

# PRODUCT KEY FACTS

## CICC China Equity Fund

(a sub-fund of CICC Fund Series)

China International Capital Corporation  
Hong Kong Asset Management Limited

21 July 2022

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

### Quick facts

<b>Fund Manager:</b>	China International Capital Corporation Hong Kong Asset Management Limited
<b>Trustee and Registrar:</b>	Brown Brothers Harriman Trustee Services (Hong Kong) Limited
<b>Ongoing charges over a year*:</b>	Class A (HKD): Estimated to be 1.93%
<b>Dealing frequency:</b>	Daily (each Business Day as defined in the Prospectus)
<b>Base currency:</b>	Hong Kong Dollars (HKD)
<b>Financial year end of this fund:</b>	31 December
<b>Distribution policy:</b>	Subject to the Manager's discretion, the Manager intends to pay distributions to Unitholders annually (in December each year). <b>All units will receive distributions in the base currency (HKD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Any distributions out of capital or effectively out of capital may result in an immediate reduction in the net asset value (" <b>NAV</b> ") per Unit of the Sub-Fund.
<b>Minimum initial and subsequent investment:</b>	Class A (HKD): HKD 5,000
<b>Minimum holding amount and redemption amount:</b>	Class A (HKD): HKD 5,000
<b>Fund website:</b>	<a href="https://cicchkam.com">https://cicchkam.com</a>

\* As the Sub-Fund (as defined below) is newly set up, this figure is a best estimate only and represents the sum of the estimated ongoing charges over a 12-month period expressed as a percentage of the estimated average NAV over the same period. It may be different upon actual operation and may vary from year to year.

### What is this product?

CICC China Equity Fund (the "**Sub-Fund**") is a sub-fund of CICC Fund Series, which is an umbrella unit trust established under Hong Kong law.

### Objective and investment strategy

#### Objective

The Sub-Fund seeks to primarily invest in companies of the People's Republic of China (the "**PRC**") to achieve long-term capital growth through exposure to PRC related companies.

#### Strategy

The Sub-Fund seeks to achieve its investment objective by using a diversified **long-only** strategy through a disciplined investment process and detailed fundamental research. The term “long-only” means that the Sub-Fund does not intend to enter into any short-selling transactions. The Manager’s disciplined investment process is based on the identification of investment opportunities taking into account expected risk and return levels of such investment opportunities and the Manager’s analysis of the economic and political environment.

To achieve the Sub-Fund’s investment objective, the Sub-Fund intends to invest primarily (i.e. at least 70% of its NAV) in (1) equity securities and equity equivalent securities (including American Depositary Receipts (“**ADRs**”) and/or Global Depositary Receipts (“**GDRs**”)) of companies that are domiciled in, or carrying out the main part of their economic activity in, the PRC; and (2) equity funds and/or exchange traded funds which will have similar investment objectives and/or strategies as the Sub-Fund. The Sub-Fund may invest up to 100% of its NAV directly in China A-shares (“**A-Shares**”), through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (together, the “**Stock Connect**”) and/or indirectly by way of funded swap transactions or access products (e.g. China A-Share access products (“**CAAPs**”)) (subject to the net derivative exposure limit disclosed below) or funds investing in China A-Shares. CAAPs issued by counterparties provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the China A-Shares net of fees and charges. The above investment in equity funds (including funds investing in China A-Shares) and/or exchange traded funds shall be less than 30% of the Sub-Fund’s NAV.

The Sub-Fund may also invest up to 100% of its NAV in equity securities issued by companies of any industry / sector or size, including companies listed on the ChiNext market and/or the Science and Technology Innovation Board (“**STAR Board**”). As such, the Sub-Fund may invest in small and mid-capitalization companies.

The Sub-Fund may hold less than 30% of the NAV of the Sub-Fund in cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers’ acceptances, short-term commercial paper and other fixed income instruments issued within and/or outside Hong Kong, pending suitable investment opportunities and for defensive and liquidity management purposes. It is intended that the Sub-Fund will only invest in fixed income instruments rated investment grade or above by an independent international rating agency, e.g. Fitch, Moody’s, Standard and Poor’s.

