

Issuer: China Asset Management
(Hong Kong) Limited

PRODUCT KEY FACTS

ChinaAMC Investment Trust

ChinaAMC Strategic Fixed Income Fund



November 2024

- *This statement provides you with key information about ChinaAMC Strategic Fixed Income Fund (the “Fund”).*
- *This statement is a part of the Fund’s Explanatory Memorandum.*
- *You should not invest in this product based on this statement alone.*

Quick facts

Manager:	China Asset Management (Hong Kong) Limited
Trustee:	Cititrust Limited
Custodian:	Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability), Hong Kong Branch
Ongoing charges over a year[#]:	Class A Units: 1.13% Class I Units: 0.28%
Dealing frequency:	Daily (Hong Kong business days)
Base currency:	United States Dollars (USD)
Dividend policy:	<p>Accumulation classes (classes marked (Acc) below): No dividend distributions to Unitholders. All interest and other income earned on investments will be accumulated and re-invested into the Fund on behalf of the Unitholders of the relevant accumulation classes.</p> <p>Distribution classes (classes marked (Dist) below): Quarterly, subject to the Manager’s discretion. Distribution, if any, will be paid in the currency of the relevant class.</p> <p>Dividends may be paid out of capital, or out of gross income and all or part of the fees and expenses may be charged to capital at the Manager’s discretion, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital. This may result in an immediate reduction of Net Asset Value per Unit.</p>

[#] As the Fund is newly set up, the figure is a best estimate only and represents the sum of the estimated ongoing expenses chargeable to the relevant class over a 12-month period expressed as a percentage of the estimated average Net Asset Value of the relevant class over the same period. The figure may be different upon actual operation of the relevant class of the Fund and may vary from year to year.

Financial year end of the Fund:	31 December	
Minimum initial investment, minimum subsequent subscription, minimum holding and minimum realisation amount:	Class A USD (Acc) Units /	USD10
	Class A USD (Dist) Units:	
	Class A HKD (Acc) Units /	HKD100
	Class A HKD (Dist) Units:	
	Class A RMB (Acc) Units /	RMB100
	Class A RMB (Dist) Units:	
	Class A RMB Hedged (Acc) Units /	RMB100
	Class A RMB Hedged (Dist) Units:	
	Class I USD (Acc) Units /	USD100,000
Class I USD (Dist) Units:		
Class I HKD (Acc) Units /	HKD1,000,000	
Class I HKD (Dist) Units:		
Class I RMB (Acc) Units /	RMB1,000,000	
Class I RMB (Dist) Units:		
Class I RMB Hedged (Acc) Units /	RMB1,000,000	
Class I RMB Hedged (Dist) Units:		

What is this product?

The Fund is a sub-fund of ChinaAMC Investment Trust (the "Trust") which is a trust established as an umbrella fund. The Trust is governed under the laws of Hong Kong.

Objective and Investment Strategy

Objective

The investment objective of the Fund is to achieve income and long-term capital appreciation. There can be no assurance that the Fund will achieve its investment objective.

Strategy

The Fund intends to strategically allocate its assets in terms of geographic region, market, credit rating, duration etc. based on economic cycle and mid-to-long-term market outlook after thorough research and analyses, which may take into account macroeconomic factors, industry trends, company fundamentals and other considerations. The strategic asset allocations may evolve and change over time following the change of market conditions. The Fund may prioritise long-term investments over short-term trades, aiming for sustainable growth and value creation.

Primary investments

The Fund seeks to achieve its investment objective by directly or indirectly investing not less than 70% of its Net Asset Value ("NAV") in fixed income and debt securities worldwide (including mortgage backed securities), which may include investment grade, non-investment grade and/or unrated fixed income and debt securities, with no limit on geographic region or market. The Fund's investment in mortgage backed securities will be limited to mortgage backed securities that are of investment grade and will not be more than 50% of its NAV.

The Fund may invest all of its assets in fixed income and debt securities that are rated investment grade. The Fund may also, in circumstances where the Manager considers appropriate taking into account market conditions and economic cycle with a view to enhancing income in the mid-to-long

term, invest all of its assets in fixed income and debt securities that are rated below investment grade or unrated. A long-term fixed income or debt security is considered investment grade if its credit rating is BBB- or higher by Standard & Poor's or Fitch Ratings or Baa3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. A short-term fixed income or debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. For PRC fixed income and debt securities, a long-term fixed income or debt security is considered investment grade if it has a minimum credit rating of AA+, and a short-term fixed income or debt security is considered investment grade if it has a minimum credit rating of A-1, as rated 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 recognised by the relevant authorities in the PRC. For split credit ratings, the highest rating shall apply.

For a fixed income or debt security which itself does not have a credit rating, the Manager will assess the security by reference to the credit rating of the issuer or the guarantor. For the purpose of the Fund, "unrated" refers to where neither the security itself, its issuer nor its guarantor has a credit rating.

The Manager will also conduct its own assessment of the credit risks of the fixed income and debt securities on an ongoing basis based on quantitative and qualitative fundamentals, including but not limited to the leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, competitive position and corporate governance etc. of the issuer and/or guarantor to ensure that the fixed income and debt securities in which the Fund invests is of sound credit quality.

