

Unaudited Semi-Annual Report 2018

HAITONG INVESTMENT FUND SERIES
(An umbrella unit trust established in Hong Kong)

HAITONG HONG KONG EQUITY INVESTMENT FUND
(A Sub-Fund of Haitong Investment Fund Series)

For the period from 1 January 2018 to 30 June 2018

**HAITONG HONG KONG EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

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**HAITONG HONG KONG EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

MANAGEMENT AND ADMINISTRATION

Manager

Haitong International Asset Management (HK) Limited
22/F., Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Directors of the Manager

Zhang Xinjun (Resigned on 28 March 2018)
Yang Jianxin
Lo Wai Ho
Sun Tong
Chen Xuan (Appointed on 1 February 2018)
Poon Mo Yiu (Appointed on 28 March 2018)

Auditors

PricewaterhouseCoopers
21/F Edinburgh Tower
15 Queen's Road
Central
Hong Kong

Solicitors

Deacons
5/F, Alexandra Houses
18 Chater Road
Central
Hong Kong

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

During the period under review, Haitong Hong Kong Equity Investment Fund dropped 3.12% in U.S. dollar terms on a net asset value (NAV) to NAV basis. Hong Kong equity market had a volatile journey in the first half of 2018 and finished with a slight decline, driven by tightening policies from both US Fed and China government, geopolitical tensions globally, trade war concern, a still strong set of robust earnings of Chinese companies, and a large swing in RMB exchange rate.

Coming from a strong performance of Hong Kong stock market in 2017, followed by another rally in Jan 2018, market sentiment was caught in between healthy company results and some macro headwinds. The potential for a trade war between China and U.S. overshadowed progress in the Korean Peninsula, and Hang Seng Index dropped 3.22% during the period under review, led by Telecommunication, Conglomerates and Materials. On the macro front, China's economic data showed signals of moderation. China's Gross Domestic Product (GDP) grew 6.8% in the first half of 2018, higher than market expectation of 6.7%. Industrial output grew 6.7% in the same period, slightly lower than market expectation of 6.8%, and also slightly lower than the growth of 6.9% in Jan to May 2018. Fixed asset investment expanded 6.0% in the first half of 2018, slightly lower than the 6.1% over the January-May period but in line with market expectation. Retail sales grew 9.0% yoy in Jun, accelerating from the 8.5% rise in May. In Hong Kong, the GDP recorded 3.50% growth for the second quarter, less than the 4.60% growth in the first quarter, and also less than the expected 3.9%. Retails sales value grew 12.00% from a year earlier, dropping down from the 12.90% in May and also less than the market expectation of 13.0%. Near-term outlook for Hong Kong's retails sales remains positive given robust tourism and upbeat consumer sentiment under favorable economic conditions.

Looking forward, we are cautiously optimistic on the Hong Kong stock market. While the market could remain volatile in the coming few months as the U.S. Fed has set a hawkish tone for interest rate hikes and uncertainties remain about U.S.-China trade dispute, the fundamentals of our chosen investment targets remain healthy, due to continued earnings upward revision of Chinese companies, improving business condition in China, and lower equity valuations as market moderated in recent weeks.

Haitong International Asset Management (HK) Limited

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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STATEMENT OF FINANCIAL POSITION (unaudited)

As at 30 June 2018

	(Unaudited) <i>At 30 June</i> 2018 USD	(Audited) <i>At 31 December</i> 2017 USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	46,954,775	50,563,521
Amounts receivable on sale of investments	-	21,846,692
Dividend receivable	235,573	-
Interest receivable	30	14
Prepayment	409	-
Cash and cash equivalents	6,334,427	7,839,730
Total assets	<u>53,525,214</u>	<u>80,249,957</u>
Liabilities		
Current liabilities		
Amounts payable on redemption of units	-	20,830,505
Other payables	206,864	6,074,676
Liabilities (excluding net assets attributable to unitholders)	<u>206,864</u>	<u>26,905,181</u>
Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)	<u>53,318,350</u>	<u>53,344,776</u>
Represented by:		
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	53,335,862	53,364,839
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	(17,512)	(20,063)
Number of units in issue		
– Class I (USD) Accumulation	<u>163,559</u>	<u>69,411</u>
– Class I (HKD) Accumulation	<u>205,208</u>	<u>288,284</u>
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
– Class I (USD) Accumulation	<u>144.62</u>	<u>149.27</u>
– Class I (HKD) Accumulation	<u>144.64</u>	<u>149.17</u>

