

Unaudited Semi-Annual Report 2021

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 2021 to 30 June 2021

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

REPORT OF THE MANAGER TO THE UNITHOLDERS

Korea stock market had a volatile path in the first half of 2021, and finished with good performance of 12.73% (as measured by KOSPI 200 index in Korea Won terms). The market gained thanks to the record high exports and investment recovery on track. Negative impact to the market mainly stemmed from the COVID-19's global outbreak and the uncertainty brought to Korea's economy as well as noise around U.S. – China relationship.

After obtaining 32.52% return in 2020, the KOSPI 200 index started the year of 2021 mostly along global equity markets on an uptrend driven by optimism on U.S. – China trade friction, economic reopening from the pandemic, an extremely accommodative monetary policy. However, outbreak of new variants of Covid-19 virus brought uncertainty to the global economic recovery scenario again, and continued to add downward pressure on the market, given the fact that Korea economy is export-oriented and highly sensitive to global economy. The market eventually calmed down as the global central banks continued to provide massive liquidity, and the Korean government started an inoculation plan, aiming to achieve herd immunity before November.

On the macro-economic front, the central bank of Korea started showing hawkish stance as it prepared to gradually normalize its monetary policy. The market has already priced in two rate hikes, if not one. Korea's exports were booming in major items such as semiconductors and automobiles in the first half of 2021. The country's exports expanded 39.7% yoy to USD in June, beating market expectation of 33.6%, after a stellar 45.6% rise in May. In addition, major products such as chemical products and petroleum products performed well. Along with the resumption in the economies of trading partners, the export boom is expected to continue in the second half of the year, as economic activities in developed countries may continue picking up with higher vaccination rates. Both equipment investment and construction investment are expected to expand, due to the soaring semiconductor capital expenditures and rebound in construction orders supported by apartment presales. CPI in June was 2.4%, matching market consensus but slightly decelerated from the 2.6% increase in May. Unemployment rate remained low at around 3.7% in the past six months. Korean Won depreciated 3.66% against U.S. Dollar in the first half of 2021, further bolstering exports.

Looking forward, we are cautiously optimistic on Korea stock market. Fed's latest comments have become less dovish. Delta variant has started a new wave of infection. China has shown signs of slowdown in economic growth. On the other hand, we expect that Korea's private consumption and investment to rebound in the second half of this year, when herd immunity is achieved and exports stay healthy. Overall, although we acknowledge that the market may yet overact amid uncertainties on a number of fronts in rest of this year, our anchor view keeps us constructive on South Korea 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 KOREA EQUITY INVESTMENT FUND
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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	18,171,059	16,568,162
Dividends receivable	-	7,552
Margin deposit	291	302
Cash and cash equivalents	656,795	1,247,013
Total assets	<u>18,828,145</u>	<u>17,823,029</u>
Liabilities		
Current liabilities		
Other payables	54,715	57,252
Liabilities (excluding net assets attributable to unitholders)	<u>54,715</u>	<u>57,252</u>
Net assets attributable to unitholders (after adjustment for different basis adopted by the Sub-Fund)	18,773,430	17,765,777
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	2,544	5,055
Net assets attributable to unitholders (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>18,775,974</u>	<u>17,770,832</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	104.40	98.81
Class I (HKD) Accumulation units	104.40	98.81

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 2021 to 30 June 2021

	(Unaudited) For the period from 1 January 2021 to 30 June 2021 <i>USD</i>	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>
Income		
Interest income on bank deposits	36	272
Dividend income	167,166	306,183
Realised gains/(losses) on disposal of financial assets at fair value through profit or loss	185,415	(1,142,470)
Change in unrealised gains/losses in value of financial assets at fair value through profit or loss	879,710	788,971
Net foreign currency losses	(53,333)	(80,390)
Total net income/(loss)	<u>1,178,994</u>	<u>(127,434)</u>
Expenses		
Management fee ^{Note 2}	109,845	75,577
Trustee fee ^{Note 1}	18,000	18,000
Safe custody and bank charges ^{Note 1}	5,127	3,392
Auditor's remuneration	8,294	8,851
Accounting fee ^{Note 1}	3,639	6,258
Handling fee ^{Note 1}	215	2,150
Transaction fee	5,265	45,752
Other operating expenses ^{Note 1}	20,386	18,875
Total operating expenses	<u>170,771</u>	<u>178,855</u>
Net income/(loss) before tax	1,008,223	(306,289)
Withholding tax	(570)	(67,360)
Income/(loss) after tax	<u>1,007,653</u>	<u>(373,649)</u>
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	(2,511)	(2,477)
Increase/(decrease) in net assets attributable to unitholders	<u><u>1,005,142</u></u>	<u><u>(376,126)</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 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 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 2021 to 30 June 2021 <i>USD</i>	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>
Accounting fees	2,975	2,983
Other operating expenses	20,029	18,519

^{Note 2} During the period ended 30 June 2021 and 2020, 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 2021 to 30 June 2021

