

# PRODUCT KEY FACTS

## BOC-Prudential FTSE MPF China A Index Fund

a Sub-Fund of  
the BOC-Prudential Index Fund Series

13 September 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 "Investment Manager")
<b>Trustee and Registrar:</b>	BOCI-Prudential Trustee Limited
<b>Ongoing charges over a year:</b>	<i>Provident Class – Class A (HKD) Units<sup>#</sup>:</i> 0.37% of the NAV of such class of Units <i>Investment Class (HKD) Units<sup>^</sup>:</i> 0.91% of the NAV of such class of Units
<b>Underlying Index:</b>	FTSE MPF China A Index
<b>Estimated annual tracking difference<sup>##</sup>:</b>	<i>Provident Class – Class A (HKD) Units:</i> -1.02% <i>Investment Class (HKD) Units:</i> -1.56%
<b>Distribution policy:</b>	The Investment Manager does not intend to make distributions for the Sub-Fund. Income earned will be reinvested in the Sub-Fund.
<b>Financial year end:</b>	31 March
<b>Minimum investment:</b>	<i>Provident Class – Class A (HKD) Units:</i> no minimum investment and subsequent holding requirement <i>Investment Class (HKD) Units:</i> Initial and addition: HK\$5,000,000
<b>Dealing frequency:</b>	Daily (Hong Kong business days, other than Saturdays)
<b>Base currency:</b>	Hong Kong Dollars

<sup>#</sup> This ongoing charges figure is an annualised figure based on expenses of Provident Class – Class A (HKD) Units expressed as a percentage of the average net asset value for the period from the launch of such class to 31 March 2022. This figure may vary from year to year.

<sup>^</sup> Since Investment Class (HKD) Units is newly launched, the figure is only the Investment Manager's best estimate of the expenses chargeable to such class expressed as a percentage of such class estimated average net asset value over the first year of launch. The actual figure may be different upon actual operation of such class and may vary from year to year.

<sup>##</sup> This is an estimated annual tracking difference. The actual figure may vary upon actual operation of the Sub-Fund and depends on the actual fund size.

### What is this product?

BOC-Prudential FTSE MPF China A Index Fund (the "**Sub-Fund**") is a Sub-Fund under the BOC-Prudential Index Fund Series, which is an umbrella unit trust established under the laws of Hong Kong. The Sub-Fund is a passively managed index tracking fund falling under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds.

## Objectives and Investment Strategy

The Sub-Fund seeks to provide investment performance (before fees and expenses) that closely tracks the performance of the FTSE MPF China A Index (the “Underlying Index”) by investing primarily (at least 70% of its net asset value) in A shares directly through the Stock Connect<sup>1</sup> and/or indirectly through A-share ETFs. The Sub-Fund may invest up to 20% of its net asset value in A-share ETFs. The Underlying Index forms part of the FTSE MPF Index Series. Cash or time deposits may be considered when appropriate.

<i>Normal Asset Allocation:</i>	70% – 100%	<i>A shares directly through the Stock Connect and/or indirectly through A-share ETFs</i>
	0 – 30%	<i>cash or time deposits</i>

The Investment Manager will primarily adopt representative sampling strategy by which assets of the Sub-Fund will be invested in a portfolio featuring high correlation with the Underlying Index. The Sub-Fund adopts representative sampling strategy and may not hold all of the securities that are included in the Underlying Index. The Investment Manager may invest in securities included in the Underlying Index, or in other securities that are not included in the Underlying Index provided that the portfolio matches the characteristics of the Underlying Index and such investment assists the Sub-Fund to achieve its investment objective and is subject to applicable investment restrictions. In selecting which securities to invest, the Investment Manager will use quantitative analytical models, under which each stock is considered for inclusion in the Sub-Fund based on its capitalisation, industry and fundamental investment characteristics. The Sub-Fund may overweight/underweight the underlying holdings of a particular constituent security's weighting in the Underlying Index provided that any such differences of weightings is subject to a maximum limit of 4% or such other percentage as determined by the Investment Manager after consultation with the SFC.

The Sub-Fund will invest not more than 10% of its net asset value in structured deposits, structured products or other financial derivative instruments and such investments will be for hedging purposes only.

Currently, the Investment Manager has no intention to enter into securities lending transactions, sale and repurchase agreements, reverse repurchase agreements or similar over-the-counter (“OTC”) transactions on behalf of the Sub-Fund. 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 or allow) engage in securities lending transactions, sale and repurchase agreements, reverse repurchase agreements or similar OTC transactions on behalf of the Sub-Fund.

## Underlying Index - FTSE MPF China A Index

The Underlying Index is an index consisting of eligible large cap and mid cap China A share companies in the FTSE MPF All-World Index which are listed on the stock exchanges approved by the Mandatory Provident Fund Schemes Authority (MPFA) and is compiled and managed by FTSE International Limited (“FTSE”).

The Underlying Index is a net total return, free float-adjusted market capitalisation weighted index. A net total return index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested, net of any withholding tax. The Underlying Index forms part of the FTSE MPF Index Series which is developed by FTSE in collaboration with Willis Towers Watson and Hong Kong Investment Funds Association (HKIFA). The Underlying Index was launched on 14 April 2021. The base currency of the Underlying Index is Hong Kong dollars. The base date of the Underlying Index is 14 November 2014.

FTSE is the index provider of the Underlying Index. FTSE is independent of the Investment Manager or its connected person(s).

As at 13 April 2022, the Underlying Index consists of 760 constituent securities and has a total market capitalisation of approximately HK\$ 3,425.59 billion.

The list of constituent securities of the Underlying Index with their respective weightings are available on the website of the index provider (<https://www.ftserussell.com/analytics/factsheets/home/constituentsweights>). This website has not been reviewed by the SFC. Investors should note that the list of constituent securities of the Underlying Index may be updated from time to time.

<sup>1</sup> “Stock Connect” means Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, which are securities trading and clearing linked programmes with an aim to achieve mutual stock market access between Mainland China and Hong Kong.

The index methodology and the latest index information of the Underlying Index are available from the website of the index provider ([www.ftserussell.com](http://www.ftserussell.com)). This website has not been reviewed by the SFC. Please refer to the "FTSE MPF North America Index (unhedged), FTSE MPF Europe Index (unhedged) and FTSE MPF China A Index" section of the Appendix to the Principal Brochure for further details of the Underlying Index.

### **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.**

**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. Equity market risk**

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

**3. Mid-capitalization companies risk**

The Sub-Fund invests in large to mid-capitalization companies. The stocks of mid-capitalization companies may have lower liquidity and their prices are typically more volatile to adverse business or economic developments than those of larger capitalization companies.

**4. Risks associated with Stock Connect**

The relevant rules and regulations on Stock Connect are subject to change which may have potential retrospective effect. Each of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect is subject to a Daily Quota which does not belong to the Sub-Fund and can only be utilized on a first come, first served basis. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

**5. Concentration risk**

- The Sub-Fund's investments are concentrated in Mainland China. 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 PRC market.

**6. 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.

**7. Risk associated with high volatility of the equity market in Mainland China**

High market volatility and potential settlement difficulties in the Mainland China equity market may result in significant fluctuations in the prices of the securities traded on such market and thereby may adversely affect the value of the Sub-Fund.

**8. Risk associated with regulatory/exchanges requirements/policies of the equity market in Mainland China**

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

**9. Foreign exchange and RMB currency and conversion risks**

- Underlying investments of the Sub-Fund may be denominated in currencies (e.g. RMB (specifically offshore RMB (CNH) or onshore RMB (CNY))) other than the base currency of the Sub-Fund (i.e. HKD). 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.

- 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' investments in the Sub-Fund. Although CNH and CNY are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- 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.

**10. Risks relating to investment in ETFs**

Investors should note that the market price of the units of an ETF traded on a stock exchange is determined not only by the net asset value of an ETF but also by other factors such as the supply of and demand for the units of the ETF in the relevant stock exchange. Therefore, there is a risk that the units of the ETF may trade at a large premium or discount to the ETF's net asset value and the market price of the units of the ETF traded on the relevant stock exchange may diverge significantly from the net asset value of the ETF.

An ETF's returns may deviate from the index to which it is tracking due to a number of factors. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income. Further, an ETF is not actively managed, and the manager of an ETF may not take an active role in defending the position of the ETF in declining markets. Hence, any fall in the relevant index will result in a corresponding fall in the value of the ETF.

There can be no assurance that an active trading market in respect of the units of an ETF will be developed or maintained.

**11. Passive investment risk**

The Sub-Fund is passively managed. Due to inherent nature of index funds, the Investment Manager of the Sub-Fund will not have the discretion to adapt to market changes and may not be able to take defensive positions where the relevant stock markets decline. Hence, any fall in the Underlying Index will result in a corresponding fall in the value of the Sub-Fund.

**12. Portfolio management risk**

Since the Sub-Fund will not fully replicate the Underlying Index, there is a risk that as the implementation of the Investment Manager's investment strategy is subject to a number of constraints, the investment strategy may not produce the intended results.

**13. Tracking error risk**

The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. The Sub-Fund's returns may therefore deviate from the Underlying Index and such tracking error may be a result of a number of factors, for example, the fees and expenses of the Sub-Fund and the need for the Investment Manager to adopt a representative sampling strategy. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index. The Investment Manager will monitor and seek to manage such risk to minimise tracking error.

**14. Termination risk**

The Sub-Fund may be terminated early under certain circumstances, for example, (i) where the index provider terminating the Underlying Index or not allowing the Sub-Fund to use the Underlying Index and there being no successor index; or (ii) at any time one year after the establishment of Sub-Fund its net asset value falling below HK\$10,000,000. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

**15. PRC tax risk**

- Based on professional and independent tax advice and in light of Caishui [2014] No. 81, Caishui [2016] No. 127, the Sub-Fund currently will not make any withholding income tax provision and VAT tax provision on realised and/or unrealised capital gains from trading of A shares by the Sub-Fund via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect.
- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect on the Sub-Fund's investments in the PRC. Any future changes in the taxation policies in respect of the Sub-Fund's investment in A shares in the PRC will impact on the Sub-Fund's returns. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.

**16. 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.

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

As the Sub-Fund is newly set-up, there is insufficient data to provide an indication of past performance to investors.

**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?**

Summary of fees and charges for the units of the Sub-Fund is listed below.

**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><i>Fee</i></b>	<b><i>What you pay</i></b>
<b>Initial charge/Subscription fee</b>	
<b>(i) Initial charge</b> (payable to Investment Manager)	Provident Class – Class A (HKD) Units: Nil Investment Class (HKD) Units: Up to a maximum of 5% of the subscription monies
<b>(ii) Subscription fee</b> (payable to Trustee)	Provident Class – Class A (HKD) Units: Nil Investment Class (HKD) Units: Nil
<b>Switching fee</b> (payable to Investment Manager)	Switching involving Provident Class – Class A (HKD) Units and involving another Sub-Fund: Nil Switching involving Investment Class (HKD) Units and involving another Sub-Fund: 1% of the redemption proceeds, up to a maximum of 5% of the redemption proceeds Switching involving the sub-fund only (i.e. between different classes of units of the same sub-fund): Currently waived, up to a maximum of 5% of the redemption proceeds
<b>Redemption charge/ fee</b>	
<b>(i) Redemption charge</b> (payable to Investment Manager)	Provident Class – Class A (HKD) Units: Nil Investment Class (HKD) Units: Currently waived, up to a maximum of 1.5% of the net asset value per unit
<b>(ii) Redemption fee</b> (payable to Trustee)	Provident Class – Class A (HKD) Units: Nil Investment Class (HKD) Units: 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.

	<b><i>Annual rate (as a % of the Sub-Fund's net asset value)</i></b>
<b>Investment management fees</b> (payable to Investment Manager)	Provident Class – Class A (HKD) Units: Nil Investment Class (HKD) Units: 0.50%, up to a maximum of 2%
<b>Trustee fee</b> (payable to Trustee)	Provident Class – Class A (HKD) Units: 0.0875% (current and maximum) Investment Class (HKD) Units: 0.125% on the first HK\$200 million; 0.10% on the next HK\$200 million; 0.0875% on the remaining balance; up to a maximum of 1%
<b>Performance fee</b>	All Classes: N/A
<b>Administration fee</b>	All Classes: N/A

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 charges may also be deducted from the Sub-Fund. For details, please refer to section "Fees and Charges" on pages 74 to 81 of the Principal Brochure.

**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 Investment Manager receives your request in good order on or before 5:00 p.m. (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 Investment 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 Investment Manager in the Investment 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 Investment Manager to find out the dealing procedures that are applicable to them. The website of the Investment Manager has not been reviewed by the SFC.
- 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 class(es) of Units offered to Hong Kong investors is available on the Investment Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).
- Other information of the Sub-Fund can be found at the Investment Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Information contained in the website of the Investment 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.