

# TIBURON TAIPAN FUND

Asia Pacific ex-Japan equity long-only

February 2018

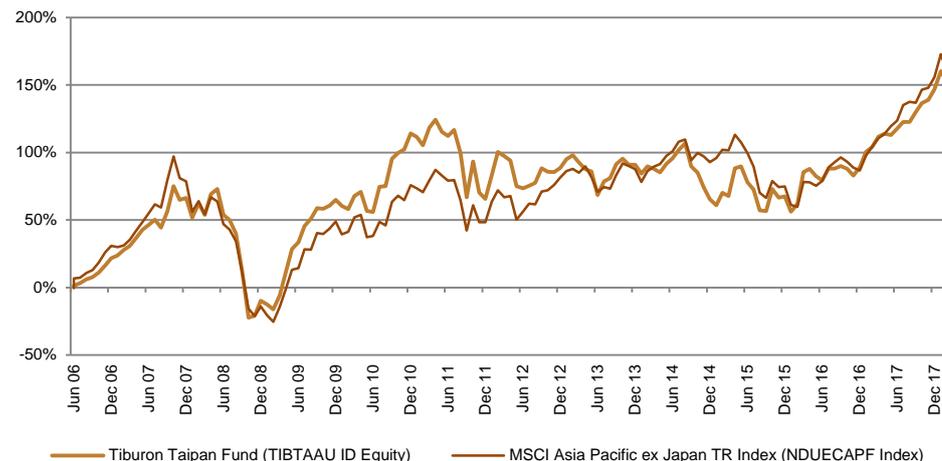
**TIBURON**  
PARTNERS

Performance %	YTD	1M	1Y	3Y	5Y	2017	2016	2015	2014	2013	ITD
Tiburon Taipan Fund	2.31	-3.01	23.69	48.30	27.42	30.44	12.88	1.33	-13.39	1.25	152.34
MSCI Asia Pacific ex Japan TR Index (NDUECAPF)	1.67	-4.73	27.26	28.67	38.28	36.98	6.75	-9.37	2.82	3.41	159.94

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

The surprising thing about the correction equities underwent in the early part of February was not that it happened, or the speed and severity of the fall (small stuff in the context of any time period bar the last few years), but that it didn't happen much earlier. Complacency amongst investors was way too high, and needed puncturing. Momentum traders have now switched to shorting the bond market, and high profile investment banks are speculating over whether the economy could survive 4.5% 10 year yields. All this as the economic 'surprise' indicator has turned down, the yield curve has continued to flatten and monetary growth stalls. We have no doubt that over the medium to long-term interest rates will rise, though the quantum is impossible to predict. However, in the short term there could well be a bounce in bonds as the short has become consensual and this would allow equities some respite and the chance to challenge or even exceed recent highs, at which point we would advocate taking profits, at least in those names that have reflected the index moves.

Investing in Australian biotech has been harshly – and incorrectly – compared to getting on a bus – you give them the money and then they take you for a ride – but also

like London buses, you wait ages for corporate activity to happen, and then several deals come at once. Following Varian's bid for Sirtex at the end of last month at a circa 60% premium, Merck has now bid for another cancer play, Viralytics, at a 150% premium, showing conclusively that the arbitrage between public (read ignorant) and private (read better informed, at least where leading edge science is involved) valuations remains huge. In the case of Viralytics, strong clinical data and nosebleed valuations of peer companies in the immuno-oncology space were ignored by local investors who were paranoid over the prospect of a capital raising, which is somewhat bizarre as capital would only be required to take the drugs further through the approval process and therefore become more likely to be commercialised... which in every other market would also lead to a higher share price. While we did not own Viralytics (we liked the results, but didn't have the expertise to adequately understand the science), we think the market will now take a less jaundiced view of the sector in general, and with Starpharma, Mesoblast and Medical Developments all showing strong momentum in both the clinic and increasingly in the marketplace with their first commercial products, the likelihood of

