

- This statement provides you with key information about the CSI RMB China A-Shares Diversification Fund "中信証券人民幣中國 A 股分散基金" (the "Fund"), a sub-fund of the CSI Alpha Fund Series.
- This statement is a part of the Fund's offering document and must be read in conjunction with the Trust Prospectus of the CSI Alpha Fund Series and Fund Specific Prospectus of the Fund.
- You should not invest in this product based on this statement alone.

## Quick facts

<b>Fund Manager:</b>	CITIC Securities International Investment Management (HK) Limited		
<b>Trustee:</b>	BOCI-Prudential Trustee Limited		
<b>RQFII Licence Holder:</b>	CITIC Securities International Company Limited		
<b>Global Custodian:</b>	Bank of China (Hong Kong) Limited		
<b>PRC Sub-Custodian:</b>	Bank of China Limited		
<b>Dealing frequency:</b>	Daily	<b>Minimum investment:</b>	RMB10,000 (initial and additional)
<b>Base currency:</b>	RMB	<b>Minimum holding and minimum redemption:</b>	RMB10,000
<b>Fund Financial year end:</b>	31 December	<b>Dividend policy:</b>	No distribution and income earned will be reinvested
<b>Ongoing charges over a year<sup>1</sup>:</b>	Class RMB: 6.74%		

## What is this product?

The Fund is a sub-fund of CSI Alpha Fund Series (the "Trust"), an umbrella trust established by a trust deed under the laws of Hong Kong SAR. Your subscription to the Fund and redemption can only be made in RMB and the Fund will in turn make its investments in RMB. Investors will be issued with units in the Fund (the "Units").

The Fund invests primarily in a diversified portfolio of China A-shares, through RMB qualified foreign institutional investor ("RQFII") investment quota ("RQFII Quota"). The RQFII Quota is granted to CITIC Securities International Company Limited, acting through the Fund Manager as its asset management arm. The RQFII Quota can be utilized by the Fund under the management of the Fund Manager under RQFII regulations.

<sup>1</sup> The ongoing charges figure is based on expenses for the unaudited period from 1 January 2016 to 30 June 2016. This figure may vary from year to year.

### Objectives and Investment Strategy

#### Investment Objectives

The Fund seeks to achieve long-term appreciation of the Unit price through capital growth by primarily investing in a diversified portfolio of China A-shares, subject to the investment policy and restrictions and the investment restrictions applicable to the Fund, as set out in the Trust Prospectus.

#### Investment Strategy

To the extent permitted by the applicable regulations and investment restrictions, the Fund seeks to achieve the investment objective by investing at least 70% of its net asset value in China A-shares directly via the RQFII Quota granted to CITIC Securities International Company Limited. The Fund invests with no prescribed industry sector or market capitalization limits.

The Fund will not invest in China B-shares or securities outside of the PRC. It is not intended that the Fund will invest in fixed income securities (including urban investment bonds or asset-backed securities/asset-backed commercial papers).

Up to 10% of the Fund's net asset value may be invested in equity funds and money market funds which are authorized by the CSRC for offer to the retail public in the PRC. The remaining assets of the Fund will be held in cash.

The Fund does not intend to invest in any structured products/structured deposits or financial derivative instruments for hedging and investment purposes.

The Fund does not intend to enter into any securities lending transactions, repurchase/reverse repurchase transactions or other similar over-the-counter transactions.

The maximum borrowings of the Fund may not exceed 25% of its total net asset value.

### What are the key risks?

**Investment involves risks. Please refer to the Trust Prospectus and Fund Specific Prospectus for detailed discussion of the risk of this investment.**

#### Investment risk

- The Fund is not a bank deposit and is not guaranteed. There is no assurance of the repayment of principal invested.
- The value of the Fund will be affected by fluctuations of the securities markets and changes in the value of individual securities.

#### Risks associated with RQFII regime

- The Fund is not a RQFII, but the Fund will invest in RQFII permitted securities via the RQFII Quota granted to CITIC Securities International Company Limited by the PRC State Administration of Foreign Exchange ("**SAFE**"). The prevailing rules and regulations governing RQFIIs impose restrictions on investments and other operational aspects of investments which will restrict or affect the Fund's investments.
- The RQFII regulations are relatively new and novel in nature. The application and interpretation of the RQFII regulations are therefore relatively untested and there is uncertainty as to how they will be applied. The RQFII regulations may be subject to further revisions in the future, there is no assurance whether such revisions will prejudice the RQFII, or whether the RQFII quota which are subject to review from time to time by CSRC and SAFE may be removed substantially or entirely, or whether repatriation restrictions will be imposed on RQFII in the future.
- The RQFII regulations apply to each RQFII as a whole, and not simply to investments made by the Fund. Violations of the RQFII regulations arising out of activities related to any RQFII quota that may be obtained by CITIC Securities International Company Limited and is not allocated to the Fund could result in the revocation of or other regulatory action in respect of the RQFII Quota.
- The RQFII Quota granted to CITIC Securities International Company Limited by SAFE is shared among the Fund and other open-ended funds managed by the Fund Manager. It is possible that the Fund may not be able to accept additional subscriptions when there is not enough RQFII Quota allocated/available

to the Fund and would not be able to achieve further economies of scale or otherwise take advantage of the increased capital base.

