



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng Asian 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:	USD	
Dealing Frequency:	Daily*	
Dividend Policy:	Class A USD - Income Units, Class A HKD - Income Units, Class A RMB (Hedged) - Income Units and 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 USD - Accumulation Units** and Class D HKD - 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 USD - Income Units	1.24%
	Class A HKD - Income Units	1.24%
	Class A RMB (Hedged) - Income Units	1.24%
	Class A AUD (Hedged) - Income Units	1.24%
	Class D HKD - Accumulation Units	1.24%
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”.

** Class A USD – Accumulation Units are no longer marketed to the public of Hong Kong starting from 19 January 2015.

*** With effect from 7 February 2022, the management fee of Class A Units of the Fund has been revised to 1.00% per annum of the Net Asset Value of the Fund. The ongoing charges figure for Class A USD - Income Units is an estimate calculated based on the revised management fee and the ongoing expenses (excluding the management fee) 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. As Class A HKD – Income Units, Class A RMB (Hedged) – Income Units and Class D HKD – Accumulation Units were newly established in February 2022, and Class A AUD (Hedged) - Income Units were newly established in March 2022, the ongoing charges figures for these Classes of 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 figure (if any) for Class A USD - Accumulation Units of the Fund is 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

Objective

The investment objective of the Fund is to maximize long term total return, in terms of both income and capital appreciation by investing at least 70% of its Net Asset Value in Asian debt securities predominantly denominated in USD.

Investment Strategy

The Fund may invest primarily (i.e. at least 70% of its Net Asset Value) in a portfolio of debt securities denominated in USD that are issued or guaranteed by entities such as governments, government agencies, supranational entities, corporations, financial institutions and banks established or incorporated in Asia or have significant operations or assets in, or derive a significant portion of revenue or profits from Asia, which may include issuers located in emerging as well as developed markets.

The Fund will invest not more than 50% of its Net Asset Value in debt securities that are below investment grade or unrated. Non-investment grade bonds are bonds which are rated below Baa3 by Moody's, below BBB- by Standard & Poor's, below BBB- by Fitch or an equivalent rating by other recognized rating agencies.

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 Manager intends to invest in a diversified portfolio with not more than 10% of the Net Asset Value of the Fund invested in debt securities issued and/or guaranteed by a single corporate issuer. The Fund will also not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by any single sovereign issuer (including its government, public or local authority) which is below investment grade or unrated.

The Fund may invest less than 30% of its Net Asset Value in urban investment bonds (城投債), which are debt instruments issued by mainland Chinese local government financing vehicles ("LGFVs") in the offshore bond markets. These LGFVs are separate legal entities established by local governments and/or their affiliates to

raise financing for public welfare investment or infrastructure projects. The Fund does not intend to invest in onshore debt securities in mainland China.

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, contingent convertible debt securities (commonly known as CoCos) and other senior or subordinated debt instruments issued by a holding company of a financial institution or a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of either of the following events: (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).

The Fund may invest less than 20% of its Net Asset Value in other collective investment schemes (including exchange-traded funds), out of which, the Fund may invest less than 10% of its Net Asset Value in collective investment schemes that are non-eligible schemes and not authorised by the SFC.

The Manager has no intention to enter into any securities lending, sale and repurchase and/or reverse repurchase transactions.

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.

Concentration Risk

- ❖ The Fund's investments are concentrated in Asian debt securities. 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 Asia.
- ❖ The Fund invests with no prescribed concentration on industry sector or specific countries within Asia, but may be concentrated in a particular industry sector or a specific country located within Asia from time to time. During such circumstances, the value of the Fund may be more volatile than that of a fund having at the relevant times a more diverse portfolio of investments, and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant Asian market.

Risks for Funds investing in Fixed Income Instruments

In respect of the Fund's underlying investments 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).

Risks 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 securities are debt securities which neither the debt securities nor their issuers have a credit rating.

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.

