

MACQUARIE IPO CHINA GATEWAY FUND



FACTSHEET DECEMBER 2010

Fund Strategy

The objective of the Fund is to capture the growth of IPO securities from their offer and during the early stages of listing. The Fund invests in securities that are or will list in Greater China or Singapore or US. IPO securities not listed in Greater China must derive a significant portion of their revenue from Greater China or Singapore. The manager determines the investment portfolio using quantitative and qualitative criteria including market capitalisation, liquidity, size of free float, fundamental value and market diversification.

Highlights

Over the past 2 years, the cumulative performance of the Fund was 138.39%, out-performing the Benchmark by 42.07% and ranking in the first quartile amongst funds registered for sale in Hong Kong in the Lipper Greater China Equity category for performance over this period.[#]

Fund Performance*



Cumulative Performance %*

	1 mth	6 mths	1 yr	2 yrs	3 yrs	Since inception
A1	-3.16%	25.32%	15.46%	138.39%	-8.85%	-5.33%
Benchmark	3.54%	24.11%	15.78%	96.32%	0.52%	18.75%

Calendar Year Performance %*

	2007**	2008	2009	2010
A1	3.86%	-61.76%	106.47%	15.46%
Benchmark	18.13%	-48.80%	69.56%	15.78%

* Past performance is not a reliable indicator of future performance. Performance is quoted post fees for the A1 Class of Units. Performance may vary between Classes of Units.

** Performance is calculated from the Fund's Inception Date, 08/08/2007.

Source: Lipper, a Thomson Reuters Company. Funds registered for sale in Hong Kong in the Greater China Equity category.

Key Contributors

- A pipe manufacturer was up 22% benefiting from supportive government policies on the use of new materials.
- An equipment manufacturer was up 12% on stronger than expected volume delivery and selling prices.
- A recycled paper company that was up 12% on strong demand of recovered paper.

Key Detractors

- An insurance broker fell 20% on negative investor sentiment.
- A sports apparel retailer was down 19% on slowing industry sales data.
- A fashion apparel manufacturer fell 17% on lower than expected quarterly profits.

Source: Lipper, a Thomson Reuters Company. Funds registered for sale in Hong Kong in the Greater China Equity category. As at 31/12/2010. Past performance is not a reliable indicator of future performance.

Important Risk Information

- The Macquarie IPO China Gateway Fund ("Fund") invests in emerging market securities, primarily in the Greater China and Singapore region which are exposed to higher risk of economic, political and regulatory changes that may pose additional risk to the Fund and securities linked to these markets are subject to higher volatility and liquidity risks.
- The Fund may invest in IPO securities - price performance of these securities may be difficult to assess due to lack of trading history.
- The Fund may invest in small and medium sized companies which may be more volatile than large sized companies.
- Investment involves risk which may result in loss of part or entire amount of your investment.
- Investors should refer to the explanatory memorandum for more information about risks. You must ensure that the intermediary who sells it to you has advised you that the fund is suitable for you.

Fund information

Net Asset Value per Unit #	A1 Class 8.689	A2 Class 12.523	A3 Class 100.063
Manager	Macquarie Funds Management Hong Kong Ltd		
Trustee	HSBC Trustee (Cayman) Limited		
Inception Date	A1(USD) 08/08/2007	A2(USD) 01/08/2009	A3(HKD) 20/12/2010
Fund Denomination	United States Dollars		
Funds size # (USD millions)	124.44		
Benchmark	FTSE All World Greater China Index		
Structure	Cayman Islands Domiciled Umbrella Trust		
Liquidity	Daily		

Fund codes and minimum investment amounts

Class of Units	A1 ^	A2	A3
ISIN	KYG5760E1272	KYG5760E1355	KYG5760E1686
Bloomberg	MQIPOG KY	MQIP2A KY	MICHGA3 KY
	Equity	Equity	Equity
Minimum initial subscription	N/A^	USD3,000	HKD10,000
Minimum additional subscription amount	N/A^	USD1,000	HKD5,000

Fund Charges

Initial Charge	Up to 5.0% of Subscription Amount
Management Fee	1.50% per annum
Performance Fee	10% of returns over a 5% p.a. hurdle subject to a high water mark.

Fund Statistics^ *

	1 yr	3 yrs
Annualised Return	15.46%	-3.04%
Annualised Volatility	22.44%	39.38%
Sharpe Ratio	0.64	-0.11
Tracking Error	9.47%	13.16%

^ For Class A1 only. Class A1 is now closed for new subscription. # At 31/12/2010.

* Past performance is not a reliable indicator of future performance.

Portfolio Changes

- The key IPO that the Fund participated in during the month was a large mining equipment manufacturer with a strong competitive position benefiting from the structural growth of the industry. We also participated in the listing of an independently owned upstream oil company with attractive valuation and strong execution track record.
- The Fund also increased its positions in a metal recycler and an auto distributor on increasing demand in the respective end markets.
- To fund the above, the Fund lightened positions in several apparel manufacturers and retailers on slowing industry sales data.

