Chinese Mainland Focus Fund

A Sub-Fund of Value Partners Intelligent Funds

Value Partners
Investing through discipline

NAV per unit : USD46.86
Fund size : USD126.5 million

★★★★
Morningstar Rating[TM1]
As at 30-06-2017

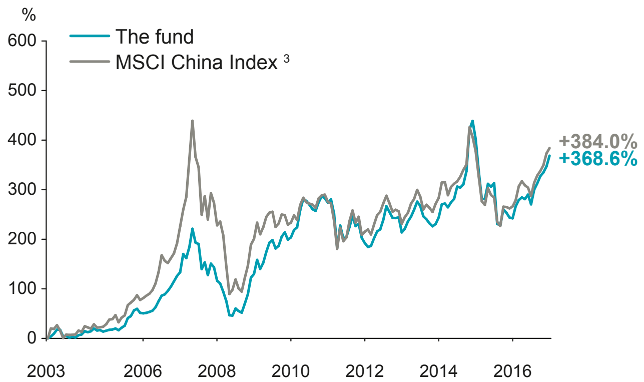
30 June 2017

- Chinese Mainland Focus Fund (The "Fund") invests primarily in investments which are related to the Mainland of the People's Republic of China ("PRC") and investments whose value the Manager believes would be boosted by a Renminbi ("RMB") appreciation.
- The Fund invests in China-related companies which involve certain risks not typically associated with investment in more developed markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund is also subject to concentration risk due to its concentration in China-related companies. Adverse development in such region may affect the value of the underlying securities in which the Fund invests.
- The Fund may directly invest in A Shares and other eligible securities through the qualified foreign institutional investors ("QFII") quota. Investors will be subject to certain risks including repatriation risk, custodial risk, regulatory risk. In addition, the QFII policy and rules are subject to change. All these may adversely impact the Fund.
- Investments 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 material alone. Please read the explanatory memorandum for details and risk factors.

Investment objective

The fund aims to achieve medium to long-term capital appreciation by investing primarily in investments which are related to the Mainland of the People's Republic of China ("PRC") and investments whose value the Manager believes would be boosted by a Renminbi ("RMB") appreciation. The Manager will also invest in investments whose value the Manager believes would increase even if the RMB exchange rate remains unchanged.

Performance since launch [2]



Performance update [2]

	The fund	MSCI China Index [3]
One month	+4.9%	+2.3%
Year-to-date	+26.5%	+24.9%
One year	+36.9%	+32.2%
Three years	+36.2%	+26.2%
Five years	+60.3%	+53.5%
Since launch	+368.6%	+384.0%
Annualized return^	+12.0%	+12.3%
Annualized volatility^	22.4%	26.2%

Portfolio characteristics

As at 30 Jun 2017	2017 [4]
Price/earnings ratio	14.9 times
Price/book ratio	2.0 times
Dividend yield	2.2%

Top 10 securities holdings

Name	Industry [5]	%
Alibaba Group Holding Ltd	Software & services	9.3
Huaneng Renewables Corp Ltd	Utilities	8.0
Sunny Optical Technology Group Co Ltd	Technology, hardware & equipment	7.3
Gree Electric Appliances Inc of Zhuhai	Consumer durables & apparel	5.5
Brilliance China Automotive Holdings Ltd	Automobiles & components	5.2
Tencent Holdings Ltd	Software & services	4.8
Wuliangye Yibin Co Ltd	Food, beverage & tobacco	4.2
JD.com Inc	Retailing	4.1
Man Wah Holdings Ltd	Consumer durables & apparel	4.1
Huatai Securities Co Ltd	Diversified financials	3.7

These stocks constitute 56% of the fund.

The fund – Monthly performance from 1 Jan 2009 to 30 Jun 2017 [2]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009	-3.2%	-2.1%	+11.8%	+11.4%	+17.7%	+3.4%	+12.3%	-7.1%	+5.2%	+8.8%	+6.7%	+1.8%	+86.0%
2010	-5.7%	+1.9%	+6.5%	+2.8%	-4.7%	+1.5%	+4.9%	+1.7%	+10.6%	+6.4%	-1.1%	-2.0%	+23.9%
2011	-2.5%	-0.9%	+4.8%	+3.4%	-1.2%	-2.2%	+1.8%	-7.6%	-19.5%	+15.6%	-7.8%	+0.6%	-17.8%
2012	+6.7%	+6.8%	-5.7%	+1.4%	-8.6%	-3.5%	-2.7%	+0.7%	+5.5%	+4.5%	+1.4%	+6.0%	+11.6%
2013	+8.1%	-3.2%	-3.3%	-0.1%	+0.4%	-8.8%	+2.4%	+4.5%	+2.9%	+4.1%	+4.5%	-2.3%	+8.3%
2014	-5.7%	-1.7%	-2.4%	-1.8%	+1.4%	+4.0%	+7.7%	+0.4%	-2.0%	+2.8%	+1.8%	+6.5%	+10.6%
2015	-0.5%	+1.6%	+6.4%	+19.4%	+3.3%	-6.8%	-13.0%	-12.9%	+0.3%	+7.9%	-1.5%	+1.8%	+1.7%
2016	-19.9%	-0.8%	+9.8%	-1.9%	-2.7%	-0.4%	+7.0%	+3.5%	+1.4%	-0.9%	+2.4%	-5.0%	-10.3%
2017 (YTD)	+7.9%	+3.2%	+3.5%	+1.8%	+2.8%	+4.9%							+26.5%

^ *Annualized return and volatility are calculated from inception on 27 Nov 2003. 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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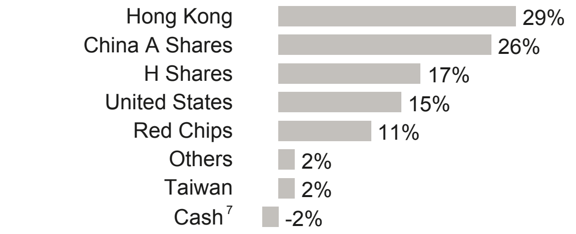
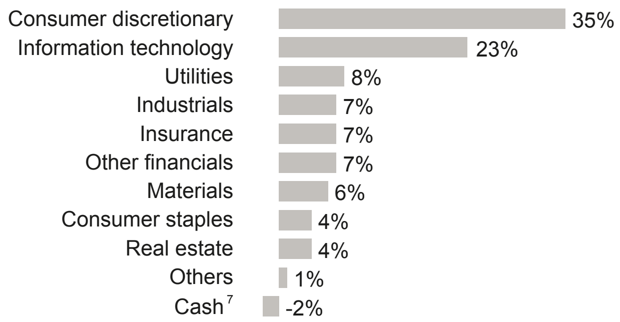
Geographical exposure by listing [6]



Sector exposure [5, 6]



Fund facts

Manager:	Value Partners Limited
Base currency:	USD
Trustee:	Bank of Bermuda (Cayman) Limited
Custodian:	HSBC Institutional Trust Services (Asia) Limited
Launch date:	27 Nov 2003
Bloomberg and ISIN codes:	VAPAICM KY / KYG9317Q1120

Unit price is published daily in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.

Fee structure

Minimum subscription	USD10,000
Minimum subsequent subscription	USD5,000
Subscription fee	Up to 5%
Management fee	1.25% p.a.
Performance fee [8]	15% of profit (High-on-high principle)
Redemption 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
Investment Directors: Gordon Ip, CFA; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers: Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Kai Mak

Recent fund award

LIPPER FUND AWARDS 2013 HONG KONG

Lipper Fund Awards 2013 (Hong Kong)
Best China Equity Fund (5 Years) [9]
~ Lipper

1. © 2017 Morningstar, Inc. All Rights Reserved. 2. Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, data as of 30 Jun 2017, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. 3. Starting from Jul 2009, the MSCI China Index will be used as the reference index for the entire history of the fund. Hang Seng H Shares Index, Shanghai Composite Index and Shenzhen Composite Index were no longer shown for comparison. The Index is for reference only. 4. The profile is based on market consensus forecast as derived from S&P Capital IQ and Bloomberg. Harmonic mean methodology is applied to calculate the forecast P/E ratio and P/B ratio. Note that the manager's internal estimates may differ significantly from S&P Capital IQ and Bloomberg estimates. 5. Classification is based on Global Industry Classification Standard (GICS). 6. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 7. Cash refers to net cash on hand excluding cash for collaterals and margins. 8. Performance fee will only be charged if the NAV at the end of the financial year or upon realization of units exceeds the "high watermark", which is the all-time year-end high of the fund's NAV. If in any one year, the fund suffers a loss, no performance fee can be charged in subsequent years until the loss is recovered fully (the high-on-high principle). 9. Based on data as of year-end 2012.

For Singapore investors: The Fund is registered as a restricted foreign scheme in Singapore and will only be distributed to (i) institutional investors and (ii) accredited investors and certain other persons in Singapore in accordance with section 304 and 305 of the Securities and Futures Act. Value Partners Asset Management Singapore Pte Ltd, Singapore Company Registration No. 200808225G

For Swiss Qualified Investors: The sales prospectus, the Articles of Association, the Key Investor Information Document as well as the annual and semi-annual reports of the Fund are available free of charge from the Representative. Both the place of performance and the place of jurisdiction for units/shares in the Fund offered or distributed in or from Switzerland shall be the seat of the Swiss representative.

Swiss Representative and Paying Agent: BNP PARIBAS SECURITIES SERVICES, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich.

Investors should note investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets. Information in this report has been obtained from sources believed to be reliable but Value Partners Limited does not guarantee the accuracy or completeness of the information provided by third parties. 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. This report has not been reviewed by the Securities and Futures Commission. Issuer: Value Partners Limited.

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Chinese Mainland Focus Fund
Commentary / Second Quarter 2017

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China buoyed by signs of stabilising growth

Hong Kong and China (H shares) markets extended their solid performance in the second quarter underpinned by strong corporate earnings results and robust macro data. During the period, Chinese Mainland Focus Fund returned 9.7%. For reference, the Hang Seng Index and the MSCI China Index gained 8.0% and 10.6% during the period, respectively.

A series of encouraging macro data signalled further stabilization in China's economy. The official manufacturing Purchasing Managers' Index stayed in expansionary territory in June for the 11th consecutive month while export surprised on the upside on the back of global trade recovery, rising 8.7% in May in USD terms. Meanwhile, China's retail sales grew 10.7% from a year earlier in May, reflecting the continuous progress in China's shift towards a consumption-driven economy.

Robust fundamentals in the first half of 2017 highlighted the strength in China's economy, providing a window of opportunity for the policy makers to tackle deep-seated structural issues. In fact, such structural issues, including climbing debt levels and shadow banking, were cited as major reasons in Moody's downgrade of China and Hong Kong's sovereign credit ratings in late May. In light of the government's policy bias tilts towards tightening to rein in leverage and financial risks, we expect a modest moderation in growth later this year. However, we believe that a sharp deceleration in growth is unlikely given a managed pace of tightening and the government's policy priority to maintain growth at 6.5% this year.

Earnings and southbound flow as catalysts

The Hong Kong and China markets turned in a strong rally year-to-date on the back of recovering corporate earnings results. The recovery trend in earnings is evident – as compared to an earning contraction of 13% in the fourth quarter of 2016, earnings growth of MSCI China Index companies picked up to 7% year-on-year during the first quarter of 2017[1]. Meanwhile, with recovering profitability and margin expansion, consensus earnings-per-share (EPS) growth of the MSCI China Index[2] is estimated to reach 15% for the whole year of 2017, providing impetus for market performance during the year.

From the perspective of capital flow, southbound investment's share in the daily turnover of Hong Kong's stockmarket has been increasing steadily since the fourth quarter last year. Now southbound turnover has exceeded 10% of the average daily turnover in Hong Kong. With increasing demand for overseas asset allocation from China's insurance companies, social security funds and mutual funds, southbound capitals are expected to play a larger role in Hong Kong's stockmarket going forward. Over the long haul, this will not only benefit

H-share investors as China continues to open up its capital market, but the heightened liquidity will also reinforce Hong Kong's position as an Asian financial centre.

Outlook

Looking forward to the second half of the year, we remain constructive in Chinese equities despite the strong market performance in the first half and the possibility that economic data may soften after rounds of solid growth data since the start of the year. With that said, bottom-up stock selection is crucial to identify value companies with sustainable earnings. Among various sectors, we favour companies that will benefit from the consumption upgrade momentum in China, such as consumer discretionary and technology leaders. In light of the global growth recovery, we also favour quality exporters which exhibit solid market shares and margin expansion. Although the 12-month forward price-to-earnings (P/E) ratio of the MSCI China Index has normalized to 13.2 times (above 10-year average of 12.1 times), it is still trading at an attractive level relative to most emerging and developed markets.

In an environment of growth moderation, we believe a bottom-up approach to stock selection and our strict adherence to time-tested value-investing principles will be the key to spot quality companies. As always, we will reinvest our profits back into our infrastructure and uncover value opportunities for our investors.

Value Partners Investment Team
17 July 2017

1. *Source: Bloomberg, CICC Research, Factset, MSCI. Data as of May 2017.*
2. *Source: Bloomberg, Deutsche Bank Research. Data as of May 2017.*

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in US$ terms on NAV-to-NAV basis with dividends reinvested) as at 30 June 2017. Performance data is net of all fees.

Individual stock performance is not indicative of fund performance.

The views expressed are the views of Value Partners Limited 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. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Investors should note that investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets. This commentary has not been reviewed by the Securities and Futures Commission. Issuer: Value Partners Limited.

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Chinese Mainland Focus Fund: 5 biggest holdings of securities as at 30 June 2017

Stock	Industry	Valuation (2017 Estimates)	Remarks
Alibaba Group (Code: BABA US) Market cap: US$360.9 billion	Internet	Price: USD140.90 P/E: 34.0x P/B: 7.2x Yield: 0%	Alibaba, founded by Jack Ma in 1999 in China, is one of the world's largest e-commerce companies. Alibaba's online marketplace "Taobao" contributes the vast majority of the company's revenue. Itis likely to continue delivering solid growth due to its monopoly position and the current trend of marketing budgets shifting from offline to online. Meanwhile, the company's cloud computing company ("AliCloud") and fintech business ("Ant Financial") underpin future growth potential. For example, Ant Financial, 33% owned by Alibaba, is a crucial component of Alibaba's fintech business. Going forward, the re-rating of Alibaba's stock is possible with 1) improved disclosure on solid operational matrix; 2) solid quarterly earnings, which could ease concerns about macro slowdown; 3) spin-offs of high value assets (e.g. AliCloud and Ant Financial) to unlock hidden value.
Brilliance China Automotive (Code: 1114 HK) Market cap: US$9.2 billion	Automobile	Price: HKD14.22 P/E: 13.2x P/B: 2.3x Yield: 0.9%	Brilliance primarily manufactures and sells minibuses and automotive components in China. The company offers its minibuses under the JinBei and Granse brands. Its automotive components include mouldings, seats, axles, safety and airbag systems, interior decoration items, and engines for minibuses and so on. Brilliance has strategic partnership with prominent brands such as BMW, Toyota, Magna and Bosch. We believe the firm is entering a strong model cycle through 2019, which will likely lead to solid volume growth in 2017/18.
Gree Electric Appliances (Code: 000651 CH) Market cap: US$36.6 billion	Air conditioner manufacturer	Price: CNY41.17 P/E: 13.8x P/B: 4.0x Yield: 4.8%	Gree Electric Appliances is a leading air conditioning brand in China with its own manufacturing facilities, research and development centres and large-scale sales distribution network. The company's strong and innovative research and development capabilities enable it to launch new products that are well received by the market, helping to maintain its leading market position. For foreseeable future, we believe the company is well-positioned to remain a strong leader in the industry.
Huaneng Renewables (Code: 958 HK) Market cap: US$3.3 billion	Renewable energy provider	Price: HKD2.41 P/E: 6.5x P/B: 0.9x Yield: 2.2%	Huaneng Renewables is committed to the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects while promoting synergistic growth of solar power and other renewable energies. Its slower wind farm capacity growth will help reduce gearing and boost free cash flows, and the slower foray into solar farms and offshore wind farms demonstrate strengthened capex discipline.

Stock	**Industry**	**Valuation (2017 Estimates)**	**Remarks**
Sunny Optical Technology (Code: 2382 HK) Market cap: US$9.8 billion	Optical components manufacturer	Price: HKD70.00 P/E: 32.6x P/B: 10.1x Yield: 0.8%	Sunny Optical Technology is a leading optical manufacturer in China and has strong capabilities in R&D and manufacturing. It engages in designing and manufacturing optical components, including glass and plastic lenses, lens sets and camera modules for mobile phones and digital cameras, as well as microscopes and surveying instruments. The company is a primary supplier for top-tier Chinese handset vendors including Huawei, Lenovo and Coolpad. The company is well-positioned to benefit from the smartphone boom and smartphone camera upgrade cycle in China and other emerging markets.

Note: The above investments made up 36.0% of Chinese Mainland Focus Fund as at 30 June 2017. The stock prices are based on the closing of 30 June 2017.

Individual stock performance/yield is not necessarily indicative of overall fund performance.