

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

Fund Manager's Report - 29 February 2024

## IMPORTANT INFORMATION

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

Share Class	NAV per share <sup>2</sup>	Dividend per share	Annualized Dividend Yield <sup>5</sup>
2A Acc (USD)	\$111.91		
2A Dis (USD)	\$42.40	\$0.30	8.9%
2B Acc (RMB)	¥125.36		
2B Dis (RMB)	¥46.58	¥0.31	8.4%
2C Dis (USD) <sup>5</sup>	\$45.32	\$0.26	7.0%
2D Acc (HKD)	\$68.09		
2D Dis (HKD)	\$41.80	\$0.29	8.8%
2E Dis (AUD)	\$53.81	\$0.30	7.0%
2F Acc (AUD-H)	\$79.70		
2F Dis (AUD-H)	\$48.42	\$0.27	7.0%
2G Acc (USD-H)	\$84.02		
2G Dis (USD-H)	\$43.78	\$0.29	8.4%
2I Acc (SGD-H)	\$68.08		
2I Dis (SGD-H)	\$48.25	\$0.27	7.0%
2K Dis (EUR-H)	€50.39	€0.22	5.4%
2L Acc (HKD-H)	\$68.86		
2L Dis (HKD-H)	\$47.78	\$0.32	8.5%

H = Hedged currency share class  
 Record Date: 29 February 2024  
 Ex-Dividend Date: 1 March 2024  
 Payment/Reinvestment Date: 5 March 2024  
 Please see [www.incomepartners.com](http://www.incomepartners.com) for details of historical dividend information for all applicable share classes.

Risk Measures	3 Years	Since Inception
2B Acc (RMB)		
Annualized Volatility	18.87%	10.76%
Sharpe Ratio <sup>6</sup>	-0.76	-0.09

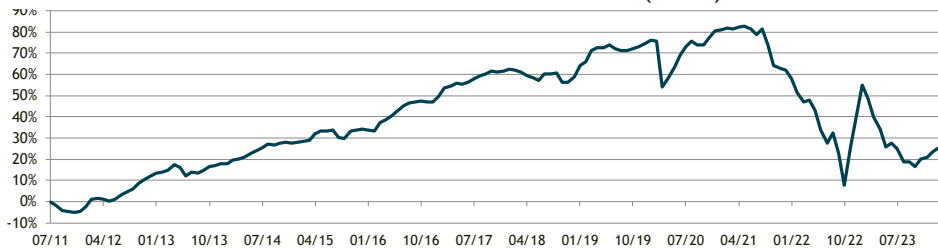
Fund Characteristics	
Yield to Maturity in RMB <sup>7,9</sup>	8.3%
Yield to Maturity in USD <sup>8,9</sup>	10.7%
Modified Duration (years)	2.0
Average Credit Rating	BB-
Number of bond holdings	78

Top 10 Holdings <sup>10</sup> : 32% of NAV	
Pakistan Government Bond	4.2%
Sri Lanka Government Bond	3.6%
Greenko Energy Holdings	3.3%
SMC Global Power Holdings	3.2%
Melco Resorts Finance	3.2%
NWD Finance (BVI) Ltd	3.1%
Fortune Star BVI Ltd	3.1%
Mong Duong Finance Holdings BV	3.0%
Wynn Macau Ltd	2.9%
Huarong Finance 2017 Co	2.5%

