Singapore

Letter to Investors //2014

Malayan Traders Capital Limited

Malayan Traders Capital Limited
(BVI Company Number: 1711740)

Letter to Investors & Management Discussion and Analysis

Financial year ended 30 June 2014

Malayan Traders Capital Limited

(Established in the British Virgin Islands)

General Information

Directors	:	Devan Linus Rajadurai
Investment Manager	:	Devan Linus Rajadurai
Auditors	:	KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Principal Broker	:	JP Morgan International Bank Limited 1 Boulevard du Roi Albert II B-1210 Brussels Belgium

Letter to Investors

August 2014

Malayan Traders Capital Limited

It has been about two years since Malayan Traders Capital Limited ("MTC") was incorporated. In actuality however, it has taken us around 7 years to get to this point, as we began investing in 2007. Today, what we take utmost pride in is not the longevity of our own track record, but rather the returns that we have delivered for our shareholders, which has been an outstanding 58% (26% p.a.) since inception in 2012. What we are particularly pleased with is in the way in which we have delivered this outstanding performance, by focusing on preserving capital and thereby minimising the risk of losing money. There is no doubt that MTC's "value investing" philosophy is tried and tested, often resulting in outsized returns at less than commensurate risks.

In addition to our performance, we are currently managing Assets Under Management ("AUM") of $14.0 million, a significant rise from $0.5 million when MTC first incepted in 2012. While a material portion of the increase in AUM was derived from performance and further investments from shareholders, the main contributor to the increase in AUM is a result of myself putting all of my personal wealth into the Company, as opposed to having a separate personal account. The phrase *"put your money where your mouth is"* is a phrase I hold a great regard for.

MTC may not be the largest private investment holding company, but we are definitely the most aligned. Our mission is not to be the biggest, but to *"manage wealth for generations"* in a *"low risk, high return"* way.

Letter to Investors (continued)

August 2014 (continued)

Performance and MTC's Investment Philosophy: Investing with Patience and Ignoring Fear and Greed

We now have a five year un-audited personal track record of 14% p.a. (2007-2012) and a two year audited company track record of 26% p.a. (2012-2014). We reiterate that wealth does not accumulate in a straight line. As experienced last year, the 2012/13 fiscal year ended with a -7% return. However, in the 2013/14 fiscal year, MTC ended with a 69% return, beating our principal benchmark, the Dow Jones Industrial Average ("DJIA"), which only returned 12.9% over the same period.

The 2012/13 fiscal year should be regarded as the year we followed our first two tenets: *"Investing in What We Know"* and *"Investing only when it is a Bargain"*. The 2013/14 fiscal year on the other hand is the year we stuck to our last tenet: *"Investing with Patience and Ignoring Fear and Greed"*.

In last year's letter, I mentioned a great deal about both Apple and Olam to be two of the most unloved stocks in the market. By sticking to our philosophy of having patience and ignoring fear, we held on to both of these great companies, which have since rebounded 50% and 64% respectively since their 2013 lows. In the case of Olam, had we listened to Muddy Waters (the hedge fund that shorted the stock), which was supposedly more qualified and had more experience than us, we would have sold the stock like many others had and would not have experienced the subsequent gain. I use this example to highlight our last but most important tenet, and that we can only have the patience and disregard any fear if we invest in what we know and buy at a bargain. Apple and Olam are great examples of our investment philosophy at work, and why the three tenets have to work together to achieve a return in excess of 15% p.a.

For further information on our portfolio please refer to the 'Management Discussion and Analysis' section of this Annual Report.

Letter to Investors (continued)

August 2014 (continued)

Looking Ahead: Restructuring to a Regulated Fund and Appointment of Aaron Yew

Growing the wealth of our current shareholders by 26% p.a. is only our first milestone. Our second milestone is the reappointment of our other founding partner, Aaron Yew Jin Lee, an ex-investment banker and private equity specialist. Aaron will re-join us in the next fiscal year after gaining valuable experience in banking and private equity in Asia, a region we expect to continue investing a great deal in going forward. We look forward to having him officially on-board to first help us exceed our 15% p.a. target performance, and secondly for us to achieve our third milestone, that is to convert MTC from a private investment holding company to a regulated fund.

There is a lot of work ahead of us, including but not limited to the appointment of a fund administrator/accountant, an auditor, legal counsels, and the preparation of our private placement memorandum. We look forward to achieving our third milestone, but we will take our time as our main priority will always be on investing to deliver superior performance for our shareholders.

Sincerely,

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Devan Linus Rajadurai
Founder, Managing Director and Head of Investments

P.S. As usual, to give context on how far we have progressed over the years, I have attached our 2012/13 fiscal year letter to investors. This is our inaugural letter to investors. I hope it gives further appreciation on how far we have come since June 2012.

