



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng Islamic China 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 Islamic 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	
Shariah Compliance Adviser:	Amanie Advisors Ltd.	
Base Currency:	USD	
Underlying Index:	Dow Jones Islamic Market™ China/Hong Kong Titans 30™ Index	
Dealing Frequency:	Daily*	
Dividend Policy:	No distribution, any income received by the Fund will be retained** by the Fund 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	2.72%
Tracking difference of 2021****	Class A	-2.35%
Financial year end of the Fund:	30 June	

\* 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”.

\*\* This is subject to the process for purification. Please refer to the sub-section headed “Dividend Purification” under the “INVESTMENT OBJECTIVES AND POLICIES” section in the Explanatory Memorandum for details.

\*\*\* The ongoing charges figure is based on annualized ongoing expenses for the period 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) for Class I Units is available from the Manager on request.

\*\*\*\* This is the actual tracking difference of the calendar year 2021. Tracking difference of Class I Unit is not available as there was no Class I Unit in issue as at 31 December 2021.

### What is the Fund?

- ❖ The Fund is a fund in the Hang Seng Islamic Investment Series (the “Series”), which is a unit trust established as an umbrella fund under the laws of 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 of the Dow Jones Islamic Market™ China/Hong Kong Titans 30™ Index (the “Index”) through

investing primarily in the constituent stocks of the Index. All investments of the Fund will meet Islamic Investment (or “Shariah”) Principles as interpreted and laid down by the Shariah Compliance Adviser.

### **Investment Strategy**

The Manager primarily adopts the full replication strategy by which the assets of the Fund 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 Shariah compliant index-tracking strategies (such as sampling strategies) from which the return to the Fund will substantially reflect the performance of the Index. Such strategies are chosen based on their correlation with the Index and cost efficiency in order to reflect the characteristics of the Index.

### **Index**

The Index represents the 30 largest companies whose primary operations are in mainland China and Hong Kong but trade on the Stock Exchange of Hong Kong Limited. The components of the Index are consistent with the Islamic Investment Principles (i.e. Shariah compliance) as interpreted and laid down by the Shariah Compliance Adviser.

By industry screens, excluded are companies which derive more than 5% of total revenue from the following impure sources: alcohol, tobacco, pork-related products, conventional financial services (banking, insurance, etc), weapons and defense, and entertainment (hotels, casinos/gambling, cinema, pornography, music, etc).

By financial ratios screens:

- Excluded are companies whose: (i) Total debt divided by trailing 24-month average market capitalisation is 33% or more. (ii) Cash plus interest-bearing securities divided by trailing 24-month average market capitalisation is 33% or more. (iii) Accounts receivables divided by trailing 24-month average market capitalisation is 33% or more.
- A 2 percentage point buffer for 2 consecutive review periods is applied: (i) Companies deemed Shariah compliant at the prior review period that exceed the maximum ratio (currently 33%) for any one of the above financial ratios screens at the current review period remain Shariah compliant if the ratio is within 2 percentage points of the maximum allowed. However, if the maximum is breached for 3 consecutive review periods, the company will be deemed non-Shariah compliant. If any of the ratios are above the 2 percentage point buffer limit, the company is deemed non-Shariah compliant immediately; (ii) Companies deemed non-Shariah compliant at the prior review period that pass all financial ratios screens at the current review period remain non-Shariah compliant if any ratio is within 2 percentage points of the maximum allowed. However, if the company satisfies all three ratios for 2 consecutive review periods, the company will be deemed Shariah compliant. If all three ratios are below the 2 percentage point buffer limit, the company is deemed Shariah compliant immediately.

The Index is weighted based on modified market capitalisation. The weights of individual components are capped at 15%.

The Index is denominated in USD. It is calculated on total return basis without adjusting for purification.

The Index was launched on 4 May 2007 with a base date of 30 December 2005.

The Manager and its connected persons are independent of the Index provider.

As at 13 April 2022, the Index comprised 30 constituents listed on the Stock Exchange of Hong Kong Limited with total market capitalisation of USD677.1 billion. The constituents of the Index together with their respective weightings may be accessed via the website of the index provider, S&P Dow Jones Indices LLC at <https://supplemental.spindices.com/supplemental-data/hong-kong><sup>▲</sup>.

For details, please refer to the website of the Index provider, S&P Dow Jones Indices LLC, at [www.spdji.com](http://www.spdji.com)<sup>▲</sup>.

## **Use of derivatives / investment in derivatives**

The Fund will not use financial derivative instruments for any purposes.

## **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.

### **Risks for Funds investing in Equities**

- ❖ 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.

### **Islamic Investment Risk**

- ❖ For the Fund to remain Shariah compliant, it may be required to "purify" its portfolio of income that is considered "impure" by Shariah Principles (i.e. any amount that may have been derived from activities not in accordance with Shariah Principles) and donate such amount to charitable organizations. This may lower the performance of the Fund.

