VL Asset Management Limited

PRODUCT KEY FACTS

VL China Fund

a sub-fund established under VL Trusts

Issuer: VL Asset Management Limited

April 2022

- ***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

Manager:	VL Asset Management Limited		
Trustee:	Standard Chartered Trust (Hong Kong) Limited		
Custodian:	Standard Chartered Bank (Hong Kong) Limited		
Administrator and Registrar:	Standard Chartered Bank (Hong Kong) Limited		
Ongoing charges over a year:*	Class A Units: 1.85% (without performance fee)		
	Class A Units: 4.04% (with performance fee)		
	Class B Units: 1.07% (without performance fee)		
	Class B Units: 2.02% (with performance fee)		
Dealing frequency:	Daily (Hong Kong business days)		
Base currency:	Hong Kong Dollars (HKD)		
Dividend policy:	No distribution		
Financial year end of the fund:	30 June		
Minimum investment:		Initial	Additional
	Class A Units:	HKD50,000	HKD5,000
	Class B Units:	HKD39,000,000	HKD1,000,000

*The figures are based on the actual expenses over the 12-month period ended 31 December 2021. Those expenses are chargeable to the relevant class expressed as a percentage of the average Net Asset Value of such class over the period ended 31 December 2021. The ongoing charges figure incorporating performance fees is calculated based on financial information as at the interim financial period end and the performance fees to be paid as at the financial year end may vary subject to the market conditions. Also, certain expenses paid/borne by investors (such as brokerage fees and costs of dealing in securities) are excluded from the calculation of ongoing charges figure.

What is this product?

This is a sub-fund of VL Trusts which is an umbrella fund constituted in the form of a unit trust established under the laws of Hong Kong.

Objective and Investment Strategy

Objective

The investment objective is to provide long-term capital appreciation by investing in a diversified portfolio of equity securities of companies in different industry sectors whose primary business focus is in the China region.

Investment strategy

The fund seeks to achieve its investment objective primarily through exposure to companies carrying on business or with business exposure in the China region with long term growth prospects.

The fund will invest at least 70% of its net asset value in equity securities issued by companies with either assets in, or revenues derived from the PRC that are listed, traded or dealt in on the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange or other overseas regulated markets. The fund intends to gain access to A-shares listed on the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange (including shares listed on the Small and Medium Enterprise Board and/or the ChiNext Board) through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect and/or other relevant programmes (when such other programmes become available). The Manager does not intend to use A-shares access products. The fund will invest less than 30% of its net asset value in shares listed on the Small and Medium Enterprise Board and/or the ChiNext Board. The fund will not invest more than 10% of its net asset value in B-shares listed, traded or dealt in on the Shanghai Stock Exchange and/or Shenzhen Stock Exchange.

The fund's portfolio will be primarily denominated in HKD and RMB.

The fund may use both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps and options, for hedging purposes only. The fund will not enter into securities lending agreements, repurchase and reverse-repurchase agreements. The fund may retain amounts in cash or cash equivalents (including money market funds) in circumstances considered appropriate by the Manager, such as for operational purposes or during adverse market conditions. Cash and cash equivalents in aggregate will not exceed 30% of the net asset value of the fund.

The fund adopts value investing strategies and looks for solid investments that can be made at valuations that are, in the Manager's opinion, attractive relative to their long-term growth prospects. Such undervaluation or mispricing opportunities in the market will usually arise in situations when a market leader has temporarily floundered in a particular industry down-cycle but shows signs of a turnaround on the basis of the underlying fundamentals, and in a sector that has temporarily lost favour with the investing public. The fund does not attempt to follow any benchmark indices in determining its sector or individual stock weightings and there is no fixed sector weightings in the allocation of assets of the fund.

The fund may also take a flexible and opportunistic investment approach and will pursue a broad range of event-driven transactions to secure investment returns independent of the general market conditions. Such an event-driven investment strategy seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as a merger, an acquisition, a spinoff, or a rights issue.

Use of derivatives

The fund's net derivative exposure may be up to 50% of the fund's net asset value.

What are the key risks?

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

1. Investment risk

- The fund is an investment fund. There is no guarantee of the repayment of principal.
- The fund's investment portfolio may fall in value and therefore your investment in the fund may suffer losses.

2. Concentration risk

- The fund's investments are concentrated in China and Hong Kong. This may result in greater volatility than portfolios which comprise broad-based global investments. The value of the fund may also be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China and Hong Kong markets.

