

# 2022 Interim Results

For the period ended 30 June 2022

Results Presentation, 11 August 2022



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**June WONG**  
Chief Executive Officer



**Nikita NG**  
Finance Director



# Financial Review

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*Ms. Nikita NG*  
*Finance Director*

# Financial highlights

(in HK\$ million)		1H 2022 (Unaudited)	1H 2021 (Unaudited)	% Change
<b>Revenue</b>	Total revenue	331.9	707.8	-53.1%
	Gross management fees	307.3	501.9	-38.8%
	Gross performance fees	0.9	91.3	-99.0%
<b>Cost</b>	Total expenses	264.3	250.8	+5.4%
<b>Earnings</b>	Operating (loss)/profit – core operation	(44.9)	193.4	-123.2%
	Net (loss)/profit	(428.6)	209.8	-304.3%
	Basic (loss)/earnings per share (HK cents)	(23.2)	11.3	-305.3%
<b>Dividend</b>	Interim dividend per share (HK cents)	Nil	Nil	
(in US\$ million)		30 Jun 2022	31 Dec 2021	% Change
<b>AUM</b>	Assets under management	7,492	10,037	-25.4%

# Assets under management (“AUM”)

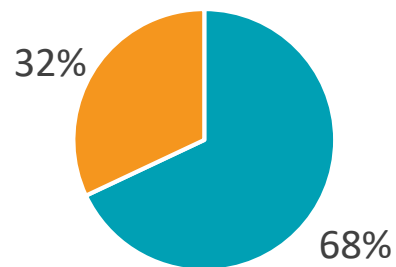
## AUM movement during 1H 2022

(US\$ million)

