



Ben Graham Centre
for Value Investing

ENTRUST
EVERGREEN
PARTNERS

Investing in Asia

Finding Value and Moats

Ben Graham Centre's
5th European Value Investing Conference
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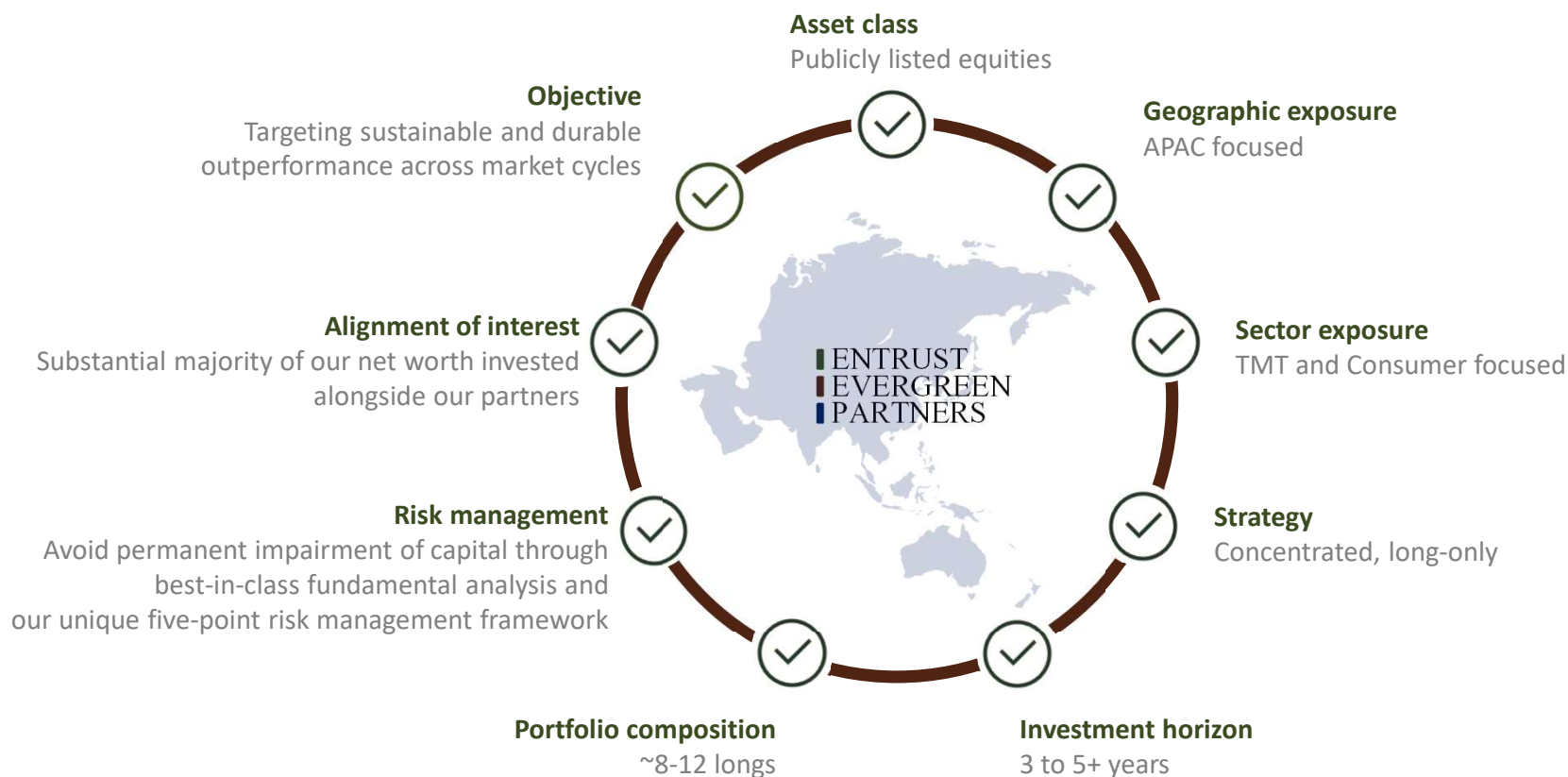
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Entrust Evergreen Partners

