

# PRODUCT KEY FACTS

ChinaAMC Select Fund -

ChinaAMC Select Dynamic Fixed Income Fund (the “Sub-Fund”)

April 2024



- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of ChinaAMC Select Fund (“Explanatory Memorandum”).***
- ***You should not invest in this product based on this statement alone.***

## Quick facts

Fund Manager	China Asset Management (Hong Kong) Limited (the “ <b>Manager</b> ”)
Trustee:	BOCI-Prudential Trustee Limited
Custodian:	Bank of China (Hong Kong) Limited
Base currency:	USD
Financial year end of the Sub-Fund:	31 December
Dealing frequency:	Daily
Distribution policy:	<u>Distributing Units</u> Currently quarterly, subject to the discretion of the Manager. Distributions may be paid out of capital or effectively paid out of capital, which will result in an immediate reduction of the net asset value per Unit.
	<u>Accumulating Units</u> No dividends will be declared or distributed. All interest and other income earned on the investment will be accumulated and re-invested into the Sub-Fund on behalf of Unitholders of the Classes of accumulating Units.
Ongoing charges over a year:	Class A USD Units (ACC/DIST): 0.68%^ Class A HKD Units (ACC/DIST): 0.68%^ Class A RMB Units (ACC/DIST): 0.68%^ Class A HKD (Hedged) Units (ACC/DIST): 0.68%^ Class A RMB (Hedged) Units (ACC/DIST): 0.68%^ Class I USD Units (ACC): 0.48%^ Class I USD Units (DIST): 0.48%^ Class I HKD Units (ACC/DIST): 0.48%^ Class I RMB Units (ACC/DIST): 0.48%^

^ As the unit class has not yet been launched, the figure is an estimate only and represents the sum of the estimated ongoing expenses chargeable to the relevant unit class expressed as a percentage of the estimated average net asset value of the relevant unit class. The actual figure may be different upon actual operation of the Sub-Fund and may vary from year to year.

^As the unit class is newly launched, the figure is an estimate only and represents the sum of the estimated ongoing expenses chargeable to the relevant unit class expressed as a percentage of the estimated average net asset value of the relevant unit class. The actual figure may be different upon actual operation of the Sub-Fund and may vary from year to year.

Minimum subscription and holding:

<b>Class</b>	<b>Initial</b>	<b>Additional</b>	<b>Holding</b>
Class A USD Units (ACC/DIST)	USD 1	USD 1	USD 1
Class A HKD Units (ACC/DIST)	HKD 1	HKD 1	HKD 1
Class A RMB Units (ACC/DIST)	RMB 1	RMB 1	RMB 1
Class A HKD (Hedged) Units (ACC/DIST)	HKD 1	HKD 1	HKD 1
Class A RMB (Hedged) Units (ACC/DIST)	RMB 1	RMB 1	RMB 1
Class I USD Units (ACC/DIST)	USD 1,000,000	USD 1,000,000	USD 1,000,000
Class I HKD Units (ACC/DIST)	HKD 1,000,000	HKD 1,000,000	HKD 1,000,000
Class I RMB Units (ACC/DIST)	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000

Minimum redemption:

Class A USD Units (ACC/DIST): USD 1  
 Class A HKD Units (ACC/DIST): HKD 1  
 Class A RMB Units (ACC/DIST): RMB 1  
 Class A HKD (Hedged) Units (ACC/DIST): HKD 1  
 Class A RMB (Hedged) Units (ACC/DIST): RMB 1  
 Class I USD Units (ACC/DIST): USD 10,000  
 Class I HKD Units (ACC/DIST): HKD 10,000  
 Class I RMB Units (ACC/DIST): RMB 10,000

### What is this product?

- ChinaAMC Select Dynamic Fixed Income Fund is a sub-fund of ChinaAMC Select Fund, a Hong Kong domiciled umbrella structure unit trust. It is governed by the laws of Hong Kong.

### Investment Objective

The Sub-Fund seeks to achieve income and capital appreciation by primarily investing, directly or indirectly, not less than 70% of the Net Asset Value of the Sub-Fund in fixed income instruments worldwide, with the weighted average duration of the portfolio maintained by the Sub-Fund not exceeding 3 years. There is no limit on the duration of individual securities held by the Sub-Fund.

## **Investment Strategy**

### Primary Investment

The fixed income instruments that the Sub-Fund may invest in will be issued or guaranteed by supranational bodies, governments, government agencies, local authorities, and companies in any sector. These instruments include but are not limited to bonds, fixed and floating rate securities, convertible bonds, contingent convertible bonds (hereinafter “**CoCos**”) with features of bank capital of Additional Tier 1 and Tier 2, and money market instruments (including but not limited to short-term deposits, certificates of deposit, bankers’ acceptances and money market funds managed by a third party, the Manager, or its Connected Persons) denominated in any currency. The Sub-Fund’s investment in money market instruments shall be less than 30% of its Net Asset Value.

