

## **ITEM 1 — COVER PAGE**

### **CHINA ASSET MANAGEMENT (HONG KONG) LIMITED (“CAMHK”)**

#### **Form ADV Part 2A Brochure**

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This Brochure provides information about the qualifications and business practices of China Asset Management (Hong Kong) Limited (hereinafter referred to as “CAMHK”). If you have any questions about the contents of this Brochure, please contact us at (852) 3406-8686. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any State securities authority.

CAMHK is a registered investment adviser. Registration of an investment adviser with the SEC or a particular State does not imply a certain level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about CAMHK also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Since March 2013, CAMHK has been an investment adviser registered with the SEC. CAMHK does NOT approve or endorse any professional designation. An investment adviser or investment adviser representative may only transact business in a particular State after licensure or satisfying qualifications, requirements of that State.

## **ITEM 2 — MATERIAL CHANGES**

Since our last annual amendment to this Brochure, we have enhanced the risk disclosure included under Item 8 and revised the discussion of “Execution Process” and “Trade Aggregation” under Item 12 to reflect current practices. No other material changes were made to this Brochure.

### ITEM 3 — TABLE OF CONTENTS

ITEM 1 — COVER PAGE.....	i
ITEM 2 — MATERIAL CHANGES .....	ii
ITEM 3 — TABLE OF CONTENTS .....	iii
ITEM 4 — ADVISORY BUSINESS .....	1
ITEM 5 — FEES AND COMPENSATION .....	3
ITEM 6 — PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	4
ITEM 7 — TYPES OF CLIENTS .....	5
ITEM 8 — ANALYSIS METHODS, INVESTMENT STRATEGIES & RISK OF LOSS .....	6
ITEM 9 — DISCIPLINARY INFORMATION .....	11
ITEM 10 — OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	12
ITEM 11 — CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	14
ITEM 12 — BROKERAGE PRACTICES.....	16
ITEM 13 — REVIEW OF ACCOUNTS.....	19
ITEM 14 — CLIENT REFERRALS AND OTHER COMPENSATION.....	20
ITEM 15 — CUSTODY .....	21
ITEM 16 — INVESTMENT DISCRETION .....	22
ITEM 17 — VOTING CLIENT SECURITIES.....	23
ITEM 18 — FINANCIAL INFORMATION .....	24

## ITEM 4 — ADVISORY BUSINESS

**A. BUSINESS DESCRIPTION / OWNERSHIP** – CAMHK was established in September 2008 as a wholly owned subsidiary of China Asset Management Co. Ltd. (“ChinaAMC”) to strategically develop ChinaAMC’s offshore business and investment capabilities.

ChinaAMC was established in April 1998 as one of the first nation-wide fund management companies in the People’s Republic of China (“China”). As of December 31, 2021, ChinaAMC is one of the largest fund management company in terms of mutual fund assets under management in China. ChinaAMC provides investment management and advisory services to both retail and institutional clients.

**B. TYPES OF ADVISORY SERVICES OFFERED** –CAMHK provides services to U.S.-based registered investment companies, including exchange-traded funds (“ETFs”). CAMHK also provides discretionary investment management, investment advisory and related support services to a wide-range of non-U.S. clients, including pension and profit-sharing plans, pooled investment vehicles and corporations.

In performing advisory services, CAMHK is authorized to utilize the talents of investment professionals of affiliated investment advisory firms to manage a particular strategy or product. In keeping with applicable regulatory guidance, each such affiliate has entered into a Memorandum of Understanding (“MOU”) with CAMHK through which the affiliate is considered a “Participating Affiliate” of CAMHK as that term is used in relief granted by the staff of the SEC. This allows CAMHK, as a U.S. registered investment adviser, to use the resources of non-U.S. affiliates, i.e., Participating Affiliates, to render portfolio management, research or trading services to clients of CAMHK.

The arrangement with Participating Affiliates positions CAMHK to offer investment management styles and strategies that it otherwise may not manage under the framework of U.S. regulations. In partnering with affiliates, CAMHK offers management and related services to U.S. clients provided by investment management personnel associated with Participating Affiliates, who are viewed as best positioned to provide the expertise required to manage a particular strategy or product. Investment professionals of a Participating Affiliate are authorized to render substantially similar portfolio management research or trading services to their own advisory clients and the performance achieved may be better or worse than that achieved on behalf of CAMHK clients.

In addition to its registration with the SEC, CAMHK is licensed and regulated by the Securities and Futures Commission in Hong Kong to carry on regulated activities of the following types:

- Type 1 (dealing in securities – distribution of unit trusts)
- Type 4 (advising on securities)
- Type 9 (asset management) in Hong Kong

### C. TAILORING ADVISORY SERVICES TO INDIVIDUAL NEEDS OF CLIENT

The goals and objectives for each client are documented in investment management agreements/ advisory agreements. Clients can impose restrictions on investing in certain securities or types of securities.

