



# Turning Point Capital

## Quarterly Investor Update Q2 2021

*"If you focus on long-term outcomes, expect to be misunderstood in the short-term, frequently."  
4<sup>th</sup> August 2021*

# Turning Point Capital

## Value Fund

### Who We Are ?

- All-Cap Value Hedge Fund (Invest in small to large companies)
- Concentrated Portfolio (Focusing only on the best ideas)
- We are a Value Investor (Value Investing Strategy)
- We Invest Alongside You (We only win if you win)
- We Focus Where Others Don't Look (Avoiding the Crowd)

### What We Believe ?

- Valuations, Balance Sheets, Cash Flows matter
- Fundamentals, Management and Incentives matter
- Volatility  $\neq$  Risk      Total Loss of Capital = Risk
- If the business does well, the stock eventually follows

# Investment Exit After Buyout

At Home Group (NYSE: HOME) – Top 5 Holdings in the Fund  
*Comments and Reminders*



We rejected the deal as we believe the \$37 per share buyout was too low and undervalues the company. However, 59% tendered their shares and the deal went ahead. We have no choice but to give up the additional growth upside (we believe shares are worth \$48 with a long-term value of > \$100 per share). Overall, we are still pleased to exit at a decent profit.

## Takeaways & Reminders:

Earlier investors would remember that during March 2020, we lost **-70%** (unrealized) and affected the fund's performance (-18% Q1 2020). Instead of selling at a loss, we bought more shares as we focus on the business value rather than the stock price volatility. We hope that you continue to understand our thought process and mindset instead of feeling worried in the future during market crashes and recession. Thank you for investing together with us.

If you would like to look at our HOME analysis again, kindly visit our Q1 2021 Investor Report:

[https://6f6c6db7-aa1e-4416-b005-e45d9a904a74.filesusr.com/ugd/07545f\\_6f8c12524b9c4b669d3b3c18c5afcc55.pdf](https://6f6c6db7-aa1e-4416-b005-e45d9a904a74.filesusr.com/ugd/07545f_6f8c12524b9c4b669d3b3c18c5afcc55.pdf)



At Home Group (HOME): "Amazon-Proof" + High Growth + Attractive Valuation  
Retail = Value  
Jozabad Jonathan on LinkedIn  
January 20, 2020



