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Regulated by the Securities and
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The Asia Pacific Fund, Inc. Investment Outlook & Strategy

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2011 Investment Outlook

Bullish US and Asian equities



- US economy expected to surprise on the upside; Japan/ Europe to grow modestly
- Asian and Emerging nations expected to continue to grow at fast pace
- US and Asian/GEM equities: Barings' preferred asset classes for 2011 at global level
- But volatility is likely to remain high
- Potential macro risks include: accelerating rate of inflation in Asia, EMU/Euro break-up and the US Fed to tighten earlier than currently expected





Global Economic Outlook in 2011

Upside surprise ?



	GDP Growth (%)		
	2009	2010E	2011F
World	-2.3	3.8	3.3
US	-2.6	2.8	3.1
Eurozone	-4.0	1.7	1.7
Japan	-6.3	4.3	1.3
China	9.1	10.0	9.0
Asia ex Japan	5.5	8.9	7.3
Global Emerging	1.3	7.0	5.8

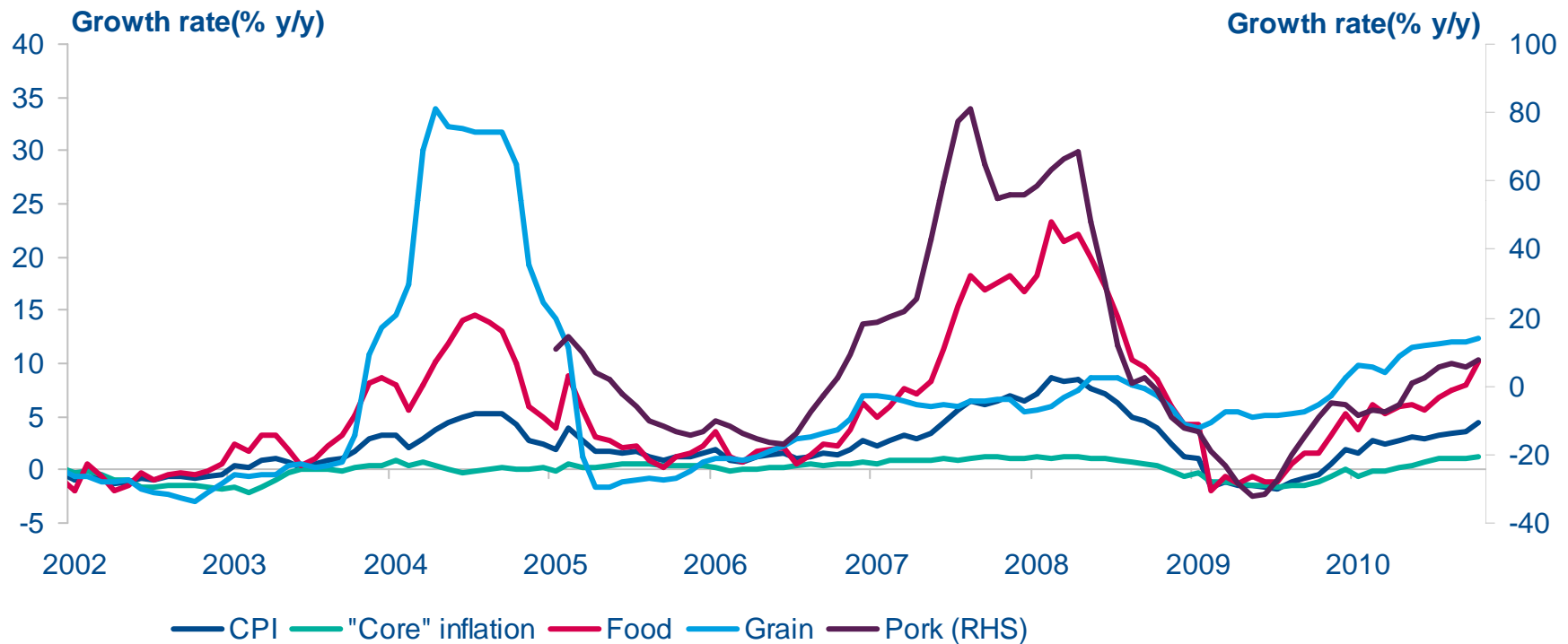
Consensus has been upgrading growth forecasts, underpinned by US economic bounce and robust Asia





China Inflation

To continue to rise moderately ?



Rising food prices still a risk to inflation in China, but not expected to be as alarming as in 2007

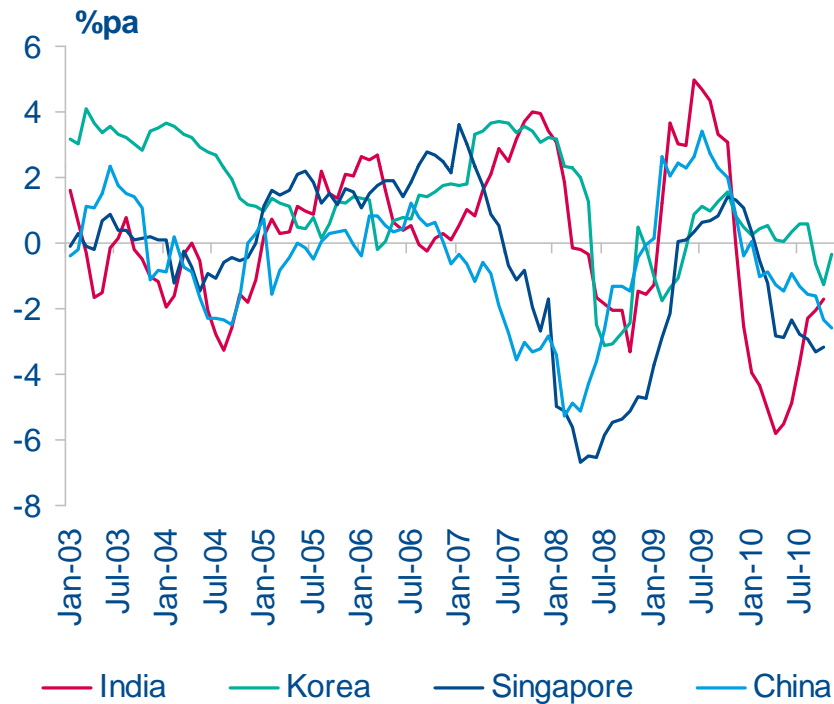




Asian Real Interest Rate

Mostly negative > Bullish for equities ?

