

Issuer: China Asset Management
(Hong Kong) Limited

PRODUCT KEY FACTS

ChinaAMC Investment Trust ChinaAMC Global Investment Grade Bond Fund



March 2022

- *This statement provides you with key information about ChinaAMC Global Investment Grade Bond Fund (the “Fund”).*
- *This statement is a part of the Fund’s offering document which should be read in conjunction with the 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: | Citibank, N.A. (Hong Kong branch) | | |
| Ongoing charges over a year: | Class A (USD) Units: 1.63%^ Class I (USD) Units: 1.23%# Class A (HKD Hedged) Units: 1.63%^ Class I (HKD Hedged) Units: 1.23%^ Class A (RMB Hedged) Units: 1.63%^ Class I (RMB Hedged) Units: 1.23%^ | | |
| Dealing frequency: | Daily | | |
| Base currency: | US Dollars (USD) | | |
| Dividend policy: | Annually, subject to the Manager’s discretion. Distributions will only be paid from net income after deduction of all fees and costs and no distributions will be paid out of or effectively out of capital of the Fund. All Units will receive distributions in USD only. | | |
| Financial year end of the Fund: | 31 December | | |
| Minimum investment: | Class of units | Initial | Additional |
| | Class A (USD) | USD2,000 | USD2,000 |
| | Class I (USD) | USD1,000,000 | USD1,000,000 |
| | Class A (HKD Hedged) | HKD10,000 | HKD10,000 |
| | Class I (HKD Hedged) | HKD5,000,000 | HKD5,000,000 |
| | China A (RMB Hedged) | RMB10,000 | RMB10,000 |
| | China I (RMB Hedged) | RMB5,000,000 | RMB5,000,000 |

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.

The ongoing charges figures are based on expenses for the year ended 31 December 2021. These figures may vary from year to year. They represent the sum of the ongoing expenses chargeable to the relevant Class expressed as a percentage of the average net asset value of such Class.

^ 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.

Objective and Investment Strategy

Investment Objective

The investment objective of the Fund is to provide Unitholders with long term capital growth primarily through investing in investment grade fixed income and debt instruments in markets worldwide.

Investment Strategy

The investment strategy of the Fund is to invest up to 100% of the Net Asset Value ("NAV") of the Fund in fixed income and debt instruments of varying maturities in markets worldwide.

Fixed income and debt instruments

At least 70% of the Fund's NAV will be invested in fixed income instruments with an investment grade rating (i.e. having a credit rating of Baa3 or BBB- or above by Standard & Poor's, Fitch, Moody's or another recognised credit rating agency) or fixed income instruments with issuers of investment grade rating if the instrument does not have a credit rating. Fixed income and debt instruments issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in the PRC invested by the Fund (or, in respect of an instrument which does not have a credit rating, its issuer) will carry a credit rating of AA+ or above rated by China Chengxin International Credit Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd or equivalent ratings by one of the local rating agencies recognised by the relevant authorities in Mainland China. The Fund will not invest in fixed income and debt instruments (including bonds) which are below investment grade or unrated. For the purpose of the Fund, a fixed income or debt instrument (including a bond) is "unrated" if neither itself nor its issuer has a credit rating.

Global fixed income and debt instruments include but are not limited to:

- bonds;
- fixed and floating rate securities;
- up to 10% of the NAV in convertible bonds;
- up to 30% of the NAV in instruments with loss-absorption features ("LAPs") of investment grade, which may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s), such as contingent convertible bonds ("CoCos") with the features of bank capital of Additional Tier 1 Capital or Tier 2 Capital and senior non-preferred debts; and
- less than 30% of the NAV in urban investment bonds (城投債) (urban investment bonds are debt instruments issued by local government financing vehicles ("LGFVs"); these LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects) and collateralised and/or securitised securities (including asset backed securities, mortgage backed securities and asset backed commercial paper) which are of investment grade.

For the avoidance of doubt, at least 70% of the Fund's NAV will be invested in bonds which are not money market instruments.

In a case that the Manager foresees any event of downgrade, removal of rating or default of the issuers of a fixed income or debt instrument, which is the usual case, the Manager will rebalance the Fund's portfolio prior to the occurrence of such event. If the Manager cannot foresee such event, it will remove the instrument from the Fund's portfolio as soon as practicable in view of the market circumstances after the occurrence of such event, taking due account of the interests of the Fund's investors. In any event, the rectification will be carried out within a reasonable period and will be done in a gradual and orderly manner in light of the then prevailing market conditions.

