



Metrica Asia Event Driven Master Fund September 2017 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

16th October 2017

Message from the CIO

Welcome to our fourth newsletter and performance update. It was another positive month for the fund with the Class B NAV per share¹ up 2.50%. All three strategies recorded gains, with holding companies again contributing most of the performance (Table 1). Positions in India, Malaysia and Japan performed well, with one name in India contributing +0.39 points after it was featured on a business TV channel. In the event-driven strategy, a position in an Australian deal target contributed +0.27 points after a competing bid emerged.

	%
Holding Company	1.69
Event Driven	0.74
Share Class	0.07
Total	2.50

Table 1: Strategy Attribution

Japan was the top performing location this month (Table 2), with a holding company position in the logistics sector accounting for +0.25 points.

This brings total returns to +6.27% over the four months since inception (Table 3 on the following page).

¹All reported performance measures are net of fees and expenses and are with reference to our feeder fund(s).

	%
Japan	0.95
India	0.66
Hong Kong	0.45
Australia	0.30
Malaysia	0.27
Thailand	0.01
China	0.00
Singapore	-0.02
Korea	-0.13
Total	2.50

Table 2: Geographic Attribution

Market Comments

September brought with it a number of new deals:

- In line with China's ongoing effort to curb over-supply in the cement market, the State Council gave the go-ahead for China National Building Material (CNBM) to acquire China National Materials ("Sinoma"; US\$2 billion market cap), both listed in Hong Kong, at a premium of 19%. The merger is conditional on approvals from shareholders and the State-owned Assets Supervision and Administration Commission amongst others.
- In Japan, Resona Holdings and concert parties announced the integration of Kansai Urban

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017						0.21	2.92	0.53	2.50				6.27

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

Bank (market cap US\$916 million), Minato Bank (market cap US\$745 million) and unlisted Kinki Osaka Bank under one holding company. Tender offers for 15% of Kansai Urban Bank and Minato Bank will be launched first at 11% and 19% premiums respectively before the execution of a share swap resulting in the final holding company structure. The share swap ratio implied a 7% premium in favour of Minato Bank.

- Two other Japanese banks – Mie Bank (market cap US\$315 million) and Daisan Bank (market cap US\$302 million) – have also come to an agreement to merge following the announcement of their intention in February. The merger is conditional on shareholder and Japan Fair Trade Commission approvals. The share swap ratio implied a 7% premium in favour of Daisan Bank.
- Tiangong International in Hong Kong received a US\$256 million tender offer from its Chief Investment Officer who is also the son of its chairman. The offer was announced at a 13% premium and has since become unconditional.
- Poh Tiong Choon Logistics' controlling shareholder has made a US\$202 million offer at a 2% discount to privatise the Singapore company conditional on 50% minimum acceptance.
- A mandatory general offer conditional on 50% minimum acceptance was launched for Singapore's BRC Asia Ltd at an 8% premium worth US\$116 million after the offeror, Esteel Enterprise bought 44% of the company. The minimum acceptance condition has since been fulfilled.
- Nine Express Ltd in Hong Kong received a voluntary general offer from the son of its executive director at a 6% premium worth US\$102 million and conditional on 50% acceptance.

The offer price is at a 34% discount to the net asset value of the company.

Amongst the ongoing deals, we observed the following:

- HNA's takeover of CWT in Singapore is nearing completion after the satisfaction of all conditions. HNA's stake is now 81%.
- Meanwhile, the Federal Court of Australia announced that the merger between Tatts Group and Tabcorp was to be referred back to the Australian Competition Tribunal for further consideration.

During the month, the following deals had a revision in offer terms:

- After some wrangling with rival bidder NextDC, 360 Capital seems to have come out on top after revising its offer for Asia Pacific Data Centre in Australia to an unconditional A\$1.95 per share. The value of the offer is now US\$175 million compared to the original offer of US\$162 million. NextDC's last offer was worth US\$168 million.
- WSP Global allowed its takeover target Opus International Consultants of New Zealand to boost its dividend to NZ\$0.14 per share from NZ\$0.07, raising the offer value from US\$196 million to US\$204 million.
- Australia's Pepper Group managed to extract slightly more value from their offeror as KKR agreed to a A\$0.10 per share special dividend before declaring the offer price final. The value of the offer increased by US\$14 million to US\$682 million.

Overall the number of live corporate actions is down month-on-month and we are tracking 42 announced deals in Asia of which 24 are trading at a discount to terms of 2.9% on average.

In the holding company universe, we are tracking 430 names, of which 221 are trading at a discount to the value of their listed stakes.

In the share class space, the average premium of China A-shares over H-shares (as measured by the Hang Seng AH Premium Index) continued its widening trend and is now at +31.9%.

Portfolio Comments

Table 4 shows the number of fund equity positions by strategy, including hedges. The portfolio is more diversified compared to the previous month in terms of number of positions.

	Long	Short	Total
Event Driven	18	8	26
Holding Company	14	28	42
Share Class	7	8	15
Total	39	44	83

Table 4: Number of Long and Short Positions

Gross exposure is roughly flat month-on-month, while net has decreased by 17.1 points to +32.2% (Table 5). The reduction is nearly all from the event-driven strategy (Figure 1) and is the result of several deal situations expiring during the month.

	Long	Short	Gross	Net
All Positions	94.3	62.2	156.5	32.2
Top 10 Long	55.5	0.0	55.5	55.5
Top 10 Short	0.0	36.4	36.4	-36.4

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

The geographic breakdown (Figure 2) shows how Japan continues to represent the largest source of gross exposure at 56.3% of NAV (+13.1 points month-on-month), followed by Australia and China. On a net basis, Singapore has the largest positive exposure at +7.3%.

