

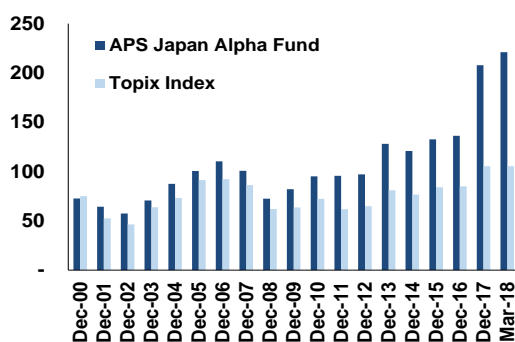
APS JAPAN ALPHA FUND (UCITS)

FUND DETAILS

Structure	Open ended	
Domicile	Dublin, Ireland	
Inception date	1 July 2000	
Base currency	USD	
Fund size	USD55 million	
Benchmark	TOPIX NTR	
Number of holdings	31	
Active share	96.9%	
3 Year Beta	0.86	
3 Year Alpha	11.6%	
3 Year Std Dev.	Fund	Index
	12.6%	12.2%
Portfolio manager	Hiromitsu Kawakita	

*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.

The Japanese government has already shifted the focus of its housing policy away from new construction towards existing homes, and plans to double the market size to JPY8 trillion by 2025. We believe that Star Mica's focus on relatively longer leases compared with its peers gives the company a competitive differentiation and a sustainable path for growth for the foreseeable future.

Justsystems Corporation is a software development company renowned for the Japanese word processor "Ichitaro". Since Keyence acquired a 40% stake in 2009, the company has had a remarkable turnaround and is profitable. The stock price rose by +19% in 1Q2018 on strong 3Q (October 2017 to December 2017) results. Sales and operating profit increased by +24% and +25% respectively on year, boosted by continued growth in its tablet product for children's education. We believe the company will be one of the top beneficiaries of Japanese educational reform from 2020 onwards, as tablets will start to see widespread use in public school classrooms.

Ferrotec Holdings is a manufacturer of materials and parts for semiconductor equipment and solar energy batteries. The company also started construction of a new 8-inch wafer fab in China in 2017. The stock price rose by +12% in 1Q2018 as the price of silicon wafer is expected to increase due to tight supply in the industry amid strong demand. For example, the company will likely benefit from huge investments in semiconductor capacity by the Chinese government. In addition, they plan to divest a part of their loss-making solar business, and focus on the more profitable business of supplying consumables for semiconductor equipment. We believe their long-term growth potential and the value of its market position are not fully discounted in the stock price.

STRATEGY DESCRIPTION

The APS Japan Alpha Fund (JAF) invests in companies that are listed on the Japan Stock Exchange. 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 AT 29 MARCH 2018

	Annualized Returns (%)							Since Incept.
	1M	1Q	YTD	1Y	3Y	5Y	10Y	
JAF Net Returns	-1.69	5.26	5.26	41.82	16.57	11.71	8.21	3.49
JAF Gross Returns	-1.50	6.33	6.33	47.37	18.92	13.23	9.66	4.57
Index	-2.56	0.11	0.11	18.99	7.87	7.93	2.86	0.30
Difference	1.06	6.22	6.22	28.38	11.05	5.29	6.80	4.27

Performance of the Fund is represented by the asset weighted performance of the Class A, Class B and Class E 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 TOPIX Index is used from inception to 31st December 2017, the TOPIX NTR Index is used from 1st January 2018 onwards. Data as at 29th March 2018.

COMMENTARY

The APS Japan Alpha Fund gained 6.33% gross in 1Q2018, outperforming the benchmark by 6.22 percentage points. The fund slipped -1.50% gross in March 2018, bettering the benchmark's -2.56% slide last month but snapping a 15-month streak of consecutive up months that started December 2016.

