

## PRODUCT KEY FACTS STATEMENT

China Everbright Fortune Fund Series

Everbright Hong Kong Bond Fund

August 2022

China Everbright Securities (HK) Limited

- *This statement provides you with key information about Everbright Hong Kong Bond Fund (the "Sub-Fund").*
- *This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of China Everbright Fortune Fund Series.*
- *You should not invest in this product based on this statement alone.*

### Quick facts

<b>Manager:</b>	China Everbright Securities (HK) Limited
<b>Trustee:</b>	ICBC (Asia) Trustee Company Limited
<b>Custodian:</b>	Industrial and Commercial Bank of China (Asia) Limited
<b>Ongoing charges over a year*:</b>	Class A HKD Units: 1.93% Class I HKD Units: 1.43% *The figure is an estimate only as the Sub-Fund has not been launched yet. The figure represents the sum of the estimated ongoing expenses chargeable to the respective classes of units of the Sub-Fund over a 12-month period expressed as a percentage of the Sub-Fund's estimated average net asset value of the respective classes of units of the Sub-Fund. The actual figure may be different upon actual operation of the Sub-Fund and the figure may vary from year to year.
<b>Dealing frequency:</b>	Daily
<b>Base currency:</b>	HKD
<b>Dividend policy:</b>	Currently declared on a semi-annual basis in June and December each year, subject to the Manager's discretion. Dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription.
<b>Financial year end of this Sub-Fund:</b>	31 December
<b>Min. investment:</b>	Class A HKD Units: HKD5,000 initial, HKD5,000 additional Class I HKD Units: HKD1,000,000 initial, HKD500,000 additional
<b>Min. holding:</b>	Class A HKD Units: Units with aggregate minimum value of HKD5,000 Class I HKD Units: Units with aggregate minimum value of HKD1,000,000
<b>Min. redemption:</b>	Class A HKD Units: Units with aggregate minimum value of HKD5,000 Class I HKD Units: Units with aggregate minimum value of HKD500,000

## What is this product?

Everbright Hong Kong Bond Fund (the “**Sub-Fund**”) is a sub-fund of China Everbright Fortune Fund Series (the “**Fund**”) which is a Hong Kong domiciled umbrella structure unit trust and is governed by the laws of Hong Kong.

## Objectives and Investment Strategy

### Objectives

The investment objective of the Sub-Fund is to aim to provide investors with a return consisting of income and capital growth over medium to long term by investing in debt securities (i.e. at least 70% of the Sub-Fund’s non-cash assets). The Manager intends that at least 70% of the Sub-Fund’s assets will be denominated in Hong Kong Dollars.

### Investment Policy

In order to achieve the investment objective, the Sub-Fund mainly invests in debt securities issued by issuers including but not limited to governments, quasi-governmental organisations, supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities. The debt securities in which the Sub-Fund may invest include but are not limited to long-term bonds, medium-term notes, bills, convertible bonds, subordinated debt, certificates of deposits, high yield bonds and commercial papers. In particular, debt securities that the Sub-Fund invests in will mainly consist of bonds which (a) are denominated in Hong Kong dollars; and/or (b) are listed on the Hong Kong Stock Exchange or quoted on the Hong Kong’s over-the-counter markets on which bonds are regularly traded. The Sub-Fund may invest not more than 20% of the Sub-Fund’s net asset value in convertible bonds.

The Manager intends the Sub-Fund to invest in fixed income securities which are of investment grade (i.e. rated as Baa3 or above by Moody’s or equivalent ratings by other credit rating agencies of similar standing) or below investment grade as well as unrated fixed income securities (which in the opinion of the Manager are suitable for achieving the investment objective of the Sub-Fund).

The Sub-Fund may invest less than 20% of its net asset value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers’ regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest in equity securities. However, depending on the market conditions, there may be possibility that the Manager may convert the convertible bonds held by the Sub-Fund into equity securities to realize the profits. In this case, the equity securities will be sold as soon as possible upon considering the prevailing market conditions.

Subject to the investment policy and restrictions of the Sub-Fund, the Sub-Fund may invest not more than 30% of its assets in debt securities denominated in currencies other than Hong Kong dollars such as USD and/or RMB. For the avoidance of doubt, the Sub-Fund may only invest in RMB denominated debt securities issued or distributed outside the PRC.

While the Sub-Fund will not invest directly in debt securities issued within the PRC, the Sub-Fund may invest indirectly in such securities through investing in funds which are authorized by the SFC and are eligible to invest directly in securities issued within the PRC through the Renminbi qualified foreign institutional investor (the “RQFII funds”) up to 30% of the Sub-Fund’s net asset value. The Sub-Fund may invest in RQFII funds managed by the Manager.

