PRODUCT KEY FACTS

CFund

CFund – Dynamic Income

Pickers Capital Management Limited **12 April 2022**

- **This statement provides you with key information about this product.**
- **This statement is a part of the sub-fund's Explanatory Memorandum ("EM").**
- **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*:	Class A HKD (Distribution) Units: Estimated to be 2.20%# Class A RMB (Distribution) Units: Estimated to be 2.20%#
Dealing frequency:	Daily
Base currency:	USD
Dividend policy:	*Class A HKD (Distribution) Units and Class A RMB (Distribution) Units:* The Manager currently intends to make monthly dividend distributions, subject to the Manager's 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 (Distribution) Units Class A RMB (Distribution) Units
Minimum initial investment:	Class A HKD (Distribution) Units: HKD100 or equivalent Class A RMB (Distribution) Units: RMB100 or equivalent
Minimum subsequent investment:	Class A HKD (Distribution) Units: HKD100 or equivalent Class A RMB (Distribution) Units: RMB100 or equivalent
Minimum holding:	Class A HKD (Distribution) Units: HKD100 or equivalent Class A RMB (Distribution) Units: RMB100 or equivalent
Minimum redemption amount:	Class A HKD (Distribution) Units: HKD100 or equivalent Class A RMB (Distribution) Units: RMB100 or equivalent

* *The ongoing charges figure is only an estimate as the Sub-Fund is newly set up. The estimated ongoing charges figure represents the sum of the estimated ongoing expenses chargeable to the relevant class over a 12-month period expressed as a percentage of the relevant class' estimated average net asset value over the same period. The actual figure may be different upon the actual operation of the Sub-Fund and the figure may vary from year to year.*

\# *For the first 12 months from the launch date of the Sub-Fund, this figure will be capped at 2.20% of the average net asset value of the relevant class of the Sub-Fund. Any ongoing expenses in excess of such cap will be borne by the Manager.*

^ *The Manager may at its discretion pay distribution out of 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 distribution by the Sub-Fund), and thereby effectively pay distributions out of the capital of the Sub-Fund.*

What is this product?

CFund – Dynamic Income (the "Sub-Fund") is a sub-fund of CFund (the "Trust") 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 income and capital appreciation through primarily investing in a portfolio of debt securities. 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 investing in debt securities. The Sub-Fund makes investments into debt securities that, in the Manager's opinion, have been undervalued or mis-priced by the market. There is no restriction on the geographies, industries or credit ratings in relation to the debt securities in which the Sub-Fund may invest.

The Sub-Fund is actively managed without reference to any benchmark. The Manager will adopt a dynamic approach in asset allocation and security selection, based on a number of factors including macroeconomic analysis, issuer's credit analysis, and security valuation.

The Sub-Fund may from time to time invest up to 100% of its Net Asset Value in emerging markets, such as mainland China, India, Indonesia, Malaysia and the Philippines, subject to an overall upper limit of 50% of the Sub-Fund's Net Asset Value on onshore China exposure.

Principal investments

The Sub-Fund's asset allocation strategy is that it will primarily invest (i.e. at least 70% of its Net Asset Value) directly and indirectly (such as through exchange traded funds and other collective investment schemes) in debt securities denominated in USD or other currencies and issued by governments, public institutions, international organisations, financial institutions and other corporations, including mainland China property developers.

Types of debt securities in which the Sub-Fund may invest will include (but are not limited to) convertible or non-convertible debt securities and fixed and floating rate bonds. The Sub-Fund may invest up to 30% of its Net Asset Value in convertible debt securities.

The Sub-Fund may from time to time invest up to 100% of its Net Asset Value in debt securities in emerging markets, subject to the overall upper limit of 50% of the Sub-Fund's Net Asset Value on onshore China exposure as described above.

The Sub-Fund does not impose any minimum credit rating requirement on debt securities and may invest up to 100% of its Net Asset Value in debt securities which are rated 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) or unrated (meaning neither the security itself nor its issuer has a credit rating). However, the Sub-Fund may invest no more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

The Sub-Fund may invest up to 30% of its Net Asset Value in debt instruments with loss-absorption features (e.g. contingent convertible securities, senior non-preferred debt, and subordinated debt issued by financial institutions). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger events.

The Sub-Fund may invest up to 20% of its Net Asset Value in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers).

The Sub-Fund may invest in onshore China debt securities via the Bond Connect and/or the Foreign Access Regime (which allows foreign institutional investors to invest in the PRC interbank bond market), subject to the overall limit on onshore China exposure of 50% of the Sub-Fund's Net Asset Value as described above.

