

**MARKETING PRESENTATION
FOR PROFESSIONAL INVESTORS**

January 2023



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BANK OF CHINA

(欧洲) 有限公司

(EUROPE) S.A.

BOCHK RMB High Yield Bond Fund

“A unique exposure to the Chinese offshore corporate bond market”



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BUSINESS CASE



Why the HY Market, Why BOC, Why BOCHK RMB HY Fund?

Why the Chinese/Asian Offshore High Yield Market?

- **Attractive valuations:** High spread indicate a lot of room for tightening once the current global crisis goes by
- **Stable Fundamentals:** Past 10 years avg. EBITDA of 18%, Cash/Total Debt Ratio of 30%
- **Historical Low default rates** Second Lowest default rates in the emerging markets in 2022 with 8.3% in comparison to the total peer group of 10.2%

Why BOC Hong Kong Asset Management?

- **Chinese Manager** with local market presence and know-how
- **Highly professional** fixed income team with **20+ years** of experience
- **Specialized security picking** in Asian markets
- **+USD 21 billion** in assets under management

Why BOCHK RMB High Yield Bond Fund?

- **A unique asset class:** Focus on Chinese offshore corporate bonds with limited exposure to Asian offshore securities (Ex-Japan)
- **Long Track Record:** 8+ years
- **Active management** and experience in managing distressed markets
- **Short Maturity:** Low M.Duration, Average of BB ratings



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About Us



BOC Global Asset Management Centres

BOC Europe

- Active portfolio management
- Global distribution of UCITS products
- Initiator of BOC Europe UCITS SICAV
- Universal Bank with 12 branches and subsidiaries in Europe
- Investment team with an average of 16 years of experience

LUXEMBOURG

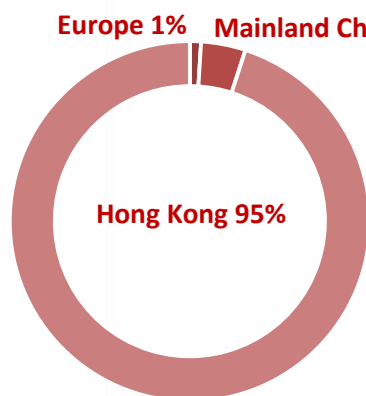
SHANGHAI

BOC Investment Management (BOCIM)

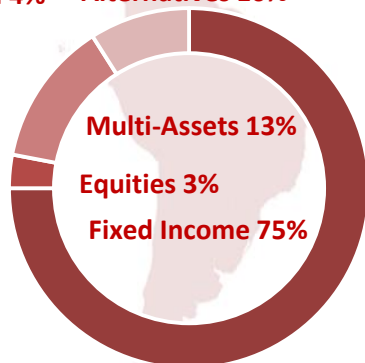
- BOC's onshore asset management arm with AuM of RMB 499 billion
- Incorporated in 2004 out of a JV with Blackrock
- More than 200 active and passive funds as well as discretionary management services

