

# Foundation China Equity Fund

## Monthly Report as at 31 Oct 2024



邦德資產管理  
**FOUNDATION**  
ASSET MANAGEMENT

NAV per unit: Class A USD 0.9844 Class A HKD 0.9787



Foundation China Equity Fund  
★★★★★

### Important Information

- Foundation China Equity Fund (the "Fund") primarily invests in listed equities with a substantial exposure to Greater China.
- The Fund focuses its investments in China-related equity securities, which involve certain risks not typically associated with investment in more developed markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The Fund is likely to be more volatile than broad-based global investments, as the Fund is more susceptible to fluctuations in value resulting from limited number of holdings or from unfavourable performance in such equity securities that the Fund invests in.
- The Fund may invest in financial derivative instruments ("FDI") for hedging purposes only, which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks.
- The Fund's investments may be denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange control policies, as well as repatriation restrictions imposed by the PRC government. Investors whose base currencies of investments are not in RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material. Please read the explanatory memorandum for details and risk factors.

### Investment Objective

Foundation China Equity Fund (the "Fund") aims to maintain a consistent value-investing approach with a focus on liquidity and high return by primarily investing in equities issued by companies that are incorporated in China or companies which have significant operations in or derive a significant portion of revenue or profits from China.

The Fund seeks to achieve its investment objective by investing primarily (at least 70% of the Fund's Net Asset Value) in equity securities listed in the Hong Kong and China markets. The Fund may invest in aggregate up to 50% in A-shares and B-shares listed in Shanghai and/or Shenzhen. The Fund may temporarily include cash and cash equivalents, up to 100% of its Net Asset Value under exceptional market conditions.

### Fund Information

Foundation China Equity Fund (the "Sub-Fund") is a sub-fund of Foundation Fund Series which is a unit trust established by a trust deed dated 20 September 2018 as an umbrella fund under the laws of Hong Kong. The Trust and each Sub-Fund have been authorised by the Securities and Futures Commission in Hong Kong (the "SFC") under Section 104 of the Securities and Futures Ordinance of Hong Kong.

Inception Date	11 Jul 2019
Investment Manager	Foundation Asset Management (HK) Limited
Fund Size	HKD 46 million
Base Currency	HKD
Non-Base Currency Class	USD and RMB
Dealing Frequency	Daily
Trustee	ICBC (Asia) Trustee Company Limited
Legal Advisor	Simmons & Simmons
Auditor	Ernst & Young

### Calendar Year Return of Foundation China Equity Fund<sup>1</sup>

(NAV, %)	2024	2023	2022	2021	2020	2018
The Fund	11.4	-13.4	-20.4	-4.7	30.8	-
Hang Seng Index	24.0	-13.8	-15.5	-14.1	3.4	-

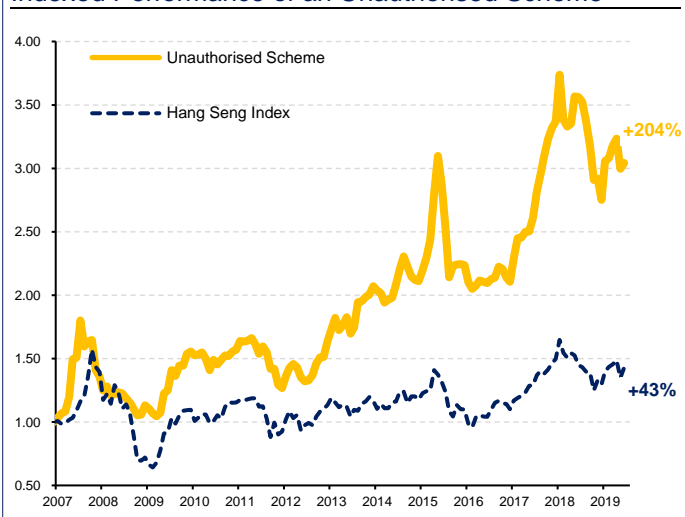
### Calendar Year Return of an Unauthorised Scheme<sup>2</sup>

(NAV, %)	2019	2018	2017	2016	2015	2014
Unauthorised Scheme	10.6	-18.3	60.0	-5.8	5.9	2.0
Hang Seng Index	10.4	-13.6	36.0	0.4	-7.2	1.3

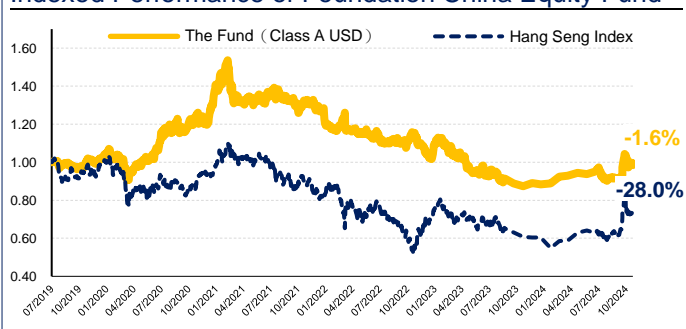
### Performance Update of Foundation China Equity Fund<sup>1</sup>

(NAV, %)	Month to Date	Year to Date	1 Year	3 Year	5 Year	Since Inception
The Fund	-1.8	11.4	12.7	-25.7	-0.7	-1.6
Hang Seng Index	-3.9	19.8	18.7	-19.9	-24.5	-28.0

### Indexed Performance of an Unauthorised Scheme<sup>2</sup>



### Indexed Performance of Foundation China Equity Fund<sup>1</sup>



### Monthly Performance Since Inception: Class A USD (NAV, %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.58	4.02	0.55	1.62	-0.83	1.58	-3.45	0.10	9.01	-1.83			11.40
2023	8.56	-5.18	-0.23	-6.27	-3.29	-1.30	1.09	-3.50	-2.77	-1.69	1.95	-0.79	-13.35
2022	-8.49	1.72	-1.64	-2.17	-0.23	0.59	-2.95	-0.11	0.06	4.28	-5.38	-6.24	-20.41
2021	5.28	-2.92	-4.29	2.31	0.66	1.14	-0.86	-1.69	-2.22	1.49	-1.08	-2.24	-4.71
2020	-0.51	-4.04	-3.72	5.71	1.74	5.42	8.92	4.22	-3.54	3.94	-1.63	12.06	30.76
2019	-	-	-	-	-	-	0.44	-0.84	-2.74	2.31	0.57	3.17	2.83

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### Fund Manager's Report<sup>3</sup>

The Fund experienced an decrease of 1.8% in October. Year-to-date, the Fund has achieved a solid 11.4% increase. Meanwhile, the Hang Seng Index (HSI) rose by 19.2%, and the CSI 300 rose by 13.4%, with all figures denominated in USD.

In October, the Manufacturing Purchasing Managers' Index (PMI) was at 50.3, returning above the threshold line. The Services PMI increased to 52.0 month-on-month, marking the highest level in three months. Although the index has stabilized after a decline, there is still significant pressure on the job market, price levels remain relatively subdued, and demand needs further improvement

In early October, the market exhibited significant growth. However, subsequent policies did not exceed market expectations, leading to a gradual decline in investor enthusiasm in the latter half of the month. Consumer spending saw some improvement but still has considerable room for growth. Exports increased by 12.7% year-on-year, and the trade surplus continued to expand. Thanks to the fund's strategic hedging positions, our fund outperformed the market during this year. We remain confident that careful company selection and hedging will yield solid absolute returns. As the current valuation of MSCI China at an attractively low forward P/E in the high single digits—distinctly lower than the S&P 500's high teens to low-20s valuations—and MSCI China's anticipated higher EPS growth for the next year compared to the S&P 500, our team is leaning towards a more bullish outlook on China relative to the US for 2024.

