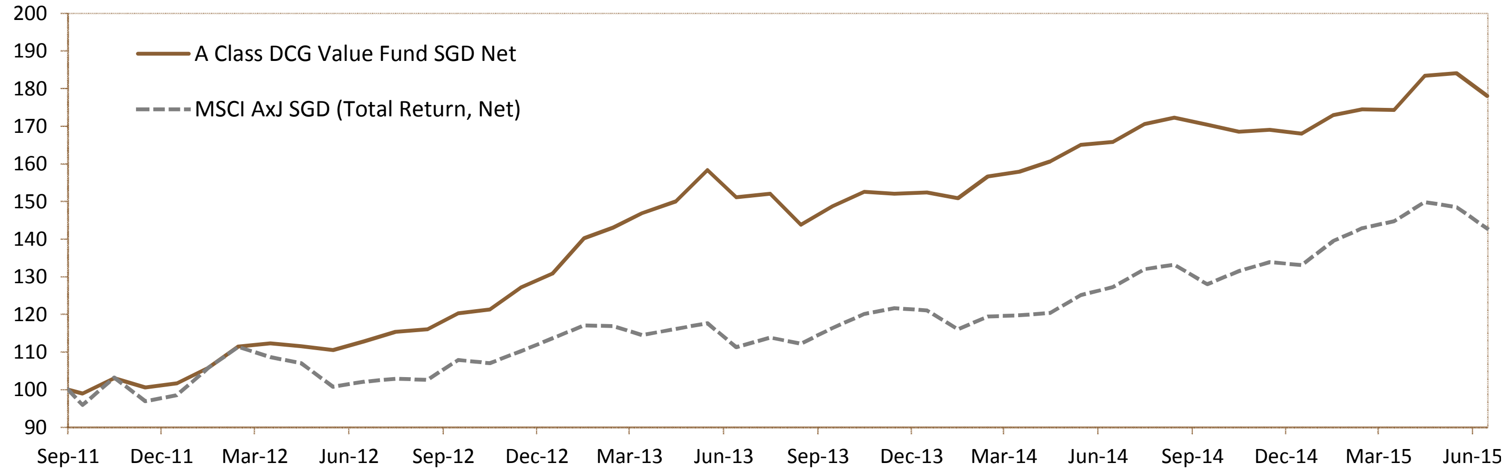
DCG Asia Value Fund

June 2015
NAV: SGD178.1 ('A' Class)

Fund Overview

The investment objective of the Fund is to achieve long term capital growth through investments primarily in publicly listed and traded stocks and shares of companies in Asia ex-Japan. The Investment Manager employs a value investing approach in managing the Fund. Using a bottom-up approach, it will seek to identify from within the above mentioned investment universe, attractive long term investment opportunities that the Manager reasonably believes adequately satisfy stringent selection criteria in terms of quality and valuations.

Cumulative Fund Returns SGD* VS MSCI AxJ SGD(1)



Monthly Net Returns*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	MSCI AxJ YTD
2015	2.9%	0.9%	-0.1%	5.2%	0.4%	-3.3%							6.0%	
MSCI AxJ	4.8%	2.4%	1.3%	3.5%	-0.9%	-3.8%								7.3%
2014	-1.0%	3.8%	0.8%	1.7%	2.8%	0.5%	2.8%	1.0%	-1.1%	-1.1%	0.3%	-0.6%	10.3%	10.0%
2013	7.2%	2.0%	2.7%	2.2%	5.5%	-4.6%	0.6%	-5.4%	3.4%	2.6%	-0.3%	0.2%	16.5%	6.5%
2012	4.1%	5.3%	0.7%	-0.6%	-0.9%	2.0%	2.3%	0.6%	3.7%	0.8%	4.8%	2.9%	28.6%	15.3%
2011									-1.1%	4.2%	-2.4%	1.1%	1.7%	-1.4%
Inception to Date(2)													**78.1%**	**42.8%**

*Current year returns are unaudited. Past performance is not indicative of future results. References to the MSCI AxJ SGD index are based upon published results net of fund expenses, management fees and incentive reallocation. The net return shows an accrual of incentive allocation every month, although the fee is charged at year end. Based on an original investor subject to stated fees (i.e. 1.25% management fee and 12.5% incentive fee).