### **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 Hong Kong listed securities (including H-shares and red chip shares) of a particular sector or group of sectors, 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.

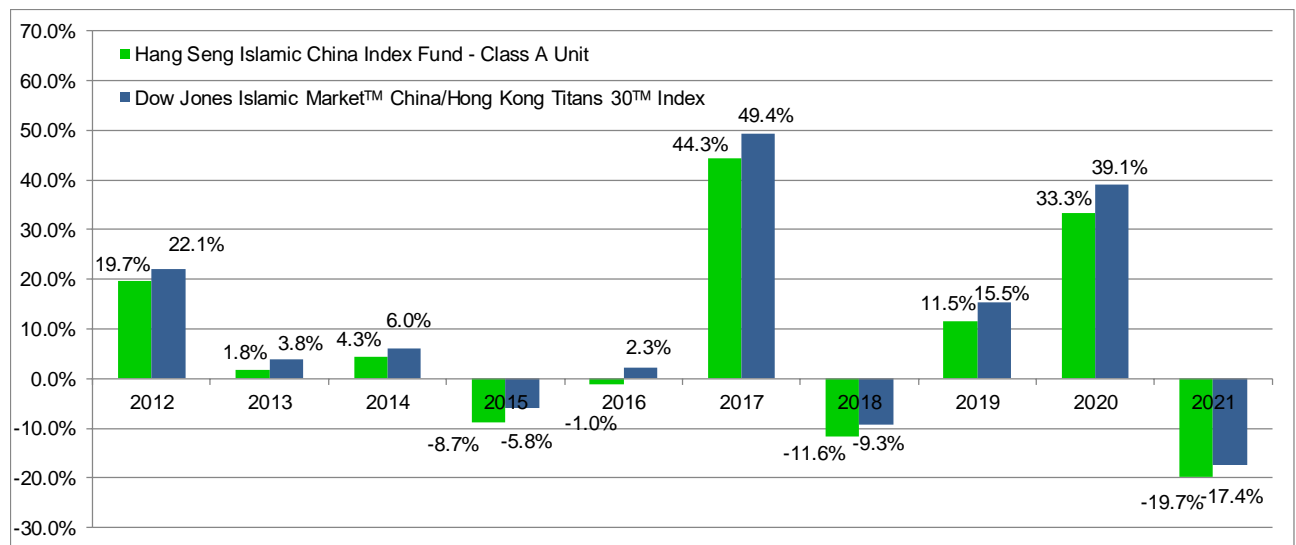
### **General risks of Investments associated with an Emerging Market**

- ❖ Investing in an emerging market (such as mainland China) may involve increased risks and special considerations not typically associated with investment in more developed markets, such as political and economic uncertainties, legal and taxation risks and the likelihood of a high degree of volatility.

### **PRC Tax Risk**

- ❖ The Fund may be subject to PRC Corporate Income Tax and/or other PRC taxes on any cash dividends, distributions and interest derived from mainland China. The Manager reserves the right to make relevant provision on such incomes (if any) if so warranted.
- ❖ The Manager currently does not make withholding income tax provision for gross realised or unrealised capital gains derived from trading of H-shares and/or certain red chip shares.
- ❖ There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value. If taxes are levied in future on the Fund for which no provision is made, the Fund's NAV will be adversely affected. In this case, the then existing and subsequent investors will be disadvantaged.

## 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 USD including ongoing charges and excluding subscription fee and switching fee you might have to pay.
- ❖ The benchmark of the Fund is Dow Jones Islamic Market™ China/Hong Kong Titans 30™ Index (total return with dividend reinvested).
- ❖ 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: 2007
- ❖ Class A Units launch date: 2007
- ❖ The Manager views Class A 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.
- ❖ Past performance information (if any) for Class I 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 <sup>#</sup>	
Subscription Fee	Class A Units	Up to 3.0% of the issue price of the Fund
	Class I Units	Up to 2.0% of the issue price of the Fund
Switching Fee	Class A Units	Up to 2.0% of the issue price of the Fund
	Class I Units	Up to 1.0% of the issue price of the Fund
Redemption Fee	Class A Units	Nil
	Class I Units	

<sup>#</sup> 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 <sup>^</sup>	Class A Units	Up to 1.0%
	Class I Units	Up to 0.7%
Trustee Fee <sup>^</sup>	Class A Units	0.045%
	Class I Units	(subject to a minimum monthly trustee fee of US\$2,500)

<sup>^</sup> 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.

Note: The Shariah Compliance Adviser's fee for the Fund will be borne by the Manager.

### 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](http://www.hangsenginvestment.com)<sup>▲</sup>.
- ❖ Investors may obtain other information of the Fund from the website [www.hangsenginvestment.com](http://www.hangsenginvestment.com)<sup>▲</sup>.

### 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.

<sup>▲</sup> This website has not been reviewed by the SFC.

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