BOCHK AM Breakdown

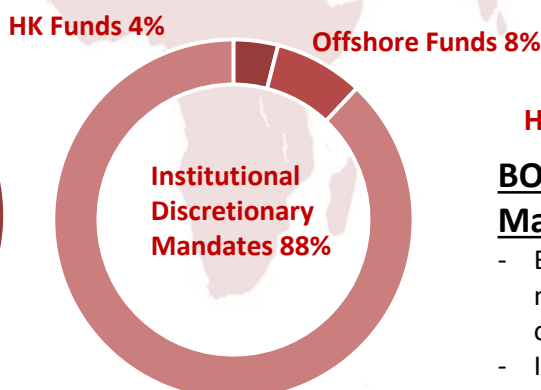
AuM by Geography



AuM by Strategy



AuM by Business



SINGAPORE

BOCIM Branch

- Investment advisory and funds distribution

HONG KONG

BOC HK Asset Management

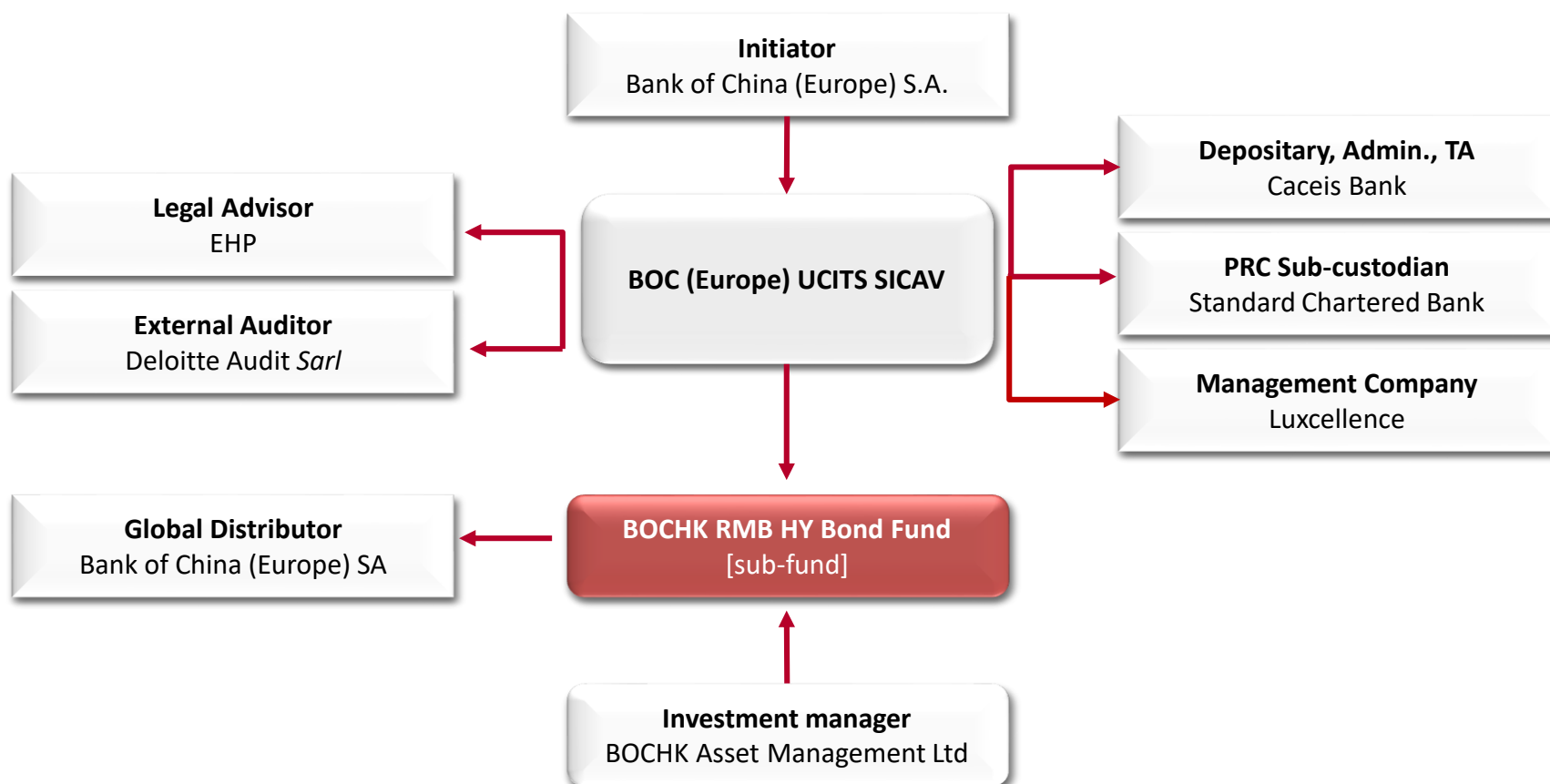
- BOC's offshore asset management arm with AuM of USD 21.9 billion
- Incorporated in 2010
- Large offer of vanilla and alternative funds



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

Incorporated on 31 Dec 2015 BOC Europe UCITS SICAV is BOC's flagship mutual fund vehicle in Europe currently distributed in Luxembourg, France, Italy, Spain, the Netherlands, Switzerland and Israel.

BOC Europe S.A. is the initiator of the SICAV and the Global Distributor for BOCHK RMB High Yield Fund.





