

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

**HAITONG ASIAN HIGH YIELD BOND FUND**  
**(A Sub-Fund of Haitong Investment Fund Series)**

Reports and Financial Statements  
FOR THE YEAR ENDED 31 DECEMBER 2019

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

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**HAITONG ASIAN HIGH YIELD BOND 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 (Resigned on 18 December 2019)  
Sun Tong  
Chen Xuan (Resigned on 18 December 2019)  
Poon Mo Yiu  
Luk Wai Yin (Appointed on 18 December 2019)

**Auditor**

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

**Solicitors**

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

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**REPORT OF THE MANAGER TO THE UNITHOLDERS**

**Performance**

Since 31 December 2018 to 31 December 2019, Haitong Asian High Yield Bond Fund recorded a return of 11.84% for class I on a net asset value (NAV) to NAV basis.

**Market Review**

Asia High Yield bond market had rallied in 2019. The market rallied in the first and fourth quarter and consolidated in the second and third quarter in 2019. Markit iBoxx USD Asia ex-Japan China High Yield Index recorded 12.22% total return in 2019.

The U.S. Treasury also rallied in the year and 10-year U.S. Treasury yield dipped 76.7 basis points (bps) to 1.918% in 2019. On the macro front, the incremental in non-farm payrolls dipped in February and May and was volatile in the first half while ISM manufacturing figure kept downward trend in the period. On the policy front, the U.S. Federal Reserve (Fed) turned dovish, paused interest rate move in the first half and cut the rate three times with 25bps each in the second half of 2019.

**Market Outlook**

In terms of the 2020 outlook, the global fixed income market still faces a lot of uncertainties. The global economy showed signs of slower growth and outbreak of novel coronavirus has cast shadows over China's economic growth.

For Chinese High Yield bond market, we are more optimistic and believe it would keep upward in the year. Firstly, the Fed is satisfied with current rate level and thus suggests it will keep at low level in the short term which would support risky assets. Secondly, the major brokers expect that the net supply in 2020 would be less and it should be supportive to bond prices. Thirdly, the Chinese government would not allow the systematic risk to happen and is expected to stimulate the economy. Lastly, current yield levels for Chinese offshore bonds are still attractive from long-term perspective.



Haitong International Asset Management (HK) Limited  
23 April 2020

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**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, the Manager of Haitong Asian High Yield Bond Fund (the "Sub-Fund"), a Sub-Fund of Haitong Investment Fund Series, has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 18 April 2016, as amended, for the year ended 31 December 2019.

A handwritten signature in black ink, appearing to be 'Keb', with a long horizontal flourish extending to the right.

HSBC Institutional Trust Services (Asia) Limited  
23 April 2020

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**Report on the Audit of the Financial Statements**

**Opinion**

*What we have audited*

The financial statements of Haitong Asian High Yield Bond Fund (the "Sub-Fund") set out on pages 7 to 34, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Other Information**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES) (CONTINUED)**

**Responsibilities of the Management for the Financial Statements**

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 18 April 2016, as amended (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES) (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23 April 2020

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**STATEMENT OF FINANCIAL POSITION**  
*As at 31 December 2019*

	<i>Notes</i>	2019 <i>USD</i>	2018 <i>USD</i>
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	7(d),8(a)	459,431,601	159,285,591
Amounts receivable on sale of investments		-	4,209,220
Interest receivable		9,602,261	3,140,974
Cash and cash equivalents	7(d)	26,743,711	11,346,536
<b>Total assets</b>		<u>495,777,573</u>	<u>177,982,321</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption of units		9,796,061	-
Distribution payable	9	7,629,902	6,061,867
Other payables		468,802	197,674
<b>Liabilities (excluding net assets attributable to unitholders)/Total liabilities</b>		<u>17,894,765</u>	<u>6,259,541</u>
<b>Net assets attributable to unitholders classified as financial liability/equity (after adjustment for different basis adopted by the Sub-Fund)</b>	4	477,882,808	<u>171,722,780</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4	10,082	
<b>Net assets attributable to unitholders classified as financial liability (in accordance with the Sub-Fund's Explanatory Memorandum)</b>	4	<u>477,892,890</u>	

For and on behalf of

For and on behalf of



.....  
Haitong International Asset Management (HK) Limited  
as the Manager



.....  
HSBC Institutional Trust Services (Asia) Limited  
as the Trustee

The notes on pages 11 to 34 form part of these financial statements.

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2019*

	<i>Notes</i>	2019 <i>USD</i>	2018 <i>USD</i>
<b>Income</b>			
Interest income on bank deposits	7(f)	385,386	88,306
Interest income on bonds		23,175,693	11,731,848
Other income		-	52,500
Realised losses on disposal of financial assets at fair value through profit or loss	5	(7,479,734)	(3,201,140)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	5	24,255,268	(14,214,549)
Net foreign currency gains/(losses)		22,575	(171)
<b>Total net income/(loss)</b>		<u>40,359,188</u>	<u>(5,543,206)</u>
<b>Expenses</b>			
Management fee	7(a)	3,233,496	1,624,693
Trustee fee	7(b)	462,698	243,671
Administrator fees		4,547	-
Safe custody and bank charges	7(c)	53,733	30,713
Legal and other professional fees		228,800	6,902
Auditor's remuneration		16,267	18,100
Accounting fee	7(c)	16,918	7,176
Handling fee	7(c)	15,576	2,112
Other operating expenses		69,045	31,024
<b>Total operating expenses</b>		<u>4,101,080</u>	<u>1,964,391</u>
<b>Net income/(loss) before distribution</b>		36,258,108	(7,507,597)
<b>Finance costs</b>			
Distributions to unitholders	9	(20,246,686)	-
<b>Income after distributions/Total comprehensive loss</b>		16,011,422	<u>(7,507,597)</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4	(4,941)	
<b>Increase in net assets attributable to unitholders</b>		<u><u>16,006,481</u></u>	

The notes on pages 11 to 34 form part of these financial statements.

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

*For the year ended 31 December 2019*

	<i>Notes</i>	2019* USD	2018* USD
<b>Net assets attributable to unitholders at 1 January classified as equity/financial liability</b>		171,722,780	225,388,887
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders		15,023	(20,063)
		<hr/>	<hr/>
		171,737,803	225,368,824
Proceeds from subscription of units		329,158,626	11,489,945
Payments on redemption of units		(39,010,020)	(44,779,931)
		<hr/>	<hr/>
<b>Net increase/(decrease) from units transactions</b>		290,148,606	(33,289,986)
		<hr/>	<hr/>
Increase in net assets attributable to unitholders/Total comprehensive loss		16,006,481	(7,507,597)
Distribution to unitholders	9	-	(12,848,461)
		<hr/>	<hr/>
<b>Net assets attributable to unitholders at 31 December classified as financial liability/equity</b>	4	<u>477,892,890</u>	<u>171,722,780</u>

\*During the period from 1 January 2018 to 17 May 2018, the net assets attributable to unitholders were classified as financial liabilities. During the period from 18 May 2018 to 31 March 2019, the net assets attributable to unitholders were classified as equity. During the period from 1 April 2019 to 31 December 2019, the net assets attributable to unitholders were classified as financial liabilities.

