Value Partners Classic Equity Fund

A UCITS-Compliant Fund [1]

NAV per unit : USD Class - USD16.44
Fund size : USD119.4 million

Value Partners
Investing through discipline

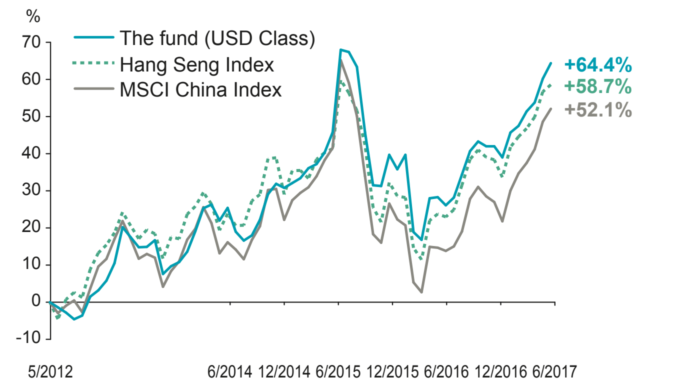
30 June 2017

- Value Partners Classic Equity Fund (The "Fund") primarily invests in equity and equity-related securities listed on stock exchanges in markets in the Asia Pacific Region.
- Investment in Asia Pacific region may be subject to higher risk than developed markets and hence subject to certain risks such as political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund is also subject to concentration risk due to its concentration in Asia-Pacific region. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.
- The Fund may also invest in derivatives which can involve material risks, e.g. counterparty default risk, insolvency or liquidity risk, and may expose the Fund to significant losses.
- You should not make investment decision on the basis of this material alone. Please read the prospectus for details and risk factors.
- The Fund is not authorised by the Securities and Futures Commission ("SFC") in Hong Kong and its shares are not available to the general public in Hong Kong.

Investment objective

Value Partners Classic Equity Fund (the "Fund") aims to achieve long-term capital growth primarily through investment in equity and equity related securities listed on stock exchanges within the Asia Pacific region.

Performance since launch [2]



Performance update [2]

	The Fund (USD Class)	Hang Seng Index	MSCI China Index	The Fund USD Class Z
One month	+2.6%	+1.2%	+2.3%	+2.6%
Three months	+8.6%	+8.0%	+10.6%	+8.6%
Six months	+18.3%	+18.7%	+24.9%	+18.8%
One year	+28.2%	+27.0%	+32.2%	+26.4%
Since launch	+64.4%	+58.7%	+52.1%	+32.1%

Single year performance (5 years ending Jun)

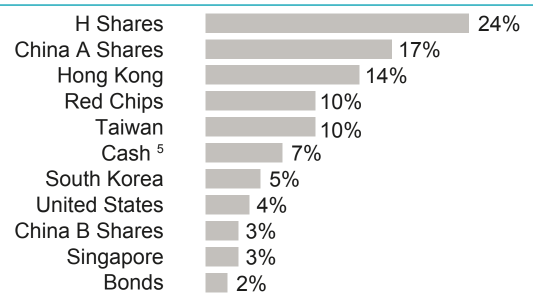
	Jul 2018 - Jun 2019	Jul 2017 - Jun 2018	Jul 2016 - Jun 2017	Jul 2015 - Jun 2016	Jul 2014 - Jun 2015
USD Unhedged	N/A	N/A	+28.2%	-21.5%	+33.7%
USD Unhedged Class Z	N/A	N/A	+26.4%	-20.4%	+35.8%
CHF Hedged	N/A	N/A	+23.4%	-22.6%	+33.3%
EUR Hedged	N/A	N/A	+23.8%	-22.5%	+34.5%
GBP Hedged	N/A	N/A	+25.0%	-21.9%	+34.3%
GBP Unhedged	N/A	N/A	+28.7%	-9.4%	+44.2%

