



# Meranti Millennium Equity

30 September 2023

## Our Strategy

Throughout human history, no society has enjoyed access to as vast information as we do today. While this abundance and convenience of information have their advantages, it has also brought constant anxiety to investors as they grapple with the decision to buy or sell. Not to mention the pressure they face during unexpected and potentially catastrophic events such as the 2008 Great Financial Crisis where the price of global equity markets declined sharply by -60%. **Meranti Millennium Equity strategy (MME)** is designed to set aside a fixed protection budget to help investors not only stay invested but also top up when markets are at their maximum fear, which is inevitable in the journey of any long-term equity investor.



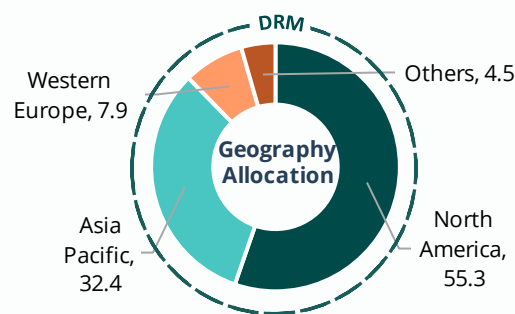
Invest Globally  
**No benchmark hugging**  
Maximize returns



Capital Appreciation  
**>8%**  
**target return** compounded at 8%  
over longer term



Dynamic Risk Management (DRM)  
Fixed budget  
Keep investors calm



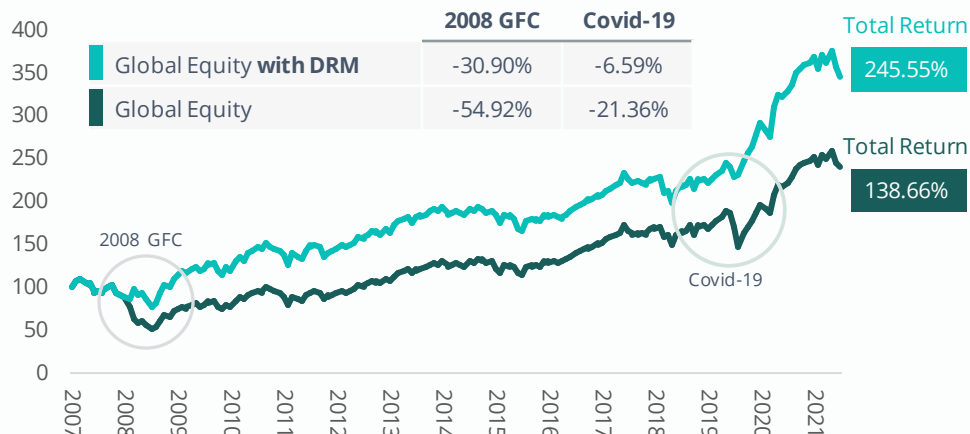
Others include Central Asia, Africa/Middle East, and South & Central America.

## Power Of Loss Aversion In Both Returns And Emotions

Leverage on the Meranti Millennium Equity (MME) strategy to participate in the global economic growth without worrying about market crashes which can hurt investment returns significantly. The greater the loss, the harder it is for investors to recover:

### Returns to Recover Losses

Loss of	Gain of
1%	1.01%
5%	5.3%
10%	11%
20%	25%
33%	50%
50%	100%
75%	300%



In times of significant market downturns, such as the Great Financial Crisis of 2008 and the Covid-19 pandemic in 2020, an investor using Dynamic Risk Management (DRM) to invest in global equities would have experienced smaller drawdowns and ultimately achieved a higher return than an investor without such protection.

