



INCOME PARTNERS

**Interim Report 2018**

**INCOME PARTNERS  
MANAGED VOLATILITY HIGH YIELD BOND 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)

**SEMI-ANNUAL FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

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

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## **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

### **TRUSTEE AND PRINCIPAL OFFICE**

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

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

### **CUSTODIAN**

Citibank, N.A. Hong Kong Branch  
50th 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  
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  
15th Floor, Alexandra House  
18 Chater Road, Central  
Hong Kong

### **SWISS REPRESENTATIVE AGENT**

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

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

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## MANAGER'S REPORT

### 2018 PERFORMANCE OVERVIEW

In the first six months of 2018, the **Income Partners Managed Volatility High Yield Bond Fund** (the "Fund") generated a total return<sup>1</sup> as per below table:

Class of Shares	ISIN Code	Bloomberg ticker	Fund Class Inception Date	YTD 2018 Return	Annualized Dividend Yield*
Class 1A Acc (USD)	HK0000421336	IRHY1AA HK	7-May-13	-5.10%	-
Class 1A Dis (USD)	HK0000421328	IPRHY1A HK	8-Jan-18	-4.36%	-
Class 2A Acc (USD)	HK0000421419	IRHY2AA HK	27-Jul-11	-4.60%	-
Class 2A Dis (USD)	HK0000421401	IPRHY2A HK	3-Aug-11	-4.62%	9.88%
Class 2B Acc (RMB)	HK0000421435	IRHY2BA HK	27-Jul-11	-2.88%	-
Class 2B Dis (RMB)	HK0000421427	IPRHY2B HK	27-Jul-11	-2.88%	10.08%
Class 2C Dis (USD)	HK0000421443	IPRHY2C HK	10-Aug-11	-4.61%	7.52%
Class 2D Acc (HKD)	HK0000421468	IRHY2DA HK	21-Feb-18	-7.07%	-
Class 2D Dis (HKD)	HK0000421450	IPRHY2D HK	09-Feb-18	-7.08%	10.00%
Class 2E Acc (AUD)	HK0000421484	IRHY2EA HK	07-Mar-18	-1.95%	-
Class 2E Dis (AUD)	HK0000421476	IPRHY2E HK	04-May-18	-3.01%	9.56%
Class 2F Acc (AUD Hedged)	HK0000421500	IRHY2FA HK	13-Oct-15	-3.90%	-
Class 2F Dis (AUD Hedged)	HK0000421492	IPRHY2F HK	Inactive	-	-
Class 2G Acc (USD Hedged)	HK0000421526	IRHY2GA HK	13-Oct-15	-3.88%	-
Class 2G Dis (USD Hedged)	HK0000421518	IPRHY2G HK	19-Oct-15	-3.90%	7.76%

\* 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.

Capital losses from the bond portfolio contributed to the negative performance in 1H 2018. The differences in performance between share classes are mainly attributed to the FX movement, specifically the RMB against the USD, AUD, and HKD.

<sup>1</sup> Adjusted for monthly dividend distributions

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### MARKET OVERVIEW AND OUTLOOK

The RMB appreciated against the USD early in 2018, as investors' optimistic outlook on China's economy supported the currency. Going into Q2, RMB and other EM currencies came under pressure from several factors: 1) strengthening USD on the back of a strong US economy; 2) investors' concern over EM currencies due to the easing bias of Argentina and Turkey's monetary policies; 3) US-China trade war tensions; and 4) signs of slowdown in China's economy due to its ongoing de-leveraging campaign. Despite the depreciation, RMB has performed in line with the USD index and has been stable against its currency basket thus far in 2018. We believe RMB will remain stable in 2H 2018, and we don't expect any fundamental changes in RMB's outlook in the near future.

Much like RMB, the Asian high yield market started the year well on the back of bullish sentiment and active primary market, but a selloff in risky assets soon began in February as 10-year UST yield jumped from 2.4% to 2.9% due to investors' fear of inflation. Over the next few months, Asian high yield credits came under pressure not only from the risk factors mentioned above, but also from the following: 1) fear of accelerated Fed hikes; 2) heavy supply from Chinese property developers due to refinancing needs; 3) EM capital outflows; 4) instability from Italy's coalition government; and 5) concern over rising default rate in China's onshore bond market. As of end of June 2018, the average market yield, as measured by the JP Morgan Asian Credit Non-Investment Grade Index, reached a level that was historically well-supported and offered strong subsequent returns. Specifically, the average credit spread of offshore USD Chinese high yield bonds had widened over 200 bps. This correction presents opportunities for selected higher quality credits in 2H 2018.

On the economy front, recent US economic data showed positive signs of growth; unemployment rate hit 3.8%, and retail sales exceeded expectations. Meanwhile, China's numbers painted a less rosy picture due to the ongoing financial deleveraging campaign. Growth in retail sales, industrial production and fiscal asset investments slowed. China's credit expansion, as measured by the total social financing, halved in May (CNY 761 billion vs. CNY 1,560 billion in April) behind the policymakers' concerted effort to ease the growth of the shadow banking system. As a result, the onshore credit environment has tightened this year, and investors have become more concerned over the default risk of onshore bonds. In response, the PBOC announced two cuts to the reserve requirement ratio (RRR) in Q2 to inject liquidity to the economy and show its commitment in stabilizing economic growth.

While the onshore default rate is expected to rise in 2H 2018 as the deleveraging campaign continues, given the flexibility and availability of resources policymakers have at their disposal, we believe systematic risk will remain limited. China has made impressive progress in reducing debts under the deleveraging policy; while rising default rates may affect weaker companies, the policy is essential for sustainable economic growth.

