

Value Partners Greater China High Yield Income Fund

NAV per unit: Class P Acc USD - USD15.62 | Class P MDis USD - USD6.65

Fund size : USD2,256.6 million

August 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

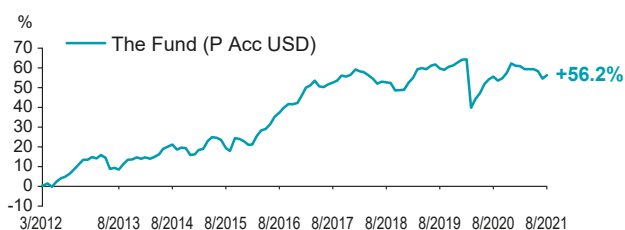
Portfolio review:

After the dismal performance of Asia high yield bonds in July driven by the events at Evergrande, the asset class saw a strong rebound in August. The credit spread of the single-B universe tightened by over 100bps last month. While we navigated the volatile market with caution, we continued to be active in both the primary and secondary markets. We maintained our relatively defensive position and continued to monitor our exposure in China property. During the month, we continued to add to the industrial sector and highly liquid sovereign issues.

Outlook:

Policy risks have once again resurfaced in the investment landscape. The market will need time to digest and make sense of the recent changes in Chinese policy. However, Asian credits, especially Chinese credits, appear relatively cheap, particularly single-B names, after the July selloff. That said, we expect investors to remain cautious as short-term volatility is expected. The spread of the Delta variant continues to be a risk and should be monitored closely. Any worsening of the pandemic situation will surely have a great impact on the pace and path of the global recovery.

Performance since launch



Performance update

	The Fund (P Acc USD)
Year-to-date	-3.8%
One month	+1.1%
One year	+0.4%
Three years	+2.4%
Five years	+13.8%
Total return since launch	+56.2%
Annualized return since launch [^]	+4.8%

The Fund – P Acc USD: Monthly performance from 27 Mar 2012 to 31 Aug 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%	-1.0%	+0.0%	+0.1%	-0.7%	-2.4%	+1.1%					-3.8%

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

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NAVs & Codes

Classes ¹	NAV	ISIN	Bloomberg
P Acc USD	15.62	KYG9319N1097	VPGCPUA KY
P Acc HKD	15.54	KYG9319N1253	VPGCPHA KY
P MDis USD	6.65	KYG9319N1170	VPGPUMD KY
P MDis HKD	6.63	KYG9319N1337	VPGPHMD KY
P MDis SGD Hedged	7.18	KYG9319N1824	VPPSHMA KY
A Acc EUR Hedged	9.73	KYG9319N3804	VPGAHA KY
A MDis AUD Hedged	6.41	KYG9319N2327	VPGCAUD KY
A MDis CAD Hedged	6.55	KYG9319N2400	VPGCCAD KY
A MDis GBP Hedged	6.71	KYG9319N3317	VPGCAGH KY
A MDis EUR Hedged	7.05	KYG9319N3499	VCHAMEH KY
A MDis NZD Hedged	6.69	KYG9319N2574	VPGCHNZ KY

Dividend information – Class MDis ²

Classes ¹	Dividend amount / unit	Annualized yield ³	Ex-dividend date
P MDis USD	0.0522	9.4%	31-8-2021
P MDis HKD	0.0518	9.4%	31-8-2021
P MDis SGD Hedged	0.0560	9.4%	31-8-2021
A MDis AUD Hedged	0.0506	9.5%	31-8-2021
A MDis CAD Hedged	0.0510	9.3%	31-8-2021
A MDis EUR Hedged	0.0498	8.5%	31-8-2021
A MDis GBP Hedged	0.0521	9.3%	31-8-2021
A MDis NZD Hedged	0.0539	9.7%	31-8-2021

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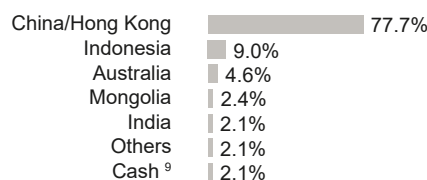
Top holdings ⁴

Name	Sector ⁵	Country / region	%
Mongolian Mining Corp/ Energy Resources LLC 9.25% 04/15/2024	Materials	Mongolia	2.4
Huarong Finance 2017 Co Ltd 4.5% PERP	Diversified financials	China/Hong Kong	2.4
Project Coil note 11% due Oct 2021	Real estate	Australia	2.2
Tongfang Aqua Ltd 6.8% 01/10/2022	Technology, hardware & equipment	China/Hong Kong	2.2
GCL New Energy Holdings Ltd 10% 01/30/2024	Utilities	China/Hong Kong	2.0
Panda Green Energy Group Ltd 8% 01/20/2022	Utilities	China/Hong Kong	2.0
eHi Car Services Ltd 7.75% 11/14/2024	Transportation	China/Hong Kong	1.8
China Development Bank 3.3% 03/03/2026	Banks	China/Hong Kong	1.8
China Development Bank 3.34% 07/14/2025	Banks	China/Hong Kong	1.8
China Government Bond 3.03% 03/11/2026	Sovereign	China/Hong Kong	1.7

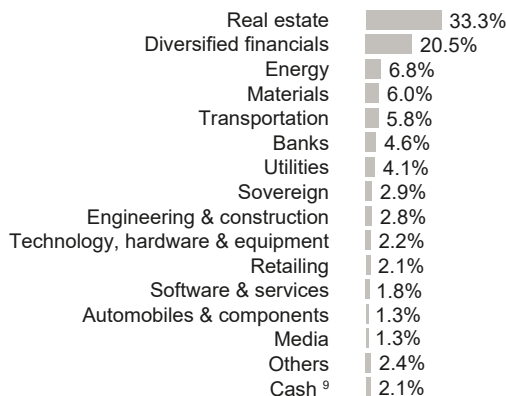
Portfolio characteristics

	The Fund (P Acc USD)
Annualized volatility (3 years) ⁶	10.3%
Average duration	1.9 years
Yield to worst ⁷	15.5%
Number of bond issuers	122

Geographical exposure ⁸



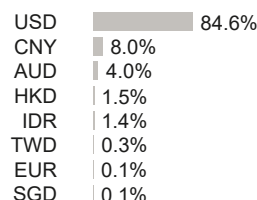
Sector exposure ^{5, 8}



Credit ratings

AA	1.0%
A	6.5%
BBB	5.6%
BB	15.4%
B & Below	39.3%
Non-Rated ¹⁰	30.1%
Cash ⁹	2.1%
Investment grade	13.1%
High yield	54.7%
Average credit rating ¹¹	BB-

Currency breakdown



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
Deputy Chief Investment Officer, Fixed Income: Edwin Kam, CFA

Key awards



- Best Fund Provider – High Yield Bond ¹²**
~ Asian Private Banker Asset Management Awards for Excellence 2021
- Best Total Return – Greater China Fixed Income (5-Year, Winner) ¹³**
~ HKCAMA & Bloomberg, Offshore China Fund Awards 2020
- Best USD High Yield (5-Year) ¹⁴**
~ Refinitiv, Lipper Fund Awards 2020 (Hong Kong)

Scan QR code for fund documents¹⁵:



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. Only debt securities including convertible bonds are stated in the top holdings table. 5. Classification is based on Global Industry Classification Standard (GICS). 6. Volatility is a measure of the theoretical risk in terms of standard deviation, based on monthly return over the past 3 years. 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. 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. 9. Cash includes receivables and payables (except cash for collaterals and margins). 10. Including bonds whose issuers do not seek credit ratings (Greater China Paper 13.3%, Equily-linked Investments 9.2%, Loan 4.0%, Others 1.6%). 11. 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. 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. 12. 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%), service competency/quality (20%) and fund selector feedback (30%). 13. The awards recognize the top performing Greater China Fixed Income funds issued by CAM/ARHK 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". 14. The award reflects performance up to 31 Dec 2019. 15. For Hong Kong investors only.

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Investors should note investment involves risk and past performance is not indicative of future results. Investors should refer to the explanatory memorandum for details and risk factors in particular those associated with investment in Greater China markets in the Asian region, non-investment grade and unrated debt securities and debt securities issued by special purpose vehicles. 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.
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