

## PRODUCT KEY FACTS

HAMON INVESTMENT GROUP

Issuer

### HAMON ASIAN FUNDS - HAMON ASIA ESG FOCUS FUND

April 2022

- ***This statement provides you with key information about Hamon Asia ESG Focus Fund ("the Fund"), a sub-fund of Hamon Asian Funds.***
- ***This statement is a part of the offering document and must be read in conjunction with the Hong Kong Supplement and the Prospectus of Hamon Asian Funds.***
- ***You should not invest in this product based on this statement alone.***

#### Quick facts

<b>Manager:</b>	KBA Consulting Management Limited
<b>Investment Advisor:</b>	Hamon Asset Management Limited
<b>Trustee:</b>	The Bank of New York Mellon SA/NV Dublin Branch
<b>Ongoing charges over a year:</b>	USD Class: 4.50% <sup>1</sup> Sterling Class: 4.50% <sup>1</sup>
<b>Dealing frequency:</b>	Daily
<b>Base currency:</b>	U.S. Dollars
<b>Dividend policy:</b>	USD Class: No dividend will be paid Sterling Class: No dividend will be paid
<b>Financial year end of this Fund:</b>	31 December each year
<b>Minimum investment:</b>	USD Class: US\$1,000 (initial), USD Class: US\$1,000 (additional) Sterling Class: GBP1,000 (initial), Sterling Class: GBP1,000 (additional)

<sup>1</sup> The ongoing charges figure is the fees payable to the Hong Kong representative payable out of the assets of the Fund and this represents the actual expenses for the year ended 31 December 2021 based on the latest audited financial statements expressed as a percentage of the average net asset value of the relevant class of units over the same period and the figure may vary from year to year.

#### What is this product?

The Fund is a sub-fund of Hamon Asian Funds, a unit trust established in Ireland as an undertaking for collective investment in transferable securities. Its home regulator is the Central Bank of Ireland.

#### Objective and Investment Strategy

##### Investment Objective

The investment objective is long-term capital appreciation. The Fund seeks to achieve its objective by investing at least 75% of its total assets in listed equity securities of companies domiciled in, or exercising the predominant part of their economic activities in the Asian

region. The Fund adopts a strategy under which a minimum of 75% of the Fund's net assets will be invested in securities or other investments of companies which meet the ESG criteria as described below.

### **Investment Policies**

The Fund intends to invest primarily (i.e. a minimum of 75% of its total assets) in equity and equity related securities (including but not limited to depositary receipts, convertible securities, equity linked notes, participation notes and preference shares) of companies domiciled in, or exercising the predominant part of their economic activities in Asia which are listed or traded on the Regulated Markets as set out in the Prospectus. In relation to participation notes and depositary receipts, these will be listed or traded on Regulated Markets in Europe, Asia or the United States of America. Up to 20% of investment in equities may be in companies based outside the Asian region, whose products and services enjoy strong positions in the Asian markets and which derive a significant portion of revenues from Asia.

The Fund may also invest up to 10% of its net asset value in Eligible Collective Investment Schemes with investment policies similar to the Fund and up to 5% in warrants.

The Fund may have an exposure to China A shares (directly via the Shanghai-Hong Kong Stock Connect scheme and Shenzhen-Hong Kong Stock Connect scheme (collectively the "Stock Connects") and/or indirectly through participation notes and other financial instruments) of up to 40% of its net asset value.

The Investment Advisor intends to select the Fund's investments from a number of Regulated Markets, including Hong Kong, China, Australia, South Korea, Taiwan, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam and India, although no requirement was imposed in the Trust Deed as to the geographical spread of the Fund's investments.

The Fund will invest in a focused portfolio of companies mainly in the Asia ex-Japan region rather than be driven by an index or market capitalisation. Whilst the Fund aims to outperform the benchmark, MSCI AC Asia ex-Japan TR USD Index, the investments made could substantially deviate from the benchmark. In particular, the Investment Advisor will actively evaluate companies with improving ESG parameters (i.e. "early-stage ESG" companies) under its ESG Scorecard (as described further below) to be included in the portfolio, although such companies may not be included in the benchmark.