## Historical Performance

### Monthly Return, %

Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	9.55	2.96	-2.03	2.50	-6.83	5.99	1.15	-1.78	0.09	2.57	2.00	3.34	20.27
2020	-0.68	-4.70	3.90	7.49	0.78	2.48	6.42	3.99	-5.53	-0.02	13.61	7.06	38.78
2021	4.87	6.16	-2.40	3.50	2.15	0.97	-5.70	0.65	-2.34	2.62	-5.38	2.47	6.96
2022	-5.94	-1.61	-1.00	-8.28	-0.11	-6.38	3.45	-2.89	-10.21	2.97	9.92	-2.78	-22.00
2023	9.37	-4.95	-0.74	-2.56	-4.00	3.88	4.82	-6.19	-5.72 <sup>1</sup>				-7.04 <sup>1</sup>

<sup>1</sup>Calculated from 1/8/2018 using a similarly managed composite portfolio fully invested net of estimated fees. Performance since 1/7/2021 is based on actual fund performance. Source: Finexis Asset Management. Share class performance is calculated using NAV of the share class with income reinvested and including ongoing charges, excluding any entry and exit fees.

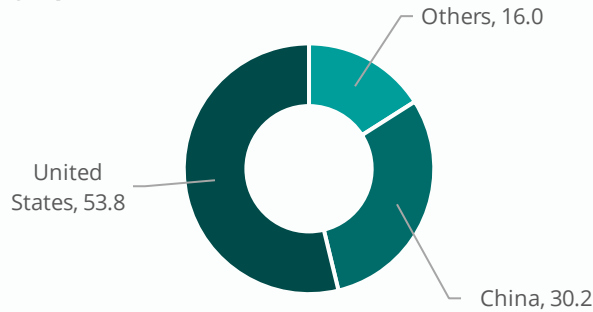
Signatory of:



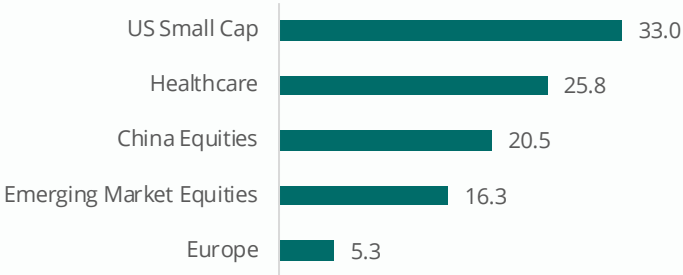
Finexis Asset Management

Strategy Characteristics

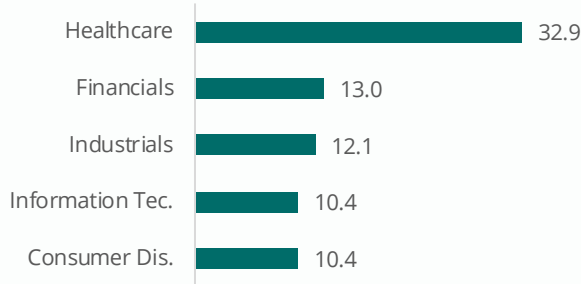
Geographical Allocation, %



Top 5 Market Allocation, %



Top 5 Equity Sector Allocation, %



Top 5 Fund Holdings, %



Source: Finexis Asset Management. Others include Central Asia, Africa/Middle East and South & Central America. Top 5 market allocation and fund holdings are at fund level. Geographical allocation and top 5 sector allocation are at portfolio look-through level. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned country/sector/security.

Discerning The Signals From The Noise

A three-pronged research process to identify signals that point us to **sustainable trends** which are underappreciated by the market, which come with **good fundamentals** and **attractive valuation**, with a higher likelihood of outperforming over the long term.



Fundamental

Study financial and economic data (e.g. GDP, unemployment rate, and inflation rate etc.) that may drive market movement to find opportunities with **good fundamentals** that are underappreciated.



Valuation

Picking the right valuation metrics (e.g. price-to-earnings, price-to-book, EV/EBITDA etc.) to spot **undervalued opportunities** and avoid overpaying for any investment with only good stories.



Trend

Seek inflection points in **sustainable trends** to capture overlooked opportunities and avoid less recognised risks (such as the end of a bond supercycle).

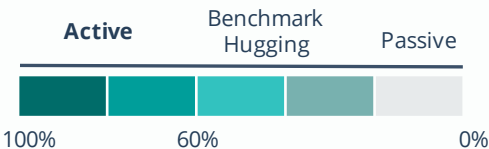
High Level of Active Management

Many actively managed funds underperform because they have a low active share. This happens when a portfolio's holdings are very similar to the referenced benchmark, a practice commonly referred to as 'benchmark hugging'. In contrast, **funds with a high level of active management may have greater potential for outperformance in the long run**, as there is no way any fund can outperform the market if they are investing like the market.

