

Unaudited Semi-Annual Report 2021

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

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

For the period from 1 January 2021 to 30 June 2021

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

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**HAITONG JAPAN 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
Yan Suping (Appointed on 29 March 2021)

Auditors

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

Solicitors

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

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

Japan stock market had a volatile path in the first half of 2021, and finished with a positive return of 4.91% (as measured by Nikkei 225 index in Japan Yen terms). Strong industrial production and export brought in confidence to economic recovery. Negative impact mainly stemmed from the slowed recovery in domestic consumption amid a new wave of the COVID-19 outbreak, the uncertainties in global economic recovery affecting the export sectors, as well as noise around U.S. – China relationship.

After surging by 16.01% in 2020, the Nikkei 225 index started 2021 slightly ahead of the global equity market with a continuous uptrend driven by optimism on U.S. – China trade friction, an extremely accommodative monetary policy and a scenario of reopening in global economy. However, the outbreak of new variants of Covid-19 virus brought uncertainties to the global economic recovery and added downward pressure on the market together with a second state of emergency in January. On the other hand, global central banks, especially Bank of Japan, continue to provide massive liquidity to support both the economy and risk assets. The gradual stabilization of crude oil market was also helpful to risk appetite on Japan equity. On the macro economic front, the first quarter saw moderate negative growth due to the decline of domestic demand from the impact of state of emergency declaration due to Covid-19. Although the Tokyo Olympics plan was intact, the limit setting of number of spectators together with risk of further virus spread delayed a strong economic recovery. Industrial production grew by 21.1% yoy in May. Jobless rate remained low at 3.0% in May. CPI was -0.1% in May amid a global concern on higher inflation, leaving ample room for the central bank's aggressive monetary policy. During the first half of 2021, Japan Yen depreciated 7.68% against U.S. Dollar, which was supportive for exports.

Looking forward, we are cautiously optimistic on Japanese stock market. Fed's latest comments have become less dovish. Delta variant has started a new wave of infection. Moreover, China has shown signs of slowdown in economic growth. On the other hand, we expect that Japan's private consumption and investment to rebound in the second half of this year, when vaccination accelerates and exports stay healthy. Overall, although we acknowledge that the market may yet overreact amid uncertainties on a number of fronts in rest of this year, our anchor view keeps us constructive on Japanese equities. We view temporary episodes of turbulence in the markets as opportunities to readjust portfolios to a stance in favour of companies with strong financials, solid earnings, and competitive advantage as well as attractive valuation.

Haitong International Asset Management (HK) Limited

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

STATEMENT OF FINANCIAL POSITION (unaudited)

As at 30 June 2021

	(Unaudited) At 30 June 2021 USD	(Audited) At 31 December 2020 USD
Assets		
Current assets		
Financial assets at fair value through profit or loss	18,859,290	20,221,485
Dividends receivable	6,434	11,989
Cash and cash equivalents	2,544,943	1,836,229
Total assets	<u>21,410,667</u>	<u>22,069,703</u>
Liabilities		
Current liabilities		
Amounts payable on purchase of investments	439,996	-
Other payables	68,027	314,973
Liabilities (excluding net assets attributable to unitholders)	<u>508,023</u>	<u>314,973</u>
Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)	<u>20,902,644</u>	<u>21,754,730</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	12,539	16,702
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>20,915,183</u>	<u>21,771,432</u>
Number of units in issue		
– Class A (USD) Accumulation units	<u>15,099</u>	<u>15,099</u>
– Class A (HKD) Accumulation units	<u>100,000</u>	<u>100,000</u>
– Class I (USD) Accumulation units	<u>20,000</u>	<u>20,000</u>
– Class I (HKD) Accumulation units	<u>300,000</u>	<u>300,000</u>
– Class S (USD) Accumulation units	<u>97,425</u>	<u>97,425</u>

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

STATEMENT OF FINANCIAL POSITION (unaudited) (continued)

As at 30 June 2021

	(Unaudited) At 30 June 2021 <i>USD</i>	(Audited) At 31 December 2020 <i>USD</i>
Net asset value per unit (in accordance with the Sub-Fund's Explanatory Memorandum)		
– Class A (USD) Accumulation units	111.66	116.37
– Class A (HKD) Accumulation units	14.24	14.85
– Class I (USD) Accumulation units	112.55	117.12
– Class I (HKD) Accumulation units	14.36	14.94
– Class S (USD) Accumulation units	115.41	120.11

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

STATEMENT OF COMPREHENSIVE INCOME (unaudited)

For the period from 1 January 2021 to 30 June 2021

	(Unaudited) For the period from 1 January 2021 to 30 June 2021 USD	(Unaudited) For the period from 1 January 2020 to 30 June 2020 USD
Income		
Interest income on bank deposits	1	299
Dividend income	133,969	119,913
Realised gains/(losses) on disposal of financial assets at fair value through profit or loss	1,814,041	(1,260,513)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	(2,501,400)	2,099,649
Net foreign currency (losses)/gains	(59,817)	7,812
Total net (loss)/income	<u>(613,206)</u>	<u>967,160</u>
Expenses		
Management fee ^{Note 2}	129,554	98,903
Trustee fee ^{Note 1}	18,000	18,000
Safe custody and bank charges ^{Note 1}	2,424	1,731
Auditor's remuneration	8,202	7,957
Accounting fee ^{Note 1}	3,737	5,606
Handling fee ^{Note 1}	1,672	728
Transaction fee	11,539	9,763
Other operating expenses ^{Note 1}	43,765	41,409
Total operating expenses	<u>218,893</u>	<u>184,097</u>
Net (loss)/income before tax	(832,099)	783,063
Withholding tax	(19,987)	(18,365)
(Loss)/income after tax	<u>(852,086)</u>	<u>764,698</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	(4,163)	(4,054)
(Decrease)/increase in net assets attributable to unitholders	<u><u>(856,249)</u></u>	<u><u>760,644</u></u>

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

STATEMENT OF COMPREHENSIVE INCOME (unaudited) (Continued)

For the period from 1 January 2021 to 30 June 2021

Note 1 During the period ended 30 June 2021 and 2020, other than Trustee fee, Safe custody and bank charges and Handling fees were paid to the Trustee or its Connected Persons, other respective amounts paid to the Trustee or its Connected Persons were as follows:

	For the period from 1 January 2021 to 30 June 2021 (Unaudited) <i>USD</i>	For the period from 1 January 2020 to 30 June 2020 (Unaudited) <i>USD</i>
Accounting fee	2,976	2,983
Other operating expenses	43,409	41,053

Note 2 During the period ended 30 June 2021 and 2020, other than Management fees that paid to the Manager, no other amounts paid to the Manager or its Connected Persons.

**HAITONG JAPAN 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 2021 to 30 June 2021

	For the period from 1 January 2021 to 30 June 2021 (Unaudited) <i>USD</i>	For the period from 1 January 2020 to 30 June 2020 (Unaudited) <i>USD</i>
Net assets attributable to unitholders at 1 January	21,771,432	16,654,164
(Decrease)/increase in net assets attributable to unitholders	(856,249)	760,644
Net assets attributable to unitholders at 30 June (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>20,915,183</u>	<u>17,414,808</u>
Number of units in issue		
	Units	Units
Class A (USD) Accumulation units		
Units in issue at the beginning of the period	15,099	15,099
Units in issue at the end of the period	<u>15,099</u>	<u>15,099</u>
Class A (HKD) Accumulation units		
Units in issue at the beginning of the period	100,000	100,000
Units in issue at the end of the period	<u>100,000</u>	<u>100,000</u>
Class I (USD) Accumulation units		
Units in issue at the beginning of the period	20,000	20,000
Units in issue at the end of the period	<u>20,000</u>	<u>20,000</u>
Class I (HKD) Accumulation units		
Units in issue at the beginning of the period	300,000	300,000
Units in issue at the end of the period	<u>300,000</u>	<u>300,000</u>
Class S (USD) Accumulation units		
Units in issue at the beginning of the period	97,425	97,425
Units in issue at the end of the period	<u>97,425</u>	<u>97,425</u>

