

Commentary

Another extremely volatile December quarter for global equity markets ended with muted returns for Asian stocks. The MSCI AC Asia ex-Japan index in local currency terms ended the quarter higher by 3.3%. In Australian dollar terms the index was lower by 2%, representing Australian dollar appreciation. As is well documented, the Australian dollar continues to exhibit extraordinary resilience, rebounding strongly from a weak September quarter. For the full calendar year Asian market relative performance was decidedly mixed. In local currency terms, the MSCI AC Asia ex Japan index declined by 14.6% which was better than the major European indices but lagging major US and Australian indices. In Australian dollar terms, the regional index declined by a clearly disappointing 17.3%. Positive absolute returns are set to return to Asia in 2012.

There were some interesting developments within Asia. The smaller South East Asian markets of Indonesia, Thailand and Philippines have substantially outperformed the region in recent years, and this continued in the December quarter. Foreign investors have favored these markets due to their healthy domestic consumption story, largely immune from the troubles elsewhere in the world. The larger South East Asian market of Singapore has not fared as well and was the second worst performing market. In a surprise move, the Singapore government announced significant punitive measures to control residential property prices, culminating with an unprecedented 10 percent stamp duty on foreign and corporate buyers.

Chinese stocks found some support and slightly outperformed the region for the quarter. After an extended period of monetary policy tightening, the People's Bank of China began its monetary easing cycle in November, cutting the reserve requirement ratio for the banks. Inflation slowed to 4.2% growth in November, significantly slower than in October and below consensus estimates. Easing inflation, coupled with the expected softening of growth, portends a shift in policy from fighting inflation to protecting growth. We expect more monetary policy easing in 2012 which will be bullish for Chinese stock prices. In contrast, India is in a less enviable position. GDP growth for fiscal year ending March 2012 has been lowered to 7.5% from an earlier forecast of 9%. However the Reserve Bank of India hands are tied as inflation threats are not subsiding in tandem with slowing growth. For the quarter, India was the worst performing market by far, declining by 19% in A\$ terms.

Considering the news of North Korea's Kim Jong-il's passing in mid-December, the Korean market showed resilience, slightly outperforming the region. There is some risk that a prolonged struggle for leadership among North Korea's political and military factions could lead to a rise in geopolitical tensions across the Korean peninsula. However these concerns regarding the leadership transition to his young, untested son, Kim Jong-un are mostly overstated.

The fund returned -2.1% for the quarter, inline with the benchmark. Korea continues to be a productive market for the portfolio with a number of Korean holdings delivering strong absolute gains. Specialty chemical company Iljin Materials rebounded strongly from a third quarter sell off; food manufacturer Hyundai Greenfood delivered another healthy quarter; and consumer electronics giant Samsung Electronics rallied 20%. The portfolio benefited from the overweight in China and underweight in India. Stock selection in China however detracted some value, primarily because of one position dairy company, China Mengniu. The stock corrected sharply in December after it was found that a batch of its milk products was contaminated. The company responded well to this development, taking steps to address customers' concerns by confirming that the contaminated products had not been released to consumers, all existing products on the shelves have passed the relevant standards and increasing the sampling rate for both raw milk and finished products from the previous 40-50%. The stock was oversold in the initial knee-jerk reaction to the news but has since partly recovered from its low. Stock selection in Thailand, Philippines and Malaysia added value with notable moves in Robinson Department Stores in Thailand, Thai hospital company Bangkok Dusit Medical, Malaysian property company Malaysian Resources and Philippines infrastructure conglomerate Metro Pacific. The Taiwan market, and a number of the portfolio's Taiwanese holdings, came under pressure ahead of crucial presidential elections in January. The overall underweight to Taiwan offset some of the damage.

Looking ahead, after such a challenging year we remind ourselves that valuations in Asia have only been this cheap on two previous occasions and both occasions were followed by a powerful rally (on average +32% over the next twelve months). That said, 2012 promises to be an eventful year for Asia. For one, there are a number of national and state elections starting with Taiwan in January and followed by India, Korea and likely, Malaysia. China too will see a major political power transition into the next administration and the US will hold its presidential election in late 2012. European problems continue to present a strong challenge for the global economy as the EU struggles to address sovereign debt issues.

In this uncertain environment, it is important to focus on sustainable earnings growth, while casting a strong eye on valuation as a stock barometer. To this end, we remain overweight China and Korea, which are primarily funded from our underweight positions in India and Indonesia. The smaller ASEAN markets topped the charts in Asia again in 2011. We remain overweight Thailand and the Philippines but a word of caution is warranted with regard to Indonesia which is now the most expensive market in Asia. This is not justified in our view and the portfolio remains zero weighted in Indonesia.

