PRODUCT KEY FACTS

E Fund Unit Trust Fund
E Fund (HK) Asia Bond Fund
23 June 2020

Issuer: E Fund Management (Hong Kong) Co., Limited
易方達資產管理(香港)有限公司

- ***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:	E Fund Management (Hong Kong) Co., Limited	
Trustee:	CCB (Asia) Trustee Company Limited	
Ongoing charges over a year:	**Class A (accumulation) RMB Units** **Class A (distribution) RMB Units** **Class A (accumulation) USD Units** **Class A (distribution) USD Units**	1.56%#
	Class A (accumulation) (hedged) RMB Units **Class A (distribution) (hedged) RMB Units** **Class A (accumulation) (hedged) USD Units** **Class A (distribution) (hedged) USD Units**	1.6%#
Dealing frequency:	Daily (Hong Kong business days)	
Base currency:	United States Dollars (USD)	
Dividend policy:	**Distribution Classes**: The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distributions will be made once per year for distribution classes of Units. Dividends may be paid out of capital, or out of gross income and all or part of the fees and expenses may be charged to capital at the Manager's discretion, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital. This may result in an immediate reduction of Net Asset Value per Unit. **Accumulation Classes**: No distributions to Unitholders.	
Financial year end of this fund:	31 December	
Minimum initial investment:	**Class A (accumulation) RMB Units** **Class A (distribution) RMB Units** **Class A (accumulation) (hedged) RMB Units** **Class A (distribution) (hedged) RMB Units**	RMB100
	Class A (accumulation) USD Units **Class A (distribution) USD Units**	USD10

	Class A (accumulation) (hedged) USD Units **Class A (distribution) (hedged) USD Units**	
Minimum subsequent investment:	**Class A (accumulation) RMB Units** **Class A (distribution) RMB Units** **Class A (accumulation) (hedged) RMB Units** **Class A (distribution) (hedged) RMB Units**	Units with aggregate minimum value of RMB 100
	Class A (accumulation) USD Units **Class A (distribution) USD Units** **Class A (accumulation) (hedged) USD Units** **Class A (distribution) (hedged) USD Units**	Units with aggregate minimum value of USD10
Minimum holding:	**Class A (accumulation) RMB Units** **Class A (distribution) RMB Units** **Class A (accumulation) (hedged) RMB Units** **Class A (distribution) (hedged) RMB Units**	RMB100
	Class A (accumulation) USD Units **Class A (distribution) USD Units** **Class A (accumulation) (hedged) USD Units** **Class A (distribution) (hedged) USD Units**	USD10
Minimum redemption amount:	**Class A (accumulation) RMB Units** **Class A (distribution) RMB Units** **Class A (accumulation) (hedged) RMB Units** **Class A (distribution) (hedged) RMB Units**	RMB100
	Class A (accumulation) USD Units **Class A (distribution) USD Units** **Class A (accumulation) (hedged) USD Units** **Class A (distribution) (hedged) USD Units**	USD10

[#] As the Sub-Fund is newly set up, this figure is a best estimate only and represent the sum of the estimated ongoing charges for a 12-month period chargeable to the Sub-Fund expressed as a percentage of the estimated average NAV over the same period of the relevant class. It may be different upon actual operation of the Sub-Fund and may vary from year to year. The ongoing charges figure is capped at a maximum of 3% of the average NAV of the Sub-Fund for the first year after the launch of the Sub-Fund. Any ongoing expenses of the Sub-Fund will be borne by the Manager and will not be charged to the Sub-Fund if such expense would result in the ongoing charges figure exceeding 3%.

What is this product?

The E Fund (HK) Asia Bond Fund (the “Sub-Fund”) is a sub-fund of E Fund Unit Trust Fund which is a unit trust established by a trust deed dated 20 September 2017 as an umbrella fund under the laws of Hong Kong.

Objectives and investment strategy

Objective

The investment objective of the Sub-Fund is to generate income and long term capital growth. There can be no assurance that the Sub-Fund will achieve its investment objective.