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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 before falling to USD 209 billion in 2021.
- 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%
- **Second Lowest default rates** in the emerging markets in 2022 with 8.3% in comparison to the total peer group of 10.2%
- 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 2022 average Yield of 15.51% and Duration of 4.10



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Investment Guidelines & Structure



Key Investor Information

Fund Structure

Country of Domiciliation	Luxembourg
SICAV	BOC Europe UCITS SICAV
Fund Type	UCITS
Launch date	01/08/2011 (Cayman), 12/09/2014 (RedArc GI UCITS SICAV), 17/05/2017 (BOC EUROPE UCITS SICAV)
Base Currency / Share Classes Available in	RMB (CNH) / USD, EUR, RMB (CNH), HKD
Hedged Share Classes in	USD, EUR
Shares Classes Available for	Retail (C), Professional (I, X)
Share Class Strategy	Distribution, Accumulation
Management Company / Depositary	Luxcellence ManCo / Caceis Bank Luxembourg
Investment Manager	BOCHK Asset Management (Hong Kong)
Global Distributor	BOC Europe S.A. (Luxembourg)
Asset Class	Asian High Yield Bonds (focus on China)



Key Investor Information

Investment Guidelines

Benchmark	None (Total return strategy)
Investment Horizon	3 years
Guidelines	
Direct/Indirect exposure to RMB bonds (min)	50%
Sub-investment grade securities (max)	100%
Investment grade securities (max)	10%
Credit Rating (min)	CCC
Unrated bonds exposure (max)	20%
Convertible/Contingent Convertible securities (max)	10%
Indicative geographical exposure	Greater China (around 75%), Non-China (around 25%)
Exposure to other UCITS / collective investments (max)	10%
Cash (Max)	100%
Single Security Concentration (Max)	10%
Single Issuer Concentration (Max)	10% (35% if Sovereign or quasi-Sovereign issuer)
Convertible/Exchangeable Bonds (Max)	20%



Key Investor Information

Investment Guidelines

Eligible Investments

- RMB securities issued in or outside China
- Non-RMB securities issued in the offshore market
- Bills, notes, bonds, floating rate notes, MM instruments, certificates of deposit, commercial paper, exchangeable bonds, convertible bonds, contingent convertible bonds, issued by governments and corporations
- Currency Hedging (only derivatives allowed)

✓

✓

✓

✓

Fees Structure

Subscription fee (up to)

5.25%

Redemption fee (up to)

Nil

Ongoing charges (up to)

Ongoing charges (up to)

Min. Initial Subscription

- Retail (C)/(CD)

• 1.45%

- EUR/USD 1,000

- Institutional (I)/ (IH)

• 1.15%

- EUR/USD 1,000,000

- Institutional (X)/(XH)

• 0.85%

- EUR/USD 25,000,000



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Investment Process & Risk Management



A highly experienced Fixed Income team

Portfolio Management Team

Name	Job Title	Prior Experience	Qualifications	Experience (years)
Ben YUEN, CFA	Fixed Income CIO	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	28
Jia MING	Deputy Fixed Income CIO Portfolio Manager – BOCHK RMB HY Bond Fund	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	23

Research Team

Name	Job Title	Prior Experience	Qualifications	Experience (years)
Jian Chiu HAN	CIO	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	29
Elvis CHAN, CFA	Fixed Income Senior Portfolio Manager / Analyst	Senior Credit Analyst at BNP Paribas and Standard Chartered	BBA, HKUST; CFA, FRM	18
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	14
Kelvin TSUI, CFA	Senior Analyst Fixed Income	Senior Director at Fitch Ratings; Fixed income Analyst at Sun Life Hong Kong; Credit Analyst at Moody's, FI Analyst at Bank of Tokyo Mitsubishi UFJ and Chiyu Banking Corporation	BBA Finance, City University of Hong Kong, CFA, FRM	17
Joe CHIU, CFA	Senior Analyst Fixed Income	Senior Fixed Income trader / analyst at MetLife Investments Asia; Fixed income analyst at Taiping Asset Management, CSOP Asset Management and Debtwire	BBA (Professional Accounting), HKUST, CFA, CPA	11
Alex KWAN	Analyst, Fixed Income	Fixed income credit analyst and trader, FX market maker at Haitong International	BSC Computer Science CUHK, FRM	13
Fred GUO	Analyst, Fixed Income	Joined BOCHK AM out of university	BBA (Accounting and Finance) University of Hong Kong	2

