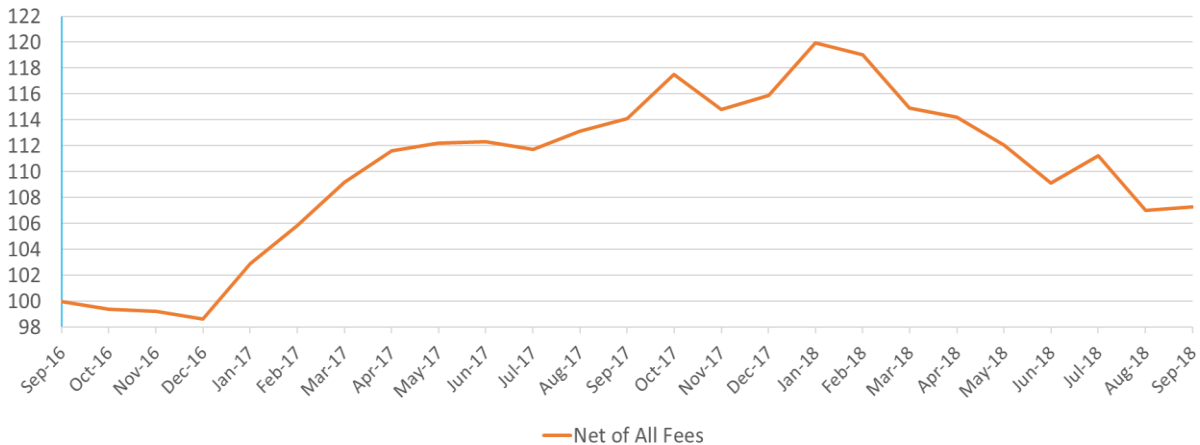




Azure All-Star Fund

Performance for Sept 2018

NAV Performance Since Inception



Source: Azure Capital & Apex Fund Services

	1 mth	3 mth	YTD	Since Launch
Net NAV (Net of All Fees)	+0.3%	-1.7%	-7.4%	+7.3%

In a Nutshell

- Net NAV eked gains of 0.3%; if not for forex losses, the NAV would have grown by 1.5%
- M'sia portfolio was star performer, surging by over 10%
- Highlight for the month for Singapore was the Keppel Corp privatisations

We have positioned the portfolio to be more defensive as we are concerned over the rapidly rising treasury yields, which shot decisively past the psychological 3% mark this month. We have shored up cash and are looking to add on to my core holdings should there be a market wide decline. Trying hard not to sound like a broken recorder, the trade war blues continue to plague the market, with the US firing its latest salvo amounting to USD200b. Malaysia was a strong outperformer in the month of September, supporting losses from the other 3 geographies. We are in the process of cutting Hong Kong and concentrating all our bullets in core markets in Southeast Asia.

Over in **Singapore**, the market saw some life towards the end of the September as Keppel Corp made two privatisation attempts – M1 and Keppel T&T. We paid special attention to the latter deal, as KT&T was one of my positions. It was vindication after over a year of hanging on to an illiquid stock which has been trending down. It was off by 10% from my entry price of S\$1.52 per share, before Keppel Corp's S\$1.91 offer came in.

This deal brings about an important lesson for us. Many of the value stocks we hold in the portfolio may have come off together with the market, but these companies are backed by strong fundamentals and we are sure value will eventually unfold, as in the case of KT&T and

Fund Allocation

Stocks	77%
Cash	23%

Top Holdings (In alphabetical order)

Singapore

- Hrnet Group
- Sing Holdings
- Thai Beverage
- Tianjin Zhongxin

Malaysia

- Gabungan AQRS
- MI Equipment
- MRCB
- Penta Master

Wheelock Properties back in July. The privatisation offer of S\$2.10 was over 30% higher than the last traded price.

We are well-positioned in companies which will likely see catalysts in the next 12 months. These may come in the form of (1) re-rating by analysts, (2) turnaround in earnings, (3) privatisation, or (4) M&A action.

We strongly believe that the fund will be rewarded with these names. Our top holdings in the portfolio are more concentrated and hence, the portfolio may swing a little more than the market. However, we will not be fazed, and may choose to add more should there be indiscriminate selling.

For **Malaysia**, our portfolio defied the broader trend in September and registered a strong return of 11% in SGD term, thanks to few key stocks like Pentamaster, QES and MI Equipment.

Malaysia market faces challenges both domestically and abroad. Global trade tensions, policy shifts from major central banks and fear of contagion from financial crises in other emerging markets will continue to amplify volatility in Malaysia market. At home, the new government's policy direction will be closely watched. Shelving large China-linked infrastructure projects will continue to dominate the headlines and exert strains on the construction stocks. However, we view this as an opportunity to accumulate some good quality construction names, i.e. Gabungan AQRS and MRCB. We believe the construction sector will continue to re-rate higher once the direction of the policy is clearer. With the weaker Ringgit, it is going to be positive for export-linked companies and this is an area in which we have been positioning.

Indonesia is still a small part of our pie. While there are interesting companies there, we are slow in deploying more bullets for now due to the weakening Rupiah. This has chased away foreign investors – in the month of September, the net outflow was US\$66m, bringing year-to-date outflow to US\$3.7bn. We are selective in our picks in this market, but there may be some opportunities as the election draws nearer. We met up with government officials, including the current Minister of Finance, Sri Mulyani in recent conferences to update ourselves on the current state of the economy with specific concerns for the current account deficit which worsened in recent months. While there is no short-term solution to the deficit, we believe the constant engagement with foreign investors by the officials will at the very least, alleviate some concerns.

As the presidential election campaign kicked off starting in late Sept, the latest poll from the Saiful Mujani Research and Consulting (SMRC) shows that if the election was held today, 60.2% of constituents would vote for the president, compared to only 20.7% for Prabowo. It is a gap that appears to be only getting wider. Our view is that by choosing Ma'ruf Amin, the head of Indonesian Ulema Council (MUI) who is widely respected as his running mate in next year's presidential race, Jokowi has effectively deterred his opponents from using religion as a weapon against him. This move should alleviate concerns on the political front.

Sectors which would traditionally benefit from the election campaigning have been the consumers sectors like staples during the campaigning followed by the more cyclical sectors like property after the election.

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

Further information

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