



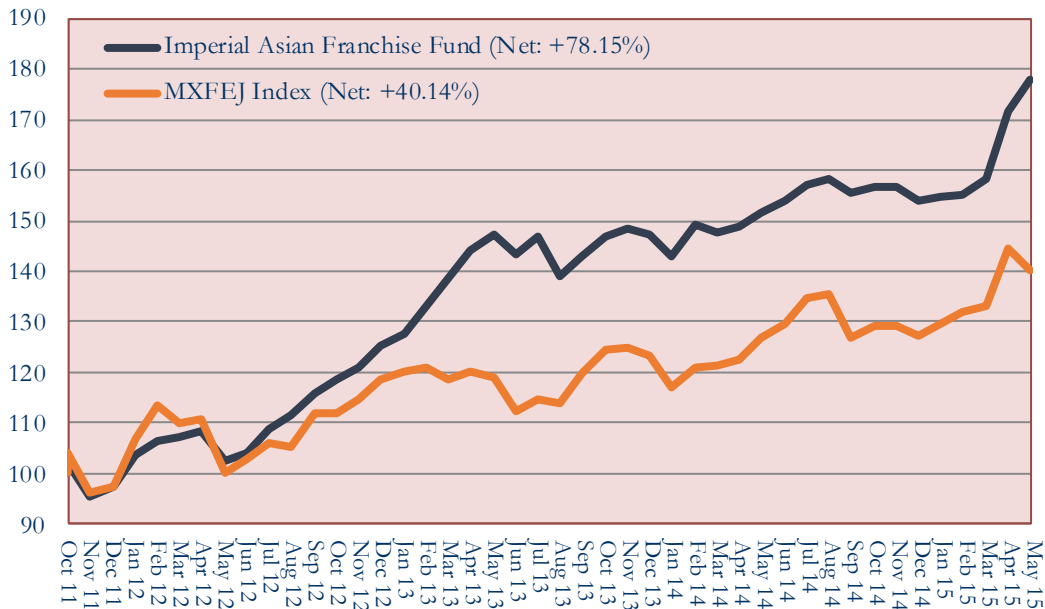
## May 2015 Monthly Report

### Net Monthly Return (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011										2.12 <sup>^</sup>	-6.51	1.87	-2.74
2012	6.31	2.91	0.75	1.13	-5.55	1.43	4.79	2.53	3.64	2.33	2.13	3.48	28.59
2013	1.99	4.28	4.24	3.96	2.15	-2.60	2.31	-5.25	2.82	2.85	0.97	-0.86	17.69
2014	-2.83	4.25	-1.02	0.84	1.75	1.68	2.02	0.78	-1.84	0.77	0.00	-1.73	4.53
2015	0.46	0.30	2.21	8.44	3.67								15.78

<sup>^</sup>Performance for period 25/10/2011 to 31/10/2011

### MONTHLY PERFORMANCE CHART (Since Inception)



### FUND OBJECTIVE

This is a high conviction Asia ex-Japan long only equity strategy.

The objective of the Fund is to employ a disciplined investment process to identify companies with durable competitive advantage, particularly intangible assets, and to capture their superior returns as they grow into dominant Asian Franchise operators in the Asia Pacific region.

ESG considerations are embedded in our process to reflect our preference for sustainable enterprises.

### PORTFOLIO DETAILS

Total AUM(USD in Mil)#	25.67
# of Positions	28
Weighted Avg. Mkt Cap.(\$bn)	18.82
Average Volatility %	9.79
VAR 99%	1.44
Sharpe Ratio	1.74

#Includes managed account

### FUND DETAILS

Strategy	Long only
Mandate	Asia ex Japan
Mgt. fee	1.38% per annum
Perf. fee	13.8% HWM
Custodian	Bank of China (HK)
Administration	Alter Domus
Auditor	KPMG
Domicile	Cayman Island

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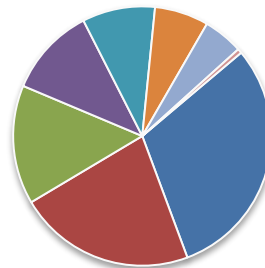
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### QUANTITATIVE ANALYSIS (Since Incep.)

