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Malayan Traders Capital
Founders Fund

Commentary

September 2016

Written by Devan Linus Rajadurai, CEO & Chief Investment Officer

Objective

Malayan Traders Capital Founders Fund (“Founders”, “MTC” or the “Fund”) aims to achieve a net return of 10-15% p.a. over a 3-5 year period by investing in a portfolio of global listed equities. MTC invests predominantly in blue chip companies listed in the US and Emerging Asia and employs a value driven, bottom-up investment approach. MTC’s benchmark is the Singapore Straits Times Index (“STI”) and the MSCI All Country World Index (“MSCI ACWI”). The STI was chosen as a benchmark as MTC’s investors predominantly originate from Southeast Asia, where the STI is the most commonly followed index. Performance is reported in USD.

Performance

MTC delivered a since inception net return of 61.0% (11.9% p.a.), outperforming its benchmarks, the STI and the MSCI ACWI, which returned -11.4% (-2.8% p.a.) and 37.8% (7.8% p.a.) respectively.

Market Insights

General

Great returns take time, and with patience and the right investments, that’s how we have delivered a double-digit performance for the year, beating both the Southeast Asian indices and US indices by a huge margin.

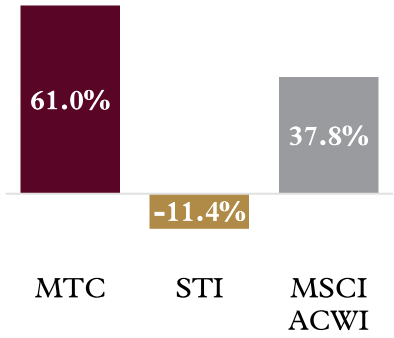
In our last commentary in June, we mentioned how we don’t get caught up with the macro factors, such as Brexit etc., but instead we focus on picking great companies to invest in. Amongst them were chipmakers and food and beverage players we went big on in January when the market was at its one year low, and European automobile manufacturers that we invested in just before Brexit happened. Post Brexit, the pound tanked and has continued to tank even more making those trying to speculate on currencies or those just holding cash look like fools (Hence don’t try and speculate whether Trump or Clinton will win, and the reality is that even if Trump wins its likely going to be a good thing). Whereas if you invested in solid companies such as a European automobile manufacturer, you’ll be up 20% post Brexit.

NAV

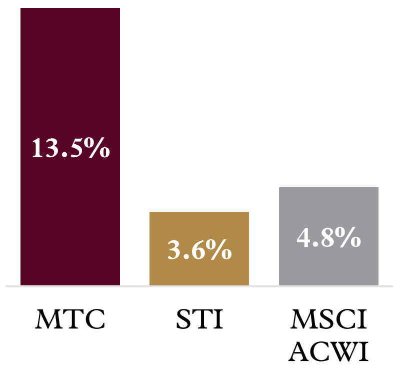
Class A: 161.00

Performance

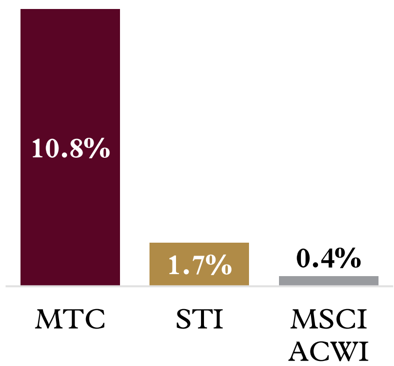
Since Inception (24 Jul 2012)



Year to Date (2016)



Month (Sep 2016)



Devan Linus Rajadurai, Chief Investment Officer

Market Insights (continued)

General (continued)

Now not only did we invest in a solid company in an undervalued sector, but we also invested in a great company that should go up 100% from our purchase price in the next few years, as we will explain in the sections below.

Trump vs. Clinton

While the Dow is up 5.1% for the year, there is still a huge opportunity to stock pick given the uncertainty on who will be the US President. The uncertainty in January with oil and commodity prices gave us the opportunity to be up 13.5% for the year, and we are seeing a huge disparity with some companies being highly valued because some people think Clinton is going to win, and some significantly undervalued because others think Trump is going to win.

