

# Principled Investing Skillful Execution

NIPUN CAPITAL

SKILLED | STANDING ON A STRONG FOUNDATION

निपुण 立磐

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Absolute integrity and honesty,  
systematic fundamental investing,  
disciplined risk management,  
and a commitment to continuous  
learning and innovation.

These are the core values and  
principles upon which Nipun stands.  
We believe these will drive our long  
term success. They will not change  
as we grow. We invite you to hold us  
accountable to them.

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# What does Nipun stand for?

Nipun : in Hindi (निपुण) means skill and agility; in Chinese (立磐), it means to stand on solid rock. To us, this name brings together the two cornerstones of our founding philosophy: principled investing and skillful execution.

On the one hand, our corporate culture and investment approach are anchored on a set of core values and principles that have endured the test of time (立磐). On the other hand, our relentless passion is to apply these principles, with tactical agility and execution skill (निपुण), to every individual Asian market that we invest in.

Success in active investing, as in life, depends on having the right principles and values, as well as the passion and skill needed to bring these principles to life in every day decisions. Our cohesion and vitality as a team, as well as our long-term success as a firm, will depend on our commitment to both.



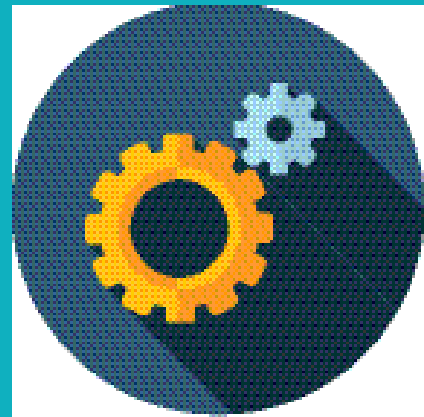


#### TALENT

Our team has over 100 years of combined investment experience

#### HISTORY

75% of our core team worked together prior to joining Nipun



#### DRIVE

Our team has a shared set of values, which will drive long term success

# What are our beliefs?

## INTEGRITY AND HONESTY

Our pledge to each other and to our investors, first and foremost, is absolute integrity and honesty. Trusting relationships take time to cultivate, and we work hard to ensure this is the norm at our firm. To our investors, this translates into candor in terms of the strategic intent of our investment approach, and the likely risks it engenders. Ultimately, we are stewards of our investors' assets, and we want to align our incentives accordingly.



**TRANSPARENCY  
WITH OUR INVESTORS**



**INTEGRITY IN OUR  
RESEARCH PROCESS**



**STAYING TRUE TO OUR  
INVESTMENT APPROACH**

Internally, integrity and honesty means we adhere to the highest standards of scientific investigation in our research process. To us, it also means that as a team and as a community, we need to be able to resolve conflicts and work through our differences, sometimes disagreeing without being disagreeable.

## SYSTEMATIC FUNDAMENTAL INVESTING

We believe that the daily prices of individual stocks are informed by, but not constrained to, their long-run fundamental values. Because short term prices can reflect capricious investor sentiment, systematic investing based on sound fundamentals will generate consistently higher average returns. Our strategies are designed to identify firms with solid fundamentals trading at reasonable prices, and to avoid firms with contrary features.

We begin with a simple economic question: "What drives stock returns?" We believe firm level returns are a function of current and future fundamentals (as measured by expected residual income, dividends or cash flows), and investor sentiment (non-fundamental price pressures associated with behavioral biases or liquidity driven demand). Hence, our stock picking approach is focused sharply on detailed analyses of company fundamentals and investor sentiment. The Nipun approach is not high frequency "black box" arbitrage, nor are we betting on macro trends. We focus exclusively on stock selection by applying our investment framework.

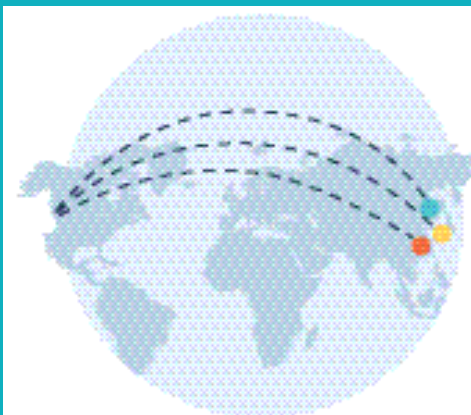
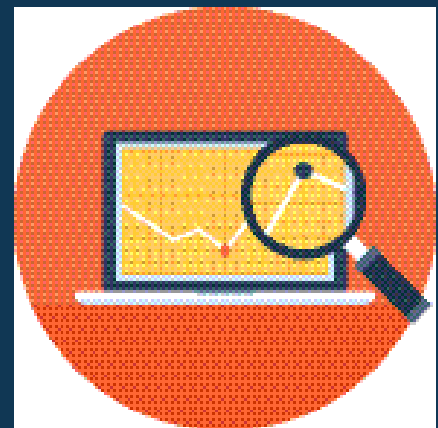


