Old Kuala Lumpur

Letter to Investors //2015

Malayan Traders Capital
Absolute Return Fund

Malayan Traders Capital Absolute Return Fund
(formerly known as Malayan Traders Capital Limited)
(Company Number: CT-291890)

Letter to Investors &
Management Discussion and Analysis

Financial year ended 30 June 2015

Malayan Traders Capital Absolute Return Fund
(formerly known as Malayan Traders Capital Limited)

(Established by way of continuance in the Cayman Islands)

General Information

Directors	:	Devan Linus Rajadurai Aaron Yew Jin Lee Steve Knabl
Investment Manager	:	Swiss-Asia Financial Services Pte. Ltd. 8 Shenton Way #25-02 AXA Tower Singapore 068811
Auditors	:	KPMG P.O. Box 493 Century Yard, Cricket Square Grand Cayman KY1-1106 Cayman Islands
Principal Broker	:	Nomura International plc 1 Angel Lane London EC4R 3AB United Kingdom
Administrator	:	Portcullis Fund Administration (HK) Limited Suites 2302-6.23/F Great Eagle Centre 23 Harbour Road, Wanchai, Hong Kong
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Letter to Investors

November 2015

Malayan Traders Capital Absolute Return Fund

This is the third year since the inception of Malayan Traders Capital Absolute Return Fund ("MTCARF" or "the Fund") and 8 years running the same strategy as a family office. They say it takes three years to demonstrate a convincing track record and a following, both which we have delivered: our net since inception return is now 65.2% (18.2% p.a.) and our headcount now stands at 8 people. In addition to being registered in the Cayman Islands, as of 19 November 2015, the Fund is pleased to note that MTC Advisors Sdn. Bhd. ("MTCA"), who advises the Fund's Investment Manager, Malayan Traders Capital ("MTC"), has been awarded a fund management license with the Securities Commission Malaysia.

The 2014/15 fiscal year has been a year of laying the groundwork to ensure the continued success of the Fund. In November 2014, my Co-Founder Aaron and I partnered with a Singapore licensed funds management entity and parked the Fund under its umbrella for a brief period of time. We did so to gain the experience and the understanding necessary to manage the middle and back office operations of an institutional standard investment fund, whilst maintaining full control over all of the investment decisions of the Fund. Nearly 1 year after acquiring the necessary skills and building our headcount, on 30 September 2015, the Fund parted ways with the Singapore partner and appointed MTC as its Investment Manager.

As mentioned above, MTC is advised by MTCA, a Malaysian licensed entity. MTC and MTCA (collectively, "MTC Group") are wholly owned by the Co-Founders Kok Wai Leng, Devan Linus Rajadurai and Aaron Yew Jin Lee. Also mentioned above, we now have 8 strong employees who are collectively helping us reach our performance target, which has now been revised to 15-20% p.a. (as opposed to 10-15% p.a. previously). With a satellite presence in Singapore and our main operations now headquartered in Kuala Lumpur (hence our FY14/15 Annual Report Cover), our goal is to continue grow the Fund in terms of performance and Assets Under Management.

Letter to Investors (continued)

November 2015 (continued)

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

For the 2014/15 fiscal year, we ended with a 5% return, which some would say is meagre compared to our 2013/14 fiscal year performance of 69%. Nevertheless, while our performance may appear quite average at 5%, we are sitting comfortably with a portfolio of companies that are significantly undervalued. This fiscal year was a year of laying the foundation for outsized performance, by implementing the first two tenets of our investment philosophy: *"Investing in What We Know"* and *"Investing only when it is a Bargain"*. Our third tenet, which is the most challenging of the three, will ensure we deliver on our investment objectives, by *"Investing with Patience and Ignoring Fear and Greed"*.

The 2014/15 fiscal year was a challenging one for Asia. We saw oil and other commodity prices (both hard and soft commodities) plunge to near 5-year lows. We also saw a stock market bubble burst in China, where the Shanghai Composite Index (SSE) appreciated from 2,181 on 30 June 2014 to a record high of 5,166 (a +152% appreciation in just under 12 months) on 12 June 2015, only to retreat to 4,277 in 30 June 2015 (-17%% from its peak). We note that the SSE has since retreated further to 3,631 at the time of writing this letter. Staying true to our philosophy and sticking to our tenet of *"Investing only when it is a Bargain"*, we sold off all of our China holdings in May 2015, when not only was it no longer a bargain, but significantly overpriced. Finally, we witnessed relatively flat stock markets in the developed and emerging Asia Pacific countries alike, with Australia, Singapore and Indonesia returning 1.1%, 1.9% and 0.7% in local currency terms respectively, mainly due to the slowdown in China and the corresponding fall in commodity prices mentioned earlier. Malaysia experienced a particularly difficult year, with the Bursa Malaysia returning -9.4% for the 2014/15 fiscal year in Malaysian Ringgit terms. The weakening of these currencies against the US Dollar further exacerbated these economies, with the Australian Dollar, Singapore Dollar, Indonesian Rupiah and the Malaysian Ringgit depreciating against the US Dollar by 18.3%, 7.5%, 11.1% and 14.4% respectively.

These events, while appearing disastrous in the near term, presented us with an amazing opportunity to invest in high quality companies that are trading at bargain prices. We have pounced on this window of opportunity and are now invested in undervalued companies in industries such as property in South East Asia, soft and hard commodities globally, and global tech companies whose value continue to remain unappreciated by the market despite their robust fundamentals. As a result, we have trimmed down on some of our larger holdings that we have kept since the Fund's inception – our core holdings such as Apple and Google are no longer our top positions. That being said, we generally always have a portion of tech companies in our portfolio as we always stick to *"Investing in What We Know"*.

For further information on our portfolio, please refer to the 'Management Discussion and Analysis' section of this Annual Report. For more recent updates on our investment strategy and information on our portfolio companies, please refer to our Commentaries on our website at www.malayantraders.com.

Letter to Investors (continued)

November 2015 (continued)

Three Years Strong and Looking Ahead: Continuing our Mission to be the First Successful Global Hedge Fund in Malaysia

A lot has happened over the past three years, which I would like to briefly summarise as I close this letter. Our first milestone is an ongoing objective, which is to grow the wealth of our investors. We have successfully accomplish this thus far, with our investors' capital appreciating by 65.2% since the Fund's inception three years ago (18.2% p.a.). Our second milestone, being the reappointment of our other founding partner, Aaron Yew Jin Lee, was achieved in 2014. Aaron, a former investment banker and private equity specialist, is a close friend of whom I have known for over a decade, and one who I am confident will enable us to not only achieve the Fund's objectives, but to exceed it. Our third milestone was achieved in 2015, where MTC Group is now recognised as the first licensed hedge fund in Malaysia, in addition to being registered in Singapore and the Cayman Islands.

Going forward, we have set a fourth milestone: We aim to serve not only the high net worth individuals segment of the market, but also to serve the institutions segment. We will begin with the Malaysian and Singaporean high net worth individuals and institutions segment initially, before reaching out to these clientele regionally. While our first milestone will always be our main priority, the fourth milestone is going to take a lot of effort. With our new MTC Group structure in place, we intend to increase our headcount with the best talent available to help us achieve the mission and vision of MTC Group. To reinforce our long term objectives, MTC Group's mission is to be among the top performing hedge funds globally. Our vision is to be the first successful global hedge fund to operate out of Malaysia, demonstrating that operating out of Malaysia is not only unique, but advantageous compared to operating anywhere else in the world.

Sincerely,

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Devan Linus Rajadurai
Co-Founder, Director and Chief Investment Officer

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.

P.S.S. Given that MTC Group is now recognised as the first licensed hedge fund in Malaysia, our front cover depicts Old Kuala Lumpur, a place where Malayan Traders & Co.'s original owner and former Chairman of the Singapore and Kuala Lumpur Stock Exchange, Mr. Kok Ah Too, formed the philosophy and vision of *"Managing Wealth for Generations"*.

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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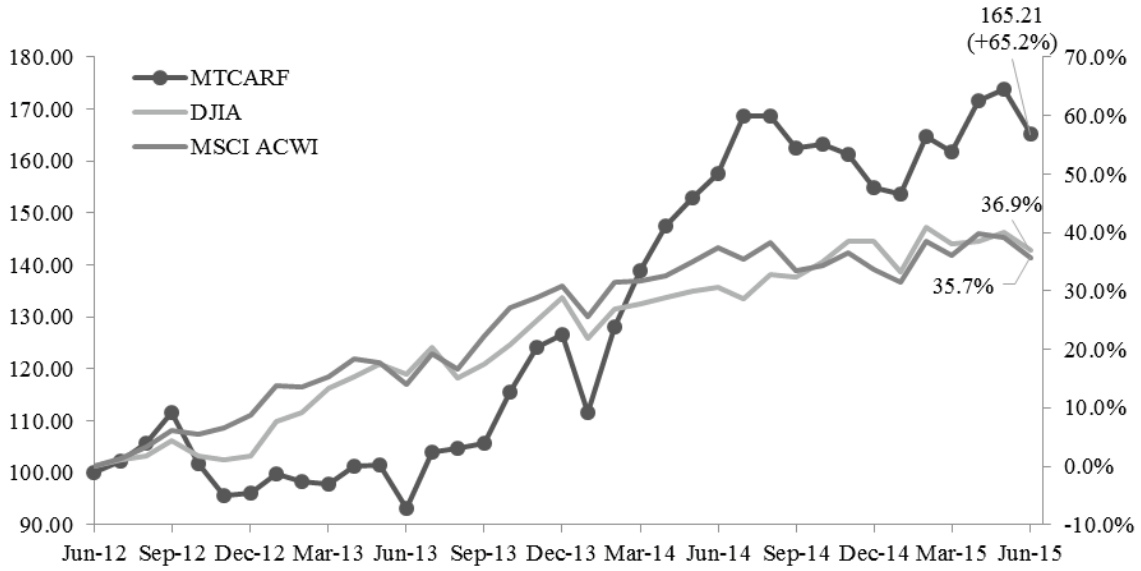
Devan Linus Rajadurai
Founder, Managing Director and Head of Investments

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

MTCARF Performance Since Inception
(USD, NAV, %)



MTCARF outperformed both the DJIA and MSCI ACWI by 28% and 30% respectively since inception.

MTCARF NAV Fiscal Year 2013-2015
(USD)

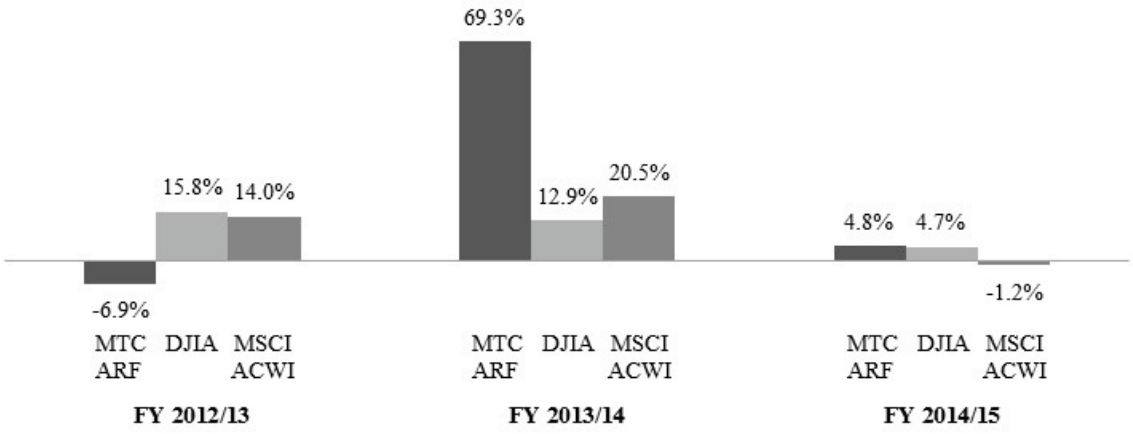
Fiscal Year 2014/15				*Fiscal Year 2013/14*			
Month	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*
Jun-15	165.21	Dec-14	154.91	Jun-14	157.60	Dec-13	126.49
May-15	173.91	Nov-14	161.40	May-14	152.83	Nov-13	124.17
Apr-15	171.57	Oct-14	163.23	Apr-14	147.40	Oct-13	115.52
Mar-15	161.69	Sep-14	162.44	Mar-14	138.96	Sep-13	105.61
Feb-15	164.80	Aug-14	168.79	Feb-14	128.12	Aug-13	104.62
Jan-15	153.67	Jul-14	168.60	Jan-14	111.61	Jul-13	103.96
						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.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns

MTCARF Fiscal Year Return Comparison
(FY 2013-2015, %)



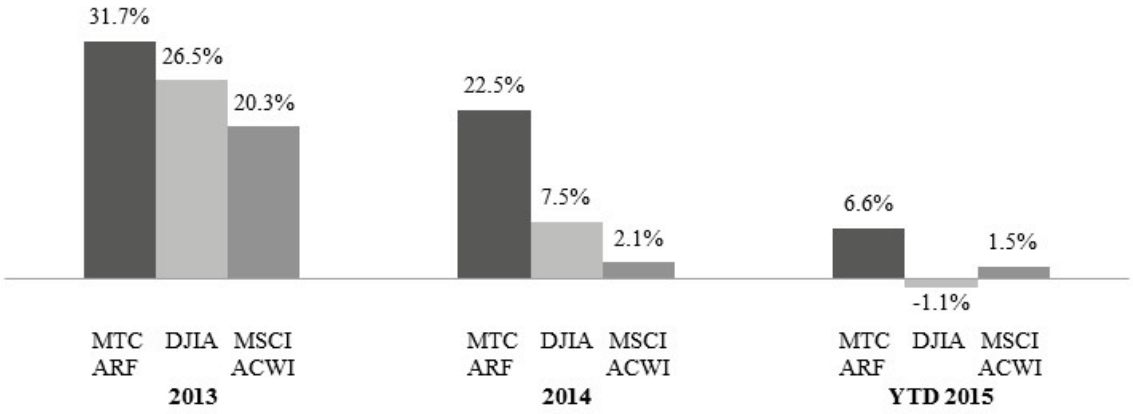
MTCARF's buying into weakness throughout the 2012/13 fiscal year, resulted in a negative return for that year, only to be positively rewarded in the 2013/14 fiscal year; MTCARF's performance for the current 2014/15 fiscal year repeats similar themes of buying into weakness.

MTCARF returned 4.8% over the 2014/15 fiscal year, largely matching the Dow, which returned 4.7% over the same period. Positively, MTCARF outperformed the MSCI ACWI over the 2014/15 fiscal year, which delivered a return of -1.2% (+6% outperformance). Relative to the previous fiscal year, MTCARF's performance for the 2014/15 fiscal year is modest, largely due to the volatility exhibited in global equity markets and the Fund's corresponding purchases of unfavoured, undervalued companies throughout the year.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns (continued)

MTCARF Calendar Year Return Comparison
(2013 to YTD 2015, %)



MTCARF has significantly outperformed both the DJIA and MSCI ACWI in 2013 and 2014, and has significantly outperformed the DJIA and MSCI ACWI for the first six months of 2015.

From a calendar year point of view, MTCARF delivered a 6.6% return for the first six months of 2015, after delivering a 22.5% return in 2014. In the first six months of 2015, MTCARF has outperformed the Dow and MSCI ACWI by 7.8% and 5.1% respectively.

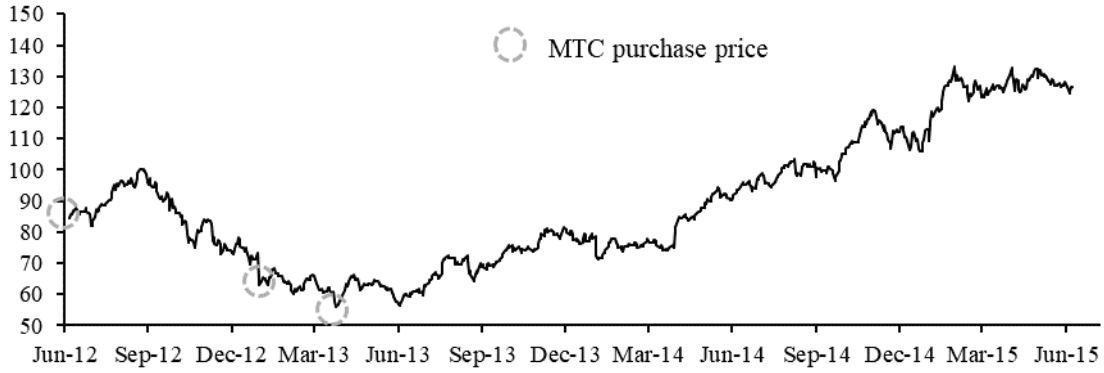
Management Discussion and Analysis (continued)

Holdings

The second half of 2014 was a very volatile period for equity markets. Our portfolio companies, although robust fundamentally, were not spared from the swings in the global equity markets. Nonetheless, as the market settled and fundamentals returned to the fore, our portfolio demonstrated its merits, strongly recovering and outperforming the market average. Below we highlight some of our key positions over the 2014/15 fiscal year.

Apple

Apple Price Chart
(USD, Jul 2012 to Jun 2015)



Apple, a bear market prey throughout 2012 and 2013, continues to build on last year's stellar performance and deliver further over the 2014/15 fiscal year.

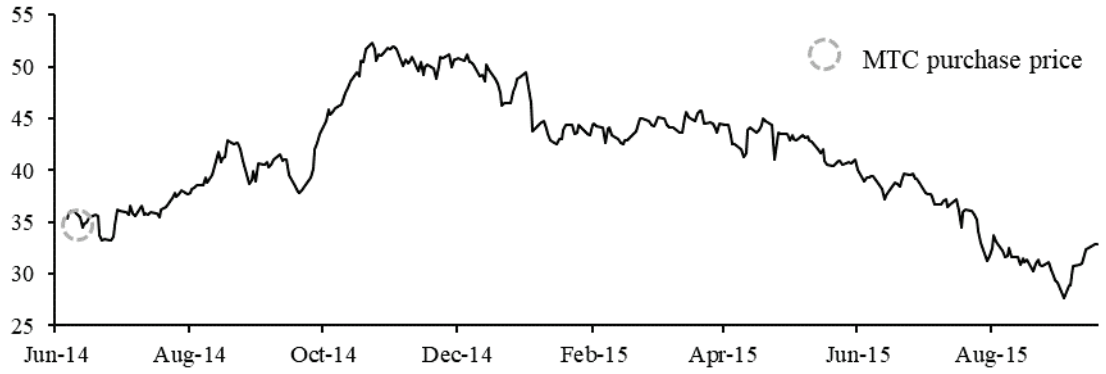
We continue to reap the rewards of our investment in Apple. Following last fiscal year's strong performance – Apple appreciated by about 65% from its 12 month low – we remain confident of Apple's sustained dominance in the smartphone and tablet markets. The success of Apple's iPhone 6 and iPhone 6 Plus, which collectively sold about 75 million units in the fourth quarter of 2014 alone, further cemented Apple's place as the premium mobile device provider. As a result, the market continued to reward Apple over the 2014/15 fiscal year, making Apple one of the top performers for MTCARF and also for those who stuck with the Company throughout the rough patch in 2012 and 2013. Apple is now the world's largest company by market capitalisation, and is close to becoming the first company in history to reach a market capitalisation of $1 trillion (Apple's market capitalisation was nearly $800 billion in February 2015). Yet, even with such incredible brand value, product innovation and robust top and bottom line growth, Apple remains a bargain buy at just over 12 times earnings and with significant cash on its books. At these type of levels, we continue to favour Apple even though the company has rallied significantly over the past two years, and are confident that our investors will continue to benefit from this amazing company for years to come.

