

## Harmony posts strong returns based on friendly activist approach

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The **Harmony Feeder Fund** returned 6.43% in April, led by gains in the fund's top holding after announcing a near doubling of profit for 2013.

"The company, in the energy sector, continues to execute well on our value creation program and at the end of March released its 2013 financial results. These were the best in its history with record revenue and profit attributable to equity shareholders up 94.8% as compared to 2012," said **Lixin Zheng**, former McKinsey consultant and now CIO at DM Fund Management that oversees Harmony.

"The company's position also looks very strong going forward as it ended 2013 with a record backlog, up 308% versus 2012," added Zheng.

Harmony runs a long-only investment strategy. It follows a "friendly activist" approach by investing and creating value in a concentrated portfolio of large, long-term positions in a few Chinese firms, where the fund contributes expertise in areas of corporate governance and strategy.

Harmony typically acquires 5% or more of a company's outstanding shares and works in collaboration with management in a structured, McKinsey-style manner with the aim of achieving a targeted 10 times return on investment.

The fund, which has \$37.91 million in assets under management, focuses on China's healthcare, energy, media and high-end manufacturing sectors.

Going forward, Zheng believes that China's private enterprises, which represent a disproportionately large and growing proportion of overall economic output, will continue to present enormous investment opportunities, despite China's slowing economic growth.

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