

# 2023 Interim Results

For the period ended 30 June 2023

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# Financial Review

**Ms. Nikita NG**

Chief Financial Officer

# Financial Highlights

## Summary of 1H 2023 result:

- 2023 first-half results continue to be impacted by headwinds from interest rate hikes, moderation of China's post-Covid recovery, uncertainty around inflation, geopolitical instability, and investor confidence
- Despite the challenging environment, the Group is able to report a net profit of HK\$4.9 million, compared with the loss position in the same period last year. The improved result was mainly driven by a much reduced unrealized investment loss on our proprietary investments and decreased total expenses to compensate for the reduced management fees
- Our AUM remained stable from US\$6.1 billion as of 31 Dec 2022 to US\$6.0 billion as of 30 Jun 2023, driven by the resilience of our equity funds

		1H 2023 (Unaudited) (HK\$ million)	1H 2022 (Unaudited) (HK\$ million)	% Change
<b>Revenue</b>	<b>Total revenue</b>	276.8	331.9	-16.6%
	<b>Gross management fees</b>	245.9	307.3	-20.0%
	<b>Gross performance fees</b>	-	0.9	-100.0%
<b>Cost</b>	<b>Total expenses</b>	191.4	264.3	-27.6%
<b>Earnings</b>	<b>Core operating profit/(loss)</b>	(3.0)	(44.9)	-93.3%
	<b>Net profit/(loss)</b>	4.9	(428.6)	+101.1%
	<b>Basic earnings/(loss) per share (HK cents)</b>	0.3	(23.2)	+101.3%
<b>Dividend</b>	<b>Interim dividend per share (HK cents)</b>	Nil	Nil	
		30 Jun 2023 (US\$ million)	31 Dec 2022 (US\$ million)	% Change
<b>AUM</b>	<b>Assets under management</b>	6,029	6,145	-1.9%

# Assets under management (“AUM”)

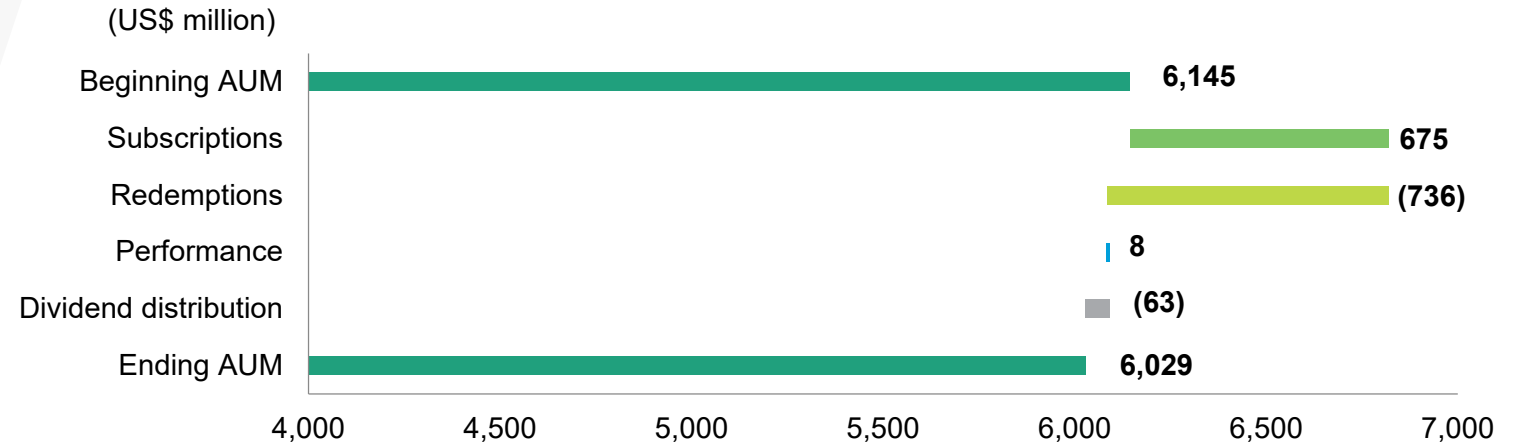
## Key reasons for AUM movement:

- Resilient flagship equity funds with proven long-term track records and continuous inflow. Our flagship High-dividend stocks strategy’s AUM increased by 10% during the period and reached USD1.6 billion as of 30 June 2023
- Offset by net outflows of US\$61 million, mainly from our healthcare strategies and Greater China High Yield strategies

