

2021 Final Results

For the year ended 31 December 2021

Results Presentation, 10 March 2022



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June WONG
President



Nikita NG
Finance Director



2021 Key Highlights



Financial Review



Business and Strategy Updates

- Industry Macro Trends
- Value Partners' Key Strategies

Financial Performance

- Achieved **net profit** of **HK\$458mn** against challenging market environment
- Disciplined cost control with **total expense decreased 36.9% yoy**
- **Strong balance sheet** with net cash of HK\$1.7bn and house investments of HK\$3.5bn
- Recommended dividend **8 HK cents per share**

Business and Strategy Updates

- Continued **strengthening of sales & marketing channels**
- Progress in **asset class and product themes** expansion
- Capturing opportunities from **China's market opening**



Financial Review

Ms. Nikita NG
Finance Director

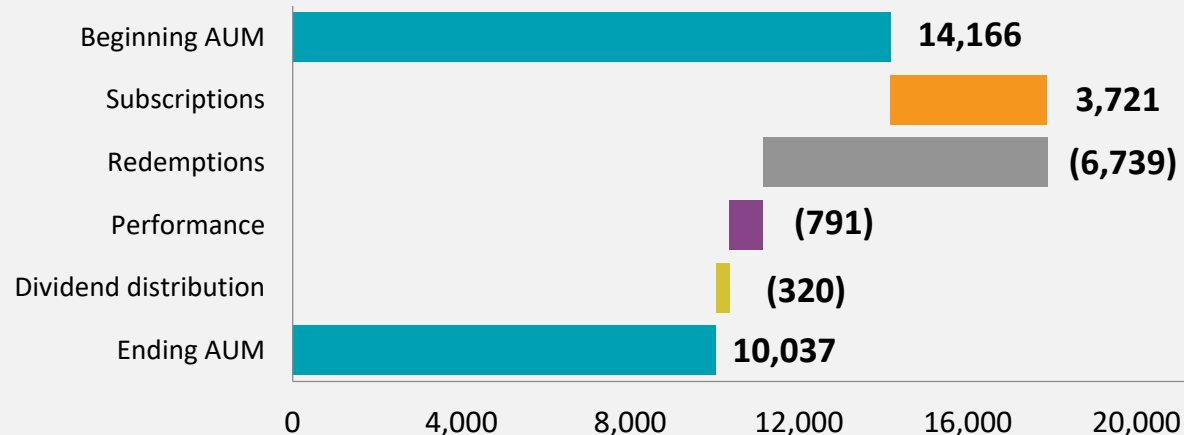
Financial highlights

		2021 (HK\$ million)	2020 (HK\$ million)	% Change
Revenue	Total revenue	1,281.6	2,561.5	-50.0%
	<i>Gross management fees</i>	926.7	1,013.2	-8.5%
	<i>Gross performance fees</i>	200.5	1,468.1	-86.3%
Cost	Total expenses	520.7	824.8	-36.9%
Earnings	Operating profit – core operation	360.3	1,308.5	-72.5%
	Net Profit	457.8	1,379.5	-66.8%
	Basic earnings per share (HK cents)	24.7	74.4	-66.8%
Dividend	Total dividends per share (HK cents)	8	34	-76.5%
	Dividend payout ratio (%)	32%	46%	
Return	Return on Equity RoE (%)	8.6%	28.1%	

Assets under management (“AUM”)

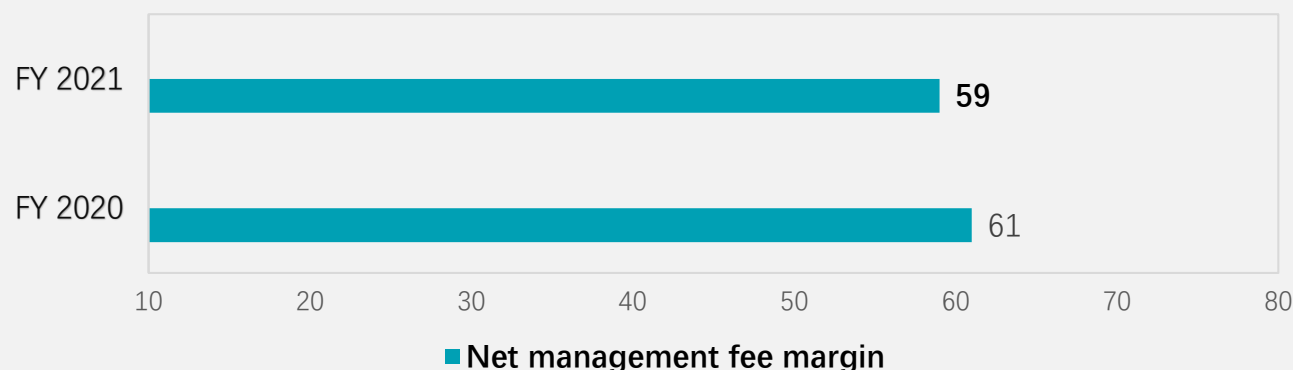
AUM movement during 2021

(US\$ million)



Stable net management fee margin amid volatile market

(Basis points)



Divergence in asset class:

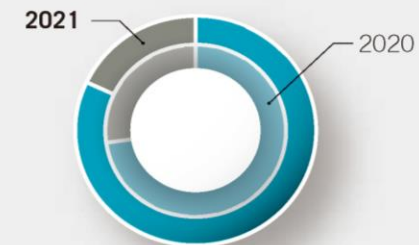
- Fixed income: 2021 net outflow mainly from our Greater China High Yield Strategy (US\$1.5 bn outflow) due to weak market sentiment
- Multi-asset: Strong demand for our Asian Multi-Asset Strategy with AUM grew 4.0x in 2021 to US\$347mn
- Equities: Inflows into flagship Great China Equity Strategies & thematic Healthcare Strategy. One-off termination of a white-label product

Fee margin:

- Net management fee margin remained stable for 2021 despite volatile market dragged down the performance fee

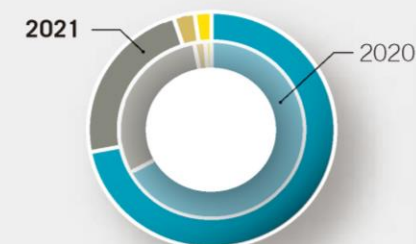
Classification by brand

	2021	2020
Own Branded Funds	82%	73%
White Label & Co-branded Funds	18%	27%



Classification by strategy

	2021	2020
Absolute Return Long-biased Funds	72%	67%
Fixed Income Funds	23%	30%
Alternative Funds	3%	2%
Quantitative Funds & ETF	2%	1%