The Fund may invest no more than 10% its NAV in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade. Such investments are based on the professional judgment of the Manager in the best interest of investors whose reasons for investment may include a favourable / positive outlook on the sovereign issuer, potential for ratings upgrade and the expected changes in the value of such investments due to the ratings changes.

While it is not the intention of the Manager to invest primarily in any single country globally, the Fund's aggregate exposure to the PRC, including investments in offshore securities issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in the PRC and onshore

Mainland China securities (as further detailed below) may, on an occasional basis, be significant, but will be less than 60% of its NAV. The Manager does not anticipate that the Fund will invest more than 30% of its NAV in any single country other than the PRC. The Fund's aggregate exposure to investments (direct or indirect) to onshore Mainland China securities (which includes but is not limited to A-Shares, B-Shares, onshore RMB bonds, and such other financial instruments permitted under applicable PRC regulations) will not exceed 20% of its NAV. The Fund will access onshore Mainland China securities via QFII, RQFII, Bond Connect and/or Foreign Access Regime. Notwithstanding the disclosure above, generally, the Fund will not invest in equity securities, however, as the Fund may invest up to 10% of its NAV in convertible bonds which may be converted into equity securities in the future, as a result the Fund's holdings in equity securities may be up to 10% of its NAV.

Other investments

The Fund may also obtain indirect exposure to the fixed income and debt instruments via collective investment schemes. The Fund may invest in aggregate up to 30% of its NAV in collective investment schemes. Where appropriate, the Fund may invest up to 10% of its NAV in money market funds which are authorised by the SFC, recognised jurisdiction schemes, non-recognised jurisdiction schemes not authorised by the SFC, or collective investment schemes managed by the Manager or its connected persons, in accordance with the requirements of the Code, as amended by the SFC from time to time.

The Fund may invest up to 20% of its NAV in money market instruments, commercial papers, certificates of deposits, commercial bills which are issued by international issuers (such as financial institutions, corporations, government, quasi-government organizations, agencies, organizations or entities) of investment grade. Up to 20% of the NAV may be invested in cash and cash equivalents, except this may increase to up to 70% of the NAV on a temporary basis for liquidity management and/or defensive purpose under exceptional circumstances.

Financial derivative instruments, securities financing transactions and borrowing

The Fund may invest financial derivative instruments ("FDIs") for hedging purpose only. The Fund may engage in sale and repurchase transactions, under which the amount of cash received by the Fund may not in aggregate exceed 30% of its total NAV. The Fund does not intend to enter into securities lending transactions or reverse repurchase transactions. The 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.

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 of the repayment of principal.

2. 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 unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls

3. Risks associated with debt securities

- *Credit/counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the 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 debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- *Volatility and liquidity risk:* The 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/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 downgrade.

- **Sovereign debt risk:** The Fund's investment in debt instruments 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.
- **Risks associated with collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers):** The Fund invests in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers) 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.
- **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.
- **Credit rating risk:** Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.
- **Credit rating agency risk:** The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China 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. Convertible bonds risk

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to similar interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

5. Risks associated with investments in LAPs

- 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 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 debt instruments with loss-absorption features 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 ("**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.

6. Risks relating to 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 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 NAV of the Fund could be adversely affected.

7. 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.

8. Emerging markets risks

- The Fund's investments in emerging markets (including the PRC) may involve increased risks and special considerations not typically associated with an 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.

9. PRC market risks

- High market volatility and potential settlement difficulties in the PRC markets may result in significant fluctuations in the prices of the securities traded on such markets, and may thereby adversely affect the value of the Fund.

10. Concentration risks

Although the Fund does not have a geographical focus, its investment may from time to time be relatively concentrated (no more than 60% of NAV) in a jurisdiction or region. If the Fund's investments are concentrated, the value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

11. Hedging / derivatives risk

- The Fund may use FDIs for hedging purposes only and in adverse situations its use of FDIs may become ineffective and/or cause the Fund to suffer significant loss.
- Risks associated with the use of FDIs include volatility risk, credit risk, liquidity risk, management risk, valuation risk, counterparty 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 FDIs by the Fund. Exposure to FDIs may lead to a high risk of significant loss by the Fund.

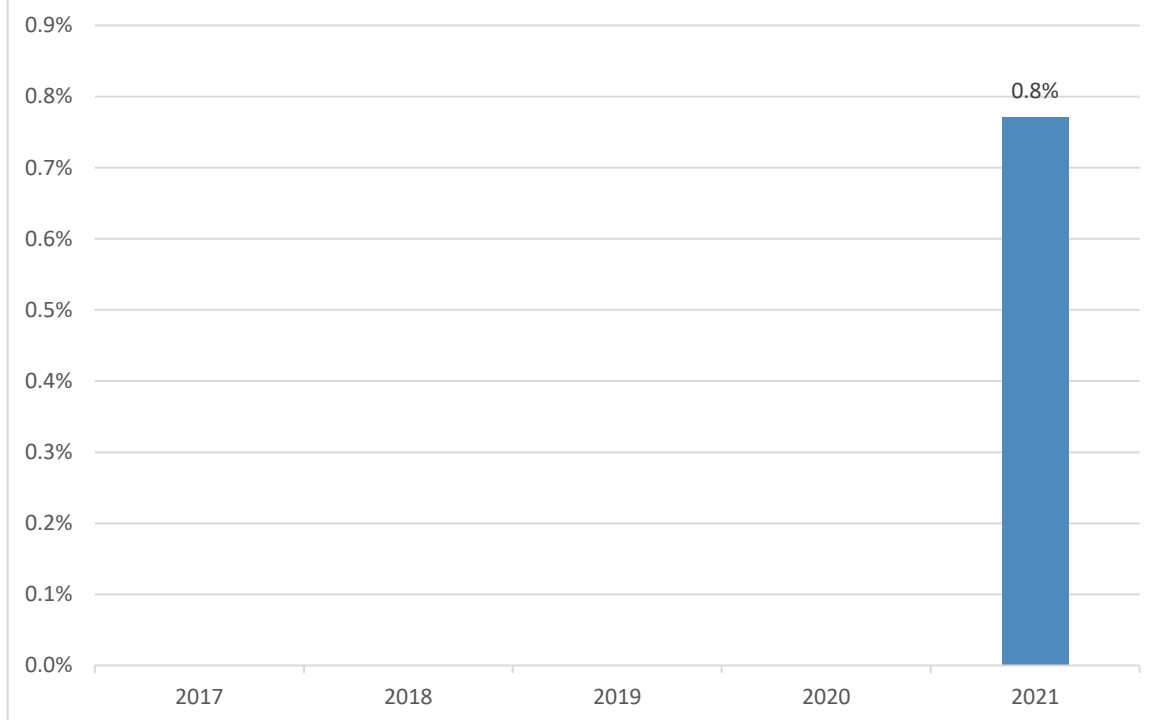
12. Hedged class risk

- There is no guarantee that the desired hedging instruments will be available or that the hedging techniques will be effective. Hedging can limit potential gains of a hedged class.

13. RMB currency risk, RMB denominated classes risk and non-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 Renminbi 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 redemption requests from Unitholders in RMB denominated classes of units or to make distributions, and may delay the payment of redemption proceeds or dividends 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.
- As the RMB denominated classes may not be hedged against RMB risks, depending on the exchange rate movements of RMB relative to the base currency of the Fund and/or other currency(ies) of the underlying investment of the Fund, you may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments.

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.
- Class I (USD) Unit has been selected as the representative unit class of the Fund for the purpose of presenting past performance information by the Manager on the basis that Class I (USD) Unit is the sole class has been launched.
- These figures show by how much the Class I (USD) Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 15 June 2020
- Class I USD Unit launch date: 15 June 2020

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 5% of the amount you buy |
| Switching fee | Up to 1%* of the unit realisation price for each unit converted |
| 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 value) |
|--------------------------|--|
| Management fee | Class A Units: 0.8%* Class I Units: 0.4%* |
| Performance fee | Nil |
| Trustee fee | 0.08% p.a. (subject to a minimum of USD 4,000 per month) |
| Administrator fee | Included in the Trustee's Fee |
| Custodian fee | Included in the Trustee's Fee |

Other fees

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

* 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 the Explanatory Memorandum.

Additional information

- The Fund's dealing cut-off time is 4:00 pm 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.hk¹.
- 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.

¹ This website has not been reviewed by the SFC.