

Neutron Fund Limited – Neutron A Monthly Newsletter (April 2015)

NAV & Returns

Neutron Fund Limited	NAV/Share (HK\$)	MoM	YTD	Since Investment
Neutron A (“NFA”)	1218.8384	↑ 13.59 %	↑ 19.39%	↑ 22.59%

Historical Net Monthly Returns

MoM	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	+2.26	-2.12	+5.02	+13.59									+19.39
2014	-0.88	+1.23	-2.34	-1.79	+0.49	+4.41	+1.98	+0.98	-2.46	+2.00	+4.43	-6.37	+1.14
2013	-	-	-	-	-	-	-	-	-	+1.68	+1.24	-1.37	+1.52
Hall Park Capital*											Neutron A		
2013	+11.98	+1.76	+2.87	+6.79	+9.71	-7.19	+2.83	-1.79	+2.08				+31.39
2012	+2.45	+6.61	-4.36	-1.41	-2.89	+1.28	+3.28	+1.30	+0.63	+3.89	+2.11	+4.24	+16.61
2011	-3.10	-4.20	+5.57	+0.28	-0.87	-1.56	-1.53	+3.11	+1.29	-3.73	-0.27	-1.10	-6.11
2010	-0.72	-0.29	+1.53	+4.44	-2.93	-0.53	+1.81	+3.26	+11.89	+4.23	+0.96	+8.39	+29.82
2009	+1.12	+2.88	+3.77	+1.19	+7.92	+1.26	+1.89	-3.40	+0.86	+0.07	+4.22	+6.91	+28.36

*The Strategy was previously expressed through Hall Park Capital from January 2009 to September 2013. This was run as a smaller managed account gross of fees.

Fund Information

Investment Objective The investment objective of Neutron A’s is to focus on but not limited to Asia ex Japan and aims to generate positive returns in all market conditions.

Investment Style It is a concentrated portfolio of stock picks employing a fundamental value approach seeking to take advantage of trading opportunities from both the long and the short side.

Investment Launch Date 2 October 2013

Domicile Cayman Islands

Fund Size HK\$147 million

Dealing Monthly

Administrator & Custodian DBS Bank Ltd.,
Hong Kong Branch

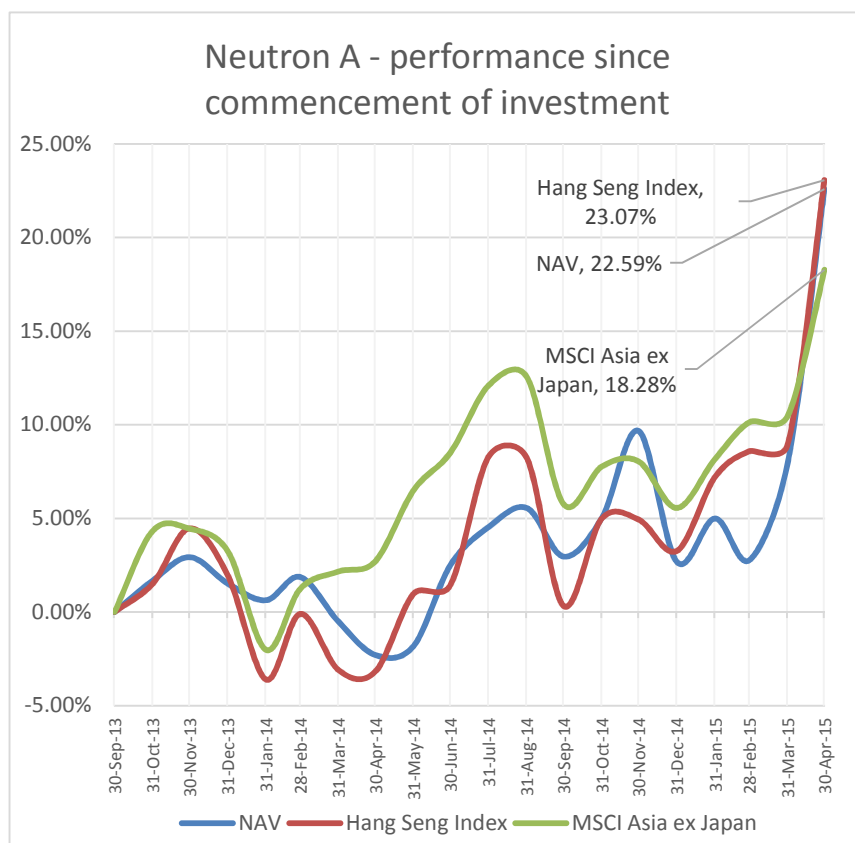
Auditor Ernst & Young Limited

Directors Vincent Leung
Patrick Harrigan (Independent)
Sean Flynn (Independent)

Portfolio Manager Jonathan Garrick
jonathan@bricneutron.com

Management Fee 1.5% p.a.

