

## INVESTMENT STRATEGY

The Strategy seeks long-term capital appreciation by investing in small to mid capitalisation listed Asian companies. We select stocks by combining 'fundamental' analysis with our quantitative stock selection tools. Our value-oriented approach pays careful attention to position sizes, sectoral and country weights. The strategy currently focuses on equities in China, Hong Kong, Japan and Singapore.

We ensure that the strategy pays equal attention to risk as to return. It is an actively managed strategy that is meaningfully different from the index. This approach results in "smarter portfolios" - higher risk adjusted excess returns for our investors.

**Investment Objective:** Outperform the MSCI All Country Asia SMID by 3-5% pa over rolling 5 year time periods.\*

\*Returns not guaranteed

## INVESTMENT PROCESS

Our investment process uses internally developed quantitative models combined with experienced judgement ('fundamental' research). We believe that quantitative models (VMQ) and fundamental research (ASG) are complementary and not competing philosophies. Since each tends to reduce the errors of the other, a combination makes for a more robust process. Our team has extensive experience, global relationships, and knowledge, of global equity portfolio management, asset allocation and risk management.

### IDEA GENERATION: VMQ

Value, Momentum and Quality assessment on every stock in Asia small companies universe.

#### Value

- Multiple factors provide more stability over time
- We assess each company for: EVA adjusted book/price, earnings yield, dividend yield and cashflow yield

#### Momentum

- Companies with evidence of a catalyst are better prospects
- We assess short and medium term volatility adjusted relative performance and earnings revisions

#### Quality

- Companies that can better withstand adverse developments
- We assess balance sheet leverage, volatility of earnings per share growth and expected return on equity

We run the VMQ numbers on regular and frequent basis - event rebalancing not calendar based - and the top two quintiles (40%) of VMQ ranking provide a source of company ideas.

Our quantitative research 'VMQ' eliminates 1,500 companies, our risk control model suggests the best 200 companies. Our fundamental research 'ASG' further refines the list of candidates, removing all companies that fail to meet our standards.

### Portfolio Construction

- Country, Sector, and Stock Weights carefully managed
- Use of 3rd party risk model – Northfield – to verify exposures
- Most appropriate 50-80 companies selected for the portfolio
- Performance Attribution and Stock Reviews to ensure process adds value
- Low turnover
- Regular update of new listings and exiting companies

### A NOTE ON MANAGEMENT FEES

It is intended that as the level of funds under management increases the Management Fee structure will reduce as follows:

|                  |            |
|------------------|------------|
| 0 to \$100m      | 1.0% p.a.  |
| \$100 to \$150m  | 0.9% p.a.  |
| \$150m to \$200m | 0.8% p.a.  |
| Above \$200m     | 0.75% p.a. |

### IDEA VERIFICATION: ASG

Our fundamental research 'ASG' further refines the list of candidates removing all companies that fail to meet our standards. What do we know that the numbers aren't telling us? Is the company's strategy valid? Is company's governance structure consistent with interests of shareholders?

#### Accounting

- Appendix of Report & Accounts – accurate or misleading?
- Goodwill treatment?
- 'Aggressive' accounting?
- Changes in accounting policies?

#### Strategic

- Is VMQ model being fooled?
- Long term decline and impairment of assets?
- How distressed are competitors?
- New entrants or departures?

#### Governance

- Separation of executive functions?
- Independent directors?
- Compliance with ESG regulations and reporting requirements?

Delft Partners, formally API Capital, is an independent investment management firm established in 2010. Delft manage both the TAMIM Global High Conviction and TAMIM Asia Small Companies strategies.

## Robert Swift

### CIO API Capital, TAMIM Head of Global Equity Strategies

Robert has worked as a fund manager and senior executive in the investment industry for over 30 years. Before establishing Delft, he was head of multi strategies at BTIM in Sydney and prior to that was jointly responsible for over \$200bn while a Chief Investment Officer at Putnam Investments in Boston, USA where he lived for over 12 years.

He has also managed hedge funds and unlisted assets. He is a member of the investment committee at Local Government Super, a \$12bn industry superannuation fund. Robert is based in Sydney, Australia.

## Karl Hunt

### Head of UK & European Equities

Karl has over 25 years' experience in investment management in the United Kingdom and Middle East. He previously held senior portfolio management roles at the Abu Dhabi Investment Authority in the UAE, where he established the global quantitative investment management department covering stock selection, portfolio construction and asset allocation.

Prior to his work at ADIA he worked in London for Hill Samuel Asset Management with mandates including active quantitative strategies for pension funds, multi-asset life and pension funds, and mutual funds. Karl is based in the United Kingdom

## Roger McIntosh

### Head of Quantitative Strategies & Research

Roger has over 20 years' experience in investment management and quantitative finance as a Chief Investment Officer. Prior to working with Delft, he was Head of Investments at LUCRF Super, a large Australian pension fund, where he managed \$4.5bn in multi-asset strategies.

Roger has also held senior investment management positions with Vanguard Investments Australia as Head of Global Equities responsible for over \$30bn, Head of Fixed Interest responsible for over \$20bn and Head of Investment Strategy. Roger is based in Melbourne, Australia.

## Kevin N Smith

### Head of Asia Pacific Equities

Kevin has over 32 years' experience in investment management in UK, Asia and Australia. Now based in Melbourne, Australia and covering Asian markets, Kevin has invested in Asian equities for institutional portfolios since 1986 and directly managed more than AUD 8 billion in Asian equities from across five locations in three continents. He has managed 60 investment teams across 20 countries including Asian locations and managed single country funds in China, Taiwan and India.

Kevin has held directorships of twelve investment businesses across three continents and six countries since 1996 with both Chief Investment Officer and Chief Executive Officer experience. Over the course of his career Kevin has maintained aggregate responsibility for client assets in excess of AUD 200 billion globally.

# INVESTMENT STRUCTURE

## KEY FACTS

|   |   |                               |                                  |
|---|---|-------------------------------|----------------------------------|
| <b>Investment structure:</b>                      | Unlisted Unit Trust<br>(only available to wholesale or sophisticated investors) | <b>Management Style:</b>      | Active                           |
| <b>Minimum investment:</b>                        | \$100,000   | <b>Benchmark:</b>             | MSCI All Country Asia SMID Index |
| <b>Management fee:</b>                            | 1.0% p.a.   | <b>Number of securities:</b>  | 60-80                            |
| <b>Administration &amp; expense recovery fee:</b> | Up to 0.35%   | <b>Single security limit:</b> | +/- 5% relative to Benchmark     |
| <b>Exit fee:</b>                                  | Nil   | <b>Country/Sector limit:</b>  | +/- 10% relative to Benchmark    |
| <b>Performance fee:</b>                           | 20% of performance in excess of hurdle  | <b>Investable universe:</b>   | MSCI All Country Asia SMID       |
| <b>Hurdle:</b>                                    | MSCI All Country Asia SMID  | <b>Market capitalisation:</b> | US\$500m - 10bn                  |
| <b>Fee cap:</b>                                   | 2% of total FUM   | <b>Derivatives:</b>           | No                               |
| <b>Lock up period:</b>                            | Nil   | <b>Leverage:</b>              | No                               |
| <b>Buy/Sell spread:</b>                           | +0.30%/-0.30%   | <b>Portfolio turnover:</b>    | < 30-40% p.a.                    |
| <b>Application/Redemption:</b>                    | Monthly   | <b>Cash (typical):</b>        | 0-100% (0-5%)                    |

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