

**China Post Global Fixed Income Fund (“Sub-Fund”)**

**January 2020**

**Issuer: China Post & Capital Global Asset Management Limited**

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

**Quick facts**

<b>Fund Manager:</b>	China Post & Capital Global Asset Management Limited	
<b>Advisor:</b>	China Post & Capital Fund Management Co., Limited	
<b>Trustee and Registrar:</b>	BOCI-Prudential Trustee Limited	
<b>Custodian</b>	Bank of China (Hong Kong) Limited	
<b>Ongoing charges over a year*:</b>	Class A (USD): 1.00%	Class I (USD): 0.65%
	Class A (HKD): 1.00%	Class I (HKD): 0.65%
	Class A (RMB): 1.00%	Class I (RMB): 0.65%
	<i>*The figures are estimates only. It represents estimated ongoing expenses over a 12 months period chargeable to the relevant class expressed as a percentage of the estimated average net asset value of such class over the same period. The actual figures may be different from the estimates and may vary from year to year.</i>	
<b>Dealing Frequency:</b>	Daily	
<b>Financial year end:</b>	31 December	
<b>Base Currency:</b>	HKD	
<b>Distribution frequency:</b>	The Sub-Fund does not intend to make distributions at this stage.	
<b>Minimum investment:</b>	<i>Initial subscription:</i>	
	Class A (USD): 100	Class I (USD): 100,000
	Class A (HKD): 1,000	Class I (HKD): 1,000,000
	Class A (RMB): 1,000	Class I (RMB): 1,000,000
	<i>Subsequent subscription:</i>	
	Class A (USD): 50	Class I (USD): 50,000
	Class A (HKD): 500	Class I (HKD): 500,000
	Class A (RMB): 500	Class I (RMB): 500,000
<b>Minimum holding:</b>	Class A (USD): 100	Class I (USD): 100,000
	Class A (HKD): 1,000	Class I (HKD): 1,000,000
	Class A (RMB): 1,000	Class I (RMB): 1,000,000
<b>Website:</b>	www.chinapostglobal.com	

**What is this product?**

The Sub-Fund is a sub-fund of China Post Global Funds (“Trust”), a Hong Kong domiciled umbrella unit trust established by a trust deed dated 1 December 2016 and governed by the laws of Hong Kong.

**Investment Objective and Investment Strategy**

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The Sub-Fund seeks to maximise total return. The Sub-Fund invests globally, with no prescribed country, region, credit rating or capitalisation limits, primarily (i.e. at least 70% of its net asset value (“NAV”)) in fixed income securities. Currency exposure is flexibly managed.

The Sub-Fund invests primarily in global market liquid fixed income securities, including (i) initial issues; (ii) RMB denominated bonds issued within the People's Republic of China ("PRC") via Bond Connect and the Manager's Qualified Foreign Institutional Investor ("QFII") quota; (iii) bonds issued by governments in different jurisdictions, including but not limited to United States treasury bonds; (iv) bond exchange traded funds ("ETF") listed across different stock exchanges, including in the United States and Europe; (v) urban investment bonds, which are debt instruments issued by local government financing vehicles ("LGFV") in the PRC listed bond and interbank bond market ("UIB"). These LGFVs are separate legal entities established by local governments and/or affiliates to raise financing for public welfare investments or infrastructure projects. The Sub-Fund may invest up to 25% of its NAV in bond ETFs, which may include physical and synthetic fixed income ETFs (excluding leveraged and inverse exchange traded products). The Sub-Fund shall on an aggregate basis invest less than 30% of its NAV through the Manager's QFII quota. Also, the Sub-Fund shall on an aggregate basis invest less than 30% of its NAV in UIBs.

The Sub-Fund may invest up to 30% of its NAV in fixed income securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade or unrated. Such investments are based on the professional judgment of the Manager whose reasons for investment may include a favourable and positive outlook on the sovereign issuer, potential for ratings upgrade and the expected changes in the value of such investments due to the ratings change. Please note the ratings of sovereign issuers may change from time to time.

