Metrica Asia Event Driven Master Fund
July 2018 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

8th August 2018

Message from the CIO

Welcome to our fourteenth newsletter and performance update. The Class B shares returned **-0.26%**[1] net in July, bringing net returns since inception to **+7.61%** (Table 1 on the following page), with an annualized standard deviation of **4.84%**.

We examined our main negative contributors to inception-to-date P&L, of which there are six. These are all holding company trades and the P&L is unrealized. The average discount to NAV (weighted by position size) has increased from 70% when we started building these positions to more than 75% currently (Figure 1). In other words, while we entered these trades at very attractive levels, the discounts have further widened and now rank among the most extreme levels we have seen in more than ten years of following this universe.

Without the performance drag from these six positions, the end-July Class B NAV per share would have been 5.6% higher according to our calculations (Figure 2). We believe that an investment in the fund in the current environment presents a compelling opportunity to gain exposure to these heavily-discounted names in advance of any catalysts for value realization.

[1] 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.

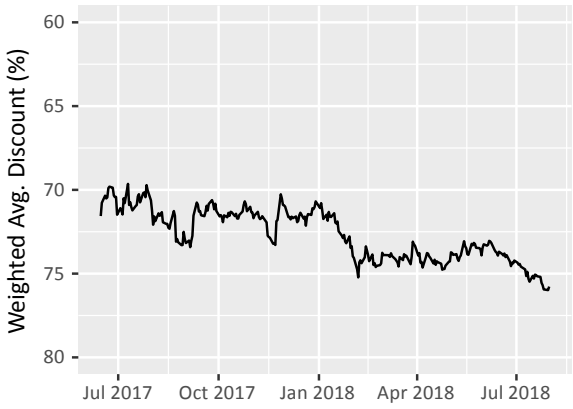

Figure 1: NAV Discount of the Six Positions

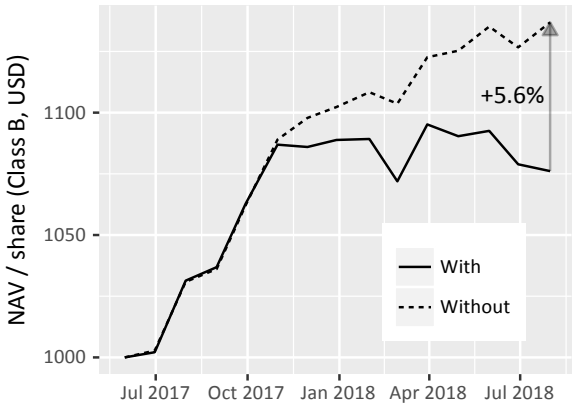

Figure 2: NAV With / Without the Six Positions

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	-1.59	2.17	-0.44	0.20	-1.25	-0.26*						-1.17*

Table 1: Net Monthly Performance Since Inception - Class B (%) (* preliminary)

July Attributions

This month, a positive contribution from the event-driven strategy was offset by spread widening in holding company positions, in line with the trend seen in recent months (Table 2).

	%
Event-driven	0.90
Share Class	0.04
Other	-0.05
Holding Company	-1.15
Total	-0.26

Table 2: Strategy Attribution[2]

Japan was the biggest positive contributor by geography (Table 3), mostly due to the successful closure of the **Japan Food & Liquor Alliance** merger. On the other hand, Malaysia, South Korea and India all contributed negatively mainly due to holding company positions.

	%
Japan	1.06
Australia	0.18
Other	-0.01
Malaysia	-0.36
South Korea	-0.45
India	-0.67
Total	-0.26

Table 3: Geographic Attribution

Event-driven Strategy

As expected the largest contribution (+85 bps) to event-driven performance in July was the successful completion of the deal mentioned above, where the spread had been trading at 12.4% at the beginning of the month. Other positions did not contribute meaningfully during the month.

Event-driven strategy gross exposure was down 7.4% over the month as various deals in Japan and Hong Kong expired. Net exposure fell 6.5% for the same reasons.