The Sub-Fund does not intend to invest more than 30% of its Net Asset Value in any single country or region, other than Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan). The Sub-Fund may invest in aggregate up to 100% of its Net Asset Value in Greater China, subject to the limit on Mainland China exposure as elaborated below. It is not intended that the Sub-Fund will be concentrated in any single country or region (other than Greater China) or sector as a result of a predetermined investment strategy.

### Credit Rating

Not more than 20% of the Sub-Fund’s Net Asset Value may be invested in fixed income instruments which are below investment grade or are unrated (excluding collective investment schemes), and in case if the instrument itself does not have a credit rating, reference would be made to the credit rating of the issuer or the guarantor. For the purpose of the Sub-Fund, “investment grade” means Baa3 or BBB- or above by Standard & Poor’s, Fitch, Moody’s or another internationally recognized credit rating agency, or AA+ or above by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd or equivalent ratings by one of the local rating agencies recognized by the relevant authorities in Mainland China. And, an “unrated fixed income instrument” is defined as an instrument which neither the instrument itself, its issuer nor its guarantor has a credit rating.

The sovereign rating will be adopted for fixed income instruments issued by governments and government-related bodies. No more than 10% of the Sub-Fund’s Net Asset Value will be invested in securities issued and/or guaranteed by any single country with a credit rating below investment grade or unrated.

### Mainland China Exposure

The Sub-Fund will not invest in fixed income instruments issued in Mainland China for more than 20% of its Net Asset Value. The Sub-Fund may invest in the foregoing via the Manager’s QFI quota, the PRC interbank bond markets under Foreign Access Regime, Bond Connect and/or other means as may be permitted by the relevant regulations. For the avoidance of doubt, the Sub-Fund will not invest in China A Shares or B Shares.

With the possible investments in Chinese government bonds, bills or notes or Chinese corporate bonds issued offshore, the Sub-Fund’s aggregate exposure to Mainland China (i.e. investments in onshore and offshore securities issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in Mainland China) may be up to 60% of its Net Asset Value. Such exposure may include investments in “Dim Sum” bonds, i.e. bonds issued outside of Mainland China but denominated in RMB. For the avoidance of doubt, investment in time deposits, cash deposits, certificates of deposits, commercial papers and bankers’ acceptances issued by the Hong Kong branches of Chinese banks are not considered an exposure to Mainland China.

Subject to the above restriction on Mainland China onshore investments, the Sub-Fund may invest less than 20% of its Net Asset Value in urban investment bonds (城投債) (i.e. fixed income instruments issued by Mainland China local government financing vehicles (“**LGFVs**”), which are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects) which can be issued within or outside of Mainland China.

### Ancillary Investments

The Sub-Fund may invest up to 30% of its Net Asset Value in fixed income instruments with loss-absorption features (including CoCos (Additional Tier 1 and Tier 2 Capital Instruments), senior non-preferred debt securities, instruments issued under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and other similar instruments that may be issued by banks or other financial institutions). These

instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest up to 10% of its Net Asset Value in convertible bonds.

The Sub-Fund may invest in collective investment schemes managed by a third party, the Manager, or its Connected Persons. Such schemes may include money market funds. Less than 30% of the Sub-Fund's Net Asset Value may in aggregate be invested in collective investment schemes which are either authorized by the SFC or are eligible schemes as defined in the SFC's Code on Unit Trusts and Mutual Funds. The Sub-Fund's investment in collective investment schemes which are non-eligible schemes and not authorised by the SFC may not in aggregate exceed 10% of its Net Asset Value.

The Sub-Fund may invest in financial derivative instruments for hedging purpose only.

The Sub-Fund may invest no more than 10% of its Net Asset Value in structured products, but does not intend to invest in other collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers).

Up to 30% of the Sub-Fund's Net Asset Value may in aggregate be engaged in securities lending, repurchase or reverse repurchase transactions and other similar over-the-counter transactions. The Sub-Fund may borrow up to 10% of its Net Asset Value on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The Sub-Fund may hold up to 30% of its Net Asset Value in cash under normal market conditions, but may hold up to 90% of its Net Asset Value in cash and money market instruments for liquidity management and/or defensive purposes on a temporary basis under exceptional circumstances such as in times of extreme volatility of the markets or during severe adverse market conditions.

### Use of Derivatives / Investment in Derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

### What are the key risks?

**Investment involves risks. For further information on risk, refer to the Sub-Fund's Explanatory Memorandum.**

#### 1. Investment risk

- The Sub-Fund is an investment fund and not a bank deposit. The Sub-Fund may both gain and lose value and there is no guarantee of repayment of capital.

#### 2. Fixed income instruments risk

- **Volatility and Liquidity risk** – The Sub-Fund may invest in fixed income securities which are not listed or actively traded, and as a consequence tend to be less liquid and more volatile. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.
- **Credit Risk** – The Sub-Fund is exposed to the credit/insolvency risk of issuers of the fixed income securities that the Sub-Fund may invest in.
- **Interest Rate Risk** – Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- **Credit Rating Risk** – Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times.