#### TIMELESS PHILOSOPHY

Our insights aim to identify firms with solid fundamentals trading at reasonable prices

#### SYSTEMATIC IMPLEMENTATION

We construct the portfolio and trade in a disciplined manner



#### MARKET CONTEXTUALIZATION

We adapt our ideas to each country's circumstance and to an ever evolving Asian landscape

All of our ideas are grounded in this guiding framework. Each signal must have a strong economic premise and clear sensibility in terms of its impact on firm level returns. While the goal of our research efforts is to predict future returns, much of our effort goes into understanding the return generating mechanism. Our deep grasp of the drivers of returns gives us greater confidence in our ideas, helps us better diagnose performance and avoid return chasing. It is difficult to stay invested in an idea when it is not performing as expected. However, our understanding of the economic drivers behind the ideas helps us stay true to our investment philosophy.



IDEA MUST BE  
CLEARLY **SENSIBLE**



IDEA MUST BE **PREDICTIVE**  
AND **CONSISTENT**



IDEA MUST BE **ADDITIVE**  
TO THE PORTFOLIO

The implementation of our ideas is exceedingly systematic. Once an idea has been researched, approved and implemented in the model, we construct the portfolio and trade in a disciplined manner. We rarely override single stock recommendations generated by the model. However, we are constantly monitoring market conditions and updating the model to reflect our latest insights.

## DISCIPLINED RISK MANAGEMENT

Risk management involves skill, experience, and unwavering discipline. The Nipun team is deeply skilled and experienced in risk modeling and our commitment to disciplined investing is absolute. The risk budget of the strategy is spent in areas where we believe our informational advantage is greatest. Our goal is to be careful stewards of the budget we are given, and never take more risk than promised.

Broadly speaking, there are three types of risks that concern us. The first relates to beta, country, currency and other common sources of risk. The second is risk arising from changing market conditions and the impact these changes may have on our sources of alpha. We strictly manage both of these types of risk. The third type of risk emerges from extreme episodic events. Such events may relate to the liquidity preference of a certain group of investors. While these events are hard to predict, the impact from such event is generally short lived and prices eventually revert to

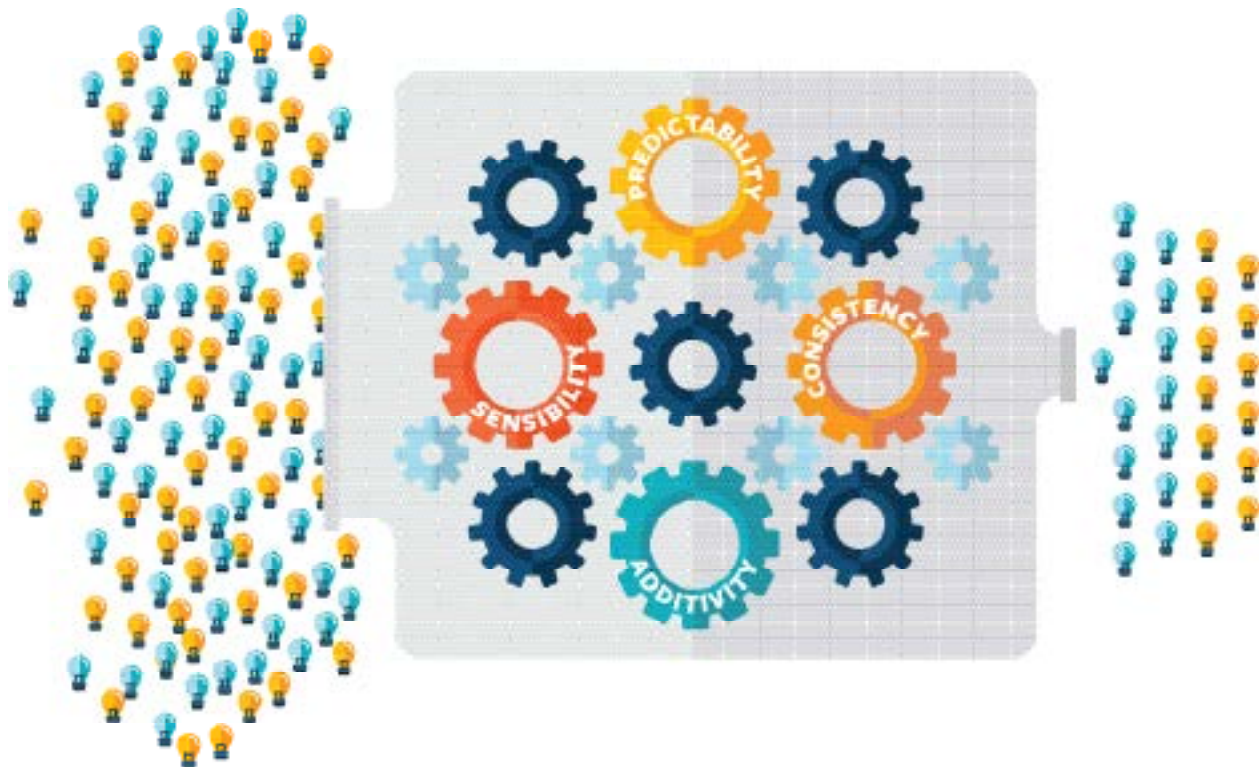
fundamentals. The most appropriate course of action at these times is to stay true to our investment discipline, while managing potential downside.

