Fully online investment conference, hosted by MOI Global, April 4-5, 2016

Selected Session Highlights from Asian Investing Summit 2016

Note: The following idea snapshots have been provided by the respective instructors or compiled by The Manual of Ideas using information provided by the instructors. The following is provided for educational purposes only and does not constitute a recommendation to buy or sell any security.

Stephen Yacktman and Jason Subotky, Partners, Yacktman Asset Management

SAMSUNG ELECTRONICS PREFERRED SHARES (Korea: 005935): Price drives the investment thesis, with the shares trading at less than 5x earnings, net of cash and investments; less than 3x EV to operating income; less than 2x EV to EBITDA; and below tangible book value. Stephen and Jason estimate that at the end of Q1, ~50% of the recent market value was in net cash and investments. Since Stephen and Jason's presentation on Samsung at Best Ideas 2015 in January 2015, the company has (i) announced a transformational share repurchase and capital return plan in October 2015; (ii) stabilized the phone business in the mid-to-low end (recent launch of Galaxy S7 shows promise); and (iii) faced near-term challenges in the memory market. Meanwhile, the preferred shares trade modestly lower in USD terms. The preferred shares are similar to common shares, except there is no voting right. The preferred receives an additional mandated dividend of 50 won per year. Samsung's share repurchase is more heavily weighted toward preferred shares because management thinks the discount is too wide. As a business, Samsung is a world-class technology company that invests for the long term. Management is willing to make significant commitments and out-invest, out-wait, and out-innovate competitors (investments in memory market took decades to pay off). Samsung is making significant investments in foundry and display today. It is also focusing on automotive component and healthcare markets, which utilize manufacturing expertise for future growth. Investments in foundry and display offer major optionality.

Siddharth Mehta, Founder, Beaconsfield Investment Management

PIRAMAL ENTERPRISES (NSE: PEL) is a conglomerate run by one of India's greatest capital allocators, Ajay Piramal. The company has roots in the pharma space, most of which (generics) was sold to Abbott Labs in 2009 for 9x revenue. Ajay Piramal has used the funds to build what Sidd believes is the Berkshire of India. The business has three verticals: information management, financial services, and healthcare. Piramal shares recently traded at 1.3x price-to-book. For a business that has compounded BV at 32% over 27 years, this appears cheap. The Indian financials universe trades at 2-5x book value. The Indian pharma universe trades at 4-8x book value. Conservatively, the information management business can be valued at 1.5-2x book value, though recent deal multiples suggest a much higher valuation. Sidd believes a 2-2.5x book value multiple is justified for the entire business, offering substantial upside.

JAMES CHOA, FORMER MANAGING DIRECTOR, VALIANT OCEAN CAPITAL

CK HUTCHISON (Hong Kong: 1): With a market capitalization of US$50 billion, CKH is an investment holding company with five core businesses in retail, infrastructure, telecom, and ports. The company was founded by chairman Li Ka Shing, recently named by Barron's as one of the world's best CEOs. Over the past 25 years, Li has increased book value per share, inclusive of dividends, by 2,270%, a track record that is comparable to that of Berkshire Hathaway (2,315%). Despite its outstanding performance, the company has traded at large discount to intrinsic value in recent years. In 2015, the Li family embarked on a complex reorganization under which Cheung Kong Holdings (the former holdco) will purchase shares in Hutchison Whampoa that it does not already own, and merge the companies under a new entity, CK Hutchison Holdings, while spinning off all real estate assets into a separate company. The restructuring not only aims to unlock value at the holding company but also to position CKH as a premier global conglomerate and world class capital allocator. CKH trades at a 30% discount to intrinsic value and at about 1x P/B, well below peers in developed markets.