### PORTFOLIO OVERVIEW AS OF 30 JUNE 2018

Modified Duration:	Average Credit Rating:	Yield in CNH <sup>2</sup>
2.7 years	BB	8.0%

<sup>2</sup> Yield in CNH equals to the yield to maturity and the positive carry from the USDCNH deliverable forwards for the purpose of hedging all USD denominated bonds in the fund into CNH currency exposure.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

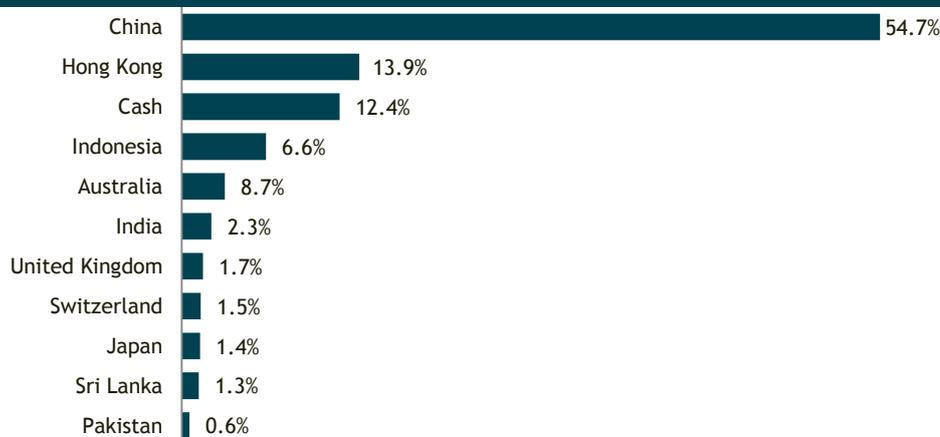
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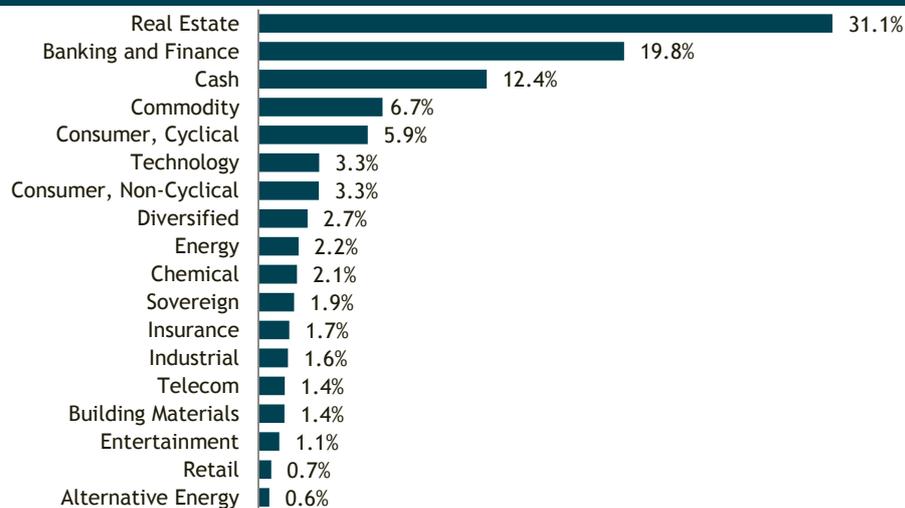
### PORTFOLIO OVERVIEW AS OF 30 JUNE 2018 (CONTINUED)

Top 10 Holdings	23.8%
China SCE Property Holdings Ltd	2.6%
New Metro Global Ltd	2.6%
Yancoal International Resources Development Co Ltd	2.4%
Industrial & Commercial Bank of China Asia Ltd	2.4%
Logan Property Holdings Co Ltd	2.4%
Yuzhou Properties Co Ltd	2.4%
WTT Investment Ltd	2.3%
Powerlong Real Estate Holdings Ltd	2.3%
Times China Holdings Limited	2.2%
China Aoyuan Property Group Ltd	2.2%

### Geographic Exposure



### Industry Exposure



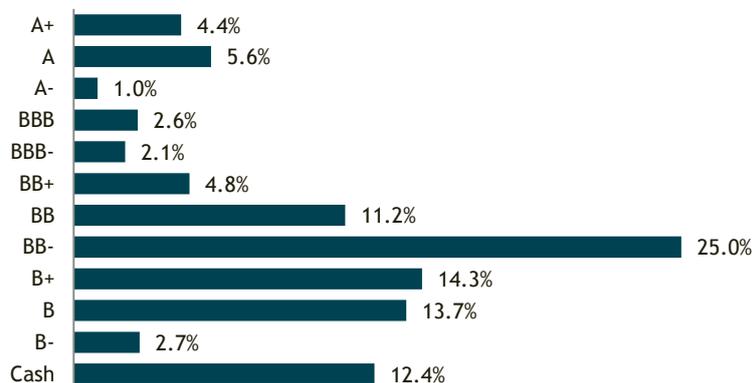
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### PORTFOLIO OVERVIEW AS OF 30 JUNE 2018 (CONTINUED)

#### Credit Rating Exposure



<sup>#</sup>Total exposures may differ due to rounding. Please note the ratings exposures shown here include some of Income Partners' own implied internal 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 29 June 2018

#### CORPORATE ACTION

With effective from 30 May 2018, the domicile of the fund has been changed from Cayman Islands to Hong Kong (for the umbrella unit trust fund INCOME PARTNERS STRATEGY FUND and the two sub-funds INCOME PARTNERS RENMINBI INVESTMENT GRADE BOND FUND and INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND).

In regards of the above change, the following have been amended accordingly:

1. change of trustee and re-domiciliation of the Fund;
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").

For further details of the above changes please refer to the Notice to investors dd. 27 April 2018.

A copy of the revised Explanatory Memorandum and revised KFS for each of Income Partners Managed Volatility High Yield Bond Fund and Income Partners Renminbi Investment Grade Bond 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.

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**FINANCIAL STATEMENTS (UNAUDITED)****STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

AS AT 30 JUNE 2018

	As at 30 June 2018 (unaudited) RMB	As at 31 December 2017 (audited) RMB
<b>Assets - Current assets</b>		
Financial assets at fair value through profit or loss	825,100,024	511,124,167
Derivative financial instruments	9,437,278	35,050,154
Interest receivables	13,915,928	8,464,152
Prepayment and other receivables	938,014	128,777
Amount due from the broker	4,863,630	4,863,630
Subscription receivable	12,536,622	-
Margin deposits	39,445,789	22,422,249
Bank balances	103,180,444	21,579,284
<b>Total assets</b>	<b>1,009,417,729</b>	<b>603,632,413</b>
<b>Liabilities - Current liabilities</b>		
Derivative financial instruments	20,878,845	9,184,438
Amount due to the broker	3,273,561	-
Other liabilities and accrued expenses	1,742,275	1,704,537
Redemption payable	13,684,145	5,848,646
<b>Liabilities (excluding net assets attributable to unitholders)</b>	<b>39,578,826</b>	<b>16,737,621</b>
<b>Net assets attributable to unitholders</b>	<b>969,838,903</b>	<b>586,894,792</b>
	<b>1,009,417,729</b>	<b>603,632,413</b>
<b>Represented by:</b>		
Net assets attributable to unitholders after adjustment to establishment costs and authorisation costs	970,850,223	587,659,155
Adjustments for different bases adopted by the Sub-Fund in arriving at the net assets attributable to unitholders	(1,011,320)	(764,363)