### **Risk of equity securities**

- The volatility of equity prices can be high and may therefore expose the Fund to high volatility. Also, the investment performance of equity securities depends upon a number of factors which are difficult to predict. Such factors include but are not limited to adverse economic and market conditions, changes in the general outlook for corporate earnings or risks associated with individual companies, which may adversely affect the net asset value of the Fund.

### **China A-share market risks**

- The existence of a liquid trading market for China A-shares may depend on whether there is supply of, and demand for, such China A-shares. The net asset value of the Fund may be adversely affected if trading markets for China A-shares are limited or absent. High market volatility and potential settlement difficulties in the China A-share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.
- Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in China on China A-shares. A suspension will render it impossible for the Fund Manager to liquidate positions and can thereby expose the Fund to significant losses.

### **Single country investment risk**

- The Fund invests primarily in China A-shares. Investors should be aware that the Fund's exposure is concentrated in the China market and is therefore likely to be more volatile than a broad-based fund.
- China is considered as an emerging market and investing in China may be subject the Fund to higher economic, political, social and regulatory risks. Investment in China may also be less liquid and more volatile.

### **RMB currency and conversion risk**

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- There is no guarantee that RMB will not depreciate. If a Unitholder converts Hong Kong dollars or any other currency into RMB so as to invest in the Fund and subsequently convert the RMB redemption proceeds back into Hong Kong dollars or any other currency, the Unitholder may suffer a loss if RMB has depreciated against Hong Kong dollar or other currency during that period.

### **PRC taxation risk**

- The value of the Fund's investments (and hence the net asset value of the Fund) will be adversely affected by taxation levied against the Fund's investments through the RQFII Quota held by CITIC Securities International Company Limited, which is payable by the Fund. In light of a recent circular jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission of the PRC under Caishui (2014) No.79 in relation to the temporary exemption of corporate income tax on capital gains derived by QFII and RQFII with effect from 17 November 2014, the Manager will not make any withholding income tax ("WIT") provision on the gross unrealised and realised capital gains derived by the Fund from investments in China A-shares.
- It is possible that the applicable tax laws may be changed (which may have retrospective effect). In such case, the Fund will bear the actual tax liabilities for which no tax provision has been made or for which the level of provision is inadequate. This will have an adverse impact to the Fund's net asset value. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Fund.

### **How has the fund performed?**

The Fund is newly set up for less than a full calendar year. There is insufficient data to provide a useful indication of past performance to investors.

### **Is there any guarantee?**

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

## CSI RMB China A-Shares Diversification Fund

### What are the fees and charges?

#### Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Fund.

Fee	What you pay
<b>Subscription fee (Subscription Charge)</b>	Up to 5% of the Issue Price of each Unit
<b>Redemption fee (Redemption Charge)</b>	Nil
<b>Switching fee (Conversion Fee)</b>	Nil
<b>Fiscal and Purchase Charges</b>	Up to 1% of the Issue Price of each Unit (in case of subscription) or up to 1% of the Redemption Price of each Unit (in case of redemption) chargeable only to compensate the Fund for any dilution in the Fund's net asset value as a result of a large volume of applications/redemptions by Unitholders, or a large application/redemption request from any Unitholder, on any Dealing Day and in the Fund Manager's opinion the continuing Unitholders might otherwise be materially adversely affected.

#### Ongoing fees payable by the Fund

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

Fee	Annual rate (as a % of the Fund's net asset value)
<b>Management fee</b>	1.5% p.a.*
<b>Trustee fee</b>	Up to 0.15% p.a.*, subject to a monthly minimum fee of RMB40,000
<b>Performance fee</b>	Nil
<b>Global Custodian fee</b>	Up to 0.1% p.a. plus transaction fees at customary rates dependent on the market the Fund invests and out of pocket expenses incurred by the Global Custodian and the PRC Sub-Custodian
<b>PRC Sub-Custodian fee</b>	Covered under Global Custodian fee

\* The current annual rate of the Management fee and the Trustee fee may be increased up to a specified permitted maximum level as set out in the Trust Prospectus and Fund Specific Prospectus by giving 1 month's prior notice to the investors.

#### Other fees

You may have to pay other fees when dealing in the Units of the Fund. The Fund may have to pay other fees to third parties. These include:

- **Trustee Set-Up Fee** – a once-off establishment fee of up to RMB8,000.
- **Trustee Out-of-Pocket Expense Fee** – reimbursement for out of pocket expenses of the Trustee such as postage and stationery.

#### Additional Information

You generally buy and redeem units at the Fund's next-determined net asset value after the authorized distributor receives your request in good order on or before 5 p.m. being the dealing cut-off time. Different authorized distributors may impose different dealing deadlines for receiving requests from investors.

The net asset value of this Fund is calculated and the price of units published each dealing day being each business day and such day(s) as the Fund Manager may from time to time determine. They are available online at <http://www.citics.com.hk/CSIInvestmentManagementFund.aspx> (Please click "(click for latest unit price)" under the category of CSI RMB China A-Shares Diversification Fund "中信証券人民幣中國 A 股分散基金"). Further details of the valuation method are described in the Trust Prospectus under "Calculation of Net Asset Value". The above website has not been reviewed by the SFC.

#### Important

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

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.