

MQ Asset Management

MQ IPO China Gateway Fund



November '08

Strategy description

The MQ IPO China Gateway Fund ("Fund") seeks to provide investors with exposure to returns from the initial public offering of and secondary market trading of securities of companies which have been recently listed. This exposure will be achieved directly by investing in shares or other related financial instruments which are or will be listed predominantly on stock exchanges in Hong Kong, Singapore, Taiwan or the USA, and indirectly by investing in the MQ IPO China Concentrated Core Fund.

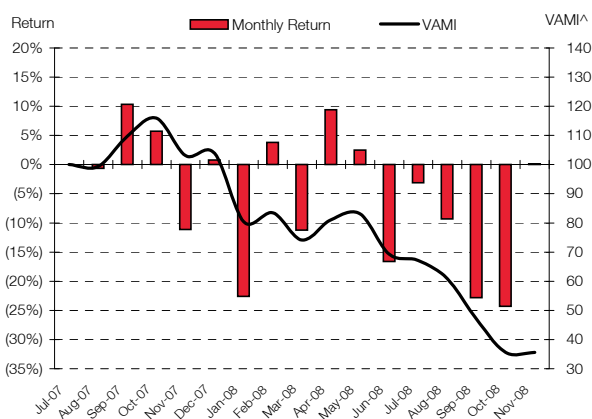
Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	(22.58%)	3.80%	(11.24%)	9.42%	2.48%	(16.61%)	(3.13%)	(9.34%)	(22.79%)	(24.30%)	0.11%		(65.72%)
2007								(0.61%)	10.36%	5.71%	(11.11%)	0.77%	3.86%

Performance summary

Snapshot	
Return Since Inception	(64.40%)
Rolling 90 Day Volatility (as at 28 November 2008)	42.43%
Net Asset Value per Unit (as at 28 November 2008)	US\$ 3.5601

Performance chart



^ VAMI ("Value Added Monthly Index") is an index that tracks the monthly performance of a hypothetical \$100 investment, assuming distributions are reinvested and not taking into account the effect of taxes

Manager commentary

Portfolio

The fund outperformed its closest benchmark by 2.27% with an increase of 0.11% compared to a fall of 2.16% in the FTSE All World Greater China Index. The strong performance was mainly due to over weight positions in infrastructure and consumer related securities. These were major beneficiaries of the stimulus package which aims to maintain China's strong GDP growth.

Amongst a list of strong performers were Asia Cement China, a key beneficiary of the increased spend on infrastructure which was up 68.3% and Xtep International which continued to report strong sporting shoes sales up 50.0%. Underperforming stocks were Value Partners, a fund manager that suffered from retreating markets and redemptions and Galant Venture, a conglomerate that was suffering in a few areas, but particularly in property.

General Market

During the month, the Chinese Government initiated a range of strong fiscal and monetary policies. We view this as a significant stimulus to the Chinese economy and represents positive news for our portfolio as we hold many recently listed railway and consumer stocks which are at the core of the stimulus package.

On 9th Nov, the Chinese Government announced:

1) A stimulus package totalling Rmb4 trillion between 4Q08 and 2010, which includes both fiscal investment and related financing from private sources – this is equivalent to approximately 14% 2008E nominal GDP. Specifically, the major beneficiaries will be infrastructure projects including railway. The fund holds three domestic cement producers, which are likely to benefit from increasing infrastructure spending.

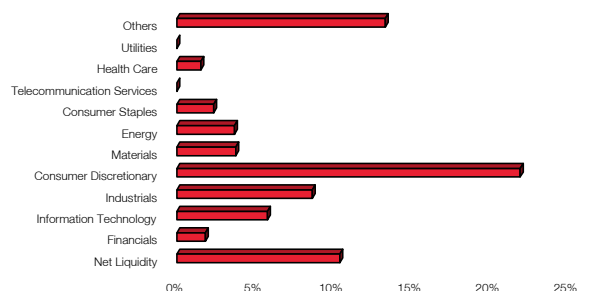
Top five holdings

Holding	Sector	% NAV
Anta Sports	Athletic Footwear	7.0%
Airmedia Group Inc	Advertising Sales	6.0%
Golden Eagle Retail Group	Retail-Regnl Dept Store	4.6%
XTEP International Holdings	Apparel Manufacturers	3.8%
New World Dept Store China	Retail-Major Dept Store	3.7%

