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MTC Asset Management
Founders Fund

Commentary

March 2017

Written by Devan Linus Rajadurai, CEO & Chief Investment Officer

Objective

MTC 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 Kuala Lumpur Composite Index ("KLCI") and the Dow Jones Industrial Average ("DJIA"). The KLCI was chosen as a benchmark as MTC's investors predominantly originate from Malaysia, where the DJIA historically has been the best representative of the global market. Performance is reported in MYR.

Performance

MTC delivered a since inception net return of 160.1% (22.9% p.a.), outperforming its benchmarks, the KLCI and the DJI, which returned 6.6% (1.4% p.a.) and 128.0% (19.0% p.a.) respectively.

Market Insights

General

2017 is starting to be another tremendous year for MTC, and this is all due to our patience in being convicted on the great companies we have in our portfolio, and ignoring all the market naysayers who are so anti-trump, have a short-term mindset and are out-of-touch on how to make good money. You make good money by investing in great companies on the cheap, and be patient and hold it till it appreciates (usually > 3 years), then you sell it and find new companies, and that's how you make 160% in five years or 22% p.a.

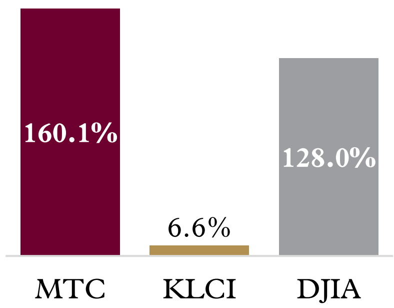
If you go back to June 2015 and re-read our commentaries since then, you will understand how we got our returns: (1) we increased our stake in mining stocks as oil prices and commodity prices crashed, (2) we bought big into tech manufacturing as people shunned the old legacy tech companies in favour of the hot tech IPOs, (3) we rebalanced out of our losers and went into new undervalued plays in the automobile, apparel, and food and beverage sectors, and (4) we held to our Apple stock despite the naysayers saying it's a one trick pony.

NAV

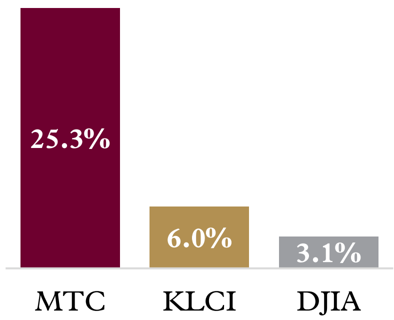
Class A: 186.82

Performance

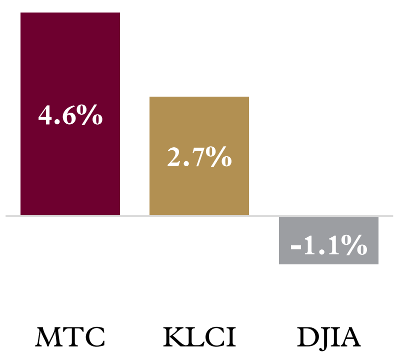
Since Inception (24 Jul 2012)



Year to Date (2017)



Month (Mar 2017)



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Market Insights (continued)

General (continued)

Let me reiterate, MTC is not a trading house. We buy great companies, we research them consistently, and if our research pans out right with an expected return of >15% p.a. we keep them. In June 2015, our NAV was at its since inception peak at 165.21 only to drop to a low of 138.27 in June 2016. MTC crashed with the market as (1) oil prices collapsed, (2) Brexit; and (3) fear of Trump running for the Presidency. Furthermore, we kept on buying into weakness, in the new sectors as mentioned in the previous page. Those who invested in us since June 2015 had to be patient, and today and into the future they are finally appreciating a good return. Now for those who invested in June 2016 and believed in the idea of outsourcing the investment decision to a top-quality fund manager, they are enjoying a fantastic return.

