



Asia Rising

Randolph Kwei

16th November, 2011

JK CAPITAL MANAGEMENT LTD.



Asia Ex Japan Region

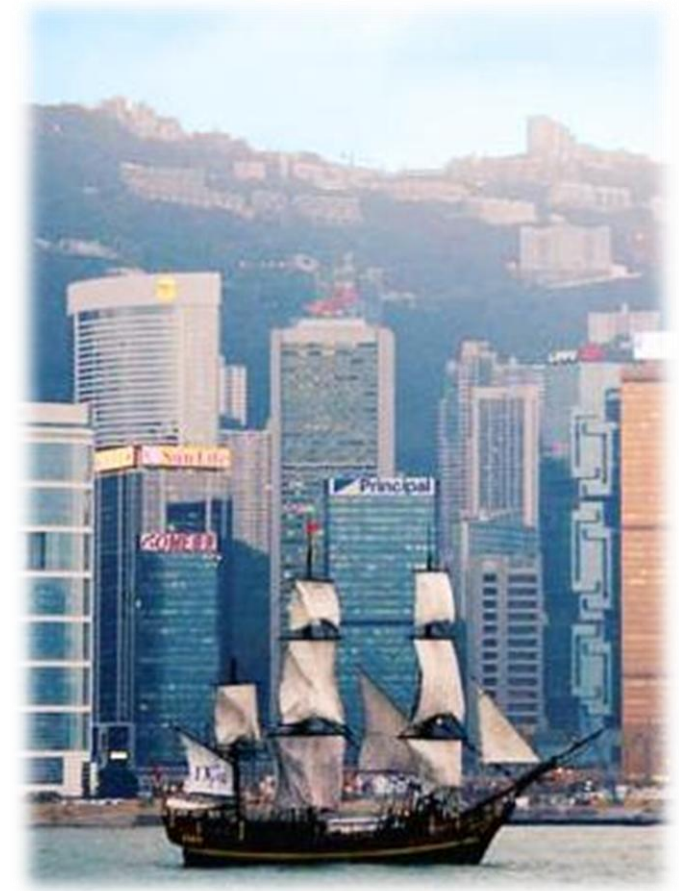


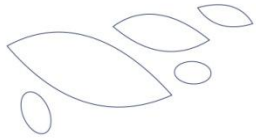
Source: UBS, IMF - 2011 estimate



Asia At A Glance

- Land area - 4.8 million sq miles (8.5% of world land area).
- Total population – 1.85 billion (26.7% of the world population).
CAGR (3-year) – 1.15%
- Total GDP at PPP- \$ 15.3 trillion (20.2% of global GDP).
CAGR (3-year) – 8.7%
- Asia is one of the world’s cradles of civilization.
“Peking Man” fossils are dated 750,000 years old
Java fossils are dated 1.6 million years old.
- Asia has different ethnic groups and languages.
Chinese, Korean, Malaysian, Indonesian, Thai, Filipino
China has 50+ minorities
- Asians are largely secular but practice Buddhism, Christianity and Islam.
Indonesia is the largest Muslim country in the world.





Diversity of Asia

🍃 **Korea (pop – 49 million)**

A developed economy with leading multinationals such as Samsung, LG, Hyundai.

Highly nationalistic, Koreans embraced the Confusion tradition while practicing Western democratic politics.

🍃 **China (pop – 1.3 billion)**

The second largest economy in the world, China is leading the global GDP growth at over 9% in 2011.

China remains an authoritarian state and a planned economy, but is pursuing gradual reforms to maintain social stability.

🍃 **Taiwan (pop – 23 million)**

The economy is the global center for global IT outsourcing, with manufacturing plants in China.

The economy is benefiting from increasing cooperation with China.

🍃 **Hong Kong (pop – 7 million)**

The city continues to be the financial center of Asia and a transportation service hub for China.

Politics are highly China centric, but with considerable freedom for creative expression in art and entertainment.



Diversity of Asia

Singapore (pop – 5 million)

A small but vibrant economy with several industries such as ship repairing, oil refinery, and casinos. Also a financial center of Southeast Asia.

Has a stable government dominated by one-party in a multi-cultural society.

Indonesia (pop – 238 million)

A resource rich country benefitting from large reserves of coal, palm oil, rubber, etc.

It is undergoing rapid economic development backed by increasingly stable politics.

Malaysia (pop – 28 million)

A resource rich country with large reserves of palm oil, oil and rubber.

The country is attempting to move away from policy favoring native population in business.

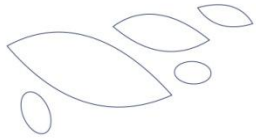
Thailand (pop – 64 million)

The country exports agricultural products and has a flourishing tourism industry.

Newly elected government is expected to be business friendly.

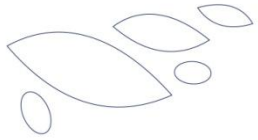
Philippines (pop – 94 million)

A resilient economy supported by services, overseas workers and tourism.



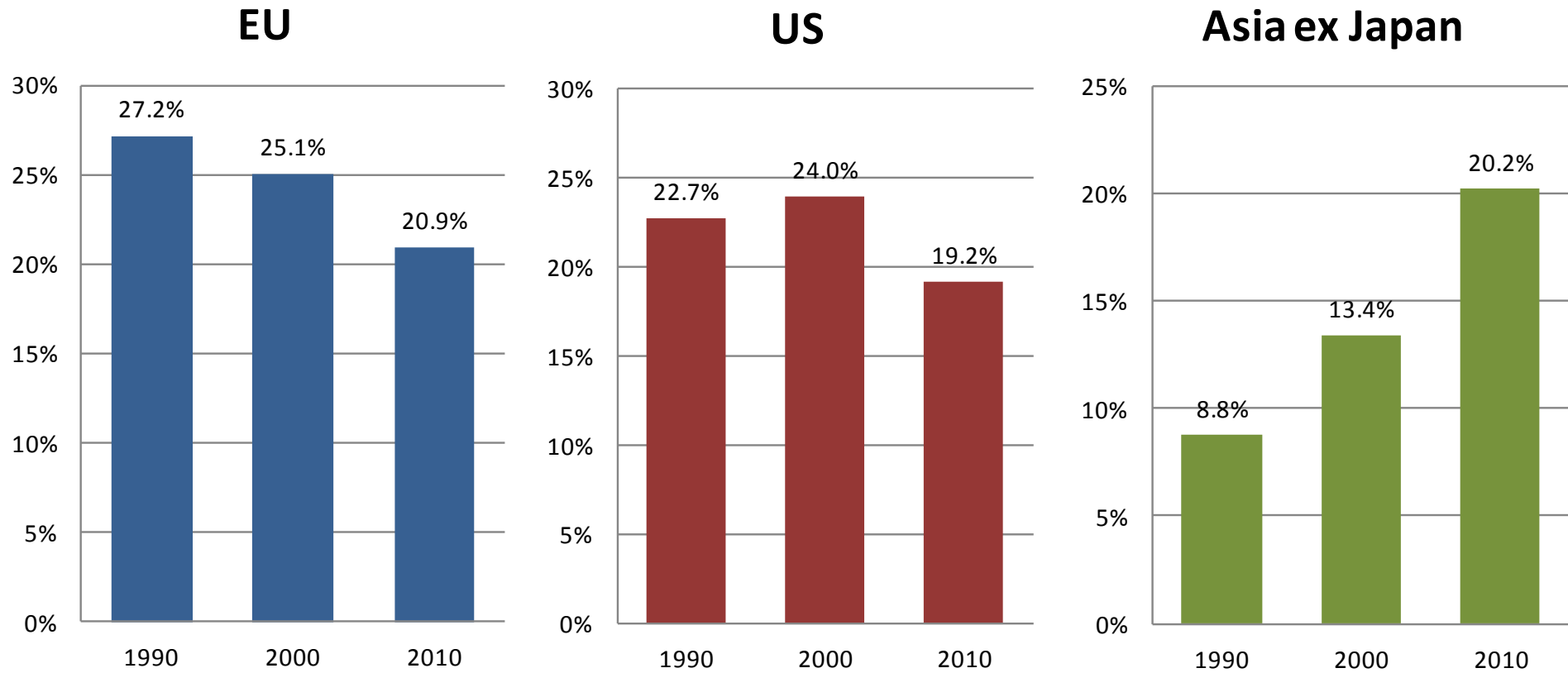
On the Road to Democracy

- **All countries are democracies except China. Limited democracy in Hong Kong and Singapore.**
- **All governments are “pro-business.” They see improving living standard as key to legitimacy.**
- **Rule of Law gaining traction, especially after the Asian Financial Crisis in 1997-1998.**
- **Corporate governance in Korea, Taiwan and China improving while Singapore and Hong Kong are at par with developed markets.**
- **Political stability is expected to remain, leading towards more open and democratic societies.**



Rising Asia in the Global Economy

Contribution to World GDP, at PPP (%)

