



## Metrica Asia Event Driven Master Fund July 2017 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

17th August 2017

### Message from the CIO

Welcome to our second newsletter and performance update. It was a solid month for the fund with the Class B NAV per share<sup>1</sup> up 2.92%, bringing inception-to-date (two months) returns to 3.14% (Table 3 on the following page).

All three strategies were up, with holding companies again the main driver of performance (Table 1). One of our Malaysia names contributed 1.40 percentage points including hedges to July's return after news appeared about a potential asset sale. The same position was also responsible for the large contribution of Malaysia to the country-level performance breakdown (Table 2).

Table 1: Performance Attribution by Strategy

	%
Holding Company	2.25
Share Class	0.34
Event Driven	0.34
Total	2.92

<sup>1</sup>All performance measures are with reference to our feeder fund(s).

Table 2: Performance Attribution by Country

	%
Malaysia	1.42
Japan	0.72
Australia	0.38
Hong Kong	0.29
China	0.23
Korea	0.22
Thailand	-0.01
Singapore	-0.07
India	-0.27
Total	2.92

### Market Comments

July was an atypically busy summer month, bringing with it a number of interesting situations in our space:

- Alps Electric in Japan announced a US\$1.3 billion share swap for its 40%-owned subsidiary Alpine Electronics at a 29% premium. The deal has a very long timeline of over 1.5 years as Alps intends to restructure into a holding company prior to the merger. The transaction may generate some interest from activist funds along the lines of the PanaHome deal as Alpine Electronics is similarly a cash-rich company.
- COSCO Shipping launched a US\$6.3 billion

Table 3: Net Monthly Performance Since Inception - Class B (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017						0.21	2.92						3.14

pre-conditional voluntary general offer for Orient Overseas International in Hong Kong at a premium of 38%. The deal is long-dated and subject to approvals from global competition regulators as well as the Committee on Foreign Investment in the United States.

- After several months of negotiations, a consortium of investors including Hillhouse Capital Management announced a US\$12 billion takeover for Global Logistic Properties in Singapore at a staggering 92% premium to the undisturbed price.
- United Engineers in Singapore is subject to a US\$1.2 billion general offer after a consortium including Yanlord Commercial acquired a 33% stake from OCBC Bank and Great Eastern Holdings. Oxley Holdings in Singapore has bought a 9% stake in United Engineers on market post the announcement - their motives are as yet unclear.
- Asia Pacific Data Centre Group in Australia (US\$172 million) is subject to takeover interest from two competing bidders.
- The spread on the US\$1b CWT deal in Singapore widened back to pre-announcement levels after acquirer HNA Group was said to face questions from its main lenders. The deal is also subject to wider concerns about China's increased scrutiny of its serial acquirers of overseas assets.

We also saw abandoned or postponed transactions in the following: Eighteenth Bank and Fukuoka Bank in Japan, Tower Ltd in New Zealand, M1 Ltd in Singapore and Fairfax Media in Australia.

Overall the number of live corporate actions has fallen slightly month-on-month and we are now tracking 43 announced M&A deals in Asia of which 28 are trading at a discount to terms of 5.7% on average.

Among the holding company universe, we are tracking 424 names, of which 219 are trading at a discount to the value of their listed stakes averaging 28.4%.

The share class space was little changed this month with the premium of China A-shares over H-shares (as measured by the Hang Seng AH Premium Index) roughly flat.

## Portfolio Comments

Table 4 shows the fund's positions by strategy, including hedges. The portfolio is more diversified compared to June in terms of number of positions, although the weighting of share class names is still below our target of one-third.

Table 4: Number of Long and Short Positions

	Long	Short	Total
Event Driven	16	7	23
Holding Company	13	24	37
Share Class	6	6	12
Total	35	37	72

Gross and net exposures are both higher (Table 5), with most of the increase driven by the event-driven strategy (Table 6 on the next page). Holding company gross exposure is actually down this month due to a reduction of our best-performing trades in line with our risk-management discipline.

Table 5: Portfolio-Level Exposures (% of NAV)

	Long	Short	Gross	Net
All Positions	83.9	61.0	145.0	22.9
Top 10 Long	48.5	0.0	48.5	48.5
Top 10 Short	0.0	39.4	39.4	-39.4

The country exposure breakdown (Table 7 on the following page) shows how Japan continues

Table 6: Exposures By Strategy (% of NAV)

	Long	Short	Gross	Net
Ev. Driven	39.9	19.2	59.2	20.7
H. Company	32.2	27.0	59.2	5.2
Sh. Class	11.8	14.8	26.6	-3.1
Total	83.9	61.0	145.0	22.9

to represent the largest source of gross exposure, with Australia now taking the number two position. India is number three although the local securities regulator's unexpected and sudden ban on most forms of synthetic access to listed derivatives prompted us to reduce our exposure and rework some of our hedges. India is however still a core focus for our strategy and we are applying for our own registration so that we can invest directly.

From time to time the fund will have sizeable positions in countries outside Asia — as with the UK currently — but as always, at least one leg (long or short) of each trade will be significantly exposed to this region.