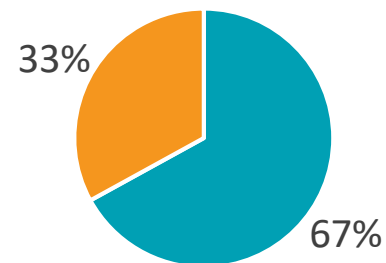


## AUM with performance fee structure

30 Jun 2022



31 Dec 2021



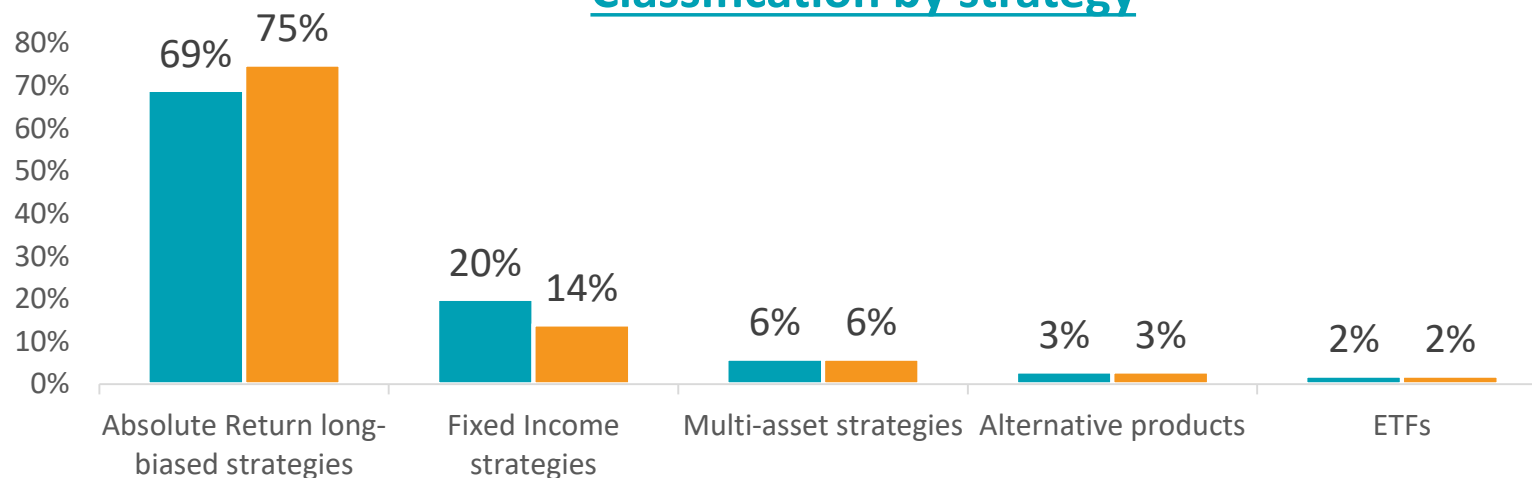
■ AUM with performance fee

■ AUM with no performance fee

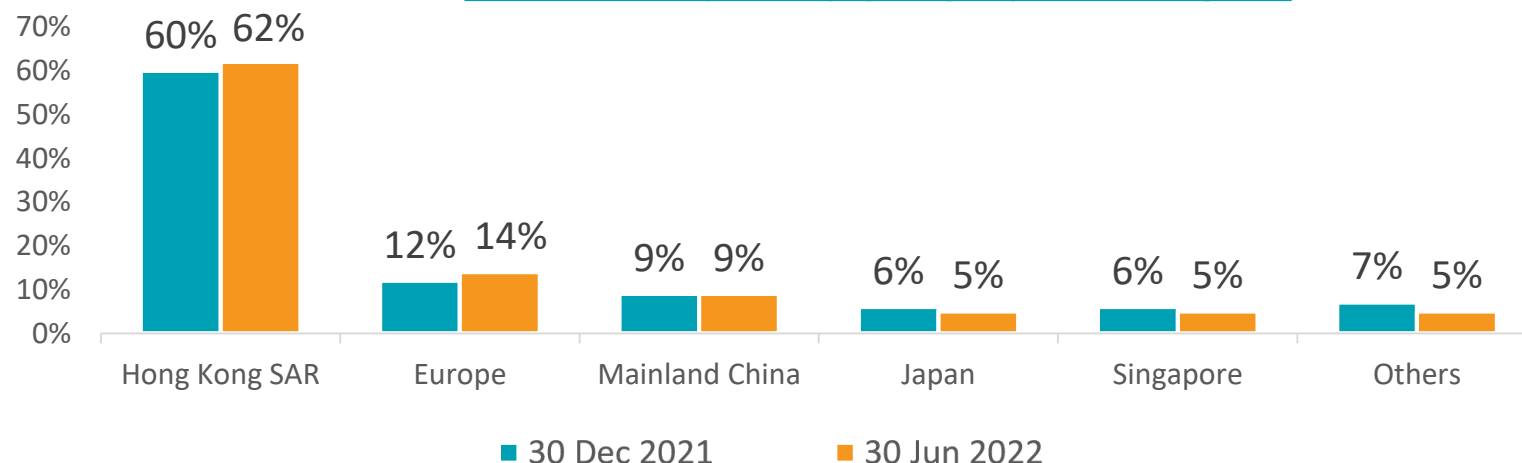
## 1H 2022 fund flows:

- Gross subscriptions: US\$0.7 billion
- Gross redemptions: US\$1.3 billion
- Net outflow of US\$0.6 billion
- 70% of the drop in AUM was due to unfavorable market conditions
- Resilient flagship equity funds with performance fee structure despite market volatility with proven long track record

