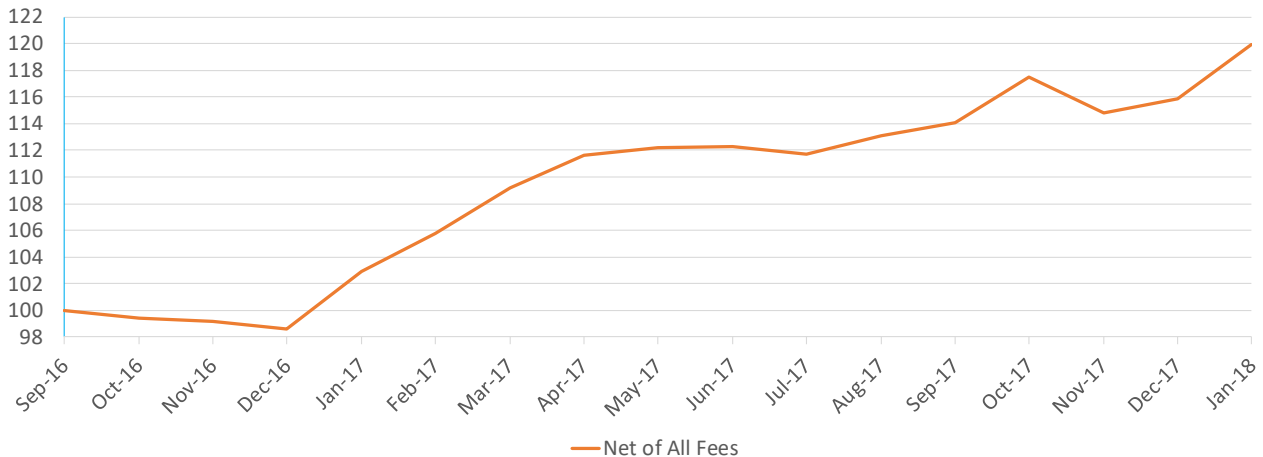




# Azure All-Star Fund

January 2018

## NAV Performance Since Inception



Source: Azure Capital & Apex Fund Services

	1 mth	3 mth	6 mth	1 year	Since Launch
Gross NAV (Before Performance Fee)	+4.4%	+2.6%	+8.9%	+17.7%	+21.9%
Net NAV (Net of All Fees)	+3.5%	+2.1%	+7.4%	+16.6%	+20.0%

### In a Nutshell

- Gross NAV +4.4%, Net NAV +3.5% in Jan 2018
- Record month for the S'pore portfolio on gains of top holdings
- Hong Kong market started the year with a bang with the M'sia portfolio maintaining its strong momentum
- But weakness in USD/HKD dragged down performance

### Singapore

January has been a record month for the Singapore portfolio, as our stocks surged over 10% in the month led by our top holdings - APAC Realty (+23%), Tianjin Zhongxin (+14%), HRnet (+11%) and Banyan Tree (+8%). I have sold some APAC and Banyan tree over the past month. Sing Holdings was the only stock among our top holdings which didn't budge.

I mentioned to investors at the start of February that I am cautious after the strong run in the previous month. I have taken advantage of the pickup in prices to hive off a few of my holdings.

One of the key highlights for February would be the relisting of Marco Polo, which I have mentioned in my earlier newsletters. To recap, we were one of the investors who gave a S\$60m lifeline. I believe it is relisting at the right time, given that offshore & marine sector saw a big lift in January, led by Sembcorp Marine. The latter was one of the counters I mentioned in our November newsletter. The strong run-up (>20% in a week) was too tempting, and I have since sold down my position. It looked a little early, as the share price surged another 10% after the sale.

### Fund Allocation

Stocks	78%
Cash	22%

### Top Holdings

#### Singapore

- APAC Realty
- Tianjin Zhongxin
- Sing Holdings
- Banyan Tree
- HRnet

#### Hong Kong

- BYD Company
- Ping An Insurance
- Brilliance Automobile
- Geely Automobile
- ZTE Corporation

#### Malaysia

- Serba Dinamik
- Globetronics
- Gabungan AQRS
- Penta Master
- George Kent

February is starting to feel very much like last November. After a very strong October (with our NAV hitting the previous record level of 117 in that month), there was a pull-back in the following month. I said back then that the second half of November was the most painful 2 weeks of my fund's life. I hope I won't have to say that for February, but the market is definitely feeling the jitters, no thanks to inflation threatening to rear its ugly head.

The stocks we are invested in have strong fundamentals and I am confident of its long term performance. I will be happy to accumulate more of my core holdings should there be any weakness in the market.

### **Hong Kong**

January 2018 was also a very good start for the HK portfolio as we garnered a return of +3.61% and +6.25% m-m in SGD and HKD terms respectively for the first month. The education stocks in our portfolio were the top performers with China New High Education up 7% on the last day of the month which brought its cumulative performance in the portfolio to +35%. The other education stock that we held - China Education - saw its cumulative performance at +26%.

We see the strong market performance underpinned by continued liquidity inflows from both southbound and global investors. Total southbound inflows via Stock Connect were HK\$76.5bn in Jan 2018, the highest since the launch of Stock Connect and 2.7x the average monthly inflow in 2017 of HK\$28.3bn. There was also a spike in mutual funds which focus on stock connect and issuance was a record high since 2015.

We reiterate our positive views of the market amid continued earnings growth and possible re-rating potential for selective counters which are still trading at reasonable valuations. On the macro front, China's 4Q17 GDP stood at 6.8% y-y as well as strong Purchasing Managers Index of 51.3 underlined the resilience of the market and could continue to attract more funds into the market.

### **Malaysia**

Our Malaysian portfolio continued to register positive return in January, gaining 4.15%.

Adrian believes that Malaysian equities are likely to maintain their upward trajectory, in line with global markets. Synchronised global economic growth should underpin exporters in sectors such as manufacturing and commodities. Oil prices may find further support in a decrease in oil supply. Domestically, government spending on infrastructure as well as other programmes ahead of the elections could provide a further boost and lift consumption. All things considered, Adrian continues to see good prospects for the companies that he holds.

Adrian attended two flagship conferences in Malaysia on January, i.e. Maybank Invest Malaysia Conference and CIMB Conference. The key message from the conferences were the major rail infrastructure developments, supported by a few key mega projects such as ECRL, HK-SG High Speed Rail, and KVMRT3. Rollouts of major infrastructure will provide robust orderbook replenishment to local construction companies. Adrian believes that mid-cap construction players will be the key beneficiaries of these mega projects in 2018.

## **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**

S\$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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His key holdings in the construction sector include CMS, Gabungan AQRS, George Kent and HSS Engineers. Adrian introduced Yinson Holdings, one the world's leading Floating, Production, Storage and Offloading (FPSO) service providers, while adding to names that he continues to see value in, such as Serba Dinamik, Gabungan AQRS and Penta Master. He took profits on SKP Resources, Wah Seong, and Vitrox which registered more than 20% returns.

## **TERENCE WONG**

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