## Hellman & Friedman Completes Acquisition of At Home

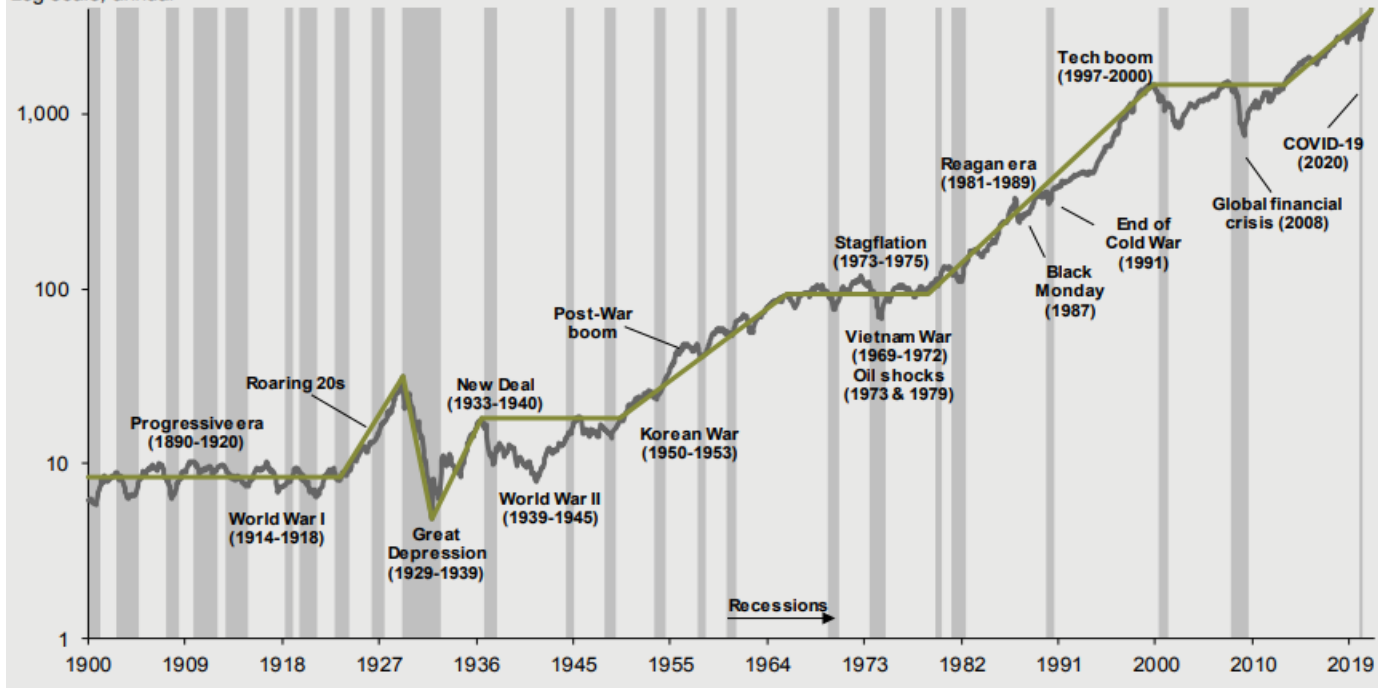
Fri, July 23, 2021, 9:40 PM

# There's always something to worry about

You shouldn't invest at all if you are focused and worried of the daily stock price volatility

## S&P Composite Index U.S STOCK MARKET PERFORMANCE SINCE THE 1900 (S&P 500 INDEX):

Log scale, annual



We will never know what may happen tomorrow.

But if we continue to focus and invest in businesses that are:

- ~Simple
- ~Predictable
- ~Cash Flow Generative
- ~Mispriced / Misunderstood

Run by wonderful management team,

We should do well over the long-term.

*Every single year, there are people who always call for a market crash. To be honest, we don't have any idea where the economy or stock market is going. All we can guarantee is that by focusing on the more important things, it will generate an attractive returns over the long-term for us.*

Stocks = Part owner of a real business  
Not an emotional lottery tickets

# The Long-Term Asset Performance

**ASSET CLASS PERFORMANCE SINCE 1947-2021:**



**CASH** feels safe in the short-term, but definitely Risky in the long-term.

**STOCKS** feel risky in the short-term, but definitely less riskier in the longer term.

*Great businesses will continue to generate wealth for shareholders over the long-term.*

*Cash in banks will lose buying power over time.*

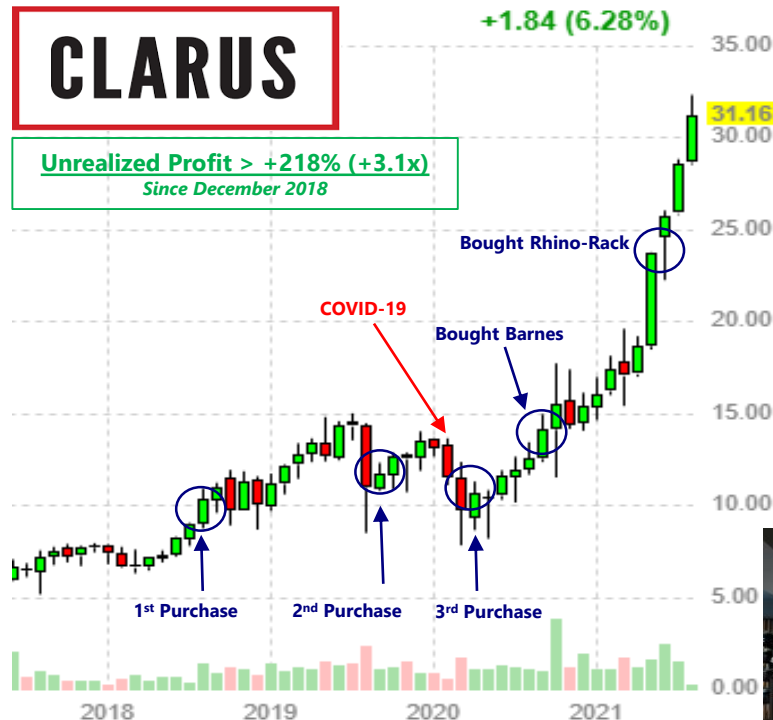
*But in times when value are hard to find, cash will be important and should be deployed when there are opportunities.*

# Investment Update

Clarus (NASDAQ: CLAR) – Top 5 Holdings in the Fund  
 “Upgrading Long-Term Intrinsic Value, Still Undiscovered by Large Investors”

## CLARUS

**Unrealized Profit > +218% (+3.1x)**  
 Since December 2018



Source: Company, Finviz, TPC

If you would like to know more about the brands, kindly click on the logo to visit their website and online store.

### Details:

Clarus continue to execute on organic growth and strategic M&A that will create value over the long-term. Clarus portfolio of “super fan” brands and management team that are smart in capital allocation allows us to have a long-term perspective on the earnings power and growth potential.