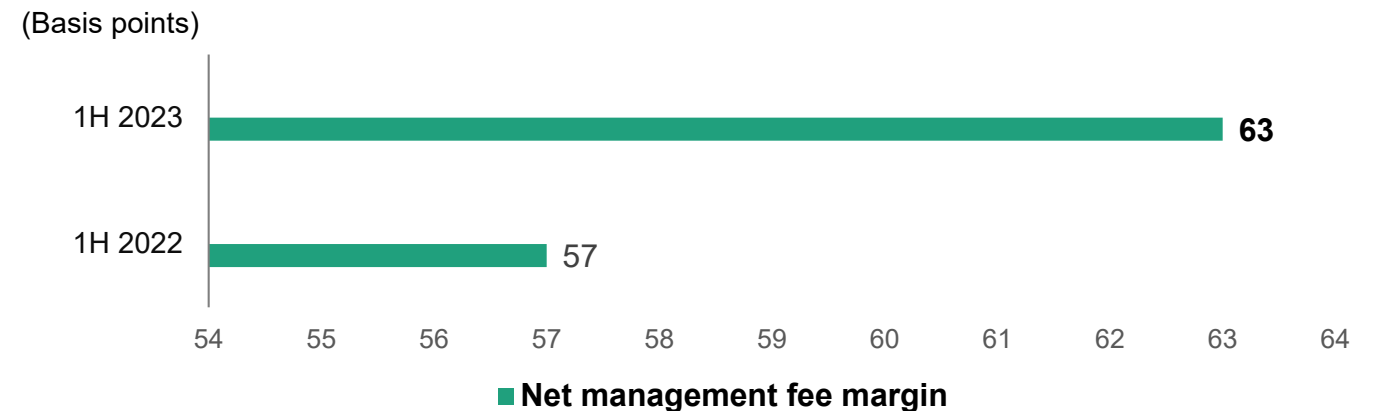
## Fee margin:

- Net management fee margin increased to 63 bps for 1H 2023 despite the volatile market. The increased margin was mainly due to increased inflow from high-margin equity funds and termination of certain low-margin investment mandates

AUM movement during 1H 2023



Improved net management fee margin amid volatile market



# AUM Analysis

## AUM by Strategy:

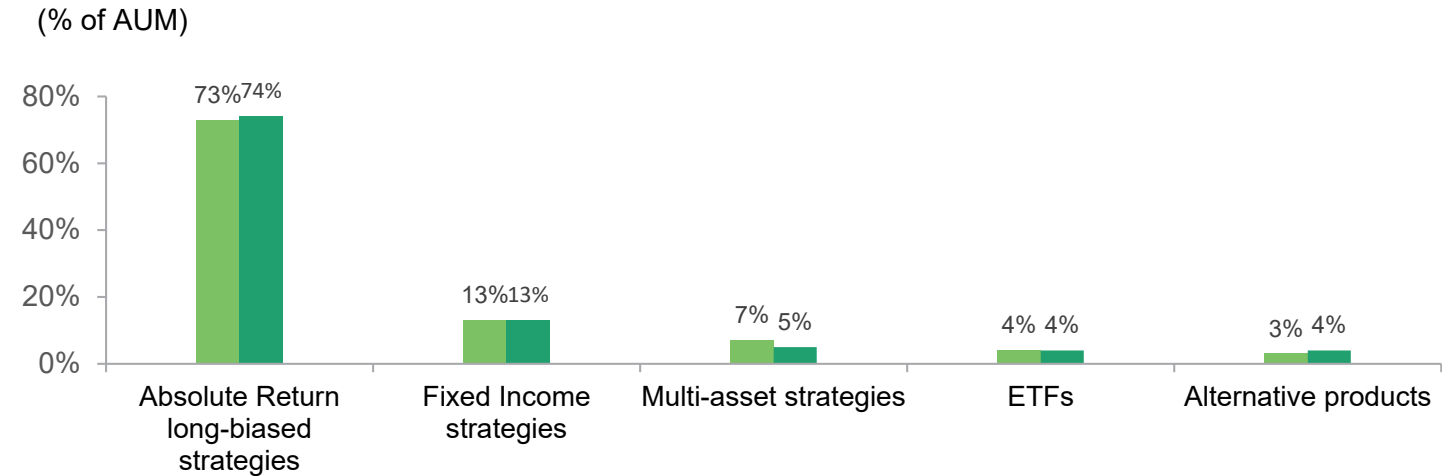
- **Equities:** Continuous inflows into flagship equity funds, especially the High-dividend stocks strategy and a Chinese mandate from a European client
- **Fixed income:** Net outflows mainly from the Greater China High Yield strategy, though outflows have already been stabilized since Q4 2022
- **Multi-asset:** Net outflows mainly due to one fund product restructuring into equity & fixed income strategies. Excluding that, there were net inflows into our Asian Multi-Asset strategies. We shall continue to focus on and develop this space

