

FOR PROFESSIONAL INVESTORS

September 2021



中國銀行

BANK OF CHINA

卢森堡

LUXEMBOURG



# BOC (Europe) UCITS SICAV

- ❑ BOCHK RMB High Yield Bond Fund

1.

## ABOUT US – BANK OF CHINA GROUP



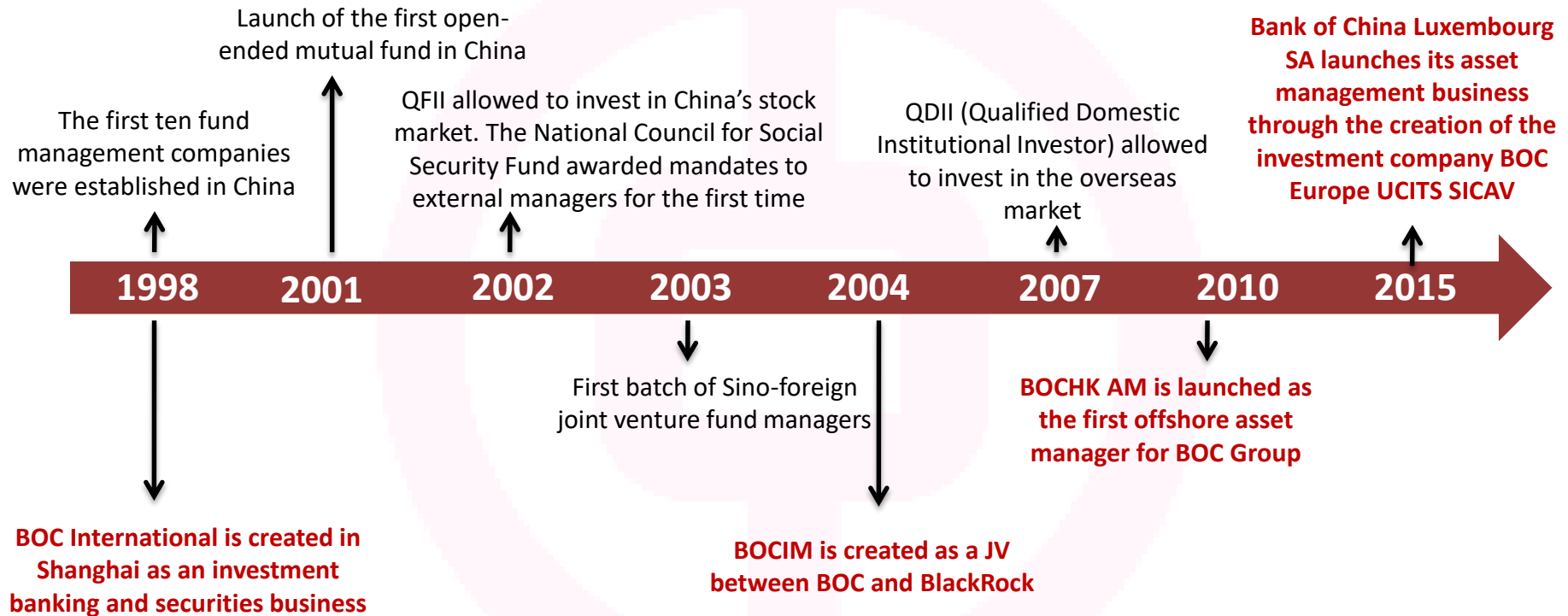
## Bank of China Group: A powerful shareholding structure and a leader in the Fixed Income industry



- Established in 1912, Bank of China has a history of over 100 years and is the longest uninterrupted banking business in China
- The most internationalized and diversified bank from China, providing full range of financial services in 61 countries and regions, and operating over 11,000 branches.
- Bank of China has been a Global Systemically Important Bank (G-SIB) since 2011, becoming the first Chinese financial institution to be designated G-SIB continuously for the last 6 years.
- Leading Asian bank to promote the RMB internationalisation, ranking 1<sup>st</sup> for the Cross-border RMB clearing and settlement.
- First Chinese Financial Institution to list an offshore RMB bond in Europe (2014) and a Green Bond in Europe (2016)
- No. 1 in Asia Pacific for Global Syndication with a market share of 18%. 11<sup>th</sup> in the World and No.1 among Chinese banks in EMEA and the US.