The notes on pages 11 to 34 form part of these financial statements

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**STATEMENT OF CASH FLOWS**

*For the year ended 31 December 2019*

	2019 <i>USD</i>	2018 <i>USD</i>
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to unitholders/Total comprehensive loss	16,006,481	(7,507,597)
Adjustment for:		
Different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4,941	-
Interest income	(23,561,079)	(11,820,154)
Distribution to unitholders (recognised in statement of comprehensive income)	20,246,686	-
	<hr/> 12,697,029	<hr/> (19,327,751)
Net change in amounts receivable on sale of investments	4,209,220	(4,209,220)
Net change in financial assets at fair value through profit or loss	(300,146,010)	41,750,179
Net change in other payables	271,128	(27,001)
	<hr/> (282,968,633)	<hr/> 18,186,207
<b>Cash (used in)/from operations</b>		
Interest received	17,099,792	12,320,945
	<hr/> (265,868,841)	<hr/> 30,507,152
<b>Net cash (outflow)/inflow from operating activities</b>		
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	(18,678,651)	(11,248,710)
Proceeds from subscription of units	329,158,626	11,489,945
Payments on redemption of units	(29,213,959)	(44,779,931)
	<hr/> 281,266,016	<hr/> (44,538,696)
<b>Net cash inflow/(outflow) from financing activities</b>		
	15,397,175	(14,031,544)
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the year	11,346,536	25,378,080
Cash and cash equivalents at the end of the year	<hr/> 26,743,711	<hr/> 11,346,536
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash at bank	<hr/> 26,743,711	<hr/> 11,346,536

The notes on pages 11 to 34 form part of these financial statements

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**1. General Information**

Haitong Investment Fund series is an open-ended unit trust established as an umbrella fund governed by its trust deed dated 18 April 2016, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2019, the Trust has six sub-funds which are Haitong Asian High Yield Bond Fund (the “Sub-Fund”), Haitong Hong Kong Equity Investment Fund, Haitong Korea Equity Investment Fund, Haitong China A-Share Investment Fund, Haitong US Equity Investment Fund and Haitong Japan Equity Investment Fund. The date of inception of the Sub-Fund was 23 May 2016.

The Manager and the Trustee of the Sub-Fund is Haitong International Asset Management (HK) Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (“the Trustee”) respectively.

The investment objective of the Sub-Fund is to seek a high level of income and capital growth through investing primarily in a diversified portfolio of high yielding debt instruments traded or issued in Asia markets.

These financial statements are prepared for the Sub-Fund only. The financial statements for Haitong Hong Kong Equity Investment Fund, Haitong Korea Equity Investment Fund, Haitong China A-Share Investment Fund, Haitong US Equity Investment Fund and Haitong Japan Equity Investment Fund have been prepared separately.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager (together the “Management”) to exercise their judgment in the process of applying the Sub-Fund’s accounting policies.

**HAITONG ASIAN HIGH YIELD BOND FUND**  
**(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**2. Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

Standards and amendments to existing standards effective 1 January 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**(b) Financial assets at fair value through profit or loss**

**(i) Classification**

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**2. Summary of significant accounting policies (Continued)**

**(b) Financial assets at fair value through profit or loss (continued)**

**(ii) Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of “financial assets or financial liabilities at fair value through profit or loss” category are presented in the statement of comprehensive income within change in unrealised gains/losses in value of financial assets at fair value through profit or loss in the period in which they arise.

**(iii) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using broker quotes or valuation techniques. Details of fair value estimation of these securities are discussed in Note 8(d).

**(iv) Transfers between levels of the fair value hierarchy**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**2. Summary of significant accounting policies (Continued)**

**(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Sub-Fund or the counterparty.

**(d) Amounts receivable on sale of investments/amounts payable on purchase of investments**

Amounts receivable on sale of investments and amounts payable on purchase of investments represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amounts receivable on sale of investments balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts receivable on sale of investments at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

**(e) Interest income**

Interest income is recognised on a time-proportionate basis using the effective interest method.

**(f) Other receivables and payables**

Other receivables and payables are recognised initially at fair value, and subsequently stated at amortised costs using the effective interest method.

**(g) Transaction costs**

Transactions costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

**(h) Expenses**

Expenses are accounted for on an accrual basis.

**(i) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**2. Summary of significant accounting policies (Continued)**

**(j) Distributions to unitholders**

Distributions to unitholders are recognised in the statement of comprehensive income/statement of changes in net assets attributable to unitholders when they are approved by the Manager.

**(k) Foreign currencies translation**

Functional and presentation currency

The performance of the Sub-Fund is measured and reported to the unitholders in United States Dollars (USD). The Manager considers USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Sub-Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "net foreign currency gains/(losses)".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "realised gains/(losses) on disposal of financial assets at fair value through profit or loss" and "change in unrealised gains/losses in value of financial assets at fair value through profit or loss".

**(l) Redeemable units**

The Sub-Fund's redeemable units, which are redeemable at the holder's option, represent puttable financial instruments of the Sub-Fund.

Prior to 18 May 2018, the Sub-Fund has two classes of units in issue: Class A and Class I which rank pari-passu in all material respects but have different terms and conditions as set out in the Sub-Fund's Explanatory Memorandum, including minimum investment amounts and management fees. As the different class of units do not have identical features, they are classified as financial liabilities.

For the period from 18 May 2018 to 31 March 2019, the Sub-Fund has one class of units in issue. The Sub-Fund classified the puttable financial instruments as equity in accordance with IAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- there are no contractual obligations to deliver cash or another financial asset other than the obligation on the issue to repurchase; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

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**2. Summary of significant accounting policies (Continued)**

**(l) Redeemable units (Continued)**

Effective from 1 April 2019, the Sub-Fund has four classes of units in issue: Class D (USD), Class D (HKD), Class H (RMB) and Class I (USD) which rank pari-passu in all material respects but have different terms and conditions as set out in the Sub-Fund's Explanatory Memorandum, including minimum investment amounts and management fees. As the different class of units do not have identical features, they are classified as financial liabilities.

Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units of the respective classes.

In accordance with the Explanatory Memorandum of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions of the Sub-Fund.

**(m) Taxation**

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust under section 104 of the Hong Kong Securities and Futures Ordinance and are therefore exempt from profits tax under section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(n) Establishment costs**

Establishment costs are recognised as an expense in the period in which they are incurred.

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**3. Critical accounting estimates and judgements**

*Functional currency*

The Management considers the United States Dollar (“USD”) the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Sub-Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from and pays redemption to its investors. This determination also considers the competitive environment in which the Sub-Fund is compared to other investment products.

