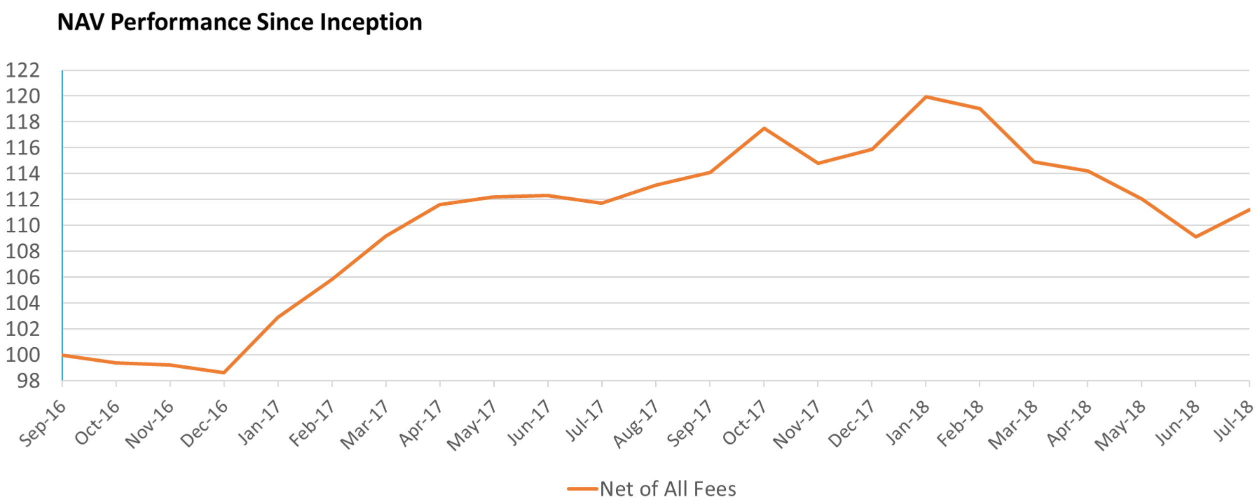
Azure All-Star Fund

Performance for July 2018



Source: Azure Capital & Apex Fund Services

	1 mth	3 mth	YTD	Since Launch
Net NAV (Net of All Fees)	+2.0%	-2.6%	-4.0%	+11.3%

In a Nutshell

- M'sia portfolio continues its stellar performance post-election
- Singapore gained on the back of Wheelock privatisation, and blue-chip rebound
- HK markets was down for the month amid continued uncertainty and possible escalation of trade wars
- Indonesia had another good month beating the index

Singapore

The stocks in our Singapore portfolio rose 2%, despite one of our core holdings APAC Realty taking a big hit (-20% m-o-m). This was thanks to the privatisation of Wheelock (+30% rise in share price), as well as a strong comeback for Citic (+14%). Our bets on blue chips Singtel and CapitaLand also paid off.

To recap, the month started off badly with the Singapore government unleashing property cooling measure just as the market was on the cusp of a recovery. This shocked the property sector, and real estate brokerages – given its sensitivity – saw the biggest decline. APAC Realty and its recently-listed rival Propnex slumped as much as 25% the day after the announcement.

With the indiscriminate selling across the property sector, I took the opportunity to pick up shares of CapitaLand, which will see limited impact from the new measure but yet fell in sympathy with the rest of the sector. The stock rose 7% within three weeks. Another blue-chip holding that did well was SingTel. I bought into the telco late last month, after a 15% slump in the May-June period. I thought that was overdone and the dividend yield at $3.05 level was about 5.7%. It climbed as much as 8%

Fund Allocation

Stocks	71%
Cash	29%

Top Holdings (In alpahetical order)

Singapore
- APAC Realty
- Citic Envirotech
- Hrnet Group
- Sing Holdings
- Tianjin Zhongxin

Hong Kong
- A Living
- Geely Automobile
- HEC Pharma
- Ping An Insurance
- TVB

Malaysia
- Airasia
- Econpile
- Gabungan AQRS
- MI Equipment
- Penta Master

before it went ex-div in end-July, which looked like a good level to sell. With uncertainty and volatility continuing to hog the headlines, I look to re-accumulate SingTel at $3 level. Given that the company have promised to dish out dividends of S$0.175, the yields will be close to 6%.

