Pillar 3 - Performance & Risk Management

1. Alpha sources: What were the significant sources of alpha over the last 3 years?

Securities mispriced by the market
Securities misunderstood by the market
Securities that benefited from cyclical factors
Securities that are relatively inaccessible by retail investors and/or smaller institutional asset owners
Securities in special situations
Picking up securities with solid fundamentals during times of market panic

2. Stress test: Have stress tests been performed on this fund or strategy in the last 3 years?

Yes

Selected: Yes - Stress test scenarios were applied in the stress test that has already been performed?

Market volatility rising materially
Asset prices falling materially (or, in the case of short positions, rising materially)
Liquidity shrinking rapidly and materially
The fund's risk/return exceeding target investors' profile
Correlations rising rapidly among diverse asset classes/sectors/geographies/etc
Net outflows for your fund or strategy rising materially

Additional Remarks, if any (maximum 250 words)

A large portion of the fund is growth oriented investors focused on businesses with sustainably high returns. The fund employs a “Best Ideas” approach in investing in Greater China, regardless of market or listing. The fund focuses on bottom-up stock selection but also incorporate top-down macro and policy views, supported by the insights from our EMAP* macro analysis.
The fund is positioned towards long term structural growth opportunities in Greater China, such as consumption Upgrade, Healthcare and Technology / Automation. Examples include rising demand for Education, Leisure & entertainment, premiasation of food and beverages and household durables, rising demand for innovative drug R&D, mobility device functionality upgrades and factory automation.

3. Investment cap per investor[ii]: Do you limit each investor's investment to a certain percentage of the fund's total AUM to restrict overexposure to any single investor?

No, we do not currently have a cap and have NO definite plans for one

4. Drawdown recovery: How long did it take for the fund to recover[iv] from its maximum drawdown?

50 weeks or more

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

How did you respond to the maximum drawdown period, and what was the rationale behind the decisions taken?

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

Over the past 12 months to September 2021, there were two periods when the NAV of the fund fell by more than 10% over a relatively short period of time; in late February and in late July. In February, the post Lunar New Year sell-off was triggered by concerns about tightening onshore liquidity conditions in China and the higher 10-year U.S. Treasury yield. In July, the correction was due to a blast of tightening regulations in China which impacted several sectors heavily invested in by foreign investors such as internet, healthcare and property.

Volatility is a norm in investing in Greater China, and we do not see the corrections we have seen this year as extraordinary within the asset class. The quality bias of the fund typically helps during sell-offs as companies we prefer to invest have lower debt and higher RoE (as at end Sept, Long-term Debt to Capital ratio for the fund was 16% vs. 21% for the benchmark, and RoE for the fund was 19% vs. 15% for the benchmark). We did not see need to implement any extraordinary measures either in February or in July, as the market volatility, albeit high, was manageable.

It is worth highlighting the competitive advantages of our Central Dealing team, as dealing in volatile markets could impose significant costs on active fund managers. The dealing team's focus is to minimize market impact and transaction costs. The team is a specialist and experienced team, supported by state of the art systems and ongoing investment in trading technology. They conduct analysis of historical transactions and associated impact costs used to determine trading strategies, and we also benefit from low commission rates paid to brokers which reduce direct costs per trade. Additionally, significant overall commission payout helps to ensure premium service from investment banks and brokerage firms.

The success of the Central Dealing team is measured using Transaction Cost Analysis (TCA). We monitor the effectiveness of the Central Dealing team on an ongoing basis.