



# INCOME PARTNERS RMB BOND FUND - CLASS 2

Fund Manager's Report - 31 January 2024

## IMPORTANT INFORMATION

- I. Income Partners RMB Bond Fund (the "Fund") invests primarily in RMB-denominated fixed income securities issued within the People's Republic of China ("PRC") directly through the Renminbi Qualified Foreign Institutional Investor ("RQFII") quota of Income Partners Asset Management (HK) Limited (the "Manager").
- II. The Fund is denominated in RMB and is subject to RMB currency risk. RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- III. The Fund invests substantially in PRC bonds issued in mainland China and is subject to the risks relating to PRC bonds such as credit risk, credit rating related risks, risk relating to higher default bonds, interest rates risk, liquidity and valuation risks. The PRC bonds market may be subject to higher volatility compared to more developed markets.
- IV. The Fund may be subject to the risks associated with changes in the PRC laws and regulations, including PRC tax laws, and such changes may have retrospective effect. Investment in the China market is subject to emerging market risk including political, economic, legal, regulatory and liquidity risks.
- V. The Fund invests in PRC securities through the RQFII quota of the Manager. It may not have exclusive use of the entire RQFII quota granted to the Manager. There is no assurance that the Manager will make available RQFII quota that is sufficient for the Fund's investment at all times.
- VI. The Fund may invest in financial derivative instruments for hedging purposes. There is no guarantee that the hedging techniques will be effective.
- VII. The Manager may at its discretion pay distributions out of the capital of the Fund. Payment of distributions out of capital represents a return or withdrawal of part of the amount they originally invested or 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.
- VIII. 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.
- IX. In making investment decisions, investors should not rely solely on the information in this document and should read the offering document of the Fund for 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>4</sup>
2A Acc (USD)	\$102.92		
2B Acc (RMB)	¥100.70		
2B Dis (RMB)	¥96.85	¥0.08	1.0%

Record Date: 31 January 2024  
 Ex-Dividend Date: 5 February 2024  
 Payment/Reinvestment Date: 5 February 2024  
 Please see [www.incomepartners.com](http://www.incomepartners.com) for details of historical dividend information for all applicable share classes.

Risk Measures 2B Dis (RMB)	3 Years	Since Inception
Annualized Volatility	1.82%	2.20%

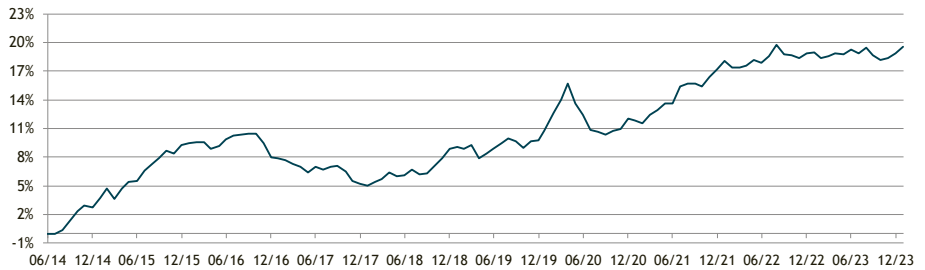
Fund Characteristics	
Yield in RMB	2.3%
Modified Duration (years)	5.7
Average Credit Rating	A+

Top 5 Holdings <sup>7</sup> : 96.3% of NAV	
China Development Bank	50.7%
China Government Bond	45.6%

## INVESTMENT OBJECTIVE

The Fund seeks long-term interest income and capital appreciation through investing all or substantially all of its assets in Renminbi ("RMB") -denominated fixed income securities issued within mainland China directly through the Renminbi Qualified Foreign Institutional Investor ("RQFII") quota of Income Partners Asset Management (HK) Limited or through the Bond Connect scheme.

## TOTAL RETURN<sup>2,3</sup>: CLASS 2B DISTRIBUTION (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)	-0.39%	-5.45%	-1.38%	0.47%	0.30%	-0.43%	9.16%	7.15%	-6.84%	-2.86%	04/07/14
2B Acc (RMB)	0.56%	0.50%			0.54%				0.19%	-0.05%	04/07/14
2B Dis (RMB)	0.56%	0.50%	2.24%	1.83%	1.88%	0.80%	2.03%	4.60%	1.50%	-0.05%	11/07/14

## MONTHLY PERFORMANCE<sup>2</sup>: CLASS 2B DISTRIBUTION (RMB)<sup>6</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.56%												0.56%
2023	0.01%	-0.50%	0.22%	0.23%	-0.05%	0.43%	-0.40%	0.54%	-0.65%	-0.46%	0.21%	0.39%	-0.05%
2022	0.83%	-0.59%	-0.05%	0.19%	0.50%	-0.28%	0.65%	0.97%	-0.78%	-0.11%	-0.28%	0.47%	1.50%
2021	-0.17%	-0.25%	0.79%	0.49%	0.57%	0.00%	1.59%	0.27%	-0.03%	-0.28%	0.86%	0.69%	4.60%
2020	0.91%	1.74%	1.16%	1.51%	-1.80%	-1.08%	-1.34%	-0.23%	-0.30%	0.37%	0.24%	0.91%	2.03%
2019	0.22%	-0.23%	0.33%	-1.25%	0.46%	0.48%	0.52%	0.44%	-0.25%	-0.61%	0.62%	0.09%	0.80%
2018	-0.15%	0.38%	0.26%	0.69%	-0.38%	0.06%	0.58%	-0.41%	0.08%	0.71%	0.77%	0.90%	3.53%
2017	-0.09%	-0.16%	-0.37%	-0.30%	-0.53%	0.54%	-0.26%	0.31%	0.06%	-0.57%	-0.92%	-0.32%	-2.58%
2016	0.12%	0.07%	0.08%	-0.69%	0.32%	0.60%	0.37%	0.06%	0.15%	-0.01%	-0.90%	-1.39%	-1.25%
2015	0.98%	0.93%	-1.07%	1.07%	0.66%	0.11%	0.97%	0.69%	0.53%	0.78%	-0.26%	0.84%	6.37%
2014							0.00%	0.34%	1.01%	1.02%	0.59%	-0.22%	2.77%