Among news items of interest[3]:

- Hong Kong is raising the threshold for the approval of whitewash waivers (which exempt acquirers from having to make mandatory offers) from 50% to 75% of independent shareholders. This will afford minorities more protection and could potentially result in more mandatory takeover offers in line with the increased difficulty in gaining independent shareholder approval.
- Australia's largest entertainment company valued at USD $4 billion will result from an acquisition of **Fairfax Media** by Nine Entertainment. The companies have entered into a scheme implementation agreement for cash and scrip that implies a 22% premium for Fairfax. The deal is subject to regulatory approvals including the Australian Competition and Consumer Commission as well as shareholders approval.
- Hong Kong's Wheelock & Co aims to buy out its 76%-owned subsidiary **Wheelock Properties** listed in Singapore at a premium of 21% via an unconditional voluntary offer worth USD 1.9 billion. The offeror needs to obtain more than 90% of total shares outstanding to breach the free float requirements and force a delisting.
- KKR intends to delist Taiwan-listed **LCY Chemical** at a premium of 24%, valuing the company at USD 1.5 billion. The offer is subject to shareholder approval and regulatory

[2] "Other" refers to P&L items which are not directly attributable to one of the three core strategies.

[3] With thanks to Anson Ho.

approvals including the Taiwan Ministry of Economic Affairs and Fair Trade Commission.

- Hong Leong is buying out its 73%-owned subsidiary **Guoco Group** listed in Hong Kong for 14% premium via a scheme of arrangement worth USD 5.6 billion. Scheme approval would entail at least 75% of scheme shareholders present and proxy voting in favour and less than 10% of scheme shareholders voting against the deal.

- Fullshare Holdings has agreed to sell its 74%-owned Hong Kong subsidiary **China High Speed Transmission** to Neoglory Prosperity which is listed in China. The price will be between RMB9.99 and 11.25 per share, valuing the company at between USD 2.1 billion and USD 2.3 billion, and representing a discount to the price before announcement between 7% and 17%.

- Delta Electronics International is taking **Delta Electronics Thailand** private at a premium of 4% valuing the company at USD 2.7 billion. Parties in concert own 21% and the deal is subject to FTC, US antitrust, EC and MOFCOM.

Upcoming catalysts of interest include:

- Results of ACCC's review of APA Group transaction

- Competitive tension around Gateway Lifestyle

- Scheme meetings for Investa Office Fund, Fairfax, Sirtex Medical, Guoco and HAECO

- Continued activity around dissatisfaction with merger ratio for Alpine Electronics

- Acceptance rate for the Wheelock Properties takeover

- Shareholder & regulatory approval for LCY Chemical

- Energy Regulatory Commission approval for Glow Energy

Holding Company Strategy

Four positions in Malaysia, Korea and India accounted for -118 bps of the holding company performance this month.

Overall gross and net exposure were roughly flat. We added 2.3% of gross exposure to an Indian name trading at 81% discount to NAV. Our weighted average discount to NAV across long holding company positions is now 72.8% (our estimates).

In the holding company space:

- Shareholders of **Wesfarmers** (USD 42 billion) will vote at the annual general meeting on the company's plan to spin off supermarket giant, Coles. If approved, the demerger is expected to be completed in November. Wesfarmers intends to retain 15 per cent of Coles.

- **Fosun International** (USD 15 billion) has received approval from the Hong Kong Stock Exchange to spin-off its tourism and hotel unit into Fosun Tourism and Culture Group which will include Club Med SAS. However, the company has not given a timeline for the spin-off.

Share Class Strategy

We didn't see any major P&L moves in share class this month. Gross and net exposure were roughly flat.

Nasdaq-listed Chinese biotech firm **BeiGene** (USD 10 billion) became the first company to have a secondary listing in Hong Kong under new exchange rules. The new rules, effective since 30 April, allows a) listing of innovative companies with weighted voting rights structures b) biotech firms without revenue or profit to apply for listing c) establish a new secondary listing route for innovative companies that have their primary listings on the New York Stock Exchange, Nasdaq or the main market of the London Stock Exchange. As such the Hong Kong Stock Exchange looks to establish itself as a financing centre for the growing number of fintech and pre-revenue drug developers. HKEX will be competing against the likes of Nasdaq, currently the biggest centre for biotech listings with USD 2.4 billion worth of such shares sold last year. We see this activity as a positive in terms of its potential to create more share-class trading opportunities.