**HAITONG JAPAN EQUITY INVESTMENT FUND
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STATEMENT OF CASH FLOWS (unaudited)

For the period from 1 January 2021 to 30 June 2021

	For the period from 1 January 2021 to 30 June 2021 (Unaudited) USD	For the period from 1 January 2020 to 30 June 2020 (Unaudited) USD
Cash flows from operating activities		
(Decrease)/increase in net assets attributable to unitholders	(856,249)	760,644
Adjustments for:		
Different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	4,163	4,054
Interest income on bank deposits	(1)	(299)
Dividend income	(133,969)	(119,913)
Withholding tax	19,987	18,365
	<u>(966,069)</u>	<u>662,851</u>
Net change in amounts payable on purchase of investments	439,996	-
Net change in prepayment	-	(35)
Net change in financial assets at fair value through profit or loss	1,362,195	(934,197)
Net change in other payables	(246,946)	(1,065)
	<u>589,176</u>	<u>(272,446)</u>
Cash from/(used in) operations		
Interest received	1	304
Dividend received, net of withholding tax	119,537	100,571
	<u>708,714</u>	<u>(171,571)</u>
Net cash inflow/(outflow) from operating activities		
	<u>708,714</u>	<u>(171,571)</u>
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	1,836,229	1,597,370
Cash and cash equivalents at the end of the period	<u>2,544,943</u>	<u>1,425,799</u>
Analysis of balances of cash and cash equivalents:		
Cash at bank	<u>2,544,943</u>	<u>1,425,799</u>

HAITONG JAPAN EQUITY INVESTMENT FUND
(A SUB-FUND OF HAITONG INVESTMENT FUND SERIES)

Investment Portfolio (unaudited)

30 June 2021

	Holdings	Fair value USD	% of Net Assets
<u>Listed equities (90.17%)</u>			
<u>Japan (90.17%)</u>			
Advantest Corp	18,000	1,630,514	7.80
Chugai Pharmaceutical Co Ltd	24,000	956,047	4.57
Daifuku Co Ltd	800	73,047	0.35
Daiichi Sankyo Co Ltd	30,000	650,061	3.11
DISCO Corp	3,000	921,678	4.41
East Japan Railway Co	9,600	688,649	3.29
Fujitsu Ltd	5,500	1,035,247	4.95
Hitachi Ltd	18,800	1,082,185	5.17
Itochu Techno-Solutions Corp	20,000	622,596	2.98
Japan Elevator Service Holdings Co Ltd	40,200	939,291	4.49
Keyence Corp	2,000	1,014,796	4.85
Kobe Bussan Co Ltd	32,000	1,013,529	4.85
Koito Manufacturing Co Ltd	7,000	437,718	2.09
Lasertec Corp	2,000	390,752	1.87
NEC Corp	5,300	274,341	1.31
Net One Systems Co Ltd	20,000	663,318	3.17
Nintendo Co Ltd	900	526,293	2.52
Nomura Real Estate Holdings Inc	30,000	765,033	3.66
Nomura Research Institute Ltd	10,000	332,564	1.59
OBIC Co Ltd	3,500	655,943	3.14
Olympus Corp	22,000	439,582	2.10
Renesas Electronics Corp	74,300	807,514	3.86
Sekisui House Ltd	5,000	103,095	0.49
Shin-Etsu Chemical Co Ltd	5,000	840,686	4.02
TDK Corp	1,000	122,076	0.58
Tokyo Electron Ltd	3,000	1,305,280	6.24
West Japan Railway Co	9,900	567,455	2.71
Total investments (<i>Total cost of investments USD13,152,680</i>)		18,859,290	90.17
Other net assets		2,055,893	9.83
Total net assets as at 30 June 2021		20,915,183	100.00

