

China Convergence Fund

A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD181.56

Fund size : USD245.8 million



★★★★★
Morningstar Rating™¹
As at 31-07-2018

July 2018

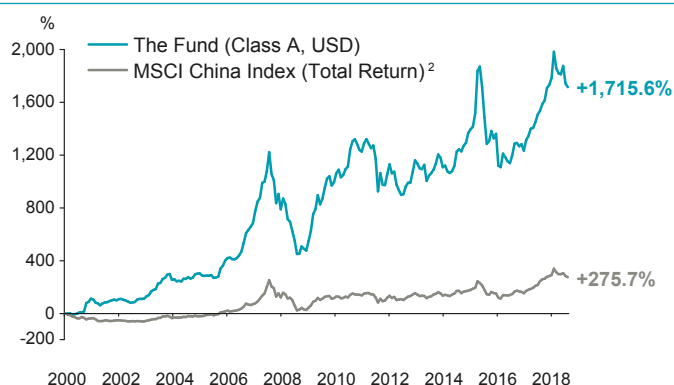
- China Convergence Fund (The "Fund") primarily invests in A and B shares listed on the stock exchanges of Shanghai and Shenzhen as well as in H shares listed in Hong Kong.
- The Fund invests in China and therefore is subject to emerging market risks. Generally, investments in emerging markets are more 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



Performance update

	Class A USD	MSCI China Index (Total Return) ²
One month	-1.5%	-2.5%
Year-to-date	-3.7%	-4.2%
One year	+10.9%	+8.6%
Three years	+14.6%	+34.2%
Five years	+58.8%	+65.9%
Since launch	+1,715.6%	+275.7%
Annualized return [^]	+17.4%	+7.6%
Annualized volatility [^]	25.1%	26.1%

NAVs & codes

Classes	NAV	ISIN	Bloomberg
Class A USD	181.56	KYG9317Q1047	VAPAIKB KY
Class A AUD Hedged	11.84	KYG9317Q1385	VAPAAHD KY
Class A CAD Hedged	12.71	KYG9317Q1468	VAPACAH KY
Class A NZD Hedged	13.40	KYG9317Q1534	VAPANZH KY

The Fund – Class A USD: Monthly performance from 1 Jan 2009 to 31 Jul 2018

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	+5.9%	+2.3%	+3.8%	+0.3%	+2.9%	+3.7%	+1.8%	+3.1%	+1.6%	+5.5%	+1.3%	+2.9%	+41.3%
2018 (YTD)	+10.5%	-6.0%	-2.0%	-0.4%	+3.3%	-6.7%	-1.5%						-3.7%

[^] 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 ³	%
Alibaba Group Holding Ltd	Software & services	8.9
Beijing Tong Ren Tang Chinese Medicine Co Ltd	Pharmaceuticals, biotechnology & life sciences	5.7
Tencent Holdings Ltd	Software & services	5.7
China Merchants Bank Co Ltd	Banks	5.5
Kweichow Moutai Co Ltd	Food, beverage & tobacco	5.5
Ping An Insurance (Group) Company of China Ltd	Insurance	5.3
Gree Electric Appliances Inc of Zhuhai	Consumer durables & apparel	4.8
PetroChina Co Ltd	Energy	4.4
Zhuzhou CRRC Times Electric Co Ltd	Capital goods	4.0
China Taiping Insurance Holdings Co Ltd	Insurance	3.7

These stocks constitute 54% of the Fund.

Portfolio characteristics

As at 31 Jul 2018	2018 ⁴
Price/earnings ratio	15.2 times
Price/book ratio	2.0 times
Portfolio yield	2.2%

Geographical exposure by listing ⁵

China A Shares	44%
H Shares	27%
United States	9%
Hong Kong	7%
Red Chips	7%
Taiwan	3%
China B Shares	2%
Cash ⁶	1%

Short exposure includes: Hong Kong, -8.1% and United States, -1.4%.

Sector exposure ^{3, 5}

Information technology	21%
Consumer staples	16%
Consumer discretionary	15%
Banks	13%
Industrials	10%
Insurance	9%
Health care	7%
Energy	6%
Other financials	2%
Cash ⁶	1%

Total short exposure is -9.5%.

Short exposure includes: Health care, -4.6%; Banks, -3.0% and Consumer discretionary, -1.9%.

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

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 ⁷	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: Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho;

Glenda Hsia; Philip Li, CFA; Luo Jing, CFA; Kai Mak; Yu Chen Jun

Recent fund award



Fund of the Year Awards 2015 ⁸
China Equity (Outstanding Achiever)
 ~ Benchmark Magazine

Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, data as at the last valuation date of the month as stated above, unless stated otherwise. Performance is calculated on NAV to NAV in base currency with dividend reinvested and net of fees. All indices are for reference only.

1. © 2018 Morningstar, Inc. All Rights Reserved. 2. MSCI China Index (Total Return) since fund inception to 31 Dec 2000, thereafter it is the MSCI China Index (Total Net Return) which takes into account of dividend reinvestment after deduction of withholding tax. MSCI index (Total Return) does not take into account of deduction of withholding tax. 3. Classification is based on Global Industry Classification Standard (GICS). 4. 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. 5. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 6. Cash refers to net cash on hand excluding cash for collaterals and margins. 7. 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). 8. Reflecting performance as at Sep 2015.

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.

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

This document has not been reviewed by the Securities and Futures Commission of Hong Kong. Issuer: Value Partners Limited.