Selected Session Highlights from Asian Investing Summit 2018

Note: The following idea snapshots have been provided by the respective instructors or compiled by MOI Global using information provided by the instructors. The following is provided for educational purposes only and does not constitute a recommendation to buy or sell any security.

Rajeev Agrawal, Managing Partner, DoorDarshi Value Advisors

JAMMU & KASHMIR BANK (NSE: J&KBANK) has 60+% market share in the geography in which it operates, Jammu & Kashmir (J&K) state in India. The bank lost its way over many years by venturing into areas in which it had no competitive advantage. The bank appointed a new CEO one-and-a-half years ago. The CEO has cleaned up the books and re-focused operations on areas in which the bank possesses competitive advantage. This, along with improvement in economy, resolution of stressed assets, and government support, positions the bank well going forward. As provisions subside and earnings show through in the coming years, the shares may be revalued by investors. According to Rajeev's fair value analysis, based on 9% asset growth and 0.9% ROA assumptions, the bank may trade at more than twice the recent stock price (after dilution of 25%) by the end of fiscal year 2021.

Benjamin Beneche, Senior Investment Manager, Pictet Asset Management

JD.COM (Nasdaq: JD) is the second-largest player in the Chinese e-commerce, with 27% share of a market we envision to grow at a double-digit rate over the next decade. Unlike the largest player, Alibaba, JD follows an asset-heavy approach more similar to that of Amazon. This involves spending on logistics, which has given JD a clear advantage in delivery (~80% same or next day delivery). The company has the industry's highest growth in users (~292 million) and gross merchandise value (+33% y-y). Whereas the unit economics are favorable, with between 5-15% gross margins, the current business is only breakeven due to upfront investments in logistics and other initiatives such as O2O, finance, groceries, and cloud computing. Over time, Ben expects mix shifts between categories and the development of third-party businesses, coupled with greater scale economies, to deliver a 5% operating margin. Unlike the competition, JD benefits from negative working capital, with a cash conversion cycle of negative 20 days. On this basis, Ben sees the stock on 10x normalized free cash flow in 2020. Furthermore, option value exists in both JD finance and JD logistics, which were recently valued at $7.2 billion and $13.4 billion, respectively, in private funding rounds. Taking into account a driven owner-operator CEO in Richard Liu and strategic partners/shareholders in Tencent and Walmart, Ben views JD as a compelling long-term investment opportunity.

Mehul Bhatt, Managing Partner, OysterRock Capital

MAJESCO LIMITED (NSE: MAJESCO) serves the insurance vertical. It develops insurance software and has a well-received cloud platform. Majesco was a part of Mastek prior to a de-merger. The company offers end-to-end implementation and support, unlike some competitors who rely on systems integrators. Insurers depend on technology but their core IT systems are aging rapidly, causing problems. Insurers spend roughly $25 billion annually on IT products, platforms, and services. Majesco's product suite includes a cloud offering, big data, and analytics. While revenue is still modest at $122 million (2017), the company has made inroads into the Insurance space and is recognized by Gartner as a top three player in insurance-related IT products, alongside DuckCreek and Guidewire. Mehul views Majesco's deal with IBM and MetLife as a "game changer". Majesco has announced a five-year partnership with IBM to jointly offer a cognitive, cloud-based platform to insurance carriers. MetLife has joined the collaboration, paving the way for product innovation. Mehul believes that Majesco's recent market quotation understates value. Most of the investments in insurance products have been made upfront, and Majesco spends $15-20 million annually on R&D. The enterprise is attractively valued at less than 2x FY17 revenue (peer Guidewire trades at ~10x).

Naveen Chandramohan, Founder, Itus Capital

MAX VENTURES AND INDUSTRIES (NSE: MAXVIL) was created from a three-way demerger of the parent company Max India, founded by Analjit Singh in 1982. The company was set up to house the operating entity, Max Speciality Films (MSF), which has been in business since 1990, producing biaxially oriented polypropylene (BOPP) films for the packaging and storage industries. Max Ventures' subsidiary, Max Estates, has ventured into real estate development and private, unlisted investments. At the recent market cap of 500 crores, an investor gets (i) a packaging company (of which Max Ventures owns 51%, having sold 49% to Toppan Printing for 200 crores), which has expanded capacity to support an increase in revenue by 50% over the next three years; (ii) a real estate business that owning 650 crores in assets, which are being developed; and (iii) 80 crores in private equity investments in two businesses, which are growing revenue by ~30% but are not yet profitable. The optionality embedded in the recent market valuation of Max Ventures provides for upside potential of 3x, with protection on the downside. The most significant risk is management execution.

