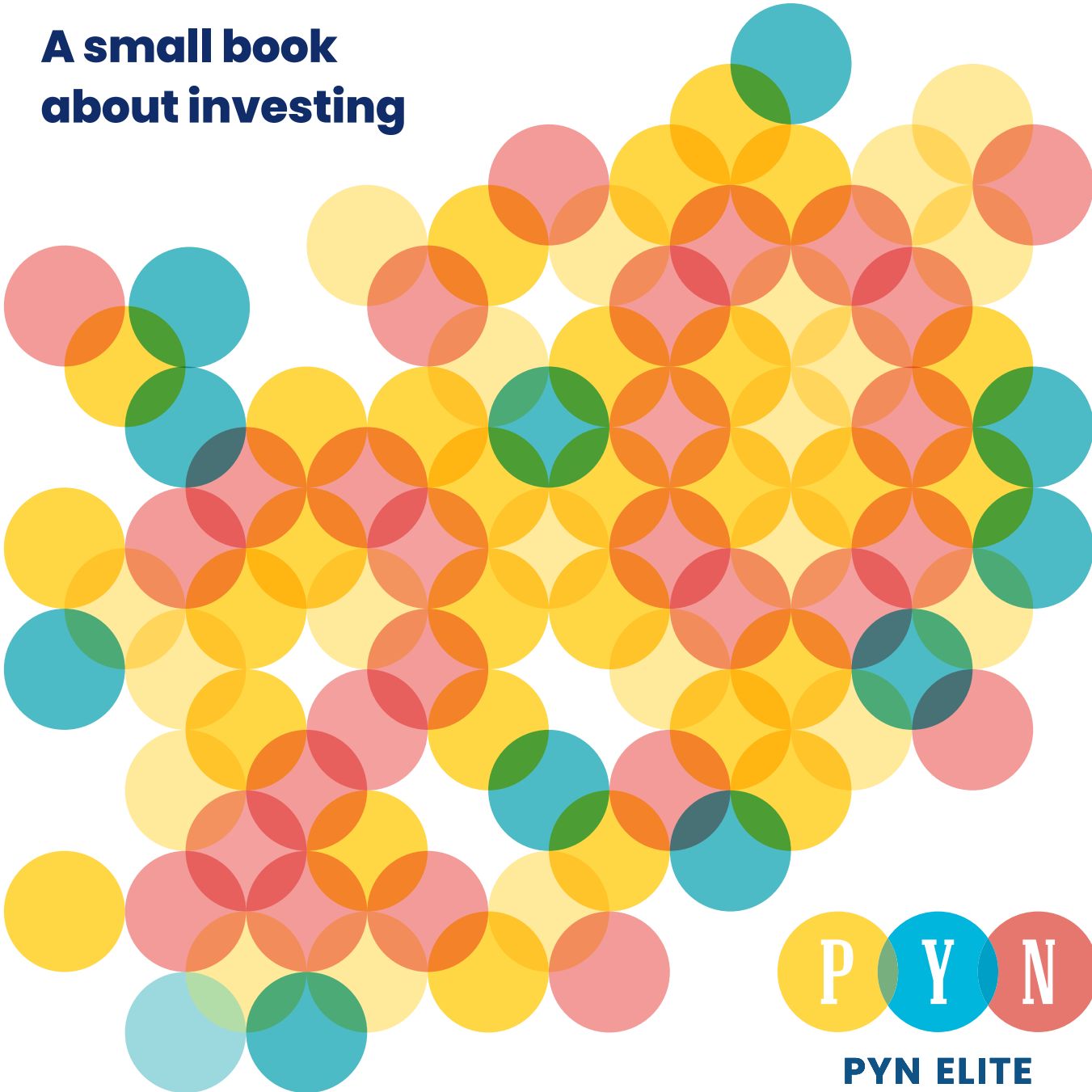
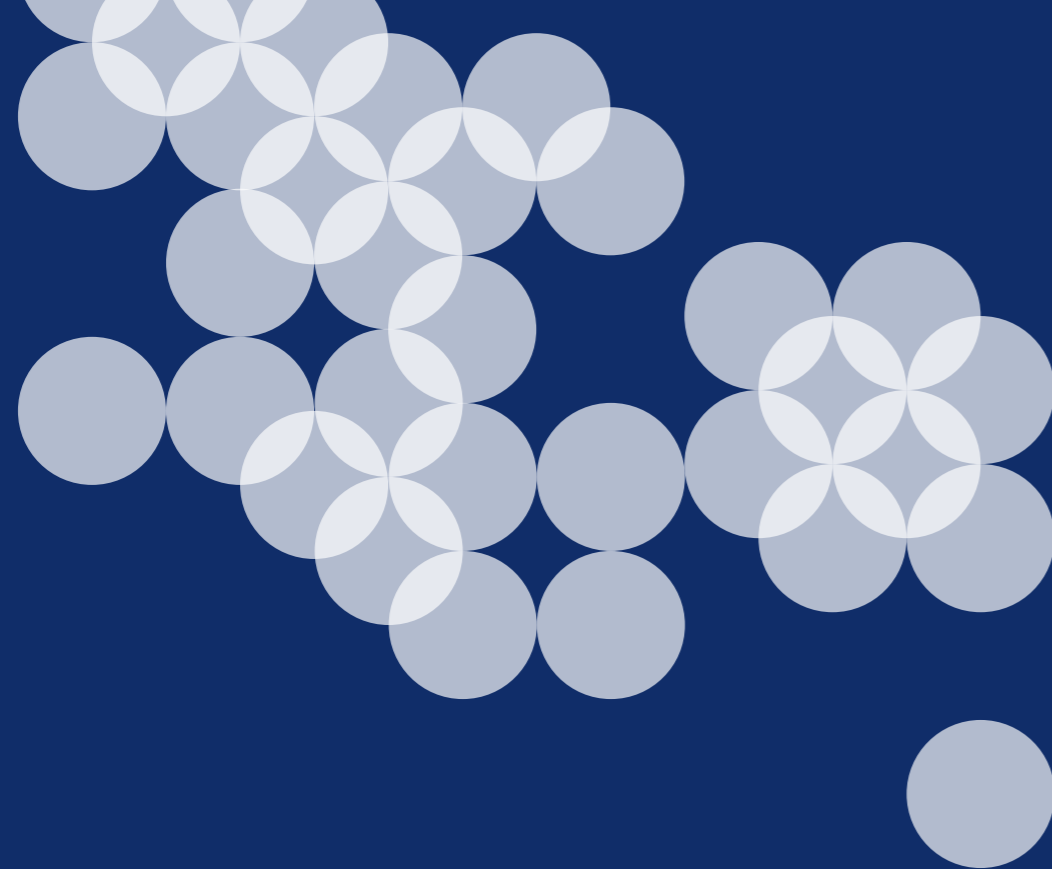


**A small book  
about investing**



**PYN ELITE**

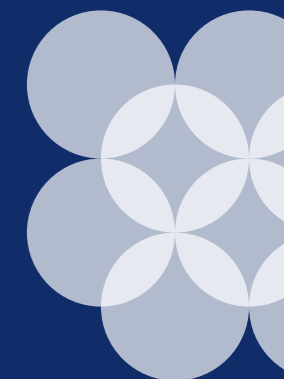


**First 20 years yielded  
29-fold return**

*"It is good to get occasional help from  
poker gods, but I feel that  
the key to sound investment  
decisions is awareness of the  
strengths of your investment strategy  
and working within the limits  
of your personal strengths."*

**Portfolio Manager Petri Deryng**

Highlight from an investor letter, dated December 2009



# The first 20 years

Petri Deryng touched down at Bangkok Airport in April 1998. It was hot and humid outside, as Thailand always is at that time of the year.

Deryng flagged down a taxi which took him to his hotel, unpacked his suitcase and set to work. First he made his way to the Bangkok Stock Exchange.

Deryng had thought long and hard about his trip to Thailand. He had a plan.

After years of investing in Finnish stocks, Deryng was excited about two simultaneous phenomena.

He had noticed that Thai stocks were treated by the Asian financial crisis, which began in 1997, much the same way as Finnish stocks were treated by the recession in the early 1990s, when Finland spiraled into a banking crisis and was forced to devalue its currency in the aftermath of the Soviet Union's demise. The resulting crash in stock valuations wreaked havoc in the stock exchange. But as soon as Finland recovered from the recession, stock prices rebounded rapidly.

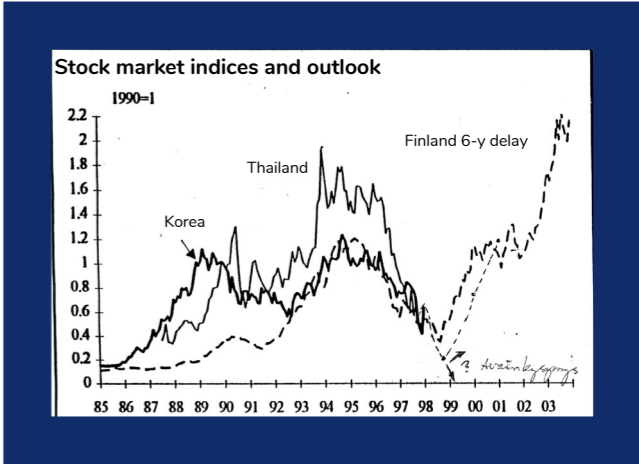
The time was opportune, as the Finnish financial markets were being deregulated. A draft bill was set to make it easier to start an investment fund once the fund met the minimum requirements: ten million markka and 50 fund unit holders.

Deryng convinced Tommi Lehto, his tutor from Helsinki

business school and an expert working in tax administration, to hop on the fund train.

Deryng placed on the table Finnish and European stock market graphs from the 1990s and compared them with the trends from Asian and Thai stock exchanges. The reasons behind the changes were surprisingly similar: current account deficits resulting in a heightened risk of liquidity collapse, rising interest rates, forced floating of the currency – and it's game over.

Thus Deryng travelled to Thailand, bought a CD-ROM



full of financial data on the listed companies from the Bangkok stock exchange, and the rest is history.

In 20 years, PYN Elite's net asset value (NAV) per unit has grown 29-fold. The fund's total assets have grown from the initial EUR 380,000 to 400 million.

Since its inception, from February 1999 to the end of March 2019, PYN Elite has yielded an overall return of 2,814%. The compound annual growth rate (CAGR) over the same period was 18.2%, a feat in its own class even internationally.

If we look at investor guru Warren Buffet's Berkshire Hathaway for example, the investment company's compounded share value growth and dividends yielded a 'meager' 321% over the same period and its CAGR from February 1999 to the end of March 2019 was 7.4%.

In other words, it matters where you put your money. What is the secret of Petri Deryng's success?

Answers to this question can be found in the investor letters sent by Portfolio Manager Deryng to his fund unit holders over 20 years. They draw a clear and consistent picture of PYN Elite's and the Portfolio Manager's views.

Underlying it all is the Portfolio Manager's world view, and he knows his history. The approach starts with the big picture, in other words macroeconomics, which shows that the region's stocks are undervalued in the light of historical share price data.

Then you rely on your own analyses and company visits to find viable, preferably profitable turnaround companies with a good management or which include attractive hidden assets.

Quick shifts in share weighting after changes of direction in the big picture of the economy is another key component of the strategy.

In Thailand, this method resulted in a steady focus on export companies up until 2003, because their earnings growth was as much as guaranteed due to the weak-

ened currency. Once the valuation levels of export-dependent companies had normalized, the profits were cashed in and the assets were reinvested in companies that were deemed to benefit from growing domestic markets.

Deryng's strategy has forbidden him to purchase highly valued 'bluechip' shares, and PYN Elite and the Populus fund, later merged with PYN Elite, have as a rule invested in publicly traded small-to-mid cap companies.

Setting a target price was another key investment principle. Once the target is met, the share is divested of according to the original investment plan, even if the outlook were to remain good. Mind you: even better investment opportunities may be available elsewhere.

When reading the investor letters, one notices, apart from many successful investment decisions, how well PYN Elite has managed to forecast major upheavals in the global economy.

Deryng was able to foresee the US housing market crash as well as the subsequent financial crisis and downturn, though the intensity of the events did surprise the seasoned Portfolio Manager. PYN Elite managed to be prepared for the impact of dramatically rising raw material prices, and its view on the depreciation of the US dollar against the euro hit the nail on the head.

These three views on key economic parameters played a major part in PYN Elite's excellent performance.

Long-time PYN Elite fund unit holders are of course aware of the many twists and turns in the Portfolio Manager's path. There were military coups, avian influenza epidemics, flooding in Bangkok, rapid shifts from one target market to another, fraudulent companies and empty hopes of Thai gold mines, mini-tractors or Chinese betting markets, you name it.

There political and financial risks and crises, and at the end of the day, PYN Elite survived them all and continued more or less unscathed.

How has this been possible?

One explanation can be found in the Portfolio Manager's interview from December 2009. In it he mentions that PYN Elite has ended the foreign exchange hedging in place for the entire portfolio since 2001 in case of euro appreciation.

Between 2001 and 2009, the euro had strengthened compared against the US dollar from 0.87 to 1.57, in other words the forex hedge had worked brilliantly.

In the Portfolio Manager's interview, Deryng was asked: "You have been lucky in many things, where does that come from?"

The answer sums up the core of his investment philosophy.

"It is good to get occasional help from poker gods, but I feel that the key to sound investment decisions is awareness of the strengths of your investment strategy and working within the limits of your personal strengths."

On top of good luck, another factor that may have protected the fund unit holders is Deryng's attitude to losses. He does not stay put waiting for a miracle, like many investors, even professionals, are in the habit of doing, let alone small-time investors.

When the Thai mining company THL's heady plans of a gold mine were wrecked or when the financial figures for Chaoda, a Chinese vegetable producer, turned out to be manipulated, Deryng simply took the blow. He sold the stocks and left for better markets, perhaps with lessons learned.

Of course Deryng is not perfect. Rexlot, a Chinese lottery company, had optimistic expectations of licensing and the information on its financial position and balance sheet was concerning, to say the least. Waiting for a turnaround was excruciating for the fund unit holders and for the Portfolio Manager – and eventually their hopes were dashed.

The same happened with the other fund of the company, Populus, when an attempt was made to apply the insight gained in Thailand in other Southeast Asian countries. When the results turned out to be less than expected, Populus was merged with PYN Elite and the assets were reinvested in Vietnam.

The exit from the Thai markets, in late 2012, was typical Deryng. PYN Elite had been in the Thai market for 13 years and showed a cumulative return of 1,300%. With the SET Index at more than 1300 points and the country's currency, baht, having strengthened substantially, Deryng announced that he would reinvest the assets on the Vietnamese and Chinese markets within 12 months.

His reasoning was that the original targets for Thailand had been met and the country's economy was booming. There were no more cheap stocks to be had.

"I doubt any business consultant would recommend this type of action," Deryng wrote. He further reasoned that he wanted to rigorously follow his investment principles and focus on analyzing macroeconomic factors and stock picking on low-priced markets. The Thai stock market had gone up more than 50% over the previous five years. Over the same period, the Chinese and Vietnamese stock markets had both dropped more than 50%.

Deryng stated that he was convinced of his selected mode of operation.

"Leave me alone. I know what I'm doing," Deryng quoted the Formula One driver Kimi Räikkönen.

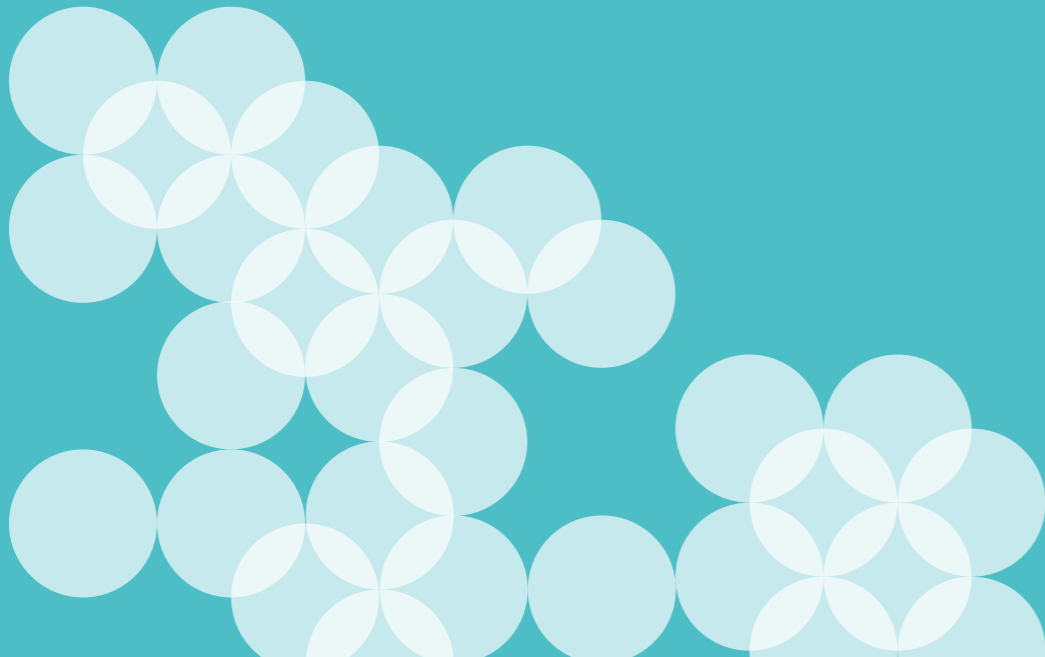
Now it is time to for a summary, or as Deryng likes to joke among friends: "It's a sure-fire thing."

Helsinki, April 1, 2019  
**Juha-Pekka Raeste and Kari Räisänen**



PART 1

# **Cheap stocks from Thailand and bursting tech bubble**



# 1998

## “Share prices are low”

Status at the year end 1998:

- Thai stock market -3.7%
- Global stock market +24.8%
- Thai GDP -7.6%
- Global GDP +2.5%
- EUR/USD 1.16

## February

**Portfolio Manager** Petri Deryng shares his views on the Thai stock market in the first investor letter dated February 24.

“Share prices are low. The stock market has been in decline since 1994.”

The Stock Exchange of Thailand Index had dropped from its record of 1,753 to 515 by early 1998. Over the same period, the value of baht had dramatically weakened against the dollar. While in the early 1990s you could buy 25 baht for one dollar, “now the baht/USD rate is at around 50”.

“The Thai government has authorized crisis companies to cut their wages by 50%,” Deryng writes.

Deryng estimates that the SET Index will go up from 540 to 1300 points in three years and the value of the turnaround companies in his portfolio will quadruple. Strengthening of the currency will yield additional returns, as he expects one dollar to buy 35 baht in 2000.

The first presented investment is the “excellent growth company” Thai Engine Manufacturing (TEM). The company will eventually go bankrupt.

Deryng has selected a total of 18 companies, three of which are cargo shipping companies. One of them is mentioned specifically. “Most secure bid RCL,” Deryng writes of his future star investment.

## June

“**Many** stocks are so cheap that we may expect the share prices to shoot up dramatically at any moment, but there will be downturns as well in the banking sector.”

Thailand’s SET Index has declined as low as 270, but Deryng is not bothered. “My goals for my portfolio remain unchanged. Date of inception in January 1998. Investment

*“We may expect the share prices to shoot up at any moment”*

period 3 years. Share prices up by 400% and on top of that the currency has strengthened by 45%, which gives us a total return of 500%.”

The RCL cargo shipping company’s share price has come down from 45 baht in February to 30 baht.

## August

“**Thank you** for the faxed feedback!” Petri Deryng starts his investor letter.

He announces that the operating license application for the Elite non-UCITS fund has been filed and the license ruling is expected in September or October. Petri Deryng, Kimmo Myllymäki and Markku Ellilä are elected to the board.

In his letter, Deryng compares Thailand’s situation with Finland where the stock market raced up wildly in the fall of 1992 and the GDP started to grow around 12 months later. He also reviews the Finnish share price trends between October 1992 and February 1994.

“The stock market went up 200% and industrials more than 300%.”

With Thailand’s current account already in surplus,

Deryng’s expectation is, in the light of the development in Finland and Mexico after 1995, that the Thai stock market will see an upturn before the first quarter of positive GDP growth takes place.

“Thailand will again be a nation of rapid growth in the 2000s, with average P/E and P/BV ratios exceeding the corresponding figures in Finland,” Deryng writes.

The announced target price for the RCL share, then at 32 baht, was 150 baht by the start of 2001. It later turned out that the target price was reached.

## November

**The letter** explains that the fund operating license has proceeded with the authorities but is still under consideration. “We are expecting the final license ruling around the New Year. This would mean becoming operational in January 1999.”

Deryng says his company research has focused on Thailand. “The return expectations are ambitious and we expect the SET Index to double in 1999.”

# 1999

**“We expect major returns”**

- PYN Elite +71.9%
- Thai stock market +38.4%
- Global stock market +24.3%
- Thai GDP +4.6%
- Global GDP +3.3%
- EUR/USD 1.01

## January

“The Ministry of Finance granted an operating license to PYN fund company on December 30, 1998. We are starting our operations immediately. The first subscription date of the fund is February 1, 1999. You are welcome as our customer.”

