



Meranti Asia Equity

31 May 2024

Our Strategy

For investors who believe in the Asia growth story but are worried about a potential United States (US) market crisis affecting it, the **Meranti Asia Fund (MAF)** offers a solution. MAF invests in a basket of Asia companies demonstrating strong potential to maximize returns for shareholders in the next five years, with a proven track record of resilience in past economic downturns and positioning to capture future trends in a drastically changing world. With a fixed budget to hedge against a potential US market crash, investors can be assured of capturing the opportunities of the next decade without worrying about the big "reset".



Who is this suitable for

The strategy is suitable for clients looking for Asia Equity strategy with US market crash protection



Equity holding to maximize returns



Capital Appreciation **compounded at 8% target return**



Dynamic Risk Management (DRM) – fixed budget protection

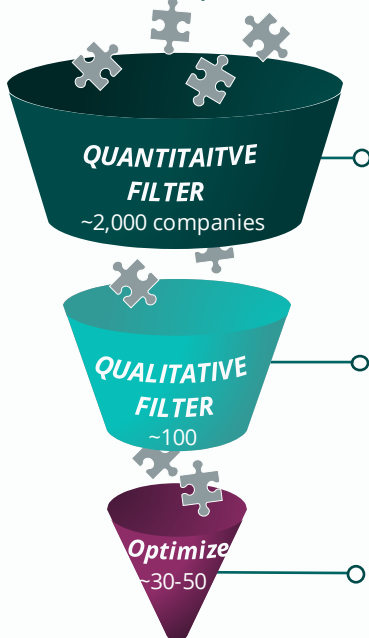
Asia: embracing volatility in a continent rich with opportunities

Asia offers investors access to a wealth of investment opportunities with its 33,000 listed companies. However, uncovering hidden gems takes more than just data. While data serves as an essential filter through which stocks are assessed, the manager's depth and breadth of understanding of Asia companies, alongside the experience of seeing the companies through different cycles, are essential skill to construct an effective portfolio.

Winning formula to uncover hidden gems in Asia

Illustration of how we select stocks within pockets of growth in Asia:

Universe of ~33,000 stocks



Quantitative filter: Apply a combination of fundamental metrics and rules to the universe of stocks and continuously assess and filter out interesting opportunities which form the foundation for our stock selection and analysis.

Qualitative filter: On the selected names, we assess the company's business strategy and financial data to identify companies that have strong economic moats to ward off competition and the ability to innovate to overcome challenges and drive growth.

Optimizer: We view the portfolio holdings as a whole, continuously optimized with names that are well positioned in respect of the current trends and the economic environment, to optimize the risk-adjusted return.

Calendar Return, %

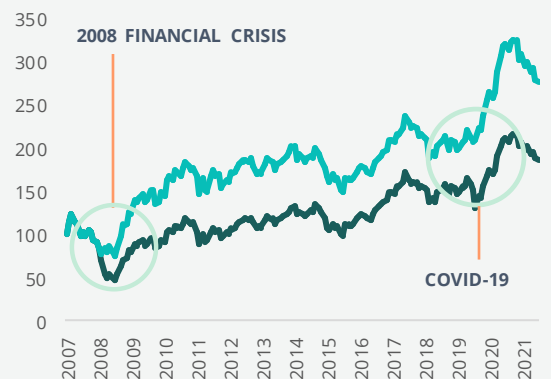
| | 2024 | Feb | Mar | Apr | May | Since Strategy Launch @ Feb '24 |
|-------|------|------|------|-------------------|-------------------|---------------------------------|
| USD B | 6.33 | 1.49 | 1.32 | 1.31 ¹ | 1.31 ¹ | 10.77 ¹ |
| SGD A | 6.04 | 1.17 | 1.09 | 1.01 ¹ | 1.01 ¹ | 9.55 ¹ |
| USD A | 6.17 | 1.33 | 1.17 | 1.16 ¹ | 1.16 ¹ | 10.10 ¹ |

¹ Manager's estimated return. Actual return will be updated in the following month.

How does Dynamic Risk Mitigation (DRM) Help?

Black swan events are unexpected and potentially catastrophic for an investment portfolio i.e. 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 so that investors can stay invested for the long-term. Through the use of a series of option positions, investors are shielded against such extreme market declines, enjoying lower drawdowns and faster portfolio recovery.



| | | Without DRM | With DRM |
|---------------------|----------|---------------|----------------|
| Largest Drawdown | 2008 FC | -62.09% | -40.53% |
| | Covid-19 | -20.71% | -5.34% |
| Months to Recover | 2008 FC | 63 | 7 |
| | Covid-19 | 4 | 2 |
| Total Return | | 85.97% | 175.59% |

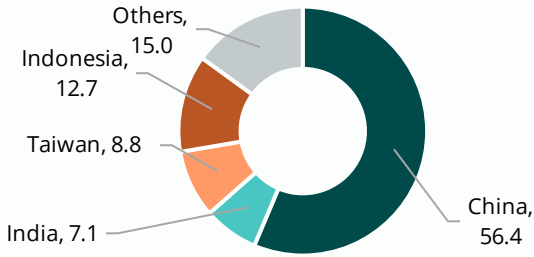
For illustration purposes only for the period from August 2007 to February 2022. The reference benchmark is the MSCI AC Asia Ex Japan Index.

