



Turning Point Capital

Quarterly Investor Update Q1 ~ 2020

"The Big Surprise"
5th May 2020

Turning Point Capital

Value Fund

Who We Are ?

- Long-biased / Multicap Hedge Fund
- Concentrated Portfolio (Focusing on the Best Ideas)
- We are a Value Investor (Value Investing Strategy)
- We Invest Alongside You (No conflict of interest)
- We focus where others can't or don't see

What We Believe ?

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

The Big Surprise

The impact of the global pandemic, a **black swan**-like event, is being felt in more than 130 countries. As COVID-19 spread, so too has the economic impact, as market volatility during Q1 increased to levels last seen in 2008/09 and equity market selling accelerated in March*, registering its **quickest ever correction**.

Never before markets experience an uncertainty at this magnitude. During the financial crisis of 2008/09, people could still go out to work, shop, eat and etc. Today, none of this can happen, causing a severe stress on businesses and people's liquidity.

Investors were confused between **risk** and **uncertainty** that results in aggressive selling in most assets. This creates opportunity for us to find good companies that are down -40%, -50% or even -80% that shouldn't been down that much in the first place. On the flip side, some stocks seemingly haven't noticed that there is actually a global pandemic happening. The **mispricing** is wide.

March 2020*

Turning Point Capital: -11.5%

S&P 500 Index: -12.5%

Russell 2000 Index: -21.9%

MSCI International Value Fund: -17.4%

Global Hedge Fund Index: -6.0%

1st Quarter 2020 (January 1 to March 31)

Turning Point Capital: -18.4%

S&P 500 Index: -20.7%

Russell 2000 Index: -30.8%

MSCI International Value Fund: -28.7%

Global Hedge Fund Index: -7.1%

Year-To-Date YTD (January 1 to April 30)

Turning Point Capital: -11.3%

S&P 500 Index: -10.6%

Russell 2000 Index: -21.4%

MSCI International Value Fund: -24.1%

Global Hedge Fund Index: -4.9%

Notes:

S&P 500 (U.S 500 Largest Companies)

Russell 2000 (U.S 2,000 Smaller Companies)

Performance (%) are net of all fees and in USD

Current Market Conditions

Some Stocks are Cheap, Others Not So Much

We will never know where equity markets are headed. The good news is that we don't need to know what equity indexes (markets) will do to observe that more than a few stocks are, in fact, good bargains today. Others are surprisingly, expensive and unscathed.

Mispricing exist. This should be a **great environment** for stock-picking.

During this environment, it is important to avoid the so-called *"Hot Virus Stocks"*. (Stocks that will do well in the **short-term** as the virus may have boosted its earnings **temporarily**)

Ideally, we look for well-managed businesses with sustainable competitive advantages and clean balance sheet, but **irrationally marked** or **confused** by investors as *'junk'* and *'fundamentally-weak'*.

The long-term benefits of owning great businesses with solid balance sheet are **well-worth** any short-term performance "sacrifice", in our view.

Money Printing Mode

Fiscal Stimulus (in USD):

USA = \$2.9T
Germany = \$1.2T
Japan = \$532B
UK = \$445B
China = \$435B
France = \$374B
South Korea = \$200B
Canada = \$145B
Australia = \$133B
Malaysia = \$63B
Thailand = \$58B
Singapore = \$40B
Italy = \$28B
Indonesia = \$26B
Russia = \$25B
Hong Kong = \$18B
Mexico = \$9B

The U.S Federal Reserve is providing **massive liquidity** and immediately activated into full crisis mode. Emergency programs to distribute funds immediately to those who have lost their jobs/incomes and businesses.

With some investors calling today's environment similar to 1929 Great Depression, we tend to disagree. In the past, the U.S Fed did not help in a big way and interest rates were much higher.

We believe the market is biased higher from today's level, though as facts change it could change our perspective at any time.

