



INCOME PARTNERS

**Annual Report 2018**

**INCOME PARTNERS  
MANAGED VOLATILITY HIGH YIELD BOND FUND**



**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Formerly known as Income Partners Renminbi High Yield Bond Fund)

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2018**

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

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## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

### **MANAGEMENT AND ADMINISTRATION**

#### **MANAGER**

Income Partners Asset Management (HK) Limited  
Suite 3311-3313  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

#### **DIRECTORS OF THE MANAGER**

Emil Nguy  
Francis Tjia  
Nan Peng Shen  
Fai Hung Ma (Appointed on 11 December 2018)

#### **TRUSTEE AND PRINCIPAL OFFICE**

*(Before 30 May 2018)*  
Cititrust (Cayman) Limited  
P.O. Box 1170G  
Grand Cayman, KY1-1102  
Cayman Islands

*(Since 30 May 2018)*  
Cititrust Limited  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road, Central  
Hong Kong

#### **ADMINISTRATOR**

*(Before 30 May 2018)*  
Cititrust (Cayman) Limited  
P.O. Box 1093, Queensgate House  
Grand Cayman, KY1-1102  
Cayman Islands

*(Since 30 May 2018)*  
Citibank N.A., Hong Kong Branch  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road, Central  
Hong Kong

#### **REGISTRAR AND PROCESSING AGENT**

Citicorp Financial Services Limited  
Citi Tower, One Bay East  
83 Hoi Bun Road  
Kwun Tong  
Kowloon, Hong Kong

#### **SUB-ADMINISTRATOR**

*(Before 30 May 2018)*  
Cititrust Limited  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road, Central  
Hong Kong

#### **CUSTODIAN**

Citibank N.A., Hong Kong Branch  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road, Central  
Hong Kong

#### **SOLICITORS TO THE MANAGER IN RESPECT OF HONG KONG LAW**

Akin Gump Strauss Hauer & Feld  
Units 1801-08 & 10, 18/F, Gloucester Tower  
The Landmark, 15 Queen's Road Central  
Central, Hong Kong

#### **AUDITOR**

PricewaterhouseCoopers  
21/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

#### **LEGAL ADVISOR TO THE MANAGER IN RESPECT OF CAYMAN ISLANDS LAW**

*(Before 30 May 2018)*  
Walkers  
15<sup>th</sup> Floor, Alexandra House  
15 Chater Road, Central  
Hong Kong

#### **SWISS REPRESENTATIVE AGENT**

Hugo Fund Services SA  
6, Cours de Rive  
CH-1204 Geneva  
Switzerland

## MANAGER'S REPORT

### INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

## 2018 PERFORMANCE OVERVIEW

For the year 2018, the **Income Partners Managed Volatility High Yield Bond Fund (the "Fund")** generated a total return as per below table:

Class of Shares	ISIN Code	Bloomberg ticker	Fund Class Inception Date	FY 2018 Return	Annualised Dividend Yield <sup>1*</sup>
Class 1A Dis (USD)	HK0000421328	IPRHY1A KY	07-May-13	-6.36%	-
Class 1A Acc (USD)	HK0000421336	IRHY1AA HK	08-Jan-18	-7.10%	-
Class 2A Dis (USD)	HK0000421401	IPRHY2A HK	03-Aug-11	-6.85%	10.5%
Class 2A Acc (USD)	HK0000421419	IRHY2AA HK	27-Jul-11	-6.81%	-
Class 2B Dis (RMB)	HK0000421427	IPRHY2B HK	27-Jul-11	-1.69%	9.5%
Class 2B Acc (RMB)	HK0000421435	IRHY2BA HK	27-Jul-11	-1.68%	-
Class 2C Dis (USD)	HK0000421443	IPRHY2C HK	10-Aug-11	-6.85%	7.0% (pays 7% Fixed)
Class 2D Dis (HKD)	HK0000421450	IPRHY2E HK	09-Feb-18	-9.42%	10.7%
Class 2D Acc (HKD)	HK0000421468	IRHY2EA HK	21-Feb-18	-9.43%	-
Class 2E Dis (AUD)	HK0000421476	IPRHY2F HK	04-May-18	-1.04%	9.9%
Class 2E Acc (AUD)	HK0000421484	IRHY2FA HK	07-Mar-18	0.04%	-
Class 2F Dis (AUD Hedged)	HK0000421492	IPRHY2G HK	not yet launched	-	-
Class 2F Acc (AUD Hedged)	HK0000421500	IRHY2GA HK	13-Oct-15	-3.75%	-
Class 2G Dis (USD Hedged)	HK0000421518	IPRHY2H HK	19-Oct-15	-3.57%	7.6%
Class 2G Acc (USD Hedged)	HK0000421526	IRHY2HA HK	13-Oct-15	-3.46%	-
Class 2H Dis (SGD)	HK0000421534	IPRHY2I HK	not yet launched	-	-
Class 2H Acc (SGD)	HK0000421542	IRHY2IA HK	not yet launched	-	-
Class 2I Dis (SGD Hedged)	HK0000421559	IPRHY2A HK	not yet launched	-	-
Class 2I Acc (SGD Hedged)	HK0000421567	IRHY2AA HK	not yet launched	-	-

\*The Fund paid dividend distribution to Distribution share class holders.

<sup>1</sup> 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. Dividend rate is not guaranteed and distributions may be paid from capital. Data as of 31 December 2018.

## **MANAGER'S REPORT**

### **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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## **MARKET OVERVIEW AND OUTLOOK**

In 2018 the Asian high yield market weakened consistently, mainly due to the lagging effect from China's deleveraging policy, uncertainty from the trade war, as well as the continuous rate hikes by the Fed.

On the economy front, China's real GDP growth grew 6.6% in 2018, marginally slower than the 6.8% growth in 2017 but still relatively stable. The slower growth was mainly attributed to the slowdown of the YoY growth of Fixed Assets Investment, which slowed to 5.9% in 2018 from 7.2% in 2017, and the deceleration of household consumption, as reflected by the YoY growth of retail sales, which decelerated to 9.0% in 2018 from 10.2% in 2017. The slowdown came as a result of the lagging effect from the deleveraging policy since late 2016, which successfully controlled China's debt level from further rising, but on the other hand constrained China's overall credit expansion and weakened the growth. Into the second quarter, the funding environment became much tighter for small-to-medium enterprises in the private sector, and triggered a selloff in both onshore and offshore Chinese high yield credits. To stabilize the situation, since late July, the policy emphasis has been timely switched from deleveraging to stabilizing growth, with stimulative measures such as RRR cut and tax cut from both monetary and fiscal sides being announced. As a result, onshore financial condition has gradually improved into the fourth quarter and is expected to continue to improve into 2019.

Approaching the end of 2018, with further selloff in US equities, the Fed has turned more dovish on future rate hikes, which released the price pressure on USD denominated bonds. At the same time, the trade war between China and US has finally entered into negotiation stage. With all three major risk factors for Asian high yield, including China's deleveraging policy, Fed hikes, and trade war starting to fade, we turn more constructive on Asian high yield bonds in 2019.

## MANAGER'S REPORT

### INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

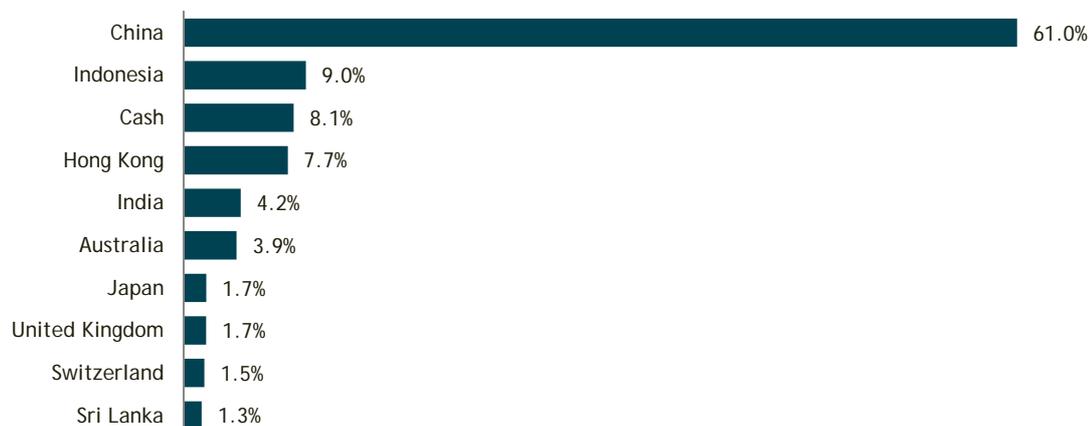
(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

#### PORTFOLIO OVERVIEW AS OF 31 DECEMBER 2018

Modified Duration:	Average Credit Rating:	Yield in CNH <sup>2</sup>
2.8 years	BB	8.7%

Top 10 Holdings	26.6%
New Metro Global Ltd	3.1%
CIFI Holdings Group Co Ltd	3.0%
China Aoyuan Property Group Ltd	2.8%
China SCE Property Holdings Ltd	2.7%
FWD Ltd	2.6%
Logan Property Holdings Co Ltd	2.5%
Powerlong Real Estate Holdings Ltd	2.5%
KWG Property Holding Ltd	2.5%
Yuzhou Properties Co Ltd	2.5%
China Development Bank	2.4%

#### Geographic Exposure



<sup>2</sup> Yield in RMB includes both the YTM and the positive carry from the RMB currency overlay for the purpose of hedging all USD denominated bonds into RMB.

## MANAGER'S REPORT

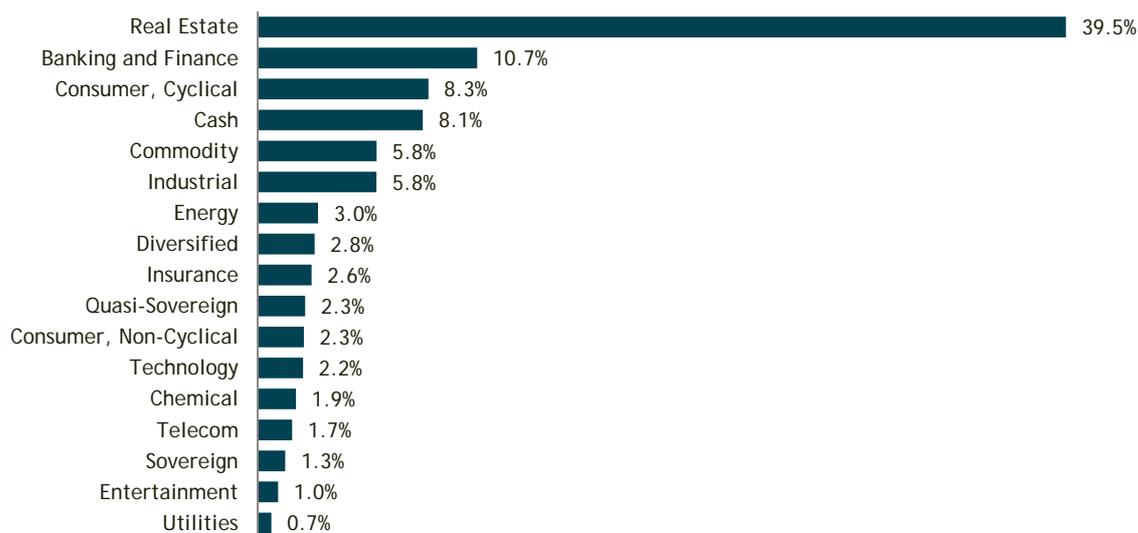
### INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

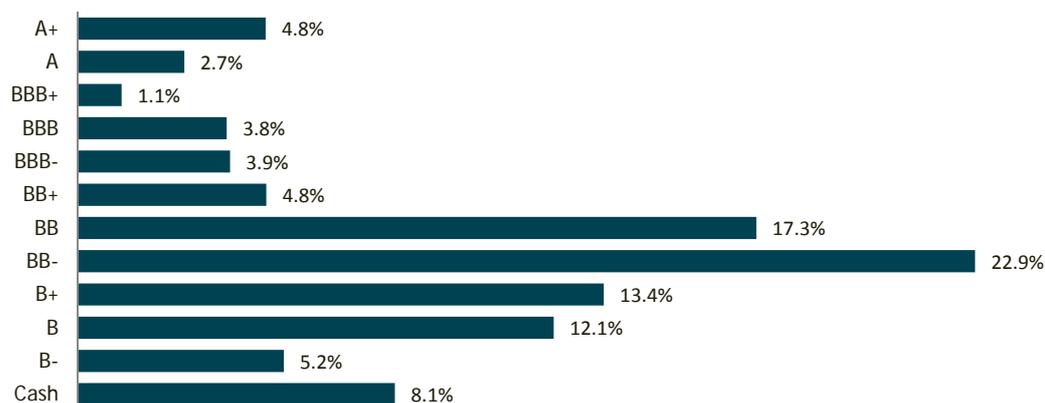
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## PORTFOLIO OVERVIEW AS OF 31 DECEMBER 2018 (CONTINUED)

### Industry Exposure



### Credit Rating Exposure



Total exposures may differ due to rounding. Please note the ratings exposures shown here use the best rating out of S&P/Moody's/Fitch ratings. Where S&P/Moody's/Fitch ratings for bond holdings are not available, Income Partners' internal credit ratings apply.

Source: Income Partners, based on 31 December 2018

## **MANAGER'S REPORT**

### **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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## **CORPORATE ACTION**

As per a Notice to Shareholders dd 27 April 2018, please be noted that with effect from 30 May 2018, the umbrella Fund **INCOME PARTNERS STRATEGY FUND** and the sub-fund **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND** have been re-domiciled from Cayman Islands to Hong Kong. The following changes to the Fund prospectus has been duly amended with the above name change as well as other changes in lieu to the above:

- 1) change of trustee and re-domiciliation of the Fund and the Sub-Funds;
- 2) change in administrator and removal of sub-administrator;
- 3) amendments to the trust deed entered into between Income Partners Asset Management (HK) Limited (the "Manager") and Cititrust (Cayman) Limited dated 17 February 2015 (the "Trust Deed"); and
- 4) amendments to the explanatory memorandum of each of Income Partners Managed Volatility High Yield Bond Fund and Income Partners Renminbi Investment Grade Bond Fund (each, the "Explanatory Memorandum" and together, the "Explanatory Memoranda").

Furthermore, with effect from 16 November 2018, the Sub-Fund issued a new prospectus due to changes made with regards to the Revised Fund Manager Code of Conduct (FMCC) and other updates:

- Updates to Comply with the Revised Fund Manager Code of Conduct
- Enhanced Disclosure in Fees
- Profits Tax
- Stamp Duty
- Profile of the Manager
- Supplemental Deed

For further details on the above changes, please refer to the Notice to investors dd. 16 November 2018.

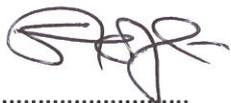
A copy of the latest amended Explanatory Memorandum and KFS for the Fund encompassing the changes set out above are available on the Manager's website ([www.incomepartners.com](http://www.incomepartners.com)). The Manager's website has not been reviewed by the Securities and Futures Commission.

**TRUSTEE'S REPORT  
TO THE UNITHOLDERS OF INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD  
BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

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We hereby confirm that, in our opinion, the Manager of the Income Partners Managed Volatility High Yield Bond Fund (the "Sub-Fund") as a Sub-Fund of Income Partners Strategy Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 17 November 2010, as amended for the year ended 31 December 2018.



.....  
Cititrust Limited,  
the Trustee  
26 April 2019

**INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEE OF INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD  
BOND FUND**

**Opinion**

*What we have audited*

The financial statements of Income Partners Managed Volatility High Yield Bond Fund (the "Sub-Fund") set out on pages 12 to 65, which comprise:

- the statement of financial position as at year end date;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Income Partners Managed Volatility High Yield Bond Fund (the "Sub-Fund"), a sub-fund of Income Partners Strategy Trust as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities 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.

*Independence*

We are independent of the Sub-Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Other Information**

The Trustee and the Manager ("Management") are responsible for the other information. The other information comprises the Annual Report (but does not include the Sub-Fund's financial statements and our auditor's report thereon).

Our opinion on the Sub-Fund's 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 Sub-Fund's 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE TRUSTEE OF INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD  
BOND FUND**

**Responsibilities of the Management for the Financial Statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as Management 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, Management is responsible for assessing the Sub-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 Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, Management is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 17 November 2010 (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives 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 auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

As part of an audit in accordance with ISAs, 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 Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management'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 Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report 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 auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE TRUSTEE OF INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD  
BOND FUND**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- 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.

**Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.



**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 26 April 2019

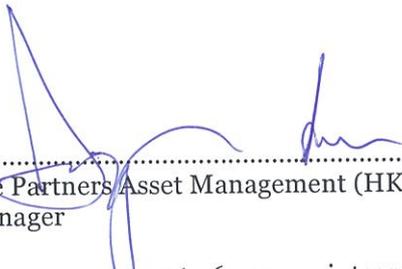
**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Notes	2018 RMB	2017 RMB
<b>Assets - current assets</b>			
Financial assets at fair value through profit or loss	3(a)	868,303,970	511,124,167
Derivative financial instruments	3(a)	2,493,949	35,050,154
Interest receivable		17,658,333	8,464,152
Subscriptions receivable		3,541,277	-
Prepayment and other receivable		1,219,943	128,777
Amount due from the broker		4,863,630	4,863,630
Margin deposits		25,024,181	22,422,249
Bank balances		22,707,172	21,579,284
<b>Total assets</b>		<u>945,812,455</u>	<u>603,632,413</u>
<b>Liabilities – current liabilities</b>			
Derivative financial instruments	3(a)	802,806	9,184,438
Other liabilities and accrued expenses	13	2,098,269	1,704,537
Redemption payable		1,552,289	5,848,646
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<u>4,453,364</u>	<u>16,737,621</u>
<b>Net assets attributable to unitholders</b>	12	<u>941,359,091</u>	<u>586,894,792</u>
<b>Net assets attributable to unitholders after adjustment to establishment and authorisation costs</b>	12	<u>941,893,827</u>	<u>587,659,155</u>
<b>Adjustments for different bases adopted by the Sub-Fund in arriving at the net assets attributable to unitholders</b>	12	<u>(534,736)</u>	<u>(764,363)</u>



Income Partners Asset Management (HK) Limited,  
the Manager

The notes on pages 17 to 65 are an integral part of these financial statements.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

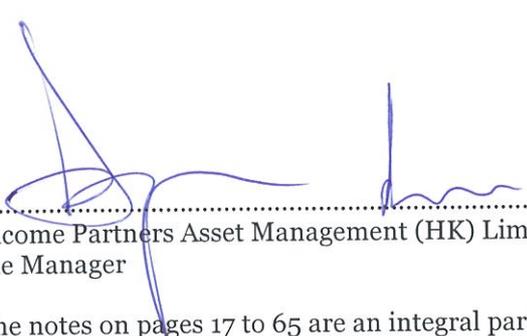
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### STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2018

	Net asset value per unit RMB	
	2018	2017
<b>Analysed by:</b>		
Class 1A USD (Distribution)Units	853.08	863.38
Class 1A USD (Accumulation)Units	638.80	-
Class 1B RMB (Distribution)Units	-	100.29
Class 2A USD (Distribution) Units	581.96	648.86
Class 2A USD (Accumulation) Units	1,023.05	1,040.40
Class 2B RMB (Distribution) Units	92.91	103.82
Class 2B RMB (Accumulation) Units	158.93	161.68
Class 2C USD (Distribution) Units	622.06	681.45
Class 2D HKD (Distribution) Units	73.27	-
Class 2D HKD (Accumulation) Units	79.52	-
Class 2E AUD (Distribution) Units	454.47	-
Class 2E AUD (Accumulation) Units	485.33	-
Class 2F AUD-Hedged (Accumulation) Units	536.08	584.69
Class 2G USD-Hedged (Distribution) Units	589.20	623.01
Class 2G USD-Hedged (Accumulation) Units	761.39	747.29

  
Income Partners Asset Management (HK) Limited,  
the Manager

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**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 RMB	2017 RMB
<b>Income</b>			
Debt interest income		48,952,757	34,160,794
Net losses on financial assets and liabilities at fair value through profit or loss	7	(46,043,506)	(1,595,000)
Net foreign exchange gains/(losses)		13,801,971	(1,726,498)
Bank interest income		867,195	161,385
Dividend income		19,097	6,533
Management fee rebate	9(a)	209,487	140,977
Consent fee income		60,383	141,618
		<hr/>	<hr/>
<b>Total investment income</b>		17,867,384	31,289,809
		<hr/>	<hr/>
<b>Expenses</b>			
Management fee	9(a)	(12,716,805)	(9,110,466)
Trustee fee	9(b)	(68,961)	(67,262)
Custodian, administration, compliance monitoring, financial statement preparation fee and registrar and processing agent fee	9(g)	(1,277,875)	(945,995)
Auditor's remuneration		(344,130)	(334,276)
Establishment and authorisation cost	10	-	(778,980)
Other operating expenses		(273,043)	(257,200)
Legal and professional fees		(124,655)	(81,147)
		<hr/>	<hr/>
<b>Total operating expenses</b>		(14,805,469)	(11,575,326)
		<hr/>	<hr/>
<b>Operating profit</b>		3,061,915	19,714,483
<b>Finance costs</b>			
Distributions to holders of redeemable units	14	(41,102,475)	(17,212,128)
Interest expense		(1,037)	(10)
		<hr/>	<hr/>
<b>(Loss)/Profit after distributions</b>		(38,041,597)	2,502,345
Adjustment for establishment and authorisation costs	12	(229,627)	749,952
		<hr/>	<hr/>
<b>(Decrease)/increase in net assets attributable to unitholders from operations</b>		(38,271,224)	3,252,297
		<hr/>	<hr/>

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**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RMB	2017 RMB
<b>Net assets attributable to unitholders of redeemable units at the beginning of the year</b>		587,659,155	649,019,109
Issuance of redeemable units		817,152,875	192,397,097
Redemption of redeemable units		(424,646,979)	(257,009,348)
(Decrease)/increase in net assets attributable to unitholders from operations		(38,271,224)	3,252,297
		<hr/>	<hr/>
<b>Net assets attributable to unitholders of redeemable units at the end of the year</b>	12	<u>941,893,827</u>	<u>587,659,155</u>

The notes on pages 17 to 65 are an integral part of these financial statements.

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 RMB	2017 RMB
<b>Cash flow from operating activities</b>		
(Loss)/profit after distributions	(38,041,597)	2,502,345
<b>Adjustment for:</b>		
Interest income	(49,819,952)	(34,322,163)
Interest expenses	1,037	10
Distributions to holders of redeemable units	41,102,475	17,212,128
	<hr/>	<hr/>
<b>Operating loss before working capital changes</b>	(46,758,037)	(14,607,680)
(Increase)/decrease in financial assets at fair value through profit or loss	(357,179,803)	71,795,783
Decrease/(increase) in financial assets at derivative financial instruments	32,556,205	(30,752,551)
Decrease in financial liabilities at derivative financial instruments	(8,381,632)	(1,861,853)
(Increase)/decrease in prepayments and other receivable	(1,091,166)	194,460
Increase in margin deposits	(2,601,932)	(4,786,977)
Decrease in amount due from the broker	-	15,639,281
Increase in other liabilities and accrued expenses	393,732	343,646
Decrease in amount due to the broker	-	(5,922,974)
	<hr/>	<hr/>
<b>Cash (used in)/generated from operations activities</b>	(383,062,633)	30,041,135
Interest received	40,625,771	35,461,133
	<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities</b>	(342,436,862)	65,502,268
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds on issuance of redeemable units	813,611,598	192,397,097
Payments on redemption of redeemable units	(428,943,336)	(251,160,702)
Distribution Paid	(41,102,475)	(17,212,128)
Interest paid	(1,037)	(10)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	343,564,750	(75,975,743)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,127,888	(10,473,475)
Cash and cash equivalents at the beginning of the year	21,579,284	32,052,759
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	22,707,172	21,579,284
	<hr/>	<hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	22,707,172	21,579,284
	<hr/>	<hr/>

The notes on pages 17 to 65 are an integral part of these financial statements.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 General information**

Income Partners Managed Volatility High Yield Bond Fund (the “Sub-Fund”)(formerly known as Income Partners Renminbi High Yield Bond Fund) is a sub-fund of Income Partners Strategy Fund (the “Fund”), in respect of which a separate class or classes of units will be issued. The Sub-Fund’s investment objective is to maximize total investment returns, comprising capital appreciation and interest income by investing in high yield debt instruments that are below investment grade or unrated.

The Sub-Fund was first established as an exempted Cayman Islands unit trust. The Sub-Fund is governed by a trust deed dated 17 November 2010, as amended, varied or supplemented from time to time between Income Partners Asset Management (HK) Limited as a manager (the “Manager”) and Cititrust Limited as a trustee. Pursuant to a supplemental deed dated 3 October 2011, the Sub-Fund changed its name from “IP Renminbi Strategy Fund” to “Income Partner Strategy Fund”. Pursuant to a Deed of Change of Governing Law, Retirement, Appointment and Variation dated 25 April 2018 (the “Trust Deed”), the Sub-Fund was removed from the jurisdiction of the Cayman Islands to the jurisdiction of Hong Kong with effect on and from 30 May 2018 and Cititrust Limited (the “Trustee”) was appointed as trustee in place of Cititrust (Cayman) Limited. Income Partners Asset Management (HK) Limited continues to act as the Manager of the Sub-Fund.

The date of commencement of operations of the Sub-Fund is 27 July 2011.

On 14 November 2017, the Trust is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

In order to achieve its investment objectives, the Sub-Fund will invest primarily (that is, at least two-thirds of the Net Asset Value of the Sub-Fund) in high yield debt instruments, which are below investment grade or unrated. However, during exceptional circumstances (e.g. market crash or major crisis) or adverse market conditions, the Sub-Fund may be invested temporarily up to 100% of its Net Asset Value in investment grade bonds, short-term money market instruments, cash and/or cash equivalents.

Cititrust Limited is the Trustee of the Fund and is registered as a trust company in Hong Kong. The Trustee is a member of Citigroup Inc.

Class 2 share classes denominated in USD-hedged and AUD-hedged were issued in October 2015.

Effective from 4 December 2015, the Subscription Dealing Deadline and Redemption Dealing Deadline were amended so Unitholders can give shorter notice of subscriptions and redemptions respectively. Both the Subscription dealing deadline and Redemption dealing deadline became 5:00 p.m. (Hong Kong time) on the same relevant Dealing Day (or such other day or time as the Manager may from time to time determine), i.e. same day dealing.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 General information (Continued)**

The Explanatory Memorandum has been updated by way of an addendum in order to reflect the change in the registrar and processing agent of the Sub-Fund (the “Addendum”) with effect from the Effective Date.

Cititrust Limited is the Trustee of the Fund and is registered as a trust company in Hong Kong. The Trustee is a member of Citigroup Inc.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the Trustee and the Manager (together, the “Management”) to exercise its judgement in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

All references to Net Asset Value (“NAV”) throughout these financial statements refer to net assets attributable to unitholders unless otherwise stated.

#### **Standards and amendments to existing standards effective 1 January 2018**

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest. A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss impairment model.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(a) Basis of preparation (Continued)**

###### **Standards and amendments to existing standards effective 1 January 2018 (Continued)**

IFRS 9 has been applied retrospectively by the Sub-Fund and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2(c). The Sub-Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Sub-Fund.

###### **New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

##### **(b) Foreign currency translation**

###### **(i) Functional and presentation currency**

The Sub-Fund's subscriptions and redemptions of redeemable units are mainly denominated in off-shore Renminbi ("RMB" or "CNH"). The primary activity of the Sub-Fund is to invest in RMB denominated bonds issued in Hong Kong which are traded in off-shore Renminbi. The performance of the Sub-Fund is measured and reported to unitholders in off-shore RMB. The management considers off-shore Renminbi as the currency that most faithfully represents the economic effects of the transactions, events and conditions (the "functional currency"). The Sub-Fund's financial statements are presented in 'off-shore Renminbi', which is the Sub-Fund's functional and presentation currency.

All references to RMB or CNH throughout these financial statements refer to off-shore Renminbi unless otherwise stated. On-shore Renminbi will be presented as CNY throughout these financial statements.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(ii) Translations and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income. Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'foreign exchange gains or losses'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within 'Net gains/(losses) on financial assets and liabilities at fair value through profit or loss'.

##### **(c) Financial assets and financial liabilities at fair value through profit or loss**

###### **(i) Classification**

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

As such, the Sub-Fund classifies all of its investment portfolio as financial assets as fair value through profit or loss.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(c) Financial assets and financial liabilities at fair value through profit or loss (Continued)**

###### **(ii) Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the ‘financial assets or financial liabilities at fair value through profit or loss’ category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within interest income based on the effective interest rate.

###### **(iii) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the statement of financial position date. The Sub-Fund utilises the mid-market price for both financial assets and financial liabilities where the mid-market price falls within the bid-ask spread. In circumstances where the mid-market price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The Manager will obtain as many quotes from brokers as they can. Upon receipt of all quotes, the Manager will review all quotes to remove any outliers. Once outliers are removed, an average of the quotes is used to value each investment position.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(c) Financial assets and financial liabilities at fair value through profit or loss (Continued)**

###### **(iv) Transfers between levels of the fair value hierarchy**

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

##### **(d) Derivative financial instruments**

Derivative financial instruments are deemed to be held for trading purposes and initially recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices and pricing models as appropriate. In the event that quoted prices of certain derivative financial instruments are unavailable, the Manager will use other valuation methods that the Manager deems appropriate, such as pricing the said instruments based on comparable risk assets with similar characteristics in the market. All derivatives are carried in assets when amounts are receivable by the Sub-Fund and in liabilities when amounts are payable by the Sub-Fund. Changes in fair values of derivatives are included in the statement of comprehensive income.

##### **(e) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### **(f) Amounts due from and due to brokers**

Amounts due from and to the broker represent receivable for securities sold and payable for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

##### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash held with Citibank N.A., Hong Kong Branch and UBS AG, are margin account with the broker and do not include in cash and cash equivalents.

##### **(h) Accrued expenses**

Accrued expenses are accounted for on an accruals basis and charged to the statement of comprehensive income.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(i) Redeemable units**

The Sub-Fund issues fourteen (2017: ten) classes of redeemable units which are redeemable at the unitholder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Sub-Fund at any dealing date for cash equal to a proportionate unit of the Sub-Fund's net asset value attributable to the unit class. The redeemable units are redeemable daily.

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Sub-Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's NAV per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Sub-Fund's regulations, investment positions are valued based on the mid price for the purpose of determining the NAV per unit for subscriptions and redemptions.

##### **(j) Revenue recognition**

Debt interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method. It represents interest income on debt securities at fair value through profit or loss.

Other income is accounted for on an accrual basis.

##### **(k) Distributions payable to holders of redeemable units**

Proposed distributions to holders of redeemable units are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Sub-Fund. During the year, distributions were declared to the redeemable unitholders of Class 2A, Class 2B, Class 2C, Class 2D, Class 2E and Class 2G. The distribution on the redeemable units is recognised as a finance cost in the statement of comprehensive income.

##### **(l) Consent fee income**

Consent fee income is the income arising from corporate actions. The fund manager consents to the amendment of certain terms of debt securities. It includes but is not limited to early redemption of debt securities.

##### **(m) Taxation**

The Sub-Fund was established in the Cayman Islands and was re-domiciled to the jurisdiction of Hong Kong as an open ended umbrella unit trust under the laws of Hong Kong on 30 May 2018.

The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Investment income and capital gains are recorded gross of any withholding tax in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(n) Collateral**

Cash collateral provided by the Sub-Fund is identified in the statement of financial position as margin account with the broker and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Sub-Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

##### **(o) Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Sub-Fund considers all of its investments in other funds (“Investee Funds”) to be investments in unconsolidated structured entities. The Investee Funds are managed by the Manager and applied various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder’s option and entitles the holder to a proportional stake in the respective fund’s net assets. The Sub-Fund holds redeemable shares in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in “net gain on financial assets and financial liabilities at fair value through profit or loss”.

Certain prior year comparative have been reclassified to be consistent with current year presentation and to provide comparative for items disclosed for the first time in the current year.

#### **3 Financial risk management**

The Sub-Fund’s activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The principle investment objective of the Sub-Fund is to provide a return of capital growth and income in RMB or RMB equivalent terms. The Sub-Fund mainly invests in the Renminbi instruments which are below investment grade or unrated with long-only position. The portfolio of the Sub-Fund is expected to maintain a level of diversity across countries and industries.

The Sub-Fund uses different methods to measure and manage the various types of risk to which it is exposed, these methods are explained below.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(a) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund's investment in debt securities and derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Manager monitors the Sub-Fund's market price risk on a daily basis and the Trustee reviews it on a daily basis. The following table discloses the financial asset investments at fair value through profit or loss of the Sub-Fund by product type:

	2018 RMB	2017 RMB
<b>Financial assets at fair value through profit or loss</b>		
Corporate bonds	789,036,028	453,507,183
Government bonds	33,583,961	18,827,846
Investment funds	45,683,981 <sup>(1)</sup>	38,789,138 <sup>(1)</sup>
	<u>868,303,970</u>	<u>511,124,167</u>

<sup>(1)</sup> The investment funds represent Income Partners Renminbi Money Market Fund ("IPRMMF"), Income Partners Renminbi Investment Grade Bond Fund ("IPRIGBF") and Income Partners RMB Bond Fund ("IPRMBBF") amounting to RMB19,496,342, RMB684,301 and RMB25,503,338 respectively. (2017: The investment funds represent Income Partners Renminbi Money Market Fund ("IPRMMF"), Income Partners Renminbi Investment Grade Bond Fund ("IPRIGBF") and Income Partners RMB Bond Fund ("IPRMBBF") amounting to RMB13,476,341, RMB678,277 and RMB24,634,520 respectively), which is managed by the Manager of the Sub-Fund. Refer to Note 8 for details.

