

BOCHK INVESTMENT FUNDS

BOCHK CHINA CONSUMPTION GROWTH FUND

September 2020 Issue
(Data as of 31 August 2020)

Important Notes:

- Investment involves risks and the BOCHK China Consumption Growth Fund (the "Sub-Fund") may not be suitable for everyone. Past performance is not indicative of future performance. The Sub-Fund is subject to market and exchange rate fluctuations and to the risks inherent in all investments. Price of Units and the income (if any) generated from the Sub-Fund may go down as well as up. Investors could face no returns and/or suffer significant loss related to the investments. There is no guarantee in respect of repayment of principal.
- The key risks to which the Sub-Fund is subject to include: general investment risk, concentration risk, emerging market/ the People's Republic of China ("PRC") market risk, equity market risk, risk associated with high volatility of the equity market in Mainland China, risk associated with regulatory/ exchanges requirements/ policies of the equity market in Mainland China, risks associated with Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, "Shanghai and Shenzhen Connect"), foreign exchange and RMB currency and conversion risks, risk of investing in ELLs, risks relating to investment in ETFs, PRC tax risk, derivative instruments risk, risk in relation to distribution and potential conflicts of interest.
- Investing in emerging markets, such as the PRC may involve increased risks and special considerations not typically associated with investment in more developed markets.
- The relevant rules and regulations on Shanghai and Shenzhen Connect are subject to change which may have potential retrospective effect. Each of Shanghai and Shenzhen Connect is subject to a set of Daily Quota, which does not belong to the Sub-Fund and can only be utilized on a first-come-first serve basis. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.
- As the Sub-Fund may invest in A shares indirectly through ELLs, the Sub-Fund is exposed to the risks relating to investment in ELLs:
 - Credit risk: If any one of the ELLs issuers fails to perform its obligations under the ELLs, the Sub-Fund may suffer losses potentially equal to the full value of the instrument issued by the relevant issuer. Any such loss would result in the reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.
 - Illiquidity risk: There may not be an active market for those ELLs which are not listed or quoted on a market. Even if the ELLs are quoted, there is no assurance that there will be an active market for them. Therefore investment in ELLs can be highly illiquid.
 - QFII risk: The issuance of the ELLs depends on the ability of the QFII to buy and sell A shares. The availability of QFII investment quota and any restrictions or any change in the QFII laws and regulations may adversely affect the issuance of ELLs and impair the ability of the Sub-Fund to achieve its investment objective.
- The Sub-Fund is subject to PRC tax risk. There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via Shanghai and Shenzhen Connect or ELLs on the Sub-Fund's investments in the PRC. Any future changes in the taxation policies in respect of QFIIs or the Sub-Fund's investment in A shares in the PRC will impact on the Sub-Fund's returns. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.
- The Manager will normally make distributions out of net income received or receivable by the Sub-Fund. However, in the event that the net income is insufficient to pay the distributions that it declares, the Manager may also, in its absolute discretion, determine that in relation to the Sub-Fund, 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 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.
- Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this 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 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.
- Please refer to the offering document of the Sub-Fund for further details including investment objectives and policies, charges and expenses, and risk factors (especially for the parts relating to Shanghai and Shenzhen Stock Connect, ELLs and QFII), before making any investment decision.

CUMULATIVE PERFORMANCE IN HKD [Gross Distribution Reinvested]

	3 Months	Year to date	1 Year	3 Years	5 Years	Since Inception
Sub-Fund — Class A	31.05%	28.17%	40.67%	49.71%	101.31%	183.56%

CALENDAR YEAR PERFORMANCE IN HKD

	Sub-Fund — Class A
2015	-7.26%
2016	-4.48%
2017	52.53%
2018	-19.27%
2019	29.21%

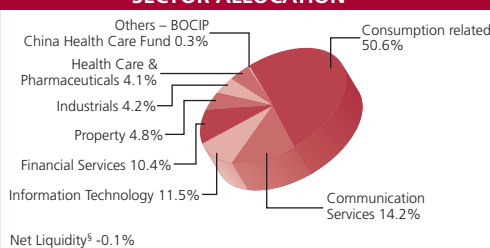
TOP 10 HOLDINGS

1	ALIBABA GROUP HOLDING LTD	10.2%
2	TENCENT HOLDINGS LTD	9.5%
3	MEITUAN DIANPING-CLASS B	5.7%
4	XIAOMI CORP-CLASS B	4.5%
5	COUNTRY GARDEN SERVICES HOLD	3.9%
6	CHINA RESOURCES BEER HOLDINGS	3.4%
7	JD.COM INC - CL A	3.2%
8	CHINA MENGNIU DAIRY CO	2.8%
9	SINO BIOPHARMACEUTICAL	2.6%
10	WEIMOB INC	2.5%

