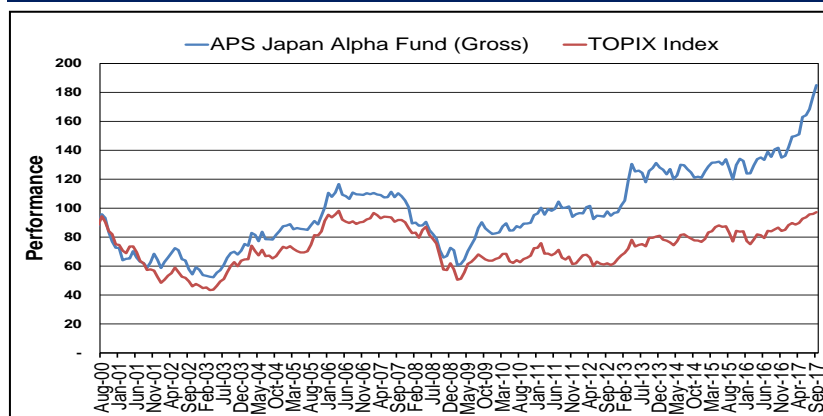


APS Asset Management is a Singapore headquartered fund manager with research offices in China and Japan as well as a client servicing office in New York. The firm was founded in 1995 by its CIO, Wong Kok Hoi. The Fund seeks capital appreciation over a medium to long term market cycle by investing in stocks of companies listed on the Japan Stock Exchange.

PERFORMANCE OVERVIEW



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

The net returns are net of all fees and charges.

Benchmark: TOPIX Index

*Annualized returns are the average annual compounded returns.

Inception Date: July 1, 2000.

Period	Fund (%)		Benchmark	Excess (%)	
	Gross	Net	(%)	Gross	Net
September 2017	4.36	3.84	1.24	3.12	2.60
3Q 2017	12.67	11.15	3.71	8.96	7.44
YTD 2017	35.83	32.03	14.27	21.56	17.76
Annualized Returns*					
1-Year	31.53	28.01	13.90	17.63	14.11
3-Year	14.05	12.33	7.16	6.89	5.17
5-Year	13.60	12.23	9.44	4.16	2.80
7-Year	10.96	9.54	5.95	5.01	3.59
10-Year	5.31	4.06	0.57	4.74	3.49
Since Inception	3.63	2.64	-0.16	3.79	2.81

PORTFOLIO ANALYSIS (AS % OF AUM)

TOP FIVE LARGEST HOLDINGS

Eiken Chemical	6.0
Tsumura & Co	4.9
SMC Corporation	4.9
Digital Arts	4.9
Ai Holdings Corporation	4.8

MARKET CAPITALIZATION

>USD 10 bil	18.5
USD 5 bil – USD 10 bil	5.8
USD 2 bil – USD 5 bil	17.7
USD 500 mn – USD 2 bil	35.6
<USD 500 mn	21.0
Cash	1.4

SECTOR WEIGHTINGS

Information Technology	33.6
Industrials	24.9
Health Care	18.3
Consumer Discretionary	12.2
Consumer Staples	4.6
Real Estate	3.4
Materials	1.5
Cash	1.4

Source: APS, Bloomberg and Wilshire.

INVESTMENT PERFORMANCE & NOTABLE DEVELOPMENTS

The APS Japan Alpha Fund gained 4.36% in the third quarter, outperforming the benchmark by 3.12 percentage points. YTD, the fund rose 35.83%, outperforming the benchmark by 21.56 percentage points.

In the third quarter, we continued to exploit “perception gaps” between APS’ and the market’s assessment of specific stocks. We initiated positions in stocks such as Ferrotech, where our research indicated that they were trading far below their intrinsic value. We liquidated positions that closed the gap with our target price and we will continue to sell off stocks with narrowing “perception gaps”. Our analyses are presented in greater detail below.

Eiken Chemical manufactures and sells various types of clinical diagnostics and medical equipment. It is the leader in the domestic fecal immunochemical testing and biochemical urinalysis testing markets. The stock was the biggest contributor to the fund’s performance in the quarter as the company reported solid quarterly results. Sales growth in the overseas business, which has been the company’s focus, hit 66% for the quarter compared with a year ago. Also, the company for the first time highlighted its long-term overseas opportunities at an investors’ conference in September that we believe attracted new investors to the stock. Two months before this conference, we had discussed with the company the benefits of communicating a long-term story rather than a quarterly outlook with investors.

Open Door was the second largest contributor in the third quarter. The company’s main website “Travelco” has built a leading position in meta search for online travel booking in Japan. The stock price rose by 33% in the quarter because sales increased stronger than expected. Our investment thesis is “Meta search for travel booking is still at an early stage in Japan, and users of Travelco will continue to grow significantly”. The stock has gained well over 20% since we initiated the position last year, but we expect much more upside.