Figure 3 shows the sector breakdown. This month saw a -15.8 point reduction in Consumer Discretionary net exposure, which was caused by the unwinding or expiration of various event-driven positions.

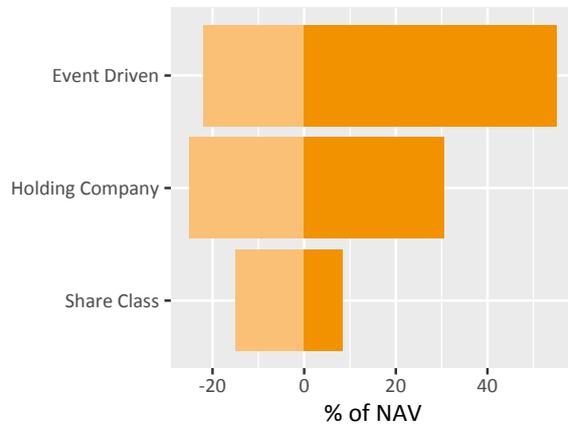


Figure 1: Strategy Exposures

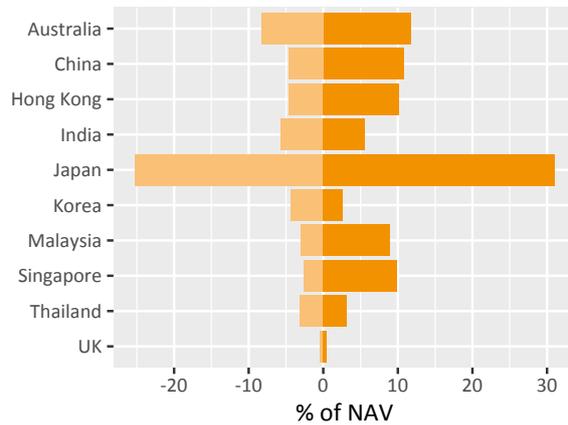


Figure 2: Geographic Exposures

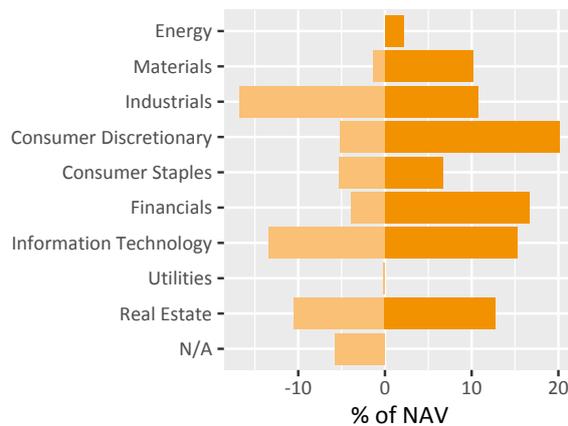


Figure 3: GICS Sector Exposures

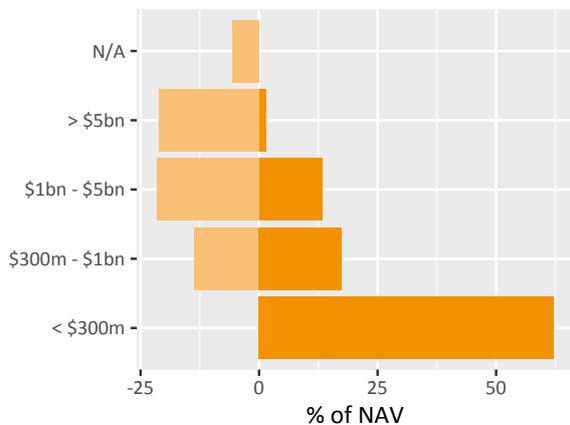


Figure 4: Market Cap Exposures

The market capitalisation exposure breakdown (Figure 4) shows no significant changes in exposure versus the previous month and is in line with our typical expected weightings.

Metrica News

- The fund held its first post-launch board meeting on 3rd October with its directors Tracie E. Ahern, Simon Cox and David Mulvenna. Also in attendance was the fund's administrator SS&C Technologies.
- The fund successfully registered as a Foreign Portfolio Investor (Category II) in India. This will enhance our access to Indian markets.
- The fund completed the implementation of an accounting system which will enable accurate monthly NAV shadowing.
- Metrica's COO will be in Hong Kong during 20th - 25th October.

Final Thoughts

The featuring this month of one of our portfolio holdings as a "top pick" on TV is a good illustration that the nature and timing of security price-moving catalysts is not always predictable. While in our event-driven strategy the primary catalyst is by definition known in advance and usually has a timeline that we can estimate accurately, the same does not apply to our relative value strategies.

In our experience though, this is not a negative. Given a well-diversified basket of names trading at large deviations from fair value, over time we tend to see enough catalysts materialise such that the portfolio can be turned over at a reasonable rate.

For example, individual names may get featured in retail investor-oriented media as happened this month, or they may get picked up by institutional sell-side research. Commonly, the companies themselves or their major shareholders will respond to extreme price levels with share buybacks / rights issues. We have also seen tender offers launched by other companies.

In addition, positions can be generating returns even before the emergence of catalysts. There is usually enough day-to-day movement among the various names that we can earn market-making-type P&L by continually reallocating capital from less attractive to more attractive spreads. Finally, many positions benefit from a natural "positive carry" – for example, the intrinsic value of holding companies tends to increase over time as they receive upstreamed dividends from their operating subsidiaries.

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
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. 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.

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

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Compliance	ComplianceAsia
Technology	Enfusion, Eze Castle

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

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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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