

# LIGHTHOUSE ADVISORS

*Keeping Your Capital Safe*

November 2017



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# Who We Are



- **The Firm**

- Based in **Singapore**
  - Founded in 2008 as a sole proprietorship, and incorporated in 2012
- **Registered Fund Manager**
  - Regulated by the Monetary Authority of Singapore
- Currently focused on **Asian Equities**
  - Key Markets: **Singapore, Hong Kong, China**

- **The Team**

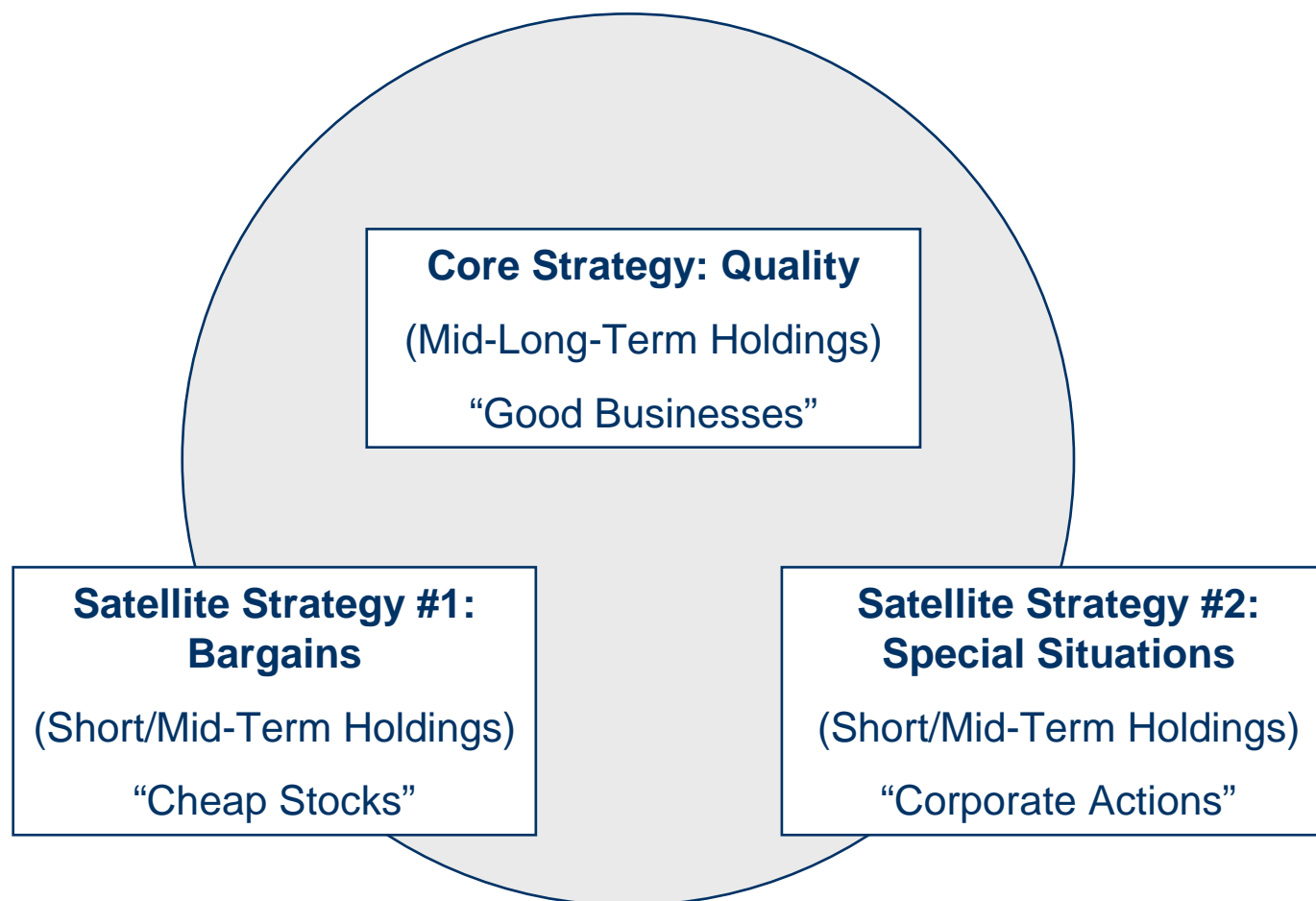
- **Benjamin KOH** (Chief Investment Officer / Founder)
  - Previously at **APS Asset Management**
  - 15 years' investment experience (since 2002)
- **OH Chiah Ching** (Investment Analyst)
  - Previously at **First State Investments**
  - 12 years' investment experience (since 2005)