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk management (Continued)****(a) Market price risk (Continued)**

The following tables disclose the financial assets at fair value through profit or loss of the Sub-Fund by country:

	2018		2017	
	RMB	% of NAV	RMB	% of NAV
<b>Corporate bonds</b>				
Australia	36,225,657	3.85	23,327,383	3.97
Peoples' Republic of China	516,996,121	54.92	214,249,034	36.51
Hong Kong	70,270,112	7.46	94,008,059	16.02
India	82,369,505	4.10	54,785,024	9.33
Indonesia	38,636,875	8.75	43,737,248	7.45
Japan	15,257,439	1.62	13,073,224	2.23
Singapore	-	-	6,964,759	1.19
Switzerland	13,774,382	1.46	-	-
United Kingdom	15,505,937	1.65	3,362,452	0.57
<b>Total corporate bonds</b>	<b>789,036,028<sup>(2)</sup></b>	<b>83.81</b>	<b>453,507,183<sup>(2)</sup></b>	<b>77.27</b>
<b>Government bonds</b>				
Sri Lanka	12,339,097	1.31	10,344,818	1.76
Peoples' Republic of China	21,244,864	2.26	1,937,816	0.33
Pakistan	-	-	6,545,212	1.12
<b>Total government bonds</b>	<b>33,583,961<sup>(2)</sup></b>	<b>3.57</b>	<b>18,827,846<sup>(2)</sup></b>	<b>3.21</b>
<b>Investment Funds</b>				
Hong Kong	20,180,643	2.14	14,154,618	2.41
Peoples' Republic of China	25,503,338	2.71	24,634,520	4.20
<b>Total investment funds</b>	<b>45,683,981</b>	<b>4.85</b>	<b>38,789,138</b>	<b>6.61</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>868,303,970</b>	<b>92.23</b>	<b>511,124,167</b>	<b>87.09</b>

<sup>(2)</sup> The amount represents only the fair value of the debt instruments without accrued interests, which are separately disclosed as interest receivable on the statement of financial position.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (a) Market price risk (Continued)

The following tables disclose the financial assets at fair value through profit or loss of the Sub-Fund by sector:

	2018		2017	
	RMB	% of NAV	RMB	% of NAV
<b>Corporate bonds</b>				
Alternative Energy	-	-	10,546,457	1.80
Banking and Finance	98,766,819	10.49	57,370,973	9.78
Chemical	17,089,068	1.82	2,568,634	0.44
Commodity	53,791,574	5.71	27,541,108	4.69
Consumer, Cyclical	76,748,353	8.15	52,923,821	9.02
Consumer, Non-Cyclical	21,118,668	2.24	25,328,539	4.31
Energy	27,702,777	2.94	17,521,254	2.99
Entertainment	9,306,518	0.99	10,669,620	1.82
Industrial	53,744,318	5.71	25,319,574	4.31
Insurance	24,142,194	2.56	10,237,023	1.74
Media	-	-	1,754,416	0.30
Real Estate	364,865,535	38.76	128,150,581	21.83
Retail	-	-	16,517,848	2.81
Technology	20,346,175	2.16	40,746,311	6.94
Telecom	15,257,439	1.63	13,073,224	2.23
Utilities	6,156,590	0.65	13,237,800	2.26
<b>Total corporate bonds</b>	<u>789,036,028<sup>(2)</sup></u>	<u>83.81</u>	<u>453,507,183<sup>(2)</sup></u>	<u>77.27</u>
<b>Government bonds</b>				
Quasi-Sov	21,244,864	2.26	-	-
Sovereign	12,339,097	1.31	18,827,846	3.21
<b>Total government bonds</b>	<u>33,583,961<sup>(2)</sup></u>	<u>3.57</u>	<u>18,827,846<sup>(2)</sup></u>	<u>3.21</u>
<b>Investment Funds</b>				
Banking and Finance	19,496,342	2.07	13,476,341	2.30
Diversified	26,187,639	2.78	25,312,797	4.31
<b>Total investment funds</b>	<u>45,683,981</u>	<u>4.85</u>	<u>38,789,138</u>	<u>6.61</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>868,303,970</u>	<u>92.23</u>	<u>511,124,167</u>	<u>87.09</u>

<sup>(2)</sup> The amount represents only the fair value of the debt instruments without accrued interests, which are separately disclosed as interest receivable on the statement of financial position.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (a) Market price risk (Continued)

##### Derivative financial instruments

The following table discloses the derivative financial instruments of the Sub-Fund by product type:

	2018 RMB	2017 RMB
<b>Derivative financial assets</b>		
Forward foreign exchange contracts (Note (i))	2,493,949	35,050,154
	<u>2,493,949</u>	<u>35,050,154</u>
<b>Derivative financial liabilities</b>		
Forward foreign exchange contracts (Note (i))	802,806	9,184,438
	<u>802,806</u>	<u>9,184,438</u>

##### (i) Forward foreign exchange contracts

Open currency forward contracts as at 31 December 2018 are detailed below:

Counterparty	Notional amount		Unrealised gains/(losses) RMB
	Amount bought	Amount sold	
<u>Citibank N.A., Hong Kong Branch</u>			
Long CNY/Short USD 01/18/2019	CNY200,000,000	USD29,027,260	380,543
Long CNY/Short USD 01/18/2019	CNY200,000,000	USD28,962,937	822,861
Long CNY/Short USD 01/22/2019	CNY160,000,000	USD23,194,184	492,191
Long CNY/Short USD 01/22/2019	CNY100,000,000	USD14,493,619	326,503
Long CNY/Short USD 01/22/2019	CNY140,000,000	USD20,301,068	388,331
Long USD/Short CNY 01/22/2019	USD20,000,000	CNY137,962,440	(421,264)
Long USD/Short CNY 01/22/2019	USD8,397,394	CNY57,927,087	(177,715)
Long USD/Short CNY 01/22/2019	USD9,222,090	CNY63,615,105	(194,247)
Long AUD/Short CNY 01/22/2019	AUD34,880	CNY173,472	(4,168)
<u>UBS AG</u>			
Long CNY/Short USD 01/22/2019	CNY5,518,559	USD800,127	16,037
Long USD/Short CNY 01/22/2019	USD269,976	CNY1,862,054	(5,412)
Long CNY/Short USD 01/22/2019	CNY25,000,000	USD3,625,461	67,483
Total unrealised gains on forward foreign currency contracts			<u>2,493,949</u>
Total unrealized (losses) on forward foreign currency contracts			<u>(802,806)</u>

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (a) Market price risk (Continued)

##### Derivative financial instruments (continued)

##### (i) Forward foreign exchange contracts (continued)

Open currency forward contracts as at 31 December 2017 are detailed below:

Counterparty	Notional amount		Unrealised gains/(losses) RMB
	Amount bought	Amount sold	
<u>Citibank N.A., Hong Kong Branch</u>			
Long USD/Short CNH 01/12/2018	USD 1,522,580	CNH 10,000,000	(73,864)
Long CNH/Short USD 01/04/2018	CNH 50,000,000	USD 6,834,896	5,458,793
Long CNH/Short USD 01/04/2018	CNH 50,000,000	USD 6,834,149	5,463,662
Long CNH/Short USD 01/05/2018	CNH 50,000,000	USD 6,842,098	5,409,266
Long CNH/Short USD 01/09/2018	CNH 50,000,000	USD 6,993,007	4,415,638
Long CNH/Short USD 01/09/2018	CNH 50,000,000	USD 6,993,007	4,415,638
Long CNH/Short USD 01/29/2018	CNH 40,000,000	USD 6,050,522	518,859
Long CNH/Short USD 01/12/2018	CNH 130,000,000	USD 19,595,134	2,252,279
Long CNH/Short USD 01/19/2018	CNH 100,000,000	USD 15,108,707	1,463,921
Long CNH/Short USD 01/19/2018	CNH 30,000,000	USD 4,532,749	438,284
Long AUD/Short CNH 01/22/2018	AUD 18,373	CNH 93,371	308
Long USD/Short CNH 01/22/2018	USD 10,777,498	CNH 71,438,648	(1,139,918)
Long USD/Short CNH 01/22/2018	USD 39,936,280	CNH 264,717,635	(4,223,992)
Long CNH/Short USD 01/22/2018	CNH 1,196,558	USD 183,425	122
<u>UBS AG</u>			
Long CNH/Short USD 01/08/2018	CNH 50,000,000	USD 6,870,963	5,213,384
Long USD/Short CNH 01/08/2018	USD 7,096,326	CNH 50,000,000	(3,746,664)
Total unrealised gains on forward foreign currency contracts			<u>35,050,154</u>
Total unrealized (losses) on forward foreign currency contracts			<u>(9,184,438)</u>

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(a) Market price risk (Continued)**

The table below summarises the impact to the NAV of the Sub-Fund if there is a  $\pm 5\%$  reasonable possible change in the relevant benchmark index of the investment funds with all other variables held constant held at year end.

Relevant benchmark index	2018		2017	
	Estimated reasonable possible change in relevant benchmark index US\$ +/-	Change in NAV US\$ +/-	Estimated reasonable possible change in relevant benchmark index US\$ +/-	Change in NAV US\$ +/-
JACI High Yield Index	<u>5%</u>	<u>379,298</u>	<u>5%</u>	<u>537,228</u>

The sensitivity analysis presented is based upon the portfolio composition as at 31 December 2018 and the historical correlation of the investment funds comprising the portfolio to the respective indices. The composition of the Sub-Fund's investment portfolio, including the use of leverage, and the correlation thereof to the respective indices, is expected to change over time. The sensitivity analysis prepared as of 31 December 2018 is not necessarily indicative of the effect on the Sub-Fund's net assets' attributed to redeemable shares of future movements in the level of the respective indices.



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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(b) Currency risk (Continued)**

The table below summarises the impact of increases or decreases of the key currency exchange rates to which the Sub-Fund's net assets (monetary and non-monetary) are exposed. The analysis is based on the assumption that the exchanges rates increased or decreased by the respective percentage with all other variables held constant.

	2018		2017	
	Estimated reasonable possible change against RMB	Impact on NAV and profit after tax RMB	Estimated reasonable possible change against RMB	Impact on NAV and profit after tax RMB
	+/-	+/-	+/-	+/-
AUD	5%	10,952	5%	4,669
HKD	5%	304,251	5%	33,984
USD	5%	12,549,957	5%	15,489,057

The Manager has used their view of what would be a "reasonable shift" in exchange rates to estimate the change for use in currency risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in exchange rate % are revised annually depending on the Manager's current view of exchange rates volatility and other relevant factors.

##### **(c) Interest rate risk**

The Sub-Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The tables below summarise the Sub-Fund's exposure to interest rate risks at the statement of financial position date. Included in the table are the Sub-Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates. The fair values of derivative financial instruments are included below under the heading 'Non-interest bearing'. The interest rate exposures for all interest rate derivative financial instruments represent the net notional amounts of all the contracts. Refer to Note 3(a) for details.

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (c) Interest rate risk (Continued)

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	Maturity over 5 years RMB	Non-interest bearing RMB	Total RMB
<b>As at 31 December 2018</b>					
<b>Assets</b>					
Financial assets at fair value through profit or loss					
- Corporate bonds	-	627,634,752	161,401,276	-	789,036,028
- Government bonds	-	12,339,097	21,244,864	-	33,583,961
- Investment funds	-	-	-	45,683,981	45,683,981
Derivative financial instruments					
- Forward foreign exchange contracts	-	-	-	2,493,949	2,493,949
Interest receivable	-	-	-	17,658,333	17,658,333
Subscriptions receivable	-	-	-	3,541,277	3,541,277
Prepayment and other receivable	-	-	-	1,219,943	1,219,943
Amount due from the broker	-	-	-	4,863,630	4,863,630
Bank and margin deposits	47,731,353	-	-	-	47,731,353
<b>Total assets</b>	<b>47,731,353</b>	<b>639,973,849</b>	<b>182,646,140</b>	<b>75,461,113</b>	<b>945,812,455</b>
<b>Liabilities</b>					
Derivative financial instruments					
- Forward foreign exchange contracts	-	-	-	(802,806)	(802,806)
Redemptions payable	-	-	-	(1,552,289)	(1,552,289)
Other liabilities and accrued expenses	-	-	-	(2,098,269)	(2,098,269)
<b>Total liabilities excluding net assets attributable to unitholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,453,364)</b>	<b>(4,453,364)</b>

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (c) Interest rate risk (Continued)

	Maturity up to 1 year RMB	Maturity 1-5 years RMB	Maturity over 5 years RMB	Non-interest bearing RMB	Total RMB
<b>As at 31 December 2017</b>					
<b>Assets</b>					
Financial assets at fair value through profit or loss					
- Corporate bonds	12,424,036	292,371,099	148,712,048	-	453,507,183
- Government bonds	-	-	18,827,846	-	18,827,846
- Investment funds	-	-	-	38,789,138	38,789,138
Derivative financial instruments					
- Forward foreign exchange contracts	-	-	-	35,050,154	35,050,154
Interest receivable	-	-	-	8,464,152	8,464,152
Prepayment and other receivable	-	-	-	128,777	128,777
Amount due from the broker	-	-	-	4,863,630	4,863,630
Bank and margin deposits	44,001,533	-	-	-	44,001,533
<b>Total assets</b>	<b>56,425,569</b>	<b>292,371,099</b>	<b>167,539,894</b>	<b>87,295,851</b>	<b>603,632,413</b>
<b>Liabilities</b>					
Derivative financial instruments					
- Forward foreign exchange contracts	-	-	-	(9,184,438)	(9,184,438)
Redemption payable	-	-	-	(5,848,646)	(5,848,646)
Other liabilities and accrued expenses	-	-	-	(1,704,537)	(1,704,537)
<b>Total liabilities excluding net assets attributable to unitholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,737,621)</b>	<b>(16,737,621)</b>

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(c) Interest rate risk (Continued)**

At 31 December 2018, if interest rates on the margin account, cash and cash equivalents had been 10 basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been RMB47,731 (2017: RMB44,002) higher or lower as a result of higher or lower interest income.

The table below summarises the average effective interest rate for monetary financial instruments at the statement of financial position date. For puttable or callable financial instruments, the effective interest rates are based on the lower of yield to maturity, yield to call or yield to put.

	2018	2017
	%	%
<b>Assets</b>		
Bank balances	1.26	0.94
Margin deposits	2.27	0.92
Investments at fair value through profit or loss		
- Corporate bonds	9.39	7.61
- Government bonds	5.25	5.61
	<u>          </u>	<u>          </u>

The majority of the Sub-Fund's interest rate exposure on debt instruments are RMB denominated. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager and Trustee monitor the interest rate risks by quantifying (a) market exposure in percentage terms; and (b) exposure in duration terms by different countries.

The figures in the tables below imply the interest rate exposure in duration terms. Given a 100 bps change in the rate of all debt securities held by the Sub-Fund as at 31 December 2018, the percentage change in the debt securities will be the total weighted average modified duration multiplied by 1% (2017: 1%) while holding all other variables constant. The sensitivity of the Sub-Fund's debt securities as a whole in percentage terms to movements in specific types of interest rate exposure can be derived from the tables below.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(c) Interest rate risk (Continued)**

###### Portfolio weighted average modified duration analysis by country

Country	Portfolio Weighted Average Modified Duration (Debt securities)	
	2018	2017
Australia	0.14	0.13
Hong Kong	0.22	0.64
India	0.10	0.28
Indonesia	0.28	0.38
Japan	0.10	0.16
People's Republic of China	1.56	1.09
Pakistan	-	0.08
Singapore	-	0.01
Sri Lanka	0.04	0.10
Switzerland	0.05	-
United Kingdom	0.06	0.01
Total	<u>2.55</u>	<u>2.88</u>

##### **(d) Credit risk**

The Sub-Fund is exposed to credit risk, which is the risk that counterparty will be unable to pay amounts in full when they fall due.

The main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investments in debt securities. The Sub-Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, collateral, and other receivable balances.

The Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss.

###### *(i) Investment's credit risk*

The Sub-Fund's credit risk concentration is spread between debt securities and derivative products as discussed above under market risk diversification. The credit ratings of the debt securities range from BBB+ to NR (2017: BBB to NR). Debt securities which are not rated represent approximately 9.23% (2017: 7.03%) of the NAV of the Sub-Fund. The Manager will regularly monitor the credit risk of all investments by assessing global credit market and the impact of different scenarios. The analysis below summarises the credit quality of the Sub-Fund's debt portfolio as a percentage of NAV at the year end.

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (d) Credit risk (Continued)

###### (i) Investment's credit risk (Continued)

	2018	2017
Credit rating (best rating our of Standard & Poor's/Moody's/Fitch)	%	%
BBB+	1.10	-
BBB	3.73	1.73
BBB-	2.12	-
BB+	3.67	6.13
BB	15.27	11.35
BB-	20.66	12.42
B+	14.33	24.27
B	12.96	11.03
B-	4.31	5.58
CCC	-	0.30
CCC-	-	0.64
NR	9.23	7.03
Total	<u>87.38<sup>(3)</sup></u>	<u>80.48<sup>(3)</sup></u>

As at 31 December 2018 and 2017, no unrated investment is defaulted. The Manager considered that the credit quality and credit worthiness of unrated debt securities are comparable to other debt securities that the Sub-Fund held. The Manager considered that the unrated debt securities which have a credit quality similar to the investment grade or above represented approximately 4.55% (2017: 0.33%) of the NAV of the Sub-Fund.

Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

Details of the investments are disclosed in Note 3(a). As refer to Note 3(d)(ii), assets placed with the broker and custodian by the Sub-Fund is amounted to RMB918,529,272 (2017: RMB590,175,854).

The forward foreign exchange contracts and futures are entered into with reputable international financial institutions.

At any time, the net exposure of the Sub-Fund to the obligations of any one issuer will not normally exceed 10% of the gross assets, except for securities issued or guaranteed by government, sovereign and quasi-sovereign entities, public or local authorities.

The tables above provide detailed snapshots of the credit market risks embedded in the Sub-Fund as at 31 December 2018 and 2017. Credit market risks are generally quantified by (a) market exposure in percentage terms; and (b) exposure in duration terms. The weighted spread duration is the spread duration multiplied by the allocation of NAV.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(d) Credit risk (Continued)**

Credit risk is monitored by running scenarios based on different assumptions of correlations. The Manager monitors the Sub-Fund's credit exposures on a daily basis and the Trustee reviews it on a daily basis.

(3) The percentage is calculated based on the fair value of the debt instruments without accrued interests, which are separately disclosed as interest receivable on the statement of financial position.

##### *(ii) Assets with the brokers and custodian*

The Sub-Fund is exposed to credit risk on its bank deposits and balances, and assets held with the brokers.

The Sub-Fund has no prime broker.

Citibank N.A., Hong Kong Branch is the banking institution, broker and the custodian of the Sub-Fund.

Accordingly, the Sub-Fund has a significant credit risk towards the brokers and custodian to the extent that the brokers and custodian may be unable to fulfill their obligation to return the Sub-Fund's cash and assets. As at 31 December 2018 and 2017, the aggregate value of the Sub-Fund's assets held with the brokers and custodian were as follows:

	2018 RMB	2017 RMB
<u>Deposits with brokers and custodian</u>		
Citibank N.A., Hong Kong Branch	22,707,172	21,579,284
	-----	-----
<u>Assets pledged with brokers and custodian</u>		
Citibank N.A., Hong Kong Branch	22,892,006	17,395,074
UBS AG	2,132,175	5,027,175
	-----	-----
	25,024,181	22,422,249
	-----	-----
<u>Other assets with brokers and custodian</u>		
Citibank N.A., Hong Kong Branch	870,714,399	540,960,937
UBS AG	83,520	5,213,384
	-----	-----
	870,797,919	546,174,321
	-----	-----
<b>Total assets placed with the brokers and financial institutions</b>	<b>918,529,272</b>	<b>590,175,854</b>
	=====	=====

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (d) Credit risk (Continued)

###### (ii) Assets with the brokers and custodian (Continued)

The credit ratings represented that of the ultimate holding companies of the broker and custodian as issued by Standard & Poor's at year end were as follows:

	2018	2017
Citibank N.A., Hong Kong Branch	BBB+	BBB+
UBS AG	A-	A-
Morgan Stanley & Co. Int'l plc	BBB+	BBB+
Standard Chartered Bank	BBB+	BBB+

The Manager of the Sub-Fund monitors the Sub-Fund's credit risk position on a daily basis.

All transactions are settled/paid for upon delivery using approved and reputable brokers. Delivery of securities sold is only made when the brokers has received payment. Payment is made on a purchase when the securities have been received by the brokers. The trade will fail if either party fails to meet its obligation.

##### (e) Offsetting and amounts subject to master netting arrangements and similar agreements

The Sub-Fund was subject to two (2017: two) master netting agreements with its financial instrument counterparties. All of the financial assets and liabilities of the Sub-Fund are held with these counterparties and margin balances are maintained by the Sub-Fund for the purpose of providing collateral on derivative positions.

The following table presents the Sub-Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument and by counterparty.

	A	B	C = A - B
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
	RMB	RMB	RMB
<b>At 31 December 2018</b>			
<b>Financial assets</b>			
Derivative financial instruments	2,493,949	-	2,493,949
Margin deposits	25,024,181	-	25,024,181
<b>Financial liabilities</b>			
Derivative financial instruments	(802,806)	-	(802,806)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (e) Offsetting and amounts subject to master netting arrangements and similar agreements (Continued)

	C = A – B Net amounts of financial assets presented in the statement of financial position RMB	D1 Related amounts not set-off in the statement of financial position Financial instruments RMB	D2 Cash collateral RMB	E = C – D1 – D2 Net credit exposure RMB
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Citibank N.A., Hong Kong Branch	25,302,435	797,394	-	24,505,041
UBS AG	2,215,695	5,412	-	2,210,283
<b>Financial liabilities</b>				
Citibank N.A., Hong Kong Branch	(797,394)	(797,394)	-	-
UBS AG	(5,412)	(5,412)	-	-
		A Gross amounts of recognised financial assets RMB	B Gross amounts of recognised financial liabilities set-off in the statement of financial position RMB	C = A – B Net amounts of financial assets presented in the statement of financial position RMB
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Derivative financial instruments		35,050,154	-	35,050,154
Margin deposits		22,422,249	-	22,422,249
<b>Financial liabilities</b>				
Derivative financial instruments		(9,184,438)	-	(9,184,438)

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (e) Offsetting and amounts subject to master netting arrangements and similar agreements (Continued)

	C = A – B	D1	D2	E = C – D1 – D2
	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net credit exposure
	RMB	Financial instruments RMB	Cash collateral RMB	RMB
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Citibank N.A., Hong Kong Branch	47,231,844	5,437,774	-	41,794,070
UBS AG	10,240,559	3,746,664	-	6,493,895
<b>Financial liabilities</b>				
Citibank N.A., Hong Kong Branch	(5,437,774)	(5,437,774)	-	-
UBS AG	(3,746,664)	(3,746,664)	-	-

##### (f) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The liquidity of the Sub-Fund's investments in corporate bonds and other derivative financial instruments may vary substantially depending on market conditions. The liquidity of the various instruments in the Asian debt markets has fluctuated and changed substantially over time. The market for relatively illiquid securities tends to be thinner than the market for more liquid securities.

Investments in relatively illiquid securities may restrict the ability of the Sub-Fund to dispose of its investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices are established solely by dealers in these contracts.

The table below analyses the Sub-Fund's financial liabilities and derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

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**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk management (Continued)****(f) Liquidity risk (Continued)**

	Maturity less than 3 months RMB	Maturity up to 1 year RMB	Maturity up to 5 years RMB	Total RMB
<b>As at 31 December 2018</b>				
Derivative financial instruments	(802,806)	-	-	(802,806)
Redemption payable	(1,552,289)	-	-	(1,552,289)
Other liabilities and accrued expenses	(2,098,269)	-	-	(2,098,269)
Net assets attributable to unitholders	941,359,091	-	-	941,359,091

	Maturity less than 3 months RMB	Maturity up to 1 year RMB	Maturity up to 5 years RMB	Total RMB
<b>As at 31 December 2017</b>				
Derivative financial instruments	(9,184,438)	-	-	(9,184,438)
Amount due to broker	(5,848,646)	-	-	(5,848,646)
Other liabilities and accrued expenses	(1,704,537)	-	-	(1,704,537)
Net assets attributable to unitholders	586,894,792	-	-	586,894,792

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(f) Liquidity risk (Continued)**

The redeemable units are redeemable on a daily basis at the unitholder's option. In order to control liquidity risk, the Manager, with the approval of the Trustee, may limit the number of redeemable units, which are redeemed on any redemption day to redeemable units representing in aggregate 10% of the NAV of the Sub-Fund. Furthermore, no redemption of a holding of redeemable units may be made which would result in the unitholder retaining redeemable units which have a value of less than the following amount, unless the Manager in its sole discretion determines to permit the redemption:

	Minimum holding amount
Class 1A USD (Distribution)Units	USD50,000
Class 1A USD (Accumulation) Units	USD50,000
Class 2A USD (Distribution) Units	USD2,000
Class 2A USD (Accumulation)Units	USD2,000
Class 2B RMB (Distribution) Units	RMB10,000
Class 2B RMB (Accumulation) Units	RMB10,000
Class 2C USD (Distribution) Units	USD2,000
Class 2D HKD (Distribution) Units	HKD10,000
Class 2D HKD (Accumulation) Units	HKD10,000
Class 2E AUD (Distribution) Units	AUD100,000
Class 2E AUD (Accumulation) Units	AUD100,000
Class 2F AUD-Hedged (Accumulation) Units	AUD100,000
Class 2G USD-Hedged (Distribution) Units	USD2,000
Class 2G USD-Hedged (Accumulation) Units	USD2,000

As at 31 December 2018, the total assets of the Sub-Fund amounted to RMB945,812,455 (2017: RMB603,632,413). The Manager manages the Sub-Fund's liquidity risk by investing predominantly in listed and quoted bonds and derivatives that the Manager considered them as highly liquid for disposal.

#### **4 Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on mid-market prices at the close of trading on the year end date. The Sub-Fund measures both financial assets and financial liabilities at mid-market price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **4 Fair value estimation (Continued)**

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and liabilities measured at fair value. Please refer to Note 3(a) for disclosure of the Sub-Fund's financial assets and liabilities by class.

	Level 2 RMB	Total RMB
<b>As at 31 December 2018</b>		
<b>Assets</b>		
Financial assets at fair value through profit or loss:		
- Corporate bonds	789,036,028 <sup>(4)</sup>	789,036,028 <sup>(4)</sup>
- Government bonds	33,583,961 <sup>(4)</sup>	33,583,961 <sup>(4)</sup>
- Investment funds	45,683,981	45,683,981
Derivative financial assets:		
- Forward foreign exchange contracts	2,493,949	2,493,949
	<u>870,797,919</u>	<u>870,797,919</u>
<b>Liabilities</b>		
Derivative financial liabilities:		
- Forward foreign exchange contracts	802,806	802,806
	<u>802,806</u>	<u>802,806</u>

<sup>(4)</sup> The amount represents only the fair value of the debt instruments without accrued interests, which are separately disclosed as interest receivable on the statement of financial position.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **4 Fair value estimation (Continued)**

	Level 2 RMB	Total RMB
<b>As at 31 December 2017</b>		
<b>Assets</b>		
Financial assets at fair value through profit or loss:		
- Corporate bonds	453,507,183 <sup>(4)</sup>	453,507,183 <sup>(4)</sup>
- Government bonds	18,827,846 <sup>(4)</sup>	18,827,846 <sup>(4)</sup>
- Investment funds	38,789,138	38,789,138
Derivative financial assets:		
- Forward foreign exchange contracts	35,050,154	35,050,154
	<u>546,174,321</u>	<u>546,174,321</u>
<b>Liabilities</b>		
Derivative financial liabilities:		
- Forward foreign exchange contracts	9,184,438	9,184,438
	<u>9,184,438</u>	<u>9,184,438</u>

Investments whose values are based on quoted market prices in active markets are classified within level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted/tradable market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include corporate bonds, forward foreign exchange contracts, credit default swap, credit default swap index and interest rate swap. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Management considers the carrying value of the Sub-Fund's other financial assets and financial liabilities are a reasonable approximation of fair value.

There is no transfer between the levels of fair value hierarchy during the year ended 31 December 2018 and 2017.

<sup>(4)</sup> The amount represents only the fair value of the debt instruments without accrued interests, which are separately disclosed as interest receivable on the statement of financial position.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **5 Critical account estimates and judgments**

##### **(a) Critical accounting estimates and assumptions**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### **Fair value of financial instruments**

The Sub-Fund may, from time to time, hold financial instruments that are not quoted in active markets, whereby the arranging banks or placement banks would be the sole providers of mark to market prices. Fair values of such instruments are determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel at the Manager. The Manager also closely monitors the coupon and principal payment of these fixed income and debt instruments.

In certain cases, the Manager may determine the prices or make adjustments to the market values of investments at their discretion if they believe that an adjustment is required to arrive at the fair value of the investment.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Sub-Fund holds financial instruments that are not actively traded on an exchange such as unlisted bonds and derivative instruments which may not trade in an active market and whose fair value has been determined by reference to quotations provided by the relevant brokers. Their quotations may be indicative quotes only and may not necessarily represent actual transactions price nor may represent a binding offer price. The Management considers that the above valuation approach as the best estimate of the fair value of the investments. Actual transacted prices may differ from the quotes provided by the relevant brokers.

The investment funds held by the Fund are subject to the terms and conditions of the respective offering documentation of the investment funds. The investment funds are primarily valued on the latest available redemption price of such units/shares for each investment fund, as determined by the respective fund administrators or fund managers of such investment fund. If necessary, the Directors make adjustments to the net asset value of various investment funds to obtain the best estimate of fair value.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **5 Critical account estimates and judgments (Continued)**

##### **(b) Critical judgments**

###### **Functional currency**

The Manager considers the off-shore RMB the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The off-shore RMB is the currency in which the Sub-Fund measures its performance and reports its results.

#### **6 Financial instruments by category**

The following tables disclose the financial assets and liabilities of the Sub-Fund by category:

	At amortised cost RMB	At fair value through profit or loss RMB	Total RMB
<b>As at 31 December 2018</b>			
<b>Financial assets</b>			
Financial assets at fair value through profit or loss	-	868,303,970	868,303,970
Derivative financial instruments	-	2,493,949	2,493,949
Interest receivable	17,658,333	-	17,658,333
Subscription receivable	3,541,277	-	3,541,277
Prepayment and other receivable	1,219,943	-	1,219,943
Amount due from the broker	4,863,630	-	4,863,630
Margin deposits	25,024,181	-	25,024,181
Bank balances	22,707,172	-	22,707,172
	<u>75,014,536</u>	<u>870,797,919</u>	<u>945,812,455</u>
<b>Financial liabilities</b>			
Derivative financial instruments	-	802,806	802,806
Redemptions payable	1,552,289	-	1,552,289
Other liabilities and accrued expenses	2,098,269	-	2,098,269
	<u>3,650,558</u>	<u>802,806</u>	<u>4,453,364</u>

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**NOTES TO THE FINANCIAL STATEMENTS****6 Financial instruments by category (Continued)**

The following tables disclose the financial assets and liabilities of the Sub-Fund by category:

	At amortised cost RMB	At fair value through profit or loss RMB	Total RMB
<b>As at 31 December 2017</b>			
<b>Financial assets</b>			
Financial assets at fair value through profit or loss	-	511,124,167	511,124,167
Derivative financial instruments	-	35,050,154	35,050,154
Interest receivable	8,464,152	-	8,464,152
Prepayment and other receivable	128,777	-	128,777
Amount due from the broker	4,863,630	-	4,863,630
Margin deposits	22,422,249	-	22,422,249
Bank balances	21,579,284	-	21,579,284
	<u>57,458,092</u>	<u>546,174,321</u>	<u>603,632,413</u>
<b>Financial liabilities</b>			
Derivative financial instruments	-	9,184,438	9,184,438
Redemption payable	5,848,646	-	5,848,646
Other liabilities and accrued expenses	1,704,537	-	1,704,537
	<u>7,553,183</u>	<u>9,184,438</u>	<u>16,737,621</u>

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**NOTES TO THE FINANCIAL STATEMENTS****7 Net gains on financial assets and liabilities at fair value through profit or loss**

The following table discloses the net realised and unrealised gains/losses on financial assets and liabilities at fair value through profit and loss of the Sub-Fund:

	2018 RMB	2017 RMB
Realised (losses)/gains on:		
Financial assets and liabilities at fair value through profit or loss	(11,390,940)	31,405,270
Derivative financial instruments	(5,305,616)	(12,691,305)
	<u>(16,696,556)</u>	<u>18,713,965</u>
Change in unrealized gains/losses on:		
Financial assets and liabilities at fair value through profit or loss	(5,172,376)	(52,923,369)
Derivative financial instruments	(24,174,574)	32,614,404
	<u>(29,346,950)</u>	<u>(20,308,965)</u>
Net losses on financial assets and liabilities at fair value through profit or loss	<u>(46,043,506)</u>	<u>(1,595,000)</u>

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **8 Structured entities**

The Sub-Fund's investments in Investee Fund are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Sub-Fund's investment in each of the Investee Funds.

The right of the Sub-Fund to request redemption of its investments in Investee is 15 days.

The exposure to investments in Investee Fund at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

As at 31 December 2018

Strategy	Number of Investee Fund	Net Asset Value of Investee Fund RMB million	Investment fair value RMB	% of net assets attributable to holders of redeemable shares
Fixed income	3	43.2 to 217.2	<u>45,683,981</u>	<u>4.85</u>

As at 31 December 2017

Strategy	Number of Investee Fund	Net Asset Value of Investee Fund RMB million	Investment fair value RMB	% of net assets attributable to holders of redeemable shares
Fixed income	3	35.98 to 213.03	<u>38,789,138</u>	<u>6.61%</u>

The investment fund represents Income Partners Renminbi Money Market Fund ("IPRMMF"), Income Partners Renminbi Investment Grade Bond Fund ("IPRIGBF") and Income Partners RMB Bond Fund ("IPRMBBF"), which are managed by the Manager of the Fund. (2017: Income Partners Renminbi Money Market Fund ("IPRMMF"), Income Partners Renminbi Investment Grade Bond Fund ("IPRIGBF") and Income Partners RMB Bond Fund ("IPRMBBF"), which are managed by the Manager of the Fund)

The principal investment objective of IPRMMF is to provide consistent return with daily liquidity. As at 31 December 2018 and 31 December 2017, IPRMMF mainly invests in Renminbi money market instruments issued outside the PRC, with credit rating range from AA- to NR.

