



Meranti Asia Equity

30 June 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
Keep investors calm

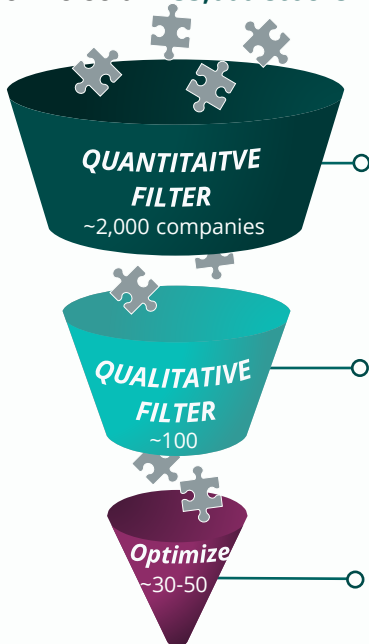
Asia: embracing volatility in a continent rich with opportunities

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, %

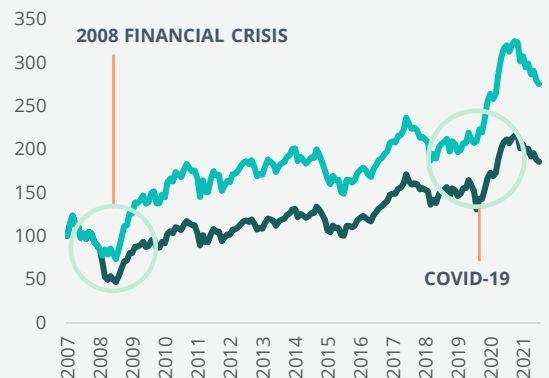
	2024	Feb	Mar	Apr	May	Jun	Since Strategy Launch @ Feb '24
USD B	6.33	1.49	1.32	1.33	-1.10		9.57
SGD A	6.04	1.17	1.09	0.99	-1.45		7.94
USD A	6.17	1.33	1.17	1.18	-1.26		8.74

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:

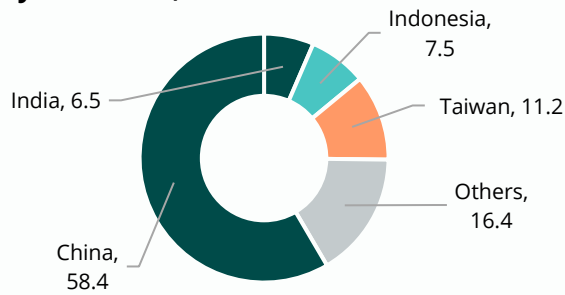


Principles for Responsible Investment

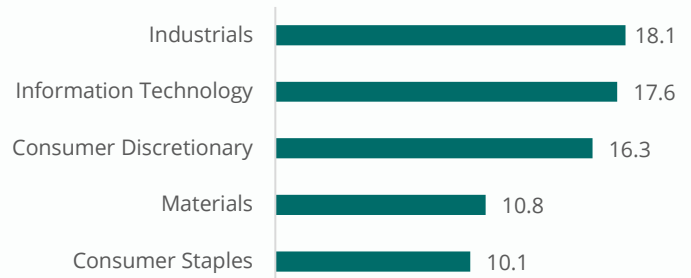


Strategy Characteristics

Geography Allocation, %



Top 5 Sector Allocation, %



Portfolio Statistics

	Portfolio	Benchmark
Free Cash Flow Yield	6.69	3.23
Sales Growth	6.96	1.94
Return on Equity	11.87	9.59
Operating Margin	13.49	11.20
Net Debt/equity	8.33	14.25

Position Highlights

TSMC	World's largest contract manufacturer of semiconductors in consumer and industrial electronics and equipments.
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).

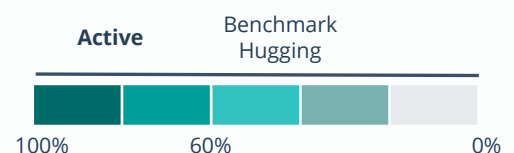
High Level of Active Management

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	PWC LLP	
Broker	Goldman Sachs (Asia) L.L.C.	
Legal Advisors	BTPLaw LLC	

Market & Portfolio Developments

Fund Commentary

Recent conversations with other renowned Asia equity managers reveals a conundrum: even though fundamentals such as earnings continue to improve, stock prices are not. This is a reflection of how poor sentiment is on Asia markets, China in particular. Having said that, there are some stocks in the fund that are bucking this pessimistic trend.

If Nvidia is the #1 arms dealer in the AI race, then TSMC is the #1 supplier to Nvidia. Wall Street analysts have practically doubled their price targets for TSMC since the start of 2023. And the stock has matched analyst expectations. TSMC is an interesting example of a company that is in a growth industry, yet is able to pay out more dividends. Its position in the industry also allows it to continue to hike prices. This together with better utilization and cost controls, will help to maintain the company's margins.

Despite how the low confidence on the Chinese economy, consumers are traveling with vengeance. One just has to look at the recent Golden week travel data. Trip.com is not just a beneficiary of domestic travel, it is also the go-to app for outbound Chinese travelers. Chinese tourists visited nearly 200 countries and over 3,000 towns worldwide during the Golden Week period. Furthermore, Trip.com's multiple features including competitive hotel rooms and train tickets makes it a tool of choice for international inbound travelers. Recent visa-free policy changes have increased the number of foreign visitors to the country, a 190% increase year-on-year, and the user base for Trip.com.

The fund also has its fair share of detractors, but these positions now present significant upside.

Shandong Weigao is a healthcare company whose stock has been recently been under pressure due to China's efforts to manage healthcare costs using the VBP (volume based procurement) program. The company's earnings have been growing for about 20 years, even when the VBP started in 2018. While the earnings have come off in recent years, the expectation is the worst impact from VBP is over. At current levels, Wall Street analysts see almost 100% upside for the stock.

It is impossible to have all stocks in a portfolio going up together. We take comfort that the ones that have declined have significant upside.

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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