

Issuer: CSOP Asset Management Limited

4 July 2022

- ***This statement provides you with key information about CSOP Select US Dollar Bond Fund.***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of CSOP Shen Zhou Fund.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

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| Manager: | CSOP Asset Management Limited 南方東英資產管理有限公司 |
| Trustee: | CCB (Asia) Trustee Company Limited 建行亞洲信託有限公司 |
| Ongoing charges over a year[#]: | Class A (HKD): 0.96% Class A (RMB): 0.92% Class A (USD): 0.96% Class I (HKD): 0.78% Class I (RMB): 0.78% Class I (USD): 0.78% |
| Dealing frequency: | Daily on each Business Day ¹ |
| Base currency: | US dollar ("USD") |
| Dividend policy: | Currently on a semi-annual basis (i.e. in respect of the period ending June and December each year), subject to the Manager's discretion and paid in the class currency. The Manager may, at its discretion, pay dividends out of or effectively pay dividend out of capital, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund. |
| Financial year end of this fund: | 31 December |
| Min. investment: | Class A (HKD): HKD10,000 initial, HKD10,000 additional Class A (RMB): RMB10,000 initial, RMB10,000 additional Class A (USD): USD1,000 initial, USD1,000 additional Class I (HKD): HKD8,000,000 initial, HKD8,000,000 additional Class I (RMB): RMB8,000,000 initial, RMB8,000,000 additional Class I (USD): USD1,000,000 initial, USD1,000,000 additional |
| Min. holding: | Class A (HKD): HKD10,000 |

¹ a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business

[#] The ongoing charges figure is based on expenses for the year ended 31 December 2021. This figure may vary from year to year.

Min. redemption:

Class A (RMB): RMB10,000
Class A (USD): USD1,000
Class I (HKD): HKD8,000,000
Class I (RMB): RMB8,000,000
Class I (USD): USD1,000,000
Class A (HKD): HKD10,000
Class A (RMB): RMB10,000
Class A (USD): USD1,000
Class I (HKD): HKD8,000,000
Class I (RMB): RMB8,000,000
Class I (USD): USD1,000,000

What is this product?

CSOP Select US Dollar Bond Fund (the “**Sub-Fund**”) is a sub-fund of CSOP Shen Zhou Fund which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 30 December 2011 as amended from time to time. It is governed by the laws of Hong Kong.

The Sub-Fund invests primarily in USD denominated debt securities. The Sub-Fund is denominated in USD.

Objectives and Investment Strategy

Objectives

The Sub-Fund seeks long term and stable income and capital growth by primarily investing at least 70% of its assets in USD denominated debt securities, including but not limited to sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by the government or by multi-lateral agencies or by companies. The Sub-Fund may also invest up to 30% of its assets in debt securities denominated in other currencies.

The Sub-Fund is not subject to any exposure limit to emerging market issuers (i.e. issuers which, or the parent companies of which, are incorporated in emerging markets or have significant operations in or derive a significant portion of revenue from emerging markets including Mainland China). However, the Sub-Fund will not in aggregate invest more than 20% of its Net Asset Value in instruments issued in the onshore Mainland China market.

The Sub-Fund may invest in debt securities that are of investment grade (i.e. rated as Baa3 or above by Moody's or equivalent ratings by other credit rating agencies of similar standing). The Sub-Fund will not invest in securities with a credit rating below investment grade or unrated.

The types of debt securities that the Sub-Fund primarily intends to invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit.

The Sub-Fund may also invest not more than 30% of its assets in short-term investments and high quality money market instruments such as certificates of deposit, negotiable certificates of deposit, treasury bills, commercial papers, and money market funds (authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC) or may hold cash.

The Sub-Fund will not invest in equity securities or equity-linked investments. The Sub-Fund will not invest in structured products, structured deposits, asset-backed securities (including asset-backed commercial papers) or other similar structured products.

When investing in a debt security, the Manager will first consider the credit rating of the debt security itself and only if such credit rating is not available, the Manager will then consider the credit rating of its issuer as the implied credit rating of the debt security. If neither the debt security nor its issuer has a credit rating, the debt security will be classified as unrated.

