ZEAL Voyage China Fund





Monthly Report April 2024

www.zealasset.com

Important Information

- ZEAL Voyage China Fund constituted in the form of a unit trust established under the laws of Hong Kong. The Fund primarily invests in listed equities with a China focus.
- The Fund's investments are concentrated in Mainland China and Hong Kong. This may result in greater volatility than portfolios which comprise broad-based global investments.
- Investing in emerging markets such as China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund may invest in derivative instruments and access products which may involve additional risks (For example, counterparty, market and liquidity risk).
- HKD (dist) Units pay dividends on a semi-annual basis at the Manager's discretion. Distributions will not be paid out of capital or effectively out of capital of the fund. There is no guarantee that any distributions will be made and there is no target level of distribution payout.
- For currency hedged share classes, the currency hedging may not be a precise hedge and there is no guarantee that the hedging will be entirely successful.
- The RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.
- The Fund may invest in other funds (including ETFs) which make direct investments in A-shares and there will be additional costs involved when investing into these underlying funds. This may involve additional risk (e.g. investment objective risk, conflicts of interest risk etc.). The Fund is also subject to performance fee risk which may adversely affect the Fund's value.
- The Fund's investment through the Stock Connect may involve additional risks (e.g. quota limitations, operational risk, suspension risk, regulatory risk, taxation risk etc). Investment in certain Mainland China securities may be subject to Mainland China tax risk.
- You may lose part or all of your investment. You should not invest in the Fund solely based on this information. Prior to investing, please refer to the Explanatory Memorandum of the fund for details including the risk factors.

Investment Strategy

The fund seeks to achieve its objective primarily through exposure to companies established in China or those which, whilst established outside China, derive a significant proportion of their revenue from business related to China.

The fund primarily invests in stocks listed in Hong Kong, Shanghai and/or Shenzhen. Generally, the asset allocation strategy is that at least 70% of the fund's non-cash assets will be invested in Hong Kong stocks, and 0% to 20% in stocks listed in Shanghai or Shenzhen (exposure to A-shares and B-shares may be obtained in different ways, including indirect exposure, such as through investing in exchange traded funds ("ETFs") and/or other funds that invest in the relevant PRC listed shares, and direct exposure (in the case of A-shares, such as via the Shanghai-Hong Kong Stock Connect or other relevant programmes, when they become available). In addition, at least 80% of the fund's non-cash assets will be invested in China-related investments.

Fund Manager's Report

April witnessed another big rally in Chinese equities, particularly in the offshore market. The Hang Seng Index, Hang Seng China Enterprises Index, and MSCI China Index surged by +7.5%, +8.1%, and 6.7%, respectively, while the onshore CSI300 Index modestly increased +1.7%¹.

The market recovery since February has been primarily fueled by the influx of global funds. Over the past few years, overseas investors have maintained an extremely low exposure to China, continually withdrawing funds from the Chinese market. According to Bloomberg, outflows from Chinese equities slowed at the end of February.

Typically, when fund flows reverse, short covering and the removal of hedges are the initial drivers of market movement, although such inflows tend to be short-lived. After this initial rally, we are starting to witness inflows from foreign long-only managers whose investment horizons are longer term in nature. It appears that these flows are returning not solely due to cheap valuations but also attributed to the better-than-expected performance of the Chinese economy and indications of increasing policy stimuli.

Despite challenges in the property market, the Chinese economic recovery has been on the right track. GDP growth in $\Omega 1$ surpassed estimates, driven by the solid export sector and relatively resilient domestic consumption. Moreover, while many attribute this growth to the government's RMB 1 trillion fiscal expansion issued last October, our recent on-the-ground research suggests that only a fraction of the fiscal spending has been implemented so far, indicating potential for further economic acceleration when the full fiscal support is realized. Additionally, in mid-May, the government kicked off another RMB 1 trillion ultra-long special bond to ramp up fiscal stimulus. We believe that continuous policy support will provide greater impetus to the economic recovery.

