RVC EMERGING ASIA FUND
Monthly Newsletter – April 2016

ROSS & VAN COMPERNOLLE

Review & Outlook

The Fund increased by +1.7% during the month of March and is +5.8% year-to-date. In March 2016 we stated that the cash position in the Fund was ~12%, as of the end of April 2016 cash remained at ~12% of the Fund.

In April, the MSCI South East Asia Index returned -0.89% in U.S. dollar terms. Notably, Thailand's SET index returned -0.22% in local currency terms (0.31% in U.S. dollar terms) and Malaysia's KLCI Composite Index fell -2.61 % (-3.67% in U.S. dollar terms).

The Bank of Thailand (BOT) reported that household debt as a percentage of GDP rose again in 4Q15 from 80.8% in 3Q15 to 81.5%. The increase highlights that Thailand has yet to start the deleveraging process following the 2008–13 consumer lending boom. A survey by the University of the Thai Chamber of Commerce (UTCC) showed that consumer confidence plunged to a five-month low in March. Effects of a prolonged drought on the agriculture sector and shrinking purchasing power, particularly among middle-income earners have impacted confidence.

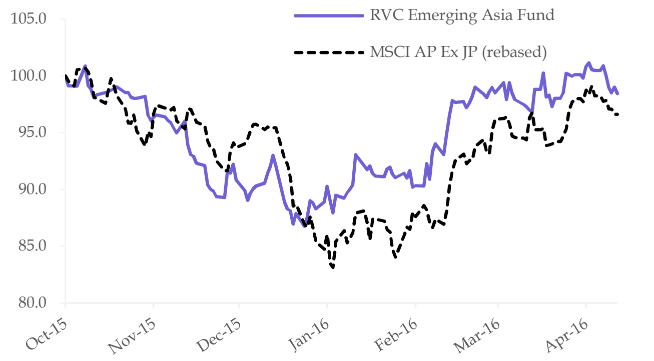
In Malaysia, long-serving senior deputy governor Muhammad Ibrahim has been appointed as the new governor of the country's central bank. Ibrahim's appointment was welcomed by the market and is expected to continue the policies adopted by the well-respected outgoing governor Dr. Zeti Aziz. The saga around the investment firm 1Malaysia Development Bhd (1MDB) has continued as it failed to pay a US$50.3 million coupon. Rating agency Moody's warned that the 1MDB default presented a contingent liability risk to the government as it may be likely that at least some of 1MDB's debt might be assumed by the Malaysian state.

Performance

	1m	3m	YTD	Inc.[2]
RVC Emerging Asia[1]	**+1.7%**	**+5.8%**	**+5.8%**	**-1.6%**
MSCI AP ex Japan	-0.2%	+9.9%	+1.2%	-3.4%

NAV / Share (USD)

	29 Apr	Year high	Year Low
RVC Emerging Asia[1]	98.44	101.16	86.75



Monthly Returns[1] (%)

	J	F	M	A	M	J	J	A	S	O	N	D	Y
2015										-0.9	-3.1	-3.1	-7.0
2016	0.0	0.0	4.0	1.7									5.8

Portfolio Breakdown (% NAV)

Top 5 by Industry		**Allocations**	
Real Estate	18.1%	Thailand	77.8%
Eng & Construction	13.3%	Singapore	6.3%
Telecommunications	11.0%	Malaysia	2.8%
Building Materials	8.9%	*Total Equity Invested*	*86.9%*
Lodging	8.6%	Cash	9.4%
Other	40.1%	Fixed Deposits	3.7%
Total	**100%**	**Total**	**100%**

Investment Holdings

Core Growth and Value Holdings

This month we will present one of our core investment holdings, TPC Power Holdings Plc (TPCH).

TPC Power Holdings Plc (TPCH); Market Capitalisation: THB 6.7 bn (USD 190 mn)

TPCH was established by Thai Polycons Plc (TPOLY), its major shareholder, in 2012 to hold invest in greenfield biomass power plants with a target of 200MW by 2020. It listed on the MAI Index at the beginning of 2015 and as of Dec'15, TPCH had 2 biomass power plants under its operation with a total of 20 MW COD capacity. The first plant is Chang Raek Biopower (CRB) in Nakhon Si Thammarat province that commenced commercial operation in 2013 and the second in Nakhon Sawan called Maewong Energy (MWE) started to COD during Oct'15.

Today, TPCH has 5 additional projects on hand aside from CRB and MWE, 4 of which are currently under construction with a total capacity of 40 MW. The last project on hand is under development and is divided into 2 phases of 23 MW each thereby allowing TPCH's total capacity to reach 106 MW when all projects are completed.

Thailand's latest Alternative Energy Development Plan (AEDP) 2015 indicated that the country aims to produce a total of 5,570 MW in 2037 from biomass power plants from the current 2,199 MW as of last year with biomass representing north of 20% of total alternative energy produced in the country. This target is an obvious benefit to TPCH as they already are one of the largest players in Southern Thailand and management is confident of their ability to secure additional Power Purchasing Agreements (PPAs).

A recent benefit is that with the changes in the government policies that revenues from new operations should also be higher than we initially expected due to the higher selling price from Feed in Tariff (FiT) contract in which FiT price is around 36% higher than Adder price contract for CRB.

Whilst we expect for very high earnings growth of +400% over the coming two years, this is due purely to a low base effect from 2015. Thus the key value drivers will be in the company's ability to secure more MW's and secondly to control both their investment and operational costs. By having Thai Polycons Plc (TPOLY), a construction firm as its major shareholder we are confident that there will be best efforts maintained in order to ensure that plants are completed within a timely and cost effective manner. On the operational side the company has cleverly outsourced the majority of operations to professionals and sold stakes on a project level basis to shareholders that are the largest feedstock supplier in the region to guarantee the raw material source.

Our fair value estimates of TPCH based upon today's operations and power contracts on hand provide a target price of ~THB 18.00 per share however with each additional project awarded we can expect for the company's value to increase substantially over time.

Non-Core Growth and Value Holdings

This month we will present two of our non-core growth and value investment holdings, Big Camera Corp Plc (BIG) and MyEG Services Berhad (MYEG) which combined represent ~4% of the Fund.

Big Camera Corp Plc (BIG TB); Market Capitalisation: THB 9.7 bn (USD 276 mn)

BIG is the largest camera retailer in Thailand with a total of 220 Big Camera Shops located on the prime area in shopping mall selling digital compact cameras, selfie cameras, DSLR cameras, mirrorless cameras, instant cameras, action cameras, and other related products such as camera bags, lens, etc. BIG, as the market leader, sold 184,546 cameras in 2014 represented 42% of Thailand's camera market in value and this improved significantly in 2015 where they achieved 55% market share, in 2016 their target is to reach 65%. The company also has 25 Big Mobile Shops that sell mobile phones, tablets, and accessories.

During the first quarter we spent time understanding this market and meeting with management regularly to understand why the camera market in Thailand is recovering strongly and if it will last.

Our initial hypothesis was that smart phones are replacing the need to carry a digital compact camera and this trend did impact BIG over the past few years. However, with new technologies and products, specifically mirrorless cameras "MRL" which does not have the mirror reflex optical viewfinder thereby becoming smaller in size, lighter in weight, better in image quality, and comes with interchangeable lens at a cheaper cost hence resulting in this model becoming extremely popular globally.

All the major camera suppliers such as Fujifilm, Sony, and Olympus subsequently caught onto this market demand and begun launching more MRL premium products to satisfy customers who switch from Digital Single Lens Reflex (DSLR) to MRL or from entry and intermediate level to a professional one. Locally, the Thai camera market has recovered since September 2015 as a result of this MRL popularity and we expect this trend to remain strong for the next 18-24 months.

What we found most interesting about BIG's business model is that they are able to maintain their gross profit margins (GPM) at 18-19% because of their strong market position and thus bargaining power. In the event that products are sold on promotions, which typically erode margins, the supplier i.e. Sony will bear the loss of margin therefore even as BIG continues with promotions and events to increase sales volumes their margins are maintained.

We believe that BIG's target to reach 65% market share is achievable but realise consumers are a fickle beast and that trends will not last forever hence why despite it's high earnings growth, and clean balance sheet we elect to keep BIG at a non-core growth and value holding.

MyEG Services Berhad (MYEG); Market Capitalisation: MYR 4.568 bn (USD 1.172 bn)

MYEG is a concessionaire company that provides electronic services for the Malaysian government, such as online registration of vehicles and online renewal of foreign worker work permits. MYEG's main service is renewing foreign worker work permits after the Malaysian government moved this process entirely online, giving MYEG a 100% share of this market. MYEG's ability to secure concessionaires has been helped by their board of directors, a majority of whom have previously worked in the Malaysian government. As a result, MYEG has become a much-loved stock, with its share price rising by 2,000%+ since its IPO in 2007. Even though their monopoly over registering foreign workers has already been priced in, we believe MYEG still has ample room to grow. Their future earnings will be driven by the roll-out of their GST monitoring system and the launch of additional services that complement their existing businesses.

MYEG has created a device that can be installed at local Malaysian businesses, that would allow the customs department in Malaysia to accurately collect GST, which they believe will help increase revenue at the customs department in Malaysia by at least 10%. The customs department in return, have agreed to pay MYEG a fee of MYR 1,000/year for each business they install their device at, while it costs MYEG a one-time fee of MYR 2,000/business to install the devices. MYEG is targeting 50,000 outlets for phase 1 of this project and 500,000 outlets for phase 2, all of which is expected to be completed by end 2019. Phase 1 will be implemented once the government passes a rule that makes it mandatory for businesses to install MYEG's device – they are scheduled to meet and discuss this matter in May of this year – with the service expected to finally be launched in July 2016.

