

# Macquarie Unit Trust Series

Macquarie IPO China Concentrated Core Fund

## MONTHLY REPORT

OCTOBER 2009



### IMPORTANT RISK INFORMATION

- Investing in THE MACQUARIE IPO CHINA CONCENTRATED CORE FUND ("Fund") involves risk. The Fund may not be suitable for all investors. Please refer to the explanatory memorandum for more information about the risks of investing in the Fund.
- THE FUND MAY INVEST IN ANY ONE OR A COMBINATION OF THE FOLLOWING INSTRUMENTS:
  - IPO SECURITIES - price performance may be difficult to assess due to the lack of trading history;
  - EMERGING MARKETS SECURITIES (e.g. THE PRC) – investments in securities linked to these markets are subject to higher volatility and liquidity risks;
  - STRUCTURED PRODUCTS – the Fund may invest not more than 15% of its Net Asset Value in structured products that are not listed or quoted on an exchange or over-the-counter market or other organized securities market. Investment in structured products may be subject to liquidity, volatility and counterparty risks;
  - SMALL COMPANIES SECURITIES - stock prices of small and medium-sized companies may be more volatile than large-sized companies due to lower liquidity, greater sensitivity to changes in economic conditions and greater uncertainty over future growth prospect;
  - FUTURES – the Fund may invest in futures contracts for hedging and other purposes. Given the leverage effect embedded in futures, investments in futures may result in significant losses.
- ANY DECISION TO INVEST IN THIS FUND IS YOURS BUT YOU SHOULD NOT INVEST IN THE FUND UNLESS THE INTERMEDIARY WHO SELLS IT TO YOU HAS ADVISED YOU THAT IT IS SUITABLE FOR YOU AND HAS EXPLAINED WHY, INCLUDING HOW BUYING IT WOULD BE CONSISTENT WITH YOUR INVESTMENT OBJECTIVES.

### HIGHLIGHTS

**12 month returns of 89.2%**, 19.9% ahead of its benchmark, the FTSE All World Greater China Index. Ranked **second quartile** in the Morningstar China Equity Category for the six and twelve month periods.

### FUND PERFORMANCE

	Gross Fund Returns	FTSE All World Greater China Index	Excess Returns
<b>1 Month</b>	3.09%	2.78%	0.31%
<b>3 Months</b>	(3.10%)	4.29%	(7.39%)
<b>6 Months</b>	36.93%	36.11%	0.82%
<b>12 Months</b>	89.15%	69.28%	19.87%
<b>Since Inception (pa)</b>	0.57%	8.10%	(7.53%)

Past performance is not a reliable indicator of future performance

\* For Class A1 only. Includes the effect of the distribution reinvestment.

The Fund was up 3.09% in October, outperformed its benchmark, the FTSE All World Greater China Index by 0.31%. For the 12 months to Oct-2009 the Fund rose 60.0% compared to its benchmark at 61.3%. In the Morningstar survey the Fund in the second quartile over this period ranked 36th of the 96 funds in the China Equity category. Key positive performers included 2 banks that were up 16% and 13% on good profit results, and a coal company that was up 13% on coal price upgrades from brokers. Key detractors included two materials companies that fell 7% and 6% on macro policy changes affecting supply capacity and liquidity squeezes and a sporting goods IPO that fell 4% for the month on concerns of slowing growth in the consumer sector.

### PORTFOLIO UPDATE

	FUND	HSI	HSCEI
<b>Price to Earnings Ratio</b>	11.70%	15.1x	13.8x
<b>Price to Operating Cash Flow</b>	10.50%		
<b>Earnings per Share Growth</b>	32.5%	19.4%	19.1%
<b>Dividend Yield</b>	1.9%	3.0%	2.3%
<b>Net Debt (Cash) to Market Cap.</b>	(4.7%)	14.2%	33.2%
<b>Return on Equity</b>	18.8%	11.6%	14.3%

NB: All the above ratios are quoted on a one year forward basis

The above ratios demonstrate the attractive investment characteristics of IPOs and newly listed securities. The low price to earnings ratios, yet stronger earnings growth demonstrates their future growth prospects are undervalued. The high return on equity indicates that management has deployed capital and managed the business well. Strong balance sheets illustrate that the companies have the resources to execute on their growth strategies and are less likely to face financial stress or dilute.

Source: Macquarie Funds Management Hong Kong Limited. The Macquarie IPO China Concentrated Core 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 reflect the reinvestment of distributions.

