



China Asset Management Co., Ltd.

April 2024

***This is a Mainland fund authorized for public offering in Hong Kong pursuant to Mainland-Hong Kong Mutual Recognition of Funds arrangement.***

***This statement provides you with key information about this product.***

***This statement is part of the offering document.***

***You should not invest in this product based on this statement alone.***

### Quick facts

<b>Fund Manager:</b>	China Asset Management Co., Ltd.
<b>Custodian:</b>	Bank of China Limited
<b>Ongoing charges over a year#:</b>	Class H: 1.75%
<b>Dealing frequency:</b>	Each Hong Kong Dealing Day – i.e. a business day in both Mainland China and Hong Kong
<b>Base currency:</b>	RMB
<b>Dividend policy:</b>	Class H: Dividend, if declared, will be paid at such times at the discretion of the Manager for at least once in a year. Distributions may be paid out of capital or effectively paid out of capital.
<b>Financial year end of this fund:</b>	31 December
<b>Minimum investment:</b>	Class H: RMB1,000 minimum initial investment, RMB1,000 minimum subsequent investment

# The ongoing charges figure is based on expenses for the year ended 31 December 2023. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the unit class expressed as a percentage of the average net asset value of the unit class.

### What is this product?

ChinaAMC Return Securities Investment Fund (the “Fund”) is a fund constituted under the laws of the Mainland China and its home regulator is the China Securities Regulatory Commission (“CSRC”).

### Objectives and Investment Strategy

#### Objectives

The investment objective of the Fund is to seek to minimise losses to the assets of the Fund whilst maximising the absolute return every year.

#### Strategy

The Fund may invest in the financial instruments with good liquidity, including stocks, bonds, warrants, asset-backed securities publicly issued and listed within China according to the relevant laws and other financial instruments permitted by the CSRC. Bonds include but are not limited to treasury bonds, financial bonds and corporate bonds (including convertible bonds) by Mainland Chinese issuers.

The Fund is a mixed fund primarily investing (i.e. at least 80% of its net asset value) in both equity and debt securities. The equity investment of the Fund may not exceed 95% of its net asset value and shall focus on value stocks, while the debt investment of the Fund shall focus on treasury bonds, financial bonds and enterprise (corporate) bonds (including convertible bonds) with credit rating of BBB or above being rated by any of the Mainland Chinese credit rating agencies (or guaranteed by the institution with high credit rating or collateralized by high quality assets). Cash and government bonds with maturity less than one year should not be less than 5% of the Net Asset Value of the Fund.

The Fund may invest in urban investment bonds and asset-backed securities. The Fund currently does not intend to invest in debt securities rated BBB- or below by a Mainland Chinese credit rating agency or unrated.

In pursuing value strategy for equity investments, the Fund will select equity securities for which:

- (i) the market capitalisation reaches or exceeds RMB 2 billion and the free float market capitalisation reaches or exceeds RMB 800 million; and/or
- (ii) the price earning ratio (P/E ratio) is lower than the market average, and in particular, the P/E ratio after adjustment for the company's future business development growth rate is relatively low.

The Fund will maximize the return on debt investment through sector allocation, as well as, management of yield curve and duration.

The Fund currently does not intend to invest in any financial derivative instruments including warrants for investment purposes. Where the Fund invests in financial derivative instruments, such instruments will be used for hedging purposes only. If there is a change in such intention, prior regulatory approval, if required, will be sought and where necessary, Fund Unitholder's approval will be obtained. Also, at least one month's prior notice will be given to Fund Unitholders.

The Fund may be leveraged by way of borrowing, margin facilities/financing, repurchase transactions, reverse repurchase transactions, other similar transactions or otherwise. The level of total leverage will not exceed 40% of the net asset value of the Fund.

The Fund does not currently intend to engage in securities lending. Provided that the minimum investment requirements for meeting the Fund's investment objectives and strategy and the other applicable regulatory requirements are complied with, the Fund may enter into repurchase transactions on the exchange market and interbank market in Mainland China for up to 40% of the Fund's net asset value, and is not subject to any limit when entering into reverse repurchase transactions in the exchange market and interbank market in Mainland China.

