

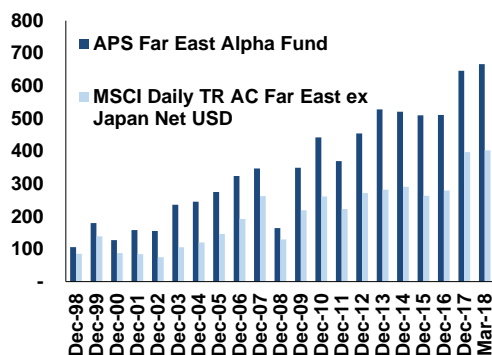
APS FAR EAST ALPHA FUND (UCITS)

FUND DETAILS

Structure	Open-end UCITS	
Domicile	Dublin, Ireland	
Inception date	1 March 1998	
Base currency	USD	
Fund size	USD75 million	
Benchmark	MSCI Daily TR AC Far East ex Japan Net USD Index	
Number of holdings	50	
Active share	83.0%	
3 Year Beta	100.6%	
3 Year Alpha	-2.1%	
3 Year Std Dev.	Fund	Index
	18.8%	16.5%
Portfolio Manager	Wong Kok Hoi	

*Portfolio statistics are based on annualized monthly returns over the last 3 years

GROWTH OF A USD100 INVESTMENT SINCE INCEPTION



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

COUNTRY ALLOCATION (%)

	FUND
China	43.9
South Korea	13.6
Singapore	12.6
Taiwan	9.4
Hong Kong	8.0
Vietnam	1.0
Thailand	0.4

STRATEGY DESCRIPTION

The APS Far East Alpha Fund (FEAF) invests in transferrable securities and financial derivatives traded on recognized exchanges in Singapore, Thailand, Indonesia, Malaysia, the Philippines, China, Hong Kong, South Korea and Taiwan. We seek to invest in companies with strong management teams and durable growth prospects at attractive valuations. 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. This portfolio is benchmark agnostic, and we seek to achieve absolute returns for investors over a market cycle.

PERFORMANCE AS OF 29 MARCH 2018

	Annualized Returns (%)							
	1M	QTD	YTD	1Y	3Y	5Y	10Y	Since Incept.
FEAF Net Returns	2.06	3.09	3.09	17.60	6.76	6.41	7.54	9.18
FEAF Gross Returns	2.09	3.17	3.17	17.96	7.10	6.82	8.14	9.91
Index	-1.47	1.33	1.33	27.51	9.71	8.30	5.82	7.18
Difference	3.56	1.84	1.84	-9.55	-2.61	-1.48	2.33	2.73

Performance of the Fund is represented by the asset weighted performance of the various share classes. Net returns are net of management and performance fee. Difference is based on gross returns. 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). 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 MSCI AC FEXJ Price Index is used from inception to 31st December 2004, the MSCI AC FEXJ Net TR Index is used from 1st January 2005 onwards.

COMMENTARY

The APS Far East Alpha Fund's net asset value (NAV) gained 3.09% in 1Q 2018, outperforming the MSCI AC Far East ex Japan index's return of 1.33%. Stock selection added value, and our strategy remains focused on investing in companies that are well positioned to achieve sustainable earnings growth. We believe that financial markets are vulnerable to heightened volatility, and even good quality Asian companies may witness near term stock price volatility.

A few of the strong performers were:

Venustech Group's stock price performed strongly, gaining +16.9% in 1Q as the government makes a big push for the development of industrial big data. Venustech is well positioned to benefit from growing demand for the security of industrial big data, especially in sectors like tobacco, railway, petrochemicals, utilities, and distributed manufacturing.

Venustech delivered a strong set of pre-announced FY 2017 results, with sales up +18.3% YoY and recurring income up +56.2%. Sales in 4Q 2017 were slower than expected due to the ruling Party's 19th Congress, which slowed some revenue recognition. The company's Chairwoman reiterated her confidence in the company's ability to achieve earnings CAGR of 30% in the next 3 to 5 years.

Beijing Orient National was a strong contributor in 1Q, rising +44% as it stands to benefit the most from the Chinese government's recent push for the adoption of industrial internet. Beijing Oriental started its industrial internet business in 2013, acquiring Beijing Science Yili in 2013 and Cotapaxi in the UK in 2015. Both are Software As A Service (SaaS) big data companies specializing in collecting realtime data from smart devices, sensors, and automatic control systems. Both acquisitions provide optimization solutions for process management, equipment management, energy efficiency, and waste minimization. Cotapaxi has over 20 years' experience across 35 countries in these areas.

Catcher Technology manufactures metal casings and components that are mainly used in notebook computers and mobile devices. Catcher Technology's stock price advanced in 1Q 2018 on the back of strong fundamentals. The company reported FY17 results in March 2018, maintaining strong gross and operating margins of 45.0% and 35.8% respectively. The company also reported strong sales growth for the period between January and February 2018, increasing 44.6% YoY. However, together with other companies in Apple's iPhone supply chain, Catcher may be vulnerable to near-term stock price volatility driven by iPhone sales news flow.