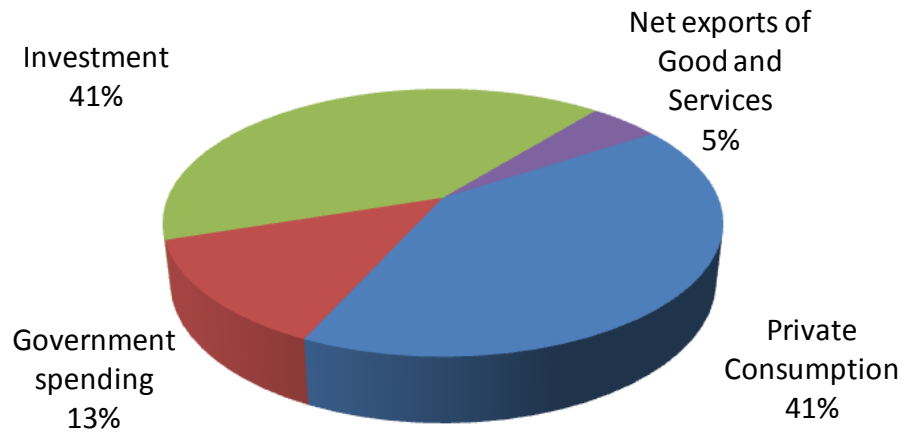


Source: World Bank

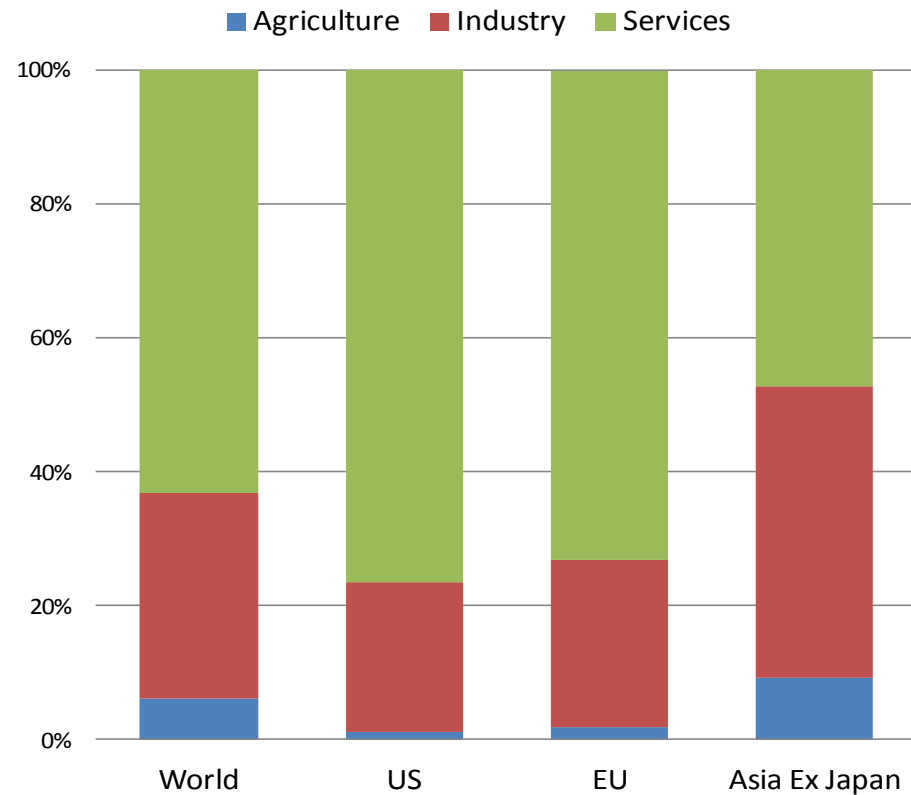


Asia Economy- Main Components

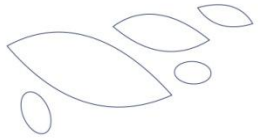
Asia GDP By expenditures



GDP, Composition By Sector, 2010



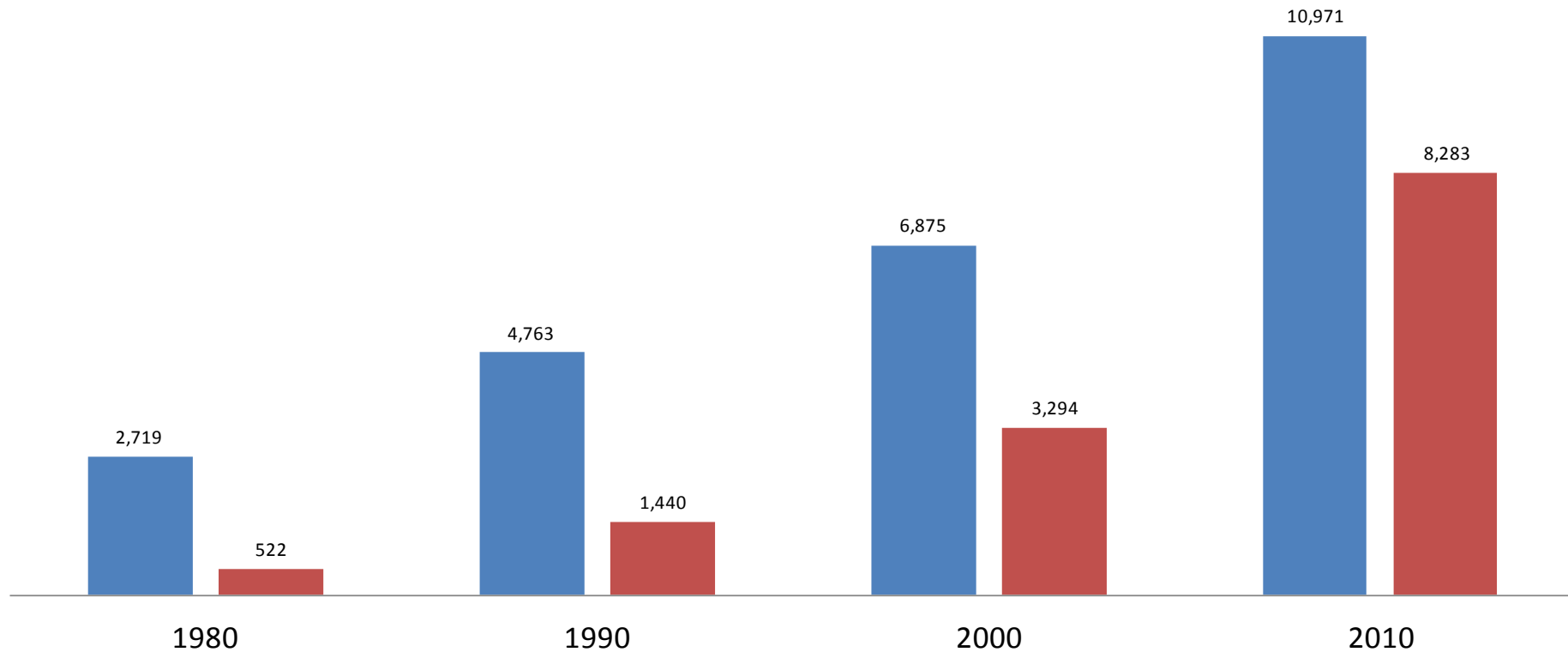
Source: Asian Development Bank, CIA



Asia Catching Up In Wealth

GDP per capita, at PPP, 1980-2010

■ World ■ Asia Ex Japan

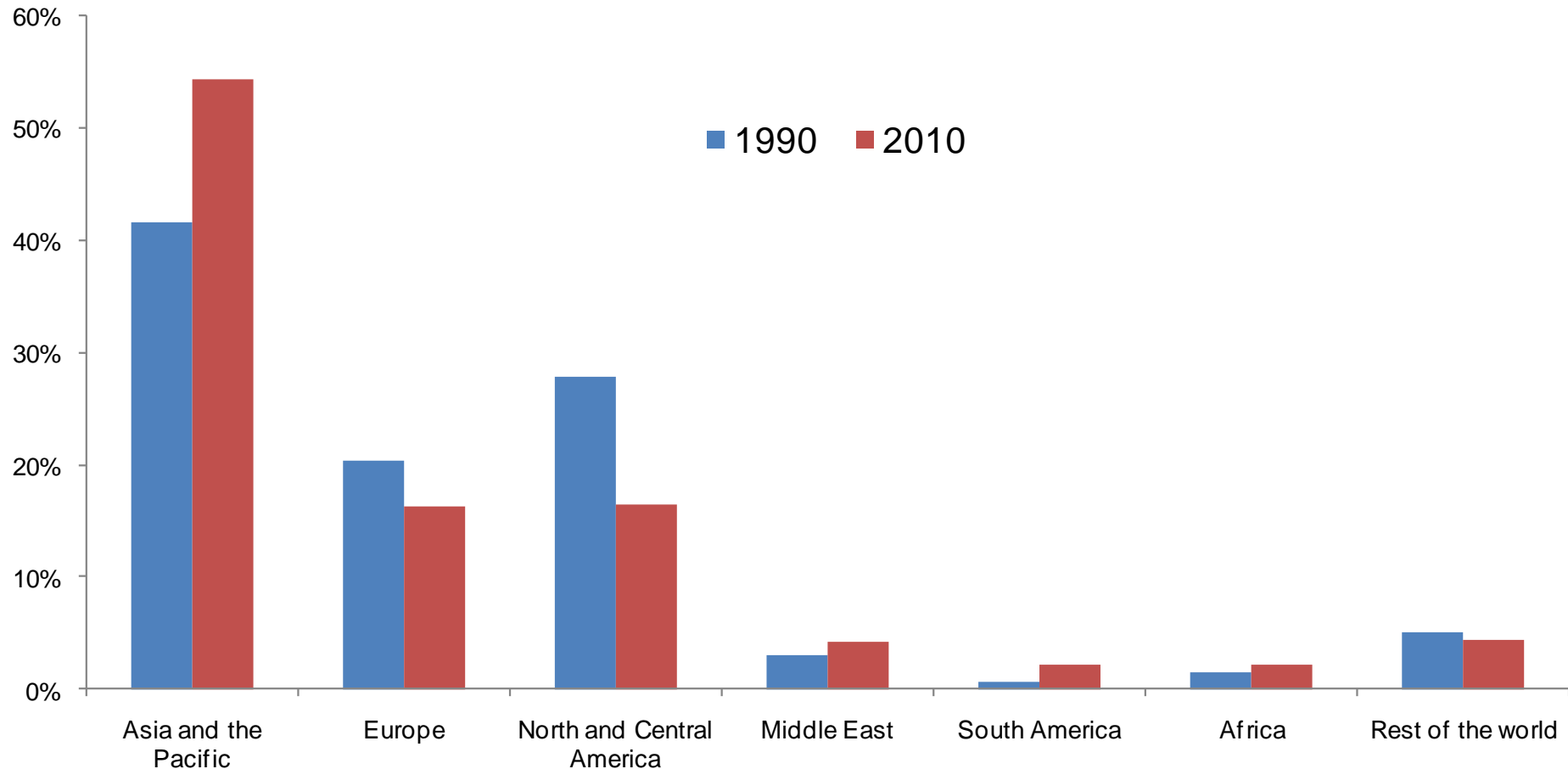


