PRODUCT KEY FACTS

CFund

CFund – China Equity

Pickers Capital Management Limited **31 December 2020**

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

Quick facts

Manager: Pickers Capital Management Limited

Trustee: BOCI-Prudential Trustee Limited

Ongoing charges over a year*:

	Without Performance Fee	With Performance Fee
Class A HKD (Accumulation) Units	2.11%	10.41%
Class A HKD (Distribution) Units	1.13%	5.49%
Class A RMB (Accumulation) Units	0.51%	2.65%

Dealing frequency: Daily

Base currency: HKD

Dividend policy: *Class A HKD (Accumulation) Units and Class A RMB (Accumulation) Units:* It is the current intention of the Manager that distributions of income will not be made in respect of these Classes.

Class A HKD (Distribution) Units: The Manager currently intends to make quarterly dividend distribution at its discretion. Dividends may be paid out of capital or effectively out of capital of the relevant Class and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund.

Financial year end of this fund: 31 December

Classes available:
Class A HKD (Accumulation) Units
Class A HKD (Distribution) Units
Class A RMB (Accumulation) Units

Minimum initial investment:
Class A HKD (Accumulation) Units: HKD100 or equivalent
Class A HKD (Distribution) Units: HKD100 or equivalent
Class A RMB (Accumulation) Units: RMB100 or its equivalent

Minimum subsequent investment:
Class A HKD (Accumulation) Units: HKD100 or equivalent
Class A HKD (Distribution) Units: HKD100 or equivalent
Class A RMB (Accumulation) Units: RMB100 or its equivalent

Minimum holding:
Class A HKD (Accumulation) Units: HKD100 or equivalent
Class A HKD (Distribution) Units: HKD100 or equivalent
Class A RMB (Accumulation) Units: RMB100 or its equivalent

Minimum redemption amount:
Class A HKD (Accumulation) Units: HKD100 or equivalent
Class A HKD (Distribution) Units: HKD100 or equivalent
Class A RMB (Accumulation) Units: RMB100 or its equivalent

* *The ongoing charges figure of Class A HKD (Accumulation) Units is based on expenses for the year ended 31 December 2020. The figure may vary from year to year.*

* *The ongoing charges figure of Class A HKD (Distribution) Units and Class RMB (Accumulation) Units is an annualised figure based on the expenses for the first 6-month and 3-month period from the launch of the Class, expressed as a percentage of the average Net Asset Value of the Sub-Fund over the same period. This figure may vary from year to year.*

What is this product?

- The CFund – China Equity (the "Sub-Fund") is a sub-fund of CFund which is a unit trust established by a trust deed dated 6 November 2018 (as amended, supplemented and restated from time to time) as an umbrella fund under the laws of Hong Kong.

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is to provide long-term capital appreciation by primarily investing in listed equities with a China focus. There can be no assurance that the Sub-Fund will achieve its investment objective.

Strategy

The Sub-Fund seeks to achieve its objective primarily through exposure to companies established in China or those which, whilst established outside China, derive a significant proportion of their revenue or profits from business related to China. The Sub-Fund makes investments into companies that, in the Manager's opinion, have been undervalued by the market. There is no restriction on market capitalisations or industries in relation to the equity securities in which the Sub-Fund may invest.

Principal investments

Under normal circumstances, the asset allocation strategy is that at least 70% of the Sub-Fund's Net Asset Value will be invested in stocks of companies established in China or those which, whilst established outside China, derive a significant proportion of their revenue or profits from business related to China (including but not limited to investment in depositary receipts such as American Depositary Receipts), and, subject to an overall upper limit on onshore PRC exposure of 20% of the Sub-Fund's Net Asset Value, up to 20% of the Sub-Fund's Net Asset Value will be invested directly or indirectly in stocks listed in Shanghai (including stocks listed on the Sci-Tech Innovation Board (the "STAR Board")) and/or Shenzhen (including stocks in the ChiNext market and/or stocks listed on the Small and Medium Enterprise Board (the "SME Board")).

Exposure to A-shares and B-shares may be obtained in different ways, including indirect exposure (such as through investing in exchange traded funds ("ETFs") and/or other funds that invest in the relevant PRC listed shares and/or derivative instruments such as swaps), and direct exposure (in the case of A-shares, such as via the Shanghai Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (together, the "Stock Connect"), and/or other relevant programmes when such other relevant programmes become available). Investments in ETFs by the Sub-Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

Ancillary investments

The Sub-Fund may invest up to 30% of its Net Asset Value in bonds, including fixed income securities that are investment grade, below investment grade (i.e. below BBB-/Baa3 by an internationally recognised credit rating agency, such as Standard & Poor's, Moody's and/or Fitch) and unrated (meaning neither the security itself nor its issuer has a credit rating) and convertible bonds. Exposure to bonds may also be obtained indirectly through investing in ETFs that invest in bonds.