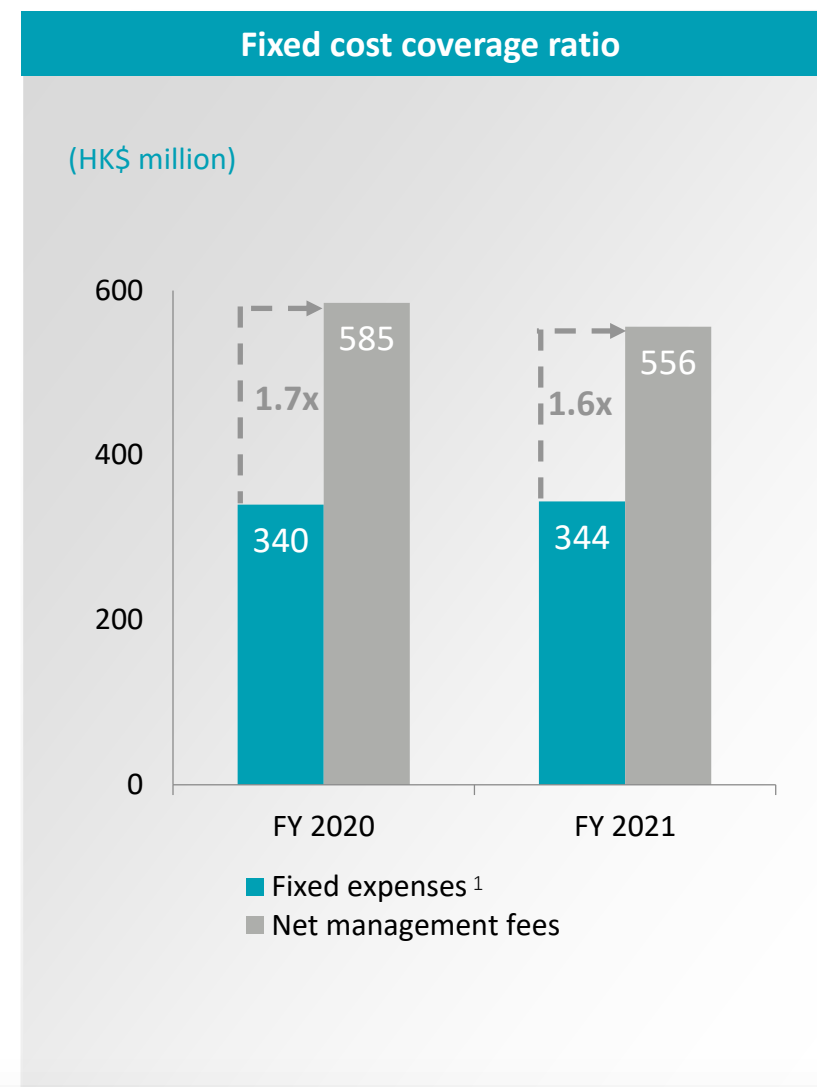
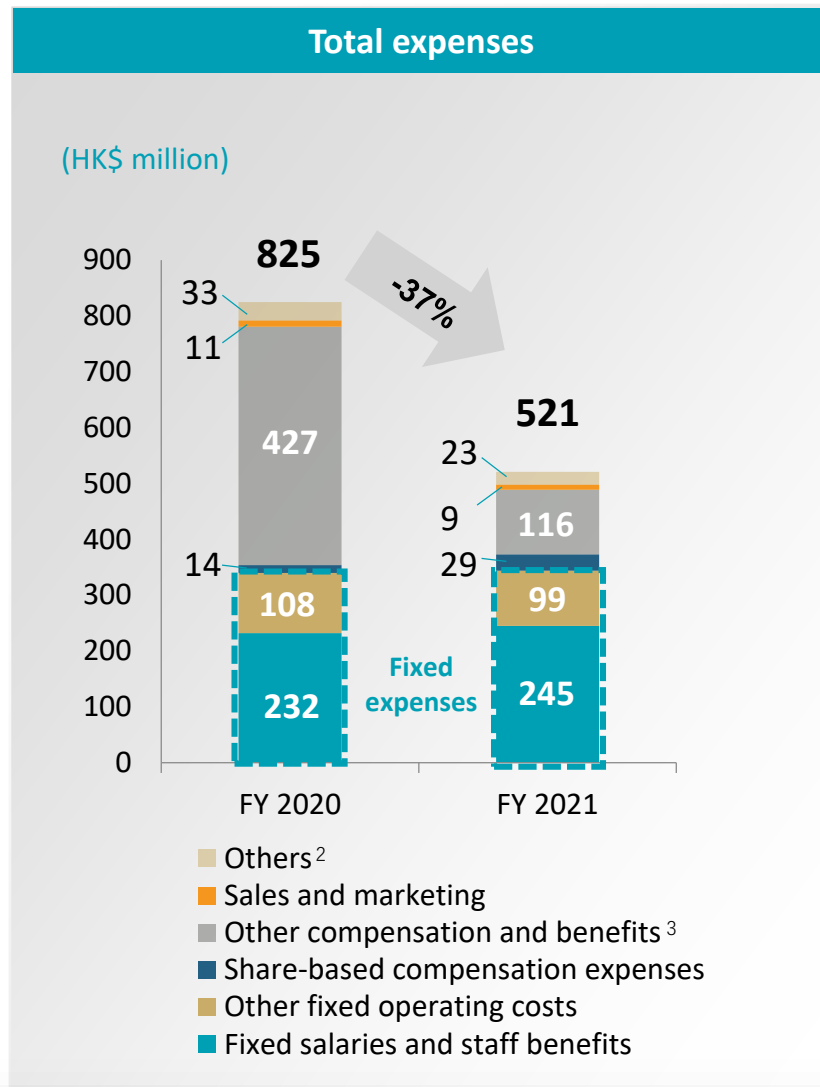


Client analysis by geographical region

	2021	2020
Hong Kong SAR	60%	64%
Europe	12%	10%
Mainland China	9%	10%
Singapore	6%	6%
Japan	6%	3%
United States	3%	4%
Others	4%	3%



Stringent cost control



1. Fixed expenses mainly represent fixed salaries and benefits, rent, investment research, other administrative and office expenses for asset management business.

