

Amala

Emerging Asia Fund

Information Sheet

4th Quarter 2015

FUND INFORMATION	Quarterly Commentary
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	Dear Investors, Wishing you a Happy New Year. Our fund ended the quarter with net gains of 1%. For the first six months we have managed to earn a 1.5% gross equity return(before fees and expenses) while the fund NAV is down 1.4% in the same period. Our Indian and Indonesia investments gained whereas our positions in Hong Kong/China were flat.
LAUNCH DATE 7 th July 2015	In the last six months stock markets across the region were volatile with most country and regional indices ending in negative territory for 2015. Investors continued to be discerning, as quality stocks continued to trade at a substantial premium in relation to other businesses. Market participants have been concerned with global interest rates, appreciating US Dollar, price of crude oil and state of the Chinese economy amongst others.
FUND SET-UP Cayman Islands Regulated Fund	We continue to search for value in this backdrop. Our investment philosophy and process along with the current cash position gives us hope and comfort to be able to navigate these markets in 2016 and beyond.
INVESTMENT MANAGER Amala Capital Management Ltd, Cayman Island	Quality Business For us a quality business is one that consistently makes higher return on capital deployed in relation to bank lending rates in that country or region. It's a culmination of many decisions, calculated judgement and actions taken by owners and managers who run such a business.
INVESTMENT SUB-MANAGER Nivalis Partners Limited, Hong Kong	We look into the reasons for this higher capital productivity and the length of time this could continue. Past capital allocation looked alongside incremental returns on capital made is a solid validation of the potential durability of the underlying business. We also assess the size of opportunity and thus the ability of this business to put additional capital to work. Some quality businesses require limited capital to maintain and grow. These kind of businesses can add to investment returns in the form of dividends.
ADMINISTRATOR DBS Bank, Hong Kong	The capability of the people running a quality business is visible from its capital productivity. The multitude of decisions taken to build, sustain and grow such a business reflect the strength and character of its managers.
CUSTODIAN DBS Bank, Hong Kong	
SUBSCRIPTIONS / REDEMPTIONS Monthly : Minimum 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	

Portfolio

This was an active quarter for the fund in which we added a few new names while scaling up existing holdings. We now have fourteen positions in our portfolio across India, Indonesia, Philippines and Hong Kong/ China. We intend to have about twenty five holdings and at this juncture have covered more than 50% of our journey. However, we still have substantial amount of cash waiting to be appropriately deployed across investment worthy ideas.

We recently bought an Indian mid-sized fast moving consumer goods company with presence in beauty and wellness categories. It's a growing dominant leader in its core hair care business in India. Over the last fifteen years this company has used its cash flow to enter adjacent hair care markets in India, parts of Asia and Africa. Capital deployment has been fairly productive for both internal growth and acquisitions. Their objective has been to buy into small differentiated brands in existing and emerging consumer categories which could be expanded geographically. We like the company for its market position, its capital allocation history and the overall growth prospects of its product portfolio. We have bought this stock after a lot of trepidation on its valuation. We are paying up for quality with the hope that this company delivers on its three years earnings outlook. The biggest risk for this stock in the near term is a possible valuation contraction. Slower earnings growth versus expectations could be one such cause.

We also own a ceramic tiles company in Indonesia. It is amongst the leading players in the country with a strong presence in the low to mid end of the market. Over the last five years to 2014 the company grew its revenues at nearly 20%. Profits grew faster and its achieved business profitability in terms of returns on capital of 20% plus during this period. The company and a few other players expanded capacity in line with industry growth. As growth slowed in Indonesia over the last 18 months pricing became the dominant tool to sell product in the tile business. As a result the industry and company profitability has dropped substantially. We have known this company for a long time and are appreciative of its business management ability. Currently there are early signs of industry growth coming back while competition seems to have gotten more rational. For us this stock would fit into the good business in temporary trouble category. Lower than anticipated growth and profit recovery are the major risks to the turnaround prospects of this stock.

During the quarter we visited a few companies in Singapore, Malaysia and India. We liked a few names and hope to add to our existing holdings.

Outlook

We intend to put more money to work during 2016. As we write this note we have added another two names to our portfolio. Our portfolio build out still continues to be work in progress as a host of businesses we like continue to remain within striking distance of our valuation range. We remain optimistic to be able to put our capital to its best use. Our confidence stems from our current cash position and the recent market movements.

Ayaz Motiwala
Portfolio Manager

Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015 NAV						100.00	99.71	98.11	97.58	98.49	97.74	98.63	
% Chg.							-0.3%	-1.6%	-0.5%	0.9%	-0.8%	0.9%	-1.4%

Cumulative return since 07 July 15 **-1.4%**

Country Exposure		Sector Exposure	
India	52%	Consumer	47%
Indonesia	26%	Financials	14%
China	15%	Communication	12%
Thailand	0%	Materials	14%
Philippines	7%	Health Care	13%
Malaysia	0%		
Total	100%	Total	100%

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