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Client Newsletter for the period ended 31 Dec 2019

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1. Foreword

Fellow Investors,

Welcome to the Lighthouse Advisors newsletter for December 2019.

This newsletter follows the same format as previous issues. The special topic for this issue is **Software as a Service**.

2. Market Commentary

2019 ended with a partial deal in the US-China trade war[1]. The US will lift some tariffs, while China will buy more US products. However, of US$520bn of goods covered by the tariffs, the 25% rate remains on the initial US$250bn, and another $120bn (taxed since 1 Sep) will be subject to a 7.5% tax (versus 15% previously). The remaining US$156bn (taxable since 15 Dec) will be exempt. So of the maximum US$120bn of tariffs that could have been levied, over US$70bn remains[2].

China's growth continued to slow, though it was still the fastest-growing large economy in 2019. Passenger car sales, a key proxy of domestic durable goods consumption, fell 9.6% versus the previous year, and sales are forecast to continue declining in 2020.

Current news headlines are dominated by the Wuhan coronavirus. The disease has officially been named "Covid-19" with the virus itself dubbed "SARS-CoV-2". It was first detected in the Chinese city of Wuhan in late December. The local government tried to cover it up[3], with the result that the outbreak spread widely before large-scale prevention efforts kicked in. To date, it has infected over 75,000 in China and killed more than 2,500.

Many cities have gone into lockdown, with restrictions on travel and social gatherings that now affect more than half the population[4]. Public events have been cancelled, the Chinese New Year holidays were extended, and schools closed to try and curb the spread.

The outbreak recalls the SARS outbreak of 2003. China is likewise aggressively ramping up medical services, building 2 new hospitals in Wuhan within days, converting existing large-scale spaces into temporary field hospitals, and sending thousands of medical personnel to Wuhan to relieve the strain on the city's own medical infrastructure.

The economic effect has been wide-ranging. Offline businesses that remain open have seen enormous declines in business. The travel industry has ground to a halt as flights, hotel stays and cruises have been cancelled. Even food delivery and private transport have taken a hit, as customers fear delivery personnel and car drivers may spread the virus. However, online grocers are seeing a boom, as consumers have turned to cooking at home.

Many countries have restricted travel to and from China, and anyone arriving from China is quarantined. Supply chains have been disrupted as many companies rely on Chinese factories for components or finished goods.

Ironically, as China itself produces about half the world's face masks, it now faces a mask

[1] *Phase One U.S., China Trade Deal To Be Signed This Week: Report*, **Forbes**, 30 Dec 2019.

[2] *What's in the U.S.-China Phase 1 trade deal*, **Reuters**, 16 Jan 2020.

[3] *Coronavirus: the cost of China's public health cover-up*, **Financial Times**, 7 Feb 2020.

[4] *To Tame Coronavirus, Mao-Style Social Control Blankets China*, **New York Times**, 16 Feb 2020.

Updated 24 February 2020

shortage as its own factories were closed due to the outbreak. These factories are now working overtime to meet the spike in demand. Some non-medical companies like Foxconn, BYD, and Sinopec have also set up mask manufacturing lines[5].

Outside China, new outbreaks have been detected in South Korea and Italy. South Korea now has the largest number of cases outside China[6].

For SARS, the outbreak was in February, but it was over by July, just 5 months later. Apparently, the SARS virus could not survive the heat of summer. This new virus is likewise susceptible to heat and humidity, so there is a chance it may also peter out by July.

A look at how some Asian stock markets reacted during SARS in 2003 may provide some perspective:

Market (Index)	Peak-to-Trough Loss	Full Year
Singapore (STI)	-13.4%	+31.6%
Hong Kong (HSI)	-14.8%	+34.9%
Japan (Nikkei)	-13.5%	+24.5%
South Korea (KOSPI)	-22.7%	+29.2%
Taiwan (TAIEX)	-18.5%	+32.3%
Malaysia (KLCI)	-8.4%	+22.8%
China (SSE)	-4.5%	+10.3%

Although some markets suffered more than others, as a group the Asian markets shrugged off SARS and delivered strong returns for investors in 2003. Your manager continues to rebalance the portfolio in favour of high-quality businesses.

