**PRODUCT KEY FACTS**

**GFI Unit Trust Series -**
**GFI Income Fund**

August 2022

**GF International Investment Management Limited**

- ***This statement provides you with key information about GFI Income Fund (the "Sub-Fund").***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of GFI Unit Trust Series.***
- ***You should not invest in this product based on this statement alone.***

**Quick facts**

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|---|---|
| **Manager:** | GF International Investment Management Limited |
| **Trustee:** | BOCI-Prudential Trustee Limited |
| **Custodian:** | Bank of China (Hong Kong) Limited |
| **Ongoing charges over a year*:** | Class A (USD) Units – 1.63%<br>Class A (HKD) Units – 1.63%<br>Class A (RMB) Units – 1.63% |
| **Dealing frequency:** | Daily, each day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business |
| **Base currency:** | USD |
| **Dividend policy:** | Currently on a monthly basis for Class A (USD) Units, Class A (HKD) Units and Class A (RMB) Units, subject to the Manager's discretion.<br><br>Distributions may, at the Manager's discretion, be paid out of the capital or effectively out of the capital of the Sub-Fund, which will result in an immediate reduction of net asset value ("**NAV**") per unit. |
| **Financial year end of the Sub-Fund:** | 31 December |
| **Minimum investment:** | Class A (USD) Units – USD100 initial, USD100 subsequent<br>Class A (HKD) Units – HKD1,000 initial, HKD1,000 subsequent<br>Class A (RMB) Units – RMB1,000 initial, RMB1,000 subsequent |

**These figures are annualised figures calculated based on the ongoing expenses chargeable to the relevant unit class from the launch of the Sub-Fund until 31 December 2021 expressed as a percentage of the relevant unit class's average NAV over the same period. These figures may vary from year to year.*

**What is this product?**

- GFI Income Fund is a sub-fund of GFI Unit Trust Series, a Hong Kong domiciled umbrella structure unit trust. It is governed by the laws of Hong Kong.

**Objective and Investment Policy**

**Objective**
The investment objective of the Sub-Fund is to achieve investment returns, comprising income together with capital growth through allocation of investments in a portfolio primarily consisting of debt instruments.

**Policy**

The Manager will decide the allocation of investments in the portfolio of the Sub-Fund by geographical locations based on macro-economic conditions.

The Manager will use macro-economic analysis, sector analysis and credit fundamental research on individual companies to select interest rate policies and geographical allocation bottom-up, to select individual companies top-down, and to use quantitative methods to manage the volatility to control the downside risk of the investments of the Sub-Fund.

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its NAV in fixed income securities issued by corporations and government agencies.

Fixed income securities invested by the Sub-Fund include bonds, senior unsecured debt, subordinated debt, perpetual bonds, Additional Tier 1 and Tier 2 capital instruments, contingent convertible bonds, convertible bonds, preferred stocks, short-term notes and collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities). The asset allocation of the Sub-Fund would be as follows:

(1) Under normal circumstances, the Sub-Fund will invest not less than 30% of its NAV in bonds rated investment grade or above by an internationally recognised credit rating agency, or at least AA+ where the credit rating is designated/assigned by a Mainland China credit rating agency (the "**Designated Rating**"). In other words, it is intended that the Sub-Fund may invest less than 70% of its NAV in bonds rated below the Designated Rating or unrated. For the purpose of this Sub-Fund, "**investment grade**" refers to at least Baa3 by Moody's or BBB- by Standard & Poor's or equivalent ratings as rated by one of the internationally recognised credit rating agencies. A fixed income security is "**unrated**" where neither the bond itself nor its issuer has a credit rating.

(2) Subject to applicable regulatory restrictions and internal guidelines, the remaining of the Sub-Fund's assets (i.e. less than 30% of the Sub-Fund's NAV) may be invested in financial instruments of companies or issuers of any size in any sector of the economy such as equities, public funds, structured products and money market instruments consistent with the Sub-Fund's objective.

(3) The Sub-Fund may invest not more than 75% of its NAV in bonds issued by corporations in a single industry/sector (e.g. real estate companies, banks or other financial institutions).

