ASTRAL VALUE FUND

PERFORMANCE COMPARISON

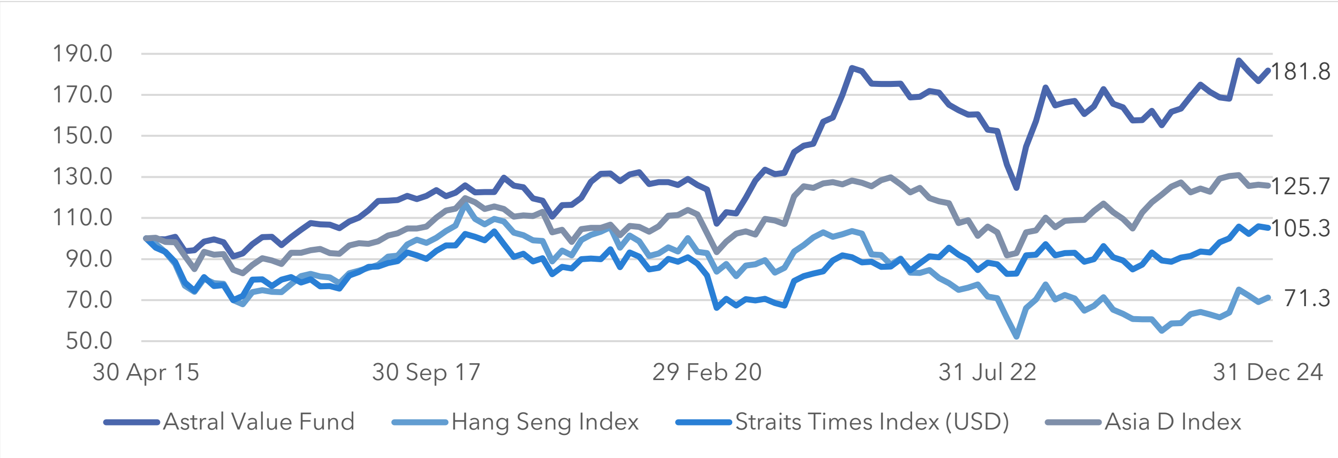
	Astral Value Fund*	BBG Asia Index***	Hang Seng Index	Straits Times Index (USD**)
2024	12.1%	6.8%	17.7%	13.0%
2023	3.2%	13.2%	-13.8%	1.1%
2022	-7.0%	-16.6%	-15.5%	4.8%
2021	16.5%	-0.6%	-14.1%	7.7%
2020	12.5%	10.1%	-3.4%	-10.2%
2019	10.9%	15.9%	9.1%	6.3%
2018	-4.9%	-14.1%	-13.6%	-11.6%
2017	16.5%	23.6%	36.0%	27.9%
2016	7.0%	0.1%	0.4%	-2.3%
May-Dec 2015	-1.8%	-7.5%	-22.1%	-22.6%
Return since Inception	81.8%	25.7%	-28.7%	5.3%
Outperformance		110.5%	76.5%	56.1%
Annualised Return (Compounded)	6.4%	-3.4%	0.5%	2.4%

*Returns are net of fees.

**STI Index was rebased using month-end exchange rate.

*** Bloomberg Asia Developed Markets Large and Mid-Cap Price Return Index

US$100 INVESTED INTO OUR FUND VS THE INDICES



Note: Our fund is only open to “accredited investors” as defined by the Monetary Authority of Singapore

2024 NEWSLETTER

Dear Partners,

The Astral Value Fund's NAV increased 12.1% in 2024, bringing our total return since inception in May 2015 to 81.8%. This translates to an annual compounded return of 6.4%.

Our investment approach focuses on delivering positive absolute returns, with relevant benchmarks and volatility serving as our guiding metrics. We aim to outperform Asian indices over a 3-year horizon, recognizing that our active management fees must justify returns above those of low-cost index funds and ETFs.

Due to licensing restrictions, we have changed our previous Asian benchmark to the Bloomberg Asia Developed Large and Mid-Cap Equities (ASIAD) index. Back testing has shown that ASIAD returns are similar to, if not better than, our previous benchmark. We are pleased to report that we have outperformed the ASIAD index in 2024. Our investments are currently concentrated in Hong Kong and Southeast Asia, which is why we also track the Hang Seng and Straits Times Index for reference. This year, we have roughly kept pace with the recovery of these indices.

Volatility is the other key metric we strive to minimize. While equities can be rewarding in the long term, they are inherently volatile, with drawdowns exceeding 50% being not uncommon. To mitigate this risk, we aim to keep our fund's downside volatility lower than the market's. We are pleased to report that we have achieved this goal in 2024.

Over the last 9.5 years, we have delivered returns of more than 80% to our investors. Considering that we were heavily invested in the Hong Kong market, which was down -28% over the same period, we believe our outperformance is significant.

