OAM Asian Recovery Fund
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OAM Asian Recovery Fund

20th January, 2026

Dear Fellow Shareholder,

The Fund's NAV/share rose by 9.5% last year compared to the MSCI Asia ex Japan (US$) index, the Fund's benchmark, which increased by 29.6%. During the 27 years since inception, the Fund's NAV increased more than 17-fold, compounding at 11.1% per annum, while the MSCI Asia ex Japan (US$) index rose nearly 4.5-fold, compounding at 5.7% per annum inclusive of dividends. The benchmark figures used for comparison do not include dividends. However, we estimate that if dividends (net of withholding taxes) are included, the benchmark's return would increase by around 2 percentage points per annum. We added a second basis of comparison starting a few years ago: the Fund's investment return compared to the most comparable, highly liquid Exchange Traded Fund (ETF) with a long history as a passive alternative. We selected the iShares MSCI Asia ex Japan ETF (AAXJ). Last year, AAXJ returned 30.8% inclusive of dividends, net of withholding tax.

Although the Fund's absolute return last year was respectable, its performance relative to the benchmark index and comparable ETF was disappointing. We did a lot of soul searching to understand why our Fund's performance lagged by so much last year and did not identify any obvious mistakes. The reasons all relate to our Fund deliberately looking very different from the benchmark or ETF. In the Fund's Offering Memorandum, we state that the Fund will "favour funds which invest in smaller and medium sized companies and companies which serve Asian consumers". Last year, most of the gains were generated in the technology sector (where we have low exposure) which comprises more than 30% of the benchmark, while the consumer staples and consumer discretionary sector which account for more than half the Fund's underlying investments delivered very low returns. Those latter two sectors account for 16% of the benchmark.

Another reason for our disappointing relative performance was geographic allocation. Following the Ukraine invasion, and taking consideration of the risk of a Taiwan invasion or blockade, the Fund added an investment restriction in 2022 to "not have more than 40% of the Fund's assets be invested in each of the following three geographic areas (1) Greater China, consisting of China, Hong Kong and Taiwan; (2) the Indian sub-continent consisting of India, Pakistan, Bangladesh and Sri Lanka; and (3) the rest of Asia, comprising primarily the ASEAN region. Since more than 60% of the benchmark is comprised of equities in China, Hong Kong and Taiwan, it is unavoidable that we will underperform when these markets are much stronger than Indian and ASEAN markets. This is a price we are willing to pay in terms of possibly sacrificing returns in order to mitigate risk. The scorecard last year for Asia ex Japan's principal markets in which we invest is shown in the following table. Though we had our maximum permissible limit of 40% of the Fund's assets invested in Greater China throughout last year – slightly more at year end which we are rectifying, we simply could not keep pace with the returns of those markets given the much lower returns in India and ASEAN.

Country	Index	Market return	Currency return	USD return
Hong Kong	Hang Seng	32.5%	-0.3%	32.2%
China	CSI 300	21.0%	5.4%	26.4%
Taiwan	TAIEX	29.4%	5.7%	35.1%
South Korea	KOSPI	78.7%	4.0%	82.7%
India	SENSEX 30	10.5%	-5.3%	5.2%
Singapore	Straits Times	28.8%	8.1%	36.9%
Thailand	SE Thai	-6.0%	8.4%	2.4%
Malaysia	KLCI	6.6%	10.9%	17.5%
Indonesia	Jakarta Comp	26.9%	-4.0%	22.9%
Philippines	PSEi	-4.1%	-1.5%	-5.6%
Vietnam	Ho Chi Minh	43.2%	-4.4%	38.8%

