



## BLACKHORSE ASIA FUND

The Blackhorse Asia Fund (BAF) is a specialized Asia ex-Japan long/short fund that seeks to capitalize on Asian growth while managing the inherently higher volatility present in the region's equity markets. The Fund targets a 16% annualized return, while minimizing risk through implementing short and other hedge strategies, as it deems appropriate. The Manager seeks to anticipate change and capitalize on large pricing anomalies.

### MANAGER

John Engle, CFA

### GENERAL INFORMATION <sup>1</sup>

Management fee: 1.75%  
 Performance fee: 20%  
 Currency: US Dollar  
 Min investment: US 500,000  
 Subscription: Monthly  
 Redemption: Monthly  
 Lock-up: None  
 Prime broker: Goldman Sachs  
 Administrator: HSBC  
 Firm Assets<sup>2</sup>: USD 113mn

### FUND DETAILS

Month Return: 0.05%  
 Month Volatility: 9.6%  
 Long/Short Strategy  
 Assets<sup>3</sup>: USD 4.5mn  
 No. of companies: 43  
 No. of positions: 20

### BLACKHORSE ASSET MANAGEMENT

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# Newsletter – February 2009

The Blackhorse Asia Fund NT gained 0.05% in February despite a 6.61% fall in the MSCI Asia ex-Japan Index (MXASJ) made possible through both the Fund's positioning, with net averaging -22% over the course of the month, as well as meaningful performance contributions from a number of our largest holdings. Volatility was 9.6% compared with 30.4% for the MXASJ.

As mentioned in the January update, our recent research efforts have been focused on the smaller ASEAN markets where the recent turmoil has, in our view, resulted in particularly pronounced pricing anomalies. These efforts were rewarded in February with 0.6 ppt of performance coming from a short position in Vietnam (made through CFDs), a 0.5 ppt contribution from shorts in the Philippines, and significant contribution on the long side from an Indonesia commodity play. The Indonesian commodity play is a nickel producer whose growing earnings contribution from gold production has until now been largely ignored by the market, making it an excellent play on the ongoing resurgence in the gold price.

One of our key shorts tied to our negative view on China consumption (discussed in previous monthly updates) was also a major contributor in February, adding 0.8 ppt of performance and 0.4 ppt of alpha. We covered this position after negative same store sales data points of this department store caused the share price to fall sharply.

During the course of February we took on two relatively large positions, one long and one short, related to a prospective M&A event in the Philippines that has been playing out favorably for the Fund thus far in March. At the time of writing the fund is in a net long position, having covered several shorts in China and Korea and added to longs in Hong Kong and Korean financials.

### BAF NT HISTORICAL RETURNS\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2003					2.41	4.06	4.36	11.27	12.92	0.22	-2.55	13.44	54.82
2004	0.3	10.42	3.27	1.74	-7.20	-6.26	0.24	-0.75	5.18	2.13	9.47	-1.14	17.07
2005	10.83	5.06	-3.01	-3.21	0.32	-1.22	4.87	-5.1	-0.5	-2.51	3.4	1.85	10.12
2006	0.84	-0.82	1.22	4.28	-2.64	-1.71	3.03	0.98	0.99	3.01	4.94	0.19	14.94
2007	4.63	4.52	1.03	5.69	1.53	2.93	5.55	-7.89	4.94	0.90	-5.98	-2.10	15.64
2008	-1.67	-4.41 <sup>4</sup>	-10.29	0.40	0.27	-4.01	-4.46	-0.68	-8.28	5.76	-0.05	-8.12	-31.12
2009	-5.92	0.05											-5.87
	Since Inception :												72.02

### ASSET ALLOCATION \*\*

Sector	Long	Short	Net
HK / China	3%	-16%	-13%
India	0%	0%	0%
Indonesia	10%	-6%	3%
Malaysia	2%	-7%	-5%
Philippines	1%	-3%	-1%
Singapore	8%	-8%	1%
South Korea	10%	-15%	-5%
Taiwan	2%	0%	2%
Thailand	1%	0%	1%
Vietnam	0%	-4%	-4%
Total	37%	-59%	-22%

Sector	Long	Short	Net
Consumer	12%	-22%	-11%
Financial	7%	-20%	-13%
Industrial	18%	-16%	2%
Others	1%	-1%	0%
Total	37%	-59%	-22%

\*\* Average Weighting for the month

### PERFORMANCE STATISTICS

12-month rolling return (%) -31.12      12-months rolling volatility (annualized %) 16.4  
 Since inception return (%) 72.02      Volatility-to-date (annualized %) 15.1

\* Performance from 5/12/2003 through 1/30/2009. The Manager is responsible for the preparation and presentation of the Fund's non-Tech investment performance information. The Manager engaged KPMG in Singapore to undertake certain Agreed Upon Procedures to independently check the Manager's compilation of the Fund's Non-Tech investment performance information. The Agreed Upon Procedures work undertaken by KPMG was solely for the use and benefit of the Manager. At the formal request of investors, a copy of the Agreed Upon Procedures report may be made available for investors' perusal at the Manager's registered office. Notwithstanding that this report is made available to investors, it should be noted that KPMG accepts no liability and assumes no responsibility for any other purpose or to any person to whom the Report is shown to or in whose hands it may come other than the Manager. Investment results prior to March 1, 2008 represent performance net of accrued expenses but before management and performance fees. Investment results shown after March 1, 2008 are calculated net of all trading expenses and fees, and have been provided by the Fund's administrator. For comparison purposes only. Past performance cannot guarantee future results.

- (1) This document does not constitute an offering of the Fund, which can only be made to qualified investors by means of the private placement memorandum, which describes, among other things, the risks of making an investment in the Fund.
- (2) After performance fees; Includes US\$4mn in The Blackhorse Asia Fund (BAF NT), \$0.5mn in a segregated account managed in the same long/short style as BAF NT, US\$79mn in our long-only absolute return product, The Blackhorse Emerging Enterprises Fund, US\$17mn in The Blackhorse Enhanced Vietnam Inc. (BEVI), and US\$12mn in The Blackhorse Early-Stage Technology Fund.
- (3) Includes US\$4mn in The Blackhorse Asia Fund NT (BAF NT) and \$0.5mn in a segregated account managed in the same long/short style as BAF NT.
- (4) Feb 2008 performance was retroactively adjusted, from -4.09% to -4.41%, to exclude tech positions.