

Unaudited Semi-Annual Report 2019

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 2019 to 30 June 2019

**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

Yang Jianxin
Lo Wai Ho
Sun Tong
Chen Xuan
Poon Mo Yiu

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

Hong Kong stock market had a modest performance in the first half of 2019 and finished with a gain of 11.91% (measured by Hang Seng Index in Hong Kong Dollar terms). This was driven by improving risk appetite in global capital markets and domestic market, especially on renewed loosening expectation from central banks, which offset continuous noise from global trade conflicts and Brexit.

Coming from a decline of 13.61% (as measured by Hang Seng Index in Hong Kong Dollar terms) in 2018, Hong Kong stock market was supported by multiple factors. First, though U.S. and China were very close to a trade deal in the first quarter, which drove global market upward, the near-collapse of trade talk in second quarter provided headwinds, until some hope emerged during the G20 meeting in Japan later in June, where President Trump surprised market again by meeting with Chinese President Xi and resume trade talks, essentially kicking the risk can down the road. Second, though U.S. Fed Chairman Jerome Powell still held a rather hawkish stance in the first quarter of 2019, the Federal Open Market Committee minutes turned dovish in second quarter and implied potential rate cut, which helped risk asset. Third, central banks across South Korea and Japan released the intention to either continue to hold or to further ease the existing monetary policy, which comforted investors and was in-line with the global trend of loose monetary policy. During the meantime, China's monetary and fiscal policies stayed roughly neutral or slightly loose, supporting the economy activities while keeping leverage in control. On the macro front, Hong Kong retail sales value of May declined for the fourth consecutive month by 1.3% from a year earlier. The provisional figures of home price of May added 1.4% from previous month, marking the fifth uninterrupted monthly increases.

Looking forward, we are cautiously optimistic on Hong Kong equity market. While the market could remain volatile given uncertainties on macro economy concerns, especially on global growth uncertainty and among geopolitical events, the fundamentals of our investment targets are healthy, as strong financials, improving earnings, stable monetary policy, increasing competitive advantage in the global market, and attractive valuations are all supportive.

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 2019

	(Unaudited) <i>At 30 June</i> 2019 USD	(Audited) <i>At 31 December</i> 2018 USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	19,337,212	17,106,542
Amounts receivable on sale of investments	-	66
Dividends receivable	144,071	-
Interest receivable	41	23
Prepayment	360	-
Cash and cash equivalents	1,652,446	1,590,086
Total assets	<u>21,134,130</u>	<u>18,696,717</u>
Liabilities		
Current liabilities		
Other payables	38,688	181,455
Total liabilities	<u>38,688</u>	<u>181,455</u>
Equity		
Net assets attributable to unitholders	<u>21,095,442</u>	<u>18,515,262</u>
Number of units in issue		
– Class I (USD) Accumulation unit	<u>163,559</u>	<u>163,559</u>
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
– Class I (USD) Accumulation unit	<u>129.05</u>	<u>113.29</u>

HAITONG HONG KONG EQUITY INVESTMENT FUND
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INVESTMENT PORTFOLIO (unaudited)

30 June 2019

	Holdings	Fair value USD	% of Net Assets
<u>Listed equities (91.67%)</u>			
<u>China (46.35%)</u>			
Anhui Conch Cement Co Ltd H Shares	138,000	865,179	4.10
ANTA Sports Products Ltd	120,000	824,565	3.91
China Merchants Bank Co Ltd H Shares	180,000	897,954	4.26
China Vanke Co Ltd H Shares	220,000	825,590	3.91
Country Garden Holdings Co Ltd	500,000	760,783	3.61
Jiangsu Expressway Co Ltd H Shares	200,000	284,845	1.35
Ping An Insurance (Group) Co of China Ltd H Shares	70,000	840,959	3.99
Shenzhen International Group	70,000	962,889	4.56
Sunac China Holdings Ltd	168,000	826,256	3.92
Tencent Holdings Ltd	20,000	903,205	4.28
Weichai Power Co Ltd H Shares	500,000	845,314	4.01
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	1,430,000	939,567	4.45
		9,777,106	46.35
		9,777,106	46.35
<u>Hong Kong (45.32%)</u>			
AIA Group Ltd	110,000	1,186,962	5.63
China Resources Land Ltd	180,000	793,058	3.76
Hang Seng Bank Ltd	46,000	1,145,913	5.43
Henderson Land Development	132,000	727,815	3.45
Hong Kong & China Gas Co Ltd	440,000	976,056	4.63
Hong Kong Exchanges AND Clearing Ltd	20,000	706,478	3.35
HSBC Holdings Plc	26,312	218,375	1.04
Kingboard Holdings Ltd	100,000	278,569	1.32
MTR Corp Ltd	120,000	808,427	3.83
Sands China Ltd	120,000	574,045	2.72
Sun Hung Kai Properties Ltd	30,000	509,110	2.41
Swire Pacific Ltd A Shares	63,000	774,615	3.67
Wheelock & Co Ltd	120,000	860,683	4.08
		9,560,106	45.32
		9,560,106	45.32
Total investments (<i>Total cost of investments USD17,262,232</i>)		19,337,212	91.67
Other net assets		1,758,230	8.33
Total net assets as at 30 June 2019		21,095,442	100.00

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (unaudited)

For the period from 1 January 2019 to 30 June 2019

	Percentage holdings of net assets as at 30 June 2019	Percentage holdings of net assets as at 31 December 2018
<u>Listed equities</u>		
China	46.35	53.13
Hong Kong	45.32	39.26
	<u>91.67</u>	<u>92.39</u>

**HAITONG HONG KONG EQUITY INVESTMENT FUND
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PERFORMANCE RECORD (unaudited)

30 June 2019

	30 June 2019 USD	31 December 2018 USD	31 December 2017 USD
Net assets			
Class I (USD) Accumulation unit	21,108,025	18,530,285	10,360,899
Class I (HKD) Accumulation unit	-	-	43,003,940
Net asset value per unit			
Class I (USD) Accumulation unit	129.05	113.29	149.27
Class I (HKD) Accumulation unit	-	-	149.17
		Highest issue price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2019 to 30 June 2019</u>			
Class I (USD) Accumulation unit		USD132.81	USD108.59
<u>Year ended 31 December 2018</u>			
Class I (USD) Accumulation unit		USD157.82	USD108.49
Class I (HKD) Accumulation unit		HKD1,238.52	HKD851.23
<u>Year ended 31 December 2017</u>			
Class I (USD) Accumulation unit		USD156.76	USD103.69
Class I (HKD) Accumulation unit		HKD1,224.00	HKD804.42
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>			
Class I (USD) Accumulation unit		USD111.53	USD99.10
Class I (HKD) Accumulation unit		HKD865.11	HKD768.87