

BOCHK INVESTMENT FUNDS

BOCHK HONG KONG DOLLAR INCOME FUND[†]

October 2020 Issue
(Data as of 30 September 2020)

Important Notes:

- Investment involves risks and the BOCHK Hong Kong Dollar Income Fund (the "Sub-Fund") may not be suitable for anyone. 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, credit/counterparty risk, credit rating risk, downgrading risk, interest rate risk, valuation risk, derivative instruments risk, risk in relation to distribution, risk relating to those class(es) of units denominated in a currency other than the base currency, cross-class liability risk and risk associated with instruments with loss-absorption features.
- The Manager will normally make distributions out of net income received or receivable by the relevant class of Units of 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 a particular class of Units of 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 relevant class of Units of the Sub-Fund and therefore, the relevant class of Units of the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the relevant class of Units of 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, before making any investment decision.

CUMULATIVE PERFORMANCE [Gross Distribution Reinvested]

Sub-Fund — Class A		3 Months	Year to date	1 Year	3 Years	5 Years	Since Inception
Sub-Fund — Class A	HKD Units	1.01%	3.19%	3.61%	7.86%	10.88%	58.96%
	USD Units	1.01%	3.75%	4.82%	—	—	8.88%
Markit iBoxx ALBI Hong Kong Total Return Index [†]	HKD Units	1.38%	6.79%	5.80%	12.49%	17.06%	99.91%
	USD Units	1.39%	7.36%	7.02%	—	—	13.68%

CALENDAR YEAR PERFORMANCE

	Sub-Fund — Class A		Markit iBoxx ALBI Hong Kong Total Return Index [†]	
	HKD Units	USD Units ⁽¹⁾	HKD Units	USD Units ⁽¹⁾
2015	1.65%	N/A	3.70%	N/A
2016	0.78%	N/A	-0.40%	N/A
2017	1.85%	-0.04%	4.00%	-0.08%
2018	1.49%	1.33%	1.78%	1.62%
2019	3.10%	3.61%	3.78%	4.28%

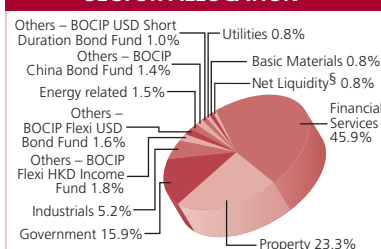
TOP 10 HOLDINGS

1	BANK OF CHINA/HK	3.3%	S/A	20NOV2020	2.5%
2	ICBC/HONG KONG	2.2%	S/A	16SEP2021	2.5%
3	CN OVRS FIN VIII	2.9%	A	15JAN2025	2.4%
4	BK OF EAST ASIA	2.305%	A	20DEC2021	2.1%
5	HONG KONG GOV'T	1.09%	S/A	05JUN2023	2.1%
6	HK GOV'T-10Y2112	1.19%	S/A	06DEC2021	2.0%
7	KDB ASIA LTD	2%	A	18FEB2021	2.0%
8	DAH SING BANK	0.78%	A	30SEP2021	2.0%
9	STANDARD CHART	2.25%	A	01JUN2023	2.0%
10	SHINHAN BANK/HK	2%	A	25NOV2020	2.0%

FUND DATA (Class A)

Investment Manager	Fixed Income Team	
Fund Size (Million)	HKD 13,001.35	
Inception Date	Class A – HKD Units	Class A – USD Units
	12 July 2002	8 December 2017
Base Currency	HKD	
Currency Class	HKD/USD	
Management Fee (p.a.)	0.5%	
Initial Charge	3%	
Switching Fee	Class A – HKD Units	Class A – USD Units
	1% [†] or Nil ^{††}	1% [†] or Nil ^{††}
Distribution	Aim to make distributions quarterly* (Distribution rate is not guaranteed; distributions may be paid out of capital. Please note points 3 & 4 of Important Notes)	
NAV per unit	HKD 11.1892	USD 1.4438
12 Months NAV ^{††}	Highest: HKD 11.1892	USD 1.4438
	Lowest: HKD 10.9900	USD 1.4022
Morningstar Overall Rating ^{†††}	Class A – HKD Units	Class A – USD Units
	★★	—
Risk Level [*]	Low to Medium	
Standard Deviation	Class A – HKD Units	Class A – USD Units
	0.97%	—
Beta	Class A – HKD Units	Class A – USD Units
	0.24	—
Bloomberg Tickers	Class A – HKD Units BOCHDIA HK EQUITY	
	Class A – USD Units BOCHDAU HK EQUITY	
ISIN Codes	Class A – HKD Units HK0000039773	
	Class A – USD Units HK0000381381	