Following a stellar April, some fund managers are adopting a more cautious stance, questioning whether the rally is adequately supported by fundamentals. Over the past three years, there have been many instances of rapid rallies in China's market followed by quick fades. So, after all, is this time another fleeting rebound or a sustained trend? While short-term consolidation and profit-taking are anticipated after such rapid increases, the return of foreign capital appears to be solidifying and marks a promising start for the market's recovery.

Eligible Collective Investment Scheme under the New Capital Investment Entrant Scheme

Fund Information

Manager	Zeal Asset Management Limited				
CIO	Jacky CHOI Nga Chung				
Portfolio Manager	Zeal Investment Team				
Fund Size	HKD1,397.60 million				
Subscription Fee	Up to 5% of NAV				
Management Fee	1.75% p.a.				
Performance Fee	15% (High-Water Mark)				
Trustee	BOCI-Prudential Trustee Limited				
Classes	Current NAV/Unit	Launch Date			
HKD Units	HKD1.3103	17-09-2010			
USD Units	USD1.1865	31-03-2011			
RMB (hedged) Units	RMB0.8775	30-05-2014			
AUD (hedged) Units	AUD0.8791	30-05-2014			
HKD (dist) Units	HKD0.8031	30-05-2014			
Classes	ISIN Code	Bloomberg Code			
HKD Units	HK0000068285	VOYZECH HK			
USD Units	HK0000077773	VOYZECU HK			
RMB (hedged) Units	HK0000199692	VOYZECR HK			
AUD (hedged) Units	HK0000199676	VOYZECA HK			
HKD (dist) Units	HK0000199684	VOYZCHD HK			

During the time when global funds withdrew from China and market sentiment was highly negative, investors tended to overlook fundamentals, creating an unfavorable environment for stock pickers like ourselves. However, as global funds return and sentiment normalize, companies with solid fundamentals are likely to outperform. The companies in our portfolio have exhibited strong fundamentals in the latest results season and the market has rewarded them. Our statistics indicate that out of the 41 companies we are holding or closely monitoring, only one missed expectations for both FY23 and 1024 earnings. Five out of the 41 recorded one miss without a corresponding beat. Most companies beat expectations at least once, and many of them surpassed expectations for both periods.

¹ Source: Bloomberg, as of April 30 2024

	January	February	March	April	May	June	July	August	September	October	November	December	Annual
2010									1.37	4.18	1.81	-0.21	7.29
2011	-1.37	-2.22	5.23	5.91	-0.39	0.37	2.87	-4.86	-8.87	5.86	-3.79	-0.21	-2.58
2012	2.23	10.46	-4.47	1.15	-4.91	-0.87	-0.75	0.37	5.36	2.37	3.89	2.87	18.09
2013	5.95	-1.24	-4.20	0.91	2.35	-3.33	2.40	0.70	2.17	2.06	2.53	1.17	11.63
2014	-4.72	2.83	-3.73	-3.89	1.50	1.47	3.54	-0.05	-6.23	2.60	3.32	5.72	1.55
2015	-0.57	2.19	2.78	13.54	-0.56	-6.58	-9.14	-9.05	-1.82	6.40	-2.74	0.80	-6.78
2016	-7.93	-0.91	7.35	-3.01	1.80	0.55	4.38	7.79	2.54	-2.21	-0.10	-2.53	6.79
2017	3.26	1.86	3.09	1.37	3.97	4.27	5.09	4.40	3.27	1.90	1.64	2.14	42.81
2018	4.11	-2.82	-7.33	-1.44	1.43	-7.38	-3.93	-4.94	-4.01	-8.96	1.35	-4.75	-33.13
2019	5.13	3.32	3.26	1.83	-12.68	10.65	1.82	-4.29	0.40	9.11	-0.44	6.46	24.85
2020	-3.21	1.34	-6.99	11.11	4.56	8.27	4.51	6.55	0.08	1.80	5.91	8.08	49.02
2021	3.55	-1.81	-1.87	4.69	3.03	1.20	-7.20	-0.56	-7.05	-3.28	-3.54	-3.36	-15.77
2022	-5.60	-4.05	-3.37	-4.77	0.87	3.65	-7.58	-3.10	-12.93	-12.02	22.08	6.95	-21.95
2023	9.43	-11.07	-0.31	-5.18	-8.46	1.53	6.69	-6.36	-3.49	-4.49	-2.73	-0.22	-23.58
2024	-7.78	5.91	1.79	5.99									