**4. Number of units in issue and net assets attributable to unitholders per unit**

The Sub-Fund’s capital is represented by the units in the Sub-Fund, and shown as “net assets attributable to unitholders” in the statement of financial position. Subscriptions and redemptions of units during the year ended 31 December 2019 and 2018 are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies and risk management policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust Deed dated 18 April 2016, as amended, and the Explanatory Memorandum of the Sub-Fund, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As at 31 December 2018, the Sub-Fund has issued one class of unit and the Sub-Fund’s net assets attributable to the holders of redeemable units of USD171,722,780 was classified as equity. As at 31 December 2019, the Sub-Fund has issued four classes of units and had USD477,892,890 of puttable financial instruments, represented by the net assets attributable to the holders of redeemable units classified as financial liabilities.

The movements of the redeemable units for the year ended 31 December 2019 and 2018 are as follows:

	Class A (HKD) Distribution Units	Class D (USD) Distribution Units	Class D (HKD) Distribution Units	Class H (RMB) Distribution Units	Class I (USD) Distribution Units
Units in issue at the beginning of year	-	-	-	-	1,888,432
Issue of units	-	1,591,174	25,459	24,288	1,765,561
Redemption of units	-	(38,836)	(3,003)	(1,211)	(360,833)
Units in issue at the end of year	-	1,552,338	22,456	23,077	3,293,160

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**4. Number of units in issue and net assets attributable to unitholders per unit (Continued)**

	Class A (HKD) Distribution Units	Class D (USD) Distribution Units	Class D (HKD) Distribution Units	Class H (RMB) Distribution Units	Class I (USD) Distribution Units
Units in issue at the beginning of year	2,816	-	-	-	2,228,245
Issue of units	56	-	-	-	1,549,867
Redemption of units	(2,872)	-	-	-	(1,889,680)
Units in issue at the end of year	-	-	-	-	1,888,432

In accordance with the Sub-Fund's Explanatory Memorandum, the establishment costs of the Sub-Fund will be amortised over the first five accounting periods. However, the accounting policy of the Sub-Fund for the purpose of financial statements preparation in compliance with IFRS is to expense establishment costs in the statement of comprehensive income as incurred. The differences between expensing the establishment costs as incurred in accordance with IFRS and capitalisation and amortisation of the establishment costs indicated in the Sub-Fund's Explanatory Memorandum resulted in adjustments in the net asset value.

	2019 USD	2018 USD
Accounting net assets attributable to unitholders as reported in the statement of financial position	477,882,808	171,722,780
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	10,082	15,023
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	477,892,890	171,737,803
	2019 USD	2018 USD
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
- Class D (USD) Distribution units	98.69	-
- Class D (HKD) Distribution units	125.28	-
- Class H (RMB) Distribution units	14.4501	-
- Class I (USD) Distribution units	97.63	90.94

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**5. Net gains/(losses) on financial assets at fair value through profit or loss**

	2019 <i>USD</i>	2018 <i>USD</i>
Realised losses on disposal of financial assets at fair value through profit or loss	(7,479,734)	(3,201,140)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	24,255,268	(14,214,549)
	<u>16,775,534</u>	<u>(17,415,689)</u>

**6. Taxation**

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

**7. Transactions with related parties including Trustee, Manager and its Connected Persons**

The following is a summary of significant related party transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All transactions entered into during the year ended 31 December 2019 and 2018 between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other significant transactions with related parties except for those disclosed below.

**(a) Management fee**

Haitong International Asset Management (HK) Limited, the Manager, is entitled to receive a management fee, currently at the rate of 1% per annum of the respective net asset value of the Class A, Class D and Class H units and 0.8% per annum of the net asset value of Class I units. The management fee is calculated and accrued as at each dealing day and payable monthly in arrears.

For the year ended 31 December 2019, the Manager was entitled to a management fee of USD3,233,496 (2018: USD1,624,693). At 31 December 2019, management fee payable to the Manager was USD372,278 (2018: USD119,632).

**(b) Trustee fee**

The Trustee, HSBC Institutional Trust Services (Asia) Limited is entitled to receive a fee which is charged as a percentage of the net asset value of the relevant Sub-Fund on each valuation day, at the rates of 0.13% per annum for net asset value below USD50 million and 0.12% per annum for net asset value equal to or above USD50 million, subject to monthly minimum fee of USD3,000. The trustee's fee is calculated and accrued as at the valuation point on each valuation day and payable monthly in arrears out of the assets of the relevant Sub-Fund.

The trustee fee for the year ended 31 December 2019 was USD462,698 (2018: USD243,671). As at 31 December 2019, a trustee fee of USD51,717 (2018: USD17,945) was payable to the trustee of the Sub-Fund.

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**7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)**

**(c) Other fees**

The Trustee is also entitled to receive a fee for acting as registrar. It is also entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses incurred.

The Sub-Fund had following transactions and balances with the Trustee and its related parties during the year ended 31 December 2019 and 2018.

	2019 <i>USD</i>	2018 <i>USD</i>
Accounting fee	16,918	7,176
Registrar fee	19,400	6,425
Handling fee	15,576	2,112
Valuation fee	48,790	23,730
Safe custody and bank charges	53,733	30,713
	<u>                    </u>	<u>                    </u>

Registrar fees and valuation fees are included in other operating expenses in the statement of comprehensive income.

	2019 <i>USD</i>	2018 <i>USD</i>
Accounting fees payable	6,000	12,000
Registrar fees payable	7,550	1,025
Valuation fees payable	5,600	1,330
Handling fees payable	957	99
	<u>                    </u>	<u>                    </u>

**(d) Financial assets**

The investments and bank balances of the Sub-Fund held with the related parties of the Trustee are as follows:

	2019 <i>USD</i>	2018 <i>USD</i>
<b><u>Investments</u></b>		
The Hongkong and Shanghai Banking Corporation Limited	459,431,601	159,285,591
	<u>                    </u>	<u>                    </u>
<b><u>Bank balances</u></b>		
The Hongkong and Shanghai Banking Corporation Limited	26,743,711	11,346,536
	<u>                    </u>	<u>                    </u>

As at 31 December 2019, bank balance of USD26,743,711 (2018: USD11,346,536) was maintained with The Hongkong and Shanghai Banking Corporation Limited, a group company of the Trustee, which carry interest and incur bank charges at normal commercial rates.

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**7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)**

**(e) Investment transactions with connected persons of the Manager**

	Aggregate value of purchases and sales of securities <i>USD</i>	Total commission paid <i>USD</i>	% of Sub-Fund's total transactions during the period %	Average commission rate %
<u>2019</u>				
Haitong International Securities Company Limited	21,487,185	-	4.15	-
<u>2018</u>				
Haitong International Securities Company Limited	34,094,694	-	5.71	-

**(f) Bank deposits and investments held by the Trustee's affiliates**

The Sub-Fund's bank deposits and investments were held by the Trustee's affiliates. Further details of the balances held are described in note 7(d) to the financial statements. During the year, interest income on these bank balances was USD385,386 (2018: USD88,306).

