



# **China Southern Dragon Dynamic Fund**

**Société d'Investissement à Capital Variable**

**Audited Annual Report**  
**for the year ended December 31, 2018**

**R.C.S Luxembourg B 157.189**

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# China Southern Dragon Dynamic Fund

Société d'Investissement à Capital Variable

Audited Annual Report for the year ended December 31, 2018

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# China Southern Dragon Dynamic Fund

## General Information

### Registered Office

Atrium Business Park  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

### Board of Directors

#### Chairman

Ms. Ka Yan Wong  
CSOP Asset Management Limited  
Suite 2802  
Two Exchange Square  
8 Connaught Place, Central  
Hong Kong S.A.R.

#### Directors

Mr. Dimitri Brunwasser  
Lemanik Asset Management S.A.  
106, route d'Arlon  
L-8210 Mamer  
Grand Duchy of Luxembourg

Mr. Jin Wang  
Independent Director  
EJF Capital  
2107 Wilson Blvd, Suite 410  
Arlington, VA 22201  
United States

### Conducting Persons of the Management Company

Mr. Philippe Meloni  
Mr. Marco Sagramoso (until November 29, 2018)  
Mr. Jean Philippe Claessens  
Mr. Alexandre Dumont  
Ms. Sandrine Puccilli

### Management Company and Global Distributor

Lemanik Asset Management S.A.  
106, route d'Arlon  
L-8210 Mamer  
Grand Duchy of Luxembourg

### Investment Manager

CSOP Asset Management Limited  
Suite 2802  
Two Exchange Square  
8 Connaught Place, Central  
Hong Kong S.A.R.

### Depository, Paying and Domiciliary Agent, Fund Administrator and, Transfer and Registrar Agent

Citibank Europe plc, Luxembourg Branch  
Atrium Business Park  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg

### Auditor

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, B.P. 1443  
L-1014 Luxembourg  
Grand Duchy of Luxembourg

### Legal Adviser

Elvinger Hoss Prussen, Société anonyme  
2, Place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

### Information to Shareholders

Copies of the prospectus and any information relating thereto may be obtained from the registered office of the SICAV at 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg.

# China Southern Dragon Dynamic Fund

## Investment Manager's report

### China New Balance Opportunity Fund (the "Fund") Manager Report - 2018

#### 2018 Market Review

In 2018, the Hong Kong stock market suffers a single direction decline. Except for the first month of the year, the rest of the month was drawing a downward trend. The main factors attribute to the trend of the Hong Kong stock market in 2018 were both internal and external factors. First of all, the internal factors are derived from the cyclical slowdown of Chinese macro economy, especially after decades of high-speed growth followed by the supply-side reform of the upstream industry in 2016 and 2017. At the same time, the cyclical slowdown of the macro economy also combined with the tighter than expected "de-leverage" policy in the first half of the year. These macroeconomic and policy factors have led to a reversal of the earnings growth trend of listed companies in major industries. The external factor was the risk appetite of investors declined rapidly due to concerns on the China/US trade war. From an industry perspective, all growth industries have experienced significant valuation downgrades in 2018, IT, Electronics, Health Care, Insurance, Automobiles, New Energy and Education, etc. resulting from policy factors, fundamental factors, and sentiment factors. In addition, as the impact of upstream supply-side reforms continues, the profitability of the upstream raw materials industry remains high. The cyclical industry performs better than the growth industry.

#### Fund performance

The fund's 2018 annual return is -32.97%. From the fund level, in 2018, the sectors with positive contribution to the NAV were mainly concentrated in the real estate and financial. The sectors that contributed negatively to the NAV were mainly concentrated in the Automobile, TMT and Health Care.

#### Market Outlook for 2019

Standing on the beginning of the year, we see that both internal and external factors affecting the 2018 market are improving. Internal concerns about policy directions are gradually alleviating, especially for private sector. Although the de-leverage policy has been implemented in the first half of the year, it currently stabilized. Since the market has experienced rapid de-leveraging in the past year or two, the policy loopholes regarding over-leveraging in financial sector have been fully removed, and the channel for leveraging have been compressed. State-owned enterprises are still suffering from the pain of deleveraging. Private sector have experienced the deleverage over the past four years and took the lead in repaying debt. In the next two or three years, we expect to see the private sector increase leverage and increase investment. Policy side, industry policies have gradually improved and marginalized. The final test is the bottoming out of the macro economy. The current market consensus is that the macro economy will emerge at the bottom after the second quarter of 2019. However, it depends on whether the infrastructure investment and positive fiscal policy in 2019 can beat the slowdown in real estate investment. The China/US trade conflict is also moving in the direction of negotiating the issue. In the next two to three years, Chinese assets will be the first choice for foreign institutional investors to increase their allocation in emerging markets due to their valuation advantages compared to other emerging markets. The increase in the allocation of the Chinese market by foreign institutional investors will be almost certain. Meanwhile, the Hong Kong stock market has undergone reform of the listing system of the Hong Kong Stock Exchange to encourage the new economy and new industry to be listed in Hong Kong. The listed companies are becoming more and more diversified, and the scarcity of investment targets will be more and more attractive for investors. More importantly in the long run, the capacity of the Hong Kong stock market is still very large. Firstly, the low valuation advantage still exists. The other is that after the integration trend of the Shanghai-Shenzhen-Hong Kong market is gradually deepened. The allocation factor for domestic institutions remains valid. We believe that the capital markets of the Mainland and Hong Kong are mutually integrated. The interconnection is the driving force for investment in the Hong Kong stock market in the next three to five years. The interaction between two market investors and valuation will become more and more obvious. This is a great era for the evolution of China's financial market. Under the Hong Kong Stock Connect program, within 2-3 years, mainland funds are expecting to be accounted for more than 50% of the turnover of Hong Kong stocks. Within 10 years, the investment of the mainland funds accounted for more than 50% of the market share is foreseeable.