Rohit Chauhan, Portfolio Manager, RC Capital Management

MANAPPURAM FINANCE (NSE: MANAPPURAM) is the second-largest gold loan company in India, with a twenty-year history of growing profitably. The company makes short-term loans to low-income borrowers, with gold acting as the collateral. The company has grown 30+% annually over the last ten years and has earned ROEs of 20+%, with minimal loan losses. The company continues to gain share in this unorganized sector and has additional growth drivers in the form of new products, such as vehicle loans, home loans, and micro finance. The company should be able to maintain the past level of growth and profitability due to the large market opportunity and a strong competitive position in the gold loan business. Despite above-average profitability and growth, the company continues to sell at 12x earnings, compared to >20x earnings for comparable financial services firms. The stock has upside potential as growth continues and the valuation discount narrows.

Ravi Dharamshi, Managing Director, ValueQuest Investment Advisors

SMALL FINANCE BANKS IN INDIA (SFBs): The largest financial inclusion program in the world has brought 300+ million people under the formal banking system in a short period of time. The business models of SFBs are broad-based, with entry into verticals such as micro, small and medium enterprises. Housing finance lends sustainability. Growth prospects in microfinance have improved after the crisis caused by de-monetization. SFBs also benefit from value migrating away from PSU banks as they struggle with bad loans. SFB models combine the profitability of the NBFC model (ROA of 2+%) and the regulatory protection of the banking model. SFBs' access to low-cost funds has increased, and borrowing rates have come down from 11-12% to ~8%. Over the next 2-3 years, Ravi expects SFBs to grow at a CAGR of 25+%, with ROA of 1.5+% and ROE of 15%. SFBs are evolving to combine stable business models with long profit runways. Industry participants include **AU Small Finance Bank** (NSE: AUBANK), **Ujjivan Financial Services** (NSE: UJJIVAN), and **Equitas Holdings** (NSE: EQUITAS). Unlisted players that may go public over the next 18-24 months include Suryoday Small Finance Bank, Janalakshmi, and ESAF Small Finance Bank.

MAX HU, PORTFOLIO MANAGER, TYEE CAPITAL GROUP

KEYENCE CORP (Tokyo: 6861) is the world's leading factory automation business. Principal products are sensors embedded in devices and equipment ranging from detection and measurement controllers to automation measuring instruments. Keyence, with its unique fabless manufacturing and direct-sales model, monopolistic economics with unmatched profitability (60% operating margin), is the highest-quality business in the global industrial automation space. Keyence should benefit significantly from China's long-term plan to upgrade its manufacturing base as well as from global shifts toward artificial intelligence and industrial automation. The shares recently traded at a P/E of 30x for 2018E. The company should be able to grow earnings by 25+% for the next few years. While the stock is not cheap, Max believes that Keyence constitutes an underappreciated opportunity and a unique way to gain exposure to the themes of Chinese growth and factory automation.

ANKUR JAIN, REGISTERED INVESTMENT ADVISOR

NOCIL (NSE: NOCIL): With 45% market share in rubber chemicals in India, Nocil has an exceptional mesh of competitive advantages around it. The advantages range from having the best technology (patented), large capacities driving economies of scale, a position of the supplier of choice to its customers, and world-class products. With structural change occurring in China, the supply chain has been disrupted and competitive intensity has weakened. Customers also want to reduce their dependence on one source country. A combination of these changes is providing Nocil with remarkable opportunities to grow. The balance sheet is robust, with zero debt and ~$46 million in cash. Net of cash, the business sells for ~$450 million or ~19x FY18 estimated after-tax profits. Managed by one of the best promoter groups in India, Nocil has a long runway of growth ahead.

ANISH JOBALIA, PRIVATE INVESTOR

KARUR VYSYA BANK (NSE: KARURVYSYA), based in South India, is a regional bank that started its journey in 1916 in Karur, a textile town in Tamil Nadu. KVB primarily started as a small and medium enterprise (SME) bank. It continues to position itself as a comprehensive player that caters to the needs of SME customers. KVB's core philosophy of nurturing customers through times "thick and thin" has earned it respect over its hundred-year existence, resulting into a sticky customer base. The bank has traditionally enjoyed a high average ROA profile of ~1.7%, as observed from 1999 to 2013. ROA has recently shrunk to 0.6% due to high credit costs resulting from exposure to chunky corporate loans. There has been a management change with the hiring of P. Seshadri, a highly competent CEO. IIM Bangalore alumnus Seshadri is a senior banker with 25+ years of experience at Citibank. In a recent clean-up drive, Seshadri increased the watchlist of stressed assets from INR 650 crores to INR 1200 crores. According to management, this is the tail end of reserving for stressed assets. The bank's strategy going forward is to granulize the portfolio by shunning large-ticket corporate lending and focusing on low-ticket SME, retail loans, and corporate loans. The incremental slippage ratio and provisions are expected to come down. Credit costs should revert to their long-term average of ~1% across all cycles. KVB has historically traded at 1-2x price to adjusted book value on a forward basis. It recently traded at INR 100, a multiple of ~1.3x.

