Dear Investors,

The Fund was up 2.7% for the quarter, and 4.6% for the year. The portfolio has a Price to Book Ratio of 1.8x, a PE of 14x, a Dividend Yield of 4.9% and an ROE of 11.8%. It is 50% invested. Mr Market continued his roller coaster activity during the 4^{th} quarter. As tempting as it was, we largely stayed out of the action, adding only one new position, while divesting another.

At the risk of sounding repetitive, the litany of problems are many, but really not new. The markets, however, have finally decided to focus on these issues. Concerns like low growth, aging populations, indebtedness, and the lack of policy tools to drive stimulus are indeed valid; yet some of the reasons tabled in the media mystify me. I was recently discussing with some friends about the impact of low oil prices. To us, we simply could not fathom why low oil prices were spooking the markets. Should low oil prices not result in lower costs and higher profits? Would this not be good for the economy and therefore be a reason for markets to rally? Indeed, the only negative we could see from low oil prices was the effect it might have on renewables development. Yet (at least in the media) the markets do not seem to view low oil prices in a positive light.[1]

More importantly, what do we do now? The situation is very fluid. It is important to keep in mind that markets tend to over extrapolate in both directions. In good times, nothing can go wrong (until they do), and in bad times, everything will go wrong (until they don't). Hence I think it's important in times like these to pay even more attention to valuations as a barometer. High quality stocks are still not cheap, although cracks have started to appear. Cigar butts, on the other hand are becoming more common. We have been active in that space, having added one company in recent weeks and are currently looking at another.

I hesitate to call it 'buy season'. Let's just say that things are getting very interesting for those who have been on the side-lines. Further short term pain is possible, and probably inevitable, but longer term risk reward propositions are definitely swinging in our favour. We have capital, we have been patient and we will not hesitate to use it.

Goh Yew Liang
22 Jan 2016

[1] Oilprice.com provides a differing viewpoint. (http://oilprice.com/Energy/Oil-Prices/20-Oil-No-Longer-Seen-As-Good-For-The-Economy.html) It is a worth a read. I think the opposing case is clearly laid out by the author. Perhaps the divergence in opinion is one of differing timeframes. I am looking from a 3-5 year view point.