

Inclusif Value Fund

www.inclusif.com.sg

Swiss-Asia Financial Services

Portfolio Manager: Teh Hooi Ling

Guiding
philosophy
: 1

Reward through contribution

“Becoming a millionaire is the side effect of helping a million people (OK, that’s a bit of a stretch! 😊). One’s salary or influence is not an end in itself, but an (imperfect) measure of your contribution to the world.”

Guiding
philosophy
: 2

Success comes from expanding the pie for everyone

*It's not a zero sum game, it
can be win-win for everyone*

3

Guiding
philosophy
: 3

Interdependence is a source of strength

*It's a way to harness the skills
of multiple people for a
greater good*

4

Guiding
philosophy
: 4

This is not a 100-m sprint, it's a marathon

Put in the hours, no short cuts, no easy way out. The investment process is a result of more than 10,000 hours of research, reflections and observations.

We are in this together for the long term

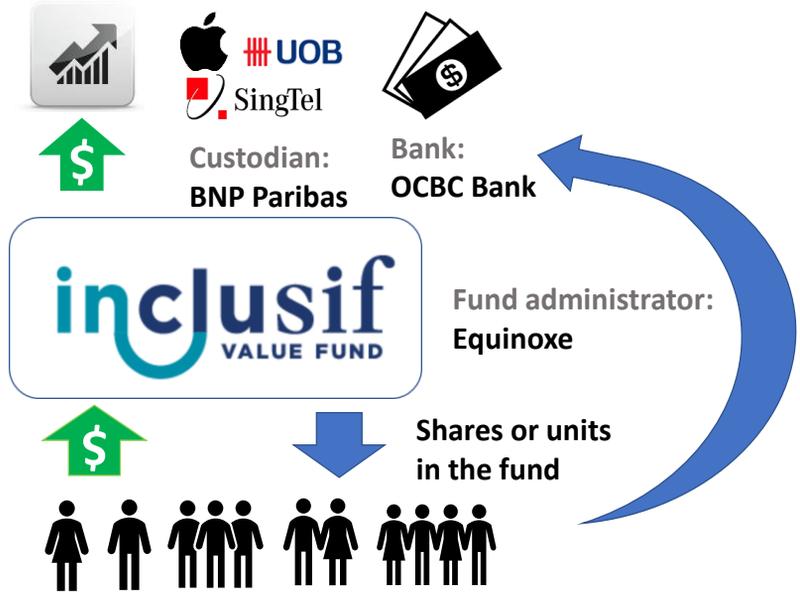
5

Guiding
philosophy
: 5

Be humble

6

- Cayman Islands incorporated open-ended investment company with limited liability
- 100 voting non-redeemable non-participating management shares (THL, who appoints Swiss-Asia as IM)
- 49,900,000 non-voting redeemable participating shares (Investors in the fund)



7

Investment Manager

Swiss-Asia 
 Financial Services Pte. Ltd.
 瑞士亚洲金融服务有限公司

- Compliance
- Operational support

Portfolio Manager:
Teh Hooi Ling

- Manage portfolio
- Marketing & client servicing



Bank

- Keeps investors' subscription monies



Auditor



Cayman Legal Advisor



Custodian



- Keeps the securities

Fund Administrator



- Maintains shareholder register
- NAV calculation and reporting

Executing Brokers



8

Strategies for successful equities investing

Teh Hooi Ling CFA
6 June 2017

Disclaimer

- The content of this presentation is strictly private and confidential and this presentation is only intended for an accredited / institutional investor as defined under S4A of the Securities and Futures Act. This presentation is for informational purpose only and does not constitute an offer or solicitation by Swiss-Asia Financial Services Pte Ltd ("Swiss-Asia"). None of the information or analysis presented is intended to form the basis for any offer or recommendation, or have any regard to the investment objectives, financial situation or needs of any specific person. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Swiss-Asia's control. Past performance is not a reliable indication of future performance. No reliance may be placed for any purpose on the information and opinions provided in this presentation or the accuracy or completeness thereof and no responsibility can be accepted by the Parties and/or any of its affiliated entities to anyone for any action taken on the basis of such information or opinions.
- Swiss-Asia does not warrant this presentation for any particular purpose. It is provided "as is" and on an "as available" basis by Swiss-Asia disclaims, to the fullest extent of the law, any warranty of any kind, whether statutory, express or implied, as to any information, materials, content or matter provided at or through this presentation, including without limitation the implied warranties of merchantability, fitness for a particular purpose and/or non-infringement of third party rights.
- Information contained in this presentation does not constitute investment advice. Before committing to an investment, please seek advice from a financial or other professional adviser regarding the suitability of the product and read the relevant product offer documents including the risk disclosures. If Investors do not wish to seek financial advice, please consider carefully whether the product is suitable for you. The information is current as at the date of publication but is subject to change without notice.

Topics to be covered

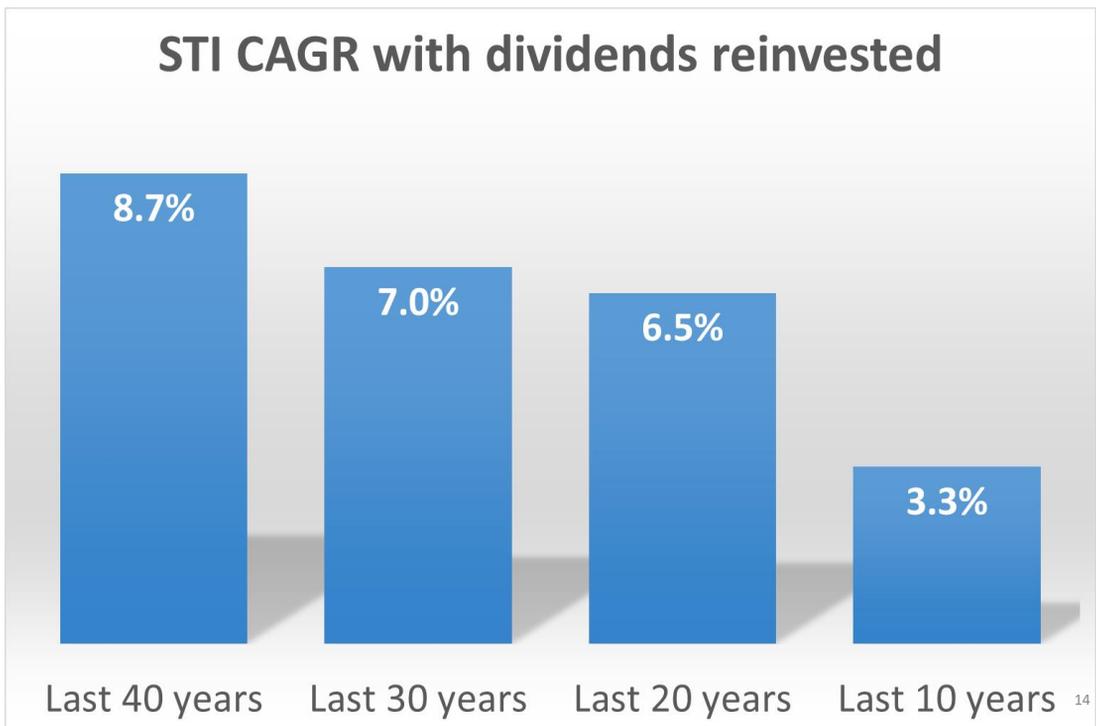
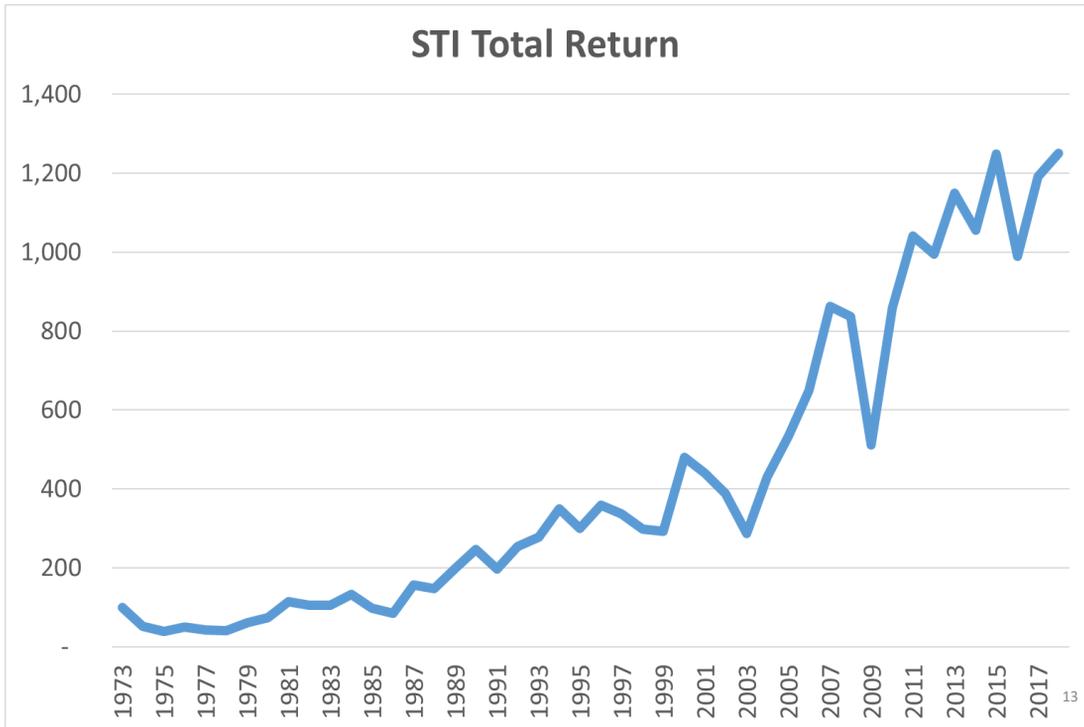
- Why equities
- Ways to get higher than buy-and-hold index returns
- Where is the market now
- Inklusif Value Fund Offer Details