Source: World Bank, IMF, World Economic Outlook database September 2011



Intra-regional Trades Gaining Strength

Destination of Merchandise Exports from Asia and the Pacific



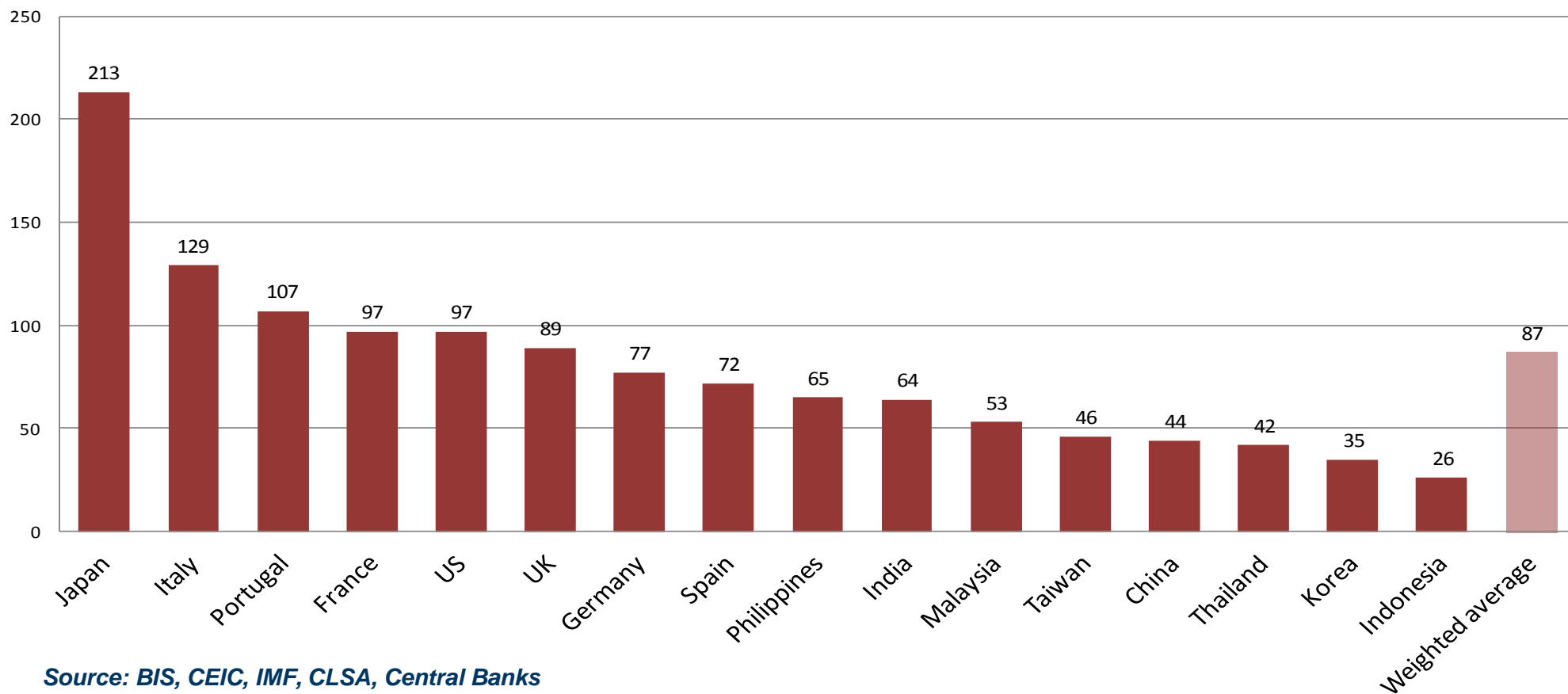
54% of exports stay within the region and this portion is trending upward

Source: Asian Development Bank



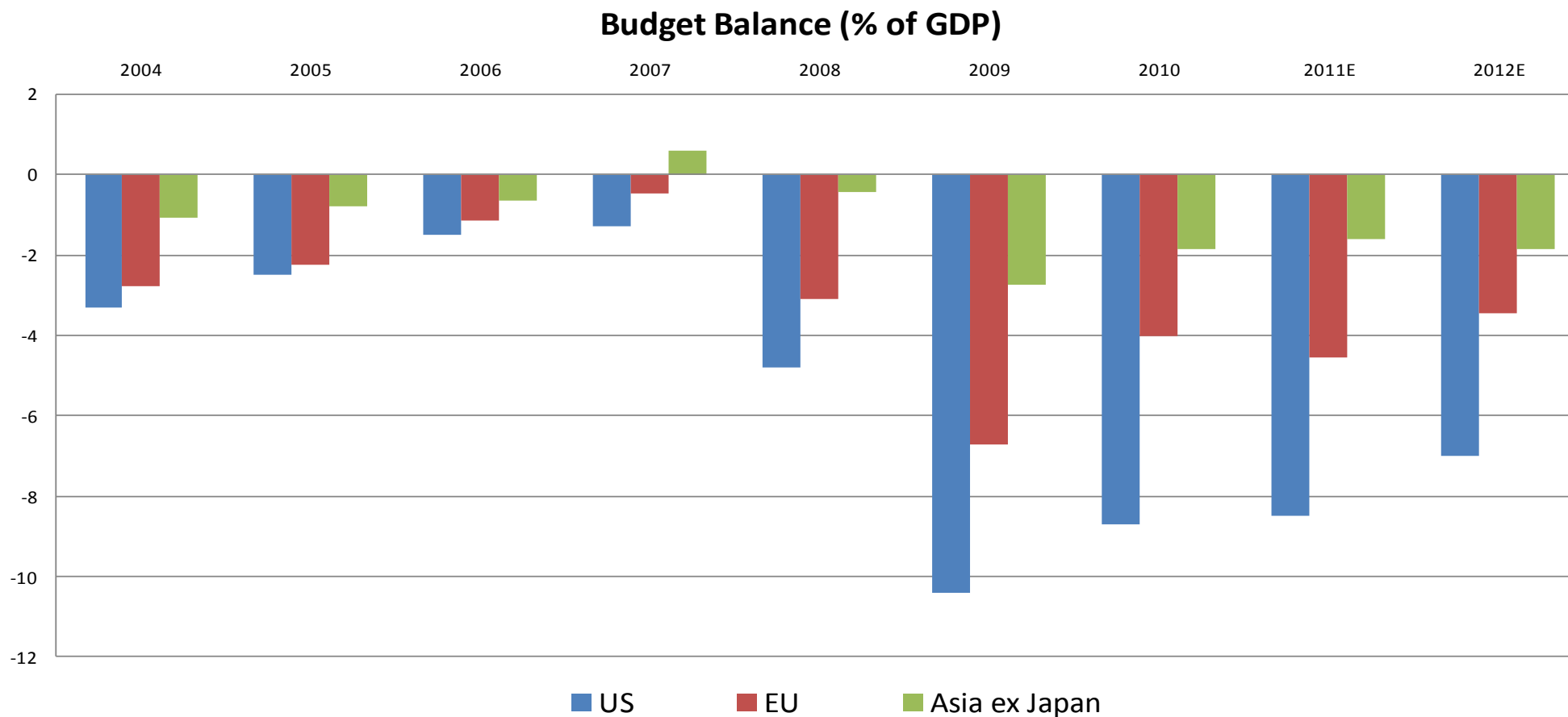
Low Government Debt to GDP Ratio

Government debt to GDP, 2010 (% of GDP)

