
DA CHENG TOTAL RETURN BOND FUND

(SUB-FUND OF DCI INVESTMENT TRUST)

SEMI-ANNUAL REPORT

FOR THE PERIOD ENDED 30 June 2020





**DCI INVESTMENT TRUST
FOR THE PERIOD ENDED 30 June 2020**

SEMI-ANNUAL REPORT

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**DCI INVESTMENT TRUST
FOR THE PERIOD ENDED 30 June 2020**

MANAGEMENT AND ADMINISTRATION

Directors of the Manager

Mr. Tan Xiaogang
Mr. Xiao Jian
Mr. Wen Zhimin
Mr. Yao Yudong
Ms. Zhao Bing
Ms. Wu Ping

Manager

Da Cheng International Asset Management Company
Limited
Suites 3516 - 3519
Jardine House
1 Connaught Place
Central, Hong Kong

Custodian

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

Trustee and Registrar

BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Legal Counsel to the Manager

Simmons & Simmons
30/F, One Taikoo Place,
979 King's Road,
Hong Kong

Auditor

PricewaterhouseCoopers
22/F, Prince's Building,
Central,
Hong Kong



REPORT OF THE MANAGER TO THE UNITHOLDERS

DA CHENG TOTAL RETURN BOND FUND (A SUB-FUND OF DCI INVESTMENT TRUST)

Fund Performance

Da Cheng Total Return Bond Fund (the “Sub-Fund”) seeks to provide a stable income as well as capital growth over the medium to long term by investing in a globally diversified portfolio of debt securities. As of 30 June 2020, the Sub-Fund aggregates a total asset size of approximately USD21,992,728.

Market Overview

After a decent year in total returns in 2019, Chinese USD Bond Market saw a highly volatile first half of 2020 caused by the COVID-19 pandemic, yet producing a 2.9% total return. At the beginning of the year, although the tension between US and China was mitigated, the market turned soft in late January amid coronavirus worries. As the coronavirus spread out globally in mid-March, it was the bleakest time in most global financial markets in over three decades. The sell-offs intensified and global financial markets experienced historical volatilities. The collapse in global equity markets wiped out almost US\$ 12.85 trillion in public equity market value, and together with the dramatic decline in oil price, dislocation in investment grade bonds, high yield bonds, risk-free bond yields, painfully rekindled investor’s memory of the Global Financial Crisis of 2008. With sharply increased risk aversion, market liquidity failed and liquid bonds fell more. The Bloomberg Barclays Asia Ex-Japan USD Credit China IG and HY Index have been fallen by 5% and 13% from previous high point at the end of March.

Since late March, US governments and central banks has unprecedentedly launched very significant stimulus measures, “unlimited QE”, to rescue the market, and the market has rebounded responsively. The Fed also set up two corporate bond buying programs of US dollar 10 billion each, one to buy investment grade corporate bonds directly in the new issue market, and the other to buy investment grade corporate bonds in the secondary market. At the end of the June, the US Treasury yields across the board have fallen sizably with 2- to 10-year rates down by 126-144bps.

Substantially lower bench mark rate supported Chinese USD bond performance with a “deep V-shape” in 2020 1H. The investment sentiment was boosted by the bottoming of economic data and the trend of easing lockdowns in major economies, especially in China, during May-June. The major index has recovered to the level of the beginning of the year. As a result, the China IG index’s total return, on a relative basis, turned out to be a winner, outperforming that of the HY index by a considerable margin in the first half of year. As at the end of June, the Bloomberg Barclays Asia Ex-Japan USD Credit China IG Index has gained 4.2%, whereas the HY Index only gained 1.5% after a substantive rebound in 2Q.

Outlook

As for the market outlook in the next half year, we are cautiously optimistic. The monetary policies are likely to remain accommodative for an extended period, which implies an extended period of low interest rate environment. It will favor the Bond market in medium and long term.