## INVESTMENT OBJECTIVE

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

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



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

Share Class	Year-to-date (YTD)	1 Year	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)	2019	2020	2021	2022	2023	Inception Date (dd/mm/yy)
2A Acc (USD)	2.28%	-18.78%	-14.75%	-6.85%	0.90%	8.44%	10.75%	-8.23%	-20.22%	-16.37%	27/07/11
2A Dis (USD)	2.28%	-18.76%	-14.74%	-6.85%	0.89%	8.45%	10.76%	-8.24%	-20.21%	-16.34%	03/08/11
2B Acc (RMB)	3.57%	-15.80%	-11.65%	-5.44%	1.81%	9.79%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2B Dis (RMB)	3.57%	-15.81%	-11.65%	-5.44%	1.82%	9.80%	3.51%	-10.41%	-13.08%	-13.94%	27/07/11
2C Dis (USD) <sup>5</sup>	2.27%	-18.78%	-14.75%	-6.85%	1.02%	8.44%	10.76%	-8.23%	-20.22%	-16.35%	10/08/11
2D Acc (HKD)	2.48%	-19.02%	-14.49%	-6.91%	-6.18%	7.83%	10.25%	-7.69%	-20.23%	-16.20%	21/02/18
2D Dis (HKD)	2.49%	-19.02%	-14.49%	-6.90%	-6.15%	7.81%	10.28%	-7.71%	-20.23%	-16.19%	09/02/18
2E Dis (AUD)	7.14%	-15.83%	-9.53%	-5.08%	-3.58%	9.16%	0.38%	-2.26%	-14.74%	-16.46%	04/05/18
2F Acc (AUD-H)	3.75%	-15.18%	-12.78%	-7.10%	-2.67%	7.66%	0.76%	-13.35%	-14.59%	-13.40%	13/10/15
2F Dis (AUD-H)	3.76%	-15.19%	-12.78%	-7.10%	-2.93%	0.15%	0.76%	-13.35%	-14.62%	-13.40%	02/05/19
2G Acc (USD-H)	3.91%	-13.96%	-11.88%	-6.17%	-2.05%	8.95%	1.58%	-13.12%	-13.70%	-11.98%	13/10/15
2G Dis (USD-H)	3.90%	-13.94%	-11.86%	-6.11%	-2.19%	9.18%	1.61%	-13.10%	-13.69%	-11.94%	19/10/15
2I Acc (SGD-H)	3.62%	-15.31%	-12.48%		-7.64%	0.11%	1.23%	-13.06%	-14.03%	-13.26%	30/04/19
2I Dis (SGD-H)	3.64%	-15.24%	-12.46%		-7.63%	-0.04%	1.20%	-13.10%	-14.03%	-13.18%	24/04/19
2K Dis (EUR-H)	3.84%	-13.89%	-12.90%		-8.48%	-1.41%	0.02%	-13.84%	-15.73%	-12.24%	07/05/19
2L Acc (HKD-H)	3.75%	-14.48%	-12.41%		-7.45%	0.50%	1.77%	-13.29%	-14.33%	-12.65%	07/05/19
2L Dis (HKD-H)	3.74%	-14.47%	-12.39%		-7.28%	0.90%	1.75%	-13.24%	-14.29%	-12.64%	17/04/19

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	2.07%	1.46%											3.57%
2023	10.20%	-3.94%	-5.91%	-4.20%	-6.30%	1.28%	-2.05%	-4.63%	-0.22%	-1.77%	3.10%	0.68%	-13.94%
2022	-2.26%	-4.34%	-2.91%	0.75%	-3.45%	-6.38%	-4.71%	3.80%	-7.14%	-12.30%	17.57%	10.99%	-13.08%
2021	0.13%	0.62%	-0.41%	0.65%	0.16%	-0.68%	-1.61%	1.60%	-4.04%	-5.54%	-1.01%	-0.57%	-10.41%
2020	0.85%	-0.28%	-12.34%	2.84%	3.29%	3.42%	2.25%	1.77%	-1.23%	-0.01%	2.10%	1.87%	3.51%
2019	3.32%	1.02%	3.26%	0.72%	-0.03%	0.75%	-1.01%	-0.54%	-0.02%	0.70%	0.39%	0.93%	9.79%
2018	0.43%	-0.28%	-0.61%	-0.89%	-0.51%	-1.04%	2.04%	-0.12%	0.48%	-2.72%	-0.03%	1.64%	-1.68%
2017	1.74%	2.65%	0.67%	0.90%	-0.38%	0.70%	0.98%	0.89%	0.68%	0.77%	-0.30%	0.30%	10.00%
2016	-0.49%	-0.10%	2.76%	1.04%	1.33%	1.80%	1.68%	0.96%	0.18%	0.35%	-0.31%	-0.05%	9.50%
2015	0.32%	0.38%	0.40%	2.37%	0.97%	0.15%	0.26%	-2.55%	-0.24%	2.58%	0.20%	0.49%	5.35%
2014	-0.25%	1.59%	0.38%	0.69%	1.40%	1.30%	1.11%	1.40%	-0.36%	0.57%	0.31%	-0.43%	7.95%
2013	1.18%	0.58%	0.88%	2.16%	-1.24%	-3.38%	1.60%	-0.16%	0.99%	1.60%	0.25%	0.95%	5.40%
2012	2.21%	3.60%	0.43%	-0.23%	-0.91%	0.91%	2.03%	1.34%	1.26%	2.42%	1.60%	1.58%	17.41%
2011								-1.88%	-2.50%	-0.41%	-0.40%	0.50%	-4.63%