The starting point for the Portfolio Manager’s insight is that the valuation level of the US stock markets will defuse and the GDPs of the Asian countries will gradually start to grow.

Potential investment targets are attached as examples.

## February

The Portfolio Manager starts the investor letter with his market insights. Alan Greenspan, Chair of the US Federal Reserve, has issued several warnings on continuing over-valuation of US stocks.

“There is not much more he can do,” the Portfolio Manager ponders.

The profits of US companies have increased by roughly 100% between 1991 and 1998, but the valuation levels were up by 400%. Good companies can continue to rise, but at some point, the downturn is ahead. This is why it is very difficult to accurately determine the value of even solid companies, the Portfolio Manager writes.

He predicts that European and US economic forecasts will take a turn for the worse in 1999 and 2000 while Southeast Asia will gain strength.

Asia’s share of the global economy is around 35%. “We are expecting steady growth after the depression from this region and clearly faster grow rates compared with North America or Europe.”

The Portfolio Manager writes that his stock picking focuses on two types of Thai stocks.

On one hand, investments are made in companies which have a very low market value in relation to net sales (between 0.04 and 0.08) but also a manageable debt load and positive balance sheet development. On the other hand, money goes to low-priced companies that pay solid dividends, with dividend yields between 5% and 15%.

## May

“Dear Customer,

Elite has concentrated its investments in Thailand. Our time target for Southeast Asia is around 3 or 4 years and we expect significant returns from our target stocks over this period.

“The valuation differences of our biggest investments compared with the pre-depression level is very significant, even more than 1,000% for several of them.

“We are not looking for such a return, but we do believe our portfolio has significant upside potential.”

## September

“The Thai index has declined for a long time, developing in the opposite direction to the European and US stock markets for 5 years. The SET Index has ascended for only a year and is now at 430. PYN Elite’s target for the index is 1,200 in three years. (1994 All Time High 1,750),” Deryng writes.

He forecasts a probability of 50% for a devaluation in China and a probability of 80% for a stock market crash in the US during the next two years.

“Both events will stop the upward trend in the Asian stock markets for a few months once they have taken place and slow down the market upswing that is in its initial stages, but they will not change the direction of the ascending overall trend for Asia.”

Both predictions proved to be correct.

*“PYN Elite’s target  
for the index is 1,200  
in three years.”*

# 2000

“Asian stock markets are volatile when going up or down”

- PYN Elite -38.4%
- Thai stock market -43.2%
- Global stock market -12.9%
- Thai GDP +4.5%
- Global GDP +4.4%
- EUR/USD 0.94

## March

**The Portfolio Manager** notes that the news of recovering Southeast Asian economies since Elite's inception has been encouraging. “The stock market in our target country, Thailand, has not been going up for much more than a year, after a downward trend of some five years. Now would a good time to try and benefit from the additional upward movement of the next few years.”

The Portfolio Manager estimates that the SET Index would be a ‘hold’ once it has reached 800 to 1,000 points. At around 1,000 to 1,400 points it would be time to exit.

“The SET Index 395 points today. When Elite started, on February 1, 1999, it was at 363 points. Elite's return since inception is +54%.”

## September

**The September** investor letter was the first one in an informal format with questions and the Portfolio Manager's answers, for example “Why does Elite have all its money in Thailand, while things are going better in the Finnish stock market?”

The answer is that the valuation levels in the US and Western Europe are historically high, while in Thailand they are historically low.

“Elite's value is highly volatile, so this means markedly high risk, doesn't it?” the Portfolio Manager gets asked.

“The Asian stock markets are sensitive during up- and downward movements, and investors operating there make a lot of use of technical analysis, which catalyzes rapid changes both when going up and down. In addition to this, the exchange rate often also develops in the same direction as the stock market and both impact the changes in Elite's daily values. Our opinion is that the portfolio

companies we own in Thailand are very low-risk and direct conclusions on the risk of the target companies should not be drawn from daily volatility,” the Portfolio Manager answers.

He acknowledges that the fund's investment strategy, with only one target country, is more risky than that of a globally diversified fund.

However, he sees the target companies, which pay out substantial and growing dividends, as safe.

“Due to the low share prices in the Thai stock exchange, the companies' dividend yields per share are exceeding 10%, which naturally lowers our risk profile,” the Portfolio Manager soothes the fund's investors.

SET Index



# 2001

**“Predictions are becoming pretty difficult”**

- PYN Elite +48%
- Thai stock market +23.8%
- Global stock market –16.5%
- Thai GDP +3.4%
- Global GDP +1.9%
- EUR/USD 0.88

## February

**Fund unit holders** get Elite’s market outlook regularly. The Portfolio Manager first explains that the Thai stock market is still attractively priced in relation to the historical valuations.

Deryng points out that the US Dow Jones index “is only 5% below the all-time record even though the development of the US economy has tanked.” He estimates that if US companies report disappointing profits for the first quarter, both Nasdaq and Dow Jones will fall.

“The year 2000 may have started a period of volatile share prices and weak development in the US stock market that will last for several years,” Deryng concludes his review.

## June

**Elite** lists its most important investments. Gfpt, a company specialized in chicken production, makes up a staggering 20.2% of the portfolio. There is a good explanation, however: its share price has increased from seven to 17 baht in three months.

RCL makes up the next biggest share. “The valuation level is very attractive,” the Portfolio Manager writes.

## September

**“Predicting** the development of the global economy is getting rather tricky. It seems that everyone expecting 2002 to be a better year than 2001 is basing their forecast on how bad a year 2001 was.”

September brings an extra message from New York, after the 9/11 terror attack.

“I never would have wanted to send this letter, but the

*“I never would  
have wanted to send  
this letter”*

events in the US that have shocked us all make it necessary for me to comment on the situation of the Thai stock market and Elite non-UCITS fund.”

The SET Index and Elite’s value has declined around 20% in three days. The situation is exceptionally dramatic, which makes itself felt also in Deryng’s letter.

However, the letter ends with an optimistic view, practically a cheer:

“If you are targeting significant potential future returns over 5 years with a relatively minor downside risks, now is the opportune time to subscribe to Elite non-UCITS fund.”

# 2002

## “Attractively cheap”

- PYN Elite +15.7%
- Thai stock market +20.9%
- Global stock market –19.5%
- Thai GDP +6.1%
- Global GDP +2.2%
- EUR/USD 1.05

## February

“Elite’s NAV per unit went up (2001) 48% and the target market, the Thai SET Index 13%.”

In his Q&A section, Deryng answers why the financial statements reveal that Elite took a blow of “EUR 250,000 for its foreign exchange forward contracts”.

The Portfolio Manager writes that the loss indicated by the forward contract, which is renewed at three month intervals, is insignificant.

Elite has hedged the exchange rate between the euro and US dollar with a forward contract to July’s level 0.84, aiming to make sure that no potential strengthening of the euro will eat up the returns from the weakening of the euro, Portfolio Manager Petri Deryng explains.

He answers a question on stocks – is it safe to invest in them? – a hundred-year trend supports investing in stocks, but anyone who invested in US stocks in October 1929 did not break even until 1954.

According to the Portfolio Manager, Thailand continues to be “attractively cheap”. His arguments include, in addition to the said low prices, rapidly growing exports, improved liquidity, consumer demand and a decrease in bad debt.

## May

The Portfolio Manager writes that the global markets have been extremely challenging, but PYN Elite has “yielded a good return, and what is most essential, also its outlook continues to be excellent”.

The market capitalization of the Thai stock market amounts to roughly 35% of the country’s GDP, which is little in international comparison, the Portfolio Manager es-

timates. “The market capitalization should normalize closer to 100% of the GDP.”

It’s again time for the part where the Portfolio Manager gets to answer tough questions. “Elite is a dreadfully risky fund, isn’t it, with all its money in a single country?”

“We do not perceive the country risk as a negative because you choose your target country based on whether the stocks really are cheap compared to historical valuations,” the Portfolio Manager responds.

## September

The Portfolio Manager reports that he has visited Thai companies. “I’m even more convinced about the target companies we have selected,” he writes. RCL is mentioned specifically, after all it is the biggest investment at 18.3%.

“RCL is making good profits and we will get fat dividends from them for 2002. RCL’s valuation ratio is still way off, with the company’s entire market value roughly equaling its annual EBITDA.”

*“I’m even more convinced about the target companies we have selected”*

# 2003

**“The portfolio has been streamlined and is in good shape”**

- PYN Elite +198.8%
- Thai stock market +126.2%
- Global stock market +33.8%
- Thai GDP +7.2%
- Global GDP +2.9%
- EUR/USD 1.26

## January

**The fund unit holders** receive a bunch of good news, including this: The portfolio has been streamlined and we are happy with its contents.

Then the mood changes. The risk of dollar overvaluation is about to be realized, Deryng says.

PYN has moved its banking affairs from Handelsbanken to Nordea during the fall, after Handelsbanken discontinued its foreign exchange forward contract service. During the changeover, the forward contract was left unhedged, and the dollar has in two months weakened 10% against the euro, says the Portfolio Manager.

“The dollar drop has weakened Elite’s return performance because Thailand’s baht has, over the same period, appreciated substantially slower than the euro has against the dollar.”

## April

**Overview** of Southeast Asia’s recovery. The current accounts are in surplus, companies’ balance sheets and profits have improved remarkably, but the valuation levels still remain attractive for several reasons.

Deryng is happy: Thailand is growing at 5.2%, the foreign debt has shrunk in half, car sales in January and February were up by +50% and exports in January to April by +20%.

“The Elite portfolio has been streamlined and is in good shape,” Deryng again points out.

The NAV per unit has doubled, but the market still remains cheap when compared to Europe and the US, is his assessment.

## September

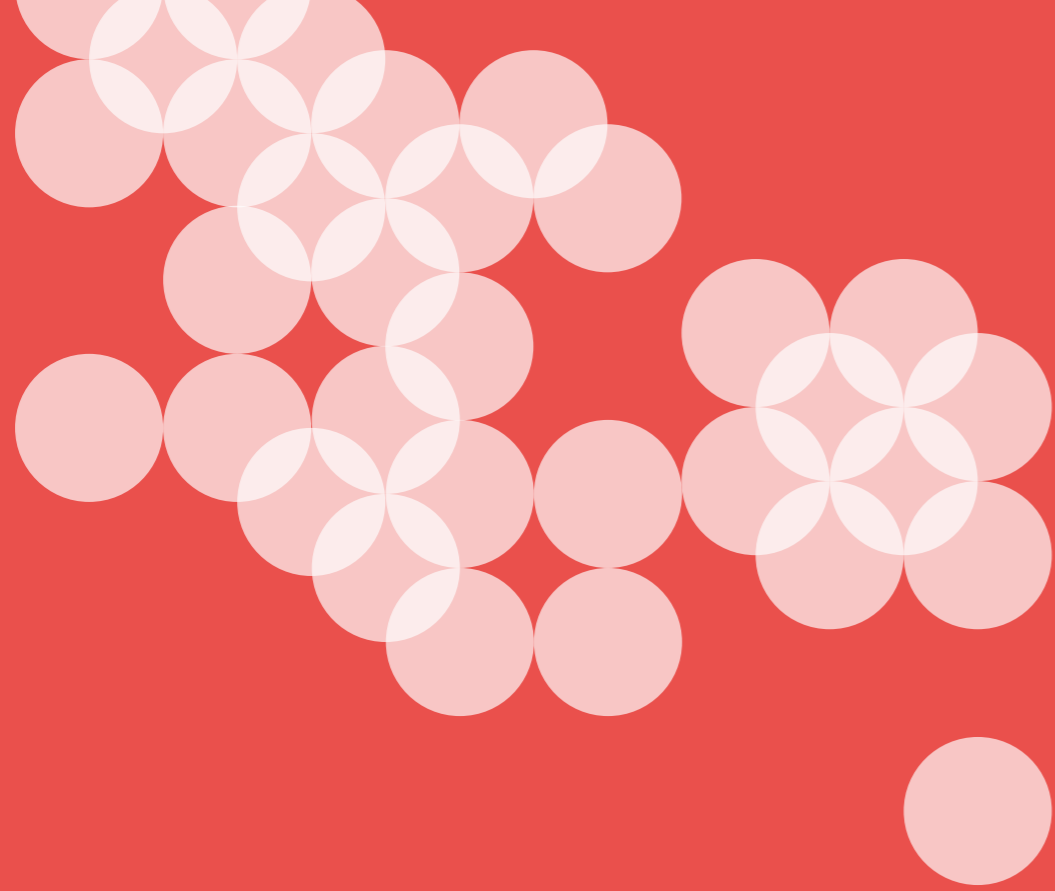
**The Portfolio Manager** writes that the Thai stock market is up 60% since January 1, while Elite’s value is up 90% over the same period.

“The figures raise the question: has Thailand’s upside potential already been eaten up? Would it be advisable to reinvest the Thai returns in Finnish listed stocks?” Deryng

asks. The fund unit holders probably guessed his answer.

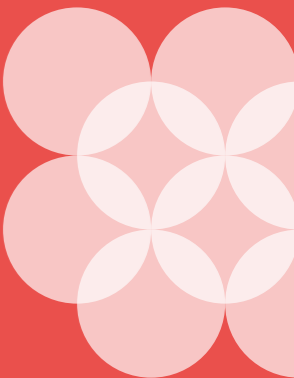
“The Thai stock market is probably experiencing an extended post-depression upward trend. The financial market valuation in Thailand still have plenty of growth potential until the valuation difference to other stock markets has been narrowed down,” the Portfolio Manager writes.

**“NAV  
has doubled”**



## PART 2

**Profits cashed in  
from Thai export  
companies,  
four soft years**



# 2004

## “The Elite NAV is floating”

- PYN Elite –8.0%
- Thai stock market –10.6%
- Global stock market +15.3%
- Thai GDP +6.3%
- Global GDP +4.4%
- EUR/USD 1.36

### February

**The year starts** with tough questions for the Portfolio Manager: The Elite NAV per unit has grown five-fold in 5 years. Surely it is prudent to cash in the profits and invest the money in cheap European and US stock markets?

Deryng reminds the readers that the Thai SET Index is still 50% lower than 10 years ago, despite the fact that it went up 117% in the previous year.

The Portfolio Manager also gets a question about RCL.

“We have sold three quarters of our RCL shares at a good price and the company now makes up around 5% of the portfolio.”

Deryng also has to answer questions about his index target: What will happen [once it’s met] and is it true that you are planning investments in Vietnam?

“Our target for the Thai index is 1,200 points and at around that level we will sell off all our Thai stock,” Deryng answers.

Deryng still views Vietnam cautiously. He states that the market has already been researched, but the stock market is underdeveloped. “Slow development of taxation issues, liquidity of the stock market, bureaucracy that foreign funds are subjected to and the premature rise of the market could be reasons to never start investing in Vietnam.”

### June

**Some dark** clouds are appearing on the horizon.

“Prime Minister Shinawatra’s negotiations on ways to finance the acquisition of FC Liverpool are not going well. The reasons for the unrest among the Muslims in the south have not been resolved. The Thai stock market has come down –20% since the start of the year. Thailand’s GDP grew +6.5% during Q1, despite the avian influenza,” the Portfolio Manager sums up.

### December

**Elite’s** NAV has gone up five-fold in five and a half years, but in 2004 the NAV has come down 8%. Over the same time period, the SET Index has declined 16%.

“This year, we have cashed in returns from the shares that, contrary to the declining stock market, have gone up, like RCL and UCOM. We have also cashed in significant returns from foreign exchange forward contracts. With these cashed in assets, we have bought a lot of shares in Thai housing construction companies.”

“Elite’s NAV per unit is now floating at around EUR 50. We are exited about the contents of the portfolio,” the Portfolio Manager reports.

He writes that the housing construction companies are selling at P/E ratios of around 4 to 6.

The tin mining company THL is also interesting because the production cost for the gold deposits they find at a depth of 30 meters is only around one third of the market price for gold.

This was the first time the investor letter contains the expression ‘It’s a sure-fire thing’, which the fund unit holders would become familiar with in various contexts.

“The key figures of Elite’s target companies are attractively low, but of course none of our investments are sure-fire thing,” the Portfolio Manager reminds the readers.

The Q&A section ruthlessly elucidates the fund’s failures in stock picking and its view on forex issues. Deryng also must explain why it is typical for this fund to experience lengthy periods of low returns.

*“Deryng still  
views  
Vietnam  
cautiously”*

# 2005

**“Each day closer  
to the next leg of  
returns”**

- PYN Elite +2.4%
- Thai stock market +11.2%
- Global stock market +10.0%
- Thai GDP +4.2%
- Global GDP +3.8%
- EUR/USD 1.18

## March

Deryng explains that he has increased the share of housing construction companies to 41%. A large weight in the portfolio is also made up of a company building shopping malls.

“In our opinion, what these companies have in common is that they will all be strong growth companies in the next few years and yet will pay out a dividend yield of 5–8% from the 2004 profits alone. In addition, Prime Minister Thaksin’s undisputed election victory will guarantee swift execution of the mass transit development programs in the Bangkok area,” the Portfolio Manager estimates.

## September

The Portfolio Manager encourages faith among fund unit holders. “Each day we are closer to Elite non-UCITS fund’s next leg of returns,” Deryng starts his investor letter.

He states that there have been only two such ‘legs of return’ until that point. One third of the returns came from the 1999 ‘yank up’ and two thirds in the 2003 upswing, when the Thai stock market doubled its value after stagnating for the two previous years.

The total dividend yield for 2005 from the companies on the Thai stock market would, according to the Portfolio Manager’s calculations, increase from around 2% to 4.4%. This would in his opinion be unsustainable and would guarantee a stock price surge.

The Index is at 710 points and Elite’s target is still 1,200.

“Buddha teaches us patience. Buddha is wise.”

*“Buddha teaches us  
patience”*

### PYN Elite’s portfolio – 10 largest per February 22, 2005

Company	Share	Price	EPS 05/E	P/E 05E	Sector
BAY	15,1 %	13.00	1.60	8.1	Pankki
PF	12.1 %	7.30	1.40	5.2	Rakennusteollisuus
LPN	9,2 %	3.68	0.60	6.1	Rakennusteollisuus
NOBLE	8.3 %	5.75	0.90	6.4	Rakennusteollisuus
HMPRO	7.9 %	5.25	0.62	8.5	Vähittäiskauppa
NFS	7.7 %	15.40	2.50	6.2	Rahoitus
MK	7.4 %	2.74	0.50	5.5	Rakennusteollisuus
SF	6,2 %	6.95	0.90	7.7	Rakennusteollisuus
PRANDA	6,0 %	7.35	1.40	5.2	Koruteollisuus
THL	5.3 %	2.86	0.25	11.4	Kaivosteollisuus
Yht ja ka	85 %			7.0	

Pankki = Bank, Rakennusteollisuus = Construction, Vähittäiskauppa = Retail, Rahoitus = Financials, Koruteollisuus = Jewellery Trade, Kaivosteollisuus = Mining

# 2006

**“We can expect  
brisker times”**

- PYN Elite +22.5%
- Thai stock market -0.3%
- Global stock market +20.7%
- Thai GDP +5.0%
- Global GDP +4.3%
- EUR/USD 1.32

## March

“The Thai stock market has two slow years behind it and now we can expect brisker times. Share prices have gone up in the first months of the year and foreign investors have become net buyers of stock,” the Portfolio Manager writes.

The Thai stock market strengthened by 7% in 2005 and the currency by 9%.

“This means that Elite was -13% below these trends. The values of the stocks in Elite’s portfolio in fact decreased and the portfolio gained returns from the currency alone.”

Since the start of the year, Elite’s value has nevertheless increased 20%, whereas the Index only grew 5%.

## September

“Elite’s portfolio structure was kept very much the same over the summer and early fall. There was no need to replace what is good and cheap,” it says in the opening sentences of the investor letter.

Deryng also lists some positive factors. There are hopes regarding the THL goldmine, housing construction companies and inflation.

The investor letter Extra is published on September 20. A military coup has taken place in Thailand. Deryng calms the readers and tells them that the army in this case represents democratic reforms, while the displaced Thaksin represents dictatorial leadership.

“For the time being, the news has not changed Elite’s investment strategy,” Deryng announces.

# 2007

**“I assumed the rise  
would continue for  
the rest of the year”**

- PYN Elite +5.5%
- Thai stock market +31.2%
- Global stock market +9.6%
- Thai GDP +5.4%
- Global GDP +4.2%
- EUR/USD 1.47

## June

It is going well now, but the Portfolio Manager is relentless.

“The NAV per unit is close to its all-time high at the time of writing, but this tells us very little about the actual success of our investments and what an Elite client should be thinking about right now,” the Portfolio Manager writes.

According to Deryng, the portfolio’s cumulative return has been 600% in eight years, but he regards the last three and a half years to be miserable, as Thailand has fallen behind the performance of other countries. The performance of the stocks we have picked is below the overall index during the last months. One reason is the sluggishness of the Thai market due to the political situation.