# 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

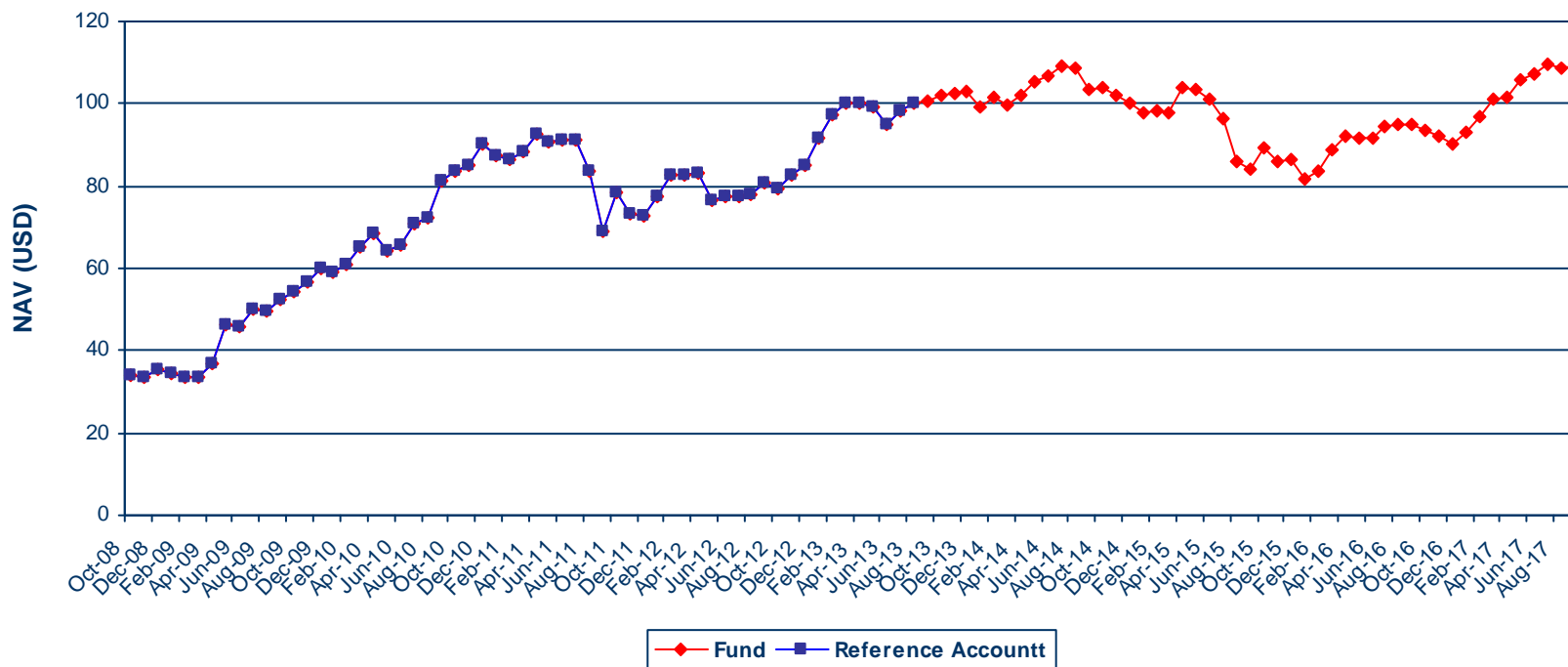


# Portfolio Management



- 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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2008</b>											-2.0%	6.4%	<b>4.3%</b>
<b>2009</b>	-3.0%	-3.0%	-0.5%	10.0%	25.9%	-0.4%	8.8%	-0.8%	6.0%	2.9%	4.6%	5.7%	<b>68.3%</b>
<b>2010</b>	-1.5%	3.5%	6.7%	4.8%	-6.1%	2.4%	7.6%	2.2%	12.2%	3.1%	1.8%	6.1%	<b>50.6%</b>
<b>2011</b>	-3.4%	-1.1%	2.1%	5.3%	-2.1%	0.5%	-0.2%	-8.2%	-17.5%	13.3%	-6.7%	-0.2%	<b>-19.3%</b>
<b>2012</b>	6.2%	7.1%	-0.5%	1.0%	-8.4%	1.2%	0.0%	0.8%	3.4%	-1.4%	4.1%	2.7%	<b>16.5%</b>
<b>2013</b>	7.7%	6.5%	2.7%	0.3%	-1.1%	-4.1%	3.6%	1.5%	0.9%	1.4%	0.4%	0.3%	<b>21.5%</b>
<b>2014</b>	-3.7%	2.7%	-2.0%	2.0%	3.5%	1.1%	2.3%	-0.4%	-4.6%	0.5%	-2.0%	-1.9%	<b>-2.9%</b>
<b>2015</b>	-2.0%	0.2%	-0.4%	6.2%	-0.1%	-2.6%	-4.8%	-10.7%	-2.0%	5.6%	-3.0%	0.2%	<b>-13.6%</b>
<b>2016</b>	-5.5%	2.8%	6.0%	3.8%	-0.7%	0.0%	3.2%	0.4%	0.0%	-1.6%	-1.5%	-1.9%	<b>4.5%</b>
<b>2017</b>	3.3%	4.2%	4.1%	0.3%	4.3%	1.3%	2.4%	-1.0%	0.7%				<b>21.2%</b>

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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

# Investment Strategy – 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)

- **Clear Media (100 HK)**
  - **Business:** Bus Shelter Advertising in China
    - Builds and maintains bus shelters in exchange for advertising rights
    - 50.4% subsidiary of Clear Channel Outdoor (NYSE:CCO)
  - **Entry Barriers:**
    - 47,000 panels in 24 cities, next largest competitor less than half their size
    - Concessions are multi-year in duration, with staggered expiry
  - **Valuation on 6 Nov 2017:**
    - Share Price HK\$8.91