SECTOR ALLOCATION**



CREDIT RATING (Bond)

AAA	0.0%
AA	15.6%
A	50.9%
BBB	22.3%
Others	11.2%

RECENT 12 MONTHS DISTRIBUTION^{*(2)} HISTORY

Record Date	Distribution Per Unit	Fund Price on Record Date
Sep 30, 2020	Class A – HKD Units HKD 0.0560	Class A – HKD Units HKD 11.1892
Jun 30, 2020	Class A – HKD Units HKD 0.0557	Class A – HKD Units HKD 11.1332
Mar 31, 2020	Class A – HKD Units HKD 0.0553	Class A – HKD Units HKD 11.0428
Dec 31, 2019	Class A – HKD Units HKD 0.0551	Class A – HKD Units HKD 11.0076

INVESTMENT OBJECTIVES AND POLICIES

The BOCHK Hong Kong Dollar Income Fund 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. The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features (LAP).

MANAGER'S COMMENT^{†††}

On Market

Hong Kong dollar (HKD) bond markets strengthened in September. The low-for-longer U.S. rates outlook, alongside the abundant global liquidity, pointed to downward pressure in local bond yields. Bond strength was further supported by favorable capital flows into the city, where stronger local currency has triggered various interventions by the Hong Kong Monetary Authority (HKMA), lifting the interbank aggregate balance to a 3-year high. However, front-end rates faced a bit of volatility during the month, with interbank rates climbing amid heavy IPO pipelines and quarter-end driven liquidity demand.

On macro front, jobless rate steadied in the three months to August, albeit the worsening underemployment rate. Likewise, retail sales declined by a smaller magnitude on a year-over-year term. As COVID-19 situation seemingly turned stable, the Hong Kong government relaxed social-distancing rules in September, with curbs on restaurants, sports facilities, theme parks and exhibition centers being gradually eased. In addition, the third round of anti-epidemic fund was announced, albeit with a much smaller size than previously. Meanwhile, the Financial Secretary stressed that there were sufficient fiscal resources to counter future economic uncertainties.

On Portfolio

The Sub-Fund posted a positive return for September. HKD bond strength added to performance on top of the steady coupon carry. Favorable capital flows should continue to support bond markets in Hong Kong. However, with global macro uncertainty amid virus evolution remaining, market volatility should likely stay high in the near term. As such, we adhere to a short-duration strategy whilst favoring high-quality credits for yield enhancement.

The value of the investment products managed by BOCI-Prudential Asset Management Limited represents 5.8% of the Sub-Fund's fund size. Class B of the Sub-Fund has been closed for subscription.

⁽¹⁾ The calendar year performances for 2017 of Class A – USD Units refers to the period since inception (8 December 2017) to end-2017.

* Before 1 December 2017, the Manager had the discretion to make distributions for the Sub-Fund on a semi-annual basis and distributions were paid out of net income only. 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 on a quarterly basis; (ii) distributions will normally be paid out of net income, and in the event that the net income is insufficient to pay the distributions, the Manager may determine in its discretion that in relation to a particular class of Units of 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 relevant class of Units of the Sub-Fund and therefore, the relevant class of Units of 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.

⁽²⁾ As of the respective Record Date, there were no Unitholders of the Class A – USD Units of the Sub-Fund. Therefore, no distribution history is available.

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

◆ 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.

▲ Prior to 1 April 2016, HSBC Hong Kong Dollar Bond Index was used as the reference index of the Sub-Fund. As HSBC transferred Asian Bond Indices to Markit, the reference index has been changed to Markit iBoxx ALBI Hong Kong Total Return Index (denominated in HKD) with effect from 1 April 2016, since this index covers the same market and employs substantially similar index rule as HSBC. The Markit iBoxx ALBI Hong Kong Total Return Index referenced herein is the property of Markit Indices Limited and is used under license. The Sub-Fund is not sponsored, endorsed, or promoted by Markit Indices Limited.

** 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".

⁵ "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.

▲ 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.

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.