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)****AS AT 30 JUNE 2018**

	As at 30 June 2018 (unaudited) RMB	As at 31 December 2017 (audited) RMB
<b>NUMBER OF UNITS IN ISSUE</b>		
Class 1A USD (Accumulation) Units	56,776	-
Class 1A USD (Distribution) Units	8,419	8,419
Class 1B RMB (Distribution) Units	-	83,450
Class 2A USD (Accumulation) Units	108,808	76,408
Class 2A USD (Distribution) Units	202,843	80,405
Class 2B RMB (Accumulation) Units	196,302	192,456
Class 2B RMB (Distribution) Units	1,024,341	656,373
Class 2C USD (Distribution) Units	54,311	17,479
Class 2D HKD (Accumulation) Units	32,559	-
Class 2D HKD (Distribution) Units	2,732,282	-
Class 2E AUD (Accumulation) Units	2,657	-
Class 2E AUD (Distribution) Units	1,197	-
Class 2F AUD-Hedged (Accumulation) Units	160	160
Class 2G USD-Hedged (Accumulation) Units	346,820	348,036
Class 2G USD-Hedged (Distribution) Units	110,544	110,764
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT</b>		
Class 1A USD (Accumulation) Units	629.52	-
Class 1A USD (Distribution) Units	840.56	863.38
Class 1B RMB (Distribution) Units	-	100.29
Class 2A USD (Accumulation) Units	1,010.43	1,040.40
Class 2A USD (Distribution) Units	604.76	648.86
Class 2B RMB (Accumulation) Units	157.01	161.68
Class 2B RMB (Distribution) Units	96.27	103.82
Class 2C USD (Distribution) Units	639.37	681.45
Class 2D HKD (Accumulation) Units	78.57	-
Class 2D HKD (Distribution) Units	76.18	-
Class 2E AUD (Accumulation) Units	479.49	-
Class 2E AUD (Distribution) Units	470.71	-
Class 2F AUD-Hedged (Accumulation) Units	539.50	584.69
Class 2G USD-Hedged (Accumulation) Units	731.24	747.29
Class 2G USD-Hedged (Distribution) Units	588.07	623.01

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**STATEMENT OF DISTRIBUTION (UNAUDITED)****For the six months ended 30 June 2018**

	For the six months ended 30 June 2018 (unaudited) RMB	For the six months ended 30 June 2017 (unaudited) RMB
Undistributed income at 1 January	177,102,493	158,323,278
(Decrease)/increase in net assets attributable to unitholders during the period	(37,445,048)	10,011,438
Distribution to unitholders	13,490,998	9,003,240
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(37,307,283)	24,453,085
Undistributed income before distribution	115,841,160	201,791,041
Monthly distribution declared on 3 January 2017 of USD 0.70 per unit for Class 2A	-	(755,005)
Monthly distribution declared on 3 January 2017 of RMB 0.78 per unit for Class 2B	-	(449,253)
Monthly distribution declared on 3 January 2017 of USD 0.57 per unit for Class 2C	-	(187,825)
Monthly distribution declared on 3 January 2017 of USD 0.87 per unit for Class 2G	-	(627,519)
Monthly distribution declared on 1 February 2017 of USD 0.37 per unit for Class 2A	-	(378,749)
Monthly distribution declared on 1 February 2017 of RMB 0.77 per unit for Class 2B	-	(450,930)
Monthly distribution declared on 1 February 2017 of USD 0.55 per unit for Class 2C	-	(169,864)
Monthly distribution declared on 1 February 2017 of USD 0.56 per unit for Class 2G	-	(456,511)
Monthly distribution declared on 1 March 2017 of USD 0.37 per unit for Class 2A	-	(381,224)
Monthly distribution declared on 1 March 2017 of RMB 0.77 per unit for Class 2B	-	(432,105)
Monthly distribution declared on 1 March 2017 of USD 0.55 per unit for Class 2C	-	(143,137)
Monthly distribution declared on 1 March 2017 of USD 0.57 per unit for Class 2G	-	(444,355)
Monthly distribution declared on 3 April 2017 of USD 0.37 per unit for Class 2A	-	(344,601)
Monthly distribution declared on 3 April 2017 of RMB 0.77 per unit for Class 2B	-	(438,135)
Monthly distribution declared on 3 April 2017 of USD 0.55 per unit for Class 2C	-	(143,183)
Monthly distribution declared on 3 April 2017 of USD 0.57 per unit for Class 2G	-	(471,966)
Monthly distribution declared on 2 May 2017 of USD 0.37 per unit for Class 2A	-	(342,945)
Monthly distribution declared on 2 May 2017 of RMB 0.77 per unit for Class 2B	-	(434,285)
Monthly distribution declared on 2 May 2017 of USD 0.55 per unit for Class 2C	-	(143,551)
Monthly distribution declared on 2 May 2017 of USD 0.57 per unit for Class 2G	-	(437,465)

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**STATEMENT OF DISTRIBUTION (UNAUDITED) (CONTINUED)****For the six months ended 30 June 2018**