(4) The value of the Sub-Fund's total holding of Government and other public securities may exceed 30% of its NAV. Up to 30% of the Sub-Fund's NAV may be invested in Government and other public securities of the same issue. Subject to the foregoing, where the Sub-Fund invests all of its assets in Government and other public securities, the Sub-Fund will invest in at least six different issues of such Government and other public securities. "**Government and other public securities**" refers to any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

(5) The Sub-Fund may invest less than 45% of its NAV in aggregate in instruments with loss-absorption features, with a breakdown as follows:

- Additional Tier 1 capital instruments and contingent convertible bonds: 0-40% of the NAV
- Tier 2 capital instruments: 0-20% of the NAV
- Other instruments with loss-absorbing features (including but not limited to senior non-preferred debt and subordinated debt with loss absorbing features): 0-20% of the NAV

These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

(6) The Sub-Fund will not invest more than 10% of its NAV in securities issued by and/or guaranteed by any single sovereign that is rated below investment grade and/or unrated (including its government, public or local authority).

(7) The Sub-Fund may invest up to 90% of its NAV in offshore fixed income securities issued by Mainland Chinese companies or its subsidiaries or the companies whose revenues are mainly from Mainland China, including "Dim Sum" bonds (i.e. bonds issued outside of Mainland China but denominated in Renminbi ("**RMB**")).

(8) The Sub-Fund may invest less than 75% of its NAV in fixed income securities traded on the China interbank bond market ("**CIBM**") via Bond Connect (including urban investment bonds (城投債) in the Mainland China, i.e. debt instruments issued by the 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.

The Sub-Fund will not have any particular focus on currency denomination of the fixed income securities.In respect of the convertible bonds that are due to be converted into equities, the Sub-Fund intends to dispose of such equities upon conversion.

The Manager may, on behalf of the Sub-Fund, enter into sale and repurchase transactions and/or reverse repurchase transactions on the over-the-counter markets for up to 50% of the NAV of the Sub-Fund with a view to creating additional income.

The Sub-Fund may invest in financial derivative instruments (including but not limited to, interest rate swaps, credit derivatives, forward contracts and options) to the extent permitted by the investment restrictions under Chapter 7 of the Code and this Explanatory Memorandum.

Under exceptional circumstances (such as a prolonged bearish market with market volatilities rising, deteriorating sentiments or rapidly worsening economic fundamentals), the Sub-Fund may hold temporarily up to 100% of its NAV in cash and cash equivalents (e.g. certificates of deposit, commercial paper and treasury bills) for cash flow management in order to defend against market turmoil and to capture future investment opportunities as and when they arise.

**Use of derivatives / investment in derivatives**

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's 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 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 of the repayment of principal.

2. **Risks associated with fixed income securities**

***Credit risk***

- The Sub-Fund is exposed to the credit/default risk of the 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. In general, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise.

***Volatility and liquidity risk***

- The fixed income securities in some of the markets in which the Sub-Fund invests 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 spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

***Credit rating and downgrading risk***

- Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or their issuer at all times.
- The credit rating of a debt security 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 fixed income securities that are being downgraded.

***Credit rating agency risk***

- The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by the Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

***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.

***Lower-rated and unrated securities risk***

- The Sub-Fund may invest in debt securities rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit agency) or rated below AA+ by a Mainland credit rating agency (in the case the credit rating is designated/assigned by a Mainland China credit rating agency) or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher-rated debt securities.

***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 NAV calculation of the Sub-Fund.

***"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 NAV 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 offshore RMB (CNH) market by the relevant regulator(s).

***Risks associated with collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers)***

- The Sub-Fund invests in collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

***Risks of investing in convertible bonds***

- 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 the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

***Risks associated with CIBM***

- Investing in the CIBM via Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on this regume are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on CIBM, the Sub-Funds ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

***Risk associated with urban investment bonds***

- Urban investment bonds are issued by LGFVs, such bonds are typically not guaranteed by local governments in Mainland China or the central government of the People's Republic of China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the NAV of the Sub-Fund could be adversely affected.

