metrica

Metrica Asia Event Driven Master Fund
August 2019 Newsletter

Investment manager: Metrica Partners Pte. Ltd.

9th September 2019

Message from the CIO

August's net Class B return was **+0.55%**[1], which compares with an MSCI AC Asia-Pacific return of -3.36% in the same month. Year-to-date Class B performance is now **+5.09%** (table 1 on the following page).

Over the 2.2 years since inception, the fund's Class B shares have returned an annualised **+6.53%** net with an annualised monthly standard deviation of **3.67%**. This compares to an MSCI AC Asia Pacific index annualised return of +0.13% and standard deviation of 12.85% over the same period.

Business update Thank you to FERI Trust GmbH for the invitation to the 8th FERI Hedge Fund Investment Day in Bad Homburg, Germany. Over 100 attendees listened to our 45-minute presentation on the topic of "How to Build a Hedge Fund in Asia". It was encouraging to see the demand for market-neutral, uncorrelated strategies among European investors. Metrica was the only emerging manager among the four managers presenting at the event.

Strategy attributions and positioning All three strategies were positive or flat in August (table 2 on the next page).

The **event-driven** strategy contributed +53 bps this month, of which the largest single contribution was again from Australia at +29 bps. Nearly all of this was from Highlands Pacific – a takeover where shareholders received a fixed cash amount with a potential additional sum contingent on the performance of nickel for a period of eight months following deal completion. The share price of Highlands had been valuing this embedded digital call option at zero for several weeks prior to delisting.

Note: We are currently pressing the board of another Australian company to withdraw their recommendation of a recently-announced takeover offer. The transaction requires the support of 90% of shareholders. Please contact us for the name.

Gross exposure in events rose 13.4pp[3] to 64.7% (figure 1 on the following page) which was mostly from the establishment of a position in an Australian deal. Net exposure fell 3.9pp to +24.6% as a Thai deal completed.

Asia Pacific M&A deal volumes continue to trend at high levels in 2019, with the number of transactions up to August comfortably exceeding the prior post-GFC high (figure 2 on the next page). It is still an excellent time to be investing in event-driven opportunities in Asia Pacific. At month-end we were tracking 70 live deals with an aggregate daily

[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 the offshore feeder fund, Class B shares.

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

[3] Percentage points.

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	-0.22	0.96	1.14	1.08	*0.55					*5.09

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

	%
Event-driven	0.53
Holding company	0.15
Share class	-0.01
Other	-0.13
Total	0.55

Table 2: Strategy attribution[2]

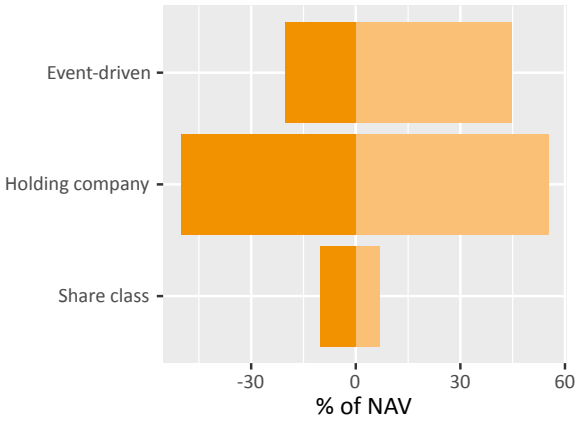

Figure 1: Strategy exposures

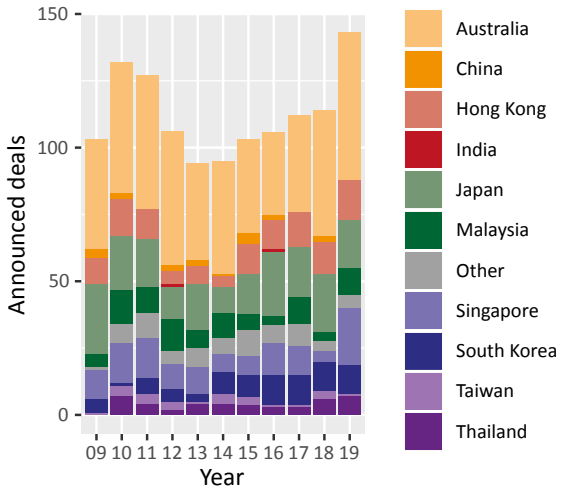

Figure 2: Announced M&A: January to August[4]

trading volume of $119 million.

The **holding company** strategy contributed +15 bps in August and, as usual, had some larger individual moves.

A position in India contributed +111 bps pre-tax as it outperformed its main listed holding after the latter reported disappointing 1Q earnings.

A position in Hong Kong added +84 bps in August after contributing +49 bps in July. We recently discussed ways of addressing the share price discount to NAV with the company's CEO.

