



## Metrica Asia Event Driven Master Fund December 2017 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

4th January 2018

### Message from the CIO

Welcome to our seventh newsletter and performance update. From this issue we will be presenting preliminary rather than finalised results in order to bring our monthly publication date forward. For our official administrator-produced NAV, please refer to the various fund databases<sup>1</sup> or to our investor statements.

Metrica's Class B shares returned an estimated **+0.23%** in December<sup>2</sup>. Another strong performance from the event-driven strategy was offset by some widening in holding company spreads (Table 1), although the pace of widening was slower than in November. Share class trading P&L was not significant.

	%
Event-driven	0.75
Other	-0.16
Holding Company	-0.37
Total	0.23

Table 1: Strategy Attribution (preliminary)

Most of the event-driven P&L was from Hong

<sup>1</sup>We currently submit our results to AsiaHedge, Bloomberg, Eurekahedge, eVestment, HFR, Morningstar and Preqin.

<sup>2</sup>All December figures are preliminary. Reported performance measures are net of fees and expenses and are with reference to our feeder fund.

Kong-listed deal targets, continuing the trend of the last few months.

In the holding company strategy, Malaysian trades continued to widen and this was partially offset by tightening in Japan and India. Overall the weighted average discount on our long holding company positions was flat month-on-month.

**Hong Kong** was once again the top performing geography in December (Table 2), with **Malaysia** bringing up the rear for the reasons given above.

	%
Hong Kong	0.55
Japan	0.20
India	0.17
Other	-0.09
Korea	-0.16
Malaysia	-0.43
Total	0.23

Table 2: Geographic Attribution (preliminary)

December's performance brings total returns to **+8.85%** over the seven months since inception (Table 3 on the following page), which represents a compound annualised return of **+15.6%**.

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	0.23*	8.85*

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

## Market Comments

Asian M&A activity in 2017 was healthy, with 414 announced deals totalling \$177bn<sup>3</sup>, although this was slightly down on 2016 which saw 466 deals totalling \$201bn. **Hong Kong** (\$73bn) was the most active target company location, followed by **Australia** (\$35bn) and **Singapore** (\$22bn). Hong Kong deals were up \$25bn versus 2016, while Japanese activity dropped by \$24bn to \$10bn.

By sector, the most active areas were **communications** (\$56bn), followed by **financials** (\$53bn) and **industrials** (\$23bn). In 2016, the top three sectors were cyclical consumer goods (\$45bn), industrials (\$33bn) and utilities (\$30bn).

Deal flow is showing no signs of slowing down going into 2018, with two large Australian transactions launching in December:

- Unibail-Rodamco announced a \$15bn scheme of arrangement with **Westfield Corp** at a 18% premium. The merger will create a global property giant with 104 malls in 27 retail markets around the world and is expected to produce synergies of at least €100m. The deal is dependent on shareholder and regulatory approval amongst other conditions and is expected to complete by mid-2018.
- Oracle is buying **Aconex** (\$1.2bn) at a 47% premium in a strategic acquisition via a scheme of arrangement which requires FIRB, anti-trust and shareholder approvals. Completion is similarly forecast for mid-2018.

Also in Australia, Mineral Resources made a counterbid for **AWE Ltd** (\$415m) at a 17% premium to the previous offer by rival bidder CERCG, with the consideration payable in either cash, scrip or a mixture. **Tox Free Solutions** (\$514m) saw a scheme of arrangement at a 22% premium with a permitted special dividend and franking credits yet to be announced. There were also takeover offers made for

<sup>3</sup>Source: Bloomberg.

## Queensland Mining (\$39m) and Strategic Minerals (\$22m).

Elsewhere in the region:

- Jacob Douwe Egberts has been acquiring competitors in the instant coffee industry and has now made an offer for Malaysia's **Oldtown Bhd** (\$352m) at a premium of 10%. The deal is subject to approval from the Competition Commission of Singapore amongst other conditions. Meanwhile, **LCTH Corp Bhd** (\$48m), also in Malaysia, is being privatized via a selective capital reduction.
- Taiwan's **Crown Bioscience** (\$306m) has entered into a merger agreement with Japan's JSR Corporation at a premium of 92%. The deal remains subject to shareholder and regulatory approvals.
- In Thailand, TICON Property Fund (\$396m), TICON Industrial Growth (\$173m) and TPARK Logistics Property (\$149m) are being converted into REITs using **TICON Freehold & Leasehold** (\$830m) as the vehicle.

We also saw offers made for New Zealand's **Trilogy International** (\$144m), Japan's **Suzunui Corp** (\$36m) and Singapore's **TMC Education Corp** (\$11m). Mandatory general offers were triggered for Hong Kong's **Chong Kin Group** (\$207m), **Prosten Health** (\$46m) and **Celebrate International** (\$33m) as well as Philippines' **H2O Ventures** (\$29m).

Overall the number of announced corporate actions is flat month-on-month and we are tracking 60 deals in Asia of which 36 are trading at a discount to terms averaging 2.8%.