The risks will be the **speed** of providing access to liquidity:

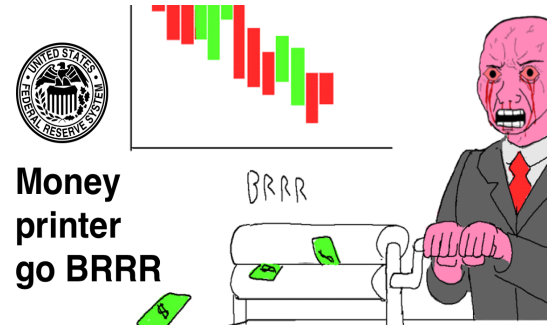
"Lockdown will save Lives"

"Liquidity will save Businesses"

Delays in funds distribution will **Kill** Businesses

Some countries are **inefficient** in handling the stimulus program

Some countries **do not have** any aid/stimulus program at all



Source: Bloomberg, Nikkei,
FT, Reuters, Strait Times

*Through large-scale fiscal stimulus and more deficits, we expect inflation on a global basis in the future.
It might get tricky for the Central Banks in the next few years once inflation accelerates further.*

The Probability / Contrarian Game

What the Crowd Believe ?

Markets should go down further even after dropping more than -30% already (S&P 500: Mid-March)

Markets will retest the lows or crash further below the previous lows.

Extreme pessimism in the Retail & Luxury sector
Nobody wants to go out and shop anymore as they would prefer online purchases only.

No one will be flying/travelling any time soon even after the lockdown eases.

China's airlines are poised for a bout of post-coronavirus 'revenge travelling' as tourism bookings soar ahead of Labour Day holiday

- Several regional carriers have resumed their services and added routes, especially to tourism hotspots with less stringent quarantine or isolation policies
- The new routes suggest a "U-shaped" recovery is possible for the industry versus an "L-shaped" trend, CICC report shows



Iris Ouyang

Published: 12:30pm, 17 Apr, 2020

South Koreans shop with a vengeance as Covid-19 curbs ease

SOUTH KOREA

Monday, 04 May 2020

11:19 AM MYT



What We Believe ?

We found bargains that we could purchase during the period with significant pessimism.

Markets bounce off the 'lows' from late-March onwards. We are beginning to get optimistic in the recovery. We still have hedges.
(Since anything can happen in the future, No one knows)

China and South Korea reopening led to a 'revenge spending' moment. U.S could be next ?

Although there will be less people flying, we don't think people can avoid flying. Also, many people are already sick from staying home. 'Revenge travelling' is a possibility too.

French luxury brand Hermès pulls in \$2.7 million in a day at a flagship store in China as wealthy shoppers splurge after the coronavirus lockdown

Shalini Nagarajan, Business Insider US

April 15, 2020

The Future

We often forgot when we are in the depths of a crisis: Black Monday 1987, Tech Bubble 1999, 9/11 Terrorist Attack, SARS or on the day Lehman Brothers filed for bankruptcy that sparked the 2008/09 global financial crisis.

