Longleaf Partners Asia Pacific UCITS Fund

Quarterly Summary Report

For the Quarter Ended
30 September 2020

Longleaf Partners Funds

Summary - 30 September 2020

3Q20

Longleaf Partners Asia Pacific UCITS Fund

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Holdings (22)

	Activity*	Weight
Melco International		7.1 %
Jollibee		6.5
Baidu		6.4
CK Hutchison		5.6
Prosus		5.1
GREE	NEW	4.9
HDFC		4.9
LESSO		4.6
Tongcheng-Elong		4.4
Hitachi		4.2
CK Asset Holdings		4.2
L'Occitane		4.1
MinebeaMitsumi		4.1
Hyundai MOBIS		4.1
MGM China		4.1
Richemont		4.0
New World Development		3.9
Trip.com		3.8
Midea		2.3
Dali Foods		2.0
WH Group		1.9
PNB Housing	NEW	0.9
Cash		6.9
Total		100.0%

*Full eliminations include the following positions: Man Wah and SoftBank.

Fund Annual Returns

	Class I USD	MSCI AC Asia Pacific
2014**	1.30%	-1.39%
2015	-2.74	-1.96
2016	12.29	4.89
2017	37.94	31.67
2018	-21.45	-13.52
2019	18.58	19.36

Longleaf / Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $9.0 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are ththe largest investors across the funds advised by Southeastern. Our 14-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

The Fund seeks to own a concentrated portfolio of our best 18-22 ideas that meet our Business, People, Price investment criteria. We invest with a 3-5 year investment horizon and take advantage of short-term volatility to own high quality businesses, run by capable management teams, whose stock prices are trading temporarily at a discount. Our extensive, global network allows us to engage with our management partners to help drive long-term value creation.

Share Class Information

	Class I USD	Class I GBP
Bloomberg Ticker	LPAPIUSI	LPAPIGB
Inception Date	2 December 2014	15 September 2017
Minimum Purchase (USD)	$1,000,000	$1,000,000
Management Fee	1.15%	1.15%
Total Expense Ratio	1.53%	1.55%
NAV per share	$12.87	£9.92

Performance Total Returns

	Class I USD	MSCI AC Asia Pacific	Class I GBP	MSCI AC Asia Pacific GBP
Month	-3.60 %	-1.18 %	-0.20 %	2.35 %
Quarter	4.98	8.57	0.81	3.76
Year-to-date	-7.08	1.60	-4.62	4.11
One Year	2.63	11.21	-2.27	2.01
Three Year	-6.87	13.42	-3.69	17.71
Annualized	*-2.34*	*4.29*	*-1.25*	*5.58*
Five Year	49.30	54.90	na	na
Annualized	*8.35*	*9.15*	*na*	*na*
Since Inception	28.70	40.03	-2.65	18.72
Annualized	*4.42*	*5.95*	*-0.88*	*5.81*

Performance Contribution

Top Performers	Return	Portfolio contribution
LESSO	39 %	1.28 %
Man Wah	33	0.94
Midea	26	0.94

Bottom Performers	Return	Portfolio contribution
CK Asset Holdings	-16 %	-0.77 %
Melco International	-9	-0.68
CK Hutchison	-6	-0.26

****Partial year, from inception of 2 December 2014**

No shares of the Asia Pacific UCITS Fund may be offered or sold in jurisdictions where such offer or sale is prohibited. Investment in the Asia Pacific UCITS Fund may not be suitable for all investors. Prospective investors should review the Asia Pacific UCITS Fund Prospectus(including risk factors), Key Investor Information Document (KIID), and the semi-annual and annual reports before making a decision to invest. Past performance is no guarantee of future performance, the value of investments, and the income from them may fall or rise and investors may get back less than they invested.

This document is for informational purposes only and is not an offering of the Asia Pacific UCITS Fund.