Benjamin Koh
Chief Investment Officer
Lighthouse Advisors
24 Feb 2020

[5] *Chinese Carmakers Are Now Making Face Masks, Prompted by Coronavirus*, **Bloomberg News**, 10 Feb 2020.

[6] *South Korean cases, jump, China counts 150 more virus deaths*, **Associated Press**, 24 Feb 2020.

3. Portfolio Review

As at 31 December 2019, the Net Asset Value (NAV) of the Fund was USD 82.795. Net of all fees, the year-to-date return was -4.5%.

It was not a good year for the Fund. After nearly 2 years of poor results, your manager undertook an overhaul of the portfolio in Q4. The results seem to be working so far, though more time will be needed to confirm the ultimate effectiveness.

For reference, below are the results of the Fund against its key markets:

Market (Index)	1Q19	2Q19	3Q19	4Q19	Full Year
Singapore (STI)	+4.7%	+3.4%	-6.1%	+3.3%	+5.0%
Hong Kong (HSI)	+12.4%	-1.8%	-8.6%	+8.0%	+9.1%
Shanghai (SSE)	+23.9%	-3.6%	-2.5%	+5.0%	+22.3%
Fund	**+3.9%**	**-6.5%**	**-9.1%**	**+8.2%**	**-4.5%**

The Fund put up a good performance in Q4, but this was not enough to completely offset declines in Q2 and Q3, so it finished 2019 with a loss and lagged its key markets.

Apparent valuations of the "high-quality" businesses are significantly higher than for the bargain purchases. This is a tradeoff; quality is seldom heavily discounted.

25 securities made up 95% of the Fund's holdings, with the balance in cash. A pie chart is in Annex I, while NAV values are tabled in Annex II.

Winners and Losers – Q4 2019 vs Q3 2019

Winners	Δ		Losers	Δ
Clear Media	+65%		Genting HK	-15%
Goodbaby	+47%		IT	-14%
Frencken	+37%			
Chow Sang Sang	+15%			
Luk Fook	+14%			
VTech	+13%			

Clear Media soared after its parent Clear Channel Outdoor announced that it was doing a strategic review of its stake in Clear Media.

Goodbaby jumped despite a lack of news, so it is possible the stock had simply been oversold and attracted bargain hunters.

Frencken reported 3Q results. On an adjusted basis, pretax profits rose 19%.

Genting HK did not report any news, but the shares were being sold down by a fund that held a large block of stock.

Other holdings were not material contributors to changes in the Fund's NAV in Q4.

New Investments

Alibaba is China's largest Internet conglomerate. Its key businesse segments are "core commerce", cloud computing, and digital media and entertainment.

Core commerce includes the consumer platforms *Taobao* (China's largest consumer-to-consumer marketplace), *Tmall* (China's largest business-to-consumer retail platform), and *Lazada* (Southeast Asia's second largest e-commerce platform), the wholesale platforms *1688.com* and *Alibaba.com*, the *Cainiao Network* logistics service, and consumer services such as food delivery, dining and travel via *Ele.me*, *Koubei* and *Fliggy* respectively.

Alibaba Cloud is China's largest cloud computing service. Globally it ranks 4th with just 5% market share, but in China it has 47% of the market, while **Tencent** is 2nd with 17% and **Baidu** is 3rd with 9%.

Digital Media and Entertainment encompasses online video site *Youku* (China's third largest), *UC Browser* (a mobile web browser), *Alibaba Pictures*, *Alibaba Music*, *Alibaba Literature* and ticketing platform *Damai*.

Core commerce accounts for 85% of revenues and all the Group's profits. The Alibaba investment thesis can therefore be simplified as a bet on Chinese e-commerce.

Additionally (and importantly), Alibaba also owns 33% of Ant Financial, which provides numerous financial technology solutions, the most visible of which is *AliPay*, which along with Tencent's TenPay, dominates cashless payments in China. Ant's most recent fundraising valued it at US$150 bn. It is reportedly preparing for an IPO.

