

**Unaudited Semi-Annual Report 2018**

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

**HAITONG KOREA EQUITY INVESTMENT FUND**  
**(A Sub-Fund of Haitong Investment Fund Series)**

For the period from 1 January 2018 to 30 June 2018

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

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**HAITONG KOREA 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 KOREA EQUITY INVESTMENT FUND  
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**REPORT OF THE MANAGER TO THE UNITHOLDERS**

During the period under review, Haitong Korea Equity Investment Fund dropped 8.74% in U.S. dollar terms on a net asset value (NAV) to NAV basis. Despite progress in conversation on the Korean Peninsula and that between US and North Korea, global geopolitical concerns, especially trade war concerns, had been pressuring the Korean equity market from the momentum in 2017.

KOSPI 200 index recorded a loss of 7.72% while KOSDAQ index advanced 2.48% in first half of 2018. On the political front, U.S.-North Korea geopolitical tensions softened during the period. South Korean President Moon Jae-in met face-to-face with North Korean leader Kim Jong Un in late April in a historic summit. In a joint statement, Moon and Kim agreed to achieve “complete” denuclearization of the Korean Peninsula and work toward ending the Korean War with a peace treaty. President Donald Trump held talks with North Korean leader Kim Jong Un for a historic summit in Singapore on June 12th, marking the first time that a North Korean leader has met with a sitting U.S. president. After the summit the leaders signed a “comprehensive” document, promising a new relationship between the nations. On the macro front, South Korea’s exports recorded a slight miss. Exports dropped 0.1% in Jun, slowing from 13.5% in May and below market expectation of a 2.2% increase. Meanwhile, import growth also decelerated from a 12.6% increase in May to a 10.7% increase in Jun. Inflation remained at 1.5% in Jun, the same level as May, and slightly missed market expectation of 1.7%. In the semi-annual economic policy report, the Ministry of Strategy and Finance (MOSF) estimated that the economy will grow by 2.9% this year, which is in line with the forecast of the Bank of Korea, but lower than its estimated growth of 3% back in last December.

Looking forward, we are cautiously positive on the Korea equity market. Solid corporate earnings and better relationship in the Korean Peninsula would add to market optimism. In terms of investment strategy, we are positive on financial sector on improving fundamentals and technology sector which is expected to enjoy stronger-than-expected demand. However, we believe policy risk and geopolitical risk would continue to send jitters to global equity markets in the near term.

Haitong International Asset Management (HK) Limited

**HAITONG KOREA 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
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss	30,825,941	28,503,538
Dividends receivable	-	11,979
Interest receivable	14	-
Prepayment	409	-
Margin account	760,310	1,589,068
Cash and cash equivalents	1,162,332	673,895
<b>Total assets</b>	<u>32,749,006</u>	<u>30,778,480</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Other payables	122,733	841,673
<b>Liabilities (excluding net assets attributable to unitholders)</b>	<u>122,733</u>	<u>841,673</u>
<b>Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)</b>	<u>32,626,273</u>	<u>29,936,807</u>
<b>Represented by:</b>		
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	32,643,785	29,956,870
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	(17,512)	(20,063)
<b>Number of units in issue</b>		
– Class I (USD) Accumulation	<u>94,686</u>	<u>65,000</u>
– Class I (HKD) Accumulation	<u>213,186</u>	<u>192,422</u>
<b>Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)</b>		
– Class I (USD) Accumulation	<u>106.03</u>	<u>116.45</u>
– Class I (HKD) Accumulation	<u>106.03</u>	<u>116.35</u>

