

Value Partners Group Limited

Incorporated in the Cayman Island with limited liability
A company listed on the Hong Kong Stock Exchange
Stock code: 806 HK



2019 Final Results

For the year ended 31 December 2019

Results Presentation, 12 March 2020

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Agenda

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2019 key highlights

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Value Partners financial review

3

Growth strategy

2019 key highlights



Significant net profit growth despite challenging market conditions

Net profit rose by 124% driven by strong funds' performance and investment gains



Disciplined cost control

Total expenses increased slightly by 3% as we continued to practice stringent cost control



Strong balance sheet

Net assets increased to HK\$ 4.4 billion from HK\$ 4.0 billion



Stable AUM with strong inflows

Assets under management ("AUM") remained stable at US\$ 15 billion with strong flows contributed by our core Fixed Income Fund and China Business segment



Well positioned for China's market opening

Positioned to take advantage of China's market opening in its growing asset management industry. Our China and related business continues to expand fast with AUM jumped from 7% to 11% of the Group's AUM



Expand asset classes to grow our product range

Expansion of our product range into different asset classes (e.g., investment grade fixed income, multi-assets, alternatives) will capture new market share



Sustainable and recurring performance fee

Performance fee is recurring and sustainable due to strong performance and increase in our performance fee based products; multiple funds including our Classic Fund achieved their high water mark this year

Financial highlights

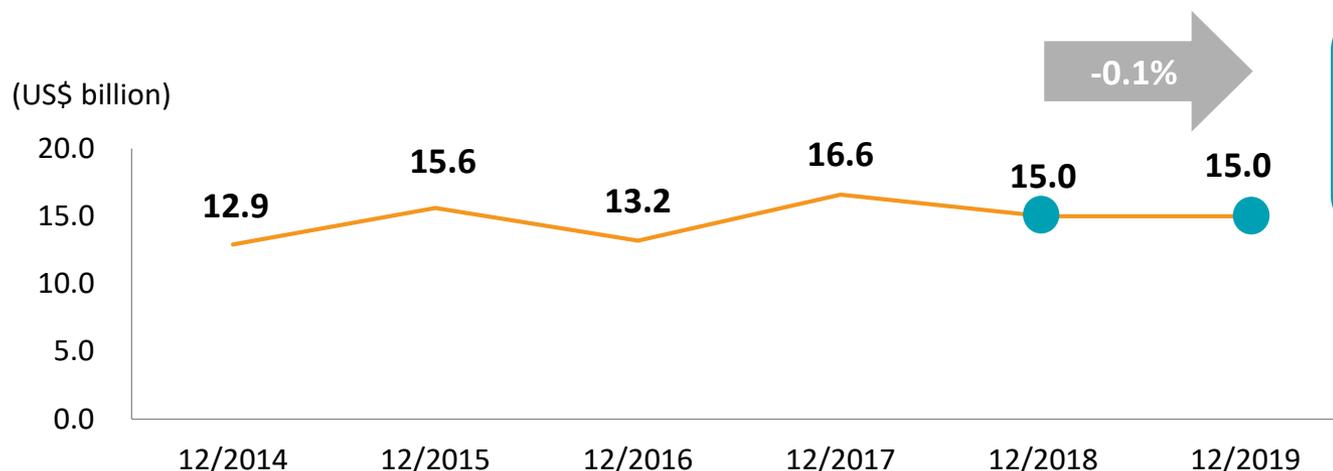
*By Icy WONG
Chief Financial Officer*

Financial highlights

(In HK\$ million)	2019	2018	% Change
Profit attributable to owners of the Company	513.4	229.5	+123.7%
Total revenue	1,603.9	1,641.4	-2.3%
Gross management fees	1,362.4	1,347.5	+1.1%
Gross performance fees	55.3	56.2	-1.6%
Total expenses	(552.7)	(535.0)	+3.3%
Operating profit (before other gains or losses)	343.7	399.9	-14.1%
Other gains (losses) - net	193.8	(168.7)	+214.9%
Basic earnings per share (HK cents)	27.7	12.4	+123.4%
Diluted earnings per share (HK cents)	27.7	12.4	+123.4%
Interim dividend per share (HK cents)	Nil	Nil	
Final dividend per share (HK cents)	9.0	6.0	+50.0%
Special dividend per share (HK cents)	13.0	Nil	
Total dividends per share (HK cents)	22.0	6.0	+266.7%

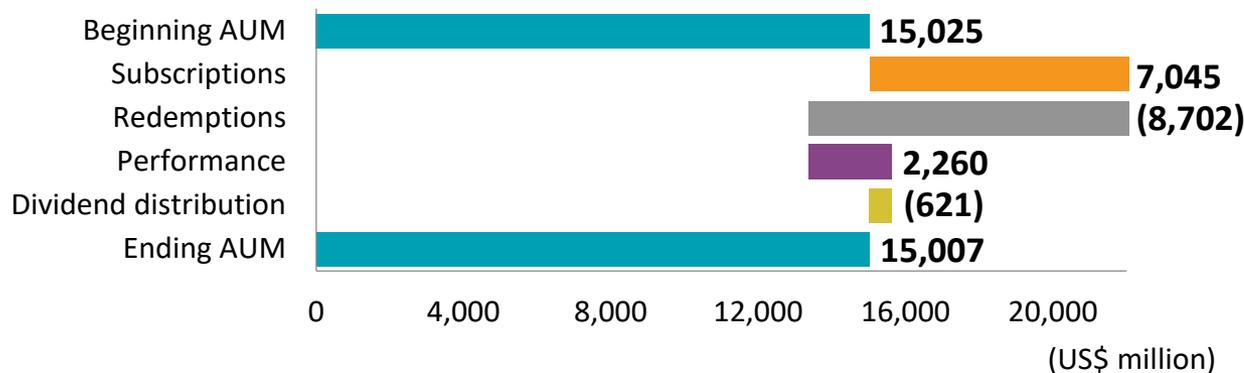
Assets under management (“AUM”)

