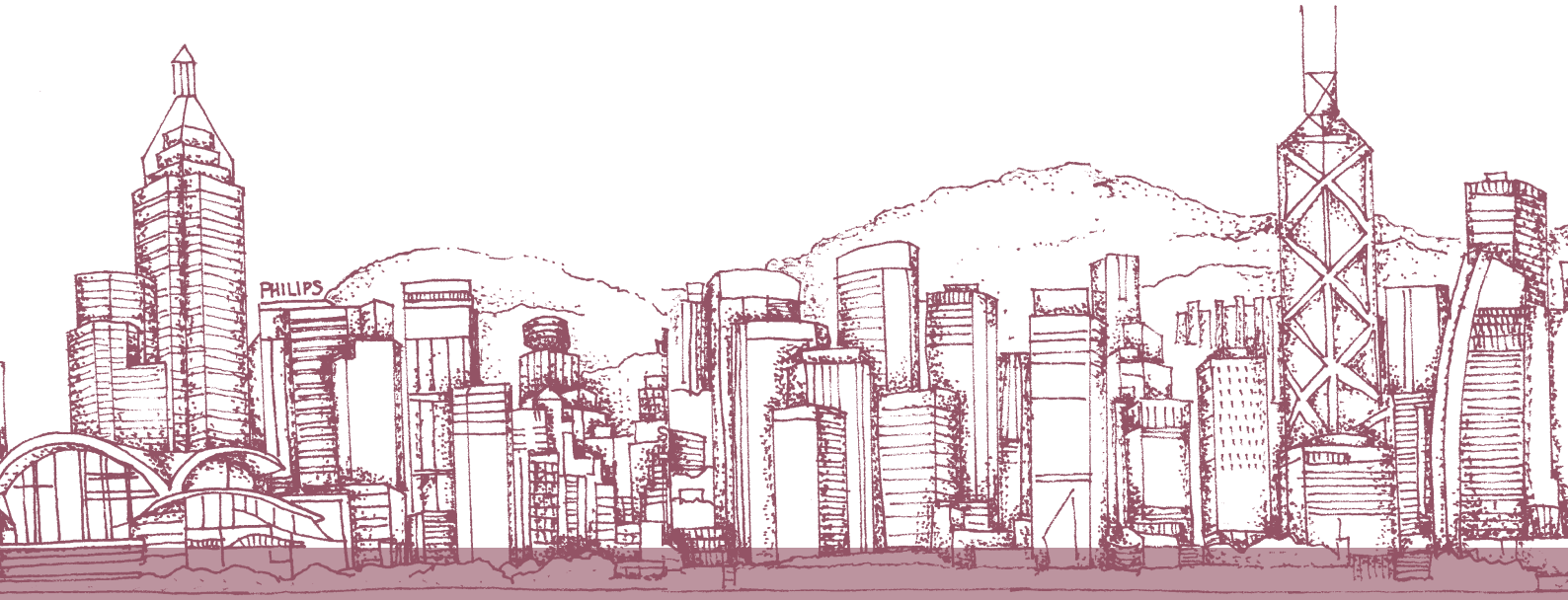
Hong Kong



Letter to Investors //2018

MTC
Founders Fund

MTC ASSET MANAGEMENT

MTC Founders Fund
(Company Number: CT-291890)

Letter to Investors &
Management Discussion and Analysis

Financial year ended 31 December 2018

MTC Founders Fund

(Established by way of continuance in the Cayman Islands)

General Information

Directors	:	Devan Linus Rajadurai Kok Wai Leng Ng Eu Chong Donovan
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
Legal Advisors	:	Conyers Dill & Pearman Pte. Ltd. 9 Battery Road #20-01 Straits Trading Building Singapore 049910 Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542

Letter to Investors

February 2019

MTC Founders Fund

There is a saying that an investor will never be a great investor until he or she has experienced a truly negative year. Over time, the saying goes, patience, intelligence and determination will transform him or her into a great investor having learned from both winning and losing. For us, 2018 was that year. The portfolio declined 40% – our biggest calendar year loss since we started the fund 6½ years ago in July 2012. While the fund is still up 22% since inception, that is little consolation.

How did we get here? Well, for us to achieve that 20% p.a. return, we have found that we need to invest in great companies - the Coca-Cola's of the 70s, the GE's of the 80s, the Microsoft's of the 90s, and the Apple's of the last decade (which fortunately we owned). What we realised over the years, through our successes and mistakes, is that finding a good company is easy, but finding these great companies is not.

