

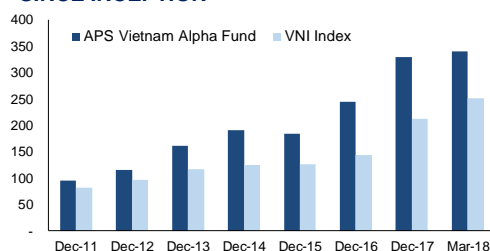
APS VIETNAM ALPHA FUND (UCITS)

FUND DETAILS

Structure	Open ended	
Domicile	Dublin, Ireland	
Inception date	1 September 2011	
Base currency	USD	
Fund size	USD45 million	
Benchmark	8% Hurdle Rate	
Number of holdings	38	
Active share	80.9%	
3 Year Beta	58.9%	
3 Year Alpha	6.2%	
3 Year Std Dev.	Fund 12.5%	VNIndex 16.0%
Portfolio manager	Dao Phuc Tuong	

*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
Vietnam	81.8
Indonesia	2.2
Malaysia	1.1
Singapore	0.7
China	0.4
Cash	13.9

STRATEGY DESCRIPTION

The APS Vietnam Alpha Fund (VAF) invests in companies that are listed on the Vietnam Stock Exchange. It will also invest in financial derivative instruments and convertible bonds which give exposure to such shares and hold up to 10% of its aggregate net assets in unlisted securities based in Vietnam. 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 our investors over a market cycle.

PERFORMANCE AS 29 MARCH 2018

	Annualized Returns (%)						
	1M	QTD	YTD	1Y	3Y	5Y	Since Incept.
VAF Net Returns	0.99	2.79	2.79	23.08	18.17	16.22	16.82
VAF Gross Returns	1.16	3.26	3.26	27.62	21.62	19.66	20.45
8% Hurdle Rate	0.64	1.94	1.94	8.00	8.00	8.00	8.00
Difference	0.52	1.32	1.32	19.62	13.62	11.66	12.45

Performance of the Fund is represented by the asset weighted performance of the Class A, Class B and Class D 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.

COMMENTARY

The APS Vietnam Alpha Fund (the "Fund") gained +3.26% (gross) in 1Q2018. The Vietnam Ho Chi Minh Stock Index gained +18.0% in the same period, driven mainly by banking stocks which were expected to announce robust profit growth in FY2018 on continuing strong credit growth and lower non-performing loan provisions. The rallies in large capitalization stocks, including Vin Group (VIC VN), Masan (MSN VN), Vietjet Air (VJC VN), and Petro Vietnam Gas (GAS VN), also contributed significantly to the index performance.

The index rally was driven largely by strong inflows from foreign passive portfolios and amplified by speculative domestic demand. Consequently, the valuation of most large capitalization stocks got even richer. However, the net foreign inflows decelerated from the second half of February and flipped into a net sale of USD34.5 million in March, putting pressure on the index. The Fund underperformed the VNIndex mainly because we were underweight the banks and avoided stocks that we felt were richly valued. Our cash holdings also increased as we took profit from some positions.

The major contributors in the portfolio were Military Bank (+39.5%), Ha Do Group (+44.4%) and Phu Nhuan Jewellery (+50.4%). Meanwhile, Power Construction Company No 1, Binh Minh Plastics, and Cotecccons were the major detractors, with declines of -14.8%, -19.6% and -30.3% respectively.

Military Bank, a medium-sized commercial bank with total assets of USD13.8 bn at the end of 2017, reported robust profit growth of +21.0% in FY2017. Its net interest income grew strongly at +40.6% on the back of +22% loan growth and net interest margin expansion of 58 bps as the bank focused on growing its consumer loans. Non-interest income also rose strongly at +41.1% on higher contribution from bancassurance services. The bank also made a full provision for its legacy VAMC bonds in 4Q2017, which was two quarters earlier than expected. The bank is targeting pre-tax profit growth of +21% in FY2018, driven by credit and deposit growth of +15% and +11% respectively. The acquisition risk in relation to PG Bank has recently been eliminated as the latter will be merged with Ho Chi Minh City Development Bank (HDB VN).

