

## Mekong Fund A (USD)

Fund fact sheet as of 31 July 2017

### Quick facts

<b>Fund category</b>	Asia Pacific
<b>Legal form</b>	SICAV SIF
<b>Fund domicile</b>	Luxembourg
<b>Reco. placement period</b>	10 years
<b>Last NAV (USD)</b>	128.79
<b>NAV frequency</b>	Monthly
<b>ISIN</b>	LU1131273259
<b>Distributed in</b>	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
<b>2012</b>	39.1	22.9	30.1	44.9	-21.9	48.6	24.2	30.1
<b>2013</b>	-2.9	-4.4	-9.0	-10.4	-13.6	10.6	25.5	-9.0
<b>2014</b>	10.5	6.4	5.6	19.0	-25.0	20.7	10.8	5.6
<b>2015</b>	10.6	-18.3	-17.0	-19.1	-7.3	-12.9	4.7	-17.0
<b>2016</b>	8.7	6.2	11.1	24.6	-10.4	-9.4	17.1	11.1
<b>2017 YTD</b>	16.1	18.5	9.8	12.3	-8.1	3.4	20.1	25.0
<b>Total Gain Since Inception</b>	75.9	18.3	10.5	69.4		16.2	99.0	59.6
<b>Compound Gain Since Inception</b>	9.3	2.7	1.6	8.7		2.4	11.5	7.6
<b>Compound Gain Last 5 Years</b>	11.5	2.3	1.4	7.9	-14.2	6.4	15.8	10.1
<b>Compound Gain Last 3 Years</b>	9.7	-1.1	-3.1	3.7	-12.6	-5.3	10.8	8.6
<b>Compound Gain Last 1 Year</b>	18.3	10.8	4.7	11.5	-10.2	-1.6	21.9	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
<b>2012</b>	8.6	4.8	5.5	4.0	-6.2	0.8	2.5	3.5	2.9	1.2	3.3	3.3	<b>39.1</b>
<b>2013</b>	7.3	3.5	-1.4	1.7	0.6	-7.2	-0.9	-7.0	7.0	0.9	-4.0	-2.2	<b>-2.9</b>
<b>2014</b>	-0.6	4.7	3.6	0.6	4.1	3.2	0.3	3.3	-0.1	-0.6	-6.0	-2.0	<b>10.5</b>
<b>2015</b>	-3.6	10.4	2.2	1.2	1.0	1.1	-3.0	-3.3	-1.3	6.1	0.9	-0.8	<b>10.6</b>
<b>2016</b>	-0.3	-2.9	0.6	2.0	2.1	4.4	0.7	1.8	2.8	0.4	-2.2	-0.9	<b>8.7</b>
<b>2017</b>	1.4	2.7	0.7	0.9	3.5	5.6	0.4						<b>16.1</b>

### Fund information

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

### NAV analysis

	Value	Date
<b>52-week NAV high</b>	128.79	31/07/2017
<b>52-week NAV low</b>	110.88	31/08/2016
<b>HWM current</b>	128.79	
<b>Max drawdown (%)</b>	-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)

July 2017

### Allocation by industry

Consumer staples	25.7	
Consumer disc.	24.5	
Financial	15.4	
Utilities	10.1	
Technology	9.7	
Industrials	8.9	
Real estate	0.6	
Communications	0.0	
Net cash	5.1	

### Allocation by country of risk

Vietnam	53.3	
Thailand	13.4	
Laos	11.9	
Region	10.6	
Myanmar	5.8	
Cambodia	0.0	
Net cash	5.1	

### Allocation by market capitalisation

\$0-\$50MM	12.3	
\$50MM-\$300MM	39.3	
\$300MM-\$2BN	43.3	
\$2BN-\$10BN	0.0	
Gr. than \$10BN	0.0	
Net cash	5.1	

### Top 5 holdings

	%NAV	P/B <sup>^</sup>	P/E <sup>^</sup>
Donaco Int'l Common	11	0.9	6.8
EDL-Generation Common	10	0.9	15.3
Savico Common	10	1.5	9.6
GTNFoods Common	10	1.5	57.1
Thien Long Group Common	9	5.5	20.8
Total (Top 5)*	49	1.3	12.7
Total (16 Companies)*	95	1.5	13.8

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

<sup>^</sup> Bloomberg trailing P/B and BEST P/E, except SORKON, BCEL, EDL which are trailing

### 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%/2% for benefit of fund

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

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**Commentary**

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**Performance:** Per share NAV increased by 40bps during July, bringing YTD performance to 16.1% and LTM performance to 18.3%. Increases in the market prices of Myanmar Investment Int'l and Srisawad Power were offset by declines in the market prices of Donaco International and GTNFoods.

**Selected Position(s):** Laotian bank BCEL (1.8% NAV, low due to current foreign ownership restrictions) announced a long anticipated rights offering and private placement to shore up its capital base amid continued growth. BCEL has grown book value at around twice GDP over the last two years and returns over 15% on its equity. Yet the stock trades at 60% of book and less than 4x trailing earnings, cheap in a regional context. Vietnamese banks trade at 1.9x book and boast similar returns on equity. With a number of banks now seeking opportunities in the Mekong region (most notably MUFJ-backed Bank of Ayudhya), we would not be surprised to see BCEL the subject of a strategic investment or, at the least, an increase in investment and engagement by 10% holder Cofibred of France.

We have previously noted the potential sale by FPT Group (6.8% NAV) of both its retail business and its distribution business. While there has been no update on the sale of its distribution business (negotiations with strategic partners are still ongoing), FPT Group did announce the sale of a 30% stake in its retail business to local institutional investors Dragon Capital and Vina Capital. Pricing has not been disclosed. A retail IPO of a further 10%, taking FPT's stake to 45% and eliminating accounting consolidation, is slated for 2018. While such de-consolidation may help to focus the market on the economics of the higher margin software and telecommunications (broadband) businesses and should be positive for stock market value, we are concerned that the financial investors add no value in terms of operations in what is a highly competitive electronics retail market and that FPT management will be required to continue to devote significant time to the retail business.

Vietnamese stationery company Thien Long Group's (8.9% NAV) 1H results showed earnings up 17%, despite an increase in oil/plastic prices (representing the majority of operating costs) in the period. At around 3x our cost and 20x trailing earnings, the stock is no longer cheap. However, we still see long-term potential in the company given: (1) improving margins and returns on capital (after tax return on average invested capital was better than 35% in the last twelve months and more interestingly, average invested capital has grown only 7% since 2013 while operating profit has grown by almost 80%), (2) management/founders aligned with and responsive to outside minority interest investors such as ourselves, (3) expected improved cost structure following the bringing of pen-tip manufacture in house (previously imported from Europe), (4) continuing growth in overseas markets, particularly in the Mekong, and (5) retail expansion in Vietnam in the medium term.

**Positioning:** The portfolio (16 companies falling to 14 as we continue to exit some positions) remains relatively cheap at 1.5x unadjusted book (1.4x for the top five positions) against major markets Thailand (SET) at 1.9x and Vietnam (VNI) at 2.3X.