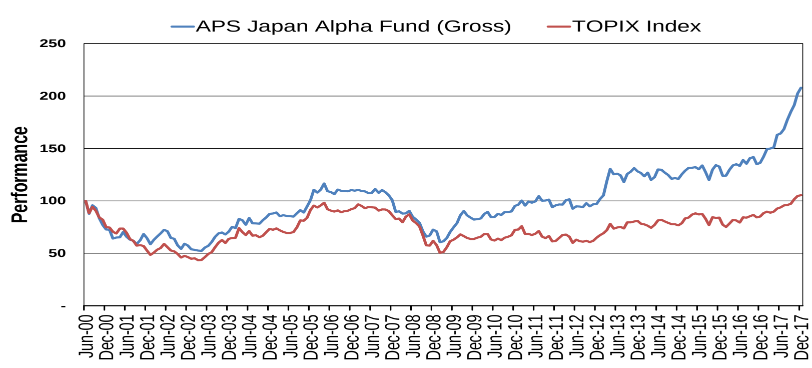
APS Japan Alpha Fund

4Q 2017

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.

	Fund (%) ^		Benchmark	Excess (%)	
Period	Gross	Net	(%)	Gross	Net
December 2017	2.69	2.36	0.75	1.94	1.61
4Q 2017	12.35	11.47	8.45	3.91	3.03
2017	52.61	47.18	23.92	28.69	23.26
Annualized Returns*					
1-Year	52.61	47.18	23.92	28.69	23.26
3-Year	19.78	17.74	11.18	8.60	6.56
5-Year	16.42	14.88	10.16	6.26	4.72
7-Year	11.80	10.17	5.51	6.29	4.66
10-Year	7.50	6.17	2.02	5.48	4.14
Since Inception	4.27	3.24	0.30	3.97	2.94

Portfolio Analysis (as % of AUM)

Top Five Largest Holdings

Ai Holdings	4.9
Eiken Chemical	4.9
JustSystems Corporation	4.7
Sanken Electric	4.6
OpenDoor	4.5

Market Capitalization

>USD 10 bil	10.2
USD 5 bil – USD 10 bil	1.8
USD 2 bil – USD 5 bil	17.0
USD 500 mn – USD 2 bil	55.4
<USD 500 mn	12.4
Cash	3.1

Sector Weightings

Information Technology	39.2
Industrials	20.7
Health Care	15.0
Consumer Discretionary	8.3
Consumer Staples	5.6
Materials	3.3
Real Estate	3.0
Telecommunication Services	1.9
Cash	3.1

Source: APS, Bloomberg and Wilshire.
^Single pricing basis where the performance data takes into account subscription fee and relisation fee

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

INVESTMENT PERFORMANCE & NOTABLE DEVELOPMENTS

The APS Japan Alpha Fund gained 12.35% gross in 4Q, outperforming the benchmark by 3.91 percentage points. The fund rose 52.61% this year, outperforming the benchmark by 28.69 percentage points. There hasn't been a single down month for the fund this year, the first time this has happened in the last 17 years.

In 4Q, we continued to exploit "perception gaps" between APS' and the market's assessment of specific stocks. We accumulated positions in stocks such as Sanken Electric, where our bottom-up research found that the stocks were trading far below their intrinsic value. On the other hand, we liquidated the positions 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.

OpenDoor, a meta search company for online travel bookings, was the top contributor in November. The company's "Travelko" website has built a leading position in the meta search market in Japan. The stock price rose 68% in 4Q, and 151% in 2017. We initiated this position in June 2016, when the stock was still thinly covered by sell side analysts. Our research indicated a significant "perception gap" in Japan for this business. In the second half of this year, more investors started to recognize the high growth potential of meta search in Japan, OpenDoor's strong position in the industry, and the company's business structure that allows for high marginal profits.

Nortisu Koki is transforming into a healthcare company through acquisitions funded by strong cash flows from its legacy business manufacturing marking pen points. The stock was the second biggest contributor to the fund in 4Q. This was partly because it attracted more new investors after its affiliate PKSHA Technology was publicly listed in September 2017, becoming the first publicly traded company in the AI industry in Japan. The collaboration with this AI venture is also a part of Noritsu Koki's transformation strategy. Another affiliate Gene Techno Science, Japan's leading biosimilar company, announced the faster than expected initiation of phase 3 trials for its drug development candidate. We expect the healthcare businesses to comprise nearly 40% of operating profit in five years, from 15% in FY2016.