## AUM by Geography:

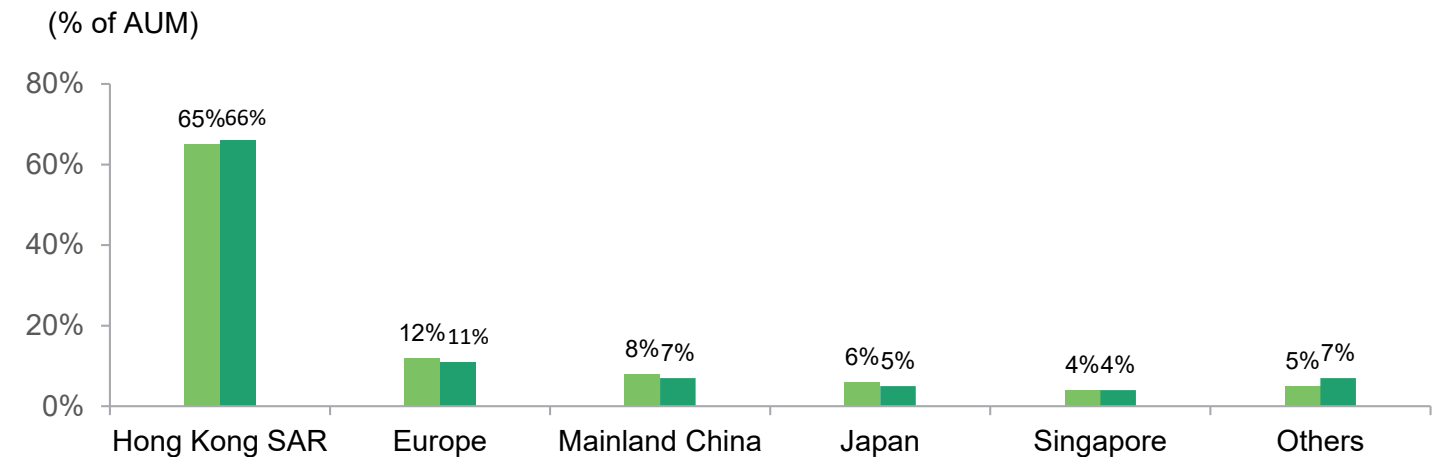
- Hong Kong remains our biggest client segment, followed by Europe and Mainland China