# China Southern Dragon Dynamic Fund

## Investment Manager's report (continued)

### CSOP RMB High Yield Bond Fund (the "Fund") Manager Report - 2018

2018 turned out to be a very challenging year for Asian USD Bond market. Spreads for Asian credits kept widening over the year, while IG outperformed HY. According to FTSE Asia Broad Bond Index, Asian IG and HY market recorded -0.04% and -3.83% negative annual returns respectively.

UST yield curve ended up flattened and partially inverted at end of the year, as Fed hiked interest rate four times during 2018 and benchmark UST yields advanced across the curve with short-end took the lead. Trade tension between the US and China have escalated significantly during the year, even as the focus on deleveraging in Chinese economy has already hurt domestic credit growth especially for the smaller players. Coupled with the drag from USTs, sentiment for Asian credit markets has remained very weak for most part of the year with only short-lived rallies seen in August and December.

Tightening external USD liquidity eventually reversed RMB's initial appreciation course by end of April, when USDCNY and USDCNH FX spot rate touched 2018 low at respectively 6.2431 and 6.2361 intraday on March 27. China policy makers introduced series of stabilizing and easing measures thereafter, which helped to bring down offshore RMB's yield level, mostly seen in the short end, although boost to China offshore risky assets remained limited. USDCNY advanced non-stop to 6.9770 in 4Q, only retrieved lower moderately after Fed's turning dovish and hope for China-US trade truce kicked in.

Looking at primary market, bond sales stand at \$228 billion for Asia market, a 22.5% decrease from the 2017 peak of \$ 294 billion. Chinese issuers took up 67% of the total issuance, indicating an enormous need for refinancing due to maturity wall and tight onshore financing. The dim sum bond market saw similar pattern where outstanding continued to shrink, and consequently re-investment risks rose.

As for investment strategy, we have been cautious and selective throughout the year given high volatility and weak sentiment in the market. We overweight China property sector and tactical trades were conducted for selective names to take advantage of swinging in high beta names. We also added exposure to oil sector in our portfolio due to the attractive valuation as a result of the slump in oil price and overly pessimistic outlook. Meanwhile on the FX front, we firstly adjusted exposure to RMB to the minimum allowed by end of 1Q after CNY appreciated through 6.50 marks, and reversed to overweight RMB exposure in 4Q when CNY depreciated below 6.90.

Looking into 2019, we expect it to be another difficult year for Asian credits as the same risk factors that have been weighing down the market in 2018 is expected to stay in play in 1H. The US import tariffs will start to exert its first year impact on China's economy and will indirectly affect other EM Asia countries. More attention should also be given to China's domestic economy where the struggle between deleveraging and growth is still in place. However, we believe risk appetite should get boosted in the next year from the Fed finally signaling a current close-to-neutral policy rate.



## **Audit report**

To the Shareholders of  
**China Southern Dragon Dynamic Fund**

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### **Our opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of China Southern Dragon Dynamic Fund and of each of its sub-funds (the "Fund") as at 31 December 2018, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### *What we have audited*

The Fund's financial statements comprise:

- the statement of net assets as at 31 December 2018;
- the schedule of investments as at 31 December 2018;
- the statement of operations and changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### **Other information**

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of the Board of Directors of the Fund for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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**Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund;



- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Fund or any of its sub-funds except for CSOP RMB High Yield Bond Fund where a decision to liquidate exists to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative  
Represented by

Valérie Arnold

Luxembourg, 29 April 2019



# China Southern Dragon Dynamic Fund

## Statement of Net Assets

as at December 31, 2018

(Expressed in United States dollars)

	China New Balance Opportunity Fund	CSOP RMB High Yield Bond Fund	Combined
<b>Assets</b>			
Investment portfolio at cost	100,401,930	10,569,408	110,971,338
Net unrealised depreciation	(8,057,976)	(639,334)	(8,697,310)
Investment portfolio at market value (note 2a)	92,343,954	9,930,074	102,274,028
Cash at bank and at broker	796,416	1,312,530	2,108,946
Interest and dividend receivables, net (notes 2e,2f)	58,173	170,932	229,105
Receivable on shares purchased	1,290,943	—	1,290,943
<b>Total Assets</b>	<b>94,489,486</b>	<b>11,413,536</b>	<b>105,903,022</b>
<b>Liabilities</b>			
Payable on securities purchased	—	487,459	487,459
Management fees payable (note 3)	292,331	8,732	301,063
Performance fees payable (note 5)	15,155	—	15,155
Unrealised loss on forward foreign exchange contracts (notes 2h,13)	642	16,732	17,374
Other payables	100,937	24,665	125,602
<b>Total Liabilities</b>	<b>409,065</b>	<b>537,588</b>	<b>946,653</b>
<b>Net Assets</b>	<b>94,080,421</b>	<b>10,875,948</b>	<b>104,956,369</b>

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Statement of Net Assets (continued)

as at December 31, 2018

(Expressed in United States dollars)

	China New Balance Opportunity Fund	CSOP RMB High Yield Bond Fund
Net Asset Value per share (expressed in share class currency)		
Class A (USD) Acc	145.32	101.05
Class A (USD) Dis	109.00	126.61
Class A (EUR) Dis	—	147.35
Class A (HKD) Acc	152.15	—
Class A (HKD) Dis	119.20	—
Class I (USD) Acc	174.53	—
Class I (USD) Dis	52.73	123.09
Class I (EUR) Dis	—	149.34
Class I (HKD) Dis	112.27	—
Class I (RMB) Dis	—	129.01
Class R (EUR) Hedged Dis	—	106.50
Class V (EUR) Hedged Acc	102.53	98.80
Number of outstanding shares		
Class A (USD) Acc	229,680.740	5,956.269
Class A (USD) Dis	1,183.458	592.000
Class A (EUR) Dis	—	10.000
Class A (HKD) Acc	1,153,326.710	—
Class A (HKD) Dis	1,097,605.935	—
Class I (USD) Acc	84,880.870	—
Class I (USD) Dis	116,273.914	64,064.950
Class I (EUR) Dis	—	7,500.000
Class I (HKD) Dis	30,000.000	—
Class I (RMB) Dis	—	7,293.281
Class R (EUR) Hedged Dis	—	1,427.824
Class V (EUR) Hedged Acc	750.000	6,349.115