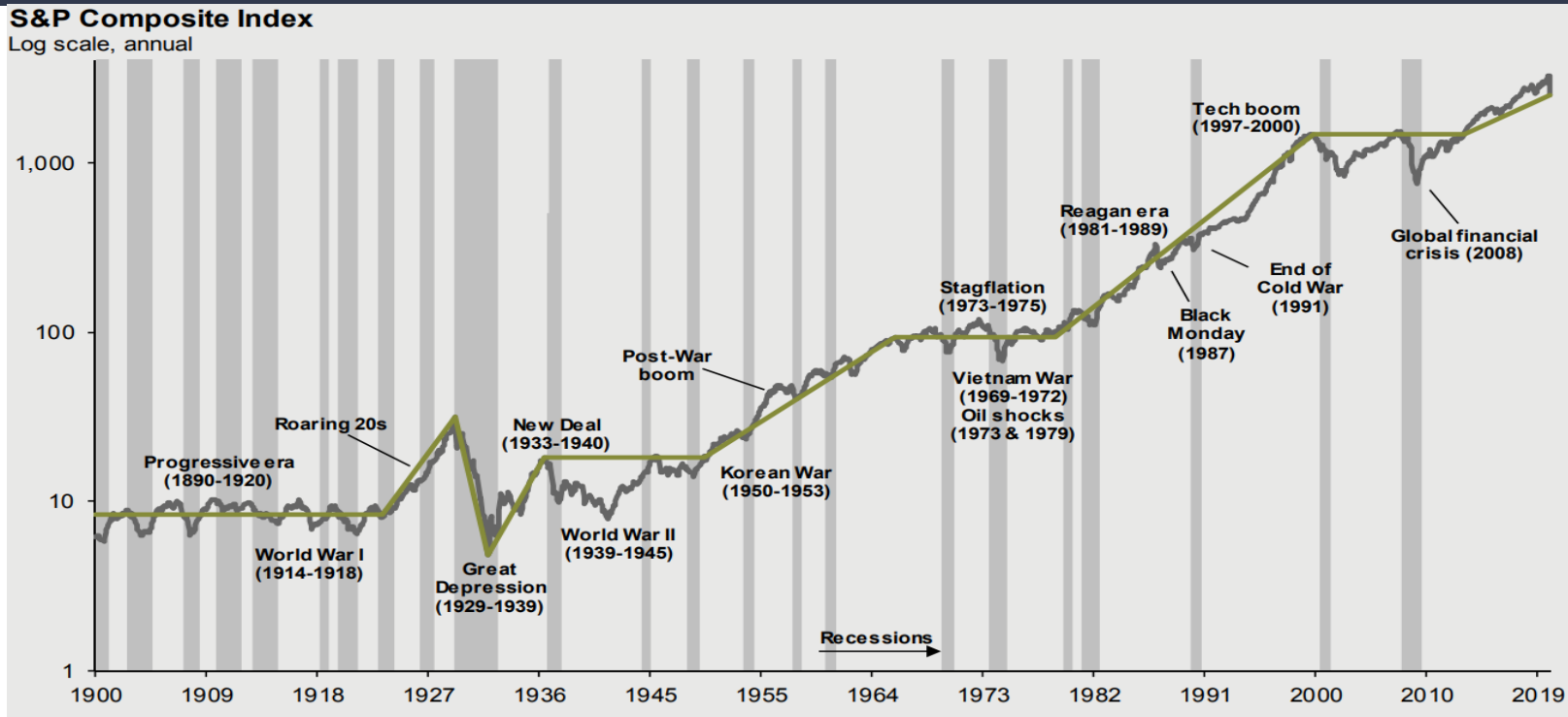
The virus ? This too shall pass. Life goes on, people will return to work, stores and restaurants will reopen and most of us, we pray, will have not gotten sick or gone to the hospital.

These are **dark days**. And yet, however dark it has seemed, the sun eventually rises, and we move on with our daily activities. And for the markets, it will recover and find their way to new highs as they always have over the **long-term**.



U.S Stocks Vs Major Events

(From 1900 to 2020)



Source: JPMorgan

Fund Review

"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."

Investor Update

Q1 2020

Turning Point Capital

Q1: -18.4%

***Year-to-Date (YTD): -11.3%**

^Since TPC Fund Launch: -3.99%

MSCI International Value Fund

Q1: -27.8%

***Year-to-Date (YTD): -24.1%**

^Since TPC Fund Launch: -21.7%

Global Hedge Fund Index

Q1: -7.1%

***Year-to-Date (YTD): -4.9%**

^Since TPC Fund Launch: -0.1%

Notes:

Q1: Jan to Mar 2020

*YTD: Jan to Apr 2020

^Late 2018 to Apr 2020

Performance are net of all fees

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 (TPC) Value Fund launched in late 2018



