

China Convergence Fund

A Sub-Fund of Value Partners Intelligent Funds

NAV per unit: Class A USD - USD246.67

Fund size : USD260.6 million



Morningstar Rating™
As at 31-10-2020

October 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.

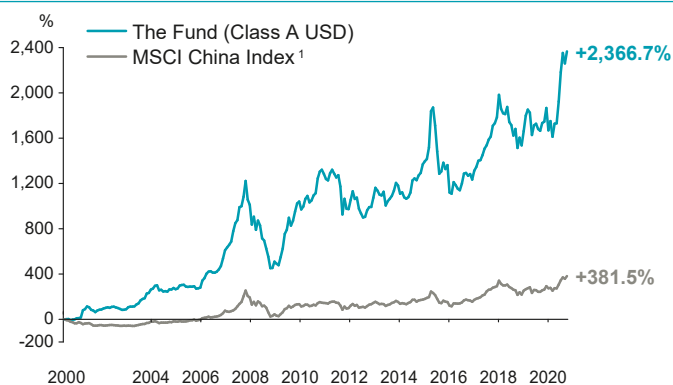
Investment objective

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 | 246.67 | KYG9317Q1047 | VAPAICB KY |
| Class A AUD Hedged | 15.48 | KYG9317Q1385 | VAPAAHD KY |
| Class A CAD Hedged | 16.91 | KYG9317Q1468 | VAPACAH KY |
| Class A NZD Hedged | 17.74 | KYG9317Q1534 | VAPANZH KY |

Performance since launch



Performance update

| | Class A USD | MSCI China Index ¹ |
|---|-------------|-------------------------------|
| Year-to-date | +25.4% | +22.6% |
| One month | +4.5% | +5.3% |
| One year | +34.5% | +35.2% |
| Three years | +36.3% | +27.1% |
| Five years | +66.3% | +82.0% |
| Total return since launch | +2,366.7% | +381.5% |
| Annualized return since launch [^] | +17.1% | +8.0% |

The Fund – Class A USD: Monthly performance from 1 Jan 2011 to 30 Oct 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% | +4.5% | | | +25.4% |

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

Top holdings

| Name | Industry ³ | % |
|---|--|-----|
| Tencent Holdings Ltd | Media & entertainment | 9.9 |
| Alibaba Group Holding Ltd | Retailing | 8.3 |
| China Education Group Holdings Ltd | Consumer services | 7.2 |
| China Merchants Bank Co Ltd | Banks | 6.9 |
| China Vanke Co Ltd | Real estate | 6.6 |
| Luzhou Laojiao Company Limited | Food, beverage & tobacco | 6.6 |
| Meituan | Retailing | 6.5 |
| Jiangsu Hengrui Medicine Co Ltd | Pharmaceuticals, biotechnology & life sciences | 6.4 |
| Inner Mongolia Yili Industrial Group Co Ltd | Food, beverage & tobacco | 5.9 |
| Xiaomi Corp | Technology, hardware & equipment | 5.9 |

These securities constitute 70% of the Fund.

Portfolio characteristics

As at 30 Oct 2020⁴

| | | |
|--|--------------------|-------------------------------------|
| Price/earnings ratio | 19.1 times | |
| Price/book ratio | 3.3 times | |
| Portfolio yield | 1.7% | |
| | Class A USD | MSCI China Index¹ |
| Annualized volatility (3 years) ⁵ | 20.9% | 21.1% |

Geographical exposure by listing⁶

| | |
|-------------------|-----|
| China A-shares | 41% |
| Hong Kong | 40% |
| United States | 12% |
| H-shares | 7% |
| Red Chips | 6% |
| Others | 3% |
| Cash ⁷ | -9% |

Short exposure includes: Hong Kong, -9.8%.

Sector exposure^{3, 6}

| | |
|------------------------|-----|
| Consumer discretionary | 41% |
| Consumer staples | 23% |
| Communication services | 13% |
| Information technology | 8% |
| Real estate | 7% |
| Banks | 4% |
| Health care | 4% |
| Insurance | 4% |
| Other financials | 3% |
| Others | 3% |
| Industrials | -1% |
| Cash ⁷ | -9% |

Total short exposure is -9.8%.

Short exposure includes: Health care, -5.4%; Banks, -3.4% and Industrials, -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

Senior Investment Directors: Norman Ho, CFA; Renee Hung

Investment Directors: Chung Man Wing; Michelle Yu, CFA; Yu Xiao Bo

Senior Fund Managers: Lillian Cao; 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.

* © Morningstar 2020. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. 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.

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 advertisement has not been reviewed by the Monetary Authority of Singapore.

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