TIBURON TAIPAN FUND

Asia Pacific ex-Japan equity long-only

October 2017

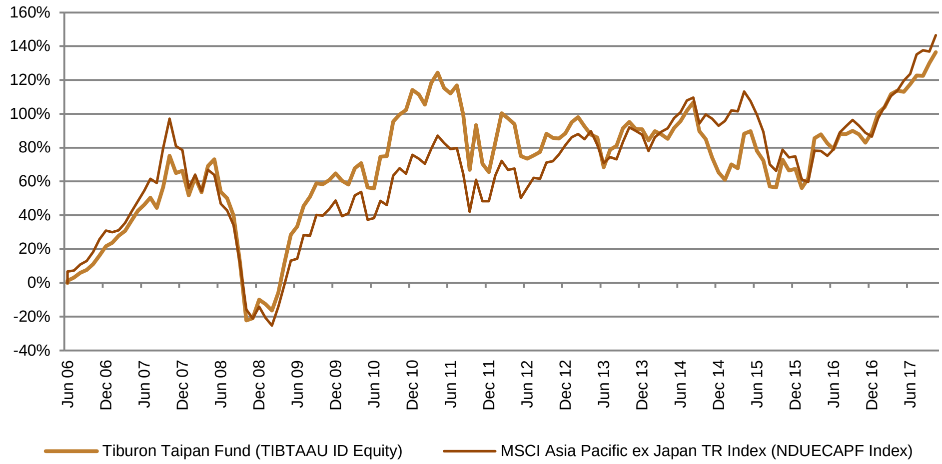
TIBURON PARTNERS

Performance %	YTD	1M	1Y	3Y	5Y	2016	2015	2014	2013	2012	ITD
Tiburon Taipan Fund	25.10	2.83	25.90	27.83	27.31	12.88	1.33	-13.39	1.25	13.83	136.56
MSCI Asia Pacific ex Japan TR Index (NDUECAPF)	32.08	4.06	27.70	23.45	43.32	6.75	-9.37	2.82	3.41	22.31	146.51

Sources: Northern Trust and Bloomberg.

Notes: Tiburon Taipan Fund refers to Class A USD (TIBTAAU ID Equity) returns which are net of all fees including management fee at 1.5% per annum.

The figures in the above table refer to past performance which is not a reliable indicator of future results. An investment in the Fund would place an investor's capital at risk. Figures shown are net of all fees.



Sources: Northern Trust and Bloomberg.

Notes: The figures in the above chart refer to past performance which is not a reliable indicator of future results. An investment in the Fund would place an investor's capital at risk. Figures shown are net of all fees.

Manager's Commentary

The elevation of 'Xi Jinping thought' to the status of official Party dogma cements the unassailable position of Xi and probably sets him up for another decade in charge – the autocrat's autocrat. We should therefore pay attention to his 'thoughts', as they have important implications for geopolitics and the global economy. (The contrast with 'Donald Trump thought' – an oxymoron – is stark.) The term 'beautiful China' replaced the usual quantification of GDP growth aspirations in his marathon 3.5 hour speech, and it seems that there will be more emphasis on quality of growth – bullish for industrial consolidation, modernisation of heavy industry, 'green' technologies and hopefully a reduction in indebtedness. Houses should be 'for living in', rather than speculation. The other major emphasis was on China becoming more of a player on the world's political stage, with an ongoing commitment to upgrading the country's military capability. America should be careful what it wishes for in pushing China to contain North Korea. We are happy to remain invested in AviChina, the State's de facto holding company for aerospace focused companies, and two of the monopolistic railway equipment companies as both domestic mass transit and overseas expansion under the 'one belt, one road' initiative seem set to grow for some time to come.