By investing in areas where we have the greatest conviction and applying it to our whole portfolio, we aim to provide better returns over risk through a full market cycle.



Target active share > 80%



Signatory of:



Finexis Asset Management

## Market & Portfolio Developments

### Fund Commentary

Amid a broad market sell-off, global equities and bonds ended the month in the red with declines of -4.10% and -2.92%, respectively, with MME experiencing similar declines during this period.

Going into the month of September, market volatility persisted as investors grappled with the uncertainty of whether the US economy would experience a soft landing or a hard landing. **While there have been small pockets of gains, some would be surprised to know that the average stock in the US is down for the year** (as indicated by the S&P 500 equal-weighted index).

Indeed, the short-term is often 'noisy' amidst the drastic swings in sentiments. In such periods, it is useful to remind ourselves that long-term investment returns hinge on two key ingredients: fundamentals (earnings growth) and valuations – which of course make up the 'F' and 'V' of our FVT framework.

But following this is often hard to do – one only needs to go through the first 9 months of 2023 to understand why it can be challenging. While recovery positions i.e. US small-caps, Emerging Markets and China have not revealed their potential, they are underpinned by 1. attractive valuations 2. expectations of better earnings growth; which are the two ingredients for good long-term returns. While this does not ensure returns in the short-term, it does mean that investors will be rewarded given time in the market.

What would it take for our recovery positions to rally? We may not need to wait too long especially if the Fed sticks a soft landing, in which case US small-caps is poised for an upswing. Similarly, we monitor recent encouraging economic data from China closely; which may also signal a better environment for our China 'A' positions. **MME continues to be well positioned to capture higher future returns by investing into these areas that are presently attractively valued with strong fundamentals.**

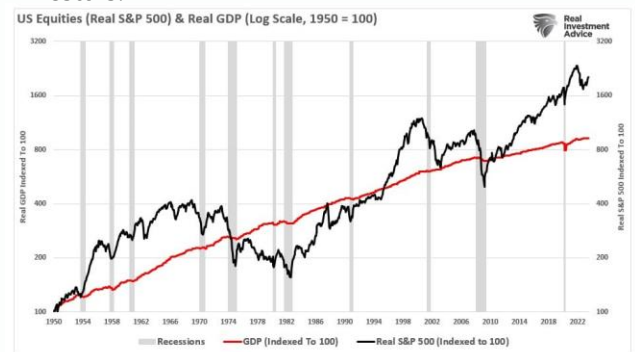
With each twist and turn in the markets, it is easy for investors to get caught up in emotions, swinging between extreme pessimism and optimism with every news headline and data point. It is crucial now, more than ever, for investors to remain patient amidst market and portfolio volatility.

### Key Position Highlights

We highlight positions that reflect the strategy's tactical asset allocation view, backed by our study of market patterns and trends over time. As a result, our strategies can be highly differentiated from conventional benchmarks, with the aim of long-term investment success.

#### US Small-cap Equities to Position for Market Recovery

- The S&P 500 appears to be growing much faster than GDP, which indicates lower future returns for today's investors.



- As shown in the above chart, every period of high or speculative returns in the past 70 years (S&P 500 in black), led to sharp declines as markets adjusted back down to their underlying fundamentals (GDP in red) without exception.
- US Small-caps emerge as an attractive option.** With valuations at decade lows vs large-caps (S&P 500), small-caps are well positioned to 'catch the recovery' if the current optimism spreads across the whole market. They also provide a good margin-of-safety if the narrow recovery is not sustained.

#### Dynamic Risk Management

- Black swan events are unexpected and potentially catastrophic for an investment portfolio e.g. 2008 Great Financial Crisis where the price of global equity markets declined sharply by -60%.
- DRM addresses the urge of investors to exit the market in anticipation of market crashes that may ultimately prove to be wrong. This is done through a series of option positions to protect against extreme market declines. For example:

Options Budget Overview			
Position	Initial OTMness	Initial Expiry	Annual Budget
SPX Put Option	50%	3m	0.3%
SPX Put Option	30%	3m	0.5%
SPX Put Option	20%	3m	1.0%

- DRM specialists target options that are highly cost-efficient and highly convex. In contrast to common hedging strategies, this means that DRM can achieve a high level of protection many times the cost of protection. E.g. \$3k able to protect portfolio value of about \$100k in periods of sharp and large declines.

