

# Value Partners Greater China High Yield Income Fund



NAV per unit: USD15.23 (P Acc USD) / USD8.41 (P MDIs USD)

Fund size : USD5,330.0 million

September 2018

- Value Partners Greater China High Yield Income Fund (the "Fund") primarily invests in a portfolio of fixed and floating rate bonds and other debt securities, including convertible bonds, in the Greater China region.
- The Fund may invest in high yielding securities which may be unrated or below investment grade and debt securities issued by special purpose vehicles. The Fund is therefore exposed to higher credit/insolvency risk and default risk.
- The Fund primarily invests in the Greater China region and therefore is subject to emerging market and concentration 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. Adverse development in such region may affect the value of the underlying securities in which the Fund invests.
- In respect of the distribution shares for the Fund, the Manager currently intends to make monthly dividend distribution. However, the distribution rate is not guaranteed. Distribution yield is not indicative of the return of the Fund. Distribution may be paid from capital of the Fund. Investors should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount you originally invested or capital gains attributable to that and may result in an immediate decrease of the net asset value per share of 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 marketing material alone. Please read the explanatory memorandum for details and risk factors.

## Investment objective

The Fund aims to provide capital appreciation by primarily investing in Greater China debt securities, including but not limited to high yield, convertible and mainland Chinese offshore bonds.

## Commentary

### Portfolio review:

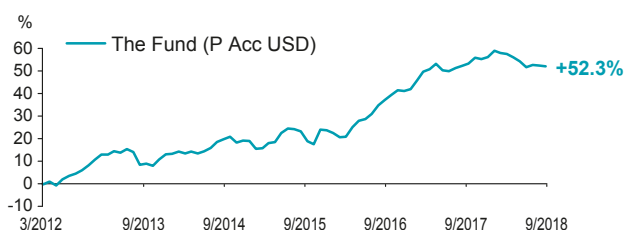
As a result of the benchmark 10-year US Treasury yield climbing above 3% and a lack of positive catalysts, the Asian credit space remained soft in September. There was little change to the portfolio over the course of the month.

### Outlook:

Asian credits remain cheap on a historical basis. The overall yield of Asian high yield bonds is still more than 300bps higher than that of comparable US high yield – a gap last seen in 2014-2015. The US-China trade dispute is likely going to be a drawn-out process, but the market seems to have already priced in some of the worst outcomes.

Investors should look past the current turbulence and focus on the fundamentally sound global economy. A gradual normalization of global risk-free rates will be constructive to credit investments and other risk assets. We will continue to deploy our capital into opportunities that offer attractive risk reward tradeoffs.

## Performance since launch



## Performance update

	The Fund (P Acc USD)
One month	-0.2%
Year-to-date	-2.6%
One year	-0.8%
Three years	+29.5%
Five years	+37.5%
Since launch	+52.3%
Annualized return	+6.7%
Annualized volatility	5.8%

## Dividend information – Class MDIs <sup>1</sup>

Classes <sup>2</sup>	Dividend amount / unit	Annualized yield <sup>3</sup>	Ex-dividend date
P MDIs USD	0.0621	8.9%	28-9-2018
P MDIs HKD	0.0622	8.9%	28-9-2018
P MDIs SGD Hedged	0.0630	8.3%	28-9-2018
A MDIs AUD Hedged	0.0609	8.8%	28-9-2018
A MDIs CAD Hedged	0.0595	8.5%	28-9-2018
A MDIs EUR Hedged	0.0482	6.4%	28-9-2018
A MDIs GBP Hedged	0.0576	8.0%	28-9-2018
A MDIs NZD Hedged	0.0652	9.1%	28-9-2018

## Top 10 securities holdings

Name	Sector <sup>4</sup>	Country	%
Energy Resources LLC Float 30/09/2022	Materials	Mongolia	1.8
MNC Investama Tbk PT 9% 11/05/2021	Media	Indonesia	1.7
Golden Wheel Tiandi Holdings Co Ltd 8.25% 11/03/2019	Real estate	China/Hong Kong	1.4
Sunac China Holdings Ltd 7.35% 19/07/2021	Real estate	China/Hong Kong	1.3
China Evergrande Group 4.25% 14/02/2023	Real estate	China/Hong Kong	1.3
Powerlong Real Estate Holdings Ltd 5.95% 19/07/2020	Real estate	China/Hong Kong	1.2
Yida China Holdings Ltd 6.95% 19/04/2020	Real estate	China/Hong Kong	1.2
Golden Wheel Tiandi Holdings Co Ltd 7% 18/01/2021	Real estate	China/Hong Kong	1.1
AMTD Group Co Ltd 5% 21/03/2019	Diversified financials	China/Hong Kong	1.1
AMTD Group Co Ltd 7.625% PERP	Diversified financials	China/Hong Kong	1.1