Performance as at 31 Dec 2011

Returns	Fund %	Index %	Diff %
1 month	0.96	0.79	0.17
3 months	-2.12	-2.08	-0.04
6 months	-16.50	-14.65	-1.85
1 year	-21.12	-17.32	-3.80
3 years	0.41	5.00	-4.59
5 years	-5.35	-2.67	-2.68
Inception p.a.	0.42	2.51	-2.09

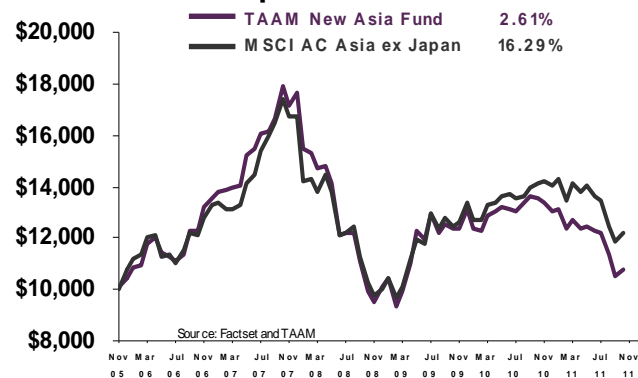
Returns are calculated based on redemption prices, after deducting all fees but before tax and assuming reinvestment of distributions. Past performance is not a reliable indicator of future performance.

* Please note that whilst the inception date was 4 November 2005, the Fund was dormant until 25 November when trading of assets commenced.

Top 10 Holdings

	Fund %
Samsung Electronics Co. Ltd.	5.4
Industrial & Commercial Bank of China Ltd.	3.5
Hyundai Greenfood Co. Ltd.	3.2
BOC Hong Kong (Holdings) Ltd.	3.2
Taiwan Semiconductor Manufacturing Co. Ltd.	3.0
Kunlun Energy Co. Ltd.	3.0
Korea Investment Holdings Co. Ltd.	2.9
Hyundai Glovis Co. Ltd.	2.7
NCsoft Corp.	2.4
China Telecom Corp. Ltd.	2.2
Total	31.5

Performance Graph



*Based on cumulative investment returns net of all fees.

Sector Exposure

Sector Exposure	Fund %	Index %
Consumer Discretionary	11.9	9.9
Consumer Staples	11.3	5.7
Energy	8.0	7.7
Financials	30.6	29.7
Health Care	1.2	0.9
Industrials	14.5	9.8
Information Technology	14.8	18.1
Materials	3.6	7.5
Telecommunication	2.2	6.8
Utilities	-	3.9
Cash	1.9	-
Total	100	100

Fund Details as at 31 Dec 2011

Fund Size	\$56.8M
Number of Holdings	54
Minimum Investment	\$25,000*
Application Price	0.9120
Redemption Price	0.9074
APIR Code	TGP0006AU
Management Fee	1.025% p.a.
Buy/Sell Spread	0.50% total
Performance Fee	10.25% of returns made in excess of the MSCI AC Asia ex Japan provided the return of the Fund is positive.

Country Exposure

Country Exposure	Fund %	Index %
China	26.9	24.9
Hong Kong	10.8	11.1
India	7.1	8.6
Indonesia	-	4.1
Korea	24.6	20.8
Malaysia	3.8	4.9
Philippines	2.2	1.0
Singapore	6.3	6.7
Taiwan	12.4	15.2
Thailand	4.0	2.7
Cash	1.9	-
Total	100	100

Important Information:

While the information contained in this report has been prepared with all reasonable care, Treasury Asset Asia Management Limited ("TAAM") accepts no responsibility or liability for any errors, omissions or misstatements however caused. This information is not personal advice. This advice has been prepared without taking account of your objectives, financial situation or needs. Treasury Group Investment Services Limited ("TIS") is the responsible entity for the TAAM New Asia Fund. Applications can only be made on the form in the current product disclosure statement dated 15 December 2010 for this fund. The product disclosure statement can be obtained by contacting Treasury Asset Management or on www.treasurysia.com.au. Potential investors should consider the product disclosure statement before deciding whether to invest, or continue to invest in the TAAM New Asia Fund. The fact that shares in a particular company may have been mentioned should not be interpreted as a recommendation to buy, sell or hold that stock. Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. Potential investors should seek independent advice as to the suitability of the Fund to their investment needs. The Performance Graph of the TAAM New Asia Fund is based on cumulative investment returns net of all fees, but before tax and assuming reinvestment of distributions of A\$10,000 invested in the Fund since inception of 25 November 2005, relative to the MSCI All Country Asia ex Japan Net Index in A\$. TIS may be contacted by writing to Level 5, 50 Margaret Street, Sydney, NSW, 2000, by fax (02) 8243 0410 or by telephone (02) 8243 0400. TAAM receives an investment management fee of 1.025% per annum of the amount invested in the fund (including GST less the maximum applicable reduced input tax credits), which is the entire management fee, out of which responsible entity fees, investment management costs, ongoing administrative expenses and other fees will be paid. If you would like further information about the performance of the Fund please feel free to contact TAAM. TAAM's contact details can be found at www.treasurysia.com.au, or by telephoning (02) 9270 0300, by fax (02) 9270 0310 or by emailing enquiries@treasurysia.com.au.