



# Metrica Asia Event Driven Master Fund October 2017 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

15th November 2017

## Message from the CIO

Welcome to our fifth newsletter and performance update. It was another positive month for the fund with the Class B NAV per share<sup>1</sup> returning **+2.27%**. All three strategies recorded gains, with event-driven positions contributing most of the performance (Table 1), in contrast to previous months where holding companies had been top.

	%
Event-driven	1.70
Share Class	0.32
Holding Company	0.25
Total	2.27

Table 1: Strategy Attribution

This brings total returns to **+8.69%** over the five months since inception (Table 2 on the next page).

The greatest contribution in October was from three of our Hong Kong-listed M&A positions **trading through deal terms**, adding +1.16 points to performance. It seems that, as all of these targets will stay listed after completion, the market is starting to focus on the back-end (i.e. post-deal) valuation of these names.

More interesting (although contributing only +0.24 points) was **Alpine Electronics** in Japan. In

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

July we wrote:

[This] transaction may generate some interest from activist funds along the lines of the PanaHome deal as Alpine Electronics is similarly a cash-rich company.

Our prediction came true: on 30th October, an investment fund managed out of Hong Kong disclosed a 9% stake in the company, causing the shares to trade 10% through the terms. With Japanese subsidiary buyouts on the rise, we can expect similar deals with the combination of low valuations plus long-dated timelines (18 months in the case of Alpine – i.e. allowing time to build a meaningful stake) to draw interest from the activist community.

Another situation that went well for us in October and in previous months was **Pasona Group** – also in Japan. In our June newsletter we wrote:

The bulk of June performance was generated by the holding company strategy... where one of our Japanese names had a large move mid-month on positive news.

The “Japanese name” in question was Pasona Group, which we originally bought in June at a 65% discount to NAV according to our model. We then unwound as the discount narrowed, and exited the last of our position on 10th October at a 45% discount. A Hong Kong-based fund – coincidentally the same as above – has since gone public with a 4.8% stake and a list of restructuring demands. This is a situation to keep on the radar.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017						0.21	2.92	0.53	2.50	2.27			8.69

Table 2: Net Monthly Performance Since Inception - Class B (%)

**Hong Kong** was the top performing geography this month (Table 3), with Malaysia at the other end as holding company spreads widened slightly.

	%
Hong Kong	1.40
Japan	0.84
Korea	0.16
China	0.12
Other	0.07
Malaysia	-0.32
Total	2.27

Table 3: Geographic Attribution

To end this section with some housekeeping: firstly, just to note that I will be in Hong Kong from **11th to 15th December**.

Secondly, I am pleased to announce that Metrica will be celebrating its **one-year anniversary** since incorporation on 17th November. Thank you to all of our staff, business partners and investors for your support during our first year of operations. We look forward to developing and strengthening our partnership for many years to come.

**Damian L. Edwards, CFA**

## Market Comments

In October, we saw continued deal activity in Japan, with a couple of private equity-driven transactions at the forefront:

- **Asatsu-DK** (US\$1.4bn), Japan's third largest advertising agency, sought to terminate its shareholder agreement with 25%-owner WPP while being subjected to a friendly 15%-premium offer from Bain Capital, conditional on 50% acceptance. The termination is being disputed by WPP in the Tokyo courts.
- MBK Partners offered a 35% premium for **Kur-oda Electric** (\$940m) in Japan. MBK is seeking

to obtain at least two-thirds of minorities, and has received agreements to tender from several large shareholders linked to well-known activist Yoshiaki Murakami.

The trend of subsidiary buyouts showed no signs of slowing:

- Nippon Yusen offered to buy out minorities of **Yusen Logistics** (US\$560m) at a premium of 47%.
- Fujitsu Limited made a share-swap offer for **Fujitsu Broad Solution & Consulting** (US\$150m) at a 14% premium.
- Oki Electric Industry made an offer at a 3% premium to buy out **Oki Electric Cable** (US\$130m).

Elsewhere in Asia it was a mix of smaller deals:

- Singapore's **Rotary Engineering** (US\$190m) is being delisted by its controlling shareholders at a premium of 12%. The delisting is conditional on shareholder approvals and 61% of shareholders have given irrevocable acceptances.
- **Roadshow Holdings** (US\$140m) and **Pegasus Entertainment** (US\$110m) both announced unconditional mandatory general offers in Hong Kong at premiums of 5% and 14% respectively.
- A zero-premium off-market takeover for Australian listed **Finders Resources** (US\$140m) was launched by Eastern Field Developments.

In the share class space, we saw a few companies withdrawing secondary listings or receipts:

- **Genting Hong Kong** which is dual-listed in both Hong Kong and Singapore announced a voluntary delisting of its Singapore shares. Its Hong Kong shares had been trading at a 2.9% premium.

- **Golden Meditech** of Hong Kong will delist its Taiwan depository receipts. The company is offering to buy back the US\$9.7m worth of receipts at a premium of 8.3% prior to the delisting.
- **Glencore** announced it will withdraw its Hong Kong depository receipts which account for only 0.3% of its total shares.
- **Tapestry** (previously known as Coach) also announced a plan to delist its Hong Kong receipts.

