

**Taikang Asset Management  
(Hong Kong) Company Limited**

**November 2022**

- ***This statement provides you with key information about Taikang Kaitai US Dollar Money Market Fund (the “Sub-Fund”).***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of Taikang Kaitai Funds.***
- ***You should not invest in this product based on this statement alone.***

**Quick facts**

**Manager:** Taikang Asset Management (Hong Kong) Company Limited  
泰康資產管理 (香港) 有限公司

**Trustee:** BOCI-Prudential Trustee Limited  
中銀國際英國保誠信託有限公司

**Custodian:** Bank of China (Hong Kong) Limited  
中國銀行 (香港) 有限公司

**Ongoing charges over a year: #**

Class A – USD: 0.44%

Class B – USD: 0.70%

# This figure is an estimate only as the Sub-Fund is newly launched. It represents the sum of the estimated ongoing expenses chargeable to the respective class of the Sub-Fund over a 12-month period expressed as a percentage of the estimated average Net Asset Value of the respective class of the Sub-Fund over the same period. The actual figure may be different from the estimate and the figure may vary from year to year.

**Dealing frequency:** Daily

**Base currency:** USD

**Dividend policy:** No distribution will be paid on Class A and Class B Units.

**Financial year end of this Sub-Fund:** 31 December

**Minimum investment:**

**Class A – USD:** USD100 initial, USD100 additional, USD100 minimum holding

**Class B – USD:** USD1 initial, USD1 additional, USD1 minimum holding

## What is this product?

- Taikang Kaitai US Dollar Money Market Fund is a sub-fund of Taikang Kaitai Funds which is an umbrella structure unit trust established by a trust deed dated 16 April 2014, as amended. It is governed by the laws of Hong Kong.
- Investors should note that purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. The Sub-Fund does not have a constant Net Asset Value and does not guarantee the repayment of investment principal. The manager has no obligation to redeem Units at the offer value.

## Objective and Investment Strategy

### *Objective*

The Sub-Fund's objective is to achieve a return in US Dollars in line with prevailing money market rates.

### *Strategy*

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in USD denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations and financial institutions. High-quality money market instruments include but are not limited to government bills, short term notes, bankers' acceptance, commercial papers, certificates of deposits, commercial bills and high-quality debt securities. The Sub-Fund may invest less than 20% of its Net Asset Value in debt securities which include but are not limited to government bonds, fixed and floating rate bonds.

The Sub-Fund may also invest not more than 10% of its Net Asset Value into money market funds that are authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC. The money market funds invested into by the Sub-Fund may be denominated in any currency.

Non-USD denominated investments may account for up to 30% of the Sub-Fund's Net Asset Value.

There is no specific geographical allocation of the country of issue of the Sub-Fund's investments, except that the Sub-Fund may not invest in emerging markets other than Mainland China (for the purpose of considering emerging markets only, excludes Hong Kong, Taiwan and Macau). Countries or regions in which the Sub-Fund may invest in include but are not limited to Hong Kong, Taiwan, Macau, Singapore, developed markets within the European Union, the United States and China (onshore and offshore markets).

The Sub-Fund may invest less than 30% of its Net Asset Value in onshore and offshore RMB-denominated money market instruments, deposits or high-quality debt securities (accessed via the mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**"). The total exposure to onshore RMB denominated money market instruments, deposits and high-quality debt securities will be less than 20% of the Sub-Fund's Net Asset Value).

The Manager will assess the credit quality and the liquidity profile of instruments that may be acquired on behalf of the Sub-Fund to determine whether a money market instrument is of high quality. The Sub-Fund will only invest in instruments which have, or the issuers of which have, an investment grade rating, i.e. at least BBB-/Baa3 (rated by an internationally recognised credit agency such as Moody's, Standard & Poor's or Fitch) or AAA (rated by a Mainland Chinese domestic credit rating agency). Where the issue or the issuers have no credit rating, the Sub-Fund may invest into such instruments if they have a guarantor whose investment grade rating meets the credit rating requirements above. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. The assessment by the Manager involves both quantitative and qualitative analyses of an issuer's credit fundamentals. Quantitative financial factors that are assessed may include, the issuer's leverage, operating margin, return on capital, interest coverage and operating cash flows. Qualitative factors that

will be assessed may include, industry outlook, the firm's competitive position, corporate governance, and other non-financial factors. The Manager will assess the liquidity profile of instruments based on various factors, included but not limited to time to cash, liquidation horizon, price volatility, external liquidity classification, daily trading volume, yield volatility and bid-ask spread of such instruments. Only instruments with sufficient liquidity will be included in the portfolio of the Sub-Fund.

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except: (i) where the entity is a substantial financial institution (as defined in the SFC's Code on Unit Trusts and Mutual Funds (the "Code")) and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of Government and other public securities (as defined in the Code), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

The Sub-Fund will not invest in convertible bonds. It will not invest in instruments with loss-absorption features (i.e. instruments that may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s)).