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

**Investment Portfolio (unaudited)**

30 June 2018

	Holdings	Fair value USD	% of Net Assets
<b><u>Listed equities (94.43)%</u></b>			
<b><u>South Korea (94.43%)</u></b>			
Afreecatv Co Ltd	27,000	1,132,579	3.47
Celltrion Inc	4,878	1,329,806	4.07
Com2Us Corp	8,500	1,282,673	3.93
Green Cross Corp	7,192	1,334,005	4.09
Hana Financial Holdings	26,000	1,000,719	3.07
Industrial Bank Of Korea	81,000	1,120,453	3.43
KB Financial Group	19,000	901,105	2.76
Kiwoom.Com Securities Co Ltd	10,500	1,023,309	3.13
Koh Young Technology Inc	17,500	1,603,341	4.91
Korea Investment Holdings Co Ltd	13,000	982,035	3.01
Leeno Industrial Inc	13,802	781,035	2.39
Lotte Food Co Ltd	2,000	1,530,585	4.69
LS Industrial Systems Co Ltd	22,365	1,416,269	4.34
NH Investment & Securities Co Ltd	60,991	819,020	2.51
OCI Materials Co Ltd	7,000	1,124,854	3.45
Posco Chemtech Co Ltd	37,999	1,503,508	4.61
PSK Inc	50,000	1,147,490	3.51
Samsung Electronics Co Ltd	34,000	1,424,683	4.36
Samsung SDI Co Ltd	5,600	1,076,439	3.3
Shinhan Financial Group Co Ltd	26,200	1,019,007	3.12
Shinsegae Co Ltd	2,600	937,663	2.87
SK Hynix Inc	20,356	1,566,971	4.8
SK Innovation Co Ltd	6,800	1,233,809	3.78
SKC Kolon PI Inc	28,000	1,244,948	3.81
TES Co Ltd	41,000	863,604	2.65
Unitest Inc	84,000	1,426,031	4.37
Total investments ( <i>Total cost of investments USD27,194,787</i> )		30,825,941	94.43
Other net assets		1,817,844	5.57
Total net assets as at 30 June 2018		32,643,785	100.00

**HAITONG KOREA 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>South Korea (Listed equities - by industry)</u>		
Banks	12.38	12.00
Biotechnology & Medical Research	4.07	2.75
Broadcasting	-	1.83
Commodity Chemicals	3.45	7.86
Construction Materials	4.61	4.98
Department Store	2.87	-
Electrical Components & Equipment	3.30	13.63
Food Processing	4.69	-
Heavy Electrical Equipment	4.34	4.27
Household Electronics	-	4.35
Industrial Machinery & Equipment	9.28	5.16
Investment Banking & Brokerage Services	8.65	2.17
Oil & Gas Refining and Marketing	3.78	6.72
Online Service	3.47	-
Pharmaceuticals	4.09	4.24
Phone & Handheld Devices	4.36	7.65
Property & Casualty Insurance	-	3.09
Semiconductor	4.80	9.55
Semiconductor Equipment & Testing	8.55	4.90
Specialty Chemicals	3.81	-
Toys & Children's Products	3.93	-
	<hr/>	<hr/>
Total	94.43	95.15
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**HAITONG KOREA EQUITY INVESTMENT FUND  
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**Performance Record (unaudited)**

30 June 2018

	30 June 2018 <i>USD</i>	31 December 2017 <i>USD</i>	31 December 2016 <i>USD</i>
<b>Net assets</b>			
Class I (USD) Accumulated unit	10,039,621	7,569,000	5,914,204
Class I (HKD) Accumulated unit	22,604,164	22,387,870	17,508,021
<b>Net asset value per unit</b>			
Class I (USD) Accumulated unit	106.03	116.45	90.99
Class I (HKD) Accumulated unit	106.03	116.35	90.99
		Highest issue price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2018 to 30 June 2018</u>			
Class I (USD) Accumulated unit		USD120.10	USD104.26
Class I (HKD) Accumulated unit		HKD938.93	HKD818.17
<u>Year ended 31 December 2017</u>			
Class I (USD) Accumulated unit		USD118.12	USD90.61
Class I (HKD) Accumulated unit		HKD921.68	HKD702.76
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>			
Class I (USD) Accumulated unit		USD104.65	USD87.69
Class I (HKD) Accumulated unit		HKD812.02	HKD680.06