The principal investment objective of IPRIGBF is to provide a long term return of capital growth and income in RMB or RMB equivalent terms. The Sub-Fund mainly invests in the Renminbi instruments issued by investment grade rated issuers with long-only position. The portfolio of the Sub-Fund is expected to maintain a level of diversity across countries and industries. As at 31 December 2018, IPRIGBF mainly invests in corporate bonds predominantly in China, banking and finance industry, with credit rating range from AAA to NR.

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **8 Structured entities (Continued)**

The principal investment objective of IPRMBBF is to seek long-term interest income and capital appreciation through investing RMB-denominated fixed income securities through RQFII quota. The Sub-Fund mainly invests in PRC Bonds which carry a credit rating grade of at least BBB- or equivalent (“Designated Credit Rating”) assigned by one of the local rating agencies recognized by the relevant authorities in the PRC.

The Sub-Fund’s investment strategy entails trading in other funds on a regular basis. Total purchases and total sales in investee funds during the year ended 31 December 2018 were RMB5,850,000 and RMBNil respectively (2017: RMB25,000,000 and RMB15,000,000 respectively). The Sub-Fund intends to continue opportunistic trading in other funds.

As at 31 December 2018 and 31 December 2017 there were no capital commitment obligations and no amounts due to investee funds for unsettled purchases.

During the year ended 31 December 2018 total net gain (2017: net gain) incurred on investments in the Investee Funds was RMBNil (2017: RMB151,436).

#### **9 Transactions with related parties and connected persons**

Related parties and connected persons of the Trustee and the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the SFC. All transactions with related parties and connected persons were entered into in the ordinary course of business and on normal commercial terms. The Sub-Fund is managed by Income Partners Asset Management (HK) Limited. The transactions with the Trustee, the Manager and their related parties and connected persons are as follows:

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **9 Transactions with related parties and connected persons (Continued)**

##### **(a) Management fee**

The current management fee for the Sub-Fund is charged at the rates set out in the table below:

Class	Management fee (% of NAV p.a. of the relevant Class)
Class 1A USD (Distribution) Units	1.00%
Class 1A USD (Accumulation) Units	1.00%
Class 2A USD (Distribution) Units	1.50%
Class 2A USD (Accumulation) Units	1.50%
Class 2B RMB (Distribution) Units	1.50%
Class 2B RMB (Accumulation) Units	1.50%
Class 2C USD (Distribution) Units	1.50%
Class 2D HKD (Distribution) Units	1.50%
Class 2D HKD (Accumulation) Units	1.50%
Class 2E AUD (Distribution) Units	1.50%
Class 2E AUD (Accumulation) Units	1.50%
Class 2F AUD-Hedged (Accumulation) Units	1.50%
Class 2G USD-Hedged (Accumulation) Units	1.50%
Class 2G USD-Hedged (Distribution) Units	1.50%

The management fee is accrued daily and payable monthly in arrears.

Total management fees for the year ended 31 December 2018 amounted to RMB12,716,805 (2017: RMB9,110,466) with RMB1,180,666 (2017: RMB759,615) outstanding as at 31 December 2018.

The Manager will give one month's prior notice to unitholders should there be any increase of the management fee from the current level up to the maximum level of 2% per annum of the net asset value of the Sub-Fund.

During the year ended 31 December 2018, management fee rebate from Income Partners Asset Management (HK) Limited, the Manager of the Sub-Fund amounted to RMB209,487 (2017: RMB 140,977). The management fee rebate is related to the investment funds held by the Sub-Fund and managed by the Manager.

##### **(b) Trustee fee**

The trustee fee paid to the Trustee accrued from the assets of the Sub-Fund is based on 0.0075% (2017: 0.0075%) per annum of the NAV of the Sub-Fund, subject to a minimum of USD10,000 (2017: USD 10,000) per annum. The current fee payable to the Trustee from the assets of the Sub-Fund is less than 1% per annum of the NAV of the Sub-Fund. The Trustee will give one month's prior notice to unitholders should there be any increase of the trustee fee from the current level up to the maximum level of 1% per annum of the NAV of the Sub-Fund.

Total trustee fee for the year ended 31 December 2018 amounted to RMB68,961 (2017: RMB67,262) with RMB30,907 (2017: RMB30,532) outstanding as at 31 December 2018.

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### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Transactions with related parties and connected persons (Continued)

##### (c) Investments in fund managed by the Manager

As refer to Note 3(a), as at 31 December 2018, the Sub-Fund invested into IPRMMF, IPRIGBF and IPRMBBF, which are managed by the same Manager of the Sub-Fund.

IPRMMF is a sub-fund of Income Partners Liquidity Trust. The Trust is a Hong Kong unit trust. The Sub-Fund is governed by a trust deed dated 26 January 2015. The principal investment objective of IPRMMF is to provide consistent return with daily liquidity. IPRMMF mainly invests in Renminbi Instruments issued outside the PRC.

IPRIGBF was incorporated in the Cayman Islands and was re-domiciled to the jurisdiction of Hong Kong as an open ended umbrella unit trust under the laws of Hong Kong. The principal investment objective of IPRIGBF is to invest in a diversified portfolio of RMB denominated fixed income instruments including fixed and floating rate bonds, convertible bonds, notes and certificates of deposit (the "Renminbi Instruments") issued by investment grade (or deemed investment grade) rated issuers.

IPRMBBF was incorporated in Hong Kong under the laws of Hong Kong by a trust deed dated 23 June 2014. The principal investment objective of IPRMBBF is to seek long-term interest income and capital appreciation through investing RMB-denominated fixed income securities through RQFII quota.

The following table summarises the ownership of investment fund managed by the same Manager of the Sub-Fund:

	Holding	Unit price RMB	Fair value RMB
At 31 December 2018			
IPRIGBF	7,754	88.25	684,301
IPRMMF	182,925	106.15-107.10	19,496,342
IPRMBBF	234,816	108.61	25,503,338
	<u>          </u>	<u>          </u>	<u>          </u>
	Holding	Unit price RMB	Fair value RMB
At 31 December 2017			
IPRIGBF	7,754	104.94	678,277
IPRMMF	127,949	105.12-106.06	13,476,341
IPRMBBF	234,865	104.91	24,634,520
	<u>          </u>	<u>          </u>	<u>          </u>

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **9 Transactions with related parties and connected persons (Continued)**

##### **(d) Cross trade**

During the year ended 31 December 2018 and 2017, there was no investment holdings which were bought from other funds also managed by the Manager of the Sub-Fund.

During the year ended 31 December 2018 and 2017, there was no investment holdings which were sold to other funds also managed by the Manager of the Sub-Fund.

##### **(e) Shares held by related parties**

Participating shares

The following table summarises the participating shares of the Sub-Fund held by the related parties during the year, which are common Director of the Manager of the Sub-Fund<sup>(5)</sup>.

	2018	2017
	Number of shares	Number of shares
Accumulation shares		
At 1 January	295,187	295,187
Number of shares subscribed	-	-
Number of shares redeemed	(81,692)	-
Number of shares switched in	-	-
Number of shares switched out	-	-
At 31 December	<u>213,495</u>	<u>295,187</u>

<sup>(5)</sup> The participating shares are held by companies which are owned by directors of the Sub-Fund, investment fund and shares which are also managed by the Manager of the Sub-Fund.

##### **(f) Bank balances**

As at 31 December 2018, the Sub-Fund placed bank deposits amounted to RMB22,707,172 (2017: RMB21,579,284) with Citibank N.A., Hong Kong Branch, a related company of the Trustee and Register. Bank interest income amounted to RMB867,195 for the year ended 31 December 2018 (2017: RMB161,385) has been earned by the Sub-Fund.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **9 Transactions with related parties and connected persons (Continued)**

##### **(g) Custodian, administration, compliance monitoring, financial statement preparation fee and registrar and processing agent fee**

Before 30 May 2018, pursuant to the Fund Administration Services Agreement between the Manager, Cititrust (Cayman) Limited and Cititrust Limited (the “Sub-Administrator”), Cititrust (Cayman) Limited separately acting as a fund administrator has agreed to procure financial, accounting, administrative and other services to the Sub-Fund and has appointed the Sub-Administrator to provide certain of these services.

Since 30 May 2018, pursuant to Services Agreement between the Manager and Citibank N.A., Hong Kong Branch, Citibank N.A., Hong Kong Branch N.A. acts as the fund administrator has agreed to provide financial, accounting, administrative and other services to the Sub-Fund.

Citicorp Financial Services Limited is the Registrar and Processing Agent of the Sub-Fund.

The Trustee has appointed Citibank N.A., Hong Kong Branch to act as custodian of the Sub-Fund’s assets.

The Custodian, Administrator and Registrar and Processing Agent are also entitled to fees payable out of the assets of the Sub-Fund, such fees being at rates agreed between the Manager, the Trustee and the Custodian, the Administrator or the Registrar and Processing Agent (as the case may be) from time to time. The Administrator’s, the Custodian’s, the Administrator’s and the Registrar and Processing Agent’s fees will accrue daily and payable on a monthly basis.

Total custodian, administration, compliance monitoring, financial statement preparation fee and registrar and processing agent fee for the year ended 31 December 2018 amount to RMB1,277,875 (2017: RMB945,995) with RMB452,007 (2017: RMB449,365) outstanding as at 31 December 2018.

Total custodian fee for the year ended 31 December 2018 amount to RMB198,844 (2017: RMB RMB201,794) with RMB92,378 (2017: RMB91,614) outstanding as at 31 December 2018.

Total administration fee for the year ended 31 December 2018 amount to RMB866,879 (2017: RMB608,510) with RMB310,465 (2017: RMB277,866) outstanding as at 31 December 2018.

Total registrar and processing agent fee for the year ended 31 December 2018 amount to RMB93,711 (2017: RMB41,819) with RMB18,522 (2017: RMB18,369) outstanding as at 31 December 2018.

Total compliance monitoring fee for the year ended 31 December 2018 amount to RMB86,379 (2017: RMB60,851) with RMB30,642 (2017: RMB27,787) outstanding as at 31 December 2018.

Total financial statement preparation fee for the year ended 31 December 2018 amount to RMB32,062 (2017:RMB33,021) with RMBNil (2017: RMB33,729) outstanding as at 31 December 2018.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **10 Establishment and authorisation costs**

The costs of establishment of the Sub-Fund (including legal, structuring and advisory fees) are estimated to be approximately US\$50,000. The costs will be amortised over 5 years commencing from the business day following the close of the initial offer period (i.e. 26 July 2011) or such other period as determined by the Manager with the approval of the Trustee on 14 November 2017, the Trust is authorized by SFC (see Note 1), the costs incurred for the authorization are approximately US\$150,000. The costs will be amortised over 5 years commencing from the date of authorization. It should be noted that the above policy relating to amortisation of preliminary expenses is not allowed in accordance with IFRS, which requires preliminary expenses to be expensed as incurred. The Manager believes that such treatment is more equitable to the initial investors than expensing the entire amount as they are incurred and are of the opinion that the departure is unlikely to be material to the Sub-Fund's overall financial statements.

If the Sub-Fund is wound-up prior to the establishment and authorisation expenses being fully amortised, such unamortised amount will be borne by the Sub-Fund prior to its termination.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Redeemable units

The movement in issued redeemable units during the year was as follows:

	Units outstanding at 31 December 2017	Units issued during the year	Units redeemed during the year	Units outstanding at 31 December 2018
<b>As at 31 December 2018</b>				
<u>Redeemable units</u>				
Class 1A USD (Distribution) Units	8,419	-	(7,404)	1,015
Class 1A USD (Accumulation) Units	-	83,076	(33,040)	50,036
Class 1B RMB (Distribution) Units	83,450	-	(83,450)	-
Class 2A USD (Distribution) Units	80,405	210,328	(75,082)	215,651
Class 2A USD (Accumulation) Units	76,408	97,581	(70,239)	103,750
Class 2B RMB (Distribution) Units	656,373	1,145,492	(649,188)	1,152,677
Class 2B RMB (Accumulation) Units	192,456	98,332	(109,980)	180,808
Class 2C USD (Distribution) Units	17,479	39,409	(7,637)	49,251
Class 2D HKD (Distribution) Units	-	3,862,037	(496,603)	3,365,434
Class 2D HKD (Accumulation) Units	-	112,235	(15,331)	96,904
Class 2E AUD (Distribution) Units	-	2,010	-	2,010
Class 2E AUD (Accumulation) Units	-	2,758	-	2,758
Class 2F AUD-Hedged (Accumulation) Units	160	156	-	316
Class 2G USD-Hedged (Distribution) Units	110,764	66,282	(87,942)	89,104
Class 2G USD-Hedged (Accumulation) Units	348,036	36,344	(119,402)	264,978
Total number of units	1,573,950	5,756,040	(1,755,298)	5,574,692

As at 31 December 2018, some of the Sub-Fund's investor held units through a nominee private banking institution. Hence, the Sub-Fund has 2 investors which hold 3,145,235 and 213,225 number of units, representing 24.07% and 16.98% NAV of the Sub-Fund respectively.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **11 Redeemable units (Continued)**

The movement in issued redeemable units during the year was as follows:

	Units outstanding at 31 December 2016	Units issued during the year	Units redeemed during the year	Units outstanding at 31 December 2017
<b>As at 31 December 2017</b>				
<u>Redeemable units</u>				
Class 1A USD (Distribution) Units	8,419	-	-	8,419
Class 1B RMB (Distribution) Units	44,547	83,450	(44,547)	83,450
Class 2A USD (Distribution) Units	154,717	-	(74,312)	80,405
Class 2B RMB (Distribution) Units	575,966	224,685	(144,278)	656,373
Class 2C USD (Distribution) Units	47,268	-	(29,789)	17,479
Class 2A USD (Accumulation) Units	30,477	60,199	(14,268)	76,408
Class 2B RMB (Accumulation) Units	219,066	107,362	(133,972)	192,456
Class 2F AUD-Hedged (Accumulation) Units	160	-	-	160
Class 2G USD-Hedged (Distribution) Units	103,465	77,891	(70,592)	110,764
Class 2G USD-Hedged (Accumulation) Units	423,156	38,091	(113,211)	348,036
Total number of units	<u>1,607,241</u>	<u>591,678</u>	<u>(624,969)</u>	<u>1,573,950</u>

As at 31 December 2017, some of the Sub-Fund's investor held units through a nominee private banking institution. Hence, the Sub-Fund has 2 investors which hold 172,486 and 122,431 number of units, representing 22.19% and 15.75% NAV of the Sub-Fund respectively.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **12 Adjusted NAV per redeemable units**

The establishment and authorisation costs of the Sub-Fund were amortised over a five year period commencing from the close of the initial offer period 26 July 2011 for valuation purposes which is not in accordance with IFRS. Under IFRS, establishment and authorisation costs have been written off in full in the financial statements.

Net assets attributable to holders of redeemable units represent a liability in the statement of financial position, carried at the redemption amount that would be payable at the statement of financial position date if the unitholders exercise their right to redeem their units in the Sub-Fund. Consequently, the differences described above in respect of the valuation of investments and the accounting for establishment and authorisation costs have been adjusted to arrive at the carrying amount of net assets attributable to unitholders based on the methodology in the Sub-Fund's Offering Memorandum. The adjusted amount in respect of the year ended 31 December 2018 was RMB534,736 (2017: RMB764,363) and is shown separately in the statement of financial position.

Net asset value attributable to unitholders after adjustment to establishment and authorisation costs are as follows:

Class	2018 RMB	2017 RMB
Class 1A USD (Distribution)Units	866,104	7,268,446
Class 1A USD (Accumulation)Units	31,962,559	-
Class 1B RMB (Distribution)Units	-	8,369,281
Class 2A USD (Distribution) Units	125,501,342	52,171,504
Class 2A USD (Accumulation) Units	106,141,661	79,495,179
Class 2B RMB (Distribution) Units	107,100,877	68,142,636
Class 2B RMB (Accumulation) Units	28,735,000	31,115,333
Class 2C USD (Distribution) Units	30,637,214	11,911,171
Class 2D HKD (Distribution) Units	246,569,585	-
Class 2D HKD (Accumulation) Units	7,706,226	-
Class 2E AUD (Distribution) Units	913,475	-
Class 2E AUD (Accumulation) Units	1,338,501	-
Class 2F AUD-Hedged (Accumulation) Units	169,182	93,551
Class 2G USD-Hedged (Accumulation) Units	201,751,753	260,084,706
Class 2G USD-Hedged (Distribution) Units	52,500,348	69,007,348
Net assets attributable to unitholders after adjustment to establishment and authorisation costs	<u>941,893,827</u>	<u>587,659,155</u>

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**NOTES TO THE FINANCIAL STATEMENTS****12 Adjusted NAV per redeemable units (Continued)**

The adjustments for the purpose of the above calculation are summarised below:

	2018 RMB	2017 RMB
<b>Net assets attributable to unitholders of redeemable units before adjustment to establishment and authorisation costs</b>	941,359,091	586,894,792
Adjustment on establishment and authorisation costs	534,736	764,363
<b>Net assets attributable to unitholders of redeemable units after adjustment to establishment and authorisation costs</b>	941,893,827	587,659,155

**13 Other liabilities and accrued expenses**

	2018 RMB	2017 RMB
Management fee payable (Note 9(a))	1,180,666	759,615
Trustee fee payable (Note 9(b))	30,907	30,532
Custodian, administration, compliance monitoring, financial statement preparation fee and registrar and processing agent fee payable (Note 9(g))	452,007	449,365
Auditor's remuneration payable	357,211	317,338
Other payable	77,478	147,687
	2,098,269	1,704,537

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

#### 14 Distribution to holders of redeemable units

The Manager intends to distribute income or capital attributable to the Distribution Classes monthly on such date as may be determined by the Manager, or such other time or frequency as the Manager considers appropriate.