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Statement of Operations and Changes in Net Assets

### as at December 31, 2018

(Expressed in United States dollars)

	China New Balance Opportunity Fund	CSOP RMB High Yield Bond Fund	Combined
<b>Net Assets at the beginning of the year</b>	198,732,620	11,002,922	209,735,542
<b>Income</b>			
Dividends (net of withholding tax) (note 2f)	3,561,645	68	3,561,713
Interest Income (note 2e)	16,842	628,711	645,553
Other income	—	44	44
<b>Total income</b>	<b>3,578,487</b>	<b>628,823</b>	<b>4,207,310</b>
<b>Expenses</b>			
Management fees (note 3)	2,816,322	86,511	2,902,833
Depositary fees (note 7)	87,475	29,636	117,111
Audit and Legal fees	221,875	30,530	252,405
Administration and Accounting fees (note 7)	115,027	76,877	191,904
Registrar and Transfer Agent fees (note 7)	52,844	21,075	73,919
Management Company fees (note 4)	91,444	8,705	100,149
Taxe d'Abonnement (note 6)	58,054	1,273	59,327
Publication / Printing fees	11,033	6,405	17,438
Compliance fees	17,194	17,194	34,388
Performance fees (note 5)	15,155	—	15,155
Directors fees (note 8)	14,124	808	14,932
Transaction fees (note 12)	2,623,062	13	2,623,075
Other expenses	104,948	6,092	111,040
<b>Total expenses</b>	<b>6,228,557</b>	<b>285,119</b>	<b>6,513,676</b>
<b>Net gain / (loss) from investments</b>	<b>(2,650,070)</b>	<b>343,704</b>	<b>(2,306,366)</b>
Net realised (loss)			
- on investments (note 2g)	(28,939,636)	(97,791)	(29,037,427)
- on foreign exchange (notes 2c, 2g)	(52,457)	(5,935)	(58,392)
- on forward foreign exchange contracts (note 2i)	(6,409)	(62,023)	(68,432)
Net change in unrealised depreciation			
- on investments	(28,211,945)	(719,807)	(28,931,752)
- on forward foreign exchange contracts (note 2i)	(5,915)	(32,286)	(38,201)
<b>Net change in net assets for the year as a result of operations</b>	<b>(59,866,432)</b>	<b>(574,138)</b>	<b>(60,440,570)</b>
Proceeds from subscriptions	61,881,136	783,710	62,664,846
Payments for redemptions	(106,666,903)	(336,546)	(107,003,449)
<b>Net proceeds from shares transactions</b>	<b>(44,785,767)</b>	<b>447,164</b>	<b>(44,338,603)</b>
<b>Net Assets at the end of the year</b>	<b>94,080,421</b>	<b>10,875,948</b>	<b>104,956,369</b>

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Net Asset Information as at December 31, 2018

	China New Balance Opportunity Fund	CSOP RMB High Yield Bond Fund
<b>Total Net Assets (expressed in United States dollars)</b>		
December 31, 2018	94,080,421	10,875,948
December 31, 2017	198,732,620	11,002,922
December 31, 2016	165,571,647	10,817,582
<b>Net Asset Value per Share (expressed in share class currency)</b>		
<b>Class A (USD) Acc</b>		
December 31, 2018	145.32	101.05
December 31, 2017	218.63	—
December 31, 2016	148.18	—
<b>Class A (USD) Dis</b>		
December 31, 2018	109.00	126.61
December 31, 2017	163.98	132.81
December 31, 2016	111.14	124.10
<b>Class A (EUR) Dis</b>		
December 31, 2018	—	147.35
December 31, 2017	—	147.49
December 31, 2016	—	156.42
<b>Class A (HKD) Acc</b>		
December 31, 2018	152.15	—
December 31, 2017	228.42	—
December 31, 2016	153.61	—
<b>Class A (HKD) Dis</b>		
December 31, 2018	119.20	—
December 31, 2017	178.96	—
December 31, 2016	120.35	—
<b>Class I (USD) Acc</b>		
December 31, 2018	174.53	—
December 31, 2017	260.39	—
December 31, 2016	185.82	—
<b>Class I (USD) Dis</b>		
December 31, 2018	52.73	123.09
December 31, 2017	78.39	128.72
December 31, 2016	74.79	119.94

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Net Asset Information as at December 31, 2018 (continued)

	China New Balance Opportunity Fund	CSOP RMB High Yield Bond Fund
Class I (EUR) Dis		
December 31, 2018	—	149.34
December 31, 2017	—	149.18
December 31, 2016	—	157.80
Class I (HKD) Acc		
December 31, 2018	—*	—
December 31, 2017	223.11	—
December 31, 2016	158.27	—
Class I (HKD) Dis		
December 31, 2018	112.27	—
December 31, 2017	166.52	—
December 31, 2016	118.13	—
Class I (RMB) Dis		
December 31, 2018	—	129.01
December 31, 2017	—	127.87
December 31, 2016	—	127.44
Class R (USD) Acc		
December 31, 2018	—**	—
December 31, 2017	—***	—
December 31, 2016	114.14	—
Class R (EUR) Hedged Dis		
December 31, 2018	—	106.50
December 31, 2017	—	116.30
December 31, 2016	—	111.79
Class V (EUR) Hedged Acc		
December 31, 2018	102.53	98.80
December 31, 2017	157.43	107.28
December 31, 2016	113.85	102.08

\* The share class was put into dormancy on June 27, 2018

\*\* The share class was re-launched on February 5, 2018 and put into dormancy on April 4, 2018

\*\*\* The share class was put into dormancy on December 5, 2017

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Statistical Information as at December 31, 2018