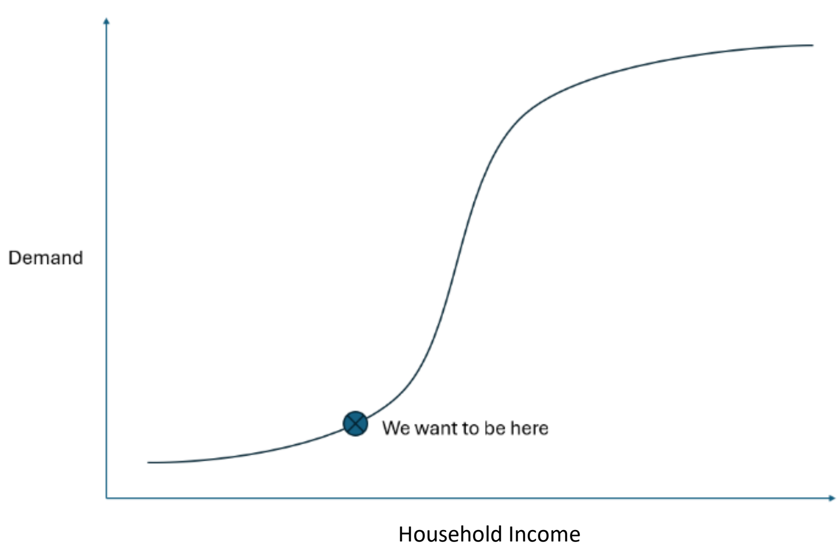
Over the long-term, the Fund has done an exceptional job for shareholders in adding value. Consider that roughly 90% of fund managers and funds fail to beat the benchmark and comparable index ETF over 10 years. We have done it, and by a wide margin, for two decades in a row and are confident that we can do it for a third, even though we are only barely ahead so far this decade. A couple of points to note about the table below. One is that it does not factor in investment management fees (estimated over the long-term at about 1.25% to include performance fees when earned) versus the passive alternative in terms of price return plus dividends net of withholding tax. The other is that AAXJ's inception was in 2008 so we calculated its hypothetical returns prior to inception by using the benchmark and factoring in its 0.70% expense ratio and 30% withholding tax on the dividends it pays. For multi-year periods the returns are annualised.

Period	1999	2000-09	2010-2019	2020-2025
OAM Asian Recovery Fund	69.7%	13.5%	7.6%	5.7%
AAXJ	62.9%	4.5%	4.2%	5.1%

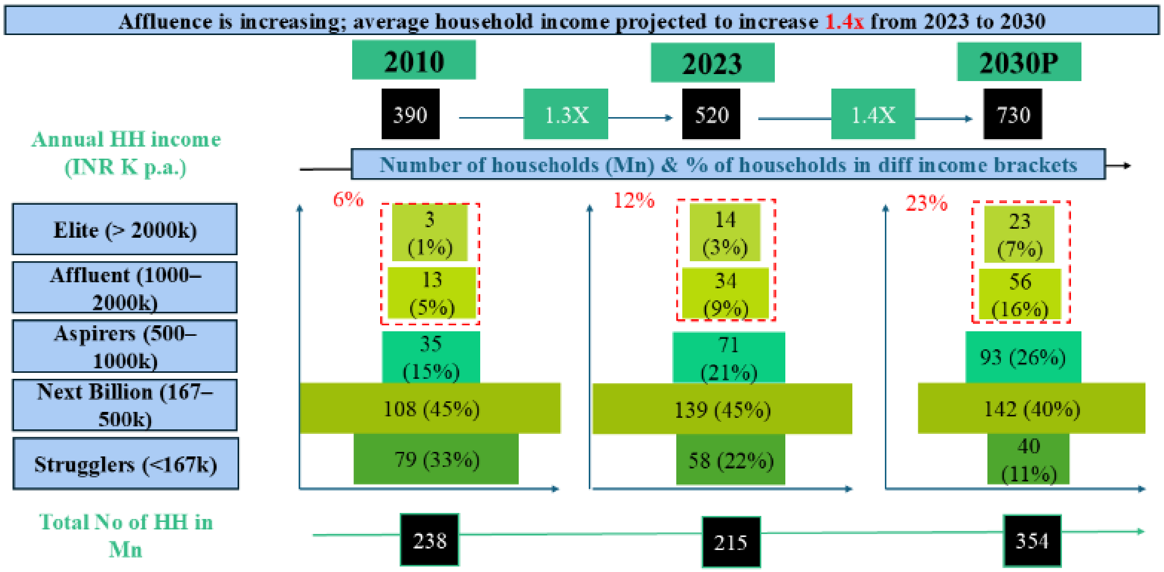
Investment sentiment towards Asia remains broadly negative. We view this positively. In contrast to US households which hold a record proportion of their assets in equities, Asian retail investors and domestic pension funds have very little exposure to equities and foreign investors are largely absent from the region's equity markets. This is slowly changing.

