Metrica Asia Event Driven Master Fund
September 2019 Newsletter

Investment manager: Metrica Partners Pte. Ltd.

3rd October 2019

Message from the CIO

September's net Class B return was **-0.98%**[1]. Year-to-date Class B performance is now **+4.07%** (table 1 on the following page).

Over the 2.3 years since inception, the fund's Class B shares have returned an annualised **+5.84%** net with an annualised monthly standard deviation of **3.73%**. This compares to an MSCI AC Asia Pacific index annualised return of +1.03% and standard deviation of 12.68% over the same period.

Strategy attributions and positioning The **event-driven** strategy contributed +51 bps this month (table 2 on the next page) and once again Australia was the driving force. A M&A situation where we have been urging the target company board to withdraw their recommendation of the deal – see last month's newsletter – contributed +25 bps after an article appeared in a national newspaper supporting our views. The transaction still has some time to run and we will continue to press our case.

Another Australian deal contributed +24 bps after trading at an attractive spread just prior to compulsory acquisition.

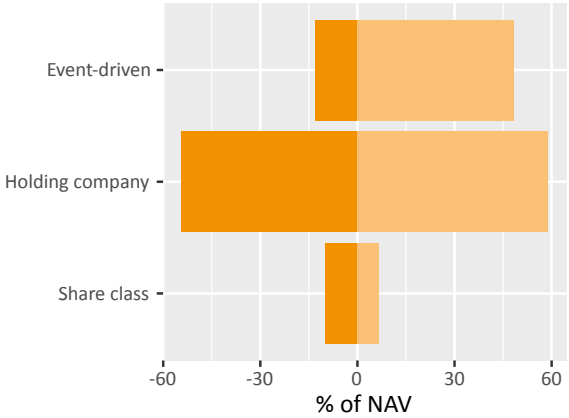

Figure 1: Strategy exposures

Gross exposure in events fell 3.4pp[3] to 61.4% (figure 1). Net exposure rose 10.8pp to +35.3% due mostly to the establishment of a new long position in Thailand. This is a name trading at around 6% discount to terms where 19% of shareholders (or 41% of the free float) need to tender for the deal to succeed. Around 10% of total shares have traded since announcement and there is still one month to go.

Asia Pacific M&A deal volumes continue to trend

[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	*-0.98				*4.07

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

	%
Event-driven	0.51
Other	0.02
Share class	0.02
Holding company	-1.52
Total	-0.98

Table 2: Strategy attribution[2]

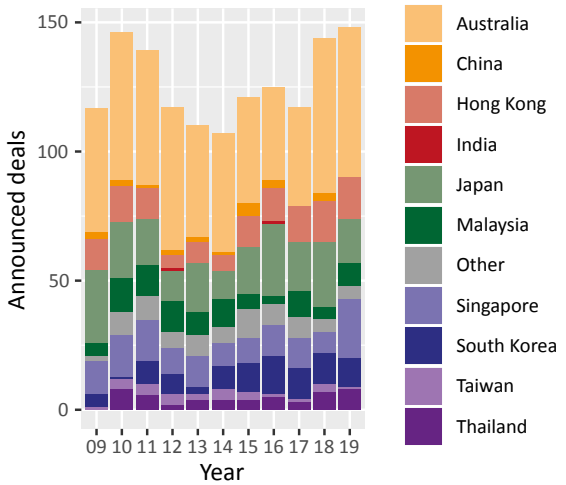

Figure 2: Announced M&A: January to September[5]

at high levels in 2019, with the number of transactions up to September exceeding the prior post-GFC high (figure 2). It is still an excellent time to be investing in event-driven opportunities in Asia Pacific. At month-end we were tracking 71 live deals with an aggregate daily trading volume of $378 million.

The **holding company** strategy contributed -152 bps in September which was disappointing as we had seen some modest improvement earlier in the year. The weighted average NAV discount on our

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

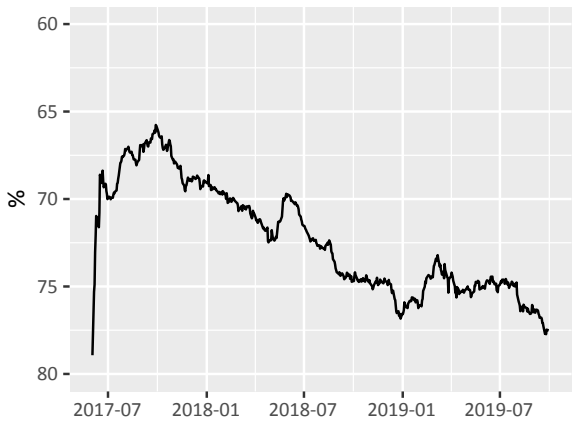

Figure 3: Weighted average NAV discount[6]

names widened to almost 78% (figure 3).