STEVE JOHNSON, CHIEF INVESTMENT OFFICER, FORAGER FUNDS MANAGEMENT

MACMAHON HOLDINGS (Australia: MAH) is an ASX-listed mining services company with a large and growing business in South East Asia. The stock has rightly been punished for the sins of the past, but the new management team and a solid order book are underappreciated by the market. Based on Steve's estimates, the shares trade at an enterprise value multiple of 6x 2018E EBIT. Steve expects EBIT to continue growing in 2019 and beyond.

DEEPAK KAPUR, INVESTOR, TAPAKS CAPITAL MANAGEMENT

GMR INFRASTRUCTURE (India BSE/NSE: GMRINFRA) is a play on India's fast-growing airport sector. It is one of the largest infrastructure companies in India, owning and operating assets in the following segments: energy (power plants and coal mines), transportation (airports and highways), and property development (commercial property and special investment regions for industrial development). The thesis is based primarily on the growing value of GMR's cash-generating airport and allied businesses, growing at 15+% (aero revenues are based on assured return on equity, and non-aero business has reasonable operating leverage). GMR is the largest private sector airport operator in India. It owns and operates the Delhi International Airport as well as the Hyderabad International Airport under the public-private partnership model. It recently also won the mandate to build and operate a greenfield airport at Goa. Apart from India, GMR has airport development and operating interests in the Philippines and Greece.

In the last few years, the energy and highway businesses have been a drag, as their leveraged balance sheets and suboptimal operations led to large losses and increasing debt. The suboptimal performance was due to issues such as inadequate fuel supply for power plants, lack of long-term power purchase agreements from buyers, lack of environmental clearances leading to stuck projects, excess capacity in the industry, poor realizations, and inadequate toll collections.

The stock has languished in a narrow band for the last six years and is down 85% from its 2007-2009 peak during the infrastructure craze in India. However, asset monetization (sold a stake in its energy business), fund raising (QIP and rights issues), refinancing as well as debt restructuring and asset disposal initiatives of recent years, supported by a pick-up in the economy, have lent some stability to the balance sheet. The worst times seem to be behind the company. Looking ahead, GMR aims to sell the highway projects, restructure its energy operations, and shift the growth focus to airport, property, and EPC businesses.

The complexity of the operations and holding structure, the negativity surrounding the debt on balance sheet, certain regulatory issues, and various ongoing litigations have kept the valuation depressed. The recent market cap of INR 106 billion represents at least a 40-50% discount to underlying value and provides reasonable downside protection for the long-term investor, even after considering dilution risk. An unpleasant regulatory surprise for the airport business remains the biggest risk to the investment thesis.

Koon Boon Kee, Chief Investment Officer, Hidden Champions Capital Management

HOSOKAWA MICRON (Taiwan: 6277) is the global leader in powder and particle processing equipment and high-performance plastics thin-film blowing manufacturing equipment, with clients in the pharma, cosmetics, food and beverage, auto, and other industries. Hosokawa has a strong reputation for world-class technology and advanced technical capabilities. Hosokawa has five R&D centers and eight test centers, enabling it to launch new products that meet customer needs quickly. Since current CEO Yoshio Hosokawa took over in 2014 to rationalize the business, financial performance has improved significantly. Yoshio has made difficult decisions, such as divesting the loss-making confectionery equipment segment in 2015. CFROA (operating cash flow divided by assets) of 13% is one of the best in the industry (Alfa Laval 8%, GEA 5%, John Bean 8%, IDEX 13%, Marel 14%). Yet, the market quotation of EV/CFO of 6x, EV/EBIT of 8x, and EV/EBITDA of 7x represents a discount to comparable companies. Hosokawa implemented shareholder-friendly actions in 2017, including a share buyback. Hosokawa has the potential to grow operating profits by 50-80% in the next 3-5 years to $70-83m, and spur an upward valuation re-rating based on EV/EBIT 15x towards a 95-134% rise in market cap from its present $534m to cross $1.04-1.25bn in the next 3-5 years, or a share price of JPY 13,800 to 16,600 from its present JPY 7,090.