The Fund's steadfast commitment to core holdings, flexible position control, and value-investing principles will help us navigate market volatility. It allows us to focus on the potential for mid to long-term outperformance offered by the 'Foundation Model'.

### Market Capitalisation Exposure

>USD 20 bn	63.8%
USD 5-20 bn	9.7%
USD 1-5 bn	7.9%
<USD 1 bn	0.0%
Total	81.3%

### Sector Exposure

Information Technology	22%
Consumer Discretionary	22%
Industrials	15%
Communication Services	13%
Financials	4%
Health Care	4%
Consumer Staples	2%
Materials	0%
Energy	0%
Cash	19%

### Top 5 Holdings

Company	Sector	%
Trip	Consumer Discretionary	8.0%
Tencent	Communication Services	7.8%
Meituan	Consumer Discretionary	7.6%
DIDI	Industrials	4.5%
NAURA	Information Technology	4.3%

### Geographical Exposure by Listing

China	29%
Hong Kong	33%
United States	19%
Cash	19%

### Fee Structure

	Class A HKD	Class A HKD (Dist)	Class A USD	Class A RMB	Class QD USD
Minimum Subscription	50,000	50,000	6,500	50,000	10,000,000
Minimum Subsequent Subscription	1,000	1,000	130	1,000	1,000,000
Subscription Fee	Up to 5 %	Up to 5 %	Up to 5 %	Up to 5 %	Up to 5 %
Management Fee	1.50%	1.50%	1.50%	1.50%	0.75%
Performance Fee	15% HWM	15% HWM	15% HWM	15% HWM	15% HWM
Redemption Fee	NIL	NIL	NIL	NIL	NIL

### NAV & Codes

	Class A USD	Class A HKD	Class A HKD (Dist)	Class A RMB	Class QD USD
NAV	0.9844	0.9787	0.9938	-	-
ISIN	HK0000490851	HK0000490828	HK0000490836	HK0000490844	HK0000490869
Bloomberg	FOCEQAU HK	FOCEAHA HK	FOCEAHD HK	FOCEQAR HK	FOCEQDU HK

<sup>1</sup>Performance is calculated from the Class A USD, source: Bloomberg, Foundation Asset Management (HK) Limited, as of 31<sup>st</sup> Oct 2024.

<sup>2</sup>Source: Bloomberg, as of 28<sup>th</sup> Jun 2019.

<sup>3</sup>The Manager's comment above solely reflects the opinion, view and interpretation of the fund managers as of the date of issuance of this document. Investors should not solely rely on such information to make any investment decision.

#### Important Note

Investment involves risks. Past performance is not indicative of future performance. Investors should read the explanatory memorandum for details, including the risk factors and product features. This material has not been reviewed by the Securities and Futures Commission and is issued by Foundation Asset Management (HK) Limited. All data is as of the date of this document and sourced from Foundation unless otherwise stated. Investors should seek independent advice from a financial adviser before making any investments. Portfolio weightings and allocations are subject to change. The weightings for each breakdown are rounded to the nearest tenth or hundredth of a percent; therefore, the aggregate weightings for each breakdown may not equal 100%.

#### Warning Notes

The Unauthorised Scheme is not authorised by the Securities and Futures Commission (the "Commission") and is not available for sale to the public in Hong Kong.

The investment objective of the Unauthorised Scheme is substantially the same as that of the Fund, and has similar investment strategy, restrictions and risk profile as the Fund.

The past performance figures of the Unauthorised Scheme presented are not those of the Fund.

The past performance information of the Unauthorised Scheme and the Fund is not indicative of future performance of the Fund.

The purpose of presenting the past performance information of the Unauthorised Scheme is to provide additional information to investors relating to the investment experience of Foundation Asset Management (HK) Limited in managing the same strategy.

The Fund is authorised by the Commission and its authorisation does not imply official recommendation.