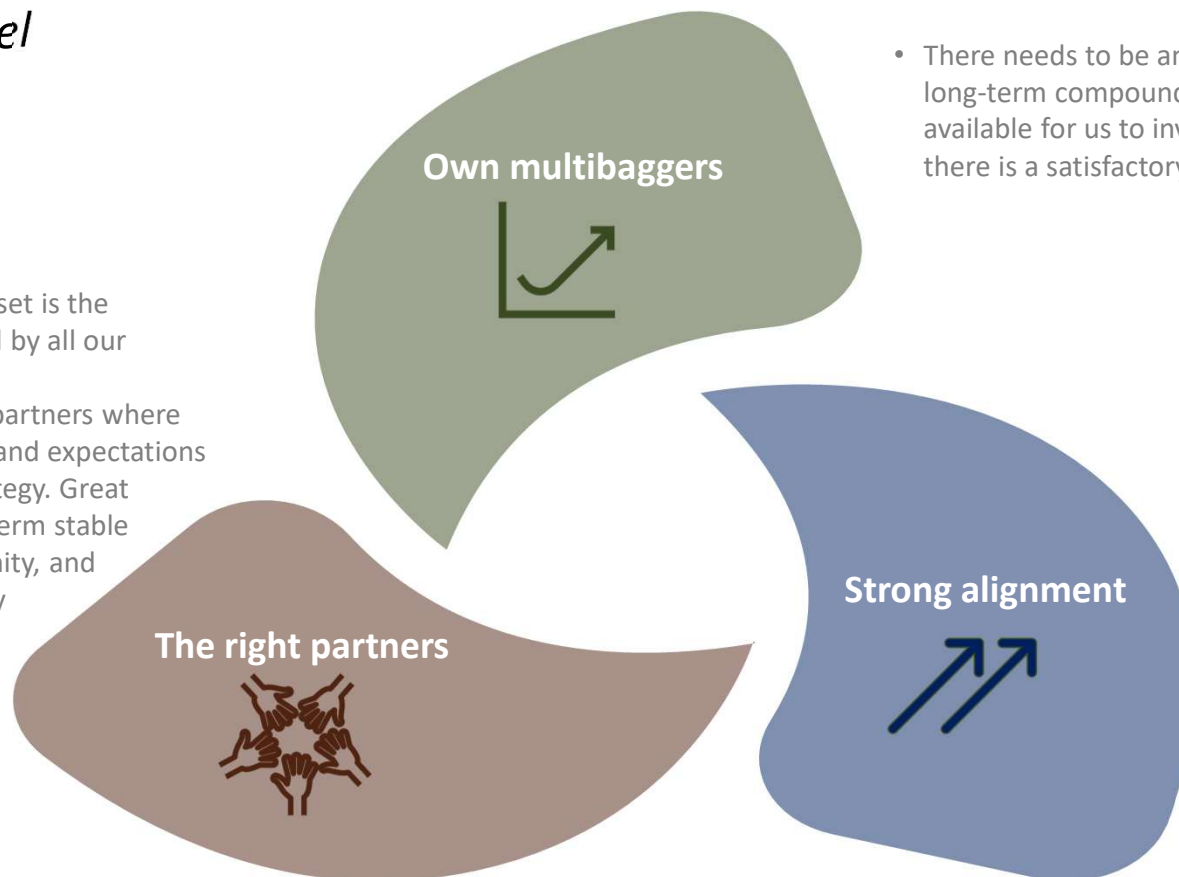
Deep fundamental, concentrated, long-term; private equity approach to public markets



Our business

Building a flywheel

- A long-term investing mindset is the baseline attribute exhibited by all our partners
- Only with having the right partners where we are aligned in interests and expectations can we execute on our strategy. Great partners will provide long-term stable capital in times of opportunity, and patience in times of scarcity

