Amala

Emerging Asia Fund

Information Sheet **3 rd Quarter 2015**

FUND INFORMATION

FUND OBJECTIVE

To achieve long-term capital growth by investing in equity and equity-related securities of emerging companies in Asia whose businesses are geared towards domestic demand.

LAUNCH DATE

7 th July 2015

FUND SET-UP

Cayman Islands Regulated Fund

INVESTMENT MANAGER

Amala Capital Management Ltd, Cayman Islands

INVESTMENT SUB-MANAGER

Nivalis Partners Limited, Hong Kong

ADMINISTRATOR

DBS Bank, Hong Kong

CUSTODIAN

DBS Bank, Hong Kong

SUBSCRIPTIONS / REDEMPTIONS

Monthly :

Mininmum initial investment US$ 100,000

Subsequent investment US$ 50,000

Notice :

Subscriptions: 5 days

Redemption: 30 days

MANAGEMENT FEE

1.50%

PERFORMANCE FEE

10% with a high watermark

FUND ELIGIBILITY

Professional Investors

Quarterly Commentary

Dear Investors,

We appreciate the faith you have expressed and the trust you have reposed in us. We hope we can deliver on expectations. This is our first investment letter since we started investing in July 2015. We are taking the opportunity to express ourselves on our mandate, backdrop of the current investment environment, fund philosophy and investment portfolio.

We intend to own small parts of businesses via listed equities with a medium to long term time horizon. Currently there is limited money looking to be invested for 3-5 years. Along with this we also observe there are issues of limited coverage of emerging companies possibly due to business exigencies of different participants. We have started our journey in this backdrop.

Investment Philosophy

Our philosophy has three pegs. We intend to buy high quality businesses that we understand that are owned and managed by integral and competent people paying a sensible price.

For us the single most powerful indicator of quality is sustained high return on capital employed. We expect the underlying business to earn this in relation to bank lending rates in that country or region. The source of this high and sustainable returns can be from factors like dominant market presence, highly efficient cost structure, brand or portfolio of brands, distribution network, patents or intellectual property rights.

Integrity for us is not up for compromise. We will look for demonstrated owner and manager integrity in their dealings with all constituencies viz. customers, government, environment, capital providers such as shareholders and banks.

The price we pay to get perceived value in return is the toughest part of our business. A high quality business bought at a sensible price can produce a potentially good outcome. At the same time if we were to overpay to purchase a quality asset the outcome could be sub-optimal. We hope to be objective on this aspect of our investment process.

With our mandate and investment philosophy we see our portfolio essentially in a few distinct buckets. We will own a few small / mid sized businesses which trade less on the stock markets, some businesses largely due to shareholding structure and the resultant liquidity thereon and businesses which need time. On a normalised basis it is tough to get high quality businesses at attractive values. We hope with less liquidity and time constraints at our end we can look further out on business prospects of emerging companies. We will also be in to evaluate prospects of what is classically referred to as a good company in temporary stress. Stress could be from issues like growth, profitability, management issues etc.

Portfolio

We intend to have a portfolio of 25 names at most points in time. At the end of September we have 8 names in our portfolio across India, Indonesia and Hong/ China. We have consciously made a slow start and are lightly invested considering the state of stock markets in the region. The fairly dramatic moves in the foreign exchange market too have added to our discomfort in the near term. Additional subscriptions during this quarter have also resulted in a higher level of cash. We are highlighting two names in our portfolio.

We own a newspaper company in India. Local language business is growing driven by relatively faster economic growth in certain states, improved literacy & reading habits and rising ad rates. Our portfolio company is a leader in two of the three states that it operates in. Its investments made over the last 5 years in a large adjacent state are in early stages of paying off. The company has been very disciplined on capital spending achieving high and rising profitability while investing and accumulating cash on the balance sheet. We are banking on continued revenue and profit growth in its core business along with market share gains in the adjacent state. Large amount of accumulated cash provides us additional comfort and a potential to undertake a value accretive acquisition. Media being a lead cyclical provides an additional lever in this stage of economic recovery and growth in India. For us two major risks in this company would be aggressive competitor action in its core markets and a possible capital misallocation on acquiring a new business

Another name in our portfolio is a houseware and home improvement retailer in Hong Kong. Housewares in the Hong Kong context, is a small bill size highly frequent purchase category. This type of business has been fairly resilient to economic shocks having grow even during the global financial crisis in CY 08-09. Its a dominant player having a large network of stores and an estimated 65% market share. The company has over the last 20 years consolidated the market, gaining share from mom & pop stores and having bought out few competing store networks. During the last 5 years the company has expanded principally into Singapore and a few other markets. Its highly successful Hong Kong operating model is currently facing headwinds in Singapore. Management is seized of the challenges and is attempting to correct the operating model before further expansion. We have bought into this name for the strength, profitability and growth of its Hong Kong operations and the growth optionality in the region. Our expectation is that the company improves its Singapore business over the next 12-18 months. In the meanwhile we take conmfort in the solid profits of its Hong Kong Operations and earn a 6-7% dividend yield. Additionally the company has 40% of its enterprise value in cash on the balance sheet. Key risks in this name would be weak economic environment in Hong Kong which could affect the floor value of its core business and an expensive failed effort to turnaround its Singapore operations.

During the quarter we visited companies in Indonesia and India. In Indonesia, most corporates we met echoed a sentiment of low economic growth. Corporate report card for the first half of the year too coraborates this view. In this backdrop we hope to find a few quality businesses who are able to withstand the tough enviornment. It will be very challenging to assess base earnings and profitability and pay up a sensible price as the outlook continues to be uncertain. We are trying to be constructive and looking at companies and their earnings outlook from a two to three year perspective. We currently own three names in Indonesia and are hoping to add a few more during the course of the next quarter.

In India we met far more confident and expectant company managers. The hope stems from the goverment policy action which includes creating a substantially improved business operating enviornment. Corporates also expect monetary easing to contribute further to improve overall business sentiment. The Indian stock market continues to trade in a very bi-polar manner like they have done over the last six years. There are richly valued high quality businesses at one end while there are a host of lower valued economic activity related business. We hope to find a few solid businesses which are trading at sensible prices. We currently own five names in India.

Outlook

We intend to step up our investing during the last quarter of CY 15. As we write this note we have added another two names to our portfolio. In addition we have a few other names which we like and would get involved at appropriate prices.

Performance %

	1 M	3 M	ITD *
% Change	-0.54%	-2.2%	-2.4%
Net Asset Value	97.58	99.8	100

** Inception to date*

Country Exposure

India	51%
Indonesia	27%
China	22%
Thailand	0%
Philippines	0%
Malaysia	0%
Total	**100%**

Sector Exposure

Consumer	36%
Financials	18%
Communication	17%
Materials	15%
Health Care	14%
Total	**100%**