Letter to Investors

August 2013

Formation of Malayan Traders Capital Limited ("MTC")

My journey as an investor began in 2007 after completing my undergraduate studies in Sydney and returning to Kuala Lumpur shortly after. At the time, my mom, Mrs. Kok Wai Leng, the former Managing Director of Malayan Traders & Co., a Kuala Lumpur stockbroking firm in the 1970s, needed assistance to invest and grow the family's overseas investments. It was then that I started learning from both my mom and my uncle, Mr. Kok Khee Wee, understanding their investment successes and failures. One of the greatest lessons learnt was to follow the investment strategy of my late grandfather, Mr. Kok Ah Too, commonly known today as "value investing". In the '60-80s, my late grandfather used this strategy and invested in companies that he knew; companies in mining, plantation and food & beverage sectors among others, and consistently generated double digit annual returns over decades.

2007 to 2012 was a period of learning, not just from my family but also from understanding the strategies of other successful investors such as Warren Buffett, Philip Fisher and Peter Lynch. After researching more than 20 investment strategies, the strategy that was second nature to me and made common sense was that of my grandfather's, or "value investing". Beginning in 2007 with little experience; going through the 2008 global financial crisis; and experiencing and learning from both losing and making money; I managed an un-audited return of 14% p.a. from 2007 to 2012. At this point, in early 2012, I decided that if I can help grow my family's wealth, why can't I do the same for others? Hence, the end of my career as a management consultant and the beginning of my stewardship as the Founder and Managing Director of Malayan Traders Capital (for which is named in honour of my late grandfather and the Kok family), to grow the wealth of its investors/shareholders.

The Mission: Managing Wealth For Generations

MTC's mission is to help families grow their wealth such that it can last multi-generations from children to grandchildren, similar to what is experienced by members of the Kok family. Initially, my life goal was to grow my immediate family's wealth and enjoy the lifestyle of living in Australia. However, after observing the children and grandchildren of wealthy families no longer being able to enjoy the same privileges that their parents once had because their wealth had diminished over time (by no fault of their own but rather the natural division of inheritance and the difficulty of growing wealth above inflation), it became my goal to preserve and grow the surplus capital of wealthy families and families that are on the road to acquiring such amounts of capital. MTC is the avenue of fulfilling this goal.

MTC aspires to make a difference for families such that they can afford to fly to any holiday destination of their choice, send their children to the best universities despite not obtaining a scholarship, and live in a dream home without worry of the maintenance cost of a landed property.

Letter to Investors (continued)

August 2013 (continued)

The Mission: Managing Wealth For Generations (continued)

Prima facie, it will appear that our mission is something that is already being served by other organisations such as the private banks and insurance companies. In reality however, though there are many that offer advice or manage wealth for others, most do so with unimpressive performance and an abundance of hidden risks. In fact, a lot have touted that the 5% p.a. return they have achieved over the last few years was low risk, only to be proven otherwise by the 2008 sub-prime mortgage collapse that "low returns is not always low risk", and that "low returns can be high risk". I note that I have observed cases where single digit returns were delivered from 2003 to 2007, only to end up losing more than 50% in 2008 and thereby resulting in an overall depletion in investor capital. MTC's mission is to maintain a performance of 10-15% p.a. consistently over decades (which is in the top decile of investment returns that has historically been achieved by individuals and institutions) and to educate people that we do so in a low risk way.

MTC's Investment Philosophy: Value Investing

Investing the low risk way has been the Kok family's mantra for decades. After all, we have all our hard earned money invested in equities, as opposed to most other organisations who manage money for others in the equity market but in reality have the bulk of their wealth in other assets such as property and fixed deposits. This is the reason why throughout the years, the Kok family and now myself with MTC, have implemented the strategy of value investing and perfected it in recent times. Most people have heard the term "value investing" and often call it unexciting. In our eyes however, it is very exciting and it is safe. MTC's value investing philosophy is premised on three tenets, as follows:

Investing in What We Know

Risk is minimised by investing in what you know well, not by complex mathematical formulae, and especially not because someone labelled an investment to be low risk. For example, running a burger chain franchise is usually labelled less risky than starting a tech company, but if you know next to nothing about burgers, food and beverages, supply chain management, or employee management, chances are you're probably going to lose a lot of money. That's what we call high risk, which is "doing something you know nothing about". In investing, we get our returns by investing in what we know, which currently tends to be technology, agriculture, and consumer orientated companies. For example, we invest in Apple because we know the differences between all the mobile operating systems from the iOS, to the Android, and even to the Symbian. We also know what consumers are buying and saying; we understand the interconnectivity between the internet, the desktop and mobile technology; and we have reasonable understanding of the computer programming that goes behind creating such devices. These are just few examples of how we convert our understanding of a business into deep insight that a particular company is going to maintain its growth and profitability well into the future.