3. Risk of investing in China

- Investing in China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, legal, repatriation, liquidity and regulatory risks.
- The stock markets in China are still in a stage of development, which may lead to uncertainties and difficulties in settlement and recording of transactions and in interpreting and applying relevant regulations. These may lead to a higher level of volatility and instability associated with investments in these markets.
- The financial reporting standards and practices applicable to PRC companies may be less rigorous. As the disclosure and regulatory standards in the PRC are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the PRC on which the Manager can base investment decisions.
- Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The PRC government or the regulators may also implement policies that may affect the financial markets and impose restrictions on foreign ownership or holdings. All these may have a negative impact on the fund.

4. Risks relating to Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, 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 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 fund may be subject to a risk of price fluctuations in A-shares as the fund will not be able to trade through the Stock Connect. In such events, the fund's ability to achieve its investment objective could be negatively affected.

5. Equity securities related 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.

6. China tax risk

- There are risks and uncertainties associated with the current Chinese tax laws, regulations and practice in respect of capital gains realised via Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect on the fund's investments in China (which may have retrospective effect). Any increased tax liabilities on the fund may adversely affect the fund's value.
- Having consulted independent tax adviser, the Manager has not made and currently has no intention to make provision in respect of potential tax liability on gains on trading of B-shares. Further, having taken and considered independent professional tax advice and in accordance with such advice, the Manager will also not make any withholding income tax provision for the account of the fund in respect of any potential PRC tax liability on gross unrealised and realised gains realised on the fund's trading of A-shares. In the event that such tax liability is imposed, the relevant amounts will be deducted from the fund's assets which may consequently reduce the value of the units.

7. RMB currency and conversion risk

- The 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 fund.
- A portion of the fund's assets will be invested into investments denominated in RMB, which is different from the base currency of the fund, being HKD. As a result, the fund is exposed to higher transaction costs associated with currency conversion (i.e. from HKD subscription monies to RMB for the fund to invest in RMB-denominated investments and from RMB sale proceeds after the fund has disposed of the RMB-denominated investments to HKD to meet redemption requests as and when necessary).
- Assets of the 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 proceeds of sales and/or dividend payment to the fund in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

8. Foreign exchange risk

- An investment in the fund may involve exchange rate risk. The investments of the fund may be denominated in currencies other than the base currency of the fund (which is HKD), including the RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. There is also no guarantee that such other currencies will not depreciate. Fluctuations in the exchange rates between such other currencies and the base currency as well as associated fees and charges may have an adverse impact on the performance of the fund.

9. Risk of specific investment strategy

- The fund adopts value investing strategies in its investments, which may not achieve the desired results under all circumstances and market conditions.

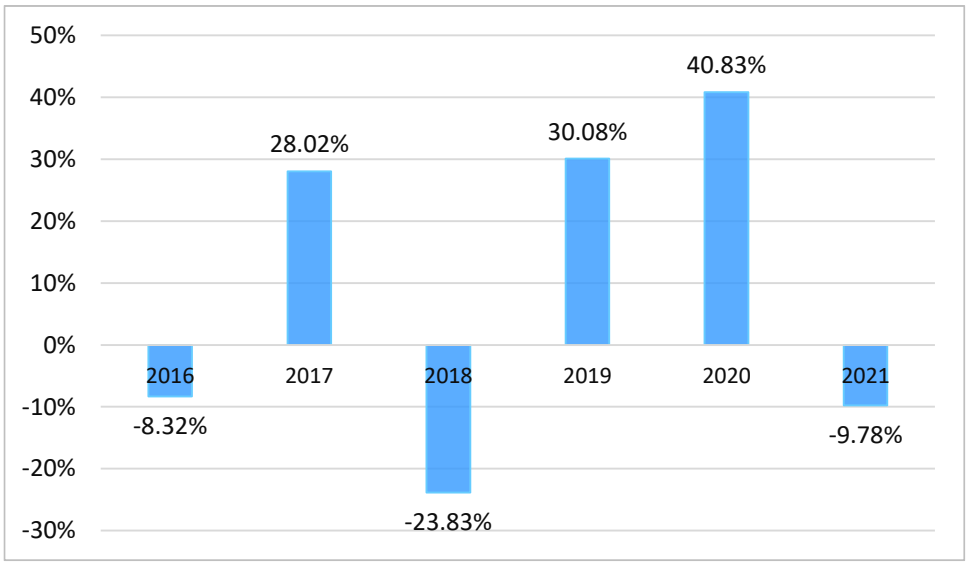
10. Performance fee risk

- Performance fees may encourage the Manager to make riskier investment decisions than in the absence of performance-based incentive systems.
- There is no adjustment of equalisation credit or equalisation losses on an individual unitholder basis. This method of calculating performance fee gives rise to the risk that a unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming unitholder.
- In addition, performance fees may be paid on unrealised gains which may never be realised by the fund.