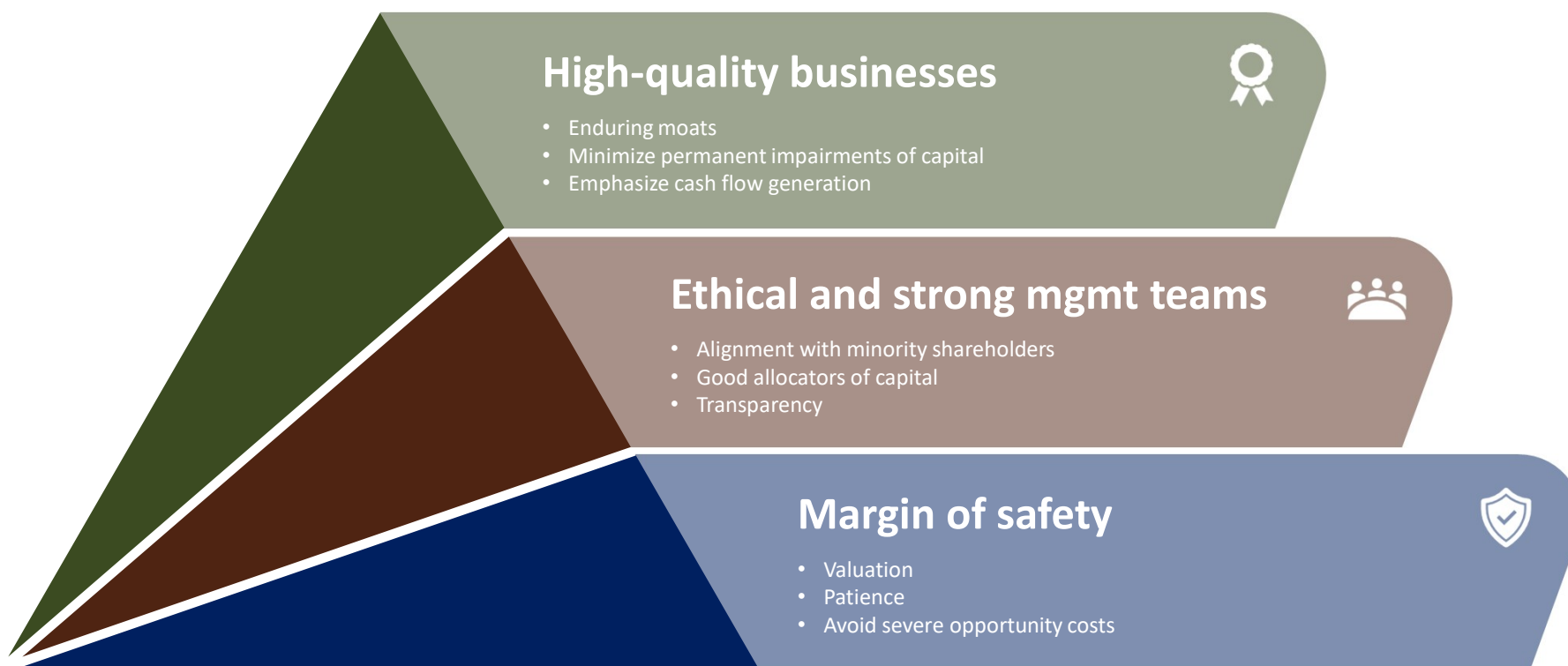


- There needs to be an underlying cohort of long-term compounding businesses available for us to invest in; we believe there is a satisfactory amount across Asia

- It is our responsibility at Entrust Evergreen to strengthen our relationship with our partners through transparency, open dialogue, and communication
- Our fee structure promotes strong alignment for all stakeholders

Our investment philosophy

Moats, management, margin of safety



Our edge

Deep fundamental work; on-the-ground diligence

Full 360-degree diligence:

- Primary on-the-ground diligence including, a) visiting assets, b) direct interaction with products and services, and c) surveys and interviews
- Speak with all stakeholders in the industry including, a) management teams, b) former employees, c) competitors (both direct and indirect), d) customers, e) suppliers, f) distributors, and g) industry experts
- Private investigative dossiers for key persons on both their a) professional, and b) personal backgrounds
- Discussions with investment participants including, a) private equity and VC firms, b) hedge funds and long only firms, and c) sell-side analysts
- Online resources including but not limited to, a) AI-related analysis, b) company reviews, c) employee reviews, d) news outlet, and e) legal and government repositories
- Proprietary analysis of big data and other statistical sources where appropriate