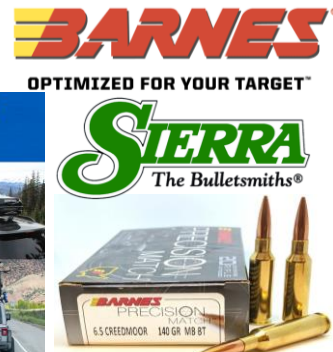
### Clarus M&A Moves:

In 2020, Clarus bought Barnes Bullet out of the bankruptcy of Remington at an attractive price.

In 2021, Clarus bought Rhino-Rack (car/truck roof rack company) at approx. 2x sales, which is cheap given the high margin business and potential. Rhino-Rack's sales are mostly in Australia and NZ area, we believe Clarus will expand and grow the brand in the U.S and globally.

### Long-Term Intrinsic Value:

In the last few years, we have shared that Clarus would be a long-term holding and an intrinsic value worth at least \$28 to \$33 per share. Today, we upgrade our long-term intrinsic value to \$60s per share given the potential earnings power.

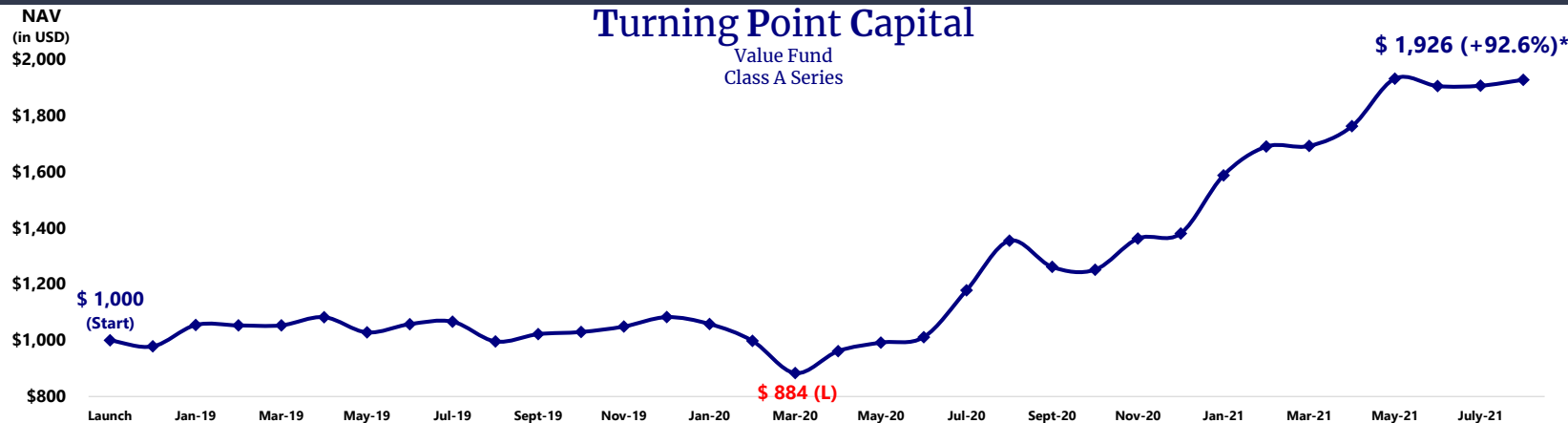


# Fund Performance

*"In our private lives, we are all value investors: we like to buy a house, a car or electronics when it is a good value and on sale. Somehow, when it comes to investing, most investors buy what is hot, moving up or widely talked about. That isn't investing, that's speculating."*

# Fund Performance

Net Asset Value (NAV) per share in USD



Fund Statistics Comparison:	Turning Point Capital
FY 2020 (January 1 to December 31)	+27.48% (USD)
YTD 2021 (January 1 to August 3)*	+39.60% (USD)
Since Fund Launch (December 11, 2018 to August 3, 2021)	+92.64% (USD)
Annualized Net Performance (Average Return <u>Per Year</u> )	+27.87% (USD)
Average Monthly Fund Volatility	± 1.72%
Performance are net of all fees and in USD	



# Performance Overview

## Turning Point Capital (TPC)

Q2 2021: +12.60%

\*YTD 2021: +39.60%

^Since TPC Fund Launch: +92.64%

<sup>1</sup>Annualized Performance: +27.87%

## Global Hedge Fund Index

Q2 2021: +2.41%

\*YTD 2021: +3.29%

^Since TPC Fund Launch: +17.53%

<sup>1</sup>Annualized Performance: +6.24%

## MSCI International Value Fund

Q2 2021: +2.10%

\*YTD 2021: +14.80%

^Since TPC Fund Launch: +10.58%

<sup>1</sup>Annualized Performance: +3.84%

## Manulife Greater Indonesia USD Fund

Q2 2021: +18.72%

\*YTD 2021: +24.37%

^Since TPC Fund Launch: +33.54%

<sup>1</sup>Annualized Performance: +11.46%

Q2 2021: April to June 2021

\*YTD 2021: January 1<sup>st</sup> to August 3<sup>rd</sup>

^December 11<sup>th</sup> 2018 to August 3<sup>rd</sup>

<sup>1</sup>Annualized Performance: Rate of Return Per Year Since TPC Fund Launch  
**Performance are net of all fees and in USD**

