

Dalton Asia Pacific UCITS Fund

March 2024

the hedge fund journal

**UCITS Hedge
Awards
2023**

**Long/Short Equity – Asia Pacific
Best Performing Fund over 5 years**
Dalton Asia Pacific UCITS Fund
(Dalton Investments)

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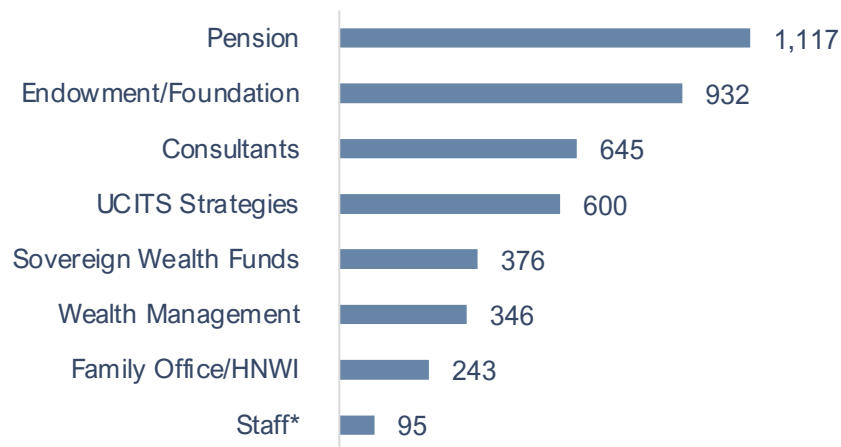
I. Dalton Firm & Strategy Overview

Firm Background

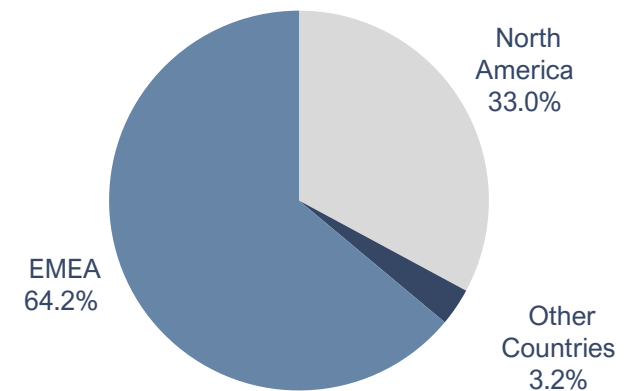
Dalton Investments

- Opportunistic, entrepreneurial and long-term focused value investing philosophy, aiming to generate superior returns for clients
- Began operations in 1998 to capitalize on opportunities arising from the Asia crisis; incorporated in 1999
- Offices in Santa Monica, Las Vegas, Sydney, Mumbai, Hong Kong, New York, and Tokyo
- Experienced, diverse team of 37 with 17 dedicated investment professionals
- Employee-owned firm, co-investing alongside clients

AUM (\$4.4bn)¹ by Client Type (\$m)^{1,2}



AUM (\$4.4bn) by Client Location (%)¹



¹As of 31 March 2024. Includes a non-discretionary account.

²The above chart excludes approximately \$46 million in “financial institution” assets.

*Staff includes all Dalton related parties

Investment Team & Support Staff

As of 31 March 2024

Chief Investment Officer



James B. Rosenwald III*, CFA
(26/43)



Director of Research



Shiro Hayashi*
(15/23)



CRO & CSO



Craig Mercer*
(7/25)



Trading



Richard Hill* (9/26)



Kenneth Hendrawan (5/7)

Sustainability



Su Cheng Tung (<1/2)

Non-Investment



Team of 22 across
management, finance, legal,
compliance and operations

Tokyo Office



Kota Isogai (9/17)



Masumi Nishida* (3/15)



Toshihito Yamada (12/12)



Takahisa Taguchi (3/7)

Hong Kong Office



Jessica Xing (3/10)

Los Angeles Office



*Pedro Zevallos** (7/29)



Venkat Pasupuleti* (10/14)



Owens Huang* (9/14)



James Lim* (9/12)

Mumbai Office



Siva Thiravidamony* (5/14)



Upama Roy (2/12)

*Partner
(Years of experience firm/industry)

Investment Philosophy



Invest in Good Businesses

- Strong cash flows and balance sheets, a “moat” against competition, focus on ESG best practices



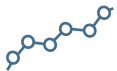
Seek a Significant Margin of Safety

- Seek a material discount to intrinsic value, looking out 3-5 years



Focus on Alignment of Interest

- Identify companies with an alignment of interest between the owner-operator/management and minority shareholders, or companies where an opportunity exists to enhance alignment



Strong Track Record

- Identify a demonstrable track record of managing capital effectively and rewarding minority shareholders



Engagement

- Capitalizing on corporate governance reform and shareholder activism to opportunistically add value

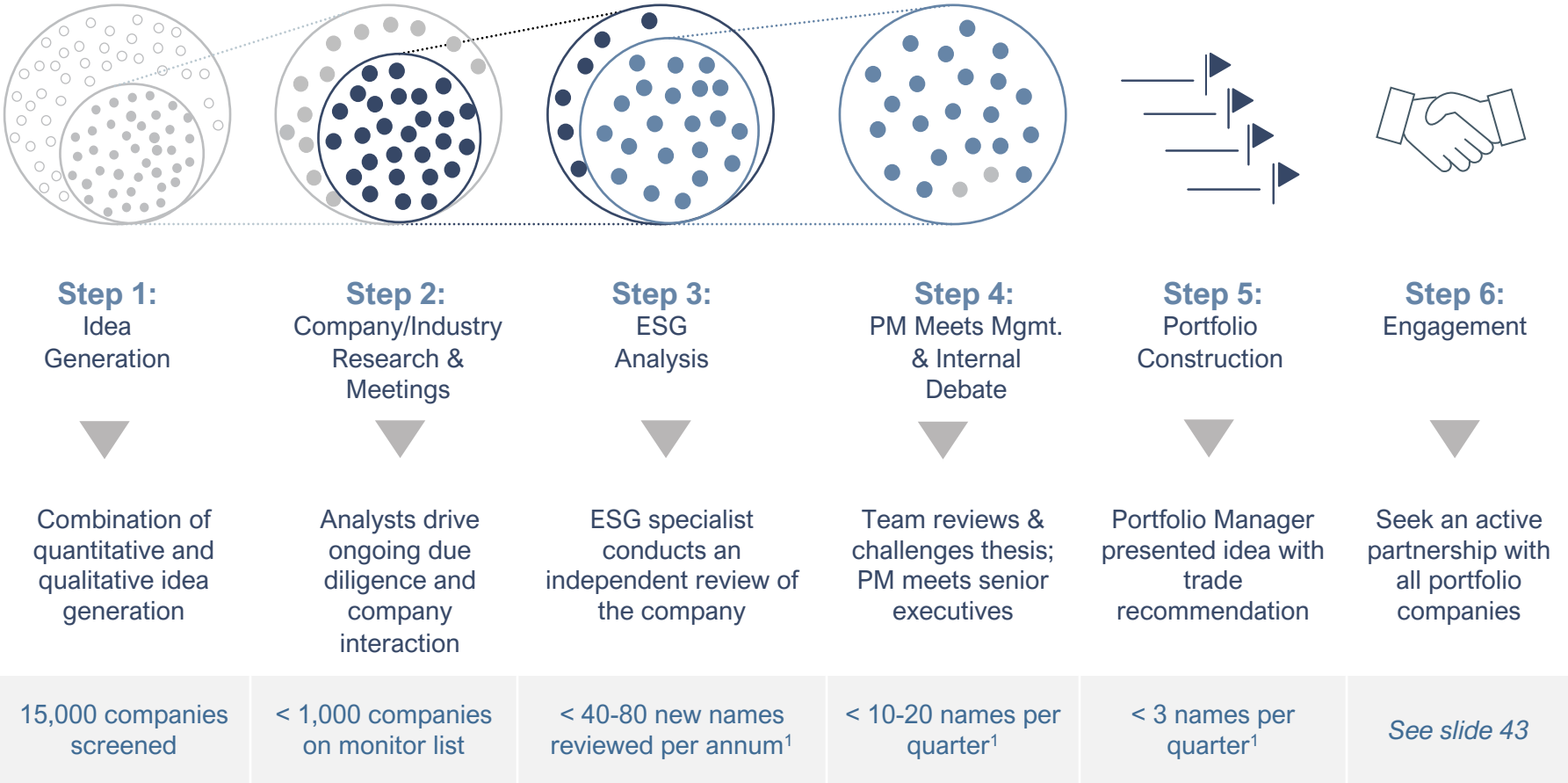
Alignment of Interests with Owner Operators

Name	Country	Sector Group	Value of Ownership (USD mln)	% Ownership
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	\$2,890	1%
Samsung Electronics Co Ltd	South Korea	Information Technology	\$72,999	22%
Fairfax India Holdings Corp	Canada	Financials	\$187	10%
ICICI Bank Limited	India	Financials	\$27,501	32%
Rio Tinto	Australia	Materials	\$1,008	1%
Wilmer International	Singapore	Consumer Staples	\$6,324	43%
Sanwa Holdings Corp	Japan	Industrials	\$37	1%
MERITZ FINANCIAL GROUP INC	South Korea	Financials	\$1,486	13%
TOYOTA INDUSTRIES CORP	Japan	Industrials	\$314	1%
SQUARE ENIX HLDGS	Japan	Communication Services	\$109	2%
Total (Top 10)			\$112,855	

Source: Dalton Investments, Bloomberg, top 10 weights as of 31 March 2024

Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

Dalton Investment Process



¹Estimate of typical workflow
The Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

Dalton's Approach to ESG

ESG in the context of the 4-Mantra



Good Business: A good business needs to generate profits sustainably



Alignment: Sound corporate governance practices improve the alignment with minority shareholders and create a greater emphasis on long-term value



Track Record: Some studies* suggest that superior ESG firms may have lower costs of capital and therefore potentially offer a greater chance of generating superior returns to their weighted average cost of capital



Margin of Safety: A company with sound ESG policies potentially lowers the risk of permanent impairment of capital*

Dalton is a signatory of the PRI, Climate Action 100+, and both the Japan and Korean Stewardship Codes

The Dalton Asia Pacific UCITS Fund meets the classifications of an Article 8 (SFDR Regulation) as it promotes environmental and social characteristics.

The ESG Research Process



*Fulton, Kahn, Sharples (2012). "Sustainable Investing: Establishing Long-Term Value and Performance." Deutsche Bank. Please note that no representations or warranties, either expressed or implied, can be made as to the data and analysis provided in these studies. The data analysis has been prepared by the respective authors and entities, and Dalton Investments has not verified any of the studies independently. The views and opinions expressed in the studies are those of the authors and do not necessarily reflect the opinion of Dalton.

The Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

Fund Portfolio Guidelines: Qualitative

	Long Book	Short Book
Profile	Smaller, entrepreneurial companies benefiting from structural change in Asia with managements committed to maximizing shareholder value	Big, bureaucratic (often state owned) enterprises driven by objective other than maximizing shareholder value
Strategy	Portfolio diversified across market capitalization, industries, and countries	Portfolio constructed for alpha generation; shorts not paired with specific long positions
Characteristics:		
Margin of safety	Market price low relative to proprietary intrinsic valuation	Market price high relative to proprietary intrinsic valuation
Alignment of interests	Management is long-term ambitious, willing to share profits with minority shareholders through share buy backs and dividends	History of weak management; unwilling to share with minority shareholders
Business Sustainability	Natural monopolies and valuable patents	Highly competitive industry; company has no ongoing edge
Business Economics	Healthy fundamentals, e.g. strong cash flows and balance sheets	Poor fundamentals, e.g. waning cash flows and balance sheets

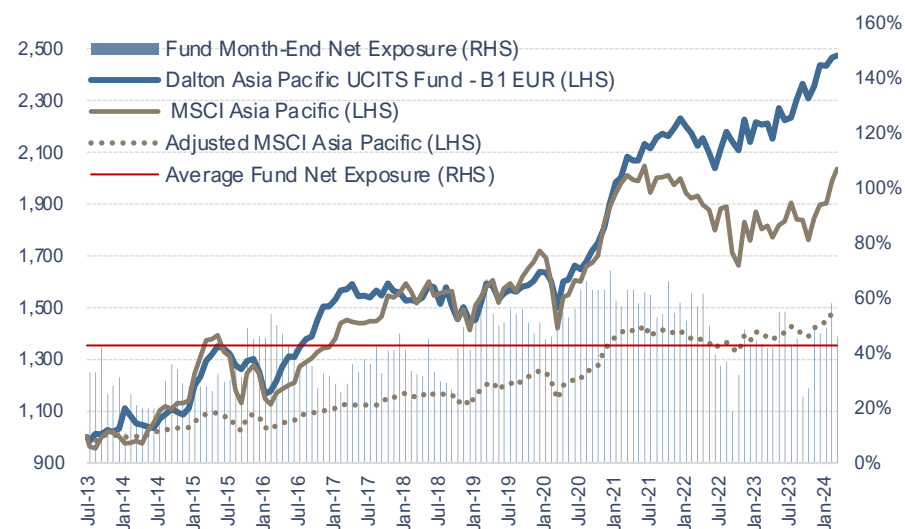
Fund Portfolio Guidelines: Quantitative

Soft Position Guidelines:	Long Book	Short Book
Number of positions	30-60 Names	20-40 Names
Position Limit	10% of NAV	5% of NAV
Position at Purchase	3% of NAV	1 - 3% of NAV
Stop Loss Review	Soft at 20% absolute decline	Hard at 20% absolute increase

Exposure Guidelines	Net	Gross
Net Exposure (By Region)		
<i>Japan & Greater China</i>	Max 70% net	
<i>Rest of Asia (including India)</i>	Max 50% net	
Portfolio Net Exposure	Typically 30% - 70%	
Portfolio Gross Exposure		Max 200%

Liquidity Profile
<ul style="list-style-type: none"> • Daily liquidity with three business days notice • Underlying positions typically have market caps in excess of \$0.5bn and at least moderate trading volumes

Dalton Asia Pacific UCITS Performance History



	Dalton Asia Pacific UCITS Fund	MSCI Asia Pac Index
Ann. Net Rate of Return	8.79%	6.88%
Cum. Net Total Return	147.36%	104.45%
Annualized Volatility	9.35%	12.71%
Sharpe Ratio	1.10	0.56
Sortino Ratio	1.99	0.85
Upside Capture Ratio	58.88%	-
Downside Capture Ratio	34.88%	-

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Share B1 (EUR)	3.24%	7.70%	12.72%	20.03%	3.65%	-7.61%	13.10%	16.38%	17.15%	-4.12%	13.88%	1.47%
Benchmark	0.13%	13.96%	9.17%	8.06%	15.52%	-9.21%	21.73%	9.95%	5.80%	-12.01%	7.89%	7.29%
Relative	3.11%	-6.26%	3.55%	11.97%	-11.87%	1.60%	-8.63%	6.43%	11.35%	7.89%	5.99%	-5.82%



*The performance figures quoted above represent the performance of the FundLogic Alternatives Plc – Dalton Asia Pacific UCITS Fund up to March 2019. The performance figures from April 2019 represent the performance of the Lafayette UCITS ICAV - Dalton Asia Pacific UCITS Fund since launch on 8 April 2019.

Please note the Lafayette Dalton Asia Pacific UCITS Fund is a continuation of the FundLogic Alternatives Plc Dalton Asia Pacific UCITS Fund by way of a merger. The FundLogic Alternatives PLC fund was launched on 17 July 2013. These performance figures refer to the past and past performance is not necessarily indicative of future results

Source: Waystone



II. Current Asia Outlook

Pan-Asia Overview: Japan and Korea

We view Asia as a single contiguous market, often conducting cross-border research on companies and believe our long-term experience investing in Asia provides insight on how to identify future leaders, and value traps in Asian companies.

Japan

- Japan has attracted increasing investor attention in recent years, fuelled by a focus on corporate governance reform. This reform agenda has led to a buoyant stock market, with the Nikkei finally surpassing its previous peak of 1989.
- More recently, the Bank of Japan's (BOJ) ended negative interest rates, a move that had been widely anticipated by investors. The announcement detailed raising the policy rate to a band between 0.0% and 0.1, abolishing the yield curve control (YCC), and ending purchases of exchange-traded funds and real estate investment trusts.
- We believe this signals the start of a virtuous cycle of improved corporate performance, rising wages, and increased consumer spending.

Korea

- In February 2024, the Korean government announced its 'Value Up' program to address the persistent undervaluation of its stock market, commonly referred to as the Korea discount.
- The three key pillars of the program include providing tax incentives for listed companies to voluntarily prepare, implement, and communicate their corporate value enhancement plans.
- The program is still in its early stages and its long-term success will depend on its implementation and the willingness of both companies and investors to actively participate. In the short-term, the biggest winners in Korea have been in the financial sector where banks have rallied strongly on the back of the news, including the Fund's position in Meritz Financial Group which was up 40% during the quarter.

Pan-Asia Overview: Taiwan and Greater China

Taiwan

- Artificial Intelligence (AI) has dominated the tech landscape in recent months. This surge extends to the Asian chip supply chain, benefiting companies like TSMC and its suppliers. Taiwan, a major player in chip manufacturing, has been particularly spurred by the AI revolution. While the recent government election offered little additional stimulus to an already buoyant stock market, Taiwan's chip making expertise and key role in the global supply chain have continued to fuel its impressive performance.
- Valuations in the semiconductor sector remain high, particularly in the US. Taiwanese chipmakers offer far more attractive valuations compared to their US counterparts. This presents an opportunity to invest at more favourable prices in a burgeoning growth that are positioned to benefit from the continued growth in the sector.

Greater China

- After a year of anaemic returns, the Chinese market showed signs of recovery midway through Q1 2024, given government discussions with regulators and curbs on short selling.
- Chinese equities surged in early February, fuelled by expectations of further stimulus. However, this enthusiasm faded in March, leaving the Chinese market lagging behind the other Asian markets.
- The short-term appeal of China appears driven by the idea that the market may have bottomed, offering limited downside risk. Valuations are indeed low, suggesting a potential return to normalcy (mean reversion).
- Ignoring the Chinese market entirely could hurt short term relative returns if mean reversion takes hold. Yet, the fear of "catching a falling knife" is keeping returns stagnant and valuations low.