Hotel (China)



Paints (Indonesia)



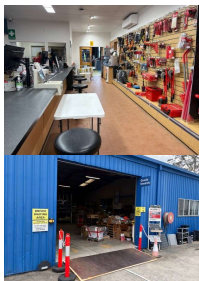
Fast food (India)



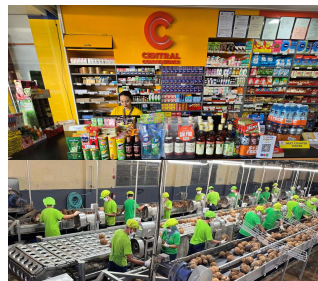
Data center (China)



Durables (AU)



FMCG (Philippines)



Tech (Vietnam)



Auto auction (Japan)

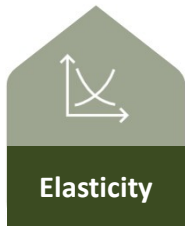


Our edge (cont'd)

Pattern recognition; what works vs. what doesn't



Misconceptions on moats in Asia



Significantly higher elasticity of demand:

- Real or perceived savings or discounts go a long way in directing consumer purchasing behavior
- Convenience sits far below price on list of priorities
- Network effects are hard to form and easily broken



Significantly higher irrational competition:

- *The War of a Thousand Groupons* (in China)
- New competitors in the food delivery and OTA market are still popping up in Asia
- The prize is so large, it may make economical sense to fight to the bitter end



Increased frequency of technological disruption:

- Fickle consumer preferences and lack of product & service loyalty results in faster tech cycles, less stuck in their ways
- E-commerce to live-streaming e-commerce
- Electronic payment systems, superapps, and miniapps

Lack of economies of scale:

- Generally speaking, Asia is the region with lower costs
- Too many companies (and other entities) with deep pockets looking to expand into adjacent sectors
 - Non-economic incentives to continue long-term operations at a loss



Risk management

Avoid permanent impairments of capital

- ① We **do not invest in companies with cross-border commerce between China and the US**. We also loop in Japan and UK into the sphere of US influence
- ② We **do not invest in SOEs**. In China they are called State Owned Enterprises (SOEs), in India they are called Public Sector Undertakings (PSUs), and in every other country in Asia they are known by a different acronym
- ③ We **only invest behind businesses that are beneficial to society**
- ④ Across Asia, business cycles happen much more frequently vs. the US. Therefore, we **only invest behind companies that can grow even during business cycle troughs**
- ⑤ Lastly, because we have a highly concentrated portfolio, **our portfolio companies are spread across different end-sectors and end-geographies**

China

Be wary of landmines

Areas of concern:

- Generally speaking, there is a lack of traditional moats:
 - Significant dry powder on the sidelines leads to overbuilding and shorter boom/bust cycles
 - Convolved competing interests (i.e. local champions receive government subsidies)
 - Highly irrational competitive intensity (i.e. food delivery)
 - High elasticities of demand results in lack of customer loyalty
- Potential risk of government intervention

Types of companies we target:

- Companies that have gone through multiple boom/bust cycles and long history of strong execution capabilities
 - H World: Has gone through two cycles of excess supply and experiencing its third today; has come out each cycle stronger
 - GDS: Is currently emerging from a cycle of acute excess supply brought on by the government's 14th Five-Year Plan
- Companies that are not in the crosshairs of the government; we want to be neutral in the eyes of the government

Domestic stimulus and road to recovery:

- For every data point that shows recovery, there is another showing continued weakness; overall market fundamentals can be characterized as stabilizing



India

Growth vs. valuation

What we like vs. areas of concern:

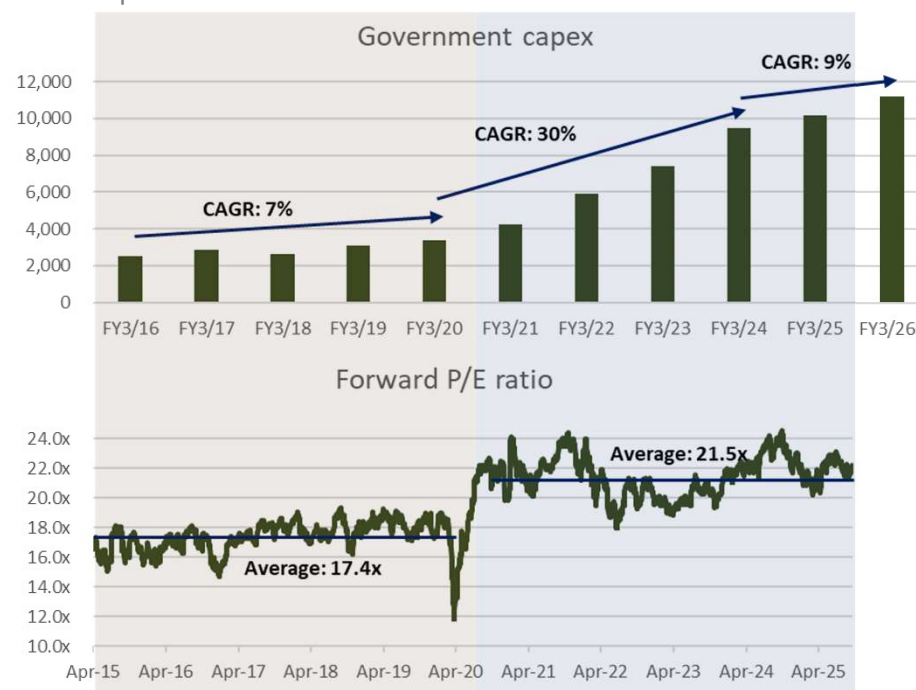
- Relative to China we like the overall lower competitive intensity in the market, which has led to good businesses experiencing high ROIC (20-40%) over the long-term, thus a premium valuations may make sense
 - That being said, high competitive intensity in new-economy sectors still exist and we are cautious of these businesses due to their high cash burn and expensive valuations (i.e. quick commerce)
- Although India has a population of 1.4b the true addressable market is significantly smaller, so we must be accurate in calculating the true addressable market for the businesses we would like to own

Types of companies we target:

- We generally prefer to focus more on traditional businesses or B2B businesses rather than the new-economy sectors which are more competitive and exhibit similar consumer purchasing behavior as China
- Businesses that can cater to as much of the India population as possible

When will value and margin of safety appear?

- The acceleration in government spending led to an acceleration in GDP growth and expansion in valuation multiples, which normalized in FY3/24; we have since witnessed a slowdown in GDP growth in FY3/25 (+6.5%, a four-year low), but without a similar contraction in valuation multiples



Japan

Fighting against headwinds

What we like vs. areas of concern:

- Overarching demographics decline is a meaningful concern relative to our thesis of finding strong long-term compounders
- The JPY depreciation since 2022 has been a significant tailwind for exporters, which may have an inverse effect if the JPY normalizes
- That said, many Japanese companies have long histories which gives us more insights into the management teams execution capabilities
- With 65% of Japanese CEOs being over 70 years old, there can be significant value unlock through a change of guard

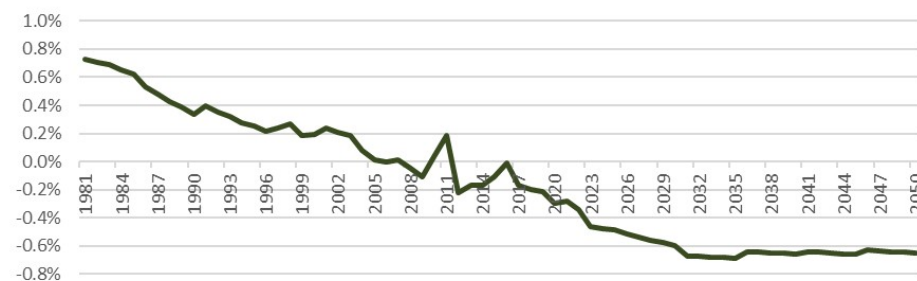
Types of companies we target:

- In light of our concerns, we tend to target the following types of companies:
 - 1) Domestic businesses that either have a stable or growing TAM, which is hard to find in Japan.
 - USS Co is a good example where overall car auction volume has remained stable due to growing international exports supporting a slow structural decline in domestic demand
 - 2) International businesses originated in Japan
 - These Japanese businesses have much better revenue/cost matching across the world, which means they did not meaningfully benefit from the depreciation of the JPY

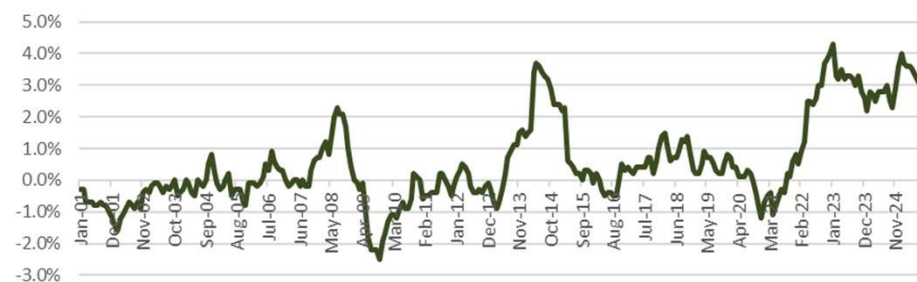
Will this time be different?

- Although Japan is experiencing its longest run of normalized inflation, it is hard to determine its sustainability as there is significant demographics pressure along with the potential reversion of the interest rate differential between Japan and the US

Population change YoY



Japan CPI YoY



Asean

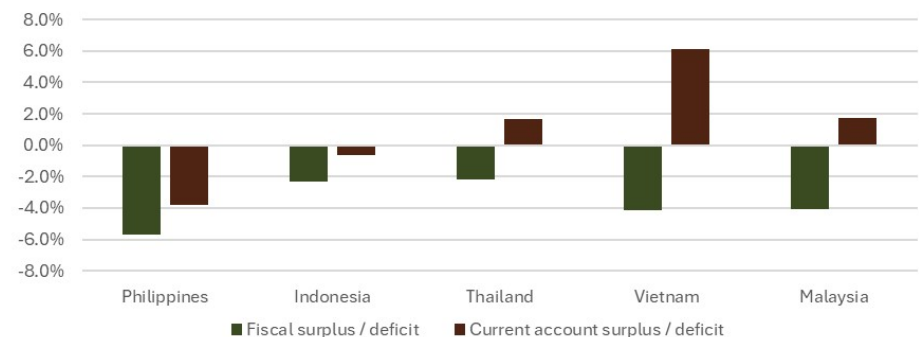
Need to find pockets of long-term growth

What we like vs. areas of concern:

- Investors tend to generalize Asean as one homogenous region with 670m population
 - Despite the large population, not all are part of the consuming class. There is a significant gap in purchasing power between the middle-income and lower socioeconomic classes, significantly limiting the true addressable consumption population
 - Competitive intensity from foreign companies are high (especially from China), which adds significant pressure to domestic companies
 - Need to distinguish structural vs. cyclical trends and most importantly cyclical trends that disguise themselves as structural
- But every country has its own idiosyncrasies, areas of optimism, and cause for concern
 - Heightened political instability: Indonesia, Philippines, Thailand
 - Demographic tailwinds: Indonesia, Philippines, Vietnam
 - Demographic headwinds: Thailand
 - Geographic difficulties: Indonesia, Philippines
 - Emerging markets: Indonesia, Philippines, Thailand, Malaysia
 - Frontier market: Vietnam
 - Tariff concerns: Thailand, Malaysia
 - Twin deficits: Indonesia, Philippines

Types of companies we target:

- We lean heavily on our five-point risk management approach
- Currently we have no exposure here, but firmly believe that will change over time as we are currently monitoring a few businesses which we see significant long-term potential with – waiting for the appropriate margin of safety
- As discussed in further detail in our 1Q25 letter, we want to find companies that benefit the most amount of people, allowing us to tap into the full population within a country



Appendix: Case studies



Case study | GDS (GDS US)

GDS 万国数据 *Leading data center provider in China*

Leading carrier-neutral datacenter provider in China founded in 2001.
95+ datacenters with over 95% in Tier-1 cities.
Customers include all large China internet companies.
GDS has secured the scarce resource of both land and power to provide for at least the next 5 years of expected growth in demand.