(1) MSCI Asia ex-Japan SGD Index (total returns, including dividends reinvested)

(2) Inception-to-date performance for SGD A Class and MSCI AxJ are computed from 16 September 2011, the date of Fund inception.

Statistical Analysis

Risk/Return(3)	The Fund	MSCI AxJ
Annualized Return	16.5%	9.9%
Standard Deviation	8.9%	11.2%
Sharpe Ratio	1.62x	0.70x
Sortino Ratio	3.51x	1.11x
Information Ratio	0.87x	N/A
Peak to Trough	-9.2%	N/A

(3) Risk/Return figures applicable to A Class shares only

Portfolio Concentration	
No. of holdings	55
Top 10 holdings	28.4%
Top 20 holdings	47.6%

Fund Exposure

Country Exposure	
HK/ China	48.6%
Singapore	11.7%
Indonesia	7.9%
Philippines	5.6%
Malaysia	3.2%
Thailand	2.8%
Vietnam	2.4%
Taiwan	2.1%
Korea	1.5%
Sri Lanka	1.2%
Cash	13.0%
Total	100.0%

Sector Exposure	
Financials	32.0%
Consumer Discretionary	22.8%
Industrials	12.8%
Consumer Staples	10.9%
Information Technology	3.9%
Energy	2.1%
Utilities	1.4%
Materials	1.1%
Cash	13.0%
Total	100.0%

Fund Details

Size (equities)[4]

Small Cap (<US$1b)	33
Mid Cap (US$1b-$5b)	8
Large Cap (>US$5b)	14
Total	55

(4) Median market capitalization US$624 mil

Top 5 Holdings

- Pacific Century Regional Developments
- Hui Xian REIT
- Dah Sing Banking Group
- HKR International
- Dorsett Hospitality International

Fund Information

Domicile	Cayman Islands
Fund Administrator	Portcullis Fund Administration (S)
Custodian	Deutsche Bank AG, Singapore Branch
Fund Auditor	Ernst & Young Solutions LLP
Legal Counsel	Rajah & Tann LLP
Fiscal Year End	June 30th

Terms

Minimum Initial Investment	S$250,000
Minimum Subsequent Investment	S$100,000
Early Redemption Fee[6]	3% in 1st year; 2% in 2nd year; 1% in 3rd year
Redemption Frequency	Once a quarter at quarter-end NAV, with 1 month notice
Subscription Frequency	Once a month at month-end, with 1 week notice
Management Fee / Performance Fee	1.25% / 12.5%

(6) Retained in the Fund for Fund investors

Contact Information

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Important Notice

DCG Asia Value Fund

June 2015
NAV: USD103.1 ('A' Class)

Monthly Net Returns*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	MSCI AXJ YTD
2015			-0.8%	8.6%	-1.2%	-3.2%							3.1%	
MSCI AxJ[1]			0.4%	7.2%	-2.6%	-3.7%								1.0%
Inception to Date[2]													3.1%	1.0%

*Current year returns are unaudited. Past performance is not indicative of future results. References to the MSCI AxJ index are based upon published results net of fund expenses, management fees and incentive reallocation. The net return shows an accrual of incentive allocation every month, although the fee is charged at year end. Based on an original investor subject to stated fees (i.e. 1.25% management fee and 12.5% incentive fee).

(1) MSCI Asia ex-Japan Index (total returns, including dividends reinvested)

(2) Inception-to-date performance for USD A Class and MSCI AxJ are computed from 01 Mar 2015, the date of USD A Class inception

Dear Investor,

Performance

The Fund's performance for the financial year ended 30th June 2015 was disappointing, registering a net gain of 7.3%, almost five percentage points short of the MSCI Asia ex-Japan Index's 12.2% gain. Since its inception, however, the Fund achieved a respectable 78.1% return or 16.5% annualized compared to the benchmark's 42.8% return or 9.9% per annum.

