

PRODUCT KEY FACTS



廣發資產管理(香港)有限公司
GF ASSET MANAGEMENT (HONG KONG) LIMITED

GF INVESTMENT FUNDS
GF China RMB Fixed Income Fund

April 2019

- *This statement provides you with key information about GF China RMB Fixed Income Fund (the “Sub-Fund”).*
- *This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum of GF Investment Funds.*
- *You should not invest in this product based on this statement alone.*

Quick facts

Manager:	GF Asset Management (Hong Kong) Limited
RQFII Holder:	GF Holdings (Hong Kong) Corporation Limited
Trustee:	BOCI-Prudential Trustee Limited
Custodian:	Bank of China (Hong Kong) Limited
RQFII Custodian:	Bank of China Limited
Ongoing charges over a year[#]:	Class A : 2.69% Class I : -
	[#] Each of the ongoing charges figures is based on expenses for the year ended 31 December 2018. This figure may vary from year to year.
Dealing frequency:	Daily
Base currency:	RMB
Dividend policy:	Subject to the Manager’s discretion, distributions (if any) will be made on a quarterly basis (i.e. March, June, September and December each year)
Financial year end of this Sub-Fund:	31 December
Min. investment:	Class A: RMB10,000 initial, RMB10,000 additional Class I: RMB10,000,000 initial, RMB500,000 additional
Min. holding:	Class A: Units with aggregate minimum value of RMB10,000 Class I: Units with aggregate minimum value of RMB10,000,000
Min. redemption:	Class A: Units with aggregate minimum value of RMB10,000 Class I: Units with aggregate minimum value of RMB500,000

What is this product?

- GF China RMB Fixed Income Fund is a sub-fund of GF Investment Funds which is an umbrella structure unit trust established by a trust deed dated 5 January 2012. It is governed by the laws of The Hong Kong Special Administrative Region.
- The Sub-Fund invests primarily in RMB denominated and settled fixed income securities issued within Mainland China through the RQFII quota of the RQFII Holder. The RQFII Holder, which is the holding company of the Manager and acting through the Manager as its asset management arm, has been granted a RQFII quota for the purpose of the Sub-Fund’s direct investment into Mainland China.
- The Sub-Fund is a new type of fund offered in Hong Kong that is denominated in RMB. Subscription moneys and redemption proceeds must be paid in RMB.

Objective and Investment Strategy

Objective

The investment objective of the GF China RMB Fixed Income Fund is to provide long term capital growth and income in RMB terms through investment primarily in fixed income securities issued within Mainland China (i.e. not less than 80% of the Sub-Fund's net asset value) and China A-Shares (i.e. not more than 20% of the Sub-Fund's net asset value) through the RQFII quota of the RQFII Holder which is the holding company of the Manager.

To achieve the investment objective, the Sub-Fund will invest in a portfolio consisting primarily of RMB denominated and settled fixed income securities which are traded on the interbank bond market and/or the listed bond market and are issued or distributed within Mainland China by government, local governments, quasi-government organizations, local government financing vehicles, financial institutions and other corporations, for example, government bonds and notes, municipal bonds, corporate bonds, financial bonds, commercial papers and convertible bonds.

Investment in fixed income funds approved by the China Securities Regulatory Commission which are offered to the public in the PRC will not exceed 10% of the net asset value of the Sub-Fund.

The Sub-Fund will not invest more than 10% of its net asset value in fixed income securities (i) with a credit rating of BB+ or below assigned by any PRC domestic credit rating agency or (ii) with a credit rating of BB+/Ba1 or below as rated by an international credit rating agency or (iii) that are unrated. For this purpose, if the relevant fixed income security does not itself have a credit rating, the credit rating of the issuer of the security could be used as the implied credit rating of the fixed income securities issued by that issuer. If both the security itself and the relevant issuer are not rated, then the security will be classified as unrated.

The Sub-Fund may invest up to 50% of the Sub-Fund's net asset value in urban investment bonds (城投债) (i.e. debt instruments issued by local government financing vehicles ("LGFVs") in Mainland China and traded on the exchange market or interbank market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

The Sub-Fund may also invest in China A-Shares, which may include China A-Shares issued by small and/or mid-capped companies, and other permissible investments pursuant to the applicable PRC rules and regulations. The Sub-Fund may invest in RMB denominated deposits for liquidity purpose.

An indicative investment allocation of the Sub-Fund is set out below:

- (a) not less than 80% of the Sub-Fund's net asset value will be invested in RMB denominated fixed income securities; and
- (b) not more than 20% of the Sub-Fund's net asset value will be invested in China A-Shares and other permissible investments pursuant to the applicable PRC rules and regulations.

The Sub-Fund does not and will not engage in securities lending transactions, repurchase / reverse repurchase transactions or similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions.