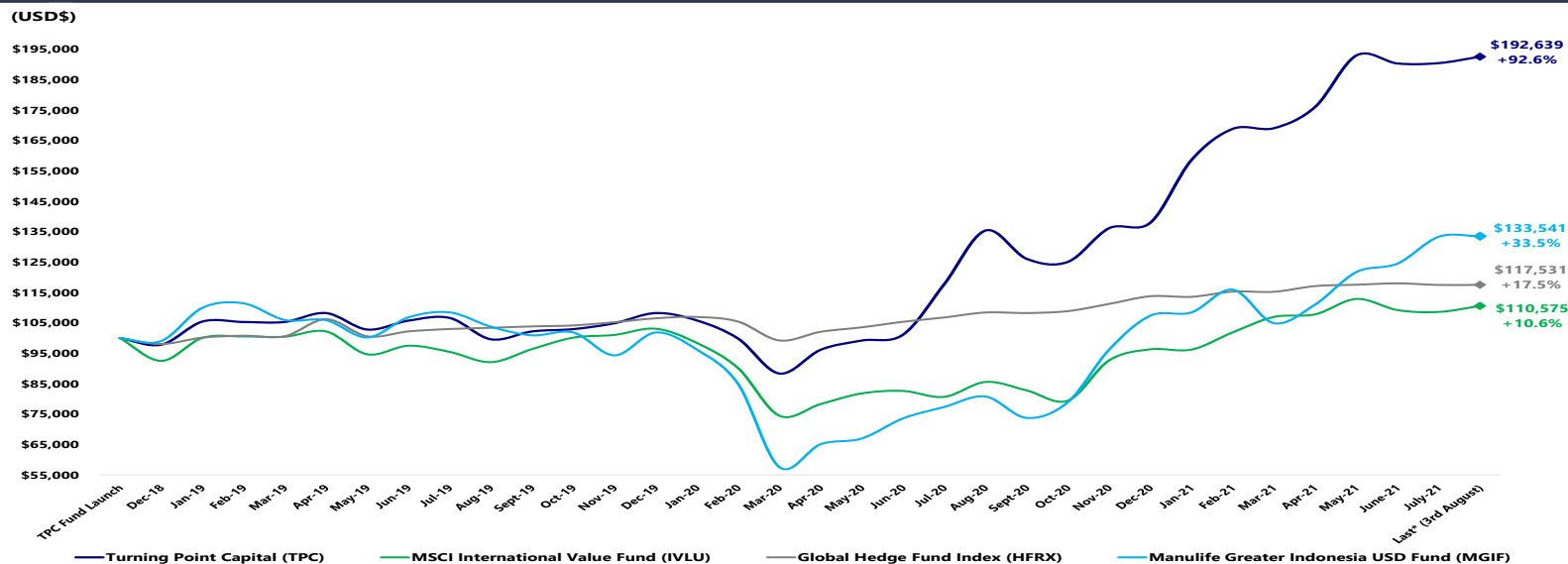
*MSCI International Value Fund* invest in global equities worldwide using value investing strategy  
*Global Hedge Fund Index* tracks the overall hedge fund universe performance of all types of investment strategies  
*Turning Point Capital* is a concentrated value fund that invest globally  
*Manulife Greater Indonesia Fund* invest in Indonesian equities that benefit from long-term economic growth using USD



Turning Point Capital

# Fund Performance Comparison

IF USD\$100,000 Invested Since TPC Fund Launch, For Illustrative Purposes Only



Turning Point Capital	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2019	+7.77%	-0.14%	+0.02%	+2.77%	-5.01%	+2.86%	+0.83%	-6.59%	+2.61%	+0.74%	+1.89%	+3.18%
2020	-2.25%	-5.65%	-11.50%	+8.67%	+3.17%	+1.95%	+16.45%	+14.98%	-6.88%	-0.79%	+5.05%	+1.32%
2021	+14.97%	+6.45%	+0.13%	+4.15%	+9.61%	-1.37%	-0.44%					
Annual Period	2018	2019	2020	2021*	Since TPC Launch <sup>^</sup>							
Turning Point Capital	-2.21%	+10.63%	+27.48%	+39.60%	+92.64%							
MSCI International Value Fund	-7.49%	+11.43%	-6.57%	+14.80%	+10.58%							
Global Hedge Fund Index	-1.93%	+8.62%	+6.81%	+3.29%	+17.53%							
Manulife USD Indonesia Fund	-0.95%	+3.16%	+5.41%	+24.37%	+33.54%							

