

**Issuer: Value Partners Hong Kong Limited**
**October 2022**

- This statement provides you with key information about this product.
- This statement is a part of the fund's Explanatory Memorandum.
- You should not invest in this product based on this statement alone.

**Quick facts**
**Manager & RQFII holder:**

Value Partners Hong Kong Limited

**Trustee:**

HSBC Institutional Trust Services (Asia) Limited

**Custodian:**

The Hongkong and Shanghai Banking Corporation Limited

**PRC Custodian:**

HSBC Bank (China) Company Limited

**Ongoing charges over a year\*:**

Class A AUD Hedged Acc Units	1.97%^
Class A AUD Hedged MDis Units	1.97% <sup>β</sup>
Class A CAD Hedged Acc Units	1.97%^
Class A CAD Hedged MDis Units	1.97%^
Class A CHF Hedged Acc Units	1.97%^
Class A CHF Hedged MDis Units	1.97%^
Class A EUR Hedged Acc Units	1.97%^
Class A EUR Hedged MDis Units	1.97%^
Class A GBP Hedged Acc Units	1.97%^
Class A GBP Hedged MDis Units	1.97% <sup>β</sup>
Class A HKD Unhedged Acc Units	1.97% <sup>β</sup>
Class A HKD Unhedged MDis Units	1.97% <sup>β</sup>
Class A NZD Hedged Acc Units	1.97%^
Class A NZD Hedged MDis Units	1.97%^
Class A RMB Hedged Acc Units	1.97%^
Class A RMB Hedged MDis Units	1.97% <sup>β</sup>
Class A RMB Unhedged Acc Units	1.97%^
Class A RMB Unhedged MDis Units	1.97%^
Class A SGD Hedged Acc Units	1.97%^
Class A SGD Hedged MDis Units	1.97%^
Class A USD Unhedged Acc Units	1.97% <sup>β</sup>
Class A USD Unhedged MDis Units	1.97% <sup>β</sup>

**Dealing frequency:**

Daily

**Base currency:**

USD

**Dividend policy:**

Class A Units: AUD Hedged MDis, CAD Hedged MDis, CHF Hedged MDis, EUR Hedged MDis, GBP Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis and USD Unhedged MDis:

At its discretion, the Manager currently intends to make monthly dividend distributions. Dividends may be paid out of capital or effectively out of capital of the relevant Class and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund.

Class A Units: AUD Hedged Acc, CAD Hedged Acc, CHF Hedged Acc, EUR Hedged Acc, GBP Hedged Acc, HKD Unhedged Acc, NZD Hedged Acc, RMB Hedged Acc, RMB Unhedged Acc, SGD Hedged Acc and USD Unhedged Acc

It is the current intention of the Manager that dividend distributions will not be made in respect of these Classes.

**Financial year end of this fund:** 31 December

**Classes available:** Class A Units: AUD Hedged Acc, AUD Hedged MDis, CAD Hedged Acc, CAD Hedged MDis, CHF Hedged Acc, CHF Hedged MDis, EUR Hedged Acc, EUR Hedged MDis, GBP Hedged Acc, GBP Hedged MDis, HKD Unhedged Acc, HKD Unhedged MDis, NZD Hedged Acc, NZD Hedged MDis, RMB Hedged Acc, RMB Hedged MDis, RMB Unhedged Acc, RMB Unhedged MDis, SGD Hedged Acc, SGD Hedged MDis, USD Unhedged Acc and USD Unhedged MDis

**Minimum initial investment:** Class A Units: USD10,000 or equivalent

**Minimum subsequent investment:** Class A Units: USD5,000 or equivalent

**Minimum holding:** Class A Units: USD10,000 or equivalent

**Minimum redemption amount:** Class A Units: Nil

\* The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the class of units for the corresponding period as described below. This figure may vary from year to year. Information is updated as at 26 September 2022.

β This figure is an annualized figure based on the expenses for the interim period ended 30 June 2022. The actual ongoing charges figure may be different and may vary from year to year.

