

# China Convergence Fund

## A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD189.89

Fund size : USD230.6 million



Morningstar Rating™<sup>1</sup>  
As at 28-02-2019

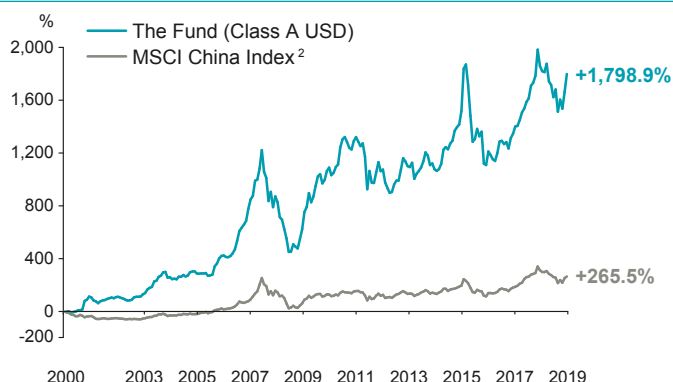
February 2019

- 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 <sup>2</sup>
One month	+7.8%	+3.5%
Year-to-date	+16.0%	+14.9%
One year	-3.1%	-11.5%
Three years	+57.0%	+70.3%
Five years	+55.5%	+50.6%
Since launch	+1,798.9%	+265.5%
Annualized return <sup>^</sup>	+17.1%	+7.2%
Annualized volatility <sup>^</sup>	25.1%	26.1%

### NAVs & codes

Classes	NAV	ISIN	Bloomberg
Class A USD	189.89	KYG9317Q1047	VAPAICB KY
Class A AUD Hedged	12.32	KYG9317Q1385	VAPAAHD KY
Class A CAD Hedged	13.20	KYG9317Q1468	VAPACAH KY
Class A NZD Hedged	13.91	KYG9317Q1534	VAPANZH KY

### The Fund – Class A USD: Monthly performance from 1 Jan 2009 to 28 Feb 2019

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%
2019 (YTD)	+7.7%	+7.8%											+16.0%

<sup>^</sup> 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 <sup>3</sup>	%
Alibaba Group Holding Ltd	Retailing	9.2
CSPC Pharmaceutical Group Ltd	Pharmaceuticals, biotechnology & life sciences	8.6
AviChina Industry & Technology Co Ltd	Capital goods	6.3
Beijing Tong Ren Tang Chinese Medicine Co Ltd	Pharmaceuticals, biotechnology & life sciences	5.3
Suzhou Gold Mantis Construction and Decoration Co Ltd	Capital goods	4.5
Weifu High-technology Group Co Ltd	Automobiles & components	4.3
China CYTS Tours Holding Co Ltd	Consumer services	4.0
PetroChina Co Ltd	Energy	3.8
China Education Group Holdings Ltd	Consumer services	3.7
Fujian Septwolves Industry Co Ltd	Consumer durables & apparel	3.7

These stocks constitute 53% of the Fund.

## Portfolio characteristics

As at 28 Feb 2019	2019 <sup>4</sup>
Price/earnings ratio	14.1 times
Price/book ratio	1.8 times
Portfolio yield	2.5%

## Geographical exposure by listing<sup>5</sup>

China A Shares	44%
Hong Kong	14%
Red Chips	14%
H Shares	13%
United States	10%
Cash <sup>6</sup>	3%
China B Shares	2%

Short exposure includes: Hong Kong, -2.2%; United States, -1.6% and H Shares, -1.0%.

## Sector exposure<sup>3, 5</sup>

Consumer discretionary	31%
Health care	24%
Industrials	22%
Information technology	9%
Energy	4%
Cash <sup>6</sup>	3%
Communication services	2%
Real estate	2%
Utilities	2%
Others	1%

Total short exposure is -4.8%.

Short exposure includes: Consumer discretionary, -1.6%; Communication services, -1.1%; Materials, -1.0%; Utilities, -0.7% and Health care, -0.4%.

## 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 <sup>7</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; Michelle Yu, CFA; Yu Xiao Bo  
**Senior Fund Managers:** Anthony Chan, CFA; Kelly Chung, CFA; Doris Ho; Glenda Hsia; Amy Lee, CFA, CAIA; Philip Li, CFA; Luo Jing, CFA; Yu Chen Jun

## Key awards



**Offshore China Fund Awards 2018**  
**Best Total Return - Greater China Equity Fund (5-year): 2nd Runner-up<sup>8</sup>**  
 ~ HKCAMA and Bloomberg

**Benchmark Fund of the Year Awards 2018, Hong Kong**  
**Asia ex-Japan Equity House: Best-in-Class<sup>9</sup>**  
 ~ Benchmark

**I&M Professional Investment Awards 2018**  
**House Performance Awards: Offshore China Equity (10-year)<sup>10</sup>**  
 ~ 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 (Price Return) since fund inception to 29 Mar 2001, 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.

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