

# PRODUCT KEY FACTS

China Life Franklin OFC  
China Life Franklin USD Money Market Fund

March 2025

Issuer: China Life Franklin Asset Management Co., Limited

- ***This statement provides you with key information about China Life Franklin USD Money Market Fund ("Sub-Fund").***
- ***This statement is a part of the offering document and must be read in conjunction with the explanatory memorandum of China Life Franklin OFC.***
- ***You should not invest in this product based on this statement alone.***

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## Quick facts

Manager:	China Life Franklin Asset Management Co., Limited
Custodian:	CMB Wing Lung (Trustee) Limited
Ongoing charges over a year:	Class A Shares: 0.40% # Class B Shares: 0.05% # Class C Shares: 0.65% # Class I Shares: 0.10% # Class P Shares: 0.20% #
Dealing frequency:	Daily (Hong Kong business days)
Base currency:	US Dollars (USD)
Dividend policy:	No dividends will be declared or distributed.
Financial year end of the Sub-Fund:	31 December
Minimum initial investment:	Class A USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class B USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class C USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class I USD/HKD/HKD (Hedged)/RMB: USD100/HKD1000/HKD1000/RMB1000 Class P USD/HKD/HKD (Hedged)/RMB: USD /HKD/HKD/RMB Nil
Minimum subsequent investment	Class A USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class B USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class C USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil Class I USD/HKD/HKD (Hedged)/RMB: USD100/HKD1000/HKD1000/RMB1000 Class P USD/HKD/HKD (Hedged)/RMB: USD/HKD/HKD/RMB Nil

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## What is this product?

China Life Franklin USD Money Market Fund is a sub-fund of the China Life Franklin OFC ("Company"), which is a public umbrella open-ended fund company established under Hong Kong law with variable capital with limited liability and segregated liability between sub-funds.

**The purchase of a share in the Sub-Fund ("Share") is not the same as placing funds on deposit with a bank or deposit-taking company. The Sub-Fund does not guarantee repayment of principal and the Manager has no obligation to redeem the Shares at the offer value. The Sub-Fund does not have a constant Net Asset Value ("NAV"). The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.**

\* This figure is an estimate only as the Sub-Fund is newly launched. It represents the sum of the estimated ongoing expenses chargeable to the respective class of the Sub-Fund over a 12-month period expressed as a percentage of the estimated average NAV of the representative class of the Sub-Fund over the same period. The actual figure may be different upon actual operation of the Sub-Fund and the figure may vary from year to year.

## Investment Objective and Strategy

### Investment Objective

The Sub-Fund's objective is to achieve a return in USD in line with prevailing money market rate. There can be no assurance that the Sub-Fund will achieve its investment objective.

### Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its NAV) in USD denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations. The Sub-Fund may invest up to 30% of its NAV in non-USD-denominated short-term deposits and high-quality money market instruments. The Manager will hedge non-USD-denominated investments into USD in order to manage any material currency risk.

In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the instrument must be taken into account. High-quality money market instruments include debt securities, commercial papers, certificates of deposits and commercial bills. Debt securities invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds.

The Sub-Fund will only invest in fixed income securities rated investment grade or above. For the purposes of the Sub-Fund, investment grade is defined as below based on the original maturity of a fixed income security:

- A long-term fixed income security which (or the issuer of which) is rated BBB-/Baa3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated AA+ or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply. For the avoidance of doubt, the Sub-Fund does not intend to invest in fixed income securities with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in fixed income securities which have been rated long-term credit ratings, but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out below) at the time of purchase by the Sub-Fund; and
- A short-term fixed income security which (or the issuer of which) is rated F3 / P-3 / A-3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated AA+ or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply.

In assessing the credit quality of debt securities, if the relevant debt security does not itself have a credit rating, then reference will be made to the credit rating of the issuer or the guarantor of such debt security. If neither the debt security nor the issuer / guarantor is rated, it will be classified as unrated. For the avoidance of doubt, the Sub-Fund will not invest in unrated debt security. For fixed income securities rated investment grade or above, the Manager will also assess the credit risks on an ongoing basis based on quantitative and qualitative fundamentals, including but not limited to the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the firm's competitive position and corporate governance etc. to ensure that the fixed income security that the Sub-Fund invests in is of sound credit quality.

