Imperial Asian Franchise Fund

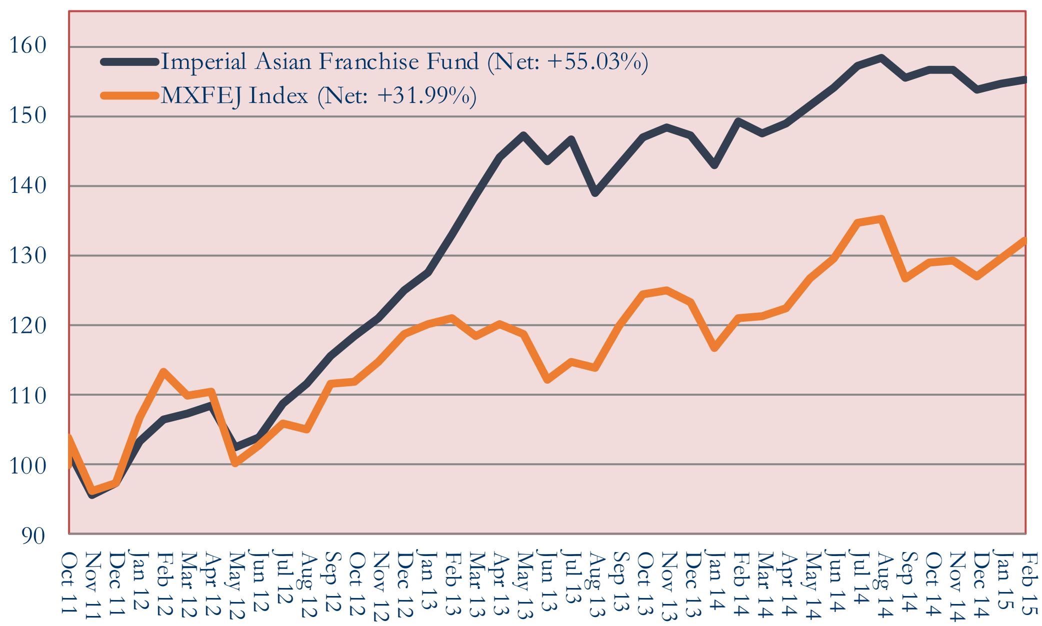
February 2015 Monthly Report

Net Monthly Return (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011										2.12^	-6.51	1.87	-2.74
2012	6.31	2.91	0.75	1.13	-5.55	1.43	4.79	2.53	3.64	2.33	2.13	3.48	28.59
2013	1.99	4.28	4.24	3.96	2.15	-2.60	2.31	-5.25	2.82	2.85	0.97	-0.86	17.69
2014	-2.83	4.25	-1.02	0.84	1.75	1.68	2.02	0.78	-1.84	0.77	0.00	-1.73	4.53
2015	0.46	0.30											0.76

^Performance for period 25/10/2011 to 31/10/2011

MONTHLY PERFORMANCE CHART (Since Inception)



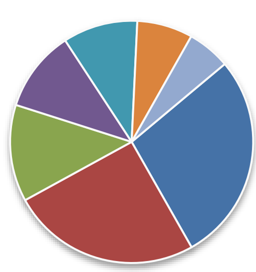
QUANTITATIVE ANALYSIS (Since Incep.)

	Imperial
Number of Positive Months	32
Number of Negative Months	9
% of Profitable Months	78%
Average Perf. (Positive Months)	2.4%
Average Perf. (Negative Months)	-3.1%
Average Monthly Return	1.1%
Monthly Largest Drawdown	-6.5%

PORTFOLIO SNAPSHOT

Beta	0.70
Top Ten Holdings	50.7%

SECTOR BREAKDOWN



- Consumer/ Industrial (27.91%)
- Utility (25.21%)
- Health Care (12.93%)
- Cash (10.86%)
- I.T. (9.95%)
- Telecom (7.41%)
- F&B (5.73%)

FUND OBJECTIVE

This is a high conviction Asia ex-Japan long only equity strategy.

The objective of the Fund is to employ a disciplined investment process to identify companies with durable competitive advantage, particularly intangible assets, and to capture their superior returns as they grow into dominant Asian Franchise operators in the Asia Pacific region.

ESG considerations are embedded in our process to reflect our preference for sustainable enterprises.

