Asian Masters Fund Limited
Annual General Meeting – 23 November 2017
Chairman's Address

Welcome to the annual meeting of the Asian Masters Fund Limited (the **Company** or **AUF**).

Performance Overview

The Company had a solid FY17, generating a total return on net tangible asset (NTA) value of +13.1%. The Company's long-term performance remains excellent, having generated a NTA total return of +70.9% (including dividends) since launch in December 2007.

At 30 June 2017, the Company's pre-tax NTA was $1.30 per share and the post-tax NTA was $1.21 per share. This compares to the previous year's pre-tax NTA of $1.24 per share and the post-tax NTA of $1.16 per share at 30 June 2016.

The Company's best performing fund was Alliance Bernstein Asia ex Japan Fund, which returned +25.9% for the year. Its focus on undervalued companies led it to have a bias towards North Asian markets such as China, Korea and Taiwan, which served it well over the period. The Company's Taiwan-focused fund, JPMorgan Taiwan Fund, was the second best-performing fund, returning +24.3%.

AUF's largest country exposure is China, with a weighting of 36.8% at 30 June. The Company's Chinese managers also delivered good returns, with Wells Fargo China Fund the pick, returning +23.1% for the year, closely followed by NCC China A-Share Fund which returned +21.6%. This was a particularly strong result considering NCC primarily invests in China A-shares, which didn't perform as well as offshore-listed Chinese companies over FY17.

Pleasingly, all of the Company's underlying funds generated positive absolute returns in FY17. We continue to believe the Company is invested with the best managers in each market in which it invests, and believe the outlook for each of our managers is bright.

Asian market performance

After considerable volatility in recent years, Asian equities bounced back in FY17. While there was significant divergence in performance across Asian markets, stabilisation in the Chinese economy and rebounding corporate earnings across the region were key drivers of the stronger investor sentiment.

Politics played a significant role in markets during the first half of the financial year. The election of President Trump in the US, a corruption scandal and then impeachment of President Park in Korea, and Indian Prime Minister Modi's overnight move to cancel 86% of cash in circulation all had a meaningful impact on markets in the region. However, markets bounced back from each of these in the second half of the financial year. It became clear that President Trump would have difficulty implementing the aggressive trade barriers he had proposed in his campaign, and local economies bounced back from their domestic challenges. In Korea, a strong corporate earnings recovery, and the election of a more market-friendly president boosted markets. In India, it became clear that the impact of demonetisation would not be as severe as first feared, and the economy and equity market rebounded strongly.

There was significant dispersion in performance across Asian markets, with China (as measured by the MSCI China Index) the best performing market, up 28.4% for the year. The MSCI China Index was driven by stellar performances from Chinese internet and technology stocks. Major index constituents Alibaba and Tencent returned +72% and +53% respectively.

All markets generated positive returns in local currencies, however the strengthening of the AUD during the year proved a drag on AUD returns. Malaysia (-0.9%) and Philippines (-7.3%) were the only markets to generate negative returns in Australian dollars, largely due to political reasons.

Having noted the dispersion of returns across different Asian markets, it is also worth noting the significant dispersion of returns by sector in Asia over FY17. Information technology returned a very strong +43.8%. As a result, the information technology sector alone contributed nearly half of the returns for the regional index. Other sectors which performed strongly included materials (+26.0%), consumer discretionary (+24.7%) and financials (+23.6%). At the other end of the spectrum, health care (-1.7%) was the laggard, with telecommunication services (-1.3%), utilities (+0.8%) and consumer staples (+0.9%) also lagging significantly behind the broader regional index.

Investment activity

The Company made meaningful reallocations within the portfolio during FY17, however there were no total redemptions from any underlying funds. The Company invested in one new fund during the year.

Having made a new investment in Wells Fargo China Equity Fund in the prior financial year, the Company made further investments of approximately $8 million in the fund during the year. The fund is more focused on offshore-listed Chinese companies (including H-shares and US-listed ADRs) than A-shares. These investments were funded primarily from partial redemptions from two of AUF's China A-share focused funds, APS China A-Share Fund and NCC China A-Share Fund. While the Company retains a meaningful weight to A-shares, the investment in the Wells Fargo fund is intended to diversify the Company's Chinese exposure, while also increasing exposure to offshore listed Chinese companies. Wells Fargo China has performed strongly since we first invested, and the reallocation of capital from China A-shares to offshore listed companies enhanced performance during the year.

The Company also added meaningfully to another investment which was first initiated in FY16, Alliance Bernstein Asia ex Japan Fund. This fund is an Asia (ex Japan) regional fund, which has a value approach, working to identify companies whose prospects have been overly discounted by the market. This investment was initiated in early 2016 when the dispersion between cheaply valued companies and those richly valued was at a very wide margin. Alliance Bernstein was the best performing manager in the portfolio during FY17.

Finally, the fund made an initial investment in Indonesian-focused Komodo Fund. Komodo is managed by a Jakarta-based boutique with specialist local knowledge in the Indonesian market. We have a positive view on the long-term outlook for Indonesia and believe the best way to get exposure to that market is through a boutique manager, which can access the domestic growth story, rather than through an offshore manager typically focused on large cap stocks.

Distributions and capital management

During FY17, the Company paid two fully-franked dividends of 1.1 cents per share on 22 September 2016 and 31 March 2017, as well as a fully-franked special dividend of 5 cents per share on 20 June 2017. The Company had a dividend reinvestment plan in place during the period, which raised additional capital of $2.2 million.

Early in FY17, the Company completed a successful share placement, which resulted in the issue of 9.75 million new shares and raised additional capital of $12.7 million. We are very pleased by the support received from both existing and new shareholders.

The Company announced a buyback program on 17 October 2016. The buybacks were undertaken as an active capital management tool to provide liquidity to existing shareholders should they seek to exit their investment at, or near, net tangible asset value. During the year ended 30 June 2017, 187,839 shares worth $223,986 and 1,488,161 shares worth $1,815,423 were purchased by the Company from shareholders as part of the buyback programs announced on 16 October 2015 and 17 October 2016. The Company remains committed to active capital management to provide liquidity for investors as well as enhancing shareholder returns.

That concludes the Chairman's address.

We will now open up for questions.

We will now move into the formal part of the meeting.