

China Industrial Securities International Asset Management Limited

- ***This statement provides you with key information about China Core Asset Fund (“Sub-Fund”).***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of CISI Selection Fund Series.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

Manager:	China Industrial Securities International Asset Management Limited
Trustee:	BOCI-Prudential Trustee Limited
Custodian:	Bank of China (Hong Kong) Limited
Ongoing charges over a year:	Class A (HKD) Units: 1.59%* Class A (USD) Units: 1.58%* Class A (RMB) Units: 1.59%#
Dealing frequency:	Daily
Base currency:	HKD
Dividend policy:	The Manager does not intend to make cash distributions in respect of the Sub-Fund. Income earned by the Sub-Fund will be re-invested in the Sub-Fund and reflected in the net asset value of the relevant class of units.
Financial year end of this fund:	31 December
Min. investment:	Class A (HKD) Units: HKD5,000 initial, HKD5,000 additional Class A (USD) Units: USD500 initial, USD500 additional Class A (RMB) Units: RMB5,000 initial, RMB5,000 additional
Min. holding:	Class A (HKD) Units: HKD5,000 Class A (USD) Units: USD500 Class A (RMB) Units: RMB5,000
Min. redemption:	Class A (HKD) Units: HKD5,000 Class A (USD) Units: USD500 Class A (RMB) Units: RMB5,000

*The figure is based on expenses for the year ended 31 December 2021. The figure may vary from year to year.

#As of 17 June 2021, all the investors invested in this class of units had fully redeemed. Without sufficient track record in 2021, the figure is estimated based on the actual ongoing charges figure of another active class of units with a similar fee structure. The actual figure may differ from the estimated figure and the figure may vary from year to year.

What is this product?

China Core Asset Fund is a sub-fund of CISI Selection Fund Series (the “**Fund**”), is a Hong Kong domiciled umbrella structure unit trust which is governed by the laws of Hong Kong.

Objectives and Investment Strategy

Objectives

The investment objective of the Sub-Fund is to provide investors with medium to long-term capital appreciation through investing primarily in equity securities of Core Asset Companies (as defined below) which are based in, derive substantial revenue or income from, or have significant business in mainland China, Hong Kong, Macau and Taiwan of the People’s Republic of China.

For the purpose of the Sub-Fund, the term “Core Asset Companies” means companies which are either market leaders or expected to become market leaders in their respective industries.

Strategy

In order to achieve the Sub-Fund’s investment objective, the Manager intends to invest (not less than 70% of the Sub-Fund’s net asset value) in equity securities which are listed on the Hong Kong Stock Exchange and denominated in HKD. The Manager will adopt both “top-down” and “bottom-up” approaches, coupled with quantitative and qualitative analysis, in the selection of equity securities. In particular, the Manager will seek long-term returns through investing in stocks with growth potentials at reasonable prices. The Manager holds the view that growth potential depends on factors such as the target companies’ core competitive advantages, management quality, scalability and sustainability of business model, balance-sheet strength and good practices in corporate social responsibility. The Sub-Fund will be unrestricted in the choice of equity securities by market capitalisation, industry or sector.

Less than 30% of the Sub-Fund’s net asset value may be invested in securities which are denominated in currencies other than HKD such as USD and/or RMB.

The Sub-Fund may also invest less than 30% of the Sub-Fund’s net asset value in equity-related securities (including preference shares, depository receipts such as American depository receipts (“**ADRs**”) and global depository receipts (“**GDRs**”)).

The Sub-Fund may invest indirectly in equity securities through investing not more than 30% of its net asset value in collective investment schemes, which will have a similar investment objectives and/or strategies as the Sub-Fund, provided that only (i) up to 30% of the Sub-Fund’s net asset value may be invested in one or more collective investment schemes which are either schemes authorised by the SFC or eligible schemes in the recognized jurisdictions; and/or (ii) up to 10% of the Sub-Fund’s net asset value may be invested in collective investment schemes which are not eligible schemes in the recognized jurisdictions and not authorised by the SFC.