Letter to Investors (continued)

August 2013 (continued)

MTC's Investment Philosophy: Value Investing (continued)

Investing only when it is a Bargain

Knowing that a company is going to be consistently profitable in the future is a good thing, but paying too much for it is certainly a bad thing. Most of the time, highly intelligent people tend to get the first tenet, *"investing in what we know"* right but end up overpaying for a company. The reasons are aplenty – from being overly optimistic on a company's prospects to following the investment herd that was consistently pushing a company's stock price higher each day. Momentum is a game we choose not to play, as while it can be exciting at times and potentially highly rewarding in the short term, it can be incredibly damaging in the long run if the stock price was to significantly revert to a more reasonable level given a particular company's business. A good example of this is Microsoft. In the late '90s, Microsoft was a great business but was no longer a company that could grow its revenue by 50% p.a. into the next decade. Nonetheless, this was what the stock market participants were expecting of it and its price proceeded to crash significantly after the tech bubble burst. Similarly, in the next decade (2000 to 2010), stock market participants once again forgot history, pricing Microsoft at unreasonably high valuations and was definitely not a bargain. As a result, Microsoft's stock price barely moved from 2000 to 2010, despite its revenue tripling and earnings doubling over the same period.

Investing with Patience and Ignoring Fear and Greed

Once we identify a company that we know very well and acquire it at a reasonable price, the most difficult thing to do is to stick to your decision when people tell you otherwise. It is especially difficult to stick to a decision when the people telling you to do otherwise are supposedly smarter than yourself and has the wisdom of age. However, the brightest people with vast academic qualifications or work experience from the most prestigious institutions are not necessarily the best investors. Statistics have shown that investing is generally a zero-sum game with the top 10% of people consistently making money, whereas the other 90% bounce from gains to losses regularly. Quite a number lose everything. This is why MTC's last tenet of *"investing with patience and ignoring fear and greed"* is the most important, and is what separates the top 10% of investors from the rest of the pack.

MTC's value investment philosophy sounds easy in theory, but it is very challenging in practice (which is why most individuals and institutions are unable to consistently generate returns in excess of 5% p.a.). Over the year, we have stuck to this philosophy and are confident that over the long term, our patience will be rewarded.

Letter to Investors (continued)

August 2013 (continued)

Performance over the Year

Reiterating the most important tenet of MTC's investment philosophy, is that of patience. Ever since MTC was incepted in 2012, we have continued with the same composition of companies in my family's personal portfolio that I have been tasked to manage. Among the few companies that we have owned for years and continue to own with MTC is Apple, Wilmar, and Olam. During the 2012/13 fiscal year, these companies were among the worst performers in the market, which greatly contributed to MTC's single digit negative return this year (and since MTC's inception) of -7%. This is despite other companies in our portfolio appreciating. Although we would have loved to have achieved a 15% return this year, our experience has taught us that it takes patience to be rewarded and that stocks do not appreciate in a straight line. Sometimes it stays flat over a period, other times it goes down further only to recover with amazing double digit returns, but only if you had waited long enough (our experience tells us that three to five years is generally the required timeframe for returns to be made). In fact, we consider these three great companies to be priced at a significant bargain, and are taking their price decline as an opportunity to increase our stakes in these companies as the market sells off. We expect these companies to be significant contributors to excessive performance in the 2013/14 fiscal year.

At this point it is important to remember that when we think about investing, we choose to ignore the volatility in monthly share prices, and choose not to play the momentum game (which some may gloat to have garnered a 100% return in the short term, only to become silent when the stock prices reverses, resulting in a permanent and complete loss of capital). Any experienced and intelligent businessman would tell you that acquiring a company for $450 billion with $145 billion of cash on its balance sheet and adding $50 billion to that cash pile each year (and growing) is a great deal. That company is Apple, a company that we understand very well and produces products that our company knows in-and-out and uses every day. We rather invest in companies like this that are out-of-favour and as a result, are experiencing short term declines in their stock price than to chase momentum stocks.

For further information on our portfolio please refer to the 'Management Discussion and Analysis' section of this Annual Report.

Letter to Investors (continued)

August 2013 (continued)

Looking Ahead

If the 2012/13 fiscal year is a year of patience, the 2013/14 fiscal year will be a year of reward. We have observed some of our undervalued companies' valuations increase and it is only a matter of time before our core holdings such as Apple, Wilmar and Olam begin to appreciate significantly in value. We are confident that not only will our portfolio appreciate significantly, but it will also outperform the major indexes such as the Dow Jones Industrial Average ("Dow" or "DJIA") and the MSCI All Countries World Index ("MSCI ACWI") in both the medium and the long term.

