

VAM ASIA FIXED INCOME FUND  
DECEMBER 2009



vam-funds.com tel +230 465 6860 fax +230 465 0853

- Founded 2001
- Domiciled in Luxembourg as SICAV's – under UCITS Legislation
- \$407 million under management as at 31/12/2009
- Regulator - Commission de Surveillance du Secteur Financier
- Custodian & Bankers - VP Bank (Lux) SA
- Auditors - Ernst & Young
- Legal Advisers - Elvinger, Hoss & Prussen

ATTRIBUTE	EDGE
<b>BOUTIQUE FIRM</b>	<ul style="list-style-type: none"> <li>- Access to Specialist investment Funds</li> <li>- Disciplined and Proven Investment Approach</li> <li>- Full Range of Asset Classes</li> <li>- Active Asset Allocation</li> <li>- 9-year Pedigree</li> <li>- Exclusive Strategic Partnerships</li> </ul>
<b>DOMICILE AND FUND STRUCTURE</b>	<ul style="list-style-type: none"> <li>- Fully Regulated in Luxembourg</li> <li>- Simple, Transparent Charging</li> <li>- No Fund of Funds</li> <li>- Daily dealing where possible</li> <li>- Ongoing Monitoring and Due Diligence</li> </ul>
<b>DISTRIBUTOR FOCUSED</b>	<ul style="list-style-type: none"> <li>- Automated Commission Payments</li> <li>- Full Marketing Support</li> <li>- Experienced Field Sales Support</li> <li>- Financial Incentives</li> </ul>
<b>EASY TO DO BUSINESS</b>	<ul style="list-style-type: none"> <li>- Platform Approval – 30 Leading Institutions</li> <li>- Selected Mirror Fund Links</li> </ul>

- VAM Funds contracts “boutique” investment firms not normally available to the retail market
- Investment houses lead by exceptional Chief Investment Officers
- Will normally only take substantial portfolios - \$10+ millions
- Characteristics are disciplined and proven investment approach and excellent long term track records
- Enhanced Investment Products Limited – Hong Kong, FUM \$305 Million as of 31/12/2009 – CEO Tobias Bland

- Founded in 2002 by ex Jardine Fleming Proprietary Team and specialising in Asian Securities. CEO is Tobias Bland
- EIP are well established in the region and have over 50 years combined Asia trading experience
- A Quantitative driven approach and in depth knowledge of Arbitrage and Market Neutral Investments and Diversification between uncorrelated strategies
- Strong focus on Risk Management – In-house ‘EIP Risk Report’ provides daily assessment on Credit, Currency, Interest Rate and Liquidity Risks and overall Stress Tests
- Assets Under Management: \$305M
- 10 employees in Hong Kong

## Investment Overview – Why Asian Bonds?

**Asian, US and European interest rates are currently low** and are likely to remain low for some time as the financial and credit markets continue to recover after the excess borrowing and leverage that has been in the system since 2001.

Asian Banks are highly liquid and they are able to support local companies as they **did not invest in the complex financial products** that contributed to the global financial crisis in other parts of the world.

Asian Fixed Income yields **remain very attractive averaging 6%+ per annum** and Asian countries are not burdened with large debts like the rest of the world which means they are better placed to pay any maturing debts.

Improving global economic conditions should mean that in Asia the refinancing risks also become less which should sustain the corporate bond market. Asian Investment Grade Corporate Bonds **offer value for investors because of their wide spreads over US Treasuries** and the low risk of default and the likelihood to deliver more stable returns in the future.

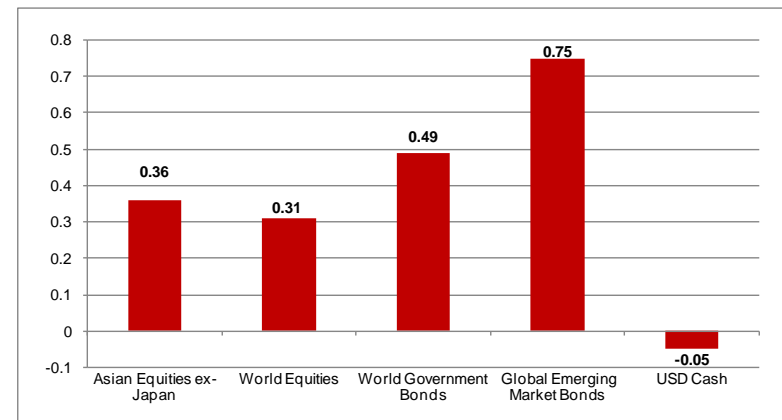
Investment Grade bond spreads are at historic levels indicating that the valuations of investment grade bonds are at very attractive levels. **This offers an attractive investment opportunity for long term** investors as it means they can effectively lock in the current yield levels.