## 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

<b>AUM</b>	US\$ 32m
<b>Dealing</b>	Daily
<b>Custodian</b>	Northern Trust
<b>Administrator</b>	Northern Trust
<b>Auditors</b>	PricewaterhouseCoopers
<b>Investment Manager</b>	Tiburon Partners LLP
<b>Management fee</b>	1.5% (standard) 0.75% (institutional)
<b>Performance fee</b>	None
<b>Launch date</b>	16 <sup>th</sup> June 2006
<b>Domiciled</b>	Ireland
<b>Type</b>	UCITS
<b>Registered for sale in:</b>	UK, Ireland, Sweden, Italy, Switzerland, France and Netherlands

### NAV per Share

<b>Class A USD</b>	USD	2,523.3930
<b>Class B EUR hedged</b>	EUR	1,429.3430
<b>Class C GBP hedged</b>	GBP	1,806.2292
<b>Class D GBP</b>	GBP	2,019.0108
<b>Class I USD</b>	USD	1,458.2929
<b>Class I EUR hedged</b>	EUR	1,000.0000
<b>Class I GBP hedged</b>	GBP	1,000.0000
<b>Class I GBP</b>	GBP	1,685.1763

corporate activity has increased considerably and this should help remove the down-under discount of the sector.

In China, Xi Jinping appears to have appointed himself Emperor for life... or at least that is the inference from the move to enable further terms for him and his deputy. Would-be autocrats everywhere must be green with envy that this can be done in China without all the hassle of rigging elections every five years. While this is a clear step backwards in terms of governance, it does at least give investors certainty that the current course of the economy is unlikely to change - quality over quantity in terms of growth, with more than lip service paid to environmental performance. Deleveraging will continue, as the arrest of Anbang's chairman will send a strong message to those looking at unaffordable or trophy assets to buy. HNA is trying to sell most of what it has bought over the last few years, and in most cases will make a loss, though it is interesting to note that despite its status as a forced seller and its high entry price, it has made money selling its land parcels in Hong Kong to a savvy, independent buyer (Henderson Land). This feat is unlikely to be replicated for most

of the other international assets it has on the block. However, strategic acquisitions are still allowed, and the most startling of these is the purchase of 10% of Daimler by Geely. Although financed offshore by a collar trade, this is clearly a China Inc. deal (coming shortly after the purchase of a stake in Volvo trucks), and speaks volumes as to where the Chinese think they will ultimately get the best EV and autonomous driving capability, though they are unlikely to get a board seat and will be viewed with some suspicion in Berlin. Strong global brands with IP in strategic industries everywhere need to continue to look over their shoulders for predatory dragons from the East.

Volatility is likely to remain a feature of markets in 2018, and the absolute return of the last few years is unlikely to be repeated, but for the value investor with an eye to market inefficiencies it could well be a very fertile hunting ground. We remain enthusiastic and fully invested, although as off-index as ever. There may be trouble ahead, but while there is M&A, and excellent value, we will continue on the investment dance-floor, though hopefully with better partners than Chuck Prince of Citigroup had in late 2007!

## 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	B13MNV2	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%

## PORTFOLIO STATISTICS

**Net Market Exposure** 96.0%

**Positions** 39

**Top Ten Positions (%)**

Mesoblast	5.8
Starpharma Holdings	5.2
Avichina Industry & Tech	4.3
ASM Pacific Technology	4.2
Samsung C&T	4.2
Swire Pacific	3.7
National Australia Bank	3.6
Dah Sing Financial Holdings	3.4
SK Hynix	3.3
Sino Land	3.3

**Fund Country Breakdown (%)**

Australia	30.2
China/HK	36.8
Malaysia	1.3
New Zealand	0.0
Philippines	2.0
South Korea	15.7
Taiwan	2.9
Thailand	7.1

**Fund Sector Breakdown (%)**

Consumer Discretionary	4.9
Consumer Staples	1.3
Energy	2.8
Financials	11.2
Health Care	15.1
Industrials	19.8
Information Technology	20.3
Materials	6.4
Real Estate	9.0
Telecommunication Services	5.2

## CONTACTS

### Investment Strategy

Portfolio manager: Mark Fleming  
 Telephone: +44 (0)20 7747 5772  
 Email: mef@tiburon.co.uk

### Dealing Enquiries

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

## Important Information

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