

# YEOMAN 3-RIGHTS VALUE ASIA FUND

(Co. Regn: 53979 C1 GBL; Fund Business Licence: C1/04/01282)

**At 30 Sept 2006**  
**NAV/Share:**  
**S\$120.30**

## Performance Figures for Month of September 2006

Sept 2006 **+5.52%**  
 YTD at end Sept 2006 **+7.18%**  
 Cumulative 8 yr 11 mo performance **+238.28%**  
 Implying a compounding rate of return of **+14.65% p.a.** over the 8 yr 11mo period.  
 (Nett of all fees, with dividends re-invested and in SGD terms)

### Equities/Cash Allocations

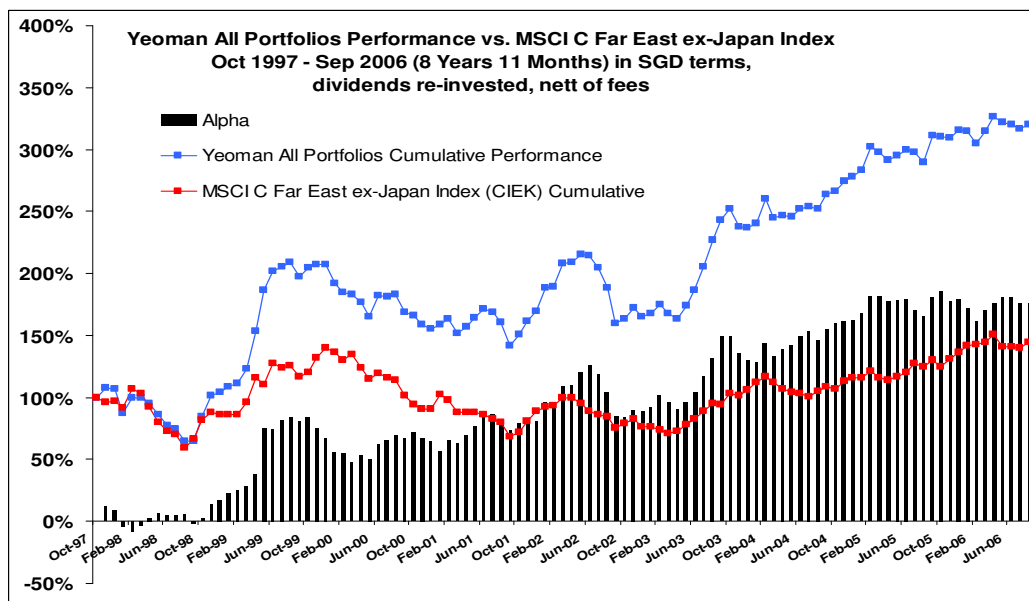
Equities 99.67%  
 Cash 0.33%

### Country Allocations

Korea 38.72%  
 Singapore 30.34%  
 Hong Kong 25.04%  
 Malaysia 2.96%  
 Thailand 2.61%

### Portfolio Valuations (trailing)

PE 9.50x  
 P/NTA 0.96x  
 Dividend Yield 4.64% p.a.  
 ROE 13.16% (1 yr)  
 17.01% (5 yrs average)  
 Wt. Ave. Mkt. Cap. S\$263m



## Yeoman All-Portfolios Performance 8yr 11mo ending 30/9/2006

Period	Yeoman-All Performance	MSCI C FE x Japan Performance
Oct 97 to Dec 97	+6.6%	-2.9%
Jan 98 to Dec 98	-2.5%	-10.7%
Jan 99 to Dec 99	+99.3%	+61.4%
Jan 00 to Dec 00	-25.1%	-35.2%
Jan 01 to Dec 01	+9.5%	-1.6%
Jan 02 to Dec 02	-2.6%	-14.5%
Jan 03 to Dec 03	+42.9%	+39.2%
Jan 04 to Dec 04	+17.5%	+8.8%
Jan 05 to Dec 05	+13.6%	+18.1%
Jan 06 to Sept 06	+7.18%	+8.71%
<b>Cumulative Performance from 10/97 to 9/06 (8Yr 11mo)</b>	<b>+238.28%</b>	<b>+48.20%</b>
<b>CAGR</b>	<b>+14.65%</b>	<b>+4.51%</b>

*Note: In SGD terms, nett of all fees, dividends re-invested and calculated according to CFA (AIMR) PPS standards.*

## General Information

Fund Address:  
**10 Frere Felix De Valois Street,  
 Port Louis, Mauritius**

Manager:  
**Yeoman Capital Management Pte Ltd  
 11 Unity Street #02-13,  
 Robertson Walk,  
 Singapore 237995  
 (Co. Regn. 199902308Z)**

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 Email: [cio@yeomancap.com](mailto:cio@yeomancap.com)

Website:  
[www.yeomancap.com](http://www.yeomancap.com)

Total Value of Fund:  
**S\$42,888,071.10**

Total Number of Shares:  
**356,523.04**

Management Fee:  
**1% p.a.**

Performance Fee:  
**15% High Water Mark**

Sales Charge:  
**2.5% of NAV** (payable to Distributor if applicable)

Manager Subscr Charge:  
**S\$2,500** (one-time fixed sum payable to Manager)

Fund Subscription Charge:  
**1% of NAV** (payable to Fund)

Fund Redemption Charge:  
**1.5% of NAV** (payable to Fund)

Subscription frequency:  
**Monthly**

Redemption frequency:  
**Quarterly**

Investment Horizon Recommended:  
**3-5 years or more**

Minimum Investment:  
**S\$250,000**

Custodian:  
**British and Malayan Trustees Ltd,  
 Deutsche Bank**

Auditor:  
**KPMG**

## **MANAGER'S COMMENT AND PERFORMANCE REVIEW AT 3Q 06**

### **Absolute Performance**

Month of Sep 06 **+5.52%**

YTD at end 3Q 06 **+7.18%**

Cumulative Oct 97 to Sep 06 (8yr 11mo period): **+238.28%**

Implying **CAGR of +14.65% p.a.** (compounding) over the period

### **Relative Performance**

Over the 9 months YTD, our performance was up at +7.18%, slightly underperforming the 8.71% gain on the MSCI C FE x Japan Index. However, over the longer term of 8 yrs 11 mo, our +238.28% cumulative gain is comfortably ahead of the +48.20% gain for the Index.