Subject to an overall upper limit on onshore PRC exposure of 20% of the Sub-Fund's Net Asset Value, the Sub-Fund may invest up to 20% of its Net Asset Value in onshore China debt securities via the Bond Connect (as defined below) and may invest up to 10% of its Net Asset Value in urban investment bonds (城投債). Urban investment bonds are debt instruments issued by local government financing vehicles ("LGFVs") in the China listed bond and interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

Use of Derivatives

The Sub-Fund may use derivatives for hedging and/or investment purposes provided that such investments shall comply with the investment restrictions set out in Chapter 7 of the Code. (notwithstanding this, derivatives will not be extensively or primarily used for investment purposes). The derivative instruments used by the Sub-Fund for investment purposes will broadly fall under three categories: (i) participatory notes, which do not create any leverage and are used primarily for accessing the A-share market, B-share market and Taiwan; (ii) exchange-traded or over-the-counter futures contracts and options, which create leverage and are used primarily for gaining market exposure in a timely and cost effective manner (e.g. during times of large subscription inflow or in the event of sharp market movements); and (iii) swaps that do not create leverage and used primarily for market access such as the A-Share market, B-Share market and Taiwan. Consistent with the investment restrictions applicable to the Sub-Fund, the Sub-Fund's net derivative exposure may be up to 50% of the its Net Asset Value. The Sub-Fund may take short positions through derivatives for hedging purposes only.

The Manager may enter into securities lending transactions on behalf of the Sub-Fund for up to 10% of the Sub-Fund's Net Asset Value at any one time and is able to recall the securities lent out at any time. The Manager will not enter into any repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of its Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the markets) for cash flow management.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

What are the key risks?

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

1. Investment risk

- The Sub-Fund's investment portfolio may decrease 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 of the repayment of principal.

2. Risks associated with performance fee charged by the Sub-Fund

- Performance fees may encourage the Manager to make riskier investments than would be the case in the absence of a performance-based incentive system. The increase in Net Asset Value which is used as a basis for the calculation of performance fees, may comprise of both realised gains and unrealised gains as at the end of the calculation period, and as a result, performance fees may be paid on unrealised gains which may subsequently never be realised by the Sub-Fund.
- The Sub-Fund does not apply any equalisation in the calculation of performance fee, therefore there may be circumstances where an investor may either be advantaged or disadvantaged as a result of the performance fee calculation methodology. Specifically, in the event of the Sub-Fund's outperformance, an investor may be subject to a performance fee regardless of whether a loss in investment capital has been suffered by the investor.

3. Concentration risk

- The Sub-Fund is subject to concentration risk as a result of the concentration of its investments in the China markets. 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 also be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax or regulatory event affecting the and China markets.
- High market volatility and potential settlement difficulties in the China market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.
- Securities exchanges in the China markets may have the right to suspend or limit trading in any security traded on the relevant exchange. All these may have a negative impact on the Sub-Fund.

4. Risk of investing in equity securities

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- The Sub-Fund may invest in small and mid-capitalisation companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

5. Risks associated with depositary receipts

- Exposure to depositary receipts including American Depository Receipts ("ADRs") may generate additional risks compared to a direct exposure to the underlying stocks, including the risk of non-segregation of the underlying stocks from the depositary bank's own assets and liquidity risks (as depositary receipts are often less liquid than the underlying stock). These may negatively affect the performance and/or liquidity of the Sub-Fund. Also, depositary receipts holders generally do not have the same right as the direct shareholders of the underlying stocks. The performance of depositary receipts may also be impacted by the related fees.

6. Risk of investing in fixed income securities

- *Interest rate risk:* Investments in fixed income securities are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, market value of fixed income securities tends to fall.
- *Volatility and liquidity risk:* The fixed income securities in certain 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. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

- *Credit risk:* Investment in fixed income securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In general, fixed income securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income securities held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.
- *Downgrading risk:* The credit rating of a fixed income security or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Sub-Fund may or may not be able to dispose of the securities that are being downgraded.
- *Risks of investing in below investment grade and unrated fixed income securities:* A Sub-Fund may invest in fixed income securities which (or the issuers of which) are rated below investment grade, or which are unrated. Such securities are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities.
- *Valuation risk:* Valuation of a Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.
- *Credit ratings 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.
- *Convertible bonds risk:* 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. While convertible bonds generally offer lower interest or dividend yields than non-convertible debt securities of similar quality, the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for exposure to equity movement and greater volatility than straight bond investments, with an increased risk of capital loss. 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.

7. RMB currency risk

- The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of the RMB could adversely affect the value of the investor's investment in the Sub-Fund.
- Assets of the Sub-Fund denominated in RMB are valued with reference to the CNH rate. 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.

