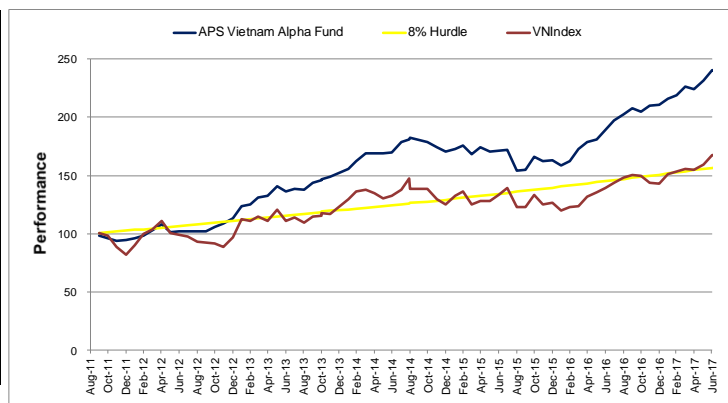


APS Asset Management is a Singapore headquartered fund manager with research offices in China and Japan as well as a client servicing office in New York. The firm was founded in 1995 by its CIO, Wong Kok Hoi. The Fund seeks to achieve substantial capital appreciation on a medium to long-term basis through investment in shares of companies listed in Vietnam. 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.

**PERFORMANCE OVERVIEW**

Period	Fund (%)		Benchmark (%)	Excess (%)	
	Gross	Net		Gross	Net
June 2017	4.43	4.02	0.64	3.79	3.38
2Q 2017	7.41	6.50	1.94	5.46	4.56
YTD 2017	16.79	14.20	3.92	12.87	10.27
Annualized Returns*					
1 Year	32.53	27.10	8.00	24.53	19.10
3 Year	14.78	12.43	8.00	6.78	4.43
5 Year	22.71	18.78	8.00	14.71	10.78
Since Inception	19.77	16.26	8.00	11.77	8.26



The net returns are net of all fees and charges  
 Benchmark: 8% Hurdle Rate  
 The fund returns are calculated based on single pricing  
 \* Annualized returns are the average annual compounded returns  
 Inception Date: 1 September, 2011

Fund returns are cumulative and are net of management and performance fees

**PORTFOLIO ANALYSIS (AS % OF AUM)**

TOP FIVE LARGEST HOLDINGS		MARKET CAPITALIZATION		SECTOR WEIGHTINGS		COUNTRY WEIGHTINGS	
Airports Vietnam	6.9	>USD 5 bil	6.8	Industrials	30.7	Vietnam	72.3
Cmc Joint Stock Company	6.1	USD 2 bil – USD 5 bil	1.2	Financials	10.0	Indonesia	6.4
Kinhbac City Development	5.7	USD 1 bil – USD 2 bil	8.0	Real Estate	9.5	Malaysia	3.3
Vietnam Dairy Products	5.1	USD 500 mn – USD 1 bil	8.3	Materials	9.5	Singapore	2.6
Military Commercial	4.4	<USD 500 mn	60.7	Consumer Staples	8.7	China	0.5
		Cash	15.0	Consumer Discretionary	6.3	Cash	15.0
				Utilities	2.8		
				Telecomm Service	2.4		
				Energy	2.4		
				Information Technology	1.8		
				Health Care	1.0		
				Cash	15.0		

Sources: APS, Bloomberg and Wilshire

**INVESTMENT PERFORMANCE & NOTABLE DEVELOPMENTS**

The APS Vietnam Alpha Fund (the “Fund”) rose 7.41% (gross) during the quarter underperforming the VNIndex by -0.21 percentage points.

The major contributors to performance were Ba Ria Vung Tau Housing Development (+24.6%), Military Commercial Bank (+18.3%), CMC Jsc (+8.6%), while Dong A Plastic Group, Petro Vietnam Drilling and Global Mediacom Tbk were major detractors with declines of -0.7%, -11.2% and -11.5% respectively.

Ba Ria Vung Tau Housing Development (HDC VN) is a small residential property developer with major projects located in the oil & gas city of Ba Ria Vung Tau, Vietnam. This company owns a 103-ha land bank in Vung Tau province, which was acquired at low cost. The company recently accelerated the long-awaited monetization of their land bank by selling their projects to developers with stronger execution capability. Consequently, the stock has been rerated, up +49% in 2Q2017,

and is currently trading at FY17 P/B of 1.1x. We are closely researching the company's business prospects before making further investment decisions.