Use of derivatives / investment in derivatives

The Sub-Fund may use derivative instruments (including but not limited to U.S. Treasury futures contracts) for hedging purposes only.

Securities financing transactions

The Manager may, on behalf of the Sub-Fund, enter into sale and repurchase transactions and/or reverse repurchase transactions (which are offshore OTC-based), when aggregated with the Sub-Fund's borrowing, with the maximum level of up to 25% and expected level of approximately 20% of the Sub-Fund's Net Asset Value with a view to creating additional income. A sale and repurchase transaction involves a sale of securities for cash with a simultaneous agreement to reverse the transaction at an agreed date and price in the future. A sale and repurchase agreement is economically similar to a secured loan, with the counterparty receiving securities as collateral for the cash it lends to the Sub-Fund. Where the Sub-Fund enters into reverse repurchase transactions it acquires securities such as bonds by cash and simultaneously agrees to sell the securities to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the Sub-Fund receiving securities as collateral for the cash it lends to the counterparty.

Cash received in a sale and repurchase transaction will be used for liquidity management, re-investment and hedging purposes. Any reinvestment made with the proceeds will be in accordance with the Sub-Fund's investment objectives and investment restrictions, and may not be used as the collaterals for other sale and repurchase transactions.

Any revenue generated from sale and repurchase transactions and/or reverse repurchase transactions will be credited to the Sub-Fund following the deduction of any direct and indirect operational costs and fees arise from such transactions.

The Manager currently does not intend to enter into any securities lending transactions in respect 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.

Investment risk

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. There is also no guarantee of regular distribution payments during the period you hold the units of the Sub-Fund. The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses.

Emerging market risk / Single market investment risk

- The Sub-Fund may invest primarily in securities related to the emerging markets, and may be subject to additional concentration risk and is likely to be more volatile than a broad-based fund, such as a global or regional fund, or a fund which invests in more developed markets. The investment may be subject to emerging market risk including greater political, economic, legal, foreign exchange, regulatory and liquidity risks. The prices of securities traded in the Mainland China debt securities market may have higher volatility compared to more developed markets.

Currency conversion risk

- The Sub-Fund may invest in securities other than the Sub-Fund's base currency. Also, a class of shares may be designated in a currency other than the base currency of the fund. The Sub-Fund's value may fluctuate in response to fluctuations in exchange rates between such currencies and base currency and by changes in exchange rate controls.

RMB currency risk / Risks relating to RMB denominated securities

- 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.
- 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.
- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Any depreciation of RMB could adversely affect the value of investor's investment in the 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.

Risks relating to debt securitiesCredit risk

- The Sub-Fund invests in debt securities which are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Interest rates 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.

Credit rating risk

- The credit ratings issued by credit rating agencies are subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Downgrading risk

- The credit rating of a security or its issuer may subsequently be downgraded. In the event of such downgrading, the Sub-Fund's value may be adversely affected. There is no assurance that the Manager will be able to dispose of the security at a favourable price.

Valuation risk

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuations should prove to be incorrect, the net asset value of the Sub-Fund may be adversely affected.

Liquidity risk

- The Sub-Fund may invest in debt securities which are not listed. Even if the debt securities are listed, the market for such securities may be inactive and the prices of such securities may be subject to fluctuations.
- In the absence of an active secondary market, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy redemption requests. The Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

Risks relating to distribution from capital

- The payment of distributions out of capital or effectively out of capital amounts to a return or a withdrawal of part of the amount an investor originally invested or capital gains attributable to that amount, and may result in an immediate decrease in the net asset value of the relevant units.