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 contributed to the fund's performance in 4Q after the company reported solid quarterly results, underpinned by its overseas business that grew 66% year-on-year as the company focused on that segment. The company highlighted its long-term overseas opportunities at an investors' conference for the first time in September 2017, and we believe that attracted more investors to the stock. Two months before this conference, we had discussed with the company the benefits of communicating to investors a long-term story rather than just a quarterly outlook.

Digital Arts is a cyber-security software company. The stock was down -7% in 4Q, likely because of profit taking by short-term investors. The company continues to grow steadily, with operating profit growing 17% in 1H2017, surpassing original company guidance by 12%. They have newly entered into cyber security market of protecting from external attack, in addition to internal information leakage.

JustSystems is a software development company renowned for the Japanese word processer "Ichitaro". In 2009 Keyence, a leading Japanese factory automation company, acquired a 40% stake of JustSystems and changed the management team as well as the sales and development strategies. Since then, JustSystems has had a remarkable turnaround and is profitable.

The stock price declined by 10% in 4Q because 1st half results was less than market expectations, which had been getting higher for the last couple of months. We have deeply analyzed this company's business model, and understand its strengths, although no sell-side analyst covers it. The company will benefit from revised government policy for public schools taking effect in 2020. After the 1st half results, we met the CEO and reconfirmed that its long term growth story is intact. We increased our position, capturing this opportunity to purchase more shares at an attractive price.

Tsumura, a maker of Japanese traditional herbal medicine with Chinese origins, known as kampo, was the third biggest detractor in 4Q as one sell-side house downgraded the stock. This was due to weaker-than-expected gross margin recovery, as well as uncertainty around its deal with PingAn, one of the largest insurers in China. Our conversations with Chinese pharmaceutical companies as well as PingAn during our visit to China in November boosted our confidence that the deal with PingAn should provide Tsumura with large, significant sales expansion opportunities in China. In addition, the company's long-term contracts with farmers would moderate the growth in raw material costs over time. We do not believe the current share price accurately reflects these opportunities.

Strategy & Continued Research

We expect some volatility in the Japanese market as the recent steep rise is not only due to strong corporate performance, but also because of macro factors. Japan's macro economy is in a clear recovery trend, and the current situation is even better than we expected. Deflation is likely to be ending and wages will very likely increase, with many corporates planning for strong capital expenditures. APS will remain focused on fundamentals and valuation, paying much less attention to macro events with no material links 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.

Source: APS

PORTFOLIO ACTIVITY

Recent New Positions

Sanken Electric, founded in 1946, is a mid-cap semiconductor manufacturing company. They have several businesses including semiconductor devices, power systems, and power modules. Sanken has a high market share in power semiconductors, especially for air-conditioners. U.S. subsidiary Allegro Micro Systems is the world's largest manufacturer of automotive magnetic sensor, which is a growing segment.

While Sanken is currently a loss making company, it has been changing its business strategy. It decided to withdraw from loss-making power semiconductor businesses like the TV, audio, and printer segments so that they focus on more profitable business like the automotive sector, and air-conditioners. Demand for power semiconductors for air-conditioners is getting stronger because of expanding sales of inverter controlled energy-saving air-conditioners in China. We are of the view that the current stock price only accounts for the value of its US subsidiary Allegro Micro Systems. The significant change in its core domestic business is not discounted yet. In addition, the subsidiary plans to go public in a few years under the guidance of a proven US private equity firm, which bought a 33% stake from Sanken in July 2017. We bought the stock because the downside risk is quite limited in our bear case, with upside of at least 50% in our base case.

Tokyu Construction is mainly engaged in the construction of buildings, as well as civil engineering. Japan is currently facing a time of great change in its urban landscape. It will see a significant rise in various projects to redevelop old buildings and renew aging infrastructure. This is especially true in central Tokyo, with redevelopment projects in progress in many areas such as Shibuya, Shinagawa, Tokyo station, and more. We believe that Tokyu Construction is well positioned to benefit from this broad long-term trend because of their strong track record in the Shibuya area. One key investor concern is that buoyant construction demand will fade after the 2020 Tokyo Olympics. Our view is that these concerns are overdone as construction demand from the various redevelopment projects is long-term and stable. Despite very conservative assumptions, there is still more than 50% upside potential based on our valuation work, so we believe there is a perception gap. Therefore we decided to buy the stock.

