15 DECEMBER 2020

POLICY ERRORS

Dear Investors,

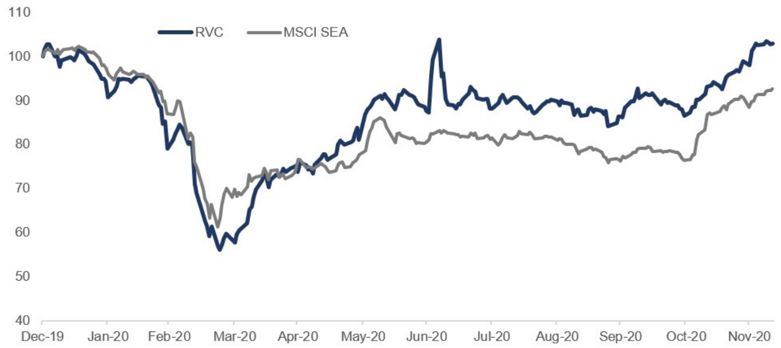
Policy errors. This combined with a recovery in business activities has been driving our existing and several new holdings since March 2020.

We do not debate upon the actions taken by governments regionally nor globally and instead, focus on the potential impacts on businesses and industries. The key trends that we see emerging from this include 1) An increase in debt issues and business closures 2) A consolidation of market share for the strongest players and 3) Disruption in the supply chain for multiple industries.

The sections in this letter include:

- ASEAN Capital Flows
- Portfolio Movements
- Key Holdings Commentary

As of 11th December, the Fund is +3% for the year versus the MSCI SEA Index which is -7.5%.



+66(0) 26585981
+66(0) 26585982

540 Mercury Tower 5th Floor
Ploenchit, Lumpini, Pathumwan
Bangkok 10330

admin@rossvancompernolle.com
www.rossvancompernolle.com

ASEAN
Capital Flows

We note that the past month has seen the return of Foreign investors to two equity markets in ASEAN, specifically Thailand and Indonesia.

Link: https://www.rossvancompernolle.com/storage/downloads/other/capital-flows-asean-nov-2020.pdf

Over the past 12 months, foreign fund flow has been a net negative of USD 14 billion (Thailand, Philippines, Vietnam, and Indonesia).

In the month of November 2020:

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- USD 254 million returned to Indonesia's equity market
- USD 1 billion returned to Thailand's equity market

For the bond markets of ASEAN in November 2020:

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- Philippines: YTD +USD 3.5 billion
- Indonesian: 1M +USD 1 billion
- Thailand: 1 month +USD 1 billion
- Malaysia: 3 months +USD 2.5 billion

Portfolio Movements

In March 2020 we wrote "…we decreased our cash position to below 1% for the second time in the Fund's history as the bargains' due to panic selling"
Link: https://www.rossvancompernolle.com/newsletters/306/covid-19-musing

Towards the end of 2Q20, the Fund had increased its cash position to near 10% taking profit on the strong equity market rally throughout the region and towards the end of 3Q20, cash again had reduced to near ~1% as opportunities arose yet again.

Over the past 6 months, there have been multiple changes in the holdings of the Fund and below we will walk through most changes per country and industry.

Philippines

Consumer related, market-share consolidation

In the Philippines, during 2Q20 we increased the weighting in Wilcon Depot (WLCON PM) due to the share price falling to 2018 levels, and in 3Q20 the share price of WLCON increased rapidly, therefore we reduced the weighting back to 3%, and subsequently increased our weighting in AllHome Corp (HOME PM), a similar business trading at 50% the valuation of WLCON. We added a new position at the beginning of 3Q20, Jollibee Foods Corp (JFC PM), JFC is the largest F&B player in the country with operations throughout the region and expansion via acquisition throughout the globe. The initial position was ~2.5% of the Fund.

