



### “Build Smarter Portfolios”

API’s Asia Small Companies strategy invests in smaller companies in the Asia region.

We select between 60—90 stocks from a universe of 3,000 securities that possess a superior combination of value, quality and momentum characteristics.

- Value — Multiple factors with more favourable expectations on cashflow, earnings and dividends.
- Quality — less balance sheet leverage, stable earnings growth and sustainable returns on equity.
- Momentum — companies whose share price changes signify market awareness of improving prospects.

### Benefits

- A proven investment process that combines our quantitative stock selection model with the team’s extensive fundamental equity knowledge.
- Cost-effective with attractive fees.
- Above market and peer group performance

For additional information please visit [www.apicapital.com](http://www.apicapital.com)

### Or contact us:

Robert Swift, +61 (0) 419 120 708  
[robert.swift@apicapital.com](mailto:robert.swift@apicapital.com)

Kevin Smith, +61 (0) 400 188 111  
[kevin.smith@apicapital.com](mailto:kevin.smith@apicapital.com)

Roger McIntosh, +61 (0) 423 968 133  
[roger.mcintosh@apicapital.com](mailto:roger.mcintosh@apicapital.com)

As at 31 Dec 2018	Portfolio
No. of securities	69
Wtd Avg Market cap	USD 2.2bn
Fwd Price/Earnings	9.2x
Price/Book	1.0x
Fwd Dividend Yield	3.8%
Fwd Return on Equity	12.5%

### PERFORMANCE\*

Value of AUD 100,000 since inception



Periods ended 31 Dec 2018	1 Month	3 Months	12 Months	Since Inception
Portfolio*	-2.3%	-12.1%	n.a.	-12.1%
Benchmark^	-1.4%	-8.9%	n.a.	-8.9%
Active	-0.9%	-3.2%	n.a.	-3.2%

\*Portfolio total return net of fees and Interest Withholding Tax in AUD.

^Strategy Benchmark is MSCI AC Asia SMID Index NTR

Inception Date: 28 September 2018

### PORTFOLIO REVIEW & MARKET UPDATE

- Q4 2018 saw heavy falls in equities across the region with the benchmark falling 8.9% and the ASC Strategy falling 12.1% in AUD terms for the period. Exposure to Japan was a key factor in our underperformance for the quarter, the Japan index fell by 17.2% for the quarter with a 14.5% overall decline for the year of 2018, the first annual decline since 2011. Small companies in Japan were particularly hard hit, falling more than the index of large companies.
- The interim reporting season across the region in October and November was generally positive for our companies, however, corporate reporting was largely overshadowed by declines generated by the threat of increased tariffs on bilateral trade between the United States and China. Those threats of increased tariffs subsequently migrated into negotiations of a new trade agreement between the United States and China, while equity markets worldwide continued to display increased volatility.
- Our best company for the quarter was SITC, the regional shipping logistics company which increased 16.8%, the company announced strong results for the nine months to end September which followed closely on the interim dividend that was increased by 50% providing some positive sentiment for the shares. Our worst performing companies were Korean apparel maker F&F and Japanese chemicals company Showa Denko K.K., which fell by 52% and 46% respectively in each case wiping out gains made in the earlier part of the year, aside from the profits available to be taken, despite there being no negative news for either company and we are maintaining our holdings in both companies.
- In the short-term the outcome of trade negotiations between the United States and China is likely to set the tone for day-to-day market direction. In the long-term we remain confident regarding the Asian markets and our companies which have the scope to generate strong investment returns.
- We remain fully invested in the portfolio and unhedged for AUD based investors.



### “Build Smarter Portfolios”

The Strategy seeks long-term capital appreciation by investing in small to mid capitalisation listed Asian companies.

We select stocks by combining ‘fundamental’ analysis with our quantitative stock selection tools.

Our value-oriented approach pays careful attention to position sizes, sectoral and country weights. The strategy currently focuses on equities in Japan, China, Hong Kong, Taiwan, South Korea and Singapore.

We ensure that the strategy pays equal attention to risk as to return.

It is an actively managed strategy that is meaningfully different from the index.

