

# PRODUCT KEY FACTS

## NCB China Balanced Fund

a sub-fund of  
the NCB Investment Funds

29 April 2022

Issuer: BOCI-Prudential Asset Management Limited

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering document.***
- ***You should not invest in this product based on this statement alone.***

### Quick facts

<b>Fund Manager:</b>	BOCI-Prudential Asset Management Limited (the “Manager”)
<b>Trustee and Registrar:</b>	BOCI-Prudential Trustee Limited
<b>Ongoing charges over a year<sup>#</sup>:</b>	0.52%
<b>Dealing frequency:</b>	Daily (Hong Kong business days, other than Saturdays)
<b>Base currency:</b>	Hong Kong Dollars
<b>Distribution policy:</b>	<ul style="list-style-type: none"> <li>- Quarterly basis (by the end of March, June, September and December of each year, subject to the Manager’s discretion)</li> <li>- Distributions will normally be made out of net income received or receivable by the Sub-Fund but the Manager may in its absolute discretion determine that distributions be paid out of the capital of the Sub-Fund. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.</li> </ul>
<b>Financial year end:</b>	31 March
<b>Minimum investment:</b>	Initial : HK\$10,000 Addition : HK\$10,000

<sup>#</sup> The ongoing charges figure is based on expenses for the period ended 30 September 2021. This figure may vary from year to year.

### What is this product?

NCB China Balanced Fund (the “Sub-Fund”) is a sub-fund under the NCB Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

## Objectives and Investment Strategy

The Sub-Fund seeks to provide investors with stable income and medium-to-long term capital appreciation by investing primarily (at least 70% of its non-cash assets) in equities and investment grade bonds (rated Baa3 or better by Moody's or other credit rating agency of similar standing) that are related to the economic growth or development of the People's Republic of China ("PRC"). These include equities or equity-related securities and bonds primarily listed, traded or quoted in Hong Kong. Money market instruments will be used for temporary liquidity management purposes. Through employing an active asset allocation strategy between equities and bonds, the Sub-Fund targets to achieve medium-to-long term capital appreciation and generate distributions for investors. Depending on the market conditions, the Manager may vary the asset mix between equities, bonds and cash.

The Sub-Fund may invest in Hong Kong-listed stocks, H shares, shares of red-chip companies (directly and/or indirectly through investments in SFC authorised collective investment schemes ("CISs") (including CISs managed by the Manager)) and/or exchange traded funds ("ETFs") listed on the Stock Exchange of Hong Kong Limited ("SEHK") (including ETFs managed by the Manager).

The Sub-Fund may also invest (a) up to 20% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect<sup>1</sup>; and/or (ii) indirectly through investment in equity linked instruments ("ELIs") (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with Qualified Foreign Investors/ Qualified Investors or QI<sup>2</sup> ("QI") status in the PRC, ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value. The aggregate exposure to the A shares and B shares market will not exceed 20% of the Sub-Fund's Net Asset Value.

Investors should note that the Manager may change the above investment limit if it considers appropriate after taking into account the prevailing market conditions.

The Sub-Fund may also invest in other PRC-related securities listed or quoted outside Mainland China and Hong Kong if such securities are issued by companies which are related to the economic growth or development of the PRC. These securities may be listed on various stock exchanges including but not limited to stock exchanges in the United States, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts).

The Sub-Fund may invest less than 15% of its Net Asset Value in Renminbi ("RMB") denominated and settled debt instruments issued or distributed (i) outside Mainland China and/or (ii) within Mainland China (which may only be invested through the Bond Connect<sup>3</sup>).

The Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single permitted sovereign issuer (including its government, public or local authority) which is below investment grade.

The Sub-Fund may invest up to 10% of its Net Asset Value in bonds/debt securities through investment in SFC authorized CISs (including CISs managed by the Manager).

The Sub-Fund may invest up to 30% of its Net Asset Value in bonds that are below investment grade (rated as Ba1 or below by Moody's Investor Services, Inc. or BB+ or below by Standard & Poor's Corporation or Fitch Ratings or equivalent rating by other internationally recognised rating agencies) or unrated bonds / debt securities.

For the purpose of the Sub-Fund, "unrated bond" is defined as a bond which neither the bond itself nor its issuer has a credit rating.

The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features (LAP) including (i) non-preferred senior debt instruments or external LAC debt

<sup>1</sup> Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are collectively referred to as "Shanghai and Shenzhen Connect". Each of Shanghai and Shenzhen Connect is a securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong.