CHAN LEE AND ALBERT YONG, MANAGING PARTNERS, PETRA CAPITAL MANAGEMENT

UPDATE on KOREA: Korea's level of sovereign debt (34.5% of GDP) is one of the lowest amongst developed economies. The Korean government had a budget surplus in nine of the past ten years. The three major credit rating agencies, S&P, Moody's and Fitch, upgraded Korea to its highest ratings since the country was first rated in 1986. Korea has been consistently achieving large trade surpluses despite the global economic slowdown and the substantial weakening of Japanese Yen. Korean corporations have improved all three components of ROE: asset turnover, financial leverage and net margin over the past several years. The Centre for Economics and Business Research (CEBR), a UK-based think tank, recently predicted that Korea would become the 7th largest economy in the world by year 2030. Korea has a top-class infrastructure and one of the highest Internet/mobile penetration rates in the world; Korea is also ranked as the most innovative country by Bloomberg in 2016. The Korean industry structure is well diversified while most emerging economies are disproportionately concentrated in a few dominant industries. The Korean stock market has approximately 2,000 companies with total market capitalization of US$1.2 trillion.

HANOOK TIRE (Korea: 161390): Established in 1941, the Company is Korea's largest (M/S of 40%) and the world's 7th largest (M/S of 3.4%) tire manufacturer offering a wide range of products for various vehicle types. Replacement tires, whose demand is not largely impacted by economic fluctuations, make up approximately 60% of sales. Product quality has improved significantly over the years – many of the Company's products received top ratings globally by recent consumer reports/reviews. The Company's production capacity continues to expand rapidly as the Company is expected to become the world's 5th largest tire manufacturer by year 2018. The company's Geumsan Plant has undergone major renovations and expansions, making it the largest tire plant in the world with annual production of 24 million units. The company's EBIT margin (15.4%) is one of the highest in the industry. The shares recently traded at a 35% discount to Chan and Albert's fair value estimate.

KOREAN REINSURANCE (Korea: 003690): Korea's only reinsurer with dominance in the domestic market (M/S of 63%) that has grown to become the world's 11th largest player. Strong financials, with RBC ratio well above 200% and combined ratio managed below 100%. Geographical diversification away from Korea over the years has improved the risk and return profile. Poised to benefit from the rapid growth of the Asian reinsurance market in the coming years. Significantly undervalued at 0.8 times book value, considering the Company's dominant market position and growth potential. The shares recently traded at a 35% discount to Chan and Albert's fair value estimate.

Peter Kennan, Chief Investment Officer, Black Crane Capital

HALCYON AGRI (Singapore: HACL) is a global leader in natural rubber in origination, production, and distribution. The company was founded in 2010 by current chairman and CEO Robert Meyer and has been listed in Singapore since 2013. Halcyon has a rich history, with roots tracing back to 1930s with the founding of PT HokTong and PT Rubber Hock Lie in Indonesia. The share price has been depressed recently due to a significant decline in natural rubber prices. In normal market conditions, processing margins are fairly stable. When prices are low, processing margins need to be reduced to enable subsistence farmers to earn a living. The current rubber price is not sustainable as rubber trees need to tapped for rubber regularly or they die. In Peter's view, the low rubber price has created a very attractive entry point for investors. The recent share price does not reflect any upside from the current depressed gross margins nor any benefits from impending industry consolidation. Halcyon controls around 12.5% of the international natural rubber market and a significantly higher share of the ex-China market (the Chinese largely buy rubber from Thailand whilst international customers typically buy from Indonesia, where Halcyon is the largest player). The company recently announced that it is in discussions with Sinochem, a leading Chinese state owned enterprise, in relation to a merger between Halcyon and Sinochem's interests in natural rubber. The resulting company would have a number one position in the global market. This would significantly enhance value for Halcyon shareholders and secure the company's strategic objective. Peter estimates that standalone Halcyon has a value of S$2 per share, compared to the recent share price of S$0.66/share. This is based on a return to average industry gross margins and an EBIT multiple of ten times. The potential merger provides further upside to our valuation and reduces financing and other execution risks in Halcyon's strategy.

Roshan Padamadan, Founder, Fund Manager, Luminance Global Fund

PING AN (Hong Kong: 2318, Shanghai: 601318) represents a way to gain exposure to China's growing domestic wealth. Insurance is a long-gestation business. Higher penetration is inevitable as society matures, as insurance is a key need for families and corporates. Ping An is an insurance giant in China, giving exposure to rising wealth management needs in China. The company's investment policies are sensible, i.e., forward-looking but not too aggressive. There is optionality due to exposure to online lending, online insurance, and apps to adapt to new modes of business. The company has limited international exposure. The company has an asset base of $0.7 trillion. It is 32%-owned by Thailand's CP

Group (stake bought from HSBC). Roshan estimates that Ping An can compound value in the mid-teens annually over the next decade. As a result, the recent price-to-book ratio of 1.6x remains attractive.