	(Unaudited) For the period from 1 January 2021 to 30 June 2021 <i>USD</i>	(Unaudited) For the period from 1 January 2020 to 30 June 2020 <i>USD</i>
Net assets attributable to unitholders at 1 January	17,770,832	14,008,315
Increase/(decrease) in net assets attributable to unitholders	1,005,142	(376,126)
Net assets attributable to unitholders at 30 June (in accordance with the Sub-Fund's Explanatory Memorandum)	<u>18,775,974</u>	<u>13,632,189</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
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STATEMENT OF CASH FLOWS (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
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders	1,005,142	(376,126)
Adjustments for:		
Different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	2,511	2,477
Interest income on bank deposits	(36)	(272)
Dividend income	(167,166)	(306,183)
Withholding tax	570	67,360
	<hr/> 841,021	<hr/> (612,744)
Net change in amounts receivable on sale of investments	-	(701,006)
Net change in amounts payable on purchase of investments	-	411,723
Net change in prepayments	-	(34)
Net change in financial assets at fair value through profit or loss	(1,602,897)	204,945
Net change in margin deposit	11	10
Net change in other payables	(2,537)	(2,306)
	<hr/> (764,402)	<hr/> (699,412)
Cash used in operations		
Interest received	36	272
Dividend received, net of withholding tax	174,148	254,170
	<hr/> (590,218)	<hr/> (444,970)
Net cash outflow from operating activities		
	(590,218)	(444,970)
Net decrease in cash and cash equivalents		
	(590,218)	(444,970)
Cash and cash equivalents at the beginning of the period	1,247,013	1,328,414
	<hr/> 656,795	<hr/> 883,444
Cash and cash equivalents at the end of the period		
	<hr/> <hr/> 656,795	<hr/> <hr/> 883,444
Analysis of balances of cash and cash equivalents:		
Cash at bank	<hr/> <hr/> 656,795	<hr/> <hr/> 883,444

HAITONG KOREA 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 (96.78%)</u>			
<u>South Korea (96.78%)</u>			
Daesang Corporation	15,000	369,266	1.97
DL Holdings Co Ltd	11,890	843,835	4.49
DongKook Pharmaceutical Co Ltd	26,000	650,441	3.46
DoubleUGames Co Ltd	2,200	116,320	0.62
Duk San Neolux Co Ltd	15,000	758,493	4.04
Hana Financial Holdings	26,000	1,062,157	5.66
Hansol Chemical Co Ltd	5,200	1,132,506	6.03
KB Financial Group	10,000	495,017	2.64
KMW Co Ltd	10,000	479,935	2.56
Leeno Industrial Inc	7,000	1,089,835	5.81
LG Chemical Ltd	787	593,443	3.16
LG Innotek Co Ltd	5,000	989,146	5.27
NCSOFT Corp	1,400	1,018,421	5.42
NHN KCP Corp	10,700	551,500	2.94
Nice Information Service Co Ltd (Formerly known as Korea Information Service Inc)	40,000	890,675	4.74
Nongshim Co Ltd	1,000	278,114	1.48
Orion Corp/Republic of Korea	5,000	525,622	2.80
Samsung Biologics Co Ltd	692	516,283	2.75
Samsung C&T Corp	3,900	472,262	2.52
Samsung Electro Mechanics Co Ltd	3,500	549,575	2.93
Samsung Electronics Co Ltd	10,500	751,707	4.00
Samsung Securities Co Ltd	16,000	638,021	3.40
Samyang Foods Co Ltd	3,900	314,149	1.67
SK Hynix Inc	5,829	659,310	3.51
Soulbrain Co Ltd	2,324	677,675	3.61
Soulbrain Holdings Co Ltd	2,875	94,368	0.50
Ssangyong C&E Co Ltd (Formerly known as Ssangyong Cement Industrial Co Ltd)	30,000	222,225	1.18
Tokai Carbon Korea Co Ltd	8,000	1,430,758	7.62
Total investments (<i>Total cost of investments USD11,874,745</i>)		18,171,059	96.78
Other net assets		604,915	3.22
Total net assets as at 30 June 2021		18,775,974	100.00

**HAITONG KOREA 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>South Korea (Listed equities - by industry)</u>		
Communications	6.04	7.45
Consumer Staples	7.92	8.85
Electrical Components & Equipment	3.51	-
Financials	11.70	10.26
Health Care	6.21	9.31
Industrials	7.01	5.37
Materials	14.48	13.66
Technology	39.91	38.33
	<hr/>	<hr/>
Total	96.78	93.23
	<hr/> <hr/>	<hr/> <hr/>

**HAITONG KOREA 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 I (USD) Accumulation unit	9,885,834	9,356,611	7,375,589
Class I (HKD) Accumulation unit	8,890,140	8,414,221	6,632,726
Net asset value per unit			
Class I (USD) Accumulation unit	104.40	98.81	77.89
Class I (HKD) Accumulation unit	104.40	98.81	77.89
		Highest issue price	Lowest redemption price
<u>Financial period</u>			
<u>1 January 2021 to 30 June 2021</u>			
Class I (USD) Accumulation unit		USD109.03	USD95.05
Class I (HKD) Accumulation unit		HKD846.32	HKD737.91
<u>Year ended 31 December 2020</u>			
Class I (USD) Accumulation unit		USD98.65	USD48.81
Class I (HKD) Accumulation unit		HKD764.83	HKD379.09
<u>Year ended 31 December 2019</u>			
Class I (USD) Accumulation unit		USD90.48	USD69.64
Class I (HKD) Accumulation unit		HKD709.34	HKD546.21
<u>Year ended 31 December 2018</u>			
Class I (USD) Accumulation unit		USD120.10	USD84.57
Class I (HKD) Accumulation unit		HKD938.93	HKD662.03

**HAITONG KOREA EQUITY INVESTMENT FUND
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Performance Record (unaudited) (continued)
30 June 2021

	Highest issue price	Lowest redemption price
<u>Financial period (continued)</u>		
<u>Year ended 31 December 2017</u>		
Class I (USD) Accumulation unit	USD118.12	USD90.61
Class I (HKD) Accumulation unit	HKD921.68	HKD702.76
<u>Period from 23 May 2016 (date of inception) to 31 December 2016</u>		
Class I (USD) Accumulation unit	USD104.65	USD87.69
Class I (HKD) Accumulation unit	HKD812.02	HKD680.06