Entrust advantage

We have been tracking this business since IPO in 2016. Through our deep understanding of the US datacenter landscape and the evolution of the industry's value-add, we believe GDS is primed to be the leader in China and over-time will be central in China's shift to the cloud.

Management Quality

- Founder and CEO, William Huang, founded GDS in 2001 and has built the business into the #1 carrier-neutral player in China.
- Dan Newman, CFO, has been with GDS since 2011 and has been instrumental in helping GDS to raise capital and build its lead over its undercapitalized competitors.



Thesis

- GDS is the largest player with ~10% market share in the China datacenter market of ~RMB100bn.
 - Based on pricing, traffic, and population, we believe that the Chinese datacenter market can grow to 2-4x the size of the US market or 5-10x its current size.
 - Through our deep diligence, GDS is the clear market leader and the go-to datacenter provider for all large China internet and cloud companies.
- Due to GDS's investment on long-term growth, its normalized earnings power is hidden beneath significant growth capital expenditures. Peeling back the onion, GDS's valuation based on normalized earnings power results in a FCF yield that is multiple times higher vs. its US peers.



Case study | USS Co (4732 JP)

Leading B2B auto auction platform in Japan

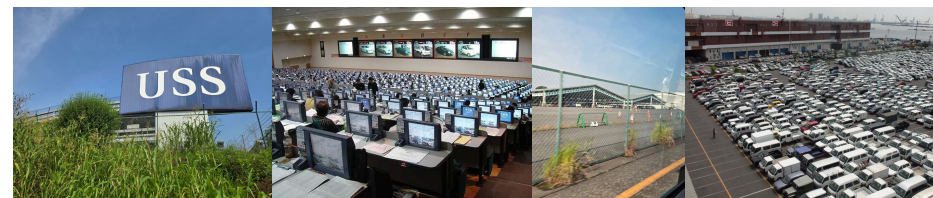
Leading B2B auto auction platform in Japan founded in 1980.
40% market share across 19 auction houses across Japan.
Market share gainer for over two decades.
USS has an incredibly shareholder friendly management focused on both shareholder returns and return on invested capital (ROIC).

Entrust advantage

We derive our conviction on USS through our pattern recognition and experience with used car auction houses in the US (i.e. Manheim, Adesa, Openlane (fka. KAR), etc.) coupled with our proprietary data which has daily auction data going back for more than ten years.

Management Quality

- USS's management team has a keen understanding of ROIC and in each quarterly presentation outlines their current ROIC and ROIC targets.
- USS has been paying out dividends and increasing it each year for the last 25 years.
- In addition, they have been opportunistically repurchasing shares since 2005, something that is practically unheard of in Japan's public markets landscape and only recently gaining traction.



Thesis

- Auction houses are the original marketplace business and benefit from a virtuous flywheel effect; USS has grown market share consistently for over two decades.
 - Size begets size for physical auctions. Selling dealers want to bring their unsold inventory to the largest auctions where it will get the most eyeballs and most likely be sold. Buying dealers want to attend the largest auctions to have the widest variety of vehicles to purchase and bring back to their local markets.
- Demonstrating strength through price increases.
 - Over the last 15 years, USS has been successful in raising prices for each of its different fee categories by 1-2% per year; to achieve such price increases in a long-term deflationary backdrop highlights USS's pricing power and value-add to its constituents.

