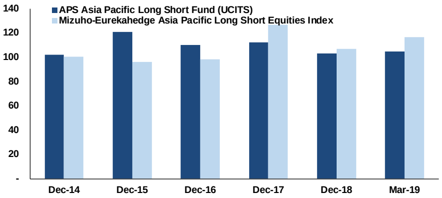
APS ASIA PACIFIC LONG SHORT FUND (UCITS)

FUND DETAILS

Structure	Open-ended Unit Trust
Domicile	Dublin, Ireland
Inception date	9 May 2014
Base currency	USD
Fund size	USD36 million
Strategy size	USD401 million
Number of Holdings	118
Lead Manager	Wong Kok Hoi

GROWTH OF A USD100 INVESTMENT SINCE INCEPTION



Fund returns are cumulative and are net of management and performance fees.

STRATEGY DESCRIPTION

The APS Asia Pacific Long Short Fund (UCITS) invests in stocks of companies in the Asia Pacific region including Japan. The fund seeks to generate alpha from both its long as well as short positions. Our emphasis is on risk-adjusted returns, and avoiding a permanent loss of capital when we make our investment decisions. We invest in companies with strong management teams and durable growth prospects at attractive valuations. The fund sells short stocks of companies with dubious or weak business franchises, and yet are over-valued, especially if they are run by incompetent or dishonest management. We conduct primary research on company fundamentals, which includes members of the management teams, and adopt a strong investigative slant. Site visits and meetings with management form an important part of our research work. We seek to achieve annualized double-digit returns for investors over a market cycle.

PERFORMANCE AS 31 MARCH 2019

				Annualized Returns (%)		
	1M	1Q	YTD	1Y	3Y	Since Incept.
Class A (USD)^	-0.91	1.46	1.46	-11.15	-3.10	0.89
Class C (USD)^	-0.88	1.54	1.54	-10.58	-2.66	0.96
Mizuho-Eurekahedge Asia Pacific Long Short Equities Index*	1.58	5.82	5.82	-6.65	5.10	4.29
Difference**	-2.49	-4.36	-4.36	-4.49	-8.20	-3.40

The returns are net of all fees and charges.
Inception date, Class A: 9 May 2014
Inception date, Class C: 31 December 2014
The returns are calculated on a single pricing basis where the performance data takes into account subscription fee and realization fee (which are currently nil).
* Based on 14.50% of funds which have reported March 2019 returns as at 5th April 2019.
*** Difference is based on Class A Returns*
^The performance statistics reflect the Investment Manager's refund of the 2018 Investment Management Fees to the Fund, thereby increasing Class A's December 2018 performance figure by 2.17 percentage points and Class C's December 2018 performance figure by 2.32 percentage points. Consequently, this one-off impact has proportionately affected performance returns calculations for periods that include Class A's or C's December 2018 return.

COMMENTARY

Class A of the Fund was up 1.46% net-of-fees in the quarter, while the Mizuho-Eurekahedge Asia Pacific Long Short Equities Hedge Fund Index was up 5.82% during the same period. As of end March 2019, class A of the Fund has achieved an annualized +0.89% net return since inception.

In March, the Fund's gross and net exposures were 152.7% and 12.9% respectively, compared with 149.1% and 11.2% respectively a month ago. The Fund's top net long exposure by country was China at 22.4%, followed by Japan at 7.6%, Taiwan at 1.9% and South Korea at 1.8%.

Venustech Group was a top contributor during the first quarter, driven by upbeat prospects for their urban security operations business and substantial fund flows into the tech sector. The market size for the urban security operations business is around CNY20 billion, and Venustech's goal is to take 30% market share, making it one of the company's largest growth drivers over the next several years. New orders in 2019 will likely reach around CNY450 million versus CNY150 mn in 2018. On the other hand, investor sentiment towards the sector recovered, prompting ample liquidity inflows to the tech sector. The stock traded at 44x 2019E P/E. This is reasonable considering the 30% earnings growth p.a. over the next three years, the cyber security industry's large growth potential, and recurring earnings from its urban security operations business.

Kweichow Moutai was a top contributor in 1Q19, as demand during the Lunar New Year (LNY) holiday period turned out to be stronger than expected despite macro weakness. Consumers don't seem to be price sensitive during important festivals, and Moutai is still their top choice to share with family members and friends. Wholesale prices for Moutai stayed high, exceeding CNY1,750 in most regions during LNY.

In addition, Moutai reported 2018 full-year financial results at the end of March. Total revenue in 2018 was +26.5% YoY and net profit was +30.0% YoY to CNY35.2 bn, 3.5% higher than market expectations of CNY34 bn. Revenue in 4Q18 was +34.1% YoY, beating market expectations of 20%-25% YoY. The better-than-expected 4Q18 result erased investors' concern over the soft economy, and also supported company management's confident guidance for growth in 2019.