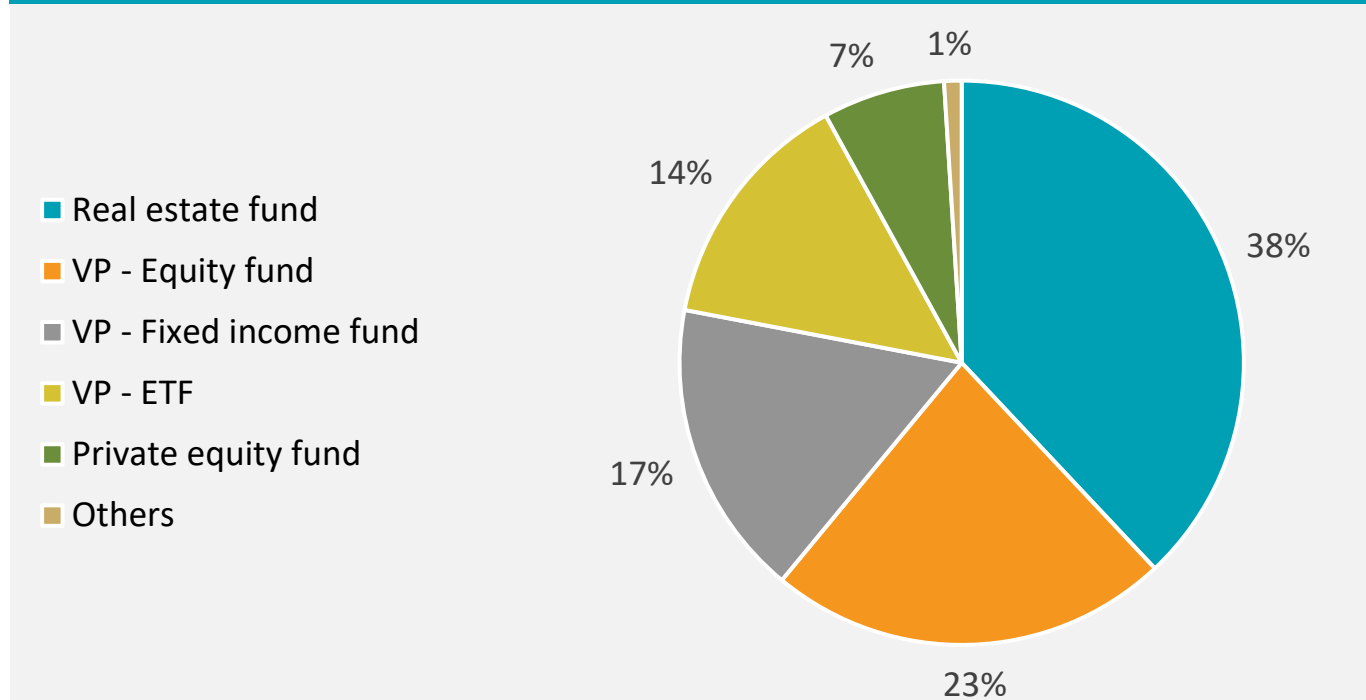
2. Others includes depreciation and non-recurring expenses.

3. Other compensation and benefits includes the management bonus and staff rebates.

Strong balance sheet and cash deployment strategy

(In HK\$ million)	31 Dec 2021	31 Dec 2020	% Change
Net Assets	5,265	5,418	-2.8%
• Cash & cash equivalents	1,666	1,974	-15.6%
• Investments ¹	3,461	2,417	+43.2%

House investments – Asset allocation



- Maintain very strong balance sheet with cash rich position and zero debt
- Continue to deploy cash to seed and incubate new products as we continue to expand our product suite to capture new investor demands
- House investment portfolio is diversified for risk mitigation

1. Investments (including investments, investments in joint ventures and investment property).

Business and Strategy Updates

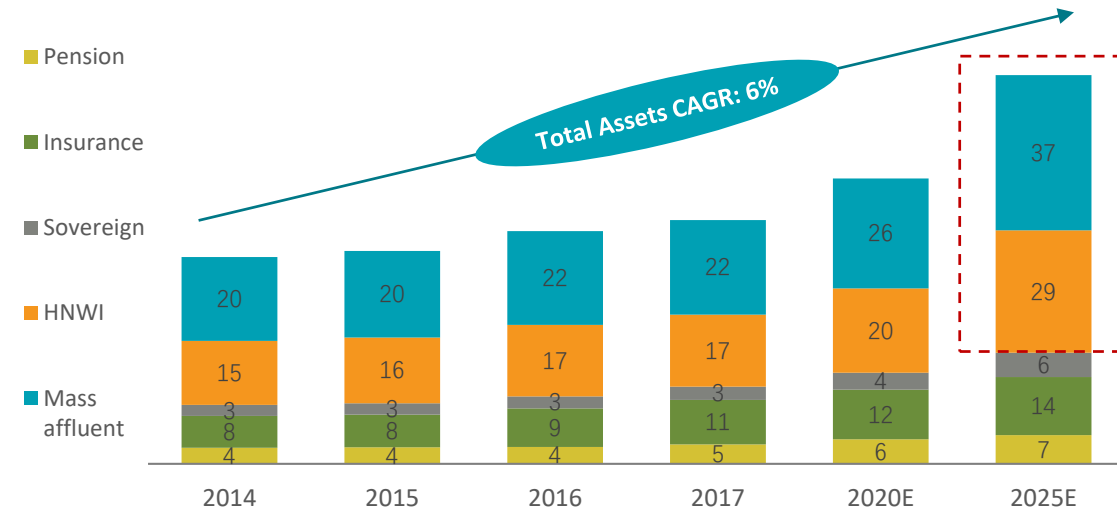
Ms. June WONG

President

Industry macro trend 1: Asia wealth management growth is significant, particularly in China

APAC Asset & wealth management AUM is expected to grow to US\$ 65 trillion by 2025...