8. Foreign exchange risk

- An investment in the Sub-Fund may involve exchange rate risk. The investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (which is HKD). The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between those currencies and the base currency and by changes in exchange rate controls.

9. Risks associated with the Stock Connect

- The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A-shares through the programme will be adversely affected. Due to the difference in trading days, on days when the PRC market is open but the Hong Kong market is closed, the Sub-Fund may be subject to a risk of price fluctuations in A-shares as the Sub-Fund will not be able to trade through the Stock Connect. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

10. Risks associated with PRC interbank bond market

- Investing in the PRC interbank bond market 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 PRC interbank bond market via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the PRC interbank bond market, the Sub-Fund's ability to invest in the PRC interbank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

11. Risk associated with investing in other funds

- The underlying fund in which the Sub-Fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.
- Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its connected persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

12. PRC tax risk

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised by a foreign investor on its investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Having consulted professional and independent tax advisor, the Manager will not make any tax provision for gross realised or unrealised capital gains derived from trading of A-Shares (via Stock Connect and/or through access products with exposure to A-Shares), B-Shares and bonds. The Manager will not make any tax provision for interest income derived from the investment of bonds issued by PRC tax resident enterprises.

13. Derivative risk

- The Sub-Fund may from time to time invest in financial derivative instruments for hedging and/or investment purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement risk. The leverage element/component of financial derivative instruments can result in a loss significantly greater than the amount invested in the such derivatives by the Sub-Fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the Sub-Fund.

14. Securities lending transactions risks

- The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests and may trigger claims.
- There is a risk that the collateral received may be realised at a value lower than the value of the securities lent, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, intra-day increase in the value of the securities lent, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded. This may result in significant losses for the Sub-Fund if the borrower fails to return the securities lent out.
- By undertaking securities lending transaction, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays or failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests and may trigger claims.

15. Access Products risk

- Certain Access Products in which the Sub-Fund invests so as to synthetically replicate the economic performance of the underlying shares or portfolio of shares do not provide any beneficial or equitable entitlement or interest in the shares to which such instruments are linked. Because an Access Product constitutes an unsecured contractual obligation of the relevant issuer, rather than a direct investment in shares, the Sub-Fund is subject to credit risk of the issuer of the relevant Access Product. The Sub-Fund may suffer losses, potentially equal to the full value of the Access Product, if the relevant issuer fails to perform its obligations under the instrument.

16. Dividends risk / distributions payable out of capital or effectively out of capital risk

- Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and 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 distributions involving payment of dividends out of capital or effectively out of capital of Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant Class.

How has the fund performed?

The Sub-Fund is newly set up and has been launched for less than one full calendar year. As such, there is insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

This Sub-Fund does not have 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 units of the Sub-Fund.

Fee	**What you pay**
Subscription fee	Up to 5% of the subscription price
Redemption fee	None
Switching fee^	Up to 5% of the redemption price of the Units being switched

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.

	Annual rate (as a % of the class of Units' Net Asset Value)
Management fee*+	1.5%
Performance fee	• The performance fee to be paid by the Sub-Fund is 15% of the amount by which the increase in total Net Asset Value per unit during the relevant performance period exceeds the High Water Mark. • High Water Mark is the higher of (i) the initial subscription price and (ii) the Net Asset Value per unit as at the end of the relevant performance period in respect of which a performance fee was last paid. Where a performance fee is payable for a performance period, the Net Asset Value per unit on the last valuation day of that performance period will be set as the High Water Mark for the next performance period. • Performance fee accrues on each valuation day if the Net Asset Value per unit exceeds the High Water Mark. On each valuation day, the performance fee accrual made (if any) on the previous valuation day will be reversed and a new performance fee accrual will be calculated. If the Net

	Asset Value per unit is lower than or equal to the High Water Mark, any performance fee accrual will be reversed and no performance fee will be accrued. • Each performance period corresponds to the financial year of the Sub-Fund. • For details and illustrative examples of the performance fee calculation, please refer to the "Expenses and Charges" section of the Explanatory Memorandum.
Trustee fee	Up to 0.15%, subject to a monthly minimum fee of HKD40,000 per Sub-Fund.

Other fees

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

^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

* You should note that some fees may be increased, up to a specified permitted maximum, by giving affected unitholders at least one month's prior notice. For details please refer to the section headed "EXPENSES AND CHARGES" in the Prospectus.

Additional information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the Registrar receives your request in good order no later that 4:00 pm (Hong Kong time), being the Sub-Fund's dealing cut-off time. Before placing your subscription orders or switching/redemption request, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The Sub-Fund's Net Asset Value is calculated and the latest subscription and redemption prices of units are published on each business day. They are available on the Manager's website www.picekrscapital.com (this website has not been reviewed by the SFC).
- The compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months will be available from the Manager on request and on the Manager's website www.picekrscapital.com (this 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.