The fixed income and debt securities that the Fund may invest in will be issued or guaranteed by supranational bodies, governments, government agencies, local authorities, or companies in any sector. These securities include but are not limited to bonds, fixed and floating rate securities, mortgage backed securities, contingent convertible bonds (hereinafter "CoCos") with the features of Tier 2 Capital and money market instruments (such as 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 Fund's investment in money market instruments shall be less than 30% of its NAV.

The weighted average duration of the fixed income and debt securities in the Fund's portfolio will not exceed 5 years.

The Fund's investment horizon is not restricted geographically. The Fund may invest all of its assets in a single region or in global fixed income and debt securities. The Fund may invest all of its assets in developed markets or emerging markets, with no set proportion between investments in developed markets and emerging markets.

The Fund may invest no more than 30% of its NAV in securities issued in the PRC through the Manager's Qualified Foreign Investor ("QFI") status, the CIBM Direct (as defined in the Explanatory Memorandum), the initiative for mutual bond market access between Hong Kong and the PRC ("Bond Connect") and/or other means as may be permitted by the relevant regulations from time to time.

The Fund may invest no more than 30% of its NAV in onshore urban investment bonds (城投債), which are debt instruments issued by the PRC local government financing vehicles ("LGFVs") and traded in the listed bond market and inter-bank bond market in the PRC. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Fund may also invest up to 30% of its NAV in "Dim Sum" bonds (i.e. bonds issued outside of the PRC but denominated in RMB).

The Fund will not invest in perpetual bonds.

The Fund may also invest up to 30% of its NAV in debt instruments with loss-absorption features

(including 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 Fund will invest no more than 10% of its NAV in fixed income and debt securities that are issued and/or guaranteed by a single sovereign issuer which is below investment grade and/or unrated.

Ancillary investments

The Fund may invest no more than 30% of its NAV in one or more collective investment schemes which are either authorised by SFC or eligible schemes (as defined in the SFC's Code on Unit Trusts and Mutual Funds). The Fund may invest no more than 10% of its NAV in collective investment schemes which are non-eligible schemes (as defined by the SFC) and not authorised by the SFC. Such collective investment schemes include money market funds. Such collective investment schemes can be managed either by third parties or the Manager or its connected parties.

The Fund may hold up to 30% of its NAV in cash under normal market condition, except that under exceptional circumstances (such as market crash or major crisis), the Fund may hold up to 100% of its NAV in cash and money market instruments for liquidity management and/or defensive purposes on a temporary basis.

The Fund may utilise financial derivative instruments ("FDIs") for hedging, efficient portfolio management and/or investment purposes.

The Fund may conduct securities lending, sale and repurchase and/or reverse repurchase transactions (collectively, "securities financing transactions") in aggregate with a maximum level of up to 50% and expected level up to 40% of the Fund's NAV. Such sale and repurchase and reverse repurchase transactions will be conducted over-the-counter.

The Fund may borrow up to 10% of its NAV on a temporary basis for the purpose of meeting realisation requests or defraying operating expenses.

The Fund currently has no intention to invest in structured deposits, or to take any short positions. If any of these changes in the future, prior approval of the SFC will be sought (if required) and not less than one month's notice will be provided to Unitholders before the Fund enters into any such transaction.

Use of Derivatives / Investment in Derivatives

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

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. Investment risk

- The Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses. There is no guarantee on the repayment of principal.

2. Risk associated with fixed income and debt securities rated below investment grade or unrated

- The Fund may invest all of its assets in fixed income and debt securities rated below investment grade or unrated. Such securities are generally subject to lower liquidity, higher

volatility and greater risk of loss of principal and interest than high-rated fixed income and debt securities. In the extreme market circumstances, there may be no willing buyer and the investments cannot be readily sold at the desired times or prices. The Fund may have to accept a lower price to sell investments or may not be able to sell the investments at all. If sizeable redemption requests are received, the Fund may need to liquidate such securities at a discount in order to satisfy such request and the Fund may suffer losses.

3. Risks associated with fixed income and debt securities

- *Credit/counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the fixed income and debt securities that it may invest in.
- *Interest rate risk:* Investment in the Fund is subject to interest rate risk. In general, the prices of fixed income and debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- *Volatility and liquidity risk:* The fixed income and debt securities in emerging 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. The bid and offer spreads of the price of such securities may be large and the Fund may incur significant trading costs.
- *Credit rating/downgrading risk:* Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security, issuer and/or guarantor at all times. The credit rating of a fixed income or debt security or its issuer or guarantor 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 fixed income or debt securities that are being downgraded.
- *Sovereign debt risk:* The Fund's investment in fixed income and debt securities 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 Fund to participate in restructuring such debts. The Fund may suffer significant losses when there is a default of sovereign debt issuers.
- *Valuation risk:* Valuation of the Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the Fund.
- *PRC credit rating agency risk:* The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

4. Risk associated with mortgage backed securities

- The Fund may invest in mortgage backed securities of investment grade, which may be prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to regular bonds and debt securities. They may be 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.