## Strong risk-adjusted returns and diversification against other asset classes

Analysis Period: Dec 2000 – Jan 2009

	Ann Return	Ann Volatility	Risk-reward
HSBC Asian Dollar Bond Index	6.8%	7.4%	0.92
Asian Equities ex Japan	5.9%	23.3%	0.25
World Equities	-1.2%	15.9%	-0.08
World Government Bonds	7.2%	7.5%	0.96
Global Emerging Market Bonds	8.3%	10.3%	0.81
USD Cash	3.1%	n/a	n/a

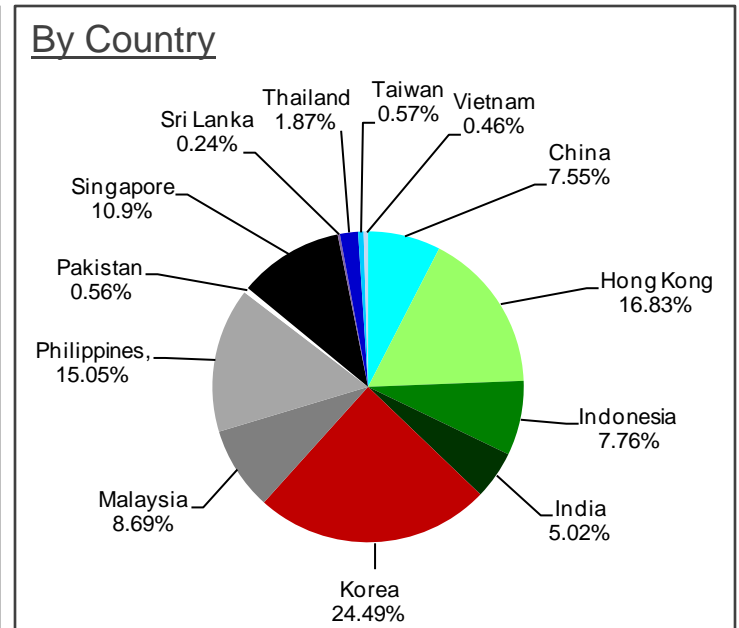
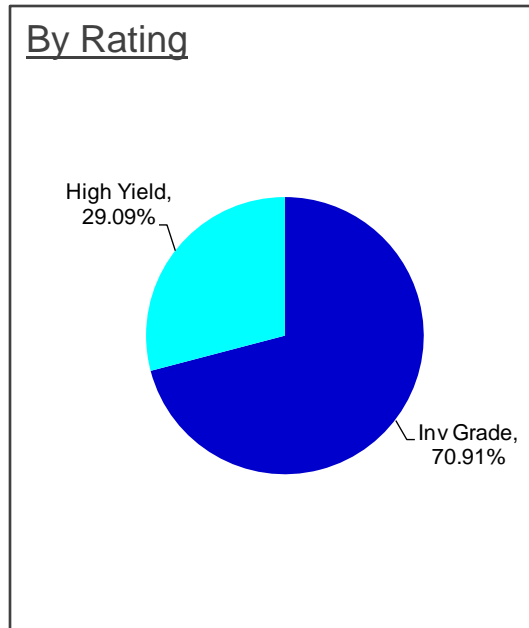
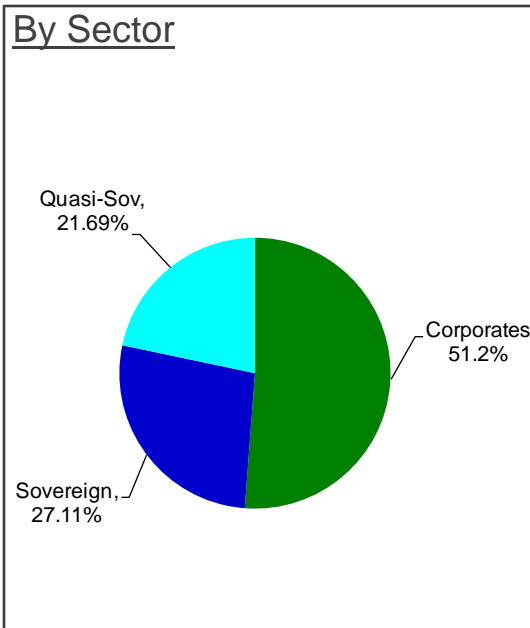
Asian Debt Correlation with Major Indices  
Dec 2000 – Jan 2009