The sources of risk and their importance varies over time. Factors that drove volatility in 1998-1999, 2007-2008 and 2009 were all different and the factors that will drive volatility in the future will be different as well. The lessons we learned first hand over the market cycles have shaped our views. Nipun takes a comprehensive approach to risk management, evaluating sources of risk across geographies, time horizons and modeling techniques.

## CONTINUOUS LEARNING AND INNOVATION

The heartbeat of Nipun is a learning community that enjoys being together. Each of us could perhaps be successful on our own as investors; but together we learn faster and have more fun while doing so. The opportunity to discover new ideas, innovate and learn something new about the markets everyday is intensely exciting to us.

### RAPID PACE OF INNOVATION IS A SOURCE OF COMPETITIVE ADVANTAGE





Asian markets are evolving on a daily basis and provide an immense occasion for learning. There is wide diversity amongst the markets that we invest in. The diversity is driven by differences in the composition of market participants, regulation, disclosure, accounting standards and microstructure effects. We are fueled by a common passion to better understand stock markets, particularly Asian markets.

Since inception of the strategy in May 2012, we have been innovating at an extraordinary pace with new ideas and new data sources. Many of the new ideas have ‘contextualized’ the primary drivers of stock returns to each country or segment of stocks. As we have added these unique insights, we have moved away from the most generic themes in quantitative investing. These innovations have greatly lowered the risk of engaging in the “crowded” trades.

Our efforts are infused with a sense of urgency and excitement to see the ideas in action. The ‘time to market’ of an idea is a special focus at Nipun and our size and agility ensure that this is a competitive advantage for us. We believe the exceptionally high metabolic rate of our research engine will be a sustainable source of competitive advantage going forward.

**WE THANK YOU FOR TRUSTING US AND BEING PART OF THE NIPUN JOURNEY**



**POOJA MALIK  
PARTNER**



**CHARLES M.C. LEE  
PARTNER**



**KENNETH HUI  
PARTNER**

The foregoing discussion is solely to enable you to determine whether you are interested in receiving additional information about the Fund. The description of the Fund is in summary form, is incomplete and does not include all the information necessary to evaluate an investment in it.

This document is neither an offer to sell nor a solicitation of an offer to buy any security. An offer may only be made by the Fund's Confidential Offering Circular that Nipun will provide only to qualified offerees. Experience and compensation of management, conflicts of interest, risk factors and other information contained in that Offering Circular should be carefully noted and understood by prospective investors.

Prospective investors should recognize that an investment in the Fund involves certain risks. Some of these risks are disclosed in the Offering Circular under "Risk Factors." Only by reading the Offering Circular carefully can you determine whether the investment's risks and conflicts of interest are acceptable to you.

The investment objectives and methods summarized above represent Nipun's current intentions. Nevertheless, depending on conditions and trends in securities markets and the economy generally, Nipun may pursue any objectives, employ any techniques, vary the Fund's composition, exposure or risk parameters, or purchase any type of security that it considers appropriate and in the Fund's best interests.

These figures are internally prepared by Nipun and may contain errors and have not been externally validated, confirmed or audited. Past performance is not indicative of future performance. Figures are in no way representative of future returns that may be earned by the strategy. The strategy may earn positive or negative returns depending on various factors including market conditions.

While many of the thoughts expressed in the attached materials are stated in a factual manner, the discussion reflects only Nipun's beliefs about these investments and the related markets. These materials may contain forward-looking statements based on Nipun's expectations and projections about these investments. Those statements are sometimes indicated by words such as "expects," "believes," "will" and similar expressions. In addition, any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual returns could differ materially and adversely from those expressed or implied in any forward-looking statements as a result of various factors.

The attached information was prepared as of May 1, 2015, and may be different as of the date you review it. Nipun and its affiliates undertake no obligation to revise or update any statement in these materials for any reason.

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systematic fundamental investing,  
disciplined risk management,  
and a commitment to continuous  
learning and innovation.

Our common allegiance to these  
values is what brought us together  
and is the key to our long term  
success as a Fund and a Firm.

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