APS
In search of alpha

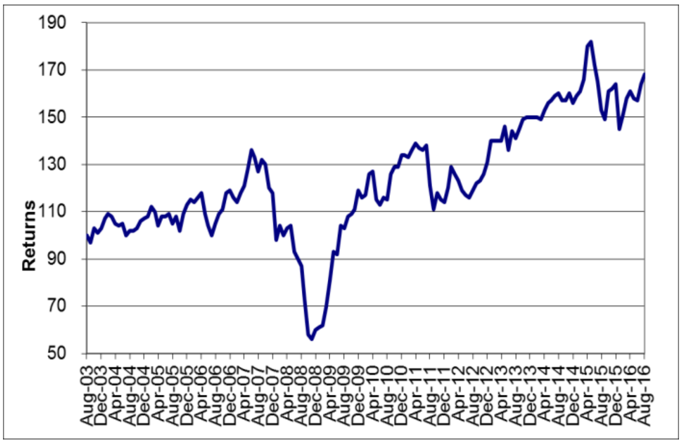
APS ALPHA FUND

AUGUST 2016

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 APS Alpha Fund (the "Fund") seeks capital appreciation over a medium to long term market cycle by investing in equities listed in the Far East ex-Japan stock-markets, using a pure bottom-up approach. The Fund is an absolute return fund that seeks to achieve double-digit absolute returns.

PERFORMANCE OVERVIEW

Period	Fund Returns (%)	Offer to Bid Returns (%)^
August 2016	2.44	-3.66
2Q 2016	-0.63	-6.55
YTD 2016	2.44	-3.66
1-Year	9.80	3.27
3-Years*	6.01	3.87
5-Years*	6.78	5.48
7-Years*	7.24	6.30
10-Years*	4.81	4.17
Since Inception*	4.07	3.58



The net returns are net of all fees and charges. Returns are in SGD terms. Inception Date: July 23, 2003.
*Annualized returns are the average annual compounded returns.
^Take into account maximum sales & realization charges, where applicable

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

PORTFOLIO ANALYSIS (AS % OF AUM)*

TOP FIVE HOLDINGS

Kerry Logistics	6.4
Venustech Group	5.3
Kingboard Copper	3.3
Samsung Electronics	2.9
Tasly Pharmaceutical	2.7

MARKET CAPITALIZATION

>USD 5 bil	21.2
USD 2 bil – USD 5 bil	25.8
USD 1 bil – USD 2 bil	8.4
USD 500 mn – USD 1 bil	12.9
<USD 500 mn	28.4
Cash	3.2

SECTOR WEIGHTINGS

Industrials	26.2
Info. Technology	19.1
Con. Discretionary	17.8
Financials	8.9
Health Care	8.6
Consumer Staples	5.9
Materials	5.2
Telecom Service	5.1
Cash	3.2

COUNTRY WEIGHTINGS

China	37.7
Hong Kong	14.5
South Korea	14.0
Indonesia	11.1
Singapore	7.3
Taiwan	3.9
Malaysia	3.5
India	2.3
Philippines	2.0
Thailand	0.6
Cash	3.2

Source: APS, Bloomberg and Wilshire.

INVESTMENT PERFORMANCE & NOTABLE DEVELOPMENTS*

The APS Alpha Fund returned 2.44% net in August 2016 and 2.44% net YTD 2016.

The top contributor to performance for the Fund was Qingdao Port. The company is a key North Asian port as it is the sixth largest container port globally. The company reported 1H2016 results that exceeded expectations with core earnings rising +24%. A large part of Qingdao's earnings contribution came from its fast-growing logistics business which grew +44% to contribute over 40% of earnings. Its new businesses in financial leasing posted strong +24% growth, part of Chairman Zheng Minghui's transformation efforts since assuming that role in 2013.

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Keppel Telecommunications & Transportation (KPTT) was a positive contributor to the Fund's performance. This is a subsidiary of Keppel Corporation, a leading mainboard-listed company in Singapore. The company has 3 key business segments: logistics, data centers and a 19.74% stake in Singapore's second cellphone operator, M1. We like KPTT as it is positioned to benefit from 2 mega trends: rising data usage and logistics outsourcing in China and Southeast Asia. KPTT is the only listed player in Singapore with significant exposure to the data-center business and is among the top 5 players in Singapore. The share price has outperformed in the recent month due to expectation of further spin-off of its matured data centre asset into Keppel DC REIT, a 30%-owned listed real estate investment trust focusing on data centres. There had also been speculation with regards to the divestment of its 20% stake in M1. Its stake in M1 is currently valued at S$450 million, which is approximately 48% of its current market capitalization.