In the event that the income generated from the Sub-Fund's investments attributable to the relevant Distribution Classes during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such distributions be paid from capital.

	2018 RMB
Net operating profit	3,061,915
Add: Items not included in distribution calculation	(1,037)
	<hr/>
Amount available for distribution	3,060,878
	<hr/> <hr/>

	2018 RMB
Distribution paid on 04 January 2018 of USD0.38 per unit for Class 2A	198,445
Distribution paid on 04 January 2018 of RMB0.78 per unit for Class 2B	511,971
Distribution paid on 04 January 2018 of USD0.56 per unit for Class 2C	63,574
Distribution paid on 04 January 2018 of USD0.57 per unit for Class 2G	410,060
Distribution paid on 05 February 2018 of USD0.74 per unit for Class 2A	401,306
Distribution paid on 05 February 2018 of RMB0.77 per unit for Class 2B	547,767
Distribution paid on 05 February 2018 of USD0.61 per unit for Class 2C	75,137
Distribution paid on 05 February 2018 of USD0.55 per unit for Class 2G	355,009
Distribution paid on 05 March 2018 of USD0.74 per unit for Class 2A	531,051
Distribution paid on 05 March 2018 of RMB0.77 per unit for Class 2B	637,870
Distribution paid on 05 March 2018 of USD0.61 per unit for Class 2C	111,135
Distribution paid on 05 March 2018 of HKD0.75 per unit for Class 2D	123,070
Distribution paid on 05 March 2018 of USD0.55 per unit for Class 2G	383,139
Distribution paid on 06 April 2018 of USD0.74 per unit for Class 2A	722,688
Distribution paid on 06 April 2018 of RMB0.78 per unit for Class 2B	735,432
Distribution paid on 06 April 2018 of USD0.61 per unit for Class 2C	135,003
Distribution paid on 06 April 2018 of USD0.75 per unit for Class 2D	437,034
Distribution paid on 06 April 2018 of RMB0.55 per unit for Class 2G	396,974
Distribution paid on 04 May 2018 of USD0.74 per unit for Class 2A	891,399
Distribution paid on 04 May 2018 of RMB0.78 per unit for Class 2B	767,550
Distribution paid on 04 May 2018 of USD0.61 per unit for Class 2C	147,103
Distribution paid on 04 May 2018 of HKD0.75 per unit for Class 2D	932,098
Distribution paid on 04 May 2018 of USD0.56 per unit for Class 2G	384,964
Distribution paid on 05 June 2018 of USD0.75 per unit for Class 2A	938,834
Distribution paid on 05 June 2018 of RMB0.78 per unit for Class 2B	771,984
Distribution paid on 05 June 2018 of USD0.61 per unit for Class 2C	203,888
Distribution paid on 05 June 2018 of HKD0.75 per unit for Class 2D	1,276,060
Distribution paid on 05 June 2018 of AUD0.75 per unit for Class 2E	3,826
Distribution paid on 05 June 2018 of USD0.56 per unit for Class 2G	400,058
Distribution paid on 05 July 2018 of USD0.75 per unit for Class 2A	1,010,814
Distribution paid on 05 July 2018 of RMB0.78 per unit for Class 2B	798,986
Distribution paid on 05 July 2018 of USD0.61 per unit for Class 2C	220,124
Distribution paid on 05 July 2018 of HKD0.75 per unit for Class 2D	1,736,080
Distribution paid on 05 July 2018 of AUD0.75 per unit for Class 2E	4,405
Distribution paid on 05 July 2018 of USD0.56 per unit for Class 2G	411,314

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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### NOTES TO THE FINANCIAL STATEMENTS

#### 14 Distribution to holders of redeemable units (Continued)

Distribution paid on 03 August 2018 of USD0.75 per unit for Class 2A	1,160,695
Distribution paid on 03 August 2018 of RMB0.78 per unit for Class 2B	827,929
Distribution paid on 03 August 2018 of USD0.61 per unit for Class 2C	228,111
Distribution paid on 03 August 2018 of HKD0.75 per unit for Class 2D	1,925,525
Distribution paid on 03 August 2018 of AUD0.75 per unit for Class 2E	4,552
Distribution paid on 03 August 2018 of USD0.56 per unit for Class 2G	460,346
Distribution paid on 05 September 2018 of USD0.75 per unit for Class 2A	1,219,045
Distribution paid on 05 September 2018 of RMB0.78 per unit for Class 2B	839,886
Distribution paid on 05 September 2018 of USD0.61 per unit for Class 2C	233,260
Distribution paid on 05 September 2018 of HKD0.75 per unit for Class 2D	2,043,847
Distribution paid on 05 September 2018 of AUD0.75 per unit for Class 2E	4,419
Distribution paid on 05 September 2018 of USD0.56 per unit for Class 2G	371,780
Distribution paid on 04 October 2018 of USD0.75 per unit for Class 2A	1,289,863
Distribution paid on 04 October 2018 of RMB0.78 per unit for Class 2B	893,358
Distribution paid on 04 October 2018 of USD0.61 per unit for Class 2C	224,112
Distribution paid on 04 October 2018 of HKD0.75 per unit for Class 2D	2,240,047
Distribution paid on 04 October 2018 of AUD0.75 per unit for Class 2E	4,421
Distribution paid on 04 October 2018 of USD0.56 per unit for Class 2G	380,705
Distribution paid on 05 November 2018 of USD0.70 per unit for Class 2A	1,185,520
Distribution paid on 05 November 2018 of RMB0.70 per unit for Class 2B	804,005
Distribution paid on 05 November 2018 of USD0.61 per unit for Class 2C	208,935
Distribution paid on 05 November 2018 of HKD0.70 per unit for Class 2D	2,072,435
Distribution paid on 05 November 2018 of AUD0.70 per unit for Class 2E	4,167
Distribution paid on 05 November 2018 of USD0.52 per unit for Class 2G	335,304
Distribution paid on 05 December 2018 of USD0.70 per unit for Class 2A	1,108,406
Distribution paid on 05 December 2018 of RMB0.70 per unit for Class 2B	790,538
Distribution paid on 05 December 2018 of USD0.61 per unit for Class 2C	205,353
Distribution paid on 05 December 2018 of HKD0.70 per unit for Class 2D	2,016,449
Distribution paid on 05 December 2018 of AUD0.70 per unit for Class 2E	7,104
Distribution paid on 05 December 2018 of USD0.52 per unit for Class 2G	336,206
	<hr/>
	41,102,475
	<hr/>
	2017
	RMB
Net operating profit	19,714,483
Add: Items not included in distribution calculation	
- Interest paid	(10)
	<hr/>
Amount available for distribution	19,714,473
	<hr/>

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 14 Distribution to holders of redeemable units (Continued)

	2017 RMB
Distribution paid on 05 January 2017 of USD\$0.7 per unit for Class 2A	755,005
Distribution paid on 05 January 2017 of RMB\$0.78 per unit for Class 2B	449,253
Distribution paid on 05 January 2017 of USD\$0.57 per unit for Class 2C	187,825
Distribution paid on 05 January 2017 of USD\$0.87 per unit for Class 2G	627,519
Distribution paid on 03 February 2017 of USD\$0.37 per unit for Class 2A	378,749
Distribution paid on 03 February 2017 of RMB\$0.77 per unit for Class 2B	450,930
Distribution paid on 03 February 2017 of USD\$0.55 per unit for Class 2C	169,864
Distribution paid on 03 February 2017 of USD\$0.56 per unit for Class 2G	456,511
Distribution paid on 03 March 2017 of USD\$0.37 per unit for Class 2A	381,224
Distribution paid on 03 March 2017 of RMB\$0.77 per unit for Class 2B	432,105
Distribution paid on 03 March 2017 of USD\$0.55 per unit for Class 2C	143,137
Distribution paid on 03 March 2017 of USD\$0.57 per unit for Class 2G	444,355
Distribution paid on 06 April 2017 of USD\$0.37 per unit for Class 2A	344,601
Distribution paid on 06 April 2017 of RMB\$0.77 per unit for Class 2B	438,135
Distribution paid on 06 April 2017 of USD\$0.55 per unit for Class 2C	143,183
Distribution paid on 06 April 2017 of USD\$0.57 per unit for Class 2G	471,966
Distribution paid on 05 May 2017 of USD\$0.37 per unit for Class 2A	342,945
Distribution paid on 05 May 2017 of RMB\$0.77 per unit for Class 2B	434,285
Distribution paid on 05 May 2017 of USD\$0.55 per unit for Class 2C	143,551
Distribution paid on 05 May 2017 of USD\$0.57 per unit for Class 2G	437,465
Distribution paid on 05 June 2017 of USD\$0.37 per unit for Class 2A	299,412
Distribution paid on 05 June 2017 of RMB\$0.77 per unit for Class 2B	459,450
Distribution paid on 05 June 2017 of USD\$0.55 per unit for Class 2C	140,810
Distribution paid on 05 June 2017 of USD\$0.57 per unit for Class 2G	470,960
Distribution paid on 05 July 2017 of USD\$0.37 per unit for Class 2A	289,273
Distribution paid on 05 July 2017 of RMB\$0.77 per unit for Class 2B	509,157
Distribution paid on 05 July 2017 of USD\$0.55 per unit for Class 2C	138,027
Distribution paid on 05 July 2017 of USD\$0.57 per unit for Class 2G	462,474
Distribution paid on 03 August 2017 of USD\$0.37 per unit for Class 2A	283,920
Distribution paid on 03 August 2017 of RMB\$0.77 per unit for Class 2B	535,953
Distribution paid on 03 August 2017 of USD\$0.55 per unit for Class 2C	131,088
Distribution paid on 03 August 2017 of USD\$0.57 per unit for Class 2G	459,285
Distribution paid on 05 September 2017 of USD\$0.37 per unit for Class 2A	270,840
Distribution paid on 05 September 2017 of RMB\$0.77 per unit for Class 2B	555,214
Distribution paid on 05 September 2017 of USD\$0.56 per unit for Class 2C	130,362
Distribution paid on 05 September 2017 of USD\$0.57 per unit for Class 2G	459,955
Distribution paid on 11 October 2017 of USD\$0.37 per unit for Class 2A	224,055
Distribution paid on 11 October 2017 of RMB\$0.78 per unit for Class 2B	562,424
Distribution paid on 11 October 2017 of USD\$0.56 per unit for Class 2C	132,202
Distribution paid on 11 October 2017 of USD\$0.57 per unit for Class 2G	448,073
Distribution paid on 03 November 2017 of USD\$0.37 per unit for Class 2A	199,043
Distribution paid on 03 November 2017 of RMB\$0.78 per unit for Class 2B	532,731
Distribution paid on 03 November 2017 of USD\$0.56 per unit for Class 2C	131,220
Distribution paid on 03 November 2017 of USD\$0.57 per unit for Class 2G	450,176
Distribution paid on 05 December 2017 of USD\$0.37 per unit for Class 2A	196,605
Distribution paid on 05 December 2017 of RMB\$0.78 per unit for Class 2B	532,731
Distribution paid on 05 December 2017 of USD\$0.56 per unit for Class 2C	131,160
Distribution paid on 05 December 2017 of USD\$0.57 per unit for Class 2G	442,920
	<hr/>
	17,212,128

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **15 Taxation**

##### **Hong Kong**

The Sub-Fund would only be exposed to Hong Kong profits tax if:

- (i) it is carrying on a trade or business in Hong Kong either on its own account or through any person in Hong Kong as an agent who has the discretionary authority to negotiate and conclude on behalf of the Sub-Fund and regular exercises the authority to do so; and
- (ii) it is not exempted under the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 and the Inland Revenue (Amendment) (No. 2) Ordinance 2015 (collectively the “Ordinances”).

If the Sub-Fund is not exempt under the Ordinances and is treated as carrying on a trade or business in Hong Kong, a liability to profits tax, currently at the rate of 16.5% (2017: 16.5%), would arise in respect of any profits which arise in or are derived from Hong Kong and which are not capital in nature or exempt under the Inland Revenue Ordinance. No provision for Hong Kong profits tax has been made as the Manager believes that no such tax exposure existed at the year end.

##### **People’s Republic of China (“PRC”)**

The Manager considers the enforcement of VAT and surtaxes on interest income arising from debt securities are uncertain as at the date of approval of these financial statements. The Manager has exercised judgment in their assessment of the PRC withholding tax expense and the related tax provision.

As at 31 December 2018, the Manager has not provided VAT and surtaxes provision on interest income arising from debt securities in PRC. The Manager after having taken and considered market practice and uncertainty of the enforcement of VAT does not consider that the potential VAT and surtaxes exposure arising from the Sub-Fund’s accumulated interest income received from PRC non-government bonds since 1 May 2016 to be material.

##### **Cayman Islands**

The Sub-Fund has received an undertaking from the Governor in Council of the Cayman Islands that, in accordance with section 81 of the Trusts Law (2009 Revision) of the Cayman Islands, for a period of 50 years from the date of the undertaking, no laws of the Cayman Islands thereafter enacted imposing any tax or duty to be levied on income or on capital assets, gains or appreciations or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Sub-Fund or the Trustee or unitholders in respect of any such property or income.

## **INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **16 Soft commission arrangements**

The Manager confirms that there has been no soft commission arrangement existing during the year ended 31 December 2018 and 2017 in relation to directing transactions of the Sub-Fund through a broker or dealer.

#### **17 Borrowings**

The Sub-Fund had no borrowings as at 31 December 2018 and 2017

#### **18 Contingent liabilities and commitments**

The Sub-Fund had no contingent liabilities and commitment as at 31 December 2018 and 2017.

#### **19 Negotiability of assets**

As at 31 December 2018 and 2017, there was no statutory or contractual requirement restricting the negotiability of the assets of the Sub-Fund.

#### **20 Approval of the financial statements**

The financial statements were approved by the Manager and the Trustee on 26 April 2019.

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

**INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2018**

	<b>Holdings</b>	<b>Fair Value RMB</b>	<b>% of Net Assets*</b>
<b>Quoted Investments</b>			
<b>Australia</b>			
BARMINCO FIN PTY BARPTY 6 5/8 05/15/22	1,250,000	8,377,114	0.89
NEWCASTLE COAL NCIAU 4.4 09/29/27	1,500,000	9,282,077	0.99
VIRGIN AU HLD VAHAU 7 7/8 10/15/21	2,750,000	18,566,466	1.97
		<hr/>	
		36,225,657	3.85
		<hr/>	
<b>Hong Kong</b>			
BK OF EAST ASIA BNKEA 5 1/2 12/29/49	3,000,000	20,201,825	2.14
FWD LTD FWDINS 5 1/2 PERP	950,000	5,849,709	0.62
FWD LTD FWDINS 6 1/4 12/31/49	2,700,000	18,292,485	1.94
ICBC ASIA LTD ICBCAS 4 1/4 12/29/49	1,600,000	10,437,744	1.11
Income Partners Renminbi Investment Grade Bond Fund - Class 2D HKD	7,754	684,301	0.07
Income Partners Renminbi Money Market Fund - Class 2A RMB	99,945	10,609,168	1.13
Income Partners Renminbi Money Market Fund - Class 3A RMB	82,980	8,887,174	0.94
RH INTL FINANCE LTD 6.5% 31DEC2049	1,100,000	6,181,832	0.66
STUDIO CITY FIN MPEL 8 1/2 12/01/20	1,350,000	9,306,517	0.99
		<hr/>	
		90,450,755	9.60
		<hr/>	
<b>India</b>			
HT GLOBAL IT SOL HTGLOB 7 07/14/21	1,550,000	10,775,859	1.14
JAIN INT TRADING JIIN 7 1/8 02/01/22	2,300,000	14,153,280	1.50
VEDANTA RESOURCE VEDLN 8 1/4 06/07/21	2,000,000	13,707,736	1.46
		<hr/>	
		38,636,875	4.10
		<hr/>	

\* Represents net asset value after adjustment to establishment and authorisation costs

