

Inclusif Value Fund

www.inclusif.com.sg
Swiss-Asia Financial Services
Portfolio Manager: Teh Hooi Ling

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Guiding
philosophy
: 1

Reward through contribution

“Becoming a millionaire is the side effect of helping a million people (OK, that’s a bit of a stretch! 😊). One’s salary or influence is not an end in itself, but an (imperfect) measure of your contribution to the world.”

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Guiding
philosophy
: 2

**Success comes
from expanding
the pie for
everyone**

*It's not a zero sum game, it
can be win-win for everyone*

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Guiding
philosophy
: 3

**Interdependence is
a source of
strength**

*It's a way to harness the skills
of multiple people for a
greater good*

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Guiding
philosophy
: 4

**This is not a 100-m
sprint, it's a
marathon**

Put in the hours, no short cuts, no easy way out. The investment process is a result of more than 10,000 hours of research, reflections and observations.

We are in this together for the long term

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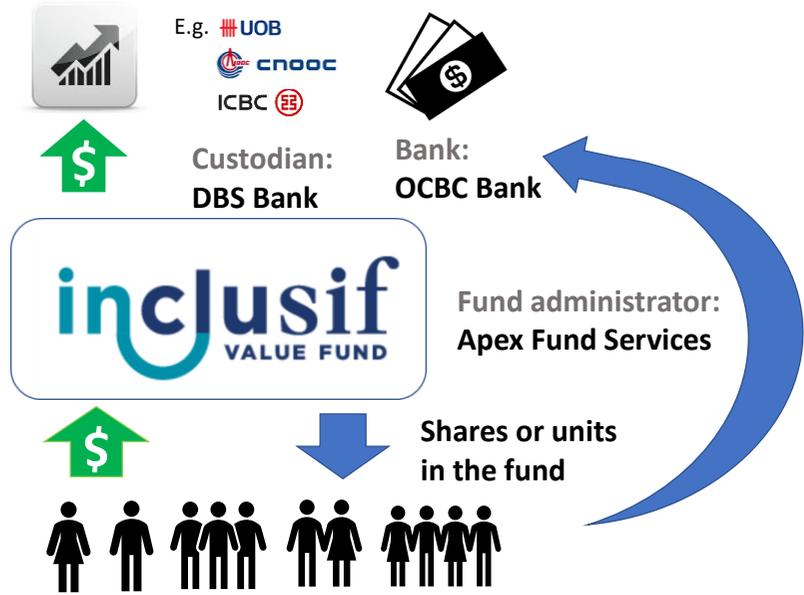
Guiding
philosophy
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Be humble

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- Cayman Islands incorporated open-ended investment company with limited liability
- 100 voting non-redeemable non-participating management shares (THL, who appoints Swiss-Asia as IM)
- 49,900,000 non-voting redeemable participating shares (Investors in the fund)



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Investment Manager

Swiss-Asia 
 Financial Services Pte. Ltd.
 瑞士亚洲金融服务有限公司

- Compliance
- Operational support

Portfolio Manager:
Teh Hooi Ling

- Manage portfolio
- Marketing & client servicing



Custodian



- Keeps the securities

Fund Administrator



- Maintains shareholder register
- NAV calculation and reporting

Bank

- Keeps investors' subscription monies



Auditor



Cayman Legal Advisor



Executing Brokers



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Strategies for successful equities investing

Teh Hooi Ling CFA

6 June 2017 (Updated in June 2018)

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Topics to be covered

- Why equities
- Ways to get higher than buy-and-hold index returns
- Where is the market now
- Inklusif Value Fund Offer Details

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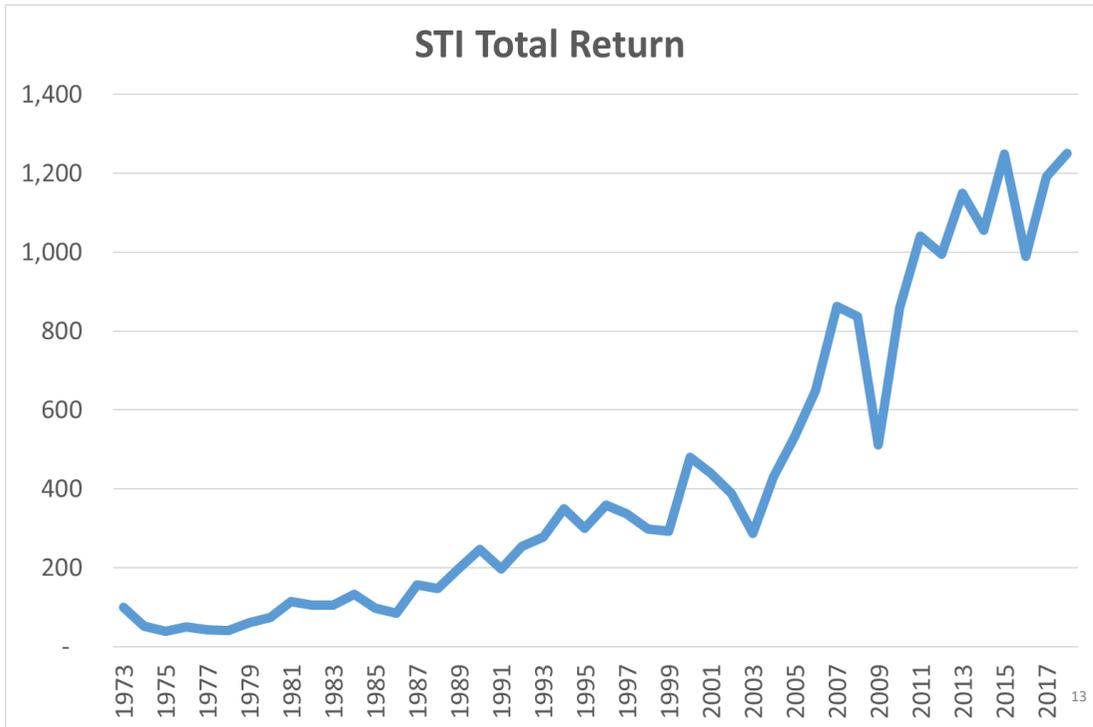
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Why Equities?

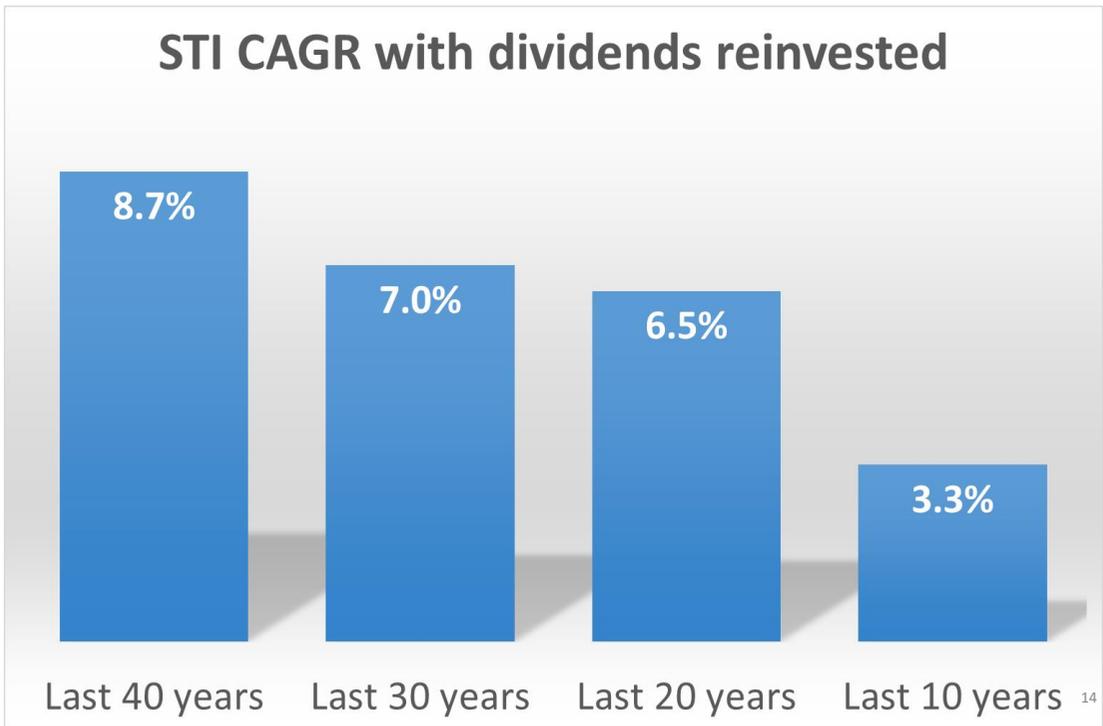
- Equities gives you a stake in a business – you own real assets like buildings, cash in the banks etc, not just in your own country, but in other countries with ease
- It allows you to tap into the entrepreneurial drive of very motivated people around the world
- In the capitalist system, capital trumps labour
- Equities has been one of the best asset classes to generate long term real returns

