

FOUNDATION USD Assets Income + Growth FUND

Monthly Factsheet

Fund Description

A multi-strategy fund, launched in March 2016, is the firm's 2nd flagship fund. The Fund maintains a consistent investment approach with a focus on liquidity, low directional exposure to equity or credit markets. The Fund has three core investment strategies: credit, income-producing utility and growth-at-a-reasonable-price equity. Each underlying strategy aims to exploit inefficiencies primarily in the US markets. Since the Fund's inception, a disciplined approach to managing the investment process and portfolio risk, combined with a policy of stable strategy biases, has ensured that the Fund has produced solid compounded returns. Those returns exhibit low volatility as well as a low beta to equity and credit markets and have provided meaningful downside protection in difficult market environments.

Portfolio Highlights

Asset Category

Overview of the Month

The Fund August total return was -0.03%, which is behind S&P 500 (+0.1%) and Bloomberg US Treasury Index (+1.1%). Stable yield stocks were drivers during the month, yet was dragged back by Bond ETFs. Below are detailed analysis:

Bond ETFs

Bond ETFs was flat in August. The Fed will update its economic projections at the September meeting. Of particular interest will be the Fed's inflation outlook, as recent data has fallen further behind the standard 2% target. During its recent June update, the Fed acknowledged weaker inflation data lowering its 2017 expectations, while maintaining its 2018 outlook, a signal that recent weakness was transitory. With an unlikelihood to see a rate hike in September, the Fund has replaced a short term corporate bond ETF by a longer term high yield corporate bond ETF.

Stable Yield Stocks

Yield Stocks lead the performance during the month. Two of our holdings reported results. A telecom saw results in line. Despite flattish revenue & EBITDA, it registered positive mobile ARPU growth of 0.9%, which is better than local peers who saw 3-5% decline. Interim dividend grew 5% yoy, which is in line with existing pass-through policy.

A toll road operator delivered results better than expected. Driven by strong 2H16/17 traffic volume growth, FY16/17 toll revenue grew 8% yoy. Net profit saw even better growth at 22% yoy, mainly due to narrowed foreign exchange losses. In addition to 100% dividend payout as usual, there is a decent special dividend as JV level shareholder's loan is refinanced.

GARP (Growth at a Reasonable Price) Stocks

GARP Stocks has stable performance in August. There were 2 companies posting results. A pharmaceutical company posted 1H17 results in line with expectations, which revenue and net profit grew 17% & 27% yoy respectively. Innovative drugs were the solid driver, as it maintained strong growth of 30% yoy, pushing gross profit margin from last year 49% to current 57%.

Another theme park company reported mixed 3Q16/17 results. Revenue was behind forecast, yet earnings were ahead of expectations. Theme parks solid performance was offset by TV networks and other segments. Management is aiming for heavy cost cutting by 10% that may potentially upcoming 4Q16/17 margins.

Performance since Inception (NAV, %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	3.69	1.90	0.32	1.87	0.99	0.31	2.37	-0.03					11.9
2016	--	--	2.23	0.08	0.75	-0.29	1.98	-0.06	0.92	-1.61	-3.37	-0.22	0.3

Distribution Information

Semi-annual	Jul 16	Jan 17	Jul 17
Dividend Yield	0.54%	2.35%	1.33%

31 August 2017

NAV per share: US\$108.21

Fund Manager

Michael J. Liang

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Structure

Cayman Exempt Limited Company
 Inception Date 1 Mar 2016
 Subscription/Redemption Monthly
 Mgmt Fee - Share Class A 1% p.a.
 Perf Fee - Share Class A 10% p.a. HWM
 Bloomberg Code FOUUAIG KY
 ISIN Code TBC

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Auditor Ernst & Young

Legal Counsel Ogier

Maples & Calder

Asset Allocation and Valuation

	Allocation	Yield
Bonds	49.4%	4.7%
Stable Yield Stocks	8.3%	5.6%
GARP Stocks (Growth at a Reasonable Price)	42.9%	0.7%
Cash	-0.6%	0%
Overall	100.0%	3.1%

Performance Comparison

(NAV, %)	Month to Date	Year to Date	Since inception
The Fund	-0.0	11.9	12.4
S&P 500 Index	0.1	10.4	27.9
Bloomberg US Treasury Bond Index	1.1	3.2	1.2

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