



# Metrica Asia Event Driven Master Fund April 2019 Newsletter

Investment manager: Metrica Partners Pte. Ltd.

6th May 2019

## Message from the CIO

- The fund has been nominated for "Best Asian Event Driven Hedge Fund" at the Eureka Hedge Asian Hedge Fund Awards 2019 on 24 May.
- Metrica Partners will be presenting at the Deutsche Bank Capital Introduction Conference 2019 on 21-22 May at the Marina Bay Sands.

April's return was **-17 bps**, taking year-to-date performance to **+1.32% net**<sup>1</sup> (Table 1 on the following page).

It was another good month for **events** (Table 2 on the next page), with the strategy contributing 80 bps. An Australian deal contributed +51 bps as the acquirer raised its bid by 7.5% to win over the target board. Deals in Indonesia contributed another +21 bps.

The event strategy has continued to perform consistently well. We have traded 243 situations over the 23 months since the launch of the fund with a win-loss ratio of 3.2x in terms of number of posi-

<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.

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

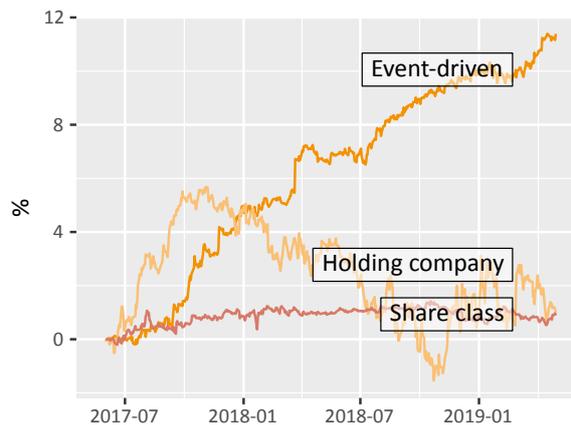


Figure 1: Inception-to-date strategy attribution<sup>3</sup>

tions and 1.9x in terms of average P&L per trade. Figure 1 shows inception-to-date attributions (non-compounded) for this and other strategies.

The outlook for event-driven trading continues to be bright, with January-April Asian M&A activity (as measured by number of announced deals) up 29% year-over-year, and approaching the heights of 2010 (figure 2 on the next page). Singapore activity in particular is at a record for the period shown in the chart. This bodes well for future trading opportunities.

<sup>3</sup>Not compounded. P&L items in the "Other" category have been omitted for clarity.

<sup>4</sup>Source: Factset. Target in Asia-Pacific.

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	0.19	*-0.17									*1.32

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

	%
Event-driven	0.80
Share class	0.06
Other	-0.12
Holding company	-0.90
Total	-0.17

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

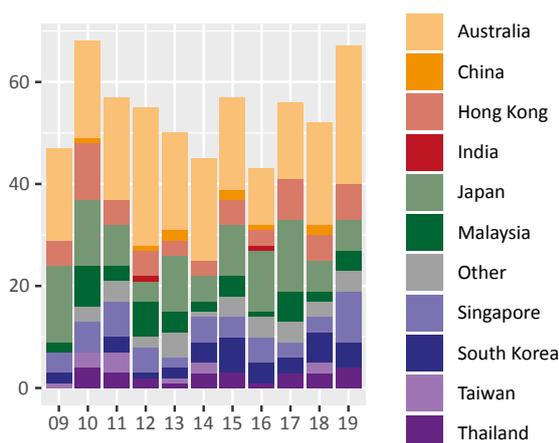


Figure 2: Announced M&A: January to April<sup>4</sup>

**Holding companies** contributed -90 bps in April with spreads tightening in India (+71 bps) but widening in Malaysia (-52 bps) and Hong Kong (-93 bps). Looking at figure 1 on the preceding page again, despite elevated volatility since the start of the year, it does seem that holding company portfolio returns have marked the bottom after the depths of Q4 2018. This is also suggested by the weighted-average discount-to-NAV chart in figure 3.

In this strategy, we have so far traded 35 names with a win-loss ratio of 1.7x in terms of number of positions. However in terms of average P&L per trade the ratio is only 0.41x – explaining the



Figure 3: Weighted average portfolio discount<sup>5</sup>

very marginal contribution to total P&L from this strategy so far.

We are working hard to turn this around and lining up our next few engagement targets following our activities in Malaysia / Korea last year.