Terence Wong

Malaysia

We had actively restructured our portfolio post-election and this has been bearing fruits. In July, our Malaysia portfolio continued to register a stellar return of 10.8% in SGD term, thanks to our 5 key holdings:

Airasia +19%

Econpile +21%

Gabungan AQRS +16%

MI Equipment +10.5%

Penta Master +16.7%

In July, we top-sliced Econpile Holdings due to its stellar performance in both June and July. We deployed capital into several exporters as we observed the weakening trend in MYR against USD. We believe that MYR will continue to weaken because of continued tightening by the Fed which will warrant more interest hikes moving forward. One of the positions which we initiated was Supermax Corporation, a glove maker. 90% of the sales of Supermax are traded in USD. A weaker MYR should benefit the company and could see Supermax continuing to close its trading gap with its peers (trading 30% discount to peers currently). We also note that management's newfound vigour to re-engage the investment community of late also has an impact. We see the on-going US-China trade war in which the US proposed 20% tax in China imported gloves (mostly vinyl) may benefit rubber glove producers in Malaysia.

Looking ahead, Malaysia markets are expected to remain volatile as investors continue to price in policy risks. There remains some uncertainty as reforms are being implemented amid the political transition. However, Malaysia's longer-term outlook is encouraging. Despite concerns that the newly-appointed administration's plan to reinstate fuel subsidies and remove the GST would widen the fiscal deficit, we think higher oil prices and lower government expenditure should compensate for the loss of revenues. The new administration has already announced a string of measures, such as heavy spending cuts and increased dividend contributions from government-linked companies, that would help pare debt and restrain the fiscal deficit at around 3%. A new sales and services tax (SST), levied on a limited list of items and mostly on manufacturers will be reintroduced from September. It should help offset the impact of scrapping the GST. Meanwhile, the country's macroeconomic fundamentals and external finances remain resilient, and should continue to support its rating credit.

Adrian Toh

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

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

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Hong Kong

The Hang Seng Index closed 1.3% and 1.5% lower in HKD and SGD terms respectively for the month, but we were down 2.6% on both terms due to higher beta exhibited for most of our holdings.

At the time of writing, we have seen yet another round of escalation with the US imposing a 25% tariff on $16 billion worth of Chinese goods starting on August 23th and China matching the tariffs heads on for US goods as well. With this development, the emphasize from the CPC Central Committee meeting held on July 31st has taken a back seat.

In this highly anticipated meeting which was supposed to give market a clearer guidance on how China would react to the trade war, officials stressed on adopting proactive fiscal policy to support domestic demand and adjustments to monetary policy to sustain "reasonably sufficient" liquidity. Other key focal points announced by the meeting include infrastructure investment, cost reduction for companies, policies to push forward deleveraging, greater openness, differentiated property policies for different cities, and continued stable employment. We believe cyclical sectors could benefit from potential infrastructure investment acceleration in time to come. Mid and small-sized companies are likely to see a marginally improved credit environment. Hopefully, all these moves would have positive effects on the real economy and filter through to the stock market.

Stocks wise, we suggest that investors take a closer look at both Colour Life Services (1778 HK) and A-Living (3319 HK), both of which belong to the property management space and stocks prices were beaten down recently alongside their Chinese property developers' peers of concerns on the effects of RMB depreciation on existing US dollar debts and higher refinancing costs. However, both Colour Life and A-Living have no USD debt issuance and A Living is residing in a net cash position. They are trading at 14x and 22x respectively for FY18 and slated to continue to deliver double-digit earnings growth in our forecast for FY18 and FY19 which make their FY19 PE at around 13x for Colour Life and 15x for A-Living. We think they are attractively priced against the leader of the pack-Greentown Service Group which trades at 33x FY18 PE and 25x FY19 PE.

David Chow

Indonesia

We continue to hold a very small position in Indonesia. The portfolio gained 48.2% and 46.8% in IDR and SGD terms respectively after our new holding NFC registered a 50% gain in its debut. Stripping out the gains from NFC, the portfolio was still up 5.6% and 4.3% in IDR and SGD terms respectively for the month, besting the Jakarta Composite Index which came back strongly in July with 2.4% and 1.3% monthly gain in IDR and SGD terms respectively.

Despite the monetary tightening action by Bank Indonesia and slightly weaker Rupiah, the Index managed to outperform on the back of net foreign inflows which might be caused by the jittery confidence in China market on trade-war risk, causing investors to try diversifying their risk from China market into emerging market countries, including Indonesia. However, the market gain was trimmed a bit during month-closing as most second-quarter earnings released came below Street's expectation.

On macro front, July has been a rather mixed month for Indonesian macro events as strong trade data and fiscal revenue showed positive trend;

however fiscal spending focus towards social spending and subsidy as opposed to the productive capital expenditure might hinder economic growth. In addition, stable Inflation data and interest rate are in-line with market's expectation. Stock-pick wise, we believe there is room for the earnings estimates for FY18 to be cut further and we advocate defensiveness for the market at this moment with the telecommunication sector worthy of a closer look.

David Chow