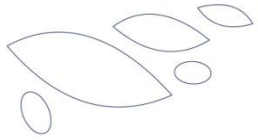




Asia – No Budget Crisis

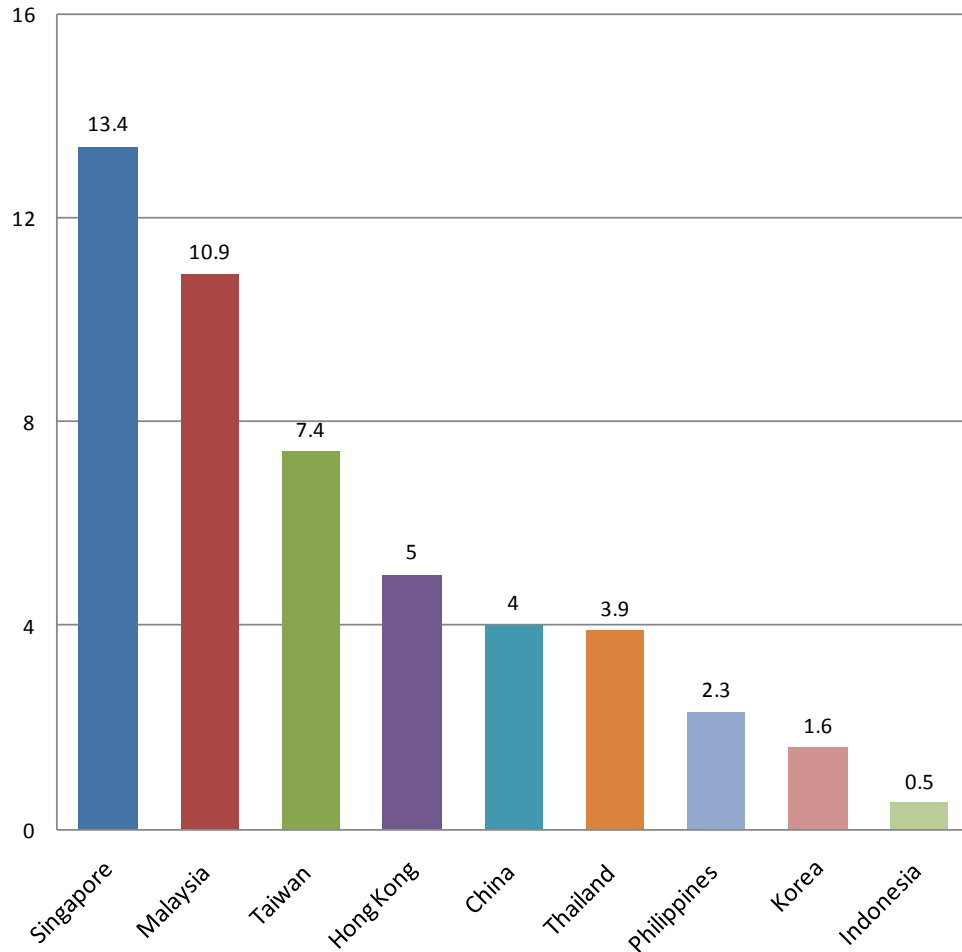


Source: UBS, Bloomberg



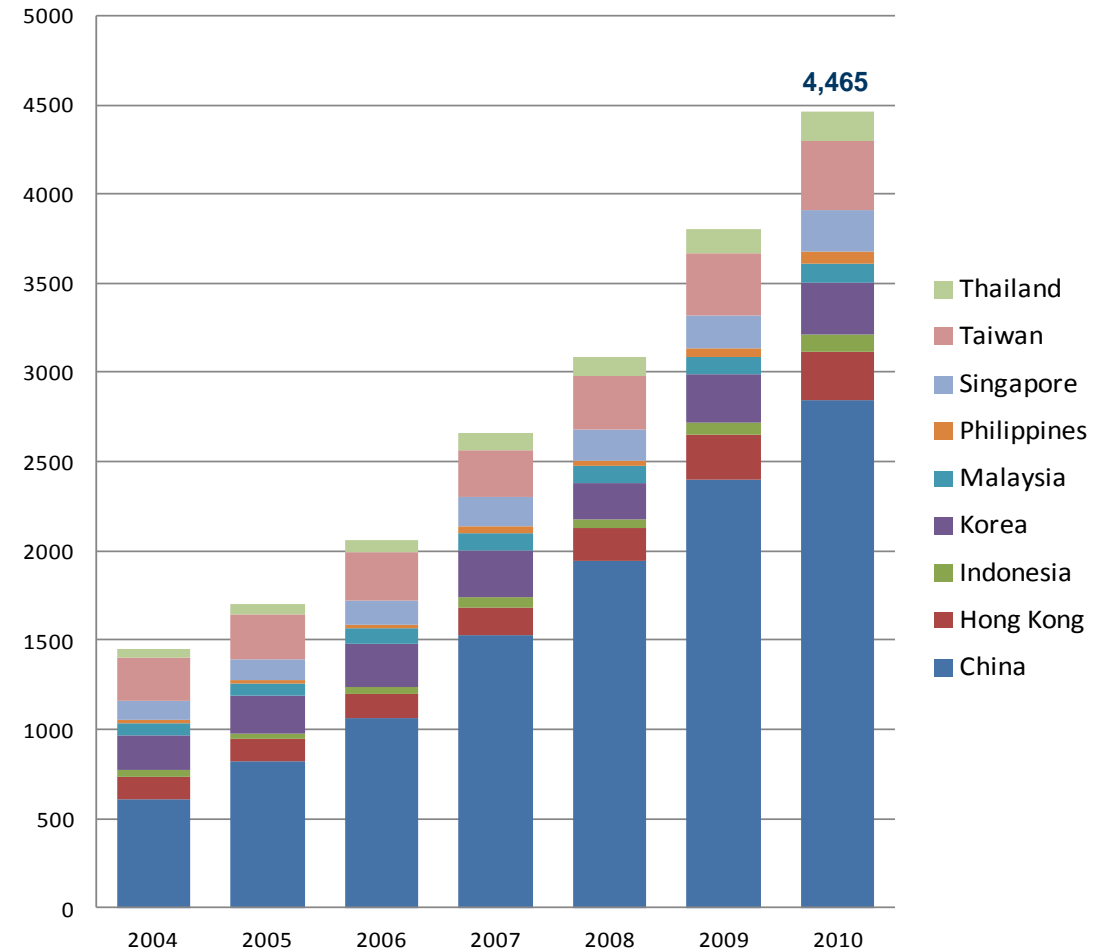
Flush with Current Account Surplus and Reserves

Current Account, 2010 (% of GDP)

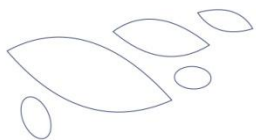


Source: IMF

Asia Total FX reserves, 2004-2010 (US\$ Bn)

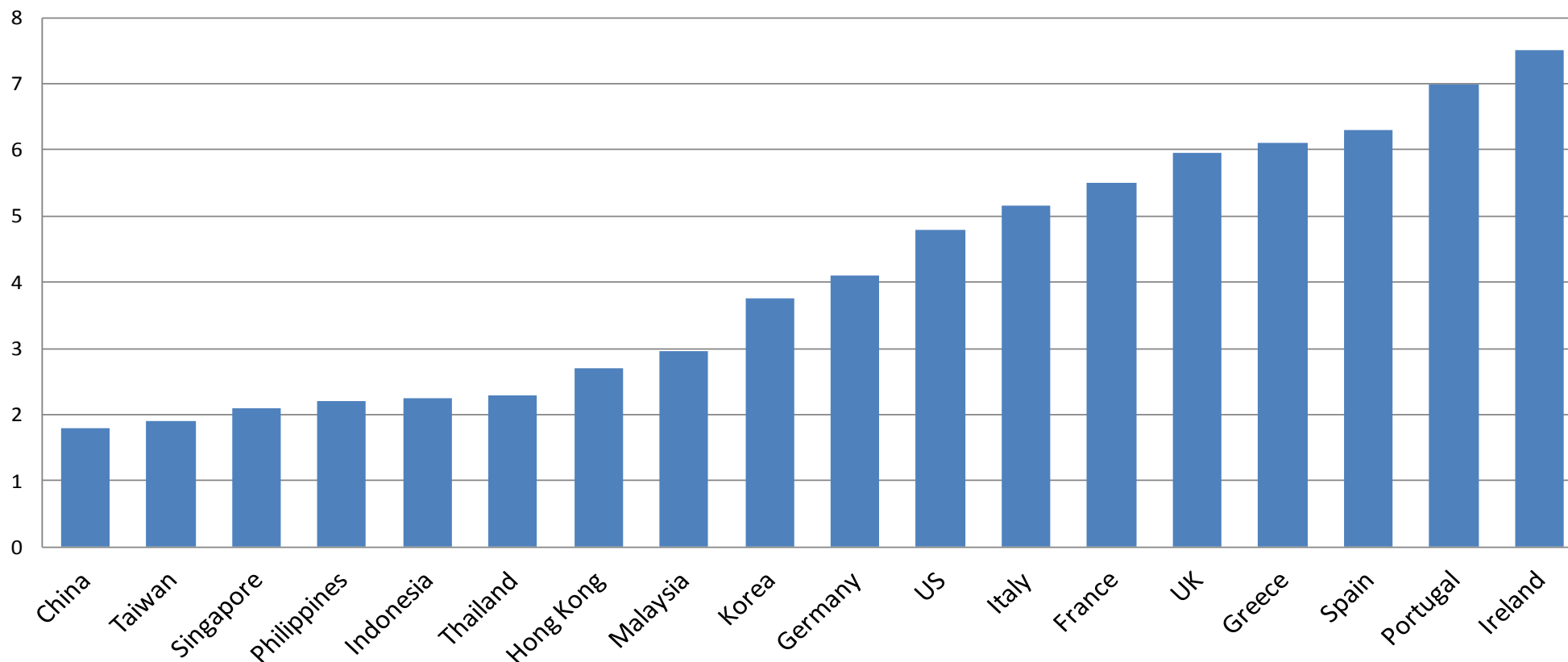


Source: IMF



Asia at Low End of Global Risk Index

Total Risk Index, 2010



The index is based on several indicators of domestic financial fragility including the domestic credit to GDP ratio, the banking sector's loan to deposit ratio along with the public sector debt to GDP ratio and several indicators of external fragility including the current account balance to GDP ratio, commodity export exposures, the external debt to GDP ratio, the export to GDP ratio and FX current reserve cover.

Source: UBS, World Bank, IMF



Do You Know ?

- The first Boeing 787 Dreamliner had its maiden voyage from Tokyo to Hong Kong.
- Singapore and Hong Kong ranked as the top 2 world cities by the World Bank.
- The top 3 best managed airports in the world are Hong Kong, Singapore, and Seoul.
- 1 in 4 billionaires is now in Asia, up from 1 in 10 in 2005.
- China and Hong Kong together account for 26% of Swiss watch exports in 2010.
- Only 1/3 of property owners in China has a mortgage.
- More than 500 high speed trains at speeds over 250 km/h were operating in China in 2010.
- Macau's gaming revenue in 2011 is likely to be about \$28 billion against \$7 billion in Las Vegas.
- Hong Kong is now the largest wine auction market by value in the world.
- First Starbucks in China opened in 1999. Now, there are more than 400 stores operating in 31 cities.