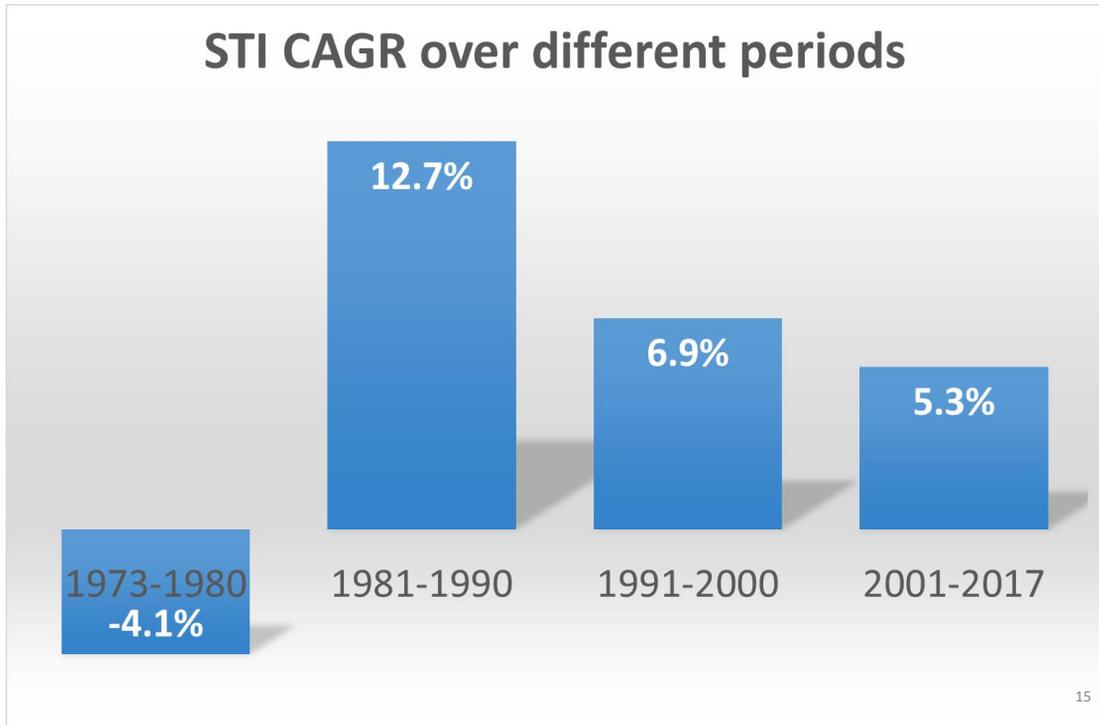
11

Why Equities?

- Equities gives you a stake in a business – you own real assets like buildings, cash in the banks etc, not just in your own country, but in other countries with ease
- It allows you to tap into the entrepreneurial drive of very motivated people around the world
- In the capitalist system, capital trumps labour
- Equities has been one of the best asset classes to generate long term real returns

12





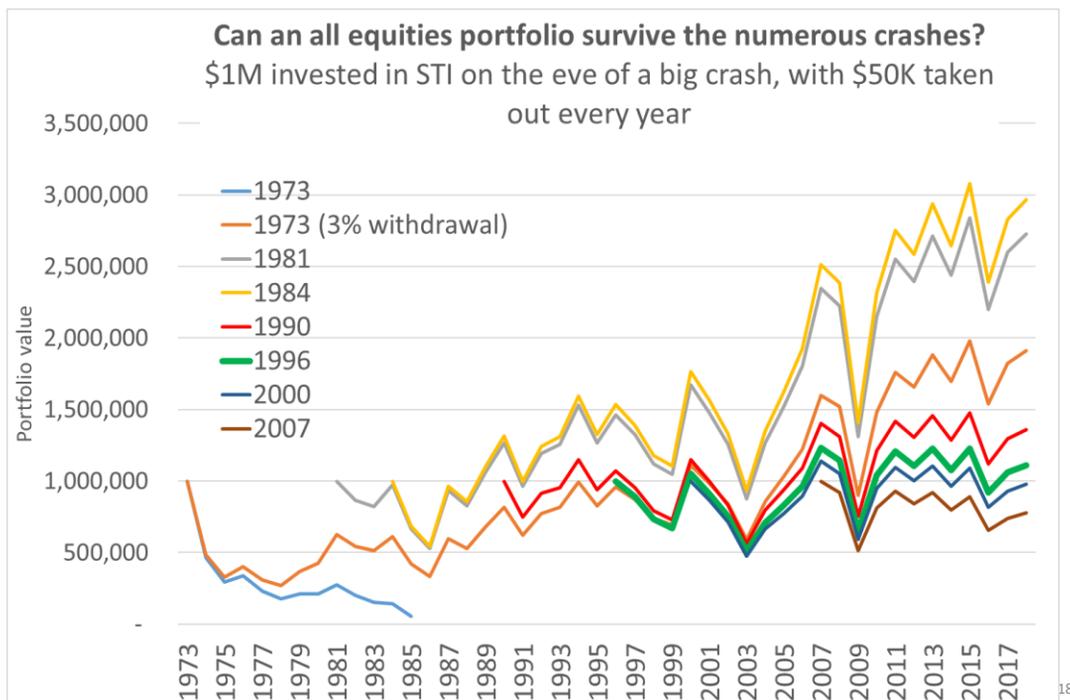
What's the outcome of equities investing if you:

- Put everything into the market in one shot
- Have a regular savings plan

Putting everything into the market in one shot

- Put \$1M into the market at the point of retirement
- Unfortunately, that time coincided with the peak of the market
- You need to depend on this \$1M for your retirement by withdrawing \$50K a year, which works out to \$4K a month
- Can your \$1M continue to provide for you up till today?