Summary - 30 September 2020

Longleaf Partners Funds

3Q20
Longleaf Partners Asia Pacific UCITS Fund

Sector Composition

Consumer Discretionary	46.3 %
Industrials	14.3
Real Estate	8.1
Consumer Staples	8.0
Communication Services	6.4
Financials	5.8
Information Technology	4.2
Cash	6.9

Country Composition

Hong Kong	32.9 %
China	26.4
Japan	8.3
Philippines	6.5
India	5.8
Netherlands	5.1
South Korea	4.1
Switzerland	4.0
Cash	6.9

Regional Composition

Asia ex-Japan	75.7 %
Europe ex-UK	9.1
Japan	8.3
Cash	6.9

Disclosure Information

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It should be remembered that the price of Fund shares and the income from them can go down as well as up.

Longleaf Partners Asia Pacific UCITS Fund

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Longleaf Partners Asia Pacific UCITS Fund

Disclosure Information

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Asia Pacific UCITS Fund Commentary

3Q20

Longleaf Partners Funds

For Professional Investors Only

Portfolio Returns at 30/09/20 – Net of Fees

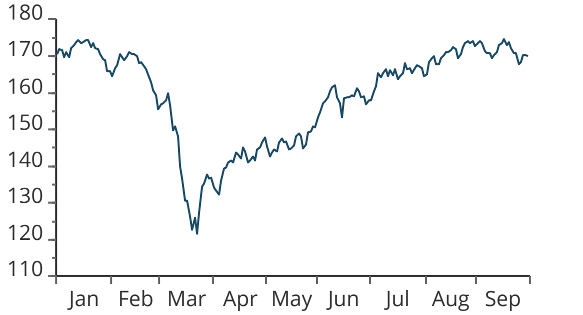
	3Q20	YTD	1 Year	3 Year	5 Year	Since Inception 2/12/2014
APAC UCITS (Class I USD)	4.98%	-7.08%	2.63%	-2.34%	8.35%	4.42%
MSCI AC Asia Pacific Index (USD)	8.57%	1.60%	11.21%	4.29%	9.15%	5.95%
Relative Returns	-3.59%	-8.68%	-8.58%	-6.63%	-0.80%	-1.53%

Selected Indices*	3Q20	YTD	1 Year	3 Year	5 Year
Hang Seng Index (HKD)	-2.72%	-14.37%	-7.22%	-2.06%	5.97%
TOPIX Index (JPY)	5.02%	-3.57%	4.71%	1.32%	5.19%
TOPIX Index (USD)	7.31%	-0.50%	7.31%	3.53%	7.87%
MSCI Emerging Markets (USD)	9.56%	-1.16%	10.54%	2.42%	8.96%

*Source: Bloomberg; Periods longer than one year are annualized

MSCI AC Asia Pacific

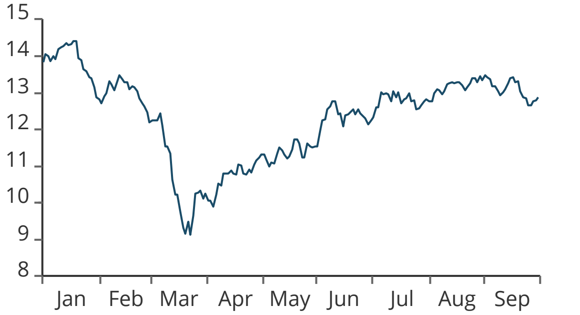
01-Jan-2020 to 30-Sep-2020 (Daily) Price (USD)



Source: FactSet

Longleaf Partners Asia Pacific UCITS

01-Jan-2020 to 30-Sep-2020 (Daily) Price (USD)



Source: FactSet

After a challenging first quarter, the Asian capital markets staged a V-shaped recovery in the second quarter, followed by further improvements in the third quarter. The MSCI AC Asia Pacific index's return has turned positive year-to-date (YTD), driven by the strong performance of "long duration", technology-oriented, growth equities, which scaled record highs. Absent contributions from Alibaba, Tencent, TSMC, and JD, which account for <15% of the index, the index would have returned -2.3% YTD. In an environment where central banks globally ensure long-term risk-free rates stay at record lows and fixed income has transformed into no income, the growth–value divide in performance widened further in the third quarter. The Fund had strong positive performance in July and August, but gave up some of the gains in September. In September, the Fund's weakness accounted for almost all of the underperformance during the quarter, driven by our overweight position in Hong Kong.

