Oakwise 瑞橡

Enhanced Fixed Income Fund SP Monthly Report (June 2021)

Important Note

- The Fund invests in emerging markets which may involve additional risks and special considerations such as liquidity risk, currency risk/control, political and economic uncertainties, legal and taxation risk, and the possibility of violent fluctuations.
- Investment involves risk. Past performance is not necessarily indicative of future results. Investors may not get back the principal invested. The value of investments and the income received from them (if any) may be volatile and could change substantially within a short period of time.
- Any forward-looking statements regarding future events or performance of countries, markets or companies are not necessarily indicative of and may differ from, actual events or results.
- Investors should not invest in this Fund based solely on the information provided herein and should read the relevant offering documents particularly the investment policies and risk factors for more details before investing.

Fund Manager

Eric Wang

PhD, CFA

Fund Facts

Fund Manager	Oakwise Capital Management Ltd
Launch date	April 2019
Base currency	USD
Subscription	USD/HKD/RMB
Subscription fee	Up to 3%
Management fee	1% p.a.
Performance fee	10%
Dealing frequency	Monthly

Investment Objective

The Fund is a USD fixed income structured fund, where the preferred class provides short-term fixed income, ordinary class and subordinated class provide higher stable returns. The Fund aims to provide investors with continued and stable capital appreciation.

Investment Strategy

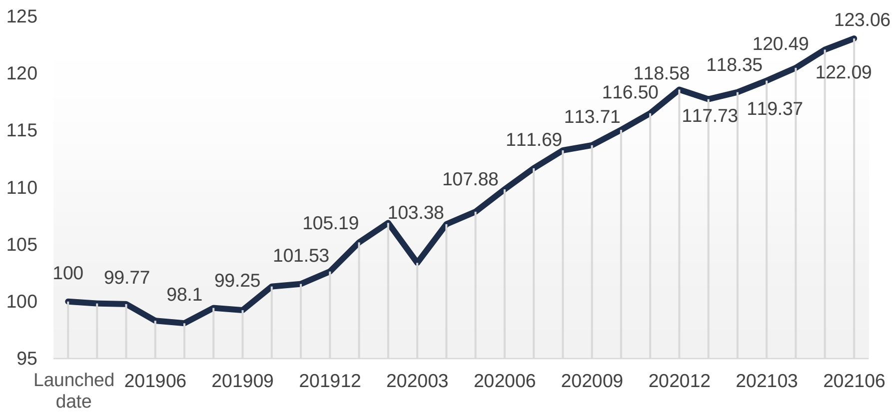
The Fund aims to provide capital appreciation by primarily investing in high-yield bonds issued by corporate issuers in Greater China and debt securities of other regions. Currently, the Fund mainly invests in real estate sector which offers higher return than other sections with same rating and duration. The fund will continue to be selectively to increase the holdings in other sectors to build a well-diversified portfolio with a core allocation in China high yield real estate sector.

Cumulative Performance (Bloomberg: OAKEFIC; ISIN: KYG6689S1140) 30 June 2021

Share Class	1 Month	3 Month	Year to Date	Since Launch
Ordinary Class	0.79%	3.09%	3.78%	23.06%
Subordinated Class	0.83%	3.39%	4.03%	23.69%

Notes: The Fund has USD and RMB preferred class (Class A). USD preferred class includes 1-month, 2-months, 3-months, 6-months, 9-months and 12-months fixed terms with the annual net return of 2%, 2.5%, 3%, 4%, 5% and 6% respectively. RMB preferred class includes 6-months, 9-months and 12-months fixed terms with the annual net return of 5%, 6% and 7% respectively. **Starting from August 1, 2021, the annualized fixed return rate for new USD preferred class subscription will be adjusted to** 1.75%, 2.25%, 2.75%, 3.5%, 4.5%, 5.5% respectively; **the annualized fixed return rate for new RMB preferred class subscription will be adjusted to** 4.5%, 5.5%, and 6.5% respectively. The Fund distributed cash dividend of USD 6 per unit to ordinary class (Class C) and subordinatedclass (Class B) in January 2021.

NAV of Ordinary Class (Class C)

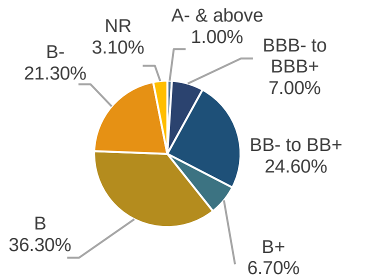


Source: Oakwise Capital, Bloomberg

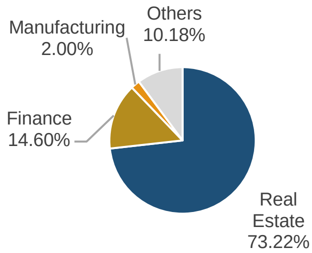
30 June 2021

Class of participating shares	Asset amount (USD)
Total Asset Value	1,618,753,000
Net Asset Value	726,373,000
Preferred Class（Class A)	40,514,000
Subordinated Class（Class B)	669,206,000
Ordinary Class（Class C)	16,653,000

