PRODUCT KEY FACTS

Taikang Kaitai Funds

Taikang Kaitai Overseas Short Tenor Bond Fund

Taikang Asset Management (Hong Kong) Company Limited

May 2022

- ***This statement provides you with key information about Taikang Kaitai Overseas Short Tenor Bond Fund (the "Sub-Fund").***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of Taikang Kaitai Funds.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

Manager:	Taikang Asset Management (Hong Kong) Company Limited 泰康資產管理 (香港) 有限公司
Trustee:	BOCI-Prudential Trustee Limited 中銀國際英國保誠信託有限公司
Custodian:	Bank of China (Hong Kong) Limited 中國銀行（香港）有限公司
Ongoing charges over a year: #	Class A – HKD – DIST: 0.84% Class A – HKD – ACC: 0.84% Class A – USD – ACC: 0.84% Class A – RMB (Hedged) – ACC: 0.84% Class A – RMB (Unhedged) – ACC: 0.84% Class B – HKD (Hedged) – ACC: 1.15% Class B – USD – ACC: 1.15%

The ongoing charges figure is an annualised figure based on the expenses for the period from 1 January 2021 to 31 December 2021. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the relevant class expressed as a percentage of the average net asset value of such class over the same period.

Dealing frequency:	Daily
Base currency:	USD
Dividend policy:	Subject to the Manager's discretion, distributions (if any) will be made on a semi-annual basis (i.e. June and December each year) and paid out of net distributable income only.
Financial year end of this Sub-Fund:	31 December
Minimum investment:	**Class A – HKD – DIST**: HKD10,000 initial, HKD5,000 additional, HKD10,000 minimum holding **Class A – HKD – ACC**: HKD10,000 initial, HKD5,000 additional, HKD10,000 minimum holding

	Class A – USD – ACC: USD2,000 initial, USD1,000 additional, USD2,000 minimum holding **Class A – RMB (Hedged) – ACC**: RMB10,000 initial, RMB5,000 additional, RMB10,000 minimum holding **Class A – RMB (Unhedged) – ACC**: RMB10,000 initial, RMB5,000 additional, RMB10,000 minimum holding **Class B – HKD (Hedged) – ACC:** HKD100 initial, HKD1 additional, HKD100 minimum holding **Class B – USD – ACC:** USD100 initial, USD1 additional, USD100 minimum holding

What is this product?

- Taikang Kaitai Overseas Short Tenor Bond Fund is a sub-fund of Taikang Kaitai Funds which is an umbrella structure unit trust established by a trust deed dated 16 April 2014, as amended. It is governed by the laws of Hong Kong.

- The Sub-Fund invests primarily in a portfolio of USD or RMB denominated short-tenor fixed income instruments issued outside Mainland China, which have a remaining tenor of not more than 5 years each and an average remaining tenor across the portfolio of not more than 3.5 years.

Objective and Investment Strategy

Objective

The Taikang Kaitai Overseas Short Tenor Bond Fund seeks to maximise the total return of investors. The Sub-Fund invests primarily in a portfolio of USD or RMB denominated short-tenor fixed income instruments issued outside Mainland China, which have a remaining tenor of not more than 5 years each and an average remaining tenor across the portfolio of not more than 3.5 years.

<u>Fixed income securities</u>

Within the above-mentioned scope, the Manager will allocate at least 70% of the non-cash assets of the Sub-Fund to a portfolio of USD or RMB denominated short-tenor fixed income instruments issued outside Mainland China, including but not limited to, investment grade corporate bonds and government or quasi-government bonds. The issuers of such fixed income instruments are domiciled in, or exercising the predominant part of their economic activity in countries or regions including, but not limited to, Mainland China, Hong Kong, Singapore, Japan, Korea, New Zealand, Indonesia, Malaysia, Taiwan, Thailand, India, the Philippines, US, UK, the EU countries, Mexico, Russia, Turkey, Brazil and South Africa. Investment grade fixed income instruments are rated long-term BBB-/Baa3 or above by at least one of the following three credit rating agencies, Fitch, Moody's or Standard & Poor's. The Sub-Fund will not invest more than 10% of its Net Asset Value in fixed income instruments issued or guaranteed by a single sovereign issuer.