Source: Value Partners, as at 30 June 2023 and 31 Dec 2022

Classification by strategy



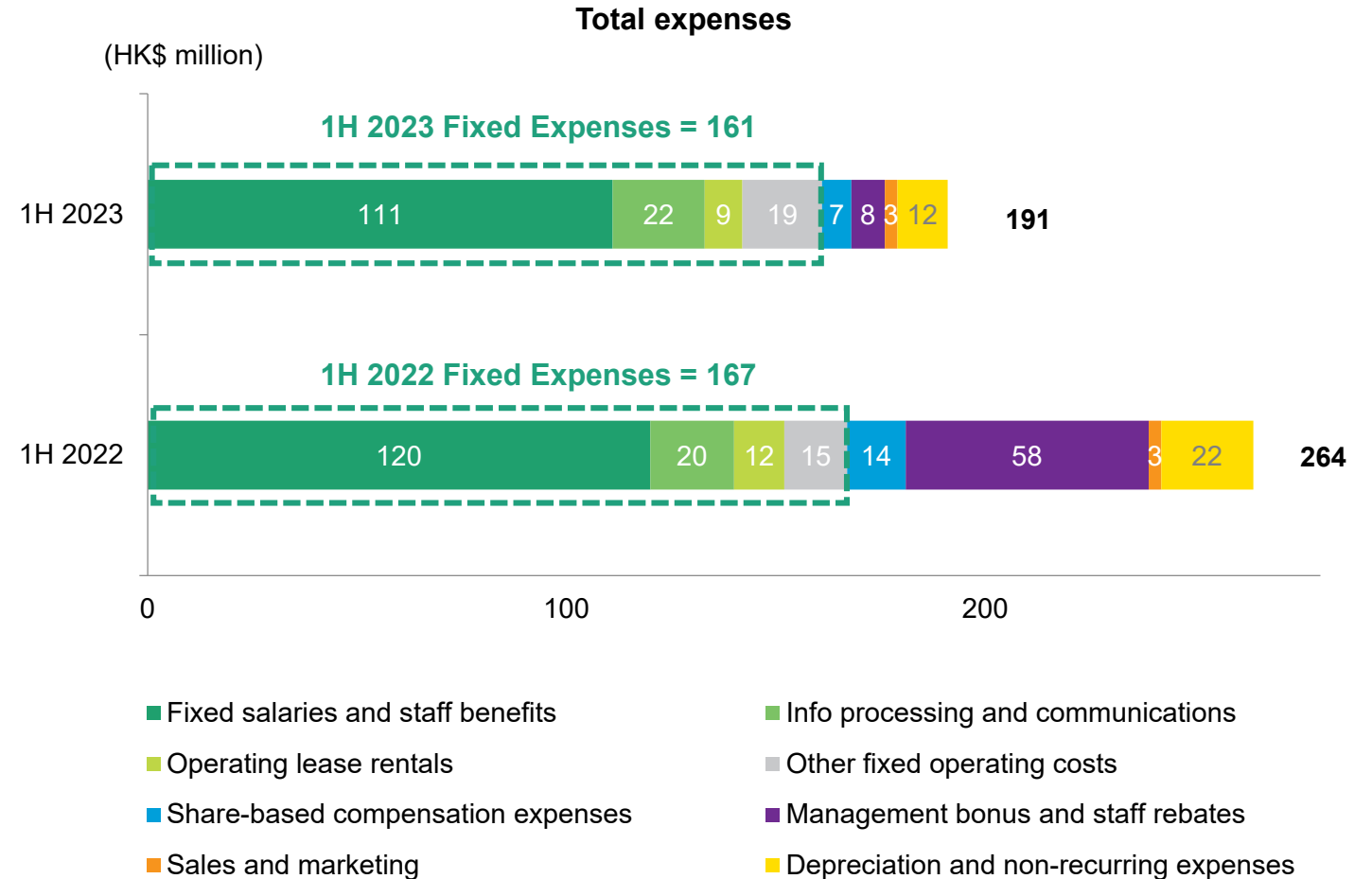
Client analysis by geographical region



■ 31 Dec 2022 ■ 30 Jun 2023

# Expense Analysis

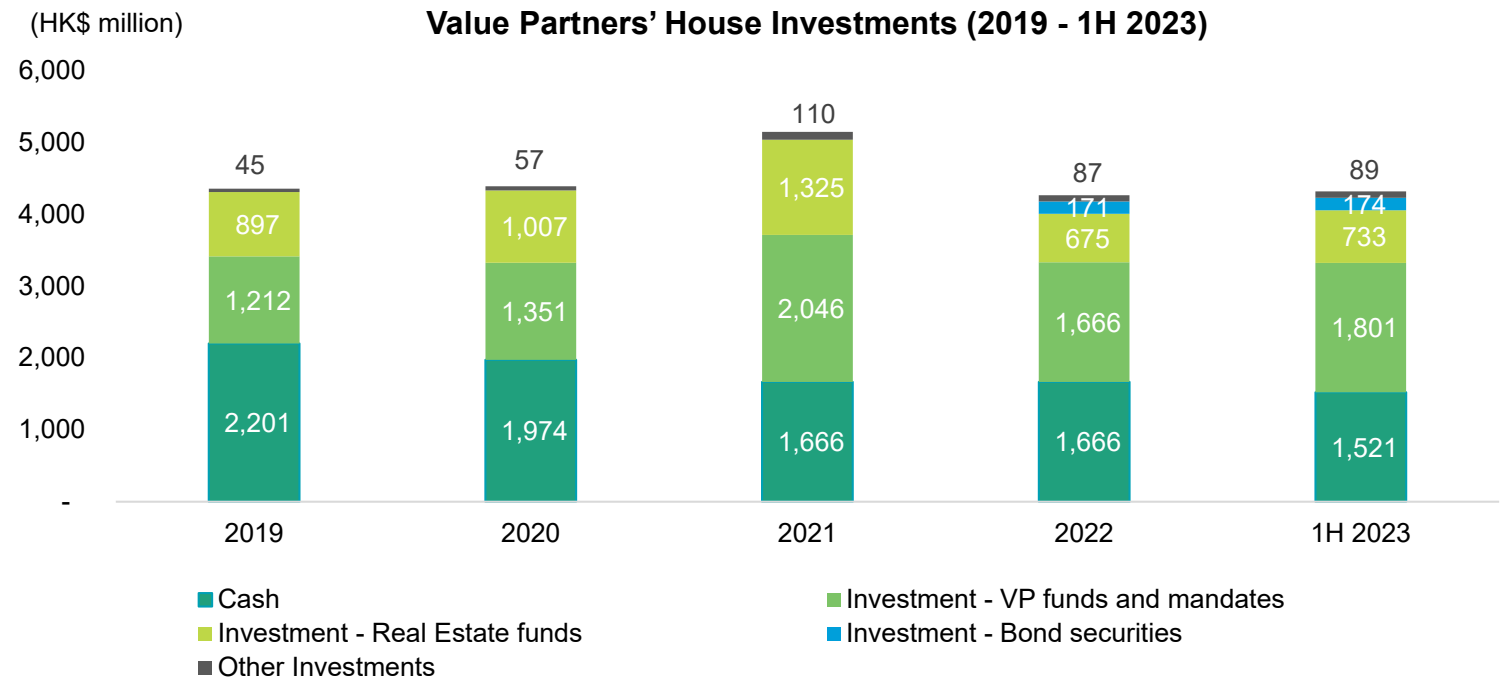
- Fixed operating expenses decreased by 4%, mainly on reduced staff costs as part of our strategic business plan focusing on areas with growth potentials
- Other fixed operating expenses remained stable, with increased IT costs for continuous system enhancement, higher market data research costs and increased business travels, offsetting by rental cost savings
- Continue to exercise stringent cost control while keep investing in key growth areas for our long-term strategic plans and be well-prepared for upcoming business opportunities