Top 10 securities holdings

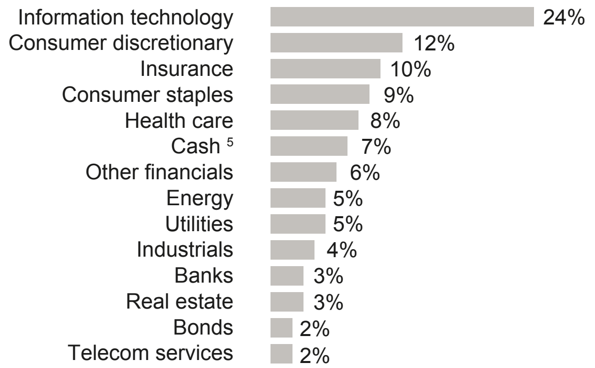
Name	Industry [3]	%
Alibaba Group Holding Ltd	Software & services	4.3
Taiwan Semiconductor Manufacturing Co Ltd	Semiconductors & semiconductor equipment	4.3
Ping An Insurance Group Co of China Ltd	Insurance	3.9
Tencent Holdings Ltd	Software & services	3.9
Samsung Electronics Co Ltd	Technology, hardware & equipment	3.4
Techtronic Industries Co Ltd	Consumer durables & apparel	3.4
Largan Precision Co Ltd	Technology, hardware & equipment	3.2
PetroChina Co Ltd	Energy	3.0
SIIC Environment Holdings Ltd	Utilities	3.0
Shenzhen International Holdings Ltd	Transportation	2.6

These stocks constitute 35% of the fund.

Geographical exposure by listing [4]



Sector exposure [3, 4]



The Fund (USD Class) – Monthly performance from 14 May 2012 to 30 Jun 2017 [2]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2012	N/A	N/A	N/A	N/A	-1.4%	-1.4%	-1.9%	+1.0%	+5.3%	+1.7%	+2.5%	+4.4%	+10.5% [6]
2013	+8.8%	-2.2%	-2.3%	+0.1%	+1.6%	-7.8%	+2.0%	+1.0%	+2.5%	+4.8%	+5.2%	+0.8%	+14.3%
2014	-3.4%	+2.8%	-5.1%	-2.0%	+1.2%	+3.6%	+5.6%	+2.2%	-0.8%	+1.0%	+1.0%	+2.0%	+7.8%
2015	+0.8%	+2.3%	+3.9%	+15.2%	-0.4%	-2.4%	-10.8%	-9.8%	-0.2%	+6.4%	-2.8%	+2.9%	+2.6%
2016	-14.9%	-1.8%	+9.6%	+0.2%	-1.7%	+1.7%	+4.8%	+4.7%	+1.8%	-0.9%	+0.0%	-2.1%	-0.5%
2017 (YTD)	+4.8%	+1.2%	+2.6%	+1.6%	+4.2%	+2.6%							+18.3%

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Portfolio characteristics

As at 30 Jun 2017	2017 [7]
Price/earnings ratio	14.0 times
Price/book ratio	1.7 times
Dividend yield	2.5%

NAVs & codes

Classes [8]	NAV	ISIN	Bloomberg
USD Unhedged	16.44	IE00B7SWNS53	VAGCUUH ID
USD Unhedged Class Z	13.21	IE00B96RCG78	VAGCUSZ ID
CHF Hedged	13.33	IE00B7SWPT01	VAGCCHG ID
EUR Hedged	13.56	IE00B7FRZP47	VAGCEHG ID
GBP Hedged	14.04	IE00B7JVL981	VAGCSHG ID
GBP Unhedged	16.80	IE00B7SXC250	VAGCSUH ID

Fund facts

Manager:	Value Partners Hong Kong Limited
Base currency:	USD
Launch date:	USD Unhedged - 14 May 2012 EUR Unhedged - 20 May 2013 EUR/CHF Hedged - 5 Jun 2013 GBP Hedged - 10 Jun 2013 GBP Unhedged - 6 Aug 2013 USD Class Z - 22 Jan 2014
Dealing frequency:	Daily, Cutoff time 11:59am Irish time
Legal status:	Authorized by the Central Bank as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 [1]
Depositary:	HSBC Institutional Trust Services (Ireland) DAC
Reporting:	www.valuepartners-group.com and Financial Times

Fee structure

	USD Class	USD Class Z
Minimum subscription:	CHF10,000 [9]/ EUR10,000 [9]/ GBP10,000 [9] HKD80,000 [9]/ USD10,000	USD10,000,000
Initial subscription fee:	Up to 5% of the issue price	
Management fee:	1.25% p.a.	0.75% p.a.
Performance fee [10]:	15% on high watermark	
Redemption fee:	Currently nil	

Senior investment staff

Chairman & Co-Chief Investment Officer: Cheah Cheng Hye
Deputy Chairman & Co-Chief Investment Officer: Louis So
Deputy Chief Investment Officer: Renee Hung
Senior Investment Director: Norman Ho, CFA
Investment Directors: Gordon Ip, CFA; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers: Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Kai Mak

Recent corporate awards

Asset Management Awards 2016 [11]
Fund House of the Year – Hong Kong
~ AsianInvestor

Thomson Reuters Lipper Fund Awards 2016 [11]
Best Equity Group (Hong Kong)
~ Thomson Reuters

All fund information is as of 30 Jun 2017 unless stated otherwise. Source: HSBC Institutional Trust Services (Ireland) DAC and Bloomberg.