China New Balance Opportunity Fund																
	2018		2017		2016		2015		2014		2013		2012		2011	
	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price
Class A (USD) Acc	244.97	145.54	233.67	147.38	166.47	116.84	190.44	121.86	145.68	112.94	132.09	112.74	104.78	-	-	-
Class A (USD) Dis	175.07	136.40	165.12	121.65	124.59	92.37	142.83	97.92	100.00	-	-	-	-	-	-	-
Class A (HKD) Acc	256.01	153.89	243.74	161.63	169.51	120.00	197.38	128.70	149.41	121.96	132.46	-	100.00	-	-	-
Class A (HKD) Dis	200.57	125.73	190.96	129.05	133.60	100.21	156.96	102.90	115.13	104.58	-	-	-	-	-	-
Class I (USD) Acc	284.09	194.12	265.71	188.47	204.32	165.94	224.64	151.33	171.08	149.64	157.70	143.18	114.08	-	106.76	82.27
Class I (USD) Dis	-	56.82	85.59	108.67	77.80	77.80	100.00	-	-	-	-	-	-	-	-	-
Class I (HKD) Acc	-	202.91	-	200.95	171.38	158.27	-	137.77	142.29	137.45	128.87	-	100.00	-	-	-
Class I (HKD) Dis	-	117.88	-	-	100.00	-	-	-	-	-	-	-	-	-	-	-
Class R (USD) Acc	164.13	144.03	156.82	132.80	125.86	100.16	142.03	95.86	100.07	100.24	-	-	-	-	-	-
Class R (EUR) Hedged Acc	-	-	-	-	116.89	90.59	136.17	94.84	100.00	100.04	-	-	-	-	-	-
Class V (USD) Acc	-	-	-	106.71	113.40	81.09	104.21	93.28	100.00	-	-	-	-	-	-	-
Class V (EUR) Hedged Acc	-	104.18	149.72	132.74	109.22	91.92	136.97	92.97	108.76	85.19	-	-	-	-	-	-

CSOP RMB High Yield Bond Fund																
	2018		2017		2016		2015		2014		2013		2012		2011	
	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price	Highest Subscription Price	Lowest Redemption Price
Class A (USD) Acc	100.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Class A (USD) Dis	-	-	129.03	126.50	120.55	119.93	125.77	118.28	121.93	116.76	118.44	112.00	110.39	108.68	-	-
Class A (EUR) Dis	-	-	-	146.20	-	-	153.99	-	-	-	-	-	100.44	112.16	-	-
Class A (EUR) Hedged Acc	-	-	-	119.23	-	116.82	-	112.66	116.61	111.84	114.09	108.73	108.04	100.52	-	-
Class A (RMB) Acc	-	-	-	132.45	-	-	118.93	110.88	113.14	-	104.25	107.19	100.00	-	-	-
Class I (USD) Acc	-	-	-	-	-	-	100.00	95.44	-	-	-	-	-	-	-	-
Class I (USD) Dis	-	-	-	-	122.14	121.46	121.03	114.45	116.30	113.93	114.05	106.95	102.69	95.07	102.28	87.49
Class I (EUR) Acc	-	-	-	-	-	-	-	-	-	-	-	-	100.00	-	-	-
Class I (EUR) Dis	-	-	-	-	-	122.75	-	-	-	-	-	-	100.00	-	-	-
Class I (RMB) Dis	-	-	-	-	-	-	-	-	109.69	108.56	-	100.20	95.04	91.03	101.76	81.92
Class R (EUR) Dis	-	-	-	145.80	141.30	137.99	145.27	133.43	115.73	108.72	118.82	107.43	111.62	101.53	-	-
Class R (EUR) Hedged Dis	118.37	105.57	117.43	113.22	114.58	110.40	119.82	112.18	117.97	111.86	115.99	109.47	108.95	103.30	-	-
Class V (EUR) Hedged Acc	108.86	97.32	107.27	102.64	104.58	98.95	104.25	97.19	100.52	98.59	-	-	-	-	-	-

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Notes to the Financial Statements as at December 31, 2018

### 1. Description of the SICAV

China Southern Dragon Dynamic Fund (the "SICAV") was originally incorporated on December 3, 2010 as a Luxembourg investment company with variable capital – specialised investment fund (société d'investissement à capital variable – fonds d'investissement spécialisé or SICAV-FIS) with multiple sub-funds governed by the provisions of the amended law dated February 13, 2007 on specialised investment funds.

The SICAV has been converted from a specialised investment fund to a UCITS on November 4, 2011 and is governed by the Part I of the Law of December 17, 2010, as amended by the Directive 2014/91 (UCITS V).

The Articles of Incorporation of the SICAV were published in the Mémorial, Recueil des Sociétés et Associations (the "Mémorial") on December 22, 2010. The SICAV is registered at the Luxembourg Register of Commerce under the number B 157.189. The revised articles were published on November 25, 2011.

As at December 31, 2018, the SICAV is comprised of the following two sub-funds:

- China New Balance Opportunity Fund
- CSOP RMB High Yield Bond Fund

The SICAV may in the future create new sub-funds and new share classes.

### 2. Significant Accounting policies

#### a) Basis of presentation

The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements relating to investment funds under the going concern basis of accounting, except for CSOP RMB High Yield Bond Fund. As indicated in Note 16, this sub-fund has been put in liquidation within 12 months following December 31, 2018. As such, the financial statements for this sub-fund have been prepared on a non-going concern basis.

The application of the non-going concern basis of accounting has not lead to material adjustments to the sub-fund's published net asset value.

#### b) Investment Securities

Listed securities and securities dealt in on another regulated market are valued on the basis of their last available market price at the date of these financial statements.

Transferable securities and money market instruments which are quoted, listed or traded on a regulated market or on another regulated market will be valued at last traded market prices, which may be, the closing market price, the mid-market price or the latest market price, as appropriate. Where a security is listed or dealt in on more than one regulated market or on another regulated market, the relevant exchange or market shall be the principal stock exchange or market on which the security is listed or dealt in on. Investments listed or traded on a regulated market or on another regulated market, but acquired or traded at a premium or at a discount outside or off the relevant exchange or market, may be valued taking into account the level of premium or discount as of the valuation day.