**(g) Holdings of the Sub-Fund**

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2019 and 2018 were as follows:

Units held by Haitong International Securities Company Limited, a group company of the Manager, as agent:

2019

	Units outstanding at 1 January 2019	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2019
Class D (USD) Distribution units	-	50,161	38,836	11,325
Class D (HKD) Distribution units	-	25,459	3,003	22,456
Class I (USD) Distribution units	1,428,725	61,007	-	1,489,732
	<u>1,428,725</u>	<u>61,007</u>	<u>-</u>	<u>1,489,732</u>

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**7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)**

**(g) Holdings of the Sub-Fund (Continued)**

2018

	Units outstanding at 1 January 2018	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2018
Class A (HKD)				
Distribution units	2,816	56	2,872	-
Class I (USD)				
Distribution units	-	1,428,725	-	1,428,725

Units held by Haitong International Asset Management (HK) Limited, the Manager, as agent:

2019

	Units outstanding at 1 January 2019	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2019
Class I (USD)				
Distribution units	40,958	-	-	40,958

2018

	Units outstanding at 1 January 2018	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2018
Class I (USD)				
Distribution units	1,663,716	109,271	1,732,029	40,958

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**7. Transactions with related parties including Trustee, Manager and its Connected Persons (Continued)**

**(g) Holdings of the Sub-Fund (Continued)**

Units held by Haitong International Investment Managers Limited, a connected person of the Manager, as agent:

2019

	Units outstanding at 1 January 2019	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2019
Class I (USD)				
Distribution units	360,833	-	360,833	-
	<u>360,833</u>	<u>-</u>	<u>360,833</u>	<u>-</u>

2018

	Units outstanding at 1 January 2018	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2018
Class I (USD)				
Distribution units	360,833	-	-	360,833
	<u>360,833</u>	<u>-</u>	<u>-</u>	<u>360,833</u>

**8. Financial risk and management**

The Sub-Fund's investing activities exposed it to various types of risk that are associated with financial instruments and markets in which it invests according to the investment strategy. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

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**8. Financial risk and management (Continued)**

**(a) Market risk**

**(i) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

As at 31 December 2019 and 2018, the Sub-Fund's investments were concentrated in the following location:

	2019		2018	
	Fair value <i>USD</i>	% of net asset value	Fair value <i>USD</i>	% of net asset value
Listed bonds – by geographical location				
British Virgin Islands	51,789,753	10.84	971,500	0.57
Cayman Islands	58,648,556	12.27	20,250,037	11.79
Channel Islands	-	-	1,766,640	1.03
China	281,083,088	58.82	119,646,546	69.67
Hong Kong	45,384,754	9.50	13,328,631	7.76
Indonesia	3,169,110	0.66	-	-
Macau	19,356,340	4.05	3,322,237	1.93
	<u>459,431,601</u>	<u>96.14</u>	<u>159,285,591</u>	<u>92.75</u>

At 31 December 2019 and 2018, the Sub-Fund did not have instruments issued by the same issuer with market value exceeding 10% of its net assets.

As the Sub-Fund mainly invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 8 (a)(ii) below.

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of interest-bearing assets and liabilities and future cash flow. The Sub-Fund holds bonds that expose the Sub-Fund to fair value interest rate risk. The Sub-Fund also holds cash and cash equivalents that expose the Sub-Fund to cash flow interest rate risk.

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**8. Financial risk and management (Continued)**

**(a) Market risk (Continued)**

**(ii) Interest rate risk (Continued)**

The table below summarises the Sub-Fund's exposure to interest rate risks. It includes the Sub-Fund's financial assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates as at 31 December 2019 and 2018.

	Up to 1 year <i>USD</i>	1-5 years <i>USD</i>	Over 5 years <i>USD</i>	Non- interest bearing <i>USD</i>	Total <i>USD</i>
31 December 2019					
Assets					
Financial assets at fair value through profit or loss	14,285,826	396,786,569	48,359,206	-	459,431,601
Interest receivable	-	-	-	9,602,261	9,602,261
Cash and cash equivalents	26,743,711	-	-	-	26,743,711
	<u>41,029,537</u>	<u>396,786,569</u>	<u>48,359,206</u>	<u>9,602,261</u>	<u>495,777,573</u>
Liabilities					
Amounts payable on redemption of units	-	-	-	9,796,061	9,796,061
Distribution Payable	-	-	-	7,629,902	7,629,902
Other payables	-	-	-	468,802	468,802
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,894,765</u>	<u>17,894,765</u>
Total interest sensitivity gap	<u>41,029,537</u>	<u>396,786,569</u>	<u>48,359,206</u>		

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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**8. Financial risk and management (Continued)**

**(a) Market risk (Continued)**

**(ii) Interest rate risk (Continued)**

	Up to 1 year USD	1-5 years USD	Over 5 years USD	Non interest bearing USD	Total USD
31 December 2018					
Assets					
Financial assets at fair value through profit or loss	14,779,235	117,217,129	27,289,227	-	159,285,591
Amount receivable on sale of investments	-	-	-	4,209,220	4,209,220
Interest receivable	-	-	-	3,140,974	3,140,974
Cash and cash equivalents	11,346,536	-	-	-	11,346,536
	<u>26,125,771</u>	<u>117,217,129</u>	<u>27,289,227</u>	<u>7,350,194</u>	<u>177,982,321</u>
Liabilities					
Distribution Payable	-	-	-	6,061,867	6,061,867
Other payables	-	-	-	197,674	197,674
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,259,541</u>	<u>6,259,541</u>
Total interest sensitivity gap	<u>26,125,771</u>	<u>117,217,129</u>	<u>27,289,227</u>		

The majority of the Sub-Fund's interest rate exposure on debt instruments are USD denominated. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. Beta adjusted weighted modified duration is the modified duration multiplied by the allocation of net asset value and a sensitivity factor (beta).

As at 31 December 2019 and 2018, should the relevant interest rates have lowered/risen by 25 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the period would amount to USD3,048,845 (2018: USD857,556), arising substantially from the increase/decrease in market values of debt securities.

**(iii) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Sub-Fund has assets and liabilities denominated in currencies other than United States Dollar, the Sub-Fund's functional and presentation currency. The Sub-Fund is therefore exposed to currency risk, as the value of the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

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**8. Financial risk and management (Continued)**

**(a) Market risk (Continued)**

(iii) Currency risk (Continued)

The table below summarises the Sub-Fund's net exposure to different major currencies:

	2019		2018	
	Monetary <i>USD</i>	Non-monetary <i>USD</i>	Monetary <i>USD</i>	Non-monetary <i>USD</i>
Hong Kong Dollar	2,515,135	-	(25)	-
Chinese Renminbi	314,997	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The table below summarised the impact of increase or decrease of exchange rate on the exposure table above, to which Sub-Fund is exposed. The analysis is based on the assumption that the exchange rate had increased/decreased by 5% with all other variables held constant. Monetary assets and liabilities denominated in Hong Kong Dollars are not considered as subject to currency risk as it is currently pegged to the USD within a narrow range. As a result, the Manager considers sensitivity analysis of currency risk for Hong Kong Dollars is not necessary to be presented.