Value Partners’ AUM remained stable at US\$15.0 billion as of 31 December 2019



- For the year ended 31 December 2019, the net outflow was US\$1.7 billion

AUM change in 2019

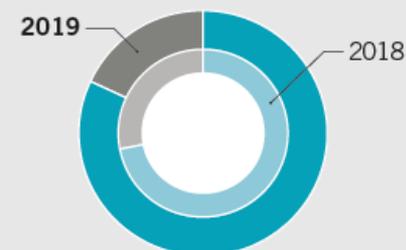


2019 fund flows
Gross subscriptions: US\$7.0 billion;
Gross redemptions: US\$8.7 billion

AUM analysis

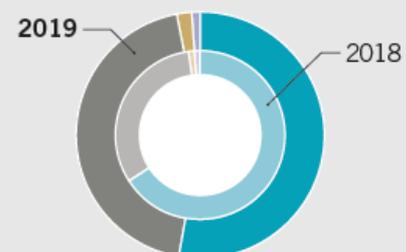
Classification by brand

	2019	2018
Own Branded Funds	82%	72%
White Label & Co-branded Funds	18%	28%



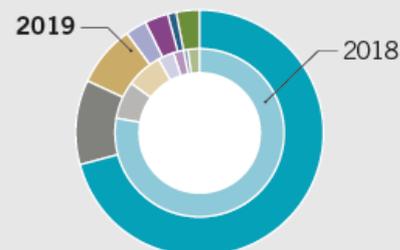
Classification by strategy

	2019	2018
Absolute Return Long-biased Funds	53%	62%
Fixed Income Funds	44%	36%
Alternative Funds	2%	1%
Quantitative Funds & ETF	1%	1%



Client analysis by geographical region

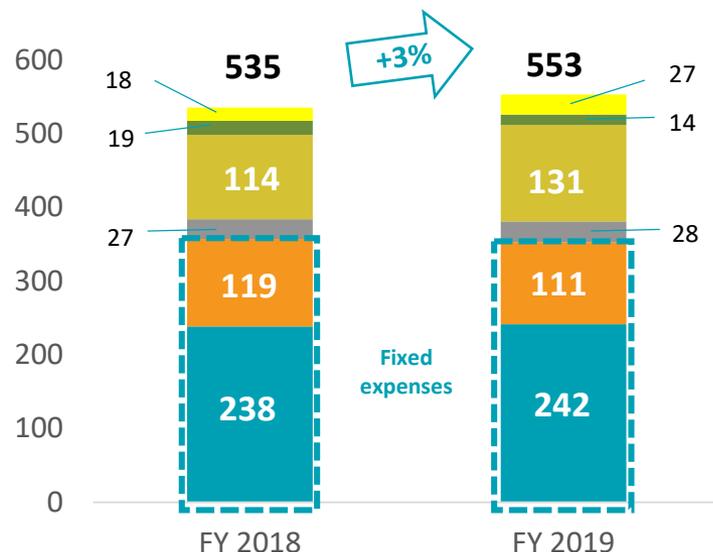
	2019	2018
Hong Kong	71%	78%
China	11%	7%
Singapore	8%	7%
United States	3%	3%
Europe	3%	2%
Australia	1%	1%
Others	3%	2%



Stringent cost control

Total expenses

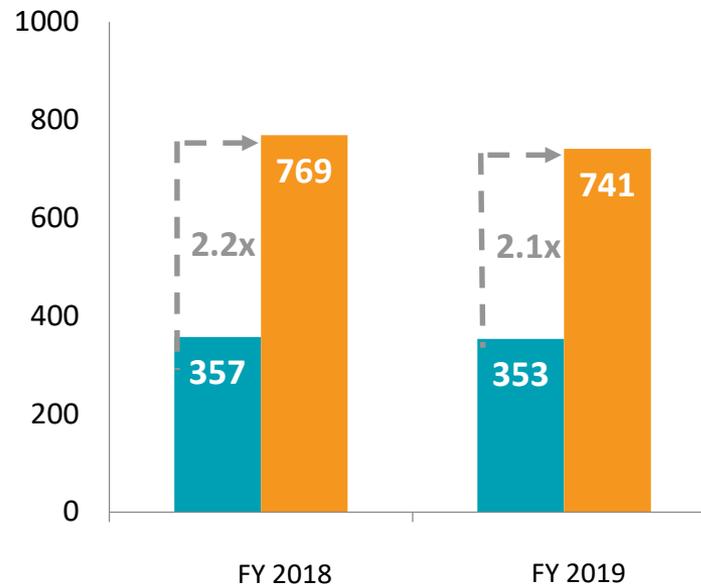
(HK\$ million)



