

VL China Fund

Monthly Fund Factsheet

29 January 2016

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

Global stocks were sold off across-the-board amid tumbling oil prices, ongoing currency weakness and heightened worries on China's slowdown. Some of our key positions including Haitong International (665.HK) and China Power International (CPI, 2380.HK) were hit but that has not shaken our confidence in companies (such as these two) which have sound business prospects. For Haitong, its brokerage and margin financing business should continue to benefit from the continued influx of capital from China to Hong Kong. With a P/B of only 0.8X (2015 peak: over 3X), a re-rating is likely and the launch of the Shenzhen-HK Stock Connect could be a catalyst. As for CPI, while the IPP sector is shadowed by weakening demand and falling power tariff, it should be able to grow its revenue backed by more underlying asset injection plans by its parent. CPI is inexpensively trading at less than 6X 2016 PE and 0.7X PB.

While stock market valuations are largely driven by short-term factors like money supply, interest rates and psychology, we strive to deploy a more sustainable strategy investing in stocks that can generate decent risk-adjusted investment returns. Companies with convincing business outlook will be the ones that can sail through the storm and pick up fast in particular when they release their financial results.

Performance Update*

	A Units	B Units	MSCI China Index	Hang Seng Total Return Index
One month	-12.49%	-12.44%	-12.34%	-10.18%
Since fund launch	-17.91%	-17.62%	-21.00%	-18.87%
NAV per unit	82.0872	82.3835	n/a	n/a

*A and B units are invested in the same fund. Dividends are reinvested into the fund. Performance of A Units and B Units is calculated by VL Asset Management Limited in HKD on a NAV to NAV basis. 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 HKD 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

VL China Fund

29 January 2016

Portfolio Characteristics

	Fund	Hang Seng Index
Price/earnings ratio	9.27X	9.71X
Price/book ratio	1.02X	0.97X
Dividend yield	4.73%	4.16%
Return on equity	11.01%	10.01%

Exposure by Geography

Hong Kong	H Shares	24.68%
	Red Chips	18.53%
	P-Chips	16.04%
	HK	18.23%
	Others	3.95%
China	B Shares	7.57%
US	ADRs of PRC companies	6.87%
Cash		4.14%
		100.00%

No derivative exposure

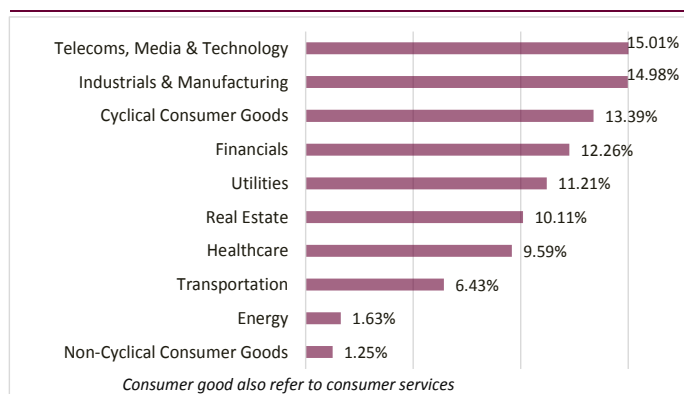
Fee Structure

	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	%
Transport Int'l	62 HK	Transportation	6.43%
Haitong Int'l Securities	665 HK	Financials	6.07%
Digital China	861 HK	TMT	5.55%
Sinopharm Group	1099 HK	Healthcare	5.30%
Changan Automobile	200625 CH	Industrial	4.54%
Total			27.88%

Exposure by Sector



VL Investment Team

Chief Investment Officer	Vincent LAM
Portfolio Manager	Ean Kiam NG

This report is issued by VL Asset Management Limited ("VLAM") for reference only and neither the information nor any opinion contained herein constitutes a distribution, an offer to sell or the solicitation of an offer to buy or sell any unit trust or any securities, futures, options or other financial instruments or to provide any investment advice or service.

The information published here is current as at the date of publication but is subject to change without notice. If you are in any doubt about any of the information contained herein, you should consult your professional adviser.

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.

In particular, you should be aware of the concentration of the fund's investments in China and Hong Kong giving rise to possibly greater volatility compared with broad-based global funds. You should note too that VLAM, as manager of the fund, is entitled to receive performance fees under certain conditions, that such fees may encourage a manager to make riskier investment decisions than in the absence of performance-based incentive systems and that you should familiarize yourself with the method of calculating such fees.

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.

Without prejudice to the generality of the foregoing, this report does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction or country in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation or where such offer or solicitation would be contrary to law or regulation or which would subject VLAM or its affiliates or associates (including VL Trusts) to any registration requirement within such jurisdiction or country.

Under no circumstances may the information contained herein, or any part thereof, be copied, reproduced or redistributed without the express permission and written consent of VLAM.

The price of shares of any unit trust may go down as well as up and past performance figures shown are not indicative of future performance.

Classification is based on Global Industry Classification Standard (GICS). Exposure refers to long exposure unless otherwise specified.

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.