

## PRODUCT KEY FACTS

### CCB Principal Selected Growth Mixed Asset Fund\*

(\*The name of the fund is not indicative of the fund's performance and return)

April 2020

Issuer: CCB Principal Asset Management Co., Ltd.

*This is a Mainland fund authorized for public offering in Hong Kong pursuant to Mainland-Hong Kong Mutual Recognition of Funds arrangement.*

*This statement provides you with key information about this product.*

*This statement is a part of the offering document.*

*You should not invest in this product based on this statement alone.*

#### Quick facts

<b>Fund Manager:</b>	CCB Principal Asset Management Co., Ltd. (the "Manager")
<b>Custodian:</b>	Industrial and Commercial Bank of China Limited
<b>Ongoing charges over a year<sup>#</sup></b>	Class H: 1.77%
<b>Dividend policy:</b>	Class H: Dividends (if any) will be declared and paid no more than 4 times during a financial year at the Manager's discretion. Dividends may be paid out of capital or effectively out of capital.
<b>Financial year end of the Fund:</b>	31 December
<b>Minimum investment:</b>	Class H: RMB 10 minimum initial investment, RMB 10 minimum subsequent investment
<b>Dealing frequency:</b>	Daily (each day being business day in both Hong Kong and Mainland)
<b>Base currency:</b>	RMB

<sup>#</sup> The ongoing charges figure is based on expenses for the year ended 31 December 2019. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the unit class expressed as a percentage of the average net asset value of the unit class.

#### What is this product?

CCB Principal Selected Growth Mixed Asset Fund (the "Fund") is an open-ended fund constituted under the laws of the Mainland China (the "Mainland") and its home regulator is the China Securities Regulatory Commission ("CSRC").

#### Objectives and Investment Strategy

##### Objective

The investment objective of the Fund is to achieve long term capital appreciation for the investors, by making investments in listed companies that are favourable to investors in terms of the profitability growth and investment value.

##### Strategy

The Fund invests in financial instruments with high liquidity, including stocks listed on the Mainland stock exchanges, in accordance with Mainland laws, government bonds, financial bonds (i.e. negotiable bond instruments traded on the exchange or via the interbank market by a Mainland financial institution), corporate bonds, repurchase instruments, central bank bills, convertible bonds and other financial instruments approved by CSRC for investment by the Fund. The Fund may also invest in urban investment bonds, asset-backed securities and debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated. The Fund may invest substantially in stocks

listed and traded on the Small and Medium Enterprise (SME) Board, the ChiNext market and/or the Science and Technology Innovation Board (STAR Board).

The investment portfolio of the Fund consists of 60-95% of the Fund's assets in equities and 5-40% of the Fund's assets in cash, bonds, money market instruments and other financial instruments which are permitted by the CSRC for investment by the Fund. The Fund shall invest no less than 5% of its net asset value in cash or government bonds with maturity of less than one year.

The Fund's investments in equities, fixed income and debt securities and other investments will be limited to those securities in the Mainland market only.

The Fund does not use financial derivative instruments. The Fund does not engage in stock lending transactions and if the Fund intends to engage in such transactions in the future, applicable regulatory approval from relevant regulatory authorities will be sought and at least one month's prior notice will be given to investors before the Fund engages in such transactions.

The Fund may engage in repurchase or reverse repurchase transactions. Repurchase or reverse repurchase transactions may be exchanged-traded or may be entered into on the Mainland interbank market. Subject to complying with the minimum investment requirements to meet the Fund's investment objective and strategy and the other applicable regulatory requirements, the Fund (i) is not subject to any limit when entering into reverse repurchase transactions on the exchange market and the interbank market and (ii) will enter into repurchase transactions on the exchange market and the interbank market up to an aggregate total limit of 40% of the Fund's Net Asset Value.

The Fund's maximum level of leverage shall not exceed 40% of the Fund's Net Asset Value.

#### **Use of derivatives/ investment in derivatives**

The Fund will not use derivatives for any purpose.

#### **What are the key risks?**

**Investment involves risks and there is no guarantee of the repayment of the principal. Please refer to the offering document for details including the risk factors.**

##### **1. Investment risk**

- The Fund is an investment fund. There is no guarantee of the repayment of principal or payment of dividend or distributions. Further, there is no guarantee that the Fund will be able to achieve its investment objectives and there is no assurance that the stated strategies can be successfully implemented.

##### **2. Risks associated with the MRF arrangement**

- *Quota restrictions:* The Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme pursuant to which this Fund is authorized is subject to an overall quota restriction. Subscription of Class H Units in the Fund may be suspended at any time if such quota is used up.