	Monetary <i>USD</i>	Non-monetary <i>USD</i>
Chinese Renminbi	+/- 15,750	-
	<u>                    </u>	<u>                    </u>

**(b) Credit and counterparty risk**

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Sub-Fund's financial assets which are potentially subject to concentration of credit risk consist of cash and cash equivalents and assets held with custodian and its delegate. The table below summarises the net exposure to the Sub-Fund's counterparties as at 31 December 2019 and 2018 together with their credit ratings:

As at 31 December 2019		Credit	Source of
	<i>USD</i>	rating	credit rating
<u>Investments – custodian</u>			
The Hongkong and Shanghai Banking Corporation Limited	459,431,601	Aa3	Moody's
<u>Bank balances</u>			
The Hongkong and Shanghai Banking Corporation Limited	26,743,711	Aa3	Moody's
As at 31 December 2018		Credit	Source of
	<i>USD</i>	rating	credit rating
<u>Investments – custodian</u>			
The Hongkong and Shanghai Banking Corporation Limited	159,285,591	Aa3	Moody's
<u>Bank balances</u>			
The Hongkong and Shanghai Banking Corporation Limited	11,346,536	Aa3	Moody's

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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**8. Financial risk and management (Continued)**

**(b) Credit and counterparty risk (Continued)**

As the Sub-Fund holds debt securities, it is also exposed to risk that the issuers may not be able to repay the principal amount at maturity and interest. The credit risk is mitigated as the debt securities held are subject to the requirements of maximum holding of 10% of net asset value for any single issuer.

The table below summarises the credit rating of the investment portfolio categorised by the rating agencies:

Portfolio by rating category of bonds:	2019	2018
	% of net asset value	% of net asset value
Rating		
Moody's		
B1	-	12.03
B2	-	2.98
B3	-	2.98
Ba2	-	7.24
Baa1	-	0.86
Caa1	-	0.55
Standard and Poor's		
B	9.32	31.10
B-	3.55	2.56
B+	10.35	5.59
BB	9.65	13.27
BB-	17.50	4.89
BB+	-	1.87
BBB	0.66	-
CCC	-	0.48
Not rated	45.11	6.35
Total	<u>96.14</u>	<u>92.75</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

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**8. Financial risk and management (Continued)**

**(b) Credit and counterparty risk (Continued)**

The below table summarises the non-rated debt securities as stated in the table above by their issuer's credit rating as at 31 December 2019 and 2018.

Portfolio by rating category of bonds:	2019	2018
	% of net asset value	% of net asset value
Rating		
Moody's		
B1	11.73	-
B2	6.99	-
B3	0.32	-
Ba2	4.58	-
Baa1	2.87	-
Baa2	0.64	-
Fitch		
BB	2.51	-
BB-	8.86	-
BBB-	5.15	-
Not rated	1.46	6.35
Total	<u>45.11</u>	<u>6.35</u>

The Manager has assessed the credit quality of the bonds based on the nature of the issuers and the historical information about the issuer's default rates.

The maximum exposure to credit risk at 31 December 2019 and 2018 is the carrying amount of the financial assets as shown on the statement of financial position.

All transactions in listed/quoted investments are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Sub-Fund considers to be well established.

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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**8. Financial risk and management (Continued)**

**(b) Credit and counterparty risk (Continued)**

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2019 and 31 December 2018, amounts receivable on sale of investments and cash and cash equivalents are held with counterparties with a credit rating of Baa1 or higher and are due to be settled within 1 week. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

**(c) Liquidity risk**

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

The table below analyses the Sub-Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month <i>USD</i>	1 month to less than 3 months <i>USD</i>	Over 3 months <i>USD</i>	Total <i>USD</i>
31 December 2019				
Amounts payable on redemption of units	9,796,061	-	-	9,796,061
Distribution payable	7,629,902	-	-	7,629,902
Other payables	437,521	28,927	2,354	468,802
Net assets attributable to unitholders	477,892,890	-	-	477,892,890
Contractual cash flows (excluding derivatives)	<u>495,756,374</u>	<u>28,927</u>	<u>2,354</u>	<u>495,787,655</u>
31 December 2018				
Distribution payable	6,061,867	-	-	6,061,867
Other payables	140,031	29,800	27,843	197,674
Contractual cash flows (excluding derivatives)	<u>6,201,898</u>	<u>29,800</u>	<u>27,843</u>	<u>6,259,541</u>

Units are redeemed on demand at the unitholder's option. As at 31 December 2019, there were two (2018: two) unitholder holding more than 10% of the Sub-Fund's units.

**HAITONG ASIAN HIGH YIELD BOND FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**8. Financial risk and management (Continued)**

**(c) Liquidity risk (Continued)**

The Sub-Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate in 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month <i>USD</i>	1 month to 12 months <i>USD</i>	No stated maturity <i>USD</i>	Total <i>USD</i>
31 December 2019				
Total assets	488,686,357	7,091,216	-	495,777,573
31 December 2018				
Total assets	176,076,855	1,905,466	-	177,982,321

**(d) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Fund used the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are unobservable inputs (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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**8. Financial risk management (Continued)**

**(d) Fair value estimation (Continued)**

The determination of what constitutes “observable” requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets (by class) measured at fair value at 31 December 2019 and 2018:

	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
<b>As at 31 December 2019</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	459,431,601	-	459,431,601
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>As at 31 December 2018</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	159,285,591	-	159,285,591
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. Management has used best estimation and considers the last traded price is the best estimation of the fair value. As at 31 December 2019, the Sub-Fund holds investments classified in level 2 amounting to USD459,431,601 (2018: USD159,285,591).

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31 December 2019 and 2018, the Sub-Fund did not hold any investments classified in level 3.

There were no transfers between levels for the year ended 31 December 2019 and 2018.

Assets and liabilities included in the statement of financial position, except for financial assets at fair value through profit or loss, are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

**HAITONG ASIAN HIGH YIELD BOND FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**8. Financial risk management (Continued)**

**(e) Capital risk management**

The Sub-Fund's capital is represented by the redeemable units outstanding. The investment objective of the Sub-Fund is to seek a high level of income and capital growth through investing primarily in a diversified portfolio of high yielding debt instruments traded or issued in Asia markets. The Manager may:

- Redeem and issue new units on a daily basis in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstances stipulated in the explanatory memorandum of the Sub-Fund.

**9. Distributions**

The Manager intends to declare distributions on units in the Sub-Fund on a semi-annual basis for Class A, Class I and Class H units and monthly basis for Class D units, payable in the relevant Class Currency. Distributions for Class A and Class H units have not been declared for the year ended 31 December 2019 and 2018. Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the unitholder.