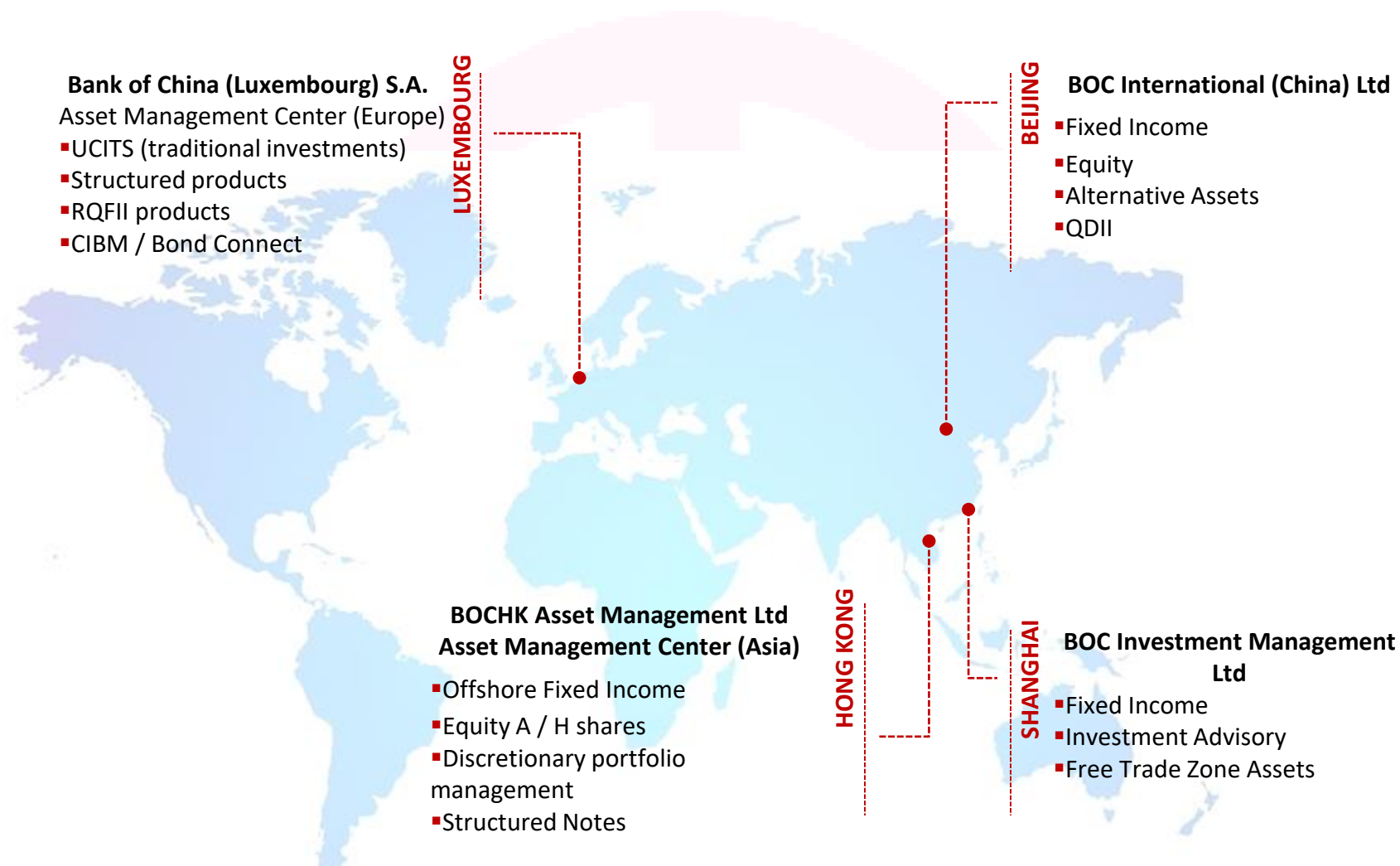


# The early days of Asset Management in China and at BOC





## BOC Global Asset Management Centres: A fast growing business



1.1

**Bank of China Luxembourg S.A.**  
The European Hub – BOC EUROPE UCITS SICAV



# The European Asset Management Platform of Bank of China Group

## Bank of China Limited, Luxembourg Branch

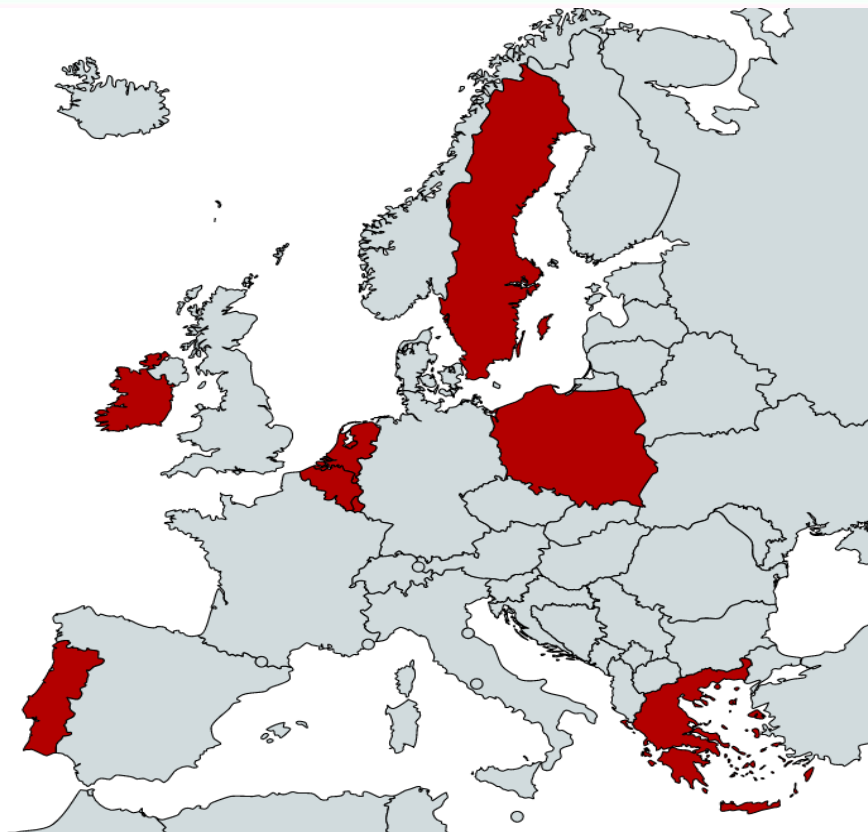
The first international expansion of BOC under the PRC Government. 42 years in Luxembourg through Bank of China Branch (1979)

## Bank of China (Luxembourg) S.A.

Bank of China (Luxembourg) S.A. is the first Chinese banking subsidiary in Luxembourg, incorporated in 1991.

The Bank is granted with full banking license and can undertake, among other activities, asset management business, including investment funds, structured products and financial advisory services.

The Bank has established under its hub 6 sub-branches as detailed below.



**01 Bank of China (Luxembourg) S.A., Rotterdam Branch**, established since 2007

**02 Bank of China (Luxembourg) S.A., Brussels Branch**, established since 2010

**03 Bank of China (Luxembourg) S.A., Poland Branch**, established since 2012

**04 Bank of China (Luxembourg) S.A., Stockholm Branch**, established since 2012

**05 Bank of China (Luxembourg) S.A., Lisbon Branch**, established since 2013

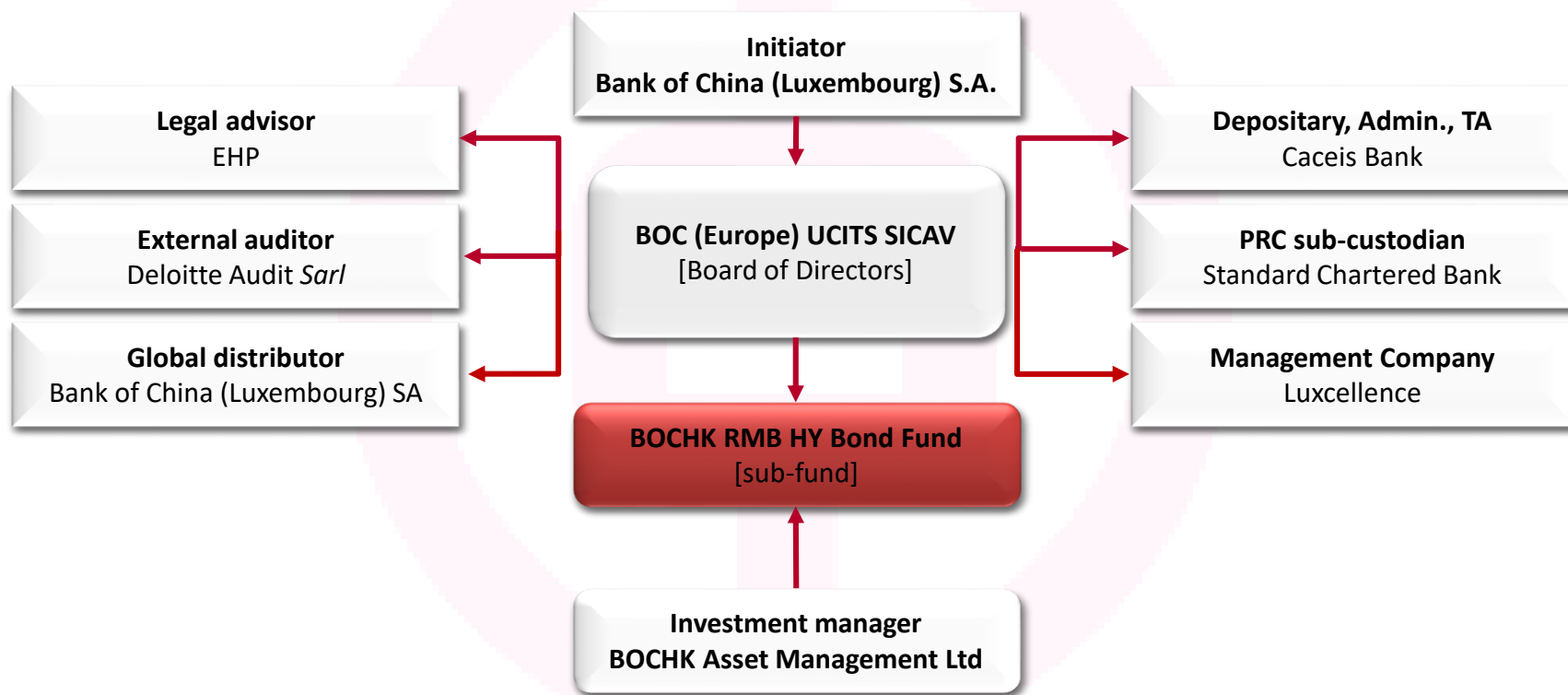
**06 Bank of China (Luxembourg) S.A., Athens Branch**, established since 2019