PORTFOLIO DETAILS

Total AUM(USD in Mil)#	22.15
# of Positions	23
Weighted Avg. Mkt Cap.($bn)	17.40
Average Volatility %	9.37
VAR 99%	1.38
Sharpe Ratio	0.86

#Includes managed account

FUND DETAILS

Strategy	Long only
Mandate	Asia ex Japan
Mgt. fee	1.38% per annum
Perf. fee	13.8% HWM
Custodian	Bank of China (HK)
Administration	Alter Domus
Auditor	KPMG
Domicile	Cayman Island

CONTACT INFORMATION

21Fl, Suite A,
Kingswell Commercial Tower,
171-173 Lockhart Road,
Wan Chai, Hong Kong

+852 3679 3163

+852 3679 3120

bshaw@imperialcap.com.hk

www.imperialcap.com.hk

Imperial Capital

Imperial Asian Franchise Fund

February 2015 Monthly Report

Portfolio Review

The Fund's February return was quite pedestrian, compared to regional index return of over 2% which was driven primarily by financials and energy shares' rebound, particularly in HK. Our returns were dragged down by lower closing prices of a few of our key holdings and we do not see any fundamental change in the outlook of our other key investments.

We have added a Taiwan upstream IT stock to our portfolio. It is a leading fabless IP vendor in the embedded non-volatile memory segment. 80% of the company's revenue comes from royalty fee that is recurrent in nature, the product commands 100%/50% gross/net margin, and customers become extremely sticky once its IP solution is adopted. Key cost component is engineers and competitive edge is innovation capability. With ample supply of IT talents in Taiwan, we believe the company can maintain its competitive advantage in the next few years, particularly as its NVM technology already has 10 years track record and is the most advanced and cost effective solution in the market place; it would take competing technology at least 5 years to reach the adopted level of our company. Currently, ENVM only accounts for 5% of total market share, and we believe there is significant room for eNVM to grow. Although the company carries some cyclicality being the supplier to customers including Apple (3 chips in iPhone 6) and Qualcomm, the business model and profitability display very strong franchise qualities, similar to our top holdings which have very low capital intensity, high profitability, strong recurrent income base, and a strong moat. We believe coming years are harvest time as eNVM adoption widens, and PEG remains attractive at below 1. The Fund has also participated in the first round of fund raising of a HK listed company that looks set to become the healthcare window of Beijing Enterprise, as a number of Beijing Properties' Directors have joined the Board and four pieces of prime Beijing properties have been injected into the company at pre-rezone price levels. We do not foresee difficulty in rezoning the industrial land to healthcare related usage as the transformation is aligned to the Central government's late 2013 reform policy(http://www.gov.cnzwgk/201309/13content_2487704.htm) encouraging development in the healthcare sector to cater for the aging population. The vehicle provides a unique and rare opportunity to leverage into the development of China's high-end healthcare industry. We believe the share is currently 50% undervalued based on cash on hand and the injected assets, subject to successful rezoning of the properties. We will assess future developments as/when more information are disclosed.

We are concerned about the macro outlook of HK. A weak economy that is pegged to USD currency will be double whammy for HK, when US starts to hike interest rates, and we are starting to see signs of distress, that is compounded by reduced visitors from the Mainland. Notwithstanding our low entry point of HK$10.40, to maintain number of investments discipline and make way for our new investments, we decided to take a small loss and exited our position in HK/China jewellery Chow Tai Fook. We expect stable new store openings in China to drive structural growth story as Chinese invests in gold and diamonds as an investment asset class. Its HK business, which still accounts for half of its earnings, is in the heart of the economic contraction and the free cash flow, though attractive, may not be defendable if the consumption trend continues to spiral lower in HK in the medium term.

(cont'd on next page)

Imperial Capital

Imperial Asian Franchise Fund

February 2015 Monthly Report

Outlook

We expect China to face more macro-economic headwind in the near term; the decisiveness and magnitude of measures to eradicate corruption and reform the economy have surprised many observers including myself, with Xi now being juxtaposed only with the late Mao and Deng. The shake-up has not only suppressed discretionary spending sectors but also prompted significant outflow of capital from both Chinese nationals and foreign investors. To spur consumer demand and maintain reasonable growth, the Yuan has reached a 2 year low, though unlikely to weaken substantially as a senior State Administration of Foreign Exchange official was quoted by the Xinhua News Agency as saying the yuan would remain ‘basically stable’ in 2015. This should help stem any outflow may be related to fear of severe Rmb depreciation and maintain some degree of export competitiveness has to continue to loosen monetary policies. Reduced CAPEX may be the first step towards generating decent shareholders’ return for many China listed companies, particularly SOEs. We will stay invested in Qingdao Haier for its superior quantitative and qualitative franchise qualities and asset injection potential and continue to study other long term investment opportunities in China.

Approximately a quarter of our companies is dependent on China, most of which have fairly inelastic demand or in structural growth phase, and we expected limited negative currency impact even if Rmb weakens to 6.50 level to the dollar. The outlook for the China equity market remains supportive given the loosening monetary environment; there is still plenty of room to cut interest rates and reserve requirement; and the stock market will likely remain the first stop for hot money.

- End -