

# Value Partners Greater China High Yield Income Fund

NAV per unit: USD15.99 (P Acc USD) / USD8.37 (P MDis USD)

Fund size : USD6,736.4 million

April 2019

- 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:

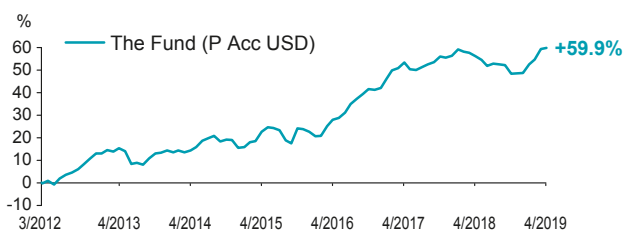
After a strong first quarter, the Asian credit markets took a breather in April, finishing slightly up for the month. After hitting a recent low of around 2.4%, the 10-year Treasury yield struggled to stay at that level and ended the month about 10bps higher<sup>1</sup> as the market was uncertain about the direction of the Fed's next rate move. Arguably speaking, after a strong YTD recovery on risk assets, the market now adopts a wait-and-see approach and is looking for clues from the US-China trade front, the Fed's interest rate policy as well as corporate earnings. We continue to see inflow into fixed income as investors rotate money from equity into income-generating assets. We deployed capital into Greater China names, mostly in high-carry, short-tenor issues. We continued to be extremely active in the primary market across the entire credit spectrum.

### Outlook:

The market will likely continue to be in a wait-and-see mode. As such, we also become slightly defensive by focusing on issues that can generate attractive current income. We still believe names that are less-researched and less-followed will generate good returns for investors. Overall, the market remains supportive, and still provides an attractive yield premium over comparable US credits. We will not be surprised the current valuation will hold up given the strong fund inflow into the asset class. We will continue to deploy our capital to capture opportunities that offer attractive risk/reward potential.

1. Source: U.S. Treasury Department, 30 April, 2019

## Performance since launch



## Performance update

|                                    | The Fund (P Acc USD) |
|------------------------------------|----------------------|
| One month                          | +0.3%                |
| Year-to-date                       | +7.5%                |
| One year                           | +2.3%                |
| Three years                        | +24.9%               |
| Five years                         | +39.8%               |
| Since launch                       | +59.9%               |
| Annualized return <sup>^</sup>     | +6.8%                |
| Annualized volatility <sup>^</sup> | 5.8%                 |

## The Fund – P Acc USD: Monthly performance from 27 Mar 2012 to 30 Apr 2019

| 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       | +1.8% | -0.6% | -0.3% | -1.0% | -1.2% | -1.7% | +0.7% | -0.2% | -0.2% | -2.5% | +0.1% | +0.1% | -4.9%  |
| 2019 (YTD) | +2.5% | +1.5% | +3.0% | +0.3% |       |       |       |       |       |       |       |       | +7.5%  |

<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.

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## 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%                          | 30-4-2019        |
| P MDis HKD           | 0.0622                 | 8.9%                          | 30-4-2019        |
| P MDis SGD Hedged    | 0.0625                 | 8.3%                          | 30-4-2019        |
| A MDis AUD Hedged    | 0.0578                 | 8.4%                          | 30-4-2019        |
| A MDis CAD Hedged    | 0.0571                 | 8.3%                          | 30-4-2019        |
| A MDis EUR Hedged    | 0.0450                 | 6.0%                          | 30-4-2019        |
| A MDis GBP Hedged    | 0.0522                 | 7.3%                          | 30-4-2019        |
| A MDis NZD Hedged    | 0.0602                 | 8.5%                          | 30-4-2019        |

## Top 10 securities holdings

| Name   | Sector <sup>4</sup> | Country         | %   |
|--|---------------------|-----------------|-----|
| Panda Green Energy Group Ltd<br>8.25% 01/25/2020               | Utilities           | China/Hong Kong | 1.8 |
| MNC Investama Tbk PT<br>9% 05/11/2021                          | Media               | Indonesia       | 1.4 |
| Mongolian Mining Corp/Energy Resources LLC<br>9.25% 04/15/2024 | Materials           | Mongolia        | 1.4 |
| Ronshine China Holdings Ltd<br>11.25% 08/22/2021               | Real estate         | China/Hong Kong | 1.2 |
| Golden Wheel Tiandi Holdings Co Ltd<br>7% 01/18/2021           | Real estate         | China/Hong Kong | 1.1 |
| Yuzhou Properties Co Ltd<br>8.5% 02/04/2023                    | Real estate         | China/Hong Kong | 1.1 |
| China Evergrande Group<br>6.25% 06/28/2021                     | Real estate         | China/Hong Kong | 1.0 |
| Powerlong Real Estate Holdings Ltd<br>5.95% 07/19/2020         | Real estate         | China/Hong Kong | 1.0 |
| Sunac China Holdings Ltd<br>7.35% 07/19/2021                   | Real estate         | China/Hong Kong | 1.0 |
| Easy Tactic Ltd<br>8.75% 01/10/2021                            | Real estate         | China/Hong Kong | 1.0 |

