Value Partners
Greater China High Yield Income Fund

Value Partners
Investing through discipline

NAV per unit : Class P Acc USD - USD15.56 | Class P MDis USD - USD7.24
Fund size : USD3,960.5 million

August 2020

- 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

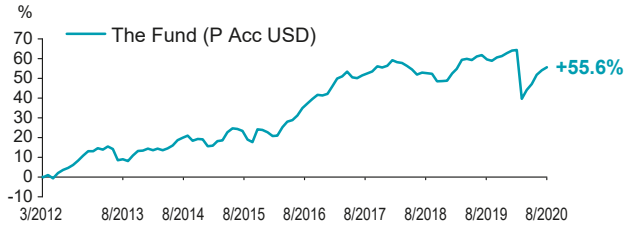
Portfolio review:

August was another quiet month for the Asian credit markets. The U.S. Treasury curve went through a bear steepening, hurting the performance of most high-grade sovereign and quasi-sovereign issues, due to their long duration. For the month, credit spread compressed, with high yield issues, in particular those of lower quality, outperforming the high grade ones.
In the Fund, we reduced some positions in the Chinese property sector while consolidating and enhancing our exposure to the investment grade issues. The Fund was also actively trading the new issue market. During the month, the Chinese property names, selective Chinese industrial names and private deals added value, whereas the holdings in the commodities, transportation and media sectors detracted from performance.

Outlook:

Global geopolitical tensions remain heated. Amid high uncertainty, we urge investors to be more cautious and patient. We do not believe investors should chase for trades that have rallied by much. But, despite elevated market noises, investors should not turn overly pessimistic and risk averse; instead, we believe a prudent strategy wherein generates a strong stream of income with liquidity managed would be better off in the current environment.

Performance since launch



Performance update

	The Fund (P Acc USD)
Year-to-date	-4.4%
One month	+1.0%
One year	-2.5%
Three years	+2.0%
Five years	+30.9%
Total return since launch	+55.6%
Annualized return since launch ^	+5.4%

NAVs & Codes

Classes [1]	NAV	ISIN	Bloomberg
P Acc USD	15.56	KYG9319N1097	VPGCPUA KY
P Acc HKD	15.42	KYG9319N1253	VPGCPHA KY
P MDis USD	7.24	KYG9319N1170	VPGPUMD KY
P MDis HKD	7.19	KYG9319N1337	VPGPHMD KY
P MDis SGD Hedged	7.82	KYG9319N1824	VPPSHMA KY
A Acc EUR Hedged	9.80	KYG9319N3804	VPGAEHA KY
A MDis AUD Hedged	7.01	KYG9319N2327	VPGCAUD KY
A MDis CAD Hedged	7.14	KYG9319N2400	VPGCCAD KY
A MDis GBP Hedged	7.33	KYG9319N3317	VPGCAGH KY
A MDis EUR Hedged	7.69	KYG9319N3499	VCHAMEH KY
A MDis NZD Hedged	7.33	KYG9319N2574	VPGCHNZ KY

Dividend information – Class MDis [2]

Classes [1]	Dividend amount / unit	Annualized yield [3]	Ex-dividend date
P MDis USD	0.0522	8.7%	31-8-2020
P MDis HKD	0.0518	8.6%	31-8-2020
P MDis SGD Hedged	0.0560	8.6%	31-8-2020
A MDis AUD Hedged	0.0506	8.7%	31-8-2020
A MDis CAD Hedged	0.0510	8.6%	31-8-2020
A MDis EUR Hedged	0.0498	7.8%	31-8-2020
A MDis GBP Hedged	0.0521	8.5%	31-8-2020
A MDis NZD Hedged	0.0539	8.8%	31-8-2020

The Fund – P Acc USD: Monthly performance from 27 Mar 2012 to 31 Aug 2020

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	+2.5%	+1.5%	+3.0%	+0.3%	-0.4%	+1.1%	+0.4%	-1.4%	-0.4%	+1.1%	+0.4%	+0.9%	+9.4%
2020 (YTD)	+0.8%	+0.2%	-15.1%	+3.2%	+2.1%	+3.2%	+1.5%	+1.0%					-4.4%