Moutai is a structural alpha stock for APS, and first entered our portfolio in 2004. We believe the company will benefit from the long-term trend of consumption upgrades in China, as well as industry consolidation. We estimate that earnings will increase at 15%-20% CAGR for the next 3 years. The stock trades at 25.4x 2019 P/E, which we do not think is over-stretched, given its strong franchise, high earnings quality, and deep moat that helps it maintain a high profit margin.

APS Asset Management Pte Ltd
3 Anson Road, #23-01 Springleaf Tower, Singapore 079909 Tel: (65) 6333 8600
Fax: (65) 6333 8900 E-mail: cs@aps.com.sg Website: www.aps.com.sg

APS ASIA PACIFIC LONG SHORT FUND (UCITS)

TOP FIVE HOLDINGS (%)

LONG	
Shenzhen International	5.7
Kweichow Moutai	5.2
Gree Electric Appliances	4.4
Venustech Group	4.2
Beijing Orient National	4.1
SHORT	
Australia Con. Discretionary	-10.7
Hong Kong Con. Discretionary	-7.2
China Consumer Discretionary	-6.6
China Consumer Staples	-4.8
US Information Technology	-3.9

COUNTRY WEIGHTS (%)

China A	32.5
China Others	-10.2
Japan	7.6
Taiwan	1.9
South Korea	1.8
Vietnam	1.7
Singapore	1.6
Philippines	1.3
Indonesia	1.1
Thailand	-0.3
United States	-5.8
Hong Kong	-8.6
Australia	-12.8
Futures^	1.1

SECTOR WEIGHTS (%)

Information Technology	16.4
Industrials	12.0
Materials	4.1
Real Estate	4.1
Health Care	2.2
APS Vietnam Alpha Fund	1.7
Financials	0.2
Communication Services	-0.5
Utilities	-1.4
Consumer Staples	-1.4
Energy	-2.8
Consumer Discretionary	-15.4
Futures	-6.4

MARKET CAP (%)

> 5 Bn	-13.7
2 Bn – 5 Bn	9.8
1 Bn – 2 Bn	6.1
< 1 Bn	15.4

EXPOSURE SNAPSHOT (%)

Gross	152.7
Net	12.9
Long	82.8
Short	-69.9

^ Futures includes only currency hedges. Index futures are included in their respective countries

Beijing Orient National was a key contributor in 1Q19, underpinned by healthy 2018 financial results and strong growth potential in the industrial internet business. In addition, investor sentiment towards the tech sector also recovered. The company's 2018 results showed earnings growing 30%, and the company is targeting 20%-25% growth in 2019, which exceeds market expectations. Meanwhile, its digital twin technology underpins its core competency in the industrial internet field, which is expected to contribute more as a growth driver for the company. The stock traded at 26.7x 2019E P/E, which is still reasonable given that the adoption of big data software in China's industrial sector is still in its early stages.

Our short position on an **Australian Retailer** was one of the top detractors in March. The stock appreciated along with the general domestic market as investors expect the central bank to cut interest rates to boost the softening housing market. We believe this will have limited impact on turning the housing market around, as interest rates are already low and housing completions are peaking, which will impact employment and wage growth. From a fundamental perspective, the headwinds from the slowing housing market and the ramp up of Amazon in Australia will continue to negatively impact this company.

Our short position in a **Chinese e-commerce company** with ADRs was one of the detractors in March. The stock appreciated after the company announced 4Q18 results in early March, where the company reported operating losses lower than the street's expectations and the management guided for margin improvement in FY19. We believe that the stock price appreciation is not sustainable as the fundamentals of the company continue to weaken. Recently, media has been reporting resignations from several senior employees of the company. Our channel checks also confirm that there are several management issues that are negatively impacting its operations. For the year 2019, we continue to think that headwinds will persist for the company due to industry-wide competitive pricing pressure and a slowdown in high-value consumer discretionary spending.

Our short position in the ADRs of a **Chinese telecommunications equipment provider** was a detractor in the quarter, as its 1Q19 net profit beat market consensus. Investors are also optimistic that the CAPEX of China's telecom industry will likely increase 5.3% in 2019 and 22% in 2020 due to investments in building out 5G networks, which will drive the company's fundamentals.

We remain concerned over its heavy vulnerability to disruption in the supply of chips from the US, which can kill its business in one stroke. We think the valuation of 19x 2019E P/E doesn't price in this risk, as Sino-US relations remain strained despite recent optimism for some sort of trade deal in the coming months.

