

## PRODUCT KEY FACTS

### BOCIP Flexi HKD Income Fund

a sub-fund of  
the BOCIP Asset Management Investment Funds

29 April 2022

Issuer: BOCI-Prudential Asset Management Limited

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering document.***
- ***You should not invest in this product based on this statement alone.***

#### Quick facts

<b>Fund Manager:</b>	BOCI-Prudential Asset Management Limited (the "Manager")
<b>Trustee and Registrar:</b>	BOCI-Prudential Trustee Limited
<b>Ongoing charges over a year<sup>#</sup>:</b>	0.97%
<b>Dealing frequency:</b>	Daily (Hong Kong business days, other than Saturdays)
<b>Base currency:</b>	Hong Kong Dollars
<b>Distribution policy:</b>	<ul style="list-style-type: none"> <li>- The Manager intends to declare distributions on a monthly basis and will declare an indicative per annum distribution rate for the relevant class of Units at the beginning of the calendar year. As a whole, distributions paid in that year shall be no less than the indicative per annum distribution rate, any change of such rate will require no less than one (1) month's prior notice to Unitholders.</li> <li>- Distributions will normally be made out of net income received or receivable but the Manager may in its absolute discretion determine that distributions be paid out of the capital. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit of the relevant class.</li> <li>- The Manager has the sole and absolute discretion to determine or vary the frequency and dates for distributions.</li> </ul>
<b>Financial year end:</b>	31 December
<b>Minimum investment:</b>	<p><b>Class A – HKD Units:</b> Initial : HK\$10,000 Addition : HK\$10,000</p> <p><b>Class A – USD Units:</b> Initial : the USD equivalent amount of HK\$10,000 Addition : the USD equivalent amount of HK\$10,000</p> <p><b>Class A – RMB Units:</b> Initial : the RMB equivalent amount of HK\$10,000 Addition : the RMB equivalent amount of HK\$10,000</p>

<sup>#</sup> The ongoing charges figure is based on expenses for the period ended 31 December 2021. This figure may vary from year to year. Since Class A Units (including Class A – HKD Units, Class A – USD Units and Class A – RMB Units) have the same fee structure, a single ongoing charges figure can be calculated and published.

**What is this product?**

BOCIP Flexi HKD Income Fund (the “Sub-Fund”) is a sub-fund under the BOCIP Asset Management Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong. The Sub-Fund is a bond fund falling under Chapter 7 of the Code on Unit Trusts and Mutual Funds (the “UTMF Code”).

**Objectives and Investment Strategy**

The Sub-Fund is a bond fund which seeks to provide long-term capital appreciation through a portfolio which mainly (at least 70% of its Net Asset Value) consists of Hong Kong dollar denominated and settled bonds and other fixed income securities. Such bonds and fixed income securities are issued by a variety of issuers such as government, quasi-government entities, financial institutions or other corporations.

Not less than 50% of the Sub-Fund’s Net Asset Value will be invested in investment grade fixed income securities. Up to 50% of the Sub-Fund’s Net Asset Value may be invested in, but are not limited to, high-yield debt securities, which may be listed or unlisted, and may or may not be rated by ratings agencies and may not be of investment grade.

The Manager may also invest up to 30% of the Sub-Fund’s Net Asset Value in debt and fixed income instruments denominated and settled in other currencies, including but not limited to US dollar (the lawful currency of the United States of America) and/or Renminbi (“RMB”) (including offshore RMB denominated and settled debt instruments which are issued or listed outside Mainland China (“Dim Sum bonds”) and onshore RMB denominated and settled debt instruments issued or distributed within Mainland China).

For investment in onshore RMB denominated and settled debt instruments, the Sub-Fund may invest in these instruments through (i) the Bond Connect<sup>1</sup>; and (ii) investment in SFC authorized collective investment schemes (“CISs”) (including CISs managed by the Manager) such as QI Funds<sup>2</sup>.