*Koon Boon Kee also presented an investment thesis on **TOCALO** (Tokyo: 8035).*

Peter Kennan, Managing Partner, Black Crane Capital

MMA OFFSHORE (ASX: MRM) is a leading operator of offshore supply vessels. The company is headquartered in Perth, Australia, with key operations in Australia, Southeast Asia, and the Middle East. The company has recently been recapitalized and has a strong balance sheet to wait out the industry downturn. Peter's firm, Black Crane, played a key role in the recapitalization process, including assisting in defending the company from an opportunistic attack by another major shareholder. The fleet has been reduced in scale following a successful non-core vessel disposal program and now comprises 30 niche, specialized vessels. Net tangible asset value is A$0.36 per share based on recent market values of vessels. The upside is north of A$0.60 per share as the sector rebounds. MMA shares recently traded at A$0.23 per share.

AMEY KULKARNI, FOUNDER, CANDOR INVESTING

ASHIANA HOUSING (NSE: ASHIANA) is a real estate developer with a long growth runway in a country with 1.3 billion people, including 275 million families. Ashiana is a conservatively financed, well-run real estate operation in a country that is rapidly urbanizing, with a housing shortage in urban areas estimated at 18 million units. Ashiana is run on a business model similar to that used by Mohammed Yunus to build the Grameen Bank in Bangladesh: "First check what the industry peers do and then go and do the exact opposite." Given that construction is financed by advances from customers, the company requires little external capital, except during a severe cyclical downturn. Ashiana, with average pretax ROIC of 25+%, is available at an earnings yield (five-year average pretax cash from operations to enterprise value) just below the ten-year government bond yield.

RASHMI KWATRA, CHIEF INVESTMENT OFFICER, SIXTEENTH STREET CAPITAL

EDELWEISS FINANCIAL SERVICES (India: EDEL), a secular growth story in Indian financials, was co-founded by Rashesh Shah and Venkat Ramaswamy in 1995. Founded as an investment banking and advisory services firm, it has consistently allocated capital well, using bear markets to invest in its people and incubate new businesses. Edelweiss is now a diversified financial services company. It plans to shift the mix of its credit business from 39% retail-focused (FY17) to 70% retail-focused (FY20). There is potential for Edelweiss' credit business to re-rate given its strong ROE of 18% (retail segment), two-year growth of 57% CAGR, and planned segment mix shift to retail. Rashmi projects a loan book CAGR of 40% from FY18-20 for the retail book, driven by strong macro conditions for affordable housing and SME financing (and a low base for Edelweiss) and a muted corporate loan book growth of 13.5% in the same period. Edelweiss has shown significant traction in the wealth/asset management business to become the third-largest player in wealth management in India. The firm is also seeing growth in the asset reconstruction business. Based on Rashmi's conservative estimates, Edelweiss was recently available at a fair price, and should compound capital at a significant rate in the long term.

GEORGE KURIAN, PORTFOLIO MANAGER, RARE INFRASTRUCTURE

BHARTI INFRATEL (India: BHIN) is the second-largest wireless tower company in India. The investment case is a classic example of time horizon arbitrage. While the market seems focused on the ongoing carrier consolidation, it ignores the normalized earnings power of the company. Over the next couple of years, Infratel could become the second-fastest growing tower company in the world on an EBITDA basis, yet the it was recently priced at the lowest EV/EBITDA tower multiple in the peer group. Moreover, with many companies safely levered in the mid-single digit net debt-to-EBITDA multiple range, Infratel has a net cash balance sheet. It also owns 42% of the largest tower company in India, Indus, and has a right of first refusal to buy the remainder of Indus. The board of Infratel has asked management to evaluate the Indus acquisition, which, if done at reasonable terms, could improve the growth prospects of Infratel, provide synergies, and lower the weighted-average cost of capital. Infratel could be the classic "double play" for long-term investors due to a potential uplift in earnings and valuation multiples.

CHAN LEE AND ALBERT YONG, MANAGING PARTNERS, PETRA CAPITAL MANAGEMENT

Korea is no emerging market; Korea is home to the world's most successful companies with leading technologies, skilled labor, and highly educated management. So-called "Hallyu" has been a blessing for Korea, its businesses, culture and country image; Korea has become one of the world's coolest brands. Many competitive Korean companies are ready to break out and expand outside of Korea benefiting from the soft power developed through the increasing popularity of the "Korean Wave".

SM ENTERTAINMENT (Korea: 041510) is Korea's best entertainment agency/music studio company, founded by Mr. Soo-man Lee, a popular artist in Korea of the 1970s and 1980s. The company has the best farm system to develop K-pop artists who have become superstars in Asia. It benefits from the growing popularity of Hallyu worldwide. SM Entertainment should create value from its entry into the Chinese entertainment market by forming a strategic partnership with Alibaba Group. The market's overreaction to the THAAD (Terminal High Altitude Area Defense) deployment issue which has provided a contrarian buying opportunity. Despite the recent stock price rally, the market price does not fully reflect the Company's brand power and long-term growth prospects in Asia.