    - 17.9x PE, 2.2x P/B, Yield 5.3%, EV / EBITDA 4.7x
    - Market Cap. HK\$4.8bn (US\$619m)
  - **Balance Sheet:** Net Cash
  - **Reasons for Mispricing:**
    - Limited Free Float (25%)
    - Low Trading Liquidity (no trading on some days)
    - Concerns over Clear Channel Outdoor's debt load

## 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 (Ongoing)

- **Sunningdale Tech (SUNN SP)**
  - **Business:** Plastic Component Manufacturing
    - Automotive, Consumer Electronics, Healthcare
  - **Valuation on 6 Nov 2017:**
    - Share Price S\$2.36
    - 9.5x PE, 1.3x P/B, Yield 3.6%, EV / EBITDA 5.4x
    - Market Cap. S\$444mn (US\$326m)
  - **Balance Sheet:** Net Cash
  - **Reason for Mispricing:**
    - Heavy impairment losses in 2006, 2008, 2011
    - Low margins due to lack of pricing power

# 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
  - 2<sup>nd</sup> 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 (Ongoing)

- **k1 Ventures (KONE SP)**
  - **Business:** Private Equity Fund
  - **Valuation as of 6 Nov 2017:**
    - Share Price S\$0.765
    - Market Cap. S\$331m (US\$243m)
  - **Investment Merits**
    - Fund was in *de facto* Liquidation
    - Managing Partner attempted to privatize the company in July 2012
      - Bid price S\$0.675 (split-adj.), 50% discount to RNAV
  - **Reason for Mispricing:**
    - Assets mostly unlisted with limited disclosure
    - Management based in the US and not normally contactable
  - **Catalyst: Sale of Assets and Distribution of Proceeds**
    - Last meaningful asset sold, expected proceeds: S\$0.695/share
    - Total distributions since privatization bid: S\$1.09



# Contact Information



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