Other top contributors to performance with notable developments in August included Korea's Hyundai Glovis, Thailand's Malee Group and Hong Kong-listed Shenzhen International.

Amongst the top detractors for the Fund was Redstar Macalline. The company reported moderate 1H16 results, with growth in operating EBIT and core profit of 2% and 10% respectively. Self-operated malls achieved 11% and 14% growth in revenue and operating profit, driven by 3.6% YoY same-store rental growth and contribution from new malls. Revenue from managed malls declined by 17% YoY, primarily due to fewer new malls opening and to a decline in initiation fees as well as construction consultation fees. However, we will see 22-25 malls being opened in 2H16, many more than 9 in 2H15. We believe Redstar will continue to benefit from the recovery of the property market in China and the stock is trading at an attractive dividend yield of 8%.

SAM Engineering & Equipment was a detractor this month. The company has 3 main business divisions, equipment manufacturing, precision engineering of jigs and fixtures, and precision engineering of engine casings. The Group is a subsidiary of Singapore Precision Engineering Ltd (SPE), which in turn is owned by Singapore's government investment arm, Temasek Holdings. The fastest growing division within the Group is the manufacturing of engine casings, accounting for 54% of both the revenue and profit as of the latest financial year ended March 2016. The engine casing business currently has an order backlog worth RM3.5 billion, which should keep it busy for at least the next 5 years. The business counts major engine makers such as General Electric, Pratt & Whitney and Snecma as some of its key major customers. The company targets to eventually manufacture other structural components for aircraft engines. The high-entry barrier restricts access to only a few players. The stock price consolidated in August following a rise in the preceding months. Valuation at 14x forward P/E is cheap relative to the expected 20% CAGR earnings growth.

Other top detractors in the month were our long positions in names like Kingboard Copper, GS Home Shopping and Wangsu Science & Technology.

Strategy & Continued Research

The PMs/analysts have been meeting companies in markets like Indonesia, Malaysia, China and South Korea where we are finding new ideas and tracking our investment theses for existing ones.

We look forward to keeping investors abreast of key developments in the coming months.

Source: APS

PORTFOLIO ACTIVITY*

Recent Buys

Dairy Farm International Holdings is a leading pan-Asian retailer. As at 31 December 2015, the Group, its associates and joint ventures operated over 6,500 outlets and employed over 180,000 people. Its total annual sales in 2015 exceeded US$17 billion. The Group operates supermarkets, hypermarkets, convenience stores, health and beauty stores and home furnishing stores under well-known brands. The Group also has a 50% interest in Maxim's, Hong Kong's leading restaurant chain. Dairy Farm's share price recently underperformed, taking valuation to 17x forward PE, which is an

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attractive entry point into this valuable franchise.

LT Group is the holding company of the family of Lucio Tan, a Filipino tycoon. It has investments in tobacco, alcoholic and non-alcoholic beverages as well as financial services and property. The two major businesses, tobacco and financial services are forecasted to contribute 40% and 38% to the group's core profit respectively. Its financial services arm is attributed to its holding in Philippine National Bank, the 4th largest bank in Philippine. As for the tobacco business, LT Group owns a 49.6% stake in Philip Morris Fortune Tobacco Corp (PMFTC), which produce and distribute Malboro as well as other lower-end brands in the Philippines. Through its whole range of brands targeting various segments of customers, PMFTC has approximately 70% share of the Philippines market. The outlook for the tobacco segment is bullish going forward due to equalization of tax payables for low-end and premium cigarettes. The equalization will result in a narrowing of the price gap between low-end and premium cigarettes and thus spur consumers to upgrade to premium cigarettes. In fact, Marlboro volumes have soared 32% year-to-date and now account for 38% of company sales (26% in 1H15). Based on our ground check, premium cigarettes' profitability could be three times that of the low-end cigarettes. The share is now trading at 32% discount to its sum-of-the parts and we do expect the discount to narrow, mainly driven by a positive outlook for the tobacco business.

Fufeng is the world's largest monosodium glutamate (MSG) manufacturer with 50% market share in China. The company also makes Xantham Gum and specialized amino acids. Fufeng's competitive edge is its industry-leading lowest-cost position, a strategy driven by their Chairman. The MSG industry is just emerging from a vicious price war between Fufeng and the second-largest player Meihua over the past 3 years, with limited new capacity onstream. Furthermore, China has removed the price floor for key raw material corn, allowing Fufeng to fully reap the benefits of low-cost corn in Northern China where they are based. We also believe that demand for Xantham Gum, a food additive and a shale oil drilling fluid, will recover in the coming 2 years as the shale oil rig count is in the early stages of recovery in the U.S. Fufeng is attractively priced at just 9.0x 2016 P/E at close to trough margins, strong balance sheet and robust operating cashflow.

