Metrica Asia Event Driven Master Fund
January 2019 Newsletter

Investment Manager: Metrica Partners Pte. Ltd.

7th February 2019

Message from the CIO

Welcome to our first newsletter of 2019. I am happy to report that, following a number of new subscriptions, fund assets under management now exceed **$23 million**.

I am also pleased to note that, in conjunction with the above, the fund has accepted a $10 million investment from a long-established and renowned institution based in Europe.

My co-founder David and I have from the start consistently worked to ensure Metrica and its funds meet the highest professional standards with the goal of attracting the world's largest and most demanding institutional investors, and we are gratified that these efforts are starting to pay off.

On the performance side, January was a relatively volatile month, with fund performance up over 2% at one point but ending up at **+0.62%**[1] net (Class B shares). This takes inception-to-date performance to **+10.37**% net (Table 2 on the following page).

Event-driven Strategy

Events accounted for -10 bps of performance in January (Table 1). The main detractor (-30 bps) was a short position in a Singapore trust which sold nearly all of its assets to its parent company. Legal troubles at the parent which had been threatening to derail the transaction ended up being resolved and the asset sale went through successfully.

	%
Holding Company	0.37
Share Class	0.24
Other	0.10
Event-driven	-0.10
Total	0.62

Table 1: Strategy Attribution[2]

Other event-driven positions contributed +20 bps during the month. Gross exposure was -5.4 points month-on-month as deals in Japan and Australia completed. Net exposure was +9.7 points, mainly due to a reduction in short exposures to deals in Singapore and Japan.

January brought with it a number of significant deal-related announcements, particularly in Australia. Please see the final section of this newsletter on page 3 for the highlights.

[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.

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

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	-0.08	0.12	0.22	1.64	0.03	0.75
2019	0.62*												0.62*

Table 2: Net Monthly Performance Since Inception - Class B (%) (* preliminary)

Holding Company Strategy

Holding company positions had a sharp rally during the first half of the month but gave some of that back towards the end. Our monthly turnover in this strategy reached a record high of 71% of (total) NAV as we ramped up our re-balancing activities to capture as much of the volatility as possible.

The best performer was a position in Malaysia which contributed +80 bps as it outperformed its subsidiary which was dragged down by weak sentiment towards mobile phone demand-sensitive names. Other positions in Korea, India and Japan contributed +77 bps, +39 bps and +31 bps respectively.

On the negative side, a position in India contributed -126 bps as it drifted through the month on little newsflow. Other names in Japan and India contributed -54 bps and -24 bps respectively.

Gross exposure was +17% as the fund added to positions in Japan. Net exposure was unchanged.

Share Class Strategy

Share class performance was moderately positive this month, but there were no major individual contributors.

Geographic Attributions

Malaysia and South Korea were the largest positive contributors by geography in January (Table 3), due mostly to holding company positions. Australia was third, mainly from events. On the other hand India and Singapore detracted from performance due to relative value and event-driven positions respectively.

[3] "Other" refers to P&L items which are not directly attributable to a geography, or to geographies which contributed minimally this month.

	%
Malaysia	0.81
South Korea	0.79
Australia	0.23
Other	0.13
Hong Kong	-0.12
Singapore	-0.46
India	-0.76
Total	0.62

Table 3: Geographic Attribution[3]

Positioning

January saw the number of fund positions at or above 1% of NAV at 36 (Table 4), a decrease of two.

	Long	Short	Total
Event-driven	11	3	14
Holding Company	9	8	17
Share Class	2	3	5
Total	22	14	36

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

Gross exposure was +14.2 points month-on-month which almost all came from increases in holding company positions. Net exposure was +7.8 points, primarily from the event-driven strategy as described above. Figure 1 on the next page shows the breakdown.