17



An all equities portfolio for retirement							
A five per cent withdrawal is "safe" enough							
Retired on 1 Feb:	1973	1981	1984	1990	1996	2000	2007
	\$'000						
Initial portfolio value	1,000	1,000	1,000	1,000	1,000	1,000	1,000
At 5% withdrawal							
Amount withdrawn:	650	1,800	1,650	1,350	1,050	850	500
Portfolio as at 26 April 2017	Port depleted in 85	2,726	2,967	1,361	1,112	977	777
Portfolio at its lowest		528	544	565	508	477	513
At 3% withdrawal							
Amount withdrawn:	1,290	1,050	990	810	600	510	270
Portfolio as at 26 April 2017	1,913	5,982	5,561	2,845	2,057	1,627	1,045
Portfolio at its lowest	272	610	581	768	624	525	545
Source: THL, Inklusif Capital							

19

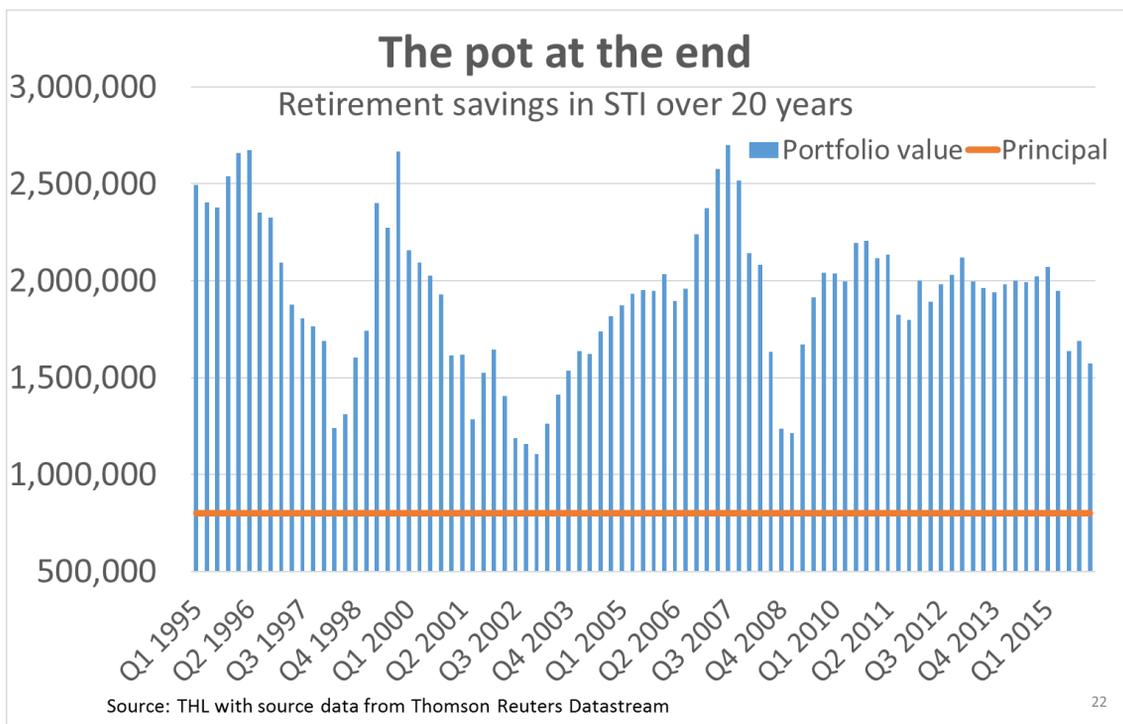


20

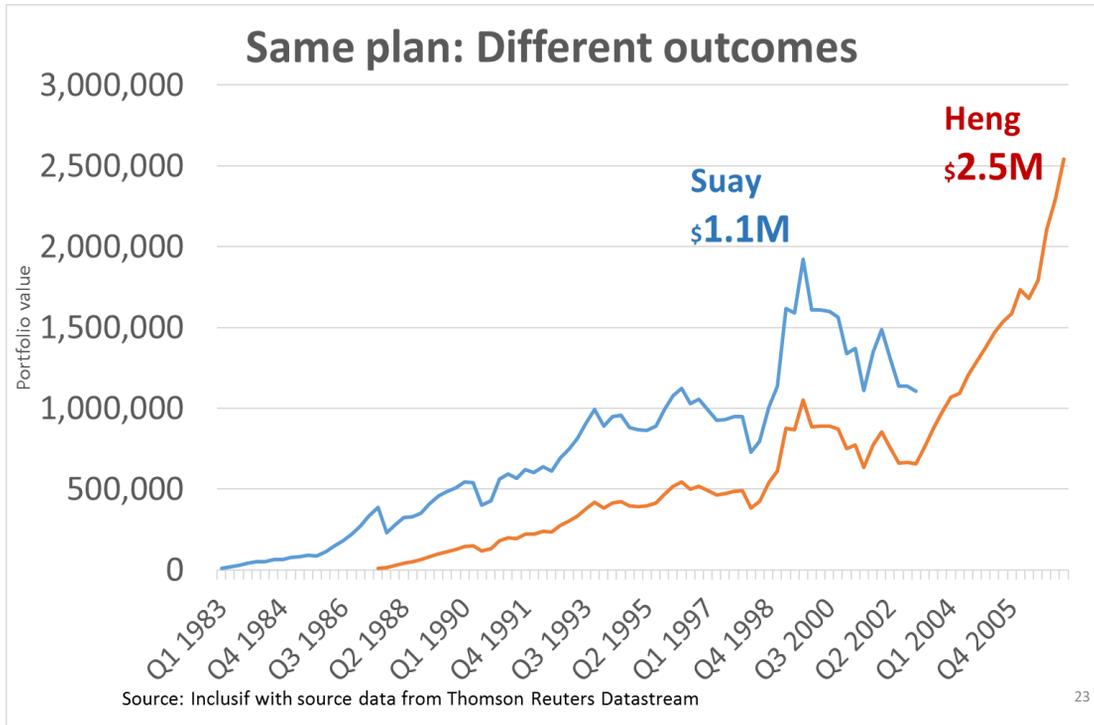
Regular savings

- Invest \$10K every quarter into the Straits Times Index over a period of 20 years
- Dividends are reinvested
- How much do you have at the end of 20 years?

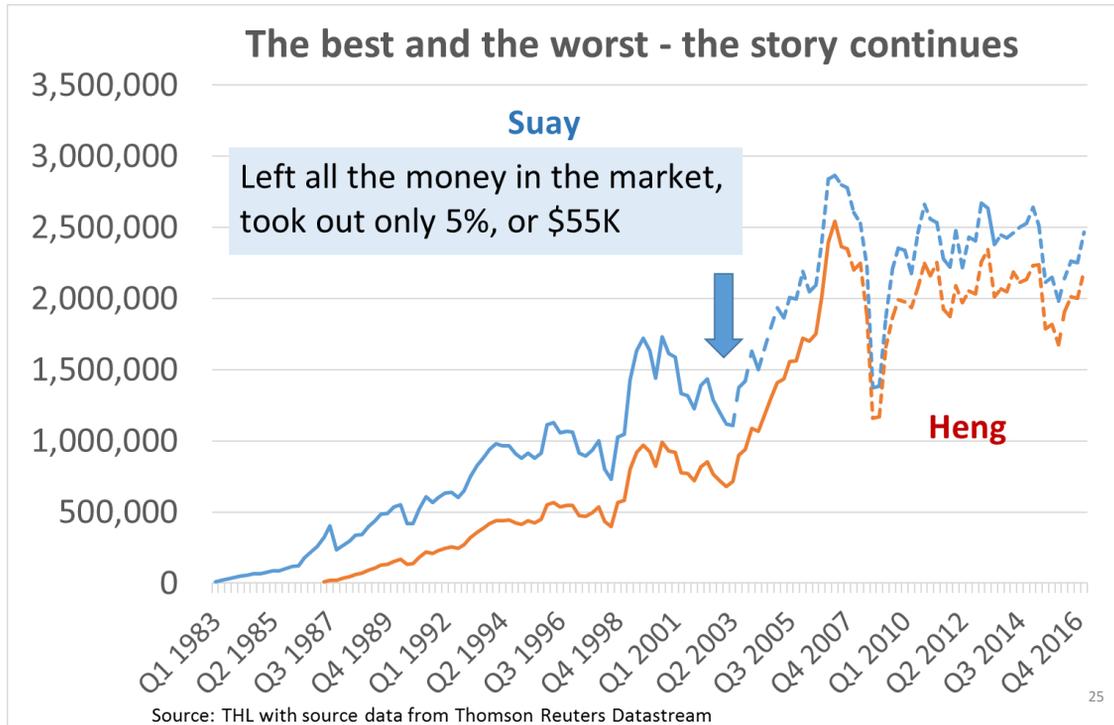
21



22



What happens if Suay left all her money in the stock market and just took out 5% a year?