For details relating to the investment objectives and strategy of the Fund, please refer to the section headed "X. Investments of Fund" of the Prospectus.

## **Use of derivatives / investment in derivatives**

The Fund's net derivative exposure may be up to 50% of the Fund's NAV.

## **What are the key risks?**

**Investment involves risks and there is no guarantee of the repayment of principal. Please refer to the offering document for details including the risk factors.**

### **1. Investment risk**

- The Fund is an investment fund. The Fund may lose value and there is no guarantee of repayment of principal or payment of dividends or distributions. Further, there is no guarantee that the Fund will be able to achieve its investment objectives and there is no assurance that the stated strategies can be successfully implemented.

2. Risks associated with the Mainland-Hong Kong Mutual Recognition of Funds (“MRF”) arrangement

- *Quota restrictions:* The MRF scheme is subject to an overall quota restriction. Subscription of units in the Fund may be suspended at any time if such quota is used up.
- *Failure to meet eligibility requirements:* If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst scenario, the SFC may even withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.
- *Mainland China tax risk:* Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland China tax laws and regulations will not change. Any change to the existing concessions and exemptions as well as the relevant laws and regulations may adversely affect the Fund and/or its investors and they may suffer substantial losses as a result.
- *Different market practices:* Market practices in Mainland China and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemption of units of the Fund may only be processed on a day when both Mainland China and Hong Kong markets are open, or it may have different cut-off times or dealing day arrangements versus other SFC-authorized funds. Investors should ensure that they understand these differences and their implications.

3. Concentration risk / Mainland market risk

- The Fund invests primarily in securities related to the Mainland China market and may be subject to additional concentration risk. Investing in the Mainland China market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

4. RMB currency and conversion risks

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors’ base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor’s investment in the Fund.
- Investors may not receive RMB upon redemption of investments and/or dividend payment or such payment may be delayed due to the exchange controls and restrictions applicable to RMB.

5. Mainland China equity risk

- *Market risk:* The Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- *Volatility risk:* High market volatility and potential settlement difficulties in the Mainland China equity markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.
- *Policy risk:* Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.
- *Risk associated with small-capitalisation / mid-capitalisation companies:* The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger

capitalisation companies in general.

- *High valuation risk:* The stocks listed on the Mainland China stock exchanges may have a higher price-earnings ratio. Therefore, such high valuation may not be sustainable.
- *Liquidity risk:* Securities markets in Mainland China may be less liquid than other developed markets. The Fund may suffer substantial losses if it is not able to dispose of investments at a time it desires.

6. Mainland debt securities risk

- *Volatility and liquidity risks:* The Mainland China debt securities markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations.
- *Counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.
- *Interest rate risk:* Investment in the Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- *Downgrading risk:* The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Credit rating agency risk:* The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.
- *Risk associated with urban investment bonds:* The Fund may invest in urban investment bonds. Urban investment bonds are issued by local government financing vehicles (“LGFVs”), such bonds are typically not guaranteed by local governments or the central government of the Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Fund could suffer substantial loss and the net asset value of the Fund could be adversely affected.
- *Risk associated with asset-backed securities:* The Fund may invest in asset-backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