The Portfolio Manager is critical towards the media: “Thailand is not a dangerous country, but right now it is very easy to report negative things about it.”

According to Deryng’s estimation, the political tensions are easing off, with a ruling from the supreme court on partisan fraud, adoption of a new constitution and December’s elections, which are likely to produce a Democratic Party coalition and Abhisit Vejjajiva as Prime Minister.

## September

“In summer it looked like it’s finally Thailand’s turn to catch up with the headway made by the rest of Asia. I assumed the rise would go on for the rest of the year and the index to clearly exceed a thousand points (now 800).”

Yet the faith is still strong: “Our index target for the Thai stock market remains the same, 1,200 points. We have continued hedging against the dollar with forwards contracts.”

December

The Portfolio Manager is concerned about rising raw material prices. He predicts that the overheated US housing market will result in a substantial fall in home prices and slowdown of the country’s economy within 12 to 24 months.

He’s right on the money. The subprime mortgage crisis led to a banking crisis in the financial market and globally to a recession starting in 2008.

Also the price development of raw materials is concerning. “During the fall, the worries of equity investors have increased and it may be generally difficult to gain substantial returns over the next couple of years.

“It would seem natural if we saw a downward correction in raw material prices. It would seem natural for US home prices to go down and that tightening credit poli-

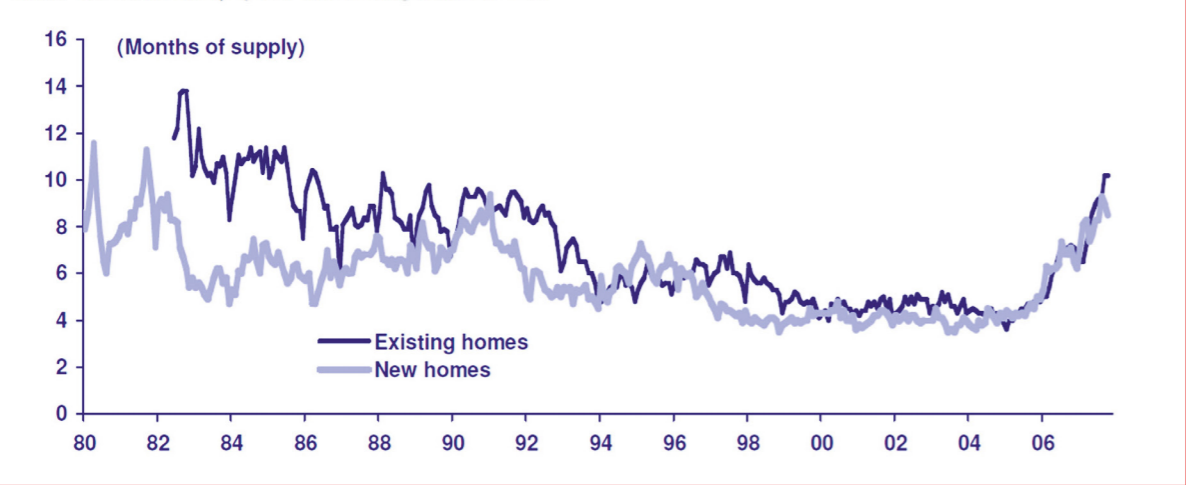
cies would end consumption on debt. It would seem natural for the dollar to ‘crash’ and start a movement to change the continuous growth of the US structural deficits and external debt. It would seem natural for more and more Asians to sell their products to people in the neighboring countries who can afford to pay for them in cash, rather than shipping the products far away to America and selling them to American consumers buying them on credit,” Deryng lists.

“In any case, it is now time to think about risks and allocation of investments.”

Elite and Populus continue to be quality choices in these circumstances,” Deryng believes. Then follows an impressive sales pitch.

“In this situation, I feel an appropriate investment choice would be one that has picked small- and mid-cap shares from Asian markets to their portfolio and mainly focuses

Chart: Unsold inventory of new and existing homes in USA



“Portfolio Manager forecasts that US home prices will go down”

on companies where the earnings capabilities are linked with the growth of Asian consumer demand. Two such funds come to mind and they are both managed by PYN Fund Management Ltd. The situation in Thailand is particularly interesting because, contrary to other markets, the development of Thai stock markets has been weak for four years already, mainly due to domestic politics.

“The weight of Thailand in Elite’s portfolio is 100% and around 30% in the Populus portfolio.”

In Deryng’s Q&A stylized investor letter, the Portfolio Manager first focuses on the US housing market.

“Home prices have gone up by +55% in six years. The US GDP has grown only +15% over the same period.

“Simultaneously, Americans have become increasingly indebted because the values of their homes have continuously increased and it has been easy to get loans against them. Now, home prices are not going up anymore and there are few buyers,” Deryng writes.

“It would be natural to see a substantial decrease in home prices over the next 12 to 24 months and, consequently, tighter credit policies and shrinking consumer demand.”

Then we come to the raw materials analysis. “The prices of oil, coal, copper and steel have increased

between 267% and 325% compared with the 2001 prices, with no real justification from rising production costs or increasing real demand,” Deryng ponders.

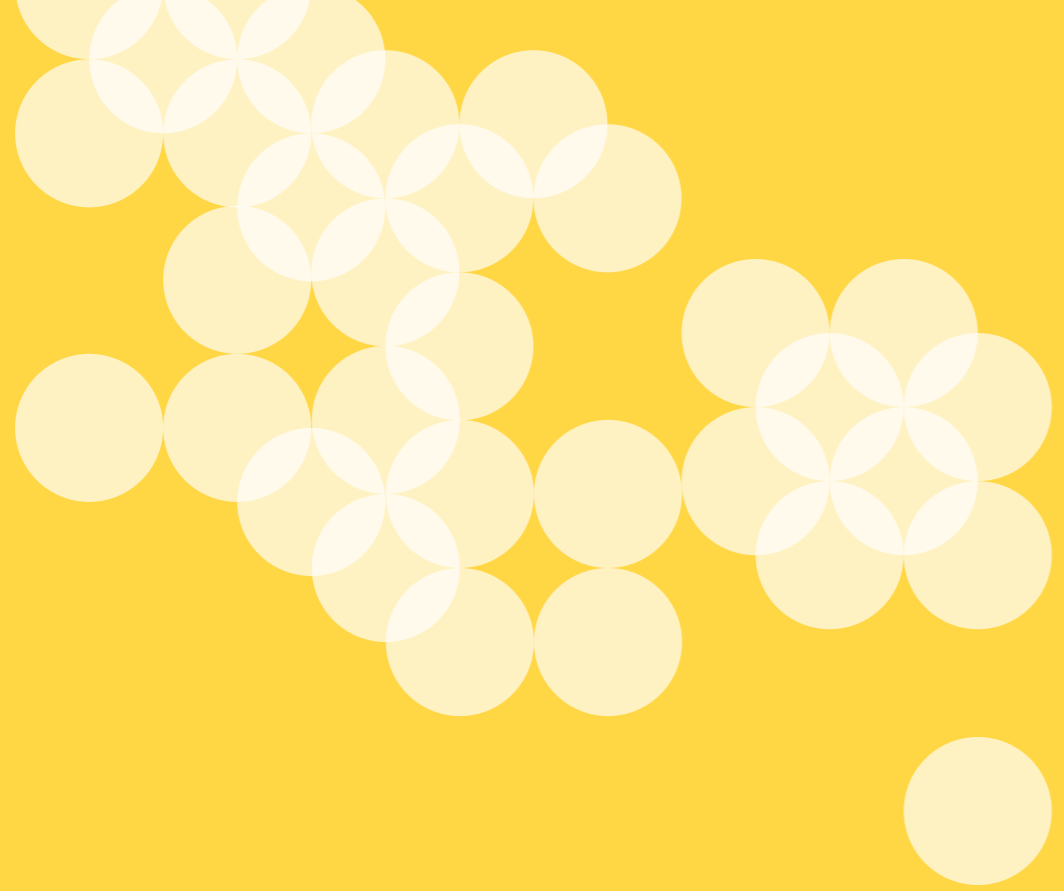
“It might be good to brace oneself for cashing in profits and even forced sales.”

The Q&A section calls for answers for Elite’s poor performance.

**Question:** “You were once in the limelight as a super portfolio manager. I have gradually started to doubt your expertise, maybe it was simply beginner’s luck?”

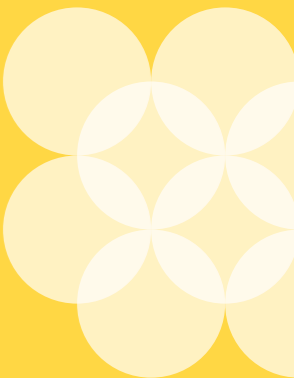
**Answer:** “My investment strategy has not changed and I believe I can achieve major returns with my style. Perhaps I have had some bad luck lately, a year was lost in Thailand due to the hassle in government, but otherwise I feel the attached statistics show that our operational model can deliver returns and compares well with other funds.”

The statistics refer to an international comparison of 12 Thai funds, where Elite is the best one with its cumulative performance of 569% since 1999. Number two on the list, Quest, runs at 365% and the last one on the list, Morgan Stanley’s Thai fund, at 71%.



PART 3

# **Subprime crisis, Thai housing construction persistent in the portfolio**



# 2008

## “The shares are dirt cheap”

- PYN Elite –52.8%
- Thai stock market –45.1%
- Global stock market –40.3%
- Thai GDP +1.7%
- Global GDP +1.8%
- EUR/USD 1.40

## September

**Petri Deryng** tells investors he has taken a million-euro loan to invest it in the Elite fund.

“I made a brief visit to Finland to sign my loan paperwork last Friday. I have negotiated a one-million-euro loan with my bank. It’s an investment loan. A two-year bullet loan at an interest rate of 5.85%, 3-month Euribor + 0.85% margin. I mortgaged my island property as collateral, as well as the target asset, Elite non-UCITS fund’s unit certificate. I have already filed my subscription, even though the subscription and transfer of funds will of course technically take place on September 30th as will the setting of the subscription price of each unit.”

Deryng notes that the loan is a big investment for him.

“The loan interest will, at the present rate, accrue a cost of EUR 120,000 to me over two years. However, I took the loan and made the investment entirely for profit seeking purposes and my return targets are significant.”

Right after this, Deryng forecasts continued weak economic development in the US and Europe. Even in Thailand, the index has sunk from 900 points in the spring to 650 points.

“The main reasons are the ridiculous domestic politics and the spike in oil prices.”

However, the Thai stock market feels particularly attractive to Deryng now.

“I know that the Elite portfolio consists almost exclusively of companies dependent on the demand development in Thailand’s domestic markets. When making my own investment decision with loan money, I made the assumption that raw material prices may develop more moderately in the future and that the hassle in Thailand’s domestic politics could lessen.

“The stocks are dirt cheap, but I guess that’s self evident to most of us.”

## December

**Deryng considers** what the best investment strategy is amid the challenging post-financial-crisis recession. He feels that a focus on defensive stock investments is already too late and the surest way to lose against the overall index once the economy again starts to go up. In his view, surrogate victim countries that are in good shape can still be sound investment targets.

The arguments are lengthy and lean strongly on history.

“When Finland and the rest of the Nordic countries were shattered by a banking crisis and financial distress caused by over-indebtedness in the early 1990s, the US stock indices continued to rise and the US economy was booming at the same time. When Southeast Asia went through the Asian crisis in the late 1990s, the European economies were in excellent shape and the stock markets boomed towards the all-time highs of year 2000. Similarly, the Great Depression of the 1930s included many country-specific deviations. France had devaluated its currency early on and did well in the 30s and similarly the industrializing Japan, despite both countries having experienced the impact of the devastating Wall Street crash in 1929, as well as the negative consequences of globally weaker consumption demand and decreased prices of export goods in their economies.

“The implications of the on-going recession will continue for years. It can be assumed, however, that countries with disciplined economic development at home and that do not have excessive debt will do quite well after this global defusing of reckless financial markets by focusing on domestic demand and efficient exports as well as services in specific sectors.

“Looking for surrogate victims seems like a sensible strategy. Countries where stock markets have been wrecked under external pressure to sell even though lo-

cal fundamentals do not indicate a risk of the real economy crashing. Countries which benefit the most from low raw material prices. Countries that have a growing regional export market and will be less dependent on indebted American consumers in the future. Countries which, thanks to a low national debt and current account surplus, can afford to stimulate their domestic markets.”

The investor letter forecasts shrinking 2009 GDPs for the US and euro zone.

On the contrary, Thailand is reported to have decreased the share of foreign debt in its GDP from 73% to 28% between 1999 and 2008.

Elite reports a cumulative return of 200% since its inception on February 1, 1999, while the Thai stock market is practically at the same level as when the fund was established, Deryng points out.

“The SET Index was then 363 points and now it is 393 points, only 8% growth in nearly 10 years.”

According to Deryng, the returns of the fund came from export companies during the first five years. The returns were cashed in in 2003, and ever since that Elite has focused on companies linked with domestic demand.

Now foreign investors are selling stock due to their own circumstances, and local investors and company management are buying stocks at low valuation levels, Deryng observes.

Elite has bought Thai Airways stock, a new investment target, whose market valuation roughly equals the price of a single Airbus A380 (USD 330 million) and whose share price has come down 80% in ten months.

In the Q&A section, Deryng responds to a question he has made himself: “If we are so smart, why did we lose money in 2008?”

“I am not sure that choosing to be a portfolio manager is a sign of being smart. But anyway, if I could turn back time and reconsider what I did a year ago, I must admit

that I would have avoided stocks linked with the high prices of oil and other raw materials, as we have done. I would have avoided export companies and stocks linked with them, as we have done. In a country like Thailand, I would put my money on stocks that suffered the most. These shares have suffered from the earlier 3-or-4-year sluggish period in the domestic economy, their valuation levels are dirt cheap and the Thai economy seems stable, despite the political tensions, and it is unlikely to sink into an extended depression even if this happened in the US.”

There is no intention to give up the selected strategy.  
“We have done all this and yet we are still losing money. We continue to do what we know best. It seems stupid at the moment, I admit, and there is no way we can make it look smart right now. We are continuing our own company analyses, visiting a lot of companies and buying cheap stocks. (...) The stock market will reward us later on.”

The investor letter lists 39 companies on the Thai stock exchange whose market values have come down between 66% and 96% since 2004, according to the fund’s investigations.

The letter also briefly evaluates the situations of the companies and their potential for a turnaround, if any. For example, the housing construction company Lalin has come down 92% and Noble 90%.

The purpose of the list is to demonstrate stock picking ideas. Export companies and entirely illiquid companies have been left out, Deryng tells fund unit holders. “The idea is to look into companies that are profitable but suffer from high oil prices and weak domestic demand.”

“We continue  
to do  
what we  
know best”

# 2009

“The value has doubled”

- PYN Elite +109.3%
- Thai stock market +71.4%
- Global stock market +30.8%
- Thai GDP –0.7%
- Global GDP –1.7%
- EUR/USD 1.43

## March

**Deryng announces** that he has subscribed for Elite units at a price of EUR 45 with the one-million-euro investment loan he took out in the fall. The NAV per unit came down to EUR 31 around the New Year and is now EUR 33.

“I didn’t manage to catch the lowest value myself, but I believe that for anyone considering an additional investment in Elite, the lowest value between 2007 and 2011 will, in hindsight, be one of these four subscription dates: December 31, 2008; March 31, 2009; June 30, 2009; or September 30, 2009.”

The letter also reviews Morningstar’s ten-year fund comparison, which includes 1,418 funds that have operated for 10 years. Elite is globally number 36 with its 248.3% cumulative return.

## June

“**I find** it likely that the lowest price for subscribing for an Elite fund unit is now behind us, namely December 2008 at EUR 31. The current NAV per unit is EUR 47.”

## September

**Thai Airways** is partially sold and replaced with shares of the housing construction company Siri, the Portfolio Manager says. The SET Index is at 700 points.

## December

**Elite’s** NAV per unit came down 53% in 2008, but in 2009, it went up 103% by December 7th. “The value has

doubled; have we already eaten up our growth expectations?” Deryng gets asked in the Portfolio Manager’s Q&A investor letter.

The response points out that the overall Thai index went up “only” 53% during the same period. Thai Airways, which had delivered substantial gains for the fund, was sold off in the fall and the money was reinvested in other assets, for which there are good expectations of value growth, the Portfolio Manager says.

Better times are expected for companies in the housing business, thanks to tax reductions.

The housing sector went up 607% in 2001–2003, after tax reductions, while the SET Index increased 145%, Deryng writes.

To a question asking whether Thai people are poor and Finns are rich, Portfolio Manager Deryng responds “yes and no”:

“Finnish dailies and the business press can usually only find pictures of poor market grannies from the northeast or Pattayan bar girls from their archives when reporting on Thailand. On the other hand, even rich Finns start to look like berry pickers when you look at Forbes’s list of billionaires.”

A cautious statement is made on ending hedging with foreign exchange forward contracts:

“In 2001–2008, we continuously made EUR/USD forward contracts amounting to the value of our portfolio to prevent any harm from a strengthening euro, with all the client assets and value calculations in euro and all the assets exchanged into Thai baht and other Asian currencies for keeping the investments.

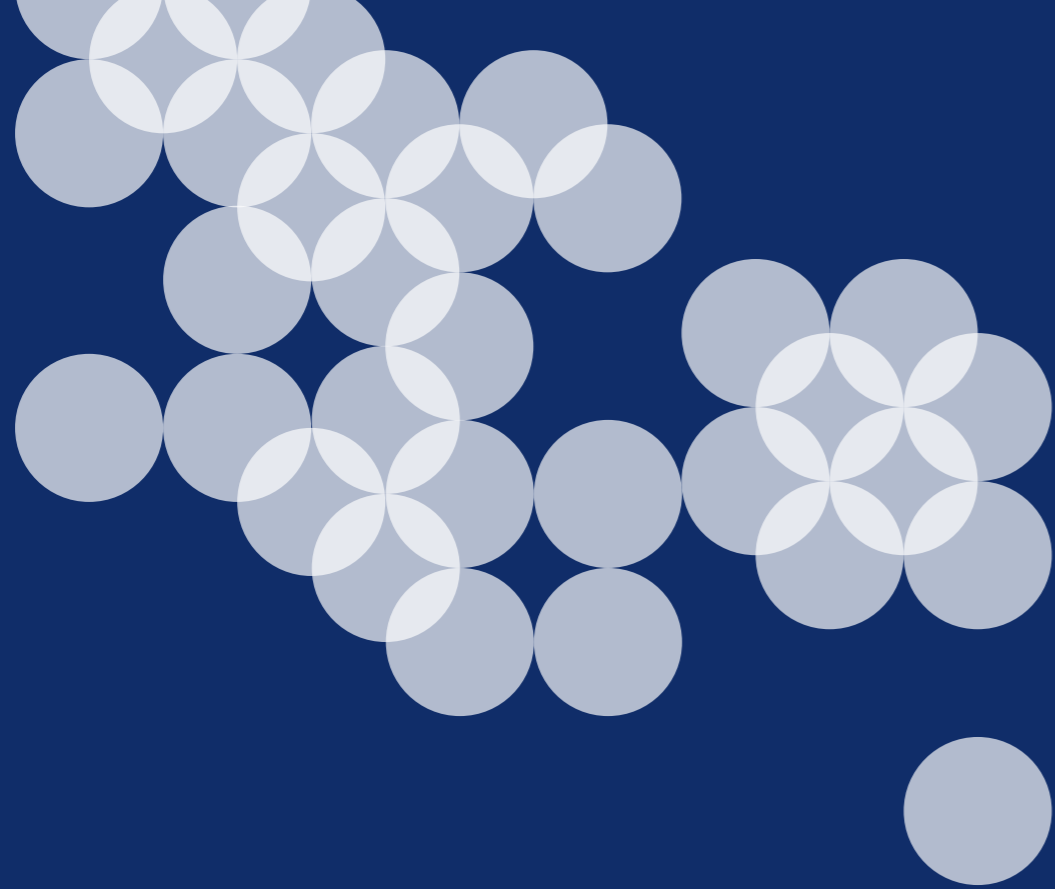
“These forward contracts were successful. We started hedging in 2001, at a EUR/USD rate of 0.85, and closed the forward contracts in April 2008 at EUR/USD 1.57.”

Finally, people wonder at Elite’s good luck.

**Question:** You have been lucky in many things, what is that based on?

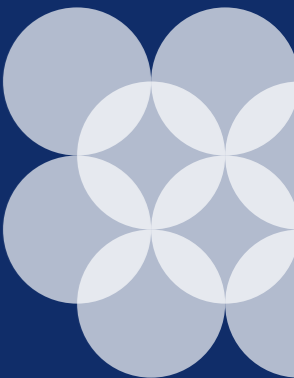
**Answer:** “It is good to get occasional help from poker gods, but I feel that the key to sound investment decisions is awareness of the strengths of your investment strategy and working within the limits of your personal strengths.”