Management Discussion and Analysis (continued)

Holdings (continued)

Yahoo! and Ali Baba

Yahoo! Price Chart
(USD, Jul 2014 to Jun 2015)



Yahoo!, which owned a significant stake in Alibaba, was hugely discounted and traded below its intrinsic value just prior to Alibaba's IPO in September 2014.

While we believe Yahoo! missed a golden opportunity to conquer the search and online advertising market, for which they have largely ceded to Google (also a portfolio company), they did make a very fortunate and foresighted investment in Ali Baba in 2005, when nobody knew much about the latter. Since that time, Ali Baba has grown to be the top online marketplace in China, comparable to what eBay and Amazon have achieved in the US and in most developed nations worldwide. Following its success, in the July 2014, Ali Baba announced that it would IPO in September 2015, at an IPO price and valuation that made the value of Yahoo!'s stake in Ali Baba alone to be more than Yahoo!'s existing market capitalisation. Furthermore, Yahoo! owned a stake in Yahoo! Japan, a hugely successful and profitable venture for the firm, which investors completely discounted from Yahoo!'s current valuations. Adopting our unconstrained global equity value strategy and applying MTC's second investment tenet of *"Investing only when it is a Bargain"*, we took advantage of this event-driven arbitrage opportunity and bought Yahoo! at a price of around $35 in July 2014, and sold out completely in November 2014 for a nice double digit return just before Yahoo!'s stock price fell. Yahoo! was never meant to be a long term value investment (whereas Google is); rather, it was a special situations opportunity that we exercise occasionally as they occur, utilising MTC's value investment philosophy.

Management Discussion and Analysis (continued)

Holdings (continued)

ICBC

ICBC Price Chart
(HKD, Jul 2013 to Jun 2015)

ICBC, the world's largest bank by assets and market capitalisation, traded below book and a dividend yield of more than 6% p.a., offering strong downside protection and steady dividends with strong upside potential.

Throughout the 2013/14 fiscal year, China was faced with questions about its GDP growth rates reducing from double digits to 7.5%; shadow banking; and a myriad of other issues ranging from a property cool down, milk containment issues, etc. As a result, we saw an opportunity to invest in ICBC, the reasons for investing to which we have commented on in our FY 2013/14 Annual Report. As mentioned in our Letter to Investors section above, from June 2014 to June 2015, Chinese listed companies experienced a bull run where we felt valuations went overboard. While ICBC is still a good, solid company and is the world's largest bank, it is unreasonable for the company to appreciate by more than 70% in two years, given that the bank is growing at single digit growth rates and given the myriad of issues and concerns that we had mentioned earlier. As we invest to hold for the long term, we will have an approximate expectation of what a company's valuation should be in 3-5 years' time. In ICBC's case, it is evident that the market had pushed ICBC to excessive valuation levels, and it is clear that the momentum of the stock market outweighed the reasonableness of fundamentals. As a result, we completely exited our investment in ICBC in April 2015, right before the Chinese stock market bubble popped. The investment in ICBC delivered a nice appreciation of more than 40% from our average purchase price from when we acquired the stock some 2 years ago.