- Others²
- Sales and marketing
- Other compensation and benefits³
- Share-based compensation
- Other fixed operating costs
- Fixed salaries and staff benefits

Fixed cost coverage ratio

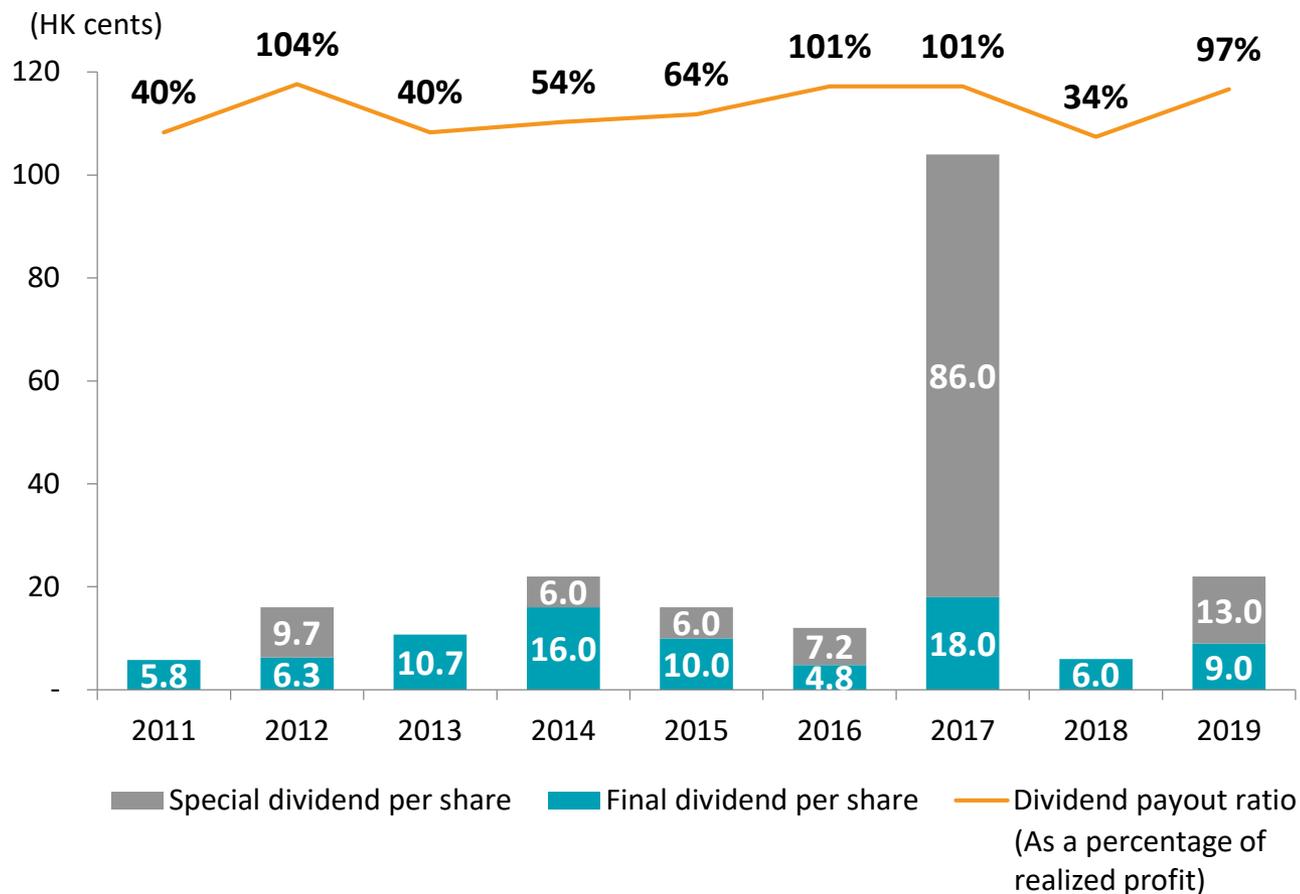
(HK\$ million)



- Fixed expense¹
- Net management fees

1. Fixed expenses mainly represent fixed salaries and benefits, rent, investment research, other administrative and office expenses for asset management business.
2. Others includes depreciation and non-recurring expenses.
3. Other compensation and benefits includes the management bonus and staff rebates.

Dividend history



1. Dividend per share is declared based on the Group's realized profit, which excluded unrealized gains/ losses recognized. However, earnings per share reflected the impact of net unrealized gains/ losses.

