

VL China Fund

Monthly Fund Factsheet

30 October 2015

Important Information

VL China Fund is constituted in the form of a unit trust established under the laws of Hong Kong.

The fund seeks to achieve its investment objective primarily through exposure to companies carrying on business or with business exposure in the China region with long term growth prospects.

The fund can invest no less than 70% of its NAV in Hong Kong-listed stocks and if investing in overseas stocks, no more than 30% of its NAV in non-Hong Kong listed stocks.

All investments involve risks. This material is not an offer or solicitation. The fund is an investment fund. There is no guarantee on the repayment of principal. The fund's investment portfolio may fall in value and therefore your investment in the fund may suffer losses. If you have any queries, please consult your financial consultants. This material has not been reviewed by the Securities and Futures Commission.

Investment objective

The fund aims to provide long-term capital appreciation by investing in a diversified portfolio of equity securities of companies in different industry sectors whose primary business focus is in the China region.

Manager's Comments

China's officials stated in its 13th five-year plan that it targets to double per capital income by 2020 from 2010 levels. This translates into an annualized growth rate of 6.53%. Whether this can be achieved largely depends on the effectiveness of economic transformation as a whole, which includes the digestion of over-capacity as well as the upgrading of consumption demand and the promotion of the servicing sector. No doubt China's economic growth is slowing but this factor may have been overplayed in recent months. A market with 1.3 billion of population cannot be regarded as negligible. More importantly, this population must still have demand for food, clothes and healthcare (before education or entertainment is counted).

We further deployed the fund's cash to invest in undervalued stocks with decent growth prospects. The fund's cash level was 5.37% at the end of October, down from 11.91% at the end September and 21.20% at the end of August. It is the fund's general practice to habitually hold approximately 5% of its NAV in cash for potential bargain hunting opportunities, and therefore we regard the portfolio construction process is now completed.

Performance Update*

	A Units	B Units	MSCI China Index	Hang Seng Total Return Index
One month	5.28%	5.34%	9.08%	8.76%
Since fund launch	-6.29%	-6.13%	-5.51%	-6.81%
NAV	93.7081	93.8712	n/a	n/a

*A and B units are invested in the same fund. Dividend reinvested. Performance data is net of all fees.

NAVs are published daily in the Standard and Hong Kong Economic Times and www.vlasset.com.

Indices are derived from Bloomberg and are valued in HK dollar with dividend reinvested. All indices and figures are for reference only.

Fund Facts

Manager:	VL Asset Management Limited
Trustee	Standard Chartered Trust (Hong Kong Limited)
Custodian & Administrator	Standard Chartered Bank (Hong Kong Limited)
Launch date:	10 August 2015
Base currency:	Hong Kong Dollars (HKD)
Bloomberg code:	Class A - VLCHINA KY Class B - VLCHINB KY
ISIN code:	Class A - HK0000262953 Class B - HK0000262961

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Portfolio Characteristics

	Fund	Hang Seng Index
Price/earnings ratio	9.34X	10.64X
Price/book ratio	1.05X	1.12X
Dividend yield	4.87%	3.71%
Return on equity	11.23%	10.50%

Exposure by Geography

Hong Kong	H Shares	27.86%
	Red Chips	26.27%
	P-Chips	12.84%
	HK	14.75%
	Others	2.09%
China	B Shares	7.47%
US	ADRs	3.34%
Cash		5.37%
<i>No derivative exposure</i>		100.00%

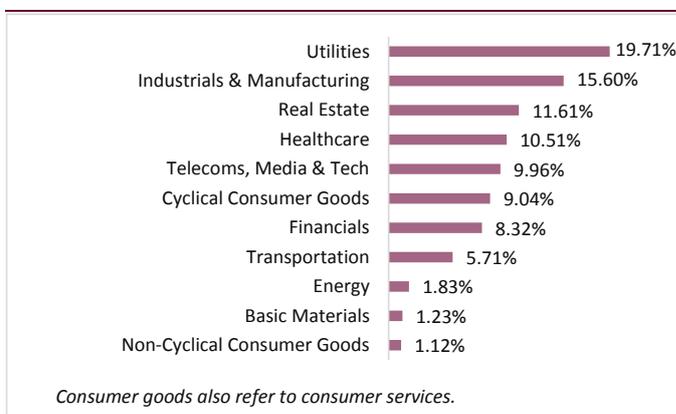
Fee Structure

	Class A	Class B
Minimum subscription	HK\$50,000	HK\$39,000,000
Subsequent subscription	HK\$5,000	HK\$1,000,000
Subscription fee	up to 5%	up to 5%
Redemption fee	nil	5%
Management fee	1.5%	0.75%
Performance fee	15% (high on high)	7.5% (high on high)
Lock-up	nil	3 years
Dealing day	daily (Hong Kong business day)	

Top 5 Stock Holdings

Name	Code	Sector	%
Sinopharm Group	1099 HK	Healthcare	6.03%
Transport International	62 HK	Transportation	5.71%
China Power International	2380 HK	Utility	5.21%
Changan Automobile	200625 CH	Industrial	4.70%
Digital China Holdings	861 HK	TMT	4.62%
Total			26.27%

Exposure by Sector



VL Investment Team

Chief Investment Officer	Vincent LAM
Portfolio Manager	Ean Kiam NG

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You should not make investment decisions based on this material alone. If you plan to invest in VL China Fund, you should read its Explanatory Memorandum and the Key Fact Sheet for details and the risk factors set out in those documents.

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SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Performance fee will be charged only if the NAV at the end of the financial year exceeds the "high watermark", which is the all-time year-end high of the fund's NAV. The fund's financial year end is 30 June.