Source: UBS AG, Circle Partners, Turning Point Capital, MSCI, HFR1 | \*January 1<sup>st</sup> 2021 to August 3<sup>rd</sup> 2021 | <sup>^</sup>December 11<sup>th</sup> 2018 to August 3<sup>rd</sup> 2021 | IM: Incomplete Month Data | 2018 data is only December

# New Investments Update

## Selected Company Commentary

*What you're about to read should not be treated as investment advice or a recommendation to buy/sell. Our intention on sharing our selected new investment commentary is so that investors/readers can understand the thought process underlying our investment strategy.*

*\*Note: Not all our new investment research are shared or disclosed in this quarterly investor update.*

# Snack Empire Holdings

(\*New Position)

Part 1: Summary

Simple, Predictable, Well-recognized Brand with Solid Balance Sheet (Also, still profitable throughout the pandemic)



**Stock Code: 1843HK**

Listed in Hong Kong  
HQ in Singapore

**Small-Cap**

Market Cap: USD\$38M | HKD\$296M  
Stock Price: HKD\$0.37 Per Share

**\*New Position in Q2**



## What is it ?

**Snack Empire Holdings** is a F&B group which owns the **Shihlin Taiwan Street Snacks®** brand. Established since 2003, the brand started with a vision to introduce authentic Taiwanese cuisine and now has more than 227 outlets/restaurants internationally (Singapore, Malaysia, Indonesia, USA, Egypt, Brunei and Cambodia). *Net Cash > 40% of the whole company*

## Why its worth more ?

- Valuations are attractive as it is lower than most peers with the same growth profile
- Multiple Revenue Stream: 1) Sales from Own Stores 2) Franchise Fees, Royalties & Goods
- Attractive Unit Economics: Investment Payback Period of 1-16 months for own stores
- Founders hold 75% of the business, never sold a single share since IPO (Interest Aligned)
- Using conservative P/E valuation (discount to peers) equates to HKD\$0.95 Fair Value
- Long-Term Value equates to HKD\$1.59 Fair Value (2 to 3 years horizon)

## Why it got cheap ?

- Too little public information on growth strategy = Undiscovered by investors
- Investors confuse and unable to recognize potential (Main Mkt: SEA but listed in HK)
- Lack of Capital Allocation Strategy (Dividends + Share Buybacks)

# Snack Empire Holdings

(\*New Position)

## Part 2: Simple & Asset-light Business Model

### Simple Business Model:

#### 1) Sales from Self-Operated Stores

Avg Gross Margin = 66-67% (Self-Operated), 55-59% (Franchise)

#### 2) Sales of Goods to Franchisees

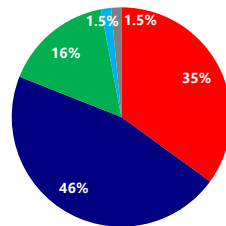
Beverages, Food Ingredients, Packaging Materials, etc.

#### 3) Franchise Fees & Royalties

Range of Royalty Fee = 1.5 to 4.5% of Gross Revenue

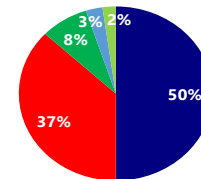
*Despite lower earnings due to the pandemic and South East Asia lockdowns, the company remain profitable throughout the period with a net cash consisting of 40% of the whole company.*