In terms of the business, MTC has remained low key for the past year, with no increase in Assets Under Management ("AUM") from where we started at $500K. We expect the 2013/14 fiscal year to be a year where we grow our AUM and our staff headcount. When MTC was formed in 2012, I was in discussions with a number of people to run this private investment company together, one of whom is our other founding partner. We expect to have him re-join the company in the next couple of years, after he gains the necessary skills to help MTC not only meet its target investment return of 10-15% p.a., but also to exceed it.

Sincerely,

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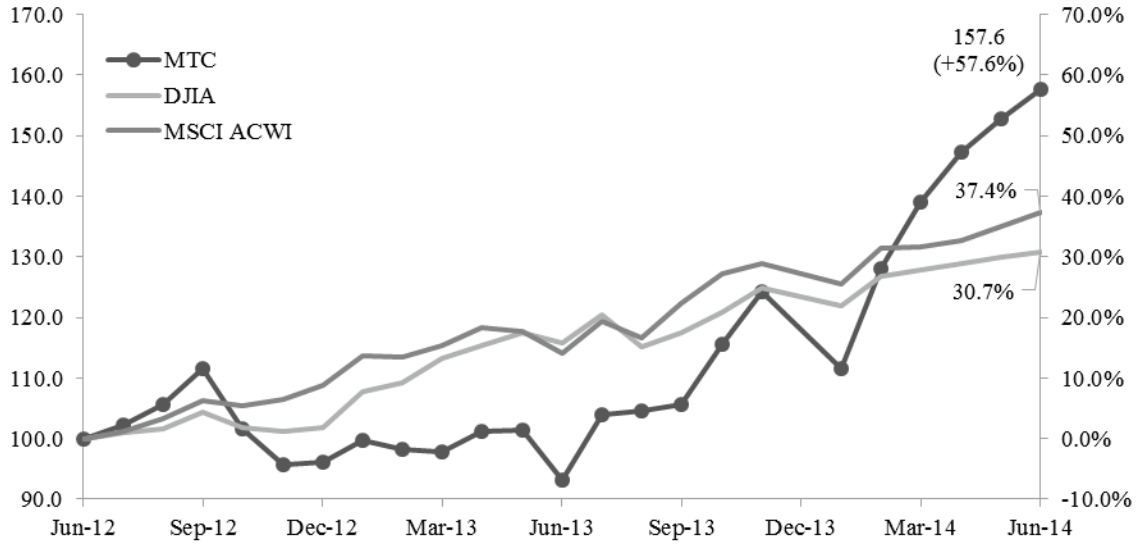
Devan Linus Rajadurai
Founder, Managing Director and Head of Investments

P.S. In many instances, this letter uses the first person pronoun in plural form instead of in singular form (i.e. "we" instead of "I"). This is to give due credit to the people I have surrounded myself with. It is important to note that although I achieved a 14% p.a. return from 2007 to 2012, I have done so with the tutelage of my family members. Furthermore, since MTC was incepted in 2012, I had assistance from my pro-bono partners, whom are expected to officially come on-board in the next couple of years.

Management Discussion and Analysis

Performance and NAV

MTC Performance Since Inception
(USD, NAV, %)



MTC outperformed both the DJIA and MSCI ACWI by 27% and 20% respectively since inception.

MTC NAV Since Inception
(USD)

