



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng Hong Kong Bond 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	
Dealing Frequency:	Daily*	
Dividend Policy:	Class A HKD** – Income Units, Class A USD – Income Units, Class A RMB (Hedged) – Income Units Class A AUD (Hedged) – Income Units	The Manager currently intends to make declaration of distribution on a monthly basis. 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.
	Class A HKD and Class D – 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 HKD – Income Units	0.61%
	Class A USD – Income Units	0.61%
	Class A RMB (Hedged) – Income Units	0.61%
	Class A AUD (Hedged) – Income Units	0.61%
	Class A HKD – Accumulation Units	0.61%
	Class D – Accumulation Units	0.61%
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”.

** For clarity, with effect from 29 March 2021, Class A Units are renamed to Class A HKD Units.

*** The ongoing charges figures for Class A HKD – Income Units, Class A HKD – Accumulation Units and Class D – Accumulation Units are 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. They include the fees of the Manager and the Trustee. As Class A USD – Income Units, Class A RMB (Hedged) – Income Units and Class A AUD (Hedged) –

Income Units were newly established in March 2021, September 2021 and May 2022 respectively, the ongoing charges figures Class A USD – Income Units, Class A RMB (Hedged) – Income Units and Class A AUD (Hedged) – Income Units are the Manager's best estimate of the expenses and the average Net Asset Value of the Class of Units over a 12-month period based on information available on other Classes of Units already launched with a similar fee structure. The actual figures may be different from the estimate. 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 figures (if any) for Class I Units and Class Z Units are available from the Manager on request.

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").

Objective and Investment Strategy

The investment objective of the Fund is to maximise total returns while maintaining steady current income through investing at least 70% of its Net Asset Value in a range of Hong Kong dollar-denominated debt securities issued by entities within or outside Hong Kong, together with other debt securities issued by Hong Kong entities. The debt securities the Fund may invest in include (but not limited to) bonds, notes and certificate of deposit and may be issued by governments, quasi-governmental organisation, international organisations, financial institutions and other corporations.

In addition, the Fund may invest less than 30% of its Net Asset Value in debt securities issued or guaranteed by the government of the People's Republic of China, any of its provinces, any related quasi-governmental organisation or any government-owned organisation which are issued and distributed outside of mainland China.

There are no restrictions on the minimum credit ratings of the debt securities the Fund may invest in. In determining whether a debt security is "unrated", the Manager will consider the credit rating of the debt security itself; if the debt security is not rated, then the Manager will consider the credit rating of the issuer. If neither the debt security itself nor its issuer is rated, the debt security will be classified as "unrated". For the avoidance of doubt, for debt securities which are rated and/or the issuer of which are rated by multiple internationally recognized credit rating agencies, if the credit ratings of the debt securities amongst credit rating agencies differ, the highest available rating assigned by an internationally recognized credit rating agency will be used for the purpose of determining the credit rating. While the credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors.

The Fund does not intend to have an investment focus in terms of industries or sectors.

The Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (e.g. debt instruments, non-preferred senior debt instruments and other senior or subordinated debt instruments issued by a holding company of a financial institution with features of contingent write-down on the occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level).

Use of derivatives / investment in derivatives

The Fund will not use financial derivative instruments for any purposes other than for hedging the currency exposure in currency hedged classes.

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.

Currency and exchange rate control Risk

- ❖ A Class of Units may be designated in a currency other than the base currency of the Fund. The underlying investments of the Fund may include securities denominated in currencies other than the base currency of the Fund and the class currencies of the respective Classes of Units of the Fund. The Net Asset Value of the Fund and the distribution (if any) may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Fund's base currency and the class currencies of the respective Classes of Units of the Fund, and by changes in exchange rate controls.

Risks for Funds investing in Fixed Income Instruments

In respect of the investments of the Fund in fixed income instruments, the key risks include the following:-

Credit / Counterparty Risk

- ❖ The Fund is exposed to the credit/default risk of issuers of the fixed income instruments that the Fund may invest in.

Interest Rate Risk

- ❖ Investment in the Fund is subject to interest rate risk. In general, the prices of fixed income instruments rise when interest rates fall, whilst their prices fall when interest rates rise.

Volatility and Liquidity Risk

- ❖ The fixed income instruments in 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 fluctuations. The bid and offer spreads of the price of such securities may be large and the Fund may incur significant trading costs.

Downgrading Risk

- ❖ The credit rating of a fixed income instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Fund may be adversely affected. The Manager may or may not be able to dispose of the fixed income instruments that are being downgraded.

Sovereign Debt Risk

- ❖ The 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 Fund to participate in restructuring such debts. The Fund may suffer significant losses when there is a default of sovereign debt issuers.

Valuation Risk

- ❖ Valuation of the Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Fund.

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.

Risks associated with Investing in Debt Instruments of Emerging Markets

- ❖ The above risks for investing in fixed income instruments may be especially pronounced for fixed income instruments of emerging markets. Investment in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets. Other risks include, without limitation, currency fluctuations/control, legal and taxation risks, settlement risks, custody risk, the risks of investing in countries with smaller capital markets (such as limited liquidity, price volatility and restrictions on foreign investments), and additional risks associated with emerging economies (including high inflation and interest rates, substantial external debt and political and social uncertainties).

Risk associated with Investing in Lower-rated/Non-investment Grade/Unrated Debt Instruments

- ❖ The Fund may invest in debt securities rated below investment grade or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities. Unrated debt instrument is debt instrument which neither the debt instrument itself nor its issuers has a credit rating.

Concentration Risk

- ❖ The Fund's investments are concentrated in Hong Kong dollar-denominated debt securities and other debt securities issued by Hong Kong entities. 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.

RMB Currency and Conversion Risks

- ❖ 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 (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of an investor's investment in the 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 and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Currency Hedging Risk

- ❖ The Fund may attempt to hedge the currency of denomination of a Class of Units against the base currency of the Fund or the currency of the underlying assets. The costs of hedging transactions will be reflected in the Net Asset Value of such Class of Units and therefore, Unitholders of a hedged class will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions.
- ❖ If the counterparties of the instruments used for hedging purpose default, Unitholders of the hedged class may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses.

- ❖ There is no assurance that hedging will be effective and Unitholders may still be subject to the currency exchange risk. Any profits or losses from currency hedging shall accrue to the value of the relevant currency hedged classes.
- ❖ When the Manager seeks to hedge against currency fluctuations, while it is not the intention, this could result in over-hedged or under-hedged positions. Furthermore, risks associated with leverage may arise from the derivative positions of the hedging transactions as a result of over-hedging the currency exposure. Unitholders of a hedged class may have exposure to currencies other than the denominated currency of that hedged class. It should also be noted that hedging transactions may be entered into whether the denominated currency of the hedged classes is declining or increasing in value relative to the Fund's base currency and/or the currency of the underlying asset, where such hedging is undertaken it may substantially protect Unitholders in the hedged class against a decrease in the value of the Fund's base currency and/or the currency of the underlying asset relative to the class currency of the hedged class, but it may also preclude Unitholders from benefiting from an increase in the value of the Fund's base currency and/or the currency of the underlying asset.
- ❖ Unitholders whose base currency is different from the currency of the hedged class may be exposed to additional currency risk.

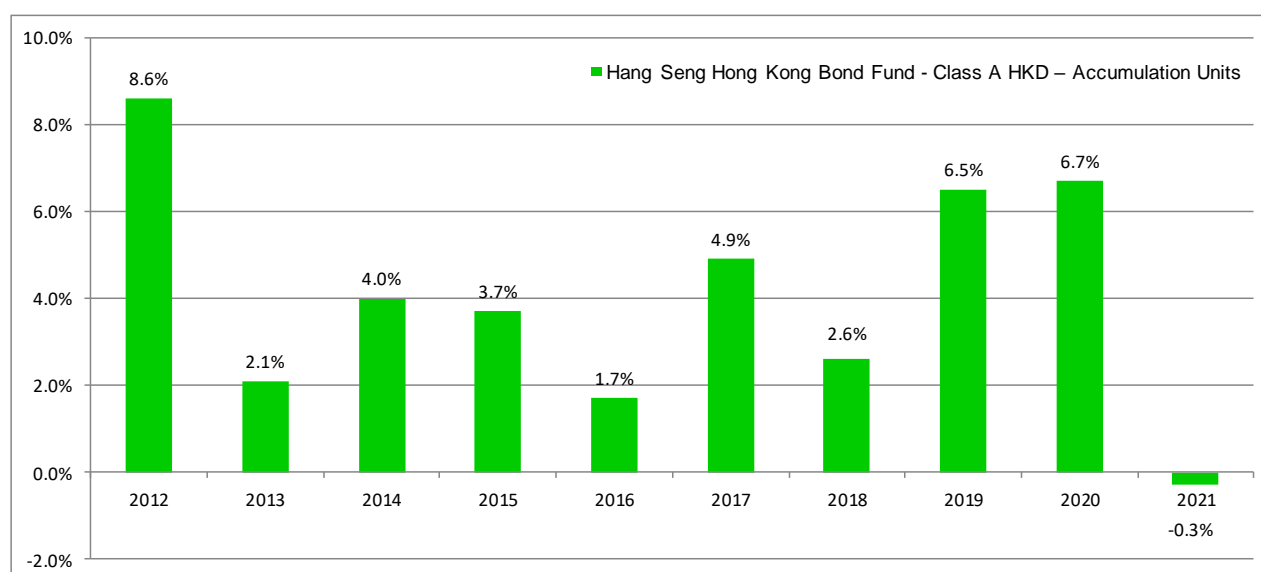
Risks associated with Distribution out of the Fund's Capital

- ❖ 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.

Distribution Risk for Currency Hedged Classes

- ❖ The distribution amount and/or rate of the currency hedged classes may be more than or less than such amount and/ or rate of the Class of unit which is denominated in the Fund's base currency due to various factors, including but not limited to short-term interest rate differentials. Interest rate differentials means differences in interest rates of the denominated currency of the hedged class and the Fund's base currency. When the interest rate of the denominated currency of the hedged class is lower than the Fund's base currency, the distribution amount and/or rate of the currency hedged classes may be less than that of the Class of unit which is denominated in the Fund's base currency, vice versa.
- ❖ The distribution amount and Net Asset Value of the hedged unit classes may be adversely affected by the interest rate differentials, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than non-hedged classes.

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 has been calculated in HKD including ongoing charges and excluding subscription fee and switching fee you might have to pay.
- ❖ The Class B Units of the Fund were consolidated into Class A HKD Units of the Fund with effect from 24 December 2014.
- ❖ Fund launch date: 2000
- ❖ Class A HKD – Accumulation Units launch date: 2000
- ❖ The Manager views Class A HKD – 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.
- ❖ Past performance information (if any) for Class I Units and Class Z Units are available from the Manager on request.

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?

The fees and charges (if any) for Class I Units and Class Z Units are available from the Manager on request.

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 HKD Units	Up to 4.0% of the issue price of the Fund
	Class A USD Units	
	Class A RMB (Hedged) Units	
	Class A AUD (Hedged) Units	
	Class D Units	
Switching Fee	Class A HKD Units	Up to 2.0% of the issue price of the Fund
	Class A USD Units	
	Class A RMB (Hedged) Units	
	Class A AUD (Hedged) Units	
	Class D Units	
Redemption Fee	Class A HKD Units	Nil
	Class A USD Units	
	Class A RMB (Hedged) Units	
	Class A AUD (Hedged) Units	
	Class D Units	

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 HKD Units	Up to 1.00%
	Class A USD Units	
	Class A RMB (Hedged) Units	
	Class A AUD (Hedged) Units	
	Class D Units	
Trustee Fee [^]	Class A HKD Units	0.035%
	Class A USD Units	
	Class A RMB (Hedged) Units	
	Class A AUD (Hedged) Units	

	Class D Units	
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^ 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)