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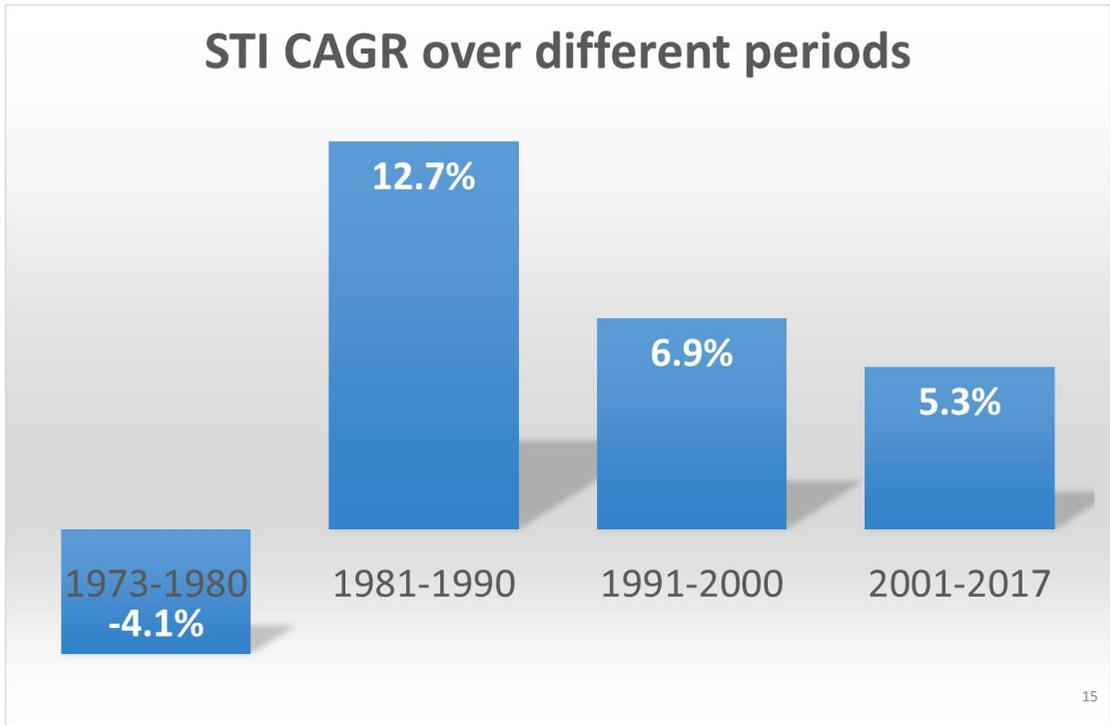
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What's the outcome of equities investing if you:

- Put everything into the market in one shot
- Have a regular savings plan

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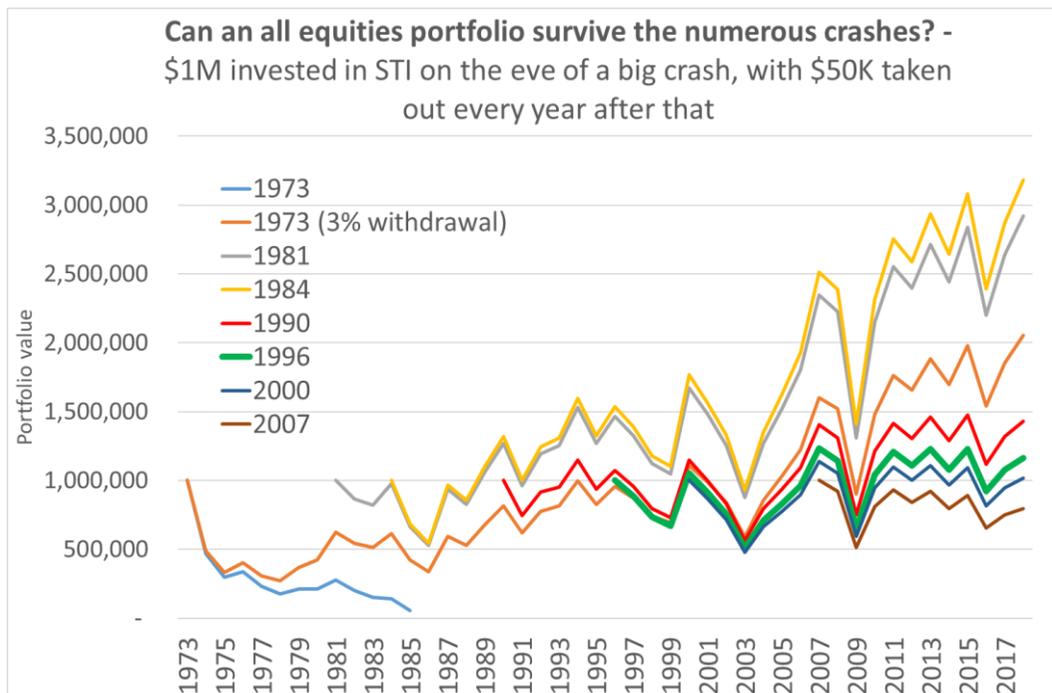
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Putting everything into the market in one shot

- Put \$1M into the market at the point of retirement
- Unfortunately, that time coincided with the peak of the market
- You need to depend on this \$1M for your retirement by withdrawing \$50K a year, which works out to \$4K a month
- Can your \$1M continue to provide for you up till today?

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An all equities portfolio for retirement - Worst case scenario							
A five per cent withdrawal is "safe" enough							
Retired on 1 Feb:	1973	1981	1984	1990	1996	2000	2007
	\$'000						
Initial portfolio value	1,000	1,000	1,000	1,000	1,000	1,000	1,000
At 5% withdrawal							
Amount withdrawn:	650	1,850	1,700	1,400	1,100	900	550
Portfolio as at Feb 2018	Port depleted in 85	2,918	3,181	1,432	1,161	1,015	796
Portfolio at its lowest		528	544	565	508	477	513
At 3% withdrawal							
Amount withdrawn:	1,380	1,110	1,020	840	660	540	330
Portfolio as at Feb 2018	2,053	6,483	6,024	3,067	2,209	1,742	1,109
Portfolio at its lowest	272	610	581	768	624	525	545
Source: THL, Inclusif Capital							

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A magic cup that automatically fills up on its own!



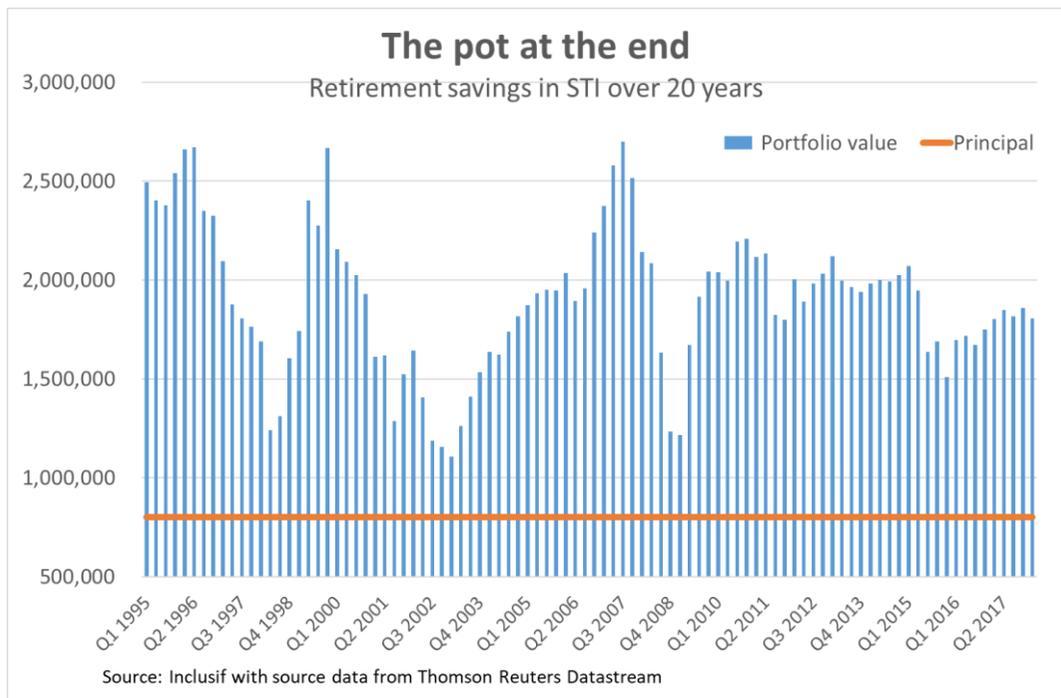
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Regular savings

- Invest \$10K every quarter into the Straits Times Index over a period of 20 years
- Dividends are reinvested
- How much do you have at the end of 20 years?

