

Kunlun Capital

Dear Investors,

The Fund was up 2.6% for the quarter. The portfolio has a Price to Book Ratio of 1.8 x, a PE of 13.9 x, a Dividend Yield of 4.7% and an ROE of 12.9%. It is 56% invested.

Faced with the prospect of delisting, we decided to exit our position in **Eunetworks**. We still believe the offer to be unconvincing, but the prospect of locking up our capital with little representation was most unappealing. We did however exit with a very decent profit- the benefits of a low entry price.

In addition, we also exited our position in the oil and gas industry. While the balance sheet of the company was clean, we were aware of its upcoming commitments which would most likely lead to more capital raising in the near future, a huge negative for us. The company was trading at new lows but we were not buyers of the stock at these levels, even if we had started with a clean slate.¹ Despite these signals, we continued to procrastinate, only to see the stock price fall further before finally selling. Once again, the blame lies squarely on yours truly. Hopefully these will be rare occurrences.

I find it hard to understand the world we live in these days. The sale of negative yield Swiss Bonds² continues to befuddle me. Why would anyone in their right mind pay the government to take their money? There are infinitely better ways of spending one's money. Investment options continue to dwindle in this low interest rate world, but rationality should not.

Goh Yew Liang
20 April 2015

¹ I once read that the investor Michael Steinhardt used to sell his entire portfolio to start afresh. As radical as it was, the exercise removed any sunk cost bias and allowed him to evaluate objectively whether he truly wanted to own his old positions.

² <http://www.reuters.com/article/2015/04/08/swiss-treasury-idUSL5N0X52TR20150408>