The Sub-Fund may also invest in convertible bonds and contingent convertible bonds, but the aggregate of these investments will not exceed 25% of the Sub-Fund's NAV.

The fixed income securities which the Sub-Fund may invest in may be rated below investment grade (in the case where the credit rating is designated by an internationally recognised credit agency) or rated BB+ or below (in the case where the credit rating is designated by a PRC credit rating agency) or unrated ("**Low Rated Debt**"). The Sub-Fund shall not on an aggregate basis invest more than 70% of its NAV in Low Rated Debt.

The Sub-Fund may also hold up to 30% of its NAV in cash or cash equivalents.

The Manager seeks to achieve the investment objective by seeking investment opportunities in fixed income securities combining a top-down macroeconomic approach coupled with a rigorous bottom-up fundamental and quantitative analysis in order to construct a portfolio with relatively low volatility. The investment team draws together local knowledge and global investment experience. Based on widely understood fundamental analysis methods, the investment team will employ proprietary financial models and risk management criteria to construct the investment portfolio.

The Sub-Fund may use financial derivative instrument ("**FDI**") for hedging purposes. The Sub-Fund may employ deliverable or non-deliverable forwards, currency options and currency futures for the purpose of currency hedging only. The Manager does not anticipate that investments in FDI for non-hedging purposes would exceed 10% of the latest available NAV of the Sub-Fund. Such FDI may include fixed income futures.

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

## **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 General investment risk**

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

## 2 *Risk associated with investing in fixed income securities*

The Sub-Fund is exposed to interest rate fluctuations and credit risks, such as risk of default by or downgrading of issuers. If market interest rates rise, the value of the interest-bearing assets held by the Sub-Fund may decline substantially. This applies to an even greater degree if the Sub-Fund also holds interest-bearing securities with a longer time to maturity and a lower nominal interest rate. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities. All these factors may adversely impact the NAV of the Sub-Fund.

## 3 *Credit risk*

The Sub-Fund is exposed to the credit or default risk of issuers of the debt securities that the Sub-Fund may invest in. In the event that any issuer experiences financial or economic difficulties or a rating is downgraded, the value of the security may be negatively affected.

## 4 *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. Long term securities are generally more sensitive to changes in interest rates and, therefore, are subject to a greater degree of market price volatility. This may have an adverse impact on the value of the Sub-Fund.

## 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. This may have an adverse impact on the value of the Sub-Fund.

## 6 *Non-investment grade / rated BB+ or below by PRC credit rating agencies / unrated bonds risk*

The Sub-Fund may invest in debt securities rated below investment grade (in the case where the credit rating is assigned by an internationally recognised credit agency) or rated BB+ or below by a PRC credit rating agency (in the case where the credit rating is assigned by a PRC credit rating agency) 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. This may have an adverse impact on the value of the Sub-Fund.

## 7 *Contingent convertible bond risk*

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level and may be subject to the following key risks:

Trigger level risk/conversion or total write-off risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require conversion or write down to zero of principal investment and/or accrued interest. These instruments may be converted into shares potentially at a discounted price and the principal amount invested may be lost entirely. In case of a conversion, the Manager might be forced to sell new equity shares upon conversion and such forced sale may result in the Sub-Fund experiencing loss.

Coupon cancellation risk: Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. These instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. The performance of the Sub-Fund may therefore be affected by a greater extent on the

overall condition of the financial services industry than for the funds following a more diversified strategy.

8 *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 units may be designated in a currency other than the base currency of the Sub-Fund. The NAV of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. This may have an adverse impact on the value of the Sub-Fund.

9 *RMB currency and conversion risks*

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. 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. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. These factors may have an adverse impact on the value of the Sub-Fund.

