



# Metrica Asia Event Driven Master Fund

## November 2017 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

26th December 2017

### Message from the CIO

Welcome to our sixth newsletter and performance update. Our Class B shares returned **-0.09%** during November<sup>1</sup>. A solid performance from the event-driven strategy was offset by some widening in holding company positions (Table 1)<sup>2</sup>.

	%
Event-driven	0.66
Share Class	0.10
Other	-0.06
Holding Company	-0.78
Total	-0.09

Table 1: Strategy Attribution

Most of the event-driven P&L was from a Hong Kong-listed deal target which traded through the terms. In the share class strategy, A/H trading did well but this was offset by moderate widening in other pairs. And in the holding company strategy, much of the widening was driven by Malaysian trades, which was only partially offset by tightening in India. The weighted average discount on our long holding company positions according to our in-house valuations increased from 67.7% to 69.0%.

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

<sup>2</sup>From this month we are categorising P&L which is not directly attributable to a strategy as "Other". This is a change to our previous methodology of allocating this P&L to other strategies.

**Hong Kong** was the top performing geography this month (Table 2), with **Malaysia** at the other end for the reasons given above.

	%
Hong Kong	0.51
India	0.40
China	0.31
Korea	-0.21
Other	-0.21
Japan	-0.21
Malaysia	-0.67
Total	-0.09

Table 2: Geographic Attribution

This brings total returns to **+8.60%** over the six months since inception (Table 3 on the following page).

### Market Comments

November was a relatively uneventful month in the large-cap deal space, but there was a steady stream of smaller transactions:

- Australia saw a wave of hostile activity: Mercantile Investments announced a proportional off-market bid for **Bauxite Resources** at a premium of 14%, Firstmac bumped its offer for **Goldfields Money** after a rejection by the target, **Molopo Energy** saw a counterbid by

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	-0.09		8.60

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

WAM Capital after Aurora's offer remained in limbo, **Integral Diagnostics** received a hostile proposal from Capitol Health at an implied premium of 30% and **Automotive Solutions** and **Bulletproof Group** were also subject to hostile offers.

- **Indo Mines** and **Altona Mining**, also in Australia, were subject to friendly offers.
- In Japan, subsidiary buy-outs continued, with Kenedix Residential privatizing **Japan Senior Living** via a share exchange at an implied premium of 4%, and Nitto Fuji Flour Milling buying out its subsidiary **Masuda Flour**.
- We also saw a couple of Japanese management buy-outs: **Uehara Sei Shoji** at a premium of 19%, and **Toei Reefer Line** at 16%. The latter is interesting as major shareholder Reno Co – an entity associated with the activist Yoshiaki Murakami – recently increased its holdings from 10% to 13%.
- Other new deals in Japan include Orix selling 64% of **Arrk** to Mitsui Chemicals through a public tender at a discount of 9%, and Toshiba TEC selling 51% of **Kokusai Chart** to Nakabayashi Co. Also there were partial offers for both **Sophia Holdings** and **SLD Entertainment**.
- In Hong Kong, mandatory general offers were launched for **FDB Holdings**, **Winto Group**, **Infinity Financial** and **Sun Art Retail** after the completion of large stake transfers. We also saw a scheme of arrangement for **Welling Holding** at a premium of 30% as well as a partial offer for 55% of **Jun Yang Financial** to be paid with shares of China Jicheng Holdings at an implied discount of 5%. Both Jun Yang and China Jicheng have recently been in the news as members of the so-called "Enigma Network".
- Elsewhere within the region, a voluntary offer conditional on 50% minimum acceptance

was made for Singapore's **Cogent Holdings** at a premium of 3% by Cosco Shipping, while a voluntary delisting offer for the Singapore-listed Norwegian company **Vard Holdings** was made with no premium. Finally, in Taiwan, partial offers were made for **Shinemore Technology** and **Evermore Chemical**.

Overall the number of announced corporate actions is up month-on-month and we are tracking 60 deals in Asia of which 37 are trading at a discount to terms averaging 2.5%.

In the holding company universe, the average discount to net asset value (excluding non-listed assets) moved from 30.2% to 28.9%.

In the share class space, the premium of China A-shares over H-shares (as measured by the Hang Seng AH Premium Index) widened to +31.5%. A potential catalyst for further widening came from the Chinese authorities' ban on approvals for mutual funds that plan to allocate more than 80% of their portfolios to Hong Kong stocks.