The Sub-Fund will not invest in any structured deposits, structured products or asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

Strategy

The Manager has formulated fixed income securities investment strategy and equity securities investment strategy to achieve its investment objective.

The Manager seeks to achieve investment returns by adopting duration, term structure, sector allocation and product selection (such as using credit rating evaluation notwithstanding that there are no explicit restrictions on the minimum credit ratings) strategies when investing in RMB denominated fixed income securities. Also, the Manager will construct the portfolio to take advantage of the expected change in the general level of RMB interest rates.

In addition, the Manager will seek to invest in RMB denominated equity securities which may provide sustainable long-term earnings growth potential and are considered to be undervalued.

Use of derivatives / investment in derivatives

The Sub-fund will not use derivatives for any purposes.

What are the key risks?

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

1. Investment risk

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. There is also no guarantee of dividend or distribution payment during the period you hold units of the Sub-Fund. The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses.

2. China market risk / Single country investment risk

- China is considered as an emerging market. Investing in China may subject the Sub-Fund to higher economic, political, social, regulatory, legal, foreign exchange and liquidity risks than investing in more developed economies or markets. Investments in China may also be less liquid and more volatile.
- The Sub-Fund invests primarily in securities related to the China market and may be subject to additional concentration risk.
- The China fixed income securities market may be subject to higher volatility compared to more developed markets. The prices of securities traded in such market may be subject to fluctuations.

3. RQFII risk

- In the event of any default of either a PRC broker or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the Sub-Fund may encounter delays in recovering its assets which may in turn impact the net asset value of the Sub-Fund.
- The Sub-Fund invests in securities through a RQFII which is subject to applicable regulations imposed by the PRC authorities. Although repatriations by the RQFIIs in

respect of the Sub-Fund are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, there is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders.

- The Sub-Fund may not have exclusive use of the entire RQFII quota granted by SAFE to the RQFII Holder, as the RQFII Holder may in its discretion allocate RQFII quota which may otherwise be available to the Sub-Fund to other public fund products under the Manager's management. Subject to SAFE's approval, the RQFII Holder may also allocate RQFII quotas to other non-public fund products and/or accounts. However, there is no assurance that the RQFII Holder can allocate sufficient RQFII quota to the Sub-Fund to meet all applications for subscription of units in the Sub-Fund.
- The RQFII rules have only been recently announced and are novel in nature – their application may depend on the interpretation of the Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

4. RMB currency risk

- Renminbi is currently not freely convertible and is subject to exchange controls by the Chinese government and investors may be adversely affected by movements of the exchange rates between Renminbi and other currencies.
- There is no guarantee that RMB will not depreciate. If investors convert Hong Kong Dollar or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong Dollar or such other currency.

5. PRC tax risk

- The Sub-Fund may be subject to the risks and uncertainties associated with changes in the PRC laws and regulations, including PRC tax laws, regulations and practice and such changes may have retrospective effect and may adversely affect the Sub-Fund's asset value.
- Based on professional and independent tax advice:
 - o the Manager will make 10% provisions for any PRC taxes payable by the Sub-Fund on dividend from China A-Shares and interest from RMB denominated corporate bonds and policy bank bonds (but excluding government bonds), and this will be debited from the Sub-Fund's assets; and
 - o the Manager will not make any tax provisions on gross realised and unrealised capital gains on China A-Shares and RMB fixed income securities.
- The provisions made by the Manager may be excessive or inadequate to meet the actual tax liabilities. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the net asset value of the Sub-Fund will therefore be adversely affected. The actual tax liabilities may be lower than the tax provisions 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 have the right to claim any part of the overprovision (as the case may be).

6. Risks relating to fixed income securities

Credit risk

- The Sub-Fund mainly invests in RMB denominated fixed income securities and these instruments may fall in value. Investors may suffer losses as a result. Investment in the Sub-Fund is subject to risks that apply to fixed income securities, including the credit risk of the issuers.
- The Sub-Fund is exposed to the credit/insolvency risk of issuers of the RMB denominated fixed income securities it invests in. Such securities are typically unsecured debt obligations and are not supported by collateral. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Risks relating to credit rating

- The rating criteria and methodology used by Chinese local rating agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

Risks relating to lower rated/ unrated securities

- Some of the RMB denominated fixed income securities invested by the Sub-Fund may be (i) with a credit rating of BB+ or below assigned by any PRC domestic credit rating agency, (ii) with a credit rating of BB+/Ba1 or below as rated by an international credit rating agency or (iii) unrated. Such lower rated / unrated securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities.

Downgrading risk

- Higher rated securities may be subject to the risk of being downgraded to lower rated securities. The Manager may not be able to dispose of the debt instruments that are being downgraded. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss.

