RVC EMERGING ASIA FUND
Monthly Newsletter – March 2017

Review

The Fund increased by +4.4% during the month of March and is +4.5% for the year. In February 2017, we stated that the cash position in the Fund was ~2.2%, as of the end of March 2017 cash decreased to ~1.3% of the Fund.

Portfolio Movements

SCI Electric (SCI); Mkt Cap: THB 8.100 bn (USD 234.58 mn)

We had initiated a position in SCI during 2H16 as we found the valuation to be attractive given the company's high likelihood to win additional projects for high voltage transmission towers and stations in Laos with Electricite du Laos (EDL) and Myanmar. The project in Myanmar was successfully awarded to SCI resulting in its share price approaching our target. With visibility for the EDL project becoming less certain we decided it would be prudent to fully exit the position recognising a ~20% gain.

KGI Securities (KGI); Mkt Cap: THB 8,365.41 mn (USD 242.27 mn)

We initiated a position in KGI towards the end of 2016. Given the surge in trading volume seen in the Thai Equity market and the company maintaining a high dividend payout ratio of 95% we anticipated that the dividend yield would be ~10% and thus expected to benefit from a capital gain leading up to the announcement date. As expected, we exited with ~7% gain for the 3-month investment period.

RS PCL (RS); Mkt Cap: THB 9.341 bn (USD 270.75 mn)

RS is a media company with 3 main businesses – media (Digital and Satellite TV), music distribution and event management. Their DTV business is operated via their Channel 8 brand and is their primary focus, representing ~ 34% of 2016 revenues. In 2014, RS also entered the health & beauty business via their own brand, LifeStar, with the main product being skin care and supplement items.

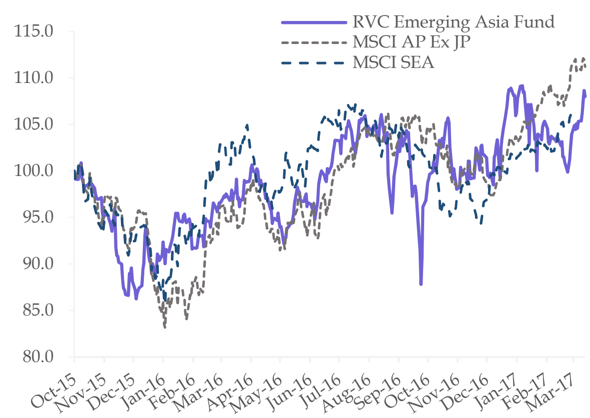
The media industry has been in a downtrend from 2014, since the implementation of Digital TV in Thailand. The high costs of the DTV licenses, coupled with advertising dollars moving towards other platforms, namely the internet and cinema medium, has seen profitability across all media companies in Thailand take a huge hit. RS was not exempt from the industry wide slowdown, posting a net loss of THB 102mn in 2016 financials, of which THB 130 mn is depreciation from the DTV license, regardless it was a reversal from a profit of THB 121mn in 2015.

Performance

	1M	3M	YTD	Inc[1]
RVC Emerging Asia[1]	**4.4%**	**4.5%**	**4.5%**	**8.0%**
MSCI AP ex Japan	2.8%	12.3%	16.5%	11.2%
MSCI SEA	2.8%	8.9%	8.9%	5.5%

NAV / Share (USD)

	31 Mar	High (12m)	Low (12m)
RVC Emerging Asia[1]	108.01	109.16	87.80



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	-4.1	5.6	5.7	0.2	-3.2	1.1	-2.2	2.3	11.1
2017	3.7	-3.5	4.4										4.5

Portfolio Breakdown (% NAV)

Top 5 by Industry		**Allocations**	
Engin &Construc.	20.2%	Thailand	86.7%
Real Estate	18.4%	Singapore	5.0%
Environmental Control	9.3%	Malaysia	3.7%
Lodging	8.8%	Philippines	3.3%
Building Materials	8.5%	*Total Equity Invested*	*98.7%*
Other	34.9%	Cash & equiv.	1.3%
Total	**100%**	**Total**	**100%**

However, the second half of 2016 saw small shoots of recovery in the DTV industry, with ad spending rising 6% in 2H16. This recovery is expected to gain momentum in 2017, with ad rates projected to rise 16% per Nielsen data. RS has started to see viewership numbers pick up for their own CH8 platform, propelled by their Sunday night Ultimate Fighting Championship (UFC) program, which is streamed from Fox Sports and is the #2 ranked program for Sunday nights. On the back of these positive developments, RS is expecting to see a 35-40% increase in their ad rates implemented in 1H17, representing the first significant hike in ad rates since the start of DTV channels in Thailand.