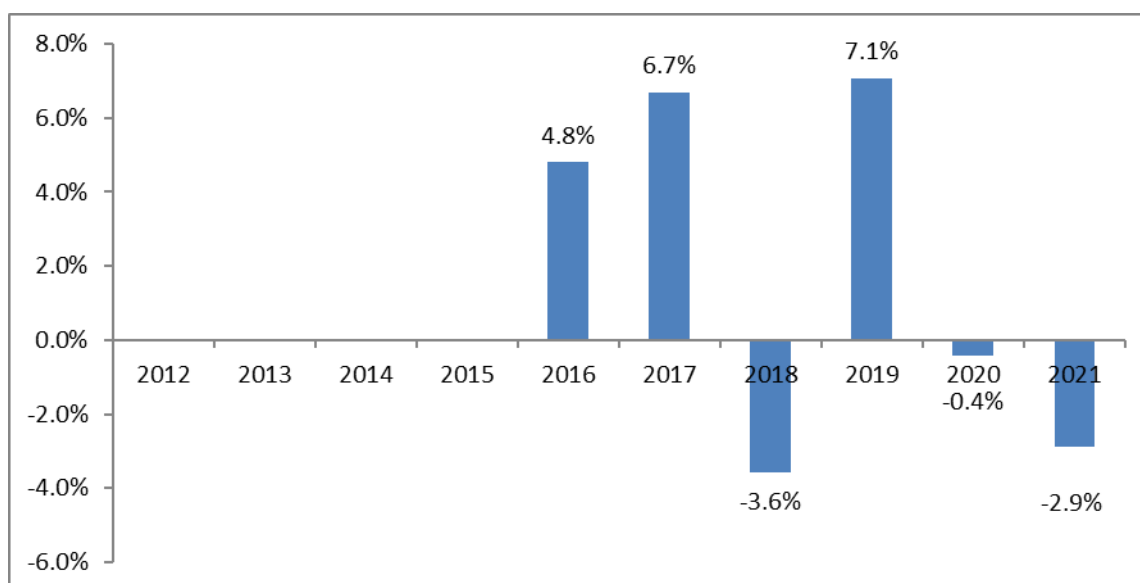
Risks relating to derivative instruments for hedging purpose

- There is no guarantee that a hedging transaction will fully protect the Sub-Fund against foreign exchange risk. In adverse situations, the use of hedging instruments may become ineffective in hedging and the relevant Sub-Fund may suffer significant losses.
- The desired hedging instruments may be illiquid and are complex in nature. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund.
- Derivative instruments are subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund. The Sub-Fund may suffer substantial losses in its investment in derivative instruments if the counterparty defaults.

Risks associated with sale and repurchase transactions and reverse 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.
- Cash obtained in sale and repurchase transactions may be re-invested in securities subject to the restrictions applicable to the Sub-Fund. It is possible that the Sub-Fund may suffer loss of some or the entire re-invested amount.
- In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

How has the 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 dividend reinvested.
- This figure shows by how much Class A (HKD) increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 2014.
- Class A (HKD) launch date: 2014
- The Manager views Class A (HKD), being the retail unit class denominated in the Sub-Fund's base currency as the most appropriate representative unit class.
- The Sub-Fund had a scheme change regarding the investment strategy effective from 1 December 2015. The base currency was changed from HKD to USD.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the website www.csopasset.com. This website has not been reviewed by the SFC.

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?

Charges which may be payable by you

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

| <u>Fee</u> | <u>What you pay</u> |
|--|--|
| Preliminary Charge (% of Issue Price) | For all classes: up to 5%* |
| Redemption Charge (% of Redemption Price) | For all classes: nil* |
| Switching Charge (% of Issue Price of the new class being switched into) | For all classes: nil* |
| 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. | |
| | <u>Annual rate (as a % of the Sub-Fund's net asset value)</u> |
| Management Fee | Class A (HKD), Class A (RMB) and Class A (USD): 0.7% p.a.* Class I (HKD), Class I (RMB) and Class I (USD): 0.5% p.a.* |
| Trustee Fee | For all classes: up to 0.10% p.a., and a transaction fee of RMB200 per transaction |
| Performance Fee | For all classes: nil |
| <u>Other fees</u> | |
| 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 the offering document. | |
| * You should note that some fees 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 section headed "Expenses and Charges" in the Explanatory Memorandum. | |
| Additional Information | |
| <ul style="list-style-type: none"> You generally buy and redeem units at the Sub-Fund's next-determined net asset value (NAV) after the Manager or an Authorised Distributor receives your request in good order on or before 4p.m. (Hong Kong time) on the relevant Dealing 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 the Sub-Fund is calculated and the price of units is published each Business Day on the website of the Manager: www.csopasset.com. This website has not been reviewed by the SFC. The composition of the latest dividend distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months is available from the Manager on request and on the website www.csopasset.com. This 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.