Our largest short-term detractors have typically gone on to be the most meaningful drivers of longer-term outperformance throughout our history. Most companies in the portfolio produced positive returns in the quarter, particularly our mainland Chinese companies, which benefitted from China's rapid recovery. However, our overweight to Hong Kong was the largest absolute and relative detractor in the period, due to Hong Kong-listed companies with considerable exposure to business outside mainland China, where economic recovery has been slower. We believe these businesses offer some of the most compelling future upside from today's overly discounted prices. Insiders, who typically have access to material non-public information, bought 38% more Hong Kong-listed stocks (by value) in the first nine months of 2020 than in the comparable period last year (source: 2iQ).

Hong Kong stands out as a laggard among Asian markets this year, which is reflected in our portfolio returns YTD. Hong Kong's Hang Seng Index has declined 14.4% YTD and was among the worst-performing stock exchanges in North Asia. The Hang Seng Index's weak performance contrasts with strong returns in Mainland China. The Shenzhen Stock Exchange Composite Index is up 29.2% YTD, while the CSI 300 index has appreciated 17.1% YTD.

The Hang Seng Index is heavily weighted towards more value-oriented sectors, in the form of financials, property, and utilities, which have underperformed growth globally. In addition, the Hong Kong stock market has been buffeted by continued tensions between the US and China, civil unrest caused by increasing Mainland control over Hong

Kong, and the closure of borders to non-residents since March. Strength in technology sector companies, such as Alibaba, Tencent, and Xiaomi, and biotech companies, like Wuxi Biologics and Sino Biopharmaceutical, was insufficient to offset heavy exposure to old economy sectors, including utilities, banks, and properties (retail, office, hotels), which account for more than half of the market and depend more on open borders and inflow of mainland Chinese visitors and companies.

Last year, 56 million visitors arrived in Hong Kong, with 78% coming from Mainland China. In the current environment, with borders closed in the face of COVID-19, YTD visitation numbers through August are down 92% year-over-year (YOY), severely affecting businesses that benefit from tourism. In Macau, visitation was down 87% YOY in the first eight months of the year, despite only 46 cases of COVID and zero deaths, as of the end of September. Despite effective cost-saving measures, an over 90% collapse in revenue is causing cash burn at all Macau casinos.

Hong Kong-listed conglomerates CK Asset (CKA) and CK Hutchison (CKH) and Macau casino operators Melco International and MGM China were deeply impacted by negative sentiment in Hong Kong and border closures. Both CKA and CKH reduced their interim dividend, which weakened their share price. In our view, these dividend cuts were unnecessary and overly conservative, as both companies are well-capitalized, and in the case of CKA, its balance sheet is significantly under-levered. While CKH's retail business and Canadian energy business were affected most by COVID shutdowns and the collapse of oil prices, its free cash flow (FCF) in the first half was actually up 50% YOY due to excellent working capital discipline. Similarly, while CKA's hotels and retail malls in HK, their pub business in the UK, and their airplane leasing business were affected in varying degrees by COVID, it maintains one of the best balance sheets in the world among real estate and infrastructure companies. However, in the near-term, the market is focused on some of the more short-term volatile parts of these companies hurting currently reported earnings per share.

While the first half of the year was challenging, the second half is looking much better for all four companies, as they see signs of recovery. Macau's borders slowly opened to

Chinese visitors last month, with Individual Visit Scheme visas open to all mainland residents from Sept. 23. While the process of obtaining visas and COVID tests means that recovery will be slow and measured, Melco and MGM China only need gaming revenue to recover to about 30% of last year's levels to achieve cash flow breakeven. We are confident that the pent-up demand for gaming in Macau remains undiminished. We have seen a strong recovery in travel and consumption in Mainland China, where people have unrestricted movement. We believe that Macau will recover once restrictions on cross border travel are relaxed. In the first four days of the "golden week" holiday in China, there were 425 million domestic tourists, with total tourism revenue reaching 312 billion RMB, recovering to around 70% of last year's level.[1] Discussions are ongoing regarding potentially adding Hong Kong to the China-Macau travel-bubble. We believe that opening the borders between Hong Kong, Macau, and Mainland China would be highly beneficial for our Macau and other travel-exposed investments.

