

China Convergence Fund

A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD183.40

Fund size : USD220.3 million



Morningstar Rating™¹
As at 31-10-2019

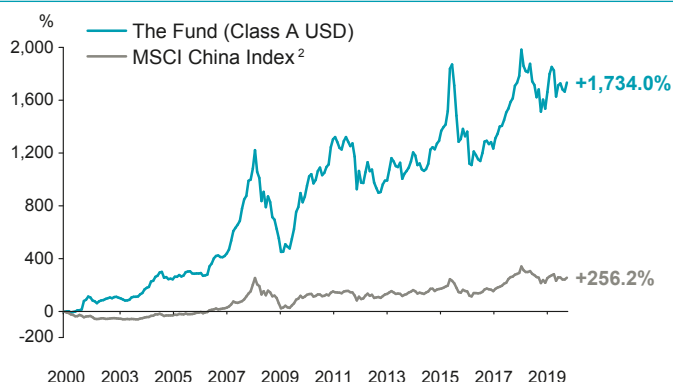
October 2019

- 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 ²
One month	+3.9%	+4.0%
Year-to-date	+12.1%	+12.0%
One year	+13.7%	+12.9%
Three years	+34.1%	+32.6%
Five years	+33.7%	+33.7%
Since launch	+1,734.0%	+256.2%
Annualized return [^]	+16.2%	+6.8%
Annualized volatility [^]	24.8%	25.9%

NAVs & codes

Classes ³	NAV	ISIN	Bloomberg
Class A USD	183.40	KYG9317Q1047	VAPAICB KY
Class A AUD Hedged	11.80	KYG9317Q1385	VAPAAHD KY
Class A CAD Hedged	12.61	KYG9317Q1468	VAPACAH KY
Class A NZD Hedged	13.25	KYG9317Q1534	VAPANZH KY

The Fund – Class A USD: Monthly performance from 1 Jan 2009 to 31 Oct 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%	+2.8%	-1.4%	-10.3%	+4.9%	+0.8%	-2.5%	-0.9%	+3.9%			+12.1%

[^] Annualized return and volatility are calculated from inception based on published NAV. 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 ⁴	%
Alibaba Group Holding Ltd	Retailing	8.4
China Construction Bank Corporation	Banks	6.8
CSPC Pharmaceutical Group Ltd	Pharmaceuticals, biotechnology & life sciences	6.2
Tencent Holdings Ltd	Media & entertainment	5.8
Poly Developments and Holdings (Group) Co Ltd	Real estate	5.6
China Education Group Holdings Ltd	Consumer services	4.4
China Resources Land Ltd	Real estate	4.0
Industrial Bank Co Ltd	Banks	4.0
Tianjin Zhongxin Pharmaceutical Group Co Ltd	Pharmaceuticals, biotechnology & life sciences	3.9
Yunnan Energy New Material Co Ltd	Materials	3.6

These stocks constitute 53% of the Fund.

Portfolio characteristics

As at 31 Oct 2019	2020 ⁵
Price/earnings ratio	10.7 times
Price/book ratio	1.4 times
Portfolio yield	3.2%

Geographical exposure by listing ⁶

China A-shares	37%
H-shares	25%
Red Chips	17%
Hong Kong	11%
United States	10%
Taiwan	4%
Cash ⁷	-4%

Short exposure includes: Hong Kong, -9.0% and United States, -1.0%.

Sector exposure ^{4, 6}

Consumer discretionary	28%
Banks	15%
Health care	15%
Industrials	10%
Real estate	9%
Consumer staples	8%
Communication services	6%
Information technology	4%
Materials	4%
Energy	3%
Other financials	2%
Cash ⁷	-4%

Total short exposure is -10.0%.

Short exposure includes: Banks, -4.9%; Consumer discretionary, -1.7%; Health care, -1.2%; Industrials, -1.2% and Other financials, -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 ⁸	15% of profit (High-on-high principle)
Redemption fee	Nil
Dealing day	Daily

Senior investment staff

Co-Chairmen & Co-Chief Investment Officers:

Cheah Cheng Hye; 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; Luo Jing, CFA; Frank Tsui; Yu Chen Jun

Key awards



Offshore China Fund Awards 2018
Best Total Return - Greater China Equity Fund (5-year): 2nd Runner-up ⁹
~ HKCAMA and Bloomberg

Benchmark Fund of the Year Awards 2018, Hong Kong
Asia ex-Japan Equity House: Best-in-Class ¹⁰
~ Benchmark

I&M Professional Investment Awards 2018
House Performance Awards: Offshore China Equity (10-year) ¹¹
~ Insights & Mandate

Scan QR code for fund documents¹²:



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. Our portfolio disclosure policy can be obtained from the Investment Manager upon request to email fis@vp.com.hk.

1. © 2019 Morningstar, Inc. All Rights Reserved. 2. MSCI China Index (Price Return) since inception to 29 Mar 2001, thereafter it is the MSCI China Index (Total Net Return). 3. Each hedged share class will hedge the Fund's base currency back to its currency of denomination on a best efforts basis. However, the volatility of the hedged classes measured in the Fund's base currency may be higher than that of the equivalent class denominated in the Fund's base currency. The hedged classes may be suitable for investors who wish to reduce the impact of changes in exchange rates between their local currency and the Fund's base currency. 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. The award reflects the fund's 5-year performance up to 30 September 2018. 10. The award reflects performance up to 30 September 2018. 11. The award reflects performance up to 31 December 2017. 12. For Hong Kong investors only.

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.

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