The value of any transferable security which is not quoted, listed or dealt in on a regulated market or on another regulated market or which is so quoted, listed or dealt in on but for which no such quotation or value is available or the available quotation or value is not representative, shall be the probable realisation value as estimated with care and good faith by the Directors and approved for the purpose by the Depositary.

Where reliable market quotations are not available for fixed income securities, the value of such securities may be determined using matrix methodology compiled by the Directors.

# China Southern Dragon Dynamic Fund

## Notes to the Financial Statements as at December 31, 2018 (continued)

### 2. Significant Accounting policies (continued)

#### c) Foreign currency translation

The financial statements and accounting records of each sub-fund are expressed in USD.

Amounts included in the Statement of Operations and Changes in Net Assets in foreign currency are translated into USD at the rate of exchange prevailing on the date of the transaction.

Assets and liabilities denominated in other currencies are converted into USD at the exchange rate prevailing at the closing date of the financial statements.

Any resulting gains or losses are recognised in the Statements of Operations and Changes in Net Assets under the heading "Net realised gain/ (loss) on foreign exchange".

Main exchange rates used as of December 31, 2018 are:

1 USD = 6.876019 CNH\*

1 USD = 0.873286 EUR

1 USD = 7.832264 HKD

\* The valuation of Renminbi ("RMB") assets, denominated in Chinese Renminbi ("CNY") and traded through Hong Kong or Singapore, is done at the Hong Kong delivered Chinese Renminbi ("CNH") foreign exchange rate.

#### d) Formation Expenses

The formation expenses represent the cost of establishing the SICAV and its sub-funds. The formation costs are amortised on a straight line basis over 5 years from the date on which sub-funds commenced business.

#### e) Interest Income

Interest income includes interest applied to bonds and interest applied to bank accounts. It is accrued on a daily basis.

#### f) Dividend Income

Dividends are accounted for on an "ex-dividend" basis net of any irrecoverable withholding tax.

#### g) Realised Gains or Losses on Sales of Investments and on foreign exchange

Realised gains or losses comprise the profit or loss arising from disposal of securities during the year and differences arising on the revaluation of other assets and liabilities denominated in foreign currencies.

Realised gains or losses are determined on the basis of the weighted average cost of the securities sold.

#### h) Combined Figures

The combined Statement of Net Assets and the combined Statement of Operations and Changes in Net Assets are expressed in USD and are presented for information purposes only.

#### i) Forward foreign exchange contracts

The forward foreign exchange contracts are valued on the basis of forward foreign exchange rates prevailing on December 31, 2018. The change in unrealised gain or loss is disclosed in the Statement of Operations and Changes in Net Assets under "net change in unrealised appreciation /(depreciation) on forward foreign exchange contracts". The realised gain / (loss) on forward foreign exchange contracts is disclosed in the Statement of Operations and Changes in Net Assets under "net realised gain/(loss) on forward foreign exchange contracts".



# China Southern Dragon Dynamic Fund

## Notes to the Financial Statements as at December 31, 2018 (continued)

### 2. Significant Accounting policies (continued)

#### j) Futures contracts

The futures contracts are valued at the last available settlement price or the last available market price of the instruments. The change in unrealised gain or loss on futures contracts is disclosed in the Statement of Operations and Changes in Net Assets under “net change in unrealised appreciation/(depreciation) on futures contracts”. The realised gain / (loss) on futures contracts is disclosed in the Statement of Operations and Changes in Net Assets under “net realised gain/(loss) on futures contracts”.

### 3. Management Fees

The Investment Manager, CSOP Asset Management Limited, will receive from each sub-fund, payable out of the assets attributable to the relevant class of shares, the following management fees calculated and accrued on each valuation day on the basis of the Net Asset Value of the assets attributable to the relevant class of shares and paid out monthly in arrears on the relevant valuation day:

Sub-Funds	Class A	Class I	Class R	Class V
China New Balance Opportunity Fund	2.00% p.a.	1.00% p.a.	2.00% p.a.	1.00% p.a.
CSOP RMB High Yield Bond Fund	1.00% p.a.	0.75% p.a.	1.75% p.a.	1.00% p.a.

### 4. Management Company Fees

The Management Company is entitled to receive a management company fee maximum of 0.05% per year, subject to an annual minimum fee of EUR 20,000 for the SICAV. This fee is payable monthly and based on the average net assets of the Sub-Fund during the relevant month.

### 5. Performance Fees

The Investment Manager, CSOP Asset Management Limited, will receive from Class V and I Shares of China New Balance Opportunity Fund a performance fee calculated and accrued on each valuation day on the basis of the increase in the Net Asset Value per Share outstanding. The performance fees are equal to 20% of the increase in the Net Asset Value per Share, with the Hurdle rate of 8% for each performance period. The performance fees are also subject to a High Water Mark (“The High Water Mark” is the greater of: (a) the highest Net Asset Value per Share on the last day of the previous Performance Period; or (b) USD 100 per Share (being the price at which Shares were issued during the Initial Offer Period)).

The performance fee in respect of each performance period is calculated by reference to the Net Asset Value per Share before the deduction of any accrued Performance Fees.

The performance fee is calculated and accrued in a daily basis and payable annually.

The Investment Manager is entitled to be paid a Performance Fee on the Shares outstanding as at the last Valuation Day of each Performance Period and a Performance Fee on the Shares being redeemed or exchanged during a Performance Period.

### 6. Taxation

The SICAV is subject to Luxembourg tax laws. Under current laws and regulations, the SICAV is subject in Luxembourg to the subscription tax (« taxe d’abonnement ») at an annual rate of 0.05% (0.01% for institutional share classes) such tax being payable quarterly and calculated on the basis of the net assets at the end of the relevant quarter. The SICAV is not subject to Corporate Income Tax in Luxembourg. Income received from the SICAV may be subject to withholding taxes in the country of origin of the issuer of the security, in respect of which such income is paid.

