PICTET
Asset Management

PRODUCT KEY FACTS STATEMENT

PICTET HK – PICTET ASIAN BOND INCOME

As at April 2022

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

Manager:	Pictet Asset Management (Hong Kong) Limited
Trustee:	HSBC Institutional Trust Services (Asia) Limited
Ongoing Charges over a year#:	P dm USD: 1.53% P dm HKD: 1.54% HP dm RMB: 1.53% HP dm AUD: 1.54%
Base Currency:	USD
Financial year end of this fund:	30 September
Dealing frequency:	Daily
Dividend policy:	For unit class(es) denoted "dm", distributions may be declared and paid on a monthly basis for all unit classes, subject to the Manager's discretion. Distributions may be paid out of the capital or effectively out of the capital of the sub fund. Any such distributions may result in an immediate reduction of the sub fund's net asset value ("**NAV**") per unit.
Minimum investment:	P dm USD: US$ 1,000 (initial); US$ 1,000 (additional) P dm HKD: US$ 1,000* (initial); US$ 1,000* (additional) HP dm RMB: US$ 1,000* (initial); US$ 1,000* (additional) HP dm AUD: US$ 1,000* (initial): US$ 1,000* (additional)

The ongoing charges figures is based on expenses for one-year period ended 30 September 2021 and the average net asset value of the corresponding period. This figure may vary from year to year.
* An equivalent amount in the relevant class currency at the time of subscription.

WHAT IS THIS PRODUCT?

This is a sub fund of Pictet HK (the "**Fund**") which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 23 August 2016. It is governed by the laws of Hong Kong.

OBJECTIVES AND INVESTMENT STRATEGY

This sub fund seeks to provide income and achieve long-term capital growth while also managing downside risk by investing primarily in a diversified portfolio of Asian fixed income securities, including Asian corporate bonds.

The sub fund seeks to achieve the above objectives by investing at least 70% of its NAV in fixed income securities issued by Asian governments and agencies, or companies domiciled in or exercising the principal part of their business activity in Asia. The government and agency bonds and corporate bonds invested by the sub fund mainly consist of USD denominated bonds. The sub fund's investments in fixed income securities may include:

- up to 50% of its NAV in bonds issued by supranational bodies, governments, government agencies, and local authorities;
- up to 40% of its NAV in fixed income securities rated below investment grade by internationally recognised credit rating agencies e.g. Standard & Poor's, Moody's, and Fitch, or BB+ or below by Mainland China credit rating agencies, or are unrated. For the purpose of the sub fund, "unrated" fixed income securities are defined as fixed income securities which neither the fixed income securities themselves nor their issuers have a credit rating; and
- up to 10% of its NAV in fixed income securities issued and/or guaranteed by any single sovereign issuer (including its government, public or local authority) which is below investment grade by internationally recognised credit rating agencies, or unrated;
- up to 20% of its NAV in Rule 144A bonds;
- up to 20% of its NAV in Sukuk (i.e. Islamic bonds);
- up to 10% of its NAV in convertible bonds; and
- up to 10% of its NAV in defaulted and distressed securities.

Unless otherwise stated herein, the fixed income securities invested by the sub fund are not restricted in terms of geographical allocation, sector, maturity, and currency denomination.

Less than 70% of the sub fund's NAV may in aggregate be invested in fixed income securities issued within Mainland China (i.e. onshore Mainland China fixed income securities) and fixed income securities issued outside of Mainland China by Mainland Chinese governments and agencies, or companies domiciled in or exercising the principal part of their business activity in Mainland China (i.e. offshore Mainland China fixed income securities). Within the aforesaid limit:

- the sub fund may invest in onshore Mainland China fixed income securities issued within Mainland China in the China Interbank Bond Market via Foreign Access Regime, Bond Connect and/or such other means as permitted by the relevant regulatory authorities from time to time. The sub fund's aggregate exposure to direct investments in all fixed income securities issued in the Mainland China market, including onshore urban investment bonds, will not be more than 20% of its NAV;
- less than 30% of the sub fund's NAV may in aggregate be invested in onshore and offshore urban investment bonds (城投債), which are fixed income instruments issued by Mainland China 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
- up to 10% of the sub fund's NAV may be invested in "Dim Sum" bonds, which are fixed income securities issued outside of Mainland China but denominated in RMB.

