# PRODUCT KEY FACTS

**CMBC Aggregate Fund -**

**CMBC Aggregate Greater China Select Bond Fund**

October 2022

**Issuer: CMBC Asset Management Company Limited**

- ***This statement provides you with key information about CMBC Aggregate Greater China Select Bond Fund (the "Sub-Fund").***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of CMBC Aggregate Fund.***
- ***You should not invest in this product based on this statement alone.***

## Quick facts

| | |
|---|---|
| **Manager:** | CMBC Asset Management Company Limited |
| **Trustee:** | ICBC (Asia) Trustee Company Limited |
| **Dealing frequency:** | Daily (on each Business Day[1]) |
| **Base currency:** | USD |
| **Dividend policy:** | Accumulation (ACC) Classes - No dividends will be paid. |
| **Ongoing charges over a year#:** | |

| | Without performance fee | With performance fee |
|---|---|---|
| Class I (USD) - ACC | 1.56% | 1.57% |
| Class R (USD) - ACC | 1.76% | 1.76% |
| Class R (HKD) - ACC | 1.76% | 1.76% |

[1] means a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise

| | |
|---|---|
| **Financial year end of this Sub-Fund:** | 31 December |
| **Min. Initial Subscription Amount:** | Class I (USD) - ACC: USD 100,000<br>Class R (USD) - ACC: USD 100<br>Class R (HKD) - ACC: HKD 100 |
| **Min. Subsequent Subscription Amount:** | Class I (USD) - ACC: USD 100,000<br>Class R (USD) - ACC: USD 100<br>Class R (HKD) - ACC: HKD 100 |
| **Min. Holding Amount:**<br>(Minimum value of Units held in each class) | Class I (USD) - ACC: USD 10,000<br>Class R (USD) - ACC: USD 100<br>Class R (HKD) - ACC: HKD 100 |
| **Min. Redemption Amount:**<br>(Minimum value of Units redeemed in each class) | Class I (USD) - ACC: USD 10,000<br>Class R (USD) - ACC: USD 100<br>Class R (HKD) - ACC: HKD 100 |

# The ongoing charges figure is an annualised figure based on the ongoing expenses for the period from the launch date of the Class (i.e.2 September 2020) to 31 December 2021 expressed as a percentage of the Sub-Fund's average net asset value for the same period according to the latest annual financial statement as of 31 December 2021. This figure may vary from year to year. The performance fee (if any) to be paid by the Sub-Fund at the end of the performance period may vary subject to the market conditions.

## What is this product?

CMBC Aggregate Greater China Select Bond Fund is a sub-fund of CMBC Aggregate Fund which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 15 July 2020. It is governed by the laws of Hong Kong.

## Objective and Investment Policies

**Objective**

The Sub-Fund aims to maximize total return by investing primarily in debt instruments issued or guaranteed by governments or government authorities in Greater China, as well as companies that are based in, or with the majority of their business in Greater China.

**Policies**

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in a broad range of debt instruments issued or guaranteed by governments or government authorities in Greater China (comprising the Mainland China, Hong Kong, Macau and Taiwan), as well as companies that are based in, or with the majority of their business in Greater China (collectively "Greater China Debt Instruments"). Such debt instruments include, but are not limited to, government bonds, corporate bonds, perpetual bonds and convertible bonds or other similar securities. The Sub-Fund may invest in bonds denominated in any currency.

Such debt instruments are across all ratings and thus, may be rated below investment grade or unrated (i.e. where the debt instrument itself, its issuer and its guarantors are not rated). The Sub-Fund may invest up to 100% of its Net Asset Value in each of the following debt instruments:

1. debt instruments which are, or the issuers and/or guarantors of which are, rated below investment grade by an internationally recognised credit agency (such as Standard & Poor's, Moody's and Fitch); and
2. debt instruments which are, or the issuers and/or guarantors of which are, rated below AA+ by a Mainland Chinese domestic credit rating agency.

The Sub-Fund may invest up to 50% of its Net Asset Value in debt instruments which are, and the issuers and/or guarantors of which are, not rated by either an internationally recognised credit agency or a Mainland Chinese domestic credit rating agency.