# China Southern Dragon Dynamic Fund

## Notes to the Financial Statements as at December 31, 2018 (continued)

### 7. Depositary, Paying and Domiciliary Agent, Fund Administrator, and Transfer and Registrar Agent

The SICAV pays the fees of the Depositary, Paying and Domiciliary Agent, Fund Administrator, and Transfer and Registrar Agent at commercial rates agreed between these parties and the SICAV, in addition to reasonable out-of-pocket expenses properly incurred in the course of carrying out their duties. The maximum fee paid for these services by the SICAV is 0.5% p.a. of its Net Asset Value (excluding reasonable out-of-pocket expenses).

### 8. Directors fees

The SICAV shall pay to the Directors out of the assets of the SICAV an annual fee, which shall not exceed USD 15,000 per Director, per annum.

### 9. Changes in the Investment Portfolio

The details of the changes in investment portfolio composition are held at the disposal of the shareholders at the registered office of the SICAV and are available upon request free of charge.

### 10. Related Party Transactions

All transactions with related parties were entered into the ordinary course of business and under normal commercial terms. The main related party to the SICAV is the Investment Manager, CSOP Asset Management Limited. For the basis of the fees charged by the Investment Manager please refer to note 3 and note 5 above.

### 11. Soft Commission

During the year covered by this financial report, the Investment Manager entered into soft-dollar commissions/arrangements with the following entities:

Company	Total Commission Paid
Bloomberg Tradebook Hong Kong Limited	HKD 5,449
China International Capital Corporation Hong Kong Securities Limited	HKD 2,707,192 USD 51,648
China Merchants Securities (HK) Co., Limited	HKD 943,421
Citigroup Global Markets Limited	HKD 317,779
Credit Suisse (Hong Kong) Limited	HKD 191,091 USD 46,225
UBS Securities Asia Limited	USD 1,200

### 12. Transaction costs

For the year ended December 31, 2018, the SICAV incurred transaction costs related to purchase or sale of financial instruments (securities and derivatives) as follows:

China New Balance Opportunity Fund: USD: 2,623,062  
CSOP RMB High Yield Bond Fund: USD: 13

The amount of transaction costs supported by the Fund is included in the Statement of Operations and Changes in Net Assets under the heading "Transaction fees".

The transaction costs mainly relate to brokerage fees.

# China Southern Dragon Dynamic Fund

## Notes to the Financial Statements as at December 31, 2018 (continued)

### 13. Outstanding forward foreign exchange contracts

As at December 31, 2018, the China New Balance Opportunity Fund had the following outstanding forward foreign exchange contracts:

CCY purchased	Amount bought	CCY sold	Amount sold	Maturity Date	Counterparty	Unrealised gain / (loss) in USD
USD	28,189*	EUR	24,500.00	February 8, 2019	Citibank	39
USD	5,171*	EUR	4,500.00	February 8, 2019	Citibank	1
USD	4,546*	EUR	4,000.00	February 8, 2019	Citibank	(49)
EUR	105,000*	USD	121,296.74	February 8, 2019	Citibank	(656)
EUR	5,000*	USD	5,721.43	February 8, 2019	Citibank	23
						<b>(642)</b>

\* The purpose of these forward foreign exchange contracts is to hedge the currency exposure of the Class V (EUR) Hedged Acc.

Total commitment on open forward foreign exchange contracts at year-end before netting and hedging arrangements amounts to USD 163,867.

As at December 31, 2018, the CSOP RMB High Yield Bond Fund had the following outstanding forward foreign exchange contracts:

CCY purchased	Amount bought	CCY sold	Amount sold	Maturity Date	Counterparty	Unrealised gain / (loss) in USD
USD	8,618*	EUR	7,500.00	January 17, 2019	Citibank	17
USD	26,529*	EUR	23,000.00	January 17, 2019	Citibank	152
USD	7,762*	EUR	6,800.00	January 17, 2019	Citibank	(36)
USD	1,135*	EUR	1,000.00	January 17, 2019	Citibank	(12)
USD	10,677*	EUR	9,300.00	January 17, 2019	Citibank	12
EUR	672,700*	USD	784,871.38	January 17, 2019	Citibank	(13,420)
USD	3,438*	EUR	3,000.00	January 18, 2019	Citibank	(3)
USD	1,135*	EUR	1,000.00	January 18, 2019	Citibank	(12)
EUR	154,800*	USD	180,970.33	January 18, 2019	Citibank	(3,430)
						<b>(16,732)</b>

\* The purpose of these forward foreign exchange contracts is to hedge the currency exposure of the Class R (EUR) Hedged Dis and of the Class V (EUR) Hedged Acc.

Total commitment on open forward foreign exchange contracts at year-end before netting and hedging arrangements amounts to USD 1,006,863.

As at December 31, 2018, there is no collateral related to the forward foreign exchange contracts.

### 14. Dividend paid

No dividend was paid during the year ended December 31, 2018.

# **China Southern Dragon Dynamic Fund**

## **Notes to the Financial Statements as at December 31, 2018 (continued)**

### **15. Other important information**

On April 13, 2016, the shares of the company Sound Global Limited had been suspended on the Stock Exchange, due to discrepancies in balances of bank accounts of its subsidiaries. On February 1, 2018, Sound Global Limited announced that the shares would remain suspended until further notice, as the reviewer, engaged on January 19, 2017 to perform investigation services in respect of these discrepancies, was unable to identify the reason for and particulars of the discrepancies.

On November 23, 2016, the Board of Directors of the SICAV has approved the application of a discount of 50% on the valuation of the security Sound Global Limited held by the China New Balance Opportunity Fund, for the NAV valuation date from November 23, 2016 onwards. On February 9, 2018, the Board of Directors applied a further 50% discount on the valuation of the security.

### **16. Subsequent events**

On March 15, 2019, the Board resolved to liquidate the CSOP RMB High Yield Bond Fund with effect on March 29, 2019.

