



Metrica Asia Event Driven Master Fund June 2017 Inaugural Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

17th July 2017

Message from the CIO

I am delighted to present Metrica's first-ever newsletter and performance update.

Metrica Asia Event Driven Master Fund finished its first month of trading in positive territory, with the Class B NAV per share up 21 basis points.

The bulk of June performance was generated by the holding company strategy (Table 1), where one of our Japanese names had a large move mid-month on positive news. The same position was also responsible for the large contribution of Japan to the country-level performance attribution (Table 2).

Table 1: Performance Attribution by Strategy

	%
Holding Company	0.20
Event Driven	0.02
Share Class	-0.01
Total	0.21

Market Comments

This month the following situations were of interest:

- Panasonic successfully completed its offer for subsidiary Panahome with 80.1% of shares at ¥1,200/share after having to revise its offer when its previous share swap agreement at

Table 2: Performance Attribution by Country

	%
Japan	0.17
Hong Kong	0.07
Australia	0.01
China	0.01
Korea	0.00
Singapore	-0.01
Malaysia	-0.02
India	-0.02
Total	0.21

the ratio of 0.8:1 (implied price ¥1,009/share) made in December was deemed too low by some shareholders. The improvement in terms was a positive development for corporate governance in Japan and bodes well for future transactions.

- A friendly counter-bid by RMB Capital for Nippon Columbia at ¥790/share however did not result in the same outcome as shareholders instead chose to vote in favour of the original merger with Faith at a share swap ratio of 0.59:1 (implying a price of ¥712/sh).
- We continue to see privatization proposals by various parties including parent companies, private equity firms and company manage-

ments. Namely, New World Development's US \$432 million privatization of its subsidiary New World Department Store was announced at a 4.7% premium whilst private equity firm KKR announced a non-binding indicative bid for Vocus Group at a premium of 22.4% worth US \$1.7 billion.

- The chairman of Bloomage BioTechnology announced a US \$761 million scheme of arrangement to take the company private at a 14.0% premium.
- Tabcorp Holdings obtained approval from the Australian Competition Tribunal for its proposed merger with Tatts Group Ltd. However this decision is being contested by the Australian Competition and Consumer Commission.

We are also monitoring a number of situations which may lead to trading opportunities:

- Global Logistic Properties accepted a \$12 billion takeover offer from a management-backed consortium that includes private equity firms Hillhouse Capital and Hopu Investment.
- COSCO group has just announced a \$6.3 billion takeover of Orient Overseas.
- OCBC and Great Eastern have agreed to sell their stakes in United Engineers to an investor group led by Yanlord Land, triggering a \$1.3 billion general cash offer for the remainder of the company.
- Idemitsu intends to raise ¥138.5 billion from a public share sale as preparation for a merger with Showa Shell. However, the founding family of Idemitsu is filing an injunction to block the sale.

Overall the level of corporate actions remains healthy and we are tracking 50 announced M&A deals in Asia of which 31 are trading at a discount to terms of 5.7% on average.

Among the holding company universe, we are tracking 419 names, of which 207 are trading at a discount to the value of their listed stakes averaging 29.0%.

The share class space was mostly quiet this month although the premium of China A-shares

over H-shares (as measured by the Hang Seng AH Premium Index) gained 5.3 points to +27.4% which is an 11-month high on a closing price basis.

Portfolio Comments

Table 3 shows a breakdown of the fund's positions by strategy, including hedges. In general the goal is for a roughly even split between the three strategies, but the current lower weighting of share class positions reflects the relative lack of opportunities in this space.

Table 3: Number of Long and Short Positions

	Long	Short	Total
Event Driven	15	7	22
Holding Company	10	14	24
Share Class	5	6	11
Total	30	27	57

Table 4 shows the fund's portfolio-level and top-10 position exposures. All positions are currently equity or equity-related.

Table 4: Portfolio-Level Exposures (% of NAV)

	Long	Short	Gross	Net
All Positions	64.6	62.1	126.7	2.5
Top 10 Long	38.2	0.0	38.2	38.2
Top 10 Short	0.0	39.1	39.1	-39.1

By strategy, the fund's largest gross exposure is allocated to holding companies (Table 5). On a net basis, the small positive exposure is primarily coming from event-driven positions, and the holding company and share class strategies have nets close to zero.

Table 5: Exposures By Strategy (% of NAV)

	Long	Short	Gross	Net
Ev. Driven	21.9	14.4	36.4	7.5
H. Company	33.3	35.0	68.3	-1.7
Sh. Class	9.3	12.7	22.0	-3.4
Total	64.6	62.1	126.7	2.5

The country breakdown (Table 6) shows how the fund is most exposed on a gross basis to Japan and India, with Australia and Korea following closely behind. Looking at nets, most countries have close to zero exposure, with any outliers primarily the result of single-country event-driven positions or cross-border holding company / share class trades.