Turning Point Capital

Core Investments as of Q1 2020

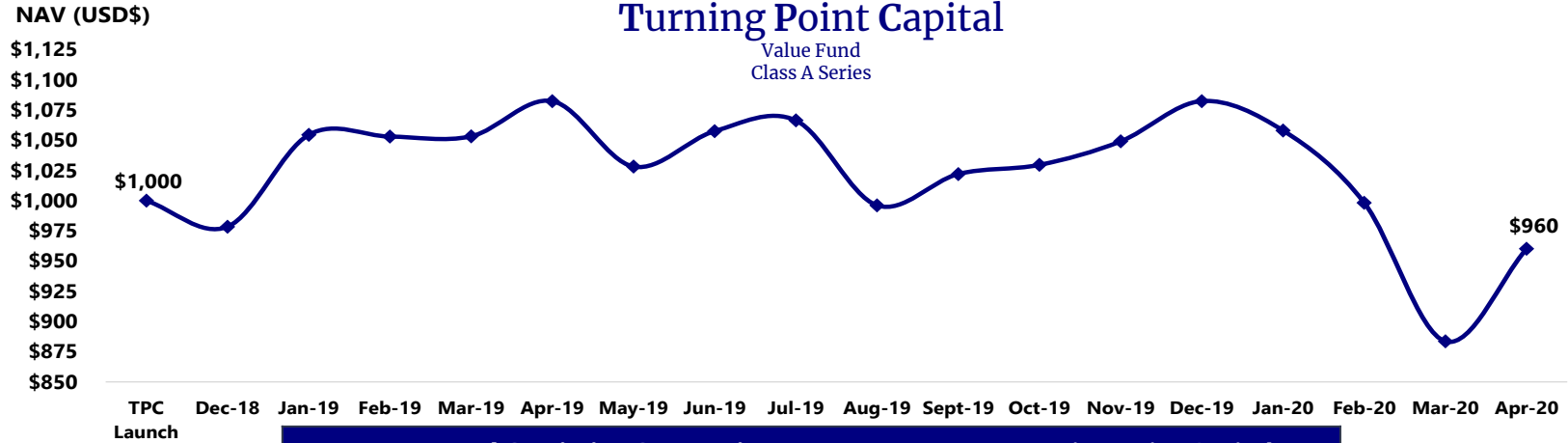
**BERKSHIRE
HATHAWAY**



*Note: Not ALL fund holdings are disclosed here.
Does not include the fund's position in Bonds, Options and Derivatives.*

Performance

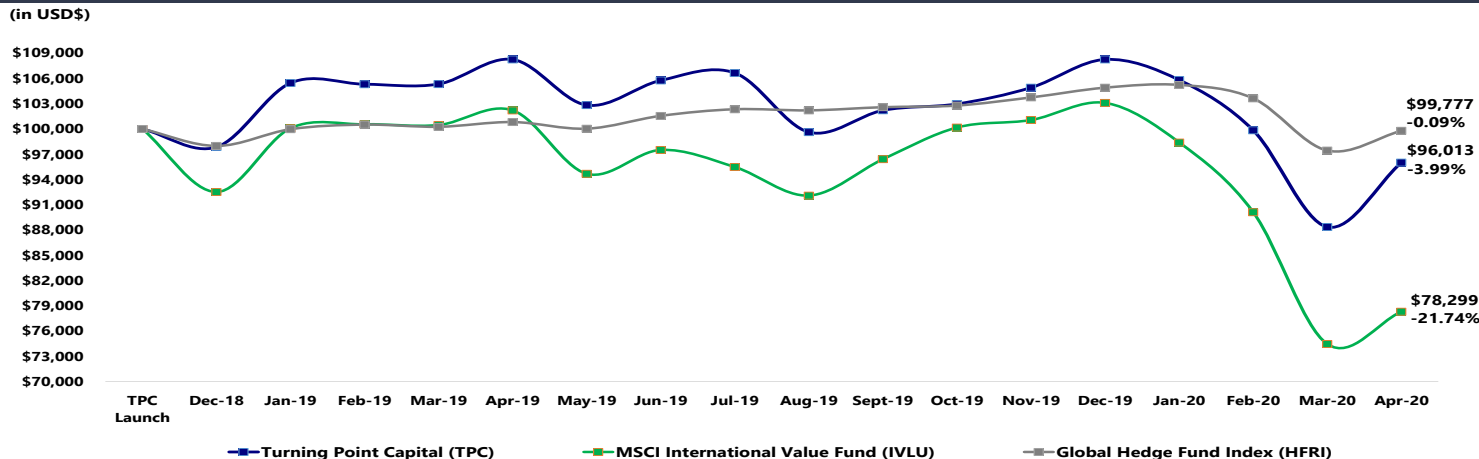
Fund Net Asset Value (NAV) per share in USD



Fund Statistics Comparison:		Turning Point Capital
Q1 2020 Performance <i>(January 1 to March 31)</i>		-18.38% (USD)
YTD 2020 Performance <i>(January 1 to April 30)</i>		-11.31% (USD)
Since Fund Launch <i>(December 2018 to April 2020)</i>		-3.99% (USD)
Average Monthly Volatility		±0.62%
Average Quarterly Volatility		±1.55%
Performance (%) are net of all fees and expenses		

