PRODUCT KEY FACTS

GaoTeng WeFund

GaoTeng WeIncome Low Volatility Short Duration Fund

GaoTeng Global Asset Management Limited

July 2020

- *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

Manager:	GaoTeng Global Asset Management Limited
Trustee:	ICBC (Asia) Trustee Company Limited
Ongoing charges over a year*:	<u>Class P</u> Class P (HKD) 1.77% Class P (USD) 1.77% *This figure is an estimate only as the Sub-Fund is newly launched. It represents the sum of the estimated ongoing expenses chargeable to the respective class of the Sub-Fund over a 12-month period expressed as a percentage of the estimated average Net Asset Value of the respective class of the Sub-Fund over the same period. The actual figure may be different from the estimate and the figure may vary from year to year.
Dealing frequency:	Daily
Base currency:	HKD
Dividend Policy:	No distribution will be made. However, the Manager has the discretion to make distribution of dividends in the future, and if distribution is made, it may decide the frequency of distribution and amount of the dividends. Any such distribution (if made) will be paid out of income, and will not be paid out of capital of the Sub-Fund.
Financial year end:	31st December
Minimum Investment:	

Class	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount
Class P (HKD)	HKD 1	HKD 1
Class P (USD)	USD 1	USD 1

What is this product?

GaoTeng WeIncome Low Volatility Short Duration Fund (the "**Sub-Fund**") is a sub-fund of GaoTeng WeFund, a Hong Kong domiciled umbrella structure unit trust. It is governed by the laws of Hong Kong.

Objective and Investment Strategy

Investment Objective

The principal investment objective of the Sub-Fund is to provide income and capital appreciation by investing primarily in a portfolio of fixed income securities and deposits with an average duration of no more than 2 years**, while seeking to achieve a lower level of volatility**.

Investment Strategy

The Sub- Fund seeks to maximize total return by investing at least 70% of its Net Asset Value in cash, deposits and debt securities through direct investment or indirect investment through other collective investment schemes (including exchange-traded funds).

Investment in below investment grade or unrated debt securities will be less than 30% of the Net Asset Value. "Investment grade" means the debt securities, or the issuers of which, are rated Baa3 or above (by an internationally recognised credit agency such as Moody's or Standard & Poor's) or rated AAA (by a Mainland Chinese domestic credit rating agency).

Before investing in a debt security, the Manager will consider the credit rating of the debt security itself, then the credit rating of the issuer if the debt security is not rated. If neither the debt security nor the issuer is rated, it will be classified as unrated.

Debt securities in which the Sub-Fund may invest include, but are not limited to, convertible, exchangeable and non-exchangeable and non-convertible debt securities, fixed and floating rate bonds, zero coupon and discount bonds, transferable notes, commercial papers, certificates of deposits of variable or fixed interest rates (including negotiable certificates of deposits), listed, traded or dealt in regulated markets or exchanges, capital securities with fixed income features (e.g. perpetual bonds and subordinated debts), as well as short term bills and notes. The Sub-Fund may also invest in preference shares with fixed income features.

Debt securities with lower volatility are generally those with less price variability than the debt securities market. For the purpose of the Sub-Fund, volatility is represented by the standard deviation of a debt portfolio's daily returns within a pre-specified window, typically the one year before the current date. The Manager uses its selection methodology as well as its own judgment and experience in managing investment portfolios to construct a portfolio that seeks to achieve a reduced level of volatility.

The average duration of the portfolio of the Sub-Fund is not more than 2 years.

There is no specific geographical allocation of the country/region of issue of the debt securities or deposits.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign/government that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund may also gain exposure to RMB denominated securities and instruments issued within and outside Mainland China through available means, including but not limited to China Interbank Bond Market under Foreign Access

Regime, Bond Connect and/or such other means as may be permitted by the relevant regulatory authorities from time to time. The total exposure to onshore Mainland China bonds may be up to 30% of the Sub-Fund's Net Asset Value; the total exposure to offshore RMB bonds ("Dim Sum" bonds) will be less than 30% of the Sub-Fund's Net Asset Value; and the total exposure to RMB assets may be up to 50% of the Sub-Fund's Net Asset Value. The Sub-Fund may invest not more than 30% of its Net Asset Value in urban investment bonds. "Urban investment bonds (**城投債**)" are bonds issued by local government financing vehicles ("LGFV") in Mainland listed bond and interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment and infrastructure projects.

Investment in convertible bonds will be less than 30% of the Sub-Fund's Net Asset Value, and within this limit, investment in instruments with loss-absorbing features, including contingent convertible bonds and Additional Tier 1 instruments (e.g. instrument issued by financial institutions containing a provision requiring the instrument to be written down, or converted into ordinary shares, on occurrence of an event concerning the issuer's financial viability), will not be more than 15% of the Sub-Fund's Net Asset Value.

Exposure to investments may be obtained indirectly through investing in other collective investment schemes for up to 25% of the Sub-Fund's Net Asset Value.

If the Manager considers fit, the Sub-Fund may seek exposure to other asset classes that may generate additional income for the Sub-Fund, including but not limited to equities and real estate investment trusts (REITs). These instruments will not in aggregate exceed 15% of the Sub-Fund's Net Asset Value.