Signatory of:

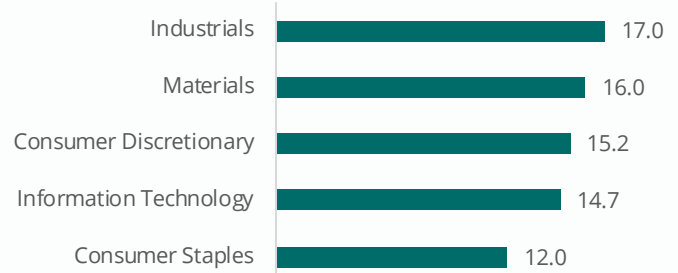


Strategy Characteristics

Geography Allocation, %



Top 5 Sector Allocation, %



Portfolio Statistics

| | Portfolio | Benchmark |
|----------------------|-----------|-----------|
| Free Cash Flow Yield | 6.79 | 3.61 |
| Sales Growth | 7.06 | 2.08 |
| Return on Equity | 11.87 | 9.60 |
| Operating Margin | 13.16 | 11.04 |
| Net Debt/equity | 8.66 | 14.34 |

Position Highlights

| | |
|----------------------|--|
| Avia Avian PT Tbk | Indonesia-based company manufactures and trades paints and prints inks, varnishes, lacquers, adhesives or glues, mortar, or ready-mixed concrete. |
| Sungrow Power Supply | One of the largest manufacturers and providers of solar inverter and energy storage systems worldwide, accounting for 16% of the global market share. |
| Midea Group | One of the largest manufacturers of household electrical appliances, compressors, and components, maintaining Fortune 500 company status |
| Wuliangye Yibin | China's second-largest baijiu (white spirit) producer by revenue, manufacturing and marketing the Wuliangye series of liquors. |
| Mr. DIY Group | Operates a chain of department stores providing a wide variety of products from everyday home improvement essentials and household products to customers in Asia |

Reference benchmark is the MSCI AC Asia Ex Japan Index. Holdings are subject to change. Fund holdings and allocations shown are subject to change and may not be representative of current or future investment. Holdings shown should not be deemed as a recommendation to buy to sell securities.

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).

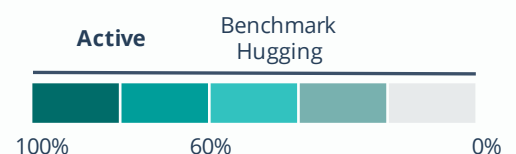
High Level of Active Management

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:



Fund Details

| Item | Class A | Class B |
|--|----------------------------------|--------------------------------|
| Currency | SGD, USD | |
| ISIN (SGD Class) | SGXZ64383987 (Distribution) | SGXZ78636883 (Accumulation) |
| ISIN (USD Class) | SGXZ99381758 (Distribution) | SGXZ76017904 (Accumulation) |
| Projected Distribution ² | 4% p.a. | - |
| Min. Subscription | SGD 500,000 USD 400,000 | SGD 50,000 USD 40,000 |
| Account Opening Fee ³ (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 ⁴ | 0% | 20% |
| Fund Name | Meranti Capital VCC Asia Fund | |
| Dealing Frequency | Monthly | |
| Base Currency | USD | |
| Strategy Change Date | 1 February 2024 | |
| 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 | |

Market & Portfolio Developments

Fund Commentary

The S&P 500 and Nasdaq rebounded 5%, and 7% respectively in May, largely recovering the declines of April. Over the previous two months, the two indices returned 1.5%, and 0.9% respectively. In contrast, MAF and Asia markets appreciated by 3.2% and 2.7%, with much steadier pace and little drawdowns. This demonstrated how Asian investments could deliver stronger and steadier returns for our investors, less affected by the volatilities driven by the US inflation and Fed rate cut guessing games.

MAF's performance over Apr-May was mostly driven by several idiosyncratic positions across China, Hong Kong, and Malaysia.

In our April update, we mentioned initiating a position in MrDIY, a dominant home improvement retailer that started in Malaysia which now has over 1000 outlets across Asia. The stock rallied by 22% from late April (our purchase point) and continues to perform strongly, supported by the consumption upgrade trend in the region.

In the same month, we also initiated a position in Universal Scientific Industrial, the global leading SiP (System in Package) solution provider. The stock halved from its previous peak in 2020, dragged by the poor sentiment in China's technology space and global consumer electronics destocking. The stock traded cheaply at low teens P/E multiple at cyclical low earnings, generating strong free cash flow. Industry-wide inventory digestion has largely come to an end. The stock rebounded 15%+ since then and still looks very attractive considering it being a leading play in the integration of AI and 'smartization' of broader consumer electronics.

We initiated positions in two names earlier this year: Zhejiang Weixing, China's largest and most prominent brand for household water supply and drainage pipes, with high-quality products, superior service and deep channels, and Hongfa, the global No. 1 supplier of relays to industries such as IoT and smart grids. Both returned 15% in the past two months, thanks to their steady share appreciation and generous dividend payout.

In Hong Kong, our investment in Guangdong Investment had a strong 30%+ rebound in the past two months. As the doomsday scenario for its property exposure was scrapped, the market started to appreciate its cash-cow core asset (water supply for the entire Hong Kong) and the long-term growth potential from its vast portfolio of water supply and treatment projects in the Mainland.

Investors in MAF should expect to own the long-term compounders across various industries, well positioned in various pockets of growth in Asian economies.

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

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