

China Convergence Fund

A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD236.05

Fund size : USD248.6 million



Morningstar Rating™
As at 30-09-2020

September 2020

- 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.

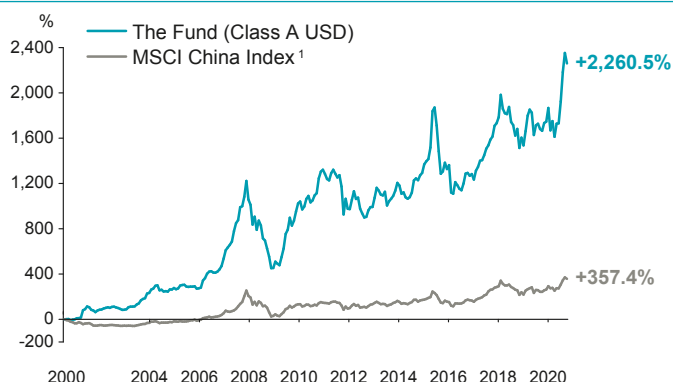
Investment objective

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.

NAVs & codes

Classes ²	NAV	ISIN	Bloomberg
Class A USD	236.05	KYG9317Q1047	VAPAICB KY
Class A AUD Hedged	14.73	KYG9317Q1385	VAPAAHD KY
Class A CAD Hedged	16.19	KYG9317Q1468	VAPACAH KY
Class A NZD Hedged	16.97	KYG9317Q1534	VAPANZH KY

Performance since launch



Performance update

	Class A USD	MSCI China Index ¹
Year-to-date	+20.0%	+16.4%
One month	-3.8%	-2.7%
One year	+33.7%	+33.6%
Three years	+37.7%	+25.5%
Five years	+67.9%	+88.6%
Total return since launch	+2,260.5%	+357.4%
Annualized return since launch [^]	+16.9%	+7.8%

The Fund – Class A USD: Monthly performance from 1 Jan 2011 to 30 Sep 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
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	+7.7%	+7.8%	+2.8%	-1.4%	-10.3%	+4.9%	+0.8%	-2.5%	-0.9%	+3.9%	+0.7%	+6.5%	+20.2%
2020 (YTD)	-10.1%	+4.6%	-7.5%	+6.8%	+0.2%	+10.6%	+12.8%	+7.4%	-3.8%				+20.0%

[^] Annualized return is calculated from inception based on published NAV.

Top holdings

Name	Industry ³	%
Tencent Holdings Ltd	Media & entertainment	9.7
China Education Group Holdings Ltd	Consumer services	9.4
Alibaba Group Holding Ltd	Retailing	9.0
China Vanke Co Ltd	Real estate	7.0
China Merchants Bank Co Ltd	Banks	6.4
Jiangsu Hengrui Medicine Co Ltd	Pharmaceuticals, biotechnology & life sciences	6.1
Xiaomi Corp	Technology, hardware & equipment	6.0
Meituan Dianping	Retailing	5.9
Luzhou Laojiao Company Limited	Food, beverage & tobacco	5.3
Inner Mongolia Yili Industrial Group Co Ltd	Food, beverage & tobacco	4.9

These securities constitute 70% of the Fund.

Portfolio characteristics

As at 30 Sep 2020⁴

Price/earnings ratio	16.4 times	
Price/book ratio	2.5 times	
Portfolio yield	2.3%	
	Class A USD	MSCI China Index¹
Annualized volatility (3 years) ⁵	20.9%	21.0%

Geographical exposure by listing⁶

Hong Kong	42%
China A-shares	41%
H-shares	8%
United States	8%
Red Chips	6%
Others	2%
Cash ⁷	-7%

Short exposure includes: Hong Kong, -9.1% and Others, -0.1%.

Sector exposure^{3, 6}

Consumer discretionary	41%
Consumer staples	20%
Communication services	14%
Real estate	10%
Information technology	6%
Energy	4%
Banks	3%
Health care	3%
Other financials	3%
Materials	2%
Others	1%
Cash ⁷	-7%

Total short exposure is -9.3%.

Short exposure includes: Health care, -4.7%; Banks, -3.4%; Industrials, -1.1% and Others, -0.1%.

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; Lo

Senior Investment Directors: Norman Ho, CFA; Renee Hung

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



Best Total Return - Greater China Equity Fund (5-year) - 2nd Runner-up⁹

~ HKCAMA and Bloomberg, Offshore China Fund Awards 2018

Value Partners:

Asia ex-Japan Equity House: Best-in-Class¹⁰

Greater China Equity House: Outstanding Achiever¹⁰
~ Benchmark Fund of the Year Awards 2018, Hong Kong

Offshore China Equity (10-year)¹¹

~ Insight & Mandate, Professional Investment Awards 2018

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.

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1. MSCI China Index (Price Return) since inception to 29 Mar 2001, thereafter it is the MSCI China Index (Total Net Return). 2. 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. 3. Classification is based on Global Industry Classification Standard (GICS). 4. The profile is based on market consensus forecast as derived from FactSet and Bloomberg. Harmonic mean methodology is applied to calculate the forecast P/E ratio and P/B ratio. Portfolio yield is the weighted average of the total dividend yield of all securities in the portfolio. 5. Volatility is a measure of the theoretical risk in terms of standard deviation, based on monthly return over the past 3 years. 6. Exposure refers to net exposure (long exposure minus short exposure). Derivatives e.g. index futures are calculated based on P/L instead of notional exposure. 7. Cash includes receivables and payables (except 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 Sep 2018. 10. The award reflects performance up to 30 Sep 2018. 11. The award reflects performance up to 31 Dec 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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