

Foundation China Equity Fund

Monthly Report as at 28 Feb 2025



邦德資產管理
FOUNDATION
ASSET MANAGEMENT

NAV per unit: Class A USD 0.9623 Class A HKD 0.9678



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 27 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 Fund¹

| (NAV, %) | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 |
|-----------------|------|------|-------|-------|-------|------|
| The Fund | -1.3 | 6.9 | -13.4 | -20.4 | -4.7 | 30.8 |
| Hang Seng Index | 14.4 | 17.7 | -13.8 | -15.5 | -14.1 | 3.4 |

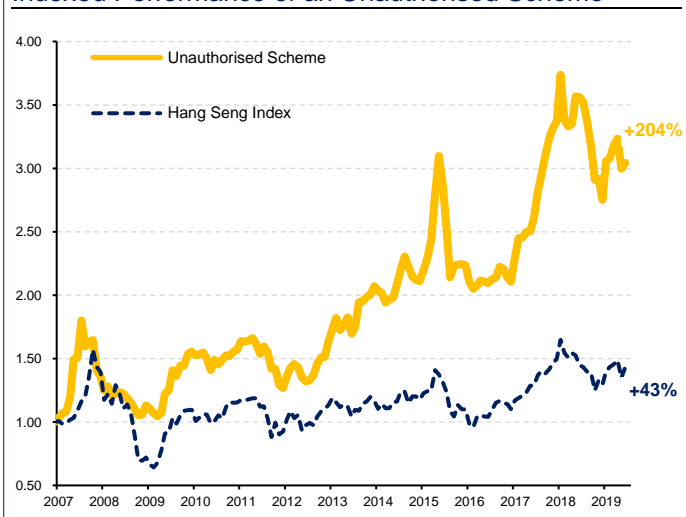
Calendar Year Return of an Unauthorised Scheme²

| (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 |

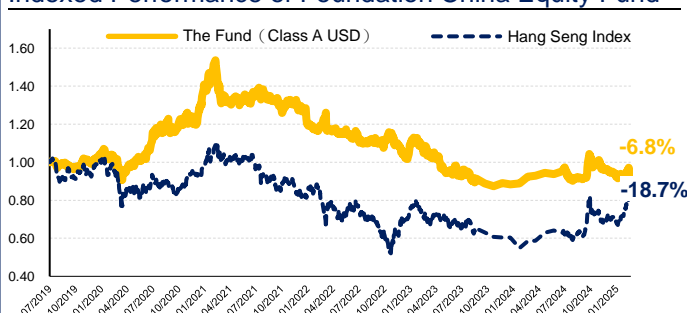
Performance Update of Foundation China Equity Fund¹

| (NAV, %) | Month to Date | Year to Date | 1 Year | 3 Year | 5 Year | Since Inception |
|-----------------|---------------|--------------|--------|--------|--------|-----------------|
| The Fund | 0.9 | -1.3 | 0.8 | -21.8 | -5.1 | -6.8 |
| Hang Seng Index | 13.4 | 14.4 | 38.9 | 1.0 | -12.2 | -18.7 |

Indexed Performance of an Unauthorised Scheme²



Indexed Performance of Foundation China Equity Fund¹



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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2025 | -2.24 | 0.92 | | | | | | | | | | | -1.34 |
| 2024 | 0.58 | 4.02 | 0.55 | 1.62 | -0.83 | 1.58 | -3.45 | 0.10 | 9.01 | -1.83 | -2.44 | -1.62 | 6.91 |
| 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 |

Foundation China Equity Fund

Monthly Report as at 28 Feb 2025



邦德資產管理
FOUNDATION
ASSET MANAGEMENT

NAV per unit: Class A USD 0.9623 Class A HKD 0.9678

Fund Manager's Report³

The fund rose by 0.9% in February, while during the same period, the CSI 300 Index increased by 2.2%. Since its inception, the fund's net asset value has remained relatively stable, whereas the Hang Seng Index has dropped by 18.7% during the same period.

In February, the Manufacturing PMI was 50.8, showing a slight rebound and remaining in the expansion zone. Both supply and demand conditions in the manufacturing sector improved. The Services PMI rose to 51.4 compared to the previous month, benefiting from multiple factors, including the impact of the Spring Festival. Overall, the economic sentiment improved this month..

This month, stocks related to the technology sector performed impressively, and driven by tech stocks, investor confidence in the Chinese market has significantly strengthened, leading to growth in consumer stocks as well. We should pay attention to the sustainability of the improving market environment. Expanding demand continues to be a key issue this year. Thanks to the strategic hedging positions of our fund, our long-term performance has outpaced the market. 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.

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 | 52.1% |
| USD 5-20 bn | 3.9% |
| USD 1-5 bn | 0.0% |
| <USD 1 bn | 0.0% |
| Total | 56.0% |

Sector Exposure

| | |
|------------------------|-----|
| Industrials | 18% |
| Consumer Discretionary | 14% |
| Information Technology | 10% |
| Communication Services | 9% |
| Consumer Staples | 4% |
| Financials | 1% |
| Health Care | 0% |
| Materials | 0% |
| Energy | 0% |
| Cash | 44% |

Top 5 Holdings

| Company | Sector | % |
|-----------------|------------------------|------|
| CATL | Industrials | 8.0% |
| Tencent | Communication Services | 7.9% |
| DIDI | Industrials | 4.2% |
| Nari | Industrials | 4.1% |
| Kweichow Moutai | Consumer Staples | 4.1% |

Geographical Exposure by Listing

| | |
|---------------|-----|
| China | 24% |
| Hong Kong | 23% |
| United States | 16% |
| Cash | 44% |

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 | 0.9623 | 0.9678 | 0.9770 | - | - |
| ISIN | HK0000490851 | HK0000490828 | HK0000490836 | HK0000490844 | HK0000490869 |
| Bloomberg | FOCEQAU HK | FOCEAHA HK | FOCEAHD HK | FOCEQAR HK | FOCEQDU HK |

¹Performance is calculated from the Class A USD, source: Bloomberg, Foundation Asset Management (HK) Limited, as of 28th Feb 2025.

²Source: Bloomberg, as of 28th Jun 2019.

³The 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 weights 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.