General fund information

Inception Date	8 August 2007
Fund Denomination	United States Dollars
Manager	Macquarie Funds Management Hong Kong Limited
Trustee	HSBC Trustee (Cayman) Limited
Minimum Subscription	US\$ 3,000
Subscriptions/Redemptions	Daily
Sales Charge	Up to 5.0%
Management Fee	1.50% per annum
Performance Fee	10% of returns over a 5% p.a. hurdle subject to a high water mark
Domicile	Cayman Islands (umbrella trust)
Website	www.macquarie.com/hk
ISIN	KYG6315E1171
Bloomberg	MQIPOG Equity <GO>

Sector analysis



Source: MQ Portfolio Management Limited (NAV to NAV with income reinvested, if applicable for the relevant period). The MQ IPO China Gateway Fund ("Fund") is authorised by the Securities and Futures Commission ("SFC") in Hong Kong. Such authorisation does not imply official approval or recommendation by the SFC. This report has been prepared by Macquarie Funds Management Hong Kong Limited ("Manager"). This is neither an offer nor solicitation to purchase units in the Fund. Investors should refer to the Fund's Explanatory Memorandum ("EM") for detailed information prior to subscription. Applications for units may only be made on forms of application available with the EM. Past performance is not necessarily a reliable indicator of future performance. Macquarie Group, its employees and officers may act in different, potentially conflicting, roles in providing the financial services referred to in this general advice. The Macquarie Group has conflict of interest policies which aim to manage conflicts of interest. Macquarie will receive remuneration and pay commission to introducing advisers as described in the EM. Investments in the Fund are not deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie") or any Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. None of Macquarie or any other Macquarie Group company guarantees the performance of the Fund, the repayment of capital from the Fund or any particular rate of return. Investments in the Fund may not be suitable for all investors and prospective investors should consult their professional advisers as to suitability, legal, tax and economic consequences of an investment in the Fund. Distribution of this document may be restricted in certain jurisdictions; persons into whose possession this publication comes should inform themselves of and observe such restrictions. This document does not constitute the distribution of any information or the making of any offer or solicitation by anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to distribute such a booklet or make such an offer or solicitation. US persons are not eligible. Potential investors should refer to the risk factors in the EM and note investments in the fund can involve significant risk, in particular, special risks associated with investments in emerging and less developed markets. Performance figures are net of Fund level expenses but do not take into account any sales or redemptions charges or taxes which would reduce an investors overall return. Performance figures reflect the reinvestment of distributions.

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Manager commentary (continued)

2) Efforts to improve the income level of farmers and low income urban population, and to improve the social safety net. Increasing income and welfare will likely benefit a number of retailers and sporting brand owners that the fund holds.

3) The elimination of the credit quota of banks. As banks are able to lend more to enterprises, this will potentially create more wealth through multiple effects. Increasing wealth should also potentially benefit the fund's domestic consumption exposure.

With a record level foreign exchange reserve of US\$1.9trillion¹ resulting from continuous trade surpluses in the past years, we view the portfolio as a whole should be positioned to benefit if GDP growth is positively impacted and the earnings abilities of our holdings will be enhanced.

IPO news

The backlog of new IPOs remains strong and these are likely to come to market either when we see a recovery in listed prices or as the candidate companies realise that the returns on the raised funds have become too compelling in what is an environment where peers are struggling and competition waning. IPO activities typically lag the general market by 6-12 months but as evidenced in 2003 the numbers of new IPO historically have tended to bounce back post a downturn return quickly and in a very large numbers.

This month's performance demonstrates there is renewed appetite for newly listed securities or more specifically their dual characteristics of superior growth and strong financial positions. As the Chinese government is very capable and very determined to stimulate its economy we expect these and further measures to support the broader equity market and especially that of newly listed securities and in time the market for IPOs.

¹as of end of September 2008

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