

ChinaAMC Select Fund

**ChinaAMC Select Dynamic
Fixed Income Fund**

Unaudited Semi-Annual Report

For the period from
1 January 2024 to 30 June 2024



华夏基金
ChinaAMC

UNAUDITED SEMI-ANNUAL REPORT

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
(a sub-fund of ChinaAMC Select Fund, an open-ended
unit trust established as an umbrella fund under the laws
of Hong Kong)

For the period from 1 January 2024 to 30 June 2024

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
(a sub-fund of ChinaAMC Select Fund)

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IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and are subject to change. For more information about the fund, please refer to the explanatory memorandum of the fund which is available at our website: https://www.chinaamc.com.hk/product/chinaamc-select-stable-income-fund-this-is-not-a-money-market-fund/#prospectus_documents

Investors should not rely on the information contained in this report for their investment decisions.

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
(a sub-fund of ChinaAMC Select Fund)

ADMINISTRATION AND MANAGEMENT

MANAGER

China Asset Management (Hong Kong) Limited
37/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

DIRECTORS OF THE MANAGER

Li Yimei
Gan Tian
Li Fung Ming
Sun Liqiang
Yang Kun

LEGAL ADVISER TO THE MANAGER

Deacons
5/F, Alexandra House
18 Chater Road
Central, Hong Kong

TRUSTEE, ADMINISTRATOR AND REGISTRAR

BOCI-Prudential Trustee Limited
Suites 1501-1507 & 1513-1516, 15/F,
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Taikoo Shing, Hong Kong

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

CUSTODIAN

Bank of China (Hong Kong) Limited
14/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS

As we reach the midpoint of 2024, market performance has deviated significantly from initial expectations at the start of the year. While the US Federal Reserve (Fed) has held interest rates steady despite persistent inflation and a healthy labor market, central banks across the rest of world have shifted towards a rate cut cycle. As the US economy remains on track for a soft landing, the overall market risk sentiment has stayed positive in the mid-year of 2024. Volatility has declined across most asset classes, with commodities and equities outperforming bonds. In the bond market, US Treasury yields have fluctuated upward, with the 10-year yield rising about 40 basis points year-to-date. Meanwhile, credit spreads have continued to narrow, extending the 2023 trend of credit bonds outperforming interest rate bonds and high-yield bonds outperforming investment-grade.

In the first half of 2024, the US Treasury interest rate edged up from the low point at the beginning of the year. The 10-year benchmark yield spiked to over 4.7% in mid-April from 3.8% at the start of 2024, before dropping to the current level of around 4.3%. Meanwhile, 2-year and 10-year Treasury yield curves have inverted within a narrow range of 20-50bp for most of the period. Looking ahead, we expect US Treasury yields to continue fluctuating within a certain range in the coming quarter, with long and short positions reaching a relatively balanced level and a large, auctioned issuance volume restraining rapid yield declines. However, as we approach the first anticipated Fed rate cut, Treasury yields are restrained from rising significantly, and the yield curve is likely to steepen in the medium term. Given this outlook, we now maintain a relatively neutral stance on interest rates. We prefer allocating funds to 5- to 7-year Treasuries, which can provide better protection against investment risks to a degree while generating higher returns. For 10-year Treasuries, we recommend adding long-duration positions opportunistically when rates rise.

Global credit spreads have exceeded our initial expectations, tightening unilaterally across most sectors in the first quarter and fluctuating within a tight range at low levels during the second quarter. This development can be attributed to two main factors. On one hand, the decline in interest rates and easing of financial conditions in the United States towards the end of last year provided support for credit expansion in the first quarter. This has in turn bolstered corporate credit fundamentals, such as profitability and liquidity. On the other hand, strong demand from non-US all-in-yield buyers, particularly those in Asia and the Middle East, has not only effectively absorbed the substantial supply of credit bonds year-to-date, but also pushed credit spreads to historical highs relative to their own valuation record or when compared to US Treasuries and mortgage-backed securities (MBS). At present, we remain cautious towards US credit spreads. From a valuation perspective, the current spread between BBB-rated and A-rated credits is at a relatively low level, leaving limited room for further tightening. Whether interest rates rise due to heightened inflation pressures or decline in response to risk events, credit spreads are still expected to widen. Looking at the fundamental factors, while the bond financing costs for large corporates have not increased significantly, low-quality issuers with weaker profitability and shrinking operating cash flow are likely to face difficulties in debt repayments. This came as bank lending rates for small businesses soar and a sizable volume of corporate bonds mature in 2025. From a supply-and-demand perspective, as we enter the rate cut cycle in the second half of the year, new bond issuance is expected to decline while investor demand is projected to increase, providing technical support for the credit market.