Portfolio Movements

Indonesia

Commodity-related, market-share consolidation

In Indonesia, during 2Q20 we increased our weighting in Siloam International Hospitals (SILO IJ), held a short-term position in Bank Rakyat (BBRI IJ) to benefit from both the currency recovery and share price recovery. Additionally, within 3Q20 we reduced our weighting in Gudang Garam (GGRM IJ) and added positions into Chareon Pokphand Indonesia (CPIN IJ) and Japfa Comfeed (JPFA IJ), the two largest chicken producers in the country, as the country is continuing to cull chickens to maintain or increase the chicken prices, thereby benefiting these two industry leaders.

Malaysia

Commodity-related

In Malaysia, we bought our first position since the Malaysian Elections in 2018. The position, Hibiscus Petroleum (HIBI MK), an oil & gas production company was entered into during 2Q20 and we increased the weighting to 2.5% during 3Q20.

Vietnam

Industry and market recovery

In Vietnam, during 2Q20 we increased our positions in both Viet Capital Securities (VCI VN) and Saigon Cargo Services (SCS VN) and during 4Q20 we fully exited Ho Chi Minh City Infrastructure Investment (CII VN).

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Portfolio Movements

Singapore

In Singapore, during 3Q20 we exited Japfa (JAP SP) as the share price was reflecting, what we thought, was the perfect scenario of high Vietnamese pork prices and a trade sale of one of their subsidiaries in China to Meiji Japan. Whilst we still see value in the entity itself, as pork prices in Vietnam were declining from their peak in June 2020, we decided to exit the position. Also, during the quarter, we reduced the weighting in Procurri Corp (PROC SP), to enter a small new cap position, Starburst Holdings (STARB SP).

Thailand

In Thailand, we have been highly active during 2Q20 and 3Q20 due to the volatility in the market.

Technology & Others

We participated in the "Technology" rally in the Thai market with positions in Business Online (BOL TB), Internet Thailand (INET TB), and Netbay (NETBAY TB) all 3 have been exited. We also had short term holdings in companies including Sahamitr Pressure Container (SMPC TB), Rajthanee Hospital (RJH TB), Taokaenoi Food & Marketing (TKN TB), VGI (VGI TB), Earth Tech Environment (ETC TB), received via its parent company Better World Green (BWG TB), all of which were bought and sold within 2Q-3Q20.

We reduced our weighting in Southern Concrete Piling (SCP TB) as the share price remained relatively strong during the year due to its share buyback program during the 2Q-3Q20 period.

Portfolio Movements

Debt management and financials

Since 4Q19 we held positions in Singer Thailand (SINGER TB) and Jay Mart (JMART TB). SINGER's core business historically was providing financing of white good purchases in upcountry Thailand and they have since expanded into the car for cash business.

During 2Q20 we initiated new positions such as Chayo Group (CHAYO TB) and JMT Network Services (JMT TB), both are debt management and collection companies. The amount of new NPLs in the Thai Banking system officially exceeds THB 70 bn this year with the potential acquisition value by the existing debt management companies in the industry totaling THB 50 bn. This spread between the supply of new bad debt and the acquisition capability implies the potential for companies such as CHAYO, JMT, and JMART (as the parent of JMT), to acquire bad debts in their respective categories. The key risk is the potential actions by the Bank of Thailand to allow banks to not write off bad debt, which was a policy until September 2020. Between 2Q20 and 4Q20 the Fund held positions in both Srisawad Finance (BFIT TB) and Muangthai Capital (MTC TB).

Srisawad Corp (SAWAD TB) was added during 3Q20 as expectations of their recent partnership with the Government Savings Bank of Thailand and the continuation of companies such as SAWAD being one of the few sources of capital for low to mid income earners in Thailand.

These group of companies in debt management and non-bank financials represent ~10% of the Fund as of the end of November 2020.

Portfolio Movements

Tourism, market-share consolidation

We entered and exited positions in tourism during 2Q20, however in 3Q20 we net increased positions in the industry, specifically Minor International (MINT TB), Central Plaza Hotel (CENTEL TB), Erawan Group (ERW TB), and S Hotels & Resorts (SHR TB), on the expectation of potential positive vaccine news and an eventual return to tourism over the coming quarters. Combined these names represented ~6% of the Fund as of the end of November 2020.

