

Mekong Fund A (USD)

Fund fact sheet as of 28 February 2018

Quick facts

Fund category	Asia Pacific
Legal form	SICAV SIF
Fund domicile	Luxembourg
Reco. placement period	10 years
Last NAV (USD)	119.56
NAV frequency	Monthly
ISIN	LU1131273259
Distributed in	LU, FR, SW, CH, UK

Investment approach

Objective: Superior long-term (5+ years) absolute returns through investment in the Mekong Region.
Mekong Region: Fast-growing region (Thailand, Cambodia, Laos, Myanmar, and Vietnam) with significant tailwinds: young population of some 240MM people in the Mekong and over 600MM in broader ASEAN, increasing regional integration, rapid urbanisation, and underdeveloped capital markets prone to volatility and mis-pricing.
Investment Approach: Fundamental, strict value, and catalyst-driven approach to investment in securities available at significant discounts to conservatively assessed intrinsic value with a skewed reward/risk profile.
Portfolio Construction: Highly selective concentrated portfolio and cash bias.
Risk Management: Strict buy/sell discipline based on fundamental research.

Cumulative performance



Performance vs regional indices (%)

	Fund	FTSE ASEAN TR (USD)	FTSE THAI. TR (USD)	Laos Comp. (USD)	FTSE VIET. TR (USD)
Total Gain Since Inception	63.3	36.2	89.4	11.2	27.1
Compound Gain Since Inception	7.4	4.6	9.7	1.6	3.5
Compound Gain Last 5 Years	4.6	2.7	5.4	-2.1	9.9
Compound Gain Last 3 Years	6.8	5.3	11.7	-7.4	13.8
Compound Gain Last 1 Year	3.5	28.1	39.5	-4.8	62.6
2018 YTD	-6.6	4.8	10.8	-6.0	14.3
1-month	-6.8	-1.2	2.0	-2.2	0.4
P/E **	14.2	16.4	17.0	13.6	21.2
P/BV **	1.3	1.8	2.3	0.8	3.6
5-yr correlation with Fund***		0.5	0.5	0.3	0.4

Source: Bloomberg | * Inception 1/4/11 **Trailing, harmonic weighted average, excluding cash and unlisted investments
 *** correlation to end 2017

Past performance (%) - Net returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011				-0.5	-2.3	-0.2	0.7	-3.3	-6.8	2.7	-3.0	-3.9	-15.6
2012	8.6	4.8	5.5	4.0	-6.2	0.8	2.5	3.5	2.9	1.2	3.3	3.3	39.1
2013	7.3	3.5	-1.4	1.7	0.6	-7.2	-0.9	-7.0	7.0	0.9	-4.0	-2.2	-2.9
2014	-0.6	4.7	3.6	0.6	4.1	3.2	0.3	3.3	-0.1	-0.6	-6.0	-2.0	10.5
2015	-3.6	10.4	2.2	1.2	1.0	1.1	-3.0	-3.3	-1.3	6.1	0.9	-0.8	10.6
2016	-0.3	-2.9	0.6	2.0	2.1	4.4	0.7	1.8	2.8	0.4	-2.2	-0.9	8.7
2017	1.4	2.7	0.7	0.9	3.5	5.6	0.4	-1.4	-1.4	1.6	-0.1	0.8	15.4
2018	0.2	-6.8											-6.6

Fund information

Fund launch date	31/03/2011
Fiscal year end	December 31st
Fund currency	USD
Total AUM (USD)	\$47.2MM
Benchmark	None
Subscription notice	2 days
Redemption notice	5 days
Management company	Lemanik AM
Investment manager	Probus Middle East Ltd
Custodian bank	KBL Europ. Priv. Bankers
Central administration	Apex Fund Services
Auditor	KPMG

NAV analysis

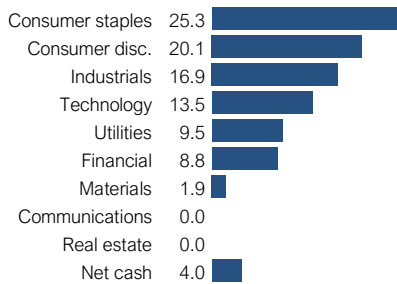
	Value	Date
52-week NAV high	128.79	31/07/2017
52-week NAV low	116.31	31/03/2017
HWM current	128.28	
5-yr Std. deviation	11.34	to end 2017
Max drawdown (%)	-14.52	31/05/13-30/08/13

Source: Bloomberg

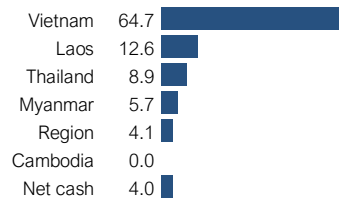
Investment team

Andrew Ranken is a co-founder and investment manager of the Fund, which commenced operations in 2011. He has extensive experience in corporate and project finance advisory and in listed and private equity investing in both developing and developed markets, including in Southeast Asia. He holds degrees in engineering and commerce and is a CFA Charterholder.
Marc Lavoie is a co-founder and investment manager of the Fund, which commenced operations in 2011. He has extensive experience in listed and private equity investing and trading in Southeast Asia. He holds a degree in International Relations and a Masters in International Management.

