TIBURON TAIPAN FUND

Asia Pacific ex-Japan equity long-only

March 2019

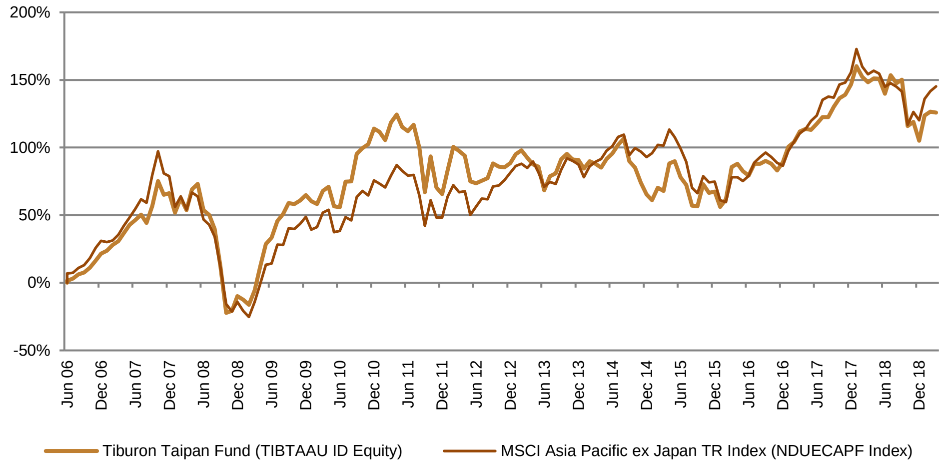
QUAEROCAPITAL

Performance %	YTD	1M	1Y	3Y	5Y	2018	2017	2016	2015	2014	ITD
Tiburon Taipan Fund	10.09	-0.34	-9.04	21.72	20.14	-16.83	30.44	12.88	1.33	-13.39	125.82
MSCI Asia Pacific ex Japan TR Index (NDUECAPF)	11.46	1.54	-3.50	37.69	29.45	-13.92	36.98	6.75	-9.37	2.82	145.28

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.

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Manager's Commentary

March was a good month for Donald Trump, who clearly failed to get past the first paragraph of the Mueller report when he declared himself 'totally exonerated'. Unfortunately, it wasn't so good for the rest of the world apart from owners of sovereign bonds. Clear signs of European economic weakness have coincided with some poor US economic data, allowing a near-inversion of the yield curve to occur and sparking prophecies of impending doom. This has been against a background of the Christchurch atrocity, the dangerous acceptance of the Golan Heights as Israeli territory by the US, and the appalling precedent of a Federal Reserve governor being chosen purely because he is a Trump supporter. Meanwhile in the UK, Theresa May continues to threaten a Brexit outcome that could be the least popular delivery since that of Damien Thorn. Presumably at least one of the DUP (motto: just say no unless you are offered a free Sri Lankan holiday) or the ERG (more accurately the 'we know nothing about Europe but hate Johnny Foreigner on principle' group) has 666 stamped on his (or her) head. Equity markets have not yet reacted much, but the danger is that we have priced in monetary stimulus in the West and fiscal stimulus in China without fully taking on board the implications of falling earnings, which are already a reality in the US market this quarter. Yes, Asia is better positioned in this environment, but will not emerge unscathed. Corporate balance sheets are strong, but earnings estimates are headed in the same direction as America's. A lot depends on the outcome of the Sino/US trade talks, and we think some sort of deal is both 70% likely but also at least 70% priced. If the US presses too hard on access for the 'Big tech' companies, China will refuse, as any breach of the Great Firewall cannot be tolerated. The Chinese will no doubt point out that the concept of reciprocal access is somewhat compromised if Chinese companies are prevented from owning social media in the US – Grindr being a current point of contention. Good job they didn't own Ashley Madison. We continue to live in interesting times.

Enthusiasm for Chinese 'A' shares has cooled somewhat in the past month, perhaps on the realisation that being pushed by MSCI to buy generally expensive shares is not such a no-brainer after all, particularly if it involves selling cheaper analogues in HK to fund it. The A share multiple may look enticing, but after removing the heavily weighted and optically cheap banks it looks much less of a bargain, and the foreign favourites – the baiju companies, Hikvision, Hans Laser et al, are all on 20-30x earnings.