**D. CAMHK’s ASSETS UNDER MANAGEMENT** — As of December 31, 2021, CAMHK had \$7,159,417,008 (USD) in assets under management.

	<u>U. S. Dollar Amount</u>
Discretionary:	\$6,241,438,459
Non-Discretionary:	\$917,978,549
Total:	\$7,159,417,008

## **ITEM 5 — FEES AND COMPENSATION**

### **Fees Charged by CAMHK**

CAMHK generally charges fees based on a percentage of assets under management. The amount of CAMHK's fees is negotiable and generally depends upon a number of factors, including the nature of the services to be provided, the size of any portfolio which is to be managed and the investment parameters agreed with the client.

CAMHK can agree with a particular client to a performance-based fee structure. Performance-based fee structures are available to eligible clients, are negotiable and will be in compliance with applicable laws and regulations.

### **How Fees are Charged**

Fees are charged to and collected from each client in accordance with the terms of CAMHK's investment management or advisory agreement with the client. Fees generally are payable by clients either monthly or quarterly in arrears. The client's agreement with CAMHK can provide that CAMHK is to invoice the client for payment of CAMHK's fees. Alternatively, such agreement might authorize CAMHK to deduct its fees from the client's account by instructing the client's custodian to debit the client's account and remit payment to CAMHK.

### **Brokerage and Other Transaction Costs**

In addition to CAMHK's fees, clients of CAMHK generally pay costs and charges to other parties in connection with their accounts or certain securities transactions. These may include, but are not limited to: commissions, commission equivalents and other charges for executing transactions through broker-dealers; dealer mark-ups, mark-downs and spreads; auction fees; certain odd-lot differentials; SEC fees; exchange fees; transfer taxes; stamp taxes; regulatory transaction fees; and any other charges mandated by law or regulation. Please see Item 12 of this Brochure for information concerning CAMHK's brokerage practices.

### **Other Fees and Expenses**

In addition to CAMHK's fees and brokerage and other transaction costs, clients generally pay other fees and expenses in connection with CAMHK's advisory services, such as custodian fees to their custodians, wire and electronic fund fees, and other charges, taxes or fees mandated by applicable law.

### **Other Investment Products**

In addition to the investment management strategies described in this document, CAMHK and its affiliates offer to the public investment products such as unit trusts or other pooled investment vehicles with investment styles and holdings that are identical and/or similar to those of the investment management strategies described in this document. These other investment products can be offered at differing fees and charges that may be higher or lower than the fees imposed by CAMHK for the CAMHK investment management services described in this document.

### **Termination**

Generally, investment advisory or management contracts are terminable at will by either party upon written notice. Upon termination, generally fees will be prorated over the remaining term of the billing period.

## **ITEM 6 — PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Performance-based fees are negotiated with certain clients, with fees based on a share of capital gains on or capital appreciation of the assets of a client relative to an agreed formula.

Such fees are subject to individualized negotiation with each such client. Performance-based fee arrangements can create an incentive for CAMHK to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements also create an incentive for CAMHK to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. CAMHK has procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **ITEM 7 — TYPES OF CLIENTS**

### **Types of Clients**

CAMHK's U.S. based clients are expected to include registered investment companies, including ETFs. CAMHK also provides investment management or investment advisory services to a range of institutional clients over time.

CAMHK's non-U.S. based clients include investment companies, pension and profit-sharing plans, pooled investment vehicles, state or municipal government entities, insurance companies etc.

### **Conditions for Opening or Maintaining an Account**

Depending on the nature of the services to be provided, CAMHK can require a minimum dollar value of assets as a condition for opening or maintaining an account. Any pre-established minimum account size can be subject to variation depending upon the nature of the investments in an account and the client's financial circumstances, investment objectives and requirements.



## **ITEM 8 — ANALYSIS METHODS, INVESTMENT STRATEGIES & RISK OF LOSS**

### **Methods of Analysis**

CAMHK believes detailed analysis is a necessary ingredient for successful investing. CAMHK's investment team conducts fundamental research by assessing key quantifiable and qualitative drivers and risks. The investment process is a combination of bottom-up securities selection and top-down macro and sector overlay.

The bottom-up approach means that each security is selected on its individual merits. The investment team uses fundamental analysis, which involves an assessment of a company's potential for success in light of factors including its financial condition, earnings growth potential and outlook, profit generating capability, corporate strategy, experienced management, industry position and/or favorable valuation. ChinaAMC group has a team of in-house dedicated sector and stock analysts who cover Chinese stocks by carrying out rigorous fundamental research and analysis, including on-site visits, supplier/distributor surveys, management interviews and proprietary financial valuation models. The research output will be summarized into internal ratings with key financial forecasts of each stock for the portfolio managers' consideration in the portfolio construction process. The portfolio managers then combine the internal research with their investment skill and experience to build portfolios that are aimed to deliver returns.