FUND DATA (Class A)

Investment Manager	Marvin Wong & Team
Fund Size (Million)	HKD 1,660.78
Inception Date	28 March 2008
Base Currency	HKD
Management Fee (p.a.)	1.8%
Initial Charge	5%
Switching Fee	1%+ or Nil*
Distribution	Aim to make distribution quarterly^ (Distributions rate is not guaranteed; distributions may be paid out of capital <small>Please note points 7 & 8 of Important Notes</small>)
NAV per unit	HKD 24.6967
12 Months NAV**	Highest: HKD 24.6967 Lowest: HKD 17.5445
Morningstar Overall Rating***	★★★★
Risk Level*	High
Standard Deviation	20.47%
Bloomberg Ticker	BOCCOM HK EQUITY
ISIN Code	HK0000045358

SECTOR ALLOCATION**



RECENT 12 MONTHS DISTRIBUTION^ HISTORY

Record Date	Distribution Per Unit	Fund Price on Record Date
Jun 30, 2020	HKD 0.2590	HKD 20.7197
Mar 31, 2020	HKD 0.2194	HKD 17.5445
Dec 31, 2019	HKD 0.2500	HKD 19.9995
Sep 30, 2019	HKD 0.2264	HKD 18.1104

INVESTMENT OBJECTIVES AND POLICIES

The BOCHK China Consumption Growth Fund seeks to provide investors with long-term capital growth by investing primarily (at least 70% of its non-cash assets) in listed equities or equity-related securities (including warrants and convertible securities) issued by or linked to companies which activities relate to or benefit from growth in domestic consumption in Hong Kong and/or Mainland China. Such companies are principally engaged in the manufacture, sale, provision or distribution of goods and/or services to consumers. The Sub-Fund may generally invest in all consumer staples, consumer discretionary sectors and consumer-oriented industries, which may include information technology, industrials, insurance, financials, food, beverages, personal products, materials, energy, utilities, travel, hotels, resorts, media, telecommunications and health care sectors etc. The Sub-Fund will mainly invest in Hong Kong-listed stocks, H shares, shares of red-chip companies (directly and/or indirectly through investments in SFC authorised collective investment schemes ("CISs") (including CISs managed by the Manager) and/or exchange traded funds ("ETFs") listed on the Stock Exchange of Hong Kong Limited ("SEHK") (including ETFs managed by the Manager). The Sub-Fund may also invest (a) up to 20% of its Net Asset Value in A shares (ii) directly through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investments in equity linked instruments ("ELIs") (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with qualified foreign institutional investors ("QFII") status in the PRC. ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China. The Sub-Fund may also invest in other PRC-related securities listed or quoted outside Mainland China and Hong Kong if such securities are issued by companies which are related to the PRC's consumption sector. These securities may be listed on various stock exchanges in New York, London or Singapore, such as ADRs (American depositary receipts) and GDRs (global depositary receipts). The aggregate exposure to the A shares and B shares market will not exceed 20% of the Sub-Fund's Net Asset Value.

MANAGER'S COMMENT##

On Market

China's export growth further surged to 7.2% in July from 0.5% in June. Manufacturing PMI and industrial production both suggested that the production activities have recovered. However, China-US political conflicts persisted. More sanctions were imposed to citizens or companies of each other. Facing escalating geopolitical tensions and lukewarm global economic growth, Beijing emphasized the importance of self-reliant domestic economy during the mid-year Politburo. Although retail sales growth stayed in negative territory, we believe local governments would continue to stimulate consumer spending. In August, the PBOC resumed net liquidity injection to the market, mainly via MLF. Interbank rates kept increasing but in a smaller extent. 12-month onshore RMB forwards at end-August suggested the RMB to depreciate 2.1%, as same as the expectations at end-July.

Equity prices continued to rise as Chinese economy continued to recovery. In the near term, government's fiscal stimulus will continue to enhance economy activity in the second half of 2020. Moreover, China's dual circulation strategy will likely strengthen government's support of domestic demand in the upcoming five-year plan (2021-2025); consumption sectors will continue to benefit from government's policy initiatives. Valuations of some consumer names have become rather demanding after months of rally, we will keep our eyes on the laggards and switch our positions when appropriate. During the month, we added positions in Communication Services, Financials (Financial Services), Health Care & Pharmaceuticals, and Industrials; and we switched positions in Consumer Discretionary (Consumption related), Consumer Staples (Consumption related), Information Technology, and Real Estate (Property). Also, we continued to switch our holdings of the dual listed names from US market to Hong Kong market.