CK Hutchison's retail stores have seen traffic recovery as cities unlock, and July's operating profit was already up 14% YOY. We understand that the positive YOY growth in retail operating profit has continued in the second half of the year. As such, the decline in shipment volume at various ports is narrowing compared to the pandemic's peak in the first half.

At the same time, CK Hutchison has completed the legal separation of its European tower assets, and management is actively exploring ways to realize value. In the current low yield environment, stable earning assets like towers are in demand, and comparable peers in the developed market are trading above 20 times pre-IFRS 16 EBITDA. We believe selling assets at an attractive valuation, which the company has a strong track record of doing, and redeploying capital to repurchase discounted shares could create tremendous value for shareholders. If CK Hutchison were to sell its tower business for 24x EBITDA, in line with European telecom tower operator Cellnex Telecom's trading

[1] https://www.scmp.com/news/china/society/article/3104269/chinas-golden-week-gains-added-lustre-millions-make-lost-time

multiples, that would imply a value of $8.5 billion, or 36% of CK Hutchison's severely depressed market capitalization, which is trading at just 5x earnings.

We have seen significant insider buying and share repurchases in our portfolio companies by proven capital allocators whom we respect, which we believe is a good indicator of our portfolio's attractiveness. In Hong Kong, the Li family, the largest shareholder of CK Asset and CK Hutchison, spent close to $500 million in the last 14 months buying shares of the two companies. Lawrence Ho, Melco's Chairman and CEO, spent over $55 million YTD buying shares personally in Melco International.

In Greater China, we have seen Baidu, Midea, Gree, Man Wah, and New World Development repurchase shares. Baidu repurchased $540 million in the second quarter, almost tripling what the company bought in the first quarter. Baidu has spent ~$1.9 billion repurchasing shares at severely discounted prices in the last two years. The company recently tripled its buyback program, upsizing it from $1 billion to $3 billion. Chinese air conditioning firms Midea and Gree also repurchased shares in the last quarter. Gree repurchased shares for the first time, buying over $750 million of shares since July, highlighting the dramatic change in approach to capital allocation that has occurred as the company transitioned from a state-owned enterprise (SOE) to private equity control earlier this year. Hong Kong-listed Greater China real estate developer New World Development doubled its share repurchase activity in FY 2020 and maintained a steady dividend, as the share price became more attractive, and recurring income increased 19% YOY.

In Japan, SoftBank has continued to repurchase shares in record amounts, while in South Korea, Hyundai Mobis is re-implementing its buyback program to purchase about 1% of outstanding shares from October to December this year. In the Philippines, Jollibee's founder, Tony Tan, has been buying shares (through his holding company) almost every day during the last few weeks of September through the beginning of October. This is the first time Tan's family vehicle has bought shares, reflecting the share price's attractiveness and his views on the company's potential. Even though sales in the Philippines collapsed by half in the third quarter, due to stringent COVID lockdowns, Jollibee has managed to achieve EBITDA breakeven in the country and firm-wide in the third quarter.

Today, we believe the portfolio is heavily weighted towards "coiled springs", companies with depressed stock prices where the underlying businesses are performing, and their management teams are taking intelligent, value-accretive action and are now close to an inflection point. In addition to the four Hong Kong-listed positions described in detail above, companies in the tightly-coiled camp include Baidu, China Lesso, Dali Foods, Gree, HDFC, Hitachi, Jollibee, and Trip.com. Perhaps not surprisingly, these also represent the companies that have been among the worst performers YTD and where we have been allocating our capital (new investments or incremental additions). This collection of high-quality companies with solid balance sheets and strong management partners, collectively trading well below 60% of our appraisal value, combine to represent well over half of our portfolio. Alongside this group of deeply discounted companies primed for significant upside, we own companies like Prosus, Tongcheng-Elong, China Lesso, and Midea. These businesses were early beneficiaries of China's recovery and have been among the largest contributors to performance YTD. All four companies remain attractively discounted, and we believe they are primed for continued intrinsic value growth in the coming years.

