



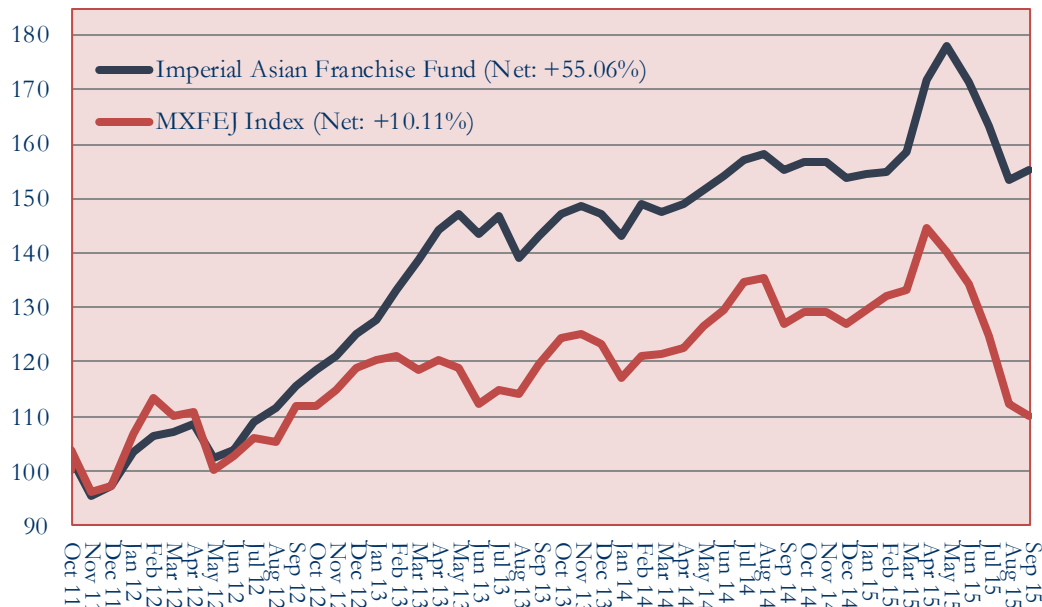
## Sep 2015 Monthly Report

### Net Monthly Return (%)

|      | Jan   | Feb  | Mar   | Apr  | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD   |
|------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2011 |       |      |       |      |       |       |       |       |       | 2.12^ | -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  | -3.78 | -4.80 | -6.07 | 1.16  |       |       |       | 0.78  |

^Performance for period 25/10/2011 to 31/10/2011

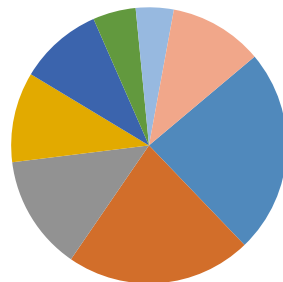
### MONTHLY PERFORMANCE CHART (Since Inception)



### 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 (23.92%)
- Utilities (21.76%)
- F&B (13.47%)
- Health Care (10.57%)
- Telecom (9.8%)
- I.T. (5.04%)
- Financials (4.45%)
- Cash (10.99%)

### PORTFOLIO SNAPSHOT

|                  |        |
|------------------|--------|
| Beta             | 0.95   |
| Top Ten Holdings | 46.05% |

### 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)#       | 21.85 |
| # of Positions               | 27    |
| Weighted Avg. Mkt Cap.(\$bn) | 22.21 |
| Average Volatility %         | 10.78 |
| VAR 99%                      | 1.59  |
| Sharpe Ratio                 | -0.03 |

#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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**Portfolio Review**

The Fund recorded a net positive return of 1.16% for October despite the negative 2% return on the comparative benchmark. On 6 occasions in the past years (March & August 2012, March & May 2013, May & Sept. 2015) our strategy has been able to defy negative headwind in the market to generate positive returns. This track record substantiate our long only franchise strategy's ability to generate absolute returns by limiting capital loss in a down market albeit rising less in an up market.