Our view is that Military Bank is a high-quality commercial bank with a solid balance sheet to fund future growth. Its profit quality will likely improve further, in tandem with higher contribution from non-interest income. The stock is currently trading at 1.84x FY2018E P/B and ROE of 19.6%, while domestic peers are in the range of 1.7x-3.8x P/B. The bank's foreign ownership limit has already been reached.

Ha Do Group is a medium-sized residential property developer with a 50.6 ha land bank in good Hanoi and Ho Chi Minh City locations. The share price rallied +16.0% in February as the company reported robust profit growth of +43.3% in 4Q2017 on profit recognition from their signature Ha Do Centrosa Garden project. We expect the stock to rerate further as the company continues to recognize profits from Ha Do Centrosa Garden, and will likely increase their cash dividend in FY2018-19.

Unless otherwise stated, all information is as of 29th March 2018 and sourced internally from APS

APS VIETNAM ALPHA FUND (UCITS)



SECTOR ALLOCATION (%)

	FUND	INDEX	DIFFERENCE
Industrials	25.9	9.7	16.2
Real Estate	19.8	16.6	3.1
Consumer Staples	13.2	21.6	-8.3
Financials	7.9	28.9	-21.0
Consumer Discretionary	6.8	2.8	4.0
Materials	6.5	5.2	1.3
Energy	2.5	3.9	-1.4
Information Technology	1.8	1.1	0.7
Utilities	1.3	9.0	-7.7
Health Care	0.4	1.1	-0.7

Index: VNIndex

Sources: APS, Bloomberg and Wilshire

Phu Nhuan Jewelry (“PNJ”) is a leading local jewelry manufacturer, with a network of 269 distribution stores in 49 cities across Vietnam at the end of 2017. Its store network is 30% larger than that of its 3 largest competitors put together. In 2016, PNJ accounted for 26.5% of Vietnam’s retail jewelry market. With well-established technical capabilities, strong brand equity, and a solid distribution platform, PNJ is a clear beneficiary of consumption upgrading among the growing segment of affluent Vietnamese. After 3 years, the company recently completed restructuring that focused on strategic development, store design, and site selection process. As a result, same store sales growth shot up to +21% in FY2017 from a mere +6% in FY2016. The company also reported robust revenue and operating profit growth of +28.2% and +31.1% in FY2017 respectively.

PNJ plans to expand its network of retail stores further with 40 new stores in 2018. We expect the company’s profit CAGR to hit 25%-30% in 2018-2020, driven by store expansions, continuing strong same store sales growth, and higher production yields. The share price has recently corrected after 9 straight quarters of strong performance. The stock is currently trading at an undemanding 21x FY2018E P/E. The company’s foreign ownership limit is full.

Power Construction Company No 1 (“PC1”) is a leading builder of power transmission lines and substations in Vietnam, with 50 years of experience and 40% market share. The company also captures around 40% of the domestic electrical steel tower production sector. PC1 will also own and operate six hydroelectric power projects with total capacity of 162 MW by 1Q2019. In 2013-2016, the company’s revenue and net profit grew at CAGR of +14.1% and +28.8% to USD132.5 mn and USD13.4 mn respectively in 2016. The revenue from the construction of transmission lines, manufacture of electrical towers, and real estate development accounted for 54%, 12% and 8% of total revenue in FY2017 respectively. In 2017, the construction and manufacturing gross profit declined -11.5% and -60.4% respectively. This was due to a slowdown in capital expenditures by their main client, Vietnam Electricity Corporation (EVN). We expect the company will resume posting double-digit profit growth during the 2018-2020 period as fixed asset investments by EVN accelerates and profits from hydro power plants kick in. In addition, in an effort to reduce their revenue risk from state-owned EVN, the company has actively secured contracts totaling VND1 trillion in 1Q2018 with non-state-owned customers. Recently, investors in wind and solar power projects have accelerated their investments so as to qualify for preferential electricity tariffs by June 2019. We expect construction demand from these investors to add to the company’s already healthy order backlog. The stock is currently trading at a compelling 8.1x FY2018E P/E with an ROIC of 20%.