In 1Q2018, we continued to exploit "perception gaps" between APS' and the market's assessment of specific stocks. We initiated positions in stocks such as Takara Bio, where our research indicated that they were trading far below their intrinsic value. On the other hand, we liquidated the position that closed our target price and we will continue to sell off stocks with narrowing "perception gaps". Our analyses are presented in greater detail below.

Star Mica is a real estate company with a niche in selling renovated pre-owned metropolitan area condominiums priced from JPY20 mn to JPY30 mn. The stock was up +26% YTD 1Q2018 and was the quarter's biggest contributor, mainly because the company unveiled its new five-year business plan where it seeks to double sales and profits during the period. This is even more ambitious than our estimates. We believe that Japan's pre-owned condominium market has significant upside potential in the long-term, given the low penetration rate of 15% of the total residential market, compared to 60%-80% in other countries such as US and UK.

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SECTOR ALLOCATION (%)

	FUND	INDEX	DIFFERENCE
Information Technology	37.3	12.5	24.8
Industrials	21.9	22.5	-0.5
Health Care	17.1	7.1	10.0
Consumer Staples	5.1	9.0	-3.9
Real Estate	4.5	3.0	1.5
Telecommunication Services	4.2	4.6	-0.4
Materials	3.3	7.0	-3.8
Consumer Discretionary	2.9	19.7	-16.8
Others	1.5	0.0	1.5
Financials	0.0	11.8	-11.8
Energy	0.0	1.0	-1.0
Utilities	0.0	1.7	-1.7

MARKET CAP DISTRIBUTION (%)

	FUND	INDEX	DIFFERENCE
> 5 Bn	11.3	76.7	-65.4
2 Bn – 5 Bn	19.1	11.6	7.5
1 Bn – 2 Bn	26.3	5.4	21.0
< 1 Bn	39.8	6.3	33.4

TOP 5 HOLDINGS

	SECTOR	% OF NAV
JustSystems	Information Technology	4.9
Ai Holdings	Information Technology	4.6
Star Mica	Real Estate	4.5
Tsumura & Co	Health care	4.3
Noritsu Koki	Information Technology	4.3

Sources: APS, Bloomberg and Wilshire

Yokogawa Bridge Holdings is a leader in the construction of steel bridges in Japan, and has been involved in the construction of major infrastructure works for a century, mainly in Japan. From its origins in building steel bridges, it has extended its reach into many other aspects of infrastructure works, such as architecture, bridge retrofits, and environmental as well as civil works. The stock slipped in 1Q2018 amid news that four employees were prosecuted in relation to a bridge collapse a year ago. Yokogawa Bridge has been working on preventing a recurrence and we confirmed that their bridge orders have picked up in the recent quarters. We believe that many investors see Yokogawa as an infrastructural investment story, missing the structural growth potential of pre-fabricated construction methods being increasingly used amid a tight labor market.

Ulvac manufactures equipment for making FPD (flat panel displays) and semiconductors with core vacuum technology. The stock price fell by -17% as investors were concerned about a slowdown in the FPD market, although the semiconductor market is still strong. We believe FPD demand will stay flat for the next 3 years, albeit at a high level. As the profit contribution from the semiconductor business increases, more investors will start to focus on that.

Cyberdyne manufactures an innovative robotic medical device called HAL that assists a person with impaired mobility in moving around, and enables the individual to exert more motor energy than usual. The stock was down -23% and was the biggest detractor for the fund in 1Q, mainly because of weakness in the broader market. We met the company CFO in March and reaffirmed our thesis on the company's opportunities in the US, where HAL just got FDA approval. Cyberdyne is also running a HAL trial for chronic stroke patients in Japan and plans to submit an application early next year for local sales, which we believe will significantly accelerate the company's sales in the long-term.

RECENT NEW POSITIONS

Takara Bio is a biotechnology company and focuses on three business segments that utilize its core biotechnology: the Biotechnology Business providing research reagents, scientific instruments, and various contracted services which include the AgriBio Business, and the Gene Therapy Business which develops and commercializes gene therapies for cancer.