In India, retail investors are moving away from their focus on gold, property and bank deposits and are starting to allocate monthly savings to SIPs, akin to 401K plans in the US. Last year, foreign investors sold about $20 billion of Indian equities, but this was more than offset by monthly allocations to SIPs by retail investors. In our view, foreign selling of Indian equities is in part due to the 12.5% capital gains tax on the sale of equities. This is the only market globally in which we invest that levies capital gains tax at the fund level and it results in an unfair outcome for commingled investment vehicles which is why no other country in which we invest has done so. India's economic and fiscal policy developments during the past 10 years have generally been excellent, and we think this is a rare misstep that was taken in 2018 which we think is ultimately likely to be reversed. Whether the pain of Indian equities suffering its worst underperformance relative to the MSCI Emerging Markets index in three decades, and the Indian rupee being one of the worst performing currencies in the world last year, are sufficient to prompt such a reversal we do not know. If or when it happens, we expect foreign investment in Indian equities to increase significantly which would boost its equity market.

I have been going to India more or less annually for more than 20 years and have witnessed the breakneck speed of growth and vast improvement in living standards through my own eyes. One reason why we focus on companies serving the burgeoning consumer is the following point which most investors seem to miss. Median annual household income in India has been growing in real terms by about 6% per annum in USD. When real household income goes up by a third over five years, the number of elite, affluent and aspiring households earning more than a certain amount (shown by the vertical line on the first chart below) does not increase by a third. It increases by a multiple of that growth. The entire bell curve shifts to the right, and the proportion of households earning more than a certain amount is determined by the area under the bell curve. Hence the S curve of consumption that we see in rapidly growing emerging markets. This is an important reason why MakeMyTrip, India's leading online travel booking portal, has been a much better investment than Britannia Industries, India's leading biscuit brand, over the past three years.

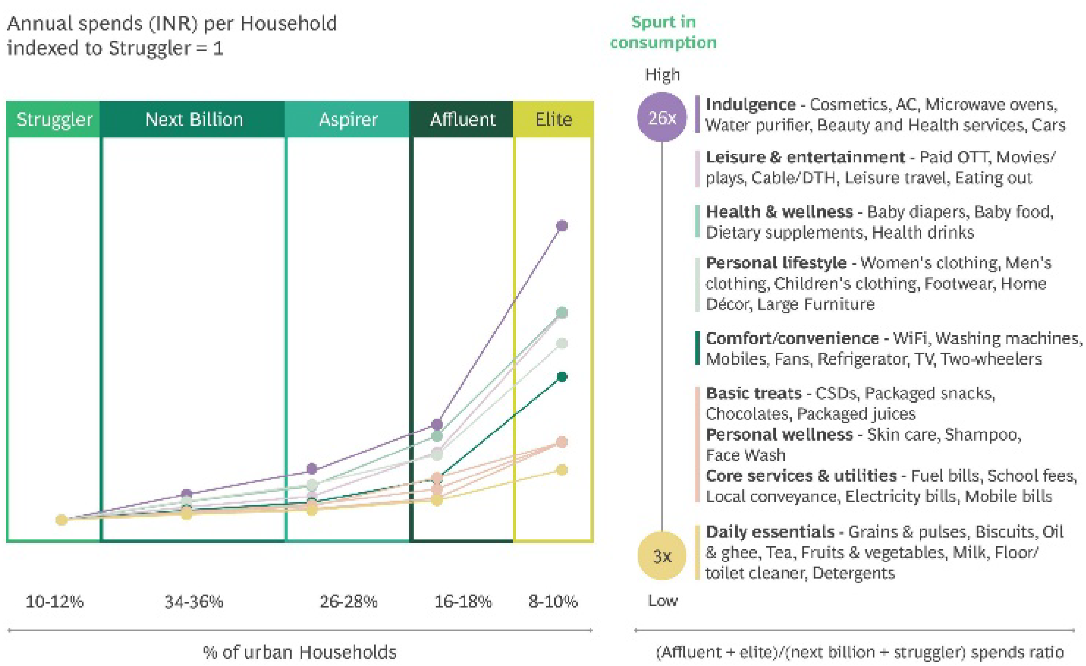


Income increase driving consumption



Source: BCG, EIU, World Bank

Consumption drivers vary significantly across categories

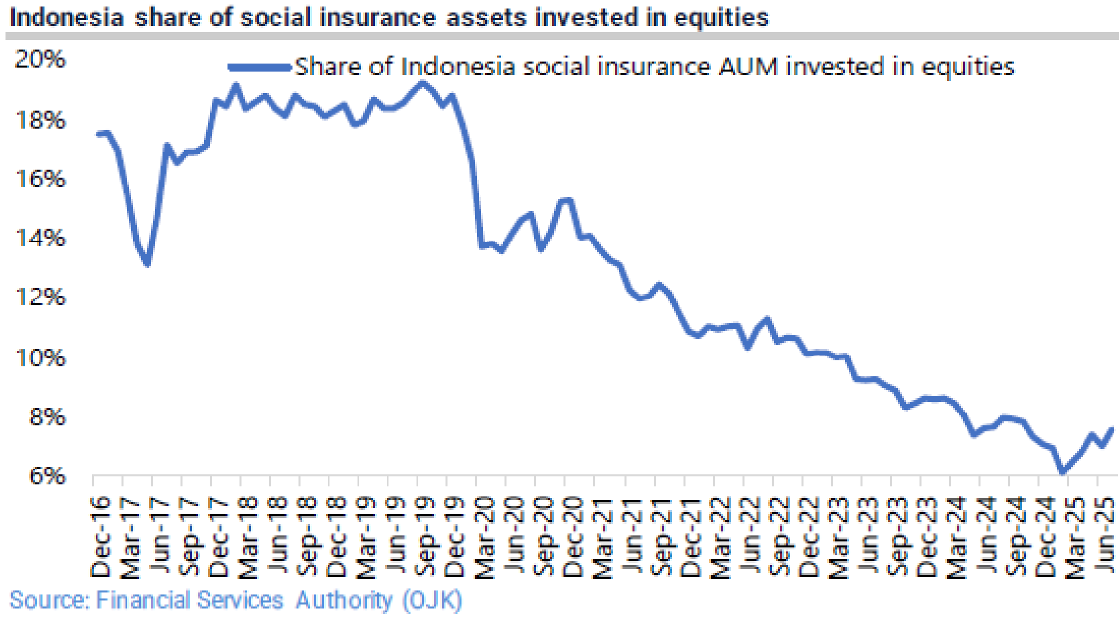


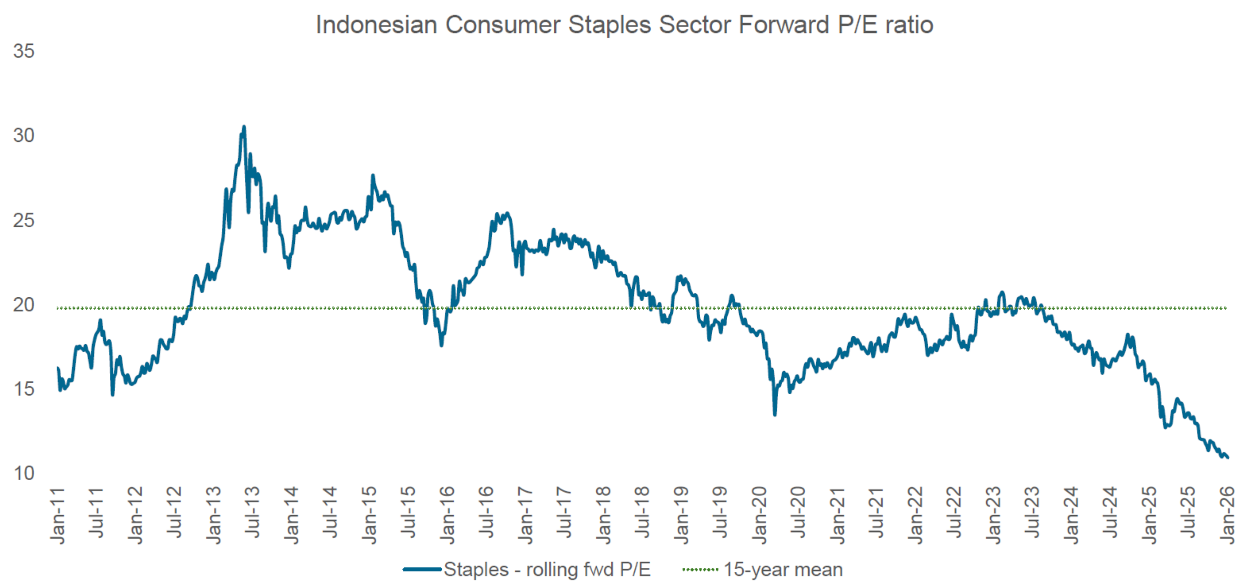
Note: Struggler - <1.5 Lakhs per annum, Next billion – 1.5 to 5 Lakhs per annum, Aspirer – 5 to 10 Lakhs per annum, Affluent - 10 to 20 Lakhs per annum, Elite - >20 Lakhs per annum; Spends refer to total spends (penetration X frequency of purchase X average price per occasion)
Source: BCG India CCI Category Consumption Survey 2022-23

