PRODUCT KEY FACTS

E Fund Unit Trust Fund
E Fund (HK) Multi-Income Bond Fund
April 2022

Issuer: E Fund Management (Hong Kong) Co., Limited
易方達資產管理(香港)有限公司

- ***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:	E Fund Management (Hong Kong) Co., Limited
Trustee:	CCB (Asia) Trustee Company Limited
Ongoing charges#:	**Class A (accumulation) (RMB), Class A (distribution) (RMB)**: 3.0%## **Class A (accumulation) (USD) & Class A (distribution) (USD), Class A Units (accumulation) (HKD), Class A (distribution) (HKD):** 1.08%# **Class A (accumulation) (hedged RMB) & Class A (distribution) (hedged RMB):** 3.00%## **Class I (accumulation) (USD):** 0.70%# **Class I (accumulation) (RMB), Class I (distribution) (RMB), Class I (distribution) (USD), Class I Units (accumulation) (HKD), Class I (distribution) (HKD):** 3.00%## **Class I (accumulation) (hedged RMB) & Class I (distribution) (hedged RMB):** 3.00%## **Class X (accumulation) (hedged RMB), Class X (accumulation) (USD) & Class X (accumulation) (HKD)**: 0.50% ##
Dealing frequency:	Daily (Hong Kong business days)
Base currency:	United States Dollars (USD)
Dividend policy:	**Accumulation Class(es) –** no dividend distribution **Distribution Class(es)** – dividends will be distributed on a monthly basis, subject to the Manager's discretion. Distributions may be paid out of capital or effectively out of capital and will immediately reduce the Sub-Fund's net asset value.
Financial year end of this fund:	31 December
Minimum initial investment, Minimum	**Class A Units (accumulation) (USD), Class A (distribution) (USD):** USD 100

subsequent investment, Minimum holding and Minimum redemption amount:	**Class I Units (accumulation) (USD), Class I (distribution) (USD):**	USD1,000
	Class X Units (accumulation) (USD):	USD1,000
	Class A Units (accumulation) (RMB), Class A (distribution) (RMB), Class A Units (accumulation) (hedged RMB), Class A (distribution) (hedged RMB):	RMB1,000
	Class I Units (accumulation) (RMB), Class I (distribution) (RMB), Class I Units (accumulation) (hedged RMB), Class I (distribution) (hedged RMB):	RMB10,000
	Class X Units (accumulation) (hedged RMB)	RMB10,000
	Class A Units (accumulation) (HKD), Class A (distribution) (HKD):	HKD1,000
	Class I Units (accumulation) (HKD), Class I (distribution) (HKD):	HKD10,000
	Class X Units (accumulation) (HKD):	HKD10,000

This figure is an annualised figure based on the expenses of a class during the period from the inception date of the Sub-Fund to 31 December 2021. It represents the sum of the ongoing expenses chargeable to the Sub-Fund for the above period expressed as a percentage of the average Net Asset Value over the same period, annualised to give an ongoing charges figure over a year. This figure may vary from year to year.

As these unit classes have not been launched, this figure is an estimate only, based on estimated expenses expressed as a percentage of the Sub-Fund's estimated average net assets. The estimated expenses covers the Sub-Fund's ongoing charges (including but not limited to the management fee, trustee fee, operating costs) and the establishment cost of the Sub-Fund that would be amortised over the first 5 accounting periods of the Sub-Fund. The actual figures may be different upon actual operation of the Sub-Fund and may vary from year to year.

What is this product?

The E Fund (HK) Multi-Income Bond Fund (the "Sub-Fund") is a sub-fund of E Fund Unit Trust Fund which is a unit trust established by a trust deed dated 20 September 2017 as an umbrella fund under the laws of Hong Kong.

Objectives and investment strategy

Objective

The investment objective of the Sub-Fund is to achieve long term capital growth through investing globally in a portfolio consisting primarily of debt securities denominated in USD, EUR, HKD or offshore RMB ("**CNH**"), which aim to generate a steady flow of income in addition to capital appreciation for the Sub-Fund. There can be no assurance that the Sub-Fund will achieve its investment objective.

Strategy

Investment Strategy

Principal investments

The Sub-Fund will invest at least 70% of its net asset value ("**NAV**") in a portfolio of USD, EUR or HKD denominated or CNH denominated ("**Dim Sum**" bonds, i.e. bonds issued outside China but denominated in RMB) offshore debt securities issued or traded in the global debt securities markets, including in developed markets and emerging markets. Investments in emerging markets may constitute up to 100% of NAV.

The Sub-Fund will invest in a broadly diversified portfolio of debt securities with no fixed duration, term structure, geographical (subject to the limit in onshore RMB bonds stated below) or industry sector weightings. Selection of debt investments will be determined by the availability of attractive investment opportunities, where the Manager believes such debt securities are being traded at significant discount to their underlying intrinsic values.