The top three detractors were in three different countries (Malaysia -79 bps, India -58 bps and Japan -42 bps) and without any significant news-flow, indicating that the widening is more likely to be the result of global factor trends (e.g. value versus momentum) rather than anything stock-specific.

Currently we are focusing our engagement efforts on the most compelling opportunities in the space and we expect to see some results within the next few months.

Gross exposure was up 8pp to 113%, and net was flat at +4.6%. Most of the gross increase was from additions to a Japanese position.

Share class trading in September contributed +2 bps. Gross was roughly flat at 16.5%.

Figure 4 on the next page shows trailing 12-month attributions for the three strategies. Over this period event-driven and holding company strategies have contributed positively while share class has been flat.

[6]Metrica estimates.

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

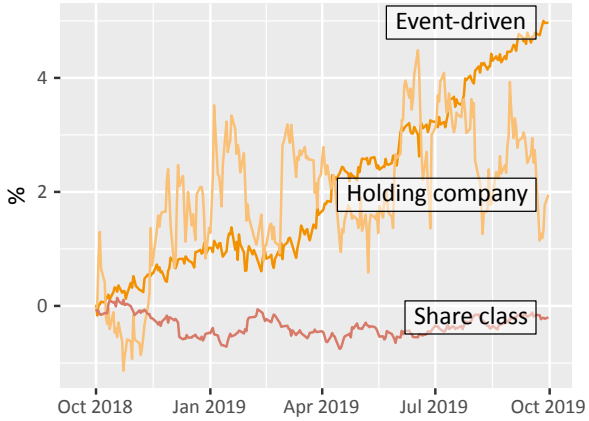

Figure 4: Trailing 12 month strategy attribution[7]

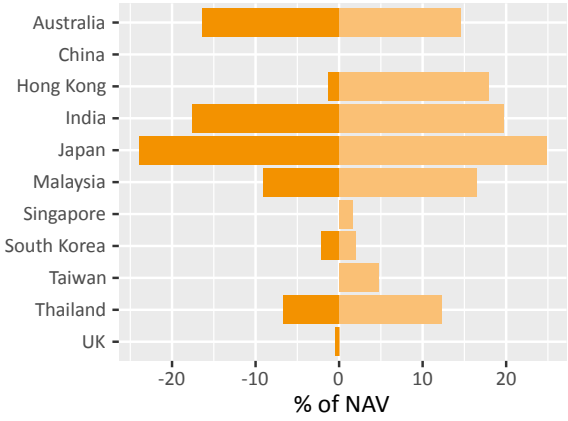

Figure 5: Geographic exposures[9]

Geographic attributions and positioning Australia was the main positive geographic driver of performance in September (table 3), contributing +56 bps – all from event-driven positions. On the other side Malaysia and India contributed -31 bps and -65 bps respectively.

	%
Australia	0.56
Other	0.02
Thailand	-0.11
Japan	-0.21
Hong Kong	-0.28
Malaysia	-0.31
India	-0.65
Total	-0.98

Table 3: Geographic attribution[8]

During the month India gross exposure increased by 5.9pp (figure 5) which was mostly from the rise in the overall market following the corporate tax rate cuts. Australia gross also increased while Japan was down 14pp. Net exposures by geography were mostly unchanged.

Top three gross exposures at end-September were to Japan, India and Australia – unchanged from last month.

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

Overall positioning

September saw the number of fund holdings at or above 1% of NAV decreasing by seven to 44 (table 4).

	Long	Short	Total
Event-driven	12	3	15
Holding company	11	11	22
Share class	3	4	7
Total	26	18	44

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

Gross exposure was +4.2pp month-on-month, primarily from holding companies. Net was +10.3pp, mostly due to the new Thai situation.

	Long	Short	Gross	Net
All positions	113.9	77.3	191.2	36.6
Top 10 long	71.2	0.0	71.2	71.2
Top 10 short	0.0	49.2	49.2	-49.2

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

Figure 6 on the next page shows the sector breakdown, which shows a positive swing of 8.8pp in

[9]For cross-border situations, previously we had treated hedges as belonging to the geography of the position they were hedging. After receiving investor feedback, from this month we will assign hedges to their actual geography.