**07 Bank of China (Luxembourg) S.A., Dublin Branch**, established since 2017 (attached to BOC Luxembourg S.A. in 2021)



## BOC Europe UCITS SICAV: BOC's first UCITS investment vehicle

Incorporated on 31 Dec 2015 and with a total AuM of EUR 70 Million (Aug 2021), BOC Europe UCITS SICAV is BOC's flagship mutual fund vehicle in Europe. The future development of BOC's global asset management business will rely on this structure. BOC Luxembourg S.A. is the initiator of the SICAV.





1.2

## Bank of China HK Asset Management

The offshore asset management specialist



## **AuM of USD 21 billion and more than 10 years of experience in the Chinese offshore fixed income market**

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- Based in Hong Kong, BOCHK AM was established in October 2010 as a fully owned subsidiary of BOC Hong Kong (Holdings) Limited.
- AUM at USD 21 billion (31/12/2020), mainly in fixed income.
- An experienced investment team with an operation that is one of the largest among Chinese fund houses outside of mainland China.
- One of the most active asset managers in both the primary and secondary USD denominated Asian fixed income markets. We are in a position to get good allocation in IPOs & rights issues.
- Winner of numerous awards from leading trade magazines such as Asia Asset Management and Benchmark, both fixed income and equity investment capabilities.
- Leverages on the expertise and extensive insight of the Bank of China Group on Chinese economic & political issues as well as views on different industry sectors.
- A global investment solution provider with a Asia focus.



## A Solid shareholding structure

 **中國銀行**  
BANK OF CHINA  
中國銀行股份有限公司  
BANK OF CHINA LIMITED  
(於中華人民共和國註冊成立的股份有限公司)  
(股份代號：3988)

- One of the four largest commercial banks in China
- Total assets = USD 3,535 billion (2020)
- A1 / A / A (Moody's, S&P, Fitch)
- Listed in Mainland China & Hong Kong

66.06%\*

 **中銀香港(控股)有限公司**  
BOC HONG KONG (HOLDINGS) LIMITED

- Total assets = USD 432 billion (2020)
- Aa3 / A+ / A (Moody's, S&P, Fitch)
- Listed in Hong Kong

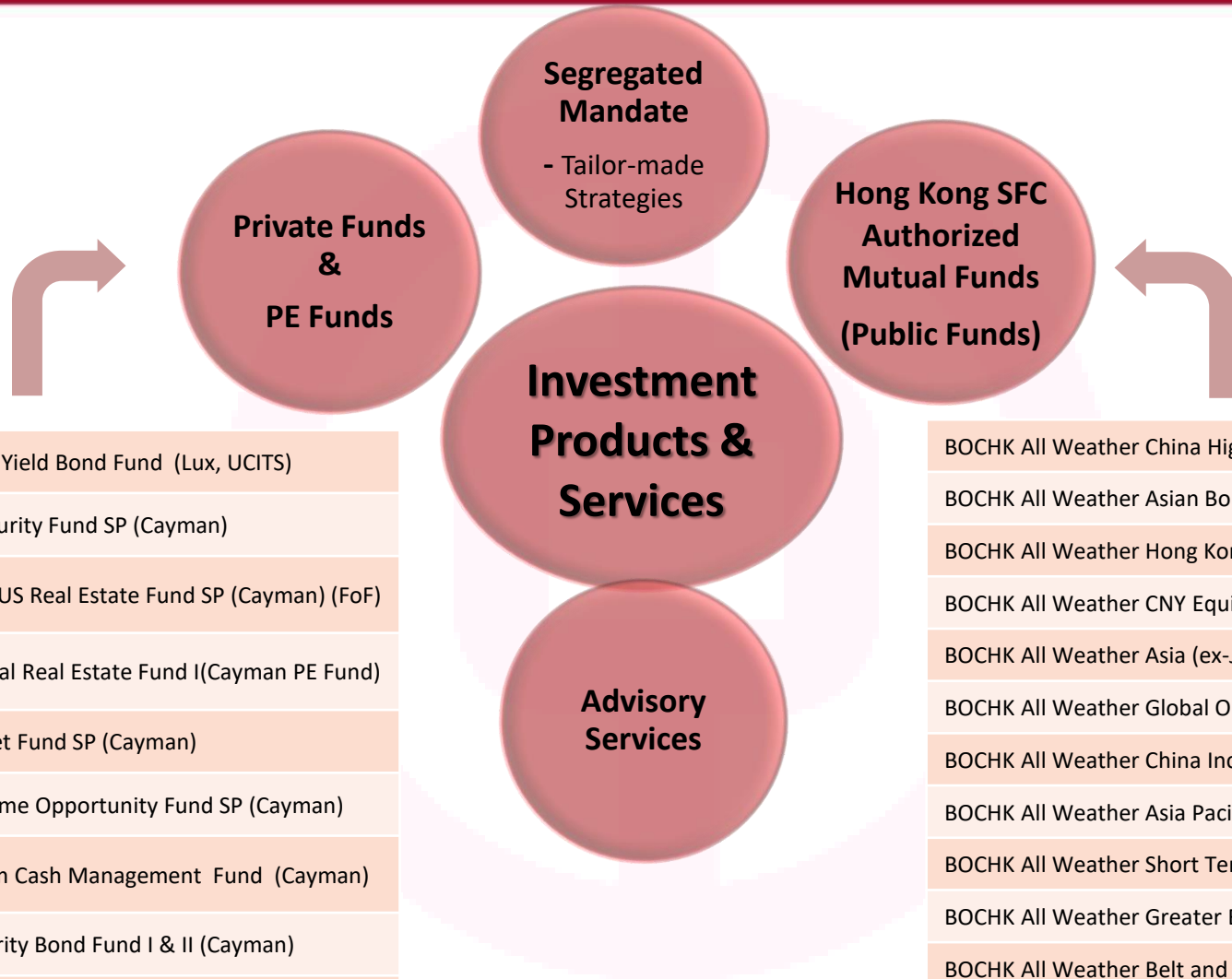
100%

 **中銀香港資產管理有限公司**  
BOCHK ASSET MANAGEMENT LIMITED

\* Remaining shares held by the public



## A full range of strategies mostly focused on Fixed Income



BOCHK RMB High Yield Bond Fund (Lux, UCITS)

BOCHK Fixed Maturity Fund SP (Cayman)

BOCHK Alanbiety US Real Estate Fund SP (Cayman) (FoF)

BOCHK Commercial Real Estate Fund I(Cayman PE Fund)

BOCHK Multi-Asset Fund SP (Cayman)

BOCHK Fixed Income Opportunity Fund SP (Cayman)

