAR	1.30%	-11.54%	12.84%
SINCE INCEPTION*	3.10%	-5.92%	9.02%
SINCE INCEPTION^	7.12%	-12.83%	19.95%

* Annualised

^ Cumulative (2 July 2007)

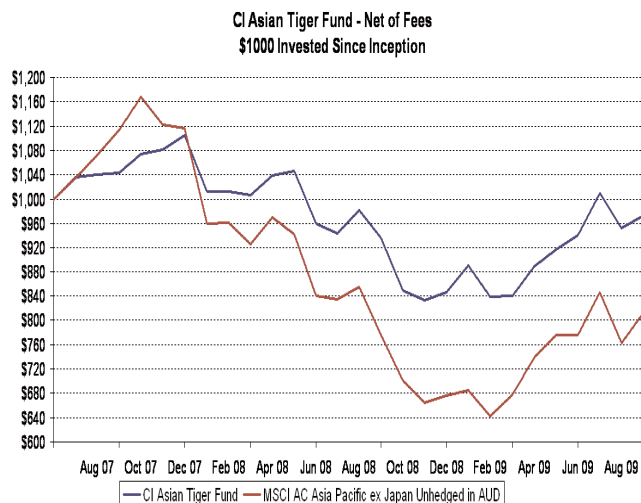
** Before fees and expenses

Stock markets in the Asia Pacific region continued to rally strongly in the June quarter with Australia, South Korea and Indonesia being the best performing markets, while the worst was China. Indonesia (year to date) is the top performing market having risen just under 105%. The Shanghai Composite Index was volatile during the period as evidenced by an intra-month decline of 23% during the month of August. This occurred due to concerns about monetary policy tightening, which now appears to have eased. The market in China is heavily influenced by "policy decisions/announcements" from regulators.

Performance Price Data as at 30/9/09

	Positive % Change over the Quarter	Positive % Change over the Year to Date
Australia	29.85	68.94
China	2.90	63.06
Hong Kong	9.70	41.91
India	18.17	81.24
Indonesia	28.51	104.94
Japan	5.69	7.37
Malaysia	12.29	35.46
New Zealand	19.68	34.72
Philippines	15.74	50.80
Singapore	20.65	61.58
South Korea	29.62	60.89
Taiwan	19.95	67.54
Thailand	22.51	65.61
World	17.82	37.49

Source: Factset



Looking back over the September quarter, the Fund out-performed the Benchmark by 0.66%. While to many this may not be exciting, we were content. Given the conservative nature of the portfolio (beta 0.74), the Fund's cash position and the fact that the market performed very strongly, we feel this was a credible performance. Going forward, in an ever volatile world, we intend to maintain an even temperament, stay with our investment philosophy and take a long term view, with the aim of delivering acceptable returns to our unit holders.

All the Fund's Australian stocks (resources, financials and services sectors) performed well over the quarter. In contrast, some of the best and worst performers in the Fund during the quarter came from the Hong Kong/China market.

The Portfolio

Looking to the future, we take some comfort from the Fund's statistics which we hope will provide a measure of safety if the recent movement in world stock markets proves to be a "rally in a bear market". While forecast earnings growth (and by implication dividend growth) is not as high as the market, we are more cautious about global growth prospects than others and have structured the portfolio accordingly.

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	Initial Portfolio	Benchmark	Initial - Bmark
Aggregate Statistics: Value			
P/E	11.8	15.1	-3.4
Yield	3.4	3.0	0.4
Price / Book	1.3	1.7	-0.4
EV/EBIT	9.0	13.5	-4.5
Growth			
Historic Earnings Growth	5.1	2.3	2.8
Forecast Earnings Growth	8.1	12.7	-4.5
Forecast Dividend Growth	1.6	3.4	-1.8
Quality			
Return on Equity	11.0	11.3	-0.4
Dividend Cover	2.4	2.1	0.2
Debt / Equity Ratio	-16	30	-16

Source: UBS

From a geographic and industrial perspective, most movements in the portfolio have been comparatively modest. That said, we have increased our exposure to Australia (mainly resource related), Hong Kong/China and Malaysia and reduced it in Japan, Korea and Thailand. One new position (consumer related) has been added in Indonesia where political and economic prospects seem to be improving, with Susilo Bambang Yudhoyono elected for a second term in July 2009. Indeed, compared with other countries in the region where democracy is struggling to move forward, Indonesia is emerging as South East Asia's role model.