Liquidity risk

- The RMB denominated fixed income securities market is at a developing stage and the trading volume may be lower than those of the more developed markets. The Sub-Fund may invest in fixed income securities which are not listed. Even if the fixed income securities are listed, the market for such securities may be inactive. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments. The bid and offer spreads of the price of such securities may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

Valuation risk

- Valuation of a Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the net asset value of the Sub-Fund may be adversely affected. The value of fixed income securities may be affected by changing market conditions or other significant market events affecting valuation. In adverse market conditions or where an adverse event happens to the issuer (e.g. credit rating downgrading), the value of lower rated or unrated fixed income securities may decline in value due to investors' perception over credit quality.

Interest rate risk

- Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise. The Chinese government's macro-economic policies and controls will have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities, and thus the return of the Sub-Fund.

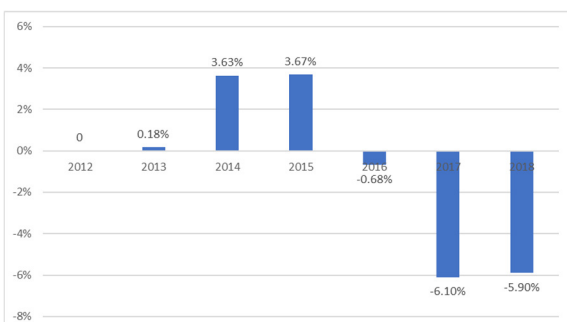
Risk associated with urban investment bonds (城投債)

- Urban investment bonds are issued by local government financing vehicles (LGFVs). Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the net asset value of the Sub-Fund could be adversely affected.

7. Risk relating to small- and mid-capped companies

- The Sub-Fund may invest in China A-Shares issued by small- and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

How has the Sub-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 the unit class 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.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 2012.
- Class A launch date: 2012
- The Manager views Class A, being the only unit class offered to the retail public in Hong Kong, as the most appropriate representative unit class.

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

Subscription Fee (Initial charge)
(% of total subscription amount received)

Redemption Fee (Redemption Charge)
(% of total redemption proceeds)

Switching Charge
(% of total amount being switched out of the Existing Class)

What you pay

Class A and Class I: Up to 5%

Class A and Class I: Nil

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.

<u>Fee</u>	<u>Annual rate (as a % of the Sub-Fund's net asset value)</u>
Management Fee	Class A and Class I: Up to 3% p.a. <i>Current rate</i> Class A: 0% p.a. ^{1 2} Class I: 0% p.a. ^{1 2}
Trustee Fee	Class A and Class I: Up to 0.5% p.a., current minimum monthly fee is RMB 20,000 ¹³ and the Trustee is currently entitled to a Trustee Fee in respect of both Class A Units and Class I Units at a rate of 0.175% per annum.
Custody Fee (including fees payable to the Custodian and RQFII Custodian)	Class A and Class I: Up to 0.1% p.a.
Performance Fee	Class A and Class I: Not Applicable

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the Explanatory Memorandum.

Additional Information

- The Manager may decide to close the Sub-Fund to further subscriptions without any prior or further notice if the total subscription amount reaches the amount of RQFII quota allocated to the Sub-Fund by the RQFII Holder.
- You generally buy and redeem units at the Sub-Fund's next-determined net asset value.
- To be dealt with on a Dealing Day, your request has to be received by the Authorised Distributor(s) of the Sub-Fund in good order on or before the dealing cut-off time set by them. The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadlines

¹ You should note that the current rate of fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. For details please refer to the section headed "Expenses and Charges" in the Explanatory Memorandum.

² You should note that the Manager has decided to temporarily waive all the management fee of Class A Units and Class I Units with effect from 1 April 2018 and until further notice.

³ It has been agreed with the Trustee that the minimum monthly fee of the Trustee Fee will also be temporarily reduced to RMB20,000 with effect from 1 April 2018 and until further notice. For the avoidance of doubt, the per annum rate of Trustee Fee will remain unchanged.

for receiving instructions for subscriptions, redemptions or switching. Investors should contact the Authorised Distributor(s) of the Sub-Fund for details and confirm the arrangements with the Authorised Distributor(s) concerned.

- The net asset value of this Sub-Fund is calculated on the relevant Dealing Day, and the price of units is published on each Dealing Day.
- The Sub-Fund offers daily dealing. Please refer to the Explanatory Memorandum for details.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the website of the Manager at <http://www.gfgroup.com.hk>⁴

Publication of prices

- The net asset value per unit of the Sub-Fund is published on each Dealing Day in Hong Kong in the South China Morning Post and the Hong Kong Economic Times and on the website of the Manager at <http://www.gfgroup.com.hk>⁴

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.

⁴ This website has not been reviewed by the SFC.