**HAITONG JAPAN EQUITY INVESTMENT FUND
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Statement of Movements in Investment Portfolio (unaudited)
For the period from 1 January 2021 to 30 June 2021

	Percentage holdings of net assets as at 30 June 2021	Percentage holdings of net assets as at 31 December 2020
<u>Japan</u> (Listed equities - by industry)		
Communication Services	-	5.61
Consumer Staples	4.85	6.80
Consumer, Cyclical	2.58	-
Consumer, Non-cyclical	2.10	-
Financial	3.66	-
Health Care	7.68	10.60
Industrials	25.27	20.74
Materials	4.02	4.02
Technology	40.01	45.11
	<hr/>	<hr/>
Total	90.17	92.88
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**HAITONG JAPAN EQUITY INVESTMENT FUND
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Performance Record (unaudited)

30 June 2021

	30 June 2021 USD	31 December 2020 USD	31 December 2019 USD
Net assets			
Class A (USD) Accumulation unit	1,686,016	1,757,189	1,365,347
Class A (HKD) Accumulation unit	1,424,917	1,485,077	1,152,080
Class I (USD) Accumulation unit	2,251,087	2,342,597	1,816,504
Class I (HKD) Accumulation unit	4,308,874	4,484,065	3,471,558
Class S (USD) Accumulation unit	11,244,289	11,702,504	8,848,675
Net asset value per unit			
Class A (USD) Accumulation unit	111.66	116.37	90.42
Class A (HKD) Accumulation unit	14.24	14.85	11.52
Class I (USD) Accumulation unit	112.55	117.12	90.82
Class I (HKD) Accumulation unit	14.36	14.94	11.57
Class S (USD) Accumulation unit	115.41	120.11	90.82

Highest issue price	Lowest redemption price
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Financial period

1 January 2021 to 30 June 2021

Class A (USD) Accumulation unit	USD120.18	USD102.15
Class A (HKD) Accumulation unit	HKD118.89	HKD101.25
Class I (USD) Accumulation unit	USD120.99	USD102.87
Class I (HKD) Accumulation unit	HKD119.68	HKD101.96
Class S (USD) Accumulation unit	USD124.80	USD105.49

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

Performance Record (unaudited) (Continued)
30 June 2021

	Highest issue price	Lowest redemption price
<u>Financial period (Continued)</u>		
<u>Year ended 31 December 2020</u>		
Class A (USD) Accumulation unit	USD116.14	USD70.81
Class A (HKD) Accumulation unit	HKD114.91	HKD70.06
Class I (USD) Accumulation unit	USD116.90	USD71.17
Class I (HKD) Accumulation unit	HKD115.65	HKD70.41
Class S (USD) Accumulation unit	USD119.88	USD71.17
<u>Year ended 31 December 2019</u>		
Class A (USD) Accumulation unit	USD90.42	USD81.25
Class A (HKD) Accumulation unit	HKD89.69	HKD81.16
Class I (USD) Accumulation unit	USD90.82	USD81.47
Class I (HKD) Accumulation unit	HKD90.09	HKD81.38
Class S (USD) Accumulation unit	USD90.82	USD81.47
<u>Period from 11 July 2018 (date of inception) to 31 December 2018</u>		
Class A (USD) Accumulation unit	USD102.45	USD82.18
Class A (HKD) Accumulation unit	HKD102.32	HKD81.94
Class I (USD) Accumulation unit	USD102.51	USD82.29
Class I (HKD) Accumulation unit	HKD102.38	HKD82.05
Class S (USD) Accumulation unit	USD102.96	USD82.29