VL China Fund

Monthly Fund Factsheet

June 2017

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.

Performance Update*

	Class A Units	Class B Units	MSCI China (NDEUCHF)	Hang Seng Total Return Index
1 month	1.97%	1.94%	2.48%	1.43%
3 month	4.80%	4.89%	11.07%	8.51%
6 month	16.11%	16.43%	25.71%	19.52%
YTD	16.11%	16.43%	25.71%	19.52%
Since fund launch	-0.14%	1.20%	14.36%	12.60%
NAV per unit	99.8600	101.1953	n/a	n/a

* *NAVs and indices as of 30 June 2017.*

Class A and B units are invested in the same fund. Dividends are reinvested into the fund. Performance of class 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

Portfolio Characteristics

	Fund	Hang Seng Index
Price/earnings ratio	13.83X	11.93X
Price/book ratio	1.40X	1.20X
Dividend yield	3.46%	3.46%
Return on equity	10.10%	10.06%

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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.

VL China Fund

Top 5 Stock Holdings

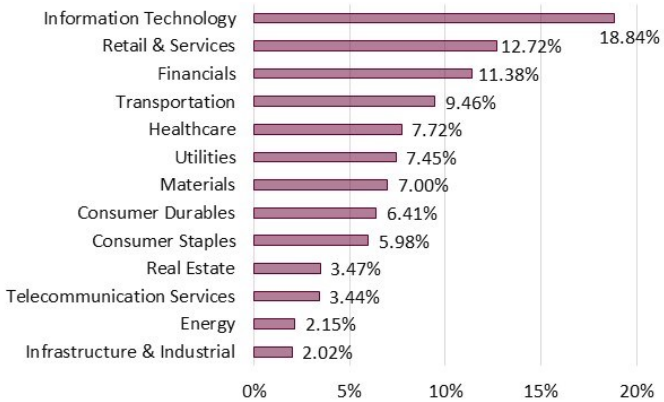
Name	Bloomberg Code	Sector	%
Transport International	62 HK Equity	Transportation	5.63%
Alibaba Group - ADR	BABA US Equity	Information Technology	5.26%
Tencent	700 HK Equity	Information Technology	4.09%
IGG Inc	799 HK Equity	Information Technology	3.55%
China Mobile	941 HK Equity	Telecommunication Services	3.44%
Total			21.96%

Exposure by Geography

Hong Kong	
H Shares	22.24%
Red Chips	14.86%
P-Chips	21.71%
HK	15.95%
Others	4.73%
China	
A Shares	2.07%
B Shares	7.03%
US	
ADRs of PRC companies	9.45%
Cash	1.96%
	100.00%

No derivative exposure

Exposure by Sector



Fee Structure

	Class A Units	Class B Units
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)	

VL Investment Team

Chief Investment Officer	Vincent LAM
Portfolio Manager	Ean Kiam NG

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.

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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.

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.

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VL China Fund

Commentary

Second Quarter 2017

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A good first half 2017 for world equity markets

First half of 2017 was good for world equity markets with only a handful of markets registered negative returns. With no exception, the Hang Seng Total Return Index rose 19.5% and the MSCI China Total Return Index surged 25.71 %, making Hong Kong one of the best performing markets globally. The main discrepancy is the strong performance of ADRs, led by heavyweight Alibaba (BABA US) (up 60% and 12.7% of MSCI China Index). In addition, it is quite impossible to match the top two stocks' weighting (i.e. 15.3% for Tencent (700 HK) and 12.7% for Alibaba in mutual funds as they are both more than 10%.

The outperformers in the first half were internet, ADRs, materials and insurance stocks while Telecom, energy and banks lagged.

Finally, the MSCI A-shares inclusion is done at a baby step

After three failed earlier attempts, MSCI has finally decided, on 20 June 2017, to include China A shares into its Emerging Market Index effective June 2018. While the initial inclusion was relatively small, representing only 0.73% of the emerging markets index, it is a milestone in that international investors can now include the world's second largest stock market in their equity portfolios. It can be a game changer and boosts China's efforts to internationalize its financial markets.

In our view, it is more important than the inclusion of the RMB in the Special Drawing Rights (SDR) basket and is a landmark step to integrate China with the global financial system.

China's macro outlook has improved as we have expected

On the macro front, China's foreign reserves rose for the fifth consecutive months in June, staying well above the threshold level of USD 3 trillion. The June National Bureau of Statistics' Manufacturing Purchasing Managers Index (PMI) came in at 51.7 in June, up from 51.2 in May and beating expectation of 51.

In addition, the RMB appears to have stabilized and has strengthened 2.3% against the US dollar instead of weakening as widely expected. The second quarter GDP growth turned out to be 6.9%, similar to that in the first quarter, compared to expectation of a moderating 6.8%. As such, China should have no problem of meeting its full-year target of 6.5%. In the same vein, the export numbers were strong despite talks of US-China trade conflicts.

We are still positive on Chinese equities but risks remain

We think that the key to sustain this rally will depend on earnings and therefore this August/September reporting season will be crucial to watch. As we mentioned before, the focus in China in the second half will be the 19th National Congress in November, which is closely watched for the change in the makeup of top leadership.

We continue to hold a positive view on Chinese equities, but stretched valuations of the developed markets and investors complacency as implied by the VIX index, which is at historical low, suggest that risks remain.

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