## Fund Details

Item	Class A	Class B
Currency	SGD, USD	
ISIN (SGD Class)	SGXZ32206252 (Distribution)	SGXZ53567772 (Accumulation)
ISIN (USD Class)	SGXZ35636000 (Distribution)	SGXZ56727852 (Accumulation)
Projected Distribution <sup>2</sup>	4% p.a.	-
Min. Subscription	SGD 500,000 USD 400,000	SGD 50,000 USD 40,000
Account Opening Fee <sup>3</sup> (One-time)	SGD 4,000 USD 3,000	SGD 4,000 USD 3,000
Min. Subsequent Subscription	SGD 15,000 USD 10,000	SGD 15,000 USD 10,000
Redemption Fees		
1st Year of Investment	-	3%
2nd Year of Investment	-	2%
3rd Year of Investment	-	1%
4th Year Onwards	-	0%
Management Fee	1.78%	0%
Performance Fee <sup>4</sup>	0%	20%
Fund Name	Meranti Capital VCC Millennium Equity Fund	
Dealing Frequency	Monthly	
Base Currency	USD	
Inception Date	1 April 2021	
Fund Domicile	Singapore	
Investment Manager	Finexis Asset Management	
Fund Administrator	ASCENT Fund Services (Singapore)	
Custodian	Standard Chartered Bank	
Auditor	KPMG LLP	
Broker	Goldman Sachs (Asia) L.L.C.	
Legal Advisors	BTPLaw LLC	

<sup>2</sup>Please note that the distributions (if any) may be declared semi-annually based on the Investment Manager's discretion. If distributions are made, such distributions are not a forecast, indication or projection of the future performance of the Fund. <sup>3</sup>Waiver of account opening fees for investors through the platforms. <sup>4</sup>Charged on high water mark basis, with zero hurdle rate.

## Highlight of Sub-Fund Managers

### Granahan Investment Management US Small Cap

Founded in 1985, Granahan (GIM) is an employee-owned investment boutique specializing in smaller cap equity investments for large institutions and wealthy individuals. The firm manages over \$3 billion in client assets.

GIM's goal is to uncover the next generation of disruptive and innovative companies that are creating new markets or shaking up old ones. Such **smaller dynamic companies provide excellent potential for superior long-term performance.**

The SMID Select strategy is grounded in the belief that a disciplined, fundamental, bottom-up research process can identify underappreciated growth potential in companies that may or may not have a history of strong growth. The resulting portfolio has the optimum combination of stocks with secular growth drivers, and stocks of well-positioned companies that are poised for positive earnings revisions or are benefiting from fundamental momentum. The portfolio focuses on stock selection, investing in those showing the best risk/reward.

**GIM'S SMID Select Strategy has delivered 15.9% annualised return since it was launched on 31st March 2015.** During the same period, S&P 500 delivered 10%.



**30+ years**  
Small cap  
experience



**>\$3 billion**  
AUM Worldwide



**Bottom-up**  
stock selection  
strategy



Small cap  
strategy  
outperformance

### TT International Emerging Markets

Founded in 1988, TT is a **'high alpha' specialist with a strong focus on emerging market strategies.** With over 30 years' experience of high conviction investing, TT International offers only authentically active portfolios that aim to exploit market inefficiencies, now managing \$7.1 billion for some of the world's most sophisticated institutional investors.

Few are able to successfully understand the world's ever-changing macroeconomic and geopolitical environment. By **combining informed top-down views with rigorous bottom-up company analysis**, TT is able to identify specific companies that benefit from asset mispricing.

Dedicated solely to asset management, TT deliberately focuses on areas where they possess a genuine competitive advantage and offers only authentically active, **concentrated portfolios with 30-60 stocks and high active share.**

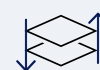
The TT Emerging Market Unconstrained Fund has delivered 55% since its inception in 2015 vs the market's 26.7% over the same period.