In a sector sense, while we have increased our exposure to financials (one new investment), we are still underweight the sector as we are in information technology. We remain overweight in consumer discretionary, consumer staples and healthcare. While the Fund's tracking error remains above average (7.27), its Beta (0.74) is well below normal. As at the end of September 2009, the Fund remained totally unhedged. Cash weighting at the end of September 2009 was around 11% which was lower than at the end of the previous quarter.

Currency Impact

From a currency perspective, the Australian dollar continued to be strong against the US\$ and Asian currencies, as is highlighted below:-

	% Change over the September 2009 Quarter
A\$ / US\$	+8.6
A\$ / Hong Kong Dollar	+9.4
A\$ / Indonesia Rupiah	+2.8
A\$ / Yen	+1.5
A\$ / Malaysian Ringgit	+7.7
A\$ / Singapore Dollar	+5.9
A\$ / Korean Won	Unchanged
A\$ / Thai Baht	+7.6

Source: Factset

The Australian dollar's strength continued to be a "headwind" to the Fund's absolute performance.

Over the quarter, a generally weak US\$ has aided the performance of global equity and commodity prices (see below). Indeed, it would appear investors may be using the US\$ as a funding currency for "carry positions", stemming from the improved global appetite for risk.

	% Change over the September 2009 Quarter (in US\$ terms)
Gold	+8.7%
Copper	+24.3%
Oil	Unchanged

Source: Factset

Notwithstanding a small increase in gold mine production this year to around 2,500 tonnes, increased supply of recycled gold scrap and lower fabrication demand (industrial and jewellery), we expect these factors to be more than offset by investment demand for gold. With interest rates close to zero around the world, the opportunity cost of investing in gold remains very low. We remain optimistic about gold's future and we have around 4% of the Fund invested in gold shares.

Observations from Company Visits/Trips

During the September quarter, we visited Singapore, Malaysia and Thailand.

Singapore - With GDP growth likely to be -4.5% in 2009, Singapore has been materially impacted by the global financial crisis. Nevertheless a recovery is already occurring in 2009 and with long term government policy built around growing industries like banking, healthcare/pharmaceuticals, tourism/gaming and education, we remain optimistic about the city state's future. The Fund's weighting in Singapore adjusted for stocks whose main business is elsewhere, e.g. Hong Kong/China, is currently just under 3.6%. That said, valuations in Singapore are not particularly cheap relative to elsewhere and the country's economy is generally regarded as a "proxy on world economic activity".

Malaysia - One of the primary talking points in Malaysia was the initiatives launched at the Invest Malaysia Conference in July 2009. Malaysia had already announced two economic stimulus packages in November 2008 (RM 7bn) and

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March 2009 (RM 60bn), but July's announcement was viewed as significant on the basis that it was another step towards dismantling the country's new economic policy (NEP). The NEP and its latter day successors have been in place since 1971. In broad terms, the NEP is a wide-ranging socio-economic restructuring plan aimed at increasing the share of the economy held by Bumiputras, the indigenous Malay race. The main initiatives announced by Prime Minister Datuk Seri Najib Razak at this conference concerned the Malaysian capital market and were as follows:-

- 1)FIC (Foreign Investment Committee) guideline on the acquisition of interest, mergers and takeovers; only sector regulatory conditions to apply.
- 2)30% Bumiputra equity requirement for Malaysian companies seeking public listing is repealed. Instead, companies seeking listing are required to set aside 50% of shares to be offered in an IPO to Bumiputra investors.
- 3)Bumiputra equity condition no longer applies to post-IPO issues by listed companies, except in case of reverse takeover and backdoor listing.
- 4)FIC approval required only for property transactions above RM 20m, which involve dilution of Bumiputra interest and/or government interest.
- 5)Ekuiti Nasional Berhad (Ekuinas) to be set up with initial capital of RM 500m (target size: RM 10bn). Focus will be on investment in high-growth sectors.
- 6)Bank Negera and Securities Commission (SC) will review all visa applications for the financial services industry and capital markets.
- 7)Foreign ownership in wholesale fund management companies raised to 100%; unit trust management and stock-broking companies raised from 49% to 70%.
- 8)Capital Market Services Act to be modified soon to empower SC to act against errant companies.

Source: Malaysian Government/UBS

The Prime Minister also mentioned that government linked companies (GLC) eg Khazanah, PNB and the EPF should also focus on their "core competencies", implying that their non core activities could be sold over time. Also it seems likely that government holdings in listed GLCs in Malaysia (over 35% market capitalisation) will be reduced over time to improve liquidity. Overall, the reforms should increase financial market activities, which should benefit CIMB, to which the Fund has exposure.