Finally, **share class** trading contributed +6 bps in April with some further reversion seen in A/H spreads.

**Geographic attributions** India and Australia were the largest positive contributors by geography (Table 3 on the following page). A holding company position in India contributed +91 bps as it rallied 22% versus its key listed subsidiary. An M&A deal in Australia contributed +51 bps as mentioned above.

On the other hand, Malaysia and Hong Kong were negative contributors this month. In Malaysia, two holding company positions contributed -24 and -28 bps. In Hong Kong, a holding company position contributed -93 bps as the parent company stock fell 4% while its main listed holding rallied 28% over

<sup>5</sup>Metrica estimates.

the month.

	%
India	0.61
Australia	0.56
Indonesia	0.21
Other	-0.16
Malaysia	-0.54
Hong Kong	-0.85
Total	-0.17

Table 3: Geographic attribution<sup>6</sup>

## Positioning

April saw the number of fund positions at or above 1% of NAV declining by one to 39 (Table 4).

	Long	Short	Total
Event-driven	7	3	10
Holding company	11	11	22
Share class	3	4	7
Total	21	18	39

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

Gross exposure was +1.6 points month-on-month with a 24% decrease in event-driven strategy gross offset by a similar size increase in holding company positions mostly in Japan and Korea.

Net exposure was -27.8 points which is a function of the reduction in event-driven positions, particularly in Japan and Hong Kong. Figure 4 shows the breakdown.

	Long	Short	Gross	Net
All positions	85.8	63.9	149.7	21.9
Top 10 long	54.2	0.0	54.2	54.2
Top 10 short	0.0	39.8	39.8	-39.8

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

<sup>6</sup>“Other” refers to P&L items which are not directly attributable to a geography, or to geographies which contributed minimally this month.

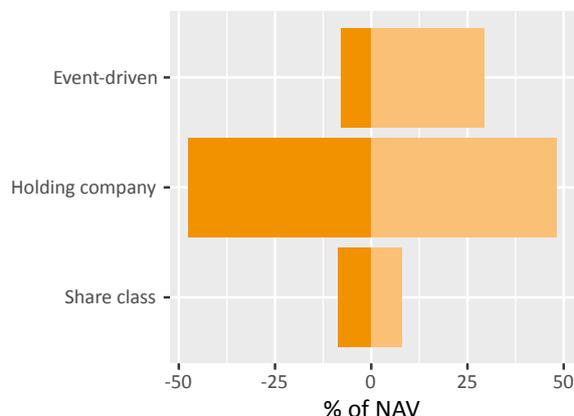


Figure 4: Strategy exposures

Figure 5 on the next page shows geographic gross exposure. The top three had no changes compared with end-March: Japan is still number one, with India and Australia following. During the month, gross exposure to Korea increased while it decreased in Hong Kong.

On a net basis, Hong Kong had a swing of -10.9 points as a large event-driven position completed successfully.

Figure 6 on the following page shows the sector breakdown, which shows a change of -13.9 points in Information Technology net exposure.

Finally, figure 7 on the next page shows the market capitalization breakdown, which shows the \$1bn - \$5bn segment going back to a net short position – primarily due to the expiry of deals in Japan and Hong Kong.

**Damian L. Edwards, CFA**

## News<sup>7</sup>

Japan's Nippon Paint announced a scheme of arrangement for Australia's **Dulux Group** (USD 2.7 billion market cap) at a record high price worth 27.8% premium to the undisturbed price. The proposal will need approval from foreign investment regulators in Australia and New Zealand. The companies expect the deal to close in August.

Singapore's **OUE Hospitality Trust** (USD 1.0 billion) and **OUE Commercial Real Estate** (USD 1.0

<sup>7</sup>With thanks to Anson Ho.