5. Concentration risk

- The Fund's investments may be concentrated in one or more regions. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting such regions.

- The Fund may invest all of its assets in fixed income and debt securities rated below investment grade and/or unrated. The value of the Fund may be more volatile and subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than a fund having a more diverse portfolio of investments.

6. Emerging markets risk

- The Fund may invest all of its assets in emerging markets, 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.

7. Currency risk

- Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, a class of Units may be designated in a currency other than the base currency of the Fund. The NAV of the 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 financing transactions

- *Risks relating to 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.
- *Risks relating to sale and repurchase transactions:* In the event of the failure of the counterparty with which collateral has been placed, the 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.
- *Risks relating to reverse repurchase transactions:* In the event of the failure of the counterparty with which cash has been placed, the 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. PRC tax risk

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of the Fund's investments in the PRC via the QFI regime, CIBM Direct or Bond Connect (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.
- Based on professional and independent tax advice, the Fund (i) will not make PRC tax provision on interest income derived from PRC bonds traded through QFI, CIBM Direct or Bond Connect and (ii) will not make tax provision on the gross unrealised and realised capital gains derived from disposal of debt securities that may be subject to PRC tax.
- In respect of (i), any shortfall between any provision made and the actual tax liabilities, which will be debited from the Fund's assets, will adversely affect the Fund's NAV. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or realisations, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be). In respect of (ii), in the event that actual tax is levied on such capital gains from disposal of

PRC debt securities, the NAV of the Fund may be lowered as the Fund will ultimately have to bear the full amount of tax liabilities.

10. “Dim Sum” bond market risks

- The “Dim Sum” bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the NAV of the Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

11. Risks associated with debt instruments with loss-absorption features

- Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of 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 to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.
- The Fund may invest in contingent convertible debt securities, commonly known as 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 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.

12. FDIs / hedging risk

- The Fund may use FDIs for hedging, efficient portfolio management and/or investment purposes and in adverse situations its use of FDIs may become ineffective and/or cause the Fund to suffer significant loss.
- Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Fund. Exposure to FDI may lead to a high risk of significant loss by the Fund.

13. RMB currency risk, RMB denominated classes risk and hedged RMB denominated classes risk

- RMB is currently not freely convertible and is subject to exchange controls and restrictions and investors may be adversely affected by movements of the exchange rates between RMB and other currencies. Currency conversion is also subject to the Fund’s ability to convert the proceeds into RMB (due to exchange controls and restrictions applicable to RMB) which may also affect the Fund’s ability to meet realisation requests from Unitholders in RMB denominated classes of Units or to make distributions (if applicable), and may delay the payment of realisation proceeds or dividends (if applicable) under exceptional circumstances.

- Non-RMB based investors who invest in RMB denominated classes are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated classes of Units. 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.
- For hedged RMB denominated classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. There is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure. Also, hedging may preclude the hedged RMB denominated classes from benefiting from any potential gain resulting from the appreciation of the base currency against RMB.

14. Distribution out of/effectively out of capital risk

- Payment of dividends out of capital and/or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to such original investments. Any such distributions may result in an immediate reduction of the NAV per Unit of the relevant classes.
- The distribution amount and the NAV of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes and the 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 classes.

How has the Fund performed?

Since the Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

The 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 Units of the Fund.

Fee	What you pay
Preliminary charge*	Up to 3% of the amount you buy
Switching fee*	Nil
Redemption fee (i.e. Realisation charge)*	Nil

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.

	Annual rate (as a % of the Fund's NAV)
Management fee^{^*}	Class A Units: 1%

	Class I Units: 0.15%
Performance fee	Nil
Trustee fee*	0.05%, subject to a monthly minimum of USD4,000
Administrator fee	Included in Trustee fee
Custodian fee	0.03%, subject to a monthly minimum of USD500
Other fees	
You may have to pay other fees when dealing in the Units of the Fund.	
^ Where the Fund invests in funds managed by the Manager or Connected Persons (the "underlying funds"), the Manager will ensure that the underlying funds do not charge any management fees, thereby preventing double charging of management fees.	
* You should note that some fees may be increased, up to a specified permitted maximum, by giving affected Unitholders at least one month's prior notice. For details please refer to of the Explanatory Memorandum.	
Additional information	
<ul style="list-style-type: none"> • The Fund's dealing cut-off time is 4:00 p.m. on each dealing day. Before placing your subscription or realisation orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Fund's dealing cut-off time). • You generally buy and realise Units at the Fund's NAV as at the relevant dealing day. The NAV is generally finalised on the business day following the relevant dealing day. • The net asset value of the Fund is calculated and the price of Units published on each business day on the website www.chinaamc.com.hk (this website has not been reviewed by the SFC). • The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months (if any) are available on the Manager's website www.chinaamc.com.hk (this website has not been reviewed by the SFC). • Investors may obtain information on the distributor(s) appointed in respect of the Fund by making a telephone enquiry with the Manager on 3406 8686. 	
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.	