The above, together with what appears to be tentatively better relations between Malaysia and Singapore, are a step in the right direction for

Malaysia. With social, cultural and economic ties both countries have great incentive to improve relations, especially as regional competition (Hong Kong/China) continues to gather momentum. The Fund has four investments in Malaysia covering the banking, retail and healthcare sectors, which gives it a weighting of 10.9%, compared with its benchmark of 3.0%.

Thailand - The main discussion points in Thailand, where the Fund has 3 investments and a weighting of 4.85%, were the world recession, the Swine Influenza Virus (SIV) and the country's political situation. Similar to other Asian countries, the global financial crisis has had a significant impact on Thailand and GDP is expected to contract over 3% in 2009. This has been exacerbated by the SIV and ongoing political turmoil. How the latter will turn out long term seems difficult to predict. That said, the former populist policies of Mr Taksin seem to have changed the country forever. Whether Thais are "red" or "yellow" shirt supporters, they are all looking for greater egalitarianism in Thai society. Highlighting this are monthly income levels of only THB 13,000 in Thailand's north east, compared with THB 35,000 in and around Bangkok. It is hoped change will come in an orderly manner, but it underscores the challenges facing current Prime Minister Mr Abhisit Vejjajiva. Reflecting these concerns, Thailand is the cheapest market in Asia, with a prospective multiple of only 12.9x (as per the FactSet table below), while its dividend yield is amongst the highest. The Fund owns three investments in Thailand covering the banking and retail sectors and all of these companies have very strong balance sheets.

Japan - Turning to Japan, the Fund has reduced its exposure to three investments, including oil and gas company, Inpex (Ichthy's discovery offshore Australia), which together account for 4.8% of the portfolio. During the quarter, following more than 50 years of continuous government, the Liberal Democrat Party (LDP) was defeated in elections by the Democratic Party of Japan (DPJ) led by Mr Yukio Hatoyama. We regard this as important as the central theme of the DPJ's economic policy is all about promoting domestic demand (e.g. help for families) whereas the LDP had placed more emphasis on exports. An example of this is a proposal to introduce a minimum wage of ¥1,000 an hour. A more difficult issue for the DPJ will be executing and financing its new policies. Reform in the "management" of government is never easy nor is the elimination of wasteful expenditure. Nevertheless, the DPJ election victory is a positive development for Japan.

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Market Outlook

Asian stock markets have generally performed much better than developed markets in 2009 YTD. We feel this is justified given that many western markets face the prospect of structurally lower growth, possibly for years, associated with the de-leveraging process. Furthermore, growth in many Asian economies continues to be sound, with China, India and Indonesia expected to see real GDP growth in 2009 of over 8%, 6% and 4% respectively. In contrast, real GDP growth in the USA, Europe and Japan is likely to be around -2.5%, -3.5% and -5.5% respectively. While the worst of the global financial crisis may be behind us, and we note that economic growth expectations have been upgraded across the board, the expected economic recovery is likely to be both slow and protracted. While Asia will not be immune from this, as it will take many years to transition economies away from export models to domestic consumption models, we believe it will fare better than western developed economies. A good example of transitioning would be for Asian countries to use their fiscal resources to improve social services such as healthcare, education, housing and pensions, which would boost domestic demand and reduce precautionary savings. Medium term growth from emerging economies, led by the Asia region, seems likely to be 2 to 3x that experienced by the developed world.

Ratings accorded to stock markets in the region have moved substantially higher over recent months, but still appear relatively attractive compared with world markets, given their superior growth prospects. Volatility will remain, but there is nothing new in this, with average annual portfolio turnover in America having gone from around 20% in the 1950s to nearly 100% today for active funds!

Market Valuation Data as at 30/9/09

	Price/EPS		Sales	Price/	CFlow	Yield %
	Actual*	Estimate		Book		
Australia	17.4	17.8	1.7	2.6	11.8	3.8
China	21.2	18.2	1.7	2.8	16.8	1.7
Hong Kong	14.7	15.9	1.8	1.6	11.6	2.7
India	18.7	17.1	1.6	3.1	19.6	1.1
Indonesia	18.4	15.8	1.8	3.3	14.5	1.9
Japan	19.5	33.8	0.5	1.3	6.9	2.1
Malaysia	15.5	15.7	1.3	1.6	11.1	2.8
New Zealand	17.3	15.1	1.1	1.5	8.1	4.5
Philippines	15.6	13.4	1.5	1.8	9.6	2.8
Singapore	14.2	16.7	1.4	1.7	10.0	3.2
South Korea	16.1	14.2	0.5	1.6	20.0	1.0
Taiwan	19.9	29.2	0.9	1.8	7.2	2.7
Thailand	12.7	12.9	0.8	1.7	7.5	3.8
World	15.7	18.7	1.0	1.9	9.3	2.4

Source: Factset

Within our Fund we aim to keep portfolio turnover modest, notwithstanding that investors' time horizons around the world seem to be getting shorter and shorter.