The largest detractor (-42 bps) was a Malaysian name whose main listed associate is subject to a takeover by a Canadian property investor. Shareholders of the associate can accept cash or shares in a new unlisted vehicle – we expect the parent company to choose the latter.

Also on the negative side, Japanese holding company positions gave back some of their year-to-date gains, contributing -70 bps.

Gross exposure was roughly flat at 105%, and net similarly at +5.2%. We added 7.5pp of gross to a new Japanese position and reduced a Korean position by 5.9pp.

Share class trading in June contributed -1 bps. Gross expanded by 5.9pp to 17%.

Figure 3 on the following page shows trailing 12-month attributions for the three strategies.

Geographic attributions and positioning India was the main geographic driver of performance in

[4]Source: Factset. M&A target listed in Asia-Pacific.

[5]Not compounded. P&L items in the "Other" category have been omitted for clarity.

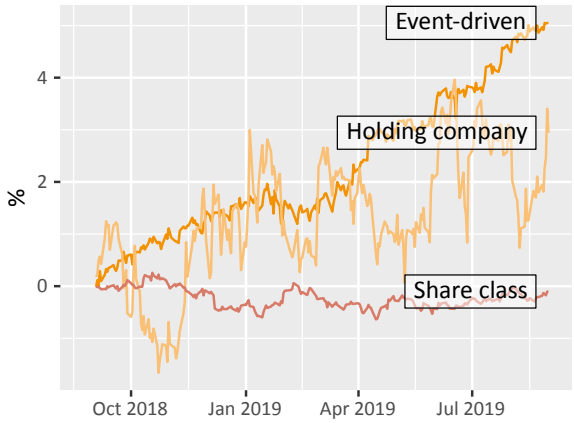

Figure 3: Trailing 12 month strategy attribution[5]

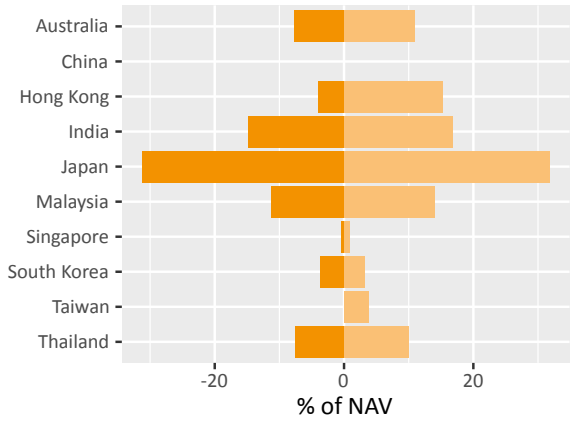

Figure 4: Geographic exposures

August (table 3), contributing +92 bps – all from holding company positions. Hong Kong was second with +85 bps. Malaysia and Japan were on the negative side with -53 bps and -58 bps respectively.

	%
India	0.92
Hong Kong	0.85
Australia	0.29
Other	-0.02
South Korea	-0.39
Malaysia	-0.53
Japan	-0.58
Total	0.55

Table 3: Geographic attribution[6]

During the month Australia gross exposure increased by 11.8pp (figure 4) from event-driven positions. Japan gross also increased while Korea fell. Net exposure to Thailand fell by 6.2pp due to the completion of a deal.

Top three gross exposures at end-August were to Japan, India and Australia.

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

Overall positioning

August saw the number of fund holdings at or above 1% of NAV increasing by eight to 51 (table 4).

	Long	Short	Total
Event-driven	13	6	19
Holding company	14	11	25
Share class	3	4	7
Total	30	21	51

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

Gross exposure was +16.9pp month-on-month, primarily from events. Net was -5.8pp.

	Long	Short	Gross	Net
All positions	106.6	80.4	187.0	26.3
Top 10 long	55.7	0.0	55.7	55.7
Top 10 short	0.0	45.1	45.1	-45.1

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

Figure 5 on the following page shows the sector breakdown, which shows a reduction of 6.8pp in Real Estate net exposure, driven by the unwind of the Thai deal mentioned above.

Finally, figure 6 on the next page shows the market capitalization breakdown. Short exposure to the $5bn+ segment rose by 7.3pp.

