China Post Global Funds

PRODUCT KEY FACTS

Japan Small Cap Equity Fund ("Sub-Fund")

January 2019

Issuer: China Post & Capital Global Asset Management Limited

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Explanatory Memorandum.***
- ***You should not invest in this product based on this statement alone.***

Quick facts

Fund Manager:	China Post & Capital Global Asset Management Limited
Advisor:	Mitsubishi UFJ Trust and Banking Corporation
Trustee:	BOCI-Prudential Trustee Limited
Ongoing charges over a year*:	Class A (USD-hedged): 2.15% Class I (USD-hedged): 1.50% Class A (USD): 2.15% Class I (USD): 1.50% Class A (HKD): 2.15% Class I (HKD): 1.50% Class A (RMB): 2.15% Class I (RMB): 1.50% Class A (JPY): 2.15% Class I (JPY): 1.50% **The figures are estimates only. It represents estimated ongoing expenses over a 12 months period chargeable to the relevant class expressed as a percentage of the estimated average net asset value of such class over the same period. The actual figures may be different from the estimates and may vary from year to year.*
Dealing Frequency:	Daily
Financial year end:	31 December
Base Currency:	JPY
Distribution frequency:	The Sub-Fund does not intend to make distributions at this stage.
Minimum investment:	*Initial subscription:* Class A (USD-hedged): 100 Class I (USD-hedged): 100,000 Class A (USD): 100 Class I (USD): 100,000 Class A (HKD): 1,000 Class I (HKD): 1,000,000 Class A (RMB): 1,000 Class I (RMB): 1,000,000 Class A (JPY): 10,000 Class I (JPY): 10,000,000 *Subsequent subscription:* Class A (USD-hedged): 100 Class I (USD-hedged): 100,000 Class A (USD): 50 Class I (USD): 50,000 Class A (HKD): 500 Class I (HKD): 500,000 Class A (RMB): 500 Class I (RMB): 500,000 Class A (JPY): 5,000 Class I (JPY): 5,000,000
Minimum holding:	Class A (USD-hedged): 100 Class I (USD-hedged): 100,000 Class A (USD): 100 Class I (USD): 100,000 Class A (HKD): 1,000 Class I (HKD): 1,000,000 Class A (RMB): 1,000 Class I (RMB): 1,000,000 Class A (JPY): 10,000 Class I (JPY): 10,000,000

Website:	http://www.chinapostglobal.com

What is this product?

The Sub-Fund is a sub-fund of China Post Global Funds ("**Trust**"), a Hong Kong domiciled umbrella unit trust established by a trust deed dated 1 December 2016 and governed by the laws of Hong Kong.

Investment Objective and Investment Strategy

Investment Objective and Strategy

The Sub-Fund seeks to achieve long-term capital growth by focusing on idiosyncratic Japanese stocks with pioneering business models and long-term growth potential through economic cycles. The Sub-Fund tries to identify attractive Japanese small-cap companies, which are overlooked by other market participants, based on rigorous bottom-up research. Under normal market conditions, the Sub-Fund will invest primarily (i.e. at least 70% of its net asset value ("**NAV**")) in marketable equity securities of small capitalisation companies listed in Japan.

"Equity securities" are primarily common stocks of Japanese companies and Japanese exchange-traded funds ("**ETFs**") with returns based on equity and bond indices. Such ETFs may include physical and synthetic equity and bond ETFs (excluding leveraged and inverse exchange traded products).

The Sub-Fund considers "small capitalisation companies" to be those companies whose market capitalisation are within the range of the market capitalisation of companies in the S&P Japan Small Cap 250 index at the time of investment by the Sub-Fund.

The Manager seeks to achieve the investment objective by building a diversified portfolio of small capitalisation equity securities that the Manager believes offer an asymmetric risk/return profile, that is, more and higher returns on the upside and fewer and lower returns on the downside. Companies with sustainable growth potential are often smaller companies in a new industry or with a dominant technology in a niche area. The Sub-Fund tries to identify attractive Japanese small-cap companies, which are overlooked by other market participants, based on rigorous bottom-up research with a mid-long term view, typically over a three to five year horizon and beyond.

The Sub-Fund may use financial derivative instruments ("**FDI**"), including currency FDI and stock index futures, for hedging purposes. The Sub-Fund may also enter into futures contracts on an unhedged basis provided that the net total aggregate value of contract prices may not exceed 20% of the NAV of the Sub-Fund.