# Strong balance sheet and cash deployment strategy

- 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 and alignment of interest with fund investors

(HK\$ million)	30 June 2023 (Unaudited)	31 Dec 2022 (Audited)	% Change
<b>Net Assets</b>	<b>4,434</b>	<b>4,494</b>	<b>-1.3%</b>
• Cash & cash equivalents	1,521	1,666	-8.7%
• Investments	2,801	2,666	5.1%





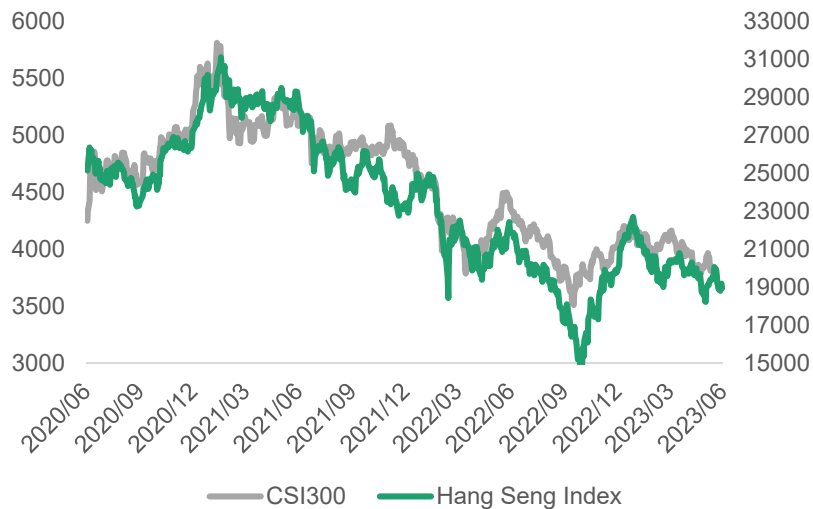
# Business and Strategy Updates

**Ms. June WONG**  
Chief Executive Officer

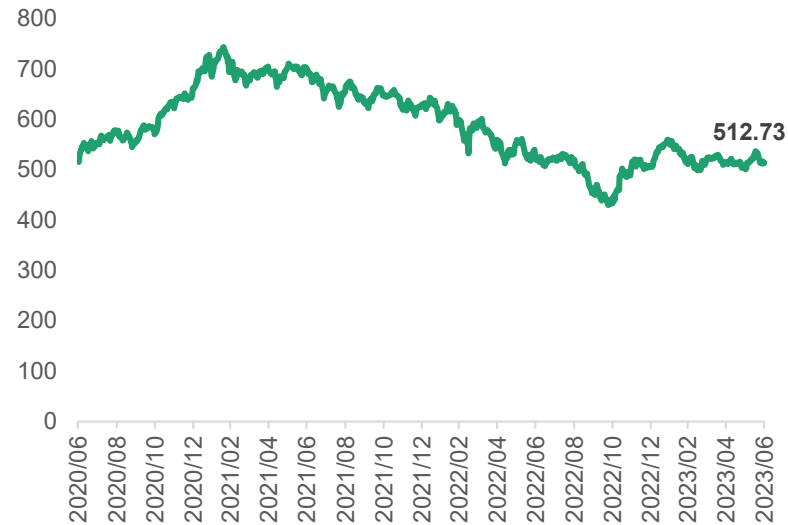
# Industry macro trend 1: Short-term volatility due to macroeconomic headwinds, long-term opportunities remain

- For the first half of 2023, global markets were faced with rising uncertainties arising from the banking woes in US and Europe and ongoing concerns over an imminent recession in the US. In Asia, Chinese markets suffered as the optimism on re-opening faded quickly. In contrast, the broader Asian equity market performed better, supported by the region's robust domestic demand and the improving outlook of the technology cycle. On the other hand, sticky inflation has resulted in rising short-term interest rates, which have reached their highest level over the last 20 years
- As a result, demand for Chinese equity and fixed income products has been lukewarm despite the large need for capital preservation and low-risk income products. On the other hand, there was robust demand for Asia-focused products across different asset classes over the period
- We expect short-term interest rates to remain at an attractive level over the medium term; hence, the need for low-risk income products is here to stay. We also expect the demand for broader Asian regional strategies will stay strong in the near term. For China-related products, while short-term headwinds might persist, we remain optimistic over the medium term and believe that demand will recover strongly as China's economy improves, especially since valuations are at a very attractive level