Overall the number of announced corporate actions is up month-on-month and we are tracking 52 deals in Asia of which 29 are trading at a discount to terms of 4.9% on average.

In the holding company universe, the mean discount (excluding non-listed assets) moved from 30.0% to 28.9% in October.

In the share class space, the premium of China A-shares over H-shares (as measured by the Hang Seng AH Premium Index) narrowed to +29.2%.

## 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	22	7	29
Holding Company	14	31	45
Share Class	9	9	18
<b>Total</b>	<b>45</b>	<b>47</b>	<b>92</b>

Table 4: Number of Long and Short Positions

Overall gross exposure is -9.3 points month-on-month (Table 5), which is mostly the result of some profit-taking in the holding company strategy (Figure 1). Net exposure is +9.0 points month-on-month, primarily due to an increased long exposure to event-driven trades.

Figure 2 on the following page shows how Japan continues to represent the largest source of geographic gross exposure at 47.9% of NAV, with Hong Kong and China second and third. Japanese

	Long	Short	Gross	Net
All Positions	94.2	53.0	147.2	41.2
Top 10 Long	50.2	0.0	50.2	50.2
Top 10 Short	0.0	31.2	31.2	-31.2

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

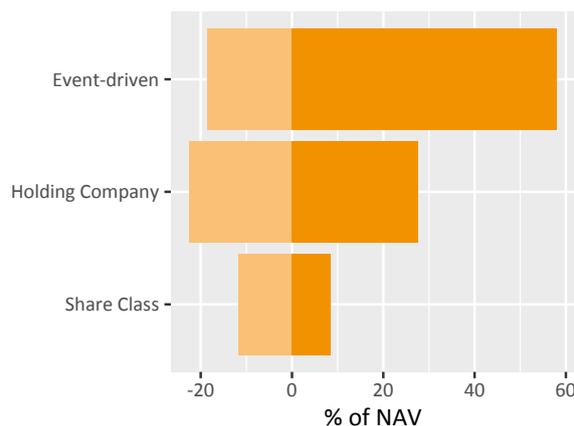


Figure 1: Strategy Exposures

gross exposure is -8.5 points month-on-month due to profit-taking in holding company positions.

On a net basis, Hong Kong once again has the the largest positive exposure at +16.7% due to the emergence of several new event-driven situations.

Figure 3 on the next page shows the sector breakdown. This month saw a +7.5 point change in Consumer Discretionary net exposure, caused by the addition of various event-driven positions.

The market capitalisation exposure breakdown (Figure 4 on the following page) shows no major changes versus the previous month.

## 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

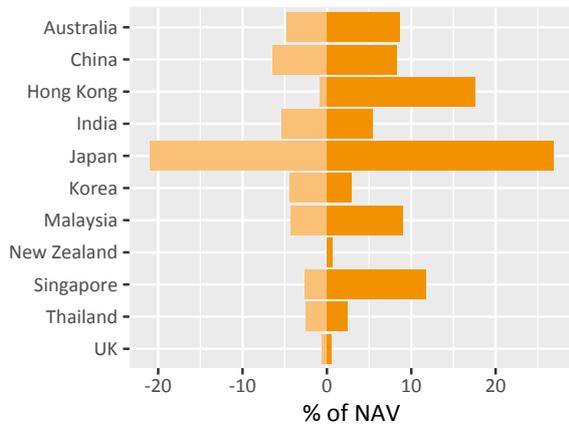


Figure 2: Geographic Exposures

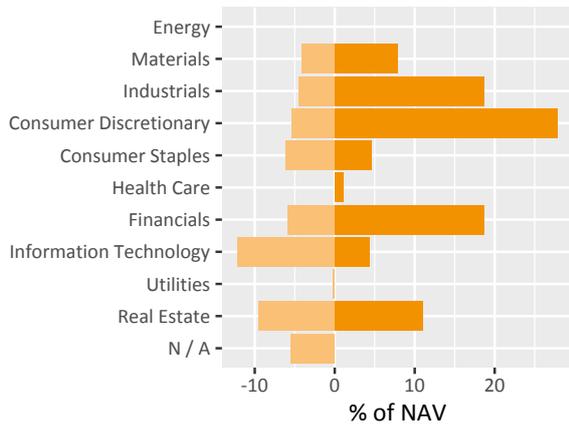


Figure 3: GICS Sector Exposures

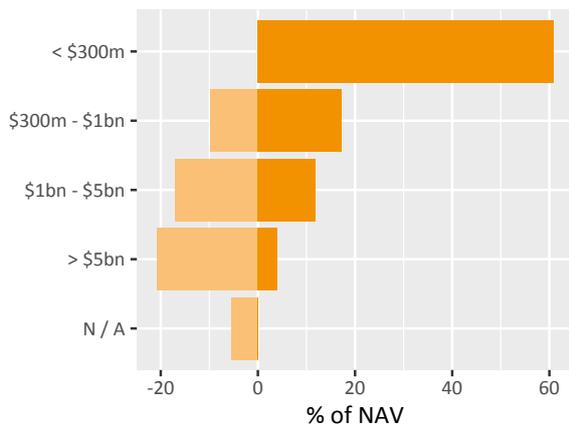


Figure 4: Market Cap. Exposures

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.

## 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

## 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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