COM2US (Korea: 078340) is one of the top mobile game developers in the world, generating ~80% of revenue from outside of Korea. The company has experienced continuous success and strong recurring earnings from its flagship game, Summoners War. Com2uS should continue to benefit from the growing popularity of Korean online games. The company has a strong pipeline of new games over the next twelve months. The shares offer a margin of safety in net cash and an investments balance of ~700 billion Won, which can be used to buy back shares or deploy in accretive acquisitions. Despite the recent stock price rally, the market price is substantially undervalues the company.

JAMES (SUNG YOON) LIM, SENIOR RESEARCH ANALYST, DALTON INVESTMENTS

MERITZ FINANCIAL GROUP (Korea: 138040) is a financial holding company that owns 52% of Meritz Fire & Marine (#5 in size and #1 in ROE in South Korean non-life insurance business) and 43% of Meritz Securities (#6 in size and #1-2 in ROE). Since the appointment of talented new management a few years ago, Meritz Fire & Marine has improved ROE from 9% to 20% and Meritz Securities from 4% to 14%. Meritz Fire & Marine is seeing high growth in new premiums (#2) due to a competitive sales commission rate, based on low fixed costs and relationship building with general agencies, which have displayed strong growth. Meritz Securities has become a dominant player in the real estate financing business, with strong risk management, and is now going after large-scale deals and foreign deals. The shares recently traded at 1x P/B, 6x P/E, and a dividend yield of 3.4% despite a payout ratio of only 20%. The main shareholder owns 68% of the equity, and the talented co-CEOs each have a $10 million base of stock options while most of their performance-based bonuses get paid out over ten years and linked to share price performance, inducing long-term thinking and strong alignment of interests with minority shareholders. The group has a merit-based culture (thus the name Meritz) and stands out from the conservative, rigid, and rather bureaucratic Korean financial industry.

Andrew Macken, Portfolio Manager, Montgomery Global Investment Management

PRADA (Hong Kong: 1913) is the pure Italian style, family-run luxury brand of more than one hundred years. Andrew believes the business is turning the corner after a challenging five-year period. During the last five years, the business underwent significant investment in its Asian distribution platform. At the same time, Prada – like all luxury goods businesses – faced an unprecedented headwind stemming from the Beijing corruption crackdown. In 2015, Andrew was short the stock. As of this writing, he was long the stock. Prada is a high-quality brand, well-positioned in a structurally growing Asian luxury space, and can be acquired in the marketplace at a price that implies a set of expectations that are unreasonably conservative. Significant recent investments into the brand's new digital strategy are starting to bear fruit. After years of negative same-store-sales growth, Prada has commenced 2018 with comparable sales growth of 7+%. This is the only instance of Andrew owning a stock he had previously been short.

Rajeev Mantri, Executive Director, Navam Capital

RELIANCE INDUSTRIES (India NSE: RELIANCE) is India's largest private sector company, with revenue of Rs 3,500+ billion ($54 billion) and a market capitalization of Rs 5,902 billion ($90 billion). Reliance is a sprawling conglomerate, with business units in oil refining and marketing, petrochemicals, oil and gas exploration, retail, digital technology and media. Reliance's core businesses of oil refining and petrochemicals (generating 80+% of revenue and profit) have been robust performers and significant cash generators. The company has used this capital to invest heavily in Jio, a new digital technology business. The market continues to view Jio as a telecom services provider and is, therefore, under-rating the embedded optionality to provide consumer digital services to India's billion-plus population. From a standing start in September 2016, Jio has acquired 160+ million customers, achieving growth by expanding the addressable market of mobile data consumers through innovating offerings, as well as by taking share from incumbents. By providing mobile data access at rock-bottom prices, Jio has weakened incumbents and forced industry consolidation. Reliance trades at 18x trailing earnings, with 3x net debt / EBITDA. The company is well-positioned to grow the Jio business by offering Jio's large user base a mix of subscriptions and advertising as a digital consumer-centric business rather than an industrial oil and gas enterprise.

Sidd Mehta, Principal, Beaconsfield Investment Management

HONMA GOLF (Hong Kong: 6858) is a leading golf club manufacturer based in Japan. The company is known for quality and craftsmanship. Honma went bankrupt more than a decade ago and was purchased by golfing enthusiast and businessman Liu Jianguo from China. The books were cleaned up and the company delisted in Hong Kong two years ago. While sales and earnings are growing nicely, the shares recently traded at a deep discount to peers.