Fund Performance Comparison

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



Monthly Period (TPC)	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%								
Quarterly Period	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Since TPC Launch*						
Turning Point Capital	+7.64%	+0.41%	-3.36%	+5.92%	-18.38%	-3.99%						
MSCI International Value Fund	+8.57%	-2.95%	-1.13%	+6.93%	-27.78%	-21.74%						
Global Hedge Fund Index	+2.32%	+1.30%	+1.33%	+2.26%	-7.12%	-0.09%						
Annual Period	2018	2019	^2020									
Turning Point Capital	-2.21%	+10.63%	-11.31%									
MSCI International Value Fund	-15.09%	+11.43%	-24.09%									
Global Hedge Fund Index	-7.79%	+7.40%	-4.88%									

Source: UBS AG, Circle Partners, Turning Point Capital, MSCI, HFRI | *December 2018 to April 2020 | ^Jan 2020 to Apr 2020

New Holdings Review

(By Alphabetical Order)

"Investing is a business where you can look very silly for a long period of time before you are proven right."

William A. Ackman

At Home Group

(*New Position)



NYSE: HOME

U.S

Small-Cap

***New Position in Q1**



What is it ?

At Home Group is an everyday low-price home décor big-box retailer. The specialty retailer's stores each carry over 50,000 unique items across broad product categories including furniture, garden, home textiles, housewares, patio, rugs, décor, tabletop décor and wall décor. The company recently expand its offering for online purchases and curbside pickup. It has also started reopening some of its stores.

Why its worth more ?

- Specialty Retailer that is still early in its growth cycle
- Products offered are **cheaper** than Amazon, e-commerce and other competitors
- Additional upside exists as margins/comps normalize after headwinds subside
- Home décor space is still fragmented, online players have less than 10% market share
- Valued at only \$140M (mkt cap), 0.2x PBV and 5x forward P/E (Sentiment is bad)

Why it got cheap ?

- Tariff Headwinds led to investor pessimism (retail sector sensitivity)
- One-time corporate investments for growth hit gross/operating margins in the short-term
- Investors sentiment towards the retail sector is very negative
- Growth Funds/Private Equity exit led to selling pressure

Lockheed Martin

(*New Position)



NYSE: LMT

U.S

Large-Cap

***New Position in Q1**

What is it ?

Lockheed Martin is the world's largest aerospace and defense contractor. The company is famous for its F-35 Jet Fighters and the new X2 Military Helicopters that can fly like jets.

Why its worth more ?

- 70% of Revenue from U.S Government with Defense Budget growing at 5% to 6% per year
- Order backlog of US\$144 Billion at record-high
- Increasing exposure to faster growth military programs
- Solid Free Cash Flow (FCF) generation, debt pay-down and stock buyback are encouraging
- New CEO previous track-record at American Tower (AMT) promising
- Recession-proof business that is only valued at 13x P/E (When we bought)

Why it got cheap ?

- COVID-19 worries sparked a major selloff despite little effect to the company
- Investors worried that Defense Spending will decrease due to current environment



Starbucks

(*New Position)



NYSE: SBUX

U.S

Large-Cap

***New Position in Q1**



What is it ?

Starbucks is an American multinational chain of coffeehouses. As the largest coffeehouse in the World, Starbucks is seen to be the main representation of the coffee culture. To us, it is a simple, predictable, free cash flow generative and dominant business.

Why its worth more ?

- Long-term growth story and China opportunity still intact
- Balance Sheet and Cash Flow positions are strong
- Sell-off does not justify the real damage (U.S stores drive-thru still crowded)
- We believe U.S and China (95% back online) will be back to normal faster than expected
- Valuations below LT-Average when we purchase at \$50s per share

Why it got cheap ?

- COVID-19 worries sparked a major selloff in the restaurants sector
- Comps Sales to get affected in the short-term (stores closed)
- Many investors think people will drink home-coffee after COVID-19
- Temporary stores closure news create selling pressures

Portfolio Activity in Q1

(By Alphabetical Order)



BANK OF AMERICA

Bank of America (NYSE: BAC) ~ Exit

We exited BAC in January due to limited upside. We were fortunate to have exited this position before the swift selloff sparked by the COVID-19 event. Overall, our BAC position has given us a +54% profits over a 3-year investment period. *Note: BAC was purchased before we officially launch the fund.*



Walgreens Boots Alliance

Walgreens Boots Alliance (NASDAQ: WBA) ~ Exit

We sold WBA at a small loss (-3%) after a disappointing sales comp made us review our investment thesis. The possible buyout by K.K.R also looks bleak due to the current credit market environment.



