

LIGHTHOUSE ADVISORS

Keeping Your Capital Safe

August 2020



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Who We Are



- **The Firm**

- Based in **Singapore**
 - Founded in 2008 as a sole proprietorship, incorporated in 2012
- **Registered Fund Management Company (RFMC)**
 - Regulated by the Monetary Authority of Singapore
- Currently focused on **Equities**
 - Key Markets: **Singapore, Hong Kong, China**
 - Secondary Markets: **US, Japan**

- **The Team**

- **Benjamin KOH** (Chief Investment Officer / Founder)
 - Previously at **APS Asset Management**
 - 18 years' investment experience (since 2002)
- **OH Chiah Ching** (Investment Analyst)
 - Previously at **First State Investments**
 - 15 years' investment experience (since 2005)

How We Are Different



- **Proprietary Research**

- Management, competitors, suppliers, customers
- Personal network, clients

- **Flexible**

- No limits on sector exposure
- No limit on cash
- Core-satellite strategy provides multiple sources of returns

- **Special Situations**

- Not many investors willing to invest the time and effort
- Market is inefficient, so returns are higher

Investment Strategy: Core-Satellite Approach

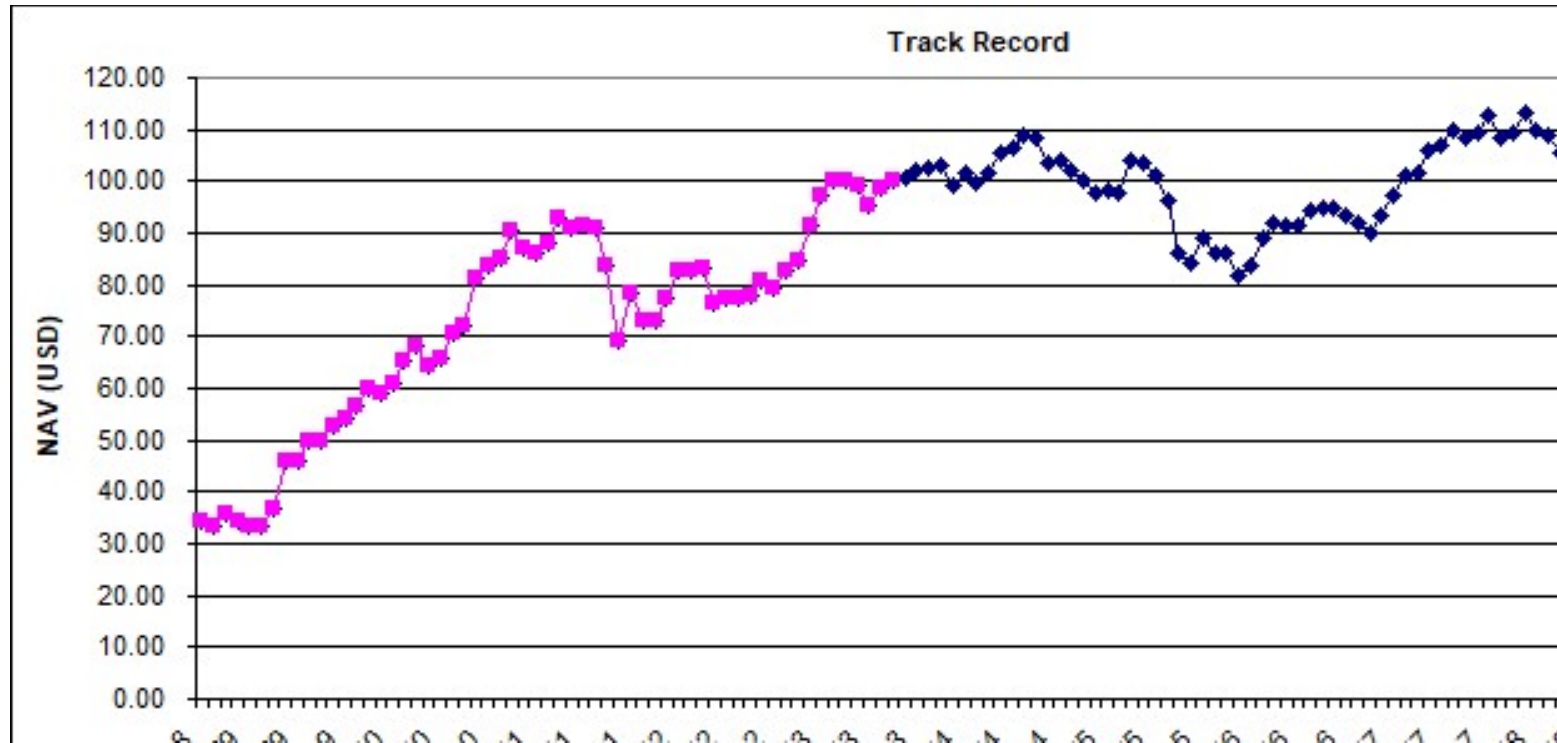


Portfolio Management



- Concentrated in 15-30 selections
- Position Sizing
 - Initial 2-4%
 - Standard 4-6%
 - High Conviction 6-8%
- Limit 15% per security
- No limit on cash
- Sale Considerations
 - Mistake
 - Fundamentals deteriorate
 - Better opportunities