Source: Halbis, Bloomberg; 31 January 2009

Indices: MSCI AC Asia ex-Japan (Asian Equities ex-Japan); MSCI Daily TR Gross World USD (World Equities); Citigroup WGBI All Maturities USD (World Government Bonds); JPMorgan Emerging Markets Bond Index EMBI Global Composite (Global Emerging Market Bonds); BBA LIBOR USD 1 Month (USD cash)

Breakdown of the JP Morgan Asian Credit Index: total market cap of approx. USD143bn



Source: JPMorgan, as at March 2009

- VAM Asia Fixed Income Fund launched 31<sup>st</sup> July 2009
- The Fund seeks to achieve capital appreciation as well as the generation of income through investments in Asian Fixed Income securities
- Investment grade bond yields (BBB and above as rated by S&P) are at historic levels and remain very attractive averaging 6% per annum
- The Fixed Income universe in the Asia region including Japan is currently around 650 with maturity dates ranging from 2-15 years
- The Fund will consist of 20 – 50 names at any one time and is well diversified by issuer, country and sector
- Single Issuer concentration will be 3% for BBB and up to 7% for others, Single Country concentration will be less than 25%
- The Fund will partially or fully hedge interest rate risk exposure to protect against rises
- Target Yield is circa 4% and above - Accumulation or Distribution Classes available – paid out semi-annually
- Fund is available in three currency classes – US\$, GBP and Euro
- Weekly Dealing