Management Discussion and Analysis (continued)

New Holdings

Over the year, after rigorously going through our investment universe and searching for exceptional yet undervalued assets, we have made new investments that we would like to share with our investors, some of which we have already profited greatly from, but the majority of which will only reward us in the future. Patience is how we deliver and exceed our investment objective of 15-20% p.a.

We make note that we have historically disclosed actual names of stocks that we invest in. However, we have decided to no longer do so for intellectual property reasons; to protect our investors from potential impatience and fear and greed; and to minimise potential influence on a company's stock prices in the event that readers piggy back on our trades. We may provide names upon request, but only on a delayed basis due to the same reasons noted above.

Property Developers, Hotel Operators, Businesses with Property Assets

We have monitored the property markets in Singapore and Malaysia over the past few years with great intrigue, and conclude that the formation of a bubble in both these countries, if not already begun, is in the making. Taking the wage distribution and segmenting it by quartiles, and comparing it with the average property prices in each country would show that the rise in property prices is unsustainable, as wage inflation is not keeping up with property price appreciation. In recent years, the bulk of property asset appreciation was driven by local and foreign speculators rather than genuine dwellers, the former of which look to make a quick buck by flipping purchases the moment they rise in value.

To combat this speculative activity, the Singapore government introduced property cooling measures by imposing a higher tax on foreigners owning property in Singapore and making the loan requirements to invest more stringent. Similarly, the Malaysian government also imposed cooling measures, by making the loan requirements more stringent in addition to prohibiting DIBS financing, a scheme which greatly benefitted speculators, whom would need only to service the mortgage loan upon completion of the property (the usual practice is to service the loan upon drawdown). While property prices have not dropped as significantly as one might expect, due to the general Asian view that property is the safest investment (something we do not believe in as observed by the US subprime and property crisis in 2008), general property prices have stagnated and does not appear to be appreciating at the rate it had in previous years.

Management Discussion and Analysis (continued)

New Holdings (continued)

Property Developers, Hotel Operators, Businesses with Property Assets (continued)

Contrastingly, the stock market participants have taken a bearish view on property related companies, selling down shares of property developers, hotel operators and property asset owners to levels where their stock prices are now half or less than what they were fetching before. MTC has conducted a thorough analysis of listed companies that own large chunks of property assets in these two countries. Our findings have discovered an array of companies that are trading at prices significantly below book (some at 0.5x book value); that have significant cash hoards such that cash accounts for more than 50% of these companies' market capitalisations; and usually have ancillary operating businesses that still generate positive cash flow like hotel operations, leasing, and other non-property businesses. Further, some of these companies have property assets that were purchased decades ago which have yet to be revalued on their books, creating a further discount to their current price-to-book value. Investing in these types of companies provides us with huge downside protection given the significant discount. As property prices move in cycles, once property prices stabilise and subsequently recover in 2-3 years' time as GDP increases and as the current oversupply of assets is taken up, we expect these companies (of which some we are now invested in) to deliver profits of well over 2x our invested capital.

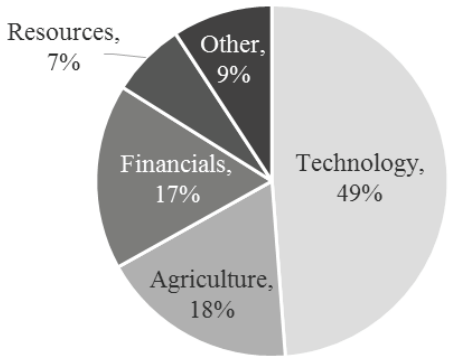
Global PC Chipmakers

The emergence of the smartphone and the tablet have resulted in declines in PC sales, but more importantly for value investors, a fear in the general investment community that PCs are somehow going to die. Consequentially, many tech companies associated to the PC, particularly PC chip manufacturers, have experienced huge stock price depreciation to levels similar to those of 2010 and 2011, despite delivering larger revenue and profit and having bigger cash hoards and assets. Applying the same investment thesis used to invest in property companies, we have invested in certain chipmakers that are hugely relied upon by not just the PC market, but also by the smartphone and tablet market and the very often forgotten server and enterprise market. These companies exhibit strong positive cash flow and huge cash hoards that are run by very experienced management with highly dependable products. Again, we have done our homework, and the reward comes from adhering to our third investment tenet of *Investing with Patience and Ignoring Fear and Greed*. Like our investment in Apple, we simply need to be patient and wait it out in order to generate the superior return.