The Sub-Fund may only invest not more than 20% of the Sub-Fund’s non-cash assets in onshore mainland China market through various means, including but without limitation, Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (in the case of investing directly in China A-Shares), or Bond Connect and/or direct access to the China Interbank Bond Market (in the case of investing directly in debt securities in mainland China), indirect investment via other collective investment schemes, and/or such other means as may be permitted under applicable laws and regulations from time to time.

Where the Manager deems appropriate, the Sub-Fund may invest less than 30% of its net asset value in fixed income instruments, “Dim Sum” bonds (i.e. bonds issued outside of mainland China but denominated in RMB), perpetual securities (e.g. perpetual bonds and subordinated debts) and exchange-traded funds (“**ETFs**”).

It is expected that the Sub-Fund may hold less than 30% of its net asset value of the Sub-Fund in

cash, cash equivalents and short term fixed income instruments for the purpose of cash management. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may be invested temporarily up to 100% of its net asset value in liquid assets such as cash, deposits, bank acceptances, certificates of deposit and treasury bills for cash flow management.

The Sub-Fund currently does not intend to enter into any securities lending, sale and repurchase and/or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to unitholders should there be a change in such intention.

The Sub-Fund will use financial derivative instruments and inverse products (i.e. exchange traded products which are structured as ETFs and employ inverse strategies) for hedging purposes only. For the avoidance of doubt, inverse products will be acquired for hedging purposes only and the Sub-Fund will only acquire inverse products that are authorised by the SFC and subject to a maximum leverage factor of one time (-1X). The Sub-Fund's exposure to inverse products will be less than 30% of its net asset value.

The Sub-Fund will not invest in any structured deposits, structured products or asset backed securities for hedging or non-hedging purposes.

Indicative Asset Allocation

An indicative asset allocation of the Sub-Fund is as follows:

Type of securities	Indicative percentage of the Sub-Fund's net asset value
Equity securities	70% - 100%
Equity-related securities, collective investment schemes, cash, cash equivalents, fixed income instruments, "Dim Sum" bonds, perpetual securities (e.g. perpetual bonds and subordinated debts), ETFs, inverse products and others	< 30%

Use of derivatives / investment in 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 offering document 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.

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 Sub-Fund's net asset value may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

Equity market risk

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions, regional or global economic instability, issuer-specific factors, currency and interest rate fluctuations.

Concentration risk

The Sub-Fund's investments are concentrated in equity securities listed in Hong Kong which are based in, derive substantial revenue or income from, or have significant business in mainland China. The Sub-Fund may be adversely affected by or depend heavily on the performance of these equity securities. Investors should also be aware that the Sub-Fund is likely to be more volatile than a fund having a more diverse portfolio of investment, such as global equity fund, as it is more susceptible to fluctuations in value resulting from the limited number of holdings or to the adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Hong Kong and/or mainland China.

Mainland China market risk

The Sub-Fund may invest in mainland China market. Investing in the mainland China market is subject to certain risks of investing in emerging markets generally and the risks specific to the mainland China market.

The regulatory and legal framework for capital markets and joint stock companies in the mainland China is still developing. Mainland Chinese accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the mainland Chinese securities markets may be different from other countries/regions in respect of the level of maturity and development.

Changes in the mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund. Laws governing taxation will continue to change which may affect the performance of the Sub-Fund.

Risk associated with small-capitalisation/mid-capitalisation companies

The stock of small-capitalisation/mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risk of investing in other collective investment schemes

The Sub-Fund may invest in collective investment schemes and will be subject to 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 net asset value of the Sub-Fund.

The underlying collective investment schemes 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 collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

Risks associated with RMB class of Units

Investors may invest in RMB class of Units. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Chinese government. The Chinese government's policies on exchange control and repatriation restrictions are subject to change and the investors' investment in the RMB class of Units may be adversely affected.

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 will not depreciate. Any depreciation of the RMB could adversely affect the investors' investments in the Sub-Fund. Also, investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to the investors' base currencies.