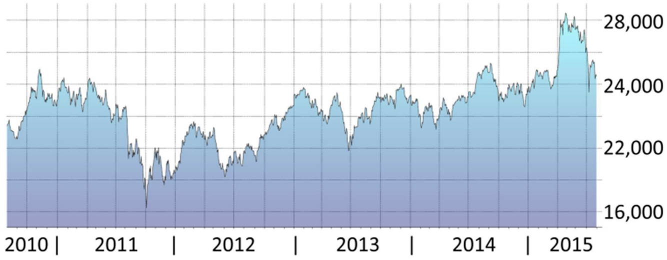
There were a few major contributors to the performance shortfall for the year. Firstly, our exposure to the oil and gas sector, though small at about 8% prior to the oil price collapse in August 2014, contributed quite significantly to the shortfall. We were surprised by the extent of the energy price collapse which had a huge knock-on effect on the oil services companies in which we had invested. While we believe the worst has probably been seen, we do not expect a significant rebound in the oil price given the structural change wrought by the shale oil and gas industry and consequently have significantly reduced the weight of our exposure to less than 3%.

The Fund's performance was also dragged down by steep price falls in our Indonesian stocks aggravated further by the Rupiah's depreciation against the Singapore dollar. Our holding in Malaysia, DKSH, and a number of Hong Kong/China holdings that we own were also major detractors.

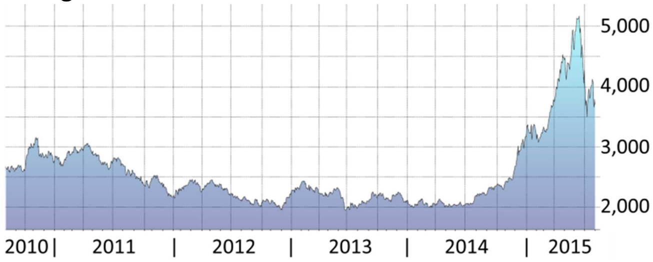
The month of June was a particularly disappointing month with the Fund's Net Asset Value down by a hefty 3.3% after sharp falls in the Shanghai and Shenzhen stock markets dragged down the Hang Seng as well. Although we had a small exposure to Shanghai 'A' shares through the Shanghai-Hong Kong Stock Connect, Hong Kong-listed stocks make up the largest portion of our portfolio at 41%.

We were not unaware of the speculative bubble building up in China equities and were careful to avoid being sucked into the frenzy. The following charts show the huge contrast in volatility between the Hang Seng Index and the Shanghai Composite, Shenzhen Composite and the ChiNext indices. The Hang Seng Index appreciated much more modestly and subsequently experienced a much gentler fall than the mainland indices.

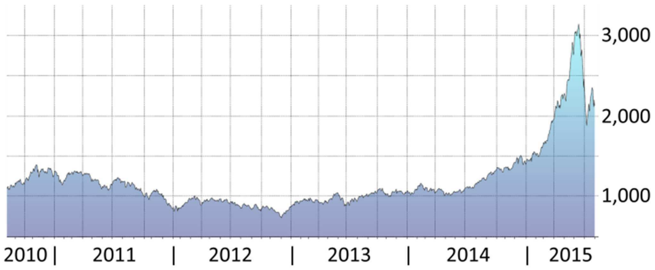
Hong Kong:



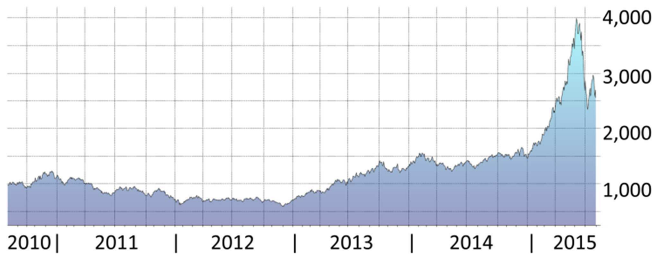
Shanghai:



Shenzhen:



ChiNext:



Source: Bloomberg

At the recent peaks, the price to earnings ("PE") ratios for the Shanghai, Shenzhen and ChiNext indices reached nose-bleed levels of 25x, 77x, and 128x respectively, unlike the Hang Seng Index which peaked at 16x.