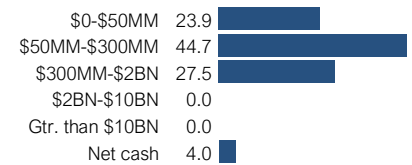
Allocation by industry



Allocation by country of risk



Allocation by market capitalisation



Top 5 holdings

	%NAV	P/B [^] *	P/E [^] *
Savico Common	10	1.4	16.3
EDL-Gen Common	10	0.8	13.6
Kido Group Common	9	1.4	15.6
FPT Corp Common	9	2.8	11.7
Thien Long Group Common	9	4.8	21.4
Total (Top 5 Listed)*	47	1.5	15.1
Total (14 Listed Equities)*	85	1.3	14.2

* Aggregates are weighted harmonic means, excluding cash and unlisted investments

[^] Bloomberg trailing P/B and P/E

Available share classes

Class Name	ISIN	BLMG ticker	Curr.	Type	Mgt. fees	Perf. fees	Min. invest.	TER	Front / back load
A USD	LU1131273259	PRINDOU LX	USD	A	1.50%	HWM: 10% over 10% & 20% over 20%	EUR 125 000	2.40%	0%/2% for benefit of fund

*HWM = High Water Mark, for more information please refer to the fund prospectus.

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Commentary

Performance: Performance-wise, February was one of our worst months since inception. The fund was down around 6.8%. We have been here before and have seen similar drawdowns a few times in the fund's history and have bounced back. We will do so again. Just about everything went against us this month but by far the largest negative contributors to our market losses were Donaco International (-36% in local currency), GTNFoods (-29%), and S Kohnkaen (-8%). The majority of other holdings were also down for the month though they recovered somewhat from their lows mid-month. The monthly performance result reinforces the fact that our performance is tied more to individual outcomes and less to overall market levels. What helps us in such situations is anchoring not to market price, but rather to the business fundamentals, and we do not believe these recent price falls say much about changes to fundamental value. Following the fall, we think the portfolio represents good value.

Selected Positions(s): Donaco International made two significant announcements during the month. The first (a results preview) seems to have been designed to "kitchen sink" the some bad news ahead of the second (1H results on the last day of the month). The first announcement disclosed: (1) a conservative move by auditors to require the partial write-down of the Star Vegas (SV) intangible (originally booked on the SV acquisition that was previously classed as a bargain purchase) due to a drop in earnings, (2) an update on the dispute with the SV vendor (owner of around 18% of DNA shares) who lost an appeal against an injunction to prohibit competition against SV and is also participating in arbitration in Singapore (where his family has significant assets). The reaction in the market was violent and seemed overdone to us, especially given the impairment is a non-cash item and the fall in operating performance had already been telegraphed to the market. The second announcement on the last day of the month was much more positive and suggested that Donaco has turned the corner. In particular: (1) Aristo continues to do well, with normalised EBITDA up some 148% yoy, (2) SV monthly VIP turnover is now in line with pre-acquisition levels, suggesting (at a normalised win rate) that prior peak EBITDA is not beyond the realm of possibility, (3) expansion and upgrades at SV to service demand, including the opening of a second gaming hall, the roll-out of 900 new slots in partnership with RGB (no capex for Donaco), room upgrades, the introduction of online gaming (in testing now), and new F&B offerings, (4) continued deleveraging. As noted previously, we bought this one far too early - a massive unforced error. However, as we write, the stock price is up around 20% from month's end and the company is once again buying back shares at what is a very cheap valuation. The single remaining broker covering the stock, who for obvious reasons (career risk?) is now quite conservative, has a buy on the stock.

GTNFoods fell on an ill-timed announcement by the CEO of his intention to sell out of half of his position - after such sale he would remain the largest individual shareholder. This coincided with speculation that an ETF (MVIS) would be selling down its 5.3 million shares as part of its regular rebalancing. These announcements appear to have spooked the market and prompted some forced selling by locals after initial declines and margin was pulled. It appears that, in the main, foreign shareholders (ca 45% of shares) have not been sellers. They, like us, see the potential of the assets in place (which are available for purchase at well below replacement value) and are now actively working with the company to execute against this potential. In addition, the CFO has been buying. As we write, GTNFoods' share price has recovered more than 10% from its recent lows following the company's attendance at a broker conference in Bangkok.

Thai food products franchise **S Kohnkaen** announced its annual results with revenues up 2% and profits up some 25% yoy. The low overall revenue growth was a result of low swine prices and masked the solid performance of the QSR business (sales up 22%) and improving operating efficiency overall. The stock traded down some 8% for the month in local currency terms on low volumes.

Kido Group announced 2017 results and simultaneously indicated a 40% growth target in pre-tax profits from integration and growth in its edible oils business and introduction of new products (including milk and tea drinks with a Thai partner) to better utilise its extensive distribution network. The stock is trading at well below replacement value and at just 10 times earnings based on management's guidance after backing out non-core assets. The fund purchased a few more shares on weakness during February.

Vietnam Fortress, the garden tool manufacturer in which we have an unlisted investment, is progressing towards its listing. At this point, we expect this to occur in April of this year at the latest. Though the company will not raise new cash at listing, we are optimistic about demand from both local and foreign investors and should see some interest from the market at a significant premium to our entry price paid at the end of last year.

Commentary

Administration: February is the last month that Apex will be doing the NAV and performing registry functions. They have been replaced by European Fund Administration (EFA).