PORTFOLIO CHANGES

We took advantage of price strength in the quarter to trim several positive performers, and we exited our investments in Man Wah, which reached our value, and SoftBank Group, which performed strongly this year. Despite the controversy around SoftBank Group, we achieved a total return of 104% during our almost six-year holding period, generating an annualized return of 13%. SoftBank was the largest contributor to Fund returns YTD.

We used proceeds from these trims and sales to add to our discounted positions in China Lesso, CK Asset, CK Hutchison, Dali Foods, HDFC, Jollibee, Melco International, Trip.com, and, all of which fall into the "coiled springs" category. Additionally, we initiated two new positions in the quarter: Gree, a Chinese air conditioning manufacturer, and an undisclosed investment in an emerging market domiciled, consumer-facing lender.

Why did we decide to allocate capital to the companies above?

In Gree's case, this was an opportunity to own the leading air conditioner manufacturer in China, with attractive returns on capital invested, and a substantial runway for growth at attractive valuations. We believe that Gree is underearning as it restructures its channel distribution system and clears out inventory, which means that their wholesale revenues will suffer until that happens. Furthermore, this is a company whose governance and capital allocation policies are in the midst of substantial improvement, as private equity investor, Hillhouse Capital Group, recently became the largest shareholder after buying the 15% stake previously owned by an SOE shareholder. We think the process of clearing out excess inventory in the distribution channel is almost over, and that we are close to reaching an inflection point in earnings. The pandemic environment, combined with a weakness in sales caused by a restructuring of distribution channels provided us an opportunity to buy this world-class business at less than ten times earnings, where we have confidence that earnings will rebound, and capital allocation will continue to improve. We paid less than ten times FCF for this dominant air conditioner manufacturer and found the risk-reward proposition very attractive.

Gree Electric Appliances

	Jun ‘19	Sep ‘19	Dec ‘19	Mar ‘20	Jun ‘20	Sep ‘20	Dec ‘20	Mar ‘21	Jun ‘21	Sep '21
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EPS	1.32	1.39	0.43	0.26	0.80	1.32	0.89	0.71	1.19	1.79
Growth YOY %	10.0	0.7	-49.4	-72.3	-39.4	-5.2	107.7	171.2	48.8	35.9

Source: Factset

We increased our exposure to emerging market Asia companies Jollibee and HDFC during the quarter to make them full/overweight positions because of their attractiveness on all three metrics of Business, People, and Price, which frame our investment criteria. The Philippines and India are among the countries experiencing the most protracted and strictest lockdown measures. Their economies have not fully re-opened, India's GDP shrank 24%, and the Philippines' GDP shrank 16% in Q2. We believe Jollibee and HDFC will emerge much stronger in a post-COVID world, taking market share from their challenged peers. As shown in the table below, we expect near-term earnings (Bloomberg consensus EPS) to take a hit. However, they are expected to rebound strongly when things normalize, earning attractive returns on incremental capital. In both cases, the balance sheets are solid with little chance of distress.

Bloomberg EPS	2019	2020	2021	2022
HDFC	130	88	106	143
Jollibee	5.7	-8.7	4.1	5.9

Note: 2019 represents FY ended March 2020 for HDFC.

Source: Bloomberg Consensus EPS

We have confidence that both of these franchises will continue to compound at an attractive mid-teens rate in the years to come. We already see some green shoots. In September, HDFC's retail loan approvals were up 31% YOY and disbursements were up 11% YOY (vs. down to almost 0 in April and down 75% in May).