Portfolio Mix

By Strategy Bucket

Bucket[1]	Weight	ppt change[2]
Steady growth	33.1%	4.5
Asset	18.7%	4.8
Moat	9.9%	-3.1
Yield	8.5%	-1.5
Aggressive growth	7.3%	-12.1
Special situations	6.8%	4.5
Cyclical	2.7%	1.3
Cash	13.0%	1.6
Total	**100.0%**	

By Geography

Country[3]	Weight	ppt change[2]
HK/ China	48.6%	16.2
Singapore	11.7%	-9.9
Indonesia	7.9%	0.4
Philippines	5.6%	-5.1
Malaysia	3.2%	-2.3
Thailand	2.8%	0.3
Vietnam	2.4%	0.4
Taiwan	2.1%	0.8
Korea	1.5%	-2.1
Sri Lanka	1.2%	-0.3
Cash	13.0%	1.6
Total	**100.0%**	

By Sectors

Sector[4]	**Weight**	**ppt change**[2]
Financials	32.0%	9.3
- Real Estate	15.8%	-1.3
- Banks	7.5%	4.3
- Other Financials	8.7%	6.3
Consumer Discretionary	22.8%	5.1
Industrials	12.8%	-3.6
Consumer Staples	10.9%	1.4
Information Technology	3.9%	-0.5
Energy	2.1%	-6.1
Utilities	1.4%	0.8
Materials	1.1%	-6.0
Telecommunication Services	0.0%	-1.7
Health Care	0.0%	-0.5
Cash	13.0%	1.6
Total	**100.0%**	

[1]*DCG's internal classification.*
[2]*Change in percentage points compared against the previous year end.*
[3]*Country of domicile based on where company's senior management is located. Source: Bloomberg.*
[4]*Industry sectors based on GICS classification. Source: Bloomberg.*

In terms of geographical exposure, we have shifted the portfolio quite significantly in the last 12 months having increased our Hong Kong and China segment to 49%, at the expense of Singapore and Philippines.

The Fund remained broadly diversified by industry sectors. There were significant decreases in energy, materials and industrials, and increased allocations to financials, banks and consumer discretionary.

As a result of the rebalancing in our portfolio, the "Aggressive Growth" bucket has been reduced, while we have increased allocations to the "Steady Growth", "Asset", and "Special Situations" buckets. For the new readers among us, we wish to re-iterate that "Aggressive Growth" is simply our name for stocks with earnings growth potential in excess of 15% per year. The word "Aggressive" does not refer to the assumptions we use in our projections, nor does it refer to the nature of the risks the company is exposed to. Our focus on margin of safety remains our paramount concern and we will not overpay for growth.

The increase in "Asset" stocks weighting also reflects a number of new "net-net" stocks which we picked up in the second half of the financial year. "Net-net" stocks are companies where their liquid current assets are in excess of their market capitalizations, even after paying off all liabilities.

In calculating net asset values, we are mindful that inventories and receivables may not be worth as much as printed on the companies' balance sheets. What would be of interest to us are situations where the companies are operating established businesses with recurrent operating cash flows, pay a consistent dividend and where the bulk of the current assets comprise cash and near cash equivalents.

In identifying "net-net" companies, we are also acutely aware of management's propensity to diversify into businesses that we think may actually 'di-worsify' them.

New Additions

Pacific Century Regional Developments Limited ("PCRD") is a S$1.2 billion market cap investment holding company holding about S$1.5 billion worth of stocks in two Hong Kong listed companies. A 21.8% stake in infocom company PCCW Ltd; and a 1.7% stake in HKT Trust (63% owned by PCCW) which is Hong Kong's leading telecommunications and mobile phone operator. The PCCW stake is worth about 49 cents per PCRD share with HKT offering another seven to eight cents. After deducting margin loans of three to four cents per share, each PCRD share is conservatively estimated to be worth 54 to 60 cents a share, representing a premium of 20% to 25% above its prevailing share price.

PCRD has been aggressively buying back stock since 2Q 2013 with 403 million shares repurchased and cancelled, spending about S$112 million. In the process, PCRD's controlling shareholder, Mr Richard Li's direct and indirect stake has grown from 75% to 88% of total outstanding shares. At the current repurchase rate of 20 to 30 million shares a quarter, the SGX delisting limit of 90% will soon be crossed. Media speculation is over what happens next.

While we are not here to spoil the ending, we can nevertheless share some observations. Privatisation seems unlikely. It was cheaper for Mr Li to privatize a S$700 million market capitalization PCRD in 3Q 2013 than to privatize a S$1.2 billion company today.

