PRODUCT KEY FACTS

GaoTeng Advance

GaoTeng Emerging Market Fixed Income Fund

GaoTeng Global Asset Management Limited

April 2022

- *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

Manager:	GaoTeng Global Asset Management Limited
Trustee:	BOCI-Prudential Trustee Limited
Ongoing charges over a year:	<u>Class A</u> Class A (USD)-DIS 1.56%# Class A (USD)-ACC 1.56%* Class A (HKD-hedged)-DIS 1.56%# Class A (HKD-hedged)-ACC 1.55%* Class A (CNH-hedged)-DIS 1.56%# Class A (CNH-hedged)-ACC 1.56%# Class A (SGD-hedged)-DIS 1.56%# Class A (SGD-hedged)-ACC 1.56%# * This figure is an annualized figure based on the expenses for the period since launch of the respective class of Units until 31 December 2021, and is expressed as a percentage of the average Net Asset Value of the class of Units for the same period. The actual ongoing charges figure may be different and may vary from year to year. # The first issue of the class of Units had not yet occurred as at 31 December 2021. This ongoing charges figure is an estimate only and is based on the ongoing charges figure of Class A (USD)–ACC with a similar fee structure for the relevant financial period. The actual ongoing charges figure may be different from the estimate and may vary from year to year.
Dealing frequency:	Daily
Base currency:	USD
Dividend Policy:	Accumulation (ACC) Classes (No distribution will be made) Distribution Classes (DIS) (Dividends*, if any, will be paid) * It is currently intended that distributions will be made once per month for the Distribution Classes of Units, subject to the Manager's discretion. However, there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.
Financial year end:	31st December
Minimum Investment:	

Class	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount
Class A (USD)-DIS	USD 10	USD 10
Class A (USD)-ACC	USD 10	USD 10
Class A (HKD-hedged)-DIS	HKD 100	HKD 100
Class A (HKD-hedged)-ACC	HKD 100	HKD 100
Class A (CNH-hedged)-DIS	CNH 100	CNH 100
Class A (CNH-hedged)-ACC	CNH 100	CNH 100
Class A (SGD-hedged)-DIS	SGD 10	SGD 10

Class A (SGD-hedged)-ACC	SGD 10	SGD 10

What is this product?

GaoTeng Emerging Market Fixed Income Fund (the "**Sub-Fund**") is a sub-fund of GaoTeng Advance, a Hong Kong domiciled umbrella structure unit trust. It is governed by the laws of Hong Kong.

Objective and Investment Strategy

Investment Objective

The Sub-Fund aims to maximise total return from a combination of income and capital gain within a risk-controlled framework by investing in debt securities of emerging markets issuers.

Investment Strategy

The Sub-Fund invests primarily (i.e. at least 70% of its Net Asset Value) in debt securities of issuers that are domiciled in or have the principal part of their business activities in emerging markets, including sovereigns/governments, corporates and banks, denominated both in hard currencies (i.e. globally traded major currencies) and local currencies, through direct investments or investments in other collective investment schemes or exchange-traded funds. The Qualified Exchange Traded Funds (as defined in the Explanatory Memorandum) invested in by the Sub-Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of Schedule 1 of the Explanatory Memorandum.

The Sub-Fund will invest at least 20% of its Net Asset Value in investment grade debt securities. The Sub-Fund may invest up to 80% of its Net Asset Value in debt securities which are rated below investment grade or unrated (i.e. where the debt security itself and its issuer are not rated).

"Investment grade" means either the security or the issuer having a rating of Baa3 (or equivalent) or above (rated by an internationally recognised credit agency such as Moody's or Standard & Poor's) or a rating of AA (rated by a Mainland Chinese domestic credit rating agency) or an equivalent credit rating (rated by a local credit rating agency of the country/region in which the relevant debt security is issued). For the avoidance of doubt, if a security or an issuer is rated by more than one credit rating agency, the highest available credit rating will be used for the purpose of determining the credit rating. 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 including the issuer's financial leverage, interest coverage and operating cash flows, liquidity position, industry outlook and competitive position, as well as corporate governance.

In the event of downgrade, removal of rating or default of a debt security or the issuer of a debt security, the Manager will re-examine the debt security to evaluate its fair value, and taking due account of the interests of the Sub-Fund's investors, either adjust the weighting of the debt security in the Sub-Fund's portfolio, dispose of the debt security or keep the debt security, subject to the credit rating limits as mentioned above.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign/government that is rated below investment grade and/or unrated (including its government, public or local authority).

