

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

Fund Manager's Report - 29 November 2024

CIES Eligible\*

## 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)	\$117.85		
2A Dis (USD)	\$41.93	\$0.30	8.7%
2B Acc (RMB)	¥132.68		
2B Dis (RMB)	¥46.47	¥0.31	8.2%
2C Dis (USD) <sup>5</sup>	\$45.37	\$0.27	7.0%
2D Acc (HKD)	\$71.30		
2D Dis (HKD)	\$41.16	\$0.29	8.5%
2E Dis (AUD)	\$53.83	\$0.30	6.8%
2F Acc (AUD-H)	\$85.27		
2F Dis (AUD-H)	\$49.33	\$0.27	6.7%
2G Acc (USD-H)	\$90.55		
2G Dis (USD-H)	\$44.52	\$0.29	8.0%
2I Acc (SGD-H)	\$72.40		
2I Dis (SGD-H)	\$48.84	\$0.27	6.7%
2K Dis (EUR-H)	€51.68	€0.22	5.2%
2L Dis (HKD-H)	\$48.13	\$0.32	8.2%

H = Hedged currency share class  
 Record Date: 29 November 2024  
 Ex-Dividend Date: 2 December 2024  
 Payment/Reinvestment Date: 4 December 2024  
 Please see [www.incomepartners.com](http://www.incomepartners.com) for details of historical dividend information for all applicable share classes.

Risk Measures	1 Year	3 Years	Since Inception
Annualized Volatility	5.10%	18.81%	10.53%
Sharpe Ratio <sup>6</sup>	0.42	-0.49	-0.06

## Fund Characteristics

Yield to Maturity in RMB <sup>7,9</sup>	7.5%
Yield to Maturity in USD <sup>8,9</sup>	9.4%
Modified Duration (years)	2.2
Average Credit Rating	BB-
Number of bond holdings	64

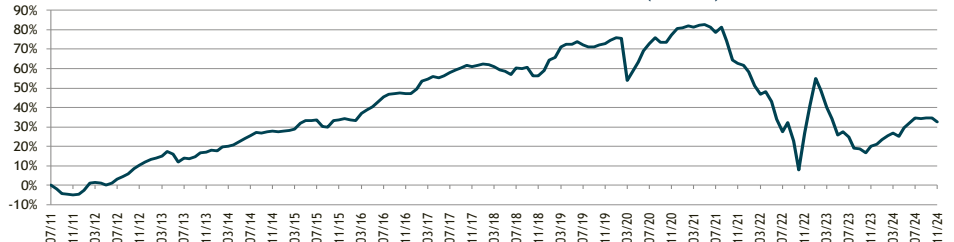
## Top 10 Holdings<sup>10</sup>: 31.4% of NAV

Sri Lanka Government Bond	3.4%
Far East Consortium International Ltd.	3.4%
FWD Group Holdings Ltd.	3.3%
Pakistan Government Bond	3.2%
New World Development Company Ltd.	3.2%
Lai Sun Development Company Ltd.	3.1%
Fosun International Ltd.	3.0%
San Miguel Global Power Holdings Corp.	3.0%
Melco Resorts & Entertainment Ltd.	2.9%
Sun Hung Kai & Co Ltd.	2.8%

## 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)	7.71%	8.75%	-10.49%	-5.74%	1.24%	8.44%	10.75%	-8.23%	-20.22%	-16.37%	27/07/11
2A Dis (USD)	7.71%	8.77%	-10.48%	-5.73%	1.23%	8.45%	10.76%	-8.24%	-20.21%	-16.34%	03/08/11
2B Acc (RMB)	9.62%	10.36%	-6.58%	-5.15%	2.14%	9.79%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2B Dis (RMB)	9.62%	10.37%	-6.58%	-5.15%	2.15%	9.80%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2C Dis (USD) <sup>5</sup>	7.71%	8.75%	-10.48%	-5.74%	1.35%	8.44%	10.76%	-8.23%	-20.22%	-16.35%	10/08/11
2D Acc (HKD)	7.31%	8.44%	-10.54%	-5.84%	-4.87%	7.83%	10.25%	-7.69%	-20.23%	-16.20%	21/02/18
2D Dis (HKD)	7.35%	8.45%	-10.53%	-5.83%	-4.84%	7.81%	10.28%	-7.71%	-20.23%	-16.19%	09/02/18
2E Dis (AUD)	12.70%	10.73%	-7.69%	-4.96%	-2.43%	9.16%	0.38%	-2.26%	-14.74%	-16.46%	04/05/18
2F Acc (AUD-H)	11.00%	11.83%	-6.66%	-6.30%	-1.73%	7.66%	0.76%	-13.35%	-14.59%	-13.40%	13/10/15
2F Dis (AUD-H)	11.03%	11.89%	-6.65%	-6.30%	-5.77%	0.15%	0.76%	-13.35%	-14.62%	-13.40%	02/05/19
2G Acc (USD-H)	11.98%	13.00%	-5.51%	-5.42%	-1.08%	8.95%	1.58%	-13.12%	-13.70%	-11.98%	13/10/15
2G Dis (USD-H)	12.02%	13.02%	-5.49%	-5.39%	-1.20%	9.18%	1.61%	-13.10%	-13.69%	-11.94%	19/10/15
2I Acc (SGD-H)	10.20%	11.03%	-6.59%	-6.12%	-5.61%	0.11%	1.23%	-13.06%	-14.03%	-13.26%	30/04/19
2I Dis (SGD-H)	10.22%	11.07%	-6.55%	-6.11%	-5.62%	-0.04%	1.20%	-13.10%	-14.03%	-13.18%	24/04/19
2K Dis (EUR-H)	10.66%	11.35%	-6.79%	-6.64%	-6.32%	-1.41%	0.02%	-13.84%	-15.73%	-12.24%	07/05/19
2L Dis (HKD-H)	10.89%	11.92%	-6.28%	-5.85%	-5.22%	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%	2.15%	1.72%	-0.19%	0.30%	-0.10%	-1.39%		9.62%
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%