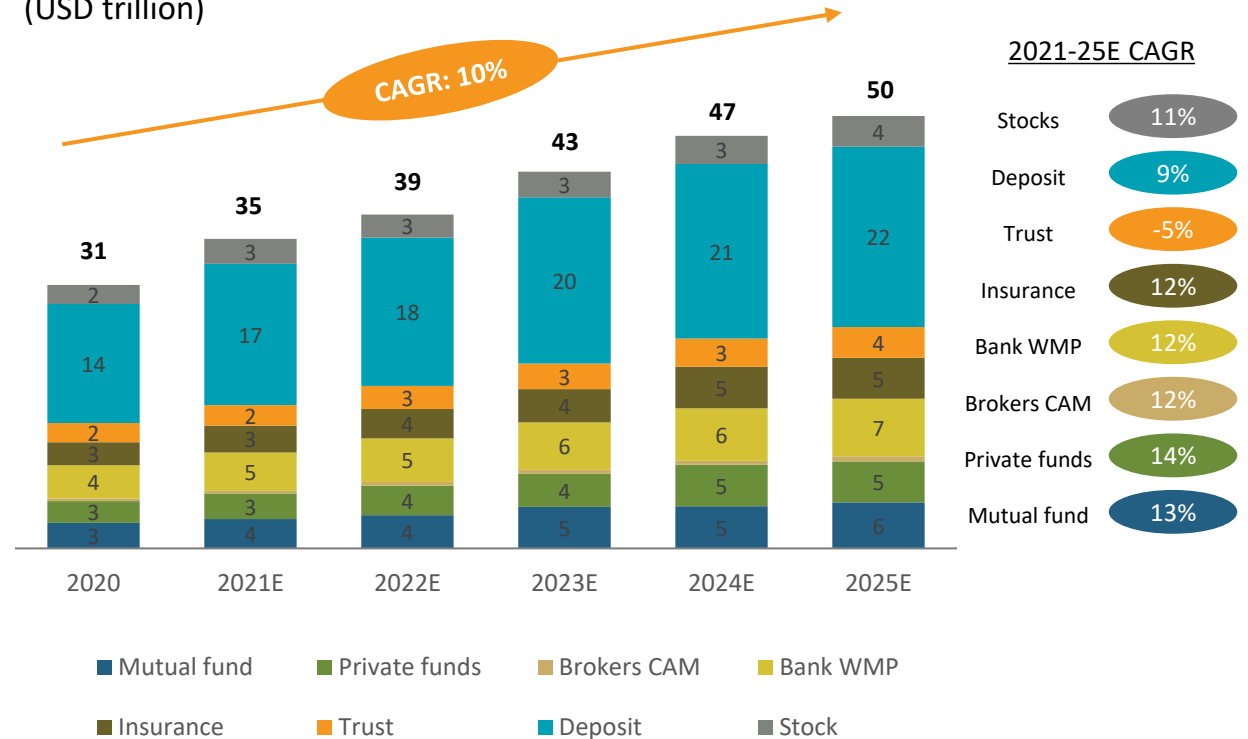
Asia total client assets and asset & wealth management (AWM) growth (USD trillion)



Client assets	48.8	50.3	54.9	57.5	67.3	91.7
AWM AUM ¹	34.9	35.9	39.0	39.3	45.8	65.5

...particularly driven by China, with private and mutual funds being the fastest growing categories

China onshore household investable financial assets (USD trillion)



2021-25E CAGR

- Stocks 11%
- Deposit 9%
- Trust -5%
- Insurance 12%
- Bank WMP 12%
- Brokers CAM 12%
- Private funds 14%
- Mutual fund 13%

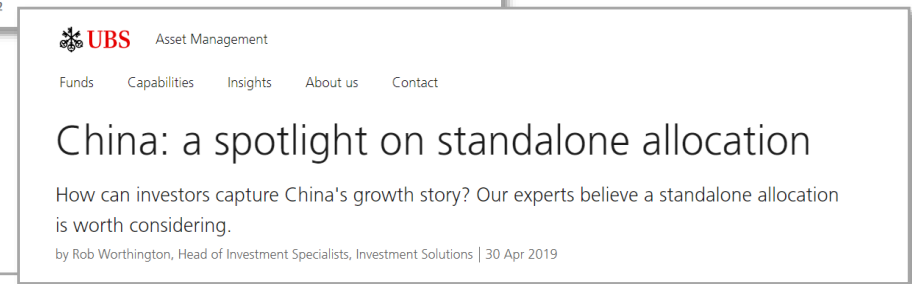
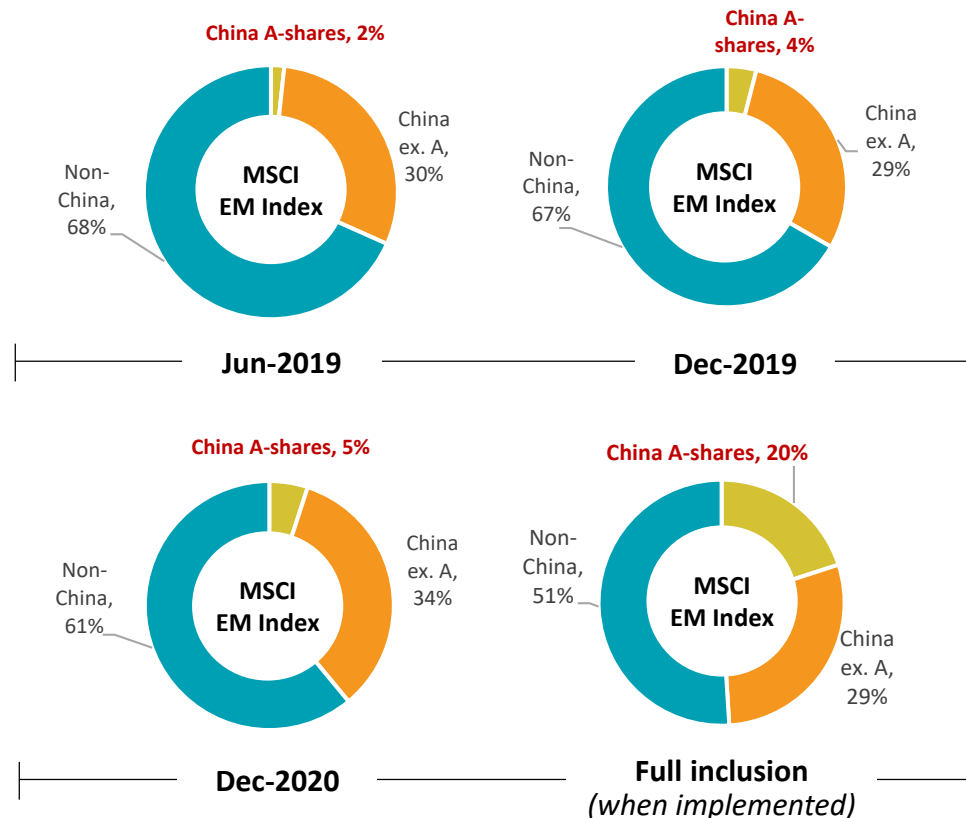
Source: PwC "Asset & Wealth Management 2025 – The Asian Awakening". 1. AWM AUM is the sum of client assets held by HNWI and Mass affluent segments

Source: Goldman Sachs research, AMAC, CSRC, CBIRC, SAC. Include segments outside of asset & wealth management industry including insurance, banking sectors etc.