1. *Value Partners Classic Equity Fund is a sub-fund of Value Partners Ireland Fund Plc (the "Company"), an umbrella company with segregated liability between sub-funds authorized by the Central Bank of Ireland ("Central Bank") as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011. The Company is both authorized and supervised by the Central Bank. Authorization of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company. The authorization of the Company is not an endorsement or guarantee of the Company by the Central Bank.* **2.** *Performance data is in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. Hang Seng Index: Hang Seng Total Return Index includes dividend reinvestment whereas Hang Seng Price Return Index does not take into account reinvestment of dividends.* **3.** *Classification is based on Global Industry Classification Standard (GICS).* **4.** *Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%.* **5.** *Cash refers to net cash on hand excluding cash for collaterals and margins.* **6.** *Performance shown is calculated base on the fund's since launch return. The fund was launched on 14 May 2012.* **7.** *The profile is based on market consensus forecast as derived from S&P Capital IQ and Bloomberg. Harmonic mean methodology is applied to calculate the forecast P/E ratio and P/B ratio. Note that the manager's internal estimates may differ significantly from S&P Capital IQ and Bloomberg estimates.* **8.** *Transaction for currency hedging purposes may be carried out in respect of shares in the hedged class; for details on this and/or for a full list of available share classes, please refer to the prospectus and the relevant fund supplement.* **9.** *USD equivalent.* **10.** *Performance fee will only be charged if the NAV at the end of the financial year or upon realization of units exceeds the "high watermark", which is the all-time year-end high of the fund's NAV. If in any one year, the fund suffers a loss, no performance fee can be charged in subsequent years until the loss is recovered fully (the high-on-high principle).* **11.** *The award reflecting performance as at December 2015.*

Value Partners
Investing through discipline

Value Partners Classic Equity Fund (A UCITS-Compliant Fund*)
Commentary / Second Quarter 2017

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- **The Fund is also subject to concentration risk due to its concentration in Asia-Pacific region. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.**
- **The Fund may also invest in derivatives which can involve material risks, e.g. counterparty default risk, insolvency or liquidity risk, and may expose the Fund to significant losses.**
- **You should not make investment decision on the basis of this material alone. Please read the prospectus for details and risk factors.**
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China buoyed by signs of stabilising growth

Hong Kong and China (H shares) markets extended their solid performance in the second quarter underpinned by strong corporate earnings results and robust macro data. During the period, the MSCI China Index was up 10.6%; year-to-date, it has returned 24.9%, which is the best first-six-month performance since 2009.

A series of encouraging macro data signalled further stabilization in China's economy. The official manufacturing Purchasing Managers' Index stayed in expansionary territory in June for the 11th consecutive month while export surprised on the upside on the back of global trade recovery, rising 8.7% in May in USD terms. Meanwhile, China's retail sales grew 10.7% from a year earlier in May, reflecting the continuous progress in China's shift towards a consumption-driven economy.

Robust fundamentals in the first half of 2017 highlighted the strength in China's economy, providing a window of opportunity for the policy makers to tackle deep-seated structural issues. In fact, such structural issues, including climbing debt levels and shadow banking, were cited as major reasons in Moody's downgrade of China and Hong Kong's sovereign credit ratings in late May. In light of the government's policy bias tilts towards tightening to rein in leverage and financial risks, we expect a modest moderation in growth later this year. However, we believe that a sharp deceleration in growth is unlikely given a managed pace of tightening and the government's policy priority to maintain growth at 6.5% this year.

Earnings and southbound flow as catalysts

The Hong Kong and China markets turned in a strong rally year-to-date on the back of recovering corporate earnings results. The recovery trend in earnings is evident – as compared to an earning contraction of 13% in the fourth quarter of 2016, earnings growth of MSCI China Index companies picked up to 7% year-on-year during the first quarter of 2017[1]. Meanwhile, with recovering profitability and margin expansion, consensus earnings-per-share (EPS) growth of the MSCI China Index[2] is estimated to reach 15% for the whole year of 2017, providing impetus for market performance during the year.