The company's core commerce business is expected to continue growing strongly; its China retail commerce revenues (Taobao and Tmall) grew 300% from FY15-FY19. Additionally, the cloud computing business, while still small relative to core commerce, is expected to be the next engine of growth. The shares were acquired at about 32 times trailing earnings and 8.5 times book value. The stock does not pay a dividend.

Hongkong Land is a "returnee" as the Fund's predecessor Reference Account held the shares during Apr-Dec 2009. To recap, Hongkong Land is part of the Jardine Matheson group of companies. It is a landlord with prime office and luxury retail property in Hong Kong, Singapore, Beijing and Jakarta.

Most of its properties are in Hong Kong, where they form a substantial proportion of the Grade A office and retail space in the Central district. The Group also develops properties for sale; this business generates about one-third of underlying operating profits.

The shares were sold down during the anti-government protests in Hong Kong, and remain depressed due to the coronavirus outbreak. The price paid was about 0.33x book value, and trailing yield was 4%.

Keppel Corporation is a Singapore-based conglomerate. Its key segments are: Offshore & Marine, Property, and Infrastructure. The Offshore segment builds offshore drilling rigs and related vessels. Property consists of investment properties in Singapore and development projects in China and Vietnam.

Infrastructure builds data centres, incineration plants and desalination plants.

The Offshore business suffered losses in recent years due to problems in Brazil, but a settlement has been reached with its key customer, so it should return to profitability in the coming year. Property continues to deliver steady returns, while Infrastructure is growing the data centre business.

The shares were acquired at 19 times trailing earnings and 1.1 times book value. Trailing yield was 4.4%. Controlling shareholder Temasek Holdings has announced an intent to make a partial offer for the shares, subject to receiving approval from the relevant authorities. The shares trade at a meaningful discount to the proposed offer price.

Keppel DC REIT owns 17 data centre properties leased to various companies in involved in the Internet, telecommunications, IT and financial services industries. In terms of portfolio value, about 51% is in Singapore, 14% in Australia and 33% in Europe. Occupancy is 94% and the weighted average lease expiry is nearly 8 years.

Given the continued rise in global internet traffic and the shortage of data centres, the REIT is likely to enjoy strong demand for its space for the next several years. The REIT units were acquired at a trailing yield of 4%.

Mapletree Industrial Trust owns 101 industrial properties, 87 in Singapore and 14 in the US. In terms of value, the portfolio is split 56:44 between office-type “hi tech” and “business park” buildings, versus conventional workshop-type “flatted factories” and “light industrial” buildings. About 18% of the portfolio actually consists of data centres. The REIT also has rights of first refusal to acquire the interests in 2 data centre portfolios currently held by its sponsor Mapletree Investments. The units were bought at a trailing yield of about 5%.

Meituan Dianping operates an e-commerce services platform. It is the world’s largest on-demand food delivery service provider and China’s largest e-commerce platform for in-store dining, and China’s largest travel platform by hotel bookings.

Food delivery in China today is controlled by 2 companies: *Meituan* has 61% share, while *Ele.me* (owned by Alibaba) has 37%. This is the result of several years of price wars and mergers. With an industry duopoly, both platforms now enjoy economies of scale.

Meituan entered the travel bookings business in 2014. Within 3 years it overtook Trip.com, until then China’s largest online travel agency. Travel bookings generate high gross margins (~90%), versus 20% for food delivery. As travel bookings grow, the company will enjoy much-improved profitability.

Because of the high operating leverage in Meituan’s businesses, valuations based on past results appear elevated. Profitability should quickly improve given rapid growth in both segments – in 3Q19, food delivery transaction volume was up 40% over the previous year, while in-store dining, hotel and travel grew 29%. Meituan turned profitable for the first time. Outside the short-term hit from Covid-19, the strong growth is expected to continue.

Meituan is transitioning from losses to profits, so the price/earnings ratio is not useful. Versus peers and competitors, the shares sell for a 25% discount.