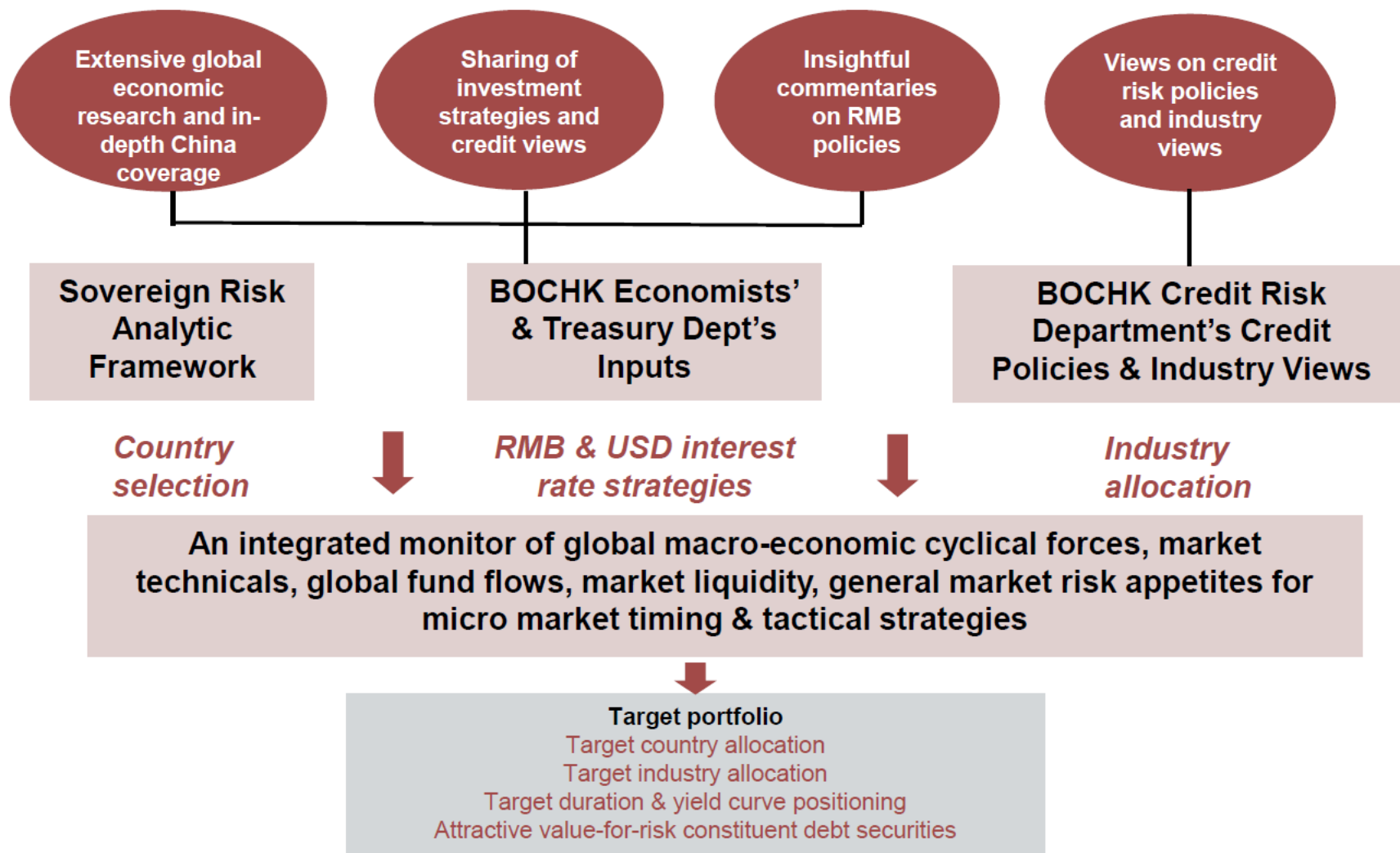


Investment Philosophy

	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.