## The Fund – P Acc USD: Monthly performance from 27 Mar 2012 to 28 Sep 2018

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2012	N/A	N/A	-0.3%	+1.2%	-1.7%	+2.7%	+1.6%	+1.0%	+1.4%	+2.1%	+2.3%	+2.1%	+13.0%
2013	+0.0%	+1.3%	-0.6%	+1.4%	-1.1%	-5.0%	+0.5%	-0.8%	+2.6%	+2.1%	+0.2%	+0.9%	+1.2%
2014	-0.7%	+0.7%	-0.7%	+0.8%	+1.3%	+2.3%	+1.0%	+0.9%	-2.2%	+0.8%	-0.2%	-2.9%	+1.1%
2015	+0.3%	+2.0%	+0.3%	+3.5%	+1.6%	-0.2%	-0.8%	-3.6%	-1.1%	+5.5%	-0.2%	-1.0%	+6.1%
2016	-1.5%	+0.2%	+3.6%	+2.2%	+0.6%	+1.8%	+2.9%	+1.8%	+1.6%	+1.5%	-0.2%	+0.6%	+15.9%
2017	+2.8%	+2.6%	+0.7%	+1.6%	-1.9%	-0.3%	+0.9%	+0.7%	+0.7%	+1.7%	-0.4%	+0.6%	+10.1%
2018 (YTD)	+1.8%	-0.6%	-0.3%	-1.0%	-1.2%	-1.7%	+0.7%	-0.2%	-0.2%				-2.6%

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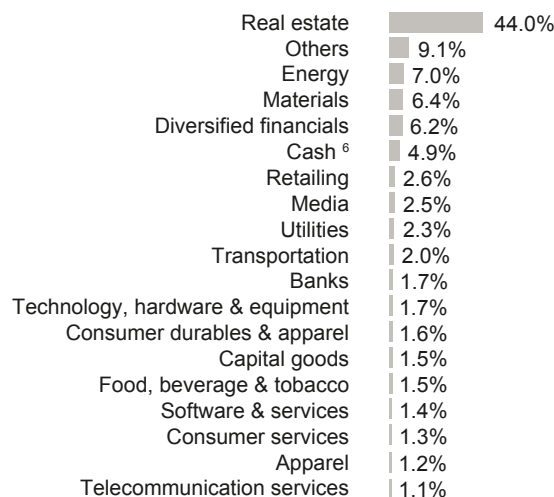
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### NAVs & Codes

Classes <sup>2</sup>	NAV	ISIN	Bloomberg
P Acc USD	15.23	KYG9319N1097	VPGCPUA KY
P Acc HKD	15.24	KYG9319N1253	VPGCPHA KY
P MDis USD	8.41	KYG9319N1170	VPGPUMD KY
P MDis HKD	8.43	KYG9319N1337	VPGPUMD KY
P MDis SGD Hedged	9.15	KYG9319N1824	VPPSHMA KY
A Acc EUR Hedged	10.09	KYG9319N3804	VPGAEHA KY
A MDis AUD Hedged	8.28	KYG9319N2327	VPGCAUD KY
A MDis CAD Hedged	8.37	KYG9319N2400	VPGCCAD KY
A MDis GBP Hedged	8.63	KYG9319N3317	VPGCAGH KY
A MDis EUR Hedged	9.03	KYG9319N3499	VCHAMEH KY
A MDis NZD Hedged	8.63	KYG9319N2574	VPGCHNZ KY