Commodity-related, supply-chain disruption

During 2Q20 as oil prices went negative on the front end, we initiated positions in PTT Exploration & Production (PTTEP TB) and Thai Oil (TOP TB) and added to PTG Energy (PTG TB). During the beginning of 3Q20 we exited both TOP and PTTEP as well as reduce the weighting in PTG due to oil prices rapid recovery and the share prices of these companies. Towards the end of 3Q20 we subsequently increased the weighting in PTG and re-allocated to PTTEP.

Portfolio Movements

Precious Shipping

(PSL TB), a shipping company focused on the dry bulker segment has been held since 3Q2019 on the expectation that there will be a potential supply disruption in the industry due to IMO2020. During 2Q20 we doubled our weighting to ~6% and as the share price rose in line with the BDI index we duly reduced the weighting back to 3%, with the aim of increasing the position in the future as the supply disruptions to the shipping industry are potentially exacerbated, whereas demand is relatively constant if not growing from China for coal, soybeans, and iron ore this year.

Banpu

(BANPU TB) is a coal producer with a gas and power business. The company is expanding towards more natural/renewable businesses, however, the view taken is that coal prices are at decade lows, and despite the rhetoric around ESG investment and renewable energy, the demand for coal globally continues to increase without the subsequent investment in new supply. For BANPU, the coal business represents ~70% of EBITDA. The initial position taken by the Fund is ~2.5% and since the end of the 3Q20 coal prices in Australia and Indonesia have increased by ~30%.

Key Holdings Commentary

Demco (DEMCO TB) W: ~10%

Demco’s turnaround continues into 2020 as the company continues to report improvements in business performance from its nadir in 2017. It’s holding in Wind Energy Holding (WEH) has been showing signs of promise with a new management team, payment of the first dividend to shareholders. Note that the latest market value of their holding in WEH is THB 3 billion, and despite the +20% share price performance, Demco is at 0.5x PBV and at a market capitalisation of THB 2 billion. As we expect to see earnings improve to show a CAGR of +80% over the next 3 years as earnings normalise, the company will continue to remain a core holding.

Key Holdings Commentary

Singer Thailand (SINGER TB) W: ~6%

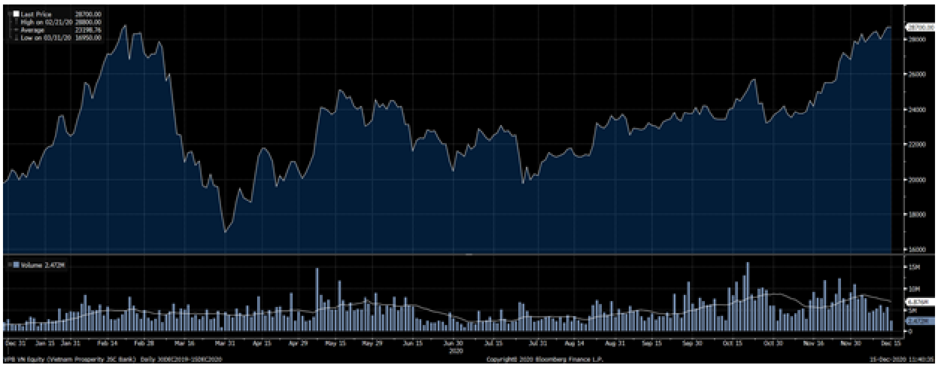
Singer continues its growth strategy in the Car for Cash (C4C) business whilst maintaining its direct sale financing for white goods under the Singer brand in Thailand. Singer's profit momentum in 2020 has been strong reporting THB 319 mn in profits versus FY2019 THB 166 mn. This was driven by its +47% merchandise sales, +60% YTD branch expansion to 1,732 branches nationwide, C4C portfolio growth of +26% to THB 2.7 bn and NPLs that has declined to 5.1%. For 2021, we expect to see a continuation of growth in both its hire-purchase and interest income from both businesses combined thereby driving its profit growth to ~THB 500 mn and ROE's near 20%, a marked improvement from its ROE of 9% in 2019. Despite the share price's increase of +180% this year we still view that there is further upside given the company is beginning to prove its capability in the C4C business and that the rest of the market should catch on to this in 2021 and value the company inline with its peers. Currently, it is trading at a PE20/21 of 15x/13x.