In the holding company universe, the average discount to net asset value (excluding non-listed assets) narrowed from 31.0% to 30.2%.

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 +30.4%.

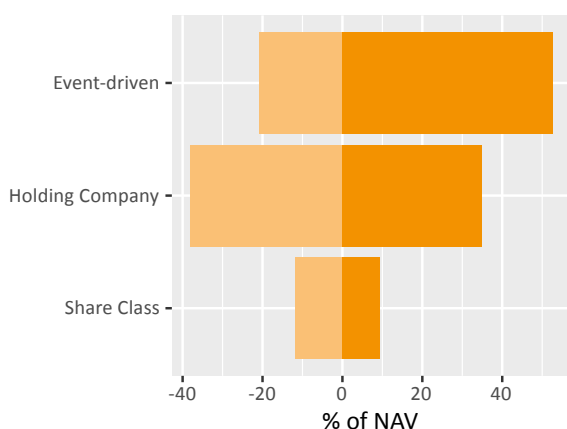


Figure 1: Strategy Exposures

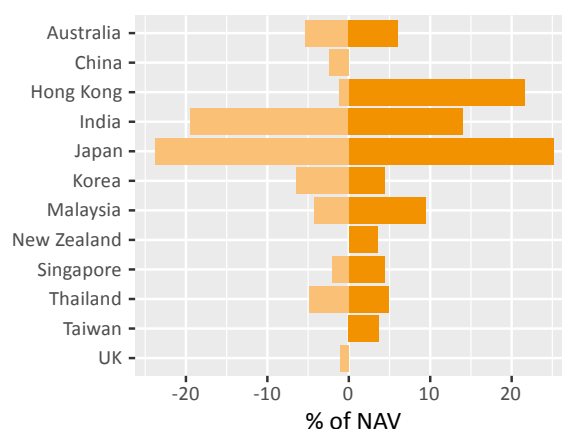


Figure 2: Geographic Exposures

## 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	25	8	33
Holding Company	17	37	54
Share Class	7	7	14
<b>Total</b>	<b>49</b>	<b>52</b>	<b>101</b>

Table 4: Number of Long and Short Positions

Overall gross exposure is up 22.3 points this month (Table 5), with the fund increasing its exposure to all three strategies (Figure 1). Net exposure is down 2.9 points.

	Long	Short	Gross	Net
All Positions	97.0	70.9	167.9	26.1
Top 10 Long	49.4	0.0	49.4	49.4
Top 10 Short	0.0	43.9	43.9	-43.9

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

Figure 2 shows how Japan continues to represent the largest source of geographic gross exposure at 49.0% of NAV, with India now overtaking Hong Kong for second place. On a net basis, Hong Kong

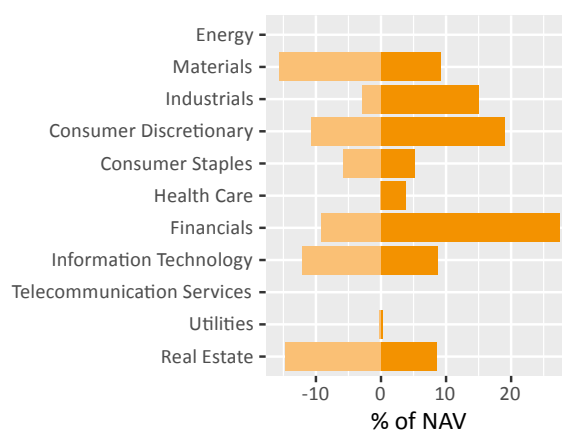


Figure 3: GICS Sector Exposures

once again has the the largest exposure at +20.4% due to the ongoing activity in the event space.

Figure 3 shows the sector breakdown. This month saw an increase in Materials and Real Estate exposure.

The market capitalisation breakdown (Figure 4 on the following page) shows how most of the December increase in gross exposure was driven by companies in the \$1bn - \$5bn range, which accounted for 14.9 points of the change.

**Damian L. Edwards, CFA**

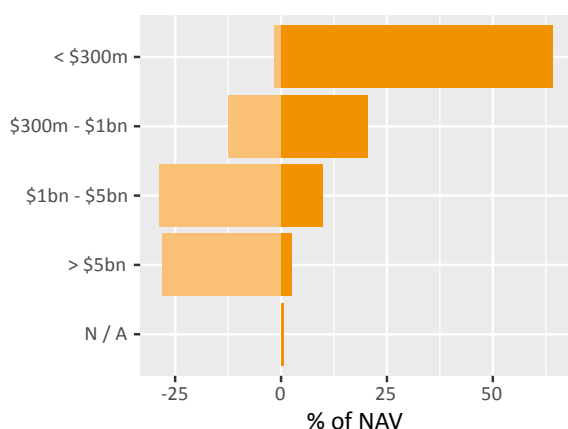


Figure 4: Market Capitalization Exposures

## 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 three strategies:

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

<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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*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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