In the top-down macro and sector overlay, the investment team will conduct analysis of macroeconomic factors, government policies, consensus corporate earnings growth, market valuation and liquidity to formulate asset allocation and sector allocation strategies. The team will also conduct thematic analysis to identify cross-sector opportunities in a systematic way. During the bottom-up stock selection, the portfolio managers will also consider these top-down strategies and recommendations to determine the overall securities exposure and adjust unintended sector exposures.

### **Investment Strategy**

CAMHK provides a discretionary investment management strategy to U.S.-based clients, which is a full replication strategy of investing directly in securities included in the CSI 300 Index ("CSI Index") in substantially the same weightings in which they are included in the CSI Index, through the RQFII or QFII investment quota granted to CAMHK by the State Administration of Foreign Exchange of China (the "SAFE").

CAMHK is also permitted to use a representative sampling strategy where it is not possible or practicable to acquire certain securities which are constituents of the CSI Index due to various circumstances, such as restrictions or limited availability. This means that the portfolio will invest directly in a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the CSI Index, through the RQFII or QFII investment quota granted to CAMHK by the SAFE. The securities constituting the representative sample may or may not themselves be constituents of the CSI Index.

CAMHK also provides a discretionary investment management strategy to U.S.-based clients, which is a full replication strategy of investing directly in securities included in the SME-ChiNext 100 Index ("SME Index") in substantially the same weightings in which they are included in the SME Index, through the RQFII or QFII investment quota granted to CAMHK by the SAFE.

CAMHK is permitted to use a representative sampling strategy where it is not possible or practicable to acquire certain securities which are constituents of the SME Index due to various circumstances, such as restrictions or limited availability. This means that the portfolio will invest directly in a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the SME Index, through the RQFII or QFII investment quota granted to CAMHK by the SAFE. The securities constituting the representative sample may or may not themselves be constituents of the SME Index.

CAMHK also provides a China offshore bond strategy, which is a representative sampling strategy of investing directly in a subset of bonds included in the ChinaBond China High Quality Bond Index ("ChinaBond Index") that collectively has an investment portfolio that aims to reflect the profile of the ChinaBond Index, through the RQFII or QFII investment quota granted to CAMHK by the SAFE. The securities constituting the representative sample may or may not themselves be constituents of the ChinaBond Index.

### **Risk Controls and Monitoring**

Primary risk controls and risk monitoring processes as they pertain to investment and portfolio risk are embedded within CAMHK's portfolio construction processes. These processes are designed to ensure that only the highest conviction ideas generated by CAMHK's investment teams are translated into active investments in our clients' portfolios, whilst CAMHK is still able to deliver a final portfolio that is broadly representative of the investment universe in terms of characteristics and risk factors (such as defined ranges for tracking error and, where appropriate, internal or client-defined limits on deviations versus benchmark exposures to sectors and individual securities guidelines and constraints, etc.).

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors may be exposed to the following investment risks described below. Certain products managed by CAMHK will be subject to additional risks that will be described in the prospectus or offering circular of that product.

- **Market Risk:** The value of an investment may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, natural – such as pandemics and disease, and social conditions may trigger market events.
- **Management Risk:** The investment strategy used by CAMHK to manage a client's portfolio may fail to produce the intended results. In addition, imperfections, errors or limitations in the tools and data used by CAMHK to manage a client's portfolio may cause unintended results.
- **Inflation Risk:** The value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the value of the assets can decline.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Concentration Risk:** A client's portfolio from time to time may be concentrated to a significant degree in securities of issuers operating in a single sector or industry. To the extent that a portfolio's investments are concentrated in a particular sector or industry, then the portfolio will be subject to the risk that economic, political or other conditions, such as cyclical market patterns impacting supply and demand, competition for resources, adverse labor relations, obsolescence of technologies or other world events, that have a negative effect on those sectors or industries will negatively impact the portfolio to a greater extent than if the portfolio's assets were invested in a wider variety of sectors or industries. In addition, at times, a particular sector or industry may be out of favor and underperform other sectors, industries or the market as a whole.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. If a portfolio is invested in illiquid investments, or current portfolio investments become illiquid, it may reduce the returns of the portfolio because CAMHK may not be able to sell the illiquid investments at an advantageous time or price.
- **Credit Risk:** Bonds are subject to credit risk. Credit risk refers to the possibility that the issuer or guarantor of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt or to otherwise honor its obligations and/or default completely on securities. Bonds are subject to varying degrees of credit risk, depending on the issuer's financial condition and on the terms of the securities. There is a possibility that the credit rating of a bond may be downgraded after purchase or the perception an issuer's credit worthiness may decline, which may adversely affect the value of the security.
- **Interest Rate Risk:** Bonds are also subject to interest rate risk. Interest rate risk refers to fluctuations in the value of a bond resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most bonds go down. When the general level of interest rates goes down, the prices of most bonds go up. Risks associated with rising interest rates, including the potential for periods of volatility and increased redemptions, may be heightened as interests in the United States rise from historically low levels. In addition, bonds with longer durations tend to be more sensitive to interest rate changes, usually making them more volatile than bonds with shorter durations.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good and bad times. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Emerging Market Risk:** Investing in emerging markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets that may make these investments volatile in price or difficult to trade, such as greater political, tax, economic, foreign exchange, liquidity, market and regulatory risk. Emerging markets are more likely than developed markets to experience problems with the clearing and setting of trades, as well as the holding of securities by local banks, agents and depositories. In addition, companies in emerging markets may be subject to less stringent regulatory, accounting, auditing, and financial reporting and recordkeeping standards than companies in more developed countries, which could impede CAMHK's ability to evaluate such companies or impact a portfolio's performance. Securities laws and the enforcement of systems of taxation in