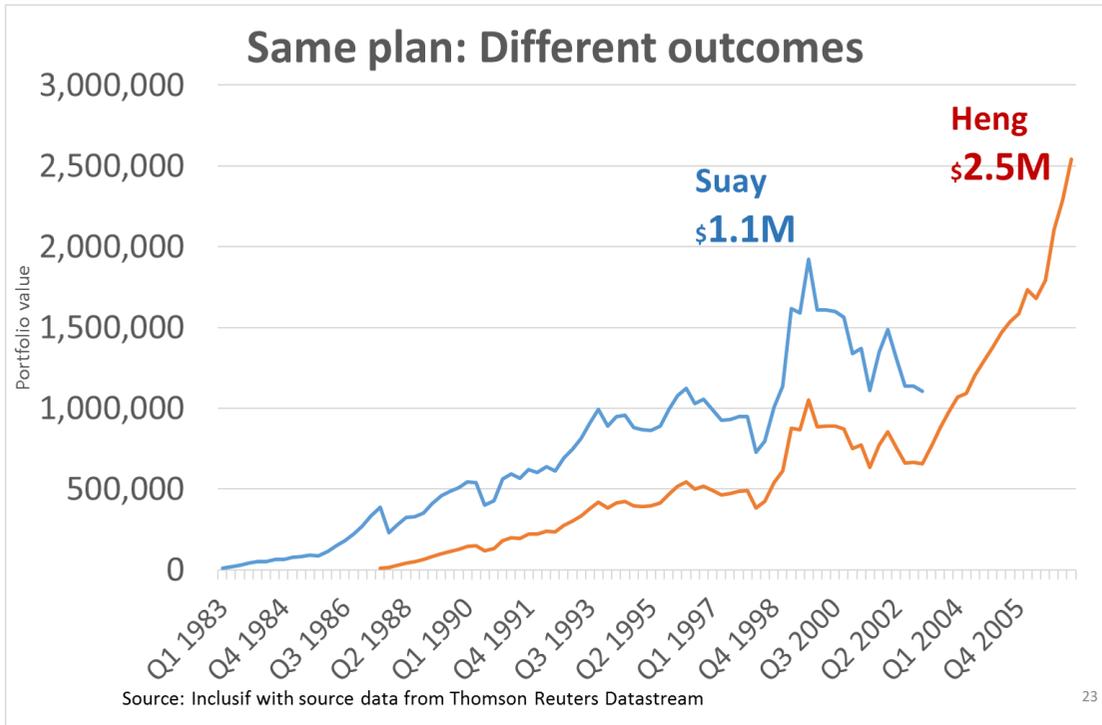
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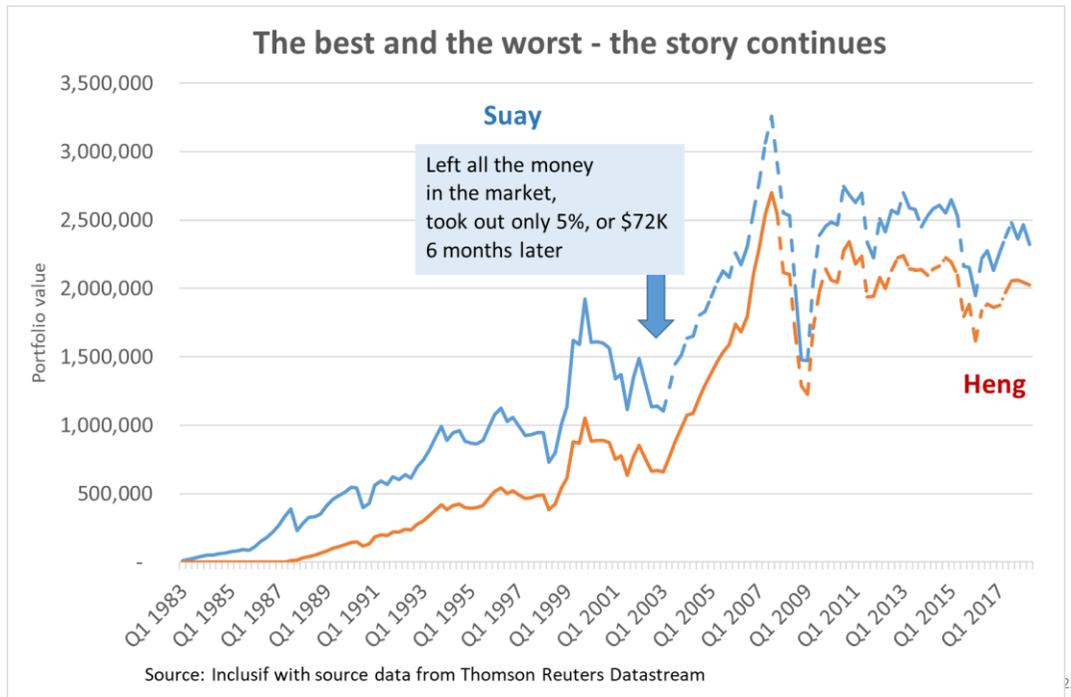


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What happens if Suay left all her money in the stock market and just took out 5% a year?

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Entire sum remains in equities, i.e. STI in this case

	Suay	Heng
Port at point of retirement	1,105,127	2,540,227
Years since retirement	15	11
Total amount withdrawn	1,755,065	1,132,482
Amount withdrawn since Q1 2007	1,370,895	1,132,482
Port as at May 2018	2,319,596	2,024,416

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Fixed deposit vs
leaving money
in the stock
market

	Heng			
	Savings in FD: 2% int	5% withdrawal on FD	Savings in STI	5% withdrawal on port in STI
Q4 2007	2,565,629	128,281.45	2,548,571	127,429
Q4 2008	2,486,095	124,304.73	1,289,837	64,492
Q4 2009	2,409,026	120,451.28	2,142,367	107,118
Q4 2010	2,334,346	116,717.29	2,341,470	117,074
Q4 2011	2,261,981	113,099.06	1,940,471	97,024
Q4 2012	2,191,860	109,592.99	2,223,651	111,183
Q4 2013	2,123,912	106,195.60	2,136,832	106,842
Q4 2014	2,058,071	102,903.54	2,225,674	111,284
Q4 2015	1,994,271	99,713.53	1,879,902	93,995
Q4 2016	1,932,448	96,622.41	1,860,259	93,013
Q4 2017	1,872,542	93,627.12	2,060,607	103,030
Total sum withdrawn		1,211,509		1,132,482
Savings/Portfolio as at Q2 2018	1,891,268		2,024,416	

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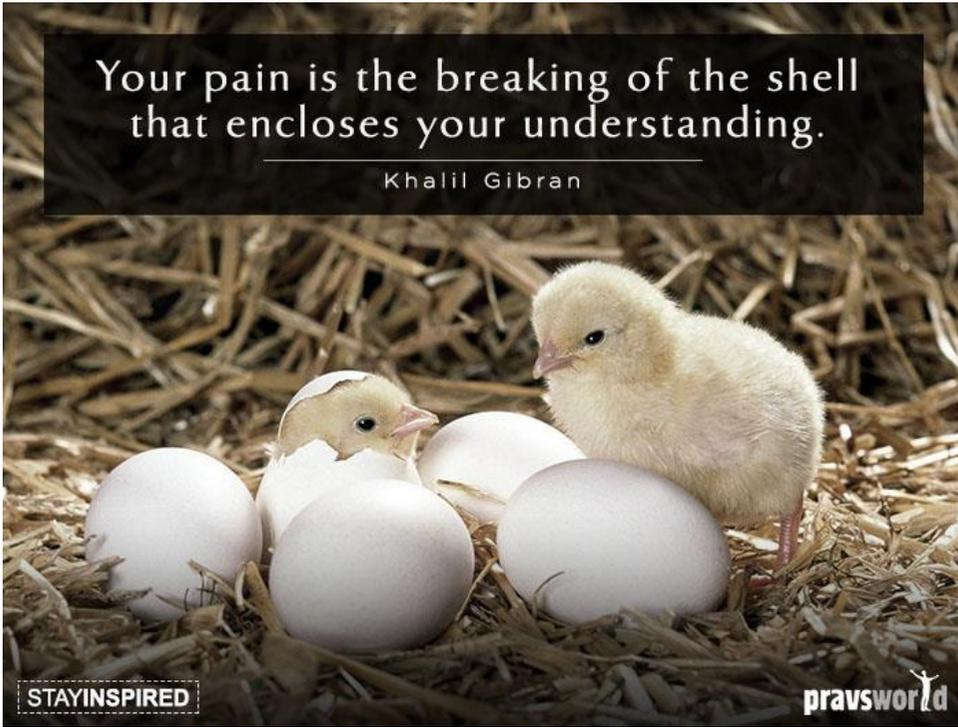
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Takeaways

- **Time** and **small moves** eliminate the luck element in stock investing
- You shouldn't be afraid to put your retirement funds in equities as long as you intend to withdraw up to 5% a year to fund your retirement
- There is low probability your money will run out
- **Caveat: The equities you put your money in as a basket must not have any risk of ever falling to zero**

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Ways to enhance returns from equities

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Three golden rules to achieve higher than buy-and-hold index returns

Buy value stocks	Sell Discipline	Market valuation
Buy equities which are trading at below their fair value – Value investing	Sell the not so cheap stocks, and recycle capital to cheaper stocks	Have the courage to stay in, as well as out of the market based on valuation