As sentiment becomes more positive in Greater China markets, we are optimistic about our portfolio's prospects in the coming years.

Our View of the World Now

US Trade War 2.0

Donald Trump's 2024 election win is expected to significantly impact trade, particularly with China. As the world's two largest economies, their relationship will have far-reaching implications globally. Since Trump's first election in 2016 and Biden's subsequent term, the US has made it clear that it aims to contain China's rise. Consequently, China would have faced a US, determined to maintain its global hegemony, regardless of the election outcome.

However, we believe investors should focus on potential surprises. One common mistake is extrapolating from past experiences. In this case, assuming Trump's first term (2016-2020) is a reliable indicator of future trade policies would be overly simplistic. This approach ignores changing circumstances and actors' actions. Given Trump's disciplined election campaign, it is likely that he will adopt a more systematic approach in "Trade War 2.0."

To go beyond Level 1 thinking, we need to consider potential moves and countermeasures. For instance, Chinese companies might attempt to evade US scrutiny by shifting production offshore, only to face US taxes on overseas companies with Chinese origins. Vietnam and Mexico are especially vulnerable to tariffs. In late November, Trump threatened to impose an additional 10% tariffs on goods from China and 25% tariffs on all products from Mexico and Canada. Clearly all countries, have reason to fear. The highest tariff bracket on US imports from China currently stands at 25%, but most analysts predict Trump will increase it to 40%. Although this is lower than his initial campaign pledge of 60%, it's consistent with his negotiating style of starting with tough demands before making concessions. Interestingly, a rise from 125% to 140% actually translates to a 12% increase. What's more, if Trump imposes a 20% tariff on Mexico or Vietnam, the percentage of new tariffs on allies and other countries might surpass those slapped on China.

Rather than focusing on tariffs, which are uncertain, we anticipate increased costs for importing US goods and services, leading to inflation. Supply chain disruptions and higher logistics costs will exacerbate this issue as businesses reroute their products to avoid tariffs. As a result, interest rates will remain high for longer. The Fed has already demonstrated caution in cutting rates next year due to anticipated inflation driven by tariffs. Given the efforts to curb inflation, the Fed will likely remain vigilant to prevent inflation from rising again.

China Internal problems

Deflation has taken hold in China, driven primarily by weak domestic demand and a housing slump. The country's post-pandemic economic rebound has been weaker than expected, hindered by low consumer confidence and a severe housing market downturn. Companies have slashed prices to stimulate demand, but Chinese consumers, increasingly worried about their future, are reluctant to spend.

Structural factors, such as an ageing population, overcapacity, and rising labour costs, coupled with stricter environmental policies, have compounded the slowdown. Initially, China attempted to export its way out of deflation, with companies like BYD, Cha Gee, and Shein, expanding globally. However, this rapid expansion has sparked protectionism worldwide, particularly in the EU.

The EU has targeted China's electric vehicle (EV) industry, where Chinese companies like BYD have gained significant inroads. Local champions like BMW and Mercedes are now playing catch-up and closing factories manufacturing internal combustion cars. BYD has surpassed Tesla in EV shipments last year and, just this year, has surpassed Tesla in terms of revenue. BYD is on track to ship more cars than Ford, in 2024. In response, European automakers have begun to impose tariffs on Chinese-made cars.

Given the internal deflation and potential weakening of external trade due to tariffs, the Chinese government has implemented stimulus measures, including cutting bank-reserve requirements and lowering interest rates. However, these actions have been piecemeal, and more comprehensive policy action would be needed to address underlying structural issues.

The September 2024 rally was sparked by the government's shift in tone to support the economy. However, follow-up actions were lacking, and analysts' expectations, shaped by the 2008 stimulus package, were disappointed. A more concrete fiscal policy is expected to be announced in 2025, as the government has decided to delay major measures until after Trump's inauguration, in anticipation of potential tariff increases.

Ultimately, we believe stimulus will be forthcoming, although likely on a smaller scale than in 2008. This should be sufficient to reignite the economy and set the stage for a modest recovery in the Chinese economy.

Portfolio Valuation

On an annual basis we report the basic valuation metrics of our portfolio so that our investors can compare our portfolio valuation over time. Read on more in our portfolio snippets below.

Date	P/B	EV/EBITDA
31 Dec 24	0.64	3.9x
31 Dec 23	0.61x	3.6x
31 Dec 22	0.61x	4.3x
31 Dec 21	0.68x	4.1x
31 Dec 20	0.68x	6.6x
31 Dec 19	0.88x	5.9x
31 Dec 18	0.56x	4.3x
31 Dec 17	1.12x	6.6x
31 Dec 16	1.08x	6.6x
31 Dec 15	0.88x	7.3x

Portfolio Snippets

In the following section, we will illustrate our investment process by sharing selected past and present investments. Please note that this is not intended as investment advice. Our goal is to provide a yearly showcase of a new investment idea, while also offering updates on previously discussed concepts, highlighting their progress and evolution.