many emerging market countries may change quickly and unpredictably, and the ability to bring and enforce actions may be limited or otherwise impaired.

- **China Risk:** Investments in securities of Chinese companies are subject to special risks and considerations not typically associated with investing in securities of U.S. issuers, including (i) more frequent (and potentially widespread) trading suspensions and government interventions with respect to Chinese issuers, resulting in lack of liquidity and in price volatility, (ii) currency revaluations and other currency exchange rate fluctuations or blockage, (iii) the nature and extent of intervention by the Chinese government in the Chinese securities markets (including both direct and indirect market stabilization efforts, which may affect valuations of Chinese issuers), whether such intervention will continue and the impact of such intervention or its discontinuation, (iv) the risk of nationalization or expropriation of assets, (v) the risk that the Chinese government may decide not to continue to support economic reform programs, (vi) limitations on the use of brokers (or action by the Chinese government that discourages brokers from serving international clients), (vii) fluctuation in inflation rates, (viii) greater political, economic and social uncertainty, (ix) market volatility caused by any potential regional or territorial conflicts or natural disasters, (x) the risk of increased trade tariffs, embargoes and other trade limitations and, (xi) both interim and permanent market regulations which may affect the ability of certain stockholders to sell Chinese securities when it would otherwise be advisable.

The Chinese legal system differs significantly from the U.S. system and provides fewer legal protections for investors. The economy of China differs, often unfavorably, from the U.S. economy in such respects as currency revaluation, structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, interest rates, allocation of resources and capital reinvestment, among others. Reporting, accounting and auditing standards in China may differ significantly from those in the United States, and may not, in certain cases, be sufficient to identify significant audit or accounting control failures. In addition, less information may be available to the investors than would be the case for investments in securities of U.S. issuers. There is also generally less governmental regulation of the securities industry in China, and less enforcement of regulatory provisions relating thereto, than in the United States. As China's securities market is newer and less developed than the U.S. securities markets, foreign investments may be restricted and valuing securities of Chinese companies may be more difficult than valuing other types of securities. A small number of companies and industries represent a relatively large portion of the greater China market as a whole.

Investment and trading restrictions may make it difficult for non-Chinese investors to directly access securities by Chinese issuers. These restrictions may impact the availability, liquidity, and pricing of certain Renminbi ("RMB")-denominated securities. The value of the RMB may be subject to a high degree of fluctuation due to, among other things, changes in interest rates, the effects of monetary policies issued by China, the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments.

The China A-share market is volatile with a risk of suspension of trading in a particular security or government intervention. Securities on the China A-share market may be suspended from trading without an indication of how long the suspension will last, which may impair the liquidity of such securities. The regulations on investments by RQFIIs in China and the repatriation of capital from RQFII investments are relatively new and continue to evolve. The

application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied. Chinese authorities and regulators have been given wide discretion in applying and interpreting such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

- **Small- and Medium Capitalization Companies Risk:** Small- and medium-capitalization companies may be more volatile and more likely than large-capitalization companies to have narrower product lines, fewer financial resources, less management depth and experience and less competitive strength. Returns on investments in securities of small- and medium-capitalization companies could trail the returns on investments in securities of large-capitalization companies.
- **Portfolio Turnover Risk:** Increased portfolio turnover may result in higher brokerage commissions, dealer mark-ups and other transaction costs. In addition, a high portfolio turnover rate may increase the potential for the realization and distribution of higher capital gains or losses to investors. Higher costs associated with increased portfolio turnover may offset gains in a portfolio's performance.
- **Index-Based Strategy Risk:** In managing a portfolio to replicate or sample an index (an "Underlying Index"), CAMHK will not utilize an investing strategy that seeks returns in excess of that Underlying Index. Therefore, CAMHK will not necessarily buy or sell a security unless that security is added to or removed from, respectively, the applicable Underlying Index, even if that security generally is underperforming. Additionally, CAMHK generally rebalances a portfolio in accordance with the applicable Underlying Index and, therefore, any changes to the Underlying Index's rebalance schedule will result in corresponding changes to a portfolio's rebalance schedule.
- **Sampling Risk:** CAMHK's use of a representative sampling strategy may result in a portfolio holding a smaller number of securities than are in the applicable Underlying Index. As a result, an adverse development with respect to an issuer of securities held in a portfolio could result in a greater decline in the portfolio's value than would be the case if the portfolio included all of the securities in the Underlying Index.
- **Operational and Cybersecurity Risk:** CAMHK, like all companies, may be susceptible to operational and information security risks. Cybersecurity failures or breaches of CAMHK, service providers used by CAMHK, or the issuers of securities in which CAMHK invests client assets, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability of investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. Investors could be negatively impacted as a result.