*(Note: As before, our figures are **nett of all fees with dividends reinvested and in SGD terms**. Performance calculations follow the CFA (formerly AIMR) PPS standards consistently and measures all/all accounts under management for period Oct 97 to Dec 04 and thereafter for Jan 05 onwards, only our Mauritius domiciled Yeoman 3-Rights Value Asia Fund is reported.)*

### **Portfolio Characteristics**

At end 3Q 06 our allocations were as follows:

**Equities vs Cash:** 99.67% vs 0.33%

**Country Allocations:** Korea 38.72%, Spore 30.34%, HK 25.04%, Malaysia 2.96%, Thailand 2.61%

**Our top 5 holdings** made up 38.36% of the Fund and **top 10** formed 60.07% of the same

At end 3Q 06, our portfolio on a blended stock-weighted basis exhibited the following trailing valuation ratios (which we believe to be even more undervalued than it was a year ago):

P/E **9.50x**

P/NTA **0.96x**

Dividend Yield **4.64%** p.a.

ROE **13.16%** (1 year trailing)

ROE **17.01%** (5 year average)

Weighted Ave Mkt Cap **S\$263m**

### **Portfolio Actions**

We did not do a whole lot over the last 3 months. In fact when it comes to feeding activity, we liken ourselves more to the Moray Eel than the Great White Shark. We take the easy morsels that drift by our lair and will not wear out a lot of shoe leather chasing the thematic stories down to the remote corners of the Asia region.

In so doing, we believe that we get better under-valuations, more margin of safety, fewer booby traps that always seem to attach themselves to the flavour-of-the-month "hot" stories, better family life for our staff and most importantly, sustainable and repeatable investment returns at lower level of risk. Once we get our stock picks right, we believe that we make as much (maybe even more) money when asleep as when we are out at investment banking cocktail parties or when tracking the latest stories (for which reason we do none of the latter two).

One way to measure how lethargic we have become in our portfolio activity (no reflection on the brain which is very much alert and active) is by looking at our portfolio turnover. Five years ago, back in 2000, our average portfolio turnover was just under 50% p.a. which implied that our average holding period per stock was approx 2 years. In 2004-5, portfolio activity had reduced to 20% p.a. which implies that our average holding period is now 5 years on average. In 1H 06, this went up slightly to 25% p.a. as we had to take some actions to trim our Spore positions to deploy into Msia and Thailand but still this is still very low when compared with other people out there.

What the above means is that we now deploy our funds into stocks only in situations when under valuations are so attractive that it takes the Market on average 5 years to give us the exit price that we require, based on valuations made before the Buy action. I can also say that over the time, we get richly compensated for our diligence and discipline in terms of price re-rating, like 2, 3 and sometimes 4x up from our entry price. Nett of all those that did not work out, the final result is captured in our long term CAGR figure which stands at +14.65% p.a. (compounding) at end 3Q 06 for all/all funds under management nett of fees. What this means is that for every \$10m invested with Yeoman, at the end of 5 years you will have \$19.8m and then 5 more years later it will be \$39.2m. In our solemn opinion, for serious people with serious endowment, pension or retirement planning objectives, Yeoman is the way to go.

Since we are on the subject of fees, I would like to mention that we do not/not take brokerage rebates or “kickbacks” of any sort even though the CFA Code of Ethics and Securities Industry regulations permit it under certain conditions. The stock brokers give us a best nett rate and that is that. Clients only pay us the contracted rate and zero extra.

Over Jun – Sep 06, we trimmed some more of our Spore and HK holdings and deployed the cash into the Msia and Thai stock picks that we identified and studied quite some time ago (see earlier newsletters). We believe that our HK manufacturers are waking up with recovery in margins on the back of rationalization of customer list, fresh pricing on the back of new product designs and easing raw material prices. Their interim financial results confirm all of this.

### **Investment Process and Market Comment**

No change in the value investing process which we believe to be evergreen and good forever.

The shakedown in the emerging markets that started in mid May 06 continued to mid/end 3Q 06. We basically slept thru it all as our portfolio only eased slightly even at the height of the panic.

Then there were other things to worry about like the *coup d'etat* in Thailand, the housing market slowdown in the US, direction of interest rates, direction of commodity prices, the high profile collapse of hedge funds like the recent Amaranth incident.

We ignored all of the above and remained fully invested, as documented in our Fund PPM and as stated in our investment discipline. Subject to investment criteria being met, we deploy our full funds under management.

We do not attempt to time the market and predict where the markets are going or what is going to go up next because we know that as mortals that cannot be reliably done. We can get our stock picks and valuations right however so we stay focused on that. We believe that our investment process drives all future returns because the past is already history and hence not predictive.

YEO SENG CHONG  
As Manager and Director  
Yeoman 3-Rights Value Asia Fund