Pan-Asia Overview: India and ASEAN

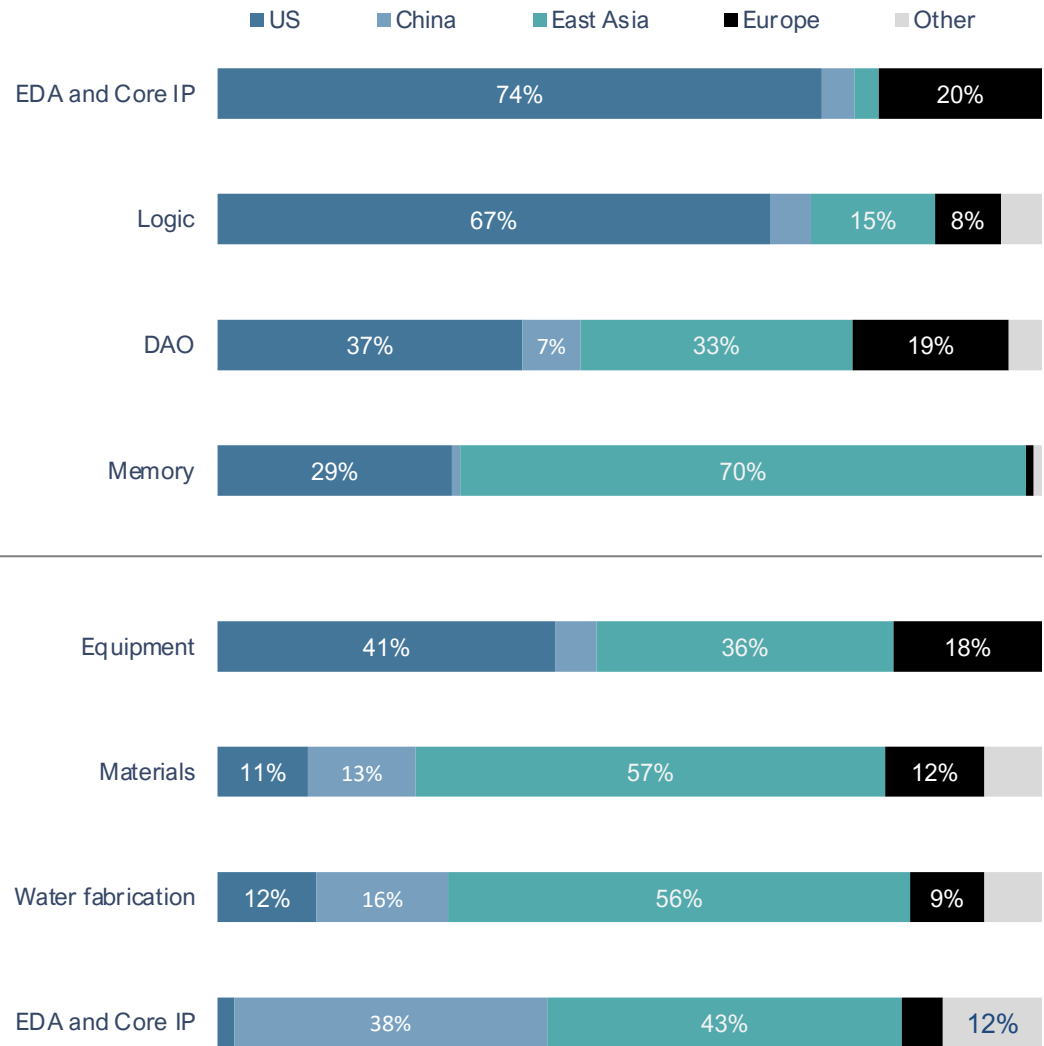
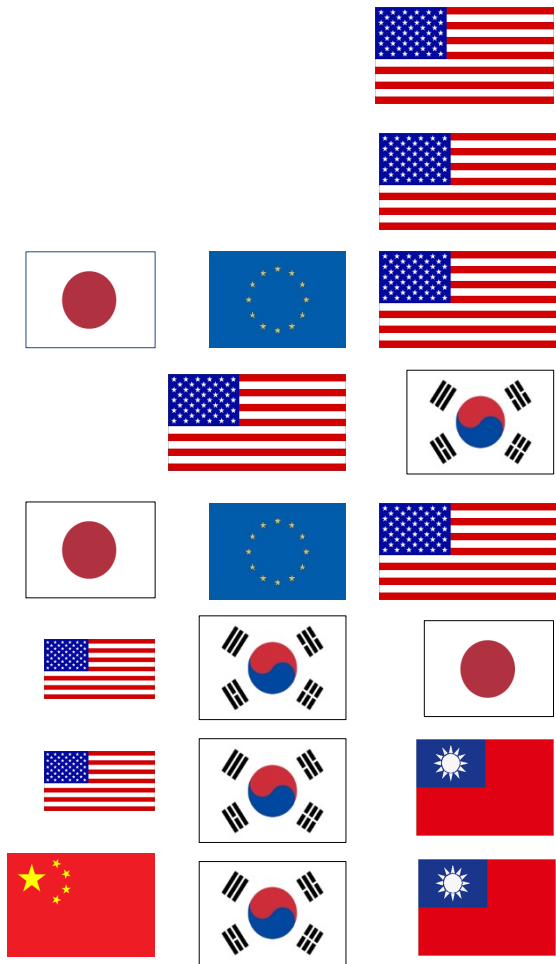
India

- Valuations, particularly in the small and mid-cap segments, appear stretched on multiple metrics. The MSCI India's price-to-earnings ratio exceeding 22x is near its twenty-year high.
- Valuations are being driven upwards by a combination of factors. Two dominant factors include the shift in the index away from a lower growth large cap index to a more mid cap centric exchange, and the significant rise of domestic investors. Foreign investor participation has shrunk to a multi-decade low of 16%, whereas the number of local equity trading accounts has risen by more than 500% in the past decade.
- The “deinstitutionalization” of the market's participants explains the reduced emphasis on traditional valuation metrics. Importantly, these high valuations are backed by robust earnings forecasts with mid-teens growth projected for the coming years.

ASEAN

- Dalton continues to be faced with the challenge of limited margin of safety and weaker governance practices, when compared to other regions in Asia. It remains diligent in assessing new opportunities and will make investments when our four mantras are met.
- The manager holds a position in Vietnam Enterprises Limited, as this remains an attractive way to invest in the foreign ownership-controlled market at a discount.

Leaders In the Semiconductor Supply Chain

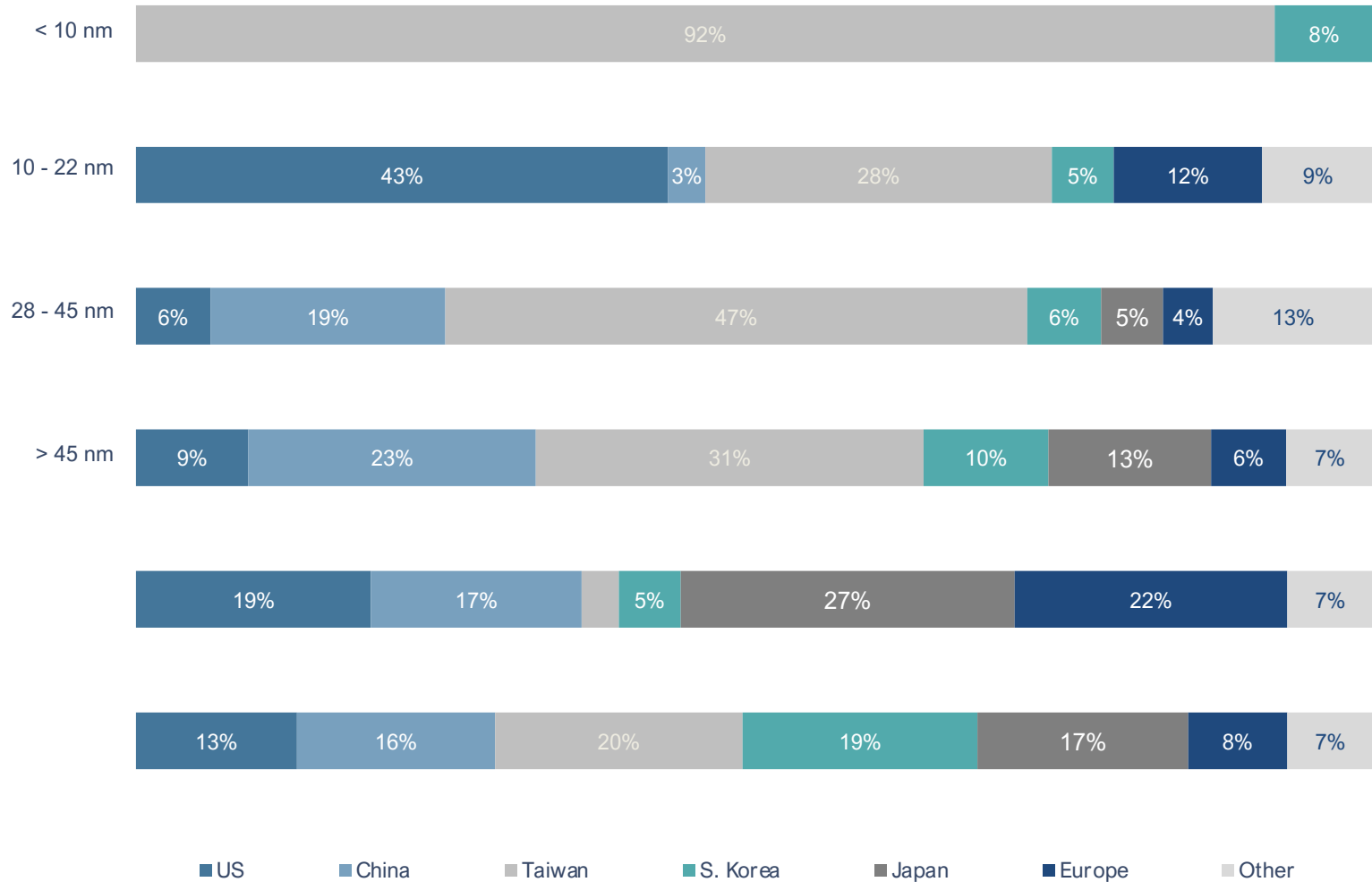


Source: BCG and Gartner

All Advanced Logic IC Capacity is from Taiwan and South Korea



Logic



Source: BCG and SEMI

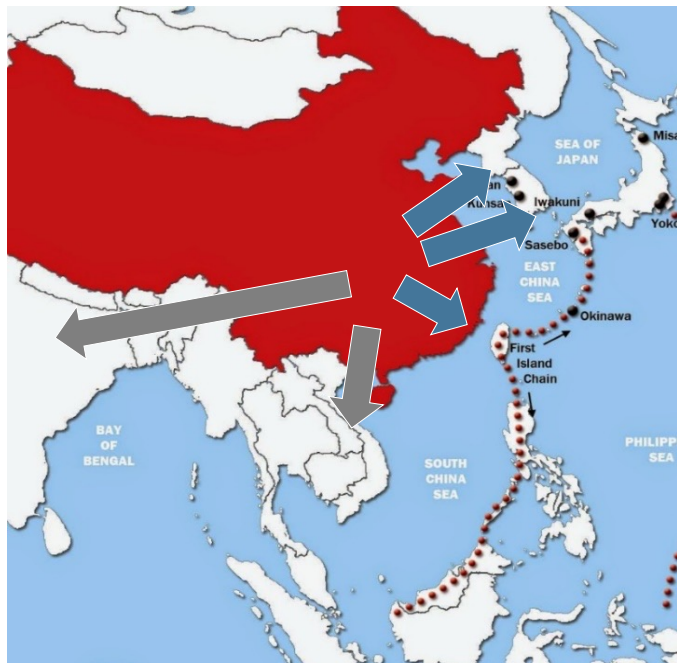
Taiwanese OEM Production Capacity Breakdown: 2019 vs 2023

Ticker	Company	Year	Production capacity (2019 vs 2023E)							
			China	Taiwan	Vietnam	India	Thailand	America	Europe	RoW
2317.TW	Hon Hai	2019	76%	2%	8%	2%	2%	5%	3%	2%
		2023E	70%	1%	11%	5%	1%	7%	3%	2%
4938.TW	Pegatron	2019	95%	2%	-	-	-	-	3%	1%
		2023E	75-80%	1-2%	5-10%	5-10%	-	-	2-3%	0-1%
3231.TW	Wistron	2019	75%	5%	-	3%	-	10%	5%	2%
		2023E	55-60%	0-5%	5-10%	15-20%	0%	5-10%	0-5%	0-2%
2382.TW	Quanta	2019	80%	10%	-	-	-	5%	5%	-
		2023E	65-70%	15-20%	-	-	0-5%	0-5%	0-5%	-
2324.TW	Compal	2019	92%	2%	3%	1%	-	2%	-	-
		2023E	80-85%	0-5%	5-10%	0-5%	-	0-5%	-	-
2356.TW	Inventec	2019	63%	12%	-	-	-	15%	7%	3%
		2023E	55-60%	15%	5%	-	-	15%	7%	2-3%
6669.TW	Wiwynn	2019	10%	-	-	-	-	60%	30%	-
		2023E	0-5%	5-10%	-	-	-	60%	25-30%	-

Source: Morgan Stanley

Manufacturers Are Moving Out of China

US-China geopolitical tension, China's unstable government, and technology supply chain decoupling are driving investment in Taiwan, Japan, Vietnam, India, and Korea. Multi-National Companies (MNCs) are applying the "China plus one" strategy to diversify their China risks. The table shows the example of MNCs' recent CAPEX in India.



MNC	Business Carried out	Year of Establishment	Place of Establishment
Safran Group	Space test centre for aerospace & defense products	2023	Kerala
Samsung	Compressor manufacturing plant(for refrigerators)	2022	Sriperumbudur near Chennai, Tamil Nadu
	Largest mobile manufacturing plant	2018	Noida, UP
Siemens	Bogie Production Facility	2022	Aurangabad, Maharashtra
	Diagnostic imaging facility	2019	Bengaluru
Hindustan Coca-Cola beverages	Bottling arm of coca-cola	2022	Jalpaiguri, West Bengal
Pegatron	Third Apple vendor to set up a manufacturing unit in India	2022	Chennai
Foxconn	Mobile Phone manufacturing	2020	
Hewlett Packard	Multiple PC products, including laptops, desktops, All-in-Ones (AIOs), and monitors.	2020	Sriperumbudur near Chennai, Tamil Nadu
Amazon	First device manufacturing line in India to make Fire TV sticks locally	2021	Chennai
ABB India	Robotics and digitalization technologies	2022	Bengaluru
	Manufacture of digital technologies for electrical distribution networks for Indian as well as global markets.	2022	Maneja plant in Vadodara

Source: Morgan Stanley

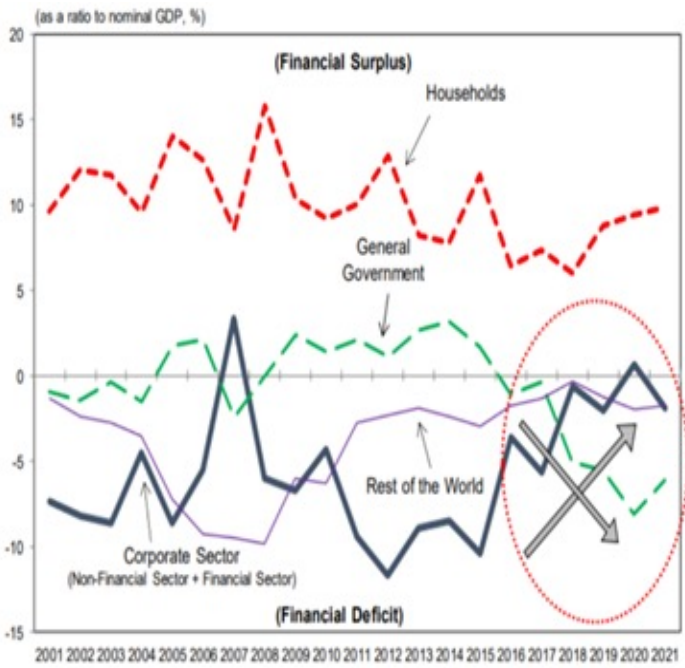
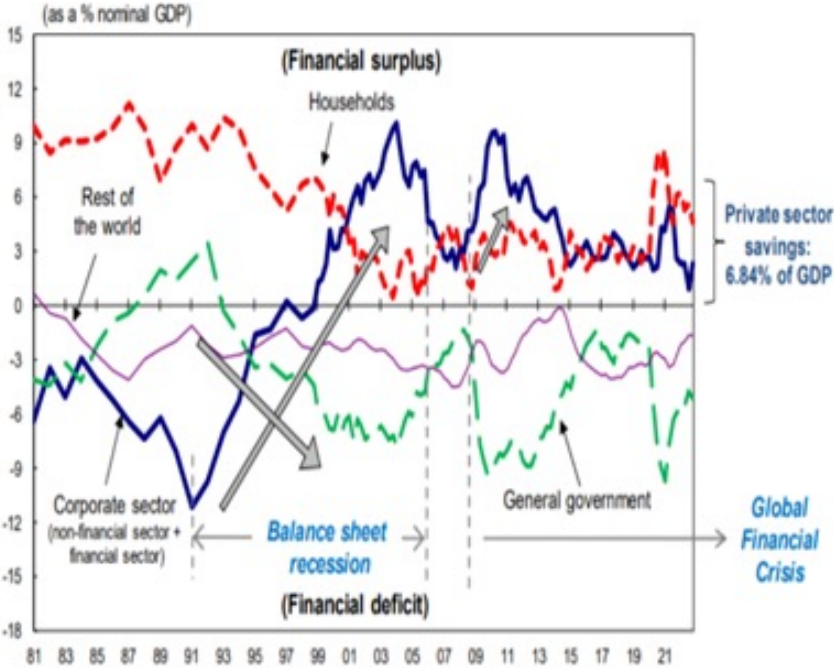
Balance Sheet Recession: China Today vs. Japan 1990s

Japan: Companies started to save more money after 1991

China: Companies slowed down borrowing years before the bubble burst; Growth has relied on large government deficit spending

Financial Surplus or Deficit by Sector

Financial Surplus or Deficit by Sector



Note: All entries are four-quarter moving averages. For the latest figures, four quarter averages ending in 2022 Q4 are used.
Sources: Bank of Japan, Flow of Funds Accounts, and Government of Japan, Cabinet Office, National Accounts

Source: Nomura Research Institute, based on the data from National Bureau of Statistics China and People's Bank of China

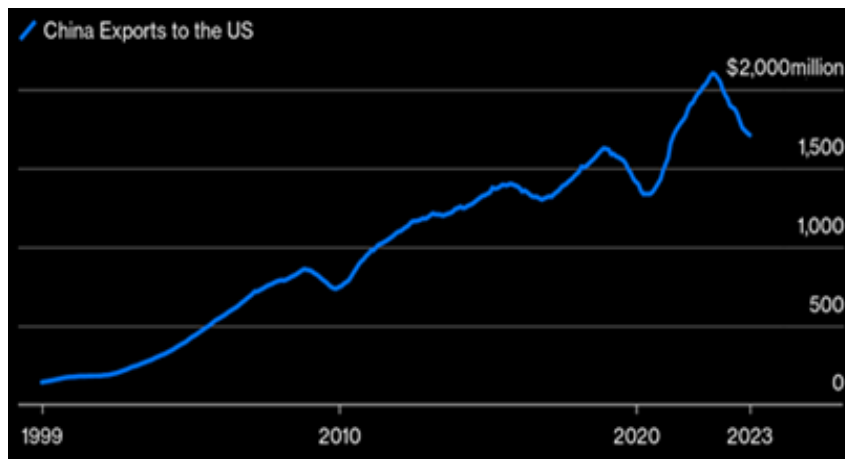
China Continues to Face Multiple Headwinds

While still above levels prior to joining the World Trade Organization in 2002, Chinese exports to the US seem to have peaked and are rapidly declining.

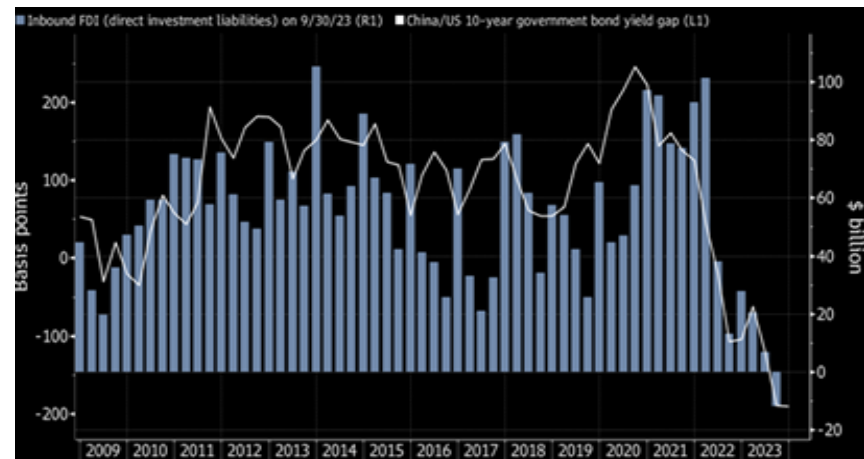
Foreign direct investment into China from all sources has also turned negative as for the first time in decades.