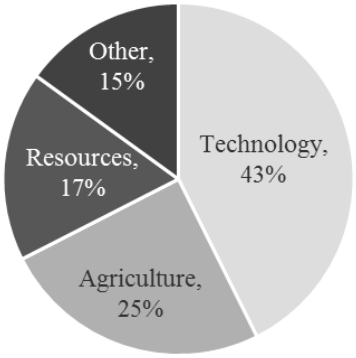
Management Discussion and Analysis (continued)

Industry and Geographical Allocation

MTCARF Industry Breakdown
(30 June 2014)

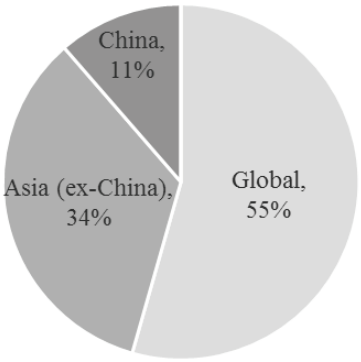


MTCARF Industry Breakdown
(30 June 2015)

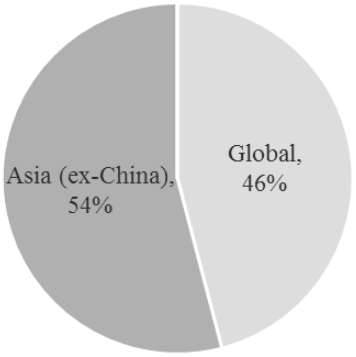


MTCARF continues to remain heavily invested in Technology and Agriculture, and has increased its exposure to Resources. It has exited its Financials holdings over the 2014/15 fiscal year.

MTCARF Geographical Breakdown
(30 June 2014)



MTCARF Geographical Breakdown
(30 June 2015)



MTCARF continues to maintain a geographic allocation of companies which operate globally or in Asia. We have divested our stakes in Chinese companies following the run up in the Chinese stock market over the 2014/15 fiscal year, and have reallocated the proceeds to other Asian-based companies.

Technology and Agriculture continue to be the dominant industry themes in MTCARF's portfolio, with Resources now also representing a considerable portion of our holdings as value emerges following the sharp declines in oil and gas prices and other hard commodity prices. Our portfolio companies in Technology are expected to continue their strong performance as digital consumption and mobile penetration increases, while we expect our Agriculture and Resources companies to demonstrate their value in the medium term as commodity prices rise from their current levels. Following our divestment of ICBC during the year, we no longer have exposure to Financials. From a geographical standpoint, we have exited all of our China holdings and increased our exposure to other Asian-oriented companies, resulting in our portfolio now being moderately tilted towards Asian based companies.

Management Discussion and Analysis (continued)

Industry and Geographical Allocation (continued)

While there have been some minor changes to the portfolio's industry and geographical composition, it should be emphasised that it is our bottom-up investing approach and our ability to find attractively-priced assets across the industries and globe that result in our portfolio's make up. MTCARF's portfolio is constructed to consist of fundamentally strong companies that are trading at attractive valuations, regardless of industry or country – we need only to be convinced that the company that we invest in is fundamentally sound (which nonetheless requires a thorough understanding of the industry), and that it is being acquired at a reasonable or cheap price. While we ensure that we are appropriately diversified by industry and geography for risk management purposes, we do not expect to make money from short-term macro, industry or country bets.

MTCARF'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 MTCARF's geographic breakdown approximates the revenue and income sources of our total portfolio reasonably well. We prefer 'MTCARF'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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