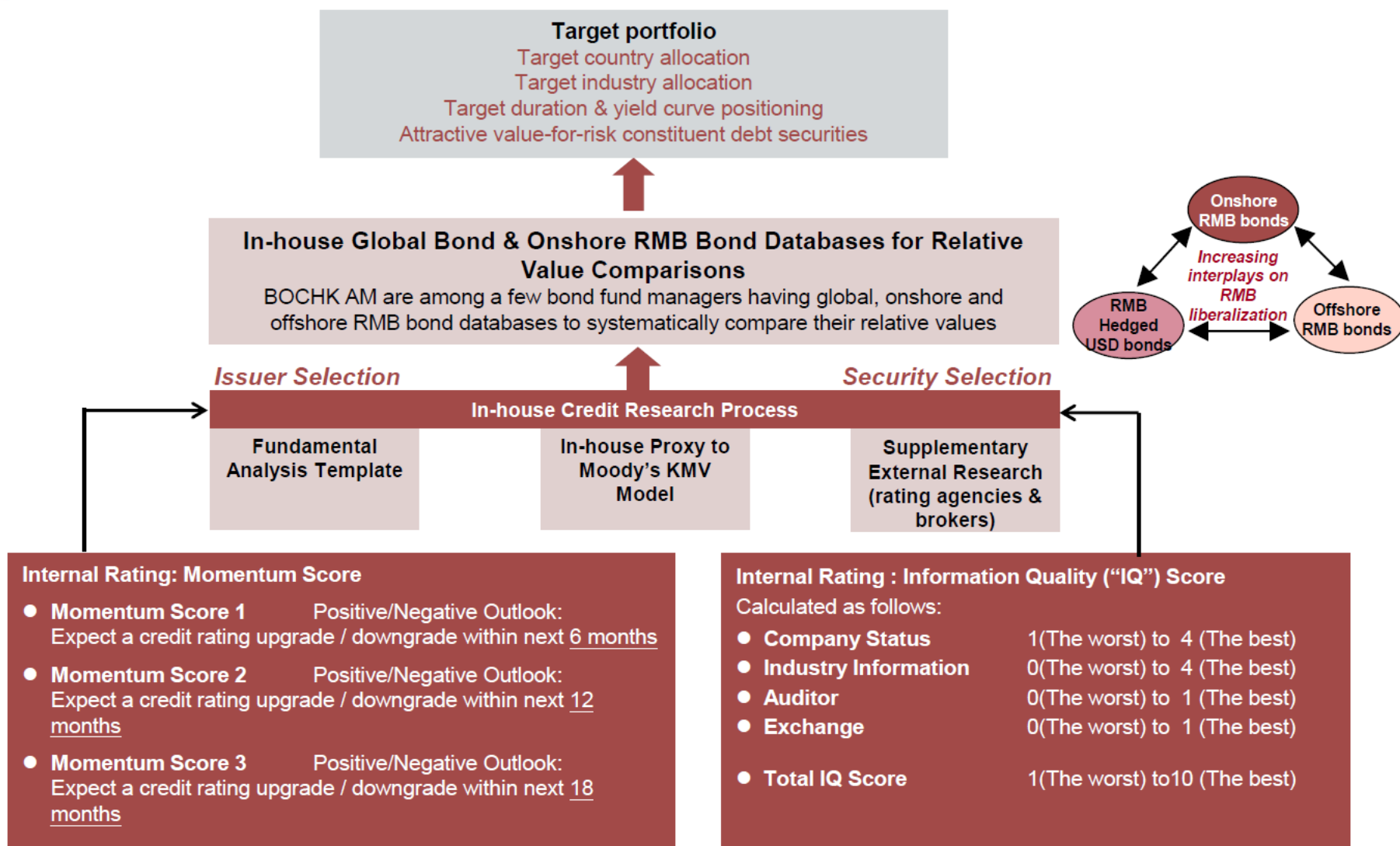


Fixed Income Investment Process: Top-Down Approach





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.



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Characteristics of the Fund



Distribution Share Classes – December 2022

Share Class & ISIN	Launch Date	Min. Subscription	Type of Investor	Inv. Mgmt Fee	Mgmt Fee	Status
CD-RMB LU1101303177	26/05/2017	RMB 6,000	All	1% p.a.	0.25% p.a.	Active
CD-HKD LU1101299631	26/05/2017	HKD 6,000	All	1% p.a.	0.25% p.a.	Active
CD-USD LU1101282231	26/05/2017	USD 1,000	All	1% p.a.	0.25% p.a.	Active
CD-USD H LU1101254024	26/05/2017	USD 1,000	All	1% p.a.	0.25% p.a.	Active
CD-EUR H LU1791937011	27/07/2020	EUR 1,000	All	1% p.a.	0.25% p.a.	Active
ID-USD-H LU1809162610	09/07/2018	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	dormant, awaiting first subscription
XD USD H LU1791937102	26/05/2017	USD 25,000,000	Institutional	0.4% p.a.	0.25% p.a.	dormant, awaiting first subscription