The sub fund may also invest less than 30% of its NAV in fixed income instruments with loss-absorption features, e.g. contingent convertible bonds (CoCo bonds), senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The sub fund will not invest more than 20% of its NAV in collateralised and/or securitised products such as asset backed securities (ABS), mortgage backed securities (MBS) and asset backed commercial papers.

As ancillary investments, the sub fund may invest less than 30% of its NAV in units or shares of other collective investment schemes, which may include funds managed by the Manager or other entities of the Pictet Group. The sub fund may hold less than 30% of its NAV in cash and cash equivalents, which may include cash, deposits, money market instruments and short-term fixed income securities, for liquidity and cash management purposes. Under exceptional circumstances (e.g. market crash or major crisis), the sub fund may temporarily invest up to 100% of its NAV in the foregoing for liquidity management and defensive purposes.

The sub fund may invest in financial derivative instruments for hedging and investment purposes.

The Manager currently does not intend to enter into any securities lending or repurchase/reverse repurchase transactions or other similar over-the-counter transactions in respect of the sub fund.

USE OF DERIVATIVES/INVESTMENTS 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.

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.
- The sub fund may not achieve the desired results based on its investment objective under all circumstances and market conditions.

Risk relating to downside management strategy

- The sub fund seeks to provide income and achieve long-term capital growth while also managing downside risk. The downside risk management process may not achieve the desired results under all circumstances and market conditions.
- While the downside risk management process aims at managing losses of the sub fund through the active allocation between higher risk assets and lower risk assets or through the use of financial derivative instruments to hedge market and/or currency risks, it may also preclude the sub fund from capturing significantly the upside associated with high risk assets or investments in certain currencies. The sub fund may underperform funds not adopting the downside management strategy in low interest rate markets and/or risk-off markets as the sub fund's exposure to fixed income securities rated below investment grade or are unrated by internationally recognized credit rating agencies may remain relatively low compared to funds which invest significantly in such securities, especially when the Manager has a negative view on the market for such securities and adopts a more conservative positioning.

Risks associated with debt securities

- **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.
- **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.
- **Volatility and liquidity risk** – Some debt securities (such as debt securities rated below investment grade or are unrated by internationally recognized credit rating agencies, and debt securities in emerging markets) in which the sub fund invests may be less liquid and more volatile than those in the world's leading bond markets. The bid and offer spreads of the price of such debt securities may be large and the sub fund may incur significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the sub fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the sub fund and its investors.
- **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.
- **Risks associated with debt securities rated below investment grade or unrated** – The sub fund may invest in debt securities rated below investment grade by an internationally recognized credit agency, or rated BB+ or below by a Mainland 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 high-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.
- **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 the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit rating given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Sovereign debt risk

- Certain developing countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries may involve a high degree of risk, such as social, political and economic risks.
- In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due. In case of default, holders of sovereign debts (including the sub fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. The sub fund may suffer significant losses when there is a default of sovereign debt issuers.

Concentration risk

- The sub fund's investments are concentrated in Asia, including Mainland China. 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 Asian market, as well as those affecting specifically to the Mainland China market.

Emerging market risk

- The sub fund's investments may be concentrated in the emerging markets, including Mainland China, 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.

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.

Currency conversion risk for RMB denominated classes

- The sub fund offers RMB denominated classes of units. 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 currency will not depreciate. Any depreciation of RMB could adversely affect the value of the investors' investment in 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.
- If currency hedging between RMB and the base currency is not effective, and depending on the exchange rate movements of RMB relative to the base currency of the sub fund and/or other currency(ies) of the non-RMB denominated underlying investments, an investor (i) may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) may suffer additional losses if the non-RMB-denominated underlying investments of the sub fund fall in value.
- Currency conversion is also subject to the sub fund's ability to convert the proceeds into RMB which may also affect the sub fund's ability to meet redemption requests from Unitholders in RMB denominated classes of units and/or to make distributions, and may delay the payment of redemption proceeds or dividends.

