

Product Key Facts

Fidelity Selected Funds - Short Duration Quality Income Fund

FIL Investment Management (Hong Kong) Limited (as Investment Manager)

October 2022

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

Quick facts
Investment Manager: FIL Investment Management (Hong Kong) Limited

Trustee: HSBC Institutional Trust Services (Asia) Limited

Dealing frequency: Daily

Base currency: USD

Ongoing charges over a year:	Class A-MINCOME(G)-USD:	1.30 %
	Class A-MCDIST(G)-USD:	1.30 %
	Class A-MINCOME(G)-HKD:	1.30 %
	Class A-MCDIST(G)-HKD:	1.30 %
	Class A-MINCOME(G)-RMB (Hedged):	1.30 %
	Class A-HMDIST(G)-RMB (Hedged):	1.30 %

As the fund is newly set-up, this figure is an estimate only and represents the sum of the estimated ongoing expenses chargeable to the relevant class over a 12 month period and expressed as a percentage of the estimated average net asset value of the relevant class for the same period. The figure may vary from year to year.

Distribution policy:
Class A-MCDIST(G)[#]

Subject to the Investment Manager's discretion, dividends will be declared monthly normally on the first business day of each month and will be paid accordingly. The Investment Manager expects to recommend distribution of substantially the whole gross investment income, and distributions will also be paid out of capital in order to seek to achieve a distribution percentage higher than that of the MINCOME(G) unit class.

Class A-MINCOME(G) and Class A-MINCOME(G) (hedged)[#]

Subject to the Investment Manager's discretion, dividends will be declared monthly normally on the first business day of each month and will be paid accordingly. The Investment Manager expects to recommend distribution of substantially the whole gross investment income amount for most of the time, and distributions may be paid out of capital.

Class A-HMDIST(G) (hedged)[#]

Subject to the Investment Manager's discretion, dividends will be declared monthly normally on the first business day of each month and will be paid accordingly. Such distributions may include a premium when the interest rate of the hedged currency is higher than the fund's base currency interest rate and may be discounted when the interest rate of the hedged currency is lower than the fund's base currency interest rate. The Investment Manager expects to recommend distribution of substantially the whole gross investment income, and may determine the extent dividends may be paid out of realised and unrealised capital gains as well as capital.

[#] Investors should note that as fees and expenses may be charged to capital of the fund, this will result in an increase in distributable income for the payment of dividends. The fund may therefore pay dividend directly out of capital and/or effectively out of capital. Such payment of dividends out of capital represents a return or withdrawal of part of the amount originally invested or from any capital gains attributable to the original investment. Such distributions may result in an immediate decrease in the net asset value per unit of the fund.

Financial year end of this fund: 31 December

Minimum investment: For all Class A Units:

<u>Initial Investment</u>	<u>Subsequent Investment</u>
USD 2,500 (or its equivalent in the relevant class currency)	USD 1,000 (or its equivalent in the relevant class currency)

The Investment Manager has discretion to accept subscriptions for lower amounts than specified above.

What is this product?

Fidelity Selected Funds – Short Duration Quality Income Fund is a sub-fund of Fidelity Selected Funds, a unit trust constituted by the Trust Deed and governed by Hong Kong law.

Objectives and Investment Policy

The fund aims to provide an attractive level of risk adjusted total return (i.e. regular income plus capital appreciation) from a portfolio of short duration debt securities issued worldwide.

The fund invests primarily (i.e. at least 70% of its net asset value) in a broad range of fixed income securities and money market instruments which are issued by governments, government agencies/entities, central or reserve banks, multilateral international agencies (e.g. African Export-Import Bank) or corporate issuers worldwide, with a weighted average portfolio duration of below 2 years. The fund may invest in such securities issued in developed or emerging market countries. The fund is actively managed and its portfolio is not constrained by reference to any index. The relevant securities and instruments may be of fixed or floating rate.