Reality of the matter and regardless of your view on who is better to run the US or even the world, certain companies are immune to such rhetoric. People are still going to eat hamburgers and burritos and will continue to do so at McDonald's or Chipotle (also who said you can't make money with blue chips??? If you had invested in McDonalds in 1 Jul 2015 at $96.00 and held onto it for one year to 1 Jul 2016 at $120.00, that is a 25% return + 3% dividend.). In fact, if Trump wins and if he fixes the corporate tax loopholes, there might be a huge benefit for US companies like Apple, Microsoft, etc. who can then bring the money back to the US without incurring huge tax penalties and return this money to investors. In either scenario, it's just upside going forward.

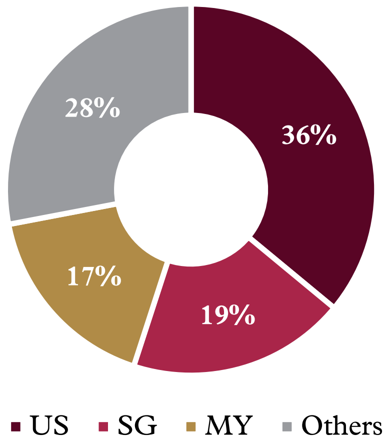
Portfolio

European Automobile Manufacturer

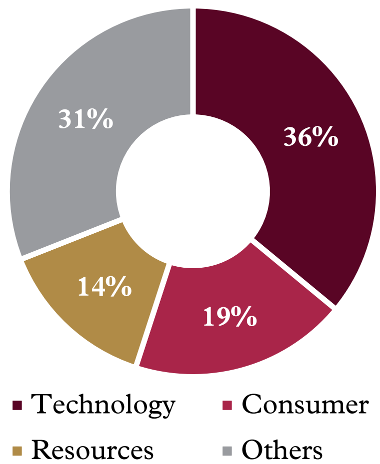
We recently invested heavily into a European automobile manufacturer, as its stock price fell significantly for (1) the fear of Brexit and its impact on Europe, (2) the recent emission scandals for many car manufacturers, (3) faulty Takata airbag issue and (4) people throwing money at tech companies such as Uber, Tesla, etc. and because of that, people forget about the former greats.

Generally, it's very hard to pick the right automobile manufacturers as the industry is very competitive. In fact, Detroit car companies such as Ford and GM were on the verge of bankruptcy in 2009. Furthermore, there is this threat of electric cars from Tesla, autonomous driving from Google, and people sharing vehicles through Uber, which why stock prices of car companies in the world have crashed significantly.

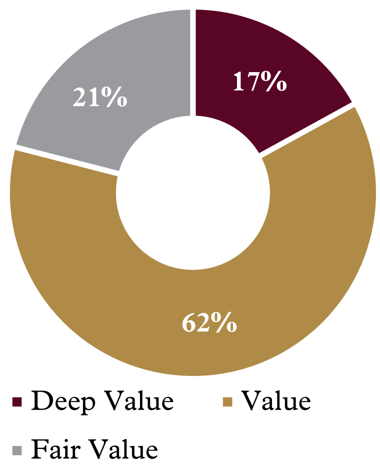
Company Listing Breakdown



Sector Breakdown



Value Breakdown



Portfolio (continued)

European Automobile Manufacturer (continued)

However, to counter those points of why we still invested in a European automobile manufacturer is: (1) As of 30 Jun 2016, Tesla was valued at US $30B but in 2015 generated a loss close to $1B and sold just 50,000 cars. On the other hand, BMW was valued at $48B but generated a profit close to $7B and sold a staggering 2,250,000 cars! And as sexy as the Tesla Model S is, BMW also has their own sexy electric vehicle called the i8.

As for autonomous driving, in Sep 2016 one of Google's test car had just experienced a crash, and in Jun 2016, a Tesla driver was killed in a crash while using the car's Autopilot function. As this technology is still in its infancy, and when it does mature in the future, leading legacy companies such as Mercedes are likely going to benefit first as they are already testing the technology with their existing vehicle such as the Mercedes-Benz Actros truck. As for Uber, they might kill the taxi industry, but it won't kill the joy of driving, or the joy of owning a status symbol that people use every day.

There are many other reasons why we invested in this company, but most importantly we picked an industry and a brand that we know will outshine the competition, and because of the broad macroeconomic factors, we had the opportunity to invest in this company at a huge discount. In 2009 if you invested in Ford at $3 and held it till 30 Jun 2016 at $12 you would have made 300%. (again who said you can't make money with blue chips???)

