



## Metrica Asia Event Driven Master Fund February 2018 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

5th March 2018

### Message from the CIO

Welcome to our ninth newsletter and performance update. Our Class B shares returned an estimated **-1.53%** in February<sup>1</sup>.

The holding company strategy recorded a negative performance, while other strategies were broadly flat or positive (Table 1)<sup>2</sup>.

	%
Share Class	0.23
Event-driven	0.03
Other	-0.10
Holding Company	-1.70
Total	-1.53

Table 1: Strategy Attribution

The largest negative moves among holding company trades were from two Indian names which contributed -54 bps and -89 bps respectively. Conversely, a Hong Kong name contributed +20 bps. The weighted average NAV discount on our long holding company positions widened from 69.5% to 70.6%<sup>3</sup>.

<sup>1</sup>All figures in this newsletter are preliminary. For our official administrator-calculated NAV, please refer to fund databases or to our investor statements. Performance is net of fees and expenses and is with reference to our offshore feeder.

<sup>2</sup>"Other" refers to P&L items which are not directly attributable to one of the three core strategies.

<sup>3</sup>Metrica estimates.

Event-driven trading was relatively quiet. The **Alpine Electronics** premium over announced deal terms fell from +15.1% to +6.3% (contributing -11 bps) as Alpine's third-party committee surprisingly reiterated its support for the originally announced share swap ratio despite the company's subsequent upward earnings revisions. The vote on the transaction is still several months away, so it will be interesting to see if the shareholder base can coordinate an appropriate response in good time.

The share class strategy was a minor positive contributor this month, mostly from A/H trades (+10 bps).

By geography, **Hong Kong** was the top performer in February and **India** took last place (Table 2).

	%
Hong Kong	0.25
China	0.10
Other	-0.06
Korea	-0.11
Malaysia	-0.26
India	-1.46
Total	-1.53

Table 2: Geographic Attribution

February's performance brings total returns to **+7.26%** over the nine months since inception (Table 3 on the following page), which represents a net compound annualised return of **+9.8%**.

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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	2.27	-0.09	0.26	8.88
2018	0.04	-1.53*											-1.49*

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

## Market Comments

The “volatility shock” which led to the S&P 500 falling 12% from its peak did not have a significant impact on the deal spreads we monitor in Asia — however, new M&A activity tailed off in line with the regional festive season and only one \$1bn+ transaction was announced:

- Rojana Industrial Park is seeking shareholder approval to sell its 26% stake in Thailand’s **TICON Industrial Connection** (US\$1.0bn) to Frasers Assets, who already own a 40% stake. This will trigger a mandatory offer for the rest of the shares at a 2.3% premium to the pre-announcement price.

Despite the slowdown in large deal announcements, overall the number of live corporate actions we are tracking in Asia is up month-on-month to 62. Of the 41 deals trading below terms, the median discount is 1.1% (previously 1.4%).

Looking ahead to March, we will be monitoring for the following potential catalysts in the event-driven space:

- ACCC decisions for **Mantra** and **Tox Free** deals
- The response of Mineral Resources to Mitsui’s counterbid for **AWE Ltd**
- Further Takeover Panel actions around the **Strategic Minerals Corp** deal
- The implications of troubles at **Fortis Healthcare** for its corporate activity in the region
- The Competition Commission of Singapore’s response to the **Lee Metal Group** deal
- The Committee on Foreign Investment in the United States’ view of Cosco’s takeover of **Orient Overseas International**
- Yue Yuen Industrials’ shareholder vote on its disposal of **Pou Sheng International**

Turning to holding company activity, this was also subdued in February although Altaba Inc (US\$66.5bn) disclosed that it will begin selling its 35% stake in **Yahoo Japan** (US\$26.4bn) later this year as the company moves to simplify its structure and narrow the discount to NAV at which its shares trade (currently around 26%).

Across our universe, the median holding company discount to net asset value (excluding non-listed assets) narrowed from 27.0% to 26.9%.

In the share class space, the premium of China A-shares over H-shares narrowed slightly to +27.5%.

Among other developments:

- Indian single-stock futures in Singapore are off to a slow start with many names not actively trading. We have heard that some banks are being unofficially asked not to make markets in the securities. More publicly, Indian securities exchanges are planning to stop distributing prices to foreign exchanges in order to prevent offshore derivatives trading. It remains to be seen if this will affect single-stock futures.
- More positively, Korea postponed plans to widen the scope of capital gains tax for foreign investors.

## Portfolio Comments

Table 4 shows the number of fund equity positions by strategy, including hedges. From this month we are excluding positions smaller than 1% of NAV.