Viraj Mehta, Fund Manager, Equirus Long Horizon Fund

APL APOLLO TUBES (NSE: APLAPOLLO) is the largest manufacturer of electric resistance welded (ERW) pipes in India. It has an installed capacity of 1.8 million tons per annum (MTPA) and is expanding it to 2.5 MTPA in two phases. APL Apollo is fastest-growing ERW pipe company in India and is more than double the size of the closest competitor. It has consistently grown market share, from 3% to 13% over a decade. It has strong competitive advantages, including lowest cost of production, lowest cost of conversion, along with lowest cost of fixed capital formation. Viraj considers those advantages to be sustainable over a long period. APL Apollo has a pan-India presence. It has one of the largest distribution networks in the industry, adding to the company's competitive position.

James Morton, Chief Investment Officer, Santa Lucia Asset Management

ERAJAYA (Indonesia: ERAA), the market leader in mobile phone wholesale and retail in Indonesia is roughly 2x the size of the second largest competitor. Since mid-2017, the government has been cracking down on illegal imports. ERAA is the biggest beneficiary of this and recently cemented its leadership position with exclusive representation of Xiaomi. Erajaya trades at 10.5x historic earnings versus over 20x in 2012-2013, and at about book value versus a high of 4x. Expansion into related services of insurance and microfinance should add a material new source of income in 2019, and that is not yet in analyst forecasts.

PURADELTA LESTARI (Indonesia: DMAS), owns the largest land bank in the country zoned for industrial use with its main asset less than 40 km from Jakarta. Puradelta is the only operator with enough hectares to sell large blocks. A strong balance sheet with net cash supports a trailing yield over 7%. Earnings forecasts put the business on a current P/E of 9.5x compared to potential 20% earnings growth. The current valuation is only 25% of our internal estimate of its Marked to Market Net Asset Value.

CLIPAN FINANCE (Indonesia: CFIN), is the multi finance subsidiary of the Panin Group. After several years of balance sheet stagnation and earnings decline, the company got new management and a new strategy in Q4 2016 : notably all the new car finance business from its parent. That business lost money last year but should break even in 2018, and make a hefty profit in 2019. Loans grew over 60% and operating profit over 30% in 2017. A historic P/E of 5.4x should fall close to 4x this year. Meanwhile its Price to Book of 0.32x compares to peers at over 1x and the sector leader at 2.5x.

PEMBANGUNAN PERUMAHAN PERSERO (Indonesia: PTPP), is the second largest contractor in Indonesia, a country with a shortage of infrastructure where investment has a positive multiplier. The company has the strongest balance sheet in the industry (net cash) so is best placed to take on new projects. The current backlog of over IDR 63 trillion secures 3 years of revenue. Its P/E ratio has fallen from a peak over 40x in 2014 to less than 10x current year's expected earnings against medium term annual growth in the high teens. The stock also trades at a discount to the Sum Of its Parts as it unlocks value by spinning off property and earth moving subsidiaries into separate listed entities, with another spin off expected in 2018.

BANK CIMB NIAGA (Indonesia: BNGA), the local subsidiary of Malaysian group, CIMB, is the fifth largest bank in Indonesia and second largest private bank. After suffering from the commodity collapse, the bank cleaned house, got rid of most bad debts and adopted a strategy of focusing on premium clients. Since 2016 Niaga has reduced NPLs, cut costs and automated, closing branches and becoming a local leader in digital and mobile banking. This is a recovery story with 2017 net income up 40% over 2016 but still below its profit in 2011 to 2013. Niaga trades at a current year P/E below 10x versus expected earnings growth in the mid-teens and at less than 0.8x book compared to the sector average of 2.6x.

RAHUL SARAOGI, MANAGING DIRECTOR, ATYANT CAPITAL ADVISORS

BANK OF BARODA (India: BOB) is a top five government-owned bank in India, with 5,500 branches and a growing retail franchise. The bank has conservative accounting and is likely overprovisioned. It has strong management and culture. Pre-provision ROIC has consistently exceeded 18%. The bank is available at an attractive valuation despite strong growth ahead. Rahul believes that the risk of government interference is overblown and that excessive dilution risk and uneconomic consolidation risk are now behind the bank. According to Rahul, the bank has a “bulletproof” liability franchise, with a cost of 5.3%. The bank is adequately capitalized and ready for the credit cycle. The equity market cap recently amounted to $5.8 billion, as compared to book value of $6.6 billion. Rahul expects book value to double over the next three years. Assuming a price/book multiple of 1.75x, the shares could yield a 4x return over three years.

