

Value Partners Greater China High Yield Income Fund

NAV per unit: Class P Acc USD - USD16.09 | Class P MDis USD - USD7.17

Fund size : USD3,269.0 million

February 2021

- 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

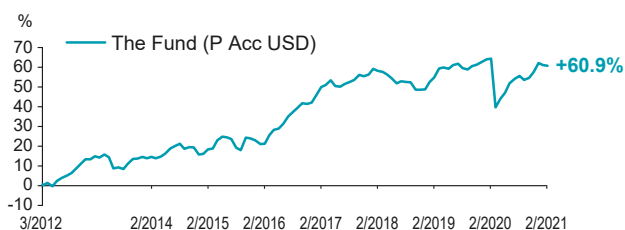
Portfolio review:

February marked a startling run-up in yields. A selloff in the U.S. Treasury market follows as the benchmark 10-year Treasury rose by 34bps ending the month at 1.4%. Most risk assets also saw a selloff, but credit fared better. During the month, high yield credits outperformed high grades. Corporate credits outperformed sovereign and quasi-sovereign due to their higher credit spreads, which serve as a cushion to interest rate movements. We reduced some positions that, in our opinions, have almost run their courses and rotated into previously expensive names. We also took advantage of some idiosyncratic events. Our portfolio remains short in duration and sheltered by the hefty credit spreads from interest rate shock as the global economy improved and eventually the Fed's tapering may occur.

Outlook:

It's important to continue to pay attention to the vaccination rate and its effectiveness as well as any potential for further lockdown. This will greatly impact the pace and trajectory of economic recovery. The overall low-yield environment will catalyze global flow into Asian credits, particularly the high yield market. Asian credit spreads remain attractive for investors seeking good relative value over developed market credits and strong income generation.

Performance since launch



Performance update

| | The Fund (P Acc USD) |
|----------------------------------|----------------------|
| Year-to-date | -0.9% |
| One month | -0.1% |
| One year | -2.1% |
| Three years | +1.7% |
| Five years | +33.1% |
| Total return since launch | +60.9% |
| Annualized return since launch ^ | +5.5% |

The Fund – P Acc USD: Monthly performance from 27 Mar 2012 to 26 Feb 2021

| 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 | +0.8% | +0.2% | -15.1% | +3.2% | +2.1% | +3.2% | +1.5% | +1.0% | -1.3% | +0.7% | +1.9% | +3.0% | -0.3% |
| 2021 (YTD) | -0.7% | -0.1% | | | | | | | | | | | -0.9% |

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

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NAVs & Codes

| Classes ¹ | NAV | ISIN | Bloomberg |
|----------------------|-------|--------------|------------|
| P Acc USD | 16.09 | KYG9319N1097 | VPGCPUA KY |
| P Acc HKD | 15.96 | KYG9319N1253 | VPGCPHA KY |
| P MDis USD | 7.17 | KYG9319N1170 | VPGPUMD KY |
| P MDis HKD | 7.12 | KYG9319N1337 | VPGPHMD KY |
| P MDis SGD Hedged | 7.74 | KYG9319N1824 | VPPSHMA KY |
| A Acc EUR Hedged | 10.07 | KYG9319N3804 | VPGAHA KY |
| A MDis AUD Hedged | 6.92 | KYG9319N2327 | VPGCAUD KY |
| A MDis CAD Hedged | 7.06 | KYG9319N2400 | VPGCCAD KY |
| A MDis GBP Hedged | 7.25 | KYG9319N3317 | VPGCAGH KY |
| A MDis EUR Hedged | 7.61 | KYG9319N3499 | VCHAMEH KY |
| A MDis NZD Hedged | 7.24 | 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% | 26-2-2021 |
| P MDis HKD | 0.0518 | 8.7% | 26-2-2021 |
| P MDis SGD Hedged | 0.0560 | 8.7% | 26-2-2021 |
| A MDis AUD Hedged | 0.0506 | 8.8% | 26-2-2021 |
| A MDis CAD Hedged | 0.0510 | 8.7% | 26-2-2021 |
| A MDis EUR Hedged | 0.0498 | 7.9% | 26-2-2021 |
| A MDis GBP Hedged | 0.0521 | 8.6% | 26-2-2021 |
| A MDis NZD Hedged | 0.0539 | 8.9% | 26-2-2021 |