PCRD's current growing debt load of S$73 million is solely due to its two year old share repurchase programme. At the 90%/10% limit, the company will likely have a debt load of S$100 million against underlying assets of S$1.5 to 1.6 billion. An appropriate question to ask is, given the freedom of action a 75% shareholder enjoys under Singapore's Companies Act, what advantage would be gained by boosting his stake to 90%? We have our views but we would welcome any comments at pcrd.ideas.2016@gmail.com.

In the meantime, PCRD's aggressive buybacks at a significant discount to underlying asset value will accrue value to remaining shareholders. The PCCW stake also generates a 5% dividend yield (received in scrip thus growing PCRD's attributable ownership of PCCW) boosting PCRD's underlying NAV by 2.5 cents a share a year, expanding our margin of safety while we wait for this movie's end.

HKR International Limited ("HKR") is a HK$5.5 billion market cap Hong Kong listed investment holding company and property developer in a net cash position. It trades at one third of its book value of HK$12 per share and six times earnings. It carries HK$7 billion of investment properties at book value, primarily residential units in Discovery Bay and CDW Building in Tsuen Wan. But the main reason we like HKR is its joint venture with Swire Properties in DaZhongLi, Shanghai. HKR's 50% share of the DaZhongLi project is carried on its books at a cost of HK$6.5 billion. The DaZhongLi project, with design GFA of 323,000 square meters, is a marquee project comprising two Grade A office towers, three luxury hotels and serviced apartments and a high end retail mall. The project is expected to complete in phases from 2016. Similar prime assets of this size are unavailable in Shanghai. The book value of HK$6.5 billion implies DaZhongLi is carried at about 30% to 40% below recent land auctions of quality commercial Shanghai land parcels. We expect the company will re-rate on successful completion and when investment property income begins to accrue from the DaZhongLi complex.

Dah Sing Bank is a small family owned bank in Hong Kong with a market capitalization of US$3 billion. It is one of the last few family owned banks left after most have been acquired over the years. Dao Heng Bank was bought by DBS in 2001 at a price to book ratio ("PB ratio") of 3.3x, Chong Hing Bank was acquired by Yue Xiu Group, a China state owned enterprise in 2013, and more recently OCBC bought over Wing Hang Bank in 2014 for a PB ratio of 1.8x. We see consolidation happening due to stricter capital requirements for banks as they move to Basel III.

Recent results show the Bank performing quite well with its 2014 profits registering a 15.8% growth over 2013 and return on equity of 11%.

From a potential buyer's perspective Dah Sing is a great way to establish a network in HK and access the China market. The Bank of China (HK) has recently indicated it would like to sell one of its subsidiary banks at a price of at least 1.9x book. Dah Sing Bank currently trades at PB ratio of 1.1x, way below the transacted prices of the last few deals. We are comfortable to own this bank even if a deal doesn't materialize as we get a dividend yield of about 2.2% while waiting, and its book value continues to compound at its ten-year historical average rate of 7.5%.

Asuransi Multi Artha Guna ("AMAG") is an Indonesian general insurance company which underwrites motor, health, accident, fire and marine risks. The Indonesia insurance market is still underdeveloped with low penetration of less than 10%. AMAG is backed by the Panin Group which also owns a bank as well as a life insurance arm. It is noteworthy that the controlling shareholder of the group is one of the few Indonesian families who did not default during the 1997 Asian Crisis.

AMAG has a long track record of profitable underwriting with combine ratios from 67% to 87% over the last 10 years – a rarity among insurers. When we started buying the stock it was trading at PE ratio of 5.8x and PB ratio of 0.8x.

The insurance market is very fragmented in Indonesia with few new licenses being issued. In 2013, the regulator mandated new solvency ratios that will make it more difficult for new entrants to enter the market.

Panin Group (AMAG's controlling shareholder) recently injected its own general insurance arm Panin Insurance into AMAG listco via a share swap. Minorities were offered a conditional cash offer (provided shares held in public hands remained over 20%) of Rp410 per share, a 70% premium over its average share price prior to the offer announcement. We tendered some shares at Rp410 but continue to hold a significant stake as we believe that AMAG's PB ratio of 1.2x continues to represent good value.