3. **Risk relating to geographical allocation strategy**

- The allocation of the Sub-Fund's investments by geographical locations changes based on macro-economic conditions. The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. Such geographical allocation strategy may not achieve the desired results under all circumstances and market conditions.

4. **Concentration risk**

- Not more than 90% of the Sub-Fund's NAV may be invested in offshore fixed income securities issued by Mainland Chinese companies or its subsidiaries or the companies who revenues are mainly from Mainland China. In addition, the Sub-Fund may invest not more than 75% of its NAV in bonds issued by corporations in a single industry/sector (e.g. real estate companies, banks or other financial institutions). The Sub-Fund's investments may therefore be concentraded in companies associated with Mainland China, or specific industry sectors. 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 Mainland Chinese market.

5. **Emerging market risk**

- The Sub-Fund invests 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.

6. **Risk associated with instruments with loss-absorption features**

- The Sub-Fund may invest in instruments with loss-absorption features which typically include terms and conditions specifying that the instrument is subject to being written off, written down, or converted to ordinary shares on the occurrence of a trigger event (i.e. when the issuer, or the resolution entity if the issuer is not a resolution entity, is near or at the point of non-viability; or when the issuer's capital ratio falls to a specified level), such as total loss-absorbing capacity eligible instruments, contingent convertible debt securities and instruments which qualify as Additional Tier 1 or Tier 2 capital instruments as defined in the Banking (Capital) Rules.
- 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, 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 Sub-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 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. **Risks associated with exposure to RMB**

***RMB currency and conversion risk***

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Where the Sub-Fund invests in RMB denominated investments, the value of such investments may be affected favourably or unfavourably depending on the changes in exchange rate between RMB and the base currency of the Sub-Fund. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

- 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 (e.g. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of the investor's investment in the Sub-Fund.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. The CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. Any divergence between CNH and CNY may adversely impact the NAV of the Sub-Fund and thus the investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment may be delayed due to the exchange controls and restrictions applicable to RMB.

***RMB class(es) related risk***

- When calculating the value of the RMB denominated class(es), CNH will be used. The value of the RMB denominated class(es) thus calculated will be subject to fluctuation.
- Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB denominated class(es). Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any).
- For RMB denominated class(es), since the unit prices are denominated in RMB, but the Sub-Fund will not be fully invested in RMB-denominated underlying investments and its base currency is USD, so even if the prices of the non-RMB denominated underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the base currency more than the increase in the value of the non-RMB denominated underlying investments and/or the base currency.
- Furthermore, under the scenario where RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the base currency of the Sub-Fund (i.e. HKD), and the value of the non-RMB denominated underlying investments decreased, the value of investors' investments in RMB denominated class(es) may suffer additional losses.

8. **Mainland China tax risk**

- There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the gains and income realised via Bond Connect. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's NAV.
- Based on professional and independent tax advice, the Manager will make provisions from the Sub-Fund's assets for Mainland China withholding income tax ("**WIT**") at a rate of 10% in respect of the interests paid by Mainland China tax resident enterprises (except for government bonds) where such Mainland China WIT has not been withheld at source. Also, based on professional and independent tax advice, the Manager will not make provision for (i) any Mainland China WIT and value-added tax ("**VAT**") in respect of realised and unrealised capital gain derived from the trading of Mainland China debt securities; and (ii) any Mainland China VAT in respect of interest income derived from Mainland China debt securities.
- In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected. Depending on the timing of their subscriptions and/or redemptions, 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).

9. **Currency and foreign exchange risk**

- Underlying investments of the Sub-Fund 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 or the currency of its underlying investment. The NAV 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.

10. **Risks associated with investment in financial derivative instruments**

- The Sub-Fund may use financial derivative instruments for investment and hedging purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a financial derivative instrument can result in a loss significantly greater than the amount invested in the derivative by the Sub-Fund. Moreover, the use of financial derivative instruments for hedging may become ineffective, and the Sub-Fund may suffer substantial loss. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

11. **Risk relating to sale and 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.