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

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

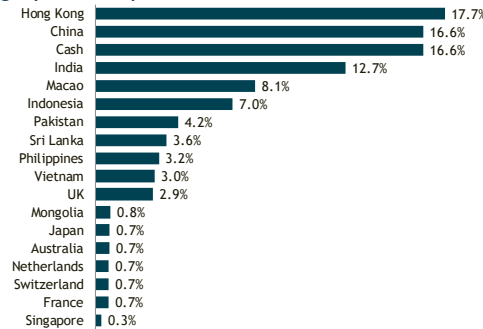
\* With effect from 1 March 2024, the fund is an eligible collective investment scheme in the new Capital Investment Entrant Scheme (New CIES) in Hong Kong.

Fund Details		
<b>Base Currency</b>	RMB	
	2A (USD): USD1,000	
	2B (RMB): RMB10,000	
	2C (USD): USD1,000	
	2D (HKD): HKD10,000	
	2E (AUD): AUD1,000	
<b>Minimum Initial Investment</b>	2F (AUD-H): AUD1,000	
	2G (USD-H): USD1,000	
	2H (SGD): SGD1,000	
	2I (SGD-H): SGD1,000	
	2J (EUR): EUR1,000	
	2K (EUR-H): EUR1,000	
	2L (HKD-H): HKD10,000	
<b>Fees &amp; Charges<sup>12</sup></b>	Management Fee: 1.50% p.a.	
	Subscription Charge: Up to 5.00%	
<b>Dealing Frequency</b>	Daily	
<b>Dividend Frequency</b>	Monthly (Please refer to important information V)	
<b>Portfolio Manager</b>	Emil Nguy Suvir Mukhi Jack Zhai	
<b>Trustee</b>	Cititrust Limited	
<b>Custodian &amp; Administrator</b>	Citibank, N.A., Hong Kong Branch	
<b>Transfer Agent</b>	Citicorp Financial Services Limited	
<b>Share Class</b>	<b>Bloomberg Ticker</b>	<b>ISIN</b>
2A Acc (USD)	IRHY2AA HK	HK0000421419
2A Dis (USD)	IPRHY2A HK	HK0000421401
2B Acc (RMB)	IRHY2BA HK	HK0000421435
2B Dis (RMB)	IPRHY2B HK	HK0000421427
2C Dis (USD)	IPRHY2C HK	HK0000421443
2D Acc (HKD)	IRHY2DA HK	HK0000421468
2D Dis (HKD)	IPRHY2D HK	HK0000421450
2E Acc (AUD)	IRHY2EA HK	HK0000421484
2E Dis (AUD)	IPRHY2E HK	HK0000421476
2F Acc (AUD-H)	IRHY2FA HK	HK0000421500
2F Dis (AUD-H)	IPRHY2F HK	HK0000421492
2G Acc (USD-H)	IRHY2GA HK	HK0000421526
2G Dis (USD-H)	IPRHY2G HK	HK0000421518
2H Acc (SGD)	IRHY2HA HK	HK0000421542
2H Dis (SGD)	IPRHY2H HK	HK0000421534
2I Acc (SGD-H)	IRHY2IA HK	HK0000421567
2I Dis (SGD-H)	IPRHY2I HK	HK0000421559
2J Acc (EUR)	IRHY2JA HK	HK0000490018
2J Dis (EUR)	IPRHY2J HK	HK0000490000
2K Acc (EUR-H)	IRHY2KA HK	HK0000490034
2K Dis (EUR-H)	IPRHY2K HK	HK0000490026
2L Acc (HKD-H)	IRHY2LA HK	HK0000490059
2L Dis (HKD-H)	IPRHY2L HK	HK0000490042
<b>Fund AUM</b>	RMB216 million / USD30 million	