*“Even rich  
Finns start  
to look like  
berry  
pickers”*



PART 4

# **Time of reckoning for Thai housing companies**



# 2010

## “Housing construction companies are profitable and dirt cheap”

- PYN Elite +46.7%
- Thai stock market +47.1%
- Global stock market +12.3%
- Thai GDP +7.5%
- Global GDP +4.3%
- EUR/USD 1.34

### March

**News time:** “Peta’s blog” is open!

“We have revamped our website. Among others, there is my blog where you can read real-time commentaries on my company visits and my reflections on current events in Asia. Starting from March, you will be able to make fund subscription notifications on our website.”

The attached information compares Thai housing construction companies using various key figures. For example, Sansiri has a P/E ratio of 4.2, P/SALES of 0.4 and P/BV of 0.8.

The Portfolio Manager’s assessment: “Elite’s housing construction companies are profitable and dirt cheap.”

The Portfolio Manager also comments confidently in Arvopaperi magazine’s (2/2010) article where Elite has the highest total expense ratio (TER) of the funds included in the comparison: “Hopefully we can keep our TER high. In a return-linked fund, this is an indication of exceptionally high expenses, but it also indicates that the clients benefit from exceptionally high returns.”

An example is given: a EUR 100,000 investment in Elite on February 1, 1999 is now worth EUR 651,300 (net value).

The cumulative return is 551.3%. The annual fees have been 5.45% of the fund’s net value (over 11 years),” Deryng points out.

Among Finnish equity funds, Elite is number two in the 10-year Morningstar comparison, at an annual figure of 16.04%.

### September

**The Portfolio Manager** describes reading the Financial Times on a plane:

“One article was about Bordeaux wine and it reported that over the last five years, the quantity of Bordeaux wine purchased by the Chinese has doubled each year and China has become the biggest buyer of Bordeaux worldwide. We are not in the wine business, but the article hints at the business opportunities available in the Asian domestic markets.”

During Elite’s existence, 1999–2010, the dividends paid on the Thai stock market have grown ten-fold (28 bln. > 290 bln.) and the SET Index has increased 2.5-fold, the attached information indicates.

### December

**Currencies:** “We are not making foreign exchange forward contracts for the time being. Predicting exchange rates within a time frame of one year is subject to a great deal of random changes because the markets are affected by conflicting impacts and their trendiness at a given time controls the exchange rate movements. However, the fundamentals are now such that the Asian currencies will continue their strengthening trend and the strength gained by the euro over a decade may continue to crumble.”

Petri Deryng states that he does not consider volatility of share prices to be a risk, like “stock market professors” do. The chapter in question also sheds light on how the Portfolio Manager maintains his peace of mind amid share price movements:

“Yes, stock markets go up and come down, and investments like Populus and Elite even more so than stock market indices. Rapid temporary setbacks may feel bad at the time, but one must recognize that high long-term returns are not possible without violent temporary volatility. Stock market professors consider the volatility a risk, I do not. Actually, I don’t even really understand why people use the

word volatility to describe the risk in equity investments. My own understanding of risk is linked with quite different assessments of equity investments as regards the possibility of losing capital in connection with company valuation, business operations and holding the stock.”

The Portfolio Manager also talks about a chess tournament sponsored by the fund company. Deryng is a passionate chess player himself.

“The Thailand Open Chess Championship 2011 takes place from April 11 to 17, 2011 at Dusit Thani hotel resort in Pattaya. Book the dates already! We will post more information shortly.”

In the Morningstar ten-year fund comparison on December 10, 2010 Elite is the fourth best worldwide among 1,840 funds with its annual performance of 24.2%. The funds number 1 to 3 and 5 to 6 are Russian funds, the best Russian Prosperity fund yielding an annual return of 29.2%.

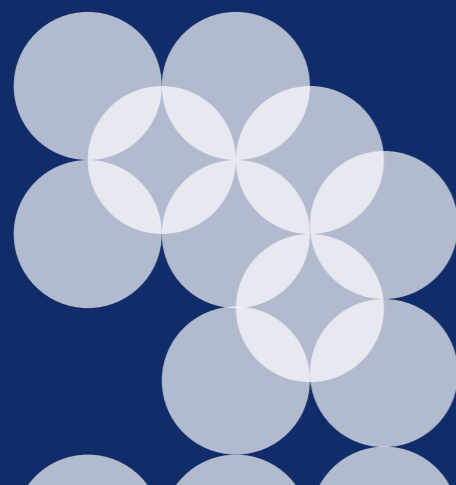
The Populus portfolio is diversified across six Asian countries. The NAV per unit has gone up since inception in September 2006 from EUR 10 to EUR 14.55.

*“Equity market professors consider volatility a risk, I do not”*

# 2011

## “Vietnam? Very interested”

- PYN Elite -4.3%
- Thai stock market +3.5%
- Global stock market -5.0%
- Thai GDP +0.8%
- Global GDP +3.2%
- EUR/USD 1.30



### March

**The Portfolio Manager** compares the OMXH Index of the Helsinki stock exchange with Elite's return. The NAV per unit has grown 842% since Elite's inception, while the Helsinki stock market's performance over the same time was 26%.

The Portfolio Manager stresses the importance of a long investment horizon and the correct target market, and points out that high long-term returns are very difficult to achieve if you do not accept volatility in share prices.

“Thailand's P/E ratio, 10 in 2012, is also attractively low and the dividend yield is 4.7%. This gives a nice potential of additional upside for stocks,” Deryng writes.

“The Chinese economy has doubled in five years and the growth continues,” it says in an extensive and very excited China review.

The Portfolio Manager explains that he has bought shares in a large Chinese vegetable producer, Chaoda, which has very attractive key figures.

### June

**The fund values** are lower than three months earlier. The report includes a thorough Portfolio Manager's interview.

The first half of the year has not gone well. The press is focusing on large fees, but where are the big returns?

“It is true that we have not done much else other than lost clients' assets this year. Both funds are nearly 10% below their initial values at the start of the year. Both funds are performing slightly better than their reference indices but for a client, the most important thing, of course, is the realized actual return.

“I can even say that this spring has been a good time for portfolio managers because some of the stocks have

gone up and some have come down, actually regardless of the companies' current earnings performance. This has created opportunities for us to make changes in the portfolios, which in fact give rise to higher return expectations in the future.”

The strengthening of the euro has robbed us of this year's returns. Why are you idiots not hedging with forward contracts?

“We believe that the Asian currencies will strengthen against the global main currencies in the next few years, even though the euro's rapid strengthening due to a weak dollar has, at times, given us trouble and may continue to do so in the future. Of course we consider forward contracts all the time.”

Vietnam, soon to be the target market of all of Elite's investments, is mentioned in an extensive assessment section.

“Vietnam? Very interested. A highly industrious nation. Favored both by the US and China. The stock market has come down a lot due to macroeconomic tensions during the last couple of years. The situation on the real estate market may become even more strained and could cause a swift minor banking crisis. We are monitoring the developments. The interest rates on new corporate loans, at 20%, and an inflation rate of 14% are further straining the situation. The country has a lot of listed companies and two stock exchanges.”

Raw material prices concern the Portfolio Manager. “It's difficult. They have been running a supercycle. I think they will in future either go up or come down.”

### September

**The Portfolio Manager** once again considers China's growth outlook:

“**While** the state of Greece is drifting towards insolvency, Starbucks announces that they are planning to increase the number of their coffeehouses in China three-fold in four years!

“Doesn't Starbucks know that the US and Europe are sliding into a recession and you should be wary of investments because a European and US recession will bring Asia down also?

“The reason for the eagerness to invest is very simple. The consumer demand in China has just started to grow and the economy will continue to grow rapidly until the end of this decade. China is self-sufficient and has also put aside money during the strong growth, which will ensure continued growth.

“The general uncertainty of investors creates opportunities even in rapidly growing markets. I will make use of them. So should you.”

According to the Portfolio Manager, the Thai housing sector is still very cheap but on the move. Sansiri's dividend yield will exceed 10%.

### December

“**The stock prices** have cheapened due to the appropriate tightening of the financial markets by the Chinese central government. The measures will maintain sustainable long-term growth of the Chinese economy,” Deryng writes.

“The stocks are very cheap considering the Chinese growth outlook, companies' growth outlook and the financing risks present in China. Chinese stocks have been oversold and the fears of a crash in the Chinese economy will evaporate over the spring of 2012.

“China's long-term non-populistic government structure has created sustainable economic growth. Particular-

ly in crisis situations, you can trust it because the decision makers are mindful of their responsibility and problems are tackled immediately.”

A new acquisition in the portfolio is the lottery and lottery machine company Rexlot: “We made an investment in the fall of 2011 and increased to overweight when we were able to buy shares for a reasonable price. The data on the company have been very promising.”

Rexlot is about to come up often in the following years. The share price will crash after the ‘Anonymous Analytics’ group makes a detailed accusation that the company’s financial information contains major errors.

“Even the  
Chinese  
economy  
will crash”

# 2012

## “Conditions for growth are there”

- PYN Elite +64%
- Thai stock market –3.7%
- Global stock market +24.8%
- Thai GDP –7.6%
- Global GDP +2.5%
- EUR/USD 1.16

## March

**The Portfolio Manager** announces that there will be volatility in 2012 and 2013.

“Even the Chinese economy will crash. According to Merrill Lynch, the crash will come in four years. ‘Dr. Doom’ Roubini predicted it a year earlier, I think. It seems likely also to me that the Chinese economy will crash within the next 20 years, in other words there will be one year of negative growth, at the latest perhaps when China goes over from the totalitarian political model to a European system of populist politics.”

Thailand is recovering from the previous year’s flooding.

“Flooding was the problem of 2011. Drought is still threatening the harvest in 2012, but overall, the Thai economy is pushing ahead despite the sluggishness in Europe. Both the Thai government and private sector are investing, and the prime minister raised the 2012 GDP growth forecast to 6%. The corporate tax rate will be lowered this year from 30% to 23% and further to 20% in 2013. Economic growth and a lower tax rate will push per share earnings up and the stock market could reach new peak levels, as the Thai stock market lagged behind the overall Asian stock market development for years.”

Finally, the Portfolio Manager reminds the readers of his investment philosophy and exhorts patience.

“It is impossible to predict how funds go up and come down in the short-term. We know there are cheap stocks in the portfolio. We will make above-index excess returns by owning cheap stocks with a lot of upside potential. The actual monthly and quarterly return will always be a surprise. As Portfolio Manager, I can only assert that the conditions for growth are there and that is enough. You cannot get returns without holding investments. The same of course applies to remaining a client in our funds.”

## June

**The Portfolio Manager’s** summer sales pitch:

“We can start the holiday season in a tranquil state of mind. Our funds have no cash at all that could concern us, instead all the money is invested well and key tasks have been carried out well before the holiday season. If you still have cash remaining, it is not too late to invest it in our funds at good rates.”

Concise commentaries on target companies:

“Rexlot: Chinese welfare lotteries. The market volume grew +24% in April. The company’s P/E ratio stands at 7. No limits to business growth from the global economy. I am satisfied with our investment. The company’s online sports betting is growing by 50%. Rexlot is growing its dividend payout ratio within the next three years, while the dividend yield is at, for the time being, less than 3% and the payout ratio at just 15%. The royalty rates to the ministry from old lotteries reached the maximum in 2010–2012, which ostensibly kept Rexlot’s net sales growth stagnant even though the volume growth was solid. I see no reason why the company should not return to a P/E valuation ratio of 15 to 20 or even more within the next couple of years. I believe that the net sales and profit will continue to grow if the share price will remain at the present levels, the P/E ratio would drop below 5.”

“Hopefluent: Chinese real estate agent. The market has been regulated, but even in 2011, a year of tight regulation, the company’s net sales grew 26% and the volume by 40%. The situation was highly unfavorable throughout the fall of 2011. It was reported early this year that the Q1/2012 sales grew from 16 billion to 19 billion, which says a lot about the company’s capabilities and good market position. 2012 P/E at 5, dividend yield 7%. If the Chinese housing market remains heavily regulated throughout 2012, I do not believe the share will reach entirely new

levels yet, but the company is easy to own at these price levels, waiting for the moment when the share shoots up for real, once the deregulation of the housing market starts.”

## September

**The Portfolio Manager** again criticizes himself harshly.

“I have single-mindedly invested my own money in our Populus fund for the last 12 months. I made the biggest single subscription in October 2011, for a price of EUR 9.83 per Populus unit. At the time, PYN Elite’s NAV per unit was at EUR 79.20. Since then, the Populus NAV per unit has gone up +7% and the Elite NAV per unit +60%. Am I a complete fool, not having invested in Elite instead of Populus? How come the Thailand guru does not know his own market? Is making returns after all just a lottery?”

The Portfolio Manager again ponders the disparity of returns between Elite and Populus, revisiting his own investment philosophy and coming back to Finland of the 1990s. He acknowledges that sometimes you simply have luck.

“I think every investment decision merges a huge amount of different information based on your past experiences. You need to master the macro and micro, you need to control your own economy and the neighbor’s, creativity and arithmetic are a must, you need to remember the entire history of economics and know the future as well. You need to understand the finiteness of things and sense opportunities. You must be bold and fearless.

“It is particularly interesting to analyze what the tolerance for negative occurrences is during a return period, because calamities have not prevented returns, while at the same time, several other, less bad markets have yielded significantly weaker returns. I turned away from the

Finnish stock exchange, a reliable and familiar market, in the late 1990s because I felt that achieving additional returns had become more difficult. The market had passed a period of rapid growth that had lasted most of the 1990s (1993–1999) and the share prices had surpassed the growth rates of the economy and of companies. I sold my last Finnish shares in 1998.

“The stock market still went up for 1.5 years after that, but my move avoided the Finnish tech bubble and the period of weaker returns in the 2000s. I chose the Southeast Asian markets without any previous experience. The decision was based on my knowledge of the history of economics and macroeconomics as well as my stock market correlation analyses. My hunch was confirmed when I started to research individual Thai companies. I knew that the market had obvious upside potential, particularly due to the cheap valuations of individual companies.

“The Elite fund was established in February 1999 and the NAV per unit went slightly down for the first two months. Then, during Q2, it shot up +95%. I was regarded a guru after that market surge even though I didn’t have the faintest idea when it would take place. It was a stroke of luck for the fund company that a market surge like that took place right in the beginning. The first two or three years could just as well have gone in another direction, with no returns.”

According to the Portfolio Manager, it is OK to make mistakes and unfortunate conditions shaking the boat do not matter if the basic strategy and groundwork are strong.

“The bursting of the tech bubble in 2000 started a period of anemia lasting several years on the global stock markets. Even the Elite fund has had long periods of weak returns in 2000–2002 and 2004–2006. Several unwanted events have strained the Thai market since Elite’s inception – these are the most important ones:

- Tech bubble 2000
- 9/11 terror attacks 2001
- SARS epidemic 2002
- Avian influenza 2003
- Tsunami 2004
- Military coup 2006
- Thai forex controls 2006
- Subprime crisis 2007
- Airport seizure 2008
- Cambodian–Thai temple war 2008
- Red shirt protests 2010
- Earthquake in Japan 2010
- Euro crisis 2010
- Flooding in Thailand 2011

And that is not all.

“On top of these negative events on the macro level, we have made loads of poor investments at Elite, which we sometimes forget because it is customary to only talk about the successes in these sales pitch letters,” Deryng says.

“The engineering company Patkol had to undergo debt restructuring even though they built a fine brewery for Heineken in Thailand and were at the forefront in building bioenergy plants. The engineer loved his know-how but forgot how to put a price on it. The telecom company Jasmin had a soft balance sheet already when we bought in, but I miscalculated. The company ended up in debt restructuring and the share price tanked. We fought the credit card company KTC, even in the AGM, and won an important vote, but the stock made losses. KTC had neglected writedowns from a large amount of its receivables and when the writedowns were implemented, the share price also declined. The satellite company Sattel, established by Prime Minister Yingluck’s brother, was for a long time our big hold and the utilization rate of the company’s new multimedia satellite was supposed to rise in conjunction with the breakthroughs made by Asian countries five years ago, but they still seem to be in the process of breaking through, so we sold off our Sattel shares at a loss.”

The Portfolio Manager often gets asked if a low-priced stock market often tends to remain low for an extended time and whether the conclusion from this is that it is worth looking for more interesting investment targets.

“This is partially true, but it is about the risk of waiting for the point in time when returns are realized versus the risk of losing capital,” PM responds.

He reminds the readers that PYN Elite made good returns when entering the cheap Thai market in 1999. When the tech bubble burst in 2000, share prices sank globally, and even though Thai companies had developed in the right direction in 2000–2002, shares did not respond to

the good profit development in Thailand for three years.

“Due to this, returns remained modest also in Thailand. However, those that had invested in tech shares on several other stock markets lost huge fortunes at the same time, which we were at least spared from.”

The Portfolio Manager uses Nokia as an example, regarded by many as a low-risk company in 2000 due to its good liquidity and positive business outlook.

“If you invested in the Nokia share in 2000 you lost nearly all of your capital in 10 years. Nokia’s business developed very positively particularly from 2000 to 2005. The key reason for the fall of the Nokia share was the investors’ poor assessment of the stock market’s general valuation level and the risk of a crash. Later, Nokia’s value was brought down by the inability of the management to meet new challenges.”

The Portfolio Manager’s Nokia analysis is supported by a small graph of the company’s market value development: In 2000, it was valued at EUR 303 billion, in 2005, at EUR 50 billion and in 2010, as low as EUR 25 billion.

“I would sum all this up by concluding that if you embark on a cheap market and have a knack for successful stock picking, you can screw up quite a lot and many unwanted things can happen, and you will still make solid returns.”

In September 2012, the Elite fund’s consolidated return since February 1999 is already 1,157%. The SET Index has gone up over this time by 247% and master investor Warren Buffett’s Berkshire Hathaway just 86%. The comparison with the Helsinki stock exchange’s overall index is the most brutal one. If an investor had put their money on the Helsinki general index instead of Elite, the return would now be negative, at –11%.

## November

**Portfolio Manager** Petri Deryng announces major changes. Elite is exiting the Thai market:

“Thailand’s stock market is about to reach our target level, 1,400 points. Elite has been in the Thai market for 14 years and the return is at 1,300%. We are about to re-focus the Elite portfolio because the Thai market does not fulfil our investment criteria anymore. The portfolio will still contain some Thai stocks for a time – we will start buying new target companies from Vietnam and China,” Deryng writes.

He bases the decision on the original goals having been met.

“I have fallen in love with Thai food. I have become fond of the content Buddhist way of life. I have great respect for Thailand’s wise king and his splendid life’s work for the good of his citizens. I am crazy about Thailand’s intelligent and zesty prime minister. I truly value the tight and determined monetary policies of Thailand’s central bank, which have accumulated a currency reserve of 180 billion. My love for Thailand is deep and enduring.”

Then comes Deryng’s punchline:

“I have not fallen in love with Thai stocks,” he continues.

“My key job as a portfolio manager is stock picking. I like cheap stocks, but I don’t fall in love with them. The Elite non-UCITS fund has since February 1999 invested exclusively in Thai stocks. When we started, the Thai stock market index was at 363 points and we, at that time, set 1,200 points as our target and, over the years, as the companies accumulated more capital, we raised the index target to 1,400 points. The index is now at 1,300 points and all indications allow us to assume that the index might go up to 1,400–1,600 points within the next 12 months.

“The companies we own are doing well and also have positive outlooks. The Thai government is active and has

a clear mandate to rule the country. The situation is not good for a stock picker because things are going too well in the economy.”

According to Deryng, the fund company has visited hundreds of companies in Vietnam over the last five years, but not a single share has been bought because the assessment was that the country’s real estate sector and banks will end up in trouble.

“Now the problems have become acute and we are experiencing an interesting period in Vietnam, which will make an opportune time for stock picking. The Vietnamese stock market is difficult, however. Several very cheap companies are trading at lousy volumes and cannot even be considered for buying. At the same time, a few interesting larger companies are trading at larger volumes but have limited quota for foreign investors. We do recognize several specific target companies, however, which we could invest in.”

Sansiri has gone up 150% since the start of the year in Thailand, but Deryng forecasts that it will continue to go up.

A block of the hotel company Erawan has gone up from 1.20 baht to 3.30 baht, but faith is still strong in the target price of 4.50.

“The re-focusing of Elite’s portfolio is likely to take some 12 months. In the meantime, we will cash in profits from Thailand and acquire new target assets with major potential for future performance.”

Hardly any consultants would recommend such a dramatic change, Deryng writes, but there are reasons for that.

“Other Finnish companies in the investment fund business may laugh up their sleeves once they notice that we are revamping the most successful product of the entire industry, The Elite non-UCITS fund. I doubt any business consultant could recommend this type of action. Our cli-

ents may also have a lot of questions: Why is the familiar and safe Thailand being left behind? Why is the focus of the fund being disarranged on purpose?

“I am sorry if we have ended up acting contrary to some expectations and caused concern, but we want the Elite non-UCITS fund to yield exceptionally high returns also for the next 5 to 10 years,” Deryng writes.

