

APS ASIA PACIFIC MARKET NEUTRAL FUND (UCITS)



FUND DETAILS

Structure	Open ended Sub-Fund (SICAV)
Domicile	Luxembourg
Inception date	3 July 2017
Base currency	USD
Fund size	USD21 million
Strategy size	USD401 million
Number of Holdings	109
Lead Manager	Wong Kok Hoi

STRATEGY DESCRIPTION

The APS Asia Pacific Market Neutral Fund (APMN) invests in stocks of companies in the Asia Pacific region including Japan. The Fund is a dollar neutral variant of the flagship APS Asia Pacific Long Short strategy, and 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.

PERFORMANCE AS 31 MARCH 2019

	Annualized Returns (%)*				
	1M	1Q	YTD	1Y	Since Incept.
APMN Net Returns	0.85	2.41	2.41	-4.14	-2.90
Eurekahedge Equity Market Neutral Hedge Fund Index*	-0.03	1.25	1.25	-1.51	1.29
Difference	0.88	1.16	1.16	-2.63	-4.19

The Fund is not managed against a benchmark, and the Index is only shown as an illustration. All performance quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the return figures quoted. The fund returns are net of all fees and charges.

** Based on 23.88% of funds which have reported March 2019 returns as at 8th April 2019.*

COMMENTARY

The Fund rose 2.41% net-of-fees in 1Q19, while the Eurekahedge Equity Market Neutral Hedge Fund Index was up 1.25% during the same period. As of end March 2019, the Fund has achieved an annualized -2.90% net return since inception.

In March, the Fund's gross and net exposures were 128.9% and 3.3% respectively, compared with 124.4% and -1.1% respectively a month ago. The Fund's top net long exposure by country was China at 20.8%, Japan at 4.0% followed by Taiwan at 2.7% and Vietnam at 1.2%.

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.

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.

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 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.

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 MARKET NEUTRAL FUND (UCITS)



TOP FIVE HOLDINGS (%)

LONG	
Venustech Group	4.4
Gree Electric Appliances	4.4
China International Travel	4.3
Shenzhen Intl Holdings	4.3
Zhejiang Huace Film & TV	4.0

SHORT

China Consumer Staples^	-5.3
Australia Con. Discretionary^	-5.2
China Con. Discretionary^	-5.1
Hong Kong Con. Discretionary	-4.9
China Consumer Staples	-4.8

COUNTRY WEIGHTS (%)

China A	33.6
China Others	-12.8
Japan	4.0
Taiwan	2.7
Vietnam	1.2
South Korea	1.0
Philippines	1.0
Singapore	0.9
Indonesia	0.2
Thailand	-0.2
United States	-4.5
Australia	-10.8
Hong Kong	-12.8

SECTOR WEIGHTS (%)

Information Technology	14.7
Industrials	7.7
Materials	2.8
Health Care	1.5
APS Fund*	1.2
Real Estate	1.0
Financials	0.1
Communication Services	-0.1
Utilities	-1.7
Consumer Staples	-3.0
Energy	-4.1
Con. Discretionary	-11.6
Futures	-5.0

MARKET CAP (%)

> USD 5 Bn	-16.7
USD 2 – USD 5 Bn	11.2
USD 1 – USD 2 Bn	4.4
< USD 1 Bn	8.3
APS Fund*	1.2
Futures	-5.0

EXPOSURE SNAPSHOT (%)

Gross	128.9
Net	3.3
Long	66.1
Short	-62.8

* APS Vietnam Alpha Fund

^Due to price movement

Sources: APS, Bloomberg and Wilshire

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.

RECENT EXITS

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.

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.

Source: APS

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 MARKET NEUTRAL FUND (UCITS)



SUBSCRIPTION

	Class A	Class B	Class C	Class D	Class E
NAV Prices as at 31 st March 2019	USD94.98	N.A.	N.A.	N.A.	N.A.
Bloomberg	APAPAAU LX	APAPBAU LX	APAPCHE LX	APAPDHA LX	APAPEAU LX
Initial investment	USD1,000,000	USD50,000	EUR50,000	JPY5,000,000	USD50,000
Management fee	1.50%				
Performance fee	20% with High Water Mark				
Liquidity	Weekly				
Dealing deadline	5:00 pm CET 4 Business Days prior to the relevant Dealing Day				
Redemption fee	Up to 5%				
Subscription fee	Up to 5%				
Legal advisers	Arendt & Medemach SA				
Auditor	Pricewaterhouse Coopers				
Administrator	Northern Trust Global Services SE				
Prime Broker	Goldman Sachs				

Registration No: 1980-00835-G

IMPORTANT NOTICE: This publication is strictly for information and general circulation only and does not have regard to the specific objectives, financial situation and particular needs of any specific person. It is not, and should not be construed as, an offer, invitation to offer, solicitation, recommendation or commitment to enter into any dealing in securities and form of transaction. Nothing contained herein constitutes investment advice and should not be relied upon as such. APS is not carrying out any financial advisory services and not acting as any investor's and potential investor's financial adviser or in any fiduciary capacity in respect of any proposed or potential investment. Investors and potential advisers should seek independent advice from a financial advisor regarding the suitability of the Fund and securities mentioned before making any investment. In the event that the investor or potential investor chooses not to do so, he should consider carefully whether the Fund and securities are suitable for him in his financial circumstances. **Past performance of the Fund, securities and the Investment Manager and any forecasts made or opinions expressed on the economy, stock market or economic trends of the markets are definitely not indicative of future or likely performance or any guarantee of returns.** APS accepts no liability and responsibility, whatsoever, for any direct or consequential loss arising from any use of or reliance on this publication. Investments in units in the Fund ("Units") are subject to high degree of risks, including possible loss of entire principal amount invested. Investors and potential investors should carefully evaluate their financial circumstances, ability and willingness to take such risks. The value of the Units and the income accruing to the Units, if any, may fall or rise. Investments in the Units are not deposits or other obligations of or guaranteed or insured by APS. While APS believes the information for the publication, which is based on certain assumptions, conditions and facts available, to be reliable, this publication is provided on an "as is" and "as available" basis and subject to change, of whatsoever form and nature, at any time without notice.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

APS has not independently verified and does not make any representation or warranty as to the accuracy, adequacy, completeness, reasonableness or truth of the information. Investors and potential investors must read the Prospectus, which may be obtained from APS or any of its appointed distributors, to fully understand the investment objectives, all the terms, conditions and risks before deciding whether to subscribe for Units. Investors may only redeem Units in the manner set out in the Prospectus. Distribution of this publication to any person other than the recipient and its adviser(s) is unauthorized and any reproduction of the publication, in whole or in part, or the disclosure of any of the contents, in each such instance is strictly prohibited.

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