	For the six months ended 30 June 2018 (unaudited) RMB	For the six months ended 30 June 2017 (unaudited) RMB
Monthly distribution declared on 1 June 2017 of USD 0.37 per unit for Class 2A	-	(299,412)
Monthly distribution declared on 1 June 2017 of RMB 0.77 per unit for Class 2B	-	(459,450)
Monthly distribution declared on 1 June 2017 of USD 0.55 per unit for Class 2C	-	(140,810)
Monthly distribution declared on 1 June 2017 of USD 0.57 per unit for Class 2G	-	(470,960)
Monthly distribution declared on 2 January 2018 of USD 0.38 per unit for Class 2A	(198,255)	-
Monthly distribution declared on 2 January 2018 of RMB 0.78 per unit for Class 2B	(511,971)	-
Monthly distribution declared on 2 January 2018 of USD 0.56 per unit for Class 2C	(63,513)	-
Monthly distribution declared on 2 January 2018 of USD 0.57 per unit for Class 2G	(409,667)	-
Monthly distribution declared on 1 February 2018 of USD 0.74 per unit for Class 2A	(401,872)	-
Monthly distribution declared on 1 February 2018 of RMB 0.77 per unit for Class 2B	(547,767)	-
Monthly distribution declared on 1 February 2018 of USD 0.61 per unit for Class 2C	(75,243)	-
Monthly distribution declared on 1 February 2018 of USD 0.55 per unit for Class 2G	(355,510)	-
Monthly distribution declared on 1 March 2018 of USD 0.74 per unit for Class 2A	(531,720)	-
Monthly distribution declared on 1 March 2018 of RMB 0.77 per unit for Class 2B	(637,870)	-
Monthly distribution declared on 1 March 2018 of USD 0.61 per unit for Class 2C	(111,275)	-
Monthly distribution declared on 1 March 2018 of HKD 0.75 per unit for Class 2D	(123,260)	-
Monthly distribution declared on 1 March 2018 of USD 0.55 per unit for Class 2G	(383,621)	-
Monthly distribution declared on 3 April 2018 of USD 0.74 per unit for Class 2A	(718,847)	-
Monthly distribution declared on 3 April 2018 of RMB 0.78 per unit for Class 2B	(735,432)	-
Monthly distribution declared on 3 April 2018 of USD 0.61 per unit for Class 2C	(134,286)	-
Monthly distribution declared on 3 April 2018 of HKD 0.75 per unit for Class 2D	(434,725)	-
Monthly distribution declared on 3 April 2018 of USD 0.55 per unit for Class 2G	(394,864)	-
Monthly distribution declared on 2 May 2018 of USD 0.74 per unit for Class 2A	(890,770)	-
Monthly distribution declared on 2 May 2018 of RMB 0.78 per unit for Class 2B	(767,550)	-
Monthly distribution declared on 2 May 2018 of USD 0.61 per unit for Class 2C	(146,999)	-
Monthly distribution declared on 2 May 2018 of HKD 0.75 per unit for Class 2D	(931,455)	-
Monthly distribution declared on 2 May 2018 of USD 0.56 per unit for Class 2G	(384,692)	-
Monthly distribution declared on 1 June 2018 of USD 0.75 per unit for Class 2A	(940,536)	-

**STATEMENT OF DISTRIBUTION (UNAUDITED) (CONTINUED)**

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**For the six months ended 30 June 2018**

	For the six months ended 30 June 2018 (unaudited) RMB	For the six months ended 30 June 2017 (unaudited) RMB
Monthly distribution declared on 1 June 2018 of RMB 0.78 per unit for Class 2B	(771,984)	-
Monthly distribution declared on 1 June 2018 of USD 0.61 per unit for Class 2C	(204,258)	-
Monthly distribution declared on 1 June 2018 of HKD 0.75 per unit for Class 2D	(1,278,494)	-
Monthly distribution declared on 1 June 2018 of AUD 0.75 per unit for Class 2E	(3,779)	-
Monthly distribution declared on 1 June 2018 of USD 0.56 per unit for Class 2G	(400,783)	-
Undistributed income at 30 June	<u>102,350,162</u>	<u>192,787,801</u>

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits and debt securities), or other receipts as determined by the Manager to be in the nature of income. Unrealised capital gains or losses do not form part of Total Income and therefore would not impact on the amounts available for distribution.

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### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

#### 1 Transactions with the Manager and connected persons

Related parties and connected persons of the Trustee and the Manager are those as defined in the Code on Unit Trust and Mutual Funds established by the SFC. All transactions with related parties and connected persons were entered into in the normal 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:

##### (a) Management fee

The Manager is entitled to receive a management fee in respect of redeemable units of each Class at the following rate:

Class	Management fee (% of net asset value (“NAV”) per annum of the relevant Class)
Class 1A USD (Accumulation) Units	1.00%
Class 1A USD (Distribution) Units	1.00%
Class 2A USD (Accumulation) Units	1.50%
Class 2A USD (Distribution) Units	1.50%
Class 2B RMB (Accumulation) Units	1.50%
Class 2B RMB (Distribution) Units	1.50%
Class 2C USD (Distribution) Units	1.50%
Class 2D HKD (Accumulation) Units	1.50%
Class 2D HKD (Distribution) Units	1.50%
Class 2E AUD (Accumulation) Units	1.50%
Class 2E AUD (Distribution) 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. 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 NAV of the Sub-Fund.

Total management fees for the six months ended 30 June 2018 amounted to RMB5,497,211 (30 June 2017: RMB4,679,026), with RMB1,144,456 (30 June 2017: RMB742,231) outstanding as at 30 June 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)

### **NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**For the six months ended 30 June 2018**

#### **1 Transactions with the Manager and connected persons (Continued)**

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

The trustee fee paid to the Trustee accrued from the assets of the Sub-Fund is based on 0.0075% per annum of the NAV of the Sub-Fund, subject to a minimum of USD10,000 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 fees for the six months ended 30 June 2018 amounted to RMB32,389 (30 June 2017: RMB34,082), with RMB26,635 (30 June 2017: RMB15,119) outstanding as at 30 June 2018.

##### **(c) Cross trade**

During the period ended 30 June 2018 and 30 June 2017, there were no transactions of investment holdings which were sold to or bought from other funds also managed by the Manager of the Sub-Fund.

## INCOME PARTNERS MANAGED VOLATILITY HIGH YIELD BOND FUND

(Sub-Fund of Income Partners Strategy Fund)

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### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2018

#### 1 Transactions with the Manager and connected persons (Continued)

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

As at 30 June 2018 and 30 June 2017, the Sub-Fund invested into Income Partners Renminbi Money Market Fund (“IPRMMF”), Income Partners Renminbi Investment Grade Bond Fund (“IPRIGBF”) and Income Partners RMB Bond Fund (“IPRBF”), 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 17 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 People’s Republic of China (“PRC”).

IPRIGBF 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 17 November 2010. 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.