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Fair value

- In a capitalist system, there is a fair value for all assets
- Fair value can be determined by discounting the expected future cash flow from the asset, or from finding out the replacement costs of the asset
- E.g. one way to estimate a factory building is to factor in all the costs to be incurred to build it up, which would include land costs, building materials and labour costs, the cost of capital etc
- Market prices can deviate from fair value due to investors sentiment, but the further market prices move away from fair value, the higher the probability that they will revert back to fair value

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Valuation metrics

- Price-to-book
- Price-to-earnings
- Dividend yield
- Price-to-cash flow
- Enterprise value to Earnings before tax, depreciation and amortisation
- Discounted cash flow model, etc

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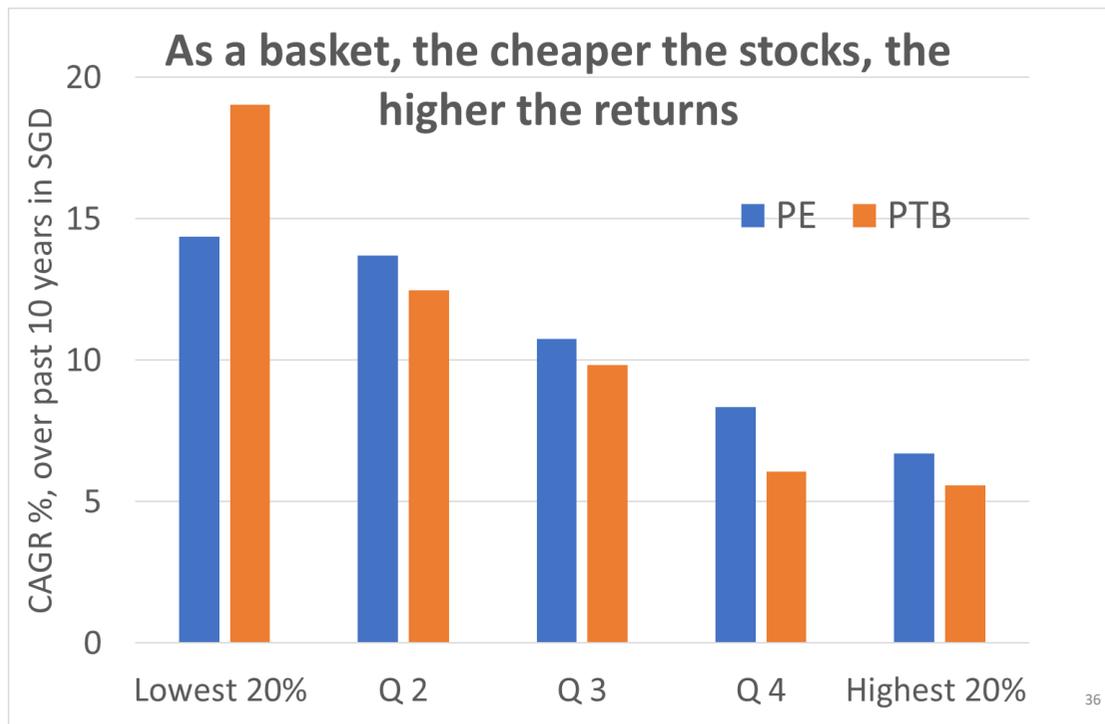
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The problem with valuation for individual stocks

- It is not an exact science
- It's based on assumptions, imperfect information
- Eg. we can't say for sure that Keppel Corp's fair value is \$12.58
- Even if we can say that, we can't tell **WHEN** the market will recognise that that's the fair value

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What we know

- Prices in general revert to “fair value” over time

What we don't know

- Exactly **what** the fair value is
- **Which particular stocks** will the market recognise as not trading within the fair value
- **When** the market will recognise that

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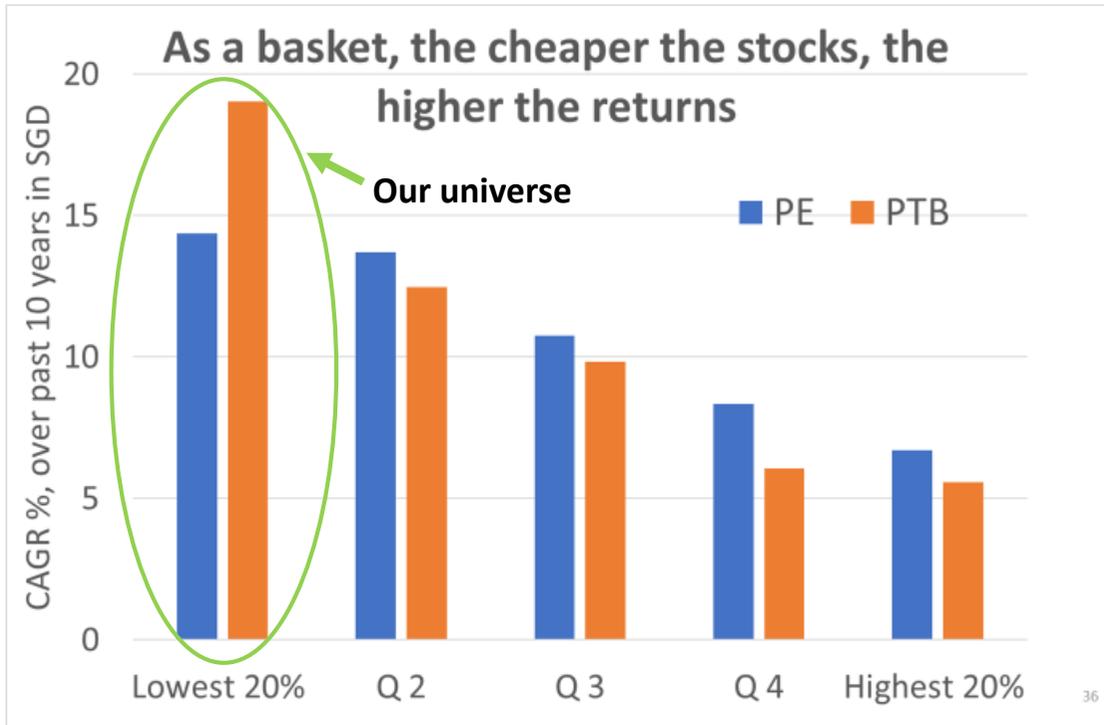
So what do we do?

We just buy a BIG basket of undervalued stocks!

Statistical phenomenon known as “**the law of large numbers**” – the law states that the more observations we make, the closer our sample will be to the population, and hence greater the certainty of our prediction – to construct portfolios of securities that would, in aggregate, outperform the market

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But after you bought them, when the stocks rose to within the “fair value” range or above it

You have to sell it!

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If not, you've wasted your time being
invested in them

Time is money!

Continuous attention to the portfolio, adds to the
rate of return

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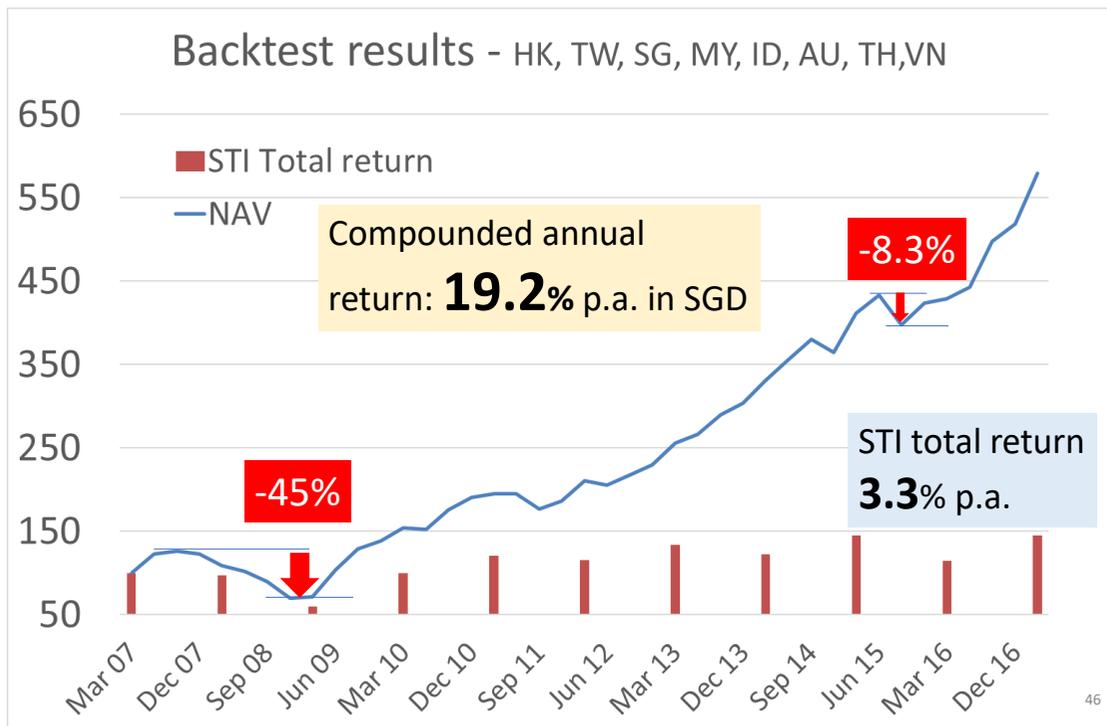
The process in short:

- Buy a basket of eggs
- Wait for them to hatch
- Once chicks grow to a certain size, sell them
- Use the money to buy more eggs
- That's how you grow your basket!