China's Export Machine is Slowing at Last

The prolonged rise in exports since WTO entry in 2001 appears to be over



China's FDI Turns Negative for the 1st Time since 1998



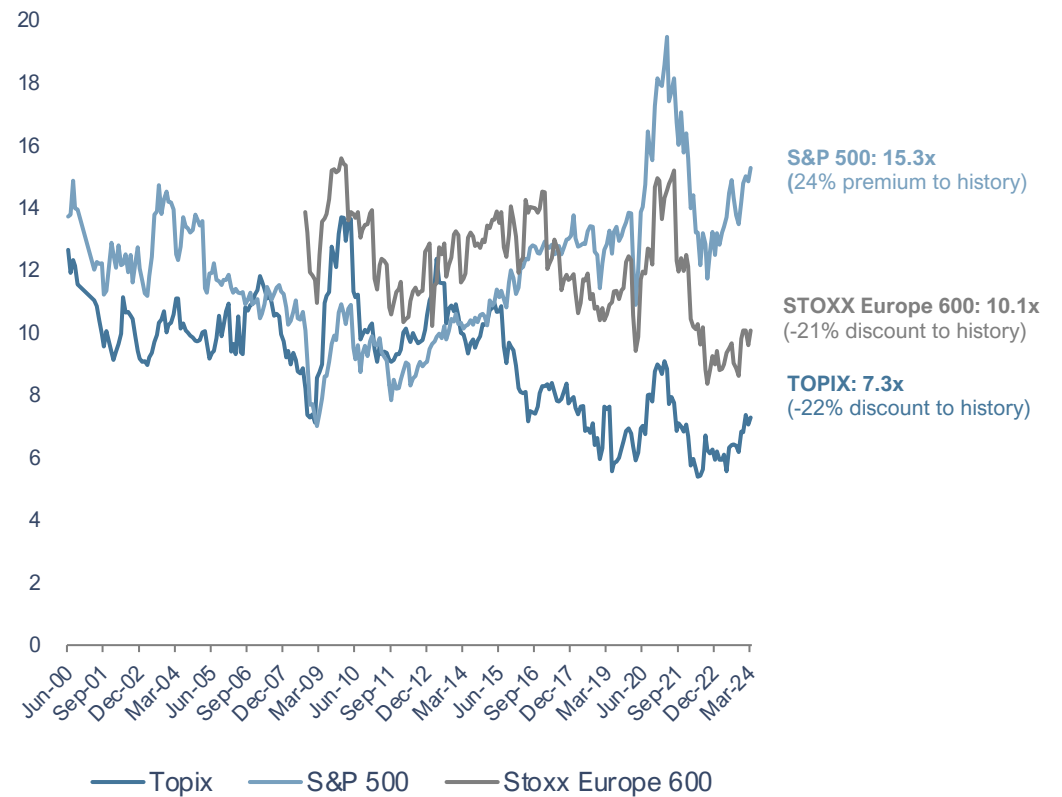
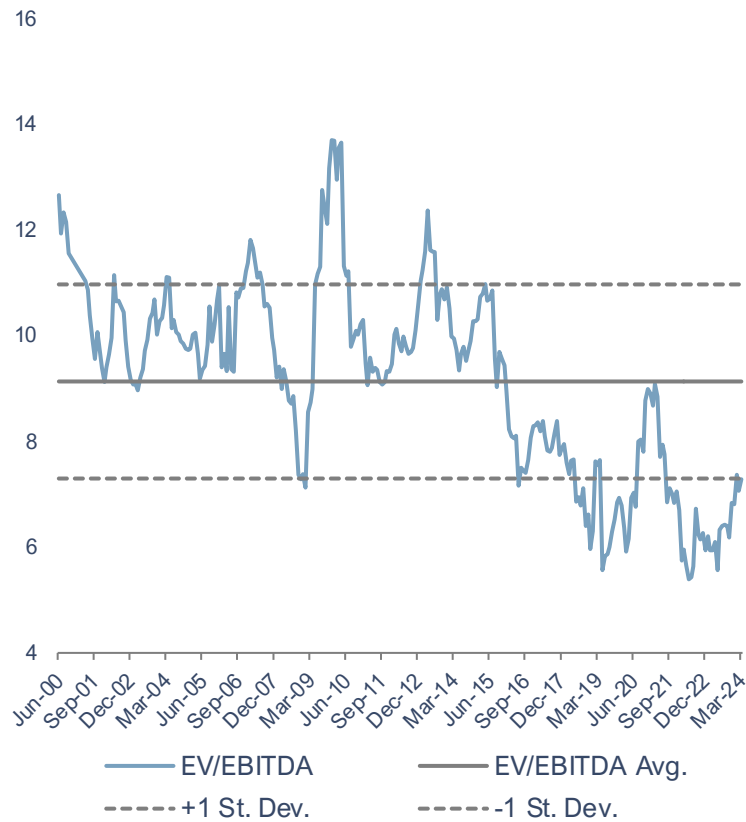
Source: Bloomberg

Source: China's State Administration of Foreign Exchange; Bloomberg compiled data

Japanese Valuations are Attractive

Examining Tangible Book Value Per Share (TBVPS)

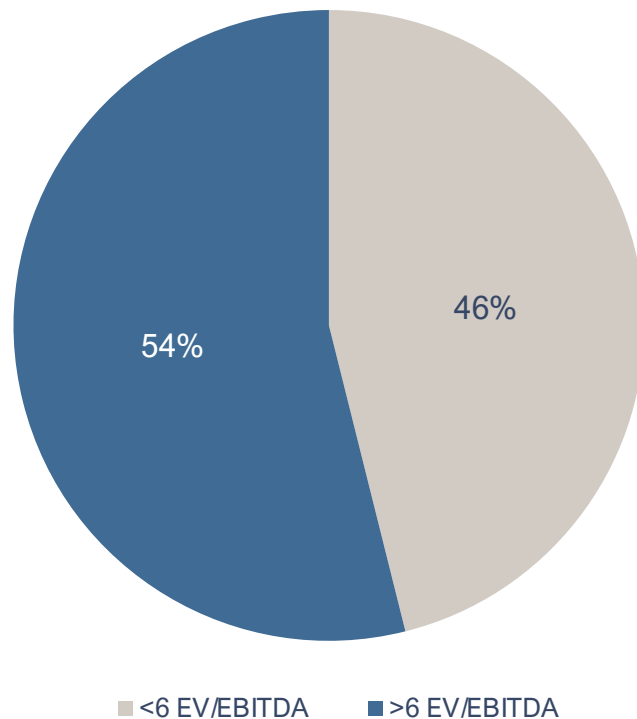
- Japan is trading at a modest premium to its long-term average, but a substantial discount to other regions



Source: Bloomberg

Japan Small/Mid Cap Valuations Are Extremely Attractive

EV/EBITDA Breakdown (<\$3bn Market Cap)

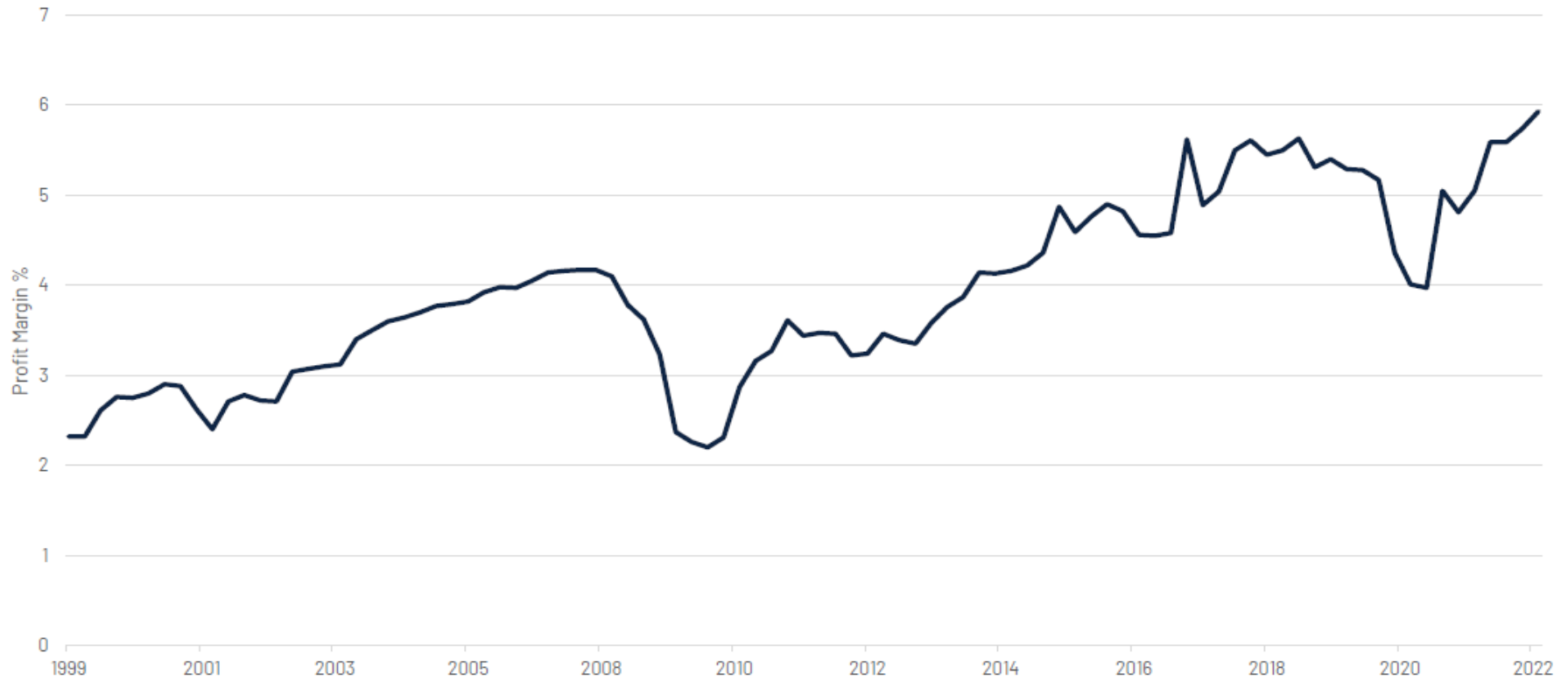


- Median EV/EBITDA is 6.2x
- Around 661 companies trade for <6x
- Japanese banks are willing to finance MBOs with up to 6x EBITDA
- This section of the market could be taken private with essentially zero equity

Sources: Bloomberg, Dalton

Japanese Companies' Profit Margins Highest in Decades

All Company Profit Margins - Tankan



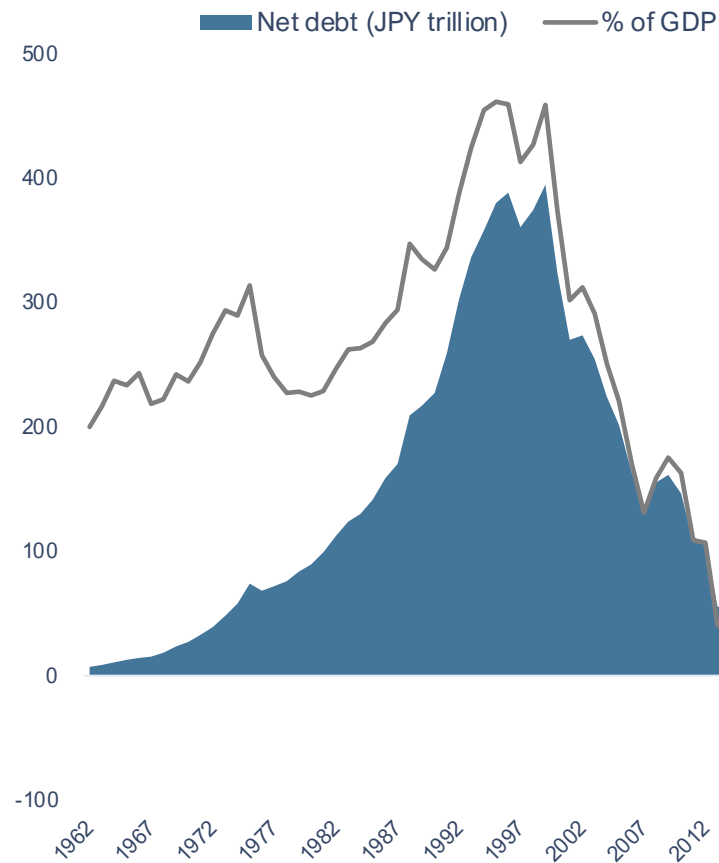
Source: Bank of Japan data as of 11/10/2022.

Period under review: Annual data from 1999 until 2022.

Tankan = Tanki Keizai Kansoku Chousa, the Short-Term Economic Survey of Enterprises in Japan; it is a quarterly poll of business confidence reported by the Bank of Japan showing the status of the Japanese economy.

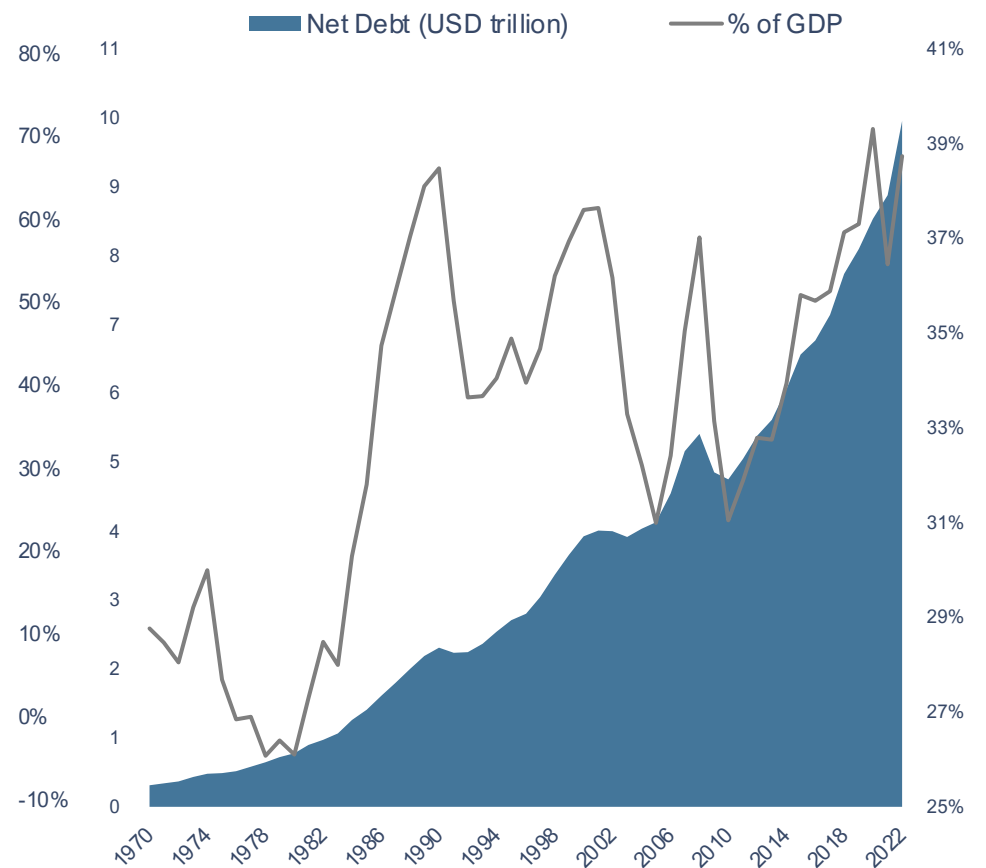
Corporate Japan is Flush with Cash

Japan Corporate Sector
Net Debt (JPY trillion)



Source: Ministry of Finance, Japan

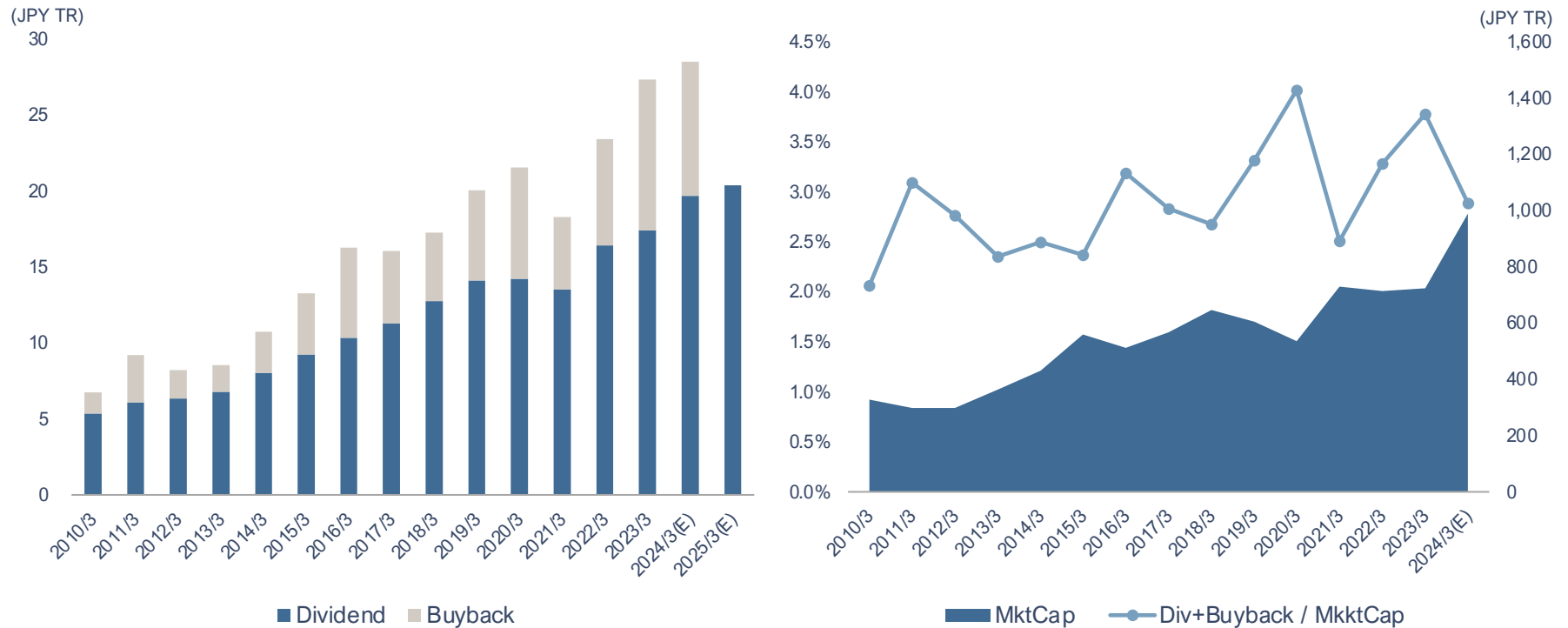
US Corporate Sector
Net Debt (USD trillion)



Source: FRB, Deutsche Bank

Capital Allocation Practices are Changing in Japan

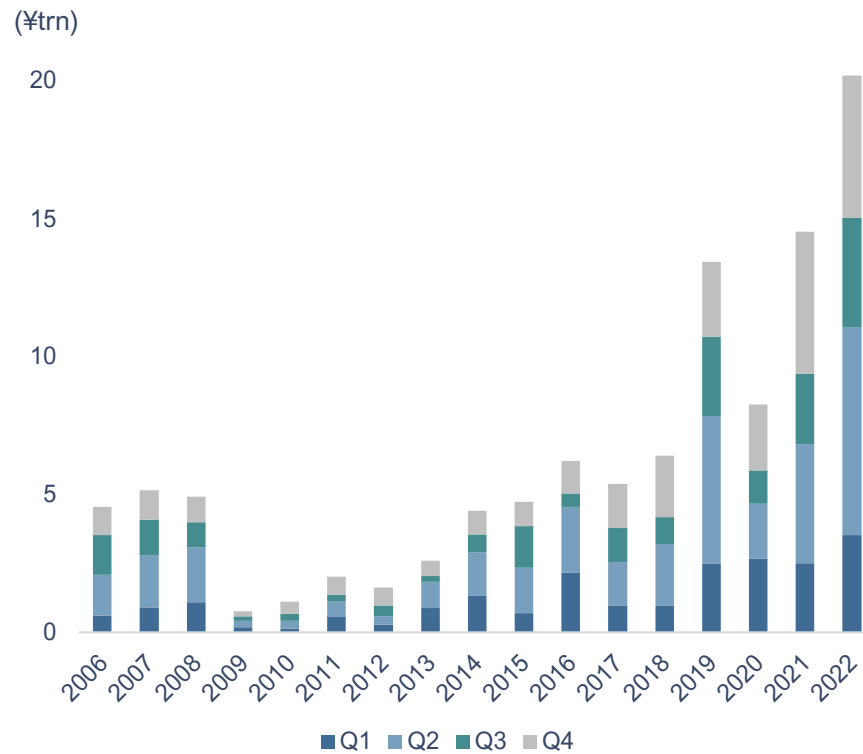
Buy backs and dividends continue to provide attractive returns to investors.