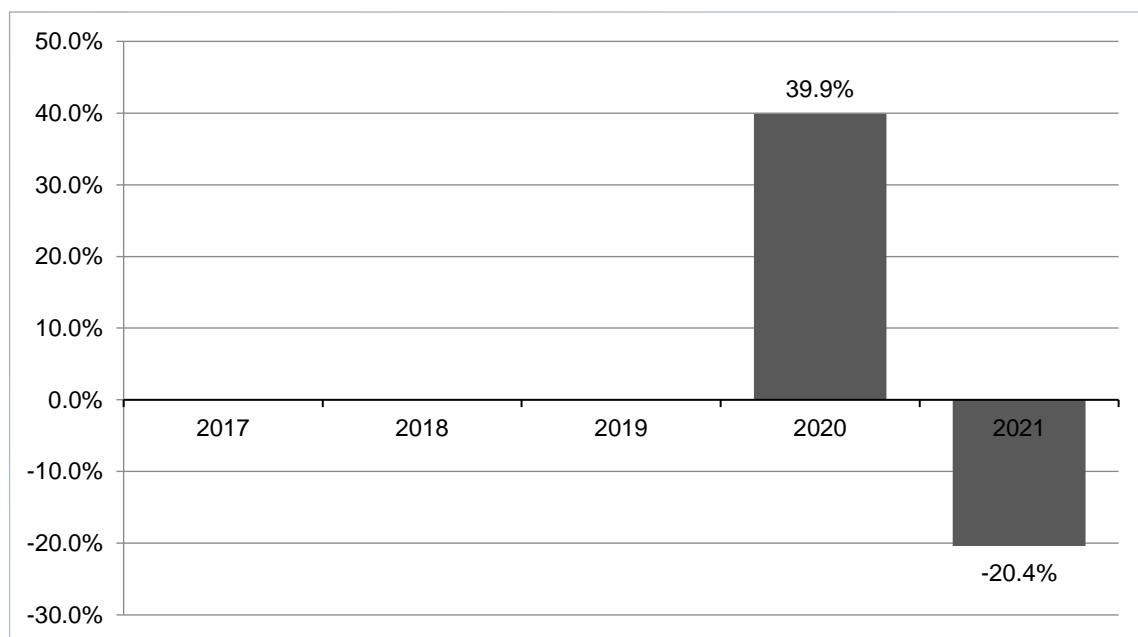
Although offshore RMB (CNH) and onshore CNY (CNY) are the same currency, they trade at different rates. Any divergence between the CNH and the CNY may adversely impact investors.

Under exceptional circumstances, payment of redemption proceeds may be delayed due to exchange controls and restrictions applicable to RMB.

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.

How has the Sub-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 Class A (HKD) 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.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Class A (HKD) Units is selected as representative unit class as it is the retail unit class denominated in the base currency of the Sub-Fund.
- Sub-Fund / Class A (HKD) Units launch date: 2019

Is there any guarantee?

The 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 (Preliminary Charge)
(% of total subscription amount received
(i.e. before deducting preliminary charge))

Class A Units: up to 5%

Switching Fee (Switching Charge)
(% of total amount being switched into)

Class A Units: nil

Redemption Fee (Redemption Charge)
(% of total redemption proceeds)

Class A Units: nil

Ongoing fees payable by the Sub-Fund

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

Annual rate (current rates as a % of the Sub-Fund's net asset value)

Management Fee*

Class A Units: 1.20% p.a.

Trustee Fee*

Class A Units: up to 0.15% p.a.
The Trustee Fee in respect of the Sub-Fund is subject to a minimum monthly fee of up to HKD40,000

Custody Fee*

Class A Units: up to 0.075% p.a. plus transaction fees at customary rates

Performance Fee

Class A Units: not applicable

*the current annual rate may be increased up to a specified permitted maximum level as set out in the Explanatory Memorandum by giving not less than 1 month's prior notice to the investors.

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. 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 Trustee, directly or through authorized distributors, and the Manager receive your request in good order on or before 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. The authorised distributors may impose different dealing deadlines for receiving requests from investors. Investors should confirm the arrangements with the authorised distributor(s) concerned.
- Investors may obtain the past performance information of other unit classes from the Manager upon request and also on the Manager's website: <http://www.xyzq.com.hk>.
- The net asset value of the Sub-Fund is calculated and the price of units published each "business day". They are available at the Manager's website: <http://www.xyzq.com.hk>.
- Please note that the Manager's website as cited in this document has not been reviewed by the SFC.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.