Returning to the case for MakeMyTrip, amongst our largest Indian holdings on a look-through basis. Around 10 years ago Mumbai's international airport terminal was a Third World shambolic chaos. The new terminal that they built 10 years ago is now at 100% capacity, so much so that when we checked in at 2.00am for a 4.00am flight, the terminal was jammed to capacity. Next year, when we arrive in Mumbai, we are likely to arrive at their new airport which is currently nearing completion. India opened more than 70 new airports last year – more than one a week – and the country's airlines have a massive order book of new jets. Nearly all the travelers we saw at the airport were Indians. This is a testament to the rise of India's travelling class.

Turning to China, for decades, Chinese households concentrated savings in property, with real estate accounting for more than 60% of household assets at its peak, supplemented by massive bank deposits. Property sector weakness seems to be shifting Chinese individuals' attitudes towards equities which comprise only about 5% of their household assets. The introduction of private pension products, the so-called third pillar of China's retirement system, has opened a new channel for household wealth to flow into capital markets. By 2030, annual inflows into China A-shares from private pensions is estimated to increase roughly 10-fold to over RMB 1 trillion. China is slowly losing its uninvestible label and remains one of the most under-owned markets globally - see this excellent commentary by Louis-Vincent Gave at Gavekal Research: US_Exceptionalism_Versus_Chinese_Uninvestibility_Part_I.pdf. In November, we spent time in Chengdu and Guangzhou visiting companies and households. The main takeaways from our time in China were the high living standards of Chinese middle-class households, their attitude towards savings, the country's incredible infrastructure, their global lead in manufacturing and technology, and most importantly from an investment perspective, the stark undervaluation of the currency. Everything from hotels to restaurants, transport and clothing is very cheap across Asia, particularly relative to the US, but nowhere is this contrast more extreme than in China. Based on what we saw and experienced in China, the RMB seems poised to appreciate significantly in coming years. How long China's central bank will be able to hold back the tide of RMB appreciation is hard to decipher, but the currency's extreme undervaluation is reminiscent of the Japanese yen's undervaluation in the early 1980s prior to the Plaza Accord.

As for ASEAN markets, they are almost completely off foreign investors' radar screens. Even domestic retail and institutional investors are shunning ASEAN equities at a time when valuations of some of these markets, most notably Indonesia and the Philippines, are at valuation levels last seen during the Global Financial Crisis as the charts below for Indonesia show.