Strategy

Primary investments

The Sub-Fund seeks to achieve its objective by investing primarily (at least 70% of its net asset value (“NAV”)) in Asian debt securities, which may include investment grade, non-investment grade, unrated debt securities and convertibles. The Sub-Fund will invest less than 70% in emerging markets in Asia. The Sub-Fund will invest in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers, and/or corporate entities located throughout Asia. The Sub-Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

A long-term debt security is considered investment grade if its credit rating is BBB- or higher by Standard & Poor's and Fitch Ratings or Baa3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor’s or F3 or higher by Fitch Ratings or P-3 or higher by Moody’s or equivalent rating as rated by an international credit rating agency.

For debt securities where the credit rating is only designated by a mainland China credit rating agency, a long-term debt security is considered investment grade if it has a minimum credit rating of BBB-. A short-term debt security is considered investment grade if it has a minimum credit rating of A-3. It should be noted that the credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets.

For the purpose of the Sub-Fund, “unrated” refers to where neither the instrument itself nor its issuer has a credit rating assigned by international credit rating agencies. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer, the guarantor or the keepwell provider.

Asian debt securities shall include debt issued or guaranteed by Asian governments, local authorities/public authorities and corporates denominated in hard currencies (i.e. globally traded major currencies). Asian corporate issuers mean issuers or guarantors which (i) have their registered offices or headquarters located in an Asian country or (ii) carry out their business activities predominantly (by revenue, profit, asset or production) in Asia. The Sub-Fund may invest significantly in any one region or country, for example, Mainland China, Hong Kong and Singapore.

The Sub-Fund may invest up to 30% of its NAV in Mainland China through the initiative for mutual bond market access between Hong Kong and Mainland China (“Bond Connect”) or directly (also referred to as CIBM direct).

The Sub-Fund may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation up to 30% of its NAV.

Ancillary investments

The Sub-Fund may also invest up to 30% of its NAV in the following: (i) equity securities (including the exposure of equity securities result from the conversion or exchange of a preferred stock or debt obligation as mentioned above); (ii) “Dim Sum” bonds (i.e. bonds issued outside of Mainland China but denominated in RMB); and (iii) contingent convertible bonds (“CoCos”). For the avoidance of doubt, the Sub-Fund’s expected total maximum investments in debt instruments with loss-absorption features e.g. CoCos AT1 capital and TLAC senior bonds issued by commercial banks, which may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s) will be up to 30% of its NAV.

The Sub-Fund may invest up to 30% of its NAV in urban investment bonds (城投債), which are debt instruments issued by Mainland local government financing vehicles (the “LGFVs”). 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 will not invest in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers).

The Sub-Fund may also utilise financial derivative instruments (“FDIs”) for hedging, efficient portfolio management and/or investment purposes to the extent permitted by Chapter 7 of the SFC’s Code on Unit Trusts and Mutual Funds (“Code”).

The Sub-Fund may also, in accordance with the investment restrictions, invest up to 30% of its NAV in securities-linked assets or currencies such as structured notes of any Asian country or deriving its value from another security, including structured products.

The Sub-Fund may also invest no more than 30% of the NAV in money market funds which are either authorised by the SFC or eligible scheme (as defined by the SFC) in accordance with the Code, and may hold cash or cash equivalents, to the extent not invested in accordance with the above, for cash management purpose, except under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% of the NAV in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

The Sub-Fund may conduct securities lending, sale and repurchase and/or reverse repurchase transactions (collectively, “securities financing transactions”) in aggregate for up to 30% of its NAV. Such sale and repurchase and reverse repurchase transactions will be conducted over-the-counter.

The Sub-Fund will invest no more than 10% of its NAV in debt securities that are issued and/or guaranteed by a single sovereign issuer which is below investment grade and/or unrated.

The Sub-Fund currently has no intention to invest in structured deposits, or to take any short positions. If any of this changes in the future, prior approval of the SFC will be sought (if required) and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

Use of derivatives / Investment in 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 Explanatory Memorandum for details including the risk factors.

1. Investment risk

- Investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. Accordingly, there is a risk that you may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of your investment.