Table 6: Exposures By Country (% of NAV)

	Long	Short	Gross	Net
Australia	8.8	11.9	20.7	-3.1
China	0.0	4.8	4.8	-4.8
Hong Kong	9.6	1.9	11.6	7.7
India	10.4	13.0	23.4	-2.6
Japan	13.9	12.6	26.5	1.3
Korea	8.7	15.6	24.3	-6.9
Malaysia	8.8	0.0	8.8	8.8
Singapore	4.5	0.0	4.5	4.5
UK	0.0	2.3	2.3	-2.3
Total	64.6	62.1	126.7	2.5

Table 7 on the following page shows the sector breakdown. Although some of the sectors show non-zero net figures, in principle the fund's trades are structured so as to avoid significant net exposures to individual sectors, and therefore the outliers in this table are primarily driven by the idiosyncrasies of the GICS classification system.

The market capitalisation breakdown (Table 8 on the next page) shows how the portfolio is skewed towards smaller capitalisation names on the long side, with a bias towards larger names on the short side. Much of this bias results from positions in smaller-capitalisation companies which own stakes in much larger companies — therefore on a hedged basis the market capitalization factor exposure is much smaller than it appears.

Final Words

Successful completion of the first month of trading is a significant milestone for a new fund, and it is particularly pleasing to be able to end the month on a positive note. I would like to thank the team for their hard work during the pre-launch phase, as well as highlight the efforts of our service providers in helping us get ready for our launch date. On behalf of Metrica, I would also like to express our

gratitude to the fund's independent directors for their invaluable advice along the way.

We are well on the way to building an institutional-quality fund management company. We have an excellent team supported by first-class technology and service providers. I am excited about the opportunity set for our strategy and am confident that over the next few months we will be able to showcase the advantages of our stable, time-tested investment process. Thank you once again for your support.

Damian L. Edwards, CFA

Fund Overview

Investment Strategy

Metrica Asia Event Driven Master Fund aims to generate low-volatility, market-neutral returns by investing in event-driven and relative value trading opportunities primarily in Asian equity markets. The fund's positions are categorised as:

1. Event-driven: securities affected by announced corporate actions
2. Holding company: securities with significant value deriving from ownership links to other listed securities
3. Share class: multiple securities issued by the same entity

CIO Background

Damian L. Edwards, CFA, has 19 years' experience in the finance industry in Asia, of which 13 years have been spent in investment management roles. Most recently Damian was Managing Director and Head of Event-Driven Trading in the Discretionary Capital Group of Royal Bank of Canada, where he built a pan-Asian event-driven and relative value equity trading business. Prior to that Damian was a Portfolio Manager in the Strategic Investment Group of Morgan Stanley, where he managed a pan-Asian event-driven and relative value multi-asset class trading book as part of the global proprietary trading group. Damian has an MBA from London Business School, and an MA in Computer Science and Law from the University of Cambridge.

Table 7: Exposures By GICS Sector (% of NAV)

	Long	Short	Gross	Net
Energy	0.6	0.0	0.6	0.6
Materials	9.8	4.7	14.6	5.1
Industrials	8.3	2.8	11.1	5.6
Consumer Discretionary	10.6	10.2	20.9	0.4
Consumer Staples	5.6	5.6	11.1	-0.0
Financials	20.2	21.2	41.4	-0.9
Information Technology	7.8	6.9	14.6	0.9
Real Estate	1.6	10.7	12.4	-9.1
Total	64.6	62.1	126.7	2.5

Table 8: Exposures By Market Capitalisation (% of NAV)

	Long	Short	Gross	Net
Market Cap < \$300 million	36.7	0.1	36.8	36.6
\$300 million <= Market Cap < \$1 billion	15.6	12.2	27.8	3.4
\$1 billion <= Market Cap < \$5 billion	8.6	24.8	33.4	-16.3
Market Cap >= \$5 billion	3.7	23.9	27.6	-20.2
N/A	0.0	1.0	1.0	-1.0
Total	64.6	62.1	126.7	2.5

Service Providers

<i>Prime Broker</i>	Morgan Stanley
<i>Administrator</i>	SS&C Technologies
<i>Legal</i>	Rajah & Tann, Dechert, Walkers
<i>Audit & tax</i>	PwC
<i>Compliance</i>	ComplianceAsia
<i>Technology</i>	Enfusion, Eze Castle

rica Asia Event Driven Feeder One which is a Cayman-domiciled entity suitable for non-US and US non-taxable investors. Both entities are managed by Metrica Partners Pte. Ltd., a firm regulated by the Monetary Authority of Singapore as a Registered Fund Management Company.

Terms

Minimum Investment US \$1 million (subject to directors' discretion)

Management / Performance Fee Class A 1.5% and 15%; Class B 1.0% and 10%. High water mark applies.

Liquidity Monthly redemption with 45 days' notice. 3% fee if redeeming within first year.

Legal Structure Metrica Asia Event Driven Master Fund is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Investment into the Master Fund may be made through Met-

Investor Relations

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Metrica Partners is a member of the Alternative Investment Management Association.

Important Notice

Please consider the investment objectives, risks, charges and expenses of Metrica Asia Event Driven Master Fund ("the Fund") carefully before investing. The prospectus for the Fund contains this and other information and can be obtained by contacting us at the address above. Please read the prospectus of the Fund carefully before investing.

Past performance is not indicative of future returns.

An investment in the Fund may be deemed speculative and involves significant risk. It is designed only for experienced and sophisticated persons who are able to bear the risk of the substantial or total impairment or loss of their investment in the Fund. Investors should understand such risks and have the financial ability and willingness to accept such risks for an extended period of time. The Fund is not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

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