BOCHK Short Term Cash Management Fund (Cayman)

BOCHK 1 Yr Maturity Bond Fund I & II (Cayman)

BOCHK Fixed Maturity Fund 2020 SP (Cayman)

BOCHK All Weather China High Yield Bond Fund

BOCHK All Weather Asian Bond Fund

BOCHK All Weather Hong Kong Equity Fund

BOCHK All Weather CNY Equity Fund

BOCHK All Weather Asia (ex-Japan) Equity Fund

BOCHK All Weather Global Opportunities Fund

BOCHK All Weather China Income Fund

BOCHK All Weather Asia Pacific High Income Fund

BOCHK All Weather Short Term Bond Fund

BOCHK All Weather Greater Bay Area Strategy Fund

BOCHK All Weather Belt and Road Bond Fund

BOCHK All Weather Asian High Yield Bond Fund



## A top of the class Fixed Income team

Name	Job Title	Prior Experience	Qualifications	Years of Industry Experience
Jian Chiu HAN	Chief Investment Officer	Held senior position at CITIC Securities, CICC, BOCI, Chase, AIG FP and CIBC	Winner of Abramson Award in 2000, PhD from MIT; Master degree from University of Alberta	28
Ben YUEN	Fixed Income Chief Investment Officer	Held senior position and led Asian fixed income portfolio management at UBS Global Asset Management, First State Investments & HSBC Global Asset Management	MSc Finance, Lancaster University; CFA; Fellow of the Hong Kong Securities Institute	27
Jia MING	Deputy Fixed Income Chief Investment Officer	Led fixed income trading at Haitong International, First Capital Securities and Southwest Securities Co., Ltd.; Senior fixed income portfolio manager at CDH Investments, China Asset Management Co., Ltd. and Bank of China	Master in Finance, University of Hong Kong; Bachelor Degree in Economics, Peking University	22
Elvis CHAN	Fixed Income Senior Portfolio Manager / Analyst	Senior Credit Analyst at BNP Paribas and Standard Chartered	BBA, HKUST; CFA, FRM	17
Nino Siu	Fixed Income Senior Analyst	Extensive experience in research and credit analysis gained from Moody's, ING Group, UBS, Citi and RBS	LLM (Chinese Laws), HKU MSc Investment Management, HKUST, CFA, FRM	17
Terry NGAI	Fixed Income Senior Portfolio Manager/ Analyst	Head of investment at BOCG Insurance, proprietary investment Assistant General Manager at China Development Bank Securities	BBA, Joseph Rotman School of Management, University of Toronto	13
Charles SONG	Fixed Income Portfolio Manager/ Analyst	Asian Credit Trader at BOCHK Global Markets; Quantitative Developer (Vice President) at Morgan Stanley in New York; Quantitative Analyst at Citigroup Global Markets in New York	BS, Tongji University, BS, Carnegie Mellon University; CFA	8
Carol Zhao	Fixed Income Analyst	Research Analyst at Haitong International	Ph.D. in Economics, HKUST BA Accounting, Qingdao University, China	6
Maria WANG	Fixed Income Analyst	Credit Trading Desk Analyst at BNP Paribas	Bachelor Degree in Economics, Chinese University of Hong Kong; MPhil Economics, Chinese University of Hong Kong	5
Oscar WANG	Fixed Income Analyst	Joined BOCHK Asset Management out of university	BA Economics, Renmin University of China; MA Economics, Johns Hopkins University	3

### 3. The Asian High Yield Bond Market



## Why should you invest in the Asian HY Bond Market?

- The market has quadrupled in size over the last 10 years to reach roughly USD 300 billion in 2020
- The market is led by Chinese issuers (53%) and in terms of sectors by Real Estate (44.2%). BB and B ratings cover 73% of total issuance
- Stable Fundamentals: Past 10 years Average EBITDA of 18%, Net Income Margin of 7% and Cash/Total Debt Ratio of 30%
- Lowest default rates among HY global peers. 10 years average of 1.7% in comparison to 2.7% in Europe and 6% in LatAm and 2.4% in the US (Jan 2021).
- The Highest recovery rate in the market with an average of 42% in comparison to the US HY market of 40%
- Best Yield/Duration ratio in the market with a 2020 average Yield of 7.81% and Duration of 2.69 (US HY average Yield of 5.77 and average duration of 3.75)
- Attractive spreads to Asian IG and other HYs.
  - Asian HY Spread in Bps vs: US IG 613, Euro IG 779, Asia IG 601 (Aug 2021)
  - Asian HY Spread in Bps vs: US HY 525, Euro HY 620, EM HY 120 (Aug 2021)

4.

## BOCHK RMB HIGH YIELD BOND FUND

(data as of 31 August 2021)





# Key Investor Information

## Fund Information

<b>Management Company</b>	Luxcellence Management Company
<b>Investment Manager</b>	BOCHK Asset Management Ltd
<b>Fund size</b>	RMB 539.7M (EUR 70.8M)
<b>Launch date</b>	01/08/2011 (Cayman), 12/09/2014 (RedArc GI UCITS SICAV), 17/05/2017 (BOC EUROPE UCITS SICAV)
<b>Asset Class</b>	Asian/Chinese offshore HY Bonds
<b>Sub/Red frequency</b>	Daily
<b>NAV calculation</b>	Daily
<b>Risk / Reward profile</b>	3 [scale from 1 to 7]
<b>Sub fee (up to)</b>	5.25%
<b>Red fee (up to)</b>	Nil
<b>Ongoing charges (up to)</b>	1.40%
• <i>Depo, Admin, TA</i>	0.115%
• <i>Management Company</i>	0.25%
• <i>Investment Manager</i>	1%
<b>Dividend policy</b>	Aims to pay dividends quarterly
<b>Also available for sale on:</b>	

**Bloomberg**



**allfunds**

## Investment Strategy

- The Sub-Fund aims to generate long-term capital growth and income in RMB terms by investing mainly in debt securities issued by companies and special purpose vehicles with a country risk allocated to China. Investments can be denominated in RMB, hedged to this currency or have other exposure to this currency. The Fund is not tied to a benchmark.
- A significant portion of the investments can be allocated to high yield bonds. Currency risk is hedged.
- The fund was launched in August 2011 as a Cayman Fund and then transformed into UCITS in Oct 2014 under RedArc Global Investments SICAV. BOCHK AM merged it into the BOC EUROPE UCITS SICAV in 2017.

## Investment Manager

- BOCHK Asset Management Ltd was founded in 2010 as subsidiary of Bank of China (Limited);
- Asset size under management or advisory is 21 billion USD mainly in fixed income products;

## Awards of the Fund

- BENCHMARK "Fund of the Year Awards 2015"
- BENCHMARK "Fund of the Year Awards 2016"
- BENCHMARK "Fund of the Year Awards 2017"
- Asia Asset Management "2017 Best of the Best Award"



## The Investment Team

### Portfolio Manager: Mr Jia MING

Mr MING has 22 years of experience and currently occupies the position of Deputy CIO Fixed Income as well as the role of Portfolio Manager for BOCHK RMB High Yield Bond Fund.

Prior to joining BOCHK AM, Mr MING led Fixed Income trading businesses at Haitong International, First Capital Securities and Southwest Securities, later working as a senior Fixed Income portfolio manager at CDH Investments and China Asset Management.