Track Record – Composite NAV Chart



Note: The Net Asset Value of the Fund has been linked to the rebased NAV of the Reference Account, which had the same investment style. Until the launch of the Fund, the Reference Account served as the model portfolio for all the separately-managed client accounts. Its trading records were distributed to clients as proof that the Manager's interests were fully aligned with those of the clients. The Reference Account was started at the end of 2008 and became inactive following the launch of the Fund on 1 September 2013.

Track Record – Composite Monthly Returns

Composite	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008											-2.0%	6.4%	4.3%
2009	-3.0%	-3.0%	-0.5%	10.0%	25.9%	-0.4%	8.8%	-0.8%	6.0%	2.9%	4.6%	5.7%	68.3%
2010	-1.5%	3.5%	6.7%	4.8%	-6.1%	2.4%	7.6%	2.2%	12.2%	3.1%	1.8%	6.1%	50.6%
2011	-3.4%	-1.1%	2.1%	5.3%	-2.1%	0.5%	-0.2%	-8.2%	-17.5%	13.3%	-6.7%	-0.2%	-19.3%
2012	6.2%	7.1%	-0.5%	1.0%	-8.4%	1.2%	0.0%	0.8%	3.4%	-1.4%	4.1%	2.7%	16.5%
2013	7.7%	6.5%	2.7%	0.3%	-1.1%	-4.1%	3.6%	1.5%	0.9%	1.4%	0.4%	0.3%	21.5%
2014	-3.7%	2.7%	-2.0%	2.0%	3.5%	1.1%	2.3%	-0.4%	-4.6%	0.5%	-2.0%	-1.9%	-2.9%
2015	-2.0%	0.2%	-0.4%	6.2%	-0.1%	-2.6%	-4.8%	-10.7%	-2.0%	5.6%	-3.0%	0.2%	-13.6%
2016	-5.5%	2.8%	6.0%	3.8%	-0.7%	0.0%	3.2%	0.4%	0.0%	-1.6%	-1.5%	-1.9%	4.5%
2017	3.3%	4.2%	4.1%	0.3%	4.3%	1.3%	2.4%	-1.0%	0.7%	3.0%	-3.8%	1.0%	21.3%
2018	3.3%	-3.0%	-0.5%	-3.3%	4.1%	-4.8%	-3.0%	-7.5%	0.6%	-9.6%	1.9%	-0.2%	-20.8%
2019	6.1%	0.4%	-2.5%	0.2%	-8.2%	1.7%	-2.0%	-5.0%	-2.5%	1.7%	1.2%	5.1%	-4.5%
2020	-5.1%	-4.1%	-10.9%	6.1%	-1.0%	9.5%	6.5%						-0.7%

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Alignment of Interest



- **“We eat our own cooking”**
 - Founder has large part of net worth invested in the Fund
- **“Pay for Performance” not “Pay for Attendance”**
 - Modest Management Fee to cover fixed expenses
 - Performance Fee with Highwater Mark

Worked Examples



- **For understanding only**
- **Real-life illustration of principles in action**
- **Past performance no guarantee of future results**

Quality – Example 1 (Completed)

- **SIA Engineering (SIE SP)**
 - **Business:** Aircraft Maintenance, Repair & Overhaul
 - **5-Year Average ROE:** 21%
 - **Quality:** 10 yrs Total Net Cash Flow 62% of Profits
 - **Prospects:** Moderate
 - **Entry Price:** S\$1.66 on 25 Mar 2009
 - Market Cap. S\$1.8bn
 - **Exit Price:** S\$5.00 on 5 Jul 2013
 - **Plus:** Cumulative Dividends S\$0.87
 - **Result: 254% return in 51 months, 35% IRR**

Quality – Example 2 (Ongoing)