Our portfolio is still expected to continuously outperform, as we are always rebalancing the portfolio to new potential winners, which is the job of an active fund manager. If you look at our sectors today it's significantly different that last year. We are 64%, 12% and 10% in Technology, Consumer and Transport respectively. Compared to March 2016, where we were 41%, 20% and 14% in Technology, Resources and Agriculture respectively. We will comment on some of the new companies we have in the subsequent section:

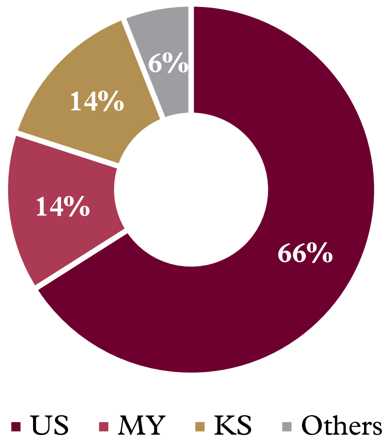
Portfolio

Legacy Technology not Social Technology

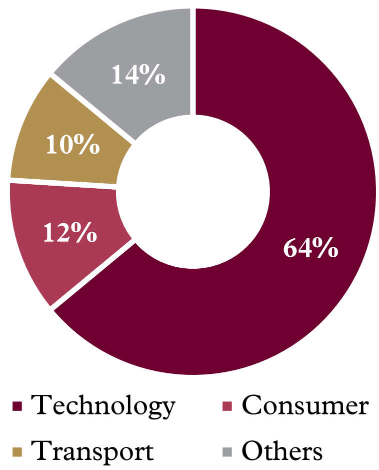
In our November 2015 commentary, we commented on the undervaluation of Legacy Technology as people started getting excited on new and potential tech IPOs like Uber, Yelp, Snap, etc., and shunned the old guns like Micron, Samsung, Microsoft, etc. As such, we invested deep into what we call legacy tech that was going to benefit from the growth in cloud and Internet-of-Things, knowing that if we bought these great companies at the cheap, it was going to result in outsized returns for our portfolio. That is why as of today, we have a 160% return since inception, a big proponent of it coming from legacy technology.

From 1 Jan 2016 to 31 March 2017, legacy technology companies have proven its mettle with appreciations of 104% (Micron), 71% (Samsung) and 19% (Microsoft), with still more room to appreciate as the digital market has yet to be fully penetrated. The digitally connected world has yet to make its full mark in developing nations like South America, Africa, India and Southeast Asia.

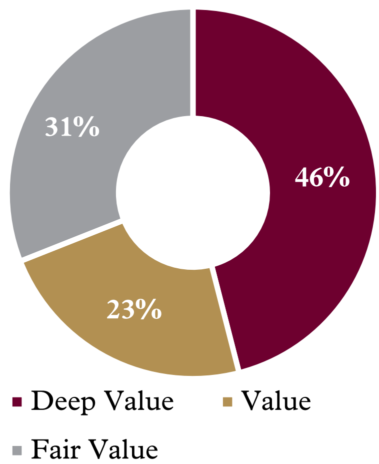
Company Listing Breakdown



Sector Breakdown



Value Breakdown



Portfolio (continued)

Legacy Technology not Social Technology (continued)

As much as Uber, Yelp and Snap seem like the sexy companies to invest in, ultimately the concern among the developing class is not that of taking an Uber taxi and going to the latest Michelin star restaurant so that they can take photos of five star dishes, post on Yelp and share it with their friends. Rather, these people just want to get out of poverty and feed their family. They are actually using a Samsung mobile phone with parts from Micron, to sell their agricultural, carpentry or other products online through the cloud enabled by Microsoft. So, when these stocks like Samsung are trading at valuations to book of 1.5:1 with an earnings yield of around 7% p.a., why invest in Snap when it is trading at valuations to book of 8:1 and earnings yield of around -12% p.a.? Did I mention the negative earnings yield, and the likes of Snap, Uber and Yelp losing billions a year? Ok, so an uninformed banker might correct my statement and say Twitter is losing millions but they are different… next unicorn… blah blah… but guys and gals, you should read a book about the dot-com bubble- money is not that easy to be made and there are no free lunches in the world.