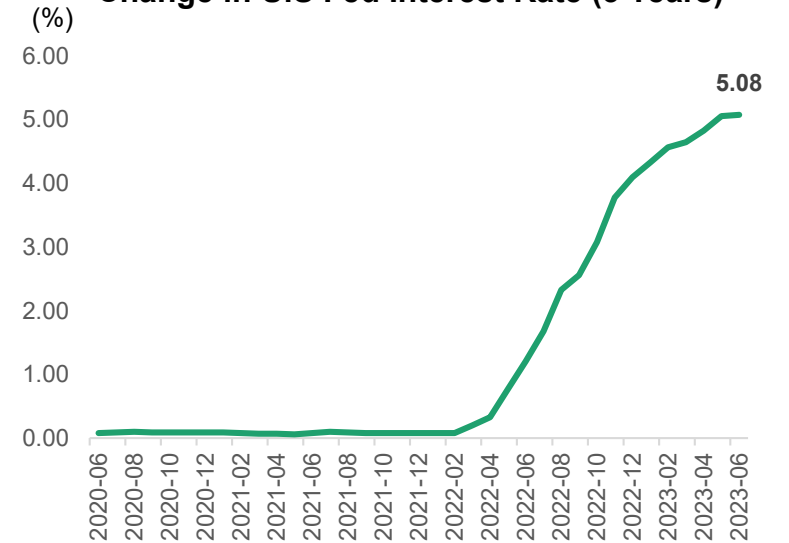
**Change in Hang Seng Index and CSI 300 (3 Years)**



**Change in MSCI Asia ex Japan (3 Years)**



**Change in U.S Fed Interest Rate (3 Years)**



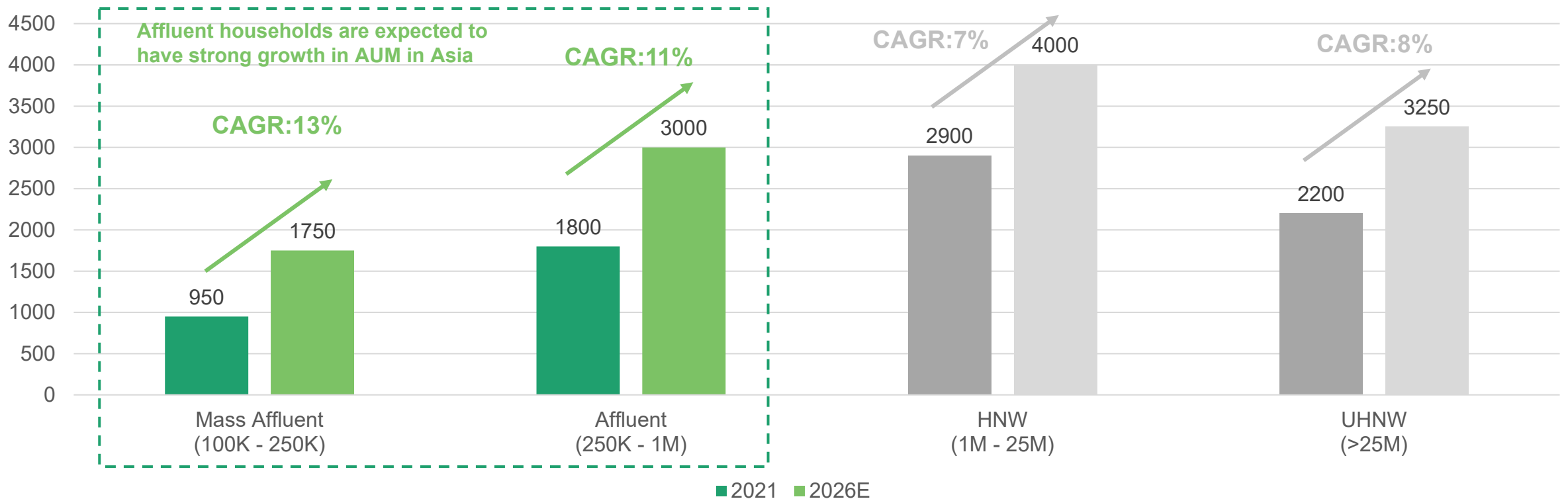
# Industry macro trend 2: The growth potential of the wealth management market in Asia

Asia’s booming affluent segments introduce new opportunities in Asia’s wealth management industry

- In 2021, the wealth pool of households with investable assets of US\$100,000 to US\$1 million in Asia totaled US\$2.7 trillion. That sum is projected to soar to US\$4.7 trillion by 2026 as incomes continue to rise across the region.

