

ZEAL Voyage China Fund



Monthly Report March 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

The market showed signs of stabilization following a volatile January and a robust February. In March, major indices witnessed minor gains as they consolidated the stellar performances of the previous month. Notably, the range of the intramonth high and low points of the MSCI China index shrank to 5.60% in March from 12.24% and 10.21% in January and February respectively¹. We attribute this relative market steadiness to the easing of pessimism following the conclusion of the result season.

Major earnings estimate downgrade was one of the main causes for the sluggish performances of Chinese stocks last year. The initial enthusiasm surrounding the reopening in early 2023 led to ambitious growth expectations for companies. However, weak economic recovery and subdued demand undermined profitability, prompting continuous downward revisions of earnings forecasts. Despite initial consensus estimates of mid-teens earnings growth for the MSCI China Index in 2023, this figure was slashed to mid-to-high-single digit by year-end. In fact, the actual growth was even lower than the revised estimate. Yet, as investors had already factored in the worst-case scenario, the realization of tepid results didn't exacerbate market sentiment. Instead, attention shifted towards prospects of a 2024 economic recovery after the result season, fostering growing optimism among investors. This was driven by better than expected economic data which we will detail later in this commentary.

From a company earnings perspective, 2023 posed considerable challenges due to macroeconomic distortions. Shifting consumer demand and economic momentum, compounded by a stagnant property sector and elevated US interest rates, necessitated constant strategy adjustments of Chinese companies. Looking ahead to 2024, while aggregate demand remains subdued, Chinese companies are better positioned to set realistic sales targets, potentially bolstering profitability and stock performance.

The result season acknowledged the strength of our holdings. Our portfolio benefited from diligent research and thorough analysis, which helped us discover companies that were priced below their intrinsic value. Resilient financial performances unveiled during the result season contributed to significant stock price rebounds, affirming our high conviction in the selected stocks and our commitment to avoid panic selling amid market turbulence.

Economic data improved in the past quarter. The 2-month combined exports grew by 7.1% from the previous year, far surpassing Reuters' forecast of 1.9%². Imports also rose by 3.5%, outstripping the projected 1.5%².

Consumption recovery remains on track, exemplified by the recent Ching Ming Festival, where Chinese domestic tourism recorded 119 million trips over the three-day holiday¹. Per-trip spending increased by 1.1% compared to 2019 levels, marking the first time it has surpassed pre-pandemic levels¹. Despite a shift towards shorter trips closer to home, the rise in per capita spending suggests increased household consumption potential and willingness. Additionally, data on movie ticket sales and dining out also saw a strong rebound from last year's highs.

Growth in manufacturing activities are also evident. The March manufacturing PMI returned to expansion territory after five months in contraction, with new orders rebounding significantly, indicating a recovery in demand for manufactured goods. While March's figure may have been influenced by seasonal factors, the overall trend is promising, and we anticipate further confirmation of positive dynamics from April's high-frequency data.

¹Source: Bloomberg, as of April 8 2024

²Source: Reuters, as of March 7 2024

Eligible Fund under the Hong Kong Capital Investment Entrant Scheme⁰

Fund Information

Manager	Zeal Asset Management Limited	
CIO	Jacky CHOI Nga Chung	
Portfolio Manager	Zeal Investment Team	
Fund Size	HKD1,329.15 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	HKD1.2363	17-09-2010
USD Units	USD1.1193	31-03-2011
RMB (hedged) Units	RMB0.8327	30-05-2014
AUD (hedged) Units	AUD0.8297	30-05-2014
HKD (dist) Units	HKD0.7577	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

ZEAL Voyage China Fund (HKD Units) vs China Indexes

	1 month	3 months	6 months	YTD	Since Inception
ZEAL Voyage China Fund	1.79%	-0.58%	-7.84%	-0.58%	23.63%
Hang Seng Index	0.64%	-2.53%	-6.33%	-2.53%	19.55%
Hang Seng China Enterprises Index	2.36%	0.75%	-5.33%	0.75%	-22.99%

ZEAL Voyage China Fund

Exposure by Industry

Communication Services	6.71%
Consumer Discretionary	28.72%
Consumer Staples	5.92%
Energy	6.65%
Financials	11.02%
Health Care	10.30%
Industrials	5.78%
Information Technology	6.01%
Materials	3.86%
Real Estate	1.01%
Utilities	6.34%
Others	6.30%
Cash & Cash Equivalents	1.37%
Total	100.00%

Portfolio Characteristics*

Price/Earnings Ratio	12.11
Price/Book Ratio	2.62
Dividend Yield	4.27

* 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	92.33%
Government Bond	6.33%
Index Futures	0.00%
Currency Forward Contracts	-0.03%
Cash & Cash Equivalents	1.37%

Exposure by Geography

Hong Kong	84.42%
Mainland China	12.83%
United States	1.41%
Others	-0.03%
Cash & Cash Equivalents	1.37%
Total	100.00%

Market Capitalisation Exposure (Equity)

>US\$20Bn	43.15%
US\$5-20Bn	38.11%
US\$1-5Bn	9.80%
<US\$1Bn	1.27%
Total	92.33%

Number of Positions

Long	35
Short	0

Top 5 Stock Holdings#

China Resources Power Holdings Company Limited	8.19%
Alibaba Group Holding Ltd - SW	5.88%
Kweichow Moutai Co., Ltd. - A	5.00%
PetroChina Company Limited - H	4.51%
Shenzhou International Group Holdings Limited	3.93%
Total	27.50%

data as of 31 January 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.

Monthly Performance Since Launch (% , HKD Units)

	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										

Performance Since Launch (HKD Units)



Data relates to ZEAL Voyage China Fund, as of 28 March 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%.

° Applicable to HKD Units and HKD (dist) Units.

^ 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 (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.