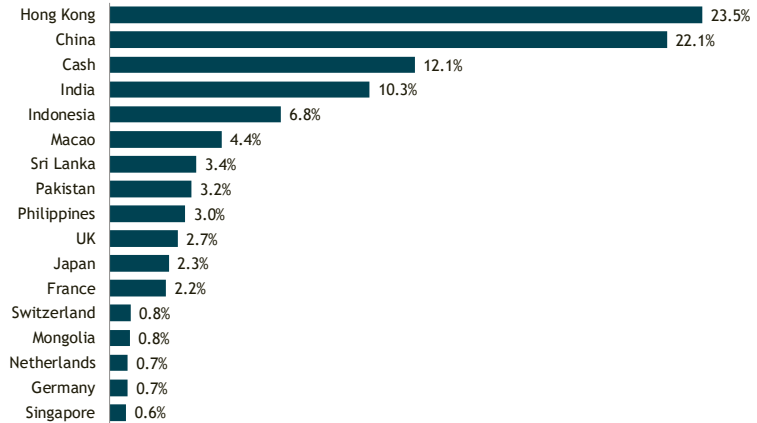
Unless stated otherwise, all data as of 29 November 2024. Source: Income Partners, fund performance is calculated on NAV to NAV basis in denominated currency with dividends re-invested. Performance is presented on a net-of-fees basis. Past performance is not indicative of future results.

1. The award is based on the performance from 1 October 2021 to 30 September 2022. Any awards won are not indicative on 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. Income Partners may be required to pay a fee to participate in the nomination of the award.
2. 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.
3. The total return chart above shows the Fund's total return performance since inception.
4. Annualized Dividend Yield: [(1 - distribution per unit / ex-dividend NAV) ^ 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. Dividend rate is not guaranteed and distributions may be paid from capital. In respect of the Class 2C (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%.
5. The calendar performance figures are calculated from share class launch dates to calendar year-end.
6. 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.
7. 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.
8. Yield to Maturity in USD applies to all Hedged share classes in USD-Hedged (2G), AUD-Hedged (2F), HKD-Hedged (2L), SGD-Hedged (2I), EUR-Hedged (2K), RMB (USD Exposure) (2X) as investors are not exposed to RMB risk.
9. 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.
10. Top 10 Holdings is grouped by issuer, the fund may hold multiple issues from the same issuer.

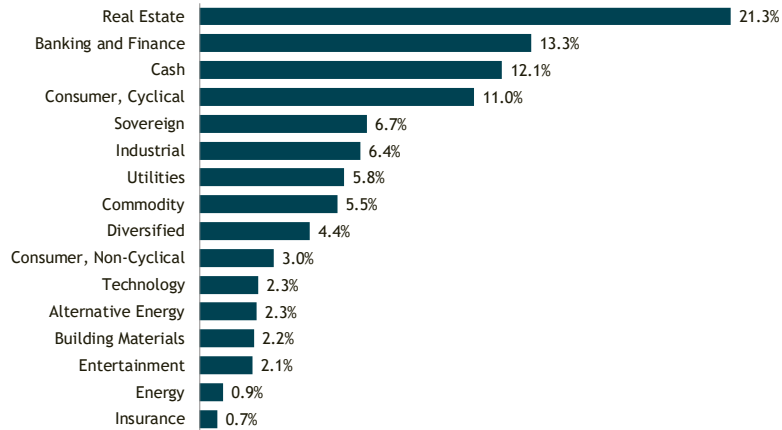
\* With effect from 1 March 2024, the fund is an eligible collective investment scheme in the new Capital Investment Entrant Scheme (New CIES) in Hong Kong.

