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This document is not suitable for retail investors.

China Post Global
中郵國際

# Diversified Strategies QIAIF ICAV Asian Income Fund

## Fund description

The Diversified Strategies QIAIF ICAV Asian income Fund (the "Fund") is an AIFMD compliant regulated fund. The investment objective of the Fund is to generate capital growth and income over the long term.

## Investment policy

The Fund seeks to achieve its investment objective by investing primarily in high yielding fixed income securities, preference shares, contingent convertible bonds and other fixed income, debt and money market instruments issued predominantly by Chinese companies or their international subsidiaries and affiliates.

The Investment Manager's approach to building a quality credit portfolio employs a robust methodology that utilizes disciplined credit research and quality metrics. The Investment Manager uses its in-depth market knowledge to optimise asset allocation, and duration/yield curve positions are derived from key economic factors such as growth, inflation and interest rates.

## Fund details

| | |
|---|---|
| **Fund type** | Qualifying Investor Alternative Investment Fund |
| **Legal name** | Diversified Strategies QIAIF ICAV |
| **Legal form** | QIAIF ICAV |
| **Fund domicile** | Ireland |
| **Investment manager** | China Post Global (UK) Limited |
| **AIFM** | MLC Management Limited |
| **Depository** | Northern Trust |
| **Administrator** | Northern Trust |
| **Auditor** | PricewaterhouseCoopers |
| **ISIN** | IE00BJ06CS24 |
| **Bloomberg Ticker** | DSASNNV Equity |
| **Inception date** | 24 July 2019 |
| **Investment Manager Fee** | 1.27% |
| **Fund currency** | USD |
| **Fund NAV** | USD 100.0115 |
| **Total Fund assets** | USD 106,631,703 |

## Historical Fund performance

| | 1M | 1Y | 3Y | Since inception | Annualised return |
|---|---|---|---|---|---|
| **QIAIF ICAV Asian Income Fund** | 0.09% | N/A | N/A | 0.01% | 0.11% |

Source for all data: CPG and Bloomberg, 30 August 2019
Launch date of the Fund was 24 July 2019
**>Note: Past performance cannot be relied on as a guide to future performance.**

## Portfolio composition

| | |
|---|---|
| Contingent Convertible Bonds | 49.77% |
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| Cash | 0.50% |

*Source: CPG and Bloomberg, 30 August 2019*


To find out more

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## Market commentary

Growth slowed to 6.2% in 19Q2 and weakened across the board, due to cyclical forces and external shocks. Structural problems will intensify, especially regarding fixed asset investment, with only consumption offering certain hope. Fiscal stimulus will step in to cushion a hard landing, and exports will pick up amid trade tension. Inflation is rising and may rise further, keeping monetary policy from further easing.

Final consumption was responsible for more than half of economic growth in the last several years, and it has been decreasing since 18Q2 due mainly to a tightened deleveraging policy and lower levels of cash compensation being distributed as part of shantytown redevelopments. Data shows that consumption is expected to stabilize from 19H2, notably in the auto sector.

Fixed asset investment continued to slip through 19Q2, with manufacturing having decreased the most due to trade conflicts while the upstream sector and real estate sector picked up. We expect fixed asset investment to remain subdued, though fiscal side stimulus may step in to contain the slippage.

## Fund statistics

| | |
|---|---|
| **Return since launch** | 0.01% |
| **Annualised return** | 0.11% |
| **Annualised volatility** | 0.32% |
| **Sharpe ratio** | -7.56 |
| **Max drawdown** | 0.10% |
| **Duration** | 2.93% |
| **Modified duration** | 2.87 |
| **Weighted average maturity** | 2.91 |
| **Yield to maturity** | 2.06% |
| **Yield to worst** | 0.26% |
| **DV01** | USD 220,882 |

Source: CPG and Bloomberg, 30 August 2019. SHIBOR index used as the risk free rate in the calculation of Sharpe ratio. Past performance should not be used as an indicator of future performance

Fiscal policy stepped in cautiously from 19Q2, though 19Q1 saw an unprecedented amount of local government bond issuance. Our view is that fiscal measures will act as a cushion rather than an economic stimulus though. Another notable point is the withdrawal from shantytown redevelopment in many provinces, causing certain headwinds to personal consumption and house sales as mentioned before. This is part of a trend, with fiscal spending shifting gradually away from investment in infrastructure towards environmental protection and education, with an aim to accelerate structural reform.

Inflation is rising along with the pork price and, though we don't think it is sufficient to trigger a turn of monetary stance, it is preventing PBoC from expanding easing. Core inflation trended lower to 1.6% in Jun from the previous 1.8-1.9% band, and is expected to remain stable given slowing growth momentum. Food prices grew 8.3% [year-on-year] last month and are expected to move higher from this level, almost solely due to African Swine fever. This development leaves headline inflation facing continuous pressure and testing PBoC's 3% target. We expect PBoC will adopt a more cautious stance and fine tune its OMO and communication to strike a balance between containing inflation and promoting growth.

## Key risks

The Fund carries the risks associated with investing in the Asia region. Investors in the Fund may be affected by local market conditions including political, economic and regulatory developments in Asia.

The Fund may hold one or relatively few investments. The Fund could therefore be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected.

Contingent convertible bonds are complex financial instruments and their Trigger Levels (and thus exposure to conversion risk) can differ widely. In particular, the occurrence of a Trigger Event may cause the value of the investment to fall significantly and irreversibly, and in some cases even to zero.

Some contingent convertible debt securities are also subject to the risk of discretionary cancellation of coupon payments by the issuer at any point, for any reason, and for any length of time.

The Fund may invest in securities which are rated below investment grade. The lower rated securities in which the Fund may invest will have a significantly greater risk of default in payments of interest, principal, or both, than the risk of default for investment grade bonds.

**Note: Past performance cannot be relied on as a guide to future performance.**

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