Neutron Asia Absolute Return Fund
Monthly Newsletter (Jun 2020)

NAV & Returns

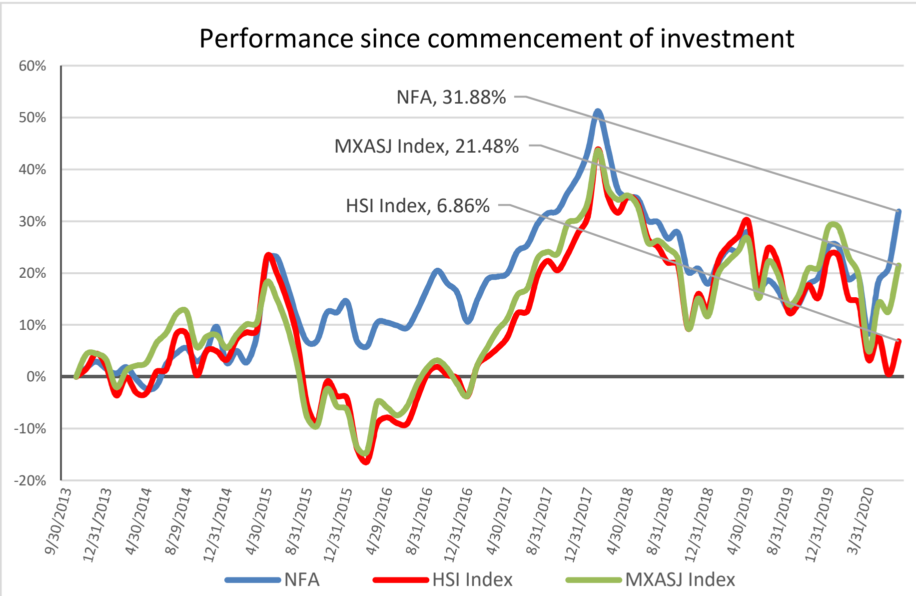
Neutron Fund Limited	NAV/Share (HK$)	MoM	YTD	Since Investment
Neutron Asia Absolute Return Fund (“**NFA**”)	1,165.8863	↑ +8.91%	↑ +5.44%	↑ +31.88%

Historical Monthly Returns

MoM	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
NFA – Net Returns													
2020	-5.01	+0.51	-9.32	+9.34	+2.28	+8.91							**+5.44**
2019	+3.41	+2.13	-0.21	+2.82	-8.13	+1.05	-1.72	-3.08	+0.81	+3.40	+1.24	+4.90	**+6.06**
2018	+5.45	-4.59	-5.68	-1.09	-0.21	-3.13	-0.23	-2.46	+0.90	-5.88	+0.52	-2.45	**-17.78**
2017	+3.86	+3.37	+0.47	+0.56	+3.51	+1.01	+3.23	+1.55	+0.39	+2.62	+2.29	+3.49	**+29.66**
2016	-6.64	-0.96	+4.32	+0.04	-0.53	-0.39	+3.04	+3.73	+2.98	-2.03	-1.55	-4.79	**-3.37**
2015	+2.26	-2.12	+5.02	+13.59	+0.41	-4.31	-5.33	-4.22	+0.12	+5.14	+0.00	+1.83	**+11.49**
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 – Gross Returns													
2013	+11.98	+1.76	+2.87	+6.79	+9.71	-7.19	+2.83	-1.79	+2.08				**+31.39**(1)
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**

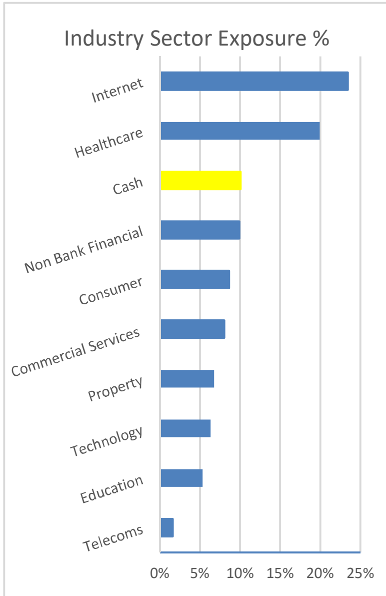
(1) The Hall Park Capital Account is provided for illustrative purposes only, and represents the portfolio manager’s personal account. The account pursued an investment strategy that was substantially similar to NFA with any differences due primarily to portfolio management decisions given the market conditions prevailing during the period. The account was closed after September 2013, with assets transferred to NFA. Additional information can be provided upon request.

Performance



For further info, please visit Bloomberg ticker: BNNEUTA:KY; or website http://neutronasiaabsolute.bricneutron.com/

Industry Sector Holdings



For short position, investments group as shorts.