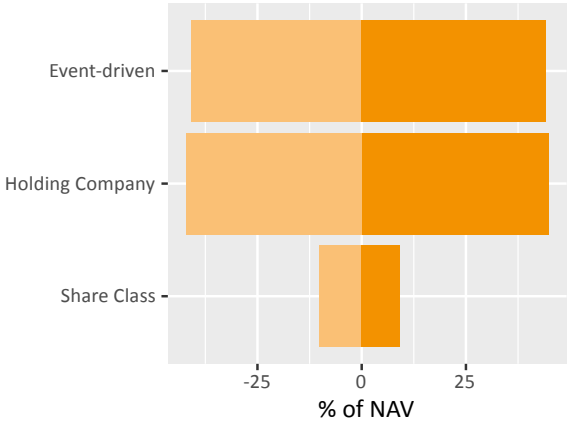

Figure 3: Strategy Exposures

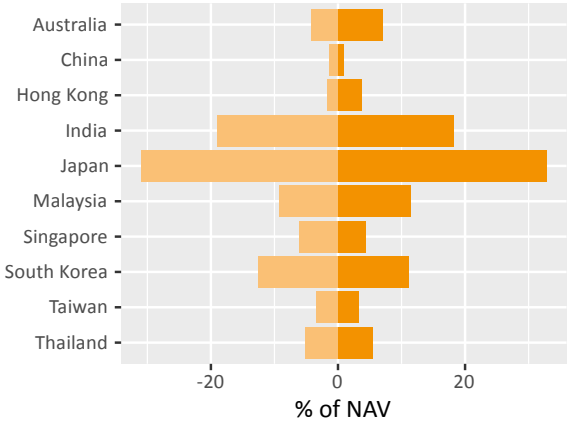

Figure 4: Geographic Exposures

Positioning

July saw a decrease in the number of fund positions (Table 4) from 63 to 53 – mostly caused by various event-driven names coming off the page as deals moved towards termination.

	Long	Short	Total
Event-driven	12	12	24
Holding Company	13	9	22
Share Class	4	3	7
Total	29	24	53

Table 4: Long and Short Positions $\geq$ 1% of NAV

Gross exposure was broadly flat month-on-month at 191% (Table 5). Net exposure was -7.6 points month-on-month, mostly from the expiry of various event-driven situations in Hong Kong. Figure 3 shows the end-of-month gross and net exposures for each strategy.

	Long	Short	Gross	Net
All Positions	98.2	93.3	191.5	4.9
Top 10 Long	46.1	0.0	46.1	46.1
Top 10 Short	0.0	44.9	44.9	-44.9

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

Figure 4 shows how **Japan** continues to represent the largest source of gross exposure at 62.7% of NAV

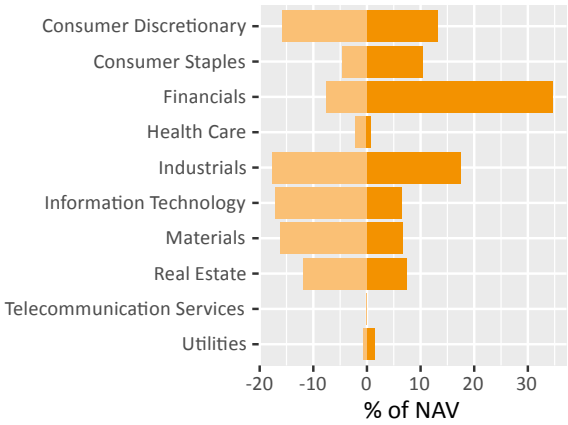

Figure 5: GICS Sector Exposures

(-7.0 points month-on-month) with India and Korea following behind. On a net basis, **Malaysia** has the highest exposure at +6.5% which is primarily from a holding company position where the main underlying holding is listed outside Malaysia.

Figure 5 above and Figure 6 on the following page show the sector and market capitalization breakdowns respectively, which don't show any major changes versus the previous month.

Damian L. Edwards, CFA

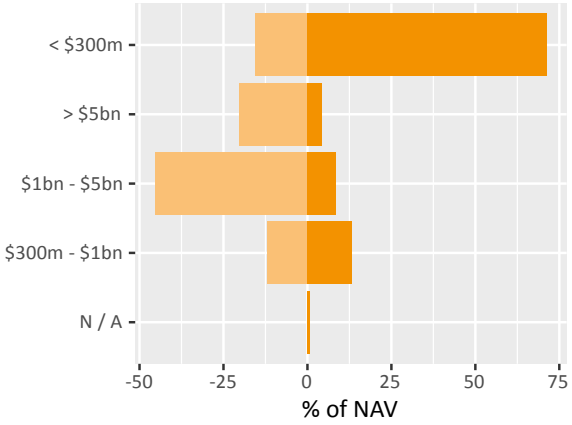

Figure 6: Market Capitalization Exposures

Fund Overview

Assets Under Management

$16.1 million

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 categorized 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") 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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