### Revenue Breakdown By Region

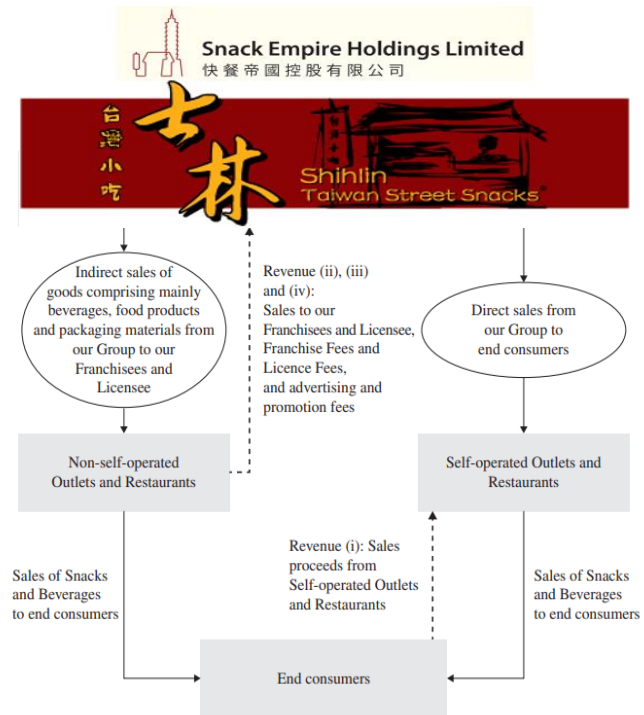


■ Singapore ■ Malaysia ■ Indonesia ■ USA ■ Others

### Revenue Breakdown



■ Self-Operated Stores  
■ Sale of Goods to Franchisees  
■ Royalty Fee  
■ Franchise Fee  
■ Advertising



Source: Company, TPC

# Snack Empire Holdings

(\*New Position)

## Part 3: Management Strategy



### Reasons for IPO despite solid balance sheet:

- 1) Enhance overall company profile and branding
- 2) Increase creditability with banks, for future borrowings if needed
- 3) Expansion of franchising & licensing business (Future Growth)

### Future Plans:

- 1) Target double-digits Store Unit Growth until 2023
- 2) Plans to enter at least 1 Master Franchise in new country every 2 years  
*Already have interests for franchise from New Zealand, Vietnam, UK, Thailand, Sri Lanka*  
*We believe the next master franchise could be Thailand or Japan*
- 3) As the world reopen, company to participate trade/franchise exhibitions

### Competitive Strengths:

- 1) Extensive Outlets with growing International Presence
- 2) Multiple Revenue Stream
- 3) Replicable & Scalable Model
- 4) Well-recognized Brand / Products

### Management Interests = Aligned:

- 1) Founders own 75% of the company
- 2) Never sold a single share or signs of cashing out after IPO
- 3) The shares represents bulk of their wealth / net worth

*Management has the right incentives to grow the company so that they can benefit too*



# Snack Empire Holdings

(\*New Position)  
Part 4: Long-Term Value



## Value Assumptions 1:

If we expect earnings to recover/revert back to 2019 levels by 2022:

Fair Value = HKD\$0.95 per share (+156% potential upside)

## Value Assumptions 2:

If we expect earnings to grow above Pre-Pandemic 2019 levels by 2022:

Fair Value = HKD\$1.17 per share (+216% potential upside)

## Value Assumptions 3 (Long-Term Outlook):

If unit growth to grow as expected and manage to operate more than 400 stores with operational efficiency:

Fair Value = HKD\$1.59 per share (+329% potential upside)

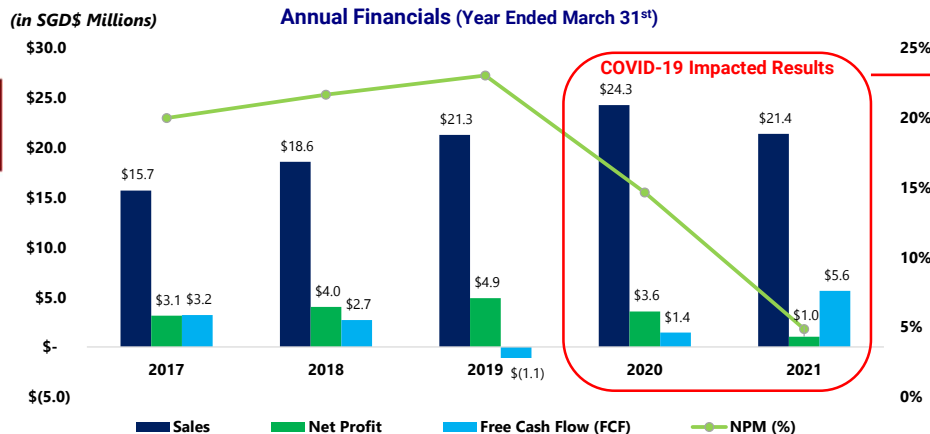
## Downside Assumptions:

If earnings continue to get affected by pandemic post-2022, sentiment doesn't improve multiples:

Fair Value: HKD\$0.28 per share (-24% downside)

## Risks:

Nationwide Shutdowns continue to persist  
Brand value deteriorate



Company remain profitable throughout the pandemic and lockdowns.

We believe 2021 will still be a lost year due to the extended lockdowns.

Looking forward to 2022, which we expect growth to continue, we believe shares are undervalued as it has priced in the bad news since 2020/21.

