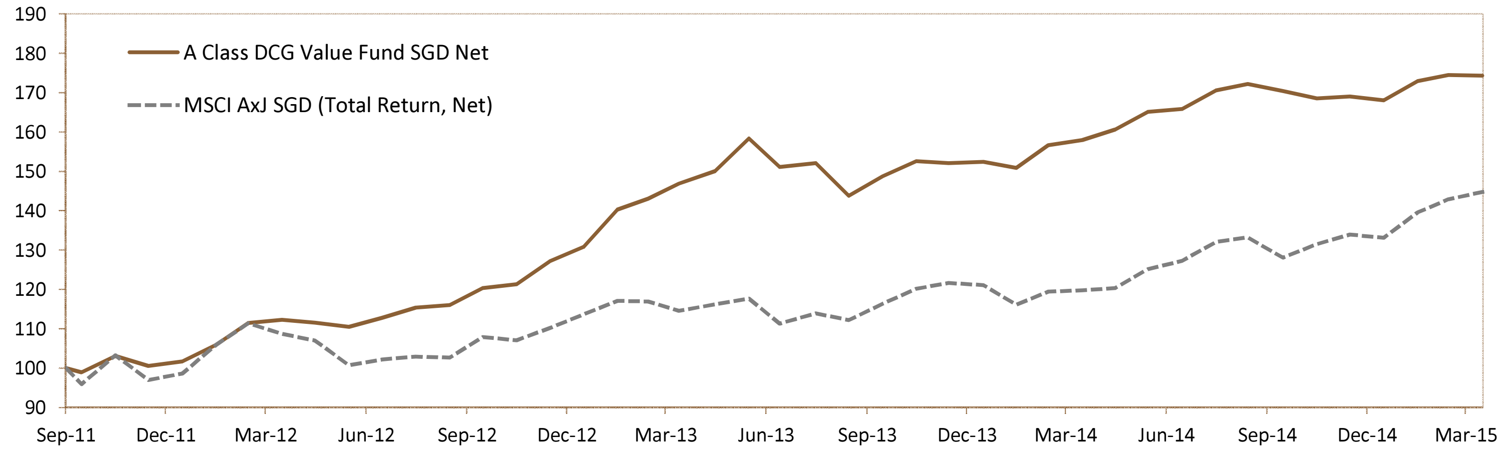
DCG Asia Value Fund

March 2015
NAV: SGD174.3 ('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%										3.7%	8.7%
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]													74.3%	44.7%

*Fiscal year 2014-2015 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 DCG Capital, MSCI AxJ are computed from 16 September 2011, the date of DCG Capital's commencement of the fund.

Statistical Analysis

Risk/Return[3]	The Fund	MSCI AxJ
Annualized Return	17.0%	11.0%
Standard Deviation	8.6%	11.2%
Sharpe Ratio	1.73x	0.81x
Sortino Ratio	3.77x	1.26x
Information Ratio	0.76x	N/A
Peak to Trough	-9.2%	N/A
Valuation[4]		
Trailing P/E	10.2x	12.6x
Trailing P/B	1.0x	1.5x
Indicative Dividend Yld	3.3%	2.5%
Median Market Cap US$	628 mil	N/A

(3) Risk / Return figures applicable to A Class shares
(4) Valuation calculated for the invested portion only

Fund Information

Domicile	Cayman Islands
Fund Administrator	Portcullis Fund adminsitration (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[5]	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%

(5) Retained in the Fund for fund investors

Fund Details

Portfolio Concentration	
No. of holdings[(6)]	73
Top 10 holdings	23.7%
Top 20 holdings	40.9%

(6) Holdings include two short duration bonds

Size (equities)	
Small Cap (<US$1b)	41
Mid Cap (US$1b-$5b)	15
Large Cap (>US$5b)	15
Total	71

Top 5 Holdings

Concepcion Industrial Corp
Hui Xian REIT
8990 Holdings Inc
Tiga Pilar Sejahtera Food Tbk
Lai Sun Development Co Ltd