<sup>2</sup> Under the prevailing rules and regulations in the PRC, Qualified Foreign Investors/ Qualified Investors or "QI" refers to foreign institutional investors who are approved as such, including Qualified Foreign Institutional Investors ("QFII") or RMB Qualified Foreign Institutional Investors (RQFII) previously approved, by the China Securities Regulatory Commission (CSRC) to invest in the PRC securities and futures markets with funds raised overseas.

<sup>3</sup> The Bond Connect is a mutual bond market access scheme between Mainland China and Hong Kong. Under the Northbound Trading of the Bond Connect, eligible foreign investors can invest in the China interbank bond market.

instruments or total loss-absorbing capacity debt instruments (TLAC) or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

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

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

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

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

#### **1. General investment risk**

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

#### **2. Emerging market / PRC market risk**

Investing in emerging markets / the PRC market 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.

#### **3. Single country and concentration risk**

- The Sub-Fund mainly focuses on investment instruments that are related to the economic growth or development of the PRC. 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 economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC market.

#### **4. Equity market risk**

The Sub-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.

#### **5. Risk associated with high volatility of the equity market in Mainland China**

High market volatility and potential settlement difficulties in the Mainland China equity market may result in significant fluctuations in the prices of the securities traded on such market and thereby may adversely affect the value of the Sub-Fund.

#### **6. Risk associated with regulatory/exchanges requirements/policies of the equity market in Mainland China**

Securities exchanges in the PRC 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 Sub-Fund.

#### **7. Risks associated with Shanghai and Shenzhen Connect**

The relevant rules and regulations on Shanghai and Shenzhen Connect are subject to change which may have potential retrospective effect. Each of Shanghai and Shenzhen Connect is subject to a set of Daily Quota, which does not belong to the Sub-Fund and can only be utilized on a first come, first served basis. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

#### **8. Foreign exchange and RMB currency and conversion risks**

- Underlying investments of the Sub-Fund may be denominated in currencies (e.g. RMB (specifically offshore RMB (CNH) or onshore RMB (CNY))) other than the base currency of the Sub-Fund (i.e. HKD). 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.
- 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 the investors' investments in the Sub-Fund. Although CNH and CNY are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

- The Sub-Fund may also be subject to bid/ offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.

**9. Risk of investing in ELIs**

- *Credit risk:* The Sub-Fund is exposed to the credit risk of the issuers of the ELIs. If any one of the ELIs issuers fails to perform its obligations under the ELIs, the Sub-Fund may suffer losses potentially equal to the full value of the instrument issued by the relevant issuer. Any such loss would result in the reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.
- *Illiquidity risk:* There may not be an active market for those ELIs which are not listed or quoted on a market. Even if the ELIs are quoted, there is no assurance that there will be an active market for them. Therefore investment in ELIs can be highly illiquid.
- *QI risk:* The issuance of the ELIs depends on the ability of the QI to buy and sell A shares. Any restrictions or any change in the QI laws and regulations may adversely affect the issuance of ELIs and impair the ability of the Sub-Fund to achieve its investment objective.

**10. Risks relating to investment in ETFs**

Investors should note that the market price of the units of an ETF traded on the SEHK is determined not only by the Net Asset Value of an ETF but also by other factors such as the supply of and demand for the units of the ETF in the SEHK. Therefore, there is a risk that the market price of units of the ETF traded on the SEHK may diverge significantly from the Net Asset Value of the ETF.

**11. Credit / counterparty risk**

The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in.

**12. 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.

**13. Interest rate risk**

Investment in the Sub-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.

**14. Volatility and liquidity risk**

The debt securities in the PRC market may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such market may be subject to fluctuations.