IPRBF was incorporated in Hong Kong under the laws of Hong Kong by a trust deed dated 23 June 2014. The principal investment objective of IPRBF 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 funds managed by the same Manager of the Sub-Fund

As at 30 June 2018

	Holdings	Unit price RMB	Fair value RMB
IPRMMF	<u>182,925</u>	<u>105.81- 106.75</u>	<u>19,433,318</u>
IPRIGBF	<u>7,754</u>	<u>103.83</u>	<u>680,614</u>
IPRBF	<u>234,816</u>	<u>105.81</u>	<u>24,845,854</u>

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

(Sub-Fund of Income Partners Strategy Fund)

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**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2018

**1 Transactions with the Manager and connected persons (Continued)****(d) Investments in fund managed by the Manager (Continued)**

As at 30 June 2017

	Holdings	Unit price RMB	Fair value RMB
IPRMMF	<u>127,949</u>	<u>104.64- 105.58</u>	<u>13,414,926</u>
IPRGBF	<u>7,754</u>	<u>99.79</u>	<u>672,110</u>
IPRBF	<u>215,821</u>	<u>106.71</u>	<u>23,030,215</u>

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

Participating shares

The following table summaries the participating shares of the Sub-Fund held by the related parties during the period ended 30 June 2018 and 30 June 2017, which are common Director of the Manager of the Sub-Fund<sup>(1)</sup>.

Accumulation shares	30 June 2018 Number of shares	31 December 2017 Number of shares
As at 1 January	295,187.053	295,187.053
Number of shares subscribed	-	-
Number of shares redeemed	-	-
Number of shares switched in	-	-
Number of shares switched out	-	-
As at 30 June 2018/31 December 2017	<u><u>295,187.053</u></u>	<u><u>295,187.053</u></u>

<sup>(1)</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 deposits and margin deposits held by the Trustee's affiliates**

The Sub-Fund's bank deposits and margin deposits were held in an interest-bearing account with Citibank, N.A. Hong Kong Branch, an affiliate company of the Trustee. During the period ended 30 June 2018, interest income on these bank deposits was RMB288,568 (30 June 2017: RMB30,085) and margin deposits was RMB109,268 (30 June 2017: RMB13,315).

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

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### **NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**For the six months ended 30 June 2018**

#### **1 Transactions with the Manager and connected persons (Continued)**

##### **(g) Custodian, administration and transfer agent fees**

Before 30 May 2018, pursuant to 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 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 of the Sub-Fund.

The Trustee has appointed Citibank, N.A. (“Citibank”), acting through its Hong Kong Branch, to act as the Custodian of the Sub-Fund’s assets.

The Custodian, Sub-Administrator and Registrar 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, Sub-Administrator or Registrar (as the case may be) from time to time. The Administrator’s, Custodian’s, Sub-administrator’s and Registrar’s fees are payable on a monthly basis.

Total Custodian, Administration and Registrar fees includes the compliance monitoring fee and financial statement preparation fee for the six months ended 30 June 2018 amounted to RMB571,438 (30 June 2017: RMB485,268) with RMB398,036 (30 June 2017: RMB222,452) outstanding as at 30 June 2018.

Total custodian fees for the six months ended 30 June 2018 amounted to RMB94,549 (30 June 2017: RMB102,659), with RMB78,632 (30 June 2017: RMB45,732) outstanding as at 30 June 2018.

Total administration fees for the six months ended 30 June 2018 amounted to RMB376,170 (30 June 2017: RMB312,892), with RMB263,602 (30 June 2017: RMB136,952) outstanding as at 30 June 2018.

Total registrar fee for the six months ended 30 June 2018 amounted to RMB48,505 (30 June 2017: RMB21,862), with RMB15,767 (30 June 2017: RMB9,072) outstanding as at 30 June 2018.

Total compliance monitoring fee for the six months ended 30 June 2018 amounted to RMB37,617 (30 June 2017: RMB31,276), with RMB26,360 (30 June 2017: RMB13,683) outstanding as at 30 June 2018.

Total financial statement preparation fee for the six months ended 30 June 2018 amounted to RMB14,597 (30 June 2017: RMB16,579), with RMB13,675 (30 June 2017: RMB17,013) outstanding as at 30 June 2018.

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

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### **NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

**For the six months ended 30 June 2018**

#### **2 Authorisation costs**

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.

#### **3 Soft commission arrangements**

The Manager confirms that there has been no soft commission arrangement existing during the period ended 30 June 2018 in relation to directing transactions of the Sub-Fund through a broker or dealer.

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

(Sub-Fund of Income Partners Strategy Fund)

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**INVESTMENT PORTFOLIO (UNAUDITED)**

As at 30 June 2018

	Holdings	Fair Value RMB	% of net assets
<b>Quoted Investments (84.99%)</b>			
<b>Denominated in RMB (84.99%)</b>			
<b>Australia (3.28%)</b>			
BARMINCO FIN PTY BARPTY 6.625 05/15/22	1,750,000	11,087,845	1.14
NEWCASTLE COAL NCI AU 4.4 09/29/27	1,500,000	9,232,503	0.95
VIRGIN AU HLD VAHAU 7.875 10/15/21	1,750,000	11,578,373	1.19
<b>Hong Kong (13.58%)</b>			
BK OF EAST ASIA BNKEA 5.5 12/29/49	3,000,000	19,638,015	2.02
CHINA CINDA 2017 CCAMCL 4.75 02/08/28	1,500,000	9,750,806	1.01
FWD LTD FWDINS 5.5 PERP	950,000	5,854,782	0.60
FWD LTD FWDINS 6.25 12/31/49	1,500,000	9,735,534	1.00
ICBC ASIA LTD ICBCAS 4.25 12/29/49	3,600,000	22,558,203	2.32
INCOME PARTNERS RENMINBI MONEY MARKET FUND - CLASS 2A RMB	99,945	10,575,187	1.09
INCOME PARTNERS RENMINBI MONEY MARKET FUND - CLASS 3A RMB	82,980	8,858,131	0.91
INCOME PARTNERS RENMINBI INVESTMENT GRADE BOND FUND - CLASS 2D HKD	7,754	680,614	0.07
RH INTL FINANCE LTD 6.5 31DEC2049	1,100,000	6,065,409	0.63
STUDIO CITY FIN MPEL 8.5 12/01/20	1,600,000	10,692,278	1.10
UNITED PHOTOVOL GDPOLY 8.25 01/25/20	1,000,000	5,339,898	0.55
WTT INVMNT LTD WTTINV 5.5 11/21/22	3,500,000	22,164,082	2.28
<b>India (2.23%)</b>			
HT GLOBAL IT SOL HTGLOB 7 07/14/21	1,550,000	10,300,366	1.06
JAIN INT TRADING JIIN 7.125 02/01/22	1,800,000	11,329,007	1.17
<b>Indonesia (6.36%)</b>			
ABM INVESTAMA ABMMIJ 7.125 08/01/22	2,200,000	12,980,228	1.34
GAJAH TUNGGAL GJTILJ 8.375 08/10/22	900,000	5,263,113	0.54
GEO COAL INTL GERLSP 8 10/04/22	1,200,000	7,278,829	0.75
GOLDEN LEGACY PTE LTD 8.25 07JUN2021	500,000	3,286,368	0.34
JABABEKA INTL BV KIJAIJ 6.5 10/05/23	2,250,000	12,692,310	1.31
THETA CAPITAL PTE LTD 7 11APR22	3,750,000	20,200,717	2.08
<b>Japan (1.36%)</b>			
SOFTBANK GROUP CORP FRN 31DEC2049	2,300,000	13,184,137	1.36
<b>Pakistan (0.60%)</b>			
REP OF PAKISTAN PKSTAN 6.875 12/05/27	1,000,000	5,776,767	0.60
<b>People's Republic of China (53.25%)</b>			
21VIANET GROUP I VNET 7 08/17/20	1,000,000	6,496,657	0.67
ANTON OILFIELD H ANTOIL 9.75 12/05/20	900,000	6,033,837	0.62
AOYUAN PROPERTY CAPG 5.375 09/13/22	2,300,000	13,314,023	1.37
AOYUAN PROPERTY CAPG 7.5 05/10/21	1,200,000	7,706,684	0.79