Several of our key holdings recorded strong USD returns during the month while the smaller negative share price movements were exacerbated by the plight of their respective currencies against the USD, namely the Malaysian Ringgit and the Indonesian Rupiah.

HK Broadband Network (HKBN) surged over 10% on announcement of pre-IPO private equity holder CVC's placement of its 6% stake in the company following expiry of the 6-month moratorium. The removal of overhang shall clear the path for the share to trade towards its fair value. We continue to like HKBN, for its limited CAPEX, sticky customers, high profitability and strong cash flow generation ability.

Following Guangdong Investment (GDI) announcement of the asset injections from its parent last month, Circular revealed HK\$500m cash in the price tag of HK\$1.2bn worth of assets. Share reacted positively to rise 10% during the month.

Highlight of the month was Cheung Kong Infrastructure's (CKI) proposal to merge with our holding, Power Assets (PA), both ultimately owned by KS Li. The merger proposal was generally well received as the combined entity will have a larger war chest to bid for infrastructure projects. We believe this is a good way for PA to use its cash pile and to become part of a more significant infrastructure player, thereafter not limited

to only power projects. As a mere 10% of PA shareholders is required to reject the proposal, it is highly probable that the existing proposal will be sweetened, given existing terms are on the low side. We may continue to hold the merged entity, pending final terms of the proposal and our final assessment of the franchise value of the merged entity. The biggest winner of the deal seems to be the parent company Cheung Kong Hutchison, also one of our investments, which will receive HK\$9.5bn special dividend based on the initial terms of the proposal.

We have been nibbling on a number of consumer related franchises that we exited at higher levels. Haier, a dominant white good brand in China, has been oversold in recent months on excessive pessimism while we observed property market has showed signs of stabilization and cash flow continues to pile up. We plan to maintain and cap the exposure towards each of these consumer plays we picked up recently to no more than 2% until there is more visibility to regional economic outlook.

**Outlook**

Regional currency outlook vs. the Dollar is likely to remain overarching element that determines share price behavior in the near term. We took a look at the historical behavior of USD on various rate rise cycles and observed that for most of the rate rise periods in the past 45 years, the price of USD actually weakens (see red boxed areas in the chart next page), with the exception of early 80s and late 90s (blue box next page). 80's erratic interest rate and USD movement were attributed to the Volcker's monetary squeeze, an attempt to manipulate money supply M1 rather than interest rates. The late 90's seems to be Asian Financial Crisis related and although regional economies, especially East Asia, are in better shape, some believe the high level of credit



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growth in emerging economies, particularly vs GDPs, and some still in mismatched currency, elevates the chance of a *deja vu*.

See chart in the following page:

hike with concerns of (1) lack of investment and job creation, and threatened corporate earnings on strong USD at home, as well as (2) lack of growth in the rest of the world. China must provide more signs of stabilization, or more monetary policy easing, either of which



Source: Bloomberg and FRED

This would be a white swan to hit the region if we see further deterioration of fundamentals and capital outflow. We may dispose of our only holding in Indonesia into this rebound to stay clear of Indonesia as market seems unwilling to give Jokowi the time it takes to reform while macro challenges continue unabated, but plan to stick to our high conviction calls in Malaysia, as they are expected to be net beneficiary of weaker Ringgit despite recent share price setback.

At the time of writing, the market seems to be turning from excessive risk aversion to embracing risk once again on abundant liquidity and China soft landing, following the Fed's reluctance to lift rates. Market sentiments at this time are well summed by a newspaper article titled "Uncertainty worse than rate hike." US seems to have fewer and fewer reasons for a rate

is almost for certain will take place, to limit apprehension towards global growth outlook.

Further signs of stabilization of China economics should provide some fuel for more price rise in the near term and allow US to perhaps embark on a path of moderate rate rise that may actually bring cheer to share prices, judging from markets' concern of absence of rate take-off in the US. Whether it is a white or black swan around the corner, we continue to aim first for quality before growth, trusting that the first will generate the latter and not necessarily vice versa.

- End -

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