



# Meranti Asia Equity

30 September 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

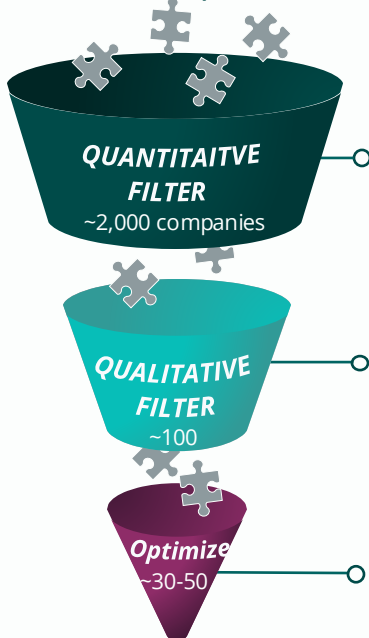
## Asia: embracing volatility in a continent rich with opportunities

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.

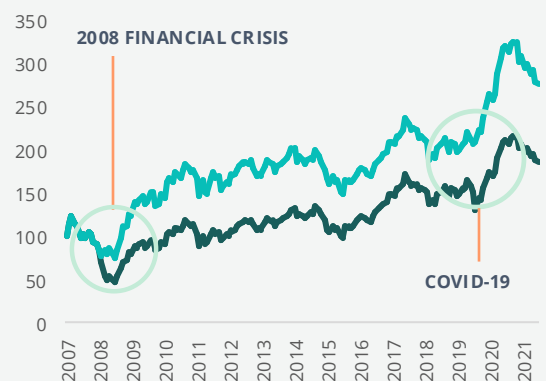
**Qualitative filter:** On the selected names, we assess the company's business strategy and financial data to identify companies that have strong economic moats to ward off competition and the ability to innovate to overcome challenges and drive growth.

**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.

## 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
<b>Total Return</b>		<b>85.97%</b>	<b>175.59%</b>

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

## Calendar Return, %

2024	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Since Strategy Launch
USD B	6.33	1.49	1.32	1.33	-1.10	-0.95	3.48	12.83 <sup>1</sup>	26.72 <sup>1</sup>
SGDA	6.04	1.17	1.09	0.99	-1.45	-1.19	3.10	12.66 <sup>1</sup>	23.88 <sup>1</sup>
USDA	6.17	1.33	1.17	1.18	-1.26	-1.10	3.32	12.68 <sup>1</sup>	25.20 <sup>1</sup>

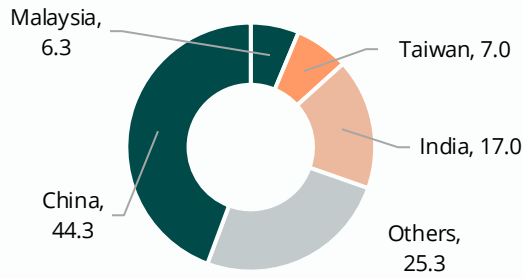
<sup>1</sup> Manager's estimated return. Actual return will be updated in the following month. Strategy was launched in February 2024.

Signatory of:

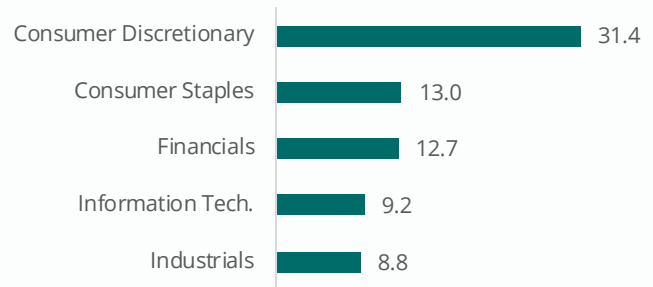


## Strategy Characteristics

### Geography Allocation, %



### Top 5 Sector Allocation, %



### Portfolio Statistics

	Portfolio	Benchmark
Free Cash Flow Yield	12.25	4.93
Sales Growth	3.70	2.74
Return on Equity	9.87	10.12
Operating Margin	9.84	11.36
Debt/EBITDA	3.12	2.94

### Position Highlights

China Resources Beer	A major player in the global beer industry and the maker of one of the world's bestselling beers by volume, Snow beer
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
Trip.com	Trip.com leverages its extensive technology platform and global partnerships to enhance both inbound and outbound travel experiences for international and domestic tourists
Shandong Weigao	A leading manufacturer of single-use medical devices for blood tests and sterilization, creating resilience even in a low growth economy
Tencent Holdings	World-leading internet and technology company offering high-quality digital content and services.

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).

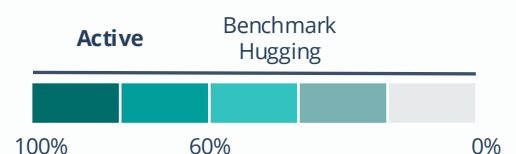
## High Level of Active Management

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 <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 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

*"The big money is not in the buying and the selling,  
but in the waiting."*

The fund was up 12% in September. That makes it 16% in two months, showing strong absolute and relative performance.

Performance	1-5th August	Aug 2024	Sep 2024	Aug-Sep 2024
MAF	2.44%	3.32%	12.68%	16.42%
Asia equities	-4.19%	1.98%	7.45%	8.55%
Global equities	-3.19%	2.57%	2.36%	4.99%

Was this expected? Yes, in terms of **if** it will happen. But it was unexpected in terms of **when** it will happen. Markets will always surprise us in terms of how they move about. But markets will never surprise us in terms of how they will move up over time. Charlie Munger pretty much summed in up in his quote above. But this waiting has been an arduous journey for our investors, a wait that has tested the patience of many. For our investors, it is indeed 苦尽甘来.

Indeed, things are looking good. The table above showing gains in August and September belie very contrasting environments.

August Meltdown: 5<sup>th</sup> August saw declines in markets that brought back echoes of 1987's Black Monday. MAF was not only resilient but anti-fragile, up on a day when a typical equity portfolio is down. The combination of risk-taking and risk management led to outperformance as markets recovered.

September Melt-up: September 2024 will be remembered less for the market low of 13<sup>th</sup> September but more for the market jump that followed the policy bazooka that was unleashed. The fund not only outperformed Asia markets, but by a wide margin. While we do not expect it to always happen, we'll happily take being able to do well in both meltdown and melt-up conditions whenever it happens.

There was a lot of waiting, but there was also some buying and selling in recent months to optimise the portfolio. The remaining positions benefitted as billionaire investors Michael Burry and David Tepper loaded up on China exposures following the stimulus measures. Will this be the one? We can never assume for certain but this reminds us that one should never write off the Chinese market.

Source: Bloomberg, FAM. Asia equities: MSCI AC Asia ex Japan Index, Global equities: MSCI ACWI Index.

**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. 201525241 K) [www.finexisam.com](http://www.finexisam.com)