	2019	2018
	<i>USD</i>	<i>USD</i>
Distribution		
<b>Class D (USD) Distribution units</b>		
- USD0.66 on 1,552,338.23 units paid on 10 January 2020	1,024,543	-
- USD0.66 on 1,570,936.09 units paid on 10 December 2019	1,036,818	-
- USD0.66 on 1,431,304.73 units paid on 11 November 2019	944,661	-
- USD0.66 on 1,238,222.56 units paid on 11 October 2019	817,227	-
- USD0.66 on 1,230,996.10 units paid on 10 September 2019	812,457	-
- USD0.66 on 1,230,996.10 units paid on 09 August 2019	812,457	-
- USD0.66 on 918,454.92 units paid on 10 July 2019	606,180	-
- USD0.66 on 304,624.06 units paid on 12 June 2019	201,052	-
- USD0.66 on 279,521.14 units paid on 10 May 2019	184,484	-
<b>Class D (HKD) Distribution units</b>		
- HKD6.60 on 22,456.47 units paid on 10 January 2020	19,038	-
- HKD6.60 on 22,456.47 units paid on 10 December 2019	19,039	-
- HKD6.60 on 22,456.47 units paid on 11 November 2019	19,039	-
- HKD6.60 on 22,456.47 units paid on 11 October 2019	19,039	-
- HKD6.60 on 8,258.33 units paid on 10 September 2019	7,001	-
- HKD6.60 on 7,703.13 units paid on 09 August 2019	6,531	-
- HKD6.60 on 7,703.13 units paid on 10 July 2019	6,531	-
- HKD6.60 on 7,703.13 units paid on 12 June 2019	6,531	-
- HKD6.60 on 4,399.27 units paid on 10 May 2019	3,730	-

**HAITONG ASIAN HIGH YIELD BOND FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2019*

**9. Distributions (Continued)**

**Class I (USD) Distribution units**

- USD2.00 on 3,293,160.45 units paid on 10 January 2020	6,586,321	-
- USD2.00 on 3,557,003.54 units paid on 10 July 2019	7,114,007	-
- USD3.21 on 1,888,431.95 units paid on 10 January 2019	-	6,061,867
- USD3.46 on 1,961,443.42 units paid on 11 July 2018	-	6,786,594
	<hr/>	<hr/>
Total distribution	20,246,686	12,848,461
	<hr/> <hr/>	<hr/> <hr/>

**10. Financial instruments by category**

As of 31 December 2019 and 2018, other than investments as disclosed in the financial statements which are classified as the financial assets at fair value through profit or loss, all financial assets including amounts receivable on sale of investments, interest receivable and cash and cash equivalents are categorised as financial assets at amortised costs. All of the financial liabilities of the Sub-Fund are carried at amortised cost.

The carrying value of the financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial.

**11. Soft dollar arrangements**

The Manager confirms that there were no soft commission arrangements existing during the year ended 31 December 2019 in relation to directing transactions of the Sub-Fund through a broker or dealer (2018: Nil).

**12. Approval of the financial statements**

The financial statements were approved by the Trustee and the Manager on 23 April 2020.

**HAITONG ASIAN HIGH YIELD BOND FUND**  
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**Investment Portfolio (unaudited)**

31 December 2019

	Holdings	Fair value USD	% of Net Assets
<b>Listed Bonds 96.14%</b>			
<b><u>British Virgin Islands (10.84%)</u></b>			
Chinalco Capital Holdings Ltd (Reg S) (Reg) 4% 25/08/2021	960,000	970,282	0.20
Greenland Global Investment Ltd (Reg S) (Reg) 5.75% 26/09/2022	8,100,000	7,980,606	1.67
Hejun Shunze Investment Co Ltd (Reg S) (Reg) 12% 25/04/2021	4,000,000	4,046,160	0.85
Huarong Finance 2019 Co Ltd (Reg S) 3.25% 13/11/2024	6,000,000	6,016,200	1.26
Huarong Finance 2019 Co Ltd (Reg S) 4.5% 29/05/2029	3,000,000	3,166,530	0.66
New Metro Global Ltd (Reg S) (Reg) 7.125% 23/05/2021	1,700,000	1,705,559	0.36
New Metro Global Ltd (Reg S) (Reg) 7.5% 16/12/2021	7,200,000	7,249,608	1.52
RKPF Overseas 2019 A Ltd (Reg S) (Reg) 7.875% 01/02/2023	9,500,000	10,142,485	2.12
RKPF Overseas 2019 B (Reg S) 7.75% 18/04/2021	6,100,000	6,346,623	1.33
Studio City Co Ltd (Ser Regs) (Reg) 7.25% 30/11/2021	2,000,000	2,046,680	0.43
Studio City Finance Ltd (Ser Regs) (Reg) 7.25% 11/02/2024	2,000,000	2,119,020	0.44
		51,789,753	10.84
<b><u>Cayman Islands (12.27%)</u></b>			
CAR Inc (Reg S) (Reg) 6% 11/02/2021	2,500,000	2,315,050	0.48
CFLD Cayman Investment (Reg S) (Reg) 7.125% 08/04/2022	7,000,000	7,056,420	1.48
CFLD Cayman Investment (Reg S) (Reg) 8.6% 08/04/2024	5,250,000	5,415,427	1.13
CFLD Cayman Investment (Reg S) (Reg) 8.625% 28/02/2021	3,000,000	3,070,200	0.64
CFLD Cayman Investment (Reg S) 6.5% 21/12/2020	3,850,000	3,867,325	0.81
CIFI Holdings Group (Reg S) (Reg) 6.45% 07/11/2024	1,000,000	1,014,320	0.21
Country Garden Holdings (Reg S) (Reg) 4.75% 28/09/2023	5,525,000	5,558,316	1.16
Health and Happiness (H&H) International Holdings Ltd (Reg S) (Reg) 5.625% 24/10/2024	3,500,000	3,610,880	0.76
Melco Resorts Finance (Ser Regs) (Reg) 5.25% 26/04/2026	7,000,000	7,248,990	1.52
Ronshine China (Reg S) (Reg) 8.75% 25/10/2022	8,300,000	8,635,652	1.81
Ronshine China (Reg S) (Reg) 8.95% 22/01/2023	1,600,000	1,675,376	0.35
Times China Holdings Ltd (Reg S) (Reg) 6.6% 02/03/2023	5,000,000	5,070,800	1.06
Yankuang Group Cayman (Reg S) (Reg) 6% 30/01/2022	4,000,000	4,109,800	0.86
		58,648,556	12.27
<b><u>China (58.82%)</u></b>			
Agile Group Holdings Ltd (Reg S) (Reg) 9% 21/05/2020	1,000,000	1,021,130	0.21
Anton Oilfield Services Group (Reg S) (Reg) 7.5% 02/12/2022	1,250,000	1,211,787	0.25
China Aoyuan Group Ltd (Reg S) (Reg) 7.95% 19/02/2023	7,000,000	7,413,350	1.55
China Aoyuan Group Ltd (Reg S) (Reg) 8.5% 23/01/2022	10,320,000	10,900,294	2.28
China Aoyuan Group Ltd (Reg S) (Reg) 5.375% 13/09/2022	5,000,000	4,989,850	1.04
China Aoyuan Property Group (Reg S) (Reg) 7.5% 10/05/2021	500,000	514,315	0.11

**HAITONG ASIAN HIGH YIELD BOND FUND**  
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**Investment Portfolio (unaudited) (continued)**  
*31 December 2019*