- *Failure to meet eligibility requirements:* If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst scenario, the SFC may even withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.
- *Different market practices:* Market practices in the Mainland and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemptions of Class H Units may only be processed on a day which both Mainland and Hong Kong markets are open. Besides this dealing day arrangement, the Fund may also have different cut-off times or dealing day arrangements from other SFC-authorized funds. Investors should ensure that they understand these differences and their implications.
- *Mainland tax risk:* Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland tax laws and regulations will not change. Any change to the existing concessions and exemptions as well as the relevant laws and regulations may adversely affect the Fund and/or its investors and they may suffer substantial losses as a result.

**3. Mainland market risk / Concentration risk**

The Fund invests primarily in securities related to the Mainland market and may be subject to additional concentration risk. Investing in the Mainland market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

**4. RMB currency and conversion risks**

- 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 the investors' base currencies (for example Hong Kong dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.
- Investors may not receive RMB upon redemption of investments and/or dividend payment (if any) may be delayed due to the exchange controls and restrictions applicable to RMB.

**5. Mainland equity risks**

- *Market risk:* The 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.
- *Volatility risk:* High market volatility and potential settlement difficulties in the Mainland equity 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 Fund. Investments in Mainland equity market are subject to higher liquidity risk as compared to markets in more developed countries which may also result in higher price volatility and transaction costs. The Fund may suffer substantial loss if it is not able to dispose of investments at a time it desires.
- *Risk associated with small-capitalisation / mid-capitalisation companies:* The Fund may invest in companies of smaller or mid-capitalisation. The stocks of small-capitalisation/ mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger

capitalisation companies in general.

- *Liquidity risk:* Securities market in the Mainland may be less liquid than other developed stock markets. The Fund may suffer substantial losses if it is not able to dispose of investments at a time it desires.
- *High valuation risk:* Stocks listed on the Mainland stock exchanges may have higher price-earnings ratio. Such high valuation may not be sustainable.
- *Policy risk:* The Shanghai Stock Exchange and the Shenzhen Stock Exchange typically have the right to suspend or limit trading in any security traded on the relevant exchange. Where a suspension is effected, the Fund's ability to trade in the Mainland stock exchanges will be adversely affected. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

**6. Risks associated with the SME board, ChiNext market and STAR Board**

- *Higher fluctuation on stock prices and liquidity risk:* Listed companies on the SME board, ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.
- *Over-valuation risk:* Stocks listed on SME board, ChiNext and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
- *Differences in regulation:* The rules and regulations regarding companies listed on the ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main board and SME board.
- *Delisting risk:* It may be more common and faster for companies listed on the SME board, ChiNext market and/or STAR Board to delist. In particular, STAR Board has stricter criteria for delisting compared to other boards. This may have an adverse impact on the Fund if the companies that it invests in are delisted.
- *Concentration risk:* STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Fund to higher concentration risk.

Investments in the SME board, the ChiNext market and/or STAR Board may result in significant losses for the Fund and its investors.

**7. Mainland debt securities risks**

- *Volatility and liquidity risks:* The Mainland debt securities 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.
- *Counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.
- *Interest rate risk:* Investment in the 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. The Fund is exposed to

additional policy risk of potential adjustment by the government to the interbank deposit rate.

- *Downgrading risk:* The credit rating of a debt instrument or its issuer may be downgraded subsequent to investment by the Fund. In the event of such downgrading, the value of the Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Credit rating agency risk:* The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agency may therefore not be directly comparable with those given by other international rating agencies.
- *Risk associated with urban investment bonds:* The Fund may invest in urban investment bonds. Urban investment bonds are issued by local government financing vehicles ("LGFVs"), such bonds are typically not guaranteed by local governments or the central government of the Mainland. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Fund could suffer substantial loss and the net asset value of the Fund could be adversely affected.
- *Risk associated with asset-backed securities:* The Fund may invest in asset-backed securities (including asset-backed commercial papers) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
- *Risk associated with debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated:* The Fund may invest in debt securities rated BB+ or below by a Mainland 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.

**8. Risks associated with repurchase and reverse repurchase transactions**

The Manager may enter into repurchase and reverse repurchase transactions for the account of the Fund on the Mainland stock exchanges or in the interbank market.