	Long	Short	Gross	Net
All Positions	106.5	79.9	186.4	26.7
Top 10 Long	68.1	0.0	68.1	68.1
Top 10 Short	0.0	62.2	62.2	-62.2

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

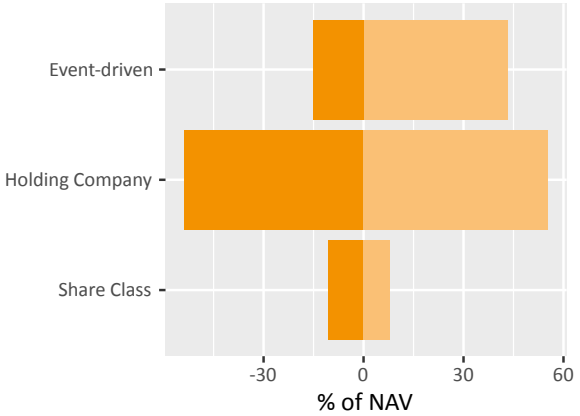

Figure 1: Strategy Exposures

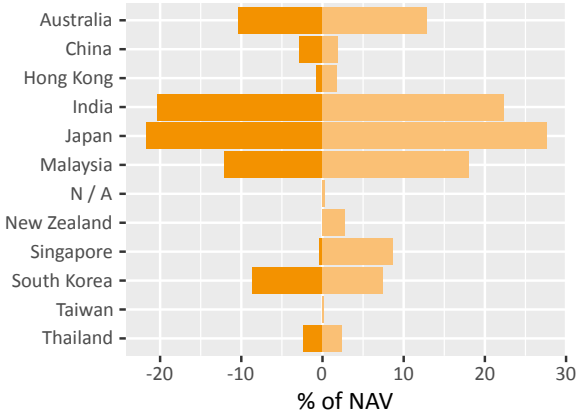

Figure 2: Geographic Exposures

Figure 2 shows no changes in the top three gross exposure ranking of **Japan**, India and Australia. Both Australia and Malaysia had gross increases in January. On a net basis, **Australia** had a swing of -7.1 points after a deal completed and came off the page.

Figure 3 shows the sector breakdown, which shows a change of +10.0 points in the Financials sector, driven mostly by increases to holding company positions which are classified as "Financials" by GICS (even if the underlying businesses are completely unrelated to the financial industry).

Finally, Figure 4 shows the market capitalization breakdown, which shows the $300m - $1bn exposure going to a net long position (vs. short the previous month) – mostly from changes to the event-driven portfolio.

Damian L. Edwards, CFA

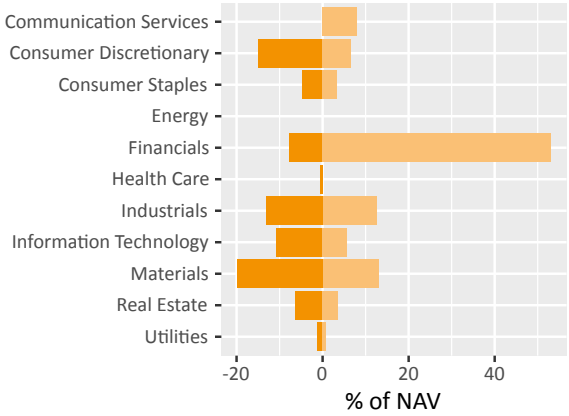

Figure 3: GICS Sector Exposures

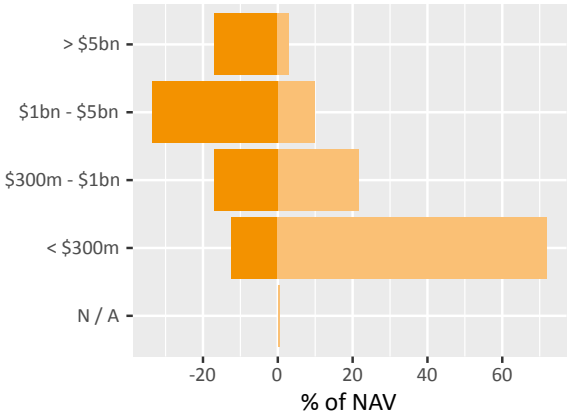

Figure 4: Market Capitalization Exposures

News Round-up[4]

- Australia's number two medical center operator, **Healius Ltd.** (USD 1.3 billion market capitalization), received a non-binding indicative proposal at a 45.7% premium to its undisturbed price from Chinese construction company Jangho Group. Healius' board of directors has rejected the proposal as being opportunistic and fundamentally undervalued.