### NAVs & Codes

| Classes <sup>2</sup> | NAV   | ISIN         | Bloomberg  |
|----------------------|-------|--------------|------------|
| P Acc USD            | 15.99 | KYG9319N1097 | VPGCPUA KY |
| P Acc HKD            | 16.04 | KYG9319N1253 | VPGCPHA KY |
| P MDis USD           | 8.37  | KYG9319N1170 | VPGPUMD KY |
| P MDis HKD           | 8.42  | KYG9319N1337 | VPGPUMD KY |
| P MDis SGD Hedged    | 9.09  | KYG9319N1824 | VPPSHMA KY |
| A Acc EUR Hedged     | 10.41 | KYG9319N3804 | VPGAEHA KY |
| A MDis AUD Hedged    | 8.21  | KYG9319N2327 | VPGCAUD KY |
| A MDis CAD Hedged    | 8.30  | KYG9319N2400 | VPGCCAD KY |
| A MDis GBP Hedged    | 8.53  | KYG9319N3317 | VPGCAGH KY |
| A MDis EUR Hedged    | 8.95  | KYG9319N3499 | VCHAMEH KY |
| A MDis NZD Hedged    | 8.54  | KYG9319N2574 | VPGCHNZ KY |

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

|                             |       |
|-----------------------------|-------|
| Real estate                 | 56.6% |
| Energy                      | 5.9%  |
| Diversified financials      | 5.8%  |
| Materials                   | 4.5%  |
| Utilities                   | 3.0%  |
| Retailing                   | 2.9%  |
| Media                       | 2.0%  |
| Transportation              | 1.6%  |
| Consumer durables & apparel | 1.3%  |
| Software & services         | 1.2%  |
| Banks                       | 1.1%  |
| Telecommunication services  | 1.0%  |
| Cash <sup>6</sup>           | 4.4%  |
| Others                      | 8.7%  |

Average duration 1.9 years

Yield to worst <sup>7</sup> 11.2%

Number of bond issuers 213

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

|                   |       |
|-------------------|-------|
| China/Hong Kong   | 73.0% |
| Indonesia         | 5.9%  |
| CEEMEA            | 2.3%  |
| Latin America     | 2.0%  |
| Australia         | 1.7%  |
| Singapore         | 1.3%  |
| India             | 1.2%  |
| Mongolia          | 1.2%  |
| Cash <sup>6</sup> | 4.4%  |
| Others            | 7.0%  |

### Currency breakdown

|     |       |
|-----|-------|
| USD | 95.9% |
| HKD | 2.9%  |
| CNY | 0.8%  |
| IDR | 0.2%  |
| SGD | 0.2%  |

### Credit ratings

|                        |       |                                    |            |
|------------------------|-------|------------------------------------|------------|
| A                      | 0.1%  | Investment grade                   | 1.0%       |
| BBB                    | 0.9%  |                                    | High yield |
| BB                     | 17.0% | Average credit rating <sup>9</sup> |            |
| B & Below              | 51.0% |                                    |            |
| Non-Rated <sup>8</sup> | 26.6% |                                    |            |
| Cash <sup>6</sup>      | 4.4%  |                                    |            |

### 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 |
| Minimum subsequent subscription | HK\$40,000/USD5,000 or equivalent  |
| Subscription fee                | Up to 5%                           |
| Management fee                  | 1.5% p.a.                          |
| Performance 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

Fixed income investment team:

Chief Investment Officer, Fixed Income: Gordon Ip, CFA

Senior Fund Managers: Elaine Hu; Edwin Kam, CFA; Jason Yan, CFA, ACCA

### Key awards



**Lipper Fund Awards from Refinitiv Hong Kong 2019**  
**Best US Dollar Bond Fund: High Yield**  
**(3 and 5-year) <sup>10</sup>**  
 ~ Refinitiv

**Benchmark Fund of the Year Awards 2018, Hong Kong**  
**US Dollar High Yield Fixed Income Fund:**  
**Best-in-Class <sup>11</sup>**  
 ~ Benchmark

**Offshore China Fund Awards 2018**  
**Best Total Return – Greater China Fixed Income**  
**Fund (3 and 5-year): Winner <sup>12</sup>**  
 ~ HKCAMA and Bloomberg

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.

<sup>1</sup> 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. <sup>2</sup> 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. <sup>3</sup> 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. <sup>4</sup> Classification is based on Global Industry Classification Standard (GICS). <sup>5</sup> Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. <sup>6</sup> Cash refers to net cash on hand excluding cash for collateral and margins. <sup>7</sup> 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. <sup>8</sup> Including bonds whose issuers do not seek credit ratings (Greater China Paper 13.7%, Equity-linked Investments 6.5%, Loan 3.1%, Others 3.1%). <sup>9</sup> 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. <sup>10</sup> The award reflects the fund's 3 and 5-year performance up to the end of 2018. <sup>11</sup> The award reflects performance up to 30 September 2018. <sup>12</sup> The award reflects the fund's 3 and 5-year performance up to 30 September 2018. <sup>13</sup> For Hong Kong investors only.

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