## **ITEM 9 — DISCIPLINARY INFORMATION**

CAMHK is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CAMHK or the integrity of CAMHK's management.

CAMHK and ChinaAMC are not the same legal entity. Although ChinaAMC provides certain business services to CAMHK, (1) the decision making process of CAMHK's management team and board is entirely independent from that of ChinaAMC; (2) CAMHK's investment team is entirely different from that of ChinaAMC and has never consisted of any of the individuals involved in ChinaAMC's disciplinary matters discussed above (and who are no longer employed by ChinaAMC); (3) the legal, compliance and risk management team of CAMHK is entirely different and independent from that of ChinaAMC; (4) the daily operations of CAMHK are independent from that of ChinaAMC; and (5) the compliance and risk management system implemented by CAMHK is different from that of ChinaAMC. No employee of CAMHK has been investigated or sanctioned by regulatory authorities in Hong Kong or China in connection with the abovementioned disciplinary matter.

## ITEM 10 — OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

At this time, no CAMHK management persons are:

- Registered or about to register as a broker-dealer or a registered representative or other associated person of a broker-dealer; or
- Registered or have a pending application to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

At this time, regarding CAMHK and its management persons, there are no material relationships or arrangements with a related person of any of them that is:

- A banking or thrift institution;
- An accountant or accounting firm;
- A lawyer or law firm;
- An insurance company or agency;
- A pension consultant;
- A real estate broker or dealer;
- A sponsor or syndicator of limited partnerships; or
- A securities exchange, securities association or alternative trading system.

Related persons mean advisory affiliates and any person (including a trust, company or association) that is under common control with CAMHK. Advisory affiliates include (1) all of CAMHK's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by CAMHK; and (3) all of CAMHK's current employees (other than employees performing only clerical, administrative, support or similar functions).

CITIC Securities Co., Limited ("CITIC") is a related person of CAMHK that operates as a broker-dealer (please see CAMHK's Form ADV, Part I – Schedule D, Section 7.A for more information about CITIC). CITIC may provide brokerage services to funds and accounts advised by CAMHK. Such services, if any, will be provided at competitive market rates that reflect what CAMHK believes to be arms-length negotiations.

The various CLSA ("CLSA") (please see CAMHK's Form ADV, Part I – Schedule D, Section 7.A for more information about CLSA) entities are each related persons of CAMHK that operate, as applicable, as a broker-dealer, provide services that include equity brokerage and execution, corporate finance and asset management to global corporate and institutional clients, as well as futures commission merchant services. CLSA may provide brokerage services to funds and accounts advised by CAMHK. Such services, if any, will be provided at competitive market rates that reflect what CAMHK believes to be arms-length negotiations.

ChinaAMC is also a related person of CAMHK that operates as an investment adviser and provides investment management services to institutional and retail investors (please see CAMHK's Form ADV, Part I – Schedule D, Section 7.A for more information about ChinaAMC). ChinaAMC is incorporated in China and regulated by the CSRC.

CAMHK has broker selection policies and procedures in place that require the selection of a broker-dealer to be consistent with CAMHK's duties of best execution, and subject to any client and

regulatory proscriptions. Please see Item 12 for more information on CAMHK's brokerage practices.

CAMHK offers the investment management services of certain affiliates to U.S. clients. CAMHK is the lead adviser among affiliated investment advisory firms with respect to U.S. clients who may invest in investment strategies managed by its affiliates. In offering affiliate-managed strategies, CAMHK utilizes the skills of investment professionals of affiliated investment advisory firms to manage a particular strategy or product. Each such affiliate is viewed as a "Participating Affiliate." This means that the employees of Participating Affiliates who are involved in the management services offered to U.S. clients are supervised by CAMHK. CAMHK's Participating Affiliates must abide by requirements stipulated by the SEC and have submitted to U.S. and SEC jurisdiction. At present, CAMHK's Participating Affiliates include ChinaAMC which is incorporated in China and regulated by the CSRC. CAMHK may share management fees among and with Participating Affiliates that provide management, research or trading services to clients of CAMHK.