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

The low correlation of Chinese-issued USD bonds makes them an attractive option for risk diversification, despite historical high valuations. The financial sector in markets such as Europe and Australia continue to trade at a premium over large US banks. USD-denominated emerging markets bonds. Corporate bonds have significantly outperformed sovereign bonds year-to-date. As political risks become more priced-in, bonds from certain commodity-exporting countries may offer opportunistic investment value as commodity prices rise again. Overall, the relatively lagging bond sectors since the start of the current rate hike cycle have reversed course this year. For example, the spread between financial and corporate bonds has narrowed, while 30-year credit spreads have widened relative to 10-year spreads. These developments suggest that the market has begun to price in future rate cuts. We maintain a relatively neutral stance towards these sectors and remain cautious about the overall credit duration. We prefer a balanced allocation approach, seeking sector rotation opportunities amid market volatility, rather than betting on a single region or industry.

China Asset Management (Hong Kong) Limited
20 August 2024

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

	For the period from 1 January 2024 to 30 June 2024 (Unaudited) USD	Period from 25 May 2023 (date of Inception) to 31 December 2023 (Unaudited) USD
INCOME		
Interest income on financial assets at fair value through profit or loss	77,348	92,707
Interest income on bank deposits	4,250	15,206
Sundry Income	10	64
	<u>81,608</u>	<u>107,977</u>
EXPENSES		
Management fee	(4,124)	(4,923)
Trustee fee	(24,920)	(30,348)
Custodian fee and bank charges	(1,629)	(1,814)
Auditors' remuneration	(7,168)	(15,000)
Preliminary expenses		(47,000)
Brokerage fees and other transaction costs	(240)	(472)
Other expenses	(1,965)	(273)
	<u>(40,046)</u>	<u>(99,830)</u>
Less: Reimbursement of expenses by the Manager	35,400	46,546
PROFIT BEFORE INVESTMENT GAINS AND EXCHANGE DIFFERENCES	76,962	54,693
INVESTMENT GAINS		
Net gain on financial assets at fair value through profit or loss	37,016	42,304
Net foreign exchange gain	(2)	-
	<u>37,014</u>	<u>42,304</u>
PROFIT BEFORE TAX	113,976	96,997
Withholding tax	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>113,976</u>	<u>96,997</u>

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

	30 June 2024 (Unaudited) USD	31 December 2023 (Audited) USD
ASSETS		
Financial assets at fair value through profit or loss	3,629,357	3,418,894
Interest receivable	53,389	47,697
Amount due from Manager	18,918	19,355
Cash and cash equivalents	532,495	652,279
Time Deposit	10,184	-
TOTAL ASSETS	<u>4,244,343</u>	<u>4,138,225</u>
LIABILITIES		
Financial liabilities at fair value through profit or loss	-	-
Management fee payable	2,121	2,093
Trustee fee payable	3,920	4,200
Accrued expenses and other payables	27,329	34,935
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>33,370</u>	<u>41,228</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>4,210,973</u>	<u>4,096,997</u>
TOTAL LIABILITIES AND EQUITY	<u>4,244,343</u>	<u>4,138,225</u>

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

As at 30 June 2024

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
NUMBER OF UNITS IN ISSUE		
- Class I USD	400,000	400,000
NET ASSET VALUE PER UNIT		
- Class I USD	USD 10.5274	USD 10.2425

Note: The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and the relevant disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (“SFC”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in Note 2 of the annual financial statements.

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

	Number of Units	USD
At 25 May 2023 (date of inception)	-	-
Subscription of units		
- Class I USD	<u>400,000</u>	<u>4,000,000</u>
	400,000	4,000,000
Redemption of units		
- Class I USD	<u>-</u>	<u>-</u>
	-	-
Profit and total comprehensive income for the period	<u>-</u>	<u>96,997</u>
At 31 December 2023	<u>400,000</u>	<u>4,096,997</u>
	Number of Units	USD
At 1 January 2024	400,000	4,096,997
Subscription of units		
- Class I USD	<u>-</u>	<u>-</u>
	-	-
Redemption of units		
- Class I USD	<u>-</u>	<u>-</u>
	-	-
Profit and total comprehensive income for the period	<u>-</u>	<u>113,976</u>
At 30 June 2024	<u>400,000</u>	<u>4,210,973</u>

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF CASH FLOWS (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