7. Risks relating to reverse repurchase transactions

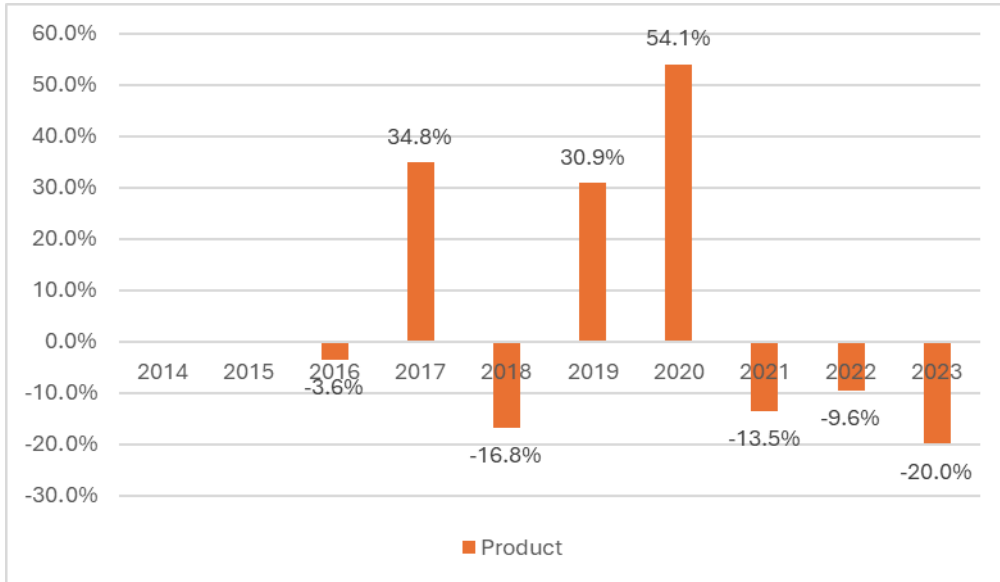
- The Fund Manager may enter into reverse repurchase transactions for the account of the Fund. The collateral pledged under the reverse repurchase transactions in the interbank market may not be marked to market. In addition, the Fund may suffer substantial loss when engaging in reverse repurchase transactions as there may be delays and difficulties in recovering the cash placed out or realizing the collateral, or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inadequate valuation of the collateral and market movements upon default of the counterparty.

8. Risks associated with distributions out of capital

- Fund Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Fund Unitholder’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Fund’s capital or (as the case may be) payment of distributions effectively out of the Fund’s capital may result in an immediate reduction of

the net asset value per unit.

## How has the Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the Class H Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- When no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 5 September 2003
- Class H launch date: 29 December 2015
- Class H is a unit class open for investment by Hong Kong retail investors and denominated in the Fund's base currency.

## Is there any guarantee?

This Fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges which may be payable by you

You may have to pay the following fees when dealing in the Fund.

<u>Fees</u>	<u>What you pay</u>
<b>Subscription fee</b>	Up to 5% of the subscription price
<b>Switching fee</b>	Not applicable
<b>Redemption fee</b>	0.125% of the redemption price

### Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

<b>Fees</b>	<b>Annual rate (as a % of the net asset value of the Fund)</b>
<b>Management fee</b>	1.20%
<b>Custodian fee</b>	0.20%
<b>Performance fee</b>	Not applicable
<b>Administration fee</b>	Not applicable

**Other fees**

You may have to pay other fees and charges when dealing in the Fund.

**Additional Information**

- You generally buy and redeem units at the Fund's next-determined net asset value after an authorised distributor receives your request in good order on or before 3:00 p.m. (Hong Kong time) being the dealing cut-off time. Certain authorised distributor(s) may impose earlier dealing deadlines for receiving requests from investors. Investors should check with the relevant authorised distributors accordingly. In addition, there may be changes to the dealing and cut-off time arrangements as a result of market events. You should inquire with the Hong Kong Representative or the authorised distributors for the related dealing and cut-off time arrangements.
- The net asset value of the Fund is calculated and the price of units published each "Hong Kong Dealing Day". They are available online on the website of the Hong Kong Representative at <http://www.chinaamc.com.hk/>.
- Investors should visit the website of the Hong Kong Representative at <http://www.chinaamc.com.hk/> for the latest notices relating to the Fund.
- Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months would be made available by the Hong Kong Representative on request and also on the Hong Kong Representative's website at [www.chinaamc.com.hk](http://www.chinaamc.com.hk/).
- The aforementioned website has not been reviewed by the SFC.

**Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.