## **ITEM 11 — CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

As part of an overall internal compliance program, CAMHK has adopted policies and procedures (collectively, the “Code of Ethics”) imposing standards of business conduct. The Code of Ethics includes requirements to put client interests first and not to take inappropriate advantage of employment-related information. Objectives of the Code of Ethics include mitigating or obviating potential conflicts of interests between employees and investment advisory clients and assuring compliance with applicable laws and regulations. Existing and prospective CAMHK clients may obtain copies of the Code of Ethics by mailing a written request for such document to:

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Hong Kong  
Attention: Head of Legal and Compliance

### **Participation or Interest in Client Transactions**

CAMHK’s employees are permitted to acquire or sell the same or similar securities, including individual securities and shares of pooled investment funds, as those held in client accounts or recommended to clients.

Investment and trading activities by CAMHK employees in the same individual securities or investment funds held by CAMHK client accounts may create conflicts of interest, or potential conflicts of interest, between CAMHK’s employees and CAMHK’s investment advisory clients. Such conflicts or potential conflicts could include:

- using knowledge of open, executed or pending portfolio transactions in a client account to profit from the market effect of such transactions;
- causing a client account to engage in a transaction in order to positively impact a personal investment holding; and
- using knowledge of portfolio holdings in an investment fund, including a unit investment trust, managed by CAMHK to engage in a short-term trading strategy involving such fund.

CAMHK has adopted a Code of Ethics and internal policy designed to promote high ethical and professional standards, and mitigate conflicts of interest.

### **Personal Trading**

All CAMHK’s employees are required to adhere to the Code of Ethics in the company’s Compliance Manual where it is stated that the employees of CAMHK must obtain pre-clearance from the Compliance Officer and submit the completed form to the Legal and Compliance Department prior to entering an order for security transactions for their personal accounts unless an exception applies. Employees are prohibited from making a purchase or sale of a security at a time when they are in possession of nonpublic information, including information that CAMHK is or may be considering a purchase or sale of such security on behalf of client accounts. A request for preclearance must be made by completing the Preclearance Form and submitting it to the Compliance Officer in advance of the contemplated transaction.

Personnel in CAMHK's Legal and Compliance Department, under the supervision of CAMHK's Head of Legal and Compliance, have principal oversight responsibility with respect to trading conducted by CAMHK's employees for their personal accounts.

**Buying and Selling Client Positions**

CAMHK's affiliates and their employees are permitted to acquire or sell securities held in CAMHK client accounts. Conflict of interest concerns with respect to such investments are addressed primarily through reliance on informational barriers policies maintained by CAMHK and CAMHK's affiliates that restrict access by CAMHK's affiliates and their officers, directors and employees to information relating to the investment intentions, activities, transactions and portfolio holdings of CAMHK client accounts.

## ITEM 12 — BROKERAGE PRACTICES

The investment team will take all reasonable steps to achieve the best quality of execution in relation to all transactions undertaken on behalf of clients in relation to financial instruments (“transactions”). Consequently, we have in place both a policy and procedures with the objective to achieve the best possible execution result, taking into account the nature of the client’s order, the client’s guidelines and the market or execution venue in question. The policy aims to achieve the most beneficial terms practically available across a range of sometimes conflicting factors over a period of time. This is achieved by taking into account a spectrum of different aspects which are not limited only to price. Other factors including the overall cost of the transaction, the requirement for timely execution, the liquidity of the market, the size of the order and the nature of the financial transaction and the market through which the transaction is executed. Any specific and/or general client instructions that may predetermine the manner we prioritize how to fill the client’s transaction will also be taken into account. If there are no express instructions from the client, we will use our own discretion to determine the factors that have to be considered to achieve best execution applying our understanding and experience of the market concerned.

### Execution Process

The investment team will take all reasonable steps with the resources and processes in place to satisfy itself that it will be able to deliver “best execution.” Best execution will vary across asset classes. It requires due diligence and consideration of multiple factors, including but not limited to the following:

- The execution price of the transaction;
- The explicit costs including fees, commissions for equities and implicit costs for bonds which are embedded in the bid-ask spread;
- Speed of execution by brokers;
- Likelihood of execution and settlement;
- The character of the markets for the security (e.g., price, volatility, relative liquidity, availability of quotation sources, etc.);
- The size and type of transaction;
- Characteristics of financial instruments; and
- Characteristics of execution venues or brokers.

Portfolio managers are responsible for making investment decisions and originating trade orders; they do not usually execute transactions themselves. Rather, this is the responsibility of a separate dealing function, which is designed to ensure a more effective monitoring of market prices and trading activity in order to achieve the best execution possible for client trades. Before placing an order with a broker, we take into account any investment objectives, strategies, and restrictions of a fund or client mandate. Execution factors may, from time to time, be competing and CAMHK will use its experience and judgement in all cases.