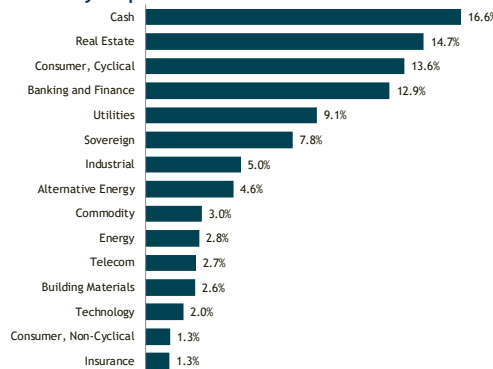
H = Hedged currency share class

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

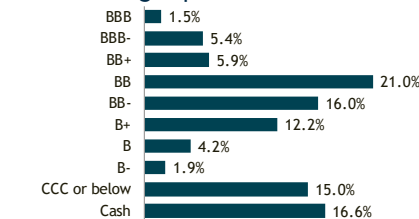
### Geographical Exposure



### Industry Exposure



### Credit Rating Exposure



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

In February, the Asia high yield bond market sustained its wide-spread rebound, with investors showing interest in high-yielding performing bonds across the Asia high yield universe, partly driven by a diminished supply.

Among individual sectors, Chinese industrial names such as GLP China, Fosun, West China Cement and eHi Car have been among the top performers benefiting from this rally since the start of the year. The China property sector had also seen slight gains initially in momentum, but later dropped due to negative news around Vanke. We are cautious on the near-term price action of sector: the upside is limited by sluggish nationwide primary and secondary property sales, and negative sentiment may continue to be a dragging factor. On the other hand, we saw a strong recovery in bonds issued by Hong Kong companies, with particularly notable performance seen in bonds previously with very low prices, including Lai Sun, Regal Hotels, Lifestyle and Bank of East Asia. The Macau gaming operators continue their upward trend driven by encouraging LNY data, with SJM and Studio City experiencing the most gains due to a lower base. Outside of China, the Indian market rallied notably since the start of the year, primarily driven by Vedanta following its restructuring and upfront payment.

In terms of fundamental data, China's manufacturing PMI came in at 49.1 in February. The figure was slightly below January's level at 49.2, staying in contractionary territory for the 5th month since October last year. We think the slight moderation is mostly due to Spring Festival's seasonal impact. Industrial production during the Spring Festival holiday month was mostly muted, as most workers returned to their hometowns for family reunions. Since 2010, there were 9 years when the Spring Festival holiday fell in February, and within these 9 years, 6 saw manufacturing PMI dropping in February from January's level. China's CPI for January came in at -0.8% YoY, below market consensus at -0.5% YoY. Food price stays as the main drag. Specifically, pork price dropped by 0.2% MoM in January, the fourth month in contraction. The long-expected pork price upcycle still seems away. PPI continued to drop by 0.2% MoM in January, but the YoY figure slightly improved to -2.5% YoY due to lower bases. China's total social financing increased 8.4% YoY to RMB6.5tn in January from RMB1.94tn in December, above market expectation and reaching a historic high in January. The major contribution was from banks' acceptance financing and corporate bond financing, which respectively rose 90.2% and 195.2% to RMB563.5bn and RMB483.5bn in January. Credit growth may slightly pick up this year thanks to more expansionary fiscal policies and more accommodative monetary policies.

In terms of fund allocation, we have strategically taken profits on positions that have experienced substantial gains from the recent rally. These bonds now offer lower yields, and we have redirected our investments towards undervalued names that still present higher yields in the market. Our focus primarily lies on companies with manageable maturity profiles, valuable assets, stable recurring incomes, and the ability to provide decent interest payments. In particular, we have added some bonds issued by Hong Kong companies that have previously suffered due to US interest rate hikes, because of the sizable floating-rate borrowings in their capital structures. Additionally, we have acquired some new issues, including select European AT1s, which offer attractive yields to enhance our income generation base. Considering the rally witnessed in the past few months, we anticipate the market to stabilize for here. However, we believe that the downside risks are likely contained due to low supply in the market. As a result, the fund is well-positioned to benefit from its current solid running yield.

11. The total exposures may vary due to rounding. The credit rating exposures presented here are based on ratings from S&P/Moody's/Fitch or equivalent ratings from other internationally recognized rating agencies. If S&P/Moody's/Fitch ratings for bond holdings are not available, Income Partners applies its internal credit ratings.  
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