IPO News

- The IPO pipeline moderated towards the end of the year with 6 IPOs of note. The listing day performance of these IPOs were muted with the average listing returning a gain of 0.4% and the range varying from a loss of 5% to a gain of 14%.
- The strong flow of IPOs does not appear to be slowing with 53 listing applications at various stages of approval already at the beginning of the New Year.
- With a strong pipeline and undemanding equity market valuations, we see a good balance between the supply and demand required to attract these listings without overpricing them.

Outlook

- Consensus forecasts for 2011 in China is for another solid year of growth of around 9%.
- Both asset and commodity price inflation have been a main concern for the Chinese government in 2010 and is expected to remain a top priority for the administration in 2011 amid tightness in food and energy markets.
- Policy makers have been addressing these concerns with cautious monetary tightening and other administrative measures. These incremental tightening measures are expected to contain inflation expectations without dampening GDP growth to any material extent.
- The 12th five year plan drives to create an environment for sustainable growth by increasing domestic consumption, social infrastructure and environmental protection. Therefore, the outlook for the year is for solid growth at a slightly lower rate than 2010 which benefited from a cyclical upturn from a low base in 2009.

Characteristics of IPO securities

- Tend to be smaller, faster growing and relatively more volatile than listed peers.
- Having recently raised capital are generally subject to less financial stress, have greater financial flexibility and are better positioned to make accretive investments and acquisitions as a result of capital raisings.
- Are often discounted by the market because they are less researched, less liquid and more volatile.

The Fund aims to exploit these characteristics by holding securities over the medium term to reap potential benefit from listing premium and also post-listing excess return potential.

Top 5 Holdings ^

Company	Sector	Weight
China Qinfu Group Ltd	Energy	5.90%
Real Gold Mining Ltd	Materials	5.39%
Want Want China Holdings Ltd	Consumer Staples	5.20%
Dah Chong Hong Holdings Ltd	Consumer Discretionary	4.68%
China Liansu Group Holdings Ltd	Industrials	4.48%

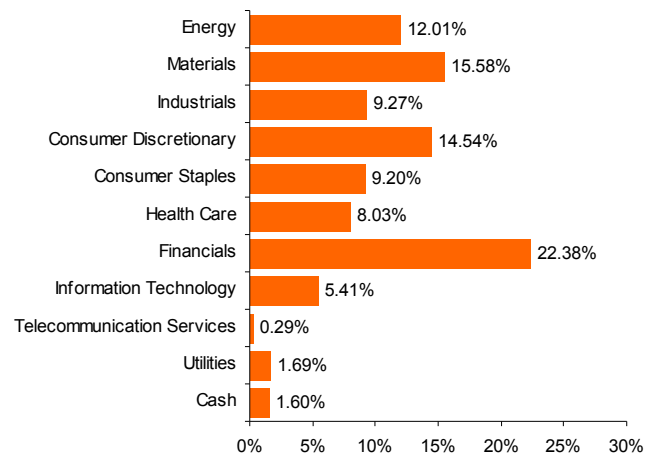
Portfolio Characteristics

	Fund	HSI
Price to Earnings Ratio	12.00	13.15
Price to Operating Cash Flow	11.60	7.80
Earnings per Share Growth	22.40%	17.14%
Dividend Yield	1.90%	2.57%
Net Debt (Cash) to Market Capitalisation	1.50%	11.91%
Return on Equity	20.20%	11.23%

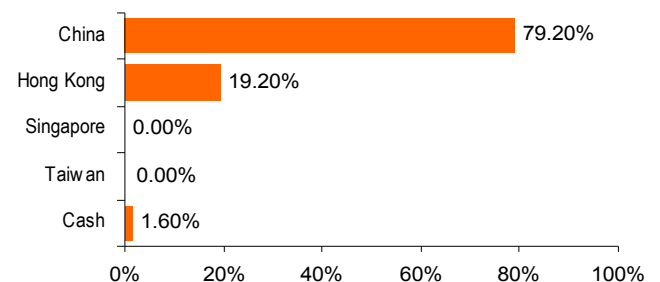
NB. All the above ratios are quoted on a one year forward basis, at 31/12/2010.

- Low price to earnings ratios, yet strong earnings growth indicates future growth prospects are undervalued.
- The relatively high return on equity indicates that management has deployed capital and managed the business well.
- Strong balance sheets illustrate that the companies tend to have the resources to execute on their growth strategies and are less likely to face financial stress or dilute.

Sector Weighting ^



Geographical Weighting ^



^ Positions as at 31/12/2010, positions may vary over time.

Source: Macquarie Funds Management Hong Kong Limited. The Macquarie 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 document has been prepared by Macquarie Funds Management Hong Kong Limited ("Manager"). This document has not been reviewed or authorised by the SFC, and 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. 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 investor's overall return. Performance figures in Class A1 reflect the reinvestment of distributions.