Why does this matter? Let's say you are an investor with a highly diversified portfolio with many stocks. You own 20 stocks and, one of them is a great company like Apple that only comprises 5% of your portfolio. Even if it appreciated 10x in 10 years, that would only be 5% → 50%. So, you'd hope that the other 95% of your portfolio stays constant at 95%, returning you a total of 145% (50% + 95%). A 145% return over 10 years is a 3.8% p.a. compounded return, which is a paltry return by most measures.

On the other hand, if you had practiced an investment philosophy of being more concentrated to say, 10 stocks, and Apple's allocation went from 5% to 10%, and it went up 10x, then your 10% → 100% and should the remaining 90% stayed the same, you would have a total return of 190% over 10 years, which translates to a better 6.6% p.a. compounded return. If you concentrate your portfolio even further at 5 stocks, 20% → 200%, and with the remaining 80% being constant, that gives you a total return of 280% over 10 years, which translates to a compounded return of 10.8% p.a. If you're trying to achieve 20% p.a. (as we are), your 5 stock picks – one great company and four others that did not move – only takes you halfway there.

The point I am trying to make from this example is that it is not easy to make 20% p.a. returns. To achieve this 20% p.a. compounded return over 10 years, you would need to attain a total return of 519%. In a portfolio of 20 stocks, you will need about 9 of them to be great, appreciating 10x; 45% → 450% and for the other 11 stocks to simply not lose you money. This will result in a total return of 505% (450% + 55%) or ~19.7% return p.a., which is close enough to your desired 20% p.a. return goal.

Now, is it easy to find nine Coca Cola's or nine Apple's? Our experience tells us that it is not, and this is the second point I would like to make. For every Apple, there is a Nokia and a Blackberry (both came close to bankruptcy). For every Coca Cola, there is only one Pepsi and nothing else in the non-alcoholic beverage sector that is attractive to invest in. Even if you did find nine great companies to invest in, not all of them will appreciate 10x. Some might just go up 5x. Then, out of the eleven remaining companies you selected, some might have average returns and some might wind up even losing you money.

Letter to Investors (continued)

February 2019 (continued)

MTC Founders Fund (continued)

The takeaway of these two points is that you must be quite concentrated in your portfolio and you need to find more than one great company to get close to a 20% p.a. return. Last year, we reviewed that we were a little too diversified and investing in a few too many companies over our first five years. While the returns of the first five years were great for us at 14% p.a., we arguably could have done better. The downside from having a high portfolio concentration in five to 10 stocks is the stronger impact of price swings (or volatility). This, unfortunately, is the primary reason we returned negative 40% in 2018.

Should we be concerned? If you look back and analyse great investors or businesspeople, from Warren Buffett to Bill Gates to my late grandfather Kok Ah Too, what you'll discover is that you need to ride out these volatile periods in order to achieve huge per annum returns, along with being somewhat concentrated.

Let's look at Berkshire Hathaway, for example. They had several negative years over three decades (1988 to 2018), which we have summarised below.

1990	1999	2008	2011	2015
-23%	-20%	-32%	-5%	-12%

At times, Berkshire had negative returns in excess of 20%; returns that would make any investor cringe. Yet, over this 30-year period, Berkshire Hathaway still managed a compounded return of 16.7% p.a. In realising these returns, the Berkshire Hathaway portfolio has been concentrated in a few companies (e.g. American Express, Coca-Cola and Wells Fargo) that comprised more than 50% of its listed portfolio for a long period of time (we do note the Berkshire Hathaway portfolio occasionally changes and for now, Apple is more than 20% of its listed portfolio).

What about Bill Gates? With the bulk of his wealth derived from Microsoft, the company has also experienced several instances of negative share price returns:

1993	2000	2002	2008	2010
-6%	-63%	-22%	-45%	-8%

The most prominent negative return was in 2000, where their share price fell 63% following the burst of the tech bubble. Another significant negative year was 2008 at -45%. Even with these negative years, Microsoft still managed an impressive 20.5% p.a. compounded return over the last 30 years.

It should also be noted that both Berkshire Hathaway and Microsoft worst years over that last three decades did not occur at the same period except for 2008 where both Microsoft and Berkshire performed at -45% and -32% respectively.