The Sub-Fund may invest up to 20% of its Net Asset Value in aggregate in onshore and/or offshore urban investment bonds (城投債). Urban investment bonds are debt instruments issued by mainland Chinese local government financing vehicles ("LGFVs") in the PRC listed bond and interbank bond market and offshore bond markets. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may invest up to 20% of its Net Asset in “Dim Sum” bonds (i.e. bonds issued outside of mainland China but denominated in RMB).

Ancillary investments

The Sub-Fund may invest up to 30% of its Net Asset Value in aggregate in assets other than debt securities, including (i) equity securities directly or indirectly (such as through exchange traded funds and other collective investment schemes) and (ii) real estate investment trusts (“REITs”). For the avoidance of doubt, any investment in A-shares will be made via Stock Connect and be subject to the overall upper limit of 50% of the Sub-Fund’s Net Asset Value on onshore China exposure as described above.

Investments in other collective investment schemes

The Sub-Fund may invest up to 30% of its Net Asset Value in aggregate in other collective investment schemes, provided it is consistent with the Sub-Fund’s investment objective and strategy.

Use of Derivatives

The Sub-Fund may use derivatives for hedging and/or investment purposes.

Securities financing transactions

The Sub-Fund may enter into securities lending, sale and repurchase and/or reverse repurchase transactions (“securities financing transactions”) in aggregate for up to 10% of its Net Asset Value at any one time for the purpose of enhancing total portfolio return. In respect of the sale and repurchase and reverse repurchase transactions, these will be listed on recognised exchanges or conducted over-the-counter.

Others

The Sub-Fund may make short sales provided that the Sub-Fund would not be required to deliver Securities exceeding 10% of its Net Asset Value (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted), provided it is in the best interest of investors and consistent with the Sub-Fund’s investment objective.

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 or major crisis).

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. Risk relating to dynamic asset allocation strategy

- The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy.
- The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

3. Emerging market risk

- The Sub-Fund invests in emerging markets (for example, the PRC) 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.

4. Concentration risk

- The Sub-Fund's investments may be concentrated in a particular market from time to time. 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 the particular market in which the Sub-Fund's investments are concentrated.
- The Sub-Fund may from time to time invest a substantial portion of its Net Asset Value in debts issued by mainland China property developers. The Sub-Fund is therefore subject to the credit/default risk of these issuers which may be affected by factors affecting the real estate market in mainland China.

5. Risk of investing in below investment grade and unrated fixed income securities

- The 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.

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.
- *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.
- *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 Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

7. 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. Also, a class may be designated in a currency other than the base currency of the Sub-Fund. 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.

8. RMB currency risk

- The Sub-Fund may have exposure to investments which are denominated in RMB and a class of Units in the Sub-Fund is denominated in RMB.
- 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.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

9. Risks associated with PRC interbank bond market via Bond Connect and/or the Foreign Access Regime

- Investing in the PRC interbank bond market via Bond Connect and/or the Foreign Access Regime 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 such investments 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.

10. 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 advice, the Manager has determined not to make any tax provision for gross realised or unrealised capital gains derived from trading of A-shares (via Stock Connect) and bonds (via Bond Connect and/or the Foreign Access Regime). The Manager will not make any tax provision for interest income derived from the investment of bonds issued by PRC tax resident enterprises.

11. Risk associated with investing in other funds

- The Sub-Fund's investments in other funds will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.
- The underlying funds in which the Sub-Fund may invest may not be regulated by the SFC. There may 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.
- 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 in such circumstances, all initial charges and redemption charges on these underlying funds must be waived, and the Manager, or any person

acting on behalf of the Sub-Fund or the Manager, must not obtain rebate of any fees or charges levied by these underlying funds or its manager, or any quantifiable monetary benefits in connection with investments in any underlying funds). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

12. Risks associated with investments in debt 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 trigger events (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, 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.
- The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.
- The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

13. 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.

14. Risks associated with Stock Connect

- The relevant rules and regulations on 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 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.

15. Risks associated with investing in REITs

- Investments in REITs exposes investors to the risks of owning real estate directly (as the price of a REIT is affected by changes in the value of the underlying properties owned by the REIT), as well as to risks that relate specifically to the way in which REITs are organised and operated. These risks include real estate sector risk, operation and management risk, interest rate risk, liquidity risk, regulatory risk and leverage risk. Investors should note that an investment in the Sub-Fund is not equivalent to an investment in a REIT.

16. 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.

17. 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*	1.25%
Performance fee	None
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 or any other sub-fund under the Trust, 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 of the Sub-Fund to Units in another class of the Sub-Fund or any other sub-fund under the Trust 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 as set out in the EM, by giving affected unitholders at least one month's prior notice. For details please refer to the section headed "EXPENSES AND CHARGES" in the EM.

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 than 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.pickerscapital.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.pickerscapital.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.