10 *Risks associated with China Interbank Bond Market ("**CIBM**") via Bond Connect*

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses. To the extent that the Sub-Fund transacts in the CIBM, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value. For investments via Bond Connect, the relevant filings, registration with the People's Bank of China and account opening have to be carried out via an offshore custody agent, registration agents, or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties. Investing in the CIBM 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 CIBM 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 CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve the investment objective will be negatively affected.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect may therefore be adversely affected. In addition, where the Sub-Fund invests in the RMB denominated bonds issued within the PRC through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

11 *Volatility and liquidity risk associated with debt securities in the PRC*

The debt securities in the PRC 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. In order to mitigate this risk, the Manager will monitor liquidity daily, and will only hold debt securities that in its opinion are very liquid and use its best endeavours to ensure daily execution without incurring significant trading costs. Additionally, investing in the PRC securities market may be subject to the risks not typically associated with investment in developed markets including risks of nationalization or expropriation of assets, government control and intervention, regulatory risk, legal risk, accounting risk, settlement risk, currency risk and/or currency control, political and economic

uncertainties, taxation risk and custody risk. These factors may have an adverse impact on the value of the Sub-Fund.

12 *PRC credit rating agency risk*

The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by PRC rating agencies may therefore not be directly comparable with those given by other international rating agencies.

13 *PRC tax risk*

Investments in the Sub-Fund may be subject to risks associated with changes in PRC laws and regulations, including PRC tax laws. Such changes may have retrospective effect and may adversely affect the Sub-Fund. Based on professional and independent tax advice, until the circular on temporary Enterprise Income Tax (“**EIT**”) and PRC Value-Added Tax (“**VAT**”) exemption on bond interest income is issued and becomes effective, the Manager will make a PRC Withholding Income Tax (“**WIT**”) provision of 10% and a VAT and local surcharges provision of approximately 6.72% on interest income derived from the Sub-Fund’s investment in PRC bonds in the PRC bond market and the Manager does not intend to provide for any PRC WIT on realized or unrealized gains derived by the Sub-Fund from its investment in PRC debt securities. The Manager reserves the right to change the PRC tax provision policy of the relevant Sub-Fund in response to changes in PRC tax law and practices. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Any shortfall between the provisions and actual tax liabilities will be charged to the Sub-Fund’s assets and this will adversely affect the Sub-Fund’s NAV. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not be entitled or have any right to claim any part of such over provision.

14 *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.

15 *Sovereign debt risk*

The Sub-Fund’s investment 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 Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

16 *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.

17 *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.

**How has the Sub-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?**

The Sub-Fund does not have any guarantee. 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:

<b>Fee</b>	<b>What you pay</b>
<b>Preliminary Charge</b>	Class A and Class I: Up to 5.0% of the total subscription amount
<b>Redemption Fee</b>	Class A and Class I: Nil
<b>Conversion Fee</b>	Class A and Class I: 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.

	<b>Annual rate (as a % of the Sub-Fund's NAV)</b>
<b>Management Fee</b>	0.75% per annum for Class A 0.40% per annum for Class I
<b>Trustee Fee</b>	Up to 0.15% per annum, subject to a monthly minimum fee of HKD40,000
<b>Custodian Fee</b>	Up to 0.05 % per annum
<b>Performance Fee</b>	Class A and Class I: Nil

### **Other Fees**

You may have to pay other fees and charges when dealing in the units of the Sub-Fund.

You should note that the Redemption Fee, the Conversion Fee, the Management Fee and the Trustee Fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. Please refer to the section "Fees and Expenses" of the Explanatory Memorandum for details of other fees and expenses.

## Additional Information

You generally buy and redeem units at the Sub-Fund's next determined NAV after the Registrar receives your request in good order on or before 4 pm (Hong Kong time).

The NAV of the Sub-Fund is calculated and the price of units is published each Business Day. They are available on the Manager's website: [www.chinapostglobal.com](http://www.chinapostglobal.com)<sup>1</sup>.

You can also find the following information of the Trust and Sub-Fund at [www.chinapostglobal.com](http://www.chinapostglobal.com):

- The Explanatory Memorandum, including the product key facts statement for the Sub-Fund (as revised from time to time)
- The Dealing Days (as defined in the Explanatory Memorandum) for the Sub-Fund

Investors should note that the website referred to in this product key facts statement has not been reviewed by the SFC.

<sup>1</sup> 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.