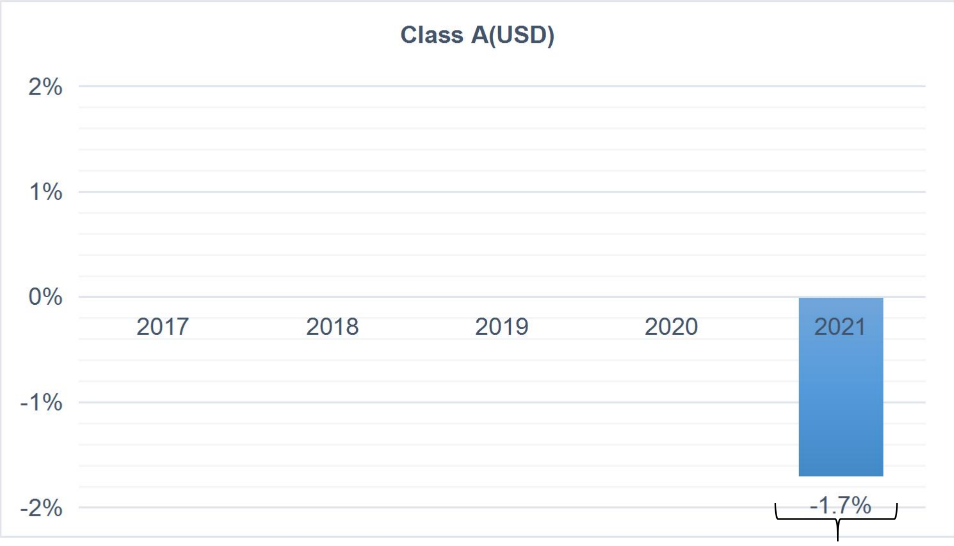
12. **Risk relating to reverse repurchase transactions**

- 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.

13. **Risks associated with distribution out of capital or effectively out of capital**

- Payment of distributions out of capital 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 NAV per unit.

**How has the Sub-Fund performed?**




The performance of these years were achieved under circumstances that no longer apply, the investment policy was changed since 2022.

- 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.There has been no dividend payout for Class A (USD) since its launch
- These figures show by how much the share class 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: 2020
- Class A (USD) launch date: 2020
- Class A (USD) is a unit class open for investment by Hong Kong retail investors and denominated in the Fund's base currency.

**Is there any guarantee?**

This Sub-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 Sub-Fund.

| **Fee** | **What you pay** |
|---|---|
| Subscription charge (% of the issue price) | 2% |
| Redemption charge (% of the redemption price) | 2% |
| Switching fee (% of the total amount being converted) | 1% |

**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 % of the Sub-Fund's NAV)**

| | |
|---|---|
| Management Fee^ | 1.2% |
| Trustee Fee^ | up to 0.14%<br><br>subject to a minimum monthly fee of USD6,000 per Sub-Fund |

| | |
|---|---|
| Custody Fee | up to 0.025% |
| Performance Fee | Not applicable |

**Other fees**

You may have to pay other fees and charges when dealing in the units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the Explanatory Memorandum.

^The current annual rate may be increased up to the specified permitted maximum level as set out above and in the Explanatory Memorandum by giving not less than one month's prior notice to the investors.

**Additional Information**

- You generally buy and redeem units at the Sub-Fund's next-determined NAV after the authorised distributor or the Manager has received your request in good order on or before 4:00p.m. (Hong Kong time) being the dealing cut-off time. The authorised distributor may impose different dealing deadlines for receiving instructions for subscriptions, redemption or switching. Investor should pay attention to the arrangements of the authorised distributor concerned.

- The NAV of this Sub-Fund is calculated and the price of units published each "business day". They are available online at the Manager's website: http://www.gffunds.com.hk. Please note that this website has not been reviewed by the SFC.

- 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 at the Manager's website: http://www.gffunds.com.hk. Please note that this website has not been reviewed by the SFC.

- You may obtain the past performance information of other share classes offered to Hong Kong investors from www.gffunds.com.hk[1].

  [1] 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.