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$ 24m
Dealing	Daily
Custodian	Northern Trust
Administrator	Northern Trust
Auditors	PricewaterhouseCoopers
Investment Manager	Quaero Capital 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, France, Spain and Netherlands

NAV per Share

Class A USD	USD	2,258.2228
Class B EUR hedged	EUR	1,235.1595
Class C GBP hedged	GBP	1,578.7684
Class D GBP	GBP	1,910.6099
Class I USD	USD	1,315.7122
Class I EUR hedged	EUR	879.2745
Class I GBP hedged	GBP	863.2162
Class I GBP	GBP	1,607.5691

Not necessarily expensive, but hardly a valuation anomaly. At the same time, cracks are appearing in the 'emerging market' rally of the first quarter. Turkey has declared war on anyone who isn't a bull of the Lira, while in Brazil investors have woken up to the realisation that the 'tropical Trump' has about as much idea on economic policy as his soul mate in Washington – to go with their shared love of gun violence and dislike of anybody non-white or non-heterosexual. Reforming Brazilian pension legislation, if politically possible at all, is not likely to be achieved by a bombastic ideologue. The emerging world has become a consensus long, in part on the assumption of a Fed-induced weak Dollar. The Fed may have turned dovish, but so has everybody else, with New Zealand being the latest to throw in the 'rate normalisation' towel. We can find plenty of value in our universe, which is long overdue a period of outperformance over the momentum-driven sectors, but struggle to see a lot of near-term upside to the Asian indices in an environment of generally deteriorating sentiment towards risk assets in general.

As mentioned above, the second part of the bull case for markets after a dovish Fed is Chinese reflation. There have been material cuts to both income taxes and VAT announced, and these will make a difference to consumer incomes and the profitability of some companies. Yet the prospects for ongoing fiscal munificence need to be seen in the light of a budget deficit, which when adjusted for provincial spending is already approaching 6% of GDP. Balancing reflation with keeping debt levels under control remains a difficult balancing act, and we think that stimulus will be restricted to keeping the economy on an even keel and preventing unemployment rising too much rather than actually causing GDP growth (the genuine number, probably circa 4%, not the official one of 6% plus) to accelerate. This may disappoint the bulls, and with the trade surplus in secular decline there will be an imperative to prevent capital leakage which may pressure the currency and upset Washington which seems incapable of distinguishing between market forces and manipulation (US trade negotiators seem to assume that even the UK can control its currency – we can't even control the cabinet). We reiterate that we are not China bears, and think there is zero prospect of a 'Minsky moment' given the Communist Party's control over all the main lenders, but fear that the law of large numbers, negative demographics and an aversion to excessive debt mean consensus thinking may be optimistic.

From a personal perspective I would not want to live in Singapore – too humid, too small and too much of a nanny state, even if it does boast the world's best airport. However, from time to time it can be a good place to invest. Minimal corruption and a strong and stable government (pace Mrs May), a rock-solid currency and a highly educated, multilingual population provide some useful portfolio building blocks, particularly in uncertain times. We have 15% of the portfolio in the City State, with our property play (City Developments) augmented by the gaming stock Genting Singapore, Venture manufacturing and United Overseas Bank. Singapore property looks a bargain when compared to Hong Kong, and with larger discounts to NAV available in the listed plays. Genting is materially cheaper than its Macau peers, cashed up and with no prospect of increased domestic competition but a real chance of snagging a Japanese casino license when these are finally put out to tender. Venture is probably the best contract manufacturer in the region, offering bespoke design services (as well as manufacturing) to high end medical equipment companies as well as the usual more consumer-oriented electronics. Best in class (and rising) margins, net cash with a 4% yield and a PER of 13x make for an attractive investment opportunity. UOB is a boring bank – and we view being boring for financial stocks as a very desirable attribute. A small premium to book value is fully justified by the double-digit ROE and the family control and stringent Singapore regulation means that the lending is prudent and the accounting conservative – attributes sadly lacking in many banking stocks elsewhere in the world.

PORTFOLIO STATISTICS

Net Market Exposure	93.2%
Positions	40

Top Ten Positions	**(%)**
Mesoblast	5.8
City Developments	5.0
CRCC High-Tech Equipment	4.1
Venture Corp	3.9
Medical Developments Intl.	3.9
Dah Sing Financial Holdings	3.7
Zhuzhou CRRC Times Electric	3.7
Starpharma Holdings	3.7
Samsung Electronics Co	3.5
SK Hynix Inc	3.3

Fund Country Breakdown	**(%)**
Australia	31.0
China/HK	26.6
India	4.1
Indonesia	1.9
Singapore	13.3
South Korea	13.1
Taiwan	1.5
Thailand	1.6

Fund Sector Breakdown	**(%)**
Consumer Discretionary	13.4
Energy	5.8
Financials	6.0
Health Care	13.9
Industrials	10.3
Information Technology	17.7
Materials	13.4
Real Estate	5.0
Communication Services	7.8

CONTACTS

Investment Strategy

Portfolio manager: Mark Fleming
Telephone: +44 (0)20 7747 5772
Email: m.fleming@quaerocapital.com

Dealing Enquiries

Contact: Investor Services
Telephone: +44 (0)20 7747 5778
Email: investorservices.uk@quaerocapital.com

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.

This communication provides information relating to Tiburon Taipan Fund (the “Fund”) which is a sub-fund of Tiburon Funds plc. Tiburon Funds plc is an open-ended umbrella investment company with variable capital incorporated with limited liability in Ireland under the Companies Acts 1963 to 2012 with registration number 421026. It is established with segregated liability between sub funds and is an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended. Tiburon Funds plc is authorised and supervised by the Central Bank of Ireland.

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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.