Industry macro trend 2: More overseas allocators are treating China as a standalone asset class

At full inclusion China ex-A shares and A share would further increase to 40%+ of MSCI Emerging Markets index

Many institutions increasingly looking to create standalone China strategies to bridge exposure gap

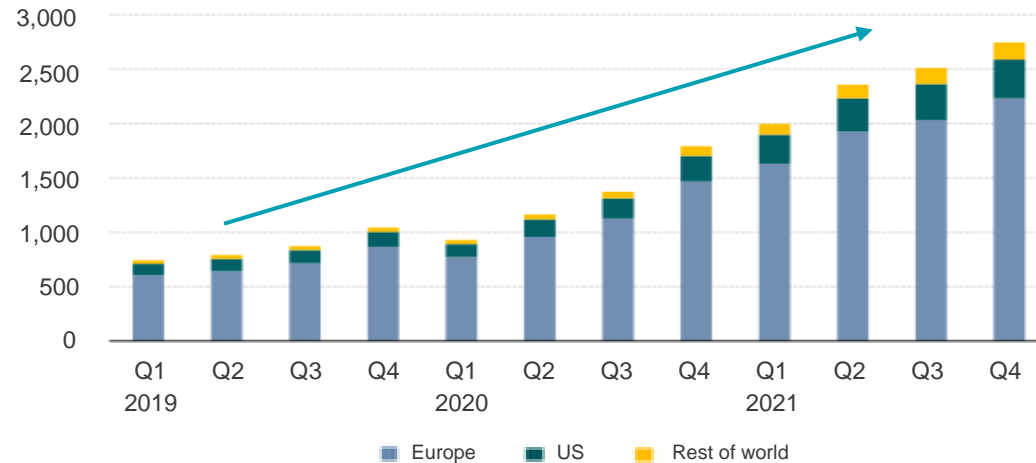


Source: Public news, MSCI, Mercer, CICC Research, China Chartbook – 4Q19, November 2019.

Industry macro trend 3: ESG is emerging to be a key growth driver

ESG is one of the fastest growing trends in industry globally now

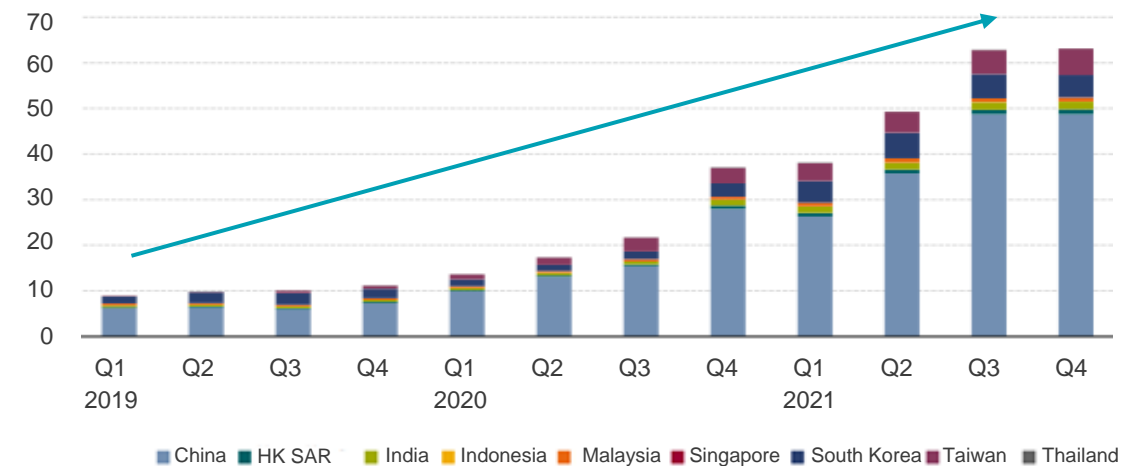
Global Sustainable Fund Assets 2019-2021
(US\$ billion)



- Asset managers globally working to repurpose and rebrand conventional products as well as launch new products

Asia is also picking up on ESG trend, with China as the largest market

Asia ex-Japan Sustainable Fund Assets 2019-2021
(US\$ billion)

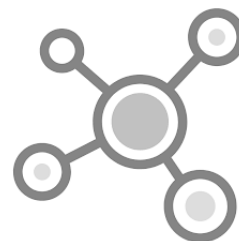


- Strong interest across all client categories for ESG funds
- Majority new ESG fund launches were active equity funds

Value Partners' 3 key strategies



**Strengthening of
sales & marketing
channels**



**Asset classes
expansion and
ESG**



**Capture
opportunities
in China's market
opening**

Hong Kong headquarters



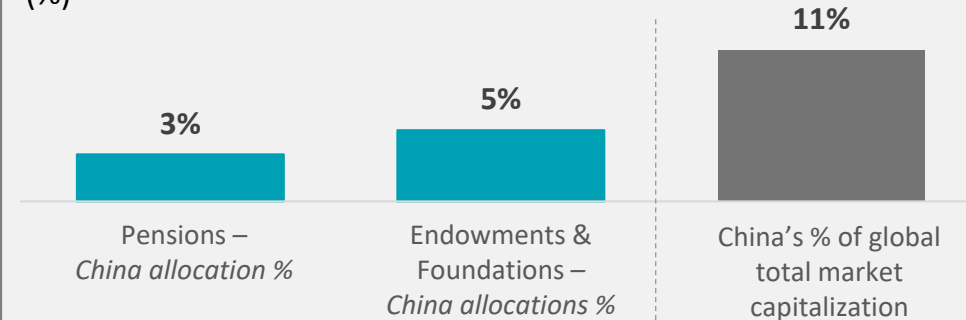
- Hong Kong retail funds industry saw HK\$8.8bn net inflows in 2021 (vs HK\$ 5.6bn net redemption in 2020)¹
 - **Strong growth in multi-asset and equity funds**
- **Enhanced management leadership** with senior appointments across front, middle and back office functions
- Major initiatives include:
 - Strengthen relationships with key channels
 - Develop relationships with online channels
 - Strengthen Client Portfolio Manager (CPM) team
 - Investment in marketing function resource

