

# INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND - CLASS 2

Fund Manager's Report - 31 May 2024

## IMPORTANT INFORMATION

- I. Income Partners Managed Volatility High Yield Bond Fund (the "Fund") invests primarily in high yield debt instruments, which are below investment grade or unrated. The Fund will invest in high yield debt instruments, and as a result may be subject to substantial credit/counterparty risk, credit rating related risks, interest rates risk, liquidity risks, and valuation risks. The investments held by the Fund may fall in value and therefore your investment in the Fund may suffer losses.
- II. The Fund's managed volatility strategy may not achieve the desired results under all circumstances. While the Fund's manager will endeavor to manage the Fund such that it does not exceed its pre-determined annualized volatility target, there is no guarantee that such targets can be reached in all market conditions. Managed volatility does not necessarily mean lower risk and the Fund may still suffer losses.
- III. The Fund is denominated in RMB, and RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that RMB will not depreciate. If you convert Hong Kong Dollar or any other currency into RMB so as to invest in the Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, you may suffer a loss if RMB depreciates against Hong Kong Dollar or other currency. In addition, the underlying investments in the Fund may be denominated in currencies other than RMB. The NAV may be affected favorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in the exchange rate controls.
- IV. The Fund invests in the Greater China region and in the China market and there is subject to emerging market risk including political, economic, legal, regulatory and liquidity risks.
- V. The Fund may invest in derivative transactions such as swaps, futures and forwards for hedging purposes. There is no guarantee that the hedging techniques will be effective.
- VI. In respect of the distribution Units of the Fund (save for Class 2C Dis (USD) Units), the Fund's manager currently intends to make monthly dividend distribution. However, the distribution amount of dividend rate is not guaranteed. In respect of the Class 2C Dis (USD) Units, the Fund's manager makes non-discretionary monthly distributions. For certain classes of Units of the Fund, the Fund's manager may at its discretion pay distributions out of the capital of the Fund. The Fund's manager may also, at its discretion, pay distributions out of gross income, while paying all or part of the fees and expenses of the capital of the Fund, resulting in an increase in distributable income for payment of distributions by the Fund. Therefore the Fund may effectively make payment of dividend out of capital. Payment of distributions out of capital represents a return or withdrawal of part of the amount they originally invested of from any capital gains attributable to the original investment. Any such distributions may result in an immediate reduction of the net asset value per unit of the Fund.
- VII. Investment involves risk. Past performance is not a guarantee or a reliable indicator of future results and no guarantee is being made that similar returns will be achieved in the future.
- VIII. In making investment decisions, investors should not rely solely on the information in this report and should read the offering document of the Fund of further details including the risk factors. This document does not constitute an offering document.

Share Class	NAV per share <sup>2</sup>	Dividend per share	Annualized Dividend Yield <sup>5</sup>
2A Acc (USD)	\$114.79		
2A Dis (USD)	\$42.56	\$0.30	9.0%
2B Acc (RMB)	¥129.47		
2B Dis (RMB)	¥47.15	¥0.31	8.4%
2C Dis (USD) <sup>5</sup>	\$45.68	\$0.26	7.0%
2D Acc (HKD)	\$69.77		
2D Dis (HKD)	\$41.94	\$0.29	8.8%
2E Dis (AUD)	\$52.97	\$0.30	7.0%
2F Acc (AUD-H)	\$82.44		
2F Dis (AUD-H)	\$49.27	\$0.27	7.0%
2G Acc (USD-H)	\$87.16		
2G Dis (USD-H)	\$44.51	\$0.29	8.4%
2I Acc (SGD-H)	\$70.31		
2I Dis (SGD-H)	\$49.00	\$0.27	7.0%
2K Dis (EUR-H)	€51.40	€0.22	5.4%
2L Dis (HKD-H)	\$48.43	\$0.32	8.5%

H = Hedged currency share class  
 Record Date: 31 May 2024  
 Ex-Dividend Date: 3 June 2024  
 Payment/Reinvestment Date: 5 June 2024  
 Please see [www.incomepartners.com](http://www.incomepartners.com) for details of historical dividend information for all applicable share classes.