Less than 10% of the NAV of the Sub-Fund may be invested in convertible bonds.

The asset allocation of the Sub-Fund will change according to the Manager’s view of market conditions and the international investment trends and environment. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may temporarily invest up to e.g. 100% of the NAV of the Sub-Fund in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for defensive and cash flow management purposes.

The Sub-Fund may use financial derivative instruments (“**FDIs**”) for the purposes of reducing various risks, hedging, and investment (to gain exposure to various assets, markets or other investment opportunities (including derivatives which focus on equities), e.g. funded swap transactions, CAAPs, warrants, and futures).

The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions in respect of the Sub-Fund.

## Use of derivatives

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s NAV.

## What are the key risks?

Investment involves risks. Please refer to the Prospectus 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 of the repayment of principal.

## **2. Risks of investing in equity securities**

- 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. Risk of specific investment strategy**

- The Sub-Fund's diversified long-only strategy may not achieve the desired results under all circumstances and market conditions.

## **4. Concentration risk**

- The Sub-Fund is subject to concentration risk as a result of the concentration of its investments in companies which are domiciled in, or carrying out the main part of their economic activity in, the PRC (including Hong Kong, Macau and Taiwan). 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 also be more susceptible to economic, political, policy, foreign exchange, liquidity, tax or regulatory event adversely affecting the PRC markets.

## **5. Mainland China market risks**

- The Sub-Fund's investments in Mainland China may involve increased risks and special considerations not typically associated with an 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. "Mainland China" means all customs territory of the People's Republic of China, excluding for the purposes of interpretation herein only, Hong Kong, Macau and Taiwan.
- High market volatility and potential settlement difficulties in the Mainland Chinese markets may result in significant fluctuations in the prices of the securities traded on such markets, and may thereby adversely affect the value of the Sub-Fund.
- Securities exchanges in Mainland China 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.

## **6. Risks associated with the Stock Connect**

- The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in China A-Shares through the programme will be adversely affected. Due to the difference in trading days, on days when the Mainland China market is open but the Hong Kong market is closed, the Sub-Fund may be subject to a risk of price fluctuations in China A-Shares as the Sub-Fund will not be able to trade through the Stock Connect. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

## **7. Mainland Chinese tax risks**

- There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains realized via the Stock Connect and/or indirectly by way of funded swap transactions or access products (e.g. CAAPs) or funds investing in China A-Shares on the Sub-Fund's investments in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Based on professional and independent tax advice, the Sub-Fund does not currently make any withholding corporate income tax provision on the gross realized or unrealized capital gains derived

from the trading of China A-Shares (via the Stock Connect and/or indirectly by way of funded swap transactions or access products (e.g. CAAPs) or funds investing in China A-Shares). It is possible that the applicable tax laws may be changed, and the Mainland China tax authorities may hold a different view as to the enforcement of the Mainland China withholding tax collection on capital gains, which may adversely affect the Sub-Fund's value.

#### **8. RMB currency and conversion risks**

- The underlying investments of the Sub-Fund are mainly denominated in RMB. RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- The Sub-Fund is exposed to foreign exchange risk and there is no guarantee that the value of RMB against the Sub-Fund's base currency (i.e. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Further, the NAV of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between RMB and its base currency and by changes in exchange rate controls.
- 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 may be delayed due to the exchange controls and restrictions applicable to RMB.

#### **9. Risk associated with small and mid-capitalization companies**

- The Sub-Fund may invest in small and mid-capitalization companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic development than those of larger capitalization companies in general.

#### **10. Risks associated with the ChiNext market and/or the STAR Board**

- *Higher fluctuation on stock prices and liquidity risk:* Listed companies on the ChiNext market and/or the STAR Board are usually of emerging nature with smaller operating scale. Listed companies on the ChiNext market and the STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.
- *Over-valuation risk:* Stocks listed on the ChiNext market and/or the STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
- *Differences in regulation:* The rules and regulations regarding companies listed on the ChiNext market and the STAR Board are less stringent in terms of profitability and share capital than those in the main boards.
- *Delisting risk:* It may be more common and faster for companies listed on the ChiNext market and/or the STAR Board to delist. The ChiNext market and the STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.
- *Concentration risk (applicable to the STAR Board):* The STAR Board was established relatively recently and may have a relatively limited number of listed companies during the initial stage. Investments in the STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

Investments in the ChiNext market and/or the STAR Board may result in significant losses for the Sub-Fund and its investors.

