



# The Asia Pacific Fund, Inc. Investment Outlook & Strategy

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Regulated by the Securities and  
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# Global Economic Outlook

## Still resilient, for now ....

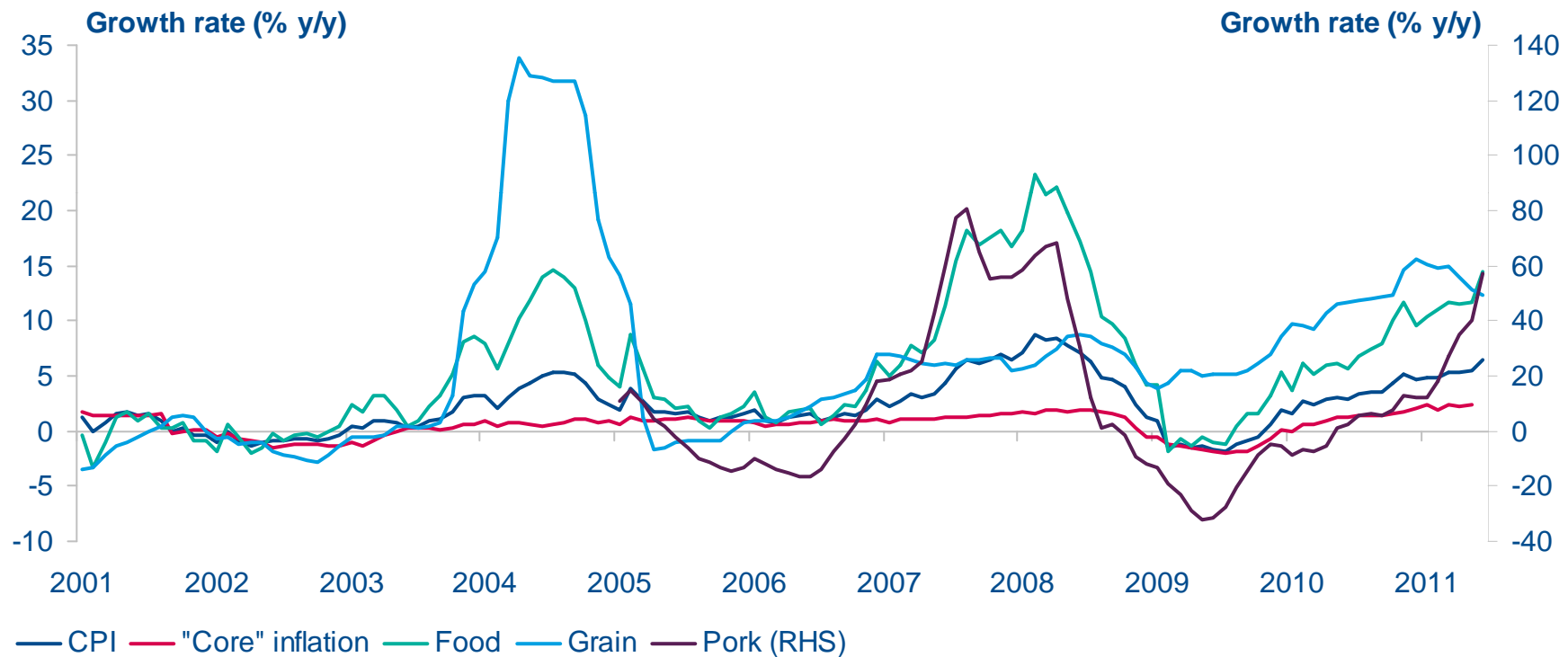


	GDP Growth (%)		
	2010E	2011F	2012F
World	3.9	3.0	3.5
US	2.9	2.4	2.7
Eurozone	1.7	2.1	2.0
Japan	4.0	-0.4	3.5
<b>China</b>	<b>10.3</b>	<b>9.1</b>	<b>9.0</b>
<b>Asia ex Japan</b>	<b>9.1</b>	<b>7.4</b>	<b>7.6</b>
<b>Global Emerging</b>	<b>7.3</b>	<b>6.0</b>	<b>5.9</b>

The above buoyant economic outlook depends on the direction of commodity prices and central banks' policy



# Medium-term Issue: China Inflation Serious or contained issue ?



Rising property prices, food, energy and labour costs continue to present a risk of tighter monetary policy in China