Tallest Buildings – Then and Now

1980

	Building	Height (m)	Year completed
1	Sears Tower - Chicago	442	1974
2	Empire State Building - New York City	381	1931
3	Aon Center - Chicago	346	1973
4	John Hancock Center - Chicago	344	1969
5	Chrysler Building - New York City	319	1930
6	First Canadian Place - Toronto	298	1976
7	American International - New York City	290	1932
8	The Trump Building - New York City	283	1930
9	Citigroup Center - New York City	279	1977
10	Renaissance Tower - Dallas	270	1974

2011

	Building	Height (m)	Year completed
1	Burj Khalifa - Dubai	828	2010
2	Abraj Al-Bait Towers - Mecca	601	2011
3	Taipei 101 - Taipei	509	2004
4	Shanghai World Financial Center - Shanghai	492	2008
5	ICC - Hong Kong	484	2010
6	Petronas Towers - Kuala Lumpur	452	1998
7	Greenland Financial Center - Nanjing	450	2010
8	Willis Tower - Chicago	442	1974
9	Kingkey 100 - Shenzhen	442	2011
10	Guangzhou West Tower - Guangzhou	438	2010

Source: CTBUH, Sears tower was officially renamed the Willis Tower in 2009

- In 1980, the 10 tallest buildings in the World were in the US.
- In 2011, 7 of the 10 tallest buildings are in Asia and only 1 in the US.

Asia – Home to World Class Leaders



Korea

- Auto Hyundai Motor, No. 4 in global ranking by volume.
- Consumer Electronics Samsung Electronics, No. 1 in DRAM and No. 1 in smart phones.
- Ship Building Hyundai Heavy, Daewoo Ship Building are global leaders.

Taiwan

- Semiconductors Taiwan Semiconductor Manufacturing Co, global leader in semiconductor foundry.
- Contract Manufacturing Hon Hai Precision Industry, global leader in electronic manufacturing services.
- PC Manufacturing Lenovo, the 2nd largest notebook maker globally by market share.
- Smart-phones HTC has 23% share of US market (vs. Apple at 21%)

Hong Kong

- Supply Chain Li & Fung, world's largest sourcing company.

Other Noteworthy Points

- Malaysia, Indonesia World's largest exporters of palm oil.
- Thailand World's largest exporter of rubber, shrimp and rice.
- China Largest mobile phone operator; largest steel producer, largest Internet and auto markets.



Asia's Growing Importance For MNCs

	10-20% revenues	> 20 % revenues
US Companies	HP	Qualcomm
	Coca Cola	Intel
	Tyco	AIG
	J&J	Citigroup
	Dell	IBM
	Oracle	Apple
	GE	YUM!

	10-20% Revenues	> 20 % revenues
European Companies	ING	Ericsson
	Deutsche Bank	Unilever
	Nestle	Siemens
	Roche	Vodafone
	Diageo	

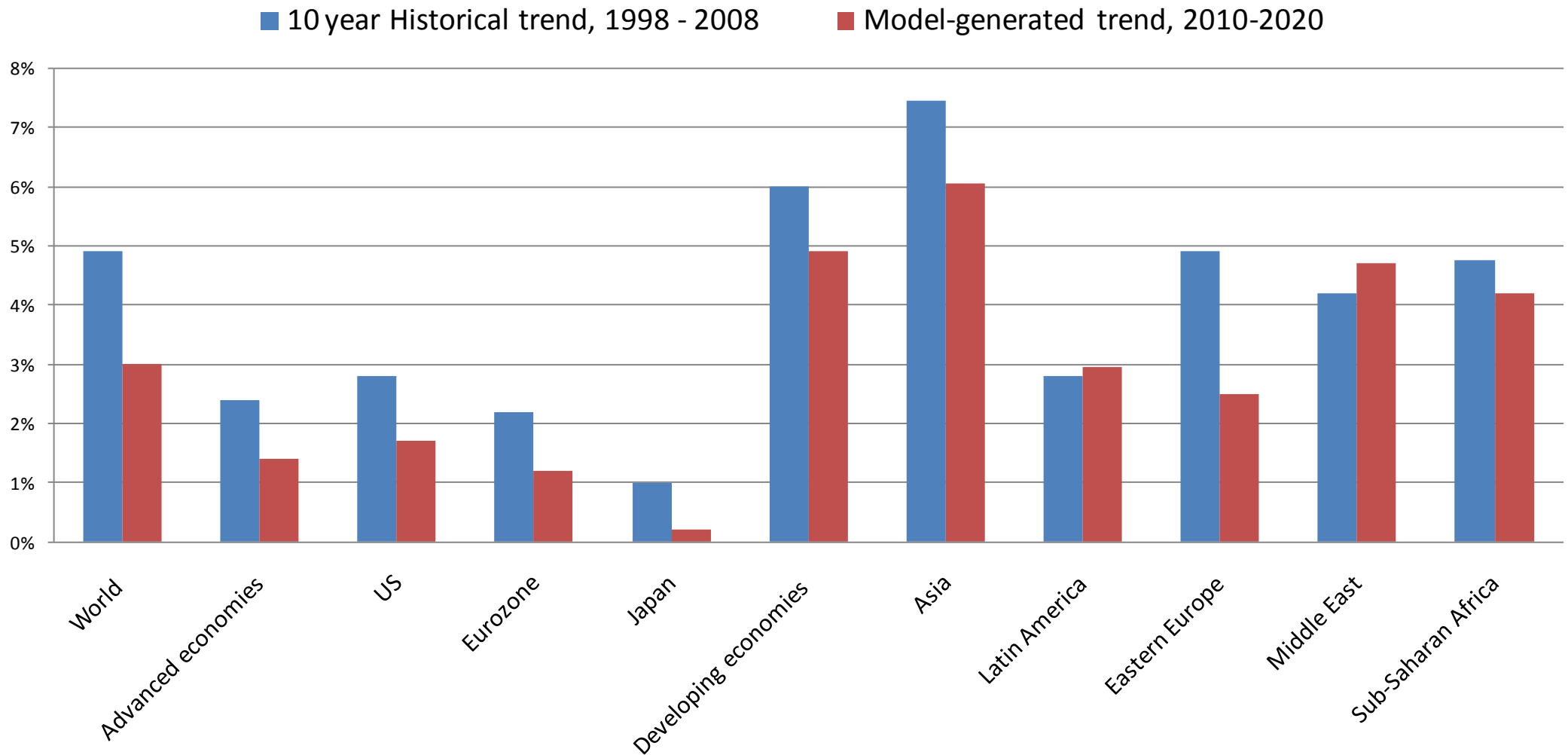
- Asia contributed more than 30% to Citigroup's net profit, more than any other regions.
- China contributes 36% of YUM!'s revenue (same as that of US), but more profitable than in the US.
- GM sold more cars and trucks in China than it did in US last year, first time in its 102-year history.
- More than 60% of Intel and 70% of Qualcomm revenue come from Asia.
- Asia is Ericsson's largest market (30% of revenue) and growing.



What About the Future ?



GDP Forecasts



Source: UBS



GDP Growth Forecast

Real GDP Growth, at PPP, 2010-2013 (%)

	World Share(PPP)	2010	2011E	2012E	2013E
World(PPP)	100%	5.0	3.9	3.3	3.5
G7	39.5%	2.8	1.3	1.0	1.1
US	19.7%	3.0	1.7	1.5	2.0
Euro-zone	14.6%	1.7	1.7	-0.5	-1.0
Other Asia Pacific	27.3%	8.7	7.3	7.0	6.6
China	13.6%	10.4	9.3	8.5	7.5

Source: Capital Economics



Asia – Increasing Urbanization

Urban population as % of total population (%)

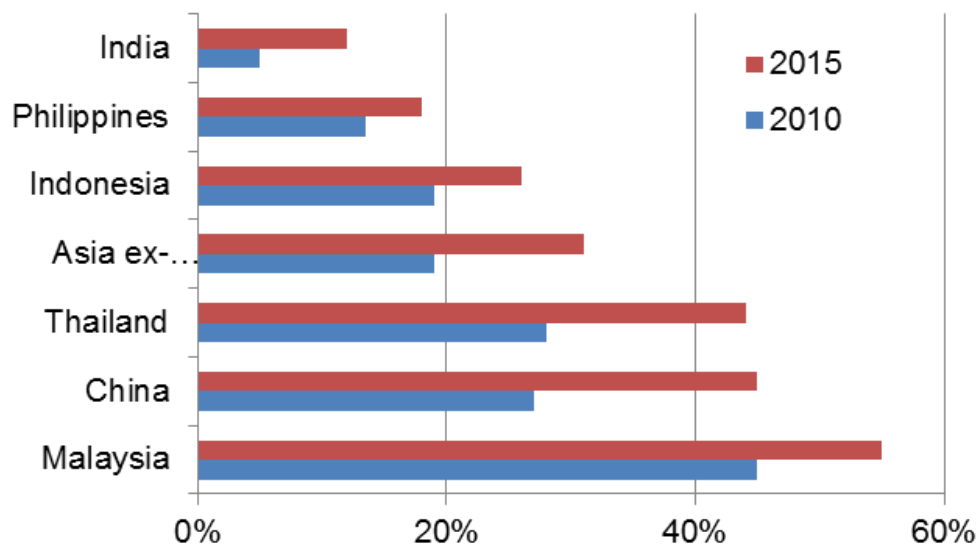
Country Name	1980	1990	2000	2010
World	39	43	47	51
Asia Ex Japan	26	33	41	49
China	20	27	36	45
Hong Kong SAR, China	92	100	100	100
Indonesia	22	31	42	54
South Korea	57	74	80	82
Malaysia	42	50	62	72
Philippines	38	49	59	66
Singapore	100	100	100	100
Taiwan	49	59	68	75
Thailand	27	29	31	34
Japan	60	63	65	67
United States	74	75	79	82
OECD members	69	72	75	77