	For the period from 1 January 2024 to 30 June 2024 (Unaudited) USD	For the period from 25 May 2023 (date of inception) to 31 December 2023 (Audited) USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	113,976	96,997
Adjustment for:		
Interest income	(81,598)	(107,913)
Taxation	-	-
	<u>32,378</u>	<u>(10,916)</u>
Increase in financial assets at fair value through profit or loss	(210,463)	(3,418,894)
Increase in management fee payable	28	2,092
(Decrease)/Increase trustee fee payable	(280)	4,200
(Decrease)/Increase in accrued expenses and other payables	(7,606)	34,936
Decrease/(Increase) in management fee rebate receivable	437	(19,355)
Increase in Time Deposit	(10,184)	-
Cash flows used in operating activities	<u>(195,690)</u>	<u>(3,407,937)</u>
Interest received	75,906	60,216
Tax paid	-	-
Net cash flows used in operating activities	<u>(119,784)</u>	<u>(3,347,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	-	4,000,000
Payments on redemption of units	-	-
Net cash flows generated from financing activities	<u>-</u>	<u>4,000,000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(119,784)	652,279
Cash and cash equivalents at the beginning of the period	<u>652,279</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>532,495</u></u>	<u><u>652,279</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balance	202,495	33,279
Short-term deposit	<u>330,000</u>	<u>619,000</u>

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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PERFORMANCE TABLE (UNAUDITED)

Net assets attributable to unitholders
(calculated in accordance with International Financial Reporting Standards)

	Net asset value per unit	Net asset attributable to unitholders USD
As at 30 June 2024 (Unaudited) - Class I USD	USD 10.5274	4,210,973
As at 31 December 2023 (Audited) - Class I USD	USD 10.2425	4,096,997

Highest issue price and lowest redemption price per unit¹

	Highest issue price per unit	Lowest redemption price per unit
For the period from 1 January 2024 to 30 June 2024 (Unaudited) - Class I USD	USD 10.6169	USD 10.3486
For the period from 25 May 2023 (date of inception) to 31 December 2023 - Class I USD	USD 10.3442	USD 9.9949

¹ Past performance figures shown are not indicative of the future performance of the Sub-Fund.

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INVESTMENT PORTFOLIO (UNAUDITED)

30 June 2024

	Quantity	Fair value (in USD)	% of net asset
LISTED/QUOTED DEBT SECURITIES			
CAYMAN			
FWD GROUP LTD 5.75% S/A 09JUL2024	250,000	249,765	5.93%
GEELY AUTOMOBILE HLDGS LTD 4% S/A PERP	300,000	296,259	7.04%
CHINA			
KUNMING RAIL TRANSIT GROUP CO LTD 3.9% S/A 12DEC2024	200,000	193,736	4.60%
HONG KONG			
CHONG HING BANK LTD 5.7% S/A PERP (CALLED)	250,000	249,585	5.93%
KOREA			
KOOKMIN BANK 4.35% S/A PERP REGS (CALLED)	400,000	399,384	9.49%
KOREA INVESTMENT & SECURITIES CO LTD 1.375% S/A 19JUL2024	200,000	199,542	4.74%
MIRAE ASSET SECURITIES CO LTD 1.375% S/A 07JUL2024	300,000	299,802	7.12%
LUXEMBOURG			
SWISS RE FINANCE LUXEMBOURG SA 4.25% A PERP	200000	198,478	4.71%
UNITED KINGDOM			
HSBC HLDGS PLC 6.375% S/A PERP	250,000	249,760	5.93%
VIRGIN ISL, BT			
BEIJING ENVIRONMENT BVI CO LTD 1.65% S/A 24SEP2024	300,000	296,991	7.05%
COASTAL EMERALD LTD 4.3% S/A PERP	300,000	299,415	7.11%
GF FINANCIAL HLDGS BVI LTD 1.125% S/A 15SEP2024	200,000	198,004	4.70%
MINMETALS BOUNTEOUS FINANCE BVI LTD 3.375% S/A PERP	200,000	199,256	4.73%
SHANDONG IRON AND STEEL XINHENG INTL CO LTD 4.8% S/A 28JUL2024	200,000	199,478	4.74%
UNLISTED/QUOTED DEBT SECURITIES			
VIRGIN ISL, BT			
BLUESTAR FINANCE HLDGS LTD 3.375% S/A 16JUL2024	100,000	99,902	2.37%
Total investment portfolio		<u>3,629,357</u>	<u>86.19%</u>
Other net assets		581,616	13.81%
Total net assets		<u>4,210,973</u>	<u>100.00%</u>