Using this process that relentlessly pursues an edge over a long period of time, through booms and busts, good economies and bad, what kind of returns did the market generate over the past 10 years?

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The chart above illustrates two points

1. The benefits of taking the systematic approach of buying a basket of value stocks, and regularly rebalancing the portfolio
2. The benefits of diversifying into other countries – not only are the returns higher, the volatility is also lower

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But despite including only value stocks in the portfolio

When the market crashed, the portfolio suffered sharp drawdowns as well – to the tune of -45% during the Global Financial Crisis, and -8.3% in the third quarter of 2015 when there were concerns about China's economy and the oil prices were collapsing

Is there a way to avoid such sharp drawdowns?

Always be guided by valuations

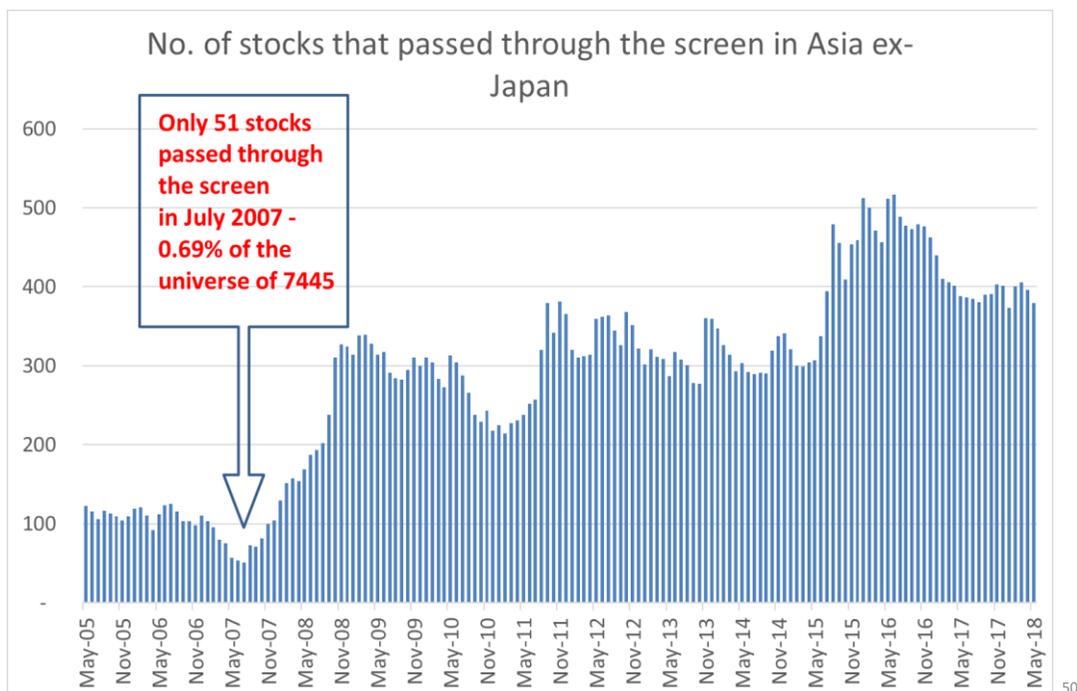
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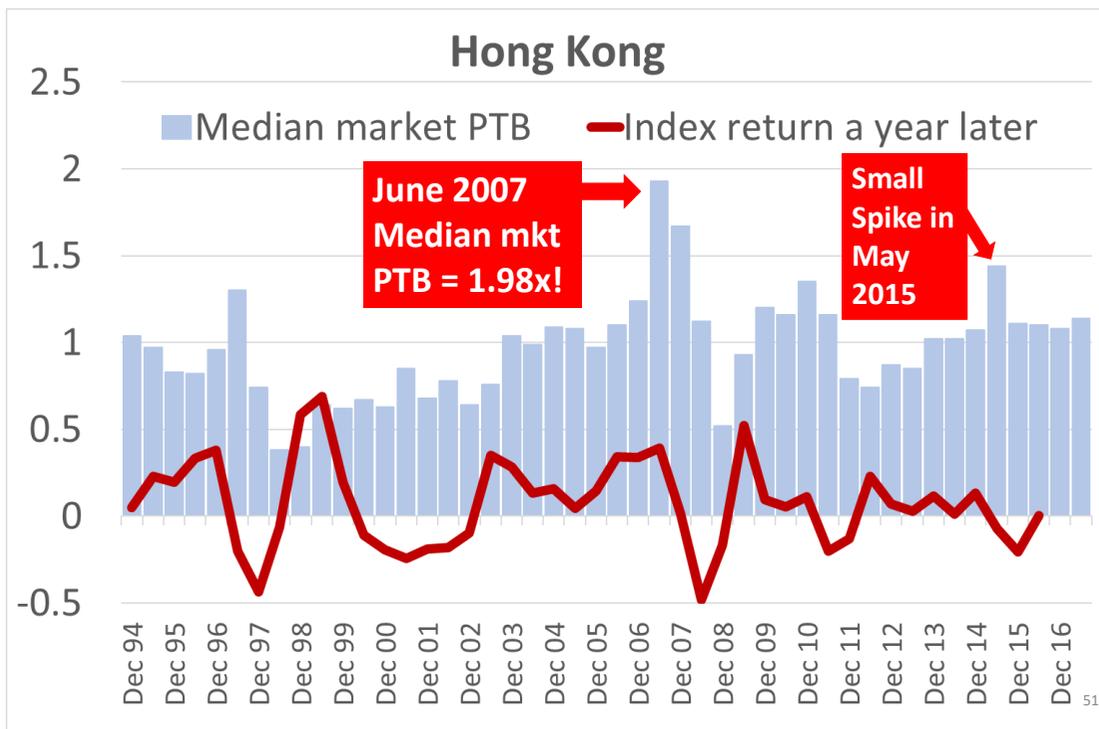
Tell tale signs that markets are richly valued