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TOP 5 HOLDINGS	SECTOR	% OF NAV
Venustech Group	Information Technology	10.0 [^]
Kingboard Copper	Materials	6.2
AIA Group	Financials	5.6
Catcher Technology	Information Technology	5.5
Samsung Electronics	Information Technology	5.1

SECTOR ALLOCATION (%)

	FUND	INDEX	DIFFERENCE
Information Technology	38.4	33.8	4.6
Financials	15.5	23.5	-8.0
Materials	11.3	4.0	7.2
Consumer Discretionary	8.5	8.6	-0.2
Real Estate	6.3	6.4	-0.1
Industrials	5.5	6.7	-1.2
Consumer Staples	2.2	4.1	-1.9
Telco. Services	0.8	4.0	-3.1
Health Care	0.6	2.5	-1.9
Energy	0.0	3.4	-3.4
Utilities	0.0	3.0	-3.0

MARKET CAP DISTRIBUTION (%)

	FUND	INDEX	DIFFERENCE
> 5 Bn	37.3	91.8	-54.6
2 Bn – 5 Bn	22.3	7.4	14.9
1 Bn – 2 Bn	10.0	0.8	9.2
< 1 Bn	19.1	0.0	19.1

[^]Due to Price Movement

Sources: APS, Bloomberg and Wilshire

RECENT NEW POSITIONS

We initiated a position in **West China Cement (WCC)**, one of the largest provincial cement producers in Shaanxi province, with cement plants primarily in Xian and also south-Shaanxi. We believe WCC is significantly undervalued at just 6.5x 2018 P/E as it will likely have strong earnings growth in the coming two years, driven by rising cement volumes, margins and new products. As property construction picks up and infrastructure projects begin execution, we see demand for cement used in the later stages of construction to grow strongly into 2018-19. In addition, both shutdowns of pollutive plants and industrywide collaboration to shutdown excess capacity are driving a strong sustained +60% rebound in cement prices. WCC is also planning to launch an aggregates plant to take advantage of government-initiated shutdowns of numerous smaller aggregate plants that did not have limestone resources.

Baozun is China's largest outsourced e-commerce solutions provider for multinationals selling online in China. For firms selling apparel, IT products, and appliances like Nike, Coach, Microsoft, and Philips, Baozun handles their entire online operation. This ranges from website construction and order-taking, to warehousing, logistics, cash collection, returns, and customer service. Given rising economies of scale in what is currently still a low-margin business, barriers-to-entry are very high as sizable infrastructure needs to be built-out. We believe Baozun has a highly attractive growth path in the coming 3 years due to low online penetration by foreign brands, sustainable 40%-50% same-brand sales growth, and rising firm margins on scale economies. There are also additional categories like cosmetics and untapped brands that include Ikea as well as Adidas.

Our research into Baozun's largest customer Nike showed that Nike was a strong driver towards Baozun's growing online sales due to higher margins, with a 40% same-brand sales growth even after six years due to the brand's low online penetration in China. Nike also has a very high regard for Baozun's services, especially in light of far higher costs for an in-house solution.

A few stocks that detracted value in 1Q18 were:

China Overseas Grand Ocean (COGO) is a mid-cap Chinese property developer focused primarily on tier-3 cities, and is 38% owned by listed property giant China Overseas Land (COLI). COGO planned a rights issue in January to raise additional capital to both lower its gearing as well as increase parent company COLI's shareholding. We believe this will allow COGO to accelerate its land acquisition plans in lower-tier cities, as well as provide impetus for COLI to incentivize COGO's management out of its 'orphan child' status over the past three years. This makes the current share price of 55% discount-to-NAV and 7.5x 2018E P/E attractive, prompting us to initiate a position.

COGO was also a detractor for the period on concerns about deleveraging and slowing property sales in 1Q18, which impacted the share price of all Hong Kong-listed Chinese developers, including COGO.

Grand Baoxin Auto is one of China's largest luxury auto dealerships, focusing on the BMW, Jaguar-Landover, Maserati, and Porsche brands. Baoxin underperformed during the period as there was concern over discounting in recent months to drive sales of BMW 5-series cars.

Despite a 4Q 2017 earnings miss and market talk of order losses, we are still optimistic about mobile phone components manufacturer **Shenzhen Sunway Communication's** FY2018 earnings outlook. We expect core earnings to rise +69% YoY to CNY1.5 bn for FY2018, and to still be rising strongly by +40% YoY to CNY2.1 bn for FY2019.

We expect wireless charging, antenna, and connectors/structured parts to be the three primary earnings drivers for Sunway in FY2018. Other high value-add products such as LCP antenna, front end RF solutions, and acoustics components for Android devices could bring in new growth opportunities in 2019 and beyond.

The company says there is a good chance that it will receive order allocations for wireless charging in 2H2018. We also believe Sunway's is progressively building up its design capabilities, reflected by its accumulation of knowledge around materials, electromagnetic interference, manufacturing, and client delivery/service. This will translate into another earnings driver in the coming years.

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RECENT EXITS

We exited out of **Sino Thai Engineering & Construction** after the stock's strong price performance. The stock's valuation has discounted a lot of good news and we believe that the market has priced in too much optimism.

Hangzhou HikVision Digital and TAL Education Group's strong stock price performances reflect robust fundamental strengths, but supportive market liquidity and high ownership amongst institutional investors are some of the risk factors to be cognizant of. After the strong stock price performances, the Price/Earnings multiples of these stocks have re-rated. Their high PEs combined with limited opportunities for any material earnings upgrade were key reasons for us to sell all our holdings and realize profits.

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SUBSCRIPTION

	Class A (Closed)	Class B	Class C	Class D
NAV Prices as at 29 th March 2018	USD 291.62	N.A.	N.A.	EUR 215.40
Bloomberg	APSGRJP ID	APSGRJB ID	APSFEC ID	APSFED ID
Initial investment	USD100,000	USD100,000	USD1,000	EUR1,000
Management fee	0.75%	1.00%	1.80%	1.80%
Performance fee	15%	20%	0%	0%
Liquidity	Daily			
Dealing deadline	5pm Daily (Irish Time), 1 Business Day Preceding Dealing day			
Redemption fee	Up to 3%			
Subscription fee	Up to 5%			
Legal adviser	A&L Goodbody			
Auditor	Deloitte & Touche			
Manager	Northern Trust Fund Services (Ireland) Ltd			
Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd			

Registration No: 1980-00835-G

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