“It is time to prepare ourselves for changes and to follow our operational model with discipline by selling off stocks and markets that have reached their full price. What motivates me personally is analyzing macro-factors and stock picking. As an investor who knows Asia well, I am convinced of our selected operational model. I would like to quote a famous Finnish sportsman: ‘Leave me alone, I know what I am doing.’”

## December

**The Portfolio Manager** reports that he has been busy.

“I am writing a short investor letter because I need to have time to write to Santa after all, and we have done a lot of legwork with companies.”

The Vietnam research goes on and Deryng has also visited China.

“Two super busy weeks have been preceded by two busy months, with weekly visits at companies. Two of my analysts spent an entire week in Vietnam doing updates. Sunday will be spent writing this letter, not so many temple visits – again. Last week, I met very different kinds of companies operating in China’s domestic markets, such as a leading flip-flop brand, China’s biggest scrap metal recycler, a fast-growing jelly candy brand, an importer of special pharma, a local wine brand, a loan shark firm, a pram factory, a LED lighting factory, a solar panel installer and a commercial bank.”

The Portfolio Manager feels that Vietnam is an advantageous market for a stock picker.

"It is easy to find target companies, but there are some availability problems due to low trading volumes and the quotas for foreign ownership."

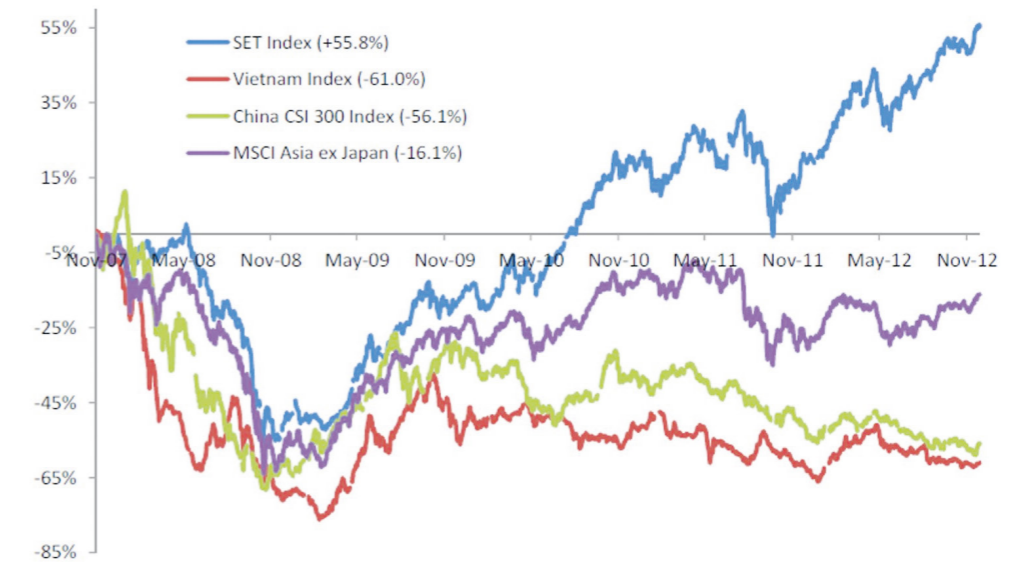
Deryng compares the development of the Thai, Chinese, Asian (excluding Japan) and Vietnamese stock market indices for five years. Thailand's rapid rise and the decline of the Vietnamese and Chinese indices help to crystallize the insight into the best target markets for the future.

"The Thai index got a boost after the muddy politi-

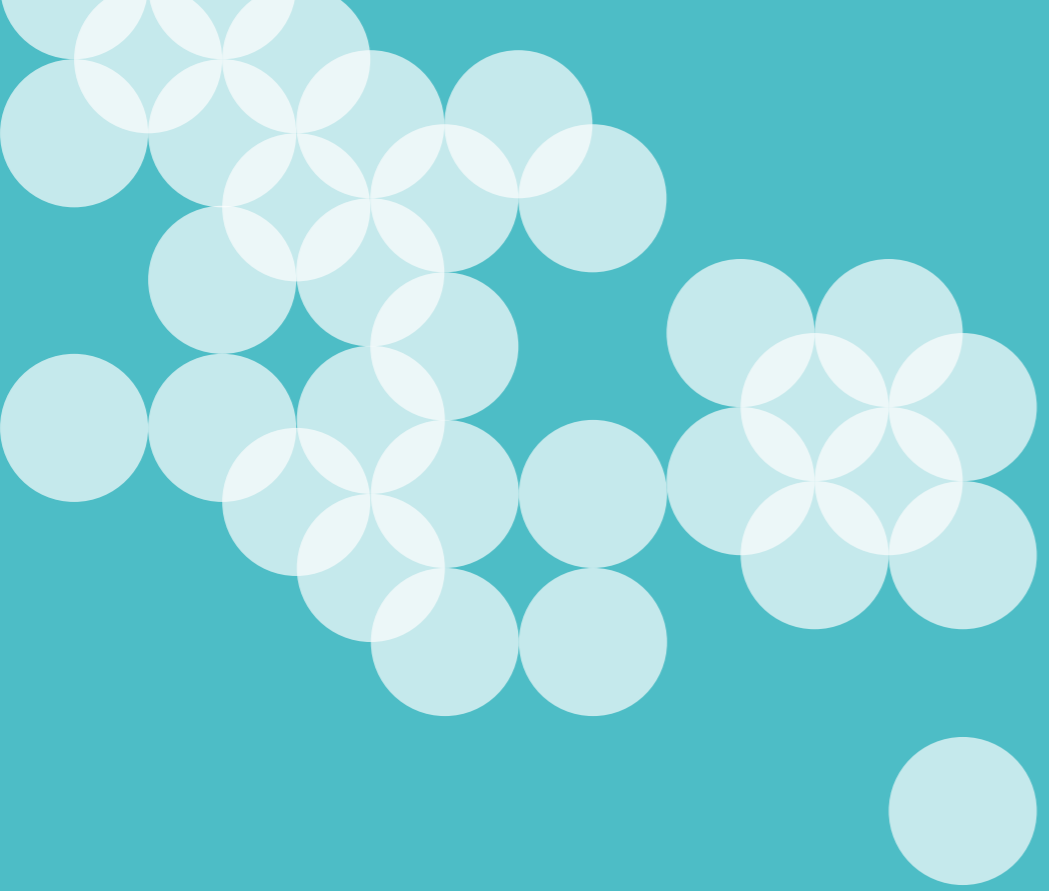
cal situation clarified and the new government made decisions that bolstered the confidence of consumers and businesses. The Vietnamese index has slid due to questionable credits in the real estate and banking sectors. The Chinese index is likely to rise thanks to the new government and brisker domestic market. After five years of diverging development, this leaves 200% potential future performance between the Thai index, that has gone up 50%, and the Vietnamese and Chinese indices, down by 50%."

*"I'm not in  
love with  
Thai stocks"*

### THAILAND, CHINA, VIETNAM AND ASIA INDICES FIVE YEAR RELATIVE DEVELOPMENT Diverging index development reveals return potential in Vietnam

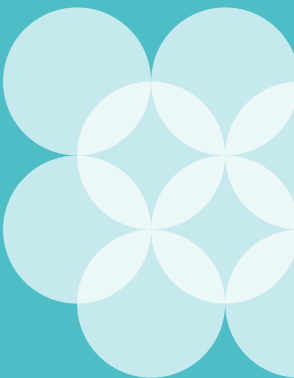


SET index boosted after the political situation was stabilized. VN index was sliding due to bad bank and real estate loans. China index expected to rise alongside the new government and improving domestic demand. Diverging index development reveals return potential of Vietnam as SET has risen 50% and China and VN indexes are down by 50%



PART 5

## To Vietnam, Hanoi rocks



# 2013

## “Welcome to the milking shed”

- PYN Elite +36.9%
- Vietnamese stock market +27.1%
- Global stock market +27.4%
- Vietnamese GDP +5.4%
- Global GDP +2.6%
- EUR/USD 1.38

### March

The results of the Portfolio Manager's decision start to make themselves visible: 20% of the Elite portfolio is now in Vietnam.

“Vietnamese and Chinese stocks are cheap. We hold them and buy some more. Thai stocks are pricey.”

Vietnam is predicted to become the success story of the next ten years.

“Small cap stocks in particular are cheap.

“The positive outlook for the current account and currency inspired us to start buying stocks in Vietnam. The banking and real estate sector is still in big trouble.”

According to the Portfolio Manager, the cashing in of Thai returns is going smoothly, with the stocks in the portfolio going up even faster than the index.

“The outlook for Thailand's real economy is good and there is momentum in the stock market. Share prices have already gone up and may go up even further.”

The shopping round in Vietnam has proceeded successfully, says the Portfolio Manager. “We have purchased shares in an investment trust which trades in London, at a 25% discount to NAV.”

Purchase orders were filed for the shares of 52 companies in Vietnam. This number is exceptionally high for the Portfolio Manager.

“These 52 are an all-star team of Vietnamese value stocks. The selection took many years of work, and many of them trade at 4 to 6 P/E ratios and pay good dividends. We will also participate in private placements, the first one of which has already been executed. The Populus portfolio will, after the start of April, include the cleaning firm PAN, of which we will own 10%. For the Populus portfolio, this is still a small investment, however. We are also negotiating block deals in Vietnam, but we have passed on most of these offers.”

The Portfolio Manager offers this answer to the question “Why invest right now?”:

“The Portfolio Manager is a cow and the new year in the Chinese calendar is particularly favorable for cows, according to the signs foreboding success, wealth and private life. Living in Asia, I cannot ignore the teachings of Feng Shui because they dictate the orientation of buildings, wedding days, publication dates of financial statements, the inauguration of listed companies' new mills and also affect major political decisions. Don't slaughter the cow but instead milk it for long time. Welcome to the milking shed!”

### June

“We only have shares in three Thai companies left in our portfolios, Noble, Lalin and Ticon, and the weights of the portfolios are shifting more and more towards Vietnam and China.”

The reason given for Elite's higher weight on Vietnam is that Elite received cash very rapidly from the sold off investments in Thailand. Shares in only three Vietnamese companies have been bought into Populus.

However, there are problems with the Chinese stocks.

“We have already decided on writedowns on a second holding in China, in addition to Chaoda. Trading of the China Metal Recycling share has been suspended over the spring and we have, applying the precautionary principle, carried out a writedown of 20% in April and an additional writedown of 50% in May. We expect that the trading of the company's shares will restart, but time is working against the trustworthiness of the company.”

The sentiment is nevertheless good, the Portfolio Manager reassures.

“We are continuing to work in a positive frame of mind

and some strokes of bad luck are part of the process. The Elite non-UCITS fund has continued to yield very good returns in the first six months of this year, even though the NAV per unit EUR 200 limit has still not been reached. Populus has also increased its value, even though the increase is less impressive due to the weak performance of the Hong Kong stock market.”

The investment letter ends with company presentations and an appendix of Elite's years 1999 to 2012 in the Thai market and comparisons with other funds in Finland and elsewhere.

The comparisons make it clear that Elite has been Finland's top performer in the marathon table of stock investment funds, with its 1,877% return in 14 years. The second best stock fund on the list, Evli Suomi Select, has yielded a return of 1,377%, but it needed 23 years to achieve it.

In Morningstar's global annual performance comparison of as many as 12,990 funds over ten years, PYN Elite is the number one – the global top performer in terms of returns.

According to the comparison, dated May 2, 2013, Elite's annual return over ten years is 25.37%. Number two is Fidelity's Indonesia fund with 24.11%.

Elite is the best in terms of its 1,886% cumulative return in euros, also among Thai funds.

The MSCI Global index has gone up 22% since Elite's inception, while Elite has gone up 1,886% over the same period, the next price comparison indicates.

For a change, the Portfolio Manager lists successful buying decisions:

“The poultry company Gfpt from 1999 springs to mind, we bought its shares for 35 baht and a few years later, the company paid 35 baht per share in dividends. The container shipper RCL was overweight for more than 4 years before we managed to cash in a 500% return from it.

“SF Siam Future, builder of suburban shopping malls, was an excellent investment and we sold it off as a block at a great price to a Filipino industry specialist; the PET producer IVL was bought for cheap and sold as a block to an investment company owned by the state of Singapore; the home improvement retailer HomePro, housing builders LPN and SANSIRI. We bought 7% of Hotel chain Erawan for a rock bottom price as a block from a Singapore fund that had reinvented its strategy. For sure, good returns were also made with Thai Airways, as we bought it exactly when Bangkok Post announced the company’s state of insolvency.

“In total, 1999 and 2003 have been the years of highest performance for the fund’s investments. The excellent returns were achieved with investments in export companies and businesses linked to exports, even though with many companies, such as RCL, the value increase was preceded by a long wait before the returns actually materialized.”

“MEMORABLE FUNNY COMMENTS,” reads the Portfolio Manager’s headline.

“Finnish broker who knows Thailand well: ‘You need to know Thai families to make it in this market’”

Our Thai broker: “GFPT, never heard of it, for heaven’s sake don’t buy strange small companies.”

Our Thai broker: “Yeah, RCL is cheap, but it’s not a hold stock if no-one else is interested in it” (Comment from 2001 when the share price was 40 baht, we sold for 160 baht in 2003).

Our analyst around 200% before our target price: “Sell off SIRI, too much in it, and technically speaking the price has now peaked” (we cleaned up our funds for around EUR 30 million with SIRI when we sold in January 2013 for between four and five baht, after the share rose for the entire year of 2012).”

The Portfolio Manager encourages investors to familiar-

ize themselves with history.

“Everything new and exiting happening in the stock markets has already happened before, in other words you can see into the future by studying history. Concentrating investments in markets not generally trusted and unpopular among investors. Ingenuity in finding information and combining it with historical facts. Curiosity to find out everything that you didn’t know before.

“Courage to act in a way you feel is best. Focusing the research on under-monitored companies. Absolutely no compromises in the necessary buying and selling decisions. Using your time to examine relevant information only.”

## September

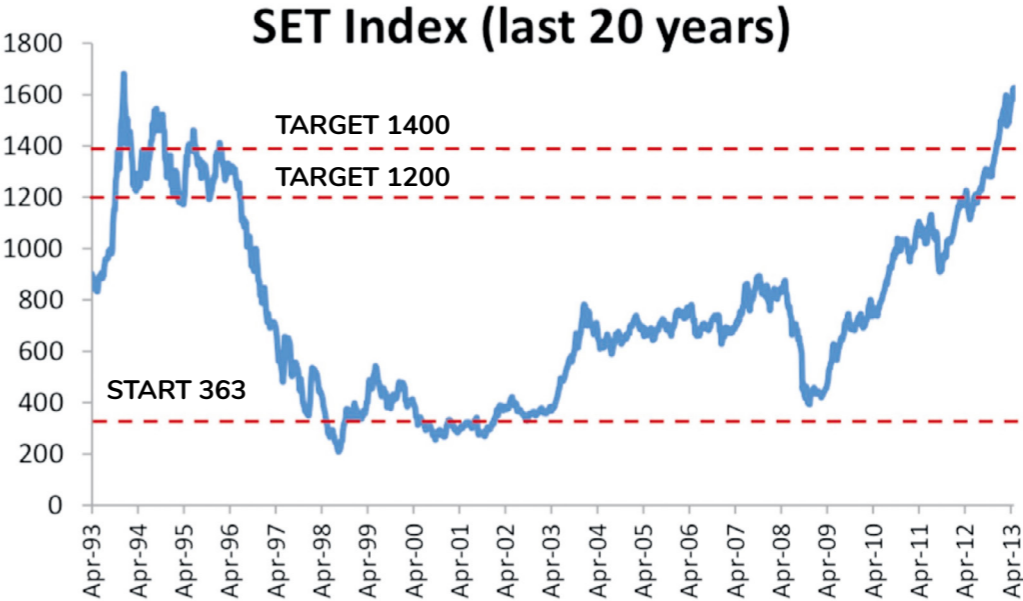
**Populus** is merged with Elite. The new portfolio has 43% in China, 39% in Vietnam, 10% in Hong Kong and 8% in Thailand.

The Portfolio Manager goes over the circumstances behind the change and again announces that he has invested his own money as well.

“Hi,

The Populus non-UCITS fund is merging into the Elite non-UCITS fund on September 30, 2013. As of October 1, 2013, I will manage only one fund and as a portfolio manager, I have already proceeded into that post-merger period in my mind. In the appended materials, I am presenting our new merged portfolio instead of separate portfolios. The main target markets are Vietnam and China. I have a rather small 25% return accrued from my leveraged Populus investment from two years back, but I have just decided to renew my bullet loan leverage for the next two years, based on my expectations of much more significant returns in the future. During the last two weeks, I have met

# SET INDEX AND TARGET LEVELS OF THAILAND



the managements of all the key companies in our portfolio in Hong Kong and Vietnam and the companies have reported good H1 profits. The guidance for the rest of the year and 2014 is also positive and many companies are increasing their dividends.”

**Question:**

“Are you party members or what on earth is still keeping you in China, since you always get a bloody nose there?”

**Answer:**

“Our sad track record in China can be read in Populus’s performance, which is weaker than Elite’s, although even Populus shows positive cumulative figures, around +45%, for its entire history since inception and taking into account compensation shares. The fund’s history includes two complete catastrophes: the vegetable producer Chaoda and China Metal Recycling. Some other China investments have also performed less than well.

“It’s good to keep in mind that Populus’s streak in China includes the US financial crisis, the European crisis and slowed-down growth in China, all of which have played a part in denting the attractiveness of Chinese small- and medium-caps as investment targets, making their pricing exceptionally interesting. In compliance with our investment strategy, we always make our excess returns during bull markets, while we underperform during steep declines.

“While we can say that the Western European and US economies as a rule do the right thing ethically and China does not, at the same time you should keep in mind that the Chinese are skillful business people. China has a huge number of super skilled corporate executives and thriftiness is a great Chinese virtue, something that I would like to see again also in Western households, governments

and businesses.

“Fraud cases hurt the general confidence in Chinese companies, and for a good reason. The fact that both the cases in our portfolio were companies carefully analyzed by Macquarie Bank, with joint reports by the bank’s top analysts from China and elsewhere, is something that stokes my own fears. Both companies also have had large trustworthy accounting companies for several years. As regards the vegetable producer Chaoda, the company also had reliable owners, including Fidelity, Templeton and Blackrock.”

**Question:** “Why go to Vietnam now, when the economy is sagging?”

**Answer:** “The concerns in the real estate and banking sector have long been known, but there are good signs already as well, and it is customary for communist countries to put the economy in order faster within a smaller group of leaders than in Western people’s democracies.

“However, the key thing is that the share of Vietnam’s foreign trade from the global exports trade has doubled in five years (0.35% in 2008, now 0.7%) and I expect the positive development to continue. Vietnam’s central bank has already found a credible level for the currency with devaluations and this has managed to stabilize the dong exchange rate and redirect people’s savings to dong-based investments, instead of gold and the US dollar.”

**December**

**The Portfolio Manager** reviews thoroughly the fund’s history, changes in the portfolio as well as his investment philosophy:

“In this letter, I seek to express my central ideas on

portfolio management. Several important measures took place in 2013, thanks to which I can now happily start my Christmas holiday and look for good signs at the start of 2014.

**Selling off Thailand**

During the first months of 2013, we sold off more than EUR 100 million in Thai stocks, when the SET Index surpassed our long-term target level, 1,400 points, in December 2012.”

The Portfolio Manager also talks about landing in Vietnam.

“For seven years, we have now followed the development of Vietnam’s macroeconomics and the stock market. We decided to implement a tailored buy-in program of our own. We started gathering Vietnamese value stocks

in February 2013, despite the fact that their trading volumes are low and buying is very complicated. In addition to buying stocks in smaller lots, we have successfully participated in two directed share issues in Vietnam as well as acquired shares in one Vietnamese investment company trading as a closed fund. We have succeeded in creating a position of more than EUR 90 million in Vietnam, equaling around 40% of the PYN Elite portfolio. We have shares from a total of 60 different companies in Vietnam and because it would be difficult to describe them individually, we refer to them jointly as ‘PYN Elite Vietnam Basket’. For the sake of comparison, the total number of listed companies in Vietnam is roughly 750.

Finally, let us state that the Elite fund’s cumulative performance is +1,861% and the annualized return is +22.2% as of December 11, 2013.

“Average  
annual return  
22.2%”

# 2014

## “Rexlot’s net sales are growing nicely”

- PYN Elite +16.2%
- Vietnamese stock market +12.5%
- Global stock market +5.5%
- Vietnamese GDP +6.0%
- Global GDP +2.9%
- EUR/USD 1.21

## March

“Dear Customer,

PYN Elite’s NAV per unit has developed positively, going up by nearly 10% since January 1st. The candy maker Labixiaoxi has exited the Top Holdings list; the company’s financial statements will be delayed and their supplier has ended up in a ‘scandal’ involving raw materials harmful to people’s health. We sold off half of the shares as the price went down, and the rest now make up 1.5% of the portfolio. We are awaiting the company’s financial statements and continuation of trading.

“As a new target company, we have raised the Chinese housing construction company Kaisa to medium weight in the portfolio. It has a P/E ratio of 4.5 with the realized revenue of 2013, and the company will start paying a dividend in April 2014, starting right away with an initial dividend yield of more than 5%.