In the case of Jollibee, we see recovery occurring in most of its regions. In September, China experienced positive same-store sales growth (SSSG), and Philippine brands in North America expect positive SSSG in October. Its Smashburger company-owned stores delivered double-digit SSSG for the past five months, while franchise stores are still posting negative SSSG due to the lack of delivery infrastructure. In contrast to the noticeable recovery in the overseas market, Jollibee's Philippine business is still challenged because of the continued lockdown and quarantine measures. However, through its business transformation program, it is rationalizing underperforming stores and the supply chain and is right-sizing its labor force. It expects permanent cost savings of about 2.5bn to 2.7bn peso per annum starting in 2021, translating to a less than 2-year payback on restructuring costs. With the massive cost reductions, Jollibee has already achieved positive EBITDA during the quarter ahead of expectations.

We also increased our exposure to the Chinese Online Travel Agency (OTA) segment during the quarter. Despite the doom and gloom surrounding the travel sector, our OTAs (Trip.com and Tongcheng-Elong) are performing well as they benefit from the shift in travel spending from offline channels to online, and from international destinations to more unrestricted domestic travel. During the Golden Week holiday, domestic tourist traffic reached 637 million, much better than our expectations. Hotel room night growth on Tongcheng-Elong's platform was up 40% YOY in the first four days of the Golden Week. Our OTA holdings have strong net cash balance sheets and have aggressively reduced their cost base, which will drive higher operating margins as demand continues to recover.

Performance Review

3Q20	Contribution to Portfolio Return (%)	Total Return (%)
Top Five		
China Lesso	+1.28	+39
Man Wah*	+0.94	+33
Midea	+0.94	+26
SoftBank Group*	+0.88	+21
Hyundai Mobis	+0.75	+23
Bottom Five		
CK Asset	-0.77	-16
Melco	-0.68	-9
CK Hutchison	-0.26	-6
Gree Electric	-0.18	-4
MGM China	-0.16	-4

YTD 2020	Contribution to Portfolio Return (%)	Total Return (%)
Top Five		
SoftBank Group*	+2.45	+46
Prosus	+2.42	+35
Man Wah*	+2.24	+80
Tongcheng-Elong	+1.61	+29
China Lesso	+1.33	+49
Bottom Five		
Melco	-3.12	-37
Ebara**	-2.44	-41
CK Hutchison	-1.88	-33
MGM China	-1.61	-23
CK Asset	-1.58	-28

*sold in 3Q20, **sold in 1Q20

TOP PERFORMERS:

China Lesso, the largest plastic pipe manufacturer in China, was a contributor in the quarter. The pandemic and lockdown in China halted many projects in the first quarter and caused its sales to decline by double digits. However, the second quarter recovery was robust, and first-half revenue grew 3% YOY, with the momentum continuing into the second half. China Lesso is confident in delivering double-digit revenue growth for the full year, which exceeds our expectations. China Lesso is benefitting from a government stimulus package targeting infrastructure and driving further demand for the plastic pipe industry as well as the trend of real estate developers moving towards more central procurement. The company's production is running at high utilization rates, and capacity additions are on track. We expect China Lesso to continue gaining market share and consolidating this fragmented market.

Man Wah, the leading recliner sofa manufacturer in China, was a contributor in the quarter. Man Wah has seen very strong growth following the pandemic lockdown. The company was a beneficiary with more people working from home, the need and desire to have a comfortable sofa increased. With scale advantages and efficiency improvements, Man Wah can sell recliners at a similar price to regular stationary sofas, further increasing its attractiveness. Man Wah was an early adopter in integrating online and offline marketing and expanding its presence in China's lower-tier cities. The company grew strongly in the domestic market and increased its brand strength among consumers. With Man Wah's Vietnamese factory ramping up capacity, the company can fulfill export business to the US without attracting import tariffs, potentially providing another growth driver. While we remain positive on the company and management, we exited our position, as its share price rose beyond our appraisal value, and we redeployed the capital to other, more attractive investments.