Allocation

The Sub-Fund's indicative asset allocation is presented in the table below:-

Types of investments	Percentage of allocation (% of NAV)
Equity securities, including ETFs	70 – 100
Cash, cash equivalents and short-term fixed income securities	0 – 15
FDI, including currency FDI, stock index futures for hedging purposes, and futures contracts on an unhedged basis	0 - 20

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

What are the key risks?

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

1 *General investment risk*

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

2 *Equity market risk*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. As a result, the Sub-Fund's value may be adversely affected.

3 *Currency risk*

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. 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.

4 *Risk associated with small-capitalisation companies*

The stock of small-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general. As a result, the Sub-Fund's value may be adversely affected.

5 *Geographical concentration risk*

The Sub-Fund's investments are concentrated in Japan. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Japanese market. As a result, the Sub-Fund's value and performance may be adversely affected.

6 *Risks of investing in ETFs*

The market price of the units of an ETF traded on the relevant stock exchange is determined not only by the NAV of the ETF, but also the supply of and demand for the units of the ETF in the relevant stock exchange. Therefore, there is a risk that the market price of the units may be traded at discounts or premiums to the NAV of the ETF, which may in turn adversely affect the NAV of the Sub-Fund. Also, an ETF may not be able to perfectly track the index it is designed to track. As an ETF is not actively managed by the manager of the ETF, it is expected that the ETF will decrease in value if there is a decline in the relevant index which the ETF seeks to track, which may in turn adversely affect the NAV of the Sub-Fund.

An ETF's performance may deviate from the index it is tracking due to a number of factors. The ability of the manager of an ETF to achieve a close correlation with the tracking index may be affected by certain factors, including fees and expenses of an ETF, the need for the manager to adopt a representative sampling strategy, rounding of prices, changes to the tracking index and regulatory policies. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income.

Additionally, synthetic ETFs utilising a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Swap-based synthetic ETFs and derivative embedded synthetic ETFs are exposed to counterparty and credit risks of the respective swap dealers or derivative instruments' issuers and may suffer losses if such dealers or issuers default or fail to honour their contractual commitments, which may in turn adversely affect the NAV of the Sub-Fund. A synthetic ETF may seek to mitigate such risk exposure to each counterparty by obtaining collateral from the relevant counterparty, which is subject to the collateral provider fulfilling its obligations and there may be a risk of loss to the synthetic ETF if the right against the collateral is exercised, and the market value of the collateral is substantially less than the amount secured. In addition, the risk exposure of a synthetic ETF may be monitored and marked to market daily to reduce the net exposure to each counterparty. Despite these measures to manage counterparty risk, such measures may involve risks of their own such as settlement, operational and realisation risks arising out of the collateral, and the synthetic ETF will continue to be subject to counterparty risk. These factors may have an adverse impact on the value of the Sub-Fund.

7 *RMB currency and conversion risks*

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investments in the Sub-Fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

8 *Currency hedged classes risk*

The currency hedging process used with currency hedged classes may not give a precise hedge and there is no guarantee that hedging will be completely successful. Returns of such classes may be significantly different over time than those of unhedged classes. Hedging at the Sub-Fund level will preclude investors from benefitting from appreciation of the non-JPY currencies (USD) against the base currency of the Sub-Fund (JPY). Investors in currency hedged 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 guarantee. 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 units of the Sub-Fund:

Fee	What you pay
Preliminary Charge	Class A and Class I: Up to 5.0% of the total subscription amount
Redemption Fee	Class A and Class I: Nil
Conversion Fee	Class A and Class I: Nil

Ongoing fees payable by the Sub-Fund

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

	Annual rate (as a % of the Sub-Fund's NAV)
Management Fee	1.4% per annum for Class A 0.75% per annum for Class I
Trustee Fee	Up to 0.15% per annum, subject to a monthly minimum fee of USD5,000
Performance Fee	Class A and Class I: Nil

Other Fees

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

You should note that the Redemption Fee, the Conversion Fee, the Management Fee and Trustee Fee may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. Please refer to the section "Fees and Expenses" of the Explanatory Memorandum for details of other fees and expenses.

Additional Information

You generally buy and redeem units at the Sub-Fund's next determined NAV after the Registrar receives your request in good order on or before 12 pm (Hong Kong time).

The NAV of the Sub-Fund is calculated and the price of units is published each Business Day. They are available on the Manager's website: http://www.chinapostglobal.com.

You can also find the following information of the Trust and Sub-Fund at www.chinapostglobal.com:

- The Explanatory Memorandum, including the product key facts statement for the Sub-Fund (as revised from time to time)
- The Dealing Days (as defined in the Explanatory Memorandum) for the Sub-Fund

Investors should note that the website referred to in this product key facts statement 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.