### IPO NEWS

October was a busy month for IPOs with eight companies of notable size listing in the month. Post several poor listing performances in September, the demand for these raisings was more muted, especially from retail investors. Nevertheless the initial listing performance of these IPOs varied significantly with the best listing at a 40% premium and the worst a 26% loss. The level of listing activity remains buoyant with a similar number of companies expected to come to the market in November. With the mixed performances of IPOs, the market is becoming more discerning of which IPOs it is investing in and is being more price sensitive. We see this as a positive sign for the near term performance of upcoming issuances, but nevertheless remain disciplined in our participation.

### OUTLOOK

The modest performance of the market in October was a result of strong corporate earnings and economic data being countered by a large series of issuances. Leading indicators suggest that economic data and corporate earnings will continue to improve whilst more discerning approach to participation in capital raisings should dampen this impact. Valuations for both the equity markets and in particular the IPO sector remain modest, especially in the light of the improving economic prospects.

### PORTFOLIO CHANGES

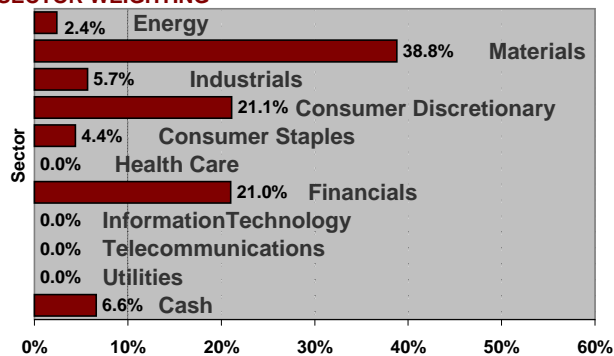
The fund participated in five IPOs over the month. The most significant position of which was put into a Sichuan based iron ore producer that enjoys very low operating costs and ready access to what is the fastest growing steel region in the world. Other IPOs included a gaming company, a cement producer, an on-line services provider and one property trust. In raising funds for these IPOs the fund exited a tyre chord producer and reduced positions in other holdings that did not offer significant valuation discounts.

### TOP 5 HOLDINGS

COMPANY	SECTOR	WEIGHT
China Citic Bank	Financials	7.0%
Bank of China	Financials	6.7%
Real Gold Mining	Materials	6.6%
BBMG Corp	Materials	6.5%
Ind & Comm Bank of China	Financials	6.4%

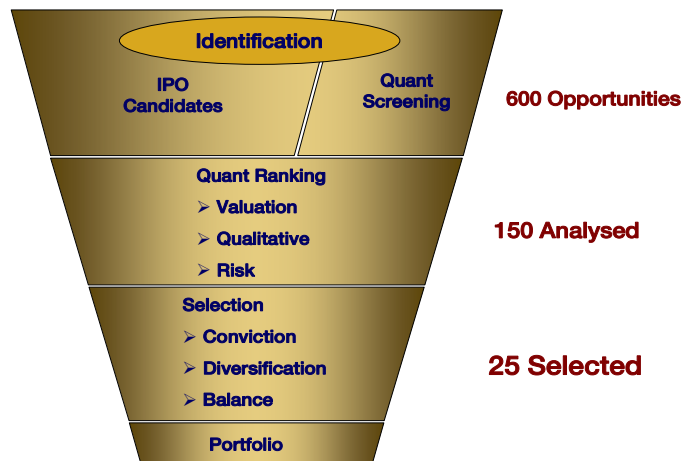
Positions as at 30-Oct-2009, positions may vary over time.

## SECTOR WEIGHTING



Positions as at 31-Oct-2009, positions may vary over time.

## INVESTMENT PROCESS

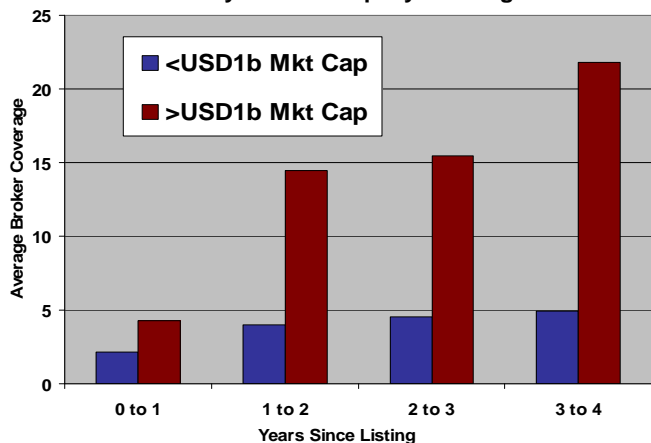


The investment process uses Macquarie's dual strengths of strong quantitative systems and the rigours and disciplines of a rigorous fundamental process. These are ideally suited to the diverse, yet under researched markets to which these securities relate. Quantitative systems are used to focus the analysis in a large investment universe. Thereafter the disciplined rigorous fundamental analysis is applied to a select list of securities with favourable investment attributes in revealing the fundamental characteristics around which more astute investment decisions can be made. Above all Macquarie's competitive advantage is driven by insights generated from more than 400 company visits undertaken each year.