## Classification by strategy



## Client analysis by geographical region



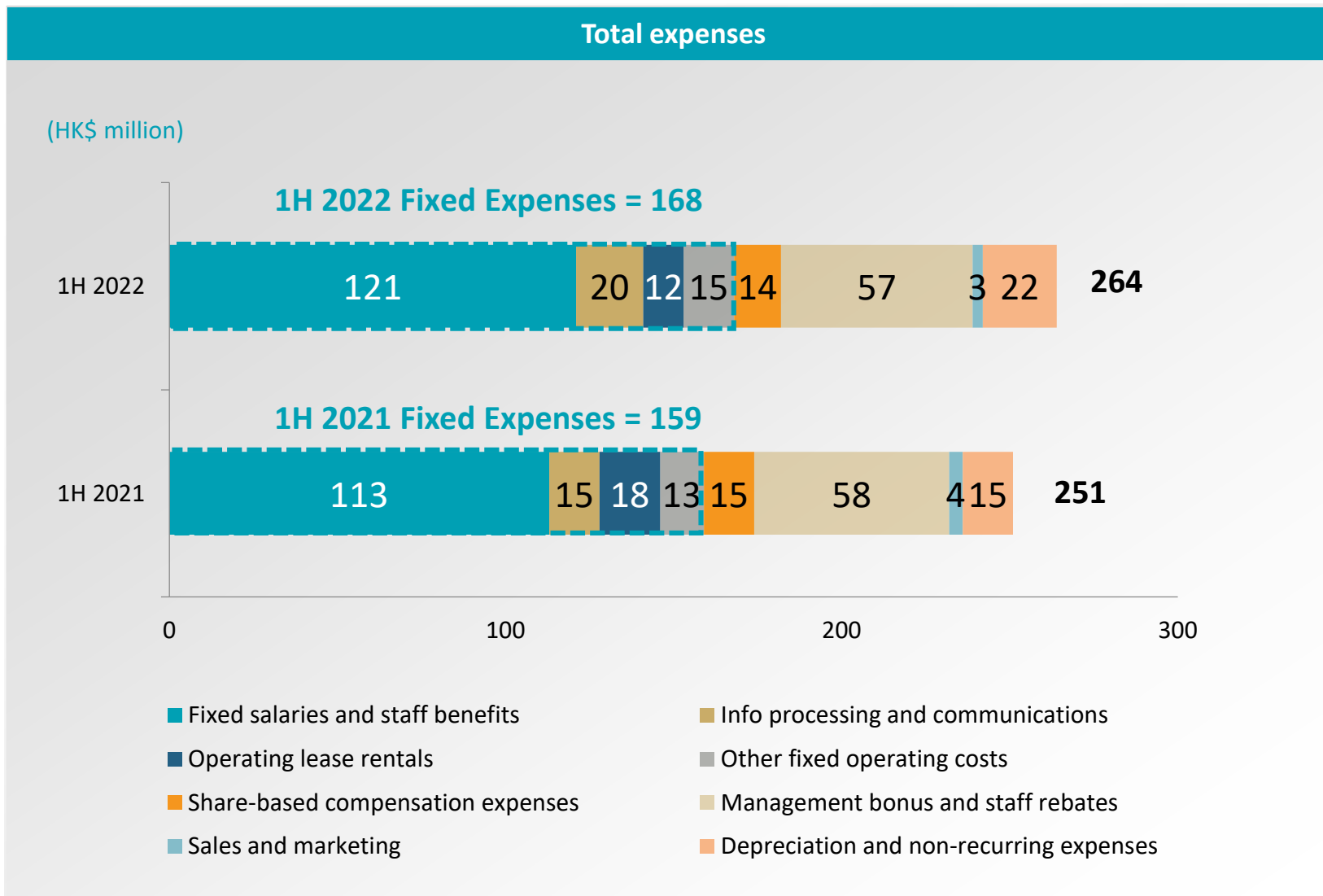
### AUM by strategy:

- **Equities:** Continuous inflows into flagship High Dividend Stocks strategy, and also a Chinese mandate from European client
- **Fixed income:** 2022 1H net outflows mainly from our Greater China High Yield strategy (US\$238mn outflow) due to weak market sentiment
- **Multi-asset:** Continue to focus and develop our Asian Multi-Asset strategy

### AUM by geography:

- Hong Kong remains our biggest client sector, followed by Europe and China

# Expense analysis



- Fixed operating expenses slightly increased by 6% mainly on staff cost due to general salary increments and also as part of our strategic growth plan
- Other fixed operating expenses remained stable, with increased IT and market data research costs, offsetting rental cost savings
- Continue to exercise stringent cost control while keep investing in key growth areas for our long-term strategies