### Indicative Investment Allocation

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

<b>Type of debt securities</b>	<b>Indicate percentage (of Sub-Fund's net asset value)</b>
Debts issued by governments and quasi-government organisations	Up to 100%
Debts issued by supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities	Up to 100%
Convertible bonds	Up to 20%
RQFII funds	Up to 30%

To the extent permitted by the applicable investment restrictions, the Sub-Fund may invest in collective investment schemes including fixed income funds.

The Sub-Fund may employ futures contracts or forward contracts for hedging purposes only and will not invest in financial derivative instruments for investment purposes.

The Sub-Fund will not engage in securities lending transactions or repurchase / reverse repurchase transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

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

It is expected that the Sub-Fund may hold a significant amount of cash or cash equivalents in times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn.

#### Additional Investment Restriction

The Sub-Fund will not invest more than 10% of the its net asset value in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade.

The Manager may borrow up to 10% of the latest available net asset value of the Sub-Fund for investment purposes.

#### **Strategy**

In determining the asset allocation of the Sub-Fund, the Manager will adopt both "top-down" and "bottom-up" approaches in combination of quantitative and qualitative analysis to determine the investment allocations of the Sub-Fund in different type of assets, including debt securities.

#### **Debt securities investment strategies**

##### Ordinary bonds

In relation to investments in fixed income securities other than convertible bonds, the Sub-Fund will apply the duration strategy, yield curve term structure strategy, relative value strategy, riding strategy and credit bonds investment strategy in order to try to achieve a higher yield within reasonable risks exposure.

##### Convertible bonds

The Sub-Fund will select convertible bonds of high maturity yield and good terms of issue and issuers of bonds with good fundamentals. The Sub-Fund will also integrate different strategies to invest in the secondary market of convertible bonds, in order to try to achieve a higher yield within reasonable risk exposure.

## 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.**

### **Investment risk**

The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds units in the Sub-Fund.

### **Single country investment**

The Sub-Fund will focus its investments on debt securities listed in Hong Kong and will be particularly dependent on the development of Hong Kong, of companies based or operating in Hong Kong, and of companies which are listed in Hong Kong but may not have any operations in Hong Kong. The Sub-Fund is therefore subject to concentration risks. In particular, the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global bond fund, as the Sub-Fund is more susceptible to fluctuations in value resulting from its holdings or from adverse conditions in Hong Kong. Under such circumstances, the Sub Fund's performance will likely be adversely affected.

### **Debt securities**

Investments in debt securities will be subject to risks associated with debt securities.

#### *Interest rates risk*

If the debt securities held by the Sub-Fund fall in value as a result of an increase in interest rates, the Sub-Fund's value will be adversely affected.

#### *Credit risk*

An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

#### *Below investment grade and unrated securities risk*

The Sub-Fund may invest in below investment grade or unrated securities. Such securities would generally be considered to have a higher degree of counterparty risk, credit risk, liquidity risk than investment grade debt securities. The market for these securities may be less active and their prices may be more volatile. As a result the net asset value of the Sub-Fund may be adversely affected.

#### *Credit rating downgrading risk*

Investment grade debt securities may be subject to the risk of being downgraded or may even fall below investment grade. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected, resulting in an unfavourable impact on the net asset value of the Sub-Fund.

#### *Counterparty risk*

The Sub-Fund may be exposed to the risk of a counterparty through its investments as the counterparty may not fulfil its obligations to the Sub-Fund. To the extent that a counterparty defaults on its obligations and the Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, the Sub-Fund may sustain substantial losses as a result.

#### *Liquidity risk*

The Sub-Fund may invest in debt securities that are not listed. Such securities may be less liquid and more volatile than listed debt securities, resulting in the fluctuation in the price of such securities and hence adversely affect the net asset value of the Sub-Fund.

**Risk of investing in convertible bonds**

Convertible bonds are subject to risks which typically apply to bonds and equity securities. On the one hand, convertible bonds are subject to interest rate risk and credit risk. On the other hand, the prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the net asset value of the Sub-Fund.

**Risk of investing in subordinated debt securities**

The Sub-Fund may invest in subordinated debt securities. Such investments will have a lower priority of claim in the event of the relevant issuer's liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity securities. The Sub-Fund is exposed to higher credit / insolvency risk of its counterparties as a holder of subordinated debt securities than as a holder of unsubordinated debt securities. If the relevant issuer defaults, the performance of the Sub-Fund will be adversely affected.

**RMB currency risk**

The Sub-Fund may invest in fixed income securities denominated in RMB and hence subject to the RMB currency risk.

The RMB currency operates under a managed floating exchange rate regime based on market supply and demand with reference to a basket of foreign currencies. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions). There can be no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of the Sub-Fund's investments denominated in RMB.

Subject to the applicable investment restrictions, the Sub-Fund may invest in securities that are denominated in RMB but settled in other currencies (such as USD or HKD). Its performance may be adversely affected by the movements in the exchange rates between RMB and such other currencies.

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 Sub-Fund's or the investors' position may be adversely affected.

**Currency conversion risk**

RMB is currently not a freely convertible currency.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may convert part of such subscriptions into RMB prior to investment at the applicable exchange rate. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions).

Where an investor redeems Units denominated in a non-RMB currency, the Manager may have to sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders in case of sizeable redemptions. Certain investments acquired by the Sub-Fund may be denominated in RMB whereas Units are denominated in a non-RMB currency. This may expose Unitholders to movements of the exchange rate between the currency of the class of Units they invest in and the RMB. For example, any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

In calculating the value of RMB denominated assets, the Manager will normally apply the CNH exchange

rate for the offshore RMB market in Hong Kong. The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in China (i.e. the CNY exchange rate) and there may be significant bid and offer spreads. The value of the Sub-Fund will thus be subject to fluctuation.

#### **Risks of investing in RQFII funds**

RQFII funds that the Sub-Fund may invest in are denominated in RMB and are hence subject to the RMB currency risk. The RQFII funds are subject to the availability of investment quota. Therefore the Sub-Fund's ability to obtain exposure to the PRC domestic securities market may be limited by the availability of investment quota where there are no RQFII funds which, in the opinion of the Manager, are suitable for investment having regard the investment objective and policy of the Sub-Fund. The RQFII regulations are subject to change and may take retrospective effect. The Sub-Fund, if investing in the RQFII funds, may be adversely affected as a result of such changes.

RQFII funds' investment in the PRC market is subject to PRC tax liabilities. It is a common practice for RQFII funds to make provisions for such potential tax liabilities in the PRC which may be excessive or inadequate. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and hence the RQFII funds' value may be adversely affected. As a result, the value of the Sub-Fund may be unfavourably affected.

Investment in RQFII funds may involve another layer of fees charged at the RQFII fund level. The Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the RQFII funds, or will incur charges in subscribing for or redeeming units in the RQFII funds.

#### **Risk of using financial derivative instruments**

The use of financial derivative instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk and issuer's defaults risk. In adverse situation, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

### **How has the Sub-Fund performed?**

There is insufficient data to provide a useful indication of past performance to investors as the Sub-Fund has not yet been launched.

### **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))	<i>Maximum level</i> All classes of units: up to 5%
	<i>Current rate</i> All classes of units: up to 5%

Switching Fee (Switching Charge) (% of total amount being switched into)	<i>Maximum level</i> All classes of units: up to 2%
	<i>Current rate</i>

	All classes of units: nil
Redemption Fee (Redemption Charge) (% of total redemption proceeds)	<i>Maximum level</i> All classes of units: up to 1%
	<i>Current rate</i> All classes of units: nil
<b>Ongoing fees payable by the Sub-Fund</b>	
The following fees will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.	
	<b><u>Annual rate (as a % of the Sub-Fund's net asset value)</u></b>
Management Fee*	Class A HKD Units: 1.00% p.a. Class I HKD Units: 0.50% p.a.
Trustee Fee*	All classes of units: up to 0.10% p.a.. The Trustee may charge a minimum monthly fee of HKD24, 000. Note that the minimum monthly fee of HKD24, 000 will be waived for the first 3 months upon launch of the Sub-Fund.
Custody Fee*	All classes of units: up to 0.03% p.a. of month-end market value (if unavailable, the nominal value) of the Sub-Fund's investments in custody plus transaction fees at customary rates.
Performance Fee	All classes of units: not applicable
Administration Fee	All classes of units: not applicable
Registrar Fee	All classes of units: a transaction-based fee
*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.	
<b><u>Other fees</u></b>	
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.	
<b>Additional Information</b>	
<ul style="list-style-type: none"> <li>You generally buy and redeem units at the Sub-Fund's next-determined net asset value after the Manager or the authorised distributors receive your request in good order on or before 4:00 p.m. (Hong Kong time) on the relevant Dealing Day or the dealing cut-off time set by the authorised distributors.</li> <li>The authorised distributor(s) may impose an earlier cut-off time before the dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the authorised distributor(s) concerned.</li> <li>The net asset value of the Sub-Fund is calculated at each valuation day and the price of units is published on each dealing day on the website of the Manager at <a href="http://www.ebshk.com">http://www.ebshk.com</a>. Please note that this website has not been reviewed by the SFC.</li> </ul>	
<b>Important</b>	

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.