Peers Comparison	(in USD\$ millions)		(Based on 2019 Earnings)			Comments
	Mkt Cap	P/E	Pre-Tax Profit Margin	No. of Stores		
Snack Empire Holdings (1843HK)	\$ 38	11x	19.6%	227		Growing Store Unit
Old Chang Kee (SGX:5ML)	\$ 65	27x	8.2%	88		Stagnant/Declining Store Unit

Other comparable peers such as Chipotle, Yum China, Shake Shack with similar or lower growth are trading at 35x to 100x P/E

The undervaluation in Snack Empire exists because of investor's lack of interest and the appreciation of the company's prospects and growth due to little information regarding long-term strategy being made available (i.e. story doesn't get out).

Overall, we believe the F&B business concept works, with traffic and expansion supporting future growth. Also the stores are well managed and management continue to offer new products (e.g. Boba Milk Tea = high margins).

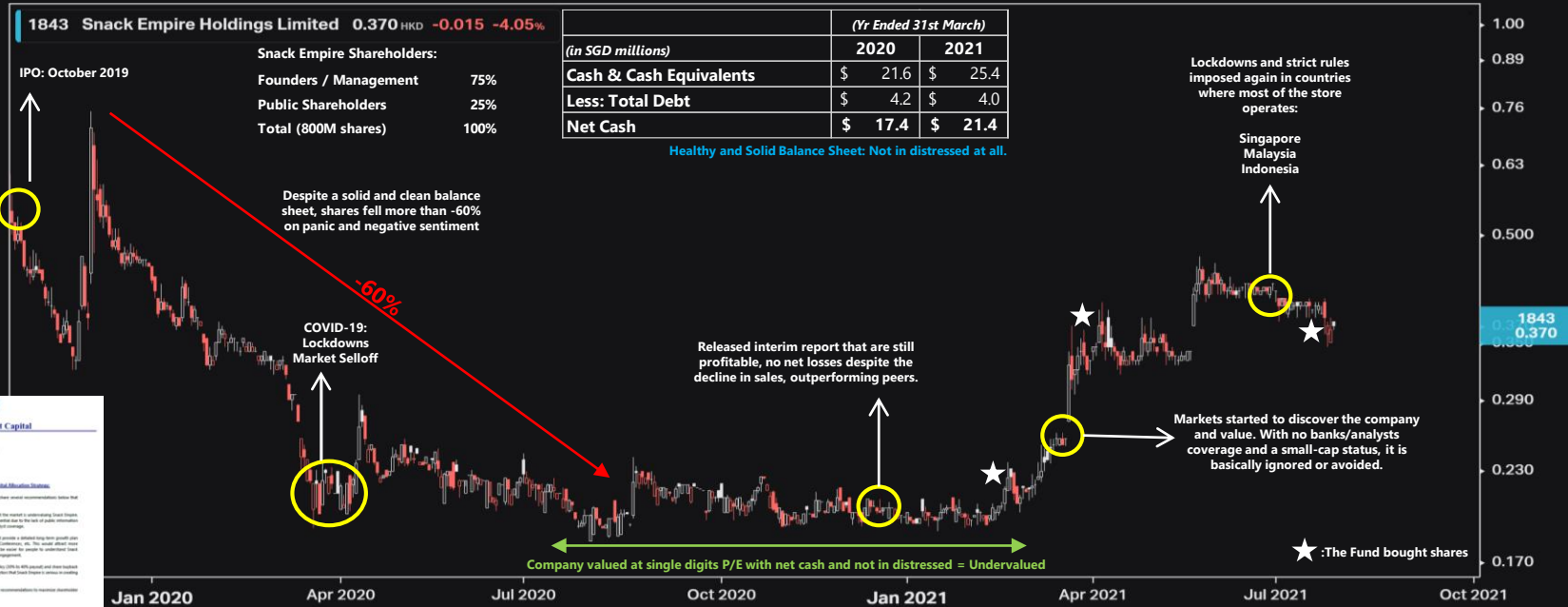


# Snack Empire Holdings

(\*New Position)

Part 5: Summary of Events  
*Undiscovered Value*

Snack Empire Holdings (1843HK)



We have sent a letter to the management to provide a public investor day type of presentations so investors can understand the long-term growth story. We also recommended the company to provide a dividend payout of at least 30% to 40% of the profits to provide shareholder value since there are sufficient cash for future growth.

Source: Koyfin, TPC



# Other Portfolio Movements in Q2

## CDON

### NEW INVESTMENT:

We bought shares in Swedish e-commerce, **CDON AB (Stockholm: CDON)** after negative sentiment lowered the share price. Given the recent changes in the team and progress, we believe the long-term potential is underappreciated by the market.