**15. 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 Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.

**16. Risks associated with the Bond Connect and China interbank bond market**

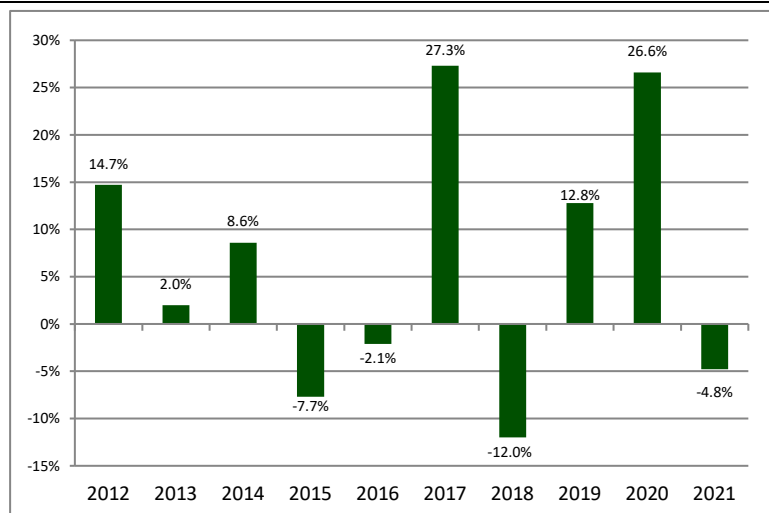
The Sub-Fund may invest in debt securities through the Bond Connect and may be exposed to liquidity and volatility risks, as low trading volume of certain debt securities in the China interbank bond market may cause market volatility and potential lack of liquidity. These may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spread of the prices of such securities may be large, and the Sub-Fund may incur significant trading and realisation costs and may potentially suffer losses when disposing of such investments.

**17. "Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB) 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 Net Asset Value of the Sub-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 CNH market by the relevant regulator(s).

- 18. Risk associated with debt securities rated below investment grade or unrated debt securities**  
 The Sub-Fund may invest in debt securities rated below investment grade (rated as Ba1 or below by Moody's Investor Services, Inc. or BB+ or below by Standard & Poor's Corporation or Fitch Ratings or equivalent rating by other internationally recognised rating agencies) or unrated debt securities. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.
- 19. Sovereign debt risk**  
 The Sub-Fund's investment in 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 Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.
- 20. Valuation risk**  
 Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.
- 21. PRC tax risk**
- Based on professional and independent tax advice, the Sub-Fund currently will not make the following tax provision (i.e. 10% withholding income tax provision on realised and/or unrealised capital gains from trading of A shares by a QI (or the then QFII) in relation to the underlying A shares to which the relevant ELIs are linked or by the Sub-Fund in investing in A shares via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect).
  - There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via Shanghai and Shenzhen Connect or ELIs on the Sub-Fund's investments in the PRC. Any future changes in the taxation policies in respect of QI's or the Sub-Fund's investment in A shares in the PRC will impact on the Sub-Fund's returns. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.
- 22. Risk in relation to distribution**
- The Manager may in its absolute discretion determine that such distributions be paid out of the capital of the Sub-Fund, or the Manager may, in its discretion, pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.
  - Payment of distributions 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 that original investments. Any such distributions may result in an immediate reduction of the Net Asset Value per unit.
- 23. Potential conflicts of interest**
- The Sub-Fund may invest in ETFs and/or CISs managed by the Manager and this may give rise to potential conflicts of interests.
  - Also, the Manager may promote, manage, advise or otherwise be involved in any other funds or investment companies while they act as the Manager of the Sub-Fund. Furthermore, the Manager and the Trustee are affiliated. Situation may arise where there are conflicts of interest between such entities. If such conflict arises, each of the Manager and the Trustee will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly.
- 24. Risk associated with 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 a pre-defined trigger event (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 event, 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.

## How has the Sub-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 distributions reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding initial charge and redemption charge you might have to pay.
- The Sub-Fund was launched in 2008.
- Only Class A Units are currently available.

## Is there any guarantee?

The Sub-Fund does not provide 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 Class A Units of the Sub-Fund.

<b>Fee</b>	<b>What you pay</b>
<b>Initial charge</b>	Up to 5% of the issue price
<b>Switching fee</b> (as a % of the issue price of the New Class of Units to be issued)	For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund (as defined in the Explanatory Memorandum) : 1% For switching into Units of a Money Market Sub-Fund : Nil
<b>Redemption charge</b>	Nil

## 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.

	<b>Annual rate (as a % of the Net Asset Value)</b>
<b>Management fee</b>	1.25% (Up to a maximum of 2%*)
<b>Trustee fee</b>	0.125% on the first HK\$200 million; 0.10% on the next HK\$200 million; 0.0875% on the remaining balance; Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*
<b>Performance fee</b>	Nil
<b>Administration fee</b>	Nil

\*You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three (3) months' prior notice.

**Other fees**

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section “Charges and Expenses” on pages 43 to 47 of the Explanatory Memorandum.

**Additional Information**

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund’s next determined Net Asset Value after the Manager receives your request in good order on or before 5:00pm (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).
- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager’s website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per Unit of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- Information of the Sub-Fund including the compositions of distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager’s website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Information contained in the website of the Manager 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.