

LIGHTHOUSE ADVISORS

Keeping Your Capital Safe

Presentation to HKSFA

29 September 2016



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Who We Are



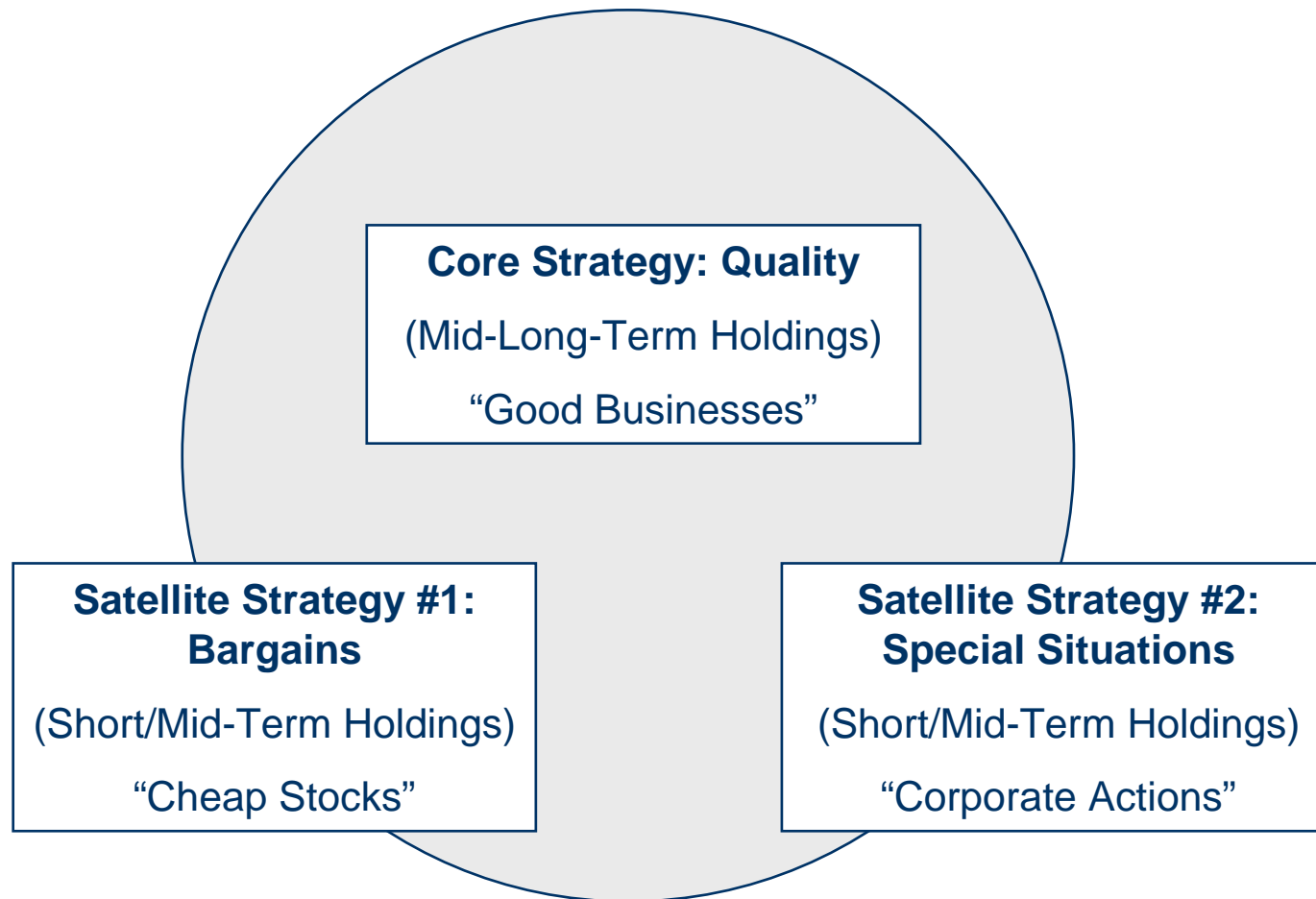
- **The Firm**

- Based in **Singapore**, started in 2008
- **Registered Fund Manager**
 - Regulated by the Monetary Authority of Singapore
- Currently focused on **Asian Equities**
 - Key Markets: **Singapore & Hong Kong**

- **The Team**

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

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

Fraud Detection: Catch Me If You Can



- **Capital Allocation**
- **Related Party Transactions**
- **Peer Comparison**
- **Exposure**
- **Hall of Shame**
- **Passive Strategies**
- **Aggressive Strategies**
- **Current Suspects**

Capital Allocation



- **Expansion**
 - Asset Turnover
- **M&A**
 - Valuations
- **Debt Repayment**
 - Cost of Carry

Related Party Transactions



- **Incidental vs. Critical**

- Convenience Service vs. Supply Chain Activity

- **Materiality**

- % of Sales, COGS, Expenses

Peer Comparison

- **Margins**
 - EBITDA Margins
 - EBITDA ROA
- **Working Capital Ratios**
 - Inventory / Days Sales Outstanding
 - Cash Conversion Cycle
- **Economies of Scale**
 - Bigger Volumes = Lower Per Unit Cost

Exposure



- **Chances**
 - Size of Company
 - Size of Fraud
- **Cost**
 - Jail
 - Capital Punishment
 - Loss of “Face”

Hall of Shame



- **2011: Oceanus (OCNUS SP)**
 - Profits mostly from Revaluation Gains
 - Insufficient Audit of Biological Assets
- **2011: Longtop Financial (NYSE: LFT)**
 - Amazing Margins
 - Fake Revenue & Fake Cash
- **2014: Fujian Nuoqi (1353 HK)**
 - New IPO
 - Theft of Cash

Passive Strategies



- **Avoid**
 - 50% loss needs 100% return to break even
 - A penny saved is 2 pennies earned
- **Wait**
 - Genuine companies will mean-revert

Aggressive Strategies



- **Put Options**

- Limited Downside
- Low/No Supply in Asia
- Cost of Premium
- American vs. European style

- **Short-Selling**

- Unlimited Downside
- Low/No Supply in Asia
- Borrow Cost
- Short Squeeze
- Personal Risk

Current Suspects



- **DISCLAIMER**

- Red Flags are not definitive proof of Fraud
- Not an inducement to buy or sell
- Statement of Facts only

Contact Information



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THANK YOU