Risks associated with investments in fixed income instruments with loss-absorption features

- Fixed income instruments with loss-absorption features are subject to greater risks when compared to traditional fixed income instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger event(s) (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. Fixed income instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

- Under the terms of a CoCo bond, certain triggering events could cause the permanent write-down to zero of principal investment and/or accrued interest, or a conversion to equity (potentially at a discounted price). CoCo bonds are risky and highly complex instruments. Coupon payments on CoCo bonds are discretionary and may at times also be ceased or deferred by the issuer for any length of time. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.
- Senior non-preferred debts 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.

Risks associated with investment in financial derivative instruments (“FDI”)

- Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the sub fund. Exposure to FDI may lead to a high risk of significant loss by the sub fund.

Risks relating to hedging and the hedged classes of units

- Hedging at the sub fund level will preclude unitholders from benefitting from appreciation of the non-USD currencies (in which the underlying investments of the sub fund may be denominated) against the base currency of the sub fund. In respect of the hedged classes of units, the Manager aims to hedge the currency risk between the base currency and the class currencies of the relevant hedged classes.
- There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the sub fund.
- Any costs related to hedging shall be borne by the sub fund.

Risks associated with distribution out of/effectively out of the sub fund’s capital

- Payment of dividends out of capital and/or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investments. Any such distributions may result in an immediate reduction of the NAV per unit.
- The distribution amount and NAV of the hedged unit classes may be adversely affected by differences in the interest rates of the reference currency of the hedged unit classes and the sub fund’s base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes.

HOW HAS THE SUB FUND PERFORMED?

There is insufficient data to provide a useful indication of past performance to investors as the sub fund is newly launched for less than a full calendar year.

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			
Unit classes	P dm USD	P dm HKD	HP dm RMB	HP dm AUD
Subscription fee (% of the total subscription amount)	Up to 5%	Up to 5%	Up to 5%	Up to 5%
Switching fee (% of the subscription amount of the sub fund being switched into)	Up to 1%	Up to 1%	Up to 1%	Up to 1%
Redemption fee (% of the redemption amount)	Up to 1%	Up to 1%	Up to 1%	Up to 1%

Note: The Manager may make adjustment to the Subscription Price and Redemption Price as disclosed in the Explanatory Memorandum. The NAV per unit may be adjusted by an amount not exceeding 2% of the NAV.

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 NAV PER UNIT)
Management Fee*	1.00% p.a.
Trustee Fee*	• 0.06% p.a., subject to an annual minimum fee of US$60,000 • An additional fee of 0.03% p.a. for providing accounting and valuation service, and administration of un-invested cash • An additional fee of US$4,000 p.a. for providing oversight functions and additional processes for compliance with the Code (with effect from 30 April 2021).
Performance Fee	Not applicable
Administration 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.

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

ADDITIONAL INFORMATION

- You generally buy and redeem units at the sub fund's next-determined NAV after the Authorised Distributor or the Trustee receives your request in good order on or before 5:00 p.m. (Hong Kong time) on the relevant Dealing Day, which is generally every Business Day.
- You should, before placing your subscription or redemption orders, check with your distributor for the distributor's internal dealing cut-off time which may be earlier than the sub fund's dealing cut-off time.
- The NAV of this sub fund is calculated and published each Business Day. They are available online at www.assetmanagement.pictet.
- You may also obtain information on the intermediaries and past performance information of other unit classes offered to Hong Kong investors from the above-mentioned website.
- The composition of the dividends (i.e. relative amounts paid from net distributable income and capital) for the last 12 months will be provided on the above-mentioned website or from the Hong Kong Representative on request.
- Please note that the above-mentioned website has not been reviewed by the Securities and Futures Commission (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.