Understanding Constant Net Asset Value Funds in Hong Kong

BlackRock

Constant Net Asset Value (CNAV) Money Market Funds (MMFs) seek to preserve capital and provide liquidity. They are designed to offer a conservative cash management solution.

CNAV funds pricing methodology

The dealing price per share of a CNAV MMF authorized by the Securities & Futures Commission (SFC) of Hong Kong aims to remain constant, for example at 10 HKD, allowing investment returns to be received through income, if its mark-to-market (MTM) net asset value (NAV) is within a certain range, e.g. ± 50 basis points (bps) of the unit price, i.e. 9.95-10.05 HKD.

The underlying instruments of a CNAV MMF are valued at amortized cost basis. As part of ongoing monitoring, a mark-to-market price for the CNAV MMF is also calculated on a daily basis. The discrepancy between the amortized-cost NAV and the MTM NAV is closely monitored by the fund manager and published daily on the fund manager's website.

Where the CNAV MMF's transactional NAV (valued at amortized cost basis) and the MTM NAV differs by the abovementioned threshold of 50 basis points, the fund may switch to MTM valuation and become a Variable NAV (VNAV) MMF.

Liquidity levels

CNAV MMFs are subject to higher liquidity thresholds than VNAV MMFs, with minimum 15% daily liquid assets and 50% weekly liquid assets of the MMF's net asset value, in accordance with prevailing SFC regulation.

To maintain these levels, BlackRock usually seek to hold liquidity above the prescribed thresholds and in stressed market conditions, the levels are raised further, holding buffers well in excess of the minimums.

Eligible Instruments

CNAV MMFs must invest at least 99.5% of the NAV in liquid and high credit quality government-backed money market instruments, such as the Exchange Fund Bills issued by the Hong Kong Monetary Authority, reverse repurchase agreements secured by such government instruments, and in cash[1].

Constant NAV
Assets valued at amortized cost, allowing distributing share classes to achieve constant NAV

High Liquidity
Minimum 15% daily liquidity and minimum 50% weekly liquidity

High-Quality Instruments
99.5% in government-backed securities and in cash

Note: A Money Market Fund (MMF) is not a guaranteed investment vehicle and does not guarantee preservation of capital. An investment in MMFs is different from an investment in deposits. The principal invested in an MMF is capable of fluctuation and the risk of loss of the principal will be borne by the investor. A MMF does not rely on external support for guaranteeing the liquidity or stabilizing the NAV per share.

1. Money market instruments issued or guaranteed by a government, its public or local authorities or other multilateral agencies. Cash includes cash deposit with banks.

Source: BlackRock, May 2026. For illustrative purpose only.

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Anti-dilution tools (ADT)

Anti-dilution tools such as liquidity fees and redemption gates may be utilized to help ensure fair treatment towards all MMF investors in times of market uncertainty.

ADTs serve as a valuable mechanism in the interest of unit holders as a whole. Fund managers may apply ADTs based on prevailing market conditions and in the best interests of investors.

BlackRock philosophy

The Investment philosophy and objectives that BlackRock's CNAV money market solutions seek to achieve are capital maintenance, liquidity and yield, in that order.

Please contact your BlackRock relationship manager or visit www.blackrock.com/hk for any additional information.

What are liquidity fees and redemption gates?

Under certain circumstances (e.g. in times of market stress), a **liquidity fee** may be levied for redemptions (i.e. investors might be required to pay a fee if they redeem shares during this time). This fee may be applied at the discretion of the fund manager and approved by the fund trustee in the best interests of the unit holders.

A **redemption gate** is another measure that may be implemented by the fund manager, under certain circumstances, that limits redemptions in a fund for a short period of time. Its purpose is to help manage significant redemption activity and protect the interests of investors as a whole.

Understanding the difference between SFC-authorized CNAV and VNAV MMFs

Feature	CNAV	VNAV
Min. liquidity requirements	• 15% daily • 50% weekly	• 7.5% daily • 15% weekly
Pricing method for underlying instruments	• Amortized Cost[1]	• Mark-to-market
NAV behavior	• Stable (for distributing share classes)[1,2]	• Floating based on market value
Eligible instruments	• 99.5% of NAV in government-backed money market instruments, reverse repurchase agreements secured by such government instruments, or cash (cash includes cash deposit with banks)	• May invest in short-term deposits and high-quality money market instruments[3] • May invest up to 15% in asset-backed securities
Maximum Weighted Average Maturity (WAM)	• 60 days	• 60 days
Maximum Weighted Average Life (WAL)	• 120 days	• 120 days

1. When the discrepancy between amortized cost NAV and MTM NAV is below threshold.
2. Accumulating share classes' NAV of a CNAV MMF may change driven by accumulation of income.
3. According to SFC's Code on Unit Trusts and Mutual Funds, money market instruments refer to securities normally dealt in on the money markets, for example, government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc.

Source: SFC Code on Unit Trusts and Mutual Funds; BlackRock, May 2026

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