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	<b>Holdings</b>	<b>Fair Value RMB</b>	<b>% of Net Assets*</b>
<b>Quoted Investments (Continued)</b>			
<b>Indonesia</b>			
ABM INVESTAMA ABMMIJ 7 1/8 08/01/22	2,200,000	13,312,660	1.41
GAJAH TUNGGAL GJTLIJ 8 3/8 08/10/22	1,200,000	7,160,449	0.76
GEO COAL INTL GERLSP 8 10/04/22	1,400,000	8,090,171	0.86
JABABEKA INTL BV KIJAII 6 1/2 10/05/23	2,250,000	12,832,255	1.36
THETA CAPITAL PTE LTD 7% 11APR22	3,500,000	17,909,633	1.90
MINEJESA CAPITAL BV 4.625% 10AUG2030	1,000,000	6,156,591	0.65
PB INTERNATIONAL BV 7.625% 26JAN2022	2,000,000	13,396,230	1.42
GOLDEN LEGACY PTE LTD 8.25% 07JUN2021	500,000	3,511,516	0.38
		<hr/>	<hr/>
		82,369,505	8.74
		-----	-----
<b>Japan</b>			
SOFTBANK GROUP CORP FRN 31DEC2049	2,750,000	15,257,439	1.62
		<hr/>	<hr/>
		15,257,439	1.62
		-----	-----

\*Represents net asset value after adjustment to establishment and authorisation costs

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	<b>Holdings</b>	<b>Fair Value RMB</b>	<b>% of Net Assets*</b>
<b>Quoted Investments (Continued)</b>			
<b>Peoples' Republic of China</b>			
AGILE GROUP AGILE 8 1/2 07/18/21	2,500,000	17,517,002	1.86
AGRICUL DEV BANK ADBCH 4.65 05/11/28	20,000,000	21,244,864	2.26
AOYUAN PROPERTY CAPG 5 3/8 09/13/22	2,300,000	14,063,683	1.49
AOYUAN PROPERTY CAPG 7 1/2 05/10/21	1,700,000	11,504,748	1.22
BAOXIN AUTO FIN CHGRAU 8 3/4 12/29/49	1,000,000	6,677,933	0.71
BAOXIN AUTO FINANCE I LT FRN 31DEC2049	2,000,000	11,568,253	1.23
BJ ESEG BVI BJESEG 5.3 10/18/21	1,500,000	10,345,372	1.10
CAPITAL ENVIRON BEICAP 5 5/8 09/11/21	1,500,000	10,332,736	1.10
CAR INC CARINC 6 02/11/21	2,000,000	12,657,901	1.34
CENTRAL CHINA CENCHI 6 1/2 03/05/21	1,200,000	7,926,545	0.84
CENTRAL CHINA CENCHI 8 3/4 01/23/21	1,000,000	6,922,873	0.73
CHINA DEV BANK SDBC 4.88 02/09/28	20,000,000	21,630,498	2.30
CHINA EVERGRANDE EVERRE 8 3/4 06/28/25	1,800,000	10,465,889	1.11
CHN SCE PROPERTY CHINSC 5 7/8 03/10/22	3,200,000	19,871,520	2.11
CHN SCE PROPERTY CHINSC 7.45 04/17/21	750,000	5,066,109	0.54
CIFI HOLDINGS CIFIHG 5 1/2 01/23/22	2,300,000	14,401,037	1.53
CIFI HOLDINGS CIFIHG 6 7/8 04/23/21	2,000,000	13,505,842	1.43
CN SINGYES SOLAR CSSXF 7.95 02/15/19	1,000,000	3,885,218	0.41
FANTASIA HOLDING FTHDGR 8 3/8 03/08/21	2,500,000	13,225,298	1.40
GOLDEN EAGLE RET GERGHK 4 5/8 05/21/23	3,000,000	17,607,153	1.87
HILONG HOLDING LTD 7.25% 22JUN2020	2,300,000	13,995,042	1.49
HONG SENG LTD HONGSL 7 7/8 05/31/20	1,000,000	6,093,740	0.65
Income Partners RMB Bond Fund - Class 2B (Accumulation) RMB	234,816	25,503,338	2.71
KAISA GROUP KAISAG 7 7/8 06/30/21	1,000,000	5,459,075	0.58
KAISA GROUP KAISAG 8 1/2 06/30/22	450,000	2,290,475	0.24
KING TALENT MANAGEMENT L FRN 31DEC2049	1,800,000	11,034,600	1.17
KWG GROUP KWGPRO 7 7/8 08/09/21	2,000,000	13,671,909	1.45
KWG PROPERTY KWGPRO 6 09/15/22	1,500,000	9,255,001	0.98
LENOVO PERPETUAL SECURIT FRN 31DEC2049	1,600,000	9,570,316	1.02
LOGAN PROPERTY H LOGPH 6 7/8 04/24/21	3,500,000	23,579,265	2.50
MODERN LAND CHN MOLAND 7.95 03/05/21	2,500,000	14,322,012	1.52
NEW METRO GLOBAL FTLNHD 6.5 04/23/21	4,250,000	28,399,479	3.02
POWERLONG PWRLNG 6.95 04/17/21	3,600,000	23,213,233	2.46
PRIME BLOOM HLDH RUYIGR 6.95 07/05/22	800,000	4,296,019	0.46
RONSHINE CHINA RONXIN 8 1/4 02/01/21	500,000	3,314,280	0.35
SHIMAO PROPERTY SHIMAO 6 3/8 10/15/21	2,250,000	15,449,594	1.64
SUNAC CHINA HLDG SUNAC 7.35 07/19/21	1,500,000	9,991,783	1.06
TIMES PROPERTY TPHL 6 1/4 01/17/21	3,300,000	21,853,256	2.32

\* Represents net asset value after adjustment to establishment and authorisation costs

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust and was re-domiciled to the jurisdiction of Hong Kong as a sub-fund of an open ended umbrella unit trust under the laws of Hong Kong)

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	<b>Holdings</b>	<b>Fair Value RMB</b>	<b>% of Net Assets*</b>
<b>Quoted Investments (Continued)</b>			
<b>Peoples' Republic of China (Continued)</b>			
TSINGHUA UNIC TSINGH 4 3/4 01/31/21	2,500,000	16,523,091	1.75
YANCOAL INTL YZCOAL 5 3/4 PERP	2,300,000	15,659,273	1.66
YINGDE GASES INV YINGDZ 6 1/4 01/19/23	2,650,000	17,089,068	1.81
YUZHOU PROPRTIE YUZHOU 6 01/25/22	2,500,000	15,919,163	1.69
YUZHOU PROPRTIE YUZHOU 7.9 05/11/21	1,000,000	6,840,837	0.74
		<u>563,744,323</u>	<u>59.85</u>
		-----	-----
<b>Sri Lanka</b>			
REP OF SRI LANKA SRILAN 5 3/4 01/18/22	1,900,000	12,339,097	1.31
		<u>12,339,097</u>	<u>1.31</u>
		-----	-----
<b>Switzerland</b>			
FINANCIAL SERVICES FRN 31DEC2049	2,400,000	13,774,382	1.46
		<u>13,774,382</u>	<u>1.46</u>
		-----	-----
<b>United Kingdom</b>			
HSBC HOLDINGS PLC FRN 29DEC2049	2,400,000	15,505,937	1.66
		<u>15,505,937</u>	<u>1.66</u>
		-----	-----
Total investment at fair value		<u>868,303,970</u>	<u>92.19</u>
		-----	-----
<b>Other net assets</b>		<u>73,589,858</u>	<u>7.81</u>
		-----	-----
<b>Net assets attributable to unitholders as at 31 December 2018</b>		<u><u>941,893,827</u></u>	
<b>Total investments, at cost</b>		<u><u>876,340,568</u></u>	

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments</b>				
<b>Australia</b>				
BARMINCO FIN PTY BARPTY 6 5/8 05/15/22	1,250,000	1,000,000	1,000,000	1,250,000
EMECO PTY LTD EHLAU 9 1/4 03/31/22	1,000,000	-	1,000,000	-
VIRGIN AU HLD VAHAU 7 7/8 10/15/21	1,250,000	-	1,500,000	2,750,000
NEWCASTLE COAL NCIAU 4.4 09/29/27	-	1,500,000	-	1,500,000
<b>Hong Kong</b>				
BK OF EAST ASIA BNKEA 5 1/2 12/29/49	1,500,000	1,500,000	-	3,000,000
FWD LTD FWDINS 6 1/4 12/31/49	1,500,000	1,200,000	-	2,700,000
ICBC ASIA LTD ICBCAS 4 1/4 12/29/49	1,500,000	3,900,000	3,800,000	1,600,000
INCOME PARTNERS RENMINBI INVESTMENT GRADE BOND FUND - CLASS 2D HKD	7,754	7,754	7,754	7,754
INCOME PARTNERS RENMINBI MONEY MARKET FUND - CLASS 2A RMB	99,945	-	-	99,945
INCOME PARTNERS RENMINBI MONEY MARKET FUND - CLASS 3A RMB	28,004	54,976	-	82,980
LS FINANCE 2025 LTD LIHKK 4 1/2 06/26/25	1,500,000	1,000,000	2,500,000	-
NANYANG COMMERCIAL BANK FRN 31DEC2049	1,500,000	-	1,500,000	-
OVPH LTD CKINF 5 7/8 12/29/49	1,000,000	1,250,000	2,250,000	-
RH INTL FINANCE LTD 6.5% 31DEC2049	1,100,000	-	-	1,100,000
STUDIO CITY FIN MPEL 8 1/2 12/01/20	1,600,000	-	250,000	1,350,000
UNITED PHOTOVOL GDPOLY 8 1/4 01/25/20	1,600,000	-	1,600,000	-
WTT INVMNT LTD WTTINV 5 1/2 11/21/22	1,500,000	2,000,000	3,500,000	-
ITNLOFFSHORE PTE ILFSIN 7 1/2 01/18/21	-	4,000,000	4,000,000	-
FWD LTD FWDINS 5 1/2 PERP	-	950,000	-	950,000

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments (Continued)</b>				
<b>India</b>				
GREENKO INVESTMENT CO 4 7/8 08/16/23	1,000,000	-	1,000,000	-
HT GLOBAL IT SOL HTGLOB 7 07/14/21	1,550,000	-	-	1,550,000
JAIN INT TRADING JIIN 7 1/8 02/01/22	1,500,000	-	800,000	2,300,000
NEERG ENERGY NERGEN 6 02/13/22	1,000,000	-	1,000,000	-
VEDANTA RESOURCE VEDLN 6 3/8 07/30/22	1,000,000	-	1,000,000	-
VEDANTA RESOURCES PLC 6.125% 09AUG2024	500,000	-	500,000	-
VEDANTA RESOURCE VEDLN 8 1/4 06/07/21	-	2,000,000	-	2,000,000
<b>Indonesia</b>				
CHANDRA ASRI PET TPIAIJ 4.95 11/08/24	400,000	-	400,000	-
GAJAH TUNGGAL GJTLLIJ 8 3/8 08/10/22	1,500,000	500,000	600,000	1,400,000
GEO COAL INTL GERLSP 8 10/04/22	1,200,000	-	-	1,200,000
INDYIJ 6.375% 24JAN2023	1,400,000	-	1,400,000	-
JABABEKA INTL BV KIJAIJ 6 1/2 10/05/23	1,500,000	750,000	-	2,250,000
OTTAWA HOLDINGS BHITIJ 5 7/8 05/16/18	300,000	-	300,000	-
PB INTERNATIONAL BV 7.625% 26JAN2022	1,000,000	2,000,000	1,000,000	2,000,000
THETA CAPITAL PTE LTD 7% 11APR22	-	4,250,000	750,000	3,500,000
THETA CAPITAL LPKRIJ 6 3/4 10/31/26	1,000,000	-	1,000,000	-
ABM INVESTAMA ABMMIJ 7 1/8 08/01/22	-	2,200,000	-	2,200,000
GOLDEN LEGACY PTE LTD 8.25% 07JUN2021	-	500,000	-	500,000
MINEJESA CAPITAL BV 4.625% 10AUG2030	-	1,000,000	-	1,000,000

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

(Established in the Cayman Islands as an exempted unit trust)

**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments (Continued)</b>				
<b>Japan</b>				
SOFTBANK GROUP CORP FRN 31DEC2049	1,000,000	2,550,000	800,000	2,750,000
SOFTBANK GRP COR SOFTBK 5 1/8 09/19/27	1,000,000	-	1,000,000	-
<b>Pakistan</b>				
REP OF PAKISTAN PKSTAN 6 7/8 12/05/27	1,000,000	-	1,000,000	-
<b>Peoples' Republic of China</b>				
21VIANET GROUP I VNET 7 08/17/20	1,000,000	1,100,000	2,100,000	-
361 DEGREES INTL DEGREE 7 1/4 06/03/21	-	1,000,000	1,000,000	-
AGILE GROUP AGILE 8 1/2 07/18/21	-	4,000,000	1,500,000	2,500,000
AGILE PROPERTY AGILE 8 1/4 01/18/49	-	3,000,000	3,000,000	-
AGRICUL DEV BANK ADBCH 4.65 05/11/28	-	20,000,000	-	20,000,000
ANTON OILFIELD H ANTOIL 9 3/4 12/05/20	900,000	600,000	1,500,000	-
AOYUAN PROPERTY CAPG 5 3/8 09/13/22	-	2,300,000	-	2,300,000
AOYUAN PROPERTY CAPG 6.35 01/11/20	-	200,000	200,000	-
AOYUAN PROPERTY CAPG 7 1/2 05/10/21	-	1,700,000	-	1,700,000
AOYUAN PROPERTY CAPG 7.95 09/07/21	-	700,000	700,000	-
BAOXIN AUTO FIN CHGRAU 8 3/4 12/29/49	1,000,000	-	-	1,000,000
BAOXIN AUTO FINANCE I LT FRN 31DEC2049	-	2,000,000	-	2,000,000
BCP SINGAPORE VI PACT 8 04/15/21	800,000	-	800,000	-
BJ ESEG BVI BJSESEG 5.3 10/18/21	-	1,500,000	-	1,500,000
CAPITAL ENVIRON BEICAP 5 5/8 09/11/21	-	1,500,000	-	1,500,000
CAR INC CARINC 6 02/11/21	-	2,000,000	-	2,000,000
CENTRAL CHINA CENCHI 8 3/4 01/23/21	1,000,000	-	-	1,000,000
CENTRAL CHINA CENCHI 6 1/2 03/05/21	-	1,200,000	-	1,200,000
CHINA CINDA 2017 CCAMCL 4 3/4 02/08/28	-	1,500,000	1,500,000	-

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments (Continued)</b>				
<b>Peoples' Republic of China (Continued)</b>				
CHINA DEV BANK SDBC 4.24 08/24/27	-	20,000,000	20,000,000	-
CHINA DEV BANK SDBC 4.88 02/09/28	-	20,000,000	-	20,000,000
CHINA EVERGRANDE EVERRE 6 1/4 06/28/21	500,000	700,000	1,200,000	-
CHINA EVERGRANDE EVERRE 7 1/2 06/28/23	1,000,000	-	1,000,000	-
CHINA EVERGRANDE EVERRE 8 1/4 03/23/22	-	1,000,000	1,000,000	-
CHINA EVERGRANDE EVERRE 8 3/4 06/28/25	-	1,800,000	-	1,800,000
CHINA GOVT BOND CGB 3.52 05/04/27	2,000,000	-	2,000,000	-
CHINA GOVT BOND CGB 3.69 05/17/28	-	20,000,000	20,000,000	-
CHN SCE PROPERTY CHINSC 5 7/8 03/10/22	1,000,000	2,200,000	-	3,200,000
CHN SCE PROPERTY CHINSC 7.45 04/17/21	-	750,000	-	750,000
CIFI HOLDINGS CIFIHG 5 1/2 01/23/22	800,000	2,300,000	800,000	2,300,000
CIFI HOLDINGS CIFIHG 6 7/8 04/23/21	-	2,450,000	450,000	2,000,000
CIFI HOLDINGS GROUP FRN 31DEC2049	-	3,600,000	3,600,000	-
CMHI FINANCE CMHI 5 08/06/28	-	450,000	450,000	-
CNAC HK FINBRID HAOHUA 4 1/8 07/19/27	-	1,500,000	1,500,000	-
CNAC HK FNBRIDGE CO LTD 5.125% 14MAR2028	-	1,300,000	1,300,000	-
CN SINGYES SOLAR CSSXF 7.95 02/15/19	1,000,000	500,000	500,000	1,000,000
CONCORD NW NRG CHIWIN 7.9 01/23/21	-	1,300,000	1,300,000	-
DR PENG HOLDING HONGKONG 5.05% 01JUN2020	-	1,000,000	1,000,000	-
EASY TACTIC LTD GZRFPR 5 3/4 01/13/22	1,000,000	800,000	1,800,000	-
EASY TACTIC LTD 7% 25APR2021	-	2,500,000	2,500,000	-
EHI CAR SERVICES EHICAR 5 7/8 08/14/22	1,000,000	1,500,000	2,500,000	-

