

APS Alpha Fund

May 2010

INVESTMENT OBJECTIVE: To provide medium- to long-term capital appreciation through investing in public equities listed in the Far East ex-Japan stock-markets, using a pure bottom-up approach. The APS Alpha Fund is an absolute return fund that seeks to achieve double-digit absolute returns. The Fund does not pay any management fee and third-party expenses. It only charges a performance fee when annualized returns exceed a 6% hurdle.

PERFORMANCE OVERVIEW



Performance History*	Fund (%)
Current Month	-9.5
YTD	-3.4
1Q10	5.9
2009	98.3
2008	-49.2
2007	-0.8
2006	5.3
2005	5.6
2004	3.9
2003	3.0
Since Inception	15.0

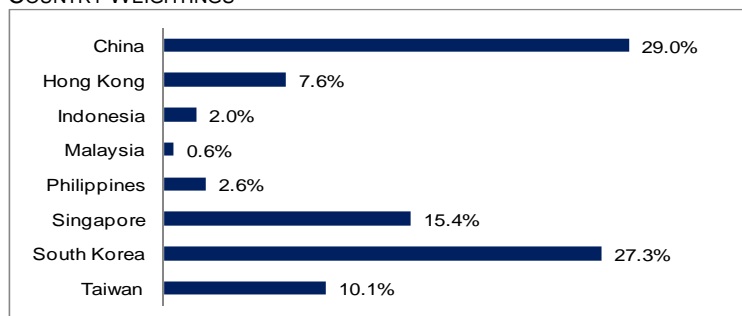
*Returns Net of Fees on bid-to-bid basis.

PORTFOLIO ANALYSIS (AS % OF AUM)

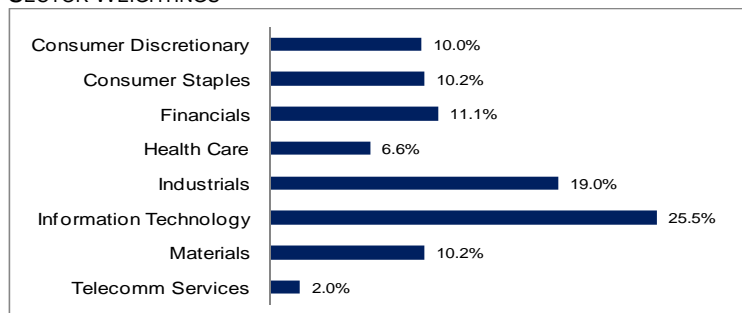
TOP FIVE LARGEST HOLDINGS



COUNTRY WEIGHTINGS



SECTOR WEIGHTINGS



STRATEGY OVERVIEW

Investment Manager APS Asset Management Pte Ltd
3 Anson Road, #23-01
Springleaf Tower, Singapore 079909
Company Reg No. 198000835G

Lead Portfolio Manager Wong Kok Hoi
Inception Date 23rd July 2003
Fund AUM S\$51.0 million

Fund Details

Structure Open ended unit trust
Liquidity Daily
Minimum Subscription S\$5,000
Management Fee Zero
Third-party expense Zero
Performance Fee 25% if annualized returns exceed 6% hurdle rate
Sales Charge Up to 5%
Redemption Charge Up to 1%
Trustee RBC Dexia Trust Services Singapore
Auditor KPMG

Dealing Deadline

5pm Daily (Singapore Time) each business day

NAV Prices as at 31st May 2010

SGD: 1.15 USD: 0.82

Fund Included Under:

CPFIS-OA* SRS

*With effect from 24 March 2010, APS Alpha Fund has ceased to accept new CPF monies.

Prices Published In:

The Straits Times Bloomberg
The Business Times Reuters
www.fundsupermart.com www.apsalphafund.com

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MARKET OUTLOOK

The broad market indices during May faced strong economic and political headwinds. The Dow Jones Industrial Average tumbled 8% during the month posting the worse May performance numbers for the index since 1940. The MSCI Asia Pacific ex-Japan index also plunged 11.2%, in USD terms. The sell-off this month was twofold: concerns about the continued European sovereign crisis and the increasing geopolitical tensions between North and South Korea. Stock markets, currencies and commodities, with the exception of gold, were all negatively affected during the month. However, the US Dollar was the bright spot and surged as investors found safe haven in the dollar. Strangely, though, the BDI (Baltic Dry Index), a barometer of global economic activities, has been trending upward. Some think this is a bullish sign and that there continues a global economic recovery.

The Euro was unabashedly dumped amid investors' doubts about the ability of the Eurozone to deal with the increasing European crisis. Meanwhile, Libor surged indicating a tighter interbank liquidity. The austerity measures announced by Greece and Spain further stoked concerns about the prospects of any near-term recovery. Taking steps to ensure financial stability in Europe, the EU approved a 750 billion euro rescue package. However, the rescue package stimulus was dampened when Fitch, the rating agency, downgraded the Spanish sovereign's rating.

Geopolitical tensions on the Korean peninsula escalated after South Korea concluded that the sinking of a South Korea warship was a result of the North Korean torpedo attack. The two neighbors reacted strongly with North Korea threatening war. As a result, the South Korea stock index dropped 6% and the currency declined 8%.

Investors looking for China to offer support were disappointed as well. The central bank reaffirmed its tightening stance again and hiked the required reserve ratio for banks. There continues to be concern about the negative impact on the economy as the government places the most austere measures to date to cool the overheated property market.

Overall, defensive names like telecoms, utilities and healthcare stocks outperformed while small and mid cap stocks were dumped indiscriminately.

PERFORMANCE OVERVIEW AND PORTFOLIO STRATEGY

The APS Alpha Fund returned -9.5% in May 2010. The fund's annual hurdle rate is 6%.

Largest Contributors to Performance

China Shineway Pharmaceutical Group Ltd performed well despite the turbulent markets as it continues to benefit from the healthcare system reforms in China. Two telecom positions in the portfolio, **SK Broadband Company Ltd** and **Chunghwa Telecom Company Ltd**, also remained resilient to the broader market disruptions.

Largest Detractors from Performance

Melfas Incorporation Ltd's share price took a beating over concerns on uncertainty in their business operations, order visibility, and new competitors entering their market. However, we believe that the Company will remain competitive in technology and cost. **Ju Teng International Holdings Ltd's** share price plunged on concerns of weaker laptop demand and deterioration in sell-through and pricing pressures from the European sovereign crisis and slumping Euro currency. **Pacific Andes International Holdings Ltd's** share price continued its decline mainly due to the delay in its secondary listing on Oslo Exchange.

Recent Buys

We bought **SK Holdings Company Ltd** (Korea, Opportunistic Alpha Stock) as we expect the steep discount to NAV of more than 50% will start to narrow. We opportunistically took advantage of the pricing dislocation of **Melfas Incorporation Ltd** and added to our positions. We found no fundamental changes to its core business and are comfortable adding to our holdings.

Recent Sells

The transactions were minimal during the month.

Note: All information provided by APS as of the current date of the report or otherwise noted.

Note: The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate. In addition, from 1 January 2008, the CPF Board will pay an extra interest rate of 1% per annum on the first \$60,000 of a CPF member's combined balances, including up to \$20,000 in the OA. From 1 April 2008, the first \$20,000 in the Ordinary Account will not be allowed to be invested under the CPF Investment Scheme.

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