Neutron Asia Absolute Return Fund
Monthly Newsletter (February 2016)

NAV & Returns

Neutron Fund Limited	NAV/Share (HK$)	MoM	YTD	Since Investment
Neutron Asia Absolute Return Fund #("NFA")	1,052.3315	↓ 0.96%	↓ 7.54%	↑ 5.84%

Please note that as of January 1st 2016 the name of the fund has been modified to **Neutron Asia Absolute Return Fund.**

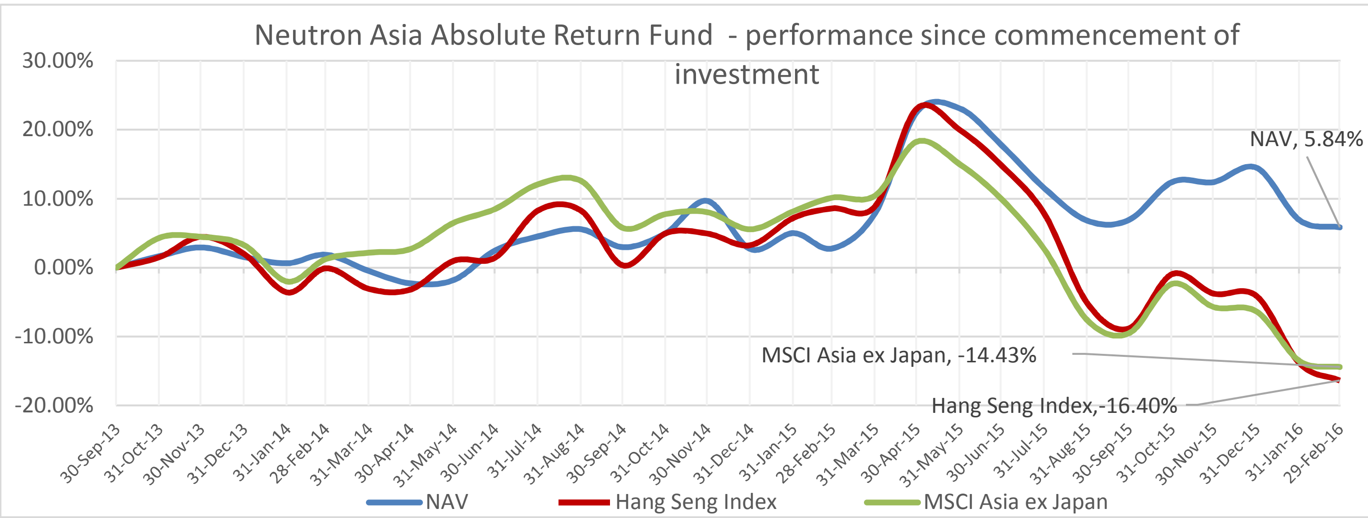
Historical Net Monthly Returns

MoM	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-6.64	-0.96											**-7.54**
2015	+2.26	-2.12	+5.02	+13.59	+0.41	-4.31	-5.33	-4.22	+0.12	+5.14	+0.00	+1.83	**+11.49**
2014	-0.88	+1.23	-2.34	-1.79	+0.49	+4.41	+1.98	+0.98	-2.46	+2.00	+4.43	-6.37	**+1.14**
2013	+11.98	+1.76	+2.87	+6.79	+9.71	-7.19	+2.83	-1.79	+2.08*	+1.68	+1.24	-1.37	**+1.52** **+31.39***
2012	+2.45	+6.61	-4.36	-1.41	-2.89	+1.28	+3.28	+1.30	+0.63	+3.89	+2.11	+4.24	**+16.61**
2011	-3.10	-4.20	+5.57	+0.28	-0.87	-1.56	-1.53	+3.11	+1.29	-3.73	-0.27	-1.10	**-6.11**
2010	-0.72	-0.29	+1.53	+4.44	-2.93	-0.53	+1.81	+3.26	+11.89	+4.23	+0.96	+8.39	**+29.82**
2009	+1.12	+2.88	+3.77	+1.19	+7.92	+1.26	+1.89	-3.40	+0.86	+0.07	+4.22	+6.91	**+28.36**

* Hall Park Capital, the Strategy was previously expressed through Hall Park Capital from January 2009 to September 2013. This was run as a smaller managed account gross of fees.