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

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**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**

As at 30 June 2018

	Holdings	Fair Value RMB	% of net assets
<b>Quoted Investments (84.99%) (Continued)</b>			
<b>Denominated in RMB (84.99%) (Continued)</b>			
<b>People's Republic of China (53.25%) (Continued)</b>			
BAOXIN AUTO FIN CHGRAU 8.75 12/29/49	1,000,000	6,539,969	0.67
BAOXIN AUTO FINANCE I LT FRN 31DEC2049	1,500,000	8,861,050	0.91
CAR INC CARINC 6 02/11/21	1,500,000	9,487,252	0.98
CENTRAL CHINA CENCHI 6.5 03/05/21	1,200,000	7,582,558	0.78
CENTRAL CHINA CENCHI 8.75 01/23/21	1,000,000	6,720,646	0.69
CHINA DEV BANK SDBC 4.88 02/09/28	20,000,000	20,964,600	2.16
CHINA GOVT BOND CGB 3.69 05/17/28	20,000,000	20,356,400	2.10
CHN SCE PROPERTY CHINSC 5.875 03/10/22	3,200,000	19,177,905	1.98
CHN SCE PROPERTY CHINSC 7.45 04/17/21	750,000	4,886,223	0.50
CN SINGYES SOLAR CSSXF 7.95 02/15/19	1,000,000	5,373,625	0.55
CNAC HK FINBRID HAOHUA 4.125 07/19/27	1,500,000	9,198,675	0.95
EHI CAR SERVICES EHCAR 5.875 08/14/22	1,400,000	8,363,358	0.86
FANTASIA HOLDING FTHDGR 8.375 03/08/21	2,500,000	14,824,960	1.53
GOLDEN EAGLE RET GERGHK 4.625 05/21/23	2,000,000	11,351,896	1.17
GUANGZHOU BANK GZRFRP 7 04/25/21	2,500,000	16,134,855	1.66
HEALTH AND HAPPINESS H&H	2,500,000	16,633,807	1.71
HILONG HOLDING LTD 7.25 22JUN2020	2,300,000	14,730,413	1.52
HONG SENG LTD HONGSL 7.875 05/31/20	1,000,000	5,885,412	0.61
INCOME PARTNERS RMB BOND FUND - CLASS 2B (ACCUMULATION) RMB	234,816	24,845,854	2.56
KAISA GROUP KAISAG 7.875 06/30/21	1,000,000	5,612,074	0.58
KAISA GROUP KAISAG 8.5 06/30/22	750,000	4,011,116	0.41
KING TALENT MANAGEMENT L FRN 31DEC2049	1,800,000	11,204,065	1.16
KWG PROPERTY KWGPRO 6 09/15/22	1,500,000	9,226,483	0.95
LENOVO PERPETUAL SECURIT FRN 31DEC2049	1,100,000	6,548,424	0.68
LOGAN PROPERTY H LOGPH 6.875 04/24/21	3,500,000	22,648,226	2.33
MODERN LAND CHN MOLAND 7.95 03/05/21	2,500,000	15,460,299	1.59
NEW METRO GLOBAL FTLNHD 6.8 04/23/21	3,750,000	24,197,681	2.49
POSTAL SAVINGS BK CHINA FRN 29DEC2049	1,000,000	6,166,974	0.64
POWERLONG PWRLNG 6.95 04/17/21	3,500,000	21,925,318	2.26
PRIME BLOOM HLDH RUYIGR 6.95 07/05/22	800,000	4,014,380	0.41
RONSHINE CHINA RONXIN 6.95 12/08/19	800,000	5,167,160	0.53
RONSHINE CHINA RONXIN 8.25 02/01/21	500,000	3,061,665	0.32
SUNAC CHINA HLDG SUNAC 7.35 07/19/21	1,500,000	9,429,148	0.97
TEWOO GROUP NO 5 LTD FRN 29DEC2049	1,000,000	5,832,349	0.60
TIMES PROPERTY TPHL 6.25 01/17/21	3,300,000	20,805,742	2.14
TSINGHUA UNIC TSINGH 5.38 01/31/23	1,200,000	7,447,170	0.77
WEST CHINA CEM WESCHI 6.5 09/11/19	2,000,000	13,311,755	1.37
YANCOAL INTL YZCOAL 5.75 PERP	3,500,000	22,884,437	2.36
YINGDE GASES INV YINGDZ 6.25 01/19/23	1,650,000	10,304,374	1.06
YUZHOU PROPRTIE YUZHOU 6 01/25/22	2,500,000	15,496,863	1.60
YUZHOU PROPRTIE YUZHOU 7.9 05/11/21	1,000,000	6,704,496	0.69
<b>Sri Lanka (1.28%)</b>			
REP OF SRI LANKA SRILAN 5.75 01/18/22	1,900,000	12,424,870	1.28

