

---

# ADM CAPITAL

## 2015 in Retrospect, 2016 in Anticipation

“In the end, it’s not the years in your life that count. It’s the life in your years.” – Abraham Lincoln

At ADM Capital, we are fortunate to have both. Founded in 1998, we are one of the most experienced investors in Asian private debt. Viewed from our original headquarters in Asia, it has been a lively and engaging 17 years, as we benefited from the opportunities offered by this dynamic region whilst learning from the various challenges that naturally arise when investing in more nascent and emerging markets. Specifically, for us, 2015 was a year of consolidation and preparation for the next phase of our growth. We therefore expect that the foundations laid will facilitate our continued growth and expansion in 2016 and beyond in various new products and markets.

### *Looking back...*

2015 may have been an *annus horribilis* for many in financial markets, but for ADM Capital it was more akin to an *annus mirabilis*<sup>1</sup>, reflecting noteworthy success in diversifying our investment portfolio and improving returns. Indeed, notwithstanding the indifferent macro and credit environment, we managed to accelerate the pace of our investments and achieve cost efficiencies, contributing to enhanced risk adjusted returns for our investors. As such, we believe that we have effectively strengthened the foundations of our business to prepare for the next phase of our growth.

In 2015, in addition to our core markets of South East Asia and China, we accelerated the pace of investments in established markets like Australia, New Zealand and Singapore, simultaneously exploring the various opportunities now apparent in more frontier markets like Vietnam and Myanmar. Overall, in Asia, for the twelve months ended December 2015, we invested over USD165m of capital (and over USD215m including syndications and commitments) in 11 deals, a record year for the Asia team. This enabled us to achieve reasonable diversity in geography (our largest country exposure is under 30% in the Philippines) and sector (we have ~40% invested in Food Products – a sector influenced by local rather than global industry dynamics and relatively more stable demand). As such, in a year that was characterised by significant volatility in emerging market currencies and credit, we achieved a gross investment return of 12% (in USD) for the year on our private investments in Asia, no mean achievement compared to the returns offered by emerging markets in general (-0.1% for the global EM corporate bond index as per Bloomberg).

A big part of the consolidation efforts included the focus on improvement in cost efficiencies – among other initiatives, we restructured our Galleus Fund II management and performance fees to make the fund more attractive to investors, and successfully put in place mechanisms to reduce general fund and administrative expenses. We also put in place efficient and workable capital call and return arrangements to reduce the cash drag on the portfolio. Towards the end of the year, we started work on setting up a subscription line financing facility for Galleus Fund II to more efficiently utilise capital commitments. There were no changes in the senior team, with incremental hiring on an ad hoc basis for succession and back up. We expect that a lot of these improvements will bear more fruit in 2016.

In terms of new funds, on 7 December 2015 we launched our new CCL Kazakhstan “Silk Road” Agriculture Growth Fund with a first close of USD40.4m. Investors in this fund include the Kazakhstan Ministry of Agriculture and Hungarian Exim Bank. The fund has a ten year term and is focussed upon agriculture and food chain companies and Kazakhstan. We expect a final closing in 2016 to bring the Fund’s size to up to USD100m with the addition of more investors and an expansion of geography to cover food-related investments in surrounding Central Asian countries.

### *... looking ahead*

We expect that our success in product and team consolidation will set the foundation for renewed growth in 2016. For instance, we have received and are anticipating receiving additional USD65m commitments from existing investors in Galleus Fund II to expand our portfolio. Furthermore, we expect to launch more funds with specialist mandates, like for example, the launch of CEECAT Fund II focusing on structured equity investments in Southern and Eastern Europe and Turkey, as well as a financing facility in the same geography but a mandate

---

<sup>1</sup> a term coined by John Dryden in 1666 following the Great Fire of London where the author expressed great hope despite the tragedy that befell so many

---

# ADM CAPITAL

for debt investments , a developed-market agriculture and food fund and, in conjunction with the ADM Capital Foundation, an impact investment fund, among others.

Simultaneously, we are beginning to see a decided change in the pipeline of active investments, largely reflecting the needs of the markets we serve. For example, we observe more service oriented industries (medical facilities, finance companies, old age homes) requiring funding, as also cross border financing (eg. M&A, share acquisition financing). Also, financing structures are changing – for example, company promoters and shareholders are now willing to share more equity upside, while tenors are slightly longer than 2 years, and domestic currency financing is preferred. We are encouraged by these trends in that it will likely allow for more diversity in the portfolios, and potentially higher returns. Simultaneously we will continue our work on improving the operating efficiency and administrative costs of our business.

In conclusion, big thanks are due to all the organisations that have supported us through the year. We are indebted to you for your patience, your ideas, and your constant challenge of the status quo, helping us to change for the better while successfully placing a firm foot forward to face 2016. May the Year of the Monkey be productive, constructive and value accretive to every one of you!

Best wishes,

**Investor Relations**  
admir@admcap.com

---

**ASIA DEBT MANAGEMENT HONG KONG LIMITED**

1008 ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong  
Tel: (852) 2536 4567 Fax: (852) 2147 2813 Homepage: <http://www.admcap.com> Email: [info@admcap.com](mailto:info@admcap.com)

*Regulated by the Securities and Futures Commission in Hong Kong*