^ The first issue of the class of units has not yet occurred as at the interim period ended 30 June 2022. This ongoing charges figure is an estimate only and is based on the ongoing charges figure of Class A USD Unhedged (corresponding Acc or MDis class) with similar fee structure for the relevant financial period. The actual ongoing charges figure may be different and may vary from year to year.

## What is this product?

The Value Partners All China Bond Fund (the "Sub-Fund") is a sub-fund of Value Partners Fund Series which is a unit trust established under the laws of Hong Kong.

## Objectives and Investment Strategy

### Objective

The investment objective of the Sub-Fund is to provide capital appreciation by investing primarily in fixed income securities issued by any central and/or local governments, government agencies, supra-nationals, banks or companies which are domiciled in the People's Republic of China ("PRC"), or which exercise the predominant part of their business or economic activities in the PRC. There can be no assurance that the Sub-Fund will achieve its investment objective.

### Strategy

#### *Fixed income securities investments*

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value in fixed income securities issued by any central and/or local governments, government agencies, supra-nationals, banks or companies which are domiciled in the PRC or which exercise the predominant part of their business or economic activities in the PRC. Such fixed income securities may or may not be denominated in RMB.

The Sub-Fund may also invest up to 100% of its Net Asset Value in urban investment bonds (城投債) which are fixed income instruments issued by PRC local government financial vehicles ("LGFVs") and traded on the China Interbank Bond Market ("CIBM") and the exchange-traded bond markets in the PRC. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investments or infrastructure projects.

The Sub-Fund may invest up to 50% of its Net Asset Value in bonds and other debt securities which (or the issuers of which) are rated Below Investment Grade (as defined below), or which are unrated.

For the purposes of the Sub-Fund:

- A fixed income security which (or if such security is unrated, the issuer of which) is (a) rated below AAA by a local PRC credit rating agency; or (b) rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) may be defined as below investment grade ("Below Investment Grade"); and
- An "unrated" fixed income security may be defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

For split credit ratings, the highest rating shall apply.

Having said that, in constructing the Sub-Fund's portfolio, the Manager will primarily rely on its own analysis to evaluate each fixed income instrument independently. This is done by reviewing qualitative factors such as the issuer's corporate profile and corporate strategy, and quantitative factors such as the issuer's forecasted cash flow and financial profile, credit ratings assigned by rating agencies and respective rating reports (including internationally recognised credit rating agencies and local PRC credit rating agencies) and research reports by external and internal analysts. The Manager will perform credit assessment on all fixed income securities held by the Sub-Fund on an ongoing basis.

The Sub-Fund may invest up to 100% of its Net Asset Value in debt securities denominated in RMB and issued in the PRC ("Onshore Debt Securities"):

- in the CIBM via (i) the regime allowing foreign institutional investors to invest in the CIBM ("Foreign Access Regime"); (ii) Bond Connect; and/or (iii) by virtue of the Manager's status under the RQFII framework'
- on the PRC exchange bond market by virtue of the Manager's status under the RQFII framework; and/or
- via other means as may be permitted by the relevant regulations from time to time.

Onshore Debt Securities in which the Sub-Fund may invest will not be subject to any duration or minimum credit rating requirements, but will, for the avoidance of doubt, be subject to the investment limit for unrated and/or Below Investment Grade debt securities.

The Sub-Fund may invest up to 100% of its Net Asset Value in debt securities denominated in RMB and issued outside of mainland China ("Dim Sum" bonds).

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

The Sub-Fund may invest up to 20% of its Net Asset Value in convertible bonds and/or contingent convertible securities.

The Sub-Fund may invest less than 30% of its Net Asset Value in instruments with loss-absorption features (“LAPs”) such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments, external loss absorbing capacity debt instruments and debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board’s standards for “Total Loss-absorbing Capacity Term Sheet”. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). For the avoidance of doubt, the Sub-Fund may invest up to 20% of its Net Asset Value in contingent convertible bonds.