Real interest rates



	1-year Government Bond Yield (% p.a.)	Headline CPI Inflation Rate (% yoy)	Real Interest Rate (% p.a.)
China	2.5	5.1	-2.6
India	6.9	8.6	-1.7
Korea	2.9	3.3	-0.3
Hong Kong	0.4	2.5	-2.2
Taiwan	2.1	2.8	-0.7
Singapore	0.3	3.5	-3.2
Indonesia	5.6	6.3	-0.7
Malaysia	2.9	2.0	1.0
Philippines	3.5	3.0	0.5
Thailand	2.1	2.8	-0.7

Note: Latest November data used except India, Hong Kong, Singapore, and Malaysia

Will Asian households continue to leave their excess funds in their bank accounts ?





Asian & Global Equities

Earnings growth forecasts and valuations

Country	P/E (x)		Div. Yield (%)	P/BV (x)	Earnings growth (%)				ROE (%)
	Current Trailing	12m fwd	Current Trailing	Current Trailing	2008	2009	2010E	2011F	2010E
Global *	16.0	12.1	2.4	1.8	-34	+1	+26	+15	14.0
US *	16.7	12.7	1.9	2.2	-31	+2	+36	+15	14.7
Emerging Asia	13.9	12.1	2.4	2.1	-31	+28	+33	+13	16.0

* Market forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using I/B/E/S estimates. US trailing PE is calculated as per reported earnings. For all other markets and sectors, forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using JPM estimates for covered stocks and I/B/E/S estimates for the rest. Companies with different yearends are calendarised to December yearends and are free float adjusted for aggregation. Historical numbers are from MSCI.

Assuming no 'double-dip' scenario in 2011/12, equities continue to offer attractive value at current levels

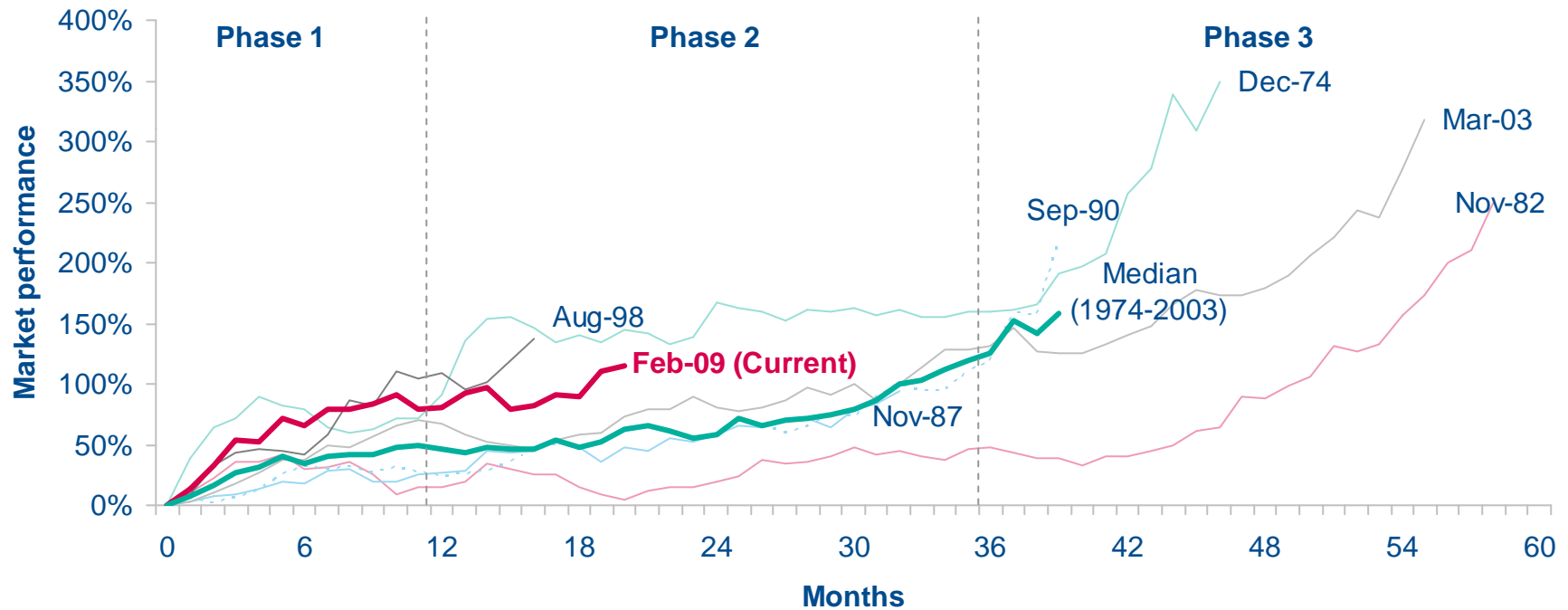




Asian Stock Market Cycle

Strong 2009, modest 2010, strong 2011-12 ?

Asian ex Jap equity markets:
Market performance over whole cycle, from lows to peaks



History suggests that more upside in Asian equities
could be expected in coming 1-2 years





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