Our Other Portfolio Companies

As observed by the chart above, you can tell that we are in tech, agriculture, etc. However, the purpose of this report is not to share our industry, geographic or macro views, but rather to share with our investors how we think. Because at the end of the day our returns doesn't come from the fact that we have some exposure in tech, automobiles, US, Asia etc. but rather it's from pure stock picking. It is the hard work in research, the intelligence of our team, and being concentrated in a few great companies which is what generates our returns. Now, we have heard a lot of people say that they invested in Apple, but their whole portfolio did not grow 60% over four years (and for our Malaysian friends 100%), cause they (1) didn't concentrate their investments in the few great companies, (2) thought they knew a thing or two about currencies, and (3) just can't admit that they just don't have the skill or time to invest.

Outlook

If you flip through Bloomberg TV, you will find a thousand different viewpoints, on whether the Pound will decline further, if Trump is going to win, are oil prices going to recover, etc., etc., etc. To us, it doesn't really matter as we have a good selection of companies that are growing its revenue globally, are generating cash flow (not cash burn), and are still very much undervalued. We are already up 13% for the year and we are going to continue that trajectory till the end of the year and into the future.

Disclaimer

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Malayan Traders Capital
Meranti Fund

Commentary

September 2016

Written by Devan Linus Rajadurai, CEO & Chief Investment Officer

Objective

This commentary should be read in conjunction with the Malayan Traders Capital Founders Fund Commentary. Malayan Traders Capital Meranti Fund ("Meranti", "MTC" or the "Fund") aims to achieve a net return of 10-15% p.a. over a 3-5 year period by investing in a portfolio of global listed equities with an approximate 30% exposure to Malaysian listed entities. Its overseas exposure is a close to an exact mimic of our sister fund, Malayan Traders Capital Founders Fund ("Founders"). Besides its continuous Malaysian exposure, Meranti's investment approach is the same as Founders. Performance is reported in MYR.

Performance

Meranti delivered a since inception net return of 9.8%, outperforming its benchmarks, the KLCI and the MSCI ACWI, which returned -1.1% and 5.6% respectively.

Portfolio & Outlook

The main variance to Founders, is that Meranti has a different financial company in its portfolio, which is a Malaysian equivalent that pays high dividends, most recently upstarted its competition, and is trading at a reasonable price. Despite Meranti having a 33% listing exposure to Malaysia, it only has a 10% exposure to the Malaysian economy as the remaining Malaysian listed companies in Meranti's portfolio derive all their revenue overseas.

Furthermore, the returns of both funds should be similar as Founders has the same exposure to the other Malaysian listed companies, except for financials.

Disclaimer

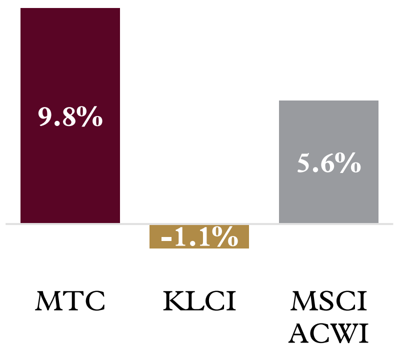
The views expressed in this report are those of Devan Linus Rajadurai, MTC's Founder & Chief Investment Officer. MTC's investment strategy is implemented by the Fund's Investment Manager, MTC Asset Management (M) Sdn. Bhd. licensed by Securities Commission Malaysia (CMSL: eCMSL/A0333/2015). The Fund is a regulated wholesale fund under the Capital Markets and Services Act 2007 (CMSA) of Malaysia.

NAV

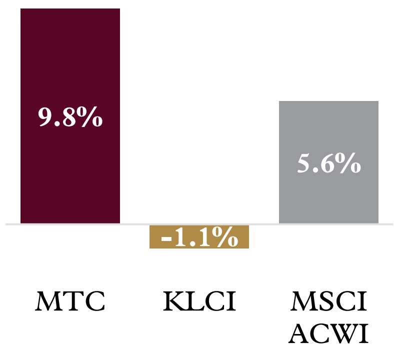
Class A:	109.84

Performance

Since Inception (28 Jul 2016)



Inception to Date (2016)



Month (Sep 2016)