Nonetheless, the Sub-Fund will invest a minimum of 50% of its Net Asset Value in debt instruments which have, or the issuers and/or guarantors of which have, an investment grade rating rated by an internationally recognised credit agency (such as Standard & Poor's, Moody's and Fitch) or a rating of AA+ or above rated by a Mainland Chinese domestic credit rating agency. Please note that the credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by Mainland Chinese domestic credit rating agencies may therefore not be directly comparable with those given by other internationally recognised credit agencies.

The Sub-Fund may invest up to 100% of its Net Asset Value in offshore urban investment bonds, which are debt instruments issued by local government financing vehicles ("LGFVs") located in Mainland China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may invest up to 20% of its Net Asset Value in convertible bonds.

The Sub-Fund may invest less than 30% of its Net Asset Value in aggregate in (i) non-Greater China Debt Instruments denominated in both local and hard currencies (local currencies are generally issued by developing countries and, from time to time, have a fluctuating exchange rate, while hard currencies are generally issued by developed countries and have a stable exchange rate over a longer period), (ii) fixed income collective investment schemes, (iii) equity securities (including preferred shares) and (iv) real estate investment trusts (“**REITs**”).

The Sub-Fund may invest no more than 10% of its Net Asset Value in RMB denominated debt securities issued or distributed outside the Mainland China (e.g. “Dim Sum” bond).

The Sub-Fund may invest in debt instruments with loss-absorption features (“LAP”), e.g. contingent convertible debt securities, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Sub-Fund’s expected total maximum investments in LAP is less than 30% of its Net Asset Value.

The Sub-Fund will generally hold up to 20% of its Net Asset Value in cash or cash equivalents pending reinvestment under normal market circumstances, but may temporarily increase its holding up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances (such as market crash or major crisis) in order to protect the assets of the Sub-Fund, mitigate risk or maintain liquidity of the Sub-Fund.

The Sub-Fund may acquire financial derivative instruments for hedging purposes only.

The Sub-Fund does not currently:

(a) intend to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign issuer which is below investment grade as rated by internationally recognised credit agency;

(b) intend to invest in debt securities issued or distributed within the Mainland China;

(c) invest in asset-backed and/or mortgage-backed securities.

The Manager may enter into sale and repurchase transactions in respect of the Sub-Fund. The Manager may enter into sale and repurchase transactions on the over-the-counter markets. The maximum and expected proportion of the Net Asset Value of the Sub-Fund that can be subject to sale and repurchase transactions are 100% and 50% respectively. The actual proportion of the Net Asset Value engaged in such transactions may vary over time depending on factors including, but not limited to, market conditions. Currently, the Manager does not intend to engage in reverse repurchase transactions and securities lending 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 latest available Net Asset Value.

## What are the key risks?

**Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.**

**1. Investment risk**

- The Sub-Fund is an investment fund and not a bank deposit. There is no guarantee of the repayment of principal.
- The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses.

**2. Below investment grade and unrated securities risk**

- The Sub-Fund may invest in debt securities which are rated below investment grade by internationally recognised credit agency (such as Standard & Poor's, Moody's and Fitch), which are rated below AA+ by a Mainland Chinese domestic credit rating agency or which are 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.

**3. Risks of investing in urban investment bonds**

- Urban investment bonds are issued by LGFVs located in Mainland China, such bonds are typically not guaranteed by local governments or the central government of the Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

**4. Emerging markets risk**

- The Sub-Fund may invest 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.

**5. Concentration risk**

- The Sub-Fund primarily invests in Greater China Debt Instruments. The Sub-Fund may be adversely affected by or depend heavily on the performance of Greater China Debt Instruments. Investors should also be aware that the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global bond fund, as it is more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in Greater China.
- 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 Greater China market.

**6. Risks relating to debt securities**

Investment in the Sub-Fund is subject to risks that apply to debt securities as follows, and may be subject to losses:

*Credit risk*

- The Sub-Fund is exposed to the credit/insolvency risk of issuers of the debt securities it invests in. The debt securities that the Sub-Fund invests in may be offered on an unsecured basis without collateral. The Sub-Fund may therefore be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

*Credit ratings 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. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

*Credit rating downgrading risk*

- The credit rating assigned to a security or an issuer may be subject to the risk of being downgraded. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss. The

Manager may or may not be able to dispose of the debt instruments that are being downgraded.