25

Entire sum remains in equities, i.e. STI in this case

	Suay	Heng
Portfolio at the point of retirement	1,117,330	2,545,379
Years since retirement	14	10
Amount withdrawn	1,649,286	1,159,784
Amount withdraw from May 2007	1,306,435	1,159,784
Portfolio as at 26 May 2017	2,284,034	1,932,806

26

Fixed deposit vs
leaving money
in the stock
market

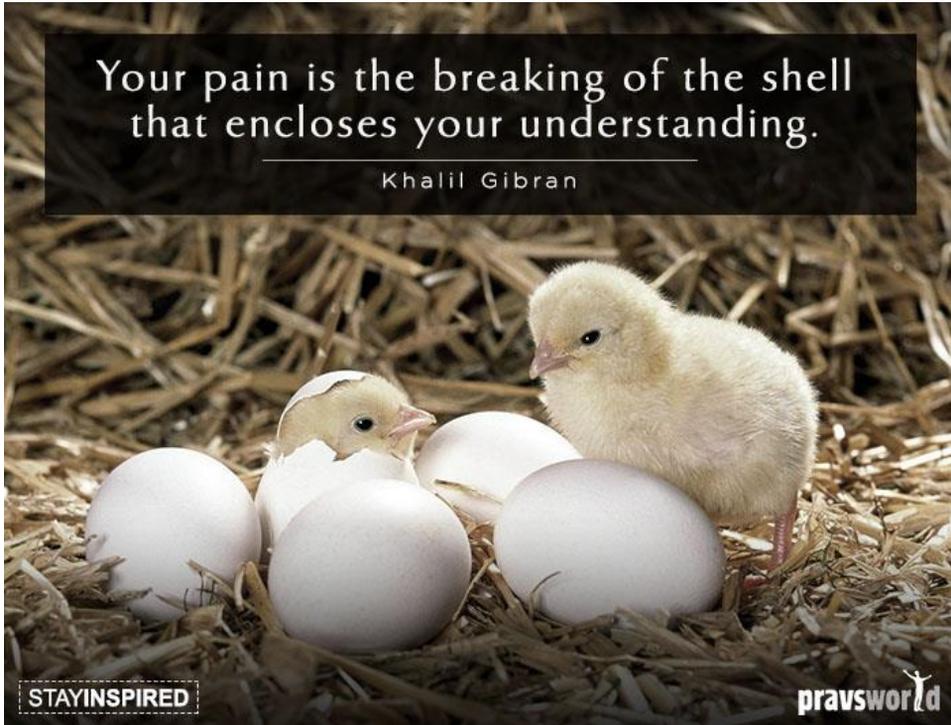
	Heng			
	Savings in FD: 2% interest	5% withdrawal on FD amount	Savings in STI	5% withdrawal from STI
May-07	2,545,379	127,269	2,545,379	127,269
May-08	2,466,472	123,324	2,246,188	112,309
May-09	2,390,011	119,501	1,659,873	82,994
May-10	2,315,921	115,796	1,934,130	96,706
May-11	2,244,127	112,206	2,252,530	112,626
May-12	2,174,560	108,728	1,971,026	98,551
May-13	2,107,148	105,357	2,344,583	117,229
May-14	2,041,827	102,091	2,187,974	109,399
May-15	1,978,530	98,926	2,235,889	111,794
May-16	1,917,196	95,860	1,774,123	88,706
May-17	1,857,762	92,888	1,932,806	102,199
Total sum withdrawn		1,201,947		1,159,784

27

Takeaways

- **Time** and **small moves** eliminate the luck element in stock investing
- You shouldn't be afraid to put your retirement funds in equities as long as you intend to withdraw up to 5% a year to fund your retirement
- There is low probability your money will run out
- **Caveat: The equities you put your money in as a basket must not have any risk of ever falling to zero**

28



29

Ways to enhance returns from equities

30

Three golden rules to achieve higher than buy-and-hold index returns

Buy value stocks	Sell Discipline	Market valuation
Buy equities which are trading at below their fair value – Value investing	Sell the not so cheap stocks, and recycle capital to cheaper stocks	Have the courage to stay in, as well as out of the market based on valuation

31

Fair value

- In a capitalist system, there is a fair value for all assets
- Fair value can be determined by discounting the expected future cash flow from the asset, or from finding out the replacement costs of the asset
- E.g. one way to estimate a factory building is to factor in all the costs to be incurred to build it up, which would include land costs, building materials and labour costs, the cost of capital etc
- Market prices can deviate from fair value due to investors sentiment, but the further market prices move away from fair value, the higher the probability that they will revert back to fair value

32



33

Valuation metrics

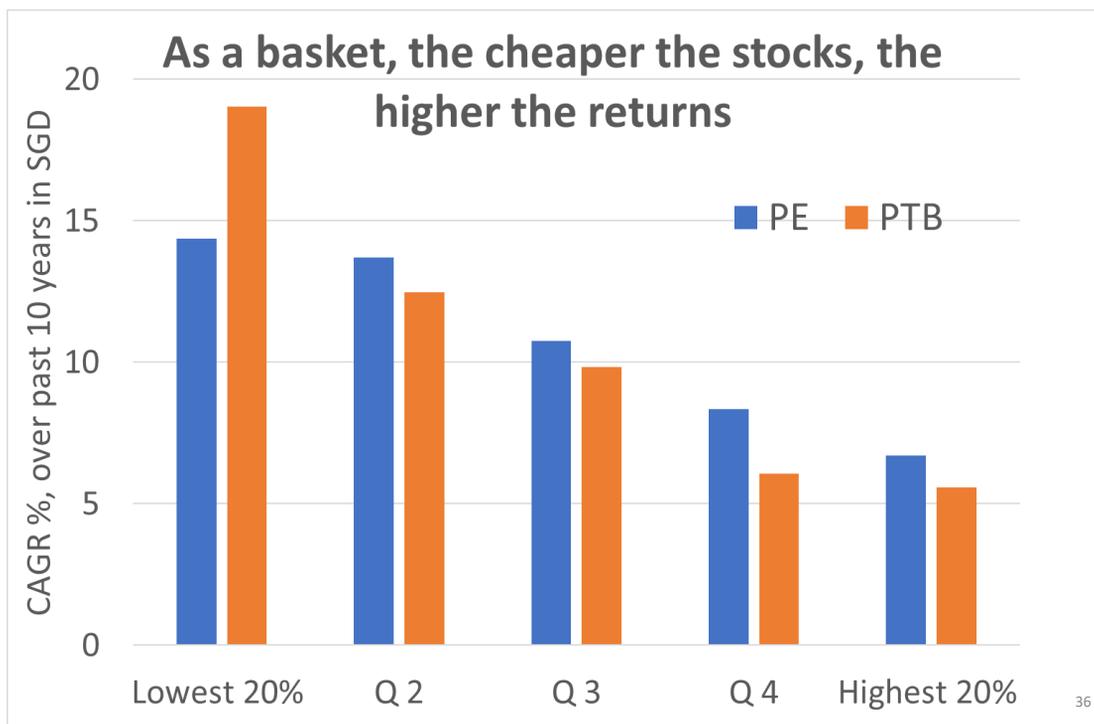
- Price-to-book
- Price-to-earnings
- Dividend yield
- Price-to-cash flow
- Enterprise value to Earnings before tax, depreciation and amortisation
- Discounted cash flow model, etc

34

The problem with valuation for individual stocks

- It is not an exact science
- It's based on assumptions, imperfect information
- Eg. we can't say for sure that Keppel Corp's fair value is \$12.58
- Even if we can say that, we can't tell **WHEN** the market will recognise that that's the fair value