Delfi

We maintained our position in Delfi, despite the stock's underperformance. While our fund rose 12% this year, Delfi's share price declined 30%. Two primary factors contributed to this decline. Firstly, the cost of cocoa, a key raw material, has tripled over the past two years, squeezing the company's margins. Secondly, weak demand in its end markets has led to a sharp slowdown in growth.

However, we still believe in Delfi's scarcity value and the attractiveness of the chocolate consumer market, as evidenced by Mondelez's recent bid for Hershey. We intend to continue holding the stock, but may consider rotating into stocks with more favourable risk-reward profiles due to the uncertainty surrounding Delfi's recovery timeline.

China Telcos

The telco sector continued its upward trend this year, albeit at a slower pace. We took advantage of this momentum to rebalance our portfolio, selling our entire stake in China Telecom and reallocating the proceeds to more undervalued opportunities. We are also in the process of gradually exiting our position in China Mobile, despite still seeing inherent value in the stock. However, we believe that other beaten-down stocks in the sector offer more compelling value propositions.

Sino Land 83 HK

Sino Land was another portfolio laggard, with its stock price declining 7-8% this year. However, including dividend payments, the position was roughly flat for the year. Operationally, the company experienced a slowdown in its Hong Kong retail operations, but otherwise saw improvements in development sales and hospitality. We are now putting Sino Land on hold, as we have identified a potential catalyst with another property conglomerate that could unlock significant value, making it a more attractive opportunity.

Modern Dental 3600 HK

Modern Dental operates a global network of dental laboratories, manufacturing crowns and bridges for dentists worldwide. With leading market shares in Europe, the US, and Asia, the company's competitive moat lies in its established relationships with dentists.

These relationships are crucial, as dentists typically rely on trusted distributors and laboratories for products and services. Breaking into this network is challenging, making it difficult for new companies to gain traction. This forms a strong barrier to entry for any new aspirants.

Modern Dental is poised for mid-single-digit organic growth annually, driven by price adjustments and expanding customer bases. Digitalization will further accelerate growth, as the shift from physical moulds to digital images from oral scanners optimizes workflows. Hence, we expect strong growth in revenue, margins, and earnings over the next few years.

Despite market concerns that digitalization could lead to in-clinic production of dental implants, we believe this is unlikely due to the complexity of production and minimal cost savings. With a price-to-earnings ratio below 10x, we believe that the company is significantly under-valued relative to its moat and strong growth profile.

Appreciation

We would like to extend our sincerest gratitude to our valued partners for their unwavering support. Your confidence in our vision has been instrumental in driving our progress.

As we mark the completion of nine full calendar years of investing in Asian markets, we reflect on a journey that has had its share of challenges. Nevertheless, we are filled with confidence about the future, knowing that we have the expertise and resilience to achieve our targets.

"In tennis, as in life, you will lose points, matches, and even entire seasons. The key is to not let these speedbumps bring you down. Accept and learn from your losses and look forward. It's natural when you're down, to doubt yourself and to feel sorry for yourself… But negative energy is wasted energy.

You want to become a master at overcoming hard moments. That is, to me, the sign of a champion.

The best in the world are not the best because they win every point. It's because they know they lose again and again and have learned how to deal with it. You accept it, cry it out if you need to, and then force a smile. You move on.

Be relentless. Adapt and grow. Work harder. Work smarter."

- *Roger Federer*

Even in the most adverse market conditions, we have delivered mid-single-digit returns over the last nine years. This gives us tremendous excitement about the prospects of outperforming when markets turn favourable.

Sincerely

Lee Kian Soon & Sean Mah

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FUND INFORMATION		
Fund Name	Astral Value Fund VCC	
Bloomberg Ticker	ASTRALV SP Equity	
Base Currency	USD	
Subscription Currency	USD/SGD	
Fund Manager	Astral Asset Management	
Jurisdiction (Fund and Manager)	Singapore	
Share Class	A (USD/SGD)	B (USD/SGD)
Subscription Charge	Waived	1%
Management Fee	1.2% p.a.	1.5% p.a.
Performance Fee	12%	15%
Early Redemption Charge	5% in Year 1, 3% in Year 2, 1% in Year 3	5% in Year 1, 3% in Year 2, 1% in Year 3
Redemption Charge	1%	
High Watermark	Yes	
Fund Administrator	Ascent Fund Services (Singapore) Pte Ltd	
Fund Custodian	DBS Bank Ltd.	
Legal Counsel	Rajah and Tann Singapore LLP	
Fund Auditor	Deloitte and Touche LLP (Singapore)	

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