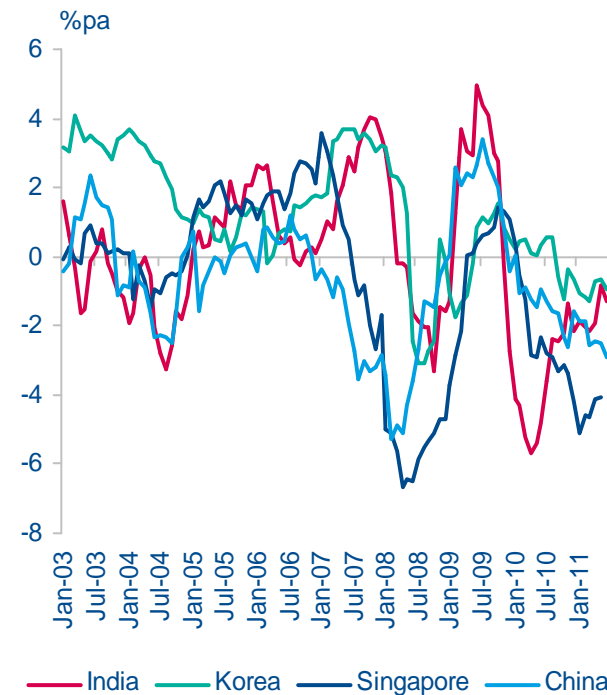




# Asian Real Interest Rate Still negative, or already neutral ?

	1-year Government Bond Yield (% p.a.)	Core CPI Inflation Rate (% yoy)	Real Interest Rate (base on core inflation) (% p.a.)	Headline CPI Inflation Rate (% yoy)	Real Interest Rate (based on headline inflation) (% p.a.)
China	3.5	2.5	1.0	6.4	-2.9
India	8.1	7.2	0.9	9.4	-1.3
Korea	3.4	3.7	-0.2	4.4	-1.0
Hong Kong	0.2	4.4	-4.2	5.3	-5.1
Taiwan	3.3	1.2	2.1	4.1	-0.8
Singapore	0.4	2.1	-1.7	4.5	-4.1
Indonesia	5.3	4.6	0.6	5.5	-0.3
Malaysia	3.0	1.9	1.1	3.3	-0.4
Philippines	3.4	3.3	0.0	4.6	-1.3
Thailand	3.1	2.6	0.5	4.1	-1.0

Real interest rates (based on headline inflation)



Note Latest June 2011 data. May 2011 data used for Hong Kong, Singapore and Malaysia.

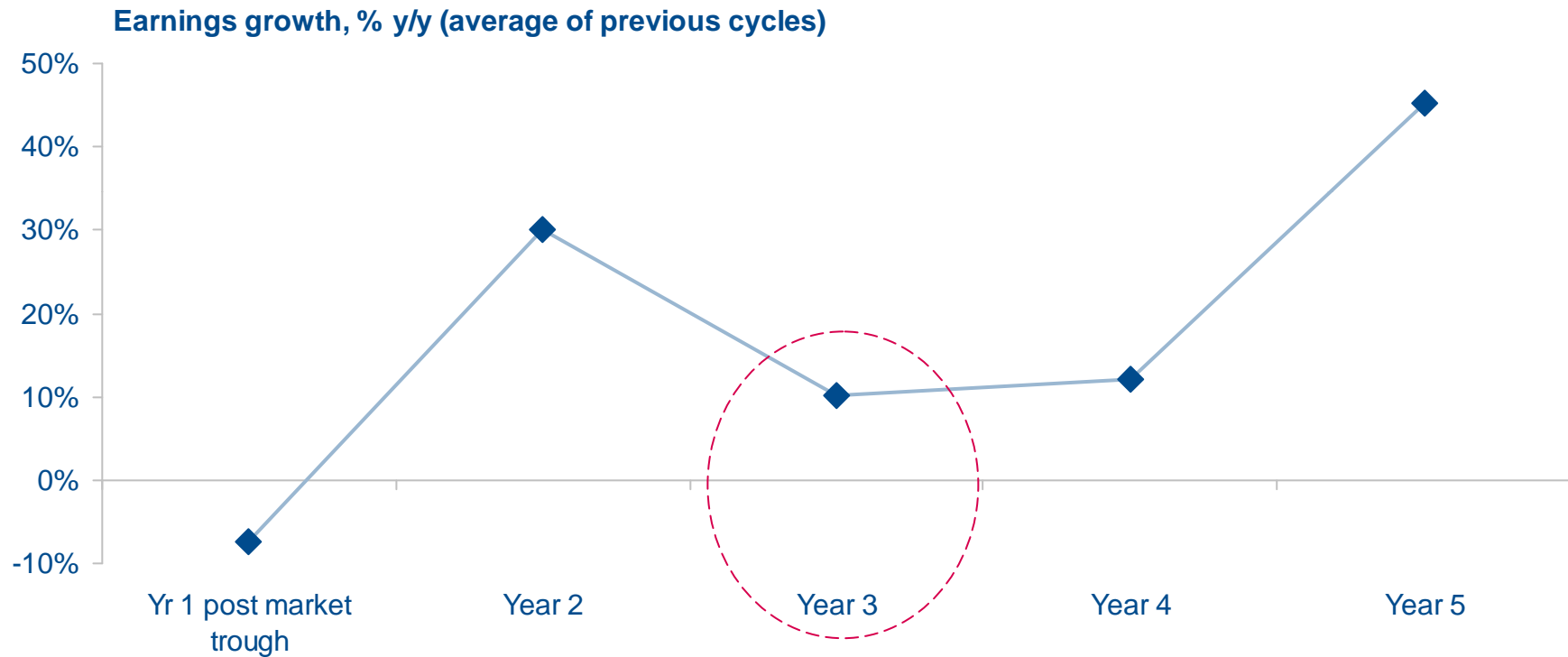
While they are expected to continue to tighten, Asian central banks have already done a fair amount