	Holdings	Fair value USD	% of Net Assets
<b>Listed Bonds 96.14% (Continued)</b>			
<b><u>China (58.82%) (Continued)</u></b>			
China Evergrande Group (Reg) (Reg S) 8.75% 28/06/2025	1,520,000	1,308,188	0.27
China SCE Group Holdings Ltd (Reg S) (Reg) 7.25% 19/04/2023	8,500,000	8,683,260	1.82
China SCE Group Holdings Ltd (Reg S) (Reg) 7.375% 09/04/2024	1,575,000	1,600,405	0.34
China SCE Group Holdings Ltd (Reg S) (Reg) 8.75% 15/01/2021	5,600,000	5,787,656	1.21
China SCE Property Holdings (Reg) (Reg S) 5.875% 10/03/2022	7,350,000	7,348,971	1.54
CIFI Holdings Group (Reg S) (Reg) 6.55% 28/03/2024	4,000,000	4,104,800	0.86
CIFI Holdings Group (Reg S) (Reg) 7.625% 02/03/2021	1,000,000	1,033,700	0.22
CIFI Holdings Group (Reg S) (Reg) 7.625% 28/02/2023	10,090,000	10,674,715	2.23
CIFI Holdings Group (Reg S) Var Perp 29/12/2049	6,000,000	5,797,560	1.21
CIFI Holdings Group (Reg) (Reg S) 6.875% 23/04/2021	1,000,000	1,027,360	0.22
CIFI Holdings Group Co Ltd (Reg) (Reg S) 5.5% 23/01/2023	3,200,000	3,218,144	0.67
Country Garden Holdings (Reg S) (Reg) 6.5% 08/04/2024	2,330,000	2,479,073	0.52
Country Garden Holdings (Reg S) (Reg) 7.125% 25/04/2022	5,000,000	5,332,650	1.12
Country Garden Holdings (Reg) (Reg S) 8% 27/01/2024	5,000,000	5,478,000	1.15
Country Garden Holdings Co Ltd (Reg S) (Reg) 7.25% 08/04/2026	2,000,000	2,183,360	0.46
Country Garden Holdings Co Ltd (Reg S) 7.25% 04/04/2021	1,400,000	1,404,368	0.29
Country Garden Holdings Company (Reg S) (Reg) 7.5% 09/03/2020	1,000,000	1,007,370	0.21
Easy Tactic Ltd (Reg S) 5.75% 13/01/2022	1,500,000	1,476,510	0.31
E-House (China) Enterprise Holdings (Reg S) (Reg) 7.625% 18/04/2022	3,000,000	2,913,060	0.61
Fantasia Holdings Group (Reg S) (Reg) 11.75% 17/04/2022	1,270,000	1,302,283	0.27
Fantasia Holdings Group (Reg S) (Reg) 12.25% 18/10/2022	1,500,000	1,541,790	0.32
Fantasia Holdings Group (Reg S) 7.95% 05/07/2022	2,000,000	1,883,880	0.39
Future Land Development Holdings Ltd (Reg S) (Reg) 5% 16/02/2020	500,000	499,460	0.10
Future Land Development Holdings Ltd (Reg S) (Reg) 6.15% 15/04/2023	3,000,000	2,860,680	0.60
Future Land Development Holdings Ltd (Reg S) (Reg) 7.5% 22/01/2021	440,000	442,292	0.09
Greenland Global Investment (Reg S) (Reg) 5.875% 03/07/2024	4,500,000	4,370,355	0.91
Greenland Global Investment (Reg S) (Reg) 6.75% 26/09/2023	5,000,000	5,050,150	1.06
KWG Group Holdings (Reg S) (Reg) 7.4% 05/03/2024	1,000,000	1,024,380	0.21
KWG Group Holdings (Reg S) 7.875% 01/09/2023	2,250,000	2,367,135	0.50
KWG Property Holding Ltd (Reg) (Reg S) 6% 11/01/2022	4,500,000	4,531,140	0.95
KWG Property Holding Ltd (Reg) (Reg S) 6% 15/09/2022	3,800,000	3,813,338	0.80
Logan Property Holdings (Reg S) (Reg) 5.75% 03/01/2022	4,500,000	4,564,575	0.96
Logan Property Holdings (Reg S) (Reg) 6.5% 16/07/2023	5,300,000	5,475,112	1.15
Logan Property Holdings (Reg S) (Reg) 7.5% 25/08/2022	9,450,000	9,933,462	2.08
Logan Property Holdings (Reg S) (Reg) 8.75% 12/12/2020	350,000	364,256	0.08
Logan Property Holdings (Reg) (Reg S) 5.25% 23/02/2023	6,800,000	6,785,312	1.42
Minmetals Bounteous Finance (Reg S) (Reg) 3.125% 27/07/2021	1,500,000	1,509,045	0.32
New Metro Global Ltd (Reg) (Reg S) 5% 08/08/2022	1,700,000	1,594,039	0.33
Ronshine China (Reg S) (Reg) 10.5% 01/03/2022	9,500,000	10,166,520	2.13

**HAITONG ASIAN HIGH YIELD BOND FUND**  
**(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**Investment Portfolio (unaudited) (continued)**  
*31 December 2019*

	Holdings	Fair value USD	% of Net Assets
<b>Listed Bonds 96.14% (Continued)</b>			
<b><u>China (58.82%) (Continued)</u></b>			
Ronshine China (Reg S) (Reg) 11.25% 22/08/2021	4,900,000	5,231,191	1.09
Ronshine China (Reg S) (Reg) 8.25% 01/02/2021	1,000,000	1,017,190	0.21
Sunac China Holdings Ltd (Reg S) (Reg) 7.25% 14/06/2022	1,500,000	1,543,995	0.32
Sunac China Holdings Ltd (Reg S) (Reg) 7.5% 01/02/2024	3,000,000	3,087,990	0.65
Sunac China Holdings Ltd (Reg S) (Reg) 7.875% 15/02/2022	10,200,000	10,604,838	2.22
Sunac China Holdings Ltd (Reg S) (Reg) 7.95% 08/08/2022	4,500,000	4,698,405	0.98
Sunac China Holdings Ltd (Reg S) (Reg) 7.95% 11/10/2023	3,810,000	4,018,636	0.84
Sunac China Holdings Ltd (Reg S) (Reg) 8.375% 15/01/2021	3,000,000	3,092,430	0.65
Sunac China Holdings Ltd (Reg S) (Reg) 6.875% 08/08/2020	1,000,000	1,011,490	0.21
Times China Holdings Ltd (Reg S) (Reg) 6.75% 16/07/2023	6,750,000	6,884,055	1.44
Times China Holdings Ltd (Reg S) (Reg) 7.625% 21/02/2022	8,250,000	8,555,168	1.79
Times China Holdings Ltd (Reg S) (Reg) 7.85% 04/06/2021	1,000,000	1,024,970	0.21
Times China Holdings Ltd (Reg S) (Reg) 6.25% 17/01/2021	1,500,000	1,519,065	0.32
Times Property Holdings Ltd (Reg S) (Reg) 5.75% 26/04/2022	2,580,000	2,578,839	0.54
Times Property Holdings Ltd (Reg S) (Reg) 6.25% 23/01/2020	500,000	500,635	0.10
Wanda Properties International Co (Reg S) (Reg) 7.25% 29/01/2024	2,000,000	1,975,160	0.41
Yankuang Group Cayman (Reg S) 4.75% 30/11/2020	6,000,000	6,014,160	1.26
Yuzhou Properties Co Ltd (Reg S) (Reg) 6% 25/02/2022	2,000,000	2,011,660	0.42
Yuzhou Properties Co Ltd (Reg S) (Reg) 8.375% 30/10/2024	1,500,000	1,560,975	0.33
Yuzhou Properties Co Ltd (Reg S) (Reg) 8.5% 04/02/2023	8,500,000	9,038,050	1.89
Yuzhou Properties Co Ltd (Reg S) (Reg) 8.5% 26/02/2024	2,000,000	2,087,140	0.44
Yuzhou Properties Co Ltd (Reg S) (Reg) 8.625% 23/01/2022	3,800,000	4,013,522	0.84
Yuzhou Properties Co Ltd (Reg S) (Reg) 6% 25/10/2023	7,000,000	6,849,990	1.43
Yuzhou Properties Co Ltd (Reg S) (Reg) 6.375% 06/03/2021	600,000	607,536	0.13
Yuzhou Properties Co Ltd (Reg S) (Reg S) Var Perp	2,800,000	2,588,628	0.54
Zhenro Properties Group (Reg S) (Reg) 8.65% 21/01/2023	3,000,000	3,048,900	0.64
Zhenro Properties Group (Reg S) (Reg) 9.15% 08/03/2022	5,500,000	5,680,510	1.19
Zhenro Properties Group (Reg S) (Reg) 9.8% 20/08/2021	3,800,000	3,961,690	0.83
Zhenro Properties Group (Reg S) (Reg S) 12.5% 02/01/2021	4,000,000	4,247,320	0.89
Zhenro Properties Group (Reg S) (Reg S) Var Perp 31/12/2049	3,000,000	3,039,870	0.64
		281,083,088	58.82

