



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng MidCap Index Fund (the “Fund”).***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum for Hang Seng Investment Series (the “Explanatory Memorandum”) and the Term Sheet of the Fund.***
- ***You should not invest in the Fund based on this statement alone.***

Quick Facts

Manager:	Hang Seng Investment Management Limited	
Trustee & Registrar:	HSBC Institutional Trust Services (Asia) Limited	
Base Currency:	HKD	
Underlying Index:	Hang Seng Composite MidCap Index	
Dealing Frequency:	Daily*	
Dividend Policy:	Income Units**	The Manager currently intends to make declaration of distribution on an annual basis (i.e. December in each year). The distribution will be made in the form of cash payment. The Manager may at its discretion pay dividend out of the capital of the Fund. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction of the Net Asset Value per Unit.
	Accumulation Units	No distribution, any income received by the Fund will be accumulated and reflected in the Unit price.
Minimum Subscription Amount (lump sum):	As determined by the Authorised Distributor(s) of the Fund	
Ongoing charges over a year***	Class A - Accumulation Units	1.65%
Tracking difference of 2021****	Class A - Income Units**	-1.40%
	Class A - Accumulation Units	-1.41%
Financial year end of the Fund:	31 December	

* Generally, Dealing Day is any day (except Saturday) on which banks in Hong Kong are open for normal banking business. Please refer to the Explanatory Memorandum for the full definition of “Dealing Day”.

** The Income Units are no longer marketed to the public of Hong Kong starting from 31 December 2014.

*** The ongoing charges figure for Class A - Accumulation Units is based on ongoing expenses for the year ended 31 December 2021 expressed as a percentage of the Fund's average Net Asset Value for the same period. It includes the fees of the Manager and the Trustee. Please refer to the “CHARGES AND EXPENSES” section in the Explanatory Memorandum and the Term Sheet of the Fund respectively for details. This figure may vary from year to year. The ongoing charges figure (if any) of the Class A - Income Units is available from the Manager on request.

**** This is the actual tracking difference of the calendar year 2021.

What is the Fund?

- ❖ The Fund is a fund in the Hang Seng Investment Series, which is a unit trust established as an umbrella fund and is currently domiciled in The Hong Kong Special Administrative Region (“Hong Kong”).
- ❖ This is an index fund.

Objective and Investment Strategy

Objective

The investment objective of the Fund is to match as closely as practicable, before fees and expenses, the total return performance (net of withholding tax) of the Hang Seng Composite MidCap Index (the “Index”) through investing primarily in the constituent stocks of the Index.

Investment Strategy

The Manager will primarily adopt the full replication strategy by which the assets of the Fund will comprise the constituent stocks with reference to their respective weightings in the Index. In order to maximise portfolio management efficiency, minimise transaction cost and tracking error, exposure to the Index may also be obtained through other index-tracking strategies (such as sampling strategies) or financial derivative instruments from which the return to the Fund will substantially reflect the performance of the Index. Such strategies and instruments are chosen based on their correlation with the Index and cost efficiency in order to reflect the characteristics of the Index.

Index

The Index is a sub-index of the Hang Seng Composite Index (the “HSCI”). The HSCI offers a comprehensive Hong Kong market benchmark that covers the top 95% in terms of cumulative market capitalisation of the Hong Kong stock market, and is sub-divided into three size indexes based on the sizes of the constituents. The Index covers the next 15% in terms of cumulative market capitalisation coverage of the HSCI, following the top 80%.

The Index is denominated in HKD. It was launched on 3 October 2001 with a base value of 2,000 as of 3 January 2000. It is calculated and disseminated real-time at a 2-second intervals during trading hours of The Stock Exchange of Hong Kong Limited (“SEHK”).

Both the Manager and the Index provider are presently subsidiaries of Hang Seng Bank Limited. The functions which the Index provider and the Manager will perform in connection with the Fund may give rise to potential conflicts of interest but the Manager will manage any such conflicts in the best interest of investors. Please refer to the Term Sheet of the Fund for further details.

The Fund aims to match as closely as practicable, before fees and expenses, the performance of the total return (net of withholding tax) version of the Index.

The universe of securities of HSCI includes securities listed on the Main Board of the SEHK only. It includes primary- or secondary-listed shares of companies, Real Estate Investment Trusts and Stapled Securities that are incorporated in Greater China or have the majority of their business presence in Greater China. It also includes primary listed shares of ‘One Share One Vote’ foreign companies, which are incorporated outside Greater China and have the majority of their business presence outside Greater China. It also includes biotech companies listed under Chapter 18A of the SEHK’s Main Board Listing Rules.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 10% cap on each constituent and an aggregate weighting cap of 5% on foreign companies constituents. The constituents of the Index are reviewed half-yearly.

As at 13 April 2022, the Index comprised 204 constituents listed on SEHK with total market capitalisation of HKD2,713.4 billion. The constituents of the Index together with their respective weightings may be accessed via the Index provider’s website at: www.hsi.com.hk[▲].

For details, please refer to the website of the Index provider, Hang Seng Indexes Company Limited, at www.hsi.com.hk[▲].

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of its Net Asset Value.

What are the key risks?

Investment involves risks. Please refer to the “Risk Factors” section in the Explanatory Memorandum and the Term Sheet of the Fund respectively for details.

Investment Risk

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

Equity Market Risk

- ❖ The 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.

Tracking Error Risk

- ❖ The Fund is subject to tracking error risk, which is the risk that its performance may not track that of the Index exactly. This tracking error may result from the investment strategy used, and fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Index.

Risks associated with Passive Investments

- ❖ The Fund is passively managed and the Manager does not have the discretion to adapt to market changes due to the inherent investment nature of the Fund. Falls in the Index are expected to result in corresponding falls in the value of the Fund.

Concentration Risk in respect of Index Funds

- ❖ To the extent that the Index concentrates in the Hong Kong listed securities (including H-Shares and Red-chips) of particular size(s) (i.e. midcap), the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- ❖ The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Hong Kong.

Risk associated with Mid-capitalisation Companies

- ❖ The stock of mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

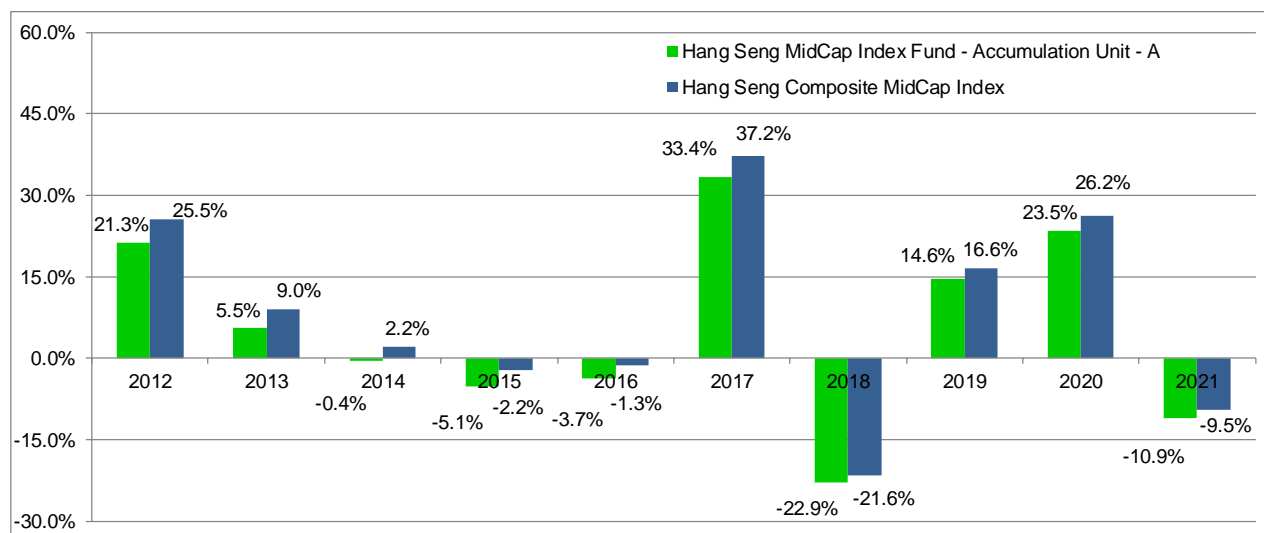
Risks associated with Distribution out of the Fund's Capital

- ❖ For Income Units**, payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investments. Any such distributions may result in an immediate reduction of the Net Asset Value per Unit.

Risk associated with investments in companies with weighted voting rights

- ❖ The Fund may invest in, or the constituents of the Index may include, companies (such as innovative companies) which have a weighted voting rights structure. This leads to issues relating to shareholder rights and corporate governance as well as investor protection, which may have a negative impact on the Fund where the Fund invests in the ordinary shares of such companies.

How has the Fund performed?



- ❖ Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- ❖ The computation basis of the performance is based on the calendar year end, Unit Price-To-Unit Price, with dividend (if any) reinvested.
- ❖ These figures show by how much the Class of Units increased or decreased in value during the calendar year being shown. Performance data of the Fund and the Index has been calculated in HKD including ongoing charges and excluding subscription fee and switching fee you might have to pay.
- ❖ The Benchmark of the Fund is Hang Seng Composite MidCap Index (total return with dividend reinvested, net of PRC withholding tax).
- ❖ The Class B Units of the Fund were consolidated into Class A Units of the Fund with effect from 24 December 2014.
- ❖ Fund launch date: 2002
- ❖ Class A - Accumulation Units launch date: 2002
- ❖ The Manager views Class A – Accumulation Units, being the retail Class of Units with the longest track record and currently marketed to the public of Hong Kong, as the most appropriate representative Class of Units.
- ❖ Investors may obtain the past performance information of other Class(es) of Units (if any) from the website www.hangsenginvestment.com[▲] when it has an investment track record of not less than 6 months.

Is there any guarantee?

The 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 Units of the Fund.

Fee	What you pay [#]	
Subscription Fee	Class A Units	Up to 3.0% of the issue price of the Fund

Switching Fee	Class A Units	Up to 2.0% of the issue price of the Fund
Redemption Fee	Class A Units	Nil

Please contact the Authorised Distributor(s) of the Fund for details.

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.

	Annual rate (as a % of the Net Asset Value of the Fund)	
Management Fee [^]	Class A Units	Up to 1.0%
Trustee Fee [^]	Class A Units	0.045%

[^] Please note that the annual rate stated may be increased up to a permitted maximum rate as set out in the Explanatory Memorandum by giving 1 month's prior notice to relevant Unitholders.

Other fees

You may have to pay other fees and charges when dealing in the Units of the Fund. Please refer to the "CHARGES AND EXPENSES" section in the Explanatory Memorandum for details.

Additional Information

- ❖ You generally buy and redeem Units at the Fund's next-determined Net Asset Value.
- ❖ To be dealt with on a Dealing Day, your request has to be received by the Authorised Distributor(s) of the Fund in good order on or before the dealing cutoff time as set by them (which may be different from that as set by the Manager). Please contact the Authorised Distributor(s) of the Fund for details.
- ❖ The Net Asset Value of the Fund on each Dealing Day is normally calculated on the Business Day after that Dealing Day, and is available online at www.hangsenginvestment.com[▲].
- ❖ The compositions of the dividends (if any) (i.e. the percentages of dividends being paid out of (i) net distributable income and (ii) capital) for a rolling 12-month period are available from the Manager on request and on the website www.hangsenginvestment.com[▲].
- ❖ Investors may obtain other information of the Fund from the website www.hangsenginvestment.com[▲].

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.

[▲] This website has not been reviewed by the SFC.

Issued by Hang Seng Investment Management Limited (wholly-owned subsidiary of Hang Seng Bank)