*Credit rating agency risk*

- The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by Mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

*Interest rate risk*

- Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

*Valuation risk*

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

*Volatility / Liquidity risk*

- The debt securities in the Greater China markets may be subject to higher volatility and lower liquidity compared to more developed markets. The debt securities in which the Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities.

**7. PRC taxation risks**

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains arising from disposal of PRC securities and bond interest income (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Having consulted independent and professional tax adviser, the Manager does not currently intend to make provision for corporate income tax for gross realised and unrealised capital gains derived from trading of debt securities issued by PRC tax resident enterprise outside China. The Manager also does not currently intend to make provision for corporate income tax and value-added tax for bond interest income received from 7 November 2018 to 31 December 2025 on debt securities issued by PRC tax resident outside China.

**8. Risks of investing in convertible bonds**

- Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

**9. Sovereign 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 issuers may not be able or willing to repay the principal and/or interest when due or may request the fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

**10. 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. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.
- The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

**11. Currency risk**

- The Sub-Fund's assets and liabilities may be denominated in currencies different from the Base Currency. The Sub-Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the Base Currency and other currencies. A Unit Class may be designated in a currency other than the Base Currency of the Sub-Fund. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Units as expressed in the designated currency.

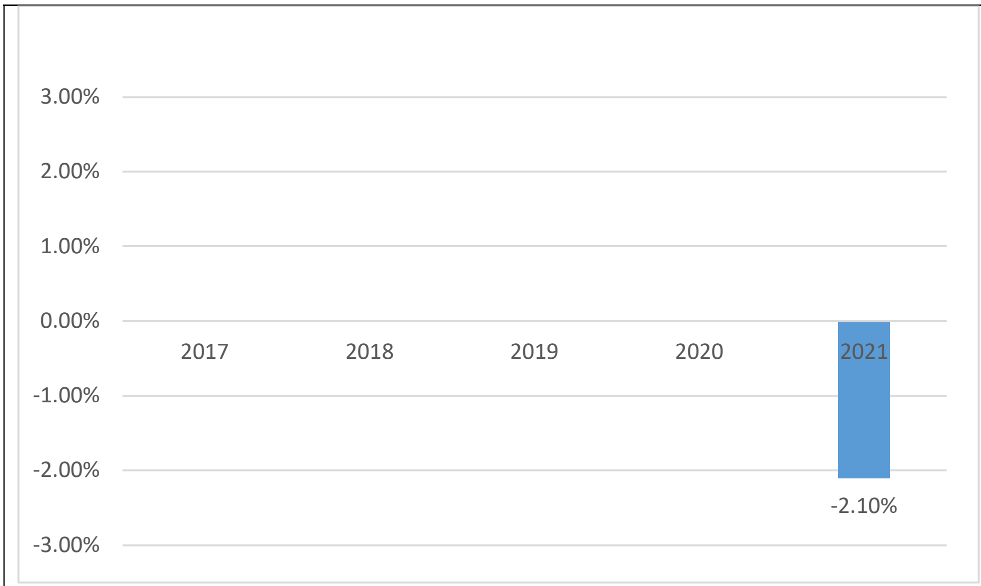
**12. Risks associated with sale and repurchase transactions**

- 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.

**13. Performance fee risk**

- Performance fees may encourage the manager of the Sub-Fund to make riskier investments than would be the case in the absence of a performance-based incentive system.
- There is no equalisation payment for the purposes of determining the performance fee payable, and as such, there is no adjustment of gains or losses in respect of each Unit for each investor individually based on the timing of his subscription or redemption. This gives rise to the risk that a Unitholder redeeming Units may still incur performance fee in respect of the Units, even though he has suffered a loss in investment capital.
- In addition, performance fees may be paid on unrealised gains which may never be realised by the Sub-Fund.