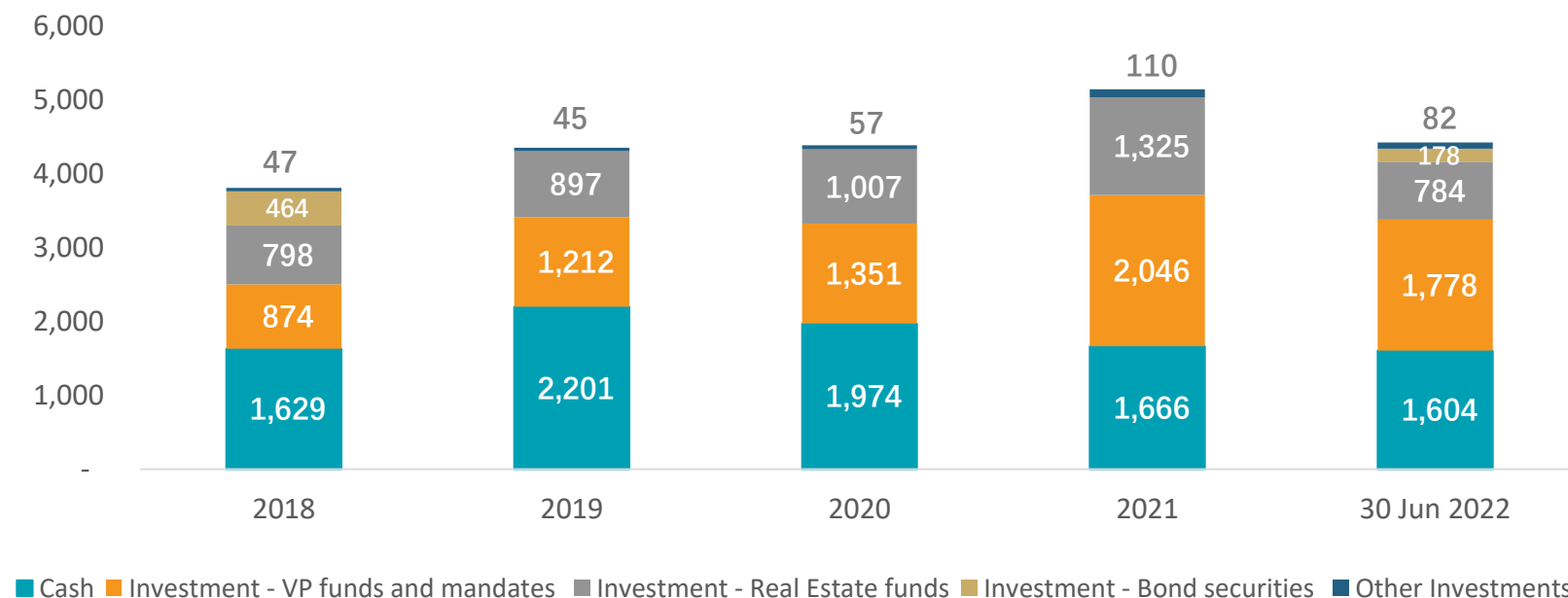


# Strong balance sheet and cash deployment strategy

(In HK\$ million)	30 Jun 2022 (Unaudited)	31 Dec 2021 (Audited)
<b>Net Assets</b>	<b>4,649</b>	<b>5,265</b>
• Cash & cash equivalents	1,604	1,666
• Investments	2,885	3,461

(In HK\$ million)