# China Southern Dragon Dynamic Fund

## Schedule of Investments (expressed in United States dollars)

As at December 31, 2018

### China New Balance Opportunity Fund

Quantity	Description	Market Value	% NAV
<b>Transferable securities and money market instruments admitted to an official exchange listing</b>			
<b>HKD Equities</b>			
6,300,000	Anton Oilfield Services Group	627,405	0.67
3,000,000	China Animal Healthcare Limited*	—	—
1,400,000	China Evergrande Group	4,191,635	4.47
7,000,000	China Jinmao Holdings Group Limited	3,145,961	3.34
600,000	China Overseas Land & Investment Limited	2,060,707	2.19
500,000	China Resources Land Limited	1,921,539	2.04
1,450,000	China Taiping Insurance Holdings Company Limited	3,980,331	4.23
5,400,000	Cifi Holdings Group Company Limited	2,868,136	3.05
2,540,000	CITIC Securities Company Limited - H	4,378,044	4.65
4,400,000	Cosco Shipping Energy Transportation Company Limited	2,196,555	2.33
7,000,000	Haitong International Securities Group Limited	2,198,598	2.34
4,500,000	Haitong Securities Company Limited - H	4,309,099	4.58
255,076	Hong Kong Exchanges and Clearing Limited	7,379,759	7.84
23,000,000	Honghua Group Limited	1,203,994	1.28
1,650,000	Kingdee International Software Group Company Limited	1,457,816	1.55
1,600,000	KWG Property Holding Limited	1,415,683	1.50
1,300,000	Logan Property Holdings Company	1,628,265	1.73
920,000	New China Life Insurance Company - H	3,653,094	3.88
730,000	Sands China Limited	3,196,904	3.40
80,000	Shanghai Junshi Biosciences Company - H	247,183	0.26
2,600,000	Sound Global Limited**	—	—
9,934,000	SPT Energy Group Inc.	602,463	0.64
1,600,000	Sunac China Holdings Limited	5,209,222	5.54
249,000	Tencent Holdings Limited	9,982,554	10.61
1,900,000	ZTE Corp. - H	3,590,277	3.82
<b>Total HKD Equities</b>		<b>71,445,224</b>	<b>75.94</b>
<b>USD Equities</b>			
63,000	Alibaba Group Holding Limited	8,762,670	9.31
98,000	Bilibili Inc.	1,408,260	1.50
70,000	JD.com Inc. - ADR	1,519,700	1.62
10,000	Netease.com - ADR	2,369,100	2.51
230,000	Pinduoduo Inc.	5,073,800	5.39
30,000	Weibo Corp. - ADR	1,765,200	1.88
<b>Total USD Equities</b>		<b>20,898,730</b>	<b>22.21</b>
<b>Total Transferable securities and money market instruments admitted to an official exchange listing</b>		<b>92,343,954</b>	<b>98.15</b>
<b>Total Investments in Securities</b>		<b>92,343,954</b>	<b>98.15</b>
<b>Other Net Assets</b>		<b>1,736,467</b>	<b>1.85</b>
<b>Total Net Assets</b>		<b>94,080,421</b>	<b>100.00</b>

\* Illiquid security

\*\* Please see note 15

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Schedule of Investments (expressed in United States dollars) (continued)

As at December 31, 2018

### CSOP RMB High Yield Bond Fund

Nominal Value	Description	Market Value	% NAV
<b>Transferable securities and money market instruments admitted to an official exchange listing</b>			
<b>CNY Bonds</b>			
2,000,000	Bank of China Limited 4.650% 5/Mar/2021	293,629	2.70
	Beijing Capital Polaris Investment Company Limited 5.200% 26/Mar/2020		
3,000,000		439,849	4.04
3,000,000	Car Inc. 6.500% 4/Apr/2021	398,123	3.66
3,000,000	China Development Bank Corp. 4.350% 6/Aug/2024	445,026	4.09
3,000,000	Cifi Holdings Group Company Limited 7.750% 20/Sep/2020	431,663	3.97
3,000,000	CNI Capital Limited 4.300% 11/Nov/2019	434,745	4.00
2,000,000	Far East Horizon Limited 4.900% 27/Feb/2021	291,063	2.68
2,500,000	Franshion Brilliant Limited 5.200% 8/Mar/2021	364,401	3.35
4,000,000	Greenland Global Investment Limited 7.125% 20/Mar/2021	574,703	5.28
2,500,000	QNB Finance Limited 5.200% 7/Jun/2021	369,945	3.40
4,000,000	Shimao Property Holdings Limited 5.750% 15/Mar/2021	578,348	5.32
3,000,000	Shui on Development Holding 6.875% 2/Mar/2021	434,408	3.99
1,000,000	Volkswagen International Finance NV 3.500% 23/Jan/2019	145,197	1.34
<b>Total CNY Bonds</b>		<b>5,201,100</b>	<b>47.82</b>
<b>USD Bonds</b>			
600,000	Anton Oilfield Services Group 9.750% 5/Dec/2020	536,250	4.93
200,000	China Evergrande Group 7.500% 28/Jun/2023	176,156	1.62
500,000	China Evergrande Group 8.750% 28/Jun/2025	420,500	3.87
600,000	Envision Energy Overseas Capital 7.500% 26/Apr/2021	411,000	3.78
400,000	Hilong Holding Limited 7.250% 22/Jun/2020	354,245	3.26
600,000	Logan Property Holdings Company 7.500% 27/Aug/2021	590,067	5.43
1,000,000	Sunac China Holdings Limited 7.350% 19/Jul/2021	967,596	8.89
	Xin Jiang Guang Hui Industry Investment Group Company Limited 7.875% 30/Mar/2020		
400,000		357,000	3.28
<b>Total USD Bonds</b>		<b>3,812,814</b>	<b>35.06</b>
<b>CNY Supranationals, Governments and Local Public Authorities, Debt Instruments</b>			
3,300,000	Export-Import Bank of Korea 3.625% 27/Jan/2019	479,752	4.41
<b>Total CNY Supranationals, Governments and Local Public Authorities, Debt Instruments</b>		<b>479,752</b>	<b>4.41</b>
<b>Total Transferable securities and money market instruments admitted to an official exchange listing</b>		<b>9,493,666</b>	<b>87.29</b>