Fund Exposure

Country Exposure	
HK/ China	44.6%
Singapore	12.1%
Indonesia	8.6%
Philippines	7.7%
Malaysia	3.8%
Taiwan	3.5%
Thailand	3.0%
Korea	2.8%
Vietnam	2.6%
Sri Lanka	1.0%
Cash	10.4%
Total	100.0%

Sector Exposure	
Financials	32.5%
Consumer Discretionary	18.3%
Industrials	12.8%
Consumer Staples	10.5%
Information Technology	4.7%
Energy	3.7%
Materials	2.9%
Utilities	1.6%
Health Care	1.5%
Telecommunication Services	1.1%
Cash	10.4%
Total	100.0%

Contact Information

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Important Notice

Dear Investor,

Fund Performance

The Fund NAV rose 3.7% over the January to March quarter ending at $174.3, underperforming the benchmark's 8.7% rise over the same period.

The portfolio's performance continued to be hampered by our exposure to the oil and gas sector as well as a number of poorly performing stocks which we have held since September last year. We believe that most of these are now trading close to rock-bottom levels and should start to contribute to, rather than detract from, the Fund's performance going forward.

Company and Portfolio Updates

During the quarter we disposed of 13 names and added 15 new ones, including two more Shanghai-listed 'A' shares.

8990 Holdings ("8990") is one of the largest holdings in our Fund. Established in 1995, 8990 is a low cost property developer in the Philippines. According to a study commissioned by the Subdivisions and Housing Developers Association, there is a severe shortage of low-cost mass housing with the backlog as of 2011 estimated at 3.1 million units. This number is expected to rise to 6.2 million by the year 2030, with 41% of the shortfall expected to be in the economic and mass housing segment.

Philippines has very favorable demographics with half of the population under 24 years old, and a rapidly growing workforce. With the rapid growth of the economy in recent years, a large growing middle income population that needs to be housed has emerged.

With its abundant supply of inexpensive English speaking workers, the Philippines is in a particularly favorable position to capture the business process outsourcing market ("BPO"). Many large MNCs have set up operations in the Philippines to provide "back-offices" processing for functions such as human resources, accounting, insurance processing in Philippines, resulting in healthy wage growth and strong housing demand seen in recent years.

8990 Holdings focuses on servicing the economic housing segment with its properties typically priced in the USD10,000 to USD27,000 range. These houses are mostly built using pre-cast panels and completed within just a few weeks. The typical buyer would be a first time home owner with young children. Last year 8990 sold 8,165 homes, with demand exceeding the supply such that properties had to be allocated by ballot.

8990 will provide the initial financing for the first four years and subsequently hand over subsequent financing to Pag-IBIG, a government agency whose main objective is to provide financial assistance to Filipinos so as to encourage home ownership among Filipinos. Pag-IBIG has its own loan seasoning requirements, strict income criteria and will only accept qualified applicants. 8990's role is to help its clients bridge this gap and be able to meet this requirement and eventually own a home. 8990 has designed its program with a step up in interest rates above that of Pag-IBIG after four years to encourage the migration over to Pag-IBIG. This will also free up capital for 8990 to acquire more land and develop houses.

A key emphasis from our meetings with management is their focus on customer education to reduce the risk of mortgage delinquency. Prospective buyers have to attend a two-day course before being allowed to buy a property from 8990. This is necessary as many of these buyers are new to the banking and home mortgage system. The stock price has risen 30% since our first purchase in early 2014 and we continue to like the prospects of this company.

Departing from usual practice, we would like to briefly discuss a few other recent investments made without disclosing names. One such investment is a Chinese media company which is one of the top three media resource management agencies for China's main TV broadcasting company.

The company's core customers are local government tourism boards and business promotion bodies, automobile companies and consumer companies. The advertising business has been adversely affected in recent years due to the poor consumer sentiment as well as China's anti-corruption drive. although the outlook for TV advertising continues to be negative and we do not foresee a quick recovery on the horizon. Nonetheless, we like the company's capital light business model and healthy net margin. Moreover its balance sheet is rock solid with cash (net of debt) accounting for 44% of market capitalization. In addition, the company owns eleven floors of a prime Beijing office tower for both own use and the market value of the office block accounts for 40% to 50% of market capitalisation. The stock currently trades at 6x PE ratio and 1x PB ratio with 6% dividend yield.