- **Valuation Risk** – Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations turn out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.
- **Downgrade Risk** – The credit rating of an issuer or a fixed income instrument may subsequently be downgraded due to changes in the financial strength of an issuer or changes in the credit rating of a fixed income instrument. In the event of downgrading in the credit ratings of a fixed income instrument or an issuer relating to such instrument, the Sub-Fund’s investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the fixed income instruments that are being downgraded.
- **Sovereign Debt Risk** – Investment in sovereign debt obligations issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.
- **Risks associated with “Dim Sum” bonds** – The “Dim Sum” bond market is still a relatively small market. As with some global fixed income markets, it may be more susceptible to volatility and illiquidity, and should there be any new rules which limit or restrict the ability of issuers to raise RMB funding by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB market by the relevant regulator(s), the operation of the “Dim Sum” bond market and new issuances could be disrupted and potentially cause a fall in the Net Asset Value of the Sub-Fund.

### 3. Greater China concentration risk

- The Sub-Fund’s investments may be concentrated in the Greater China markets (including the Mainland China markets). The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse political, tax, economic, foreign exchange, liquidity, policy, legal and regulatory risk affecting the markets in which the Sub-Fund invests.

### 4. Emerging market risk

- The Sub-Fund invests in emerging markets (including Mainland China) which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

### 5. 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 Sub-Fund.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

### 6. Risks associated with investment in fixed income instruments with loss-absorption features

- Fixed income instruments with loss-absorption features are subject to greater risks when compared to traditional fixed income instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of certain pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer’s capital ratio falls to a specified level), which are likely to be outside of the issuer’s control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

- In the event of the activation of a trigger, there may be potential price contagion and volatility caused by fixed income instruments with loss-absorption features to the entire asset class. Fixed income instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.
- The Sub-Fund may invest in CoCos which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.
- The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

## 7. Foreign currency risk

- The Sub-Fund's investments may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

## 8. Risks associated with securities lending, repurchase or reverse repurchase transactions

- **Securities lending transactions** – Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.
- **Repurchase transactions** – In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.
- **Reverse and repurchase transactions** – In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

## 9. Risks associated with investment in financial derivative instruments and hedging

- The Sub-Fund may acquire financial derivative instruments for hedging and in adverse situations, such hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested by the Sub-Fund. A financial derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

## 10. Risks associated with distributions out of capital

- Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction of the net asset value per Unit.
- The distribution amount and Net Asset Value of the hedged unit classes may be adversely affected by differences in the interest rates of the reference currency of the hedged unit classes and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes.

## How has the Sub-Fund performed?

As the Sub-Fund is newly launched, there is insufficient data to provide a useful indication of past performance to investors.

## Is there any guarantee?

The Sub-Fund makes no guarantee of investment return or avoidance of loss. 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 units of the Sub-Fund.

Fee	What you pay
Subscription fee*	Up to 5% of the amount you buy <sup>^</sup>
Conversion or switching fee*	Up to 1% of the total redemption proceeds of the original Class of Units <sup>^</sup>
Redemption fee	None

<sup>^</sup> Investor should check with the distributor for the current level of the subscription and conversion fee. Please note that no subscription fee is payable in respect of subscription for Class I Units.

### Ongoing fees payable by the Sub-Fund

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

	Annual rate (as a % p.a. of the Net Asset Value)
Management fee**:	At 0.40% per annum for Class A Units At 0.20% per annum for Class I Units
Trustee fee*:	Up to 0.50% per annum (current level up to 0.10% per annum) of the Sub-Fund's value and subject to a minimum monthly fee of USD4,200
Custodian fee*:	Up to 0.10% per annum of the Sub-Fund's value (current level up to 0.05% per annum)
Performance fee:	Not applicable

\* You should note that the subscription fee, conversion / switching fee, management fee, trustee fee, and custodian fee might be increased up to the specified permitted maximum level by providing not less than one month's prior notice to Unitholders.

# Where the Sub-Fund invests in funds which are managed by the Manager or its connected persons (the "underlying funds"), the Manager will procure that the underlying fund(s) will not charge any management fee in order to ensure no double-charging of management fees.

### Other fees

You may have to pay other fees when dealing in the units of the Sub-Fund.

## Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the trustee receives your request in good order on or before 4:00 p.m. (Hong Kong time) being the dealing cut-off time. Different distributors may impose different dealing deadlines for receiving requests from investors.



- The Net Asset Value is calculated and the price of units is published each Business Day on the company website of the Manager.
- Compositions of the distributions (if any) (i.e. the relative amounts / percentages paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the following website: [www.chinaamc.com.hk](http://www.chinaamc.com.hk). This website has not been reviewed by the SFC.
- For further information on the past performance of unit classes offered to Hong Kong investors, please refer to following website: [www.chinaamc.com.hk](http://www.chinaamc.com.hk). This 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.