

# GCA Greater China Fund Limited – May 2006 (-0.58%)

## Fund Manager Profile

•**Manager.** Founded in 1989, Gerken Capital Associates (“GCA”) is a San Francisco based alternative asset fund manager. The firm is a recognized emerging market and emerging manager specialist. The firm has nine investment professionals with twenty plus years of investment experience each and long term affiliation. Lou Gerken, founder and chairman has been active in the emerging markets since the mid-70’s where he began his career as an analyst & portfolio manager with emerging markets leader GT Capital. Since inception, GCA and its Principals have managed/advised \$4.7 billion in AUM representing 22 managers. The Firm currently manages/advises \$1.5 Billion in AUM. Funds are structured as separate share classes of BVI-domiciled GCA Funds Limited. GCA is a Registered Investment Advisor. For additional firm details please refer to [www.gerkencapital.com](http://www.gerkencapital.com).

•**Advisor:** GCA has been professionally affiliated with the Polaris Group for nearly a decade and has appointed it as its Greater China Advisor. Taiwan based Polaris Group (“PG”) is a recognized Greater China’s listed financial services conglomerate offering financial services from banking, stock broking, futures, investment banking, mutual funds and asset management. PG employs over 2,000 employees, has presence through 48 branches in Taiwan and offices in Hong Kong and China. PG has a customer base of over one million with international partnerships with State Street Global Advisors, Merrill Lynch and Schroders. PG has managed AUM of USD \$ 3.8 billion. Since 2002, it has managed an in house proprietary hedge fund portfolio with current AUM of USD \$51 million. PG received Fund House of the Year Award from Asian Investor in 2004.

•**Fund Management:** The Fund management team consists of nineteen investment professionals. Team members include:

### Investments:

Chair, Investment Committee	Lou Gerken*
Fund Portfolio Manager	Hugh McClung*
Chief Investment Officer	Gary Tan*
Chief Strategist	Sean Tseng*
Risk Management	Thomas Huang
Taiwan Investment Desk	Nancy Chen, Peggy Chen, KY Liang
Shanghai Investment Desk	Chen Chu Hsu, Max Lee, Leo Zhang
HK Investment Desk	Albert Lai, Nicole Chien, Derek Ho, James Sa

### Administration & Client Relations:

President & COO	Greg Madding
Chief Financial Officer	Bashir Wada
Dir. Marketing & Sales	Rusty Nagarwalla
Legal & Compliance	Lawrence Jian

\*Investment Committee Members

## Differentiators

- Dedicated “Greater China” footprint (China, HK & Taiwan)
- Absolute return, low volatility, multi-asset strategy
- Equity long/short focus for 2006
- Four-dimensional strategy (capital preservation; alpha; beta and gamma)
- Managed on the ground by established team of investment professionals
- Significant research, trading and risk management commitment
- \$300M in capacity and scalable
- Seasoned team with established track record
- Significant investment by Manager and investor alignment
- Long-term partner affiliation and economic alignment
- Part of the GCA “BRIC” Master Share Class Fund structure

## Summary Data

Actual: Dec 1, 2005 to date

Return Data:	Actual
Monthly Return (%)	-0.58%
YTD Return (%)	+15.74
Best Month (%)	+ 6.25
Worst Month (%)	-0.58
Since Inception Return (%)	+18.78
Av Ann Return (%)	n/m
Risk/Return:	
Gross Exposure (%)	+36.05
Net Exposure (%)	+36.05
Sharpe Ratio (@ 4.84%)	4.77
Av Ann S.D. (%)	7.82
Max Drawdown (%)	-0.58
% Positive Months	83%

## Manager Details

Fund:	GCA Funds Limited BVI International Business Company Regulated under the BVI Mutual Funds Act 1996
B Share Class:	GCA Greater China Fund Limited
Sponsor:	Gerken Capital Associates
Fund Manager:	Gerken Capital Associates Louis C. Gerken, CEO lou@gerkencapital.com Greg Madding, President <a href="mailto:greg@gerkencapital.com">greg@gerkencapital.com</a> Hugh B.L. McClung, MD Greater China hugh@gerkencapital.com 110 Tiburon Blvd., Suite 5 Mill Valley, CA 94941 +1 415 383 1464 <a href="http://www.gerkencapital.com">www.gerkencapital.com</a>
Advisor:	Polaris Investment Management Group <a href="http://www.polaris.com.tw">www.polaris.com.tw</a> Gary Tan, President Equity Derivatives Sean Tseng, EVP Research
Investment Committee:	Lou Gerken, Hugh McClung, Gary Tan, Sean Tseng
Directors of Fund:	Lou Gerken, Hunter Ashby Financial Services Ltd., Salinger Holdings
Contact Person(s):	Valerie Rios, Client Services
Email Address:	Valerie@gerkencapital.com
Telephone Number:	+1 415 383 1464

## Fee and Redemption Structure

Subscription Frequency:	Monthly
Redemption Frequency:	Monthly
Redemption Notification Period:	45 days
Redemption Fee:	3% 1 <sup>st</sup> year; 1% 2 <sup>nd</sup> year, 0% afterwards
Management Fees:	2% p.a.
Performance Fees:	20% p.a.

## Strategy

The Fund’s investment objective is to achieve absolute returns greater than 15% per annum, average annual volatility less than 15% whilst only showing a correlation to public indices of less than 40%. Fund to adhere to best of breed risk control and fund governance practices. Fund will utilize all asset classes (equities, fixed income, derivatives & options and foreign exchange). Assets will be dynamically managed across Greater China. At inception, 70% allocated to the Hong Kong and China markets and 30% to Taiwan. The Fund may also invest in other assets and/or international companies headquartered outside of Greater China where Greater China derived turnover exceeds 40%.