These are examples of two great investments, one managed by a great investor and another managed by a great businessperson. In both instances, they experienced volatility in pursuit of that high double-digit return. Warren managed a respectable 16.7% p.a. while Bill managed an even better 20.5% p.a.

Letter to Investors (continued)

February 2019 (continued)

MTC Founders Fund (continued)

With this in mind, we aim to further concentrate our portfolio in five to ten stocks as opposed to our previous fifteen to twenty. There is an argument against the strategy of value investing and that for trading, but we will not address that in this letter. All we can say is that we do not trade but invest. Our objective is to obtain a 10-15% p.a. return and accept the natural volatility as this strategy is within our circle of confidence. The folly investor is the investor that alters his or her strategy continuously, to beat the market outside their area of expertise.

It should be noted as of the writing of letter, at the end of February 2019, the Founders Fund has appreciated more than 25%, thereby erasing more than half of the losses in 2018. To understand more about the portfolio, I urge you to read the corresponding "Management Discussion and Analysis" but more importantly the quarterly commentaries we publish throughout the year on the Fund.

MTC The Business: It's More Difficult to Manage a Growing Business Than It Is to Invest

As this is my annual letter to you about the fund, you would expect (and reasonably so) that the focus of this letter to be mostly about the performance of the fund and not necessarily about our business. This year, however, I wanted to share with you some of our experiences in managing the business over the last few years. This relates to the performance of the fund in that I have had to divide my time between investing and managing the business over the last few years.

One of the goals (besides returns) of our business is to grow our assets under management (or "AUM"). Over the last couple of years, an opportunity arose for us to grow our AUM through institutional investors. As you would expect, institutional investors typically offer larger AUMs than individual investors and we believed that growing our AUM would potentially allow us to lower our fee structure given the larger capital pool.

To accommodate these potential institutional investors, we had to grow our team somewhat substantially and I found myself facing an unfamiliar challenge – managing people (and not stocks!). While the business needed to transform through this period of growing pains, I have certainly learned a lot about the people element of this business and am constantly working at improving that aspect of my role.

Unfortunately, it soon became apparent to us that it is a huge ask for a business of our size to secure an institutional account. It would be remiss of me to say that this did not have an impact on the performance of the fund. We diversified our portfolio to reduce the overall risk profile and as I demonstrated earlier in this letter, higher diversification tends to lead to lower overall returns, hurting the performance of the fund.

Now that we have resolved to concentrate our portfolio between five and ten stocks, we believe this will put us on a better path in generating higher returns and achieving our mission in 'Managing Wealth for Generations'.

Letter to Investors (continued)

February 2019 (continued)

The Mission: Managing Wealth for Generations

In our communiques with you throughout the year, we discuss a wide array of topics – from our investment ideas to analyses on the fund's strategies and performance. Something I find that we neglect to emphasise over the last 6½ years of managing our fund, however, is our mission. When the time came for me to write this year's letter, I revisited the first ever letter I wrote when we launched the fund and, in that letter, I talked about our pursuit of 'Managing Wealth for Generations'.

To us, 'Managing Wealth for Generations' refers to our shared mission of serving you and your family in maintaining and (hopefully) growing your wealth over time. This is critical in providing your future generations with more opportunities than the ones that came before them. The recent box office hit 'Crazy Rich Asians' illustrates this concept humorously. In short, several individuals from wealthy Asian families in the film pursue life paths that one might deem 'crazy', but it is apparent their well-managed wealth has provided them with almost limitless pathways in life to pursue. While we don't necessarily offer advice to the choices one might make in life, we can certainly look after your wealth so that you and your future generations will always have access to these opportunities.

In a way, I suppose I wanted to take this opportunity to reiterate our mission statement because it has never changed, and we remain absolutely committed to 'Managing Wealth for Generations'.

To conclude this year's letter, I am confident that the lows of 2018 are behind us and the lessons that we, the founders (Donovan, Aaron and myself), have learned will make us much better managers of the fund and of the business. We are going to further improve our investing by (1) being more diligent in not buying and selling too early or too late, (2) increasing our focus on buying a few great companies, and (3) spending more quality time on the investments side of our business. I am very passionate about investing and managing the wealth you have entrusted to us and I plan to do so in an even more disciplined way to perfect the art of generating those 10-15% p.a. returns.