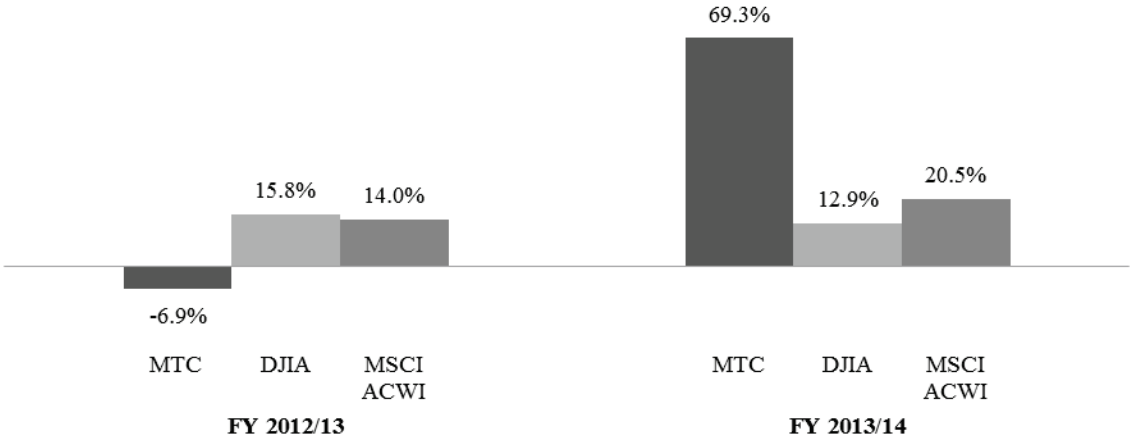
Fiscal Year 2013/14				*Fiscal Year 2012/13*			
Month	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*
Jun-14	157.60	Dec-13	126.49	Jun-13	93.08	Dec-12	96.04
May-14	152.83	Nov-13	124.17	May-13	101.44	Nov-12	95.70
Apr-14	147.40	Oct-13	115.52	Apr-13	101.22	Oct-12	101.70
Mar-14	138.96	Sep-13	105.61	Mar-13	97.76	Sep-12	111.55
Feb-14	128.12	Aug-13	104.62	Feb-13	98.31	Aug-12	105.61
Jan-14	111.61	Jul-13	103.96	Jan-13	99.75	Jul-12	102.22
						Inception:	100.00

Net Asset Value per Unit ("NAV") is presented instead of Net Asset Value per Redeemable Share as share splits may occur during the course of operating as a going concern. To standardise the NAV at a base of USD100.00 at inception, a ratio of redeemable shares to units is created. As of reporting date, the ratio of ordinary shares to units is 100:1 (2013: 1:100).

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns

MTC Fiscal Year Return Comparison
(FY 2012/13 & FY 2013/14, %)



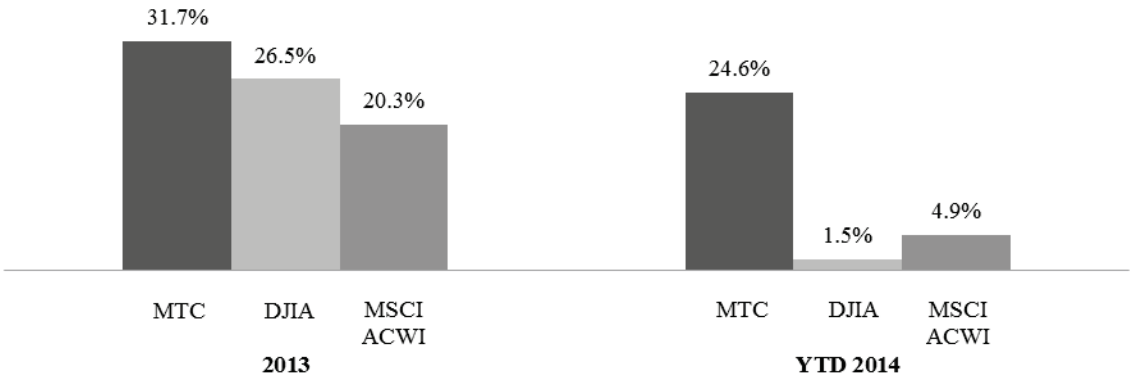
MTC outperformed both the DJIA and MSCI ACWI by 56% and 49% respectively for the current fiscal year.

MTC delivered a significant 69.3% return over the 2013/14 fiscal year, and 57.6% (25.5% p.a.) since its inception in 2012, overturning its -6.9% return in the previous fiscal year as our portfolio companies were finally appreciated by the market. Our performance this year has taken our NAV to $157.60 as at 30 June 2014. The Dow Jones Industrial Average ("DJIA" or the "Dow"), our principal benchmark as it has historically comprised most of our holdings, returned 12.9% over the 2013/14 fiscal year, while the MSCI All Countries World Index ("MSCI ACWI") returned 20.5% over the same period.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns (continued)

MTC Calendar Year Return Comparison
(FY 2012/13 & FY 2013/14, %)



MTC outperformed both the DJIA and MSCI ACWI by 23% and 20% respectively for the first six months of 2014.

From a calendar year point of view, MTC delivered a 24.6% return for the first six months of 2014, after delivering a 31.7% return in 2013. Our performance for the first six months of this year is significant, considering that the Dow and MSCI ACWI only delivered 1.5% and 4.9% respectively.

Holdings

After over a year of dismal performances by two of our key holdings, Apple and Olam, the market finally realised how mistaken they were about these two exceptional companies. As we made clear in our previous annual report and in various newsletters to our shareholders, we are certain that Apple and Olam were overly punished, and that the market was pricing in more than their respective fair share of short term bad news. As such, we were buying more of these stocks while others were selling, which of course resulted in some short term underperformance last year. Nevertheless, we recognised that given time, the market would realise its mistake and begin to appreciate these companies, which is what we witnessed throughout the 2013/14 financial year.