The Sub-Fund may also invest up to 30% of its non-cash assets in USD or RMB denominated short-tenor fixed income instruments issued outside Mainland China that are below investment grade (i.e. have a credit rating below BBB-/Baa3 by all of the foregoing credit rating agencies) and unrated fixed income securities (i.e. fixed income securities which neither themselves nor their issuers have a credit rating).

The Sub-Fund may also invest up to 30% of its Net Asset Value in other fixed income securities, including perpetual bonds and debt securities with maturity longer than 5 years and up to 10 years. Perpetual bonds are bonds without a fixed maturity date.

The Sub-Fund may also invest in debt instruments with loss-absorption features ("**LAP**"), e.g. contingent convertible bonds and senior non-preferred debts. The Sub-Fund's expected total maximum investments in LAP will be up to 30% of the Net Asset Value of the Sub-Fund. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Before investing in a fixed income instrument, the Manager will first consider the credit rating of such fixed income instrument and if such fixed income instrument does not itself have a credit rating, then reference can be made to the credit rating of the issuer or guarantor (where applicable) of the security, which will be deemed as its credit rating.

Collective investment schemes

The Sub-Fund may invest, in accordance with the Code on Unit Trusts and Mutual Funds ("**Code**"), in aggregate no more than 30% of its Net Asset Value in collective investment schemes (including those managed by the Manager or its connected persons) which are authorised by the SFC or eligible schemes, or which are non-eligible schemes and not authorized by the SFC, among which no more than 20% of the Sub-Fund's Net Asset Value will be invested in collective investment schemes which invests in short duration bonds with maturity not longer than 5 years and investments in other collective investment schemes which are non-eligible schemes and not authorized by the SFC will not exceed 10% of the Sub-Fund's Net Asset Value.

For the avoidance of doubt, investments in ETFs will be considered and treated as collective investment schemes for the purposes of the Code. All investments in collective investment schemes are subject to the requirements in chapters 7.11, 7.11A and 7.11B of the Code. Where the Sub-Fund invests in collective investment schemes which are also managed by the Manager or its connected persons, all initial charges and redemption charges on the underlying schemes must be waived. The Manager, or any person acting on behalf of the Sub-Fund or the Manager, may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any such underlying scheme.

Cash / near-cash/ cash equivalents

If the Manager deems appropriate, the Sub-Fund may hold up to 30% of the Sub-Fund's Net Asset Value in cash or cash equivalents. The portion held in cash or cash equivalents may increase in adverse market conditions.

Financial Derivative Instruments ("**FDI**")

The Sub-Fund may invest in derivative instruments for hedging purposes only but not for investment purposes. Subject to applicable regulations, derivatives used for hedging purposes may include but are not limited to currency derivatives (e.g. currency forward contracts and foreign exchange swap agreements) to hedge against currency exposure, and futures (e.g. treasury futures) to manage exposure or hedge exposure of the underlying investments. The Sub-Fund will not invest in structured deposits, structured products or mortgage-backed securities.

The Sub-Fund will not enter into securities lending, repurchase / reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions.

