OTS Asia Opportunity UCITS Fund

Pan Asia Long/Short Equities

April 2016

FACTSHEET

Performance Returns

The OTS Asia Opportunity UCITS Fund returned 0.88% in the month of April. The Fund's performance can be partly attributed to an increase in the value of financial sector stocks held in Japan and Hong Kong.

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

This month we take a break from our usual security deep-dive to discuss a topic that is understandably on the minds of many of our investors, namely the current economic situation in China.

Since mid-last year the consensus view on China has changed dramatically. Whereas the Chinese economy was previously viewed as an unstoppable juggernaut, many observers' views seem to have flipped 180 degrees due mainly to concerns about ballooning debt that now make regular appearances of the front page of major financial publications.

While China weathered the global crisis of 2008-09 without a major drop in economic growth, the crisis was a turning point in the structure of the Chinese economy. In order to prevent a slowdown, the government engineered a massive expansion in bank and non-bank lending. Loans were, in many cases made with little regard towards ability or intention to repay.

In the succeeding years the pace of credit growth slowed from the peak stimulus years of 2009-10, but policymakers were never quite able to wean the economy off a steady stream of new credit. As a result, the ratio of total debt to GDP has increased from 125% to 215% since 2008, increasing by 11% of GDP in just the past 12 months. Worryingly, this credit expansion has continued despite an ongoing slowdown in economic growth, suggesting increasingly meagre incremental investment returns.

As a wise man once said, that which cannot go on forever will eventually stop. Clearly the Chinese credit markets cannot continue growing faster than the economy without bound. To invest effectively, however, we need to go beyond this broad conclusion to analyze just how the economic consequences of the current situation are likely to play out.

Those positioned for a financial meltdown are likely to be disappointed. While Chinese financial institutions are fragile, there are differences in the Chinese context that make a "Lehman moment" in China quite unlikely.

With its political legitimacy deriving largely from its record as a steward of the economy, there can be little doubt that the Communist Party will do whatever it takes to prevent a crisis in the short run, even if there are negative consequences for long run growth. In the U.S. context, Lehman Brothers was allowed to go bankrupt, in spite of the threat to the financial system, because U.S. government agencies such as the Fed take seriously concerns about moral hazard and face genuinely binding legal constraints on their actions. Neither of these conditions pertain to China, where frequently both lender and borrower are part of the same state-owned economy.

Policy support for troubled industries is already evident in the form of "evergreening" of loans to troubled state-owned firms. We don't pretend to be able to predict the exact forms of policy support that will emerge, but the necessary bottom line is an ongoing transfer of economic resources to uneconomic (mostly) state-owned enterprises from the government and household sectors.

There should be no doubt that the Chinese government has the resources to prevent a financial crisis, ultimately backed by the printing press – a particularly potent weapon in a nation with capital controls in place and where deflation, not inflation, is the clear and present danger. Of course, preventing a crisis is not the same thing as restoring the economy to health, and the cost of supporting zombie industries is likely to be a drag on growth for many years.

But while the period of rapid economic growth in China did not always translate into high returns for equity investors, the coming years of slower growth need not be a period of poor investor returns. As investors we are in the privileged position of being able to pick and choose which parts of the economy to be exposed to participate only when the price is right.

This outlook is not a call for complacency. The economic policy-making process in China is opaque and the possibility of a major mistake cannot be entirely discounted. We continue to address these risks by seeking richly priced shorts on vulnerable assets. But with China-related shares trading in many cases near all-time low valuations, we are finding a number of opportunities to buy into securities with significant margins of safety. As always we thank you for your long term support.

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	$20.3 million
Inception	2nd October, 2015
Share Class	**Class A/Class A Pooled**
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	**Class B/Class B Pooled**
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/IE00BYMMCN81
	GBP: IE00BYMMBS61/IE00BYMMCF08

Risk Metrics

Exposure and Risk Summary	**(% of NAV)**
Long Exposure	83.8%
Short Exposure	-18.4%
Gross Exposure	102.2%
Net Exposure	65.4%
No of Longs	33
No of Shorts	9

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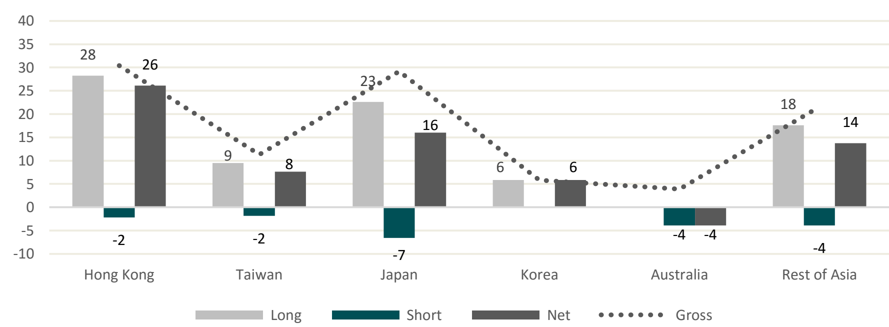
USD Class A Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2016	-3.22%	2.80%	3.57%	0.88%									**3.95%**
2015	-	-	-	-	-	-	-	-	-	-0.45%	-1.31%	-0.72%	**-2.46%**

The performance figures quoted above represent the performance of the OTS Asia Opportunity UCITS Fund since its launch on 2nd 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.

Composition of UCITS Fund

Geographic Analysis (% of NAV)



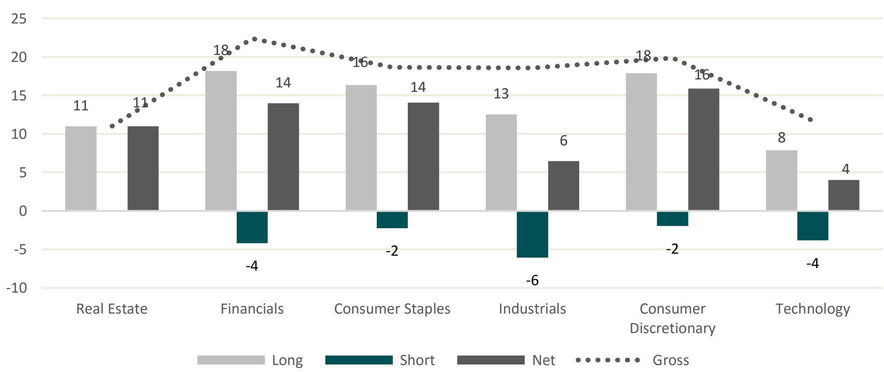
Top 5 Longs (% of NAV)

Dah Sing Financial Holdings	4.1%
Super Group Ltd	3.6%
Shinhan Financial Group	3.5%
Gree Inc	3.4%
Great Eagle Holdings Ltd	3.3%
Total	**17.8%**

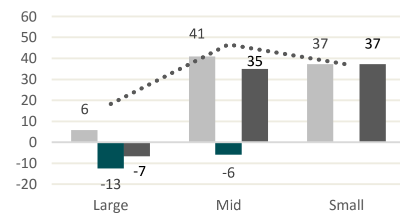
Top 5 Shorts (% of NAV)

Japanese Exchange Operator	-2.3%
Japanese Retailer	-2.3%
Australian Airports Operator	-2.2%
Hong Kong Railway Operator	-2.2%
Global Semiconductor Firm	-2.0%
Total	**-11.0%**

Sector Analysis (% of NAV)



Market Cap Analysis (% of NAV)



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