Accumulation Share Classes – December 2022

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.	dormant, awaiting first subscription
I EUR H LU2341048705	30/04/2021	EUR 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	dormant, awaiting first subscription
I USD H LU2341048887	30/04/2021	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	dormant, awaiting first subscription
I USD LU2341048960	30/04/2021	USD 1,000,000	Institutional	0.7% p.a.	0.25% p.a.	dormant, awaiting first subscription



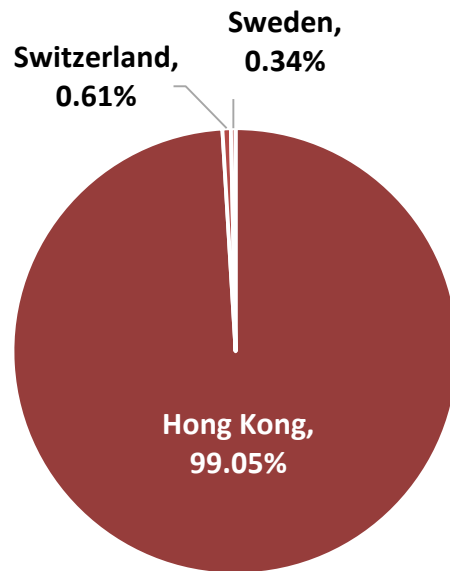
Portfolio General Statistics – December 2022

General Fund Statistics	
Fund Size	RMB (M) / EUR (M) 186.61 / 25.27
Average yield to Maturity (gross of Hedging Income/Cost)	23.79% p.a.
Average modified duration	3.1 yrs
Average Credit Rating	BB
Number of Issuers	52
Number of Securities	61



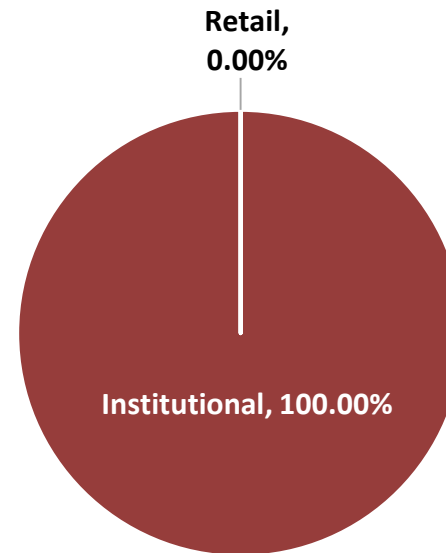
Investors Overview, December 2022

Investors Origin (AuM)



Note: Please note that this investment was done through a nominee domiciled in Sweden

Investors Type (AuM)



Note: Based on nominee accounts



Cumulative Performance - December 2022 (active share classes)

Share Class & ISIN	1M c	3M c	YTD c	1Y c	3Y a	Inception a	Fund Volatility % (1Y/3Y)	Sharpe Ratio (1Y/3Y)	Drawdown (%) (1Y/3Y)
CD-RMB LU1101303177	2.46%	5.84%	-19.48%	-19.48%	-14.36%	-0.82%	17.12 / 18.05	-1.30 / -0.95	15.97 / 17.50
CD-HKD LU1101299631	4.90%	8.43%	-25.93%	-25.93%	-14.13%	-2.16%	18.53 / 19.85	-1.51 / -0.77	14.90 / 19.52
CD-USD LU1101282231	4.91%	9.06%	-26.01%	-26.01%	-14.17%	-2.24%	18.80 / 20.03	-1.51 / -0.76	15.22 / 19.36
CD-USD H LU1101254024	2.76%	6.24%	-20.14%	-20.14%	-15.85%	-3.75%	17.22 / 18.10	-1.31 / -0.93	16.43 / 17.82
CD-EUR H LU1791937011	2.13%	4.67%	-23.78%	-23.78%	-	-21.12%	17.17 / 17.88	-1.40 / -1.17	17.34 / 18.12

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

a = annualized, c= accumulated



Peers Comparison – December 2022

Share Class & ISIN	1M	3M	YTD	1Y	3Y (a)	Inception (a)	Fund Volatility (3Y)	Sharpe Ratio (3Y)
BOCHK RMB High Yield Bond Fund (LU1101282231)	4.91%	9.06%	-26.01%	-26.01%	-14.17%	-2.24%	20.03	-0.70
Fidelity Funds – China High Yield Fund (LU1313547462)	16.5%	21.8%	-24.7%	-24.7%	-12.9%	-2.30%	24.32	-0.53

- Fidelity gained advantage in the end of the 2022 with the important rebound EM bonds.
- BOC preferred a more cautious approach with a higher exposure to investment grade bonds including almost 8% in US treasuries, which hampered its ability to take advantage of rising prices.