Justsystems was one of the top contributors in the third quarter. Founded in 1979, the software developer was one of the first companies to create compatibility between QWERTY keyboards and the Japanese kanji script. It also produced the Japanese word processor Ichitaro, which was a market leader until Microsoft Word took the lead. The stock price advanced 43% in the last quarter, driven by strong 1Q results where sales grew 30% from a year ago. Since factory automation equipment maker Keyence Corp acquired a 40% stake in JustSystems in 2009, profitability has been improving due to the adoption of Keyence corporate culture. After we met with CEO of JustSystems, Kyoutaro Sekinada, who came from Keyence and has driven the turnaround, we decided to invest based on our conviction that the company will continue to improve its operating margin and grow. In the long term, a revised policy for public schools will likely mandate every student to have a tablet. JustSystems currently has 80% of the educational software market across Japan’s 20,000 public schools. The company already has a foot in the door, and is well placed to be a significant beneficiary of this policy change slated for implementation in 2020.

NuFlare Technology is a small cap, highly advanced semiconductor equipment maker. It had over 90% share of the global market in electron beam (EB) mask writers, which are used to draw circuit patterns onto photo masks. As it was founded by engineers from Toshiba, Toshiba Group (Toshiba and Toshiba Machine) still owns 65% of the shares. In the last quarter, the stock price fell 9% because sell-side analysts continued to be pessimistic about this stock. However, this is not new and we believe this is largely factored into the price, given the significant decline since 2013. We are positive on their strength in their core technology, increasing demand for semiconductor investment, and a strong balance sheet that features a JPY41 bn net cash position which accounts for 60% of current market cap. We believe its intrinsic value is much higher than the current market value. In addition, the company could be an M&A target from large semiconductor equipment manufacturers.

Ai Holdings was the other detractor in the third quarter. The stock price fell 7% during the quarter as the company released weaker than expected 4Q results. This was mainly because of a temporary cost increase in its card issuing machine business, which serves financial institutions. After the release of the 4Q results, we met with the company and reconfirmed their guidance for both the long-term growth potential and short-term visibility of profit growth for the new fiscal year ending June 2018. We expect its margin will improve considerably from 2018/2019, as renewal demand for security camera systems is expected to kick in.

Tsumura & Co, a maker of Japanese traditional herbal medicine with Chinese origins, known as kampo, was the third biggest detractor for the quarter. The company reported +1.3% topline growth for 1Q 2017, which was weaker than expected partly due to colder-than-usual weather. Also, the company produced stellar numbers in the corresponding period a year ago as the bi-annual government price cuts in March 2016 had driven a spike in demand. On a more positive note, the kampo market was still growing, expanding +0.4% in 1Q while the broader Japanese pharmaceutical market shrank -3.2%. The gross margin improvement of +0.3% on year was also weaker than expected due to weaker topline growth, but Tsumura is maintaining its target of +0.6% improvement this year. We believe its gross margin target is achievable, as declining raw material prices in the past years will start to make a positive impact on the company's income statement later this year.

Strategy & Continued Research

We expect some volatility in the Japanese market, driven by geopolitical risk. APS will remain focused on fundamentals and valuations, instead of 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 at a significant stage in its structural transformation, and we believe that we can find quite a few growth companies at attractive prices.

Source: APS

PORTFOLIO ACTIVITY

Recent Buys

Ferrotec Holdings founded in 1980, is a manufacturer of materials and parts for semiconductor equipment and solar energy batteries. Based on the core technology of magnetic fluids and some M&A, the company has grown products like vacuum seals, quartz, fine ceramics, CVD-SiC, solar silicon, silicon wafer, and thermoelectric modules. They have 60% of world market share in vacuum seals, and 36% for thermoelectric modules. Our investment thesis is that the company is at an important inflection point of long term growth. They plan to divest a part of their loss-making solar business next year, and focus on the more profitable business of supplying consumables for semiconductor equipment. The company's consumable products are mainly used for etching machines, and demand will increase significantly as 3D NAND flash memory becomes more popular. In addition, while other Japanese competitors are cautious about additional investment, Ferrotec managed to obtain a subsidy from the Chinese government and is aggressively investing in a new 8 inch wafer fab in China, which analysts from APS Tokyo and Shanghai visited in 3Q 2107. We believe this long-term growth and the value of its market position are not fully discounted in the stock price, which can possibly double in the medium term.

Noritsu Koki manufactures and sells marking pen points globally, with more than 50% market share worldwide and a healthy operating margin of 25%. It has taken advantage of the strong cash flow from this business to actively transform itself into a healthcare company through a number of acquisitions. These include businesses in preventive medicine, telemedicine support, prenatal genetic testing and so on. We expect the healthcare businesses to comprise nearly 40% of operating profit in five years, from 15% in FY2016. We also expect further divestments of underperforming businesses, since the company recently divested the loss-making legacy film business that was its main product when it was founded.

