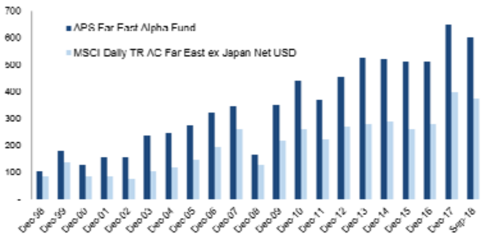
APS FAR EAST ALPHA FUND (UCITS)

FUND DETAILS

Structure	Open-end UCITS	
Domicile	Dublin, Ireland	
Inception date	1 March 1998	
Base currency	USD	
Fund size	USD67 million	
Benchmark	MSCI Daily TR AC Far East ex Japan Net USD Index	
Number of holdings	46	
Active share	84.6%	
3 Year Beta	0.86	
3 Year Alpha	-2.54%	
3 Year Std Dev.	Fund 13.6%	Index 13.7%
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	39.7
South Korea	13.6
Taiwan	11.0
Singapore	8.3
Hong Kong	6.0
Philippines	3.6
Indonesia	0.8
India	0.0

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 30 SEPTEMBER 2018

				Annualized Returns (%)				
	1M	3Q	YTD	1Y	3Y	5Y	10Y	Since Incept
FEAF Net Returns	-2.71	-3.99	-6.90	1.54	8.65	3.50	10.37	8.41
FEAF Gross Returns	-2.68	-3.92	-6.69	1.85	9.00	3.85	10.96	9.12
Index	-0.48	-1.50	-5.87	1.52	14.05	6.41	8.67	6.61
Difference	-2.21	-2.42	-0.82	0.33	-5.06	-2.56	2.29	2.51

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) declined by -3.99% in 3Q 2018, underperforming the MSCI AC Far East ex Japan index's -1.50% return. The underperformance was mainly from a soft September, when some of the fund's China and ADR holdings witnessed weak stock price performance. A few index stocks that we do not own, as we think they are overvalued, performed strongly during the month and added to the divergence.

Financial markets continued to face heightened macro risks, and near-term stock price movements seem to be less reflective of company-specific developments. Such indiscriminate and sentiment-driven investor behaviour may continue to affect our near-term performance. Nevertheless, we believe that it is important to focus on our holdings' fundamental outlooks and exploit noise in the market as we look to gradually build exposure in our preferred holdings.

We believe that our fundamental-focused investment approach would help the fund stay on track to generate alpha over the long term. This investment approach has helped the APS Far East Alpha Fund achieve cumulative net returns of +427%, outperforming the index's return of +274%, since inception in March 1998 to end September 2018.

Baby Bunting (BBN) is Australia's largest specialty retailer of baby products with 45 stores. We purchased shares in the company earlier this year when the stock was at depressed levels - its top two competitors had just gone bankrupt and were in liquidation, negatively depressing BBN's sales volume and prices. In addition, Amazon had just launched in Australia, creating fear in the market. Our analysis of the industry environment led us to conclude that BBN would enjoy higher growth and margins after pressure from the liquidation of its competitors temporarily flooding the market with cut-price goods subsided, due to BBN's strong cost and retailing capabilities. In addition, Amazon was weak in hard baby goods like cots and prams due to high shipment costs and localization requirements. Importantly, we found BBN CEO Matt Spencer to be very thoughtful about baby product retail when we spoke with him, and further checks with competitors showed a high industry regard for BBN's operational capabilities and management.

Our investment thesis played out fairly quickly by mid-August when BBN announced strong SSSG of 10% for July to mid-August, with management guiding a positive margin recovery for the rest of the year. As the stock appreciated +70% above our purchase price and was no longer undervalued, we exited the position to re-invest in better opportunities.

Unless otherwise stated, all information is as of 30th September 2018 and sourced internally from APS

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TOP 5 HOLDINGS	SECTOR	% OF NAV
Venustech Group	Information Technology	5.6
Semiconductor Manufacturing	Information Technology	5.3
Samsung Electronics	Information Technology	4.9
Mm2 Asia	Con. Discretionary	4.8
Ping An Insurance	Financials	4.2

SECTOR ALLOCATION (%)

	FUND	INDEX	DIFFERENCE
Information Technology	34.9	18.1	16.8
Financials	13.1	23.5	-10.4
Materials	8.4	4.4	4.0
Consumer Discretionary	6.9	12.5	-5.6
Communication Services	6.8	13.8	-6.9
Industrials	6.6	7.2	-0.6
Real Estate	4.5	6.4	-1.9
Consumer Staples	1.4	4.2	-2.9
Health Care	0.6	2.9	-2.3
Energy	-	4.0	-4.0
Utilities	-	3.1	-3.1

MARKET CAP DISTRIBUTION (%)

	FUND	INDEX	DIFFERENCE
> 5 Bn	33.1	90.0	-57.0
2 Bn – 5 Bn	18.9	8.7	10.2
1 Bn – 2 Bn	19.8	1.3	18.5
< 1 Bn	11.3	0.0	11.3

Sources: APS, Bloomberg and Wilshire

Taiwan Semiconductor Manufacturing Company (TSMC) is a dedicated integrated circuit (IC) foundry company and was a contributor for the quarter. Despite market sentiments, the company guided for better-than-expected sales in the smartphone segment in July, and updated investors that its industry leading 7nm technology contributed to 2Q18 sales and will be a strong revenue contributor in 2H18. In August, its competitor GlobalFoundries announced it will discontinue investments into 7nm technology, cementing TSMC's leadership in 7nm.