The Sub-Fund may also invest up to 30% of its Net Asset Value in fixed income securities issued by central and/or local governments, government agencies, supra-nationals, banks or companies which are not domiciled in the PRC, or which do not exercise the predominant part of their business or economic activities in the PRC, subject to the credit rating investment limit as specified above.

The Sub-Fund will not invest in asset backed securities (including asset backed commercial paper).

#### *Other investments*

The Sub-Fund may invest up to 10% of its Net Asset Value in equity securities including but not limited to shares (including China A-Shares and China B-Shares), American Depositary Receipts (“ADRs”) and real estate investment trusts (“REITs”).

The Sub-Fund’s portfolio may also temporarily include cash and cash equivalents, up to 100% of the Sub-Fund’s Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and falls in the equity or bond markets) for cash flow management or for reducing market exposure.

The Sub-Fund may use financial derivative instruments with the aim of hedging risks, reducing cost and/or generating additional capital or income (including for investment purposes) to the extent in line with the risk profile of the Sub-Fund and permitted by the Code on Unit Trusts and Mutual Funds (the “Code”) and the provisions set out under the sub-section “Financial derivative instruments” in the Explanatory Memorandum of the Sub-Fund. Financial derivative instruments that may be used by the Sub-Fund includes, but not limited to, options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swap, futures contracts, currency forwards and structured products.

#### *Securities financing transaction*

The Manager may enter into securities lending, repurchase and/or reverse-repurchase transactions in respect of the Sub-Fund with the maximum level of up to 30% and the expected level of up to 15% of the Sub-Fund’s assets in accordance with Chapter 7 of the Code and the policy set out under the sub-section “Securities financing transactions” in the Explanatory Memorandum of the Sub-Fund.

#### *Asset allocation table*

The Sub-Fund’s portfolio will be allocated, according to asset class, as follows:

<b>Asset class</b>	<b>Indicative percentage of Net Asset Value</b>
Fixed income instruments	70%-100%
Equities	0% -10%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager’s views of fundamental economic and market conditions and investment trends, 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**

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

## 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 is an investment fund. There is no guarantee of the repayment of principal. Therefore your investment in the Sub-Fund may suffer losses.

### 2. Concentration risk

- The Sub-Fund is subject to concentration risk as a result of the concentration of its investments in the PRC markets. The Sub-Fund may be more volatile than a broadly based fund as it is more susceptible to fluctuation in value resulting from adverse economic or political conditions in the PRC markets.

### 3. Emerging market risk

- The Sub-Fund will invest in the PRC, an emerging market 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.

### 4. Risks associated with CIBM via Foreign Access Regime and/or Bond Connect

- Investing in the CIBM via Foreign Access Regime and/or 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 investment in the CIBM via Foreign Access Regime and/or Bond Connect 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 the CIBM, the Sub-Fund's 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.

### 5. Risks associated with the RQFII regime

- The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect.
- The Sub-Fund may suffer substantial losses if the approval of the RQFII status of the Manager is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including the PRC Custodian or any PRC broker) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

### 6. Risk of investing in fixed income securities

- *Interest rate risk:* Generally, the value of fixed income securities is expected to be inversely correlated with changes in interest rates. Any increase in interest rates or changes in macro- economic policies in the PRC markets may adversely impact the value of the Sub-Fund's fixed income portfolio.
- *Volatility and liquidity risk:* The fixed income securities in the PRC markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.
- *Credit risk:* Investment in fixed income securities is subject to the credit risk of the security or its issuers, who may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the securities or the issuers of the fixed income securities held by the Sub-Fund, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will be incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.
- *Downgrading risk:* Credit ratings of fixed income instruments or their issuers may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments. The Manager may or may not be able to dispose of the securities that are being downgraded.



- *Risk of investing in Below Investment Grade and unrated bonds:* The Sub-Fund may invest in fixed income securities which (or the issuers of which) are rated Below Investment Grade, or may not be rated by any rating agency of an international standard or any local PRC credit rating agency. Such securities are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities, which may result in greater fluctuations in value and, consequently, the Net Asset Value of the Sub-Fund.
- *Valuation risk:* Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.
- *Credit ratings 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.
- *PRC credit ratings risk:* The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by PRC rating agencies may therefore not be directly comparable with those given by other international rating agencies.