Fund Information

Investment Objective	The investment objective of Neutron Asia Absolute Return Fund is to focus on but not limited to Asia ex Japan and aims to generate positive returns in all market conditions.		
Investment Style	It is a concentrated portfolio of stock picks employing a fundamental value approach seeking to take advantage of trading opportunities from both the long and the short side.		
Investment Launch Date	2 October 2013	**Domicile**	Cayman Islands
Fund Size	HK$152 million	**Dealing**	Monthly
Administrator & Custodian	DBS Bank Ltd., Hong Kong Branch	**Auditor**	Ernst & Young Limited
Directors	Vincent Leung Patrick Harrigan (Independent) Sean Flynn (Independent)	**Portfolio Manager**	Jonathan Garrick jonathan@bricneutron.com
Management Fee	1.5% p.a.	**Performance Fee**	15% of profits above hurdle



For further information, please visit Bloomberg ticker: BNNEUTA:KY

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The Fund lost -0.96% net of fees in February bringing the NAV at 1052.3315 as of February 29th. In comparison, the Hang Seng Index and HSCEI fell -2.90% and -3.94% respectively.

For the portfolio, February was a more stabilizing month. The fund had finished January with its lowest exposure since August 2015 and in February we began to rebuild. We added seven new long positions over the month and sold out of two existing holdings. On the short side we increased both our single stock shorts and short index futures positions. All the single stock short positions made a positive contribution. On the long side, the performance of individual names was mixed with four companies registering gains against seven with losses. The lion's share of the negative attribution was due to a sharp drop in an internet holding following its 4Q results which curiously beat consensus. We have continued with our more defensive strategy, but have increased both the gross and net exposure over the month. The composition of the portfolio is less concentrated than normal. Our holding size has been reduced and there is focus on liquid names with strong balance sheets and high earnings visibility.

For investors, it remains clear that China's economy continue to falter. The old economy sector is under strain from slowing revenues, oversupply and an increasingly massive debt burden. In this scenario, the major corporate concern is the ability service debt and pay bills. The PBOC recognize this and were determine to avoid a liquidity crunch over the long Chinese New Year holiday (CNY). In a show of intent, the Chinese banks extended a record Rmb 2.51trln (U$385.4bn) of new loans in January far more than the market was expecting. Total social financing increased a massive Rmb 3.42trln (U$525bn) in the first month of the year. To further underline its commitment to a monetary loosening policy, the PBOC reduced the RRR by 50bps on last day of the month. They also addressed the concern over the currency depreciation by stabilizing and indeed strengthening it at the fix after CNY. This looks to be a short term fix giving more time to Chinese corporates to refinance their US dollar debt into Renminbi. One of the reasons for the record financing in January.

Our positioning reflects our current view that the risks out-weigh the potential returns. We remain mindful of the heightened volatility and continue to expect a rough ride this year. In today's market, a $3 change in the price of oil is now a 10% move. It is a similar story for the major equity markets. So far this year, the S&P Index has rallied more than 2% in a day on three occasions. In the whole of 2015 there were only four such occurrences. In 2014 and 2013 there were just two occasions each year. However, in the infamous 2008 there were actually 31 occasions when the S&P rallied over +2% in a day. This is remarkable because in that year the S&P index fell -38% and the Hang Seng Index fell -48%. That was a rough ride indeed. For Asian stocks, redemptions continue to plague equity funds and pressure prices. Liquidity and turnover have reduced dramatically further exaggerating the price action. Unfortunately, investors must face the uncomfortable near term prospect of higher volatility with lower returns. As we enter earnings season, both positioning and sentiment remain bearish. Valuation multiples remain cheap on a historical basis, but the macro headwinds continue to overwhelm much of any micro positivity. We remain cautiously opportunistic for some sectors in the near term and have increased our exposure both on the long and short side. We still have our shopping list and maintain our selective strategy with a focus on structural growth and value with catalyst.

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BRIC NEUTRON ASSET MANAGEMENT LIMITED 尚金資產管理有限公司

Investment Manager: BRIC Neutron Asset Management Limited
Tel: (852) 2810 5338 **Fax:** (852) 2810 5700
Address: Suite 3601, 36th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong