New York

Letter to Investors //2017

MTC
Founders Fund

MTC ASSET MANAGEMENT

MTC Founders Fund
(Company Number: CT-291890)

Letter to Investors &
Management Discussion and Analysis

Financial period from 1 July 2016 to 31 December 2017

MTC Founders Fund

(Established by way of continuance in the Cayman Islands)

General Information

Directors	:	Devan Linus Rajadurai Aaron Yew Jin Lee (resigned on 29.09.2017) Kok Wai Leng Ng Eu Chong Donovan (appointed on 30.06.2017)
Manager	:	MTC Asset Management Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman Cayman Islands KYl-1111
Auditors	:	PricewaterhouseCoopers 18 Forum Lane, Camana Bay PO Box 258 Grand Cayman Cayman Islands KYl-1104
Principal Broker	:	Maybank Kim Eng Securities Pte. Ltd. 50 North Canal Road Singapore 059304
Administrator	:	Apex Fund Services (Singapore) Pte. Ltd. 10 Anson Road #13-13A Singapore 079903
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Letter to Investors

January 2018

MTC Founders Fund

We have already passed the 5th year mark (July 2017) of operating as a fund open to outside investors, and we are very proud of the growth in new investors and ultimately the returns we have achieved to date. The 110% returns since inception is a testament to our strict value investing criteria that we have maintained despite all the recent short-term negativity. As such we have stayed away from investing in event driven companies, especially given the significant events over the last five years. To name a few, the US government shutdown in October 2013, the Chinese stock market turbulence in the second half of 2015, oil price crash in February 2016, Brexit in June 2016 and Trump winning the US elections in November 2016.

We have stuck to our stocks that were macro and event agnostic, the most obvious being Apple which in calendar year 2017 alone appreciated more than 50%, a very impressive effort for the largest company in the world by market capitalisation. Also, as commented in our Management Discussion and Analysis, the other sectors also contributed significantly to our performance. The most important aspect is that in 2017, we ensured that all our investee companies were those that were directly touching the end consumer, and if not, just a degree away. This therefore gives us a better edge in picking the winners and taking advantage of the temporarily low stock prices when the events above occurred.

However, our mistakes over the last five years were evident. We invested in more cyclical industries such as agriculture and resources, which did not positively impact our returns. Had we invested all our money in the other companies we had outside these two industries, we would have made a much better return. It is part of investing to make mistakes, and the key to investing well is to consistently learn from the mistakes you've made. It will be foolish to assume you could never make a mistake, as the market is so dynamic with investing theories changing every year. The key thing is sticking to our philosophy and one of them which we are reminded of in one of our three mantras is "Investing in what you know".

Letter to Investors (continued)

January 2018 (continued)

MTC's Investment Philosophy: Investing in What You Know

At the end of 2016 we started reinvesting in the 'Internet of Things' and went back big into the Internet Conglomerates, and Tech Product industry (which includes companies like Apple). MTC Founders Fund ("MTCFF", "Founders Fund", or "the Fund"), is being run by a generation that understands tech very well. Personally, as the CIO, I grew up when the first computer hit the consumer market, the internet broke into our homes, going to the tech garages to buy networking and computer hardware to assemble them myself, in addition to programming the various software to operate. I would be considered a tech geek so to speak, along with some of our other team members. One thing that is apparent, is that tech has been and will continue to be incorporated into people's everyday life. From the retail companies we invest in, to the automakers, to the regular internet companies we see who will benefit and falter from this tech adoption. What we at MTC can say is that, not only will certain tech players benefit greatly in the next half a decade, but there will be certain brick and mortar conglomerates that can certainly benefit from this boom. A smart brick and mortar conglomerate that has the right brand and loyal customer base, can easily defend its sales by incorporating big data in analysing and perfecting the sales push, whilst enforcing the strong brand that they already have. It is becoming increasingly difficult for new brick and mortar players to come up to scale. Not only is manufacturing excellence required, but tech excellence is also now required to compete these days. Today, these companies mainly reside in the Western regions like the US and certain countries in Europe, although we are seeing a few pop up in China but nothing just yet in Southeast Asia. Being a resident of Southeast Asia, we all know it is still very paper base, and hence, the philosophy of Investing in What You Know. That is the reason why we are invested in the industries and geographies discussed in the Management Discussion and Analysis section, which is still North America and Global companies regardless of listing.

MTC The Business: Five Years and Growing

The investment philosophy, the outlooks, and the actual investments are always communicated in our face-to-face meetings, commentaries, annual reports, media appearances, etc. However, how we do all of that and most importantly how we get our 100% returns every three to five years is through the management of the business.

At the start of fiscal year 2017, we launched our sister fund, called the MTC Meranti Fund ("MTCMF", or "Meranti Fund"), managed by MTC Asset Management (M) Sdn. Bhd. out of Kuala Lumpur. The Meranti Fund is a replica of the Founders Fund, with a defined allocation to Malaysian investments mainly targeting our Malaysian clients that have difficulty accessing our main fund, Founders Fund. Meranti Fund is an exact replica to Founders Fund in addition to additional exposure to Malaysia stocks which Founders Fund does not have. As a business, we would like to one day be known as a top Global Investment House. But first, we need to start by being known as the top Southeast Asian Investment House and Malaysian Investment House, and recognising our investors which are currently only from Southeast Asia and mainly from Malaysia.

Letter to Investors (continued)

January 2018 (continued)

MTC The Business: Five Years and Growing (continued)

In addition to this achievement of having two funds, we have significantly increased our headcount to more than ten (10), where we have proper Heads of Departments in the three areas of Investing, Investor Relations, and Operations. This is in addition to the Co-Founders of MTC. Furthermore, with this larger and ever-expanding team, we have also set a new Group AUM target of USD100M for the next year. We have also just moved into our brand new MTC Group headquarters in Bangsar, Kuala Lumpur which is a bigger, grander and more practical office space than what we had previously. This will allow us to continue to expand in terms of investment research analysts as well as propping up our investor relations department to better serve our clients, both in terms of communicating the performance and the strategy of the fund, but also to assist clients in potential future collaborations in activist investing.

Lastly, we have changed our financial year end to 31st December as opposed to our previous 30th June to better compare ourselves with our US peers, and to be aligned with most investment publications that are calendar year based. So, for this annual report alone we will be comparing 18 months (fiscal year 2017) to 12 months (fiscal year 2016). Lastly, we have achieved our target of producing 10-15% p.a. over a three to five-year period, with annual return since inception of 14% p.a. We plan to achieve and hopefully exceed this target by sticking to our philosophy with the assistance from our growing team.

Sincerely,

_____

Devan Linus Rajadurai
Co-Founder, CEO 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.

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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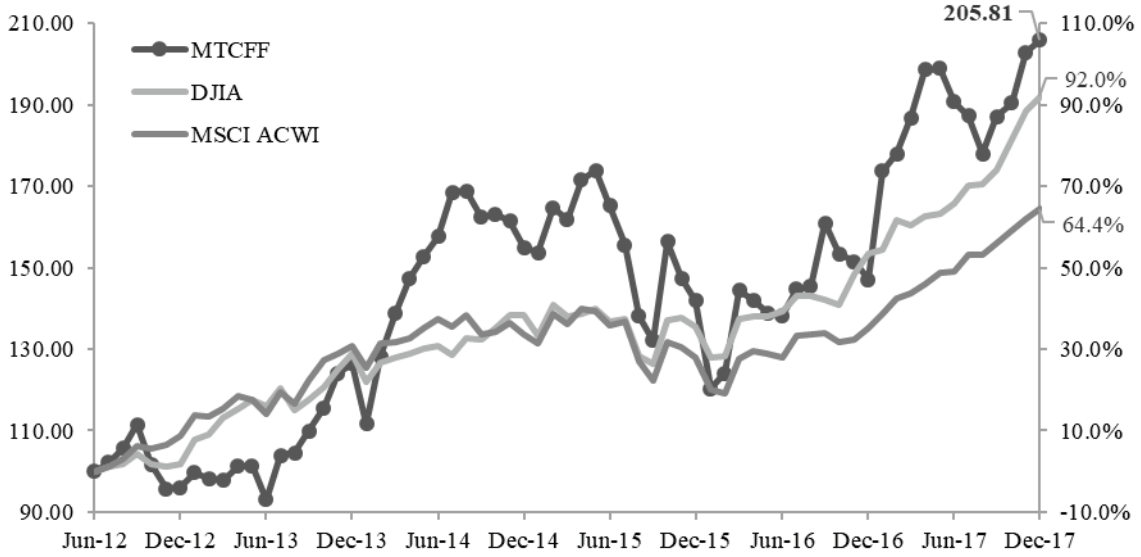
Devan Linus Rajadurai
Founder, Managing Director and Head of Investments

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

MTCFF Performance Since Inception
(USD, NAV, %)



MTCFF outperformed both the DJIA, and MSCI ACWI the representative performance benchmark for global equities, by 13.8% and 41.4% respectively since inception.

MTCFF NAV Fiscal Year 2016-2017
(USD)

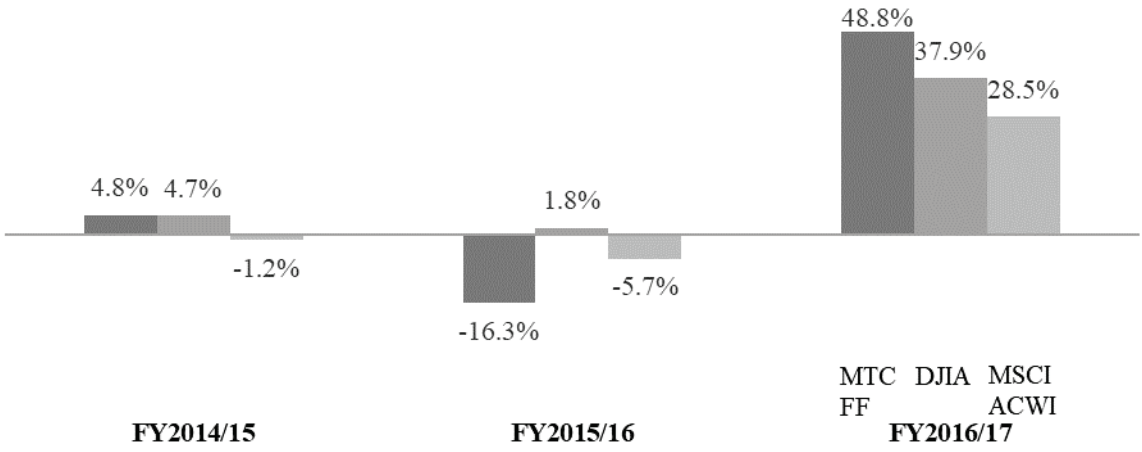
Fiscal Year 2016/17						*Fiscal Year 2015/16*			
Month	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*
Dec-17	205.81	Jun-17	190.78	Dec-16	147.07	Jun-16	138.17	Dec-15	141.85
Nov-17	202.85	May-17	199.01	Nov-16	151.52	May-16	138.88	Nov-15	147.34
Oct-17	190.46	Apr-17	198.63	Oct-16	153.45	Apr-16	142.02	Oct-15	156.35
Sep-17	187.17	Mar-17	186.82	Sep-16	161.00	Mar-16	144.35	Sep-15	132.09
Aug-17	177.94	Feb-17	177.97	Aug-16	145.36	Feb-16	124.17	Aug-15	138.16
Jul-17	187.34	Jan-17	173.75	Jul-16	144.71	Jan-16	120.38	Jul-15	155.59
								Inception (Jul-12):	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 1:1. The NAV used throughout this Management Discussion and Analysis is the NAV for share class S only.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns

MTCFF Fiscal Year Return Comparison
(FY 2015-2017, %)