Source: IMF, World Bank, Official estimate



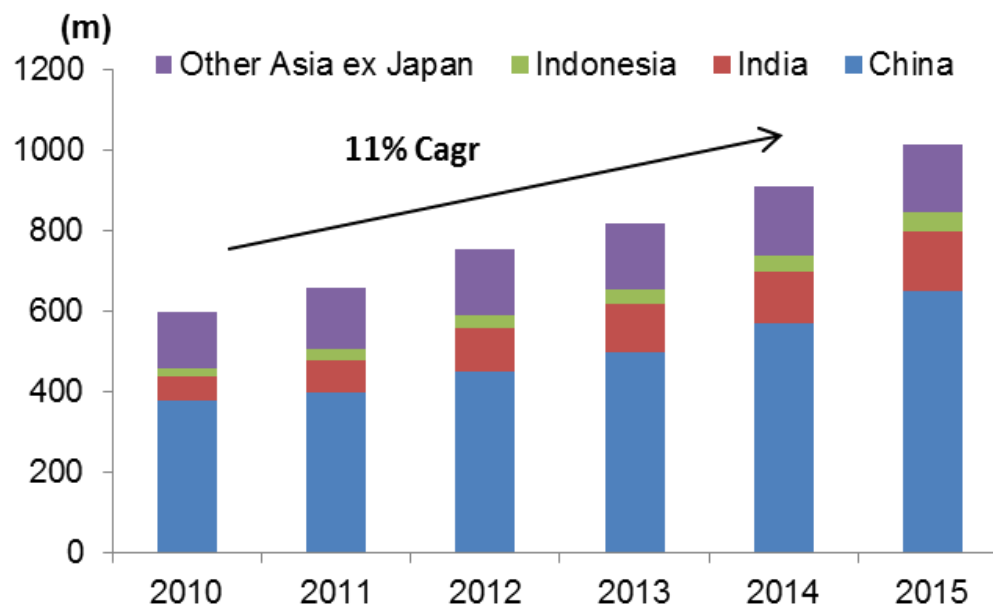
Asia's Middle Class in Strong Growth

Share of Asia ex-Japan population in the Middle class



Source: CLSA

Growth of Middle Class Population in Asia

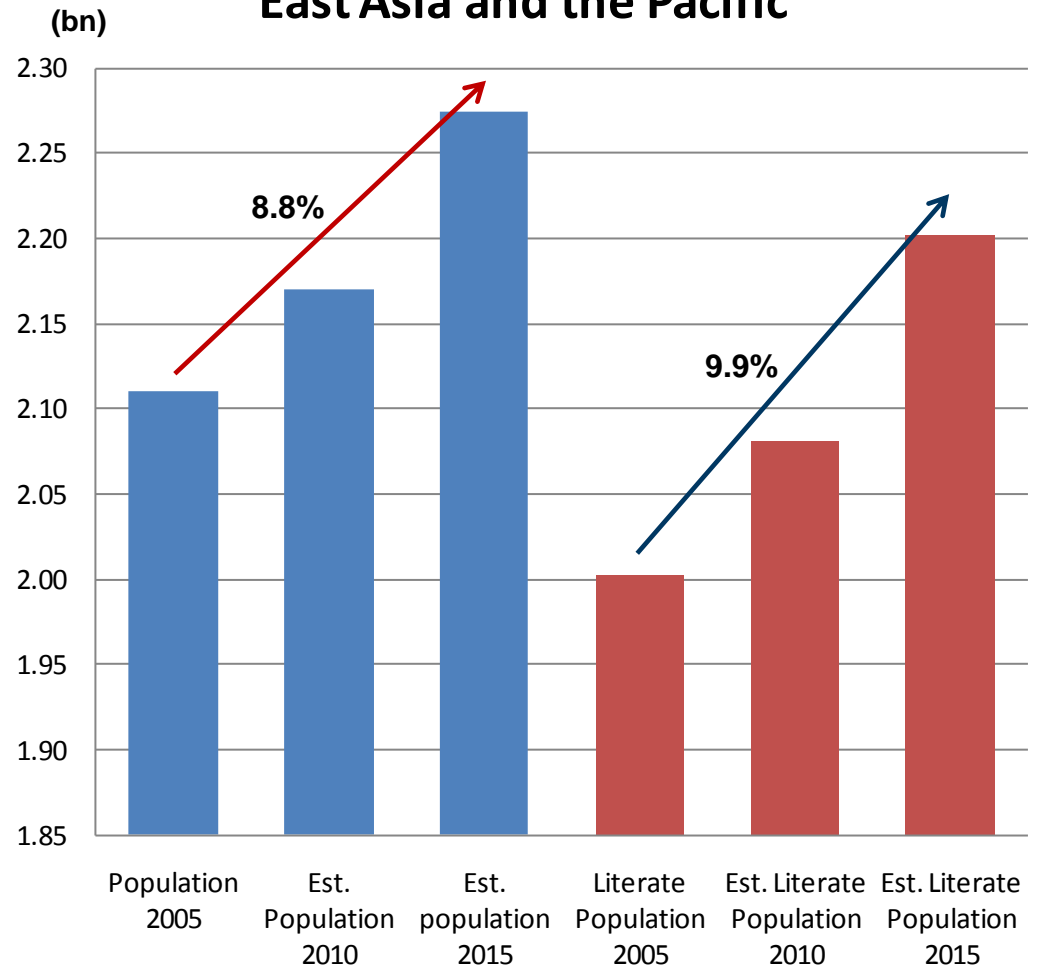




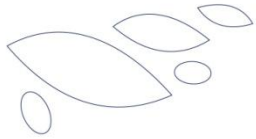
Asia – Increasing Competitiveness

- Asians are edu-centric and have strong work ethic.
- China is second only to the US in annual output of scientific papers.
More science and engineering doctorates in Asia than in the US.
- Expect innovation and engineering to follow manufacturing.
- Improving global competitiveness, with Singapore ranked 2nd.
- Productivity doubled in East Asia over the past decade, based on UN study.
- Outsourcing has extended to science and engineering fields.

East Asia and the Pacific



Source: UNESCO, CIA



Asia – A Future Not Without Risks

- **China's growing economic and political power will find plenty of push back from the West.**
- **Trade sanctions and disputes will likely slow down global growth.**
- **China's investments in resources and mineral projects in emerging markets will receive increasing scrutiny.**
- **Increasing use of Internet social networking tools will add pressure to political reform.**
- **Recycling surplus capital from Asia to deficit regions in the West will be a challenge.**



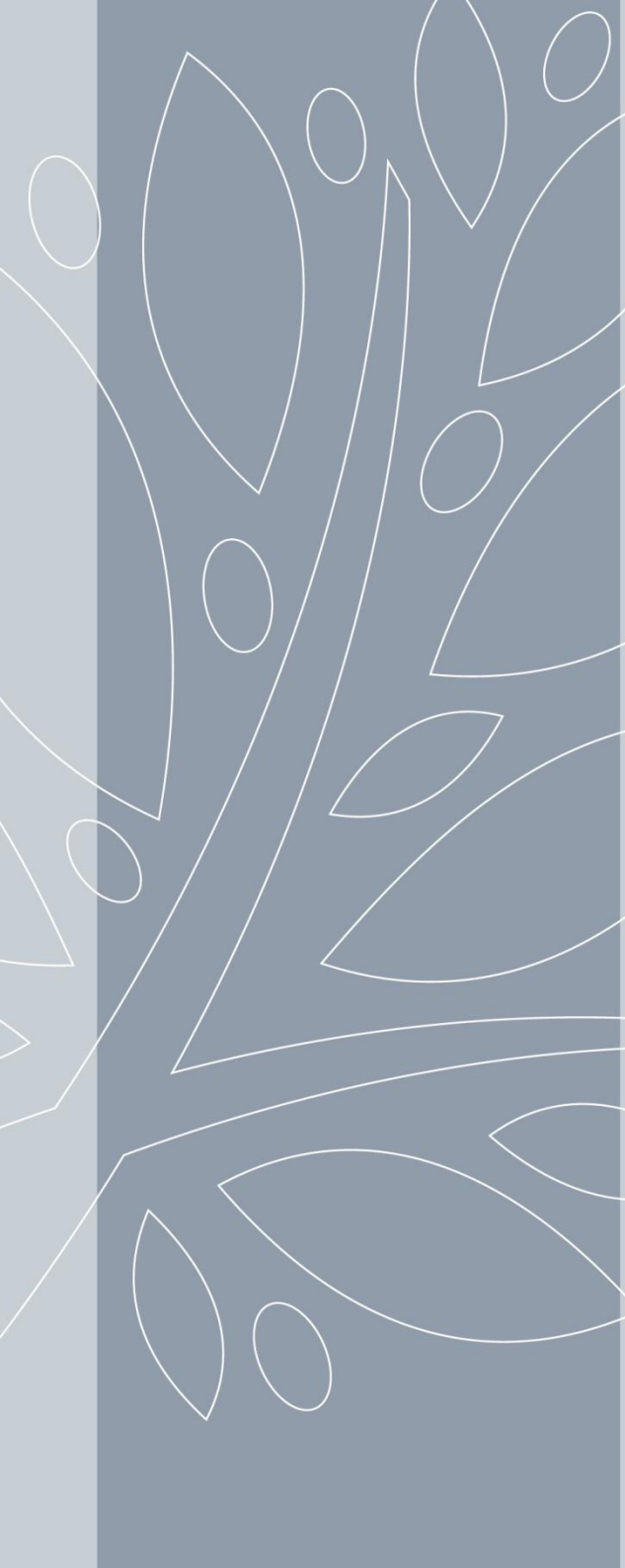
Asia – A Bright Future Ahead

- Asia, at 20.2% of world GDP (2010) and growing at 8.7%, is vital to global economic health.
- Export-led economic model will be more balanced with domestic demand focus.
- Asia is a source of stability in a world facing fiscal crisis and de-leveraging.
- Falling savings will be coupled with rising consumption and wages.
- Global liquidity will increase capital inflows into the region.

FDI inflow have been increasing consistently over the past 10 years.

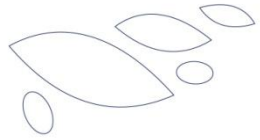
- Exchange rate liberalization will result in stronger currencies against the USD.
- Increasing regional and bilateral arrangements will result in moving assets away from USD.