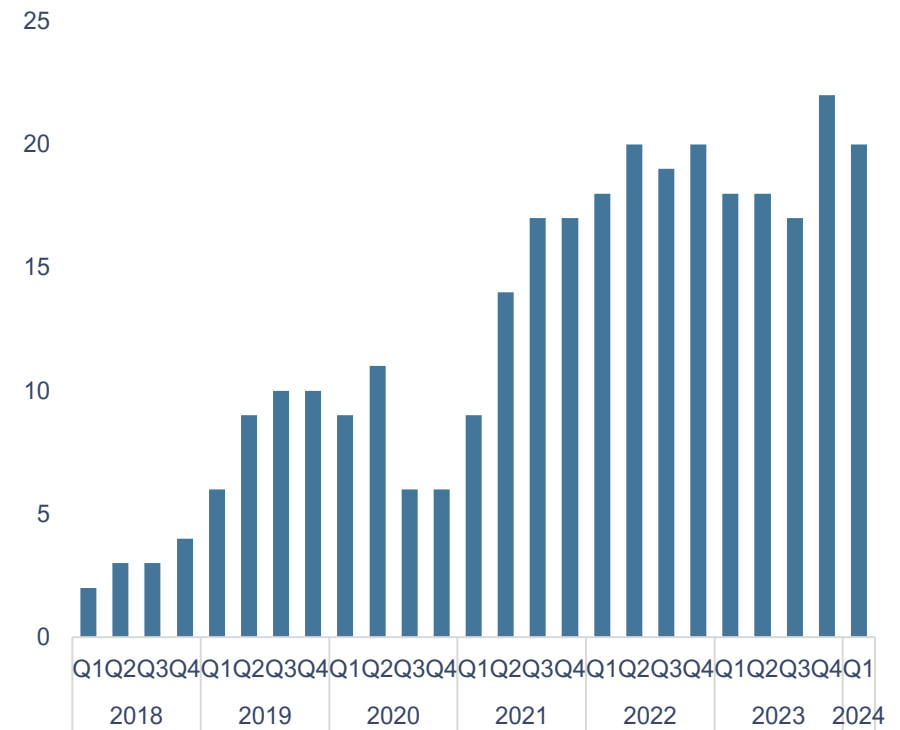
Note: FY2024(E) forecasts are results for firms that have announced results and Toyo Keizai estimates for firms that have not announced results and have not disclosed company projections. FY2024(E) forecasts are Toyo Keizai estimates for firms that have not disclosed company projections.
 Source: QUICK, SMBC Nikko Securities

Capital Allocation Practices are Changing Rapidly in Japan

Historical quarterly Japan share buyback announcements by calendar year



Number of active buyback programs with portfolio companies

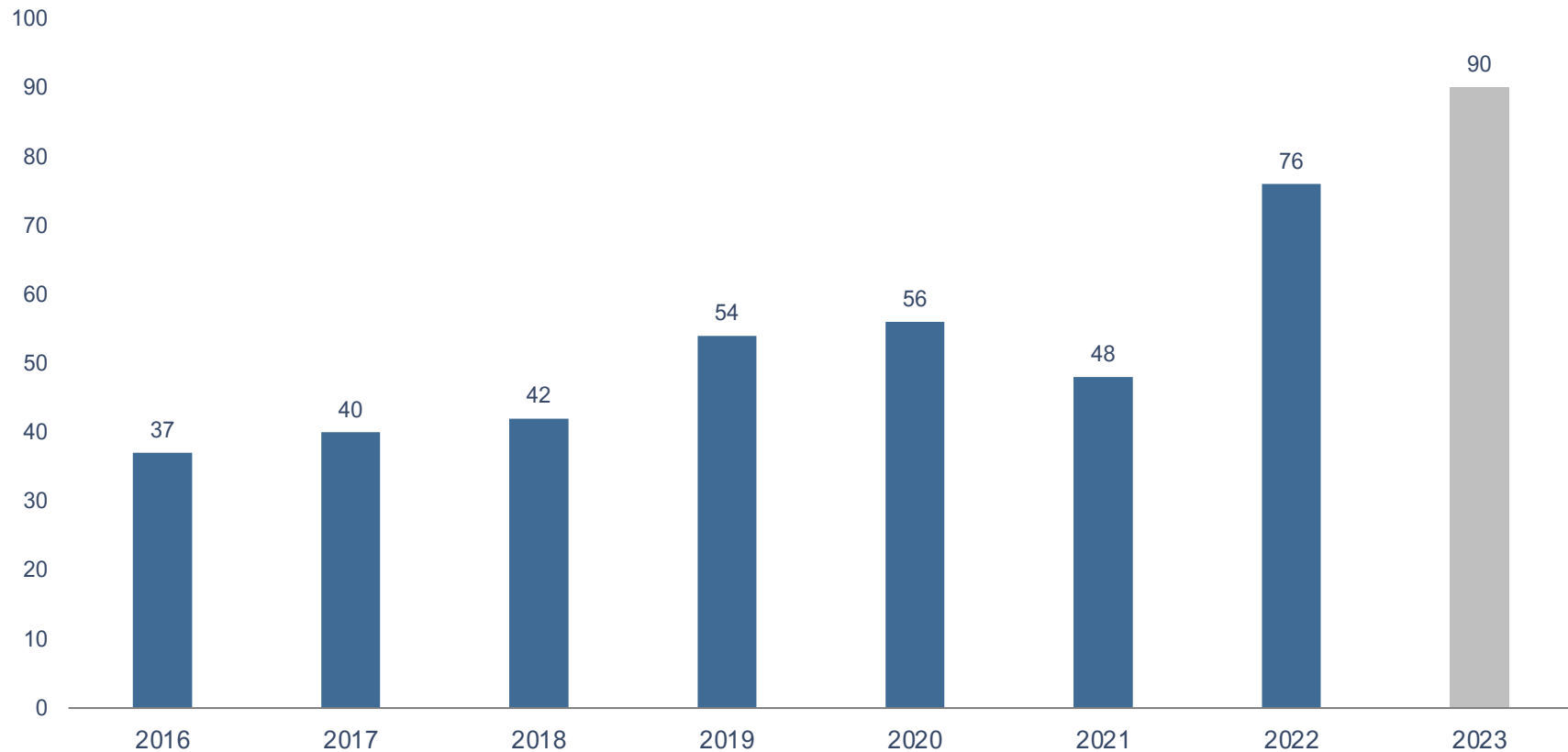


Sources: CLSA, Bloomberg, Okasan Securities. Data reflects Japanese equity holdings actively held across all Dalton portfolios as of 6/30/2023.

2023 Saw the Highest Number of AGM Proposals Ever!

The number of AGM proposals, at 90, is at new highs, up 18% YOY, with 44 proposals put forward by activist investors.

Number of June AGM Proposals



Source: CLSA

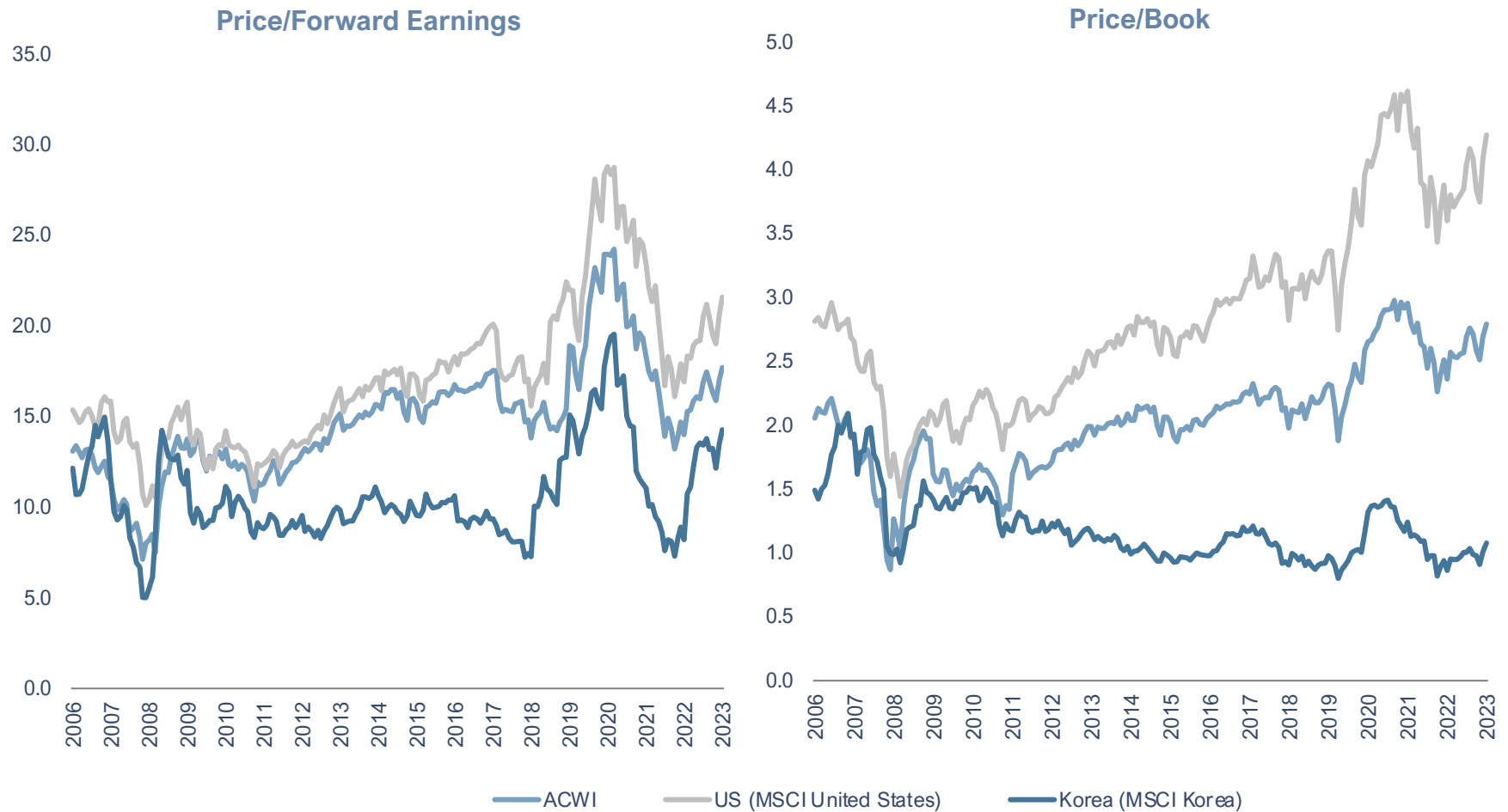
Simply Making AGM Proposals Outperforms

Performance of an equal-weight portfolio of targets in 2022 AGMs



Source: CLSA

Korea Provides Ample Mispriced Opportunities



Source: MSCI

South Korea Exhibits Big Room for Improvement

Underinvested Market

- 401K equivalent private pension is growing fast but equity exposure was only 2% vs 40-60% in developed countries
- MSCI developed market possibility

Business Model Change

- Old economy businesses to future oriented businesses: semi, healthcare, internet/mobile, EV, game, media, etc.
- Cyclical to stable businesses

Corporate Governance

- Korean retail account: 6M in '19 to 14M in '22
- Korea govt. benchmarking Japan: Value-Up program for P/B lower than 1 companies, etc.

Capital Allocation

- Low payout ratio; upside in potential increase

Korea President Yoon Starts to Focus on “Korea Discount”



- Korea Presidents Yoon attends opening ceremony of Korea Stock Exchange for 2024
- Yoon mentions positive review of “commercial law” change to better protect minority shareholders
 - “Duty of loyalty to company” changing to “Duty of loyalty to all shareholders” may have significant implications and has been demanded by minority shareholders
- Yoon also mentioned initiative to remove capital gains tax implementation scheduled in '25
- Yoon clearly demonstrated that the stock market is now very important to Korea

Korea's Corporate Governance is Changing

Changing Companies



- Select number of companies starting to take a proactive stance toward shareholder value focused management

Increased Retail Participation



- Significant increase in retail investor participation raised awareness and interest in corporate governance due to their return sensitivity

Shareholder Activism



- Increasing shareholder activism accompanying proxy vote wins
- Samsung C&T, Hyundai Motors, Samsung Electronics, Macquarie Infra, Korean Air, SM Entertainment, Tovis, Dongwon Industries, etc.

Stewardship Code

Dalton Investments



- Dalton Investments adopted the Korea Stewardship Code in 2017 as the first US investment manager signatory
- NPS with \$600bn in assets adopted the Korean Stewardship Code in July 2018
- NPS accounts for 7% of market ownership and has the power to influence the market

Structural Reasons Supporting the Case for Investing in India

High Growth Potential

- Fifth largest economy by nominal GDP (\$3.0 trillion) and third largest on a PPP basis (\$11.5 trillion)
- Largest democracy and second-most populous country in the world (1.35 billion people)
- Second-fastest growing large economy in the world during the last decade
- Per capita income only \$2,200; India is a long way from the middle-income trap

Highly Favorable Demographics

- Median age of population is among the lowest globally at 29 years
- Only country where share of working-age population will continue to rise well into 2035
- Booming middle class of around 300 million in the country today

Growing Urbanization and Literacy

- India currently has 33% of Asia urban population and 18% of world urban population
- Nearly 75% of the population is literate, compared to only 18% in 1951

Sources: IMF, Census India, UN Population Database. As of Q1 2019.

Structural Reforms Made by the Government in the Last 9 Years

Manufacturing Boost



Goods and Service Tax



RERA



Direct Benefit Transfer



Insolvency and Bankruptcy Code



PSU Bank Recapitalizations



Labour Reforms



Land Reforms



Agri Reforms



Significantly improving India's manufacturing competitiveness, ease of doing business and potential GDP growth rate.

India's Long-term Outperformance and Leadership in High-Performing Companies (% of cos. With $\geq 20\%$ CAGR USD returns)

Year	Country	Index	No of cos. in Index	% of cos. still in existence	% of cos. With $\geq 20\%$ CAGR	Index CAGR%
2002	India	BSE 500	500	72%	23%	20.3%
	USA	S&P 500	500	55%	1%	9.5%
	China	Shanghai Comp.	749	88%	1%	7.5%
	Japan	Topix 500	495	74%	0%	5.3%
2012	India	BSE 500	500	84%	10%	11.2%
	USA	S&P 500	500	76%	9%	10.7%
	China	Shanghai Comp.	994	94%	3%	6.1%
	Japan	Topix 500	501	93%	2%	5.5%
2017	India	BSE 500	501	95%	12%	6.3%
	USA	S&P 500	506	90%	9%	6.5%
	China	Shanghai Comp.	1408	94%	4%	-2.2%
	Japan	Topix 500	500	96%	1%	-3.8%

- Number one major market in terms of USD return over last twenty years and number 2 in terms of economic growth
- Continues to offer secular growth companies with long growth runway
- Challenge: Selling and buying back purely on valuation has proven tricky

Source: IIFL Research

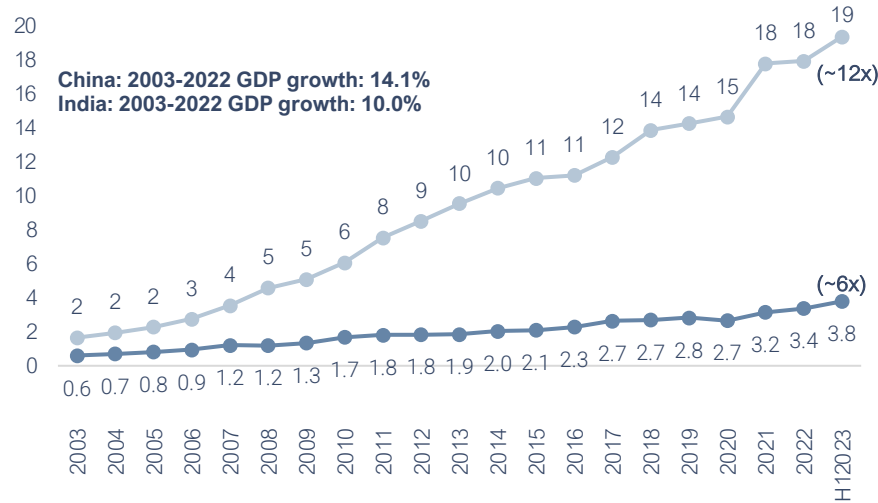
India is Where China Was in 2007 on Many Economic Metrics

	India	China
GDP (USD Bn)	3,300	3,600
Per Capital GDP (USD)	2,500	2,700
Working Population (mn)	950	970
Market Cap (USD Bn)	3,300	2,000

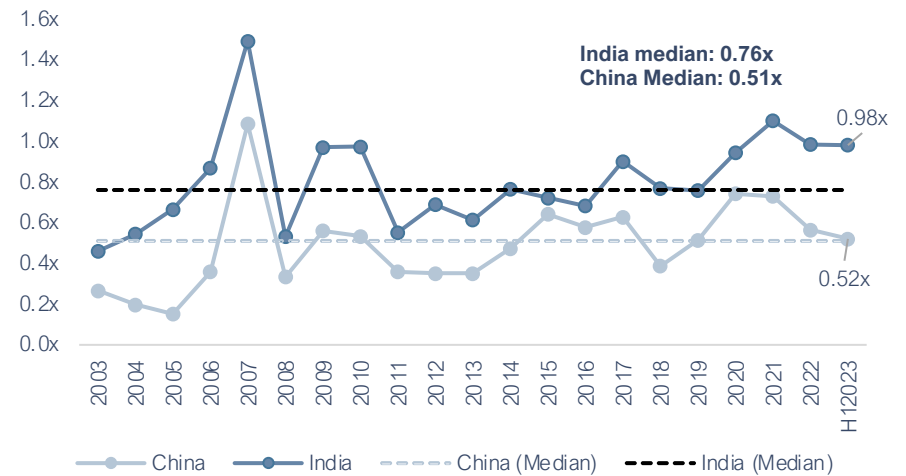
Source: Societe Generale Cross Asset Research

Although China's GDP has Grown Faster, India's Market Cap Translation has been Superior Historically

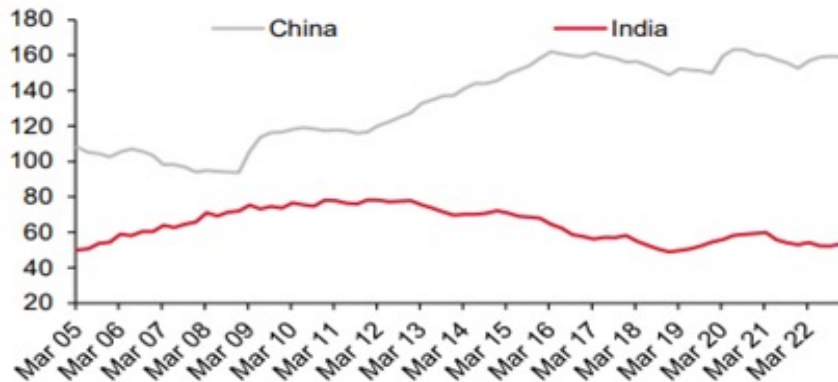
China and India GDP (\$Tn)



