

China Convergence Fund

A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD163.64

Fund size : USD204.5 million



★★★★★
Morningstar Rating™¹
As at 31-12-2018

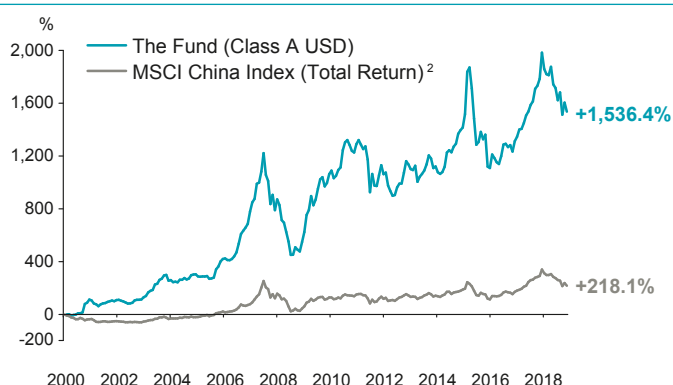
December 2018

- 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 achieve long-term capital appreciation by investing primarily in equity securities of China-related companies. This includes securities listed on a Mainland China stock exchange, the Hong Kong Stock Exchange and major stock exchanges in other jurisdictions. The investable universe covers, but is not limited to, A, B and H Shares as well as American Depositary Receipts.

Performance since launch



Performance update

| | Class A USD | MSCI China Index (Total Return) ² |
|------------------------------------|-------------|--|
| One month | -4.0% | -6.1% |
| Year-to-date | -13.2% | -18.9% |
| One year | -13.2% | -18.9% |
| Three years | +11.9% | +26.1% |
| Five years | +27.7% | +25.5% |
| Since launch | +1,536.4% | +218.1% |
| Annualized return [^] | +16.3% | +6.5% |
| Annualized volatility [^] | 25.1% | 26.1% |

NAVs & codes

| Classes | NAV | ISIN | Bloomberg |
|--------------------|--------|--------------|------------|
| Class A USD | 163.64 | KYG9317Q1047 | VAPAICB KY |
| Class A AUD Hedged | 10.63 | KYG9317Q1385 | VAPAAHD KY |
| Class A CAD Hedged | 11.39 | KYG9317Q1468 | VAPACAH KY |
| Class A NZD Hedged | 12.01 | KYG9317Q1534 | VAPANZH KY |

The Fund – Class A USD: Monthly performance from 1 Jan 2009 to 31 Dec 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 | +10.5% | -6.0% | -2.0% | -0.4% | +3.3% | -6.7% | -1.5% | -5.1% | +3.4% | -9.4% | +5.6% | -4.0% | -13.2% |

[^] Annualized return and volatility are calculated from inception. 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 | Retailing | 9.0 |
| Tencent Holdings Ltd | Media & entertainment | 5.9 |
| Beijing Tong Ren Tang Chinese Medicine Co Ltd | Pharmaceuticals, biotechnology & life sciences | 5.8 |
| PetroChina Co Ltd | Energy | 5.2 |
| Weifu High-technology Group Co Ltd | Automobiles & components | 4.2 |
| Innovent Biologics Inc | Pharmaceuticals, biotechnology & life sciences | 4.0 |
| China Resources Double Crane Pharmaceutical Co Ltd | Pharmaceuticals, biotechnology & life sciences | 3.9 |
| Xiamen Faratronic Co Ltd | Technology, hardware & equipment | 3.6 |
| China Resources Power Holdings Co Ltd | Utilities | 3.5 |
| Fujian Septwolves Industry Co Ltd | Consumer durables & apparel | 3.5 |

These stocks constitute 49% of the Fund.

Portfolio characteristics

| As at 31 Dec 2018 | 2019 ⁴ |
|----------------------|-------------------|
| Price/earnings ratio | 13.7 times |
| Price/book ratio | 1.6 times |
| Portfolio yield | 2.8% |

Geographical exposure by listing⁵

| | |
|-------------------|-----|
| China A Shares | 45% |
| Hong Kong | 16% |
| H Shares | 13% |
| United States | 11% |
| Red Chips | 8% |
| Cash ⁶ | 4% |
| China B Shares | 2% |
| Others | 1% |

Short exposure includes: H Shares, -4.3%, Hong Kong, -3.6%, Red Chips, -1.3% and United States, -0.4%.

Sector exposure^{3, 5}

| | |
|------------------------|-----|
| Consumer discretionary | 32% |
| Health care | 20% |
| Industrials | 16% |
| Communication services | 8% |
| Information technology | 6% |
| Energy | 5% |
| Banks | 4% |
| Cash ⁶ | 4% |
| Utilities | 4% |
| Consumer staples | 3% |
| Others | 1% |
| Materials | -3% |

Total short exposure is -9.6%.

Short exposure includes: Materials, -5.6%; Utilities, -1.6%; Consumer discretionary, -1.4% and Health care, -1.0%.

Fund facts

| | |
|----------------|--|
| Manager: | Value Partners Limited |
| Base currency: | USD |
| Trustee: | HSBC Trustee (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

Key awards



Offshore China Fund Awards 2018
Best Total Return - Greater China Equity Fund (5-year): 2nd Runner-up⁸
 ~ HKCAMA and Bloomberg

Benchmark Fund of the Year Awards 2018, Hong Kong
Asia ex-Japan Equity House: Best-in-Class⁹
 ~ Benchmark

I&M Professional Investment Awards 2018
House Performance Awards: Offshore China Equity (10-year)¹⁰
 ~ Insights & Mandate

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. © 2019 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. The award reflects the fund's 5-year performance up to 30 September 2018. 9. The award reflects performance up to 30 September 2018. 10. The award reflects performance up to 31 December 2017.

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.