## Value Partners' House Money Investments (2018-2022)



- Maintain a 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

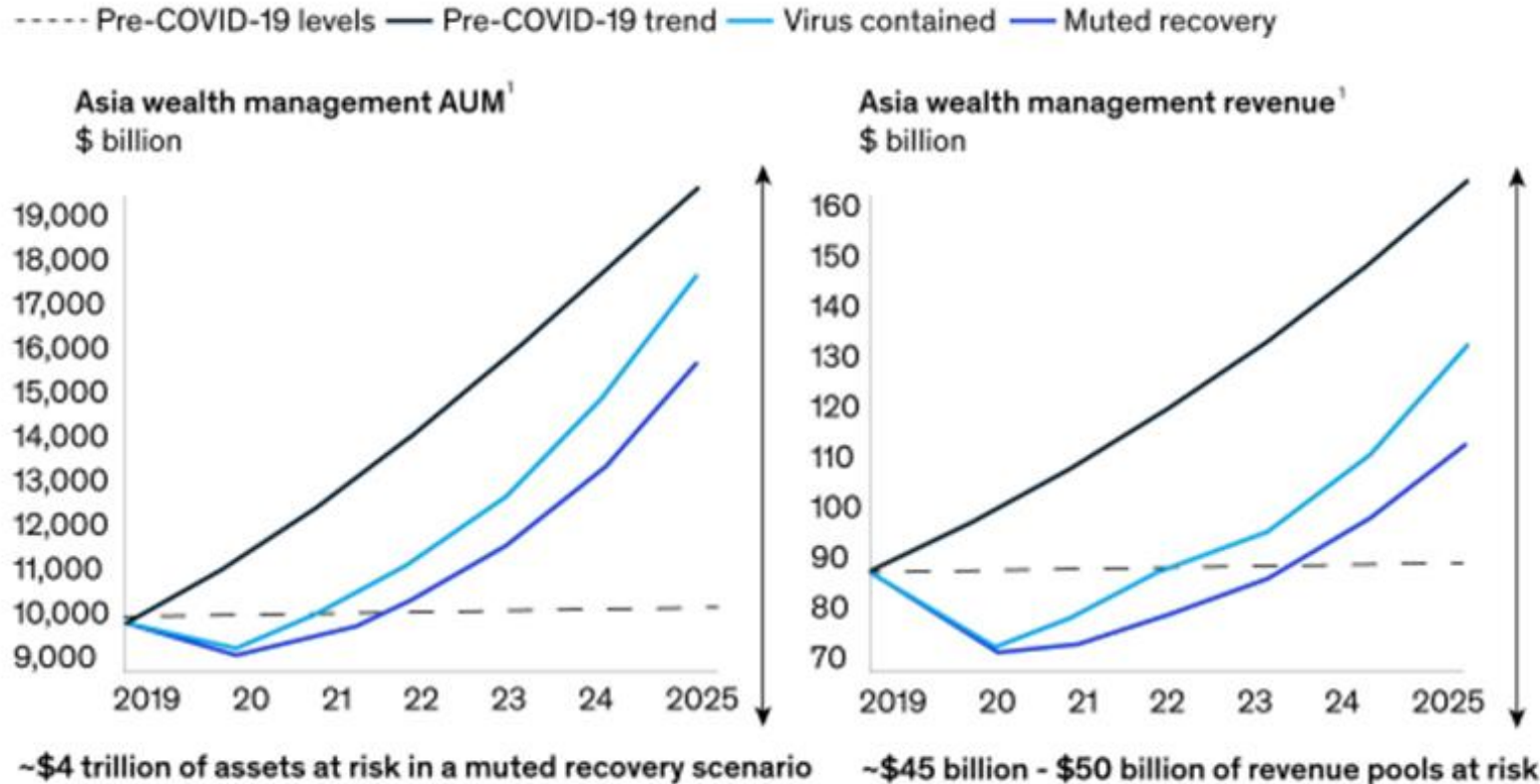


# Business and Strategy Updates

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*Ms. June WONG*  
*Chief Executive Officer*

# Industry macro trend 1: The growth potential of the wealth management market in Asia



- Asia Wealth Management AUM is expected to grow from US\$10 trillion in 2019 to US\$15-\$19 trillion in 2025

<sup>1</sup> Includes onshore and offshore. China is the largest contributor of Asia PFA at ~35%; the model assumes its share of PFA constant across the scenarios.  
Source: McKinsey Private Banking Survey; McKinsey Banking Pools; McKinsey analysis

# Industry macro trend 2:

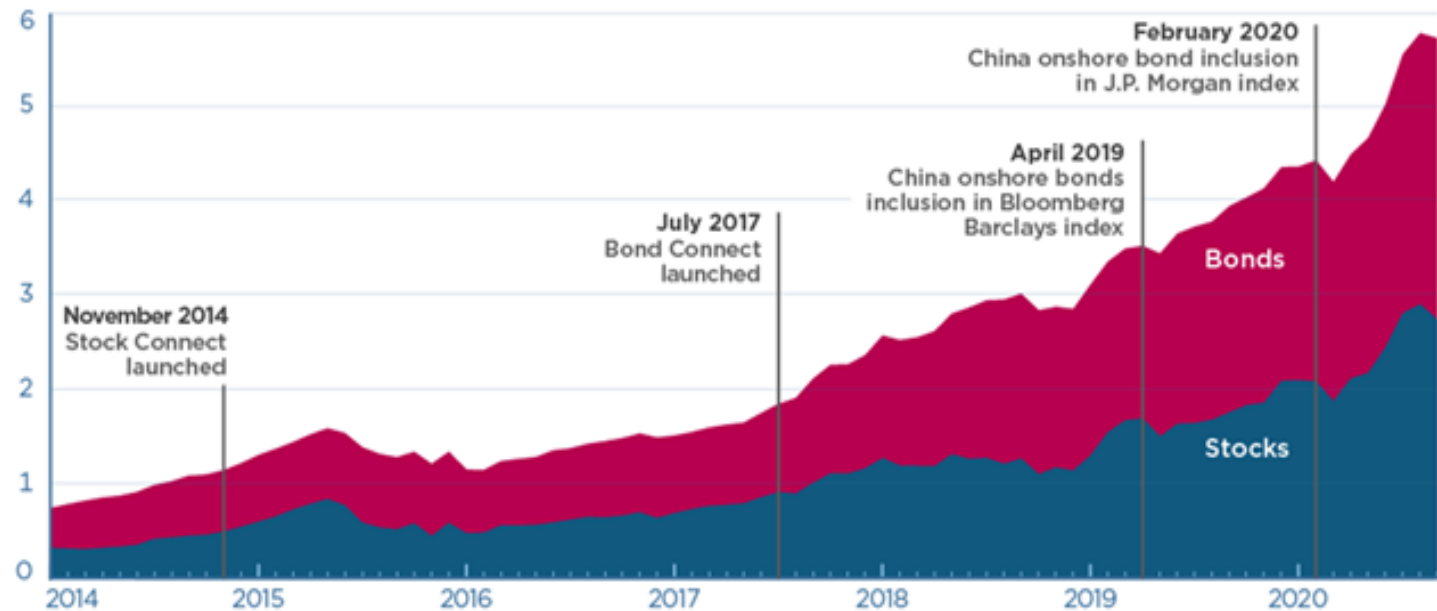
## Institutional investors are increasingly looking for China asset classes