Ranked by Country

Name	Maturity	Yield	Country	Coupon	Years to Mat	Duration	Industry	Rating (S&P)	Currency	Market Cap in Billions (USD)	Weights
1 Rio Tinto Ltd - RIOLN 9 05/01/19	May-19	5.7%	Australia	9.000%	9.48	6.62	Basic Materials	BBB+	USD	115.49	5.6%
2 CFS RETAIL PR - CFXAU 5.075 08/21/14	Aug-12	5.9%	Australia	5.075%	2.78	2.55	REITS	A	AUD	4.43	5.7%
3 MACQUARIE GRO - MQGAU 7.3 08/01/14	Aug-14	5.3%	Australia	7.300%	4.73	3.88	Financial	A-	USD	15.47	5.7%
4 SUNCORP-METWA - SUNAU 4 5/8 06/15/13	Jun-13	5.1%	Australia	4.625%	3.60	3.19	Financial	A-	USD	10.80	5.6%
5 China Merchan - CHINAM 7 1/8 06/18/18	Jun-18	5.7%	China	7.125%	8.61	6.29	Financial	BBB	USD	8.34	5.9%
6 Hutchison Wha - HUWHY 7 5/8 04/09/19	Apr-19	5.9%	Hong Kong	7.625%	9.42	6.82	Diversified	A-	USD	30.06	5.5%
7 Swire Pacific - SWIRE 5 1/2 08/19/19	Aug-19	5.6%	Hong Kong	5.500%	9.78	7.40	Diversified	A-	USD	17.16	7.7%
8 Dah Sing Fina - DAHSIN 5.451 08/18/17	Aug-12	7.0%	Hong Kong	5.451%	2.77	2.46	Financial	BBB	USD	1.51	3.1%
9 PCCW-HKT Tele - PCCW 5 1/4 07/20/15	Jul-15	5.5%	Hong Kong	5.250%	5.69	4.77	Financial	BBB	USD	1.64	5.6%
10 ORIX CORP - ORIX 0 06/14/22	Jun-12	7.4%	Japan	-	2.59	2.38	Financial	A-	USD	8.21	5.1%
11 PROMISE CO LT - PROMIS 0 07/24/15	Jul-13	12.1%	Japan	-	3.70	3.38	Financial	BBB-	JPY	1.08	5.3%
12 Petrolia Nas - PETROL 5 1/4 08/12/19	Aug-19	5.2%	Malaysia	5.250%	9.76	7.44	Energy	A-	USD	0.00	5.6%
13 Genting Bhd - GENTMK 5 3/8 09/22/14	Sep-14	4.9%	Malaysia	5.375%	4.87	4.19	Financial	BBB	USD	7.93	5.0%
14 SK ENERGY CO - SKENER 7 06/19/13	Jun-13	5.2%	South Korea	7.000%	3.61	3.07	Energy	BBB	USD	8.97	5.3%
15 GS Holdings C - GSCCOR 5 1/2 04/24/17	Apr-17	6.3%	South Korea	5.500%	7.46	5.92	Energy	BBB	USD	0.00	4.7%
16 Woori Finance - WOORIB 7 02/02/15	Feb-15	5.4%	South Korea	7.000%	5.23	4.25	Financial	A-	USD	0.00	4.6%
17 KT CORP - KOREAT 5 7/8 05/03/16	May-16	5.1%	South Korea	5.875%	6.48	5.29	Communications	A-	USD	8.93	4.3%
18 Korea Electri - KOWEPO 5 1/2 09/29/16	Sep-16	5.7%	South Korea	5.500%	6.89	5.57	Utilities	A	USD	18.64	2.1%
19 GS Holdings C - GSCCOR 6 08/08/16	Aug-16	6.1%	South Korea	6.000%	6.75	5.39	Energy	BBB	USD	0.00	2.8%

# VAM ASIA FIXED INCOME FUND – Portfolio Summary as at 31/12/2009

## Portfolio Statistics

Fund: VAM Asia Fixed Income Fund

<b>Fund Yield (Gross)</b>	<b>4.85%</b>	Average Coupon (annual)	5.46%
Average Bond Yield	5.15%	Average Duration (Yrs)	4.80 Yrs
% Invested - incl. accrued coupons	92.28%	Average Maturity (Yrs)	6.03 Yrs
Fund Size (AUM)	16,500,000	Average Position Size	4.45%
Number of Positions	21		
Sum of position above 5%	62.11%		

## Country Breakdown

Weights % of NAV	USD	0%	20%	40%
------------------	-----	----	-----	-----

Australia	20.10%	3,307,055		
China	4.94%	812,942		
Hong Kong	23.96%	3,942,555		
Japan	4.62%	759,500		
Malaysia	9.36%	1,539,769		
Singapore	5.79%	952,435		
South Korea	23.52%	3,869,707		
<b>Total</b>	<b>92.28%</b>	<b>15,183,963</b>		
<b>Live NAV</b>	<b>100.00%</b>	<b>16,453,645</b>		

## Industry Breakdown

Weights % of NAV	USD	0%	20%	40%
------------------	-----	----	-----	-----

Basic Materials	7.63%	1,255,275		
Communications	9.66%	1,588,743		
Consumer, Cyclical	4.32%	711,253		
Diversified	12.02%	1,977,910		
Energy	16.18%	2,662,772		
Financial	35.71%	5,875,368		
REITS	4.94%	812,221		
Utilities	1.83%	300,422		
<b>Total</b>	<b>92.28%</b>	<b>15,183,963</b>		
<b>Live NAV</b>	<b>100.00%</b>	<b>16,453,645</b>		

## Maturity Distribution

Weights % of NAV	USD	0%	20%	40%
------------------	-----	----	-----	-----

2010	2.53%	416,743		
2012	12.28%	2,020,010		
2013	9.48%	1,559,618		
2014	9.52%	1,565,889		
2015	8.96%	1,474,023		
2016	8.22%	1,352,182		
2017	8.50%	1,398,221		
2018	4.94%	812,942		
2019	27.86%	4,584,334		
<b>Total</b>	<b>92.28%</b>	<b>15,183,963</b>		
<b>Live NAV</b>	<b>100.00%</b>	<b>16,453,645</b>		