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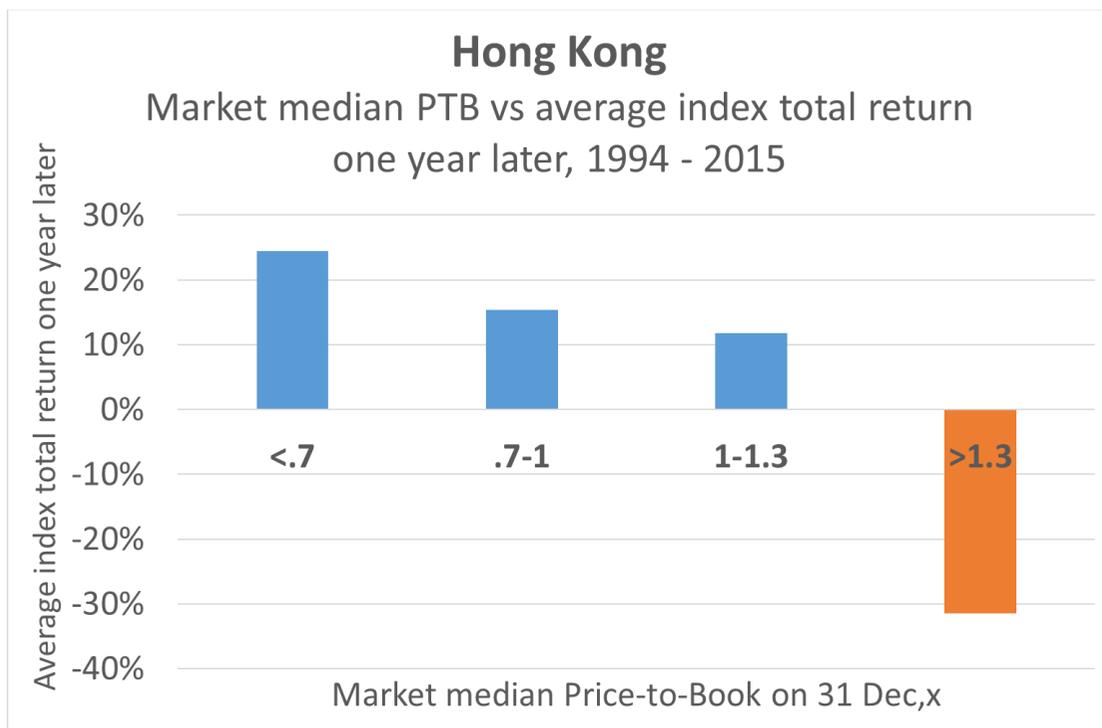
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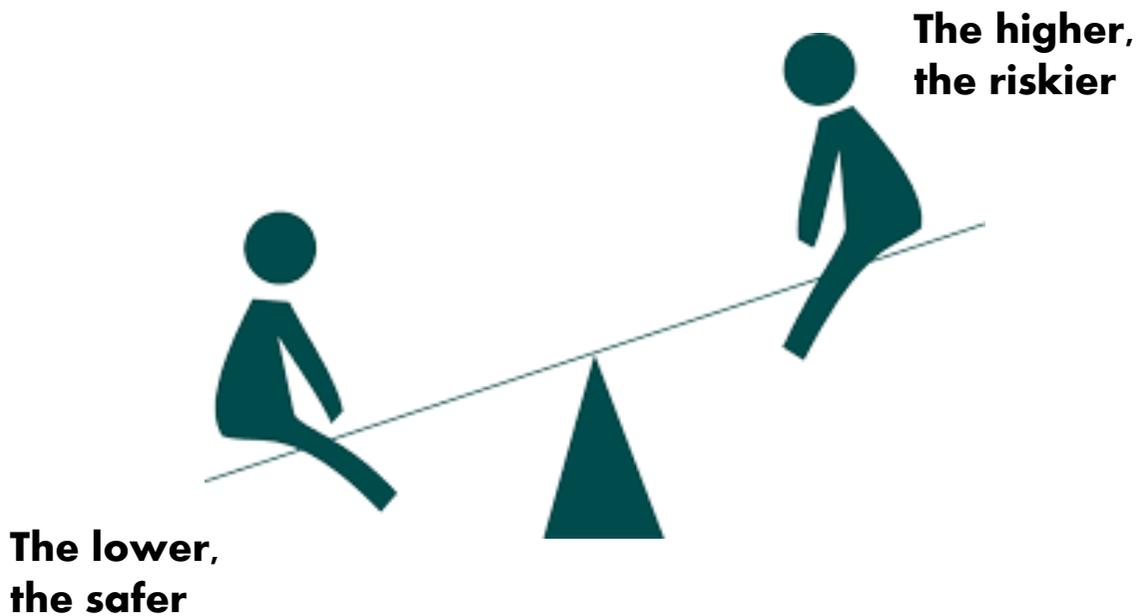
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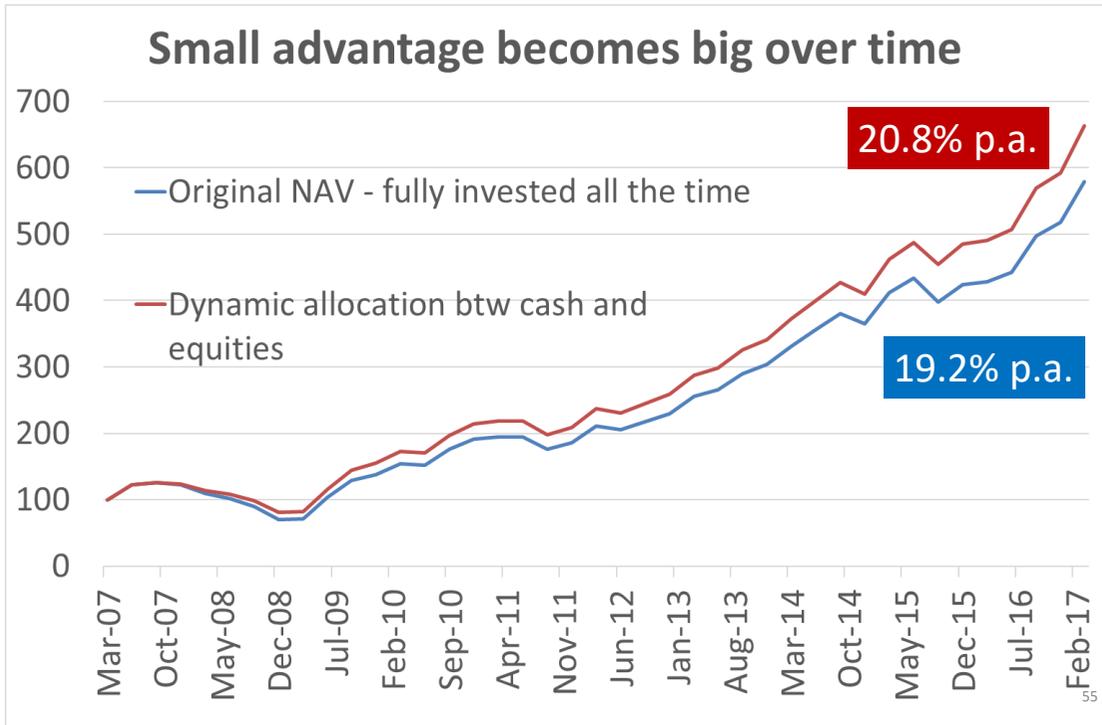
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What happens if you take some money off the market when valuation is high and reinvest the cash again as the market comes down?

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Caveats

- These are backtest results based on data from Bloomberg
- No transaction costs are factored in

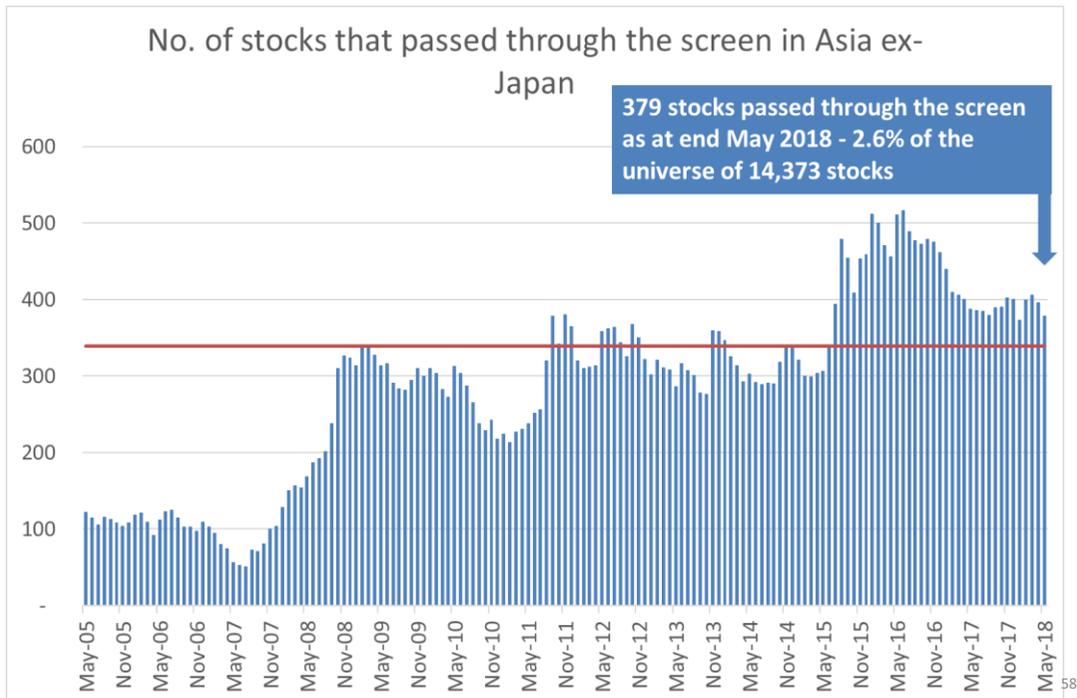
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Where is the market now?

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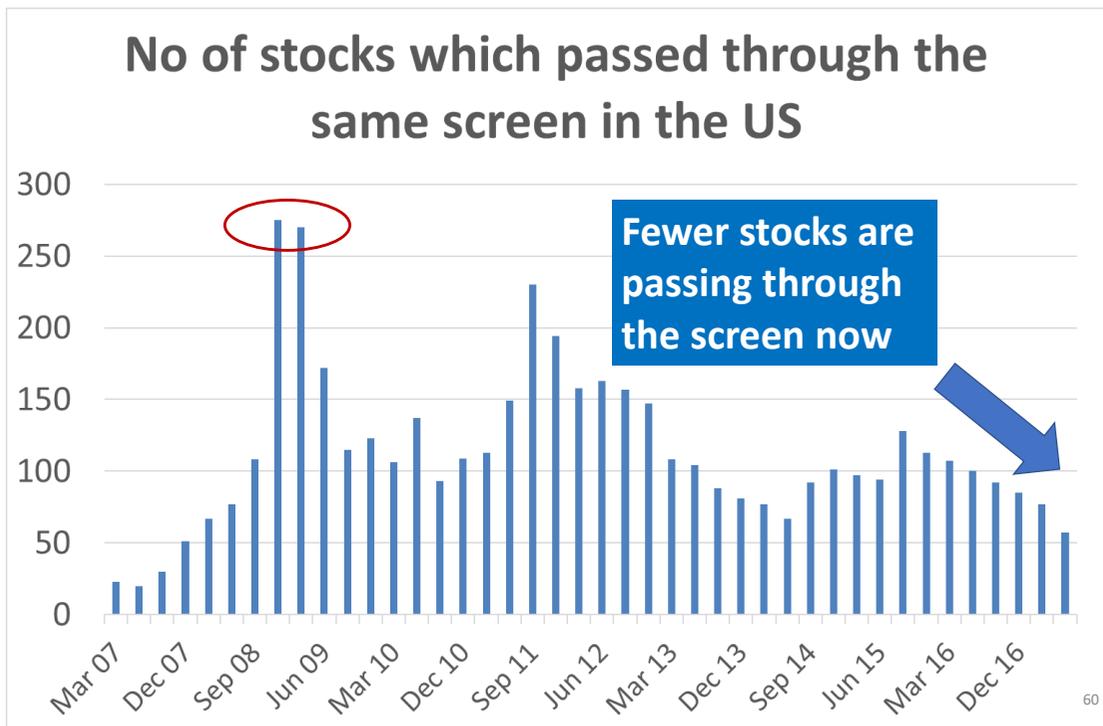
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Observations

- There are more stocks that offer value in Asia Pac today than in March 2009, during the trough of the Global Financial Crisis
- However relative to 2015/2016, there are fewer stocks which passed through the screen today, i.e. markets today are not as cheap as 2015/2016
- But there remains ample opportunities

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Conclusion

- There are more value opportunities in Asia than in the US at the moment

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What about
other
instruments?