Since most providers of the innovative and very promising cancer treatment known as CAR-T (Chimeric Antigen Receptor T-cell) therapy needs Takara Bio's Retronectin in order to produce their products efficiently, we believe that there are significant sales expansion opportunities ahead. Our research indicated that Retronectin revenue as a percentage of total company sales could increase to nearly 50% in ten years, from the current low single-digit level. Takara also has its own drug development pipeline, which includes products such as HF10 for the treatment of melanoma, TBI-1501 for the treatment of blood cancer, and TB-1301 for the treatment of solid cancers. All three have an opportunity for global licensing.

Opton is a leading equipment maker of optical thin film coating and dominates the thin film coating machine market for infrared-cut filters and LED chips. The company is the sole supplier of thin film coating machines for the 3D sensor lens, and the glass casing on the back of the iPhone X. We believe the company will benefit from the handset industry adopting dual cameras in more smartphones, and also 3D sensors. Other Chinese smartphone makers will follow in Apple's footsteps and start to order Opton's coating machines, since there isn't another significant provider with lens coating machines for infrared-cut filters that is backed by highly competitive technology.

In addition, the company is well placed to ride the structural trend of Advanced Driver Assistance Systems (ADAS) and autonomous cars because camera lenses for automobile applications will grow significantly. Lens makers are likely to use Opton's equipment to coat thin films onto the lenses. We expect the company's operating profit will grow by 3 times in the next 5 years. Since the company just went public last month, we believe there is a pricing gap between its market value and its intrinsic value, prompting us to establish a position in the stock.

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RECENT EXITS

Open Door is a meta search company for online travel bookings. The company's "Travelko" website has built a leading position in the meta search market in Japan. The stock price has tripled since our investment in 2016 because investors started to recognize their profitable business model and strong position in the industry. We took profit as the stock price reached our target price, and we believe upside from the current price is limited.

Nippon Shinyaku is a biotech company with a focus on niche diseases, mainly in blood ailments. The stock price has doubled over the past two years and reached our target price, so we liquidated our position.

Toray Industries is a leading company in the basic materials industry in Japan, whose diversified portfolio includes fibers & textile, performance chemicals, carbon fiber composite materials, environment & engineering offerings, and life sciences. APS' perception gap against the broader market has narrowed, as their business in carbon fiber composite materials for aircraft applications has recovered, so we exited our position in the stock.

STRATEGY & CONTINUED RESEARCH

We expect some volatility in the Japanese market as the recent steep run-up is not only due to strong corporate performance, but also because of macro factors. However, Japanese macro factors have been stable, and we feel there is no reason for stock prices to continue to rise based on the macro economy. APS will remain focused on fundamentals and valuation, paying much less attention to macro events with no material link to fundamentals. We like this type of volatility as it presents opportunities for us to initiate or increase positions in companies that are mispriced but have significant upside potential over a longer horizon based on our bottom-up research. In addition, the Japanese market is in a significant stage of structural transformation, and we believe that we can find a good number of growth companies in the years to come.

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SUBSCRIPTION

	Class A	Class B	Class C	Class D	Class E (Closed)	Class H	Class I	Class J
NAV Prices as at 29 th March 2018	USD187.01	USD186.85	N.A.	N.A.	USD105.24	USD98.79	N.A.	N.A.
Bloomberg	APSGJPG ID	APSJ PAB ID	APSJ PAC ID	APSJ DJH ID	APSJ PEU ID	APSJ PHU ID	APSJ IEH ID	APSJ JJH ID
Initial investment	\$100,000	\$1,000	€1,000	¥100,000	\$100,000	\$100,000	€100,000	¥10,000,000
Management fee	0.75%	1.5%	1.5%	1.5%	0%	0%	0%	0%
Performance fee	15%	0%	0%	0%	15%	20%	20%	20%
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							
Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd							

Registration No: 1980-00835-G

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