

# PRODUCT KEY FACTS

## BOCHK Hong Kong Dollar Income Fund

a sub-fund of  
BOCHK Investment Funds

31 December 2019

Issuer: BOCI-Prudential Asset Management Limited

- ***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

|   |  |
|---|--|
| <b>Fund Manager:</b>                            | BOCI-Prudential Asset Management Limited (the “Manager”)   |
| <b>Trustee and Registrar:</b>                   | BOCI-Prudential Trustee Limited  |
| <b>Ongoing charges over a year<sup>#</sup>:</b> | 0.59%  |
| <b>Dealing frequency:</b>                       | Daily (Hong Kong business days, other than Saturdays)  |
| <b>Base currency:</b>                           | Hong Kong Dollars  |
| <b>Distribution policy:</b>                     | <ul style="list-style-type: none"> <li>- Quarterly basis (by the end of March, June, September and December of each year, subject to the Manager’s discretion)</li> <li>- Distributions will normally be made out of net income received or receivable by the relevant class of Units but the Manager may in its absolute discretion determine that distributions be paid out of capital of the relevant class of Units. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.</li> </ul> |
| <b>Financial year end:</b>                      | 31 March   |
| <b>Minimum investment:</b>                      | <p><b>Class A – HKD:</b><br/>Initial : HK\$10,000<br/>Addition : HK\$10,000</p> <p><b>Class A – USD:</b><br/>Initial : US dollar equivalent amount of HK\$10,000<br/>Addition : US dollar equivalent amount of HK\$10,000</p>  |

<sup>#</sup> The ongoing charges figure is based on expenses for the period ended 31 March 2019. This figure may vary from year to year. Since Class A Units (including Class A – HKD Units and Class A – USD Units) have the same fee structure, a single ongoing charges figure can be calculated and published.

### What is this product?

BOCHK Hong Kong Dollar Income Fund (the “Sub-Fund”) is a sub-fund under the BOCHK Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

## Objectives and Investment Strategy

The Sub-Fund is an income fund which seeks to provide a stable income stream and long-term capital appreciation through investing at least 70% of its non-cash assets in a portfolio which mainly consists of Hong Kong dollar denominated investment grade bonds (rated Baa3 or better by Moody's or other credit rating agency of similar standing).

The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features (LAP) including (i) non-preferred senior debt instruments or external LAC debt instruments or total loss-absorbing capacity debt instruments (TLAC) or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. 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 may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk. The Sub-Fund will not be engaged in any securities lending activities.

## 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.**

### 1. General investment risk

The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.

### 2. Concentration risk

- The Sub-Fund's investments are concentrated in Hong Kong market. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Hong Kong market.

### 3. 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.

### 4. 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.

### 5. 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.

**6. 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.

**7. 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.

**8. Derivative Instruments risk**

The Sub-Fund may use derivatives as one of its investment strategies. The use of derivatives may expose the Sub-Fund to various types of risk, including but not limited to, counterparty, liquidity, correlation, credit, volatility, valuation, settlement and over-the-counter transaction risks. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund's volatility or can result in a loss significantly greater than the amount invested in the derivatives by the Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

**9. Risk in relation to distribution**

- The Manager may in its absolute discretion determine that in relation to a particular class of Units, distributions be paid out of its capital, or the Manager may, in its discretion, pay distributions out of its gross income while charging / paying all or part of its fees and expenses to / out of its capital, resulting in an increase in distributable income for the payment of distributions by the relevant class of Units and therefore, the relevant class of Units may effectively pay distributions out of capital. This may reduce the capital that the relevant class of Units has available for investment in future and may constrain capital growth.
- Payment of distributions 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 investments. Any such distributions may result in an immediate reduction of the Net Asset Value per Unit.