Midea Group, the Chinese home consumer appliance giant, was a contributor in the quarter. Despite the severe COVID disruption in the first quarter, Midea was one of the few major white goods companies in China that generated positive operating cash flow. In the first half of the year, Midea Group gained market share in most of its product segments, including air conditioners, washing machines, and refrigerators. A leader in online channels for white goods, Midea also saw online retail sales increase by over 30% YOY. The company intends to achieve growth in both revenue and profits for the full year. Although Midea is in a net cash position with over $10 billion in cash or cash equivalents, the company made clear its intention not to undertake any significant M&A. Rather, management is focused on improving the existing business and enhancing shareholder returns. In September, Midea revised its buyback program's price limit upwards and repurchased $160 million of shares, demonstrating confidence in its prospects.

SoftBank Group, an internet and telecom investment holding company, was a contributor for the quarter. SoftBank has surpassed its target of selling 4.5 trillion yen in assets and has continued to use up to 2 trillion yen of the proceeds to buy back shares. It has reduced its ownership in Japanese telecom subsidiary SoftBank Corporation and trimmed its stakes in Alibaba and T-Mobile (after its merger with Sprint). The company has also agreed to sell Arm to NVIDIA for $40 billion in September. Owner-operator Masa Son has sold down these investments at rich valuations and used the proceeds to pay down debt and buy back heavily-discounted SoftBank shares, creating tremendous value for shareholders. Since bottoming out in March 2020, SoftBank shares increased 150% due to this portfolio restructuring and share buyback, narrowing the discount to our appraisal value. Given the very strong performance YTD, we exited the position when the news of potential privatization and the Nasdaq whale came out.

Hyundai Mobis, the South Korean auto parts maker, was a contributor in the quarter. For the fiscal second quarter, the company reported results in-line with our expectations. Despite weak module and core parts performance due to a decline in the production of Hyundai Motor (HMC) and Kia Motors (KMC) amid COVID, its electrification division remains the bright spot, posting 50% growth YOY. HMC and KMC's monthly volume data indicate the worst is behind us, and they are gaining share. Hyundai Motor Group (HMG) has become the fourth biggest battery electric vehicle manufacturer with a 13.6% market share in Europe behind the Renault-Nissan alliance, VW Group, and Tesla. Hyundai Mobis is a beneficiary of the move towards eco-friendly cars. They are the sole supplier of core parts, such as electric driving motors, inverters, converters, battery systems, and fuel process systems to HMG and are increasingly penetrating non-captive OEMs. COVID also impacted the after-sales division, despite its defensive nature, due to dealer shutdowns and unfavorable regional mix. However, in recent months, most dealers are back in operation, and we expect the after-sales business to show recovery. We welcome the company's decision to re-implement its buyback program to repurchase about 1% of its outstanding shares in the fourth quarter.

BOTTOM PERFORMERS:

CK Asset, the real estate and infrastructure company, was a detractor in the quarter with COVID disrupting several business segments this year. As noted earlier, investment property and hotel profits were down YOY, as mainland Chinese visitor traffic to Hong Kong ground to a halt. Aircraft leasing profits were up in the first half, mainly due to some disposal gains, but the industry faces significant headwinds. Pub operations booked losses due to closures under lockdowns, as well as an asset write down. Indicative of these challenges, CK Asset decided to reduce the interim dividend despite its strong financial position.

The company continues to create value during the pandemic. In May, CK Asset won a tender for a residential development site on Anderson Road, Hong Kong, at a material discount to comparable transactions nearby. It disposed of its entire mixed-use development in Chengdu, China, at three times book value in July. Given the macro environment, we have adjusted our appraisal assumptions to reflect worst-case scenarios. Despite this adjustment, CK Asset is still trading at a severe discount to our appraisal value. It is encouraging to see the Li family, the company's largest shareholder, continuously increase their stake via open market purchases, spending about $485 million since last August. We have not seen this level of intensive insider buying in the past.