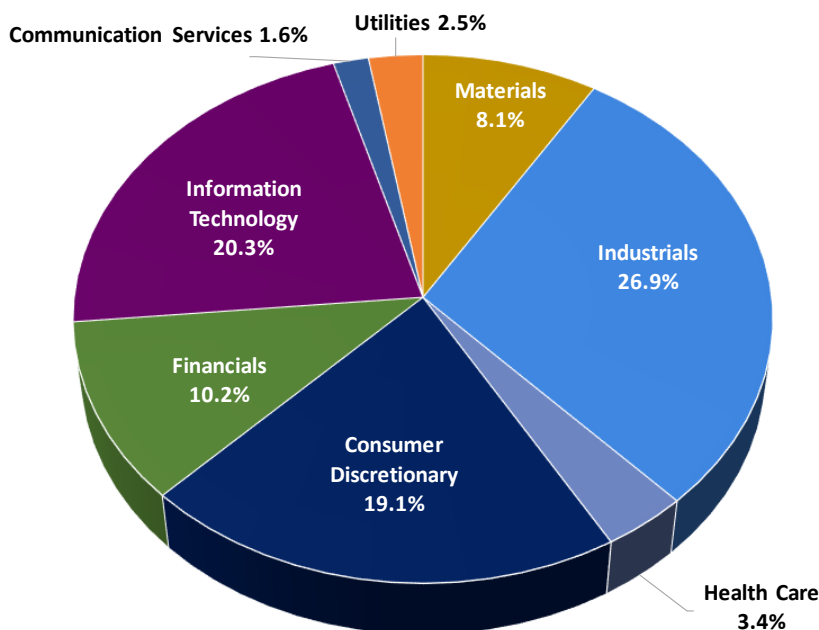
This approach results in “smarter portfolios” - higher risk adjusted excess returns for our investors.

**Benchmark(s):** MSCI All Country Asia SMID Index

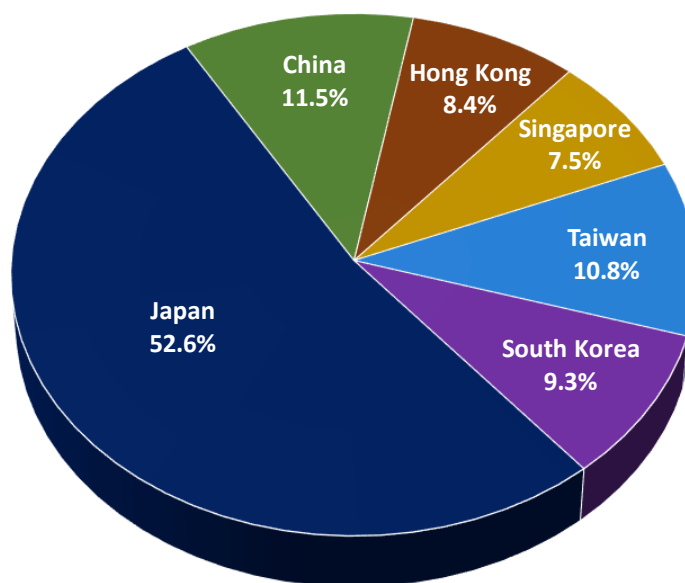
**Investment Objective:** Outperform the Benchmark by 3-5% pa over rolling 5 year time periods.

**Portfolio Manager(s):** Robert Swift, Kevin Smith, Roger McIntosh

### SECTOR ALLOCATION



### COUNTRY ALLOCATION



### TEN LARGEST HOLDINGS

Company Name	Country	Portfolio
China Water Affairs Group	China	2.5%
Sojitz Corp	Japan	2.2%
Simplo Technology Co Ltd	Taiwan	2.2%
Senko Group Holdings Co.	Japan	2.1%
Xinyi Glass Holdings Ltd	Hong Kong	2.1%
SITC Int'l Holdings Co Ltd	Hong Kong	2.0%
TS Tech Co Ltd	Japan	2.0%
Japan Aviation Electronics	Japan	1.8%
Kamigumi Co Ltd	Japan	1.8%
Aozora Bank Ltd	Japan	1.8%
<b>TOTAL</b>		<b>20.5%</b>

Important note: The Asia Small Companies strategy is offered through the Asia Small Companies class of the Tamim Fund. <https://www.tamim.com.au/asiasmallcompanies.html>

This report provides general information only and does not take into account the investment objectives, financial circumstances or needs of any person. To the maximum extent permitted by law, API Capital Advisory Pty Ltd, its directors and employees accept no liability for any loss or damage incurred as a result of any action taken or not taken on the basis of the information contained in the report or any omissions or errors within it. It is advisable that you obtain professional independent financial, legal and taxation advice before making any financial investment decision. API Capital Advisory Pty Ltd does not guarantee the repayment of capital, the payment of income, or the performance of its investments. API Capital Advisory Pty Ltd AFSL 329133.