



JARDINE STRATEGIC HOLDINGS

Jardine Strategic Holdings has been a significant holding of the Fund for many years and the Fund's largest investment for over three years.

Its recent 2007 results, marking 175 years since its establishment, showed a very solid increase of 36% in underlying earnings. By 'underlying earnings' we mean the cash earnings generated by the operating businesses. These are the earnings we focus on. The group has a market cap of approx. US\$16 billion, a PE multiple of 12.5 with virtually no debt. Jardines trades at a 36% discount to our minimum valuation of its operating businesses. In our view these underlying companies have outstanding prospects. (Perhaps one way of looking at this discount is that we are getting the whole of Hongkong Land and Mandarin Oriental for free).

The following is a brief overview of the operating activities of the Jardine group.



As a conglomerate Jardines operates in several distinct market segments and geographies, predominantly in the Asian region. Whilst the group operates in a variety of businesses, each requiring a different operating model, the businesses are professionally managed and almost all are market leaders.

Financial strength is a hallmark of the group. Each of the underlying subsidiaries is well financed and performed strongly in 2007, significantly increasing dividends, while also retaining substantial funds for reinvestment back in the respective core businesses.

Whilst Jardines has a long family heritage our observation is that the group is managed very professionally. During the term of the Fund's investment we have witnessed two seamless senior management successions. We believe this is a direct result of the depth of management and the way the group grooms people for senior positions throughout its network of businesses.

From an investment viewpoint we would be happy to own each of the key listed subsidiaries in the Jardines group, but by buying the holding company we are effectively able to buy them at a significant discount to our valuation.

Main Operating Companies in JSH	Underlying Net Profit (US\$m)	Underlying Profit Increase from 2006 (%)	JSH Holding (%)	Net Earnings attributable to JSH (US\$m)
Hongkong Land	345	41	46	159
Dairy Farm	258	22	78	201
Jardine C&C (primary asset is 50% of Astra Int'l)	374	82	65	243
Mandarin Oriental	87	94	75	65
Jardine Matheson (holding co. with 81% ownership stake in JSH & cross-holding by JSH of 53%)	719	36	53	95 (adjusted for crossholding)

Hongkong Land (47%)



www.hkland.com

Hongkong Land (HKL) owns the prime Central commercial portfolio in Hong Kong. Whilst it has increased its development activity and has added significant property developments elsewhere in Asia, its core asset remains this Central portfolio. We are impressed by the company's ability, in a marketing



sense, to maintain Central as a chic stylish space, competitive with other premium areas in Hong Kong.

Overall the company owns 6,378 million square feet of prime real estate: 5,006 million square feet in Hong Kong and the remaining 1,372 million square feet in the rest of Asia (mainly in Singapore).

Rent reviews in commercial property in Hong Kong are generally 'to market' every three years. In this regard we expect positive rental revisions to continue driving growth in rental income over the next two years. It is worth noting that whilst the group's Central portfolio is fully let, rent levels in Hong Kong are only just returning to those achieved prior to the Asia Crisis (though we recognise that the current financial downturn may limit future rental growth).

Our valuation applies a capitalisation rate of 5.5% on current actual rental income. Remember, the HK\$ is pegged to the US\$ with low US interest rates and positive rental reversions over the next two years we believe our valuation is conservative.

In Singapore HKL is developing, in conjunction with two partners, an important new CBD precinct. Substantial pre-leasing commitments have been obtained for this development, which is expected to become the prime central business district in Singapore from 2010.

Furthermore HKL has several development projects, particularly in Macau and China.

Mannings, Guardian, Health and Glow, IKEA, Starmart and Starbucks).



Dairy Farm has had a clear strategic direction and has executed very well against this strategy. As such, it is well positioned for growth, being able to extend from its more mature businesses in Hong Kong and Singapore into the higher growth markets of Southern China, Malaysia and Indonesia. In addition, Dairy Farm has also established small and exciting positions in Vietnam and India, though these will only be significant over a ten-year time frame.