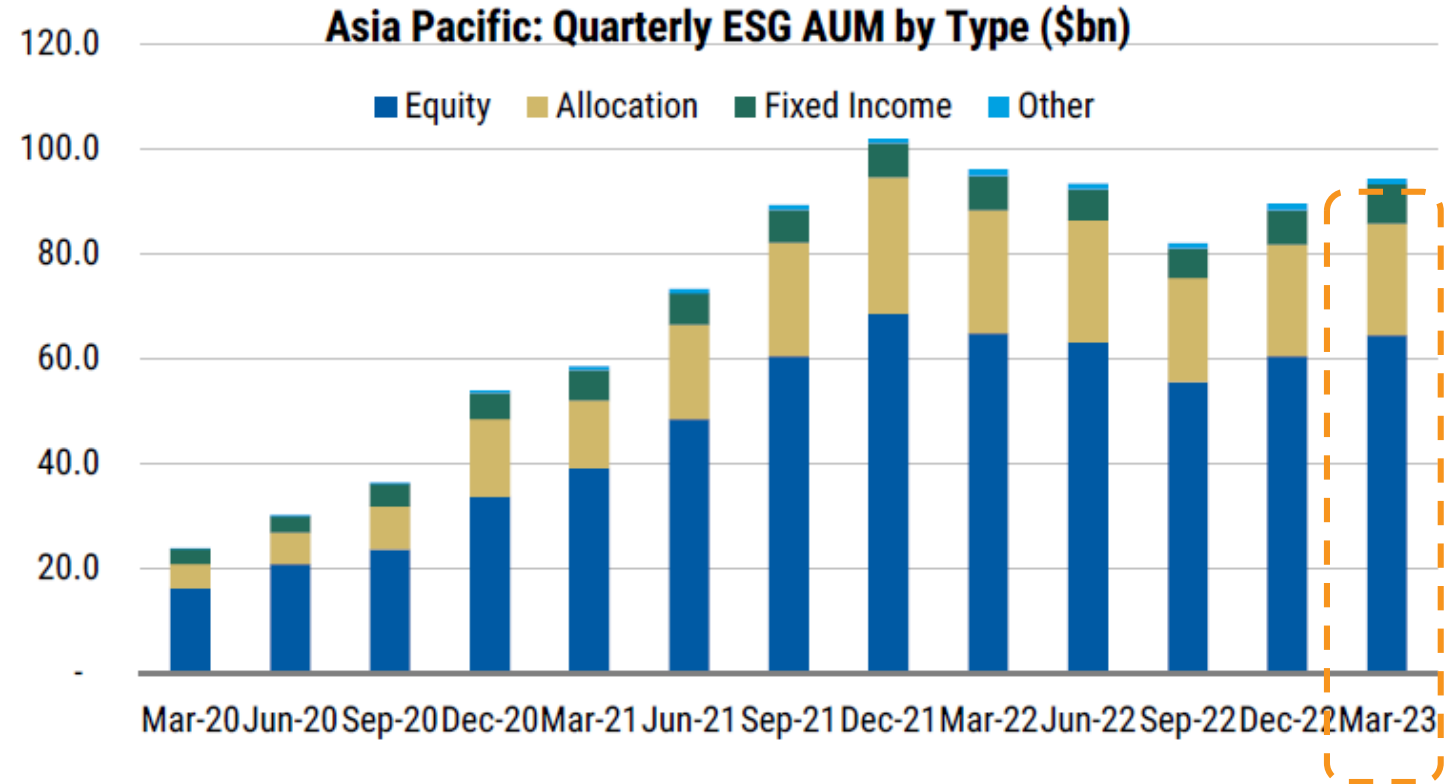
## AUM in Asia by Market Segments

Based on Household Financial Wealth<sup>1</sup> (in billions)



# Industry macro trend 3 : ESG AUM continue to climb in Asia

- Asia’s ESG AUM climbed for three consecutive quarters, and equities continue to be the major asset class within the Asia ESG universe
- We expect ESG AUM growth to remain stable, given the following:
  - Solid appetite for Asia ESG strategies
  - Continued ramp-up of Asian companies’ ESG practices, led by enhanced environmental disclosures
  - More attainable ESG data with the introduction of new draft standards, i.e., the International Sustainability Standards Board (ISSB)



# Value Partners' 3 key strategies



**Business and  
strategic development**



Asset classes  
diversification and  
expansion



ESG development

# Business and strategic development

## Hong Kong headquarters & overseas

### Enhance client relationships and reach

- Despite the dampened market, our banking partners continued to support us, with strong inflows into our flagship funds, including the Asian high dividend equity and other Asian allocation strategies
- Expanded our banking network to include a Chinese bank with strong local presence in HK as a new retail and private banking distribution partner. We will continue to strengthen our relationship with existing distributors with an enhanced brand image and expand our distribution network to include new partners in both the retail and private banking segments