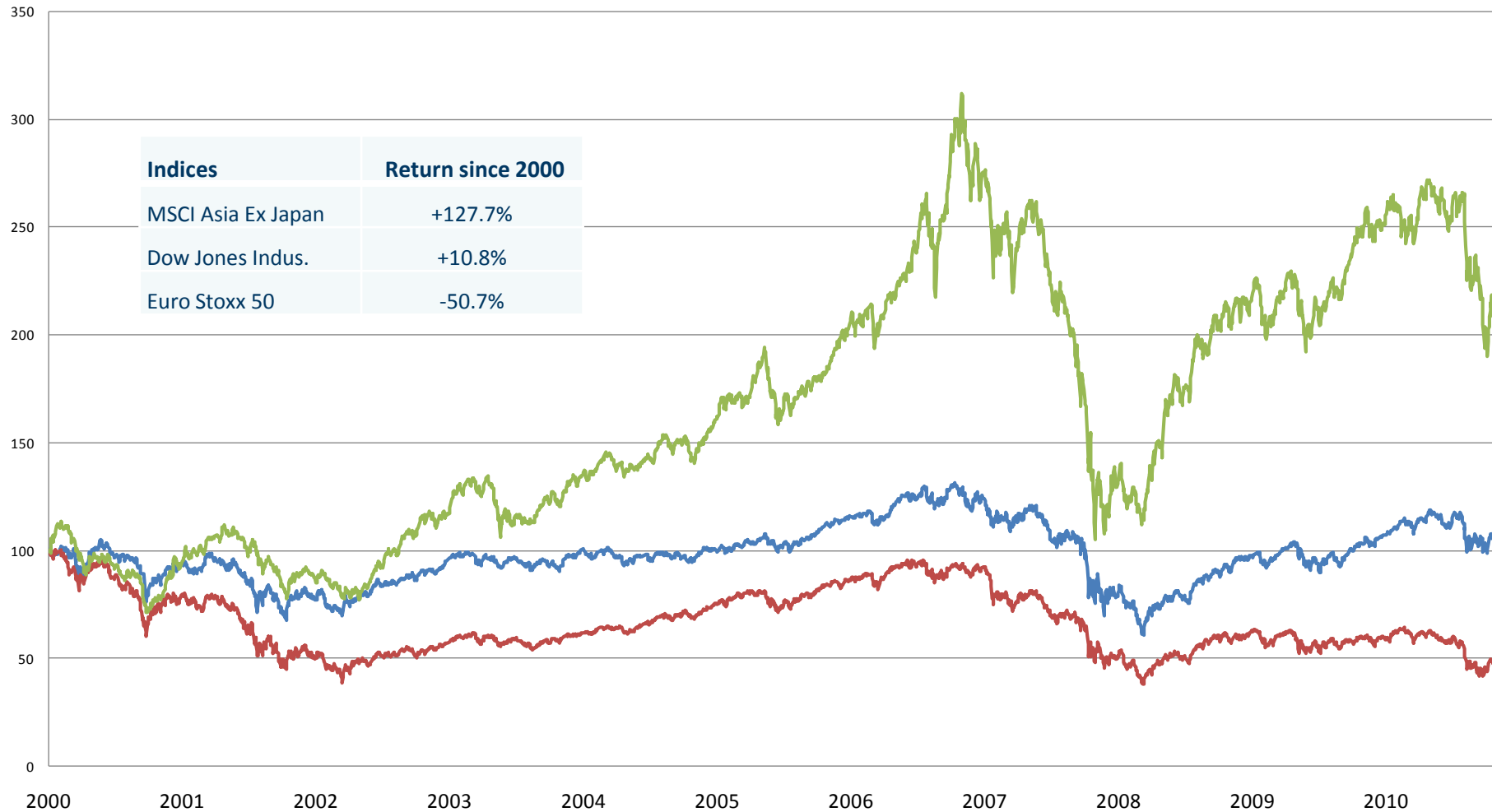


Why are the Asian Markets Attractive ?

Asian Market's Long Term Out-Performance



— DOW JONES INDUS. — EURO STOXX 50 — MSCI AC FAR EAST xJP



Source: Bloomberg




Asia Market – Risk Matrix

MSCI AC Far East Ex Jap	1Y	3Y	5Y
Return	-15%	21%	13%
Alpha	-9%	27%	32%
Beta	1.2	1.2	1.6
VAR (95%, Historical)	17%	23%	47%
Standard Deviation	10%	14%	28%
Sharpe ratio	-1.5	1.5	0.4

Data as of Oct 2011

Asia Market Capitalization Moving Up



	Market Cap 5 years ago	Market Cap Today	% Change	Freefloat
	(USD \$Bn)	(USD \$Bn)		%
China	787	3,293	318.35%	33
Hong Kong	1,465	2,035	38.97%	58
South Korea	766	955	24.69%	65
Taiwan	570	713	25.10%	68
Singapore	320	482	50.86%	49
Malaysia	207	383	85.47%	44
Indonesia	119	368	210.33%	39
Thailand	140	231	64.50%	52
Philippines	58	149	155.29%	35
USA	16,919	14,616	-13.61%	100
UK	3,610	3,023	-16.25%	72
France	2,298	1,501	-34.67%	62
Germany	1,599	1,293	-19.17%	40
Japan	4,762	3,577	-24.89%	67
World	46,837	46,154	-1.46%	
Asia	10,806	14,628	35.37%	

Source: Bloomberg, Freefloat from CLSA



To Summarize



Key Drivers for Outperformance of Asian Markets

➤ **Growing Economic Weight**

Region has the highest GDP growth rate estimated at 7.4% for 2010 with China leading at 9%.

Asia GDP as % of US GDP rose from 54% to 105% in ten years.

Increasing weighting in Global MSCI benchmark will attract more capital inflows.

➤ **Large Current Account Balance Surplus and Strong Region's Balance Sheet**

Asian currencies are expected to appreciate against USD.

Current account for region approached \$500B in 2010.

Low corporate gearing and sound banking structure with no toxic assets.

➤ **Domestic Demand Growth led by Urbanization and More Middle Class**

Estimated 650 million in Asia in the \$5,000 GDP/capita income range.

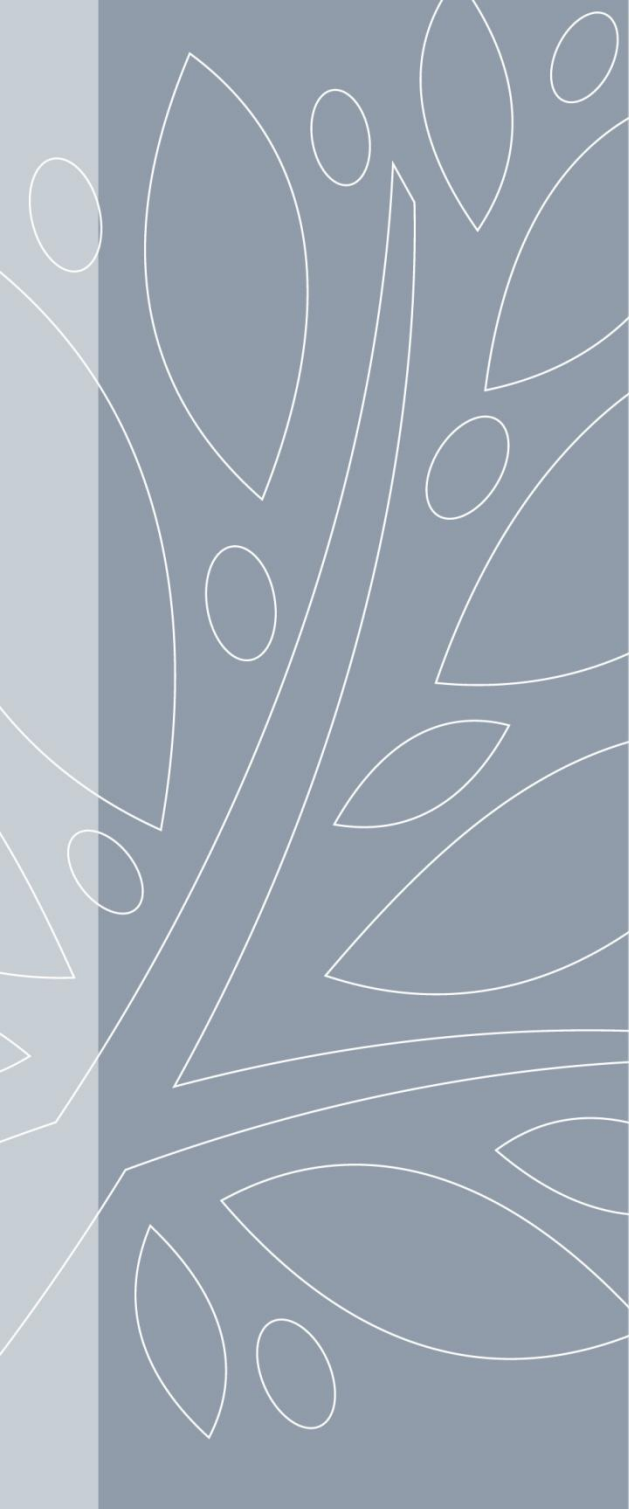
Growing urbanization with est. 40% living in cities.

Consumption growth on the back on increased income and better access to credit.

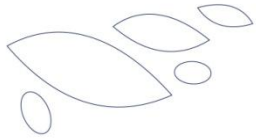
➤ **Sustainable growth in corporate earnings**

Global competitiveness in manufacturing, but also increasingly in service and technology.

Improving corporate governance.