Mr Jia holds a Master of Finance Degree from the University of Hong Kong and a Bachelor Degree in Economics from the Peking University.

### CIO Fixed Income: Mr Ben YUEN, CFA

Mr YUEN has 27 years of professional experience and joined BOCHK AM in 2014 as CIO FI.

Prior to joining the BOCHK AM, Mr YUEN was an Executive Director of UBS Global Asset Management in charge of portfolio management and business development of the Asian fixed income products, including onshore and offshore RMB. Previously, he was the Head of Asian Fixed Income at First State Investments, and the team under his leadership was named the Best Institutional Fund Manager in Asia Fixed Income (based on the 5-yr risk-adjusted performance) by *AsianInvestor* in 2006. He also served as a Senior Investment Manager at HSBC Global Asset Management where he was responsible for the Asian and HK fixed income portfolio management. The Money Market Fund managed by Ben won the Best Money Market HKD Funds Award from *Benchmark* in 1998, and he was granted the Fund Manager of the Year Performance Awards in the 3-yr and 5-yr categories by *SCMP* in the same year.

Ben holds a Bachelor Degree in Management Science with first class honours from the University of Wales, Swansea, UK and a Master Degree of Science in Finance from the Lancaster University, UK. He is also a Chartered Financial Analyst.

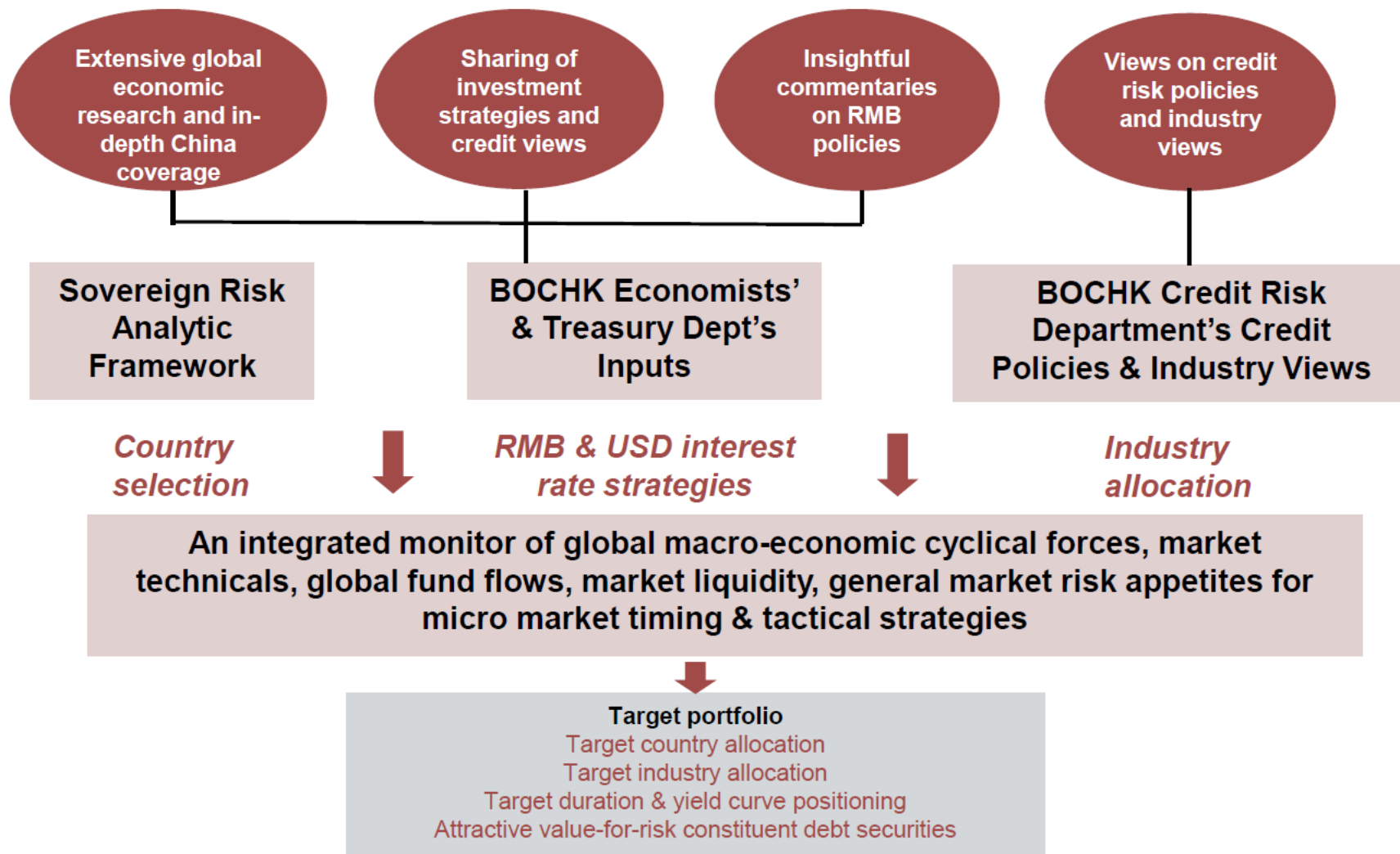


# Investment Philosophy

	Pillars	Rationale
1	Benchmark aware, not benchmark driven	While we get reference to a benchmark to measure our investment performance, we endeavor not to blindly follow a benchmark when we see rising risks or opportunities. In most fixed income markets, benchmarks are driven by bond issuance activities by borrowers, which fail to reflect risk and return appetites of investors. When risks or opportunities arise, we are ready to take calculated deviations from a benchmark so as to better account for an investor's risk and return appetites.
2	Downside risk management	When we face serious market risk, we tend to be defensive so as to manage downside risk even though it would mean loss of upside potential.
3	Value for risk	We invest in bonds with yields that are high enough to compensate our clients for taking interest rate risk, credit risk and liquidity risk.
4	A global perspective	We always maintain a broad understanding of macroeconomics and geopolitics since what happens in another part of the world will also affect Asian and RMB bond markets.