Risk Measures	3 Years	Since Inception
2B Acc (RMB)	19.05%	10.71%
Annualized Volatility	19.05%	10.71%
Sharpe Ratio <sup>6</sup>	-0.71	-0.07

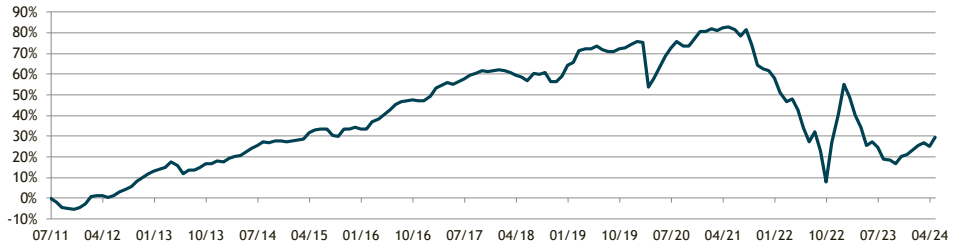
Fund Characteristics	
Yield to Maturity in RMB <sup>7,9</sup>	8.6%
Yield to Maturity in USD <sup>8,9</sup>	11.5%
Modified Duration (years)	2.5
Average Credit Rating	B+
Number of bond holdings	66

Top 10 Holdings <sup>10</sup> : 38.6% of NAV	
NWD Finance (BVI) Ltd	5.0%
Pakistan Government Bond	4.4%
Fortune Star BVI Ltd	4.2%
Sri Lanka Government Bond	4.1%
Li & Fung Ltd	4.0%
LS Finance 2017 Ltd	3.7%
Standard Chartered PLC	3.5%
Sun Hung Kai & Co BVI	3.3%
FWD Group Holdings Ltd	3.2%
eHi Car Services Ltd	3.1%

## INVESTMENT OBJECTIVE

The Fund seeks to maximize total investment returns, comprising capital appreciation and interest income by primarily investing in high yield debt instruments that are below investment grade or unrated. It aims to deliver high yield returns with a reduced level of volatility compared against the broader high yield market through an active managed volatility strategy by using both quantitative and qualitative measures. The Fund has a geographical focus on Greater China and Asia.

## TOTAL RETURN<sup>2,3</sup>: CLASS 2B ACCUMULATION (RMB)



## CUMULATIVE PERFORMANCE AND CALENDAR YEAR PERFORMANCE<sup>2</sup>

Share Class	Year-to-date (YTD)	1 Year	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)	2019	2020	2021	2022	2023	Inception Date (dd/mm/yy)
2A Acc (USD)	4.92%	1.08%	-14.63%	-6.40%	1.08%	8.44%	10.75%	-8.23%	-20.22%	-16.37%	27/07/11
2A Dis (USD)	4.90%	1.09%	-14.63%	-6.40%	1.07%	8.45%	10.76%	-8.24%	-20.21%	-16.34%	03/08/11
2B Acc (RMB)	6.96%	2.96%	-10.83%	-5.57%	2.03%	9.79%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2B Dis (RMB)	6.96%	2.96%	-10.84%	-5.57%	2.04%	9.80%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2C Dis (USD) <sup>2</sup>	4.89%	1.09%	-14.63%	-6.40%	1.20%	8.44%	10.76%	-8.23%	-20.22%	-16.35%	10/08/11
2D Acc (HKD)	5.01%	0.88%	-14.42%	-6.46%	-5.57%	7.83%	10.25%	-7.69%	-20.23%	-16.20%	21/02/18
2D Dis (HKD)	5.03%	0.89%	-14.41%	-6.46%	-5.54%	7.81%	10.28%	-7.71%	-20.23%	-16.19%	09/02/18
2E Dis (AUD)	7.27%	-1.59%	-10.24%	-5.71%	-3.41%	9.16%	0.38%	-2.26%	-14.74%	-16.46%	04/05/18
2F Acc (AUD-H)	7.32%	3.63%	-11.68%	-7.05%	-2.21%	7.66%	0.76%	-13.35%	-14.59%	-13.40%	13/10/15
2F Dis (AUD-H)	7.37%	3.69%	-11.67%	-7.05%	-6.93%	0.15%	0.76%	-13.35%	-14.62%	-13.40%	02/05/19
2G Acc (USD-H)	7.79%	5.04%	-10.69%	-6.20%	-1.58%	8.95%	1.58%	-13.12%	-13.70%	-11.98%	13/10/15
2G Dis (USD-H)	7.76%	5.06%	-10.68%	-6.15%	-1.71%	9.18%	1.61%	-13.10%	-13.69%	-11.94%	19/10/15
2I Acc (SGD-H)	7.02%	3.28%	-11.45%	-6.72%	-6.69%	0.11%	1.23%	-13.06%	-14.03%	-13.26%	30/04/19
2I Dis (SGD-H)	7.04%	3.36%	-11.42%	-6.75%	-6.68%	-0.04%	1.20%	-13.10%	-14.03%	-13.18%	24/04/19
2K Dis (EUR-H)	7.33%	5.33%	-11.77%	-7.51%	-7.48%	-1.41%	0.02%	-13.84%	-15.73%	-12.24%	07/05/19
2L Dis (HKD-H)	7.30%	4.66%	-11.28%	-6.54%	-6.32%	0.90%	1.75%	-13.24%	-14.29%	-12.64%	17/04/19