Strong balance sheet

As at 31 December 2019	HK\$ million
ASSETS	
Current assets	2,865
• Cash & cash equivalents ¹	• 2,201
• Investments (including investment held-for-sale) ²	• 438
• Fees receivables	• 179
Non-current assets	2,047
• Investments (including investment in JV and investment property) ²	• 1,785
Total assets	4,912
LIABILITIES	
Current liabilities	420
• Accrued bonus	• 151
• Distribution fee expenses payable	• 157
Non-current liabilities	103
Total liabilities	523
EQUITY	
Equity attributable to owners of company	4,389
• Issued equity	• 1,407
• Retained earnings	• 2,740
Total equity	4,389

1. Cash & equivalents includes the balance sheet items of Cash and cash equivalents and Deposits with brokers;

2. Net Investments (including investments, investment held for sale, investment in joint ventures and investment property) = HK\$2,192 million

Further deploy cash in 2020

Value Partners 2014-2019 House Money Investments

2014-2019, HK\$ million

■ Cash ■ Investment - VP funds & mandates ■ Investment - Real Estate funds ■ Investment - Bonds securities ■ Other investments



- Further deploy cash to seed our new products in alternatives for stable returns
- Other investments into low volatility strategic products, e.g., investment grade fixed income

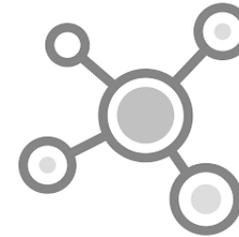
Growth strategy

*By Angel TENG
Managing Director &
Chief Strategy Officer*

Value Partners key growth drivers



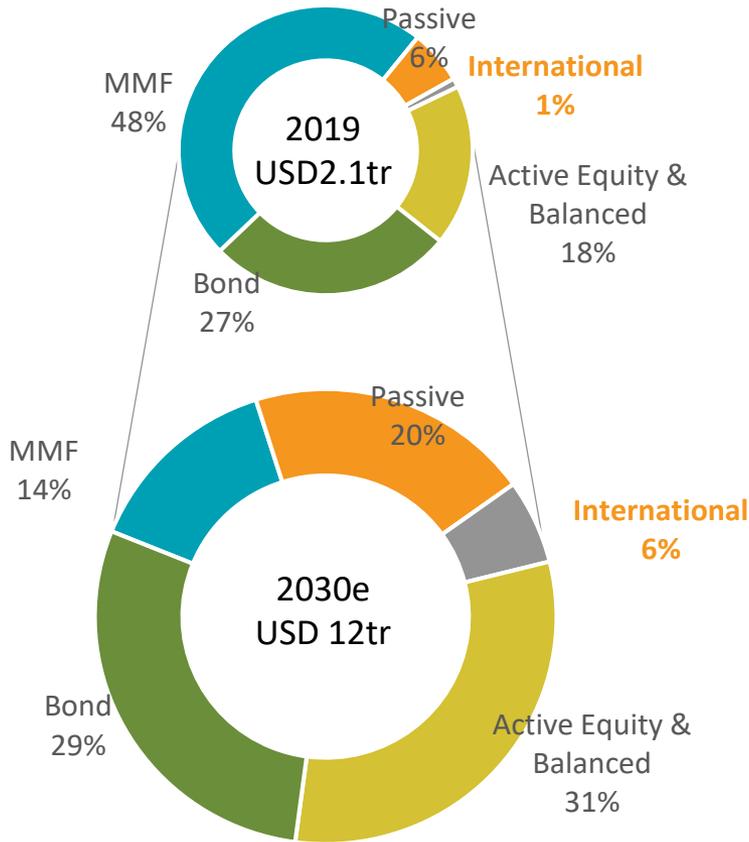
Capture growing opportunities in China



Expand asset classes to grow our product range

China's AM industry is forecasted to grow 6x, with faster growth in some sub-segments