Military Bank (MBB VN), established in 1994, is a 2nd-tier bank in Vietnam with total assets of USD 11.4 bn as at the end of 2016. The bank offers a full range of corporate, personal and investment banking services via a network of 252 branches and transaction offices throughout Vietnam. The stock rerated on the new CEO's focus on growing fee income's contribution to revenue, which would enable earnings to grow more sustainably. Accordingly, the bank will increase service charges which have been lower than those of competing banks. The bank will leverage its extensive retail clientele to cross-sell products such as bancassurance and consumer finance products. In 2Q2017, Military Bank reported a pre-tax profit growth of +44.1% y-o-y on the back of net interest income and non-interest income growth of +47.1% and +111.8% respectively. The stock is currently trading at undemanding FY17 P/E of 12.0x and P/B of 1.55x. We expect further rerating as the bank will make a full provision for its loans to Vietnam Asset Management Company by 1H2018. A non-recurring profit from the divestment of a 49% stake in the consumer finance vehicle MCredit to Shinsei Bank from Japan would be an additional short-term catalyst.

CMC Jsc (CVT VN) rose +8.6% in June. The company reported robust revenue and net profit growth of +12.5% and +41.6% y-o-y in 2Q2017 respectively. CMC continues to benefit from strong tailwinds as a large number of residential property projects are being completed in stages. Meanwhile, higher demand for large ceramic flooring tiles which generated bigger operating profit margins also contributed to robust profit growth. However, the sales of ceramic roofing tiles were much slower than expected. We will keep a close watch over their sales in 2H2017. The stock is currently trading at a compelling FY17 P/E of 6.8x.

PT Global Mediacom is the largest integrated media, broadcasting, entertainment and telecommunication group in Indonesia. Its core businesses consist of advertisement-based media, operated by PT Media Nusantara Citra Tbk (MNC), and subscriber-based media, operated by PT MNC Sky Vision Tbk (MSKY). MNC operates both free-to-air and pay-TV channels, radio, print and online media, talent management and production facilities. Meanwhile, MSKY operates a number of pay-television channels and other businesses such as an online news and entertainment portal, online home shopping, and VSAT (Very Small Aperture Terminal) services. MSKY also markets WeChat, an online social communication and networking app. The stock price corrected in June 2017 as underlying consumer spending growth was lower than market expectation. For instance, Ramayana - one of the largest retailers in Indonesia - reported June sales of Rp 2.2 tn, lower than the initial forecast of Rp 2.3 tn. In addition, MNCN's founder, Hary Tanoe, was named as a suspect in an alleged threat against the prosecutor, and was forbidden from leaving the country. We are reviewing this position before making further investment decisions.

Dong A Plastics (DAG VN) is the largest producer of uPVC profiles (22% market share), mica panels (35% market share), and aluminum panels (15% market share) in Vietnam. While uPVC profiles are mainly used to produce smart doors and windows, mica and aluminum panels are used in advertisement boards. uPVC profile products contributed 36% and 43.5% of the company's revenue and gross profit in FY2016 respectively. The company doubled its uPVC profile production capacity to 50,000 tons per year at the end of 2016. We expect that stronger revenue growth from the new capacity and cost savings from modern machinery will result in robust profit growth in 2017-2019. The stock is currently trading at a compelling FY17 P/E of 7.5x.

Petro Vietnam Drilling's share price declined -11.2% in June as revenue declined -46.8% y-o-y in 2Q2017 with a net loss of VND45 bn versus a net profit of VND19.8 bn in 2Q2016. However, we see some cyclically positive factors as the company managed to improve its rig utilization rates. Consequently, the net loss in 2Q2017 was significantly smaller than 1Q2017's net loss of VND201 bn. We also see that major oil companies plan to increase their drilling activities in Vietnam's waters in 2018 versus 2017. We therefore expect the company's profitability to turn around in 2Q2018.

### **Strategy and continued research**

Vietnam's GDP growth accelerated to +6.42% y-o-y in 2Q17 (2Q16: +5.55%), a faster pace than +5.12% y-o-y in 1Q17. The agriculture sector continued to recover on favorable weather, whilst the manufacturing, construction and service sectors also quickened on stronger underlying activities. The mining sector was the only drag with a decline of -8.25% y-o-y in 1H17 as crude oil prices did not recover as expected. Consequently, GDP growth was stronger at +5.73% in 1H17 compared

to +5.52% in 1H16. Vietnam's government aims to further step up economic growth in 2H2017 in an effort to achieve the full-year target of +6.4% to +6.7%. They instructed the State Bank of Vietnam (SBV) to lower interest rates and to relax the credit growth target which is currently set at 16%-18% for FY2017. Consequently, the SBV lowered the policy rates by 25-50 bps, effective from 10 July 2017.