11. Derivatives risk

- The Manager may from time to time utilise derivatives for the purpose of hedging only. The use of such derivatives exposes the 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 such derivatives by the fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the fund. There is also no guarantee that the use of financial derivatives instruments for hedging purposes will be effective and the fund may be subject to substantial loss.

How has the fund performed?



Note: The performance of the fund before 4 May 2020 was achieved under circumstances that may no longer apply as a result of the change in investment strategy of the fund. Investors should exercise caution when considering the past performance of the fund prior to 4 May 2020.

- Prior to 4 May 2020, the investment strategy of the fund was to invest no less than 70% of its net asset value in Hong Kong listed equities and no more than 30% of its net asset value in PRC listed equities or overseas listed equities. The investment strategy was changed on 4 May 2020 to provide greater exposure to China and overseas securities and achieve better diversification of investments.

- 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.
- The figures show by how much Class A Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in HK$ including ongoing charges and excluding subscription fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 10 August 2015
- Class A Units launch date: 10 August 2015
- Class A Units has been selected as the representative unit class of the fund for the purpose of presenting past performance information on the basis that retail investors in Hong Kong are more likely to subscribe for Class A Units than Class B Units as the amount of minimum initial investment for Class A Units is lower than that for Class B Units. Also, no fee is chargeable on redemption of Class A Units.

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
Subscription fee	Up to 5% of the amount you buy for both Class A Units and Class B Units
Switching fee	N/A. Switching currently not available
Redemption fee	Nil for Class A Units 5% for Class B Units for the first three years of investment; Nil thereafter

Ongoing fees payable by the fund

The following expenses are paid out of the fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the fund's value)
Management fee The fund pays a management fee to the Manager	1.50%* for Class A Units 0.75%* for Class B Units
Trustee fee The fund pays a trustee fee to the Trustee	0.11%* if the net asset value of the fund is below HKD1,000 million, and 0.09%* if the net asset value of the fund is HKD1,000 million or above, subject to certain monthly minimum amounts (please refer to the sub-section "Fees payable by the Sub-Fund" under Appendix 1 of the Explanatory Memorandum).
Performance fee The fund pays a performance fee to the Manager	For Class A Units, 15%* of the appreciation in the net asset value per unit during a performance period above the high watermark.

	For Class B Units, 7.5%* of the appreciation in the net asset value per unit during a performance period above the high watermark. • Performance period: The first performance period is from the fund's inception date to 30 June 2016. Thereafter each performance period will correspond to the financial year of the fund. • High watermark: The high watermark is initially set at the initial issue price per unit of the relevant class of units. • In respect of each class of units, where a performance fee is payable to the Manager 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 watermark for the next performance period. • Performance fee is payable if the net asset value per unit exceeds the high watermark for the relevant performance period. Any performance fee payable shall be paid as soon as practicable after the end of the relevant performance period. • Performance fee will be accrued on each valuation day if the net asset value per unit exceeds the high watermark. 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. As such, if the net asset value per unit increases, the performance fee accrual will increase, and if the net asset value per unit decreases, the performance fee accrual will decrease accordingly. If the net asset value per unit falls below the high watermark, the performance fee accrual will be reversed. • For details please refer to the sub-section headed "Performance fee" in the "FEES AND EXPENSES" section of the Explanatory Memorandum.
Administration fee	Included in the Trustee fee

Other fees

You may have to pay other fees when dealing in the units of the fund.

* You should note that some fees 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 sub-section headed "Increase in fees" in the "FEES AND EXPENSES" section of the Explanatory Memorandum.

Additional information

- You generally buy and redeem units at the fund's next-determined net asset value (NAV) after Standard Chartered Bank (Hong Kong) Limited receives your request, directly or via a distributor, in good order at or before 4:00p.m., being the fund's dealing cut-off time on each dealing day of the fund. Before placing your subscription or redemption orders, please check

with your distributor for the distributor's dealing cut-off time (which may be earlier than the fund's dealing cut-off time).

- The net asset value of the fund is calculated and the price of units published each business day on the Manager's website www.vlasset.com (this website has not been reviewed by the SFC).
- You may obtain the past performance information of other unit classes offered to Hong Kong investors on the Manager's website www.vlasset.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.