“We will continue purchasing stocks in Vietnam in various ways; by trading smaller lots, through block orders and by participating in directed issues of listed companies.”

The Portfolio Manager presents the ten largest holdings. The biggest is the Vietnam investment basket that amounts to 28.7%. In previous years, Deryng has preferred buying a small number of companies, as opposed to many of them, but this basket already includes 60 companies. This calls for an explanation.

“We have picked small- and medium-cap companies from among the 750 Vietnamese listed companies according to our own value company models. These amount to 60 by now, after a laborious stock trading operation. Our Top Holdings table gives an overview of the basket with a sample of 15 companies.

“Due to the high number of small target assets, we refer to this investment as ‘PYN Elite Vietnam Basket’ in our

portfolio. We are constantly making changes to the contents of the basket. Some companies have already been sold off, we have bought some new ones, added some old ones and so on. Roughly EUR 80 million is now tied up in the basket’s companies. The investments range between a few hundreds of thousands to EUR 5 million per company.”

A total of EUR 130 million has been invested in Vietnamese listed stocks.

The second biggest holding in the portfolio is the Chinese betting company Rexlot, at 16%. The Portfolio Manager assesses this company as follows:

“Rexlot’s net sales are growing well and securely, and it has an established position in the Chinese welfare lottery market. With the realized net profit, the P/E ratio stands at 9, and the share is still cheap in comparison with the next few years’ earnings growth and dividend growth outlook.”

The Chinese housing builder Kaisa is another company close to the top of the list. This is the Portfolio Manager’s description of it:

“Strong growth in 2013, net sales +60% and earnings growth 40%. Has an EBITDA of 34%.

“Kaisa’s projects target end-users, and we believe that China’s long-term urbanization will ensure long and steady demand growth. The authorities are introducing a property tax that is likely to be aimed at limiting speculative housing trade more effectively than the existing limitations on purchasing real estate.

“The existing limitations applied to all buyers may thus be dismantled once the tax is in force.

“Kaisa will start paying dividends for its 2013 profit, with the first dividend paid out in April 2014 at a yield of more than 5%.”

## June

The Portfolio Manager points out that the stocks in the target countries are cheap.

“The Chinese and Vietnamese stock markets are attractively priced. These stock markets have cheapened, relative to their historical valuation levels, after a period of several weaker years. The listed stocks in these countries represent, compared with their macroeconomics, a good outlook in terms of risk vs. return. The countries’ industrial output is growing, the current accounts remain in surplus, the currency reserves are expanding, retail trade is growing, car trade is growing, the available income is growing, etc.”

Deryng then goes on to one of his favorite topics, dividends:

“I believe that, within the next few years, the growing dividends of listed companies in both of PYN Elite’s target countries will create pressure on investors to pay attention to the stocks in these markets. It has been proved impossible historically for the dividends and share prices of listed companies to permanently go in different directions, even though they may temporarily do so for several years.

“Growing dividends are very important. Being able to consistently pay out more money to shareholders while business and profits are growing is an indication of the management’s confidence in the future of the company.”

The letter briefly reviews the main news:

“The Top Holdings list shows the company-specific share price target values. The portfolio already contains around 60 small-cap companies from Vietnam, referred to as ‘Vietnam Basket’. Their valuation ratios are very attractive and we have recently added stocks to the portfolio that have cheapened the most.

“Rexlot. The most important single investment in our portfolio. We are happy with the progress that the com-

pany is making with the decision to pay out dividends that was made already two years ago. The dividend payout ratio will be raised to 50% by 2015 and is now already at 35%. The amount of dividends will grow both due to the increasing payout ratio and earnings growth.”

September

**Exceptionally,** the Portfolio Manager does not start with the markets, macroeconomics or companies. He first talks about regulation:

“During the 15 years we have been in the business, regulation of the investment fund industry and its players as well as the documentation and reporting requirements have increased substantially. In addition to recording our Asian stock trading, all the purchase and sell orders in Asia must be recorded in Helsinki to the minute, regardless of whether they lead to actual trading or not.”

The Portfolio Manager also introduces PYN’s new CEO Eino Laitinen.

“We have already experienced Eino’s skills at the PYN Fund Management as he was already working with us during his studies at Helsinki University of Technology. After his studies, Eino had a successful engineering career at Wärtsilä Corporation, from where I was able to persuade him to join us as CEO, after challenging negotiations.

“Things could not be better for me: I get to focus on my passion, in other words portfolio management, company visits, stock picking, brainstorming various investment ideas and economic analysis.”

True to his habits, the Portfolio Manager then proceeds to a review of the Top Holdings.

“Rexlot. The biggest position in our portfolio. Rexlot’s total net sales are growing at +10 to 15%. The dividend has grown and is still growing faster than net sales and

profit (dividend H1 2014 +35%), as the company is targeting a 50% dividend payout ratio. I am expecting a total dividend of 5.50 for 2014 (payout of the H1 dividend, 2.30). The share trades now at 84 cents.

“Mobile World is a Vietnamese retail chain in electronics, a growing company that wins market shares from unprofessionally managed small shops. The company has a very clear growth strategy and does not even need growth in consumption to accomplish it, while that of course will also propel the company going forward. We got a pot of 1.2 million shares in a pre-listing deal. After the listing in July, we have worked hard to collect more shares from the market, as the liquidity of the stocks will only improve in 2015, when the lock-up periods of two investment companies end. We now own 2.3 million shares and MW makes up 4% of the portfolio.

“The company just published its 8-month figures, which surpassed the previous 12 months’ sales and also the net profit was excellent. I expect more than 50% growth in net sales and profit from the company in 2014 and continued strong growth in 2015 and 2016. I believe that the company will start other retail businesses in Vietnam in the coming years.”

December

**“We started** the year 2014 at EUR 205 NAV per unit, and now it stands at EUR 237. Return since January 1st amounts to 16%. This is below the PYN Elite fund’s long-term average annual return and the NAV per unit has unfortunately gone down just recently.

“There were two stretches of weaker returns in 2014. From early March to early May, we had a poorer period, with the NAV per unit going down from 237 to 192, and between the start of October and the start of December

we again came down, from 269 to 237.”

The Portfolio Manager finds five reasons for the weakened performance:

- 1. The Vietnamese stock market is experiencing a wave of cashing in returns.
- 2. Hong Kong’s H shares have been soft and slid back from their previous increases.
- 3. Violently declining oil prices have spooked investor sentiments in developing markets.
- 4. PVD’s earnings development has met healthy skepti-

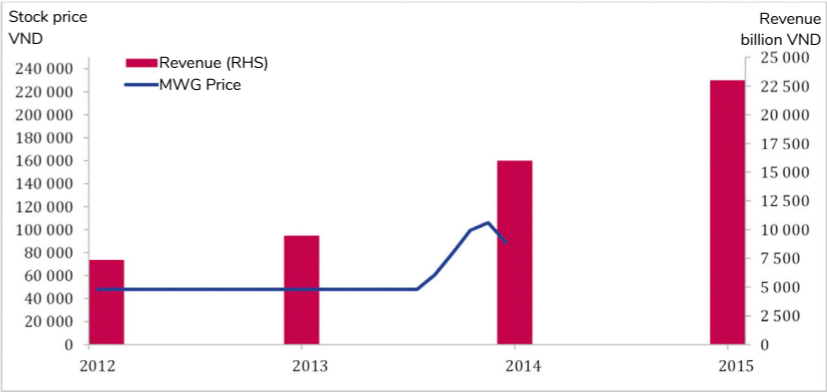
cism due to declining oil prices.

- 5. Kaisa was entangled in the zoning crisis of the city of Shenzhen.

**The Portfolio Manager** is merciless on himself: “Several surprising factors or perhaps not so surprising after all. As Portfolio Manager, I must take into account all factors that I’m aware of and also factors that are not known to me. Our investment strategy must endure these kind of surprises and accomplish good long-term returns, taking into account all the factors in play.”

QUICK START OF MWG SHARE LISTING IN 2014

MWG was listed in July 2014. The quick growth of MWG continues; price and revenue are expected to grow simultaneously. Dividend yield starts this year.



# 2015

## “Industrious and business-minded nation”

- PYN Elite –7.2%
- Vietnamese stock market +10.1%
- Global stock market –0.3%
- Vietnamese GDP +6.7%
- Global GDP +2.9%
- EUR/USD 1.09

### March

“**Vietnam** became familiar to many Finns through the news coverage and films on the Vietnam War. The country has a colorful and emotional history. However, in this investor letter I will tell you why Vietnam’s future may make the country perhaps even more interesting than its history – at least for investors.”

The Portfolio Manager describes in his distinct style some specifics he has paid attention to in Vietnam.

“As it is known to people familiar with the East, Vietnam is one of the world’s biggest producers of rubber, rice and seafood. The country also manufactures furniture, sports footwear and clothing. For me personally, it also was fascinating to learn that Vietnam is the world’s second biggest coffee producer, right behind Brazil (and number one in Robusta coffee).

The nut trade is also not just peanuts, as Vietnam is the world’s biggest cashew nut producer with the value of cashew nut exports amounting to USD 2 billion a year. Peppers are small, but even in this type of production Vietnam holds the global number one position and annually racks up more than a billion dollars in export revenue. Indeed, peppers and nuts are probably some of the few ingredients that you are allowed to eat these days, lol.

“Thinking ahead, it is important that Vietnam not only has robust food and clothing industries, but also that the fastest growing exports industry cluster of recent years is the IT sector. Samsung has smartphone production capacity totaling 240 million phones in Vietnam this year, while China produces just 110 million units and Korea, Samsung’s home country, only makes 40 million units anymore.”

Then comes the Portfolio Manager’s assessment of the Vietnamese people. This same message would be repeated several times over the next few years:

“A young, smart, ambitious, hard-working and business-minded nation that has toughened up to overcome all adversities independently. The Vietnamese are nearly fully employed, with an unemployment rate of around 2%, even after a weak economic cycle.

“As Vietnam grows more affluent, the largest age cohorts (18- to 35-year-olds) will provide an enormous production resource and source of purchasing power for cars, housing, electronics, clothes and services in the next couple of decades.”

He also points out that Vietnam ranks 13th in the OECD’s Programme for International Student Assessment (PISA) study.

“In contrast to Thailand, for example, the Vietnamese government has invested systematically in basic education for a long time. Thanks to this, Vietnamese school children achieve top scores in the PISA study despite the country’s still very low GDP per capita.”

The Portfolio Manager then goes on to systematically dissect Vietnam’s strengths and weaknesses. He is particularly excited about the country’s steadily growing share of global exports.

“Vietnam is very strong in terms of competitiveness. In ten years, the country has grown its share of global foreign trade three-fold and industrial investments are still growing. This results from the country’s relatively high-quality workforce and low wages. The government’s industrial policies have also played a very important role, creating a competitive, investor-friendly framework for corporate investments in the long term.”

The Portfolio Manager assesses the Vietnamese stock market at length. He reminds the readers of the beginnings in Vietnam.

“PYN Elite embarked on the Vietnamese market in February 2013, when the index stood at 480 points. The economy was still weak in the domestic market, but it was

foreseeable that the situation of the banks would improve, the real estate cycle would soon bottom out and the current account would maintain a surplus.

“The stock market index now stands at 570 points. We regard it as a comfortable ‘stand by’ position all the while the signs of a turn in the economic cycle are becoming more and more evident. The stock market P/E ratio is at 12, dividend yield around 3.8% and P/B ratio at 1.13.

“Vietnam’s risk class will probably go down thanks to the surplus of the current account and accumulating currency reserves. We find that the stock market index is currently at a suitable level also regarding additional stock acquisitions and believe that the index will go up as the economy normalizes. A rise in the stock market will be supported precisely by the accumulated surplus, as the overall country risk gradually decreases.”

The Portfolio Manager also points out that the “stock market lives in the age of dinosaurs with regards to trade settling. Obsolete methods often have a lower risk as such, like one-to-one settling for example has. It is wise to keep in mind that not only effective payment systems develop in a modern market – so do flimsy cost- and risk-hiding tools of the financial markets, such as structured instruments and virtual technologies.

“In Vietnam, stocks cannot be purchased unless the investor has the money in cash in their bank account in the local currency at the moment when the purchase order is given. As a result of this, you cannot make new intra-day purchases against the same sells, you first need to wait out three settling days until the stock sales money is transferred. This is of course a very archaic rule, but does naturally lessen speculative trading in stock markets. The rule is not getting stricter, rather the country’s stock market will at some point adopt the standard procedure of settling the purchases and sales on the same day.”

Deryng also points out that Vietnamese companies

have foreign ownership limits, which can make the work of foreign investors challenging:

“The foreign ownership limits of Vietnamese companies is the biggest problem in the country’s stock market. They make access to the attractive stock market difficult. This results in a limited number of active foreign investors and poor marketplace liquidity.

“I know several substantial foreign institutional investors that have already decided to buy from Vietnam, but are frustrated with the scarcity of suitable goods and are now passing over the country in their allocations. It is my belief that there will be a change in this within the next three years.”

Finally, the Portfolio Manager reviews the portfolio companies. There are still unusually many of them, but one is above the others, MWG.

“Vietnam’s most interesting listed company is Mobile World. An electronics retail chain, market value 13 trillion dong, 2015 net sales forecast VND 24 trillion. Stock ownerships serve to tie the 1,000 most important employees to the company. 30% to 50% net profit growth in 2015 will trigger more stock options for the staff. The company’s P/E ratio of 13 for 2015 may seem high, but considering the 30% to 50% earnings growth, we still see the company as cheap. It now trades at 0.5 x market value per net sales and in three years at 0.25.

“We see here the success story of the next 10 years. The industry is good for expansion and there is room for expanding into other product groups in retail. A unique corporate culture, youthful founder/CEO. The will to grow as well as the means and skills are there. Our holding is 7% and the company makes up 12% of the PYN Elite portfolio.

“We got hold of the company before it listed in the summer of 2014 and got the second biggest slice of the stock on offer. The negotiations with the investment bank

on the number of shares were extremely hard because the first number we were offered was smaller. We have since then collected more shares from the markets.”

Deryng ends his lengthy letter in a summary:

“The weight of Vietnam in our portfolio has exceeded 70% and we still seek to increase it when a suitable opportunity comes. We invest in the long term. We seek major returns.

“The NAV per unit may shift significantly up and down at times due to forex rates, events in specific portfolio companies, sentiment factors in the target markets and the winds in the international financial industry.”

June

“Dear Customer,

In this investor letter of ours, I will briefly discuss the rule changes about to take place and also touch upon the situation in Vietnam. I have compiled the matters in a question/answer format.”

Has the size of the fund become a problem in terms of achieving good returns?

“The size of the fund of course has a major impact on what size companies and what types of markets you can invest in. I feel our current size is suitable and the return expectations are balanced. It would be preferable for the fund to grow through stock value increases instead of a flood of subscriptions in the future.”

Has something new happened lately as regards Vietnam?

“Nothing of strategic significance. The Vietnamese stock market has perhaps been, for a short time, a bit weaker than my expectations and the country’s economy slightly stronger than I expected.”

Key positives:

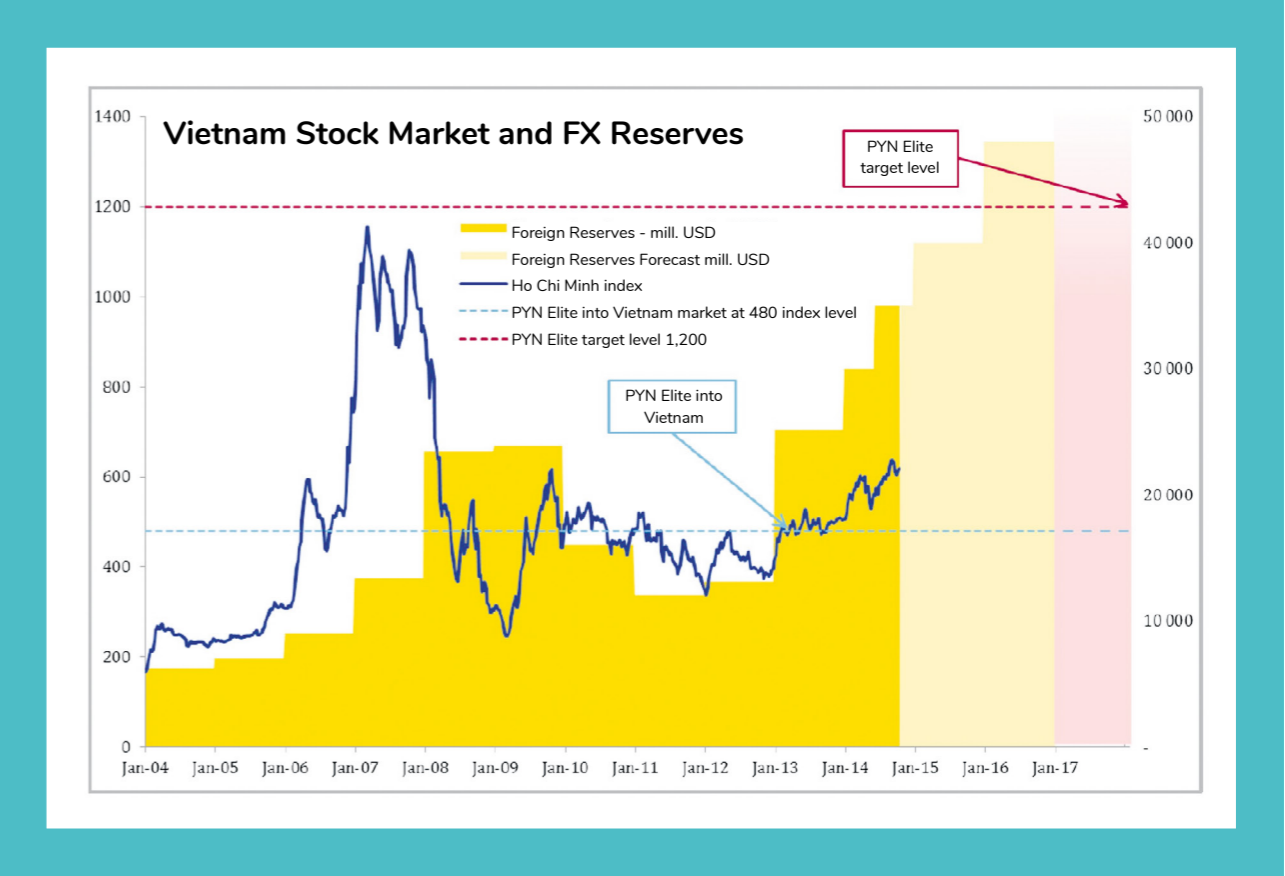
- \*Predictable growth of Vietnam’s economy. Based on several different estimations, the country’s economy is facing a 10-year period of strong growth.
- \*Stock market situation. The book value of the stock market is 1.1, close to half of its historical value.
- \*Limitations on foreign ownership in the stock market to be eased eventually.
- \*Several industries in the domestic market at a turnaround

in the economic cycle, resulting in huge growth potential for the companies in these industries in the next few years.

\*Vietnamese companies pay out dividends actively.

Negatives:

\*Political risk linked with Vietnam, unexpected turns of events and slowness of the government in continued development of the private sector.



- \*Tensions with China. The territorial disputes in the South China Sea are not likely to be settled in the next few years.
- \*Archaic regulation of the stock market in foreign ownership limits and trading practices may remain in force for a long time.

September

“The returns are low, the market outlook is insecure, global economic growth is likely to remain weak for a long time, ridiculous amount of debts. Very aggressive moves taking place in the oil, currency and stock markets. Not a single type of asset seems a safe choice. Even China has stopped growing.

“That’s the bad news, in a nutshell.”  
The Portfolio Manager has appended the popular questions & answers section to his newsletter.

Is the Guru losing his touch, with the not-so-amazing returns from PYN Elite?

“Our long-term performance is excellent, no doubt about it. Personally, I see no reason why we couldn’t continue providing this type of long-term return even in the future by sticking to our selected strategy and operational practices. Examining our short-term returns, our performance for three years is +62%, while the one-year figure is –18.7%.”

Is China the main reason for the weak one-year performance?

“No. The one-year performance indicates the differences in the share prices of the stocks included in the portfolio between today’s rates and those exactly a year ago, plus purchases and sales. When we look at our big holds, both Rexlot (China) and Mobile World (Vietnam) were rated much higher one year ago, which means these shares,

“Our deals  
in Vietnam  
26% of  
all  
foreign  
purchases”

among others, have a negative impact on the one-year performance. The Vietnamese PVD also traded at a high level in early fall one year ago compared with today’s prices.”

What is your view on Rexlot?  
“Rexlot amounts to 7.9% of the portfolio, valued at a HKD 0.264 share price. The final share price in June was 0.44, and by the discontinuation of trading, short sellers had pushed the stock down through June, from around HKD 0.57 to the said final price of 0.44. For our portfolio, we use a valuation price calculated on objective grounds, taking into account various sources of information on the company’s situation.