MANUEL SCHLABBERS, CHIEF EXECUTIVE OFFICER, ACCUDO CAPITAL

MING FAI (Hong Kong: 3828) is a leading supplier of amenity products to high-end hotels and airlines with more than thirty years of history. It exhibits a low valuation for a growing, cash-generative core business with “activist” potential around the excess cash. 40+% of the recent market cap of HKD 910 million is in net cash. Management has been closing points of sale for the loss-making retail business. Manuel believes that in the next one to two years we will see those losses eliminated as management exits the business. Based on his FY17 estimate, the shares trade at a P/E of ~6x for the core business (core P/E ex-cash of less than 4x). This appears attractive for a cash-generative core business that Manuel expects to grow by 5-10% annually over the next five years. Management recently entered the Indian market. They are in the process of diversifying the production base to Cambodia. The management team has executed well from a corporate governance perspective in recent years (examples include the closing of loss-making business lines; selling investment property in Hong Kong and paying out some of the proceeds; not renewing the employee option scheme but implementing an employee trust instead). Capital allocation could be significantly improved as they sit on excess cash – something that has drawn the attention of activist shareholders in the past.

HENGDELI (Hong Kong: 3389) is the holding company for two luxury watch retail chains, Hengdeli and Elegant Watch & Jewelry, which operate shops in Hong Kong and Taiwan. The company transformed in 2017 when it sold its mid to high-end watch retail business in mainland China (Xinyu), together with a low-end watch and jewelry business in Hong Kong (Harvest Max), for RMB 3.5 billion to the controlling shareholder. The company used the proceeds to pay a special dividend and retire USD-denominated debt. At less than 0.4 HKD per share, the shares recently traded at a 25% discount to net cash and at one-third of tangible book value. For a business in an industry that is seeing operational improvements (it almost broke even in H1 2017), this seems attractive. The shareholder base includes business partners such as Swatch Group and LVMH, which mitigates some of the corporate governance concerns around the large cash position.

Isaac Schwartz, Portfolio Manager, Robotti & Company

HALYK SAVINGS BANK OF KAZAKHSTAN (Kazakhstan Stock Exchange: HSBK) is the largest bank in Kazakhstan, controlling 37% of Kazakhstan's deposit base, bearing Central Asia's century-old leading financial services brand name. Halyk had the #1 position as a result of its consumer banking franchise prior to its 2017 merger with the #2 bank, that dominated the corporate side – as a result, creating the region's undisputed powerhouse. With $28 billion in assets, $2.9 billion in equity, and 2017 net income of $540 million, at its $3.8 billion market cap, Halyk sells for a low 7 times earnings and 1.3 times book. In recent years, the banking industry was (too slowly) fixing its post-financial crisis liquidity troubles, but those problems have been solved through mergers and the setting up of bad loan AMCs. At the same time, no other banks are publicly traded with a meaningful float – thus, there isn't a ready base of analysts following the Kazakh banks today (as there was during the boom years of 2006-2007). In addition to a low valuation on present numbers, which are normalized, Halyk has significant growth opportunities from the internal growth of the Kazakh economy, and significant improvement potential from the integration of last year's merger – which was a company with nearly the same size asset base, but much lower profitability, as it. Using conservative earnings growth assumptions and expectations of a reflation of Kazakh equity multiples in coming years, Isaac believes the shares have significant price appreciation potential.

Kisalaya Singh, Managing Partner, ANYA Investment Partners

AIN HOLDINGS (Tokyo: 9627) is the leader in the highly fragmented pharmacy dispensing business in Japan. Dominated by 60,000+ one-man and small-chain pharmacies, the sector appears poised for consolidation, driven by a combination of regulatory changes and ageing one-man store owners without heirs. Ain is ideally placed to be the sector consolidator with its long history of growth driven by astute organic expansion and M&A. Founder and president Kichi Otani is a disciplined capital allocator and operator who has compounded book value and earnings at 18+% annually over the past ten years, while earnings ROE of 14+%, despite a net cash balance sheet. With an equity stake of almost 9%, Otani remains invested in the continued growth of the company. A long growth runway is available for Ain to increase revenue market share from 3% currently, by acquiring small chains and setting up more efficient large-scale pharmacies. Incremental ROI of M&A is high, driven by an ability to pay acquisition multiples as low as 5.5x EV/EBITDA and improve the operating margin of acquired businesses. Recently trading at a "fair" multiple of 8.6x EV/EBITDA, the market appears to be cognizant of Ain's prospects for M&A growth, but not fully appreciative of recently allowed large-scale pharmacy growth. The market may also overestimate regulatory uncertainty, which injects volatility in the stock price. Primarily a revenue and earnings growth story, Ain also has the kind of high ROE, healthy cash generation, and consistent growth that have been rewarded by higher trading multiples in Japan.