## How has the Sub-Fund performed?




- The bar chart above provides the past performance information in respect of Class I (USD) - ACC. Given that Class I (USD) - ACC has the longest track record period and is dealt in the base currency of the Sub-Fund, the Manager has selected Class I (USD) - ACC as a representative class to indicate the past performance of the Sub-Fund.
- The past performance information is not indicative of future performance. Unitholders 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.
- These figures show by how much Class I (USD) - ACC increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding preliminary charge, redemption charge and switching charge you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Launch date of the Sub-Fund and Class I (USD) – ACC: 2 September 2020

## Is there any guarantee?

This 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.

| Fee | What you pay |
|---|---|
| Subscription Charge<br>(% of total subscription amount) | Class I and Class R: up to 3% |
| Redemption Charge*<br>(% of redemption amount) | Class I and Class R: Nil (Current level)<br>3% (Maximum level) |
| Switching Charge<br>(% of the total amount being converted) | Class I and Class R: up to 2% |

**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.

**Annual rate (as a % of the Sub-Fund's Net Asset Value unless otherwise specified)**

| | |
|---|---|
| Management Fee*<br>(as a % of the Net Asset Value the relevant Class) | Class I: 0.8% p.a. (Current level)<br>1.5%p.a. (Maximum level)<br>Class R: 1.0% p.a.(Current level)<br>2.0% p.a. (Maximum level) |
| Trustee Fee*^ | Class I and Class R: 0.08% p.a. (Current level)<br>2.0% p.a. (Maximum level) |
| Custodian Fee*^ | Class I and Class R: 0.02% p.a (Current level)<br>0.04% p.a. (Maximum level)<br>on the market value of investment in custody at the end of the month. |

| | |
|---|---|
| Performance fee | Class I and Class R:<br><br>20% of the excess of the Net Asset Value per Unit (before deduction of any provision of the performance fee and any distribution declared or paid in respect of that performance period (if applicable)) over the Hurdle at the end of the relevant performance period, payable to the Manager annually in arrears.<br><br>• The Hurdle is calculated in accordance with the following formula: High Water Mark x (1 + Hurdle Rate).<br><br>• The High Water Mark is the higher of (a) the Initial Offer Price and (b) the Net Asset Value per Unit as at the end of the performance period in respect of which a performance fee was paid (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that performance period (if applicable)). Where a performance fee is payable for a performance period, the Net Asset Value per Unit on the last Valuation Day of that performance period will be set as the High Water Mark for the next performance period.<br><br>• The Hurdle Rate is currently 6% in respect of Class I and Class R.<br><br>• The first performance period is from the first Valuation Day following the initial issue of the relevant Class to 31 December 2021. Thereafter each performance period will correspond to the financial year of the Sub-Fund.<br><br>• A performance fee is accrued on each Valuation Day if the Net Asset Value per Unit exceeds the Hurdle. A new accrual of the performance fee will be calculated afresh on each Valuation Day and any accruals made (if any) on a previous day will be reversed. If the Net Asset Value per Unit on a day is lower than or equal to the Hurdle, all provision previously accrued will be reversed for the benefit of the Sub-Fund and no performance fee will be accrued.<br><br>• Any performance fee payable shall be paid to the Manager as soon as practicable after the end of the relevant performance period.<br><br>• For details and illustrative examples of the performance fee calculation, please refer to the section headed “Performance Fee” in Appendix 1 of the Explanatory Memorandum. |
| **<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 its offering document.

^ Trustee Fee and Custodian Fee together subject to a monthly minimum fee of USD 3,500 per Sub-Fund.

*You should note that this fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. For details, please refer the section headed "Fees and Expenses" in the Explanatory Memorandum.

## Additional Information

- You generally buy and redeem Units at the Sub-Fund's next-determined Net Asset Value (NAV) after the Trustee, directly or via the Authorised Distributor(s), or the Manager receives your request in good order on or before 4:00 p.m. (Hong Kong time) on the relevant Dealing Day[2], which is generally every Business Day.
- The Net Asset Value of this Sub-Fund is calculated and the price of Units published on each Business Day. The Net Asset Value of this Sub-Fund will be available on the website http://www.cmbccap.com/asset.html[3].
- Investors may obtain the past performance information of the other Classes of the Sub-Fund, if available, on the website http://www.cmbccap.com/asset.html[3].

## 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.

[2] 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.

[3] Please note that this website has not been reviewed by the SFC.