## MONTHLY PERFORMANCE<sup>2</sup>: CLASS 2B ACCUMULATION (RMB)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	2.07%	1.46%	1.10%	-1.35%	3.55%								6.96%
2023	10.20%	-3.94%	-5.91%	-4.20%	-6.30%	1.28%	-2.05%	-4.63%	-0.22%	-1.77%	3.10%	0.68%	-13.94%
2022	-2.26%	-4.34%	-2.91%	0.75%	-3.45%	-6.38%	-4.71%	3.80%	-7.14%	-12.30%	17.57%	10.99%	-13.08%
2021	0.13%	0.62%	-0.41%	0.65%	0.16%	-0.68%	-1.61%	1.60%	-4.04%	-5.54%	-1.01%	-0.57%	-10.41%
2020	0.85%	-0.28%	-12.34%	2.84%	3.29%	3.42%	2.25%	1.77%	-1.23%	-0.01%	2.10%	1.87%	3.51%
2019	3.32%	1.02%	3.26%	0.72%	-0.03%	0.75%	-1.01%	-0.54%	-0.02%	0.70%	0.39%	0.93%	9.79%
2018	0.43%	-0.28%	-0.61%	-0.89%	-0.51%	-1.04%	2.04%	-0.12%	0.48%	-2.72%	-0.03%	1.64%	-1.68%
2017	1.74%	2.65%	0.67%	0.90%	-0.38%	0.70%	0.98%	0.89%	0.68%	0.77%	-0.30%	0.30%	10.00%
2016	-0.49%	-0.10%	2.76%	1.04%	1.33%	1.80%	1.68%	0.96%	0.18%	0.35%	-0.31%	-0.05%	9.50%
2015	0.32%	0.38%	0.40%	2.37%	0.97%	0.15%	0.26%	-2.55%	-0.24%	2.58%	0.20%	0.49%	5.35%
2014	-0.25%	1.59%	0.38%	0.69%	1.40%	1.30%	1.11%	1.40%	-0.36%	0.57%	0.31%	-0.43%	7.95%
2013	1.18%	0.58%	0.88%	2.16%	-1.24%	-3.38%	1.60%	-0.16%	0.99%	1.60%	0.25%	0.95%	5.40%
2012	2.21%	3.60%	0.43%	-0.23%	-0.91%	0.91%	2.03%	1.34%	1.26%	2.42%	1.60%	1.58%	17.41%
2011								-1.88%	-2.50%	-0.41%	-0.40%	0.50%	-4.63%

Unless stated otherwise, all data as of 31 May 2024. Source: Income Partners, fund performance is calculated on NAV to NAV basis in denominated currency with dividends re-invested. Performance is presented on a net-of-fees basis. Past performance is not indicative of future results.