Unless stated otherwise, all data as of 31 January 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. Income Partners may be required to pay a fee to participate in the nomination of the award.
2. This document contains fund performance or NAV numbers which are estimates only and the final NAV 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.
5. Year-to-date performance for 2018 and December 2018 monthly return reflects the fund performance as of 31 December 2018 and is based on unofficial NAV data on 31 December 2018 (which was a public holiday in the PRC).
6. From August 2022 onwards, the Manager views Class 2B (Distribution) Units as the most appropriate representative unit class, as it is the largest unit class currently offered to the public in Hong Kong, is broadly representative of the Fund's performance and is denominated in the base currency of the Fund.
7. Top 5 Holdings is grouped by issuer, the fund may hold multiple issues from the same issuer.  
 \* Income Partners RMB Bond Fund - Class 2A Dis and Class 2B Acc were fully redeemed on 20 October 2021 and 26 August 2022 respectively

Fund Details		
Base Currency	RMB	
Minimum Initial Investment	2A (USD): USD1,000 2B (RMB): RMB10,000 2C (HKD): HKD10,000 2D (EUR): EUR1,000	
Fees & Charges <sup>9</sup>	Management Fee: 0.80% p.a. Subscription Charge: Up to 5.00%	
Dealing Frequency	Daily	
Dividend Frequency	Monthly (Please refer to important information VII)	
Portfolio Manager	James Hu, PhD	
RQFII Custodian	Industrial and Commercial Bank of China Limited (ICBC)	
Trustee	Cititrust Limited	
Transfer Agent	Citicorp Financial Services Limited	
Share Class	<b>Bloomberg Ticker</b>	<b>ISIN</b>
2A Acc (USD)	IPRB2AA HK	HK0000204534
2A Dis (USD)	IPRB2AD HK	HK0000204526
2B Acc (RMB)	IPRB2BA HK	HK0000204559
2B Dis (RMB)	IPRB2BD HK	HK0000204542
2C Acc (HKD)	IPRB2CA HK	HK0000204575
2C Dis (HKD)	IPRB2CD HK	HK0000204567
2D Acc (EUR)	IPRB2DA HK	HK0000204591
2D Dis (EUR)	IPRB2DD HK	HK0000204583
Fund AUM	RMB21 million / USD3 million	

## PORTFOLIO OVERVIEW<sup>8</sup>

### Industry Exposure



### Credit Rating Exposure



## MANAGER'S COMMENTARY

In January, China's 10-year government bond (CGB) rallied from 2.55% to 2.43%. Governor Pan Gongsheng announced at a press conference on 24 January that the PBOC will cut banks' reserve requirement ratio (RRR) by 50bp from 5 February. Such announcement came at a surprise as it was just two days after State Council had urged to take forceful measures to stabilize the stock market. It seemed that PBOC intended to boost market confidence. Moreover, with the State Council's call, we think the government might front-load some of the pro-growth measures in the pipeline, such as accelerating the investment in projects financed by RMB1tn additional CGB issuance late last year.

In terms of fundamental data, China's manufacturing PMI came in at 49.2% in January, slightly up from 49.0% in December, but still staying in contractionary territory for the 4th consecutive month. The latest PMI data points to a further weakening of China's industrial activities. China's CPI for December was -0.3% YoY. The increase in food (especially vegetable) prices was mostly offset by the drop in domestic fuel prices. December's PPI dropped to -2.7% YoY. China December's PMI suggested a smaller decline in industrial product prices in December on a MoM basis, leading a slight recovery in headline PPI to -2.7% YoY from -3.0% YoY of prior month. China's exports grew by 2.3% YoY in December, while imports up by 0.2% YoY. Both have slightly exceeded market expectations (1.5% YoY for exports, -0.5% YoY for imports). The biggest factor supporting export improvement was still base effect. Excluding base effect and on a two-year-average basis, exports growth only mildly improved by 0.3ppt from -4.1% in November to -3.8% in December, pointing to a much smaller improvement than the headline figure suggests. China's total social financing reached RMB 1.9 trillion, up from RMB1.3trn a year ago. China's new loan net issuance was at RMB1.17trn in December, declining by 16.4% YoY, also falling short of market consensus at RMB1.4trn. However, the drag from loan was more than offset by the robust government bond issuance (RMB928bn vs. RMB281bn a year before). China's retail sales showed relatively strong growth of 7.4% YoY in December, which, however, also benefited from the low base of last year.

Looking ahead, we tend to think the Chinese economy is now going through a significant transition. While it's difficult for the old growth engines—property, infrastructures, and exports—to deliver meaningful growth due to various structural constraints, the new growth engines in emerging manufacturing are also facing the headwinds from overcapacity with consumption challenged by downbeat consumer confidence. As for the medium to long-term prospects, a series of market-oriented structural reforms is needed to unleash the potential in consumption and the broader economy. As such, we expect that China's 10-year CGB will trade within a range of 2.3% to 2.8% in the short term.

Regarding the portfolio, we keep the duration close to the benchmark with a slight inclination towards overweight.

<sup>8</sup> Total exposures may differ due to rounding. Please note the credit 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.

<sup>9</sup> For other fees and charges, please refer to the offering documents.

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