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 USD) will not depreciate. Any depreciation of RMB could adversely affect the value of 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 (if any) 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.
- ❖ While it is not the intention, the currency hedging performed by the Fund could result in over-hedged or under-hedged positions. Furthermore, currency hedging may 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.

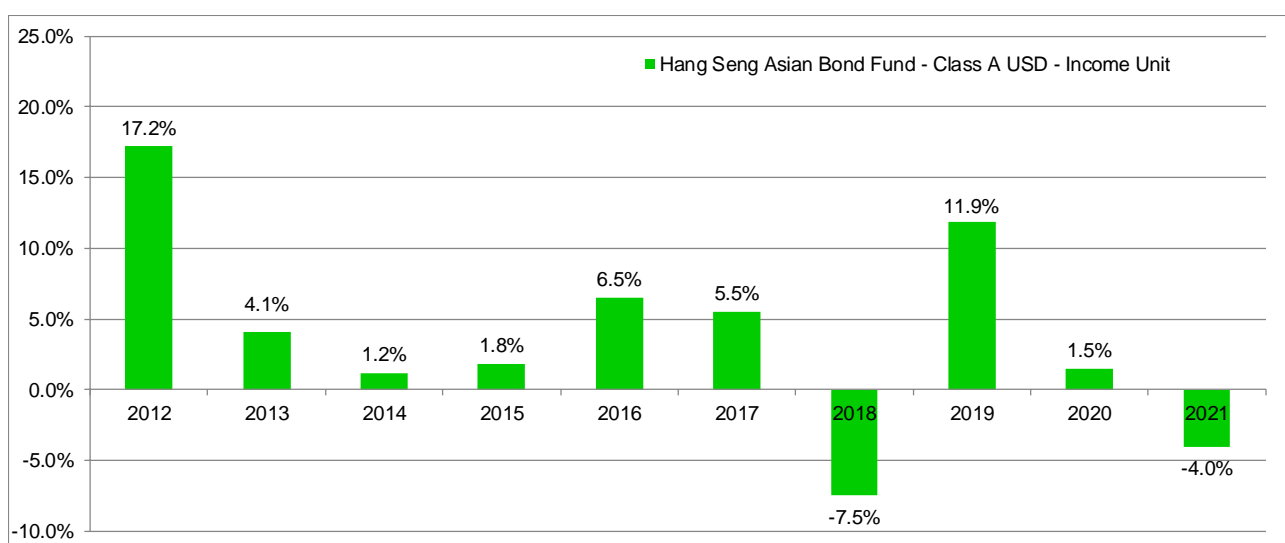
Risks associated with Distribution out of the Fund's Capital

- ❖ 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?



Note: The investment objective and strategy has been changed on 7 February 2022 to reflect the change of investment in Asian debt securities denominated in USD. Therefore, the performance up to 2021 was achieved under circumstances that may no longer apply.

- ❖ 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 USD 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 Units of the Fund with effect from 24 December 2014.
- ❖ Fund launch date: 2001
- ❖ Class A USD – Income Units launch date: 2001
- ❖ The representative Class of Units of the Fund has changed to Class A USD – Income Units starting from 19 January 2015 as it is the retail Class of Units with the longest track record and currently marketed to the public of Hong Kong. Previously, the representative Class of Units of the Fund was Class A USD – Accumulation Units** but such units are no longer marketed to the public of Hong Kong starting from 19 January 2015.
- ❖ Investors may obtain the past performance information of other Class(es) of Units from the website www.hangsenginvestment.com[▲] when it has an investment track record of not less than 6 months.
- ❖ Past performance information (if any) of other Class(es) of Units is 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?

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 4.0% of the issue price of the relevant Class of Units of the Fund
	Class D Units	
Switching Fee	Class A Units	Up to 2.0% of the issue price of the relevant Class of Units of the Fund
	Class D Units	
Redemption Fee	Class A Units	Nil
	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 Units	1.00%
	Class D Units	

Trustee Fee [^]	Class A Units	0.085%
	Class D Units	(subject to a minimum monthly trustee fee of US\$1,300)
[^] 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 <ul style="list-style-type: none"> ❖ 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)