	Long	Short	Total
Event-driven	17	8	25
Holding Company	15	10	25
Share Class	3	4	7
<b>Total</b>	<b>35</b>	<b>22</b>	<b>57</b>

Table 4: Number of Long and Short Positions

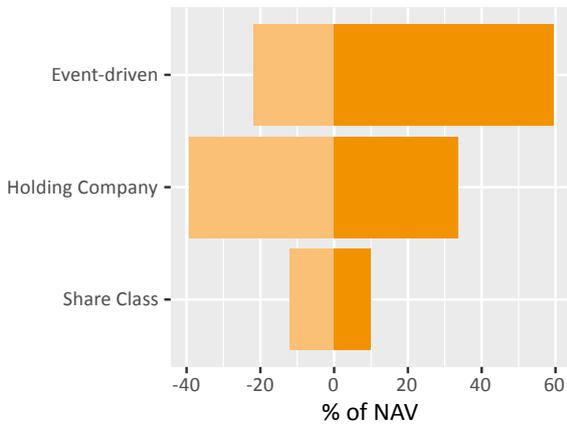


Figure 1: Strategy Exposures

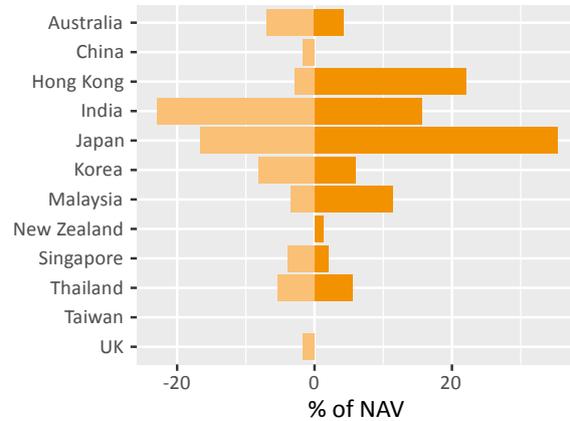


Figure 2: Geographic Exposures

Overall gross exposure was +10.6 points month-on-month (Table 5), which was mostly driven by positions in a late-stage Japanese deal and in a Thailand share class pair (Figure 1). Net exposure was -4.0 points month-on-month.

	Long	Short	Gross	Net
All Positions	103.2	73.4	176.6	29.8
Top 10 Long	51.5	0.0	51.5	51.5
Top 10 Short	0.0	43.9	43.9	-43.9

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

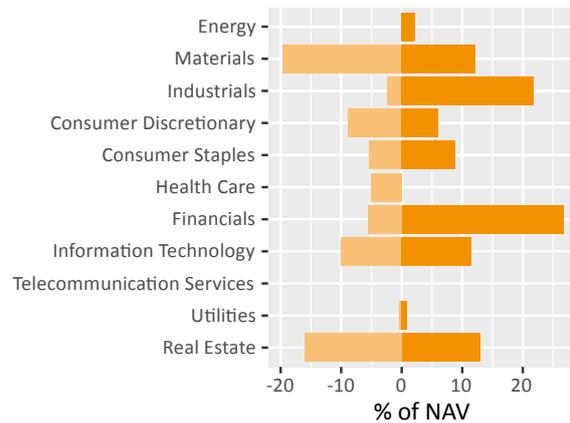


Figure 3: GICS Sector Exposures

Figure 2 shows how **Japan** continues to represent the largest source of gross exposure at 51.9% of NAV, with India and Hong Kong still following behind. On a net basis, **Hong Kong** once again has the largest positive exposure at +19.2% due to the ongoing activity in the event space.

Figure 3 shows the sector breakdown. This month saw an increase in **Industrials** net exposure by +9.3 points.

The market capitalisation breakdown (Figure 4) shows a +13.9 point month-on-month net exposure change in companies in the **\$5bn+** category — reflective of an increased weighting towards event-driven positions in this segment.

**Damian L. Edwards, CFA**

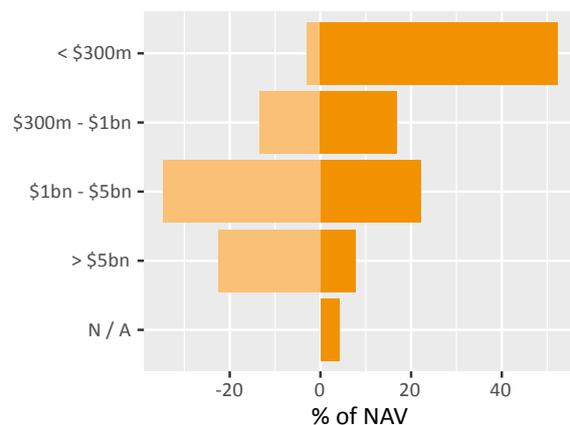


Figure 4: Market Capitalization Exposures

## 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

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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. 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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