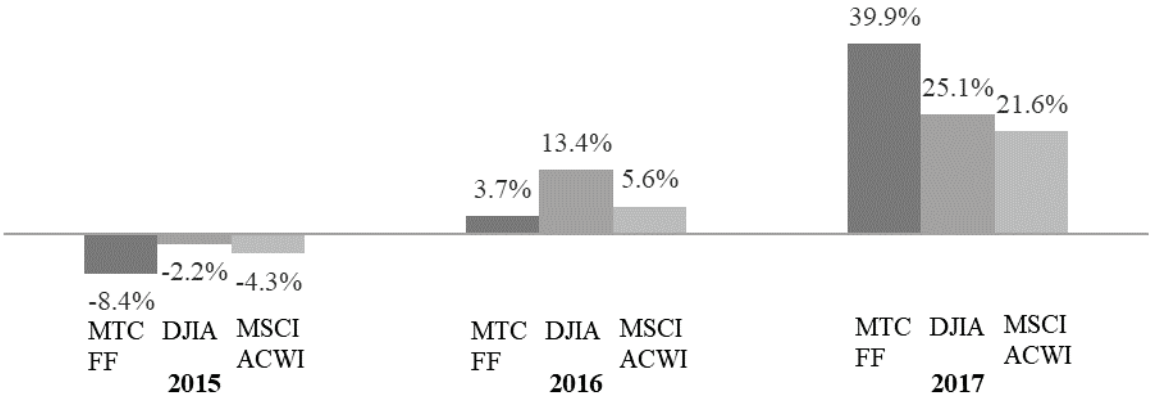
MTCFF underperformed both the DJIA and MSCI ACWI in fiscal year 2014/15 and 2015/16. For fiscal year 2016/17, MTCFF outperformed both the DJIA and MSCI ACWI by 10.9% and 20.3% respectively.

Starting from the 2014/15 fiscal year, MTCFF began selling its overvalued companies for deep value companies, which ultimately hit our performance in the 2015/16 fiscal year. A major contributor to the negative 2015/16 fiscal year was the macro negativity from the commodity price crash, Brexit and uncertainty of who will win the US presidential election. MTCFF's strategic investment decisions ultimately paid off in the 2016/17 fiscal year. A major contributor to MTCFF's strong return in the current fiscal year is its strong belief in the US economy, having been overweight in both the US and other undervalued companies globally. Our investments in the US benefited from the Trump effect, the US finally showing consistent GDP growth, as well as lower unemployment rates; which ultimately led to an economic recovery for the US. Technological stocks coupled with our strategic investments in key Malaysian blue chips also added to this outperformance.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns (continued)

MTCFF Calendar Year Return Comparison
(2015-2017, %)



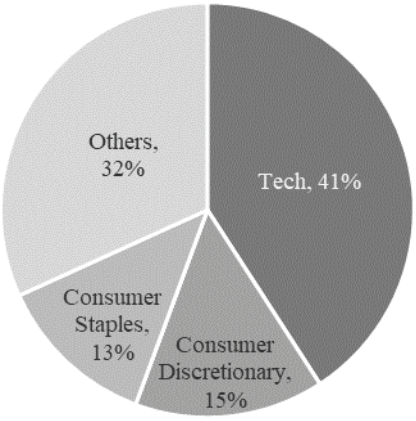
MTCFF lagged both the DJIA and MSCI in calendar year 2015 and 2016, but ultimately outperformed both indices by 14.8% and 18.3% respectively in 2017.

From a calendar year point of view, the majority of MTCFF outperformance came in the calendar year 2017. Even though 2016 was a positive year for MTC, most of the returns came only in 2017 as the global markets started appreciating with the positivity of the Trump presidency, as well as other signals of US and global economic resilience. We underperformed in 2016 compared to the DJIA and MSCI ACWI as we avoided the typical Trump momentum stocks such as banking, construction and defence.

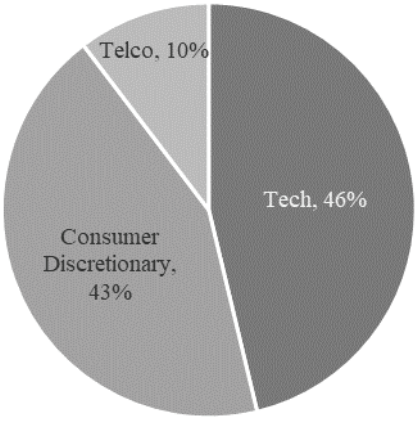
Management Discussion and Analysis (continued)

Industry and Geographical Allocation

MTCFF Industry Breakdown
(30 June 2016)