**HAITONG ASIAN HIGH YIELD BOND FUND**  
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**Investment Portfolio (unaudited) (continued)**  
*31 December 2019*

	Holdings	Fair value USD	% of Net Assets
<b>Listed Bonds 96.14% (Continued)</b>			
<b><u>Hong Kong (9.50%)</u></b>			
Agile Group Holdings Ltd (Reg S) (Reg) 6.7% 07/03/2022	10,000,000	10,362,500	2.17
Agile Group Holdings Ltd (Reg) (Reg S) 8.5% 18/07/2021	2,000,000	2,109,840	0.44
CNAC (HK) Finbridge Co Ltd (Reg S) (Reg) 3.375% 19/06/2024	3,000,000	3,052,920	0.64
Huarong Finance 2019 Co Ltd (Reg S) 3.875% 13/11/2029	3,000,000	3,023,280	0.63
Melco Resorts Finance (Ser Regs) 4.875% 06/06/2025	10,020,000	10,292,043	2.15
RKI Overseas Finance 2016 B (Reg S) (Reg) 4.7% 06/09/2021	1,300,000	1,294,566	0.27
RKPF Overseas 2019 A Ltd (Reg S) (Reg) 6.7% 30/09/2024	4,000,000	4,130,640	0.87
Shimao Property Holdings (Reg S) (Reg) 6.125% 21/02/2024	8,500,000	9,064,825	1.90
Yancoal International Resources Development (Reg S) (Reg) 6% 29/11/2021	2,000,000	2,054,140	0.43
		45,384,754	9.50
<b><u>Indonesia (0.66%)</u></b>			
Pertamina Persero PT (Reg S) 4.3% 20/05/2023	3,000,000	3,169,110	0.66
		3,169,110	0.66
<b><u>Macau (4.05%)</u></b>			
MGM China Holdings Ltd (Ser Regs) (Reg) 5.375% 15/05/2024	2,000,000	2,087,700	0.44
MGM China Holdings Ltd (Ser Regs) (Reg) 5.875% 15/05/2026	4,500,000	4,793,130	1.00
Wynn Macau Ltd (Ser Regs) (Reg) 4.875% 01/10/2024	7,385,000	7,557,883	1.58
Wynn Macau Ltd (Ser Regs) (Reg) 5.5% 01/10/2027	4,750,000	4,917,627	1.03
		19,356,340	4.05
Total investments ( <i>Total cost of investments USD451,168,042</i> )		459,431,601	96.14
Other net assets		18,461,289	3.86
Total net assets as at 31 December 2019		477,892,890	100.00

**HAITONG ASIAN HIGH YIELD BOND FUND**  
**(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**Statement of Movements in Investment Portfolio (unaudited)**  
*For the year ended 31 December 2019*

	Percentage holdings of net assets as at 31 December 2019	Percentage holdings of net assets as at 31 December 2018
<u>Listed Bonds</u>		
British Virgin Islands	10.84	0.57
Cayman Islands	12.27	11.79
Channel Islands	-	1.03
China	58.82	69.67
Hong Kong	9.50	7.76
Indonesia	0.66	-
Macau	4.05	1.93
	<hr/>	<hr/>
Total	96.14	92.75
	<hr/> <hr/>	<hr/> <hr/>

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**Performance Record (unaudited)**

31 December 2019

	31 December 2019 USD	31 December 2018 USD	31 December 2017 USD
<b>Net assets</b>			
Class A (HKD) Distribution unit	-	-	282,069
Class D (USD) Distribution unit	153,203,283	-	-
Class D (HKD) Distribution unit	2,813,450	-	-
Class H (RMB) Distribution unit	333,464	-	-
Class I (USD) Distribution unit	321,542,693	171,737,803	225,106,818
<b>Net asset value per unit</b>			
Class A (HKD) Distribution unit	-	-	100.17
Class D (USD) Distribution unit	98.69	-	-
Class D (HKD) Distribution unit	125.28	-	-
Class H (RMB) Distribution unit	14.4501	-	-
Class I (USD) Distribution unit	97.63	90.94	101.02
		Highest issue price	Lowest redemption price

Financial period

Year ended 31 December 2019

Class D (USD) Distribution unit	USD100.30	USD97.03
Class D (HKD) Distribution unit	HKD1,004.24	HKD967.52
Class H (RMB) Distribution unit	RMB102.0866	RMB99.2788
Class I (USD) Distribution unit	USD99.64	USD90.80

Year ended 31 December 2018

Class A (HKD) Distribution unit	HKD786.98	HKD758.91
Class I (USD) Distribution unit	USD101.48	USD90.50

**HAITONG ASIAN HIGH YIELD BOND FUND  
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)**

**Performance Record (unaudited) (Continued)**  
*31 December 2019*

	Highest issue price	Lowest redemption price
<u>Financial period (Continued)</u>		
<u>Year ended 31 December 2017</u>		
Class A (HKD) Distribution unit	HKD805.50	HKD777.66
Class I (USD) Distribution unit	USD104.01	USD100.79
Class I (HKD) Distribution unit	HKD802.41	HKD777.01
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>		
Class A (HKD) Distribution unit	HKD796.12	HKD776.84
Class I (USD) Distribution unit	USD103.24	USD99.95
Class I (HKD) Distribution unit	HKD800.47	HKD776.31