The Manager constructs the Sub-Fund's portfolio first by performing top-down analysis. Based on continual assessment of the global markets across various asset classes, the Manager would determine dynamically the amount of risk-taking by the Sub-Fund. This is followed by identifying investment themes (i.e. themes periodically considered for making investment decisions, which can be of industry or country preference, policy, event-driven or credit rating upgrading / downgrading of debt securities or their issuers) to decide where resources would be channelled. For example, the Manager may prefer to invest in Chinese property bonds due to their under-rating and relatively cheap valuation compared to their peers in terms of default history and recovery value. Securities candidates would then be selected to each theme for comparing valuation and before an investment decision could be made, the Manager would conduct fundamental research on them. When conducting fundamental research, the Manager evaluates both the willingness and capability of the issuer to effect payment, in terms of its capacity, capital, character, collateral and conditions. For relative valuation, the Manager compares the security against its price history, term structure and among rating or industry peers. For each portfolio position, the Manager would determine allocation size and investment horizon. Finally, all the positions would be reviewed periodically to ensure the portfolio risks are aligned to the return targets.

In its pursuit to exploit market inefficiency and dislocation within the emerging market economies, the Sub-Fund will hold a portfolio of securities across various geographical regions including but not limited to Latin America, Eastern and Central Europe, Africa, Middle East and Asia. These securities will primarily consist of debt securities including but not limited to senior and subordinated bonds, perpetual debts, convertible bonds, loans and swaps including credit default swaps ("**CDS**"), interest rate swaps, cross-currency swaps and total return swaps. The Sub-Fund may invest up to 10% of its Net Asset Value in convertible bonds. The Sub-Fund may invest into swaps including CDS, interest rate swaps, cross-currency swaps and total return swaps, and currency forwards including non-deliverable forwards for up to 30% of its Net Asset Value.

The Sub-Fund may invest up to 25% of its Net Asset Value in collateralised and/or securitised products such as asset backed securities, mortgage backed securities and asset backed commercial papers.

The Sub-Fund also selectively invests in debt securities issued in the developed markets; and it can invest up to 30% of its Net Asset Value in debt securities issued in the developed markets. The Sub-Fund invests primarily in hard currency securities but can also invest in local currency instruments for up to 30% of the Sub-Fund's Net Asset Value. In particular, the Sub-Fund may gain exposure to RMB-denominated debt securities through available means, including but not limited to the China Interbank Bond Market under the Foreign Access Regime, the Bond Connect and/or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund will not in aggregate invest more than 20% of its Net Asset Value in the onshore Mainland China market. The Sub-Fund may invest up to 30% of its Net Asset Value in "Dim Sum" bonds (i.e. bonds issued outside of Mainland China but denominated in RMB).

Not more than 10% of the Sub-Fund's Net Asset Value may be invested in urban investment bonds. "Urban investment bonds (**城投債**)" are bonds issued by local government financing vehicles ("**LGFV**") in the onshore Mainland China and offshore China bond markets. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment and infrastructure projects.

The Sub-Fund may invest in instruments with loss-absorbing features ("**LAP**") for up to 25% of its Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). Among these instruments:

- not more than 10% of the Sub-Fund's Net Asset Value may be invested in contingent convertible bonds;
- not more than 15% of the Sub-Fund's Net Asset Value may be invested in bank capitals including Additional Tier 1 Capital, Tier 2 Capital or non-preferred senior notes under the Banking (Capital) Rules or an equivalent regime of non-Hong Kong jurisdictions; and
- not more than 15% of the Sub-Fund's Net Asset Value may be invested in insurance capitals including Restricted Tier 1 Capital or Tier 2 Capital under the Solvency II Directive (2009/138/EC).

Exposure to investments may be obtained indirectly through investing in other collective investment schemes or exchange-traded funds for up to 10% of the Sub-Fund's Net Asset Value.

The average duration of the portfolio of the Sub-Fund is not more than 7 years.

Under exceptional circumstances (e.g. market crash or crisis), the Sub-Fund may be invested temporarily up to 100% of its Net Asset Value in cash assets to manage cash flow and mitigate downside risks.

The Sub-Fund may use derivatives for hedging and investment purposes.

The Sub-Fund will not engage in reverse repurchase transactions. The Sub-Fund may engage in securities lending transactions and sale and repurchase transactions (which are listed on recognised exchanges or over-the-counter based) for up to 10% and 20% of its Net Asset Value respectively.