In terms of spread, IG and HY spreads have recovered gradually from the end of March, but still remained wider than the pre-coronavirus levels. The iBoxx USD China IG and HY Corporate OA-Spreads were 81bps and 303bps wider than that at the beginning of the year. The credit spread of the IG and HY was at the historical quantile level of 75% and 60% respectively since 2010. In addition, the economy has started to show some improvement, especially in China. But as the COVID-19 pandemic is not totally under control, global major economies will definitely need quite some time before returning to normal.



REPORT OF THE MANAGER TO THE UNITHOLDERS

DA CHENG TOTAL RETURN BOND FUND (A SUB-FUND OF DCI INVESTMENT TRUST)

For investment advice, the future investment work is to make full use of the low interest rate environment with leverage, and gradually increase the duration of the portfolio. In short, we will prevent the market risk, and meanwhile strive to create stable return for investors in the shaky market.

Da Cheng International Asset Management Company Limited

28 August 2020



DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
(A SUB-FUND OF DCI INVESTMENT TRUST)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 June 2020

| | DA CHENG TOTAL RETURN BOND FUND |
|---|------------------------------------|
| | 30 June 2020 (Unaudited) USD |
| Assets | |
| Financial assets at fair value through profit or loss | 21,648,214 |
| Dividend and interest receivable | 314,157 |
| Amount receivable on sale of investments | 315,031 |
| Formation costs | 37,059 |
| Prepayments and other assets | 6,615 |
| Cash and cash equivalents | 516,446 |
| Total assets | <u>22,837,522</u> |
| Liabilities | |
| Management fee payable | 5,628 |
| Trustee fee payable | 2,829 |
| Amount payable on redemption of units | 323,609 |
| Amount payable on purchase of investments | 499,940 |
| Accrued expenses and other payables | 12,788 |
| Total liabilities | <u>844,794</u> |
| | 21,992,728 |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | <u><u>21,992,728</u></u> |
| Number of Units in Issue | |
| - USD Class M | 2,031,106 |
| - USD Class A | 30,707 |
| - HKD Class A | 491,811 |
| - USD Class I | 100,000 |
| Net Asset Value Per Unit | |
| - USD Class M | 9.86 |
| - USD Class A | 9.79 |
| - HKD Class A | 9.83 |
| - USD Class I | 10.43 |

**DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
(A SUB-FUND OF DCI INVESTMENT TRUST)**

**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD FROM 16 Sept 2019 TO 30 June 2020**

DA CHENG TOTAL RETURN BOND FUND

Period from 16 Sept 2019 to 30 June 2020

| | (Unaudited) USD |
|--|----------------------------|
| Income | |
| Interest income | 1,100,707 |
| Net changes in fair value on financial assets at fair value through profit or loss | (1,126,178) |
| Net foreign exchange differences | (201) |
| Total investment income | <u>(25,672)</u> |
| Expenses | |
| Management fee | 5,628 |
| Trustee fee | 23,156 |
| Custodian fee | 4,818 |
| Preliminary expenses | 6,576 |
| Transaction costs | 792 |
| Auditors' remuneration | 12,204 |
| Other expenses | 1,763 |
| Total operating expenses | <u>54,937</u> |
| (Losses)/gains before distributions and tax | (80,609) |
| Distribution to unitholders | (133,189) |
| (Losses)/gains after distributions and before tax | <u>(213,798)</u> |
| Taxation | - |
| (Decrease)/ Increase in net assets attribute to unitholders | <u>(213,798)</u> |



**DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
(A SUB-FUND OF DCI INVESTMENT TRUST)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)
FOR THE PERIOD FROM 16 Sept 2019 TO 30 June 2020**

| | Number of unit | Period from 16 Sept 2019 to 30 June 2020 (Unaudited) USD |
|--|----------------|---|
| Net assets attributable to unitholders at the beginning of the period | - | - |
| --Proceeds on issue of units | 2,691,697.16 | 22,578,238 |
| --Payments on redemption of units | (38,074.21) | (371,712) |
| Net increase from unit transactions | 2,653,622.95 | 22,206,526 |
| (Decrease)/ Increase in net assets attribute to unitholders | | (213,798) |
| Net assets attributable to unitholders at the end of the period | 2,653,622.95 | 21,992,728 |