HAITONG HONG KONG EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)

Investment Portfolio (unaudited)

30 June 2018

	Holdings	Fair value USD	% of Net Assets
<u>Listed equities (88.04%)</u>			
<u>China (54.38%)</u>			
ANTA Sports Products Ltd	477,000	2,525,498	4.73
BOC Hong Kong (Holdings) Ltd	425,500	2,003,418	3.76
China Merchants Bank Co Ltd H Shares	544,000	2,006,805	3.76
Country Garden Holdings Co Ltd	1,500,000	2,637,715	4.95
Country Garden Services Holdings Co Ltd	172,414	221,018	0.41
CSPC Pharmaceutical Group Ltd	1,052,000	3,177,033	5.96
Geely Automobile Holdings Ltd	627,000	1,625,884	3.05
Haitian International Holdings Ltd	716,000	1,689,708	3.17
Industrial and Commercial Bank of China Ltd H Shares	2,700,000	2,019,573	3.79
Ping An Insurance (Group) Co of China Ltd H Shares	206,500	1,899,830	3.56
Shandong Chenming Paper Holding Ltd H Shares	1,500,000	1,242,402	2.33
Shenzhen International Group	228,000	2,813,793	5.28
Sunny Optical Technology Group Co Ltd	164,000	3,051,085	5.72
Tencent Holdings Ltd	41,600	2,087,501	3.91
		<u>29,001,263</u>	<u>54.38</u>
<u>Hong Kong (33.66%)</u>			
AIA Group Ltd	256,600	2,243,047	4.21
Hang Seng Bank Ltd	87,000	2,175,083	4.08
Hong Kong & China Gas Co Ltd	1,100,000	2,105,330	3.95
HSBC Holdings Plc	52,312	490,610	0.92
Kerry Properties Ltd	350,000	1,674,695	3.14
Kingboard Chemical Holdings Ltd	398,500	1,457,363	2.73
Kingboard Laminates Holdings Ltd	1,360,000	1,679,269	3.15
Lee & Man Paper Manufacturing Ltd	1,842,000	1,863,665	3.49
Melco International Development Ltd	550,000	1,692,534	3.17
Sino Biopharmaceutical Ltd	450,000	690,393	1.29
Techtronic Industries Co Ltd	337,500	1,881,523	3.53
		<u>17,953,512</u>	<u>33.66</u>
Total investments (Total cost of investments USD 36,222,785)		46,954,775	88.04
Other net assets		6,381,087	11.96
Total net assets as at 30 June 2018		<u>53,335,862</u>	<u>100.00</u>

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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Statement of Movements in Investment Portfolio (unaudited)
For the period from 1 January 2018 to 30 June 2018

	Percentage holdings of net assets as at 30 June 2018	Percentage holdings of net assets as at 31 December 2017
<u>Listed equities</u>		
China	54.38	64.67
Hong Kong	33.66	30.08
	<u>88.04</u>	<u>94.75</u>

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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Performance Record (unaudited)

30 June 2018

	30 June 2018 USD	31 December 2017 USD	31 December 2016 USD
Net assets			
Class I (USD) Accumulated unit	23,653,630	10,360,899	6,749,164
Class I (HKD) Accumulated unit	29,682,232	43,003,940	43,833,907
Net asset value per unit			
Class I (USD) Accumulated unit	144.62	149.27	103.83
Class I (HKD) Accumulated unit	144.64	149.17	103.85
		Highest issue price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2018 to 30 June 2018</u>			
Class I (USD) Accumulated unit		USD157.82	USD139.57
Class I (HKD) Accumulated unit		HKD1238.52	HKD1091.58
<u>Year ended 31 December 2017</u>			
Class I (USD) Accumulated unit		USD156.76	USD103.69
Class I (HKD) Accumulated unit		HKD1224.00	HKD804.42
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>			
Class I (USD) Accumulated unit		USD111.53	USD99.10
Class I (HKD) Accumulated unit		HKD865.11	HKD768.87