

# Hong Kong and China Fund

August 2014

Covering the month of July 2014



Fund Managers: Mike Shiao (lead) & Lorraine Kuo

## Key facts<sup>1</sup>

Mike Shiao

citywire A

Lorraine Kuo

citywire A

Fund launch date 18 December 1981

Fund size £308.44m

Legal status UK authorised ICVC

Yield (Accumulation share class)

Historic yield<sup>2</sup> 0.71%

Income distribution date n/a

Accounting period ends 30 November 31 May

Available within an ISA? Yes

## Market commentary

The Chinese offshore and the Hong Kong equity markets both had another strong month of positive returns. Chinese equity markets rallied following encouraging macroeconomic data and an accommodative monetary stance. In July, the HSBC flash manufacturing PMI index strengthened further to 52, indicating a continued expansion of business activities. Investor sentiment was further boosted by the announcement of credit extension by the central bank to support shantytown redevelopment as well as the relaxation of property purchase restrictions in more cities. The rally in Chinese equities was broad-based, with telecommunication services and materials sectors taking the lead. In Hong Kong, local property developers led the market rally on the back of strong primary sales.

## Fund strategy

In terms of fund strategy, we maintained a preference to companies which can demonstrate innovation and creativity in the way they manage their businesses. This focus has led to a tilt in the fund towards private enterprises and areas of domestic consumption. In July, we maintained a meaningful overweight position relative to the benchmark in consumer discretionary and consumer staples sectors. In terms of stock selection, we continued to favour companies with sustainable leadership positions and competitive advantages that are in our view below fair value. Over the month, we introduced a position in the largest and most advanced semiconductor foundry in China which is expected to benefit from the Chinese government's favourable policy on supporting the domestic semiconductor industry.

## Investment objective

The Invesco Perpetual Hong Kong & China Fund aims to achieve capital growth through a portfolio of investments with an exposure to the economies of Hong Kong & China. Exposure to China will be largely obtained through indirect investment in securities traded on other markets. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions as detailed in Appendix 2 of the most recent Prospectus.

## Performance

% growth

	3 months	6 months	1 year	3 years	5 years	ACR*	10 years	ACR*
Fund (Accumulation share class)	12.58	10.60	12.75	28.02	54.64	9.11	291.74	14.63
IMA Sector	12.04	6.18	6.56	7.66	32.30	5.76	230.32	12.69

\*ACR - Annual Compound Return

## Standardised rolling 12-month performance

% growth

	30.6.09	30.6.10	30.6.11	30.6.12	30.6.13
	30.6.10	30.6.11	30.6.12	30.6.13	30.6.14
Fund (Accumulation share class)	23.92	11.49	-15.80	25.81	12.34

**Past performance is not a guide to future returns.** Performance figures are shown in sterling on a mid-to-mid basis, inclusive of net reinvested income and net of the ongoing charge and portfolio transaction costs to 31 July 2014. The figures do not reflect the entry charge paid by individual investors. Chart figures overleaf are as at the end of the relevant month unless otherwise stated. The standardised past performance information is updated on a quarterly basis. Source: Lipper

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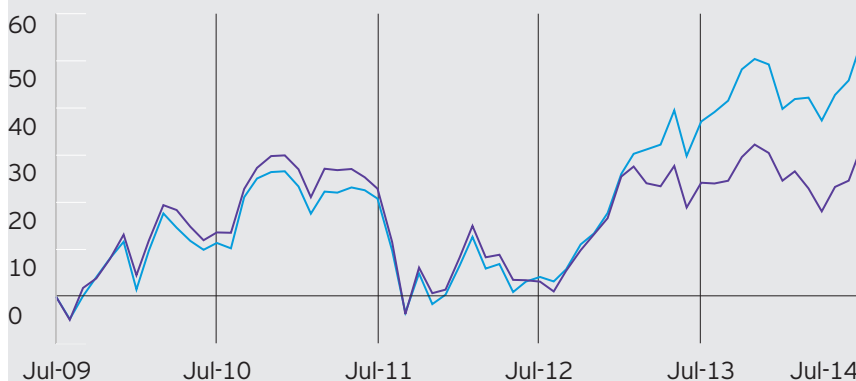
Top 10 holdings <sup>1</sup>	%
China Construction Bank	5.59
Minth	5.06
Dongfeng Motor	4.66
Vinda International	3.58
Sun Art Retail	3.55
China Petroleum & Chemical	3.53
Anhui Conch Cement	3.44
Baidu	3.24
Ping An Insurance	3.23
FIH Mobile	3.18
<b>Total Top 10 Holdings (%)</b>	<b>39.04</b>
<b>Total number of holdings</b>	<b>50</b>

Industry breakdown <sup>1,3</sup>	%
Consumer Discretionary	30.10
Financials	17.97
Information Technology	14.19
Consumer Staples	10.62
Materials	8.59
Telecommunication Services	6.76
Energy	3.53
Health Care	2.74
Industrials	2.67
Utilities	1.03
Cash	1.80
<b>Total</b>	<b>100</b>

Country of investment breakdown <sup>1</sup>	%
Hong Kong	54.77
China	38.64
Taiwan	3.10
Cayman Islands	1.69
Cash	1.80
<b>Total</b>	<b>100</b>

## Five year performance

— Invesco Perpetual Hong Kong and China Fund (Accumulation share class)  
— IMA China/Greater China Sector



**Past performance is not a guide to future returns.** The chart shown above should be viewed in conjunction with the 'Standardised rolling 12-month performance' table overleaf.

- <sup>1</sup> All fund portfolio figures within this leaflet are as at 31 July 2014 (source: Invesco Perpetual).
- <sup>2</sup> The Historic Yield reflects distributions declared over the past twelve months as a percentage of the mid-market price of the fund, as at the date shown. It does not include any entry charge and investors may be subject to tax on their distributions.
- <sup>3</sup> The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use in our industry sector breakdown.

## Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

As this is an emerging market fund, you should be prepared to accept a higher degree of risk than for a fund with a broader investment mandate as there is potential for a decrease in market liquidity, which may mean that it is not easy to buy or sell securities. There may also be operational difficulties.

The fund may use derivatives (complex instruments) in an attempt to reduce the overall risk of its investments, reduce the costs of investing or generate additional capital or income, although this may not be achieved. The use of such complex instruments may result in greater fluctuations of the value of the fund. The Manager, however, will ensure that the use of derivatives within the fund does not materially alter the overall risk profile of the fund.

## Important information

Where Invesco Perpetual has expressed views and opinions, these may change.

For more information on our funds and available share classes, please refer to the most up to date relevant fund and share class-specific Key Investor Information Documents, the Supplementary Information Document, the ICVC ISA Key Features and Terms & Conditions, the latest Annual or Interim Short Reports and the latest Prospectus. This information is available using the contact details shown.

Invesco Perpetual's ISAs are managed by Invesco Asset Management Limited.

Telephone calls may be recorded.

## Contact information

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