The fixed income securities and money market instruments that the fund may invest include bonds, bonds with warrants, convertible bonds, hybrids (subordinated instruments that have more equity-like features), contingent convertible bonds (“CoCos”), subordinated bonds, dim sum bonds (i.e. bonds issued outside of Mainland China but denominated in Renminbi), debentures and notes (including freely transferable notes and freely transferable promissory notes). They will include fixed and floating rate securities and investment grade, high yield and unrated debt securities*, and the Investment Manager will seek to maintain an average credit rating, across the portfolio, of at least investment grade, subject to the below:

- The fund may invest less than 30% of its net asset value in aggregate in (i) urban investment bonds, which are debt instruments issued by Mainland local government financing vehicles (“LGFVs”), (ii) below investment grade and/or (iii) unrated debt securities. LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.
- The fund may invest up to 20% of its net asset value in onshore Mainland China securities, including onshore Mainland China fixed income securities via China interbank bond market (“CIBM”), via Bond Connect or via the QFI status of the Investment Manager.
- The fund may also invest less than 30% of its net asset value in collateralized and/or securitized products such as asset-backed securities (including Sukuk, which are Islamic debt instruments that are generally asset-based or asset-backed), being securities that derive interest and principal payments from specified assets. These assets include mortgages (both residential and commercial) and pools of other kinds of receivables (e.g. payments owed by a debtor (whether corporate or consumer) to a creditor, such as credit card debt, consumer loan repayments, royalties). The asset-backed securities may be issued by government entities or be privately issued. The asset-backed securities may be backed by payments from the underlying borrower(s) that are interest-only, principal-only or a combination of both.
- The fund may invest less than 30% of its net asset value in instruments with loss-absorption features (which may include instruments classified as additional Tier 1/Tier 2 capital instruments, CoCos, non-preferred senior bonds which may also be known as Tier 3 bonds and other instruments eligible to count as loss-absorbing capacity under the resolution regime for financial institution) in compliance with its investment policy and limits, with less than 10% of its total net asset value to be invested in CoCos. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).
- The fund may invest up to 10% of its net asset value in debt securities issued or guaranteed by a single sovereign issuer which is below investment grade.

* Investment grade securities are highly rated securities, generally those that are assigned a credit rating of BBB- or higher from Standard & Poor's or equivalent rating from an internationally recognised credit rating agency (in case of divergent credit ratings, the worst of the best two credit ratings applies), while high yield securities are medium or lower rated securities, generally those not rated as investment grade. “Unrated debt securities” is defined as a debt security which neither the debt security itself nor its issuer has a credit rating.

In addition, the fund may invest up to 10% of its net asset value in collective investment schemes (including Qualified Exchange Traded Funds (as defined in the Explanatory Memorandum)) which are themselves exposed to investments that are similar to the fund's other investments.

In exceptional market circumstances, the fund may hold up to 100% of its net asset value in cash for cash flow management or reducing market exposure.

The Investment Manager will not focus on any particular market sector or industry and investments may be in a number of sectors, including but not limited to the financial services, industrials, and technology sectors. The Investment Manager will approach investment opportunities from a total return perspective, benefiting not only from the debt securities' regular coupon payments but also from capital appreciation. The Investment Manager will seek to deliver attractive risk adjusted returns by extracting the highest level of return per unit of risk or minimising the risk for each unit of return. Accordingly, for every level of risk the Investment Manager will look for debt securities with the most attractive yield and for any level of yield, the Investment Manager will aim to purchase debt securities with the lowest level of risk. The Investment Manager believes that this approach results in a portfolio that has an attractive total return per unit of risk taken. The selection of investments shall be driven by bottom-up security selection, based on fundamental and relative-value credit analysis.

The fund may acquire financial derivative instruments for hedging and investment purposes.

The Investment Manager currently does not intend to enter into any securities financing transactions in respect of the fund.

Use of derivatives

The fund's net derivative exposure may be up to 50% of the fund's net asset value.

What are the key risks?

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

Risk to Capital and Income (Investment Risk)

- The assets of the fund are subject to fluctuations (increase or decrease) in value. There is no guarantee of repayment of principal and you may not get back the original amount invested. Past performance is no guarantee of future performance.

Foreign Currency Risk

- The fund's assets may be denominated in currencies other than the base currency of the fund. Also, a class of units may be designated in a currency other than the base currency of the fund. Fluctuations in the exchange rates between these currencies and the base currency as well as changes in exchange rate controls may adversely affect the fund's net asset value.

Bonds and Other Debt Instruments

- The value of bonds or other debt instruments will fluctuate depending on e.g. market interest rates, the credit quality of the issuer, the currency of the investment (when it is different from the base currency of the fund) and liquidity considerations. In general, the prices of debt instruments rise when interest rates fall, whilst their prices fall when interest rates rise.

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 fund may be adversely affected. The Investment Manager may or may not be able to dispose of the debt instruments that are being downgraded.

Credit/Default risk

- Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or are otherwise unable to pay interest or principal (default). Credit risk also arises from the uncertainty about the ultimate repayment of principal and interest from bond or other debt instrument investments by the issuers of such securities. In both cases the entire deposit or purchase price of the debt instrument is at risk of loss if there is no recovery after default.