### **Investment Criteria – ESG Policy**

Although the Fund does not have a specific sustainable investment objective, it will:

- focus its investments (i.e. at least 75% of the net assets of the Fund) in the core sustainability areas of green energy, digitalisation & technology, sustainable finance, environment protection, sustainable production, health and society and decarbonisation (including "early-stage ESG" companies which fall within these core sustainability areas but, may not score the minimum score point of 50 under the ESG scorecard); and
- invest at least 75% of its net assets in companies which score at least the minimum score of 50 points under the ESG scorecard (including companies which are not within the core sustainability areas but, score at least the minimum score of 50 points under the ESG scorecard).

At least 75% of the Fund's net assets will be in both the core sustainability areas and meet the minimum score of 50 points under the ESG scorecard.

The Investment Advisor will also hold equity of "early-stage ESG" companies (i.e. Asian companies with good fundamentals and expected returns, have started to make efforts towards understanding and developing a sustainability strategy, to improve their business and disclosures, but do not yet have enough ESG related data) up to a maximum of 25% of total assets on the expectation that, after focussed engagement with these companies, they would adopt ESG best practices to improve or green their operations, achieve a general

standard of disclosures and attain the minimum internal score for inclusion in the Fund.

#### Core Sustainability Areas

The Investment Advisor's assessment on whether a company falls within the core sustainability areas is based on various factors it considers relevant, such as existing business lines in the sustainability areas making substantial contribution to the company's revenue, incremental capital investments to the sustainability-related line of business, use of technology and digitalisation initiatives to generate revenues or enhance production processes, strategy formation of the company towards climate objectives such as net zero carbon emission or carbon offsets or adopting a growth strategy in sustainability and ESG-related lines of businesses which contribute substantially to the company's future revenue.

#### ESG Scorecard

In addition to the investments in the core sustainability areas, the Fund will also be managed using the ESG Scorecard. This involves the Investment Advisor undertaking fundamental analysis of individual companies along with qualitative and quantitative analysis of material ESG factors (as described further below and in the Prospectus). The fundamental analysis includes, but is not limited to, financial statement analysis covering growth, margins, profitability, capital allocation, balance sheet and financial ratios; market and industry dynamics, sustainable competitive advantages, solid and reputable management, well run operations and ability to manage business risks.

The qualitative analysis of ESG factors involves evaluating risk-return drivers and factors, which are believed to be material to the business, financials and market performance of a company. The Investment Advisor, in the qualitative analysis, evaluates a company using factors within the ESG categories. For example, factors within (i) the environmental category include greenhouse gas and CO<sub>2</sub> emissions, energy efficiency and improvements; (ii) the social category include company's corporate social responsibility activities, human rights record and actions, selling practices and market behaviour; and (iii) the governance category includes the business ethics of the company, board suitability and supervisory efforts.

The quantitative analysis includes assessing ESG related disclosure improvements over the previous year's reporting, compliance with Global Reporting Initiative (GRI) standards, and comparison of third party ESG scores of a company from well-known service providers with its peers regionally and globally. When assessing these ESG factors, the Investment Advisor will engage with the companies, in order to learn more about their disclosure improvements and general ESG practices.

A score out of a 100 will be generated for each company using the ESG Scorecard. Categories within the ESG Scorecard, including but not limited to, company fundamentals, management and governance analysis, environmental data and social practices, long-term climate sustainability goals, third party ESG score improvements, compliance to global reporting standards such as GRI, are each weighted and scored. The minimum score is 50 points out of 100 for the investment to be included in the portfolio under the ESG Scorecard. At least 75% of the net assets of the Fund will be required to achieve the required minimum cut-off score, in order to be included in the portfolio.

#### Exclusion policy

Through its ESG evaluation, the Investment Advisor seeks to avoid companies, sectors and industries it believes to have adverse individual, social, or environmental impacts. The Investment Advisor will generally avoid companies that derive the majority of their revenues from areas considered socially harmful and not socially responsible investment (SRI) such as gambling, alcohol, tobacco, offensive weapons and some major polluters in coal, energy and mining.