ZEAL Voyage China Fund

Exposure by Industry	
Communication Services	5.39%
Consumer Discretionary	35.78%
Consumer Staples	5.64%
Energy	7.14%
Financials	7.37%
Health Care	10.79%
Industrials	3.83%
Information Technology	5.77%
Materials	3.34%
Real Estate	1.16%
Utilities	5.32%
Others	-5.15%
Cash & Cash Equivalents	8.43%
Total	94.80%

Portfolio Characteristics*	
Price/Earnings Ratio	13.06
Price/Book Ratio	2.89
Dividend Yield	3.94

^{*} based on market consensus for FY 2024 and the internal estimates of Zeal Asset Management Limited of the Long Equity Exposure

Exposure by Asset Class	
Equity	91.53%
Government Bond	0.00%
Index Futures	-5.13%
Currency Forward Contracts	-0.02%
Cash & Cash Equivalents	8.43%
Effective Cash	7.49%

Exposure by Geography	
Hong Kong	71.77%
Mainland China	11.76%
United States	2.86%
Others	-0.02%
Cash & Cash Equivalents	8.43%
Total	94.80%

Market Capitalisation Exposure (Equity)				
>US\$20Bn	41.30%			
U\$\$5-20Bn	40.26%			
US\$1-5Bn	8.55%			
<us\$1bn< td=""><td>1.41%</td></us\$1bn<>	1.41%			
Total	91.53%			

Number of Positions	
Long	35
Short	1

Top 5 Stock Holdings#	
China Resources Power Holdings Company Limited	8.32%
Alibaba Group Holding Ltd - SW	5.86%
Kweichow Moutai Co., Ltd A	5.01%
China Construction Bank Corporation - H	4.93%
Tencent Holdings Limited	4.65%
Total	28.77%

[#] data as of 29 February 2024

Note that stock holding may be invested indirectly through derivative instruments (such as participatory notes). For such indirect exposure, the underlying stock is counted as the stock holding in this table.

ZEAL Voyage China Fund (HKD Units) vs China Indexes					
	1 month	3 months	6 months	YTD	Since Inception
ZEAL Voyage China Fund	5.99%	14.26%	2.27%	5.37%	31.03%
Hang Seng Index	7.45%	15.30%	4.74%	4.73%	28.45%
Hang Seng China Enterprises Index	8.05%	20.90%	7.29%	8.86%	-16.80%



Data relates to ZEAL Voyage China Fund, as of 30 April 2024. Fund performance based on HKD Units NAV-NAV with dividend reinvested. Sources: BOCI-Prudential Trustee Limited; Bloomberg; Zeal Asset Management Limited.

Due to rounding, the sum of the portfolio may not be equal to 100%.

- For the list of Eligible Collective Investment Schemes under the New Capital Investment Entrant Scheme (New CIES), please refer to SFC website (https://www.sfc.hk/en/Regulatory-functions/Products/List-of-Eligible-Collective-Investment-Schemes-under-new-CIES) for most updated information. For further details of the New CIES, please refer to the website of the New CIES hosted by Invest Hong Kong (https://www.newcies.gov.hk/en/index.html).
- ^ Zeal Asset Management Limited was awarded BENCHMARK Fund of the Year Awards 2021, Hong Kong Greater China Equity- OUTSTANDING ACHIEVER, House Awards. Source: BENCHMARK House Awards are based on the qualitative methodologies and tools determined by BENCHMARK and reflect the performance data between 1 July 2020 and 30 June 2021. For more information about the methodology, please visit https://www.benchmark.today/fund-awards/
- * Morningstar Awards 2017 ©. Morningstar, Inc. All Rights Reserved. Based on the performance as of 31 Dec 2016. Awarded to ZEAL Voyage China Fund (HKD Units) for Best Greater China Equity Fund, Hong Kong