## 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	26	8	34
Holding Company	16	34	50
Share Class	8	8	16
Total	50	50	100

Table 4: Number of Long and Short Positions

Overall gross exposure is broadly flat month-on-month (Table 5 on the following page), with net exposure shrinking 12.1 points, which is primarily the result of the tendering of a large Australian M&A position. Figure 1 on the next page shows

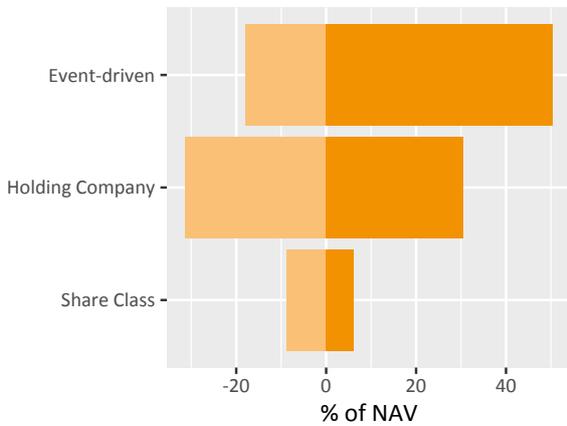


Figure 1: Strategy Exposures

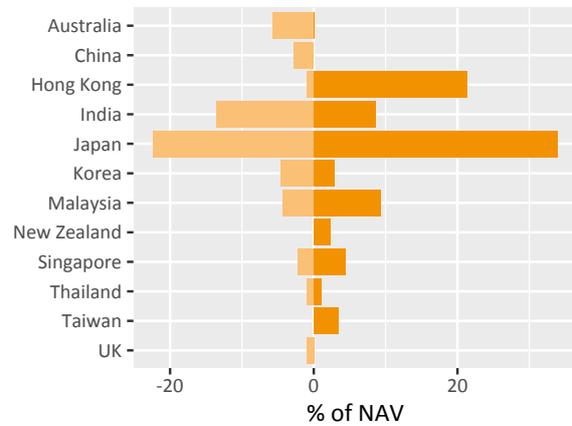


Figure 2: Geographic Exposures

how the fund has increased its gross exposure to holding companies this month at the expense of the event-driven and share class strategies.

	Long	Short	Gross	Net
All Positions	87.3	58.3	145.6	29.0
Top 10 Long	42.7	0.0	42.7	42.7
Top 10 Short	0.0	35.7	35.7	-35.7

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

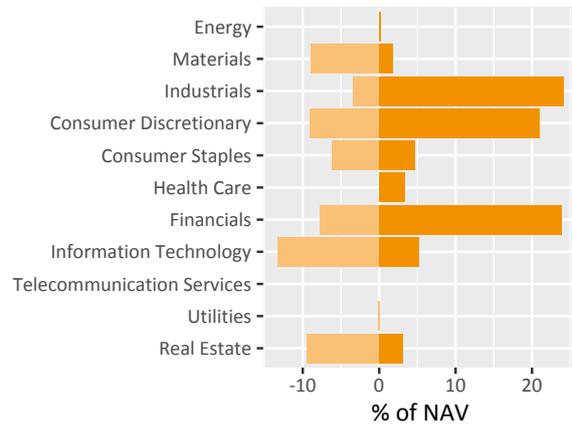


Figure 3: GICS Sector Exposures

Figure 2 shows how Japan continues to represent the largest source of geographic gross exposure at 56.2% of NAV, with Hong Kong second. India now takes third place instead of China. On a net basis, Hong Kong once again has the the largest positive exposure at +20.4% due to the ongoing activity in the event space.

Figure 3 shows the sector breakdown. This month saw a reduction in Materials and Consumer Discretionary net exposure as various event-driven positions expired.

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

In general it was a quiet month in terms of portfolio activity. It only remains for me on behalf of Metrica to wish all of our readers a peaceful holiday season and a prosperous 2018.

**Damian L. Edwards, CFA**

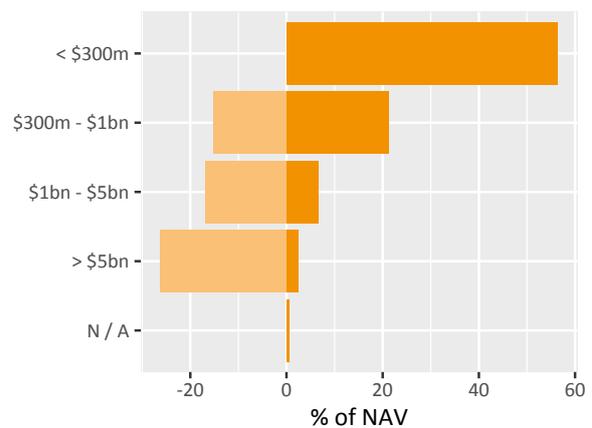


Figure 4: Market Capitalization Exposures

## 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.

### Service Providers

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<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

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### 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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*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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