Allocation

The Sub-Fund's indicative asset allocation is presented in the table below:-

Investments	**Percentage of allocation (% of NAV)**
Fixed income securities – by type	
Corporate bonds (investment grade and non-investment grade)	50 - 100
Government or quasi-government bonds (investment grade and non-investment grade)	0 - 20
Fixed income securities – by rating	
Investment grade (corporate bonds and government or quasi-government bonds)	70 - 100
Non-investment grade (corporate bonds and government or quasi-government bonds)	0 - 30
Fixed income securities – by features	
USD or RMB denominated short-tenor fixed income instruments issued outside Mainland China with a remaining tenor of not more than 5 years each	70 - 100

Perpetual bonds, debt securities (other than perpetual bonds) with maturity longer than 5 years and up to 10 years, and LAP	0 - 30
Collective investment schemes	**0 - 30**
Cash/ near-cash or cash equivalents	**0 - 30**

Strategy

In relation to debt securities, the Manager seeks to achieve the Sub-Fund's investment objective by strategies including duration and term structure of the portfolio, sector allocation and individual security selection on the basis of thorough fundamentals and credit analysis.

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 ("**NAV**").

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum 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 of the repayment of principal. There is also no guarantee of regular dividend or distribution payments during the period you hold units of the Sub-Fund.

2. **Currency and conversion risks**

   Currency 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. The NAV of the Sub-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.

   Conversion risk

   - Where an investor subscribes for Units denominated in HKD, the Manager will convert such subscriptions into the relevant currency prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Units denominated in HKD, the Manager will sell the Sub-Fund's investments denominated in the relevant currency and convert such proceeds into HKD at the applicable exchange rate and subject to the applicable spread.

   RMB currency and conversion risks

   - RMB is currently not freely convertible and is subject to exchange controls and restrictions.
   - Investors may be adversely affected by movements of the exchange rates between RMB and other currencies. 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 the value of RMB could adversely affect the value of investors' investments in the Sub-Fund.

3. **"Dim Sum" bond market risks**

   - The "Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB) 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 regulators.

4. **Concentration risk**

- The Sub-Fund's investments are concentrated in fixed income securities. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

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. **Risks relating to fixed income securities**

Credit/ counterparty risk

- The Sub-Fund is exposed to the credit/default risk of issuers of the fixed income securities that it invests in. Such securities are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/default risk of its counterparties as an unsecured creditor.
- The Sub-Fund is exposed to the risk that a counterparty in a transaction may default in its obligation to settle the transaction, or may be unable or unwilling to make timely payments on principal and/or interest. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund may sustain substantial losses.

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. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities, and thus the return of the Sub-Fund.

Risks associated with debt securities rated below investment grade or unrated

- The Sub-Fund may invest in fixed income securities rated below investment grade or unrated, by an internally recognised credit agency, such as Fitch, Moody's and/or Standard & Poor's. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.
- If the issuer of securities defaults, or such securities cannot be redeemed, or perform badly, investors may suffer substantial losses. The market for lower rated or unrated securities may be less active, making it more difficult to sell these securities. Valuation of such securities is more difficult and thus the Sub-Fund's prices may be more volatile.

Downgrading risk

- The credit rating of a fixed income security or its issuer may 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. If the Sub-Fund continues to hold the relevant securities, it will be subject to additional risk of loss.

Valuation risk

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the NAV of the Sub-Fund may be adversely affected.

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.

7. 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.

8. Risks associated with investments in debt instruments with loss-absorption features (LAP)

- 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 also 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.

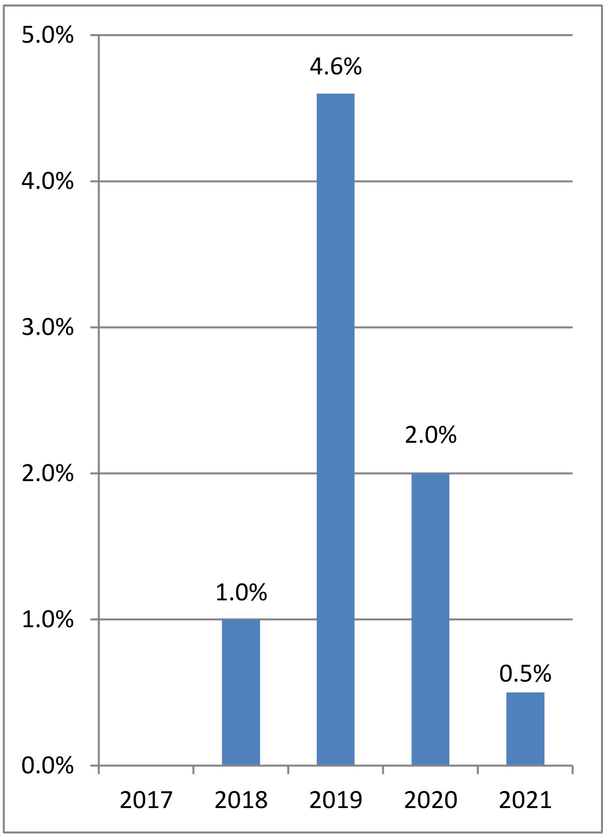
9. Risks associated with perpetual bonds