China asset management by asset type
2019-2030e



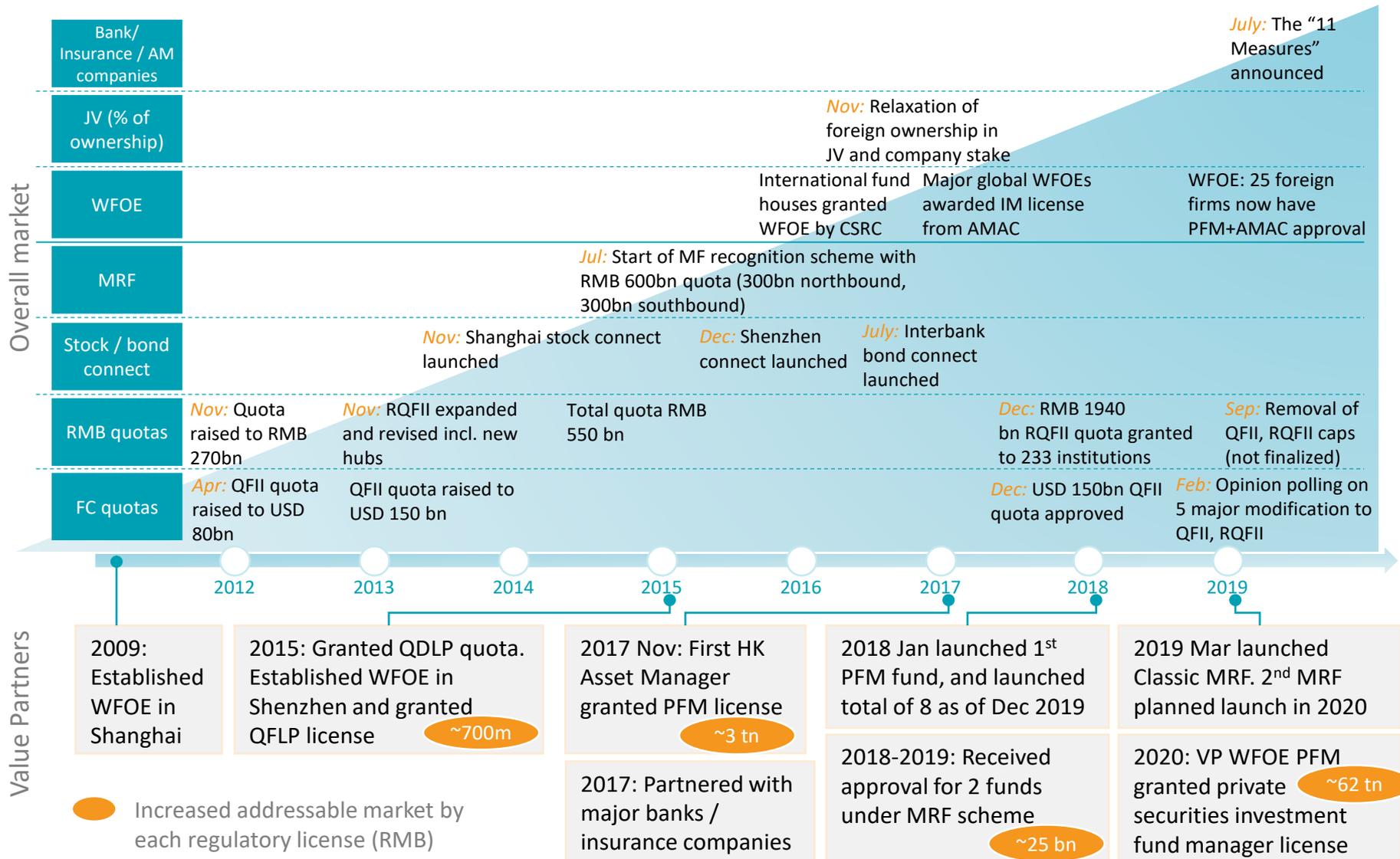
China asset management by industry segment
2014-2019

Industry segments	14-17 CAGR	17-19 CAGR
Private Fund	45%	19%
Insurance AM	22%	11%
Bank WM	12%	4%
Mutual Fund	20%	3%
Private Equity	40%	10%
Securities AM	19%	-19%
Fund subsidiaries	-8%	-23%
Trust company	27%	-7%

Value Partners business coverage

Source: Wind, China AMAC, China TRC, Z-Ben Advisors, Value Partners

Regulatory reforms will continue to support Value Partner's growth in China



China Business model and team

Institutional

- **Bank:** Provides investment advisory for more than 10 major banks / bank WMs, including many of the top 10 banks in China
- **Insurance:** Provides investment advisory for more than 5 major insurance players in China, including large state-owned and foreign insurers

Private Fund Management (“PFM”)

- **8 PFM** funds launched as of December 2019, one of the most PFM funds out of all WFOE-PFMs
- **Private Banks:** partnerships established with 4 out of top 10 PBs, and in close discussion with the rest
- **Securities companies:** partnership established with 5 major securities firms

Mutual Recognition of Funds (“MRF”)

- **Launched Classic Fund MRF** in March 2019, and prepared to launch High-Dividend Stocks Fund MRF in 2020
- Classic MRF is distributing at **7 retail channels**, and we are expanding the distribution network further



Full function local team of **38** Chinese professionals in Shanghai, Shenzhen, Beijing, Hong Kong with average 13 years experience, covering investment, business development, and support functions

Value Partners recognized as top 10 foreign asset managers in China

Z-Ben ranking

Source: Z-Ben advisors 2019 China Rankings report

2019 Rank	2018 Rank	Firm		2019 Score	Score distribution across the three business lines
1	1	UBS	Switzerland	67.56	
2	4	Invesco	United States	63.48	
3	2	JP Morgan	United States	60.33	
4	3	Schroders	United Kingdom	56.04	
5	5	BlackRock	United States	54.66	
6	6	Fidelity	United States	48.85	
7	7	HSBC	United Kingdom	37.65	
8	14	Value Partners	Hong Kong	36.54	
9	12	Aberdeen Standard	United Kingdom	36.15	
10	8	Morgan Stanley	United States	27.55	
11	10	DWS	Germany	26.59	
12	15	Neuberger Berman	United States	26.47	
13	20	Eastspring	United Kingdom	26.43	
14	11	Allianz GI	Germany	20.87	
15	-	Winton	United Kingdom	18.55	
16	16	Eurizon	Italy	17.94	
17	13	Franklin Templeton	United States	17.89	
18	17	PineBridge	United States	17.65	
19	9	Manulife	Canada	17.30	
20	-	Bridgewater	United States	17.29	
21	-	Man Investments	United Kingdom	17.28	
22	18	BNP Paribas	France	17.27	
23	-	First State	Australia	17.26	
24	-	Mirae Asset	Korea	17.21	
25	25	Credit Suisse	Switzerland	17.21	

Recent awards and recognition



2019 Golden Changjiang Award
The Most Attractive Foreign Private Fund Award¹
Value Partners



10th Golden Sunshine Award & 2019 China Private Equity Fund Summit
The Most Promising WFOE Private Fund House²
Value Partners