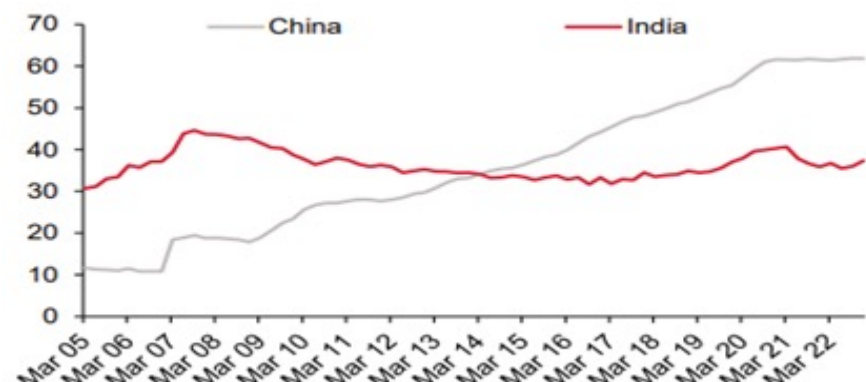
Market Cap to GDP



Non-Financial Corporate Debt as Percentage of GDP

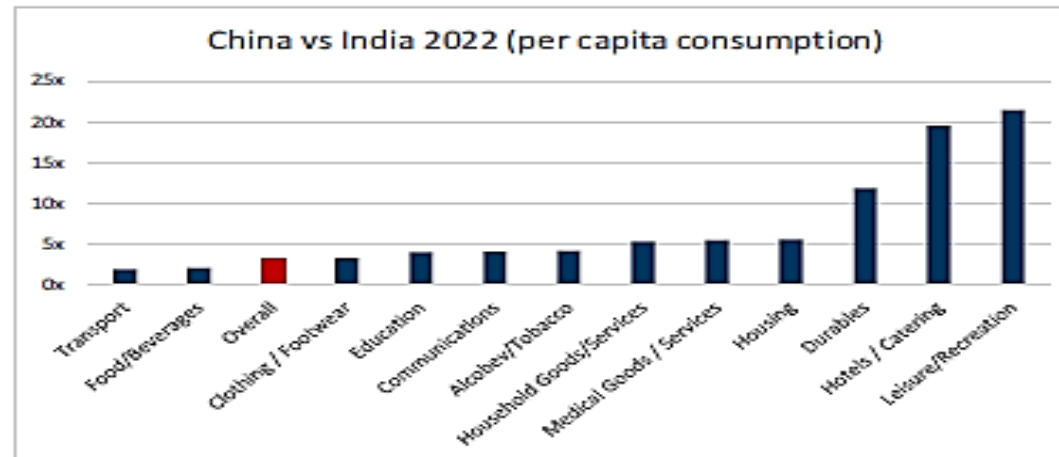


Household Debt as Percentage of GDP

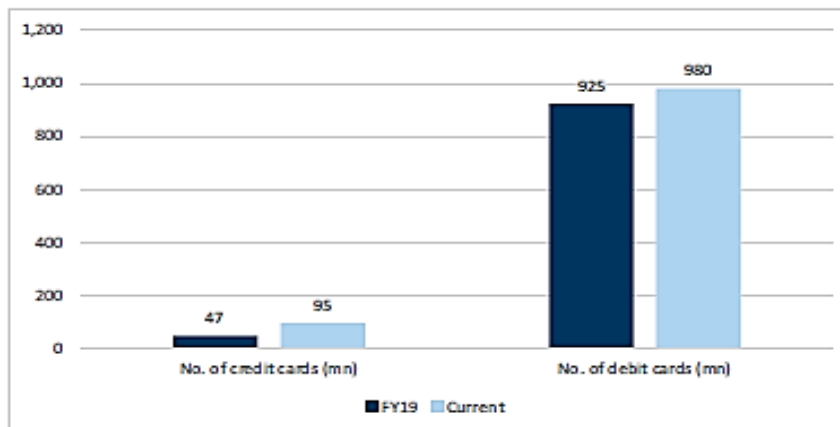


Sources: Bloomberg, Societe Generale Cross Asset Research

Potential Beneficiaries



Source: Euromonitor

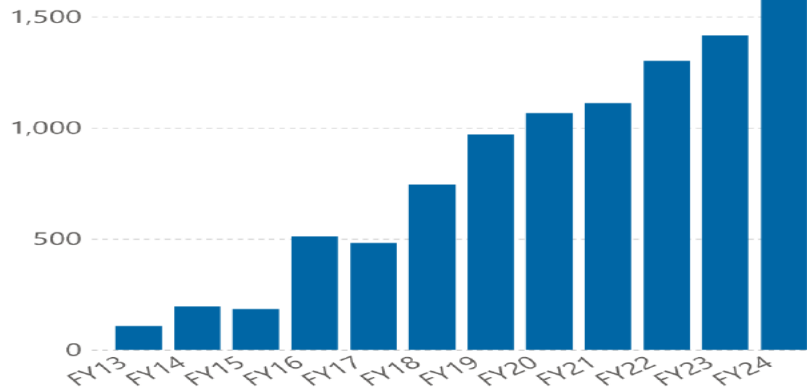


Sources: Company Data, RBI

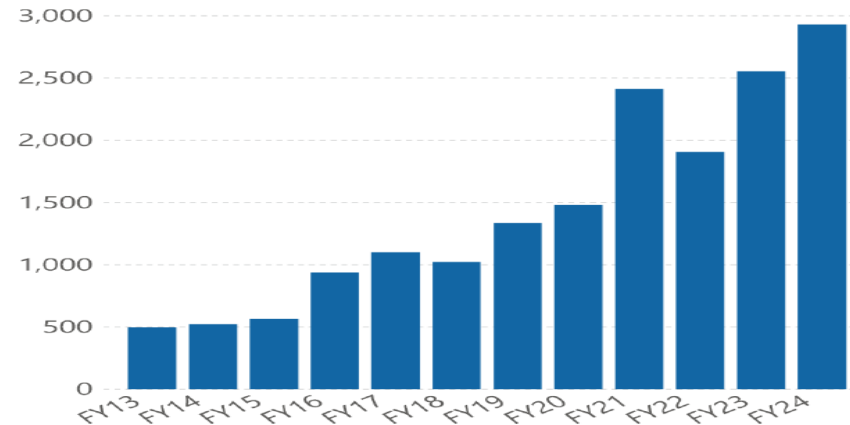
- Long growth runway expected even in traditional industries
- Discretionary expenditure related industries to grow at fastest rate

India – Improving Competitiveness

Budgeted Capital Outlay by NHAI (Rs bn)

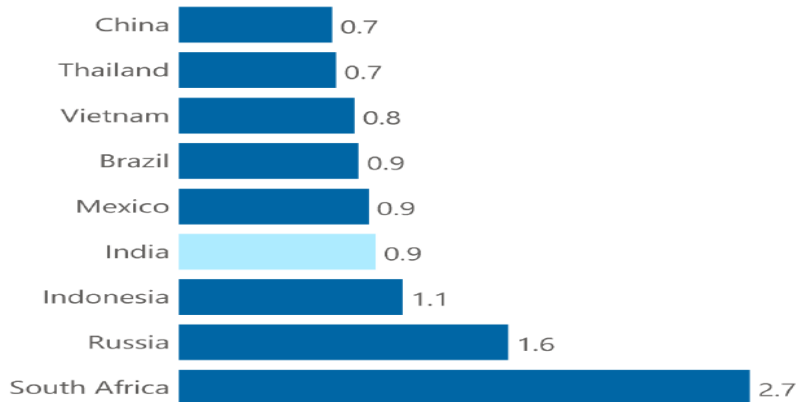


Budgeted Capital Outlay by Railway (Rs bn)



Median Time (Days) Spent by Ships in Ports (2021)

Container Ships

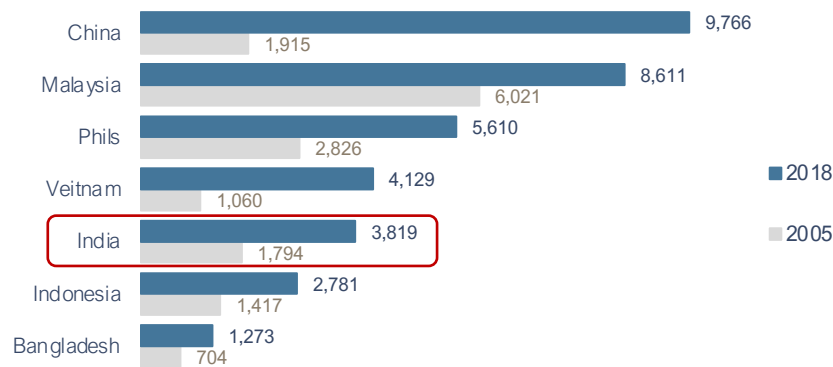


- Significant uptick in road and rail investments
- Pipeline of projects indicate further increase in next few years
- Median time spent by ships in Indian ports have come down by 80% in last few years

Sources: Budget Documents, NHAI, Macquarie Research, January 2024

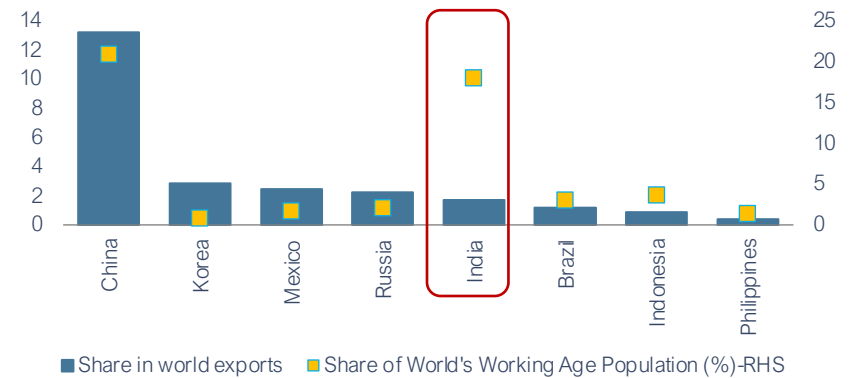
India: Case for Manufacturing Boom

Labor Costs (Wage / Employee, in US\$, at Current Prices)



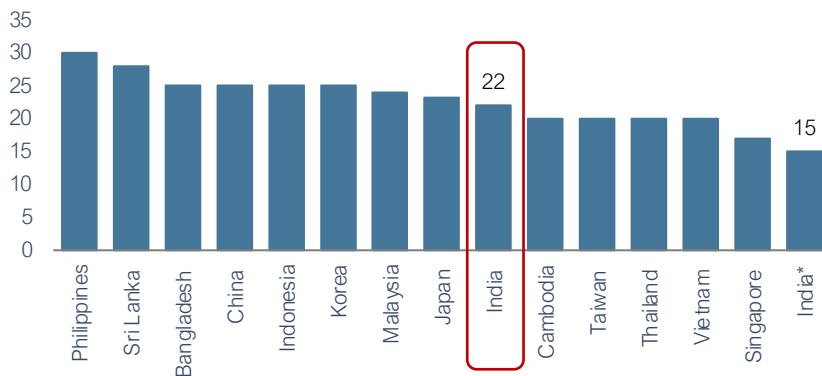
Source: UNIDO

Share in World Costs vs Working Age Population



Source: WTO, UN Population, Spark Capital Research

Corporate Tax Rate of Major Asian Economies



Sources: Govt, Morgan Stanley Research

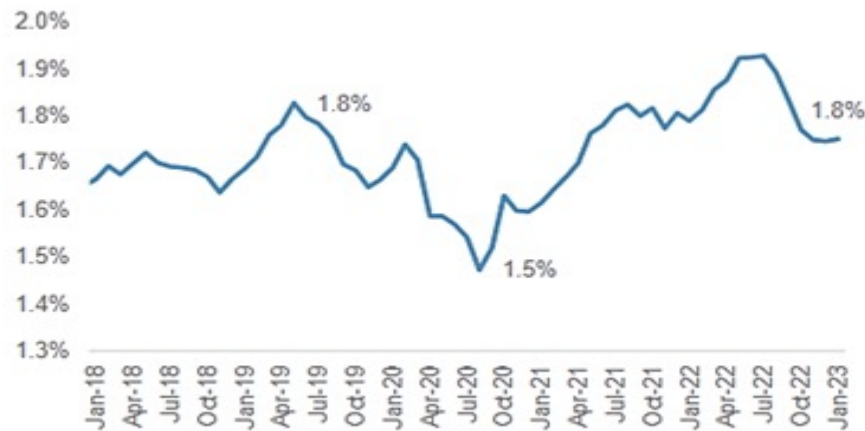
Note: India* is the base corporate tax rate for new manufacturing

Cheaper labor costs, competitive tax rates, favorable demographics and a large domestic market make India a preferred alternative to China

India's Growing Export Market Share

India's share of the global export market for both goods and services has been expanding.

India Exports as % of World Exports, 6M Trailing

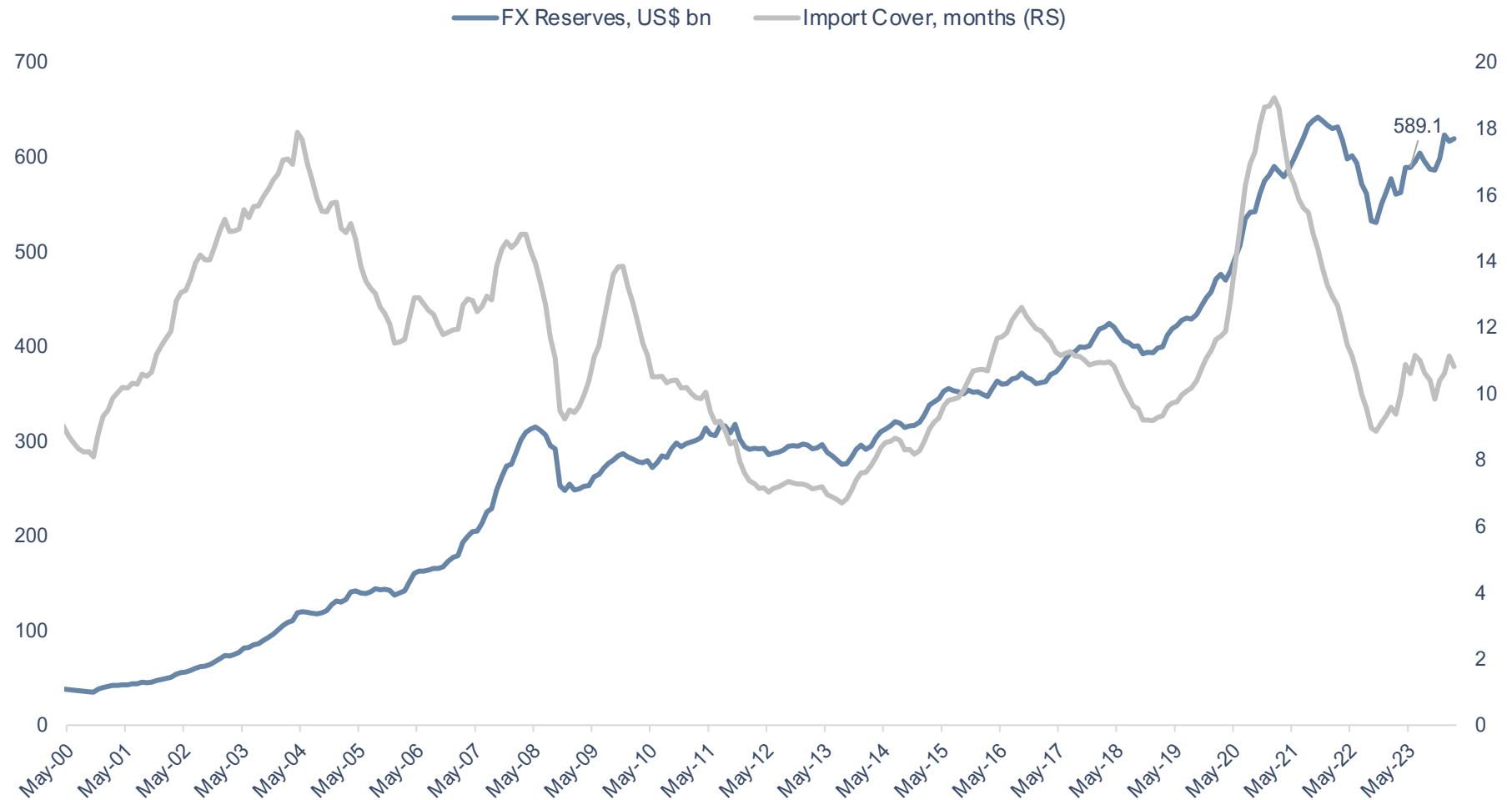


India Global Services Exports Share



Sources: CEIC, Haver, Company Data, Morgan Stanley

India Forex Reserves Continue to be Higher than Pre-Covid Levels

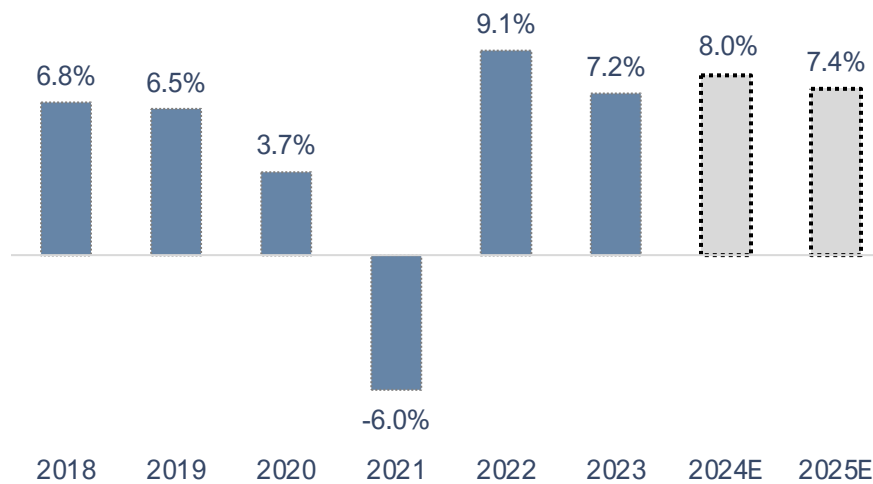


Source: RBI, CEIC, Morgan Stanley Research

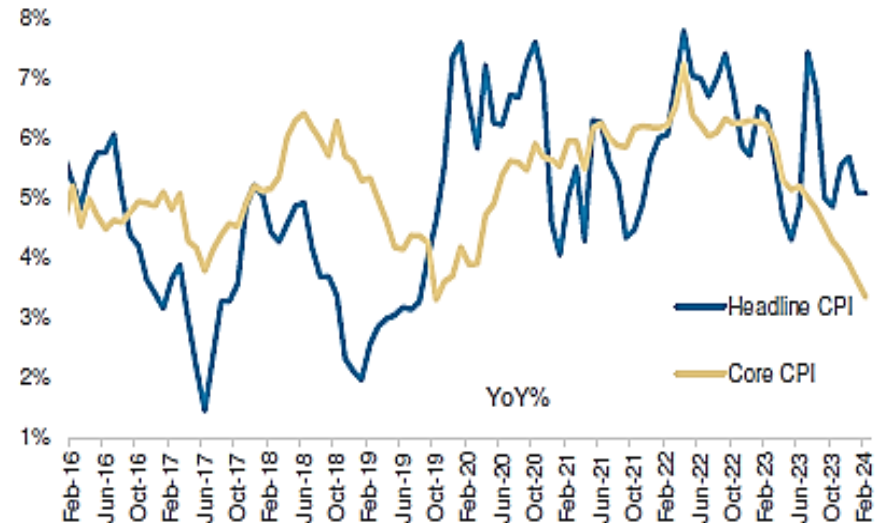
Macro Highlights: GDP Growth and Inflation

General election commencing on April 19th. Prime Minister Modi is widely anticipated to win his 3rd term.

