

### FACTSHEET

#### Performance Returns

The OTS Asia Opportunity UCITS Fund returned -1.31% in the month of November. The Fund's negative performance can be partly attributed to the selloff in a number of our Hong Kong long holdings, particularly in the property sector.

#### Investment Objective & Strategy

The OTS Asia Opportunity UCITS Fund is a Pan-Asian, fundamentally focused long/short equity fund seeking to preserve capital and maximize returns under strict value investing discipline. As a value investor, OTS capitalizes on certain themes in the Asian markets, which are inefficient and volatile with limited sell-side coverage. The fund looks for alignment of interests and takes advantage of a divergence in business quality between companies with strong fundamentals and competitive advantages. OTS then seeks companies trading at significant discounts or premiums to justifiable intrinsic values.

#### Investment Commentary

In this month's newsletter, we would like to discuss one of our long holdings in Greater China, Taiwan-listed Chilitina Holdings. The beauty industry in Mainland China is already estimated to be worth nearly 1 trillion RMB annually and continues to expand at a double-digit pace. While the industry has come a long way, China still trails regional rivals such as Japan and Hong Kong, where per-capita expenditure on beauty goods is estimated to be 8-10 times higher.

While multinational firms battle it out on the cosmetics front, an area of opportunity that remains relatively untouched is beauty services – specifically, skincare salons. There are presently 300,000 skincare salons in China, 97% of which are unfranchised mom-and-pop businesses with no scale or credible branding. It is estimated 90% of Chinese women frequent such salons at least once per month. Chilitina recognized early-on an opportunity to consolidate and bring economies of scale to the skincare market. The company has been operating in China for 18 years and listed on the Taiwan Stock Exchange in 2013. Since opening its first store in Shanghai in 1999, Chilitina has become largest beauty chain operator in China with over 3,400 franchised salons.

Chilitina developed a vertically-integrated model whereby it not only operates its Ke-li-ti-na (Mandarin) as skincare salons, but also uses them as a platform to sell its private label skincare products. The company generates the lion's share of its revenues from sales of its Chilitina-branded products to its salon franchisees – each branch generates close to US\$30,000 in annual sales. Chilitina products enjoy strong brand recognition on the Mainland and plays in the mid-to-high end segment. Individual products sell for between 200-400 RMB and typically bundle esthetician services, a very localized offering that multinational cosmetics firms have been unable to compete with.

In order scale the business and maintain quality control across its franchise network, Chilitina established 22 regional training centres where it trains its 15,000 beauticians to ensure a consistent experience across branches. Chilitina developed a standardized training system that allows franchisees to replicate the business very quickly and achieve payback within 1-2 years.

Chilitina has grown its top line and profits at an average of over 20% over the past 5 years, double the growth rate of the industry. Management intends to continue expansion and reach ~5,000 stores over the next 5 years, which we believe is achievable given that the firm has very little exposure to 3rd-tier and below cities at the moment. Also, while Chilitina is the largest organized operator of skincare salons in China, 97% of the market is still comprised of independent operators. We believe the company is well-positioned to benefit from both secular growth and consolidation of the industry.

The company trades at a market cap of US\$800 million and offers a dividend yield of 2%. Chilitina's asset-light business model means it can generate ROIC of 25% and generate free cash flow of US\$30 million, thereby allowing it to grow its business with little need for capital outlay or external funding. The balance sheet is therefore very solid with a cash position of US\$80 million and no debt.

Chilitina was founded by Mr. Wukang Chen, a Taiwanese inventor and self-made entrepreneur. His daughter Pihua Chen currently runs the firm and together the family controls 75% of the company's shares. We have taken a position alongside the owner-operators to take advantage of the opportunity. As always, we thank you for your long-term support.

#### USD Class A Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2015	-	-	-	-	-	-	-	-	-	-0.45%	-1.31%		-1.76%

The performance figures quoted above represent the performance of the OTS Asia Opportunity UCITS Fund since its launch on 2<sup>nd</sup> October 2015. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

### THE MANAGER

## OTS CAPITAL MANAGEMENT



**Tony Hsu** began his career at Foxconn International Holdings. After obtaining an MBA in Finance from The Wharton School at the University of Pennsylvania, Mr. Hsu joined Dalton Investments as a Portfolio Manager for Dalton's Asian equity strategies and a team of equity analysts based in Shanghai. He is an Adjunct Professor of Finance at the China European International Business School (CEIBS) Shanghai, and National Taiwan University (NTU), Taipei.

#### FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Weekly
Fund AUM	\$20 million
Inception	2 <sup>nd</sup> October, 2015
Share Class	<b>Class A/Class A Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.75%
Perf. Fee	17.5%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYMM8523/IE00BYMM9N76 USD: IE00BYMM9935/IE00BYMMBF33 CHF: IE00BYMM8N02/IE00BYMMB426 GBP: IE00BYMM8H42/IE00BYMMB087
Share Class	<b>Class B/Class B Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	2.00%
Perf. Fee	20%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BYMMBP31/IE00BYMMC838 USD: IE00BYMMBZ39/IE00BYMMCT44 CHF: IE00BYMMBT78/IE00BYMMC81 GBP: IE00BYMMBS61/IE00BYMMC808