- The Sub-Fund is subject to perpetual credit risk and counterparty risk exposure relating to perpetual bonds. As time progresses, issuers of such perpetual bonds can encounter financial difficulties, and may even shut down. Perpetual bonds may also be subject to call risk as the issuers can recall them.
- Perpetual bonds are subject to interest risk as the perpetual bond may be locked in interest which is significantly lower than the prevailing interest rate. Under such circumstances, the Sub-Fund could earn more money by holding a different bond than the perpetual bond. However, unlike for other bonds that have a maturity date when the issuer returns the principal, for perpetual bonds, to swap out an old perpetual bond for a newer, higher interest bond, the Sub-Fund must sell the existing bond on the secondary market, at which time it may be worth less than the purchase price as the Sub-Fund may need to discount the offer price based on the interest rate difference. As selling in the secondary market is the only option available, perpetual bonds may therefore be subject to liquidity risk and the bid-ask spread will be high.

10. Risks of investing in other collective investment schemes/funds

- The Sub-Fund may invest in collective investment schemes (the "**underlying funds**") and will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the NAV of the Sub-Fund.
- The underlying funds in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

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.
- These figures show by how much the Class A-HKD-ACC Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- When no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 2017
- Class-A-HKD-ACC launch date: 2017
- Class A-HKD-ACC is selected as the most appropriate representative unit class as it has the longest track record among all the retail share classes.
- For further information on the performance of other unit classes, please refer to www.taikangasset.cn/tkzc/hk/[1].

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?

<u>Charges which may be payable by you</u>

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

Fee	What you pay
Subscription Fee (Initial charge) (% of total subscription amount received)	**Class A and Class B:** up to 5%
Redemption Fee (Redemption Charge) (% of total redemption proceeds)	**Class A and Class B:** Nil
Switching Charge (% of total amount being switched out of the Existing Class)	**Class A and Class B:** up to 1%

<u>Ongoing fees payable by the Sub-Fund</u>

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

Fee	Annual rate (as a % of the Sub-Fund's NAV)
Management Fee	**Class A:** 0.5% p.a.* **Class B:** 0.8% p.a.*
Trustee Fee	Up to 0.15% p.a., subject to a minimum aggregate monthly fee of USD5,000 for the Sub-Fund*. The monthly minimum fee will be reduced by 50% for the first 6 months of the launch of this Sub-Fund.
Custody Fee	Up to 0.1% p.a.
Performance Fee	Not applicable

<u>Other fees</u>

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.

*You should note that some fees may be increased, up to a specified permitted maximum, by giving unitholders at least one month's prior notice. For details, please refer the section headed "Expenses and Charges" in the Explanatory Memorandum.

Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined NAV of the relevant class after the Trustee or an Authorised Distributor receives your request in good order on or before 5 p.m. (Hong Kong time) on the relevant Dealing Day.

- The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should contact the Authorised Distributor(s) of the Sub-Fund for details and confirm the arrangements with the Authorised Distributor(s) concerned.

- The NAV of this Sub-Fund and the price of units are calculated every Valuation Day and will be published on a daily basis on the Manager's website: http://www.taikangasset.cn/tkzc/hk/[1].

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.