Binh Minh Plastics manufactures and distributes plastic pipes which are used mainly in residential property projects and agricultural irrigation systems. It has 40 years of industry experience, a strong brand, and a solid distribution network of 1,500 stores across Vietnam. The share price underperformed as investors were concerned about profit transfers between the company and its PVC resin supplier after Nawaplastic Industries acquired a 29.49% stake from State Capital Investment Corporation and became a majority shareholder with a 49.89% equity stake. However, we think that the concern was overdone as Nawaplastic Industries’ parent company Siem Cement Group is a large investor which is keen to protect its credibility with the Vietnamese government. Furthermore, we expect competition in the plastic pipe sector to moderate after intensifying over the last two years, with major new competitor Hoa Sen Group grappling with the burden of its low-margin strategy and a highly-gearred balance sheet. Binh Minh is currently trading at a compelling 9.1x FY2018E P/E, ROE of 20%, and a 7.5% dividend yield. The company also has a strong balance sheet, which is net cash that is equivalent to 19% of its market capitalization.

Coteccons is a reputable construction company, a major beneficiary of robust residential property growth in Vietnam. The company runs a strong balance sheet with no debt and has cash equivalent to 54.7% of its market capitalization. The share price underperformed as investors were worried about profit margin erosion as competition intensified. In addition, the conflict between the founding shareholder Mr. Nguyen Ba Duong and Kustoshem, which is a financial investor holding a 17.8% stake, may result in corporate governance problems. The stock’s valuation is undemanding at a cash-adjusted 3.52x FY2018E P/E. We are monitoring the company’s corporate governance situation and will revisit our investment thesis accordingly when there are relevant developments.

MARKET CAP DISTRIBUTION (%)

	FUND	INDEX	DIFFERENCE
> 5 Bn	16.0	52.3	-36.3
2 Bn – 5 Bn	11.1	22.9	-11.8
1 Bn – 2 Bn	2.2	5.4	-3.2
< 1 Bn	56.8	19.4	37.4

TOP 5 HOLDINGS

	SECTOR	% OF NAV
Van Phu Invest	Financials	9.1
Airports Vietnam	Industrials	8.6
Military Commercial	Financials	5.8
Vietnam Dairy	Consumer Staples	5.3
Ha Do Group	Industrials	5.2

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APS VIETNAM ALPHA FUND (UCITS)**RECENT NEW POSITIONS**

The recent investor outflows from medium-sized companies have made them increasingly of better value compared with large capitalization stocks. This gave us the opportunity to increase our exposure to mid-cap stocks that have strong visibility for robust FY2018-2019 earnings growth.

RECENT EXITS

We sold **Petro Vietnam Drilling** which is an operator of six jack-up rigs and recycled the proceeds into existing positions which are mechanical and technical services companies. The positions that we added to will be early beneficiaries of increasing demand from large oil and gas production projects, which include the Block B Omon and Blue Whale projects in Vietnam. We also sold **PT Multipolar** in March to reduce the non-Vietnam exposure further.

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SUBSCRIPTION

	Class A	Class B	Class C	Class D
NAV Prices as at 29 th March 2018	USD276.23	USD302.43	N.A.	SGD104.95
Bloomberg	APSVIAA ID	APSVIAB ID	APSVIAC ID	APSVDSH ID
Initial investment	USD100,000	USD1,000	EUR1,000	SGD1,000
Management fee	1.25%	1.8%	1.8%	1.8%
Performance fee	20%	0%	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			
Administrator	Northern Trust International Fund Administration Services (Ireland) Ltd			

Registration No: 1980-00835-G

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