Real GDP Outlook remains positive



Inflation is on a Downward Trajectory



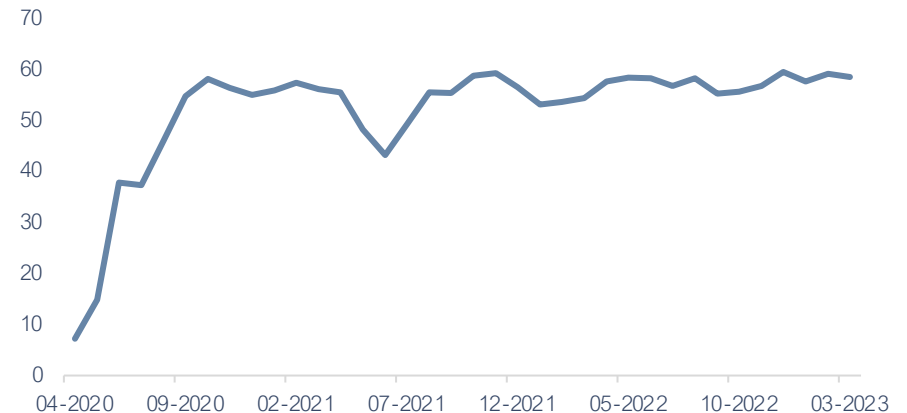
Source: RBI, Morgan Stanley Research

Healthy Economic Activity and Strong Government Capex Drive

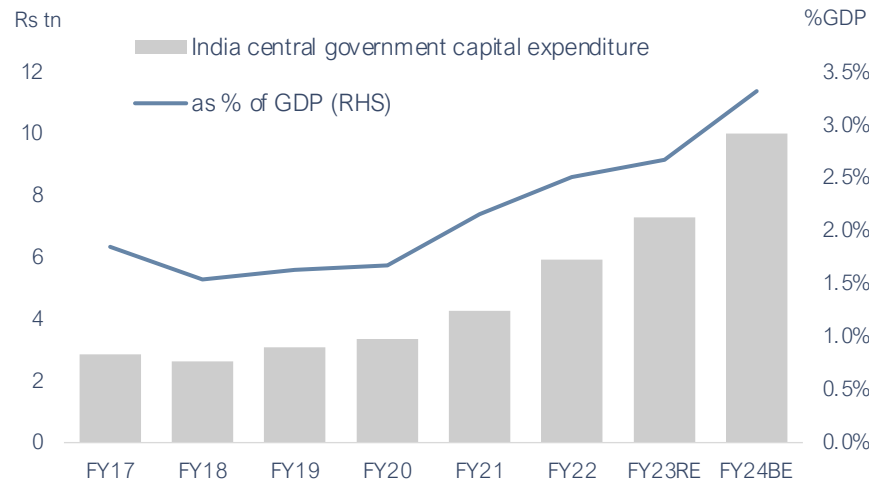
Goods & Services Tax (GST) Revenue (Rs. Bn)



India Purchasing Manager Index Composite



India Government Capital Expenditure



India Non-Financial Corporate Debt to GDP

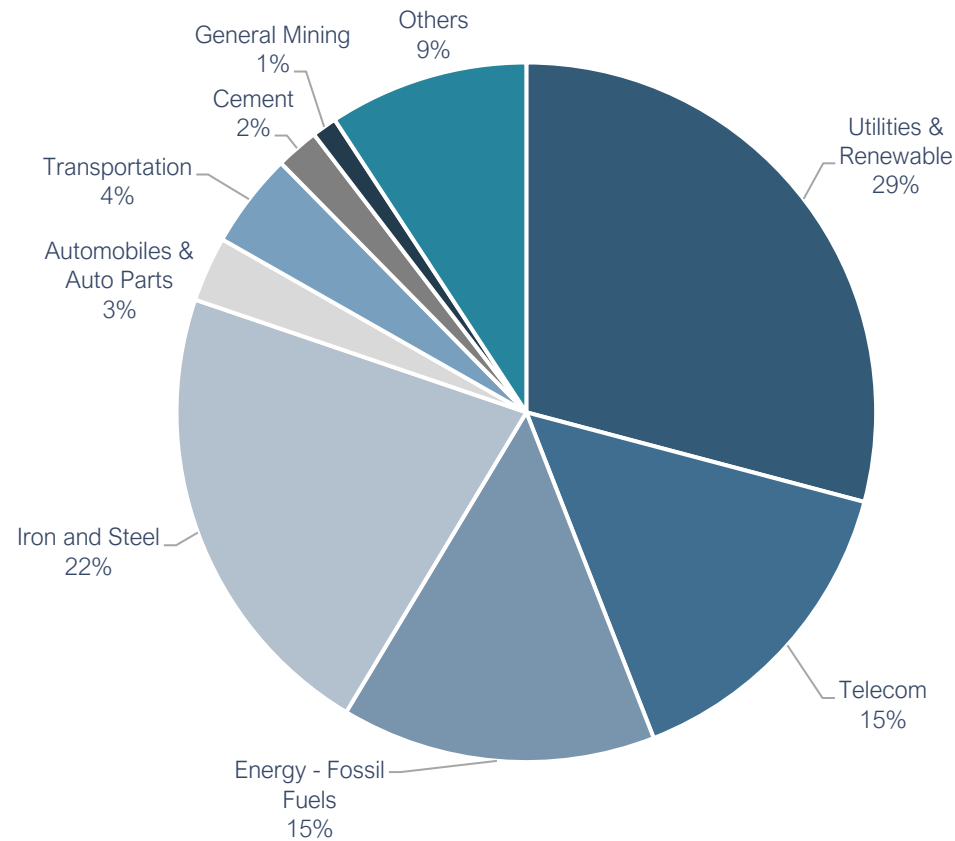


Sources: Ministry of Finance, CEIC, Macquarie Research, Bureau of Indian Standards, BIS

Corporate Capital Expenditure Cycle Picking Up in Select Sectors

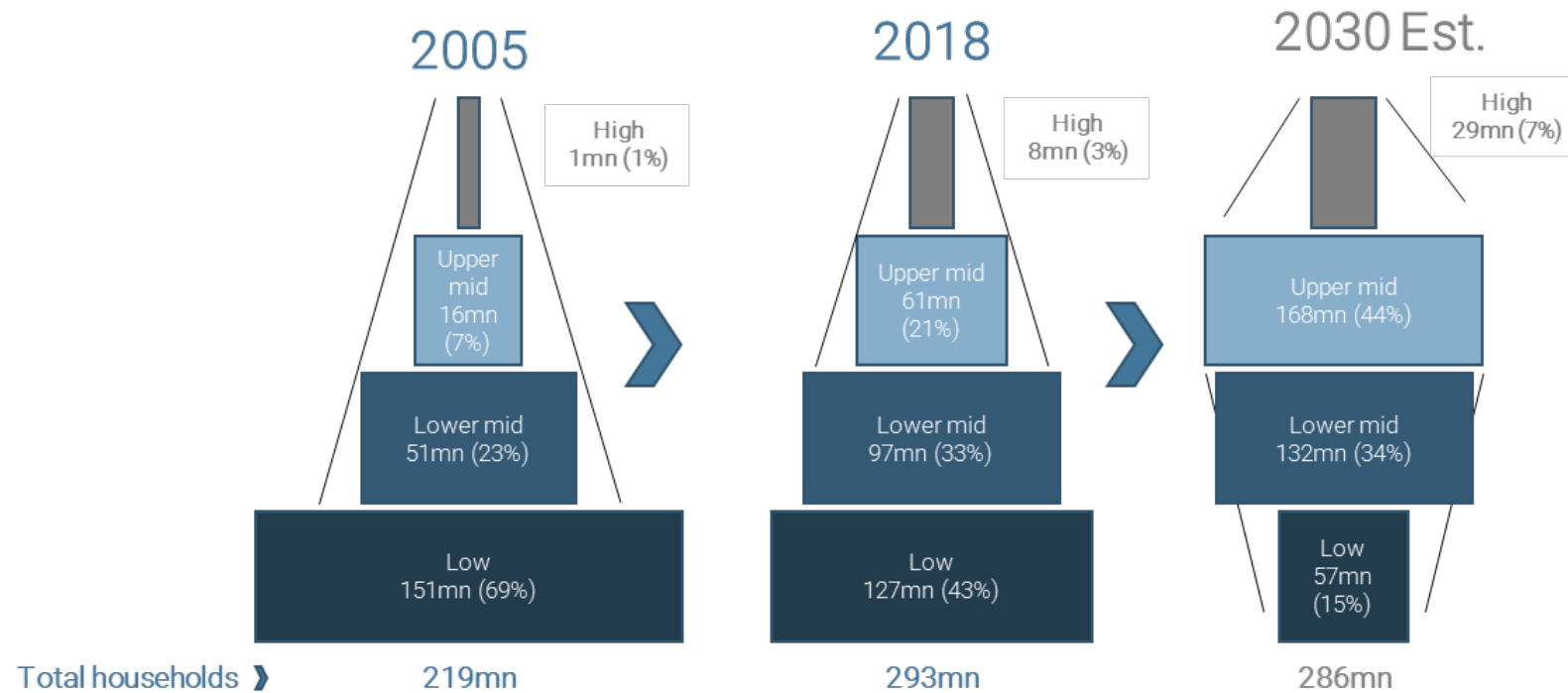
Corporate Sector CAPEX Announcements Worth US \$230bn to be Incurred in the Medium-Term

% Industry Breakout of Corporate Capital Expenditures Announcements



Sources: CEIC, Haver, Company Data, Morgan Stanley

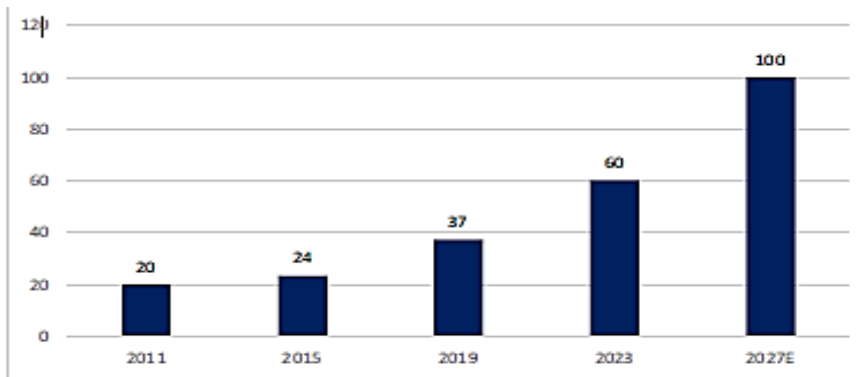
India's Income Pyramid will Invert over the Next Decade



Source: The World Economic Forum

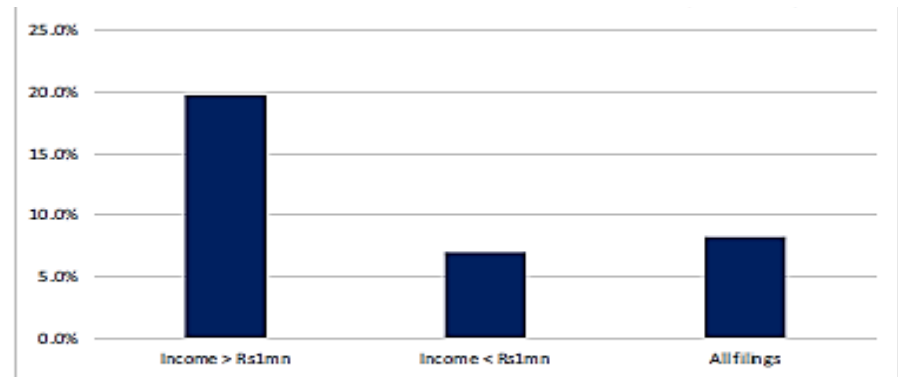
India – Income Growth, Wealth Effect

Population (mn) with Income > USD10,000



Source: Euromonitor, Goldman Sachs Global Investment Research

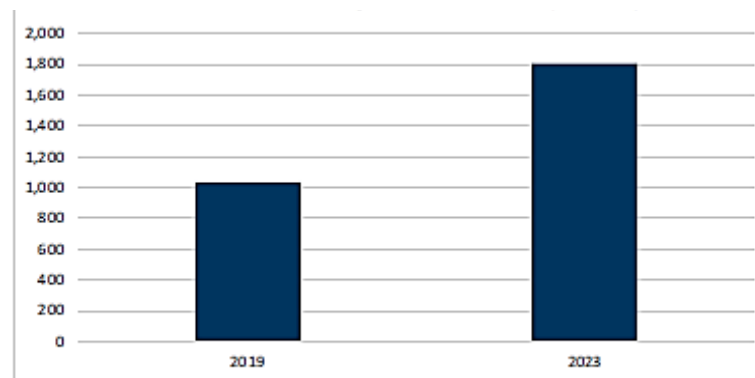
CAGR in Number of Individual Income Tax Filers (AY17-22)



Source: Government of India, data compiled by Goldman Sachs Global Investment Research

Indian Households own ~10% of Global Physical Gold

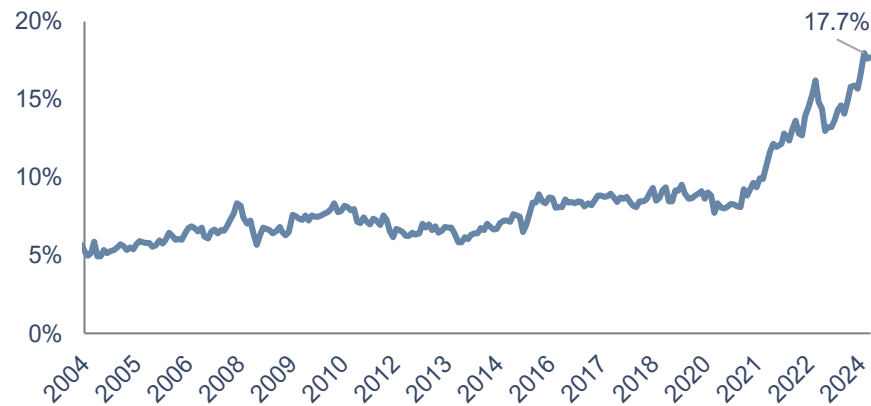
Value of Household Gold Stock in India (USD bn)



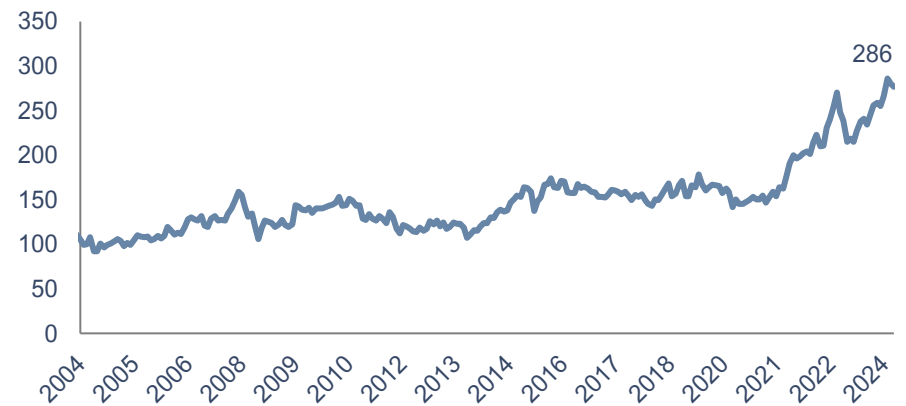
Sources: Bloomberg, Goldman Sachs Global Investment Research

Foreign Investor Flows into India Remained Strong during 2023

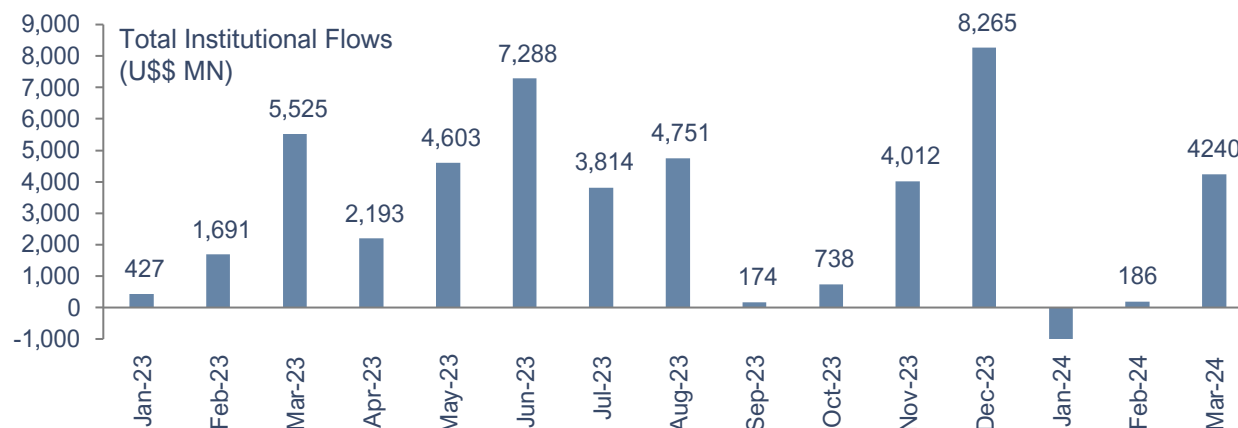
MSCI India weight in MSCI EM



MSCI India Performance (Relative to MSCI EM)



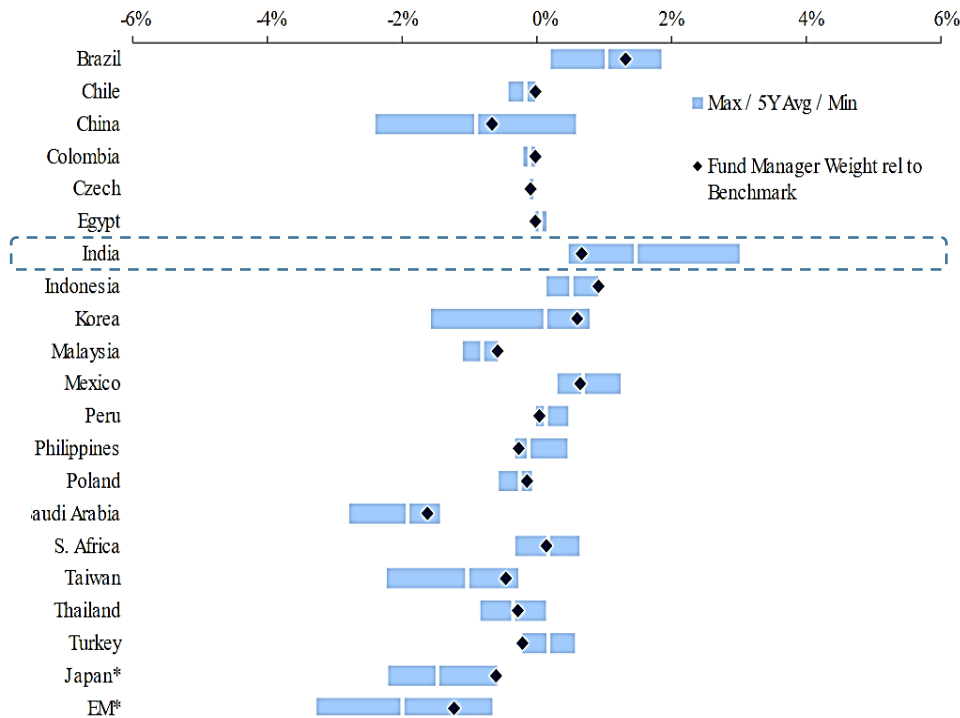
Foreign Activity Remained Strong



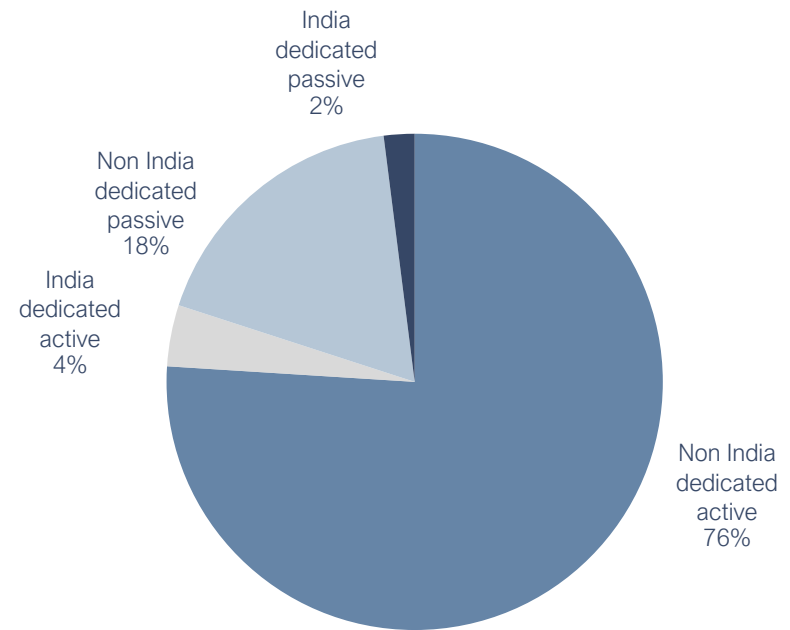
Sources: Bloomberg, Jefferies

Foreign Institutional Investors (FII) Remain Underinvested in India

GEM Fund Managers' Country Allocation vs. MSCI EM



Total FII Equity AUM Exposure: US\$ 534 Bn*



Sources: EPFR Global, Morgan Stanley Research
Data as of 05/2023.