#### Risk Metrics

Exposure and Risk Summary	(% of NAV)
Long Exposure	68.5%
Short Exposure	-32.8%
Gross Exposure	100.3%
Net Exposure	34.7%
No of Longs	27
No of Shorts	15

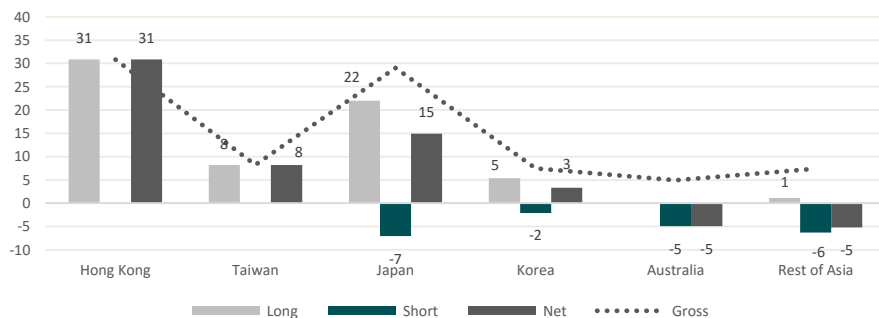
### OTS Asia Opportunity Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2015	-	-	-	3.0%	0.84%	-1.49%	-1.20%	-11.40%	-1.0%	2.33%	-1.22%		<b>-10.37%</b>

The above performance pertains to the performance since inception of the OTS Asia Opportunity Fund and is not representative of the OTS Asia Opportunity UCITS Fund. UCITS Funds have to abide by onerous investment restrictions and consequently the performance of the OTS Asia Opportunity UCITS Fund may not be similar to that presented above. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

### Composition of UCITS Fund

#### Geographic Analysis (% of NAV)



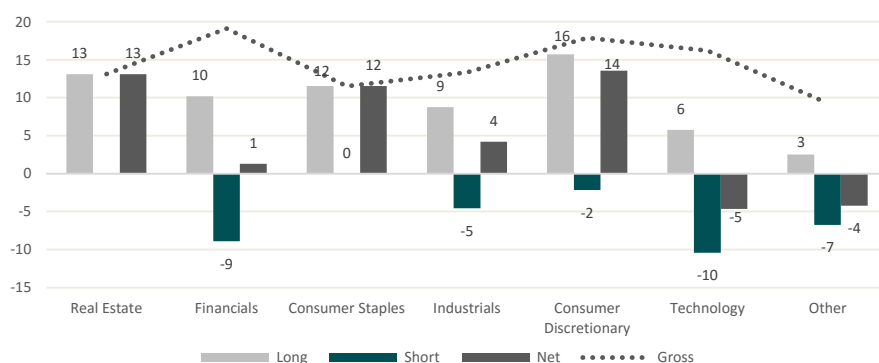
#### Top 5 Longs (% of NAV)

Gree	3.3%
Chlitina Holding	3.2%
Shinsegae	2.9%
Belluna	2.9%
House Foods Group	2.8%
<b>Total</b>	<b>15.1%</b>

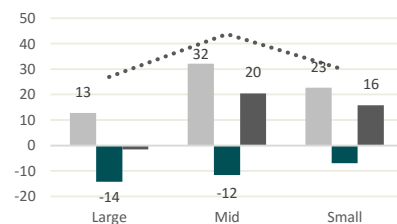
#### Top 5 Shorts (% of NAV)

Japanese Electronics Co.	-2.5%
Australian Airports Operator	-2.5%
Australian Bank	-2.5%
Indian Bank	-2.4%
Japanese Exchange Operator	-2.4%
<b>Total</b>	<b>-12.2%</b>

#### Sector Analysis (% of NAV)



#### Market Cap Analysis (% of NAV)



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### Disclaimer

**Risk Warning:** Past performance is not a reliable indicator of future results, prices of investments and the income from them may fall as well as rise. Investments in equities are subject to market risk and, potentially, to exchange risk. The OTS Asia Opportunity UCITS Fund (the "Fund") may use higher leverage and financial derivative instruments as part of the investment process. The distribution of this report does not constitute an offer or solicitation. Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Documents which together with the Montlake UCITS Platform Prospectus may be downloaded from the MontLake website ([www.montlakeucits.com](http://www.montlakeucits.com)). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither ML Capital nor OTS Capital Management Ltd accepts liability for the accuracy of the contents. OTS Capital Management Ltd is authorised and regulated by the SFC. ML Capital does not offer investment advice or make recommendations regarding investments. The Investment Manager and Promoter of the MontLake UCITS Platform plc is ML Capital Asset Management Ltd, a company regulated by the Central Bank of Ireland. MontLake UCITS Platform plc. is registered and regulated in Ireland as an open ended investment company with variable share capital and segregated liability between sub-funds. This notice shall not be construed as an offer of sale in the Fund. This notice shall not be construed as an offer of sale in the OTS Asia Opportunity Fund or in any other fund managed or advised by OTS Capital Management Limited. The state of origin of the Fund is the Republic of Ireland. This document may only be distributed in or from Switzerland to qualified investors within the meaning Art. 10 Para. 3, 3bis and 3ter CISA. The Representative in Switzerland is ACOLIN Fund Services AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich. The basic documents of the Fund as well as the annual report may be obtained free of charge at the registered office of the Swiss Representative.

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