1. The award is based on the performance from 1 October 2021 to 30 September 2022. Any awards won are not indicative of Income Partners' future performance. The awards should not be considered an endorsement of Income Partners by any client. The awards may not be representative of any client's experience.
2. Income Partners may be required to pay a fee to participate in the nomination of the award.
3. This document contains fund performance or NAV numbers which may be subject to amendments and further verification by the fund administrator. The fund administrator, rather than the manager, publishes the official fund NAV. Any performance numbers contained herein should not be relied on as official or final NAV of the fund.
4. The total return chart above shows the Fund's total return performance since inception.
5. Annualized Dividend Yield:  $(1 + \text{distribution per unit} / \text{ex-dividend NAV})^{\text{distribution frequency}} - 1$ . Yield figures are estimates and are based on the latest dividend distribution and the ex-dividend NAV of the previous month. Yield figures are for reference only. Positive dividend yield does not imply positive return.
6. Dividend rate is not guaranteed and distributions may be paid from capital. In respect of the Class 2C Dis (USD) Distribution Units, pay out non-discretionary monthly distributions at a fixed percentage of 7% per annum. The 7% annualized yield is calculated as follows: (total dividend paid or to be paid over the current calendar year / last available net asset value of the Fund) in the prior calendar year x 100%.
7. The calendar performance figures are calculated from share class launch dates to calendar year-end.
8. The Sharpe Ratio is calculated as annualized return minus risk free rate (RFR) divided by annualized standard deviation. RFR is the simple average of 1 year CNH cross-currency swap rate.
9. Yield to Maturity in RMB applies to all Unhedged share classes in RMB (2B), USD (2A), HKD (2D), AUD (2E), SGD (2H), EUR (2J), as investors are exposed to RMB risk.
10. Yield to Maturity in USD applies to all Hedged share classes in USD-Hedged (2G), AUD-Hedged (2F), HKD-Hedged (2I), SGD-Hedged (2I), EUR-Hedged (2K), RMB (USD Exposure) (2L) as investors are not exposed to RMB risk.
11. Where applicable, workout dates are used for the calculation of yield to maturity for callable bonds (sourced from Bloomberg). When calculating average YTM of the Fund, we conservatively use zero yield for defaulted bonds. For bonds with YTM that is greater than 80%, we conservatively apply current yield in place of YTM.
12. Top 10 Holdings is grouped by issuer, the fund may hold multiple issues from the same issuer.

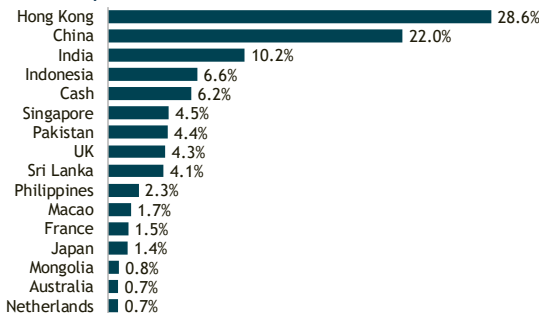
\* With effect from 1 March 2024, the fund is an eligible collective investment scheme in the new Capital Investment Entrant Scheme (New CIES) in Hong Kong.

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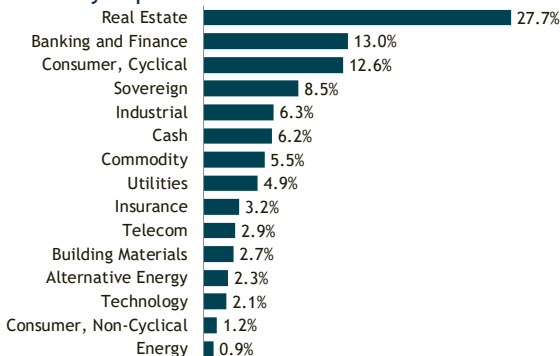
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## PORTFOLIO OVERVIEW<sup>11</sup>

