

Review & Outlook

The Fund decreased by -4.1% during the month of May and is +1.5% year-to-date. In April 2016 we stated that the cash position in the Fund was ~12%, as of the end of May 2016 cash decreased to ~11% of the Fund.

The start of May saw investors turn bearish on the USD – the first time since June 2014 that investors were net sellers of the USD. However, things quickly took a turn during the month as the Fed strongly hinted at a rate hike in June, sending the USD back to levels not seen since the start of 2016. Both the USDTHB and USDSGD rates both appreciated +2.5% and the USDMYR rates appreciated rapidly by +5.4% during May which represented the majority of the month's negative performance. As of writing this appreciation has already reversed back to earlier levels.

First quarter GDP numbers in Thailand came in above expectations, rising 3.2% versus the same period in 2015, driven by public expenditure. This is despite persistently weak exports, which were down 8% quarter on quarter in April. The better than expected results saw Finance Minister, Apisak Tantivorawong, upping Thailand's GDP forecast for the year to at least 3%.

In the Philippines, Rodrigo Duterte won the presidential elections by a landslide, garnering 38.5% of the total votes, 23.5% more than second place. Despite the controversy surrounding his election, PHP markets were buoyed by his win, rising 3.38% during May. Duterte's main plan for the Philippines is to accelerate infrastructure development, which has lagged targets for the past 5 years, targeting GDP growth of 8% in 2016.

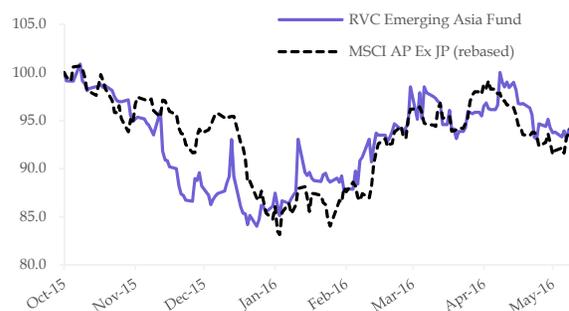
The biggest story during May however, were the predictions made by two oxen at a Thai festival. The results – plenty of food and water for agriculture, while telecommunications and foreign trade will boom in 2016. With these three industries amongst those with the most negative outlooks in the region, we do wonder, what inside information are the oxen trading with?

Performance

	1m	3m	YTD	Inc. ²
RVC Emerging Asia ¹	-4.1%	1.4%	1.5%	-5.6%
MSCI AP ex Japan	-1.9%	9.0%	-0.7%	-5.3%

NAV / Share (USD)

	31 May	Year high	Year Low
RVC Emerging Asia ¹	94.37	101.16	86.75



Monthly Returns¹ (%)

	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	-4.1								1.5

Portfolio Breakdown (% NAV)

Top 5 by Industry	Allocations	
Real Estate	18.6%	Thailand 79.0%
Eng & Construction	14.3%	Singapore 6.4%
Telecommunications	12.0%	Malaysia 2.9%
Building Materials	9.0%	Total Equity Invested 88.2%
Lodging	8.8%	Cash 7.9%
Other	37.3%	Fixed Deposits 3.8%
Total	100%	Total 100%

Investment Holdings

Core Growth and Value Holdings

This month we will present one of our core investment holdings, Demco Plc (Demco).

Demco Plc (DEMCO); Market Capitalisation: THB 4.5 bn (USD 129 mn)

Demco was established in 1992 by a group of engineers with more than 20 years' experience in the transmission line & distribution line system and substation works. After being listed on the Stock Exchange of Thailand in 2006 the company developed to provide full turnkey construction services for government projects and renewable energy plants and more interestingly Demco has investments in renewable energy plants in Thailand and a utility investment in Laos.

Due to its strong alliances with both Energy Absolute Plc (EA) and Wind Energy Holdings (WEH) there is scope for Demco to win THB 15 billion worth of BoP contracts for 890 MW of wind power projects from both of these two companies. This combined with the government's renewable and alternative energy development from 2016-2036 implies a potential market of THB 607 bn worth of projects, EGAT's investment budget until 2022 for new transmission lines and substations implies a potential market size of THB 123 bn and the MEA's investment budget until 2026 to construct the underground cable system in Thailand's Metropolitan Cities implying THB 49 bn of works. Even though the construction business is volatile in nature, we believe that the above long-term public investments should mean a steady flow of EPC work for DEMCO ahead. As of the end of May 2016 their total project backlog is THB 8 bn.

For the investment portion, their equity stakes are as follows:

- Three solar farms at 3MW, and their stake representing 1.4 MW.
- Six solar rooftops at 2.2 MW, their stake representing 1.6 MW.
- Nine wind farm projects at 750 MW which are operating, or in the process of construction, their stake representing 58 MW.
- Water-supply utilities in Laos which is contract to supply 43,200 m³/day beginning 3Q16.
- Demco currently earns as dividends from these projects ~THB 200 mn p.a. and this is expected to increase to ~THB 400 mn p.a. over the coming years.

The most important investment for Demco is WEH which owns the 750 MW of wind farm projects and Demco's direct stake is ~3.9%.

Based upon recent private transactions in WEH, the last transaction was at THB 550 per share, implying Demco's stake being worth ~THB 3.8 bn. Furthermore, WEH expects to IPO on the Stock Exchange of Thailand in 2017 and the expected market value of THB 750 per share would result in Demco's stake being worth ~THB 5 bn. Note that Demco's investment cost was approximately THB 190 per share.

So what happened? In 3Q15 Demco announced that two of WEH's wind farm projects, HB 2 and HB 3, with a total capacity of 180 MW had partial cracking at the surface of the foundations and that the company had to take responsibility for fixing the issue and for compensating production power losses as per their five-year guarantee. This has resulted in heavy losses for Demco due to provision booking and compensation payments. Management has been very transparent since the incident demonstrating a clear time line for completion of the issue and our own channel checking with other players in the industry confirm that the design fault was due to a third party consultant and not Demco's.

As a result of this event, Demco's stock price has tumbled by ~60% from its peak in 2015 and we saw the decline in Demco's share price as an opportunity to accumulate shares to become a core holding during this calendar year, granted this has resulted in a loss, but with the provisioning completed and the business interruption costs to be completed by October 2016 we feel that the turnaround in their financial performance will occur within 4Q16. Thus in 2017 we expect for their core profits to return to ~THB 400 mn, dividend streams of ~THB 250 mn and with the potential IPO of WEH as a catalyst in 2017 we are confident in this core holding.

Final Thoughts

The month of June may continue to be another volatile month with the looming "Brexit" vote but view any volatility as an opportunity to continue accumulating positions in companies that we find attractive.

Going forward we will adjust our newsletters format because our holdings typically will not change for an extended period, on a quarterly basis we will continue to divulge our investments in both the core and non-core holdings of the Fund and on a monthly basis we shall share our thoughts on the performance and the markets.

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 Compernelle (Cayman)
Current Price:	US\$ 94.37		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.	Tel:	Grand Cayman, Cayman Is. +6626585981
Investment Geography:	Asia with a focus on ASEAN	Website:	www.rossvancompernelle.com
Management Fee:	1.5% p.a.	E-mail:	admin@rossvancompernelle.com
Performance Fee:	15% p.a. over high water mark	Custodian:	DBS Bank Singapore
		Fund Administrator:	DBS Bank Singapore
		Auditors:	PricewaterhouseCoopers

Footnotes:

- (1) Inception Date was on 19th October 2015, NAV is based upon the Lead Series
(2) Performance data is calculated net of fees

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