Europe, Australia and US



- Until now global pension funds and endowments have significantly underweighted China in their portfolios^{2,3}
- **Inbound requests from institutional investors more than doubled in 2021** from 2020
- Strong brand recognition from GBP 500m M&G mandate

Institutional China asset allocation vs China market capitalization^{2,3}
(%)



Southeast Asia



- Asset management industry growing steadily
- Asset owners in the region have strong interest to increase allocation to China
- **Strengthened management team** to bolster sales coverage as our market penetration is still low

Malaysia¹

- Khazanah (SWF): US\$31bn
- Household wealth: US\$550bn
- 5-yr growth CAGR: c.6%

Thailand¹

- GPF (pension): US\$32bn
- Household wealth: US\$400bn
- 5-yr growth CAGR: c.6%

Singapore^{1,2,3}

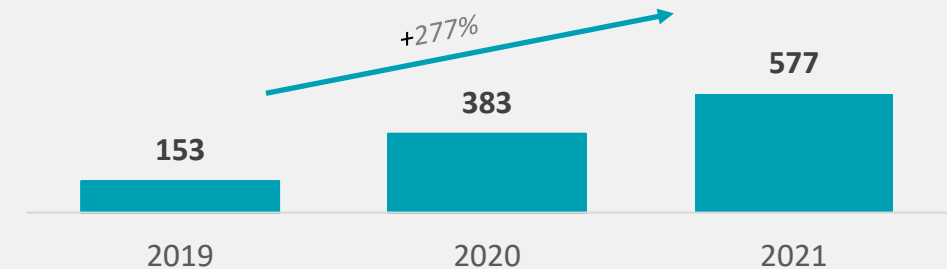
- GIC (SWF): US\$744bn
- Temasek (SWF): US\$282bn
- Household wealth: US\$2trn+
- 5-yr growth CAGR: c.12%

Japan



- AUM contribution increased from only 3% in 2020 to 6% in 2021
- **Strong momentum from strategic collaboration with Daiwa Securities:**
 - Successfully co-branded 3 thematic Greater China funds, including the latest launch of a thematic product with ESG considerations in October 2021

Japan AUM (US\$ million)



Value Partners' 3 key strategies



Strengthening of
sales & marketing
channels



Asset classes
expansion and
ESG



Capture
opportunities
in China's market
opening

Diversification and growth from product suite expansion

- **Asian Multi-asset Strategy:**
 - AUM growth 4.0x since 2020
 - Continue to achieve 1st quartile peer group performance¹

China / Asian equities



- **Flagship High Dividend Asian Equity Strategy:** solid performance in rising inflation environment
- China equities to benefit from potential market recovery in 2022

Multi-asset/
solutions



Thematic

- Strong net inflows from thematic equities such as **Healthcare and Innovation** strategies
- ESG-related themes in the pipeline

- 2 low-mid risk fixed income products onboarded for **GBA Wealth Connect Scheme**

Fixed income



ETFs

- First ETF in Malaysia, the Value Partners Shariah-compliant A-Share ETF was listed in July 2021
- **Hired new Head of ETF**

- **Strong performance of real estate private equity fund**



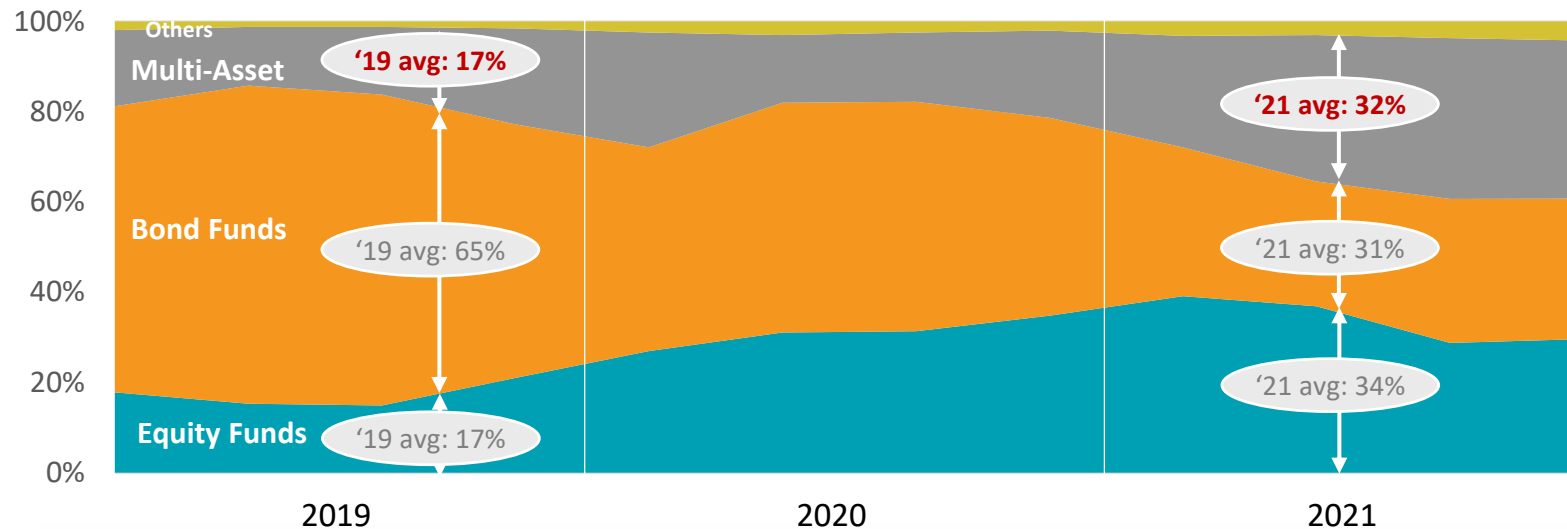
Alternatives

Success in multi-asset franchise build-out

- **Multi-asset is the fastest growing fund category** in Hong Kong, market share almost doubled in past 3 years
- We see our Asian multi-asset product with **potential to be another flagship billion size product**:
 - AUM grew 4.0x in 2021
 - Awarded Best Fund Provider for Multi-asset Solution by *Asian Private Banker* 2022

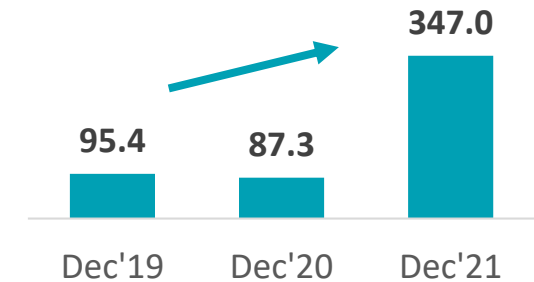
Multi-asset is almost doubling market share 2019 vs 2021

Hong Kong quarterly retail gross sales breakdown¹



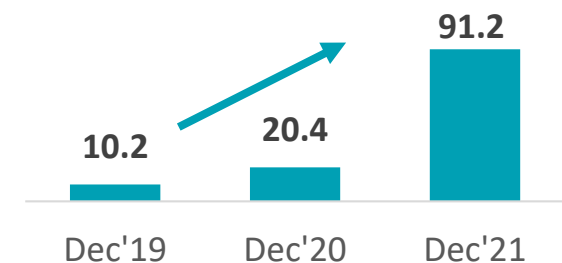
Source: 1: Hong Kong Investment Funds Association; 2. Peer group refers to the Morningstar Category of Asia Allocation (HKSF).

An Asian multi-asset product AUM (US\$ million)



Launched: Nov 2017
2021 Peer quartile²: 1st

A multi-asset product focuses on Asia's innovative industries AUM (US\$ million)



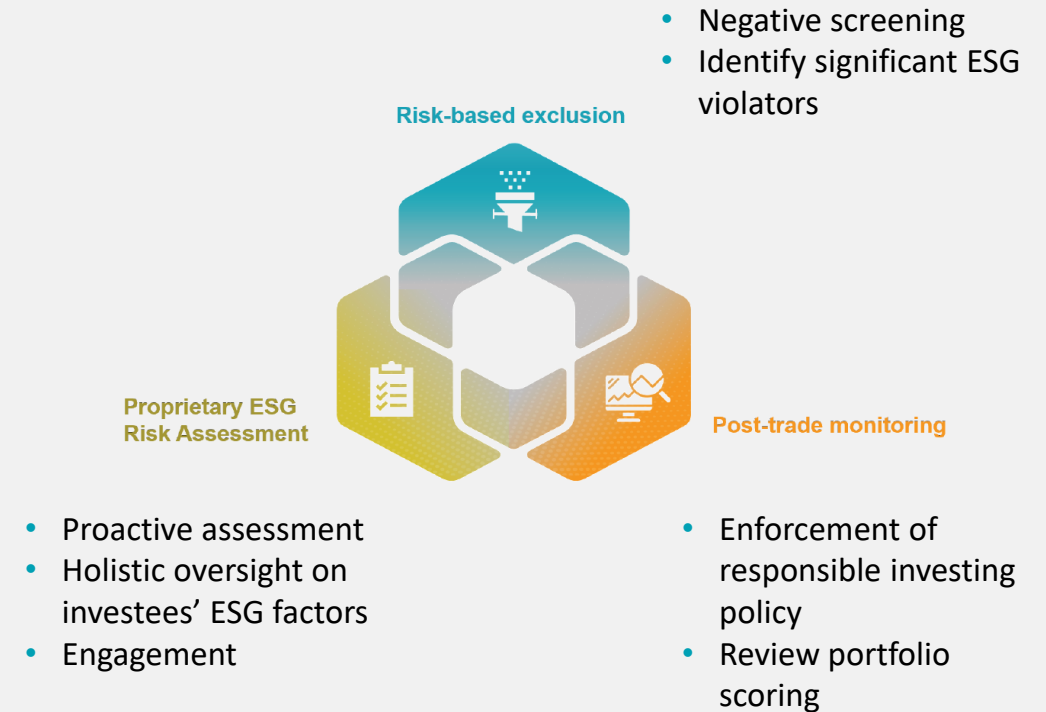
Launched: Feb 2019
2021 Peer quartile²: 1st

Investment in ESG to become long-term competitive advantage

Progress and growth plans in 2021

- UNPRI signatory since 2019
- ESG factors incorporated into investment process with **proprietary ESG scorecards** formally adopted
 - 100% proprietary coverage for equities and listed fixed income issuers achieved in 2021
 - Dedicated ESG investment professionals
- **Launched first thematic product with ESG considerations for the Japan market in collaboration with Daiwa Securities**
- Plans to further roll out more products with rising client demand in 2022

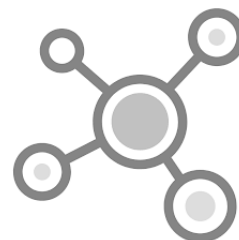
Value Partners ESG investment framework



Value Partners' 3 key growth strategy



Strengthening of
sales & marketing
channels



Asset classes
expansion and
ESG



**Capture
opportunities
in China's market
opening**

China is the single largest market opportunity for foreign asset managers

Apart from the growing domestic demand for investments...



- New Asset Management Rules to be fully implemented from 2021 onwards:
 - disallow implicit guarantees on financial products, and **boost demand for fund products**
 - set a **more favorable playing field** for foreign asset managers



- Having a **strong network of business partners** is key to success:
 - Banks and other financial institutions accounts for 80% wealth management sales, alongside growth of digital and third party channels¹

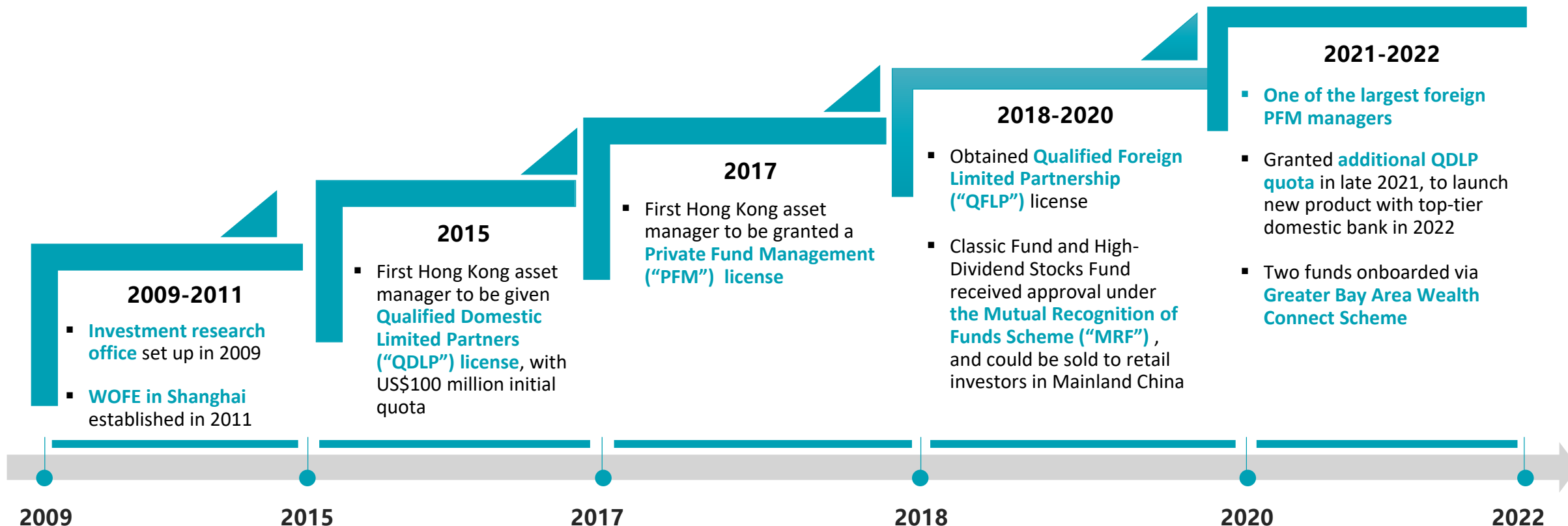


- **Further opening of market** to foreign asset managers:
 - Recent change in regulations allows foreign players to gain direct access to the China retail market
 - No longer constrained to existing schemes such as Mutual Recognition of Funds (MRF)

- **Southbound Bond Connect and GBA Wealth Connect** to cement Hong Kong as the gateway for capital flows in and out of China

Value Partners' 13-year history in Mainland China

Track record of seizing regulatory tailwinds and has built an industry-recognized franchise



Industry recognized franchise (selected recent awards)



Asia Asset Management
**2022 Best of the Best Awards
Best WFOE House (China)¹**
January 2022



China Fund News
**Yin Hua Award
Best Foreign Private Fund Company²**
December 2021



China Securities Journal
**5th Overseas Fund Golden Bull Award
Best Overseas MRF (1-Year)³**
November 2021



Insurance Asset Management Association of China
**Most Popular Investment Partner (Overseas)
Best Offshore Trustee Institution⁴**
July 2021

Note: 1. Asia Asset Management Best of the Best Awards recognize a WFOE house's ability to expand in a fast growing market, enhance its product and distribution arrangements, gain market acceptance and raise funds in the past year. 2. The awards are determined by combining performance, scale and other quantitative data calculations, WeChat voting, industry mutual investment, and expert evaluation and qualitative evaluation. 3. This award is determined based on the performance of fund products that raise funds from investors in a public/non-public manner overseas in the past year. 4. Reflects performance of offshore institutions up to 31 December 2020.

Value Partners China: 4 pillars for growth in 2022



Institutional

- **Settled transitory headwinds in 2021:** our current book of business are poised for growth
- **FOF/MOM segment growth:** achieved **+60% growth in 2021**, including new collaboration with top SOE banks
- New products/clients: established strong foundation to introduce the full Value Partners capability to new clients



PFM & QDLP

- **New QDLP quota granted and product innovation:** New US\$50m quota granted, planned to launch the first RMB hedged QDLP product in China with top-tier banks
- **Top foreign PFM house:** Managing 11 PFM products for top channels



Retail & MRF

- **Two flagship products:** Classic and High-Dividend Stocks Fund distributing at **9 retail channels**, and we are expanding distribution network further
- **New MRF application:** Plan to submit for a 3rd MRF product in 2022
- **Ample room for growth:** the existing 2 funds can further raise more than \$1bn before reaching its cap



GBA Wealth Connect

- **Officially launched in October 2021:** eligible Hong Kong domiciled mutual funds to access 80 million population in GBA, which is more than 10x the size of the HK market
- **2 funds onboarded:** VP Asian Income and Asian Total Return Bond Strategy on various eligible banks
- Anticipate further roll out into new channels and products

Key drivers for future growth: Actively seeking to obtain **FMC (fund management company) and WMC (wealth management company) license qualification or partnerships** to gain wider access in both institutional and retail wealth segment in mainland China

Appendix: Strengthened management leadership



June Wong

President

- Joined in Oct-21, responsible for managing the Group's overall business, corporate strategy and operations
- Three decades of industry experience. Most recently Asia ex-Japan CEO for State Street Global Advisors. Also served as Vice Chairman for Asia Pacific at Columbia Threadneedle and held other senior leadership roles including Senior Managing Director and Head of Asia ex-Japan Institutional Business at AllianceBernstein and Head of Business Development at HSBC Asset Management



Winnie Lam

Managing Director,
COO Office

- Joined in Jul-21, responsible for the Group's overall middle and back office functions including finance, IT, operations and administration
- Three decades of industry experience. Most recently served as Head of Operations, Asia at First Sentier Investors (formerly known as First State Investments) for 14 years. Before that, she was Head of Settlement and Fund Administration at Lloyd George Management and also held leadership roles in operations at JP Morgan Securities



James Ong

Managing Director,
Head of Southeast Asia
and CEO of Singapore

- Joined in Nov-21, responsible for overseeing the Group's business in Southeast Asia
- Over 25 years of sales leadership experience. Most recently, Managing Director and Head of Southeast Asia at State Street Global Advisors where he oversaw the firm's institutional and intermediary businesses in the region. Before SSGA, he was Client Director at HSBC Asset Management and Director at UOB Asset Management



Ellen Tsang

Managing Director,
Head of Marketing &
Communications

- Joined in Feb-22, responsible for overall marketing function, including branding, marketing, corporate communications
- Over 20 years of marketing experience. Most recently Head of Marketing for Asia ex-Japan, with State Street Global Advisors. Also assumed leadership roles in marketing and communications functions at Abrdn (formerly known as Aberdeen Standard), Amundi and Pictet. Before that, she also served fund distributors including BCT Group and YF Life (formerly known as MassMutual)

New joiners in the pipeline

- Managing Director, Head of EMEA
- Head of ETF

Contact information

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