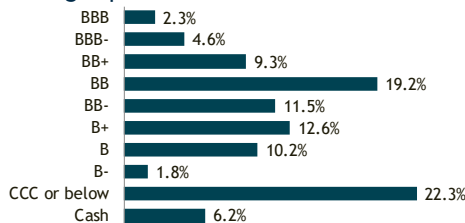
### Geographical Exposure



### Industry Exposure



### Credit Rating Exposure



## MANAGER'S COMMENTARY<sup>13</sup>

In May, the Asian High Yield bond market experienced a significant recovery, surpassing the losses seen in April. This positive momentum can be attributed to the optimism surrounding China's property sector, fueled by the central government's continued policy support and the decline in US treasury yields.

China emerged as the frontrunner in terms of regional performance, with the property sector showcasing a remarkable 16% average month-to-date increase and a 34% year-to-date increase. The government's recent policy announcements have emphasized the importance of delivering pre-sold homes, introducing credit measures such as a RMB300 billion relending facility for local state-owned enterprises (SOEs) to acquire unsold inventories and convert them into public housing. Furthermore, the central government has lowered both the down payment ratio and mortgage rates, while local governments have relaxed purchase restrictions. These policy developments indicate the central government's commitment to addressing the housing crisis, and though uncertainties remain and the implementation of these measures will take time, they are seen as a promising step towards resolving the crisis. High-beta names such as Vanke (+53% MTD), Seazen (+39% MTD), Shui On (+15% MTD), and Longfor (+15% MTD) have benefited from the positive sentiments or headlines. However, it is worth noting that Agile (-40% MTD) experienced a setback by joining the defaulter list due to a failure to pay coupons on one of its USD bonds. Nevertheless, this event was overshadowed by the overall strong performance of the market. At the end of May, the fund's exposure to the sector stood at 11.9%, slightly higher than the overall market share of the sector.

In addition to the China property sector, the China industrial sector also performed well in May, with the entire sector experiencing an average 2% increase. This growth was led by companies such as GLP China (+6.8% MTD), Fosun (+5.3% MTD) - which saw its outlook revised to stable from negative by S&P - and China Oil and Gas (+4.2%). Hong Kong's property sector also had a positive run, delivering a sector-wide return of 5.8% in May. This growth was led by New World Development (+10% MTD), particularly its perpetual bonds, and Lai Sun (+4.2% MTD), benefiting from a decline in US treasury yields and the spillover effect from the China property sector. Another notable rally occurred in the Indonesia property sector, where the largest gainers included Lippo Karawaci (due-2026 bond +11% MTD) due to its asset disposal plan, and Lippo Malls (due-2026 bond +10% MTD) due to newly obtained onshore financing and the completion of the due-2024 bond exchange. Overall, other regions, such as Macau (+1.5% MTD) and India (1.9% MTD), also experienced positive performance in May.

In terms of fund allocation, we reduced some AT1 and other relatively lower-yielding bonds considering their rallies year-to-date and invested in names that offer potential price upside. While we slightly increased the exposure to higher-quality names in China property sector, we maintain a cautious stance on the property market in the near term. The market continued to experience a downward spiral, characterized by declining house prices and sluggish primary sales. We anticipate that 2024 will be a critical year for China to clean up the mess caused by unfinished projects and mounting inventories, and expect any meaningful recovery to begin in 2025. That said, we do see investment opportunities in select companies which will eventually benefit from a less crowded industry. At the same time, should the expectations shift, the financial market could move ahead of real economy like we have seen since the beginning of this year. As such, we will remain flexible and capitalize on trading opportunities as they arise.