Microsoft Corporation sells software as well as services. Its *Windows* operating system runs on nearly 80% of desktop computers worldwide, and its *Office 365* suite of productivity software splits the market nearly 50/50 with Google’s *G Suite*. It also offers cloud-based computing via its *Azure* service, and owns the *Xbox* videogame platform.

The businesses either exhibit strong pricing power or will benefit from industry changes. For Windows and Office 365, their strong market positions allow the company to raise prices faster than inflation. Cloud-based computing allows many companies to shrink or even eliminate costly IT departments, creating a strong tailwind for cloud providers. Outside China, cloud computing is led by *Amazon Web Services*, then *Azure*, and finally *Google Cloud*.

Analogous to cloud computing trends, videogaming is moving from specialized consoles to device-independent online streaming, so platform developers no longer need to subsidize expensive consoles in the hope of selling enough games to cover the losses and generate profits. Microsoft's xCloud platform uses its own Azure server infrastructure to stream Xbox games.

At purchase, the stock was priced at 30 times trailing earnings and yielded 1.2%. Despite the apparent high valuation, the strong prospects of the company's businesses mean that within a few years, the price paid should look cheap.

Netlink NBN Trust operates the optical fibre network in Singapore. The network is used by operators who install equipment to create bandwidth that is sold to retailers who package it for end-customers as broadband internet, VOIP, cloud-based services or IPTV. It has 3 business segments: residential, non-residential (commercial), and "non-building address point". The last segment mainly serves the Singapore government's "smart nation" plan.

As a monopoly, Netlink is regulated by the Singapore government, and its prices are set according to a formula for its pre-tax weighted average cost of capital (WACC). Until January 2023, the WACC is set at 7%. Netlink is a "cash cow" business and a good base to generate stable returns for the Fund. At investment, the Trust yielded about 5%.

Ping An Insurance is China's largest insurance company. Its main businesses are life and health insurance, property and casualty insurance, and banking (via 58%-owned Ping An Bank).

Beyond the growth of the main businesses in tandem with the Chinese economy, the company is evolving into a financial services conglomerate, covering life insurance, auto insurance, retail banking, credit cards, and securities. Its mobile apps count 509m users. Cross-selling works: 35% of its 196m customers have multiple relationships from different Ping An subsidiaries. On average, customers have 2.58 contracts within the Ping An ecosystem.

Ping An's investments into technology include *Lufax*, an online wealth management and lending platform, *OneConnect*, a backend solutions platform for financial institutions, as well as *Ping An Good Doctor*, an online diagnosis/treatment support system based on artificial intelligence (AI).

Fintech and healthtech investments contribute only 6% of recurring group operating profit, so for investment purposes, Ping An is still an insurance company, albeit one that is leveraging technology very well.

The price paid was 12 times earnings and 1.3 times embedded value. Yield was 2%.

Tencent is China's second largest Internet company. It has 4 main busineses: online games, social networks, fintech and business services, and online advertising.

By monthly average users (MAU), Tencent operates the world's most popular mobile game, *PUBG Mobile*, and the world's most popular desktop game, *League of Legends*.

Social networks refers to *Weixin/WeChat* (Chinese and international versions of the same app). Originally a social network messaging platform, *WeChat* hosts millions of third-party mini-apps that provide additional functionality, such as ride-hailing, restaurant reservations, bill payment, booking medical appointments, and sending money to friends. At last count, WeChat had over 1 billion users.

Fintech and business services covers WeChat Pay ("TenPay"), fees from financial institutions, and wealth management fees from Tencent's *LiCaiTong* platform.

Online advertising covers ads on *WeChat* and sponsorship revenues.

Tencent's gaming business hit a rough patch when the Chinese government mandated controls to prevent addiction, but the company tweaked the games to limit the playing time of young gamers and was soon back on track.

WeChat is still under-monetized; Tencent currently allows a grand total of two ads per user per day in *WeChat* "Moments" (the equivalent of a Facebook feed). It is a given that both the number of ads and the ad rate will increase over time.

