



## Metrica Asia Event Driven Master Fund March 2019 Newsletter

Investment manager: Metrica Partners Pte. Ltd.

3rd April 2019

### Message from the CIO

We are excited to announce that **Stephen Rooney** has agreed to join the boards of Metrica Asia Event Driven Master Fund and its feeder fund.

Stephen is the founder and principal of Niktara Limited, an independent directorship and consulting company that provides services to alternative investment managers. He has over twenty years of financial services experience, including twelve years as the COO/business manager of alternative investment managers in Asia.

Prior to founding Niktara in 2015, Stephen was a founding partner and COO of Stewart Asia Investment, a spin-out from Tudor Investment. Stewart Asia was launched in 2013 and had offices in Singapore and London.

Before that Stephen was the business manager of Tudor's Asian operations from 2004 through 2013 and served on Tudor's global operating committee. During Stephen's nine-year tenure at Tudor, he set up offices in Singapore, Sydney and Beijing.

Prior to that, Stephen was COO of Pagoda Advisors, an Asian macro manager which launched in 2003 and which was ultimately acquired by Tudor. Before that, Stephen was a business manager in Credit Suisse's fixed income division in Singapore, and he also served in corporate treasury and project roles with UBS in London.

Stephen is a chartered accountant, having qualified in New Zealand with Ward Wilson & Partners, an associate firm of KPMG. He holds a Bachelor of

Commerce degree from Otago University. Stephen is licensed as a Professional Director with the Cayman Islands Monetary Authority. He is a member of AIMA and was formerly a member of the Singapore board where he served as vice chairman.

Stephen sits on a number of boards in Asia and is extremely well regarded in the community.

In conjunction with Stephen's appointment, we must sadly say goodbye to **Tracie Ahern**, who will be resigning all of her fund independent directorships, including those of the Metrica funds, to take up a senior role at a \$90 billion-dollar asset manager headquartered in New York.

Metrica expresses its thanks to Tracie for her assistance in helping the funds launch and in providing guidance over the past two years. We wish her every success in her new position.

### Performance

March's return was **+18 bps**, taking year-to-date performance to **+1.49% net<sup>1</sup>** (Table 1 on the following page).

**Event-driven** positions recorded another strong month, contributing +83 bps (Table 2 on the next page). The successful closure of a share-for-share merger between two Australian miners was responsible for about half of this. Other positions did not

<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 the offshore feeder fund.

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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	-1.59	2.17	-0.44	0.20	-1.25	-0.26	-0.08	0.12	0.22	1.64	0.03	0.75
2019	0.50	0.80	0.18*										1.49*

Table 1: Net monthly performance since inception - Class B (%) (\* preliminary)

contribute significantly. Please see the final section of this newsletter on page 4 for a summary of recent developments in the event-driven space.

	%
Event-driven	0.83
Other	-0.04
Share class	-0.08
Holding company	-0.51
Total	0.18

Table 2: Strategy attribution<sup>2</sup>

The **holding company** strategy had mixed performance in March, with Japan and Malaysia contributing +57 bps and +19 bps respectively while Hong Kong was -57 bps and India -70 bps.

An Australian name undergoing a strategic review contributed +39 bps as the company announced that a number of bids had been received for its assets.

Conversely, a position in Hong Kong contributed -57 bps after the company announced a rights issue which was poorly received by the market. This stands in contrast to the performance of the company's main listed shareholding which gained 22% in March and is up more than two times since the start of the year.

We have seen deeply-discounted holding companies issue rights without needing the cash before – especially in Hong Kong – and it is commonly a signal that the major shareholders believe that the stock is undervalued.

In India we saw some widening of spreads which may have been related to tax-loss harvesting at the end of the fiscal year, and we view this as likely to mean-revert from April.

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

**Share class** trading contributed -8 bps in March with some moderate widening seen in A/H spreads.

Japan and Australia were the largest positive contributors by geography (Table 3): Japan mostly from holding companies, and Australia exclusively from events. India and Hong Kong were the largest negative contributors for the reasons given above.

	%
Japan	0.68
Australia	0.59
Malaysia	0.20
Other	-0.04
Hong Kong	-0.58
India	-0.67
Total	0.18

Table 3: Geographic attribution<sup>3</sup>

## Positioning

March saw the number of fund positions at or above 1% of NAV rising by two to 40 (Table 4).

