



## PRODUCT KEY FACTS

### Haitong RMB Investment Fund Series- Haitong China RMB Income Fund

April 2021

**Issuer:** Haitong International Asset Management (HK) Limited

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

#### Quick facts

<b>Manager:</b>	Haitong International Asset Management (HK) Limited
<b>QFI Holder:</b>	Haitong International Holdings Limited (holding company of the Manager)
<b>Trustee:</b>	BOCI-Prudential Trustee Limited
<b>Custodian:</b>	Bank of China (Hong Kong) Limited
<b>QFI Custodian:</b>	Bank of China Limited
<b>Dealing frequency:</b>	Daily on each HK & PRC Business Day <sup>^</sup>
<b>Base currency:</b>	RMB
<b>Ongoing charges over a year:</b>	Class A (RMB): 1.82%* Class A (SGD): 1.82%# Class I (RMB): 1.42%* Class I (SGD): 1.42%#
<b>Dividend policy:</b>	Currently on a semi-annual basis (i.e. June and December each year) subject to the Manager's discretion.

The Sub-Fund may pay dividends out of income or capital of the Sub-Fund or pay dividends out of gross income while charging or paying all or part of the fees and expenses to, or out of, the capital, resulting in an increase in distributable income for the payment of dividends and the Sub-Fund may therefore effectively pay dividends out of capital. Distributions in general, in particular distributions involving payment of dividends out of capital, or payment of dividends effectively out of capital, may result in an immediate decrease in the Net Asset Value of the relevant Units.

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

<sup>^</sup> A day (other than a Saturday) on which banks and stock exchanges in Hong Kong and PRC are open for normal business

<sup>\*</sup> The ongoing charges figure is based on the ongoing expenses for the year ended 31 December 2020 expressed as a

percentage of the Sub-Fund's average net asset value for the same period according to the latest annual financial statement as of 31 December 2020. This figure may vary from year to year.

# This figure is an estimate only and represents the sum of the estimated ongoing expenses chargeable to the respective class of units of the Sub-Fund expressed as a percentage of the respective class of units of the Sub-Fund's estimated average Net Asset Value. The actual figure may be different from this estimated figure and may vary from year to year.

	<b>Class A</b>		<b>Class I</b>	
<b>Min. investment:</b>	Class A (RMB):	RMB10,000	Class I (RMB):	RMB10,000,000
	Class A (SGD):	SGD10,000	Class I (SGD):	SGD10,000,000
<b>Min. holding:</b>	Minimum value of Units held in each class:		Minimum value of Units held in each class:	
	Class A (RMB):	RMB10,000	Class I (RMB):	RMB10,000,000
	Class A (SGD):	SGD10,000	Class I (SGD):	SGD10,000,000
<b>Min. redemption:</b>	Minimum value of Units held in each class:		Minimum value of Units held in each class:	
	Class A (RMB):	RMB10,000	Class I (RMB):	RMB10,000,000
	Class A (SGD):	SGD10,000	Class I (SGD):	SGD10,000,000

## What is this product?

- Haitong China RMB Income Fund is a sub-fund of Haitong RMB Investment Fund Series which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 6 August 2010, as amended and restated from time to time. It is governed by the laws of Hong Kong.
- The Sub-Fund invests primarily in RMB denominated and settled debt instruments issued within mainland China through the QFI status of the QFI Holder, Haitong International Holdings Limited, acting through the Manager. The Sub-Fund is a new type of fund offered in Hong Kong that is denominated in RMB. Subscription moneys and redemption proceeds for RMB denominated classes must be paid in RMB.**

## Objective and Investment Strategy

### Objective

Haitong China RMB Income Fund seeks capital growth and income in RMB terms through investment in a diversified portfolio consisting primarily of RMB denominated and settled debt instruments (including but not limited to bonds, convertible bonds and commercial papers) issued or distributed by:

- Chinese governments (including state, municipal and local governments), Chinese quasi-government organisations, or
- Multinational organisations, financial institutions and other corporations.