Management Discussion and Analysis (continued)

Holdings (continued)

Apple

Apple Price Chart
(USD, Jul 2012 to Jun 2014)

Apple, a detractor to MTC's performance in the 2012/13 fiscal year has been a significant contributor to MTC's performance this fiscal year.

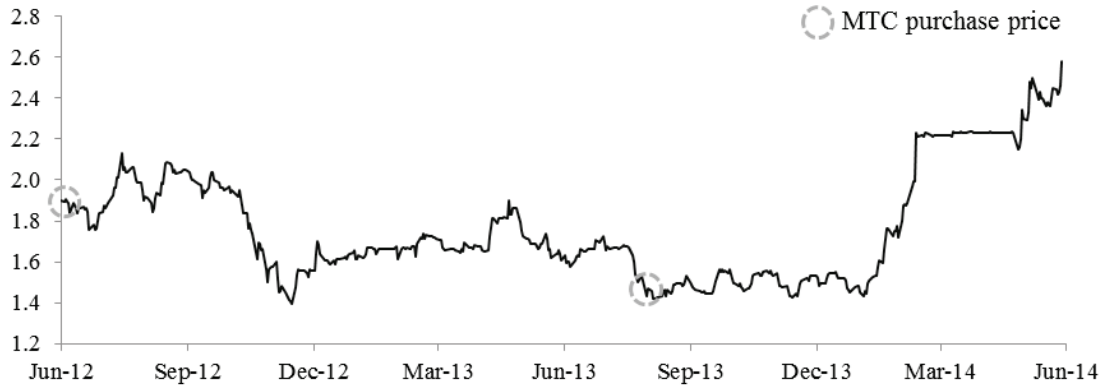
One of the world's most beloved consumer companies was in stark contrast one of the most unloved among investors in 2013. From its split-adjusted peak of $100 in September 2012, Apple's share price plummeted to around $55 in April 2013. Worry of Apple's largest competitor (Google's Android-based devices) stealing market share, the dearth of innovation following Steve Job's passing, and competition from new low-cost Chinese producer Xiaomi provided sufficient arsenal for investment professionals to shun the stock. Knowing that Apple is an exceptional company with robust fundamentals – Apple delivered a 5 year revenue growth and compounded annual growth in earnings ("CAGR") of 34% and 40% respectively from 2008 to 2013, with excellent growth prospects through new product innovation and entry into new markets – MTC increased its ownership stake in Apple even as its price dropped to $55, despite the short term negative news surrounding the stock over the year. After enduring nearly two years of negative to flat performance, the market is beginning to appreciate Apple again, reaching around $90 as at 30 June 2014, and continuing its upward trajectory as we move into the second half of 2014. We want to highlight that this is the same scenario that we experienced when we acquired Google, where we had to be patient and wait a couple of years before finally reaping our reward. Apple is yet another piece of evidence as to the dependability of MTC's investment strategy, as we know that by avoiding the short term nature of the markets and having a long term investment horizon, outsized returns can be made.

Management Discussion and Analysis (continued)

Holdings (continued)

Olam

Olam Price Chart
(SGD, Jul 2012 to Jun 2014)



Olam has been a deadweight for most of 2013 but has rallied significantly since the beginning of 2014.

Olam has been one of our key holdings throughout the past couple of years. We acquired a stake in the company because of its supply chain leadership position in the agriculture industry in Asia (Olam and Wilmar are the leading agriculture players in the Asia). Since 1989, Olam has grown to become the leading midstream player in the region, and is now moving upstream in order to have more control over the supply of raw materials, thereby making it less susceptible to rising commodity prices and improving margins in the long term. Unfortunately, Olam's expansion plan was not well received by the investment world, and coupled with short term volatility in commodity prices, resulted in Olam experiencing a selloff. From our experience in supply chain management, we understand how important and necessary it is for leading supply chain players to incur high capital expenses when moving upstream, and that patience is required over a number of years before abnormal returns are generated. To make matters worse, hedge fund Muddy Waters made a very public short sale on Olam, claiming that the company had erroneously and aggressively recording profits and was destined for failure. As a result, its stock price suffered further as the market panicked. MTC and Temasek, the latter of which is a significant owner of Olam, held firm in our belief in Olam, and even acquired more as the market sold off to about S$1.50 in October 2013. Confident in our understanding of the business and having the discipline to buy and hold for the long term, Olam's stock began its rise in 2014. In March 2014, Temasek made an offer to buyout Olam at S$2.23 (50% above its low and 24% above the price at which MTC acquired Olam). While we continue to believe in the company's prospects and would have kept our position in Olam even at these levels, MTC exited its investment in Olam during the year in favour of other companies that were relatively undervalued compared to Olam. It is worth noting that we still believe that Olam is a great company which we would like to own, and continue to watch it closely.