## CHARACTERISTICS OF IPO SECURITIES

Newly listed companies tend to be smaller and faster growing than their listed peers and hence more volatile. As these companies have recently raised capital, they are generally subject to less financial stress or suffer dilutive capital raisings and have greater financial flexibility and are better positioned to make accretive investments and acquisitions. Nevertheless being less researched (see graph below), less liquid and more volatile they tend to be discounted by the market. The fund's approach to investing in IPOs respects these observations in that it generally holds securities for several years therefore collecting any potential benefit from the both listing premium and also the lesser publicised post-listing excess return potential.

### Newly Listed Company Coverage



Source: Bloomberg March 2009, Stock Exchange of Hong Kong listed companies.

## STRATEGY DESCRIPTION

The Fund invests in listed equities with a focus on PRC-related IPO securities principally those listed in Hong Kong, US and Singapore. The manager constructs an investment portfolio consisting of newly listed securities that meet the fund's quantitative and qualitative criteria based on independent research and investment techniques.

## FUND SNAPSHOT

Return Since Inception *	1.50%
Rolling 90 Day Volatility (as at 30 October 2009) *	25.02%
Net Asset Value per Unit (as at 30 October 2009) ** Class A1	USD 10.150
Net Asset Value per Unit (as at 30 October 2009) Class A2	USD 9.670
AUM (as at 30 October 2009)	USD 90.4m

\* For Class A1 only. \*\*Includes the effect of the distribution reinvestment.

## FUND INFORMATION

Inception Date	Class A1 - 08 March 2007
Inception Date	Class A2 - 01 August 2009
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.macquariefunds.com.hk
ISIN - Class A1	KYG5760E1017
ISIN - Class A2	KYG5760E1199
Bloomberg - Class A1	MQIPOC KY Equity
Bloomberg - Class A2	MQIPA2 KY Equity

## MONTHLY RETURNS

2007	Gross Fund Returns	FTSE All World Greater China Index	Excess Return
MARCH	2.76%	4.05%	(1.29%)
APRIL	3.72%	1.88%	1.84%
MAY	0.08%	4.72%	(4.64%)
JUNE	6.75%	8.07%	(1.32%)
JULY	12.33%	7.21%	5.12%
AUGUST	(3.18%)	1.84%	(5.02%)
SEPTEMBER	15.28%	13.77%	1.51%
OCTOBER	8.64%	11.66%	(3.02%)
NOVEMBER	(11.71%)	(9.92%)	(1.79%)
DECEMBER	3.05%	(1.93%)	4.98%
<b>2008</b>			
JANUARY	(21.72%)	(14.77%)	(6.95%)
FEBRUARY	3.39%	7.52%	(4.13%)
MARCH	(12.65%)	(5.33%)	(7.32%)
APRIL	9.74%	9.35%	0.39%
MAY	4.46%	(2.82%)	7.28%
JUNE	(17.42%)	(11.53%)	(5.89%)
JULY	(0.24%)	(1.38%)	1.14%
AUGUST	(7.40%)	(5.17%)	(2.23%)
SEPTEMBER	(21.55%)	(18.86%)	(2.69%)
OCTOBER	(22.01%)	(21.17%)	(0.84%)
NOVEMBER	5.83%	(2.16%)	7.99%
DECEMBER	11.74%	7.26%	4.48%
<b>2009</b>			
JANUARY	(3.37%)	(6.35%)	2.98%
FEBRUARY	(6.27%)	(1.59%)	(4.68%)
MARCH	10.88%	12.25%	(1.37%)
APRIL	16.31%	14.57%	1.74%
MAY	19.85%	17.41%	2.44%
JUNE	4.84%	(0.67%)	5.51%
JULY	12.45%	11.90%	0.55%
AUGUST	(8.02%)	(5.81%)	(2.21%)
SEPTEMBER	2.19%	7.73%	(5.54%)
OCTOBER	3.09%	2.78%	0.31%

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