

Mekong Fund A (USD)

Fund fact sheet as of 31 May 2017

Quick facts

Fund category	Asia Pacific
Legal form	SICAV SIF
Fund domicile	Luxembourg
Reco. placement period	10 years
Last NAV (USD)	121.50
NAV frequency	Monthly
ISIN	LU1131273259
Distributed in	LU, FR, SW, CH, UK

Investment approach

Objective: Superior long-term (5+ years) absolute returns through investment in the Mekong Region.
Mekong Region: Fast-growing region (Thailand, Cambodia, Laos, Myanmar, and Vietnam) with significant tailwinds: young population of some 240MM people in the Mekong and over 600MM in broader ASEAN, increasing regional integration, rapid urbanisation, and underdeveloped capital markets prone to volatility and mis-pricing.
Investment Approach: Fundamental, strict value, and catalyst-driven approach to investment in securities available at significant discounts to conservatively assessed intrinsic value with a skewed reward/risk profile.
Portfolio Construction: Highly selective concentrated portfolio and cash bias.
Risk Management: Strict buy/sell discipline based on fundamental research.

Cumulative performance



Performance vs regional indices (%) *^

	Fund	MXSO	MXSO SC	SET	CSX	LSXC	VNI	VNAS
2012	39.1	22.9	30.1	44.9	-21.9	48.6	24.2	30.1
2013	-2.9	-4.4	-9.0	-10.4	-13.6	10.6	25.5	-9.0
2014	10.5	6.4	5.6	19.0	-25.0	20.7	10.8	5.6
2015	10.6	-18.3	-17.0	-19.1	-7.3	-12.9	4.7	-17.0
2016	8.7	6.2	11.1	24.6	-10.4	-9.4	17.1	11.1
2017 YTD	9.5	14.6	9.5	8.7	-6.4	5.6	12.5	17.5
Total Gain Since Inception	66.0	14.4	10.2	64.0		18.8	86.5	50.4
Compound Gain Since Inception	8.6	2.2	1.6	8.3		2.8	10.6	6.8
Compound Gain Last 5 Years	10.9	3.5	3.1	8.5	-15.4	7.2	13.6	7.9
Compound Gain Last 3 Years	8.9	-0.8	-1.8	5.4	-13.8	-2.1	10.6	7.4
Compound Gain Last 1 Year	17.3	15.3	13.8	18.8	-6.6	-4.0	21.6	18.7

* Performance prior to 11/2014 relates to Emerging Manager Platform Ltd - Probus Indochina Opportunities Sub-Fund, which started operations on 1/4/2011. ^ Index performance includes dividends and is expressed in US\$. MXSO = MSCI Southeast Asia Index, MXSO SC = MSCI Southeast Asia Small Cap Index, SET = Stock Exchange of Thailand Index, CSX = Cambodian Stock Exchange Index appreciation only since 30/4/12, LSXC = Lao Stock Exchange Composite Index, VNI = Ho Chi Minh Stock Exchange Index, VNAS = Vietnam All Share Index, a float and liquidity adjusted index that better reflects investable universe in VN

Past performance (%) - Net returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	8.6	4.8	5.5	4.0	-6.2	0.8	2.5	3.5	2.9	1.2	3.3	3.3	39.1
2013	7.3	3.5	-1.4	1.7	0.6	-7.2	-0.9	-7.0	7.0	0.9	-4.0	-2.2	-2.9
2014	-0.6	4.7	3.6	0.6	4.1	3.2	0.3	3.3	-0.1	-0.6	-6.0	-2.0	10.5
2015	-3.6	10.4	2.2	1.2	1.0	1.1	-3.0	-3.3	-1.3	6.1	0.9	-0.8	10.6
2016	-0.3	-2.9	0.6	2.0	2.1	4.4	0.7	1.8	2.8	0.4	-2.2	-0.9	8.7
2017	1.4	2.7	0.7	0.9	3.5								9.5

Fund information

Fund launch date	31/03/2011
Fiscal year end	December 31st
Fund currency	USD
Benchmark	None
Subscription notice	2 days
Redemption notice	5 days
Management company	Lemanik AM
Investment manager	Probus Middle East Ltd
Investment advisor	Probus Inv. Adv. (Thailand)
Custodian bank	KBL Europ. Priv. Bankers
Central administration	Apex Fund Services
Auditor	KPMG