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other public securities.

The Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

For the avoidance of doubt, the Sub-Fund will not (i) invest in any securities or other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded or (ii) make any short sales.

#### Financial Derivative Instruments ("FDI")

The Sub-Fund may invest in FDI for hedging purposes only but not for investment purposes. Any material currency risk from non-USD denominated investments will be appropriately hedged into USD.

#### Sale and Repurchase Transactions

The Sub-Fund may enter into sale and repurchase transactions only on a temporary basis mainly for the purpose of meeting redemption requests. The maximum proportion and expected proportion of the Net Asset Value of the Sub-Fund that can be subject to sale and repurchase transactions, when aggregated with the Sub-Fund's borrowing, are 10% and 10% respectively.

The Sub-Fund will not enter into securities lending and reverse repurchase transactions in respect of the Sub-Fund.

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided in a sale and repurchase transaction, where cash obtained will not be re-invested. The Sub-fund will not receive any non-cash collateral.

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

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

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

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

## **1. 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. There is also no guarantee of regular dividend or distribution payments during the period you hold units of the Sub-Fund.

## **2. Risks relating to money market instruments/ fixed income securities**

### Short-term instruments risk

- As the Sub-Fund invests significantly in short-term instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

### Credit/ counterparty risk

- The Sub-Fund is exposed to the credit/default risk of issuers of the money market instruments and fixed income securities that it invests in. The Sub-Fund is exposed to the risk that a counterparty in a transaction may default in its obligation to settle the transaction, or may be unable or unwilling to make timely payments on principal and/or interest. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund may sustain substantial losses.

### Interest rate risk

- Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise. Changes in monetary policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities, and thus the return of the Sub-Fund.

### Downgrading risk

- The credit rating of a fixed income security or its issuer may 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 fixed income securities that are being downgraded. If the Sub-Fund continues to hold the relevant securities, it will be subject to additional risk of loss.

### Valuation risk

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

### Volatility and liquidity risk

- The fixed income securities in some of the markets that the Sub-Fund invests in (e.g. emerging 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.

### 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.

### Eurozone Risk

- In light of 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 European Union members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

#### Credit rating 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.

#### Credit rating agency risk (for funds invest in Mainland China onshore debt securities)

- The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China 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. Risks associated with bank deposits**

- Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

### **4. Currency and conversion risks**

#### Currency risk

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. The Net Asset Value 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.

#### RMB currency and conversion risk

- RMB is currently not freely convertible and is subject to exchange controls and restrictions. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time. Any depreciation of the value of RMB could adversely affect the value of investors' investments in the Sub-Fund.

### **5. Concentration risk**

- The Sub-Fund's investments are concentrated in USD denominated deposits and money market instruments. 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 invests in Mainland China which is an emerging market and such investment 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.

### **7. Risks associated with investment in FDI / Hedging risk**

- 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.
- Insofar as the Sub-Fund acquires FDI for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund.
- FDI may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a FDI can be volatile which may result in losses in excess of the amount invested in the FDI by the Sub-Fund. A FDI is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

## How has the fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the Sub-Fund is newly launched.

## 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.

<u>Fee</u>	<u>What you pay</u>
<b>Subscription Fee (Initial Charge)</b> (% of total subscription amount received)	<b>Class A and Class B:</b> up to 5%
<b>Redemption Fee (Redemption Charge)</b> (% of total redemption proceeds)	<b>Class A and Class B:</b> Nil
<b>Switching Charge</b> (% of total amount being switched out of the Existing Class (as defined in the Explanatory Memorandum))	<b>Class A and Class B:</b> up to 1%

### 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.

<u>Fee</u>	<u>Annual rate (as a % of the Sub-Fund's NAV)</u>
<b>Management Fee</b>	<b>Class A:</b> 0.40% p.a.* <b>Class B:</b> 0.60% p.a.*
<b>Trustee Fee</b>	Currently: Up to 0.075% p.a., subject to a monthly minimum fee of up to USD4,000
<b>Custody Fee</b>	Currently: Up to 0.0225% p.a.
<b>Performance Fee</b>	Not applicable

### 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.

\*You should note that some fees may be increased, up to a specified permitted maximum, by giving unitholders at least one month's prior notice. For details, please refer 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 of the relevant class after the Trustee or an Authorised Distributor receives your request in good order on or before 11:00 a.m. (Hong Kong time) on the relevant Dealing Day.
- 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 contact the Authorised Distributor(s) of the Sub-Fund for details and confirm the arrangements with the Authorised Distributor(s) concerned.
- The Net Asset Value of this Sub-Fund and the price of units are calculated every Valuation Day and will be published on a daily basis on the Manager's website: <http://www.taikangasset.cn/tkzc/hk/><sup>1</sup>.

## **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.

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<sup>1</sup> This website has not been reviewed by the SFC.