Performance Fee 15% of profits above hurdle



For further information, please visit Bloomberg ticker: BNNEUTA:KY



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The fund gained +13.59% net of fees in April. The NAV was 1218.8384 as of April 30th. We are now +19.39% year to date. In contrast, the Hang Seng Index and the HSCEI have risen +19.18% and +20.41% year to date as of April 30th.

For the portfolio, the broad gains from March intensified in April with some breathtaking moves in several of our holdings. All but one of our long positions made a positive contribution. Our Travel/Transportation names continued to surge higher with Travelsky (696 HK) and China Southern Airlines gaining +68% and +39% respectively. Our Internet plays also advanced with Netease (NTES US) rising +20% and last month's featured name, Netdragon (777 HK) rallying +40% over the month. All but one of our single name short positions were covered during the month and there was a slight detraction on performance from the index futures. With regards rotation, by the end of the month we had sold out of three holdings and added five new names.

Our long time holding China Mobile (941 HK) gained +9.4% in April as the Q1 results served to reinforce our investment case. The faster than expected adoption of 4G is providing better than expected revenue and ebitda growth. The ebitda margin on the service revenue also increased by 1.2% yoy to 41.2%. In addition, the capex is declining - it was guided to fall -6.5% yoy and fall again in FY16 – so the cash flow generation is set to accelerate. The monetization of the industry tower assets is an additional positive driver. Furthermore, the government directive on industry co-operation avoiding cut-throat pricing and expensive duplication of infrastructure is continuing favourable force. Going forward, there should be pressure from shareholders to raise the dividend. Although China Mobile is not the most exciting name in surging stock market rally, it still exhibits clear value, upcoming catalysts and accelerating monetization in the years ahead. We see the risk on consensus forecasts to be firmly to the upside.

Another major contributor to performance was Fosun International (656 HK, mkt cap US\$18bn) which is a HK listed, Chinese privately owned conglomerate. It first came to our attention earlier in the year as it co-operated with Ant Financial, the holding co of Alipay, in establishing Zhejiang Internet Bank - Fosun owns a 25% stake. Although, the venture is still awaiting formal approval, which is expected mid-2015, we believe there is huge potential for this bank in working with Alibaba and Alipay. Analysts currently assign zero value to this interest – as there is no actual business thus far. That sparked a closer look at the breakdown of the Fosun International's NAV. It showed that this prudent reasoning was further reflected in the share price as it was trading at an attractive 46% discount to the NAV or 1.1x FY 15E price to book. The breakdown of the NAV reads like a long list of an asset manager holdings, many which can be given a listed market value. As deal makers they certainly have been busy. They recently bought an 80% stake in a Portuguese insurance company to add interests in steel, mining, property, pharmaceuticals the list goes on. In addition to the known and listed holdings they also have a notable portion of their NAV in unlisted investments. Some analysts estimate this to be approximately 18% of NAV. This is where Fosun keeps its pre IPO investments in which some candidates, such as Focus Media (27% stake), are expected to be listed in Shanghai later this year. The differential in valuation from unlisted to listed can be enormous. In December 2014, Hainan Mining (601969 CH) was listed in Shanghai and the valuation of Fosun's now diluted 54% stake was seven times higher than some analysts were carrying in their NAV. That stock is up a further +31% year to date. From the initial premise of the hidden value in the Zhejiang Internet Bank we identified a conglomerate trading at a substantial discount to its NAV with a distinct pipeline of catalysts to crystallise this value. We took our position and increased it after the results in March which was accompanied by a comprehensive half day investor presentation by the Chairman and management. We are mindful that this is a private Chinese company with many moving parts. There are concerns over debt and a considerable short position (~US\$744m). The stock gained +29% in April on substantially increasing volume. Although the discount to NAV has narrowed, we maintain that this company exhibits clear value with a pipeline of catalysts ahead.

There is no doubt that this month has provided a rising tide for our portfolio. Since the southbound traffic took hold, the personality of the HK market seems to have changed with more volume and price volatility especially in small and midcaps. However, as we highlighted in last month's newsletter, valuations in March remained comfortably below the 10 year average. Even after a strong month like April, the valuations on the Hang Seng Index are still just hovering at around the 10 year average level and by no means excessive. On a micro level, the sharp gains in certain holdings have significantly reduced the discount and it will be up to earnings and other catalysts to push the stocks further. On a macro level, whilst the economic data continues to surprise on the downside, investors are comforted that the Chinese government policy is undeniably market supportive. We will continue in our strategy of focusing on structural growth stories and companies exhibiting clear value with catalyst.



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