### Broker Selection

Unless a client directs a particular brokerage firm, all of our trades are executed with brokers who are on our approved broker list. We choose the appropriate counterparty according to which security we are trading. For a broker to be included in our approved broker list, the dealer, portfolio manager or research analyst considers factors which would determine that the broker is

able to offer good execution and other services in the relevant markets and/or instrument. The following criteria are used in varying priorities case by case for each entity:

- Reputation for integrity and financial health;
- Acceptable record of good and timely delivery and payment for trade settlement;
- Acceptable execution approach, considering price, cost, speed and likelihood of execution, size and nature of the order;
- Reliable counterparties (i.e. cooperative resolution of differences); and
- Provision of good service level with information of market conditions.

Periodic review is undertaken of the quality of brokerage services obtained, compliance with client directed brokerage instructions, the manner in which trades have been allocated among client accounts, and the processes and procedures for the approval and review of counterparties.

We also monitor the selection and approval/removal of brokers to effect securities transactions, evaluate and monitor target commission levels, perform at least an annual review of approved brokers and review the execution approach of the brokers. Counterparty and commission target evaluations are periodically reviewed by the investment team who provide evaluations of firms and individuals that have provided investment research.

### **Client Directed Brokerage**

Clients may have the ability to direct the investment team to use certain brokers in trading for their portfolios and the investment team will follow clients' instructions in this regard. However, the practice is discouraged as it is usually to clients' benefit to have a full range of brokers available. Additionally, clients requesting directed brokerage may not receive the benefit of block dealing where a better overall price can be obtained on transactions when bunched with other account trades.

### **Trade Aggregation**

No client for whom CAMHK has investment decision responsibility shall receive preferential treatment over any other clients due to difference in client investment objectives and strategies, risk tolerance, financial and tax status, cash positions and other criteria. In most cases, trading orders of funds or client mandates for trade execution with same broker will not be aggregated. Each PM will send his or her orders to traders separately and trader will execute orders on a separate manner.

Wherever possible, to take advantage of execution opportunities, the investment team will look to aggregate orders within a strategy, or across different strategies, where common securities would be transacted for subscribing IPOs or when conducting block trades. Trade allocations are generally allocated on a pro rata basis (unless the size is such that a de minimis policy applies) to ensure all clients are treated fairly.

### **Soft Dollars**

CAMHK accumulates soft dollars to pay for the goods and services which are beneficial to the clients and are according to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. Those services include, but are not necessarily limited to, furnishing analysis and research services, including information on economic factors and trends, portfolio valuation and analysis, performance measurement, market prices services and the use of specialized computer software or other information facilities. CAMHK only directs client transactions for soft dollars after considering all factors and concluding that the transactions with

that specific broker-dealer are beneficial to clients. When CAMHK uses client brokerage commissions to obtain research or other products or services, CAMHK receives a benefit because CAMHK does not have to produce or pay for the research, products, or services. CAMHK can have an incentive to select or recommend a broker-dealer due to CAMHK's interest in receiving research or other products or services, rather than on a client's interest in receiving most favorable execution. CAMHK uses soft dollar benefits to benefit only those client accounts that paid for the benefits and seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

**Trade Error Corrections**

CAMHK maintains policies and procedures to address the handling of trade errors. In the event of a trade error, CAMHK seeks to take remedial action as soon as practicable. CAMHK defines remedial action as the process necessary to put the client back to a position where the client was prior to the occurrence. CAMHK requires that all trade errors be reported to CAMHK's Legal and Compliance Department upon identification of the trade error.

## **ITEM 13 — REVIEW OF ACCOUNTS**

### **Review of Accounts**

Each individual and corporate advisory account is reviewed on an annual basis. The investment risk preference for these accounts are reviewed to determine whether the product remains suitable for these accounts. For institutional accounts, the portfolio performance review and attribution analysis are conducted on a monthly basis. The Legal and Compliance Department reviews client trading activity and performs checks of compliance with investment guidelines and limitations. Exceptions are identified and investigated. These reviews are conducted by the Senior Associate of Compliance.

### **Review Triggers**

Other conditions that might trigger a review are a material event in market, ad hoc news or other commercial reasons.

### **Client Reporting**

All clients receive regular periodic reporting in relation to the performance and positioning of their account. In addition to written reports, clients also receive information about their accounts verbally. While written reports are typically generated and delivered on a monthly, quarterly and/or annual basis, verbal reporting is typically carried out on an ad hoc basis, as and when the client requests. In both regards, the type of information contained and delivered in the client report will cover areas such as performance information (typically over several different and applicable time frames – e.g., 1 month, 12 months, 3 years, 5 years, etc.), portfolio holdings information (such as top ten over/under weights), portfolio positioning (such as sector and geographic exposure), portfolio activity for the reporting period and our views regarding the outlook for the markets in which we invest.

We seek to tailor our reports to the specific needs of our clients. Accordingly, client's reporting requirements are discussed in detail during the client intake process. In addition to regular periodic reporting, we also seek to provide other reports/commentary for clients, covering topical events in the markets within which we invest, on an ad hoc basis.