On Portfolio

We are a strong believer in China's structural improvement in consumption: continuous income growth, higher propensity to consume, and on-going urbanization are some of the major pillars of this long term trend. We believe consumption remains the highlight in the upcoming five-year plan; supportive policies will likely continue. We are long term positive to China's consumption sector.

BOCHK INVESTMENT FUNDS

BOCHK CHINA CONSUMPTION GROWTH FUND[†]

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(Data as of 31 August 2020)

The value of the investment products managed by BOCI-Prudential Asset Management Limited represents 0.3% of the Sub-Fund's fund size.

[†] Data Source – © 2020 Morningstar, Inc. All Rights Reserved.

⁺ 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.

^{*} For switching into Units of a Money Market Sub-Fund.

[^] Before 1 December 2017, the Manager did not intend to make distributions for the Sub-Fund. With effect from 1 December 2017, the distribution policy of the Sub-Fund has been revised so that (i) the Manager may, subject to its discretion, declare distributions for the Sub-Fund on a quarterly basis; (ii) distributions will normally be paid out of net income, and in the event that net income is insufficient to pay distributions, the Manager may determine in its absolute discretion that such distributions be paid out of the capital of the Sub-Fund, or the Manager may, in its discretion, pay distributions out of its 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. The Manager has discretion as to whether or not to make any distributions for the Sub-Fund, the frequency of distributions, the dates and the amount of distributions. The Manager also has the discretion to determine if and to what extent distributions will be paid out of capital of the Sub-Fund. Please refer to the "Notice to Unitholders" dated 1 November 2017 for details. Please also refer to the Manager's website for the composition of the latest distribution (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital). Information contained in the website of the Manager has not been reviewed by the SFC.

[◇] The Sub-Fund is approved as "Eligible Collective Investment Scheme" under "Capital Investment Entrant Scheme" ("CIES") of Hong Kong Special Administrative Region ("HKSAR"). The HKSAR Government has announced that the CIES has been suspended with effect from 15 January 2015 until further notice. The Immigration Department of HKSAR ("Immigration Department") will continue to process applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed. For further details and the related Frequently Asked Questions, please visit the website of the Immigration Department at http://www.immd.gov.hk/eng/services/visas/capital_investment_entrant_scheme.html.

^{**} With effect from 17 December 2018, sector classification methodology for the Sub-Fund has been updated slightly. Accordingly, the sector allocation has been restructured and the sector named "Telecom" has been replaced by "Communication Services".

[§] "Net Liquidity" was formerly named as "Cash & Deposit".

^{##} The manager's comment above solely reflects the opinion, view and interpretation of the fund managers as of the date of issuance of this document. Investors should not solely rely on such information to make any investment decision.

[•] Risk levels are categorized into low, low to medium, medium, medium to high and high. The risk levels are determined by BOCI-Prudential Asset Management Limited based on the investment mix of each Sub-Fund and/or its underlying investments, and represent only the views of BOCI-Prudential Asset Management Limited in respect of the relevant Sub-Fund. Such risk levels are for reference only and should not be regarded as investment advice. You should not rely on the risk levels only when making any investment decision. The risk level is determined based on data as at 31 December 2019 and will be reviewed and (if appropriate) updated at least annually without prior notice, taking into account the prevailing market circumstances. If you are in doubt about the information of risk level, you should seek independent financial and professional advice.

^{††} 12 Months Highest / Lowest NAV per Unit was calculated by reference to the NAV per Unit on each month's last dealing day.

Investors should note that Bank of China (Hong Kong) Limited is not the Manager of the Sub-Fund and will only act as the Sponsor and Distributor whilst BOCI-Prudential Asset Management Limited is the Manager. Fund performance is calculated in the base currency of the Sub-Fund or the denominated currency of the relevant class of Units of the Sub-Fund on NAV-to-NAV basis with gross distribution reinvested. The data for "Standard Deviation", "Beta" and "Morningstar Overall Rating™" will not be shown for the Sub-Fund or the relevant class of the Units of the Sub-Fund with less than 3-year history. "Standard Deviation", a risk measurement, is based on the monthly return of the Sub-Fund or the relevant class of Units of the Sub-Fund over the past 3 years in the base currency of the Sub-Fund or the denominated currency of the relevant class of Units of the Sub-Fund. "Beta" measures the sensitivity of the return of the Sub-Fund or the relevant class of Units of the Sub-Fund to the changes in its reference index. This document is issued by BOCI-Prudential Asset Management Limited and has not been reviewed by the SFC.

Fund Manager & Factsheets Issuer: BOCI-Prudential Asset Management Limited