## ALTO

INGREDIENTS

Formerly  Pacific Ethanol, Inc.

### NEW INVESTMENT:

We bought shares in **Alto Ingredients (NASDAQ: ALTO)** as the company has transformed its business and has lowered their debt through asset sales. Over time, we expect ALTO to be debt free and markets to appreciate the company given the high short-interest.

## ANA

Inspiration of JAPAN

### EXIT:

We sold out of **ANA Holdings (9202JP)** after betting on air travel recovery last quarter (Q1). Despite the potential for future recovery, we are uncomfortable when the delta variant started spreading across the world. We manage to exit for an +11% gain.

# Closing Remarks

*"In closing, while we know our approach will not necessarily outperform every quarter, we continue to focus on the most important things and the long-term. We'd like to thank all of you who have joined us on this investing journey. Your support early in the life of the fund has been key to its success. As volatility rises, we will attempt to take advantage of the opportunities it creates. The fund has been approved to reduce the minimum investment to USD\$10,000 for new investors. If you like long-term value investing, kindly contact us and we will work together."*

**As always, we have the majority of our money invested in the fund, alongside yours.**

Thank you for your long-term capital commitment to Turning Point Capital. We are honored and fortunate to manage capital on behalf of investors who have committed to us for the long-term.



**Turning Point Capital**  
Jozabad Jonathan  
Portfolio Manager

***"To keep interest aligned, we linked our compensation to performance. We will only be rewarded when we deliver."***

# Our Team

## SINGAPORE

The Linc  
07 Lincoln Road  
Singapore, 308346

Circle Investment (Fund Admin)  
80 Robinson Road, #19-01A  
Singapore, 068898

UBS AG (Prime Brokerage)  
9 Penang Road  
Singapore, 238459

## INDONESIA

Menara Kadin Indonesia  
12<sup>th</sup> Floor, Unit A  
JI H.R Rasuna Said  
South Jakarta, Indonesia 12950

## Jozabad Jonathan

Portfolio Manager  
jozabad@turningpoint-capital.com

## Nicholas Eng

Research Analyst  
research@turningpoint-capital.com

## Alexander Lo

Research Assistant  
research@turningpoint-capital.com

## Clara Veda

Administration Manager  
research@turningpoint-capital.com



**Turning Point Capital**

+62 812 1925 6300

[www.turningpoint-capital.com](http://www.turningpoint-capital.com)

Fund Registration No: 1948975 | U.S SEC No: 0001869326

## UBS AG

Prime Brokerage  
Custodian Bank



**UBS**

## Circle Partners

Fund Administrator  
Auditor & Tax



## Amicorp

Corporate Services  
Compliance & Legal



## Murray LLP

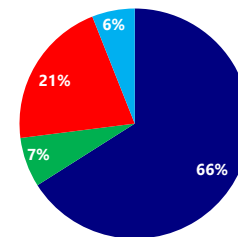
U.S Legal  
SEC Filing  
SEC Registration



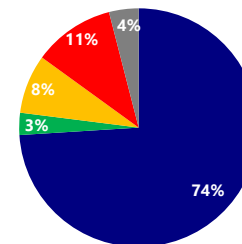
# Fund Information

## FUND STRUCTURE

<b>Base Currency</b>	<b>USD</b>
<b>Fund Strategy</b>	<b>Value</b>
<b>NAV Tracking</b>	<b>Monthly</b>
<b>Redemption Notice</b>	<b>At Least 90 Days (Quarterly)</b>
<b>Performance Fee<sup>1</sup></b>	<b>10% to 20% (Case-by-Case)</b>
<b>Management Fee (IF &gt; \$1M)</b>	<b>1.00% to 1.25% p.a</b>
<b>Management Fee (IF &lt; \$1M)</b>	<b>1.25% to 1.50% p.a</b>
<b>Subscription &amp; Redemption Fee</b>	<b>0.00% (Free)</b>
<b>Initial Load &amp; Charge Fee</b>	<b>0.00% (Free)</b>
<b>Minimum Initial Investment</b>	<b>USD \$10,000</b>
<b>Fund Registration ID</b>	<b>1948975 Approved Fund</b>
<sup>1</sup> Performance fees not charged if investors are still losing money since initial investment in the fund.	



■ Equities ■ Bonds ■ Cash ■ Quant / AI



■ U.S. ■ China / Hong Kong ■ Singapore ■ Japan ■ Others

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*An institutional investor is an organization that invests on behalf of its members. Institutional investors face fewer protective regulations because it is assumed they are more knowledgeable and better able to protect themselves. There are generally six types of institutional investors: endowment funds, commercial banks, mutual funds, hedge funds, pension funds and insurance companies.*

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