

Nikko Asset Management Hong Kong Limited
Nikko AM Hong Kong Investment Funds
Nikko AM Asian Small Mid Equity Fund

- *This statement provides you with key information about Nikko AM Asian Small Mid Equity Fund (the “Sub-Fund”).*
- *This statement is a part of the offering document and must be read in conjunction with the Prospectus of Nikko AM Hong Kong Investment Funds (the “Fund”) for the Sub-Fund.*
- *You should not invest in this Sub-Fund based on this statement alone.*

Quick facts

| | |
|---|---|
| Manager: | Nikko Asset Management Hong Kong Limited |
| Investment Sub-Manager: | Nikko Asset Management Asia Limited (located in Singapore) (internal delegation) |
| Trustee: | HSBC Institutional Trust Services (Asia) Limited |
| Ongoing charges over a year[#]: | HKD Class: 2.00% USD Class: 2.00% RMB Class: 2.00% |
| Dealing frequency: | Daily, on every Dealing Day |
| Base currency: | USD |
| Dividend policy: | No dividend distribution |
| Financial year end of this Sub-Fund: | 31 December |

Min. investment:

| | HKD Class | USD Class | RMB Class |
|--------------------|------------|-----------|------------|
| Initial: | HKD 10,000 | USD 1,000 | RMB 10,000 |
| Subsequent: | HKD 10,000 | USD 1,000 | RMB 10,000 |

[#] The ongoing charges figure is based on the expenses for the period from 1 January 2021 to 31 December 2021 and expressed as a percentage of the respective class of units of the Sub-Fund's average net asset value for the corresponding period, and based on information in the annual financial report for the period ended 31 December 2021. This figure may vary from year to year. The Total Expense Ratio of the Sub-Fund, having the same calculation basis as the ongoing charges figure, will be capped at 2% of the average Net Asset Value of the Sub-Fund over a 12-month period. The expenses in excess of 2% will be borne by Nikko Asset Management Hong Kong Limited. The Manager may remove the cap of 2% of the average Net Asset Value of the Sub-Fund upon obtaining the SFC's prior approval and giving one month's prior written notice to the unitholders of the Sub-Fund.

What is this product?

- Nikko AM Asian Small Mid Equity Fund is a sub-fund of Nikko AM Hong Kong Investment Funds which is a Hong Kong domiciled umbrella structure unit trust established by a trust deed dated 25 October 2016, as amended from time to time. It is governed by the laws of Hong Kong.

Objective and Investment Strategy

Objective and Strategy

Investment Objective

The Sub-Fund aims to achieve medium to long-term capital appreciation by investing primarily in the listed equities of small to medium sized companies that are listed, or have their registered offices in Asia ex Japan or that generate a predominant share of their sales and/or their profits in Asia ex Japan.

Investment Strategy

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in the listed equities of small to medium sized companies in Asia ex Japan. Small to medium sized companies means companies with a market capitalization of USD 100 million to USD 13 billion.

The Manager seeks to identify 40-60 stocks in the Manager's focused portfolio through bottom-up stock research. The investments of the Sub-Fund will have no specific industry or sectoral emphasis. Stock selections are made via (1) quantitative screening, (2) considerations of company specific factors such as growth profiles, profitability and

valuations and (3) sector-specific research on industry developments and their impact on companies' businesses. The Manager conducts thorough research on the stock selections and seeks to identify companies with positive characteristics such as the ability to deliver sustainable shareholder returns, positive fundamental changes with strong market potential, healthy financials, strong management and attractive valuation.

The Manager believes that active management based on in-depth fundamental stock research can add value to investors.

The Sub-Fund may use financial derivative instruments, such as forwards, futures, options and swaps for hedging purposes only.

The Manager currently does not intend to enter into any securities financing transactions or invest in over-the-counter financial derivative instruments in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to unitholders should there be a change in such intention.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value.

What are the key risks?

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

1. Investment risk

- The Sub-Fund is an investment fund and not a bank deposit. There is no guarantee of the repayment of principal.
- The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses.

2. Risks relating to equity securities

- Investment in equity securities is subject to market risks. The prices of such securities may also be volatile and a number of factors may affect stock prices, including but not limited to, changes in investment sentiment, political environment, economic environment, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations.
- If the market value of equity securities in which the Sub-Fund invests in goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses.

3. Risk relating to investment in a focus portfolio of stocks

- The Sub-Fund invests in a focus portfolio of selected stocks. The Sub-Fund's portfolio may not be well diversified in terms of the number of stocks and the number of issuers of securities that the Sub-Fund may invest in. The Sub-Fund may be adversely affected by or depend heavily on the performance of those securities and is likely to be more volatile than a fund with a more diversified portfolio.

4. Risk of investing in Asia

- The Sub-Fund primarily invest in Asian (excluding Japan) equity securities. The Sub-Fund may be adversely affected by or depend heavily on the performance of Asian (excluding Japan) equity securities. Investors should also be aware that the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in Asia (excluding Japan).

5. Emerging markets risk

- The Sub-Fund may invest in Asian emerging markets. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity, market volatility, regulatory, settlement and custody risks.

6. Risk relating to small-and mid-capped companies

- The Sub-Fund invests substantially in the securities of small and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as lower liquidity, greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle than those of larger capitalisation companies in general.

7. Currency and foreign exchange risk

- The Sub-Fund's assets and liabilities may be denominated in currencies different from the base currency of the Sub-Fund and the class currency of the relevant unit class. The Sub-Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the base currency of the Sub-Fund, class currency of the relevant unit class and currencies in which the underlying assets and liabilities are denominated.
- In addition, the class currency of a unit class may be different from the base currency of the Sub-Fund and

currencies in which the underlying assets and liabilities are denominated. Changes in the exchange rate between the base currency and such class currency and between the currencies of the underlying assets and liabilities and such class currency may lead to a depreciation of the value of such units as expressed in the class currency.