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Schedule of Investments (expressed in United States dollars) (continued)

As at December 31, 2018

### CSOP RMB High Yield Bond Fund (continued)

Nominal Value	Description	Market Value	% NAV
<b>Transferable securities and money market instruments dealt in on another regulated market and recently issued transferable securities</b>			
<b>CNY Supranationals, Governments and Local Public Authorities, Debt Instruments</b>			
3,000,000	PBOC International Note 3.790% 8/Feb/2019 *	436,408	4.01
<b>Total CNY Supranationals, Governments and Local Public Authorities, Debt Instruments</b>		<b>436,408</b>	<b>4.01</b>
<b>Total Transferable securities and money market instruments dealt in on another regulated market and recently issued transferable securities</b>		<b>436,408</b>	<b>4.01</b>
<b>Total Investments in Securities</b>		<b>9,930,074</b>	<b>91.30</b>
<b>Other Net Assets</b>		<b>945,874</b>	<b>8.70</b>
<b>Total Net Assets</b>		<b>10,875,948</b>	<b>100.00</b>

\* Unlisted security

The accompanying notes form an integral part of these financial statements.

# China Southern Dragon Dynamic Fund

## Economic and Geographical Classification

As at December 31, 2018

### China New Balance Opportunity Fund

Economic Classification as at December 31, 2018

<b>Sector</b>	<b>% NAV</b>
Internet software and services	28.81
Financial services	19.41
Real estate	18.32
Insurance	8.11
Software	5.56
Real estate investment trust	5.54
Telecommunication equipment	3.82
Leisure and entertainment	3.40
Oil and gas services	2.59
Transportation	2.33
Biotechnology	0.26
<b>Total Investments in Securities</b>	<b>98.15</b>
<b>Other Net Assets</b>	<b>1.85</b>
<b>Total Net Assets</b>	<b>100.00</b>

### Geographical Classification as at December 31, 2018

<b>Country</b>	<b>% NAV</b>
Cayman Islands	55.19
China	23.02
Hong Kong	17.60
Bermuda	2.34
<b>Total Investments in Securities</b>	<b>98.15</b>
<b>Other Net Assets</b>	<b>1.85</b>
<b>Total Net Assets</b>	<b>100.00</b>



# China Southern Dragon Dynamic Fund

## Economic and Geographical Classification

As at December 31, 2018

### CSOP RMB High Yield Bond Fund

Economic Classification as at December 31, 2018

<b>Sector</b>	<b>% NAV</b>
Real estate investment trust	25.63
Real estate	16.09
Banks	14.20
Financial services	6.72
Oil and gas services	4.93
Governments	4.41
Industrials	4.00
Energy - alternate sources	3.78
Commercial services	3.66
Retail	3.28
Oil and gas producers	3.26
Auto manufacturers	1.34
<b>Total Investments in Securities</b>	<b>91.30</b>
<b>Other Net Assets</b>	<b>8.70</b>
<b>Total Net Assets</b>	<b>100.00</b>

Geographical Classification as at December 31, 2018

<b>Country</b>	<b>% NAV</b>
Cayman Islands	52.34
Virgin Islands (British)	16.45
China	14.08
Republic of Korea (South)	4.41
Hong Kong	2.68
Netherlands	1.34
<b>Total Investments in Securities</b>	<b>91.30</b>
<b>Other Net Assets</b>	<b>8.70</b>
<b>Total Net Assets</b>	<b>100.00</b>

# China Southern Dragon Dynamic Fund

## Unaudited Supplementary Information

### Global Exposure

The SICAV uses a risk-management process that enables to monitor and measure at any time the risk of the Sub-Funds' portfolio positions and their contribution to the overall risk profile of the SICAV.

The Commitment Approach is used for both Sub-Funds.

Global Exposure is measured with the Commitment Approach calculated along the guidelines of ESMA 10-788.

### European Regulation (EU) 2015/2365 on the transparency of financial transactions in securities and reuse of collateral (Securities Financing Transactions or SFTR)

During the year ended 31 December 2018, the SICAV did not enter into securities financing transactions and total return swaps.

### Remuneration policies and practices

The Management Company has established and applies a remuneration policy and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, rules, the Prospectus or the Articles nor impair compliance with the Management Company's obligation to act in the best interest of the SICAV (the Remuneration Policy).

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company, the SICAV or the Sub-Funds. Within the Management Company, these categories of staff represent 22 persons.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the SICAV and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- a) the staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- b) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- c) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The following table shows the fixed and variable remuneration in 2018 for the Identified Staff (22 persons), who is fully or partly involved in the activities of all the funds managed by the Management Company. For the purposes of the below disclosures, where portfolio management activities have been formally delegated to another entity, the remuneration of the relevant identified staff of the delegate has been excluded, as it is not paid out by the Management Company or by the SICAV.

# China Southern Dragon Dynamic Fund

## Unaudited Supplementary Information (continued)

### Remuneration policies and practices (continued)

Staff expenses split into fixed and variable remuneration

Wages and salaries

- a. Fixed
- b. Variable

Staff expenses broken down by categories of staff subject to UCITS V pay rules (in EUR):

Staff code	Fixed remuneration	Variable Remuneration	Total
S	1,637,510.59	753,648.12	2,391,158.71
R	451,755.00	25,876.50	477,631.50
C	575,921.11	7,175.00	583,096.11
O	0	0	0

S = Senior Management

R = Risk takers, which includes staff members whose professional activities can exert material influence on UCITS or AIFs managed by Lemanik Asset Management S.A.

C = Staff engaged in control functions (other than senior management) responsible for risk management, compliance, internal audit and similar functions

O = Any other staff member receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on Lemanik Asset Management S.A.'s risk profile.

A paper copy of the summarised Remuneration Policy is available free of charge to the Shareholders upon request.

No material changes have been made to the remuneration policy.



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