Best Private Equity Funds in China
Top 10 WFOE Houses³
Value Partners



2019 Yinghua New-Sharp Foreign Private Fund Award
New-sharp Foreign Private Fund Company Award⁴
Value Partners



Bank of China Excellent Business Partnership⁵
Value Partners

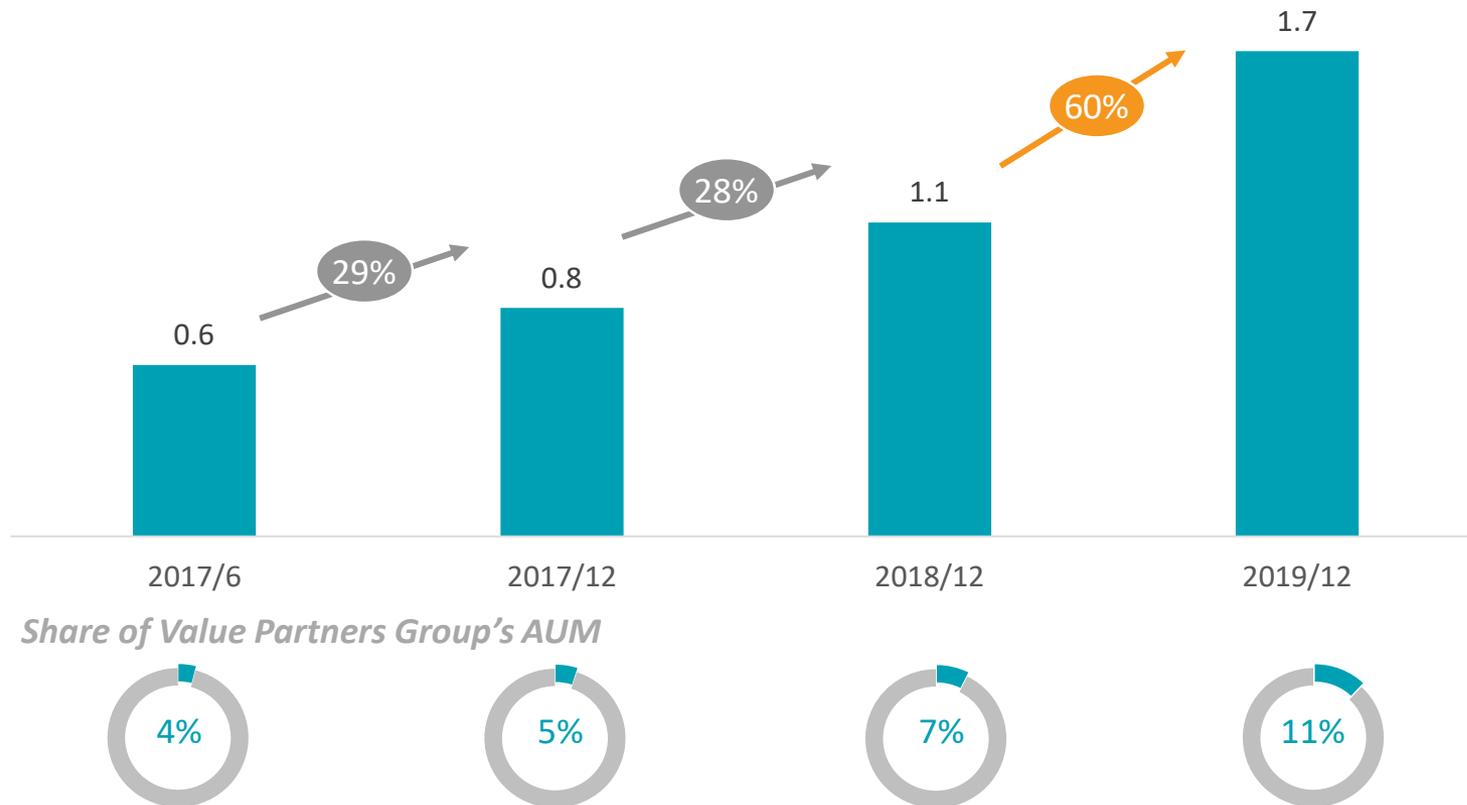


Bank of China Best Business Partner⁶
Value Partners

1. The China Golden Changjiang Private Fund Development Summit is organized by Securities Times to recognize outstanding private fund firms and Value Partners received the award in January 2020. The award reflects performance up to 31 October 2019. 2. The 10th Golden Sunshine Award is held by Shanghai Securities News to award quality private fund houses operating in China. The award reflects performance up to 31 December 2018. WFOE stands for Wholly Foreign-Owned Enterprise. Value Partners received the award in May 2019. 3. The award is organized by China's investment consulting firm HowBuy to endorse best private equity funds operated in China. The award reflects performance up to 31 December 2018. Value Partners received the award in April 2019. 4. The award is organized by China Fund to endorse quality industry models and increase the industry's social influence. Value Partners received the award in September 2019. 5. Value Partners received the award from Bank of China in January 2019. The award reflects three years' performance up to 31 December 2018. 6. Value Partners received the award from Bank of China in December 2019. The award reflects performance up to 31 December 2019.

