

# Quarz Active Value Class S (SGD)

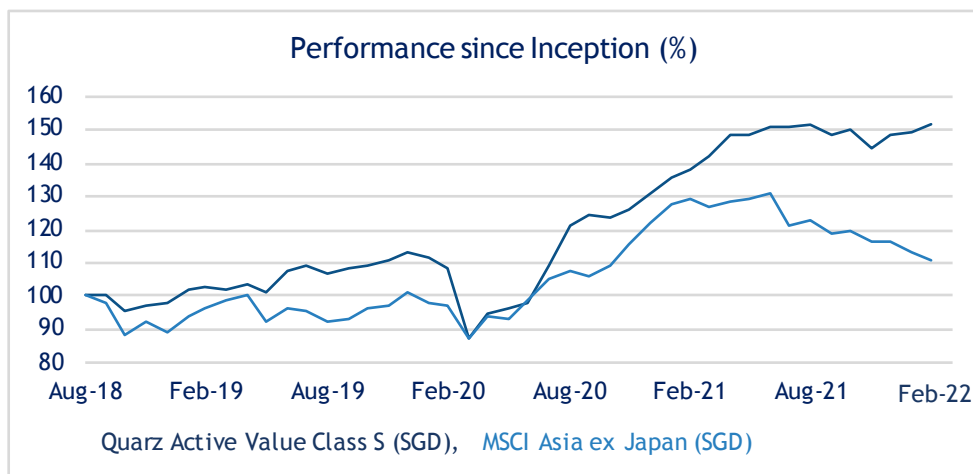
Generating Alpha Through Activist Investing



February 2022



The Quarz Active Value Class S Fund invest in ~20 core positions and focuses on undervalued small and mid-cap equities in Asian developed markets (Singapore, Hong Kong, Australia, Japan). We engage with the management teams of our target companies and prompt them to increase shareholder value through measures such as selling unprofitable units, returning idle cash to shareholders, selling undervalued real estate assets, improving corporate governance and strengthening alignment of interest with shareholders and investor relations. We only invest in firms with upside potential of ~30% over two years, sound core operations and a healthy dividend yield, thus providing downside protection and a regular income.



## Fund Information (Class S, SGD)

Name	Quarz Global Investments Fund
Class	Quarz Active Value Class S SGD
Type of Fund	Alternative Investment Trust
Bloomberg	VPQAVSS LE
ISIN	LI0425084352
Valor number	42508435
WKN	A2N430
Portfolio Manager	Quarz Capital ASIA
AIFM	VP Fund Solutions
Fund Domicile	Liechtenstein
Auditor	PwC (Zurich)
Administrator	VP Fund Solutions
Broker	Broker Network
Custodian / Depositary	VP Bank AG
Minimum Investment	SGD 100,000
Lock-up	N/A
Management Fee	1.50%
Performance Fee	20%
Lock-up	N/A
Subscription	monthly
Notice/Withdrawal	90 days / monthly
High Watermark	Yes
Hurdle Rate	N/A

## Performance (net, Class S, SGD)

Month	1.4%
Cumulative YTD	1.98%
Cumulative s.Inception	51.6%
Annualized s. Inception	12.6%
Annualized 5 Years	N/A
Annualized 3 Years	13.7%
Best Monthly Return	11.4%
Worst Monthly Return	-19.3%
% of Positive Months	74
Maximum Drawdown	-22.6%
Annualized Volatility	7.7%
Sharpe Ratio (1 Year)	1.1

## Market Commentary

A terrible month for the Ukraine and global stability, a bad month for equity markets, and a good month for Quarz Capital.

Let's start with the Ukraine.

Recent events will go down as a watershed in global history. Russia's president Vladimir Putin started what he called a "special military operation" in Ukraine, where he expected his forces to be welcomed with open arms by the Ukrainians, relieved to be freed from the scourge of a "junta of neo-Nazis."

It was all wrong. The "special military operation" seems to turn into an all-out war. On top of displaying outright ineptitude in military tactics, the Russian forces met with fierce resistance and hostility by the Ukrainian people instead of open arms. And Ukraine's president Volodymyr Zelenskiy, a Jew and not a neo-Nazi, rose to the occasion and turns out to be an inspiring leader and focus of the resistance.