Interestingly, a number of the world's largest pension funds, such as CALPERS (USA), ABP (Netherlands) and the National Pension Service (Korea) have all reduced their equity exposure in 2009. For example, ABP, one of the largest pension funds in Europe, has recently reduced its equity weighting from 32% to 29%. Clearly, not everyone believes the current buoyancy in world stock markets will continue. If economic activity in America does not rebound next year, and the US bond market is not suggesting it will, they may well be proved correct.

Following the spectacular performance of Asian stock markets this year, many market observers are wondering whether markets are expensive. As was illustrated in an earlier table, most Asian stock markets are still trading on estimated multiples below the world average of 18.7x. In addition to having better growth prospects, corporate balance sheets in Asia are generally stronger than those in developed markets. As such, while we generally believe world markets are "overbought" and a correction likely, we believe that emerging markets (especially in Asia) will continue to outperform. As the chart below illustrates forward PE ratios in Asia are still below historical levels.

Emerging Market Relative P/E Multiples



Source: Datastream

One of the reasons for our longer term optimism for Asian markets is also based on demographics, which tends to get modest amounts of coverage compared to economics, but is an area where Asia is again relatively well placed compared to the developed world. In 2009, the world's population

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amounted to 6.8bn with around 82% living in less developed regions. Indeed, some 37% of the world's population lives in China and India alone! One key demographic statistic going forward will be the dependency ratio, which is defined as the "ratio of the sum of the population aged 0-14 and aged 65+ to the population aged 15-64, ie those working". The ratio is presented as the number of dependents per 100 persons of working age (15-64). Over the next 40 years, the world population will continue to increase (2050 estimate 9.1bn/source United Nations), albeit at a slower pace and the dependency ratio will increase in most countries. That acknowledged, some regions, e.g. Asia, will perform much better than others. This will be very important as it will impact on global economic activity and standards of living as well as private and public finances. Indeed in many countries it is likely to lead to higher levels of taxation given the requirement to fund things like healthcare, pensions etc

Area	Dependency Ratio	
	2005	2050
World	55	56
Asia	53	54
Japan	51	96
Europe	47	74
North America	49	64
Australia	49	68
China	42	63
Hong Kong	32	78
India	60	47
Indonesia	51	56
Malaysia	56	53
New Zealand	51	65
Philippines	65	51
Korea	40	84
Singapore	39	78
Thailand	43	60
Vietnam	55	58

Source: United Nations

Observations suggest Asia is generally well placed but within the region Korea, Hong Kong and Singapore all face challenges, as do Australian and NZ but much less so, and China has much work to do to improve social services. The figures for Japan and Europe look very poor relative to North America.

The buoyant trend in Asian stock markets has lead to a substantial increase in IPO activity. In recent months, more than a dozen companies have had IPO's in Hong Kong/China and double that number have announced intentions to list in coming months. Summarised, some of the largest IPOs have been:-

Company	Value
China State Construction Engineering	US\$7.3bn
Metallurgical Corp of China	US\$5.1bn
Everbright Securities	US\$1.6bn
Glorious Property	US\$1.2bn
China Zhongwang	US\$1.2bn
Sinopharm Group	US\$1.1bn
Shanda Games	US\$1.0bn

Source: Dealogic

While IPO issuance is still well below the record US\$64.1bn ("A" share IPO issuance) seen in 2007, it is rising rapidly. Furthermore, some issues, e.g. Metallurgical Corp, have not gone as well as expected. Going forward, it will be important to watch for signs of "fatigue" in this market. Another factor of significance is that, according to JP Morgan, October 2009 will see the biggest expiry of locked up A shares regaining floatable status, to have occurred over the last 18 months, i.e. about RMB 2tr. Nevertheless, it is important to remember that the valuation level accorded the Chinese market today is still well below levels attained in 2007.

MSCI China Forward P/E Ratio



Source: JP Morgan Asian Equity Strategy Research

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