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

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**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**

As at 30 June 2018

	Holdings	Fair Value RMB	% of net assets
<b>Quoted Investments (84.99%) (Continued)</b>			
<b>Denominated in RMB (84.99%) (Continued)</b>			
<b>Switzerland (1.44%)</b>			
FINANCIAL SERVICES FRN 31DEC2049	2,400,000	14,005,359	1.44
<b>United Kingdom (1.61%)</b>			
HSBC HOLDINGS PLC FRN 29DEC2049	2,400,000	15,635,435	1.61
Total quoted investments		<u>825,100,024</u>	<u>84.99</u>
<b><u>Total net assets</u></b>			
Total investments at fair value		825,100,024	84.99
Derivative financial instruments		(11,441,567)	(1.18)
Bank balances		103,180,444	10.63
Other net assets		<u>54,011,322</u>	<u>5.56</u>
Total net assets		<u>970,850,223</u>	<u>100.00</u>
Total investments, at cost		<u>842,129,345</u>	

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

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**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**

For the six months ended 30 June 2018

Quoted investments	As at 1 January 2018	Additions	Disposals	As at 30 June 2018
<b>Denominated in RMB</b>				
<b>Australia</b>				
BARMINCO FIN PTY BARPTY 6.625 05/15/22	1,250,000	500,000	-	1,750,000
EMECO PTY LTD EHLAU 9.25 03/31/22	1,000,000	-	1,000,000	-
NEWCASTLE COAL NCAIU 4.4 09/29/27	-	1,500,000	-	1,500,000
VIRGIN AU HLD VAHAU 7.875 10/15/21	1,250,000	500,000	-	1,750,000
<b>Hong Kong</b>				
BK OF EAST ASIA BNKEA 5.5 12/29/49	1,500,000	1,500,000	-	3,000,000
CHINA CINDA 2017 CCAMCL 4.75 02/08/28	-	1,500,000	-	1,500,000
CHINA DEV BANK SDBC 4.24 08/24/27	-	20,000,000	20,000,000	-
FWD LTD FWDINS 5.5 PERP	-	950,000	-	950,000
FWD LTD FWDINS 6.25 12/31/49	1,500,000	-	-	1,500,000
ICBC ASIA LTD ICBCAS 4.25 12/29/49	1,500,000	3,900,000	1,800,000	3,600,000
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
INCOME PARTNERS RENMINBI INVESTMENT GRADE BOND FUND - CLASS 2D HKD	7,754	7,754	7,754	7,754
ITNLOFFSHORE PTE ILFSIN 7.5 01/18/21	-	4,000,000	4,000,000	-
LS FINANCE 2025 LTD LIHKK 4.5 06/26/25	1,500,000	-	1,500,000	-
NANYANG COMMERCIAL BANK FRN 31DEC2049	1,500,000	-	1,500,000	-
OVPH LTD CKINF 5.875 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 8.5 12/01/20	1,600,000	-	-	1,600,000
UNITED PHOTOVOL GDPOLY 8.25 01/25/20	1,600,000	-	600,000	1,000,000
WTT INVMNT LTD WTTINV 5.5 11/21/22	1,500,000	2,000,000	-	3,500,000
<b>India</b>				
GREENKO INVESTMENT CO 4.875 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 7.125 02/01/22	1,500,000	300,000	-	1,800,000
NEERG ENERGY NERGEN 6 02/13/22	1,000,000	-	1,000,000	-
VEDANTA RESOURCE VEDLN 6.375 07/30/22	1,000,000	-	1,000,000	-
VEDANTA RESOURCES PLC 6.125 09AUG2024	500,000	-	500,000	-
<b>Indonesia</b>				
ABM INVESTAMA ABMMIJ 7.125 08/01/22	-	2,200,000	-	2,200,000
CHANDRA ASRI PET TPIAIJ 4.95 11/08/24	400,000	-	400,000	-
GAJAH TUNGGAL GJTILJ 8.375 08/10/22	1,500,000	-	600,000	900,000
GEO COAL INTL GERLSP 8 10/04/22	1,200,000	-	-	1,200,000
GOLDEN LEGACY PTE LTD 8.25 07JUN2021	-	500,000	-	500,000
INDYIJ 6.375 24JAN2023	1,400,000	-	1,400,000	-
JABABEKA INTL BV KIJAIJ 6.5 10/05/23	1,500,000	750,000	-	2,250,000

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

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**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2018	As at 1 January 2018	Additions	Disposals	As at 30 June 2018
<b>Quoted investments (Continued)</b>				
<b>Denominated in RMB (Continued)</b>				
<b>Indonesia (Continued)</b>				
THETA CAPITAL LPKRIJ 6.75 10/31/26	1,000,000	-	1,000,000	-
THETA CAPITAL PTE LTD 7 11APR22	-	3,750,000	-	3,750,000
OTTAWA HOLDINGS BHITIJ 5.875 05/16/18	300,000	-	300,000	-
PB INTERNATIONAL BV 7.625 26JAN2022	1,000,000	-	1,000,000	-
<b>Japan</b>				
SOFTBANK GROUP CORP FRN 31DEC2049	1,000,000	1,300,000	-	2,300,000
SOFTBANK GRP COR SOFTBK 5.125 09/19/27	1,000,000	-	1,000,000	-
<b>Luxembourg</b>				
361 DEGREES INTL DEGREE 7.25 06/03/21	-	1,000,000	1,000,000	-
AGILE PROPERTY AGILE 9 05/21/20	-	3,000,000	3,000,000	-
AOYUAN PROPERTY CAPG 6.35 01/11/20	-	200,000	200,000	-
CHINA EVERGRANDE EVERRE 8.25 03/23/22	-	1,000,000	1,000,000	-
CIFI HOLDINGS CIFIHG 6.875 04/23/21	-	450,000	450,000	-
CIFI HOLDINGS GROUP FRN 31DEC2049	-	3,600,000	3,600,000	-
CNAC HK FNBRIDGE CO LTD 5.125 14MAR2028	-	1,300,000	1,300,000	-
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	-
SHUI ON DEVELOP SHUION 6.875 03/02/21	-	14,000,000	14,000,000	-
TONGFANG AQUA TSIGTF 5.375 03/29/21	-	1,000,000	1,000,000	-
<b>Pakistan</b>				
REP OF PAKISTAN PKSTAN 6.875 12/05/27	1,000,000	-	-	1,000,000
<b>People's Republic of China</b>				
21VIANET GROUP I VNET 7 08/17/20	1,000,000	-	-	1,000,000
ANTON OILFIELD H ANTOIL 9.75 12/05/20	900,000	-	-	900,000
AOYUAN PROPERTY CAPG 5.375 09/13/22	-	2,300,000	-	2,300,000
AOYUAN PROPERTY CAPG 7.5 05/10/21	-	1,200,000	-	1,200,000
BAOXIN AUTO FIN CHGRAU 8.75 12/29/49	1,000,000	-	-	1,000,000
BAOXIN AUTO FINANCE I LT FRN 31DEC2049	-	1,500,000	-	1,500,000
BCP SINGAPORE VI PACT 8 04/15/21	800,000	-	800,000	-
CAR INC CARINC 6 02/11/21	-	1,500,000	-	1,500,000
CENTRAL CHINA CENCHI 6.5 03/05/21	-	1,200,000	-	1,200,000
CENTRAL CHINA CENCHI 8.75 01/23/21	1,000,000	-	-	1,000,000
CHINA DEV BANK SDBC 4.88 02/09/28	-	20,000,000	-	20,000,000
CHINA EVERGRANDE EVERRE 6.25 06/28/21	500,000	700,000	1,200,000	-
CHINA EVERGRANDE EVERRE 7.5 06/28/23	1,000,000	-	1,000,000	-
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 5.875 03/10/22	1,000,000	2,200,000	-	3,200,000

