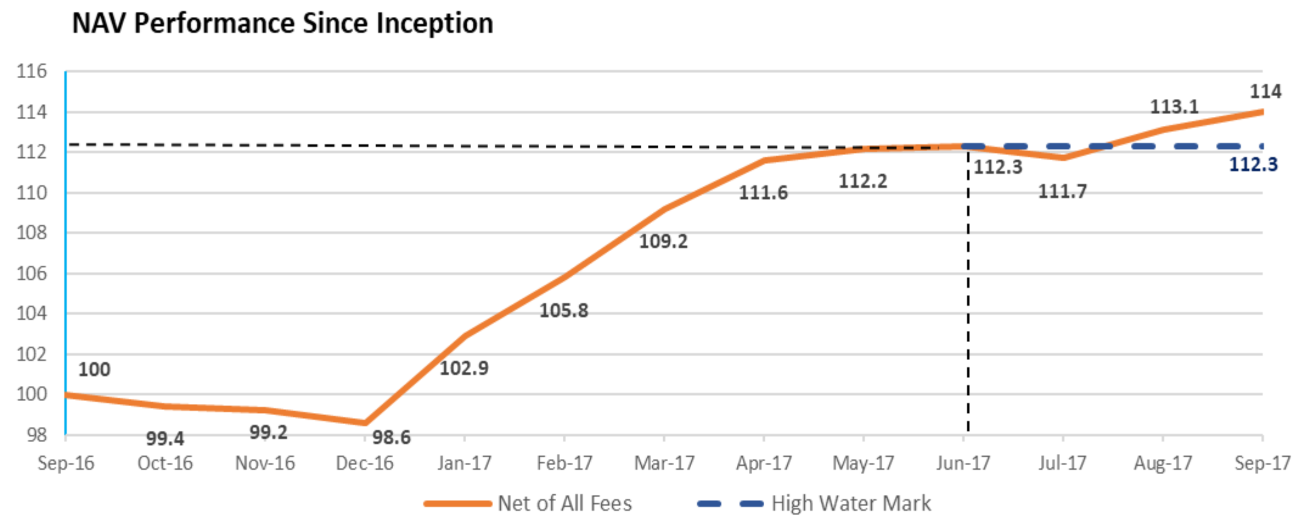
Azure All-Star Fund

September 2017



**High watermark set as 112.3 on 30th June 2017*
Source: Azure Capital & Apex Fund Services

	1 mth	2 mth	6 mth	YTD	1 year	Since Launch
Gross NAV (Before Performance Fee)	+1.1%	+2.7%	+5.8%	+18.5%	+16.8%	+16.8%
Net NAV (Net of All Fees)	+0.9%	+2.3%	+4.8%	+15.4%	+14.0%	+14.0%

- Gross NAV +1.1% in Sep 2017
- Portfolio up 8 out of 9 months in 2017
- Our first Cornerstone investment flying high
- Singapore stock portfolio over 30% gains YTD
- Diversifying into HK, Malaysia

Review

September 17 was another decent month for the portfolio. Gross NAV was up 1.1% for the month, while Net NAV rose 0.9%. Our portfolio has risen 8 out of the 9 months in 2017. Our core holdings generally did well, including Banyan Tree (+7.3%) and Sing Holdings (+4.8%). However, Tianjin Zhongxin – our 2nd largest holding – fell 4.4% after hitting a high in August.

The highlight of the month has got to be our first cornerstone investment - APAC Realty. I know CEO Jack Chua since Hersing days, and he has grown from a team of 50 real estate agents in the 1990s to over 6,000 currently. Back then, the company was so small that on top of being the chief executive, Jack had to roll up his sleeves and do sales as well (his first sale was a 4-room flat). Talk about Jack of all Trades!

I normally take a while to mull over a major investment, but this one took me less than a day. Here's why:

1) I have been bullish on the property market since early part of 2017 and APAC Realty, through its flagship brokerage ERA, will be a direct beneficiary.

Fund Allocation

Stocks	59%
Bonds	20%
Cash	21%

Sector Allocation

Property	10.9%
Healthcare	6.9%
Hotel	6.6%
Technology	6.1%

Top Holdings

>5% of AUM
- APAC Realty
- Tianjin Zhongxin

3-5% of AUM
- Sing Holdings
- Banyan Tree

2-3% of AUM
- Chip Eng Seng
- Moya
- Global Logistics
- Wheelock
- Amara

2) There's an en-bloc craze currently and ERA is uniquely positioned to enjoy 2 bites of the cherry. Bite #1: I figure that there will be over 3,000 displaced 'en-bloc' families looking for new homes very soon. They will have through the proceeds to buy themselves a nice pad and possibly another one for investment. Bite #2: Over the next 2 years, developers will be launching a bevy of projects. ERA has been involved in 8 out of the 9 new launches this year, and will very likely be the go-to broker to market new projects.