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

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Top holdings

Name	Sector [4]	Country / region	%
Panda Green Energy Group Ltd 8% 01/20/2022	Utilities	China/Hong Kong	2.3
Project Coil note 11% due Oct 2021	Real estate	Australia	1.7
Fantasia Holdings Group Co Ltd 11.75% 04/17/2022	Real estate	China/Hong Kong	1.6
Kaisa Group Holdings Ltd 11.25% 04/09/2022	Real estate	China/Hong Kong	1.5
Redsun Properties Group Ltd 11.5% 03/04/2021	Real estate	China/Hong Kong	1.4
MNC Investama Tbk PT 9% 05/11/2021	Media	Indonesia	1.4
Yango Justice International Ltd 9.5% 04/03/2021	Real estate	China/Hong Kong	1.4
Tongfang Aqua Ltd 6.8% 01/10/2022	Technology, hardware & equipment	China/Hong Kong	1.4
Fantasia Holdings Group Co Ltd 15% 12/18/2021	Real estate	China/Hong Kong	1.3
Mongolian Mining Corp/ Energy Resources LLC 9.25% 04/15/2024	Materials	Mongolia	1.3

Portfolio characteristics

	The Fund (P Acc USD)
Annualized volatility (3 years) [5]	10.1%
Average duration	2.2 years
Yield to worst [6]	13.9%
Number of bond issuers	165

Geographical exposure [7]

China/Hong Kong	81.9%
Indonesia	8.2%
Australia	3.4%
Mongolia	1.3%
Others	4.4%
Cash [8]	0.8%

Sector exposure [4, 7]

Real estate	61.4%
Diversified financials	14.5%
Energy	4.6%
Materials	3.6%
Transportation	3.5%
Utilities	3.5%
Media	2.2%
Technology, hardware & equipment	1.6%
Others	4.3%
Cash [8]	0.8%

Credit ratings

A	0.4%
BBB	3.1%
BB	10.5%
B & Below	50.5%
Non-Rated [9]	34.7%
Cash [8]	0.8%

Investment grade	3.5%
High yield	61.0%
Average credit rating [10]	B

Currency breakdown

USD	94.6%
HKD	2.5%
IDR	1.2%
CNY	1.1%
AUD	0.4%
SGD	0.2%

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 [2]:	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
Senior Investment Directors: Norman Ho, CFA; Renee Hung
Fixed income investment team:
Chief Investment Officer, Fixed Income: Gordon Ip, CFA
Senior Fund Managers: Elaine Hu; Edwin Kam, CFA

Key awards

Best USD High Yield (5-Year) [11]
~ Refinitiv, Lipper Fund Awards 2020 – Hong Kong

Best Asian High Yield
(for both 3-Year and 5-Year periods) [12]
~ Insight & Mandate, Professional Investment Awards 2020

Best Total Return – Greater China Fixed Income
(for both 3-Year and 5-Year periods) [13]
~ HKCAMA & Bloomberg, Offshore China Fund Awards 2019

Scan QR code for fund documents[14]:

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. *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.* **2.** *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.* **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.** *Volatility is a measure of the theoretical risk in terms of standard deviation, based on monthly return over the past 3 years.* **6.** *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.* **7.** *Exposure refers to net exposure (long exposure minus short exposure). With immediate effect, derivatives e.g. index futures are calculated based on P/L instead of notional exposure..* **8.** *Cash includes receivables and payables (except cash for collaterals and margins).* **9.** *Including bonds whose issuers do not seek credit ratings (Greater China Paper 22.8%; Equity-linked Investments 5.1%; Loan 3.4%; Others 3.4%).* **10.** *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.* **11.** *The award reflects performance up to 31 Dec 2019.* **12.** *The award reflects performance up to 31 Dec 2019.* **13.** *The award recognizes the best performing mutual funds/private funds from various categories.* **14.** *For Hong Kong investors only.*
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