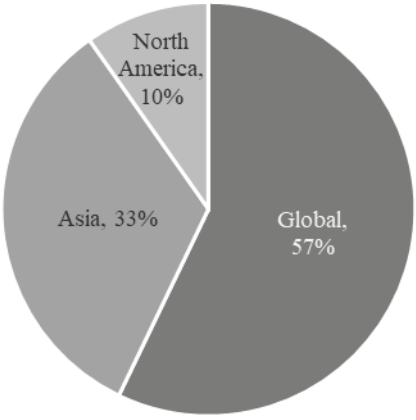


MTCFF Industry Breakdown
(31 December 2017)

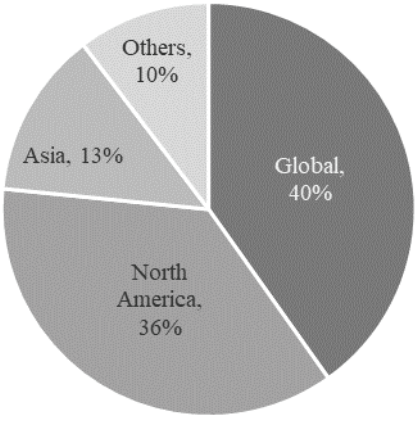


MTCFF continues to remain heavily invested in Technology but has substituted its exposure from Consumer Staples and Others in June 2016 to Consumer Discretionary and Telecommunication for the 2016/17 fiscal year, at 46% and 43% respectively.

MTCFF Geographical Breakdown
(30 June 2016)



MTCFF Geographical Breakdown
(31 December 2017)



MTCFF continues to maintain a geographic allocation to companies that operate globally and in North America at 40% and 36% respectively.

We have changed our portfolio allocation considerably in fiscal year 2017; we took profits from our investments in the Materials industry (which appreciated significantly from the bottoming out in 2016 as hard commodity prices fell to half decade lows), and divested from the Agriculture sub-industry as we did not make profits from the investments we undertook due to a lingering oversupply issue facing the sub-industry.

Management Discussion and Analysis (continued)

Industry and Geographical Allocation (continued)

Both aforementioned industries are contained in the "Others" breakdown for the June 2016 breakdown. During the start of the 2016/17 fiscal year we stuck to our investments in Technology and shifted to the Consumer Discretionary industry that we researched to be significantly undervalued. There we ended the year heavily weighted towards the Consumer Discretionary sector as we have observed significant undervaluation as the market has shifted towards their respective technology peers. We expect to observe continued growth in these industries as they digitise themselves while maintaining their existing supply chain and manufacturing expertise. Our other key area of investment is the Technology sector that encompasses companies in the industries of Internet of Things, Internet Conglomerates and Tech Products. A reason for such a large allocation in technology sector is due to the appreciation in the current fiscal year.

Compared to fiscal year 2015/16, our geographic exposure for Asia right now is also underweight, due to our divestment of our Agriculture and Material positions as mentioned above. We ended the fiscal year 2016/17, with a strong allocation towards companies with mainly global operations (regardless of listing), with the next largest allocation being certain companies that mainly operate in North America. Our North America focus is to capitalise on observed undervaluation and benefit from the Trump presidency. Furthermore, we are invested in companies only operating within Asia (Malaysian listed companies being amongst them). Global companies (regardless of listing) compromise approximately a third of the portfolio as they provide the Fund with good global diversification, as well as growth opportunities especially in emerging nations.

MTCFF's Industry Classification Methodology: We have chosen to adopt the GICS standard (published September 2016) of sector and industry classification to maintain the consistency and standardisation in terms of comparison with other funds. MTCFF has chosen the first level of sector classification (in this report we substitute the name with industry), which only comprises of nine sectors/industries, so in the relevant charts it will appear our holdings are highly concentrated. However, if a drill down is conducted to the sub-industry classification level, MTCFF will appear to be more diversified.

MTCFF'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 MTCFF's geographic breakdown approximates the revenue and income sources of our total portfolio reasonably well. We prefer 'MTCFF'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 the long-term investor, the variations between regional market sentiments has minimal impact on the performance of a company

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