“We continue to expect trading of the share to re-start during the fall, but it is difficult to pinpoint the exact timing. I have lowered the target price for this company in the Top Holdings table (appended) because schedule of re-listing of the online sector has been postponed to 2016 (not related to Rexlot’s situation) and the ongoing attack against Rexlot by short sellers will weaken the future valuation ratios for the company’s share regardless of whether the allegations against the company are true or false.

“The fallen market price of the Rexlot share and our writedowns will affect PYN Elite’s NAV per unit starting from the end of June and will weaken it by around –7%.”

It wasn’t worth falling in love with Kaisa, was it?  
“Kaisa (China) dented our returns, yes, but we did get rid of it reasonably easy once the problems emerged. History will probably remember me as the portfolio manager who managed to pick all the problematic companies in China.”

How’s your business in Vietnam as a whole?  
“We made a resolute decision to invest in Vietnam in early 2013. Before that, I had monitored Vietnam’s economy and stock market for nearly 10 years and visited the country several times. We were ready to quickly gain more in-depth knowledge, and I feel we have been successful in raising the weight of Vietnam in our portfolio, which has taken a lot of work and insights that sparked us to act in various special circumstances.

“Sophisticated investor circles around the world are pretty much agreed on the expectation that the Vietnamese stock market will rise and Vietnam’s economy will prosper. Even so, few have managed to accomplish significant investments in Vietnamese listed stocks because the limitations on foreign ownership continue to effectively prevent growth in stock market liquidity.

“PYN Elite’s net purchases in Vietnam for a period of 2.5 years totaled USD 204 million. The total net purchas-

es of Vietnamese listed stocks by foreign buyers over the same time period amounted to USD 785 million.”

And the goals?  
“Our long-term target for the Vietnamese index remains at 1,200 points. At the moment, I am actually even more convinced about our chances of success in Vietnam than two years ago.”

December

“Dear Customer,  
The PYN Elite fund has performed solidly during the last few years (2012 +64%, 2013 +37%, 2014 +16%), but this year will be weak (at the moment roughly –7%).

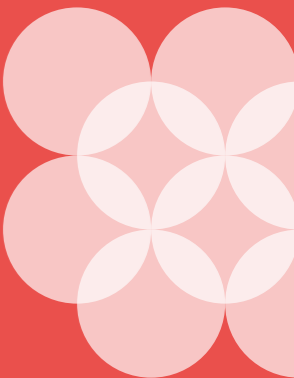
Most of this year’s returns have been eaten up the Rexlot share, which has pushed the NAV per unit down by –10%. Our total return from Rexlot will emerge later on, for as long as we own the shares a chance of profits remains.

“However, the possibility of the shares becoming worthless cannot be ruled either.”



PART 6

**Vietnam**  
**has huge potential**  
**for future performance**



# 2016

## “This is a great investment”

- PYN Elite +17.8%
- Vietnamese stock market +18.6%
- Global stock market +8.2%
- Vietnamese GDP +6.2%
- Global GDP +2.5%
- EUR/USD 1.06

### March

“We are very convinced of our expectations for Vietnam, our selected target market. We do of course recognize that achieving returns from a fund like PYN Elite never follows a linear curve. A return curve resembling a roller coaster is acceptable for us, as long as the assumed terminal is located somewhere on the higher elevations.”

The Portfolio Manager has made a long and thorough presentation for the fund unit holder meeting. And it goes straight to the point, last year’s performance:

“PYN Elite’s average annual performance was +18.5% for the last five years. The year 2015 was miserable due to the writedowns on the Rexlot valuation and we ended up at an annual return of –7%. However, we did cash in nicely from Vietnam and Hong Kong even last year, the fund accumulated EUR +10 million in realized net returns even though the NAV per unit decreased due to unrealized falls in share prices. 2016 has started very unevenly, the euro exchange rate and the Vietnamese stock market have pushed the NAV per unit up and pulled it down again.”

The Portfolio Manager then ponders the near future of stock markets across the world. The conclusion is still the same: loose monetary policies and low interest rates result in a situation where many stock markets will break new records within the next two years.

What about Vietnam then?

“The economic crisis in Vietnam’s home market undermined the share prices of several Vietnamese companies from 2008 to 2012. The index peaked in 2007 at 1,170 points and bottomed out below 300 points, –80% lower than the ATH.

“The stock market index has taken a long-term upwards trend after the crisis years and our view is that the Vietnamese stock market is on its way to new all-time highs, as the home market companies regain their strength. The

index is now at 580 points and needs a +100% increase to surpass the previous top figure.”

Deryng also has a positive take on Vietnamese macro-economics.

“After a long stint of difficulties in the domestic markets, the banks’ balance sheets have improved since 2013 and the real estate market bottomed out around the same time. These domestic market sectors will create a strong foundation for Vietnam’s economic growth in the next five years and allow for occasional slight softness in exports growth. Vietnam’s balance of payments is positive and the competitiveness of exports is excellent.”

The end of the review highlights three big holdings. First the problem child.

Rexlot: “We own 700 million Rexlot shares. The portfolio valuation for the share was calculated at HKD 0.132 in 2015 due to the suspension in trading, and this valuation ratio was kept for 2016. Yesterday, Rexlot published a 53-page response to the short sell attack against it in June 2015, and trading in Rexlot shares was restarted in the Hong Kong stock exchange today. The first trading day was dominated by day trading activity and the turnover of the share shot sky-high. The closing price was HKD 0.22.”

MWG: “The foreigner limit is full, we would buy more if there was anything to be had at the stock market price. Foreigner shares are traded in blocks outside the exchange at premium prices. Patience, patience, this is a good investment.”

KDH: “Last week I participated in the annual general meeting of the Vietnamese housing construction company KDH. Net sales grew +69% and profit +213% in 2015. These are serious percentages, though mainly thanks to the low comparison figures. KDH is a good example of a turnaround company: in 2013 it was still making a loss and was suffering due to its balance sheet.”

### June

“Dear Customer,

The NAV per unit has gained some tentative momentum in recent weeks. The portfolio’s biggest position, Mobile World’s (MWG) share has woken up from its long hibernation, though the company’s valuation ratio is still very low: P/E 10 for the forecasted 2016 net profit.

“Mobile World has a well-growing retail chain selling mobile devices and home electronics, one of the biggest if not the biggest online retailer in Vietnam, and it is about to launch a mini-market concept for groceries.

“The company recently published promising initial growth figures from the mini-markets. The strong profits projected for the next three years would drop the P/E ratio again to around 5 with today’s share price. The share valuation would at least need to follow the company’s solid earnings growth in future, but in our view MWG would additionally merit a substantially higher P/E ratio than the present levels.”

Whether it is the Finnish summer or the flourishing portfolio, but this time the review is exceptionally short. The Portfolio Manager does let the readers know, however, that more Rexlot shares have been purchased for a “short-term tactical hold”.

“The PYN Elite portfolio is in a vacation-optimized setup. The weather and returns during the holiday season are of course not for us to decide, but we have braced ourselves for good news on both accounts. Have a great summer!”

September

The Portfolio Manager has once again thought about global stock markets and future developments.

“I would sum up the overall situation in the stock markets as follows: actions by central banks have generated surplus valuation in share prices. It can be presumed that stocks will continue to go up and remain above historical average valuation ratios if the central banks keep the financial markets liquid and interest rates low, and no random factor robs the stock market of its confidence.”

What about Vietnam then?  
“The Vietnamese stock market did not get to share in the enormous pulses of liquidity during the years after the US subprime crisis, from 2009 to 2012, due to its own home-grown banking and real estate crisis. Vietnam’s stock market has since then started to make up for the lost good years of stock trading, but the process is still ongoing.”

The Portfolio Manager specifically highlights a few factors that set the Vietnamese stock market apart.

- Banking in Vietnam has just regained its capability to function and the effects of normalization will be seen in the next few years.
- Vietnamese real estate companies will start to show significantly improved profits once the revenues from the projects sold in the past couple of years start coming in.
- The “Stone Age” stock market rules will be modernized.
- Vietnamese stock market will go up from a Frontier market to an Emerging market in the MSCI classification.
- State-owned companies will be privatized and listed on the stock exchange.

December

Fund unit holders are offered a ten-page Portfolio Manager’s interview. And the key question again comes up right at the start.

Has PYN Elite performed well in 2016?  
“The Fund has yielded nearly a 20% return, and hopefully Santa will correct the minor dip of the past few weeks and push up the full-year performance. In terms of portfolio management, however, the return has not come without its share of woes, and I wouldn’t say I’m happy with it. Rexlot had a negative impact on the Fund’s performance during the spring, and several individual Vietnamese stocks in our portfolio have shown a strong downward trend this year. Our major focus on Vietnam’s real estate sector has brought us only a few successes here and there.

“Of course, the flip side is that the return expectation is intact and still on track, even though the Portfolio Manager has been plagued by timing issues.”

I noticed in the monthly review for November that Mobile World’s portfolio share has decreased. What is the reason for that?

“The share of Mobile World stocks in PYN Elite’s portfolio had already grown to 19% following a rise in its price. According to the rules, the fund can only hold a strict maximum of 20% of a single company’s stocks in its portfolio. We wanted to stabilize MWG’s situation well in advance to put ourselves in a position to negotiate block trades at a premium at our own pace.

“As a result of the transactions, MWG’s share of the portfolio fell below 16%, and in a few weeks’ time, we will be receiving roughly EUR 13 million in cash from these trades to reinvest.”

Is your Vietnam target still the same?  
“My view of Vietnam’s potential future performance has

only grown stronger and our long-term index target absolutely remains at least at the level we set as our goal when we selected Vietnam for our target market. I want to highlight that it is a minimum level, with no exact date set for achieving it.”

The Portfolio Manager also demanded from himself a view on the risks linked with specific large companies with investments in Vietnam.

Samsung has invested enormously in Vietnam, does this also represent a risk for the country?

“Yes, you can say that Samsung’s success or failure is a risk factor for Vietnam. It will not change the direction of the entire economy, but it does increase or slow down the momentum. Of course, Samsung has a huge range of products, from household appliances to TV sets and smart phones.

“Vietnam’s total value of exports is likely to reach USD 182 billion this year, of which Samsung has a share of around 19%. On the other hand, you could say that many other countries would gladly accept this type of risk factor, if they only could attract an industrial giant such as Samsung to invest in their country.”

Then back to the familiar Chinese company, Rexlot. “The Rexlot shares we own still make up 3% of our portfolio.”

What will 2017 be like?

“Stock markets can go up or come down because there are drivers pushing in both directions and it’s very difficult to set general target levels within one year’s term. What matters the most for us is the recognizable upside potential in the Vietnamese stock market and the consequent advisability of keeping Vietnamese stocks on hold. Positives concerning the Vietnamese stock market in 2017 include:

- Continued stabilization of banking.

- Reformed stock market rules and new securities products.
- Companies’ earnings growth and growing dividend payouts.
- Stable and sustainable growth of the overall economy.

“The idea of  
Vietnam’s  
potential  
future  
performance  
has only  
grown  
stronger”

# 2017

## “Remaining Rexlot shares finally sold”

- PYN Elite +21.2%
- Vietnamese stock market +52.3%
- Global stock market +23.1%
- Vietnamese GDP +6.8%
- Global GDP +3.2%
- EUR/USD 1.20

### April

“We have compiled rough forecasts for our 14 key companies over the long term and give brief comments of our principal insight on each of them.

It’s important to understand that our expectations for the companies’ business outlooks and development of valuation ratios are based both on analyzing long-term historical data and long-term forecasts of future events.”

The Portfolio Manager again mentions that he is impressed by MWG:

“While meeting new foreign portfolio managers since the start of the year, I have observed that many of them are just waking up to the attractiveness of the Mobile World share. Many are interested in the long-term growth potential and cheap valuation ratio that MWG offers.”

The letter ends with a piece of information that is interesting to many long-time investors:

“We have for several years focused all our research efforts on Vietnam. All the Chinese companies in Hong Kong have been sold off from our portfolio. In other words, the remaining Rexlot and Hopefluent shares have finally been sold.

“In the future, 100% of PYN Elite’s assets will be invested in the Vietnamese market exclusively.”

### June

The Portfolio Manager has major news:

“PYN Elite’s NAV per unit has for the first time surpassed EUR 300 during this month and the upward return trend has met positive feedback from the clients. We thank you for the appreciation.

“Our long-term historical performance is excellent. As Portfolio Manager, I have naturally no doubt whatsoever

that we will be successful even in the Vietnamese market and achieve excess returns in comparison to the VN Index with our strong company- and sector-specific weights.”

The index target for Thailand, 1,400 points, is etched into many clients’ minds. Now there have reconsiderations on the target for Vietnam:

“Vietnam’s strong economic potential has surpassed the possibilities previously forecasted by us, which we will consider carefully while embarking on investments in the Vietnamese market in 2013.

“We have now reassessed our targets for the Vietnamese index, which currently stands at 750 points. Our new target level for the long-term valuation of the Vietnamese equity market is 1,700 points. We feel that a realistic time frame for achieving this level is within five years.”

### September

“Dear Customer,

The fall, busy with work, led to a decision to resend the investor letter from a year ago, which we have updated with fresh data and accompanying commentaries. On top of my own engagements, I realized I had also sent our data analyst on 10 days of company visits in Vietnam, so we were left without anyone to produce new graphs for us.

“I thank you for your understanding – we are working our butts off.

“After the situation in the fall of 2016, we have liquidated our last positions in Hong Kong/China over the last winter and grown substantial positions in new Vietnamese companies: the infrastructure construction company CII and food producer Masan.

“A couple of unproductive attempts from the summer: we participated in the tiling company Viglacera’s IPO with pre-market payments, but our bid price was not enough

for a successful subscription. We had a tight limit for going in, but it doesn’t bother us much to be left out either. You need to set your own price for everything and act accordingly; some things will work, others won’t.”

The Portfolio Manager then reveals he has acquired exceptional business intelligence:

“During August, we also targeted blocks of shares in a specialized cardiological hospital trading on the Saigon OTC lists, but without success. The hospital has a good reputation and the physicians are partners. The hospital management would not let me visit the company, after which I tried to get an appointment as a patient and ask the doctors about the business along with checking my blood pressure. Even this did not work out due to long queues.

“We have continued to keep the currencies unhedged and will communicate immediately if and when we decide to make EUR/USD forward contracts.”

The Portfolio Manager also reviews global issues in the lengthy investor letter:

“Corporate taxation will be eased in the US and the companies’ profits will go up throughout 2018 – stocks will continue to go up, as they have done for nine years already. I would sum up the overall situation in the stock markets as follows: actions by central banks have generated surplus valuation in share prices. It can be presumed that stocks will continue to go up and remain above historical average valuation ratios if the central banks keep the financial markets liquid and interest rates low, and no random factor robs the stock market of its confidence.”

The Vietnamese stock market has gone up moderately, mainly due to realized earnings growth. No crazy hikes up as of yet, which could discounting several years’ of growth potential.”

The Portfolio Manager has often mentioned that he is waiting for the moment when the Vietnamese stock mar-

ket becomes an Emerging market in MSCI:

“The MSCI criteria has already been met in listed large-cap companies, but the tradability of the shares is still a problem for foreigners,” Deryng writes.

The letter contains quite a large bundle of appended graphs, including one that shows the average P/B in the US and with the following comments from the Portfolio Manager:

“The US valuation ratios have continued to go up because the share prices have increased more than the capital accumulated by the companies’ profits.”

As usual, the investor letter contains the list of PYN Elite’s Top Holdings. Rexlot and Hopefluent stand out.

“Rexlot 3.4%: Sold, we got a very good price compared with today’s price level.

“Hopefluent 2.2%: Sold, we got a very bad price compared with today’s price level.”

**December**

“PYN Elite’s NAV per unit has increased 25% in 2017. That’s a good figure, even though the strengthening euro has diluted the total return. To assess the longer-term return potential of the fund, we prepared nine graphs to illustrate the correct range of expectations in view of Vietnam’s stock market development in coming years.

“A 100% accurate forecast for the events of the next five years and various macro-factors is impossible. Exact estimations of the timing of events and volumes is not even crucial for successful investment decisions.

“However, it is very important to understand the foundation on which any upside or downside potential of the target country’s stock market is based on because rational causes correlate either positively or negatively with the stock market development, and such factors are fairly

easy to list. It’s advisable to analyze the recognizable causes, particularly their links with any ‘unexpected’ upward or downward price swings in any and all stock markets.”

The Portfolio Manager reviews Vietnam’s development since 2008 using separate data. What is most interesting to the investors is of course his assessment of the future:

**Vietnam from 2018 to 2022**

“New sustainable growth. Strengthened balance sheets of the banking sector will promote a new extended period of growth in the real estate sector, and vice versa leading growth to spiral upwards. Increasing innovation in the financial sector. Lots of new retail and service products will become available to consumers, both thanks to new product launches and modernizing of retail structures.

We expect Vietnam’s export competitiveness to remain strong throughout 2018 to 2022, which will further strengthen the currency reserves. We also do not believe that additional devaluations of the dong are necessary for Vietnam, rather the exchange rates will be stable or the dong may even strengthen somewhat.”

The Portfolio Manager ends his letter in a positive mood: “We will embark on the holiday season in high spirits. It seems there will be Christmas presents from 2018 to 2022 as well.”

# 2018

## “Good news from the shop”

- PYN Elite –9.9%
- Vietnamese stock market –7.5%
- Global stock market –8.2%
- Vietnamese GDP +7.3%
- Global GDP +3.7%
- EUR/USD 1.14



**March**

**The Portfolio Manager** reviews the recent development in Vietnam’s stock market compared with Thailand as well as PYN Elite’s investment strategy.

“Good news from the shop. Vietnam’s economic growth is up – export competitiveness is in good order and foreign investments are flooding in to the country’s industrial production. The Vietnamese government is beefing up public-sector infrastructure investments with money from privatized government-owned companies. The US president Donald Trump is disturbing the peace in global trade politics, but protectionist measures from the US are likely to affect only carefully selected products and product groups even in the future.

“The strategic idea of a timely transfer of the PYN Elite fund to new markets has worked perfectly. We started our operations in 1999 by investing in Thailand. The fund never had permanent ties to any of the target countries, and the fund’s basic analysis combines the target country’s macroeconomic situation with its stock market’s valuation rates and upside potential.”

Since 2015, Elite’s annual performance has been slightly weaker than the historical average return, but on a logarithmic scale, the trend line is still rising.

“PYN Elite’s NAV per unit has remained below the 20% annual return trend line, however, even though positive returns have been made even during these years. Last year’s stock returns would have lifted us above the trend line, but unfavorable development of the EUR/USD exchange rate robbed us of some of our stock returns,” the Portfolio Manager says.

The view of the global stock market is a philosophical one.

“In my opinion it can be said undeniably that quite a few stock markets are overpriced due to the extended main-

taining of extra liquidity by central banks and low market interest rates. On the other hand, these expensive stock markets may well go up much more if there is no economic crisis, war, substantial increase in interest rates or downward turn in the companies' profits – despite the fact that the interest rates have already started to increase.”

## July

**The Portfolio Manager** needs to explain why there have been no returns yet.

“The Vietnamese stock market has been weak ever since April. At the same time, Vietnam’s economy and listed companies’ profits have been robust. The weak development as of late is caused by the stock market’s rash hike upwards earlier on – it was too fast. On the other hand, the stock markets of developing countries have recently been affected by fears of a global trade war and the strengthened dollar.

“The VN Index recorded its all-time high of 1,204 points on April 9, and from there the index has come down to 906 in three months. This year’s lowest value, the a fore-mentioned 906, was recorded just today, July 3rd, 2018. Even though there are clear reasons for these declines, the overall direction of the Vietnamese stock market has been up for the last five years, and it can absolutely be assumed that this trend will continue, thanks to the stock market’s reasonable valuation ratios, Vietnam’s strong economic development and listed companies’ earnings growth. According to our assessment, the realistic target level for the VN Index in the next few years should settle above 1,700 points.

“The key companies of PYN Elite make up 87% of our portfolio. The average dividend yield of these companies has already surpassed 5%, and the companies trade at

very attractive P/E ratios: 2018: 9, 2019: 8 and 2020: 7. Also short-term financial reports and profit outlooks have been very encouraging.”

## September

**“We are expecting** continued solid returns from the stock markets over the next 6 to 24 months.

“PYN Elite has been a solid performer ever since its inception and its return over the past decade has been good. Despite this success the returns for the past year was non-existent, bringing the number of weak consecutive years to three. We have not been able to truly jump start growth in PYN Elite’s NAV per unit. Meanwhile Western markets such as the US and Finland have seen an upward trend in their stock prices.”

But even in Vietnam there are good reasons to expect additional returns, the Portfolio Manager estimates.

“The growth rate of the VN Index has been moderate in view of Vietnam’s strong economy, the brisk growth forecast for upcoming years, and the earnings growth prospects of listed companies.”

## December

**The return for 2018** will remain negative, the Portfolio Manager admits. However, there is a silver lining.

“We are recording a negative performance for 2018. Since its inception, PYN Elite has experienced five negative years, each historically followed by a year of positive performance.”