NAV analysis

	Value	Date
52-week NAV high	121.50	31/05/2017
52-week NAV low	108.15	30/06/2016
HWM current	121.50	
Max drawdown (%)	-14.52	31/05/13-30/08/13

Investment team

Andrew Ranken is a co-founder and investment manager of the Fund, which commenced operations in 2011. He has extensive experience in corporate and project finance advisory and in listed and private equity investing in both developing and developed markets, including in Southeast Asia. He holds degrees in engineering and commerce and is a CFA Charterholder.
Marc Lavoie is a co-founder and investment manager of the Fund, which commenced operations in 2011. He has extensive experience in listed and private equity investing and trading in Southeast Asia. He holds a degree in International Relations and a Masters in International Management.

PROBUS OPPORTUNITIES SA, SICAV-FIS

Mekong Fund A (USD)

May 2017

Allocation by industry

Consumer disc.	37.3	
Consumer staples	26.0	
Utilities	10.9	
Technology	9.2	
Industrials	7.5	
Real estate	5.9	
Financial	1.8	
Communications	0.0	
Net cash	1.3	

Allocation by country of risk

Vietnam	57.6	
Thailand	16.2	
Laos	12.8	
Region	12.1	
Cambodia	0.0	
Myanmar	0.0	
Net cash	1.3	

Allocation by market capitalisation

\$0-\$50MM	6.6	
\$50MM-\$300MM	65.4	
\$300MM-\$2BN	26.6	
\$2BN-\$10BN	0.0	
Gr. than \$10BN	0.0	
Net cash	1.3	

Top 5 holdings

	%NAV	P/B [^]	P/E [^]
Donaco Int'l Common	12	0.9	6.7
EDL-Generation Common	11	0.9	15.6
Savico Common	11	1.5	9.5
GTNFoods Common	10	1.5	42.0
Kido Group Common	9	1.5	39.6
Total (Top 5)*	53	1.2	12.9
Total (15 Companies)*	99	1.5	12.4

* Aggregates are weighted harmonic means and exclude net cash and debt instruments

[^] Bloomberg trailing P/B and BEST forward P/E

Available share classes

Class Name	ISIN	BLMG ticker	Curr.	Type	Mgt. fees	Perf. fees	Min. invest.	TER	Front / back load
A USD	LU1131273259	PRINDOU LX	USD	A	1.50%	HWM: 10% over 10% & 20% over 20%	EUR 125 000	2.40%	0%/up to 2%

*HWM = High Water Mark, for more information please refer to the fund prospectus.

Contact Probus Group

Bangkok

Probus Investment Advisory (Thailand) Ltd.

283/78 15th Floor, Home Place BLDG
Sukhumvit 55 (Soi Thong Lor 13)
Bangkok 10110, Thailand
+66 27 129 660 / info@probus.asia

Dubai

Probus Middle East Limited

DIFC - Emirates Financial Towers
South Tower - Office 1101
P.O. Box 9519 - Dubai - UAE
+971 4 305 8000

Geneva

Probus Compagnie S.A.

Place Saint Gervais 1
Case Postale 1988
CH-1211 Genève 1
+41 22 906 86 00

Disclaimer

General: Past performance is not indicative of future results. Values of an investment may fall as well as rise. This document is intended for information purposes only and may only be distributed to eligible persons under the relevant regulatory rules and regulations, and constitutes neither an offer to sell nor a solicitation to invest, which will be made only to those individuals and in jurisdictions permitted by law and accompanied by a prospectus or offering memorandum. The author and distributors of this document expressly disclaim any liability for inaccuracies it may contain and shall not be held liable for these. Probus Middle East Limited is regulated by the DFSA.

Switzerland: The State of the origin of the Fund is Luxembourg. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3, 3bis and 3ter CISA. In Switzerland, the Representative is ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich and the Paying agent is Neue Privat Bank, Limmatquai 1/am Bellevue, P.O. Box, CH-8024 Zurich. In respect of the units distributed in Switzerland, the competent Courts shall be at the registered office of the Representative in Switzerland. The Basic documents of the Fund as defined in Art. 13a CISO as well as the annual and, if applicable, semi-annual reports may be obtained free of charge at the office of the representative.