#### **7. “Dim Sum” bond 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 offshore RMB (CNH) market by the relevant regulator(s).

#### **8. 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.

#### **9. PRC tax risk**

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised by RQFIs on investments in the PRC (which may have retrospective effect). After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice and in accordance with such advice, the Manager decided that no withholding provision will be made on the gross unrealised and realised capital gains derived from disposal of PRC fixed income securities.
- It is possible that the applicable tax laws may be changed, that the PRC tax authorities may hold a different view as to the enforcement of the PRC withholding tax collection on capital gains. In such case the Sub-Fund will bear the actual tax liabilities as no tax provision has been made. This may have an adverse impact to the Sub-Fund's Net Asset Value. In this case, existing and subsequent investors will be disadvantaged as they bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

#### **10. Risk of investing in urban investment bonds**

- Urban investment bonds are issued by LGFVs, such bonds are typically not guaranteed by local governments or the central government of the PRC. 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 Net Asset Value of the Sub-Fund could be adversely affected.

#### **11. RMB currency risk**

- The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of the RMB could adversely affect the value of the investor's investment in the Sub-Fund.
- Assets of the Sub-Fund denominated in RMB are valued with reference to the CNH rate. 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.

- Under exceptional circumstances, payment of redemption and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

## 12. Foreign exchange risk

- An investment in the Sub-Fund may involve exchange rate risk. The investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (which is USD). Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund as well. Fluctuations in the exchange rates between such currency and the base currency as well as associated fees and charges and changes in exchange rate controls may have an adverse impact on the performance of the Sub-Fund.

## 13. Derivative risk

- The Sub-Fund may from time to time invest in financial derivative instruments ("FDIs") for hedging and investment purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement 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 FDIs may lead to a high risk of significant loss by the Sub-Fund.

## 14. Risks relating to securities lending transactions

- Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

## 15. Risks 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.

## 16. Risks 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.

## 17. Hedged class risk

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

## 18. Dividends risk / distributions payable out of capital or effectively out of capital risk

- Payment of dividends 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 investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.
- The distribution amount and Net Asset Value of the hedged unit classes may be adversely affected by differences in the interest rates of the reference currency of the hedged unit class 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 fund performed?

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

## 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.

<b>Fee</b>	<b>What you pay</b>
	<b>Class A Units</b>
<b>Subscription fee</b>	Up to 5% of the subscription monies
<b>Redemption fee*</b>	Nil
<b>Switching fee*^</b>	Up to 1% of the subscription monies

<sup>^</sup> Certain distributors may impose a charge for each switching of Units in a Class of the Sub-Fund acquired through them for Units in another Class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one Class to Units in another Class should check with their respective distributors for the charge on switching.

## 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 class of Units' Net Asset Value)</b>
<b>Management fee*</b>	Class A Units: 1.25%
<b>Performance fee</b>	N/A
<b>Trustee fee*</b>	0.135% per annum for the first USD150 million; 0.13% per annum for the portion above USD150 million to USD800 million; 0.125% per annum for the portion over and above USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.
<b>Other fees</b>	You may have to pay other fees when dealing in the Units of the Sub-Fund.

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

## Additional information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the administrator receives your request in good order at or before 5:00 pm (Hong Kong time), being the Sub-Fund's dealing cut-off time. Before placing your subscription orders or redemption request, please 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 Sub-Fund's Net Asset Value and the latest subscription and redemption prices of units are available each business day on the Manager's website [www.valuepartners-group.com](http://www.valuepartners-group.com) (this website has not been reviewed by the SFC).
- The compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months will be available from the Manager on request and on the Manager's website.
- Investors may obtain information on the distributor(s) appointed in respect of the Sub-Fund by making a telephone enquiry with the Manager on (852) 2143 0688.

## 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.