Likewise, *TenPay* is also under-monetized. It was launched in 2014 to take on *AliPay*, and fees were kept low or waived to gain market share. TenPay and Alipay now dominate the cashless payment market. Neither has an incentive to engage in a price war, so fees (and future profits) will rise.

The shares were purchased at 34 times trailing earnings. Yield was minimal, below 1%. While the shares do not appear cheap with respect to trailing results, continued growth in all 4 businesses provides the margin of safety.

Divestments

BAIC Motor was sold due to uncertainty over the company's joint venture with Daimler-Benz. Even if it sells down its stake in the joint venture for a good price, it seems unlikely that any cash will be paid out as a special dividend. Rather, the money will likely be directed towards its own loss-making Beijing brand. This would move money from its most profitable business to its least profitable business, an unappealing prospect. Including dividends received during the holding period, the Fund booked a loss on divestment of about 55%.

China Sunsine was sold due to a change in the competitive landscape. As the price of the Group's chemicals rose, competitors found it profitable to invest into pollution-control equipment and reenter the market. As a result, selling prices began to drop, with a corresponding effect on profits. Your manager decided to sell while the going was still good. Including dividends received, the Fund booked a gain on divestment of about 25%.

Giordano was sold due to continued difficulties in Greater China including Hong Kong, Macau and Taiwan. Your manager assessed that the company's earnings prospects had dimmed due to intense competition and were unlikely to recover soon. Including dividends, the loss on divestment was about 30%.

Sunningdale Tech was sold due to a reassessment of the Group's prospects. As the Group is a contract manufacturer for customers in highly competitive industries, it has little or no pricing power when bidding for contracts. This limits its profits and hence the returns to shareholders. Your manager judged that it was "not good enough" as a business and decided to sell. Including dividends, the gain on divestment was about 50%.

Zhengzhou Yutong Bus was sold as your manager realized that the company was ultimately hostage to government policy. The Group sells its vehicles mainly to local governments operating bus services. These local governments in turn receive their funds from the Chinese central government, which issues directives on how to spend it.

To boost the new energy vehicle (NEV) industry, money allocated to NEV vehicles has been increasing. This forces suppliers to sell more NEV vehicles, which are much less profitable, and often loss-making before subsidies. These subsidies are themselves being reduced, with qualifying criteria also becoming stricter. It is a race to cut costs faster than subsidies are cut. Your manager decided this made the investment case too difficult and decided to sell. Including dividends, loss on divestment was about 35%.

Other Developments

Genting HK sold a 32% stake in its Dream Cruises unit to a private equity vehicle owned by TPG and the Ontario Teachers' Pension Plan Board. The proceeds were US$454m, valuing Dream Cruises at US$1.4 bn. The Company also entered into sale-leaseback transactions for 2 vessels: *Genting Dream* for US$900m, and *Crystal Endeavour* for US$271m. These deals provide independent valuations of the company's underlying assets.

4. Software as a Service

Software as a Service (SaaS) refers to the concept of computer software as a subscription service, instead of a purchased product.

Salesforce is the poster child of the SaaS industry. Founded in 1999, Salesforce is the world's most popular customer relationship management (CRM) tool. Salesforce was valued at US$125 bn at the end of 2019. However, net profits were only US$1.1bn. Ten years prior, it was valued at US$9 bn. At IPO in June 2004, it was valued at US$1.1 bn. Absent a persistent 15-year overvaluation bubble, it must be doing something right. The table below shows Salesforce's performance.

Year ended 31 Jan	Sales USD mn	Profits USD mn	Mkt Cap. 31 Dec USD bn	Price / Sales
2001	5.4	(31.6)	Private	N/A
2004	96.0	3.5	1.1*	11.5
2009	1,077	43.4	9.1	8.4
2014	4,071	(232.2)	36.2	8.8
2019	13,282	1,110	125.2	9.4

*IPO price on 23 Jun 2004

Clearly, despite (or because of) its spotty profit record, investors value Salesforce using a multiple of sales and not profits. Investors who required a reasonable price/earnings ratio missed out on a 100-fold return since IPO. Even 5 years after IPO, there was a chance for a 13x return, and in the last 5 years a 3.5x return was still possible.