Another industry which China intends to dominate is electric vehicles. We have long been a supporter of this theme, and have made strong returns in it, but we are increasingly cautious about the expectations baked in to some of the more obvious plays – in particular the lithium miners and the battery companies, which are yet to make a profit from large scale batteries, and where the longer term technological roadmap is somewhat hazy. We have sold our lithium (Galaxy) and nickel (Western Areas, Independence) exposure, but remain involved in graphite and copper. The latter metal is not a beneficiary of battery demand per se, but the charging infrastructure and the amount of wiring in EVs will make a material difference to copper demand at the local grid level. 3 phase power will become as important as good broadband speed to house buyers in a few years' time. The copper price has been strong recently, along with most other base metals, probably more as a general optimism towards Chinese growth pervading the commodity complex than a bet on EV charging, and a pullback in metal prices if the Dollar strengthens is likely. We have therefore bought Zijin, a significant laggard to the sector as it is still viewed as a gold play, though in reality is a high growth copper miner. Our other acquisition in the sector is a tin miner – PT Timah. The stock has not reflected the rise in tin prices over the last six months, and the state ownership of the company should protect it from the whims of the Indonesian mining minister, who has created havoc for the private sector companies over the last few years.

KEY FACTS

Investment Objective

The investment objective of the Fund is to achieve long-term capital growth by investing in listed equities of companies in Asia Pacific ex-Japan.

Fund Information

AUM	US$ 31m
Dealing	Daily
Custodian	Northern Trust
Administrator	Northern Trust
Auditors	PricewaterhouseCoopers
Investment Manager	Tiburon Partners LLP
Management fee	1.5% (standard) 0.75% (institutional)
Performance fee	None
Launch date	16th June 2006
Domiciled	Ireland
Type	UCITS
Registered for sale in:	UK, Ireland, Sweden, Italy, Switzerland and Netherlands

NAV per Share

Class A USD	USD	2,365.5705
Class B EUR hedged	EUR	1,352.9645
Class C GBP hedged	GBP	1,703.8934
Class D GBP	GBP	1,963.6778
Class I USD	USD	1,363.7299
Class I EUR hedged	EUR	1,000.0000
Class I GBP hedged	GBP	1,000.0000
Class I GBP	GBP	1,635.1198

The outperformance of the FAANG stocks in the US and their Asian analogues has some resonance with market behaviour in 1999 – not in terms of investor euphoria or ridiculous valuations, but in the narrowness of markets, and how dependent the indices have become on a small number of names. If the NASDAQ 100 ETF applied for UCITS designation it would be turned down – much too concentrated. The Korean index, up over 20% in local currency this year, would be down if two stocks (Samsung Electronics and Hynix) were excised (though we are pleased to report that the fund has had a very profitable year in Korea, despite not owning Samsung and having just sold Hynix). Investors in the Chinese indices have much to thank AliBaba and TenCent for recently. Companies that get involved in 'AI' or autonomous vehicles get rewarded by investors fearful of missing out – and the recent spate of fund launches on this theme does not bode well for future outperformance – at least if history is any guide. We would suggest telecom, pharmaceutical, utility and energy exposure as a contrarian play with very low expectations.

As the outperformance of the big tech names has moderated, we are pleased to see a resurgence of interest in some of the mid-cap value stocks we have been highlighting recently. Medical Developments has moved up around 30% over the last few months as the market starts to appreciate the value of their non-opiod analgesic. IPH has moved up by a similar quantum after solid results which highlighted the low rating of the stock. We continue to hold these names, though we have sold our Star Entertainment at a decent profit as we are worried that the allegations of malfeasance at Crown could spark an industry-wide backlash, and we have also sold our Healthscope after a 15% upward move in a month. Starpharma has finally started to reflect some of the massive potential of its dendrimer drug delivery platform and while it has nearly doubled this year, we continue to regard it as massively undervalued. The only real disappointment in recent months has been Mesoblast, where strong clinical results continue but are ignored by the market obsessing over its shareholders' actions – in particular the actions of Teva, surely a candidate for the world's most incompetently managed company. Desperate for cash after a spectacularly ill-advised $40bn acquisition (the market cap of the combined entity is now a princely $13bn), and not content with giving up their rights to the CHF application for nothing just before the trial passed a futility analysis, they compounded their error by dumping the majority of their Mesoblast stock at a discount when any half competent investment banker could have got them a premium for their blocking stake. It must be remembered that Teva has NO insight into the blinded trials beyond publicly available information. They are just hopeless. Meanwhile we are seeing more public (the Daily Mail, no less) appreciation of Mesoblast's treatment for back pain (another way of reducing excess opioid prescriptions), while the data for GVHD, late stage CHF and Rheumatoid Arthritis also continues to look good. We remain confident that the data will overcome sentiment.