Dairy Farm is a business we love, particularly given its negative working capital. Importantly its PBIT margins-to-sales increased by 20 basis points, at the same time that significant reinvestment has been made back into its businesses. Underlying earnings in the group were US\$258m, up 22%, and recurring dividends were also up 22% (excluding a special dividend of US\$215 million during the year).

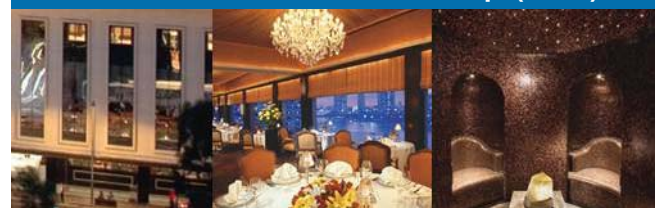
Dairy Farm (78%)



www.dairyfarmgroup.com

Dairy Farm is the leading pan Asian retailer with approx. 4,100 stores in various formats including hypermarkets, supermarkets (Wellcome, Oliver's, Cold Storage, Giant, Shop N Save, Hero and Foodworld), and other specialty formats (7-Eleven,

Mandarin Oriental Hotel Group (74%)



www.mandarin-oriental.com

Whilst we are not particularly attracted to hotels as a sector, the management team of the Mandarin Oriental Hotel Group has done an outstanding job of executing against its strategy. It has successfully transformed its business from what was an iconic Asian brand into a leading global player in the premium hotel segment. Over recent years, management has expanded the group to an initial target of 10,000 rooms (in 39 hotels) by systematically growing its franchise from its core



ownerships of key sites in Hong Kong and London. It is now extending its franchise through management contracts thereby moving toward a more asset light business model. Some facts that might give you an understanding of how the brand is perceived are that over 75% of customers book directly with the hotel group, and high end independent travellers are more than 50% of customers. We find it amazing that the average room rate in New York is over US\$900 a day.

Jardine Cycle and Carriage (65%)



www.jcclgroup.com

Jardine Cycle and Carriage is now primarily a holding company for the group's 50% stake in Indonesia's leading conglomerate, Astra International, and its directly owned motor businesses in Singapore and Malaysia. The Jardine Group invested in Astra at a very opportune time toward the end of the Asian Crisis. Astra has an excellent business franchise in Indonesia, a country which we think has good long term growth prospects. Under Jardine's management, the group has substantially reduced debt and focused back on the core businesses. Astra has excellent businesses and relationships, including joint ventures with Toyota, Honda, Standard Chartered Bank, General Electric and Komatsu. In addition it is a leading palm oil plantation business, owning over 235,000 hectares of plantations.



It also has a growing contract coal mining business. Astra's earnings have recovered strongly along with the economic recovery in Indonesia. Given the company's involvement in primary industries like palm oil and mining, and the inherent cyclicity of

the automotive sector, we expect a degree of volatility in earnings over time.

Other Group Companies

In addition to these companies, the Jardines group operates a range of other business areas. These include construction (through Gammon), a stake in Jardine Lloyd Thompson, and a large position in motor vehicles – through Zung Fu it is the major Mercedes distributor in Hong Kong, Southern China and other Asian countries. It also has joint ventures with Hong Kong Air Cargo Terminal, Jardine Aviation Services Group, Jardine Engineering, Jardine OneSolution, Jardine Property Investment, Jardine Restaurant Group (including franchises with Pizza Hut and Nine to Five), Jardine Schindler, Jardine Shipping Services, Jardine Travel Group and RoomPlus.

Other

Jardines itself is a two tiered holding company with an interlocking shareholder structure. Many have speculated in the past that at some point these holding company structures would come together. We do not expect this to happen any time soon.

We are impressed with the transparency of the group which has improved significantly over recent years. After the announcement of its results, the group has recommenced buying back shares. This is further to their formal tender offer in mid-2007. We fully expect to be an investor in JSH for the very long term.

Further Information

More information can be found at Jardine's website, www.jardines.com.

We recommend you listen to James Riley (Group Finance Director) present the 2007 Annual results at <http://www.jardines.com/share/analyst.html>.