

October 4, 2019

Dear Clients and Colleagues:

The Asia-Pacific healthcare industry is growing rapidly despite the current trade war and unstable geopolitical climate. Frost & Sullivan estimated that this market would grow by 7.2% in 2019, reaching US\$486.72 billion. This growth would be fueled by rising personal income, increasing healthcare awareness, adoption of technology and wider healthcare access. Forbes estimated that in 2018 there would still be a shortage of 3.4 million hospital beds in Asia, more than 2 million Asians would need private health insurance and over 2 million people from India and China would travel abroad for medical treatment.

This week we would like to profile one of our holdings, Raffles Medical Group (RFMD SP), a leading healthcare service provider in Asia. www.rafflesmedical.com.

Business Overview

Founded in 1976 in Singapore, Raffles Medical is a well-known healthcare group in Asia, offering primary, inpatient and specialist care. It has one hospital in Singapore, one hospital in Chongqing, China and over 100 clinics in five countries. Medical tourists account for over 30% of its patient base, coming mainly from Malaysia, Indonesia, India and China.

Management

Dr. Loo Choon Yong is the Chairman and co-founder of the company. He owns 48% of the outstanding shares.

ESG

Raffles Medical has good ESG practices and its ESG reporting is very comprehensive. Raffles Hospital in Singapore has energy saving functions and is certified as a water-efficient building. The company promotes fair employment practices, health and safety and ethical trading. It has also supported many charity events. The company's governance structure is very transparent. Seven out of 11 board directors are independent, with 1 woman on the board.

Competition

In Singapore, it competes mainly with a small number of hospitals operated by IHH Healthcare. In China's private healthcare industry, there are only a few facilities operated by well-known foreign companies.

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.

Competitive Advantages

- Strong brand: It is the first hospital in Asia to join the Mayo Clinic Care Network, which demonstrates high business standards and expertise.
- Leading market share: In Singapore it has a 20% market share and the largest network of clinics.
- More competitive pricing than its private peers thanks to the group synergy.

Growth Strategy

Mainland China is the growth driver. The company is building a hospital in Shanghai that is scheduled to open by the end of this year.

Risks

- Network expansion may encounter execution challenges in cost control and physician hiring.
- A strong Singapore dollar may reduce the demand for medical tourism to Singapore.

We communicate with Raffles Medical regularly and are planning to visit its Chongqing Hospital this month. We expect the company's revenue growth to be in the double digits next year.

Have a great weekend.

The Global Alpha team

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.