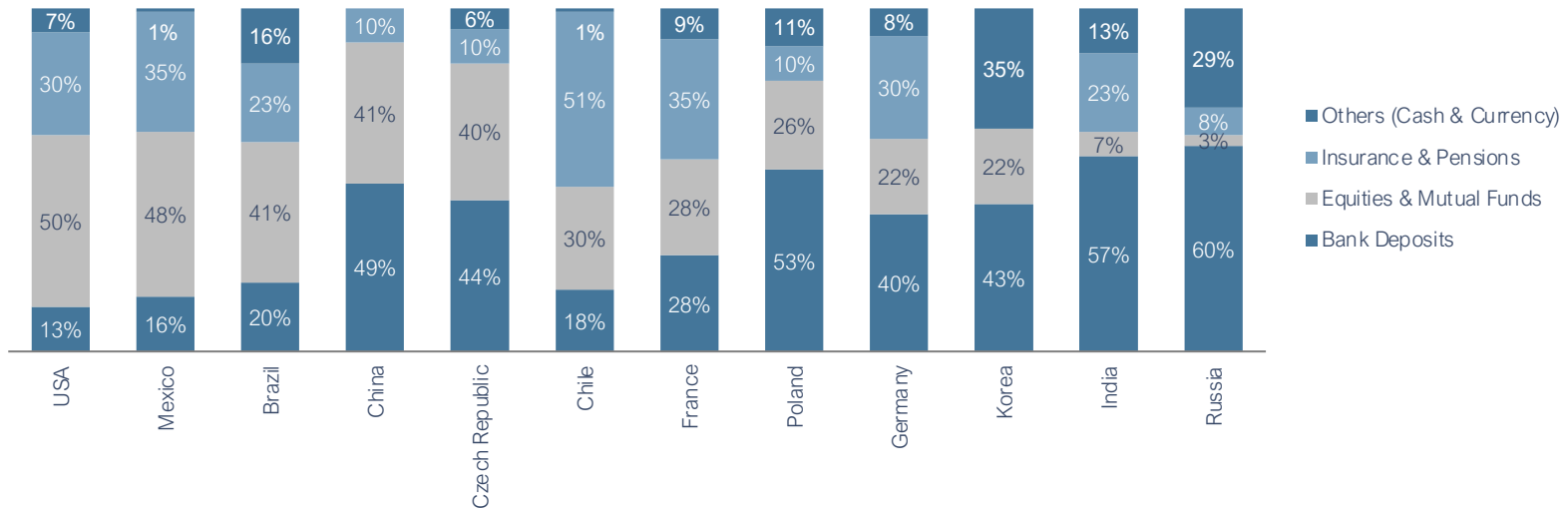
Source: CLSA, Bloomberg
*Data as of 02/2023

Allocation to Indian Equities Still at a Nascent Stage

Foreign Investor Category	Investments in India Equities (\$ billion)	Total Investable Assets (\$trillion)	Approximate Allocation to Indian Equities (%)
Sovereign Wealth Funds/ Government-Owned Entities	\$74	\$10	1%
Pension Funds	\$51	\$56	0.1%
Endowment Funds	\$3	\$0.7	0.5%

Total assets of pension funds worldwide is estimated to be \$56 trillion, as of 2020
Total assets of U.S. based endowment funds is \$690 billion, as of 2020

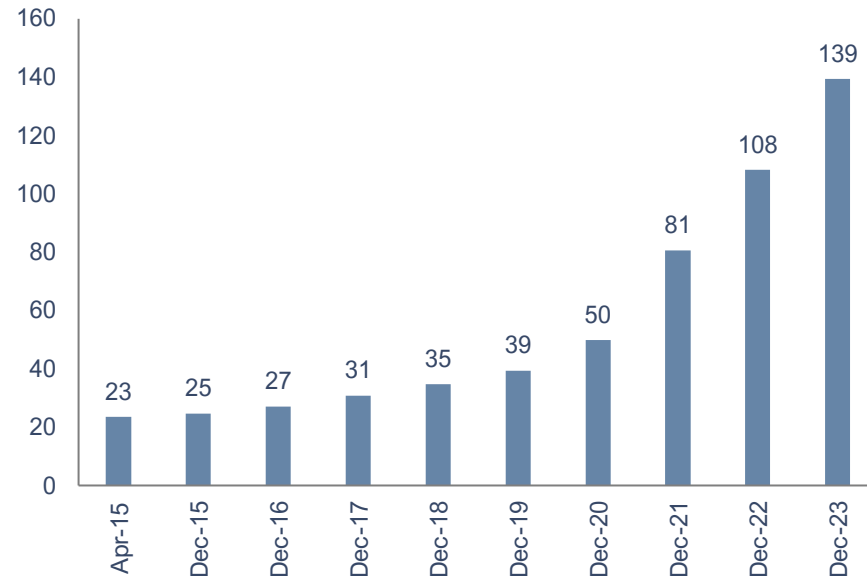
Composition of Household Financial Assets



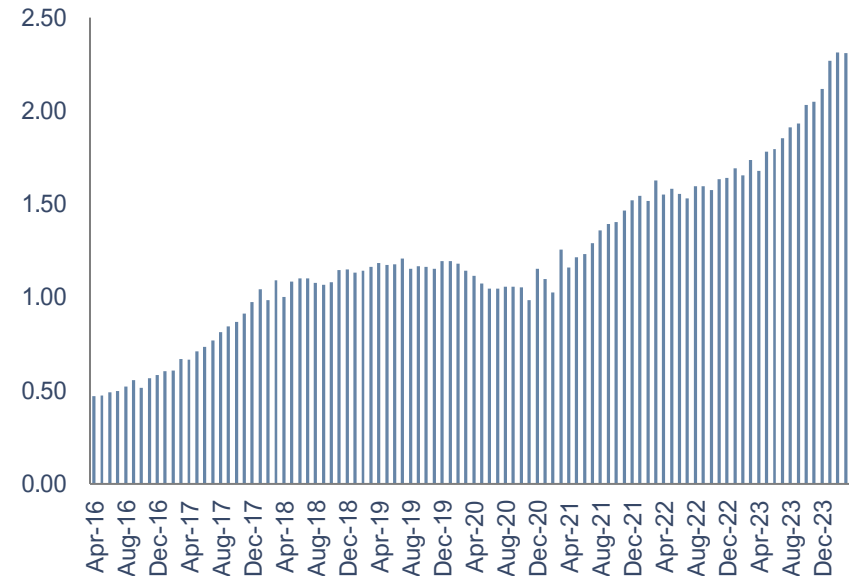
Source: Bloomberg

Increasing Domestic Equity Flows

No. of Domestic Investment “Demat” Accounts in Mn



Monthly SIP¹ Flows (\$ Bn)

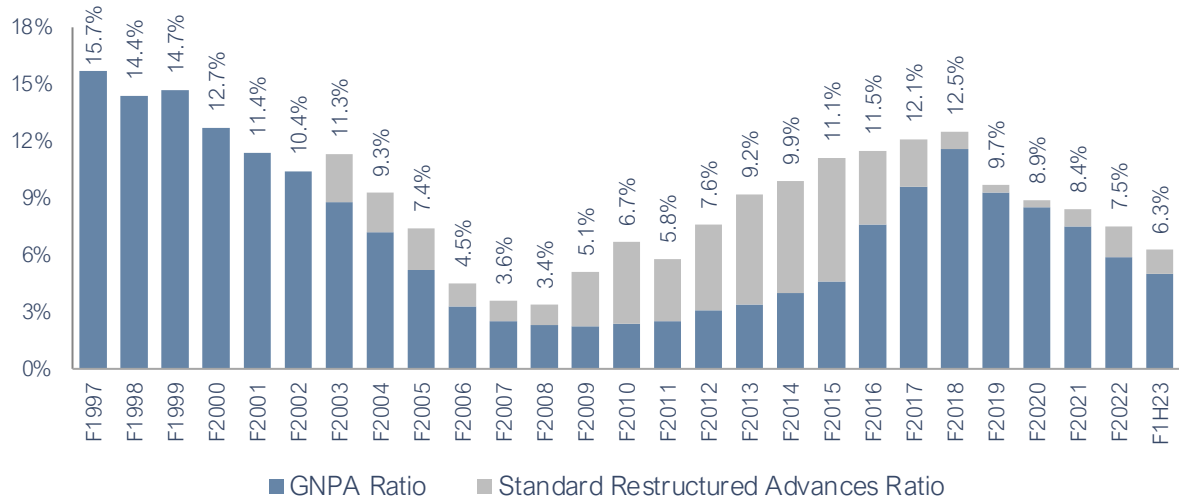


- Domestic equity flows have risen sharply in the last seven years, making the Indian equity market more resilient and less prone to any global risk off events or foreign investor outflows.
- Equities are still a small portion of household assets in India (<7%).

¹SIP: Systematic Investment Plans
Sources: Association of Mutual Funds of India, NSDL, CDSL

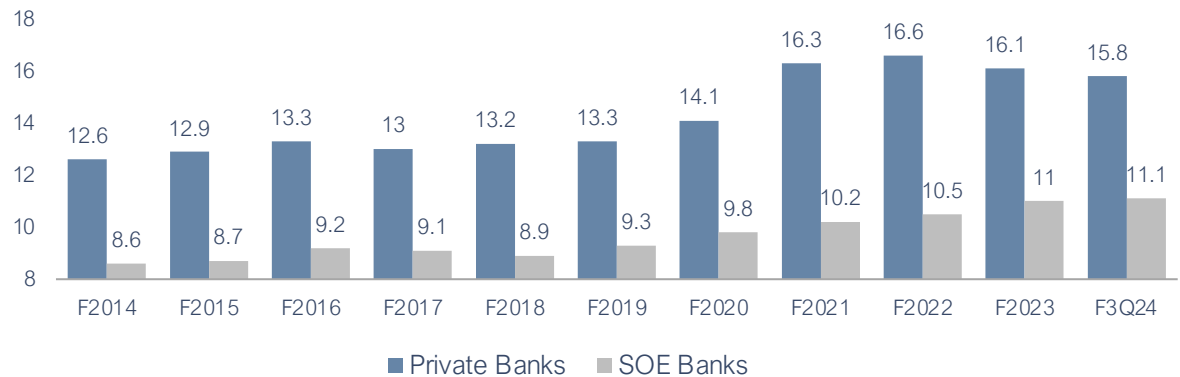
India Banks - Balance Sheets Remain Strong

Gross non-performing assets are declining along with debt restructurings



India Banks: CET-1 Ratios are Significantly Higher than History

Private banks core equity capital is at all time highs



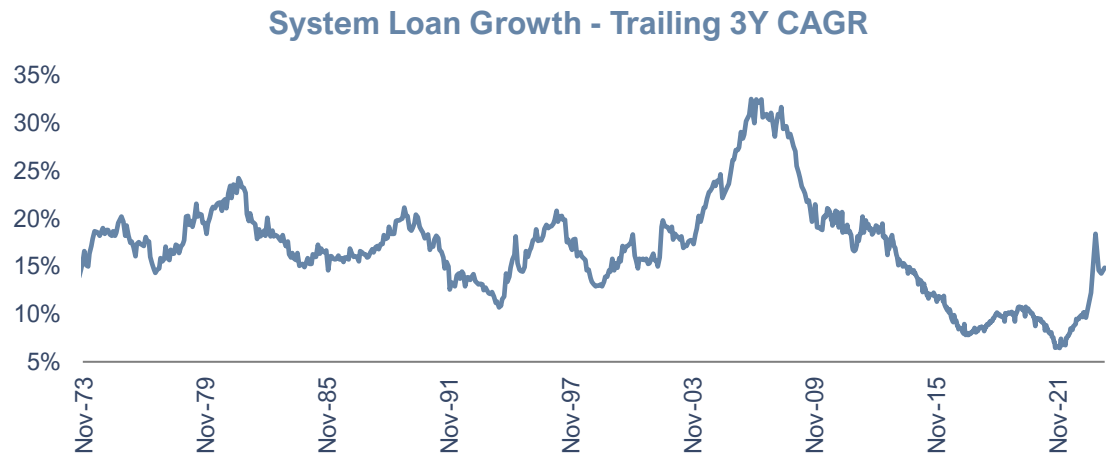
Source: Morgan Stanley Research

India Banks - Valuations Below Long-Term Average

Price to book ratios for banks are below historical averages



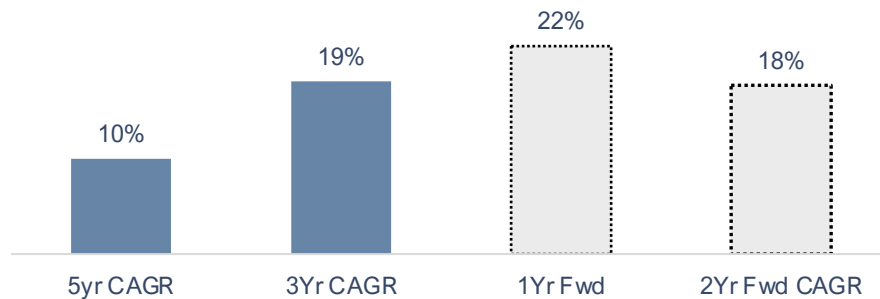
Loan growth is just now beginning to rebound back after decade long declines



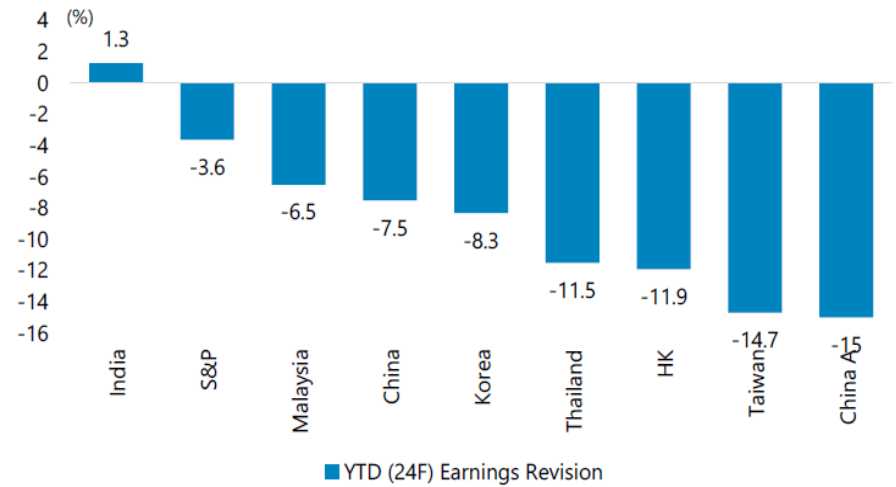
Sources: RBI, Bloomberg

India Markets - Strong Earnings Expectations

MSCI India forward earnings expectations remain strong



India is the only major market to see forward earnings upgrades in 2023



Sources: Bloomberg, Jefferies



III. Dalton Asia Pacific UCITS Fund

Roles

Dalton Investments as Investment Manager

- ▶ **Assets under Management:** Approximately \$4.4bn as 31 March 2024*
 - Offices in Los Angeles, Las Vegas, Tokyo, Hong Kong, Mumbai, and Sydney.

Lafayette UCITS ICAV

- ▶ **Structure and Purpose:** Lafayette UCITS ICAV, managed by Waystone Management Limited (“Waystone”), enables investors to access investment strategies offered by alternative managers in a UCITS-compliant format
- ▶ Robust regulatory framework of UCITS, both from an infrastructure and investment perspective
- ▶ Robust operating framework supported by well-established fund service providers
- ▶ Waystone Management oversight through roles of Promoter, Manager and Distributor to the UCITS ICAV

Waystone Management Limited

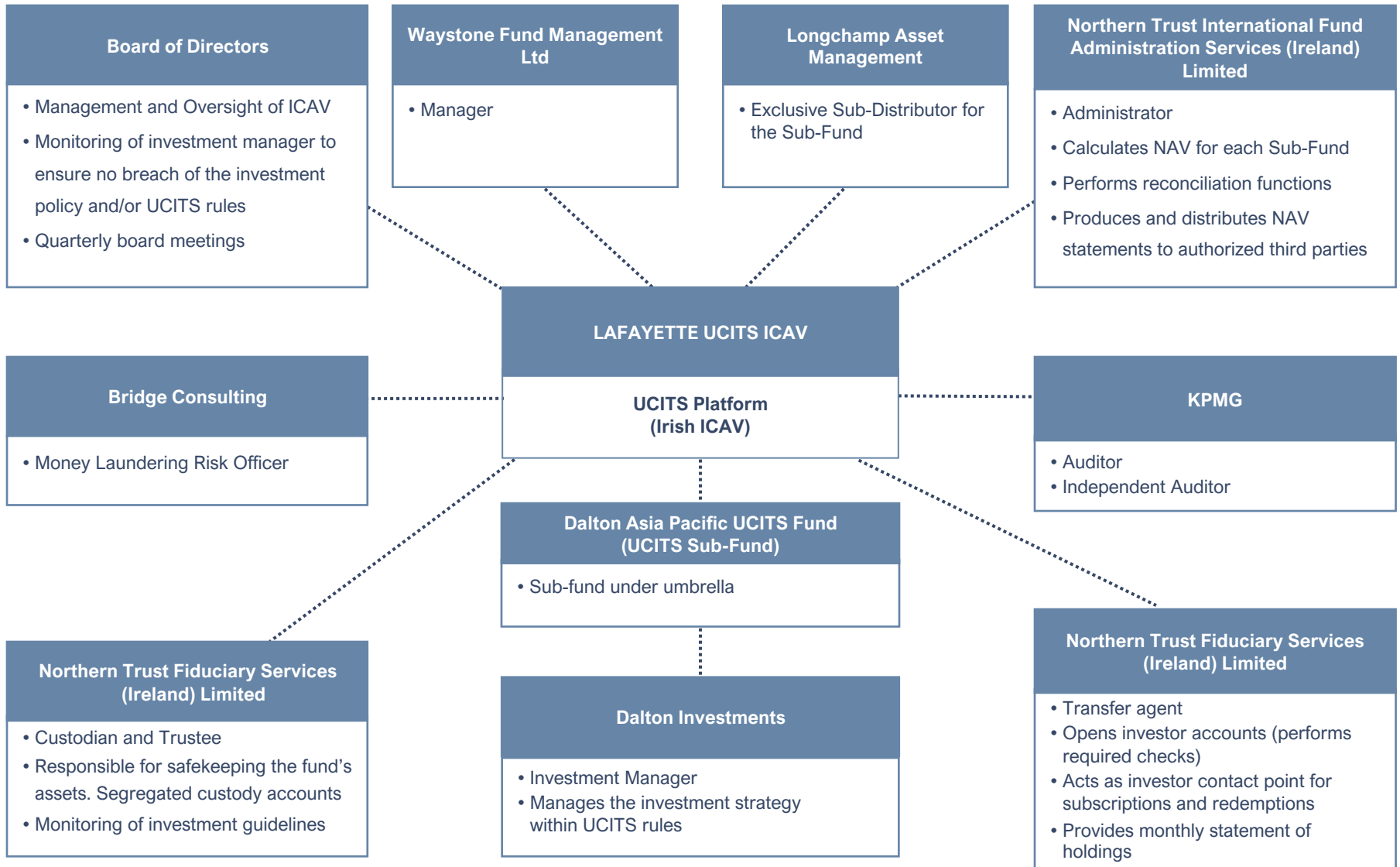
- ▶ **Manager to the ICAV**
 - Liaising with the Irish regulator (Central Bank of Ireland) on behalf of the ICAV in relation to the ongoing authorisation of the ICAV and its sub-funds, including compliance reporting
 - Liaising with the ICAV’s service providers on behalf of the ICAV
 - Marketing of the ICAV on a cross-border basis
 - Daily post-trade monitoring of the sub-fund portfolio to detect any breaches of UCITS regulations
 - Periodic trade monitoring/reconciliation to detect discrepancies with administrator NAV data
 - Periodic review of Investment Objectives and Policies of the sub-fund with a view to keeping the board of the ICAV informed

Longchamp Asset Management as Distributor

- ▶ **Assets distributed and under Management:** Approximately \$1.7bn of assets managed and advised as of 31 March 2024
- ▶ Exclusive Sub-Distributor for the Sub-Fund
 - Expertise in pan-European distribution of alternative strategies
 - Appointed as exclusive sub-distributor to the Sub-Fund

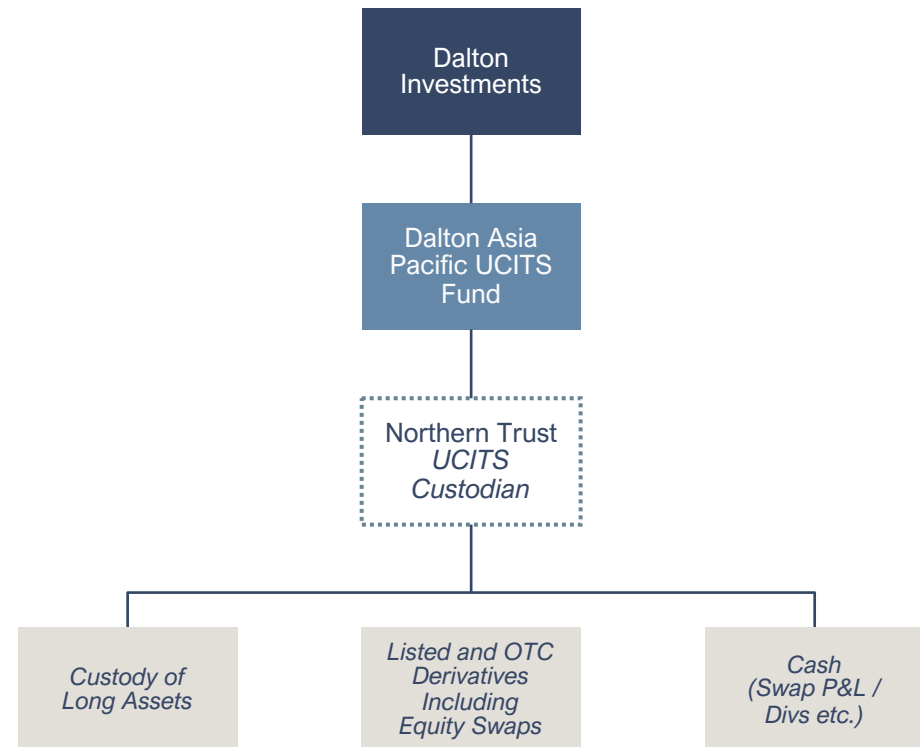
*Performance results and assets under management figures presented are preliminary, unaudited, subject to change and do not constitute Dalton’s standard books and records. Accordingly, no representation or warranty applies.