Fund Details		
<b>Base Currency</b>	RMB	
	2A (USD): USD1,000	
	2B (RMB): RMB10,000	
	2C (USD): USD1,000	
	2D (HKD): HKD10,000	
	2E (AUD): AUD1,000	
<b>Minimum Initial Investment</b>	2F (AUD-H): AUD1,000	
	2G (USD-H): USD1,000	
	2H (SGD): SGD1,000	
	2I (SGD-H): SGD1,000	
	2J (EUR): EUR1,000	
	2K (EUR-H): EUR1,000	
	2L (HKD-H): HKD10,000	
<b>Fees &amp; Charges<sup>12</sup></b>	Management Fee: 1.50% p.a.	
	Subscription Charge: Up to 5.00%	
<b>Dealing Frequency</b>	Daily	
<b>Dividend Frequency</b>	Monthly (Please refer to important information V)	
<b>Portfolio Manager</b>	Emil Nguy	
	Suvir Mukhi	
	Jack Zhai	
<b>Trustee</b>	Cititrust Limited	
<b>Custodian &amp; Administrator</b>	Citibank, N.A., Hong Kong Branch	
<b>Transfer Agent</b>	Citicorp Financial Services Limited	
<b>Share Class</b>	<b>Bloomberg Ticker</b>	<b>ISIN</b>
2A Acc (USD)	IRHY2AA HK	HK0000421419
2A Dis (USD)	IPRHY2A HK	HK0000421401
2B Acc (RMB)	IRHY2BA HK	HK0000421435
2B Dis (RMB)	IPRHY2B HK	HK0000421427
2C Dis (USD)	IPRHY2C HK	HK0000421443
2D Acc (HKD)	IRHY2DA HK	HK0000421468
2D Dis (HKD)	IPRHY2D HK	HK0000421450
2E Acc (AUD)	IRHY2EA HK	HK0000421484
2E Dis (AUD)	IPRHY2E HK	HK0000421476
2F Acc (AUD-H)	IRHY2FA HK	HK0000421500
2F Dis (AUD-H)	IPRHY2F HK	HK0000421492
2G Acc (USD-H)	IRHY2GA HK	HK0000421526
2G Dis (USD-H)	IPRHY2G HK	HK0000421518
2H Acc (SGD)	IRHY2HA HK	HK0000421542
2H Dis (SGD)	IPRHY2H HK	HK0000421534
2I Acc (SGD-H)	IRHY2IA HK	HK0000421567
2I Dis (SGD-H)	IPRHY2I HK	HK0000421559
2J Acc (EUR)	IRHY2JA HK	HK0000490018
2J Dis (EUR)	IPRHY2J HK	HK0000490000
2K Acc (EUR-H)	IRHY2KA HK	HK0000490034
2K Dis (EUR-H)	IPRHY2K HK	HK0000490026
2L Acc (HKD-H)	IRHY2LA HK	HK0000490059
2L Dis (HKD-H)	IPRHY2L HK	HK0000490042
<b>Fund AUM</b>	RMB207 million / USD28 million	

H = Hedged currency share class

<sup>11</sup> The total exposures may vary due to rounding. The credit rating exposures presented here are based on ratings from S&P/Moody's/Fitch or equivalent ratings from other internationally recognized rating agencies. If S&P/Moody's/Fitch ratings for bond holdings are not available, Income Partners applies its internal credit ratings.  
<sup>12</sup> For other fees and charges, please refer to the offering documents.  
<sup>13</sup> Index or benchmark data are for reference purposes only and no comparability or relevance is warranted or implied. This document is issued by Income Partners Asset Management (HK) Ltd ("Income Partners"), has not been reviewed by any regulatory authority including the Hong Kong Securities and Futures Commission ("SFC") and authorization by the SFC does not imply official recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. Accordingly, the information is qualified in its entirety by the terms applicable to the Fund as set out in its constitutive and offering documents ("Fund Documents"), and should be read together with such Fund Documents. This document is for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest, especially during periods of downturn in the market. Fund investments are subject to risks. Fund prices may go up as well as down, and in a worst case scenario, the value of the funds may be worth substantially less than the original amount you invested. Past performance is not indicative of future performance. In Switzerland, this document may only be provided to qualified investors within the meaning of art. 10 para. 3 and 3ter CISA. In Switzerland, the representative is Acclin Fund Services AG (formerly Hugo Fund Services Sa), Leutschenbachstrasse 50, 8050 Zurich, Switzerland, whilst the paying agent is Banque Cantonale de Geneve, 17 quai de l'Île, 1204 Geneva, Switzerland. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative.