Metrica Asia Event Driven Master Fund
January 2018 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

5th February 2018

Message from the CIO

Welcome to our eighth newsletter and performance update. Our Class B shares returned a preliminary **-0.10%** in January[1].

For the third month in a row, a positive contribution from the event-driven strategy was offset by widening in holding company relative value trades (Table 1).

	%
Event-driven	0.16
Share Class	0.11
Other	-0.05
Holding Company	-0.33
Total	-0.10

Table 1: Strategy Attribution

The main event-driven contribution was from **Alpine Electronics** (+30 bps), where the premium over the announced terms widened from 6.4% to 15.1% after the company reported strong 3Q results and raised its full year forecasts. Alpine's management is now evaluating whether it needs to issue a revised opinion on the fairness of the deal price.

[1] All figures in this newsletter are preliminary. For our official administrator-produced NAV, please refer to the various fund databases or to our investor statements. Performance is net of fees and expenses and is with reference to our offshore feeder.

In the holding company strategy, our weighted average spread widened by 245 bps, of which 147 bps was from our portfolio rebalancing activities. Indian names widened, contributing -120 bps to performance, and this was partially offset (+42 bps) by a Hong Kong position where we were able to take some profits during a mid-month 25% intraday move.

The share class strategy was a minor positive contributor this month.

Looking at the geographic attribution, **Japan** was the top performer in January (Table 2), with **India** in last place for the reasons given above.

	%
Japan	0.63
Malaysia	0.37
Hong Kong	0.25
Other	0.06
Korea	-0.22
India	-1.19
Total	-0.10

Table 2: Geographic Attribution

January's performance brings total returns to **+8.77%** over the eight months since inception (Table 3 on the following page), which represents a compound annualised return of **+13.4%**.

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	0.26	8.88
2018	-0.10*												-0.10*

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

Market Comments

The takeover of Australian oil and gas exploration company **AWE Ltd** ($501m) reached a new stage as a third bidder – Mitsui & Co – stepped in at a 14.5% premium to Mineral Resources's offer (which was an improvement over the terms from the original bidder CERCG). Mineral Resources seems to have walked after missing a deadline to respond. AWE has also asked CERCG to revise its bidder's statement due to "material omissions".

Meanwhile we saw four new large deals:

- Japan's Sekisui House announced the combination of its REITs, **Sekisui House Residential** ($1.2bn) and **Sekisui House REIT** ($1.3bn). The exchange ratio implies a 3.8% premium in favor of Sekisui House REIT and is subject to both companies' shareholder approvals. Sekisui House owns 6.72% of Sekisui House REIT and 3.52% of Sekisui House Residential as well as 100% of the respective asset managers.
- Similarly, Korea's CJ Group announced the merger of its K-pop management unit, **CJ E&M Corp** ($3.3bn) with its home shopping unit, **CJ O Shopping** ($1.3bn) at a ratio which implies a 6.8% premium in favor of CJ E&M. Shareholders who dissent to the merger can receive cash at a 4.9% discount for CJ E&M and an 11% discount for CJ O Shopping, subject to maximums of KRW 500 billion. The deal is subject to approval from both companies' shareholders. Borrow in both stocks is currently scarce.
- Continuing with the trend of subsidiary buyouts, Pou Chen Group announced a privatization of its group company **Pou Sheng International** ($1.3bn) in Hong Kong via a scheme of arrangement at 31.8% premium. Subject to shareholder's approval, Pou Chen's subsidiary Yue Yuen Industrial will sell its shares in Pou Sheng to its parent and pay a special dividend for virtually all the proceeds from the sale.
- IDFC Bank Ltd ($3.1bn) is seeking to grow its retail banking business by merging with **Capital First Ltd** ($1.2bn) via a scheme of amalgamation at a ratio which implies a 11.4% premium in favour of Capital First. The scheme needs regulatory approvals including RBI, CCI, SEBI, NCLT and National Housing Board as well as shareholder and creditor approvals.

We are seeing a couple of positive developments in our space:

- SGX's launch of futures contracts on Indian equities in February will enhance the possibilities for taking long/short positions on Indian underliers. Trading the futures will not require an investor ID nor pre-funding. Most importantly, the contracts should be more tax-efficient for the typical offshore investor.
- Japan is preparing to make M&A easier for small businesses. Capital gains tax on share-for-share mergers is currently payable at the time of the merger — however this will be deferred until the shares are sold. This is positive for SME owners, who often do not have the resources to pay a large upfront tax bill. Meanwhile, the shareholder approval requirement for acquisitions will be waived below a certain threshold.

On the negative side, Korea has just drafted regulations which lower the ownership threshold for capital gains tax exemption from 25% to just 5% from 1 July.

Overall the number of announced corporate actions is roughly flat month-on-month and we are tracking 59 deals in Asia of which 35 are trading at a median 1.4% discount to terms (previously 0.9%).

In the holding company universe, the median discount to net asset value (excluding non-listed assets) narrowed from 27.5% to 27.0%.

In the share class space, the premium of China A-shares over H-shares narrowed to +28.2%.

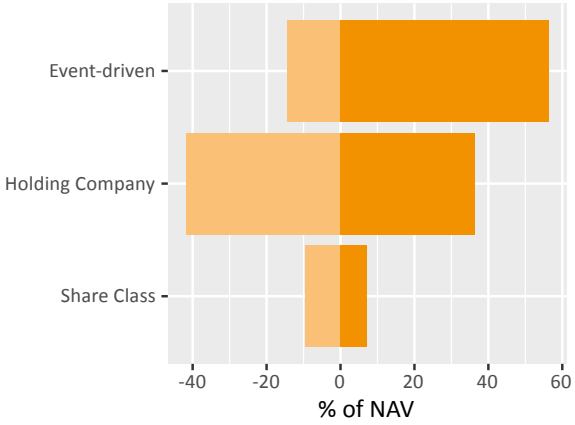

Figure 1: Strategy Exposures

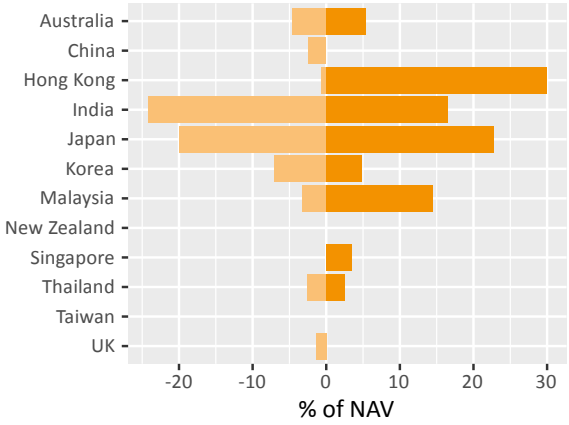

Figure 2: Geographic Exposures

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	24	6	30
Holding Company	19	41	60
Share Class	7	7	14
Total	50	54	104

Table 4: Number of Long and Short Positions

Overall gross exposure changed by -1.7 points this month (Table 5), with no major changes among the three strategies (Figure 1). Net exposure is +7.7 points month-on-month, which is mostly due to an increase in the event-driven strategy.

	Long	Short	Gross	Net
All Positions	99.9	66.1	166.1	33.8
Top 10 Long	56.0	0.0	56.0	56.0
Top 10 Short	0.0	42.1	42.1	-42.1

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

Figure 2 shows how Japan continues to represent the largest source of gross exposure at 42.7% of NAV, with India and Hong Kong still following behind. On a net basis, Hong Kong once again has the the largest exposure at +29.2% due to the ongoing activity in the event space.

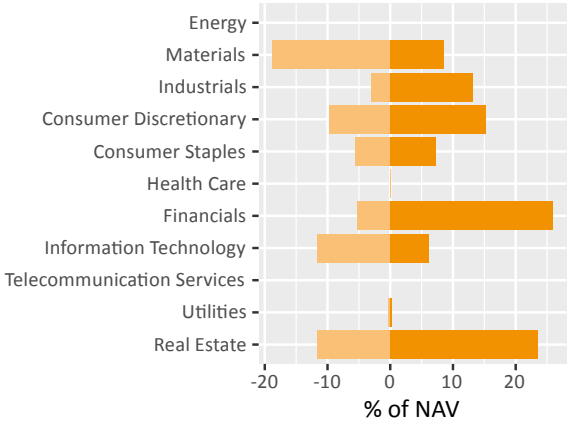

Figure 3: GICS Sector Exposures

Figure 3 shows the sector breakdown. This month saw an increase in Real Estate net exposure by +18.0 points.

The market capitalisation breakdown (Figure 4 on the following page) shows a +3.9 point net exposure change in companies in the $1bn - $5bn range.

Damian L. Edwards, CFA

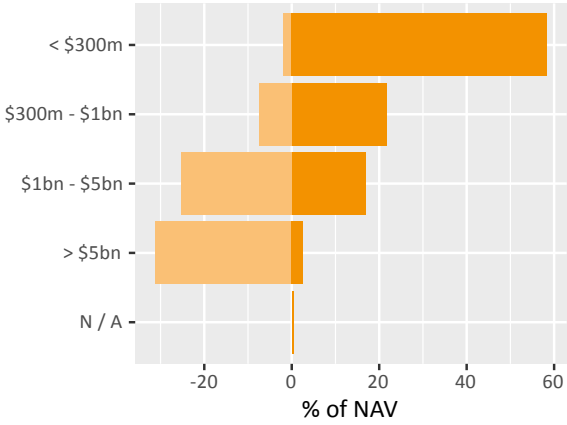

Figure 4: Market Capitalization Exposures

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

Prime Broker	Morgan Stanley
Administrator	SS&C Technologies
Legal	Rajah & Tann, Dechert, Walkers
Audit & Tax	PwC
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. 20% fund-level gate, suspended until cumulative subscriptions reach $50m.

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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