#### **11. Risks associated with depositary receipts**

- Exposure to depositary receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the underlying stocks, including the risk of non-segregation of the underlying

stocks from the depositary banks' own assets and liquidity risk (as depositary receipts are often less liquid than the underlying stock). These may negatively affect the performance and/or liquidity of the Sub-Fund. Also, depositary receipts holders generally do not have the same right as the direct shareholders of the underlying stocks. The performance of depositary receipts may also be impacted by the related fees.

## 12. Volatility risks

- The Sub-Fund may be exposed to the risk of high market volatility and potential settlement difficulties of the equity markets in which it invests. This may result in significant fluctuations in the prices of the securities traded on such markets and thereby adversely affect the value of the Sub-Fund.

## 13. Risks attached to the use of FDIs

- Investment in FDIs (e.g. funded swap transactions, CAAPs, warrants, and futures) is subject to additional risks, including counterparty and credit risk, liquidity risk, valuation risk, volatility risk and over-the counter transaction risk. The leverage element/component of FDIs can result in a loss significantly greater than the amount invested in the FDIs by the Sub-Fund. In adverse situation, the Sub-Fund's use of FDIs may become ineffective in hedging or risk mitigation / reduction and the Sub-Fund may suffer significant losses.

## 14. Termination risks

- The Sub-Fund may be terminated early under certain circumstances, for example, if the size of the Sub-Fund falls below US\$10,000,000 (or equivalent). Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

## 15. Distributions out of or effectively out of capital risk

- Payment of distributions out of capital 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 investment. Any such distributions may result in an immediate reduction in the NAV per Unit of the Sub-Fund.

## How has the Sub-Fund performed?

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

## Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the amount of money you invest.

## What are the fees and charges?

Please refer to the section entitled "Fees and Expenses" of the Prospectus for details of other fees and expenses.

### Charges which may be payable by you

Fees	What you pay
Subscription fee*	Up to 5% of the total subscription amount
Redemption fee*	Nil
Switching fee*	Not applicable

### Ongoing fees payable by the Sub-Fund in respect of the relevant Units

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>Fees</b>	<b>Annual rate (as a % of the NAV of the respective class of Units)</b>
Management fee*	Class A (HKD): 1.25% per annum
Trustee fee*	Up to 1% per annum (inclusive of administration and custody fees)
Performance fee	Nil

\* Please note that some fees may be increased up to a permitted maximum on giving 1 month's notice to Unitholders. Please refer to the section of the offering document entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees allowed as well as other ongoing expenses that may be borne by the Trust.

#### **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 NAV after the Trustee / Registrar receives your request in good order at or before 4:00 pm (Hong Kong time) on each dealing day, being the Sub-Fund's dealing cut-off time. Before placing your subscription orders or redemption request, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).

You can find the following information relating to the Sub-Fund (in English and in Chinese) at the following website <https://cicchkam.com> (which has not been reviewed or approved by the SFC):

- The Prospectus including the Product Key Facts Statement (as revised from time to time)
- The latest annual audited accounts and interim half yearly unaudited report of the Sub-Fund (in English only)
- Any notices relating to material changes to the Sub-Fund which may have an impact on its investors such as material alterations or additions to the Prospectus including the Product Key Facts Statement or the constitutive documents of the Trust and/or the Sub-Fund
- Any public announcements made by the Manager in respect of the Sub-Fund, including information with regard to the Sub-Fund, the suspension of issue and redemptions of Units, the suspension of the calculation of its NAV and changes in its fees
- The last NAV and the last NAV per Unit in HKD
- The ongoing charges figure and past performance information of the Sub-Fund
- Information on the Sub-Fund
- The composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period

The Sub-Fund's NAV is calculated, and the latest subscription and redemption prices of Units are available, each business day on the website: <https://cicchkam.com> (which has not been reviewed or approved 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.