Management Discussion and Analysis (continued)

Holdings (continued)

Facebook

Facebook Price Chart
(USD, Jul 2012 to Jun 2014)

Facebook, which began trading at $38 per share on its initial public offering, has rallied significantly after plummeting to around $17 per share in September2012, and returning about 2.5x invested capital for MTC.

Facebook is a perfect example of an outstanding company that we would want to own, but were unable to do so because of its high valuation. In May 2012, Facebook listed with an Initial Public Offering ("IPO") price of $38, which we felt was expensive. However, as with our other companies that we would want to own, we continued to actively monitor Facebook. Over the coming months, Facebook's stock price fell by more than 50% of its IPO price to around $17 in September 2012. At these price levels, we felt Facebook was trading at very cheap valuations and began to acquire the company's stock. Buying Facebook at an average price of about $24, and waiting for approximately 9 months before the stock began to rally, we profited greatly in December 2013, as the stock continued its upward trajectory to around $60 (a 350% appreciation from its low). While we continue to believe that Facebook is a great company, at $60, we felt that its valuation was too high to warrant an investment, and exited our position in Facebook entirely. We highlight that this is a good example of buying great companies on the cheap, thereby protecting our downside (we estimate we would at most have lost 20% if we got it entirely incorrect), and benefitting from the significant upside potential (in this case, our upside was more than 150%). We also note that while this is atypical of our strategy as it usually takes over a year (usually two to three years) before our investments bear fruit, we are always searching for opportunities and actively monitoring the markets to capture more short term, opportunistic gains such as this.

Management Discussion and Analysis (continued)

New Holdings

Over the year, after rigorously going through our investment universe and searching for exceptional, undervalued assets, we have made some new investments that we would like to share with our shareholders, some of which we have already profited greatly from.

ICBC

We have been monitoring banking and insurance companies for some time but always felt that there were relatively better businesses and other undervalued companies out in the market, and hence have not invested in financials up until recently. As concerns of high debt levels in China stoked fear that a credit bubble similar to that faced in in the 2008 global financial crisis could arise, the "Big 4" Chinese banks experienced a significant selloff. Our experience tells us that panic such as this usually leads to overselling, and that the astute investor would take a moment to properly evaluate the situation. China, already the second largest economy in the world and still growing at a GDP growth rate of 7.5% p.a., is much like the United States when it was growing in the previous century. If history is any indication of the future, which we believe it is, there is little doubt that China will continue to grow even at its current size, although there will be some ups and downs along the way which we must be prepared to endure (similarly, the United States experienced many recessions in the 20th century, and that even after the global financial crisis in 2008, US banks continue to rake in huge sums of profits). Having alleviated the long term macroeconomic concerns surrounding China, we felt that the selloff of the Chinese banks were unwarranted and excessive. Further, ICBC was delivering a 6% dividend yield on top of the mispricing of its stock, providing further downside protection. Despite no clear differentiation between the banks, we feel that ICBC is an excellent company with strong upside potential and minimal downside risk. We began investing in ICBC in November 2013, and continued to accumulate its stock in February this year. Since then, ICBC has rewarded us well, exhibiting double digit growth in its stock price in addition to the 6% p.a. dividend yield.

Management Discussion and Analysis (continued)

New Holdings (continued)

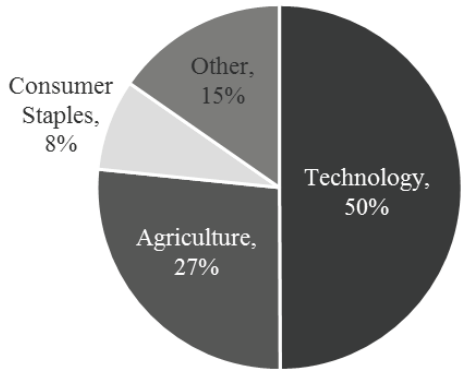
Aberdeen

As we have mentioned, we are taking the Company to the next stage of its life, and restructuring it into an investment fund vehicle to make it easier and more accessible for other investors to invest with us. As with all our decisions, we undertook rigorous and very thorough due diligence on the asset management industry prior to making this very important decision for MTC's future. A by-product of our research has resulted in an investment in Aberdeen Asset Management ("Aberdeen"). With about 20 odd years in the industry, Aberdeen has built itself to be a major force in the asset management business, giving it the ability to charge substantial fees to a large investor base (in the billions of AUM) with significant switching costs, thereby inherently locking their fee revenues for a extensive period of time. Entering the industry ourselves, we appreciate the high barriers to build a competitive position in the industry, and the strong and sustainable leadership positions that incumbents like Aberdeen enjoy. While Aberdeen is certainly one of our major competitors, we feel that the company, which we acquired at a cheap price as it was not favoured by the market, was a great investment. Our decision to invest in Aberdeen was quickly rewarded, as it has appreciated greatly over the subsequent months from when we had first invested in the company. We consider Aberdeen to be fully valued at its then current levels. As a result, we sold down our position in Aberdeen after its strong rally, and fully exited our position in July 2014, choosing to invest in other "more-undervalued" companies in the market.

