

## VL China Fund

### Monthly Fund Factsheet

29 April 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

The region's equity markets moved sideways in April after a strong rally in March. Over the last few months, there had been signs of green shoots in the Chinese economy, with its official manufacturing Purchasing Managers' Index (PMI) returning to the growth territory in March (the reading in February was 49, the lowest since 2011). The official services PMI also improved to 53.8 in March from 52.7 in February. A similar trend was seen for the unofficial China Caixin PMIs, which track the economic activities of China small and medium enterprises (SMEs). However, the Caixin manufacturing PMI in March stayed at below 50, indicating SMEs' economic activities remained under pressure but the rate of decline has slowed down.

China's economy is best described as a glass half-filled with water - half-full since a lot of the state-owned enterprises remain inefficiently run but at the same time half-empty as there is ample room for profitability improvement. Any extreme view (over-optimism at one end of the spectrum or ultra-pessimism on the other end) taken of the world's second largest economy will very likely be proven wrong. We would rather focus on individual companies' merits (or demerits) in making our investment decisions. Over the past month, the Fund has reduced its positions in certain China's IPPs (independent power producers) following a review of their respective FY15 and 1Q16 results which showed their earnings prospects had not lived up to the Manager's expectations. We have also trimmed a couple of healthcare positions after a strong rally with their share prices nearing fair values. Following such pruning, the Fund's cash level has increased to 11.56% at the month-end.

May is traditionally a quiet month for the equity markets. However, as a contrarian investor, should there be meaningful market correction in the coming months, we are well prepared to bottom fish with a war-chest of more than 10% in cash.

#### Performance Update\*

	A Units	B Units	MSCI China (NDEUCHF)	Hang Seng Total Return Index
1 month	-0.55%	-0.49%	-0.18%	1.46%
YTD	-6.11%	-5.88%	-4.90%	-3.35%
Since fund launch	-11.92%	-11.44%	-14.30%	-12.70%
NAV per unit	88.0751	88.5581	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](http://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

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### Portfolio Characteristics

	Fund	Hang Seng Index
Price/earnings ratio (X)	10.43	10.81
Price/book ratio (X)	1.11	1.02
Dividend yield	4.24%	3.88%
Return on equity	10.69%	9.47%

### Exposure by Geography

Hong Kong	H Shares	19.56%
	Red Chips	13.92%
	P-Chips	24.91%
	HK	14.81%
	Others	2.44%
China	B Shares	6.55%
	ADRs of PRC companies	6.25%
US		
Cash		11.56%
		100.00%

No derivative exposure

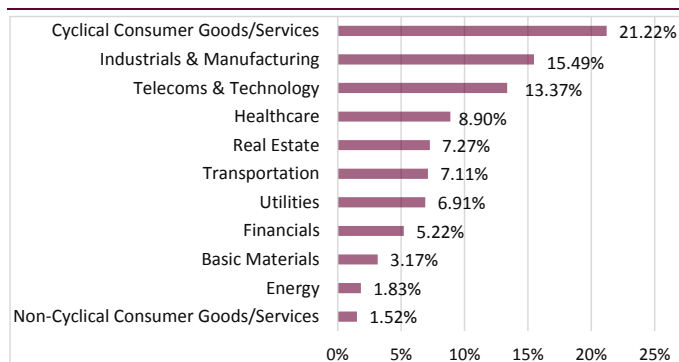
### Fee Structure

	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 International	62 HK	Transportation	6.13%
Sinopharm	1099 HK	Healthcare	4.74%
Spring REIT	1426 HK	Real Estate	4.25%
Cosco International	517 HK	Industrial	3.86%
Beijing Urban Construction	1599 HK	Industrial	3.71%
Total			22.68%

### Exposure by Sector



### VL Investment Team

Chief Investment Officer	Vincent LAM
Portfolio Manager	Ean Kiam NG

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*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.*

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*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.*

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