**DCI INVESTMENT TRUST
 DA CHENG TOTAL RETURN BOND FUND
 (A SUB-FUND OF DCI INVESTMENT TRUST)**
**INVESTMENT PORTFOLIO (UNAUDITED)
 AS AT 30 June 2020**

| | Holdings | Market Value USD | % of Net Asset |
|---|-----------|---------------------|----------------|
| Debt Securities | | | |
| BERMUDA | | | |
| BINHAI INVESTMENT CO LTD 4.45% S/A 30NOV2020 | 1,000,000 | 964,170 | 4.38 |
| | | <hr/> 964,170 | <hr/> 4.38 |
| CAYMAN | | | |
| CENTRAL CHINA REAL ESTATE LTD 6.75% S/A 08NOV2021 | 500,000 | 498,475 | 2.27 |
| CFLD CAYMAN INVESTMENT LTD 6.92% S/A 16JUN2022 | 2,000,000 | 1,996,200 | 9.08 |
| CHINA AOYUAN GROUP LTD 6.35% S/A 08FEB2024 | 500,000 | 496,585 | 2.26 |
| CHINA EVERGRANDE GROUP 6.25% S/A 28JUN2021 | 1,000,000 | 961,010 | 4.37 |
| CHINA EVERGRANDE GROUP 9.5% S/A 11APR2022 | 1,000,000 | 939,700 | 4.27 |
| E-HOUSE CHINA ENTERPRISE HLDGS LTD 7.75% S/A 28FEB2021 | 1,800,000 | 1,755,054 | 7.98 |
| RONSHINE CHINA HLDGS LTD 11.25% S/A 22AUG2021 | 1,000,000 | 1,055,050 | 4.80 |
| ZHONGLIANG HLDGS GROUP CO LTD 8.75% S/A 27JUN2021 | 1,000,000 | 998,800 | 4.54 |
| | | <hr/> 8,700,874 | <hr/> 39.57 |
| CHINA | | | |
| DALIAN DETA HLDG CO LTD 5.95% S/A 29JUL2022 | 1,800,000 | 1,736,064 | 7.89 |
| GUANGXI FINANCIAL IINVESTMENT GROUP CO LTD 5.75% S/A 23JAN2021 | 1,800,000 | 1,739,988 | 7.91 |
| UNION LIFE INSURANCE CO LTD 3% S/A 19SEP2021 | 1,600,000 | 1,456,768 | 6.62 |
| | | <hr/> 4,932,820 | <hr/> 22.42 |
| HONG KONG | | | |
| HONGKONG BAORONG DEVELOPMENT LTD 6.25% S/A 04DEC2021 | 500,000 | 500,445 | 2.28 |
| | | <hr/> 500,445 | <hr/> 2.28 |
| SINGAPORE | | | |
| NEW DIAN GROUP PTE LTD 7.375% S/A 23APR2021 | 1,800,000 | 1,527,732 | 6.95 |
| | | <hr/> 1,527,732 | <hr/> 6.95 |



**DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
(A SUB-FUND OF DCI INVESTMENT TRUST)**

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 June 2020**

| | Holdings | Market Value USD | % of Net Asset |
|--|-----------|------------------------|----------------|
| VIRGIN ISL, BT | | | |
| CHANG DEVELOPMENT INTL LTD 5.7% S/A 08NOV2021 | 400,000 | 404,036 | 1.84 |
| EASY TACTIC LTD 7% S/A 25APR2021 | 1,500,000 | 1,465,725 | 6.66 |
| EASY TACTIC LTD 8.75% S/A 10JAN2021 | 330,000 | 329,634 | 1.50 |
| GREENLAND GLOBAL INVESTMENT LTD 6.25% S/A 16DEC2022 | 1,000,000 | 1,005,690 | 4.57 |
| HEJUN SHUNZE INVESTMENT CO LTD 11% S/A 04JUN2022 | 1,500,000 | 1,510,680 | 6.87 |
| HEJUN SHUNZE INVESTMENT CO LTD 12% S/A 25APR2021 | 300,000 | 306,408 | 1.39 |
| | | <hr/> | |
| | | 5,022,173 | <hr/> 22.83 |
| Total listed/quoted investment | | 21,648,214 | 98.43 |
| Other net assets | | 344,514 | 1.57 |
| Total net assets as at 30 June 2020 | | <hr/> 21,992,728 | 100.00 |
| Total investments, at cost | | <hr/> <hr/> 21,826,213 | |

**DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
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**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)
FOR THE PERIOD FROM 16 Sept 2019 TO 30 June 2020**

| | 16 Sept 2019 | Additions | Bonus /Dividends | Deductions | 30 June 2020 |
|---|-----------------|-----------|---------------------|-------------|-----------------|
| BINHAI INVESTMENT CO LTD 4.45% S/A 30NOV2020 | - | 1,000,000 | - | - | 1,000,000 |
| CAIYUN INTL INVESTMENT LTD 5.5% S/A 08APR2022 | - | 1,800,000 | - | (1,800,000) | - |
| CENTRAL CHINA REAL ESTATE LTD 6.75% S/A 08NOV2021 | - | 500,000 | - | - | 500,000 |
| CENTRAL CHINA REAL ESTATE LTD 8.75% S/A 23JAN2021 | - | 950,000 | - | (950,000) | - |
| CFLD CAYMAN INVESTMENT LTD 6.92% S/A 16JUN2022 | - | 2,000,000 | - | - | 2,000,000 |
| CHANG DEVELOPMENT INTL LTD 5.7% S/A 08NOV2021 | - | 400,000 | - | - | 400,000 |
| CHINA AOYUAN GROUP LTD 6.35% S/A 08FEB2024 | - | 500,000 | - | - | 500,000 |
| CHINA EVERGRANDE GROUP 6.25% S/A 28JUN2021 | - | 1,000,000 | - | - | 1,000,000 |
| CHINA EVERGRANDE GROUP 9.5% S/A 11APR2022 | - | 1,000,000 | - | - | 1,000,000 |
| COUNTRY GARDEN HLDGS CO LTD 7.125% S/A 25APR2022 | - | 400,000 | - | (400,000) | - |
| DALIAN DETA HLDG CO LTD 5.95% S/A 29JUL2022 | - | 1,800,000 | - | - | 1,800,000 |
| EASY TACTIC LTD 7% S/A 25APR2021 | - | 1,500,000 | - | - | 1,500,000 |
| EASY TACTIC LTD 8.75% S/A 10JAN2021 | - | 1,330,000 | - | (1,000,000) | 330,000 |
| E-HOUSE CHINA ENTERPRISE HLDGS LTD 7.75% S/A 28FEB2021 | - | 1,800,000 | - | - | 1,800,000 |
| ENN CLEAN ENERGY INTL INVESTMENT LTD 7.5% S/A 27FEB2021 (FUNGED) | - | 1,000,000 | - | (1,000,000) | - |
| FANTASIA HLDGS GROUP CO LTD 10.75% S/A 22JAN2020 | - | 1,500,000 | - | (1,500,000) | - |
| GREENLAND GLOBAL INVESTMENT LTD 3M L+4.85% Q 26SEP2021 | - | 1,000,000 | - | (1,000,000) | - |
| GREENLAND GLOBAL INVESTMENT LTD 6.25% S/A 16DEC2022 | - | 1,000,000 | - | - | 1,000,000 |
| GUANGXI FINANCIAL IINVESTMENT GROUP CO LTD 5.75% S/A 23JAN2021 | - | 1,800,000 | - | - | 1,800,000 |
| HEJUN SHUNZE INVESTMENT CO LTD 11% S/A 04JUN2022 | - | 1,500,000 | - | - | 1,500,000 |
| HEJUN SHUNZE INVESTMENT CO LTD 11% S/A 20SEP2020 | - | 1,500,000 | - | (1,500,000) | - |
| HEJUN SHUNZE INVESTMENT CO LTD 12% S/A 25APR2021 | - | 300,000 | - | - | 300,000 |
| HONGKONG BAORONG DEVELOPMENT LTD 6.25% S/A 04DEC2021 | - | 500,000 | - | - | 500,000 |