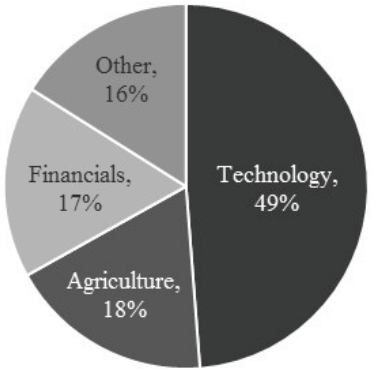
Management Discussion and Analysis (continued)

Industry and Geographical Allocation

MTC Industry Breakdown
(June 2013)

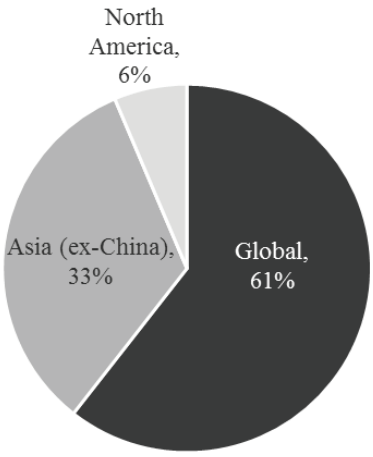


MTC Industry Breakdown
(June 2014)



MTC continues to remain focused on investing in industries we know which is Technology and Agriculture, and in 2014 now financials.

MTC Geographical Breakdown
(June 2013)



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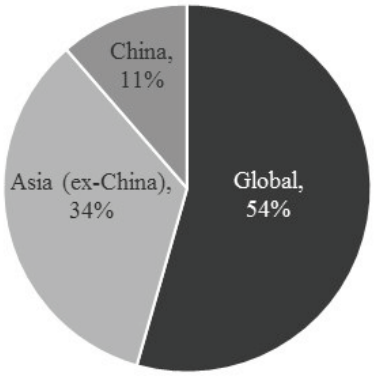

MTC continues to maintain a geographic allocation of companies which operate globally or in Asia. We have also divested our stake in companies only operating in North America and have re-allocated the proceeds to China-based companies.

Our industry allocation has remained largely unchanged over the year, with Technology and Agriculture continuing to be industries that we are predominantly invested in. The same can be said with our geographical allocation, where we continue to be mainly exposed to companies with global and Asia operations. One comment worth noting however, is our increased exposure to Financials and to China.

Management Discussion and Analysis (continued)

Industry and Geographical Allocation (continued)

This is mainly a result of our purchase of ICBC, which has greatly appreciated since we took a position in the bank, and a corresponding exit of our exposures to Consumer Staples and North America over the year, mainly due to our sale of Chipotle, resulting in our exposure to Financials increasing from 3% at the start of the financial year to about 17% as at 30 June 2014 (and a corresponding decrease to Consumer Staples from 7% to nil over the same period). While our portfolio has experienced some minor exposure changes over the year, we emphasise that as bottom-up, fundamental investors, we do not make decisions based on industry or geographical exposures or bets. Rather, over the year, we found companies in other industries that were relatively undervalued compared to those in our existing portfolio. As a result, we decided to rebalance our portfolio in favour of these "more-undervalued" companies.

MTC's Geographic Classification Methodology: Instead of classifying a company based on the country in which it is listed, we classify our companies based on its source of revenue and income. If a company's source of revenue and income comes from multiple continents with no dominant region or country, we will classify that company as a global company. If a company has some source of revenue and income from global operations but derives most of its revenue and income from one region or country, we will classify that company based on that particular region or country. While this classification is not mutually exclusive, we can safely assume that MTC's geographic breakdown approximates the revenue and income sources of our total portfolio reasonably well. We prefer 'MTC's Geographic Classification Methodology' as opposed to 'classification by listing' as it allows us to monitor and make decisions on our geographic diversification more intelligently as a company's performance is dictated by regional economic changes that directly impact a company's revenues and earnings. For a long term investor, the variations between regional market sentiments has minimal impact on the performance of a company.

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