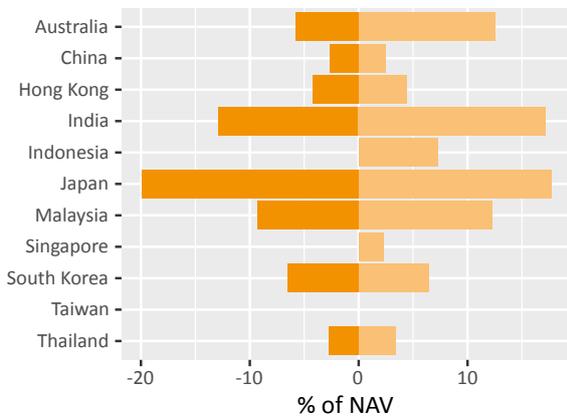


Figure 5: Geographic exposures

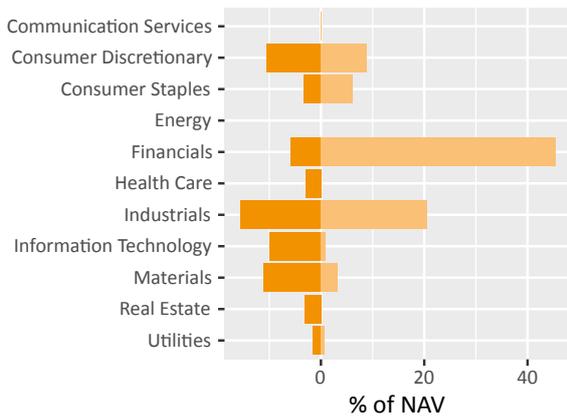


Figure 6: GICS sector exposures

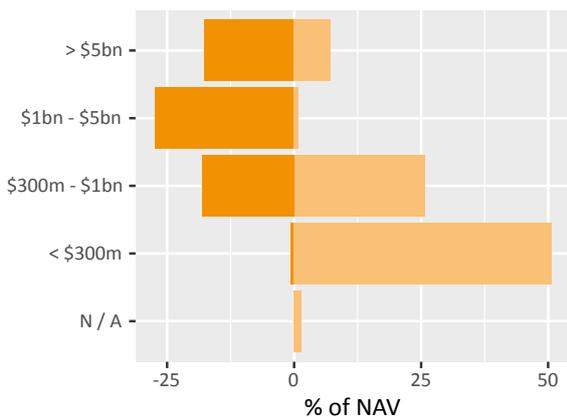


Figure 7: Market capitalization exposures

billion) announced a proposed merger which will create one of the largest diversified REITs on the SGX. Holders of OUE Hospitality Trust will receive cash and shares implying a 2% premium to the undisturbed prices. The deal will require approval from both sets of security holders, IRAS and MAS among other conditions.

Among previously-announced deals:

- Wynn Resorts terminated buyout talks for Australia's **Crown Resorts** (USD 6.4 billion) after discussions were leaked.
- Shareholders granted approval for the scheme of arrangement for Australia's **MYOB** (USD 1.4 billion) after the US investor who acquired a blocking stake and who had originally urged the board to reconsider the offer ended up voting in favor of the deal. The transaction is expected to close in May.

In holding company-related news, South Korea's **Doosan Corp** (USD 1.6 billion) announced that its board has decided to spin-off Doosan Fuel Cell, the company's fuel cell business and Doosan Solus, which produces battery foil, OLED and biotech materials.

Also, Australia's **Graincorp** (USD 1.5 billion) declared its intent to de-merge its global malting and craft brewing business. The de-merger is expected to be implemented by end of 2019 through a scheme of arrangement subject to shareholder, board, court and regulatory approvals.

Some data points we will be watching over the next few weeks and months:

- Regulatory approvals for GlaxoSmithKline Consumer Healthcare, Healthscope, Kabu.com Securities, Navitas, Dulux Group
- Shareholder approvals for GlaxoSmithKline Consumer Healthcare, Healthscope, Navitas, Dulux Group, OUE Commercial Real Estate
- Acceptance rates for Kabu.com Securities
- Possible counter or revised offers for Daewoo Shipbuilding and Marine Engineering, Lynas, Healius, Crown Resorts
- Results of due diligence for Graincorp

## 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

Before co-founding Metrica in 2016, 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 Baker McKenzie Walkers
<i>Audit &amp; tax</i>	PwC
<i>Compliance</i>	Principium Consulting
<i>Technology</i>	Enfusion Eze Castle
<i>Directors</i>	Simon Cox David Mulvenna Stephen Rooney

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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).

Please direct any inquiries to:

David Mulvenna, Chief Operating Officer  
Metrica Partners Pte. Ltd.  
50 Raffles Place  
#31-05 Singapore Land Tower  
Singapore 048623

Telephone: +65 6904 1992

Fax: +65 6826 4192

david.mulvenna@metricapartners.com

*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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