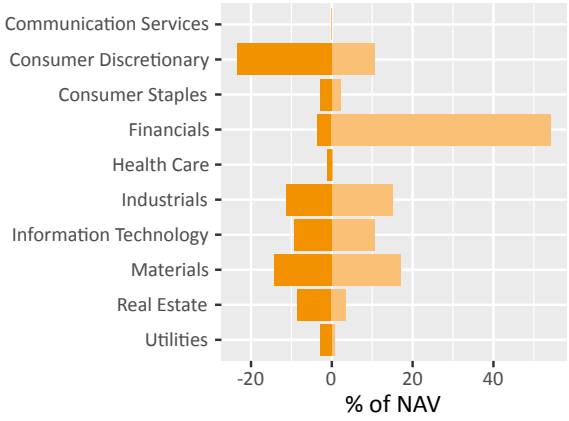

Figure 6: GICS sector exposures[10]

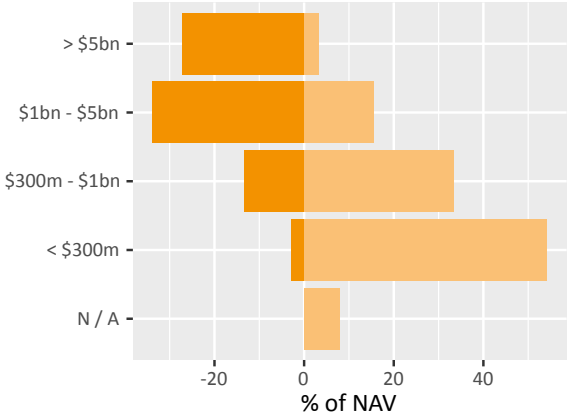

Figure 7: Market capitalization exposures

Information Technology net exposure mostly from the new Thai position.

Finally, figure 7 shows the market capitalization breakdown. Long exposure to the $300m - $1bn segment rose by 9.7pp.

Damian L. Edwards, CFA

News[11]

The end of the third quarter brought with it a few mega-deal announcements:

- Hong Kong Exchanges & Clearing (HKEX) launched an indicative cash & stock bid for **London Stock Exchange** ($31 billion market cap.) at a 23% premium to the pre-announcement price. HKEX's previous commitment to keep its leverage ratio below 50% is in doubt even at the current terms which have been flatly rejected by LSE's board and major shareholders. The regulatory hurdles to completion are also significant. HKEX must proceed to a firm offer or abandon its proposal by 9 October.

- Yahoo Japan announced the acquisition of up to a 50.1% stake in online fashion retailer **ZOZO** ($7.2 billion) via a partial tender offer. ZOZO founder and president Yusaku Maezawa (37% shareholder) has agreed to tender most of his holdings and step down from his position.

- Wind-power company **Huaneng Renewables** ($3.6 billion) is in talks with its 53% shareholder China Huaneng Group for a possible privatization. The price has not been disclosed.

- Australian infant formula producer **Bellamy's** ($1.0 billion) entered into a scheme implementation agreement with China Mengniu Dairy whereby Mengniu will acquire all shares in Bellamy's at a 59% premium to the pre-announcement level. Although FIRB approval is one of the conditions, this is not expected to be an issue as Bellamy's does not have any substantial farmland or livestock.

We also saw a new development in the takeover of Japanese hotel and office building operator **Unizo Holdings** ($1.5 billion) as an as-yet unidentified "global investment fund" submitted a counter-offer 25% higher than the existing bid from Fortress. The company withdrew its recommendation of the Fortress tender offer but did not go as far as supporting the new bid, due to concerns around the treatment of employees post-takeover, among other reasons. Unizo is now trading around 140% above its pre-deal level, and some analysts still see further upside from unrealized property gains.

On the event calendar we have:

- "Put up or shut up" deadline for LSE

[10] Please note that GICS classifies many holding companies as "Financials", even if their underlying businesses are not financial.

[11] With thanks to the Metrica team.

- Firm deal for Huaneng Renewables
- Offer docs for Dalian Port and TPV Technology
- Potential deal for Hitachi High-Technologies and Hitachi Chemical
- Finalised merger announcement for Cocokara Fine, Sanyo Chemical
- Potential counter-offers for Unizo Holdings
- Competition review for Holcim Philippines
- De-listing of Robinson PCL and IPO of Central Retail

In the holding company space, the most significant event this month was the IPO of Tencent shareholder **Prosus** ($119 billion) in Amsterdam. According to our model, Prosus initially traded at around 9% discount to NAV and has since widened to around 15% discount. Most sell-side analysts are arguing that the theoretical NAV discount should be tighter than the 40% level at which we saw Prosus' parent Naspers trade before the spin-off.

Elsewhere, Hong Kong-listed **Guangzhou Baiyunshan Pharmaceutical** (USD 7.6 billion) announced the spin-off of Guangzhou Pharmaceuticals into a new listing on the same exchange. Also, **Metro Pacific Investments** of the Philippines filed for an IPO of its 86%-owned hospital business which will raise up to $1.6 billion, according to reports. Singapore's GIC holds the remaining 14%.

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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