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments (Continued)</b>				
<b>Peoples' Republic of China (Continued)</b>				
FANTASIA HOLDING FTHDGR 7.95 07/05/22	1,750,000	-	1,750,000	-
FANTASIA HOLDING FTHDGR 8 3/8 03/08/21	-	2,500,000	-	2,500,000
FUFENG GROUP FUFENG 5 7/8 08/28/21	-	1,500,000	1,500,000	-
GOLDEN EAGLE RET GERGHK 4 5/8 05/21/23	1,900,000	2,000,000	900,000	3,000,000
GOLDEN WHEEL GWTH 8 1/4 11/03/19	800,000	-	800,000	-
HEALTH AND HAPPINESS H&H 22JUN2020	1,000,000	1,500,000	2,500,000	-
HILONG HOLDING LTD 7.25% 22JUN2020	-	2,800,000	500,000	2,300,000
HONG SENG LTD HONGSL 7 7/8 05/31/20	-	1,000,000	-	1,000,000
INCOME PARTNERS RMB BOND FUND - CLASS 2B (ACCUMULATION) RMB	234,816	-	-	234,816
KAISA GROUP KAISAG 7 7/8 06/30/21	1,000,000	-	-	1,000,000
KAISA GROUP KAISAG 8 1/2 06/30/22	250,000	500,000	300,000	450,000
KING TALENT MANAGEMENT L FRN 31DEC2049	1,200,000	600,000	-	1,800,000
KWG GROUP KWGPRO 7 7/8 08/09/21	-	3,200,000	1,200,000	2,000,000
KWG PROPERTY KWGPRO 5 7/8 11/10/24	1,400,000	1,400,000	-	-
KWG PROPERTY KWGPRO 6 09/15/22	-	2,400,000	900,000	1,500,000
LENOVO PERPETUAL SECURIT FRN 31DEC2049	1,750,000	2,200,000	2,350,000	1,600,000

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

(Sub-Fund of Income Partners Strategy Fund)

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	1 January 2018	Additions	Disposals	31 December 2018
<b>Quoted Investments (Continued)</b>				
<b>Peoples' Republic of China (Continued)</b>				
LOGAN PROPERTY H LOGPH 6 7/8 04/24/21	-	3,500,000	-	3,500,000
MIE HOLDINGS MIEHOL 7 1/2 04/25/19	750,000	-	750,000	-
MODERN LAND CHN MOLAND 6 7/8 10/20/19	1,750,000	-	1,750,000	-
MODERN LAND CHN MOLAND 7.95 03/05/21	-	2,500,000	-	2,500,000
NEW METRO GLOBAL FTLNHD 6.5 04/23/21	-	4,250,000	-	4,250,000
POSTAL SAVINGS BK CHINA FRN 29DEC2049	-	2,000,000	2,000,000	-
POWERLONG PWRLNG 6.95 04/17/21	-	4,000,000	400,000	3,600,000
POWERLONG REAL ESTATE 5.95% 19JUL2020	1,750,000	-	1,750,000	-
PRIME BLOOM HLDH RUYIGR 6.95 07/05/22	800,000	-	-	800,000
PRIME BLOOM HLDH RUYIGR 7 1/2 12/19/19	1,000,000	-	1,000,000	-
RONSHINE CHINA RONXIN 6.95 12/08/19	800,000	-	800,000	-
RONSHINE CHINA RONXIN 8 1/4 02/01/21	-	500,000	-	500,000
SHIMAO PROPERTY SHIMAO 6 3/8 10/15/21	-	2,250,000	-	2,250,000
SHUI ON DEVELOP SHUION 6 7/8 03/02/21	-	14,000,000	14,000,000	-
SUNAC CHINA HLDG SUNAC 6 7/8 08/08/20	1,250,000	-	1,250,000	-
SUNAC CHINA HLDG SUNAC 7.35 07/19/21	-	2,450,000	950,000	1,500,000
TEWOO GROUP NO 5 LTD FRN 29DEC2049	-	1,000,000	1,000,000	-
TIMES CN HLDG TPHL 7.85 06/04/21	-	500,000	500,000	-
TIMES PROPERTY TPHL 6.6 03/02/23	1,100,000	400,000	1,500,000	-
TIMES PROPERTY TPHL 6 1/4 01/17/21	-	3,300,000	-	3,300,000
TONGFANG AQUA TSIGTF 5 3/8 03/29/21	-	1,000,000	1,000,000	-
TSINGHUA UNIC TSINGH 4 3/4 01/31/21	-	2,500,000	-	2,500,000

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2018</b>
<b>Quoted Investments (Continued)</b>				
<b>Peoples' Republic of China (Continued)</b>				
TSINGHUA UNIC TSINGH 5 3/8 01/31/23	-	2,950,000	2,950,000	-
WEST CHINA CEM WESCHI 6 1/2 09/11/19	-	2,000,000	2,000,000	-
YANCOAL INTL YZCOAL 5 3/4 PERP	-	3,500,000	1,200,000	2,300,000
YINGDE GASES INV YINGDZ 6 1/4 01/19/23	-	2,650,000	-	2,650,000
YUZHOU PROPRTIE YUZHOU 6 01/25/22	-	2,500,000	-	2,500,000
YUZHOU PROPRTIE YUZHOU 7.9 05/11/21	-	1,000,000	-	1,000,000
ZHONGRONG INT RES CO LTD 7.25% 26OCT2020	1,900,000	-	1,900,000	-

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**STATEMENT OF MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2018**

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2018</b>
<b>Quoted Investments (Continued)</b>				
<b>Singapore</b>				
STATS CHIPPAK STATSP 8 1/2 11/24/20	1,000,000	-	1,000,000	-
<b>Sri Lanka</b>				
REP OF SRI LANKA SRILAN 5 3/4 01/18/22	-	1,900,000	-	1,900,000
REP OF SRI LANKA SRILAN 6 1/8 06/03/25	1,500,000	-	1,500,000	-
REP OF SRI LANKA SRILAN 6.2 05/11/27	-	700,000	700,000	-
<b>Switzerland</b>				
FINANCIAL SERVICES FRN 31DEC2049	-	2,400,000	-	2,400,000
<b>Thailand</b>				
PTTEP TREASURY CENTER CO FRN 31DEC2049	-	1,500,000	1,500,000	-
<b>United Kingdom</b>				
HSBC HOLDINGS HSBC 5 5/8 12/29/49	500,000	2,400,000	500,000	2,400,000

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**PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Net asset value*</b>	<b>Net asset value per unit*</b>
<b><u>At 31 December 2018</u></b>	RMB	RMB
Class 1A USD (Distribution)Units	866,104	853.08
Class 1A USD (Accumulation)Units	31,962,559	638.80
Class 2A USD (Distribution) Units	125,501,341	581.96
Class 2A USD (Accumulation) Units	106,141,661	1,023.05
Class 2B RMB (Distribution) Units	107,100,877	92.91
Class 2B RMB (Accumulation) Units	28,735,000	158.93
Class 2C USD (Distribution) Units	30,637,214	622.06
Class 2D HKD (Distribution) Units	246,569,585	73.27
Class 2D HKD (Accumulation) Units	7,706,226	79.52
Class 2E AUD (Distribution) Units	913,475	454.47
Class 2E AUD (Accumulation) Units	1,338,501	485.33
Class 2F AUD-Hedged (Accumulation) Units	169,182	536.08
Class 2G USD-Hedged (Distribution) Units	52,500,348	589.20
Class 2G USD-Hedged (Accumulation) Units	201,751,754	761.39
	<hr/>	
Total net asset value	941,893,827	
	<hr/> <hr/>	
<b><u>At 31 December 2017</u></b>	RMB	RMB
Class 1A USD (Distribution)Units	7,268,446	863.38
Class 1B RMB (Distribution)Units	8,369,281	100.29
Class 2A USD (Distribution) Units	52,171,504	648.86
Class 2A USD (Accumulation) Units	79,495,179	1040.40
Class 2B RMB (Distribution) Units	68,142,636	103.82
Class 2B RMB (Accumulation) Units	31,115,333	161.68
Class 2C USD (Distribution) Units	11,911,171	681.45
Class 2F AUD-Hedged (Accumulation) Units	93,551	584.69
Class 2G USD-Hedged (Distribution) Units	69,007,348	623.01
Class 2G USD-Hedged (Accumulation) Units	260,084,706	747.29
	<hr/>	
Total net asset value	587,659,155	
	<hr/> <hr/>	

\* Represents net asset value after adjustment to establishment and authorisation costs

**INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND**

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**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Net asset value*</b>	<b>Net asset value per unit*</b>
	RMB	RMB
<b><u>At 31 December 2016</u></b>		
Class 1A USD (Distribution)Units	6,574,280	780.93
Class 1B RMB (Distribution)Units	5,234,051	117.50
Class 2A USD (Distribution) Units	95,989,327	620.42
Class 2A USD (Accumulation) Units	28,824,878	945.78
Class 2B RMB (Distribution) Units	59,388,011	103.11
Class 2B RMB (Accumulation) Units	32,195,718	146.97
Class 2C USD (Distribution) Units	31,285,115	661.87
Class 2F AUD-Hedged (Accumulation) Units	86,973	543.58
Class 2G USD-Hedged (Distribution) Units	70,299,215	679.45
Class 2G USD-Hedged (Accumulation) Units	319,141,541	754.19
	<hr/>	
Total net asset value	649,019,109	
	<hr/> <hr/>	

	<b>Class currency</b>	<b>Net asset value*</b>	<b>Net asset value per unit*</b>
<b><u>At 31 December 2018</u></b>			
Class 1A USD (Distribution)Units	USD	125,955	124.06
Class 1A USD (Accumulation)Units	USD	4,648,304	92.90
Class 1B RMB (Distribution)Units	RMB	-	-
Class 2A USD (Distribution) Units	USD	18,250,554	84.63
Class 2A USD (Accumulation) Units	USD	15,435,924	148.78
Class 2B RMB (Distribution) Units	RMB	106,853,080	92.91
Class 2B RMB (Accumulation) Units	RMB	28,735,737	158.93
Class 2C USD (Distribution) Units	USD	4,455,278	90.46
Class 2D HKD (Distribution) Units	HKD	280,999,467	83.45
Class 2D HKD (Accumulation) Units	HKD	8,776,579	90.57
Class 2E AUD (Distribution) Units	AUD	188,293	93.68
Class 2E AUD (Accumulation) Units	AUD	275,902	100.04
Class 2F AUD-Hedged (Accumulation) Units	AUD	34,873	110.50
Class 2G USD-Hedged (Distribution) Units	USD	7,646,570	85.68
Class 2G USD-Hedged (Accumulation) Units	USD	29,471,752	110.72

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**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Class currency</b>	<b>Net asset value*</b>	<b>Net asset value per unit*</b>
<b><u>At 31 December 2017</u></b>			
Class 1A USD (Distribution)Units	USD	1,115,612	133.52
Class 1B RMB (Distribution)Units	RMB	8,369,281	100.29
Class 2A USD (Distribution) Units	USD	8,007,647	99.59
Class 2A USD (Accumulation) Units	USD	12,201,477	159.69
Class 2B RMB (Distribution) Units	RMB	68,142,636	103.82
Class 2B RMB (Accumulation) Units	RMB	31,115,333	161.68
Class 2C USD (Distribution) Units	USD	1,828,210	104.59
Class 2F AUD-Hedged (Accumulation) Units	AUD	18,369	114.80
Class 2G USD-Hedged (Distribution) Units	USD	10,591,731	95.62
Class 2G USD-Hedged (Accumulation) Units	USD	39,919,621	114.70
<b><u>At 31 December 2016</u></b>			
Class 1A USD (Distribution)Units	USD	943,328	112.04
Class 1B RMB (Distribution)Units	RMB	5,234,051	117.50
Class 2A USD (Distribution) Units	USD	13,771,973	89.01
Class 2A USD (Accumulation) Units	USD	4,135,621	135.69
Class 2B RMB (Distribution) Units	RMB	59,388,011	103.11
Class 2B RMB (Accumulation) Units	RMB	32,195,718	146.97
Class 2C USD (Distribution) Units	USD	4,488,601	94.96
Class 2F AUD-Hedged (Accumulation) Units	AUD	17,261	107.88
Class 2G USD-Hedged (Distribution) Units	USD	10,086,110	97.48
Class 2G USD-Hedged (Accumulation) Units	USD	45,788,513	108.21

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**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Class currency</b>	<b>Highest unit price</b>	<b>Lowest unit price</b>
<b><u>For the year ended 31 December 2018</u></b>			
Class 1A USD (Distribution)Units	USD	137.77	120.01
Class 1A USD (Accumulation)Units	USD	103.18	89.87
Class 1B RMB (Distribution)Units	RMB	100.96	99.74
Class 2A USD (Distribution) Units	USD	103.10	82.60
Class 2A USD (Accumulation) Units	USD	165.95	144.00
Class 2B RMB (Distribution) Units	RMB	103.70	91.44
Class 2B RMB (Accumulation) Units	RMB	162.72	155.21
Class 2C USD (Distribution) Units	USD	108.11	88.16
Class 2D HKD (Distribution) Units	HKD	100.55	81.43
Class 2D HKD (Accumulation) Units	HKD	101.04	87.64
Class 2E AUD (Distribution) Units	AUD	102.05	93.82
Class 2E AUD (Accumulation) Units	AUD	100.41	88.38
Class 2F AUD-Hedged (Accumulation) Units	AUD	115.43	108.10
Class 2G USD-Hedged (Distribution) Units	USD	95.55	84.31
Class 2G USD-Hedged (Accumulation) Units	USD	115.33	108.28
<b><u>For the year ended 31 December 2017</u></b>			
Class 1A USD (Distribution)Units	USD	132.49	112.36
Class 1B RMB (Distribution)Units	RMB	121.50	99.93
Class 2A USD (Distribution) Units	USD	100.19	88.57
Class 2A USD (Accumulation) Units	USD	159.66	136.08
Class 2B RMB (Distribution) Units	RMB	106.21	102.57
Class 2B RMB (Accumulation) Units	RMB	161.91	147.31
Class 2C USD (Distribution) Units	USD	105.74	94.66
Class 2F AUD-Hedged (Accumulation) Units	AUD	115.35	107.96
Class 2G USD-Hedged (Distribution) Units	USD	98.78	95.59
Class 2G USD-Hedged (Accumulation) Units	USD	115.33	108.28
<b><u>For the year ended 31 December 2016</u></b>			
Class 1A USD (Distribution)Units	USD	117.26	106.25
Class 1B RMB (Distribution)Units	RMB	117.87	104.41
Class 2A USD (Distribution) Units	USD	96.17	89.01
Class 2A USD (Accumulation) Units	USD	142.27	129.26
Class 2B RMB (Distribution) Units	RMB	106.24	99.14
Class 2B RMB (Accumulation) Units	RMB	147.56	131.18
Class 2C USD (Distribution) Units	USD	101.89	94.96
Class 2F AUD-Hedged (Accumulation) Units	AUD	108.53	98.22
Class 2G USD-Hedged (Distribution) Units	USD	101.57	95.88
Class 2G USD-Hedged (Accumulation) Units	USD	109.00	98.41

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**PERFORMANCE TABLE (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Class currency</b>	<b>Highest unit price</b>	<b>Lowest unit price</b>
<b><u>For the year ended 31 December 2015</u></b>			
Class 1A USD (Distribution)Units	USD	113.88	104.8
Class 1B RMB (Distribution)Units	RMB	106.76	99.27
Class 2A USD (Distribution) Units	USD	104.15	93.95
Class 2B RMB (Distribution) Units	RMB	107.16	101.23
Class 2C USD (Distribution) Units	USD	108.23	98.25
Class 2A USD (Accumulation) Units	USD	138.82	127.7
Class 2B RMB (Accumulation) Units	RMB	134.21	125.4
Class 2F AUD-Hedged (Accumulation) Units	AUD	101.51	99.94
Class 2G USD-Hedged (Distribution) Units	USD	100.73	99.28
Class 2G USD-Hedged (Accumulation) Units	USD	101.33	100.07
<b><u>For the year ended 31 December 2014</u></b>			
Class 1A USD (Distribution)Units	USD	109.83	100.59
Class 1B RMB (Distribution)Units	RMB	101.23	99.39
Class 2A USD (Distribution) Units	USD	106.57	101.45
Class 2B RMB (Distribution) Units	RMB	107.68	102.39
Class 2C USD (Distribution) Units	USD	109.87	104.43
Class 2A USD (Accumulation) Units	USD	134.35	123.45
Class 2B RMB (Accumulation) Units	RMB	127.95	117.23
<b><u>For the year ended 31 December 2013</u></b>			
Class 1A USD (Distribution)Units	USD	102.07	94.18
Class 2A USD (Distribution) Units	USD	110.81	102.24
Class 2B RMB (Distribution) Units	RMB	108.82	100.76
Class 2C USD (Distribution) Units	USD	112.55	104.24
Class 2A USD (Accumulation) Units	USD	125.40	116.01
Class 2B RMB (Accumulation) Units	RMB	118.40	110.80
<b><u>For the year ended 31 December 2012</u></b>			
Class 2A USD (Distribution) Units	USD	107.10	95.13
Class 2B RMB (Distribution) Units	RMB	104.90	94.51
Class 2C USD (Distribution) Units	USD	108.70	96.50
Class 2A USD (Accumulation) Units	USD	115.82	97.89
Class 2B RMB (Accumulation) Units	RMB	111.97	96.02
<b><u>For the period from 27 July 2011 (date of inception) to 31 December 2011</u></b>			
Class 2A USD (Distribution) Units	USD	99.06	92.62
Class 2B RMB (Distribution) Units	RMB	100.11	93.57
Class 2C USD (Distribution) Units	USD	100.70	94.15
Class 2A USD (Accumulation) Units	USD	100.27	92.87
Class 2B RMB (Accumulation) Units	RMB	100.11	93.57