Jiro Yasu, Representative Director, Varecs Partners

AGRO-KANESHO (Japan: 4955) is an agrochemical manufacturer in Japan with a strong product lineup for soil treatment. Although the company has been growing nicely and improving its profit margin, it still trades at slightly above net cash. We believe the company will continue to grow by gaining market share, introducing new products, and exploring acquisition opportunities. Also, we believe global consolidation in the industry, Japanese government policies on agriculture reform and TPP may be tail winds for the company. Lastly, the company is improving disclosure and shareholder returns. We believe it is an investment opportunity with a great risk reward profile.

Max Hu, Portfolio Manager, Tyee Capital Group

TENCENT HOLDINGS (HK: 700) ranks among the largest Internet companies, operating the largest social networks (Wechat and QQ) in China without any competitors in sight. Even though it is already the largest public company in the Hong Kong market, it remains capable of growing earnings at a CAGR of 30-40% over the next five to ten years, thanks to acceleration in the monetization of its near-monopoly in social networks, not only via gaming and member service fees, but also in video, adverting, and payments. While seemingly expensive compared to many other Hong Kong stocks, and while patient investors may yet have a better entry point, Max views Tencent as one of best long-term growth plays in the Greater China region amid growing uncertainty about the regional macroeconomic outlook.

Deepinder Bhatia, Founding Partner, Bayard Asset Management

GOLDLION HOLDINGS (Hong Kong: 533): Family-owned manufacturer and retailer of men's apparel in China. Aside from the apparel business, Goldlion owns cash and investment properties that equal ~110% of the recent market capitalization. A profitable, cash generative, well branded, 45 year-old apparel business is therefore available for "free." Steady growth in licensing revenue, property rentals, and booming e-commerce sales are catalysts for share price recovery. Based on Deepinder's 2016 forecasts, Goldlion trades at 7x P/E, 0.8x P/B, 7.3% dividend yield, and 14.6% FCF yield. Deepinder's fair value price reflects 61% potential appreciation (10% WACC, 0% terminal growth after 2019).

QINGLING MOTORS (Hong Kong: 1122): Leading light commercial and pick-up truck manufacturer in China. Japan's Isuzu owns 20% of Qingling, provides technology, and also has board and management representation. Qingling's volumes have significantly outperformed the Chinese truck market in recent years. Net cash accounts for nearly 100% of the recent equity market quotation. Based on Deepinder's 2016 estimates, Qingling trades at 10.6x P/E, 0.6x P/B, 7.9% dividend yield, and 12.4% FCF yield.

Deepinder's fair value price reflects 64% potential appreciation (12% WACC, 0% terminal growth after 2019).

BAJAJ HOLDINGS (India: BJHI): Holding company for one of India's oldest and most successful business families. BJHI owns 32% of India's 2nd-largest motorcycle manufacturer (Bajaj Auto) and 39% of a rapidly growing, high-quality finance company (Bajaj Finserv). BJHI trades at a ~60% discount to the market value of the two listed companies plus net cash. Deepinder's fair value price reflects nearly 50% potential appreciation. This is based on a 40% discount to NAV and 10x "fair value" PE multiple on look-through earnings.

Bruce Aronson, Professor of Law, Hitotsubashi University

UPDATE on CORPORATE GOVERNANCE in JAPAN: Over the last few years Japan's growth strategy under Abenomics has emphasized corporate governance reform as a key element of the "third arrow" of structural reform that will lead to sustained economic growth. The means to achieve this goal has substantially shifted over the past year or two to a soft law approach that utilizes a comply or explain mechanism to voluntarily spread best practices. How have Japanese companies responded to the new Stewardship Code (February 2014) and, especially, to the new Corporate Governance Code (effective June 1, 2015)? Initial results are now in, and the overall rate of compliance seems high. But to what extent is compliance merely "checking the box" and to what extent does there appear to be substantive change? Bruce discusses the significance and likely impact of these recent developments on corporate governance practices and potentially, on firm performance.

The above summaries cover selected conference sessions only.