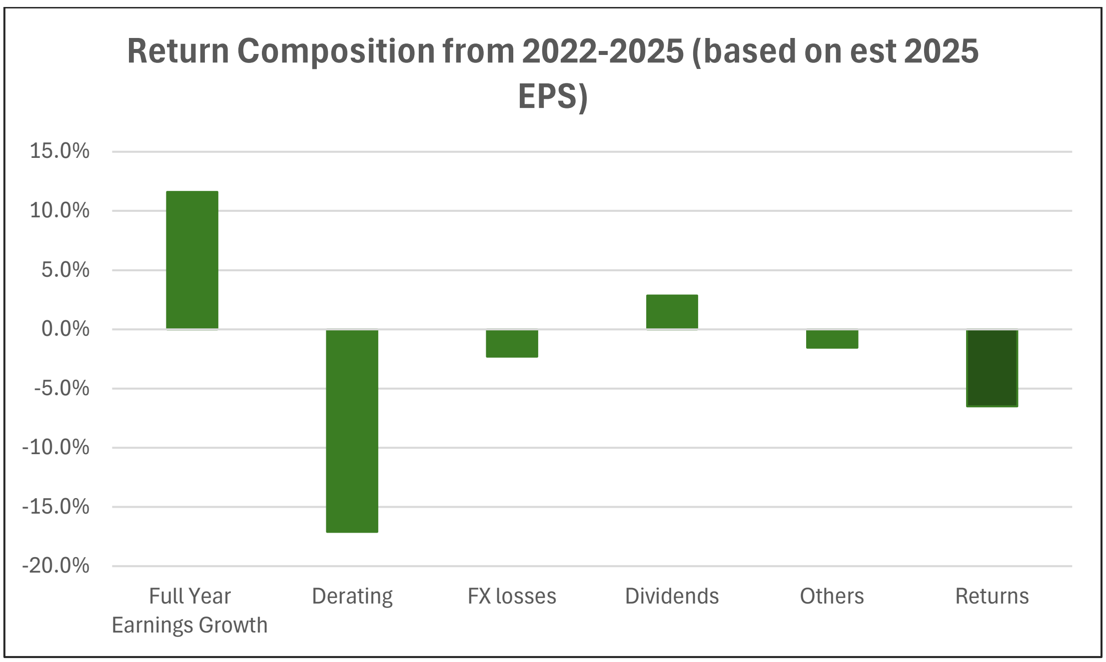




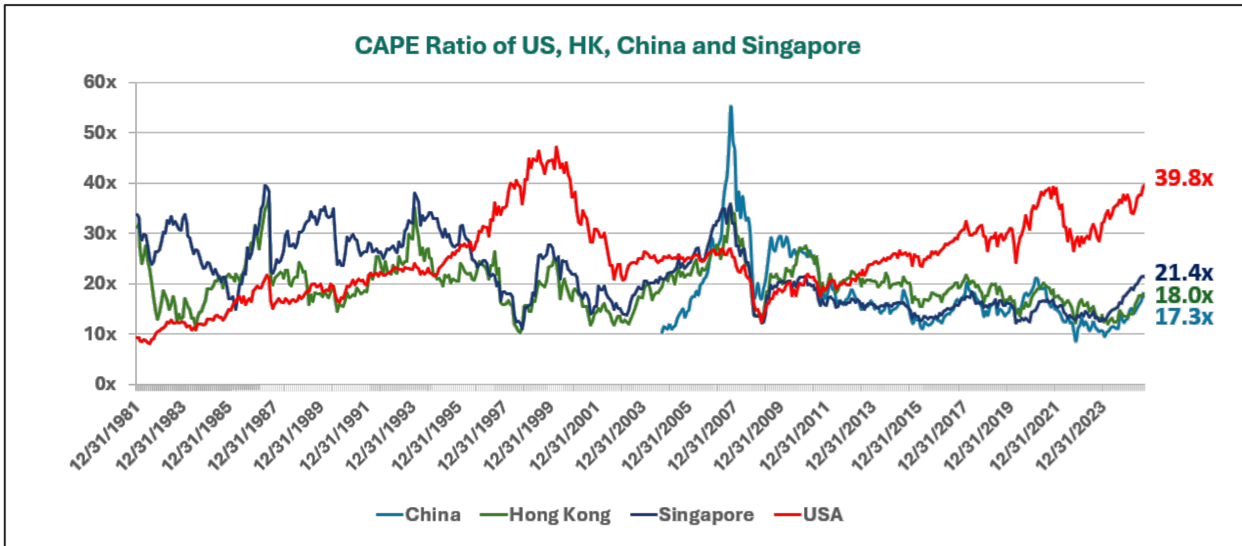
Most ASEAN markets, not just Indonesia, have been massively de-rated and in aggregate now have a total market value less than the value of America's largest company. This highlights the ridiculous US market concentration where the market capitalization of the top 10% of US stocks now account for 78% of total US stock market capitalization which is higher than the two previous peaks of 75% and 73% during the Great Depression and peak of the Dot Com bubble (which bodes poorly for investors who have crowded into S&P 500 equities). It also shows that one can now buy all listed stocks in the ASEAN region for less than the value of Nvidia which is valued at 24 times trailing 12-month sales, not earnings.