## Fund Details

Investment Style:	Absolute return, low volatility, multi-asset
Investment Geography:	Greater China (Hong Kong, Taiwan, China)
Fund Size (\$mn):	10
Fund Capacity (\$mn):	300
Firm's Total Assets (\$bn):	\$1.5mn (managed/advised)
Inception Date:	December 1, 2005 (Actual)
Bloomberg Code:	GCAGRCH VI
Domicile:	BVI
Base Currency:	USD
Equalization/Share Class:	N/A
Dividend Policy:	None
Hurdle Rate:	No
High Water Mark:	Yes
Maximum Leverage:	2.5:1
Long & Short Maximum:	150% & 100%
Listed on Exchange:	No
Minimum Investment Size:	US\$250,000
Manager Investment	Yes from inception; no withdrawals

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## Service Providers

Prime Broker:	Morgan Stanley
Administrator:	Fortis Prime Fund Solutions (BVI) Limited
Paying Bank:	VP Bank BVI
Auditor:	Deloitte & Touche LLP
BVI Counsel:	Walkers BVI

## Overview and Outlook

**Hong Kong / China Markets:** May proved to be a challenging month for global markets as investors fretted over concerns of rising inflation and the prospect of higher interest rates both in the US and globally. In Hong Kong, the Hang Seng index dropped 4.8% during the month on concerns over US interest rate hikes as well as austerity measures in China to cool down local property markets. The China H share and Red Chip index lost 2.5% and 9.2% respectively during the month. Despite volatile and weak market conditions, the GCA Greater China Fund posted a modest decline of -0.58% for the month which we believe compares favorably against other funds in this space. On the portfolio side, out of 21 trading days in May, we had 10 down days with the bulk of the returns coming from the small/mid cap area.

**Taiwan:** The Taiwan TAIEX index was down 4.5% in May. Turnover stood at USD 88 billion, up from USD 77 billion last month. Foreign investors were net sellers at USD 94 billion compared with a net buying of USD 5.3 billion the month before. The best performing sectors were construction, up 14%, rubber, up 8%; the worst performing sectors were retailing, down 7.2%, textile, down 7.2% and electronics, down 6.3%. Out of 21 trading days in May, we had 9 down days.

In June, the portfolio has been adjusted to reflect trading ideas on discounts on selected stocks and high dividend stocks. We continue to focus on stocks that we believe have good mid term fundamental prospects. Overall, we believe the TAIEX index has strong support around 6000 and resistant level around 6600.

## Performance vs. Key Indices – May' 06

Indices	MTD	YTD	Since Inception (12/05)
GCA Greater China	-0.58%	+15.74%	+18.78%
MSCI World	-1.94%	+7.07%	+9.36%
MSCI Emerging Market	-10.76%	+6.30%	+12.43%
S&P 500	-3.09%	+1.75%	+1.65%

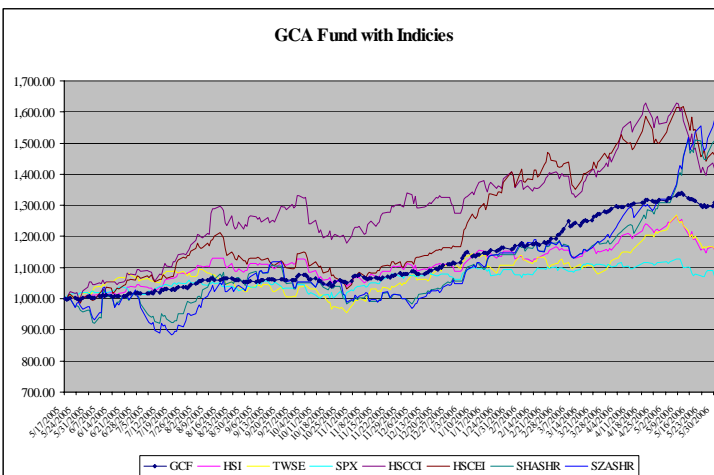
## Portfolio Breakdown

Sector	%	Asset Class	%
Basic Materials	3.43	Equities	36.05
Banking & Finance	5.42	Fixed Income	n/m
Energy	5.29	Derivatives	n/m
Consumer Cyclical	5.31	Foreign Exchange	n/m
Consumer Staple	3.18	Options	n/m
ETF	4.89	Futures	n/m
Technology	8.54	Indexes	n/m
		ETFs	n/m

## Track Record – Monthly

GCAGC/ S&P 500	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	+2.62 -0.10	+2.62 -0.10
2006	+3.61 +2.55	+3.72 +0.05	+6.25 +1.11	+1.96 +1.22	-0.58 -3.09								+15.74 +1.75

**Note: Actual results for Fund (net of fees and expenses); Manager and Advisor related and historical Greater China track records not contained in the table above.**



**HSI** – Hang Seng Index (all companies on HK main exchange)

**TWSE** – Taiwan Stock Exchange Weighted Index

**SPX** – US S&P 500 Index

**HSCCI** – Hang Seng China-Aff Corp Index (Red Chip) – China controlled companies with >30% mainland Chinese shareholders.

**HSCFI** – Hang Seng China Enterprise Index (H – Share) – mainly Chinese registered and/or State Owned Enterprises listed in HK.

**SHASHR** – China Shanghai A Share Index – mainland Chinese companies primarily for investment by local investors.

**SZASHR** – China Shenzhen A Share Index – mainland Chinese companies primarily for investment by local investors.

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