- Majority of global institutional investors confirmed the increasing importance of China investments in their portfolios. This is also supported by the strong inflows into China from foreign investors.

### Global Investor Survey on China as an investment

Importance to investment strategy	% of respondents
Top/Increasing	93%
Declining	1%
No change	4%
Not a priority	1%

Foreign onshore portfolio investment in China, trillions RMB



Note: Data refers to onshore securities issued by Chinese entities in mainland China

# Industry macro trend 3:

## ESG – its rising importance to investors globally

### ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024

Global assets under professional management (\$T)

■ ESG-mandated ■ Non-ESG mandated



Note: All amounts are in US dollars.

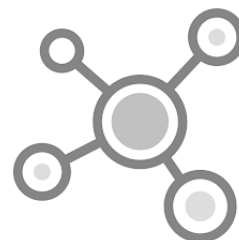
Source: Proportion of ESG-mandated data through 2020 from Global Sustainable Investment Alliance; DCFS analysis through 2025.

- Continued rise in sustainability-mandated investment demand from investors
- ESG incorporation may no longer be a differentiator for investors, rather, a standard consideration in the investment making process.

# 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



- **Strengthened management leadership** across different functions
  - **Enhanced Client Portfolio Management** team in 2Q 2022
- Asset class expansion in progress:
  - ETF: **VPENQQ** (3030 HK) launch in July 2022
  - **ESG focus**: new product roll-out underway
- **Strategic alliance** with leading local banking group
- Strengthened relationship with key channels (multi-asset, high dividend stocks)

## Overseas



- Foreign client engagement activities fueled the engine of growth
  - Inbound requests from institutional investors continued in 1H 2022
  - Strong inflows from major financial institution in the UK in 1H 2022
  - Increased number of RFP finals in 1H 2022
- Increased appeal to asset owners
  - Allocation to China as investors search for diversification and higher returns
  - Strong growth potential on ESG related products or initiatives, e.g. Shariah funds

# Value Partners' 3 key strategies



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# Diversification and growth from product suite expansion

- **Asian multi-asset strategy (Asian Income):**
  - 4 times of AUM growth seen in the past 3 years<sup>1</sup>
  - New and leading distribution channels launched in 2Q 2022

## China / Asian equities



- **Flagship high dividend Asian equity strategy:** strong net inflows even in adverse market condition
- Potential market recovery in 4Q 2022 is to benefit China equities

- 1 more fixed income product onboarded **GBA Wealth Connect Scheme**, the All China Bond strategy, alongside 2 low-mid risk fixed income products on shelves

## Multi-asset/ solutions



## Fixed income



## Thematic



- **ESG-related product launch in good progress**, building on the successful China thematic strategy launch in Japan in 2021

## ETFs



- **Real Estate Private Equity**
  - Outstanding track record of above-benchmark returns<sup>2</sup>
  - Robust growth of asset class through new funds from third parties