Recent Sells

Pakuwon Jati is an Indonesian property developer and landlord with mainly shopping mall assets. Pakuwon's share price has outperformed the general market in the past year as bullish sentiments returned to the Indonesian market. Pakuwon's earnings is resilient because about half of its revenues are from recurring income, among the highest in the industry. Its portfolio of popular malls in Jakarta and Surabaya, two of Indonesia's largest cities, should ensure a steady income stream. Valuation is no longer compelling post the recent rally as the discount to its NAV has narrowed.

Minth is one of the largest global manufacturers of automotive trims, decorative parts and non-electrical components headquartered in Ningbo China. We bought Minth in 2014 as it was undervalued and ignored at just 9.0x P/E. We assessed that management was highly capable, and would succeed in growing the company's market share both in China and globally given its industry-leading low-cost edge. Our thesis has played out in the 2 years since with the share price rising +124% against a declining index as Minth lowered production costs, enjoyed scale benefits in its U.S. and Southeast Asian plants and penetrated the European luxury car space including Daimler, BMW and Audi. As the share price is no longer undervalued, we took profit to reinvest in other undervalued stocks.

Binex Co Ltd is contract manufacturing organization (CMO) and its major customer is Nichi-iko Pharmaceutical in Japan. The company is capable of producing bio-similar products and we've expected Binex to expand by collaborating with one of the big Chinese companies. But we took profit because of uncertainties over corporate governance and delayed new businesses.

** The information above reflect the Fund's positions held at the underlying fund's level*

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STATISTICAL PROPERTIES & RISK ANALYSIS

RETURNS	AVE MTHLY	ANNUALISED
Since Inception	0.33%	4.07%
Last 60 mths	0.55%	6.78%
Last 36 mths	0.49%	6.01%
Last 12 mths	0.78%	9.80%

RELATIVE RATIOS	INDEX
Annualised Alpha	-2.59%
Information Ratio	-0.42
Up Capture	45%
Down Capture	97%

RISK	AVE MTHLY	ANNUALISED
Since Inception	5.17%	17.90%
Last 60 mths	3.90%	13.51%
Last 36 mths	3.78%	13.08%
Last 12 mths	4.95%	17.16%

Notes:
Index: MSCI AC Far East ex Japan Net TR SGD
Inception date: July 2003
Fund performance is expressed in SGD and is net of all fees and charges.
All risk statistics are calculated from Inception to August 2016 unless otherwise specified.

FUND INFORMATION

Investment Manager

Company	APS Asset Management Pte Ltd
Lead Portfolio Manager	Wong Kok Hoi
Inception Date	July 23, 2003
Fund AUM	SGD 52.79mn
Fund Base Currency	SGD
ISIN Class A (SGD)	SG9999009229

NAV Price as at August 31st, 2016
Class A: SGD 1.68
USD 1.23

There were no units in Class B as of August 2016

Fund Included Under:
CPFIS-OA* **SRS**
**with effect from 23 July 2012, only Class B Units of the Fund are eligible to accept new CPF monies.*

Client Services Contact Information

E-mail cs@aps.com.sg

Fund Details

Domicile	Singapore
Structure	Open ended Unit Trust

	Class A	Class B
Liquidity	Daily	Daily
Minimum Initial Subscription	SGD 5,000	SGD 5,000
Management Fee	0%	1.5%
Performance Fee	25% over 6% hurdle rate	0%

Dealing Deadline	5pm Daily (Singapore Time) each Business Day
Subscription Fee	Up to 5%
Redemption Fee	1%
Auditor	Deloitte & Touche LLP
Trustee / Custodian	RBC Investor Services Trust Singapore Limited
Registrar	RBC Investor Services Trust Singapore Limited

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

Sources: APS, RBC Investor Services Trust Singapore Limited

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Note: The CPF Board currently pays a legislated minimum annual interest rate of 2.5% on monies in the CPF Ordinary Account (OA). The CPF interest rates are based on the 12-month fixed deposit and month-end savings rates of the major local banks and it is reviewed by the CPF board quarterly. In addition, the CPF Board pays an extra interest rate of 1% per annum on the first S$60,000 of a CPF member's combined balances, including up to S$20,000 in the CPF Ordinary Account. The first S$20,000 in the CPF Ordinary Account is not allowed to be invested under the CPF Investment Scheme.

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