West China Cement is a cement producer in Central and Western China that contributed to the fund's performance in Q318. The company reported strong 1H18 results, with EPS almost tripling. Whilst volumes dipped slightly due to mandatory industry-wide anti-pollution stoppages in winter, cement prices rose a strong +30% on tight supply. The strong operating leverage enjoyed by the company saw gross profit per-ton more than double.

Venustech Group's share underperformed the CSI 300 Index by about 9 percentage points in 3Q 2018 after the company clarified that its FY earnings growth guidance was only around 8%, instead of an expected 30% increase mentioned in an earlier announcement that included one-off elements. This revised figure was below market expectations. Its 1H earnings report also showed that after stripping out the accounting gain from the change in accounting methodology for equity investments, its recurring net loss was CNY68 mn, deteriorating from CNY24 mn a year ago. While orders from some other sectors grew an aggregate 35% YoY, new orders from the military did not improve in 1H. However, revenue from high entry barrier urban security operations surged to CNY50 mn, and could contribute CNY200 mn to the 2018 topline. We expect this service offering to make a meaningful contribution to the company's topline growth in coming years, as well as improve the company's overall cash flow profile.

Jupai Holdings was a detractor during the period as concerns from fears surrounding deleveraging and private investment risks were exacerbated by defaults of fraudulent online lenders in June and July. Skittish investors held off investing in private investment products across the board regardless of risk-return characteristics, negatively impacting short-term transaction volumes. Given Jupai is one of the larger distributors of private equity and fixed income products, its 3Q results will likely be negatively impacted. Longer-term, we see Jupai likely gaining market share as stronger regulations weed out competitors. It will likely also benefit as the growing pool of private capital in China that is restricted from accessing investment property and offshore investments seek higher-yielding investments, which Jupai can provide.

Semiconductor Manufacturing International Corporation (SMIC) was a detractor to performance amid investor concerns for the sector over persistent news flow from the Sino-US trade war. In the longer term, regardless of the outcome of the trade tussle, we believe the Chinese government will step up its efforts to assist local companies in becoming national champions. We believe SMIC, being the largest foundry in China, will be a key beneficiary. We acknowledge some of the near-term technology challenges but note that year-to-date, the company has been on track and achieving its R&D milestones. While we recognise that the ability for the company to ramp up its newer nodes is important, we believe that the market is missing the bigger picture. With a strong and credible management team, support from the government's China National IC Investment Fund (CICF or "Big Fund"), we believe SMIC will over time narrow the gap with its competitors, and become China's undisputed foundry leader.

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RECENT NEW POSITIONS

We established a position in **Global Unichip Corp (GUC)**, a Taiwanese provider of customised design services for Application Specific Integrated Circuits (ASIC). GUC also helps clients develop silicon intellectual properties, as well as providing licenses for existing IP. The strong management team, mostly ex-TSMC staff, has positioned the company well to tap on growth trends in high-performance computing and AI. This has led to strong revenue growth and improving return on equity, which we believe will persist.

KWG Property is a nationwide property developer in China, focused primarily in Tier 1 & 2 cities. The company had CNY38 bn of contract sales in 2017, and currently has saleable landbank resources of CNY500 bn. Due to current fears over deleveraging and property price controls, KWG shares have fallen -40% to reach what we judge to be very attractive levels at just 4.0x 2018E P/E.

KWG underwent a significant transformation in 2016-17, with founder Kong Jianmin acquiring landbank at attractive price levels, changing its previously slow-moving management and implementing a firm-wide project profit-share scheme. We believe on saleable resources of CNY500 bn, equivalent to over 40x its 2017 revenue of just CNY11.5 bn, KWG's profit has the potential to grow 40% CAGR over the next 4-5 years. KWG staff are also now fully incentivized and aligned to achieve profitability in addition to sales growth. Furthermore, the company will be completing a series of investment property projects built over the past 5 years – 12 offices, 7 malls, and 10 hotels - in prime Tier 1 & 2 locations that will provide recurring rental profit that is expected to be equivalent to up to half of 2017's profit by 2020.

Ace Hardware is an Indonesian home improvement and lifestyle retailer that has been operating since 1995. Our conviction on the company has been built over time, through constant interaction with the management, store visits in Jakarta, and observing the company through both economic and business cycles. Not only has the company fended off competition, they have also managed to navigate through significant rupiah depreciation, economic downturns, and the threat of e-commerce. As of end 2017, the company had only 144 stores in Indonesia, tiny in the context of the 260 mn population that it services. We are sanguine on the long-term growth potential of the company as their store penetration increases. Recently, the market presented a buying opportunity and we initiated a position in the stock. We are estimating a 15-20% annualised sustainable earnings growth potential for the company over the next 2-3 years.

RECENT EXITS

We exited our position in **Globalwafers**, the 3rd largest silicon wafer manufacturer globally with around 18% market share. The top 5 silicon wafer industry players together hold around 90% of global market share, where tight supply has led to higher average selling prices (ASPs) as well as correspondingly higher gross margins. The stock has done well year to date, and we believe the favourable market situation has been fully priced in.

We sold our small holdings in **New China Life Insurance** to reduce number of portfolio holdings, and reinvested into other existing holdings.

Please refer to the **Baby Bunting** commentary above.

Source: APS

	Class A (Closed)	Class B	Class C	Class D
NAV Prices as at 30th September 2018	USD 262.54	N.A.	N.A.	EUR 204.25
Bloomberg	APSGRJP ID	APSGRJB ID	APSFEAC ID	APSFEAD 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			

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