- **Dali Foods (3799 HK)**
 - **Business:** Consumer packaged goods
 - Biscuits
 - Energy Drinks
 - Soy Milk
 - Bread
 - **Quality:** All 4 segments have significant traction
 - Leaders among local brands in China
 - Mainly compete with foreign brands (Mondelez, Orion, Frito-Lays)
 - **Prospects:** Moderate
 - **Valuation on 31 Jul 2020:**
 - 15x 2019 PE, 6.5% yield
 - Market Cap. HKD 64.8 bn (US\$8.4bn)
 - **Reason for Mispricing:**
 - PRC slowdown

Quality – Example 3 (Ongoing)

- **Kweichow Moutai (600519 CH)**
 - **Business:** Distillery
 - #1 brand of *baijiu* liquor in China
 - **Quality:** Official National Liquor since 1951
 - Consumed at all state and private social functions
 - Demand far exceeds supply (distributor markup 100%)
 - **Prospects:** Good
 - **Valuation on 31 Jul 2020:**
 - 51x 2019 PE, trailing yield 1%
 - Market Cap. RMB 2.1 tn (US\$300bn)
 - **Reason for Mispricing:**
 - PRC slowdown
 - Targeted by anti-corruption measures

Bargains – Example 1 (Completed)

- **CITIC Telecom (1883 HK)**
 - **Business:** Telecommunications
 - Hub for China to the rest of the world
 - Incumbent telecom company in Macau
 - **Entry Valuation:**
 - 8x PE, 2.3x P/B, Yield 4%
 - Market Cap. HK\$8.5bn (US\$1.1bn)
 - Entry Price: HK\$2.47 (June 2013 thru Apr 2014)
 - Exit Price: HK\$4.09 (3-8 Jun 2015)
 - Plus: Cumulative Dividends HK\$0.213
 - **Result: 74% return in 24 months, 32% IRR**

Bargains – Example 2 (Completed)

- **Huayu Automotive (600741 CH)**
 - **Business:** Auto Parts Manufacturing
 - Largest auto parts maker in China
 - **Entry Valuation:**
 - 8x PE, 1.5x P/B, Yield 5%
 - Market Cap. RMB 50bn (US\$ 7.4bn)
 - Entry Price: RMB 17.35 (Aug 2016 – Oct 2017)
 - Exit Price: RMB 24.64 (Dec 2019 – Jul 2020)
 - Plus: Cumulative Dividends RMB 3.10
 - **Result: 60% return in 36 months, 17% IRR**

Bargains – Example 3 (Completed)

- **Frencken (FRKN SP)**
 - **Business:** Contract Manufacturing
 - Semiconductors, Medical
 - Automotive, Industrial Automation
 - **Entry Valuation:**
 - 8x PE, 0.7x P/B, Yield 3.5%
 - Market Cap. S\$145mn (US\$104mn)
 - Entry Price: S\$0.368 (Mar 2017 - Nov 2017)
 - Exit Price: S\$0.717 (Jan 2018 - Mar 2020)
 - Plus: Cumulative Dividends S\$0.0453
 - **Result: ~100% return in 36 months, 26% IRR**

Bargains – Example 4 (Ongoing)

- **Manulife US REIT (MUST SP)**
 - **Business:** Real Estate Investment Trust
 - 9 Trophy / Grade A office buildings across the US
 - **Valuation on 31 Jul 2020:**
 - Share Price US\$0.77
 - 1.0x P/B, trailing yield 7.9%
 - Market Cap. US\$1.2 bn
 - **Reasons for Mispricing:**
 - Orphan Listing
 - Tenant Default Fears
 - Work From Home Trends

Special Situations – Example 1 (Completed)

- **LMA (LMA SP)**

- **Business:** Medical Devices (Laryngeal Masks)
- **Situation:** Patent Expiry: Competition from Generics
- **Key Event:** New CEO
- **Key Changes:** Business Restructuring
 - 2nd Generation Product + Emphasis on Disposables
 - Own Factory + Rationalization of Product Portfolio via M&A
- Entry Price S\$0.32 on 19 July 2011
 - Market Cap. S\$168m
- Exit Price S\$0.6525 on 13 May 2013
 - Sale of business followed by liquidation & distribution of cash
- Plus: Cumulative dividends S\$0.015
- **Result: 109% return in 22 months, 49% IRR**

Special Situations – Example 2 (Completed)

- **k1 Ventures (KONE SP)**

- **Business:** Private Equity Fund
- **Situation:** Fund was in *de facto* Liquidation
- **Key Event:** GP attempted privatization in July 2012
 - Failed bid was 50% discount to est. liquidation proceeds
- **Epilogue:** Sale of Assets, Distribution of Cash
- Entry Price S\$0.136 in July 2012
 - Market Cap. S\$294m
- Exit by Delisting (zero) in Feb 2018
 - Total cash received S\$0.3644 per share
- **Result: 168% return in 67 months, 19% IRR**

Contact Information



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