## FUND INFORMATION

Supervisory Authority	Commission de Surveillance du Secteur Financier, Luxembourg
Fund Type/Structure	UCITS III open-end, multiple compartment SICAV
Dividends	Dividend can be paid out 6 monthly or accumulated in the investment
Advisory Company	VAM Advisory S.A
Investment Manager	Enhanced Investment Products Limited,
Custodian	VP Bank (Luxembourg) S.A.
Central Administration	VPB Finance
Auditor	Ernst & Young
Legal Advisers	Elvinger, Hoss & Prussen
Fund Size All Share Classes	US\$ 16.47 Million

## DEALING INFORMATION

	GBP	USD	EUR
Bloomberg Ticker	Accumulation – VAFIAGA LX Distribution – VAFIBGI LX	Accumulation – VAFIAUA LX Distribution – VAFIAUI LX	Accumulation – VAFIAEA LX Distribution – VAFIAEI LX
Sedol Code	Accumulation – B3NWLX3 Distribution – B3MF070	Accumulation – B3LXC46 Distribution – B3NWZ42	Accumulation – B3NWMH4 Distribution – B3M0VV6
MEX ID	TBA	TBA	TBA
ISIN	Accumulation – LU0439595819 Distribution – LU0439596973	Accumulation – LU0439595736 Distribution – LU0439596031	Accumulation – LU0439595900 Distribution – LU0439596205
Dealing Day	Weekly	Weekly	Weekly
Current Price	Accumulation – £102.83 Distribution – £102.70	Accumulation – \$101.36 Distribution – \$102.91	Accumulation – €103.23 Distribution – €101.39

Issued by VAM Funds (Lux), an open-ended self-managed SICAV with multiple compartments, incorporated on 11t April 2005, organised in accordance with Part 1 of the Luxembourg Investment Fund Law dated 20 December 2002 (UCITS III).

### **IMPORTANT NOTICE**

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Current tax levels and reliefs may change. Depending on individual circumstances, this may affect investment returns. There is no guarantee that the securities referred to in this document will be held by VAM Funds (Lux) in the future. Please refer to the latest relevant Prospectus and latest Annual and Interim Short Reports for more information. Further information on our products is available using the contact details shown. The distribution and the offering of funds in certain jurisdictions may be restricted by law.

Persons into whose possession this document may come are required to inform themselves about and to comply with any relevant restrictions. This does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. Persons interested in acquiring funds should inform themselves as to (i) the legal requirements in the countries of their nationality, residence, ordinary residence or domicile; (ii) any foreign exchange controls; and (iii) any relevant tax consequences. VAM Funds (Lux) is not registered under any US securities law, and may not be offered or sold in the USA, its territories or possessions, nor to any US persons. VAM Funds (Lux) funds are not offered for sale in any jurisdiction in which they are not authorised to be publicly sold. The funds are available only in jurisdictions where their promotion and sale are permitted. For the purposes of UK law, funds are recognised schemes under section 264 of the Financial Services & Markets Act 2000. The protections provided by the UK regulatory system, for the protection of retail clients, do not apply to offshore investments. Compensation under the UK's Financial Services Compensation Scheme will not be available and UK cancellation rights do not apply. Authorised by the Financial Services Authority in UK.

This document is being provided strictly in confidence and for information purposes only. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. This document may not be reproduced, transferred to any other person or used for any other purpose without the written consent of VAM Funds (Lux). This document is intended for distribution to professional intermediaries and advisers only.

**VAM Funds (Lux)**

26 Avenue de la Liberté

L-1930

Luxembourg

Website: [www.vam-funds.com](http://www.vam-funds.com)

**VAM Marketing Limited**

11th Floor, Tower 1

NeXTeracom Building

Ebene Cybercity

Mauritius

Tel: +230 465 6860

Fax: +230 465 0853

Email: [info@vam-funds.com](mailto:info@vam-funds.com)