	Imperial
Number of Positive Months	36
Number of Negative Months	12
% of Profitable Months	75%
Average Perf. (Positive Months)	2.5%
Average Perf. (Negative Months)	-3.6%
Average Monthly Return	1.0%
Monthly Largest Drawdown	-6.5%

### SECTOR BREAKDOWN



- Consumer/ Industrial (30.43%)
- Utility (22.16%)
- Cash (14.84%)
- Health Care (11.16%)
- Telecom (9.12%)
- I.T. (6.77%)
- F&B (4.98%)
- Financials (0.55%)

### PORTFOLIO SNAPSHOT

Beta	0.77
Top Ten Holdings	47.79%



## May 2015 Monthly Report

**Portfolio Review**

The portfolio performed strongly in May to rise 3.67% as some of our top holdings bucked markets' trend to move higher. This is a notable performance given the region was down 3.07% and the Fund produced a beta adjusted alpha of 6.03% to produce positive return.

We decided to exit eMemory and lock in 38% return following 29% rise in May. The share price has priced in our expected positive earnings stream from Apple's new product pipeline, including contributions from new applications for the medium and reached our fair value.

Qingdao Haier also rose another 8% in May on news of an EPS accretive asset injection from its parent company, Haier Group. The acquired assets include a set of white appliances manufacturing and trading facilities across Asia, Europe, and America. With this injection, the market is assured of the group's intention to integrate all overseas operations to build a global home appliance brand. Fisher & Paykel will be injected no later than June 2020. We are impressed with the company's environmental management standard, and expect to see further growth from its SmartHome division and continue to benefit from the government's subsidy for energy efficient electronics. FcF yield has declined to south of 5% this year following substantial share price appreciation in the past months, but is expected to rise above 6% FY16 again; the stock is likely to remain our only China stock market investment for the time being.

Following 50% surge in April, our flavor manufacturer Huabao, corrected 14% in May on news of impending ban on indoor smoking in public facilities in Beijing. We see this development to

be inevitable, particularly in major cities including Beijing and Shanghai. 2/3 of smokers resides in the rural area, and the move is unlikely to move the needle the total national tobacco sales much. Recent tax hike and continual trend towards de-tarring of cigarettes has driven higher flavor usage, benefitting Huabao, and long term growth potential of reconstituted tobacco leaf (RTL) remains substantial given current penetration rate of only 10% compares with 20% in developed markets.

Recent visit to Taiwan's President Chain Store Corp. (PCSC) was helpful for making an independent assessment of the latest development of the company. The company share price has been de-rated lately on concerns of growth plateau of Taiwan 7-11 network. We value the low volatility of earnings pattern of the business, and enjoy the strong growth in the Philippines, and potential for new territories along the river delta as Japan's franchisor may be keen to reap higher overseas earnings in light of the plight of the Yen. Shanghai may also see better chance of turnaround as PCSC has started to close prime locations in favour of more peripheral address in order to improve cost structure of its Shanghai 7-11 network.

OSIM came back into our radar screen following 40% tumble reflecting double whammy of absence of new products launch and startup costs for TWG franchise. The share has dipped to FcF yield of over 6% and commanding only mid teens P/E as a brand owner. Looking forward, the contribution and economies of scale from central kitchens as the TWG stores multiply and the new uMagic new product pipeline should bring share

**May 2015 Monthly Report**

price back to a more respectable level. Continuous share buyback by the company should be a good testimony of share value at this level.

**Outlook**

The number of shares in the portfolio has increased, and the new additions are small positions. Oftentimes, I have a hard time explaining how a 30 holdings portfolio is a high conviction strategy. The comment from one of the greatest investment managers of our times finally empowered me to discuss the rationale. Markel Corp.'s Tom Gayner, an outstanding portfolio manager that generated an annual return of 11.3% in the past 15 years, commented at Markel's annual meeting, that he thinks about something more if he owns a little of it than none of it, and describes his investment in 90 tiny positions as scattering seeds to see which one can become his seedlings. Our Fund remains a concentrated high conviction strategy where top 10 stocks account for 50% and top 15 stocks accounts for close to 70% of the portfolio.

Markets' volatility continue to rise and 4-5% daily movement in stocks at times seem to be the new norm in the HK market. Our Fund for the first time, trades at a fraction away from reaching 10% volatility. It would be prudent to try to manage and maintain vol. at 9% level for better ability to preserve capital as markets are inching closer to US rate rise cycle. Higher risk free rate surly makes high dividend stocks less appealing; this is relevant to our strategy as our high free cash flow

companies often reward shareholders with high dividend payout. That said, it should be those companies with leverage that would be most vulnerable in the rising interest rates cycle, particularly those carrying currency mismatch. Perhaps very soon, we can tell who have not been swimming in full gear.

- End -

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