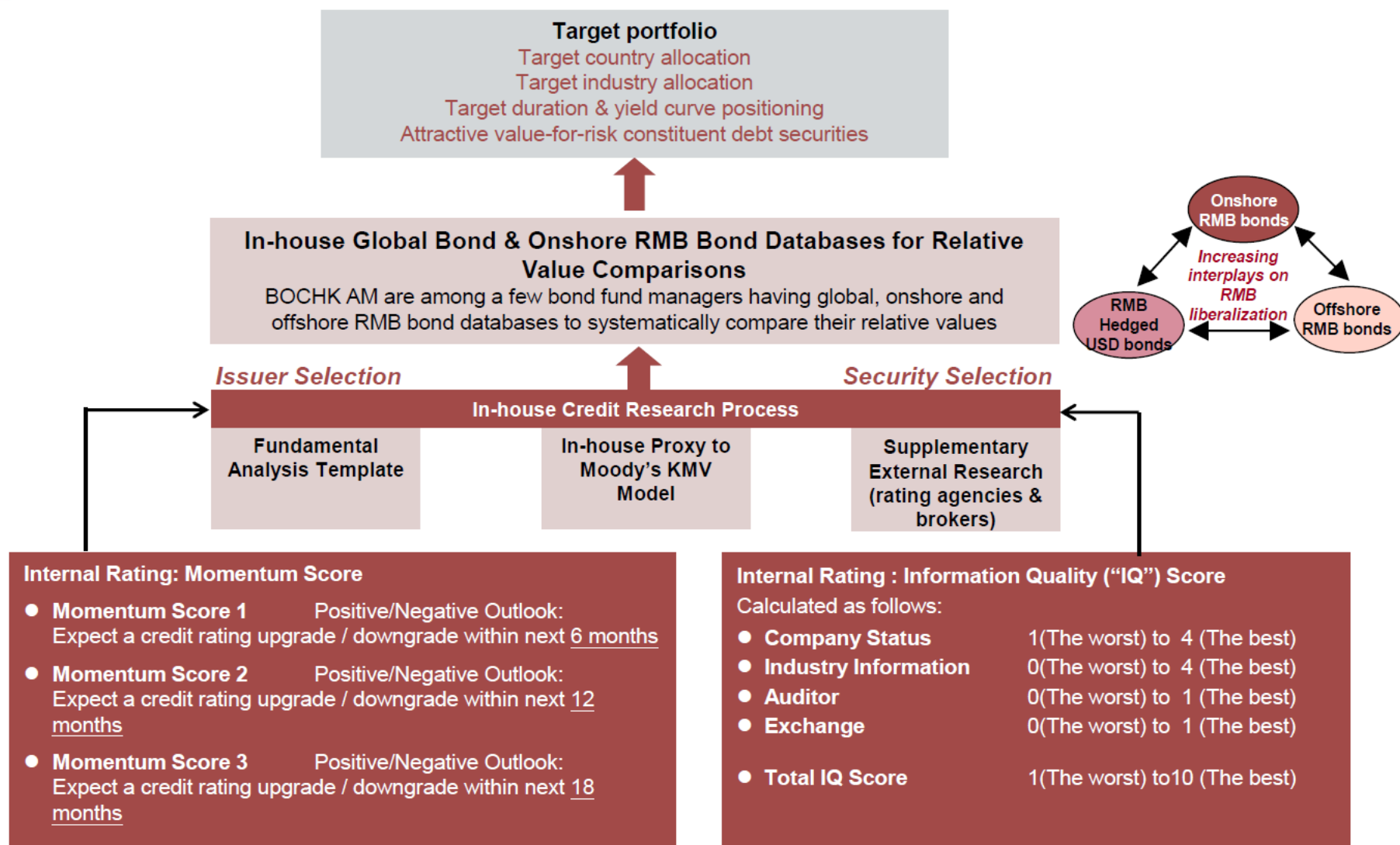


## Fixed Income Investment Process: Top-Down Approach





# Fixed Income Investment Process: Bottom-Up Approach





# Fixed Income: Risk Management Process

## Risk Management / Monitor

### Portfolio Risk

- **Value-at-Risk (VaR) analysis**  
Estimate the maximum portfolio loss in P&L (or % return) as measured at a given confidence interval
- **Scenario Analysis / Stress Testing**  
Stress test the portfolio based on historical or hypothetical scenarios of market movements
- **Tracking Error Risk (TER)**  
Analyze the portfolio's ex-ante (predicted) risk using multi-factor risk models

### Consistent Monitoring

#### Credit Risk

Factors being monitored:

- Bond price down 15%
- Equity price down 10%
- External credit rating downgrade
- External credit rating negative outlook / watch
- Significant news / events

The names / bonds will be reported and discussed in the weekly credit meeting which both CEO and CIO are participating.



## Distribution Share Classes – August 2021

Share Class & ISIN	Launch Date	Min. Subscription	Type of Investor	Inv. Mgmt Fee	Mgmt Fee	Price per Share
CD-RMB LU1101303177	26/05/2017	RMB 6,000	All	1% p.a.	0.25% p.a.	CNH 116.11
CD-HKD LU1101299631	26/05/2017	HKD 6,000	All	1% p.a.	0.25% p.a.	HKD 115.16
CD-USD LU1101282231	26/05/2017	USD 1,000	All	1% p.a.	0.25% p.a.	USD 115.42
CD-USD H LU1101254024	26/05/2017	USD 1,000	All	1% p.a.	0.25% p.a.	USD 94.11
CD-EUR H LU1791937011	27/07/2020	EUR 1,000	All	1% p.a.	0.25% p.a.	EUR 95.79
ID-USD-H LU1809162610	09/07/2018	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	USD 97.02
XD USD H LU1791937102	26/05/2017	USD 25,000,000	Institutional	0.4% p.a.	0.25% p.a.	USD 100 (inactive, awaiting first subscription)



## Accumulation Share Classes – August 2021

Share Class & ISIN	Launch Date	Min. Subscription	Type of Investor	Inv. Mgmt Fee	Mgmt Fee	Price per Share
C EUR H LU2341048614	30/04/2021	EUR 1,000	All	0.7% p.a.	0.25% p.a.	EUR 100 (inactive, awaiting first subscription)
I EUR H LU2341048705	30/04/2021	EUR 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	EUR 100 (inactive, awaiting first subscription)
I USD H LU2341048887	30/04/2021	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	USD 100 (inactive, awaiting first subscription)
I USD LU2341048960	30/04/2021	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	USD 100 (inactive, awaiting first subscription)



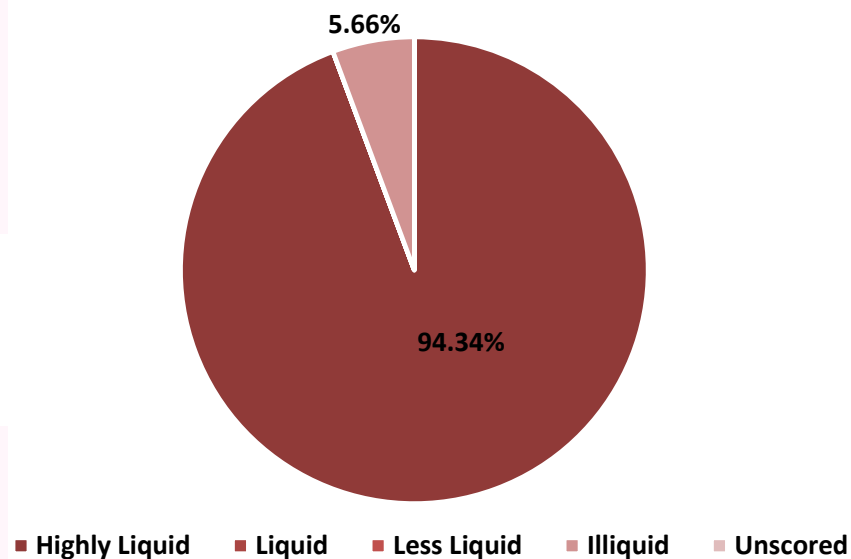


## Portfolio General Statistics – August 2021

### General Fund Statistics

<b>Fund Size</b>	RMB (M) / EUR (M) 539.7 / 70.8
<b>Average yield to worst (net of Hedging Income/Cost)</b>	14.7% p.a.
<b>Average modified duration</b>	1.9 yrs
<b>Average Credit Rating</b>	BB-
<b>Number of Issuers</b>	59
<b>Number of Securities</b>	88