Are there useful lessons for investors? If Salesforce is not a one-off, perhaps there are some key traits of the SaaS business model that make such companies great investments.

What is so attractive about SaaS? Short answer: it is currently a "win-win" for both customers and providers.

First, at current prices, most SaaS services are cheap relative to the value obtained. Prices are usually tens of dollars per month, which works out to less than US$1,000 per year per user. For most customers, this is a small cost to support the employee using the service. For example, Microsoft's Outlook email service starts at US$5 per user per month. But US$5 is below the *hourly* minimum wage in the US (US$7.25 per hour). For a large company with thousands of employees, the absolute amount is not small, but relative to payroll, it is a rounding error. Even at *five times* the current price, it would still be affordable.

Second, because the software runs on the cloud provider's servers, the user always gets the latest version. This is important for bug fixes and new features. Many customers can shrink their in-house IT support departments, reducing headcount and payroll. Given the high cost of skilled IT personnel, customers may actually realize a net savings.

Third, as the service is priced per user, it can be scaled up or down with customer needs, an important consideration for new ventures.

The "win" for customers is clear. Where is the "win" for providers?

First, monthly payments are low, but over time the customer pays more versus the purchase (permanent license) model, so switching to SaaS increases revenues and profits.

Second, customer loyalty is high because of switching costs. Employees need training to use the software, and changing to another provider to save a few dollars a month is seldom worth the hassle. This high switching cost, together with (currently) affordable prices, confers pricing power on the provider. Retention rates above 90% are not uncommon in SaaS.

Third, centralizing software on servers means bug fixes and new features are implemented quickly, reducing the need (and cost) to train the customers' in-house IT personnel.

The combination of the above creates a virtuous cycle. Higher cash flows permit more investment into research and development to improve the product, which drives customer loyalty, which increases pricing power, which in turn increases cash flow.

For as long as SaaS delivers a win-win, it will continue to grow and prosper.

This brings us back to the question of why investors value Salesforce (and many other SaaS companies) on the basis of sales. One reason is that sales tend to be more stable than profits, so when profits fluctuate (or turn to losses) there is still a way to value the business. But even now, when Salesforce is prospering, it sells for over 100 times trailing earnings. *Que pasa?*

The key argument is that in a fast-growing market, SaaS companies must invest heavily into R&D as well as sales and marketing in order to grab market share. Once the market matures, these expenses level off, and profitability improves - with the caveat that sales will plateau. Therefore, the key metric is **sales growth** and *not* reported profits, as profits can easily be "created" on short notice by reducing R&D or sales and marketing expenses.

For Salesforce, R&D expenses in FY19 were US$1.9 bn. Sales and marketing costs were US$6.1 bn, and pretax income from operations was US$535m. Reducing sales and marketing 20% would have saved ("earned") another US$1.2 bn, more than tripling pre-tax profits. Conversely, as the market matures and consolidates, Salesforce could also raise prices by a modest 5%. If enacted in FY19, this would have doubled pre-tax profits.

Of course, there are limits to sales growth and price increases. The market for any given SaaS eventually saturates, and prices have a ceiling. But for many companies, the market is growing fast, and SaaS remains affordable.

The lesson for investors here may be that <u>conventional price/earnings ratios severely undervalue a SaaS company's earning power</u>. But it behooves the investor to track said company closely: reduced expenses (which improve profits) may ironically be a red flag that the company is having trouble growing sales (and future profits).