So in summary, legacy technology is the way to go and not social technology, with MTC being the best hedge fund placed to make the call on which are the right tech companies. We did get it extremely right with our tech investments since inception, as we actually use and understand the products and services well. Even one of my greatest heroes, Warren Buffett, preaches to "invest in what you know", and recently admitted his mistake for not buying Google, Amazon, and got his call on IBM wrong. Not that we are better than Buffett, it's just that we don't try to mimic the market or our heroes; we just invest in what we know.

Fast Fashion and Apparel

Similarly, with legacy tech, fast fashion is the new "it" thing in apparel, and companies like Uniqlo, Zara, and H&M are trading at extremely high valuations in MTC's opinion, as the market is thinking that the whole world is going to be dressed in those three brands for the next two decades. But there is a reason it's called fashion, it is hot for a while and then it's not. Fast fashion or not it's still fashion- a trend. If the companies had stock prices and valuations that were reasonable than we might consider them… but we are not chasing growth, we are buying great companies on the cheap.

So the market flocking to these three brands, in addition to some US apparel makers going bankrupt, an opportunity exist where you can scoop some on the dirt cheap, and through MTC's research, we can pick the apparel maker that is most likely going to turn around and have its stock price appreciate by 200% in the next five years. Yes, everyone will have a different opinion on which apparel maker is going to come out unscathed, whether its Gap, Ralph Lauren, or Abercrombie, but that is why investing has to be a full-time job. Only the research will give us the answer; not gut feel and darts to a list of stocks. For more on our apparel maker investment, read our December 2016 commentary.

Commodities and Agriculture - Good Investment but not the Best Investment

MTC is famous for investing in what we know and as such is famous for our tech investments. However, we do have very strong understanding of other sectors mainly in the consumer space like: food and beverage, apparel, household goods, etc. However, because we are also value investors and great researchers, we saw big undervaluation opportunities in the commodities and agriculture space five years ago. As such we took advantage of this opportunity for the sake of diversification, to invest in this space that we did not know as well, but was significantly undervalued after the commodities super bubble burst.

Portfolio (continued)

Commodities and Agriculture, Good Investment but not the Best Investment (continued)

One thing about being a good investor is recognising that mistakes will always be made, and all you can do is just learn from it. You're a great investor if you make some mistakes and still generate 160% in five years, which we have done. Now for our mistake in commodities, the reality is that sometimes things that are cheap can stay cheap for a long time, and past our investment horizon. Despite our thorough research, the commodity market is something that has so many moving parts that ultimately still makes it a very speculative investment. We doubled down last year when oil prices, iron ore prices, etc. collapsed and came out with a double digit return on our investment, however we would have made way more, (>200% NAV appreciation) if we just never entered this space in the first place and just invested in the industries I mentioned above such as tech and consumer. To provide some colour, we bought a company that was trading below its cash but its share price never moved at all and has yet to move since we sold it.

As such, we have recognised this mistake and are just sticking to what we know extremely well. Now some will question, are we diversified enough if we do that? First, concentration is what made the likes of Warren Buffett, Bill Gates, Sam Walton become the top 10 richest people in the world. Secondly, if you look at our current portfolio, yes we are 65% in technology, but technology is split up into chipmakers, cloud service providers, digital advertising… these companies earnings are unrelated and uncorrelated. Furthermore, we have other industries like automobiles, apparel and food and beverage.

Outlook

In summary, investing is not easy and we have to continuously recognise our mistakes. We are now closer to our true core of what we know, and we are fortunate enough that many different sectors that we know extremely well happen to be cheap at the same time. We owe this to Trump, as at the end of 2016 construction, financials and resource stocks were the big winners, and the companies we rebalanced into were not. Now in 2017, our tech companies have gone up quite a bit, and the consumer sectors have yet to appreciate significantly.