We are confident that China Business will continue its fast growth

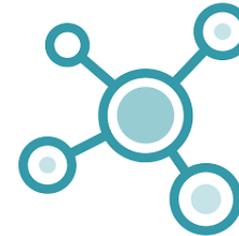
Value Partners Investment Management (Shanghai) Assets Under Management
USD billion



Value Partners growth strategies



Capture growing opportunities in China



Expand asset classes to grow our product range

Expansion of product range to different asset classes



Fixed Income and Multi-assets:

Low hanging fruit to capture market share

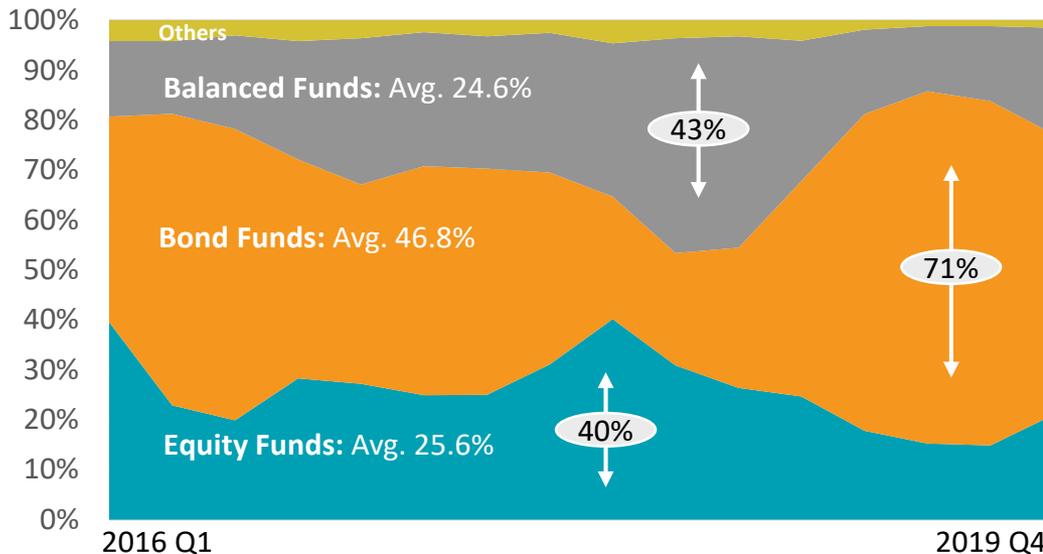


Alternatives:

Strategic build up

Fixed Income and Multi-assets averages ~72% of gross sales

Hong Kong quarterly retail gross sales breakdown



- **Fixed income:**
High Yield (since 2012), Investment Grade (since 2018)
- **Multi-assets:**
Greater China (since 2015), Asia (since 2017)

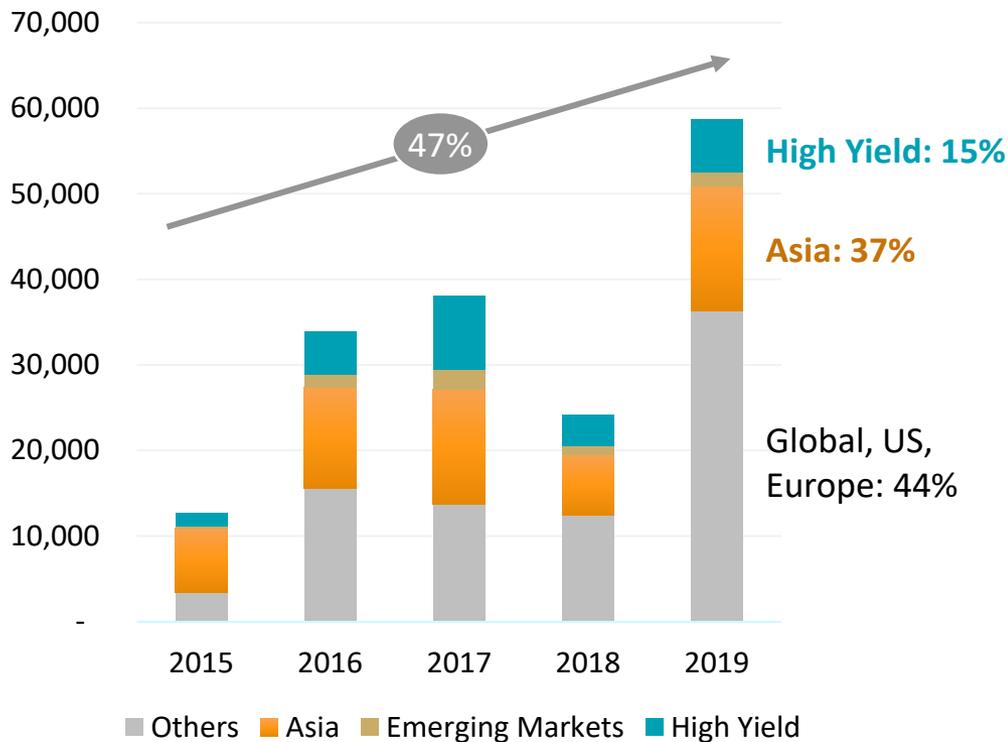
3 key alternative products, totaling close to **USD 300m¹**, including