The Sub-Fund may invest less than 30% of its NAV in onshore RMB bonds, via the mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**"), the regime allowing foreign institutional investors to invest in the PRC inter-bank bond market (the "**CIBM Regime**") and/or the Manager's QFI status. The Sub-Fund's total investments via QFI (in bonds and in equities as discussed below) will be less than 30% of its NAV.

The debt securities in which the Sub-Fund may invest shall include, but are not limited to, listed and unlisted bonds, government bonds, convertible bonds, fixed and floating rate bonds and high-yield bonds.

The Sub-Fund may invest all its assets in investment grade debt securities, or in debt securities which are unrated or rated below investment grade. For debt securities other than onshore RMB bonds, (i) a long-term debt security is considered investment grade if its credit rating is BBB- or higher by Standard & Poor's and Fitch Ratings or Baa3 or higher by Moody's or equivalent rating as rated by an international credit rating agency; and (ii) a short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. For onshore RMB bonds, investment grade bonds have a minimum credit rating of BBB- as rated by one of the credit rating agencies in China. For the purpose of the Sub-Fund, "unrated" refers to where neither the instrument itself nor its issuer has a credit rating assigned by international credit rating agencies. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer, the guarantor or the keepwell provider.

Up to 100% of the Sub-Fund's NAV may be invested in convertible bonds (issued and/or guaranteed by issuers such as corporations, financial institutions and banks), including up to 20% in contingent convertible bonds ("**CoCos**"). CoCos may have non-viability and/or loss absorption convertible features, i.e. they are subject to compulsory conversion out of the issuer's control. They are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level, and may be compulsorily redeemed upon the occurrence of a trigger event which may be out of the issuer's control. They are risky and highly complex investment instruments. Under certain circumstances CoCos can be converted into shares of the issuing company, potentially at a discounted price, or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. In the event convertible bonds are converted into shares resulting in deviation from the indicative asset allocation, the Manager will arrange for the shares to be sold within 10 business days.

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

Under exceptional circumstances (e.g. market crash or major crisis) or adverse market conditions, the Sub-Fund may be invested temporarily up to 100% of its NAV in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

<u>Equity securities</u>

The Sub-Fund may also invest less than 30% of its NAV in shares of companies listed in Hong Kong, Singapore, Taiwan, the United States or Mainland China (including American Depositary Receipts and preference shares). Investments may be made in A-Shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange directly through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect or the Manager's QFI status. This includes any listed equities the Sub-Fund may hold as a result of the conversion of the convertible bonds (including CoCos), i.e. the Sub-Fund's aggregate exposure in equities will be less than 30% of the Sub-Fund's NAV. The Sub-Fund will not hold equities that are unlisted.

<u>Financial derivative instruments ("FDIs") and other investments</u>

The Sub-Fund may invest up to 20% of the NAV in sale and repurchase transactions. For the purpose of the Sub-Fund, sale and repurchase transactions are transactions where the Sub-Fund sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a pre-determined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund.

For sale and repurchase transactions, the Manager will seek to appoint independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or which are SFC-licensed corporations or are registered institutions with the Hong Kong Monetary Authority. Any incremental income generated will be credited to the account of the Sub-Fund after deducting any fees charged by parties operating such transactions. It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty. Cash obtained in sale and repurchase transactions will be used for liquidity management, re-investment and hedging purposes. Where cash received by the Sub-Fund is used for re-investment, such cash may only be re-invested in accordance with Chapter

7 of the SFC's Code on Unit Trusts and Mutual Funds (the "Code") and the provisions set out under the section "Investment Objective, Strategy and Restrictions" in the Explanatory Memorandum.

The Sub-Fund may also invest in FDIs for hedging and investment purposes to the extent permitted by Chapter 7 of the Code and the provisions set out under the section "Investment Restrictions" in the Explanatory Memorandum.

The Sub-Fund may also invest in units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those managed by the Manager or its connected persons) authorised by the SFC or in recognised jurisdiction schemes and may hold cash, deposits, and other money market instruments (such as but not limited to treasury bills, commercial papers, certificates of deposit as considered appropriate by the Manager). The Sub-Fund will invest less than 30% of its NAV in the above instruments/investments.

The Sub-Fund will not invest in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers). The Sub-Fund will not enter into any securities lending or reverse repurchase transactions or similar over-the-counter transactions. The Sub-Fund will not write options.

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 debt securities

- *Credit/counterparty risk:* The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that it 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.
- *Credit rating risk and downgrading 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. 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.
- *Risk of high yield (below investment grade and unrated) debt securities:* The Sub-Fund may invest up to 100% of the NAV in high yield debt securities, which are debt securities below investment grade and unrated debt securities. Below investment grade / unrated securities would generally be considered to have a higher degree of general market risk, risk of loss of principal and interest, counterparty risk, credit risk, volatility risk and liquidity risk than higher rated, lower yielding securities. Debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. The prices of such securities 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.
- *Sovereign debt risk:* The Sub-Fund's investment in debt instruments 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.
- *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 agency risk*: The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

3. "Dim sum" bond

- The offshore RMB ("CNH") bond market, also known as "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 CNH markets by the relevant regulators.

4. Risks relating to sale and repurchase agreements

- 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.

