



# Meranti Asia Equity

30 November 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

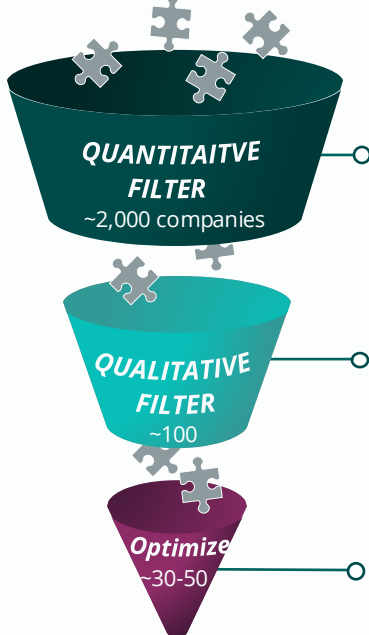
## Asia: embracing volatility in a continent rich with opportunities

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.

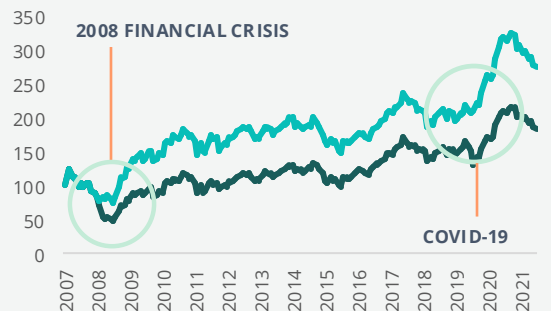
**Qualitative filter:** On the selected names, we assess the company's business strategy and financial data to identify companies that have strong economic moats to ward off competition and the ability to innovate to overcome challenges and drive growth.

**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	Oct	Nov	Since Strategy Launch
USD B		6.33	1.49	1.32	1.33	-1.10	-0.95	3.48	12.26	-5.74	-3.75 <sup>1</sup>	14.39 <sup>1</sup>
SGDA		6.04	1.17	1.09	0.99	-1.45	-1.19	3.10	11.64	-6.13	-4.07 <sup>1</sup>	10.54 <sup>1</sup>
USDA		6.17	1.33	1.17	1.18	-1.26	-1.10	3.32	12.09	-5.88	-3.90 <sup>1</sup>	12.65 <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:

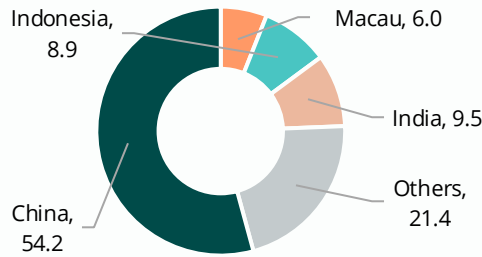


Principles for Responsible Investment

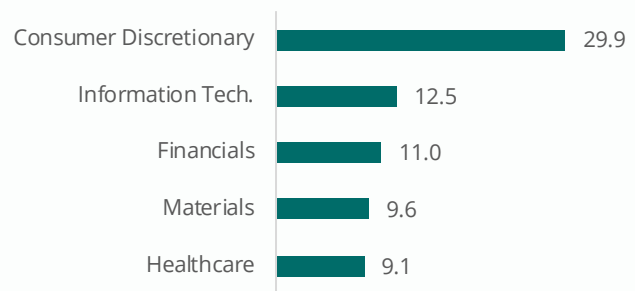


## Strategy Characteristics

### Geography Allocation, %



### Top 5 Sector Allocation, %



### Portfolio Statistics

	Portfolio	Benchmark
Free Cash Flow Yield	10.03	4.32
Sales Growth	3.83	4.24
Return on Equity	10.66	10.63
Operating Margin	7.88	11.82
Debt/EBITDA	4.10	2.88

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.

### 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.

## 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).

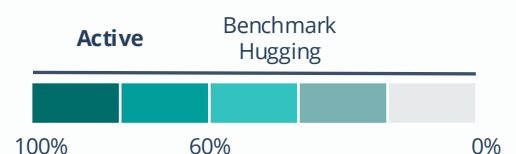
## High Level of Active Management

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

### Commentary

*This month, we provide a case study of how our process is applied to Asian equities.*

### Strategic positions

First, we start with companies that have good fundamentals. They should have a business strategy and strong economic moats to ward off competition and the ability to innovate to overcome challenges and drive growth.

An example is Hundsun, a leading financial technology company dedicated to "making finance easy" by providing comprehensive integrated solutions and services to a wide array of financial institutions, including banks, securities firms, and asset managers. As the only full-range financial IT service provider in China, Hundsun stands out with its extensive product offerings that encompass trading systems, wealth management tools, and cloud-based services.

Hundsun has established a robust client base of over 2,000 institutions across banks, asset management companies, insurance firms, and exchanges, such as China Merchants Bank and China Life Insurance.

### Managed tactically

Despite Hundsun's good fundamentals, it is a very volatile stock with price swings from -50% to 100% in any given year. Such price swings lead to the stock deviating significantly from its fair value. This is where managing the position tactically comes in.

When the price is significantly above its fair value, a fundamentally good company may not be a good investment. When the price is significantly below its fair value, a fundamentally good company becomes a potentially great investment.

After being sold down meaningfully, Hundsun's stock price bottomed, rebounded and has shown positive momentum. In November, we added tactically to the position and the position is doing well so far.

The fund's holdings are diversified across Asia with holdings in China, India, and South-East Asia. Each of them represent a good fundamental opportunity to provide returns for investors over time.

**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.

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