- **Private Equity Real Estate** launched in 2017
- **Private Debt fund** completed first close in 2019
- **Private Equity Education fund** completed first close in 2019, and recently approved by regulators. Target to be invested mid-2020

Positioned to scale from market leader in high yield to investment grade products

Fixed income gross sales

Hong Kong Retail mutual funds gross sales, USD million



High Yield Bond:

Market captured by current top seller

- Value Partner Greater China High Yield Income Fund AUM is **6.1 bn** as of Dec 2019
- The fund captured **>50% of market share** (gross sales) in 2019¹



Asian Bond:

Next growth driver

- Asian investment grade bond is **>2x high yield market**
- Value Partners investment grade product** had been established in April 2018 to capture this market

Source: Hong Kong Investment Funds Association, Morningstar

¹ Based on Value Partners Gross Sales from Hong Kong Intermediaries channels as of full year 2019, versus Hong Kong market data from HKIFA for the same period

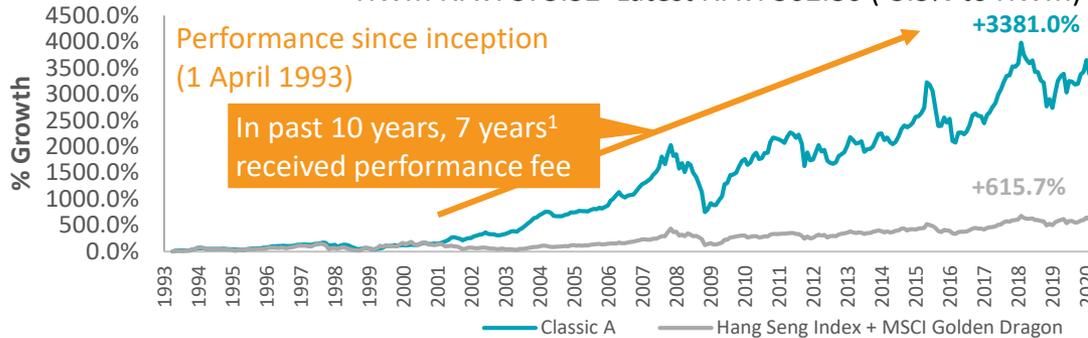
Performance fee is a sustainable and recurring revenue stream

Equity funds received performance fee consistently

Value Partners Classic Fund

AUM (Feb 2020): USD 1.1Bn

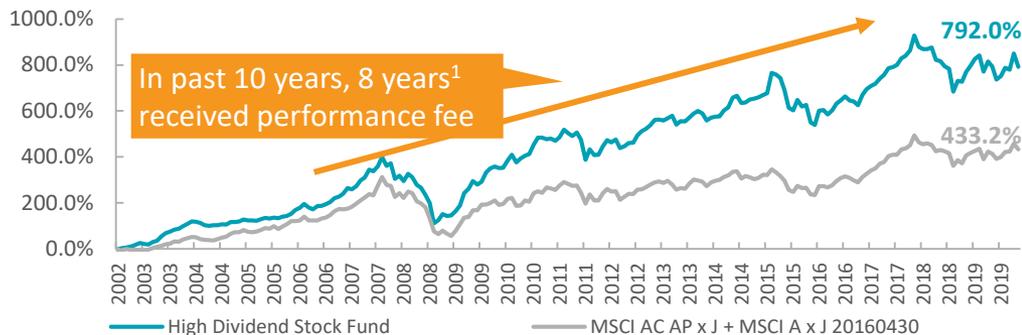
HWM NAV: 375.32 Latest NAV: 362.86 (-3.3% to HWM)



Value Partners High Dividend Stocks Fund

AUM (Feb 2020): USD 2.1Bn

HWM NAV: 95.32 Latest NAV: 89.02 (-6.6% to HWM)



Data as at 31 January 2020. Source: Morningstar and HSBC Institutional Trust Services (Asia) Limited, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. Current NAV is the value as at 5 Mar 2020

1 Based on NAV for all share classes. For main share classes, years reached high watermark is 5 for Classic Fund, and 5 for High Dividend Stocks Fund

* Hang Seng Price Return Index till 31 Dec 2004, thereafter it is the Hang Seng Total Return Index up to 30 Sep 2017. With effect from 1 Oct 2017, it is the MSCI Golden Dragon Net Total Return Index, which takes into account of dividend reinvestment after deduction of withholding tax. All indices are for reference only.

Index refers to MSCI AC Asia Pacific (ex-Japan) Index (Total Net Return) up to 30 Apr 2016, thereafter it is the MSCI AC Asia (ex-Japan) Index (Total Net Return) due to a change in investment profile. MSCI (Total Net Return) Indices takes into account of dividend reinvestment after deduction of withholding tax.

New performance fee based products

Other than equity funds, there are multiple sources of performance fee, including:

- **China mandates**

China onshore mandates with performance fee (with hurdle rate) is >80% of its overall mandates

- **Alternatives**

Performance fee feature in 3 main alternative products, total AUM ~USD 300m

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220 awards and counting



Hong Kong Economic Journal
Outstanding Listed Company
(Main Board Category)
Value Partners

Asia Asset Management
2019 Best of the Best Awards
Best WFOE House
Value Partners

Shanghai Securities News
Most Promising WFOE Private Fund Houses
10th Golden Sunshine Award
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