The above debt instruments will be issued or listed in the PRC. Some of these debt instruments may be listed or traded on the Shenzhen Stock Exchange or the Shanghai Stock Exchange or traded in the mainland interbank bond market.

Subject to the investment restrictions below, the Sub-Fund may also invest in deposits (including but not limited to bank certificates of deposit, bank deposits and negotiated term deposits with banks) and collective investment schemes issued or listed within mainland China.

Investment in RMB denominated and settled debt instruments, collective investment schemes and deposits issued or listed within mainland China (collectively, the “**PRC Financial Instruments**”, or each as “**PRC Debt Instruments**”, “**PRC CIS**” and “**PRC Deposits**”) will be made through the qualified foreign investors (“**QFI**”) status of the QFI Holder, which is the holding company of the Manager. The Sub-Fund will not invest in any debt instruments or collective investment schemes issued outside mainland China.

The Sub-Fund will invest not less than 80% of its Net Asset Value in (i) the PRC Debt Instruments; and (ii) PRC CIS which primarily invest in PRC Debt Instruments. The Sub-Fund may invest up to 70% of its Net Asset Value in Urban Investment Bonds (城投債), which are debt instruments issued by mainland local government financing vehicles (“**LGVFs**”) in the PRC listed bond markets and interbank bond market. These LGVFs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects in the PRC.

The Sub-Fund does not have any requirements on the minimum credit ratings of the PRC Debt Instruments it holds and may invest in unrated PRC Debt Instruments. The Sub-Fund may invest up to 20% of its Net Asset Value in PRC Debt Instruments which are below investment grade or which are unrated by a local credit rating agency recognised by the relevant authorities in the PRC. For the purpose of the Sub-Fund, “investment grade” is defined as a credit rating of at least BBB- or equivalent as rated by a local credit rating agency recognised by the relevant authorities in the PRC. The Manager will firstly consider the credit rating of the PRC Debt Instrument and if it is not rated by a PRC local credit rating agency but its issuer has a credit rating, the issuer’s credit rating will be adopted as the PRC Debt Instrument’s implied rating. If neither the PRC Debt Instrument nor its issuer has a credit rating, the PRC Debt Instrument is classified as “unrated”.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss absorption features (e.g. contingent convertible debt securities, senior non-preferred debts, etc).

The Sub-Fund may also invest up to 20% of its Net Asset Value in (i) RMB denominated PRC Deposits; and (ii) PRC CIS which primarily invest in RMB denominated PRC Deposits. The Sub-Fund may also keep cash or invest in RMB denominated deposits issued outside mainland China for ancillary purposes such as meeting redemption requests. Notwithstanding the above, the PRC CIS issued or listed within mainland China invested by the Sub-Fund are authorised by the China Securities Regulatory Commission (“**CSRC**”) for offer to the retail public in the PRC. The Sub-Fund’s investment in the PRC CIS will not in aggregate exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund currently will not invest in physical commodities (including gold, silver, platinum or other bullion), any derivative instruments, structured products, structured deposit or asset-backed securities (including asset-backed commercial papers) for hedging or non-hedging purposes. Prior approval will be sought from the SFC and at least

one month's prior notice will be given to Unitholders if the Sub-Fund and/or the Manager intend(s) to make such investment in the future.

The Manager currently does not intend to enter into any securities financing transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

### **Strategy**

The Manager seeks to achieve investment returns through dynamic asset allocation among various debt instruments and cash holdings.

The Manager will actively manage the major risks associated with RMB denominated debt instruments: duration, asset allocation and active credit selection.

### **Use of derivatives**

The Sub-Fund will not use financial derivative for any purposes.

### **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 is an investment fund and not a bank deposit. There is no guarantee of the repayment of principal.
- There is also no guarantee of dividend or distribution payments during the period you hold the units of the Sub-Fund.
- 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.