Commentary

Performance: Per share NAV increased by 3.5% during May. The May increase brings our last twelve month gains back towards regional index performance. Stocks with performance contribution over 50bps were Srisawad Power (see below), Donaco International, FPT Group, GTN Foods, and Kido Group.

General Comments: One of the key ideas underpinning our investment in the Mekong region is that the markets are quite volatile and that, as long-term investors, we can take advantage of short-term volatility and associated unreflective selling to buy good businesses and assets on the cheap. Companies, particularly in Thailand, realise that a significant part of their investor base are speculators and seem more than happy to oblige by issuing listed warrants (often serially). It seems logical to us that if we are trying to beat short-term traders by investing long-term, our valuation approach ought to ignore noisy short-term price variability and instead focus on the fundamental value of the underlying. In other words, our valuation of a long-dated warrants follows naturally from the work we do to value an underlying business, usually on a normalised basis several years out. Should an option premium (the price we pay in the market and the maximum loss) be far less than our conservative normalised intrinsic value range at maturity, the warrant may be a better way to express an idea (in terms of both reward-to-risk ratio and capital use).

Selected Positions(s): We recently purchased a stake in Srisawad Power (SAWAD), a family-controlled finance company which provides small, secured (mainly by land, condos, bikes, and cars) loans to Thais via a network of some 2,100 shopfronts throughout Thailand. It operates under the brand trade name “Mee Baan Mee Rod Ngern Sod Than Jai” which translates to “your car and/or your home can bring you instant cash”. This is our second dance with SAWAD - we participated in their IPO in 2014. We sold out for a quick double, but perhaps were too hasty in our decision. Since selling, we continued to follow the company and meet with the management and founder team (who we have known for more than 20 years as a result of involvement in the sale of their first finance business to GE) and watched from the sidelines as the stock traded as high as 45 and as the company grew profits and assets almost 4 times from 2013-2016, all while maintaining net interest margins in excess of 20% and returns on equity north of 30%. We became interested again as the stock price sold off and the company tendered for listed company BFIT (a bank) and began, in a very measured way, to expand its footprint into Vietnam and Myanmar, both under-penetrated markets. The bank acquisition, which puts the company under the (stricter) oversight of the Bank of Thailand provides a number of benefits to SAWAD: (1) it addresses risk that the government will force consumer lenders to move from regulation by the Ministry of Commerce to the Bank of Thailand, forcing many operators out of business and providing a consolidation or customer acquisition opportunity for SAWAD, (2) it reduces cost of funding as it can now rely on deposits as opposed to debentures, and (3) the regulation by the Bank of Thailand provides easier access to foreign markets (for licensing). We were also attracted to the balance sheet, which has debt at 1x equity vs loan covenants of 4.5x, suggesting significant balance sheet capacity to grow without dilutive equity raises. We purchased the stock at a 5% yield on 2016 earnings - a fair price for a good and growing franchise - and a 2019 consensus yield of around 12%, which valuation does not take into account lower funding costs or regional opportunities. While we saw (and continue to see) significant upside in the stock, we saw downside to a run-off valuation and therefore limited our investment in the stock and supplemented it with a small purchase of out-of-the-money long-term listed warrants that enhanced the reward to risk ratio of the entire position. The stock is up some 25% since purchase.

Kido Foods (KDC) announced the acquisition of a 50% stake in Dabaco Foodstuffs Processing, a subsidiary of listed Dabaco Group. DBC Foodstuff's core operations include processing fresh pork, beef and poultry and manufacturing packaged foods (e.g. canned meat and sausages) and ready-to-eat foods. With this stake, KDC gains access to additional product for it to brand, market, and distribute. We anticipate further deals of this nature as KDC works to build out its brand portfolio to leverage its FMCG experience and its extensive and growing national distribution network.

Positioning: Despite recent appreciation, the portfolio remains cheap at 1.5x book (1.2x for the top five positions) against major markets Thailand (SET) at 1.9x and Vietnam (VNI) at 2.2x.