

# Value Partners New China Policy Fund

NAV per unit: Class A USD - USD11.69 | Class A Plus<sup>1</sup> USD - USD11.39  
Fund size : USD77.2 million

31 March 2017

- Please pay particular attention to the risk of investment in the Greater China region. The value of the fund can be extremely volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.
- 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.
- The fund (in particular its Class (plus) Shares<sup>1</sup>) may make investments in the Renminbi. Investors should note that the Renminbi is subject to exchange control and that implies any devaluation of the Renminbi could adversely affect the value of investors' investments in the fund.
- This fund uses alternative investment strategies and the risks inherent in this fund are not typically encountered in traditional funds. This fund may undertake special risks that may lead to a substantial or total loss of capital and there is no guarantee that its investment objective can be achieved. Therefore, investment in this fund is only suitable for professional investors who can afford the risks.
- You should not make investment decision on the basis of this material alone. Please read the private placement memorandum for details and risk factors.
- The fund is not authorized by the Securities and Futures Commission in Hong Kong and its shares are not available to the general public in Hong Kong.

## Investment objective

To achieve long-term capital growth primarily through investment in equity and equity related securities listed on stock exchanges within the Greater China Region with an aim to invest in companies that can potentially benefit from China policies.

The USD plus and SGD hedged plus refer to an RMB overlay on that currency class with the aim of allowing investors to capture benefits in case of RMB appreciation against the base currency of the fund. This is generally achieved using long RMB forward contracts. Any devaluation of the RMB could adversely affect the value of investors' investments in the fund.

## Commentary

In the first quarter of 2017, Hong Kong and China stocks delivered one of their best first-quarter performances underpinned by solid macro data, continued government's stimulus policies, supportive southbound flows, corporate earnings upward revision and a stable Renminbi ("RMB"). In March, the Fund was up 2.8% while the MSCI China Index rose 2.1%, both in USD.

Signs of confidence are returning to China. Indeed, first-quarter macro data continued to show that the world's second-largest economy is gaining momentum with benign inflation pressure. Positive messages were also delivered at the 2017 National People's Congress ("NPC") in March. Amid the transition from a "pro-growth" stance in 2016 to "growth stability" in 2017, China set its growth target for 2017 at a more reasonable level at 6.5%. With the recent macro improvement, this has created more room for policymakers to tackle financial excesses and over capacity.

Currently, the consensus estimates for 2017 earnings per share growth for the MSCI China Index is 13%, a big leap from -2.5% in 2016. We believe the Chinese government's stance on growth stability will provide a sustainable favourable environment for equity investors.

## Performance update

	Class A USD	Class A Plus <sup>1</sup> USD	MSCI China Index
One month	+2.8%	+2.6%	+2.1%
Three months	+9.5%	+12.8%	+12.9%
One year	+9.7%	+6.0%	+19.7%
Since launch	+16.9%	+13.9%	+22.1%

## NAVs & codes

Classes	NAV	ISIN	Bloomberg
Class A USD	11.69	KYG931681053	VPNCUAA KY
Class A USD QDis	10.35	KYG931681137	VPNCUAI KY
Class A Plus <sup>1</sup> USD	11.39	KYG931681210	VPNCUAP KY
Class A Plus <sup>1</sup> USD QDis	11.19	KYG931681392	VPNUAPD KY
Class A SGD Hedged <sup>2</sup>	11.84	KYG931681475	VPNCSAH KY
Class A SGD Hedged QDis <sup>2</sup>	10.38	KYG931681541	VPNCADH KY
Class A Plus SGD Hedged <sup>1,2</sup>	11.51	KYG931681624	VPNCSAP KY

## Dividend information – Class A QDis and Class A Plus QDis<sup>3</sup>

Dividend history	Dividend per unit <sup>4</sup>	Annualized yield <sup>5</sup>	Ex-dividend date
Class A USD QDis	0.0398	1.5%	3-4-2017
Class A SGD Hedged QDis <sup>2</sup>	0.0398	1.5%	3-4-2017
Class A Plus <sup>1</sup> USD QDis	0.0398	1.4%	3-4-2017

## Monthly performance from 10 Mar 2014 to 31 Mar 2017 – Class A USD

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2014	N/A	N/A	-1.3%	-2.1%	+1.2%	+2.9%	+4.6%	+1.4%	-2.0%	+3.1%	+4.0%	+3.8%	+16.4% <sup>6</sup>
2015	-0.9%	+1.7%	+4.6%	+17.7%	-1.7%	-4.9%	-9.6%	-10.3%	+2.8%	+4.9%	-2.5%	+2.3%	+1.2%
2016	-16.6%	-2.7%	+11.6%	-2.3%	-2.6%	+0.8%	+3.9%	+4.2%	+1.5%	-2.0%	+0.8%	-3.8%	-9.3%
2017 (YTD)	+4.2%	+2.2%	+2.8%										+9.5%