The listed examples include the negative years 2000, 2004, 2008, 2011 and 2015, and the following years that bounced back.

“In my view, even with the late fall losses in the US equity market, we will still be able to achieve even healthy growth rates on the stock markets during 2019. A substantial wave of panic sales in a single day should eventually trigger the next major stock market crash, but the time is surely not ripe for that yet,” the Portfolio Manager esti-

mates.

“The overall growth of Vietnam’s national economy in 2018 was 7.08%, the highest in 11 years. We can confidently expect solid economic growth in Vietnam over the next few years, too, as the structural preconditions for economic growth are in order.”

*“The overall growth of Vietnam’s  
national economy in 2018  
was 7.08%”*

2019

“It is time to celebrate.”

Peta’s blog, February 26, 2019

“We have today made a foreign exchange forward contract for the entire value of the PYN Elite portfolio.

“The measure is aimed at managing the currency exposure of our portfolio. We have abstained from forward contracts since 2008 and, as a result, we have gained from the weakening euro and strengthening dollar. The gain has been substantial, as the exchange rate between these currencies came down from 1.59 to 1.13. The forward contract we now started excludes extra gain from any additional strengthening of the dollar, but at the same time we are locking down the gain from the euro’s long-term weakening we already have in our portfolio.

“The recent news reports have offered us weak economic figures from Germany and the chaotic political process of the British exit from the EU. In our view, bad news from Europe have been accounted for in the price of the currency, and the disparity of interest rates between Europe and the US is historically high. Several factors could turn the situation more favorable to the euro during this year and the next few years, and it is precisely due to this reason we want to eliminate risk from the portfolio, in case the euro at some point might start going up.” **Fund unit holders are invited to the general meeting.**

PYN Elite’s 20th anniversary general meeting of fund unit holders will take place at Bio Rex in Helsinki on Wednesday, April 24, 2019 at 6 pm.

The fund has successfully operated for 20 years, two months and 24 days.

It is time to celebrate. As far as is known, there is only one other portfolio manager in Finland who has continuously worked in a single fund for as long as Petri Deryng, and that manager has been with a fixed income fund.

The story of PYN Elite continues.

## Key financial figures 1998–2018

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP growth																					
World	2.5%	3.3%	4.4%	1.9%	2.2%	2.9%	4.4%	3.8%	4.3%	4.2%	1.8%	-1.7%	4.3%	3.2%	2.5%	2.6%	2.9%	2.9%	2.5%	3.2%	3.7%
Finland	5.4%	4.4%	5.6%	2.6%	1.7%	2.0%	3.9%	2.8%	4.1%	5.2%	0.7%	-8.3%	3.0%	2.6%	-1.4%	-0.8%	-0.6%	0.1%	2.1%	2.6%	2.4%
USA	4.5%	4.7%	4.1%	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.2%	1.7%	2.6%	2.9%	1.5%	2.3%	3.0%
Thailand	-7.6%	4.6%	4.5%	3.4%	6.1%	7.2%	6.3%	4.2%	5.0%	5.4%	1.7%	-0.7%	7.5%	0.8%	7.2%	2.7%	1.0%	3.0%	3.3%	3.9%	3.3%
Vietnam	5.8%	4.8%	6.8%	6.2%	6.3%	6.9%	7.5%	7.5%	7.0%	7.1%	5.7%	5.4%	6.4%	6.2%	5.2%	5.4%	6.0%	6.7%	6.2%	6.8%	7.3%
China	7.8%	7.7%	8.5%	8.3%	9.1%	10.0%	10.1%	11.4%	12.7%	14.2%	9.7%	9.4%	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%	6.9%	6.5%
Stock market index returns																					
World	24.8%	25.3%	-12.9%	-16.5%	-19.5%	33.8%	15.3%	10.0%	20.7%	9.6%	-40.3%	30.8%	12.3%	-5.0%	16.5%	27.4%	5.5%	-0.3%	8.2%	23.1%	-8.2%
Finland	71.9%	166.7%	-9.4%	-30.8%	-32.9%	8.0%	6.9%	35.6%	21.5%	24.3%	-51.6%	25.9%	23.0%	-27.2%	13.6%	31.8%	9.9%	14.6%	8.0%	10.5%	-4.4%
USA	28.6%	21.0%	-9.1%	-11.9%	-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-4.4%
Thailand	-3.7%	38.4%	-43.2%	23.8%	20.9%	126.2%	-10.6%	11.2%	-0.3%	31.2%	-45.1%	71.4%	47.1%	3.5%	40.4%	-3.8%	19.1%	-11.2%	23.9%	17.3%	-8.1%
Vietnam				13.8%	-22.1%	-8.9%	43.3%	28.5%	148.6%	24.6%	-64.6%	60.2%	0.8%	-24.6%	23.0%	27.1%	12.5%	10.1%	18.6%	52.3%	-7.5%
China/Shanghai	-3.5%	20.1%	52.6%	-19.9%	-16.7%	11.6%	-14.1%	-5.8%	135.1%	98.0%	-64.9%	82.6%	-12.8%	-20.2%	5.8%	-3.9%	58.0%	11.2%	-10.5%	8.8%	-22.7%
Treasury yields																					
USA 10yr	4.7%	6.5%	5.1%	5.1%	3.8%	4.3%	4.2%	4.4%	4.7%	4.0%	2.3%	3.9%	3.3%	1.9%	1.8%	3.0%	2.2%	2.3%	2.5%	2.4%	2.7%
Germany 10yr	3.9%	5.2%	4.9%	4.7%	4.3%	4.3%	3.6%	3.3%	3.8%	4.2%	3.1%	3.1%	2.9%	1.9%	1.3%	1.8%	0.6%	0.6%	0.3%	0.3%	0.3%
USA 1yr	4.5%	6.0%	5.3%	2.2%	1.3%	1.3%	2.8%	4.4%	5.0%	3.3%	0.4%	0.5%	0.3%	0.1%	0.2%	0.1%	0.3%	0.7%	0.9%	1.8%	2.6%
Germany 1yr	3.3%		4.6%	3.3%	2.7%	2.1%	2.3%	2.7%	3.9%	4.1%	1.8%	0.8%	0.6%	-0.1%	0.0%	0.1%	-0.1%	-0.4%	-0.8%	-0.7%	-0.6%
FED rate	4.1%	5.0%	5.4%	1.6%	1.1%	1.0%	2.0%	0.1%	5.2%	4.0%	0.1%	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%	0.7%	1.3%	2.4%
ECB rate	2.0%	2.0%	3.8%	2.3%	1.8%	1.0%	1.0%	1.3%	2.5%	3.0%	2.0%	0.3%	0.3%	0.3%	0.0%	0.0%	-0.2%	-0.3%	-0.4%	-0.4%	-0.4%
Forex																					
EUR/USD	1.16	1.01	0.94	0.88	1.05	1.26	1.36	1.18	1.32	1.47	1.40	1.43	1.34	1.30	1.32	1.38	1.21	1.09	1.06	1.20	1.14
EUR/THB	41.95	37.72	40.76	38.91	45.18	50.04	53.03	48.34	47.62	43.72	48.49	47.79	40.22	40.94	40.39	45.05	39.93	39.20	37.76	39.11	37.03
EUR/VND	16 069	14 107	13 637	13 278	16 126	19 764	21 497	18 762	21 149	23 499	24 430	26 491	26 110	27 289	27 532	29 068	25 951	24 465	24 026	27 241	26 530
Inflation																					
Finland	1.4%	1.2%	3.0%	2.6%	1.6%	0.9%	0.2%	0.6%	1.6%	2.5%	4.1%	0.0%	1.2%	3.4%	2.8%	1.5%	1.0%	-0.2%	0.4%	0.8%	1.1%
USA	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.5%
Thailand	8.0%	0.3%	1.6%	1.6%	0.7%	1.8%	2.8%	4.5%	4.6%	2.2%	5.5%	-0.9%	3.3%	3.8%	3.0%	2.2%	1.9%	0.9%	0.7%	0.4%	0.4%
Vietnam	7.3%	4.1%	-1.7%	-0.4%	3.8%	3.2%	7.8%	8.3%	7.4%	8.3%	23.1%	7.1%	8.9%	18.7%	9.1%	6.6%	4.7%	0.9%	3.2%	3.5%	3.0%
China	-0.8%	-1.4%	0.7%	0.7%	-0.7%	1.1%	3.8%	1.8%	1.7%	4.8%	6.0%	-0.7%	3.2%	5.6%	2.6%	2.6%	1.9%	1.4%	2.0%	1.6%	2.1%
Government Debt/GDP																					
Finland	46.9%	44.1%	42.5%	41.0%	40.2%	42.8%	42.7%	40.0%	38.2%	34.0%	32.7%	41.7%	47.1%	48.5%	53.9%	56.5%	60.2%	63.5%	63.0%	61.4%	60.5%
USA	60.0%	57.7%	55.1%	55.7%	57.8%	59.8%	60.9%	61.5%	62.3%	64.4%	77.3%	86.8%	93.4%	97.4%	101.2%	102.9%	101.0%	104.6%	103.6%	105.2%	105.8%
Thailand	10.7%	20.0%	22.0%	24.6%	30.1%	27.0%	24.4%	25.5%	24.4%	23.0%	22.5%	26.8%	26.9%	28.1%	28.4%	34.8%	39.6%	35.3%	41.2%	41.9%	42.1%
Vietnam			31.4%	32.3%	35.2%	37.9%	37.4%	36.5%	38.4%	40.9%	39.4%	45.2%	48.1%	45.8%	47.9%	51.8%	55.1%	57.3%	60.7%	61.5%	57.5%
Germany	59.4%	60.0%	58.9%	57.7%	59.4%	63.1%	64.8%	67.0%	66.5%	63.7%	65.2%	72.6%	80.9%	78.6%	79.8%	77.5%	74.7%	71.0%	68.2%	64.1%	69.7%
Unemployment rate																					
Finland	13.2%	11.7%	11.1%	10.3%	10.4%	10.5%	10.4%	8.4%	7.7%	6.9%	6.4%	8.3%	8.4%	7.8%	7.7%	8.2%	8.7%	9.4%	8.8%	8.6%	5.4%
USA	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	9.0%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.8%
Thailand	3.4%	3.0%	2.4%	2.6%	1.8%	1.5%	1.5%	1.4%	1.2%	1.2%	1.2%	1.5%	0.6%	0.7%	0.6%	0.5%	0.6%	0.6%	0.9%	1.1%	0.9%
Vietnam	2.3%	2.3%	2.3%	2.8%	2.1%	2.3%	2.1%	2.3%	2.4%	2.6%	2.4%	2.6%	2.6%	2.0%	1.8%	2.0%	1.9%	2.1%	2.1%	2.1%	2.3%
Germany	9.8%	8.9%	7.9%	7.8%	8.5%	9.8%	10.7%	11.2%	10.3%	8.7%	7.5%	7.7%	7.0%	5.8%	5.4%	5.2%	5.0%	4.6%	4.1%	3.8%	5.0%
Government budget surplus/deficit																					
Finland	1.6%	1.7%	6.9%	5.0%	4.1%	2.4%	2.2%	2.6%	3.9%	5.1%	4.2%	-2.5%	-2.6%	-1.0%	-2.2%	-2.6%	-3.2%	-2.8%	-1.8%	-0.6%	-0.7%
USA	0.9%	0.5%	0.3%	-1.8%	-5.3%	-6.4%	-5.8%	-4.4%	-3.3%	-4.0%	-7.4%	-13.1%	-12.4%	-11.0%	-9.2%	-5.8%	-5.2%	-4.6%	-5.3%	-3.5%	-4.2%
Thailand	-2.5%	-2.9%	-2.4%	-2.1%	-2.2%	0.6%	0.3%	0.2%	0.1%	-1.1%	-0.3%	-4.7%	-2.0%	-1.4%	-2.4%	-1.6%	-2.5%	-2.5%	-2.7%	-2.7%	-2.8%
Vietnam	-1.6%	-3.3%	-4.3%	-3.5%	-2.3%	-2.2%	0.1%	-1.0%	1.2%	-0.9%	0.6%	-4.2%	-2.1%	-0.5%	-3.4%	-5.0%	-4.4%	-4.6%	-4.2%	-3.5%	-3.7%
Germany	-2.6%	-1.7%	0.9%	-3.1%	-3.9%	-4.2%	-3.7%	-3.4%	-1.7%	0.2%	0.2%	-3.2%	-4.2%	1.0%	0.0%	0.1%	0.6%	0.8%	0.9%	1.0%	1.9%
Current accounts surplus/deficit																					
Finland	5.1%	5.2%	7.5%	8.1%	8.2%	4.8%	5.8%	3.0%	3.7%	3.7%	2.1%	1.6%	1.1%	-1.7%	-2.3%	-1.9%	-1.5%	0.8%	0.7%	0.7%	-1.9%
USA	-2.4%	-3.0%	-3.9%	-3.7%	-4.1%	-4.5%	-5.2%	-5.7%	-5.8%	-4.9%	-4.6%	-2.6%	-2.9%	-2.9%	-2.6%	-2.1%	-2.1%	-2.2%	-2.3%	-2.4%	-2.3%
Thailand	12.7%	10.2%	7.6%	5.4%	5.5%	5.0%	1.7%	6.3%	1.1%	6.3%	0.8%	7.9%	3.4%	2.5%	-0.4%	-1.2%	3.7%	8.0%	11.7%	10.6%	6.9%
Vietnam	-5.0%	4.1%	2.7%	2.8%	-1.8%	-4.9%	-3.2%	-1.0%	-0.2%	-9.0%	-11.0%	-6.5%	-3.8%	0.2%	6.0%	4.5%	5.1%	0.5%	3.0%	2.9%	3.0%
China	3.1%	1.9%	1.7%	1.3%	2.4%	2.6%	3.5%	5.8%	8.4%	9.9%	9.1%	4.8%	3.9%	1.8%	2.5%	1.8%	2.3%	2.7%	1.8%	1.3%	0.4%
Germany	0.7%	-1.4%	-1.7%	0.4%	1.9%	1.4%	4.5%	4.6%	5.7%	6.7%	5.6%	5.7%	5.6%	6.1%	7.0%	6.7%	7.4%	8.9%	8.5%	8.0%	7.3%
Regime changes																					
USA	Clinton ( - 20.1.2001)				Bush (20.1.2001 - 20.1.2009)				Obama (20.1.2009 - 20.1.2017)				Trump (20.1.2017 - )								
Thailand	Leechai (1997-2001)				Thaksin (2001-2006)				Chulanont (06-08)				Shinawatra (2011-2014)				Chan-o-cha (22.5.2014 - )				
China	Zemin (-15.11.2002)				Hu Jintao (15.11.2002 - 15.11.2012)																
Finland	Lipponen (1995-2003)				Vanhänen (2003-2010)				Kiviniemi (10-11)				Katainen (11-14)				Stubb (15.11.2012 - )				
																	Siipilä (2015-2019)				

# PYN Elite's monthly and annual performance 1999–2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-2,18	4,18	0,32										2,24
2018	2,83	-0,37	-0,82	-1,48	-4,2	-2,06	-3,72	5,36	4,23	-8,14	-2,22	0,99	-9,92
2017	0,87	7,96	3,03	-2,84	4,07	4,45	-3,99	1,58	2,51	0,49	4,2	-2,27	21,21
2016	-5,41	3,53	-5,02	3,48	5,92	9,66	2,57	1,74	1,32	1,3	1,35	-2,95	17,77
2015	6,78	2,29	-1,34	-1,1	1,66	-6,92	-0,69	-12,95	1,25	10,87	-1,83	-3,39	-7,19
2014	9,16	0,69	-2,38	-5,49	-0,51	4,85	3,8	9,11	5,72	1,45	-5,66	-4,12	16,24
2013	7,78	13,9	7,35	-3,03	0,34	-8,84	-3,21	1,86	3,57	2,31	10,14	1,81	36,92
2012	17,04	4,51	1,55	3,69	-2,88	1,03	9,6	-2,41	7	3,99	6,12	2,77	64,03
2011	-9,58	6,22	-1,91	1,43	0,13	-4,37	17,11	-4,95	-12,64	-6,83	12,66	2,53	-4,25
2010	1,15	5,94	8,45	-1,74	6,08	10,25	4,74	7,97	2,49	-3,91	-0,22	-1,18	46,69
2009	9,94	1,53	0,45	16,66	11,8	-0,54	4,68	17,59	13,69	-1,79	-2,04	6,86	109,29
2008	-6,18	12,44	-0,25	5,56	-6,15	-16,98	-10,85	2,02	-12,61	-25,12	-9,68	1,32	-52,86
2007	-4,99	5,64	5,56	2,17	-2,4	8,11	14,27	-13,08	1,17	-3,23	-5,47	0,51	5,53
2006	11,38	5,27	1,87	8,09	-13,78	-3,65	-1	4,46	3,54	10,85	4,61	-7,98	22,53
2005	9,1	4,22	-7,22	-3,71	1,37	-3,01	-8,15	1,45	5,31	-3,4	-2,13	10,56	2,43
2004	-2,98	5,48	-9,7	-1,04	-5,37	1,44	-3,03	-3,95	1,24	-1,28	12,77	-0,18	-8,01
2003	-0,13	-0,77	0,96	7,98	7,26	23,35	9,19	11,29	20,78	11,06	11,51	15,04	198,83
2002	8,15	15,11	7,59	-0,66	14,79	-1,72	-7,41	-9,55	-9,21	4,97	1,34	-4,68	15,73
2001	10,53	2,09	-7,02	0,02	21,27	13,32	-4,3	12,45	-20,05	-1,37	19,48	1,21	48,01
2000	4,33	-19,34	12,33	4,15	-20,53	-0,96	-12,59	12,81	-10,07	-0,68	-0,2	-9,61	-38,42
1999	-	-2,84	-2,47	10,56	21,22	43,18	-12,46	-5,21	-14,83	10,32	7,42	12,86	71,87

AAA, ACC, ADVANC, AIT, API, ASP, ATC, AVIT, AWT, BANPU, BAO1121, BAT-3K, BAY, BBL, BCI, BCP, BCR, BECL, BHS, BIC, BJCHI-F, BMI, BOSHI-WA1698, BRC, BSI, BVS, C21, C32, CCET, CENTEL, CEO, CESS, CHAO682, CH-HA, CHLS8161, CHME773, CHSI750, CII, Cirkit, CLG, CM, CMG, CMI, CNA, CNTG, COLI688, CPAP, CPF, CPH, CPMC906, CRE, CRED8207, CSL, CSM, CTD, CTI, CVD, DBC, DELTA, DEV, DGW, DHA, DIC, DIG, DLG, DPM, DPR, DQC, DSN, DVP, DXG, DXP, EBS, EGCOMP, ELC, EMP296, ERAWAN, ESPRIT330, EVE, FCN, FIT, FPT, FUXC, GAS, GDF2398, GDT, GFPT, GIL, GMD, GMMM, GRAMMY, GSS, HAG, HAR, HBC, HDB, HEMRAJ, HEN6197, HHS, HMH, HMPRO, HOPO733, HQC, HRC, HSG, HTV, HUT, IDI, IJC, IRC, IRP, JASMIN, JAYA, JMART, JVC, KAI-SA1638, KBC, KDH, KGI, KK, KLF, KLS, KMR, KSB, KSW, KTB, KTC, KWH, KYE, LABI1262, LALIN, LANNA, LCM, LGC, LIX, LOXLEY, LPN, LSS, LUK590, MALEE, MAN938, MBK, MBS919, MCOT, MEIL357, MEMA, METCO, MFEC, MJD, MK, MMEC, MSC, MSN, MWG, NBB, NDN, NHS, NKG, NLG, NNC, NOBLE, NSC, NTV, NWR, OGC, OPC, PACI1174, PAN, PANH, Patkol, PC1, PF, PFI1259, PHR, PIC-NI, PLP, PPPC, PRANDA, PRIN, PTB, PTI, PTTEP, PVD, PVS, RAL, RCL, REAL2010, REXL555, RF1198, SAMART, SAMTEL, SARL, Sattel, SBT, SCD, SCIB, SCR, SD6, SD9, SED, SF, SFI, SHE0152, SHIN, SHS, SICCO, SIH1700, SIJIA1863, SING1105, SINGER, SIRI, SJD, SMK, SPALI, SPARKLE970, SSC, SSC, SSI, STA, STB, STEC, STP, SUC, SVC, SVI, SVOA, SYNTEC, TA, TASCO, TC, TCAP, TCB, TCB, TCCC, TCL, TCT, TEX2678, TFI, THAI, THCOM, THIP, THL, TICON, TIG, TIP-CO, TISCO, TIX, TKS, TLG, TNA, TNG, TPB, TPIPL, TRA, TSC, TT&T, TTF, TTF, TUF, UCOM, UGP, VALUE, VCG, VCI, VFG, VGI, VHL, VIX, VND, VNE, VNR, VNS, VOF.LN, VOS, VPB, VPH, VPK, VST856, XINA3666, XTEP1368, YNP, ZMICO