5. Concentration risk

- Although the Sub-Fund's investment horizon is not restricted geographically and the Sub-Fund may invest in global debt securities, the Sub-Fund may, on an occasional basis, invest significantly in debt securities concentrated in any one region or country, for example, Hong Kong and Singapore. Therefore, the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those markets and the value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

6. Emerging market risk

- The Sub-Fund may invest up to 100% of the NAV in 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, custodian risk and the likelihood of a high degree of volatility.

7. Foreign exchange risk

- The Sub-Fund's assets and liabilities and/or the value of a class of Units may be denominated in currencies different from the Sub-Fund's base currency. The NAV of the Sub-Fund may be affected unfavourably by exchange control regulations or changes in the exchange rates between the Sub-Fund's base currency and these currencies.

8. RMB currency risk, RMB denominated classes risk and Hedged RMB denominated classes risk

- RMB is currently not freely convertible and is subject to exchange controls and restrictions and investors may be adversely affected by movements of the exchange rates between Renminbi and other currencies. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB (due to exchange controls and restrictions applicable to RMB) which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated classes of units or to make distributions, and may delay the payment of redemption proceeds or dividends under exceptional circumstances.
- Non-RMB based investors who invest in RMB denominated classes 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 investors' investment in the 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.
- For hedged RMB denominated classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. There is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure. Also, hedging may preclude the hedged RMB denominated classes from benefiting from any potential gain resulting from the appreciation of the base currency against RMB.

9. Convertible bonds risk

- The Sub-Fund may invest up to 100% of the NAV 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. While convertible bonds generally offer lower interest or dividend yields than non-convertible debt securities of similar quality, the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for exposure to equity movement and greater volatility than straight bond investments, with an increased risk of capital loss. 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.

10. Risks associated with investment in contingent convertible bonds ("CoCos")

CoCos have non-viability / loss absorption convertible features, which mean that they may be subject to the following key risks:

- *Trigger level risk / conversion risk:* Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the triggering events that would require the conversion. CoCos may be converted into shares potentially at a discounted price, or the principal amount invested may be lost, due to conversion or write-down. In case of conversion, the Manager may be forced to sell these new equity shares and such forced sale may result in the Sub-Fund experiencing loss of all investments in CoCos.
- *Coupon cancellation risk*: Coupon payments are entirely discretionary and may be cancelled by the issuer. As a result, these instruments may be volatile and their price may decline rapidly in the event that coupon / fixed dividend payments are suspended.
- *Sector concentration risk:* These instruments are issued by banking and insurance institutions. The performance of the Sub- Fund may depend to a greater extent on the overall condition of the financial services industry than for funds following a more diversified strategy.
- *Novelty and untested nature*: The structure of CoCos is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

11. Risks relating to equity securities

Investment in equity securities is subject to market risk. The prices of such securities may also be volatile and a number of factors may affect stock prices, including but not limited to, investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations and issuerspecific factors. If the market value of equity securities in which the Sub-Fund invests in goes down, its NAV may be adversely affected, and investors may suffer substantial losses.

12. Eurozone and European country risk

In light of the ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have an adverse impact on the value of the Sub-Fund.

13. Hedging / derivative risk

- The Sub-Fund may invest in FDIs for hedging or investment purposes to the extent permitted by the Code and in adverse situations its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss.
- Risks associated with the use of FDIs include volatility risk, credit risk, liquidity risk, management risk, valuation risk, counterparty risk and over-the-counter transaction risk. The leverage element/component of a FDI can result in a loss significantly greater than the amount invested in the FDIs by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

14. 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.

15. Risks associated with distribution out of/effectively out of capital

- Payment of distributions out of capital and/or effective 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 will result in an immediate reduction of the NAV per unit of the relevant units.
- The distribution amount and NAV of a hedged unit class may be adversely affected by differences in the interest rates of the class 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?

As the Sub-Fund is recently launched, 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.

Fee	What you pay
Subscription fee	Up to 3% of the Issue Price
Switching fee (i.e. conversion fee)	Nil
Redemption fee	Nil

Ongoing fees payable by the Sub-Fund

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

Fee	Annual rate (as a % of the Sub-Fund's NAV)
Management fee	Class A Units: Up to 3% p.a., current rate being 1% p.a.*
	Class I Units: Up to 3% p.a., current rate being 0.5% p.a.*
	Class X Units: Up to 3% p.a., current rate being 0.25% p.a.*
Performance fee	Nil
Trustee fee	0.08% p.a.

Other fees

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 NAV which is determined on the dealing day on which your request is received in good order at or before 4:00 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 NAV and the latest issue and redemption prices of Units are available on the Manager's website http://www.efunds.com.hk (this website has not been reviewed by the SFC) on each Dealing Day.
- Investors may obtain the past performance information of other classes offered to Hong Kong investors from http://www.efunds.com.hk (this website has not been reviewed by the SFC).
- The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and on the website of the Manager at www.efunds.com.hk. Please note that the aforesaid website has not been reviewed or authorised 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.