

Submission ID

F43004

Region

Hong Kong

Category

Credit Focus

Name of firm

Oakwise Capital

The Flagship Fund's name

Oakwise Enhanced Fixed Income Fund

The Fund's ISIN Code

KYG6689S1140

Data as of the quarter-end

30/06/2021

Total Fund Size (including all share classes)

USD1,618,753,000.00

Total Number of Portfolio Manager(s)

2

Total Number of Analysts

3

Pillar 1 - Investment Approach**1. Investment style consistency: Who has the ultimate responsibility for keeping the investment style consistent under all conditions and circumstances?**

The lead portfolio manager/s of this strategy

2. Investment style consistency: If the investment style deviates, are there material, negative consequences for the person with ultimate responsibility for ensuring style consistency?

Yes, there are material consequences, including bonus reduction, promotion freeze and/or specific financial consequences on the ultimately responsible individual

3. Investment process: Does the investment process include any of the following.

- * We have a clear and consistent investment process
- * We have the strategy to have a target investors' risk/return profile
- * The initial screening of the investment universe account for target investors' needs
- * We generate ideas from the bottom up, e.g., drilling down into a potential investee's business model, moat, future cash flow, etc.
- * We generate ideas from macro views, e.g., structural shifts, economic cycles, regime change, regulatory shifts, etc.
- * Portfolio Managers are allowed to buy securities outside of the list of securities approved by the investment committee and/or CIO
- * The risk managers are consulted at one or more points during the research, investment, divestment processes

4. Do you take ESG as Investment/Divestment materiality consequences?

Yes.

5. ESG as Investment Process [v]: Is ESG information is used in an investment product's investment process or stewardship activities?

Yes

Selected: Yes

- * The investment product's compliant presentation includes a description of the sources and types of ESG information used in the investment process or stewardship activities
- * As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

Selected: As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

- * Independent evaluation of information reported by investees or provided by ESG data providers
- * Cross-referencing two or more sources of information
- * Evaluation of models that estimate or interpolate missing data elements
- * Establishment of data quality monitoring and controls

6. When determining the materiality of ESG factors[v] [vi], does the strategy consider the following factors: (an adaptation of the CFA ESG disclosure requirements and recommendations)

- * Whether the materiality issue triggers a local regulatory requirement, such as filing new documents, updating existing documents with a regulator, or providing new or updated disclosures to current investors
- * ESG factors affect a specific company and not the market as a whole
- * Indirect exposure such as resource scarcity prompting a tightening monetary policy, poor liquidity could drive investment losses
- * ESG Materiality factors are not currently considered

7. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

Maintained investment style consistency during a particularly challenging time for the portfolio

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:

Adhering to the values of "integrity, professionalism, prudence and innovation" the PM is committed to becoming an innovative and trustworthy asset manager with prudence style. Also, obeying our mandate is crucial even though the market volatiles at times. Dr. Fengyu Wang has more than 15 years of investing experience in the fields of fixed income, equity and private equity, especially in asset allocation, multi-strategy investment, quantitative investment, etc. Dr. Wang has a strong insight into the capital market and is good at grasping systematic investment opportunities. Years of investment practice has helped him gradually formed a stable investment style with low volatility. The prudence style requires PM to focus on clients, keep on refining products, and create value. The company's flagship fund, Oakwise Enhanced Fixed Income Fund, has been continually outperforming the indexes and similar products in the market since its inception 3 yrs ago. In 2020, the fund ranked in the top 1% of Bloomberg's database among about 5,000 fixed income funds, recorded a maximum drawdown of 3.28% during the entire operating period. Regarding the fund strategy, we do focus on the Chinese property sector. As property sector contributed to more than 15% of China's growth, regulations are believed to offer essential guidance to developers rather than curb their growth. Even if credit events of Evergrande and other developers resulted in a sort of contagious effect among bonds issued by China's developers, due to the systematic importance of this sector, the supervisors will manage to prevent disorder default risks. Meanwhile, credit disparity within this sector will get enlarged. Developers with strong balanced sheet will benefit from industry consolidation and continue to contribute society. Under recent sell-off, some investors cut all China's property exposure indiscriminately. But we regard it an opportunity to buy the dip, for the potential risk adjusted return of some bonds have already outnumber their historical average level, especially when yield among other sectors is tighten and cannot provide reasonable return. With the insights into this sector, we found out that China's credit cycle and urbanization process still will support the industry's development. It is appropriate that highly leveraged developers would be forced to deleverage of at the bottom of each cycle, just as what they do during 2014-2015. When sales to inventory ratio bottoms out, the sector will demonstrate their value. Forward looking is absolutely important, so that Meanwhile, we also shorten the portfolio's duration (average duration 1.07 yrs as of June 30 2021) while enhance its credit rating (average rating B+) to avoid credit risk at most.