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

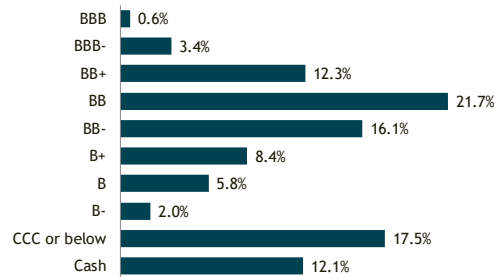
### Geographical Exposure



### Industry Exposure



### Credit Rating Exposure



Fund Details		
Base Currency	RMB	
Minimum Initial Investment	2A (USD): USD1,000	
	2B (RMB): RMB10,000	
	2C (USD): USD1,000	
	2D (HKD): HKD10,000	
	2E (AUD): AUD1,000	
	2F (AUD-H): AUD1,000	
	2G (USD-H): USD1,000	
	2H (SGD): SGD1,000	
Fees & Charges <sup>12</sup>	2I (SGD-H): SGD1,000	
	2J (EUR): EUR1,000	
	2K (EUR-H): EUR1,000	
	2L (HKD-H): HKD10,000	
	Management Fee: 1.50% p.a.	
	Subscription Charge: Up to 5.00%	
	Dealing Frequency	Daily
	Dividend Frequency	Monthly (Please refer to important information VI)
Portfolio Manager	Emil Nguy Jack Zhai Jason Wong	
Trustee	Cititrust Limited	
Custodian & Administrator	Citibank, N.A., Hong Kong Branch	
Transfer Agent	Citicorp Financial Services Limited	
Share Class	<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	
Fund AUM	RMB205 million / USD28 million	

H = Hedged currency share class

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

In November, the Asian high-yield bond market consolidated and retreated from its year-to-date high. Sentiment cooled following the U.S. elections, coinciding with a significant rally in U.S. Treasuries. Additionally, several negative headlines from companies contributed to the overall market softness.

On the macroeconomic front, in the U.S., the FOMC unanimously implemented a 25 basis point rate cut, providing minimal additional details in its statement. The market now anticipates another 25 basis point cut in December, driven by slightly weaker employment data that signals easing labor market conditions. Inflation figures have generally aligned with market expectations, though there may be upside risks under the Trump administration in the coming year. The 10-year U.S. Treasury yield fell by about 30 basis points throughout the month. In China, the highly anticipated NPCSC meeting concluded without significant stimulus measures, announcing only debt swap programs aimed at addressing local government hidden debt issues, which disappointed the market. Consequently, the 10-year Chinese government bond (CGB) yield dropped by 16 basis points.

November was a notably eventful month for the high-yield bond market, marked by several significant headlines:

- Gautam Adani, chairman of Adani Group, was indicted by the U.S. Department of Justice for bribery and fraud related to contracts in the Group's renewable energy sector.
- Road King Infrastructure announced it would defer coupons on its 7.75% perpetual bond.
- Wanda Commercial proposed a one-year maturity extension for its 2025 bond with a 25% upfront payment, which bondholders subsequently approved.
- The newly appointed CEO of New World Development resigned after just three months in the role.
- Modernland Realty, an Indonesian property developer, proposed a maturity extension on its 2025 bonds with a significant haircut on the notional amount, facing strong opposition from bondholders.

These developments are collectively credit-negative and contributed to the deteriorating sentiment in the Asian high-yield bond market, adversely affecting bond valuations.

MANAGER'S COMMENTARY (Cont'd)<sup>13</sup>

Examining individual market segments, the Hong Kong property sector was notably impacted, with a MTD decline of 7.4%, primarily driven by New World Development's 12.9% drop. The Chinese property sector also faced a loss of 4.2%, led by Road King (-23.7%) and Vanke (-14.5%). The Indian renewable sector declined by 1.42%, with Adani Green Energy down 11%. Conversely, other market segments performed relatively well. Sri Lanka continued its upward trajectory post-presidential election, achieving an MTD gain of 8.9%, with the government announcing a debt restructuring plan in line with market expectations. The Chinese industrial sector posted a modest MTD gain of 0.84%, led by West China Cement (+3.7%), supported by favorable policy announcements from Ethiopia, where one of the issuer's largest overseas factories is located. eHi Car Services (-1.44%) continued to struggle due to a lack of positive catalysts, while Macau gaming remained solid with a 0.40% gain.

In terms of fund allocation, we are reducing concentration by taking profits on larger performing positions that have benefited from the strong year-to-date price rally and accumulated substantial unrealized gains. We are reallocating capital into credits with more stable profiles and lower price volatility, specifically lower beta names. As we approach the year-end holiday season, the market is expected to become quieter. Looking ahead, despite uncertainties stemming from the Trump administration's right-wing policy stance and the effectiveness of China's upcoming policies, we remain optimistic about the Asian high-yield bond market, given its relatively attractive valuations compared to other global fixed-income asset classes. Our investment strategy for 2025 will take a more cautious stance, as current valuations make it challenging to justify the same level of risk-taking. While we will continue to hold high-conviction positions with appealing upside potential, the overall fund allocation will be more balanced and diversified.

11. 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.

12. For other fees and charges, please refer to the offering documents.

13. Index or benchmark data are for reference purposes only and no comparability or relevance is warranted or implied.

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