	Long	Short	Total
Event-driven	13	3	16
Holding company	11	7	18
Share class	3	3	6
Total	27	13	40

Table 4: Long and short positions  $\geq$  1% of NAV

Gross exposure was -15.2 points month-on-month which mostly came from reductions in holding company positions. Net exposure was +10.6

<sup>3</sup>“Other” refers to P&L items which are not directly attributable to a geography, or to geographies which contributed minimally this month.

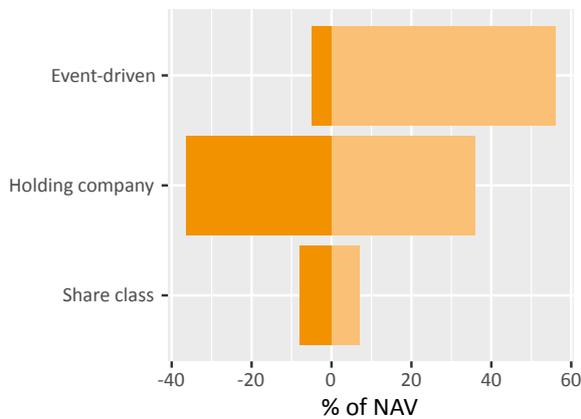


Figure 1: Strategy exposures

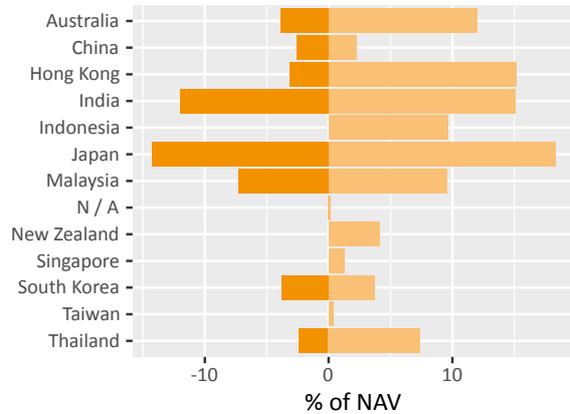


Figure 2: Geographic exposures

points, primarily from an increase in long exposure to event-driven names in Hong Kong and Indonesia. Figure 1 shows the breakdown.

	Long	Short	Gross	Net
All positions	98.9	49.2	148.1	49.7
Top 10 long	53.1	0.0	53.1	53.1
Top 10 short	0.0	33.9	33.9	-33.9

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

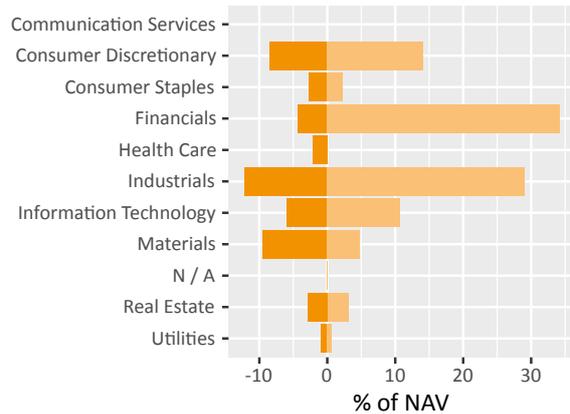


Figure 3: GICS sector exposures

Figure 2 shows geographic gross exposure. India regained its second place position over Australia in the gross exposure ranking. Japan is still number one. Gross exposure to Australia and Japan decreased over the month and increased in Hong Kong and Indonesia.

On a net basis, Hong Kong had a swing of +14.8 points as the fund increased exposure to a tender offer situation.

Figure 3 shows the sector breakdown, which shows a change of +13.7 points in Industrials net exposure, driven mostly by the Hong Kong tender offer mentioned above.

Finally, Figure 4 shows the market capitalization breakdown, which shows a flattening of the net short in the \$1bn - \$5bn segment (due to the Hong Kong position), and a reduction of the net long in the sub-\$300m segment (due to the completion of a Japanese consumer electronics deal).

**Damian L. Edwards, CFA**

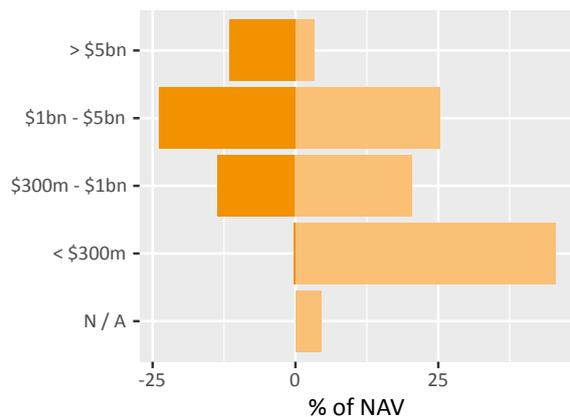


Figure 4: Market capitalization exposures

## News<sup>4</sup>

Australia's **Lynas Corp** (USD 1 billion market cap) received an indicative, non-binding conditional proposal from Wesfarmers at a 45% premium to its undisturbed price that requires Lynas to ensure its operating license in Malaysia remains in force. Lynas has been embroiled in controversy since Malaysian authorities voiced concerns over toxic waste management at its advanced materials plant in Kuantan last year and imposed two additional waste management conditions onto the license renewal process ahead of the expiry of two of the company's licenses. Lynas' board has decided not to engage with Wesfarmers on the "highly conditional" proposal.

A US investor disclosed a blocking stake in the scheme of arrangement for Australia's **MYOB Group** (USD 1.4 billion), saying that the board should reconsider the offer given the market rally. Even so, the independent financial advisor views the offer price as fair and reasonable.

Meanwhile, Blackstone bought 69.54% of **Hong Kong International Construction Investment Management Group** (USD 1.3 billion) from HNA Group. Blackstone has launched an unconditional mandatory general offer at a premium of 15% to the undisturbed price for the rest of its shares.

The long-awaited tender offer for **Glow Energy** (USD 4.2 billion) finally commenced with terms revised to a 4.7% discount to the original offer price following for the sale of the SPP1 business as required by Thailand's Energy Regulatory Commission. The tender is expected to complete in May.

Upcoming points of focus include:

- Regulatory approvals for Bank Danamon, MYOB Group, GlaxoSmithKline Consumer Healthcare, Healthscope, Kabu.com Securities
- Shareholder approvals for TradeMe, MYOB, GlaxoSmithKline Consumer Healthcare, Healthscope
- Acceptance rates for Kabu.com Securities
- Possible counter or revised offers for Healthscope, Daewoo Shipbuilding and Marine Engineering, MYOB, Lynas, Healius
- Results of due diligence for Graincorp

<sup>4</sup>With thanks to Anson Ho.

**Holding company / spin-off news** Recently **Naspers** (USD 102 billion) shared its plans to carve out its internet businesses, including a USD 133 billion stake in China's Tencent Holdings, on the Euronext Amsterdam exchange. The move is intended to reduce the discount of the company's market cap versus the value of its stake in Tencent and other holdings.

**Kerry Logistics Network** (USD 3.3 billion) is considering a separate listing of Kerry Express (Thailand). No further details have been announced.

**Xinyi Solar Holdings** (USD 4.1 billion) announced that it has refiled an application to the Hong Kong Stock Exchange for the listing of Xinyi Energy; the spin-off was scrapped late last year due to market volatility.

**Commonwealth Bank of Australia** (USD 89.4 billion) has shelved plans to spin off its wealth management and mortgage broking businesses and will focus instead on implementing recommendations from the Royal Commission. The wealth management business has been mired in controversy since last year over its fees-for-no-service conduct and lack of adequate controls.

**Share class news** MSCI will be implementing proposed changes to the calculation of **Foreign Ownership Limits** (FOL) for Thai securities in the May 2019 re-balance. MSCI will: 1) apply FOLs based on the Non-Voting Depository Receipts (NVDRs) issuance limits applicable to banks and finance companies that accept public deposits; 2) remove FOLs from other NVDRs; and 3) use both the NVDRs and the foreign line for calculating FOLs for financial securities if the foreign line is liquid, otherwise only the NVDR line will be used.

MSCI has also deferred its proposal to ignore Depository Receipts (DR) in calculating FOLs for Indian securities and make it equal to the foreign portfolio investment limit. However, the index provider has said it will proceed with the proposals on or before 30 September in the absence of any material changes to the accessibility of the DRs.

Lastly, MSCI will be removing companies with low foreign headroom (such as KT Corp in Korea), even if they have a liquid DR.

## Fund overview

### Assets under management

\$27 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 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

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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>	Principium Consulting
<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 (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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