## **ITEM 14 — CLIENT REFERRALS AND OTHER COMPENSATION**

Neither CAMHK nor any of its affiliates currently have any arrangements under which they directly or indirectly compensate any person who is not a “supervised person” of CAMHK for client referrals of U.S. accounts. Supervised persons of CAMHK include CAMHK’s officers, directors, employees and other persons subject to CAMHK’s supervision or direction. In the future, CAMHK may enter into solicitation agreements with certain parties in order to compensate such parties for solicitation and other client-related services performed for clients and prospective clients of CAMHK located in the United States. To the extent required by law, any such arrangements will be in compliance with Rule 206(4)-3 under the U.S. Advisers Act.

CAMHK may make payments to or for the benefit of firms that may recommend CAMHK’s investment management services. These payments may be for marketing, promotional and related expenses; for expenses incurred in connection with training or educational seminars for personnel of such firms; or for expenses incurred in connection with client or prospective client meetings relating to CAMHK’s investment management services. In addition, CAMHK may provide personnel and clients (existing and prospective) of such firms with related items and benefits. These expenses, items and benefits may include, without limitation: training and meeting costs for personnel of such firms, including travel, lodging and meals for attendees; payments of costs for client/prospect meetings at which CAMHK investment management services are discussed, including meals for attendees, room rental costs and meeting-related presentation materials; occasional meals and leisure/entertainment outings; de minimis gifts; and nominal value promotional items.

The amount of such payments and the value of such items and benefits may or may not be substantial. These payments, items and benefits could give firms and their personnel incentives to favor CAMHK investment management services over those of investment management firms that do not provide the same payments, items and benefits. However, such payments, items and benefits are subject to internal policies that address and, in some cases, limit such payments, items and benefits with the overall aim to avoid compromising advice or recommendations given to clients by special incentives or compensation arrangements.

## **ITEM 15 — CUSTODY**

CAMHK does not have physical custody of funds or securities in accounts of its clients. All client assets are kept by external custodians. CAMHK does not produce or distribute client account statements.



## **ITEM 16 — INVESTMENT DISCRETION**

CAMHK accepts discretionary authority to manage securities accounts on behalf of its clients and substantially all of the accounts we manage are discretionary. As part of the client intake process, we will review and negotiate an investment management agreement with the client, including a set of investment guidelines governing the management of the account. Amendments to these guidelines might take place on a periodic basis, with the express consent of both the client and CAMHK.

Guidelines for the accounts being managed typically outline limitations in terms of types of instruments that can be used to implement the investment strategy, minimum requirements in terms of diversification across sectors and countries, maximum holdings of cash or equivalent securities and concentration limits in terms of any one issuer. Our practice is to commence management of an account on behalf of a client only when guidelines have been set and agreed to in writing.

## ITEM 17 — VOTING CLIENT SECURITIES

CAMHK has in place Proxy Voting Policies and Procedures. The Proxy Voting Policies and Procedures seek to ensure that CAMHK votes proxies relating to equity securities in the best interest of client accounts. A copy of CAMHK's proxy voting policy is available upon request.

The Proxy Voting Policies and Procedures address how CAMHK will vote proxies with regard to specific matters, such as the election of directors, mergers and acquisitions, and other matters. The Proxy Voting Policies and Procedures also direct CAMHK to consider certain factors in respect of specific matters subject to a proxy vote to assist in voting securities properly. Under the Proxy Voting Policies and Procedures, in voting on behalf of its clients, CAMHK generally supports company activities that will enhance the corporate governance standard and favor those companies whose management protects shareholders' value and enhance the long-term return on investments. If a corporate action does not favor shareholder interests, CAMHK is authorized to vote against the proposal, withhold the vote, and/or sell the shares completely. If any issue is not specifically included in the Proxy Voting Policies and Procedures, or if the personnel responsible for voting proxies is unsure of how to vote a proxy, such person communicates with the fund manager to determine which vote is in-line with the general policy of acting in the best interest of clients and client objectives. Unless a client provides specific instructions with respect to how a proxy should be voted, CAMHK will generally vote all proxies and act on all other corporate actions in a timely manner in accordance with the Proxy Voting Policies and Procedures.

Under the Proxy Voting Policies and Procedures, CAMHK is authorized to exercise voting rights through custodians or proxy voting specialists. The Proxy Voting Policies and Procedures contain guidelines for reviewing all proxy proposals in a way that facilitates voting in the best interests of clients and clients' objectives.

CAMHK's authority and responsibility to vote proxies depends upon its contractual relationship with clients.

If you would like to know how we voted any proxy in your account or if you would like a complete copy of our written proxy voting policy please send a written request to:

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Hong Kong  
Attention: Head of Legal and Compliance

## **ITEM 18 — FINANCIAL INFORMATION**

We are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.