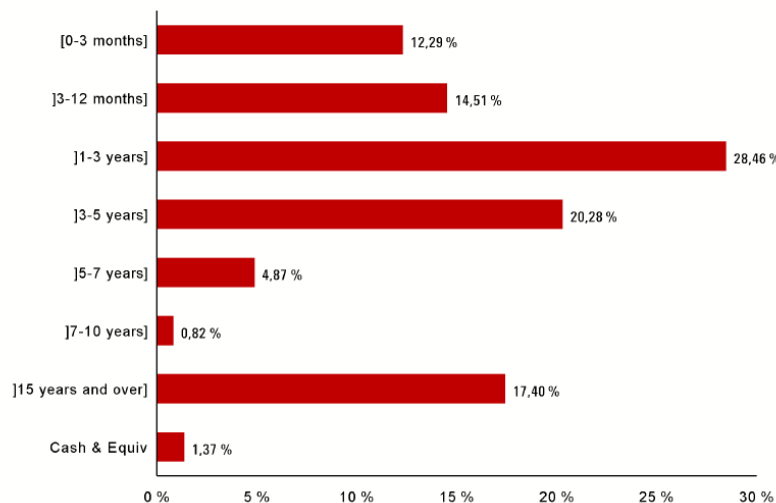
Historical Drawdown

Period	Drawdown in % terms	Recovery Time (months)	Reason
31 Aug 21 – 12 October 22 (dip date)	-47.54%	8-9	Evergrande Liquidity Crisis + Ukraine War + Fed Hiking
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

