

# China Convergence Fund

## A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD168.71

Fund size : USD299.1 million



Morningstar Rating™<sup>1</sup>  
As at 31-08-2017

31 August 2017

- China Convergence Fund (The "Fund") primarily invests in A and B shares listed on the stock exchanges of Shanghai and Shenzhen as well as in H shares listed in Hong Kong.
- The Fund invests in China and therefore is subject to emerging market risks. Generally, investments in emerging markets are more volatile than investments in developed markets due to additional risks relating to political, social, economic and regulatory uncertainty.
- The Fund is also subject to concentration risk due to its concentration in China-related companies. Adverse development in such region may affect the value of the underlying securities in which the Fund invests.
- The Fund may directly invest in A Shares and other eligible securities through the qualified foreign institutional investors ("QFII") quota. Investors will be subject to certain risks including repatriation risk, custodial risk, regulatory risk. In addition, the QFII policy and rules are subject to change. All these may adversely impact the Fund.
- 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 explanatory memorandum for details and risk factors.

### Investment objective

The fund aims to provide unitholders with long-term capital appreciation by investing primarily in A and B shares listed on the stock exchanges of Shanghai and Shenzhen, as well as H shares listed in Hong Kong.

*Note: On inception, in Jul 2000, the fund's objective was to invest primarily in B shares. In Jul 2001, the mandate was extended to include H shares. In Mar 2005, the mandate was further extended to include China A shares.*

### Performance since launch <sup>2</sup>



### Performance update <sup>2</sup>

	Class A USD	MSCI China Index <sup>3</sup>
One month	+3.1%	+4.2%
Year-to-date	+26.4%	+41.7%
One year	+21.6%	+35.0%
Three years	+25.5%	+32.2%
Five years	+67.9%	+77.3%
Since launch	+1,587.1%	+260.6%
Annualized return <sup>^</sup>	+17.9%	+7.8%
Annualized volatility <sup>^</sup>	25.5%	26.5%

### NAVs & codes

Classes	NAV	ISIN	Bloomberg
Class A USD	168.71	KYG9317Q1047	VAPAICB KY
Class A AUD Hedged	11.13	KYG9317Q1385	VAPAAHD KY
Class A CAD Hedged	12.00	KYG9317Q1468	VAPACAH KY
Class A NZD Hedged	12.45	KYG9317Q1534	VAPANZH KY

### The fund – Class A USD: Monthly performance from 1 Jan 2009 to 31 Aug 2017 <sup>2</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009	-3.0%	-2.3%	+12.4%	+11.6%	+17.9%	+4.3%	+11.9%	-7.0%	+4.6%	+8.4%	+6.8%	+1.5%	+87.1%
2010	-6.1%	+2.4%	+6.2%	+2.3%	-4.8%	+1.6%	+3.9%	+1.6%	+10.8%	+4.5%	+1.2%	-2.6%	+21.3%
2011	-3.2%	-0.9%	+4.8%	+2.2%	-2.5%	-2.4%	+1.5%	-7.3%	-19.4%	+13.5%	-7.6%	-0.3%	-22.4%
2012	+7.6%	+6.6%	-5.5%	+1.0%	-8.4%	-3.8%	-3.5%	+0.6%	+5.8%	+2.7%	+0.1%	+7.4%	+9.3%
2013	+7.5%	-2.0%	-2.9%	-0.6%	+2.7%	-9.9%	+3.5%	+1.8%	+2.2%	+3.9%	+5.6%	-1.8%	+9.2%
2014	-5.6%	+1.0%	-3.6%	-1.0%	+1.2%	+3.4%	+8.8%	+1.3%	-1.2%	+3.2%	+1.6%	+5.4%	+14.6%
2015	+1.8%	+1.3%	+6.7%	+19.8%	+1.7%	-8.1%	-12.6%	-12.5%	+1.5%	+5.5%	-3.8%	+2.4%	-0.5%
2016	-16.6%	-0.9%	+8.5%	-2.1%	-2.5%	-1.1%	+4.8%	+6.7%	+0.4%	-1.8%	+1.1%	-3.5%	-8.7%
2017 (YTD)	+5.9%	+2.3%	+3.8%	+0.3%	+2.9%	+3.7%	+1.8%	+3.1%					+26.4%

<sup>^</sup> Annualized return and volatility are calculated from inception on 14 Jul 2000. Volatility is a measure of the theoretical risk in terms of standard deviation; in general, the lower the number, the less risky the investment, and vice versa.