While the FAANGS, AliBaba and TenCent continue to dominate sentiment in the technology world, some of the next division names have been faltering. JD and VIPshop have fallen recently as the consensus moves to AliBaba becoming a de- facto online monopolist. We think this is too bearish a scenario for the number two and three players, who may well end up combining anyway. Margin pressure will remain, but e-commerce continues to grow at 3x the pace of the overall retail market. There will be a retail future outside of Amazon and AliBaba, if only because politicians will ensure that competition remains. We have bought small positions in both stocks. The last few months have also seen a sharp fall in Ctrip's share price, despite it being the unchallenged leader in internet travel in China (it has bought most of the competition, as well as SkyScanner in Europe). The reason is that regulators have challenged the 'need to opt out' model for selling additional services as well as plane tickets and hotel rooms (insurance, car transfers etc.). This will have a modest impact on profits, but probably rather less than the 20% dip in the share price would suggest. Given the massive potential for Chinese travel, we view this as a buying opportunity, and have added a small position here as well.

PORTFOLIO STATISTICS

Net Market Exposure	90.83%
Positions	40

Top Ten Positions	**(%)**
Samsung C&T Corp	6.0
Starpharma Holdings	5.5
Mesoblast	4.3
Swire Pacific	3.8
Avichina Industry & Tech	3.7
Syrah Resources	3.7
China Mobile	3.6
Sino Land Co	3.3
CRCC High-Tech Equipment	2.8
Tata Motors	2.6

Fund Country Breakdown	**(%)**
Australia	26.5
China/HK	27.8
India	2.6
Indonesia	8.3
Philippines	2.1
Singapore	1.8
South Korea	15.8
Taiwan	3.3
Thailand	2.4

Fund Sector Breakdown	**(%)**
Consumer Discretionary	15.9
Energy	2.2
Financials	11.7
Health Care	13.2
Industrials	20.2
Information Technology	8.2
Materials	9.2
Telecommunication Services	10.1

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Available Share Classes

Name	Currency	Bloomberg	ISIN	SEDOL	Management fee
Class A USD	USD	TIBTAAU ID	IE00B13MQT07	B13MQT0	1.50%
Class B EUR hedged	EUR	TIBTACE ID	IE00B13MQV29	B13MWV2	1.50%
Class C GBP hedged	GBP	TIBTABS ID	IE00B13MQW36	B13MQW3	1.50%
Class D GBP	GBP	TAIDSUH ID	IE00B3NYBJ55	B3NYBJ5	1.50%
Class I USD	USD	TPIUSDU ID	IE00BZ1J0442	BZ1J044	0.75%
Class I EUR hedged	EUR	TPIEURH ID	IE00BZ1J0558	BZ1J055	0.75%
Class I GBP hedged	GBP	TPIGBPH ID	IE00BZ1J0665	BZ1J066	0.75%
Class I GBP	GBP	TPIGBPU ID	IE00BZ1J0772	BZ1J077	0.75%

Important Information

This communication is intended for professional clients and investment professionals only and should not be relied upon by retail investors.

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Please note that past performance cannot be relied upon as a guide to future performance and the value of an investment can go down as well as up. Investors may not get back the full amount originally invested. Exchange rates may cause the value of overseas investments to rise or fall.