The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features (LAP) including (i) non-preferred senior debt instruments or external LAC debt instruments or total loss-absorbing capacity debt instruments (TLAC) or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. 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 may invest up to 15% of its Net Asset Value in asset-backed securities (“ABS”) and/or mortgage-backed securities (“MBS”) for investment purposes. Other than ABS and MBS, the Sub-Fund will not invest in other structured products for investment or hedging purposes.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade.

The Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for hedging purposes only. Provided That such investments shall comply with the investment restrictions set out in Chapter 7 of the UTMF Code.

Currently, the Manager has no intention to enter into securities lending transactions, repurchase or reverse repurchase agreements or similar over-the-counter (“OTC”) transactions on behalf of the Sub-Fund. With the prior approval of the SFC, the Sub-Fund may by giving to the Unitholders no less than one (1) month’s prior written notice (or such shorter period of notice as the SFC may approve) engage in securities lending transactions, repurchase or reverse repurchase agreements or similar OTC transactions on behalf of the Sub-Fund.

**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 offering document for details including the risk factors.**

<sup>1</sup> The Bond Connect is a mutual bond market access scheme between Mainland China and Hong Kong. Under the Northbound Trading of the Bond Connect, eligible foreign investors can invest in the China interbank bond market.

<sup>2</sup> QI Funds are funds which invest 70% or more of their Net Asset Value through its QI status, including QFII (qualified foreign institutional investors) funds and RQFII (RMB qualified foreign institutional investors) funds under the previous QFII and RQFII rules and regulations. Under the prevailing rules and regulations in the PRC, Qualified Foreign Investors/ Qualified Investors or QI (“QI”) refers to foreign institutional investors who are approved as such, including QFIIs or RQFIIs previously approved, by the China Securities Regulatory Commission (CSRC) to invest in the PRC securities and futures markets with funds raised overseas.

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 in respect of repayment of principal.
2. **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 Net Asset Value of the Sub-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.
3. **Interest rate risk**  
Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
4. **Liquidity and volatility risks**
  - The markets for debt and fixed income instruments may be less liquid and more volatile and this may result in the fluctuation in the price of securities traded on such markets.
  - Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.
5. **Credit / counterparty risk**  
The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in.
6. **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.
7. **Credit rating agency risk**  
The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.
8. **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.
9. **Risk associated with debt securities rated below investment grade or unrated bonds / debt securities**
  - The Sub-Fund may invest in securities which are rated below investment grade or unrated bonds / debt securities. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.
  - For the purpose of the Sub-Fund, "unrated bond" is defined as a bond which neither the bond itself nor its issuer has a credit rating.
10. **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.
11. **Specific risks associated with ABS and/or MBS**  
The Sub-Fund invests in ABS and/or MBS which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
12. **Valuation risk**  
Valuation of the Sub-Fund's investment may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

### 13. **Specific risks associated with investments in RMB denominated debt and fixed income instruments**

- ***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 HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of the investors' investment in the Sub-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.
  - Under exceptional circumstances, payment of redemptions and/or distribution payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.
  - The Sub-Fund may also be subject to bid/ offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.
- ***Volatility and liquidity risk –***
  - The debt securities in the Mainland China 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.
  - The bid and offer spread of the price of RMB debt securities may be large. Therefore, the Sub-Fund may incur significant trading and realisation costs and may suffer significant losses when selling such investments.
- ***Risks relating to credit rating*** - Currently, most of the RMB debt instruments that the Sub-Fund invests in are unrated. Debt instruments that have a lower credit rating or that are unrated are generally more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the RMB debt instruments, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.
- ***Risks associated with the Bond Connect and China interbank bond market*** - The Sub-Fund may invest in debt securities through the Bond Connect and may be exposed to liquidity and volatility risks, as low trading volume of certain debt securities in the China interbank bond market may cause market volatility and potential lack of liquidity. These may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spread of the prices of such securities may be large, and the Sub-Fund may incur significant trading and realisation costs and may potentially suffer losses when disposing of such investments.
- ***"Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market risks*** - The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the CNH market by the relevant regulator(s).

### 14. **Risk relating to those class(es) of units denominated in a currency other than the base currency**

The Sub-Fund will be exposed to foreign exchange risk because Units can be subscribed and redeemed in a currency other than in Hong Kong dollars which is the base currency of the Sub-Fund. The returns to investors for those class(es) of Units denominated in a currency other than the base currency may be different from the return calculated by reference to the base currency when converted back into the currency in which the investors subscribe and redeem due to fluctuations in the currency markets. The returns may go down and adversely impact the investors. The Sub-Fund will also be subject to bid/offer spread on currency conversion and transaction costs. Such foreign exchange risk may result in capital loss to the Sub-Fund and its investors.

### 15. **Derivative instruments risk**

The Sub-Fund may use derivatives for hedging purposes only. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund's volatility. In adverse situation, the Sub-Fund's use of derivatives may become ineffective in hedging and the Sub-Fund may suffer significant losses. The use of derivatives may expose the Sub-Fund to various types of risk, including but not limited to, counterparty, liquidity, correlation, credit, volatility, valuation, settlement and OTC transaction risks which can have an adverse effect on the Net Asset Value of the Sub-Fund.

### 16. **Risk in relation to distribution**

- The indicative per annum distribution rate for the relevant class of Units each year may vary and may go up and down. The Manager retains the absolute discretion to determine or vary the frequency and dates for distribution.

- The Manager may in its absolute discretion determine that distributions be paid out of capital, or the Manager may, in its discretion, pay distributions out of gross income while charging / paying all or part of the fees and expenses to / out of capital, resulting in an increase in distributable income for the payment of distributions and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital available for investment in future and may constrain capital growth.
- Payment of distributions 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 of the relevant class.

#### **17. Cross-class liability risk**

Although for the purposes of fund accounting, different fees and charges will be allocated to each class, there is no actual segregation of liabilities between different classes of Units. As such, in the event of insolvency or termination of the Sub-Fund, i.e. where the assets of the Sub-Fund are insufficient to meet its liabilities, all assets will be used to meet the Sub-Fund's liabilities, not just the amount standing to the credit of any individual class of Units.

#### **18. Potential conflicts of interest**

The Manager and the Trustee or their connected persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any CISs separate and distinct from the Fund and the Sub-Fund. It is possible that any of the Manager and the Trustee or their connected persons may, in the course of business, have potential conflicts of interest with the Sub-Fund. Each of the Manager and the Trustee or their connected persons will, at all times, have regard in such event to its obligations to the Sub-Fund and the investors and will endeavour to ensure that such conflicts are resolved fairly.

#### **19. Risks of investing in other CISs/funds**

- Investors should be aware of the consequences of investing in other CISs/funds (the "underlying funds"). The Sub-Fund will be subject to the same type of risks in proportion to their holdings of those specific underlying funds.
- There may be additional costs involved when investing into these underlying funds. The Sub-Fund will bear the fees paid to the Manager and its other service providers as well as, indirectly, a pro rata portion of the fees paid by the underlying funds to the service providers of the underlying funds. If the Sub-Fund invests in underlying funds managed by the Manager, all initial charges on such underlying funds will be waived. Further, the management fees payable at the underlying fund(s)' level (which are directly attributable to the amount invested by the Sub-Fund) shall accordingly, be fully rebated in cash to the Sub-Fund.
- There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

#### **20. Risk associated with instruments with loss-absorption features**

- Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.
- In the event of the activation of a trigger event, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

#### **21. Emerging market / PRC market risk**

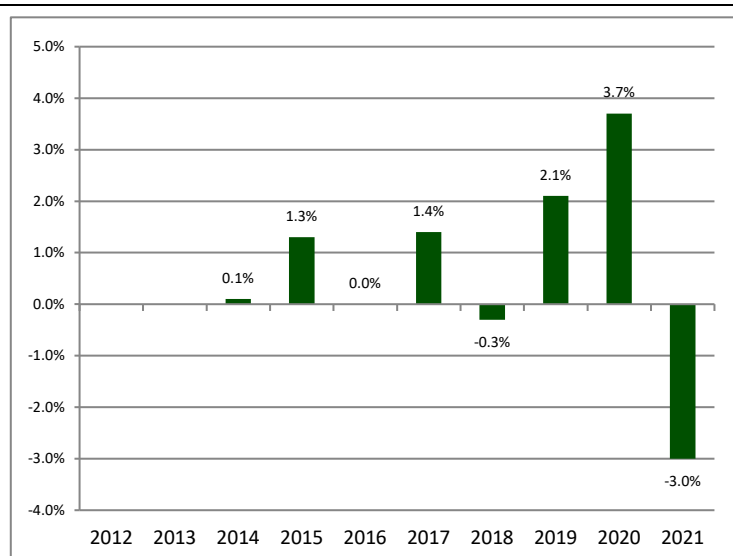
Investing in emerging markets / the PRC market may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

#### **22. PRC tax risk**

- There are risks and uncertainties associated with the current PRC tax rules and practices, the changes to which may have retrospective effect. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Having taken and considered independent professional tax advice, the Manager has, acting in accordance with such advice, determined that it will not make PRC withholding income tax ("WHT") and value-added tax ("VAT") provision on the gross realized and unrealized capital gains from the disposal of PRC debt securities.
- Based on the prevailing PRC tax regulation, the Manager has, acting in accordance with independent professional tax advice, determined that it will not make WHT provision and VAT provision on the Sub-Fund's interest income derived from onshore PRC debt

instruments from now onwards until 31 December 2025. Pursuant to Bulletin [2021] No. 34 jointly issued by the PRC Ministry of Finance and the PRC State Taxation Administration, interest income derived by Overseas Institutional Investors investing in China bond market is temporarily exempted from WHT and VAT for the period from 7 November 2021 to 31 December 2025.

## 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 distributions reinvested.
- Class A - HKD Units is selected as representative class because this class is mainly subscribed by Unitholders as at the date of this statement.
- 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 initial charge and redemption charge 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 was launched in 2013. Class A – USD Units and Class A – RMB Units were launched in 2021.
- Only Class A Units (including Class A – HKD Units, Class A – USD Units and Class A – RMB Units) are currently available.

## Is there any guarantee?

The Sub-Fund does not provide 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 Class A Units of the Sub-Fund.

#### Fee

#### What you pay

#### Initial charge

Up to 5% of the issue price

#### Switching fee

(as a % of the issue price of the New Class of Units to be issued)

For switching into a different class (denominated in a different currency) of Class A Units relating to the same Sub-Fund or switching into Class A Units of another Sub-Fund which is not a Money Market Sub-Fund (as defined in the Explanatory Memorandum) : 1%  
For switching into Units of a Money Market Sub-Fund: Nil

#### Redemption charge

Nil

### 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.

	<i>Annual rate (as a % of the Net Asset Value)</i>
<b>Management fee</b>	0.75%, up to a maximum of 2%*
<b>Trustee fee</b>	0.125% on the first HK\$200 million; 0.10% on the next HK\$200 million; 0.0875% on the remaining balance; Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*
<b>Performance fee</b>	Nil
<b>Administration fee</b>	Nil

\* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three (3) months' prior notice.

### Other fees

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Fees and Expenses" on pages 11 to 12 of the Fourth Term Sheet and the section "Charges and Expenses" on pages 33 to 37 of the Explanatory Memorandum.

### Additional Information

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00pm (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).
- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per Unit of each class of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- The past performance information of other classes of Units offered to Hong Kong investors is available on the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).
- Information of the Sub-Fund including the compositions of the distributions of the relevant class of Units (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Information contained in the website of the Manager 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.