35



What we know

- Prices in general revert to “fair value” over time

What we don't know

- Exactly **what** the fair value is
- **Which particular stocks** will the market recognise as not trading within the fair value
- **When** the market will recognise that

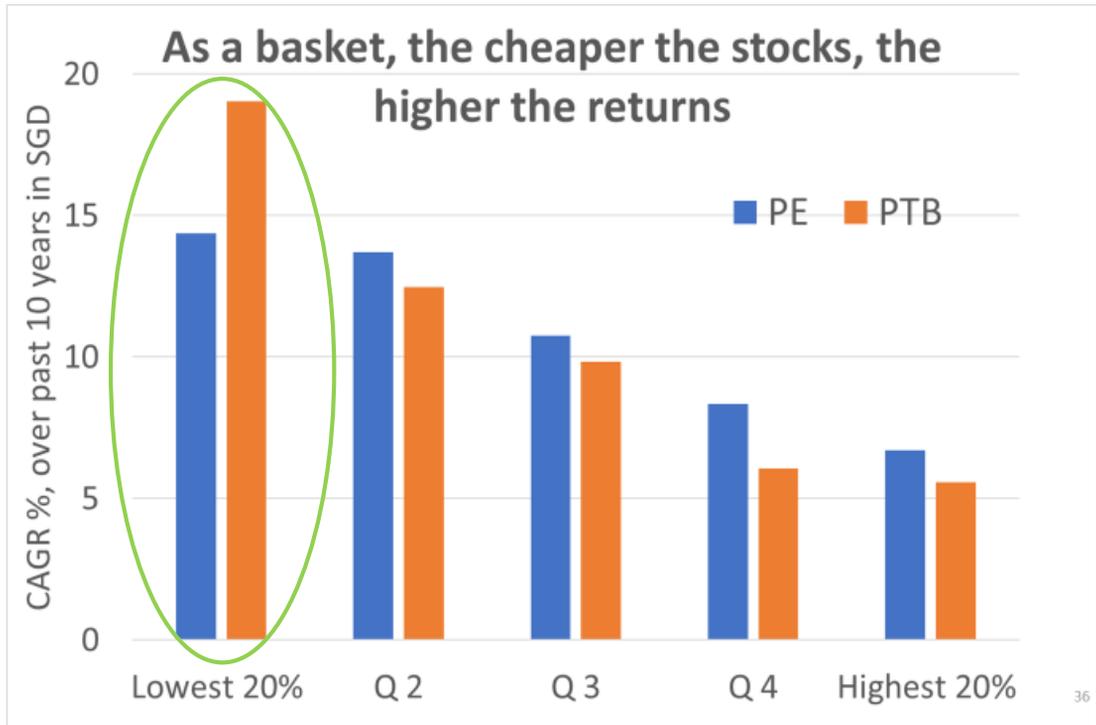
37

So what do we do?

We just buy a BIG basket of undervalued stocks!

Statistical phenomenon known as “**the law of large numbers**” – the law states that the more observations we make, the closer our sample will be to the population, and hence greater the certainty of our prediction – to construct portfolios of securities that would, in aggregate, outperform the market

38



But after you bought them, when the stocks rose to within the “fair value” range or above it

You have to sell it!



If not, you've wasted your time being
invested in them

Time is money!

Continuous attention to the portfolio, adds to the
rate of return

43



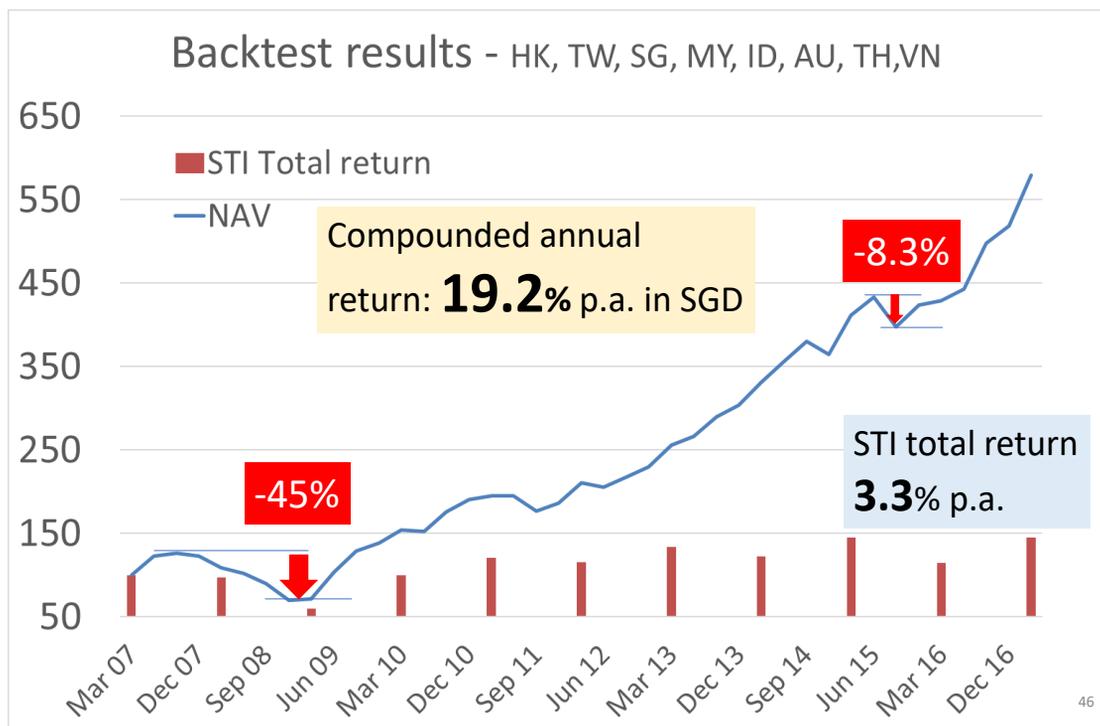
The process in short:

- Buy a basket of eggs
- Wait for them to hatch
- Once chicks grow to a certain size, sell them
- Use the money to buy more eggs
- That's how you grow your basket!

44

Using this process that relentlessly pursues an edge over a long period of time, through booms and busts, good economies and bad, what kind of returns did the market generate over the past 10 years?

45



The chart above illustrates two points

1. The benefits of taking the systematic approach of buying a basket of value stocks, and regularly rebalancing the portfolio
2. The benefits of diversifying into other countries – not only are the returns higher, the volatility is also lower

47

But despite including only value stocks in the portfolio

When the market crashed, the portfolio suffered sharp drawdowns as well – to the tune of -45% during the Global Financial Crisis, and -8.3% in the third quarter of 2015 when there were concerns about China's economy and the oil prices were collapsing

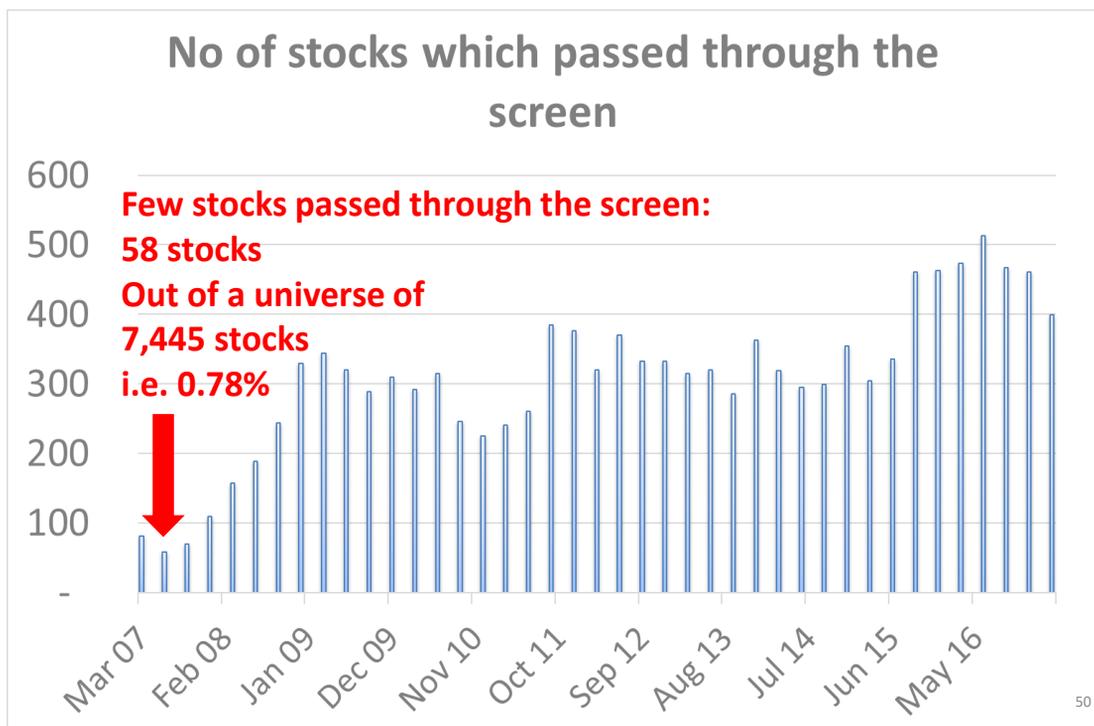
Is there a way to avoid such sharp drawdowns?