Fund Information

Investment Objective	The investment objective of Neutron Asia Absolute Return Fund 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$198 million Approx. US$25 million	**Fiscal Year End**	31 December
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
Dealing	Monthly	**Redemption Fee**	1% for early redemption in the first year

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In June the fund gained +8.91% net of fees. The NAV is 1,165.8863 as of June 30th, 2020 leaving the fund up +5.44% year to date.

For the portfolio, June brought a fair wind with further relaxation measures from COVID-19 in Asia despite rising cases globally. The US and European government's policy support measures encouraged investors and despite the rhetoric, the US and China held their first face to face high-level meeting since January. There was positive, constructive reviews from both sides. In HK, the national security law came into effect and despite the global protestations, it had a stabilising effect on local business. With regards to the holdings list, there was rotation out of two China e-commerce names after a blowout June 18th shopping festival (6:18), a medical devices company and a high yielding telecom. Our exposure was lifted into three healthcare names and two companies in the process of potential spin-offs. As a result, our net exposure increased by the end of the month. With regards to the performance attribution, following from last month there were broad gains in the majority of our holdings with HK Exchange, our online healthcare company and the China software name producing standout contributions. In addition, our six corporate action plays continued to grind higher. On the negative side, there were detractions from our education holdings and a commercial services position. On the short side, our index futures positions detracted from performance.

The main names on the holdings list remained largely unchanged as we continue to focus on companies that are benefitting from policy and behaviour changes. This month, our online healthcare company's operating metrics continued to illustrate the acceleration of online purchase of the full range of healthcare goods and services. The number of participating retailers jumped +70% yoy and customers in the 20-30 age demographic more than doubled. The roll-out of online prescriptions with medical insurance coverage should secure massive customer involvement and from that credible platform, the potential to provide a wide range of products and services is immense. As our main holdings have been repeatedly mentioned in this year's newsletters we will focus on two new additions to holdings list. Firstly, a long time underperforming China internet name sparked attention post Q1 results as its transformation into focusing on its mobile app produced a sharp pick up in operating metrics. The app's DAUs were up +28% yoy, individual usage +45% yoy with engagement and time spent also increasing. The COVID-19 pandemic has accelerated the move to mobile app usage and although the market is fiercely competitive these operating metrics are surprisingly strong. The app has revitalized the company and now accounts for over half of their traffic. For the company, this means that the app is now achieving faster growth and higher profit margins whilst becoming an increasing portion of their revenue. This should push a re-rating off a low base. The company has over 20% of the market cap in cash and increasingly valuable holdings in two listed companies. They also have sizeable unlisted projects – although these are largely cash burners. That said, the company stated that it aims to continue to buy back stock. We view this as a rare value play with clear catalysts for stronger revenues, earnings and a multiple re-rating. The other new holding, Innovent (1801 HK) is in China's emerging Biotech sector. This month saw a transformational multi-billion dollar collaboration with Roche in bispecifics and cell therapies. This is in addition to existing valuable partnerships with Incyte, IASO, Hutchison, Coherus, Alector and Lilly. This is a significant step forward from an existing strong position. Innovent is already an early domestic player in China's sizeable PD-1 market, has a strong development platform and 17 biologics in the pipeline. As with many emerging industries at an early stage, it is crucial to select the sector winners. For Innovent, there is certainly an identifiable pipeline of catalysts to put the company at the forefront of the sector. The company's progress is such that it now well exceeds the revenue and market cap criteria from HK Exchange for the removal of the B marker. This means it may now be considered for inclusion in indices and importantly, eligible for the Shanghai/Shenzhen-HK Connect which introduces mainland investor demand. This may be a bumpy ride, but with the credible collaborations and a considerable pipeline, the future growth is almost assured. For investors, the company is now well-positioned to appear on mainland and international investor's radar.

Looking forward, it seems that global markets are not out of the woods on COVID-19 with cases accelerating in the US and other countries suffering reopening setbacks. Another notable bump in the road is the upcoming Q2 earnings season. This is the great unknown for investors as legacy consensus estimates make little allowance for the bombshell impact of COVID-19. Arguably, many investors are now looking ahead at 2021 numbers and balance sheet strength, but guidance will be closely monitored as will the subsequent price action. Although markets have rebounded sharply and the noise from the active retail investors has been dialled up, institutional positioning remains surprisingly light. In recent months, the anti-China sentiment, potential delistings or sanctions has resulted in an effective international investor boycott. The FXI China large-cap ETF has shares outstanding at multi-year lows and global flow into Chinese equity funds are at decade lows. This should be somewhat reassuring. Furthermore, the economic data has largely surprised on the upside and with governments using all the tools at their disposal to generate growth in the economy money is flowing back into equities. The US election will bring more uncertainty and volatility as November approaches. Both parties taking the anti-China stance which brings its own headline risks. For our holdings, the operating metrics and newsflow continue to be largely positive. We remain domestically focused and positioned to benefit from policy, corporate and behavioural changes.

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