Credit Rating Allocation



Industry Allocation



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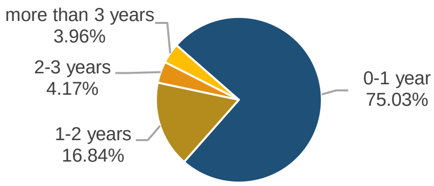
Portfolio Features

Average Duration	1.07 years
Yield to Maturity	9.51%
Average Rating	B+

Duration Allocation



Market Review

1 Macroeconomic

In terms of macroeconomic data, the supply side remains relatively prosperous, while the demand side has yet to be improved. In June, the manufacturing PMI recorded 50.9%, which continued to be above theboom-bust line, yet the new export orders have fallen for two consecutive months. The non-manufacturing PMI was recorded at 53.5%, slightly below the expectation of 55.3%, which may be caused by increasing infected cases in Guangdong and other provinces. On the demand side, real estate sales continued to fall under strong policy controls. In June, the transaction area of commercial housing in the top 30 large and medium-sized cities was 17,828,800 square meters, recorded a year-on-year decrease of 1.8%. Social retail sales in the first five months increased by 25.7% year-on-year, which is slightly lower than the expected value of 26.3%. As the global economy has been gradually stabilized, the disposable income of domestic residents resumes growth. Consumption is likely to re-become the main driver of economic growth by the end of the year.

The overseas focus lies on the gradual recovery of the US labour market. In June, the number of new non-farm payrolls in the US was 850K, which was higher than the expected value of 720K. Due to the fact that the epidemic in the US has not yet ended and the fiscal subsidies were relatively strong, a large number of people have not returned to the labor market. The labor participation rate in June was 61.6%, the same as that in May. Additionally, the US economic growth rate almost peaks. With the support of fiscal and monetary policies, it will keep prosperous. The US PMI of the manufacturing and servicing industries fell both in June, yet remaining at a relatively high level. In June, the Markit manufacturing PMI was recorded 62.1%, as compared with the expectation of 62.6%. The Markit servicing PMI was recorded at 64.8%, which was expected to reach 70.0%. As the US endogenous growth momentum recovers, the importance of monetary and fiscal support fades away. In the second half of the year, as to investment, for fear that FED might turn hawkish stance faster than the market consensus, some defensive actions are needed.

2 Economic Policy

In terms of fiscal policy, the overall pace of government bonds issuance is relatively slow. In the first half of the year, the amount of governmentbonds issued was in a total of 9.2 trillion yuan, accounting for 45.5% of the target. It is expected that the issuance of special bonds by local governments will accelerate in the second half of the year, and the support from fiscal policies on economic growth will increase. In terms of monetary policy, the People's Bank of China (PBOC) has conducted a CNY 200-billion, matching maturities. By the end of June, the outstanding amountmedium-term lending facilities remained 5.4 trillion yuan. The overall monetary condition remains relatively easing. As of the end of June, the 3-month Shibor was recorded 2.46%, which is about 2BPs down from the end of May. As the current economic recovery is still uneven and the demand side is relatively weak, the central bank will maintain a relatively stable monetary policy to avoid the negative impact by premature and substantial tightening of policies

Overseas, the Fed continues to purchase assets as planned. At the latest FOMC, Fed Chairman Powell released a hawkish signal for the first time since the pandemic. Powell pointed out that although the current US job market data has not yet reached the policy goal, the Federal Policy Committee has already been discussing when to reduce unconventional monetary support. The European Central Bank (ECB) continues to maintain its dovish policy stance, reiterating that inflation is temporary and easing policies are essential to economic recovery. They will continue to maintain accommodative monetary conditionthrough asset purchases.

3 Captial Market

In June 2021, the ups and downs coexisted in global stock markets. The S&P 500 rose by 2.22%, the Stoxx Europe 50 rose by 0.61%, and the Shanghai and Shenzhen 300 and the Hang Seng Index fell by 2.02% and 1.11% respectively. In the bond market, the US 10-year Treasury bond yield continued to fall, close at 1.47%, which was about 12.7 BPs lower compared with the end of May. In terms of overall Chinese-funded US dollar bonds, US bond yields fell and investment-grade indexes rebounded, yet high-yield indexes fell due to negative public sentiment from some real estate companies. The Markit iBoxx USD Asia ex-Japan China Investment Grade TRI rose 0.83% in June, while the Markit iBoxx USD Asia ex-Japan China High Yield TRI fell by 2.48%.

Market Outlook & Fund Strategies

Affected by the expanded impact of real estate companies' credit events and capital outflows, the overall performance of the Chinese high-yield bond market was in a weak performance during this month. The fund reduced the holdings of long-end investment-grade bonds during the peak and slightly increased the investment in Hong Kong local bonds and short-end real estate bonds. The combined positions remain neutral. The high-yield bond market is expected to have more obvious support after the announcement of the interim results of real estate companies, and those with outstanding performance will regain market recognition. In terms of urban investment bonds, due to the current high overall valuation, the fund will mainly invest in high-quality issuers with a yield premium.