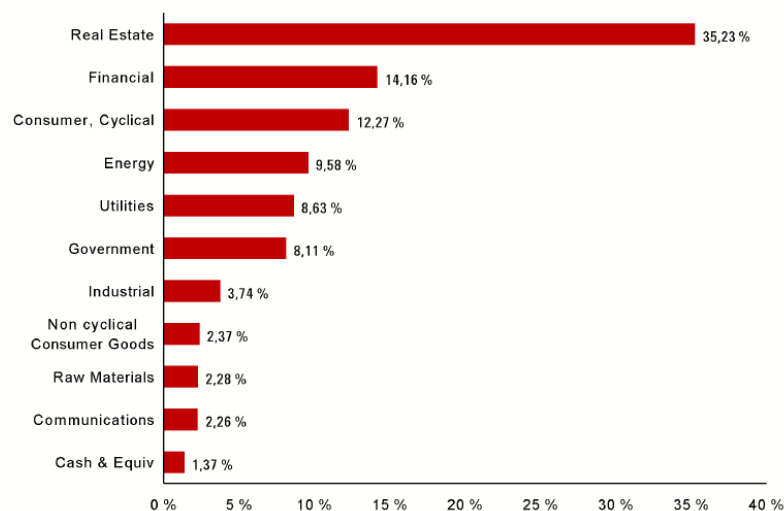


Portfolio Exposure – December 2022

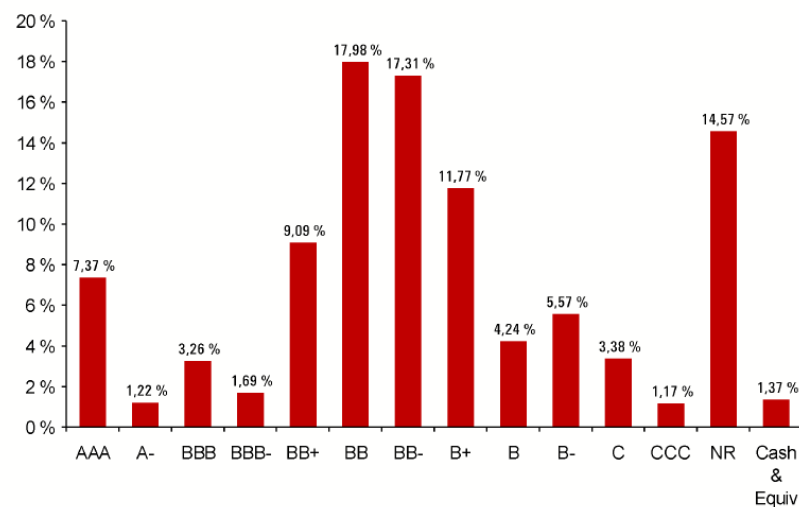
Maturity breakdown



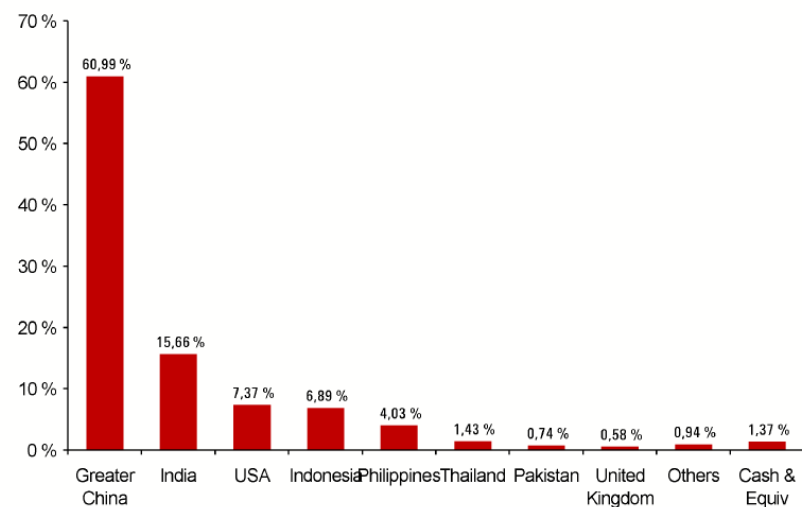
Sectorial breakdown



Rating breakdown



Geographical breakdown



Note: Greater China includes Taiwan, Hong Kong, Macau and China



BOCHK AM Market Outlook in December 2022

- Momentum of Asian high yield market slowed down a bit from Nov but still stayed constructive in Dec, this was especially true among China HY papers. The JACI Non-Investment Grade Corporates Total Return Index was up 7.2% in Dec MoM. The JACI composite total return index jumped by 1.67% MoM. Both indexes recovered some losses in the last two months but still experienced 13.8% and 11% drop respectively in 2022. The total High Yield new issues out of Asia was USD 440mn.
- The moment was stronger at the first half of the month, on the back of news:
 1. CSRC announced “the third arrow” by easing developer’s equity financing channels. It allowed listed developers to raise funds through issuing shares for debt repayment and acquisition. This is to accelerate the sector consolidation in our view. It also encouraged to revitalized the property assets monetization through REITS, as well as allowing PE fund to establish real estate funds to invest in residential, commercial and infrastructure property
 2. Waves of news on easing COVID related measures and China reopening.
 3. Regulators ordered top 4 state owned banks to issue offshore loans to help developers repay overseas debt.
 4. US Econ data went lower than consensus in general, providing necessary room for FED to slow down the rate hike.



BOCHK AM Market Outlook in November 2022

- In terms of price action, the IG property names (LNGFOR/VNKRLE/GRNCH/ YUEXIU/CHJMAO) got a more “gentle move” but still shot up in magnitude of around 5 to 8pts MoM. The spotlight went mainly to the crossover and HY names like COGARD/YLLGSP/SHUION/CIFIHG/FUTLAN/DALWAN which gained 10 to 15pts MoM on average. Some outperformers included ROADKG/CHINSC/KWGPRO/CENCHI/ PWRLNG even rallied 15 to 30 pts. Distressed space was also doing well in later part of the month on thin liquidity and closed 3 to 7 pts higher in general.
- The market and trading were rather quiet and muted in the 2nd half of the month due to Christmas and new year holiday. Space outside China was much less exciting, more less being affected by the US recession concern. INDON HY space stayed mostly flat in general except for the commodity papers like MEDCIJ traded up slightly by 1pt. INDIA space performed slightly better with renewable names closed flat and the rest around 1 to 1.5pt higher.
- In Dec, RMB reversed the trend and appreciated against USD, and the overall volatile was lower than that in Nov. CNH strengthened by 1.76% and CNY was up by 2.73% respectively, when US Dollar index DXY dropped by 2.3%.

Thanks!

Please contact if you have any questions.

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