### Market Value by Liquidity Score





## Performance in % – Aug 2021 (active share classes)

Share Class & ISIN	1M	3M	YTD	1Y	3Y (c)	Inception(c)	Fund Volatility (1Y/3Y)	Sharpe Ratio (1Y/3Y)	Drawdown (%) (1Y/3Y)
CD-RMB LU1101303177	4.53	-1.02	0.22	3.47	17.72	55.77	6.35 / 10.12	0.07 / 0.25	4.82 / 17.08
CD-HKD LU1101299631	4.81	-2.12	1.21	10.47	23.51	48.73	8.12 / 12.12	1.24 / 0.49	4.54 / 19.52
CD-USD LU1101282231	4.73	-2.30	0.92	10.09	24.65	48.22	8.18 / 12.17	1.20 / 0.52	4.59 / 19.36
CD-USD H LU1101254024	4.32	-1.58	-1.40	0.84	13.42	30.51	6.36 / 10.15	0.10 / 0.29	4.94 / 17.14
CD-EUR H LU1791937011	4.09	-2.23	-2.34	-0.25	-	1.04	6.37 (1Y) / 5.24 (Inception)	0.05 (1Y) / 0.28 (Inception)	5.03 (Inception)
ID-USD-H LU1809162610	4.20	-1.66	-1.34	1.03	14.35	16.65	6.38 (1Y) / 10.13 (3Y)	0.13 (1Y) / 0.32 (3Y)	4.93 (1Y) / 17.10 (3Y)

Note: Accumulation share classes have not yet seen their first subscription thus they are not accounted in the performance table for now.



## Peers Comparison – August 2021

Share Class & ISIN	1M	3M	YTD	1Y	3Y (c)	Fund Volatility (3Y)	Sharpe Ratio (3Y)
<b>BOCHK RMB High Yield Bond Fund (LU1101282231)</b>	4.73	-2.30	0.92	10.09	24.65	12.17%	0.52
Fidelity Funds – China High Yield Fund (LU1313547462)	2.2%	-3.4%	-2.3%	1.7%	16.1%	10.63%	0.37
HSBC GIF - Asia High Yield Bond (LU2004780537)*	1.96%	-3.06%	-2.42%	1.18%	-	5.68% (1Y)	0.30 (1Y)
Allianz GIF - Allianz Dynamic Asian High Yield Bond (LU1282649901)*	2.07%	-2.88%	-3.76%	-1.74%	16.6%	11.97%	0.04
BlackRock GF - Asian High Yield Bond Fund (LU1564328141)*	3.25%	-3.23%	-1.85%	2.46%	21.11%	10.04%	0.54
Pimco GIS Asia High Yield Fund (IE00BGSXQS26)*	-2.39%	-2.55%	-0.74%	1.90%	-	6.95% (1Y)	0.41 (1Y)

Source: Asset Manager website and Morningstar.

\* These funds have an Asian strategy rather than a China focused Strategy



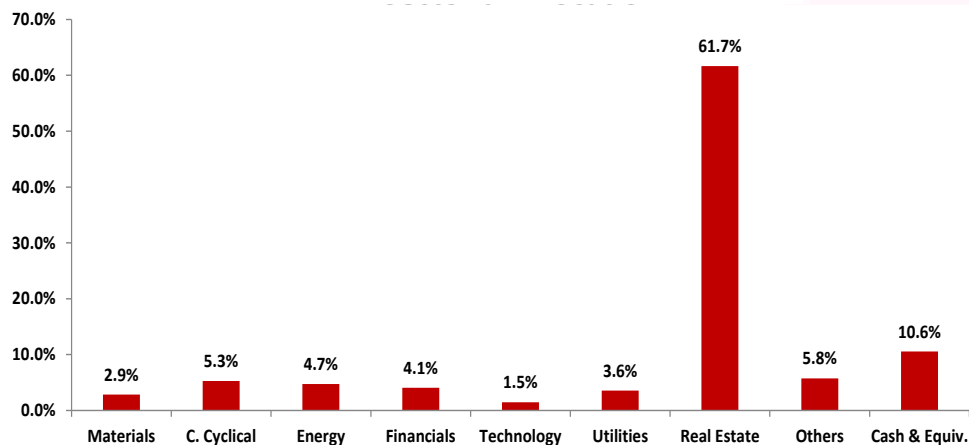
## Historical Drawdown

Period	Drawdown in % terms	Recovery Time (months)	Reason
Aug-21 (ongoing)	-15% (ongoing)	Ongoing	Evergrande Liquidity Crisis
Mar-20	-17.95%	8.5	COVID 19 => Global liquidity reduced
Dec 2014- Jan 2015	-8.45%	3	Kasai Effect (one of China Property Developer Default)
May - Jun 2013	-8.71%	4	US Tapering Effect
May-12	-4.79%	1	2nd Wave of European Crises Effect
Sep - Oct 2011	-4.60%	2.5	European Crises Effect