From the perspective of capital flow, southbound investment's share in the daily turnover of Hong Kong's stockmarket has been increasing steadily since the fourth quarter last year. Now southbound turnover has exceeded 10% of the average daily turnover in Hong Kong. With increasing demand for overseas asset allocation from China's insurance companies, social security funds and mutual funds, southbound capitals are expected to play a larger role in Hong Kong's stockmarket going forward. Over the long haul, this will not only benefit H-share investors as China continues to open up its capital market, but the heightened liquidity will also reinforce Hong Kong's position as an Asian financial centre.

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Portfolio strategy review

Value Partners Classic Equity Fund ("the Fund") rose 8.6% in the second quarter. For reference, the Hang Seng Index and MSCI China Index gained 8.0% and 10.6% (in USD), respectively, in the same period.

During the quarter, our portfolio remained fully invested and our key holdings in technology and real estate led portfolio performance. Within the technology sector, our core holdings in the largest Chinese social network company further beat market estimates in its first-quarter 2017 earnings results. Its share price gapped up post earnings announcement in May driven by better-than-expected revenue growth, which was up 67% year-on-year. We have taken profit on the majority of our holdings in this company after its share price surged over 200% during the holding period. In the property space, which continued to see tightening measures, the share price of our core holdings in a Shenzhen-based leading developer performed strongly, as supported by its solid sales (up 41% year-on-year in 2016) and land bank quality. In our A-share market exposure, our holding in a leading Chinese white liquor company was also a key performance contributor. The share price of the company was boosted by private consumption recovery, restocking cycle as well as expectation on price appreciation of its high end products. During the quarter, we have increased the weighting in financials given improvements in fundamentals within selective insurers and banks, which have also contributed positively to the portfolio.

On the flip side, our holdings in the energy and utilities sectors were major detractors in the second quarter. As oil prices retreated during the quarter, our energy holding dragged performance amid concerns on its earnings recovery. Within the utilities sector, our holdings in the renewable energy space also detracted as wind volume growth and utilization slowed on a year-on-year basis, mainly due to weaker power generation in the Southern provinces. We maintain our exposures as their valuations are attractive and renewable energy companies are expected to be supported by government policies, which is in line with China's commitment to the Paris Accord on climate change.

Outlook

Looking forward to the second half of the year, we remain constructive in Chinese equities despite the strong market performance in the first half and the possibility that economic data may soften after rounds of solid growth data since the start of the year. With that said, bottom-up stock selection is crucial to identify value companies with sustainable earnings. Among various sectors, we favour companies that will benefit from the consumption upgrade momentum in China, such as consumer discretionary and technology leaders. In light of the global growth recovery, we also favour quality exporters which exhibit solid market shares and margin expansion. Although the 12-month forward price-to-earnings (P/E) ratio of the MSCI China Index has normalized to 13.2 times (above 10-year average of 12.1 times), it is still trading at an attractive level relative to most emerging and developed markets.

In an environment of growth moderation, we believe a bottom-up approach to stock selection and our strict adherence to time-tested value-investing principles will be the key to spot quality companies. As always, we will reinvest our profits back into our infrastructure and uncover value opportunities for our investors.

1. *Source: Bloomberg, CICC Research, Factset, MSCI. Data as of May 2017.*
2. *Source: Bloomberg, Deutsche Bank Research. Data as of May 2017.*

Value Partners Investment Team
14 June 2017

Value Partners Classic Equity Fund (the "Fund", formerly known as Value Partners Absolute Greater China Classic Fund) is a sub-fund of Value Partners Ireland Fund plc (the "Company") which is authorized and supervised by the Central Bank of Ireland ("Central Bank"). Authorization of the Company by the Central Bank shall not constitute a warranty as to the performance of the Company and the Central Bank shall not be liable for the performance or default of the Company. The authorization of the Company is not an endorsement or guarantee of the Company by the Central Bank.

Fund performance mentioned is referred to Value Partners Classic Equity Fund. All performance figures are sourced from HSBC Institutional Trust Services (Ireland) Limited and Bloomberg (Data computed in US$ terms on NAV-to-NAV basis with dividends reinvested) as at 30 June 2017. Performance data is net of all fees. Individual stock performance is not indicative of fund performance.