## Top 10 securities holdings

Name	Industry <sup>4</sup>	%
Alibaba Group Holding Ltd	Software & services	6.9
Tencent Holdings Ltd	Software & services	5.3
PetroChina Co Ltd	Energy	4.3
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	4.2
Bank of China Ltd	Banks	4.0
Ping An Insurance (Group) Co of China Ltd	Insurance	4.0
Midea Group Co Ltd	Consumer durables & apparel	3.9
Taiwan Semiconductor Manufacturing Co Ltd	Semiconductors & semiconductor equipment	3.6
China South Publishing and Media Group Co Ltd	Media	3.4
Largan Precision Co Ltd	Technology, hardware & equipment	3.4

These stocks constitute 43% of the fund.

## Portfolio characteristics

As at 31 Aug 2017	2017 <sup>5</sup>
Price/earnings ratio	12.9 times
Price/book ratio	1.5 times
Dividend yield	2.9%

## Geographical exposure by listing <sup>6</sup>

H Shares	37%
China A Shares	20%
Red Chips	12%
Hong Kong	9%
Taiwan	9%
United States	7%
China B Shares	4%
Cash <sup>7</sup>	1%
Others	1%

Short exposure includes: Hong Kong, -4.7%.

## Sector exposure <sup>4, 6</sup>

Consumer discretionary	22%
Information technology	20%
Banks	11%
Other financials	11%
Health care	10%
Energy	7%
Consumer staples	5%
Utilities	5%
Insurance	4%
Industrials	3%
Cash <sup>7</sup>	1%
Others	1%

Total short exposure is -4.7%.

Short exposure includes: Health care, -2.8%; Information technology, -1.1% and Banks, -0.8%.

## Fund facts

Manager:	Value Partners Limited
Base currency:	USD
Trustee:	Bank of Bermuda (Cayman) Limited
Custodian:	HSBC Institutional Trust Services (Asia) Limited
Launch date:	Class A USD - 14 Jul 2000 Class A AUD Hedged - 27 Oct 2015 Class A CAD Hedged - 7 Jan 2016 Class A NZD Hedged - 7 Jan 2016

Unit price is published daily in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.

## Fee structure

Minimum subscription	USD10,000 or equivalent
Minimum subsequent subscription	USD5,000 or equivalent
Subscription fee	Up to 5%
Management fee	1.25% p.a.
Performance fee <sup>8</sup>	15% of profit (High-on-high principle)
Redemption fee	Nil
Dealing day	Daily

## 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:** Chung Man Wing; 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 fund award



Fund of the Year Awards 2015 <sup>9</sup>  
**China Equity (Outstanding Achiever)**  
~ Benchmark Magazine

1. © 2017 Morningstar, Inc. All Rights Reserved. 2. Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, data as of 31 Aug 2017, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. 3. Starting from Jul 2009, the MSCI China Index will be used as the reference index for the entire history of the fund. Hang Seng H Shares Index, Shanghai Composite Index and Shenzhen Composite Index were no longer shown for comparison. The Index is for reference only. 4. Classification is based on Global Industry Classification Standard (GICS). 5. 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. 6. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 7. Cash refers to net cash on hand excluding cash for collaterals and margins. 8. 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). 9. Reflecting performance as at September 2015.

For Singapore investors: The Fund is registered as a restricted foreign scheme in Singapore and will only be distributed to (i) institutional investors and (ii) accredited investors and certain other persons in Singapore in accordance with section 304 and 305 of the Securities and Futures Act. Value Partners Asset Management Singapore Pte Ltd, Singapore Company Registration No. 200808225G

For Swiss Qualified Investors: The sales prospectus, the Articles of Association, the Key Investor Information Document as well as the annual and semi-annual reports of the Fund are available free of charge from the Representative. Both the place of performance and the place of jurisdiction for units/shares in the Fund offered or distributed in or from Switzerland shall be the seat of the Swiss representative.

Swiss Representative and Paying Agent: BNP PARIBAS SECURITIES SERVICES, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich.

Investors should note investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets. Information in this report has been obtained from sources believed to be reliable but Value Partners Limited does not guarantee the accuracy or completeness of the information provided by third parties. Investors should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. This report has not been reviewed by the Securities and Futures Commission. Issuer: Value Partners Limited.