ZEAL Voyage China Fund

All comments, opinions or estimates contained in this Fund's Manager's report are entirely fund manager's judgement as of the date of this report and are subject to change without notice. In preparing this report, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Investments involve risks. Like most funds, the Fund does not offer any guarantees. You may lose part or all of your investment. You should not make an investment decision solely based on this information. Prior to investing, please read the Explanatory Memorandum of the Fund for details including risk factors. Past performance is not indicative of future performance. If you have any queries, please contact your financial advisor and seek professional advice. This material is issued by Zeal Asset Management Limited and has not been reviewed by the Securities and Futures Commission.

The fund is subjected to distribution restrictions in certain other jurisdictions, please refer to the distribution restrictions in the Explanatory Memorandum for details.

Information for investors in Switzerland:

The offering of the Units in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in Article 10 para. 3 and 3ter of the Swiss Collective Investment Schemes Act of 23 June 2006, as amended from time to time ("CISA"), to the exclusion of any high-net-worth individuals and their private investment structures with an opting-out pursuant to the Article 5 para. 1 of the Swiss Financial Services Act ("FinSA"). The Fund has not been and will not be approved by the Swiss Financial Market Supervisory Authority ("FINMA") for offering to non-qualified investors. Therefore, the Explanatory Memorandum, any other offering materials and/or marketing materials relating to the Units may be made available in Switzerland solely to Qualified Investors.

Distribution in the European Economic Area ("EEA") and the United Kingdom:

In relation to each member state of the EEA and the United Kingdom (each a "Relevant State") which has implemented the Alternative Investment Fund Managers Directive (2011/61/EU)) (the "AIFMD") and/or as AIFMD forms part of local law of the Relevant State, this monthly report may only be distributed and Units may only be offered or placed in a Relevant State to the extent that (i) the Fund is permitted to be marketed to professional investors in the Relevant State in accordance with AIFMD (as implemented and as it forms part of the local law and regulations of the Relevant State) or (ii) this monthly report may otherwise be lawfully distributed and the Units may otherwise be lawfully offered or placed in that Relevant State (including at the initiative of the investor).

In relation to each Relevant State which, at the date of this monthly report, has not implemented AIFMD, this monthly report may only be distributed and Units may only be offered or placed to the extent that this monthly report may be lawfully distributed and the Units may lawfully be offered or placed in that Relevant State (including at the initiative of the investor). This monthly report is being issued in the United Kingdom by Zeal Asset Management Limited to and/or is directed only at persons who are professional investors for the purposes of the Alternative Investment Fund Managers Regulations 2013 and is accordingly exempt from the financial promotion restriction in Section 21 of the Financial Services and Markets Act 2000 ("FSMA") in accordance with regulation 29(3) of the FSMA (Financial Promotions) Order 2005. The opportunity to invest in the Fund is only available to such persons in the United Kingdom and this monthly report must not be relied or acted upon by any other persons in the United Kingdom.

No key information document has been prepared in respect of any Class of Units in accordance with Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (including as implemented into the domestic law of the United Kingdom). Accordingly, such Classes of Units are not available to, and no person may advise on, offer or sell such Classes of Units for or to, any retail client (as defined in the EU's re-cast Markets in Financial Instruments Directive (2014/65/EU)) in a Relevant State.

The information provided herein is not intended for U.S. citizens, U.S. residents or U.S. companies established under the laws of the United States.