However, as ESG is in its nascent stage in Asia, the Investment Advisor wants to emphasize positive behaviours and practices within these companies such as moving their business models away from these negative businesses or green their operations leading to improving ESG factor assessments, rather than solely based on broad-based negative screens in

selecting investments. The Fund would therefore, make investments in those companies (for example, companies considered polluters in energy, metals and mining, etc.) which follow best practices towards greening their operations and can demonstrate implementation of "circular economy". A "circular economy" is a regenerative economic model where companies manage their growth and resource consumption by increasing resource productivity, reducing waste and generating carbon offsets.

#### **Use of FDIs**

The Fund may use financial derivative instruments ("FDIs") for hedging, efficient portfolio management and investment purposes.

#### **Use of derivatives / investment in derivatives**

The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.

#### **What are the key risks?**

**Investment involves risks. Please refer to the Prospectus for details including the risk factors.**

##### **1. Equity market risk**

- The 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 and issuer-specific factors.

##### **2. Concentration risk**

- The Fund's investments are concentrated in the Asian region and in companies with ESG focus. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asian market.

##### **3. ESG Investment Policy Risk**

- As the Fund uses ESG criteria as a core part of its investment policy, such use may affect its investment performance and, as such, the Fund may perform differently compared to similar funds that do not use such criteria.
- ESG-based criteria such as exclusionary standards used in the Fund's investment policy may result in the Fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to such securities no longer meeting the Fund's ESG criteria when it might be disadvantageous to do so. For example, the Fund may not invest in companies that the Investment Advisor believes have adverse social or environmental impacts (i.e., gambling, alcohol, tobacco, coal or major weapons companies), and the Fund will not seek to invest in companies that the Investment Advisor believes demonstrate weak corporate governance (e.g., certain state-owned enterprises).
- The application of ESG-based criteria may restrict the ability of the Fund to acquire or dispose of its investments at a price and time that it wishes to do so, and may therefore result in a loss to the Fund.
- There is a lack of standardised taxonomy of ESG evaluation methodology and the way in which different ESG funds will apply ESG criteria may vary. Evaluation of the core sustainability areas as well as a company's ESG scoring using the ESG Scorecard involves the Investment Advisor's subjective judgment. In addition, in its assessment, the Investment Advisor is dependent upon information and data from ESG providers, which may be incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Advisor may incorrectly assess a security or issuer.
- There is also a risk that the Investment Advisor may not apply the relevant ESG criteria correctly.
- The companies that the Fund invest in may be subject to style drift which no longer

meet the ESG criteria after the Fund's investment. As a result, the Investment Advisor may sell its holdings for the foregoing reasons, even when it might be disadvantageous to do so. This may have an adverse impact on the performance of the Fund.

#### **4. Emerging markets risks**

- The Fund may invest in emerging markets that involve increased risks and special considerations (including 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) which are not typically associated with developed economies or markets.
- Certain emerging markets are exposed to the risks of high inflation and interest rates and a large amount of external debt, such factors may affect the overall economic stability.
- The value of the Fund may be affected by uncertainties such as changes in government policies, taxation legislation and other associated political risk.

#### **5. China market risk and risks associated with China A shares**

- The Fund may invest in China and may be subject to the risks of investing in emerging markets generally.
- The Fund may also be exposed to risks associated with changes in current Chinese tax laws, regulations and practice (which may have retrospective effect).
- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realized via the Stock Connects or access products on the Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.
- Based on professional and independent tax advice, the Fund will not make tax provision for realized and unrealized capital gain derived from China A shares.

#### **6. Investment risk**

- The Fund's investment portfolio may fall in value due to any of the key risk factors and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.

#### **7. Currency risk**

- Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, a class of units may be designated in a currency other than the base currency of the Fund. The net asset value of the Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

#### **8. RMB currency and conversion risks**

- 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 currencies (for example US dollars) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.
- 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.