Valuation wise, we estimate that MYEG's GST service is worth MYR 1.18/share, with MYEG currently trading at MYR 1.90/share. Beyond their GST service, MYEG is also implementing various other services that complement their existing business – providing a SIM card to illegal foreign workers registered under their rehiring program, a used car portal supporting their vehicle registration service and a payment system and accounting software to support their GST service, all of which is expected to contribute to about 15% of sales by FY2018. Taking all this into consideration, we believe MYEG is worth MYR 2.60/share, with the potential for further as yet unannounced services or other developments such as an influx of foreign workers into Malaysia, that could push our target price above the MYR 2.60 mark. Given their innovative track record and impressive performance to date, we expect MYEG to be a long-term holding.

Non-Core Special Situation(s)

Del Monte Pacific Ltd. (DELM); Market Capitalisation: SGD 592.68 mn (USD 441.15 mn)

DELM is a distributor of branded packaged & fresh food products as well as beverages, such as canned vegetables, fresh pineapples and fruit juices. Their two main brands are Del Monte and S&W Premium, brands that were formed in 1892 and 1896 respectively. The Del Monte brand is distributed in North America and the Philippines, while the S&W brand is distributed primarily is Asia (excluding the Philippines), supported by some exports of S&W to the Middle East and Europe. The main attraction with DELM is the deep discount that its shares are currently trading at compared to its intrinsic value, post their acquisition of US-based Del Monte Foods (DMPL).

DELM completed their purchase of DMPL in February 2014, giving them the right to the Del Monte brand in the US, along with their previously held Philippines trademark. DMPL was purchased for USD 1.675 bn, the majority of which was financed via a LBO loan and a bridge loan. Although the purchase of DMPL helped DELM immediately triple their revenue, the high interest payments and restructuring costs meant that they reported a net loss in both FY2014 and FY2015, while net D/E jumped from 0.6x to 5.0x at end FY2015. The combination of its high leverage and net losses eroded investor confidence, forcing its share price down by about 60% to S$ 0.305/share from a high of S$ 0.800/share. However, as of 9M16 (their financial year ends in April), DELM has returned to profitability for the first time since its acquisition of DMPL, while they will book the last of their restructuring costs in FY2017. As well as returning to profitability, DELM plans to issue preference shares, allowing them to pay back their bridge loan and lower net D/E to 2.1x.

On a valuation basis, we believe DELM should be worth at least S$ 0.50/share, just for maintaining their FY2016 performance (ie. 0% growth), providing us with an upside of at least 60%. Currently, the main drag on its share price is investor sentiment regarding their high net D/E ratio, which will be resolved by their planned issue of preference shares. Our belief that DELM is deeply undervalued was reinforced in early March when DELM's board approved the issuance of preference shares at their AGM, causing its share price to spike by 30% in 2 days to S$ 0.400/share. Its share price eventually fell back down as investors realised that the approval is not a confirmation that the preference shares will be issued. However, once the preference shares are eventually confirmed, which is expected to occur in 3QCY2016, we can expect a rapid appreciation in its share price.

Final Thoughts

The performance of the Fund has continued to recover in line with the markets throughout 2016, largely due to the performance of our non-core holdings. Going forward we continue to maintain our valuation discipline and expect to see an increase in cash as several of our non-core holdings are approaching our fair value estimates.

Fund information		**Management Company**	
Fund name:	RVC Emerging Asia Fund	Investment Advisor:	Hybrid Partners Limited (Thailand)
Launch Date:	19 October 2015	Investment Manager:	Ross & Van Compernolle (Cayman)
Current Price:	US$ 98.44		Harbour Place, 2nd Floor
Bloomberg Ticker:	RVCEMAS KY Equity		103 South Church Street
ISIN:	KYG7742Y1061		P.O. Box 472, George Town
Investment Policy:	The fund is an absolute return long only investment fund. It aims to discover emerging undervalued companies which are primarily, but not exclusively, small to midcaps.		Grand Cayman, Cayman Is.
		Tel:	+6626585981
		Website:	www.rossvancompernolle.com
Investment Geography:	Asia with a focus on ASEAN	E-mail:	admin@rossvancompernolle.com
Management Fee:	1.5% p.a.	Custodian:	DBS Bank Singapore
		Fund Administrator:	DBS Bank Singapore
Performance Fee:	15% p.a. over high water mark	Auditors:	PricewaterhouseCoopers

Footnotes:

(1) *Inception Date was on 19th October 2015*
(2) *Performance data is calculated net of fees*

Disclaimer