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,

_____

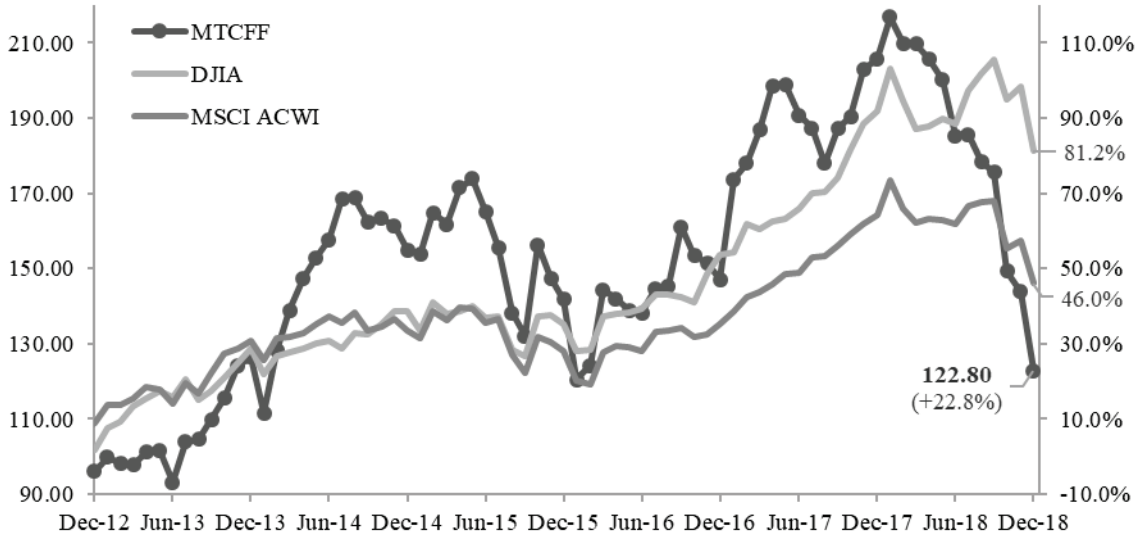
Devan Linus Rajadurai
Founder, Managing Director and Head of Investments

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 underperformed both the DJIA, and MSCI ACWI the representative performance benchmark for global equities, by 58.5% and 23.2% respectively since inception.

MTCFF NAV Fiscal Year 2018
(USD)

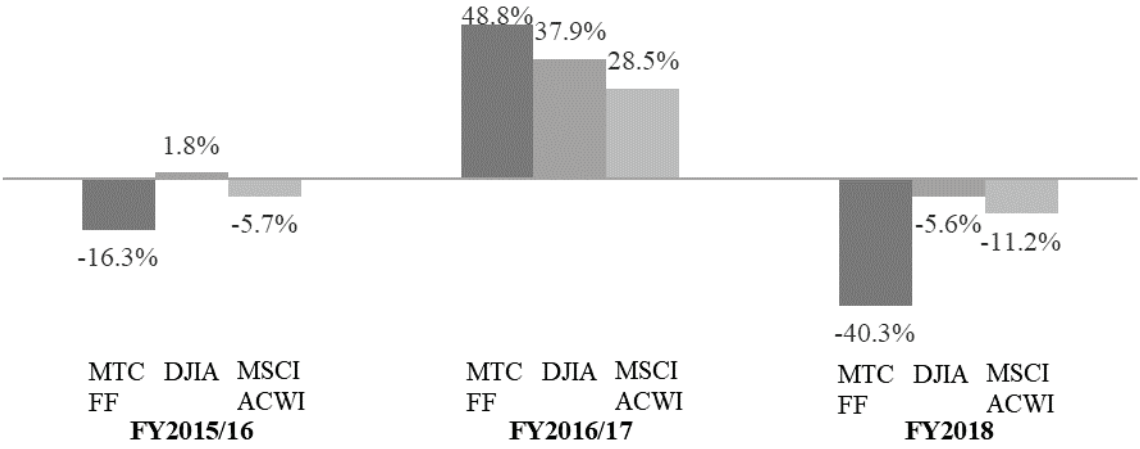
Fiscal Year 2018				*Fiscal Year 2016/17*					
Month	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*	*Month*	*NAV*
Dec-18	122.8	Jun-18	185.35	Dec-17	205.81	Jun-17	190.78	Dec-16	147.07
Nov-18	143.85	May-18	200.2	Nov-17	202.85	May-17	199.01	Nov-16	151.52
Oct-18	149.24	Apr-18	205.85	Oct-17	190.46	Apr-17	198.63	Oct-16	153.45
Sep-18	175.51	Mar-18	209.69	Sep-17	187.17	Mar-17	186.82	Sep-16	161.00
Aug-18	178.54	Feb-18	209.86	Aug-17	177.94	Feb-17	177.97	Aug-16	145.36
Jul-18	185.67	Jan-18	216.84	Jul-17	187.34	Jan-17	173.75	Jul-16	144.71
								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 2016-2018, %)