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Top holdings

| Name | Sector ⁴ | Country / region | % |
|--|-------------------------------------|------------------|-----|
| Project Coil note 11% due Oct 2021 | Real estate | Australia | 2.3 |
| Fantasia Holdings Group Co Ltd 11.75% 04/17/2022 | Real estate | China/Hong Kong | 1.9 |
| Mongolian Mining Corp/ Energy Resources LLC 9.25% 04/15/2024 | Materials | Mongolia | 1.7 |
| Panda Green Energy Group Ltd 8% 01/20/2022 | Utilities | China/Hong Kong | 1.6 |
| Kaisa Group Holdings Ltd 11.25% 04/09/2022 | Real estate | China/Hong Kong | 1.6 |
| Innovate Capital Pte Ltd 6% 12/11/2024 | Energy | Indonesia | 1.5 |
| Alam Sutera Realty Tbk PT 6.25% 11/02/2025 | Real estate | Indonesia | 1.5 |
| Tongfang Aqua Ltd 6.8% 01/10/2022 | Technology, hardware & equipment | China/Hong Kong | 1.5 |
| Fantasia Holdings Group Co Ltd 15% 12/18/2021 | Real estate | China/Hong Kong | 1.5 |
| Modern Land China Co Ltd 12.85% 10/25/2021 | Real estate | China/Hong Kong | 1.4 |

Portfolio characteristics

| | The Fund (P Acc USD) |
|--|-------------------------|
| Annualized volatility (3 years) ⁵ | 10.3% |
| Average duration | 1.6 years |
| Yield to worst ⁶ | 12.5% |
| Number of bond issuers | 159 |

Geographical exposure ⁷

| | |
|-------------------|-------|
| China/Hong Kong | 80.3% |
| Indonesia | 10.1% |
| Australia | 3.7% |
| Mongolia | 1.7% |
| India | 1.1% |
| Others | 4.0% |
| Cash ⁸ | -0.9% |

Sector exposure ^{4,7}

| | |
|----------------------------------|-------|
| Real estate | 59.4% |
| Diversified financials | 17.4% |
| Energy | 6.6% |
| Materials | 3.4% |
| Transportation | 3.3% |
| Utilities | 2.6% |
| Technology, hardware & equipment | 1.5% |
| Media | 1.3% |
| Retailing | 1.1% |
| Others | 4.3% |
| Cash ⁸ | -0.9% |

Credit ratings

| | | | |
|------------------------|-------|-------------------------------------|-------|
| AA | 0.3% | | |
| A | 1.1% | | |
| BBB | 0.6% | | |
| BB | 10.8% | | |
| B & Below | 65.0% | Investment grade | 2.0% |
| Non-Rated ⁹ | 23.1% | High yield | 75.8% |
| Cash ⁸ | -0.9% | Average credit rating ¹⁰ | B |

Currency breakdown

| | |
|-----|-------|
| USD | 88.7% |
| AUD | 3.7% |
| CNY | 2.2% |
| HKD | 2.1% |
| IDR | 1.6% |
| EUR | 1.0% |
| SGD | 0.4% |
| TWD | 0.3% |

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
Investment Directors: Elaine **Hu**; Edwin **Kam**, CFA

Key awards



Best Fund Provider – High Yield Bond ¹¹
 ~ Asian Private Banker Asset Management Awards for Excellence 2021

Best Total Return – Greater China Fixed Income (5-Year, Winner) ¹²
 ~ HKCAMA & Bloomberg, Offshore China Fund Awards 2020

Best USD High Yield (5-Year) ¹³
 ~ Refinitiv, Lipper Fund Awards 2020 (Hong Kong)

Scan QR code for fund documents¹⁴:



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). 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 12.5%; Equity-linked Investments 4.8%; Loan 3.6%; Others 2.2%). 10. The letter rating, which may be based on bond ratings from different agencies, is provided to indicate the average credit rating of the portfolio's underlying investments without taking into account derivative positions. Issuer rating may be used for unrated securities. The average credit rating is determined 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. 11. The assessment of each award category is based on 3 weighted criteria, and one weighted criterion based on feedback from private banking fund selectors. The weightings includes product performance (30%), asset gathering (20%) and fund selector feedback (30%). 12. The awards recognize the top performing Greater China Fixed Income funds issued by CAMAHK members with at least 1 year of historical performance as of 30 Sep 2020. The Best Total Return calculation methodology, Bloomberg calculates the customized 1 year, 3 years and 5 years total return using Bloomberg calcroute field "RT095-Custom Total Return Holding Period". 13. The award reflects performance up to 31 Dec 2019. 14. For Hong Kong investors only.
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