Clarus (NASDAQ: CLAR) ~ Added to existing position

We bought additional shares during the sell-off in small-caps as it doesn't justify the drop for Clarus who have a long growth runway and clean balance sheet.



Berkshire Hathaway (NYSE: BRK) ~ Added to existing position

We bought additional shares during the violent sell-off as we believe BRK is well capitalized during the pandemic, with more than \$120B in cash ready for any attractive M&A deals and equity investments.

Closing Remarks

"Despite the volatile events in 2020, we remain confident. There are some great companies on sale and cheap hedges are available. We continue to be discipline in following the value investing strategy as we know this is a good recipe for favorable long-term results. We are also deeply aware of the economic and humanitarian toll this crisis stands to take. But as long-term investors, we cannot help but be optimists. We strongly believe things will get better and we will see the light sooner than later."

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

Thank you for your long-term 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.



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

Our Team

INDONESIA

Menara Kadin Indonesia
12th Floor, Unit A
JI H.R Rasuna Said Blok X5
South Jakarta, Indonesia 12950

SINGAPORE

The Linc
07 Lincoln Road #01
Singapore, 308346
(Novena/Newton)

Jozabad Jonathan

Portfolio Manager
jozabad@turningpoint-capital.com

Nicholas Eng

Research Analyst
research@turningpoint-capital.com

Alexander Lo

Research Assistant
research@turningpoint-capital.com

UBS AG

Prime Brokerage
Custodian Bank



Circle Partners

Fund Administrator
Auditor / Tax



Amicorp.

Corporate Services
Compliance / Legal



Turning Point Capital

+62 812 1925 6300

www.turningpoint-capital.com

Fund Registration No: 1948975

Glossary

Black-Swan: an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences.

EV: Enterprise Value

EPS: Earnings Per Share

EBITDA: Earnings Before Interest Tax Depreciation & Amortization

IRR: Internal Rate of Return

NAV: Net Asset Value

BV: Book Value

NOL Structure: Net Operating Loss Structure (Benefit)

HKEX: Hong Kong Stock Exchange

FCF: Free Cash Flow

LT: Long-Term

YTD: year-to-date

FY: Full-year

JV: Joint-Venture

AI: Artificial Intelligence

P/E: Price-to-Earnings Ratio

ROC: Return on Capital

Net Debt: Refers to Total Debt minus Total Cash

Market Cap: The market value of a security (shares outstanding x share price)

Interest Coverage: Measure of a company's ability to honor its interest/debt payments (Higher is better)

Mark-To-Market: Valuing assets by the most recent market price

Value Investing: An investment strategy that involves buying securities that appear underpriced by fundamental analysis

Disclaimer

The information contained herein reflects the opinions and projections of Turning Point Capital Ltd, as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. Turning Point Capital Ltd. does not represent that any opinion or projection will be realized. All information provided is for informational purposes only and should not be deemed as investment advice or recommendation to purchase or sell any specific security/asset. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data presented.

Positions reflected in this presentation do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Turning Point Capital Ltd.

Investment in a hedge fund portfolio carries a high degree of risk, and is only suitable for sophisticated or professional investors, who fully understand the risk of investing in a hedge fund portfolio, and are capable of sustaining a substantial loss of their investment. You should carefully consider the risks listed below, before investing in a hedge fund portfolio. The list of risks listed below does not cover all risks that may arise from investing in a particular hedge fund portfolio, as there are various hedge funds strategies, existing strategies may change, and new strategies may be developed over time. Furthermore not all the risks set out apply to all hedge funds, and many hedge funds operate in a well-controlled environment.

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.

A Professional Investor is a classification of investor indicating someone who has sufficient capital, experience and net worth to engage in more advanced types of investment opportunities.

THESE MATERIALS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY INTERESTS IN ANY FUND MANAGED BY TURNING POINT CAPITAL. SUCH AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY INTERESTS MAY ONLY BE MADE PURSUANT TO DEFINITIVE SUBSCRIPTION DOCUMENTS BETWEEN A FUND AND AN INVESTOR.