In prior client newsletters, seminars and Chairman's statements, we have explained the decomposition of returns for equity markets and portfolios. The formula is as follows: Total Return = Earnings per share (EPS) growth + Dividend yield net of withholding tax +/- P/E re/de-rating +/- Currency re/de-valuation or more accurately ((1+ each factor) multiplied) -1. One of our investments is in a fund that invests purely in steadily growing, high return on equity (ROE), low debt or net cash companies serving ASEAN consumers. It is typical of the vast majority of our Fund's underlying investee companies, albeit this one invests just in ASEAN which has been most savagely de-rated during the past 4 years. According to a recent FT article, quality companies in emerging economies with these characteristics underperformed their benchmark indices by 17 percentage points last year, the largest margin of underperformance in history. Historically, these quality companies have significantly outperformed their benchmark indices which shows what an outlier 2025 was for such companies' share prices. This is the other principal reason for our Fund's underperformance versus its benchmark last year.

The following chart shows the disaggregation of annualized returns for this fund from 2022-25 so it excludes the 2021 rebound in earnings after COVID. The result of the huge P/E de-rating is that this fund is trading at less than 11x earnings and a more than a 5% dividend yield (before withholding tax which is at a low rate) for a portfolio of mostly net cash businesses generating a weighted average return on capital employed (ROCE) of over 30% with steady EPS growth of 10-15% per annum. That fund's valuation metrics have never been this cheap during its 15-year history.



We think there are many similarities between today's AI boom and the internet boom 25 years ago. One similarity is that US equities are very expensive, while Asian equities are moderately valued, as they both were in 2000. Irrespective of what happens to high-flying AI and technology companies with sky-high valuations, we are confident that our Fund is likely to provide our shareholders with high returns over the next 5 years. Today, our Asian Fund feels somewhat like our European fund did a year ago before generating one of its highest ever annual returns last year. As we pointed out a year ago, the holdings in our European fund generated very respectable earnings growth and dividends whilst generating pedestrian returns due to P/E de-rating and currency devaluation. The same pertains in Asia. The following chart, courtesy of Barclays, shows how the Cyclically Adjusted P/E (CAPE) of US, Hong Kong, Singapore and China equities has changed over time. Over the decade from 2000-09, following a similarly large divergence in valuations between Asian and US equities, OAM Asian Recovery Fund's NAV compounded at 13.5%/annum whilst investors in S&P 500 ETFs lost money.



Source: Barclays; Robert Shiller
Note: Data as of October 31st, 2025; China CAPE ratio data available from October 31st, 2004

US equities have been the only game in town for the past 15 years. After such a spectacular run, US equities are ultra expensive and priced to deliver poor subsequent returns. Equities have a demand curve unlike that of anything else. When prices are cheap, you can hardly give them away, and when they are expensive, speculators are clamoring to buy them. As Chris Wood at Jefferies points out, emerging market economies now account for more than 40% of global GDP, double its share 25 years ago, yet they only account for barely more than 10% of global equity indices. This anomaly makes little sense and leads us and other sensible investors we admire to conclude that emerging market equities should deliver very attractive returns in coming years after a long slumber that ended a year ago.

During the year, the Fund received $12.5 million in subscriptions and paid out $13.8 million in redemptions. The Fund currently has net assets of $326 million, and $28 million in cash which is higher than normal because we have been advised of pending redemptions by two large clients.

I, along with other directors and employees at OAM, subscribed for more shares in the Fund early last year. The Directors and their spouses, employees of the Manager and their spouses, either directly or indirectly through holding companies or trusts, now own 29% of the Fund's shares. Such a huge alignment of interest is unusual in our industry.

Last year, we were forced throughout the year to sell holdings that had primarily Greater China exposure in order to keep our geographic exposure there around our 40% upper limit. We sold our remaining holdings in China Yangtze Power and Value Partners Taiwan Fund for around $2 million each. Both proved to be very good investments during their holding period. We also significantly reduced our exposure to Cosco Shipping International which has been a homerun, raising nearly $4 million. In August, we redeemed $10 million from one of our fund investments to raise cash for a pending redemption.

In September, Claire Barnes called me to discuss her plans for retirement. Claire is an old friend and we share common interests. She has done an incredible job. In the nearly 23 years that we have been an investor in her Apollo Asia Fund, its NAV per share increased 18x! Claire owned nearly 60% of the fund's shares, the kind of uncommon alignment of interest that we seek. She is giving Apollo's shareholders the opportunity to redeem their shares or continue as investors with management of the fund passed to Ascender Capital Management in Hong Kong since 1st December. I have followed Ascender for about 7 years and spent time with them in Hong Kong in November. Our Fund redeemed $14 million from Apollo Asia Fund on 1st December and is retaining an investment of about $8 million in that fund under Ascender's management. We salute Claire for a job very well done and wish her well in retirement, pursuing her interests in marine biology, environmental protection and philanthropy, as well as keeping up with and understanding geopolitical changes.