#### **2. Risk relating to dynamic asset allocation strategy**

- The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy adopted by the Manager may not achieve the desired results under all circumstances and market conditions.
- **Currency risk**
  - Underlying investment of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (i.e. RMB). Also, a class of Units may be designated in a currency 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 RMB and by changes in exchange rate controls.

### **3. RMB currency risk**

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk. There is no guarantee that the value of RMB against the investors' base currencies (for example Hong Kong Dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

### **4. QFI risk**

- The Sub-Fund's ability to make investment in securities through a QFI or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations imposed by the PRC authorities, and may be subject to liquidity risk. Although repatriations by QFIs in respect of the Sub-Fund are currently not subject to any lock-up periods, prior approval, or other repatriation restrictions, there is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders.
- The applicable QFI laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) are subject to frequent changes which may have potential retrospective effect and their application may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.
- There is no assurance that a QFI will continue to maintain its QFI status. In extreme circumstances, the Sub-Fund may incur significant losses if the approval of the QFI is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including the QFI Custodian) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities), or due to limited investment capabilities, illiquidity of Chinese domestic market, and/or delay or disruption in execution of trades or in settlement of trades.

### **5. China market risk / Single country investment risk**

- The Sub-Fund's investments are concentrated in securities related to the China market and may be subject to additional concentration risk. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China market.
- Investment in the China market (which is an emerging market) involves increased

risks and special consideration 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 higher degree of volatility.

## **6. PRC tax risk**

- There are risks and uncertainties associated with the current PRC tax laws, regulations in respect of capital gains realised via QFI regime or PRC onshore bonds on the Sub-Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's Net Asset Value.
- Based on professional and independent tax advice, the Sub-Fund will make tax provisions on interest income from non-government bonds (i.e. at a rate of 10% for withholding income tax and a rate of 6.72% for value-added tax and local surcharges) except interest income from investments in PRC onshore bonds received for the period from 7 November 2018 to 6 November 2021.
- Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

## **7. Risks relating to debt securities**

### Credit risk

- The Sub-Fund is exposed to the credit/default risk of issuers of the RMB denominated debt securities it invests in.

### Risk of investing in below investment grade or unrated debt instruments

- The Sub-Fund may invest up to 20% of its Net Asset Value in RMB denominated debt instruments which are below investment grade or which are unrated by a local credit rating agency recognised by the relevant authorities in the PRC. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher rated debt securities.

### Interest rate risk

- Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

### Risks relating to credit rating

- 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 appraisal system in mainland China and the rating criteria and methodology may be different from those adopted in other markets. Therefore, credit ratings given by such local rating agencies may not be directly comparable with those given by other international credit rating agencies.

#### Downgrading risk

- 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.

#### 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.

#### 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 turn out to be incorrect, the calculation of the Net Asset Value of the Sub-Fund may be adversely affected.

#### Volatility / liquidity risk

- The RMB denominated debt securities market 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. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

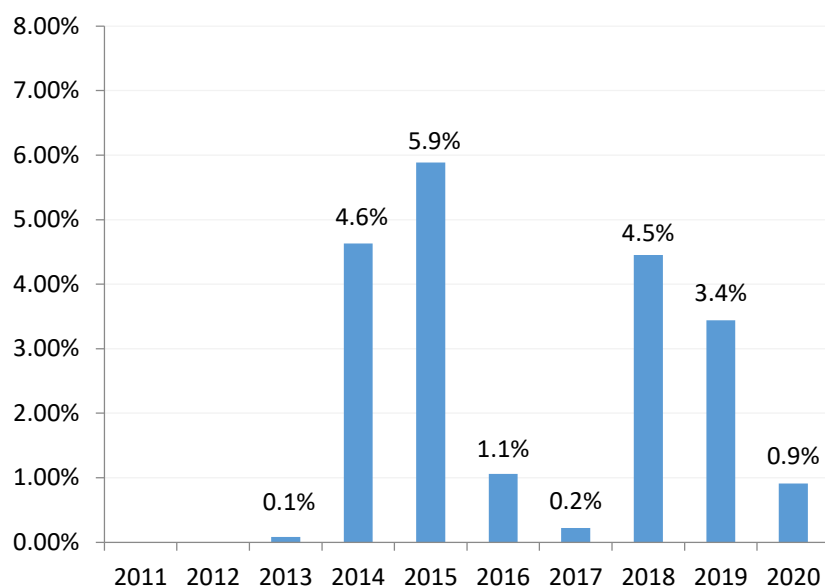
#### Risks associated with Urban Investment Bonds (城投債)

- The Sub-Fund may invest up to 70% of its Net Asset Value in Urban Investment Bonds (城投債). Although these Urban Investment Bonds are issued by LGFVs, they are typically not guaranteed by such local government bodies or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the Urban Investment Bonds, the Sub-Fund may suffer substantial losses and the Net Asset Value of the Sub-Fund may be adversely affected.

### **8. Risks relating to payment of distributions out of capital**

- Payment of dividends out of capital and/or effectively 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 may result in an immediate reduction of the Net Asset Value per Unit.

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



The performances of these years were achieved under circumstances that no longer apply. The investment policy was changed since 2014.

- The bar chart above provides the past performance information in respect of Class A (RMB). Given that Class A (RMB) is a class that targets the retail investors in Hong Kong and is dealt in the base currency of the Sub-Fund, the Manager has selected Class A (RMB) as a representative class to indicate the past performance of the Sub-Fund.
- The past performance information is not indicative of future performance. Unitholders 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 (RMB) increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding preliminary charge, redemption charge and switching charge you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Launch date of the Sub-Fund and Class A (RMB): February 2012
- Investors may obtain the past performance information of the other Classes of the Sub-Fund, if available, at <http://www.htisec.com/asm><sup>1</sup>.

## 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.

<b><u>Fee</u></b>	<b><u>What you pay</u></b>
Preliminary Charge <sup>+</sup> (% of total subscription amount received)	Class A and Class I: up to 5%*
Redemption Charge <sup>+</sup> (% of Redemption Price)	Class A: nil Class I: up to 1%
Switching Charge <sup>+</sup> (% of Issue Price of the Sub-Fund being switched into)	Until 31 May 2021: Class A and Class I: nil From 1 June 2021: Class A and Class I: up to 2%*

\* Different distributors may impose different level of preliminary/switching charge. Unitholders should check with their respective distributors for the applicable level.

### **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 (as a % of the Sub-Fund's Net Asset Value)**

Management Fee <sup>+</sup>	Class A: 1.2% p.a. Class I: 0.8% p.a.
Trustee Fee <sup>+</sup>	Class A and Class I: up to 0.15% p.a. (subject to a minimum monthly fee of RMB40,000 for the Sub-Fund)
Custody fee	Class A and Class I: up to 0.10% p.a. (inclusive of custody fees payable to the QFI Custodian)
Performance Fee	Class A and Class I: nil
Administration Fee	Class A and Class I: included as part of Trustee Fee

### **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 its offering document.

<sup>+</sup> You should note that this fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. For details please refer to the Explanatory Memorandum.

## Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the Authorised Distributor or the Trustee receives your request in good order on or before 4:00p.m. (Hong Kong time) on the relevant Dealing Day, which is generally every HK & PRC Business 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 confirm the arrangements with the Authorised Distributor(s) concerned.
- The Net Asset Value of this Sub-Fund is calculated on the HK & PRC Business Day immediately following the Dealing Day, and the price of units is published on each Business Day on the Manager's website at <http://www.htisec.com/asm><sup>1</sup>.
- The compositions of dividends of the Sub-Fund (i.e. the relative dividends paid out of net distributable income and capital) (if any) for the last 12 months are available from the Manager on request and also on the website of the Manager at <http://www.htisec.com/asm><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.

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