The Manager will assess the liquidity profile of instruments based on, amongst other factors, time to cash, external liquidity classification, liquidation horizon, daily trading volume, price volatility and bid-ask spread of such instruments. Only instruments with sufficient liquidity will be included in the portfolio of the Sub-Fund.

There is no specific geographical allocation of the country of issue of the high-quality money market instruments or short-term deposits. Countries or regions in which the Sub-Fund may invest in include, but not limited to, the United States, Singapore, the European Union and Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan). The Sub-Fund may invest in aggregate up to 100% of its NAV in Greater China. The Sub-Fund will invest less than 20% of its NAV in emerging markets other than Greater China.

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The Sub-Fund may invest in aggregate no more than 20% of its NAV in onshore China fixed income securities via the Manager's Qualified Foreign Investor status or in the Mainland Inter-bank Bond Market via Foreign Access Regime, the Bond Connect or such other means as permitted by the relevant regulatory authorities from time to time (as defined in the Explanatory Memorandum).

### Weighted Average Maturity with Weighted Average Life

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total NAV of the Sub-Fund except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of Government and other Public Securities (as defined in the Explanatory Memorandum), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

Subject to the above, the aggregate value of the Sub-Fund's investment in entities within the same group through instruments and deposits will not exceed 20% of its NAV.

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities.

### Borrowing, Sale and Repurchase Transactions and Reverse Repurchase Transactions

The Sub-Fund may borrow up to 10% of its latest available NAV but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The Sub-Fund may enter into sale and repurchase transactions for up to 10% of its NAV but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its NAV.

The Sub-Fund may engage in reverse repurchase transactions (i.e. a transaction whereby the Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at a pre-determined price in the future) provided that the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the NAV of the Sub-Fund.

Currently, the Sub-Fund does not intend to engage in securities lending transactions.

### Other Investments

The Sub-Fund may invest up to 10% of its NAV in money market funds authorised in Hong Kong by the SFC under Chapter 8.2 of the Code on Unit Trusts and Mutual Funds or regulated in other jurisdictions in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may invest up to 15% of its NAV in asset backed securities, such as mortgage-backed securities. Such asset backed securities will be issued in regions such as Mainland China, Hong Kong, Singapore or the United States, and will be rated investment grade or above.

The Sub-Fund will enter into financial derivative instruments ("FDIs") (including interest rate swaps and currency swaps) for hedging purposes only.

## **Use of derivatives / Investment in derivatives**

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's NAV.

## **What are the key risks?**

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

### **1. Investment risk**

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

### **2. Fixed income securities investment risk (including money market instruments)**

- Short-term fixed income instruments risk - As the Sub-Fund invests substantially in short-term fixed income instruments with short maturities, the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term fixed income instruments may also increase which in turn may have a negative impact on the NAV of the Sub-Fund. The Sub-Fund's underlying fixed income securities may become more illiquid when nearing maturity. It therefore may be more difficult to achieve fair valuation in the market.
- Credit / counterparty risk - The Sub-Fund is exposed to the credit/default risk of issuers of the fixed income securities it invests in.

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- **Volatility and liquidity risk** - The fixed income securities in the Greater China markets (in particular Mainland China and Taiwan) and other emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuation. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.
- **Interest rate risk** - Investment in the Sub-Fund is subject to interest rate risk. Generally, the prices of fixed income securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- **Credit rating risk** - Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.
- **Credit Rating Agency Risk** - The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.
- **Downgrading risk** - The credit rating of a fixed income instrument or its issuer may subsequently be downgraded. In such case, the Sub-Fund's investment value may be adversely affected. The Manager may or may not be able to dispose of the fixed income instruments that are being downgraded.
- **Valuation Risk** - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the Sub-Fund.
- **Sovereign debt risk** - The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

### 3. Risks associated with bank deposits

- Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund may also place deposits in non-resident accounts (NRA) and offshore accounts (OSA), which are offshore deposits with offshore branches of Mainland Chinese banks. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

### 4. Emerging market risk, Mainland China investment risk and concentration risk

- The Sub-Fund will invest primarily in USD-denominated short-term deposits and high-quality money market instruments (which may include fixed income securities). The Sub-Fund may also be concentrated in a particular market or region, including in emerging markets such as Mainland China, which are subject to higher risks (for example, liquidity risk, currency risk, political risk, regulatory risk, legal and taxation risks, settlement risk, custody risk and economic risk) and higher volatility than more developed markets. Some emerging markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale.
- In addition, the Sub-Fund is likely to be more volatile than a broad-based fund that adopts a more diversified strategy and are more susceptible to adverse economic, political, foreign exchange, liquidity, tax, legal or regulatory events affecting the USD money markets or the market or region in which its investments are focused.
- Investing in Mainland China involves a greater risk of loss than investing in more developed markets due to, amongst other factors, exchange rate fluctuations and exchange control; less developed settlement system; government interference; the risk of nationalisation and expropriation of assets, and custody risk and high volatility risk.