**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 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 MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2018

	As at 1 January 2018	Additions	Disposals	As at 30 June 2018
<b>Quoted investments (Continued)</b>				
<b>Denominated in RMB (Continued)</b>				
<b>People's Republic of China (Continued)</b>				
CHN SCE PROPERTY CHINSC 7.45 04/17/21	-	750,000	-	750,000
CIFI HOLDINGS CIFIHG 5.5 01/23/22	800,000	-	800,000	-
CN SINGYES SOLAR CSSXF 7.95 02/15/19	1,000,000	-	-	1,000,000
CNAC HK FINBRID HAOHUA 4.125 07/19/27	-	1,500,000	-	1,500,000
EHI CAR SERVICES EHICAR 5.875 08/14/22	1,000,000	400,000	-	1,400,000
FANTASIA HOLDING FTHDGR 7.95 07/05/22	1,750,000	-	1,750,000	-
FANTASIA HOLDING FTHDGR 8.375 03/08/21	-	2,500,000	-	2,500,000
GOLDEN EAGLE RET GERGHK 4.625 05/21/23	1,900,000	1,000,000	900,000	2,000,000
GOLDEN WHEEL GWTH 8.25 11/03/19	800,000	-	800,000	-
GUANGZHOU BANK GZRFRP 7 04/25/21	-	2,500,000	-	2,500,000
HEALTH AND HAPPINESS H&H	1,000,000	1,500,000	-	2,500,000
HILONG HOLDING LTD 7.25 22JUN2020	-	2,300,000	-	2,300,000
HONG SENG LTD HONGSL 7.875 05/31/20	-	1,000,000	-	1,000,000
<b>INCOME PARTNERS RMB BOND FUND - CLASS</b>				
2B (ACCUMULATION) RMB	234,816	-	-	234,816
KAISA GROUP KAISAG 7.875 06/30/21	1,000,000	-	-	1,000,000
KAISA GROUP KAISAG 8.5 06/30/22	250,000	500,000	-	750,000
KING TALENT MANAGEMENT L FRN 31DEC2049	1,200,000	600,000	-	1,800,000
KWG PROPERTY KWGPRO 5.875 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	1,700,000	2,350,000	1,100,000
LOGAN PROPERTY H LOGPH 6.875 04/24/21	-	3,500,000	-	3,500,000
MIE HOLDINGS MIEHOL 7.5 04/25/19	750,000	-	750,000	-
MODERN LAND CHN MOLAND 6.875 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 6.8 04/23/21	-	3,750,000	-	3,750,000
POSTAL SAVINGS BK CHINA FRN 29DEC2049	-	1,000,000	-	1,000,000
POWERLONG PWRLNG 6.95 04/17/21	-	3,500,000	-	3,500,000
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 7.5 12/19/19	1,000,000	-	1,000,000	-
RONSHINE CHINA RONXIN 6.95 12/08/19	800,000	-	-	800,000
RONSHINE CHINA RONXIN 8.25 02/01/21	-	500,000	-	500,000
SUNAC CHINA HLDG SUNAC 6.875 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 PROPERTY TPHL 6.25 01/17/21	-	3,300,000	-	3,300,000
TIMES PROPERTY TPHL 6.6 03/02/23	1,100,000	400,000	1,500,000	-
TSINGHUA UNIC TSINGH 5.38 01/31/23	-	2,450,000	1,250,000	1,200,000
WEST CHINA CEM WESCHI 6.5 09/11/19	-	2,000,000	-	2,000,000
YANCOAL INTL YZCOAL 5.75 PERP	-	3,500,000	-	3,500,000
YINGDE GASES INV YINGDZ 6.25 01/19/23	-	1,650,000	-	1,650,000
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	-

**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 MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2018

	As at 1 January 2018	Additions	Disposals	As at 30 June 2018
<b>Quoted investments (Continued)</b>				
<b>Denominated in RMB (Continued)</b>				
<b>Singapore</b>				
STATS CHIPPAC STATSP 8.5 11/24/20	1,000,000	-	1,000,000	-
<b>Sri Lanka</b>				
REP OF SRI LANKA SRILAN 5.75 01/18/22	-	1,900,000	-	1,900,000
REP OF SRI LANKA SRILAN 6.125 06/03/25	1,500,000	-	1,500,000	-
<b>Switzerland</b>				
FINANCIAL SERVICES FRN 31DEC2049	-	2,400,000	-	2,400,000
<b>United Kingdom</b>				
HSBC HOLDINGS HSBC 5.625 12/29/49	500,000	-	500,000	-
HSBC HOLDINGS PLC FRN 29DEC2049	-	2,400,000	-	2,400,000