

Unaudited Semi-Annual Report 2020

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 2020 to 30 June 2020

**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

Yang Jianxin
Sun Tong
Poon Mo Yiu
Luk Wai Yin

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

Korea stock market had a volatile path in the first half of 2020, and finished with a slight loss of -4.07% (as measured by KOSPI index in Korea Won terms). Negative impact to the market mainly came from the COVID-19's global outbreak and its uncertainty brought to the export part of Korea economy as well as noise around U.S. – China relationship, partly offset by the effort of global economy recovery from governments, and a good control of the outbreak in Korea.

Coming from an appreciation of 7.67% in 2019, the KOSPI index started 2020 mostly along global equity market with continuous uptrend driven by optimism about U.S. – China trade friction, relatively loose monetary policy from most of the world's central banks. The outbreak of COVID-19 in China caused a quick downward swing, and continued to bring in downward pressure given the virus' global spread, especially as Korea was among the first batch to be affected. U.S. – China relationship was also mostly negative for the market, given the U.S. Presidential election was on the way and that Korea economy was more export oriented and highly sensitive to global economy. The market eventually calmed down given Korea government took solid and quick action for the COVID-19 and related economy recovery, and that global central banks provided massive liquidity. The gradual stabilization of crude oil market was also helpful to risk appetite on Korea equity. During the 2020 South Korean legislative election, the Democratic Party and its satellite won a landslide victory, helped to alleviate policy uncertainty. On the macro front, the central bank of Korea dropped 7 day repo rate from 1.25% in early February to 0.50% in late May, gradually cut 75bps in three months to combat economy slowdown. The country's exports slid by -23.7% in May, though better than the -24.3% in April and also better than the expected -25.1%, altering market expectation. CPI in May was -0.3%, matching market consensus and further decelerated from the 0.1% increase in April. Unemployment rate was 4.5% in May, more than market's expected 4.0% or the 3.8% in April, but largely in control. During the first half of 2020, Korean Won depreciated 3.84% against U.S. Dollar.

Looking forward, we are cautiously optimistic on Korea stock market. On one hand, the market could continue to be volatile given epidemic uncertainty, U.S. – China relationship, and speed of economic recover. On the other hand, the fundamentals of our investment targets are healthy, as strong financials, solid earnings, and competitive advantage and valuation are supportive.

Haitong International Asset Management (HK) Limited

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

STATEMENT OF FINANCIAL POSITION (unaudited)

As at 30 June 2020

	(Unaudited) At 30 June 2020 USD	(Audited) At 31 December 2019 USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	12,495,300	12,700,245
Amounts receivable on sale of investments	701,006	-
Dividends receivable	-	15,347
Prepayment	34	-
Margin Deposit	273	283
Cash and cash equivalents	883,444	1,328,414
Total assets	<u>14,080,057</u>	<u>14,044,289</u>
Liabilities		
Current liabilities		
Amounts payable on purchase of investments	411,723	-
Other payables	43,750	46,056
Liabilities (excluding net assets attributable to unitholders)	<u>455,473</u>	<u>46,056</u>
Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)	13,624,584	13,998,233
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	7,605	10,082
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>13,632,189</u>	<u>14,008,315</u>
Number of units in issue		
Class I (USD) Accumulation units	94,686	94,686
Class I (HKD) Accumulation units	85,149	85,149
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
Class I (USD) Accumulation units	75.80	77.89
Class I (HKD) Accumulation units	75.80	77.89

Note: Semi-annual reports have applied the same accounting policies and methods of computation as are applied in the annual reports of the Sub-Fund.