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.

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.

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 unfavourably by fluctuations in the exchange rates between these currencies and the Base currency and by changes in exchange rate controls.

Emerging market risk
The Sub-Fund invests in emerging markets which 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.

Concentration risk
The Sub-Fund's investments are concentrated in emerging markets. The value of the Sub-Fund may be more volatile than that of a Sub-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 emerging markets.

Risks associated with debt securities

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.

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.

Volatility and liquidity risk

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

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.

Risk associated with debt securities rated below investment grade or unrated

The Sub-Fund may invest in debt securities rated below Baa3 (or equivalent) (rated by an internationally recognised credit agency such as Moody's or Standard & Poor's) or rated below AA (rated by a Mainland Chinese domestic credit rating agency) or rated an equivalent credit rating (rated by a local credit rating agency of the country/region in which the relevant debt security is issued) or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

Sovereign/government 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/government issuers may not be able or willing to repay the principal and 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/government debt issuers.

Valuation risk

Valuation of the Sub-Fund's investments 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.

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

The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore be different from those given by other international rating agencies.

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 investor's 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 dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

"Dim Sum" bond 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 offshore RMB (CNH) market by the relevant regulator(s).

Risks associated with investments in LAP

LAP 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 pre-defined trigger events (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, there may be potential price contagion and volatility to the entire asset class. LAP may also be exposed to liquidity, valuation and sector concentration risk.

Risks associated with securities lending and sale and repurchase transactions

Risks relating to securities lending transactions

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

Risks relating to sale and repurchase transactions

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risks associated with investment in financial derivative instruments (FDI)

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.

Risks relating to hedging and currency hedged classes

There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy will fully and effectively eliminate the fluctuation between the Base Currency and the relevant class currency. Investment in the currency hedged classes may preclude Unitholders from benefiting from an increase in the value of the Sub-Fund's Base Currency.

Risks associated with distribution out of the Sub-Fund's capital

Payment of dividends 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.

The distribution amount and Net Asset Value of the currency hedged class(es) may be adversely affected by differences in the interest rates of the reference currency of the currency hedged class(es) and the Sub-Fund's Base Currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit class(es).

How has the Sub-Fund performed?

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

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?

<u>Charges which may be payable by you</u>

You may have to pay the following fees when dealing in the Units of the Sub-Fund.

Fee	What you pay
Subscription charge* (preliminary charge) (% of gross subscription amount)	Class A Units: Up to 3%
Switching fee* (% of the total gross amount being converted from)	Class A Units: Up to 1%
Redemption charge* (% of gross redemption amount)	Class A Units: Up to 1%

** Investors may be subject to pricing adjustments when they subscribe, redeem or convert (if applicable) Units of the Sub-Fund for an amount normally not exceeding 3% of the relevant Net Asset Value. For details, please refer to "**Valuation and Suspension – Adjustment of Prices**" in the main part of the Explanatory Memorandum. For the avoidance of doubt, pricing adjustments are not included in the subscription charge or the redemption charge.*

<u>Ongoing fees payable by the Sub-Fund</u>

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

	Annual rate (current rates)
Management fee*	**(% of Net Asset Value of the relevant Class)** Class A Units: 1.2% p.a.
Trustee fee*#	**(% of Net Asset Value of the Sub-Fund)** Class A Units: Up to 0.145% p.a.
Performance fee	Nil

* *The fees and charges may also be increased up to the maximum level as specified in the offering document by giving at least one month's prior notice to investors. Please refer to the offering document for further details.*

\# *Trustee Fee subject to a minimum monthly fee of USD4,000, with a 50% discount on the minimum monthly fee for the first 12 months from the launch of the Sub-Fund.*

Other fees
You may have to pay other fees when dealing in the Units of the Sub-Fund.

Additional Information

- You generally buy and redeem Units at the Sub-Fund's next-determined subscription price and redemption price with reference to the Net Asset Value after the Transfer Agent receives your request in good order on or before 5:00pm (HK Time), being the dealing cut-off time. Authorised Distributors may impose different dealing deadlines for receiving requests from investors.
- The Net Asset Value of the Sub-Fund is calculated and the price of Units is published on each Business Day on the Manager's website at www.gaotengasset.com*.
- The composition of the distributions (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 also on the Manager's website*.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the Manager's website*. (if applicable)

** Investors should note that the aforesaid Manager's website 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.