Fund Structure Overview



Strategy Implementation

- Dalton Investments manages the strategy
- Northern Trust is the Administrator of the UCITS ICAV
- Under UCITS regulation, all shorts/leverage must be done synthetically
- Counterparty exposure is max 10% of NAV, monitored daily
- Daily NAV, with daily liquidity



Dalton Asia Pacific UCITS Fund Details

Sub-Fund	Dalton Asia Pacific UCITS Fund
Investment Strategy	Long/Short Asian Equity
Investment Manager	Dalton Investments INC.
UCITS Platform	Lafayette UCITS ICAV
Exclusive Sub-Distributor	Longchamp Asset Management
Legal Structure	UCITS ICAV
Domicile	Ireland
Passporting	Passported in Austria, Germany, Italy, U.K., France, Switzerland, Luxembourg, Ireland, Singapore
Dealing Day	Daily
Subscription/Redemption Deadline	1:00 p.m. Irish time 3 Business Days prior to the relevant Dealing Day
Launch Date	8 April 2019 <i>Please note the Lafayette Dalton Asia Pacific UCITS Fund is a continuation of the FundLogic Alternatives Plc Dalton Asia Pacific UCITS Fund by way of a merger. The FundLogic Alternatives PLC fund was launched on 17 July 2013</i>
Currency Denomination	Base Currency of Fund: EUR. Hedged Share Classes: USD, GBP
Share Classes	Accumulation
Issue Price	€1,000; £1,000; \$1,000

Classes	Management Fees	Performance Fees	Total Expense Ratio	Minimum Initial Subscription	Initial Charge	ISINs	BBG Tickers
Class B1 (Seeding)	0.75%	0%	1.18%	€ 50,000,000	0%	EUR: IE00BFXZM553	EUR: LDAPB1E ID
Class B2 (Early Bird)	1.00%	10%	1.43%	€ 30,000,000 \$ 30,000,000 £ 30,000,000	0%	EUR: IE00BFXZM884 USD: IE00BFXZM777 GBP: IE00BFXZM991	EUR: LDAPB2E ID USD: LDAPB2U ID GBP: LDAPB2G ID
Class E (Clean)	1.25%	15%	1.67%	€ 20,000,000 \$ 20,000,000 £ 20,000,000	0%	EUR: IE00BFXZMG67 USD: IE00BFXZMF50 CHF: IE000Z0XYXF1	EUR: LDAPUEE ID USD: LDAPUEU ID CHF: LDAPECH ID
Class I (Institutional)	1.50%	15%	1.93%	€ 1,000,000 \$ 1,000,000 £ 1,000,000	0%	EUR: IE00BFXZMK04 USD: IE00BFXZMJ98 GBP: IE00BFXZML11	EUR: LDAPUIE ID USD: LDAPUIU ID GBP: LDAPUIG ID
Class P (Retail)	1.50%	15%	1.93%	€ 250,000 \$ 250,000 £ 250,000	Up to 3%	EUR: IE00BFXZMN35 USD: IE00BFXZMM28 GBP: IE00BFXZMP58	EUR: LDAPUPE ID USD: LDAPUPU ID GBP: LDAPUPG ID
Class A (Retail)	2.00%	15%	2.42%	€ 10,000 \$ 10,000 £ 10,000	Up to 5%	EUR: IE00BFXZMC20 USD: IE00BFXZMB13 CHF: IE00067LBN24	EUR: LDAPUAE ID USD: LDAPUAU ID CHF: LDAPACH ID



Appendix

Dalton Infrastructure

Effective 31 March 2024

Founders

Belita Ong (22/43) – Chairman* ‡
 James B. Rosenwald III (26/43) – Chief Investment Officer*
 Steven Persky (26/43) – Co-Founder* ‡
 Gifford Combs (25/41) – Senior Portfolio Manager*

Management Committee

Sarah Alfandari (4/17) – Chief Executive Officer and President* ‡
 Janet Hunpadongrat (17/17) – Chief Operating Officer & Chief Financial Officer* ‡
 Iain Douglas (7/17) – Chief Marketing Officer*
 Craig Mercer (8/25) – Chief Sustainability Officer* ‡
 Christopher Ha (6/19) – Chief Compliance Officer and Counsel* ‡

Infrastructure

Marketing & Relationship Management

Bart Maeda (17/33) – Managing Director
 Adam Woodward (9/19) – Director*
 Caitlin Tesoriero (8/13) – Sr. Associate
 Tranisha Harris (1/10) – Marketing Associate

Operations & Finance

Christopher Wu (5/15) – Director of Tax and Controller
 Ryo Toyoda (9/12) – Director of Operations and IT*
 Gilbert Fuentes (9/12) – Accounting Manager
 Ricardo Silva (9/21) – Sr. Accounting Associate
 Matilde Solorzano (6/9) – Sr. Accounting Associate
 Ithonya Fry (4/5) – Staff Accountant
 Steven Kayo (1/3) Operations Associate
 Megumi Maruta (23/23) – Compliance Officer

* Partner

‡ Members of the Risk Management Committee
 (Years of experience firm/industry)

Step 1 - Idea Generation

Qualitative Idea Generation

- Ideas generated through ongoing company interaction, bottom-up research and market knowledge
- This includes identifying names where there are strong or increasing alignment of interests
- Dalton focuses on identifying companies with encouraging growth dynamics, strong long-term growth potential and attractive competitive positioning
- The analyst team's research drives the bulk of their idea generation

Periodic Screens

- Dalton conducts systematic screening based on Dalton's four mantras
- Screens are based on quantitative financial metrics e.g. P/B, Fwd P/E, EV/EBITDA, Dividend Yield, ROIC
- Screens are run periodically to keep ideas fresh and understand the scope of the opportunity
- Screens are led by the Chief Research Officer and are tailored to specific markets

Example: Japan Valuation Screen

Company	Market Cap (\$bn)	P/E (FY0)	P/E (FY1)	P/B	EV/EBIT DA (FY0)	ROIC – 5 Year Ave. (%)
TS Tech Co Ltd	1.1	10.9	8.8	1.5	5.0	11.7
Nikon Corp	3.7	13.4	10.8	4.1	5.3	14.1
Shimamura Co Ltd	2.7	132.5	14.6	1.6	5.3	16.2
Showa Denko KK	0.9	7.6	6.8	1.2	7.1	15.6
Tosoh Corp	2.4	24.4	29.3	2.4	8.7	12.3
Zeon Corp	1.4	15.3	12.3	3.3	9.6	17.9
Ube Industries Ltd	0.7	29.2	14.0	1.8	10.2	10.6
Kuraray Co Ltd	0.5	14.2	11.6	2.5	10.3	11.6
Asahi Kasei Corp	2.6	17.9	17.6	4.2	11.7	20.7
Daicel Corp	2.6	15.0	11.8	4.0	12.8	18.4
Denka Co Ltd	2.6	17.2	14.4	3.9	13.0	17.8
Denso Corp	31.2	129.5	12.6	1.7	5.4	17.2

Screen example for illustrative purposes only. Please note that the case studies are included herein to convey Dalton's thought process and approach in analyzing investment opportunities and are not indicative of performance for any actual Dalton account. The actual performance of the position is not relevant disclosure and should be disregarded given that the aggregate performance of an account/portfolio can be materially different. Further, it should not be assumed that future investments will be profitable or will equal performance discussed in these case studies.

Step 2 - Due Diligence & Company Meetings

Due Diligence, Research & Financials

- Build a model of intrinsic value and compare to relevant peers
- Establish direct contact with company management, division heads, competitors, suppliers, customers, etc.
- Engage in group discussion to refine understanding of the company and its competitive position
- Prepare investment thesis using Dalton's Investment Checklist
- Share investment thesis and valuation model with the team

Disciplined Modelling & Documentation

Crystal International (2232 HK)

THE COMPANY
 Largest apparel OEM by volume (1.4% global share) and the second largest by value (2.1% global share). One-stop value added supplier for top global brands. Gaining share as the industry consolidates.

Market Cap	\$7.0B USD	P/B (Avg PE)	1.1x
Share Price	5.47 HKD	P/E	11x
Rev	\$2.18B USD (H21)	EV/EBIT	11x
1q profit	\$203.6M USD	Net Interest Ratio	0.1x
TM	\$743.4M USD	Div yield	2.2%
OCF	\$1.034	FCF	\$80

INVESTMENT THESIS, VALUATION, AND CAPITAL ALLOCATION

- Industry leader consolidating fragmented market. CEO expects high long-term growth.
 - Active in the consolidation process to build core brands to drive operational leverage through scale and cost reduction.
 - Customers show consistent demand, multiple in order to new complexity and Capital is well positioned to cross sell and increase penetration.
 - Adds value vertically through "verticalization" process starting from product design and production to manufacturing and delivery.
 - Company has successfully increased penetration with top customers, now no. 1 in all only 4% penetration with several large customers including H&M, Gap, L. Brands with room for further increase. CEO would like to reach 30% penetration with 1000+ customers.
 - 1 year track record of 2024 in 2023 and developed the first.
 - Long track record with 20 years operating history and 15 years of production in SE Asia.
 - 20+ year relationship with top customers.

BUSINESS ANALYSIS

- Company is 80% holding retail brand.
 - Revenue is 75% in China and Taiwan.
 - 2023 revenue is in USD, operates company in RMB and paid in USD when company was \$100M in revenue. (1% revenue for USD in Q4 2023, 2023)
 - Successfully expanded from regional categories (Denim, etc.) to higher growth/higher categories (sweater).
 - Other major wear members have 5% more options, more 10 people.

RISKS

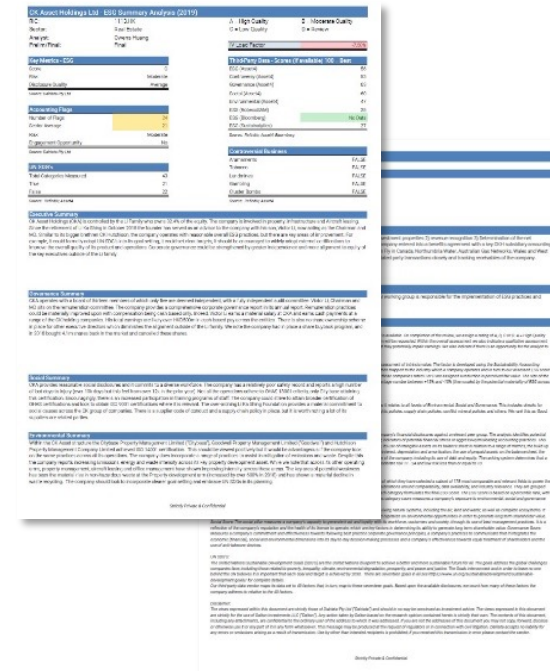
- Strong dependence on RMB or CNY and USD.
 - The RMB and CNY exchange rates could impact margins in margin.
 - High-quality labor can be in high demand in China.
- Trade being processed by Trump administration.
 - Company can't rely on production and use in China from the reports US.

Step 3 - ESG Analysis

ESG Analysis

- In-depth review of the ESG credentials of a company
- Examine accounting flags raised
- Note ongoing legal disputes or controversies involving the company
- Check company performance against any exclusion criteria

ESG Reporting



The Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

Steps 4 & 5 - Debate and Recommendation

Internal Challenge and Portfolio Construction

- Completed research provided to team for internal debate and discussion
- Team plays 'Devil's Advocate' against the investment case
- Identify information gaps
- Consider risk/reward impact of adding position to existing portfolios
- Arrange for the Portfolio Manager to meet owner/operator to assess strategic vision, motivation, etc.

Trade Recommendation

- Consider impact on portfolio construction
- Recommend position size
- Assess which accounts are appropriate for adding position
- Identify any sales needed to raise cash and/or manage risk
- Provide guidance on limit price, timing and estimated fair value
- Provide key documentation and summary recommendation to Portfolio Manager for consideration

Step 6 - Engagement

Engagement has multiple facets

- Capital Allocation (stock repurchase/dividend increase, etc.)
- Executive Compensation (stock compensation)
- Board Seat/Outside Director
- Cancellation of Treasury Stock
- Corporate Restructuring
- ESG disclosures and policies

Note that:

- Dalton is signatory of PRI and the Japan and Korean stewardship codes
- More details on their Sustainable Investment Policy can be found on their website

Current Portfolio Engagement

- Dalton has engaged directly with 33 of 44* companies across their Japanese portfolio companies
- Across their Asian and emerging markets portfolios they have engaged constructively with several companies
- Their engagement activities in Japan have included: capital allocation (30), cancellation of treasury stock (5), other (21), executive compensation (6), and board structure (3).

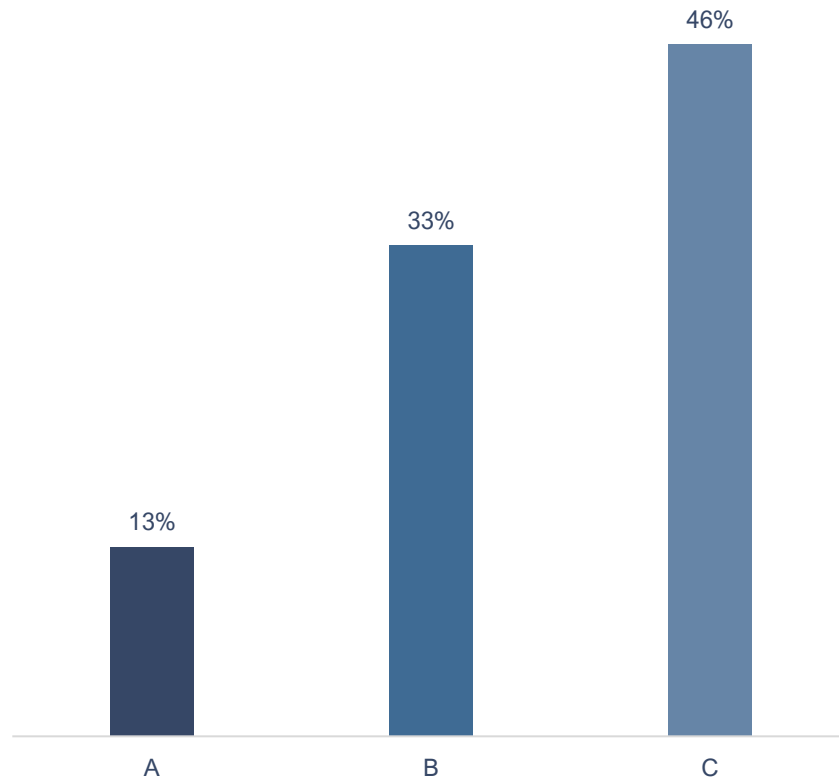
Japanese Engagement Activities	Total Engagement
Companies with whom Dalton engaged	33
Total number of board proposals made	125
Total number of proposals implemented*	65

*Includes positions held in other Dalton Japan equity strategies. Engagement activities are measured since the beginning of Dalton's investment in each company

Portfolio ESG Analysis

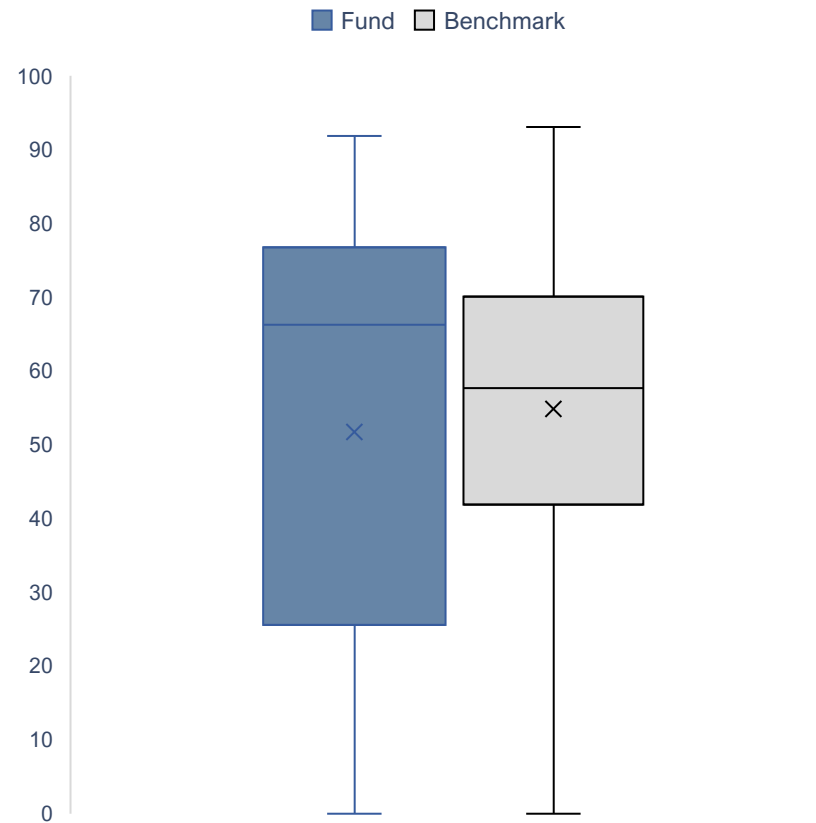
Rating Distribution by NAV Exposure (Pro rata long portfolio)

(A = High Quality practices, B = Moderate Quality Practices, C = Low Quality Practices, D = Review Requested)



ESG Score: Distribution of Scores (Long Positions)

Dalton Asia UCITS L/S Fund vs. MSCI Asia Pacific Index (0 = worst in class 100 = best in class)



Source: Dalton Investments internal analysis. Refinitiv. As at end March 2024.

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Portfolio ESG Analysis

Key Notes

- Asset4's data coverage in the MSCI Asia Pacific region covers over 1,400 companies
- 86% of Dalton's long positions have data coverage by Asset4
- Relative to the market, both the Fund's mean and median ranking are higher than those of the index
- For definition of the ESG Score methodology of Thomson Reuters (Refinitiv) Asset4, see the disclosures below*
- While Dalton is mindful of the external data, they are aware that their investment focus means coverage of their investments will be limited
- Dalton currently has no exposure to Tobacco, Armaments, Cluster Munitions, Landmines and Thermal Coal
- Dalton does not require a rating for the Fund's investment in Vietnam Enterprise Investments Limited, which is a closed-end Fund traded on the Main Market of the London Stock Exchange, nor does it require ratings for its investment in Fairfax India Holdings which is a publicly traded investment fund.

Notes on the Short Portfolio

- At this time, Dalton does not analyze ESG on their short positions
- Short positions typically reflect overvalued names with weak business models where they believe there is no alignment of interest between minority shareholders and the owner/operator
- Dalton does not specifically target positions where there are egregious ESG practices that may lead to capital impairment

*ESG Score: Thomson Reuters captures and calculates over 400 company-level ESG measures, of which they have selected a subset of 178 most comparable and relevant fields to power the overall company assessment and scoring process. The underlying measures are based on considerations around comparability, data availability, and industry relevance. They are grouped into 6 categories. The 6 categories weighted proportionately to the count of measures within each category formulates the final ESG Score. The ESG Score is based on a percentile rank, with 100 representing best in class and 0 worst in class. ESG Controversies Score: ESG controversies category score measures a company's exposure to environmental, social and governance controversies and negative events reflected in global media.

The Investment Manager takes environmental, social and governance (ESG) criteria into account in investment decisions among others; however, sizing of individual positions is based on a larger scope of criteria than ESG only.

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