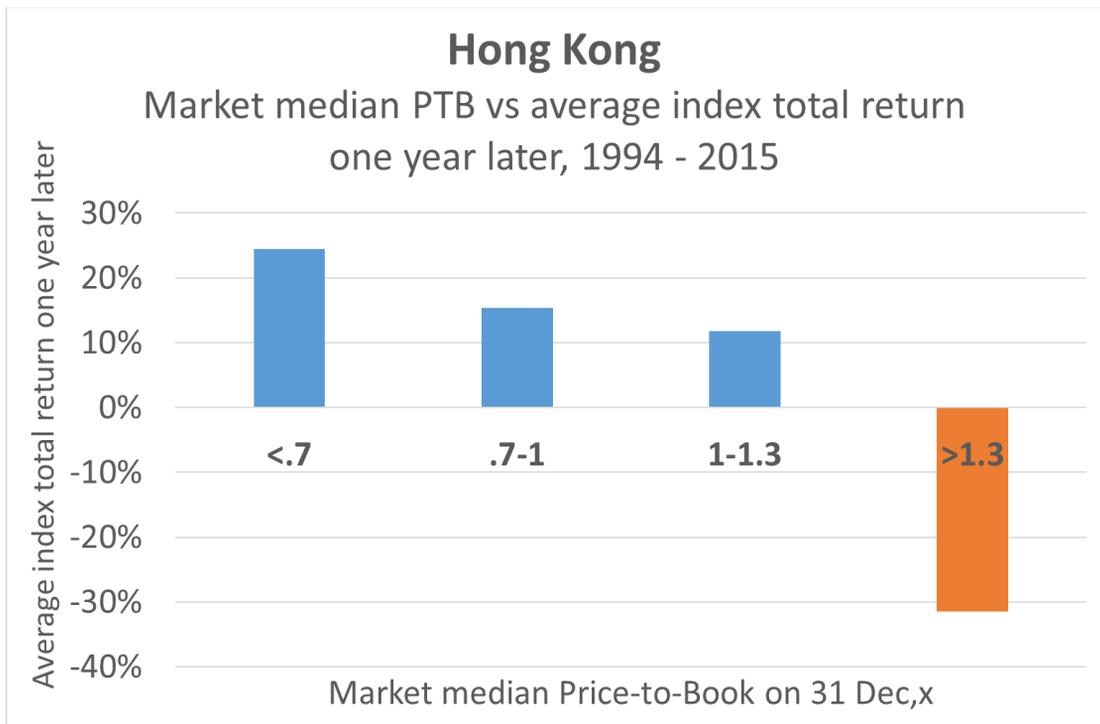
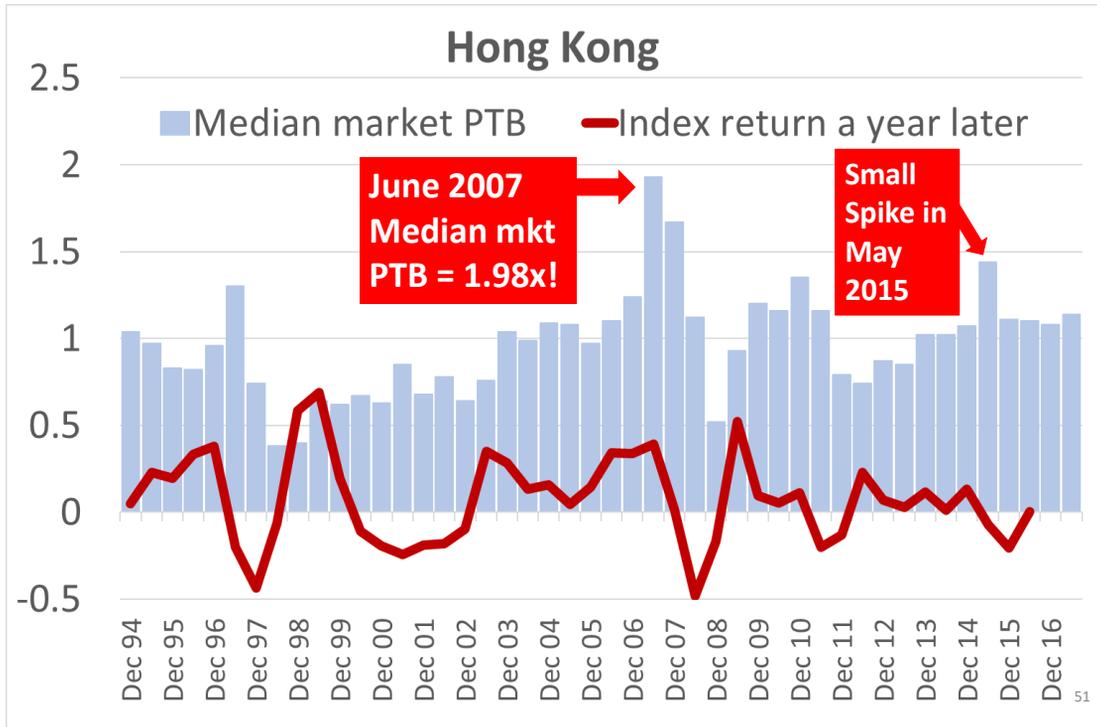
Always be guided by valuations