Under exceptional circumstances (e.g. market crash or crisis), the Sub-Fund may be invested temporarily up to 100% in cash assets to manage cash flow and mitigate downside risks.

The Sub-Fund may use derivatives for hedging purposes only.

The Manager may enter into repurchase transactions in respect of the Sub-Fund.

The maximum proportion and expected proportion of the Net Asset Value of the Sub-Fund that can be subject to repurchase transactions, when aggregated with the Sub-Fund's borrowing, are 10% and 10% 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.

This Sub-Fund will not engage in securities lending or reverse repurchase transactions.

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.

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.

Specific risk considerations in relation to low volatility strategy

The investment strategy adopted by the Sub-Fund may not successfully achieve a reduced level of volatility, that is, the Sub-Fund may not produce lower price variability as compared to the debt securities market under all circumstances and market conditions. Low volatility may not necessarily indicate a lower risk profile than the debt securities market. On the other hand, while a reduced level of volatility is achieved by adopting the investment strategy, the Sub-Fund may be precluded from fully capturing the upside in rising markets. Hence, the value of the Sub-Fund may be adversely affected.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the Base currency of the Sub-Fund. Also, a class of shares may be designated in a currency other than the Base Currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base currency and by changes in exchange rate controls.

Emerging market risk

The Sub-Fund invests 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.

Risks associated with bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

Risks associated with debt securities

Short-term debt instruments risk

As the Sub-Fund invests significantly in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

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.

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.

Volatility and liquidity risk

The debt securities in emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

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.

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

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.

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.

Credit rating agency risk

The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore be different from those given by other international rating agencies.

Risks associated with investments / exposure to RMB currency and Mainland China

RMB currency and conversion risks

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 investor's investment in the Sub-Fund. 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.

Urban investment bonds risk

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.

Risks associated with China Interbank Bond Market / Bond Connect

Investing in the China Interbank Bond Market via Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the China Interbank Bond Market via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant Mainland China authorities suspend account opening or trading on the China Interbank Bond Market, the Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Mainland China tax risk

There are risks and uncertainties associated with the current Mainland China tax rules and practices, the changes to 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, currently the Sub-Fund will not withhold any amount as tax provision on (1) capital gains from the disposal of Mainland China debt securities and (2) interest income derived from onshore Mainland China debt securities from 7 November 2018 to 6 November 2021.

Any shortfall between the provision and actual tax liabilities will be debited from the Sub-Fund's assets and cause the Sub-Fund's Net Asset Value to be adversely affected. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not be entitled or have any right to claim any part of overprovision (as the case may be).

Risk associated with contingent convertible bonds

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level and may be subject to the following key risks:

- *Trigger level risk/conversion risk:* Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price), or cause the permanent write-down resulting in the principal amount invested being lost on a permanent or temporary basis. It might be difficult for the Manager to anticipate the trigger events that would require conversion. The Manager might be forced to sell new equity shares upon conversion and such forced sale may result in the Sub-Fund experiencing loss.
- *Coupon cancellation risk:* Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. These instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.
- *Sector concentration risk*: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund with investment in contingent convertible bonds may therefore be affected to a larger extent by the overall condition of the financial services industry than for funds following a more diversified strategy.
- *Novelty and untested nature:* The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

How has the Sub-Fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the Sub-Fund is newly launched for less than a full calendar year.

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.

Fee	What you pay
Subscription fee* (preliminary charge) (% of subscription amount)	Class P Units: Nil
Switching fee* (% of the Total amount being converted)	Class P Units: Nil
Redemption fee* (% of redemption amount)	Class P Units: Nil

** Investors may be subject to pricing adjustments when they subscribe, redeem or convert (if applicable) Units of the Sub-Fund. For details, please refer to "**Valuation and Suspension – Adjustment of Prices**" in the main part of the Explanatory Memorandum.*

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 (current rates)
Management fee*	**(% of Net Asset Value of the relevant Class)** Class P Units: 1.4% p.a.
Trustee fee*#	**(% of Net Asset Value of the Sub-Fund)** Class P Units: 0.06% p.a.
Custodian fee#	**(% of the month-end market value (if unavailable, the nominal value) of the Sub-Fund's investments in custody)** Class P Units: 0.025% p.a.
Performance fee	Nil
Administration fee	Included in the Trustee Fee

** The fees and charges may also be increased up to the maximum level as specified in the offering document by giving at least one month's prior notice to investors. Please refer to the offering document for further details.*

 # Trustee Fee and Custodian Fee together subject to a minimum monthly fee of HKD 20,000.

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 subscription price and redemption price with reference to the Net Asset Value after the Transfer Agent receives your request in good order on or before 12:00 noon (HK Time), being the dealing cut-off time. Authorised Distributors may impose different dealing deadlines for receiving requests from investors.
- The Net Asset Value of the Sub-Fund is calculated and the price of units is published on each Business Day on the Manager's website at www.gaotengasset.com*.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the Manager's website* (if applicable).

** Investors should note that the aforesaid Manager's 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.