While their DTV business has struggled over the past 2 years, RS has been slowly building up their health & beauty brand, advertising their products through their own media platforms on unused advertising minutes and utilising their own inhouse celebrities and production facilities to market the brand and products effectively. The second half of 2016 saw their health & beauty brand gain a huge following after a return in viewership numbers, with RS reaching a peak of THB 1mn in sales per day in December 2016. On the back of this impressive growth, RS's health & beauty business is set to grow by ~ 150% in 2017 earnings, albeit from a low 2016 base.

With their health & beauty business providing superior gross margins – 75% vs. 35% for their DTV business – coupled with a recovery in their ad rates, RS's earnings are set to return to 2014 levels of ~ THB 450mn in 2017 financials and continued growth in the following years. RS's owner, K. Surachai has also been accumulating shares at the THB 8-10/share level, which is a further sign of a likely turnaround in 2017 performance and shareholders will be receiving free warrants at a 5:1 ratio in April 2017.

Investment Holdings

Demco PCL (DEMCO); Mkt Cap: THB 5.332 bn (USD 155.36 mn)

DEMCO has continued to recover as they finished repairing 55 of 81 wind turbines during 2016. In 2016, its revenues increased by +44% to THB 6.9 bn but had a net loss of THB 160.8 mn an improvement of 68% from its FY2015 loss because of a combination of provisioning, loss of production costs, and repairing costs from fixing the aforementioned wind turbines. Going forward we expect for there to be continued loss of production costs albeit at a far smaller value and limited additional costs regarding the repairing of the wind turbines which should be completed by 2Q17 and thus forecast that the company will return to profitability in 2017. In February 2017, there was a comment from the Agricultural Land Reform Office (ALRO) that certain lands, locally referred to as Sor Por Kor, may be illegally operating wind farms which impacted sentiment on Demco and other companies within the industry. In April 2017, the ALRO came out saying that there were no issues. Thus, we continue to hold DEMCO as we expect the turnaround to continue and be completed within 1H17 and for the company to return to profitability.

Ananda Development (ANAN); Mkt Cap: THB 16.465 bn (USD 476.97 mn)

ANAN has continued its business plan to be become the largest condominium developer in Thailand. In 2016, its transfers increased by +65% to THB 15.8 bn, net profits increased by +24% to THB 1.5 bn, the JV projects with Mitsui Fudosan turned positive, it's backlog increased to THB 41.2 bn thereby securing 66% of 2017 earnings, and they announced a serviced apartment project which will commence in 2020. These developments combined with the JV's continuing profitability in 2017 will allow ANAN to continue harvesting their projects of the past 3 years and we continue to expect that their figures will outperform analyst expectations. Thus, we continue to hold ANAN for the foreseeable future as we expect to see 2018 and 2019 profits increase by ~+50% and ~+30%.

Southern Concrete Pile PCL (SCP); Mkt Cap: THB 2.685 bn (USD 78.24 mn)

2016 was a slightly disappointing year for SCP as Thailand's double track railways were postponed by the government to 2017 and sales declined by -8.2% YoY to THB 1.6 bn. Regardless the company still managed to be awarded major projects such as the Flood Mitigation Project Phase 2 in Hat Yai, the Trang Floodgate project and multiple property projects and currently has a backlog of THB 1.2 bn partly related to power plant constructions and Suvarnabhumi Airport Phase 2 development. With the government adamant on going ahead with the planned infrastructure projects this year, SCP is well-positioned to benefit from this given its products and factory locations, combined with an attractive valuation and net cash and liquid money market investments representing nearly 40% of the market capitalisation it will continue to remain as a core holding.

Thiensurat PCL (TSR); Mkt Cap: THB 2.452 bn (USD 70.9 mn)

TSR's 2016 results came in as expected, with revenues rising 13.5%, but net profit declining 45% due to their previously discussed bad debts. However, as of end 2016, ~95% of their bad debts arising from the more premium water filter models (now already discontinued) has been expensed. Thus, we expect their NPLs to return to normal levels in 2017, with revenue set to continue growing steadily at 15%/year. Taking all this into account, we expect TSR's net margins to recover to 7% this year, spurring a 100% YoY increase in net profit for 2017 earnings from the low base in 2016.

Dusit Thani (DTC); Mkt Cap: THB 7.820 bn (USD 226.54 mn)

2016 was a year of changes internally for this well-known Thai hotelier group. With new management and board in place the company has been able to successfully expand its hotel management business by 20% and we expect to see this being one of the key growth drivers for the coming years. A surprising and positive development recently was the announcement that DTC and Central Pattana Plc (CPN), Thailand's largest mall developer and operator are forming a joint venture to develop a mixed-use project on the Rama IV land where DTC's flagship has existed for the past few decades. The project will comprise of a condominium, offices, retail facilities and the hotel. The value of the project is currently estimated at THB 36.7 bn.

Samart Telcoms PCL (SAMTEL); Mkt Cap: THB 8.405 bn (USD 244.90 mn)

2015 and 2016 were marked by Article 112 which impacted investor sentiment on the company and a lack of government spending in the IT sector, but the start of 2017 has been a return to normality for SAMTEL. It begun with being awarded a contract for Cadastral Mapping Database and Land Appraisal from the Treasury Department (THB 248.9 mn), a contract for a procurement and implementation of military communication network system from the Royal Thai Armed Forces Headquarters (THB 941.0 mn), and other contracts (THB ~400.0 mn). In 2017, SAMTEL expects to win THB ~13 bn of new contracts, 86% higher than backlog won in the previous year. Currently, the backlog level is THB 8.8 bn excluding new contracts. With an increased supply of projects, we expect that SAMTEL's margins will increase along with revenue and thus value the company with an upside of ~80% from current levels.

TPC Power Holdings Co Ltd (TPCH); Mkt Cap: THB 7.703 bn (USD 224.45 mn)

TPCH's net profit grew +335.5% YoY from THB 46 mn to THB 201 mn in 2016 due to its power plants MWE, MGP, and TSG coming online. Apart from more electricity sales, TPCH also successfully switched from the Adder system of the CRB plant to a Feed-in Tariff (FiT) system which provides a higher selling price (THB 4.54 per kW-h instead of THB 3.20 per kW-h). TPCH plans to increase installed capacity from 40 MW to 60 MW by the end of 2017 which is significant enough to double earnings. The company currently has a total PPA of 142 MW (127.5 MW sellable) and we expect TPCH to operate all given capacity by 2020. TPCH still continues to expect to win additional projects in both biomass and waste-to-energy projects over the coming years to achieve 200 MW's worth of stations. We confident in management's ability to achieve this target and expect that the company has an upside of ~30-50% dependent upon the selling price of new its projects.

Thai Polycons PCL (TPOLY); Mkt Cap: THB 2.26 bn (USD 63.11 mn)

After 2 years of suggesting a return to profitability of their core business is just around the corner, TPOLY finally made the turn in their full year 2016 financials. Their consolidated financials posted even more impressive numbers, with net profit coming in at THB 297mn, from a loss of THB 229mn the previous year, boosted by their holding in TPCH. TPOLY also declared a dividend for financial year 2016 (their first dividend since 2012) and signaled their intention to attend Thailand's corporate day events, which are held 4 times/year, at least once in 2017. Even though the dividend is minimal, with a yield of ~ 0.33%, we see the above actions as a sign of management's confidence of maintaining profitability throughout 2017. With a growing backlog from its core construction business, being supported by rapidly expanding earnings from TPCH, TPOLY should go from strength to strength in 2017. The market looks to have agreed with our thesis, with TPOLY's share price rising by ~ 30% since the release of 2016 financials. We believe there is still plenty of upside left in this name since it is still trading below the value of its holding in TPCH and will take the opportunity to accumulate more shares on any major dips in its share price.

Better World Green PCL (BWG); Mkt Cap: THB 8.20 bn (USD 237.7 mn)

BWG's earnings grew 15% YoY in 2016 financials on a 10% yearly rise in revenues, boosted by further operational efficiencies. This continues their steady 5-year trend of 10-20% earnings growth per year. In March 2017 BWG successfully launched their first 9.6 MW waste power plant. We are projecting earnings to grow at a CAGR of 11%/year over the next 5 years, supported by the launch of 2 more waste power plants scheduled for 2019 and their steadily growing core waste management business. There is the potential for further upside through winning more waste power plant contracts, better than expected performance from their core business and/or from the potential IPO of their waste power plant subsidiary, Earth Tech Environment. Since they operate in a non-cyclical industry and are protected from a downturn in the economy, as well as providing us with a potential upside of ~100%, we are happy to continue holding BWG.

Grand Canal Land PCL (GLAND); Mkt Cap: THB 15.127 bn (USD 440.77 mn)

In February 2017, GLAND's Board of Directors approved to lease the 9th Towers and Unilever House Office to the GLAND Office Leasehold Real Estate Investment Trust (GLANDRT). The value of the upcoming REIT in April 2017 is expected to range between THB 5.2 bn to THB 6.0 bn. With only 2 projects to be sold, the additional value to GLAND will be THB ~1.0-2.0 per share dependent upon the selling price. Our viewpoint is that the company may potentially sell additional assets to the REIT over the coming years and we see very limited downside with this holding.

Thailand Carpet Manufacturing PCL (TCMC); Mkt Cap: THB 1.984 bn (USD 57.82 mn)

In 2016, TCMC showed a revenue growth of +63.1% YoY to THB 3.9 bn and earnings growth of +24% to THB 175mn. This exceeded our expectations as TCMC recorded additional revenues of THB 721.1 mn from Manor (2016) Holding Limited (Manor), a subsidiary that owns 75% of DM Midlands Holding Limited (DMMH). It was also because 2016 is the first year that TCMC recognized full-year revenue of TCMF (Alstons Furniture). Looking forward to 2017, the company will consolidate all revenue from DMM of THB ~3 bn. Therefore, we expect TCMC group's revenue to grow by +55% and earnings to double as there will be no acquisition costs expensed as was in 2016. Management has advised that there may be additional M&A's in the future but we see 2017 as a year for them to streamline operations across the group

The Erawan Group (ERW); Mkt Cap: THB 12.150 bn (USD 351.97 mn)

2016 was a strong year for ERW with EBITDA growth of 11%, net profit growth of 77% and the group recognising growth throughout all its segments. ERW continues to focus on growing its number of hotels and rooms throughout Thailand and the Philippines primarily in the budget segment. They currently have 41 hotels and 6,385 rooms and are targeting 95 hotels with 10,000 rooms by 2020 with its budget brand HOP INN to represent a quarter of EBITDA by 2020.

MY EG Services BHD (MYEG); Mkt Cap: MYR 7.213 bn (USD 1.64 bn)

MYEG continues to deliver impressive earnings with net profit in 1HFY17 growing by 49% YoY. Earnings were again driven by their immigration business, this time from a surge in the registration of illegal foreign workers after the Malaysian government initiated a tough crackdown on illegal foreign workers. MYEG's GST business has now finally been given the green light after multiple delays since 2015, with the first stage of this business commencing in March 2017. Further positive developments over the past 3 months include an expansion to the Philippines to provide e-government services via a JV with a local company and the growing contribution of their non-government related businesses such as their hostel business and mobile payment platform, as reflected in 1HFY17 financials. Despite its impressive share price performance in the first quarter of 2017, MYEG will continue to remain a long-term holding for us, with earnings expected to rise by a CAGR of ~24% over the next 3 years in our base case estimates.

Del Monte Pacific (DELM); Mkt Cap: SGD 660.69 mn (USD 465.2 mn)

DELM's 9MFY17 earnings were disappointing, given that 3Q17 is their peak season, with performance being hindered by further one-off expenses and a fall in revenue from their US operations, due to intense competition in the canned fruit industry. However, the main story here is still their preference shares, which was finally issued on 7th April 2017. The issue was a success as DELM raised more funds than expected due to oversubscription. However, their share price has failed to perform as expected due to the poor performance in 9MFY17 financials. Since the company has not performed per our expectations, we are currently in the process of evaluating our position and will provide a further update in the following quarter.

Philippine Seven Corporation (SEVN); Mkt Cap: PHP 73.35 bn (USD 1.46 bn)

SEVN's 2016 earnings expanded 18% YoY, slightly below expectations due to a poor 4th quarter, where earnings only grew 8%. Despite this, revenue continues to tick along nicely, growing ~24%, mirroring its 24% growth in new stores. SEVN has maintained their outlook of growing by at least 20%/year and still has a stranglehold over the convenience store industry in the Philippines, with their market share increasing to ~ 63% in 2016, up from 50% in 2015. With the demographics remaining attractive and the Philippine economy expected to maintain its growth over the next few years, we are confident in our SEVN holding.

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$ 108.01		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:	+6626585982
		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, NAV is based upon the Lead Series
(2) Performance data is calculated net of fees

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