Some successful SaaS use cases:

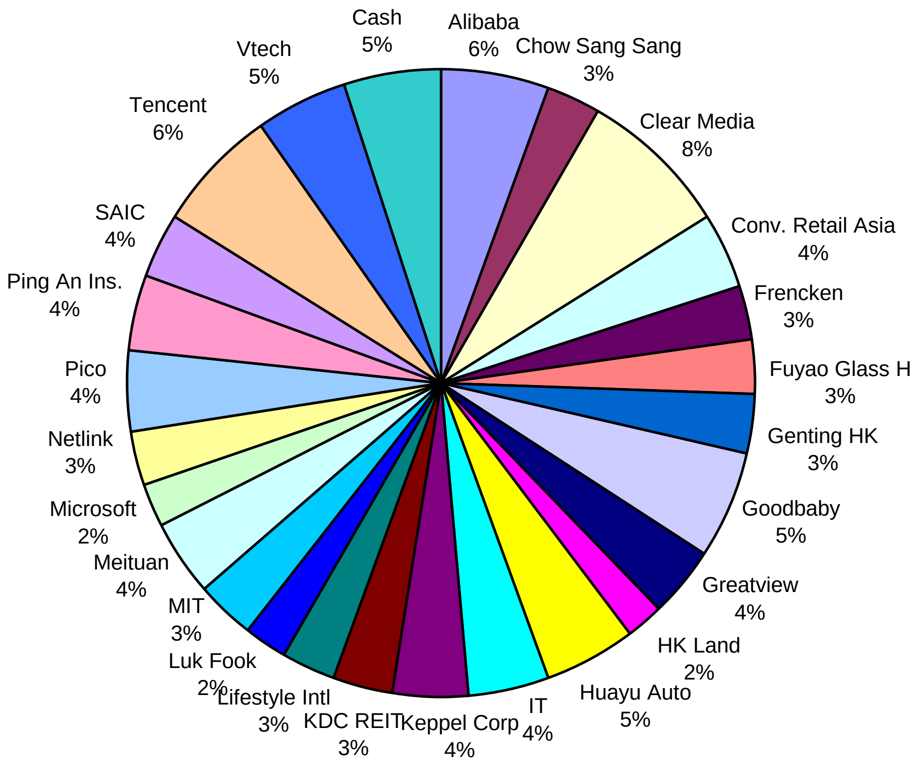
Activity	SaaS Providers
Customer Relationship Management	Salesforce
Accounting	Intuit, Xero
Human Resource and Payroll Management	Automatic Data Processing, Paychex
Productivity Software	Microsoft, Adobe
Online Entertainment	Netflix, Activision Blizzard

As always, investors need to do their own homework.

☙ End ❧

Annex I

Portfolio as of 31 Dec 2019



Annex II

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008										34.16	33.49	35.62	**+4.3%**
2009	34.57	33.52	33.37	36.69	46.20	46.00	50.06	49.68	52.66	54.17	56.68	59.94	**+68.3%**
2010	59.05	61.09	65.17	68.27	64.14	65.69	70.65	72.24	81.06	83.56	85.10	90.30	**+50.6%**
2011	87.21	86.29	88.13	92.81	90.85	91.35	91.17	83.69	69.04	78.23	73.00	72.88	**-19.3%**
2012	77.40	82.90	82.52	83.32	76.36	77.25	77.27	77.91	80.57	79.44	82.70	84.92	**+16.5%**
2013	91.43	97.36	99.96	100.24	99.14	95.09	98.50	100.00	100.86	102.24	102.63	102.93	**+21.2%**
2014	99.15	101.78	99.80	101.84	105.45	106.57	109.05	108.58	103.60	103.91	101.87	99.94	**-2.9%**
2015	97.97	98.16	97.74	103.80	103.69	100.99	96.17	85.91	84.17	88.91	86.20	86.35	**-13.6%**
2016	81.56	83.81	88.82	92.18	91.50	91.52	94.48	94.86	94.87	93.34	91.92	90.20	**+4.5%**
2017	93.18	97.08	101.10	101.39	105.74	107.11	109.67	108.57	109.35	112.57	108.28	109.41	**+21.3%**
2018	113.04	109.56	109.03	105.39	109.62	104.37	101.26	93.71	94.25	85.19	86.83	86.66	**-20.8%**
2019	91.98	92.36	90.04	90.21	82.80	84.21	82.57	78.45	76.52	77.82	78.75	82.80	**-4.5%**

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.

Updated 24 February 2020