

Kunlun Capital

Dear Investors,

The Fund was down 4.3% for the quarter, and year. The portfolio has a Price to Book Ratio of 1.6x, a PE of 13.7x, a Dividend Yield of 5%, and an ROE of 9.5%. It is 58% invested. We added 3 new positions over the quarter.

The year started with a ferocious selloff. Indexes all across the board were down sharply. The Fund was not immune to the selloff, but we were fortunate to have a huge cash buffer of 50% at the end of the year, which cushioned us from the volatility. We spent late January and February bargain hunting and added 3 new positions - 2 in Hong Kong and 1 in Singapore. Growth prospects are not sterling but the valuations of these stocks were simply too tempting. As of mid-April, share prices have recovered somewhat. Our enthusiasm for purchasing has dimmed in response.

For a moment in early February, there was a palpable sense of fear in the air. It was quite interesting to be asked several times in a short span of a week "If it was time to buy yet?"¹ The short answer was No; I did not think it was "the time", but nonetheless I was buying opportunistically. The long answer to that question is that trying to time the market is no easy task. Compounding to that problem, even if one divined it was the "time", would he or she have the gumption to go all in at that precise moment? Certainly, good timing is a requisite for stellar performance, but I think good timing comes paradoxically when one does not worry about it, and focuses on the fundamentals and valuations.

For us, we take whatever the market offers. If we think the price is cheap relative to the company's potential, we buy. There is always the possibility that prices could drop even further. I must admit having to go through that experience in February was not pleasant. (Fortunately, we are now in the black for 2 of the 3 new purchases.) We are, however, guided by the belief that eventually prices revert to their true intrinsic value. As long as we buy below this value, we should do just fine.

Goh Yew Liang
13 April 2016

¹ At the risk of contradicting myself: Perhaps the time to buy would be when everyone stops asking you if it is time to buy.