Cocokara fine operates more than 1,300 drugstores and pharmacies, one of the largest companies in the sector in Japan. The drugstore industry in Japan is expected to grow in the mid to high single digit range for the foreseeable future thanks mainly to the ageing population where consumers buy healthcare and elderly care products more frequently. Many of its peers are also listed companies, and we believe investors do not follow Cocokara fine closely after a series of guidance downgrades, and due to its relatively large exposure to the prescription drug business that is facing government-led pricing pressure. However, the company has finally completed a long drawn multi-year integration of acquisitions and is ready to begin expansion, which we believe should contribute not only to top-line

growth but also to gross margin expansion. Also the company's prescription drug business isn't a prime target of the government's, which is focusing on high-volume pharmacies near major hospitals. Cocokara fine focuses on pharmacies in smaller towns, featuring more pharmacists per store than its peers. The stock was trading at 17x FY 2017 P/E when we initiated the position, lower than the top-10 peers' average of 21x. This number would be in the low teens if we exclude costs from the restructuring program.

Recent Sells

We liquidated the **DVX** position as Dutch healthcare company Philips recently announced that it will buy US-based Spectranetics, which currently appoints DVX to sell its Excimer laser in Japan. Under our investment thesis, the Excimer laser would have been an important growth driver and DVX will likely lose the distribution contract for the product. Philips has a large existing business in Japan and has no need for a distributor for the product. If they lose that contract, we estimate the five-year operating profit CAGR will be halved.

We have invested in **Lasertech** for about 3 years, and the company secured large orders for both semiconductor and Flat Panel Display inspection systems. Orders grew 2.2 times over the past 3 years, if we include orders forecast for 2017. As a result, the share price has more than tripled over the past year. It is trading at 23x 2018 P/E, and 3.8x P/B, which our research indicates is almost fair value with limited upside. We decided to liquidate this position.

RETURN AND RISK ANALYSIS

RETURNS	AVE MTHLY	ANNUALIZED
Since Inception	0.30%	3.63%
Last 60 mths	1.07%	13.60%
Last 36 mths	1.10%	14.05%
Last 12 mths	2.31%	31.53%

RISK	AVE MTHLY	ANNUALIZED
Since Inception	4.80%	16.63%
Last 60 mths	3.93%	13.62%
Last 36 mths	3.52%	12.18%
Last 12 mths	3.30%	11.42%

RELATIVE RATIOS	INDEX
Information Ratio	0.40
Up Capture	103%
Down Capture	98%

PORTFOLIO ANALYTICS	FUND	INDEX
Total Return	85.01%	-2.78%
Annualized Return	3.63%	-0.16%
Annualized Volatility	16.63%	16.07%
Annualized Sharpe Ratio*	0.30	0.07
Annualized Sortino Ratio*	0.32	-0.01
Annualized Alpha	4.06%	-
Beta	85.7%	-
Correlation	83%	-
Positive Months	114	112
Negative Months	93	95
Maximum Drawdown	-48.08%	-56.58%
Best Month	12.87%	14.41%
Worst Month	-14.67%	-13.92%

Index: Topix Index

Inception date: July 2000

Note: Fund performance is expressed in USD and is gross of management and performance fees.

All risk statistics are calculated from Inception to September 2017 unless otherwise specified.

*Assuming Bank of Japan Result Unsecured Overnight Call Rate as the risk-free rate (with a floor of 0.00%)

FUND INFORMATION

Investment Manager

Company APS Asset Management Pte Ltd
Lead Portfolio Manager Hiromitsu Kawakita

Fund Details

Domicile Dublin, Ireland
Structure Open ended UCITS Unit Trust

Inception Date July 1, 2000
Fund AUM USD 38.40 mn
Fund Base Currency USD

NAV Price as at September 30th, 2017

Class A: USD 159.40

Class B: USD 157.51

* There were no units in Class C as at September 30th, 2017.

	Class A	Class B	Class C
Liquidity	Daily	Daily	Daily
Minimum Initial Subscription	USD100,000	USD1,000	€1,000
Management Fee	0.75%	1.5%	1.5%
Performance Fee	15%	0%	0%

Bloomberg Code

Class A: APSGJPG ID

Class B: APSJPAB ID

Dealing Deadline 5pm Daily (Irish Time), 1 Business Day Preceding Dealing day

Subscription Fee Up to 5%

Redemption Fee Up to 3%

Client Services Contact Information

New York (1) 646 693 8530

Singapore (65) 6333-8600

E-mail cs@aps.com.sg

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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