We bought **Soilbuild Business Space REIT** ("**Soilbuild REIT**") in early May 2015. Soilbuild REIT currently manages a portfolio comprising two business parks and nine industrial properties in Singapore with total net lettable area ("NLA") of 3.5 million square feet valued at about SGD 1.2 billion. Solaris business park in the vibrant One North precinct and West Park BizCentral on Pioneer Crescent, Singapore, are the two largest assets in the portfolio, accounting for 30% and 27% of the net asset value of the REIT. The REIT's sponsor, Soilbuild Group, has four assets in the pipeline with total gross floor area of 2.3 million square feet and has granted Soilbuild REIT the first right of refusal should the sponsor decide to dispose of any of these assets.

The portfolio produces a stable income stream with 42% of the portfolio's NLA under a master lease arrangement and the remaining 58% of NLA comprising multi-tenanted properties. Weighted average lease is about 4.5 years with staggered lease expiry profile in the next three years. As of end June 2015, the portfolio occupancy rate is 99.8% with underlying occupancy rate for master leases at above 95%.

Soilbuild REIT's cost of funding is 3.5% per year with over 90% of interest cost fixed and a maturity profile staggered over the next three years. It offers an attractive 7.8% dividend yield and trades at a slight premium to its net asset value of S$0.79 per unit.

Outlook

The Asian region is experiencing slow growth with the Chinese economy growing at a much slower pace as it continues to rebalance. With annual GDP of US$10 trillion, a growth rate of 6% may be the new normal for such a large economy although the latest official GDP growth for 2Q 2015 was still about 7%.

Despite the recent corrections, the Chinese markets are still not cheap with the Shanghai Composite trading at about 19x earnings. With a slew of measures propping up the market, our concern is that there may be further sell-offs ahead when they are eventually lifted.

In the meantime, we have taken advantage of the aforementioned market support for the 'A' shares and reduced our exposure to the Chinese market. We are more comfortable investing in Hong Kong where the valuations are cheaper.

Outside of China our main investments are in the ASEAN markets, primarily Singapore, Indonesia and Philippines.

Singapore will be celebrating its Golden Jubilee this year with Singaporeans now numbering among the world's top ten most productive on a GDP per capita basis. Quite an achievement for a nation with no natural resources other than a very strategic location. Having matured, growth will be a lot slower with robust economic fundamentals - healthy budget surpluses, strong reserves, full employment, world class infrastructure and political stability.

Indonesia has disappointed with growth forecast to be only about 4.7% year-on-year with many infrastructure projects delayed and weighed down by weak commodity prices.

In the Philippines, President Aquino's term will end in June next year. The economy remains among the fastest growing in ASEAN but likely to decelerate with overseas foreign worker remittances, which amount for nearly 9% of the economy, slowing down.

In the Eurozone, the core economies of Germany, France, Spain and Italy continue to show signs of improvement although growth remains slow by historical standards. We are not optimistic on the current bailout programme for Greece and will not be surprised to see the crisis revisit us in the not too distant future. The Greek economy is beset with too many problems including a punishing debt burden and weak taxation system.

With continuing improvements seen in the U.S. labour and housing market, expectations are that the Fed will begin to raise interest rates by year end and could be as early as this September. Nevertheless, the pace of tightening is likely to be gradual in view of quiescent inflation.

Although interest rate “lift-off” has been widely talked about for years and to some extent already discounted, the first rate hike after nearly seven years of easy money may still weaken the real estate, stock and bond markets.

Amidst a slow growth and a rising interest rate backdrop, we have shifted to a more defensive stance and raised cash levels while actively weeding out positions in weaker and less attractive companies. With markets likely to remain volatile, we will be looking out for opportunities to invest in good quality, well-managed businesses at bargain prices.

While we have given a brief overview of the macro-economic situation, our approach to investing is not top-down but rather bottom-up driven. We would also point out that investing success is not necessarily correlated with macro-economic conditions. Stock market returns can be good under both good and poor macro-economic conditions. During boom times returns can also be poor. A lot depends on valuations and on picking the right stocks and avoiding the bad ones.

Nevertheless, macro-economic conditions provide the economic framework within which we may realistically project out the best and worst case scenarios for earnings and growth. It helps us prepare for the worst as well as allow us to imagine what is possible on the upside.

Sticking with our value investing approach we will seek out businesses with attractive underlying economics and invest only where there are healthy margins of safety to our estimates of intrinsic values.

Daniel Chan
Melvin Tan
Alexis Tran
TJ Tan
David Teoh