## Alternatives

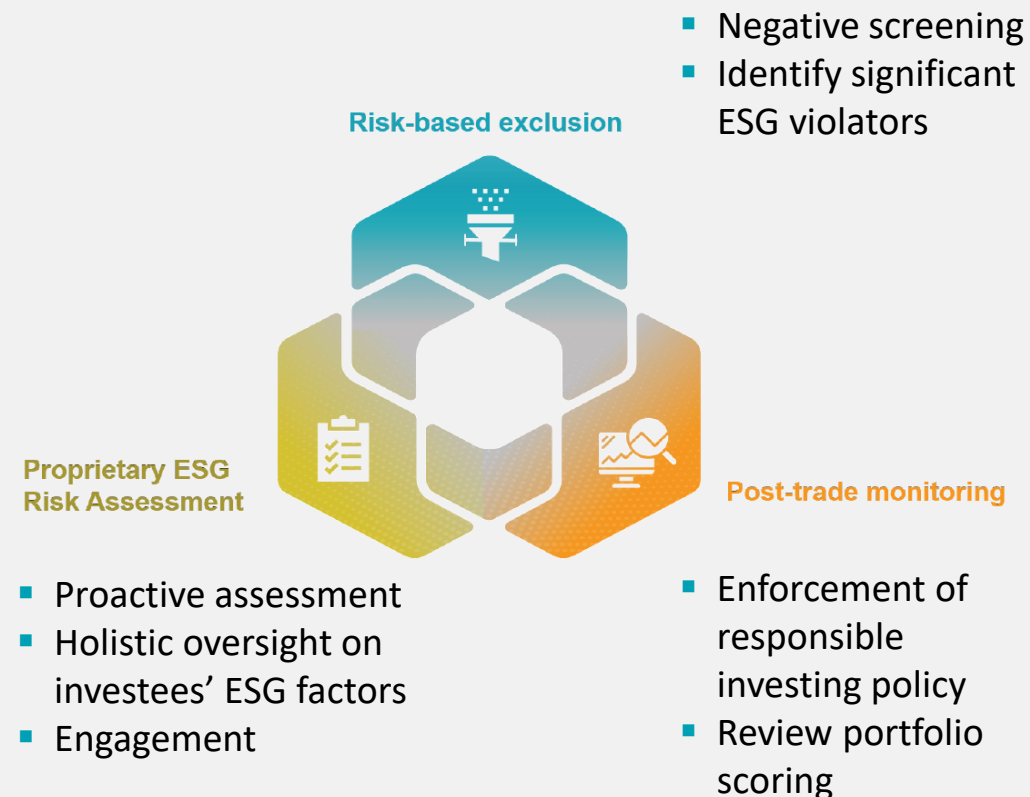


- Next phase of growth for Value Partners ETF Franchise
- **Launched a new ETF in Hong Kong** in July 2022, the VPENQQ ETF, to capture growth opportunities in internet and e-commerce sectors in the Emerging Markets

## Value Partners ESG milestones

- 2019 - Became UNPRI signatory
- 2020 - Proprietary ESG assessment framework
- 2021 - 100% proprietary coverage for equities and listed fixed income issuers achieved
  - Dedicated ESG investment professionals
- 2022 - Monthly proprietary ESG reports commenced in 1H
  - Green initiatives with strategic alliance partner
  - Articulated proprietary ESG research
  - Preparation for FMCC disclosure requirements

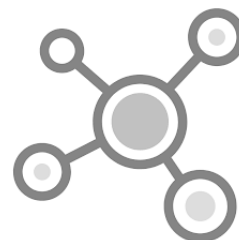
## Value Partners ESG investment framework



# Value Partners' 3 key growth strategy



Strengthening of  
sales & marketing  
channels



Asset classes  
expansion and  
ESG



Capture  
opportunities  
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# Value Partners China: 4 pillars for growth in 2022



## Institutional

- **Pandemic restrictions gradually lifted:** our book of business is expected to grow in the post-Covid period
- **Brand recognition:** Named one of China's top 20 foreign managers from Z-Ben for 3 consecutive years (2020-2022), and the only Asia-based manager on the list



## PFM & QDLP

- **Expand wealth management channel:** onboarded new wealth management channel investing into PFM product
- **Top foreign PFM house:** Managing 13 PFM products and 1 investment advisory product for top channels



## Retail & MRF

- **New MRF application:** Plan to submit for a 3<sup>rd</sup> MRF product in 2022
- **Ample room for growth:** the existing 2 funds can further raise more than US\$1bn before reaching its cap



## GBA Wealth Connect

- **3 funds onboarded:** VP All China Bond strategy was added in 1H 2022 with various eligible banks, joining Asian Income and Asian Total Return Bond strategies already on shelves
- Continue to further expand with new channels and products

**Key drivers for future growth:** Making very good progress in seeking additional avenues to obtain **FMC (fund management company), WMS (wealth management subsidiary), and WMC (wealth management company) license qualifications** to gain wider access in both institutional and retail wealth segments in Mainland China.

# Contact information

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