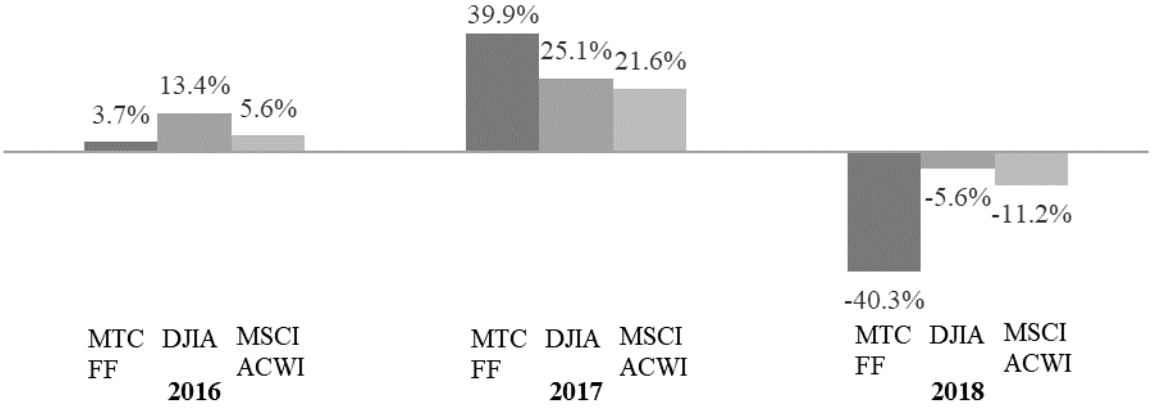
MTCFF underperformed both the DJIA and MSCI ACWI in fiscal year 2015/16 but outperformed in fiscal year 2016/17. For fiscal year 2018, MTCFF underperformed both the DJIA and MSCI ACWI by 34.7% and 29.1% respectively.

MTCFF strategy of buying into the depressed market in fiscal year 2015/16 resulted in a negative performance for the year, but ultimately paid off in fiscal year 2016/17 as our undervalued stocks appreciated. For fiscal year 2018, MTCFF sold off most of its original holdings (since inception) and shifted to a collection of new companies that pay high dividends. Unfortunately, the stock market rout in the 4th quarter of fiscal year 2018, where stocks were falling on average 5% a day during the Christmas to New Year's period, affected not only the returns of both the DJIA and MSCI ACWI, but MTCFF as well. MTCFF negative returns were magnified due to the increased leveraged in the 4th quarter.

Management Discussion and Analysis (continued)

Fiscal and Calendar Year Returns (continued)

MTCFF Calendar Year Return Comparison
(2016-2018, %)



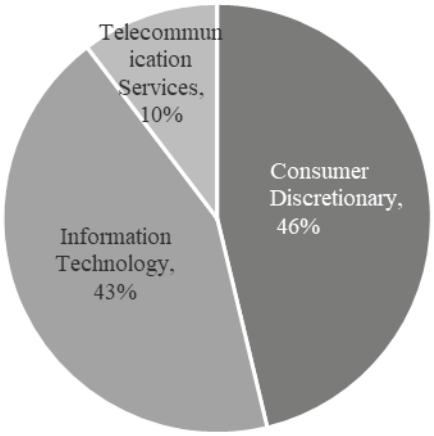
MTCFF lagged both the DJIA and MSCI in calendar year 2016 but outperformed in calendar year 2017. For calendar year 2018, MTCFF underperformed both the DJIA and MSCI ACWI by 34.7% and 29.1% respectively.