### Wealth management – an important growth strategy

- Hong Kong – continue to build our family office coverage through a diversified product range and participation in the Family Office Association sponsorship. Within the institutional space, we saw an increased number of RFPs in 1H 2023, with rising demand from an Asian asset owner
- Singapore - alongside HK, SG is an important wealth management center and family office hub. We continue to put dedicated resources in Singapore to broaden our client coverage to service South Asia's increasing wealth management needs
- Formed a strategic partnership with Aldiracita Group, an Indonesian global investment group. The collaboration marks a significant milestone in Value Partners' expansion strategy in SEA

## China

- Continue to focus on the insurance segment, with an advisory mandate that has proven successful with good AUM growth
- Actively explore and launch products via cross-border business schemes, such as the qualified foreign limited partnership (“QFLP”), qualified domestic investment enterprise (“QDIE”), and qualified domestic limited partnership (“QDLP”) programmes, to provide diversified investment choices for both domestic and foreign clients
- Work with our strategic partner, GF Securities, to broaden our distribution channels in the mutual recognition of funds (“MRF”), private fund management (“PFM”), and wealth management segments
- Attainment of fund management company (“FMC”) licence remains to be our long-term goal

### Product strategy expansion

- Deliberate plan to grow beyond our traditional long-only equity funds, including the expansion into alternatives, money market, and investment grade fixed income products, as well as a new ESG product, to provide our customers with a wider range of investment offerings that capture returns through managed risk

### ESG capabilities

- Continue to develop ESG capabilities as one of our top priorities, with a new ESG product launched in 1H 2023

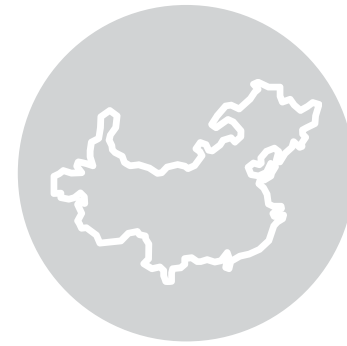
# Value Partners' 3 key strategies



Business and strategic  
development



**Asset classes  
diversification and  
expansion**



ESG development

# Diversification and growth from product suite expansion



## To grow the alternative franchise

- Launched a Greater Bay Area-focused alternative strategy, which invests in public and private equities across the Hong Kong and China markets. Target first close in Q3, and final close by the end of 2023
- An Asian Logistic Income strategy, a real estate private equity fund, is to be launched in 2H 2023 and is currently fundraising. This strategy will further widen our range of alternative solutions



## Strengthen fixed income investment offerings

- Launch of a Money Market strategy: target public fund launch in Q4 2023. It caters to investor demand for a low-volatility and highly liquid investment option under volatile market conditions
- New product idea in development to enrich high-quality fixed income product suite, i.e., an Asian investment grade bond strategy, also expected to be launched this year



## Build and enhance Asia-focused ESG capabilities

- Launched our first Article 8 fund, the Value Partners Asian Food and Nutrition strategy, in May 2023
- Aims of upgrading our other strategies to be Article 8 in the next 12 months
- Look to bringing our flagship Asian High Dividend strategy to the UCITS range to capture client demand in EMEA and global private banks



# Value Partners' 3 key strategies



Business and strategic  
development



Asset classes  
diversification and  
expansion



**ESG development**

# Value Partners' Responsible Investing mission and journey

Value Partners seeks to integrate ESG considerations in every investment decision we make, as we believe Responsible Investing is fundamental to long-term risks and returns.

## 2020

- Established a dedicated ESG investment team
- Built in-house proprietary ESG assessment framework
- Set up an ESG committee as the Group's governance body
- Enhanced ESG disclosures on Group's ESG report

## 2022

- Enhanced proprietary assessment framework
- Enhanced climate considerations across portfolios
- Published Climate Disclosure policy

100% Proprietary ESG coverage with >1,000 listed investees and issuers

## 2023 Pipelines & onward:

- 1. ESG products:** New ESG strategies in the pipeline in the next 12 months
- 2. Impact engagement:** Deepen our engagement efforts amid the launch of the Article 8 ESG fund
- 3. Disclosure:** Publish the Group's first Sustainability report
- 4. Group sustainability initiatives:** Ongoing "Grow the next gen" agenda to nurture domestic ESG talents.

## 2019

- Established Responsible Investing policy
- Integrated ESG exclusion in the investment process
- Became UNPRI Signatory

## 2021


- Ramped up ESG proprietary scorecard to 100% coverage rate for our listed equity investees and fixed income issuers
- Built Responsible Investing policy on real estate private equity strategy
- Launched an environmental strategy in Japan
- Awarded with the Best ESG (G) by Hong Kong Investor Relations Association (HKIRA)

## 2023

- Launch of ESG Article 8 strategy
- Expansion of ESG research coverage
- Articulate engagement activities
- Further enhancement of portfolio disclosure and reporting

# Contact Information

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