We have also added a deep value situation into our Fund. This company makes and supplies precision components for communications, information technology, electronic games equipment and other electronic products manufacturers. Like the previous company, this one also sits on a ton of cash resulting in the stock selling for a ridiculously cheap PE ratio on an ex-cash basis. The company has zero debt and sits on some valuable real estate in China and its businesses are expected to continue generating healthy cash flows for a good number of years.

During the quarter, we also made an investment into a department store operator in China whose shares have fallen to an eight year low and is trading at only half of book value and on 7x depressed forward earnings estimates. The company has no debt and cash on its balance sheet accounts for half of its current market capitalization. The company operates mainly in the northern, southeastern and central parts of China. Like most other department store operators, it has suffered from a weak consumer spending environment aggravated by the fierce anti-corruption crackdown which hit its sales of prepaid VIP cards. At the depressed price levels, we believe the shares are selling at close to rock-bottom with a healthy margin of safety and a solid balance sheet.

We have also recently bought into a leading China-based manufacturer of motors used in air-conditioners and washing machines after the shares have fallen to a 52-week low. One third of the company's sales is for the export market used in Japanese and Korean white goods brands. With continuing urbanization in China, business prospects in the domestic market are also quite favourable.

The stock trades at 2.9x ex-cash PE ratio, has a net cash to equity value of 44% and a return on equity ratio of 16%.

Outlook

Both the International Monetary Fund and the World Bank have revised downward their forecast for global growth from 3.4% to 3.0% and 3.7% to 3.5% respectively. The European Central Bank has embarked on a quantitative easing program with a commitment to purchase EUR60 billion every month till September 2016 with the possibility of extension beyond that. The move led to a sharp fall in the Euro against the Dollar which has helped to brighten prospects for economic recovery. Indeed, recent statistics from the Eurozone indicate that things may be turning the corner.

Over in China, after the conclusion of the Third Plenary Session of the National People's Congress, the government announced an officially revised growth target of 7.0% for 2015, down from 7.5% recorded for 2014.

During the quarter, we have seen a series of monetary policy easing actions by Asian Central Banks. The People's Bank of China ("PBOC"), Reserve Bank of India, Bank of Thailand and Bank of Korea have all trimmed their main policy rates by at least 25 bps. In a surprise out-of-meeting move, the Monetary Authority of Singapore also eased monetary policy by flattening the slope of the SGD Nominal Effective Exchange Rate policy band, citing a muted outlook for inflation largely due to the fall in global oil prices.

In a move to allay fears over China's massive local government debt, the Ministry of Finance announced a RMB1 trillion (USD160 billion) quota to convert high yielding local government debt to lower yielding municipal notes. The PBOC had also cut the reserve requirement ratio across the board by 50 bps, freeing up more liquidity for the banking system.

The major uncertainty facing the markets in the coming months is the timing and speed of interest rate "lift-off'. With US unemployment rates already at 5.5%, the United States Federal Reserve had in its latest policy statement removed the word "patient" but at the same time stressed that it does not mean it would be impatient either in normalizing rates. In fact, as we write, the government has just released surprisingly weak figures for non-farm payrolls for March and revised the prior two months' figures downwards by 60,000. This suggests that economic growth may be much slower than generally believed.

If and when US interest rates rise, the Dollar can be expected to strengthen further and past experience suggests that emerging markets such as those in Asia are likely to weaken in a strong Dollar environment as capital flows back to the States. It is however very difficult to know for sure how things will pan out. Indeed, there are some market analysts who predict that there will not be any rate hikes for the year! While we should be prepared for any eventuality, we will continue to invest on a bottom-up basis taking a longer term view and investing on the basis of strong micro-economic fundamental wherever we find them.

We have reduced our cash levels to about 10.2% which we expect to deploy in the coming weeks.

With the portfolio trading at only 10.2x earnings and 1.0x book, we remain confident that the portfolio will weather whatever the situation may be in relatively good shape.

We have just moved in to our new office which is at the West Tower of Great World City. With significantly more space and an improved office layout, we look forward to working even more productively and generate more good ideas for investments.

Daniel Chan
Melvin Tan
Alexis Tran
David Teoh
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