Damian L. Edwards, CFA

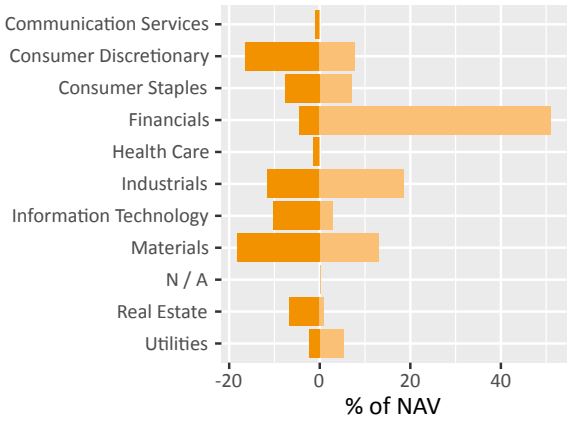

Figure 5: GICS sector exposures

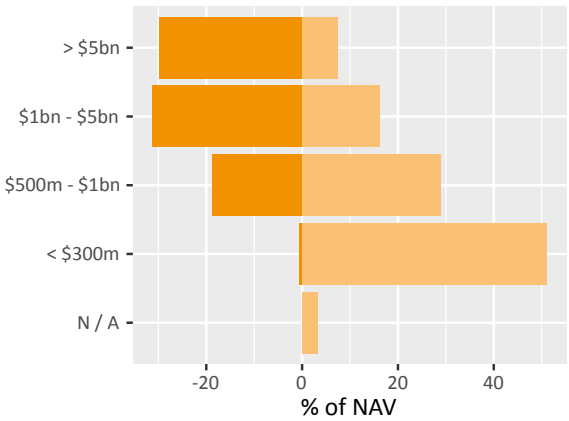

Figure 6: Market capitalization exposures

News[7]

The Hong Kong Stock Exchange will tighten the rules around back-door listings and shell company activities from 1st October. The "principle-based test" (which examines if there has been a change of control) and the "bright-line test" (which prevents incoming controlling shareholders disposing of material existing businesses) will be strengthened. The continued listing criteria will also be tightened.

Also, the Philippine Stock Exchange may modify delisting rules to protect small investors after a run of delistings at minimal premiums. A director of the exchange recently observed that small investors have often lost money when comparing delisting prices with IPO prices – especially when those investors make up a minority of less than 10 percent.

Among new deals in the large-cap space:

- Hong Kong-listed **TPV Technology** (market cap USD 1.1 billion) received a privatization offer from a Chinese state-owned enterprise at a 41% premium. The shares are also listed in Singapore. The offer is subject to independent shareholder's approval and there are at least two shareholders with blocking stakes.
- **Travellers International** (USD 1.7 billion) in the Philippines announced a voluntary delisting at a 1.3% premium. The offer is subject to minimum acceptances of 5.24% which will take non-public shareholder ownership above the required 95% threshold.

Also, Japan's **Unizo Holdings** (USD 1.3 billion) received a counteroffer from a private equity investor following an earlier tender offer by travel agency HIS. The counteroffer price was 29% higher and is for the whole company as compared to HIS's partial offer. Unizo revealed that it has received more than 16 indications of interest since mid-July but only completed discussions this month. HIS has said that it will not respond with a counter-bid unless the PE investor deal fails.

On the event-driven calendar we have:

- Regulatory approvals for GlaxoSmithKline Consumer Healthcare, Daewoo Shipbuilding and Marine Engineering, Holcim Philippines,

[7] With thanks to Anson Ho.

Millennium & Copthorne, Maanshan Iron & Steel, Dalian Port

- Shareholder approvals for GlaxoSmithKline Consumer Healthcare, TPV Technology
- Acceptance rates for Millennium & Copthorne, Maanshan Iron & Steel, Unizo Holdings, Travellers International
- Possible counter bid for Unizo Holdings
- Completion of SPA for WABCO India Ltd
- Offer announcement for Fajar Surya Wisesa
- Completion of equity transfer for Maanshan Iron & Steel, Dalian Port

Finally, in holding company news:

- Thirteen shareholders of Japan's **Recruit Holdings** (USD 51.3 billion) are selling a combined 7% stake. The share sale is believed to be motivated by the Japanese Corporate Governance Code which encourages the unwinding of non-core shareholdings. Recruit Holdings will be absorbing some of the sale through a 1.8% share buyback.
- Hong Kong's **Powerlong Real Estate Holdings** (USD 2.5 billion) proposed to spin-off Powerlong Commercial Management via a listing on the Hong Kong Exchange. The parent company will retain a stake not less than 50% but the remaining details are yet to be finalized.
- **Shimao Property** (USD9.4 billion) is reportedly considering spinning off hotel and property management businesses for separate listings by 2021.

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

Prime broker	Morgan Stanley
Administrator	SS&C Technologies
Legal	Rajah & Tann
	Baker McKenzie
	Walkers
Audit & tax	PwC
Compliance	Principium Consulting
Technology	Enfusion
	Eze Castle
Directors	Simon Cox
	David Mulvenna
	Stephen Rooney

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

We aim to publish this newsletter on the third business day of the following 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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