2. 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 NAV of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

3. Risks associated with debt securities

- *Credit/counterparty risk*: The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that it 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
- *Risk associated with debt securities rated below investment grade or unrated:* The Sub-Fund may invest in debt securities rated below investment grade or 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.
- *Credit / 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. 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.
- *Sovereign debt risk*: The Sub-Fund's investment in debt instruments 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 Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign 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 NAV calculation of the Sub-Fund.
- *Mainland China 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 not be directly comparable with those given by other international rating agencies.

4. 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.

5. Convertible bonds risk

- 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.

6. "Dim Sum" bond market risks

- The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the NAV of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

7. PRC inter-bank bond market and Bond Connect risks

- Investing in the PRC inter-bank 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 PRC inter-bank bond market via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the PRC inter-bank bond market or trading through Bond Connect, the Sub-Fund's ability to invest in the PRC inter-bank bond market will be adversely affected.

8. Risks associated with urban investment bonds

- Urban investment bonds are issued by LGFVs, such bonds are typically not guaranteed by local governments or the central government of the Mainland. 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 NAV of the fund could be adversely affected.

9. RMB currency risk, RMB denominated classes risk and Hedged RMB denominated classes risk

- RMB is currently not freely convertible and is subject to exchange controls and restrictions and investors may be adversely affected by movements of the exchange rates between Renminbi and other currencies. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB (due to exchange controls and restrictions applicable to RMB) which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated classes of units or to make distributions, and may delay the payment of redemption proceeds or dividends under exceptional circumstances.
- Non-RMB based investors who invest in RMB denominated classes are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated classes of units. 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.
- For hedged RMB denominated classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. There is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure. Also, hedging may preclude the hedged RMB denominated classes from benefiting from any potential gain resulting from the appreciation of the base currency against RMB.

10. Risks associated with investments in debt instruments with loss-absorption features (LAP)

- 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, 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. Risks associated with investments in FDIs

- Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.

12. Risks associated with securities financing transactions

- *Risks relating to securities lending transactions*: Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.
- *Risks relating to 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.
- *Risks relating to reverse repurchase transactions*: 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.

13. Equity risk

- The value of the Sub-Fund's investments in equities might suddenly and substantially decrease in value due to factors such as the possibility of sudden or prolonged market declines and risks associated with individual companies. Economic, political or issuer-specific changes may adversely affect individual companies as well as the NAV.

14. Concentration risk

- The Sub-Fund's investments are concentrated in Asia and it may invest significantly in any one region or country. This may result in greater volatility and potential settlement difficulties than portfolios which comprise broad-based global investments and thereby may adversely affect the value of the Sub-Fund. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the Asian markets or a particular Asian jurisdiction.

15. Liquidity risk

- The Sub-Fund may invest in securities where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by the Sub-Fund may become less liquid in response to market developments or adverse investor perceptions.
- In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Sub-Fund's value or prevent the Sub-Fund from being able to take advantage of other investment opportunities.

16. Distributions out of/effectively out of capital risk

- The Manager may, in its discretion, pay distributions out of capital or out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, 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.
- Payments of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate decrease in the Net Asset Value.
- The distribution amount and the Net Asset Value of the hedged unit classes may be adversely affected by the differences in the interest rates of the reference currency of the hedged unit classes and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes.

How has the 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?

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 fee	Up to 3% of the Issue Price
Switching fee (i.e. conversion fee)	Nil
Redemption fee	Nil for Class A Units

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.

Fee	Annual rate (as a % of the Sub-Fund's NAV)
Management fee	Class A Units: Up to 3% p.a., current rate being 1% p.a.*
Performance fee	Nil
Trustee fee	0.08%* p.a.

Other fees

The Sub-Fund may have to pay other fees when dealing in the investments of the Sub-Fund.

* You should note that some fees may be increased, up to a specified permitted maximum, by giving affected 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

- You generally buy and redeem Units at the Sub-Fund's NAV which is determined on the dealing day on which your request is received in good order at or before 4:00 pm (Hong Kong time), 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).
- The Sub-Fund's NAV and the latest issue and redemption prices of Units are available on the Manager's website http://www.efunds.com.hk (this website has not been reviewed by the SFC) on each Dealing Day.
- Investors may obtain the past performance information of other classes offered to Hong Kong investors from http://www.efunds.com.hk (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.