Key Holdings Commentary

Vietnam Prosperity Joint Stock Commercial Bank (VPB VN) W: ~4.5%

Despite a difficult 2020 for banks in Vietnam and the region, VPB's NII 9M20 grew +5.3% YoY, its Net fee income +15% YoY, thereby driving its 9M20 profits by +30% YoY. The parent bank/FE Credit's (FEC) loan growth for 9M20 was 8.9%/6.6% YTD respectively. The restructured loans at the bank remained at VND 27.8 trn at the end of 3Q20, slightly lower than 2Q20 VND 28.0 trn and this should continue to decline over the coming quarters.

The FE Credit trade sale is the key catalyst in 2021, the management team has done a decent job in managing its balance sheet to be sufficiently unscathed as VPB plans to sell down its stake in FEC during 1H2021. Even though the share price has risen by +40% this year, VPB is trading at 1.0x P/BV with and ROE of 19% and will continue to remain a key holding.



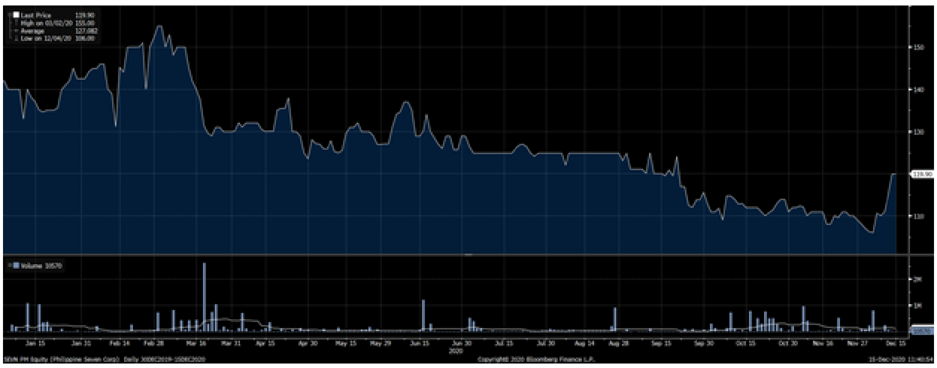
Key Holdings Commentary

Philippine Seven Corp (SEVN PM) W: ~4.5%

As the Philippines had the toughest, most stringent lockdown in the region, and naturally SEVN PM business due to the extended lockdown in the country. This has been reflected in their operational figures with profits being negative for the first time in 5 years and system-wide sales declining -30% for the year.

SEVN's store count increased by +66 stores to 2,930, nearly 4x larger than its closest competitor and 6x larger than the 3rd player in the market.

The share price is -15% this year. however, given the likely continued opening of business activities and the continuation of their business model, a reduction in competition due to the economic destruction in the Philippines we see SEVN able to continue to gain market share, SEVN PM will continue to remain a key holding.



Key Holdings Commentary

Siloam International Hospitals (SILO IJ) W: ~3.2%

In 3Q20 SILO reported a net profit after IDR 81 billion (+113% YoY), after booking a net loss of IDR 146 billion in 2Q20. This was driven by a higher average revenue per patient for both inpatients and outpatients due to the increase in COVID-19 cases which enjoy a high reimbursement rate from the government.

Recently there was a positive development as the lease agreement between SILO, LIPPO, and First REIT is close to being completed. It has been a major overhang on the share price for the past 2 years and partly helps to explain why SILO is at trading at less than 7x EV/EBITDA FY21, which is the lowest in the region, despite being one of the largest private hospital operators in Indonesia.

SILO share price is -20% YTD, and due to our expectations, that the business will continue to recover and grow strongly ahead of Indonesia's hospital industry, the overhang regarding the rental agreement being completed and being the cheapest large private hospital operator in the region.