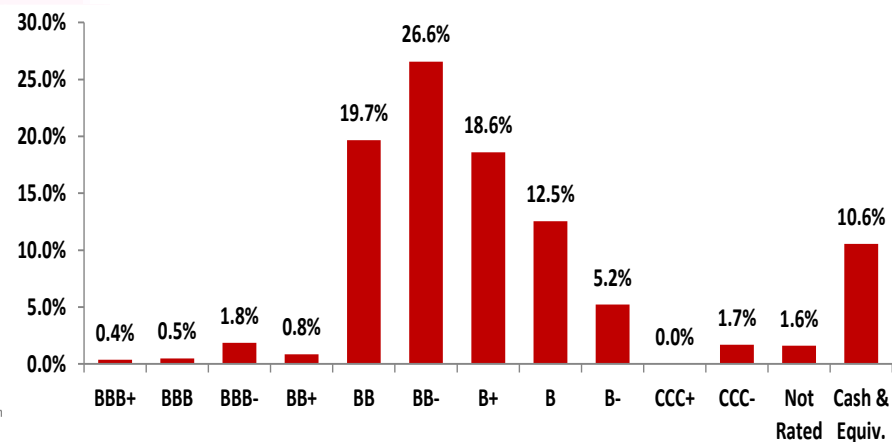


# Portfolio Exposure – August 2021

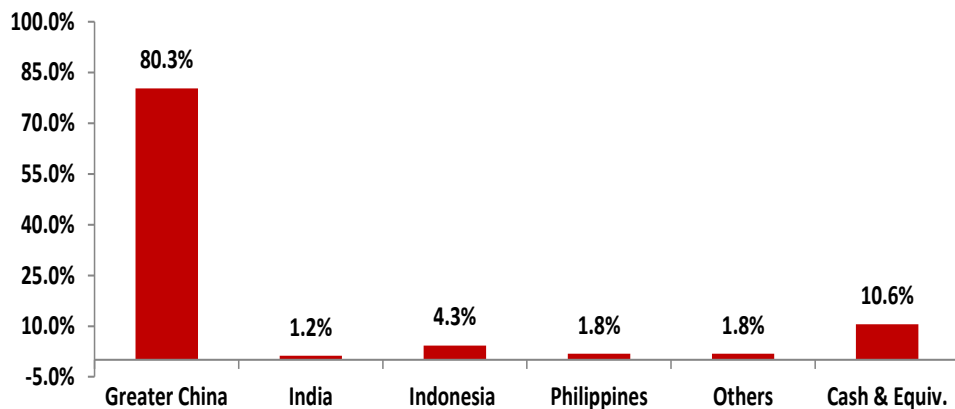
## Sectorial Exposure



## Credit Rating Exposure

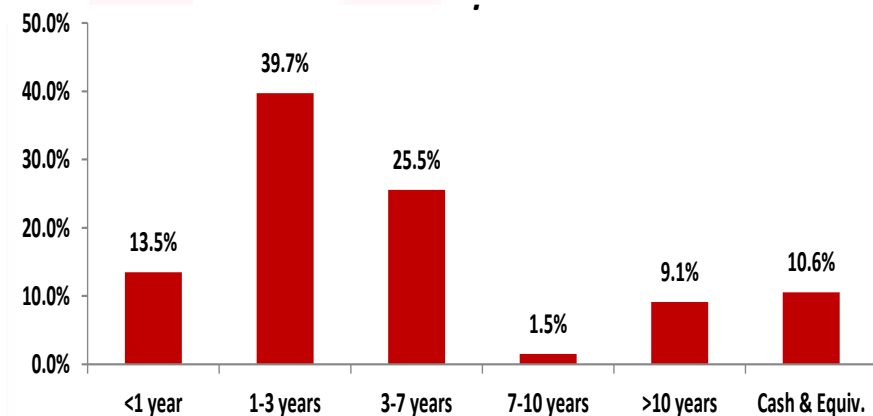


## Geographic Exposure



Greater China includes Taiwan, Hong Kong, Macau and China

## Maturity Exposure





## The Asian High Yield Market in August

- The Asian high yield market rebounded from its July's level, boosted by the improved sentiment in China's property sector. The JACI Non-Investment Grade Corporates Total Return Index was up 1.72% in Aug. The JACI composite total return index was up 0.96%, as the UST yield lingered in a narrow range. However, the total High Yield new issues out of Asia was only USD 3 Billion, even lower than in July.
- The market gradually recovered from July's massacre in the first two weeks of Aug. Badly beaten B's led the charge with Kaisa's long end rallying more than 10 points. Even unpopular names such as Fantasia and Zhongliang found some support. Most of developers' first half of 2021 financial results met with companies' guidance and market's expectation, which helped to console the market. Underperformers such as Cenchi were punished with their bonds being pushed down 5-8 points after the publication of the aforementioned result. Evergrande vowed to shore up its liquidity by asset disposals though little progress was made. Investors increasingly treated Evergrande as an isolated event and Evergrande's bonds trading in 30s did not see much contagious effect. Industrial names recovered nicely as most names returned to their highs in May/Jun.
- The non-China sector also rallied back from their July weakness. The dovish tone of Fed's chairman kept EM assets elevated. In Aug, the RMB was trading at a narrow range against USD as this latter has been stable against most major currencies. CNH appreciated by 0.14% and CNY was flat respectively, when DXY index was up 0.3%. In the medium to long run, we still see RMB as a solid currency, driven by the relatively strong performance of China's domestic economy and the rising of overseas demand for RMB-denominated assets. We continue seeing RMB comparably attractive on a mid-term risk-adjusted basis when comparing to other Asian currencies. Hence, the Fund will maintain its exposure to the RMB.
- The fund recouped all the losses incurred in July after stomaching the volatilities. We refrained for cutting loss in July and bottom fished some B+ bonds. We had to sell bonds to meet the redemptions in Aug. The current valuation still looks attractive by historical standard even after the rebound. Maybe we have already seen the worst of the market, though a grain of caution is always required. We'll keep the risk profile roughly stable and try to find some credit improvement opportunities

*Bank of China Hong Kong Asset Management – September 2021*



# Dividend History

	Share Class	Ex Dividend Date	NAV as of ex dividend date	Dividend	Annualized Yield <sup>8</sup>
06/2021	Class CD RMB	2021/06/30	RMB 115.83	RMB 1.55	5.5%
	Class CD USD	2021/06/30	USD 114.98	USD 1.54	5.5%
	Class CD HKD	2021/06/30	HKD 114.56	HKD 1.54	5.5%
	Class CD USD-H	2021/06/30	USD 94.27	USD 1.26	5.5%
	Class CD EUR-H	2021/06/30	EUR 96.39	EUR 1.29	5.5%
	Class ID USD-H	2021/06/30	USD 97.29	USD 1.31	5.5%
03/2021	Class CD RMB	2021/03/31	RMB 116.60	RMB 1.50	5.3%
	Class CD USD	2021/03/31	USD 113.98	USD 1.48	5.3%
	Class CD HKD	2021/03/31	HKD 113.69	HKD 1.47	5.3%
	Class CD USD-H	2021/03/31	USD 95.44	USD 1.22	5.2%
	Class CD EUR-H	2021/03/31	EUR 100.68	EUR 1.26	5.2%
	Class ID USD-H	2021/03/31	USD 100.94	USD 1.26	5.2%
12/2020	Class CD RMB	2020/12/31	RMB 118.92	RMB 1.72	5.9%
	Class CD USD	2020/12/31	USD 117.41	USD 1.69	5.9%
	Class CD HKD	2020/12/31	HKD 116.80	HKD 1.68	5.9%
	Class CD USD-H	2020/12/31	USD 97.96	USD 1.42	5.9%
	Class CD EUR-H	2020/12/31	EUR 100.68	EUR 1.46	5.9%
	Class ID USD-H	2020/12/31	USD 100.94	USD 1.46	5.9%

\* The calculation method of annualized dividend yield is the following:  $[(1 + \text{Distribution per Share/Price on Ex-date})^{\text{distribution frequency in a year}} - 1]$ . A positive annualized yield does not imply a positive return. The Fund's dividend history shown above includes dividend information of the Red Arc Fund which merged into the Sub-Fund on 29/05/2017. Investment involves risks.



## Impact of Evergrande Saga on BOCHK High Yield Bond Fund as at 29/09/2021

- The fund sold all its holdings in Evergrande in November 2020. It recently undertook arbitrary positions on some of Evergrande bonds trading at its 60s during June and July 2021. These latter are no longer in portfolio
- The contagion effect in the offshore real estate industry has been notably strong bringing down the valuation of multiple securities held in portfolio by the fund, which is mainly exposed to the RE sector in China (as most of the offshore high yield market). The impact has been stronger on non-hedged share classes given the strong valuation of the RMB during 2021
- The fund refrained from cutting loss in July/August and bottom fished some B+ bonds. Nonetheless, it had to sell bonds to meet the redemptions in Aug
- The fund will stay nimble at this environment, trying to reduce some weaker names as market rebounds and to selectively add names with stronger fundamentals
- The fund will gradually reduce its exposure to the Chinese RE market over the coming months once the valuation of its securities allow for such strategy to take place without incurring substantial losses.

29/09/2021	YTD	1 week	1 month	6 Months	1 Year	3 Years
CD USD LU1101282231	-8.27%	-3.20%	-7.31%	-6.72%	0.43%	11.66%
CD RMB LU1101303177	-8.61%	-5.48%	-5.48%	-8.33%	-4.70%	5.14%

Source: Allfunds



# Thanks!



***Please contact if you have any questions.***

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