Melco International, the Macau casino and resort holding company, was a top detractor in the quarter. Its operating subsidiary, Melco Resorts, recorded an EBITDA loss of US$156 million, ahead of our expectations, thanks to stringent cost control. As discussed above, travel restrictions between Macau and Mainland China began to ease in August, with IVS visa issuance in China resuming late September. While these are critical steps towards a normalization of the Macau operating environment, they have not led to an immediate recovery in visitations or gross gaming revenue (GGR) due to inconvenient logistics, such as manual processing of visa applications, COVID testing, and increased scrutiny over cross-border capital flows junkets leading to weak VIP revenues. Even so, in this tough operating environment, we are encouraged that Melco has shown impressive cost controls and liquidity management, cutting its daily operating expenses by over 40% in just a few short months. The company expects to reach EBITDA breakeven when GGR reaches 30-35% of historical levels. Melco has close to $4 billion in liquidity (cash and undrawn lines of credit), which would allow it to sustain two years of zero revenue if needed, while still funding its growth capital expenditure. We are not expecting a V-shaped recovery in the near term, but we believe Melco's mid-to-long-term growth prospects remain intact given Lawrence Ho's strong capital allocation skills and the company's leading position in the premium mass segment.

CK Hutchison, a global conglomerate of telecommunications, health & beauty, infrastructure, ports, and energy, was a detractor in the quarter. Its subsidiary, Husky Energy continues to face pressure. Though oil price declines are usually offset by an increase in profits from Husky's downstream business, the drop in oil price, combined with demand shock triggered by the pandemic, has caused the crack spreads Husky could earn to narrow significantly. However, CKH's retail and ports businesses have improved in the second half, as discussed earlier. The company has identified several areas of growth opportunity in telecoms, particularly in the UK market, and we are monitoring for news on the potential monetization of its tower business.

Gree Electric Appliances, the dominant air conditioner manufacturer in China, was a position we initiated during the third quarter and was also a detractor. We are very familiar with Gree and its industry from our investment in Midea, the other major Chinese air conditioning manufacturer. We believe the Chinese air conditioning industry is attractive as one of the few categories that has plenty of room for penetration upside, premiumization potential, and market share gain. The top two players Gree and Midea, have over 60% market share and we expect their share to increase further, given the new energy efficiency standards coming into effect in the second half of 2020. Despite net cash representing the majority of Gree's book value, the company has historically delivered over 20% ROE, which understates the very attractive return on capital of the business. COVID has created strong headwinds for this traditionally stronger offline channel company, and Gree's efforts to cut channel inventory has resulted in its shipments declining faster than the market. However, the brand power of Gree remains strong, with its products selling at a premium to Midea's, and the channel restructuring this year will provide a good base for future growth and profitability. As mentioned above, Gree is in the middle of a program to restructure several layers of distributors that will enable the company to control inventory and pricing in the channels better and to recapture some of the excess margins that distributors have traditionally enjoyed.

MGM China, one of the six Macau casino concessionaires, was a detractor in the quarter. The company posted an EBITDA loss of $114 million during the quarter, which was in-line with our expectations. GGR declined by 96% YOY, which was consistent with the industry's decline. In this challenging operating environment, the company has successfully reduced daily operating expenses by 30% YOY. MGM China has been on our watchlist due to its leverage, as discussed in our Q1 letter, but so far, it is managing the liquidity position well. The company has enough liquidity to operate for 22 months under a near-zero revenue scenario, and none of its debt matures until 2024. MGM China had a good start in 2020 with $2.5mm EBITDA per day in the first three weeks of January before the COVID disruption. We believe the company's earnings power has been delayed, but not permanently impaired. It is well-positioned to enjoy the solid recovery with its newly opened Cotai resort once demand returns in Macau.

Outlook

In closing, we would like to thank you for your continued trust and partnership during this highly volatile environment. We expect this volatility to continue and we remain at your disposal for a candid dialogue on our portfolio and outlook. The Price-to-Value ratio of the portfolio remains attractive in the low-60s%. The current cash level is at 7%, and we are ready with a full on-deck list of investments should the market give us an opportunity.

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