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.

Risk associated with Debt Securities Rated Below Investment Grade / Unrated Securities and High Yielding Debt Instruments

The fund may invest in debt securities rated below investment grade or unrated securities. Such securities are generally subject to lower liquidity, higher volatility, heightened risk of default and loss of principal and interest than higher-rated/lower yielding debt securities.

Valuation Risk

- Valuation of the 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 fund.

Sovereign Debt Risk

- The fund's investments 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 fund may suffer significant losses when there is a default of sovereign debt issuers.

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.

Emerging Markets Risk

- The fund invests in emerging market securities which may involve increased risks and special considerations not typically associated with the investment in securities in more developed markets. The price of these securities may be more volatile and/or less liquid than those of securities in more developed markets.
- This volatility or lack of liquidity may stem from political, economic, legal, taxation, settlement, transfer of securities, custody and currency / currency control factors.
- Although care is taken to understand and manage these risks, the fund and accordingly the unitholders in the fund will ultimately bear the risks associated with investing in these markets.

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 and new issuances could be disrupted and potentially cause a fall in the net asset value of the fund should there be any new rules which limit or restrict the ability of issuers to raise RMB (offshore CNH) funding by way of bond issuance and / or reversal or suspension of the liberalization of the CNH market by the relevant regulator(s).

Renminbi Currency and Conversion Risks

- The fund offers RMB denominated unit class(es).
- RMB is currently traded in two markets: one in Mainland China (onshore RMB, or CNY) and one outside Mainland China (primarily in Hong Kong) (offshore RMB, or CNH). Although CNH and CNY are the same currency, they trade at different rates, and any divergence between CNH and CNY may adversely impact investors, in particular since the CNH rate will be used when determining the value of the units of the fund. CNY is not freely convertible and is subject to exchange controls and certain requirements by the PRC government, whereas CNH is freely tradable. 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 (e.g. USD or HKD) will not depreciate. Any depreciation of RMB and/or RMB currency conversion costs incurred could adversely affect the value of investor's investment in the fund. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Financial Derivative Instruments

- The fund's net derivative exposure may be up to 50% of its net asset value. The use of derivatives may give rise to liquidity risk, counterparty/credit risk, volatility risk, valuations risks and over-the-counter transaction risk at times. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the financial derivative instruments by the fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the fund.

Risks associated with distribution out of/effectively out of capital

- Payment of dividends out of capital and/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 of the net asset value per unit.
- The distribution amount and net asset value of the hedged class may be adversely affected by differences in the interest rates of the reference currency of the hedged class and the 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 classes.

How has the fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the fund is newly launched.

Is there any guarantee?

This fund does not have any guarantees. You may not get back the full amount of money you invested.

What are the fees and charges?

Charges which may be payable by you

You have to pay the following fees when dealing in units of the fund.

Initial charge	Class A: Up to 3.50% of initial offer price or issue price
Switching fee	Class A: Up to 3.50% of issue price of the new class
Realisation Charge	Class A: Nil

Ongoing fees payable by the fund

The following expenses will have to be paid out of the fund. They affect you because they reduce the return you get on your investments.

Investment Management Fee	Class A: Up to 0.75 % p.a. of the net asset value
Trustee Fee	Class A: 0.0175% p.a. of the net asset value
Administrator Fee	Class A: 0.0175% to 0.0245% p.a. of the net asset value (subject to the net asset value of the fund)
Performance Fee (Incentive Fee)	Nil

Other Fees

You may have to pay other fees when dealing in units of the fund. Any other fees and charges are described in the Explanatory Memorandum. You should note that some fees may be increased, up to a specified permitted maximum, by giving unitholders at least one month's prior notice. For details, please refer to the Explanatory Memorandum.

Additional Information

- You generally buy, redeem or switch units at the fund's next-determined net asset value after your request is received in good order at or before 5:00 p.m. (Hong Kong time) on a dealing day, being the fund's dealing cut-off time.
- The net asset value of this fund is calculated and the price of units is published each business day. Unit prices of the fund will be published on www.fidelity.com.hk¹.
- For further information on the past performance of other unit classes offered to Hong Kong investors, please refer to www.fidelity.com.hk¹.
- The composition of dividend paid out of net distributable income and capital for the last 12 months are available on the fund's website: www.fidelity.com.hk¹.
- Investors may obtain information from Fidelity Investor Hotline at (852) 2629 2629.

¹ Please note that the 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.