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

STATEMENT OF COMPREHENSIVE INCOME (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>	(Unaudited) For the period from 1 January 2019 to 30 June 2019 <i>USD</i>
Income		
Interest income on bank deposits	272	703
Dividend income	306,183	325,142
Realised losses on disposal of financial assets at fair value through profit or loss	(1,142,470)	(1,128,651)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	788,971	586,559
Net foreign currency losses	(80,390)	(4,315)
Total net loss	<u>(127,434)</u>	<u>(220,562)</u>
Expenses		
Management fee ^{Note 2}	75,577	91,489
Trustee fee ^{Note 1}	18,000	18,000
Safe custody and bank charges ^{Note 1}	3,392	4,423
Auditor's remuneration	8,851	7,294
Accounting fees ^{Note 1}	6,258	8,466
Handling fees ^{Note 1}	2,150	2,193
Transaction fees	45,752	58,156
Other operating expenses ^{Note 1}	18,875	17,952
Total operating expenses	<u>178,855</u>	<u>207,973</u>
Net loss before tax	(306,289)	(428,535)
Withholding tax	(67,360)	(71,514)
Loss after tax	<u>(373,649)</u>	<u>(500,049)</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	(2,477)	(2,440)
Decrease in net assets attributable to unitholders	<u><u>(376,126)</u></u>	<u><u>(502,489)</u></u>

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

STATEMENT OF COMPREHENSIVE INCOME (unaudited) (continued)

For the period from 1 January 2020 to 30 June 2020

^{Note 1} During the period ended 30 June 2020 and 2019, other than Trustee fee, Safe custody and bank charges and Handling fees that were paid to the Trustee or its Connected Persons, other respective amounts paid to the Trustee or its Connected Persons were as follows:

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>	(Unaudited) For the period from 1 January 2019 to 30 June 2019 <i>USD</i>
Accounting fees	2,983	2,976
Other operating expenses	18,519	17,600

^{Note 2} During the period ended 30 June 2020 and 2019, other than Management fees that was paid to the Manager, no other amounts were paid to the Manager or its Connected Persons.

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>	(Unaudited) For the period from 1 January 2019 to 30 June 2019 <i>USD</i>
Net assets attributable to unitholders at 1 January	14,008,315	15,431,233
Decrease in net assets attributable to unitholders	(376,126)	(502,489)
Net assets attributable to unitholders at 30 June (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>13,632,189</u>	<u>14,928,744</u>
Number of units in issue	Units	Units
Class I (USD) Accumulation units		
Units in issue at the beginning of the period	94,686	94,686
Units in issue at the end of the period	<u>94,686</u>	<u>94,686</u>
Class I (HKD) Accumulation units		
Units in issue at the beginning of the period	85,149	85,149
Units in issue at the end of the period	<u>85,149</u>	<u>85,149</u>

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

STATEMENT OF CASH FLOWS (unaudited)

For the period from 1 January 2020 to 30 June 2020

	(Unaudited) For the period from 1 January 2020 to 30 June 2020 USD	(Unaudited) For the period from 1 January 2019 to 30 June 2019 USD
Cash flows from operating activities		
Decrease in net assets attributable to unitholders	(376,126)	(502,489)
Adjustments for:		
Different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	2,477	2,440
Interest income on bank deposits	(272)	(703)
Dividend income	(306,183)	(325,142)
Withholding tax	67,360	71,514
	<hr/>	<hr/>
	(612,744)	(754,380)
Net change in amounts receivable on sale of investments	(701,006)	(440,488)
Net change in amounts payable on purchase of investments	411,723	443,416
Net change in prepayments	(34)	(360)
Net change in financial assets at fair value through profit or loss	204,945	132,227
Net change in margin deposits	10	(283)
Net change in other payables	(2,306)	(82,503)
	<hr/>	<hr/>
Cash used in operations	(699,412)	(702,371)
Interest received	272	705
Dividend received, net of withholding tax	254,170	259,164
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Net cash outflow from operating activities	(444,970)	(442,502)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(444,970)	(442,502)
Cash and cash equivalents at the beginning of the period	1,328,414	1,496,687
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	883,444	1,054,185
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Analysis of balances of cash and cash equivalents:		
Cash at bank	883,444	1,054,185
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HAITONG KOREA EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)

Investment Portfolio (unaudited)

30 June 2020

	Holdings	Fair value USD	% of Net Assets
<u>Listed equities (91.66%)</u>			
<u>South Korea (91.66%)</u>			
AfreecaTV Co Ltd	10,000	525,773	3.86
Daelim Industrial Co Ltd	6,000	410,802	3.01
Daesang Corporation	15,000	322,577	2.37
DongKook Pharmaceutical Co Ltd	5,200	522,578	3.83
DoubleUGames Co Ltd	2,200	146,052	1.07
Duk San Neolux Co Ltd	15,000	421,159	3.09
Hana Financial Holdings	26,000	584,007	4.28
Hansol Chemical Co Ltd	5,200	549,399	4.03
KB Financial Group	10,000	282,437	2.07
KMW Co Ltd	10,000	532,428	3.91
Korea Information Service Inc	40,000	607,301	4.46
Leeno Industrial Inc	7,000	658,048	4.83
LG Innotek Co Ltd	5,000	725,849	5.33
NCSOFT Corp	1,400	1,037,736	7.61
NHN KCP Corp	10,000	410,552	3.01
NongShim Co Ltd	1,000	304,066	2.23
Orion Corp/Republic of Korea	5,000	557,386	4.09
Samsung Biologics Co Ltd	1,250	805,922	5.91
Samsung C&T Corp	3,900	376,360	2.76
Samsung Electro Mechanics Co Ltd	3,500	375,611	2.76
Samsung Electronics Co Ltd	10,500	461,216	3.38
Samsung Securities Co Ltd	16,000	350,737	2.57
Samyang Foods Co Ltd	3,900	408,805	3.00
Soulbrain Holdings Co Ltd	5,200	414,861	3.04
Ssangyong Cement Industrial Co Ltd	30,000	127,284	0.93
Tokai Carbon Korea Co Ltd	8,000	576,354	4.23
Total investments (<i>Total cost of investments USD11,267,703</i>)		12,495,300	91.66
Other net assets		1,136,889	8.34
Total net assets as at 30 June 2020		13,632,189	100.00

HAITONG KOREA EQUITY INVESTMENT FUND
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Statement of Movements in Investment Portfolio (unaudited)
For the period from 1 January 2020 to 30 June 2020

	Percentage holdings of net assets as at 30 June 2020	Percentage holdings of net assets as at 31 December 2019
<u>South Korea (Listed equities - by industry)</u>		
Banks	-	11.48
Broadcasting	-	4.25
Commodity Chemicals	-	3.94
Communications	3.86	-
Construction Materials	-	4.75
Consumer Staples	11.68	-
Electrical Components & Equipment	-	13.44
Entertainment	-	4.68
Financials	11.94	-
Healthcare	9.75	-
Industrial Machinery & Equipment	-	9.79
Industrials	5.77	-
Investment Banking & Brokerage Services	-	14.71
Marketing	-	7.01
Materials	8.01	-
Phone & Handheld Devices	-	10.45
Technology	40.65	-
Textile	-	6.16
	<hr/>	<hr/>
Total	91.66	90.66
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**HAITONG KOREA EQUITY INVESTMENT FUND
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Performance Record (unaudited)

30 June 2020

	30 June 2020 <i>USD</i>	31 December 2019 <i>USD</i>	31 December 2018 <i>USD</i>
Net assets			
Class I (USD) Accumulation units	7,177,553	7,375,589	8,124,777
Class I (HKD) Accumulation units	6,454,636	6,632,726	7,306,456
Net asset value per unit			
Class I (USD) Accumulation units	75.80	77.89	85.80
Class I (HKD) Accumulation units	75.80	77.89	85.80
		Highest issue price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2020 to 30 June 2020</u>			
Class I (USD) Accumulation units		USD78.35	USD48.81
Class I (HKD) Accumulation units		HKD607.21	HKD379.09
<u>Year ended 31 December 2019</u>			
Class I (USD) Accumulation units		USD90.48	USD69.64
Class I (HKD) Accumulation units		HKD709.34	HKD546.21
<u>Year ended 31 December 2018</u>			
Class I (USD) Accumulation units		USD120.10	USD84.57
Class I (HKD) Accumulation units		HKD938.93	HKD662.03
<u>Year ended 31 December 2017</u>			
Class I (USD) Accumulation units		USD118.12	USD90.61
Class I (HKD) Accumulation units		HKD921.68	HKD702.76

**HAITONG KOREA EQUITY INVESTMENT FUND
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Performance Record (unaudited) (continued)

30 June 2020

	Highest issue price	Lowest redemption price
<u>Financial period (continued)</u>		
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>		
Class I (USD) Accumulation units	USD104.65	USD87.69
Class I (HKD) Accumulation units	HKD812.02	HKD680.06