**10. Risk relating to those class(es) of units denominated in a currency other than the base currency**

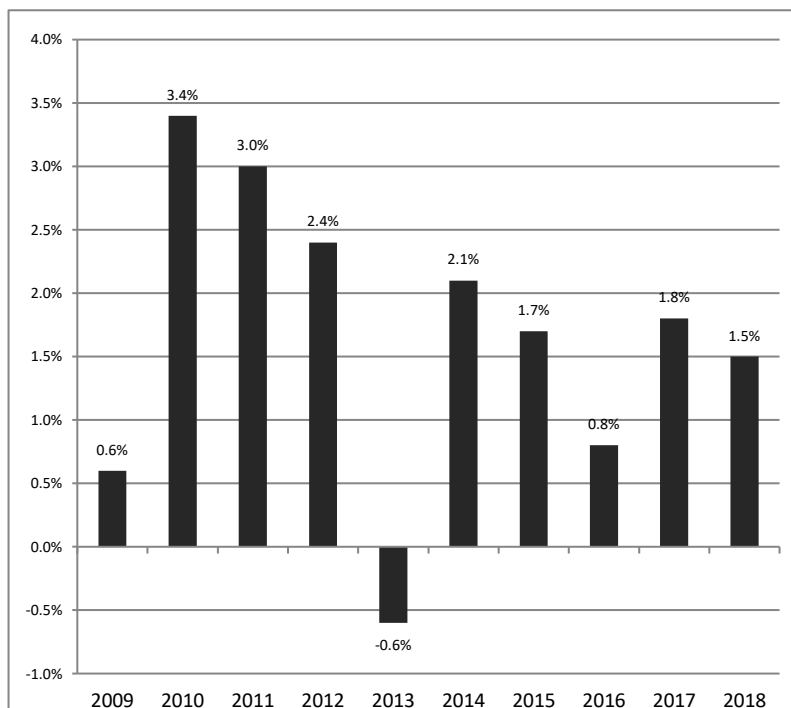
The Sub-Fund will be exposed to foreign exchange risk because Units can be subscribed and redeemed in a currency other than in Hong Kong dollars which is the base currency of the Sub-Fund. The returns to investors for those class(es) of Units denominated in a currency other than the base currency may be different to the return calculated by reference to the base currency when converted back into the currency in which the investors subscribe and redeem due to fluctuations in the currency markets. The returns may go down and adversely impact the investors. The Sub-Fund will also be subject to bid/offer spread on currency conversion and transaction costs. Such foreign exchange risk may result in capital loss to the Sub-Fund and its investors.

**11. Cross-class liability risk**

Although for the purposes of fund accounting, different fees and charges will be allocated to each class, there is no actual segregation of liabilities between different classes of Units. As such, in the event of insolvency or termination of the Sub-Fund, i.e. where the assets of the Sub-Fund are insufficient to meet its liabilities, all assets will be used to meet the Sub-Fund's liabilities, not just the amount standing to the credit of any individual class of Units.

**12. Risk associated with instruments with loss-absorption features**

- 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 event, 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.

**How has the Sub-Fund performed?**

- Past performance information is not indicative of future performance. Investors 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 distributions reinvested.
- Class A - HKD Units is selected as representative class because this class is mainly subscribed by Unitholders.
- These figures show by how much Class A - HKD Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding initial charge and redemption charge you might have to pay.
- Class A - HKD Units were launched in 2002 and Class A – USD Units were launched in 2017.
- Only Class A Units (including Class A – HKD Units and Class A – USD Units) are currently available.

**Is there any guarantee?**

The Sub-Fund does not provide 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 Class A Units of the Sub-Fund.

***Fee******What you pay*****Initial charge**

Up to 3% of the issue price

**Switching fee**

*(as a % of the issue price of the New Class of Units to be issued)*

For switching into a different class (denominated in a different currency) of Class A Units relating to the same Sub-Fund or switching into Class A Units of another Sub-Fund which is not a Money Market Sub-Fund : 1%

For switching into Units of a Money Market Sub-Fund : Nil

**Redemption charge**

Nil

**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.

|                           | <i>Annual rate (as a % of the Sub-Fund's Net Asset Value)</i>  |
|---------------------------|--|
| <b>Management fee</b>     | 0.5% (current and maximum)   |
| <b>Trustee fee</b>        | 0.125% on the first HK\$200 million;<br>0.10% on the next HK\$200 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%* |
| <b>Performance fee</b>    | Nil  |
| <b>Administration fee</b> | Nil  |

\*You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three (3) months' prior notice.

**Other fees**

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Charges and Expenses" on pages 55 to 61 of the Explanatory Memorandum.

**Additional Information**

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00 p.m. (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).
- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per Unit of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- The past performance information of other class(es) of Units offered to Hong Kong investors is available on the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).
- Other information of the Sub-Fund including the compositions of distributions of the relevant class of Units (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).
- Information contained in the website of the Manager 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.