3) On the valuation front, the IPO was priced attractively, below 12x PE. It is no wonder that the institutional tranche was over 15x subscribed.

All these spells good news for ERA, and I wouldn't be surprised if it hits record earnings in 2018. Given the momentum, I suspect that APAC Realty will easily outperform market expectations. Look out for its inaugural results next month.

Who says Singapore cannot make it?

Singapore has been a great market for us. Despite only utilising less than half the AUM in the first 9 months of the year, we enjoyed over 15% returns (we took our performance fees back in June, our financial year end). **This implies that the returns YTD for the Singapore stocks we invested in is over 30%.** This far outperforms both the STI (+11.8%) and Catalist Index (+3.5%). Some of our big movers include:

Counter	Returns	Holding Period
KSH Holdings	40%	3 months
Avi-tech Electronics	34%	4 months
Hock Lian Seng	34%	2 months
Jadason Enterprises	33%	4 months
Sunpower Group	33%	3 months
Moya Holdings Asia	28%	6 months
Fuyu Corporation	20%	7 months

As gleaned, a lot of our hits earlier this year were in the manufacturing space (Jadason, Avi-tech, Fuyu). I have been nimble and gone 'light' on the sector after strong run-ups in their stock prices**. I have loaded up on the property sector over the past few months**, particularly the smaller counters as their share price movements paled in comparison with the bigger names in the sector, which ratcheted up 30-40% in the first 6 months of the year. Sing Holdings and Chip Eng Seng are my bets for this sector.

New opportunities in the region

While I still see lots of opportunities in Singapore, I have decided to start investing more seriously into other geographies. David Chow is leading the charge in HK/China. He racked up a decent record over the past few months in the HK market, albeit in a small way. With confidence building up, we will be committing more in HK starting this month.

FUND DETAILS

Launch Date
1st October 2016

Base Currency
SGD

Fund Domicile
Singapore

Periodicity of NAV Calculation
Monthly

Management Company
Azure Capital Pte Ltd

Custodian
DBS Bank Ltd & Credit Suisse AG

Fund Auditor
BDO LLP

Fund Administrator
Apex Fund Services (Singapore) Pte. Ltd.

Minimum Investment
SGD$1,000,000

Lockup Period
1 year

Fee Structure
Management 1.75%
Performance 20% above high water mark)

Redemption fee
Year 2 (4%), Year 3 (2%), None thereafter

Investment Objective
Absolute return through active selection of stocks

Geographical Focus
Southeast Asia and North Asia

Further information
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Our confidence stems from improving economic fundamentals, control of excessive credit growth by the China government, reduction of the housing inventories in the tier 3 /4 cities, elimination of the overcapacity situations seen in some of the sectors and ongoing state-owned enterprise reforms. On the corporate front, we are also seeing an improved earnings growth for most of the corporates which will support sentiment.

In terms of total trading volume and turnover, current levels are nowhere near the levels of the previous bull cycles. Valuation wise, we see current valuation as fair relative to its historical average. We advocate selective buying in the Internet and Technology sectors which are exposed to long term secular trends. We are also in sectors leveraging on China's long-term consumption needs.

Moving on, I would like to welcome the newest member of our team Adrian Toh. He joins us after 4 fruitful years in RHB Asset Management, where he was looking at Southeast Asia markets. He will be plucking a low hanging fruit and starting off with a market he is intimately familiar with – Malaysia. As I am penning this newsletter, we have already made inroads there.

Despite marginally slower inflows, foreign liquidity will continue to drive the Malaysian equities higher this year. Supporting these flows will be growing state coffers due to higher oil prices, higher government spending ahead of a possible general election early next year and a strengthening of the Ringgit, brought about by the central bank's move to clamp down on offshore trading of the currency.

Economic news has generally been upbeat, with a pickup in industrial production and trade surplus, while business and consumer sentiment improved. While headline inflation accelerated, we think the central bank is likely to keep its benchmark rate steady. China's increasing investment in Malaysia is also expected to benefit the local construction, infrastructure and finance sectors.

I will reveal some of the overseas names in the next issue. Akan Datang!

Terence Wong