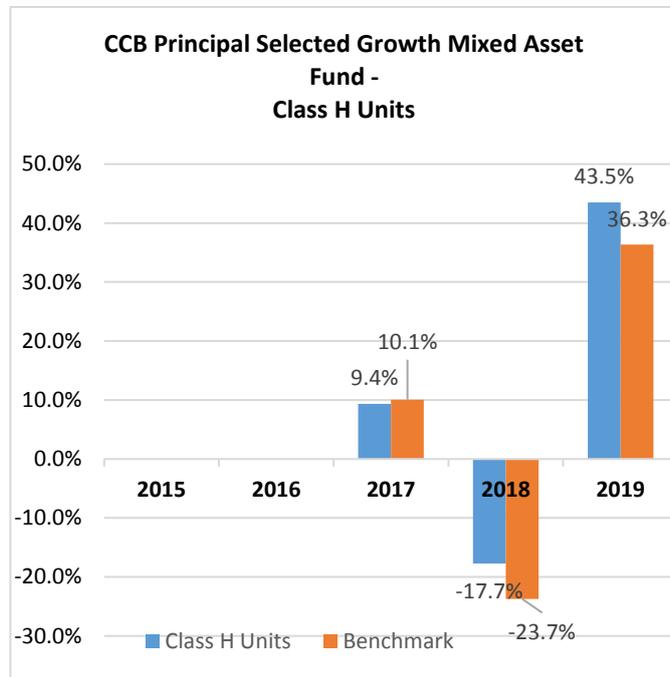
- The collateral pledged under the reverse repurchase transactions in the interbank market may not be marked-to-market. In addition, the Fund may suffer substantial loss when engaging in reverse repurchase transactions as there may be delay and difficulties in recovering cash placed out or realizing the collateral, or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inadequate valuation of the collateral and market movements upon default of the counterparty.
- For repurchase transactions, the Fund may suffer substantial loss as there may be delay and difficulties in recovering collateral pledged with the counterparty or the cash originally received may be less than the collateral pledged due to inadequate valuation of the collateral and market movement upon default of the counterparty.

**9. Risks relating to payment of dividend out of capital**

- Payment of dividends out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment.
- Any distribution involving payment of distributions out of or effectively out of the Fund's capital may result in an immediate reduction of the net asset value per unit.

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**How has the Fund performed?**



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- These figures show by how much Class H Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- When no past performance is shown there was no insufficient data available in that year to provide performance.
- The benchmark of the Fund is 75%xFTSE China 600 Index + 20%x China General Bond Index +5%x 1 year fixed term deposit rate
- Fund launch date: 2006
- Class H Unit launch date: 2016

**Is there any guarantee?**

The 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 Fund.

Fee	What you pay
<b>Subscription fee</b>	<b>Class H</b> – Up to 5% of the subscription amount
<b>Switching fee*</b>	<b>Class H</b> – Not applicable
<b>Redemption fee</b>	<b>Class H</b> – A flat rate of 0.125% of the redemption amount for the account of Class H fund assets

\* Switching is not currently available for Class H - the Manager will announce applicable arrangement and fee when switching is available.

**Ongoing fees payable by the Fund**

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as % of the Fund's net asset value)
<b>Management fee</b>	1.5%
The Fund pays a management fee to the Manager	
<b>Custodian fee</b>	0.25%
The Fund pays a custodian fee to the Custodian	

<b>Performance fee</b>	Nil
<b>Administration fee</b>	Nil

Please refer to the section of the Prospectus entitled "Fund Expenses and Tax" for further details, as well as for information on other ongoing expenses that may be borne by the Fund.

**Other fees**

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

**Additional Information**

- You generally buy and redeem units at the Fund's next-determined net asset value (NAV) after your request is received by the Hong Kong Representative or an authorized distributor in good order on or before the dealing cut-off time, which is 3:00 p.m. (Hong Kong time) on a day which is a Joint Business Day. Certain authorized distributors may impose different earlier dealing deadlines for receiving requests from investors.
- The net asset value of Class H Units of the Fund is calculated on each Mainland Working Day and such other days as required by Mainland laws and regulations (including 30 June and 31 December even if these dates are not Mainland Working Days), and the price of Class H units is published on a daily basis on the website for Hong Kong investors ([www.principal.com.hk](http://www.principal.com.hk)) which is issued by the Hong Kong Representative. The website has not been reviewed by the SFC.
- Investors should visit the website ([www.principal.com.hk](http://www.principal.com.hk)), which is issued by the Hong Kong Representative for the latest notices relating to the Fund. The website has not been reviewed by the SFC.
- The compositions of the dividend of Class H Units (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months are available from the Manager or the Hong Kong Representative upon request and also on the website ([www.principal.com.hk](http://www.principal.com.hk)) which is issued by the Hong Kong Representative. 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.