With knowledge of the pending receipt of redemption proceeds from Apollo, we took advantage of a unique opportunity to invest in a relatively new Cayman-incorporated Asia ex Japan equity fund that was launched in late 2024. The fund has a short but strong track record; the founder is the former CIO of a large Asian equity investment firm where he had a strong track record; the fund's service providers are all top-notch; they provided a strong referee whose work I have admired for the past 25 years and he provided a glowing reference. A really interesting thing about this investment is that we were offered shares in the fund's Launch Class where our Fund pays zero investment management nor performance fees in perpetuity. We also have the opportunity until 30th September 2026 to add to this investment on the same terms which we may do, subject to cash availability. We have never been given such an opportunity before, and I think this reflects how incredibly difficult it is to raise investment funds from foreign investors to invest in Asia ex Japan currently. This is typical of being near a market trough, not near a peak. We made an initial investment of $4 million in the fund. We met with members of the firm in their Hong Kong office in November.

We made three other notable investments during the year of $3 million each. One was an addition to a relatively new fund in which we first invested nearly two years ago which has performed strongly and which we think will do well for many years. Another was a Korean activist fund with a strong pedigree where we took the last opportunity available to invest in its Founder Share class offering preferential fee terms. Korea is a market where we have little exposure and corporate governance there is becoming much more friendly towards minority shareholders. Sticking to one of the themes of this year's Chairman's statement, Korean retail investors have an estimated 64% of their household assets invested in property and only 7% invested in equities and equity funds, of which a meaningful portion is in high-flying US equities. In coming years, it is likely that Korean retail investors will increase their exposure to domestic equities as equity market returns and a more level playing field is created, as has already started to happen. We met with the activist fund's manager in Seoul in November and think we will generate strong returns from this investment. Following our meeting with the manager, we made a co-investment in one of their activist holdings which is a listed business in a sector we understand with sub-optimal capital allocation (which the activist manager aims to address) that is trading at a P/E of 4.5. The terms of our co-investment are very attractive: no management fees and a performance fee of 10% of the excess over an 8% IRR in US dollars.

The Fund continues to invest a minority of its assets in listed companies where the asset backing provides us with good protection. This sleeve of the portfolio has historically performed very well as I explained in last year's Chairman's statement. There were a few changes to this segment of the Fund's portfolio last year. As already noted, we sold most of our remaining holding in Cosco Shipping International after its share price rose strongly and our geographic limit in Greater China was briefly surpassed. We also added significantly to our investment in Value Partners Group in early April after its share price melted down to way below liquidation value of the company in response to Trump's Rose Garden speech outlining tariffs. Three months later we sold enough shares at a 75% profit to recoup our April outlay. We also initiated a holding in Mandarin Oriental but never made it a decent size position because of our constraints from a large pending redemption. That was annoying in that the investment thesis played out exactly as we anticipated but much more quickly as Jardine Matheson made an offer for the MO shares they did not already own, giving us a total return including dividends of nearly 100% in less than a year.

A disproportionate number of investment managers in the elite top 10% who outperform their benchmark over the long-term have at least one of and usually two things in common: a long investment time horizon with low portfolio turnover, or they are owner-led boutique investment firms with the managers usually having a large proportion of their wealth invested in their funds. We tick both boxes and we look for the same in the superb Asian managers that we have carefully and patiently assembled to manage most of our Fund's assets.

The luxury of being patient and having a long investment time horizon with minimal unexpected redemption pressures is one that endowments, closed-end funds or investment trusts, and the likes of Berkshire Hathaway enjoy, but which we cannot take for granted. Managing open-ended funds, as we do, requires us to ensure that our clients share our investment philosophy and approach. Neither I nor my wife have ever redeemed any shares in the Fund. We made additional subscriptions last year & remain the Fund's largest shareholders. Since I expect the Fund to "catch up" over the next few years, I am making an additional subscription this month. Having a reasonably stable asset base is essential to maintaining this discipline. We are grateful to our clients for their trust and patience in enabling us to invest with this long-term perspective.

Desmond Kinch, CFA
Chairman