[4]With thanks to Anson Ho.

- After concluding its due diligence process, Brookfield signed a scheme implementation deed with Australia's **Healthscope** (USD 3.1 billion) at a premium of 25.2% to its undisturbed price while launching an off-market takeover simultaneously just 4% lower. Rival bidder BGH Capital is said to still be interested with an indicative price at a price 7% lower than Brookfield's offer but it has yet to be allowed due diligence.

- After having its previous proposal rejected, BGH Capital increased its offer for Australian education provider, **Navitas** (USD 1.5 billion) by 6% (33.9% premium to undisturbed price) and has been allowed due diligence access. The board intends to recommend the proposal and the due diligence exclusivity period ends on 18 February.

- Korea's Hyundai Heavy Industries has signed a conditional deal to buy a 55.7% controlling stake in **Daewoo Shipbuilding and Marine Engineering** (DSME; USD 3.2 billion) from Korea Development Bank (KDB). KDB has said it will also check if Samsung Heavy Industries is interested in privatizing DSME. Details of the potential sale have not been announced.

- As part of its efforts to consolidate its presence in Indonesia, Japan's Mitsubishi UFJ Financial will merge its subsidiaries, Bank Nusantara Parahyangan and **Bank Danamon Indonesia** (USD 6.3 billion). The transaction requires the financial services authority OJK to allow MUFG to raise its ownership above 40% which has been the limit in Indonesia for foreign ownership of commercial banks since 2012. If approved, MUFG's ownership in Bank Danamon will rise to 73.8% while shareholders will be able to sell their shares to MUFG at a 62% premium to undisturbed prices (Nov 2017).

In the holding company space, much attention remains on what will happen to the **Renault** (USD 20.8 billion) – **Nissan** (USD 35.8 billion) alliance. Nissan CEO Hiroto Saikawa and Renault chairman Jean-Dominique Senard have both reaffirmed their commitment to the alliance at a shareholders' meeting held in Amsterdam last week with both not recommending major structural changes. The French government has previously sought to integrate Renault and Nissan – most likely under a single holding company structure – aiming to render the alliance irreversible. Carlos Ghosn, the previous chairman and CEO of Renault and Nissan, was reportedly planning a merger of the two companies before his removal.

Finally, we expect to see more activity in Chinese markets given recent relaxations of the regulatory environment. China is proposing easier access for foreign institutions through combining two inbound investment schemes, namely the Qualified Foreign Institutional Investor (QFII) scheme and its renminbi-denominated counterpart the RQII scheme, while also broadening their scope to include derivatives, bond repurchases and private funds.

Regulators will also lower the threshold for overseas applicants and simplify the vetting process. The CSRC described the initiatives as "promoting high-quality opening of China's capital markets and introducing more long-term overseas capital". These developments bode well for opportunities in share class trading.

Upcoming items of focus include:

- Regulatory approvals for Bank Danamon, Delta Electronics, Little Swan, MYOB Group, GlaxoSmithKline Consumer Healthcare, TradeMe Group, Healthscope and Holcim Indonesia

- Shareholder approvals for Trade Me Group, Hopewell Holdings, MYOB Group, GlaxoSmithKline Consumer Healthcare, TradeMe Group and Healthscope

- Acceptance rates for M1 Limited Singapore, Clarion

- Possible counter-offers for MYOB Group, Healthscope, Daewoo Shipbuilding and Marine Engineering

- Possible revised offers for Healius

- Results of due diligence for Graincorp and Navitas

Fund Overview

Assets Under Management

$23 million (1 Feb)

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 20 years' experience in the finance industry in Asia, of which 14 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	Principium Consulting
Technology	Enfusion, Eze Castle

Terms

Minimum Investment US $1 million (subject to directors' discretion)

Management / Performance Fee Class A (Open) 1.5% and 15%; Class B (Closed) 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

This newsletter is typically published on the third business day of the month (Singapore calendar).

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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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