The easier monetary policy should be beneficial to the stock market. Meanwhile, we are mindful of inflation and interest rate risks in 2018; should the State Treasury step up fiscal expenditure, inflation could increase or banking liquidity might decline. Given this economic backdrop, we are taking a longer-term view and are rebalancing the portfolio gradually to benefit from fundamental changes in FY2018. We will reduce exposure to the residential property sector and increase exposure to the banking sector. We will focus our research on companies with turnaround stories, balance sheet restructuring or improvements in corporate governance.

Source: APS

## PORTFOLIO ACTIVITY

### Recent Buys

There were no new significant buys for the quarter.

### Recent Sells

**PT Aneka** is the largest producer of industrial gases in Indonesia with 30% market share. While Aneka Gas has a strong defensive moat in the form of a wide distribution network with 44 plants and 80 filling stations located in 22 provinces all across Indonesia, industrial gas sales since 3Q2016 have been weak. In 1Q2017, the top line growth was 10.7% YoY, much lower than 29% YoY in the preceding year, and the expected operating leverage story has not kicked in. In addition, the expected 50-75 bps of interest cost savings from the refinancing of its bonds have been pushed back to FY2018 instead of FY2017. More generally, PT Aneka has overpromised and underdelivered in its guidance. It has also failed to disclose a material jump in its interest expense amounting to Rp 12 bn due to the opening of a new separation plant in Pelintung, Dumai. Taking all these factors into account, we are paring down our exposure as valuation is not cheap at forward 2017 PE of 18x with risk of further underperformance and liquidity drying up if investors lose interest.

STATISTICAL PROPERTIES & RISK ANALYSIS

RETURNS	AVE MTHLY	ANNUALIZED
Since Inception	1.51%	19.77%
Last 60 mths	1.72%	22.71%
Last 36 mths	1.16%	14.78%
Last 12 mths	2.37%	32.53%

RISK	AVE MTHLY	ANNUALIZED
Since Inception	3.49%	12.08%
Last 60 mths	3.47%	12.02%
Last 36 mths	3.51%	12.15%
Last 12 mths	2.04%	7.08%

RELATIVE RATIOS	INDEX
Information Ratio	0.69
Up Capture	58%
Down Capture	32%

PORTFOLIO ANALYTICS	FUND	INDEX
Total Return	186.44%	67.55%
Annualized Return	19.77%	9.25%
Annualized Volatility	12.08%	18.51%
Annualized Sharpe Ratio*	1.20	0.33
Annualized Sortino Ratio*	1.99	0.37
Annualized Alpha	14.46%	-
Beta	50.3%	-
Correlation	77%	-
Positive Months	53	41
Negative Months	17	29
Maximum Drawdown	-15.85%	-20.19%
Best Month	11.52%	15.97%
Worst Month	-10.43%	-11.75%

**Notes:**

Index: Vietnam Ho Chi Minh Stock Index

Inception date: September 2011

Fund performance is expressed in USD and is gross of management and performance fees

All risk statistics are calculated from inception to June 2017 unless otherwise specified

\* Assuming the Vietnam Discount Rate as the risk-free rate (with a floor of 0.00%)

FUND INFORMATION

<u>Investment Manager</u>		<u>Fund Details</u>	
Company	APS Asset Management Pte Ltd	Domicile	Ireland
Lead Portfolio Manager	Dao Phuc Tuong	Structure	Open ended
Inception Date	September 1, 2011	Minimum Initial Subscription	Class A: US\$100,000
Fund AUM	USD 36.15 mn		Class B: US\$1,000
Fund Base Currency	USD		Class C: €1,000
<u>NAV Price as of June 30<sup>th</sup>, 2017</u>		Subscription Fee	Up to 5%
Class A:	US\$ 240.39	Redemption Fee	Up to 3%
Class B:	US\$ 259.07	Management Fee	Class A: 1.25%
<u>ISIN Codes</u>			Class B & C: 1.8%
Class A:	IE00B3ZB4W89	Performance Fee	Class A: 20%
Class B:	IE00B459ZB51		Class B & C: 0%
Class C:	IE00B45LCZ40	Benchmark	8% Hurdle Rate
<u>Client Services Contact Information</u>		Legal Advisers	A&L Goodbody
New York:	(1) 646-693-8530	Auditor	Deloitte & Touche
Singapore:	(65) 6333-8600	Administrator	Northern Trust International Fund Administration (Ireland) Ltd.
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Composite reports which have been prepared in compliance with the Global Investment Performance Standards (GIPS) are available upon request.

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