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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
FOR THE PERIOD FROM 16 Sept 2019 TO 30 June 2020

| | 16 Sept 2019 | Additions | Bonus /Dividends | Deductions | 30 June 2020 |
|--|-------------------------|------------------|-----------------------------|-------------------|-------------------------|
| LOGAN GROUP CO LTD 5.75% S/A 03JAN2022 | - | 1,000,000 | - | (1,000,000) | - |
| NEW DIAN GROUP PTE LTD 7.375% S/A 23APR2021 | - | 1,800,000 | - | - | 1,800,000 |
| NUOXI CAPITAL LTD 7.875% S/A 24JUN2021 | - | 1,000,000 | - | (1,000,000) | - |
| RONSHINE CHINA HLDGS LTD 11.25% S/A 22AUG2021 | - | 2,000,000 | - | (1,000,000) | 1,000,000 |
| RONSHINE CHINA HLDGS LTD 8.25% S/A 01FEB2021 | - | 300,000 | - | (300,000) | - |
| SEAZEN GROUP LTD 6.45% S/A 11JUN2022 | - | 1,000,000 | - | (1,000,000) | - |
| SHANDONG IRON AND STEEL XINHENG INTL CO LTD 6.85% S/A 25SEP2022 | - | 1,000,000 | - | (1,000,000) | - |
| UNION LIFE INSURANCE CO LTD 3% S/A 19SEP2021 | - | 1,600,000 | - | - | 1,600,000 |
| URUMQI GAOXIN INVESTMENT AND DEVELOPMENT GROUP CO LTD 5.2% S/A 20DEC2020 | - | 200,000 | - | (200,000) | - |
| XINYUAN REAL ESTATE CO LTD 9.875% S/A 19MAR2020 | - | 700,000 | - | (700,000) | - |
| ZHAOHAI INVESTMENT BVI LTD 4% S/A 23JUL2020 | - | 1,000,000 | - | (1,000,000) | - |
| ZHENENG JINJIANG ENVIRONMENT HLDG CO LTD 6% S/A 27JUL2020 | - | 1,000,000 | - | (1,000,000) | - |
| ZHONGLIANG HLDGS GROUP CO LTD 8.75% S/A 27JUN2021 | - | 1,000,000 | - | - | 1,000,000 |



**DCI INVESTMENT TRUST
DA CHENG TOTAL RETURN BOND FUND
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**PERFORMANCE RECORD (UNAUDITED)
AS AT 30 June 2020**

Net asset value

| | Net asset value | Net asset value per unit | Net asset value per unit | Net asset value per unit | Net asset value per unit |
|---|--------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | USD | USD | USD | HKD | USD |
| At the end of the financial period ended | | Class M | Class A | Class A | Class I |
| 30 June 2020 | 21,992,728 | 9.86 | 9.79 | 9.83 | 10.43 |

Highest and lowest net asset value per unit

| Financial period ended 30 June 2020 | Highest subscription price per unit | Lowest redemption price per unit |
|--|--|-------------------------------------|
| Class M USD | 10.08 | 9.23 |
| Class A USD | 10.00 | 9.20 |
| Class A HKD | 10.06 | 9.25 |
| Class I USD | 10.45 | 10.00 |