Table 7: Exposures By Country (% of NAV)

	Long	Short	Gross	Net
Australia	19.6	15.3	34.9	4.2
China	4.5	3.3	7.8	1.1
Hong Kong	5.2	1.1	6.3	4.1
India	8.3	7.8	16.1	0.5
Japan	28.2	20.2	48.4	8.1
Korea	3.2	4.6	7.8	-1.4
Malaysia	6.4	0.0	6.4	6.4
Singapore	2.4	1.7	4.1	0.6
Thailand	0.9	0.9	1.8	-0.0
UK	5.3	6.0	11.4	-0.7
Total	83.9	61.0	145.0	22.9

Table 8 on the next page shows the sector breakdown. The increase in Consumer Discretionary is primarily driven by the event-driven strategy.

The market capitalisation breakdown (Table 9 on the following page) shows no major changes month-on-month.

## Final Thoughts

Although it has been a good couple of months for the strategy, we should emphasize that we don't run our business according to day-to-day or month-to-month performance. When we come into the office each day, the goal is not "How can we make sure the P&L is up today?" but instead: "How can we raise the expected value of the portfolio?" Over time, we believe that as long as we maintain our focus on searching for and implementing trades with positive expected value, the end result (i.e. the P&L) will take care of itself.

Of course what our investors see is the P&L and so it is good news from a business-building perspective to be able to announce a second consecutive positive month.

Further, as we manage a leveraged portfolio, we are always mindful of the implications of P&L (and in particular drawdowns) for margin requirements. That is why we build in a considerable degree of leeway into our risk management parameters in order to be well-prepared for extremes of market volatility.

A final point: although we ultimately target a 10% annualised return for the fund based on past experience with comparable strategies and infrastructure, this assumes a much higher level of assets under management. As we still have some way to go to reach capacity, we can in the meantime take advantage of certain trading opportunities that may fall under the radar of larger investors. Please get in touch with us at the address below and we can talk you through some concrete examples.

**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 into:

1. Event-driven: securities affected by announced corporate actions
2. Holding company: securities with significant value deriving from ownership links to other listed securities

Table 8: Exposures By GICS Sector (% of NAV)

	Long	Short	Gross	Net
Energy	1.7	0.0	1.7	1.7
Materials	6.4	0.1	6.5	6.2
Industrials	6.4	4.0	10.4	2.4
Consumer Discretionary	19.7	2.2	21.9	17.5
Consumer Staples	5.5	6.4	11.9	-1.0
Financials	19.0	17.1	36.1	1.9
Information Technology	13.8	12.1	25.9	1.7
Telecommunication Services	0.0	1.7	1.7	-1.7
Utilities	0.0	0.3	0.3	-0.3
Real Estate	11.5	9.4	20.9	2.1
N/A	0.0	7.8	7.8	-7.8
<b>Total</b>	<b>83.9</b>	<b>61.0</b>	<b>145.0</b>	<b>22.9</b>

Table 9: Exposures By Market Capitalisation (% of NAV)

	Long	Short	Gross	Net
Market Cap < \$300 million	51.2	5.6	56.8	45.6
\$300 million <= Market Cap < \$1 billion	18.3	14.8	33.1	3.5
\$1 billion <= Market Cap < \$5 billion	8.3	12.9	21.2	-4.6
Market Cap >= \$5 billion	6.1	19.9	26.0	-13.8
N/A	0.0	7.8	7.8	-7.8
<b>Total</b>	<b>83.9</b>	<b>61.0</b>	<b>145.0</b>	<b>22.9</b>

3. Share class: multiple securities issued by the same entity

### Service Providers

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

### 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. Before co-founding Metrica, 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.

### 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 Metrica 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.

## Investor Relations

Please direct inquiries to:

David Mulvenna, Chief Operating Officer  
Metrica Partners Pte. Ltd.  
50 Raffles Place  
#31-05 Singapore Land Tower  
Singapore 048623

david.mulvenna@metricapartners.com

Telephone: +65 6904 1992  
Fax: +65 6826 4192

*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.

This newsletter has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the Fund, and the information contained herein may not be reproduced or used in whole or in part for any other purpose, nor may it be disclosed without the

prior written consent of the Fund. By accepting receipt of this newsletter, the investor is deemed to have agreed not to duplicate or provide copies of this newsletter to persons other than such investor's professional advisers solely for the purposes of assisting the investor in making an investment decision in respect of the Participating Shares.

The Fund is offering shares solely pursuant to its prospectus, and any information regarding the Fund or shares in the Fund that is not contained in the relevant prospectus shall not constitute an offering of shares in the Fund. Consequently, this material has been prepared solely for informational purposes and is not an offer, or a solicitation of an offer, to buy or sell shares of the Funds or any other security or instrument or to participate in any trading strategy. No person or entity has been authorized in connection with this offering to give any information or make any representations other than as contained in the prospectus or in this marketing material. This does not constitute an offer to, or solicitation of, such person or entity.