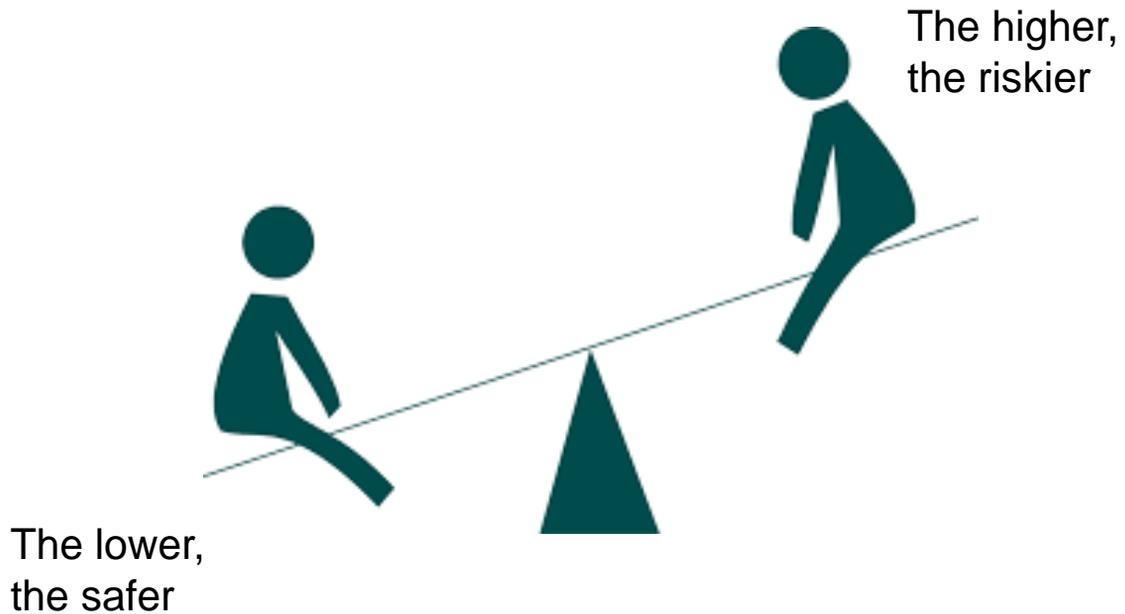
48

Tell tale signs that markets are richly valued

49



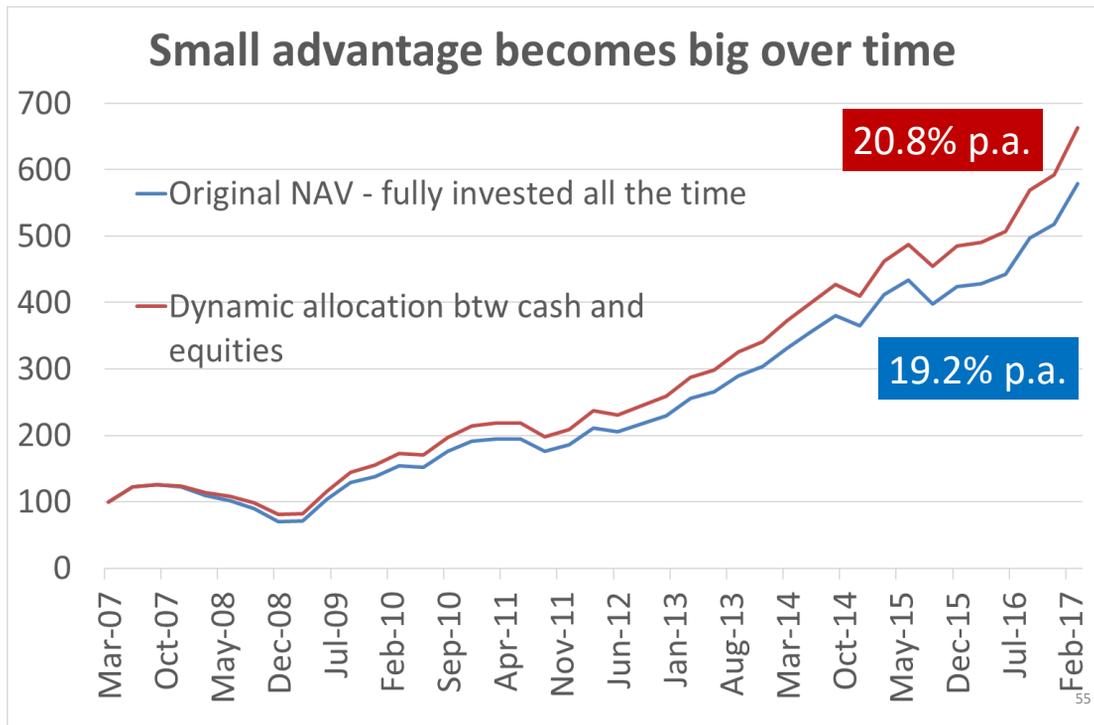




53

What happens if you take some money off the market when valuation is high and reinvest the cash again as the market comes down?

54

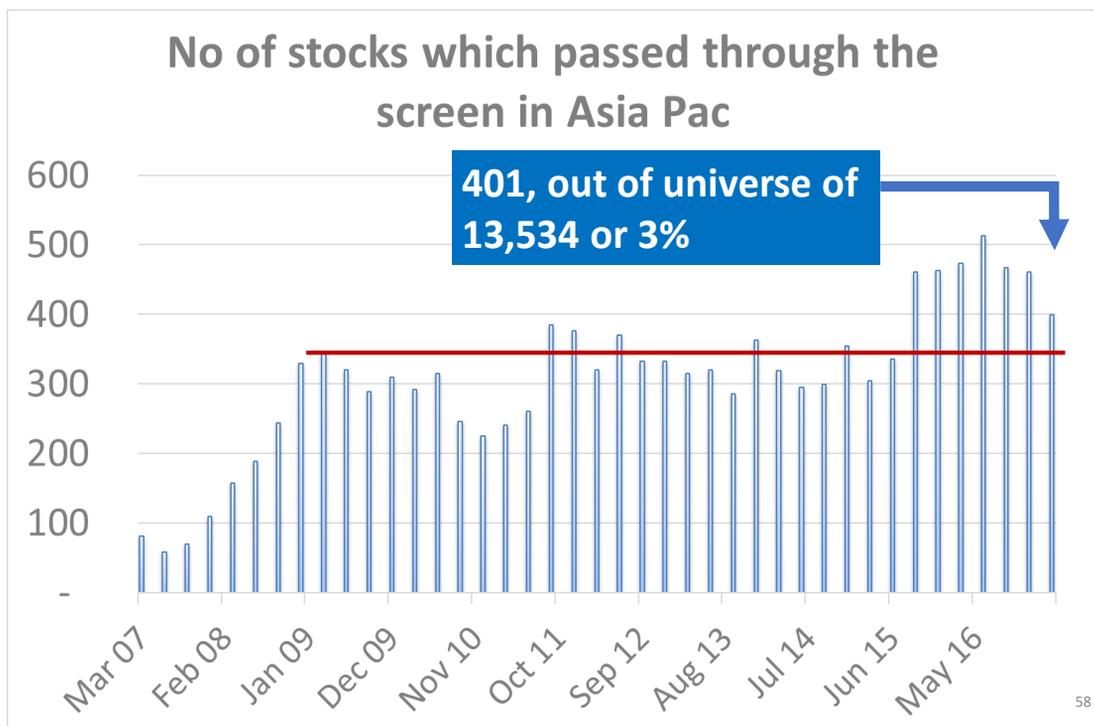


Caveats

- These are backtest results based on data from Bloomberg
- No transaction costs are factored in

Where is the market now?

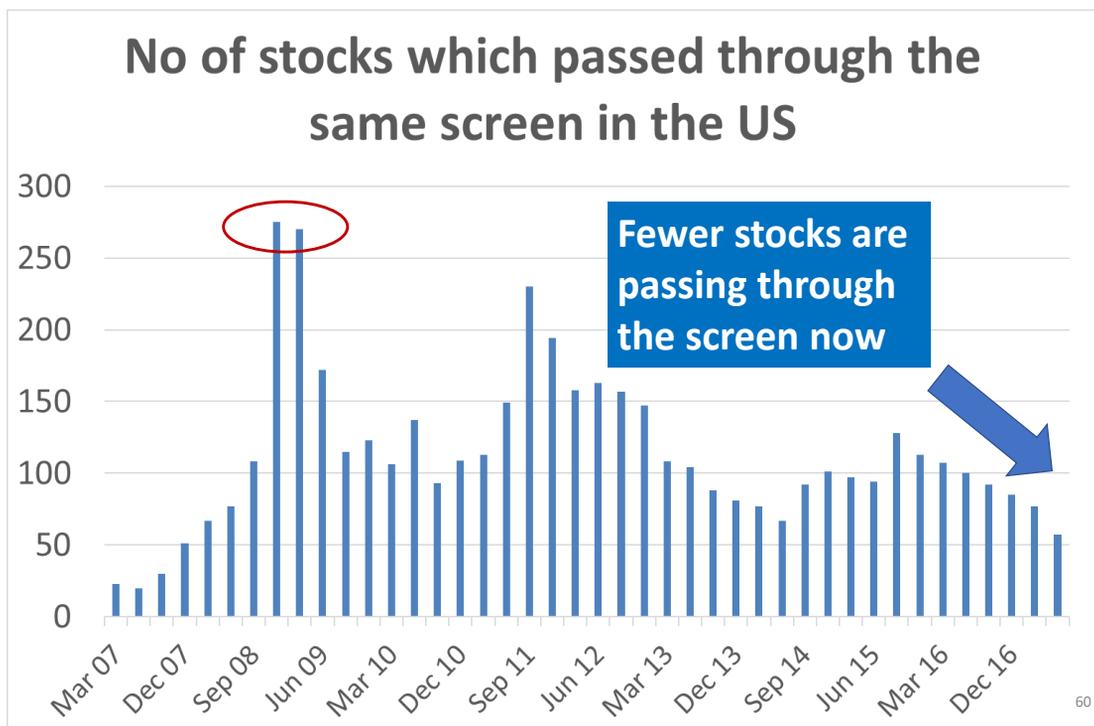
57



Observations

- There are more stocks that offer value in Asia Pac today than in March 2009, during the trough of the Global Financial Crisis
- However relative to last year, there are fewer stocks which passed through the screen today, i.e. markets today are not as cheap as last year
- But there remains ample opportunities