Lalaram Singh, Chief Investment Officer, Vibrant Securities

CARE RATINGS (BSE: 534804, NSE: CARERATING) offers an opportunity to buy a wide-moat business at the lower end of its historical range, with potential for high-teens earnings growth and valuation multiple rerating. CARE is the second-largest credit rating agency in India, with market share of ~24%. It posted revenue of US$48 million and after-tax profit of US$24 million in 2017. At the recent price of US$19 per share, the company is available at a market cap of US$550 million. The company is debt-free, with net cash holdings of US$62 million (~11% of market value). The company has generated US$98 million in cumulative cash from operations over the last five years, all of which has been returned to shareholders in the form of dividends. The company requires minimal capex to grow revenue. CARE recently traded at a dividend yield of 2.3% and an FCF yield of ~4%.

Rajeev Thakkar, Chief Investment Officer, PPFAS Mutual Fund

SUZUKI MOTOR CORP. (Tokyo: 7269; OTC: SZKMY) is a play on the underpenetrated Indian auto market. India accounts for ~ 2/3 of the profits of Suzuki Motor. Penetration in India is 22 cars per 1,000 persons, as compared to 102 in China, 569 in Western Europe, and 808 in the U.S., based on OICA data for 2016. Maruti Suzuki (56.2%-owned by Suzuki Motor Corporation) sells almost one of every two cars in India. It participates in the high-growth Indian market and benefits from the gradual shift towards higher-value premium cars. India has been a tough market for other players to profit from, as seen by the difficulties faced by General Motors, Volkswagen, Toyota, and Ford. Maruti Suzuki benefits from scale efficiencies and a wider network; it is the incumbent and has been in the market since 1981, as compared to the relatively recent entry of other players. Suzuki Motor benefits not only from the 56.2% stake in Maruti but also gets significant royalty income from Maruti. Apart from participation in the Indian auto space, Suzuki Motor has optionality in the Japanese, ASEAN, and European markets in which Suzuki operates. The shares trade at a P/E of ~13.5.

Jiro Yasu, Representative Director, and Patrick Rial, Senior Analyst, Varecs Partners

CRE INC. (Tokyo: 3458) is a real estate company that develops and manages distribution warehouses. It is one of largest managers of such facilities in Japan. It develops a couple of warehouses per year and sells them off to its own REIT. It also gets the contract to manage them. Revenues for the development business can be lumpy, depending on how many warehouses are developed and sold each year. On the other hand, the growing property management and REIT management businesses are recurring and quite stable. Jiro and Patrick expect the market quotation to improve in the coming years as the weight of the recurring businesses grows. Japan needs more cutting-edge, large warehouses because many of the existing warehouses are aging and small. Many companies can cut logistics costs by moving to newer, larger warehouses. Also, the growth of e-commerce should provide stable demand growth for such warehouses. At the recent share price, CRE's market cap is 23 billion yen and enterprise value is 28 billion yen. A couple of warehouses are sitting on the balance sheet (will be sold this fiscal year). The sale proceeds and equity holdings explain most of the enterprise value, with little value assigned to the recurring revenue businesses.

Soumil Zaveri, Partner, DMZ Partners

TEAMLEASE SERVICES (TL) (NSE: TEAMLEASE) is one of India's largest "people supply chain" companies with an estimated ~5% market share in India's flexible staffing industry. The company provides general staffing solutions which involves matching hiring requirements of customers (companies) with the right human resources (associates). TL currently manages ~177,000 associates for 2,500+ customers at 6,000+ locations across industries in India. The company is able to do this with ~1,600 core employees. TL also offers recruitment, regulatory compliance, payroll and skill enhancement services. The company was founded in 2002 by two industry veterans, Manish Sabharwal and Ashok Reddy with 40 employees and one client. In Soumil's view, Teamlease could manage a much larger associate employee base while substantially leveraging technology to improve operational efficiencies over the next decade. Soumil does not find it implausible for the flexible staffing business to continue to take market share from informal market participants given the country's continued "formalization". To provide some context on the opportunity set, India's working age population consists of ~60% of its ~1.2 billion people, yet only 10% of the workforce forms a part of the formal economy (although a majority of the informal sector includes agricultural employment). Additionally, complex labor laws have hampered a faster transition to more formal and permanent employment. In fact, more than 70% market share in the temporary staffing industry is estimated to be in the informal sector. As enforceability of regulations and progressive changes (e.g., GST) gain momentum we expect participants like Teamlease with proficient technology platforms, lean operating models and robust compliance and regulatory frameworks to be large beneficiaries.

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