### Sector exposure <sup>4, 5</sup>

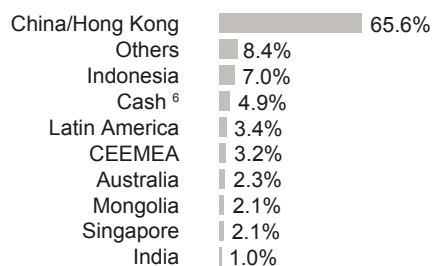


Average duration 1.9 years

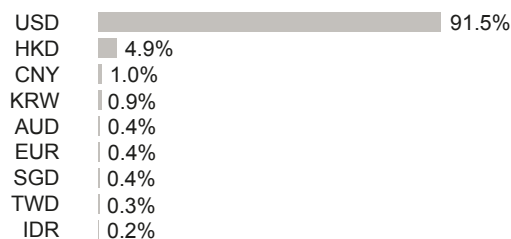
Yield to worst <sup>7</sup> 12.5%

Number of bond issuers 203

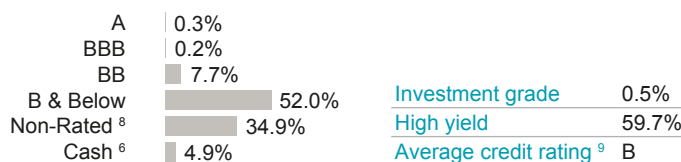
### Geographical exposure <sup>5</sup>



### Currency breakdown



### Credit ratings



### Fund facts

Manager: Value Partners Hong Kong Limited  
 Base currency: USD  
 Administrator: HSBC Trustee (Cayman) Limited  
 Custodian: HSBC Institutional Trust Services (Asia) Limited  
 Launch date: P Acc & MDis USD/HKD – 27 Mar 2012  
 A MDis AUD/CAD/NZD – 23 Sep 2013  
 P MDis SGD – 26 Sep 2014  
 A MDis EUR – 5 Feb 2015  
 A MDis GBP – 14 Apr 2015  
 A Acc EUR – 16 Jul 2018  
 Dividend policy <sup>1</sup>: MDis – Aim at Monthly distribution, subject to Manager's discretion

### Fee structure (Class A and Class P)

Minimum subscription	HK\$80,000/USD10,000 or equivalent
Subscription fee	Up to 5%
Management fee	1.5% p.a.
Performance 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  
*Fixed income investment team:*  
**Chief Investment Officer, Fixed Income:** Gordon Ip, CFA  
**Senior Fund Managers:** Elaine Hu, Jason Yan, CFA, ACCA  
**Fund Manager:** Edwin Kam, CFA

### Recent awards on fixed income capabilities



**2017 Asian G3 Bonds Top Investment House <sup>10</sup>**  
**Value Partners - Ranked Number 1 in Hedge Fund category**  
 ~ The Asset Benchmark Research Awards 2017

**Best Fixed Income Fund <sup>11</sup>**  
 ~ HFM Asia Performance Awards 2017

**Fund Manager of the Year – Long-only Fixed Income (Highly Commended) <sup>12</sup>**  
**Value Partners' Chief Investment Officer, Fixed Income – Gordon Ip**  
 ~ The Asset, Triple A, Asset Servicing, Investor and Fund Management Awards 2017

Scan QR code for fund documents<sup>13</sup>:



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. The manager intends to declare and pay monthly dividends equal to all or substantially all of the net income attributable to each of the Distribution Classes. However, there is neither a guarantee that such dividends will be made nor will there be a target level of dividend payout. No dividends will be paid with respect to the Accumulation Classes. Distribution may be paid from capital of the Fund. Investors should note that where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount that have been originally invested or capital gains attributable to that and may result in an immediate decrease in the value of units. Please refer to the Explanatory Memorandum for further details including the distribution policy. 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 AUD/CAD/EUR/GBP/NZD/SGD Hedged Classes are not recommended for investors whose base currency of investment is not in the aforesaid currencies. 3. Annualized yield of MDis Class is calculated as follows: (Latest dividend amount/NAV as at ex-dividend date) x 12. Investors should note that yield figures are estimated and for reference only and do not represent the performance of the Fund, and that there is no guarantee as to the actual frequency and/or amount of dividend payments. 4. Classification is based on Global Industry Classification Standard (GICS). 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. Investors should note that the Yield to worst figure is for reference only and does not represent the actual performance of the Fund or the dividend yield received by investors. A positive yield does not imply a positive return. 8. Including bonds whose issuers do not seek credit ratings (Greater China Paper 14.4%, Equity-linked Investments 11.0%, Loan 3.6%, Dim Sum Bonds 3.0%, Mongolia Bonds 2.0%, Others 1.0%). 9. The average credit rating is calculated by assigning a sequential integer to all credit ratings from AAA (highest) to D (lowest), taking a simple, asset-weighted average of debt holdings by market value and rounding to the nearest rating. The letter rating may be based on bond ratings from different agencies and is provided to indicate the average credit rating of the portfolio's underlying bonds without taking into account derivative positions and unrated securities. As the risk of default increases disproportionately as a bond's rating decreases, the simple weighted average of credit ratings is not a statistical measurement of the portfolio's default risk. 10. Announced in Oct 2017 by The Asset Benchmark Research in the Asian G3 Bond Benchmark Review, which ranks the Top Investment Houses (Hedge Funds category) based on the number of votes won by their astute investors. All votes are subject to a weighting methodology. 11. The awards were judged based on performance over the past 12 months, up to 30 Apr 2017. 12. The period covered by the awards is from 1 Jan 2016 to 31 Dec 2016. 13. For Hong Kong investors only. The views expressed are the views of Value Partners Hong Kong Limited ("VPHK") only and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. 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