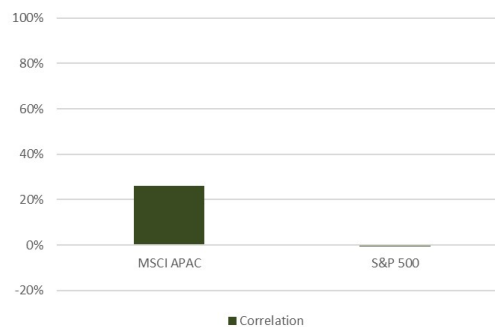
Appendix: Portfolio performance

Net returns summary*

		Jan	Feb**	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD**	ITD**
2025	Entrust Evergreen	-0.7%	+14.3%	-5.8%	+0.7%	-1.8%	+7.5%	-0.5%	+4.1%					+17.8%	+55.7%
	MSCI APAC	+1.4%	-0.3%	-0.3%	+2.7%	+4.8%	+4.4%	+1.1%	+3.1%					+18.1%	+31.0%
	Alpha	-2.1%	+14.6%	-5.5%	-2.1%	-6.5%	+3.1%	-1.6%	+1.0%					-0.3%	+24.8%
2024	Entrust Evergreen		-0.1%	+1.0%	+4.2%	-5.4%	-3.7%	-1.0%	+13.1%	+20.1%	-5.3%	+2.8%	+5.3%	+32.2%	
	MSCI APAC		+3.5%	+2.7%	-1.4%	+1.7%	+2.3%	+2.0%	+1.7%	+5.1%	-4.6%	-1.3%	-0.9%	+10.9%	
	Alpha		-3.6%	-1.7%	+5.6%	-7.1%	-6.0%	-3.0%	+11.4%	+15.1%	-0.7%	+4.1%	+6.2%	+21.3%	

Correlation:

- Our portfolio exhibits low correlation to our benchmark while exhibiting almost none with the S&P 500



Note:

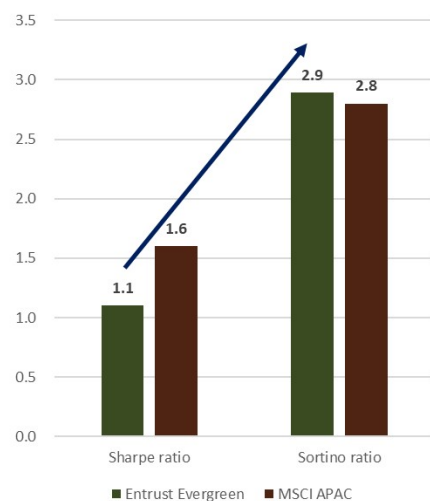
* Entrust Evergreen Partners Fund Limited Series B shares returns net of 1% management and 10% performance fees.

** YTD and ITD return metrics refer to inception-to-date starting February 7, 2024.

Net returns analysis*

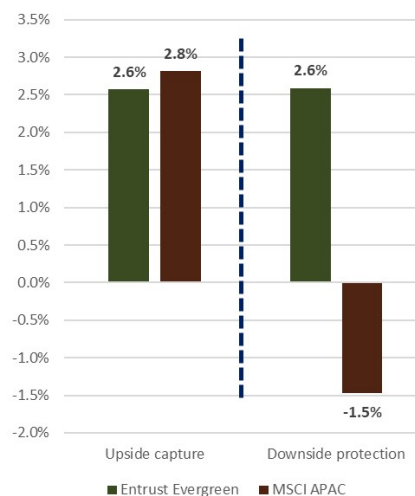
Portfolio ratios:

- Although our Sharpe ratio is below MSCI APAC, our Sortino ratio shows that most of the volatility is to the upside



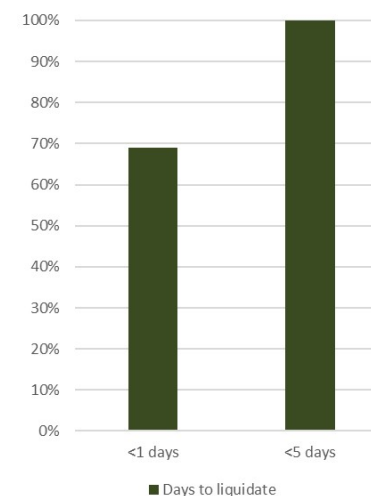
Upside downside:

- Our performance is in-line during months when MSCI APAC is positive and our downside is protected during months where MSCI APAC is negative



Liquidity analysis:

- Using 20% of ADTV we can liquidate our entire portfolio within 5 trading days, providing us with ample liquidity



Note:

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