8. RMB currency risk and RMB classes related risk

- The Sub-Fund may have limited exposure to RMB denominated investments. RMB is currently not a freely convertible currency. The supply of RMB and the conversion of foreign currency into RMB are subject to exchange control policies and restrictions imposed by the Chinese authorities; therefore, currency conversion is subject to availability of RMB at the relevant time.
- When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the “CNH”) will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the “CNY”) and there may be significant bid and offer spreads. The fluctuation in the CNH/CNY exchange rate may impact the value of the RMB classes.
- Investments in RMB classes are subject to RMB currency risks. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors’ investments in the RMB classes of the Sub-Fund and investors may suffer losses. Non-RMB based investors may have to convert Hong Kong dollars or other currencies into RMB when investing in the RMB classes and may need to convert RMB redemption proceeds into Hong Kong dollars or other currencies. During these processes, investors will incur currency conversion costs. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.
- Depending on the exchange rate movements of RMB relative to the base currency of the Sub-Fund and/or other currency(ies) of the non-RMB-denominated underlying investments of the Sub-Fund,
 - (i) you may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or
 - (ii) you may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

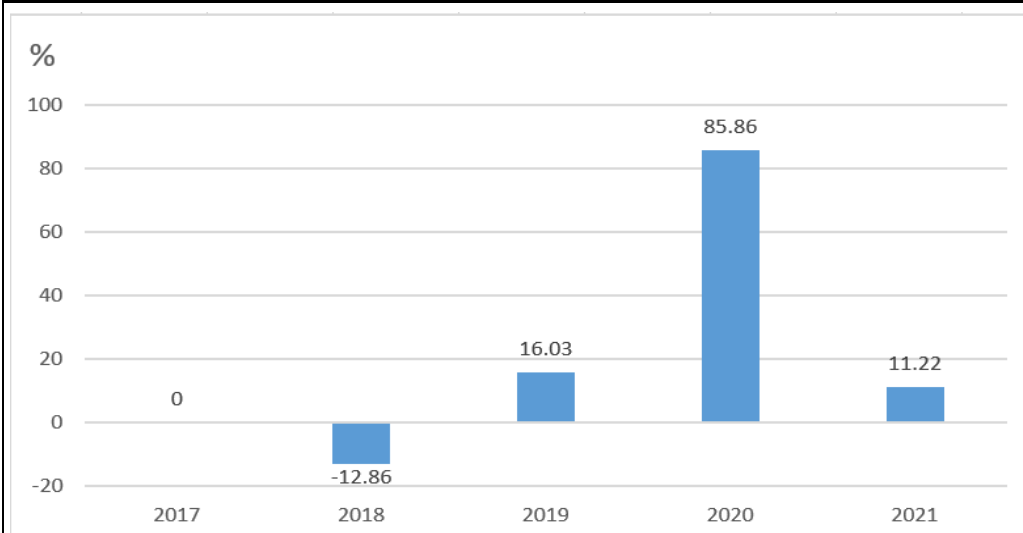
9. Derivative risk

- The use of financial derivative instruments may expose the Sub-Fund to additional risks including volatility risk, credit risk, liquidity risk, valuation risk and counterparty risk.
- The Sub-Fund’s use of financial derivative instruments in hedging purpose may become ineffective and/or cause the Sub-Fund to suffer significant losses.

10. Early termination risk

- With an aim to obtain a size and expense level for the Sub-Fund to be economically viable, the Manager has imposed a cap of Total Expense Ratio of 2%. However, the capped Total Expense Ratio may or may not be successful in achieving its intended results.
- In the event that the Manager considers that it is impracticable or inadvisable to operate the Sub-Fund or is no longer feasible to maintain a capped Total Expense Ratio for the continual operation of the Sub-Fund, the Manager may terminate the Sub-Fund according to the provisions in the Fund’s constitutive documents.
- There is no guarantee that investors in the Sub-Fund may recoup their capital in the event that the Sub-Fund is being terminated under this circumstance.

How has the Sub-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, NAV-to-NAV, with dividend reinvested.
- These figures show by how much the USD share class increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown, there was insufficient data available in that year to provide performance.
- Fund inception date: 18 January 2017

Is there any guarantee?

This Sub-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 Sub-Fund.

| Fee | What you pay |
|-------------------------------------|--|
| Subscription Fee (Sales Charge) | Up to 5.00% of the subscription amount |
| Realisation Fee (Redemption Charge) | Nil |
| Switching Fee | Not Applicable |

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.

| Fee | Annual rate (as a % of the Sub-Fund's net asset value) |
|-----------------|--|
| Management Fee | Current rate being 1.50% p.a.* |
| Trustee Fee | Current rate being 0.125% p.a.* (subject to a minimum of USD22,500 p.a.) |
| Performance Fee | Nil |

* You should note that such fee may be increased, up to a specified permitted maximum level, by giving the relevant unitholders at least 1 month' prior notice.

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in the Prospectus.

Additional Information

- You generally buy and realise units at the Sub-Fund's next-determined Net Asset Value after the authorised distributors receive your request in good order on or before 4:00p.m. (Hong Kong time) on the relevant Dealing Day. The authorised distributors may impose different dealing deadlines for receiving instructions for subscriptions, realisations or switching. Investors should pay attention to the arrangements of the authorised distributor(s) concerned.
- The Net Asset Value per unit of the Sub-Fund is calculated and the price of units will be published each business day on the Manager's website at <https://www.nikkoam.com.hk/funds> (the website has not been reviewed or authorised 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.