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

	As at	Movement in holdings			As at
	31 December 2023	Addition	Bonus /Dividends	Disposal	30 June 2024
Listed Investment					
Debt Securities					
BAIC FINANCE INVESTMENT CO LTD 2% S/A 16MAR2024	-	210,000	-	(210,000)	-
BANK OF CHINA LTD/HONG KONG 0.75% S/A 04FEB2024	250,000	-	-	(250,000)	-
BEIJING ENVIRONMENT BVI CO LTD 1.65% S/A 24SEP2024	-	300,000	-	-	300,000
BOCOM LEASING MANAGEMENT HONG KONG CO LTD 4.375% S/A 22JAN2024	300,000	-	-	(300,000)	-
CHINA CINDA 2020 I MANAGEMENT LTD 1.25% S/A 20JAN2024	230,000	-	-	(230,000)	-
CHINA CINDA FINANCE 2014 LTD 5.625% S/A 14MAY2024 REGS	-	200,000	-	(200,000)	-
CHINA CINDA FINANCE 2017 I LTD 4.1% S/A 09MAR2024	250,000	-	-	(250,000)	-
CHINA HONGQIAO GROUP LTD 6.25% S/A 08JUN2024	-	550,000	-	(550,000)	-
CHINA RESOURCES LAND LTD 6% S/A 27FEB2024	200,000	-	-	(200,000)	-
CHONG HING BANK LTD 5.7% S/A PERP	-	250,000	-	-	250,000
CNOOC NEXEN FINANCE 2014 ULC 4.25% S/A 30APR2024	-	300,000	-	(300,000)	-
COASTAL EMERALD LTD 4.3% S/A PERP	-	300,000	-	-	300,000
CREDIT AGRICOLE SA 7.875% Q PERP REGS (CALLED)	300,000	-	-	(300,000)	-
CSCIF HONG KONG LTD S+0.67% Q 31MAY2027	-	200,000	-	(200,000)	-
DAH SING BANK LTD 5% S/A 15JAN2029	250,000	-	-	(250,000)	-
FWD GROUP LTD 5.75% S/A 09JUL2024	-	250,000	-	-	250,000
GEELY AUTOMOBILE HLDGS LTD 4% S/A PERP	-	300,000	-	-	300,000
GF FINANCIAL HLDGS BVI LTD 1.125% S/A 15SEP2024	-	200,000	-	-	200,000
HSBC HLDGS PLC 6.375% S/A PERP	-	250,000	-	-	250,000
HUARONG FINANCE 2019 CO LTD 3.75% S/A 29MAY2024	-	250,000	-	(250,000)	-
ING GROEP NV 6.75% S/A PERP	-	400,000	-	(400,000)	-
JINAN HI-TECH INTERNATIONAL CAYMAN INVESTMENT DEVE 2.5% S/A 23JUN2024	-	200,000	-	(200,000)	-

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

	As at	Movement in holdings			As at
	31 December 2023	Addition	Bonus /Dividends	Disposal	30 June 2024
<u>Listed Investment</u>					
<u>Debt Securities</u>					
KOOKMIN BANK 4.35% S/A PERP REGS (CALLED)	-	400,000	-	-	400,000
KOREA INVESTMENT & SECURITIES CO LTD 1.375% S/A 19JUL2024	-	200,000	-	-	200,000
KUNMING RAIL TRANSIT GROUP CO LTD 3.9% S/A 12DEC2024	-	200,000	-	-	200,000
LEVC FINANCE LTD 1.375% S/A 25MAR2024	200,000	-	-	(200,000)	-
MINMETALS BOUNTEOUS FINANCE BVI LTD 3.375% S/A PERP	-	200,000	-	-	200,000
MIRAE ASSET SECURITIES CO LTD 1.375% S/A 07JUL2024	-	300,000	-	-	300,000
MIZUHO FINANCIAL GROUP CAYMAN 3 LTD 4.6% S/A 27MAR2024 REGS	-	300,000	-	(300,000)	-
POLY REAL ESTATE FINANCE LTD 3.875% S/A 25MAR2024	200,000	-	-	(200,000)	-
SHANDONG IRON AND STEEL XINHENG INTL CO LTD 4.8% S/A 28JUL2024	-	200,000	-	-	200,000
SOCIETE GENERALE SA 5% S/A 17JAN2024 REGS	250,000	-	-	(250,000)	-
SWISS RE FINANCE LUXEMBOURG SA 4.25% A PERP	-	200,000	-	-	200,000
TOWNGAS FINANCE LTD 4.75% S/A PERP	300,000	-	-	(300,000)	-
VERTEX CAPITAL INVESTMENT LTD 4.75% S/A 03APR2024	-	200,000	-	(200,000)	-
WOORI BANK 1.03161% S/A 21MAY2024	200,000	-	-	(200,000)	-
<u>Unlisted/Quoted Investments</u>					
<u>Debt Securities</u>					
AGRICULTURAL BANK OF CHINA LTD/SEOUL 0% A 07FEB2024 CD	200,000	-	-	(200,000)	-
BLUESTAR FINANCE HLDGS LTD 3.375% S/A 16JUL2024	300,000	-	-	(200,000)	100,000
Total Investment Portfolio	3,430,000	6,360,000	-	(6,140,000)	3,650,000

CHINAAMC SELECT DYNAMIC FIXED INCOME FUND
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DISTRIBUTION DISCLOSURE (UNAUDITED)

For the period from 1 January 2024 to 30 June 2024

The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund.

The Sub-Fund did not make any distribution during the period ended 30 June 2024.