## Monthly performance from 10 Mar 2014 to 31 Mar 2017 – Class A Plus<sup>1</sup> USD

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2014	N/A	N/A	-2.4%	-2.8%	+1.4%	+4.0%	+5.0%	+2.1%	-2.1%	+4.0%	+3.4%	+3.3%	+16.6% <sup>6</sup>
2015	-1.4%	+1.7%	+6.1%	+18.0%	-1.4%	-4.7%	-10.0%	-12.7%	+4.7%	+5.3%	-3.5%	+0.7%	-0.7%
2016	-16.8%	-1.3%	+13.2%	-2.5%	-3.9%	-0.2%	+4.0%	+3.8%	+1.9%	-3.3%	-0.7%	-4.9%	-12.8%
2017 (YTD)	+6.8%	+2.9%	+2.6%										+12.8%

## Top 5 securities holdings

Name	Industry <sup>7</sup>	%
Tencent Holdings Ltd.	Software & services	8.7
Alibaba Group Holding Ltd	Software & services	5.6
China South Publishing and Media Group Co., Ltd.	Media	4.7
PetroChina Co. Ltd.	Energy	4.6
China Petroleum & Chemical Corporation	Energy	3.6

These stocks constitute 27% of the fund.

## Portfolio characteristics

As at 31 Mar 2017	2017 <sup>8</sup>
Price/earnings ratio	14.6 times
Price/book ratio	1.6 times
Dividend yield	2.2%

## Geographical exposure by listing <sup>9</sup>

China A Shares	28%
H Shares	27%
Hong Kong	20%
Red Chips	12%
United States	7%
China B Shares	6%
Singapore	3%
Cash <sup>10</sup>	-3%

## Sector exposure <sup>7,9</sup>

Consumer discretionary	20%
Information technology	17%
Consumer staples	16%
Industrials	11%
Health care	9%
Energy	8%
Utilities	7%
Insurance	5%
Other financials	4%
Telecom services	4%
Banks	2%
Cash <sup>10</sup>	-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:	Class A USD/SGD Hedged - 10 Mar 2014 Class A Plus USD/USD QDis/SGD Hedged - 10 Mar 2014 Class A SGD Hedged QDis - 26 Aug 2014 Class A Plus SGD Hedged QDis - 15 Sep 2014 Class A USD QDis - 23 Sep 2014

## Fee structure

	Class A	Class A Plus <sup>1</sup>
Minimum subscription	USD10,000 or equivalent	
Minimum subsequent subscription	USD5,000 or equivalent	
Subscription fee	up to 5%	
Management fee	1.25% p.a.	
Performance fee <sup>11</sup>	15% of profit (High-on-high principle)	
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 corporate awards



Asset Management Awards 2016 <sup>12</sup>  
**Fund House of the Year – Hong Kong**  
 ~ AsianInvestor



Thomson Reuters Lipper Fund Awards 2016 <sup>12</sup>  
**Best Equity Group (Hong Kong)**  
 ~ Thomson Reuters

1. The USD plus and SGD hedged plus refer to an RMB overlay on that currency class with the aim of allowing investors to capture benefits in case of RMB appreciation against the base currency of the fund. This is achieved using long RMB forward contracts. 2. The fund may invest in financial derivative instruments ("FDI") for hedging purposes. In adverse situations, the fund's use of FDI may become ineffective in hedging and the fund may suffer significant losses. 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. Risks associated with FDI include counterparty risk, credit risk and liquidity risk. Such exposure may lead to a high risk of capital loss. The SGD Hedged Classes are not recommended for investors whose base currency of investment is not in the aforesaid currencies. 3. The Manager currently intends to make quarterly dividend distribution in respect of the Class A QDis; actual dividend payout will be subject to the Manager's discretion. 4. The receiving bank may charge a fee for incoming payments. Such fees will reduce the actual amount of dividends received by the investor. 5. Annualized yield of Class A QDis is calculated as follows: (dividend amount/NAV as of ex-dividend date) x 4. 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. 6. Performance shown is calculated base on the fund's since launch return. The fund was launched on 10 Mar 2014. 7. Classification is based on Global Industry Classification Standard (GICS). 8. 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. 9. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 10. Cash refers to net cash on hand excluding cash for collaterals and margins. 11. 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). 12. The award reflecting performance as at December 2015. Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees.

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.

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