Source: APS

RECENT NEW POSITIONS

Shin-Etsu Chemical is a leading Japanese chemicals firm that supplies many highly competitive products such as PVC, semiconductor silicon, silicone, rare earth magnets, and more. It is a global leader by market share for the PVC and semiconductor silicon segments, which are also highly profitable. The company is also very competitive in the silicone and Electronic & Functional Materials segments. Currently the stock is trading at 15x 2018E P/E, which is the lowest end of the stock's 2-year trading range. Many investors seem to be pricing in an earnings peak for the company on a shrinking PVC resin spread and slowing semiconductor silicon wafer demand. We disagree, and established a new position in this stock.

The key investment thesis for **UOL Group** is its long-term value enhancement of its prime real estate assets. We believe that UOL's ownership of a few grade A office buildings in Singapore and centrally-located mixed developments (of retail malls and hotels) offer promising redevelopment potential, and these will offer asset revaluation potential over the longer term. Singapore's property cycle has faced cyclical challenges over recent years, and this is reflected in UOL's stock price which is currently priced at about 48% discount to its net asset value.

Unless otherwise stated, all information is as of 31st March 2019 and sourced internally from APS

APS Asset Management Pte Ltd
3 Anson Road, #23-01 Springleaf Tower, Singapore 079909 Tel: (65) 6333 8600
Fax: (65) 6333 8900 E-mail: cs@aps.com.sg Website: www.aps.com.sg

APS ASIA PACIFIC LONG SHORT FUND (UCITS)

RECENT EXITS

We exited our position in the H shares of **Ping An Insurance** and locked in profits as valuations outran fundamentals, which remain solid. Its life and health insurance business is trading at roughly 1.4x 2019E EVPS, and 1.5x 2019E EVPS should morbidity and loss ratios deteriorate. This valuation leaves us with an inadequate margin of safety.

Nihon Trim is a leading provider of electrolyzed reduction water purifiers in Japan. Since we invested near the bottom of the stock's price in May 2017, the stock price has risen by 50%. We decided to take profit as the current valuation reached 30x 2019E P/E, and upside is limited in the short term. We continue to watch for more attractive valuations.

The fund had a modest position in **Tencent Holdings**, and we decided to take advantage of the recent liquidity-driven stock market rally to sell the remaining exposure. We believe that Tencent is well positioned to be a profitable company, but is cognizant that the group will likely face more challenging business headwinds resulting in slower pace of earnings growth. After the recent stock price rally, Tencent's equity valuation was about 31x 2019E P/E and GAAP earnings per share is expected to grow by 10% year-on-year, based on consensus forecast. This pace of earnings growth is a significant deceleration compared to its historical growth rates of between 30% to 50%.

SUBSCRIPTION

	Class A (USD)	**Class B** (EUR) hedged	**Class C** (USD)	**Class D** (EUR) hedged
NAV Prices as at 31st March 2019	USD104.44	N.A.	USD106.41	N.A.
ISIN	IE00BL25XB13	IE00BL25XC20	IE00BQ711C68	IE00BQ711D75
Min investment	USD100,000	EUR100,000	USD25,000,000	EUR20,000,000
Management fee				
< $50mn	2.00%		1.65%	
$50mn – 100mn	2.00%		1.40%	
$100mn – 150mn	2.00%		1.15%	
> $150mn	2.00%		1.00%	
Liquidity	Weekly			
Lock Up Period	Nil			
Performance fee	20% with High Water Mark			
Subscription deadline	5pm (Irish Time) 4 Business Days Preceding Dealing Day			
Redemption deadline	5pm (Irish Time) 4 Business Days Preceding Dealing Day			
Redemption fee	Up to 3%			
Subscription fee	Up to 5%			
Legal advisers	A&L Goodbody			
Auditor	Deloitte & Touche			
Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd			
Manager	Northern Trust Fund Services (Ireland) Ltd			
Prime Brokers	UBS AG Goldman Sachs Int'l Morgan Stanley			

Unless otherwise stated, all information is as of 31st March 2019 and sourced internally from APS

APS Asset Management Pte Ltd
3 Anson Road, #23-01 Springleaf Tower, Singapore 079909 Tel: (65) 6333 8600
Fax: (65) 6333 8900 E-mail: cs@aps.com.sg Website: www.aps.com.sg

Registration No.: 1980-00835-G

Unless otherwise stated, all information is as of 31st March 2019 and sourced internally from APS

APS Asset Management Pte Ltd
3 Anson Road, #23-01 Springleaf Tower, Singapore 079909 Tel: (65) 6333 8600
Fax: (65) 6333 8900 E-mail: cs@aps.com.sg Website: www.aps.com.sg