#### **9. Risks associated with the Stock Connects**

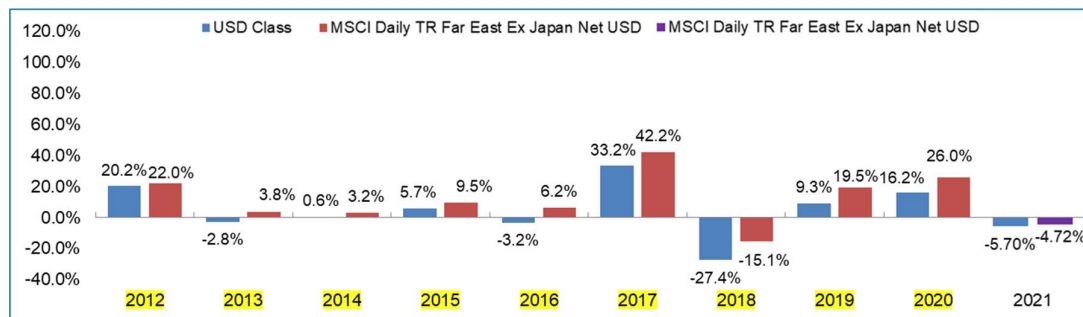
- The relevant rules and regulations on the Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations. Where a suspension in the trading through the programme is effected, the Fund's ability to invest in China A-shares or access the PRC market through the programme will be adversely affected. In such event, the Fund's ability to achieve its

investment objective could be negatively affected.

#### 10. Use of FDIs

- The use of FDIs exposes the Fund to additional risks, including: (i) volatility risk; (ii) liquidity risk; (iii) correlation risk; (iv) counterparty risk; (v) settlement risk; (vi) valuation risk; (vii) over-the-counter risk; and (viii) leverage risk.
- The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Fund. Exposure to FDI may lead to a high risk of significant loss by the Fund.

### How has the fund performed?



The performance of these years were achieved under circumstances that no longer apply, as the investment policy was changed since Nov 2021.

- *Past performance information is not indicative of future performance. Investors may not get back the full amount invested.*
- *The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.*
- *These figures show by how much the USD Class increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.*
- *The benchmark of the USD Class was MSCI Daily TR AC Far East Ex Japan Net USD. From November 2021, the benchmark of the USD Class is MSCI AC Asia ex-Japan TR USD Index.*
- *The Fund was launched on 23rd November 1995.*
- *The USD Class was launched on 22nd December 1995 which has the most historical performance information and as such, is selected as the representative class of units of the Fund.*

### Is there any guarantee?

This 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 Fund.

<u>Fee</u>	<u>What you pay</u>
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Subscription fee (Upfront commission)	Up to 5% of the amount subscribed
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Switching fee	Up to 5% of the amount switched but it is not the present intention of the Manager to charge a switching fee but the Administrator shall be entitled to a switching fee of US\$20 per transaction
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Redemption fee	Up to 1% of redemption price*
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\* if redeemed within a period of 12 months from the units being issued

### **Ongoing fees payable by the Fund**

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

### **Annual rate (as a % of the Fund's value)**

Management fee	Up to 1.5%
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Trustee fee and administration fee	Maximum 0.115% per annum (subject to a combined annual minimum of US\$84,000 per annum)
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Performance fee	Not applicable
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### **Other fees**

You may have to pay other fees and charges when dealing in the units of the Fund.

## **Additional Information**

- You generally buy units at the Fund's next-determined price as long as the Hong Kong Representative receives your request in good order before 4:00 p.m. (Hong Kong time) on any Dealing Day and redeem units at the Fund's next determined price as long as the Hong Kong Representative receives your request in good order before 4:00 p.m. (Hong Kong time) on the first Business Day prior to such Dealing Day (the "Dealing Deadline"). Dealing day is generally every Business Day.
- Units are issued on the basis of the net asset value per Unit calculated for such Dealing Day. Before placing your subscription or redemption orders, please check with your distribution agent for the details of the relevant dealing procedures (the dealing cut-off times imposed by any such distribution agent may be earlier than the Fund's Dealing Deadline).
- The latest net asset value of the Units is made public at the registered office of the Administrator and the Hong Kong Representative on each Dealing Day and is made available daily at the website: [www.hamon.com.hk](http://www.hamon.com.hk). The website has not been reviewed or authorised by the Securities and Futures Commission (the "SFC").
- The past performance information of other share classes offered to Hong Kong investors is available at the Manager's website ([www.hamon.com.hk](http://www.hamon.com.hk)). The website has not been reviewed or authorised by the SFC.

<b>Important</b>
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If you are in doubt, you should seek professional advice.
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