Hence, our outlook is still good. US unemployment is down, the economy is growing so much so that the US is now raising interest rates (which to us is a good thing), and Greece recently had a budget surplus (despite us still not being a big fan of Greece and Europe). Furthermore, we have a great team at MTC that is always researching, rebalancing the portfolio, and striving for that 15-20% p.a. returns into the future.

I also need to reemphasize, that although our return seems small to the average start-up entrepreneur or businessman, when you manage hundreds of millions of dollars, 20% is a very decent return. Most of the rich claim to make 20% per annum, but that usually is on a small highly speculative portion in the hundreds of thousands whereas their other millions are sitting in cash earning nothing. MTC would be a much better alternative than the combination of deals, speculation and cash.

Disclaimer

The views expressed in this report are those of Devan Linus Rajadurai, MTC's Co-Founder, CEO & Chief Investment Officer. MTC's investment strategy is implemented by the Fund's Investment Manager, MTC Asset Management, with the support of its sister entity, MTC Asset Management (M) Sdn. Bhd. licensed by Securities Commission Malaysia (CMSL: eCMSL/A0333/2015), which provides research and operational support to MTC Asset Management. The Fund is a regulated mutual fund under the Mutual Funds Law of the Cayman Islands and is registered with the Cayman Islands Monetary Authority.

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MTC Asset Management
Meranti Fund

Commentary

March 2017

Written by Devan Linus Rajadurai, CEO & Chief Investment Officer

Objective

This commentary should be read in conjunction with the MTC Founders Fund Commentary. MTC 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 close to an exact replica of our sister fund, MTC 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 29.6%, outperforming its benchmark, the KLCI and DJIA which returned 4.1% and 24.0% respectively.

Portfolio & Outlook

As mentioned in the Commentary of Founders Fund, we did not outperform the US market in 2016 because we were not invested in Trump rally winners of construction, banking and resources (we sold of our resources stocks sometime during Q4 2016). However, our rebalancing efforts in 2016 finally appreciated in Q1 2017 giving us significant outperformance compared to both the US and KL markets. This outperformance is likely to continue towards the end of 2017.

Meranti is still very similar to Founders given that Founders is also invested in the same Malaysia listed companies of Meranti, except one which is in the consumer staples industry. Meranti does not expect to invest in new Malaysian companies, therefore we expect the Meranti Fund returns to mimic that of our main fund, Founders.

Disclaimer

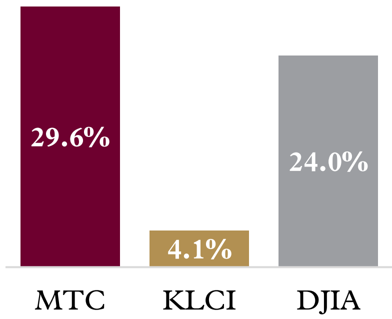
The views expressed in this report are those of Devan Linus Rajadurai, MTC's Founder, CEO & Chief Investment Officer. MTC's investment strategy is implemented by the Fund's Investment Manager, MTC Asset Management (M) Sdn. Bhd. licensed by Securities Commission Malaysia (CMSL: eCMSL/A0333/2015). The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

NAV

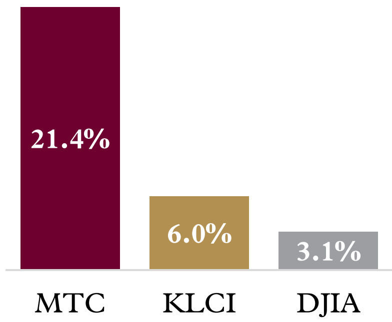
Class A:	129.59

Performance

Since Inception (28 Jul 2016)



Year to Date (2017)



Month (Mar 2017)