**30+ years**  
EM experience



**\$7.1 billion**  
AUM Worldwide



**Top-down +  
bottom-up**  
stock selection  
strategy



EM strategy  
outperformance

Signatory of:



# Share Class Performance History

## Monthly Return, %

SGD A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	-	-	2.30	1.98	0.76	-5.35	0.65	-2.41	2.58	-5.42	2.40	-2.87 <sup>5</sup>
2022	-5.93	-1.62	-1.06	-8.39	-0.25	-6.48	3.33	-2.93	-10.59	2.89	9.60	-2.75	-23.04
2023	9.25	-5.00	-0.94	-2.64	-4.20	3.61	4.68	-6.42	-5.72 <sup>1</sup>				-8.24 <sup>1</sup>
USD A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	-	-	-	-	-	-	0.65	-2.34	2.62	-5.38	2.47	-2.20 <sup>6</sup>
2022	-5.94	-1.61	-1.00	-8.28	-0.11	-6.38	3.45	-2.89	-10.21	2.97	9.92	-2.78	-22.00
2023	9.37	-4.95	-0.74	-2.56	-4.00	3.88	4.82	-6.19	-5.72 <sup>1</sup>				-7.04 <sup>1</sup>
USD B <sup>7</sup>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	-	-	1.95	1.62	0.77	-5.22	0.80	-2.20	2.78	-5.24	2.62	-2.51 <sup>5</sup>
2022	-5.80	-1.46	-0.86	-8.14	0.04	-6.24	3.62	-2.74	-10.07	3.12	10.09	-2.64	-20.57
2023	9.54	-4.81	-0.59	-2.42	-3.85	4.03	4.98	-6.05	-5.57 <sup>1</sup>				-5.77 <sup>1</sup>

<sup>1</sup>Manager's estimated return net of fees. Actual return may differ and will be updated in the following month. <sup>5</sup>Since inception of 1 April 2021. <sup>6</sup>Since inception of 2 August 2021. <sup>7</sup>Performance based on the Lead Series Source: Finexis Asset Management. Share class performance is calculated using NAV of the share class with income reinvested and including ongoing charges, excluding any entry and exit fees.

**About Meranti:** The Meranti fund series is named after the Meranti tree, which is native to Singapore and the region. It is a canopy and emergent tree; providing shade from its place at the top layer of a rainforest where sunlight is plentiful. To reach such great heights, the trees have a strong and wide system of roots to help provide stability while also gathering more nutrients. Likewise, Meranti funds were developed around a Dynamic Risk Mitigation process so that investors can invest with confidence and harvest the full potential of capital growth through market cycles.

**About FAM:** Finexis Asset Management is a Capital Markets Services (CMS) licensed fund management company established in Singapore, focusing on bringing institutional capabilities to private clients. The boutique set-up ensures that we are flexible, responsive and proactive. We embrace the latest technology and constantly improve our processes to complement our investment solutions. Constant evolution to fulfil our investor's needs is ingrained in our beliefs.

For professional and accredited investors only. For fund and sales related enquires please reach out to your finexis financial advisor representative or email us at [customer.service@finexisam.com](mailto:customer.service@finexisam.com)

### IMPORTANT NOTICE & DISCLAIMERS

The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy, timeliness and objectivity of the information contained in this publication, Finexis Asset Management Pte. Ltd. and its employees cannot be held liable for any errors, inaccuracies and/or omissions, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The value of shares values in the Fund and income there from (if any) may fall or rise. Past performance is not an indication of future performance. Investment in the Fund is subject to investment risks, including the possible loss of all or a substantial portion of the principal amount invested. Investors interested in the Fund should read the Private Placement Memorandum (PPM) and seek relevant professional advice before deciding whether to invest in the Fund. Should you choose not to seek such advice, you should consider whether the Fund is suitable for you.

Finexis Asset Management Pte. Ltd. (Company Registration No. 201525241K) [www.finexisam.com](http://www.finexisam.com)

Signatory of:

