

# PRODUCT KEY FACTS

## BOCHK Australia Income Fund

a sub-fund of  
BOCHK 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> | 1.39%  |
| <b>Dealing frequency:</b>                       | Daily (Hong Kong business days, other than Saturdays)  |
| <b>Base currency:</b>                           | Australian Dollars   |
| <b>Distribution policy:</b>                     | <ul style="list-style-type: none"> <li>- Quarterly basis (by the end of March, June, September and December of each year, subject to the Manager’s discretion)</li> <li>- Distributions will normally be made out of net income received or receivable by the Sub-Fund but the Manager may in its absolute discretion determine that distributions be paid out of 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.</li> </ul> |
| <b>Financial year end:</b>                      | 31 March   |
| <b>Minimum investment:</b>                      | Initial : the AUD equivalent amount of HK\$10,000<br>Addition: the AUD equivalent amount of HK\$10,000   |

<sup>#</sup> The ongoing charges figure is based on expenses for the period ended 30 September 2021. This figure may vary from year to year.

### What is this product?

BOCHK Australia Income Fund (the “Sub-Fund”) is a sub-fund under the BOCHK Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

### Objectives and Investment Strategy

The Sub-Fund seeks to provide investors with stable income and medium-to-long term capital appreciation through investing primarily (at least 70% of its non-cash assets) in equities listed and quoted in Australia, interests in real estate investment trusts listed in Australia and interest rate products (primarily in bonds) denominated in Australian dollars.

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 Manager will apply active asset allocation strategy between equities, listed real estate investment trusts and interest rate products in order to achieve medium-to-long term capital appreciation. Money market instruments will be used for temporary liquidity management purposes.

Depending on market conditions, the Manager may at its sole discretion vary the asset allocation of the Sub-Fund. The Sub-Fund may employ a minor portion of its assets in futures contracts, options, forward currency transactions or interest rate swaps for hedging purposes.

### **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. Exchange rate risk**

The underlying investments of Sub-Fund are mainly denominated in Australian dollars and distributions from the Sub-Fund are payable to investors in Australian dollars. Investors who invest with a currency other than Australian dollars may be subject to the exchange rate risk of Australian dollars.

#### **3. Risk of specific investment strategy**

The active asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

#### **4. Risk relating to active asset allocation strategy**

The investments of the Sub-Fund may be subject to re-balancing and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy.

#### **5. Single country and concentration risk**

- The Sub-Fund's investments are concentrated in Australia. 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 Australia market.

#### **6. Market risk**

Market risk includes the economic and investment environment in Australia which may have a significant impact on the value of the investments. Although the economy of Australia has been growing steadily, there is no assurance of a continuous economic growth.

#### **7. 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.

**8. Real estate risk**

As part of the Sub-Fund's assets may be invested in real estate investment trusts listed in Australia, fluctuation in the prices of such real estates in Australia or other jurisdictions, in which such real estate investment trusts invest, may affect the performance of the Sub-Fund.

**9. 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.

**10. 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.

**11. 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.

**12. 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.

**13. 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.

**14. Derivative instruments risk**

The Sub-Fund may use derivatives for hedging purposes. 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 over-the-counter transaction risks which can have an adverse effect on the Net Asset Value of the Sub-Fund.

**15. Tax risk**

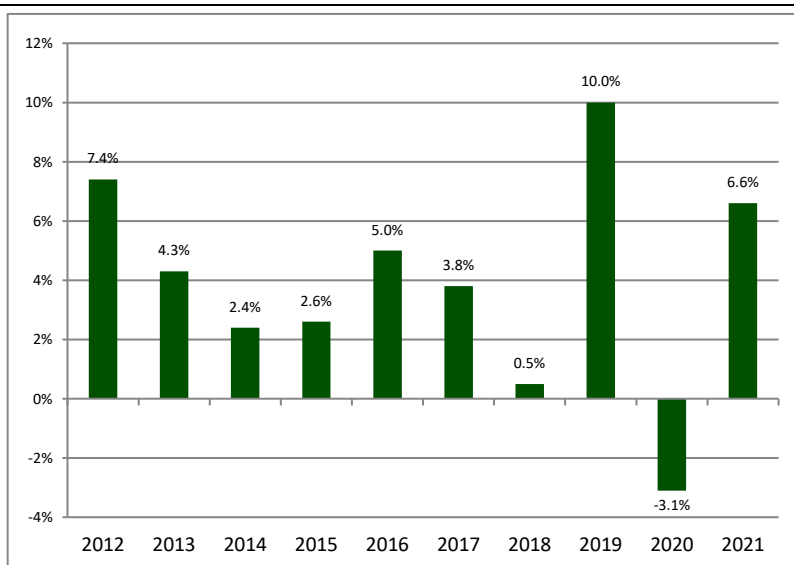
Dividends and certain interests or other income paid to the Sub-Fund may be subject to tax on trading profits or on certain securities transaction, transfer or stamp duty or withholding tax which may negatively impact on the Sub-Fund's performance and distributions (if applicable) that the Unitholders may receive from the Sub-Fund.

**16. Risk in relation to distribution**

- The Manager may in its absolute discretion determine that such 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 Sub-Fund's fees and expenses to / out of capital, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has 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.

**17. 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.

**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.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Performance data has been calculated in Australian dollars including ongoing charges and excluding initial charge and redemption charge you might have to pay.
- The Sub-Fund was launched in 2005.
- Only Class A 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.

| <b><i>Fee</i></b>   | <b><i>What you pay</i></b>   |
|---|--|
| <b>Initial charge</b>   | Up to 5% of the issue price  |
| <b>Switching fee</b><br><i>(as a % of the issue price of the New Class of Units to be issued)</i> | For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund (as defined in the Explanatory Memorandum) : 1%<br><br>For switching into Units of a Money Market Sub-Fund : Nil |
| <b>Redemption charge</b>  | 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><b>Annual rate (as a % of the Net Asset Value)</b></i>   |
|---------------------------|---|
| <b>Management fee</b>     | 1% (current and maximum)  |
| <b>Trustee fee</b>        | 0.125% on the first AUD35 million;<br>0.10% on the next AUD35 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of AUD15,000 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 "Charges and Expenses" on pages 55 to 61 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 5:00 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 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 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.
- Information of the Sub-Fund including the compositions of 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 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.