After a week in which Putin raised the alert status of his nuclear forces and his troops showed a willingness to risk radiation spillage by seizing nuclear power stations in live firefights, the stakes in the conflict only appear to be rising for both sides.

The true watershed, however, is the united response to the aggression, in effect abandoning a decades-long policy of appeasement towards Russia. A large number of countries (with the notable exceptions of India and China) began applying sanctions with the aim of crippling the Russian economy. The sanctions were wide-ranging, targeting individuals, banks, businesses, monetary exchanges, bank transfers, exports, and imports. They included major Russia banks to be cut off from SWIFT, the global messaging network for international payments, and asset freezes on the Russian central bank, which holds \$630 billion in foreign-exchange reserves, to prevent them from offsetting the impact of sanctions. By March 1, the total amount of Russian assets being frozen by sanctions amounted to \$1 trillion.

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While the long-term implications of the changes are difficult to assess the short-term implications so far are clear: The oil price is soaring, driven by reports that the U.S. is discussing a ban on Russian crude imports. Traders have reduced their expectations for the Federal Reserve's interest rate hikes from 160 basis points to 140 basis points within the next twelve months. Volatility across all market segments is on the upside. And almost all leading equity indices globally widened their year-to-date losses.

Being a value investor and focusing on companies with solid downside protection, our funds held out well against this backdrop. **All our funds are up in USD terms.** As for the year-to-date returns, Quarz Active Value is the only among our public funds with a negative return of 1.2%, still outperforming our benchmark MSCI Asia ex Japan, which is down 5.5%.

As for our activities, we started a campaign, where we are engaging for better terms for the unitholders of Mapletree North Asia Commercial Trust (MNACT). Mapletree Commercial Trust proposed a takeover offer for MNACT at 0.6 MCT units for one MNACT unit.

MCT current market price of about S\$1.83 implies an offer price of S\$1.1 for MNACT. We believe that the offer is unfair to MNACT unitholders as it is at a substantial discount of about 11 percent to MNACT's net asset value of S\$1.23 as of October 2021. Also, MCT's offer for MNACT is the worst and at the highest discount to NAV in the 20-year history of SGX Reits.

And lastly, there are a couple of factors which will support MNACT more than MCT:

- 1) MNACT's portfolio is pan Asian (whereas MCT's portfolio is purely Singapore), implying higher growth opportunities.
- 2) MNACT will benefit from the gain in private consumption in Hong Kong as well as the expected positive rental reversion at MNACT's Hong Kong flagship asset, Festival Walk.
- 3) With more than 75% of net property income from developed markets and because of its significant free float market capitalization, MNACT will benefit from its likely inclusion in the FTSE NAREIT at the next index revision in June.

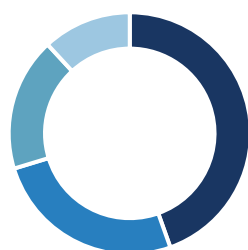
We think the growth prospects for MNACT are higher than for MCT. So why did the manager of MNACT seem to have chosen not to conduct a robust and transparent sale process to protect unitholder's interest, but instead to only talk to MCT, a related party?

We thank you for your trust. In case of interest, sign up to our campaign website [www.bettermnaact.com](http://www.bettermnaact.com).

## Track Record: Quarz Active Value Class S (SGD) (in %, net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2022	0.6	1.4											2.0
2021	3.7	1.7	2.7	4.9	0.0	1.6	0.1	0.3	-1.9	1.1	-3.7	2.7	13.6
2020	-1.4	-2.7	-19.3	8.7	1.5	2.0	11.4	10.9	2.8	-0.9	2.0	3.8	16.0
2019	4.1	1.5	-1.4	2.1	-2.5	6.0	1.5	-2.0	1.7	0.8	1.1	2.0	15.7
2018									0.5	-4.5	1.3	0.4	-2.4

Allocation by Region



- 45% Singapore
- 26% Australia
- 18% Japan
- 12% Hong Kong

Allocation by Sector



- 47% Real Estate
- 18% Industrials
- 4% Technology
- 7% Communication Services
- 8% Consumer Staples
- 5% Healthcare
- 6% Consumer Cyclicals
- 5% Utilities

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