### 5. Risks associated with investment in FDIs and hedging

- The Sub-Fund may invest in FDIs for hedging purposes and in adverse situations its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.

### 6. Currency and foreign exchange risks

- Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. Also, a class of shares may be designated in a currency other than the base currency of the Sub-Fund. The NAV of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

### 7. Currency hedged share classes risk

- The currency hedging process used with currency hedged share classes may not give a precise hedge and there is no guarantee that hedging will be completely successful. Returns of such share classes may be significantly different over time than those of unhedged classes. Investors in currency hedged share classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process.

## How has the Sub-Fund performed?

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

## Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges which may be payable by you

You may have to pay the following fees when dealing in the Shares of the Sub-Fund.

Fee	What you pay				
	Class A	Class B	Class C	Class I	Class P
<b>Subscription fee<sup>^+</sup></b>	Up to 3% of the subscription amount				
<b>Switching fee<sup>^+ #</sup> (i.e. conversion fee)</b>	Up to 1%* of the redemption amount for each Share converted				
<b>Redemption fee<sup>^+</sup></b>	Nil				

\* The switching fee will be deducted from the redemption proceeds and retained by the Manager. This is payable in addition to the applicable redemption fee (if any).

+ Investors may be subject to pricing adjustments (including swing pricing adjustment) when subscribing, redeeming or converting shares of the Sub-Fund. For details, please refer to the "Adjustment of prices" sub-section under the section headed "VALUATION" in the Explanatory Memorandum.

# Switching of Shares of a Sub-Fund into Shares of another Sub-Fund is currently not available as currently the Sub-Fund is the only sub-fund of the Company.

### Ongoing fees payable by the Sub-Fund

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

Fee	Annual rate (as a % of the Sub-Fund's NAV)				
	Class A	Class B	Class C	Class I	Class P
<b>Management fee<sup>^</sup></b>	0.35% per annum	Nil	0.60% per annum	0.05% per annum	0.15% per annum
<b>Performance fee</b>	Nil				
<b>Custodian fee<sup>^ @</sup></b>	Up to 0.01% per annum, subject to a minimum monthly fee of USD2500 in respect of the aggregate of Custodian Fee and Administrator Fee				
<b>Administrator fee<sup>^ @</sup></b>	Up to 0.04% per annum, subject to a minimum monthly fee of USD2500 in respect of the aggregate of Custodian Fee and Administrator Fee				

### Other fees

You may have to pay other fees when dealing in the Shares of the Sub-Fund.

<sup>^</sup> Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Shareholders. Please refer to the section headed "Expenses and Charges" in the Explanatory Memorandum for further details of the fees and charges payable and the permitted maximum of such fee allowed, as well as other ongoing expenses that may be borne by the Sub-Fund.

<sup>@</sup> The maximum amount of custodian fee and administration fees are 0.10% per annum of the NAV of the Sub-Fund and 0.15% per annum of the NAV of the Sub-Fund, respectively. Any increase in the custodian fee and administration fee in respect of the Sub-Fund up to this maximum level will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the Shareholders.

**Additional information**

- You generally buy and redeem Shares at the Sub-Fund's next-determined NAV after the Custodian receives your request, directly or via a distributor, in good order at or before 11:00 a.m. (Hong Kong time), being the Sub-Fund's dealing cut-off time on each dealing day of the Sub-Fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The NAV of the Sub-Fund is calculated and the price of Shares published each business day on the website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC).
- You may obtain information in respect of the Sub-Fund by contacting the Manager at 27/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- You may obtain the past performance information of other classes (when available) offered to Hong Kong investors on the website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC).

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**Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness. SFC registration and authorization do not represent a recommendation or endorsement of the Company or the Sub-Fund nor do they guarantee the commercial merits of the Company or the Sub-Fund or its performance. They do not mean the Company or the Sub-Fund is suitable for all investors nor do they represent an endorsement of its suitability for any particular investor or class of investors.

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