Annuities?

Bonds?

Perpetuals?

Real estate?

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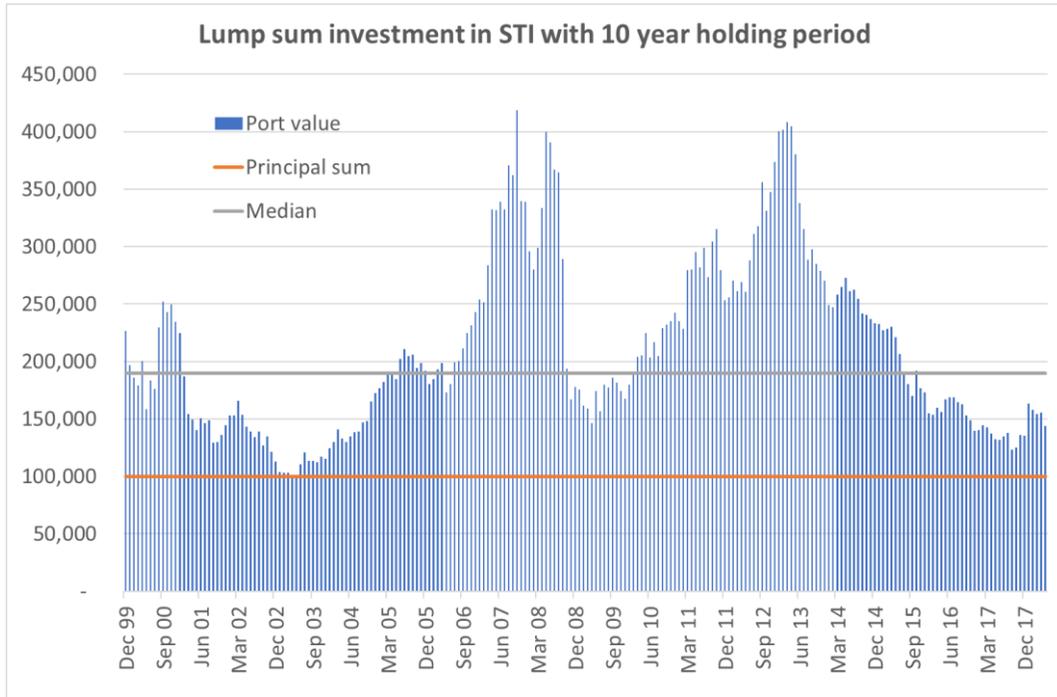
Illustration is based on male aged 55 who invests \$100,000 for Guaranteed Life Annuity plan with payout starting from age 65.

Age	Monthly annuity payout (\$)			Projected accumulated annuity payout ² from age 65 (\$)
	Guaranteed	Non-guaranteed ²	Total ²	
65	490.20	107.30	597.50	7,170.00
70	490.20	169.55	659.75	45,231.00
75	490.20	238.25	728.45	87,256.20
80	490.20	314.00	804.20	133,654.20
85	490.20	397.70	887.90	184,880.40
90	490.20	490.10	980.30	241,437.00

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Annuities vs equities investing at different rates of returns							
	Age:	65	70	75	80	85	90
Guaranteed Life Annuity Plan Payout	Guaranteed	490.2	490.2	490.2	490.2	490.2	490.2
	Non guaranteed	107.3	169.55	238.25	314	397.7	490.1
	Total a month	597.5	659.75	728.45	804.2	887.9	980.3
	Total a year	7,170	7,917	8,741	9,650	10,655	11,764
	Projected accumulated annuity payout from age 65	7,170	45,231	87,256	133,654	184,880	241,437
	End of life principal sum	0	0	0	0	0	0
Investing \$100,000 @ 6% p.a.	Principal sum after 5% withdrawal	170,131	176,169	182,422	188,897	195,601	202,544
	5% annual withdrawal	8,954	9,272	9,601	9,942	10,295	10,660
	Per month	746	773	800	828	858	888
	Total withdrawal from age 65	8,954	54,674	102,017	151,041	201,804	254,369
Investing \$100,000 @ 8% p.a.	Principal sum after 5% withdrawal	205,098	233,184	265,115	301,420	342,695	389,624
	5% annual withdrawal	10,795	12,273	13,953	15,864	18,037	20,507
	Per month	900	1,023	1,163	1,322	1,503	1,709
	Total withdrawal from age 65	10,795	69,126	135,446	210,848	296,574	394,040
Investing \$100,000 @ 10% p.a.	Principal sum after 5% withdrawal	246,406	307,066	382,660	476,864	594,260	740,556
	5% annual withdrawal	12,969	16,161	20,140	25,098	31,277	38,977
	Per month	1,081	1,347	1,678	2,092	2,606	3,248
	Total withdrawal from age 65	12,969	87,109	179,502	294,641	438,124	616,930

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\$100,000 invested for 10 years in the STI				
Rolling 10-year period between Dec 1989 and May 2018				
	Annual compounded return	Port value at end of 10 years	Date of end of 10 years	Annual compounded return in subsequent 10 years
Ave	7.2%	\$211,155		
Median	6.7%	\$190,697		
Max	15.4%	\$418,500	Oct-07	2.3%
Min	-0.1%	\$98,802	Apr-03	15.0%

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Annuities vs worst and best case for equities investing					
	Age:	65	70	75	80
Guaranteed Life Annuity Plan Payout	Guaranteed	490.2	490.2	490.2	490.2
	Non guaranteed	107.3	169.55	238.25	314
	Total a month	597.5	659.75	728.45	804.2
	Total a year	7,170	7,917	8,741	9,650
	Projected accumulated annuity payout from age 65	7,170	45,231	87,256	133,654
	End of life principal sum	0	0	0	0
Withdrawal based on WORST CASE scenario of retiring with \$98,802 on April 2003	Principal sum after 5% withdrawal	93,862	220,043	227,247	204,417
	5% annual withdrawal	4,940	11,581	11,960	10,759
	Per month	412	965	997	897
	Total withdrawal from age 65	4,940	54,918	107,982	161,543
Withdrawal based on BEST CASE scenario of retiring with \$418,500 on Oct 2007	Principal sum after 5% withdrawal	397,575	307,379	297,793	
	5% annual withdrawal	20,925	16,178	15,673	
	Per month	1,744	1,348	1,306	
	Total withdrawal from age 65	20,925	94,963	172,000	

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Annuities vs investing the sum equities

- Even if you were able to grow your \$100,000 at only 6% a year on your own, you are better off than putting that sum in an annuity plan
- By the time you reach 65, that's the age your annuity plan starts to pay you, you can get higher withdrawal from your investments based on 5% withdrawal – on a yearly and cumulative basis from the get go, even when the non-guaranteed annuity payout is included
- At the same time, your principal sum is still there and growing. This is money which you can leave for your loved ones
- For annuities, the principal sum at the end of life – at whichever point it may be, whether it be late or early – is zero

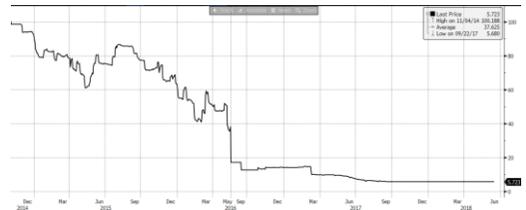
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Bonds & Perpetuals?