# Asian Earnings Growth Pattern Through The Cycle

## We are in year 3



Earnings growth in year 3 of the recovery cycle is expected to remain positive, but will decelerate from year 2





# 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	2009	2010E	2011E	2012E	2011E
Global *	14.0	11.9	2.5	1.8	+5	+26	+15	+14	14.2
USA *	15.3	12.9	2.0	2.2	+7	+15	+14	+10	18.0
<b>Emerging Asia</b>	<b>12.9</b>	<b>11.3</b>	<b>2.5</b>	<b>1.9</b>	<b>+31</b>	<b>+33</b>	<b>+15</b>	<b>+15</b>	<b>16.0</b>

\* 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.

The delivery of forecast earnings growth is crucial in determining the direction of markets in 2011-12



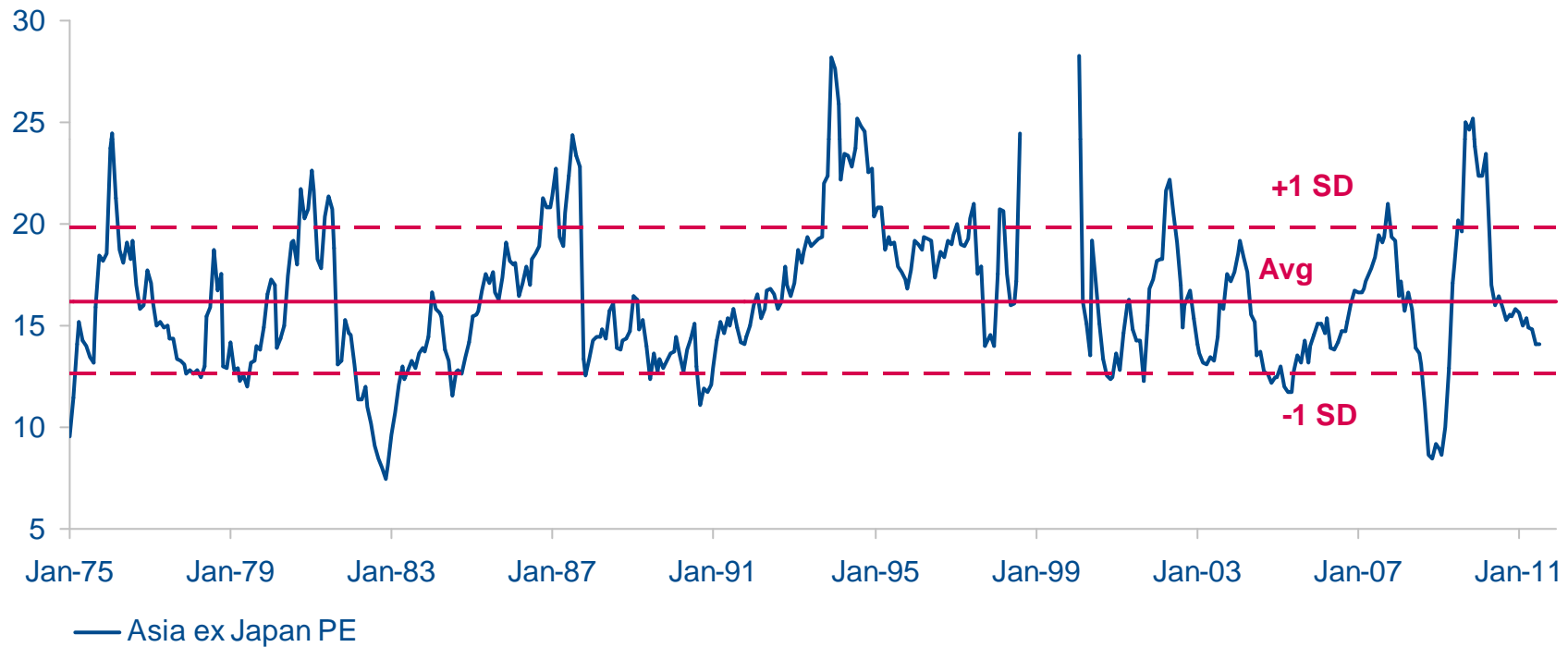


# Asian Equities

## Current valuation versus long-term history



### Asia ex Japan P/E



Slightly cheap versus long-term average



# Asian Equities Relative valuations



### Asia Equity Yield vs US 3-month Treasury yield



Asian equities remain very attractive versus US cash





# Asian Equities

## Share price versus EPS trends



Earnings have made new highs and are expected to rise further, but prices are still lagging behind: room for prices to catch up?





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