For calendar year 2016, MTCFF ended the year with single digit returns where positive returns occurred in the second half of the year, and continued into calendar year 2017 with the positivity of the Trump presidency, as well as other signals of US and global economic resilience. However, the complete oppposite took place in calendar year 2018 with the US-China trade war tensions heightening and the tech stock rout in the 4th quarter severely impacting the DJIA, MSCI ACWI and MTCFF negatively.

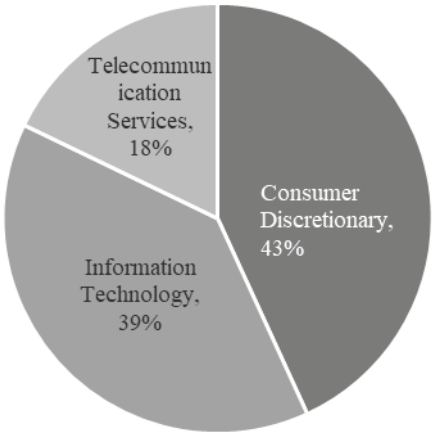
Management Discussion and Analysis (continued)

Industry and Geographical Allocation

MTCFF Industry Breakdown
(31 December 2017)

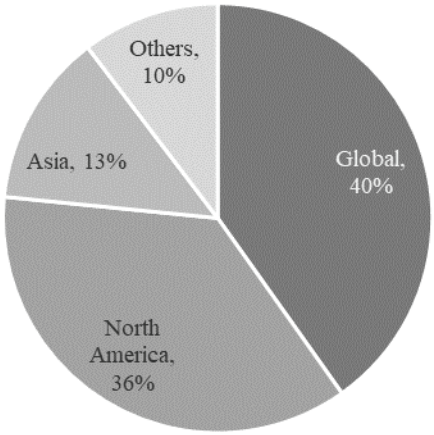


MTCFF Industry Breakdown
(31 December 2018)

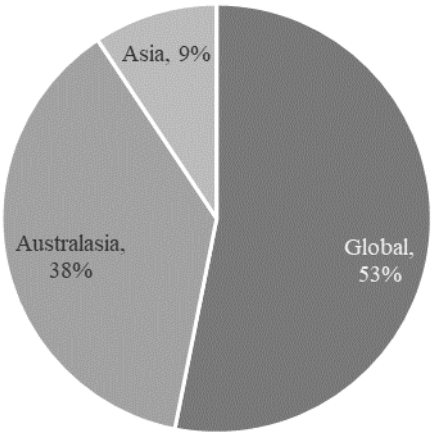


MTCFF continues to remain heavily invested in the Consumer Discretionary and Information Technology industry at 43% and 39% respectively.

MTCFF Geographical Breakdown
(31 December 2017)



MTCFF Geographical Breakdown
(31 December 2018)



MTCFF continues to maintain a geographic allocation to companies that operate globally at 53% but has diverted its exposure from North America to Australasia in the 2018 fiscal year ended with an exposure of 38%.

On an industry perspective, we have decreased our allocation to the Information Technology industry as we are starting to observe bubble like valuations in a few companies in the industry. Although we are still bullish on certain companies within this industry, particularly those with much technological disruption abilities, we are not however necessarily bullish on their valuations. This early period of 2019 reminds us very much of 1999 where we have an abundance of listed companies operating at a loss but with insanely high valuations. Furthermore, the risk in the markets have heightened, as the global markets is at the tail end of a decade bull period. Hence, we are being more cautious and prefer to hold investments in companies that pay out a decent dividend yield as opposed to pure growth companies. As such we have shifted our portfolio to companies that are part of the Consumer Discretionary and Telecommunications Services industry.

Management Discussion and Analysis (continued)

Industry and Geographical Allocation (continued)

From a geographical perspective, we have been slowly shifting away our portfolio companies which are very North America centric to companies that operate more globally. Although we are still bullish on US listed companies, we prefer certain US companies that have a more diversified revenue and profit stream, given the current geopolitical climate and in particular the US-China trade war. It has always been MTCFF's strategy to invest in companies that are more globally orientated and therefore have correspondingly increased our exposure in those companies. We also recently increased our allocation substantially to companies in Australasia that we believe are undervalued. Amongst the reasons for the undervaluation in the Australasia region is the constant change of Prime Ministers in the last decade, and most recently the banking scandal which impacted Australia. Our companies in Australasia are namely from the Consumer Discretionary and Telecommunication Services industry and are paying a high dividend yield.

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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