- These are fixed income instruments
- Singapore government bonds: 2+%
- Good quality corporate bonds: 3-4%
- But with interest rates going up:

- To get higher yields, means having to go for lower quality issuers
- Eg. Ezra, Swiber, Hyflux



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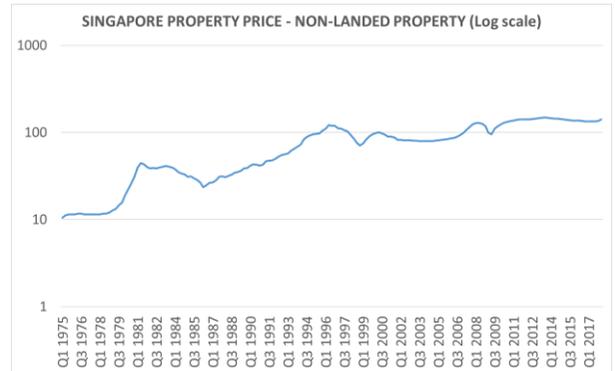
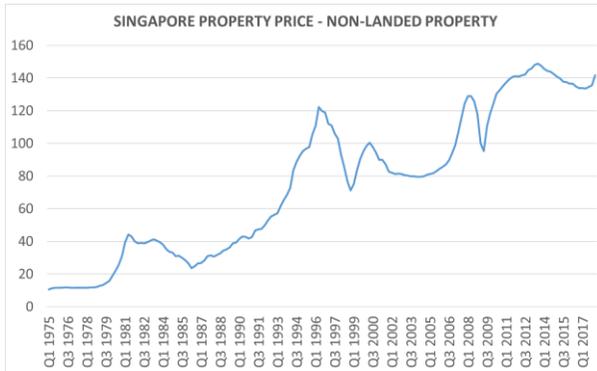
Real estate : Rental analysis

Note: Didn't account for personal income tax, and months without tenants. Leasehold property will likely have higher rental yields

Property: 750 sq ft studio at The Pier		
Price		1,600,000
Loan		50%
Mortgage rate		1.70%
Yield based on price		2.70%
Equity		800,000
	Monthly	Yearly
Rent	3,600	43,200
Maintenance		-4,000
Agent's commission		-1,800
Misc		-500
Monthly instalment	-2,838	-34,061
Cumulative interest paid in first year		-13,440
Rental income before tax		23,460
Property tax		-2,346
Net rental income		21,114
Net rental yield/Equity		2.64%
Annual cash flow		493

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Real estate : Capital gains
The good old days are over?

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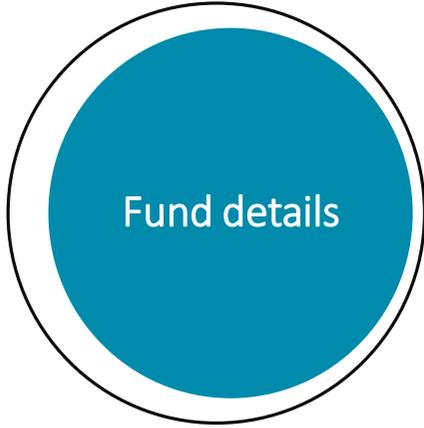
Inclusif Value Fund

- Using the process which incorporates all my understanding and research of the markets
- Asset class: Equities
- Markets: Asia Pacific, including but not limited to HK, KR, TW, JP, SP, MY, TH, ID, AU, VN
- Strategy : Long only quantitative value, diversified across markets, sectors, industries, stocks



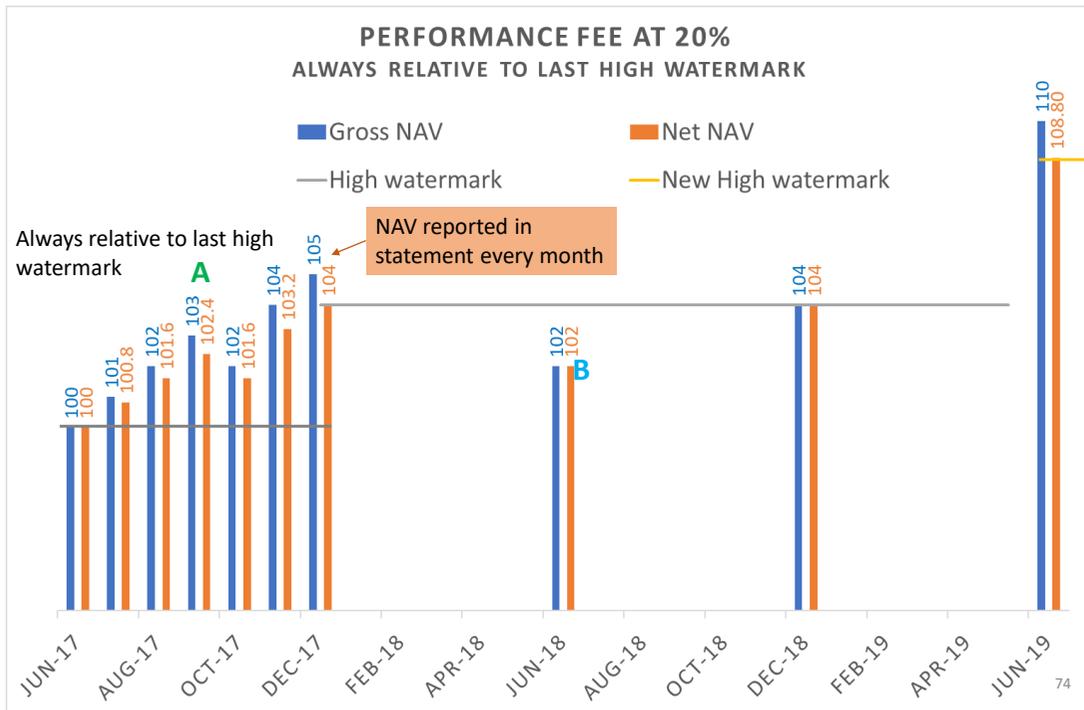
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Minimum Amount	S\$160,000		
Classes of Shares:	A (closed)	B	C
Fees:			
Management	0%	0%	0.5%
Performance (On high watermark)	16%	20%	16%
One-time set up	S\$500	S\$2,000	\$2,000
Subscription	Monthly		
Redemption	Quarterly with 60 days' notice		
Lock-up	Three years		
Penalty for early redemption	5% (within first year)		
	3.5% (within second year)		
	2% (within third year)		
	No penalty for redemption up to 5% within lock-up period; and after third year		

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Equalisation credit and contingent redemption

Equalisation Credit

- Investors who come in at NAV higher than the last high watermark, e.g. **A**, will get equalisation credit
- This means, they will be given additional units in the fund
- So that when performance fee is crystallised at the next performance period relative to the last performance period, they only pay for the performance from their entry level upwards

Contingent Redemption

- Investors who come in at NAV lower than the last high watermark, e.g. **B**, will get redemption credit
- This means, units will be deducted from their account
- So that they pay for the performance from their entry level to the last high watermark, as well as the performance from the last high watermark to the new high watermark

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Inclusif Value Fund

- I will always try to improve the process and will constantly do research and keep tabs of the market to see if anything has changed
- I will build up my team over time to help me do that. Currently I have Seng Hong as Deputy Portfolio Manager and Yao Yang as Research Analyst
- This method works best in Asia, probably because markets here are less efficient, population is still growing, and urbanisation is still in progress
- Over time, this method may have to be tweaked. When the time comes, I'll make sure I have the necessary skillset in my team to do that
- **Caveat: This is an equities fund, there will be volatility. It will not be a straight line ride.**

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Inclusif Value Fund - like the more commonly used acronym IVF

Give Hope! Give Life!

Give Hope

That you will be able to retire with a decent size of fund.

Give Life

Give you a life you want in your retirement years: one in which you don't have to worry about managing your funds; you can spend your free time with your family, travel the world, or do things you want to do.

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Re-imagine your Retirement!

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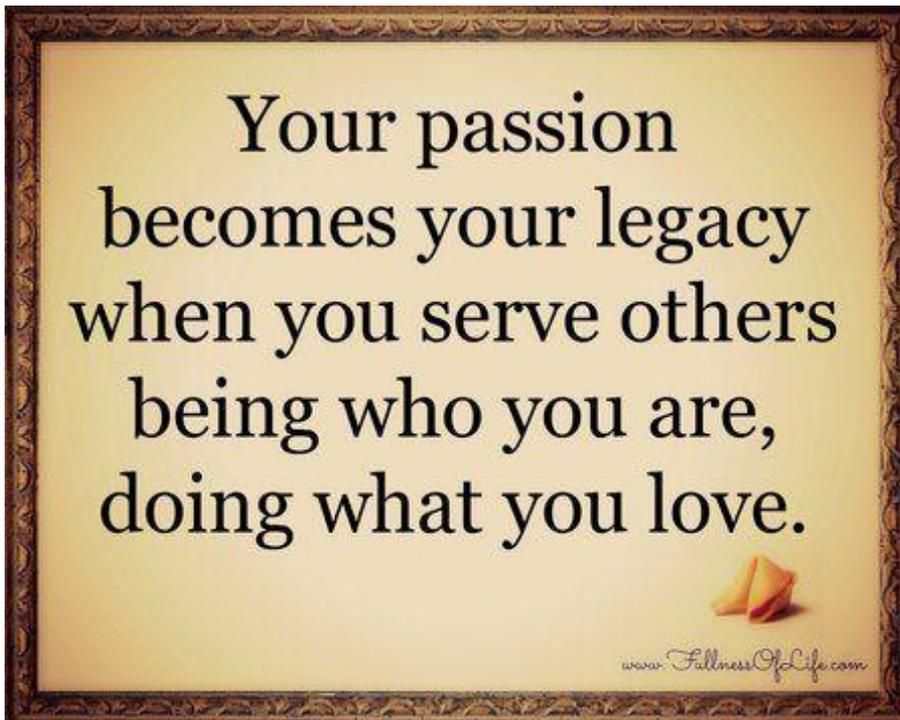
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THANK YOU!

***I look forward to starting the next phase of my
life journey with all of you!***

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