NOF Corporation was established in 1937, founded on businesses using oils and fats. However it now appears NOF is focused on shifting to a business structure centered on the functional chemicals segment, which includes corrosion inhibitors and raw materials for cosmetics. Another shift is towards the life sciences segment, which includes the drug delivery systems (DDS) business. As the company restructures its portfolio to focus more on such high value added businesses, we believe this will contribute to a rise in valuations. As only two sell-side analysts cover this stock, many investors seem to underestimate the impact of the structural shift of its business portfolio to high margin businesses while it restructures its low margin commodity type businesses. DDS demand for antibody treatments and nucleic acid drugs will continue to grow at least 8% annually in the next few years and will contribute to overall margin expansion because of its high operating margin within the 60%-70% range. At current valuations, we think the market has only priced in cyclical margin improvements from lower prices for raw materials such as palm oil and naphtha. However, we believe double-digit operating margins would be the new normal for NOF on structural margin expansion, and this has yet to be priced in.

Recent Exits

SMC Corporation is the world's largest pneumatic component manufacturer for factory automation with a 34% market share globally, followed by Festo, Parker Hannifin, CKD, and Airtac. The stock price rose by 66% in 2017 because of strong demand for factory automation, especially in China. We took profit on this position as the stock price almost reached our target price.

Ryohin Keikaku is mainly engaged in the planning, development, procurement, logistics and processing of goods under the brand name MUJI, as well as operating retail stores globally. The share price has already reached our target price and further upside was not justified, even with a stronger margin recovery in East Asia and stronger same-store sales growth in Japan. While many investors are still optimistic that there will be even stronger sales growth in Japan after the company lowered prices, we do not believe that this strategy would expand its customer base, given the characteristics of MUJI customers over the past 20 years.

We exited our position in **Kubota** in 4Q as it almost reached our target price. The company is the largest agricultural machine company in Japan, and they plan to expand in the US market. Our research shows that competition in the US is getting fierce, and it will weigh on Kubota's profitability.

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

RETURN AND RISK ANALYSIS

RETURNS	AVE MTHLY	ANNUALIZED
Since Inception	0.35%	4.27%
Last 60 mths	1.28%	16.42%
Last 36 mths	1.52%	19.78%
Last 12 mths	3.59%	52.61%

RISK	AVE MTHLY	ANNUALIZED
Since Inception	4.79%	16.59%
Last 60 mths	3.95%	13.68%
Last 36 mths	3.53%	12.22%
Last 12 mths	2.30%	7.96%

RELATIVE RATIOS	INDEX
Information Ratio	0.42
Up Capture	106%
Down Capture	98%

PORTFOLIO ANALYTICS	FUND	INDEX
Total Return	107.86%	5.43%
Annualized Return	4.27%	0.30%
Annualized Volatility	16.59%	16.00%
Annualized Sharpe Ratio*	0.34	0.10
Annualized Sortino Ratio*	0.37	0.03
Annualized Alpha	4.29%	-
Beta	85.9%	-
Correlation	83%	-
Positive Months	117	115
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 December 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

Inception Date: July 1, 2000
Fund AUM: USD 44.95 mn
Fund Base Currency: USD

NAV Price as at December 31st, 2017
Class A: USD 177.68
Class B: USD 176.34

** There were no units in Class C as at December 31st, 2017.*

Bloomberg Code
Class A: APSGJPG ID
Class B: APSJPAB ID

Client Services Contact Information
New York: (1) 646 693 8530
Singapore: (65) 6333-8600
E-mail: cs@aps.com.sg

Fund Details
Domicile: Dublin, Ireland
Structure: Open ended UCITS Unit Trust

	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%

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

Subscription Fee: Up to 5%
Redemption Fee: Up to 3%

Benchmark: TOPIX Index
Legal Adviser: A&L Goodbody
Auditor: Deloitte & Touche
Manager: Northern Trust Fund Services (Ireland) Ltd
Administrator: Northern Trust International Fund Administration Services (Ireland) Ltd

Composite reports which have been prepared in compliance with the Global Investment Performance Standards (GIPS) are available upon request.

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. 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.