59



Conclusion

- There are more value opportunities in Asia than in the US at the moment

61

Inclusif Value Fund

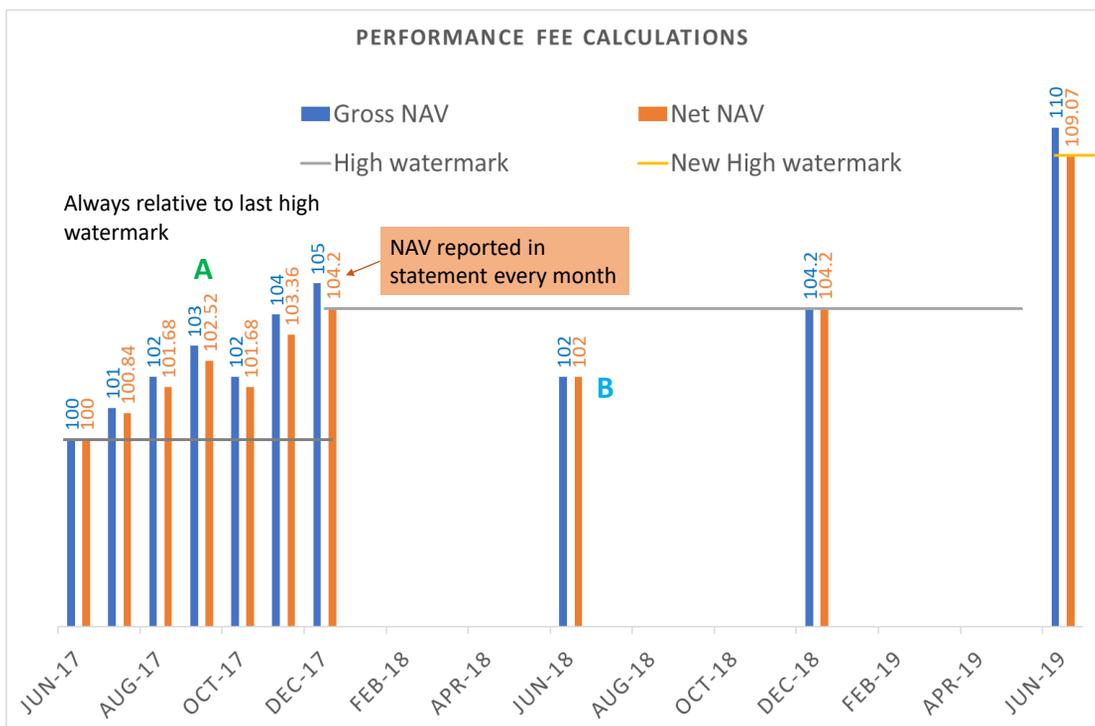
- Using the process which incorporates all my understanding and research of the markets
- Asset class: Equities
- Markets: Asia Pacific, including but not limited to HK, KR, TW, JP, SP, MY, TH, ID, AU, VN
- Strategy : Long only quantitative value, diversified across markets, sectors, industries, stocks

62

Fund details

- First six months of launch – Pioneer Investor class of shares
 - 0% management fees
 - 16% performance fees
 - \$500 account set-up
- After the offer period: 0%, 20%, \$2,000; or 0.5%, 16%, \$2,000
- Minimum subscription: S\$160,000
- Soft lock up first 3 years (Penalty: 1st year: 5%; 2nd year 3.5%; 3rd year 2%)
- Redemption of up to 5% a year, no penalty
- For Accredited Investors only
- Monthly subscription; Quarterly redemption, 60 days notice period

63



Equalisation credit and contingent redemption

Equalisation Credit

- Investors who come in at NAV higher than the last high watermark, e.g. **A**, will get equalisation credit
- This means, they will be given additional units in the fund
- So that when performance fee is crystallised at the next performance period relative to the last performance period, they only pay for the performance from their entry level upwards

Contingent Redemption

- Investors who come in at NAV lower than the last high watermark, e.g. **B**, will get redemption credit
- This means, units will be deducted from their account
- So that they pay for the performance from their entry level to the last high watermark, as well as the performance from the last high watermark to the new high watermark

65

Inclusif Value Fund

- I will always try to improve the process and will constantly do research and keep tabs of the market to see if anything has changed
- I will build up my team over time to help me do that. Currently I have Seng Hong as Deputy Portfolio Manager and Yao Yang as Research Analyst
- This method works best in Asia, probably because markets here are less efficient, population is still growing, and urbanisation is still in progress
- Over time, this method may have to be tweaked. When the time comes, I'll make sure I have the necessary skillset in my team to do that
- **Caveat: This is an equities fund, there will be volatility. It will not be a straight line ride.**

66

Inclusif Value Fund - like the more commonly used acronym IVF

Give Hope! Give Life!

Give Hope

That you will be able to retire with a decent size of fund.

Give Life

Give you a life you want in your retirement years: one in which you don't have to worry about managing your funds; you can spend your free time with your family, travel the world, or do things you want to do.

67

Re-imagine your Retirement!

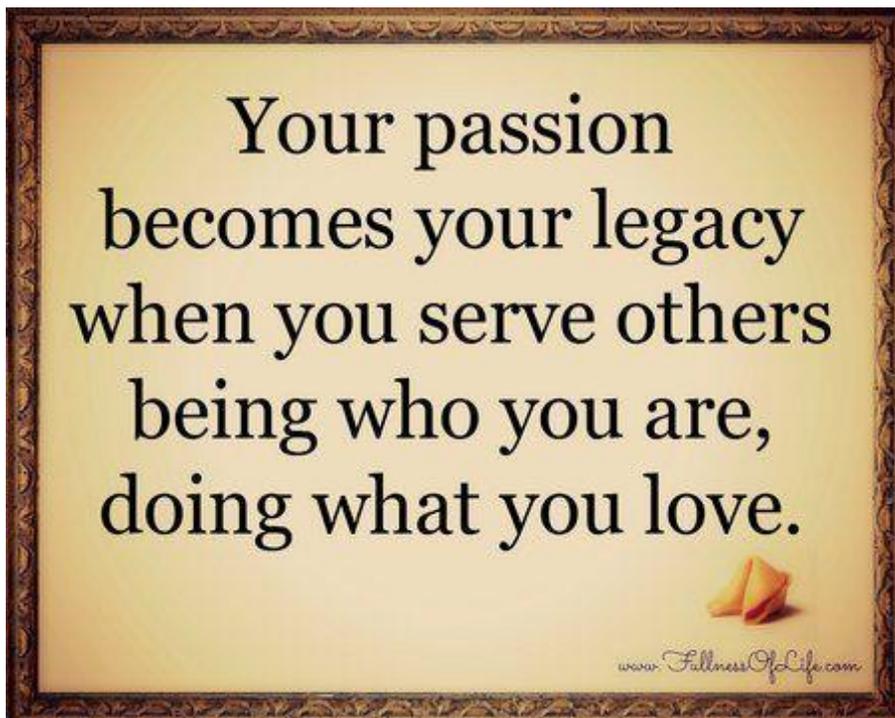


68

THANK YOU!

***I look forward to starting the next phase of my
life journey with all of you!***

69



70