The views expressed are the views of Value Partners Hong Kong Limited only and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Investors should note that the Fund is not a guaranteed fund. Value of investment in the Fund can go down as well as up and return upon such investment will therefore necessarily be variable. Neither past experience nor the current situation are necessarily accurate guides to the future. Past performance may not be a reliable guide to future performance. Changes in exchange rates may have an adverse effect on the value price or income of the Fund. Investors should also be aware that the Fund may be subject to sudden and large falls in value, in which case investors could lose the total value of their initial investment. Investors should refer to the Prospectus, relevant Supplement and Key Investor Information Document of the Fund for further details and the risk factors in particular those involved in investing in emerging markets prior to the subscription of the shares of the Fund.

Neither the Company nor the Fund is authorized by the Hong Kong Securities and Futures Commission ("SFC") and therefore shares of the Fund are not available to retail investors in Hong Kong. This document has not been reviewed by the SFC. Issuer: Value Partners Hong Kong Limited.

Value Partners Classic Equity Fund: 5 biggest holdings of securities as at 30 June 2017

Stock	Industry	Valuation (2017 Estimates)	Remarks
Alibaba Group (Code: BABA US) Market cap: US$360.9 billion	Internet	Price: USD140.90 P/E: 34.0x P/B: 7.2x Yield: 0%	Alibaba, founded by Jack Ma in 1999 in China, is one of the world's largest e-commerce company. Alibaba's online marketplace - "Taobao" - contributes the vast majority of the company's revenue and is likely to continue delivering solid growth in view of its monopoly position and the trend of merchants shifting marketing budgets online from offline. Meanwhile, the company's cloud computing company ("AliCloud") and fintech business ("Ant Financial") are underpinning future growth potential. Ant Financial, 33% owned by Alibaba, is a critical component to Alibaba's fintech blockchain. Looking forward, re-rating of Alibaba's stock is possible with 1) improved disclosure on solid operational matrix; 2) solid quarterly earnings which could ease concerns on macro slowdown; 3) spin-off of high value assets (e.g. AliCloud and Ant Financial) to unlock hidden values.
Ping An Insurance (Code: 2318 HK) Market cap: US$128.5 billion	Insurance	Price: HKD51.45 P/E: 11.9x P/EV*: 1.1x Yield: 1.7%	Ping An Insurance ("Ping An") is a leading provider of insurance service in China. It is one of the first Chinese non-state-owned financial conglomerates that provide insurance (both life and non-life), banking, securities, trust and asset management services to customers in the country. In the current tough operating environment, Ping An is well-positioned amongst peers given its superior agency force and multi-product platform.
Taiwan Semiconductor Manufacturing (Code: 2330 TT) Market cap: US$178.0 billion	Semiconductors and semiconductor equipment	Price: TWD208.50 P/E: 15.5x P/B: 3.5x Yield: 3.5%	Taiwan Semiconductor Manufacturing is a world-class independent semiconductor foundry. It provides integrated circuit ("IC") design houses with integrated services for process design, wafer manufacturing and testing. As a global leader with more than 50% share of the outsourcing market, the company has consistently outperformed competitors in terms of technology and profitability. We think the company is well-positioned to continue to benefit from the growing IC manufacturing outsourcing market and the rising demand for the internet of things trend, AI chips and new application areas.

Stock	**Industry**	**Valuation (2017 Estimates)**	**Remarks**
Techtronic Industries (Code: 669 HK) Market cap: US$8.4 billion	Home-improvement products	Price: HKD35.90 P/E: 17.5x P/B: 3.1x Yield: 1.7%	Techtronic Industries ("TTI") is a global leader in designing, manufacturing and selling home-improvement products, including power tools, outdoor power equipment and floor-care appliances. TTI benefits from strong US housing market and Home Depot sales, its innovative cordless and smart power tool products helped market share gain as well as margins expansion. Floor-care business turning around shall continuously underpin the earnings growth sustainability.
Tencent Holdings (Code: 700 HK) Market cap: US$339.0 billion	Internet	Price: HKD279.20 P/E: 37.6x P/B: 9.7x Yield: 0.3%	Tencent is a leading provider of online games, premium messaging services, internet value added services, and advertising and ecommerce services in China. As at end of the first quarter 2017, the number of Tencent's Weixin and WeChat monthly active user reached 938 million, representing a year-on-year growth of 23%. Leveraging its large active user base, it offers good long-term monetization potential.

*EV = Embedded value

Note: The above investments made up 19.8% of Value Partners Classic Equity Fund as at 30 June 2017. The stock prices are based on the closing of 30 June 2017.

Individual stock performance/yield is not necessarily indicative of overall fund performance.