Appendix



JK Asian Invest L.P. - Key Terms

Name	JK Asian Invest LP, available to qualified investors
Objective	Seeks absolute return by investing in industry leaders and emerging winners in the Asia ex Japan region.
Style	Long only, with flexibility to hedge
Advisor	JK Capital Management Limited, based in Hong Kong
Minimum	US \$250,000
Entry/Exit	Quarterly
Mgt. Fees	1% per annum plus performance incentive of 15% of profit subject to high-water mark
Reporting	Monthly
Custodian	RBC Dexia Trust Services (HK) Ltd
Legal Counsel	Akin Gump Strauss Hauer & Feld, LLP
Currency	US dollar



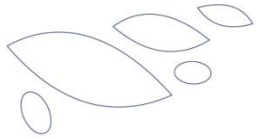
JK Capital Management Limited

- JK Capital Management is a fund management company based in Hong Kong, previously known as MYM Capital Ltd and renamed in 2007 following merger with PCML :

PCML (Pacific Capital Management Ltd) : Company set up in 1992 by Randy Kwei, portfolio manager of Asian Select Equity Investment Partnership LP (set up in 1994 and renamed JK Asian Invest LP in 2007).

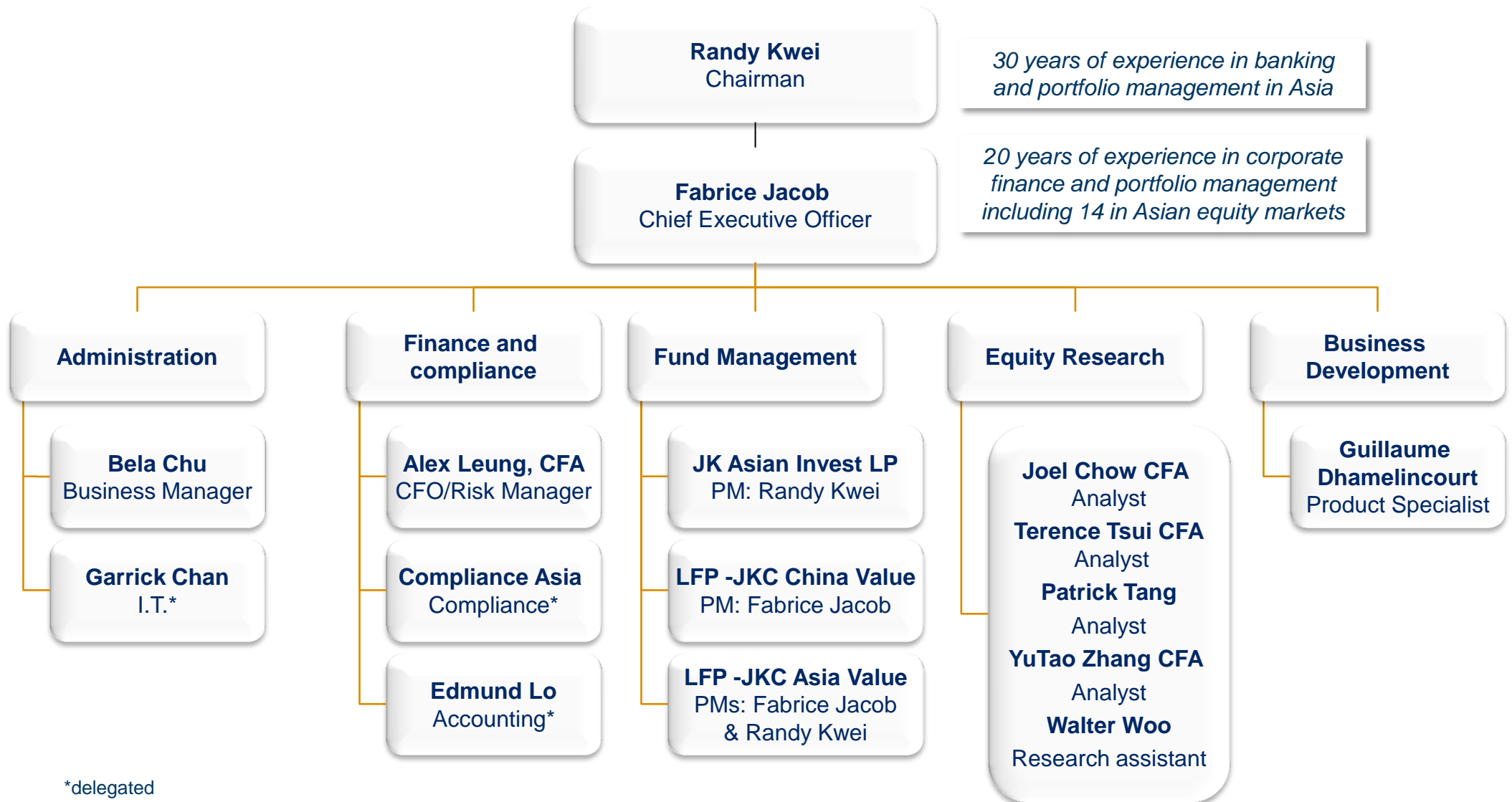
MYM Capital Ltd : Set up in 1997 by Fabrice Jacob, portfolio manager of MYM China Trust (set up in 1998 and renamed JKC China Value in 2007).

- The company is 20% owned by La Francaise AM, 40% by Randy Kwei and 40% by Fabrice Jacob
- 18 years of existence under the supervision of the Securities and Futures Commission of Hong Kong
- Two founders with extensive track records in the banking and private equity sectors
- \$110m under management
- A UCITS III SICAV aimed at European investors
- A Limited Partnership aimed at US investors
- The coverage of nine equity markets across Asia
- A specific stock picking expertise
- Ten employees including five specialised analysts

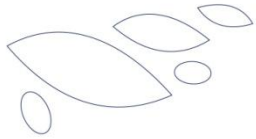


JK Capital Management Limited

Company structure



*delegated



- Co-founder and Chairman of JK Capital Management Ltd.
- Registered as Investment Adviser with the Securities and Futures Commission of Hong Kong
- **Chairman of JK Capital Management Ltd.**

1992 to 2007 : Pacific Capital Management Ltd., Hong Kong – Founder and CEO

Before setting up Pacific Capital Management Ltd in 1992, Randy Kwei was Group Managing Director of the Asian Oceanic Group and managed with success Asian Special Situation Equity Trust, a private equity fund (IRR of 16.8% over 7 years).

He previously occupied several senior management positions with Citibank (consumer banking head for Canada, country head for the United Arab Emirates) and American Express Bank (regional head for North Asia). He was an advisor to ORIX Investment in Japan and to CIGNA in the United States.

- Randy Kwei is a Trustee of New Asia College , University of Hong Kong, was a director of the Rotary Club of Hong Kong and chaired the Yale Club of \Hong Kong.
- He published his memoirs « East to West to East» in 2009.
- Diplomas

MBA Columbia University

B.E. Yale University



• Co-founder and CEO of JK Capital Management Ltd.

• Registered as an Investment Adviser with the Securities and Futures Commission of Hong Kong

• Career

Since 1997	JK Capital Management Ltd., Hong Kong – CEO
1995-1997	Banque Worms Hong Kong, Senior Vice President, Head of Investment Banking
1989-1995	Banque Worms Paris, Vice President Investment Banking
1987-1989	Banque Paribas Capital Markets, London, Mergers and Acquisitions
1985-1987	Banque Paribas New York, Leveraged Capital Group

• Portfolios managed

Since 1998	LFP JKC China Value – Portfolio Manager
2002-2009	MYM High Yield Bond Trust – Portfolio Manager
1995-2004	Yu Ming Investments Ltd – Director, Portfolio Manager High Yield investments
1995-2005	Matignon Investissements FCPR, Portfolio Manager - Asia
1995-1998	SHK Convertibles Ltd – Director, co-Portfolio Manager
1995-1997	Chine Investissement 2000, co-Portfolio Manager

• Diplomas

MBA, Finance and Investments, City University of New York, Baruch College

Maitrise de Sciences de Gestion, Université de Paris Dauphine

The team of Analysts

Mr. Alex Leung CFA, CFO et Risk Manager

- Over 10 years of experience in managing Chinese equities.
- Prior to joining JK Capital Management, Alex Leung worked at Yu Ming Investment Management on private equity investments, corporate finance and mergers and acquisitions for listed and unlisted companies.
- He graduated from Melbourne University (Bachelor degree in Commerce)

Mr. Joel Chow CFA, Analyst

- Over 5 years of experience analysing listed Chinese companies.
- Prior to joining JK Capital Management, Joel Chow was working in the credit risk management of a Hong Kong commercial bank.
- He is a graduate of Hong Kong University (Bachelor degree in science)

Mr. Yu Tao Zhang CFA, Analyst

- Yu Tao has over four years of experience as an Investment Analyst with Macquarie Funds Management specialised on real estate in Hong Kong, Singapore, China and Japan.
- Prior to joining Macquarie, Yu Tao was with Commonwealth Bank of Australia managing branches in New South Wales.
- Yu Tao is a holder of a Bachelor degree in Commerce (Honours) from the University of Sydney

Mr. Patrick Tang, Analyst

- 4 years of experience as analyst.
- Prior to joining JK Capital Management Ltd, Patrick Tang was analyst at China Merchant Bank and Mega Capital (Asia).
- He graduated from University of London (MBA) and Hong Kong Polytechnic University (Master of Philosophy in Physics and Bachelor of Science in Engineering Physics)

Mr. Terence Tsui CFA, Analyst

- 4 years of experience as buy-side and sell-side analyst
- Before joining JK Capital Management, Terence was an assistant vice president in the corporate research department of Sumitomo Mitsui Banking Corporation covering companies in Asia.
- He graduated from Chinese University of Hong Kong (Bachelor in Engineering)

Mr. Walter Woo, Research Assistant

- Walter has worked for one year in Haitong international securities in the Institutional Sales department before joining JK Capital Management Ltd.
- He holds a Bachelor degree of Science in Mathematics from the Imperial College London, UK.



THANK YOU!

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JK CAPITAL MANAGEMENT LTD.